

Freight Forwarding

Introduction

Freight Forwarding is a vital part of international trade activity. The company will face many difficulties if it does not take into account how the goods will be delivered to the market. The issue of freight forwarding must be considered at an early stage of the development of the export marketing plan as it raises several concerns that need to be addressed quickly. Not only does the exporter need to understand which INCOTERMS to stipulate and work to, but the method of transport also needs to be considered (see road, rail, sea , air). Packaging is also another factor that needs to be considered, as is insurance. Much of the hassle can be taken out of the exporter's hands by using an effective freight forwarder, but as with any supplier care needs to be taken to ensure that the supplier meets the needs of the organisation.

Selecting a Freight Forwarder

There are certain criteria to take into consideration when selecting a freight forwarder to undertake export transportation.

1. Cost: Keeping costs down will always be one of the most important criteria for any exporting company, so it is important to approach more than one forwarder in the first instance to ascertain the best price. Rates between forwarders always vary because some forwarders specialise in some destinations but not others, so their rates for those areas will invariably be better. Always attempt to find out whether the service to the destination you require is the forwarder's own service, or whether they will subcontract the work to another forwarder – subcontracted work will usually be more expensive.

2. Members of The British International Freight Association (BIFA). 'BIFA' is the professional organisation for freight forwarders: to qualify for membership, forwarders must adhere to certain standards and regulations. This results in a general standard, which must be maintained in all areas of their operations. However, whilst it may be preferable to the exporter for the freight forwarder to be a member of BIFA, it is not illegal for them to operate without membership and does not mean they will not be able to offer a quality service.

Services Provided by a Freight Forwarder

Traditionally, the role of the freight forwarder was simply to undertake transportation on behalf of exporting companies. However, they must now provide a whole range of additional services to keep up with the competition.

1. Export transportation This is still the key role for most freight forwarders
2. Export Documentation Advice. Forwarders are constantly dealing with export transportation so it is vital for them to keep up to date with documentation requirements for the countries with which they do business. It will be within their own interest to convey any knowledge and advice to existing and potential exporters, so they may obtain the business when transportation is required.

3. Storage: Many forwarders now have their own depots and warehouses as well as offices, and are willing to store goods for exporters for a number of reasons. These may include exporters wanting goods out of their own premises to make room for more stock, but not wanting to actually export the goods yet, so they may use the forwarder's warehouse.

4. Order Picking: Some companies, such as mail order companies, may store a large quantity of goods with forwarders, which may be broken down and consolidated into orders as and when they are processed at the company's premises.