

Import Compliance in the COVID-19 Disrupted Supply Chain

A 2020 Global HTS Classification Benchmark Survey



Executive Summary

Businesses are keenly aware that they have to keep a close eye on their sources of raw materials, parts and finished products to ensure that the logistics costs do not erode overall corporate profit margins. The need for greater visibility and the ability to more quickly formulate action plans and implement resolutions as trade variables change is a higher stakes game today as customs and import professionals grapple with the supply chain disruptions caused by the COVID-19 pandemic, as well as to prepare to be ready to meet the challenges of the next crisis.

Key Findings

We surveyed importers, shippers, logistics and supply chain operators, and customs brokers around the world on how they have been affected by the coronavirus pandemic, and how they are addressing the issues for the long term.

- COVID-19 has forced about a third of respondents to look for alternative suppliers.
- An additional one-third of participating organizations have tasked their Trade Compliance teams with identifying ways to reduce duty spend going forward.
- Those most impacted by the pandemic disruption are turning to more automated and integrated research and classification technologies to help address increased workload.
- COVID-19 has demonstrated that businesses in general need to be prepared for mass disruptions because they don't want to be caught off guard again.
- The majority of companies—not just those impacted by COVID-19—are also adopting more advanced technology to be more responsive to change and increase resiliency as further layers of protection against the unknown to help ensure their customs import operations remain viable during disruptive times.
- Global tariff solutions markedly increase efficiency and accuracy classification work.

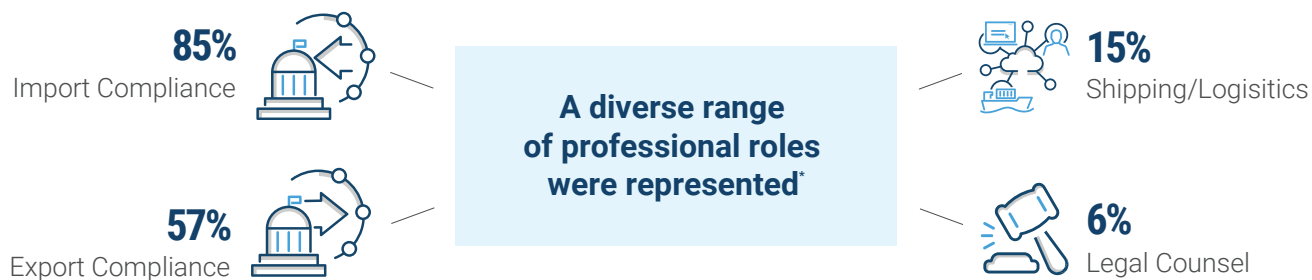
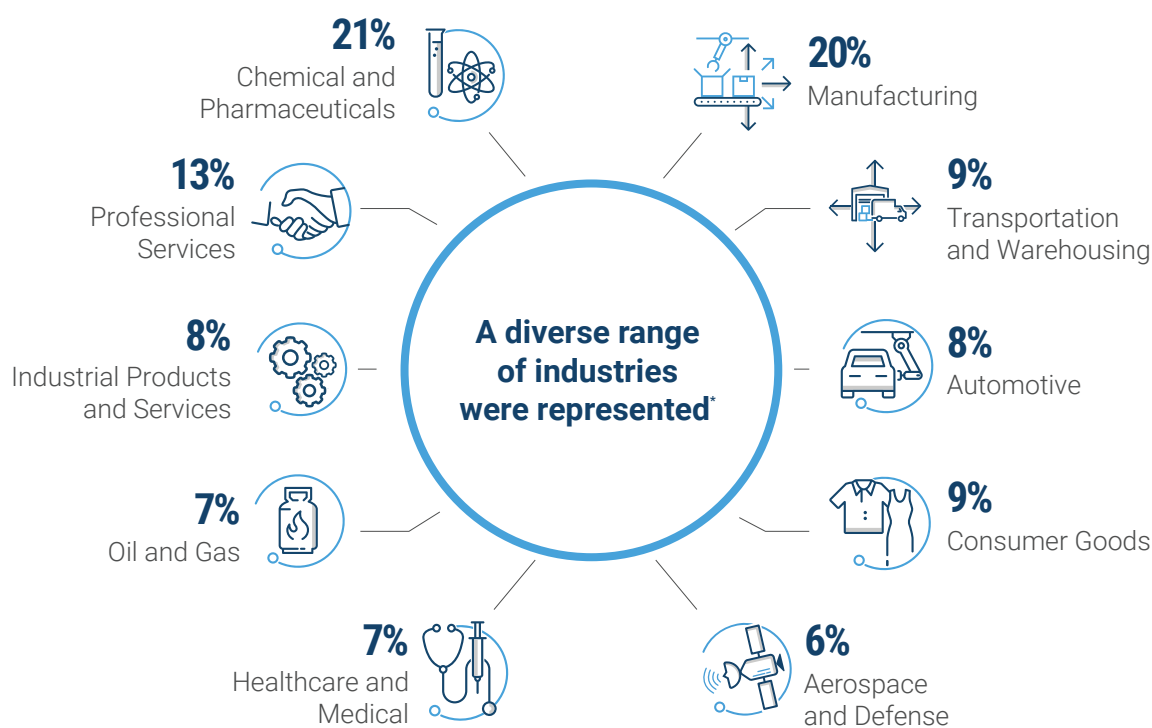


