

Choosing and Using a Freight Forwarder

Business Information Factsheet
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Introduction

The planning and paperwork involved in exporting and importing can be time consuming and complicated. Therefore, many traders use the services of a freight forwarder to take care of as much of the process as possible. This makes particularly good sense for smaller firms, which usually have limited resources to devote to the complexities of moving goods into or out of the UK.

This factsheet explains the services a freight forwarder can offer, and how to find a suitable freight forwarder. It also details the costs involved in engaging a freight forwarder and describes how to get the most out of the service.

What services does a freight forwarder offer?

Freight forwarders arrange for the international carriage of commercial goods on behalf of manufacturers, shippers, importers and exporters, and buyers. Using their knowledge of freight carriers, overseas markets and logistics, they take care of most of the paperwork involved in shipping goods. They can also ensure that their client obtains the best value for money and, in some circumstances, arrange storage of goods. Some freight forwarders specialise in arranging shipments to certain countries, and others focus on particular types of goods.

A freight forwarder can also offer assistance with the following:

- Documentation issues, including bills of lading that determine the proof of ownership of the goods.
- Advising on freight costs, customs duties and the costs of special documentation.
- Supply chain management and logistics.

Freight forwarders can help calculate the costs involved in shipping goods to a particular destination. They can advise on the most cost-effective means of transport, for example, air, sea, or a combination of both. They can also advise on possible savings that can be made by deferring the dispatch of goods until the next consolidated consignment leaves.

Freight forwarders will make the necessary bookings with shipping companies or airlines to ensure that the cargo is transported securely and with the minimum amount of delay. Many freight forwarders make regular 'block bookings' of space on ships and aircraft. They are, therefore, able to consolidate the cargo from a number of individual exporters and, in some circumstances, pass on some of the savings achieved to their clients in the form of reduced freight rates.

A freight forwarder's advice on - and the consequent arrangement of - shipments will involve some or all of the following:

- Advice on the different methods of shipping available.
- Organising insurance.
- Advice on how to pack and label shipments and which containers to use.
- Arranging for goods to be loaded and unloaded at the port or airport.
- Booking shipments onto vessels and aircraft.
- Tracking cargo.
- Issuing delivery orders.
- Organising warehousing or delivery.
- Organising customs clearance.
- Preparing the necessary paperwork for collection of payment under a letter of credit.

With the use of the latest technology, freight forwarders can usually monitor the movement and location of cargo from the time it leaves the exporter's premises to the time it arrives at the importer's premises.

Regulations and documentation

Freight forwarders with knowledge of a particular target market can advise on local regulations and, where necessary, advise on obtaining an import or export licence.

They can also check and complete all of the export documents a shipment may require. This might include:

- Preparing bills of lading.
- Preparing export declaration documents.
- Checking documents for accuracy.
- Ensuring that the shipment complies with customs export documentation requirements.

Other services

Larger freight forwarding firms frequently provide other services, including the storage of goods in warehouses or on secure premises, and the transport of goods using their own fleets of vehicles.

A freight forwarder should have considerable knowledge and experience of overseas markets. They should be able to provide up-to-date information about local conditions, changes in customs requirements, duties and tariffs, and likely delays. The amount of duty paid will depend on how goods are classified in terms of the customs tariff, and a freight forwarder should be able to recommend the right tariff classification to minimise customs duty wherever possible.

Different types of freight forwarder

Freight forwarders vary in size, reach and capability, but generally fall into one of three categories:

- **Local freight forwarding firms:** local firms deal with clients in their immediate area, or operate at sea ports or airports where particular types of goods are frequently shipped.
- **National organisations:** national firms have offices in major ports and airports and in large cities throughout the UK. They usually have overseas agents in the overseas markets they regularly serve.
- **International firms:** international firms have offices both in the UK and overseas, and offer worldwide services.

How to choose a freight forwarder

Many firms prefer to deal with a reputable freight forwarding service that has been a long-standing member of a relevant trade association. The British International Freight Association (BIFA) is a trade body that represents the freight distribution industry and BIFA members must adhere to a strict Code of Conduct and use BIFA's Standard Trading Conditions. BIFA publishes a directory of members at www.bifa.org/members.

