C4T

Trade compliance

A guide to optimising international customs and trade compliance

Overview

The fast moving, time-critical and complex world of international trade never stands still. There are national rules and regulations, customs unions and hundreds of international trade agreements, pacts and partnerships.

Global trade executives must adapt to current and emerging challenges and opportunities in the world of customs. They are keenly aware of the need to combine legal compliance with efficient and effective processes, to facilitate the swift and seamless movement of goods. This requires care and attention, as inaccurate information results in customs queries, inspections and delays, and potentially fines, penalties or legal action.

Those company executives responsible for import and export activity are in a unique position to play a leading role beyond daily operational handling. They can provide significant strategic insights to influence decisions and positively affect corporate profitability. However, they can only do this if they have the tools to manage resources effectively and efficiently.

Ultimately, companies are driven by the need to focus on their core business rather than the ever-changing complexities of customs and trade regulations. This white paper summarises the three main avenues for dealing with the challenges of international trade administration and compliance – on-premises or in-house systems, customs brokers or agents, and SaaS (Cloud-based Software as a Service). We hope you find it insightful and valuable to your organisation's drive to ensure effective and smooth customs processes.

✔The customs compliance wishlist

+ Legal compliance: to ensure all declarations are error-free and not subject to delays or fines.
+ Automation of daily customs and excise operations: to save time and money and reduce human errors.
+ A comprehensive overview of all shipments that is easily accessible to improve financial oversight.
+ Optimisation of customs duty costs.
+ The flexibility to scale up or down to meet business dynamics or market conditions.
+ Seamless integration between customs software and other business systems (SAP or other ERP or WMS).
+ Smooth implementation, onboarding and training of employees in new procedures. Rapid deployment across multiple global sites and with multi-lingual capabilities.
+ Minimal downtime risk.
+ Future proof processes to deal with changes to international regulations.

Challenges and opportunities for customs compliance executives

Customs Compliance Executives must ensure their information management systems are efficient, dependable, secure and legally compliant. They need the flexibility to deal with changes in the regulatory environment or to business strategy or structure. At the same time, they want to reduce costs and business risks, optimise opportunities and provide valuable business intelligence.

There is scope to improve ROI (Return on Investment) in customs management. Greater administrative efficiency and accuracy can reduce shipping, handling, haulage, warehousing and staff costs. Compliant optimisation of customs duties can also result in significant cost savings. Customs compliance professionals can drive these improvements, if they are able to stop fire-fighting, step back and present an integrated overview of trade operations across the whole business.

For those involved in the UK import/export market, Brexit has introduced many disruptions and challenges, and these are expected to continue for years to come as companies continue to adapt to the Target Border Operating Model (BTOM). This underscores the pressing need for agile customs compliance systems and processes that can quickly and easily adapt to ongoing changes.

Customs trade managers face numerous challenges, most of which can be handled with an automated, cloud-based solution. With a cloud-based solution there is no need for additional resource, complex documentation is handled in the system, and an audit trail is readily available when the inevitable audit comes along.

Assessing the Options
To ensure compliance, we have recognised the following as the best options to manage import/export administration and processes: developing on-premises or in-house systems, outsourcing to customs brokers or agents, or a using cloud-based SaaS solution.

On-premise/in-house system development

Pros

+ The business has maximum control over bespoke software features.

Cons

+ Upfront costs can be heavy.
+ The business is responsible for software customisation, installation, and staff training.
+ Ongoing monitoring and maintenance.
+ When country legislations change, system updates are needed which won't be done automatically or in real-time. Someone will need to ensure the system is updated as new legislations come out.
+ In-house customs knowledge is required.

