

How LSPs Are Helping Importers Reduce Costs with FTZ Management





Introduction

Importers know that moving goods through a Foreign Trade Zone (FTZ) can help to minimize operational costs by eliminating, reducing, or delaying the payment of duties. However, since many importers do not have the knowledge needed to maintain complex FTZ compliance standards, they are turning to their Logistics Service Providers (LSPs) to handle FTZ movements for them.

At the same time, LSPs know that if they can offer the cost-saving FTZ services that importers want, they can secure added cash flow for themselves but only if they can offer FTZ management efficiently. Since FTZ compliance can be regulation and task heavy, a best practice is to automate repetitive processes to keep costs down and maintain long-term client stickiness.



What is a Foreign Trade Zone?

A Foreign Trade Zone is a special economic zone in the United States where imported goods can be stored, distributed, processed, and used without being subject to customs duty.

Using an FTZ to Benefit Importers and Doing it Well

LSPs have long known that FTZs can benefit importers. Finding a way to offer FTZ services without added overhead has been a concern due to the:

- High compliance standards for goods control and chain of custody requirements
- Recurring nature of many compliance-related tasks
- Need for seamless integration with regulatory agencies and internal systems to maintain data integrity and minimize labor

Forward-thinking LSPs are using technology to streamline FTZ management and are charging a premium to do so. They are providing the services that importers require, without adding labor costs by automating many compliance and operational tasks.

FTZs, Technology & Automation

FTZ compliance lends itself perfectly to automation since the inventory control, recordkeeping, and entry filing standards are so well-defined. This means that the standards can be easily formalized as rules and rules lend themselves well to technology!

For example, a potential submission violation can be flagged with an alert or notification before it is transmitted to Customs and Border Protection (CBP) or during data entry. Best-in-class technology can do more than just alerts—it should also automate the recordkeeping, entry filing, and inventory moves needed to enable FTZ compliance.

In addition, innovative technology should be able to manage FTZ entries for multiple importers simultaneously. The right solution should automatically connect to and repurpose information across regulatory agencies and collect it from trading partners.

The best systems also have an array of deployment options including a light cloud-based technology footprint as well as connectivity to existing systems.

FTZs Management as a Service

Since FTZ goods management and clearance is in high demand, leading LSPs are ensuring that providing this sought-after service won't result in lost revenue. In fact, many are charging premium for FTZ fees!

LSPs, of course, are not shifting exclusively to FTZ management. They're still offering a complete package of brokerage and forwarding services, it's just that FTZ is now one additional "spoke" of their total service offering.

Benefits of FTZ for Importers

- Eliminate or reduce many duties to drive down costs
- Postpone duties to enable a cash-flow advantage
- Hold product until it's needed and keep "safety stock" on-hand
- Move goods to where there is demand with zone-to-zone FTZ transfers
- Rework product at an FTZ to further reduce duty costs
- Increase inventory control, visibility, and security which can lead to better compliance with CBP requirements

What to Look for in an FTZ Solution

LSPs are looking to software providers with deep knowledge and experience as well as the understanding and commitment to optimize savings and maintain compliance. Here's what to look for in an FTZ solution:

DESCARTES FTZ

Continuous Automation

Automates repetitive tasks including document creation, entry filing, and invoicing to free resources



Multi-client Capable

Includes logic to enable LSPs to efficiently manage FTZs for multiple clients simultaneously



Flexible Deployment

Can be operated as a cloud-based standalone module or as an integration to current back-office solutions to keep systems intact



Item-Level Management

Features parts database management for each client to ensure compliance with FTZ inventory and goods restrictions



FTZ Compliance

Seamlessly and bi-directionally communicates with CBP and Partner Government Agencies (PGAs) to comply with FTZ regulations



Error Targeting

Flags potential FTZ violations before they occur as well as prior to transmission



Trading Partner Connectivity

Enables better supply chain management with rich rule-based integrations and electronic connectivity across trading partners



Information Repurposing

Incorporates information sharing capabilities across shipment management, entry, and freight forwarding



Customer Visibility

Provides customers with digital access to clearance and status information

CUSTOMER SUCCESS STORY



Multiple importers were asking Logistics Service Provider MD Logistics to help them realize the cost savings benefits of an FTZ. The importers were looking to build upon the relationship they already had with MD Logistics to enable compliance. By using technology, MD was able to add a new source of revenue to its service offering without a high degree of added labor.

"Most FTZ software contemplates that the licensee, typically a manufacturer or importer, will be the only user. Descartes separates itself from all other vendors by offering a solution that already includes the logic whereby 3PLs can use the software to service multiple customers simultaneously. It is flexible, easily integrated and offers maximum automation, allowing us to handle high-volume clients. Compliance was a primary factor in selecting Descartes' FTZ solution."

John Sell

VP, Retail & Transportation Solutions, MD Logistics

Conclusion

Forward thinking LSPs are securing an additional revenue stream by moving and storing their clients' goods through FTZs and clearing FTZ shipments. They know that they can solidify stickiness with importers by offering the specialized services and importer cost savings that FTZs can offer. Best-in-class LSPs also know that by charging for FTZ services, they can easily replace any potential revenue loss from regular entries. At the same time, market leaders know that FTZ operation can be complex and are automating many of the repetitive tasks associated with FTZ compliance. They are adding FTZ management to their suite of services, increasing revenue for themselves, and thrilling their customer base with the FTZ duty savings they can enjoy.

How Descartes Can Help

Descartes FTZ allows LSPs to automate processes and comply with CBP regulatory requirements for operating a foreign trade zone in the U.S. The FTZ solution can be operated as a standalone module or as part a platform that helps LSPs manage the entire lifecycle of shipments. With rule-based integration tools, electronic connectivity across trading partners and regulatory government agencies, and parts data base management, Descartes FTZ enables LSPs to increase revenue by adding an additional service offering to their customer base.



About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com and connect with us on [LinkedIn](#) and [Twitter](#).

Uniting the People & Technology That Move the World.