

A Fertile Canadian Logistics Plan for a B2B Gardening Brand

Introduction

An Ohio-based lawn and garden equipment retailer found a receptive market for its products in the Canadian market and soon had a growing list of orders from several B2B customers. The retailer had customers located all across Canada and put a high priority on customer service and on-time deliveries. As far as the retailer was concerned, its Canada-bound logistics solution was functioning smoothly: products were being delivered on time, border clearance issues were relatively minor, and customers seemed generally pleased. So no reason to upset the apple cart by switching logistics providers, right?

The company might have thought so until its North American distribution director was persuaded by a local Purolator International sales representative to consider areas in which performance could be improved. The director listened carefully as the sales rep outlined a customized solution that would reduce transit time, cut freight costs, and improve the border clearance process. The company made the switch to Purolator. Since then, it has seen a marked improvement in efficiency and costs, and as an added benefit, the company enjoys a high level of customer service.

Canadians Are Very Loyal to Canadian Brands

When this retailer first started offering its products to Canadian dealers and wholesalers, several customers inquired about why it was not using a Canadian logistics provider. It had never occurred to the retailer that this might be a factor. But as the company soon learned, Canadians are very patriotic and will generally prefer a Canada-based option whenever possible. The retailer had enlisted

a U.S.-based logistics provider — an internationally recognized brand that did have a presence in Canada. But nevertheless, the manufacturer appreciated this strong sense of nationalism and realized the benefit of utilizing a Canada-based carrier.

As luck would have it, Purolator has deep roots in Canada. As the wholly owned subsidiary of Canada's iconic Purolator Inc., which is that country's leading provider of courier and integrated freight solutions, Purolator International has a deep understanding of the Canadian market and shares its parent company's distinctive red and blue logo, which is easily recognizable throughout Canada.

Problems Reaching Non-urban Areas, Higher-than-Expected Customs Charges

Having a distinctive logo would not be reason enough for the retailer to change its transportation provider. But other, more compelling issues helped the retailer realize it could be better served by a provider with strong Canadian experience.

For one thing, the manufacturer's original provider had trouble accessing customers located in Canada's outer provinces and territories. Canada is a very large country geographically — second in the world in terms of area (Russia is first; the United States is third). And while 80 percent of Canada's population lives in easy-to-reach urban areas, usually within 100 miles of the U.S. border, most carriers do not provide regular service to less-populated regions. In addition, Canada is officially a bilingual country, with more than one-third of the population listing French as their preferred language. In certain areas, Québec, for example, French is the predominant language, so a carrier must take care to provide a French-speaking driver.

The retailer's existing provider was incapable of providing these Canada-specific services. Out-of-province service and French capabilities are essential to success in Canada but were apparently not a priority for the non-Canadian provider. Instead, shipments were off-loaded to local third-party providers.

The retailer had also noticed problems with its customs clearance charges. Namely, charges were far higher than expected. It seemed that each shipment was being assessed individual clearance fees, which were quickly adding up. A more experienced provider, on the other hand, would recognize that by consolidating all shipments into one larger shipment, customs agents would impose a single clearance fee.

Purolator's LTL/Courier Solution Reduces Costs and Improves Transit Time

Purolator's sales representative knew his company had the capability to address these specific issues and also to provide faster service at a lower cost. The sales rep demonstrated this by showing the retailer a list of Canadian postal codes along with Purolator's cost to service each area and a corresponding transit time. The retailer's distribution director was stunned — Purolator's freight costs and transit times were considerably less than its current service levels.

Under the scenario proposed by Purolator, shipments would be picked up daily at the B2B company's Ohio warehouse and travel via a consolidated LTL line-haul to Purolator's processing facility in Detroit. Once in Detroit, shipments would be quickly sorted and readied for the border clearance process. Upon arrival in Canada, shipments would travel directly to Purolator's Toronto induction facility. From there, consolidated shipments would be broken down and sent via courier to their final destinations.

This combined LTL/courier solution would be viable for roughly 90 percent of shipments. The remaining 10 percent would be addressed via a customized solution that included air service.

Important to note is that Purolator's solution was unique to this customer. Purolator's sales representative assessed the retailer's precise logistics

transportation needs and developed a solution to match those exact requirements. Few companies offer this level of individual attention. And few companies have access to the network of assets necessary to ensure delivery to 100 percent of Canadian addresses.

Purolator has this access because of its expertise and experience in the Canadian market, which are simply not matched by its competitors. The net result of Purolator's solution? Consistently lower freight costs and reduced transit times.

Purolator Improves Border Clearance Process, Helps Reduce Customs Fees

A common perception among U.S. business managers doing business in Canada is that the border clearance process is highly inflexible and very regimented. In fact, though, an experienced logistics provider can offer insight into the process that often results in reduced customs fees and duty obligations, and expedited clearance procedures.

When Purolator's sales representative reviewed details of the retailer's current border clearance process, he knew immediately that Purolator could offer a more efficient solution. The retailer's current provider was not consolidating shipments prior to arrival at the border. This meant that each individual shipment was assessed a customs fee and then required to wait in queue until it could be reviewed individually by a customs agent.

By combining all shipments into one larger unit, all that would change. Shipments would clear the border as a single unit meaning that only a single customs fee would be assessed. And the larger consolidated shipment could undergo a single review process, which would greatly reduce clearance wait time.

Purolator also recognized that the retailer's shipments were not necessarily assigned the correct tariff code, which raised the possibility that shipments were being charged incorrect duty amounts.

Every product that crosses an international border is assigned a unique "tariff classification code," based on the importing country's tariff classification system.

Tariff codes are highly specific, with slight variations between codes. But as slight as these variations may seem, different codes may carry different tariff obligations. A garden hose, for example, will have a different tariff code based on factors including where it was manufactured and the type of nozzle and fittings that are attached.

Purolator routinely checks, and then double-checks, every tariff classification to ensure that the proper code has been assigned, that a shipment is assessed only the duty that is owed and not a penny more, and that a shipment takes advantage of any applicable trade agreement benefits.

Another important factor was this retailer's failure to take advantage of Canada's Non-Resident Importer (NRI) program through which U.S. businesses are allowed to serve as "importers of record" for products sold to Canadian consumers. This was a significant omission.

Without importer-of-record status, a U.S. business is prohibited from collecting Canadian taxes at the point of sale and is not allowed to clear packages through customs. Many times this means a Canadian customer will be slapped with an unexpected invoice for taxes and brokerage fees at time of delivery. It can also result in a Canadian consumer — in this case, garden and lawn equipment dealers and wholesalers — having to physically travel to a customs office to retrieve its shipments.

Purolator helped this business register for Canada's NRI program, which not only simplified the border clearance process but also eliminated a significant competitive disadvantage since the company could now compete alongside its Canadian counterparts.

The retailer's employees had never heard of the NRI program, nor were they aware that customs fees could be managed through relatively simple concepts, including consolidation and tariff classification.

Retailer Benefits from Reduced Transit Times and Greater Efficiency

Purolator's solution has been a success in four important areas:

- ▶ Reduced transit times
- ▶ Reduced freight costs
- ▶ Customs efficiency
- ▶ Appeal to customers' Canadian patriotism

This added efficiency has been a pleasant development for this retailer, which, quite frankly, did not know its Canadian distribution plan was lacking. The company has been energized to expand its outreach to Canada and has already seen an increase in orders from Canadian customers. And perhaps the greatest indicators the retailer is pleased? Purolator's contract has been renewed and the retailer has offered to provide positive feedback to potential Purolator new customers.