

FREIGHT FORWARDING IN THE CHINESE MARKET

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Abstract <p>With the development of international transportation, freight forwarders have become more and more important in international transportation. International transportation is a process of work and a project carried out in cooperation with many parties. Shippers, carriers, freight forwarders, customs and customs brokers are connected by the cargo movement. A freight forwarder acts as the designer of international transportation, which plays an important role in international transportation. Freight forwarders arrange the whole transportation from the shipper's place to the end destination, because freight forwarders can design appropriate transportation solutions for customers. With the help of freight forwarders, the transportation is more reliable and freight forwarders can help customers to cut extra costs.</p> <p>The research of the study was based on the existing materials from books, public resources, materials and interviews conducted in the company where the author did his practical training.</p> <p>The purpose of this study was to describe the procedure of international transportation, the advantage of using freight forwarders in international transportation, and the benefit which a forwarder can bring to customers. In addition, the condition of the Chinese market was also described.</p> <p>In order to illustrate the situation, the case company Headwin Logistics was studied in the thesis. Headwin Logistics represents a group of successful new private freight forwarders in the Chinese market. They should contribute their success not only to the big economic environment, but also to the creative management and appropriate strategy.</p>		
Keywords International Transportation, Freight Forwarder, the Chinese Market, Logistics, Headwin, Carrier, Customs, Container.		
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1 Introduction

1.1 Background

With the development of global business, cargo export/import is increasing rapidly. In the year 2008, the amount of export and import of China was 2561.1 billion USD, 17.8% higher than in 2007. Freight forwarders are playing an important role in export and import.

A product is worthless until it reaches a customer's hand, but how to reach to customer is a complex question. For example; a table manufacturer in New York wants to transport table to Helsinki. The manufacturer may know where Helsinki is, but he might know very little about the transportation system from New York to Helsinki, neither know the transportation system in Finland. For the manufacturer, the questions are following: Where are the customers located exactly? How to deliver the table to customers? How to arrange transportation? However, freight forwarder is professional in this filed and helpful in the situation. This is because freight forwarders have many advantages, such as: experienced employees; capability of choosing delivering methods, and professional logistics management.

The freight forwarder is the bridge between the carriers, port and cargo owners. The freight forwarder helps cargo owners to arrange customs clearance and manage cargo shipping. When a company needs to export/import cargo, the best way is to find a freight forwarder to arrange everything.

1.2 Objective of the Thesis

The study deals with freight forwarding operation and its important role in international transportation. Freight forwarders run their business carrying out various

functions, such as: warehousing, container loading, customs clearance etc. The freight forwarder is not the only one party playing in the international transportation, many other parties are also involved in it. The objective was to study: the procedure of international transportation, the advantage of using freight forwarder in international transportation and the benefit which the forwarder can bring to customers. All the study is based on the Chinese market and focus on sea transportation, and a case company from China was studied.

1.3 Methodology

The theoretical approach of this study is mainly based on literature and public resources. In addition, personal interview and case company materials were also used in this study. The facts were taken from public and case company; these facts are available on the public websites and magazine. The case company research materials are from the employee interviews, the company's meeting records and. This study is based on introducing the basic knowledge to help people to better understand this study.

1.4 Commission Company

Headwin Logistics Co., Ltd. is a NVOCC (Non-Vessel Operating Common carrier) approved by Ministry of Communications of China and FMC(Federal maritime Commission) of USA. It also the Class A freight forwarder in China and operating as the class A sales agency for airfreight.

Headwin Logistics was established in 2001. After eight years' fast development, Headwin logistics has spread to most of the port cities in China. It owns two sub-companies in US and Spain, more than 100 agents around the world, and around 400 employees. Headwin Logistics should contribute the fast business not only to the global economy development, but also to the excellent management. The global

economy crisis heavily hit the logistics business in world, but Headwin logistics could deal well with and keeps its business growing.

There are 7 departments (Sales department, Project department, Commerce department, Airfreight department, Marine department, Warehouse and Customs broker) in this company working together to forward a container to get on board. The handling time between receiving an order and shipping is only 2-4 days, 7 departments work step by step. They should cooperate efficiently to make sure that the freight forwarding process works well and the container gets on board. This study can help people to understand how this company manages its logistics system.

2 Theory Background

2.1 Logistics and Supply Chain

2.1.1 Definition of Logistics

Logistics is the concept of how to manage the materials movement, the materials movement between the raw material collection and finally the disposal. The movement must meet the customer's request. Not only should it meet the request of the right time, right place, and right product, but also it must meet the requested cost and condition. The core of logistics is to minimize the cost, the cost here referring to: the handling cost, shipping cost and the cost caused by container delay or other mistakes. If the handling and shipping cost is more than the profit that the product can make, it is not a good logistics solution, even if the product arrives at the right place and time, that's why seaway is the first option if time is enough. (Bowerso&Closs, 1996, The Integrated Supply Chain Process, Part 1, chapter 1 Logistics.)

2.1.2 Definition of Supply Chain

Supply Chain is the system of information, human, technology, equipment involved in connecting to commodity movement. It includes: warehousing, transportation, production, distribution between raw materials collection and the disposal of end product, any movement of a product is one part of supply chain. There is no start or end point in the supply chain, but any one of these activities can be a start or end point in a company supply chain system. (Supply Chain, 2010.)

2.1.3 Supply Chain Management

Supply chain management is a strategic management to control all the activities in supply chain, from a new order arriving to the product passing to the customer's hand. Different companies cover some of these activities by specializing in the supply chain system and operation pattern, in order to seek the maximum value of the supply chain. (Mentzer, 2001, P2.)

2.1.4 Supply Chain and Logistics

Supply chain is “what to do”, and logistics is “how to do”. In a supply chain, people, information, material and technology are pushing forward the movement of a product. While, logistics is to learn how to manage each movement of the supply chain, and seek the lowest cost and fastest shipping. In an ideal situation, the customer can get his product just on time, instead of being ahead or after the schedule. Delay makes extra cost, arriving earlier also makes extra cost, because extra material in stock increases inventory, reduces available cash, and takes more administration work. A product never stops moving until it arrives at the customer's hand. Everything should be planned and calculated accurately, including the amount of material consuming. In that case no mistake is allowed during operation. Logistics people plan everything well before so that the supply chain can follow the plan exactly.

The supply chain is connected with value chain. Every step of the supply chain can add new value to the product. Meanwhile, supply chain is a cost chain, which means every step of supply chain is costing money. Every movement of a product makes a new cost, because human resources, equipment, information and technology are involved in moving that product. Logistics is to study how to connect every step and transport the product faster. The purpose is to minimize cost, reduce transfer time and mistakes.

2.2 International logistics

2.2.1 Introduction to International Logistics

International logistics is the concept of cross border materials movement. It is the extension of domestic logistics. International logistics concerns more issues than domestic logistics. International movement needs to cross the border from shipper country to destination country. More certifications and documents are needed for international trade and customs inspection. International movement concerns more parties, 3PL is involved for most of the times. More information needs to be collected for shipping and cargo transfer. Legislation, commodity standards for health, properties or functions are different in each country. Communication affairs between different countries, cultures and time zones need to be considered in international movement. International logistics requires more complicated transportation management.

International logistics is associated with inbound movements, outbound movements, and overall logistics management. Sourcing, purchasing, inventory management and productions are typically associated with inbound flows. Demand forecasting, marketing, order management, packaging, warehousing, distribution, customer service are typically associated with outbound flows. Inventory management, transportation management, distribution management, scraps disposal, interplant movements, plant and warehouse site selection are normally associated with overall logistics management. Each of the activities is separate, but they must be planned and executed in coordination with each other and with any other function of company's supply chain system.

Logistics Standardization

Logistics standardization refers to the logistics system as a target, associated with transportation, packaging, loading/unloading, warehousing, and information

processing, to publish and implement the technical standard to meet the co-ordination requirement for the whole logistics system. Logistics standardization includes technical standards for equipment, facilities and tools related sub-systems; to make working standards for packing, loading/unloading and transportation related fields; to unify the whole logistics system standard by coordination of technical standards and working standards; to study the cooperation of the logistics system and other related system, to seek the unity of international logistics system standardization.

International transportation flow

International transportation is not only a system for transporting containers using ships, but it also need to handle the issues before and after the shipping, and lots of work needs to be done. The following figure illustrates the process of international transportation.

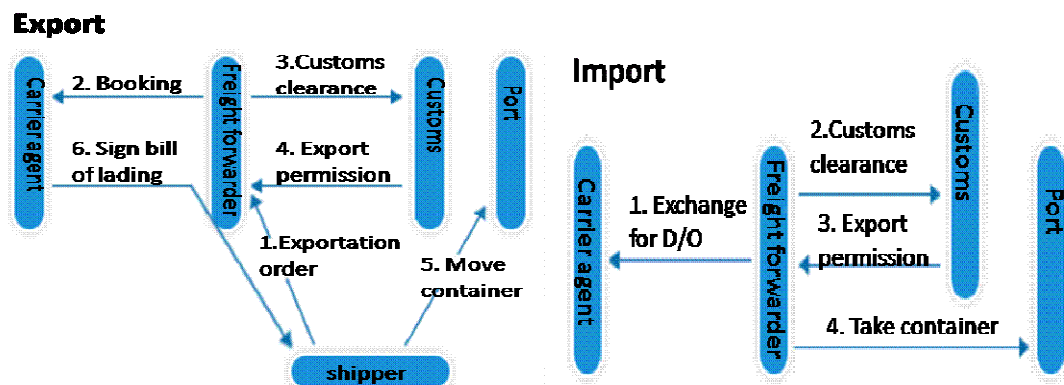


FIGURE 1. International Transportation Flow

The basic export process is: (1) Shippers send a request to the forwarder, and forwarder arranges transportations for the shipper, (2) The freight forwarder books space. (3) Customs broker does customs clearance, when the exportation is permitted. (5) The shipper moves cargo to the forwarder's warehouse or port waiting for loading. (6) Carrier or Carrier agent sign the Bill of Lading. The Import process is: (1) When the carrier moves cargo to the destination country and unloads the cargo, the forwarder exchanges D/O from carrier agent (2) Customs broker does customs declaration, and move cargo to consignee when import is permitted.

2.2.2 International Transportation Solution

Various transportation modes, equipment, transportation management and technologies are used in international transportation, as well as related international standards for packing, loading/unloading are used in international transportation seeking an integrated, fast, visible, seamless, flexible, reliable and low cost transportation. Various transportation options are available for international movement. Speed, cost, reliability and flexibility are important points to be considered when selecting a transportation mode. The shipper can choose transportation modes according to the cost, speed and customer's requirement. Sea, railway and air are the three most popular transportation modes in cross border movement nowadays.

