



How Cross Border Shippers Can Improve their Supply Chain Organizations

Avoiding Cross-Border Obstacles in Global Trade

HOW SMART SHIPPERS CAN OFFSET *the monumental challenges that come with running today's increasingly complex, intertwined global supply chains.*

Introduction

Operating in a world where global supply chains are becoming increasingly intertwined and complex, today's shippers face a litany of challenges when importing and exporting goods. The current tariff environment, transportation capacity crunches, rising freight rates, and the North American truck driver shortage are just a handful of the key issues that all shippers are facing. On the global front, constantly-changing regulations, customs requirements, and compliance/risk issues can cause delays in even the most well-thought-out supply chains.

With global trade management becoming more complex, and with more companies trading and working with one another "cross-border," keeping goods moving across the supply chain in an expedient manner while also maintaining good visibility over those orders is getting tougher and tougher. That's because companies looking to reduce costs and grow their profits are tapping into large networks of suppliers, manufacturers, trade brokers, and customers that are literally *spread across the globe*.

"A paradigm shift has occurred in which companies that once built domestically to sell internationally now look globally for raw materials, services, and finished goods to sell into a defined marketplace. This shift is happening because of reduced barriers to trade and investment, lower transportation costs, ease of information flows, new enabling technologies, and the emergence of economies such as China and India," *Trade Ready* points out. "Companies have discovered that effective supply chain management cuts costs, reduces waste, prevents over-production, and helps ensure that customers are more satisfied with product, price, and service. This means it is an essential tool for competitiveness in a global marketplace."¹

Facing increased and changing customer expectations, shippers are more focused on transit times. For example, in dealing with potential disruptions like natural disasters, they're using strategies like nearshoring to shorten up their supply chains and ensure more reliable shipping timetables.

According to a [recent survey of manufacturing and distribution companies](#) in the U.S. and Western Europe, 69% of organizations believe nearshoring is a possible opportunity to meet demand from consumers (up from 40% in the prior year's survey). And in another study, more than half of companies said they were already using nearshoring as a location strategy for their production processes.

Finally, in today's business environment, logistics managers mustn't forget to factor in softer metrics like customer satisfaction, as these measures have the ultimate power to improve or erode a company's bottom line.

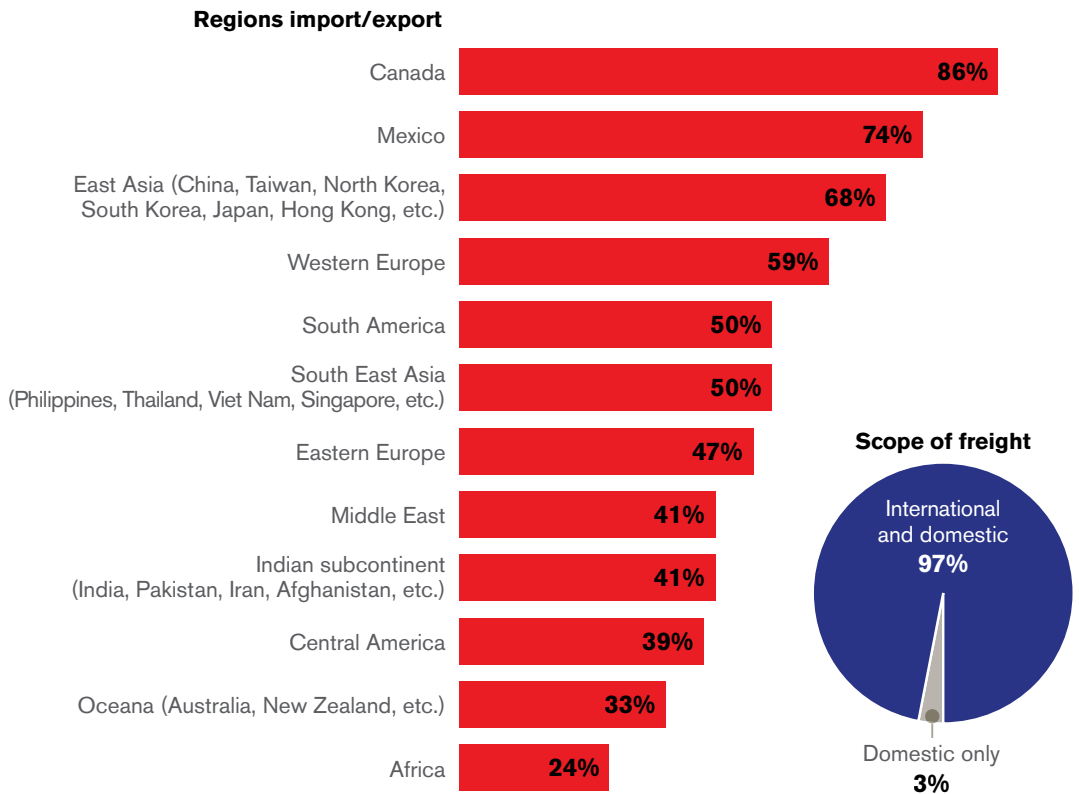
To help shipping managers address the many global freight challenges that they're facing in today's business environment, Peerless Research Group (PRG), conducted a survey for Purolator International, Inc., on behalf of *Logistics Management*. We surveyed 66 top corporate, supply chain, logistics, operations, and procurement executives to assess customs setbacks; see how companies are handling border crossing issues; explore which job functions and departments are largely responsible for understanding and overseeing regulations compliance; and find out who is involved in the process for transportation, logistics, sourcing, and partner relationship management

Organizations' Shipping Practices

Today's global shipping networks are expansive, so it's no wonder that many global shippers encounter significant challenges when managing their end-to-end supply chain. According to our survey, nearly all organizations ship both domestically and internationally. At least one-half of these companies work with customers and/or suppliers that are located in Canada, Mexico, Asia, Western European countries, South America, and Southeast Asia. (Figure 1) The sheer expansiveness of these networks—and the tariffs, compliance, regulatory issues, and risk that come into play in any supply chain scenario—is making good supply chain management more and more difficult for companies of all sizes.

