



# Perfecting GTM Item Classification in a Worldwide Operation

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# Agenda

- Cummins – company background
- One key growth accelerator – Supply chain transformation
- Global Trade Management and Compliance journey
- Standardizing processes
- Product Classification process design
- Lessons learned
- Q&A



# Company Background

- Cummins is a global power leader that designs, manufactures, sells and services diesel engines and related technology around the world.
- Cummins serves its customers through its network of 600 company-owned and independent distributor facilities and more than 6,500 dealer locations in over 190 countries and territories.
- 2012 revenues: \$17.3 billion
- In 2010, Cummins set a target of supply chain cost reductions that meet or exceed 1% of revenue by the end of 2015



# One key growth accelerator - Supply Chain Transformation

- Supply chain performance needed improvement to support growth
  - Increasing global footprint, sourcing complexity, more regulations
  - Shorter product launch cycles, increasing complexity of product portfolio, etc.
- Building the foundation to establish market driven supply chains
  - Developing tools, processes, metrics, new areas of focus in a central organization
  - More corporate direction for existing work, including trade compliance
- Created a Corporate Global Trade Management and Compliance organization in 2011
  - Leadership directed that all individuals working in trade compliance will report directly to the corporate organization
  - Prior to this, all trade compliance work resided in the plants and business units



# Global Trade Management and Compliance journey

- In May 2011, we began with:
  - Disaggregated teams in various countries, managing Trade differently
- We did not have global coverage, a global trade IT system, a common scope of work, common processes, common metrics, etc.
- We did have senior management support to drive improvement as part of our supply chain transformation



# Global Trade Management and Compliance journey

- We began the journey to build the function
  - Established our vision:
    - Minimize Customs and Export Controls risks and costs globally through effective operations management and supply chain design
  - Established our organization structure:
    - **Operations** – manage import and export transactions
    - **Compliance** – advise on opportunities to reduce risk and cost
    - **Export Controls** – prevent prohibited transactions
    - **Functional Excellence** – guide the implementation of commercial processes



# Global Trade Management and Compliance journey

- We began the journey to build the function
  - Defined performance metrics and reporting
  - Invested in IT systems
  - Recruited staff globally
  - Established collaboration with other functions



# Standardizing Processes Globally

**Critical success factors** for creating standardized processes:

- Senior Management Support
- Resources
- Scope of the Trade Organization
- Methodology
- Processes & Tools



# Scope of the Trade Organization

- Define the sub-functions that should be common globally

## Operations –

- Recordkeeping,
- Preferential country of origin,
- Non-country of origin based relief tools,
- Retention compliance,
  
- Quality and continuous improvement,
- Import declarations, Export declarations
- **Product classification**

- Determine which countries to cover



# Classification – quality

- Trade Operations:

- Classification

- Accuracy of Classification
    - Consistency of Classification
    - Completeness of classified items

