DUTY PAID OR DUTY UNPAID?

Choosing the Right Incoterm for Your Canadian Shipping Strategy

We deliver Canada

Introduction

Ask any retailer that ships regularly to Canada what its top logistics and transportation priorities are and you'll probably hear things like "reducing transit time" or "cutting costs." You probably won't hear anyone say: "Choosing the right Incoterm keeps me up at night."

Most shippers have probably never even heard of Incoterms or maybe have only a very general understanding of the concept. In fact though, Incoterms are a critical part of international commerce and an essential part of any international border clearance. As this discussion will make clear, assigning the right Incoterm to a particular shipment is tremendously important for a number of reasons.

But what exactly is an Incoterm? Essentially, Incoterms set "the rules of the road" for international commerce and ensure that businesses all over the world abide by the same definitions and processes. Incoterms carefully delineate responsibilities to buyers and sellers, and dictate each party's obligations throughout the shipping process.

Because of Incoterms, buyers and sellers have a clear understanding of what constitutes "delivery," for example, and which party is responsible for unloading a vehicle or who is liable for certain payments. This avoids costly mistakes and misunderstandings.

Incoterms is shorthand for "International Commerce Terms," and they are developed and maintained by the International Chamber of Commerce (ICC), located in Paris, France. The first series of Incoterms was adopted in 1936 and provided a common understanding of specific trade terms.

The Paris-based International Chamber of Commerce has maintained the globally recognized list of Incoterms since 1936.

"At first sight, both parties know who is in charge, and who bears the risks and the costs of transport, insurance, documents, and formalities", Dr. Jonas Malfliet[1] of Belgium's Ghent University wrote in a research paper. "This facilitates a trader's life."

[1] *Malfliet, "Incoterms 2010 and the Mode of Transport: How to Choose the Right Term," Ghent University, Belgium*

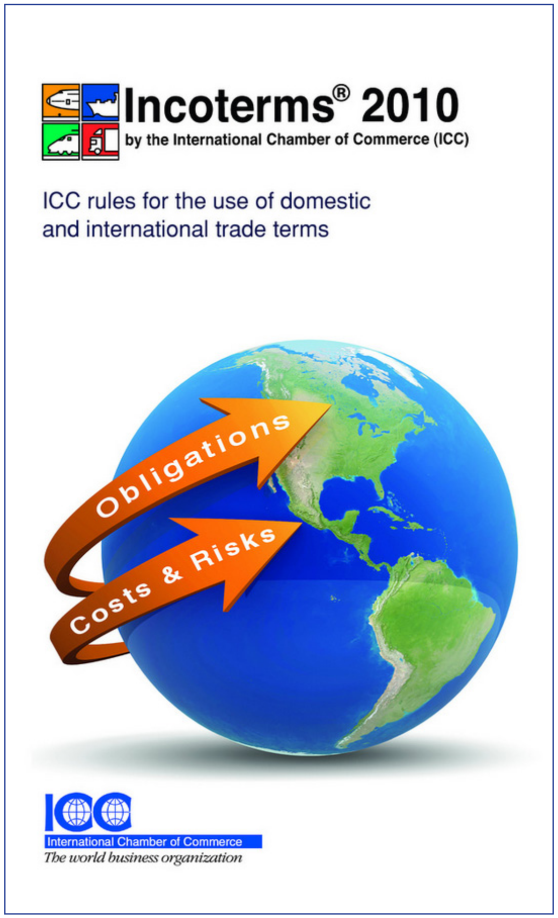
As much as Incoterms clarify and simplify the shipping process, choosing the correct term is critically important. Each Incoterm carries specific implications for duty liability, risk, and cost, as well as for a particular shipment's compliance route. Failure to assign the correct code could result in significant clearance delays and poor customer service.

For example, the Delivered Duty Paid (DDP) Incoterm allows the seller to assume full responsibility for the shipment, including payment of all customs fees, taxes, and duties. A U.S.-based retailer can use the DDP Incoterm to ensure all obligations are paid up front so Canadian customers are not faced with an unexpected invoice at time of delivery. On the other hand, some businesses choose to ship using the Delivery at Place (DAP) or Delivery at Terminal (DAT) Incoterms, whereby the Canadian buyer will pay import fees and taxes when the shipment is delivered.

