

WHITE PAPER

# EVALUATING YOUR CUSTOMS SERVICE PROVIDER

Is your customs brokerage partner  
the right fit for your business?

## White Paper

# Is it time to audit your customs service provider?

Given the demands of global business and the rapid pace of change in international regulations and customs policies, businesses are increasingly reliant on their service providers to ensure that their goods flow seamlessly across global supply chains. Building a partnership with your service provider can create operational efficiencies, allowing you to focus on your core business and, ideally, making your company more competitive. But not all service providers are created equal – and a less than optimal partnership can affect your bottom line. Evaluating your service provider can help you ensure that your needs are being met and that you have a strategic partner in the overall success of your business.

There are many areas that you can determine if your customs brokerage partner is the right fit for your business, but to get a general overview of some key considerations, you may want to ask yourself the following questions.

### 1 Does my service provider have the expertise and resources to help me develop my global strategy?

Complex organizations deal with incredible amounts of data, and having access to the right data at a moment's notice can be critical. Your service provider should help you achieve this capability by capturing, maintaining and organizing information so that it is accessible to you, providing you with real time visibility.

If you are growing your product base, your provider should be able to support this growth from a data management perspective. There are multiple data elements involved in a global transaction and the information you need can vary depending on the countries with which you trade.

**Four questions** to ask when evaluating your customs brokerage partner.



### Key follow-up questions to ask about your provider's trade resources include the following:

- Does your provider maintain a country-wide HS classification database to ensure consistency of classifications applied to a particular product or good?
- How is classification data captured, maintained and accessed for future imports?
- What is your provider's compliance rating with Customs?

Each country can have multiple agencies, with their own particular rules and data requirements and formats. Having a service provider who can not only make you aware of these requirements, but ensure you are compliant and have the correct data to make strategic business decisions, will make for fewer growing pains. This means that your service provider should have the ability to adapt its systems to meet your evolving requirements.

In order to provide this level of customization and service, your provider must have effective processes in place to manage the data, ensuring that the data elements meet the



compliance demands of multiple regulatory bodies while creating a detailed audit trail. A customs audit can cost thousands of dollars, particularly if the information is not well organized, readily accessible and easily tracked.

## 2 Does my service provider effectively communicate regulatory updates and trade data?

Today's regulatory environment is complex and constantly evolving. Governments at home and abroad are currently undergoing significant process changes (including modernization initiatives) and continue to form new trade agreements, both of which result in changes to regulatory requirements. Keeping up-to-date with the latest changes is key to successful – and compliant – importing and exporting processes.

In order to maximize your value and maintain your compliance, your provider should provide content updates that are relevant to your business in an easily understandable format, when you need it. Your provider should not only be on top of the regulatory changes, but should proactively inform you of changes that are coming and the impact they can have on your business processes. Ask your provider if they have the in-house knowledge and expertise to provide expert training to your personnel and the ability to keep you up-to-date on changes to the regulatory and trade environment. There are multiple ways

in which your provider can communicate this information to you, such as newsletters, e-mail programs, webinars and seminars.

The more complex your importing requirements, the more essential a proactive service provider becomes. For example, if you import goods with other government department (OGD) requirements, such as food items that require Food and Drug Administration (FDA) permits, you

### Follow-up questions to ask about your provider's communication protocols might include the following:

- Are your service provider's communication methods suitable to you and to your customs and trade personnel?
- Do those communications arrive in a timely manner?
- Does your provider offer training that can help your staff keep on top of regulatory changes affecting your business?

don't just need to keep up with the latest updates from Customs – you need to make sure any FDA changes that may impact you are also being communicated.

Ensuring compliance with Customs and OGDs is a multifaceted function. If you are a larger organization, you may have multiple OGD touch points that require monitoring; and if you are a smaller organization, you may not have the bandwidth to constantly monitor the changes within even one government department. Ideally, your provider should have dedicated resources focused on ensuring that your business is meeting the regulatory requirements that apply to your operations. And if you happen to deal with specialized goods, such as those subject to intellectual property regulations, your provider should have strict protocols for peer review to ensure that they have a complete understanding of the issues in order minimize your risk.

### **3 Does my service provider go the extra mile, like a true business partner?**

In a function as strategic and critical as customs, your brokerage provider is doing more than simply selling you a service; they are a key element of your team – a business partner – and they should be as vested in the success of your business as you are.

Every industry has its own unique characteristics and service demands, and large, complex organizations are always looking to simplify processes in order to streamline their operations, making their business more efficient and

### **Key follow-up questions about your business relationship might include the following:**

- Does your provider understand your industry and the specific needs of your business, and do they have the personnel available to support your short term and long term needs?
- Has your provider gone out of their way to help you identify trouble spots and solve problems before they occur?
- What processes does your provider have for reviewing service delivery, identifying/tracking preventive actions and implementing process improvements?

ultimately, more profitable. While you may have already taken steps to improve efficiencies, your service provider should have unique, function-specific experience that will allow them to identify operational gaps before they become issues and make proactive changes and improvements. A good service provider doesn't just help you avoid the pitfalls; they help you find opportunities to improve your competitiveness.



