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Landed Cost: The Margin You Are Not Tracking

Freight, duty, brokerage, and currency: what it really costs to get product on your shelf, and why margin reports built on vendor price alone flatter the wrong products.

Two products carry the same vendor price. One ships domestic in full cartons. The other crosses a border, pays duty and brokerage, and arrives in mixed pallets with a currency conversion on top. On a margin report that uses vendor price, they look identical. On your bank statement, they are not.

Landed cost is what the unit actually cost to put on your shelf. Distributors that do not track it are pricing some products too low, some too high, and cannot tell which is which.

What belongs in landed cost

- Inbound freight, by shipment, allocated to the items on it
- Duty and tariffs by commodity classification
- Brokerage and customs fees
- Currency conversion at the rate you actually paid
- Inbound handling where it is material

What un-landed costing distorts

Pricing inherits the error first: imported lines look more profitable than they are, so they get promoted, discounted, and quoted aggressively while margin quietly evaporates in freight and duty.

Rebate and commission programs built on gross margin inherit it next. So does every mix decision that favours the product that only looks better.

Allocation, briefly

Landed cost is a distribution problem: a $2,400 freight bill covering forty line items has to land somewhere. The standard methods allocate by value, weight, or quantity, and the right one depends on what drives the cost.

- By value: duty and insurance, which scale with what goods are worth
- By weight or volume: freight, which scales with what goods physically are
- By quantity: handling fees that scale per unit

Done by system, not spreadsheet

In a modern ERP, landed cost documents attach to receipts, allocate by the chosen method, and flow into item cost automatically. Margin reports, pricing, and inventory valuation all update from the same numbers.

The spreadsheet version of this exists in many distributors. It is usually three months stale and one analyst deep. The difference between the two is whether landed cost informs decisions or just explains them afterwards.

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Questions about any of this?

Summit Business Systems has been implementing ERP for Ontario businesses since 1991. We are an Acumatica Gold-Certified Partner based in Barrie, working with construction, field service, distribution, and professional services companies across the province. If you want a second opinion on anything in this insight brief, we give straight answers.

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