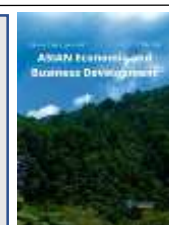




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Analysis of Incoterms Selection and Involvement of 3PL in Export Import Logistics Activities

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Abstract

The international commercial terms (incoterms) are important documents for exporters and importers in minimizing risks during a series of international trades so that rights and obligations are still implemented. Various incoterms documents have their respective functions. The involvement of third-party logistics is an important key in minimizing risk, and costs, and creating efficiencies. This study was conducted to examine the selection of incoterms and the involvement of third-party logistics (3PL) in export and import logistics activities. The method used in the research was carried out by means of a literature study with various sources to examine intensely related to incoterms and 3PL. We find that the synergy between the selection of incoterms documents and the involvement of 3PL parties can support the performance of export and import logistics activities. In addition, the involvement of these two things can reduce risks, and costs, and increase the efficiency of export and import activities.

Keywords: Third-party logistics, Incoterms, Efficiency, Minimizing risk, International trade.

JEL Classification Codes : F13, F15, F23

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Introduction

International Commercial Terms (Incoterms) is a collection of international trade rules initiated by the International Chamber of Commerce (ICC). Incoterms, can be interpreted as a bunch of regulations in the form of warrants and duties between related parties, namely exporters and importers as sellers and buyers in international trade. However, there are risks and

responsibilities that are borne by both parties, especially during the logistics process to the delivery of goods (Yaakub et al., 2018).

Incoterms are important in international trade because of cultural, linguistic, religious, social, and political differences that can hinder the continuity of buying and selling activities. So as to reduce uncertainty due to differences in heterogeneity. Incoterms include eleven terms with two different classification, namely regulation for modes of transportation and regulation for the transportation of inland waters. In addition, this rule changes every decade. The latest Incoterms were released in 2020. In Incoterms 2020 there are changes to acronyms for several types of Incoterms, an increase in insurance types, and a clearer explanation of payment obligations. In addition, incoterms 2020 imposes an obligation to request the carrier to issue a bill of lading on board with a notation on the B6 shipping/transportation document containing the buyer's obligations. Incoterms become a series of important things in the implementation of a series of export logistics (Kim, 2022).

Third-party logistics (3PL) services have an important role in the supply chain in the industry because they take part in reducing costs, productivity profits, and improving service quality (Aguezoul, 2007). The selection of incoterms is considered an obstacle because of the general knowledge of international trade actors regarding various types of incoterms documents and their uses. Literacy on incoterms is less attractive because there are few publications related to the topic of understanding. Academics need to highlight the linkage of incoterms and the involvement of third-party logistics (3PL) in the performance of international trade, especially exports and imports. This study was conducted to examine the selection of incoterms and the involvement of third-party logistics (3PL) in export and import logistics activities.

The most important reason to regularly review and update Incoterms 2010 against Incoterms 2020 is to keep up with developments or eras and to meet more appropriate requirements. The Incoterms rules have been changed in a period of ten years since 1980. However, this is not to say that commercial practice changes every ten years, commercial practice is developing much faster, also due to technological advances. However, the reason the Incoterms rules are not changed with the same frequency is not to reduce awareness and implementation. Therefore, Incoterms rules are only changed when new and important business starts to emerge with another reason for constant Incoterms review and updating to change the way Incoterms are presented and written to facilitate the use and understanding of Incoterms 2020 rules. Where in Incoterms 2020 the rules focus on how the rules can be developed to guide parties wishing to use these rules to the correct Incoterms rules for sales contracts (Agaoglu, 2020). This study aims to comprehensively review the selection of incoterms and the involvement of 3PL (Third Party Logistics) in import-export logistics activities.

Literature Review

Stapleton & Saulnier (1999) explained that incoterms (International Commercial Terms) are international standard trade terms by involve sellers and buyers in international sales. Incoterms depend on and apply to the contract of sale and do not have any relation directly relates to the contract of carriage.

