

# THE IMPACT OF FREIGHT FORWARDER IN SHIPPING INDUSTRY

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## ABSTRACT

The study sought to investigate the factors hindering the success of the freight forwarding firms in facilitating imports and exports. A descriptive survey design was used on freight forwarding firms. The researcher used purposive sampling to select firms for the study. Interview guides were used as data collection instruments. The study found out that; demurrage charges through delays, wars, loss from fire out breaks, piracy, damage and destruction of goods, sinking of vessels and fraud by employees in position of authority were the major factors hindering the success of this industry in facilitating imports and exports. The government should also make use of the latest technologies so as to increase the speed of clearing goods such that they reach their final point of consumption within the shortest possible time. The freight forwarding industry should also engage professionals who have adequate knowledge and experience in clearing of goods.

### Keywords:

Freight forwarding agent, Demurrage charges, Supply chain, Logistics, Value chain

## 1.0 INTRODUCTION

An individual who, as a regular business, assembles and combines small shipments into one lot and takes the responsibility for the transportation of such property from the place of receipt to the place of destination.

The role of a freight forwarder is to collect and consolidate shipments that are less than a carload or truckload and obtain common carrier

transportation for the long-haul transport of the property, which is owned by individual carload or truckload shippers. Such a forwarder ordinarily has the same liability for loss as a common carrier.

### 1.1 Significant of study:

To study about the impact freight forwarders in shipping industry It can be good impact or bad impact of freight forwarders in shipping industry with a few reasons .In other word, want to study about advantages and disadvantages of freight forwarders in shipping industry.

### 1.2 Problem statement:

The research aim is to analyze the factors that are impact freight forwarders in shipping industry and also analyze the relationship of freight forwarders with shipping lines. In the modern world the trend has been changed in shipping industry now the Forwarding agent is playing a vital role in shipping industry as a middle man with the name of Fright Forwarder between the shipping line and exporters. Freight Forwarder has strong negotiating power to shipping lines due large numbers cargo velum because of the exporter's preference that do exports through freight forwarder. They take an advantage with the bulk of cargo from the shipper (exporters) and play a role of big intermediaries among the shipping lines, buyer and exporters, and they provide a full of supply chains management and transportation, from the exporters where house to buyer door which is called pin to point service or door to door delivery.

### 1.3 Research objective :

To investigate factors which hinder the success of the Freight Forwarding Industry

- To identify cost reduction strategies in the supply chain
- To suggest possible solutions to challenges being faced by Freight Forwarding Agents
- To give policy recommendations so as to create a conducive environment for the Freight Forwarding

It will only consist of shipping lines and freight forwarders, specially with concept and practicing of how they doing a business and facilitate to customer no other fields will be considered. This research will only focus the factors which are impact the shipping lines business which may cause an increase in trade, profitability and reduce shipping line risk or any other. That's why this will not include the all operations and other activities, which raise the revenue of shipping lines. It will only consist of those forwarding companies, which are directly involved with the international forwarders and involve the shipping line business.

#### **1.4 Research Question:**

1. What are the influencing factors of shipping lines versus Freight Forwarders for Exporters and buyers?
2. What are the major problems of freight forwarders presently with the shipping lines?
3. What are the major problems of shipping line presently due to involvement of freight forwarders?
4. What are the relationship between the Freight forwarders and Shipping lines, how they will grow and build up?

## **2.0 LITERATURE REVIEW**

### **2.1Freight Forwarding Agents**

Freight forwarder as a 'firm specializing in arranging storage and shipping of merchandise on behalf of shippers. It usually provides a full range of services including tracking inland transportation, preparation of shipping and export documents, warehousing, booking cargo space, negotiating freight charges, freight consolidation, cargo insurance and filling of insurance claims.'

### **2.1.1Supply Chain :**

Supply chain is a network of organizations that are involved in the upstream &downstream linkages in the different processes &activities that produce value in the form of products &services in the hands of the ultimate customer or consumer. Upstream means against the current &relates to the relationships between an enterprise &its suppliers &supplier's suppliers. Downstream is with the current & relates to the relationship between an enterprise & its customers. supply chain is a term used by logistic professionals which encompasses every effort involved in producing &delivering a final product from the suppliers' suppliers to the customers' customer. Four basic processes are: plan, source, make, deliver Broadly define these efforts, which include managing supply & demand, sourcing raw material &parts, manufacturing & assembly, warehousing &inventory tracking, order entry &order management, distribution across all channels &delivery to the customer.

### **2.1.2 Logistics :**

Total management of the key operational functions in the supply chain. It is the process of managing both the movement &storage of goods & materials from the source to the point of ultimate consumption & the associated information flow. It is part of the supply chain process that plans, implements &controls the efficient & effective flow & storage of goods, services & related information from the point of origin to the point of consumption in order to meet the customers' requirements.

### **2.1.3 Value Chain :**

Value as customer benefits. Value chain refers to all the transforming activities performed on an input to provide value to a customer, the contribution of the supply chain in creating value can be found in the better quality of inputs, the optimization of input costs, timeliness of transformation (production) &customer satisfaction. Value chain is various steps a good or service goes through from raw material to final consumption.