Figure 1

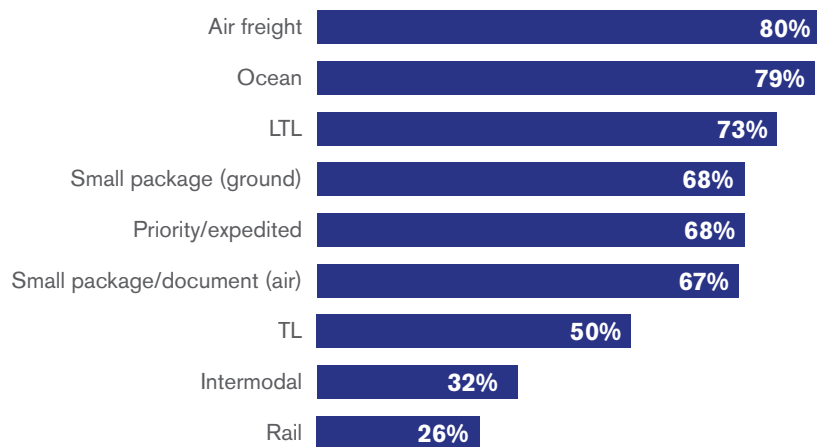
Organizations' freight networks



Adding to these global supply chain complexities, companies regularly use a multitude of modes for transporting shipments. This introduces a litany of different challenges for shippers of all sizes. Our survey found that roughly three-fourths of the companies rely on a combination of air, less than truckload (LTL), and ocean carriers to get their goods from Point A to Point B. Small package, ground, and priority carriers are also commonly used. Relying on numerous transportation suppliers often creates difficulties in tracking shipments, reduces end-to-end supply chain visibility, and requires a higher level of orchestration—all of which can add costs for global shippers. (Figure 2)

Figure 2

Modes of transportation use for domestic and international shipments

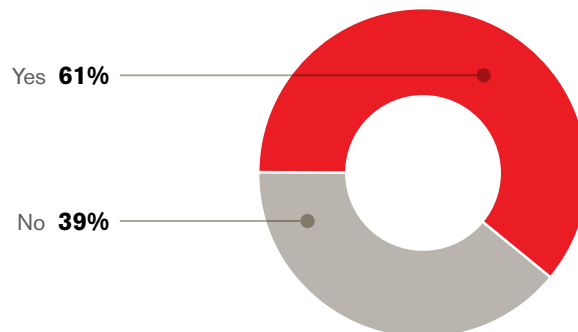


Global Shipping Issues and Challenges

The complexities of managing a domestic supply chain are many, but when companies look beyond their borders to move freight, they face an entirely new set of challenges. For example, freight problems at border crossings impact nearly two out of three shippers, which claim they have been forced to contend with issues at customs. Having inaccurate paperwork filed, for example, can not only result in penalties and fines, but it can also create shipment delays that cost companies hours (or even days) in the ultimate delivery of their freight. These are issues that shippers simply can't afford to contend with in today's business environment. (Figure 3)

Figure 3

Have experienced problems/with customs



When transporting their goods over international borders, shippers often face shipment delays and customs documentation challenges. A deeper dig into the research shows that even companies dealing with Canada, our closest trade partner, has been problematic. More than one half of those (53%) importing to or exporting from Canada have experienced border delays. Filing the right paperwork can be a complicated process, for example, and can result in the filing of incomplete or incorrect customs forms. A lack of visibility when tracking shipments, unexpected increased costs, and prolonged delivery timelines can also severely hamper a company's global supply chain. (Figure 4)

Figure 4

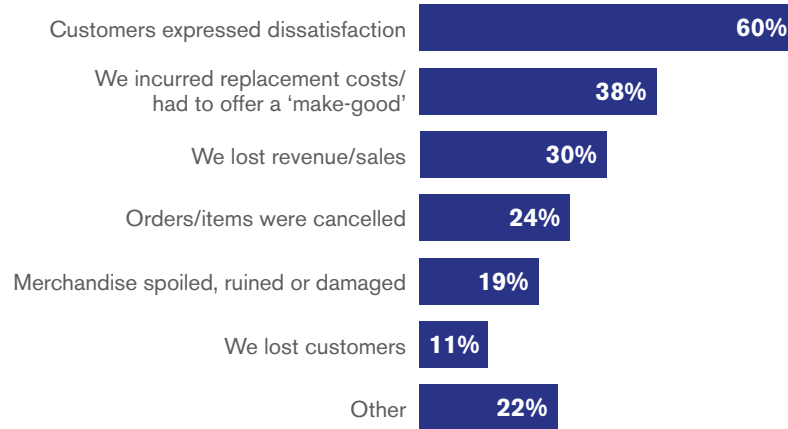
Issues shippers experience/look to avoid when shipping through customs



