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**THE EXPERTS' GUIDE**

**TO IMPORTING**

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# ABOUT THIS GUIDE

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It's never been easier for an aspiring entrepreneur to sell almost anything to anyone. In 2017, Toys R Us was struggling to stock fidget spinners, while just about every small business in America had sourced their own. Agile sourcing is a game-changer. Here's why:

- **There's plenty of demand.** Worldwide, there are close to [2 billion online](#) shoppers.
- **There's plenty of supply.** Over the [past thirty years](#), China has evolved into being the "factory for the world".
- **There are plenty of sellers.** There are literally [millions of online sellers](#) in the world. Online sales is evolving too. Five years ago, most Amazon sellers were selling generic products. Now it's mostly private label selling, customised colors, packaging, etc. More recently, sellers are looking more toward customizing product features.
- **There are plenty of support services.** You're not alone. There are hundreds of support services to connect your supply and sales chains, letting you focus on what you do best – selling.

Why this guide?

- It's more extensive than other guides.
- It doesn't shy away from one of the most mystifying stages in the process — freight.
- We collected a broad team of experts in their field to draw on advice.

Speaking of which...

## Meet The Experts

This book is brought to you by some of the best in the business. Read their articles, learn what you can, and then check out their companies. They make it (a lot) easier to bring your product to life.



### **Fredrik Gronkvist, Co-Founder of Chinaimportal**

**Fredrik is the expert who wrote the Safety Standards & Labeling chapter.**

Chinaimportal, based in Hong Kong, provides free online courses, covering product regulations, supplier sourcing, quality assurance, and much more. Their digital platform guides step by step from logo creation, to supplier sourcing, quality control, shipping, and customs clearance.



### **Andre LaMorgia, Co-Founder & COO, INLT**

**Andre is the expert who wrote the Importer & Customs Responsibilities chapter.**

INLT is a technology-focused US Customs brokerage and trade compliance firm that works with freight forwarders and importers to add visibility, compliance, and operational efficiency to their supply chains, while reducing cost. They built the first fully cloud-based brokerage interface with US Customs and have open APIs that support all integrations.



### **Gail Cole, Editor, Avalara**

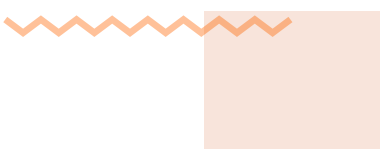
**Gail is the expert who wrote the Customs Duties chapter.**

Avalara is a leading provider of tax automation software. They help businesses of all sizes achieve transactional tax compliance for sales, excise, VAT, and other tax types, including customs duty and import tax.



# PRODUCT

Your first step is finding a product niche. But, first ensure there are no barriers to importing your product, like not complying with US safety standards, customs duties that will make importing unprofitable, or whether any air or ocean carrier restrictions apply.





# SAFETY STANDARDS & LABELING

Fredrik Gronkvist, ChinaImportal

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Before you progress too much further with your potential import product, you should ensure that it complies with US safety standards and labeling requirements. Incidentally, the same principles also apply to the EU, Australia, Canada, and many other countries.

Several government agencies are involved in product compliance, which will be referred to by their abbreviation with links to their website.

This chapter covers the basics, and is not an exhaustive list of all applicable regulations. If you have any doubt, you should get legal advice.

## The Risks Involved

Often importers, even those who have been importing for many years, get a surprise when Customs rejects their shipment because of a product compliance breach. Many don't realize that compliance is not the supplier or forwarder's responsibility.

Customs only checks a fraction of all incoming shipments. But, if they do find issues, they will halt your shipment. If this happens, it's likely already too late to do anything about it.

You also face a severe risk of your products injuring people or damaging property. Your liability might bankrupt or imprison you.

Another risk is that your product might be included in a CPSC recall. Amazon and other platforms are really stepping up their game by standardizing compliance document submission procedures, and removing sellers with non-compliant goods. So, forget "I can get away with it".

Obviously, there is more risk with importing power banks than tee shirts, but there are regulatory requirements covering both, and many other products too.

## Common Regulatory Requirements

### Country of Origin Labels

The country of origin label, “Made in China”, is mandatory for most products (watches are a common exception) sold in the United States.

### Apparel & Textiles

Apparel and textile products imported and sold in the United States must comply with all mandatory [OTEXA](#) textiles labeling requirements:

- Fiber composition,
- Care instructions/symbols (must be [ASTM](#) symbols),
- English language.

When you import apparel from overseas, it’s critical that you provide your manufacturer with a digital label file, in .ai or .eps format.

### Children’s Products (CPSIA)

Imported children’s product must comply with the Consumer Product Safety Improvement Act (CPSIA). In essence, this means that the importer must:

- Confirm all applicable safety standards (ASTM F963),
- Submit a product sample for testing (only to a [CPSIA accredited test lab](#)),
- Issue a Children’s Products Certificate (CPC),
- Affix a permanent tracking label on each product and the packaging.

### Electronics Products

Electronics products are regulated by the [FCC](#)’s standards on wireless communication. Some products must carry an FCC mark.

You should also ensure compliance with some voluntary electrical standards, such as those developed by [UL](#) or [ETL](#).

### Chemicals & Heavy Metals

At a federal level, the [CPSC](#) regulates some substances, such as formaldehyde in products made for children.

Some state-level regulations, such as California Proposition 65, also covers products not made for children.

## Kitchen appliances

All products that are in contact with food or beverages must comply with all [mandatory food contact materials regulations](#). In particular, materials and articles that come into contact with food must not transfer substances, or otherwise affect smell or taste.

## General Safety

Product safety always starts at the drawing board. You must assess if your product, when used in any predictable way, is still safe for the consumer, even where no specific standards apply.

If your product does prove to be unsafe, the [CPSC](#) and other government agencies have the right to issue a [recall](#).

A recall means that you will have to contact your customers and get them to return the product. You will also have to refund them.



### Expert Tip

So, what does it actually mean to make a product compliant? For most products, it's a lot simpler than you might think.

1. **Technical compliance/Chemical regulations.**
  - Assess which of CPSC, ASTM, UL or other standards apply to your products, for instance, internet search for "ASTM standard for baby strollers", or check out the [regulations](#) directly.
  - Check whether the product design is compliant by purchasing an [ASTM standard file](#) (which lists technical requirements).
  - Try to anticipate how the product could injure the consumer, even with improper use of the product.
  - Confirm which chemical or heavy metal regulations in CA Prop 65 apply to your product.
  - Specify with your supplier that your product must comply with certain standards, and have that included in the contract.
2. **Labels.** Create a label file in .ai or .eps format that you send to your supplier before production.



3. **Document.** Buy CPC, GCC, test reports, and other templates, online (for example from [ASTM](#)). Complete them, print, sign, scan, and then store for at least 10 years.
  4. **Lab testing.** Submit samples for testing to an [accredited compliance testing company](#), to check that the product is truly compliant. The test report usually takes about a week, and you can use it as proof of compliance.
- 

## Summary

- Compliance is neither your supplier nor your forwarder's responsibility.
- Only the most encountered product safety requirements are outlined in this chapter. If you have any shadow of doubt that your product may not be compliant with safety or labeling standards, you should get legal advice.
- Some of the steps that you should take to ensure compliance are listed in the Expert Tip.

## Further Reading

[Product Regulations In The United States](#)

[Product Regulations In The European Union](#)



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# IMPORTER & CUSTOMS RESPONSIBILITIES

Andre LaMorgia, INLT



The previous chapter covered product safety, compliance, and labeling issues. But that isn't all that Customs officials may be looking for when you import a product.

US Customs (Customs & Border Protection, or CBP) is responsible for enforcing US customs regulation, and also acts on behalf of more than 20 other agencies. They collect duties, taxes (like with alcohol or tobacco), and fees.

Customs strongly recommends that you consult with a US licensed customs broker or trade consultant early on, because US import regulations are complex. This chapter provides only a very high-level introduction to Customs and your regulatory responsibilities.

## Your Responsibilities As An Importer Of Record

Unless the supplier is making the import declaration, you will be the Importer of Record (IOR). Your importer number will be your Social Security Number (unless you are a corporation or non-US resident).

