

**Mark Brannan**, general manager of AEB (International) Ltd, looks at how intelligent IT can speed up global trade processes, increase efficiency and save costs.

# Get IT right

For many logistics experts, customs and foreign trade regulations are too 'niche' to grapple with. Import and export departments are often not regarded as part of core business functions and hence are marginalised within companies; they are sometimes considered more as a necessary burden rather than an opportunity to save costs or even gain a competitive advantage.

Supply chain leaders, on the other hand, have long held their customs departments in higher regard and don't just consider global trade management as an overhead. Instead, these forward-thinkers are making efforts to use electronic customs integration to automate and streamline processes in these areas and generate significant cost savings.

The European Commission



has set down the framework for European electronic customs procedures in its Multi-Annual Strategic Plan (MASP) aiming through a series of initiatives to tackle key issues such as increasing the efficiency of import and export procedures, reducing compliance and administrative costs, facilitating legitimate trade and combating terrorism. It is clear that the trend for increased electronic integration with customs is set to continue and the submission of paperwork will only be accepted in exceptional cases.

## Electronic answer

During the last few years, there have been major changes in the way businesses interact with authorities, as paper-based processes are replaced by electronic reporting. In the area of customs and international trade, we have seen the introduction of the New Computerised Transit System (NCTS), the Automated Export System (AES), and the Excise Movement & Control System (EMCS), to name just a few of the initiatives.

With the European Commission pushing the agenda on electronic reporting, what are the benefits – if any – for businesses? Can companies make use of these initiatives to reduce costs and drive efficiency?

The new electronic systems will undoubtedly enable customs authorities to better control and manage international trade, but they also offer traders the opportunity to benefit from expedited customs clearance thus facilitating just-in-time inventory management and reducing the need for high stock levels. In order to take the best advantage of these electronic processes companies must

be able to provide authorities with complete and accurate information at the right time and via the appropriate channels.

Many UK companies still print export paperwork and then provide this to a logistics service provider, so that the data can be re-keyed for submission into the National Export System (NES). Not only does this make the process more time-consuming, it also means that the exporter is incurring additional costs from the logistics service provider. By either bringing this process in-house using software systems that integrate directly with customs or transferring the data electronically to the logistics service provider, market leaders are able to cut their overheads and significantly reduce processing times.

A further benefit of making electronic submissions directly is risk mitigation. Outsourcing customs declarations to a logistics service provider may be expedient, but should the logistics service provider mis-declare, then it is the exporter rather than the service provider who is liable. Incomplete or erroneous declarations may lead to fines, penalties and possible shipment delays should goods be stopped at a port or airport. Bringing the declaration process in-house and/or submitting electronically can help to streamline the workflow and improve accuracy of declarations.

## Discovering cost benefits

Customs experts agree that companies managing global trade and customs rules to their advantage, and integrate them into their overall strategy, will be more competitive. Faster border clearance and smooth import and export handling ensure that goods are available on time, delivery promises

can be kept and – most importantly – a happy customer receives the product as ordered.

With electronic submission of declarations through the UK Customs Freight Simplified Procedures (CFSP), importers are able to gain accelerated release of goods from customs at the (air)port or at authorised inland locations. CFSP has the added advantage that importers can achieve significant cash flow benefits. For example, 'Local Clearance' allows temporary storage of goods for up to 20 days before release to a customs procedure or use. This means that whilst the goods are in temporary storage, the importer can choose the release date (and therefore the tax point date) at the most convenient time for the business.

#### **Better integration, quicker despatch**

The introduction of electronic customs clearances is further increasing the interconnectedness of all partners within the supply chain and providing opportunities for automated processes, faster throughput of data and elimination of data re-keying. Software systems play a crucial role in helping

businesses to manage the flow of information to and from all supply chain partners in an effective manner.

The electronic transfer of data, documents, licences, certificates, invoices, bills of lading, etc. is becoming essential to ensure smooth and fast border crossings.

Companies seeking to gain a competitive advantage can no longer rely on business processes that require high levels of manual intervention.