Problems such as these can spark serious consequences, with partner relationships (both supplier and customer) being particularly prone to such issues. Border snags can also lead to added freight expenses, reparations, lost revenues, and cancelled orders. This, in turn, can create customer service issues that directly impact a shipper's bottom line (e.g., dissatisfied customers, loss of repeat business, lost cross-sell and upsell opportunities, etc.). (Figure 5)

Figure 5

How problems with customs has affected business

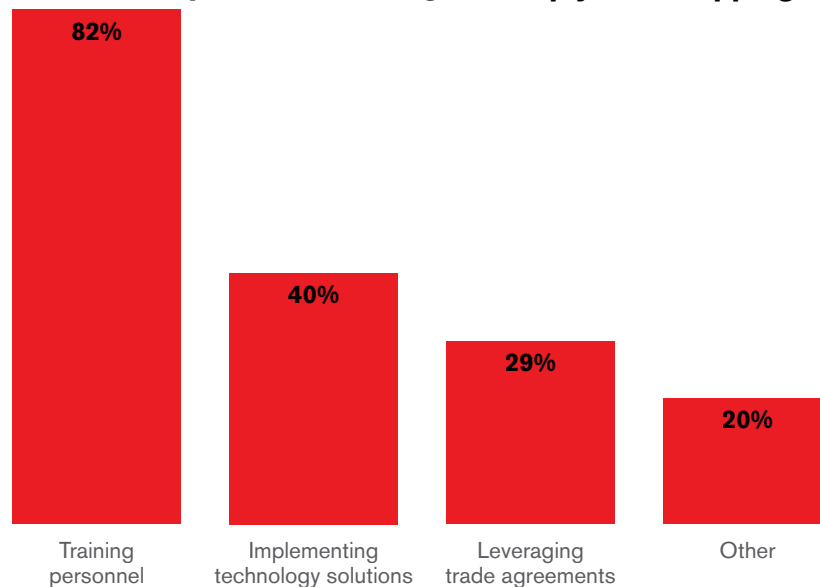


Managing Customs Procedures

To comply with regulations and safeguard against any holdups at the border, most companies are providing better training so employees are better informed on customs processes. In an era where training costs are high, however, some companies are outsourcing cross-border shipments to third parties and then letting those partners manage its complexities. By doing this, companies can rely on the expertise of others in easing border constraints. Going forward, some companies plan to adopt technology solutions (such as global trade management systems) to facilitate the customs clearance process. (Figure 6)

Figure 6

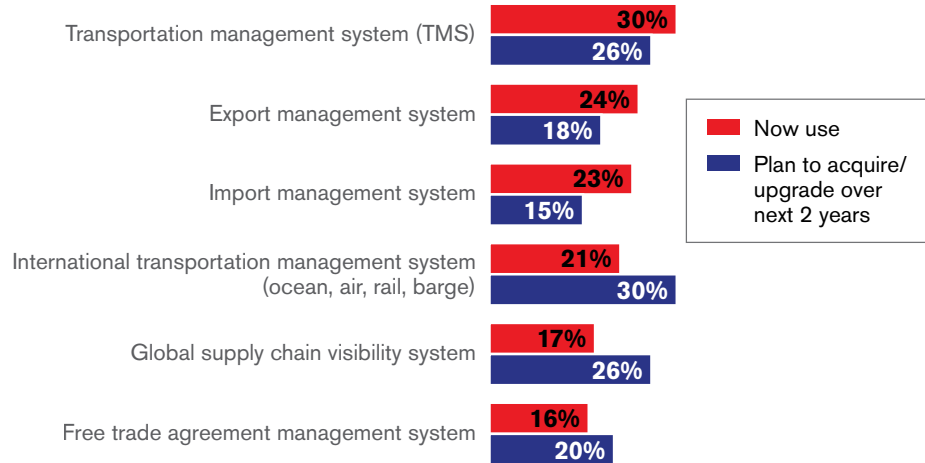
Actions companies are taking to comply with shipping regulations



Currently, one out of every three organizations is using a transportation management system (TMS) to support its shipping operations. About 25% of firms are using import/export management systems or international TMS to oversee freight. Of those companies that are planning to implement or improve systems to better manage international freight shipments, global transportation management systems (GTM), supply chain visibility solutions, and TMS are the most popular choices. (Figure 7)

Figure 7

Systems currently use/plan to acquire or upgrade for managing transportation operations

