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Transitioning from Legacy Broker Applications to New Technology

By: Wayne Slossberg, Senior Vice President, QuestaWeb Inc.
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Many of today's customs house brokers rely on legacy systems. Increasingly, new Customs and Border Protection rules and regulations are challenging the capacity of these systems. Beyond just functional limitations, many firms are finding that older technology can be expensive to operate and maintain. Sometimes, maintenance demands are so great that in-house IT staff must focus all their time and energy on keeping these systems operational. Real risks accompany the decision to stick with older systems.



Some mid-sized to large U.S. brokers already have transitioned to new systems. They now can offer a variety of extended services, such as import/export managed services for compliance, foreign trade zone management and more. Their ability to meet emerging – and sometimes unforeseen – customer demands means that some brokerage firms will find it increasingly difficult to compete.

Survival and profitability are prompting many brokers to contemplate the acquisition of new technology. In considering this crucial issue, brokers have an opportunity to step back and ask the following questions about their firm's long-term objectives:

- How can we drive more revenue?
- What new services can we offer clients?
- What innovation can we bring to the marketplace?
- What should our future business model look like?

Change can be difficult to accept, especially when external forces are driving the need to conduct business differently. Still, brokers should embrace the chance to evaluate their business model and potentially expand their core competencies. Even when the decision is not to diversify, the mere move to new technology can help generate more revenue by performing business processes better and faster and managing day-to-day operations by exception.

The Challenges of Transitioning to New Technology

Companies that have been around for many years already possess the primary ingredient for success: experienced personnel who provide excellent customer service and have a track record of success with customers. So, what challenges do these long-time market players face in making the transition to new technology?

These personnel likely have used the same legacy systems for 10, 15 or 20 years. They possess a certain mindset when it comes to sticking with the processes and procedures that they have used for years. Thus, there is the change management/user adoption issue to overcome.

IT teams, too, will be resistant to change. Most are so familiar with the present technology

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that they, too, will be reluctant to lose the comfort level they possess.

Beyond these challenges is the issue of who will champion the process internally. The first question to consider is: Does an IT department focused on maintaining legacy systems have the expertise to offer opinions on modern technology available in the marketplace today? Are they current with what's available? Are they able to articulate the relative pros and cons of various applications and their deployments? If not, many brokers may need to hire an outside consultant to oversee the transition.

Others will take the position that any technology is more advanced than what they currently use, so any system is acceptable. However, believing any system can meet your needs is just as risky as assuming staff will adopt any technology just because it is new.

The Optimal Process

Due diligence is critical to selecting a system that meets current and anticipated needs. So, too, is assembling a focused group of stakeholders to participate in the acquisition process.

The first step is determining who should comprise that stakeholder group. Some brokers may believe that technology is an issue for operations to decide, leaving IT out of the mix. Operations should not be the sole driver of decision making. Conversely, IT should not prescribe technology to operations. IT groups have an entirely different perspective on system requirements than users. Since a technology change will most definitely affect the processes, procedures and reporting of all departments, all key stakeholders must be involved and represented.

As mentioned above, some companies will hire an outside consultant to oversee the process. That option comes with many benefits, including providing a natural process leader and adding objectivity to the decision-making process. A professional's expertise also adds rigor and clarity to the search process, while also showing that management is committed to the acquisition.

The take-away is this: adopt a true process to manage the procurement. Perform due diligence to define your needs and involve focused stakeholders. If you do not possess the in-house technology expertise required, hire a qualified consultant. This consultant can provide invaluable assistance in defining your needs, articulating them in the request for proposals and providing objective advice to guide decision-making.

Key Functionality

Some brokers moving to new technology will seek to maximize the number of business processes automated, increase productivity, decrease error rates and increase cost efficiency. Others will want to expand services. Regardless of your specific objectives, some key features to consider include:

- *Reporting functionality.* Today, many clients want to receive reports more frequently. Others don't want standard reports, but seek customized formats that meet their specific needs. Systems that generate reports automatically and can offer easy-to-use functionality for designing customized reports are preferable.
- *Track and trace.* More and more customers need to know where their goods are in the supply chain, frequently requesting such information from their broker. Brokers simply do not have the time to suspend other business activities to locate customer goods every time they receive a request. Track-and-trace functionality allows customers to determine where their goods are whenever and as often as they want.
- *Compliance and FTZ.* Technology supporting vendor and product compliance and FTZ operation and management comprise essential functionality for those brokers seeking new revenue opportunities. As compliance experts, brokers are the ideal candidates to manage FTZs. Brokers can easily perform import/export compliance tasks such as maintaining product databases, checking harmonized tariff codes, performing denied-party screenings and ensuring the use of proper descriptions and classifications. For clients engaged in C-TPAT, brokers can manage their surveys of vendors overseas and perform other related tasks.
- *Web-native software.* A web-native approach, whether in a self-hosted or hosted cloud environment, enables brokers to operate using the most up-to-date information possible. Supply chain providers around the world can securely input their data, allowing better, more



accurate information for fast and compliant product movement.

Few brokers can afford to purchase all the technology needed to support all the desired revenue streams upfront. So, it is important to find a vendor that offers all these software modules separately, where the applications offered are integrated and part of a centralized database. Purchasing from one vendor can minimize integration costs down the road, while assuring the components functions as a cohesive system.

Deployment

Beyond technology definition and system choice, selecting the deployment mode is a critical decision brokers must make. There are financial implications associated with each deployment choice. Brokers must be aware of the cost differentials and make them an element of the decision-making process.

Many companies self-host, putting the software in their own cloud. Many believe this option affords the greatest security. Depending on the technology selected, it could require having in-house staff to maintain the system.

Others prefer a hosted system on a vendor’s cloud to reduce staffing requirements. Often, these models involve transaction-based arrangements. Be certain to investigate the cost per transaction against the average number conducted and future transaction objectives. Far too often, brokers underestimate how quickly transaction costs accrue. As part of the equation, also consider the monthly cost to have the system hosted.

The best scenario is to find a vendor that supports several deployment choices. In this way, you can obtain side-by-side comparisons of price elements from one provider.

Conclusion

Brokers opting to purchase new technology must be open-minded when it comes to change. Consider it as an opportunity to optimize your business rather than as something to be avoided. New technology offers greater efficiency, effectiveness and expanded business opportunities. It also may mean the difference between mere survival and a profitable business in today’s competitive marketplace.

Source: [QuestaWeb](#)

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