



Ultimate SAP Guide to Smooth & Successful International Shipping



Introduction:

ARE YOU READY TO EXPORT GOODS?



Now is the time to take your business to a global level! The rate of trade and e-commerce growth is rising exponentially at every corner of the world; you can't pass up this international shipping opportunity. A U.S. exporter can't possibly ignore the fact that 95% of the world's consumers live outside the U.S.* With an expanded customer base, companies gain more profit overall, especially when a global e-commerce strategy can smooth over seasonal slowdowns. Considering that companies are 17% more profitable with a global trade and e-commerce strategy, your company must plan for expanding your market to the rest of the world.*

So, how can you ensure your company stays competitive against others in the international shipping domain? Compliance is the name of the game, and the key to winning it lies in the preparation.

Companies with intelligent enterprises or supply chain solutions, like SAP products, can speed up this preparation process with automation. By being completely prepared, you can tap into the global market with confidence!

*Source: International Trade Administration, "Strategic Reasons to Export"

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THE PATH TO SUCCESS IN INTERNATIONAL SHIPPING



In this e-book, we will show you what you need to know and how to navigate international shipping with SAP solutions.

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FIRST STEP:

Do Your Export Homework!

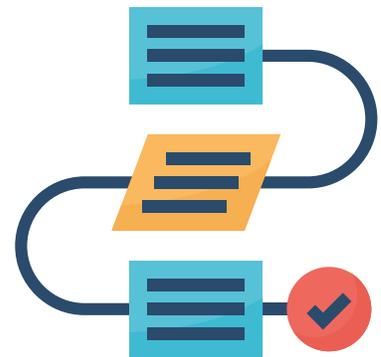
When successful international shipping relies on accurate information, it's important that you know exactly what you're dealing with. From the international shipping process to navigating SAP outbound processing, there's a lot of information to comb through in order to succeed in international shipping.

Because compliance plays the largest role in international shipping, export knowledge is your best friend. The potential for growth is endless when you set your sights on exporting, so thorough preparation will get you there. Success on the global level is just around the corner for your business!



UNDERSTAND THE INTERNATIONAL SHIPPING PROCESS

The very first piece of information you should know is how the international shipping process works, specifically how customs work. Customs authorities can make or break your ability to provide a positive customer experience. It's up to you to make sure that customs easily and quickly process your exports!



To start, let's understand the export/customs process:

#1

The customs agent verifies the export shipment and its relevant documents

#2

The customs agent verifies the price of exports

#3

Duties and tariffs will be applied and charged if the value of the package is above the minimum tax threshold

#4

If the shipment is shipped DDP (Delivered Duty Paid), then customs will release the shipment. If it's shipped DDU (Delivered Duty Unpaid), payment from the receiver must be submitted before the export is released from customs.

KNOW THE INTERNATIONAL SHIPPING RESTRICTIONS

Foreign policies and trade agreements determine the rules and restrictions you must follow when it comes to exports. Of course, each country has its own set of rules, so it's best to double-check on the website of the destination's customs authorities. The best way to avoid violations and penalties is for you and your team to understand what you may and may not do in international shipping.



The following three categories encompass most of the export restrictions:



Foreign Destinations/Countries:

Some countries are completely restricted from exports or have some regulations placed upon specific goods to the destination country



Export/Good Classification:

Various categories of goods are restricted or entirely prohibited depending on the country of origin and/or destination country

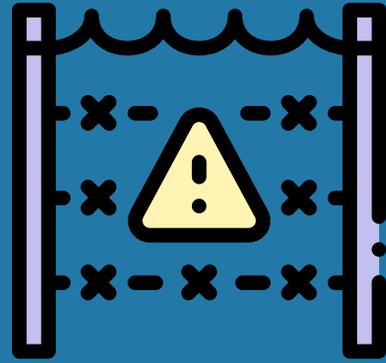


Individuals/Organizations:

Selling certain exported goods to specific individuals or organizations can be prohibited by the government

ENSURE A SMOOTH CUSTOMS CLEARANCE

Of course, every exporter wants to guarantee that the shipments go through customs without any delays on its way to its final foreign destination. To avoid careless mistakes, it's imperative that you understand the consequences of delayed exports:



