



E-COMMERCE TO/ FROM CANADA

Presented to FDRA
January 30, 2018



TALKING POINTS

- Canada – who and where we are
- NRI Advantage
- Cost reduction
- Managing returns
- Handling US E-com from Canada



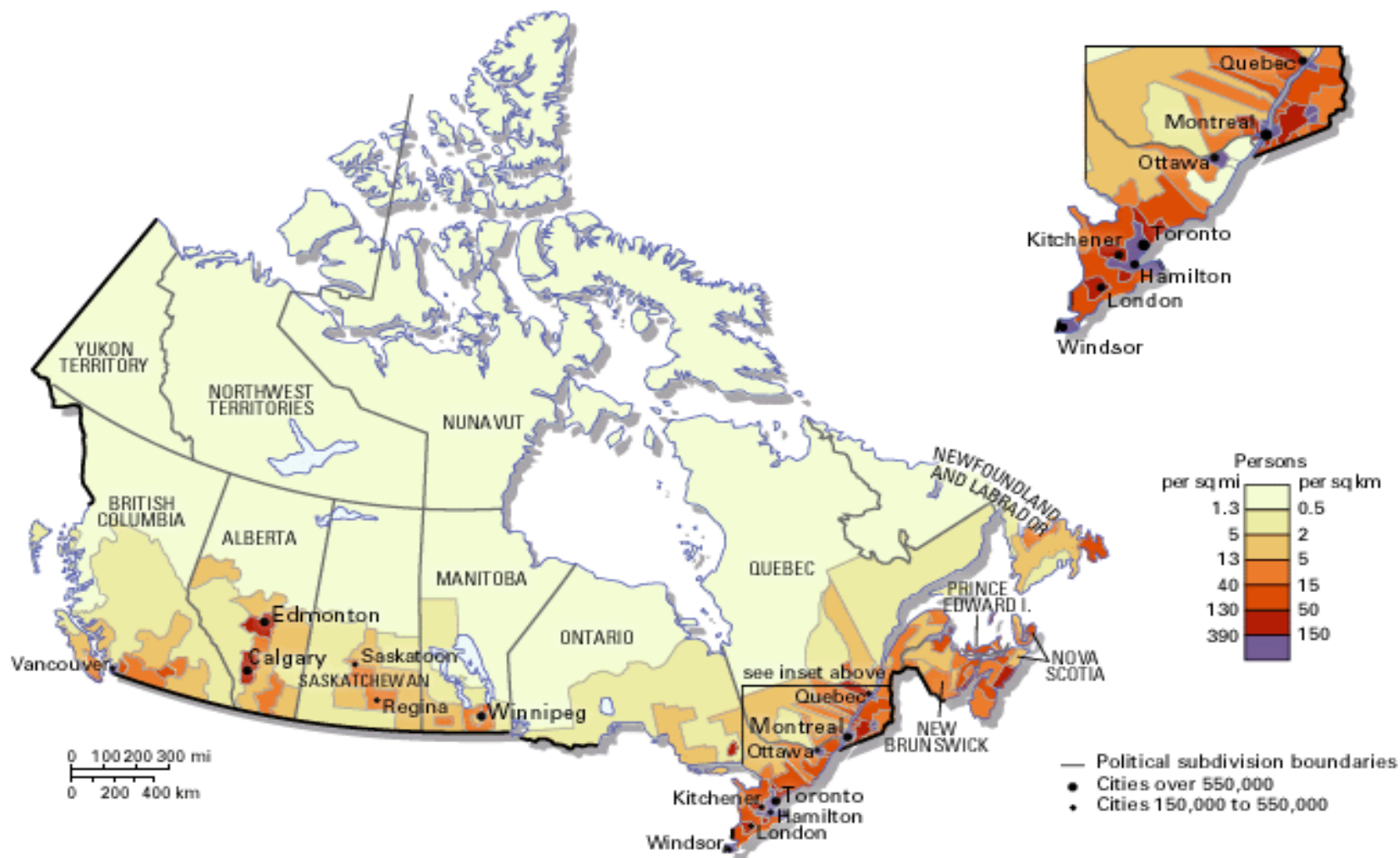
THE LAY OF THE LAND

Canadian Demographics



CANADIAN DEMOGRAPHICS

- Population of 35,540,400
 - Ontario – 13,678,700 (38.5%)
 - Quebec – 8,214,700 (23.11%)
 - British Columbia – 4,631,300 (13.03%)
 - Alberta – 4,121,700 (11.6%)
- 20.4% growth in population since 1990
- 81% of total population is urban



CANADIAN DEMOGRAPHICS

- GTA (Greater Toronto Area)
 - 5.5 million
 - Approximately 20 cities
- Montreal
 - 3.82 million
- Vancouver
 - 2.31 million
- Calgary/Edmonton
 - 2.36 million