As the IOR, it's your responsibility to be correctly informed and take "reasonable care" to provide the correct information that Customs needs to do their job (without necessitating examinations). It's customary for the IOR to authorize a customs broker to file on their behalf, but, there are some links in the Further Reading section if you are still thinking that you might decide to go it alone.

Another IOR responsibility is that you must have a bond to cover any shipment valued over \$2,500. Customs bonds are covered in more detail in the Customs Processes chapter.

## Your Responsibilities With Shipments

### Classification

If you are importing goods into the US, it is your responsibility to accurately classify the product. This is done through the ten-digit code Harmonized Tariff Schedule (HTS), which is an extension of the six-digit international HS code system. Your product's HS code helps determine how much, if any, customs duties apply, and is used for enforcing other import regulations.

The Customs Duty chapter covers product classification in more detail.

### Customs Value

As an importer, it is your responsibility to accurately declare shipment value. Usually, it's the price listed on your commercial invoice, but valuation can get complicated. For instance, Customs may require that selling commissions, non-US design or product work costs, and royalty or licensing fees, be included in the invoice value. On the flipside, you may deduct post-import transport, construction, assembly or maintenance charges, and buying commissions.



#### Expert Tip

**Undervaluing your shipment value** to reduce or avoid duty payments is a risky game. Ethical values and insurance payouts aside, you may get away with it a few times, but when Customs eventually catches you, you will face:

- Examination charges and costs of transportation and storage, which can dramatically increase the cost of a shipment.
- Fines and penalties for all under-valuations made over the past five years.
- Criminal penalties and bans from further importing (for egregious behavior only).

To steer clear of trouble, make sure your commercial invoice:

- Is written in English and accurately describes your merchandise in layman's terms. Provide sufficient detail about what your product is made of, what it is used for, etc, and avoid using abbreviations or technical slang,
- Correctly states the country of origin,
- Accurately reflects the price you paid.

## Country Of Origin

Getting your product's country of origin right is important, because it determines:

- If your shipment is exempt from duty because of a free trade agreement.
- Whether your shipment is held back because of quota rules.
- If your product is subject to anti-dumping or countervailing duties.

Also, make sure that the country of origin is clearly listed on your commercial invoice, and that you follow any marking and labeling requirements.

## Intellectual Property (IP)

IP covers inventions, literary and artistic works, as well as symbols, names, images, and designs used in commerce. If your product infringes IP rights, Customs can seize your shipment.

If you are importing goods or packaging bearing trademarks, make sure the marks are genuine and not counterfeit, and that you have written permission from the trademark holder to import goods bearing the trademark, or copyright holder if the copyright has been registered with the US Copyright Office.

So how do you find out if a trademark or copyright applies?

- If the product, label, even wording, is similar to a name brand, check that company's site for IP details.
- If you are worried that a product may be counterfeit, confirm with the supplier that they have a license from the trademark holder to manufacture or sell products with that trademark.
- If you're unsure about anything to do with IP, approach a regulatory consultant or get legal advice.

## Customs Responsibilities

Customs has a number of regulatory responsibilities that affect you as an importer, including the following:

### Customs Duties

All products imported into the US are subject to a duty percentage (although some are 0%). These duty rates are commodity-specific but apply across every country (except North Korea, Iran, and Sudan), unless that commodity and country are included in a US free trade agreement.

## Punitive Tariffs

This tariff is applied to punish a country for unfair trade practices (or, sometimes for national security) by imposing additional tariffs on specific products. These tariffs can even override free trade agreements.

The proposed 25% retaliatory tariff response on a [range of imports](#) from China is an example of a punitive tariff. The US considers that US companies applying to do business there often have to provide details that result in Chinese authorities gaining access to confidential technologies and other information.

## Anti-Dumping & Countervailing Duties

Anti-dumping and countervailing (AD/CVD) duties are applied when the imported products are considered to have been unfairly subsidized, or be priced below fair market value. These tariffs apply on specific combinations of HTS code and specific countries of origin.

Many very common imports from China, like colored pencils, notebooks, and wire hangers, have these additional duties. The amount of duty can even make it unprofitable to import. Consult a customs broker, or do your homework. Active AD/CVD investigations and orders are listed on the [ITC website](#).

## Unauthorized Entry Of Restricted Imports

Beyond Customs regulations, your product may be regulated by one of over twenty Partner Government Agencies (“PGAs”), such as the FDA, CPSC, Fish & Wildlife Service, and the APHIS. The Customs site has links to each [PGA's import regulations guide](#).

These agencies are on the lookout for specific commodities, and they can show up in unexpected places. Take, for instance, the FDA who regulate a wide range of products including food, cosmetics, drugs, medical devices, and anything that might come into contact with food or drugs. They have a broad definition of what constitutes a medical device, including everyday products like toothbrushes, dental floss, non-prescription sunglasses. Likewise, lip balm, sunscreen, and hand sanitizers are regulated as drugs.

If you are planning to import a restricted product, check with the manufacturer that their products are registered with the FDA, and ask for proof.

## Summary

- As the importer, you are responsible for accurately declaring your products to Customs. Consult an expert to make sure you get it right.
- Learn everything possible about your product to find out what regulations it is subject to.
- Make sure you have all commercial, licensing, and other documentation in order.

## Further Reading

[CBP Informed Compliance Publications](#)

[Customs Rulings Online Search Service](#) covers CBP rulings on a variety of topics.

[INLT's Bond Information Page](#)

[Harmonized Tariff Schedule of the United States](#)



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# CUSTOMS DUTY

Gail Cole, Avalara

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More than \$500 billion worth of products ranging from cordless drills to collapsible umbrellas were shipped from China to the United States in 2017, and more than \$200 billion of those were subject to tariffs. Before you commit to a purchase agreement, you should be sure you can profitably import the products. This chapter covers an essential component of that, getting customs duty and import taxes right.

## Customs Duty

Customs' schedule (HTS) lists the tariff code associated with each product. Every tariff code is associated with an import tax rate (typically [0% - 18%](#)) in a highly organized system with idiosyncrasies. For example, one Santa outfit containing nine different items and codes (from hat to shoe cover) has [four different tax rates and five duty-free items](#). If the tariff code isn't properly assigned, your shipment may get held up at Customs.

In many countries, the value for customs duty is assessed on the price of the goods, along with the cost of international insurance and freight (CIF). However, in the United States, it is on purchase value only.

Customs duty doesn't apply if the shipment value is below a minimum value called the de minimis threshold. The threshold is currently \$800.

## Customs Duty Estimation

Calculating a customs duty can get complicated, especially if you are importing several products, or importing to other countries (especially where taxes are due at import too). There are several ways to find out how much customs duty may be due:

- **Tough it out yourself.** If you rarely make international shipments, and you enjoy databases and spreadsheets, you may be able to handle compliance yourself. This method is more prone to error than the alternatives.

**Expert Tip**

When you are first considering importing a product, check out the likely classification with an [HS code lookup](#) tool, and get an estimate on customs duties with an [import duty lookup](#) tool.

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- **Outsource to your forwarder.** Some forwarders may look up and assign tariff codes, calculate the customs duty, and determine taxes, fees, and other import costs for clients. However, you'll be on the hook for any errors.
  - **Engage a consultant.** You can rely on international tax consultants such as private customs brokers, from simply having them check that you're doing it right, to having them map your inventory to tariff codes or even setting up your international shopping cart.
  - **Automate.** Automated solutions for assigning tariff codes and duty rates are a quick, accurate method for calculating duty. There are even apps for integrating international tax calculation with your shopping cart.
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**Expert Tip**

There's **no one right way** to handle customs duty and import tax, and it depends on your needs and resources. But the more goods you ship, and the more countries you deal with, the more complex customs duty and import tax compliance will be. Whichever option you choose, be sure to periodically check that it's still providing the right results.

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## Avoid These Mistakes

Even seemingly small mistakes can lead to big and costly headaches. Here are eight [customs duty and import tax mistakes](#) you can't afford to make:

1. **Assuming you don't have to worry.** If you're liable for duties, taxes, and fees, you should take ownership.
2. **Failing to account for other costs.** Having the right tariff and rate of duty is only half the battle. Shipping costs, cargo insurance, and transaction taxes all contribute to landed cost. This is covered in more detail in the Shipping Basics chapter.