Paliu (2012) explained that the 2010 incoterms were enforced to facilitate use in terms of delivery. Incoterms are divided into two types of transportation methods, the first is public transportation which consists of EXWorks, Franco carrier, Carriage Paid To (CPT), Carriage Insurance Paid (CIP), Delivered at the terminal (DAT), Delivered at Place (DAP), Delivered Duty Paid while the the second method for the marine transportation consists of Free Alongside Ship, Free On Board, Cost and Freight, Cost Insurance Freight. Of the several shipping methods, there are several terms and responsibilities in the shipping process, the first is Incoterms 2010 Ex Works (EXW) where the seller has an obligation to provide goods and also prepare them at the factory. While the third term consists of Cost Insurance Freight (CIF), Carriage Insurance Paid (CIP), Cost and Freight (CFR), and Carriage Paid To (CPT) in this third part of Incoterms from the seller who bears the costs of the shipping process including paying for insurance on CIF and CIP, and the last one is incoterms 2010 which consists of Delivered Duty Paid (DDP), Delivered at Place (DAP), and Delivered at Terminal (DAT) wherein this term the seller is more have a duty for both costs and risks through the process he needs to deliver goods to the buyer.

Durdag & Delipenar (2020) explains innovation in logistics and its influence on incoterms wherewith the existence of logistics 4.0 which is a new technology and innovation as a predictive supply chain management has an effect on strengthening factors supporting the industry, the stronger and development of logistics 4.0 will be even stronger with the existence of new information system.

Zai et al. (2022) explain that Third-party logistics (3PL) is a company engaged in logistics in charge of supply chain management and the condition of Third-party logistics (3PL) can be seen when the condition of the vehicle reduces the cost structure in conventional logistics which plays a role in carrying out process management that better with logistics and information technology, external Third-party logistics (3PL) are able to play a role in overcoming the occurrence of obstacles or internal weaknesses of a company to improve logistics processes..

Octavianus (2020) explains the importance of the role (international commercial terms or abbreviated as "Incoterms") in which there are a series of conditions in the implementation of trade. Incoterms began to develop in 2000 which then in 2010 underwent changes and then these changes continued until the emergence of the International Chamber of Commerce (ICC) in 2020. International trade is a process that has an impact on the economic condition of a country where one them provides benefits to foreign exchange.

International trade is trade between countries involving multinational companies (Viphindrartin & Bawono, 2021). Davis & Vogt (2021) explain that in every trade, movement, risk, and financial contained in an agreement of trade. The basis of the agreement contains the inquiry of which organization of the client or dealer be in charge of movement, threat, and charge that will be used to transfer the products from the dealer to the client. This dominant logistics operation is determined by the Incoterms rules selected by the intermediary. Incoterms play a role in determining attitudes, capabilities, and performance in relation to addressing risks in the international trade chain.

Incoterms contain duties, threats, and costs that must be borne by each product supplier vendor, and the client who wants the products. They (duties, threats, and costs) must be incurred in the

movement of goods to be traded in a new version that which was issued if deemed necessary by the International Criminal Court (ICC) and encourages trade towards a new version of Incoterms, now available to replace the old version of incoterms, namely Incoterms 2020. In Incoterms 2020, there were related changes to the regulation for the international supply of goods. Since the last improvement, the Incoterms 2020 text has a very dissimilar structure that is much easier for users to understand. The feature of incoterms 2020 has many changes, to the order and presentation of the regulation, which are simplified with better explanations. Incoterms 2020 replaces DAT Incoterms 2010 with DPU (Delivered at Place Unloaded) and structurally reverses the arrangement. That is, the rules of the DAP procedure that the product are shipped before being unloaded are listed before the DAT regulation (now the DPU rules). Previously in Incoterms 2010, there was a distinction between the DAT and DAP rules wherein DAT, delivery was completed when the goods, after being unloaded from the arriving conveyance, were placed at the buyer's place at the port or destination, while in DAP, delivery was completed when the goods had been hand over to the client at the destination on the transportation means that arrive and are ready to be unloaded at the destination. Structurally, Incoterms 2020 contains its 11 regulatory acronyms that apply to all modes of transport (Le., EXW, FCA, CPT, CIP, DAP, DPU formerly DAT, and DDP), and four other regulations that apply in particular to marine and water transportation (namely, FAS, FOB, CFR, and CIF) (Jeon, 2021).

Incoterms 2010 is prone to difficulties with FCA in water transportation. But the sea carrier does not provide the seller with a bill of lading with such a sign. Such difficulties arose when implementing Incoterms 2010. When the advent of Incoterms 2020, these difficulties were already considered so that when the delivery conditions of the FCA allowed the parties to agree in the contract of sale that the client should petition the carrier to issue a bill of lading with notes on board to the seller (Miltikbaevich and Kizi, 2021).

