



GASTON SCHUL

Industrial manufacturing

Risks, strategic considerations and partnership advantages.

An in-depth customs and trade guide designed specifically for businesses within the industrial manufacturing industry.



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Introduction.

In the complex world of industrial manufacturing, businesses face significant challenges navigating international trade. Customs compliance, supply chain complexities, and the constant pursuit of competitive advantages are essential factors influencing success.

This guide provides strategic insights to help industrial manufacturing companies overcome these hurdles. We'll delve into the critical importance of compliance, explore effective risk management strategies, and showcase how strategic partnerships can drive growth and profitability





Escalating audit and compliance expenses.

As the customs audit market is projected to grow* at a compound annual growth rate (CAGR) of 6.44% between 2023 and 2028, the complexities and costs associated with ensuring compliance across diverse regulatory landscapes are increasing. This market growth, forecasted to rise by USD 3,607.17 million, mirrors the growing intricacies in global trade and the heightened need for meticulous customs audits.

[*Technavio Customs Audit Market Analysis](#)





The high cost of non-compliance.

Many industrial manufacturing businesses involved in international trade operate without robust customs compliance strategies, exposing themselves to significant risks. Non-compliance can result in severe consequences, including:

- **Financial penalties:** Substantial fines and increased costs that erode profit margins.
- **Operational disruptions:** Shipment delays and supply chain disruptions.
- **Reputational damage:** Potential blacklisting and increased scrutiny from regulatory authorities.
- **Legal risks:** Criminal proceedings against management and broader tax investigations.

A recent example of the severe consequences of non-compliance is the case of a global fashion and lifestyle brand facing a €1.5 billion customs shortfall allegation since 2018. This ongoing legal battle highlights the substantial financial and reputational risks associated with customs violations.

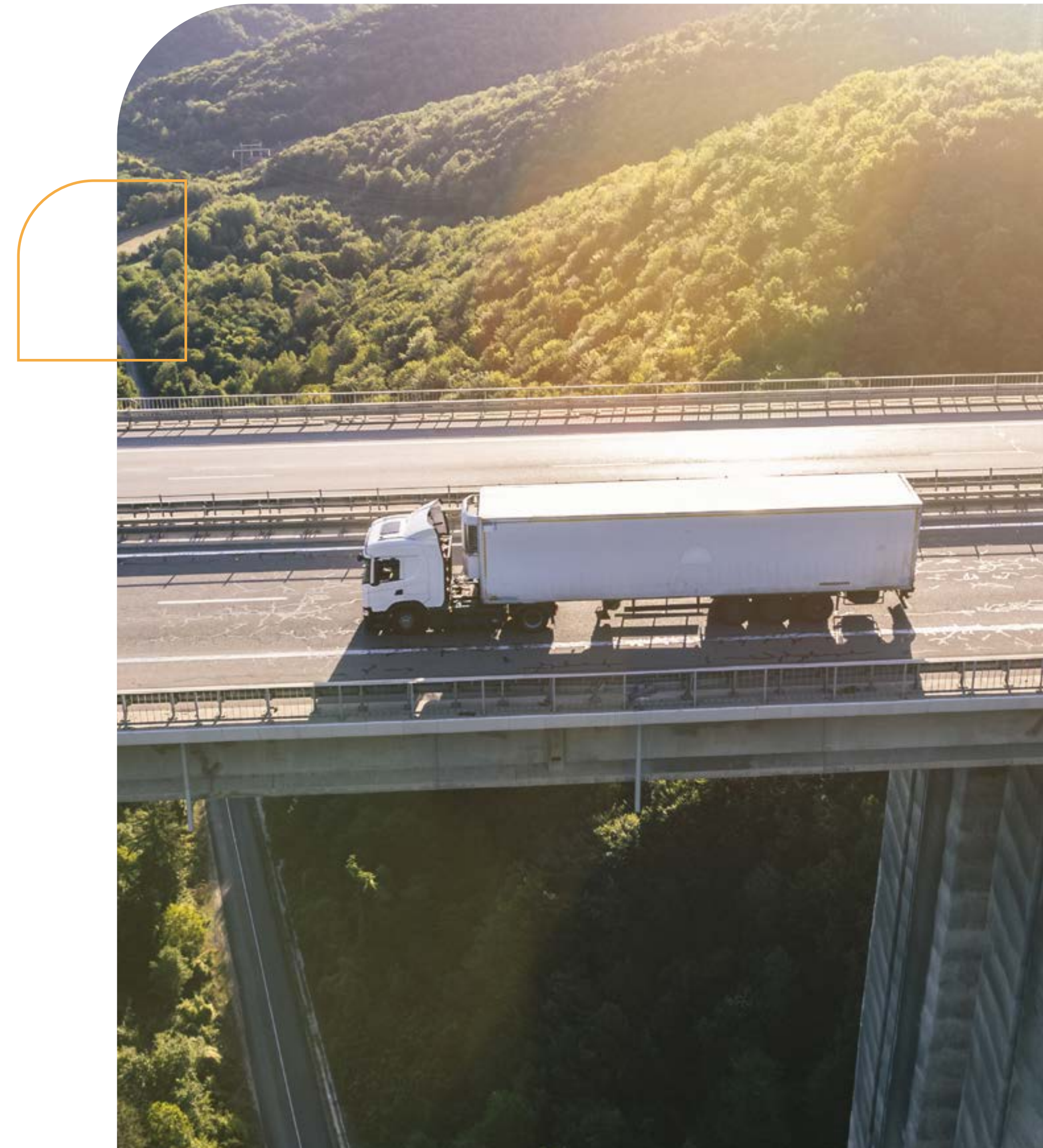
Supply chain inefficiencies and partner dependencies.

