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Data Mining Triggers New Study



Matt Gersper, president, Global Data Mining, LLC

Data Mining Triggers Global Trade Metrics Benchmarking Study

By Matt Gersper, president, Global Data Mining, LLC, and Marisa Brown, APQC

Global trade remains one of the last frontiers where upgrading and optimizing business processes can drive very significant financial and operational gains, giving corporations an additional strategy to

create competitive advantage. Yet standardized metrics for measuring performance in global trade processes have eluded this \$10 trillion industry, leaving business executives in the dark.

Two summers ago, Global Data Mining (GDM) hosted a series of focus groups designed to gain insight into the measurements and metrics desired by trade professionals and corporate executives concerning their global supply chains. Continued collaboration has resulted in more than sixty-five "best-practice" global trade reports providing the most comprehensive view of a global supply chain that exists in the market today.

In spring 2007 GDM attended an industry conference hosted by the Vendor Compliance Federation (VCF) and learned about a supply chain measurement called the perfect order index (POI). The POI measures four factors relating to a purchase order:

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Our Upcoming 76th Annual Conference

I.E. Canada will hold its 76th annual conference, trade show and reception from October 22-24, 2007 at the Doubletree International Plaza Hotel Toronto Airport at 655 Dixon Road.

We are now developing the agenda for the conference. Please contact Fée Kiessling, vice-president of conferences and programs, at: (416) 595-5333 ext. 29 or by e-mail at: fkiessling@iecanada.com if you have ideas for conference topics.

About CARICOM

CARICOM is an established trade and investment partner for Canada. A free trade agreement (FTA) with CARICOM would further strengthen Canada's commercial ties with these longstanding regional partners and contribute to the shared goal of facilitating development through economic integration within the Western Hemisphere.

An FTA would also support Canada's broader foreign policy and development objectives of deepening engagement in the Americas as well as provide a platform for dialogue and cooperation on such issues as labour and the environment.

CARICOM member countries are: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago.

On July 19, Prime Minister Harper announced the launch of negotiations towards an FTA between Canada and CARICOM. Negotiations will cover a wide range of issues, including trade in goods, rules of origin, customs procedures, trade facilitation, non-tariff barriers, cross-border trade in services, temporary entry, investment, government procurement, dispute settlement and institutional provisions.

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Join Our Customs and Legislation Committee



Tracey Speares, manager of inbound, regulatory compliance and logistics customer support, Winners Merchants International, LP, and chair of I.E.Canada's Customs and Legislation Committee

As a member you may know that I.E.Canada has six trade committees that unite the interests of members in various trade sectors, such as electronics; footwear; processed food; cheese; meat; and textiles and apparel.

The Security Committee and the Customs and Legislation (C & L) Committee are the two committees designed to meet the needs of members from a diverse range of industries.

The C & L Committee

The C & L Committee is a long-standing and active group that boasts 115 members.

The C & L Committee is an excellent forum for members to raise and address issues concerning the requirements and procedures for the import and export of goods to and from Canada.

Subcommittees, such as Advance Commercial Information (ACI) and Customs Self Assessment (CSA), have been formed to address specific government initiatives, and ad hoc working groups are created to address particular concerns as they arise. The C & L Committee consults regularly with the Canada Border Services Agency (CBSA), Foreign Affairs and International Trade Canada and other government departments and agencies, as well as with other trade associations, to

continuously improve the processing of goods as they enter and exit Canada.

The committee also provides input to I.E.Canada on the association's position concerning various government programs and initiatives.

At the C & L Committee meeting on June 20, 2007, members elected a new chair and two new executive members.

The C & L Committee's New Chair

I.E.Canada is delighted to welcome Tracey Speares as the new chair of the C & L Committee.

Tracey is the manager of inbound, regulatory compliance and logistics customer support at Winners Merchants International, LP. Tracey has held this position for four years.

