

Global Trade Management Study from AEB  
and DHBW Stuttgart

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# Clear the track for Digital Customs Management

How innovative IT is changing the way businesses  
manage their customs processes and service providers

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# Executive summary



The digitization of business processes and supply chains is one of the most dominant trends in the global business community. In the not-so-distant future, virtually every organizational unit will experience the transformational change of innovative information technologies and the business models they enable. This includes enterprise customs management, which has a tangible impact on cross-border supply chains. By their nature, customs processing and customs management make excellent candidates for digitization: They include legally prescribed procedures and work with encoded information based in part on a global standard (HS – Harmonized System).

So will customs management become the vanguard of the digital wave? What is the current state of affairs in businesses, and what are the perspectives for the coming years? How do businesses work with service providers in the field of customs, and what is the impact of digitization here? Answers can be found in the Global Trade Management Study from AEB and Baden-Württemberg Cooperative State University (DHBW) in Stuttgart, which includes input from 435 experts, primarily from the German-speaking world.

## **Customs not passing unnoticed in digitization efforts**

The study shows that although customs operations are not the primary focus of businesses' digitization plans, they do play an important role. A full 33% of respondents report that the digitization of customs is a high priority in their company, while 40% call it a medium priority. These figures are even higher among management-level respondents. The relatively high attention paid by management to customs is due in part to the "Trump effect", which has unleashed a broad-based public debate on the issue of tariffs. Participants in the study identify export management and export controls as the two most important areas for digitization.

## **Majority already has experience with digitization projects**

More than 35% of respondents report that their company has already implemented at least one project to digitize customs operations. Nearly the same number already have such a project in the planning or implementation phase. Only a bit under 30% have not yet had any experience with digitization projects.

## **Few can call themselves experts**

But it would be a mistake to conclude that customs departments are replete with digitization experts. In measuring the progress that participating companies have made toward digitization, the study ranks only 11% as experts, though another 33% were classified as advanced. Most of the companies have yet to begin, however.

## **Focus on centralization**

Survey respondents see the centralization of customs management as a key effect of digitization. They also expect digitization to bring about centralized archiving, better visibility of decentralized transactions, and improved communication with customs authorities. Most expect markedly lower personnel expenses in customs management – but only 6% of companies actually plan to cut personnel in their customs department in the coming three years. The reason for this low figure is the shortage of qualified customs personnel. The aim is more to handle the workload with the existing personnel rather than actually downsize. Already, most companies are turning to centralized customs management – although larger enterprises in particular often pursue a hybrid strategy with a centralized customs department and decentralized operating units.

## **Obstacles: lack of expertise, inadequate support from management**

As the main obstacles to the digitization of customs, respondents cite a lack of expertise and financial resources, but also the lack of support from their own management. Here we see that the customs department, in competing for scarce resources against other areas such as sales or production, does not always have the best cards, at least from its own perspective.

## **Outsourcing: most companies prefer to handle their own customs**

Nearly three-fourths of respondents report that their companies communicate exclusively or primarily with the customs authorities directly about their customs processes and submit customs declarations directly on their own. The main reason they cite is that in-house management is faster, cheaper, and more efficient. The remaining 27% prefer to work with customs service providers.

### **Most are satisfied with customs service providers**

For most companies, the partnership with customs service providers is satisfactory. Only 11% of those surveyed are unhappy with the arrangement. There is a core problem, however: Over 60% complain of the lack of IT integration with their providers.

Some 63% communicate by email or phone with their providers, and only 26% have set up an interface to the provider's IT system. Here we see a clear opening for digitization efforts. The same applies to the monitoring and control of the providers: Only 43% perform audits or spot checks. Over 25% don't monitor their customs service providers at all. Given the legal responsibility of the companies as the declarant, this situation is not tenable.

# 1 Digitization of customs



## 1.1 Background

In many areas, digitization is solely a question of business necessity: cutting costs, streamlining and accelerating processes, making information more broadly and readily available, establishing a direct link to customers. With customs management, there is a legal aspect to contend with as well. Since 2009, all businesses in Germany and other EU member states have been required to submit their customs declarations for exports to non-EU countries in electronic format only. In Germany, this is done using the e-customs system known as ATLAS (*Automatisiertes Tarif- und Lokales Zollabwicklungssystem*), which allows the customs authorities to largely automate customs clearance and monitor the cross-border movements of goods. Customs authorities in other EU countries have established similar systems.

### Ample opportunity to apply digital technologies

In other words, companies have virtually been forced since 2009 to digitize their communications with customs. But the opportunities for digitizing customs operations are much broader. Businesses have the opportunity, for example, to integrate their customs IT into their other IT systems. Ideally, this makes it possible to automate the entire process of customs declarations and export controls. IT solutions have since come along for preliminary tasks such as classification as well as for running calculations and managing proofs of preferential origin – a prerequisite for those seeking to benefit from free trade agreements.

Finally, digitization is about integrating customers and suppliers as well as a company's own offices at home and abroad for the purposes of sharing customs-related information.

Which of these digitization opportunities are companies already using today? Which are they planning to use in the future? What has been the experience of these companies so far? What do they expect to gain, and what obstacles do they see?

# Facts and numbers: Digitization of customs

This is how well companies think that they are prepared for future challenges of Digitization:



This degree of maturity is really reached by companies in the field of customs digitization:

Areas of global trade management where digitization is seen as particularly important\*:



\*multiple choices possible

Lack of financial resources

33.2%

Lack of expertise

35.9%

These are the three biggest obstacles to digitization in customs:

34.6%

Lack of support from management

**33.0%** of respondents rank the **digitization of customs** as a high priority relative to other functional areas in their company.

## 1.2 Significance of digitized customs in the business world

Digitization as an idea is definitely trending. That's true across the board in all departments. But digitization projects require a lot of resources – especially IT resources. As a result, companies implement their digitization projects incrementally and in the order of priority of their various functional areas. The survey shows that the area of customs is not in

any way passing unnoticed. A full one-third of those surveyed say that the digitization of customs is very important in their company (Fig. 1). Another 39.5 or almost 40% call it a medium priority, while less than 22% rank it as a low priority. This shows a broad recognition of the benefit of digitized customs processes.

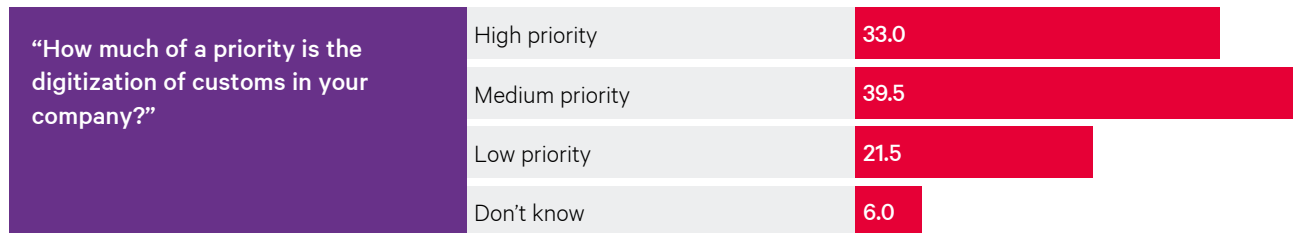


Fig. 1: One-third rank the digitization of customs as a high priority relative to other functional areas (in percent).

This trend is accentuated when you look at the priority in relation to the respondent's position within the company. Respondents in management assign a much higher priority to the digitization of customs than regular employees

(Fig. 2). The percentage of those in company management or at the helm of business units who see this as a priority is well beyond 40%.