Research Methods

This research is qualitative research. Where the reference used in this research is a systematic literature review through various journals in ScienceDirect, ResearchGate, and Google Scholar. From the various reference collections of these journals, the authors use literature review and content analysis study methods.

Results and Discussion

International trade is an exchange that initially includes trade in labor for other goods or services, which later becomes trade in goods and services. However, a country does not only carry out trade activities nationally but also internationally. International trade activities by carrying out goods delivery activities from within to abroad (exports) and importing goods from abroad into the country (imports), is an economic activity that must be carried out between countries to increase foreign exchange, establish cooperation, strengthen relations between countries. and meet the needs of each country that has certain limited resources (Wulandari & Zuhri, 2019).

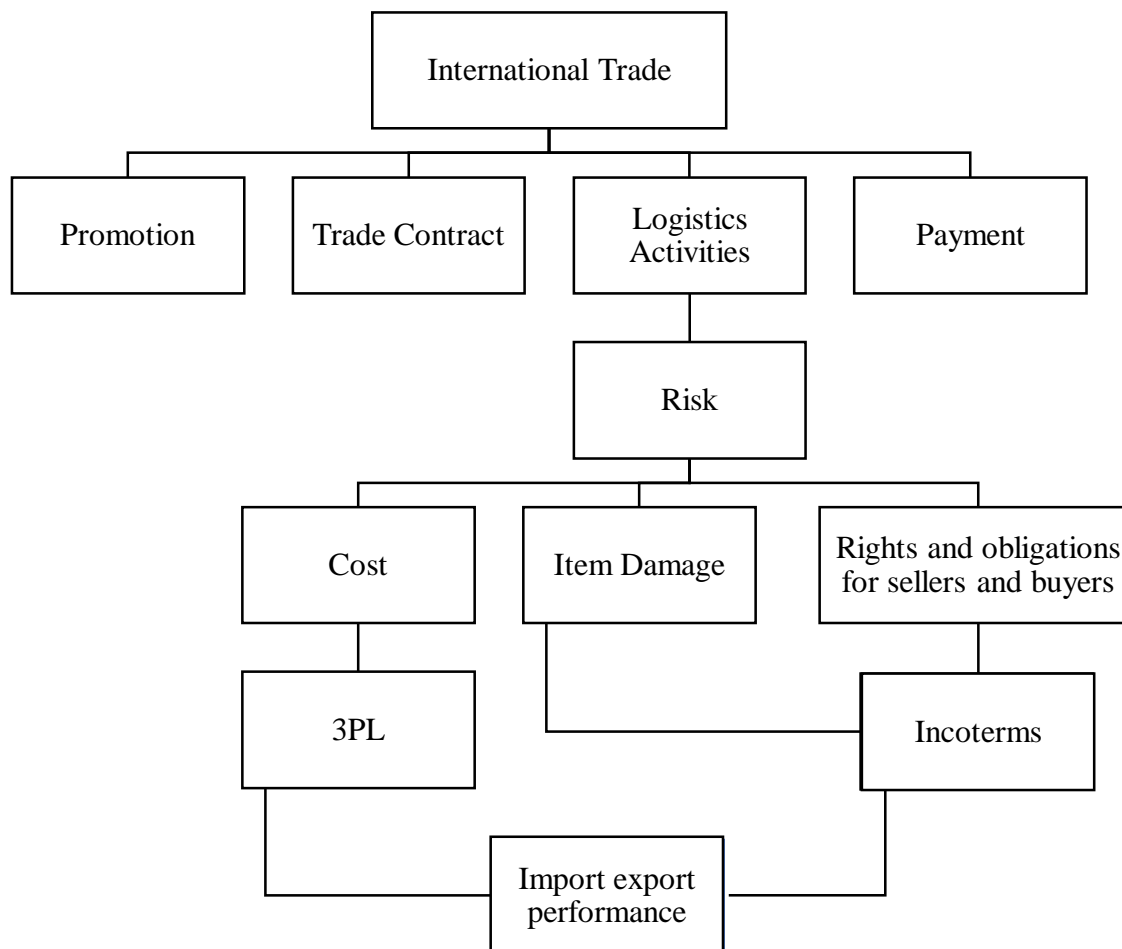


Figure 1. Conceptual framework related to the selection of Incoterms and Third Party Logistics in logistics activities to export and import performance

