

INTRODUCTION TO FREIGHT FORWARDING

Everything, handled with care

What is Freight Forwarding?

A freight forwarder is a person or organization that responsible for the transportation of goods from one destination to another destination. Freight forwarding companies work in arranging the whole process for their shippers, from the storage to the shipping of their market. They act as an intermediary between the shipper and transportation services, Communication with various carriers to negotiate on price and decide on the most cost-effective, well founded and swift route.

Freight forwarders contract with respective Liners – that is, airlines, shipping lines or haulier to transport the goods. Usually a forwarder does not physically move the shipment but acts as a skilled in the logistics processing. Their services are more specialized. They understand international business, they know the rules and regulations, and they simplify the act of shipping on favor of a company shipping its good throughout the world.

The transportation will be done by multiple shipping type of modes, including ships, airplanes, trucks, and railroads, and often use multiple modes for a single transportation. For example, the freight forwarder may arrange to transportation of goods from a plant to the seaport by truck, shipped by ship to the destination city and then moved from the seaport to a client place by another truck. See the process show in Figure 1.1.

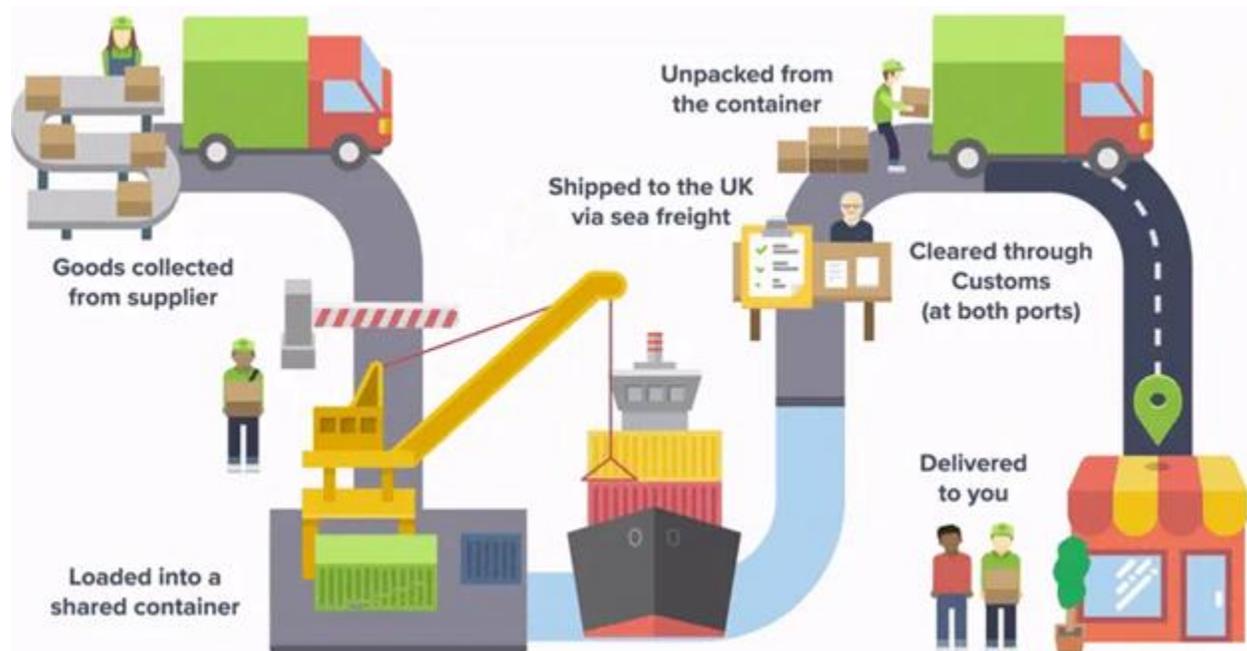


Figure 1.1. Freight Forwarding process

Freight forwarders sometimes have own vehicles and warehouses, but the predominant model is a non-asset based freight forwarder who's try to select the best supplier for each step of the Goods.

International freight forwarders commonly handle international goods and they know-how to adapting and handle customs documentation and operating activities connected to the international goods.

Freight forwarders employ agents in command of the laws and regulations, people who know how to handle the paperwork and the shipping and receiving logistics. In short, they ensure your goods are properly shipped. They handle commercial invoice, shipper's export declaration, insurance, bill of lading and other documents required by the carrier or country of export, import, transshipment and port and terminal charges.

