



THE ART OF VENDOR COLLABORATION

CONNECTING THE SUPPLY CHAIN WITH SOFTWARE

When designing a supply chain process, the more control a company has over its supply chain segments, the more predictable it can operate. This means they use resources more efficiently, and have a lower overall cost of operations. One company cannot typically do everything itself, so they turn to vendors to support their goals and processes.

When a company works with their vendors, they turn over some control of their operation. The vendor could be a supplier or manufacturer of the product, a broker who manages the customs entry or even a consultant who provides the tariff classification of the goods. In all cases, the vendors play an important role in the importer's supply chain.

The Item Number, often referred to as a SKU (sales keeping unit) or a Part number, is one of the key elements to maintain in the collaboration process. The item description is the other key data element. Both of these have a profound impact downstream in the supply chain if they do not adhere to a uniform standard.

Key Data Elements

The first detail is the Item Number, or SKU. The company ordering the product almost always has that item defined by some kind of unique identifier (ID). The supplier may have their own identifier, which is often different than the ID of the company ordering the goods. When the commercial documents are created, it is essential that the right ID is used – usually the one determined by the importer so it can match up against other data that is merged with the documents further downstream.

A supplier or manufacturer's primary responsibility is to supply the correct amount and type of product ordered by the importer. However, their responsibilities do not necessarily end there. Suppliers may also produce documents (such as a commercial invoice) that contain product information, quantities and value – all of which are used by other parties downstream in the supply chain. It is important that the documents correspond to the items ordered. There are specific details (further outlined below) on the documents that can cause a negative ripple effect downstream if they do not follow a uniform standard defined by the importer.

The next detail is the description of the goods. The description listed for each item on the invoice should correspond to how the items are classified. If a description is misleading and does not represent the true nature of the items, a Customs authority may have concerns if they see a discrepancy. Furthermore, brokers may determine a Harmonized Tariff Schedule (HTS) classification based on a description, and inaccuracy would mean declaring the wrong commodity.

For both of these key data elements – the item number and the description – there are ways to coordinate with vendors to ensure they use a specific value. With a Global Trade Management (GTM) software system, companies can maintain a centralized product database and collaborate with vendors through controlled (usually view only) access. The importer maintains control over the item number, description and classification in the software program, yet allows each vendor to view the information to transfer onto documents. A great feature of some GTM product databases is the ability to associate specific vendors with specific item numbers in the program, thus restricting the view access of each supplier to only the relevant items that they supply.

Trade Consultants

When new orders are sent to suppliers, some of the items may be new and not yet classified with an HTS. Trade consultants often assist importers with the HTS classification process. Like with suppliers, companies can also give trade consultant vendors access to their GTM system. The consultants tend to have a greater access than a supplier, which allows them to enter a classification, notes and other relevant details. If needed, they can assign products to the client to review. Because all of this work is done in one centralized product database, there is a full history trail and record of the activity. This is one more example of how a GTM system can induce collaboration with vendors.

Forwarders and Brokers

When shipments and their associated documents are turned over to freight forwarders and customs brokers, this introduces more vendors to the process. Documents with consistent descriptions help avoid questions by a customs authority when they compare the descriptions against the HTS classification used. Brokers may also reference the item number on the

commercial documents to retrieve the classification from a different source. Thus, it is essential that the ID on the documents is accurate, and can be cross-referenced against the correct classification.

The classification itself can be stored in the trade management software and made available for the broker to use when submitting the entry to Customs. This is another example of how a trade management system can collaborate with a vendor, in this case a broker. With automated product updates setup to feed a broker's parts database, the broker is basically viewing a mirror image of the product details that exist in the GTM program. Brokers can also have view only access to the GTM program as a backup measure, or to retrieve important documents, such as antidumping statements.

Taking Collaboration to the Next Level

The above examples deal with a GTM system that principally relies on a product database. GTM systems often play an even greater role in a company's supply chain. Knowing how important accurate documents are, a company may choose to

centralize the document creation process too, instead of ceding this control to each supplier. If a company is looking to control the document creation process, they can extend their product database into a GTM booking and document management tool.

An online booking system allows new orders to be placed – either manually or through systems integration – directly in the GTM booking system. Any classification and description for the items on the order can be pulled from the existing product database.