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Who we surveyed

We surveyed customs import professionals around the world.



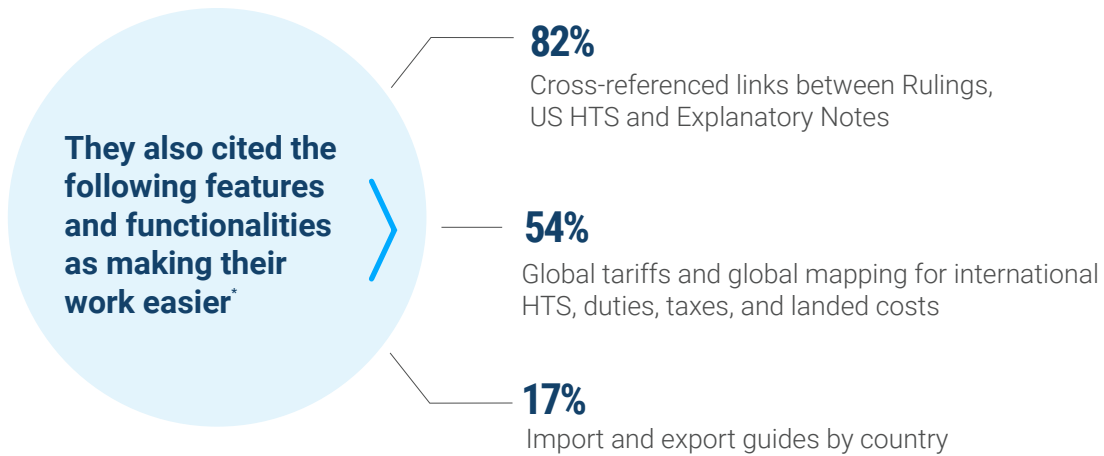
**Note: respondents could choose more than one response*

Additional Key Statistics

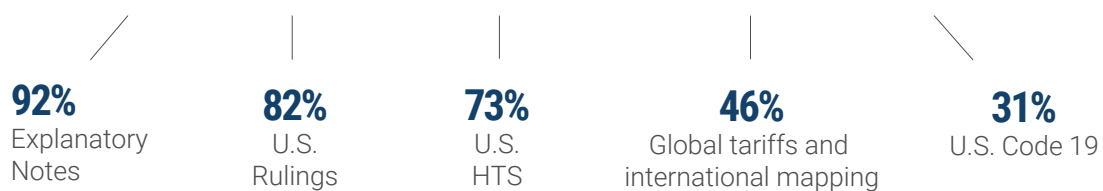
- **A majority** have offices, distribution, manufacturing, and other facilities around the world
- **Almost 80%** have at least three people work on their product classifications
- **Six-in-10** classify for less than 10 countries
- **A majority** have customers, vendors and other business partners located around the world
- **Two-thirds** classify more than 1,000 SKUs annually
- **More than half** reference U.S. Rulings more than 10 times per month

Advantages of using classification solutions

The majority of respondents reported that advanced solutions helped them to accurately classify 30% to more than 100% faster, but only as long as organized and up-to-date tariff and related information from around the world could be found and accessed from a single solution.



