

Ship Angel Guide

Navigating Success: Preparing for Ocean Freight Contract Negotiations



Introduction

Preparing for an ocean freight contract negotiation requires a strategic approach to ensure cost-efficiency, reliability, and alignment with your shipping needs. As global supply chains become increasingly complex, understanding key factors—such as shipping rates, fuel surcharges, service levels, and potential risks—can offer a competitive advantage. Preparation includes analyzing your shipping volumes, destinations, and delivery timelines, as well as researching carrier performance and market conditions. Armed with these insights, you will be better equipped to negotiate terms that minimize costs while securing the flexibility and reliability needed to meet demand fluctuations.

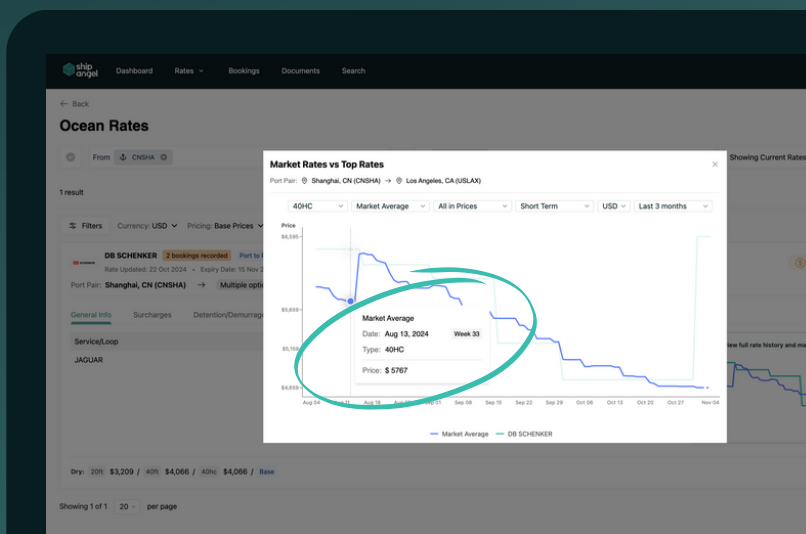
This guide contains seven detailed tips to help you prepare for these important discussions and to secure favorable terms that align with their business needs.



1. Market Analysis

The first step in preparing for ocean freight negotiations is understanding the broader market landscape. By examining historical data on rates, capacity, and seasonal trends, you can gain a solid benchmark for what to expect. Additionally, working with analysts or using forecasting tools helps to predict market conditions and identify potential cost fluctuations due to factors like geopolitical events, port congestion, and demand surges.

Evaluating carrier performance on key factors such as transit time, service levels, and rate volatility is also important, offering a comprehensive view of which carriers align best with your needs.



2. Analyzing Shipping Volumes

It's also essential to assess your shipping profile in detail. This includes analyzing anticipated volumes based on past shipments and future forecasts, broken down by trade lanes, seasonality, and specific service requirements. Accurately forecasting volume can give you significant leverage, as carriers are more likely to prioritize high-volume customers. Additionally, understanding your specific cargo needs—whether related to temperature control, special handling, or specific loading requirements—can help ensure you select the right carrier and avoid unexpected service fees.



3. Defining Priorities and Requirements

When negotiating an ocean freight contract, prioritizing what is most important to your business is essential for securing terms that support your specific needs and operational goals. Key priorities typically revolve around balancing rate competitiveness with service reliability, but each shipper or BCO may have unique requirements based on their shipping profile.

Start by assessing whether rate stability or reliability of capacity and equipment is most critical; for instance, industries with time-sensitive cargo may prioritize guaranteed space over the lowest possible rate. Define service requirements, such as transit times, frequency of sailings, and specific trade lanes, and establish these within Service Level Agreements (SLAs) to ensure carriers meet your minimum standards.

Flexibility is also important. You should evaluate whether flexible volume commitments make sense for your business, which can encourage carriers to offer more favorable terms. For peak seasons or high-demand periods, some companies pay a premium for guaranteed capacity, which can stabilize their supply chain during high-pressure times. It's also wise to negotiate temporary adjustments for disruptive events, like rate caps or alternative routes, to account for the unexpected challenges that can arise.

4. Leveraging Technology Tools

Real-time analytics play a crucial role in ocean freight contract negotiations by giving you a data-driven foundation to make informed decisions. With real-time insights into rates, carrier performance, and market conditions, shippers can better predict trends, identify rate fluctuations, and respond quickly to shifts in supply and demand. This responsiveness is invaluable in a volatile market, allowing companies to adjust their strategies as needed, whether that means securing capacity during peak seasons or adapting to changes in port congestion.

Real-time analytics also support performance reviews with carriers, enabling you to hold them accountable to Service Level Agreements (SLAs) and adapt contract terms based on actual service levels, improving overall supply chain efficiency and reliability.