CANADIAN DEMOGRAPHICS

- Age Structure
 - 0-14 years – 16.1%
 - 15-64 years – 68.7% (fairly equal male-female)
 - 65 years + - 15.2%
- Languages
 - English - 58%
 - French - 22%
 - English and French - 11%
 - Other – 9%

CANADIAN DEMOGRAPHICS

- Highest rates of growth are in Western Canada
 - Alberta - 10.8%
 - British Columbia – 7.0%
 - Saskatchewan – 6.7%
- Median Income
 - Ontario - \$76,510
 - Quebec - \$72,240
 - British Columbia - \$74,150
 - Alberta - \$97,390



E-COMMERCE – WHAT DO WE KNOW?

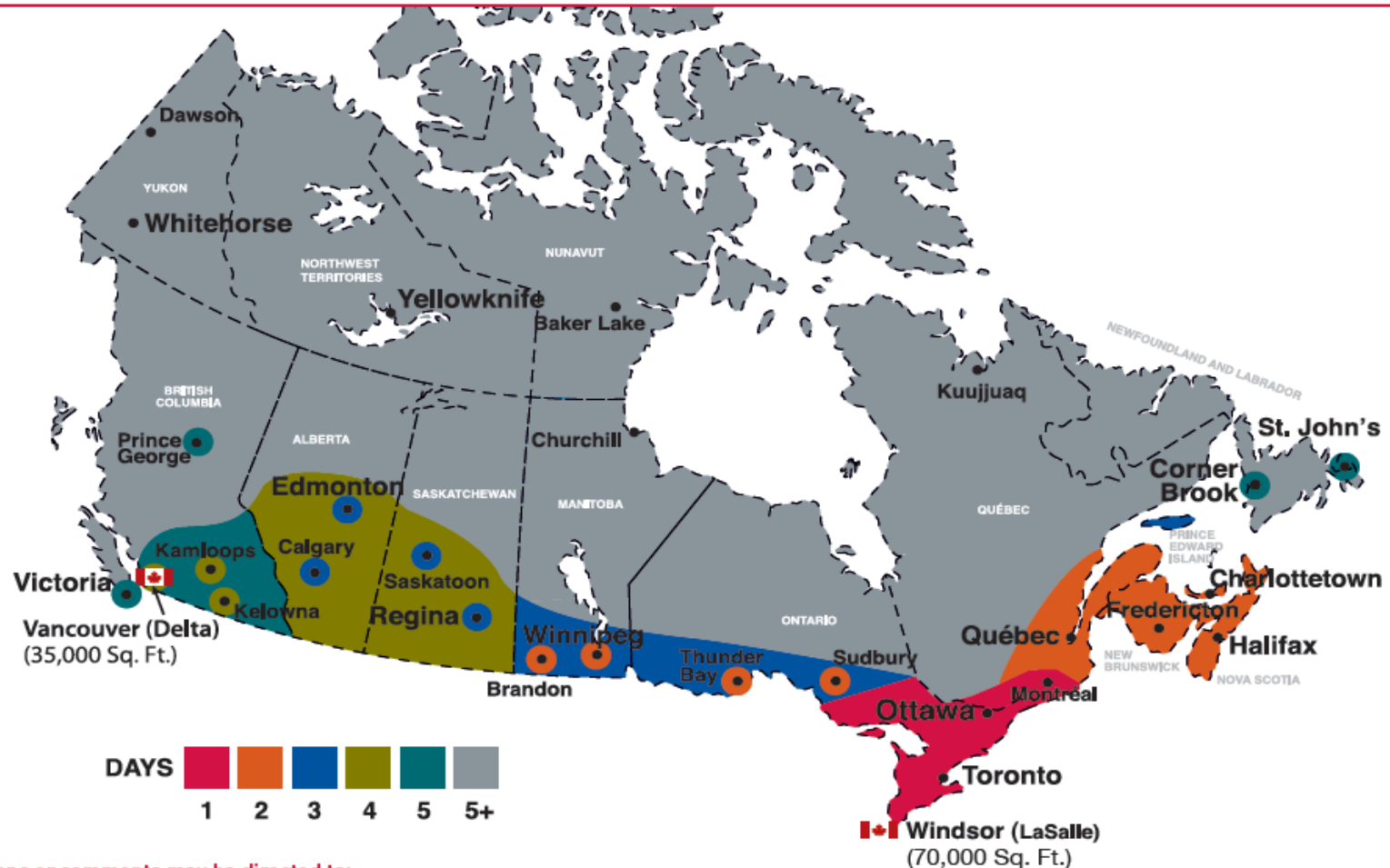
QUICK FACTS

- 2017
 - US saw growth of 36%
 - International growth was 17%
- Marketplace sites accounted for 45% of sales
 - Amazon accounted for 80% of those sales
- 50% of Amazon's customers buy at least once a month
- Online retailers are falling short on shipping
 - Everyone wants fast shipping but don't want to pay for it