Tracey provides leadership to 17 associates and has three direct reports. Her responsibilities include the development of associates and the overall management of the company's inbound freight into Canada. She also redefines business processes and partners with other departments within the company to enhance operational supply chain efficiencies. As well, Tracey develops short and long-term strategies that complement Winners' corporate strategy. She is also responsible for educating merchants and vendors on various aspects of compliance and logistics and sets key performance indicators to measure performance, creates standard operating procedures and negotiates brokerage contracts. Tracey is also the expert on various trade-related matters at Winners.

Prior to joining Winners, Tracey was a North American broker manager at Hewlett Packard Canada and the manager of customs compliance at Compaq Canada Corporation.

Tracey has the following message

for I.E.Canada members:

As chair of the C & L Committee this year I am excited about the year ahead and look forward to working with our membership and creating a forum where members can continue to share their concerns and ideas on customs policies and legislation. The C & L Committee is a wonderful way to network, share best practices and talk about issues that have both an immediate and long-term impact on importing and exporting in Canada. Together we can make a difference. I welcome and encourage all of our members to take an active role this year in the C & L Committee. I personally want to thank all of you who continue to support the committee and provide valuable input year after year.

Two New Executive Members

I.E.Canada also warmly welcomes Susan Hall and Sandy Hodgkiss to the executive of the committee.

Susan is the logistics manager at E.I. du Pont Canada Company. She joined DuPont Canada in October 1999 as the compliance process leader, customs and regulatory affairs. Appointed logistics manager in November 2002, she is responsible for all modes of transportation and compliance.

She has held a series of progressive logistics positions with large importers in the Southern Ontario region over the past 13 years. Susan serves on the board of directors of the Toronto Transportation Club.

Sandy Hodgkiss is trade specialist—compliance and advocacy, customs and trade administration, General Motors of Canada Limited.

Shipping and Trade Horizons



Leo Ryan

Shipping and Trade Horizons, a Tradeweek column, is produced by Leo Ryan. The column addresses Canadian industry issues and trade developments of interest to our members.

Wal-Mart Expands Green Shipping Concept

Green Shipping has been an increasingly important phenomenon on the world's oceans and waterways in recent years. The pressure to be "green and clean" is mounting amidst the strong growth of maritime trade and a widespread concern to protect the environment with ships reported to be causing a significant amount of the smog from nitrogen oxide emissions.

The London-based International Maritime Organization, a UN agency, is in the forefront of attempts to impose strict standards aimed at proving that merchant ships remain the most environmentally-friendly mode of transport.

Leading carriers such as Evergreen and Maersk Line have designed new vessels that can switch to low-sulfur fuels. Already, more efficient modern ships reduce bunker fuel consumption automatically.

In Canada, Fednav Ltd., the largest ocean-going user of the Great Lakes/St. Lawrence waterway, has been conducting experiments to pioneer on-board ballast water treatment systems to halt the spread of invasive species. The National Marine and Industrial Coalition and Environment Canada have established the Great Lakes-St. Lawrence Marine Emissions Working Group to gather accurate data on fuel consumption and air emissions in the region.

It's an understatement to note that Canada's leading ports are thinking 'green' these days. Ports such as Vancouver, Montreal and Halifax have developed substantial environmental departments and policies in the past few years.

Earlier this month, for instance, the Port of Vancouver unveiled what it called "the most demanding container truck safety and environmental licensing standards in North America." As of January 1, 2008, substandard older trucks will be denied access on port property.

Within the overall context, therefore, an initiative announced on July 25 by a giant retailer appears highly commendable. I am referring here to the plan by Wal-Mart Canada to introduce in October a Supply Chain Sustainability scorecard for suppliers. This marks an extension of a company-wide environmental program announced two years ago. The scorecard will assess its network of service providers on the basis of environmental impact, efforts and improvement.

"Our new rules for supply chain sustainability will cover everything from fuel use, to facilities and equipment standards, to the overall environmental commitment demonstrated by the companies we hire to ship and store our products," said Lesley Smith, Wal-Mart Canada's vice-president of supply chain. "As always, the business case and payback is two-

fold: a better operation with better environmental effect."