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Leading-edge companies must use software to communicate with logistics service providers, suppliers, customers, customs authorities and other supply chain partners to ensure that the right party is informed at the right time. Pre-shipment advices, import and export declarations, invoices and other shipping documentation often include similar data sets that can be shared, re-used and added-to via electronic

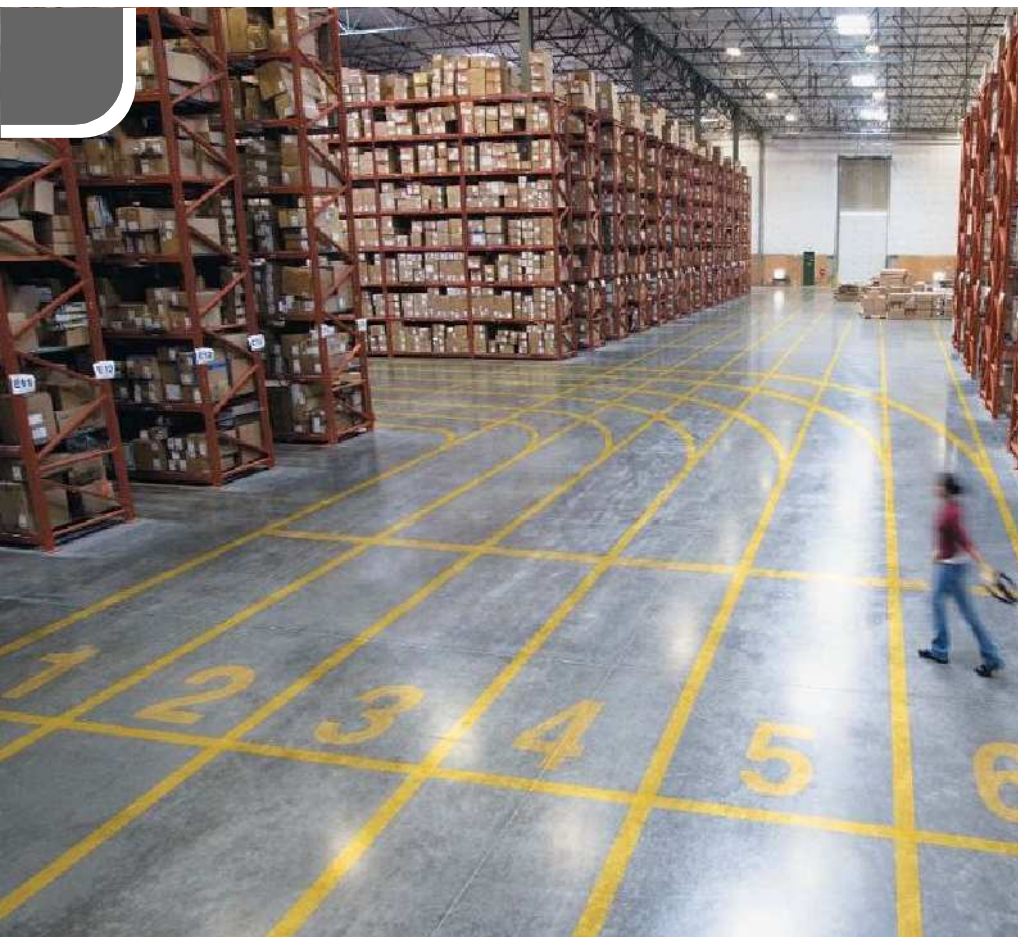
processes throughout the supply chain, thus further saving both time and money.

Software solutions for electronic customs integration

Today, shipment data has to be made available prior to moving physical goods, meaning that business must use electronic communications to transmit their data to customs in advance. IT enables global players to ensure secure, efficient and accurate processing, and integrates the customs declaration process into the general supply chain workflow. The right software supports all import and export processes and maximises automation, helping companies to standardise processes, make costs transparent from the start and save money.

Electronic customs integration will become increasingly important in the years to come. The key to success for traders is going beyond mandatory requirements and establishing fully integrated electronic data exchange systems that ensure accurate data is available at the right time to all supply chain partners. ●

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