### **2.1.4 Conceptual Framework :**

Shipping lines and transporters are diversifying into multimodal transport thus offering a full forwarding package on a door to door basis. Figure 1 depicts the complexity of Freight Forwarding and services from domestic carrier to foreign carrier which need to be provided under one roof. This has seen liners moving into integrated logistics and forwarders seeking partnerships to create a global network in order to meet the high demanding customers' needs. The use of modern methods of freighting like bill of entry telex release facilitate transport as shipments are cleared on time and vehicle standing time is reduced. However this facility has been underutilized because of poor ability to communicate in facilitating the release.

### **2.2 Factors Which Hinder the Success of the Freight Forwarding Industry :**

- a) Poor Transport and Communication Networks.
- b) Poor Regulatory Environment.
- c) Cumbersome Clearing Procedures at the Border Posts.
- d) Shortage of Skilled Manpower
- e) Lack of State Of Art Equipment and Machinery.

### **2.3 Cost Reduction Strategies within the Supply Chain :**

- a) Lowest Total Cost.
- b) Information is the Enabler for Supply Chain Management.
- c) Customer Service
- d) Inventory Reduction and Postponement of Order

## **3.0 METHODOLOGY**

### **3.1 Research design:**

Qualitative methods will be used in this research, the principal strategy will to adopt a qualitative analysis using focus interviews. The data will be collected through unstructured interviews from logistics company this will elicit information regarding the impact of freight forwarder in shipping line. The approach consists of in-depth

focus interviews in the shipping industry. Phenomenology: Qualitative research examines life experiences (i.e., the lived experience) in an attempt to appreciate and give them sense. This usually is done by methodically collecting and analyzing narrative resources using method that ensures trustworthiness of together the data and the results. Phenomenology is one of many types of qualitative research that examines the live experiences of humans.

### **3.2 Data collection :**

In this research study, the researcher conducted focus interview with professional experts of the shipping industry and to know to phenomena of how freight forwarder impact in shipping industry. Conducts four interviews with the top manager from the freight forwarder and shipping company. The data collection types involve verbal questioning of experts/ respondents, from the freight forwarder and shipping line individually. Answers to the questions posed during an interview can be recorded by writing them down (itself or immediately after the interview) or by tape-recording the responses, or by a combination of both.

### **3.3 Population and sample :**

By using a small number of units of a given populations as a basis to make conclusions about the whole population is called sampling. Samples of this research will be freight forwarder and shipping lines. Interview will conduct from four responded from the freight forwarder and shipping line.

### **3.4 Data Analysis Techniques :**

The component in phenomenological design is analyzing the contents of the transcriptions. There are four levels of phenomenological analysis; the first level is description of the phenomena as revealed in the interviews. The transcribed narratives identify and describe the qualities of human experience and consciousness that give the person being studied his or her unique identity and outlook.

## 4.0 FINDINGS

State of roads and traffic congestion along the major international routes for example, the Harare-Beitbridge and Harare-Chirundu roads were also contributing to delays of cargo to reach the intended destinations. The study also found out that slow progress on clearing of goods at the country's border posts has led to increased demurrage charges and loss of part of the cargo as the goods were sometimes spending more than 3 days uncleared at the customs yard. Cumbersome customs clearing procedures were also negatively impacting on the speed at which cargo was being cleared.

Increased cases of fraud and bribery also caused major loss of government revenue. The study also found out that inexperienced staff was handling cargo in an inappropriate manner resulting in delays, loss of customers, and damage to goods and increased landing costs. The study also found out that, exchange rates have been affecting the Forwarding Industry as most of some services. The strengthening of the Rand against the Dollar and manipulation of the exchange rate has resulted Forwarders' rates being uncompetitive.

## 5.0 DISCUSSION & CONCLUSION

The study recommended that freight forwarding firms should form associations where they would meet to discuss the challenges facing the industry and possible strategies of overcoming these challenges. The government should invest in infrastructural developments so as to create a permitting environment for the forwarding industry. Stiff jail sentence should be imposed on officers who receive bribes and promote corruption since the industry and the government at large is losing a lot of revenue through such activities. Institutions of higher learning should introduce degree programmes, research and consultancy in shipping and supply chain in order to employ experienced staff in the shipping and forwarding industry since no industry can succeed without an accompanying supportive university to give a continuous flow of highly skilled labour and to share international research experiences to pre-empt technology break .

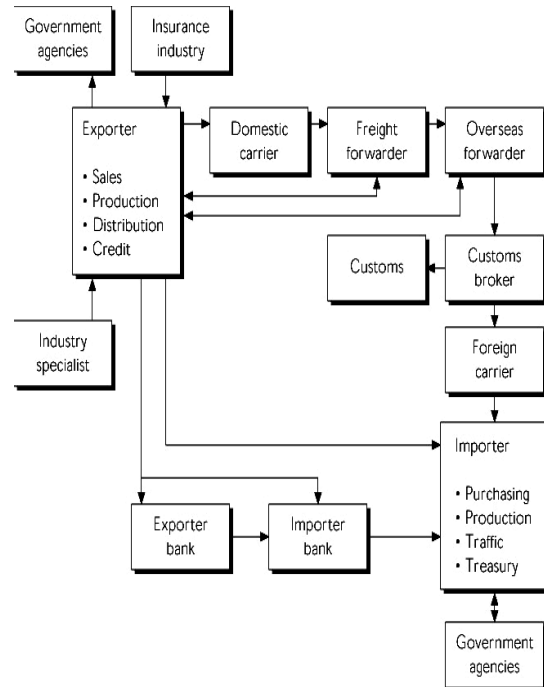


Figure 1: showing import-export chart flow

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