

HOW ARE FREIGHT FORWARDING COMPANIES COPING IN THE FACE OF RISING COMPETITION?

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CLASSICAL DEFINITION OF A FREIGHT FORWARDER

Freight forwarder plays the role as a bridge between carrier and shipper, to source various transport solutions and earns profits by arranging packages of delivery service.

As a non-asset based company , Freight forwarders tend to have more flexibility to market change since the physical infrastructure investments are far less than the shipping or airline companies.

Role of the freight forwarder



- Their typical Job includes space booking on a ship or an aircraft and on non-vessel operating carriers (NVOCCs),
- Organising domestic and international shipping,
- Providing necessary paperwork and custom clearance,
- Delivery and distribution services,
- Information services, warehousing, consolidation and other related formalities.

“Wow that’s a lot of work”

So who is the competition for Indian freight forwarding companies ?



1. MNC Freight forwarding companies

The top 20 MNC players dominate the market accounting for more than 50% of the total market.

Leading players in the market include
DHL Supply Chain & Global Forwarding,
Kuehne + Nagel International AG,
DB Schenker, DSV,
Sinotrans and Expeditors International.



2. Shipping Lines

- Most of the shipping lines now have online portals providing facilities to the shippers to book the cargo directly with them.
- Shipping lines who have a freight forwarding arm or the one acquiring logistics companies.



3. Digital Freight Forwarding (Online Portals)

International and domestic online booking portals which also call themselves as digital freight forwarding companies, today they are providing Ocean and Air Freight rates,

Issuing e- Bills of Lading and door to door rates along with customs clearance.



4. Shippers - According to some studies 10% of the shippers make direct booking with the shipping lines hence making markets even more competitive .



5. NVOCC and LCL Consolidators -

Earlier these companies were engaged in their core activities however every company wants to be in a position to provide all kinds of services to a shipper or consignee hence they rarely shy away now from wearing a freight forwarder's hat.



6. Digital Market places –

Example Facebook groups / WhatsApp Groups. A lot of daily micro transactions happen here, Shippers look for freight rates on these platforms and they get offers from domestic and international logistics players.



BEATING THE COMPETITION



***“Companies that solely focus on competition will die.
Those that focus on value creation will thrive.”***

– Edward de Bono





1. More focus on SME & MSME business –

With the number of Small and Medium sized enterprises (SMEs) increasing, the freight forwarding companies are looking to increase their business from SMEs . Leaving bigger customers to the MNC Forwarder and the Shipping Lines.

2. Building Online Capabilities -

Freight quote , booking platforms , track and trace on their websites and mobile Apps so their existing customers and their overseas counter parts can benefit from that and helping them to expand in international markets quickly.



3. Niche Products and Services as a Specialised Freight Forwarding company.

- Pharma - Getting GDP Certified, Technical capabilities.
- Cold Storage and Movement - Perishables , Vaccines etc.
- Project Logistics Companies - Specialised in handling break bulk , customs clearance , ODC land movement .
- Special Equipments — Freight forwarders own and operate their own Special Equipments (Flat Racks & Open Tops) .
- NVOCC — Freight forwarding companies investing in buying containers and starting their NVOCC divisions.
- Coastal Shipping - Freight Forwarding companies have found a new business of moving domestic cargo via coastal shipping instead of surface.



4. Niche Geographical Markets –

Emerging Markets like Africa , South and Latin America.

Some of the companies focus only on Niche Geographical areas with information on their finger tips about the freight rates, rules and regulations pertaining to customs , FTA Requirements fo these areas.



5. Warehousing and Distribution.





6. E-Commerce Delivery / FBA.

amazon
fba

Flipkart 



7. LCL Consolidation –

Many Freight forwarding companies have invested in starting their own LCL consolidation divisions as they have their own captive cargoes which they don't want to co-load but start a new line of business and revenue generation.



8. Hiring ,Training and Up Skilling.



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9. Branding

"If you're not a brand, you're a commodity"





10. Joining more international freight forwarding networks and attending physical and virtual meetings.



Thus, competitive advantage of freight forwarders only based on cheaper price is not enough.

Enhancing satisfactory customer service becomes strategic and survival issue for forwarders to stay competitive and build sustainability.

**My two favourite quotes
about competition.**



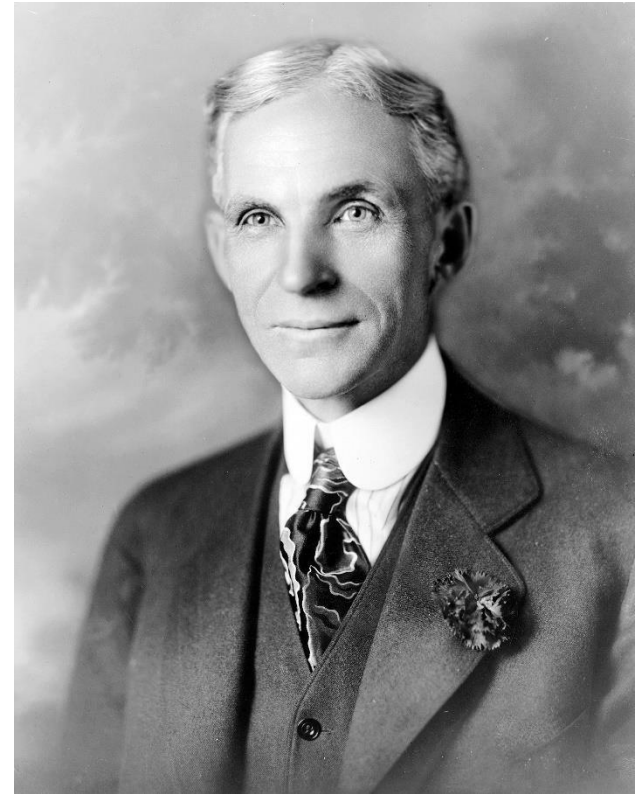
“Competition is always a good thing. It forces us to do our best. A monopoly renders people complacent and satisfied with mediocrity.”

-- Nancy Percy





"Competition whose motive is merely to compete, to drive some other fellow out, never carries very far. The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time." -- *Henry Ford*



Thank You