To date, many on-premise compliance systems have coped adequately. This is particularly true of organisations who switched from paper-based customs and excise procedures to a digital system without re-engineering the business. However, customs compliance professionals will need to assess if these systems have provided the flexibility to deal with the rapid and significant changes related to EU and UK customs changes such the UK Border Strategy and The Multi-Annual Strategic Plan for Electronic Customs (MASP-C).
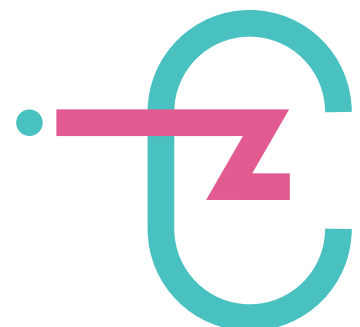
Outsourcing to customs brokers or agents ▶

This is currently a widely used option. Many companies, understandably, need help navigating a complex and changing customs environment and outsourcing can free-up executives' time. As an international trade expert, it is a customs broker's job to keep abreast of changing rules and regulations.

Pros

+ All declarations are handled by a third party so the need for internal resource may be minimal.
+ No internal system management is needed.

Cons

+ The importer or exporter is liable for any inaccuracies in declarations or non-compliance with customs regulations.
+ Declarations are handled by a third party which can result in lack of insight into your own data.
+ Some in-house resource is needed to meet day-to-day administrative requirements.
+ Many companies outsource to several brokers or third parties, which entails maintaining an audit trail and partnership management.
+ Some brokers don't have the complex systems to deal with business demand changes and so can't optimise duty costs.
+ Real-time insight into the supply chain is challenging without an overall picture of international trade transactions undertaken by different departments using different brokers.
+ Engaging multiple brokers also raises issues around variable costs and budget control (the cost per declaration is typically €25-75, excluding internal staff costs).

Using a cloud-based SaaS solution

Pros

+ Legislative changes are updated immediately.
+ Real-time visibility into shipment status.
+ Optimised data for strategic decision making.
+ Overview of all declarations in the same environment.
+ Faster implementation and onboarding than traditional on-premises software.
+ Maintenance and rolling upgrades are managed by the service provider with minimal downtime.
+ Expertise to manage control of access and systems development.
+ Easy integration with standard APIs.
+ Flexibility to scale up or down and add or subtract modules or country scope/flows, keeping costs in line with consumption.
+ Easy worldwide access 24/7/365 (the only requirement is an internet connection).
+ Multiple back-up and storage servers ensure automated redeployment in case of a systems failure or disaster recovery situation.

Cons

+ There may be limited country scope.
+ Customs knowledge is required in-house as declarations need to be lodged, but many suppliers will offer support services.

Why SaaS is ideal for customs

Software as a Service (SaaS), or on-demand software, is a way of delivering software applications to the end-user over the internet. It is already a widely used alternative to traditional on-premise software installations for many business applications, from payroll and accounting to customer relationship management and ERP programs. In a SaaS model, software is licensed on a subscription basis (usually monthly or annually) and centrally hosted in the cloud.

SaaS offers several potential advantages over the traditional models of business software installation. For example, hardware and software maintenance costs are generally lower. As only a browser and internet connection are needed, applications are accessible on mobile devices almost anywhere in the world.

However, it is also important to bear in mind that some IT professionals have expressed concerns over SaaS. Some view on-premises software applications as giving greater control, than hosted solutions over access management and feature changes. It is also the case that, although now widespread, not all applications can run on a hosted SaaS platform and delivery is dependent on the level of internet connectivity.

On the other hand, SaaS applications are already installed and configured in the cloud and can be easily integrated with standard APIs. This generally means installation, deployment and upgrades are quicker than with in-house or on-premises IT development. And, as a subscription service with modular builds, there is normally a high degree of flexibility to scale up as the business grows and add more users or modules at a later stage.

The business model of a solution managed by a SaaS provider, where they guarantee that all legal content will be up to date at the right moment in time, makes a huge difference compared to managing internal projects to guarantee compliance. C4T have developed a SaaS application to manage customs declarations called CAS, which is kept up to date with customs regulatory changes so businesses can rest assured their processes are compliant. The cloud-based software automates customs operations, saving businesses money and preventing human error.

