



## Importance of Freight Forwarding and Work Activities of Freight Forwarders- an Empirical Analysis

### KEYWORDS

**Dr.D.Rajasekar**

Associate Professor, Amet Business School, Amet University, Chennai

**Mr.T.Sandeep Prabhakar**

Student –MBA 2nd year Amet Business School, Amet University Chennai

**ABSTRACT** Freight forwarders typically arrange cargo movement to an international destination. Also referred to as international freight forwarders, they have the expertise that allows them to prepare and process the documentation and perform related activities pertaining to international shipments. Some of the typical information reviewed by a freight forwarder is the commercial invoice, shipper's export declaration, bill of lading and other documents required by the carrier or country of export, import, or transshipment. Much of this information is now processed in a paperless environment. A freight forwarder organizes the safe, efficient movement of goods on behalf of an exporter, importer or another company or person, sometimes including dealing with packing and storage. Taking into account the type of goods and the customers' delivery requirements, freight forwarders arrange the best means of transport, using the services of shipping lines, airlines or road and rail freight operators. In some cases, the freight forwarding company itself provides the service. Companies vary in size and type, from those operating on a national and international basis to smaller, more specialized firms, who deal with particular types of goods or operate within particular geographical areas.

### INTRODUCTION

A freight forwarder is an individual or company that dispatches shipments via asset based carriers and books or otherwise arranges space for those shipments. Common carrier types could include waterborne vessels, airplanes, trucks or railroads. Freight forwarders typically arrange cargo movement to an international destination. Also referred to as international freight forwarders, they have the expertise that allows them to prepare and process the documentation and perform related activities pertaining to international shipments.

### STATEMENT OF PROBLEM

Domestic and international freight forwarding is basically about providing logistical services. This involves coordinating with various cargo carriers and warehouses. It is about minimizing costs and finding the best possible routes. Although most freight forwarders merely serve as third-party agents, their tasks and responsibilities goes beyond mere documentation and freight management. They also face other challenges such as legal or statutory regulations. These can include health-related issues, environmental issues, and political considerations. Some of the peculiar import-export laws are detrimental to small and medium enterprises. Hence, it is important for forwarders to be familiar with these local laws to prevent inconveniences on the part of customers

### REVIEW OF LITERATURE

According to recent Accenture High Performance Business research, which analyzed corporate performance in the freight forwarding and contract logistics industry from 2008 to 2011, high performers owe their success to a combination of factors: dominance over profitable trade lanes; strategic growth in key emerging markets; and business models supported by operational excellence and designed to develop expertise in customers' industries while empowering those customers with greater information and better service at the same time.

**Martin Murray** Companies looking to export items can use

freight forwarders to not only save time and effort but to ensure that the goods arrive at the customer's site on time and without incident. A freight forwarder can provide the exporter with all the necessary documentation as well as liaise with the transportation companies required to get the items to the customer.

### NON-VESSEL OPERATING COMMON CARRIERS (NVOCC)

Non-vessel operating common carriers (NVOCC) are one type of sea freight forwarders. Instead of using their own ships, they operate as transportation or logistics intermediaries. That is, they book space on ships and sell it in smaller quantities, consolidating freight for transport in standard containers.

NVOCCs are those who own their own containers but don't own and operate vessels. These NVOCCs buy container space in vessels from vessel operators and in turn will sell sea freight service in terms of Full Container Load [FCL]/Less than Container Load [LCL] to their customers.

Smaller shippers, with less-than-container load (LCL) shipments, can take advantage of the lower costs associated with being a big shipper. Non-vessel operating common carriers (NVOCCs) book space on steamships in large quantities at lower rates and sell space to shippers in smaller amounts. NVOCCs consolidate small shipments into container loads that move under one bill of lading. More favorable rates are passed on to the shipper.

### MULTIFACETED ACTIVITIES OF FREIGHT FORWARDERS

- A advisor & consultant
- As a Transporter
- As a warehouse agent

### TYPICAL WORK ACTIVITIES OF FREIGHT FORWARDERS:

- Researching and planning the most appropriate route for a shipment (taking account of the perishable or hazardous nature of the goods, cost, transit time and

security);

- Obtaining, checking and preparing documentation to meet customs and insurance requirements, packing specifications, and compliance with overseas countries' regulations and fiscal regimes
- Liaising with third parties to move goods (by road, rail, air or sea) in accordance with customer requirements;
- Maintaining current knowledge of relevant legislation, political situations and other factors that could affect the movement of freight.
- Arranging appropriate packing (taking account of climate, terrain, weight, nature of goods and cost) and delivery or warehousing of goods at their final destination;
- Arranging charters for large volume, out-of-gauge or project movements by air and sea;

#### OBJECTIVE

To study on the importance of Freight Forwarding and work activities of Freight forwarders

- To study about the Commodities handled by freight forwarders in business operations
- To study Commodities, exported to the countries
- To study the problems faced in relation to the business operation by the freight forwarders.

