Choosing and Using a Freight Forwarder

Introduction

The planning and paperwork involved in exporting and importing can be time consuming and complicated. Therefore, many businesses use the services of freight forwarders to take care of as much of the process as possible. This makes particularly good sense for smaller firms, which tend to have limited resources to devote to the many details of moving goods into or out of the UK. In addition to arranging for the carriage of goods, a freight forwarder can also offer valuable advice on the most cost-effective dispatch options and the benefit of their experience in your target market.

This factsheet explains the type of services a freight forwarder can offer, and how to find a freight forwarder who meets your requirements. It describes how to make sure that you get the most out of the service once you have decided on a provider, and also lists hints and tips and sources of further information.

What services does a freight forwarder offer?

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

A freight forwarder can also offer assistance with the following:

- Documentation issues, including bills of lading. These are prepared by the freight forwarder as a contract between the owner of the goods and the carrier. A bill of lading is the document provided by the shipping line as receipt and proof of ownership of the goods transported on the exporter’s behalf.

- Advising on freight costs, customs duties and the costs of special documentation.

- Supply chain management and logistics.

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

A freight forwarder’s advice on - and the consequent arrangement of - your shipments will involve some or all of the following:
• Advice on the different methods of transport available.
• Organising insurance.
• Advice on how to pack and label your shipments and which containers to use.
• Arranging for your goods to be loaded and unloaded at the port or airport.
• Booking shipments onto vessels and aircraft.
• Tracking your cargo.
• Issuing delivery orders.
• Organising warehousing or delivery.
• Organising customs clearance.
• Preparing the necessary paperwork for collection of payment under a letter of credit.

Freight forwarders will make the necessary bookings with shipping companies or airlines to ensure that your 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. With the use of the latest technology, 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 your target market can help you understand local regulations and, where necessary, advise on obtaining an import or export licence. They can also check and complete all of the export documents your 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 secure premises, and transport using their own fleets of vehicles.

They may also be able to arrange inspection by the relevant customs authorities or other agencies if this cannot be done at your own or your customer’s premises.

A good freight forwarder should have considerable knowledge and experience of your target market. 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 in the importer’s country will depend on how your product is classified in terms of the customs tariff,
and a forwarder should be able to recommend the right tariff classification, minimising 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 that deal with clients in their immediate areas, or operate at sea ports or airports where particular types of goods are frequently shipped.
- National organisations with offices in major ports and airports and in large cities throughout the UK. They often have overseas agents or correspondents in the overseas markets they regularly serve.
- International firms with offices both in the UK and overseas, who offer worldwide services.

**How to choose a freight forwarder**

Many firms prefer to deal with a reputable forwarding service that has been a long-standing member of a relevant trade association. The British International Freight Association (BIFA) is a trade association representing the freight distribution industry and it publishes a directory of members. BIFA members must adhere to a strict Code of Conduct and use BIFA’s Standard Trading Conditions. Go to [www.bifa.org](http://www.bifa.org) for further details.

Another way to find a freight forwarder is by recommendation, either from a trade association in your sector (go to [www.taforum.org](http://www.taforum.org) for a list of UK trade associations) or similar organisation, or from another business with experience of exporting and importing. It will be worthwhile asking your local Chamber of Commerce, which should have a list of local freight forwarders.

If using your own contacts is not possible, specialist directories such as Freight Book ([www.freightbook.net](http://www.freightbook.net)) and Freightnet ([www.freightnet.com](http://www.freightnet.com)) or the Yellow Pages ([www.yell.com](http://www.yell.com)) or Thomson Local ([www.thomsonlocal.com](http://www.thomsonlocal.com)) can be used to find local and national freight forwarders.

Having established a shortlist of possible freight forwarders, you should speak to each of them and find out as much as possible about their services. Avoid basing your decision on price alone. The best forwarders will guide you through the shipping process and will be transparent and thorough in everything they do.

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 that you obtain written confirmation of the rates quoted and the range of services offered by the forwarder in order to avoid confusion and misunderstanding in the future.

As well as considering your needs and service requirements in terms of the type of shipment required and the nature of your product, you need to assess a number of other factors:

- Is the forwarder well established? Are they well known within the freight industry? It is worth checking to see if the business or its proprietor has a LinkedIn profile which can provide further information about them.
• 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? You can assess the services of a freight forwarder 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 you make a final decision:

• The location of the freight forwarder (in relation to transportation links).

• How much experience they have in your sector.

• Their experience, knowledge of and contacts in your target market.

• How much they charge for their services. Check exactly what services are included in any prices quoted and whether additional services will incur added 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 Codes of Practice.

Where time allows, and the value of your shipment is high, you can also ask them for bank references in order to get an opinion on their credit rating.

How to monitor and assess a freight forwarder

There are several industry measurements that you can use 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 your shipment efficiently. This may result in higher costs and creates more opportunities for something to go wrong during transfers.

You should consider the forwarder’s on-time delivery rate. This indicates whether or not a firm meets its declared delivery schedule. A good firm will typically quote on-time delivery rates of between 95% and 100%.

You should also ask about the ratio of claims for damage or loss to total revenue. This 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?

How much a freight forwarder 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 you receive only 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 you only have a small quantity to ship, you should enquire about consolidation. Most freight forwarders will take shipments from several smaller exporters and combine them to make one full-sized shipment. You pay according to the space and weight that you 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](http://www.bifa.org/_attachments/Resources/499_S4.pdf).

- It is worthwhile spending time finding a forwarder that has experience of working in your target market.

**Further information**

For practical start up and small business tips, ideas and news, go to:
Website: [www.enterprisequest.com](http://www.enterprisequest.com)

To access hundreds of practical factsheets, market reports and small business guides, go to:
Website: [www.scavenger.net](http://www.scavenger.net)

BIF 184 Glossary of Export Terminology and Incoterms
BIF 202 An Introduction to Import Duty and Taxes
BIF 208 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](http://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](http://www.bexa.co.uk)
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