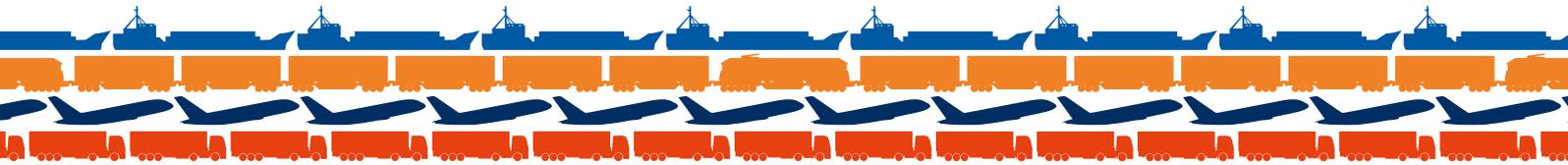


Setting up as a Freight Forwarder



Introduction

A freight forwarder provides a service to people and companies wishing to send items from one country to another. The goods that are shipped can vary from an envelope up to huge machinery. The mode of transport can be road, rail, sea or air. Forwarders arrange the transport details so that the freight arrives at its destination in good condition and at the right time. They research shipping prices, provide information on routes, book cargo space, prepare and check documentation, handle various regulatory requirements and, if necessary, arrange storage.

Thanks to experience and know-how, forwarders frequently offer additional services including Customs brokerage, holding inventory, insurance, haulage and other carriage such as shipping and overseas market consultancy. Freight consolidation – grouping goods from various places together to reduce costs – is an indispensable part of the services that are offered.

The industry is large, very well internationalised, and is populated with companies ranging from sizeable multinationals to sole operators. This profile looks at setting up a small freight forwarding business, and examines some of the issues involved, as well as suggesting promotional methods and sources of further information.

Are you suited to this type of business?

As a rule, the business of freight forwarding is carried on in an office, so some experience of everyday clerical work is essential. It also means that communication skills, numeracy and the

ability to work on several different tasks and projects at the same time will be very useful. For all that, it is unlikely to be 9 to 5 work all the time. You will be working to help your customers meet tight delivery deadlines and you may sometimes have to make contact with people in entirely different time zones.

In addition, the successful freight forwarder has a broad range of skills and abilities which may be summed up as knowledge of the industry. You will be entering a complex market filled with a multitude of differing practices and regulations, so some of your knowledge will be theoretical, gained from studies, and could involve international trade law, economics, finance or trade. It will also consist of practical experience in the freight forwarding trade or in something very similar. The more awareness you have of overseas markets, shipping methods, insurance, paperwork, cargoes and Customs procedures the better. Compliance with regulations is essential and knowledge of the transport of dangerous goods or the UK Department of Transport Aviation Security regime may be needed.

A broad range of contacts will be useful when building up your company or winning new business. This will be complemented by a friendly disposition, patience, and the ability to sell yourself and your business. Ideally, you will already have an idea of which sectors or specific companies you intend to target as customers, so sources of informal advice within the trade will be useful both at start up and as your business grows.

Although English is the common language of international trade, the ability to speak other languages will give you a headstart. Such linguistic ability will allow you to offer the personal touch when dealing with clients, Customs departments and shippers overseas. You should also be prepared to travel occasionally, whether it is simply to your local airport or to the other side of the world.

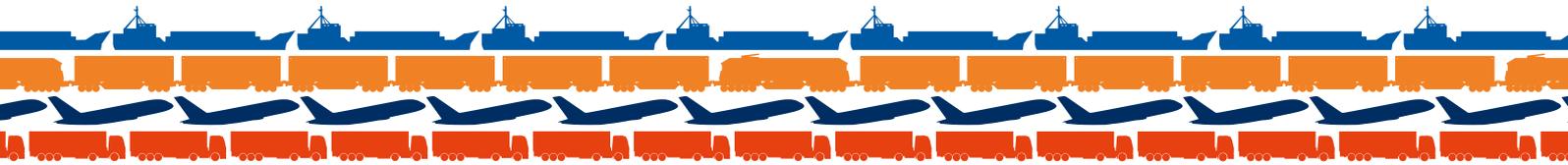
What formal training do you need?

For the most basic freight forwarding, no formal training or qualifications are officially required but industry tuition is highly desirable and recommended. If your business is more complex, however, involving the carriage of hazardous materials, forwarding freight overseas, or the provision of insurance, you may well be required under IATA regulations or UK law to hold qualifications yourself or ensure one or more of your employees do.

There is a wide choice of training available in all aspects of the freight industry, and even if you have plenty of experience you may find some of the following courses will enable you to fill in the gaps in your current knowledge.