- Delayed products accrue interest due to storage which result in higher shipping costs
- Your production is potentially delayed
- Food and health products may deteriorate over time in storage
- Long customs periods risk customers returning seasonal products
- Slow fulfillment periods lead to dissatisfied customers, which is not retainable



NAVIGATE THE FOREIGN TRADE OUTBOUND PROCESSING IN SAP

If you're using an ERP system like SAP, you're off to a great start when it comes to international shipping! The SAP system integrates the necessary checks and balances to ensure that your supply chain complies with regulations. For example, SAP automatically checks your export details for accuracy and compliance with the destination country and instantly calculates your duties.



According to SAP, here's how you navigate the foreign trade outbound process:

- 1 Create a sales order based on the customer's information in the purchase order
 - / Details of all existing sales orders are maintained in the delivery and invoice headers
- 2 Input transportation details (i.e. transportation mode, delivery date, and time) in the outbound delivery
- 3 Automate the required export documents, which are based on the invoice data that's sent to the customer

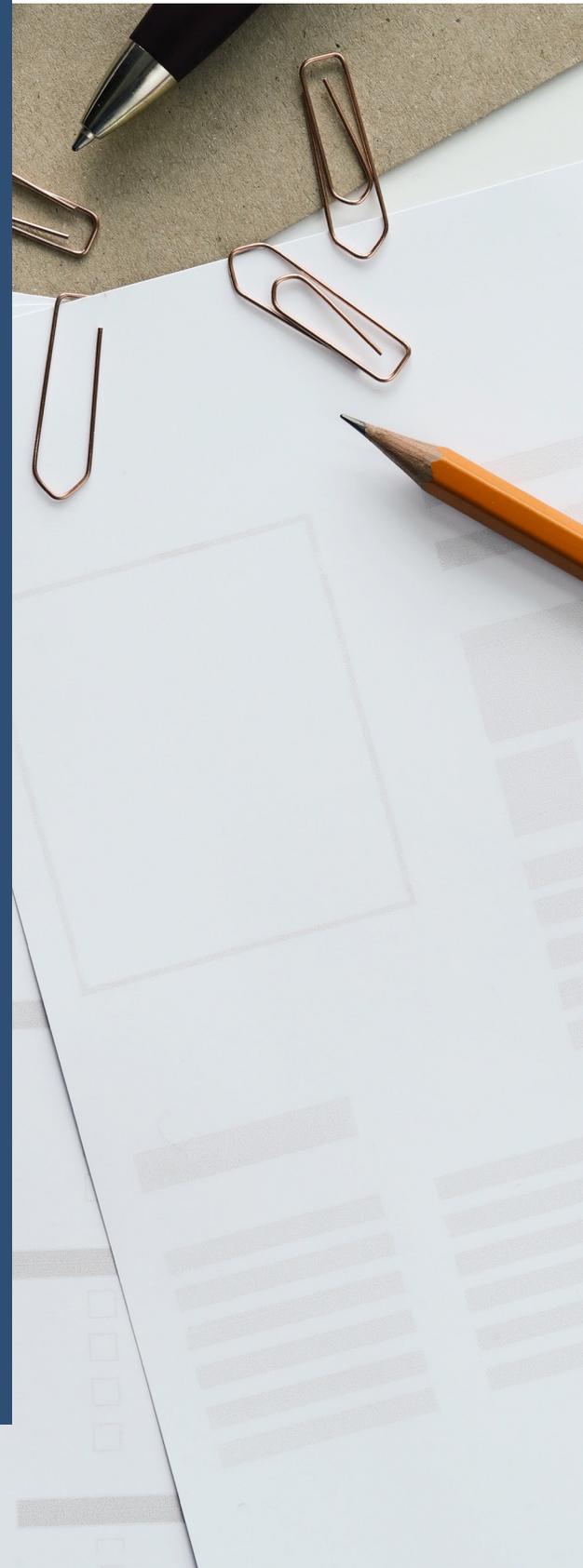
Throughout the process listed above, the SAP system will automatically check to ensure that the necessary foreign trade data is inputted correctly on the correct export documents. Even though SAP will automatically generate export documentation, it's critical to understand the information and purpose of each one.

