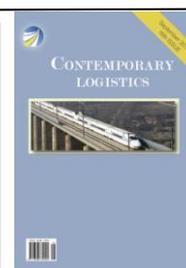




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An Approach to the Problems and Tactics to International Forwarding Based on International Logistics and SCM

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ABSTRACT

International forwarding scope is increasingly expanding with its functions becoming more and more important as international trade and transport develop recently. This paper analyses the problems in international forwarding on the basis of international logistics and SCM; also, pertinent tactics have been suggested in order to make international forwarding market as perfect as possible.

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Preface

International freight forwarding has developed to an appreciable extent in China along with national economic and global trade fast growths, although this is a comparatively new industry with many issues. Particularly in such a macro situation of international logistics supply chain, the contemporary logistics has deployed an expecting direction for international freight forwarding. The contemporary logistics has changed the transport service space of traditional limitation between two nodes with one line and extended logistics to a movement with all-inclusive process for products from manufacturers to end users, which controls the operating effect and costs in the whole process system. Furthermore the contemporary logistics supports customers to improve their service level, promoting sales and marketing strategy implementation and marketing competitiveness through high efficient and reliable service.

Simply because the contemporary logistics that has explored more profiting sources, larger marketing shares and strengthened competitiveness for international forwarding. Furthermore international forwarding itself with its own transporting capacity, warehousing and forwarding networks as supporting power deploys modern logistics service. And international forwarding itself has obtained business profits and marketing space for self-development through customers to provide full-scale service. It stands on the basis of international SCM environment to offer contemporary logistics service and to explore, which will bring itself a vital increasing point for the future.

1 Problem in International Forwarding

1.1 No law against and lacking of macro-control

1.1.1 Multi-governmental administrations, less uniformed laws and policies, waiting for enlarged opening

The special laws and regulations already declare that foreign economic and co-op administration is the sole-controller to international

forwarding industry. However, Road, water-way, railway, air, post transport administrations and coalition transport administrations also set regulations and manage international forwarding in a way according to their own professional laws and regulations. It is not simple to run international forwarding businesses, because you have to not only obey the laws and regulations stipulated for international forwarding, but also road, those from water-way, railway, air, post transport administrations and coalition transport administrations and even postal statutes. Apart from this policies or constitutions concerned stipulate one share-holder in such enterprise should be import and export business, international transport enterprise or international forwarding and such holders should hold major shares.

1.1.2 Governmental management to the industry appearing series-empty

For the time being, the governmental management on forwarding and logistics is described as “Administrative lines and lumps; market benefits sectionised; Sections’ benefits legalized.” This is called market series-empty. Chinese administration on forwarding and logistics is multiple, line-lumping and complex relating to the sectors: commercial ministry, communication ministry, civil aviation and general postal bureaus, etc. Each of them has its own administrated market and business. For the purpose of interest for each dept, they take advantage of administrative constitution. Typically, in industries of international courier, non-vessel carrier and so on there are chaos among governmental administrations, which brings forth unprecedented impact on the industry of forwarding. Fortunately, government has come to understand the serious problems and taken action to cope with it. State Council explicitly dictates logistics management under governmental charge, against which newly organized Commercial Ministry undertakes such heavy task. Thus, the managing utility has been positioned through the hierarchy of the State.

Commercial Ministry is coordinating the sectors concerned and investigating the new issues. Says it will adjust the relations of administration to develop forwarding and logistics markets fast and healthily from state-hierarchy.

1.2 Charging in a mess and professional competition hot

1.2.1 Forwarding charging in a mess

Owing to that fact that shipping companies can set freight tariff and self-adjust against demand-supply change independently. Some companies over charge the small customers by cheating items while rebate large clients under the desk. Some even add a difference on the freight beforehand and then return the commission to shippers. Some of such rebates are deducted from the freight without shippers’ payment and some are prepaid by shippers and then returned to them, i.e. gray incomes.

1.2.2 Professional competition hot

The competition in the circle is hot and traditional forwarders have little space to exist. In the normal market shipping companies extend their service as strategy.

They have sales and marketing integrated in carriage and forwarding. Large-scaled shipping enterprises e.g. COSCO and CSCL etc. erected their own forwarders and foreign shipping companies also break the limitations to set up self-invested Forwarders. Some overseas shipping companies unite railway service to run scheduled container train by sea-rail, which is a one-stop multi-modal transport. As the shipping market can be seen gradually, some large vendors, port-shipping utilities make the best use of their own resource and monopoly to run forwarders. No doubt, these factors tremble the living foundation of traditional forwarders, who rely on differences in freights and booking fee for profits.