4. Leveraging Technology Tools

Rate benchmarking is equally essential, as it provides you with a comparative understanding of what other companies are paying for similar routes, service levels, and volumes. By accessing reliable benchmark data, shippers gain leverage in negotiations, as they can assess whether proposed rates align with the market or need adjustment. Benchmarking also helps you prepare for renegotiations by highlighting shifts in average pricing, giving them realistic expectations, and reducing the likelihood of overpaying.

DB SCHENKER

1 booking recorded

Port to Port

Rate Updated: 22 Oct 2024

Expiry Date: 15 Nov 2024

Shipper: N/A

Port Pair: Shanghai, CN (CNSHA)

→

Multiple options

→

New York City/Newark, NY&NJ (USNYC)

General Info

Surcharges

Detention/Demurrage

Routing

Schedules

CO2 Emissions

Rate History

Other

Upload Date	Valid From	Valid To	Currency	Per 20ft	Per 40ft	Per 40hc	Status
Oct 21 2024	Nov 01 2024	Nov 15 2024	USD	4421	5582	5582	Active
Oct 15 2024	Oct 16 2024	Oct 31 2024	USD	4605	5814	5814	Expired
Oct 02 2024	Oct 01 2024	Oct 15 2024	USD	4605	5814	5814	Expired
Sep 22 2024	Sep 16 2024	Sep 30 2024	USD	5116	6459	6459	Expired
Arrival 15	Arrival 16	Arrival 17					

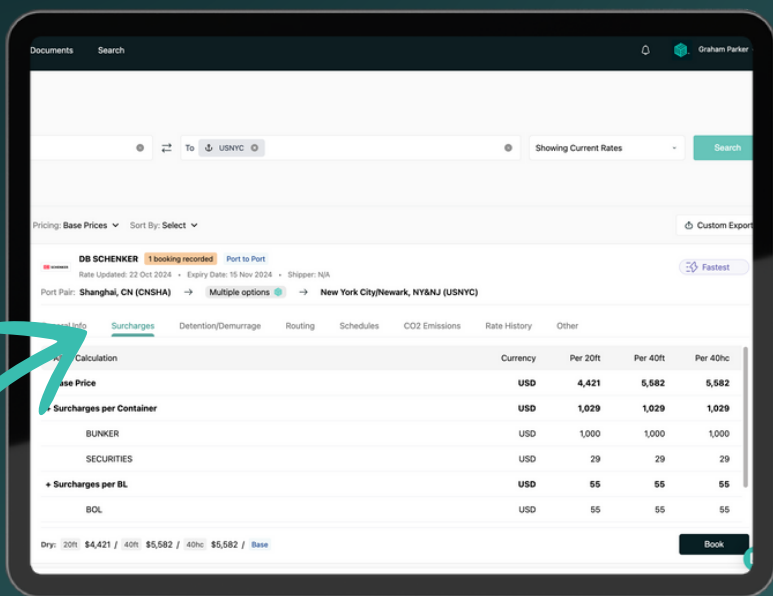
Dry: 20ft: \$4,421 / 40ft: \$5,582 / 40hc: \$5,582 / Base

Book

This combination of real-time analytics and rate benchmarking ensures that you are not only well-informed but also positioned to negotiate contracts that reflect both market realities and their business needs, ultimately leading to stronger, more cost-effective partnerships with carriers.

5. Avoid Hidden Costs

An often overlooked aspect of contract negotiations is hidden costs that can significantly affect total expenses. Beyond the base rate, many carriers charge incidental fees like detention, demurrage, fuel surcharges, and congestion fees.



The screenshot displays a shipping software interface with a 'Surcharges' tab selected. The interface shows a shipping route from Shanghai, CN (CNSHA) to New York City/Newark, NY&NJ (USNYC). The table lists various surcharges and their rates per container or per 40hc.

	Currency	Per 20ft	Per 40ft	Per 40hc
Base Price	USD	4,421	5,582	5,582
• Surcharges per Container	USD	1,029	1,029	1,029
BUNKER	USD	1,000	1,000	1,000
SECURITIES	USD	29	29	29
• Surcharges per BL	USD	55	55	55
BOL	USD	55	55	55

At the bottom, a summary line shows: Dry: 30K \$4,421 / 40K \$5,582 / 40hc \$5,582 / Base. A 'Book' button is visible in the bottom right corner.

To minimize these unexpected expenses, you should thoroughly review and discuss all potential ancillary fees before signing a contract and negotiating caps or fixed rates for charges where possible. Additionally, clarifying any conditions that may trigger these charges such as extended container storage at ports or delays caused by peak season congestion can help prevent surprises.

6. Diversification

Another smart strategy is building relationships with multiple carriers rather than relying on a single provider. Carrier diversification reduces risk during peak periods or disruptive events, allowing for more flexibility. Understanding which carriers belong to which alliances is also beneficial, as these alliances impact capacity and service on specific trade routes.