3. **Making last-minute guesses.** Trying to handle international tax compliance on the fly is risky and can cause costly mistakes.
4. **Passing the buck.** Asking freight forwarders to estimate the correct rate of duty may be convenient, but unless they're customs brokers too, they won't be penalized if they get it wrong.
5. **Misdeclaring or undervaluing.** Customs is on the lookout for importers who lowball shipment value to get under the de minimis threshold, or misidentify products to pay a lower tariff.
6. **Being casual with documentation.** If you can't readily find your import paperwork, you may end up with significant delays when your shipment is processed by Customs.
7. **Using outdated information.** Tariffs and tax rates change all the time. Information that was valid in Q1 2017 may not be in Q3 2018.
8. **Doing it all yourself.** You probably don't have the expertise or time to deal with it properly.

## Summary

- Check out how much customs duty you will be liable to pay when selecting a product to import, so that you don't commit to an unprofitable purchase agreement.
- Take customs duty and import tax by the horns and find a solution that correctly calculates customs classification and duty, as well as landed cost. There are reliable and low-cost automated solutions for small businesses.

## Further Reading

[Customs Duty & Import Tax for Dummies](#). Avalara partnered with Wiley to create this free guide to help you better understand the challenges and benefits of cross-border selling, including how to correctly calculate the total cost of shipping goods to customers in other countries.

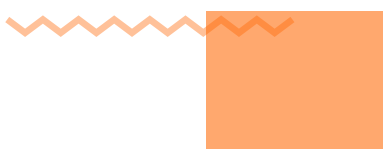
## Avalara

Avalara is a leading provider of tax automation software. They help businesses of all sizes achieve transactional tax compliance for sales, excise, VAT, and other tax types, including customs duty and import tax.



# FREIGHT QUOTE

About two weeks before the order is ready for shipment, you should start arranging the freight. It's time to understand what a forwarder does, and how to find the right one for you. First up, though, all the steps in the freight process are brought together on the next page.



# FREIGHT PROCESS STEPS

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Once you've completed sourcing your goods and are done with the supplier process steps, here's how to move forward on the international freight front.

## **Restrictions**

Before you select what product you are importing, check out potential customs or carrier restrictions on your product.

## **Shipping Requirements**

Conform to any palletizing and labeling requirements that your destination requires.

## **Incoterm**

When negotiating with your supplier, define your incoterm (freight term that determines accountability during the shipment). Then negotiate your buy price based on landed cost.

## **Documentation**

Get copies of the documents you'll need for the shipment from your supplier, that is the CI, packing list, and, in some cases, also the COO, MSDS, and fumigation certificate.

## **RFQ Info**

Check out the Request for Quotation (RFQ) prep list. Consider whether you require the forwarder to cover customs broking and cargo insurance.

## **Mode**

Decide between shipping by air or ocean. Air is quicker and ocean is cheaper (except for small shipments). Ocean freight splits to full container load and less than a container load.

## **Price vs Time**

Assess the price point that you would swap to a different mode to get your goods in quicker. This is especially relevant if you are not near a major port,, or are East Coast importing from China.

### **Selection**

From the responses, decipher the surcharges and fees (like fuel, canal surcharges, piracy charges), ensure it's all correct, and choose the right quote.

### **Engagement**

Complete required forms, like T&Cs and POA. Then complete the Shipper's Letter Of Instruction and provide other documents so that your forwarder can confirm the plane or ship's booking.

### **Customs Bond**

Choose between a continuous bond and a single entry bond. For single entry bonds, you'll also need an ISF bond with ocean freight.

### **Payment**

What method will you use to pay the order? Also, if you're importing regularly, it's cheaper to set up ACH payment with Customs.

### **Document Check**

Carefully check all documents that are to be lodged with Customs, because even a tiny mistake might become costly for you.

### **Communication**

Make sure your forwarder is keeping you up to date with shipment tracking and early notification of issues. Coordinate drop-off, and make sure you are resourced for unloading.

### **Receiving Requirements**

Ensure that your forwarder follows Amazon's requirements for inventory arriving from overseas, and receiving requirements (booking and delivery).

# FREIGHT FORWARDERS

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A freight forwarder is a service provider that arranges international freight shipments. Think of them as travel agents for freight, stitching together carriers, customers, regulations, and more. This chapter covers what services they provide and what to consider before selecting one. There are several ways that a shipment can be managed, and this chapter also covers those.

## Forwarder Service And Support

Freight Forwarders come in all shapes and sizes. Some smaller forwarders are essentially domestic trucking companies or trucking brokers with little or no involvement in international freight movements. Some specialize, for instance, in either ocean freight or air freight.

Here's what a freight forwarder will do for you:

- Provide expert guidance and explain what you will need to know about the shipment. For instance, explaining how the [key freight documents](#) that they are asking you to provide or sign fit in with the shipment. They will take you through available shipment options and provide advice.
- Prepare all paperwork, make bookings, and arrange payments for each shipment sector that they are responsible for.
- Act on your behalf with the many other parties involved in the shipment, such as cargo carriers, other freight forwarders handling part of the shipment, and trucking companies. Most forwarders also provide a customs brokerage service and can act on your behalf with customs.
- Troubleshoot if something goes wrong, or is at risk of going wrong.
- Keep you informed of shipment status, and inform you if any risks of delay come up.

## Forwarders & Customs Brokers

If you don't have a customs broker already, you won't necessarily need to arrange for a separate one. Many international freight forwarders can handle the customs process in-house as part of their service. Others work with licensed customs brokers as agents.

Some importers do have a preferred customs broker, and, as an importer, it's reasonable to ask your forwarder to work with them.

Occasionally, some importers manage customs for their own shipment (in-house or through an agent), which raises the important issue of who should be managing your shipment.

## Shipment Management

### 1. Do It Yourself

If forwarders are like travel agents, and fewer people use travel agents these days, then presumably more importers should go it alone. But this is where the travel agency analogy breaks down. There are few opportunities for smaller importers to arrange international freight directly with ocean or air carriers. But, more importantly, it's not a good idea. Many things can (and do) go wrong with international freight, creating a risky game for non-specialists to play.

### 2. Supplier's Freight Forwarder (Entire Shipment)

A second option is to let the supplier handle the freight. Many Chinese suppliers have an arrangement with a local freight forwarder, and a few Chinese forwarders will manage the entire shipment. Only accept this arrangement on DDP incoterm (or DDU if your warehouse is specified as the "Named Place For Delivery"). Incoterms are covered in more detail in the Shipping Basics chapter.

This option may look attractive because you don't have to arrange the shipment. However, you lose any control of the shipment, which is risky given that you are the most impacted player. Besides, it's unlikely that a Chinese forwarder managing the whole shipment could come in with a much cheaper cost than a US forwarder would charge.

### 3. Supplier's Freight Forwarder (To The US)

Having the supplier and their forwarder manage the shipment as far as the US port of entry might sound attractive, and it is a common arrangement. However, it is often a disaster waiting to happen for the importer.

Here's how. It's quite common for suppliers to offer this option with the forwarder offering ridiculously low rates that importers gladly accept. Sometimes, too, there is someone in the factory getting a kickback from this forwarder.

When the ship arrives at the US port, the forwarder recoups his margin, lost with those ridiculously low rates, by presenting the importer with a ridiculously high bill for local port costs. The forwarder is effectively holding the shipment as hostage, so the importer is forced to pay.

### 4. Your Freight Forwarder

In this option, your forwarder manages most or all of the shipment. That is, they take over from when the ship or plane is loaded, from the foreign port, or from the factory floor.

This is the best option for you because you have better control of both the shipment and the freight costs.

Most importers work through a US forwarder, but in theory, you could use a Chinese forwarder.

Whichever of these four options you take, you should consider how the incoterm changes how much freight cost you'll have to pay and how you should negotiate based on landed cost, not on buy price alone. The Shipping Basics chapter explains how to do this.

## Forwarder Selection

With over 100,000 freight forwarders worldwide, you need to define your key selection criteria. Here are the most common factors to consider:

## Specialized Shipping

Many forwarders don't deal with vehicles, household removals, bulk commodities like wheat, or oversized shipments. You probably won't be looking to import any of these things, but you may be looking to import a product that air or ocean carriers define as hazardous cargo. Don't be fooled by the name, because it includes seemingly tame products like toys with batteries.