Setting up as a Freight Forwarder



The British International Freight Association (www.bifa.org/training) runs courses on a variety of subjects:

- Sea Freight – The Basics
- Introduction to Air Cargo. This is an IATA-approved course. To become an IATA-approved cargo freight forwarder, you must provide evidence that you employ at least two full-time staff with either an approved course or the IATA or FIATA Introductory Diploma
- Customs Procedures
- The Multimodal Freight Training Programme (MFT) levels 1 and 2, which cover export documentation, international contracts, Customs procedures and carriage of dangerous goods
- Customer Service for the Freight Industry, which explores basic communication skills
- The full syllabus of Aviation Security Training
- A full range of Dangerous Goods training courses.

There are other training providers such as The Institute of Export (www.export.org.uk) or the Chartered Institute of Logistics and Transport (www.ciltuk.org.uk)

Who are your customers likely to be?

Your customers will mainly be exporters, importers or other freight forwarders. You may find your business dealing with hauliers and other freight carriers operating only between towns and regions in the UK, and who occasionally need your expertise to send goods abroad, or you may be contacted by foreign companies looking to arrange for the import of freight from abroad.

At the same time, many freight forwarders win long term contracts with manufacturers to oversee the regular movement of shipments between specific ports, or cater for manufacturers needing a consolidation service for smaller volumes of freight.

Small freight forwarders often specialise in a particular type of freight or in carriage of goods between certain areas. It may be worthwhile channelling your know-how to suit one or more of the following customer groups or activities:

- Companies in the world of entertainment and sports often use freight forwarders to arrange transport for concert sets, sports equipment, exhibitions and film sets
- Importers of perishable goods such as fresh fruit and vegetables, fish and horticultural products, as well as refrigerated meat and other foods
- The movement of livestock between agricultural countries
- Medical and pharmaceutical supplies, particularly those requiring careful handling or special conditions
- Heavy industries, manufacturing 'out of gauge' components and assemblies, such as the aerospace, power generation, and shipbuilding sectors
- Car and automotive parts manufacturers.

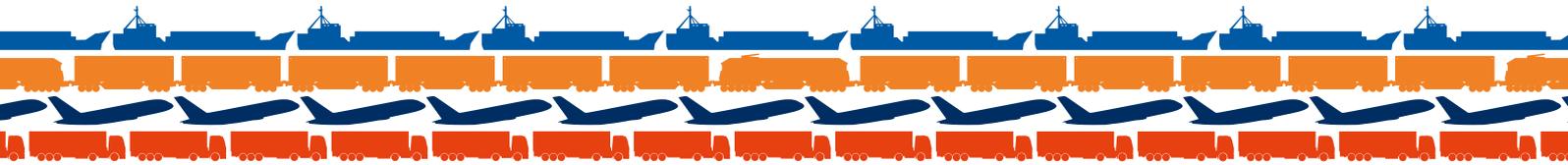
Who will you be competing against?

Your chief source of competition will be other freight forwarders, ranging from small companies to multinationals. Their competitive threat to your business depends on the type of business you decide to concentrate on and the customer sector you aim to attract.

Small companies and sole traders may specialise in serving specific regions of the UK or individual industries, and it is often the case that they have occupied comfortable niches for many years. You may be able to compete with these companies by offering a greater range of services and skills, and by attempting to match customers' increasingly complex needs.

Multinational freight forwarders have numerous advantages. They may also be shipowners and hauliers, they handle enough freight to be able to book regular space on shipping lines, and they frequently have branches in many different countries. Their ability to offer supply chain management is currently much in demand from manufacturers seeking an integrated service covering supply of components and materials to distribution of finished goods.

Setting up as a Freight Forwarder



How can you promote this enterprise?

Your promotional efforts should be exclusively directed to reaching your target market of businesses and manufacturers seeking to import or export goods. Thus you should emphasise your ability to cut costs and your specialist knowledge.

- The Yellow Pages is a good place to start. A display advertisement will be expensive but has the advantage of promoting your business for at least a year. For a small additional outlay, you will be able to include your listing on the www.yell.com website
- Your local chamber of commerce should be a useful place to meet decision makers from local businesses and begin to build your reputation. Most chambers organise networking events, seminars, and training days, but you should also consider offering the chamber some of your expertise in export documentation and overseas markets
- Advertising in various trade-related magazines will also help get your name known. This will mean researching the business periodicals in your area, or the magazines devoted to particular sectors, then deciding on a budget and design for your advertising
- Building a list of local manufacturers, including addresses and contact names, will allow you to promote your business on a continuous basis using both mailshots and more personalised letters informing logistics managers of your services

- A website is very important for freight forwarders, and should not only be designed to help UK companies find you, but should aim to attract the attention of overseas companies as well. This may mean translating the most important parts of the site into the relevant languages, making sure your telephone number and international code is clearly displayed for people calling from abroad, and registering with the most popular directory websites. Furthermore a well designed website can bring to the attention of potential customers all of the services that you offer. You could even provide enhanced services such as a 'track and trace' facility.