In addition, the choice of Incoterm will affect other aspects of the shipping process. Logistics solution, ability to consolidate, mode of transport, and compliance issues will all need to be considered.

As the following discussion will make clear, the complexity of the issue generally draws businesses to the DDP option. The DDP Incoterm assigns most responsibility to the seller or to a logistics provider acting on the seller's behalf. In doing so, businesses can avoid having their customers slapped with unexpected tax and brokerage fees, and can ensure a highly efficient customs clearance process.

The List—Incoterms 2010



Every business involved in international trade should acquire a copy of the "Incoterms 2010" publication, available through the International Chamber of Commerce.

The ICC periodically updates its list of Incoterms, generally to ensure that its standards are consistent with current industry practices. When the ICC reviewed the Incoterms list in 2010, four entries were deleted and two were added. Among those deleted: Delivered Duty Unpaid (DDU), Delivered at Frontier (DUF), Delivered Ex-Ship (DES), and Delivered Ex-Quay (DEQ).

These four Incoterms were replaced with two new terms, Delivered at Place (DAP) and Delivered at Terminal (DAT), which has had the effect of consolidating the four eliminated terms into two. DAP, for example, is similar to the now-eliminated DDU, since both require the importer/buyer to assume responsibility for all duties and customs fees. And, as Livingston[2] customs brokers pointed out, the changes were intended to reflect the new reality that Incoterms are being used for domestic transactions as well as for international transactions. Among other things, the 2010 changes reflected new cargo security measures adopted globally and a 2004 revision to the United States Uniform Commercial Code, which altered U.S. shipment and delivery terms.

The most current list of terms is referred to as "Incoterms 2010." The ICC stipulates that all contracts entered into after January 1, 2011, must be based on Incoterms 2010. However, contracts that were executed prior to that date are still effective. It is essential though, for any agreement to clearly specify which version of Incoterms applies (i.e., Incoterms 2010, Incoterms 2000, or any earlier version).

[2] Cadorin and Odrzywolski, "Incoterms 2010: What You Need to Know," Livingston, 2011.

INCOTERMS® 2010 QUICK REFERENCE CHART

INCOTERMS® 2010

	Rules for any mode or modes of transport							*Rules for sea and inland waterway transport*			
	EXW	**FCA**	**CPT**	**CIP**	**DAT**	**DAP**	**DDP**	**FAS**	**FOB**	**CFR**	**CIF**
	Ex Works	Free Carrier	Carriage Paid To	Carriage & Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid	Free Alongside Ship	Free on Board	Cost & Freight	Cost, Insurance & Freight
SERVICES	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*	*Who Pays*
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Marking & Labeling	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Block and Brace	1	1	1	1	1	1	1	1	1	1	1
Export Clearance (License, EEI/AES)	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Forwarder Documentation Fees	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Inland Freight to Main Carrier	Buyer	2	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Vessel Loading Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Ocean Freight / Air Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Nominate Export Forwarder	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Marine Insurance	3	3	3	Seller	3	3	3	3	3	3	Seller
Unload Main Carrier Charges	Buyer	Buyer	4	4	Seller	Seller	Seller	Buyer	Buyer	4	4
Destination Terminal Charges	Buyer	Buyer	4	4	4	Seller	Seller	Buyer	Buyer	4	4
Nominate On-Carrier	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Security Information Requirements	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Customs Broker Clearance Fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Duty, Customs Fees, Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Delivery to Buyer Destination	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Delivering Carrier Unloading	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer

Notes:
1 – Incoterms® 2010 do not deal with the parties' obligations for stowage within a container and therefore, where relevant, the parties should deal with this in the sales contract.
2 – FCA Seller's Facility – Buyer pays inland freight; other FCA qualifiers. Seller arranges and loads pre-carriage carrier and pays inland freight to the "F" delivery place
3 – Incoterms® 2010 does not obligate the buyer nor must the seller to insure the goods, therefore this issue be addressed elsewhere in the sales contract.
4 – Charges paid by Buyer or Seller depending on contract of carriage.
5 – Charges paid by Seller if through Bill of Lading or door-to-door rate to Buyer's destination

As the chart at left makes clear, Delivered Duty Paid is the only Incoterm that allows the seller to have responsibility for clearing goods through the import process.