MORE FACTS

- Canada has a lot of “beyond” points
 - Couriers are using interlining carriers for final mile deliveries
- More companies are turning to zone-skipping to lower costs

Transit Times via Courier from Windsor, Ontario

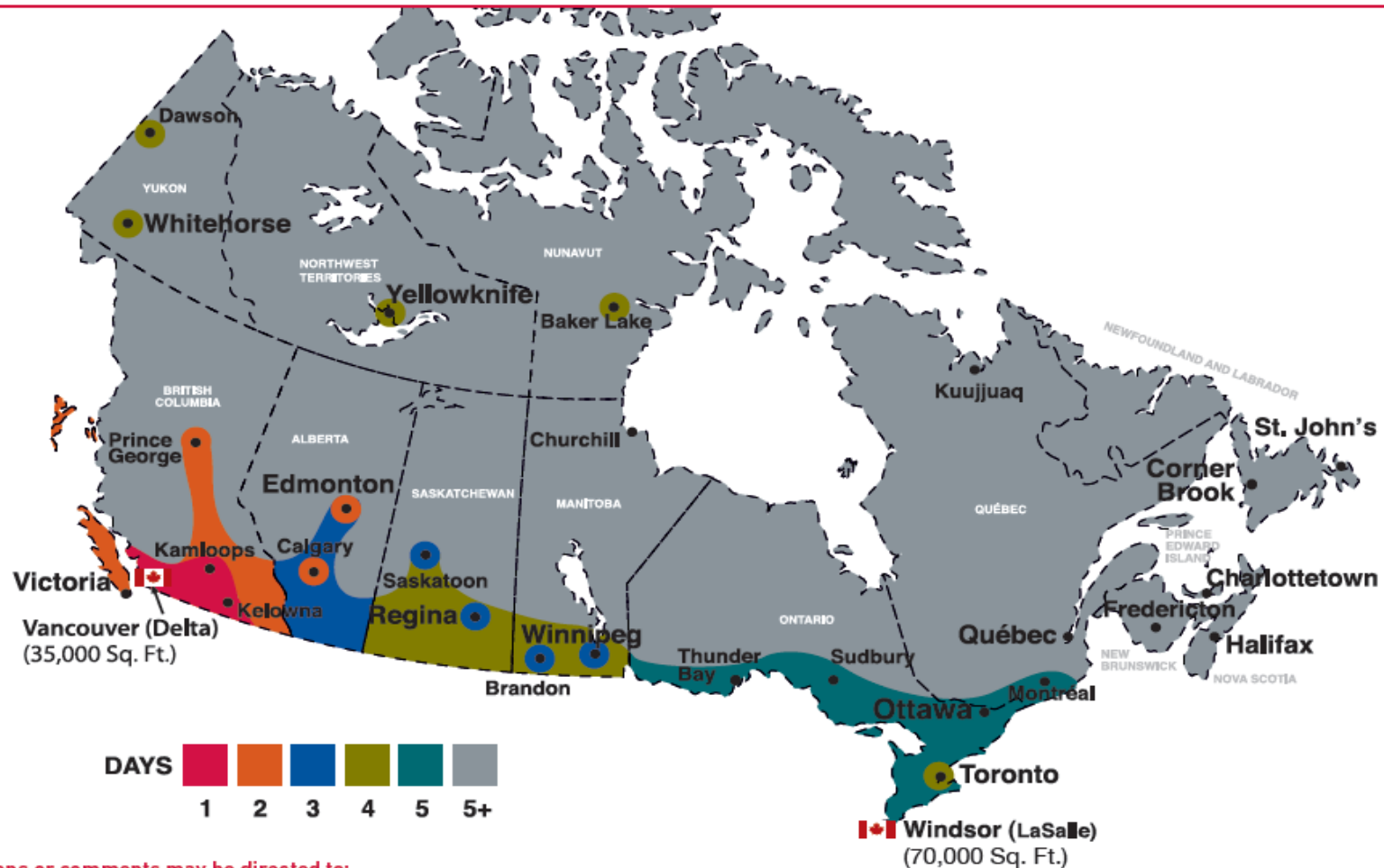


Questions or comments may be directed to:

