Top Three Traits of Companies with a Successful Approach to Trade Compliance

2024 Descartes Trade Compliance Benchmark Survey

Introduction

International trade compliance is no longer viewed merely as a regulatory necessity but a pivotal factor in driving competitive advantage. Organizations that excel in trade compliance can navigate complex regulatory landscapes more efficiently and use compliance as a strategic tool to outperform competitors.

The 2024 Descartes Trade Compliance Benchmark Survey explores how leading companies allocate resources, leverage trade compliance as a strategic advantage, and adopt cutting-edge technologies to stay ahead.

During July 2024, SAPIO Research surveyed **887** corporate decision makers in international trade compliance and / or supply chain intelligence, across 13 geographies including Argentina, Benelux, Brazil, Canada, China, Nordics, France, Germany, India, Japan, Mexico, UK and USA.

This white paper examines key insights from the survey to outline three traits of companies that are successfully managing their trade compliance functions to create value and promote growth. As the regulatory landscape becomes increasingly complex, the paper highlights how top-performing organizations are making transformative efforts to ensure compliance while simultaneously fostering success. Through innovative practices, we see organizations equipping themselves to turn challenges into opportunities for enhanced efficiency and market advantage.

Top Level Findings

Below are high-level takeaways from the benchmark survey findings:

Compliance Resource Allocation

Companies expecting over **15%** growth allocate an average of 8 people to compliance roles, versus 6 in those with limited or no growth expectations.

Strategic Perception of Trade Compliance

High-growth companies are especially strategic about trade compliance, with **39%** leveraging it as a competitive advantage compared to **22%** in slower-growing firms.

Adoption of Advanced Technology

86% of fast-growing companies recognize technology as critical, underscoring a strong link between tech investment and ambitious business expansion.

Source: Descartes / SAPIO Research

Our 2024 Benchmark Survey shows how leading companies allocate resources, leverage trade compliance, and adopt cutting-edge technologies to stay ahead.

Changing Risk Landscape

Trade compliance has long been a fundamental component of global business operations. In the past decade, however, escalating geopolitical instability and a changing risk landscape have heightened government scrutiny, increasing both compliance demands and the associated business implications of non-compliance.

Recently, for example, the U.S. Commerce Department's Bureau of Industry and Security (BIS) announced new Russia sanctions and export control measures targeting the illicit procurement networks supplying Russia and Belarus with restricted items. The amendments to the Export Administration Regulations (EAR) expand the scope of key rulings that enable export restrictions, limit access to U.S.-made goods and U.S.-branded goods, expand the BIS entity list, and offer guidance on maintaining trade compliance when developing contractual agreements. In addition, new U.S. sanctions imposed by agencies like the Department of Treasury's Office of Foreign Assets Control (OFAC) are aimed at mitigating perceived international security risks including cybersecurity attacks and espionage.

Similarly, building on the current EU Dual-Use Regulation, in early 2024, the European Commission published five proposed initiatives to strengthen the EU's economic security. These include a legislative proposal for the revision of the EU Foreign Direct Investment (FDI) Screening Regulation, three white papers laying out the challenges, goals, and possible next steps for EU investment in third-world countries and the export control and research & development aspects of "dual-use" items (i.e., goods, software and technology that can be used for both civilian and military applications).

The ongoing extension of global regulation is significant. When asked what legislation is affecting international trade, EAR was cited by **50%** of survey respondents as having the greatest impact on organizations, closely followed by OFAC Sanctions **(41%)** (see Figure 1). Other key regulations are the EU Dual-Use Regulation **(27%)** and Internal Traffic in Arms Regulations (ITAR) **(26%)**.

Figure 1 | Key Trade Legislation Impacting Organizations

- 50% **Export Administration Regulations (EAR)**
- 41% **Office of Foreign Assets Control (OFAC) Sanctions**
- 27% **EU Dual-Use Regulation**
- 26% **International Traffic in Arms Regulations (ITAR)**
- 16% **Uyghur Forced Labor Prevention Act (UFLPA)**
- 13% **Lieferkettensorgfaltspflichtengesetz** (2023 German Supply Chain Act)
- 12% **Chemical Weapons Convention (CWC) Implementation Act**
- 10% **The Modern Slavery Act 2015**
- 8% **Loi de Vigilance** (France - Corporate Duty of Vigilance Law)
- 1% **Other**
- 11% **None of the above**