#### RESEARCH METHODOLOGY

A research cannot be conducted abruptly. Researcher has to proceed systematically in the already planned direction with the help of a number of steps in sequence. To make the research systemized the researcher has to adopt certain methods. The methods adopted by the researcher for completing the project are called Research Methodology.

##### Research objective

- ❖ To identify the importance of freight forwarding
- ❖ To analyze the functions and work activities of freight forwarders
- ❖ To analyze the problems faced by freight forwarders

##### Research design

###### Type of research:

The type of research that has been adopted by the researcher is descriptive research. It described the study on Freight Forwarders in the Chennai sector and the growing importance of Freight Forwarders.

###### Sample size:

The researcher took thirty respondents for the interview

###### Data collection process

This study is based on the primary data in order to form an adequate foundation of information

- Primary data

###### Primary data:

By primary data collection it means the information that not has been previously documented and thus has to be collected. The primary data collected in this study is based on the interview schedule used to collect data from thirty Freight Forwarders. The gathered information has been compiled and analyzed in order to carry out the study.

**Secondary Data:** The secondary data collected from the various Journals, Magazines, and Websites etc.

#### TOOLS FOR DATA COLLECTION :

The tool for primary data collection used by the researcher was Questionnaire in English. It consisted of 10 questions

#### LIMITATIONS:

- The researcher has done the study only on Freight forwarder.
- The researcher has done the research with regard to Chennai sector only.
- The has not considered the financial aspects of Freight forwarders
- Lack of time available for research

#### DATA ANALYSIS

The research is based on primary and secondary data. It was not possible to conduct the research on the whole population so as a sample size, which truly represents the population, was chosen .Hence a sample of 30 selected freight forwarders in Chennai were selected for the study. The primary data were collected with the help of a well-structured questionnaire. The questionnaire had a combination of open ended and close ended questions. The various steps include in analysis and interpretation is decoding, tabulation of suitable information. The sample used for this study is Convenient Sampling Method.

#### The Analysis used in this study: Percentage Method

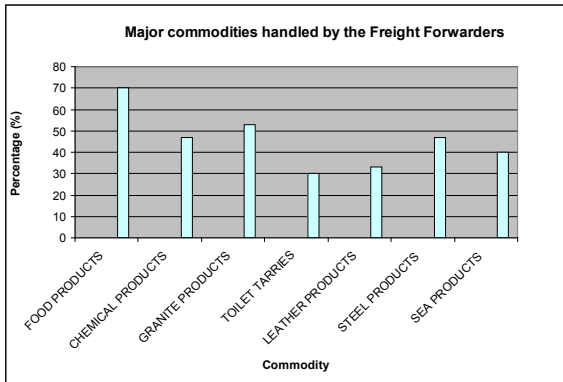
##### 1) Commodities handled by freight forwarders in business operations

In Chennai freight forwarders specialize in transporting commodities from the shipping industry/ warehouse to the liner container depot. The following are the list of commodities handled by freight forwarders in their day to day operation are, Food products, Chemical products, Granite products etc.

**TABLE -1-Commodities handled by freight forwarders**

Particulars	No of Respondents	Percentages (%)
FOOD PRODUCTS	21	70
CHEMICAL PRODUCTS	14	47
GRANITE PRODUCTS	16	53
TOILET TARRIES	9	30
WOOD PRODUCTS	6	20
LEATHER PRODUCTS	10	33
STEEL PRODUCTS	14	47
DANGEROUS PRODUCTS	5	17
SEA FOOD	12	40
GLASS PRODUCTS	1	3
MACHINERY PRODUCTS	2	7
ELECTRONIC GOODS	3	10
FABRICS PRODUCTS	3	10

Chart – 1



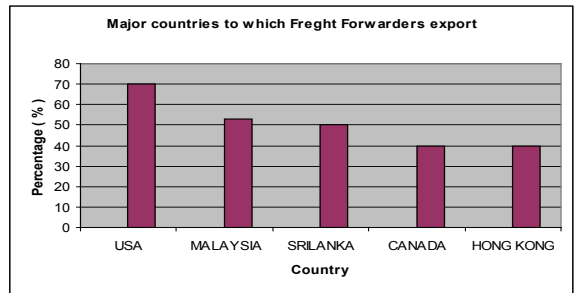
**Interpretation**

Major items or most frequently handled commodities like 70% respondents handled Food products, 53% respondents handled Granites products, 47% respondents handled Chemical products, 47% respondents handled Steel products, and 40% respondents handled Sea Food products.

