

Magnitude of Rate Management Burden on Forwarders Confirmed: A \$500 Million Annual Problem

Background

In August 2016, CargoSphere, a leading provider of frictionless rate distribution and cloud-based global freight rate management technology, commissioned Drewry Supply Chain Advisors to define the cost burden to the global freight forwarding community to find or receive and process/analyze ocean freight buy rates.

Over the last decade, CargoSphere has worked to address this cost burden by developing contract and rate management technology, and a connected Rate Mesh network but was unable to quantify the full extent of the inefficiency until now.

The goal was to highlight the extent of this industry problem and the role that technology can play in streamlining freight rate management and the value of connecting industry partners in the cloud to distribute and receive rates over a connected network.

Methodology

As an established industry analyst, Drewry defined the size and composition of the global forwarding industry and set-up meetings with forwarders of all sizes to do primary research.

Drewry did primary research with small, medium and large forwarders to determine the average monthly effort expended by forwarders to receive and process rate sheets, determine appropriate global tariffs, and create a way to compare carrier options and/or look up a single carrier's rate.

Industry Stats

- Total number of global ocean FFs = 50,000
- FFs handle TEU of 48.4 million/year
- Total # of hours/year spent by FF industry doing buy-rate management = 24.4 million hrs.

Conclusions

1. The annual labor cost expended by the global forwarding industry to manage and/or find accurate carrier buy-rates is US\$500,000,000. This estimate does not include system investments to support or streamline the process.
2. The average top global forwarder is likely spending about US \$500,000 in labor annually to receive and process carrier buy-rate information. The biggest global forwarders are likely spending over \$1 million annually. This estimate does not include the costs of system investments to support or reduce the labor costs.
3. The bulk of the industry cost from this problem is at the small forwarder level. The size of these small businesses makes the process of receiving and processing carrier buy-rate information about twice as burdensome as for medium size forwarders; therefore, this segment would likely benefit the most from a platform which consolidates and updates buy rates.

About CargoSphere

CargoSphere is the single rate platform for delivering frictionless freight rate distribution, networking and cloud-based rate management. CargoSphere's technologies are built to help alleviate much of the cost and burden associated with managing rates, as they move from rate sources to rate consumers.

CargoSphere's Rate Mesh network offers shipping partners immediate, confidential rate collaboration to simplify rate communication and provide a faster, more effective way to receive and distribute ocean freight rates. Ocean carriers and co-loaders push current, complete bottom-line rates to customer systems via the Rate Mesh to significantly reduce processing times for all.

Systematized contract and rate management provides the CargoSphere user community with accurate, timely freight rates for rate sharing, easy searches, rate comparisons and quoting, as well as the ability to self-publish FMC tariffs.

During these competitive times, CargoSphere offers business-enabling solutions that significantly improve productivity and business results. Users benefit from faster access to current and accurate rate data, greater processing efficiency and the ease associated with a systematized database that is their single source of truth.

For more information, visit: cargosphere.com