### “How much of a priority is the digitization of customs in your company?” – by position within the company

■ High priority ■ Medium priority ■ Low priority ■ Don't know

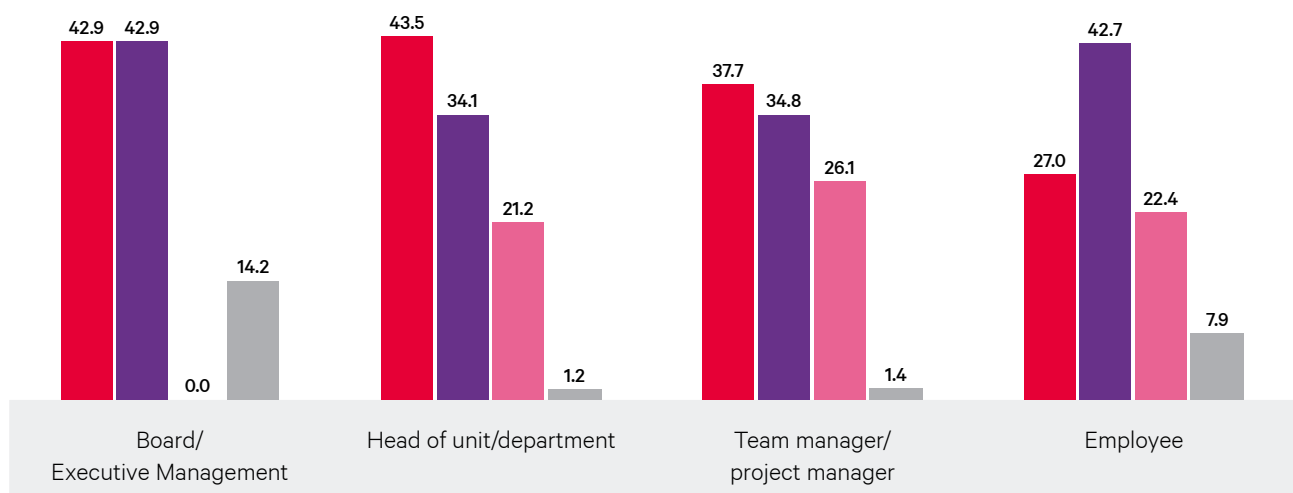


Fig. 2: Respondents in management see the digitization of customs as a much higher priority than regular employees (in percent).

### Export management and export controls are top concern

But where do respondents see the greatest benefit to digitization within the larger context of customs and global trade? The top responses are customs management in export transactions, the digitization of which 65% deem “very important” and 30% “fairly important” (Fig. 3). The digitization of export controls follows in the number-two slot, with 62% calling it “very important” and 25% “fairly important”.



**“I associate the digitization of customs with automated processes that make it easier for employees to manage export controls.”**

Respondent

Possible reasons for this high prioritization: First, export declarations and export controls are processes that every company with international business dealings must contend with – and often with high volumes of transactions. Second, the psychological pressure is especially high: If the export processes are poorly organized, shipments can be delayed. So digitization and the acceleration it brings has a direct impact on the company’s competitiveness.



**“I expect digitization to help us more effectively process large volumes of data while checking compliance requirements – automatically completing ATLAS customs declarations for several hundred items while simultaneously screening against sanctions lists and checking product lists, for example.”**

Respondent

### “How important is digitization for ...”

Very important Fairly important Fairly unimportant Unimportant

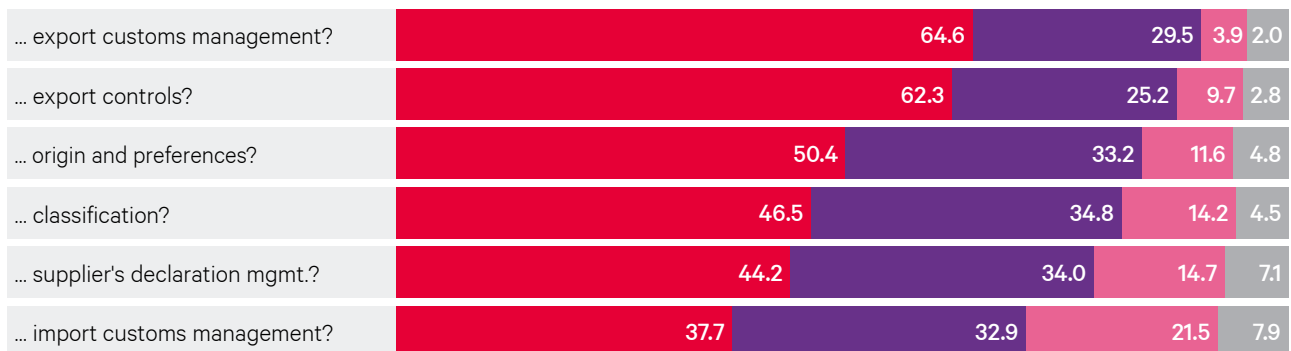


Fig. 3: Experts consider the digitization of export customs management and export controls as the top priority (in percent).

**Interesting:** Respondents from the mechanical engineering sector are the most enthusiastic in their estimation of the digitization of export controls as “very important” (77%). This

reflects the high number of distinct parts and materials that need to be checked, but also the global nature of the industry’s clientele.





**“What I associate with the digitization of customs is the integration of automated data from all different areas of the company to manage downstream processes. The latest simplifications and options play a key role here: single authorization, single window, but also the eventual centralization of customs management. Here we can seize the rich opportunities for optimizing supply chain management in conjunction with customs management.”**

Respondent

#### Digitization of import management is a low priority

Far fewer respondents consider it “very important” to digitize origin and preferences (50%), classification (47%), supplier's declaration management (44%), and import customs management (38%). Import management is commonly outsourced to service providers. Respondents from the automotive sector stand apart from the rest, assigning a much higher-than-average importance to the digitization of import management (44% “very important” and 46% “fairly important”). This reflects the nature of business in this sector, where global procurement plays a key role. A high level of automation and supplier integration is part of the industry's DNA.

The benefit of digitizing classification increases with the breadth of products that are exported. Companies with a relatively modest number of commodity codes naturally do not see the digitization of this task as an especially high priority. By the same token, respondents from larger enterprises assign much greater importance to classification (55% “very important”). A good number of surveyed companies are not involved with “origin and preferences” in their foreign trade operations. But that could soon change. When respondents are polled about the issues of tomorrow, the increased use of free trade agreements ranks third – with 38% of companies hoping to make progress here.

It's worth noting that the share of respondents who answer with “fairly unimportant” or “unimportant” is less than 30% across all areas. This indicates that action is needed across the board. Companies that have already become digitization experts rank its importance in global trade management especially high. These digitization experts are much more



**“I care about global access to the export and shipping data of various plants, combined with the option to centralize processes!”**

Respondent

likely to assign importance to the digitization of complex fields such as “origin and preferences” and “imports” in particular (each ranked as “very important” by 70%).

#### What respondents associate with digitization: integration, simplification, efficiency

The GTM Study invited respondents to enter their own subjective associations with the digitization of customs. A total of 404 distinct responses were received, with the most frequent keywords being integration (16%), monitoring (16%), simplification (14%), and efficiency (14%). Interestingly, the general concept of cost savings is named by only 2% of respondents. This suggests that clumsy, disjointed, labor-intensive processes are the primary source of frustration in customs departments – and that optimizing them is the number-one objective. Naturally, this also produces positive cost effects, but saving money is not what primarily motivates the respondents. Some also cite the negative consequences of digitization, such as the diminished attention and appreciation afforded to human expertise.



**“I want to save time. And be able to monitor shipments better. And have less paperwork.”**

Respondent



**“I expect transparency and availability of data for customs audits, preference checks, and data analyses.”**

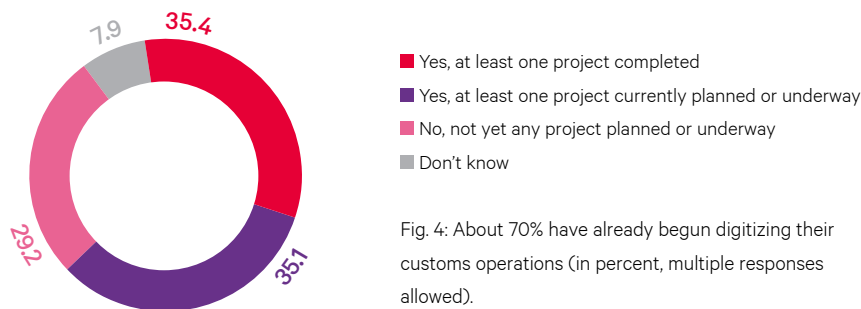
Respondent

### 1.3 Prior experience with digitization projects

Not surprisingly, most respondents already have some experience with digitization projects in customs. A full 35% report having completed at least one project (Fig. 4). Another 35%

have at least one project in the planning or implementation phase – and only 29% have not yet had any contact with digitization projects.