Check out the forwarder's geographic coverage. Larger global forwarders can cover the world, but smaller forwarders typically limit their reach to a few popular countries where they have a working relationship with a local forwarder. That said, most of the smaller international forwarders you will come across will manage shipments going from China to the US.

## Forwarder Size

Name-brand global forwarders have the muscle to secure good rates and preferential treatment from the big air and ocean carriers, as well as a broader physical global footprint. That means they attract larger customers, who naturally get preferential treatment. Take the most recent [Freightos annual mystery shopping survey](#). All of the top twenty forwarders were requested to quote, but only seven bothered to quote to a small business. You should probably avoid any larger forwarders where your primary point of contact is going to be a 1-800 number.

In contrast, smaller forwarders typically have more time to spend on smaller shipments and with their smaller clients, but they may have less attractive prices or fewer technological tools to help manage or track your shipment.

## Price

Making a decision on price alone can be a flawed strategy, particularly when you're trying to save \$200 on a shipment of \$200,000 worth of goods. For instance, some forwarders discount the first shipment to win the sale but make it back on subsequent shipments. Also, some forwarders hide charges in the terms and conditions to make their quote price look more attractive than those from more honest competitors.

Forwarders who lead on price almost certainly do so at the expense of service. That may not be a problem, if, for instance, they are services you don't need.



But that will be a problem if general customer service levels are cut. If something goes wrong with your shipment, you want your forwarder to be on top of your shipment. So, if one quote comes insignificantly cheaper than the others, be very wary and see if you can find out why.

## Service

Your shipment grows your business, so you want someone you can trust in charge to coordinate airlines, ocean carriers, and (especially) customs agents who don't take favorably to incorrect, incomplete or late paperwork. If your forwarder isn't on top of your shipment, you risk having to pay more than you bargained for. Smaller forwarders also tend to provide fewer support tools. As a result, nearly 50% of importers still use spreadsheets to track shipments.

A good early indication of a forwarder's customer service level is how long it takes them to respond to your quote request. If it takes a week or longer, it doesn't bode well for regular and transparent communication during the shipment.



### Expert Tip

A **great partnership** entails each partner knowing what is required of the other. Meet up with your new forwarder to discuss what you both expect in the way of communication.

They should ensure you stay on top of any documentation they send your way.

You'll probably want to know more about the process, what documents are required, and at what points along the shipment you will get updates. Discuss how early you will be notified of potential issues that might come up during the shipment.

Keep your forwarder astride of how your business is going. It will help build the relationship and help them help you. Discuss short-term changes to sales projections, long-term sales projections, potential new markets, even changes in product design. They can all impact your shipping requirements.

A few startup forwarders have based their business model on process automation. Their integrated customer-facing systems definitely make for a great user experience. They're new and still building capability, including their geographic coverage. As of mid-2018, only two digital forwarders can currently manage China-US door to door shipments, but more are joining the game.

In addition, while it may not be apparent, most large providers have sophisticated tool stacks for shipment visibility. However, these may be reserved for larger customers.

## Multiple Selection Criteria

That makes for quite a few selection criteria. However, assessing forwarders has been difficult until now because freight forwarding is still largely offline.

But, that's changing fast. With instant online freight marketplaces, the details on the quote act as the filters for some of your selection criteria, and the simple quote selection features add the rest. Using a freight marketplace takes the time and guesswork out of selecting freight quotes and forwarders.

## Summary

- Freight forwarders are experts that understand how the full shipment process works and provide a broad range of services and support.
- When negotiating with a supplier, ensure that the forwarder manages the shipment, at least from the foreign port.
- In addition to price, consider service, forwarder rating and any special requirement your shipment may have when selecting freight quotes and forwarders.

## Further Reading:

[The Ultimate Guide To Choosing A Freight Forwarder](#)

[International Freight Crash Course](#)

[Get Better Freight Service With These Ten Tips From Professionals](#)

# REQUEST FOR QUOTATION

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This chapter covers how to go about creating a freight request for quotation (RFQ) and then selecting which quote to accept.

## Prepare Before You Request A Freight Quote

The right time to start requesting quotes is about two weeks before the shipment is ready for pickup. You will want to be able to compare several quotes, but also make an allowance for some forwarders not getting back to you with a freight quote.

Get your supplier to email you copies of the commercial invoice and packing list. While you're at it, if applicable, get them to send the certificate of origin, MSDS, and fumigation certificate. They'll be needed soon after you accept a quote. That said, some forwarders will chase these documents up for you. All of these documents are covered in the Shipping Basics chapter.

Forwarders should all be requiring the same basic information, starting with your contact details, your supplier's contact details, and the pickup and delivery contact details.

If the shipment is door to door, you'll need both end's address details. Zip codes are sometimes sufficient at this stage, but the more detail you give, the better. If the origin or destination address is an airport, use this [airport code locator](#), and check for seaport codes with this [seaport code locator](#).

Here's what else you should prepare before quoting. You can also use this as a

### **Shipment Weight**

This is recorded on the packing list. If you get freight quotes back for a different weight, read up on dimensional weight in the Shipping Basics chapter.

## Shipment Volume

This is also on the packing list. If the quote request form has a total volume field, use a [cubic meter calculator](#) that converts from inches (if required) to calculate the “CBM”.

## Shipment Ready Date

Once your supplier confirms this, you can determine when you should start requesting quotes.

## Mode

Freight quote forms expect you to know whether you want an air freight or ocean freight quote, and if you want LCL or FCL. The Mode Selection chapter covers this in detail.

## Official Product Description

This is recorded on the commercial invoice.

## Shipment Value

Forwarders need this if you are taking out cargo insurance with them.

## HS Code

The Importer & Customs Responsibilities chapter explains why this code is relevant. Your product’s HS code should also be recorded on the commercial invoice.

## Cargo Insurance

You should request cargo insurance when you request a quote. This is covered in more detail in the Cargo Insurance chapter.

## Incoterm

This is the freight term, for instance, “EXW” or “FOB Nanjing”, recorded on your purchase order or purchase agreement. Incoterms outline the terms you agree to in your shipping contract.

## Shipment Delivery Date

This helps forwarders filter out options that will take too long.

Use the form's comments field to let them know that you are looking for a competitive price or a speedy shipment. Let them know if you have a hard deadline for delivery.

Forwarders act as agents for providing cargo insurance. They also act as agents for customs brokers (or provide the service in-house). Their forms should ask whether you want them to arrange both services. The Freight Forwarders chapter goes into forwarding and customs broking in more detail.

## Request A Freight Quote

It's hard to find reviews of forwarders online. So instead, start networking. Ask other smaller businesses you know of who make international shipments whether they recommend their forwarder for both price and service.

- **Online Form.** Check out your shortlisted forwarder's website for an RFQ form, or if that doesn't exist, simply a basic contact form. Mark your checklist as you complete their form. If there's anything still left on the checklist, add it to their comments field.
- **Email.** If they don't have an online form, there'll be a contact email address somewhere on their corporate site. If instead, you phone them to request a quote, you should still follow up by email. Simply copy and paste quote your prep list (above) straight onto the email. Finish by asking them to confirm receipt of your email, so you're not left waiting.



### Expert Tip

**Instant online freight marketplaces** are a new way to request a quote once, but receive responses from multiple forwarders. Better still, you don't have to wait for a response because the forwarders rates are already loaded into the system and they are all in the same format. Some marketplaces have features that make it simple to choose the best quote, by price, transit time or forwarder rating.

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## Select The Right Quote

As each quote comes in, carefully check that they got your details right. Freight quotes can take a bit of getting used to, because each forwarder has a different

quote layout, some charges go by different names, and charges are rolled up differently.

Check that the transit time is for the entire shipment, and not just the main transit leg. Work out whether the transit time adequately fits your schedule. You should build a bigger buffer for delays for ocean freight than with air.

If you want to understand the line items on your quotes, use this guide on [common freight charges](#).

## Confirm The Booking

Once you accept a quote with the forwarder, they will book a space, or “slot”, on a ship or plane. Your forwarder will need you to have completed the shipper’s letter of instruction document, although in practice, forwarders often complete this for you. This is where those other documents mentioned at the beginning of this chapter come in. The Shipping Basics chapter covers the shipper’s letter of instruction and those other documents.

