

Keep it simple

How automating international trade can pay off

Getting goods in and out of Canada is far more complex than ever. Following the rules in the old way—with paper forms, phone calls and a whole lot of faith—just won't cut it in today's economy. **Deborah Aarts** taps into how automating the process can simplify global shipping.

Customs rules. Restricted party lists. Free trade agreements. Duty payments. Import and export licenses. Screenings. Taxes. Quotas. These are just some of the variables facing any Canadian importer or exporter.

As the pace of global commerce escalates, so too do the rules governing the worldwide movement of goods. Quite simply, international trade is a heck of a lot more complicated than it was even ten years ago.

"As brokers we have experienced more change in the past five years than we have seen in the last 15," confirms Candace Sider, Livingston International's manager for regulatory affairs, Canada.

Navigating the system at all—much less in a cost-effective or expedient way—is the stuff of headaches for many shippers. These matters have traditionally been the purview of Customs brokers. But as technology advances, some companies are opting to manage their own trade activities through automated software suites.

"There has been heightened global trade—more activity, more volume—and everyone from large enterprises down to middle-market enterprises has an ambition to do more of it," Jim Preuninger, CEO of New Jersey-based software provider Management Dynamics, tells *MM&D*. "So folks have said 'I have to automate. This is too important to my business. This is too large a percentage of what I do. I've got to get it right. And if I'm going to do it effectively and affordably, I need automation to help.'"

Automation options

Trade compliance suites are offering an ever-wider range of options. Preuninger's company, for instance, has an offering called Global Trade Compliance that matches international purchase or sales orders (drawn from a shipper's ERP system) with the regulations of their destination, automatically arranging for the appropriate documentation and clearances.

The suite is also designed to weigh different trade options to arrive at the best solution. For example, Country A appears to offer a better price on a certain product than Country B. But sourcing from Country A entails quota restrictions, stringent licensing rules and 100 percent duty—none of which are needed with Country B, which also happens to have an advantageous free trade agreement. The software automatically sorts through this information to present the optimal option. "An item that appears to have a higher cost may actually have a lower landed cost when you compare it from that standpoint," Preuninger says.

Another system—TradeMaster^{QW} from QuestaWeb Inc—also draws on user-generated shipment information to conduct automatic compliance checks and pre-clearance activities. With all documentation at the ready, importers and exporters are immediately equipped to back up

their claims if border officials question any shipments—an attractive proposition, given the high price of Customs audits.

“That’s the biggest issue to support the whole automated process,” explains QuestaWeb vice-president Wayne Slossberg. “At the end of the day, those audits can cost hundreds of thousands—if not millions—of dollars.

” The value can come in other areas, as well. Automating trade processes can significantly reduce the amount of time spent preparing shipments. It can also dramatically increase compliance rates, which reduces border inspections, demurrage charges and late deliveries. The bottom-line benefits can be massive. One intimate apparel company cited by Slossberg estimated savings of at least \$3.5 million per year.

The new role of Customs brokers

However advanced this type of technology may be, many companies are not prepared to navigate the complicated trade waters alone. In those cases, using an expert agent still makes sense.

“Partnering with a knowledgeable Customs broker is definitely a best practice that should form part of any company’s compliance strategy,” Sider reasons. Furthermore, automated technology is becoming a big part of how Customs brokers and freight forwarders do their jobs. Today, Sider estimates that less than 30 percent of the release information she receives from customers arrives electronically. But this will soon change. With the Canada Border Services Agency committed to move towards full Advanced Commercial Information (ACI) eManifest at all entry points, she anticipates that number will grow substantially. The expectation in the marketplace, she says, is to have at least 70 to 75 percent of data transmitted electronically in the next three or four years.

To facilitate this, many large Customs brokers have developed online programs so that clients can prepare the necessary documentation electronically. This type of automation is particularly beneficial for small and medium-sized shippers, many of which may lack the IT systems or capital—both human and financial—to implement an automated system of their own.

Whatever form it takes—whether as a stand-alone solution or in partnership with a Customs broker—it is clear that automating international trade activities delivers real payoffs for many companies.

As Preuninger says: “It’s very exciting for people conducting global trade to be able to take a look at how they can lower their duty payments and save a lot of money—in some cases, very dramatically.”