

Delivering The Goods

A good freight forwarder can help you with the important business of getting your goods from here to there, when "there" is overseas.

Nancy Bartels

One of the key questions to be answered when exporting is how you are going to get your product to your customer. All the time, effort, and money you've spent to make a sale in the first place can be wasted if the shipment is late, damaged, or lost, or if delivery becomes an expensive bureaucratic nightmare for either you or the buyer.

Efficient and affordable shipping is also an important marketing tool, all the more so when exporting. Being able to guarantee delivery under certain terms and conditions can make the difference between a sale and a "no thanks." And money saved or spent in shipping is bound to impact

your bottom line.

It is, of course, possible to handle all the nuances of overseas shipping on your own, but the process is time-consuming and, to the untrained, full of pitfalls; and correcting mistakes in delivery overseas is twice as complicated as doing it here. Especially for the newcomer to exporting, leaving the important business of getting your product from here to there may best be left in the hands of an expert — a freight forwarder.

Call Early and Often

Because terms and conditions of delivery can be important negotiating points in an overseas deal and because knowing up front how much shipping will cost is important to pricing, get



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your freight forwarder involved early in your export plans. It's not a bad idea to go to a freight forwarder even before you've made your first overseas deal, just to learn the ground rules. And this initial research shouldn't cost you a cent.

Mr. Henry Gayheart, branch manager of Wilson UTC Chicago, a freight forwarding company with offices all over the country, says, "I've never heard of a freight forwarder who is not eager to give information out for free. They wouldn't even think of charging for giving advice to a new exporter. Call or visit their office and ask the questions you need to ask."

These questions should include the kind of docu-

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Henry Gayheart

is branch manager of Wilson UTC Chicago, IL. Wilson UTC is a freight forwarding company with offices throughout the United States.

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mentation needed in various countries, special regulations that might apply, advice about packaging and means of transportation, kinds of insurance, comparative costs, required inspections, and anything else you might need to know about shipping overseas. Later, when you've chosen a forwarder, you will be charged on a per transaction basis. Costs will generally run between \$75-\$125 per transaction, depending on location.

Defining Your Terms

Another subject you may wish to discuss with your freight forwarder early in the export process is "incoterms." This is the special language of overseas shipping — one that it's important for you to know because it will impact on how successful your export operation will be and also because it will help you and your freight forwarder define your (and, therefore, his) responsibility for particular shipments.

Incoterms define whether you or the buyer will assume shipping costs and the conditions under which title to the goods will be transferred. They also define whether you or the buyer is responsible when goods are lost or damaged. Incoterms provide a common language for you, your customer, and your freight forwarder, so each of you knows precisely what has been agreed to, thus cutting down on possible disagreements among you

about who is responsible for what.

Incoterms cover all the possible combinations of responsibility. You may sell your goods "ex-works" or "ex-factory." In that case, the buyer takes delivery off the edge of your loading dock. He is responsible for the cargo after that, paying for all shipping, insurance, customs charges, etc. The other extreme is "delivered duty paid." If you agree to this arrangement, you are the one responsible for the goods until the point when they are placed on the buyer's dock.

Most sales fall somewhere between these two extremes. You should be familiar with the possible choices because they will have an impact on your pricing and other marketing strategies. They can become important negotiation points in an overseas deal.

Your freight forwarder must know what terms you have agreed to because they will certainly affect the way he arranges for your goods to be delivered. Copies of *Incoterms 90*, the most recent revision, and *The Guide to Incoterms*, a companion volume, are available from the International Chamber of Commerce.

Choosing the Right Forwarder

Because the freight forwarder is such an important part of your export team, choose one carefully. Begin by getting some recommendations. Major steam-

ship companies or international airlines will often give the names and numbers of several forwarders with whom they work regularly. Or ask others who ship regularly overseas whom they use.

Then look at the diversity of the company's op-

eration. Gayheart phrases the question this way: "Does this company have the ability to handle the transport of my products from my door to my customer's door all the way through and control it at all points? Can he control the movement of the cargo so that it doesn't

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Common Incoterms

Free Carrier (at a named port) — In this arrangement, the title to the cargo is transferred when it is loaded on a ship at the named port. As seller you must pay for getting the goods there and any inland freight, containerization, and loading charges, and you must provide the buyer with a clean bill of lading.

FOB Airport — You must deliver the shipment to the airline at the specified airport. At that point title transfers to the buyer.

Free Along Ship (FAS) — You are responsible for all costs to get the shipment alongside the carrier vessel. The buyer is responsible for clearing them for export and loading them.

Cost and Freight — You pay to get the shipment to the named port; the customer assumes the risk for loss when the goods are delivered to a named carrier at the port.

Cost, Insurance, and Freight — You are responsible for all C&F costs, plus insurance. Title belongs to the buyer once the shipment is delivered to the named port.

sit someplace, and can he be responsible for it at all times? It is rare that a shipment will require that kind of complete control, but it's a good test of a freight forwarder because it shows how deep they are, how much investment they have both here and abroad. It's an indicator of the forwarder's ability and experience.