SECOND STEP:

Accurately Prepare the Required Export Documents

Did you know that compliancy for international shipping is rooted in accurate and complete export declaration documents? Consistency is also a significant factor in compliance with international shipping and customs offices. You want customs authorities to trust that your exports are what you say they are. Accuracy helps you avoid delays and ensure a smooth customs clearance.

Any mistake can set your customer's experience up for failure! Inaccurate or incomplete information delays the customs process for your shipments, which lengthens the amount of time it takes for your customers to receive their packages. You definitely want to avoid this issue!



Luckily, you can automatically generate export documents with all the correct and required information directly in SAP with ShipERP, the multi-carrier shipping solution. ShipERP can also integrate any additional export documentation you may need to smoothly run your international shipping.

DECLARATION FORM

Summary:

Your declaration form identifies your exports that contain important information about the parties involved in the shipping process. The information in your other export documents must match up with the declaration form to avoid customs delays!

Required Details:

- | | |
|---|--|
| <ul style="list-style-type: none">→ Shipper's details: name, address, tax number or VAT number or EORI number, etc.→ Authorized person in the sending company: name, phone, e-mail address→ Buyer's details: name, address, tax number or VAT number or EORI-number, etc.→ Authorized person in the recipient company: name, phone, e-mail address→ The real name and English name of the product | <ul style="list-style-type: none">→ The origin (i.e. country) of the product→ Quantity of the product→ Net weight of the product and gross weight in packaged→ Shipment purpose of the product: commercial, sample, etc.→ Detail of the product including material→ Product HS code→ Package details: number of packages, dimensions, package type, etc. |
|---|--|

COMMERCIAL INVOICE

Summary:

The commercial invoice is used for duty determination, valuation, and import control, as well as for identifying the parties involved in the export process.

Required Details:

- | | |
|--|--------------------------------------|
| → Shipper's details: company name, contact information | → Product name(s) and description |
| → Buyer's details: company name, contact information | → Quantity of product and unit price |
| → Date of the shipment | → Invoice total price |
| → Invoice Number | → Payment method |
| | → Delivery method |
| | → Bank account information |

PACKING LIST

Summary:

As straightforward as its name, the packing list is another document that provides customs with detailed information on the contents of the shipment.

Required Details:

- | | |
|--|-----------------------------------|
| → Shipper's details: company name, contact information | → Invoice Number |
| → Buyer's details: company name, contact information | → Product name(s) and description |
| → Date of the shipment | → Product net weight |
| | → Packaged gross weight |
| | → Package dimensions |

BILL OF LADING

Summary:

The bill of lading serves as a receipt for shipped goods and as a contract between the carrier and you, the shipper. Depending on the transportation mode, this document can either be an Airway Bill for flight or the '*Convention Relative au Contrat de Transport International de Marchandises par la Route*' (CMR) for international road transportation.

Required Details:

- Shipper's details: company name, contact information
- Recipient names and complete address
- Date of the shipment
- Number of shipping units
- Freight classification
- Exact weight of each freight unit shipment
- Declared value of the freight



SHIPPER'S LETTER OF INSTRUCTION

Summary:

The Shipper's Letter of Instruction (SLI) serves multiple purposes in export such as:

- Guidelines on how the freight forwarder should handle the shipment
- Grants authorization for the freight forwarder to act as the authorized forwarding agent
- Provides export control and reporting information

Note that even though the U.S. requires all exports to include the SLI, not all countries require an SLI.

Required Details:

- | | |
|--|--------------------------------------|
| → Shipper's details: company name, contact information | → Product name(s) and description |
| → Freight forwarder's details: company name, contact information | → Quantity of product and unit price |
| → Date of the shipment | → Payment method |
| → Weight and dimensions of shipment | → Delivery method (type of freight) |
| | → Special handling requirements |
| | → Any accompanying documents |



CERTIFICATE OF ORIGIN

Summary:

For some countries, it's satisfactory to put the country of origin just on the invoice. However, that's not always the case; some ship-to and ship-from locations require additional details. Make sure to check!

