The top 6 myths about landed cost — and the reality for online sellers

Make importing goods easy for your customers

With the technology available to online sellers today, the world is your oyster; you can find customers for your products all over the globe. However, actually getting your products to those international customers is more complex than you might think.

Anytime you want to send a product across a border, there will be red tape to deal with in the form of customs clearances and possible customs duty, import taxes, and fees. If you want your customer to receive an order without delays or extra charges, it takes more than just putting your product in a box and shipping it off. You need to be aware of the process any package being shipped internationally will undergo as well as all the potential charges that could be added along the way.

Your customers don't need to know all the steps it takes to get your product to their doorstep. But they do need to know how much they have to pay for it to get there. The total cost it takes to get a product from you to your customer in another country is called landed cost, and this includes the cost of goods, door-to-door shipping and insurance, and all customs duties, import taxes, and fees.

It's crucial to get this right so you can present your customers with a clear and accurate amount they must pay in order to get their goods. Getting it wrong can result in a terrible customer experience, having shipments refused at your expense, and the loss of customers, not to mention the erosion of your margins. It can also result in fines and penalties.

Online sellers may have limited resources for understanding and dealing with the complexities of international shipping, and they often operate under common misconceptions about landed cost. Here are a few of the major myths that can lead to trouble for businesses selling abroad — along with the realities these sellers need to know in order to succeed in international commerce.

1. We haven't had any customs issues, so we don't have to worry.

It's true that, until now, online sellers have often flown under the radar wh
to customs authority oversight. However, governments are catching on. The
noticed the decline in big box imports (and the accompanying decline in cus

More countries are starting to impose new legislation specifically targeting small-package ecommerce Cross-Border shipments. And with new technologies and government modernization efforts, authorities are able to target and monitor enforcement activity, which may lead to an increase in import audits. This can mean more "stuck-in-customs" delays, not to mention fines and penalties.

2. We use a shipping provider, and they'll take care of everything.

Many businesses assume their transportation provider has them covered for all shipping details. However, these providers aren't necessarily incentivized to provide quality guidance and service because they're not liable for the compliance of the tax obligation declared. The truth is, if you're non-compliant, you could be the one liable, not the shipping company that estimated an incorrect rate.

3. We declare all our shipments as "gifts" or "samples" so no customs duty applies.

Taking this path may be the result of listening to dangerous advice floating around online and in retail communities. Intentionally misdeclaring the contents of Cross-Border shipments to avoid duty obligation is illegal, and governments are cracking down. If a seller is caught, the seller can be slapped with fines and penalties, seizure of merchandise, or even revocation of import/export privileges.

4. We declare a low value on our paperwork so we don't trigger customs attention.

As with misdeclaring goods, intentionally undervaluing shipments to avoid duty obligation is illegal and considered fraud.

5. We let the customer handle customs duty and import tax so we don't have to worry about it.

This is a common situation. However, customers discovering they have to pay extra to get their goods is an unwelcome surprise. Customers are getting savvier and won't hesitate to abort a sale altogether because of such unexpected costs. In this case, the seller will have paid for the transportation to the destination country and then has to pay for the return shipment, plus the cost of the lost sale — and most likely, a lost customer.

Customers' expectations are getting higher, and retailers need to be thinking about how they can improve their global customer experience.

6. Showing customs duty and import tax in the shopping cart is bad for business.

It may seem like showing more costs in the shopping cart would be a bad thi
Research from PayPal actually shows that lack of clarity on the total cost of a
key driver of online cart abandonment. For example, in Italy, 27 percent of shoppers

The best experience for shoppers anywhere is having a clear understanding of the estimated landed cost of their purchase as early as possible in the shopping process — and definitely before they check out. This allows retailers to give customers upfront transparency about what they'll ultimately be charged and to control the customer experience.

Making the most of global opportunity with technology

International markets offer a real opportunity for online sellers. Having the knowledge to get landed costs right can go a long way toward helping you take full advantage of that opportunity.

Automating tax compliance with Avalara Cross-Border solutions means you don't have to research tariff codes for multiple countries, or keep track of all the complex international customs duty and import taxes.

Events

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Sales tax calculator

State sales tax rates

United States (English)

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