"You want a forwarder who can say to a shipping company, 'I want you to handle these ten cartons the same way you handle the other 10,000 I send you every year. I want special handling, and I want to know where this shipment is at all times.'"

"You also want one with the ability to change gears quickly. If you need to change your instructions from, say, shipping by ocean to air because a customer needs delivery in a hurry, you want the freight forwarder to be able to say, 'No problem.'"

Another important criterion in selecting a forwarder is financial strength. Freight forwarders must be licensed by the Federal Maritime Commission, but that license is not difficult to get, and it alone is no guarantee that a company is reliable. Says Gayheart, "When you ship with a freight forwarder, you want to ship with someone who has been around for a while and also is going to be around in the future. You're building a relationship that you want to last. As your export business in-

creases, you want this forwarder to be there for you the whole time."

The third important thing to look for in a freight forwarder is personnel. Check employee turnover rate. Ideally, the forwarder will assign one person to your account, and you will work with him or her exclusively. "You don't want someone who's only going to be there long enough to learn your special needs and then be gone, leaving you to start over," says Gayheart.

He adds, "You don't want to work with a company that doesn't take care of its people, where people have a bad attitude toward management, and, therefore, a bad attitude toward their customers. You want people that are respected and held in high regard in the industry. [Freight forwarding] is a people to people transaction. Freight forwarders don't normally own trucks, aircraft, or vessels. They are people who are making telephone calls, going out and looking at cargo, giving advice, telling other people what to do. The most important thing about freight forwarding is really communication."

Communication Is Everything

If, "the economy," was the president's watchword during the campaign, yours should be "communication," when dealing with your freight forwarder. Says Gayheart, "The first thing a

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customer should have is a clear knowledge of what he wants the freight forwarder to do and what the freight forwarder's responsibility is. There has to be a clear understanding of what the trading terms are, at what point the importer's responsibilities begin, etc."

The medium for this communication is the transmittal letter. It should con-

only the first of a whole pile of documents that lie at the heart of any overseas transaction. Gayheart says, "These documents assure the buyer that he gets what he's contracted to get. They help assure the seller that he gets what he contracted for, which is the money. They also assure the seller that his cargo is handled properly, so that his cus-

ompany is satisfied and perhaps re-orders."

He underlines their importance by adding, "The movement and flow of the documents is what makes the cargo move from point to point. The cargo does not move unless the documents move."

Among the documents that will be required to move your cargo are:

The commercial invoice. This is the basic document in any overseas transaction, and a copy of it needs to go to your freight forwarder. It contains the terms of the sale, who is paying for what part of the shipping, insurance, duties, and fees, and the basic details about the cargo, the number of packages, the weights, dimensions, etc.

The letter of credit. Many overseas transactions will involve a letter of credit. A letter of credit is important because it guarantees the one thing that you as the seller want to be sure of — that you're going to be paid for this merchandise. On the other side, the buyer will want certain guarantees as well, which will also appear in the letter of credit.

Gayheart explains, "A buyer may say, 'I'll guarantee payment, but I also want to guarantee the quality of the goods, the date of delivery, and their condition.' The letter of credit may dictate the mode of transportation, the type of packaging, certain inspections."

If your transaction involves a letter of credit, be sure your forwarder gets a copy of it well before the shipping date. Says Gayheart, "Your forwarder will go through the letter and advise you as to whether or not you can live up to your side of this bargain. For example, it's common to have language in the letter of credit that says, 'no transshipments.' But it may very well be that you can't get this product to its destination without transshipping it, so your forwarder can advise you to have this language taken out."

"He or she can also advise you about packaging, inspections, or other stipulations in the letter of credit. The forwarder needs to know all these things, so arrangements can be made to provide for them."

The bill of lading. This is a crucial document because it is a receipt for the cargo as well as a contract for transportation between you, the shipper, and the carrier. It may also be a negotiable instrument which transfers title to the goods. In that case, whoever owns the original bill of lading owns the goods.

Miscellaneous documents. Numerous other documents need to accompany or precede your shipment to its destination. These papers include various export licenses, packing lists, dock receipts, insurance certificates, and clearances. Your freight forwarder will help you gather these together and see to it that they are in the right place at the right time for your shipment to proceed smoothly.

Getting your goods from Point A to Point B on time, in good condition, and at an affordable price is the name of the game in successful exporting. Choosing a good freight forwarder, communicating your needs to him clearly, and listening to his or her advice are key steps in a winning strategy that will put your company among the winners in this global game of the '90s. ■

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tain your detailed and precise instructions to the freight forwarder. It should tell your forwarder where the shipment is, when it is to be moved, how, where it's going, when it has to be there, who's picking it up from your dock, whether you want it sent air or ocean freight, and anything else that's pertinent. In short, this letter should explain in detail exactly what you want to happen to your shipment. The clearer and more detailed this letter is, the fewer hassles will occur along the way.

Getting Your Papers in Order

The transmittal letter is