Industrial manufacturing businesses often grapple with specialised supply chains that are subject to globalisation and trade decisions, therefore, relying on multiple, uncoordinated teams or external partners can lead to significant inefficiencies, compliance risks, and increased costs.

A lack of standardised, centralised processes for customs, trade, and auditing can result in:

- **Supply chain disruptions:** Delays, stockouts, and missed delivery windows.
- **Compliance issues:** Fines, penalties, and potential legal consequences.
- **Increased costs:** Elevated transportation, warehousing, and customs expenses.
- **Damaged relationships:** Strained relationships with suppliers, customers, and partners.

Failure to leverage relevant trade agreements or execute clearances promptly indicates a lack of in-house customs expertise. This can hinder a company's ability to meet contractual demand and deliver on its promises of reliability, quality, and competitive pricing.





Competitive disadvantage.

In today's competitive industrial manufacturing market, inefficient customs management can have a direct impact on profitability.

Failure to:

- **Manage customs procedures:** Can lead to missed sales opportunities.
- **Classifying or valuing products incorrectly:** Can result in fines, higher costs and less competitive pricing.
- **Utilise sourcing and trade agreements:** Can limit cost savings and block access to valuable partnerships

Companies that cannot adapt to evolving customs regulations and trade agreements, or those lacking the ability to optimise their supply chains, may find themselves at a significant competitive disadvantage compared to more agile and knowledgeable competitors.



Optimisation of in-house processes and controls.

In today's complex global trade landscape, robust documentation controls, regulatory monitoring, and accurate product valuation, origin verification and classification are essential for effective in-house customs management. Errors or omissions in these areas can lead to:

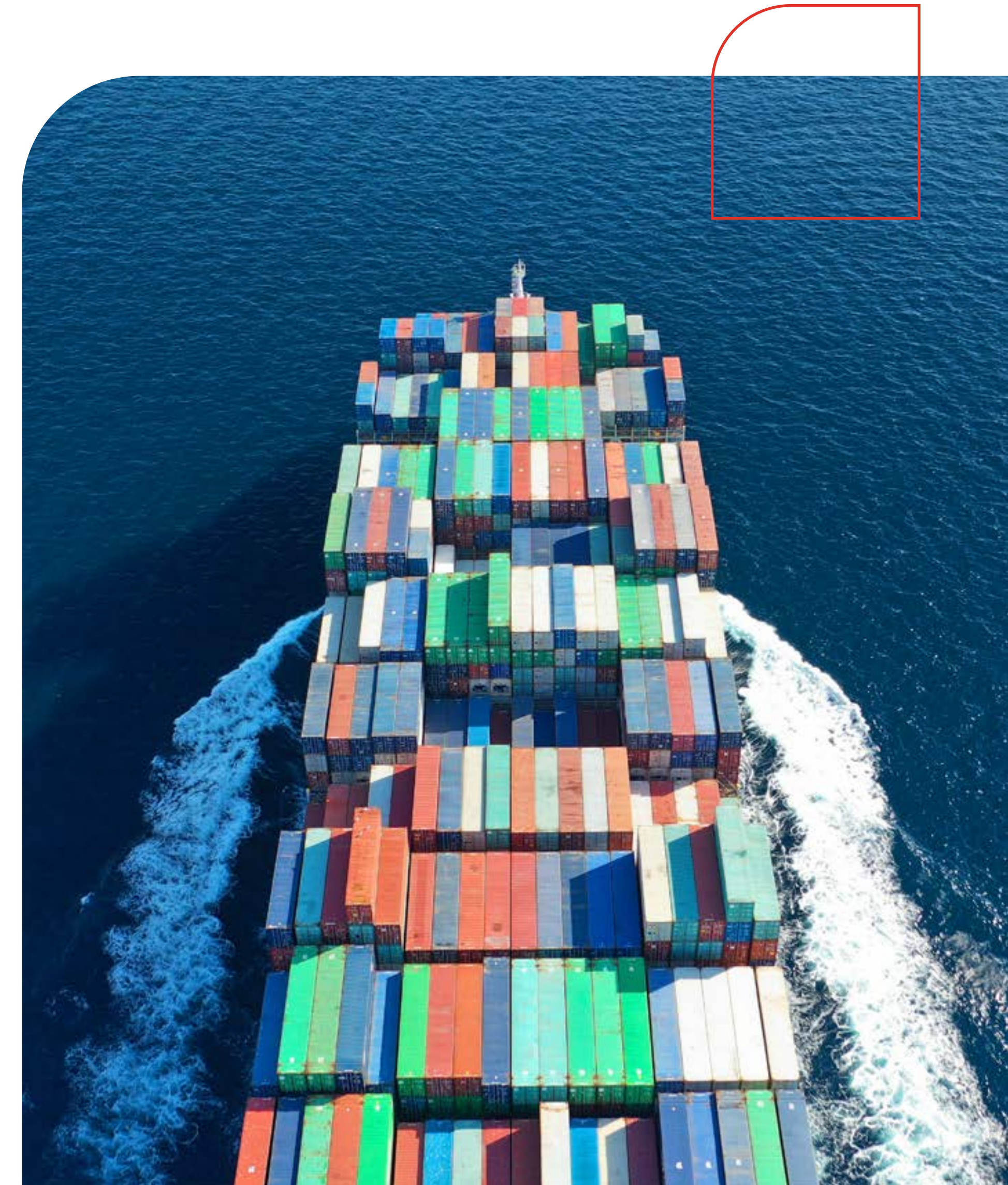
- **Delays and increased costs:** Delayed shipments and additional expenses due to incorrect documentation or misinterpretations of legislation.
- **Severe penalties:** Fines and penalties imposed by customs authorities.
- **Reputational damage:** Negative impacts on brand reputation and customer trust.
- **Cargo destruction:** In severe cases, authorities may seize or destroy non-compliant goods.