The certificate of origin serves to authenticate the goods. Your local chamber of commerce and/or the chamber of the relevant industry can provide you with the document.

Documents if you're from the U.S.

USMCA CERTIFICATE OF ORIGIN

Summary:

As of July 1, 2020, the U.S.-Mexico-Canada Agreement (USMCA) replaced NAFTA (North American Free Trade Agreement), which reduces and/or eliminates barriers for trade and investment.* If you're shipping between the U.S., Puerto Rico, Canada, and Mexico, you need a USMCA Certificate of Origin.

The USMCA Certificate of Origin must be used if the shipment is valued at greater than:

1. 1,000 USD and is being sent to a Mexican destination from the U.S. or Canada
2. 3,300 CAD and is being sent to a Canadian destination from the U.S. or Mexico
3. 2,500 USD and is being sent to a U.S. destination from Mexico or Canada

Required Details:

- Identify which party is creating the certification (importer, exporter, or producer)
- Name and contact information of the certifier
- Name and contact information of both the importer and exporter
- Name and contact information of the item's producer
- Description of the item
- Harmonized Tariff Code
- Origin criterion

*Source: UPS, "United States – Mexico – Canada Trade Agreement"

Documents if you're from the U.S.

UNITED STATES CERTIFICATE OF ORIGIN

Summary:

Trade treaties and foreign policy require you to include a U.S. Certificate of Origin if you're exporting specific goods to certain destinations. For example, Japan requires a U.S. Certificate of Origin if you're shipping over 300 square meters of silk items.*

Beware! The rules for including a certificate of origin can change frequently, so it's important to check often to avoid fines and penalties for non-compliance.

→ Required Details:

- Name and contact information for both sender and receiver
- Number of packages and its total weight
- Description of the item
- Bill of Lading/Air Waybill Number (i.e., the shipment ID/tracking number)
- Signature of the local Chamber of Commerce Secretary
- Seal of the local Chamber of Commerce

*Source: UPS, “U.S. Certificate of Origin”

Documents if you're from the U.S.

ELECTRONIC EXPORT INFORMATION

Summary:

If you're shipping goods valued at greater than \$2,500, the U.S. Customs and Border Protection require you to file an Electronic Export Information (EEI) document. The U.S. Census Bureau collects the information from EEI documents to monitor reliable trade statistics.

The U.S. mandates that your export declarations are filed through the Automated Export System or ACE AESDirect. This applies to all exports from the U.S. and/or Puerto Rico to any foreign destination, except for U.S. territories. Generally, exporting to Canada doesn't require an EEI unless the goods require export licenses, is subject to arms regulations, are rough diamonds, or is transiting Canada.* In addition, some countries may even require EEI reporting for commodities worth less than \$2,500.

**BEST PRACTICE:**

Best Practice: Automate EEI filing through ShipAES directly in SAP.

Ensure export compliance easily and quickly with ShipAES, an integrated shipment compliance solution that automates the filing of export documents anytime during the shipping process. Having an AES integrated platform allows your company to reduce manual labor, save costs, and speed up your shipping process.

When coordinating German exports outside of the European Union:

Similar to how the U.S. requires exporters to declare exports through AES, German customs authorities require its exporters to use the ATLAS system if they're shipping out of the European Union. Of course, it's only a requirement if you're exporting goods from Germany to countries outside of the EU valued at more than 1,000 euros or weighing more than 1,000 kg.

If you have facilities exporting shipments from Germany to out of the E.U., we recommend integrating ShipATLAS to automate your export declaration documents.

*Source: FedEx, "Electronic Export Information"



Additional Export Documents

INSURANCE CERTIFICATE

Summary:

It's between the shipper and receiver to determine whether the exported goods will need an insurance certificate, especially when it comes to shipping expensive goods internationally. It's an optional document but needs to be labeled correctly with INCOTERMS, which tells all parties involved who will be paying for the insurance.

