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Trade compliance functions today

Highlights from the Global benchmarking report: indirect tax and trade compliance

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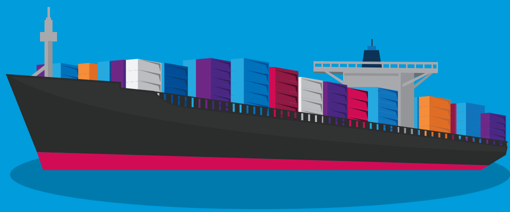

Priorities and performance

- With trade compliance functions still evolving, only a minority of them have set metrics to monitor their performance. As a result, global trade functions may have difficulty making the case for future investments in technology, automation and processes.
- For those functions that have established metrics, duty minimization and cost reduction are cited as a priority most often. A more balanced range of metrics that also covers compliance and qualitative measures seems needed to help trade compliance functions articulate the strategic value they contribute.

Accountability and visibility

- Organizations are continuing to move to a more global approach to trade compliance, as shown by the rising number of organizations that have a global head of trade compliance.
- A clear view of local costs and activities is a key to realizing the benefits of central leadership, but it appears that many organizations have not yet developed the systems and processes needed to enable effective global oversight over their trade compliance data.

Risk and controls

- Organizations that have identified risks also tend to have embedded processes and controls in underlying business processes to manage them. However, just as global trade compliance functions lack visibility over local activities, many of them lack knowledge of risks in the various regions.
- To verify the effectiveness of these processes and controls, the trend toward internal peer-to-peer self-assessment is increasing. Recent years have also seen a rise in the number of organizations engaging in internal or external audits to gain assurance that their controls are well designed and effectively deployed.

Evolving compliance models

- Despite the increase in global heads of trade compliance, compliance models among these functions are still predominantly driven locally, although survey respondents expect a shift toward more centralized models, including shared service centers.
- Looking ahead, there is an expectation that companies will move toward a more outsourced model in the next 3 years. Doing so will allow them to exploit the technology investments and economies of scale of third-party service providers and focus more on strategic pursuits and adding value.

Investing in technology and resources

- Only a small majority of larger organizations with over 20 billion US dollars (USD) of annual turnover say they use global trade management software and technology to manage aspects of their import/export activities. However, technology tops the list of priorities for investment in the next 3 years, followed by investments in processes and data and analytics.
- Most companies say that they have not been able to invest in technology because they lack the budget or organizational support to do so. Trade compliance leaders can benefit by positioning any proposed systems implementation holistically with cost reduction in mind as a way to transform the trade compliance function and drive value.

For more information, please visit: www.kpmg.com/indirecttaxbenchmarking