#### “Have you already planned or implemented any special customs digitization projects?”



“What I associate with the digitization of customs is that the ERP system automatically passes the relevant export data to the appropriate interfaces of the customs authorities.”

Respondent

### 1.4 Expectations for digitized customs management

Respondents have clear expectations for the effects of digitization. Three out of four cite the centralization of customs processes among the top three effects (Fig. 5). The second and fourth most frequently named points (centralized archiving at 54% and global transparency at 36%) also reflect the expectation that integrated IT solutions will counteract the disjointed nature of the information flow in customs management. Other expected effects of digitization cited by various respondents include the simplification of customs representation or better methods for guiding and managing decentralized business units in customs issues.

#### BI and service provider integration lag behind

Better IT communication with the customs authorities (50%) and improved auditing (30%) are frequently cited among the top three expectations, while better IT integration of service providers (17%) and the use of business intelligence (14%) lag far behind. The last point suggests that many companies first need to accumulate the necessary data before it makes sense to deploy BI. BI is deemed much less important at the management level than among regular employees.

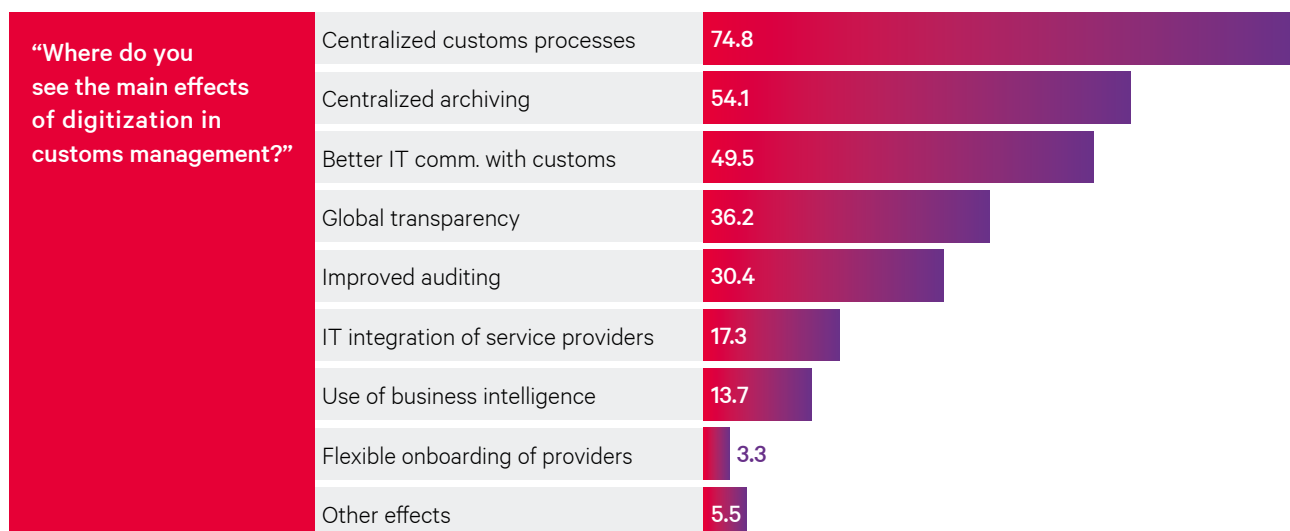


Fig. 5: The results reveal a hope among experts that digitization will improve the disjointed flow of information in customs management (in percent, three responses allowed).

### Significant impact on personnel costs expected

How will digitization impact personnel costs in customs management? Most respondents assume that the effect will be significant. Some 73% expect personnel costs to decline by more than ten percent (Fig. 6). Skeptics are clearly a minority here, with only 12% anticipating no reduction in costs and 14% counting on only very modest savings of less than ten percent. Not surprisingly, top management sees more opportunity for downsizing than middle management or regular employees: The responses from upper management and executives are clustered in the range of 21–50%, while most respondents from elsewhere in the company hierarchy expect reductions of 25% or less.



**“What I associate with digitization is the elimination of jobs and the loss of expertise – a lack of people with experience classifying goods for customs, for example.”**

Respondent

**“To what extent will companies be able to reduce their customs management personnel expenses within the next three years as a result of digital processes?”**

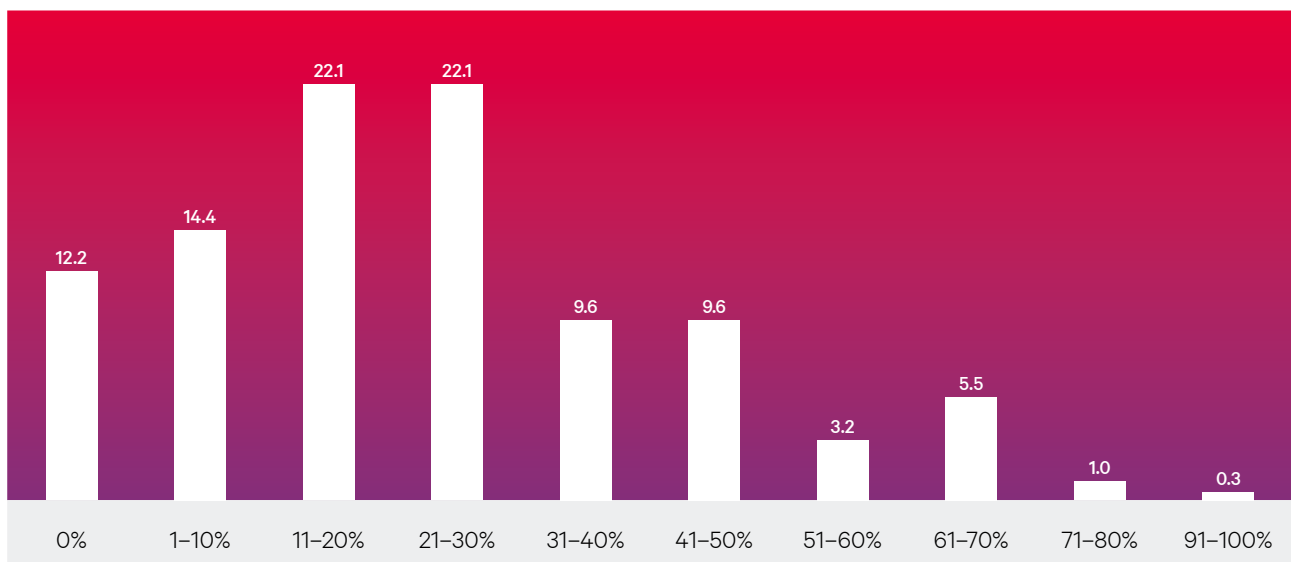


Fig. 6: Digitization = downsizing: This equation seems plausible, at least for the majority of respondents (in percent).

## 1.5 Self-assessment vs. measured progress



**“Digitization is a necessity that, unfortunately, is not recognized at our company.”**

Respondent

Respondents are cautiously optimistic when it comes to the question of how well prepared they believe their companies are for the future challenges of digitization in customs (Fig. 7). Only 7% say “excellent”, but 62% are still on the positive side of the scale with the response of “fairly

good”. Only 27% rank their company’s preparations as “fairly poor” – and 1 in 20 participants is completely pessimistic. Companies with more than 500 employees tend to see their situation more optimistically than smaller companies. Upper management and executives see their current situation much more optimistically than middle management.

