



INDEPENDENT FREIGHT FORWARDING IN GLOBAL LOGISTICS

THE STATE OF THE INDUSTRY IN 2016 AND FUTURE PROSPECTS

REPORT OUTLINE

WFA BEST IN CLASS INDEPENDENT FREIGHT FORWARDING NETWORK

EXECUTIVE SUMMARY

Independent Freight Forwarding in Global Logistics

A strong independent freight forwarding sector is vital to Global Logistics

Introduction:

The Global Institute of Logistics “Independent Freight Forwarding in Global Logistics” report has come about in response to the increasing trend by Beneficial Cargo Owners (BCO’s) to outsource the management of their container traffic to independent freight forwarders.

The independent freight forwarding sector is now more vibrant and successful than ever, despite the global economic woes of the past few years. The rise of the independent agent has now been borne out by a whole range of statistics and data that prove that far from shrinking, the independents are growing faster and taking market share from the multinationals.

Latest figures from Drewry show that 41 per cent of all ocean freight is now controlled by 3PLs or forwarders and by the end of the decade analysts are predicting that the market share will rise to 50 per cent – a remarkable switch in business practice by BCO’s over the past two decades. 20 years ago some 75 per cent of all sea freight volumes were booked directly with carriers.

Even more remarkable is that it is independent freight forwarders and not multinational 3PL’s are expected to make up the lion’s share of this total at some 30 %

This trend by BCO’s to outsource the management of their container traffic to independent freight forwarders, is being driven by increasing frustration with the lack of service, price volatility, schedule unreliability and onerous credit terms experienced in dealing directly with carriers in the sea freight industry.

Carriers due to the huge downward pressure on container rates (largely due to their own misguided strategies) are being forced to increasingly commoditize their product. As a result carriers are increasingly incapable of meeting shipper’s needs through direct relationships as they lack the end to-

end service supply chain capabilities, focusing instead almost entirely on cost. Sales and customer service teams have been slashed as the fight to the bottom on rates continues. The advent of super alliances has further eroded the personal interfaces between the shipping lines and the end customers.

This move away from direct booking with carriers by BCO's is a great opportunity for independent forwarders to gain significant new business and volumes. For the logistics industry this is also a positive development and will help to further integrate the global supply chain.

However, changing the logistic mind-set of major global shippers is not always easy. GIL is committed to educating the sector on the benefits of using dedicated independent agents and their networks that really care for their business. This is the key objective of our report.

The report will be structured using a Q&A format asking and specifically answering 3 key questions:

- **Who?**
 - **What is the typical profile of the IFF that BCO's are looking to?**
 - Traditionally, the freight forwarder spoke directly with clients and warehouses around the world to arrange the movement and storage of freight. Today, the description of a forwarder has become far more complex. They now take this information and pass it along to the appropriate party whether that be the carriers, third-party service providers, Custom agents, or the shippers themselves.
 - Along with making certain that the freight gains entry into the country, a forwarder must now arrange for cargo to be picked up and delivered to the final consignee's place of business. This requires contacting trucking companies, rail lines, or even sometimes exporting the goods to a different country for final delivery. This complexity has created new opportunities for the independent freight forwarder to upgrade their services and IT capabilities in order to keep up with growing demand.
- **What?**
 - **What do independent freight forwarder needs to demonstrate to attract this business?**

- Freight forwarders have to become smarter and more efficient – in an environment where manual data entry is still widespread – but they will have to enhance their commoditized offerings. For some, this means developing their levels of expertise in niche sectors in order to differentiate their services. Others will evolve from pure forwarders to fully developed logistics providers, increasingly serving customers with integrated logistics services. The technology systems they offer will be critical to their customer proposition.
 - The major market challenges that freight forwarders face today are becoming even more daunting as their basic services turn into commodities and the competition gets more intense. To become a best-in-class company in this environment requires thinking and performing outside the box.
 - The more services the forwarder provides, the “stickier” its relationship with the customer. Unless these industry dynamics are addressed and soon, freight forwarders will be condemned to competing in an industry in which slashing prices is their only competitive option
 - What is best practice in customer interfaces, track and trace facilities, global partner networks and other value-add services.
- **How?**
 - **How are these services delivered?**
 - The days of opening a generalized freight transportation business may be over in favor of a more focused and specific transportation approach, that includes offering additional services that complement the transportation of the box itself. These may include warehousing, local distribution, pick and pack, or some form of commodity assembly before shipping.
 - However, the sensitive, personal touch is always in demand and appreciated by customers who are not

willing to be an anonymous entity with their freight company.

