Meeting the Challenges of Global Retailing with GTM Solutions from Amber Road
Introduction

Retailers are facing unprecedented challenges as they respond to rapid shifts in consumer behavior and economic forces. The recession, rising fuel and food prices, along with government-imposed austerity measures have decreased discretionary spending worldwide just as many retailers plan to open new bricks and mortar stores. Meanwhile, the rapid rise in online shopping has many retailers scrambling to broaden their business practices to the Internet.

Tapping into new and emerging markets and embracing e-commerce is crucial to continued retail growth. In particular, US retailers that are aggressively trying to grow their business outside the US must understand the global trade and compliance implications of opening stores and shipping goods to international locations.

A global trade management (GTM) system can streamline and automate the business processes associated with conducting global trade, including admissibility reviews, restricted party screening and landed cost calculations.

This eBook examines three distinct challenges faced by today's retailers and how a global trade management system from Amber Road can help them succeed.

Building Bricks and Mortar Outside the US

While the Internet has changed how people shop, consumers still enjoy the experience of shopping at bricks and mortar stores. The store acts as the embodiment of the company's brand, and every element of that brand must remain consistent and powerful everywhere in the world. Although there are accommodations for local preferences and customs, the most minute details of the brand experience are actively considered when expanding a retailer’s footprint in each new country.

Consider this description of the Abercrombie & Fitch store in Paris, where hundreds of shoppers waited in line to get in, “The walls, ceilings and floors are painted black. Pairs of dancing models are
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stationed inside, all dressed in a uniform (boys: checked shirt with the right shirttail tucked in, cuffed jeans, flip-flops; girls: flouncy top, thin cardigan, rolled-up jean-shorts, flip-flops.) Their speech, too, is uniform, as they are required to greet shoppers with the same phrase — on this Sunday, it was “Hey, what’s going on,” with a heavy French accent.”

A retailer like Abercrombie & Fitch has built an enormous amount of equity in its brand. Consider the scope of activities and challenges any strongly-branded retailer must undertake to export that brand experience from the US to international markets. These include:

Procurement of construction and display materials — Retailers with a distinctive in-store experience, such as Abercrombie, Tiffany & Co. or Apple, may have long-time relationships with the suppliers of their display pieces, lighting, racks, cash counters, signage and all the other items that contribute to the aesthetics of the store. Sourcing these items from elsewhere may not be possible while maintaining the brand. Procurement and supplier reliability, as well as quality, may be an issue.

Retailers may need to ship all these items from their existing suppliers to their new international store locations. This presents a logistics and compliance challenge, especially with compressed construction schedules and mandatory grand opening dates.

Segmenting the supply chain — Retailers rely on an expanding global network of suppliers that can produce their brand merchandise on time and with the agreed-upon level of quality. To get their stock to different countries within the correct time frame for each season, retailers must establish supply chain segments that accommodate varying customer preferences, lead times and compliance requirements.

POS systems and other items that may have export controls — Retail outlets must be able to process payments, record transactions and track inventory. In most cases this is done through the use of a computerized point of sale (POS) system that also may be linked electronically

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to a headquarters. However, many countries place export license requirements on electronic equipment, and they may have other export controls in place for seemingly innocuous store items and merchandise. In particular, the US regulates certain types of data processing equipment when it is exported, whereas there would be no issue if it was only being used domestically.

**Import controls of other countries**

Sending items out of the US is only one aspect of provisioning an overseas retail outlet. Having those items accepted into the destination country is another. Many items that US retailers take for granted may not be appropriate or permitted in other countries and cultures. Many international retailers choose to employ buying agents who act on their behalf with the suppliers to ensure that import regulations as well as cultural sensitivities of the destination country are observed.

**Sourcing Merchandise Internationally for Domestic Stores**

Retailers that maintain a predominantly domestic presence also face challenges in managing their upstream supply chain relationships as they source merchandise from multiple suppliers. They must balance their strategies across a range of alternatives such as lean/agile sourcing, local/overseas suppliers and product/range complexity.

The opposing problems of excess inventory and stock shortages are a particular concern for clothing retailers, who can have a lead time of up to nine months if they are sourcing products from Asia.