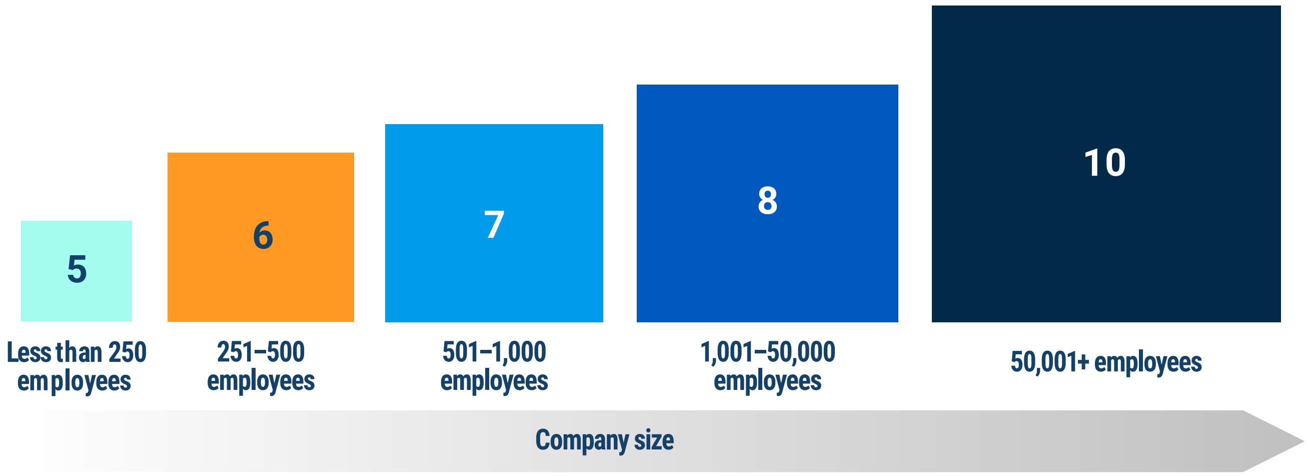
Source: Descartes / SAPIO Research

Effective Resource Management

The implications of the increasing depth and breadth of these regulations are significant and wide-reaching across organizations, extending the compliance obligation far beyond a single department. From re-examining third-party risk management strategies and establishing protocols for ongoing denied party screening, to introducing continuous and ongoing OFAC sanctions screening and achieving enhanced supply chain oversight, truly effective trade compliance demands cross-function input from procurement, sales, legal counsel, IT, R&D, human resources, and even visitor management.

As this research confirms, successful companies recognize the importance of a well-resourced trade compliance team. Figure 2 shows that organizations with 50,001 or more employees involve, on average, 10 people in international trade compliance activities, which is double the number involved in organizations with fewer than 250 employees. These larger teams are also more likely to be supported by technologies, including AI, that facilitate automation, as this paper explains later.

Figure 2 | Individuals Involved in International Trade Compliance — By Company Size

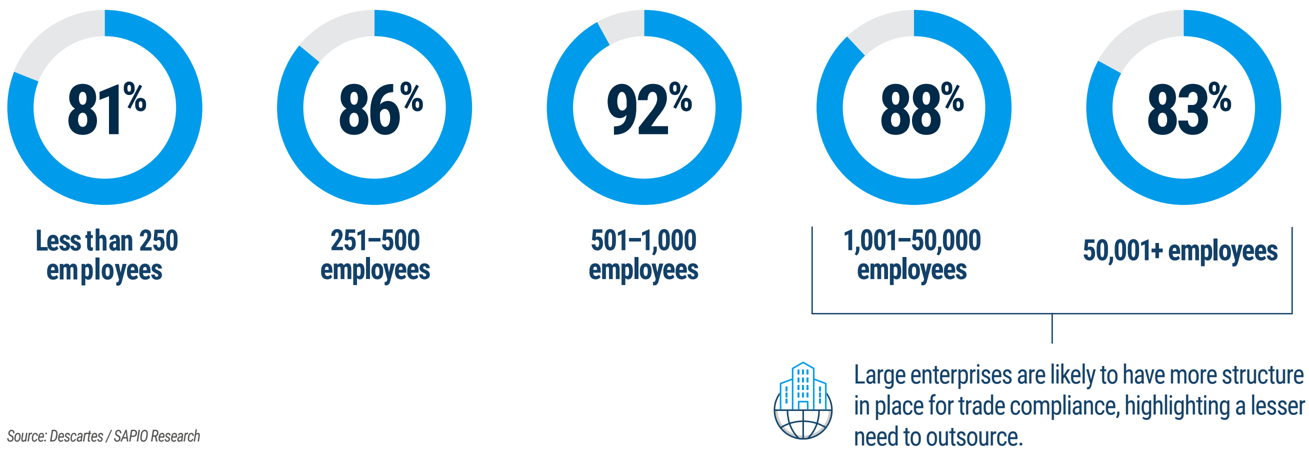


Source: Descartes / SAPIO Research

Businesses with 501-1,000 employees are outsourcing compliance activities the most, while large enterprises and smaller organizations are outsourcing less.