Optimisation of in-house processes and controls.

To mitigate these aforementioned risks, businesses should invest in:

- **Ongoing staff training:** Ensuring employees have the knowledge and skills to navigate complex customs regulations, product valuation and origin verification.
- **Regular market monitoring:** To remain ahead of pending trade disputes and sanctions.
- **Lean management practices:** Implementing efficient processes, reducing waste, and fostering a culture of continuous improvement.
- **Duty optimisation strategies:** Identifying opportunities to reduce costs through accurate product classification and the proper utilisation of duty relief programs such as quotas and outward or inward processing relief (OPR and IPR).

If a business lacks the in-house expertise, partnering with a full-service customs provider can offer valuable support in executing customs procedures and providing specialised training.



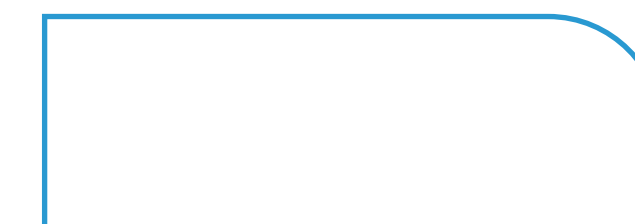


Centralisation and digitalisation.

The industrial manufacturing market is specialised, and sourcing decisions can be dictated by globalisation and trade agreements which presents significant challenges for supply chain management. Managing the movement of raw products and components from various origins or producing large scale, identical goods requires efficient and effective strategies.

Relying on large in-house teams, fragmented data, and multiple customs providers can be costly and inefficient. A strategic approach involves partnering with a trusted customs and trade provider to:

- **Centralise operations:** Optimise communication, streamline processes and gain a unified view of the supply chain.
- **Enhance visibility and control:** Access real-time data, identify sourcing issues, and optimise decision-making.
- **Unlock benefits:** Improve efficiency, reduce costs, and be proactive in gaining access to new markets.

