

VISCO – Software for Importers

How to Save Money Importing

A VISCO White Paper

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For U.S. based importers and distributors, one of the most important factors in the success of their business is the ability to get a good price for the material they buy. Then, they can set a reasonable price on the market and still leave room for profit. This makes sense because why bother going all the way around the world to have something manufactured unless it was cheaper to have it manufactured in the same country where you are selling.

However, the price of the material alone does not give the importer a true picture of their costs. There are several other costs that must be considered including:

Ocean Freight

Duty

Customs Broker Fees

Inland Freight

Drayage

And Others

When you add all costs together and divide by the quantity, you get the "landed cost per unit". For the purpose of this article, we are going to focus on one technique to reduce your landed cost per unit so you can increase profits.

Let's say that you are importing and distributing rubber snakes from China. You negotiate a contract with a factory that will produce these toys for you at a cost of \$.23 per unit FOB China, meaning you will assume responsibility for the goods at the port of departure. Then,

you make arrangements with an ocean freight carrier for \$1500.00 per container.

The trick to keeping your landed costs low is to maximize container space. The more units you are able to fit into the container, then the less it costs to ship each unit. So if you were to ship 10,000 rubber snakes, your landed cost would be \$.38/unit ($$.23 \times 10,000 + \$1500 / 10,000$). However, if you were to fit 15,000 snakes in the container, your cost would be \$.33 ($$.23 \times 15,000 = \$1500 / 15,000$). That is a 13% savings.

You cannot count on your supplier to know how to best maximize container space. You will need the dimensions of the carton to calculate the CBM per case (for our example, let's say .5). You then figure out the case/pack or packing per case (like 100 snakes per case). When it is time to place your Purchase Order, you will take the total CBM for a container (67.7 for a 40 ft. container) and divide by the CBM per case and multiply by the units per case.

***Note: I recommend using 65 as the total CBM per case to account for irregular shaped cases and/or poor stacking.

So, for our example, we would want to order 13,000 units ($65 \text{ CBM for the container} / .5 \text{ CBM per case} \times 100 \text{ units per case}$) to maximize our container space and minimize our landed cost per unit.

Doing all of these calculations by hand is time consuming and certainly not cost effective. When ordering multiple products on a PO, this calculation gets even more difficult. The good news is that there are software programs that can assist in this calculation: VISCO software for importers (www.viscosoftware.com).