EMAIL info@farrowlogistics.com

PHONE 1.844.532.7769

Transit Times via Courier from Vancouver, British Columbia



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B2C

The NRI Advantage



B2C AS AN NRI

- NRI = Non-Resident Importer
- Pricing on website can be in CAD or USD
 - Option to show in CAD is helpful
 - Duty rate can be included
 - Show tax separate at check out
 - Show shipping separate at check out
- You will need to register for sales tax in Canada

B2C AS AN NRI

- Communication with broker is critical
 - Databases are ever-changing and evolving
 - An electronic connection is most foolproof
- Ability to take deductions is key
 - Couriers do not have this option
 - Additional step of duty refund application

B2C AS AN NRI

- Set up process
 - Brokerage/freight services
 - Import account, tax registration
 - Domestic courier labelling
 - Integration with your website
 - Duty rates assigned
 - Exchange rate information (if billing in CAD)
 - Integration with your accounting
 - Tax assignment based on province of supply



CANADA POST

Is It Viable?



IS CANADA POST A VIABLE OPTION?

- Advantages
 - Relatively inexpensive
 - Processing fee vs customs brokerage fee
 - 91% of Canadians live within 5 km of a post office
 - Only carrier that can deliver to every address in Canada
 - Works best if shipments are sent from within Canada
 - Missed deliveries can be avoided through DTPO (Deliver to Post Office) option

IS CANADA POST A VIABLE OPTION?

- Disadvantages
 - Tracking is difficult/expensive (if origin is USA)
 - Highly inconsistent application of duty
 - Unable to recognize NRI's on single shipments
 - Entries are not available for duty drawback purposes



COST REDUCTION

Consolidations
Zone skipping
Pick/Pack
Duty Drawback



CONSOLIDATION

- All shipments destined for Canada sent to warehouse in US or Canada
 - Single customs entry
 - Single international shipment for freight
 - Prevents expensive minimum charges
 - Packages are kept in tact longer
 - Single e-manifest
 - Transit time can be increased slightly
 - Labelling at origin or processing point
 - Consolidation point distance from customer

ZONE SKIPPING

- All shipments destined for a single area are bundled together and sent as one
- Deconsolidated for local delivery
- Shipments held in tact longer
- Greatly reduces transportation costs

PICK AND PACK OPERATION

- Great for high volume/high turnover
- Most cost effective when also mixed with B2B business
- Goods can be shipped direct into Canada from offshore
 - Lower declared value
 - Trade agreement advantage
- Warehouse location(s) are key
 - Where are your customers?
 - Where do your goods ship from/arrive to?
- Choose your partner wisely – it's a big investment!

DUTY DRAWBACK

- Applicable on imported US goods
 - Exported in the same condition
 - 1313 (j)
 - Notification of intent to file is required OR
 - Program drawback available
 - 99% of duty, MPF and HMF will be returned
 - Copy of Canadian customs entry required
 - Detailed import reports for US/Canada required
 - Can go back 4 years
 - Lengthy turnaround for single drawback application

DUTY DRAWBACK - CANADA

- Available on goods exported from Canada
- Available on goods destroyed in Canada
 - Under customs supervision
- Full duty drawback available
- Proof of import required
- Proof of export/destruction required
- 30-90 day turnaround



REVERSE LOGISTICS

REVERSE LOGISTICS

- Returns are inevitable
- Having a Canadian address for returns:
 - Ensures long term customer satisfaction
 - Eliminates border hassles
 - Reduces costs in the long run
- Duty drawback applicable if returned to US or destroyed
- Consolidated US entries for returns

CREDITS PROGRAM

- Casual Refund Electronic Data Interchange System
 - Created to streamline refund process on casual shipments
 - Broker and importer (NRI) need to be approved
 - Statement appears on terms of shipping on website
- Return is validated
- Money is refunded to buyer by online retailer
- Broker files for a refund monthly – that goes back to IOR



US E-COM FROM CANADA



THINGS TO CONSIDER

- Goods can enter Canada in bond or consumption entry
 - Do you already store product in Canada?
 - Are they eligible for duty-free under an FTA?
- If US orders are less than \$800 – Section 321
 - Should be with carrier that can handle Section 321 goods
 - Consignee information is required
 - ACE information loaded
 - Canadian duty drawback eligible if not bonded

MORE TO CONSIDER

- Each order is subject to scrutiny from US Customs
- Orders MUST be under \$800
- Order fulfillment costs may be higher
- Transit times
 - Most large warehouses are within 1-2 hours of the border
- Canada does not have port disruption at the same level as the US

Questions?

CONTACT INFORMATION

Kerry Rasmussen, CCS
Manager, Major Accounts

Farrow
#350, 3115 12 Street NE
Calgary, AB T2E 7J2

Phone 403.830.1071
E-mail kerry.rasmussen@farrow.com

Thank you.

