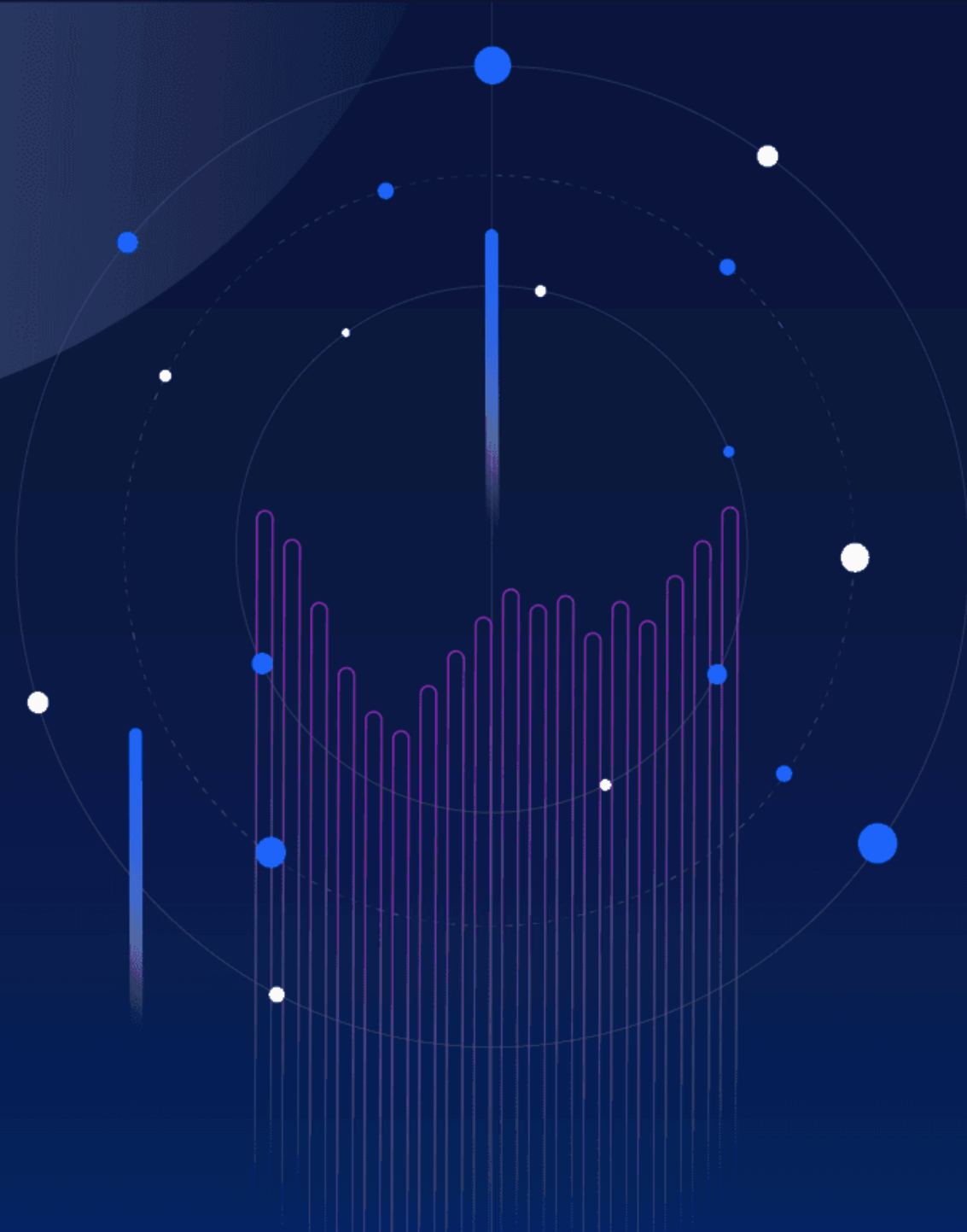


How To Make Sure You Have Competitive Ocean Freight Rates



Overview of Ocean Freight Costs



Chapter 1: Is it possible to achieve competitive container rates?

Using freight cost benchmarking will be essential to get insight and understanding of ocean freight costs.

Many forwarders and shippers consider ocean freight costs to be a significant part of their total shipment cost.

Forwarders and shippers are on a constant quest to make sure they are given the best container rates.

While many may consider the holy grail for shipping unachievable, it can become a reality with careful planning, using the proper shipment methods, lowering your freight costs and ensuring they are competitive.

- **Freight forwarders and shippers/ BCOs are on a constant quest to better understand their ocean freight costs and ultimately have larger margins.**
- **The cheapest quote may not always provide overall cost savings**
- **Ocean freight costs don't only relate to sea freight costs**

The carrier and the shipper both need to monitor market conditions and costs on an ongoing basis as they enter carrier rate negotiations.



Chapter 2: How to keep your ocean rates competitive?

Have a clear understanding of the business

With a clear understanding of the business processes, tracking shipment costs and identifying cost-saving opportunities will be easy.

Know the market and the prevalent rates

This is a major requirement for the shipper so that they don't pay more than the market rate to their vendors.

Freight cost [benchmarking](#) in the market is an efficient method followed by many shippers.

Use the right mode of shipment

One of the examples can be achieving the best freight rates by deciding between Full container (FCL) or LCL or Groupage as multiple charges may be involved in an LCL or groupage shipment compared to FCL.