Why Freight Forwarding?

Have you ever wondered how companies track their goods and coordinate cargo from one destination to the next? If you are looking for a productive way to manage goods, then look no further than freight forwarding solutions for your trade. Below we outline the significance of freight forwarding and why every trader should utilize this indispensable system for organizing the transportation of goods. See the below in Figure 1.2.



Figure 1.2. Why Freight Forwarding

Hassle-free movement of goods

A Freight Forwarder is well skilled in the logistics requirements of several countries and enjoys the benefits of established relationships with numerous carriers. They take care of all documentary requirements for the movement, custom clearance, arranging carriers for your goods, booking cargo space, negotiating freight charges. Basically, once a Freight Forwarder is in the track you may sit back and relax while your goods traverse across the globe to several destinations.

Assurance to best rates

Freight Forwarders are negotiate the rates and expert in the market with established relationship between carriers, a freight forwarder will always get you the best rates in the market. A freight forwarder can always leverage high volume of goods to reduce costs of transportation.

Consolidation

Consolidation of goods is one of the main reasons why the transportation rates are reduced considerably. Consolidation is simply the act of combining smaller shipments to make one large shipment. Greater the volume of the goods lesser the amount you pay for transportation.

Route Optimization

As a part of an extensive international trade network Freight Forwarders are capable of advising on the optimum route selection for the movement of your shipment thereby reducing the transit time as well transportation costs. When forwarders book cargo space for customers, they have the flexibility to choose the best routes and transit schedules depending upon the customer's requirements.

Insurance

Cargo Insurance is an infallible method to secure of your goods. Freight Forwarders provide insurance to protect your shipment from any physical loss or damage while shipping whether by land, ocean or air.

Inventory Management

Freight Forwarders can provide handling, storage, packaging and distribution of the goods all at one go as and when required. Most freight forwarders are well equipped with warehouses not just for the storage of goods but also for efficient handling of goods, sorting, packaging facilities such as palletization, strapping, shorten and expand wrapping, labelling as well as reverse logistics.

Agility

Under accidental situations, a Freight Forwarder is always prepared to handle an emergency. For instance, a shipment is rerouted to a different port due to some natural calamity or the shipment faces delay due to offloading by a carrier during its transshipment at a certain port. Such challenging scenarios can be handled with much ease given the established resources of a Freight Forwarder.

Advantages of freight forwarding

- Cost effective.
- Specialization.
- Customs knowledge.
- Special services.
- Organization.
- Handles any load.
- Handle cost organization.
- Saves time.
- Tracking facilities.
- Secure

Import freight

Imports are goods and services that are buy by residents of a country, but are made outside of the country. They can be ship, air and rail or even buy back in your baggage from a plane. If they are produced in an overseas country and sold to local residents, they are imports. The European Union, United States, China, Japan, and France are five of the biggest importers of goods.

Export freight

Exports are a function of international market whereby goods produced in one country are shipped in to another country for future sale or trade. Exports are a key component of a country's wealth, as the sale of such goods adds to the producing nation's gross output. One of the oldest forms of wealth transfer, exports occur on a large scale between nations that have fewer restrictions on trade, such as duty or subsidies. Exported goods are considered zero rated goods.

Modes of Transportation

- Sea
- Air
- Road

- Rail
- Multimodal



Figure 1.3. Modes of Transportation

Multimodal is a combination of different modes of transportation such as sea, air, road and rail which allows the customer to cost-effectively manage goods from one destination to another destination, ensuring most advantageous care and efficiency each step of the way. See the Modes of Transportation show in Figure 1.3.

Incoterms

Incoterms are a set of rules which define the responsibilities of sellers and buyers for the delivery of goods under sales contracts. They are published by the International Chamber of Commerce (ICC) and are widely used in commercial transactions.

The ICC has launched the Incoterms 2020, which is effective from the 1st of January 2020. The Incoterms 2020 does not contain major changes, it is providing more clarity on how to use the Incoterms.

Incoterms are only part of the whole import and export contract. They don't say anything about the price to be paid or the method of payment that is used in the transaction. Furthermore, Incoterms don't deal with the transfer of ownership of the goods, breach of contract, or product liability; all of these issues need to be considered in the contract of sale. Also, Incoterms can't override any mandatory laws.