Rat race worsens impacting on the image of port of entry, which is harmful to grand clearance of customs. It is not hard to see through the existing forwarding market and future development forecast where the shoe pinches is rat race and price beating down among forwarders themselves. Some undertake demurrage ignoring risks and forwarding revenues, but just for forwarding right.

1.3 Illegal affiliation causing difficult management

Since the law only allows those who have obtained forwarding permits engage in forwarding service, some informal forwarders affiliate to first-class forwarders and land the contracts in the name of latter. Of course the invoices are first-class Forwarders’. Some have even two company names so as to escape the supervision.

1.4 Interior service hard to satisfy

Some of the forwarders deal with LCL and for short load reason for the reserved. Voyage leaves the received cargoes at dispatching ports until the next voyage that may be full in load. The service network of Chinese forwarders is not complete or perfect and service quality then different with weaker competitiveness and operational series are waiting for regulation. There is almost no a single soul of international forwarder with a complete global network. Most of them are lacking of those networks and even no domestic networks at all. Because of lacking of expertise personnel, nor enough training, nor uniform professional standards, the difference is great. Other factors are capitals, markets, information and so on.

1.5 Development not in balance and lacking of expertise

1.5.1 The development of forwarding not in balance

International forwarders spread extensively wide with multi-compositions co-existing, which results in difference. Coastal cities have more international forwarders and develop rapidly although each province, autonomous rejoins and directly-administrated municipality has its ones. Inland international forwarders are fewer and growth is slow. International forwarders distribute in 30 sectors and fields with multi-economic compositions co-existing. However, under the restraints of state policy, most of them belong

to import and export enterprises and communication enterprises. State-responsible and foreign invested forwarders are absolutely prevailing in quantity and scale. Other economic composition types are fewer and scales are small.

1.5.2 Lacking of forwarding expertise personnel

A major number of forwarders are short in history with single-item service, smaller capital and scales and expertise personnel are lacking.

2 Tactics Analysis on International Forwarding Development

2.1 Rational relocate logistics resources

Full-scaled logistics utilities and logistics technology with state-of-the-arts are fundamental for forwarders' transformation to contemporary logistics, guaranteeing to provide customers first-class service. E.g. bar code and mobile tracking etc. and work out the solutions with high quality and service- first satisfying between two sides of enterprise vs. customers.

2.2 Relevant competitive policies to advent

As to medium and small forwarders, the existing professional competitors are Large-scaled state-responsible, foreign invested and joint-ventured forwarders similar in operational modes in the same regions. Those enterprises have already full-fledged network nation-wide with great capitals and most are turning to 3PL deploying comprehensive logistics service. Chinese medium and small forwarders can against the customers' demands provide higher tiers of value-added service with lower charge, e.g. offering consultant of logistics solutions to win the market shares within nation.

2.3 Perfection of logistics information system

It is the development of science and technology that drives the increasing visibility of cargo transport. GPS, EDI, ITS etc. substantially improve the efficiency of logistics activities. As to forwarders, information not only means the activities messages for transit, packaging, loading and unloading or storage, but also others for movement of goods, e.g. commodity trading and marketing, as well.

Only possessing sufficient information concerned can forwarders make the best use of it in the process to plan, control, and coordinate and to manage. Through message transmission, various hierarchies of economic performance are coordinated and so are those of each sectors and post. By channel of IT human resource, finance and materials are coordinated to enhance core competitiveness. At last providing logistics service with lower cost, higher quality and efficiency.

2.4 Expanding logistics personnel training

It is only the competition between staffs instead of that between enterprises, i.e. the contest of talents. Being forwarders, the working nature has set a wide range of expertise knowledge, plentiful practical experience and proficient operating ability for international transportation. It further demands familiarity of various transporting modes, means, routes, procedures and social economical systems, legal statutes, customs and practice as well. Also it needs exquisite operation for each link in international transport. Further more a comprehensive liaison and coherent relation with both domestic and abroad utilities are necessary, e.g. customs house, surveyors, banks, insurance, warehousing, packaging and every carrier or its agent. Government should permit and encourage higher educations to run against talents demands, relevant expertise curriculums so as to train higher talents. Allowing and guiding enterprises, industrial organizations and civil-run educations participate in and deploy multi-hierarchies of logistics talents training and educating. Comprehensive co-operations are essential to promote talents turn-over, favourable environment, absorbing and forging a number of elites.