Even within the FCL option, optimize using the right type of container for the right type of cargo – such as a 20' container for weight-based cargo and a 40' container for volume-based cargo.

Audit your quotations/invoices

Ensure the quotations received from the

carriers are correct and tally with your quotation. There may be cases where the carrier has missed out on some shipping surcharges and come to you at a later stage for payment.

These could also prove costly as you or your customer may not agree to pay additional charges after the business has concluded. Auditing your quotation/invoice will help with this issue.

Prepare and implement

If your freight procurement is based on a tender, effective preparation and implementation of the tender management process is critical as this is one area where you can reduce your freight costs not just related to the ocean but also land-side

Plan effectively

Effective planning coupled with a clear understanding of the scope of business,

quantities involved, and the frequency of shipments allows you to have efficient freight negotiations with the carriers.

Carriers generally give best value quotations to customers who know what they want and can forecast it clearly, which will add to your credibility and reputation with the carrier, which is quite important.

Triangulation

This is another option that carriers favor, and they may offer special deals to customers who can triangulate containers.

The global XSI® rose again in August to 453.2 points, yet another month in which the XSI® has set a new record. This was up by 4.1% from July 2022 and 121.2% from August 2021. On some major trades, rates for new long-term contracts are dropping, but not enough to counteract the effects of expiring long-term contracts with considerably lower rates.

[Read the full report here.](#)

Triangulation refers to using the same container for export and import purposes, meaning you export cargo from A to B and bring back imports from B to A using the same container and same carrier.

Do not incur unnecessary charges

A lot of times, customers incur unnecessary charges either at POL or POD due to demurrage or detention, which is usually caused by improper documentation.

In many cases, these charges are so high that the customers feel forced to abandon their cargo.

Optimize your route

Route optimization is also another method to lower freight costs. Analyze the routes used by various carriers/vendors for the cargo delivery and satisfy yourself that it is the optimal route for the cargo.

The cheapest quote may not always provide you with the expected cost savings.

Optimize your cargo packing

Wastage of space can be eliminated by using the right cartons, boxes, and bags or customizing other packing materials to the same size as the container used for the shipment.

Such customized packing also protects cargo from movement during transit and eliminates damages.

Know your terms of sale and shipment

This is crucial in achieving cost savings. As a customer or freight forwarder, you need to know the [Incoterms](#) involved, the terms of shipment (CY-CY, CFS-CY etc.) and the costs associated with it as these terms help you identify who pays what charges for a shipment and the responsibilities thereof.

Don't classify everything as urgent

Many shippers tend to ship/get their cargo delivered at the earliest, whether the cargo requires such urgent delivery or not. In a lot of cases, rush orders incur very heavy costs. Through careful planning and timeline management, may be reduced these charges.

Understand your rate

What does your sea freight rate include – Is the rate port-to-port or door-to-door? Does it incorporate surcharges?

Consolidation

Consolidating shipments provides greater flexibility in supply chains and regular, ongoing inventory replenishment. In addition, consolidation supports sustainability efforts. Companies that move goods in fewer, better-targeted shipments shrink their carbon footprint.

Communicate and collaborate with your carrier base

Set expectations, share forecasts and other shipment data and look for additional opportunities.



Conclusion

In the quest to get the best freight rates, some shippers and freight forwarders resort to playing hardball with the service providers, which is one of the tactics that can hurt carrier rate negotiations.

If they are successful, such practices can lead to a reduction in service levels, reliability, and fulfillment time from the service provider's side. They may lead to reputation damage for the shipper or freight forwarder.

In today's business, where everyone is trying to achieve cost savings and optimal performance, it is crucial to improve supply chain visibility and analyze delivery patterns vs. costs.

Always remember that ocean freight

procurement isn't about price alone. Too low of a price can also risk cargo not reaching its destination on time.

During turbulent times when the market was in distress for carriers, supplier could choose to ship boxes where the premium is paid instead of low-priced box, as it's about the bottom line.

Priority Shipment Fees (PSF) were introduced when capacity was scarce and getting a box on a ship was very difficult. However, things have changed now.

[Over the past few months, capacity has not been as scarce and short-term rates have been falling.](#) Consequently, the importance of PSF has been decreasing. Our data suggests that the market for this surcharge will disappear over the next few months.

As a shipper, you must be vigilant and always be on top of market movements to know how to approach your negotiations

with suppliers. Understand what's essential for you, uninterrupted logistics flow, competitive container rates, target setting or something else. Make sure you know how your rates compare to the market for informed decision-making.

About Xeneta

Xeneta is the leading ocean and air freight rate benchmarking and market analytics platform transforming the shipping and logistics industry. Xeneta's powerful reporting and analytics platform provides liner-shipping stakeholders the data they need to understand current and historical market behaviour – reporting live on market average and low/high movements for both short and long-term contracts. Xeneta's data is comprised of over 300 million contracted container and air freight rates and covers over 160,000 global trade routes. Xeneta is a privately held company with headquarters in Oslo, Norway and regional offices in New York and Hamburg. To learn more, please visit www.xeneta.com

Thanks for reading!

Subscribe to Xeneta Monthly Newsletter

& stay on top of the latest air and ocean freight & supply chain industry tips, trends, and best practices.