The current list includes 11 specific Incoterms, which are divided into two categories based on mode of transport[3]:

Group One: Incoterms That Apply to Any Mode of Transport:

EXW | Ex Works

Means that the seller delivers when goods are placed at the disposal of the buyer at seller's premises or another named place (i.e., works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle.

FCA | Free Carrier

Means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is not responsible for unloading.

CPT | Carriage Paid To

Means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

CIP | Carriage and Insurance Paid To

Means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such placed is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination. The seller also contracts for insurance coverage against the buyer's risk of loss of or damage to the goods during the carriage.

DAT | Delivered at Terminal*

Means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes a place, whether covered or not, such as a quay, warehouse, container yard or road, rail or cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

DAP | Delivered at Place*

Means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

[3] Incoterms, export.gov, May 15, 2014.

** Added in 2010.*

DDP | Delivered Duty Paid

Means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport, and ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import, and to carry out all customs formalities.

Group Two: Incoterms That Apply to Sea and Inland Waterway Transport Only:

FAS | Free Alongside Ship

Means that the seller delivers when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss or damage to the goods passes when the goods are alongside the ship, and the buyer bears all costs from that moment onwards.

FOB | Free on Board

Means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that point onwards.

CFR | Cost and Freight

Means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

CIF | Cost, Insurance, and Freight

Means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage.

Livingston[4] recommends a "best practice" of taking steps to ensure Incoterms are used correctly:

- Specify the year (Incoterms 2010)
- Specify the exact place or port destination— "DDP (Chicago) Incoterms 2010"

Equally important is making sure the correct term is selected for a particular transaction. As Dr. Malfliet notes: "It is of utmost importance that traders apply a trade term that is appropriate for their transaction. Incoterms standardize contract principles, but problems remain because the parties inadvertently choose the wrong term."[5] Malfliet cites research among traders in his native Belgium, which found that "Belgian traders more often than not apply the wrong Incoterm."

When choosing the right Incoterm, a business will need to consider fundamental shipment characteristics including the following:

- The nature of the goods
- The means of transport (maritime, non-maritime, or multimodal)
- The conditions of payment and the documentary requirements imposed by these conditions
- The capabilities of and the efficiency with which the seller or the buyer can perform the obligation to deliver the contracted goods

[4] *Cadorin and Odrzywolski, "Incoterms 2010: What You Need to Know," Livingston, 2011.*

[5] *Malfliet, "Incoterms 2010 and the Mode of Transport: How to Choose the Right Term," Ghent University, Belgium, 2011.*

U.S./Canada Ground Shipping: Understanding Your Incoterms Options

For purposes of ground shipments traveling between the United States and Canada, Incoterms choices are generally limited to the three terms commonly referred to as "Arrival Group D." Within this category are the Delivered at Terminal (DAT), Delivered at Place (DAP), and Delivered Duty Paid (DDP) options.

The primary difference between these three terms of service is that a DDP transaction places almost full responsibility on the shipper, including responsibility for payment of customs, taxes, and brokerage fees. DAT and DAP shipments place responsibility for customs related fees and taxes on the importer/buyer.

Another option for a U.S./Canada transaction is the Ex Works (EXW) Incoterm, which places nearly full responsibility for the entire transaction on the buyer/importer. Since most businesses do not have the internal resources to manage their international shipping processes, EXW is generally not a viable option.

The choice then really comes down to "duty paid or duty unpaid?" Does it make more sense for a U.S. business to prepay its customers' customs fees and transaction costs at time of purchase, or is it preferable to have the customer pay those costs at time of delivery? Also, under what circumstances is it preferable for a U.S. business's Canadian customer to oversee the importation process, as opposed to having the U.S. business bear responsibility?

Shipping to Canada: U.S. Businesses' Top Priorities

Before deciding on shipping terms of agreement—which is essentially what an Incoterm selection establishes—a business will need to consider how its decision will affect its ability to ensure a first-rate customer experience. Among the key considerations are the following:

- Providing Canadian customers with a landed cost
- Ensuring on-time delivery and maximum efficiency
- Maximizing benefits from all U.S. and Canada trade enhancement programs
- Ensuring compliance with all U.S. and Canadian mandates

Clearly each of these categories is essential for U.S. businesses entering the Canadian market. Following is a discussion of how a choice of Incoterms will help or hinder the ability to achieve this desired performance level.

