

**A STUDY ON THE DIFFERENTIATION IN SERVICE
AND PERFORMANCE BY THE FREIGHT FORWARDERS
IN LOGISTIC OPERATIONS.**

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ABSTRACT

India's maritime trade comprises of export-import trade in various bulk commodities like crude oil and other petroleum products, iron ore and coal, besides general-purpose cargo. The economic liberation gives way for an upheaval of handling value-added goods through containers and transporting cargo to several Indian ports. This container transportation has redefined these services also it has emerged as very sophisticated logistic services. Freight forwarding agents specialize in the arranging of shipping and insurance, and many of them today arrange land, sea and air transportation for goods. They take a good deal of work off the exporters' shoulders. They follow all the formalities of documentation for customs clearance. They also look after the warehousing and carting of cargoes before shipment of export consignments and after discharge of import cargoes, by the sea carriers.

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I.INTRODUCTION:

Freight forwarding agents are one who specializes in arranging of shipping, insurance, and many of them today arrange land, sea and air transportation for goods. They take a major portion of the exporters work and their risks. On behalf of the shippers, they do all procedural and documentation formalities involved in the customs and port clearance. They also look after the warehousing and transshipment of cargoes before shipment of export consignments and after discharge of import cargoes, by the sea carriers.

There is another important aspect of their work-consolidation of shipments. A forwarding agent receives a large number of consignments and often group together a number of small ones and, by putting them into one large consignment, obtain preferential freight rates from the shipping line or the airline. Otherwise the shipper of a small quantity of goods may pay a rather high freight charge.

Freight forwarding agents are licensed by the customs. The name and address of the freight forwarding agents operating from different ports can be obtained from customs house or from there local association. However selection of suitable forwarding agents is very important. The exporter should due care in various selecting criteria of fixing freight forwarder Viz., location, facilities rates, services, flexibilities and efficiency.

Role of Freight Forwarders:

A present Day Freight Forwarder carries out the following duties:

On behalf of consignor

- Selection of route
- Determination of shipping documents
- Arrangement for packing, marking, etc, if required preparation of regulatory documents.
- Delivery to carriers and if required consignee, informed
- Keeping the consignor and if required consignee, informed
- Assists in preparation of shipping documents for negotiations.

On behalf of consignee

- Receives shipping documents
- Prepares and processes documents through customs and port, octroi, authorities, payment of duty fees, etc.
- Arranges delivery-

For both, if required-

- Arranges insurance and process claims
- Offers warehousing
- Offers distribution services
- Offers consolidation services

Preparing price quotations

Freight Forwarder plays a vital role in assisting the exporter to fix cost and logistic operations. The following are the freight forwarders areas of assistance:

- Act as shipper's agent under a power of attorney.
- Finalizing the methods of transport.
- Advice on best packaging for the exporter's product.
- Taking care for packing, marking, and containerizing goods at the port.
- Finalizing the best prices.
- Arrange for loading and unloading of shipment at the port.
- Overseas On-loading procedures.
- Issue delivery orders
- Arrange for insurance.
- Arrange for receipt of bill of lading or airway bill.
- Finalizing CFS and delivery.

- File damage claims with carriers or insurance companies.
- Prepare documents for collection of payment under the letter of credit.
- Provide messenger services.

Freight Forwarders facilitate the exporters, to know the pertinent laws and regulations of foreign licensing.

II. NEED FOR THE STUDY:

Freight Forwarders play a vital role in transacting the goods along with doing all the documentation work on behalf of the Exporters/Importers. Freight Forwarders are applying different formula for the effective Logistics business transaction.

The study aims at analyzing the functioning of the Freight Forwarders in Tamil Nadu and giving suggestions for improving their services. It throws light on container handling at the Tamil Nadu ports and also the problems faced by Freight Forwarders with regard to the container handling.

III. SCOPE OF THE STUDY:

The present study covers the various aspects of functioning of Freight Forwarders (CHA's) in Indian marine cargo industry. It highlights the Freight Forwarding operations, opinion perceived by them and the problems faced by them. Among all these aspects of freight forwarding operations, containerization is essential for speedy and safety reach. Hence, the study encompasses the role of freight forwarders in containerization.