The forwarder will also need you to sign their forwarder contract (“T&Cs”) so that they can start work on the shipment, and a power of attorney (POA) form so that they can represent Customs on your behalf.

Your supplier should do this, but also, as a courtesy, let your supplier know.

## Summary

- Request the commercial invoice, packing list, and potentially other documents from your supplier and make a quote prep list before requesting freight quotes.
- Approach several forwarders for quotes so that you can compare quotes. Allow for some forwarders not responding to your request.
- Ask around for recommended forwarders, then request quotes from each forwarder’s online form or by email. Alternatively, use an online freight marketplace.

## Further Reading

[The Ultimate Guide To Choosing A Freight Forwarder](#)  
[International Freight Crash Course](#)

# MODE SELECTION

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This chapter covers the three freight modes (express, [air](#) and [ocean](#)) for importing shipments together with guidance on how to choose which mode is best for your shipment.

## Modes For Shipping From China

### Express Freight (International Courier)

Shipping with express freight basically means replicating the same courier experience you get every time you have an e-commerce delivery at home. While this means convenience, speed, and an easier customs process, you'll pay a price, and express freight is limited to small shipments only. Weight and size restrictions vary by courier.

While there are many resellers, the market is dominated by a few large players, namely UPS, FedEx, and DHL.

### Air Freight

Air freight means leveraging almost the same speed as courier shipping but with processes optimized for international freight. Air freight processes are more complex and less automated than express freight but are less painful than ocean freight processes.

Shipments are less likely to get damaged going by air than by sea but are more expensive and more prone to restrictions on hazardous products (as covered in the Product Research chapter).

### Ocean Freight

Ocean freight is generally cheaper than air freight.

But it's also slower (check out the difference by using this [transit time calculator](#)) and less reliable (delays caused by port congestion, customs hold ups, bad weather, etc). That makes it a risky choice if you have a hard deadline. Ocean freight is becoming more reliable, though. Some ocean carriers even offer a premium service. "Expedited freight" works by streamlining processes and only

ties in with faster ocean and trucking services.

Another advantage is that CO2 emissions are minuscule compared to air freight.

## Selecting The Best Mode For Your Shipment

The following table provides general guidance, not definitive advice.

Mode	Transit time*	Cheapest	Drawbacks
Express Freight (International Courier)	3-5 days	< 50 kg	Courier weight and size restrictions.
Air Freight	7-14 days	50 kg <> 500 kg	Planes have a longer list of restricted cargo than ships.
Ocean Freight	25-40 days	> 500 kg	Ships are more prone to delays (bad weather, port congestion, etc).

*\* For a less than container load (LCL) shipment, China-US West Coast door to door. Each mode has a quicker premium option: express freight (1-2 days), air freight (5-8 days), ocean freight (18-30 days).*

The rules of thumb in the table gloss over the many variables in freight, like the points of origin and destination, and current freight rates. The Freightos [freight rate calculator](#) is a more accurate way to select mode because it takes these key variables into account. It uses live freight rates and real points of origin and destination.

If your shipment has a ballpark weight of 500 kg, assess the price point that you would swap modes to get your goods in quicker. This is especially relevant if you are not near a major port, or are East Coast importing from China.

If you are looking for even more accurate rates, you can instantly find and select binding quotes through [Alibaba.com Freight, powered by Freightos](#).



## Summary

- As a rule of thumb, air freight is quicker and sea freight is cheaper, however smaller shipments are often cheaper by air than sea.
- Speed and cost are important but other factors may play a part in determining which mode is best for your shipment. They include courier weight and size limits, carrier restrictions, carbon footprints, and whether there is a drop-dead delivery date.

## Further Reading

[Shipping From China: Everything You Need To Know](#)

including the option of using the postal service.

[Ocean Freight vs Air Freight: Making the Decision](#)

[Ocean Freight Explained: Calculating Costs And Price Trends](#)

[International Air Freight Explained: Calculating Costs and Price Trends Is Your Cargo Flightworthy?](#)



# CARGO INSURANCE

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At this stage, you might not be thinking about cargo insurance, but many importers only realize the value of cargo insurance after something goes wrong with their shipment. It makes even more sense given how easy cargo insurance is to procure. This chapter covers the range of cargo insurance options.

## Option 1: Don't Buy Cargo Insurance

You may choose not to take out cargo insurance, and instead rely on filing a claim against the carrier if something goes wrong. This might seem like less hassle and cheaper, but if something goes wrong it will be anything but.

- Under carrier terms and conditions, you will get a minimal compensation, around \$2.00/kg (2.2 lbs) for air freight and \$500 per customary freight unit (which can vary from one container to one pallet) for ocean freight.
- In some scenarios, like [general average](#), carriers may not be legally liable, even if they caused the loss.
- Making a freight claim is time-consuming, cumbersome, and has no guarantee of success. It can easily become a nightmare if the forwarder, insurer, and/or carrier is incompetent, uninterested, or enjoys playing hardball.

All in all, relying on carrier terms and conditions is only a good option if the value of your shipment is very low, or if you like living on the edge (and can afford the hit).

## Option 2: Insure Your Cargo

In this option, you take out an insurance policy to cover the actual value of your goods. If you don't think twice about insuring your business, home or car, then you shouldn't think twice about insuring your international shipment, which is far more accident-prone.

Frankly, cargo insurance is so cheap, why wouldn't you buy it?

The best way to buy cargo insurance is when requesting freight quotes:

- You don't need to shop around, because forwarder's rates as agents compare favorably with the rates you'll get going directly to the insurer.
- You won't be getting much difference in the cost of taking out insurance by shopping around. Frankly, though, there are much meatier charges on a freight quote to worry about.
- It's almost effortless to add in cargo insurance when requesting a quote.
- You are guaranteed that your insurance was purchased before the goods are loaded.

Go for comprehensive "All Risk" cover, rather than loss coverage only, or basic risk. Some forwarders also offer cover for freight costs and "plussage". Be mindful though, that even comprehensive cargo insurance has its limits because you won't be compensated for any loss of sales.

Processing an insurance claim is much easier than lodging a freight claim with a carrier, and much more likely to provide satisfaction. Also, the insurance company, not you, will be doing most of the work.



### Expert Tip

Ask your freight forwarder to **forward you a copy** of the policy. This makes sure the forwarder doesn't forget to book insurance. Besides, you will need the policy if you have to make a freight claim.

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## Summary

- Take out cargo insurance rather than rely on carrier liability.
- Ask for comprehensive cargo insurance, and check that you get it.

## Further Reading

[Freight Insurance: Why You Need to Cover Your Bases](#)

[How To Make A Freight Insurance Claim](#)



# SHIPMENT

Now that you have a freight booking, the next step to getting your product back home is the shipment. Time to learn about the key players in the freight industry, the basic jargon you'll need to get by, customs processes and the shipping process, from pickup to delivery.

# SHIPPING BASICS

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This chapter covers some of the fundamentals of shipping, like key players, terminology, documentation, Incoterms, and how they can not only affect the shipment but also seriously affect your markup.

## Meet the Key Players

### Carriers

Freight doesn't move itself. Carriers are the companies that own the ships and planes, like Maersk and American Airlines. They typically don't arrange the movement of freight beyond the port to port (or airport to airport) segment of the shipment.

Carriers sell bookings on their vessels, typically through third-parties (although they will offer services directly to very large companies). In the US, some non-carriers also sell bookings through a legal arrangement called NVOCC (non-vessel owning common carrier).

### Forwarders

As the Freight Forwarders chapter described them, "think of them as travel agents for freight, the experts who understand how the end to end shipment process works." Some forwarders do sometimes also act as carriers, most commonly by also operating a truck fleet. Similarly, the big international couriers also own and fly cargo planes.

### Customs Brokers

Customs brokers specialize in customs filing and clearing, as explained in the Customs Process chapter. Freight forwarders either work with a customs broker as an agent or handle customs broking in-house. See more in the Freight Forwarders chapter.

### Third-Party Logistics Providers

Third-party logistics providers (3PLs) take on some or all of a company's distribution and fulfillment services. Many larger forwarders also provide this service. This form of outsourcing is covered in the Third-Party Fulfillment chapter.