Furthermore, companies (mid-sized organizations in particular) are willing to turn to third parties to ensure every aspect of the compliance process is covered, with **86%** of total respondents partially or fully outsourcing their trade compliance activities (see Figure 3).

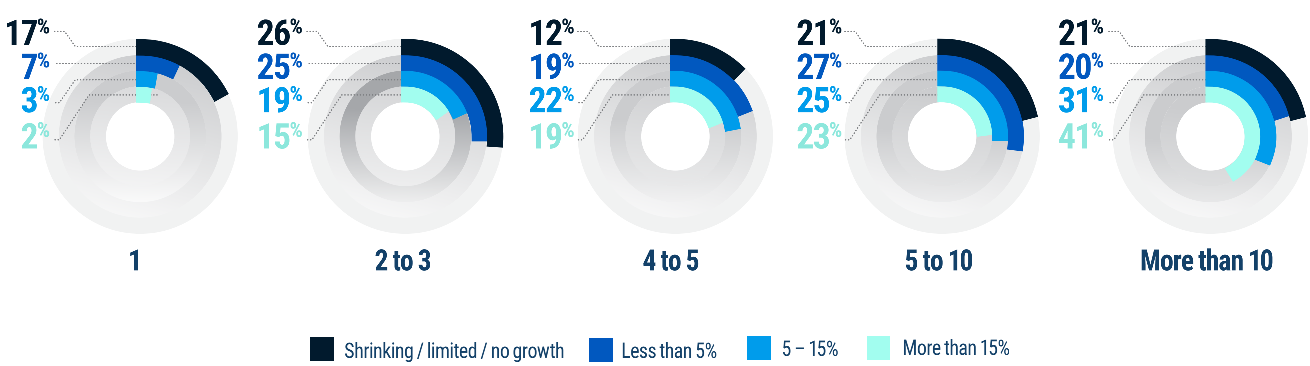
Figure 3 | Outsourcing International Trade Compliance Activities



Source: Descartes / SAPIO Research

There are also differences in the number of people allocated to compliance depending on business success. According to survey findings, the average number of people involved in supporting international trade compliance activities is seven. However, companies expecting growth of over **15%** in the next two years have an average of eight people involved in trade compliance activities, compared to just six in companies expecting shrinking / limited or no growth (see Figure 4).

Figure 4 | Individuals Involved in International Trade Compliance – By Expected Growth



Source: Descartes / SAPIO Research

This additional commitment amongst growing organizations to ensure compliance activities are fully resourced underlines the significant financial implications of different business attitudes. Successful companies view trade compliance not as a cost center or necessary evil but as a competitive advantage. They are ready to adopt leading-edge strategies, including an investment in both technology and people.

Trade Compliance as a Competitive Advantage

Given the far-reaching implications of global trade compliance, there is a growing perception that those organizations proactively embedding compliance within strategic operations can gain a competitive advantage. With global trade also affected by supply chain disruption, regime change, even weather events, organizations require new levels of agility and responsiveness if they are to respond fast and mitigate business risk.

From the drought that has affected the Panama Canal to the crisis in the Middle East, organizations are continually assessing operational partners, from suppliers and shippers to customers. Competition for access to new trade routes and new partners can be severe, especially at times of disruption. Those organizations with confidence in the speed and robustness of trade compliance processes and procedures are well placed to make the fast, yet informed, decisions required to safeguard business without fear of reputational risk.

What screening processes are in place to maximize commercial opportunities while also minimizing the risk of inadvertently trading with a denied partner, for example? How quickly can the organization determine whether products require a license for cross-border transactions and avoid the risk of incurring severe consequences, including financially crippling fines, legal repercussions, and even criminal prosecution associated with failure to comply with export control laws and regulations? Does the organization have confidence that its sanctions information is up to date?

