

CASE STUDY:

Kitchen “Gadget” Manufacturer finds Customs Expertise, Faster Service with Purolator’s Customized Solution

Introduction

Consumers around the world likely have one or two products in their kitchen drawers from this international manufacturer of innovative devices. From corkscrews and wine sealers to strawberry hullers and garlic presses, the company is known for its highly creative, sleek-looking devices that make life simpler for today’s consumer. The company is based in the Netherlands, and that is where most products are manufactured. The company now offers its products in more than 80 countries.

For distribution throughout Canada, the manufacturer recently decided to source inventory from a distribution center (DC) located in North Carolina. The company had maintained a DC in Canada, but felt it could adequately meet its needs through a well-managed logistics plan centered around the North Carolina location.

This of course meant that every shipment would require an international border crossing, and trigger a host of U.S. and Canadian import and export regulations, taxes and security protocols. And, throw in the fact that most of the products originate in the Netherlands, and it’s easy to see why the manufacturer set out to find a logistics provider with strong border clearance experience.

The manufacturer reached out to Purolator International, a logistics and transportation company with deep roots in Canada and unmatched expertise with U.S. and Canadian customs procedures. Purolator offers a wide range of flexible service options for delivery to Canada, and prides itself on its high levels of customer service.

The manufacturer had originally called on Purolator to help move inventory from its Canadian warehouse to its space in North Carolina. The kitchen device producer was impressed by Purolator’s performance, and asked for a proposal for moving products back into Canada.

Purolator rose to the occasion with a solution for ground service that guarantees delivery to Canada within the manufacturer’s time frame, and with a comprehensive plan for complying with all customs mandates. Purolator’s customs expertise is so thorough, that it actually proposed ways in which the manufacturer could *reduce* its tariff liabilities.

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From the Netherlands to North Carolina to Canada: Major Customs Issues

Moving goods across an international border can be confusing under the best of circumstances, but when multiple countries are involved, the process can be downright harrowing.

Such was the case with this manufacturer. Finished products arrive in the United States from the Netherlands, at which time all applicable duties are paid, all necessary paperwork completed and all security mandates satisfied.

Products arrive at the border bearing tariff codes assigned in the Netherlands. Once in the U.S., these Dutch codes need to be changed, to reflect tariff classification systems maintained by the U.S. and Canadian governments. The United States, the Netherlands and Canada all subscribe to the “Harmonized System of Tariffs, (HST)” which is an international attempt to provide uniformity for goods moving across borders through a “catalogue” of tariff classification codes. The HST provides the first six digits of a classification code, but then each individual country adds additional coding, based on its own processes.

For example, the tariff code for the company’s non-electronic corkscrews would begin with “8210.00,” which is the HST classification. But then, the Netherlands would add its own subsequent coding, as would the U.S. and Canada.

For this manufacturer, products arriving from the Netherlands must have their tariff codes reconfigured to satisfy both U.S. and Canadian requirements.

Purolator is able to accomplish this through the services of an experienced Canadian customs broker.

The importance of getting this reconfiguration done exactly right cannot be understated. Tariff codes have many important purposes in the world of international trade. For one thing, tariff codes determine the rate of tariff for a certain product. Tariff codes are also used to determine a product’s eligibility for free trade benefits.

A business needs to be very careful in assigning a tariff code. There may be slight variations between codes, but one may carry a higher tariff rate. Overpayment of tariffs is a significant issue for many businesses. If a logistics provider or customs broker fails to spend the time to ensure that products are properly coded, a business could end up paying significantly more than is necessary.

As part of its “routine” customs processing, Purolator’s team of experts takes the necessary steps to ensure that every product is properly coded. And in this instance, because the shipments are originally assigned tariff codes in the Netherlands, it is necessary to be extra diligent, since product origination could be a factor in a product’s classification.

Non-Resident Importer status allows Manufacturer to compete with Canadian businesses

Beyond the tariff classification process, Purolator makes sure this manufacturer takes advantage of every available “trade facilitation” program. This

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includes Canada’s Non-Resident Importer (NRI) program which allows non-Canadian businesses to serve as “importers of record” when selling goods to Canadian consumers and businesses. Without NRI status, this manufacturer was not allowed to charge customers Canadian tax at the time of purchase, and could not manage its shipments’ customs process. This meant that the manufacturer’s customers were often presented with unexpected invoices at time of delivery for unpaid taxes and brokerage fees. And, customers were required to physically travel to a customs office to retrieve their goods.

Purolator guided this company through the NRI registration process, and today, the company is able to compete evenly against Canadian companies, with peace of mind that it will not be disadvantaged by the customs process.

Products arrive in Canada ahead of manufacturer’s expectations

When the manufacturer decided to close its Canadian distribution center, it knew it needed to ensure a fail proof system for meeting customer delivery expectations. Purolator’s ground solution, in fact, exceeds the manufacturer’s expectations.

Shipments are picked up daily at the manufacturer’s North Carolina distribution center, and travel directly to Purolator’s Raleigh processing center. In Raleigh, shipments are sorted and consolidated, and loaded for line haul delivery direct to Canada. Since every shipment on the truck is Canada-bound, Purolator’s truck makes no stops along the way.

After a hassle free customs clearance process – Purolator is a “trusted trader,” meaning its shipments benefit from expedited clearance upon arrival at the border – shipments travel directly to Purolator’s Toronto processing center. Upon arrival in Toronto, shipments are broken down and enter Purolator’s Canadian distribution network, traveling either via LTL or courier, depending on size.

The manufacturer was pleasantly surprised by Purolator’s expedited transit time. Purolator’s ability to reach the Canadian market, via a ground solution, far exceeds any of the solutions offered by other transportation provider’s the manufacturer considered.

Manufacturer delighted with Purolator’s innovative solutions, attention to detail

The manufacturer has been very pleased by Purolator’s innovative solutions, strong customs brokerage services, and high level of customer service. The manufacturer credits Purolator with its high rate of satisfaction among its Canadian customers.

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