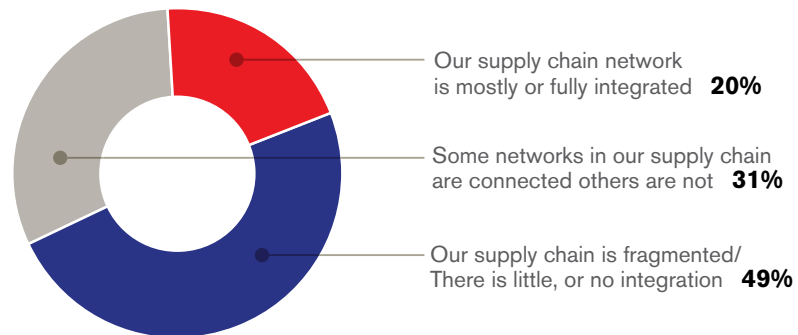


Organizational Supply Chain Infrastructures

Supply chain integration happens when all stakeholders along the supply chain share the same objective (i.e., move the right product to the right place at the right time for the right price to delight the customer/end user), and are aligned in their efforts to achieve this goal. One out of five survey respondents says that its supply chain is “highly integrated” while another 49% acknowledge that some (but not all) of their networks are linked. Still, another one out of three companies admits that its supply chain lacks connectivity and is either “somewhat” or “totally” fragmented. In the end, a seamless supply chain is better equipped to track the movement of goods, allow operations to better understand inventory levels, forecast demand, and identify, assess, and manage risk situations—all of which help to keep the global supply chain operating smoothly. (Figure 8)

Figure 8

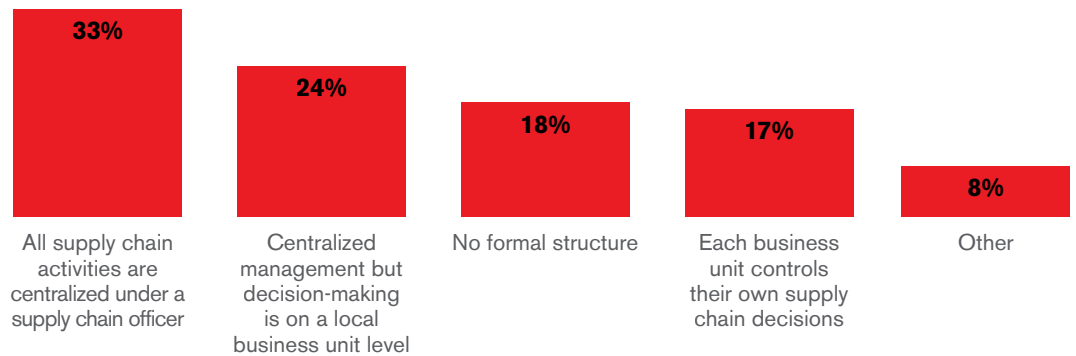
Organizations' supply chain infrastructure



With so many companies grappling with fragmented supply chains, it's no surprise that the majority of firms manage their networks with little structure or organization. In fact, only one out of three shippers has a centralized supply chain, where a top supply chain officer heads up the operation. More than four out of 10 companies operate more decentralized supply chains with the various business units shouldering decision-making duties; interestingly, almost one out of five supply chains lacks any structure at all. (Figure 9)

Figure 9

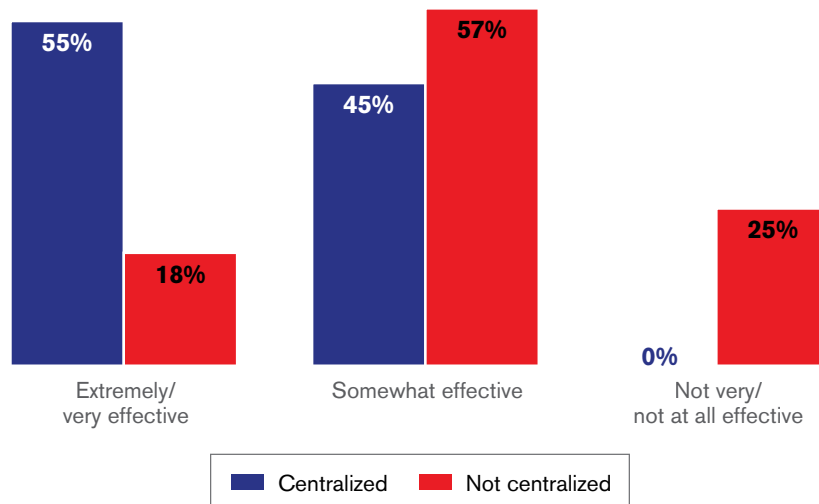
How organizations' supply chains are managed



Regardless of how they're managing their supply chains, supply chain managers are moderately satisfied with their current strategies, suggesting that many supply chains could operate more efficiently. However, those managers that **are** operating a centralized supply chain feel that this approach is more effective than those networks that are decentralized. As with any business initiative, the more fragmented the responsibilities and tasks are, the more opportunities for improvement exist. (Figure 10)

Figure 10

Effectiveness of supply chain management strategy

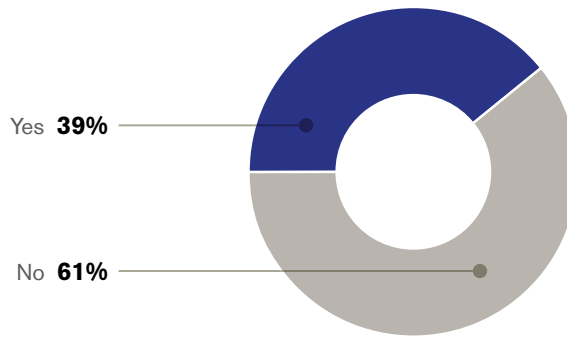


Individuals Involved in Supply Chain Decisions

Roughly four out of 10 organizations rely on a committee to make their supply chain purchase decisions. (Figure 11)