2.5 Scaled economy lifting overall competitiveness

Scaled operation is one of the fundamental tactics for Chinese international forwarders and it is also an access to rational allocation of the existing resources pushing a permanent running. For instance, since 1988, Sinotrans encountering new situation both at home and abroad, firmly promoted re-organization to run a steady Rise. "1+1>2" model had an initial effect. Strategic alliance is the only way to scaled operation, which should be centered by spinal enterprises with share-holding, share-controlling and global consolidation, merger or joint operation. Enhancing co-ops among forwarders makes it smooth to compensate one another exploring bloc. Advantages, establish double-powered co-op partnership, tremendously attract co-ops, form a world-wide forwarder joint entity, set up a global marketing network and realize internationalized logistics service. As to small businesses with under-management but still savable, deserve governmental guidance to ally, consolidate or share-hold for scaled operation. They were linked by assets and efficiency to break the concept of boarder, industry and enterprise. When running business taking air-transport, marine transport booking or appointing agency, and so on; thus promoting scaled cargo-resource, intensification, absorbing both foreign and civil investments through financing, providing guarantee to strategic alliance. In management, implementing managers' annual income, company shares, competing for job posts and creation.

2.6 Improving service additional value and completing logistics functions

2.6.1 Fundamental service for additional value target

Domestic forwarders should take regional and storage advantages to engage in fundamental service on the basis of circular logistics and labour additional value. The first logistics market must be occupied, which are available to offer direct service. In addition, majoring the role as distributor for international logisticians so as to lay the foundation for all-in logistics.

2.6.2 Cultivating and satisfying customers towards individual logistics goal

International forwarding is a media between vendors and carriers and its product is “transport service and other supports concerned”, which is an industry closed to “customers’ satisfaction”, as well. “Customers’ satisfaction” is contemporary marketing key and one of the standards to measure service. It is timely and correct understanding customers’ requirements that offer an intuitive direction. The requirements are different from various customers for transport or logistics. Serving those customers by making-to-order and flexible logistics such as transport, warehousing and commercial additional values, not only supports operators but also increases additional income. For such solution making, it needs scientific and detailed market investigation, collecting data and analyze both with quantity and quality, ensuring target and working out solutions. Finally, to be selected by profitability and manipulation possibility. Once a solution is set, make an explicit working program and step-goals, seeing to it in the relevant sectors.

2.6.3 Implementing out-sourcing logistics to specialized servicing target

The core competitiveness is the most proficient business, say, brands, major business, technical power and creativeness etc. as some advantages for comprehensive resource. Nevertheless, expertises are an access to training and strengthen core competitiveness for enterprises. To realize an expertise service, an option is out-sourcing. Out-sourcing concept is on the principle like this. If some link in a supply chain is not the best or advantage in core competitiveness and does little impact on customers, this link may be out-sourced to the best expertise company in the world, i.e., first of all setting the core competitiveness in an enterprise and then concentrating all the intelligence and resource on the core competitiveness. The rest can be out-sourced to the most expertise ones. This is vital to international forwarders, for they serve as agents with wider business content. Those activities are on the lower tiers, such as booking, chartering, warehousing, LCL, paper working, B/L issuing, customs clearance or inspection requisition. The activities higher tiered are, logistics solution, e.g. warehousing and storage planning, transport modes and routes design and so on, which are not available with one forwarder. Therefore it is inevitable to out-source partial business.

2.7 Intensifying international operating ability and erecting perfect international logistics network

Primarily, it is a must to construct a perfect networking information system, which is utilized by inner and should be linked with foreign forwarders, branches, suppliers, manufacturers, distributors, consumers and other logistics partners in different sections. Consider relevant governmental resources, to realize information sharing, real-time data exchange and transmission and net-platform operation.

Secondly, rational layout for logistics network to shorten accesses and increase the visibility of accesses. Simplifying SCM can reduce links and controlling theory method upwards SCM strategy. Finally, cost saving, excellent service, sound fame, high efficiency come together to the overall purpose.

The last but not the least, integrates existing technical hard wares for existing resources to fit the requirement of logistics operation. Simultaneously, to collaborate with other logistics companies by using existing utilities, say, a warehouse, docks, fleets of vehicles and vessels as bases. Even adopt contracts for certain links of their logistics systems, e.g. inland water transport, inland local LTL/FTL, loading and unloading, purchasing and transporting, warehousing, packaging, distribution etc. Gradually, extend international freight forwarding to 3PL with synchronous steps with the era and a sustainable developing and flying space.

3 Conclusion

Background with integration of global economy international forwarders have to rely on those elements for their existence and sustainable development, which are combination of shipping resources with supply chain management, coordinating all respects, high-quality service for customers, reinforced competitiveness. Only in this way can international forwarders occupy the positions without being replaced or abolished.

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