Freight Forwarding Industry: Function, Economic Role and Future Market in Bangladesh.

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Abstract
A freight forwarder is an entity that acts as an intermediary between the actual shipper and the carrier. Freight forwarder provides other logistics and legal services for shipper as value added service, nowadays it books Freight, prepares documentation, arranges Warehousing and aids to Custom Clearance on behalf of shippers or importer. The aim of the paper is to uphold function, economic role and services provide by freight forwarder and predict future market in context of Bangladesh. There are about 837 freight forwarding company have been registered under Bangladesh Freight Forwarders Association (BAFFA). Due to frequent shipment of garment, leather, medicine and other consumer product across the world, the industry is on making profit. The paper suggests some measures that can make our market stable for the future and some ways to reach sustainable goals simultaneously through technology (like cloud computing). And recommend freight forwarders leveraging new technology to compete with market leaders.

Key Word: Freight Forwarder, Ocean freight, Air Freight, Export, Import, Bangladesh.

Definition of freight forwarder
Traditionally, a freight forwarder is an entity that acts as an intermediary between the actual shipper or importer and the carrier. In broad sense, a freight forwarder or forwarding agent, also called as a non-vessel operating common carrier (NVOCC), is an individual or a company that aids to arrange shipments for individuals or corporations to get cargoes or goods from the producer or manufacturer to a customer or customers, a market, or final point of distribution for end users. Forwarders contract with a carrier or often multiple carriers to move the goods. Generally, its role can be compared as follows: Shipper/Importer ------ ------- Freight Forwarder -------------- Air line/Ship Operator.

In addition, freight forwarder provides other logistics and legal services for shipper as value added service, nowadays it books Freight, prepares documentation, arranges Warehousing and aids to Custom Clearance on behalf of shippers or importer.

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Function of Freight Forwarder

Owing to the rapid changes in the world business pattern, the role and function of a freight forwarder also altered to keep pace with the new atmosphere. Advancement in international trade, commerce and communications, the role of the freight forwarder has become versatile. It provides:

a. Third party logistics for the final seller or buyer concerning sorting, receiving, processing, picking and packing, long or short term storage space or cargo space, delivery, supply and distribution. Moreover, it supports third party invoicing and cash collection in support of the end consumer or seller.

b. Working as a carrier by constricting for block space with railways, airlines or shipping lines.

c. Door to door deliverance relating multiple modes of transport but through one document of carriage and responsibility.

d. The freight forwarders manoeuvre their activities using different titles such as “logistic or distribution specialists”, sometime it uses its title as “international freight management” or “Multimodal Transport Operator (MTO)” or it is frequently addressed as in short NVOCC or in detail as “Non Vessel Operating Common Carrier” around the world.

Service provided by a Freight Forwarder:

A freight forwarder offers services to the customers:

- Export and air and sea freight
- Import air and sea freight
- Professional and door to door service to customers

Exports and air and sea freight

- Preparing and processing of Customs Declaration and clearance.
- Verify and ensure the dispatch of original documents periodically.
- Ship of goods by air or sea.
- Circulations of information to all parties concerned in the shipment.
- Prepare house Bill of Lading in accordance with shipper’s Letter of Credit.
- Shipment tracking up to the point of final delivery or end user.
- Cargo loads and unloads to the Port or Airport.
• Checking carton numbers or marks before processing Customs or prior to Board of Investment (BOI).
• Advised and recommended destination buyer on final particulars of the shipment.
• Combine a number of shippers’ cargo into one container for an individual buyer.

Imports and Ocean freight and Air freight

• Process papers and documents for customs clearances.
• Merge different dealers or supplier’s freight and forward at a time for minimizing the cost of freight as well as clearing charges.
• Report on shipment status
• Keep the importer updated.
• Pay local payment of freight charges on behalf of shipper.
• Provide Short or long term warehouse and storage facility.
• Arrange insurance for cargo.
• Endow with specialized service, for example, loading, unloading, packing, cataloguing, grading, labelling and distribution of goods to the end party according to the customers’ or buyers’ instruction.

Prerequisites that a freight forwarder for professional service to customers

• Honest, committed, competent, dedicated and high quality of stuff
• State of the art information technology system.
• Warehouse facilities
• Strong link to International network of freight offices
• Logistics & supply chain management
• Sufficient working Capital to meet the demand during peak hour.
• Liability insurance against all kinds of damages, losses and delays.