Figure 11

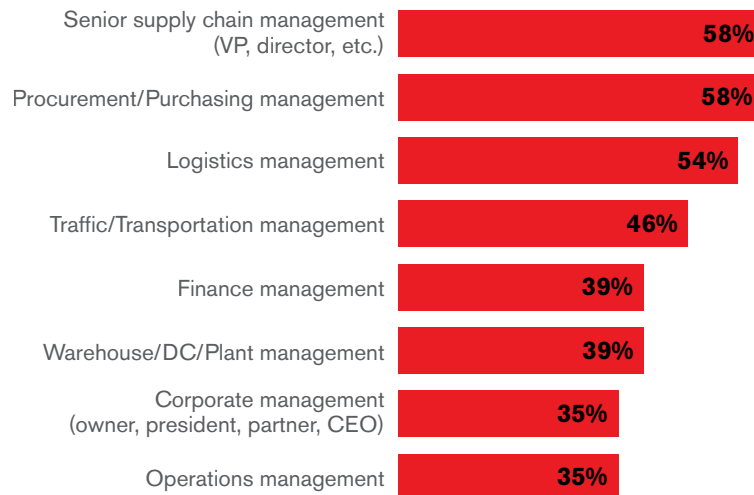
Organization with a committee/team that makes decisions on supply chain solutions and providers



Senior supply chain managers are main fixtures on these decision-making committees. High-ranking individuals responsible for logistics, purchasing, transportation, and finance also have seats at the table. (Figure 12)

Figure 12

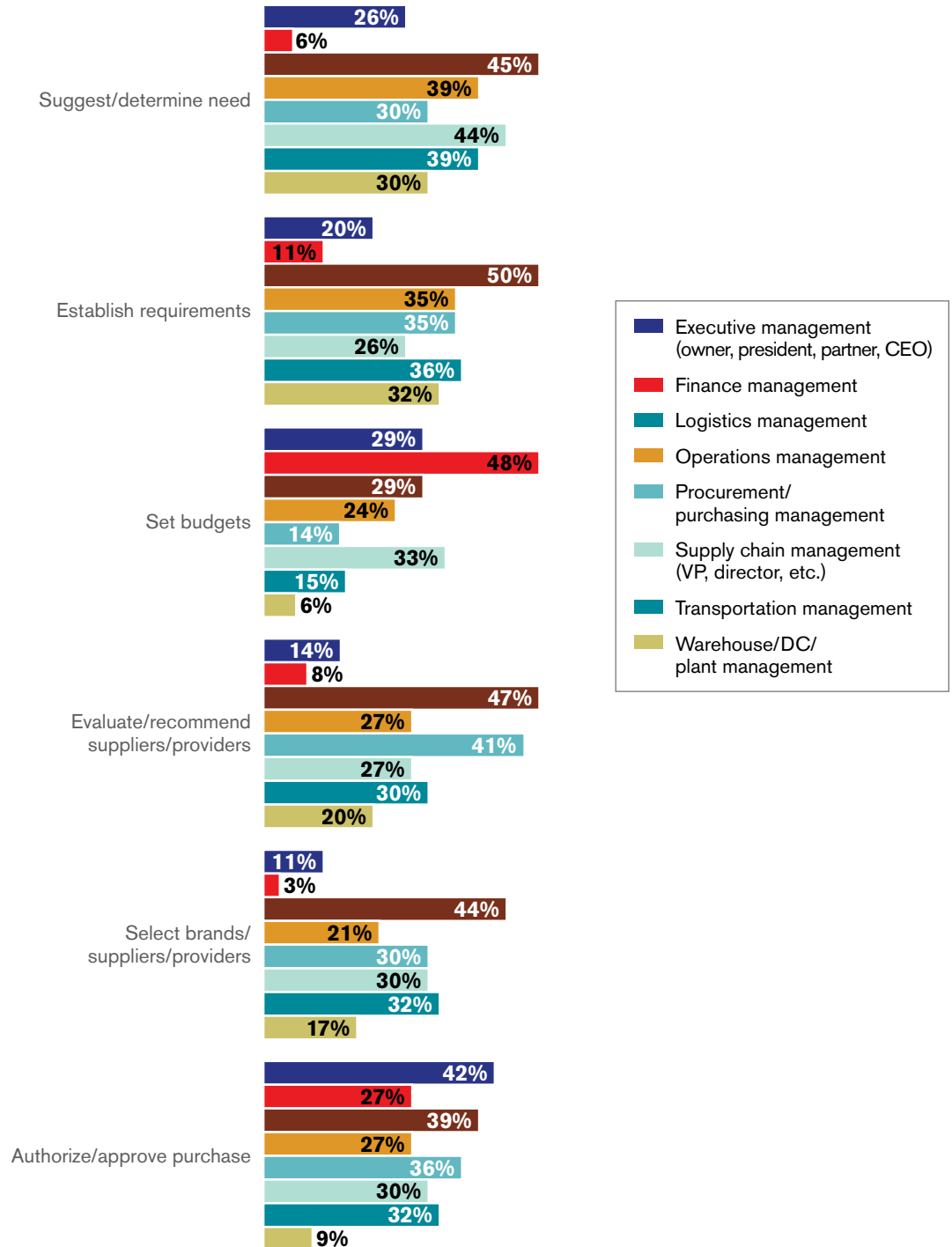
Individuals sitting on supply chain decision-making committees



