Logistics providers

The role of digital customs clearance in a customer-focused supply chain

C4T

CUSTOMS4TRADE

Table of
Contents

Overview

The COVID pandemic brought weaknesses in the global supply chain to the public eye, with its far-reaching impact introducing disruptions that have left container ships circling at ports, store shelves empty, and e-commerce customers experiencing routine delays as post-pandemic demand surges. Yet other influences were introducing challenges even before the pandemic hit, including the e-commerce explosion, trade wars, and Brexit.

While the disruptions are multi-faceted, ranging from lack of staffing to materials shortages, outdated processes along with poor communication and continuity between the various links in the supply chain lie at the root of the problem. The future calls for a digital-first approach, yet the various technology systems involved throughout the supply chain will need to integrate in order for the investment to provide value for logistics companies. Local point solutions will not solve the problem; the solution needs to be holistic.

This whitepaper addresses the common challenges encountered by logistics providers with regard to customs clearance, how digitising customs operations using a single, centralised platform can accelerate logistics and boost business, and what to look for in a solution that will deliver the greatest value in the long term.

Customs-related obstacles for logistics providers

Superb customer service is essential to success in the area of logistics, because if shipments don't arrive on time, it makes your customers look bad—and the first place they will turn is to you. There are multiple obstacles preventing superb customer service along the supply chain, however border operations, especially customs clearance, are one of the most difficult and frustrating bottlenecks to overcome. Customs processes are time-critical and one of the few areas in the supply chain that will bring consignments to a dead halt.

1. Non-standardised processes

As a logistics provider, your ability to clear customs is dependent on the information you receive from customers and the quality of the data behind it. Many of your customers may use manual processes, which are time consuming and prone to error. Reliance on customers to provide the correct data for customs clearance can result in a lot of back-and-forth, wasting time and causing delays. Customers often just "throw data over the fence", however your team may only have localised knowledge, making it difficult to provide the customer service needed to move the shipment forward. Unfortunately, when there is any logistical delay, it is often perceived to be a failure on the part of the logistics provider. This leaves you in a predicament, with no means to provide the service that the customer wants and expects.

Compounding these challenges is the difficulty of the domain. All sectors are experiencing hiring challenges, so finding people who are willing to undertake the complexities—and liabilities—of customs compliance, then training them to handle different types of declarations is time-consuming. Additionally, with the dynamic nature of customs regulations, training isn't a "one-and-done" scenario. Customs is a domain that requires continuing education. Speeding up this learning curve without assuming too much risk is key to gaining the competitive advantage.

05

2. Handoffs between local logistics providers

If you are a local logistics provider, you likely experience very high shipment volumes with non-standard or specialised flows. While dealing with various customs authorities may not be your specific challenge, the workload of generating declarations for imports, exports, and transit is still considerable. Without any type of automation of customs formalities, you are spending time on repetitive processes that could be easily avoided with a customs management solution—and this is cutting into your margins daily.

3. Multiple countries with local systems

If you are a logistics provider operating in multiple countries, you face additional difficulties, including interfacing with multiple local providers, local software solutions, or customs brokers to solicit data from each customer. With each new integration, there are new costs associated and a learning curve for new processes, not to mention the time and resources needed to manage yet another vendor.

In addition, each local team is using different data structures, systems, and processes with no standardisation across teams/countries. This is ultimately resulting in duplicative work. What's more, you have no visibility into the totality of your customs-related operations, as the data is spread out over different silos.

When faced with all of these obstacles on a per-shipment basis, it is difficult to attract high-volume enterprise shippers, which is where the real margins lie. And for logistics providers that aspire to expand their geographical footprint, these challenges can seem insurmountable, keeping growth out of reach.

4. Increased security threats

Logistics is a target for cyber criminals and highly public security breaches have brought logistics operations to a halt for large market players. The February 2022 cyber-attack on billion-dollar logistics and freight forwarding giant, Expeditors International, is just the most recent of such breaches, causing them to shut down most of their global operating systems. To protect their companies from this type of attack that not only shuts down operations but results in bad press and customer attrition, CIOs are increasingly turning to native cloud solutions, which guarantee superior security over on-premise and private applications.

"Depending on the length of the shutdown of our operations, the impact of this cyber-attack could have a material adverse impact on our business, revenues, results of operations, and reputation."