Economic Role of the freight forwarder

Comprehending economic role of a freight forwarder, it is vital to provide a brief foreword to the method of loading and unloading of goods internationally by multimodal carriage and then think an entirely diverse phase of the horse and carriage of goods globally. An understanding of multimodal transport is required that the freight forwarder uses this method of carriage in performing his duty.

A multimodal or combined transport operator has to be evidently differentiated from the freight forwarder. A freight forwarder is basically not a carrier, but an auxiliary entity, a professional mediator between the cargo interest and the carrier,
who organizes the carriage of goods from departure to destination, but does not undertake to carry himself and does not agree to take liability as a carrier.

The economic role of the freight forwarder is related to the size and the scope of work and activities that it performs. A more than 120,000 freight forwarders have a Website over internet.

The number of freight forwarders is approximately over 200,000, if we consider the fact that many local freight forwarders do not have Website. (Francou, B)

**Why we need Freight Forwarder?**

Shippers always look for cost effective freight for his cargo and freight forwarder provides following advantage to shipper to ship cargo to desired destination.

a. Credit facilities for airfreight or sea freight charges.

b. Secure competitive freight rates and space.

c. Information flow among all concerned parties during the shipment is facilitated and managed by one party.

d. Most shippers do not have the resources, infrastructure, knowledge and staff to perform these services therefore FF is required

e. Management time and resources like Staff, office space and equipment could be utilized for the core business of a shipper.

Bangladesh Freight Forwarders Association (BAFFA) is the only Trade Organization of Freight Forwarders for Bangladesh. It has been created through amalgamation of Association of Cargo Agents of Bangladesh (ACAB) & International Freight Forwarders Association of Bangladesh (IFFAB). Ministry of Commerce establishes a single trade association of Freight Forwarders in 2003 and it takes about seven years to reach the long cherished goal. The aim of BAFFA is to promote, protect and safeguard the interest of Bangladesh Freight Forwarders (BAFFA)’s member and engaged in total transportation of the goods by sea, land and air or combined multimodal transportation and provide other service, for example, warehousing, packing, space booking, export & import documentation and clearance, customs brokerage, consolidation or deconsolidation, logistics service, Non Vessel Operating Common Carrier (NVOCC) and supply chain management.
According to the latest statistics, it is observed that there are about 837 freight forwarding company have been registered under Bangladesh Freight Forwarders Association (BAFFA). Due to frequent shipment of garment and leather product across the world, the industry is on increase. For example, from freight forwarding business point of view, MGH Group represents seven freight-forwarding agencies and six shipping lines. In 2006 and 2007, MGH was set to make stronger its presence in Sri Lanka, China and Europe and has productively reached its goal. Since then, MGH pays attention on the European market to provide its quality services across the Pacific. MGH has 30 %( percent) volume share of export sea freight in Bangladesh and 55 % (percent) of European exports. MGH provides air freight, ocean freight, warehousing, trucking, import clearance, distribution and custom. Future market would belong to those who can ensure following measures or issues:

a. Highly skilled and qualified labor.

b. FF section can or may share their mother company’s resources as well as infrastructure.

c. Long term involvement in shipping business.

d. Low cost- Best service in minimum cost (e.g. low labor cost, low charges for mother company’s resources and so on.)

e. Easy to access modern communication facilities.

f. Strong link with other sectors like ship charterer, customs, banks, other shipping companies and ship owners.

Reliability – it’s a brand for company. If any could gain the trustworthiness, he could survive in the market for a long time and the failure may cause of the termination of business.

g. Cloud computing gives freight forwarders, particularly the small-to medium-sized companies, and the logistics toolkit they need to remain nimble in a highly competitive market with thin margins.

The future market for freight forwarder will be controlled by those who can make efficiency in logistics. Therefore, the future of logistics suggests that:
a. Freight forwarders require leveraging new technology to keep pace with market leaders.

b. Freight Forwarders require developing value adding services to expand their business proposition and need “cloud-based”, well-designed systems for control, visibility and flexibility.

c. The market leaders need to be more responsive and dynamic to maximize the opportunities and maximum customer satisfaction to be dominant in the market.

Conclusion

The paper presents the role, function, activities and services of freight forwarder and future market of freight forwarding industry in concise fashion. The aim of the paper is to uphold the present condition and future trend of freight forwarding company in context of Bangladesh and accumulate information regarding freight forwarding in brief and compact and it’s a growing market where Bangladesh can play vital role through leveraging new technology and skill man power.

Reference


