

CASE STUDY

CLVS Offshore Processing

Executive Summary

A Canadian logistics firm “The Firm” founded its business in the early 80’s with a strong focus on Trans-Atlantic ocean freight. Shortly thereafter, The Firm introduced Canadian Customs brokerage services. In the mid 90’s, The Firm acquired a North American logistics company and like many, experienced significant growth as a result of the Canada/US trade boom.

As The Firm grew, so did some of its challenges. Paramount was The Firm’s ability to deliver on its promise of “*Speed and Accuracy*”. The company had built a reputation on the fact that they deliver freight on time, and invoice their customers accurately. A customer survey conducted by The Firm showed that they were meeting their promise of speed and accuracy with a single exception.

The Client Situation

Since the introduction of the Consolidated Low Value Shipment (CLVS) program in the early 90’s, The Firm’s volume had grown from 200 CLVS transactions per month to over 20,000 transactions per month. Over the same period, their revenue per transaction had dropped by 21%.

The Firm had 14 full time employees (FTE’s) dedicated to processing CLVS transactions at an annual increase in cost of 4.5% per FTE. In addition, they were finding it increasingly difficult to attract, and more importantly retain, qualified people to process CLVS transactions, in turn increasing their training and recruiting costs.

It was taking The Firm, on average, 33 days to process a CLVS transaction. As volumes grew in conjunction with The Firm’s resource challenges, The Firm struggled to effectively manage their CLVS transactions.

The growth in volume, the reduction of per transaction revenue, the lack of available resources and the long processing times were being felt by The Firm’s clients. The Firm’s customer survey showed that the accuracy of their CLVS invoices was in decline leading to numerous short payments and write offs. In addition the time between receiving the courier shipment and receiving the customs invoice was too long for their customers to accurately reconcile the customs brokerage invoice with the actual receipt of the freight.

Finally, as The Firm’s entry volumes grew, so did their need to finance duty and GST disbursements.

Portway Identified the Challenges and... the Opportunities

Each Portway client is different, with a unique set of challenges. Portway’s commitment to serving the customs brokerage and logistics industry meant that we had the talent and expertise required to help The Firm overcome their CLVS challenges. As is customary in any Portway implementation, we initiated our project by outlining the desired outcome, we refer to this practice as “results based” planning:

1. **Improve CLVS profit margins** by reducing the expenses allocated to labor, benefits, training, recruitment, and management salaries
2. **Improve scalability** so that low value shipment volumes could grow without placing additional burden on the organization
3. **Increase customer satisfaction** and The Firm's commitment to *speed and accuracy* by reducing processing times from 33 days to 24 hours and significantly reduce customer disputes and short payments
4. **Improve cash flow** by providing The Firm the ability to collect duty and GST disbursements prior to remitting payment to the CBSA

When Portway presented its service delivery commitment to The Firm, The Firm's President commented: *"If I had a dollar for every time a vendor promised to increase profits and improve customer satisfaction... this time however I think it may be different."* With that challenge in hand, Portway started the implementation of our solution.

The Solution

Portway, confident in its ability to meet The Firm's objectives, executed a pilot agreement whereby Portway would process 100 transactions per day, for 45 days at no cost to The Firm. Having identified the outsourcing opportunity and the client's objectives, we assembled our implementation team.

Three Portway team members (two from our office in India) spent two weeks at the client's location documenting the overall CLVS process and learning the client's brokerage and workflow systems. At the end of each day, the team in Canada would send the collected data to our team in India so that we could start to develop our training materials and prepare our recruiting campaign. 32 days after Portway and The Firm had signed the Pilot Agreement; we were processing 100 CLVS transactions per day.

Portway's production levels in the first week were expectantly low - it took three people to process 100 transactions. By the end of the 45 days, we had reached our productivity target of 100 transactions per day per Portway employee. During the Pilot project, we audited 100% of the transactions and shared our internal audit results with The Firm.

During the Pilot, we recruited 12 university educated entry processing agents and started the process of training them on all aspects of the CLVS process. We use a combination of classification software, CSCB materials, and information gathered at The Firm's location as the basis for our training curriculum.

Parallel to our training program, our process engineers worked with The Firm, and Portway's management team, to develop a series of reports that measured our performance. In addition, we published "desk top procedures" and "critical to quality" metrics.

The Results

Portway measures the results against the criteria described above:

1. **Improve CLVS profit margins:** Portway processes CLVS transactions at a price that provided The Firm with a 54% savings. In addition we freed-up badly needed office space at The Firm's location, eliminated recruiting and training costs and freed-up significant management resources. Of the 14 resources The Firm had committed exclusively to the CLVS process, only one employee remains dedicated to CLVS - this

employee fields Portway's queries relative to import documentation and other transactional issues. In most cases the balance of the employees were redeployed within the organization in order to fill open positions.

2. **Improve scalability:** The Firm has seen a 7% increase in their CLVS volumes due to two large client acquisitions. Portway maintained its 24 hour commitment throughout the account implementations, assisted with auditing the tariff files and worked with The Firm to ensure the tariff files were accurate prior to the accounts implementation.
3. **Increase customer satisfaction:** Invoices are now being issued within 72 hours of the freight's arrival. In addition, Portway's CLVS audit procedures proved helpful in identifying The Firm's clients who were routinely being queried for poor import documentation. In many cases The Firm was able to provide their clients' vendors with tools that helped improve the quality of their documentation.
4. **Improve cash flow:** The Firm was now in a position to invoice its customer's weeks in advance of its K84 payments. In addition, the number of "no charge" amendments (B2s) dropped drastically as the actual B3 had not yet been transmitted to the CBSA, allowing The Firm to amend the actual B3 if necessary.

The Firm has remarked how our "results based planning" delivered on our promise, a practice that they have incorporated into their own projects. The Firm went on to say "*Portway is the best employee I never had*".

Conclusion

Portway is the only Indian Business Process Outsource (BPO) firm that is truly committed to the customs brokerage process. CLVS is what we know - it's what we do. Most BPO's don't specialize in a particular discipline, industry or vertical.

Outsourcing results vary from one client to the next for good reason – every client is different. Although you may use the same software platform as one of our existing clients, your internal processes will certainly be different. Portway takes a very unique approach with each of its clients in order to guarantee that we deliver on our promises.

For more information on this case, or any of our other Customs Brokerage services, please do not hesitate to contact Portway at 905.486.0196.

This case study is the aggregate of two client implementations. This case study is designed to outline how Portway works with Canadian Customs Brokers. The results will vary from one customs broker to the next. The facts represented herein are true and accurate. Portway's agreements with its clients forbid Portway from using their identities for promotional purposes. Portway would like to thank "The Firms" for allowing us to use the information contained herein. Any unauthorized use is strictly prohibited.