What are the benefits of CAS?

+ Savings scale considerably based on declaration volume, with multinational companies having the potential to save millions of Euros per year.
+ While the initial implementation costs of integrating CAS with existing SAP, ERP or WMS systems are higher than outsourcing to a customs broker, the ongoing annual costs are significantly lower and more predictable.
+ The CAS dashboard automates data consolidation and document production – resulting in lower staff costs in the medium to long term.
+ CAS offers significant long-term cost savings of up to 90% by automatically optimising duty payments.
+ An automated, real-time and fully integrated CAS system minimises customs clearance waiting times. This brings cumulative benefits and cost savings along the entire supply chain.
+ With automated declaration filing, administrative costs are limited to exception handling.

Working out the most suitable solution can be a challenge. The administrative costs of a customs broker represents a large percentage of the total invoice (see page 10). For more examples of the cost comparisons between a customs broker and a cloud-based solution, download the Self-Filing vs Representation white paper.

Calculating ROI

The relative costs of implementing and maintaining any of the three customs management options depend on many factors bespoke to individual organisations. The following estimates are research-based and are provided for guidance only, demonstrating the cost comparison of CAS vs a third party broker.

Case study: A small business that is handling an estimated 3000 declarations a year in one country for direct filing in Belgium.

Scope summary
3000 declarations
One country in scope for direct filing (BE)

Cost Breakdown	Software solution	Customs broker
Software implementation	€ 5.333,33	Not applicable
Write-off period for implementation costs	3 years	Not applicable
Annual software subscription	€21.606,83	Not applicable
Customs broker cost per declaration	Not applicable	€ 35/declaration
Annual customs broker cost	Not applicable	€ 105.000
Total cost per year:	€ 26.940,16	€ 105.000

€ 78.059,84 annual savings with a software solution

Case study:
Honda Motor Europe and CAS

+ Lower administration and duty costs
+ Agile expansion
+ Fast legal updates
+ Strategic insights

Honda introduced CAS in response to supply chain and legislative changes that could have been extremely demanding on company resources. CAS contains data on the thousands of constituent parts of every single Honda produced in the UK, linking all the parts with their import declarations and calculates the duties based on origin and final destination. Optimisation tools automatically determine the lowest compliant duty amount. This all happens in real time, with no human intervention.

Reporting
Increased cash flow optimisation with a higher margin per car, gaining a competitive edge. Reporting functionality to increase visibility and control of all customs and trade data.

Scalability
Flexibility and scalability in case of changes in the goods supply chain and FTA preferential rates are applied automatically.

Automation
Fully automated and insourced declaration process, without increasing Honda's customs and international trade team.

"CAS has already generated significant savings in terms of administration and customs duties. We now want to expand this to trade flows outside the UK. Thanks to the agility of CAS, this can happen quickly."

Shaun Hall
Customs and International Trade Manager
Honda Motor Group

While each option has its benefits, C4T recommend a cloud-based SaaS solution to manage the complexities of cross border trade and compliance. Real-time visibility into shipment status, legislative updates, and customs expertise at your fingertips are just some of the reasons to consider this solution.

About us

Customs4trade NV (C4T) has developed CAS, a collaborative hub, built on the Microsoft Azure platform delivered as a service (SaaS). It is designed to manage regional and worldwide customs and trade compliance quickly and accurately, with a digital-first approach, helping customers stay ahead of the digitisation of customs processes.

CAS provides customers with continual updates and feature enhancements, including the incorporation of any changes to legislation and compliance regulation—along with Azure's signature accessibility, scalability, and security.

Forward-thinking companies are turning to C4T to help them navigate customs and trade with native-cloud software and support services for their organisation's highest strategic benefit.

> CAS does the work perfectly! It gives clear indications and explanations of validation and customs errors if they occur during the declaration process which allows us to act upon them quickly.
>
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💬 Get in touch

We'd love to hear from you.

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