



UNITED ARAB EMIRATES
INTERNATIONAL
CHAMBER OF COMMERCE

The world business organization

ICC UAE WORKSHOP ON EXPORT / IMPORT

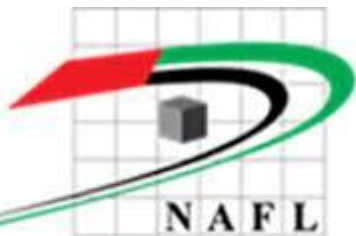
18th September 2018

Dubai Chamber of Commerce & Industry

**How to save on Air & Sea Cargo, Land Transport &
Import / Export costs**

By

**Shankar Subramoniam
NAFL /FIATA UAE
Executive Director**



National Association of Freight and Logistics
اللجنة الوطنية للشحن والامداد



Definitions of logistics

- The process of planning, implementing and controlling the efficient and cost-effective flow and storage of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption, for the purpose of conforming to customer requirements
- The process of ensuring that the right products reach the right place in the right quantities at the right time to satisfy customer demand.'
- The process of strategically managing the movement and storage of materials, parts and finished inventory from suppliers, through the firm and onto customers cost effectively

Objectives of logistics

To support and simplify the supply chain

- To control total cost
- To improve total quality
- To maximize customer service
- To help increase profit

Role of Logistics in Supply Chain



Logistics Value Proposition



Achieve Customer Satisfaction at the Lowest Total Cost

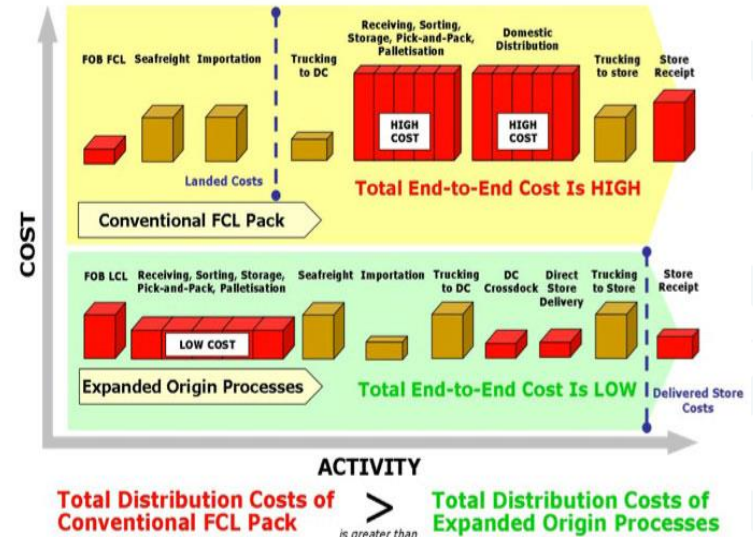
Benefits of Cost Savings

- Reduction in inventory control
- Improve cargo handling
- Cost control system
- Avoid double handling
- Single window system whereby documents processing formalities are completed at the local customs
- No guarantees are required for equipment control
- Acceptability of cargo by carriers of your choice
- Quick cargo problem resolution
- For eg. Garments transported on Hangers do not crease, hence ironing cost at destination is saved



Total Distribution Cost

- The total distribution cost concept in the form of an equation.
- $TDC = TC + FC + CC + IC + MHC + PC + MC$
- $TDC =$ Total distribution cost
 $TC =$ Transport costs
 $FC =$ Facilities costs (depots, warehouses)
 $CC =$ Communication costs (order processing, invoicing, etc.)
 $IC =$ Inventory cost
- $MHC =$ Materials handling costs
 $PC =$ Packing costs
 $MC =$ Management costs



- Cost of goods ,Transport cost ,Cost of carrying ,Finance cost - Landed cost
- Cost of sale, Storage and Distribution cost, Margin, Promotional cost
- Selling cost

UNDERSTANDING OF COST

- Costing exports
 - Trade Agreements and their requirements
(considerations for key markets e.g. GCC /Africa / FE/SE /Eu)
 - Proforma invoice versus commercial invoices
 - Understanding Inco-terms
 - Transportation and logistics
 - Shipping requirements (modes of shipment)
 - Legal aspects of shipping
 - Choosing a suitable carrier
 - Cost for export Or Pricing
-
- [Costing should not be confused with pricing.](#)

Costs: The total of all expenses associated with producing and selling a product to overseas.

Price: The amount for which the exporter sells the product and is determined by the exporter's marketing strategy.

Margins: The difference between the total cost per unit and the export selling price which is determined by the producers/exporter/supplier's corporate objectives.