Logistics managers are highly involved in all aspects of selecting transportation and logistics providers and solutions for their companies. Supply chain executives are also involved throughout the decision-making process, while procurement plays a major role in evaluating and suggesting suppliers. At most companies, finance departments set budgets and executive management rubber-stamps purchases. (Figure 13)

Figure 13

Job titles/functions involved in the stages of the decision process for transportation solutions



When it comes to specific disciplines along the supply chain, the job functions commonly involved in specifying, selecting, and purchasing solutions, technologies, and providers are: (Figures 14 - 16)

Figure 14

Summary: Top job titles/functions involved in the decision process for:

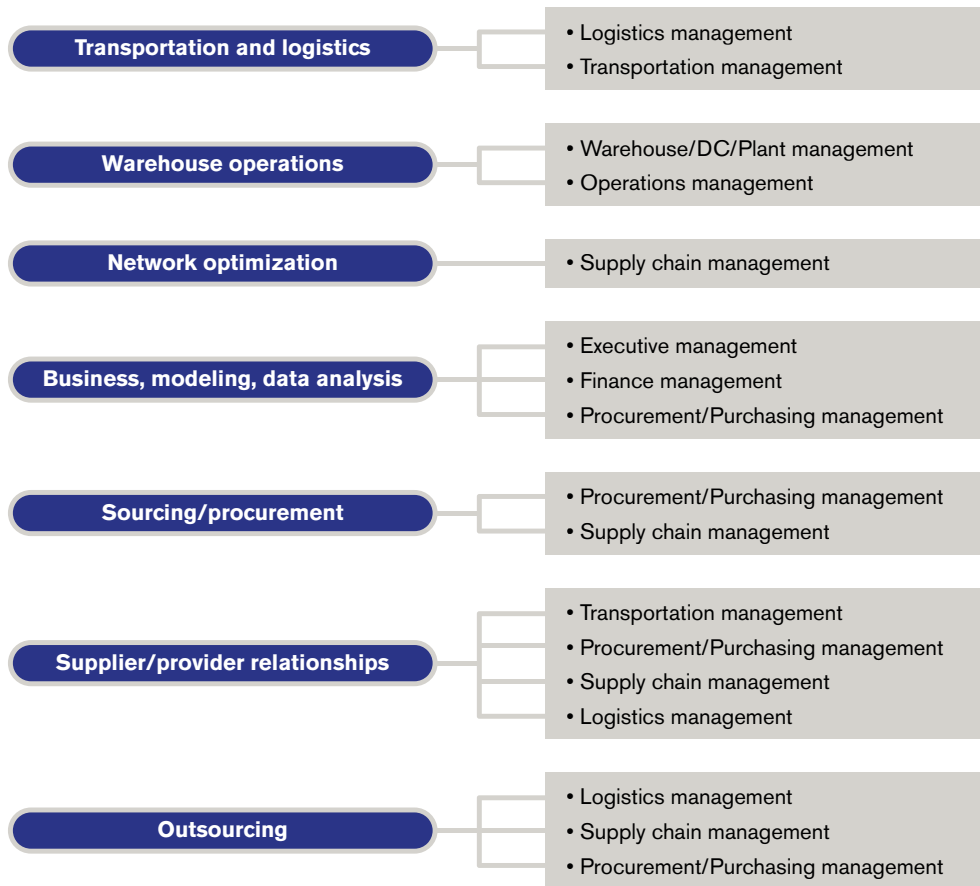


Figure 15

Job titles/functions involved in the decision process for...