Sea shipping

With the implementation of containerization and global standardization, sea shipping cost reaches the lowest level. The cost to ship a pair of shoes from Shanghai port, China to Long beach, US is only a few USD cents. The container carrier capacity is larger and larger, the recently launched Maersk-line carrier has the capacity of over 11,000 twenty-foot containers (TEU). The shipping price for each item reaches as low as possible. And with the consummate vessel loading /unloading facility and the development of surrounded on land transportation system, the cargo handling capacity of the world ports is increasing significantly. Container carrier loading /unloading is available in most of the ports. There are 16348 million tons of cargo handled by port (8168 million tons of cargo were loaded and 8180 million tons of cargo were unloaded) in the year 2008, increasing by 2.5% compare to the year 2007 (15943 million tons of). More than 60% of them was transported by containers. Advanced technology is used in carriers, as well as the integrated logistics management in vessel shipping, which makes it reliable. To sum up, low costs are the biggest advantage of sea shipping.(World Container Traffic, 2010)

Air cargo shipping

Air transportation is the second most popular way in international trade. It is the fastest mode, it takes less than a week to complete a shipping from receiving a shipping order up to the customer receiving the cargo, while the same order's cycle may takes around a month by a vessel. The flight time between two most faraway points on earth is less than one day, but the whole shipping time includes: shipping space booking time, on land haulage time, flying time, transfer time, loading/unloading, time, customs and shipping manage consumed time.

Railway

Railway is becoming popular in international trade, because the shipping time is shorter than that for a vessel and the cost is lower than in airfreight shipping. But railway is limited because the railway dimensions differences in different countries and geographical problems. Nowadays, there are two international railway lines across Europe and Asia. Both start from China, end in Moscow and Rotterdam. DB Schenker launched the Eurasian landbridge service from Beijing to Hamburg in 2008; the journey takes less than 20 days (DB to launch Eurasian landbridge service, 2008).

Trucking

Truck is the most flexible transportation mode, it is the only one mode that can archive door to door service, port to door service and station to door service. It is capable for short distance movement, irregular transportation, loading/unloading cargo at more than one point, and reaching any place where customers are located. Trucking is the complementary part to the three main transportation modes. None of the three most popular transportation methods is able to complete a shipment from shipper to consignee. Most of the shipping destination is away from port and train station, and the cost is too high to build a rail way or port. So truck takes the responsibility to load the container/commodity from the port/station and deliver them to the final destination where only truck can reach.

Land Bridge and Air Bridge

Inter-modal transportation is widely used in international cargo movement. The typical combinations are 'sea+ air' and 'sea+ land'. The purpose is to solve geographical issues, reduce transportation route distance, minimize the transportation time, and lower the shipping cost. Mini-bridge and Land Bridge are the typical 'sea + land' inter-modal transportation systems that unify an sea shipping and land shipping in one shipment. Mini-bridge is a transportation mode that transfers cargo from port of departure to the destination port by ship, and the rest of the movement is done by railway. Land bridge is linking up transportation mode that uses' cross-land railway or road to connect two sea shipping lines. The cross-land railway or road transportation are the middle part of the whole movement. For example, the route China-Long beach, US-New York, US, cargo is transferred from China to Long beach in US is by ship. And after that, by railway. Air bridge is cooperation transportation model of sea shipping and air cargo shipping, taking the advantage of the air transportation speed and the low expense of sea transportation. Then the cargo can reach the destination on time and the cost is not so high.

FIGURE 2. Freight Modal Comparisons

Comparison Factors	Modes of Transportation				
	Airlines	Water	Railroad	Motor	Pipeline
Cost(1)	1	5	3	2	4
Speed(2)	1	4	3	2	5
Reliability(3)	3	5	4	2	1
Capacity(4)	4	1	2	3	5
Flexibility(5)	3	4	2	1	5
Capacity(6)	4	2	3	5	1
(tons up to)	125	60000	12000	25	2.5 mil.

(1)1=most costly, (2)1=fastest, (3)1=most reliable in terms of meeting schedule on time, (4)1=best ability to transport various products, (5)1=most flexible in terms of door to door delivery and number of geographic points served, (6) 1=ability to carry highest amount of tons in one trip.(Bloomberg, 2002,101.)

2.3 Selling Terms

In every international movement, there is a point that at a certain time and location, the cargo is transferred to another party, and the responsibility of taking care of the damage of cargo during the change is given to another party. The party should pay the cost for the rest of movement charge. The party which should take care of the insurance charge, has the responsibility for arranging the following movement to change to another party. Selling terms define the duties of each party in each time and part of the transportation, and when the payment should be done. Selling terms also have an impact on the cost and service and cargo selling price. By defining the duties and responsibilities, selling terms also have an impact on the benefit of 3PL, especially important to freight forwarders. The selling term indicates clearly different services that departure country forwarders and destination country forwarder need to provide. (Wood, Barone, Murphy, 2002, 278-281.)

International terms of sale are contained in the Incoterms, which are a set of terms that define respective responsibilities and are published by the International Chamber of Commerce (ICC).

List of Incoterms

FCA Free Carrier (named place)

FAS Free Alongside Ship (named port of shipment)

FOB Free On Board (named port of shipment)

CFR Cost and Freight (named port of destination)

CIF Cost, Insurance and Freight (named port of destination)

CPT Carriage Paid To (named port of destination)

CIP Carriage and Insurance Paid To (named port of destination)

DAF Delivered At Frontier

DES Delivered Ex Ship (named port of destination)

DEQ Delivered Ex Quay (named port of destination)

DDU Delivered Duty Unpaid (named port of destination)

DDP Delivered Duty Paid (named port of destination) .(Incoterms 2000.)

These Incoterms are used in sea shipping, air shipping, railway and road transportation. Each applies to specific conditions and transportation modes, and only PCA, CPT, CIP apply to all transportation modes. In this study, two of the most often used selling terms FOB, CIP are discussed, more details information is available in the ICC website:

FOB

- The seller delivers the goods to the vessel named by the buyer at the named port of shipment.
- The buyer bears all risks of damage and loss from the time the goods have passed over the ship's rail at the named port of shipment, including the possible damages that may occur if the vessel he has named does not arrive in time or it is unable to take the goods.
- The buyer pays all costs that occur from the time the goods have passed the ship's rail, also the possible costs that may occur if the vessel does not arrive on time. The seller pays export formalities.

CIP

- The seller delivers the goods to the carrier on the stipulated date or within the agreed period.
- The buyer bears all risks of damage or loss of the goods from the time the goods have been handed over to the carrier.
- The seller pays the insurance premium, freight and export formalities. The buyer pays the unloading of the goods (unless it is not for the seller's account according to the contract of carriage) and the import formalities.

The forwarder does not care about which party takes care of the risk and pays the cost, the forwarder cares about which party arranges the delivery and to that destination. Compare these two selling terms, in both FOB and CIP terms, the seller pays the exportation cost and all other transportation and arrangement costs before cargo is

loaded on board, and the buyer pays the importation cost and on-land haulage cost. The biggest difference from the forwarder's point of view is that the CIP term indicates that that seller pays the carrier shipping cost; that means in that CIP term, the seller can decide to use which shipping line, and the forwarder can take benefit from booking shipping space for the seller. The summary of the obliged duties of each party see Appendix 1

2.4 International Transportation Documents

2.4.1 Document Function

Along with the cargo, there are many essential documents to complete the movement, for example customs declaration documents, administrative documents, transport documents, commercial trade and insurance documents. Various documents are used in international transportation, but only a few of them are used in most of the international movement, which are commercial trade and transport documents. These documents should be ready before the movement begins. The shipper may not actually prepare these documents if the shipper utilizes the service of a freight forwarder. In that case, freight forwarders determine what documents are needed for exportation and transportation, and what content should be included in the documents. The shipper is responsible for the content of the documents. The freight forwarder fills the documents, so that the shipper has the legal responsibility of the content. If any information provided by the shipper is wrong, the shipper has to take the responsibility for the possible delay, extra cost or legal responsibility. Before shipping and preparing the documents, the buyer or freight forwarder must make clear what content is needed for importation when goods reach the destination country. These documents are being transferred along with the cargo. The required language for these documents is English in most of the countries, but in some countries, local language is also required. The purposes of these documents are (Johnson, Thomas E, 2002, Part2 Chapter 4.):

- To protect the cargo: certain transport documents represent the information of the goods, quantity, size, weight. These documents give the right to collect goods from carrier, and give a reference to ask indemnity if any damage on cargo occurs.
- To help customs declaration: some of the documents (certificate of origin, commercial invoice) which represent the evidence of the origin of goods, amount, value, property, customs can collect tax and give the permission for export/import.
- To be the proof of contract: some documents represent the delivery date, condition of goods, and other goods details, these documents prove the compliance of contract. (Export Documentation, Refers in Oct 2009.)

2.4.2 Document Types

The most often used documents to do customs declaration are authorization letter (if not the cargo owner do customs clearance), Original Bill of Lading (B/L), Delivery Order (D/O), Commercial Invoice, Packing List, Contract of sale, Certificate of Origin.

Commercial invoice

Commercial invoice (See Appendix 3) is the most important document, it includes most of the important information of the transportation, the terms of sales and payment, quantities, price, date and all reference are contained. Commercial invoice is not only used for transportation, but also used by customs, customs assessments the tax and duty based on the values presented in the commercial invoice. Freight forwarder prepares these documents on behalf of the buyer or seller. (Johnson, Thomas E, 2002,116.)

Bill of lading (B/L)

Bill of lading (See Appendix 4) is issued by freight carriers as an evidence that the carrier has received the cargo listed in the bill of Lading, and agrees to deliver cargo to the specified destination under the condition that the carrier has agreed. A bill of Lading has three types, ocean way bill of lading, air way bill of lading, and inland bill of lading. Freight forwarders can issue its own bill of lading which is called “house Airwaybill” (for air) and “House bill” (for sea). Freight carrier issued bill of lading called “Master Airwaybill” and “Master bill”. (Johnson, Thomas E, 2002,118-120.)

Packing list

Packing list (See Appendix 5) is used to describe that specified cargo in the list is handed over to carrier or freight forwarders. It also describes the amount, weight and size of the cargo. (Johnson, Thomas E, 2002,120.)

Dock and warehouse receipts

Dock and warehouse receipt is issued by either freight forwarder or carrier to prove that the cargo included in dock and warehouse receipt is received when inland carrier hand over cargo to their warehouse. Also it acts as a evidence that inland carrier has finish the delivery. (Johnson, Thomas E, 2002,133.)

Certificate of origin

Certificate of origin (See Appendix 6) is a certificate signed by exporter to show the country that the cargo has been manufactured or produced. Customs use this as a fact to collect tax. (Johnson, Thomas E, 2002,133.)

Delivery instruction and delivery order (D/O)

Delivery instruction is issued by freight forwarder to inland carrier indicate delivery instruction on which ocean carriers is selected and which port is transported to. This must be distinguished from delivery order. Delivery order is the voucher used to pick up cargo from port. Consignee bring bill of lading to carrier and take delivery order back, and they pick up cargo by using delivery order and do customs declaration.

Animal, plant and food certificates

Animal, plant and food certificates are certificates of inspection performance by export country in order to satisfy the requirement from import country customs.