Providing Canadian Consumers With A Landed Cost

Few things are more aggravating to a Canadian customer than receiving an unexpected postcard or phone call advising that a shipment from the U.S. is being held—pending payment of outstanding taxes or fees! For most consumers, especially online shoppers, the assumption is that all duties, taxes, and brokerage fees are charged at the time of transaction, and there is very little tolerance for learning otherwise.

The choice then really comes down to "duty paid or duty unpaid?" Does it make more sense for a U.S. business to prepay its customers' customs fees and transaction costs at time of purchase, or is it preferable to have the customer pay those costs at time of delivery?

In fact, shipments that arrive with duties owed face a high rate of refusal, or abandonment, as unhappy consumers refuse to pay the additional costs. Worth noting is that mega-retailers including Amazon, WalMart, and ToysRUs use the DDP Incoterm as their standard practice in setting delivery terms to their international vendors.

Ability to provide a landed cost is a strong competitive issue for U.S. businesses trying to compete in the Canadian market and a key factor in support of the Delivered Duty Paid Incoterm.

Ensuring On-Time Delivery and Maximum Efficiency

Canadian customers are relatively easy to please when it comes to taking delivery of shipments. They expect their shipments to arrive on time, undamaged, and with no hidden fees. But a shipper that sends a package to the Canadian market via either DAT or DDP terms of service, automatically fails at two of those expectations since border delays and unexpected costs are likely outcomes.

As discussed previously, the duty unpaid option makes it impossible for a business to provide a Canadian consumer with a comprehensive landed cost. And the “duty not paid” term of service significantly increases the likelihood of a delayed delivery. This is because for DAT and DAP shipments the buyer is responsible for overseeing the import process and therefore must become personally engaged in the process.

For example, a U.S. manufacturer of high-end musical instruments was very disappointed when it expanded to the Canadian market, only to experience an unexpectedly complicated customs process. Among other things, the manufacturer’s Canadian customers—generally music store operators—were required to physically travel to a Canadian customs office to retrieve their shipments. This was happening, the manufacturer later found out, because of the terms of its shipping arrangements. Fortunately, this proved to be a relatively straightforward correction, which involved the manufacturer switching to a more Incoterms-savvy logistics provider!

Conversely, shipments that travel Delivered Duty Paid assign the import responsibility to the seller (or its designated agent), meaning the Canadian buyer does not have to become involved.

Consolidation

A business can reduce freight costs and facilitate the border clearance process by combining smaller shipments into a single larger unit. The larger unit costs less to transport and, upon arrival at the border, will clear customs as a single unit. However, shipments traveling under the “duty not paid” terms of service are not able to benefit from this service. This is because consolidated shipments must have all paperwork pre-filed and all necessary duties and taxes paid in advance.

Ability to provide a landed cost is a strong competitive issue for U.S. businesses trying to compete in the Canadian market, and a key factor in support of the Delivered Duty Paid Incoterm.

Maximizing Benefits From All U.S. and Canadian Trade Enhancement Programs

Regardless of which Incoterm a business chooses, great care must be taken with regard to implications of that selection throughout the entire customs process. Both the U.S. and Canadian governments offer programs designed to encourage international trade. But these programs include rigid eligibility requirements, which can be affected by Incoterm selection.

Non-Resident Importer Program

For example, a business that chooses the DDP option assumes responsibility for paying all Canadian taxes and customs fees, and for clearing products through the import process. However, as a matter of course, Canada does not allow non-residents to collect taxes on its behalf or to clear goods through customs. Unless, that is, a U.S. business registers with the Canada Border Services Agency (CBSA) as a Non-Resident Importer (NRI).

As an NRI, a U.S. business is able to collect Canadian import duties, taxes, and any ancillary costs. NRI status also allows a business to serve as the "importer of record," therefore enabling it to clear goods through customs.

The Non-Resident Importer program allows U.S. businesses to compete on a level playing field with Canadian businesses by eliminating significant customs barriers. NRI status also allows a U.S. business to meet Canadian consumers' expectations for a landed cost and for on-time delivery.

Duty Drawback Program

Through this program, a business is entitled to a refund—"drawback"—of as much as 99 percent of the import duty paid on products that are used in the manufacture of a product and then subsequently exported.