IV. OBJECTIVES OF THE STUDY:

The present study is aimed to analyze the following objectives empirically.

1. To give an overview about the Freight Forwarders (CHA's) and their effective operations of marine trade.

2. To study the contributions of Freight Forwarders in promoting port performance.
3. To identify the level of satisfaction perceived by the Freight Forwarders
4. To limelight the various problems faced by the Freight Forwarders.
5. To suggest ways and means for effective Freight Forwarding Operations to enrich India's Maritime Trade.

V. METHODOLOGY OF THE STUDY:

In the present study, an extensive use of both primary and secondary data was made. The study has been made in a descriptive and analytical way.

SAMPLING DESIGN

Judgment sampling was followed to select the sample respondent for the study. To obtain primary data, the researcher approached 300 respondents out of 640 registered freight forwarders in the area of Chennai, Tuticorin, Tirupur, Coimbatore and Karur. The data collected from the sample respondents has been subdued in to suitable tabulated forms.

COLLECTION OF DATA

The study has been used both primary and secondary data.

PRIMARY DATA

The primary data collected from the selected respondents, viz., Logistics operators, freight forwarding agents and multi model transport operators in the study area. Field survey techniques were used to collect the first hand information from the respondents. A well structured interview schedule was prepared to collect data from the freight forwarders. Pilot study has been conducted with the help of the few sample schedules and necessary modification was carried down as and when required.

SECONDARY DATA

The Secondary data was gathered from the records of freight forwarders association, internet sources, libraries in Bangalore, Tuticorin, Chennai and Coimbatore.

VI. FRAME WORK OF ANALYSIS:

The data collected were analyzed by applying the tools viz -

- Chi-square analysis, Percentage analysis, Multiple Regression analysis, and Factor analysis has been used to identify the factors influencing the Freight Forwarders / logistic operations.
- Garrett Ranking was used to rank the problems faced by the Freight Forwarders.

VII. MAJOR FINDINGS OF THE STUDY:

Major Findings of the study has been given in the following five broad heads:

FACTORS INFLUENCING FREIGHT FORWARDING OPERATIONS:

*** CHI-SQUARE ANALYSIS**

The factors that influence the freight forwarders in logistic operations was studied by selecting a variables such as Year of Establishment, Nature of Organisation, Experience, Income Generated Per Annum, Wealth Position, Source of Information about the Exporters, Annual Turn Over, Countries which undertake operations along with Modes of operation undertaken. It is divulged from the analysis that out of 9 variables 6 variables are significant at 1 % level they are Year of Experience in freight forwarding operations, Income generated per annum, wealth position, annual turn over and modes of operations undertaken. The results of chi-square test shows the factors Nature of organization, Sources of information about the exporters and Countries which undertaking freight forwarding operation are statistically not significant at 1 % level and 5 % level. This shows that the six factors such as Year of Experience in freight forwarding operations, Income generated per annum, wealth position, annual turn over and

modes of operations undertaken are closely associated with the level of satisfaction of the freight forwarders which motivates them to be active in the Logistic operations.

* PERCENTAGE ANALYSIS

- The percentage analysis reveals that 51.7 % of the respondent are having below 10 branches for their logistic operations in India.
- While analyzing the branches in abroad, it is noted 33.6 of the respondents are having less than 5 branches for their logistics operation in abroad.
- 81.3% of the respondents are having agents for their effective operation where they are not having their own office of operation.
- Container Freight Stations are the most important in the logistic operations but nearly 71.3% of the respondents are not having Container Freight Stations (CFS) for their effective operations. The freight forwarders are depending on the private owned CFS; ultimately it increases the logistics costs. Further, 74.4% of the respondents are having below 5 Container Freight Stations (CFS) for their effective and safe Logistic Operations.
- The percentage analysis shows that 86.3% of the respondents have rated their service quality as Excellent by their clients.
- The shippers should have a specialized facility to see the status of goods when the goods are in transit, the percentage analysis shows that 92% of the respondents are having the specialized facility to see the status of goods by their clients when the goods are in transit.
- From the analysis, it is identified that 97% of the respondents are having the specialized facility to ensure the arrival of goods at buyer agents destination.
- The percentage analysis reveals that 97.3% of the respondents are informing their clients relating to delivery of goods at the buyer agents destination.
- While analyzing the problem faced by the freight forwarders with regard to the financial in nature that 78.3% of the respondents are facing problem related to non payment by their clients for their invaluable quality of service in the Logistics Operations.