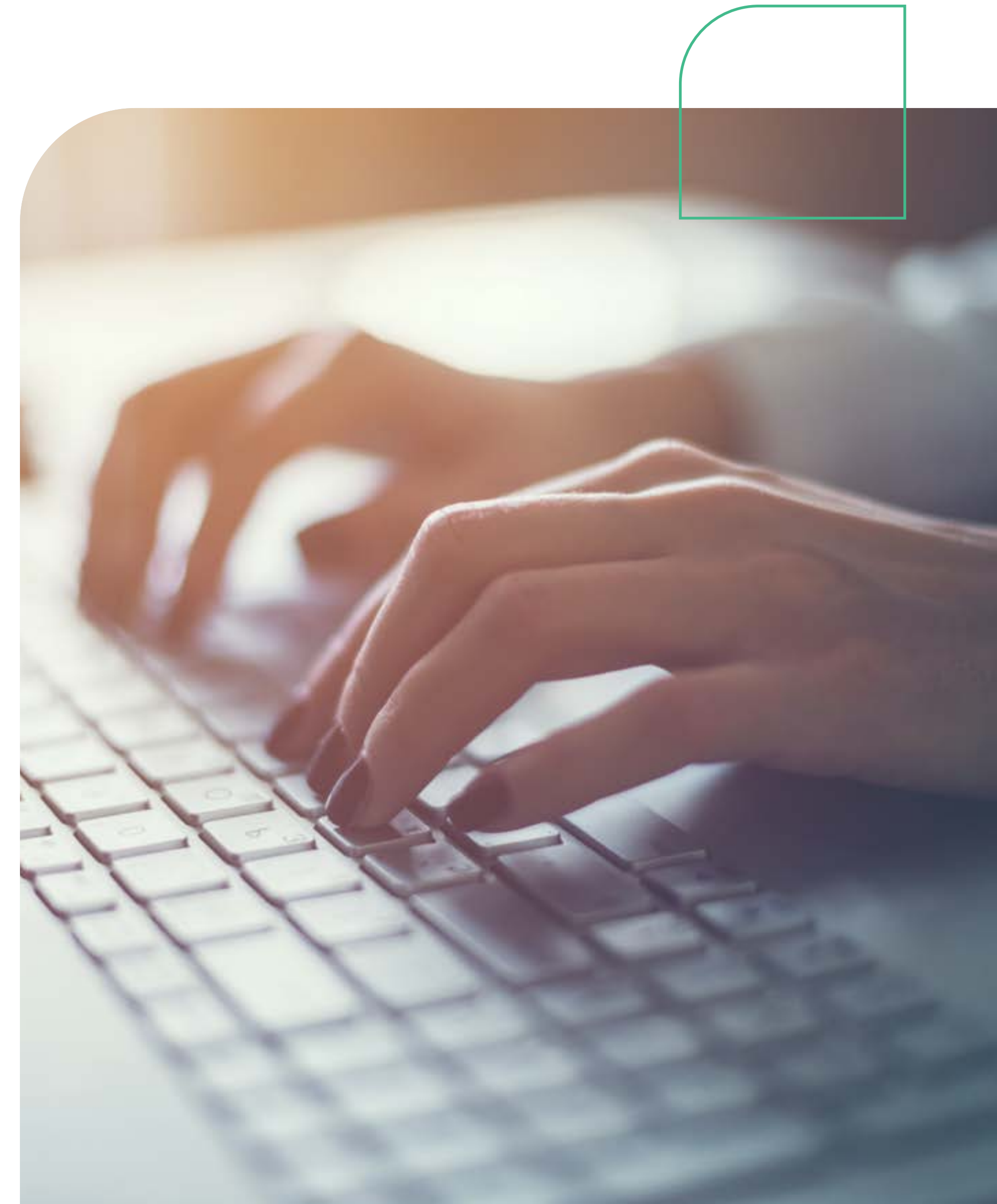


Centralisation and digitalisation.

Investing in digital platforms and Electronic Data Interchange (EDI) systems is crucial for:

- **Real-time visibility:** Monitor shipments, track progress, and identify potential issues.
- **Consolidated reporting:** Access comprehensive data for analysis and decision-making.
- **Efficient processing:** Streamline customs clearance and application of trade agreements.