Retailers must also deal with changing regulations, government agencies, import/export requirements, and multiple third party logistics providers (3PLs). Administratively, they must be able to maintain information on multiple suppliers for the same product, along with the compliance and classification requirements for the various countries of import and export.
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In addition to administrative and compliance challenges, US retailers with a multi-country sourcing strategy must also consider:

**Seasonality** — Many retailers wage an ongoing battle with the short shelf-life of items caused by the changing seasons. Holiday decorations, food products, apparel and gift items are all examples of merchandise that has a limited window of appearance on store shelves. Ensuring these items arrive on time and managing inventory stock levels are critical to avoiding reductions and markdowns at the end of the season.

**Supply chain resilience** — Vulnerable supply chains are susceptible to disruptions, whether from natural disasters or man-made forces. Vulnerabilities can come in many forms, such as competitive threats, external economic pressures, constrained resources, etc. Natural disasters, such as floods and earthquakes, are an obvious supply chain threat, however, supply chain disruption is even more likely when a supplier is forced to shutter a plant because of a down economy.

**Ethics and labor practices of vendors** — Larger segments of today’s informed consumers and governments are making it clear that they won’t tolerate unethical or unfair labor practices associated with the products they purchase. For example, the California Transparency in Supply Chains Act of 2010 was enacted with the goal of “ensur[ing] large retailers and manufacturers provide consumers with information regarding their efforts to eradicate slavery and human trafficking from their supply chains.” ²

Additionally, the speed and reach of social media has made it possible for consumers to learn about these practices quickly and pass summary judgment on the retailer. Retailers seeking to preserve their reputation must ensure they are not dealing with socially or legally questionable entities.

Online Purchasing by Customers Worldwide

According to Forrester Research, “Online shoppers in the United States will spend $327 billion in 2016, up 45% from $226 billion in 2012. In 2016, e-retail will account for 9% of total retail sales, up from 7% in both 2012 and 2011.” And, as shown in the graph, worldwide e-commerce sales are also growing rapidly.

Retailers need to capitalize on this growth, yet many have been slow to adopt the technology and business processes needed for compliant export of their goods to overseas customers.

Key challenges for domestic retailers seeking to ship merchandise to overseas customers include:

**Difficulty of international shipping** — Anyone who has ever shipped an item to friends or family overseas knows that each international shipment must be accompanied by the correct Customs declaration forms. Now, imagine doing this for hundreds or thousands of shipments each day. Online retailers must not only prepare the appropriate forms, but they must know the
requirements and expectations of each destination country. They further need to procure the logistics capabilities to make overseas deliveries cost effective.

**Conflicting data privacy and protection laws** — Currently, Europe’s online data protection and transfer rules (such as the Safe Harbor Act) force US retailers to modify their data collection and transfer practices for European countries. This can make market expansion difficult for all but the largest retailers with the resources to invest in the correct legal structures. As Europe continues to refine a unified set of privacy rules across all European countries, the laws may still be strict when it comes to online retail practices, such as placing cookies on shoppers’ computers.

**Complying with regulations of international markets** — Each country engaged in international trade has its own body of trade regulations that determine whether a product is permitted into the country or whether there are other hurdles or restrictions in place. Other restrictions include duties or taxes or even embargoes and sanctions placed against the destination country by the US and other governments. Online retailers must understand the import controls, duties and quotas for the countries where they ship customers’ purchases.

**Incorporating variable landed cost in final price** — Ultimately, the cost of shipping a product overseas has to be passed along to the buyer, either directly as a surcharge or indirectly reflected in the price. For an online retailer that hopes to ship goods to customers in multiple countries, it is critical to accurately calculate total landed cost and then reflect it in the price shown to the purchaser. Of course landed cost calculations are highly dependent on the product, its classification and its destination.