What start up costs can you expect?

Your first decision with regard to costs will concern whether to start up your business from home or to lease office space. Clearly, the first will reduce your expenses, but you will need to give some thought to the best way to arrange your home office. On the other hand, leasing an office will be expensive but will help give a good first impression to new customers and allow you to separate work and home life.

A computer and internet connection will be essential for dealing with customers across the world.

If you plan to offer clearance services a suitable software package will be needed together with links to the HM Revenue and Customs computer system. There will be general capital expenditure to furnish and equip your office.

Well-designed stationery will also give your customers a good impression. You should consider brochures and marketing material, which vary in price according to their quality and use of colour.

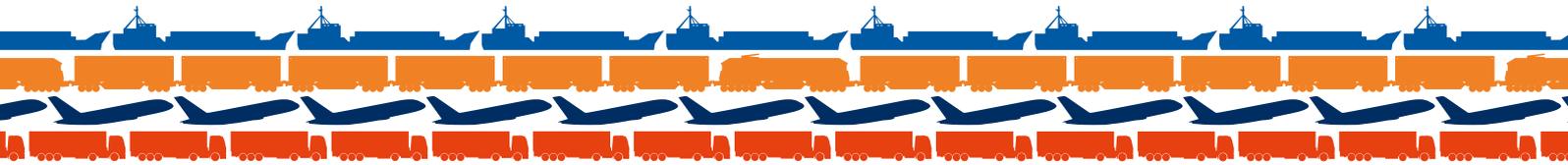
If you plan to serve your local market (for example, nearby manufacturers), transport will be very useful, allowing you to oversee packaging, loading, and unloading of imported goods.

You will also need to plan for operating expenses. These could include advertising and promotional costs, insurance (employer's liability, public liability, a freight forwarders liability policy and possibly professional indemnity insurance), and utility costs such as electricity, heating and the telephone.

Finally you may need cash reserves or an adequate bank facility as customers will probably expect a level of credit. Some companies obtain credit insurance however the need for firm credit control cannot be understated.



Setting up as a Freight Forwarder



What are the legal issues to consider?

This section is intended solely as a guide. You should consult a qualified professional before making any decisions you believe will affect your business.

Your business will be affected by two broad categories of law. The first is domestic law governing all business owners and employers in the UK, and the second is international trade law and local regulations which dictate most of the procedures you will follow or need to know about when importing or exporting freight.

- The UK Companies Act applies to all companies and sets out company legal status, directors' responsibilities and standards of governance
- You should research registering your business with Companies House and ascertain if you need to register for VAT
- Under Health and Safety legislation all employers are required to ensure their workplace is safe. This means formulating a health and safety policy and carrying out a risk assessment
- In addition, the Employers' Liability (Compulsory Insurance) Regulations require all employers to take out insurance against staff accidents and injuries, and to display a copy of the certificate of insurance in the workplace.

Numerous sets of rules govern international trade and also Standard Trading Conditions will be used in contracts for the carriage of goods and you should be aware of how they are interpreted and implemented, as well as being familiar with a number of standard types of contract. You need to be very clear as to your responsibilities and liability under any new contract you strike.

In addition you should be familiar with agency agreements and the Law Applicable to Agency, letters of credit and bills of lading. You may well be the principal or contractor for forwarders across the world.

You will also need liability insurance to protect your exposure to liability under Common Law or any of the Conventions or Trading Conditions which you operate against.

Joining BIFA

Most UK freight forwarders are Members of BIFA and enjoy the strength of the BIFA Standard Trading Conditions (STC) which they use for their international freight contracts. They are a fair set of conditions regularly reviewed against consumer legislation and the Unfair Contracts Terms Act. They have been developed over a number of years and have been regularly upheld in the Courts.

Liability insurers and brokers will often require a freight forwarder to be a Member of BIFA before providing cover.

If a freight forwarder meets the criteria for entry to the Association following an audit they join as a Probationary Member. Full Registered Trading Membership can be obtained by meeting the conditions imposed at the entry audit and this should be achievable within three years.

BIFA also provides training at reduced prices to Member companies and is a valuable source of industry information.

Information on how to join BIFA can be found at <http://www.bifa.org/content/Join-Enq.aspx>

This Guide has been produced by the Association with a view to providing general industry guidance to Members. However, it is not legal advice nor is it a substitute for legal advice. The Association is only in a position to provide general non-legal guidance as each Member's situation may be different and this may affect particular legal advice that may be given by suitably qualified lawyers to each Member. The Association is not able to provide legal advice and if you wish to ensure that any specific action you intend to take while relying on this general guide is legally appropriate you are advised to consult a qualified lawyer experienced in the relevant legal field which may include forwarding, transport, logistics, international trade and commerce in advance of taking such action.