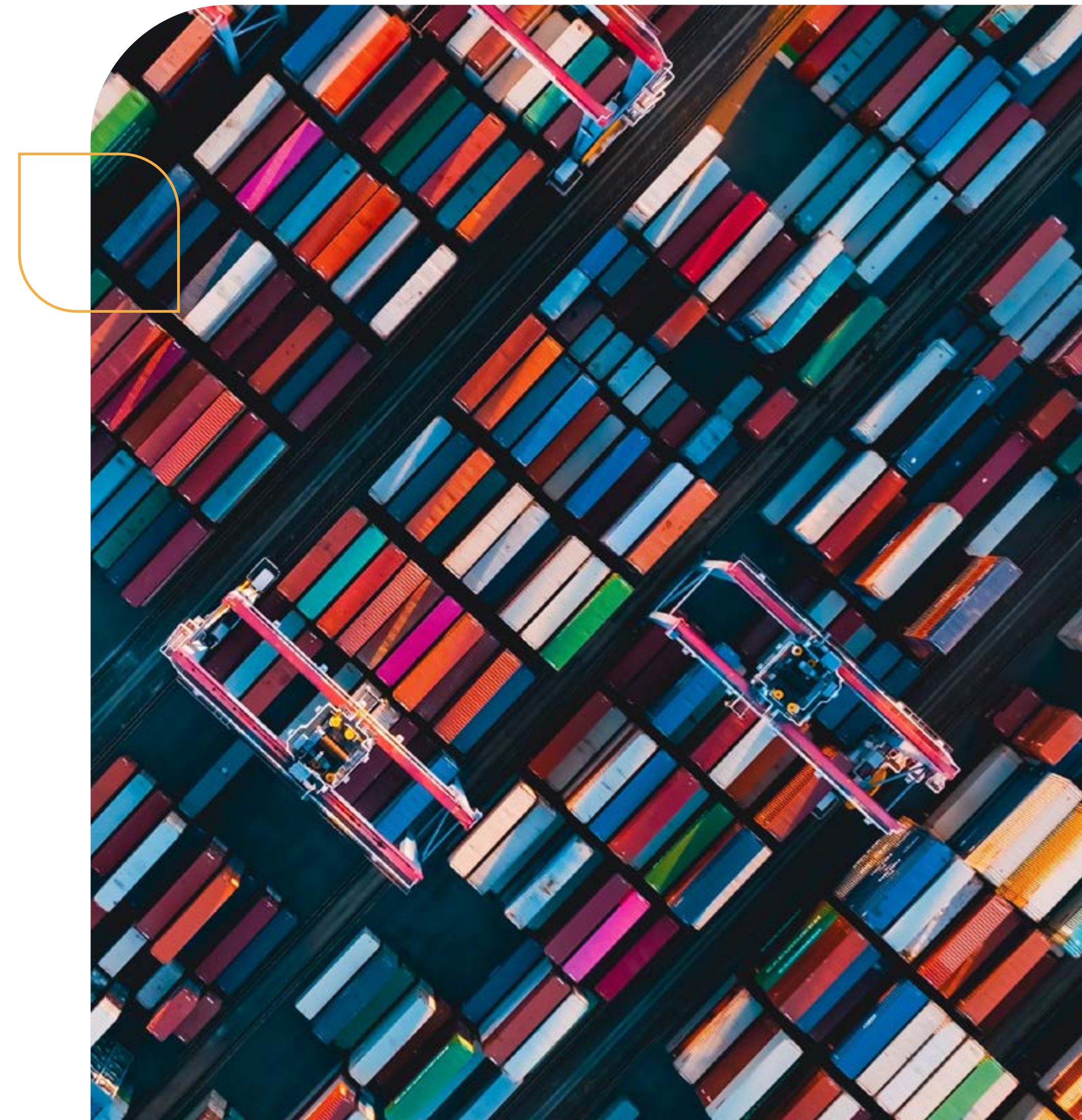
By centralising operations and leveraging digital technologies, industrial manufacturing businesses can enhance their overall competitiveness and achieve long-term success.



Regulatory monitoring and risk mitigation.

With the increase in trade sanctions, legislative changes and product controls, it's vital for industrial manufacturing companies to enhance their regulatory risk management procedures to protect their business and reputation. This entails keeping a vigilant eye on regulatory changes across multiple customs jurisdictions and products categories, which can be a tedious and time-consuming task; therefore, businesses should take the decision to retain this task in-house with existing staff, or strategically outsource via a customs broker to reduce the burden and omit the risk of missing potentially important legislative changes such as the [European Deforestation Regulation \(EUDR\)](#) and the [EU Supply Chain Act](#).

Regardless of the data source, implementing a solid internal stakeholder map and establishing core communication channels will ensure the relevant information is cascaded internally, equipping decision makers with the knowledge to make the right strategic decisions. Complemented with a robust execution plan and due diligence practices throughout the entire supply chain, will drive the enhanced level of regulatory monitoring required to avoid risk.



Audits, reports and compliance strategy.