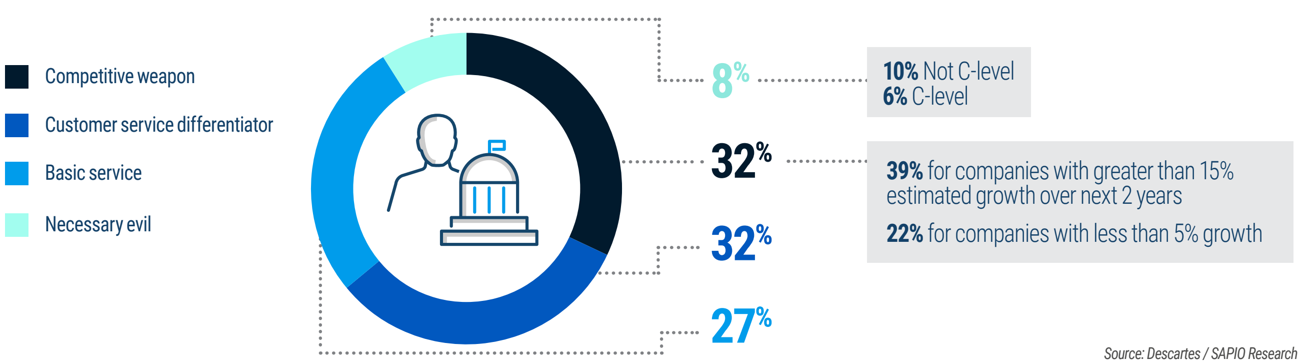
In a fast-changing geopolitical landscape, regulations and sanctions are constantly evolving. Manual compliance can not only be expensive and time-consuming but can also risk unintentional violations that may incur penalties and reputational damage.

Strategic Advantage

As this survey confirms, leading companies increasingly view international trade compliance not just as a regulatory requirement but as a strategic advantage. Almost a third **(32%)** consider trade compliance as a competitive advantage, emphasizing that a proactive approach to compliance can create significant differentiation in global markets. A further **32%** view it as a customer service differentiator (see Figure 5).

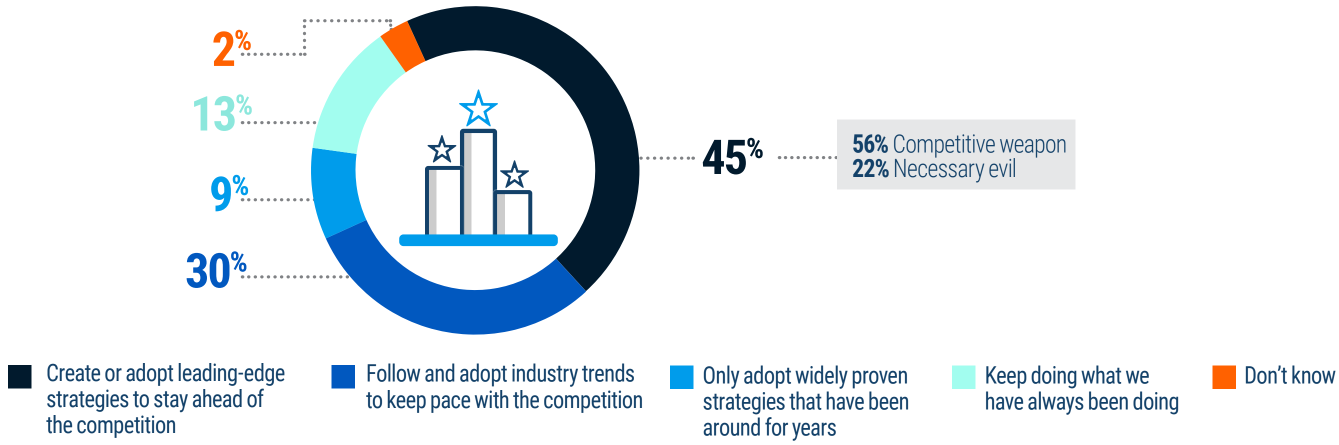
This attitude is even more entrenched within growing businesses. Companies expecting significant growth (greater than **15%** over the next two years) are even more likely to view trade compliance strategically, with **39%** considering it a competitive weapon compared to only **22%** among companies with less than **5%** growth expectations.

Figure 5 | Management View of International Trade Compliance



This belief is embedded in strategic thinking, with **45%** of decision makers creating and adopting leading-edge strategies to stay ahead of the competition. Of these, well over half **(56%)** are those companies that view international trade compliance as a competitive weapon. A further **30%** of respondents are following and adopting industry trends to keep pace with the competition (see Figure 6).