- To ensure both medium- and long-term survival the report explores several strategic imperatives:
 - How to Protect revenues with innovation—develop a “sticky,” differentiated offering
 - How to Maximize profits by adapting the offering to serve the most attractive customer segments
 - How to Win new business by attracting new customers in developing markets
 - How to Avoid commoditization by adding value-added services to the offering
- **How?**
 - **What is the role of independent freight forwarding networks?**
 - BCO's are global in their approach to sourcing and distribution and as a result outsource to freight forwarders who can provide global coverage. Therefore for independent freight forwarders, membership of a global network is crucial. Network membership enables freight forwarders to form relationships with other freight forwarding companies, gain access to their resources and link with their activities all critical in connecting BCO's to international supply and distribution networks.
 - Combining their resources and activities with those of other freight forwarders will result in BCO's materials moving faster at lower costs with superior customer service than competitors. However not all networks are the same and that is the challenge for freight forwarders, how to go about identifying the correct network to partner with and having chosen a particular one, how to make membership work for both the company and its clients.
 - There has been very little in the way of research on how successful freight forwarding networks operate. As a result BCO's and freight forwarders have access to very little information when evaluating the market place. The Institute will address this knowledge deficit in its final report. Our approach is to first identify a benchmark

network to research and for this the Institute has chosen the World Freight Alliance. The report will explore the development of the WFA and provide readers with a unique insight into the development of an international network of regionally independent freight forwarders.

- **Who is the World Freight Alliance?**

- How the network operates focusing on the relevance of relationship and network theory to the behavior of medium and large sized freight forwarders in business networks.
- The development of the freight forwarding network from the perspective of freight forwarding firms.
- How a network comprising competing forwarders operates and will focus on the relevance of relationship and network theory to the behavior of freight forwarders in business networks.
- How by leveraging the WFA platform, members have developed relationships with the aim of pooling their resources and activities to offer a freight forwarding service on behalf of other firms in the network.
- How members have by connecting with freight forwarders in other countries and combining their resources and activities with those firms offer a more expansive service with a global reach greater than each individual firm would be capable of offering alone.

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Kieran Ring Global Institute of Logistics

Tommy Kelly Chairman World Freight Alliance

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- **ABOUT THE INDEPENDENT FREIGHT FORWARDER INDUSTRY**

Provides general information about the scope of the industry such as an industry definition and a list of the main activities of the industry

- Industry Definition
- Main Activities

- **INDUSTRY AT A GLANCE**

- **INDUSTRY PERFORMANCE**

Industry Performance chapter covers the following:

- **Executive Summary**
 - The Executive Summary section is a brief summary of the overall chapter.
 - **Key External Drivers**
 - The Key External Drivers section looks at the key factors outside the control of an individual business that determine the industry's performance.
 - **Current Performance**
 - The Current Performance section provides analysis for the industry over the past five years with key performance indicators discussed.
 - **Industry Outlook**
 - The Industry Outlook section is a key analysis section of the report and outlines expectations for the key industry indicators over the next five year period, including forecasts.
 - **Industry Life Cycle**
 - The Industry Life Cycle section provides a discussion of where the industry is at in its life cycle and how that is affecting industry performance.