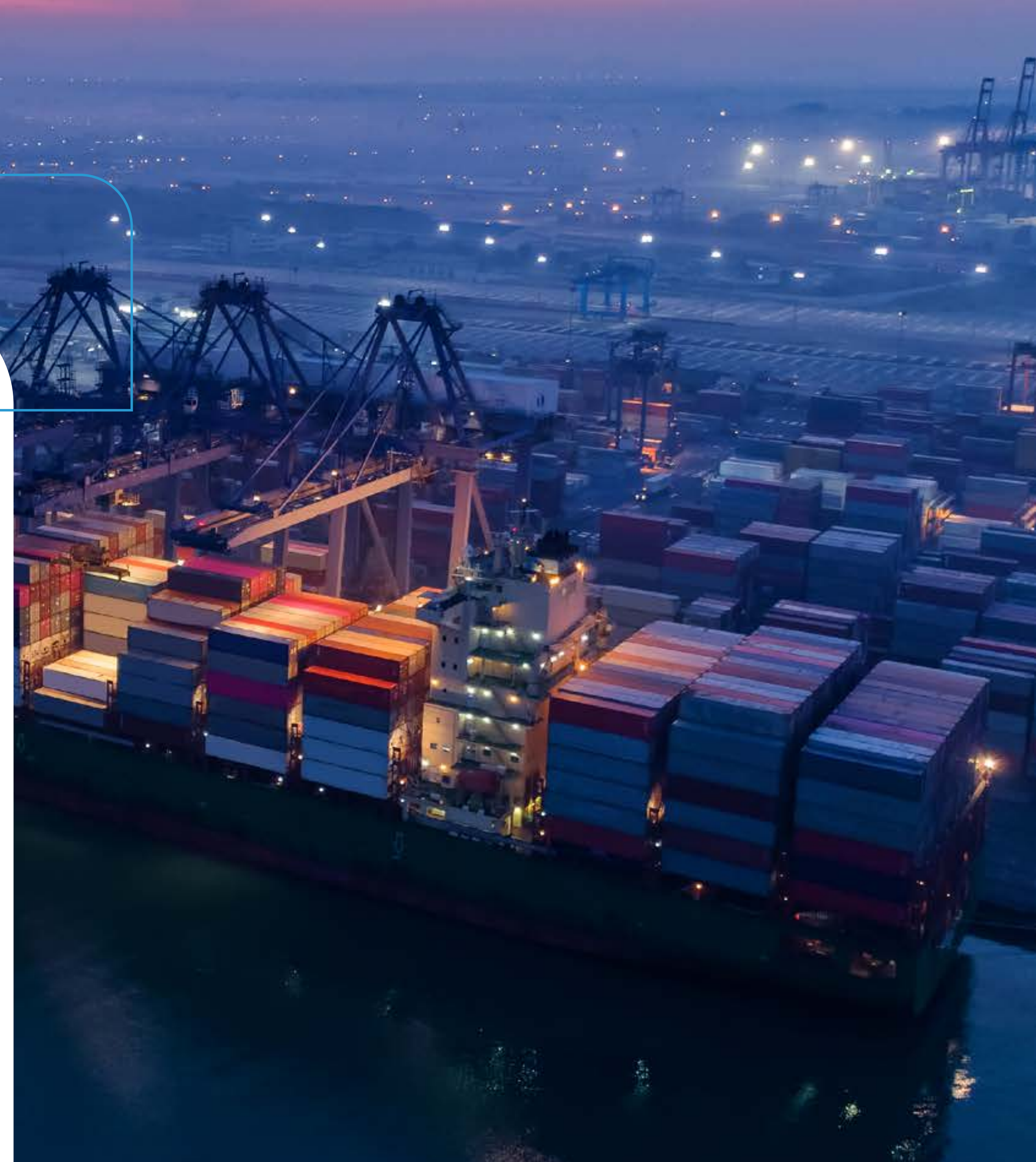
Remaining compliant with the customs rules and legislation is key, as not only is it compulsory to gain and retain Authorised Economic Operator (AEO) status which is obtained by demonstrating reliability and trustworthiness to Customs, it also unlocks alternative procedural options for process optimisation and trade management regimes such as OPR and IPR, which would otherwise be unachievable.

Businesses who chose to complete customs activities inhouse should appoint an experienced broker to audit their inhouse submissions, regulatory monitoring procedures and product classifications for an unbiased approach. However, if activities are outsourced, it is of key importance that businesses monitor and measure their partners performance on a regular basis.

Obtaining shipment reports on purchase order (PO) level and full audit analysis reports on declarations not only allows businesses to gain insights and understand their exposure to risk, but it also allows them to successfully monitor and manage their customs partner from afar. Agreeing on set key performance indicators (KPIs) such as timeliness, compliance percentage rates, and turnaround times for reclaims and adjustments, will provide all the tools required to successfully analyse partners performance and demonstrate control to customs.

The advantages of a customs & trade partnership.

Regardless of having an in-house team or outsourcing customs activities in a limited or full capacity, businesses should not underestimate the power of a partnership with a respected customs and trade partner, as this strategic move can offer limitless and sometimes unexpected benefits, peace of mind, and customs clarity.





Complementary brokerage services strengthening in-house teams.

Audits

Compliance Audit Teams can review inhouse or 3rd party customs broker declarations and provide bespoke reporting and mitigating actions for continuous improvement.

Regulatory monitoring support

Retainer packages enable businesses to stay ahead and in the know regarding new international trade legislations and sanctions that may impact cost, sourcing patterns or operations, without the effort.

Classification reviews on existing product databases

Comprehensive classification reviews via external parties remove unconscious bias and reduce the risk of businesses falling victim to incorrect classifications.