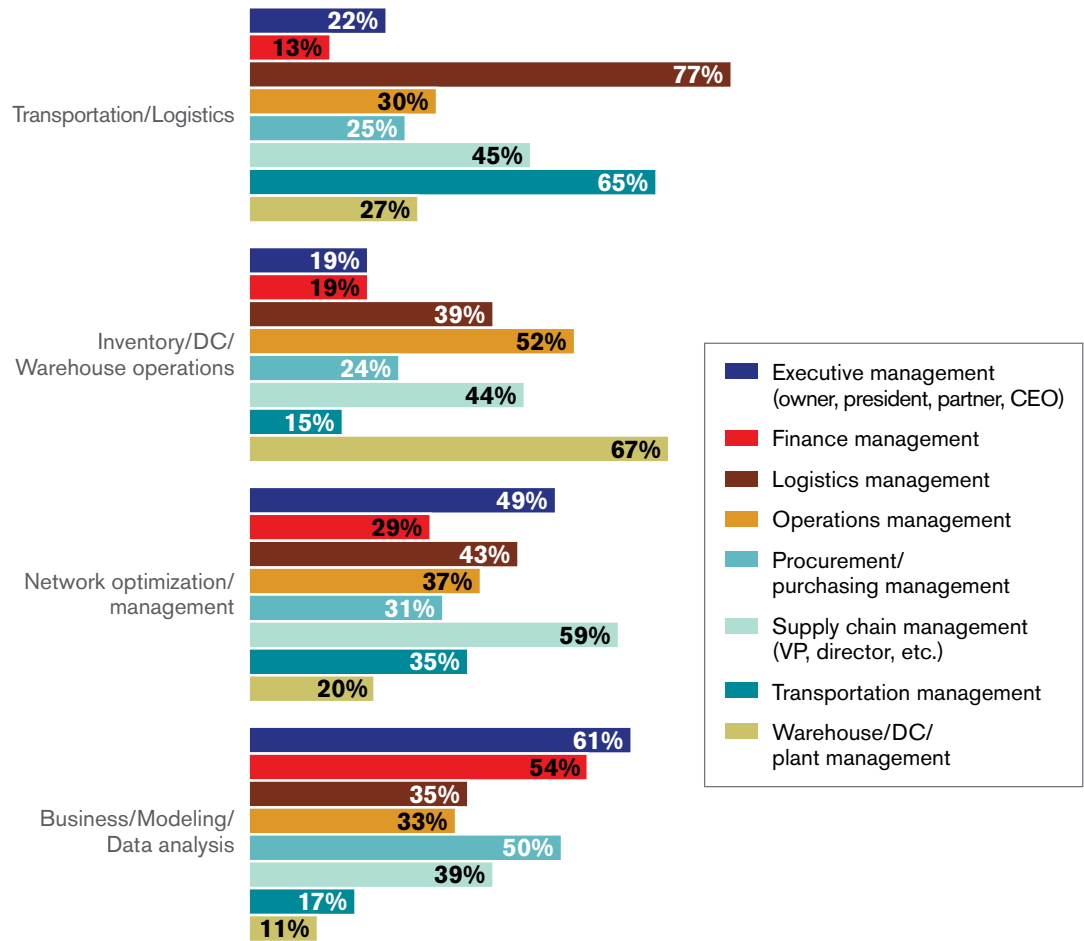
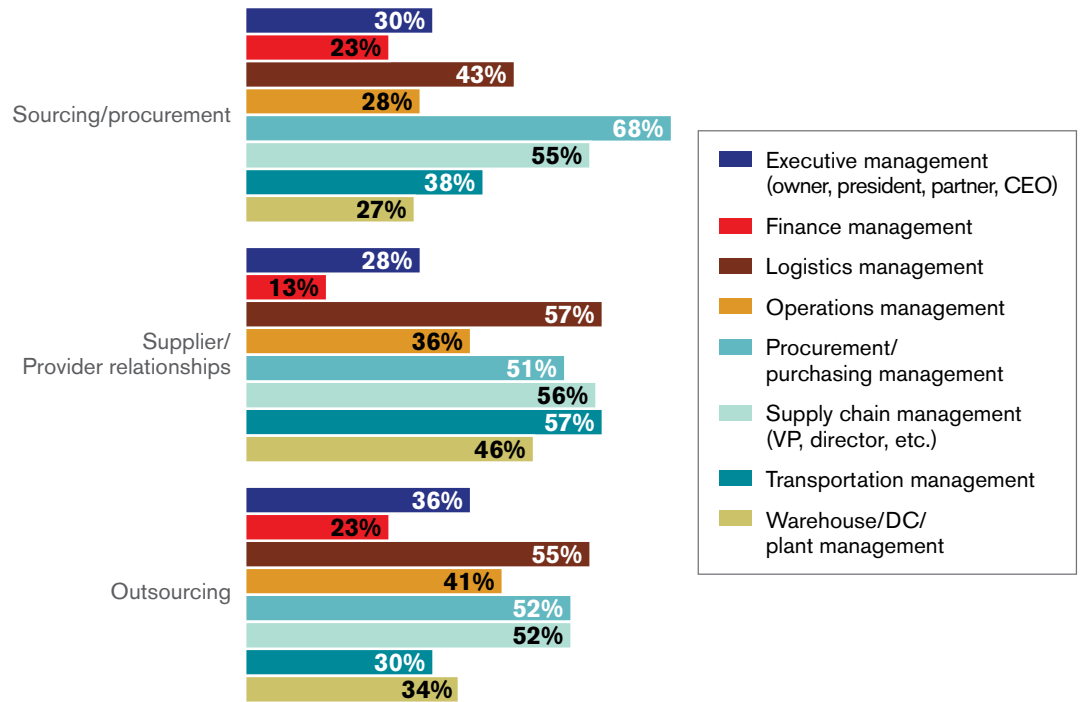


Figure 16

Job titles/functions involved in the decision process for...

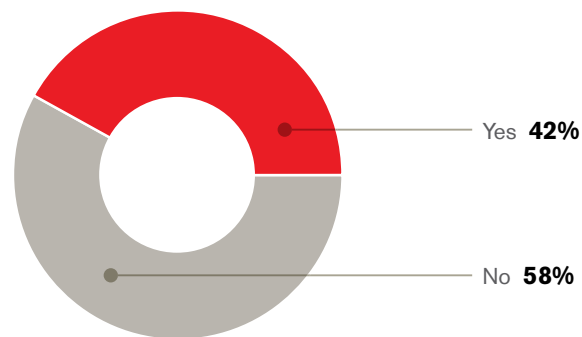


Who's Responsible for Managing Organizational Customs Procedures?