For example:

- The shipper/exporter pays insurance for shipments labeled with the Incoterms CIF, CIP, and DDP.
- The receiver/buyer pays insurance for shipments labeled with the Incoterms FOB, EXW, and CFR.

Incoterms Definitions:

CIF – Cost Insurance and Freight (named port of destination)

CFR – Cost and Freight (named port of destination)

CIP – Carriage and Insurance Paid to (place of destination)

DDP – Delivered Duty Paid (place of destination)

EXW – Ex Works (place of delivery)

FOB – Free on Board (named port of loading)

Additional Export Documents

MOVEMENTS CERTIFICATE

Summary:

A movement certificate states that the goods are tax-exempt, which is accepted between countries with trade agreements or customs unions that explicitly state the tax-exempt status. For example, the European Trade Union allows for free trade between its member countries.

CERTIFICATE OF ANALYSIS

Summary:

Specific documents and certificates are required depending on the receiving country's customs and the product type. For example, certificates of analysis reports can be used to satisfy qualifications and inspections of products that are subject to governing bodies, like the Food and Drug Administration (FDA).

INSPECTION CERTIFICATE

Summary:

The customs clearance process may require an inspection certificate for specific products. For example, a country may request a standard audit report from an inspection firm. You can request an inspection certificate for the product you're exporting during the manufacturing phase or before shipment.

DANGEROUS GOODS FORMS

Summary:

When it comes to shipping dangerous goods, you should know what products are considered hazardous, especially in mass quantities. Alone, the individual goods may not be hazardous, but it is considered a dangerous good when it's shipped in bulk. For example, nail polish and cleaning sprays have small chemical quantities in each bottle, but they're dangerous goods in larger quantities.

Each country has different standards for classifying hazardous materials, but the rule of thumb is to follow the international standards set by the Code of Federal Regulations (CFR) and the International Air Transport Association (IATA). All labeling, documentation, and packaging should accurately comply with CFR and IATA standards for all parties involved in the shipping process to understand how to handle your shipments safely and properly.



BEST PRACTICE:

Best Practice: Generate accurate documents & labels with ShipHAZ directly in SAP.

According to the Department of Transportation in the U.S., about 1,500 transportation accidents occur every year when undeclared hazardous materials are shipped.* Avoid being one of the 1,500 accidents by automating all the required documents and labels according to regulation with ShipHAZ.

ShipHAZ takes the burden of compliance away to eliminate unneeded steps in the shipping process, so you and your team can prioritize other tasks.



The compliance solution maintains UN IDs directly in ShipERP and automatically assigns them to specific materials. ShipHAZ continuously checks for compliance throughout the entire shipping process. In addition, ShipERP ensures you're compliant with across various carriers with their individual and unique API services.

With countless regulations to follow, ShipHAZ simplifies your processes right in SAP to avoid fines as high as \$100,000!

*Source: U.S. Department of Transportation, "Check the Box," June 17, 2020

THIRD STEP:

Prevent International Shipping Challenges

You made it past the export documentation stage! When it comes to international shipping, compliance with your export documents plays the biggest role in success. Fortunately, shipping solutions provide some ease on your supply chain processes and resources to simplify compliance.



The next big challenge comes right after. It's time to tackle international shipping challenges! If you're already exporting, you've most likely encountered situations where you're shipping to the wrong addresses or perhaps even shipping to restricted parties that resulted in a fine.

When you prepare your logistics with the right solution, you're sure to prevent issues that arise during exporting. Let's take a look at what problems can appear and how you can counter them!

CHALLENGE #1:

Errors in labeling, documentation, and packaging

Any inaccuracies in your labeling and packaging can subject your shipments to a longer customs clearance period and delay fulfillment. In turn, the delay will result in high shipping charges and unsatisfied customers which you want to avoid.



Manually creating the required labels cost you time and money, as well as increase the risk of fines and business disruptions. When it comes to international shipments, the violation costs are even higher if you have labeling errors.

As previously mentioned, errors on export documents prevents your international shipments from a smooth customs clearance. In the long run, delays caused by errors in labeling or documentation can lead to a poor reputation for your company.

**BEST PRACTICE:**

Keep your supply chain running smoothly with ShipERP Core to automatically generate labels and export documents directly in SAP.