COSTING

WHAT'S SHOULD BE INCLUDED

PRIMARY COST

- COST OF RAW MATERIAL
- COST OF MANUFACTURING
- PACKING & BRANDING
- FORMULATION AND MODIFICATION
- (as requested by a buyer)
- CREDIT TERMS – AGREED INTEREST RATE
- WAREHOUSING & DISTRIBUTION
- PORT FEES**
- EXPORT ADMINISTRATION
- FREIGHT (AIR, RAIL, LAND OR SEA)

• SECONDARY COST

- FORMULATION & MODIFICATION (Labelling, re-packaging, re-branding etc.)
- Placement of a Product into a marketplace (5Ps – Price, place, products, promotion, people)
- Bank Charges
- Utilities
- HR & Training
- Insurance Risk (depending on terms)
- Quality Controls

COSTING EXPORTS/ IMPORTS

Will the product be competitive?

– Pre shipment – Shipment – post shipment

ORIGIN COST

- COST OF GOODS
- INLAND TRANSPORT
- EXPORT PROCESSING
- EXPORT REGISTRATION
- PORT/AIRLINE FEES
- ORIGIN TERMINAL HANDLING FEE
- WAREHOUSING/CONTAINER
- MARINE INSURANCE
- FREIGHT (AIR OR SEA)
- OBTAIN CERTIFICATES OF ORIGIN

DESTINATION COST

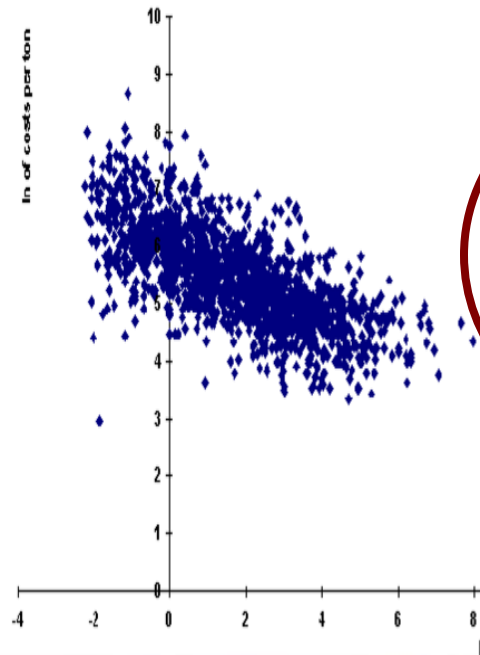
- TRANSHIPMENT INSPECTION
- DESTINATION TERMINAL HANDLING FEE
- CUSTOMS CLEARANCE
- STORAGE/DEMURRAGE ETC
- CUSTOMS DUTY/TAXES
- INLAND HAULAGE
- WAREHOUSING
- DISTRIBUTORS' MARK-UP

To sum up:

Differences in maritime freights depend on...

- Distances
- Type & value of goods
- Imbalances
- Competition
- Economies of scale
- Port characteristics





Lower Transport Costs

-> More trade

-> Economies of scale

-> Lower Transport Costs



Strategies to Reduce freight costs

Contract steady Or big volume

POTENTIAL SAVINGS: 2-12% versus traditional lane pricing

Ship on off-peak days.

POTENTIAL SAVINGS: 10% versus peak ship days

Find a consolidator to handle smaller shipments

POTENTIAL SAVINGS: up to 25% versus the cost of unconsolidated loads

Don't be a Spot rate shipper- develop relationships.

POTENTIAL SAVINGS: 3-5% per year, these savings estimates can easily double when capacity tightens.



Reduce Freight Costs

Points to be noted

- **Increase delivery lead times.**

POTENTIAL SAVINGS: 5-20%

- **Reduce dunnage.**

POTENTIAL SAVINGS: 1-3% on a per load basis.

- **Develop a reputation for loading quickly**

POTENTIAL SAVINGS: 2 %

- **Offer night/ off peak pick-ups.**

POTENTIAL SAVINGS: 15-20% off standard rates.

- **Minimize the number of pallet spaces needed when shipping**

POTENTIAL SAVINGS: up to \$150 per pallet space.



Cost saving ideas

Ship more product, less often

POTENTIAL SAVINGS: up to 50% versus the smallest [LTL loads](#), when minimum charges may kick in

Use a load board. Or empty return

POTENTIAL SAVINGS: 20-40%

Look for carriers based near your ship-to points

POTENTIAL SAVINGS: 20% versus a non-backhaul rate for that lane.



Winning strategy

Get logistics involved earlier in decisions about product design, packaging, and carton selection

POTENTIAL SAVINGS: 10% when comparing the total cost of packaging, warehousing and transportation.

Outsource your transportation department.

POTENTIAL SAVINGS: 3 to 5%.

3PL AND 4 PL Service with professional co

POTENTIAL SAVINGS: 10 to 15%.

Skill Development , Innovation , Motivation

POTENTIAL SAVINGS: Leader and follower



**AVERAGE COST REDUCTIONS
EXPERIENCED BY OUR CURRENT CLIENTS**

27%

International Freight
Optimization

9%

Warehousing & Inventory
Management

6%

Vendor Billing
Audit

Case study /Q A

The success of a big co through Logistics Innovation

Q & A session

Thank you

www.Nafl.ae

shankar@nafl.ae