**Managing the online buying experience** — Retailers are still exploring ways to tactfully deal with an online shopper who is ready to make a purchase but must be prohibited from completing the transaction. Perhaps the customer is flagged on a restricted party list, or the item is inadmissible in the destination country. Few retailers want to give customers the message “sorry, we can’t sell to you.” To protect the company and its brand, retailers are struggling to determine the best way to say “no.”
How Amber Road GTM Solutions Can Help

A global trade management system, such as one from Amber Road, allows retailers to address many of the challenges they face when doing business globally. Amber Road’s Trade Automation suite provides key modules for import and export compliance, logistics and supply chain visibility, and complete transaction management.

GLOBAL PRODUCT MASTER THAT SUPPORTS MULTIPLE SOURCING

Global importers simply don’t have the option of depending on a single supplier for a variety of items. Both the demands of supply chain resiliency and the reality of maintaining stock levels make it necessary to obtain the same item from multiple suppliers. For global retailers, it’s neither practical nor possible to source all units from a single vendor.

Amber Road’s Global Product Master (GPM) is a centralized source of product information that stores classifications along with an extensive array of product data that fuels subsequent transactions.

A key feature of the GPM is its ability to store information on multiple product sources within a single product record. This is an administrative breakthrough for retailers that place large orders for a single item across multiple suppliers. The GPM allows you to centralize and manage data for each product, for every variant of that product and for every source of the product.

Other key features include:

- Store your entire catalog of products and their variants
- Assign effective dates to HS classifications
- Perform complex HS classifications, such as for tools and cutlery and product ensembles
- Link a product to one or more suppliers housed in the partner table
- Maintain a comprehensive set of information, such as product classification, unit of measure and country of origin
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- Synchronize product data with an ERP or legacy system
- Perform conversion calculations for currency and units of measure
- Normalize codes for countries, port locations and modes of transport
- Reuse GPM information throughout the system in a range of transactions

Figure 1 - Illustrates how multiple sources can be assigned to one product or product set in the Global Product Master
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EXTRACTION/IMPORT COMPLIANCE, LICENSING AND ADMISSIBILITY REVIEW

Imported products are subject to a wide array of admissibility requirements that go beyond whether an item is permitted into the country. These include controls around labeling, content and documentation that are administered by a variety of government agencies in addition to Customs. Merchandise that fails to meet admissibility standards can be excluded from entry, seized, or even recalled after importation, resulting in increased costs and wasted time.

In addition to the compliance checks that occur for each transaction, the Amber Road GPM enables
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organizations to make strategic sourcing decisions based on admissibility and license review. The GPM stores multiple country of import/country of export combinations for each product and performs initial compliance checks at the product level. This means you are alerted to any issues or requirements as soon as you enter the product into the GPM.

The compliance and license review process draws on our extensive body of trade content, Global Knowledge®. You can select which items should be analyzed and choose from among extensive criteria to narrow the analysis. For example, you can retrieve compliance information based on HS, country of import/country of export combination, entry/shipment date, mode of transport (MOT), country of origin (COO), etc.

By conducting reviews based on entries in the GPM, Amber Road’s Trade Automation Import solution ensures that purchase orders created in the system are already compliant prior to being issued to the supplier.

Of course, every transaction is also screened for compliance using additional validations and rules based on transactional details. This process helps you:

- Ensure that products are classified correctly and conform to trade and regulatory requirements
- Identify government agency reporting requirements, import licenses or permits, certificates, absolute and tariff rate quotas and anti-dumping/countervailing duties
- Determine whether products may be eligible for preferential treatment under existing special trade programs
- Create compliant purchase orders that streamline the procurement process
- Review shipments to determine export license requirements based on the ECN (in the US) or HS number, country of import, country of export and other transactional data
- Define multiple legs for the shipment and designate where to perform import or export control analysis
Figure 3 - Shows import controls at a high level and then in detail
RESTRICTED PARTY SCREENING

In an era of heightened security, determining whether individuals, companies or organizations are restricted from conducting trade is essential. Exporters are responsible for ensuring that they are compliant with government regulations and that their goods are not being sold to undesirable entities.

Amber Road provides a secure, comprehensive method to automate the restricted party screening (RPS) process. It enables exporters to quickly screen customers, suppliers and other trading partners against 325 restricted party lists from government institutions worldwide.

Using a centralized partner repository, a retailer can logically store and access information about trading partners. Partners can be linked to their parent or subsidiary companies and to multiple individual contacts. Each partner record can contain information related to the individual countries where that partner operates.