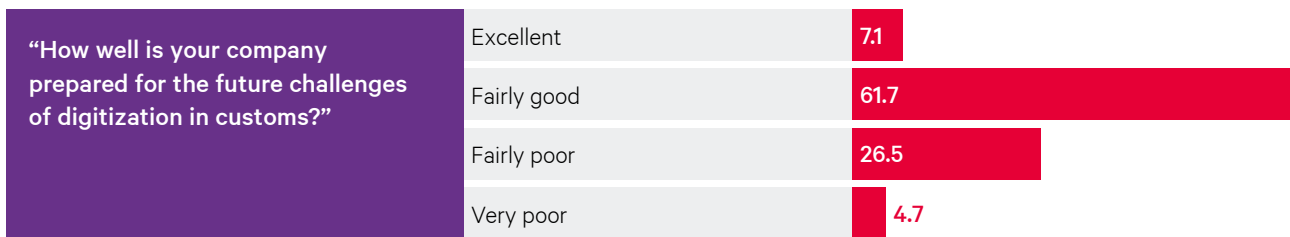


Fig. 7: Cautious optimism prevails among the self-assessment of digital readiness (in percent).

### Self-assessment is more positive than actual progress

The study compared the self-assessment with progress in the digitization of customs. Actual progress was determined by using the priority of digitization, the experience with digitization projects as well as the assessment of the digitization-status, dividing the company into four categories. (Fig. 8). Less than 11% fall into the category of digitization

experts. An impressive 33% are classified as advanced. Most of the companies have yet to begin, however. Nearly 36% have at least taken the first steps as beginners, but 21% are mere observers when it comes to digitization. Bottom line: The self-assessments are more positive than the actual situation.

### Digitizing customs management

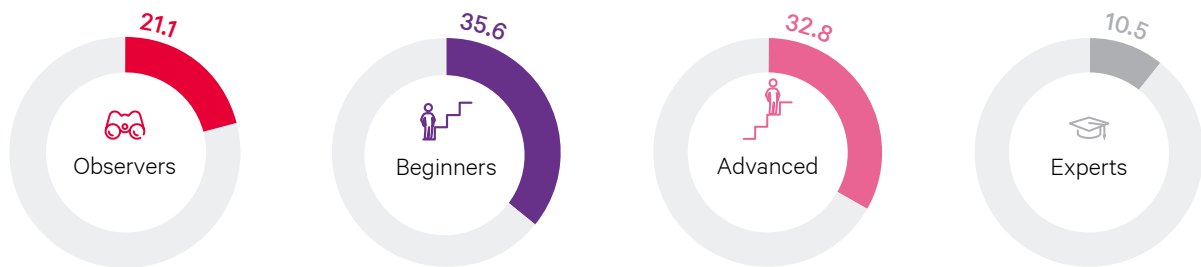


Fig. 8: Most companies have yet to even begin digitizing their customs management (in percent).

When it comes to progress, companies with more than 500 employees rank much higher than smaller businesses (Fig. 9). A full 14% of larger enterprises fall into the category of experts, with another 39% classified as advanced. Mean-

while, among companies with fewer than 500 employees, only 7% are experts and 28% advanced. Given that larger enterprises are presumably better equipped in their customs and IT department, this is not really surprising.

### Progress of digitization in customs – by number of employees

■ Observers ■ Beginners ■ Advanced ■ Experts

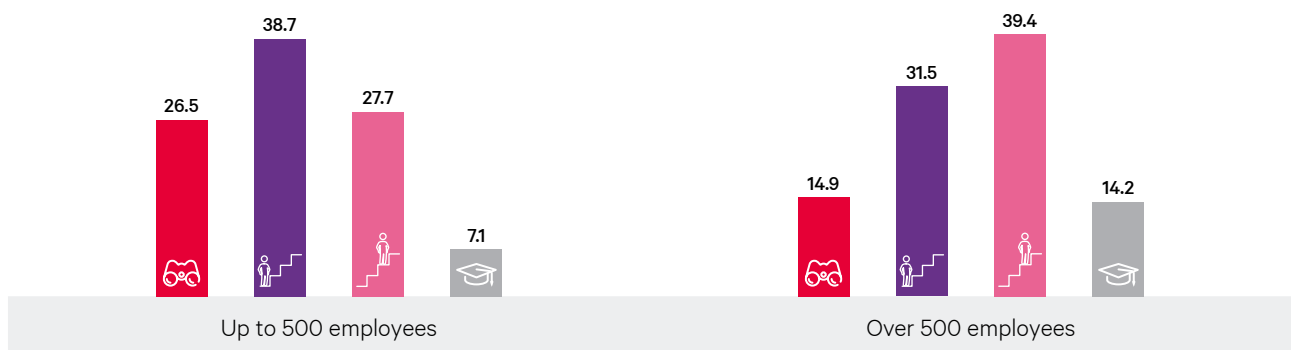


Fig. 9: Larger enterprises have much more experience with the digitization of customs (in percent, two responses allowed).

### Larger enterprises have more digitization resources

This head start enjoyed by larger enterprises won't change very quickly. The digitization of customs is seen as a high priority at 43% of larger enterprises compared to just 29% of smaller businesses. The larger enterprises have a clear

lead in practical experience with digitization projects as well, with 47% having already completed digitization projects and another 44% currently planning or implementing such projects. Smaller businesses report only about 30% in both categories (Fig. 10).

### Progress of digitization in customs – by number of employees

■ Completed ■ Currently planned or underway ■ Not yet planned

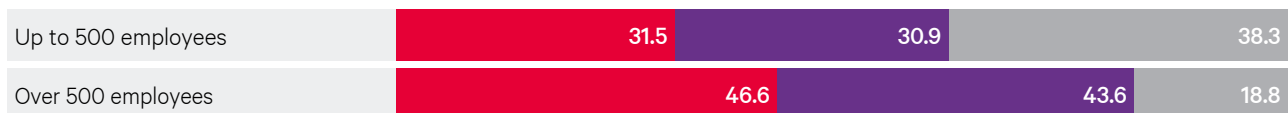


Fig. 10: Larger enterprises have a clear lead when it comes to practical experience with digitization projects (in percent).

### Mechanical engineering sector lags

A look at one of Germany's key export sectors – mechanical engineering – yields some surprises. When it comes to progress in the digitization of customs, the industry has in no way taken a leadership role. Quite the opposite: Only 7% are ranked as digitization experts and 26% as advanced. By com-

parison: Across all industries, 11% of companies involved in the study are ranked as experts, with another 33% ranked as advanced. The lesson here is that this industry – among Germany's most important sources of exports alongside chemicals and automobiles – must be vigilant about not getting left behind in the digitization of its customs management.

## 1.6 Obstacles to digitization

The participants in the study see a range of hurdles to overcome on the road to digital customs management. The most commonly cited obstacle is the lack of in-house expertise in digitization with 36% (Fig. 11). What many respondents fear most is resistance within the company, followed by two additional internal obstacles in second and third place: lack of support from management (35%) and lack of financial resources (33%). Customs managers apparently still have a lot of work to do to find the necessary internal support for their digitization projects.

### Fight over scarce resources with other areas of business

This is not surprising, however: Customs is fighting with other areas of business for scarce personnel and financial resources for its digitization projects. Technology is also sometimes an obstacle (27%) – in the form of obsolete ERP systems and poorly maintained master data, for example.

The external network of customers, suppliers, service providers and public authorities (31%) can also act as a damper on digitization initiatives – such as when technological discrepancies among the various stakeholders are too great.



**“The great danger in increasing digitization, as I see it, lies in the loss of control over data for lack of properly trained employees. Training costs money, and unfortunately, companies often underinvest here. And this combination is dangerous.”**

Respondent



Fig. 11: A lack of expertise, financial resources, and support from management delays digitization projects (in percent, two responses allowed).

### Is management itself often holding things up?

Strikingly, the perspective of respondents varies greatly based on their position in the company (Fig. 11). Regular employees and middle management – but not upper management – are most likely to lament the lack of expertise in digitization. Upper management are most concerned about problems in the company's organizational network – much more so than those at the lower levels of the hierarchy. The same applies to the

legal situation. Units and department heads, team and project managers, and regular employees see a lack of support from management as a major obstacle – all at percentages above 30%. Not a single respondent in upper management sees this as a problem, however. Only the lack of financial resources and the difficulty in accessing the right IT tools garnered a uniform response across all levels of hierarchy.

