

these gaps are significant and reflect to some extent the gap referred to in the introduction in work productivity between the two countries. This is especially true for manufacturing companies that compete in the same North American market as their neighbours to the south. The percentages presented in Table 2 may appear low, but it is important to bear in mind that total logistics costs in the United States in 2008 were US\$1.344 billion, which accounted for 9.4% of the country's GDP for that year (Wilson, 2009).

**Table 2: Supply Chain Management Costs in Canada and the United States**  
(% of Sales, 2008)

Costs	Canada			United States		
	Manu- facturing	Wholesale	Retail	Manu- facturing	Wholesale	Retail
Internal	2.68%	2.45%	1.22%	1.20%	1.90%	0.80%
Out- sourced	2.10%	0.59%	0.65%	3.20%	0.90%	1.00%
Holding	1.71%	0.50%	1.50%	1.37%	0.20%	0.80%
Totals	6.49%	3.54%	3.37%	5.77%	3.00%	2.60%

Source: Industry Canada (2008)

Closer examination of Table 2 reveals that American companies have lower inventory holding costs than their Canadian counterparts in all sectors of the economy. The reason for this is higher inventory turnover rates than in Canada, one of the most well-used indicators for assessing the industry's agility. In the manufacturing sector, then, just-in-time practices result in high turnover rates for raw materials and other upstream components. The turnover rate observed in the American manufacturing sector is 24% higher than the rate for that sector in Canada. In the distribution sectors (wholesale and retail), there is an increasing effort to supply retailers just in time in order to reduce unsold inventories and provide product assortments that correspond more closely with demand. Here, too, inventory turnover rates observed in the United States are higher by 10% and 29% respectively in the wholesale and retail sectors (Industry Canada, 2008).

Table 2 also indicates that the costs of activities outsourced to logistics service providers are higher in the United States than in Canada. This is expressed in a worldwide trend whereby logistics activities are increasingly being handled by specialists referred to as "3PL," which stands for "third-party logistics providers." The main reason companies outsource logistics services is to save money. It is therefore not surprising to note that the total cost of logistics is relatively lower in the United States than in Canada, partly because of the higher use of outsourcing, as shown in Figure 2.