MANAGING COMPLIANCE AND RISK

FIVE COMPLIANCE QUESTIONS EVERY CEO SHOULD ASK

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Five compliance questions every CEO should ask

If your company is actively engaged in the global marketplace, chances are you're aware of trade compliance. But do you realize the full impact your customs and trade processes can have on your business – and your bottom line?

From expensive duty re-assessments to costly and disruptive audits, poor trade compliance can adversely affect your company in any number of ways. If you want to take advantage of everything the global market has to offer – while avoiding its potential pitfalls there are five questions every CEO should be able to answer.

1 Are poor customs and trade processes putting your company at financial – and legal – risk?

Your import and export processes are the backbone of your supply chain, but if they're not in compliance with Customs' regulations and the requirements of other government departments, you could be facing delays, fines, retro-active duty re-assessments and penalties. Even worse, you could be facing a Customs audit – and that's something you want to avoid. Customs audits take an average of 15 months and 1,900 hours to complete, and if you're found in violation of any regulation, you can face serious consequences including heavy fines, and even loss of import/export privileges. In addition, Customs has the right to audit and assess fines on your company's imports as far back as the previous four years. If that happens, you could be looking at paying years' worth of Customs fines and the unpleasant prospect of telling your shareholders why you're in the red at year-end. Can your company really afford it?

How confident are you in your customs and trade processes?
Ask your compliance managers the tough questions.

2 How much money is the border really costing you?

Just a one-day delay in the release of merchandise can cost companies over $700 for each affected shipment. And when you consider that over 82% of companies experience some type of hold by U.S. Customs every year, there's a high probability that you could be hit with a similar costly delay.[1] Incorrect documentation, inaccurately classified products, and improper valuation of your goods can all cause delays and potential fines. And while fines and penalties can be costly, holds and seizures at the border can have a ripple effect through your organization. Depending on your business model, delays can have a significant impact on your ability to manage your manufacturing and production efficiencies. Those production slowdowns can have a direct correlation to your profit margins, and put undo stress on meeting customer commitments. For organizations that service customers directly through global trade, delays can also tarnish your image and reputation, causing doubt in the minds of your suppliers and your customers and leaving the door open for clever – and compliant – competitors to gain a foothold in the marketplace.

3 Are your vendors and/or carriers putting you at risk?

Your vendors and carriers are key parts of your supply chain. You rely on them to get the components you need, when you need them, and where you need them. But can you be certain that their compliance practices aren't putting your business at risk? Keep in mind that, as an importer, you're ultimately responsible for all aspects of your supply chain. Even if you know your trade processes are compliant, you need to make sure your vendors, carriers and suppliers are compliant with all government regulations and requirements as well. If Customs hits your suppliers with a violation, chances are they'll be looking your way next. In addition, think about the impact your vendors and carriers can have on your distribution resource planning; a non-compliant trade partner can throw a monkey wrench into your carefully-laid inventory control processes.

4 Are you taking advantage of global trade opportunities?

Preferential free trade agreements and tariff treatments are lucrative sources of savings and revenue, especially considering the economic slowdowns in the U.S. and Europe. Free trade agreements exist between multiple countries, including many emerging economies, that have eliminated or reduced tariff rates on multiple goods and products. In addition, sourcing goods internationally is a great way to minimize landed costs. But a recent PWC survey of CEOs suggests that while 94 percent of companies agree that to stay competitive they must access emerging economies, only 40 percent actually have a strategy in place to reach those markets.[2] If you fall into the 60 percent of laggards, you're not just looking at a missed opportunity – you're in danger of falling behind the competition.

Growth into new markets is also critical in protecting your organization from economic downturns; in fact, engaging in multiple markets can ensure a balanced approach to changing market conditions, where a downturn in one market can be offset by growth into others.

5 Who are you shipping to, and are your products being used as you intended?

No matter what happens to your products when they hit the market, you're ultimately responsible for maintaining export compliance. If your products are misused – say, as weapons components or to assist terrorist activities – you could be looking at serious fines, investigations and civil or criminal charges. A well-known defense contractor was hit with $79 million in fines in 2011 for shipping military-use goods to Eastern Europe; a Customs audit found their compliance practices "lacked adequate oversight, resources and record-keeping" for the company to even understand who they were shipping to and what their goods were being used for.[3]

Even technology strictly meant for civilian purposes such as GPS units could have military or weapons applications in the wrong hands, and as an exporter, you are responsible for the end use of your products. In addition to fines and penalties, your company's name and reputation could be on the line.

Review your trade compliance practices today

Ineffective trade compliance practices can have a significant impact on your bottom line. From shipment delays and fines to customs audits and damaged reputations, the consequences of non-compliance are serious.

Work with a customs and trade compliance specialist to review your processes and help ensure that ineffective trade practices don't jeopardize a profitable year.

1 COAC 2012 Trade Efficiency Survey
2 PWC 15th Annual Global CEO Survey 2012
3 U.S. Department of State Directorate of Defense Trade Controls "Major Enforcement Cases"

Contact Livingston

Have questions or need help with your shipments? Contact your account executive, write to us at: simplify@livingstonintl.com or give us a call at **1-800-837-1063**

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