Making Sure the Last (Cross-Border) Mile Doesn't Hurt Your Business

Northbound shipments to Canada are strong, and growing, with e-commerce leading the way. Many US businesses, especially retailers, are eager to serve customers north of the border. But, with ever-rising customer demand for lightning-fast fulfillment, the expense of getting goods delivered fast over that notorious last mile to Canadian consumers can be an issue. Here's some advice about how to make cross-border fulfillment go smoothly.



Last-mile delivery already accounts for more than a quarter of overall transportation costs, and it's the part currently in most danger of spiraling further upwards. US retailers face a world dominated by Amazon's dazzling ability to deliver products with breath-taking speed. In order to compete, e-tailers and retailers alike have developed a habit of throwing money at the problem. In many cases, the focus is solely on achieving the desired level of expedited delivery without properly monitoring whether the expense is cancelling out all the profit in the sale — or worse, actually costing money. Anyone who has scratched their head after receiving a slim paperback in a huge box filled with packing pouches, or taken delivery of canned dog food sent overnight without any particular need to expedite it, knows that the trend for fast shipping might be coming at the expense of business sustainability.

This danger is even more present when it comes to cross-border e-commerce — spending money to eradicate the almost inevitable obstacles and delays could threaten to do serious damage to profits, and even wipe out a business entirely.

Certainly, trade from the US to Canada is on the rise, as the internet makes it easier than ever to shop across the world's longest border. The US Department of Commerce's International Trade Administration estimates there will be 20 million digital buyers in Canada who will spend $50 billion annually online by 2019, representing ten percent of all retail purchases in Canada. Meanwhile, the media is full of reports of how Canadian retailers are struggling to serve online customers, and make the most of this huge opportunity. Web-savvy US retailers should be stampeding into the Canuck market; many are doing exactly that.

But we're sad to say that, in the mad dash to get inventory fast across an international border, and delivered to a customer base spread out over a huge area, many US vendors are tripping up. Stumbling blocks include Customs snarls, unnecessarily long distances between where inventory originates from and where it needs to go, increased touch points that lead to product damage, and plain, old-fashioned delays. All of these cost money, whether from increased transportation costs, unexpected Customs charges, demurrage, rejected inventory or lost customers. And that's not even to mention the extra problems associated with returns, which affect an estimated 30 percent of all e-commerce purchases.

Spending Themselves Out of Business

"A fast-growing company will enter the Canadian market for the first time, set delivery-time expectations, establish a returns policy, and get going," said John Costanzo, president at Purolator International. "Then they grow tremendously, and realize they're spending themselves out of the business. It's not too different from what the catalog companies did in the 90s. They were great at marketing products and selling them, but not at making money out of them!"

Zappos is not the only US retailer that was unable to translate its phenomenal success in the US to the Canadian market. Target, too, failed spectacularly to get a foothold in Canada. Both blamed, at least in part, issues with order fulfillment and inventory replenishment.

"Some US companies think Canada is the 51st state," said Costanzo. "Of course it's true that there are great synergies between our countries that help drive trade, and that have helped to harmonize the codes used for clearing products through Customs, for example. But, at the end of the day, Canada is another country and, if you want to sell goods there, that makes you an exporter, plain and simple."



There's no need for cross-border problems to stop US retailers making the most of the burgeoning Canadian consumer market, but retailers need to make careful choices about their cross-border delivery partners. Indeed, choosing the right partner is more important now than before.

That is because delivery times have become an inherent part of the sales process. Amazon's influence has been pervasive, and the genie is not going back in the bottle any time soon. More and more, customers want to know for sure when they'll get their goods, often before they even pull the trigger on the sale. That means a delivery partner who can keep promises made at the moment of sale (or close to it) is more important than ever. "We're now part of the customer experience, not just a delivery service," said Costanzo. "The way e-commerce companies win is by ensuring the customer has a different experience." Costanzo points out that this applies to B2B commerce as well as B2C shippers.

Ask the Right Questions

Again, when you add cross-border fulfillment into the mix, that choice becomes even more crucial. As with most crucial choices, the first thing to do is to ask questions.

When checking out a potential delivery partner, you might want to think about the following points:

- How do you intend to enter the Canadian market? What kind of IT platform will you have (a separate Web site, for example), and how will it actually process an order from a Canadian customer?
- How does the customer receive information about shipping? Will you give them a firm delivery window, or follow up later with an email once the goods are shipped? What delivery experience are you looking to offer — next-day delivery, 2-5 day delivery, cheaper options?
- Next, it's important to take a look at the products you'll be offering for sale to Canada. You might want to focus first on the products that have commodity codes that are most likely to pass easily across the border.
- Then, you need to think about returns — and now, not later. You don't want to end up with truckloads of products stuck on the wrong side of the border.
- Another crucial consideration is figuring out where to position your inventory on the US side. Around 50 percent of the Canadian shopping population is in the Toronto area, and it may make sense to fulfill those orders from Detroit or Ohio. Keeping inventory on the US West Coast for delivery to the Vancouver area also makes sense.
- Consider your products' packaging and dimensions, and be sure to choose the right last-mile option according to space requirements. It may work better to split shipments up.