Shippers' declaration of dangerous goods

Shippers are required to provide special declaration or notice to inland and international carrier if the cargo is hazardous. The most commonly used documents are the certificate of origin, commercial invoice, consular invoice; dock receipt, insurance certificate, letter of credit, ocean bill of lading, air way bill, shipper's export declaration, packing list, delivery order and contract of sale. Also there are various documents are required in international transportation, customs invoice, draft, entry/immediate delivery, entry summary, export license, form A, form B, import license, insurance certificate, letter of credit, loss and damage claim, manufacture's certificate, shipper's letter of instruction, single access document.

Export licenses

Export license (See Appendix 7) is the permission of export transaction.

3 Freight Forwarder

3.1 Introduction to Freight Forwarder

The freight forwarder is a third party logistics provider, also referred to NVOCC(Non-Vessel Operating Common carrier). Forwarders do not own transport vehicles, they deal with various carriers (shipping line, truck, airline) and agents. Forwarder takes profit from charging customer service fees. The price that forwarder pays for shipping space from the carrier is lower than the price of which that forwarder sells to the shipper, so that they make profit from the price difference.

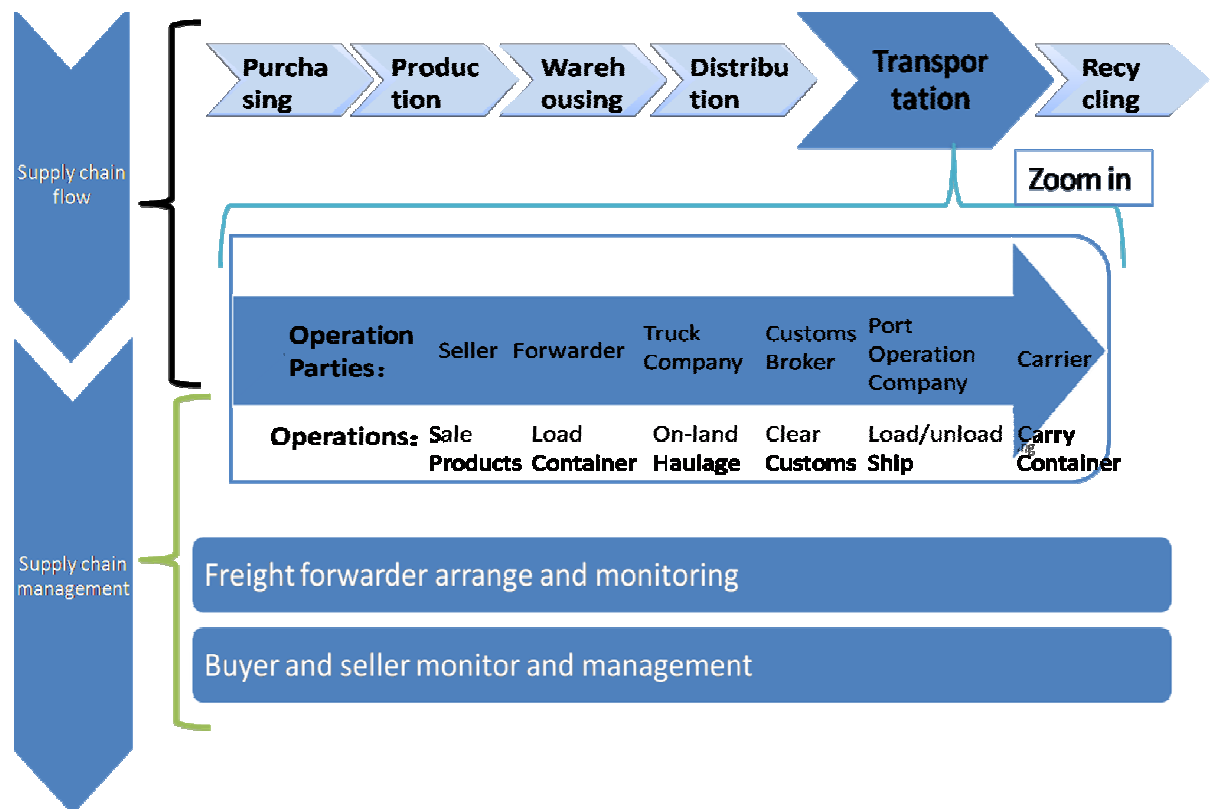
Nowadays, freight forwarders are multi-function agencies, concerning not only selecting carrier, but also concerning the customs, warehousing, documents handling, and even every small issue before cargo reaching the destination. The main jobs of freight forwarder are arranging cross border cargo movement; advising shipping solution and choosing the best shipping method and carrier, booking space from carrier, supervising loading/unloading, consolidating LCL, consolidating many carriers to one destination, helping customer to do customs clearance. The services provided by each forwarder are various depending on the company size. In some cases, forwarder also acts as a carrier in part of the cargo movement, for example the forwarder may use his own truck to move commodities from the customer's factory to port, and forwarders could operate warehouse for packing and loading LCL cargo.

Freight forwarders are consigned by the consignor to arrange shipping, transfer, loading /unloading issues. On the one hand freight forwarders sign a contract with the consignor, on the other hand, forwarders make a contract with the carrier. In the consignor's point of view, the forwarder also acts as a consignee. Their target of serving customers are cross border cargo shipping, but private packages and letters are not included; carrier's commodity shipping space selling agency; consignee in

destination country; and customs. In some countries, forwarders act as the assistants of customs when doing customs clearance.

Forwarding is a small part of transportation. Moving cargo from seller to buyer is just a small part of the whole supply chain. Forwarder is involved in this part of movement. Purchasing, inventory, production, warehousing, distribution, transportation and recycling are the main elements of the whole supply chain. If we zoom in, we can see more detailed part of each element. Taking international transportation from the seller to the buyer as an example, packing and loading on pallet, loading to container, shipping a container from seller’s warehouse to port, loading container on board, clearing the customs, moving a container to destination port by vessel, clearing customs, sending container to buyer, each of these steps is executed by one or more parties. Forwarder does not do any of these movement, but plans the transportation and tracks the container all the way to the buyer.

FIGURE 3 Relation between supply chain and supply chain management



3.2 Forwarder Class

Freight forwarder classes

Depended on the size and handling capacity, forwarders are divided into a few classes. Every country has different standard for classing the forwarders, in this study China is taken as the example. There are 4 categories (A, B, C and D) to class forwarders in China. According to the company size, business performance, abiding the regulation set by the customs, the customs could have a proper administration to forwarders. Each class of forwarders are treated differently. Class A is the category for best performed forwarders, and can enjoy the best customs administration convenience.

Certifications

To be able to have the competence of providing a service, the forwarder has to gain certain certification, the certification often used for freight forwarders and the competences are follows:

- **Certificate of Permission for Sale & Agency of International Air Transportation:** which is also called “bronze plate”. It is a certification for the sales agency to certify the approval of qualification to operate the international air cargo business. The other also essential qualification for airlines is to appoint a sales agency to have first class booking or concerning any sales agency activities. See Appendix 2.
- **NVOCC:** Non Vessel Operating Common Carrier is the certification that certifies this person or unit registered and approved to operate ocean freight shipping without any vessel, and can issue its own B/L (Bill of Lading).

3.3 International Freight Forwarder Functions

Freight forwarders do not produce products. They can be called an agency, because they act as a kind of service industry, to serve production industry. Freight forwarders' work is not moving products either, their work is to coordinate all parties needed for the commodity movement, to execute the movement according to plan and strive against damage and delay. They offer service to shippers and live on the commodity transportation. Besides, forwarders also do VAS (Value Added Service) for their customers, which are becoming more and more important in today's fierce competition.

Advice carrier and transport mode

Freight forwarding is the main business area. Freight forwarder needs to find the best solutions from various carriers and transport modes. There are various airlines and sea lines running freight shipping business at the present. From one point to point transportation has many choices available, by sea, by air, by railway or intermodal. When the freight forwarder has received a shipping order from a customer, the first work is to gather all the information and find the best price, date, time, terms of sales and terms of payment. Best price does not always means the lowest price; the best price can be a normal price with some benefits, for example, future cooperation, more business, extra service. In some cases, the consignee designates the carrier, and the forwarder acts as a consignor who has to choose the designated carrier. In the case freight forwarder has to accept the price offered by the carrier and it's hard to negotiate the price with the carrier. Shipping date and time are fixed because the schedule of vessel and airplane is fixed. Forwarders search for the date which is closest to what the consignee wanted, and advise the shipper. Terms of sales and payment define the responsibilities of all parties involved in the delivering. It defines which party should take the duty and bear the risk during delivering the cargo, when to transfer responsibilities to another party; which party pays the cost occurred during delivering and when to make the payment.

Normal and special cargo

When forwarders handling freight forwarding business, they define the freight they handling into two categories. One is normal cargo which has normal size, weight, property and value, without need for special care, such as, table, shoes, and paper. This kind of cargo is the main target market for most of the forwarders.

Special cargo could be special on size, profit, property and quantity. Special size cargo which is too big to fill in container, like crane, huge vehicle, which are to be handled by special solution. Dangerous cargo and special property cargo which need special shipping equipment and conditions, for example, frozen food, battery, weapon, lighter, etc. High value cargo also need to be handled differently, such as electronic device, jewelry. Temporary arrangement is needed if the quantity and profit are extraordinary high, regular shipping solution could not handle the shipment, forwarder must make a special plan for it. Special cargo takes a small market share, but the profit is higher than normal cargo because special cargo needs more work on handling, documentary and regulation issue. Some companies running stable business and scheduled shipment, they are the most wanted customers for forwarders. Forwarders will take care of these customers by a group of people and maintain the business with them. In some forwarding company, project department is established in order to handle special cargo.

Shipping space booking

When shipper agree with price, date, agreement of sales and payment, forwarder book space from carrier after shipper provide exactly cargo amount, size, weight and arrive time. When forwarder receives confirmation from carrier, forwarder can prepare for airway bill/bill of lading. Some carriers do not sale shipping space directly to shipper. One or more freight forwarders is the designated sale agent for carrier, even a forwarder also should book shipping space through these agency.

Trucking, loading/unloading and packing

The cargo movement between shipper's warehouse and port/forwarder warehouse is normally done by truck. Forwarders do trucking business for its customers and other forwarders. For sea transportation, most of the cargo is loaded in containers. Shipper can fill container in shipper's warehouse. Shipper inform forwarder how many containers is needed and the time. Forwarder deliver containers to shippers' warehouse and transport them to port when containers are loaded. Forwarder can also load cargo into container. After that, shipper delivers cargo to forwarder's warehouse and forwarder loads cargo in its own warehouse. This solution is apply to LCL freight, forwarder consolidates cargos from many shippers into one or more container. Trucking is an optional service provided by forwarder, and forwarders prefer subcontract trucking business to truck company rather than own a truck team. For airfreight, shipper move cargo to airport or forwarder warehouse, and airport people load cargo into container or pallet first then load on airplane.

Considering better handling efficiency, cargo cannot be loaded in container directly. A pallet should under each stack of cargo. In order to reach the maximum space utility, cargo stack is formed to fit pellet and container. Two or more shipper's commodities may consolidate into few containers. One container may contain two shippers' cargo, and each of the shipper's cargo is loaded in more than one containers. Besides the original package, forwarder can do extra packing for certain purpose, such as, waterproof packing.