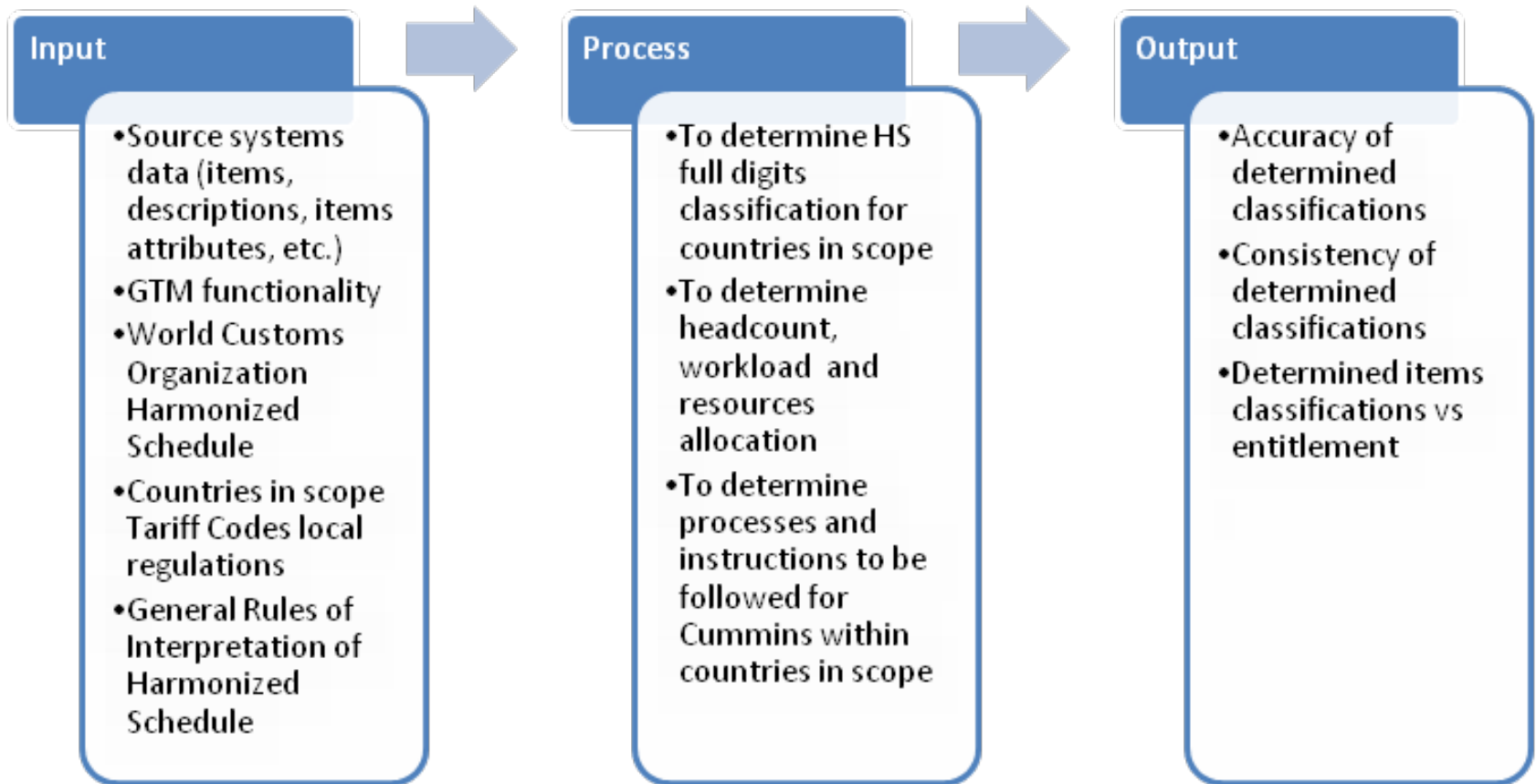
# Classification – actions to achieve quality

- Balance global consistency vs local knowledge and accuracy
- Staff appropriately
- Create the correct architecture so that the work is properly allocated

# Classification – Tools

- We partnered with Oracle GTM in order to:
  - Centralize the classification database
  - Organize the flow of the work (business monitors)
  - Embed the local vs global interactions in a single, reliable, automated tool