## 1.7 Recommendations for digitization of customs from Dr. Ulrich Lison

Many businesses are just starting down the path toward digitization. They approach the topic, look for areas to get started, provide the necessary organizational and financial support. The focus is typically on internal company processes, since this is where they have the most flexibility. Things get more difficult with projects that involve outside players as well. A good example from the world of customs is managing electronic long-term supplier's declarations: Many suppliers balk at providing long-term supplier's declarations in electronic form.

What's certainly much more important: Businesses are increasingly recognizing that digitization is the

prerequisite, the "enabler" for growth and to cope with increasing complexity. Businesses can only adapt to the dynamic world of global trade and achieve growth if they take a digital approach to the processes. This is undoubtedly a reaction to the growing shortage of skilled labor. The performance of a company is scalable only with a digital strategy. This means that businesses must see digitization as one of their core responsibilities. And where does it all begin? With the mindset, of course.

So what should businesses keep in mind? Six guiding principles:

### ① Mindset



Businesses need to develop a keener sense of the core importance of digitization for their success. At every level.

### ③ Fast and easy

Businesses should look for quick wins. Small, simple projects (automation of export management, dashboard of global trade data, etc.) that deliver a quick return.



### ⑤ Use the cloud



If projects are realized together with external partners (suppliers, customers, vendors), you should use cloud-based platforms to enable faster and more efficient integration. This also cuts transaction costs when partner relationships change (if you change customs brokers, etc.).

### ② Digital first



When applied to global trade, what this means is: With all plans (processes, implementations, etc.) the first question asked must always be whether and how it can be done electronically.

### ④ Start internally, grow externally



Whenever businesses try to get outside parties on board, things can get difficult. That's why it makes sense to start by implementing projects in house.

### ⑥ Use start-up methods

Businesses should embrace the approaches used by start-ups (tools, methodologies, agility) to find and implement solutions quickly.



## 2 Organization of customs management and partnership with service providers

### 2.1 Background

The digitization of customs builds upon the organization of the customs processes. The question of the centralization (or decentralization) of customs management largely determines the challenges facing customs digitization projects. But up to now, this question has been poorly researched. The same is true of the core question of “make or buy” in customs. This is about more than just whether to manage customs on your

own or hire a service provider. The study also asks about the quality of the partnership between businesses and their customs service providers, and about what fuels or frustrates their success. Here we see an overlap with the digitization of customs, because communications with providers and managing this communication using the modern tools of IT also present promising digitization projects.

### 2.2 Centralization of customs management

The second part of the study relates to how businesses organize their customs management, especially how they coordinate with customs service providers. A bit over half of all respondents report centralizing their customs operations – meaning one central customs department handles all the relevant tasks (Fig. 12). Only 18% define their organization as decentralized – meaning the company’s various sites or international offices have sufficient in-house expertise to manage the customs operations within their purview on their own.

The remaining 32% follow a hybrid strategy encompassing a broad range of organizational forms. This might mean that there is a centralized, staff-level office for customs with the power to set guidelines, while day-to-day operations (customs declarations, etc.) are handled by the local offices. But it might also mean that only a few individual offices (such as those outside the EU) work independently of the centralized customs department, because the local customs practices there are so specialized that there is no synergy to be gained by handling it centrally.

#### “How is customs organized in your company?”



Fig. 12: More than half of surveyed companies organize their customs operations centrally (in percent).



The study finds significant differences in the degree of centralization between smaller businesses and larger enterprises (500+ employees). Among smaller businesses, centralized

customs management is the dominant organizational model at 58%. Among larger enterprises, centralized and hybrid organizational models are balanced at 42% each (Fig. 13).

#### “How is customs organized in your company?” – by number of employees

■ Centralized ■ Decentralized ■ Mixed



Fig. 13: Smaller businesses tend to organize their customs operations centrally, while larger enterprises often turn to hybrid models (in percent).

## 2.3 Partnership with service providers

Responses to the “make or buy” question reveal a broad spectrum of strategies in practice. One of four respondents report that their company works exclusively with customs authorities directly (Fig. 14). Nearly half report working “primarily with customs authorities directly”, with customs operations at some locations or in certain areas of customs management (imports only, for example) outsourced to service providers. Nearly

20% work “primarily through customs service providers”, and a small minority of 7% outsources all customs operations. Overall, this means that nearly three-fourths of respondents rely primarily on their own customs expertise and an in-house customs department.



### “How does your company manage its customs processes?”

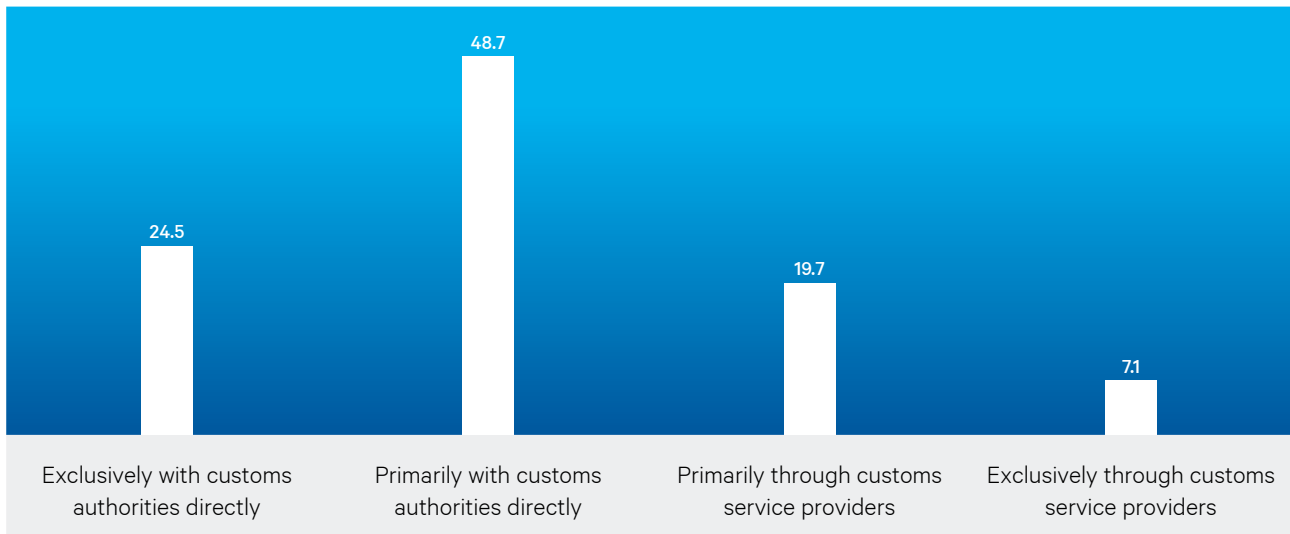


Fig. 14: Nearly three-fourths of companies manage their customs operations directly with the customs authorities (in percent).

### Majority sees in-house customs department as more efficient than outside providers

The reasons for this, according to the survey, are mostly operational: Two-thirds of respondents – and more than 70% among larger enterprises – feel that their in-house customs

management is faster and more efficient, and 41% also feel it is safer from a legal point of view (Fig. 15). Lower costs are a key reason for 38%, while only 19% cite a lack of specialized knowledge among providers as a motivation.



Fig. 15: Most companies believe their in-house customs department is more efficient than customs service providers (in percent, several responses allowed)

Apparently, however, it's possible to come to rather different conclusions: One-third of businesses that work primarily or exclusively with service providers say it is faster and more efficient to work with providers, while 24% see outsourcing as simply more cost-effective (Fig. 16). The main reason for outsourcing, however, is the lack of internal resources (47%).

A lack of in-house expertise also plays a role (27%). Surprisingly, larger enterprises are most likely to cite a lack of internal resources as a reason for outsourcing. Only 17% of respondents cite requirements in target markets as a key reason for working with local providers.