Selling agency

Some of the forwarders act as a shipping space selling agency of carriers. Each carrier could have one or more than one selling agency in a region, and each forwarder can be a selling agency for more than one carrier. Except for these selling agencies, no one can book shipping space from carrier. Shipper and other forwarders can only book shipping space thought the selling agency.

Documents

Forwarders have professional workers knowing what documents need to be prepared and when these documents should be ready for use and how to use them. Forwarders give suggestion in advance and check everything before the documents are being used. There are many documents needed to be prepared for international transportation. One reason is to define the responsibilities of each party, the other is to help customs do clearance.

Customs clearance

Every international movement has to do customs clearance twice. First one is for export and the second one is for import in destination country. Forwarder can help shipper prepare documents and do customs declaration.

3.4 International Forwarding Flow

International freight forwarding is not only an issue that includes transport of containers using ship, but also the issues before and after the shipping. In international freight forwarding, many parties are involved in it and lots of work needs to be done. The following includes the process and related works in international freight forwarding in seaways.

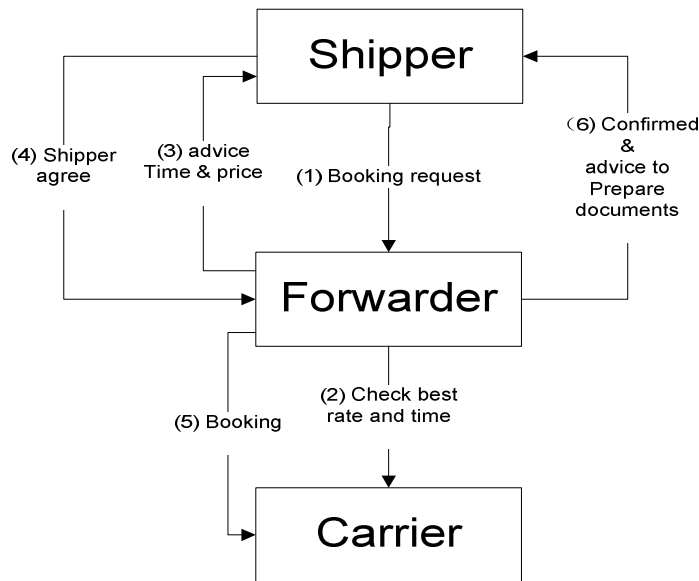


FIGURE 4. International freight forwarding flow: 1st stage: Booking

(1) Booking request from shipper to forwarder providing the specific time, and cargo amount. (2) Forwarder checks with carriers to find the best time and rate. (3) Forwarder advises shipper of suggested solution. (4) Shipper agrees on suggested solution. (5) Forwarder books space from carrier.

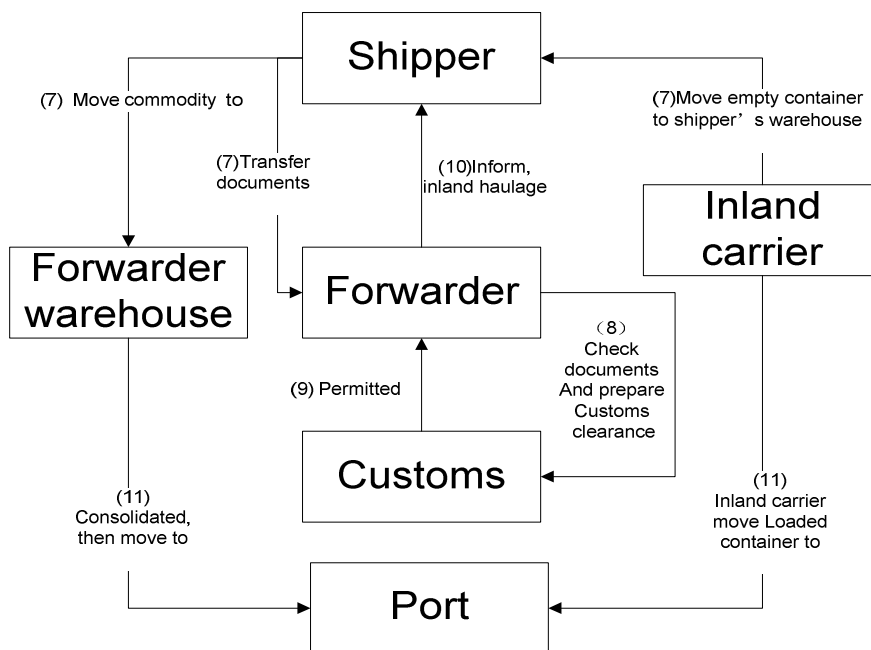


FIGURE 5. International freight forwarding flow: 2nd stage: Inland haulage

(7)Forwarder informs shipper about the transportation plan, and shipper signs authorization letter. Forwarder advises shipper to prepare customs clearance documents. Customers can transport their cargo to forwarder’s warehouse, forwarder loads cargo into container, this is normally applied to LCL, or inland carrier move empty container to shipper’s place, shipper fills the container. (8) Forwarder does customs clearance (9) Exportation is permitted by the Customs. (10) Forwarder inform shipper about customs permission and prepares to move container to port. (11) Freight forwarder consolidates LCL cargo, and then moves container to port. Inland carrier moves container from shipper’s place to port if customer fills container by himself. After that, containers wait for load on board.

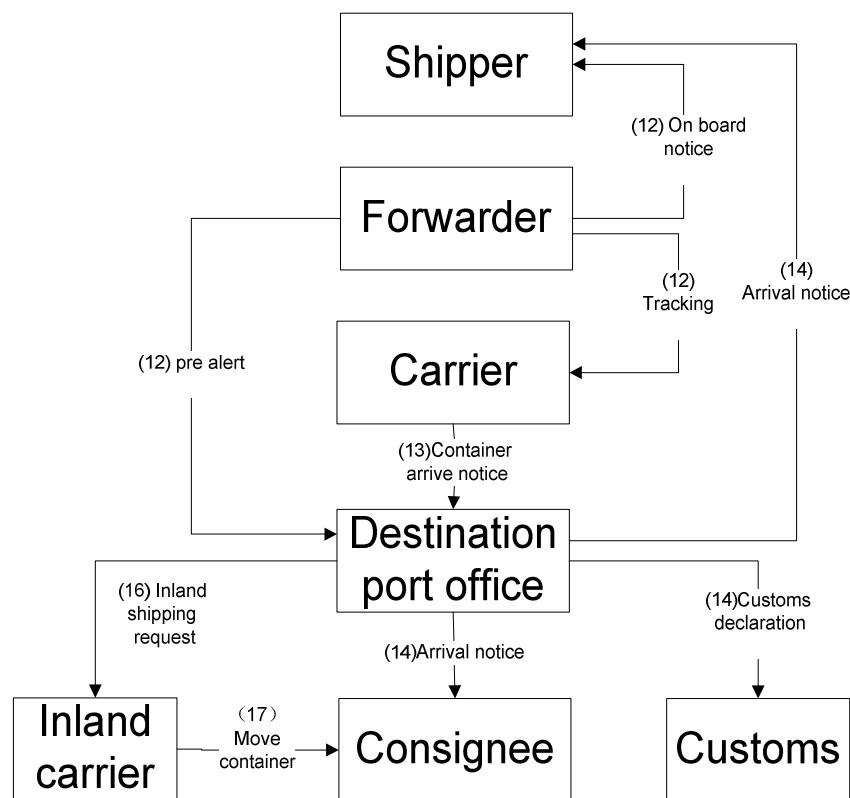


FIGURE 6. International freight forwarding flow: 3th stage: Final shipping

(12)Forwarders inform shipper about container loaded on board. After that, forwarder sends pre-alert and related documents to oversea agency and monitors the container movement. (13) Carriers inform forwarder, oversea office/agency inform consignee and prepare customs clearance. (14) Oversea office/agency informs consignee, discuss

inland haulage, then send arrival notice back and apply for import customs clearance. (16) Inform inland carrier for inland movement. (17) Move container to consignee.

3.5 The Role that Forwarder Plays In Supply Chain

Freight forwarding companies master international freight shipping trade operations. They are proficient in a variety of transport operations and familiar with relevant laws and regulations. Forwarders collect a wide range of information sources, which are accurate and timely. Forwarders maintaining close business relationship with a variety of carriers, warehouse operators, insurers, ports, airports, railway stations, yard, banks and other related businesses parties, customs, commodity inspection, import and export controls and other relevant government departments. Forwarders being a bridge between shipper carriers, ports, airports, warehouse operators. They connect and tie these parties who are involved in the freight forwarding. Freight forwarders play an important role in the international trade and international transport business. From consigner point of view forwarders play the following roles:

a) The role of organizing and coordinating international freight shipping

As the third part logistics, forwarder is known as the “architect of the transport designer”, “door to door transport organizer and coordinator”. With its transport and other relevant knowledge and expertise, forwarders can advise shipper to arrange transport routes, assist consigner in managing transport operations, suggest choosing transportation models and carrier. Forwarders manage the coordination between cargo owners, carriers, warehouse, insurance, banks, ports, airports, yard operators and customs, health inspection, export controls and other relevant authorities. With the assistance of forwarders' professional work, the client can save time and prevent many unnecessary troubles and concentrate on working the core business.

b) The role of providing professional services

The main duty of international freight forwarders is use their experts and professional experience to provide their clients freight forwarding service, including: accepting the client's commission, planning transportation route, delivering container service, LCL

container assembling , loading and unloading service, handling cargo insurance; clear customs, arrange customs commodity inspection , do health inspection, do animal and plant quarantine; serve to control import & export and other procedures. The professional service provided by international freight forwarders can help clients save money & time on the unfamiliar business. With the help of freight forwarder, these issues can be managed appropriately and effectively.

c) The role of communication and controlling

International freight forwarder has extensive business relationships, which develop service network, advanced information system. Forwarders can keep in touch with the carrier, shipper, consignee, other freight forwarders and other commodity shipping relevant parties. They can keep the communication between these parties. Along with the entire commodity moving activities, forwarders keep accurate tracking and control to ensure the commodities are transported as planned and arrive in destination timely, and safely. Forwarder handles left issues after commodities unload from board and deliver commodities to consignee on time. They provide information and relevant service to client if required.

d) The role of consultation

Freight forwarders familiar with international trade operation, relevant issue management. They are proficient in a variety of transport operations and familiar with relevant laws and regulations around the world. They have an intimate knowledge of world transportation conditions; accurate timely and widely information sources. The experienced exporters in forwarding company can give precise advice on the packaging of goods, warehousing, handling, shipping solution, transportation routes and transportation costs, cargo insurance. Freight forwarder also experienced at deal with commodity inspection, health inspection, animal plant quarantine, import and export control requirements consultation, import and export documentation and clear customs consultation. What's more, freight forwarder can help clients design shipping plan, select the appropriate issue manage method and plan to prevent or reduce unnecessary risks and waste.

e) The role of lower operation costs

International freight forwarders keep abreast of latest information of transportation, storage, handling, insurance, market conditions. They keep business and cooperation with carriers, warehouse operators, ports, airport, container yard operators and insurers. In addition, freight forwarders have abundant professional knowledge, practice experience and operation skills. With the assist of the international freight forwarder, client can choose the best cargo transportation routes, methods of transport; the best warehouse operator, loading and unloading operations and insurance. Customers can get the best rate and service. Not only the forwarders but also other parties above can reduce cost and get benefit.