Screening can be performed against the partner table, or on an ad hoc basis. Amber Road’s restricted party screening solution makes use of intelligent algorithms and business rules that help increase the accuracy of matches. A low false positive rate means fewer records need to be checked manually for hits. Business rules can also be configured to regulate the number and type of lists that are checked for a particular partner.

When matches occur, highly configurable workflow features allow efficient resolution of holds using routing, alerts and escalations. With a high accuracy rate, employees can focus on clearing holds and speeding shipments rather than researching numerous matches.

Key RPS features include:

- Select or deselect which lists to use for more efficient screening
- Tune the linguistics algorithms to deliver the highest level of accuracy with the lowest rate of false positive hits
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- Receive daily updates to international restricted party lists
- Designate which partners or transactions should be re-screened when new data is received
- Associate various words and characters to account for local dialects, abbreviations and shortened names
- Maintain your own “gray list” of restricted parties
- Configure an unlimited number of workflows to send automated alerts to users based on screening results, escalations and pending tasks
- Configure all resolutions, escalations and other actions by role

LANDED COST CALCULATION

The variability of the numerous components that contribute to the total landed cost of an item makes manual landed cost calculation complex and error-prone. Both importers and exporters must have a clear understanding of landed cost to correctly set prices, make accurate sourcing decisions and select transportation options.

Amber Road makes it possible to factor the complete spectrum of landed cost components — including the duties, taxes and fees imposed by governments worldwide — into the picture. Our landed cost calculations use the global trade content that is constantly updated and maintained in our Global Knowledge® database.

Using landed cost calculation tools, retailers can:

- Compare total landed cost from different origins to multiple destinations
- Calculate the landed cost for a shipment in terms of duties, excise tax, value-added tax, provincial taxes, profit taxes, statistical taxes, customs fees, port charges and all other import taxes and accessorial
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- Display the tax formula in effect for each scenario
- Include estimated transportation and insurance costs

**Figure 4** - Illustrates calculation of total landed cost

**Conclusion**

Today’s retailers face a complex and changing landscape as they embrace and pursue global trade. The proliferation of trade regulations, along with the growth of online sales have made it necessary for retailers to focus on compliance while expanding market share.

Simply put, retailers stand to increase competitiveness by deploying a global trade management system that automates and streamlines international trade processes and compliance.

By addressing the management of product information down to the variant level, and allowing for multiple sources, Amber Road’s Trade Automation suite eliminates the need for multiple product records.
and dramatically reduces transaction processing time. Automatic admissibility and compliance reviews at the product level also ensure that potentially problematic items are flagged and can be resolved before they slow a critical transaction.

Amber Road’s Trade Automation also ensures that your products are not being sent to or used by restricted entities. Automatic screening of partners and customers along with hold resolution workflows ensure that flagged transactions don’t get through without further examination.

Finally, landed cost calculations based on the most current global trade content make it possible for retailers to make informed pricing and sourcing decisions.

Amber Road’s Trade Automation suite is leading the way in global trade management for retailers. For more information, contact us at Solutions@AmberRoad.com.

About Amber Road

Amber Road’s (NYSE: AMBR) mission is to improve the way companies manage their international supply chains and conduct global trade. As a leading provider of cloud based global trade management (GTM) solutions, we automate the global supply chain across sourcing, logistics, cross-border trade, and regulatory compliance activities to dramatically improve operating efficiencies and financial performance. This includes collaborating with suppliers on development, sourcing and quality assurance; executing import and export compliance checks and generating international shipping documentation; booking international carriers and tracking goods as they move around the world; and minimizing the associated duties through preferential trade agreements and foreign trade zones. Our solution combines enterprise-class software, trade content sourced from government agencies and transportation providers in 145 countries, and a global supply chain network connecting our customers with their trading partners, including suppliers, testing/auditing firms, freight forwarders, customs brokers and transportation carriers. We deliver our GTM solution using a Software-as-a-Service (SaaS) model and leverage a highly flexible technology framework to quickly and efficiently meet our customers’ unique requirements around the world.