#### “Why does your company work through customs service providers?”

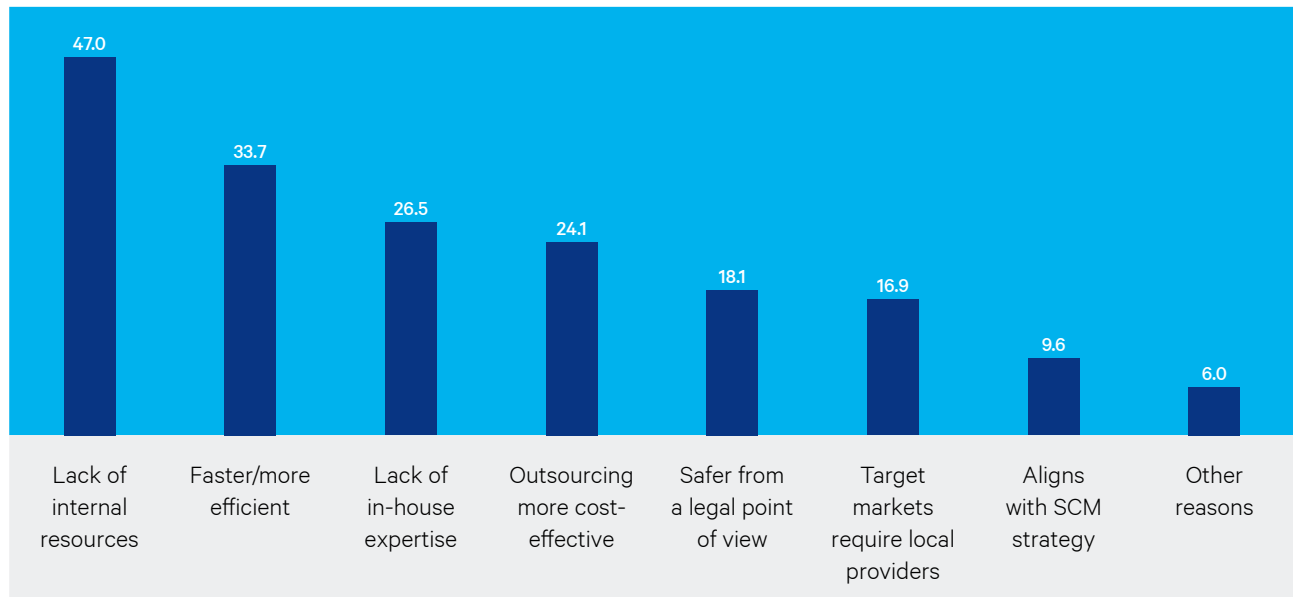


Fig. 16: Lack of internal resources are the main reason for outsourcing (in percent).

The survey shows that when it comes to outsourcing, it's difficult to make general statements. Depending on the task, the strategic importance of the customs operations, the quality of the company's in-house customs department, and the price and availability of qualified providers, either “make” or “buy” might be the best choice for a company.

The most common practice, used by about two-thirds of companies that outsource, is to work with carriers that offer customs management services alongside their transport services (Fig. 17). Nearly 38% of those surveyed use specialized customs brokers. Broken down by the reach of the customs service provider, international full-service providers are used more frequently (58%) than local specialists (42%).

#### “What type of customs service provider does your company work with?”

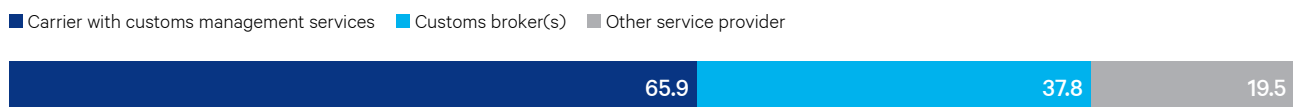


Fig. 17: When companies outsource, they typically opt to work with carriers with customs management services (in percent).

### Communications with providers mostly by email or phone

The communications between businesses and their customs service providers seems to be a promising area of activity for digitization specialists. A full 63% of respondents rely primarily on phone and email to communicate with their customs service provider (Fig. 18). The problem is most pronounced among carriers that offer customs services, where nearly 70% of communications rely on these outdated forms of technology.

What this means is that the digital flow of information between the IT systems of the declarant and the providers is interrupted. This introduces a risk of communication errors and

entails more work through redundant data entry. Almost 26% of respondents have already transcended this problem and programmed an interface to the IT system of their provider. Nearly 10% have opted for a third way by having the provider work within the customer's in-house customs system.



Fig. 18: Communications with customs service providers is mostly by phone or email (in percent).

### Companies satisfied with their customs service providers

The often disjointed communications between businesses and their customs service providers seems to have little effect on satisfaction. Nearly 36% of respondents report being “very

satisfied” and over 53% “mostly satisfied” with the work of their providers. Only 11% report being “mostly dissatisfied” or “very dissatisfied” (Fig. 19). Whether the provider is a carrier with customs services or a customs broker seems entirely irrelevant to the level of customer satisfaction, by the way.

#### “How satisfied is your company overall with the work of its customs service providers?”

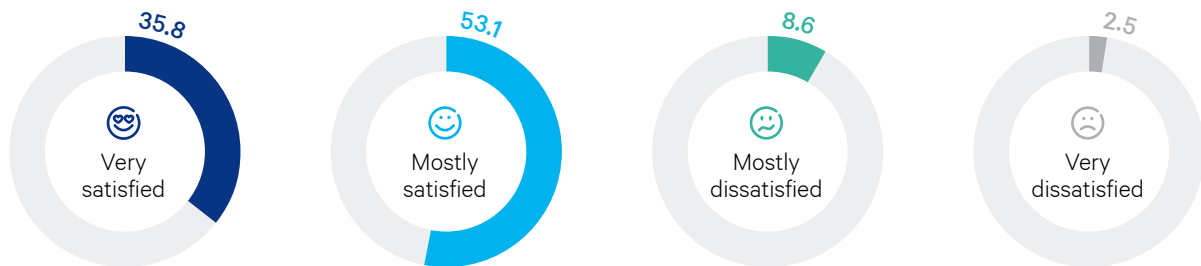


Fig. 19: Nearly 90% of companies are generally satisfied with the work of their customs service provider (in percent).

However, more than 60% of respondents see the lack of IT integration as one of the greatest challenges in working with customs service providers (Fig. 20). These complaints focus more often on IT integration with customs brokers (71%) than on that with carriers (64%). The fact that digital archiving (41%) and the lack of real-time data (37%) are also frequently cited as challenges suggests that companies are fully aware of the

weaknesses in their communications with service providers. Other challenges include coordinating with a variety of different partners (49%) and the high costs of changing providers (43%). The difficulties of quality of services and linguistic and cultural barriers did not figure into the top five challenges cited by respondents.

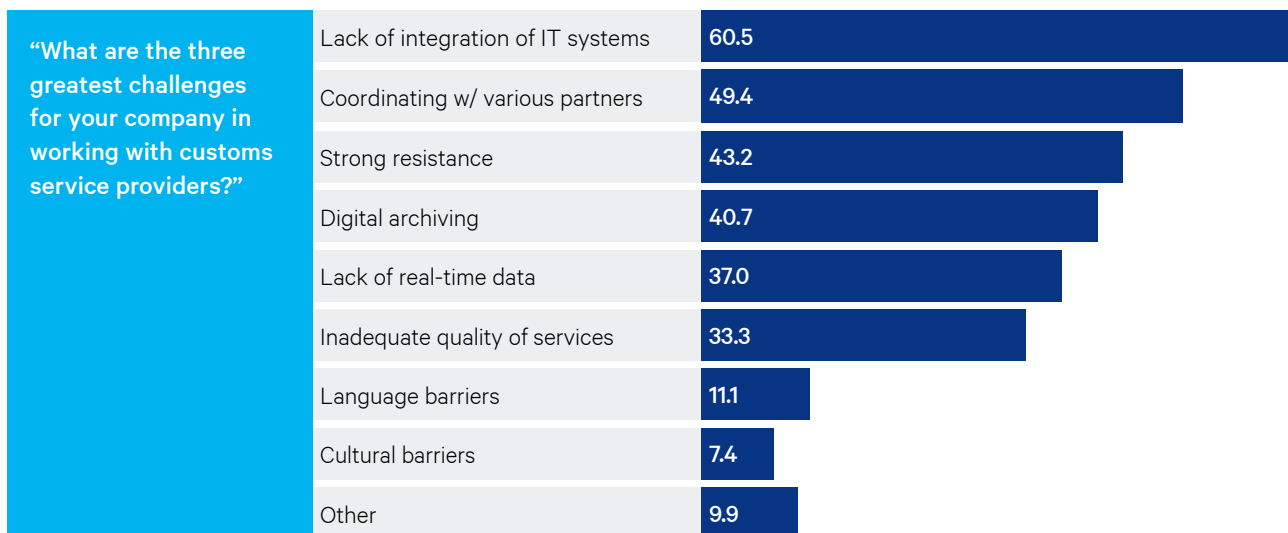


Fig. 20: Respondents most often cite the lack of IT integration as their top three challenges (in percent, three choices allowed).

