

CASE STUDY:

Leading Consumer Electronics Retailer Turns to Purolator for Help with Border Clearance Issues

Understanding the U.S./Canadian border clearance process can have a huge impact on U.S. businesses entering the Canadian market.

Introduction

Entering the Canadian e-commerce market was a logical step for a New York-based photography/electronics retailer. The popular merchandiser had already established a firm footing in U.S. e-commerce channels, targeting both B2B and B2C sales. And with online sales experiencing record growth north of the border, the time seemed ripe for the retailer to set its sights on Canada.

Not surprisingly, the Canadian market embraced the company, as its reputation for quality products, customer service and fair pricing preceded its

arrival. The company enlisted the services of a nationally-recognized logistics firm to handle the border clearance and customs compliance process, along with distribution to Canadian customers.

Unfortunately, it wasn't long before managers realized something was terribly wrong. Shipments seemed to be experiencing inordinate delays clearing the Canadian customs process, and shipping costs seemed excessive – certainly far more than what was expected.

The company turned to Purolator International, and asked for thoughts about how to improve efficiency in reaching Canadian customers. Purolator, a leading provider of logistics and transportation services between the United States and Canada, noticed immediately several inefficiencies in current operations, most notably in its border compliance process, and in the way transportation costs were assessed.

The manufacturer's products were getting stuck at the border, because it wasn't utilizing programs to expedite the process.

Purolator used its extensive expertise in U.S./Canadian customs compliance to develop an

alternative border clearance process. The retailer now takes advantage of clearance programs and cost savings opportunities that it did not know even existed! Canada's [Courier Low Value Shipment](#) program, for example, offers expedited clearance to qualified shipments valued at less than \$2,500CAD. Purolator's team of compliance experts ensure that shipments arrive at the border with clearance information pre-transmitted to Canadian customs, and well positioned to take advantage of every possible cost savings opportunity.

Purolator also restructured the pricing system being used. Purolator determined that fees were being assessed based on an across the board percentage rate, that included duties and other border clearance fees. So the retailer was paying all duties, sales taxes and associated clearance fees, and was then also assessed an additional 2.5-4.5 percent on that amount, payable to its logistics carrier.

With Purolator on its team, the retailer has significantly improved its Canadian supply chain. Purolator ensures that every shipment takes advantage of every efficiency opportunity, arrives at the border in full compliance with customs and regulatory mandates, and then enters Purolator's impressive Canadian distribution network for guaranteed, on-time delivery.

Purolator Offers Solutions for Canadian Customs Clearance

For a company that built its brand and success on high levels of customer service, this retailer was alarmed when its Canada-bound shipments seemed to take longer than necessary to clear customs, and

when brokerage fees were unexpectedly higher than anticipated. Purolator did a complete breakdown to determine:

- Overall Canadian market strategy
- Eligibility for participation in U.S. and Canadian expedited clearance programs
- Eligibility for reduced or eliminated duty obligations
- Proper assessment of shipping/freight charges

Purolator conducted a complete "capabilities assessment," and designed a customized logistics solution.

Once that top-to-bottom assessment was complete, Purolator made several recommendations for improving the border clearance process:

Duty Drawback. Businesses that pay import duties on goods brought into the U.S., may be eligible for a refund of those duties if the goods are subsequently exported. The refund is called a "drawback," and is administered by U.S. Customs Border Protection. Drawback can result in significant windfalls for eligible businesses, since a business may submit claims for duty paid several years prior. Many businesses – including this retailer -- do not avail themselves of this program, either because they may be unaware it exists, or

because of its notoriously complicated application and documentation processes.

Purolator realized that enough of this retailer's shipments would qualify for drawback to make it worth the company's time. Purolator developed a system for capturing all CBP-required documentation, and for complying with strict recordkeeping requirements. The process also requires detailed oversight of the border clearance process, to ensure that CBSA documentation is consistent with CBP requirements. Purolator manages the drawback filing process and the retailer has been very pleased at the unexpected amounts of duty that have been recovered.