It is also possible to find a freight forwarder by recommendation, either from a trade association (go to www.taforum.org for a list of UK trade associations), or from another business with experience of exporting and importing.

Specialist directories such as Freightbook (www.freightbook.net) and Freightnet (www.freightnet.com), or Yellow Pages (www.yell.com) or Thomson Local (www.thomsonlocal.com), can be used to find local and national freight forwarders.

Having established a shortlist of possible freight forwarders, find out as much as possible about their services. When seeking information from forwarders about freight rates, it is essential to provide accurate and adequate details with regard to the nature of the cargo, its destination and packing specification. It is also important to obtain written confirmation of the rates quoted and the range of services offered by the forwarder.

As well as considering the needs and service requirements in terms of the type of shipment required and the nature of the goods, a number of other factors should be assessed:

- **Is the forwarder well established?** Are they well known within the freight industry?
- **Does the forwarder specialise in local, national or regional freight?** Do they have appropriate global contracts, access to appropriate information, international links and bases in other areas?
- **What security and shipment tracking measures are taken?** The services of a freight forwarder can be assessed in terms of whether they have access to the most up-to-date tracking systems and offer guaranteed shipping times.

The following points will be worth considering before making a final decision:

- The location of the freight forwarder.
- How much experience they have in the relevant sector.

- Their experience, knowledge of and contacts in the relevant overseas market.
- How much they charge for their services. Check exactly what services are included in any prices quoted and whether additional services will incur further fees or costs.
- Whether or not they can provide recommendations or references from previous customers.
- Whether or not they are members of a professional association such as BIFA and adhere to recognised codes of practice.

How to monitor and assess a freight forwarder

There are several industry measurements that can be used to determine the forwarder's reliability.

The first consideration, particularly for longer-distance shipments, is the delivery schedule and the number of times the package will be transferred. Longer shipping times and several changes often suggest that a shipper cannot deliver the shipment efficiently. This may result in higher costs and creates more opportunities for something to go wrong during transfers.

It is also important to consider the forwarder's on-time delivery rate. This indicates whether or not they meet their declared delivery schedule. A reliable forwarder will typically quote on-time delivery rates of between 95% and 100%.

The ratio of claims for damage or loss to total revenue is a proportion of the forwarder's revenue paid out for losses caused by cargo theft, damage or accidents, and will give an idea of the effectiveness of the forwarder's security measures.

Wherever possible, compare the figures to other forwarders operating in the same geographical area and arranging similar shipments.

How much does a freight forwarder charge?

Charges will depend on the size, weight and value of the consignment, mode of transport, speed of delivery and the distance to be covered. Forwarders usually take responsibility for all the delivery charges, so will send one consolidated invoice that covers everything.

However, all forwarders will typically apply premium charges for the following:

- Hazardous or perishable goods.
- Irregular-sized or irregular-shaped consignments.
- Secondary services such as arranging customs clearance.

Fuel costs and taxes fluctuate and vary considerably and can result in significant price increases, particularly in the air-freight sector.

If a business has only a small quantity to ship, most freight forwarders will consolidate shipments from several smaller traders and combine them to make one full-sized shipment. Each trader pays according to the space and weight that they use.

Hints and tips

- BIFA offers support services for inexperienced importers/exporters, to help them find the most appropriate forwarders.
- If disputes with the forwarder do arise, BIFA can assist in resolving them. To download their dispute resolution procedures, go to www.bifa.org/_attachments/Resources/499_S4.pdf.
- It is worthwhile finding a forwarder that has experience of working in the relevant target market or arranging shipments of similar goods.

Further information

BIF184 A Guide to Incoterms

BIF202 Import Duty and Taxes

BIF208 A Guide to Export Documentation

Useful contacts

The British International Freight Association (BIFA) is a trade body representing the UK international freight services industry. It has an online directory of members.

Tel: (020) 8844 2266

Website: www.bifa.org

The British Exporters Association (BExA) is a national trade association representing all sectors of the export community. It produces a range of publications for exporters that are available online.

Tel: (020) 7222 5419

Website: www.bexa.co.uk

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