Figure 6 | Approach to International Trade Strategies



Source: Descartes / SAPIO Research

In contrast, just **13%** of organizations are "doing what they have always done", reflecting the widespread recognition of both the changing international trade compliance landscape and the extraordinary speed with which technology innovation, including artificial intelligence, is transforming operations.

When AI-based tools and capabilities are enhancing both quality and productivity in areas such as product classification and compliance—essential, yet time consuming elements of global trade—the implications of "doing what you have always done" may be severe.

Decisions are time-critical, and innovators can leverage technology to access relevant information and regulations, match product characteristics and shipment details with Harmonized Tariff Schedule (HTS) and Export Control Classification Number (ECCN) codes and meet license requirements within a fraction of the time demanded by traditional manual processes, providing a significant operational boost and competitive advantage.

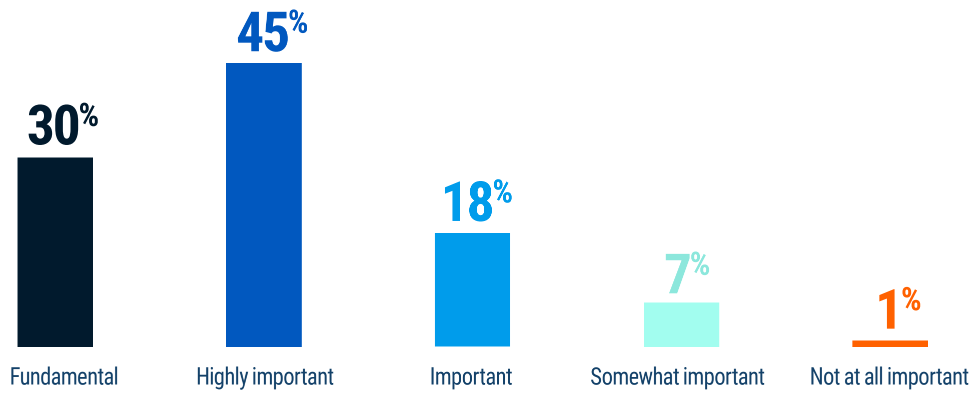
__45%__ of decision-makers are adopting leading-edge strategies to stay ahead, while __30%__ are following industry trends to keep pace.

Adopting Leading-edge Strategies: Leveraging Technology and Innovation

There is a clear recognition of the value of innovation, with technology playing a crucial role in companies' commitments to leveraging trade compliance to gain competitive advantage. Seventy-five percent **(75%)** of respondents confirm that technology is fundamental or highly important to their growth strategy (see Figure 7). This rises to **83%** for organizations that perceive international trade compliance as a competitive weapon.

Furthermore, technology investment and leading-edge technology strategies are strongly associated with business growth: **86%** of companies with greater than **15%** estimated growth over the next two years say technology is fundamental or highly important, compared to only **61%** of those companies predicting shrinking / limited or no estimated growth.

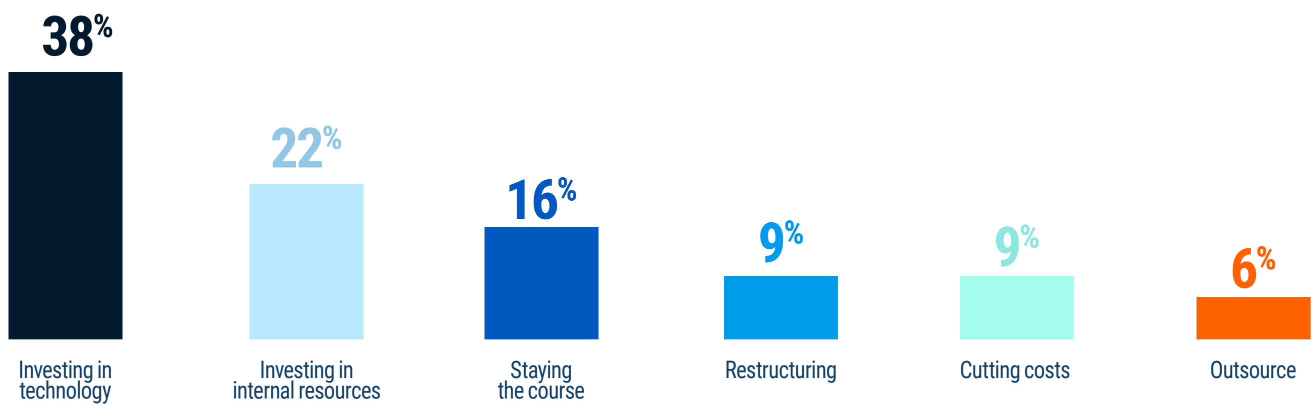
Figure 7 | Importance of Technology for Growth Strategy