Last summer, Wal-Mart began a pilot program with logistics provider SCM to switch modes from road to rail for shipments bound for 10 stores in Nova Scotia and Prince Edward Island. This change reduced carbon emissions by an estimated 2,600 tonnes. For necessary road delivery, the companies converted 20 truck generators to electric power, saving 40,000 litres of fuel.

A tip of the hat to Wal-Mart Canada for such a strong embrace of Green Shipping.

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1. Was the order shipped complete?
2. Did the order arrive on time?
3. Did the order arrive damage-free?
4. Was the documentation for the order correct?

Each factor is multiplied by the others to produce an index. For example, a 95% rating for all four factors would produce an 81.4% POI (95% x 95% x 95% x 95% = 81.4%).

Three facts inspired GDM to explore developing a similar index to measure performance in global trade processes.

1. In a study of more than 7,000 suppliers for five well known retailers, the average POI was a dismal 22.9%. In other words, there were problems with more than 77% of all orders, which would inevitably add time and cost to each transaction.
2. In a related study, AMR Research found a correlation between perfect order performance and some key financial and market indicators, namely:

- An increase of 10 percentage points in the perfect order rating correlates with a 50 cent improvement in earnings per share (EPS)

Data Mining, cont'd on pg. 5

Member Profile



Hercules Forwarding Inc. has been a member of I.E.Canada since December 2001.

The following member profile was written by Eric Warren, key account manager, Hercules Forwarding Inc. In preparing the profile, Eric answered a series of questions posed by Jane Carter of I.E.Canada.

Background

In May 1985, Hercules began as a freight forwarder in Vancouver, British Columbia. Over the years, Hercules has become a full service, asset-based motor carrier.

Hercules moves approximately 25,000 less-than-truckload (LTL) shipments per month and employs over 500 people in North America.

Service

Hercules services all major Canadian cities from the United States along with certain U.S. regional markets through its 24 “no break-bulk” terminals. (You can find Hercules’ lane and terminal maps at www.herculesfreight.com/terminal.php.)

Hercules continues to develop its successful “no break-bulk” terminal network and team-driven line-haul units. Hercules’ structure allows it to achieve transit times often 1-4 days faster than its competition in the LTL sector as well as minimize the chance for damage and misrouting.

Canadian Border

Leading innovation in truck technology for crossing the border is also paramount to Hercules. Indeed, Hercules was the very first highway carrier to communicate electroni-

cally with Canada Border Services Agency (CBSA) after becoming the first LTL carrier approved under the Customs Self Assessment (CSA) program in August 2001. Hercules is also an approved carrier under the Free and Secure Trade (FAST), Partners in Protection (PIP) and Customs-Trade Partnership Against Terrorism (C-TPAT) programs.

Hercules is also an in-house Canadian customs broker and offers a full Canadian customs brokerage service.

Vision

May 2005 marked twenty years of success and forward thinking for the company, which stemmed from Hercules President Martin Burnham’s vision of a streamlined carrier working responsibly with the governments of Canada and the United States.

Hercules’ U.S. head office is located in Los Angeles, California. Martin Burnham also serves as the chairman of the American Trucking Association’s (ATA) Cross Border Committee and sits on the board of the ATA’s National Accounting & Finance Council.

Under Mr. Burnham’s guidance, Hercules has experienced healthy growth year after year.

What are the benefits of being a member of I.E.Canada?

I.E.Canada membership allows us to stay current with changes in border policies and programs and developments in international trade before they hit the news. *I.E.Today*, the daily e-mail, helps us to keep up to date on the latest international trade news.

I.E.Canada’s trade shows, which are held in conjunction with the annual conference in the fall and the spring conference, are the perfect forum to showcase our border programs. It’s worth noting that although we’ve used EDI at the border since 2002, eManifest, which will require the pre-

arrival transmission of cargo, crew and conveyance information for all modes of transportation, has yet to be implemented by CBSA.

Membership also offers the chance to network with others within Canada’s trade community.

What are the most valuable benefits you receive from I.E.Canada that you feel are most important to your company?