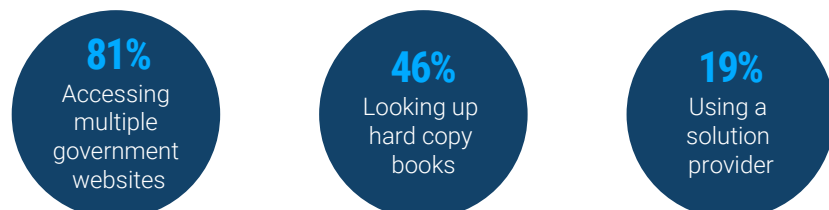
Respondents pointed to the regular use of the following to exercise and establish a “standard of reasonable care” for their product classification, as required by Customs authorities such as the U.S. Customs and Border Protection (CBP)*



**Note: respondents could choose more than one response*

Additional Key Statistics

Prior to using a solution, most respondents were using time-consuming and labor intensive manual methods to classify.



Impact of COVID-19

About a third of respondents stated that the COVID-19 pandemic has impacted their operations.

35%

Said they had been forced to research sourcing products/items from alternative suppliers or different locations

33%

Said that they had felt increased pressure to find ways to lower duty and tariff costs

Of those who had been forced to look for alternative suppliers, there was a strong leaning towards more advanced technology, including collaborative options, to address a more demanding workload combined with the fact that more people are working remotely as part of social distancing and other measures to help stop the spread of the coronavirus.

75%

Workflow process for mass classification



73%

Audit trail for proof of due diligence



Respondents are seeking

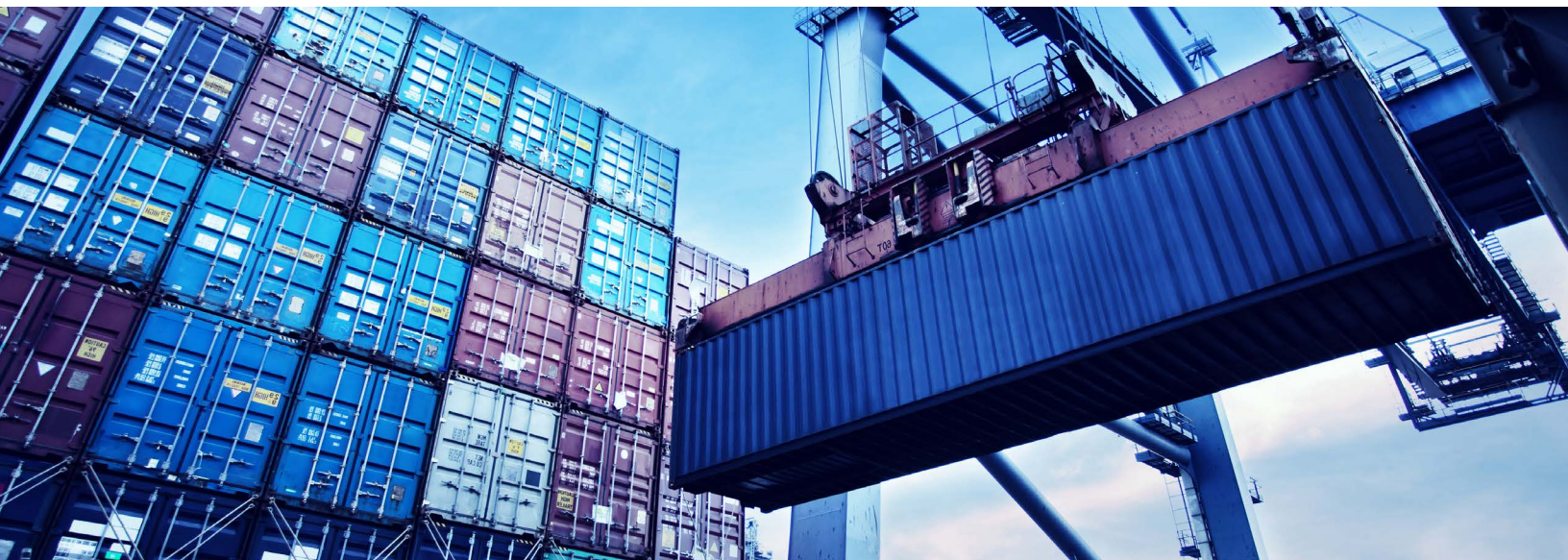
68%

Collaborative online classification process



55%

Configurable classification rule sets for different industries and product categories