## Shippers

The only key player left is you. Whatever you call yourself, the freight industry calls you a shipper. For outsiders, this seems rather confusing but as forwarders and carriers set it, you are the person wanting to “ship” the goods.

## Key Freight Terminology

### Door To Door & Port To Port

This basically describes whether the shipment service provided is between ports or from/to another destination that requires trucking or rail services. The shipment leg between the export country and the import country is called the main transit or main leg. If the forwarder responsible for arranging this leg is also picking up the shipment at the factory, the shipment is called door to port. Similarly, port to door covers the main transit from the foreign port to final delivery. In door to door, the forwarder is handling the entire shipment.

### Multimodal

The humble shipping container not only revolutionized international freight, it also revolutionized international trade and global economic growth. Multimodal simply means shipping by container. Once a container is “stuffed” with a shipment, it moves by road, ocean and/or rail until it is finally opened somewhere in the US. The whole process is so streamlined that inland cities like Denver or Chicago can act as ports, complete with customs clearance, deconsolidation (we get to that soon) and as the named place for some Incoterms (ditto). These “inland ports” are usually referred to as inland freight interchanges.

Some key multimodal terms that you should know are:

- **FCL (full container load).** This means that you are paying for a whole container which, depending on your load size, may be cheaper than a less than container load. The load doesn't have to fill the container, as for, say ¾ loads booking FCL is cheaper than booking LCL.
- **LCL (less than container load).** Booking LCL means that your shipment is taking up only a part of the container and will almost certainly be shared with other shipments in that container.

- **Consolidation/Deconsolidation.** Consolidation is the process managed by the forwarder or carrier whereby the LCL shipments sharing a container are “stuffed” together. Deconsolidation is the opposite, that happens near a port at the end of the port to port leg.
- **Intermodal.** This term is often used interchangeably with multimodal, but there is a difference. Intermodal is where a shipper uses different forwarders for some shipment legs. Because of that, intermodal involves a lot more documentation and communication than multimodal.

## Trucking

FTL and LTL are the trucking equivalents of FCL and LCL, namely a full truckload shipment and a less than truckload shipment. US regulations require truck loads to be charged by a complicated method called freight class. Most products get classified by density. This [freight class calculator](#) estimates the freight class for density products. It also goes into detail about how freight class works.

## Dimensional Weight

Freight class may be complicated, but other modes of transport can get that way too. Very light shipments that take up much more space than their weight would indicate are charged by dimensional weight, that is the weight at which your shipment’s dimensions would be reasonably profitable to carry. Each mode – ocean, air, trucking – has its own formula. Other countries also have their own formulas. In fact, every shipment is charged at the greater of actual weight or dimensional weight. That weight is called the chargeable (or billable) weight. Dimensional weight is also called dim weight, volumetric weight or cubed weight.

You don’t need to understand how it works, but don’t be perturbed if your shipment is very light and your requested freight quotes come back charged at a very different weight than you requested. Use this [chargeable weight calculator](#) to find out the freight class for density products, and to learn more about how freight class works.

## Key Freight Documents

- **Commercial Invoice.** This is the normal proof of sale, provided by the supplier to the importer, and in itself is not a freight document. It becomes one because Customs requires it for clearance. The Ordering chapter covers where this document fits in with negotiation.
- **Certificate of Origin (COO).** Your supplier will prepare this in conjunction with their chamber of commerce. This document is also required by Customs for clearance because it helps identify banned items and duty payable. Your forwarder will require this when the Shipper's Letter Of Instruction document (below) is prepared.
- **Material Data Safety Sheet (MSDS).** This document only applies to hazardous goods and is usually provided by the supplier. Again, your forwarder will require this when the Shipper's Letter Of Instruction (below) is prepared. This document is covered in more detail in the Product Research chapter.
- **Fumigation Certificate.** This document is only required if wood or some other natural products are included in the shipment. This most often applies to pallets and crates. Your supplier must arrange for this. Again, it is required for customs clearance, and your forwarder will need it when the Shipper's Letter Of Instruction (below) is prepared.
- **Freight Forwarder Contract ("T&Cs").** Like any other agreement that you sign with a service provider, you are required to sign off on their standard terms and conditions before they work on your shipment.
- **Power Of Attorney (POA).** Like the commercial invoice, this is a widely used document outside the freight industry. By your signing one of these, your forwarder can deal with Customs on your behalf. You'll sign a POA at the same time you do the T&Cs.
- **Shipper's Letter of Instruction (SLI).** With the above forms ready to go, this document kicks off the shipping process. It is your order form, proof



that you are purchasing from the forwarder. This document is covered in more detail in the Request For Quotation chapter.

- **Booking Confirmation.** This is your receipt for the main transit, whether ocean or air. The carrier provides it to your forwarder, who should forward it on to you. In some cases, the booking confirmation number is also the shipment tracking number.
- **Bill of Lading/Air Waybill.** These very similar documents, used for ocean freight and air freight respectively, are the contract of carriage for the main transit leg. Like any other contract, it has terms and conditions which limit forwarder and carrier liability. Your forwarder prepares the bill of lading. This document also provides proof of ownership of the goods in case of damage, theft or loss. Some forwarders add the shipment tracking number on this document.

Bills of lading are typically not used to cover pickup and drop-off. For these legs, emails usually suffice.

- **Packing List.** This is your receipt of goods at delivery. It is attached as a pouch on the goods and also emailed ahead. It is only required when shipped goods are packed into larger units, like a container or an aircraft console. The supplier completes this form, although the forwarder will also complete one if the goods are re-packed at their warehouse.

The [Key Freight Documents For International Shipping](#) resource has more information on most of these documents.

## Cost Of Goods & Cost Of Freight

### Landed Cost

When you are negotiating a price with your supplier (covered in the Negotiating Strategy chapter), it's tempting to get fixated on the buy price. The lower the buy price the better the markup. Right? But, there are two other costs to take into account before those goods are safely in your inventory. They are customs charges and freight costs.

**LANDED COST = BUY PRICE + FREIGHT COSTS + CUSTOMS CHARGES**

The Customs Duties chapter goes over how to get estimates for duty costs, and getting reliable freight cost estimates from a freight rate calculator is covered in the Mode Selection chapter. But your freight charges will vary depending on how much responsibility you are willing to take.

Your supplier will probably only arrange all the freight if they can make up for it with a higher buy price. Similarly, you will only pay all the freight if you can make up for it in a lower buy price. But it's not uncommon for inexperienced buyers to squeeze a better deal out of a supplier, but fail to realize the consequences when the supplier accepts a lower buy price, in exchange for switching Incoterms. That might seem harmless, but switching from FOB to EXW, for instance, might have wiped out all the gains made by the cheaper buy price. So what are Incoterms?

## Incoterms

This gets a little boring but it's really, really important. Incoterms are standardized freight terms that define international sales agreements. There are eleven of them in all, each differing in where during the shipment the responsibility (arranging and paying) and liability (for resolving any problems) transfers from the seller to the buyer.

Most suppliers have a preferred combination of incoterm and selling price. Often, that's CIF (Cost, Insurance and Freight), which means their responsibility for the goods ends at the US port. While it is commonly used, this incoterm and three others starting with the letter "C" can be disasters waiting to happen for smaller buyers. This is explained in the Freight Forwarders chapter.

The safe (and more common) Incoterms that you should be negotiating are:

- EXW (Ex Works), where you take full responsibility and liability from factory pickup.
- FCA (Free To Carrier), where you take responsibility and liability once the shipment is handed over to the carrier, typically for consolidation at the carrier's premises near the port.

- FOB (Free On Board), where you take responsibility and liability once the shipment “crosses the ship’s rail.” Technically FOB wasn’t designed for freight that goes into containers or airplanes, but it does work well for full container loads. However, it shouldn’t be used for LCL or air freight, because they need to be consolidated before they are handed over to the carrier. Also, for air freight, there is no “ship’s rail.”

Stick to this advice, and you probably won’t need to know much more about Incoterms. They do get complicated. For more detail, turn to the [Incoterms In Plain English](#) guide.

## Calculating Landed Cost

Now that you get landed cost and incoterms, you can bring it all together to calculate landed cost. Say you want to know what your target buy price would be with EXW and with FOB:

- Use this [freight rate calculator](#) to quickly find this out. Work out the door to door freight rate (for EXW) and the port to door freight rate (for FOB) to get the two different freight costs.
- Then, simply add your [customs duty estimates](#) to calculate landed cost for both freight terms.
- Now you have your target buy prices for negotiating either incoterm.

