

# 'We deliver Canada'

*Purolator International seeks to grow cross-border business, offers next-day deliveries.*

BY CHRIS DUPIN

**P**urolator Inc., Canada's largest overnight courier company, is looking to expand in the United States in coming years to grow market share in the cross-border trade dominated by FedEx and UPS.

The company offers two- to three-day deliveries between 10 U.S. and Canadian markets. Last year its subsidiary Purolator International launched an express service, PUROexpress, in the New York metropolitan area, which will offer guaranteed overnight and second-day deliveries of small packages.

"Our main thing is we deliver Canada," said John Costanzo, president of Purolator International, which is based in Jericho, N.Y. "Canada is the largest U.S. trading partner, so there is a lot of transportation sold between the U.S. and Canada, and that is a niche we specialize in."

Costanzo said Purolator has about a 30 percent share of the Canadian small package market, and has the ability to offer service throughout Canada, using its own assets over 98 percent of the time. The company is also expanding in the freight market.

The Purolator name is familiar to many in the United States (From the 1960s to the 1980s it was owned by the similarly named oil filter company). Purolator's U.S. and Canadian operations were separated in 1987 and have had very different trajectories.

The U.S. company entered into an alliance with Airborne Express in 1987, then was bought and sold several times, operating under various names such as Emery Worldwide, Purolator Worldwide, and CNF-Consolidated Freightways. Surviving U.S. operations eventually became part of UPS Supply Chain.

In Canada, the company continued to operate under the Purolator name and under Canadian ownership. In 1993 a 75 percent stake was purchased by Canada Post, and later increased to 91 percent. Another 7 percent is owned by Barry Lapointe Holdings, parent company of Kelowna Flightcraft Air

Charter that operates long-term charters for Purolator. Two percent is owned by other shareholders.

In 2009, Purolator had net operating revenue of about \$1.4 billion and had pre-tax profit of about \$53 million. About 10 percent of the company's business is from the United States.

Costanzo said Purolator decided to reincorporate in the United States in 1998 as Purolator USA (changed in March to Purolator International) and buy back the rights to its name. Since then it has been growing at an annual rate of about 20 percent to 25 percent. Today the company operates about 300 trailers and 40 flights per week between the United States and Canada.

About 60 percent of its cross-border revenue is small package delivery, 25 percent forwarding, mostly truckload and air charters. Another 15 percent is less-than-truckload shipments, but Costanzo said the company has high hopes for the LTL business, expecting it to grow quickly.

Purolator has 7 percent to 8 percent of the cross-border small package business compared to about 60 percent shared by UPS and FedEx. Purolator's business is about equally split, weighted slightly in the northbound direction, he said.

While UPS is a competitor, it's also a customer and supplier. "This puts us in a nice position. We use UPS for some of our business coming down from Canada into the states, and they use us for some of their work going into Canada, particularly the areas that they do not have service to," Costanzo said.

Purolator operates from its main hub at the John C. Munro Airport in Hamilton, Ontario, about 50 miles south of Toronto. It also has facilities for sorting freight in Winnipeg, Calgary and Vancouver.

The company offers two-day delivery into the Toronto area, and three days for the rest of Canada from 10 U.S. and Canadian cities. It plans to open in 30 to 35 U.S. cities over the next three to five years. It also offers next-day service on a contract basis from other cities, including Cleveland, Cincinnati, and Rochester, N.Y.

That two- to three-day service has wide

appeal, Costanzo said, citing Colography Group research that found more than 80 percent of shipments from the United States to Canada take two days or longer. Customers include consumer goods, retail products (especially merchandise ordered over the Internet), industrial machinery and tools, medical products and electronics.

In October, Purolator decided to go head-to-head with UPS and FedEx in the cross-border region out of the tri-state New York area. The new PUROexpress service offers four delivery options for small parcels throughout Canada with guaranteed delivery times of 9 a.m., 10:30 a.m., end-of-day or second-day. The company also offers service from Canada to the United States, and eventually plans to offer similar services out of Chicago and Los Angeles.

Purolator operates flights from Caldwell Airport in New Jersey, "departing at around 9 p.m. and hitting our hot sort in Hamilton," he said. For really urgent shipments, it can also arrange "next flight out" shipments.

Costanzo said while the New York express service appeals to law firms, insurance companies and banks moving documents, the company is also moving "a fair amount of product" such as electronics.

"We estimate that there are about 10,000 packages exiting the metropolitan area to Canada each night," he said.

Because of its cross-border dominance, particularly in the New York region, Costanzo said Purolator sees an opportunity to be more aggressive in how it prices its services, compared to FedEx and UPS.

"We are finding that we can be very cost effective in that market and leverage the economies of scale we have in Canada by connecting Canada and the New York metro area with that flight every night," he said.

He said a typical lightweight shipment from the New York area weighs five pounds or less, and has a list price of about \$50.

"With discounting of even as high as 40 to 50 percent — which is not unusual for a large shipper — the price is somewhere in the mid-to-high \$20s and we can get into that very nicely," he said. "Typically for us to be 20 percent less expensive for better service is not unusual."

Purolator also offers a paperless service. For a typical, low-value shipment, Customs is precleared through Purolator's broker and the shipper has nothing to do "other than book your order online."

For shippers of large volumes or with different needs, Purolator will customize solutions, he said. For example, the company developed pricing with an electronics retailer so customers ordering a product over the Web could see the landed and delivered cost of an item before making a purchase. ■



**Costanzo**