

CASE STUDY:

Purolator helps ATV Parts Manufacturer Reduce Canadian Customs and Freight Fees, Improve Transit Times

Introduction

Canadian ATV enthusiasts were pleased when this Indiana-based parts manufacturer entered the Canadian market, making available a wide range of parts and accessories for use on vehicles sold by leading manufacturers. But that enthusiasm soon turned to dismay, as higher than expected shipping costs – and exorbitant brokerage fees – forced the company to rethink its Canadian strategy.

Add in the fact that products were consistently arriving late at the Canadian parts distributors where they were needed, and the manufacturer knew it needed to look for a different transportation/logistics provider.

The retailer had been approached via a cold call from Purolator's local sales representative, who asked for the chance to submit a proposal that would "guarantee" greater efficiency and with marked cost

savings. Purolator essentially rewrote the retailer's strategy for its Canada-bound shipments. Shipments now arrive at their Canadian destinations on time and at a reduced cost. But the biggest savings has come from Purolator's detailed knowledge of U.S./Canadian customs processes, which allows shipments to clear customs without having to pay a penny more than is necessary.

Shipping/Customs fees were exceeding shipment value

This retailer supplies a wide range of ATV parts and supplies to the Canadian market including steering wheels, transmission parts, brakes and brake pads, hard tops and everything in between. Many products are designed and produced in the company's Indiana production facility. The company is highly regarded as a low-cost provider of high quality parts and accessories.

Because of the odd shapes and weights of certain products – axles, frames and hard tops for example – not every product can be easily shipped. Instead, irregular-shaped products need special packaging, which often triggers special pricing and in some cases, accessorial fees.

The manufacturer had enlisted a large, internationally recognized transportation provider to service its Canadian shipments. The company was already using this same company to transport its intra-U.S. shipments, and had been generally pleased. The

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manufacturer assumed the provider would be able to replicate the same service levels in the Canadian market.

But as the manufacturer soon learned, shipping to Canada is an entirely different animal than shipping within the United States. In addition to the obvious customs issues, a provider needs to have an understanding of the Canadian market, a deep distribution network with sufficient resources, last mile service for deliveries to addresses in the country's remote provinces and territories, and a full menu of service options. The manufacturer was disappointed that its provider seemed ill-equipped to handle its Canadian deliveries.

For one thing, shipping charges, especially for irregular-shaped and heavy materials, were excessive. The manufacturer came to learn that its provider was charging an "accessorial fee" for every oversized product in addition to its regular shipping fee. This seemed unfair, especially since the identical products were being shipped within the United States, without incurring the extra charges.

But what really set off red flags, were the excessive customs fees. Each Canada-bound package was being individually evaluated by Canadian customs officials, and assessed a customs fee. The combined customs fees and shipping charges, in some cases, added up to more than the value of the products inside the packages. Add in the fact that shipments were consistently late in arriving at the parts manufacturer's Canadian dealers, and it was clear that a change needed to be made.

Purolator's customs expertise achieves dramatically improved border clearance process

Purolator's sales representative knew, almost immediately, that the manufacturer's border clearance issues were solvable. The problem of excessive customs fees could be mitigated by consolidating shipments. The previous provider – by not consolidating – was forcing each package to clear the border as an individual shipment. But by combining multiple shipments into one large unit, shipments are able to clear customs as a single entry. A single entry means a single customs fee and a single customs inspection. So right off the bat, consolidation allowed the manufacturer's customs fees to drop dramatically.

Beyond offering a consolidation solution, Purolator has improved the border clearance process in other ways. Tariff classification, for example. Every product entering Canada from the U.S. is assigned a tariff classification code, which allows customs agents to track goods entering the country, and also to serve as the basis for assigning applicable duty rates. A product's eligibility for trade agreement benefits is also based on its tariff classification code.

A customs broker or logistics provider must be very careful to assign the correct tariff code to each product. Tariff codes can have only slight variations between them, but one code can have a significantly higher rate of duty assigned to it. Tires, for example, are assigned different tariff codes depending on the type of rubber used in their manufacture, and where that rubber originated. Overpayment of tariff can be a significant cause of greater-than-expected costs for companies shipping to Canada.

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As part of its “normal” processing for cross border shipments, Purolator’s customs experts check and re-check to ensure that every product is assigned a correct tariff code. In doing so, Purolator also determines if a shipment is eligible for any trade benefits.

Purolator’s hands-on management of the customs clearance process, and its resulting benefits, were a welcome change in course for the manufacturer. Previously, the manufacturer had been advised that border clearance fees were a fixed cost, that there was virtually no way to mitigate those costs, and that its volume of shipments entering Canada was not sufficient for a consolidation solution. But as Purolator’s border expertise demonstrated, there was considerable room for improvement, and significant savings were achieved.

Purolator’s “direct to Canada” ground solution reduces transit time and lowers freight costs

When Purolator first began servicing this account, shipments to Canada were in the neighborhood of 2-3 per week. Not an overwhelming volume by any means, but certainly important to the ATV dealers waiting in Canada for their goods.

The first thing Purolator did was restructure the existing pickup schedule. Why arrange for daily pickups, as the previous manufacturer had done, when clearly there was not enough volume to warrant that level of service. Instead, Purolator arranged pickups from the manufacturer’s Indiana production facility 2-3 times per week.

The manufacturer was concerned that reducing the frequency of pickups would mean its Canadian customers would have to wait longer for their shipments. But, by taking advantage of its deep distribution networks both in the U.S. and in Canada, Purolator customized a solution that transports products into Canada faster than the previous transportation provider did, and at a lower cost.

Purolator picks up shipments at the manufacturer’s Indiana production facility, and transports them directly to its processing center in Detroit. In Detroit, shipments are sorted, consolidated and prepared for clearance into Canada. Since Purolator sends at least five Detroit-based trucks to Canada each day, the manufacturer’s shipments have very little idle time. Once in Canada, shipments travel directly to Purolator’s Toronto hub where the consolidated shipments are broken down, and fed directly into its extensive Canadian distribution network. Shipments travel to their end destination either via LTL or courier service, depending on the size and handling requirements.

Purolator was able to demonstrate that when it comes to moving shipments into Canada, there is no substitute for experience. From helping this business completely overhaul its customs management strategy, to offering faster, cost effective service to Canada, Purolator demonstrated the importance of solid Canadian experience and knowhow.

Spike in orders from Canadian customers

The manufacturer has been delighted by the complete turnaround in its Canadian logistics



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operations. In fact, since Purolator took over its Canadian operations, the retailer has seen a tremendous spike in orders from Canadian customers. Volume that only recently could be counted on one hand, now totals several hundred weekly shipments.