Objection and appeal advice and support

Specialist brokers can offer unbiased advice and support when in uncharted territory, such as appealing decisions from customs authorities.

Complementary brokerage services strengthening in-house teams.

Health checks

Outside parties can evaluate to which extent inhouse processes adhere to best practices and conduct a thorough gap analysis to identify targeted areas for improvement.

Flexible support

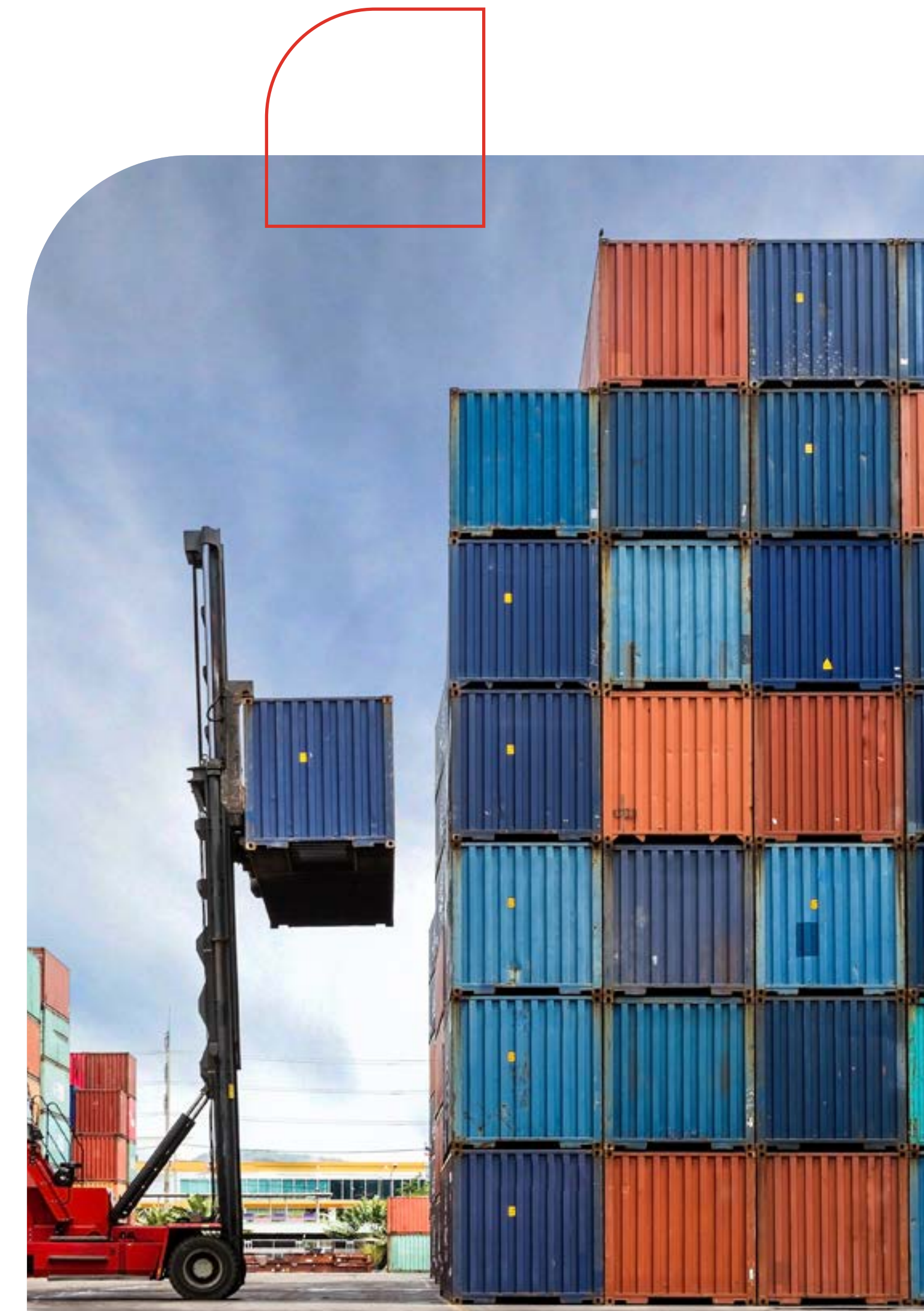
Customs focused and customer centric partners have the scalability and skill set required to react quickly towards an expansion within a new market, can adapt to fluctuations in volumes, and has the flexibility to lend an extra hand in-house, when the unexpected happens such a long-term absences or turnover of staff.

Academic training

Experienced full-service providers can offer tailored training courses to upskill existing talent within an organisation, expanding their knowledge and increasing their understanding of risk within their role.