- **PRODUCTS & MARKETS**
 - **Supply Chain**
 - The Supply Chain section lists the key buying and key selling industries associated with this industry
 - **Products & Services**
 - The Products & Services section lists the products and services the industry provides including percentage breakdowns by key segment.
 - **Demand Determinants**
 - The Demand Determinants section provides an analysis of the determinants behind the level of demand for the industry's products.
 - **Major Markets**
 - The Major Markets section gives an analysis of the markets for the industry's products and how these markets may have changed over time.
 - **International Trade**
 - The International Trade section provides a discussion of the importance of trade to the industry.
- **COMPETITIVE LANDSCAPE**
 - The Competitive Landscape chapter is a discussion of the characteristics of an average operator in the industry and who controls the market for the products of the industry. It includes the following sections
 - **Market Share Concentration**
 - The Market Share Concentration section discusses the level of concentration of the industry.
 - **Key Success Factors**
 - The Key Success Factors section looks at the key internal factors that contribute to the success of an operator in the industry.
 - **Basis of Competition**
 - The Basis of Competition section is a discussion of the factors that can give a company in this industry a competitive edge
 - **Barriers to Entry**
 - The Barriers to Entry section looks at the factors preventing new companies from entering the industry.

- **Industry Globalization**
 - The Industry Globalization section provides an indication to which the industry is affected by global operations and trends.
- **OPERATING CONDITIONS**
 - The Operating Conditions chapter covers the following:
 - **Structural Risk Index**
 - The Structural Risk Index section provides an indicator of the level of risk faced by operators in the industry.
 - **Investment Requirements**
 - The Investment Requirements section is an analysis of the level of capital investment required to operate in the industry.
 - **Technology & Systems**
 - The Technology & Systems section discusses the key technologies used by the industry.
 - The development of stronger human – machine interfaces, has the potential to increase supply chain efficiency and reduce susceptibility to costly errors.
 - **Industry Volatility**
 - The Industry Volatility section looks at the level of in the industry and the factors behind this volatility.
 - **Regulation & Policy**
 - The Regulation & Policy section looks in to the regulatory measures the industry is subject to and the corresponding compliance burden faced by operators in the industry
- **KEY STATISTICS**
 - The Key Statistics chapter provides the key indicators for the industry. The statistics included are industry revenue broken down in to trucking, rail, air, sea, warehousing and value added services.
- **MARKET BRIEFING**
 - The Market Briefing Chapter profiles each of the key markets around the world and provides the reader with an insight in to the local independent freight forwarding industry.

- **THE FUTURE**
 - **The Role of Networks**
 - There are key differences in how various networks operate, largely driven it seems by their genesis and raison d'être.
 - Can networks of independent freight forwarders combine to provide global beneficial cargo owners with a single solution?
 - How can technology be an enabler in this process?
 - **Profile of the World Freight Alliance 'Best in Class' Independent freight forwarding Network**
 - The influence of WFA membership on BCO relationships,
 - The role of WFA membership in the establishment of new markets.
 - The relationships between WFA members,
 - WFA Membership and member companies' competitive position.
 - The growth and development of WFA member firms.
 - How local and international networking operates in the WFA
 - Sharing of resources and reciprocity within WFA membership
 - **CASE STUDIES**
 - The report will include a series of case studies and profiles on leading independent freight forwarders. The collection of case studies will be drawn from a cross section of regions and verticals.
- **ROLL OF HONOR**
 - Accrediting where appropriate of Independent Freight Forwarders (on the strength of their case study) with Best in Class.
 - **Best in Country/ Region**
 - Accreditation of Independent Freight Forwarders that demonstrate dominance in the IFF segment in their territory.
 - **Best in Class**



- Accreditation of Independent Freight Forwarders that demonstrate dominance in a particular vertical or category in their territory.
- **CONCLUSIONS**
- **RECOMMENDATIONS**
- **ABOUT THE WORLD FREIGHT ALLIANCE**
- **ABOUT THE GLOBAL INSTITUTE OF LOGISTICS**



**GLOBAL INSTITUTE OF LOGISTICS
DUBLIN IRELAND**

www.globeinst.org

info@globeinst.org

+353-87-2237963