

THE ROLE OF FREIGHT FORWARDERS IN INTERNATIONAL LOGISTIC CHAINS

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Abstract: This paper is about the role of freight forwarders in managing international logistic chains, where they are often seen as their 'architects'. But they are in danger of being bypassed or disintermediated, due to organisational and/or technological reasons. First, a need for an integrated approach to logistic chain has been already recognised in theory and practice. Multinational firms in the industry or retail sector i.e. show an increasing demand for complex transport and logistic service like world-wide door-to-door delivery or one-stop-shopping. Second, the employment of new technologies in connection with the Internet cause a deep change in the relationships along the logistic chain due to a change in intermediation. This will be reflected by developing a theoretical framework based on Casson's theory of entrepreneurial networks in international business to provide some insight in the complex relationships between shippers, freight forwarders and other intermediaries or service providers along the international logistic chain.

Key Words: freight forwarder; international logistic chain; entrepreneurial network

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1 Introduction

The phenomenon of globalisation and growth of multinational firms in the industrial and retail sector in connection with dispersion of supply chains has a tremendous impact on the logistics sector. More and more logistic chains are both cross-border and multimodal - they can no longer be managed step by step using the traditional infrastructure of transport intermediaries (TIs), transport service providers (TPs), logistics service providers (LPs) and existing hybrid forms like international freight forwarders (IFFs).

Recently, a need for an integrated approach to logistic chain management done by so-called Logistics Intermediaries (LIs) like 4PLs or other systems integrators, taking into consideration all viable modes of transportation during planing and implementation of logistic processes has been recognised (i.e. [1], [25]). Further, the employment of new technologies in connection with the Internet - often subsumed under the term Electronic Commerce (EC) or Electronic Business (EB) - cause a deep change in the relationships between intermediaries, service providers and their clients.

At the same time, multinational firms in the industry or retail sector show an increasing demand for complex transport and logistic service like world-wide door-to-door delivery or one-stop-shopping, including information, documentation and even payment flows in addition to normal responsibilities of the TPs, LPs, TIs and IFFs along the logistic chain ([22], [24]). In this environment, the traditional intermediaries and service providers are in danger of being bypassed or disintermediated, due to both organisational and/or technological reasons.

2 Theoretical Framework

It is quite easy to agree that international logistics is quite different from its domestic counterpart. Several new challenges occur in cross-border intermodal logistic processes, like inter-cultural differences, complexity of firms' organisational structures, increasing expenditure in logistics processes and a necessity of risk management [11]. Together they are considered to rise serious problems in international logistics operations and can also be seen as a main reason to employ intermediaries and service providers of the international logistics sector.

Some authors already provided analysis of several business relationships including CIs or FIs in international trade and/or financial markets (i.e. [3], [4], [6], [7], [9], [20]). But the role of TIs, TPs, LPs and IFFs as well as their new rivals LIs as intermediaries and/or service providers and their relationships to their clients in the international logistic chain has not been discussed thoroughly.

Using the Casson's theory of entrepreneurial networks in international business [3], a model of international logistic chain relationships can be established. Players in this framework are (in addition to TIs, TPs, LPs) Primary Sector Firms (Ps), Industrial Sector Firms (Is), Distributors (Ds), Retailers (Rs) and Customers (Cs), situated in two countries called Home (h) and Foreign (f). Normally, Ps are suppliers of intermediate goods to Is, who process them to final products ready to distribution in both countries through Ds and Rs to Cs. The resulting entrepreneurial network is shown in Figure 1, where the thick lines stand for TPs employed in physical movement of goods between knots standing for the different participants. For example, if a domestic distribution of final products takes place, the goods are moved downstream from Is to Ds by some TPs.