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### Expert Tip

Here’s a relatively common scenario. Your supplier doesn’t lead with EXW, but ends up agreeing to it. After pickup, the **supplier complains** about how unprofessional your forwarder is. Don’t chew out the forwarder just yet. Many times, this is simply because someone at the factory gets kickbacks from his local forwarder, and they now have a solid reason to advocate for them (and bash others).

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You will find a host more key freight terms in this [freight term glossary](#).

## Summary

- Knowing 10% of the right terminology can get you through 90% of a shipment.
- With a grasp of Incoterms and landed costs, you can protect yourself when negotiating with a supplier.

## Further Reading

Here's a list of useful freight tools included in this guide, and the chapter where they appear.

[Freight Shipping Hazardous Material Table](#) - Product Research

[HS lookup table](#) - Customs Duties

[Import Duty Calculator](#) - Customs Duties

[CBM Calculator](#) - Request For Quotation

[Airport Code Finder](#) - Request For Quotation

[Seaport Code Finder](#) - Request For Quotation

[Freight Rate Calculator](#) - Mode Selection

[Freight Transit Time Calculator](#) - Mode Selection

[Freight Class Calculator](#) - Shipping Basics

[Universal Chargeable Weight Calculator](#) - Shipping Basics

[Freight Containers, Pallets, And Boxes](#) - Shipping Basics

[Incoterms Guide](#) - Shipping Basics

[Key Freight Documents Guide](#) - Shipping Basics

[Freight Term Glossary](#) - Shipping Basics

[Freight Shipping Charges and Fees Guide](#) - Request For Quotation

# SHIPMENT PROCESS

As the importer, most of your responsibilities for a shipment are covered in the Request For Quotation chapter. Quickly and carefully check and sign all documentation sent your way. Even a very minor discrepancy between any of the key documents can lead to expensive delays. You also have some customs responsibilities, which are covered in the Customs Processes chapter. But, from now on, the shipment is mostly the forwarder's responsibility. This chapter covers what actually happens during the shipment, from end to end.



This diagram makes it look pretty simple. A shipment starts by being loaded by a forklift onto a truck at pickup. It is taken for consolidation near a port, clears China Customs and is loaded on the ship or plane. Once the vessel gets to the US the process is repeated in reverse.

As simple as that sounds, a thousand things can (and do) go wrong. Sometimes, seriously wrong. That's why successful importers rely on freight forwarders to manage their shipment.

## Shipment Stages

### Pickup

Your forwarder, or their local agent, will only be involved in this step if your supplier and you have agreed to the EXW incoterm in your purchase agreement or purchase order.

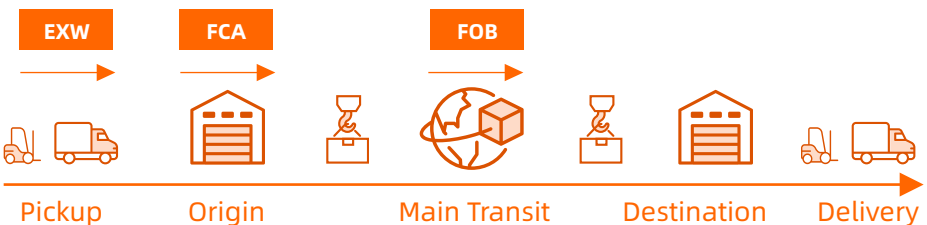
### Expert Tip

One drawback of the EXW incoterm is that the supplier is not obliged to help load the truck. This problem is easily solved if you include loading as a **requirement in your purchase agreement** or order.

## Origin

This stage covers the activities between pickup and loading onto the vessel.

- Unless your shipment is a full container load, your shipment will go to a specialized warehouse to be consolidated with other shipments.
- The shipment then clears customs. In most countries, China included, exporting and customs clearance are simple, streamlined processes. Chinese customs are only on the lookout for a few items.
- The shipment is taken by truck to the port, where the port authorities (known in the freight industry as “terminal operators”) load the shipment onto the ship or plane.
- The following diagram maps the three Incoterms you should select from, and the point at which responsibility (organizing and paying) and liability (following up if something goes wrong) for the shipment transfers from the buyer to the seller.



## Main Transit

This is the main leg of the shipment, where your goods are flown or shipped from country to country. Confirm with your forwarder when you receive the quote whether the transit time is just for this leg or for all shipment stages that they are responsible for.

## Destination

This is the point where the process starts repeating, but in reverse: namely unloading, deconsolidation, and customs clearance. Customs regulations differ when importing into the US versus exporting from the US, and the chances of customs inspection are higher for goods entering the US from foreign markets.

## Delivery

This is when the shipment is transported from the warehouse to your shipment's final destination, with a possible prepping stop in between. The shipment has to be picked up soon after customs clearance (more on this in the Customs Processes chapter). If the goods are going to a warehouse, the correct unloading equipment and people on hand need to be on hand when the truck arrives. If it's going to an Amazon warehouse, this needs to be arranged well in advance.

## Summary

- Your forwarder will handle most of the tasks in the shipment.
- Your main responsibility is to quickly and carefully check all documentation as required.

## Further Reading

[International Freight Crash Course](#)

# CUSTOMS PROCESS

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Customs authorities are generally less interested in exports than imports, and China's customs is [unlikely to have an issue](#) with your shipment. But it can get complicated for shipments imported into the US. This chapter covers customs filing and clearance for US imports as broken down by the three major players involved, namely the customs agency, your customs broker, and you.

## Customs Agency Responsibilities

### Entry

Several documents need to be lodged (filed) with Customs before your shipment arrives at port. Customs also require an earlier lodgment (ISF filing), for ocean freight only, which must be completed 24 hours before the ship leaves the port of origin. Customs uses ISF filing information to sort shipments between those for speedy clearance and those warranting further investigation.

### Clearance

Unless there's a problem, ocean freight is generally cleared within two days of the ship landing in port (and can be up to four days before estimated arrival). Air freight is generally cleared within one or two days of arrival.

Here's how a customs official will process your shipment:

1. Inspect the paperwork,
2. Determine if duties apply,
3. Request duty payment,
4. Following confirmation of payment, release the shipment for pickup.

Some products can fit into more than one HS product description. You may not agree with the customs official decision, especially if it exposes you to higher customs duties, but they are the final arbiter.

If the shipment hasn't been picked up 15 days it goes into storage, and you will face storage costs. If it remains unclaimed, it will be auctioned off.



## Inspection

An inspection is conducted at Custom's discretion, but this is more likely to occur when:

- The shipment contains food, drugs or animal goods.
- The shipment contains anything that might be construed as a threat to national health, safety, and security.
- Your record with them is blemished.
- You are starting out and have little or no record with them.

You might just get caught up in a random inspection. More frustratingly, another random encounter that affects your shipment's clearance is if another shipment in your container (that does not belong to you) is singled out for inspection.

An inspection can take several forms. Non-intrusive inspections are fairly quick, but an intensive exam could take more than a week.

## Customs Charges

Your forwarder can't on-charge (add to your invoice) the following Customs charges, so you will be billed separately for:

- **Customs Duty.** Determined by the product, country of entry, and de minimis level.
- **Merchandise Processing Fee (MPF).** This is a mandatory fee (\$25 minimum, \$485 maximum).
- **Harbor Maintenance Fee (HMF).** This small mandatory fee applies to ocean freight only.
- **Customs Fines And Penalties.** Customs may impose a heavy fine on late ISF filing. Non-intrusive inspections cost around \$275 at major ports, but an intensive examination costs around \$800, not including third-party transport and storage costs.

## Customs Broker Responsibilities

As discussed in the Freight Forwarders chapter, you may engage a customs broker directly, or leave that to your forwarder.

## Entry

Your customs broker prepares, checks, and lodges all of the documents required for filing ahead of time.

## Clearance

Customs brokers may liaise with Customs throughout the entry and clearance process. Once the shipment is ready for clearing, there will be a limited window (varying by terminal and carrier) to arrange payment and clear the shipment from port.