### Service providers given free rein

Interestingly, companies seem to give their customs service providers free rein. Only 43% of respondents use audits or spot-checks to monitor their providers, and only 37% ask to verify certifications (Fig. 21). Only one in five companies negotiates targets and KPIs with providers, and 27% don't check

the performance of their providers at all. This, together with the relatively high number of companies that report a lack of in-house expertise or lack of resources as a main reason for outsourcing, presents a risk to customers that is not insignificant.

#### “How does your company assure the quality of the work of the customs service providers?”

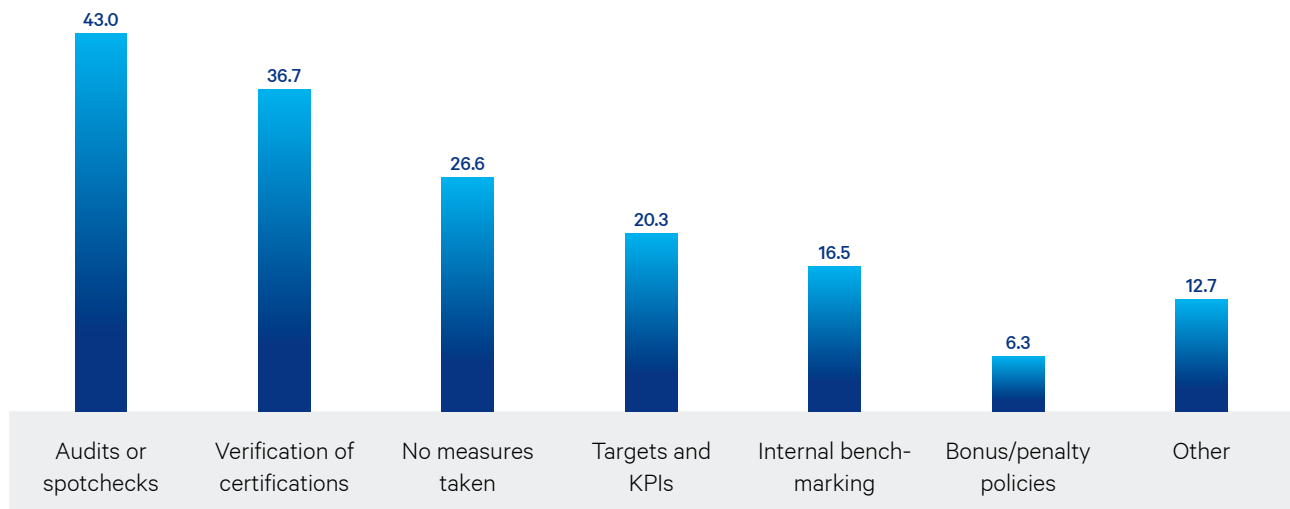


Fig. 21: More than one in four companies does nothing whatsoever to assure the quality of its customs service providers (in percent).

## 2.4 To-do list for the next three years

What are the customs management priorities for the next three years? The survey offers a clear picture here. Leading the pack with 59% is the introduction of new software or the optimization of existing solutions (Fig. 22). This confirms once more that digitization is the undisputed number-one trending issue in customs. But it apparently does not mean that human beings are becoming less important to customs operations,

since 43% cite internal employee training as a priority for the coming years. Surprisingly, although respondents believe digitization could bring about significant savings in personnel resources (p. 11), only 7% have concrete plans to downsize, while 14% actually plan to hire new people for customs operations. This suggests that the demand for well-trained customs specialists is unbroken and that growth only scales digitally.

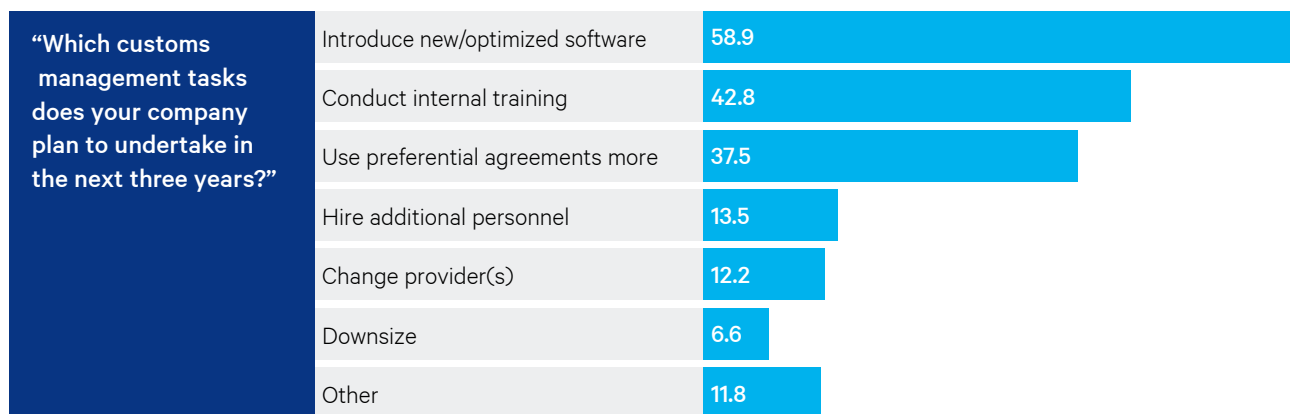


Fig. 22: Most companies put the introduction of new software or the optimization of existing solutions at the top of their agenda (in percent, multiple responses allowed).

### Businesses plan greater use of free trade agreements

A full 38% of respondents are committed to making greater use of preferential agreements. This highlights that not yet all companies are consistently taking advantage of the opportunities that the EU's free trade agreements offer them in many

markets. Understanding the laws governing preferences is regarded as the hardest discipline in customs management due to the complexity of managing proofs of origin, which are necessary to obtain reduced tariffs.

## 2.5 Recommendations for a successful collaboration with customs service providers from Dr. Dirk H. Hartel

The rule of thumb in logistics is that the more complex the service, the less likely it is to be outsourced. Given this, it's not surprising that some three-fourths of respondents forgo working with partners in this area. The global "2018 THIRD-PARTY LOGISTICS STUDY (22nd Annual Study)" also finds that only 46% of respondents trust others to manage their customs processing.

The reticence about outsourcing customs processes has less to do with a lack of expertise among providers, since nine out of ten surveyed businesses that do outsource are "very satisfied" or "mostly satisfied". Instead, the results show that the problem lies more in the professional management of the collaboration. The following five golden rules are intended to guide the selection of and collaboration with service providers.

### ① Clarify the "why" internally



The company must decide at the outset why it wants to outsource its customs management. What are the expectations for such an outsourcing? The underlying idea of outsourcing unpopular, non-core processes as cheaply as possible rarely works in the real world – and if so, then only briefly. Without a clear commitment by the customer, the provider will never grow into the role of becoming a partner of equal standing.

### ② Efficient processes require clear (IT) interfaces

Integrated communications between IT systems is a basic prerequisite. Otherwise, outsourcing only creates more work as a result of redundant actions and potential communication errors that ultimately result in higher total costs of ownership.



### ③ Negotiate performance-based compensation models



Negotiating service level agreements not only helps you manage carriers and brokers, it also provides a common written understanding of what each party expects from an effective, streamlined customs management process.

### ⑤ Initiate a continuous improvement process together



Standing still means falling behind: A continuous improvement process with the provider should ensure that processes are regularly re-assessed (and not just in response to audit) and incentives are in place to introduce new ideas for optimization.