ShipERP Core's various functionalities fulfill your basic shipping needs! The solution automatically generates accurate labels and export documents using the information stored in your supply chain database, as well as fulfilling carrier requirements. Prevent non-compliance and supply chain disruptions with a shipping solution that can quickly generate reliable labels and documents for your shipments.

Your company can ship internationally with confidence!

CHALLENGE #2:

Lost or delayed packages due to incorrect addresses

Domestically, the U.S. Postal Service reported that \$20 billion is spent annually on undeliverable mail and shipments overall in the mailing industry.* Like the previous challenge, incorrect addresses for international shipments would cost your company higher chargebacks.



Unfortunately, 94% of consumers in the U.S. blame the retailer for poor fulfillment.** This can reflect negatively on your business if you don't deliver your shipments to your customers on time. With just an incorrect address, your company faces a myriad of consequences:

- Slow warehouse process to locate missing information
- Delayed customs clearance process
- Unsatisfied customers and returned packages
- Higher shipping costs due to undeliverable packages



BEST PRACTICE:

Automatically check and fix incorrect addresses with ShipAVM in SAP.

ShipAVM checks and suggests alternative addresses when the solution discovers inaccuracies with the provided address before you export the shipment. This process can be done at any level within the SAP system, from the customer master record creation to sales order creation to the time of shipment.

Additionally, ShipAVM can validate the addresses down to the street level.

You no longer must be worried about weak data and address validation! As long as you have ShipAVM, you can trust your data integrity to move forward with international shipping and save high chargeback costs.

*Source: U.S. Postal Service, "Undeliverable as Addressed Cost More than You Think," June 22, 2015

**Source: PR Web, "National Survey from Dropoff Reveals How Delivery Impacts Consumers' Brand Experience During Pivotal Holiday Season," Dec. 8, 2016

CHALLENGE #3:

Shipping to restricted individuals/organizations

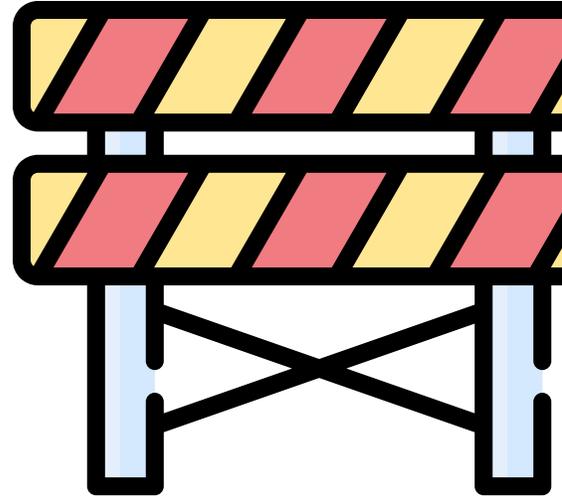
Like a lot of compliance regulations, foreign policy and trade regulations determine who you can or cannot ship to. Especially if you export hazardous materials and other heavily regulated goods, your shipping process must implement another level of compliance.

For example, the U.S. government agencies regularly publishes a running list of individuals and organizations that you are prohibited from distributing to. The agencies only provide the list, but it's up to each company to screen the customers to ensure compliance at the risk of violating the law and punished with costly fines.

**BEST PRACTICE:**

Run denied party screenings throughout the export process with ShipDPS directly in SAP.

Since the denied lists are always updating, it's difficult for you to keep track of it all. Luckily for you, there are compliance solutions out there that can run a denied party screening during your shipping processes to make sure everything is in order at each stage.



ShipDPS partners with MK Data Services to use its government-certified lists for the screening service. Save your supply chain processes time and labor with an automated solution to prevent fines and business restrictions. ShipDPS automatically screens your shipments at multiple checkpoints in the shipping process: purchase order level, sales order level, and during the time of shipping. When the denied party screening catches potential invalid parties, the reports are all viewable in SAP, and you're able to remove the block if the report is not accurate.

Avoid shipping to prohibited parties with confidence using the flexible, compliance solution ShipDPS!