# Classification – Value chain identified

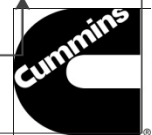
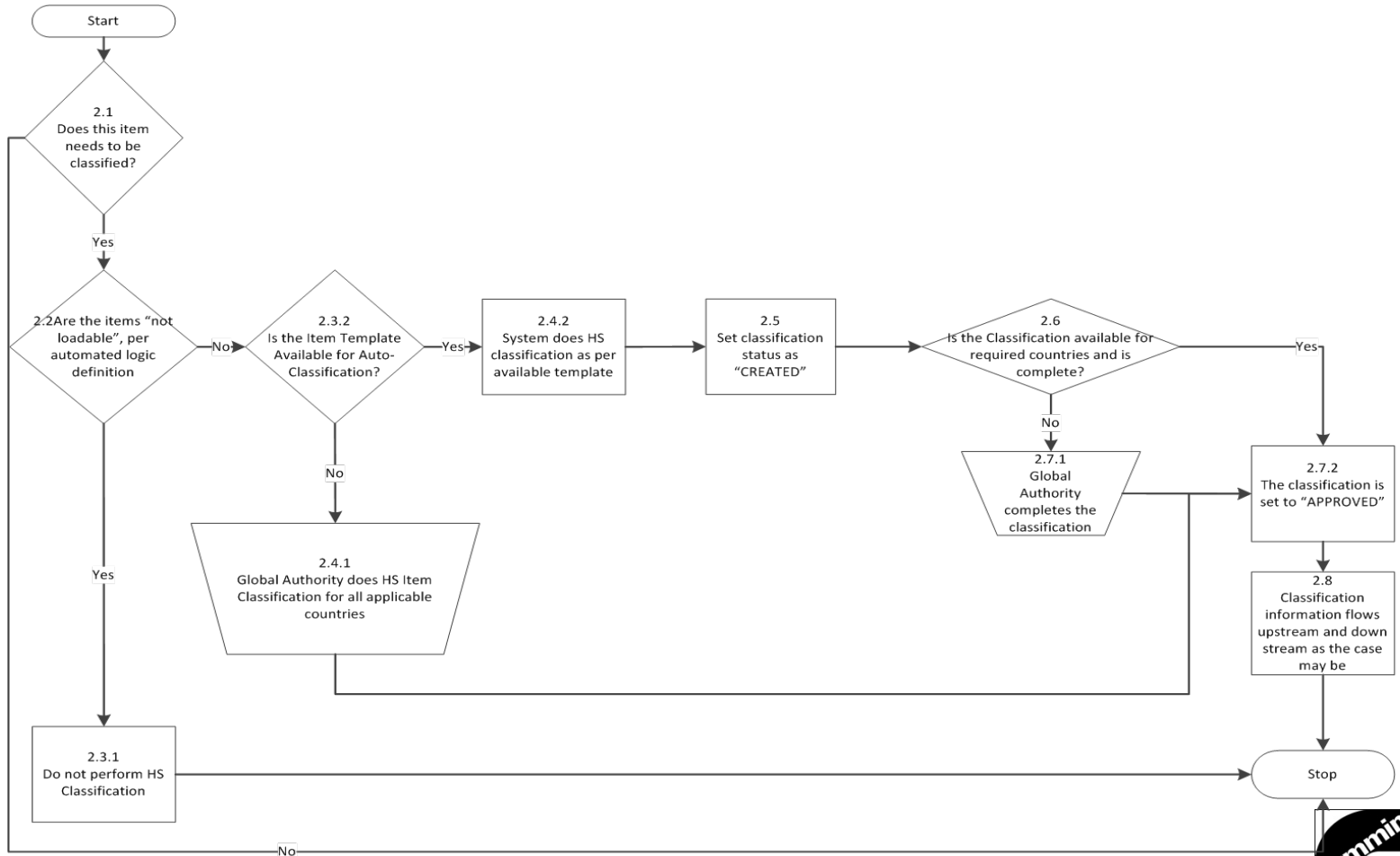


# Classification – Main process

## Item Classification

### IC -002 HS Classification

Oracle GTM



# Classification – lessons learned

- Don't attempt to boil the ocean. Transformation is a multiphase exercise
- Auto classification is possible, based on item attributes
- Test as much as you can, with real volume and data scenarios
- Developing processes in this manner takes time, but it enables outstanding results

# Important to remember

- Processes and tools are meant to be enhancers of the strategic direction of the Supply Chain. The tools must “fit” in it
- Interactions in the systems must comply with what the process is meant to deliver
- Oracle Global Trade Management (GTM) tool can be a great tool to approach complex classification challenges





Questions and comments?

