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Efficient customs procedures critical to competitive success

Blake Shumate, COO, American Global Logistics. | Aug 21, 2017 10:33AM EDT

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Creating efficient, compliant trade processes is essential for competing in today's global economy, yet many businesses still struggle to gain control over their customs operations.

For example, one large furniture retailer had an entire team devoted to managing the 16,000 containers it imported annually, but the business lacked a central system to handle paperwork or see shipment status. Employees were buried in back-and-forth emails, and the business had a 7 percent filing error rate, requiring time-consuming post-amendment entry corrections.

Recognizing it needed help, the retailer turned to a supply chain partner to design a better solution. By combining a cloud-based technology platform with hands-on support from an experienced brokerage team, the business significantly reduced customs errors and the time required for each filing.

Sadly, this is not an uncommon story. And yet, it is a risky spot for businesses to put themselves in. With [more than 28 percent of US GDP](https://www.uschamber.com/issue-brief/global-supply-chain-customs-and-trade-facilitation) (https://www.uschamber.com/issue-brief/global-supply-chain-customs-and-trade-facilitation) now related to trade, failing to establish a solid customs program can put importers at a competitive disadvantage. An effective approach requires the right technology, operational processes, and brokerage expertise, helping to reduce regulatory and financial risk while improving efficiency and accuracy.

Staying on the right side of US Customs law is notoriously difficult, thanks to myriad ever-evolving regulations, and penalties for non-compliance can be steep. In 2016 alone, US Customs and Border Protection collected [\\$57 million in fines and penalties](https://www.cbp.gov/sites/default/files/assets/documents/2017-Mar/FY-2016-CBP-PAR-508C.pdf) (https://www.cbp.gov/sites/default/files/assets/documents/2017-Mar/FY-2016-CBP-PAR-508C.pdf). Businesses that do not meet compliance requirements also run the risk of having their goods delayed in transit, slowing production and making it harder to meet customer delivery expectations. Customs clearance, documentation, handling, and inland shipping can add up to [40 days to total shipping time](http://acetool.commerce.gov/shipping) (http://acetool.commerce.gov/shipping) for imports from Asia to the United State, and the US Chamber of Commerce reports that inefficient border procedures can add as much as [15 percent to a product's cost](https://www.uschamber.com/issue-brief/global-supply-chain-customs-and-trade-facilitation) (https://www.uschamber.com/issue-brief/global-supply-chain-customs-and-trade-facilitation).

Recent initiatives to improve cross-border security, such as the Container Security Initiative and the Customs-Trade Partnership Against Terrorism (C-TPAT), have also increased the complexity of enterprise customs programs. And although countries around the globe are taking steps to streamline customs procedures, progress has been slow. Migration continues to the US' [Automated Commercial Environment](https://www.joc.com/regulation-policy/customs-regulations/us-customs-regulations/us-customs-no-ace-relief-date-sight-after-latest-delay_20170629.html) (https://www.joc.com/regulation-policy/customs-regulations/us-customs-regulations/us-customs-no-ace-relief-date-sight-after-latest-delay_20170629.html) (ACE), which aims to create a single paperless portal for the dozens of US agencies involved in international trade, with businesses still learning how the new system will affect their operations. The World Trade Organization's [Trade Facilitation Agreement](https://www.joc.com/international-trade-news/new-110-nation-cross-border-wto-trade-deal-now-force_20170223.html) (https://www.joc.com/international-trade-news/new-110-nation-cross-border-wto-trade-deal-now-force_20170223.html) also went into effect earlier this year, with a goal of standardizing procedures worldwide, but implementing the agreement is likely to take years, considering that it took more than 20 years just to ratify the agreement.

With everything from ensuring your harmonized tariff classifications are accurate to supporting teams bogged down by entry exams, managing customs compliance may feel like an endless to-do list. But working with a supply chain partner can have a big impact on productivity. By incorporating advanced technology, processes and ongoing support into a holistic solution, the right partner can help you meet these business goals:



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- Improve timeliness and accuracy. By implementing a purpose-built technology platform customized to your business requirements, you can create a single source of truth for all customs documentation, automate workflows, and gain visibility into shipment status. For the furniture retailer mentioned above, funneling all required documents into entry riders helped to eliminate confusion over missing documents, boosting efficiency significantly. Robust auditing processes also improve efficiency by reducing post-amendment entries and the risk of costly fines. In the retailer's case, a four-step auditing process, with each step taking only minutes, helped to slash its error rate from 7 percent to less than 1 percent.
- Ensure ongoing compliance. Compliance is a top customs-related concern for most businesses, yet even businesses that self-file may not have an internal compliance team. Requirements are constantly changing, and more sensitive goods, such as children's products or agricultural materials, can involve review from multiple agencies. An outside expert can help ensure all certificates and filings are in place, determine if your classifications are valid, and guide you through any required interviews to explain your customs processes appropriately. As the ACE platform becomes the new filing standard, a reputable partner should also teach you how to find data in the system, such as ports where you have had a history of exams, so you can refine your operations accordingly.
- Standardize business requirements. For businesses that do a lot of exporting, managing entry requirements to all your global destinations can be laborious. An intelligent platform makes that process seamless by creating and maintaining export rules for each country. Taking this approach yielded significant rewards for a global manufacturer of coolers, which used to spend hours researching requirements for its buyers around the world. By creating rules for each buyer in a centralized platform, one worker was able to manage what formerly took a four-person staff to complete.
- Achieve greater security. Established in the wake of 9/11, C-TPAT certification is designed to ensure all cargo entering the United States is secure. Because of the substantial paperwork involved, many businesses with overseas facilities just achieve the first level of C-TPAT certification but then wonder why so much of their cargo is called for exams. A partner with expertise in customs security requirements can help you achieve a higher level of certification, including performing on-site analysis and training your factory workers to provide the right information. Taking that extra step not only improves the security of your goods throughout the supply chain, but also streamlines your operations.

As global trade grows increasingly complex, businesses cannot afford to ignore the importance of a solid customs strategy. Taking steps now to create an integrated technology-driven solution can help you reduce compliance risk, improve operational efficiency, and move your goods around the world more freely.

Blake Shumate is chief operating officer at American Global Logistics.

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