



Using Express Carriers vs. Freight Forwarders for International Shipments

► **BACKGROUND** One of my clients was shipping a lot of small packages from Asia to the US on a regular basis and had negotiated very good discounts with a freight forwarder. Due to a temporary manufacturing delay, he decided to move three shipments via a small package express carrier with door-to-door service. Each package weighed about 200 kilograms, and the final bill indicated he was charged about \$10 per kilogram, or \$2,000 each (\$6,000 total). I compared the cost of using a freight forwarder and found that shipments via the freight forwarder moved at about \$5 per kilogram in that lane or, in this case, would have cost \$1,000 each (\$3,000 total). For these specific three shipments, my client paid \$3,000 extra by using the express carrier.

An express carrier operates by publishing a tariff and a daily shipping schedule. The advantage they offer is to be able to provide a specific destination delivery day and time range for every package you want to ship that is less than 150 pounds, although both UPS and FedEx will carry pieces over 150 pounds each with a different type of service. Because export shipments originate in the US, they are based on whole pounds (always rounded up). Rates for import shipments are based on kilograms. The value proposition of the express carrier centers on timely door-to-door service for domestic and international shipments.

An air freight forwarder operates by negotiating a high-volume rate with airline companies for palletized or containerized shipments. These rates are better than smaller volume shippers can get on their own. The freight forwarder will pick up, consolidate shipments, take them to the airline, arrange Customs clearance and deliver the packages to the receiver or consignee. Air freight forwarders usually make consolidations for a particular lane once or twice a week, such as Wednesday and Friday, depending on the commercial carrier schedules, which means a freight forwarder may not be able to meet your delivery requirements. The value proposition of a freight forwarder generally centers on cost savings for shipments weighing more than 100 kilograms. The freight forwarder also has the ability to deal with palletized shipments as well as more complex matters involving

FDA, Fish and Wildlife and hazardous material handling, which small package carriers typically are not set up to handle.

Comparing Total Shipping Costs

Shipments weighing 150 pounds or more are freight forwarding shipments (by definition) and are not handled as small package shipments. If you have a shipment weighing less than 150 pounds per carton or less than 100 kilograms total shipment weight, which must be delivered in a very short timeframe, the express carrier may be the correct choice. However, if time is not a critical factor, here is a guideline to correctly determine when a freight forwarder cost is a lesser cost than an express carrier:

1. Calculate your small package door-to-door cost using the express carrier's rate table (include current fuel surcharges and applicable discounts).
2. Calculate costs for the same shipment using a freight forwarder's rate (include all door-to-door costs)

Generally speaking, shipments 50 kilograms and below tend to be more cost effective using small package carriers, Air shipments above 100 kilograms tend to be more cost effective using air freight forwarders.

Real Life Example

Example using 68 kg (150 lbs) shipment from US to UK

Costs via express carrier

\$883.70 list rate
\$ 0.00 fuel surcharge
- \$265.11 30% discount
\$618.59 Total

Costs via freight forwarder

\$ 75 Pickup
\$ 50 Export Handling
\$ 33 Airline Handling Fee
\$204 Freight Charge (\$3/kg)
\$15 Fuel Surcharge
\$15 Security Charge
\$100 UK Clearance
\$100 UK Delivery Charge
\$592 Total Charge

Here, shipping via a freight forwarder will save \$26.59, or 4.3%. Generally speaking, freight forwarding prices tend to be more competitive above 100 kilograms, or 220 pounds. Contact me if you need to discuss your import or export shipping needs. ■

TOM STANTON is with AFMS Logistics Management Group in Portland, Oregon. He can be reached at 800-246-3521 or tom.stanton@afms.com.