

TOYS VS. LUGGAGE: A LESSON IN SAVINGS

THIS COLUMN MARKS a restart of sorts, coming nearly six years after my last “Security Counsel” piece, and I’m excited to be contributing again to The Journal of Commerce. Equally exciting is the opportunity this new column presents to address such a salient and widely encompassing topic as Global Trade Management. Whether your direct area of responsibility involves procurement, transportation, import-export, information technology, security, marketing or any other task that directly or indirectly touches the international supply chain, you can count on it being covered here.

So what is Global Trade Management? Its origins traced to the late 1990s, GTM has been defined as “the total optimization of the end-to-end international supply chain — from product conception to final delivery — with focus on the integration of regulatory, strategic and system components to ensure a seamless, secure and cost-effective flow of goods, data and payments across international borders.” In other words, GTM is a holistic approach of managing all of these separate, disparate tasks as a single seamless process.

To the GTM-savvy company, getting it right translates into improved profit margins and competitive advantages gained through better visibility and optimization of trade-related costs, enhanced internal and external processes, and improved risk management. A decade-and-a-half since GTM’s debut, however, many trade-dependent companies struggle to implement even the most rudimentary of GTM programs. And that’s the case despite overwhelming evidence linking the need for companies to understand where cost enters their international supply chains as

a critical function of business and logistics planning — and success.

This point is certainly not lost on Terrance Pohlen, director of the Center for Logistics Excellence at the University of North Texas, who recently invited me to speak. Ranked fifth globally for logistics research productivity, UNT’s program is impressive. Also impressive was that approximately half of the audience was comprised of marketing majors with an early appreciation of logistics. Having a trade compliance background, my presentation dealt with how GTM- and customs-related cost considerations can impact product design and marketing decisions.

I used a favorite example from early in my career with Mattel Toys, where I supported the customs clearance process — typically one of the last steps in the international supply chain. Customs historically had considered one product, the “Barbie Doll Case,” to be “an article of luggage,” which carried a 20 percent rate of duty. Upon learning that a new doll case was being developed, I arranged a meeting with Mattel’s design and marketing personnel to determine if the case could be altered to incorporate enough play value to qualify as a toy at a much lower rate.

Our efforts produced the “Barbie Boutique Play Case,” a small store with clothing racks, display shelves, changing rooms and mirrors where Barbie could try on and model her latest fashions. Those fashions then neatly folded up into a functional storage case.

Customs agreed the Boutique was predominately a toy. We moved its production to a plant in Mexico, where it qualified for duty-free entry under the North American Free Trade Agreement.

The result: an estimated seven-

figure savings in import duties over the life of its production.

The reality is that regulatory trade compliance isn’t sexy or exciting, and most other departments have little understanding of what you do. But this success served as a true “Eureka-type” moment because it proved overwhelmingly the expanded value-add role that trade and customs operations could and should provide.

It also demonstrated that the true position of trade and customs operations should come at the earliest stages of new product design and sourcing, not at the back-end. Needless to say, our department now had a standing invitation to attend all of the company’s typically restricted, product-planning meetings where we were considered an asset instead of a misunderstood liability.

As a subscriber to the saying, “You can’t manage what you can’t measure,” I firmly believe companies that have yet to get their arms around these costs are at a clear competitive disadvantage because they can neither cite an accurate landed-cost for pricing purposes nor have the data to support which elements of their supply chain are working well, or need fixing.

If there’s a possible bright side, however, it’s that nothing motivates companies to pursue internal cost-saving initiatives quite like a weak economy does. If this column describes your company, this may be a good time to get started with Global Trade Management. **joc**

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