The product mix will determine, also, which type of service you choose from a provider. At Purolator, customers can choose between Purolator Courier or PuroPost services, or a mix of both, depending on the type

and weight of products, as well as the delivery protocols needed.

The problems unique to delivering goods to Canadian customers are not only with clearing Customs, but with the actual last mile, because the population is more spread out than in the US, even in fairly dense urban areas. As in the US, many companies don't deliver evenings or weekends, when people are more likely to be home. But, in Canada, a missed delivery attempt notice might mean the prospect of a long drive through rain or extreme winter conditions to pick up a package. PuroPost was developed in partnership with Canada Post, which happens to be Purolator's ultimate parent company, to offer a delivery service designed specifically for e-commerce.

"By partnering with Canada Post on end delivery, we can reach all 35 million Canadians with their online purchase from the United States and deliver it to where they normally receive their mail," said John Cello, Corporate Executive at Purolator's Parcel Services. Cello says that Canada Post has some very effective mechanisms to enable the end delivery; for example, two-thirds of the country has community mail boxes, which can accept deliveries at any time during the day, ready for pickup at the customer's convenience.

Residential Delivery

Another advantage of Canada Post end delivery is the ability to leverage the 6,200 partner retail facilities for package pickup or drop off. Fully 90 percent of the population has a Canada Post authorized retail facility located within 1-3 miles of their home. "The package is safe; it's temperature controlled; I have to show ID to get it — it really works out," Cello says. The service has been highly popular with customers who were previously relying on express delivery companies without these assets. "It's been a very interesting evolution," explained Cello. "With this particular service, we saw our residential delivery effectiveness improve, which makes the overall customer experience even better."

Even with bulkier items such as auto parts, it's possible to trim delivery times down to levels that rival domestic shipping. Purolator Courier recently helped a Minnesota-based manufacturer of snowmobiles and ATVs that had strong demand for its products in outdoors-crazy Canada, but an inability to deliver parts to its vast dealer network within an acceptable time period. Applying cross-border savvy, Purolator has enabled the manufacturer to guarantee two-day delivery of parts to its vendors, regardless of where in Canada they are located.

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In another instance, Purolator Courier was able to help a furniture manufacturer whose entry into the Canadian market had been marred by high instances of damage. The company had been using a US delivery partner who handed the shipments over to another party on the Canadian side, increasing the complexity and touch points. With operations on both sides of the border, Purolator was able to ensure products remained in Purolator custody for the entire duration of the transit cycle, virtually eliminating all instances of damages. Purolator's transit time is faster than the original delivery company, and its advanced technology systems ensure a high degree of in-transit visibility and chain of custody.

Costanzo sees an important advisory role for Purolator, in terms of guiding new and existing clients toward growth while avoiding prohibitive expenses. Generally, a gentle touch is the best approach. "It's not our place to say: 'You're not going to make a profit.' But we do say: 'Hey, we noticed you're shipping products that weigh one pound in boxes that take up a space for 12lbs. Is there some way to improve packaging to save money?'" explained Costanzo. "It helps us, too, to build denser line hauls — they're reducing cost and we're spending less, too."

Sometimes, Costanzo sees a role in pointing out obvious anomalies in service requests. In a recent situation, for example, he was reviewing with a customer some transit times that were particularly long because they were fulfilling orders for Toronto delivery from Los Angeles. "I wondered if there was a stocking issue," he said. "Sure enough; there wasn't enough inventory in New Jersey. So we were able to address that."

A key element is knowing what's coming in advance, Costanzo argues. "Everybody needs better forecasting," he said. "Last year, we had great forecasting of volume from customers, so we were able to plan routes better, optimize the end-customer's experience and minimize the cost."

The point is to help customers do what they do better, Costanzo believes. "We say: 'Give us a forecast a day in advance and we'll work wonders.' We're finding our customers are willing to do that."

In the end, Costanzo points out, there is no free shipping. Someone has to pay for it somewhere, somehow. It's a noble calling to reach for ever-greater heights of customer service in the form of expedited delivery in the brave new market north of the border. But without first putting in place operational protocols that make economic sense, you're courting disaster. A truly experienced and reliable delivery partner who can help lead you through the maze of cross-border fulfillment will give you a serious competitive advantage in this burgeoning marketplace.