* MULTIPLE REGRESSION ANALYSIS

The analysis made is Multiple Regression in this study. This helps to find out the correlation between the dependent variable and independent variables. The relationship between the Level of satisfaction perceived by the freight forwarders on logistic operations Nine independent variables were selected and it was found that out of Nine variable Six factors were closely associated and Three factors were not significant. The factor like nature of organization, annual income, wealth position, source of information about exporters, logistic operational countries and mode of operations are positively associated, this shows that the volume of business can be operated through the freight forwarders only when they have perceived the maximum level of satisfaction.

The multiple regression analysis reveals that the satisfaction perceived by the Freight Forwarders on logistic operations is positively associated with the factors like nature of organization, annual income, wealth position, source of information about exporters, and the logistic operational countries of the respondents. It will generate more business for the Freight Forwarders when they implement the Supply Chain Management Concept, is practiced with the highest level of satisfaction.

**MULTIPLE REGRESSION ANALYSIS OF
LOGISTIC OPERATIONS
(Coefficient Table)**

Sl. No.	Variables	Non-Standardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.865	0.247		7.558	
1	Year of Establishment	4.713E-02	0.061	0.066	0.777	NS
2	Nature of organization	0.171	0.058	0.246	2.960	1%
3	Experience in Logistics operations	-4.594E-02	0.050	-0.079	-0.920	NS
4	Annual Income	6.509E-02	0.029	0.121	2.267	5%

5	Wealth Position	0.195	0.056	0.249	3.499	1%
6	Source of information about exporters	-5.607E-02	0.017	-0.203	-3.288	1%
7	Annual turnover	-3.652E-02	0.035	-0.062	-1.055	NS
8	Logistic operational Countries	-0.162	0.045	-0.209	-3.622	1%
9	Mode of operations	9.031E-02	0.046	0.111	1.983	5%

R-Value	R ² -Value	Degree of freedom – V ₁	Degree of freedom – V ₂	F Value	Significance
0.861	0.741	10	289	84.54	1% Level

The multiple linear regression component (dependent variable) is found statistically a good fit as R² is 0.741. It shows that six independent variables contribute about 74% on the variations in level of satisfaction on logistic operations practiced by the Freight Forwarders and this is statistically significant at 1% and 5% level respectively.

COMPONENT MATRIX ^a

Factor	Component				
	1	2	3	4	5
Authorised agent	0.247	7.840E-02	-0.282	-0.213	0.846
Complaints Redressal	0.114	-5.203E-02	0.592	0.523	0.343

Own CFS	0.681	-9.253E-02	-9.831E-02	-0.318	0.138
Own Website	0.611	-0.112	-2.077E-02	0.176	5.514E-02
Status of goods	0.307	0.811	-0.143	-0.121	-2.593E-02
Arrival of goods	0.282	0.722	-0.303	0.173	-0.173
Delivery time	-0.188	0.382	-8.368E-02	0.677	0.109
Meeting with exporters	0.603	-0.367	-0.201	0.346	-0.119
High risk	7.058E-02	0.499	0.649	-0.267	1.480E-02
Registered claims	0.477	-0.115	0.381	-0.176	-0.227
Awareness on SCM	0.642	-0.183	0.120	7.862E-02	8.866E-02
Additional Benefits by SCM	0.647	0.232	0.256	2.965E-02	-1.599E-02
Providing Knowledge on SCM	0.716	-7.691E-02	-0.214	5.897E-02	-0.232

This Component Matrix indicates the relationship between the factors and individual variables, and it is seen that several factors are having high correlation with the same component. For better interpretability, we move on to the next step.

