

of Canadian companies compares with that of American companies in terms of the main key logistics indicators.

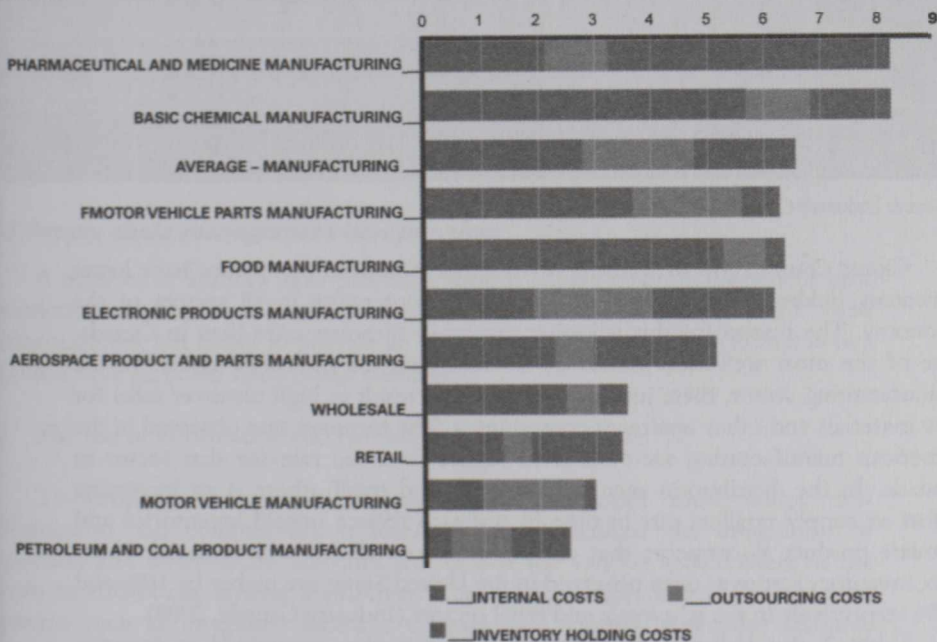
We will look first at the total costs of logistics and supply chain management activities. These costs can be divided into three categories: 1) internal costs, that is, those associated with logistics activities conducted within the company, 2) the cost of logistics activities outsourced to external service providers such as transportation and warehousing, and 3) inventory holding costs such as financing, obsolescence and breakage (Industry Canada, 2008). Figure 1 illustrates the distribution of total supply chain management costs expressed in sales percentages for Canada's main key sectors in 2008.

It can be seen that logistics and supply chain management costs are higher in the manufacturing sector than in the wholesale and retail sectors. Moreover, logistics costs vary widely from one subsector to another. For example, they are higher for the pharmaceutical products subsector than for the motor vehicle subsector.

Figure 1: Distribution of Canada's supply chain total costs in 2008

DISTRIBUTION OF TOTAL SCM AND LOGISTICS COSTS BY KEY SECTOR

% OF SALES



Source: Industry Canada (2008)

Table 2 compares the costs of supply chain management in Canada and the United States by sector and cost category. In all sectors, the costs observed in the United States are lower than costs in Canada. More specifically, Canada's logistics costs are 12.5% higher than US costs in the manufacturing sector, 18% higher among wholesalers and 29.6% higher among retailers. It is understandable that costs would be higher for Canadian wholesalers and retailers because of the smaller market and the physical size of the country from coast to coast. That said,