Forwarders don't operate ship, truck, airplane, port, but only managing experienced experts handling commodities movement together with many other parties. Freight forwarders do not only work for shipper, but also work for carrier, warehouse operator, customs, forwarders act as a link between these parties. The operations are connected by cargo movement. Forwarders are not only important to shippers, but also important to all other shipping relevant parties.

4. Introduction to the Chinese market

4.1 Background of the Chinese Market

Since China implemented the new economy policy in 1978, the Chinese logistics industry realized 30 years of sustained growth. According to statistics, in 1991 the total value that logistics industry created was 3 trillion RMB (about 0.3 trillion US dollars). In the year 2007, the total value that logistics industry created reached 75.2 trillion RMB (about 10 trillion US dollars); increase of 23.8 times compare to the year 1991, the average annual increase up to 22.2%, and accounting for 18.4% of the Chinese GDP in 2007. In particular, from the beginning of 21st century to 2007, China's import and export trade continued its high growth speed, the rapid growth of import and export trade provide a good opportunity for the development of freight forwarding logistics industry in China. On one hand, the import and export business between China and foreign countries expanded, logistics industry needed to provide better quality and more efficient international freight forwarding logistics services. On the other hand, international companies adjusted their global supply chain network layout since China became one of the most important purchasing and manufacture centers in the world, this pushed Chinese logistics freight forwarding business to connect and tie together with the world.

In 2008, the total value created by logistics industry was 89.9 trillion RMB (about 12.9 trillion US dollars), increasing by 19.5% from the last year, keeping a fast growth trend. In 2008, the total amount of cargo movement archived 24.45 billion tons, with 9.3% increase from the year 2007. By 2020, China's GDP is expected to reach 4 trillion US dollars, then China's international freight forwarding business will also simultaneously be increased.

4.2 The Status of Freight Forwarding Business in Chinese Market

The development level of freight forwarding industry is uneven. In the developed countries, international freight forwarding industry has reached the higher level development, forwarding industry system is complete, international freight forwarders provide with larger network and experienced workers, the business market covers many countries, they are the leading player in the world freight forwarding agency services market. In developing countries, in international freight forwarding industry has started later and is less competitive, the freight forwarding system is not complete, the majority of international freight forwarders are smaller, fewer service outlets, employees lack in training; mainly business is on the domestic market. The following is the situation of freight forwarding business in Chinese market.

(1). More enterprises enter this industry and large and small size forwarders exist together.

With the development of China's sustained rapid development, the freight forwarding business is growing rapidly. A significant sign is that the number of companies entering forwarding industry is growing. In 1983, China had only one international freight forwarding company, Sinotrans, up to November 2003, since then the number of established international forwarders proved by Ministry of Commerce has risen up to 4100. Large and small size freight forwarders co-exist, of the end of 2008, the international forwarders proved by Chinese Ministry of Commerce were more than 18,400, mostly small and medium enterprises. Including many largest freight forwarding companies, such as China's largest integrated logistics company Sinotrans CSC Co., Ltd., in 2008 the total assets reached more than 15 billion U.S. dollars, revenues more than 13 billion U.S. dollars, and also the world fortune 500 companies like DHL, UPS, FedEx, TNT and other multinational companies. These large companies take 80% of deliver market share. There is a large number of emerging private domestic freight forwarding companies, where annual turnover have reached more than 800 million U.S. dollars. But most domestic freight forwarders are small companies, about 76% forwarders' registered capital less than 150 million dollars.

(2). Chinese forwarders are less competitive

Although there are quite a lot of forwarders in China, their overall strength and management level cannot match the requirement of the economy globalization and global market competition. There is a great gap to reach the purpose of maximizing operation efficiency.

The obvious features are ‘small, weak, and poor management’. First, most enterprises are small-scale, from the point of view of employee number, asset size, turnover and market share are smaller. Second, due to the lack of qualified logistics workers, logistics operation capacity is weak, and many forwarding companies do not understand integrated logistics support system, not be able to organize integrated logistics support system, resulting in high logistics operation costs. Third, poor management level, most of China’s freight forwarding company has less than ten years experience. Not enough experience to manage employee, marketing, information, as well as network, improve the competition capability is required. Furthermore, most of China freight forwarders do not have complete network. In many case China forwarders has to share profit with oversea forwarder due to not network in some countries, have to use oversea local forwarder in order to complete a shipment.

(3). Foreign enterprises seize a big share of the Chinese market.

Since the new economic policy established in 1989, foreign freight forwarding companies has entered Chinese market, for example Damco, and schenker. Foreign companies are very competitive, they have the advantages of good management experience and connected overseas agent network, and besides the basic function they can offer better VAS (value added service) and better performance. Foreign forwarding companies take a big market share of the Chinese export/import forwarding business.

(4). Chinese domestic freight forwarding industry is improving

- a) **Employees level growing**, employees’ experience is growing from a few years’ work. Foreign companies has trained Chinese employees using advanced standards and concepts when start operation in China. These trained employees bring advanced management and operation concept to China

domestic companies when they change their work. New graduate students armed with professional knowledge join in and fill new strength in the forwarding industry.

- b) **Getting stronger from competition**, after years of competition the weak companies disappeared due to bad management and worse operation, replaced by the one who is operating better at management, handling. These companies survived in economic competition are more competitive. These companies also looking to succeed international companies as business partner for improving its self at future development.

4.3 Freight Forwarder Development in China

The influx of foreign capital will certainly impact on the domestic freight forwarders, but in the long-term and global perspective, foreign-invested enterprises will play a catalyst role in pushing China's freight forwarding industry into rapid development. Foreign investment brings to China not only capital, but also advanced concepts, management and technology. Large size foreign freight forwarder will certainly have an impact on the domestic freight forwarders.

At present, China's logistics has entered a sustained and rapid development period. The current work is to strengthen and expand the freight forwarding business and to integrate forwarding into the supply chain management, and to build a long-term win-win partner. The target is to provide customers with high quality service and to enhance value-added services to customers with the following:

- **Improving the laws and regulations to speed up forwarders development:** Making the freight forwarders run business in the healthy environment, ensuring that forwarders can equally compete. At the same time, opening the freight forwarder market, learning foreign freight forwarders' advanced concept and management experience to accelerate the integration with the international freight forwarding market.

- **Training professional freight forwarder workers and managers:** In any industry, human resource is the key point. Freight forwarders need high level managers to improve the company's logistics level and trained staff to enable that they are capable of advanced logistics work. Also forwarders should cooperate with foreign forwarders, communicate and exchange experiences and management methods to improve management level.
- **Improving and enhancing the freight forwarding industry infrastructure in China:** Strengthening the logistics infrastructure and logistics location plan. Besides improving the highways, railways, port and airport infrastructure construction, also the development of logistics layout plan should be improved.
- **E-business is essential for integrated logistics development:** Nowadays, E-business is important in freight forwarding business. With the help of E-business, a freight forwarder can efficiently do cargo tracking, space booking, change updating, customs declaring. Fax, phone, the internet are three essential elements for freight forwarders nowadays. In future, E-documents may replace paper documents for shipping.

5. Case company

5.1 Introduction

Headwin logistics was founded in 2001, beginning with the service of maritime forwarding business. After 8 years of rapid development, Headwin logistics has spread its business to most of the port cities in China and to foreign countries like US, Japan, Germany. Headwin have business with most maritime carriers, such as Maersk line, APL, Ever green, OCSCON, and HJS. Its branches have reached most of the port cities in China. It has founded subsidiaries in US and Spain; built up more than 100 agents around the world; and more than 400 has employees joined it. The developing global economy has played a big part in Headwin logistics' success in the past 8 years.

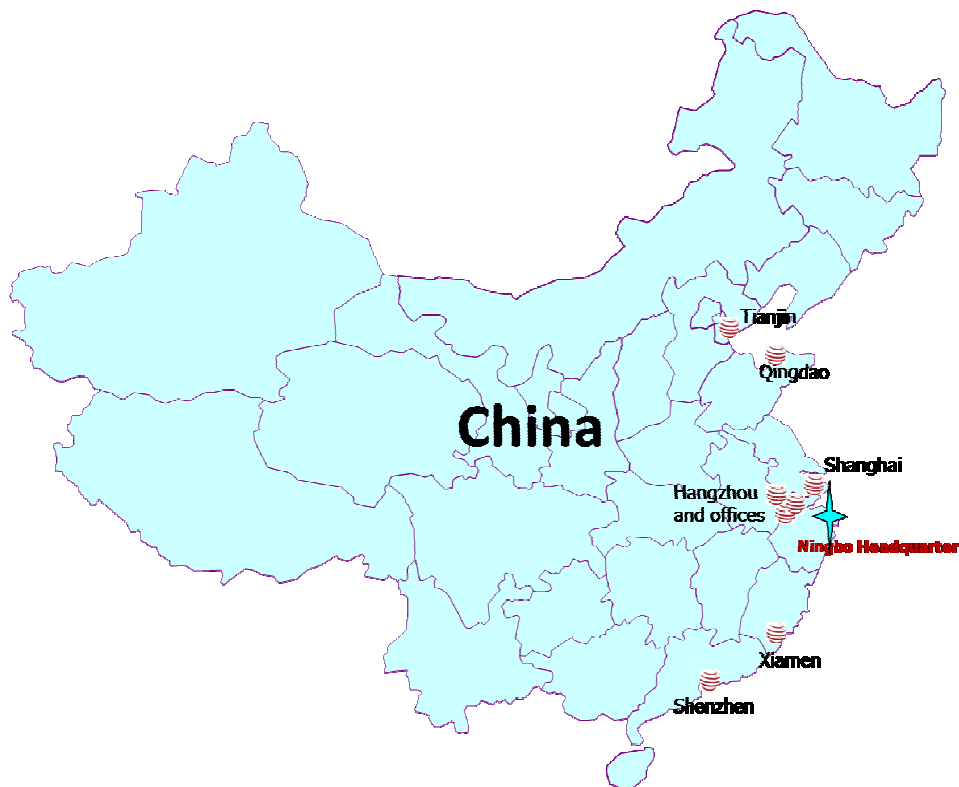


FIGURE 7. Branch location in China

5.2 Organization Structure

There are seven departments (Sales department, Project business department, Commercial department, Airfreight department, Marine department, Warehouse and Customs broker) handling the freight in this company, each order needs to go through these seven departments. These departments process the freight step by step, from the shipper loading the containers up to the consignee receiving the cargo. The handling time between a shipping order received and the boat leaving is only 2-4 days, so these departments must be tied together, work fast and accurately, if one step is delayed or a mistake occurs, the freight may not be able to get on board.