For example, a U.S. fabric distributor imports fabric from China and pays duty at time of import. The fabric is sold to a dress manufacturer and used to manufacture finished dresses, which are then exported to Canada. The dress manufacturer may be eligible to claim drawback on the initial duties paid.

But because an importer, under DDP, is not necessarily the importer of record, since that responsibility falls to the seller, this may affect[6] duty drawback.

By its own admission,[7] U.S. Customs and Border Protection recognizes drawback as "the most complex commercial program" because it "involves every aspect of Customs business, including both imports and exports." To determine the effect of an Incoterm on drawback eligibility, a business should consult a drawback expert. CBP maintains four "drawback centers" in San Francisco, CA; Newark, NJ; Houston, TX; and Rosemont, IL. A business can access personnel in any of these facilities or can rely on its own customs broker.

[6] *Alabama International Trade Center, "Logistics and Global Supply Chain," 2014.*
[7] *"Drawback: A Refund for Certain Exports," U.S. Customs and Border Protection, July 2013.*

Ensuring Compliance With All Canadian Regulatory Programs

Whether a shipment clears the border with duties paid or unpaid may have an effect on that shipment's compliance with certain Canadian regulatory programs.

GST Implications

Virtually all products entering the Canadian market are subject to a flat five percent "goods and services tax (GST)." But with regard to importation, GST may be recovered by applying for an Income Tax Credit (ITC). However, the Canadian government sets strict conditions with regard to who is eligible to apply to the CBSA for an ITC. According to Ernst & Young,[8] it becomes critical then for a business to think carefully about which party to designate as "importer of record." "[C]ompanies sometimes fail to understand potential consequences of selecting one party over another. For instance, both the importer of record and the 'actual' importer are liable for taxes, but only the actual importer can obtain an ITC for the GST paid on the importation."

Further, the Ernst & Young analysis advises: "A common pitfall is that companies rely on Incoterms without considering their implications, which can result in a higher-than-necessary dutiable customs value, or unanticipated risks and expenses borne by the buyer/importer."

A Canadian business then will need to carefully consider the level of responsibility it wishes to assume in the import process. In doing so, a business should seek expertise from its customs broker or a financial partner who will be able to provide a comprehensive overview of all Incoterm-related tax implications.

Pre-Arrival Review System[9] (PARS) is a mandatory program through which the CBSA receives advance notification of all shipments arriving at the Canadian border by truck. Shipment information must be submitted electronically at least one hour before arrival. This advance notification allows the CBSA to review and process the data prior to a shipment's arrival, thereby clearing the way for an expedited review process once the shipment arrives. However, this expedited clearance will be impeded if a shipment arrives at the border with outstanding duties/brokerage fees.

Customs Tariff[10] Classification

Every product entering Canada must be assigned a 10-digit tariff classification code that is used to assess tariff/duty obligations, eligibility for free trade benefits, and to capture key trade data. Canada's tariff classification system is called the Customs Tariff and is based on the Harmonized Commodity Description and Coding System (HS) that is used by more than 160 countries worldwide.

> "A common pitfall is that companies rely on Incoterms without considering their implications, which can result in a higher-than-necessary dutiable customs value, or unanticipated risks and expenses borne by the buyer/importer."
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> *Source: Ernst & Young, May 2013.*

[8] *"Tax Alert—Canada," Ernst & Young, May 21, 2013.*
[9] *"Pre-Arrival Review System," Canada Border Services Agency website, updated July 29, 2009.*
[10] *"Tariff," Canada Border Services Agency website, updated January 16, 2013.*

In Canada, the first six digits of a product's tariff classification are rooted in the international HS, and the subsequent four digits are unique to the Customs Tariff system.

Every product must be properly coded prior to arrival at the Canadian border. This can be a highly technical process since tariff classifications are very exacting. Slight variances between products will generally mean different tariff classifications and, very often, different tariff rates. Many businesses simply do not have the resources to go through an entire inventory and assign a proper tariff code to each SKU. For these businesses, it would be virtually impossible to provide consumers with a landed cost. This is because, without a tariff classification, there is no way to assess applicable duty and tax rates. And duty and tax rates, of course, are key components of a landed cost.

Businesses without properly classified inventories often prefer to have their shipments enter Canada duty unpaid. Under this scenario, the Canadian consumer would be responsible for determining the proper classification and for paying the applicable rate of duty.

