Clearing and forwarding systems – can the thinking change?

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> ". . . it is impossible for one generic application to provide a comprehensive worldwide IT solution for forwarding and clearing brokers . . ."

Two essential components of any import or export supply chain are: the Freight Forwarding element – which addresses the management of the international transportation of the goods, and the Customs Clearing function – which deals with compliance with the fiscal and security requirements of the countries through which the goods move from origin to final destination of consumption. Although these are two distinct activities it is logical and hence common practice worldwide for organisations servicing these aspects of the import and export sectors to offer both functions to their clients.

One of the challenges facing such organisations is the optimisation of their systems usage in order to provide better service to the customer, including enhanced visibility of the process flow and interaction with other links within the supply chain. This has become increasingly difficult due to the cost constraints imposed by increasing competition and progressively more demanding regulatory compliance. Within this environment the use of IT applications to improve productivity is unavoidable. However, the determination of the optimal system may vary from agent to agent dependent upon the location in which they are operating.

Traditionally freight forwarding has been seen as a reasonably standardised function and hence one application could service an organisation in multiple countries. Customs clearing, on the other hand, had been understood to be reasonably unique to a specific country, just as tax regulation varies from one national jurisdiction to another, and hence an independent customs broking application has become the norm. When deciding on the IT applications best suited to service this industry into the future some of these paradigms will need to be re-examined, by the agents themselves and perhaps the importers and exporters who use them. The establishment of regional customs unions may make it possible for a single application to service a broader client base from a customs broking perspective, and yet increasing security concerns have imposed more regulation around the control of cargo and hence potentially added specific local or regional compliance requirements to the freight forwarding aspect of the business. Undoubtedly other influences, such as banking and trade finance or integration with local port authorities will demand greater customisation of application software in order to operate efficiently on a regional basis. Under these circumstances an agent may find that following traditional thinking may not be optimal for his business, and should take a broader view of issues when reviewing systems options.

Unfortunately anyone who has exposure to IT systems will know that they are expensive, for both the initial development and ongoing maintenance if they are to remain appropriately functional and hence, notwithstanding the observation that change is the only reliable constant in our world, it may be worth noting a few general points for consideration in selection of the software to be used by the forwarding and clearing industry at the local level. Briefly, the application should provide for the following:

- Process management – to control the flow of work
- Data interface – to minimise the recapture of data (both within the organisation and with third parties)
- Data validation – in order to prevent the costs of rework
- Performance measurement – to manage the activities undertaken
- Compliance – with local regulatory requirements
- Ongoing enhancement – to meet future needs

In conclusion, I would suggest that it is impossible for one generic application to provide a comprehensive worldwide IT solution for forwarding and clearing brokers, the cost of customisation to meet local requirements would be prohibitive. If you accept that, consider how "best of breed" local applications can be employed so that the best solution possible is delivered at each local point of operation, with data delivered via EDI from one location to the next. Likewise international visibility could be achieved by the EDI transfer of pertinent data from each point of local processing to a central portal. ◆