### ④ "If you don't measure it, you can't improve it" (Peter Drucker)



Numbers, data, facts: Customs clearance lends itself particularly well to performance measurement. Answers to questions such as "How long did declarations for Brazil take on average during the past four weeks?" or "What percentage of cases in July had to be clarified with customer XY?" should be available at the click of a mouse.



## 3 Participants in the study

A total of 435 experts – primarily from the fields of global trade (45%), logistics (40%) and IT (4%) – took part in the study (Fig. 23). The questionnaire was available in both German and English, with about 5% opting for the English version.

About one in twenty respondents is a member of the executive management or board (Fig. 24), though most occupy middle management positions. 23% of the respondents are team or project leaders, and another 29% head a unit or department.

Small and medium-sized businesses with fewer than 500 employees are well represented with 55% of participants (Fig. 25). A little less than one-fourth of respondents (24%) represent larger enterprises with over 2,000 employees. The mechanical engineering sector is especially well represented at 25% (Fig. 26). Other sectors include automotive (13%), metalworking (10%), and commercial (10%). The overwhelming majority of companies are based in Germany (85%) or Switzerland (6%). The remaining participants were based in the United States, Netherlands, United Kingdom, France, and Austria (Fig. 27).

### Field

■ Logistics ■ Global trade ■ IT ■ Other



Fig. 23: Respondents work primarily in global trade and logistics (in percent)

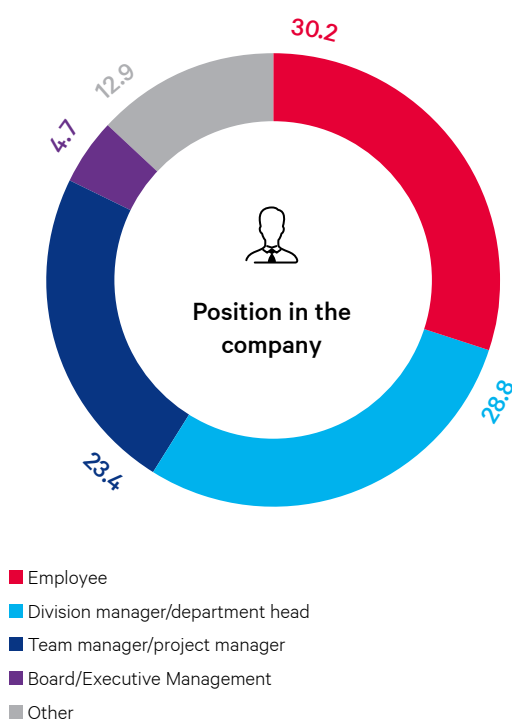


Fig. 24: The majority of respondents occupy middle management positions (in percent).

### Number of employees

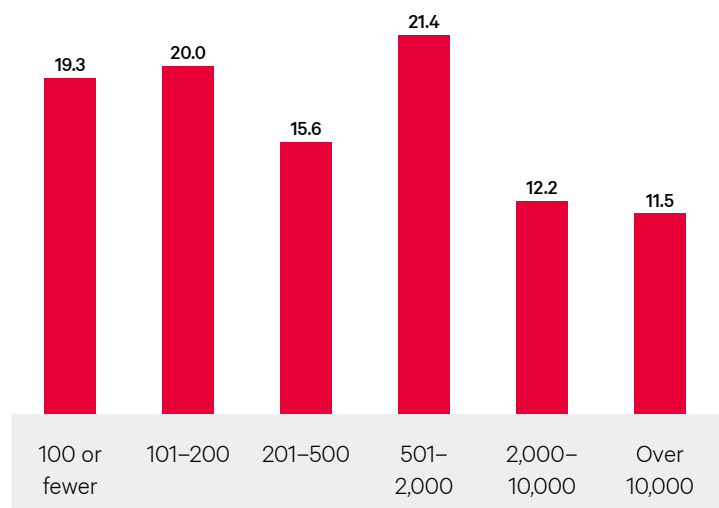


Fig. 25: Small and medium-sized businesses are well represented (in percent).

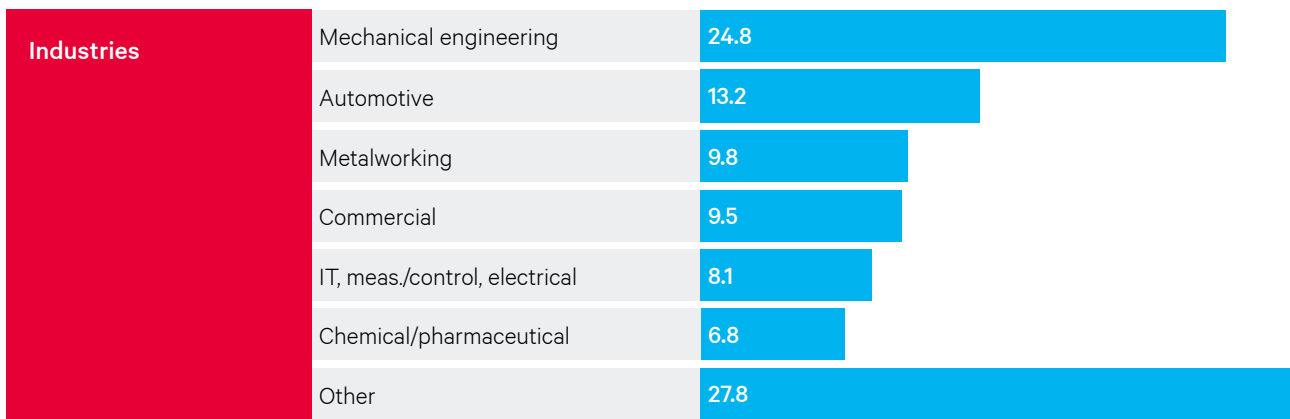


Fig. 26: Broad spectrum of industries represented among respondents (in percent)

### Company headquarters

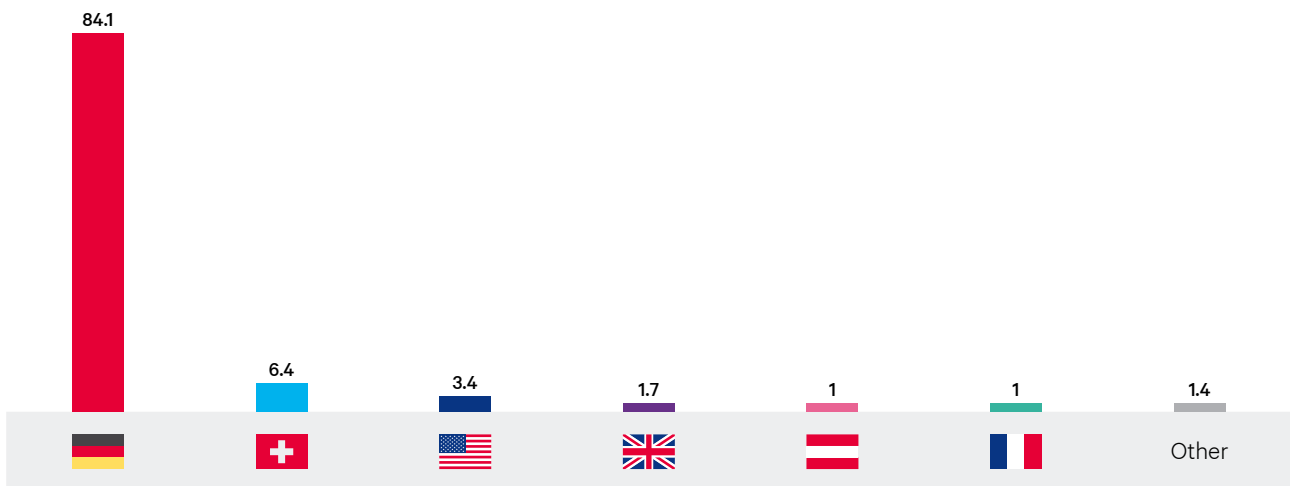


Fig. 27: Respondents based primarily in Germany (in percent)

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