However, this course of action is generally not recommended since (a) Canadian consumers prefer to pay duties at time of purchase and (b) properly assigning tariff classification should be a business best practice.

Your Logistics Partner Will Lead the Way

As this discussion has made clear, the advantages of choosing the Delivered Duty Paid—DDP Incoterm far outweigh any benefits of shipments arriving at the border with duties outstanding. In fact, the benefits are so obvious, that many Canadian businesses have made DDP shipping a non-negotiable condition of sale.

Most businesses though, do not have the level of understanding of Incoterms necessary to make an informed decision. And in fact, not every logistics provider is up to the task either.

But an experienced logistics provider will be able to make the best recommendation for your shipment, based on your business's best interests. A business will need to do its due diligence though, to ensure that its logistics partner has the experience to not only recommend the correct Incoterm, but to ensure compliance and overall efficiency.

Among the key services to look for in choosing a provider:

Tariff Classification

As noted above, a smart business will maintain accurate tariff classifications for its entire SKU library. This will ensure that a tariff can be assigned at a moment's noticed, and that customers can easily look up tariff rates at time of purchase. An experienced logistics provider will have the expertise, or an arrangement with a customs broker, to provide this important service.

Landed Cost

Once all tariff classifications have been assigned, a logistics provider will be able to calculate a precise landed cost for each shipment, that can be conveyed to customers at time of sale. In fact, savvy providers will offer a "landed cost calculator," which allows consumers to easily calculate landed cost from their desktops.

Innovative Service Levels

Shipments that travel DDP can benefit from higher, and more flexible levels of service. This is because DDP shipments can be consolidated, which generally means more service options from which to choose, and fewer stops along the way. An innovative logistics provider will be able to offer customized, technology-based solutions that take advantage of consolidation efficiencies.

Customer Service

An experienced provider will ensure high levels of customer service, especially since the Incoterms concept is so confusing and technical. A business should expect that its provider will dedicated highly-trained staff to manage its account, who will be fully accountable, and easily-accessible when any questions or last minute changes need to be made.

> "**Delivered Duty Paid**" allows Canadian consumers to pay all duties and taxes at time of purchase, by assigning importation responsibility to the U.S. seller, or its logistics partner. But make sure the logistics partner you choose has experience and expertise with the Canadian customs process. Not all do.

Conclusion

If the logistics industry had a list of “customer service dos and don’ts,” performance standards that a good logistics provider would insist upon, then high on that list would be: “Logistics providers don’t let their customers ship duty unpaid.” And right next to it would be: “Logistics providers always recommend customers ship duty paid.”

And if a customer had any doubts about the need to ship duty paid, a logistics provider would need only point to language on the Amazon.com[11] website, which instructs its international suppliers in no uncertain terms: “All shipments are required to use Delivered Duty Paid (DDP), or sometimes referred to as ‘Free Domicile’ shipping terms. Any shipment arriving at an Amazon fulfillment center with collect charges, including any duties, taxes, or shipping costs, will be refused without further concession.”

Amazon is certainly not alone. U.S. businesses that ship regularly to Canada find strong consumer preference for a comprehensive landed cost at time of purchase and insistence of “duty paid” as a condition of sale among B2B customers.

For many U.S. businesses though, understanding the differences between Incoterms and the advantages of “duty paid” can be yet another complicated aspect of cross-border shipping, which is why it’s essential to choose the right logistics partner.

An experienced partner will have a complete understanding of the nuances of each Incoterm and the right recommendation for your business.

[11] *“Delivering Imports to Amazon,” Amazon.com, accessed July 8, 2015.*

Purolator. We deliver Canada.

Purolator is the best-kept secret among leading U.S. companies who need reliable, efficient, and cost-effective shipping to Canada. We deliver unsurpassed Canadian expertise because of our Canadian roots, U.S. reach, and exclusive focus on cross-border shipping.

Every day, Purolator delivers more than 1,000,000 packages. With the largest dedicated air fleet and ground network, including hybrid vehicles, and more guaranteed delivery points in Canada than anyone else, we are part of the fifth largest postal organization in the world.

But size alone doesn't make Purolator different. We also understand that the needs of no two customers are the same. We can design the right mix of proprietary services that will make your shipments to Canada hassle free at every point in the supply chain.

For more information:

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