

## SECTION I - THE IMPORTANCE OF MANAGING TRANSPORTATION IN SELLING TO THE UNITED STATES

In getting organized to penetrate markets in the United States, transportation should be one of the first aspects considered. Armed with knowledge of freight costs, schedules, documentation requirements and available transportation services and equipment, you will be in the best position to prepare a successful sales proposal for a prospective buyer.

Transportation costs can be as important as any other cost of doing business and firms in Atlantic Canada can improve their competitiveness in U.S. export markets by:

- recognizing transportation service management as an important cost of doing business which can be controlled to improve competitiveness and enhance profits;
- devoting the required staff resources to managing the transportation function or, hiring outside expertise to provide advice and/or act on the company's behalf; and,
- carefully and thoroughly researching available transportation options.

### A. TRANSPORTATION COSTS AS A PERCENTAGE OF DELIVERED PRICES

To penetrate and/or maintain markets in the United States, the products of Atlantic Canada shippers must be competitive in price or quality, or both. Regardless of whether the exporter quotes a price which is exclusive of, or which reflects, full door-to-door transportation costs, the final cost incurred by the buyer includes the cost of transporting the commodity from its point of production to its point of final use. As a result, transportation costs can significantly affect a firm's competitive position, particularly in cases where they constitute a relatively high proportion of the total landed price of a product.

Depending on the value of the product being shipped, transportation cost as a percentage of final delivered prices can vary tremendously. As illustrated in the following chart, shippers in Atlantic Canada indicate that transportation cost as a percentage of delivered prices can range from 2% to 5% for high value items such as high tech electronic equipment, ophthalmic goods, lobsters and fresh/frozen fish, from 7% to 10% for processed frozen food products, and as high as 50% for lower value goods such as potatoes and peat moss.

Shippers in Atlantic Canada should note that although the ratio of transportation costs to delivered prices for their products to U.S. markets may be quite low, adding up freight bills over the course of the year could still show transportation costs as being a major cost item.