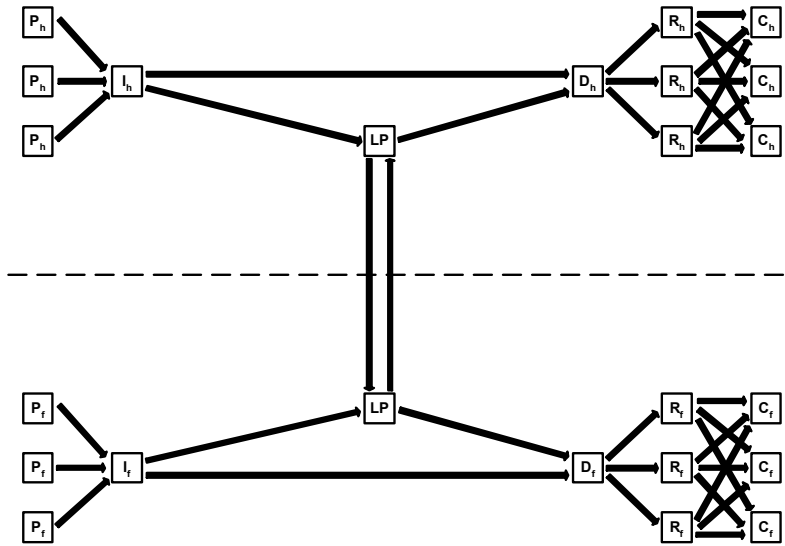


Figure 1: Physical goods flows in international logistic chains

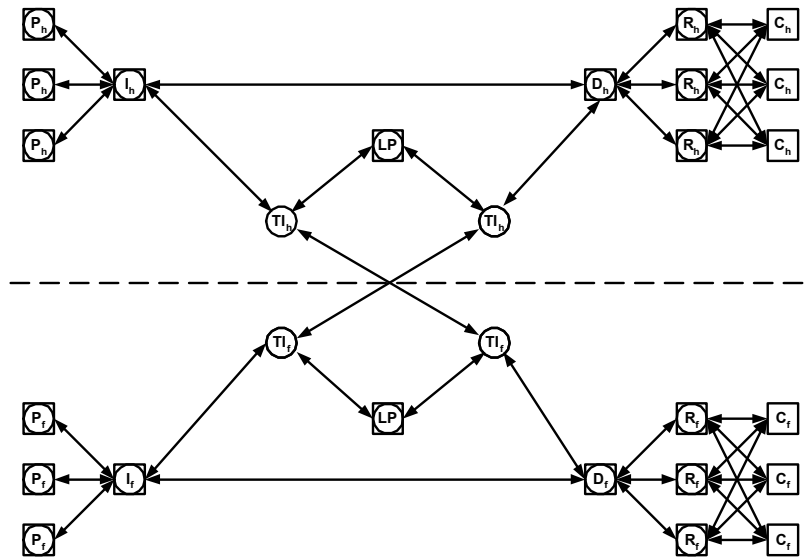


Figure 2: Communication flows in international logistic chains

Due to the mostly multimodal character of cross-border good flows and the already mentioned additional problems in international logistics, international distribution of final products is quite more complex. First, LPs represent knots of transshipment and/or consolidation between different modes of cross-border (i.e. ocean shipping) and inland (i.e. trucking) transportation.

Looking at Figure 2, a second deviation from domestic distribution pattern can be seen: TIs are managing the cross-bordered transportation by employing TPs and LPs for physical goods movement. They can be considered as information hubs between TPs and LPs in different countries due to some superior knowledge in international logistical processes (i.e. customs procedures) and a social network with cross-border contacts to colleagues in foreign countries shown as thin lines. That is the main reason why TIs as specialists and IFFs as generalists are often seen as the 'architects' of international logistic chains.

3 Empirical Investigation

As already mentioned, surveys with focus on international logistics and therein involved intermediaries and/or service providers are pretty rare in literature. Some early surveys were done on exporter-forwarder relationships in the UK [5] or IFFs and NVOCCs issues in the USA ([15], [21]). Further, a series of surveys addressing IFFs' operations in the USA were carried out by Murphy and Daley (i.e. [16], [17], [18]). IFFs handling air cargo [8], transportation brokers [10] and 3PLs ([13], [19] with further references) in the USA were also subject to empirical investigation, but concerning Europe and/or Germany, only recently surveys about 3PLs (i.e. [2], [12]) and some discussion about the roles of TIs, TPs, LPs in container transport operations (i.e. [14], [23]) were done.

Therefore, a sample of international active TIs and/or IFFs in Hamburg (350 members of the Verein Hamburger Spediteure e.V.), Bremen/Bremerhaven (160 members of the Verein Bremer Spediteure e.V.) and Austria (600 members of the Wirtschaftskammer Österreich, Fachverband Spedition und Logistik) is raised. But this is still work-in-progress, hopefully finishing it until the end of this year.

4 Summary

This piece of work addressed an interesting topic currently reflected in theory and practice. Recent developments in international logistics chains bring the traditional intermediaries and service providers in danger of being bypassed or disintermediated, due to both organisational and/or technological reasons.

To give an insight the complex relationships between shippers, freight forwarders and other intermediaries or service providers along the international logistic chain, a model framework of a freight forwarder's entrepreneurial network was developed. Foreign forwarders are considered as information hubs due to some superior knowledge in international logistical processes and a social network with cross-border contacts to colleagues in foreign countries.

This model framework provide a starting point for broader discussion about modelling and measuring relationships between intermediaries, service providers and their clients in international logistic chains, which - at least in Germany - has not been a subject of research up to now.

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