Source: Descartes / SAPIO Research

Indeed, investing in technology is the top approach for companies preparing to tackle international trade challenges, with **38%** of respondents prioritizing technological investment to ensure continued growth (see Figure 8). Again, there is a very clear difference between growing and shrinking companies. Almost half **(47%)** of companies with greater than **15%** estimated growth over the next two years confirm technology investment is key to tackling international trade challenges, compared to just **18%** of those businesses expecting shrinking / limited or no estimated growth.

Figure 8 | Tackling International Trade Challenges to Ensure Continued Growth

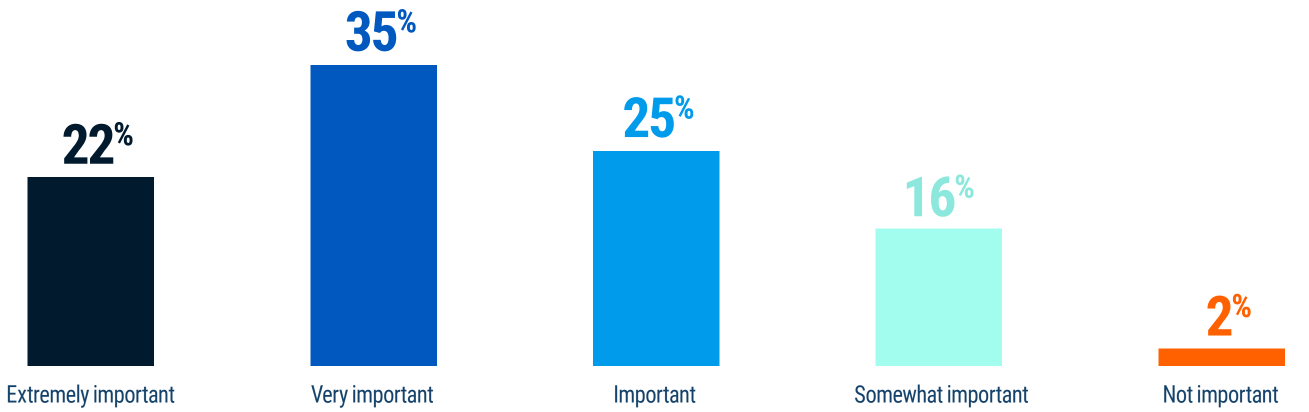


Source: Descartes / SAPIO Research

The research also reveals that mid-sized companies are in the vanguard of technology adoption, significantly outpacing larger organizations in their commitment to technology investment. With **45%** of mid-sized companies (501-1,000 employees) investing in technology to address trade challenges, compared to **29%** of larger companies (50,001+ employees), this early adoption approach to technology investment suggests mid-sized organizations understand the opportunity to gain industry leadership status.

There is also compelling evidence that organizations view technology as a core component of strategies to gain further commercial advantage. Over half **(57%)** of companies surveyed believe technology is very or extremely important for competitive advantage in trade compliance and supply chain intelligence strategies (see Figure 9). Again, there is a very significant difference between growth and non-growth businesses. Almost three quarters **(72%)** of companies with greater than **15%** estimated growth over the next two years believe technology is important for competitive advantage in trade compliance compared to just **41%** of those businesses predicting shrinking / limited or no estimated growth.