We receive timely, accurate information from I.E.Canada.

The association also focuses on cross-border and international trade issues. Other associations cover a broader scope.

What is the value of membership to a new importer/exporter business?

The association is well positioned to provide a new importer or exporter with a wealth of information in one place to help them maintain compliance with customs requirements.

I think there are many long-standing companies in the marketplace with a newer generation of employees that could benefit by becoming members to ensure they are aware of the latest information specific to cross-border trade.

Are there any issues your company would like I.E.Canada to address in the future?

CBSA’s moving timelines are difficult to juggle. Perhaps I.E.Canada could create a master calendar outlining the impending requirements of various government bodies and other upcoming changes so the members don’t have to try to keep up with all the different lists, times and dates.

Do you find our seminars and conferences beneficial to your company?

Yes, I find I.E.Canada’s seminars and conferences very useful. We often send Hercules staff members to I.E.Canada’s conferences.

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Sandy joined General Motors of Canada Limited in August 2006 and is responsible for process risk management and internal controls, which includes the Partners in Compliance pilot.

Before joining General Motors of Canada, Sandy spent three years with customs service providers, where she guided several clients through the CSA application process, successfully implementing and providing ongoing support to four of these importers.

During her 25 year career with CBSA, Sandy held a variety of positions of increasing responsibility. In her last three years with CBSA, she played a major role in designing, developing and implementing the CSA program. In her capacity as a CSA compliance manager, she supported the first four importers to implement this program.

She is a member of the Customs Committee at the Canadian Vehicle Manufacturers' Association (CVMA) and serves on I.E.Canada's ACI and CSA subcommittees.

Members of the Executive

The following is a complete list of executive members of the C & L Committee:

- Tracey Speares, Winners, chair (and chair ACI Subcommittee)
- Glen Perry, Canadian Tire, past chair
- John Bescec, Microsoft, vice chair
- Colin Worley, Loblaw's, secretary
- Beth Travis, CAMI Automotive, chair, CSA Subcommittee
- Bud Hollings, Russell A. Farrow, service provider representative
- Sandy Hodgkiss, GM Canada, member-at-large
- Susan Hall, DuPont Canada, member-at-large

Get Involved

Find out how you can become a part of this thriving committee by

contacting Carol Osmond, I.E.Canada's senior policy advisor, at: cosmond@iecanada.com. Carol plays a key role in coordinating the work of the C & L Committee.

Data Mining, cont'd from pg. 3

- Companies with stronger perfect order ratings tend to have better return on assets (ROA). In fact, 5 percentage points correlates with a 2.5% improvement in ROA
- A 3 percentage point improvement in the perfect order rating correlates with a 1% increase in profit margin

3. The simplicity of the POI ignored the complexities of cross-border global transactions that account for more than \$10 trillion today and, according to a recent McKinsey report, are expected to grow to more than \$70 trillion by 2025.

Shortly after returning from the VCF conference, the GDM team met with APQC, the global non-profit benchmarking and best practices organization. Together, we decided to undertake a global trade benchmarking study.

The goal of the study is to develop an industry standard for measuring performance in cross-border transactions by:

- Defining metrics for critical stakeholders in global transactions
- Developing measurements to establish a baseline performance index
- Quantifying financial impact based on improvements beyond the baseline

GDM and APQC conducted "voice of the customer" interviews. Our goal was to host up to ten interviews with trade professionals from a variety of industries. We distributed an introductory e-mail requesting volunteers to consent to one-hour interviews on the subject of measuring global trade performance. We were stunned by the immediate response; in less than

four hours, we had "over-booked" our interviews. Clearly, we had struck an important chord with trade professionals. The interviews that followed would begin to drill into the details and more clearly define the relevant themes.