– February 2022 press statement from Expeditors International

07

5. Growing demand increases the importance of innovation and differentiation

According to the world's leading supply chain intelligence platform, FreightWaves, "Estimates of the size of the global logistics industry range from $8 trillion to $12 trillion annually. Globally, many believe that the logistics market represents approximately 12% of the entire world's GDP."

This sort of demand leads to a high need for competitive processes in order to dominate the market, and logistics providers that can offer customers a more streamlined solution with shorter lead time and fewer delays will be the ones that land the bigger customers and steadily increase their annual recurring revenue (ARR).

What customers look for in a customs service partner

The most common complaints from logistics customers are that they have no control over their shipment after it leaves their facility or warehouse, no visibility into where their shipment is at any given point—including the customs clearance stage—or whether it has been delayed, and no access to data that they can use for business intelligence.

Customers are looking for a flexible, customer-centric partner that goes beyond getting their goods from point a to point b, offering end-to-end service that promptly resolves complications and delays throughout the supply chain in order to keep goods moving. They want a partner that has implemented digital solutions to simplify daunting processes like customs clearance so their goods seamlessly cross borders all over the world—with full visibility and insights along the way.

> **"Limited connectivity and interoperability between data silos are still some of the most significant barriers to faster innovation in this market."**
>
> – Mike Droesch and Alice Denig,
> Bessemer Venture Partners, Roadmap: Supply Chain Software

Value-added services that would compel customers to consolidate with one logistics provider include:

- complete visibility into their multi-country customs activities.
- customs data and analytics, complete with dashboards and reporting.
- calculation of service costs per declaration along with customs duties and VAT so they can set proper pricing. Any pricing surprises could cut into their margins, or cause dissatisfaction among their own customers if they have to pay more than quoted.
- the ability to support complex customs Special Procedures and inventory-managed regimes that save on duty and VAT costs, such as Customs Warehousing (CWH), Inward and Outward Processing (IP and OP), Temporary Admission, and Temporary Storage.

Providing this level of customer support is only possible using a software system—yet customers are also very cost sensitive. That means logistics companies need to find a solution that can be up-and-running quickly and is adaptive and scalable, so their customs operations will continue to operate efficiently on the platform they have invested in, regardless of growth or changes in cross-border trade regulations.

Envision a customs control tower

As mentioned earlier, customers are looking to their logistics provider for end-to-end service, and customs clearance poses a considerable bottleneck. What if you could streamline and expedite customs clearance for all of your customers, all over the world, using a single, centralised platform? A multi-country, multi-tenant SaaS solution not only simplifies customs management and provides data insights from your end, it provides a self-service platform that allows customers to easily upload data and documents with unparalleled security. This enables you to offer your customers the best of both worlds: lower costs and better service. With fewer resources needed to manage customs operations, you can focus your attention on your core operations.

Unique selling points to customers

Creating a customs control tower allows you, as a service provider, to better engage with customers and build loyalty. Selling points include:

- **Greater control**, putting customers in the driver's seat of their shipments.
- **Increased efficiency**, especially for companies that ship in large volumes.
- **Real-time visibility**, including exception management for time-critical processes to keep goods moving.
- **Faster time to market/destination** by eliminating delays due to inaccurate or incomplete declaration data.
- **A simpler, less complex approach to customs compliance** with repeatable, standardised, and automated processes.
- **Layered pricing options** for different service levels. Offer different price points for value-added, real-time service or when the customer assumes responsibility for uploading their own data.
- **Value-added services** that give customers the ability to use cost-saving customs regimes and fulfil requisite administrative requirements with a full audit trail.
- **Data insights, sharing, and quality control** to help customers optimise their operations.

By offering these types of customs services, logistics companies are able to provide a better customer experience which, in turn, leads to higher revenues.

ENVISION A CUSTOMS CONTROL TOWER

12

What to look for in a digital customs solution

"By 2026, more than 50% of large organizations will compete as collaborative digital ecosystems rather than discrete firms, sharing inputs, assets and innovations."

- Gartner Report "Predicts 2022: Supply Chain Strategy"

All software solutions are not created equally. Local vs global, on-premise vs cloud—what are the best choices? We have put together a list of attributes that constitute a flexible solution that will provide a rapid return on investment and serve your—and your customers'—customs compliance needs for years to come.

- **A multi-country solution**, supporting a unified way of working for logistics service companies and faster handling of declarations with fewer resources.

- **Workflows** that allow your existing team to process a higher volume of declarations with greater accuracy, so your shipments get through customs---fast.

- **Real-time data and status feedback** so any issues can be immediately resolved to keep the goods moving.