CHALLENGE #4:

Lack of diverse international carriers and 3PLs

Exporters who are unfamiliar with international shipping may rely heavily on major carriers to fulfill the orders. Don't stop there! There are smaller carriers that can get the job done with the same quality at a lower cost. The challenge is how you can build your own network of international carriers.

If you also ship domestically within the U.S., you know that there are hundreds of small carriers available when you do your research. Apply this logic to international carriers as well! Although the language barrier can sometimes be a concern, many international carriers provide services with English support via their website and/or staff.



**BEST PRACTICE:**

Utilize shipping solution providers' carrier networks and/or establish your rapport with international carriers.

Some shipping solutions can provide their available carrier network, which can include international carriers upon integration. For example, ShipERP is a multi-carrier, multi-modal shipping software that integrates with all major carriers. The shipping solution supports parcel, less-than-truckload (LTL), and full truckload (FTL) freight carriers all around the world.

With ShipERP, the software can automatically decide which carrier is the best fit for you. In one platform, the solution lays out the different costs, availability, and functionalities for an easy rate shopping experience. Find the fastest carrier to complete your shipment right away or plan your shipments ahead with ShipERP's wide selection of integrated freight forwarders from around the world.

In addition to using an established carrier network, your company can begin to build your own international carrier network! This can be a challenge to foster a whole group of new relationships, but forming these partnerships will help your company in the long run, like getting better carrier rates. Here are some quick tips on building and maintaining positive relationships with carriers:

- Establish a strong foundation with clear and consistent communication
- Be transparent and honor commitments with your carriers
- Provide value as a client to your carriers by building a relationship with your account manager and providing performance feedback

Where to Turn to When You Have Questions

For issues that come up and you're not sure how to resolve them, use available resources online to help you start shipping internationally. Below are some examples of where you can look for resources:

- The support team from your shipping provider is always ready to help
- Your customs authority's website and/or the destination country's official customs website
- If you're from the U.S., the agency U.S. Commercial Service published A Basic Guide to Exporting which discusses the different channels to consider when trading cross-borders



Conclusion

YOUR NEXT STEPS

Do you feel ready to ship internationally?

Build your confidence in exporting by researching what the exporting process entails. It's crucial to understand the step-by-step details of how customs will process your shipments and, even before that, how to ship your package in the SAP ERP system. When you've done your research, you'll realize that compliance is the major factor in smooth and successful international shipping. Foreign policy decides what, how, and where you can export to which can be automatically processed by solutions like ShipDPS. As long as you follow the regulations, your company won't be at risk for violations and costly fines.

Achieve your goals by understanding the nitty-gritty details of export documents, completing them with the utmost accuracy, and following up with the customs authorities if necessary. Getting the details correct ensures your international shipment runs smoothly throughout the international shipping process, especially through customs. When each country or type of goods require different documents, your supply chain process is bound to be interrupted to manually follow compliance. With compliance solutions like ShipAES or ShipATLAS, you can automate your export declarations to speed up your shipping process!

To wrap it all up, ensure your success by preventing challenges (e.g., errors in labeling and shipping to restricted parties) from becoming major problems like costly fines. Gain positive customer satisfaction by integrating compliance solutions that will simplify and speed up your export processes.

ShipERP, the multi-carrier shipping solution, is here to make sure you succeed. From export document generation to compliance screenings, ShipERP optimizes your international shipping processes to fulfill your various business scenarios.

Maintain a competitive advantage at the global level with ShipERP!





Leading Multi-Carrier Shipping Solutions Provider

ABOUT SHIPERP

ShipERP, the leading multi-carrier shipping software for SAP, is dedicated to increasing supply chain efficiencies for businesses wanting to experience seamless order- to-cash processing. ShipERP makes it easy for supply chain and administration professionals to rate shop, track and trace, and get a proof of delivery in SAP ERP.

ShipERP is a trusted SAP Silver Partner based in Los Angeles, California, with additional offices in the Asia Pacific, Philippines, and Texas. It serves major brands from various industries such as aerospace, life science, manufacturing, and more.

For more information about ShipERP, visit www.shiperp.com.