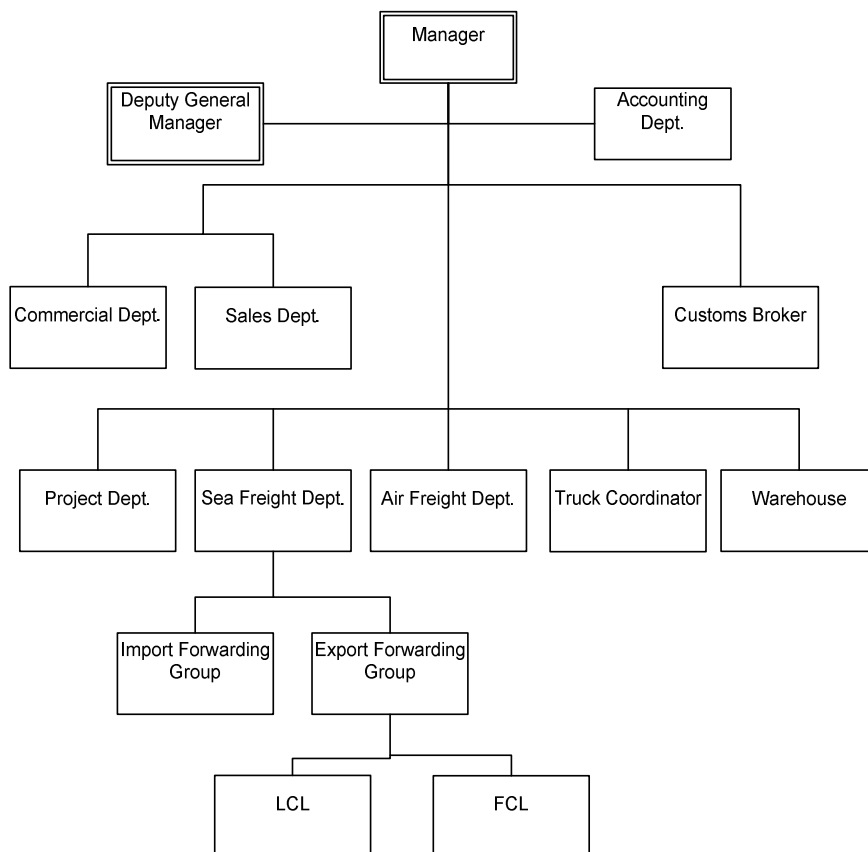


FIGURE 8. Organization management chart of Headwin

5.2.1 Function of Each Department

Each department works on different stage of commodities shipping, these departments perform different functions when forwarding the freight, and every department does its own duty, responsibilities and reports to take related parties. Seven departments perform independently, but as a part of integrated work process, all departments are connected and tied together, one department's performance influences the following work, the work that done before affects the next step.

Sales department

The sales department has the following functions:

- Selling forwarder services to customers.
- Maintaining business with old customers.
- Negotiating the price and conditions with customers.
- Coordination between customers and the related department for shipping the commodities.

Project business department,

The functions of project business department is to arrange special size cargo shipment including trucks, heavy equipment, cranes, and military equipment and others, what cargo needs special care and special transportation arrangement. This kind of business requires more resources and takes a longer time to prepare and transport. The amount this kind of business is much less than normal container shipping, but the profit is much higher than in container shipping.

Commercial department

The functions of commercial department are:

- Selecting carriers.
- Maintaining business with carriers.

- Negotiating shipping price with the shipping line, airline and truck company, and try to get the best rate and best service.

Airfreight department & Marine department

The functions are following:

- Preparing shipping documents, customs clearance documents, shipping line/airline booking.
- Coordinating with every part of the freight forwarding business to ensure that commodities get on board on time.
- Communicating with the agents in the destination country to arrange import issues in the destination country.

Truck coordinator

The functions of truck coordinator are:

- Arranging trucks for land transport.
- Coordinating with truck driver, customer and port/airport workers.
- Ensuring container/non containerized cargo arrives at airport/port in time, no delay in export customs clearance.
- Ensuring commodities are received by the customers in time, no delay in production.

Warehouse

The functions of warehouse are:

- Packing, loading/unloading cargo.
- Performing as a temporary warehouse and commodities distribution terminal.
- Commodities can be loaded /unloaded in Headwin warehouse via customer appointed place.

Customs broker

The functions of customs brokers are:

- Clearing export/import
- Assisting customs officer for random commodity inspection
- Changing flight time/vessel voyage.

5.3 Department Coordination

Coordination in the supply chain

If we look deep into a small part of supply chain, there are many stages inside the part of supply chain, coordination between these stage affecting the total performance of the that part's performance. As well as inside the freight forwarders, every department is connected and works in a series, a bad performance of a forwarder occurs either because different departments have objectives that conflict or because information moving between departments is delayed, or a bottleneck point occurs.(Chopro&Meindl, 2001, 478)

As one company, each department has not conflict concerning profit, so the lack of coordination could result from the lack of information accuracy and delay, or a bottleneck point. In the sales department, freight handling department, truck coordinator, customs broker and warehouse, information is used in these departments for different purposes. The sales departments use cargo information to calculate price, estimate shipping risk and profit; this is directly related to the company profit, and they get cargo information from the customers. The freight handling department needs cargo information to book a space, they get the data from the customers, details of cargo concerning shipping. This data appears on the Shipping Bill which is used for customs declaration,, so this data must be accurate. A truck coordinator gets the cargo data from the freight handling department, then passes the data to the truck company for on-land haulage arrangement, and coordinates between the customer and truck company. If this information is wrong or late, trucks sent for haulage may not enough

or they are too much. Cargo data accuracy and promptness is extremely important for the customs broker, he gets the data from the freight handling department, customs broker applies for customs clearance just on the following day when they have got the cargo shipping documents. Besides the original copy of shipping documents, they also need to fill in a form. The data in the form, documents and the actual information must be consistent.

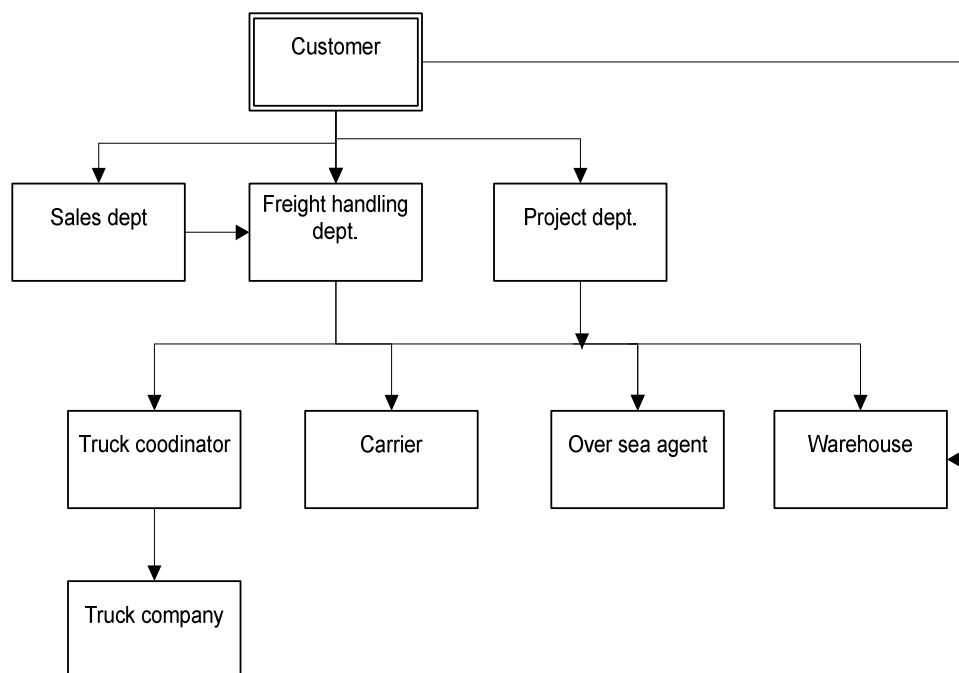


FIGURE 9. Information flow inside Headwin

CASE : Container import, 17* 20' GP containers have been unloaded at port and completed customs declaration, ready to move to customer. 9 trucks have been booked from a truck company, each truck can carry 2*20' GP containers, planned to finish the mission in one trip. But only eight trucks are available on the next day. The operator has passed the haulage request to the truck coordinator, and the truck coordinator passed the haulage request to truck company and gets confirmation. The information flow is as shown below. The problem is that the truck company promised nine trucks, but one of these trucks was sent for another mission and not knowing about the new mission, truck went somewhere else, but no information was sent to the coordinator.

When the operator found one truck missing, she contacted with the coordinator and the truck company immediately, truck company sent another truck for replacement.

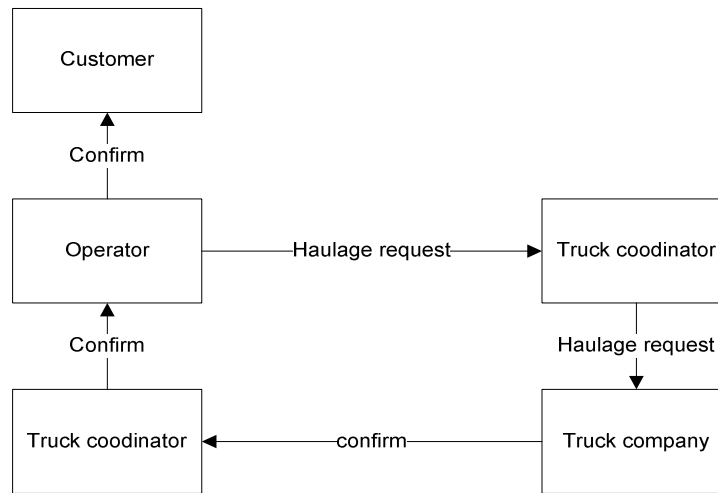


FIGURE 10. Information flow for container haulage

5.4 Company Strategy

The company strategy is to spread its business worldwide to enter foreign markets by following its customers. When Headwin's customer exports commodities to a new market, it is an opportunity for Headwin to spread its business to this new region, too. When a customer needs to deliver containers to a new destination, as a freight forwarder Headwin obligates the commodities shipping arrangement, but is also responsible for the rest of work after the cargo have been unloaded at the destination. Headwin can do the rest of the work by its own people or subcontract it to local agencies. Depending on the amount of the cargo flow and company development plan, Headwin could found a new company in the new markets or subcontract to a local logistics company as an agency.