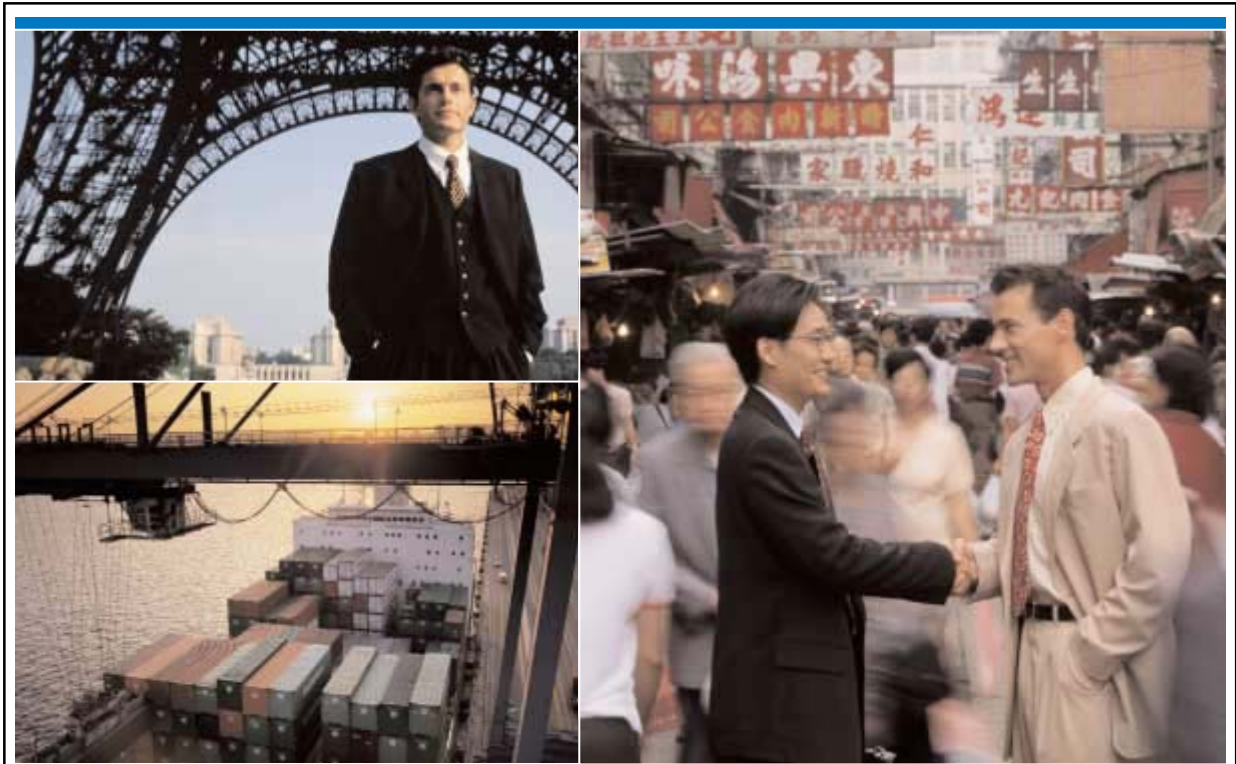
Over a recent four week period, we conducted 15 interviews with trade professionals from a wide variety of industries and company sizes. Many are well-known Fortune 500 companies that have been struggling to measure performance in global trade processes. The interview process accomplished the following:

- Confirmed the importance of developing an industry standard for measuring performance in cross-border transactions
- Confirmed that the complexity of cross-border transactions creates a greater potential for financial impact on a company compared to the POI financial measures (described above)
- Defined the critical stakeholders in cross-border transactions
- Defined the critical data elements in cross-border transactions

Have you ever wondered:

- How effective your global trade operations are?
- If there is a way to effectively measure the performance of your global trade operations?
- How much your global trade operations contribute to the company's bottom line?
- What your competitors are doing?
- Whether others are using global trade to their competitive advantage?

Join our new benchmarking study to establish metrics for performance in cross-border transactions. Developing industry standards for measuring performance will help business leaders begin to tap the vast opportunities that lie in global trade process optimization. For details, please contact Matt Gersper at: mattgersper@gdmlc.com or Marisa Brown at: mbrown@spqc.org.



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