Figure 9 | Importance of Tech for Competitive Advantage



Source: Descartes / SAPIO Research

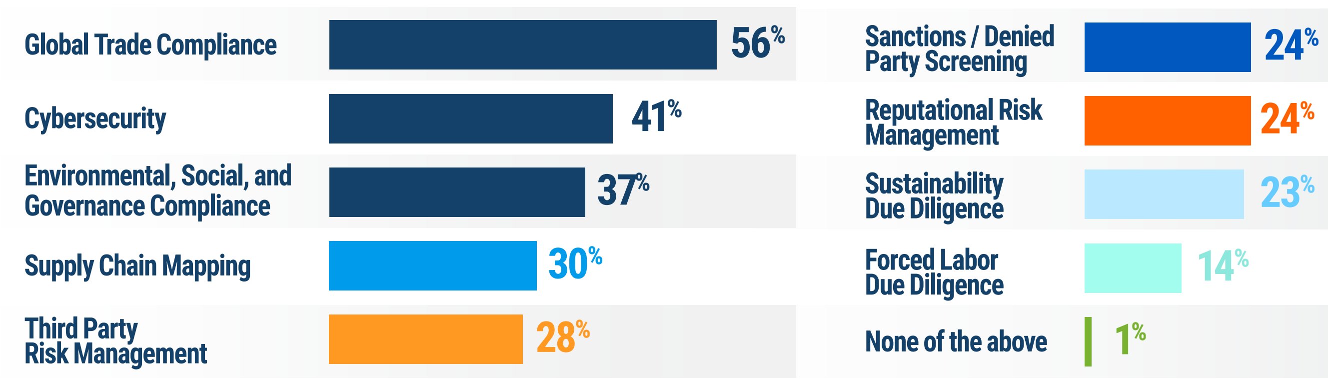
Priorities for Compliance and Capabilities for Growth

According to survey findings, the top three international trade compliance priorities are global trade compliance **(56%)**, cybersecurity **(41%)** and Environmental, Social and Governance (ESG) compliance **(37%)** (see Figure 10). Technology investment plans mirror these objectives, with "Global trade intelligence to rapidly identify new suppliers, markets, and customers" ranked as the global trade capability expected to deliver the greatest value in the next two years **(33%)**, particularly amongst mid-sized businesses **(42%)** (see Figure 11)

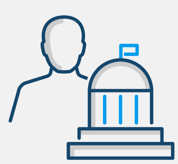
The ability to streamline processes, for example, by integrating denied party screening (DPS) software with the customer relationship management (CRM) tools used by sales teams, can improve productivity. By reducing manual processes and automating screening, organizations can improve sales performance, removing the delays that can lead to missed opportunities and reduced employee morale.

With the constant changes in the legal compliance landscape, investing in automated tools can also help ensure organizations are working with up-to-date sanctions information. This not only reduces the risk of engaging in a relationship with a prohibited organization but also, by ensuring the sales process includes compliance at the initial stages, an organization can avoid wasting time on building an engagement with a non-compliant prospect.

Figure 10 | International Trade Compliance Priorities



Source: Descartes / SAPIO Research

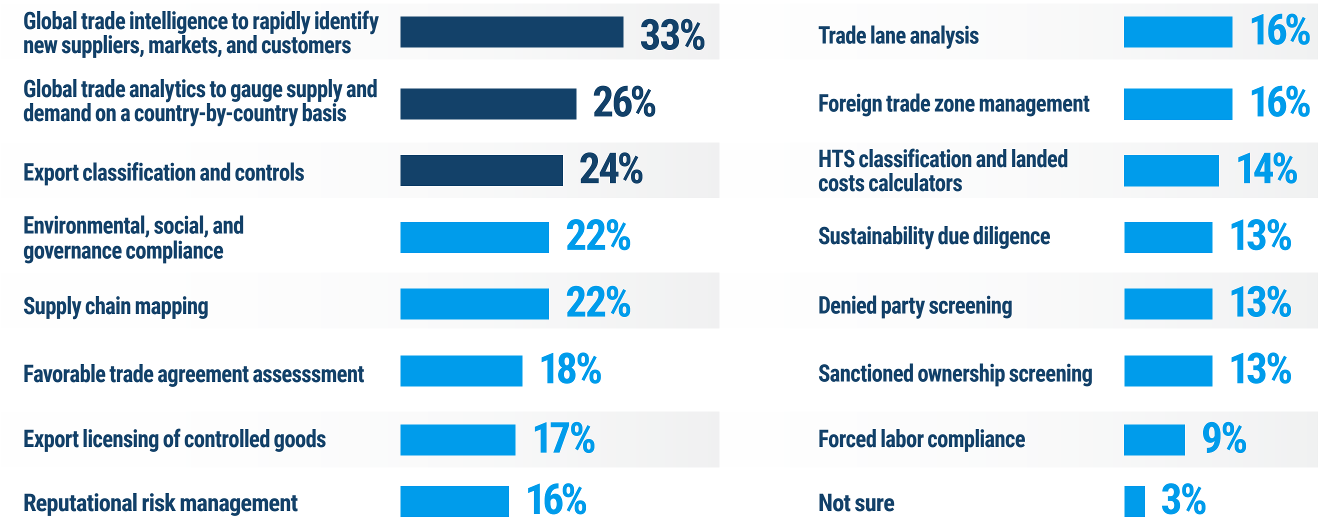


The top three compliance priorities are global trade compliance, cybersecurity, and ESG compliance. Technology investments reflect these goals.