Headwin focuses on two markets at this moment, the first one is the Chinese market; Headwin has 5 sub companies and a few offices in most of the port cities in China. On the 8th of July 2009, the Jiaying office was founded, which means that the strategic network was established. The second one is abroad. Headwin has established

subsidiaries in US and Spain and has a business relationship with more than 100 logistics companies around the world. The company strategy is following:

New means creative: Before 2002, private forwarding companies were not allowed to do business in the Chinese market, only foreign forwarding companies and government owned forwarding companies were running business in the Chinese market. Foreign forwarding companies were treated as “most favoured national treatment”, they enjoy many benefits, such as low tax, government subsidies and government policy protection. Government-owned forwarding companies were protect by government policy, these two types of companies seized the Chinese freight forwarding market. But after 2002, domestic private forwarding company start running business in the Chinese market, these private companies are new, active, flexible players in the market. Compared with these new small companies, the existing enterprises have exists a long time under the protection of government policy they havelow work efficiency, inflexible management. Private companies’ entrance in the forwarding market has created a new choice to customers, they are changing the freight forwarding business market and are growing quickly.

Small means flexible: Headwin is small compared with the government owned enterprise and multinational enterprises. Because it is small it gives a free room to Headwin’s operation. In Headwin, no inflexible regulations restrict the company’s capability, any new idea solution is recommended and acceptable. They offer customers any extra services both for business and daily life more than just VAS(Value Added Service). Headwin arrange cargo shipping satisfying customers by flexible delivery solutions, lower cost, and smiling service. Headwin also makes specialized solutions for special situations; customers may need a fast delivery or low cost shipping, or special treatment. Headwin is capable to make personalized solutions for any client, and capable to change the plan if the customer changes his mind. Good service and negotiable solutions satisfy many small customers, Headwin gains a considerable market share and is getting better.

Cost must be low: Cost is a big issue for any company. As a new small company Headwin has no advantage to compete on capital capacity, cut costs from every corner is the survival solution for Headwin, from investment expenses to daily expenses. Headwin is cutting costs as low as possible, for example, For an ERP system, Maersk logistics invest 100 million US Dollar to purchase a SAP system to improve the company's work efficiency and management visually, but Headwin is not able to purchase so expensive a system. Instead Headwin purchased a P-star system which cost much less than SAP. Along with these there are cost cuts in daily expenses of company.

Customer is the bridge: Headwin exists on customers, as every company. Headwin is constantly looking for customers to expand its business, and at the same time, Headwin is looking opportunities from the customers. Freight forwarding business is a series of operation processes, especially for international forwarders, each piece of cargo concerns two markets, the local market and the cargo destination market. When Headwin arrange a delivery, load on board is just one part of work, Headwin also needs to take care of the commodity at the destination port and deal with the issues at the destination. During these operations, there are opportunities to build relationships with destination forwarders and start business with it.

In 2008, when the global economic crisis heavily hit the global economy, logistics business went down, many logistics companies collapsed or were bought. But Headwin has presented new private freight forwarders which rely on flexible business model, and various kinds of customers groups, and has resisted the global economic crisis. But for the large multinational forwarders business has fallen, one important reason is their customer majority is big manufacturers, like Ford, Yamaha, Sony, Siemens. When the economic crisis hit, these manufacturers' production cut back, then the related forwarding agent was also affected. Headwin logistics has managed its business in a bad environment and keeps its business growing, the right strategy and management inside this company is the best explanation of that.

5.5 Conclusion

Ningbo Headwin logistics started with a small office, with only seven employees. Today it has developed into a large team of more than 400 people, having 17 domestic network platforms; from the single function freight forwarding company in the beginning, it has developed into an integrated international logistics platform which has wholly-owned sub-warehousing company, and a customs clearance company. From an unknown small company, Headwin has become one of the present “Top 50 private air freight forwarding agent” and the “Top 50 private international freight forwarder” in China. Looking back the success of Headwin is achieved due to the excellent leadership and innovative management. (Headwin News, 2009.)

The innovative process: The rapid success of Headwin logistics is attributed to the innovative operation processes it has adopted. Headwin logistics emphasizes on operation process improvement and innovation at the beginning, and now Headwin emphasizes on service and product innovation. Headwin has executed business strategy and placed market positioning according to customers' development requirements and potential future customers market, and seized the developing opportunities.

The innovative model: Headwin works on R&D of logistics products and business model; absorbs professional workers to strengthen Headwin logistics team. In a few years Headwin has spread its logistics services to the international logistics industry in various fields, and has become an ideal business partner for many overseas companies such as: international buyers, overseas agents, medium-sized manufacturing companies, and large international trading companies. Through service innovation, Headwin has consolidated the leading position in the forwarding industry, and serves as a logistics platform for export & import shipping. Ningbo Headwin logistics has a clear development goal; with the development of E-commerce widely used, Headwin logistics continues its search for new business strategy and business model, to increase the development speed, and to lead the future development direction.

The innovative management: the management level of private logistics companies stays in a low level, the management lacks in scientific methods, and the management system cannot reach the maximum efficiency. An established advanced management system and qualified assessment of employee performance is the solution to manage the company in a more efficient way, and make the company more competitive.

The innovative system: Headwin logistics will implement the change on the existing business model. Because of the homogenization of the logistics industry and fierce competition inside the freight forwarding industry, the traditional logistics services produce very low profitability. A traditional business model will not only limit the Heawin's future development, but it also limits the profitability, and what is more, it is difficult to maintain competitive strength under that model in future. Therefore, based on logistics service innovation, Headwin logistics is seeking breakthrough focus on four major logistics areas: shipment of dangerous goods, nonferrous metals transportation, design automotive & integrative supply chain system (Design supply chain and logistics system for customers, for example efficient supply chain integrated production system.) and project logistics. Headwin logistics targets at high threshold, high-margin, high-tech, high differentiation business in the freight forwarding market, and creating a more professional product service system.

6. Conclusions

6.1 Freight Forwarding As A Part of The Supply Chain

Supply chain is a series of actions for handling materials from raw materials to the final product; all the part of supply chain is about 'moving', each small part of supply chain is involved many parties' work. Each party just takes care of a small part of work, but they are professional at that work. They are managing the movement, for the purpose of maximum profit and surviving in competition. They are searching for new solution to minimize the cost and maximize the total profit, the purpose is economic benefit. But meanwhile, they have created a scientific solution for managing the materials movement. Freight forwarders is one of the parties in supply chain management, it is the solution for the problems in international transportation in a specific area. Freight forwarders focus on how to utilize the useful information and equipment and to solve unexpected issues. When forwarder as expert do this, it is much more efficient than non-professional people do it. In one word, Supply chain is the platform of logistics, and logistics is the management method of supply chain.

The efficiency of supply chain depends not only on the work efficiency of each party, but also the cooperation of those parties. A good supply chain system is one where all parties in the supply chain work efficiently and connected to each other. The ideal supply chain is the cargo passing every party and moving all the time, but if any problem happens, the cargo will stop and cannot pass to the next party on time. So, when considering transport cargo, not only the freight forwarder is important, but also the other parties and the infrastructures are also important. The most important thing is the cooperation between all parties and the cooperation inside each party. A company should contribute the efficient work to all departments' close cooperation, and a supply chain should contribute the efficient work to all parties' close cooperation.

6.2 Future Trends

The development of freight forwarder is because the economic development. Nowadays, the freight forwarding industry is developed in US, Europe and other developed countries, and it is less develop in developed regions, such as Africa, most part of Asia and some parts of South America, but there are more opportunities in these regions. In the near future, the freight forwarding industry in those less developed counties will rise up, and that is not only because of the local economy development, but also because foreign freight forwarders enter those regions. These foreign freight forwarders' purpose is economic benefit, but at same time, their advanced management systems and experience will speed up the local freight forwarding industry's development.

Besides the new trends in the developing regions, the form of forwarders will change. Freight forwarders will select an appropriate strategy, and with the development of freight forwarders' size and amount, there will be new things in the freight forwarder industry.

Differentiation in the business field

Because of the fierce competition in logistics industry. The "Small size and full function" mode is unable to meet the market development. Especially small and medium-sized forwarders have to find correct market position, focus on specific market filed, strengthen their competitiveness focus on the core business, and improve other business fields by the assistance of the core business.

Competition & Cooperation and Freight Forwarder Association

The same business does not share the same profits. The companies running the same business always conflict on market share and benefit. When the forwarding market is mature, everything is transparent, and a simple business model is easy to be learned by

competitors. In that condition, freight forwarders do not find it easy to gain high profits by running business using a simple model. Forwarders must offer more VAS and specific services to attract customers. In order to prevent vicious competition and protect the benefit of freight forwarders, there will be more freight forwarder associations founded. A freight forwarder association could offer a platform for the members to communicate and share useful information. The association publishes business opportunities and market trends, leads the market direction and maintains market order.

E-commerce playing an important role in freight forwarding

The Internet is playing an important role in freight forwarding operations. Nowadays, using the Internet is possible to check the price, make bookings, track cargo, complete payments, make communication, also transfer documents. There is no need to send people to go on a trip only to take a piece of paper. In future, the Internet can have more functions, Internet can acts as an integrated online platform to connect companies. Using that platform, companies can share information, exchange documents, track shipping status, the work could be done more efficiently.

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Abbreviations

B/L: Bill of Lading

D/O: Delivery Order

FLC: Full Load Container

FMC: Federal maritime Commission

LCL: Less than Container Load

NVOCC: Non-Vessel Operating Common carrier

TEU: Twenty-foot Equivalent Unit

Appendix 1. Intercom

Lead to truck	Export-duty payment	Transport to exporter's port	Unloaded from truck at the origin's port	Landing charges at origin's port	Transport to importer's port	Landing charges at importer's port	Unload onto trucks from the importer's port	Transport to destination	Insurance	Entry - Customs clearance	Entry - Duties and Taxes
EXW/ No	No	No	No	No	No	No	No	No	No	No	No
FCA/ Yes	Yes	Yes	No	No	No	No	No	No	No	No	No
FAS/ Yes	Yes	Yes	Yes	No	No	No	No	No	No	No	No
FOB/ Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
CFR/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
CIF/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
CPT/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
CIP/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
DAF/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DES/ Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
DEQ/ Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No
DDU/ Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DDP/ Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

For a given term, "Yes" indicates that the seller has the responsibility to provide the service included in the price. "No" indicates it is the buyer's responsibility. If insurance is not included in the term (for example, CFR) then insurance for transport is the responsibility of the buyer or the seller depending on who owns the cargo at time of transport. (Intercoms, 2009.)

