

[http://www.hoovers.com/freight-shipping-services/--ID\\_133--/free-ind-fr-profile-basic.xhtml](http://www.hoovers.com/freight-shipping-services/--ID_133--/free-ind-fr-profile-basic.xhtml)

## **FREIGHT SHIPPING IN GENERAL**

The freight shipping service industry includes about 17,000 companies with combined annual revenue of \$34 billion. Major companies include CH Robinson Worldwide, UPS Supply Chain Solutions, and BAX Global, a US subsidiary of Deutsche Bahn. The industry is **fragmented**: the top 50 companies account for 45 percent of total industry revenue.

Freight shipping service providers, commonly known as freight forwarders and customs brokers, are companies that arrange the transportation of goods from shippers to receivers. The industry doesn't include carriers that directly handle cargo, logistics management consultants, or supply chain management software manufacturers.

### **Competitive Landscape**

Demand is driven by domestic manufacturing output and levels of international trade. The profitability of individual companies depends on **efficient operations**, extensive **relationships** in shipper and carrier networks, and **industry expertise**. Large companies have advantages in account relationships and access to advanced logistics technologies. Small operations can compete effectively by serving a local market, specializing in cargo transfer with specific countries, and facilitating the transport of unusual goods. The industry is somewhat **labor-intensive**: average annual revenue per employee is \$170,000.

### **Products, Operations & Technology**

Major services are **freight forwarding** and **customs brokering**. Unlike **fully integrated carriers** that own truck, rail, air, or ocean assets and transport cargo, freight forwarders arrange the transportation of goods without owning any transportation equipment or handling ("fingerprinting") the cargo. Customs brokers add another layer of expertise by facilitating the clearing of goods through international customs barriers. Most companies specialize in either freight forwarding or customs brokering, though companies and individuals can provide both.

**Forwarders** are well-versed in the schedules, rates, and availability of cargo carriers. They use this expertise to solve logistics challenges, lower expenses, and minimize delays for companies that ship or receive goods. Forwarders book cargo space with carriers; negotiate rates; arrange insurance; calculate the weight, volume, and cost of goods to be moved; prepare quotations, invoices, bills of lading, and letters of credit; and keep extensive records of all transported products. Forwarders may also act as freight **consolidators**, buying bulk cargo space on trucks, ships, and airlines only to resell it at a higher rate. Many forwarders specialize in a particular region, industry, or mode of transportation.

**Customs brokers** 'clear' goods through international customs on behalf of an importing or exporting business. Key responsibilities include preparing documents; submitting information electronically; paying taxes, duties, and excises on behalf of the client; and facilitating communication among the shipper, receiver, and government agencies. Government entities can be both international and domestic, as many goods require clearance and inspection from agencies like the FDA, USDA, or the US Fish and Wildlife Service. Just as forwarders tend to specialize, many customs brokers specialize in certain

types of transactions, such as clothing, perishables, or obtaining clearance for the crew and manifest of large ocean vessels.

Shipping service providers can range from a sole, independent proprietor working out of a local office to large corporations with a network of hundreds of small offices and agents. Forwarding companies can also be a part of a **freight services franchise**. Local offices are largely autonomous: they serve local customers and are responsible for local marketing and for dealing with local contract carriers. In addition to their own offices, forwarders also may maintain a network of agents, especially in foreign locations.

Major **technological advances** center around proprietary computer systems that find the best routes for a shipment, present alternative fares and schedules, consolidate loads, confirm and bill orders, track and trace shipments, produce management reports, and allow logistics analysis. Some firms allow orders to be placed over the Internet, and by phone, fax, and electronic data interchange (EDI) with large customers. Customs brokers can be connected to the US Customs Automated Export System (AES), which allows shippers to electronically file a Shipper's Export Declaration and Ocean Manifest.