Incoterms were first created in 1936 and were designated Incoterms 1936. Since then, Incoterms have evolved into a codified worldwide contractual standard. They are periodically updated as events in international trade occur and require attention.

Why Incoterms

- Incoterms make less Risk.
- Failure to Use Incoterms Leads to difficulty.
- Incoterms Affect Monetary Gain and Competitive Advantage.
- Incoterms Change and Vary in Responsibility.

Ex Works (EXW) – The seller makes the goods available at its location, so the buyer can take over all the transportation costs and also bears the risks of bringing the goods to their final destination.

Free Carrier (FCA) – The seller hands over the goods into the disposal of the first carrier. After the buyer takes over all the costs, the risk passes when the goods are handed over to the first carrier.

Free Alongside Ship (FAS) – The seller must place the goods alongside the ship at the named port, the risk of loss or damage to the goods passes when the goods are alongside the ship, and the buyer bears all the costs from that moment on.

Free on Board (FOB) –The seller must load the goods on board of the ship, nominated by the buyer. Cost and risk are divided when the goods are actually on board.

Cost and Freight (CFR) –Seller must pay the costs and freight to bring the goods to the port of destination. Although the risk is transferred to the buyer when the goods are loaded on the ship.

Cost, Insurance and Freight (CIF) –It's exactly like CFR except that the seller must in addition procure and pay for the insurance.

Carriage Paid To (CPT) -The seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

Carrier and Insurance Paid to (CIP) –The seller pays for the carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

Delivered At Place (DAP) - The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

Delivered Duty Paid (DDP) –The seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination. See the Incoterms show in Figure 1.4.

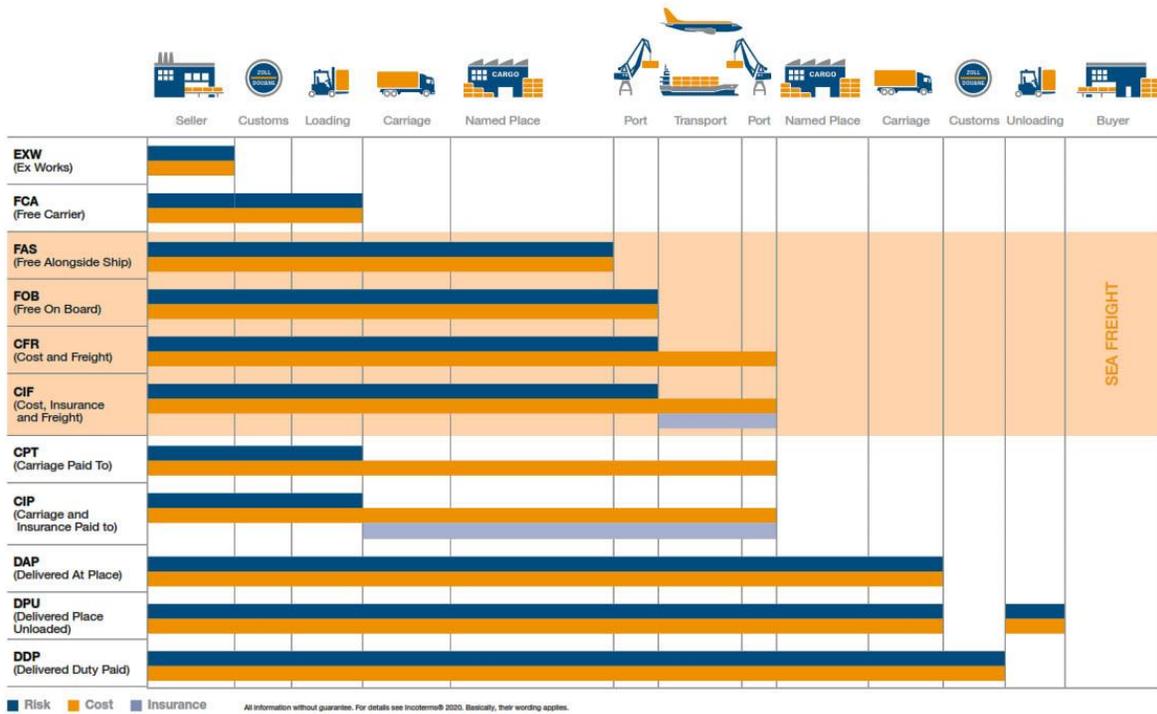


Figure 1.4. Incoterms