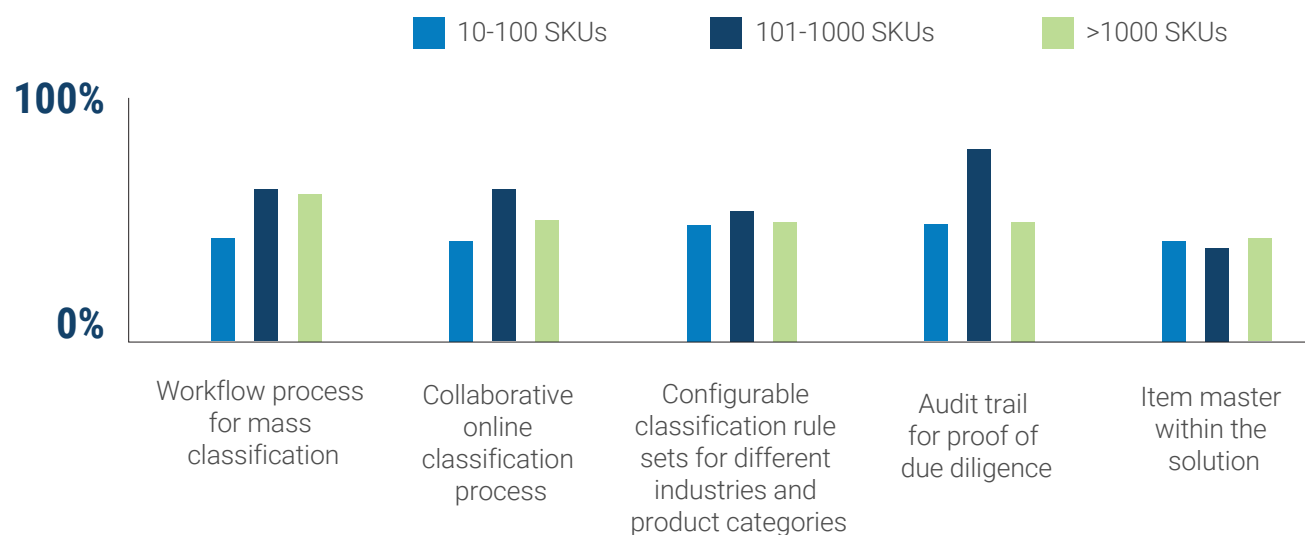


A general trend towards more advanced technology

COVID-19 notwithstanding, there is a general trend among businesses to favor using more advanced technology because of the following reasons:

- A need to be more responsive and agile to supply chain disruptions such as pandemics and trade wars
- Gain or maintain an edge over their competitors
- More people working remotely

The trend is largely true regardless of the number of SKUs being classified annually.



Strategies for future consideration

Mass disruptions can be just around the corner, and these challenges can come in many forms, including pandemics, frequent duty and tariff treatment changes and trade wars. In this environment, businesses recognize the need to be more agile and responsive to change, and, as such, the following strategies are important to consider:

- Take advantage of more advanced solution options to at least maintain efficiency and accuracy as workload demands increase, as well as to better manage a more distributed workforce.
- Look to technology solutions to increase the resilience and responsiveness of trade compliance programs.
- Make sure to have a single point of access to research complex international trade information, including up-to-date HTS codes, duties and tariff treatments, rulings and explanatory notes.
- Use a robust solution to effectively exercise and establish a “standard of reasonable care” for product classification.



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How Descartes Can Help

Descartes CustomsInfo™ helps maximize the value of trade data by helping organizations work smarter. With a vast database of data relating to regulations, rulings, duties, and more, Descartes CustomsInfo provides the information need for clients to minimize trade barriers. Multi-national shippers, customs brokers, third-party logistics providers (3PLs), freight forwarders, multimodal carriers, compliance professionals, and others use Descartes CustomsInfo to help build and maintain complex classification databases for their global operations.

About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

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