Non-Resident Importer. U.S. businesses that sell to Canadian consumers are not permitted to collect Canadian sales taxes or comply with CBSA import requirements. Historically this has resulted in Canadian consumers being presented with unexpected invoices at time of delivery for sales taxes and border clearance fees. The Canadian government though, has addressed this through a "Non-Resident Importer" program that allows U.S. businesses to act as "importers of record," meaning they are able to act much like Canadian businesses. This means a U.S. business can collect tax at time of purchase, and can avoid having to involve Canadian customers in the customs process. Purolator was able to help this retailer become an "importer of record," thereby gaining this tremendous advantage.

Courier Low Value Shipment (CLVS) program. Offered by Canada Border Services Agency (CBSA), the CLVS program offers expedited clearance for

shipments valued at \$2,500CAN or less. The program is especially useful for e-commerce deliveries, and can also be used for commercial transactions. Many of the retailer's shipments qualify for the CLVS program, and since Purolator is a registered program participant, all qualified shipments take full benefit.

Tariff Classification. Every product that crosses the border must be assigned a tariff classification code. Products entering Canada are assigned codes based on the internationally recognized Harmonized System (HS), which includes a listing of more than 10,000 classification numbers. For every product, there is a classification number. But sometimes, the distinction between two classification numbers can be very slight, and can trigger different tariff liabilities. Hooked rugs assembled by hand, for example, carry a different code than hooked rugs assembled by a machine. It's very important that care be taken to ensure that (a) all tariff classifications are accurate so that a business is not paying more tax than necessary; and (b) products are benefitting from all applicable free trade agreement benefits.

Improperly classified products can result in shippers paying more tariffs than necessary.

Purolator initiated a process to ensure proper tariff classifications for all shipments. Every product is reviewed by a Purolator trade specialist who understands the nuances of the tariff codes, and is also well versed in U.S./Canada trade agreements.

This high degree of scrutiny has helped this retailer reduce its tariff obligations, and apply for trade benefits to which it is legally entitled.

Purolator's Smart Solutions Help Reduce Costs

Certainly a key objective of this retailer was to minimize shipping costs and ensure a smart, efficient logistics and transportation plan. As part of its comprehensive analysis, Purolator was able to offer several recommendations to help reduce costs and better manage Canada-bound processes.

Consolidation. By combining several smaller shipments into one larger unit, Purolator is able to find efficiency both in border clearance processing and in shipping costs. Shipments are transported to a Purolator processing center, located close to the border, and smaller shipments are consolidated. The consolidated unit is allowed to clear customs as a "single unit." This means a single inspection, reduced paperwork and reduced clearance fees. Once across the border, shipments are broken down and fed into Purolator's Canadian distribution network. Consolidation also helps reduce freight costs, since larger units may qualify for TL shipping, or for better pricing for LTL service.

Entry Classification. Purolator ensures maximum efficiency by guaranteeing that shipments enter Canada in a way that allows the retailer to qualify for certain benefits. For example, a business may decide whether or not to ship products with all duties paid in advance – a practice known as Duty Paid -- or Duty Unpaid. A shipment traveling "duty unpaid," requires the party who ultimately receives the shipment to pay all outstanding duties and

brokerage fees. But, shipments that travel duty unpaid are not eligible for a drawback. Understanding the nuances of the Canadian clearance process has had a tremendous impact on efficiency.

The Results Speak for Themselves!

Unlike most logistics providers, Purolator is able to offer a comprehensive, single-vendor solution to address this retailer's needs. Purolator offers solutions based on its decades of experience in transporting goods into Canada, and its highly developed network of trade specialists. Quite simply – no logistics provider has a better understanding of the Canadian border clearance process, or the network in place to ensure delivery throughout Canada.

Since turning over its Canadian logistics to Purolator, this photography/electronics retailer has posted impressive results. The company reports dramatically reduced instances of products delayed at the border, and is so pleased with its improved efficiency, it recently renegotiated a new two-year contract.

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