International trade is a form of trade in goods or services that includes countries around the world. Exports and imports are forms of international trade, for global purposes. The purpose of international trade is to meet the needs that are limited in number in the country. Exports and imports have several activities in their flow including, promotional activities, trade contracts, logistics or transportation of goods, and payments. Several problems were experienced by actors involved in exports and imports in logistics activities. Exporters and importers are faced with several risks, such as the high cost of logistics goods, damage to goods in the logistics process, and possible violations of rights and obligations between the buyer and seller. Problems in export and import logistics activities can be overcome through the selection of appropriate incoterms and logistics services (3PL). Literacy related to incoterms and logistics services (3PL) is a matter of concern for parties involved in export or import. Incoterms play a role in clarifying the rights and obligations between sellers and buyers in international transactions.

Incoterms include documents that regulate the transportation of goods, insurance of goods, export permits, and customs duties when goods are transported through logistics activities. Meanwhile, through logistics services (3PL) exporters can minimize the cost of transporting goods. The

marine fleet becomes the center of logistics activity because the transportation rates offered are cheap when compared to air fleets. Logistics activities include receiving, storing, and transporting goods. Each logistics service company (3PL) has different services offered whereas with 3PL logistics activities and supply chain management can run effectively, efficiently, and flexibly. The relationship between the selection of incoterms and logistics service companies that are appropriate, effective, and efficient will affect the performance of export and import activities.

The Incoterms rules have an influence on the control management of the logistics system and transaction costs, in addition to affecting the authority and duties of the parties involved in the sales contract agreement. incoterms are chosen on the basis of an agreement between the two parties which if not correct will cause problems, namely waste of time and costs and customer dissatisfaction. The selection of incoterms regulation necessarily from the point of view of develop the profits to the max level as well as leveraging the capabilities and knowledge of the company. Where the selection of the right incoterms will have an impact on improving performance as a result of reducing logistics costs, and making the logistics process more efficient because logistics will affect commercial transactions (Yang,2020). Suraraksa et al. (2021) express in words the criterion that becomes the main consideration in the selection of incoterms is operating costs. Where it has 3 sub-criteria, namely budget, transportation costs, and the value of shipping products, besides that another factor that is considered is the agreed terms and conditions that have been completed which have an impact on contracts in accordance with the regulations of each country. In this study, the main priority in incoterms is FCA because it shows the advantages of export and import activities where the buyer bears all costs except for customs fees in the seller's country, this illustrates the efficient management of transportation.

The selection of incoterms that consider environmental factors has a positive correlation with export performance, which is able to describe the management of the company's legal environment. incoterms become an important element in decision-making in the field of international transportation, which is the key to the success of export activities. companies that consider environmental factors in the selection of incoterms have a better export performance which is a fundamental part of the company's strategy (Yaakub et al, 2018). Export-import activities it requires transportation and logistics where logistics is defined as receiving, storing, and transporting activities from one place to another. Logistics activities have a role in and coordination in manufacturing activities, where logistics has a role in the flow of raw materials and products of a company buy and maintain not the entire industry can afford to do it alone. 3PL (third party logistics) is defined as a service provider for the use of third parties intended for the purposes of transportation, inventory, and fulfillment of these industrial services. 3PL can be viewed in different ways depending on the different services offered whereas with 3PL logistics and supply chain management activities can run effectively, efficiently, and flexibly. This will save more time and money in addition to providing service and customer satisfaction (Gabriel & Parthiban, 2020). Sawant & Sarode (2021) explained that there are 42 sub-factors of 13 main factors which include cost, relationship, quality, information systems and technology, flexibility and reputation, delivery, professionalism, financial position, location, and regulations and policies, competitiveness and supply chain factors. The research concludes that the key factors mentioned have the same intensity for the use of 3PL for the supply chain management.

Wherewith these factors will show the right composition so that it will show profits so that the company can get maximum profit.

Conclusion

Trade is never separated from the economy, including international trade. Of course, the selection of incoterms requires transportation and logistics considerations where this can be supported by involving 3PL as a service provider using logistics delivery services, so as to minimize costs that arise and waste time so that logistics delivery becomes more efficient which will later benefit service users. customer satisfaction.

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