When reviewing your relationship with your provider, also consider their communication and contact protocols. Who are your contacts and how long does it take to get a response to a question or service requirement? Today, most organizations have needs that extend beyond the 9 to 5 workday. Shipments arrive at borders at all times of the day, and operations are often run 24/7 in order to maximize operational capacities and to meet the requirements of demanding clients. A service provider should have people, processes and technology to offer around-the-clock service so that you can continue to meet the performance requirements of your own business. It should be easy for you to access answers regardless of the time of day. Also consider how many contacts you must deal with in order to get an answer. Service providers with multiple layers of contacts can be difficult to navigate, while those with a single point of contact ensure that you get the responses you need as quickly as possible from an expert familiar with your business and operations. Your broker should provide a few dedicated contacts who know your business inside and out. In fact, in very complex operations, it's not uncommon for a service provider to have a person onsite, located in your actual facility, acting as part of your team. While that may not be feasible or even desirable in all cases, your communications with your service provider should be fast and painless. For instance, if you're simply looking for an update on your customs clearance status, you should expect a response within a few hours. For more urgent matters, like shipment delays, the response should be immediate. So while it may not be reasonable to assume that your contact for the 2:00 a.m. crisis will be the same as your regular daytime contact, the fewer people you deal with to get the answers you need, the better it is for your business.

While it's ultimately your responsibility to understand how various regulations apply to your business, that doesn't mean you need to be an expert in customs regulations and tariffs; that's the whole reason you outsourced these services to your customs service provider. Your provider should offer a high ratio of licensed or certified customs professionals with experience and knowledge in your particular industry. A full service provider can also do more than simply clear your goods. They can offer additional services that can improve your processes, help with recordkeeping, or prepare you for customs audits. And if they are truly a committed partner, your service provider will also play a more strategic role in your business by helping you develop and implement customs compliance programs, and by identifying other options (such as trusted trader programs) that can increase your credibility with customs and ensure your supply chain

runs smoothly. They can also help you navigate through the myriad of complex trade agreements out there, identifying low-cost options for sourcing and opportunities for growth.

#### **4 Do my provider's technology solutions help ensure my supply chain is robust, flexible and compliant?**

Technology plays a major role in just about every business in the 21st century, particularly when it comes to managing the supply chain. Everything from order processing and inventory management to information exchange with Customs is becoming automated as trade becomes more global and government and regulatory bodies strive to increase their own efficiencies. There are a couple of ways your service provider can use technology to your advantage. First, by using collected data and regulatory guidelines, your provider can identify areas of concern within your business processes that can result in delays and failures. Customs regulators have made it clear, particularly in North America, that they are moving towards advance data, where all information from all sources and all modes of transportation will have to be provided to Customs in advance of the shipment arriving at the border in order for the shipment to clear. Failure to do so will result in delays, penalties and increased costs. To avoid this, an extremely high level of coordination among all the supply chain partners is needed, and your service provider should be leading the charge for you. Any broker, regardless of size, must be completely automated with full connectivity to U.S. Customs and Border Protection (CBP) and the Canada Border Services Agency (CBSA).

#### **Follow-up questions to ask about your provider's technology solutions might include the following:**

- Does your provider have a detailed version history of their software solution(s)?
- Can they demonstrate how their technology has adapted to changes from Customs?
- Can their solutions be customized to meet your changing needs, and the changing needs of your supply chain partners?



Livingston International simplifies the complexities of importing and exporting, giving businesses the freedom to focus on their core functions. From clearing single shipments to managing global supply chains, clients in North America and across the globe turn to Livingston for world-class customs brokerage, trade consulting, global trade management and freight forwarding solutions. Our clients also rely on us for innovative technology solutions, including the TradeSphere® suite of automation software.

Second, your broker should provide systems that offer interoperability with other players in your supply chain. Electronic Data Interchange (EDI) or File Transfer Protocol (FTP) are the building blocks and should be a basic service you demand from your provider. EDI allows for the transmission of critical data between you and your supply chain partners (e.g., part numbers, purchase order details, commercial invoice data, entry details and billing information), and most critically, between your service provider and Customs. FTP allows for fast delivery of files and greater flexibility with how you use your documents. If EDI and FTP are made available to you, make sure that your service provider is flexible on file formats. If they're not willing to customize according to your needs, you could be looking at headaches down the road, particularly when it comes to developing interoperable systems to work with the rest of your partners.

If you're trading internationally, your supply chain is a critical element in your business operations. And whether you're large or small, a retailer or a manufacturer, or buying finished goods or components, your customs broker is a very important partner. As with any relationship, it's good to take a step back and critically review the relationship. Are you getting what you need? Is your partner as committed to your business as you are? Is your partner continually improving their services, knowledge and capabilities to ensure you remain efficient in your operations and competitive in your industry? If you can't answer yes to all these questions, then now may be a good time to take a look at some other alternatives.

### **Are you looking for a new customs provider?**

Soliciting proposals is a great way to find the right partner, but many companies struggle to get started. That's why we've created a sample Request For Proposal template that you can use as a starting point!

**Contact a Livingston account executive for your free sample RFP template today.**

### **Contact Livingston**

**Have questions or need help with your shipments?** Contact your account executive, write to us at: [simplify@livingstonintl.com](mailto:simplify@livingstonintl.com) or give us a call at **1-800-837-1063**