Appendix 2. Certificate of Permission for Sales & Agency for International Air Transportation



Appendix 3. Commercial Invoice

ZHEJIANG WANGSONG WOOL SPINNING CO., LTD.
20 JINQIAO ROAD LUYUAN TANGQIAO TOWN ZHANGJIAGANG CITY JIANGSU

COMMERCIAL INVOICE

APR-18-2007


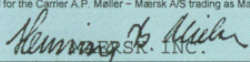
Buyer: [REDACTED] CO.,LTD AXA-KODENMA-CHO BLDG.4F.14-7, KODENMA-CHO NIHONBASHI.CHUO-KU, TOKYO 103-0001 JAPAN TEL:03-3[REDACTED]3 FAX:03-3[REDACTED]		Invoice No:DL0730		
		Contract No:DL0730		
		L/C NO:Non		
		Country of Origin: CHINA		
		Country of Destination:		
Port of Discharge:	Port of loading: TIANJIN	Terms of Delivery and Payment Delivery:FOB TIANJIN Payment:T/T		
Marks & Nos	Description of goods	QUANTITY	UNIT PRICE	AMOUNT
		FOB TIANJIN		
	WORSTED FABRIC			
	BUONA GIORNATA MEN'S	(M)	(USD/M)	(USD)
	TMAD072/73/74/75			
	TOAM-07501/502/503/504			
	MITSUI BUSSAN INTER-FASHION LTD			
	G/T NO.1-UP TOAM-07501	2325.2	4.50	10463.40
	MADE IN CHINA TOAM-07502	5520.4	4.30	23737.72
	TOAM-07503	2062.7	4.60	9488.42
	TOAM-07504	915.0	4.60	4209.00
	TOTAL	10823.3		47898.54
TOTAL SAY USD FORTY SEVEN THOUSAND EIGHT HUNDRED AND NINETY EIGHT CENTS FIFTY FOUR ONLY.				

ZHEJIANG WANGSONG WOOL SPINNING CO., LTD.

(ALREADY SIGNED) SIGNATURE
毛纺织有限公司
3206220491257

EP1

Appendix 4. Bill of Lading

		BILL OF LADING FOR OCEAN TRANSPORT OR MULTIMODAL TRANSPORT		B/L No. 504814212	
Shipper PAPER LLC LOS ALAMITOS, CA 90720 USA		Booking No. 504805039, 504805039		Export references	
Consignee (negotiable only if consigned "to order", "to order of" a named Person or "to order of bearer") PAPER CO., LTD. YU AN ROAD, AREA B AIRPORT INDUSTRIAL DEVELOPMENT, ZONE SHUN YI DISTRICT, BEIJING CHINA TEL: 010-		Forwarder's name and address FMC 3209 FIDELITY TRANSPORT 13471 1/2 PUMICE STREET NORWALK CA 90650		REF: JOB NO. 206-S-048X	
Notify Party (see clause 22) SAME AS CONSIGNEE		Onward inland routing (Not part of Carriage as defined in clause 1. For account and risk of Merchant)		Place of Receipt. Applicable only when document used as Multimodal Transport B/L. (see clause 1)	
Vessel (see clauses 1 + 19) SL INTREPID	Voyage No. 0609	Place of Delivery. Applicable only when document used as Multimodal Transport B/L. (see clause 1)			
Port of Loading LOS ANGELES, CA	Port of Discharge XINGANG, CHINA	PARTICULARS FURNISHED BY SHIPPER - CARRIER NOT RESPONSIBLE			
Kind of packages; Description of goods; Marks and Numbers; Container No./Seal No.		Gross Weight	Measurement		
SHIPPER'S LOAD, STOW, WEIGHT AND COUNT FREIGHT PREPAID SAID TO CONTAIN 266 BALES 216.607MT WASTE PAPER U.S.#11 OCC XTN: 330240603-206-S-048X ALL CHARGES PREPAID INCLUDING DTHC		216607 KGS	355.000 CBM		
THESE COMMODITIES, TECHNOLOGY, OR SOFTWARE WERE EXPORTED FROM THE UNITED STATES IN ACCORDANCE WITH THE EXPORT ADMINISTRATION REGULATIONS. DIVERSION CONTRARY TO U.S. LAW PROHIBITED.					
Above particulars are declared by Shipper, and without responsibility or representation of Carrier. (see clause 14)					
Freight & Charges	Rate	Unit	Currency	Prepaid	Collect
Carrier's Receipt (see clauses 1 and 14) Total number of containers or packages received by carrier 10 CONTAINER(S)		Declared Value (see clause 7.3) Place of Issue of B/L RESOURCE US		SHIPPED, as far as ascertained by reasonable means of checking, in apparent good order and condition unless otherwise stated herein, the total number or quantity of Containers or other packages or units indicated in the box entitled "Carrier's Receipt" for carriage from the Port of Loading (or the Place of Receipt, if mentioned above) to the Port of Discharge (or the Place of Delivery, if mentioned above), such carriage being always subject to the terms, rights, duties, provisions, conditions, exceptions, limitations, and liabilities hereof INCLUDING ALL THOSE TERMS AND CONDITIONS ON THE REVERSE HEREOF NUMBERED 1-28 AND THOSE TERMS AND CONDITIONS CONTAINED IN THE CARRIER'S APPLICABLE TARIFF and the Merchant's attention is drawn in particular to the Carrier's duties in respect of on deck stowage (see clause 16) and the carrying vessel (see clause 19). Where the bill of lading is non-negotiable the Carrier may give delivery of the Goods to the named consignee upon irrefutable proof of identity and without requiring surrender of an original bill of lading. Where the bill of lading is negotiable, the Carrier will be entitled to give delivery of the Goods against what he reasonably believes to be a genuine original bill of lading. Delivery as aforesaid is authorized and shall constitute due delivery hereunder and the Merchant shall have no claim for loss or non-delivery. In accepting this bill of lading, any local customs or privileges to the contrary notwithstanding, the Merchant agrees to be bound by all Terms and Conditions stated herein whether written, printed, stamped or incorporated on the face or reverse side hereof, as fully as if they were all signed by the Merchant. IN WITNESS WHEREOF the number of original Bills of Lading stated on this side have been signed and wherever one original Bill of Lading has been surrendered any others shall be void.	
Number & Sequence of Original B(s) 2/3		Date of Issue of B/L MAY 17 06		Signed for the Carrier A.P. Møller - Maersk A/S trading as Maersk Line  As Agent(s) for the Carrier	
LADEN ON BOARD SL INTREPID /0609 AT LOS ANGELES, CA ON MAY 17 2006 SEE ATTACHED SHEET					
2006L1 001669954					

Appendix 5. Packing List

ZHANGJIAGANG [REDACTED] WOOL SPINNING CO.,LTD.
20 JINQIAO ROAD LUYUAN TANGQIAO TOWN ZHANGJIAGANG CITY
JIANGSU

PACKING LIST

APR-18-2007

Buyer:		Invoice No:DL0730				
[REDACTED] CO.,LTD		Contract No:DL0730				
AXA-KODENMA-CHO BLDG.4F.14-7.		L/C NO:Non				
KODENMA-CHO NIHONBASHI CHUO-KU.		Country of Origin: CHINA				
TOKYO 103-0001 JAPAN		Country of destination:				
TEL:03-3552-8133 FAX:03-3552-8134		Delivery: FOB TIANJIN				
Port of Discharge:	Port of loading:	Payment: T/T				
	TIANJIN					
Marks & Nos	Description of goods	QUANTITY(M)	CTNS	N.W.(KG)	G.W.(KG)	M3
	WORSTED FABRIC					
	BUONA GIORNATA MEN'S	2325.2	18	623.80	714.80	2.34
	TMAD072/73/74/75	5520.4	39	1333.80	1536.80	5.220
	TOAM-07501/502/503/504	2062.7	15	495.40	570.65	1.935
	MITSUI BUSSAN INTER-FASHION LTD	915.0	6	225.50	257.00	0.810
	C/T NO.1-UP					
	MADE IN CHINA					
	TOTAL	10823.3	78	2678.50	3079.25	10.305
TOTAL PACKAGE: SAY SEVENTY EIGHT(78) CARTONS ONLY						

ZHANGJIAGANG [REDACTED] WOOL SPINNING CO., LTD.

(AUTHORIZED SIGNATURE)



Appendix 6. Certificate of Original

ORIGINAL

<p>1. Exporter</p> <p>SHENZHEN HUAYELONG IMPORTS&EXPORTS LTD</p>		<p>Certificate No: CCPIT 066110967</p> <p style="text-align: center;">CERTIFICATE OF ORIGIN OF THE PEOPLE'S REPUBLIC OF CHINA</p> 		
<p>2. Consignee</p> <p>DETAILED ARGENTINA S.A. (OPRD) BUENOS AIRES ARGENTINA</p>		<p>5. For certifying authority use only</p>		
<p>3. Means of transport and route</p> <p>PROM YANTIAN, CHINA TO BUENOS AIRES, ARGENTINA BY SEA</p>				
<p>4. Country / region of destination</p> <p>ARGENTINA</p>		<p>10. Number and date of invoices</p> <p>SYDORCHEN 贸易 AUG. 11, 2008 证明 CHINA COUNCIL FOR OF INTERNATIONAL TRADE (SHEN ZH)</p>		
<p>6. Marks and numbers</p> <p>(SEE ATTACHED)</p>	<p>7. Number and kind of packages; description of goods</p> <p>CHRISTMAS DECORATIONS & ORNAMENTS DETAILS AS PER P.O. 014157 (SALES ORDER NO.: D02281) CUSTOMER PO: ARGENTINA, CUSTOMER CODE: FM3622A ZCFJ3345 40MM METAL JINGLE BELLS SET 12PC 3/A ZCFJ3367 25MM METAL JINGLE BELLS 28 PC 4/A</p> <p>SAY TOTAL TWENTY THREE (23) CTNS ONLY</p> <p>*****</p>			
<p>11. Declaration by the exporter</p> <p>The undersigned hereby declares that the above details and statements are correct, that all the goods were produced in China and that they comply with the Rules of Origin of the People's Republic of China.</p>		<p>12. Certification (SEE NEXT PAGE)</p> <p>It is hereby certified that the declaration by the exporter is correct.</p>		
 <p>SHENZHEN, CHINA - NOV. 15, 2008</p> <p>Place and date, signature and stamp of authorized signatory</p>		 <p>SHENZHEN, CHINA - NOV. 15, 2008</p> <p>Place and date, signature and stamp of certifying authority</p>		

WWW.HUAYELONG.COM

Appendix 7. Export Licence

中华人民共和国出口许可证 EXPORT LICENCE OF THE PEOPLE'S REPUBLIC OF CHINA No.						
1. 出口商: Exporter 天津外企信息资源系统有限公司			2. 出口许可证号: Export licence No. 00-02-100671			
3. 发货人: Consignee 天津外企信息资源系统有限公司			4. 出口许可证有效截止日期: Export licence expiry date 2001年1月16日			
5. 贸易方式: Terms of trade 一般贸易			8. 进口国(地区): Country/Region of purchase 日本			
6. 合同号: Contract No. 90256			9. 付款方式: Payment 海上运输			
7. 报关口岸: Place of clearance 天津关区			10. 运输方式: Mode of transport			
11. 商品名称: Description of goods 其他未列名自行车			商品编码: Code of goods 871200898			
12. 规格、型号 Specification	13. 单位 Unit	14. 数量 Quantify	15. 单价 () Unit price	16. 总值 () Amount	17. 总值折美元 Amount in USD	
	辆	210.0	46.0000	9660	\$9660	
	辆	105.0	43.3000	4547	\$4547	
18. 总计 Total	辆	315.0		14207	\$14207	
19. 备注 Supplementary details 非一批一证			20. 发证机关签章 Issuing authority's stamp & signature 发证机关签章			
			21. 发证日期 Licence date 天津市 2000年7月18日			

对外贸易经济合作部监制 (2000)