

**Summary:**

# **The logistics and forwarding industry**

## **Development and supply of services**

*Forwarding agents and buyers of logistic and transport services in Norway are quite satisfied with today's standard transport agreement terms as found in "Nordisk Speditørforbunds Alminnelige Bestemmelser"; NSAB 2000. In the cases where additional services not covered by NSAB 2000 are offered, additional special-purpose agreements are made, and these differ from situation to situation. However, with the observed and expected increase in the diversity of services offered by forwarding agents, there is a need for adjustments and extensions of NSAB 2000, as well as some clarifications and specifications. In particular, a revision of NSAB 2000 is demanded by small companies.*

## **Background**

Forwarding agents have a crucial role in the supply chain through their work with organisation and consolidation of freight flows in order to create cost-effective logistic solutions. The forwarding business has been through a transition from performing complementary documentation to being central organisers of the logistic systems. At the same time, there have been considerable changes in service requirements from customers. One issue is the increased amount of international trade, which requires forwarding agents to have terms and service offerings that fit with international transport and logistics services. The business model for freight forwarders has thus changed, and there is a need to update the general conditions for freight forwarders accordingly. In particular, requirements for environmentally friendly transport should be considered.

Most agreements between forwarding agents and their customers are based on the general conditions of the Nordic association of freight forwarders, NSAB 2000 (NSAB, 1998). However, it appears that there are different understandings and implementations of agreements, and the treatment of some associated services are not well covered by the terms in NSAB 2000.

## **Objective**

The main objective of the work has been to study and analyse current business models of the Norwegian logistic and transport industries, and to identify services that should be included in the NSAB 2000 agreement.

The project has studied and analysed the logistic and transport industries, what services these industries offer today, how the service offerings have changed since

1990 and what challenges these industries are set to meet from their customers. The study has analysed to which degree the customers are satisfied with today's service offerings, and whether the organisation of the logistic and transport industries are adapted to new production and trade regimes. Particular emphasis is placed on the customers' requirements for environmentally friendly transports, and how such requirements may be included in the service offerings from the logistic and transport industries.

## Methodology

The analyses in this report are based on a literature survey of relevant research and consultancy reports and official statistics. In addition, a web survey has been carried out among the members of the Norwegian Logistics and Freight Association, and a set of interviews have been accomplished among forwarding agents and buyers of forwarding services in Norway, Sweden and Denmark. Some interviews were conducted prior to the web survey, and were therefore important sources to the contents of the web survey.

## Results from web survey and interviews

The web survey included more than 60 Norwegian forwarding companies, and interviews were conducted with representatives of twelve forwarding companies and buyers of logistic services from Norway, Sweden and Denmark. In the following some results and conclusions are presented.

### Changes in services offered

In the future, the companies expect *increased emphasis* on the following services:

- Total door-to-door transport
- Warehouse, loading/unloading, distribution
- Consultancy
- Preparing of goods
- IT solutions
- Accessibility, proximity to customers, service-mindedness

On the other hand, many companies state that they expect *reduced emphasis* on traditional long-distance transport and customs clearing.

### Claims, damages and losses

The study indicates that there are claims associated with 1.1% of the shipments. The major reasons for claims are damages (almost 60%), losses (23%) and delays (13%). Most damages are related to loading/unloading, inappropriate packing and load transfers. Losses of shipments are mainly errors in labeling, missending, incorrect amount indicated by sender, as well as theft.

## Delivery appointments

Results from the web survey indicate that the most commonly used delivery appointment type in distribution in 2007 was delivery on a particular day (40%), while deliveries within +/- 1 hour was used in 23% of the cases. Until 2015, the companies expect increased delivery appointments with 1 hour slack, and a reduction of appointments with deliveries on a particular day. For long-distance transport, the current situation is that the most common appointment type is deliveries on a particular day (65%), while 1-3 hours slack was used in 15% of the cases.

## Green transport

One conclusion from the web survey is that the supply of environmentally friendly transport solution exceeds the demand for these. In other words, the freight transport industry appears to be ready to meet more extensive requests for environmentally friendly transport.

Use of rail or sea transport in long-distance transport appears to be the most frequently supplied *and* demanded measure. In 2007, around 5% of the transports had demand for use of green transport solutions.

Around 33% of the vehicles used by the freight forwarders satisfy the emission standards of Euro 4. More self-owned vehicles satisfy Euro 4 than what is the case for rented or leased vehicles.

## Barriers towards implementation of green transport solutions

The most frequently mentioned barrier towards implementation of green transport solutions is high costs, and it appears that the time horizon for return on the investments is too long. However, it is also claimed that there is a lack of company-internal processes to identify and work out the appropriate solutions, and there is a lack of priority within the companies. Finally, it appears that the customers' willingness to pay for greener transport is too small.

## Transport agreements

Results from the web survey indicates that 50% of the companies have 80% or more of their turnover connected to long-term contracts, defined as contracts with duration of more than 6 months. We also observed that companies with annual turnover above 50 million NOK have a higher share of their turnover connected to long-term contracts than what was the case for companies with annual turnover less than 50 million NOK.

Usually the transport agreements last for one year, but durations up to two to three are also commonly used. Few agreements last for more than three years.

Some forwarding agents are forced to use the customers' agreements rather than NSAB 2000 and in this respect liability and insurance should be covered more precisely in NSAB 2000. Other problems appear with companies from the UK and the US that do not accept NSAB 2000, and with respect to insurance coverage of thefts in Eastern Europe.

### **Additional inputs for a revision of NSAB 2000**

Additional comments from the interviews regarding NSAB 2000 are:

- Large customers and some transport brokers often ignore NSAB 2000 and use their own agreements instead. In particular, this relates to liabilities and time guarantees
- Risks and the liabilities of each party are sometimes unclear
- The “customer” terms is missing in NSAB 2000, for instance is 4PL services not well covered
- The negotiating position of freight forwarders is weak in international transports, and the customers are able to force through their requirements
- There are increased requirements for security procedures when high-value goods are transported