Business Insight

The second highest rated activity expected to deliver the greatest value over the next two years is the use of global trade analytics to gauge supply and demand on a country-by-country basis **(26%)**, followed closely by export classification and controls at **24%** (see Figure 11). With an accurate source of trade analytics data, organizations can identify new markets and buyers, as well as identify alternative suppliers, quickly highlighting relevant, compliant commercial opportunities.

Figure 11 | Global Trade Capabilities Expected to Deliver the Greatest Value Over the Next Two Years



Source: Descartes / SAPIO Research

It is, however, vital that the entire process is integrated and streamlined to maximize the value of this analytics-based insight. Traditional methods of managing export licenses and permits are often time-consuming, error-prone, and resource-intensive. Companies can fail to meet due diligence expectations and become exposed to significant financial and regulatory risks. Manual methods also demand expensive resources dedicated to spending time ensuring all trade chain partners are legitimate and markets are sanction free. Using compliance tools imposes a framework of controls that not only accelerates the process of attaining export licenses and permits, thus reducing operational overheads, but also enhances compliance and reduces risk.

As this research confirms, investment in technology, such as compliance automation tools, and data analytics, is increasingly supporting businesses in streamlining compliance processes and providing a competitive edge.

*Global trade intelligence expected to deliver the greatest value in the next two years **(33%)**, especially for mid-sized businesses.*

Conclusion

The findings of the 2024 Descartes Trade Compliance Benchmark Survey highlight the importance of resource allocation, strategic perception, and technological adoption within international trade compliance. Companies that invest in building their compliance teams, view compliance as a competitive differentiator, and leverage leading technologies are not only more compliant but also more competitive in the global market.

As international trade continues to become more complex, these three traits will help define the leaders in the industry, setting a benchmark for others to follow. By aligning their strategies accordingly, companies can turn compliance into an engine for growth.

Companies that invest in building their compliance teams, view compliance as a competitive differentiator, and leverage leading technologies are not only more compliant but also more competitive in the global market.

Appendix: Respondent demographics summary

In the 2024 Descartes Trade Compliance Benchmark Survey, 887 respondents were surveyed, representing a diverse range of companies, industries, and professional roles involved in international trade compliance. Key attributes:

1. **Industry Diversity:** Respondents span sectors including manufacturing, finance, software and technology, logistics, and retail, providing a broad perspective on global trade challenges.
2. **Global Reach:** Participants represent companies operating across multiple key markets, including North and South America, Europe, and Asia-Pacific, ensuring insights reflect global trade trends and regulations.
3. **Decision Makers:** All respondents hold leadership positions within their organizations, ranging from senior management to Chief Executive Officer or owner.
4. **Company Size:** Companies of all sizes, from SMEs to multinational corporations, were included in the survey, capturing a wide range of operational scales and challenges.

Country of residence

Argentina	BeNe	Brazil	Canada	China	Nordics	France
6%	4%	6%	2%	7%	7%	8%

Germany	India	Japan	Mexico	UK	USA
8%	7%	7%	3%	7%	28%

Responsibility

- **36%** Export Compliance
- **34%** Import Compliance
- **33%** International Trade Analysis
- **32%** Accounting / Finance
- **28%** C-Suite / Executive
- **28%** Shipping / Logistics
- **24%** Purchasing / Procurement
- **21%** Sales & Marketing
- **20%** Ethics, Sustainability and Supply Chain
- **10%** Legal Counsel
- **1%** Other

Role type

- **20%** Owner / CEO
- **18%** C-level Executive
- **15%** Director
- **20%** VP / Head of Department
- **18%** Senior manager
- **15%** Other roles

Size of company

# of employees	1 to 50	51 to 250	251 to 500	501-1000	1001-50001	50001+
% of respondents	14%	14%	14%	22%	26%	10%

Business sector

- **49%** Finance & Insurance; Software & Technology; Professional Services
- **37%** Manufacturing, distribution or retailer
- **11%** Transportation & Logistics University & Research; Hospitality & Tourism

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, security and sustainability of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, track and help improve the safety, performance and compliance of 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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