Although Customs allows ten business days after filing for payment, customs brokers usually expect the importer to pay them before they pay Customs. To make sure that happens in time, customs brokers often give importers a three-day window to arrange payment to them.

## Customs Broker/Forwarder Charges

- **Customs Clearance Fee.** The standard rate customs brokers charge for managing clearance is around \$50 for China's Customs, and several times more than that for US customs. This fee is also known as customs brokerage fee or customs entry fee.
- **ISF Filing Fee.** Some customs brokers will separate out costs associated with ISF filing, but it is often incorporated into their customs clearance fee.
- **Telex Electronic Cargo Release Fee/EDI Fee.** This charge covers the cost of sending forms and messages to ports, customs, etc. It's a dubious charge because email has replaced telexes, and neither email nor EDI has a variable cost. If this charge appears on your invoice, you should challenge it.

## Your Responsibilities

### Before The Shipment

Here's a recap of your customs-related responsibilities as they came up in previous chapters:

- Check for import restrictions (Safety Standards & Labeling and Importer & Customs Responsibilities chapters).
- Estimate customs duty (Customs Duties chapter).
- Provide standard documents at shipment booking (Request For Quotation and Shipping Process chapters).
- Where applicable, provide other docs, like the COO, MSDS, and fumigation certificate (Shipping Basics chapter).

## Summary

- Customs Brokers handle entry (filing) and clearance (liaison, coordination of payment and pickup).
- You still have some responsibilities, including taking out bonds and arranging payment. You should also take time to carefully check all documentation.
- Unless your shipment is caught in an inspection, clearance is, generally, a relatively speedy process.

## Further Reading

[Explaining The Customs Clearance Process](#)

[How To Import Commercial Goods Into The United States](#) [CBP official guide]



## During The Shipment

- Take out a customs bond. This is how US Customs ensures that they get any money owing on your shipment. Depending on how many shipments valued over \$2,500 you are looking to make in a year, your customs broker will advise whether you should take out a Continuous bond or a Single Entry bond. If you take out the latter, you will also need to take out an ISF bond for ocean freight. Bonds are the one Customs charge that can be on-charged by your customs broker or forwarder.
- Be honest with customs and advance cargo reporting requirements. Data automation has given regulators better visibility, and offenders face stiff penalties. The liable party usually ends up being the shipper (in other words, you).
- Check all documents for accuracy before forwarding to your customs broker.
- Pay customs clearance. Although customs brokers normally pay customs on behalf of their clients. Customs encourages importers to set up direct ACH payments. It helps speed up clearance, and for you, it removes the risk of being penalized for late clearance. If you start importing regularly you should consider ACH payment.



### Expert Tip

Another good reason for regular importers to consider ACH payments is cost. Paying on your credit card with a 3% transaction fee each time, or \$40 for a wire transfer (for commercial banking, add more dollars for personal banking) quickly adds up. Do the math, and see how much it's costing you not to switch.

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There is clearly a lot more to customs clearance with freight than with international couriering. That's because many shipments fall below the de minimis threshold, and for those that don't, the large international couriers also do the customs brokering. Incidentally, by doing that they become carrier, forwarder, and customs broker, all in one. Customs permits international couriers to on-charge the customs costs to you, so they simply put your parcel through on DDP (Delivery Duty Paid) incoterm.

# PACKAGING

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Most importers don't consider packaging when negotiating a purchase agreement, as standard factory packaging is usually quite suitable. However, it pays to do some research before hammering out a deal. If you're looking at making several shipments, the savings you make with reduced freight costs may far outweigh the upfront costs of modifying shipment packing or product packaging. This chapter covers some aspects of packaging you may want to consider.

## Packaging For Protection

The job of your packaging is to protect your shipment. Fragile shipments should be double-boxed, which not only adds an extra layer of cushion from rugged handling, but also reduces the chances of the product moving when the box is jostled. Wrapping the first box with bubble wrap and peanuts will secure it even further, but watch out! Some fulfillment centers, like Amazon FBA warehouses, won't let you use packing peanuts.

Unless you have a very large shipment, your goods will be consolidated with other shipments in a container for ocean freight, or will be with other air freight shipments in the hold for air freight. With all those shipments huddled together, it's easy for packages to get mixed up at unloading. So make sure that your packages are clearly marked with carton count, gross weight, net weight, country of origin, and tracking labels (like FBA shipment labels). If you are shipping something attractive to thieves, you should remove any brand identification and any other telltale labeling.

## Packaging For Air Freight

There isn't much space in a plane's hold, so air freight costs are based on volume more than weight. And that means that your goal should be to reduce gaps between packaged products inside the carton, and between other cartons.



### Expert Tip

Here are some ways you can **reduce volume and air freight costs**:

- Consider the cost of palletizing your shipment in the US versus your supplier's origin location and work with your logistics provider to determine the costs.
- If your cartons are light, have them packed together wherever possible, and use non-bulging, lightweight but strong packing materials.
- Check that the packaging your supplier recommends is using the smallest possible box size. If not, use a dimensional weight calculator to see how much extra you may be paying for the larger box. The Shipping Basics chapter has more on dimensional weight. Then you'll know whether you should be insisting on a smaller box.

## Packaging For Ocean Freight

Cargo ships have a lot more space than airplanes, but poor weight distribution can make container ships buckle or lurch. That's why weight more than volume drives ocean freight costs, which lets you be more generous with packaging material.

Remember to stick with standard sized boxes-they fit nicely on pallets. Standardization is what made it possible for shipments to smoothly move from factory floors onto trucks, and onto ships.

There's an extra cost with using pallets if you are importing from China. As for other export and import countries, the pallet wood will need special treatment and a fumigation certificate before it can make it into the country.

## Product Packaging

Product packaging may trap wasted space that can significantly increase freight costs. But changing product packaging will be more difficult for your supplier than changing shipment packaging, likely requiring changes to the machinery and special production runs. Expect that your supplier may not initially be receptive, but if your product sells well, do the math to see how soon you would recoup any set-up costs.



### Expert Tip

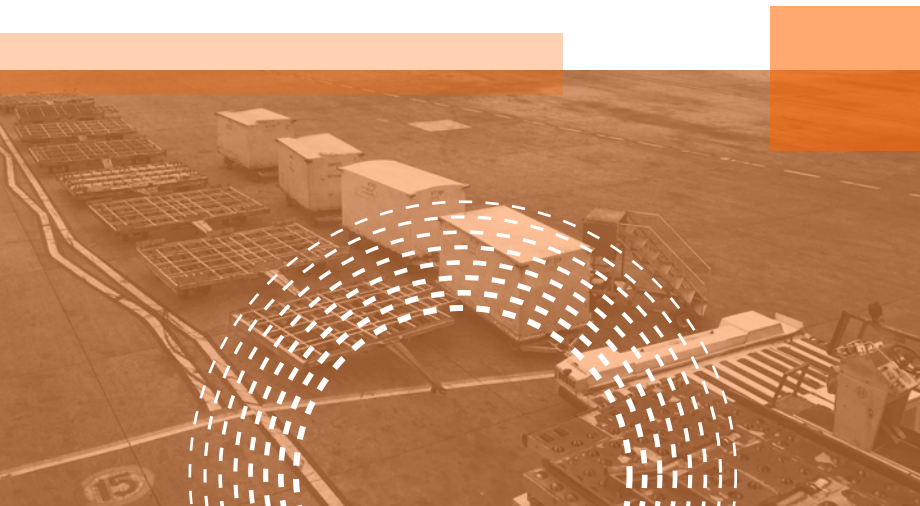
If you are concerned about packing products closer together or using less packaging might increase the risk of damage, or that changing product packaging will hurt sales, get in touch with a **local packaging company**. See what creative ideas they have to cut freight costs, keep the shipment safe in transit, and have the goods looking great.

## Summary

- Avoid extra packaging. It's an unnecessarily additional cost, especially for air freight, but double-box fragile products.
- Check that your supplier is using the smallest, standard box size, to optimize how they fit on a pallet.
- Carefully label shipments because smaller shipments often get mixed up at consolidation and deconsolidation.
- For fast moving stock, consider improving product packaging to reduce freight costs.

## Further Reading

[Packaging: Think Outside \(And Inside\) The Box Is Your Cargo Flightworthy?](#)



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