DB SCHENKER 1 booking recorded Port to Port
Rate Updated: 22 Oct 2024 • Expiry Date: 15 Nov 2024 • Shipper: N/A
Port Pair: **Shanghai, CN (CNSHA)** → Multiple options → **New York City/Newark, NY&NJ (USNYC)**

MSC 3 bookings recorded Port to Port
Rate Updated: 01 Oct 2024 • Expiry Date: 31 Mar 2025 • Shipper: BANANA-COLA
Port Pair: **Shanghai, CN (CNSHA)** → Multiple options → **New York City/Newark, NY&NJ (USNYC)**

ONE Port to Port
Rate Updated: 01 Oct 2024 • Expiry Date: 31 Mar 2025 • Shipper: BANANA-COLA
Port Pair: **Shanghai, CN (CNSHA)** → Multiple options → **New York City/Newark, NY&NJ (USNYC)**

CMA CGM Port to Port
Rate Updated: 01 Oct 2024 • Expiry Date: 31 Mar 2025 • Shipper: BANANA-COLA
Port Pair: **Shanghai, CN (CNSHA)** → Multiple options → **New York City/Newark, NY&NJ (USNYC)**

7. Compliance

Don't overlook the need to be legally compliant. This protects shippers and carriers from costly disputes and regulatory penalties.

Ocean freight operates within strict international and national regulations, including oversight from agencies like the Federal Maritime Commission (FMC) in the United States.

Contracts that are not in compliance may lead to penalties, contract avoidance, or significant shipment delays. Legal compliance ensures that terms related to liability, cargo handling, force majeure, and termination are enforceable, providing a safeguard in cases of dispute or unexpected events.

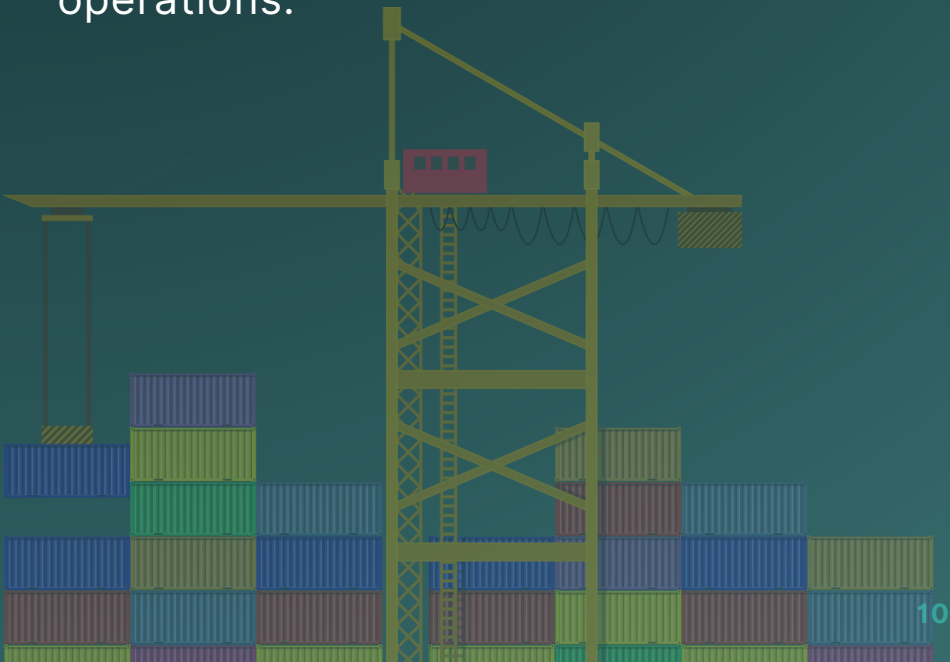
Working with legal professionals specializing in maritime law is often advisable, as they can help shippers craft contracts that meet all relevant regulations and include clear, protective language for both parties. This attention to compliance not only prevents legal complications but also strengthens business relationships by establishing transparent, fair agreements from the outset.



Conclusion

Effective negotiation requires a proactive and strategic approach. By preparing, setting clear goals, and fostering strong relationships with carriers, shippers, and BCOs can secure the terms, rates, and service levels that best suit their needs.

Through regular performance reviews and a commitment to flexibility, shippers and BCOs can adapt to market changes and ensure smooth and reliable logistics for their operations.



About Ship Angel

Ship Angel is a cutting-edge rate management platform designed to streamline logistics operations for BCO shippers. Focused on solving complex supply chain challenges, Ship Angel provides innovative solutions for rate management, amendment guard, invoice auditing, and sustainability reporting. At the heart of Ship Angel is its **AI-driven technology**, which empowers shippers to manage rates more efficiently, ensure contract accuracy, and optimize cost savings. With a commitment to transparency and efficiency, Ship Angel's platform **helps companies avoid costly delays and disruptions**, making it an invaluable tool for managing the modern supply chain. Driven by a vision to revolutionize logistics, Ship Angel works closely with clients across various industries. By offering personalized support and advanced tools, Ship Angel helps companies stay ahead in an ever-evolving global trade environment.

For more information, visit shipangel.com

Book a Demo