* FACTOR ANALYSIS

Factor analysis helps to mark the major component considered important by the respondents. The research takes in to account the following thirteen important and enhance the

effective logistic operational factors namely Authorization of agents for their operations where they do not have their own office, Shippers/ clients/ exporters complaints redressal, having own CFS, Owning web sites, additional facility to see and ensure the status of goods, arrival of goods and delivery time by their clients, periodical meeting with their clients, riskness in their operations, Claims with insurers, awareness on Supply Chain Management, obtained additional benefits from the effective implementation of the SCM concept and efforts has been taken to provide knowledge on SCM which are determinants the effective logistic operations and to the level of Shippers/Clients/ Exporters.

From the analysis, it is evident that the respondents agreed to the fact that they intended to have the services of the freight forwarding and have considered these thirteen factors namely authorization of agents for their operations where they do not have their own office, Shippers / clients/ exporters complaints redressal, having own CFS, Owning web sites, additional facility to see and ensure the status of goods, arrival of goods and delivery time by their clients, periodical meeting with their clients, riskness in their operations, Claims with insurers, awareness on Supply Chain Management, obtained additional benefits from the effective implementation of the SCM concept and efforts has been taken to provide knowledge on SCM to be determinants of good service quality levels and the key for efficient and effective logistic operations by the freight forwarders in the study area.

* PROBLEMS FACED BY THE FREIGHT FORWARDERS

Extensive research and observations during the course of the study revealed overall twenty five unique problems faced by the freight forwarders/CHS's. These problems are organized in to five major headings such as problems related to exporters, problems related to insurance company, problems related to financial aspects, problems related with operations and problems related to the port authorities.

1. While analyzing the problems faced by the freight forwarders with their exporters / clients are indifferent product, over expectation, lack of cooperation, terms of contracts and lack of export knowledge. The most burning issue was over expectation on prompt service, and it is followed by terms of contracts.

2. The problems faced by the freight forwarders with the insurance company are, want of unnecessary documents, delay in settlement, indifferent attitude, lack of co-operation and redtapism. The most burning issue is delay in settlement, and it is followed by redtapism.

3.. While analyzing the freight forwarders problems related to operations are higher operating cost, a more of government policies, elaborate documentary works, delay in operation and natural calamity. The most burning problem was government policies (legal restriction) and it is followed by delay in operation due to some reasons.

VIII. SUGGESTIONS:

1. All activities, communications and promotions of the freight forwarders should focus on maintaining long term customer relationships to retain existing customers, create customer loyalty and attract new customers.

2. The reception of the Custom officers by the freight forwarders must be friendly and courteous which would create a long lasting relationship between the freight forwarders and the custom officers.

3. Better connectivity should be developed between the road, rail and the sea.

4. Chennai and Tuticorin ports should be equipped with advanced equipments to improve the turn around time.

5. Proximity to the Container Freight Station (CFS) and Inland Container Depot (ICD) from the Chennai and Tuticorin ports to be facilitated.

6. Online Customs connectivity to port and Container Freight Station should be created.

7. Government of India should offer more attractive packages for the transshipment containers.

8 Agents acting on behalf of the freight forwarders should avoid making false promises and misleading the customers in terms of time, cost and delivery of the product.

IX. CONCLUSION:

The freight forwarders prove the great poet Mr. Bharathiyar's saying of "Thirai Kadal Odiyum Thiraviyam theadu" through efficient logistic operations to various countries with limited infrastructural facilities particularly in the study area. Though various problems are studied and highlighted in this research, the researcher specially notes that the freight forwarders in Chennai and Tuticorin are performing in an excellent manner. They are also very much enthusiastic and most dynamic personalities and have the willpower and courage to dominate the Germans container vessels operations.

Further, it is observed that, a very meager percentage of freight forwarders are applying supply chain management concept while a good majority of freight forwarders are not at all following the concept of supply chain management because most of them following sub agency system. In order to utilize the supply chain management concept at the optimal level a proper initiation should be made to encourage the freight forwarders this can be very easily achieved by the freight forwarders association, CII and government of India. Adequate training should be given to the freight forwarders on supply chain management concepts and also to avert the common problems faced by the freight forwarders.

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