- **Connectivity across stakeholders** with integration choices ranging from manual to semi-automated to zero-touch, depending on systems, processes, and preference:
  - Data upload via standardised APIs, with broad integration and interoperability between a variety of systems (ERP, WMS, customs authorities).
  - Data upload via manual upload, either from scratch or using templates

- **Bi-directional data** with streamlined APIs that transfer declaration data from your system and provide returned data to your WMS/ERP system.

- **A SaaS system** that provides continual and automatic updates so that your customs management system is always up to date with the latest features and compliant with regulatory changes across all countries. This is key to long-term value.

- **A single-source-code, multi-tenant, native-cloud solution** that offers enterprise-class availability, reliability, scalability, and unparalleled data security—and will be around for the long term.

- **Fast onboarding** via APIs, shrinking time to value. This also means faster onboarding and a shorter learning curve for new employees.

- **Greater efficiency** of multi-country operations, e.g., the automatic generation of an import declaration in the country of destination as soon as the export declaration is generated. This "single message, double filing" functionality cuts workload in half.

- **Templates, duplication, and data re-use options** drastically reduce time spent on declaration sequences while increasing accuracy, allowing logistics service providers to attract more large-volume, recurring customers.

- **Direct document upload.** This allows logistics service providers to offload the cumbersome and time-consuming task of filling in the gaps of improper or incomplete information sent to them by the customer. This opens up the opportunity to offer customers cost savings for self-managing declarations while at the same time increasing margins. Look for both manual and API upload capabilities to span the needs of a variety of customers.
- **Built-in legal compliance and validation checks.** This supports faster, more accurate declaration submission and reduces the need for extensive customs knowledge and training, whether on the customer or logistics side.
- **A modular/scalable solution** that allows you to start with the functionality that will bring you immediate value and scale up as your customs operations mature and you are ready to move beyond compliance to optimisation or expand to more countries.
- **Visibility into worldwide customs data within one single platform** with flexible-view filtering, dashboarding, and real-time reporting that shows you—and your customer—where each customs declaration is in the process with alerts if an error needs to be resolved or if the shipment is flagged for physical or documentary controls. This is an important factor in supply chain resilience.
- **Advanced functionality**
  - **Customs duty and VAT calculations** for advance validation with the customer.
  - **Support of Customs Special Procedures** like Customs Warehousing (CWH), Inward and Outward Processing (IP and OP), Temporary Storage, and Temporary Admission. This allows customers to track inventory to meet the reporting/audit requirements of customs authorities.
  - **Clear visibility into employee touchpoints** for declaration audits.
  - **Validation of commodity codes** so shipments clear customs the first time they are submitted.
  - **Origin management** to ensure goods comply with commercial policies and carry the required documentary evidence.

In all cases, how well the software features and functionality meet your needs will depend on the software provider's thorough knowledge of the customs domain and the unique challenges that logistics providers face within it. When you are looking for a customs software solution, ask about the provider's experience in both fields and how they propose to solve the specific challenges you face—both now and in the future. This will help establish whether they will be a trusted partner and bring an attitude of "if you're successful, we're successful."

"We believe connected network solutions that enable bidirectional information sharing via APIs and integrating real-time, in-context alerting and messaging across stakeholders can help decrease time to respond to any disruptions and changes." - Feyza Haskaraman, Menlo Ventures, Supply Chain on the Brink

16

In order to rise to the top of their industry, logistics service providers need to deliver frictionless import and export services to their customers, providing a customs control tower that removes guesswork and replicates necessary data and processes for a lighter lift on the customer's side.

Conclusion

About Customs4trade

Customs4trade's (C4T) unique team of customs experts and best-of-breed technology engineers has developed CAS, a one-of-a-kind software solution that automates customs and trade compliance. They have added Managed Customs Services to their roster of offerings, helping companies make the most of their software investment.

CAS is a collaborative hub, built on the Microsoft Azure platform and delivered as a Service (SaaS). It is designed to manage regional and worldwide customs and trade compliance quickly and accurately, within one single platform. By automating import and export processes, C4T's logistics customers are able to offer faster and easier compliance at a competitive rate. CAS provides customers with continual updates and feature enhancements, including the incorporation of any changes to legislation and compliance regulation.

Forward-thinking logistics providers are turning to C4T to help them navigate customs and trade with software and managed services for their organisation's highest strategic benefit. For more information or to contact the company, please visit www.customs4trade.com.

18