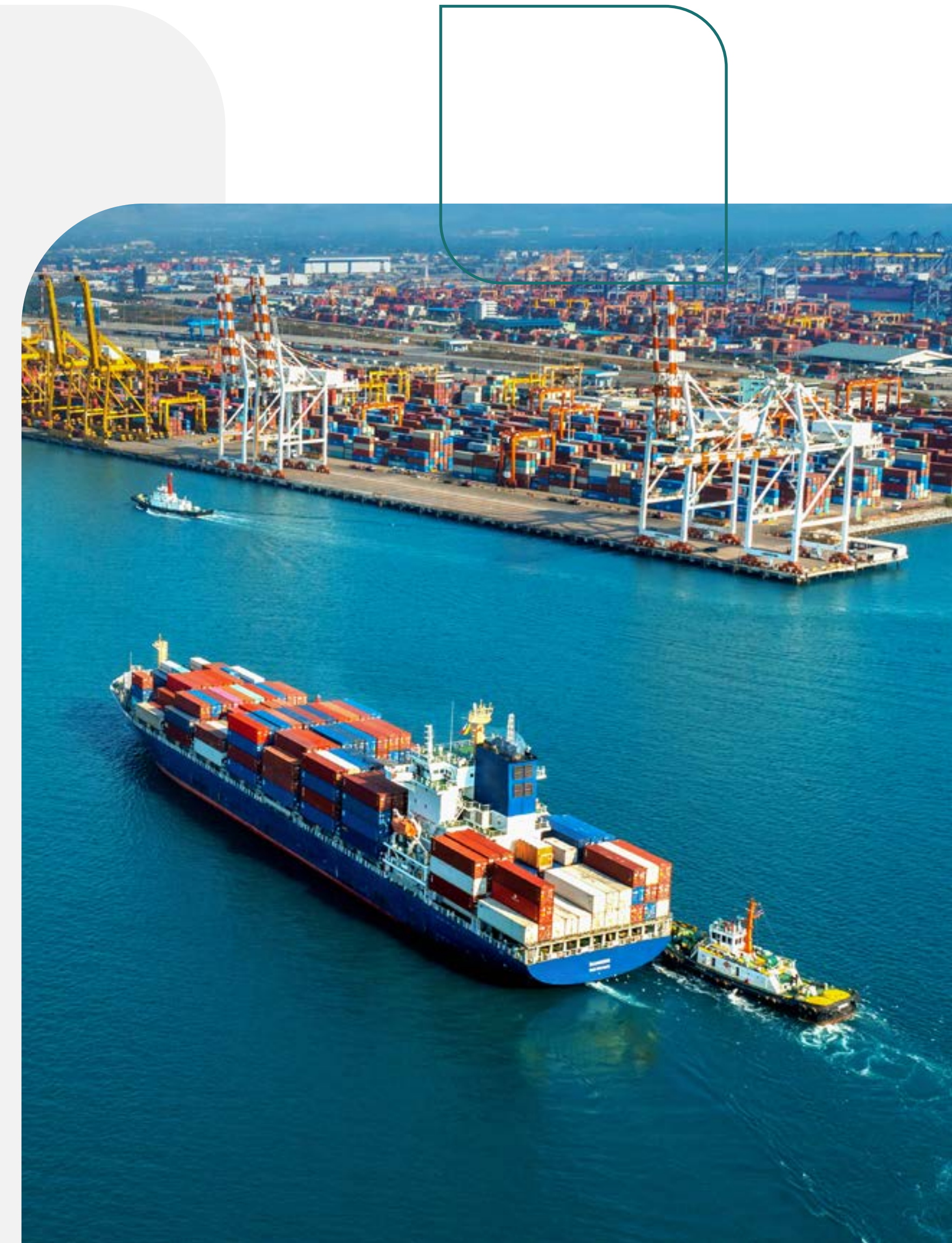
On hand support and advice

Knowledgeable partners can offer advice and support with regards to customs and trade, when the knowhow is absent via an internal network.



The industrial manufacturing partnership check list.

- ✓ Full-service portfolio inclusive of advisory and academic support.
- ✓ Large footprint to meet business needs and support rapid migration into new markets.
- ✓ Centralisation capabilities.
- ✓ Best in class customer service with dedicated account management.
- ✓ Customer-centric solutions with a collaborative and flexible approach.
- ✓ Digitalisation abilities.
- ✓ Regulatory monitoring & risk management as standard.
- ✓ Compliant procedures with cost-efficient and innovative processes.
- ✓ Dedication to effective communication, especially with regards to regulatory monitoring & risk management.
- ✓ Deep routed knowledge with regards to product valuation, origin verification, quotas, and outward and inwards processing.





GASTON SCHUL

Get in touch.

Whether the strategic goal is to outsource, or strengthen existing in-house capabilities, reach out to Gaston Schul to discover how partnering with a leading edge, full-service customs and trade partner can positively impact your business.

Contact us.