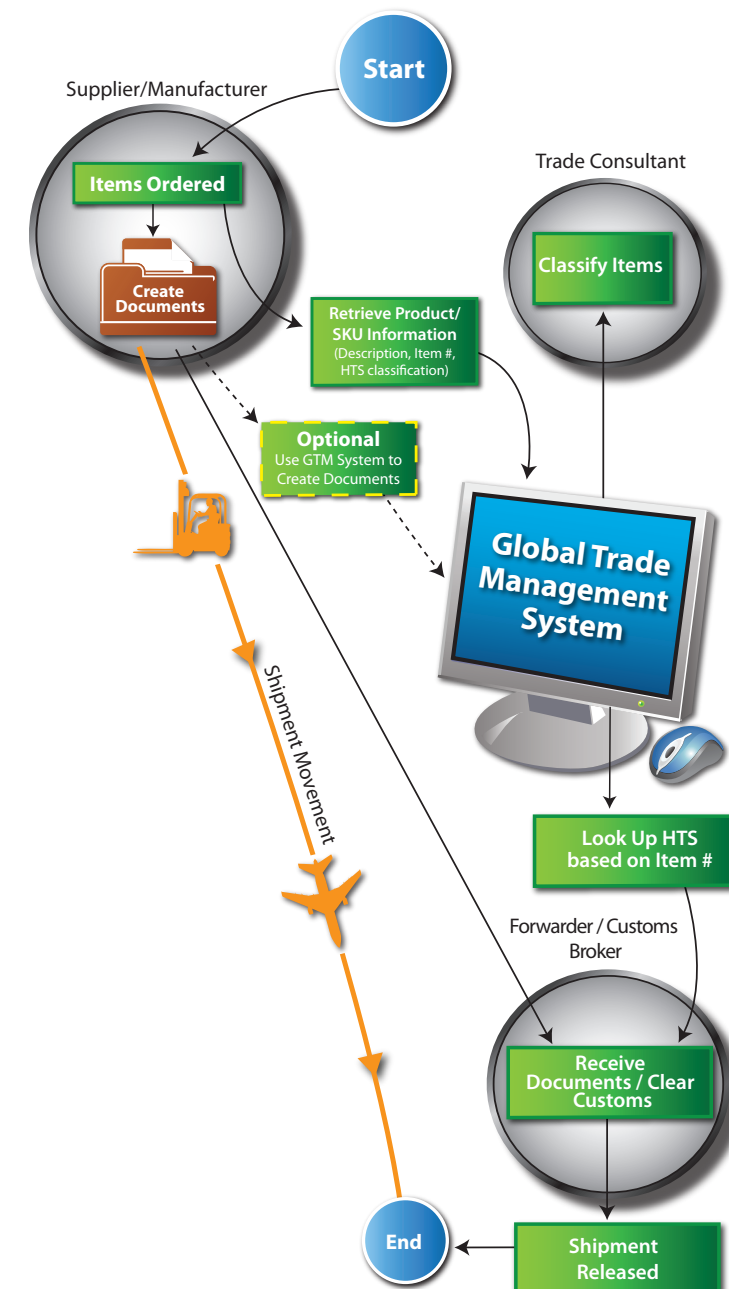
The orders can stay in draft status until the vendor can confirm inventory, which may affect quantities and items on the order. After adjusting the items on the order, the supplier can use the online booking system to generate their commercial invoice, packing list, shipper's letter of instruction and other documents. If they choose, together the client and the supplier can use automatic notification functions to send updates to the carrier, with the associated documents. With this approach of managing documents directly in the GTM system, it extends the collaboration between all parties even deeper.

Whether a company's vendor is a supplier, broker, consultant or freight forwarder, managing the item information of an order and the associated documents is a key step in the supply chain process. A small error upstream can lead to a large problem further downstream.

Global Trade Management systems allow companies to collaborate with vendors on their item-level detail and commercial documents, enabling enhanced efficiency and accuracy of the entire supply chain process.

Nicolaas Beehler

Business Development Manager
nicolaas.beehler@expeditors.com



Tradeflow®, Expeditors' proprietary global trade management system, offers all of the features discussed in this article. Tradeflow has allowed many companies to realize incredible efficiency gains in their export/import processes.

One particular customer realized a 94% reduction in communication between their broker and the internal compliance team to resolve discrepancies with the item descriptions on the commercial documents. This was done by collaborating with their suppliers through online access to product description information.

In addition, Expeditors has a wholly owned trade consultant subsidiary, Tradewin®, that provides expertise to companies involved in global trade. For more information, visit www.tradewin.net

For more information about how Tradeflow can help your company collaborate with your vendors, please visit us on the web at: <http://www.expeditors.com/bst/tradeflow.asp>