Table – 2- Commodities exported to the countries

COUNTRIES	RESPONDENTS	PERCENTAGES (%)
Israel	10	33
USA	21	70
Canada	12	40
Burma	2	7
Malaysia	16	53
Australia	11	37
African countries	11	37
Sri Lanka	15	50
Pakistan	4	13
Hong Kong	12	40
European countries	7	23
Kenya	2	7
Paris	5	17
Germany	2	7
United Kingdom	2	7

Chart – 2



**Interpretation:**

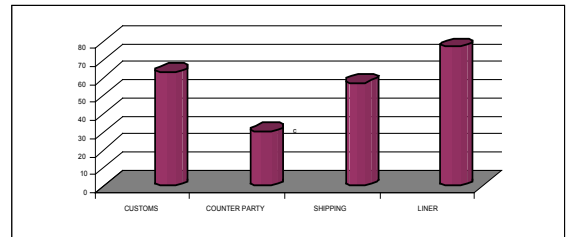
Most of respondents have selected major countries such as 70% respondents have selected USA. 53% respondents have selected Malaysia. 50% respondents have selected Canada. 40% respondents have selected Hong Kong these are the frequently exported countries.

Table – 3- Problems faced in relation to the business operation by the freight forwarders

Particulars	Respondents	Percentages (%)
Customs	19	63
Counter party	9	30
Shipping	23	57
Liner	17	77

Chart – 3

Problems faced in relation to the business operation by the Freight Forwarders



**FINDINGS**

- Most of frequently exported commodities are as follows, Food Products, Granites Products, Chemical Products, and Steel Products, Sea food products
- Majority of freight forwarders exports their commodities to the following countries USA, Canada, Malaysia, Hong Kong, and Srilanka.
- Majority of the respondents have faced serious problems while hiring the services of others organization who specialize in supplying container Transportation, Customs Documentation fumigation

**SUGGESTIONS**

- Freight forwarders in Chennai, have not taken extra care in retaining the customers i.e. the CRM strategies followed by freight forwarders companies or not effective in retaining the customers.
- Major problems identified by the freight forwarders in their business operation Stuffing, loading and unloading, non-availability of trailers and trucks, Routing and schedul-

ing .A consortium of freight forwarders could be formed so that problems of non-availability of trucks and containers could be minimized.

### CONCLUSIONS

- A freight forwarder is an individual or company that dispatches shipments via asset based carriers and books or otherwise arranges space for shipments. Freight forwarders typically arrange cargo movement to an international destination..The importance of freight forwarder lies in organizing the safe, efficient movement of goods on behalf of an exporter, importer or another company or person, sometimes including dealing with packing and storage. Freight forwarders arrange the best means of transport, using the services of shipping lines, airlines or road and rail freight operators. In some cases, the freight forwarding company itself provides the service.

- Major problems identified by the freight forwarders in their business operation Stuffing, loading and unloading, non-availability of trailers and trucks, Routing and scheduling .A consortium of freight forwarders could be formed so that problems of non-availability of trucks and containers could be minimized.

### REFERENCE

I) LITERATURE MATERIAL | Research methodology by C.K. Kothari, Transportation for the Future by H. Seidenfus | Global logistics and distribution planning by M.C.Kinnon | II) WEBSITES | ❖ [http://en.wikipedia.org/wiki/Freight\\_forwarder](http://en.wikipedia.org/wiki/Freight_forwarder) | ❖ [www.falconfreight.com](http://www.falconfreight.com) | III) NEWSPAPERS | ✓ Business line | ✓ Economic times | ✓ India today | ✓ Link | ✓ Fair play | IV) JOURNAL | ➤ The comprehensive solution for freight forwarding industry | ➤ A strategic knowledge based planning system for Freight forwarding industry | ➤ ❖❖❖ dual role of Freight forwarding |