When it comes to international logistics, missteps and miscommunications can lead to shipments getting stuck in customs for days (or weeks); duties and tariffs costing more than expected; and paperwork being filed incompletely or incorrectly. Add time zone differences, cultural nuances, and language barriers to the mix, and the situation can quickly translate into a major supply chain disruption. According to our survey, less than one-half (42%) of organizations have a department that's dedicated to dealing with customs regulations and compliance issues. Instead, such responsibilities are largely left up to the **logistics managers** and **compliance officers** to make sure their organizations comply with customs guidelines. (Figure 17)

Figure 17

Organizations having a department focused on regulation and compliance issues

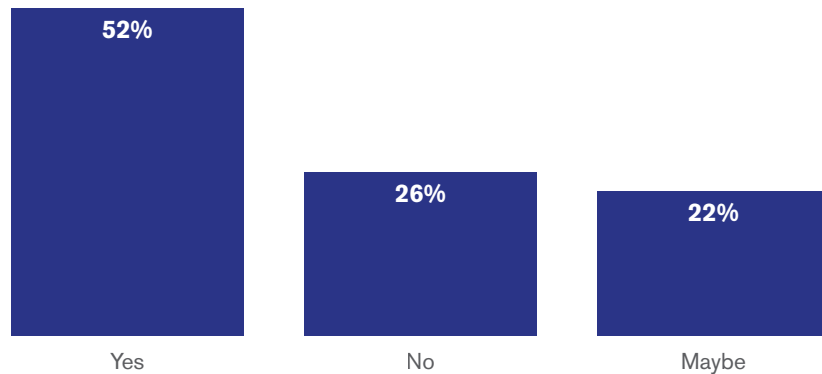


3PL Usage and How a 3PL Can Facilitate Border Obstructions

As mentioned earlier in this report, organizations are finding great value in outsourcing cross-border freight tasks to reliable, reputable third parties. In fact, just over one-half of shippers are now using a third-party logistics provider (3PL) while almost 23% are currently considering outsourcing their cross-border logistics operations to a reliable provider. (Figure 18)

Figure 18

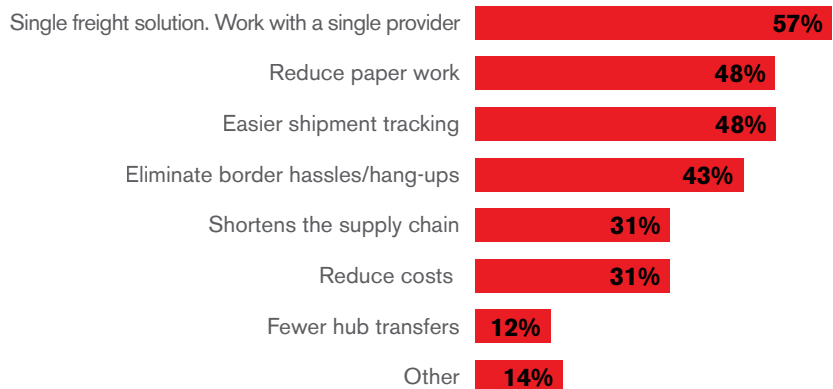
Companies using/considering 3PLs to help meet customs compliance



Working with a 3PL is paying off well for some companies, which have solved their border clearance obstacles by outsourcing that aspect of their operations to a third party. Because a 3PL serves as a single point of contact for shippers, those shippers no longer have to deal with multiple transportation partners to move their shipments through customs. In addition, 3PLs have deep experience with documentation and tracking capabilities, and they have know-how to proactively address and avoid hassles at border crossings. (Figure 19)

Figure 19

How a 3PL can help with compliance issues



Conclusions

The global trade environment has been getting more challenging for shippers over the last few years, and those complexities aren't going away anytime soon. Most cross-border shipments require a great deal of paperwork and verification as they make their way across the supply chain, and especially at customs. For help, a growing number of shippers are turning to reliable, reputable logistics providers that can not only manage "non-core" activities like customs clearance, but can also help minimize shipment delays, fines, or penalties. A 3PL can also provide the technology infrastructure (TMS, GTM, etc.) that shippers need to be able to manage all of the different moving parts in the cross-border shipment process.

As the volume of cross-border shipments continues to increase—and as country-specific regulatory requirements continue to morph—shippers that want to look beyond their borders to move freight will face an intricate set of challenges. Those obstacles include, but aren't limited to, customs, paperwork, the use of multiple carriers, security, and weather. The companies that take the time to address these issues early in the process will be best positioned to leverage both current and future growth in global trade.

Methodology

This research was conducted by Peerless Research Group (PRG) on behalf of *Logistics Management* magazine for **Purolator International, Inc.**, a provider of international supply chain shipping solutions. The study was executed in the spring and summer of 2018, and was administered via the Internet to *Logistics Management* magazine subscribers. Respondents were prequalified for working at a company that ships freight globally.

In total, 66 executives with logistics, warehousing, operations, or purchasing responsibilities were surveyed. Respondents were distributed across a range of company sizes and industries, including manufacturing, retail, and wholesale.

About Purolator International Inc.

Purolator International is the expert in cross border shipping with an unmatched Canadian network. Our ground and air distribution network reaches 100% of both commercial and residential addresses throughout Canada. Combined with efficient transit times, a loss ratio of less than 1%, and proven reliability, Purolator International offers shippers peace of mind with a wide range of service levels and superior customer service that includes end-to-end-visibility and proactive communication from pickup to final delivery

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¹ Roy, Ewan, What are the biggest challenges of managing global supply chains?, Trade Ready, <http://www.tradeready.ca/2017/topics/supply-chain-management/biggest-challenges-managing-global-supply-chains/>