

Identifying factors affecting delivery points, risk transfer and costs in international trade with an emphasis on Incoterms 2020

Morteza Babaie¹ , Firouze Haji Aliakbari² , Fereshte Lotfizade³ , Arshad Farahmandian² 

1- Ph.D. Student, Department of Business Management, Faculty of Humanities, Zanjan Branch, Islamic Azad University, Zanjan, Iran.

2- Assistant Professor, Department of Business Management, Faculty of Humanities, Zanjan Branch, Islamic Azad University, Zanjan, Iran.

3- Assistant Professor, Department of Business Management, Faculty of Humanities, Zanjan Branch, Islamic Azad University, Zanjan, Iran

Receive:

16 February 2024

Revise:

21 March 2024

Accept:

16 April 2024


Keywords:

Incoterms,
International
Trading,
Risk Transfer
Points,
Costs, Delivery
Points,
Supply Chain
Management

Abstract

The purpose of the present study is to identify factors affecting the delivery points, risk transfer and costs in international commerce with emphasis on Incoterms 2020. The research method is applicable-operational in terms of its purpose, and mixed (qualitative) and exploratory research in terms of implementation. The statistical population in the qualitative sector consisted of 12 academic experts and experts in the field of international commerce, international transportation and Incoterms, selected by targeted sampling and snowball; and statistical population consists of 10 experts in the field of commerce. Data collection tools were semi-structural interview in the qualitative section, and a researcher-made questionnaire in the quantitative section. The study was conducted in two stages, including the data-based method and the Delphi technique. Maxqda20 software was used to analyze the qualitative data, and SPSS software in the quantitative part. The results in the qualitative section showed that 7 effective factors, 13 components, 11 strategies, and 2 consequences were identified and extracted. In the quantitative section, 33 effective factors were identified in the four stages of the Delphi interview technique. These findings will be able to provide a tool for senior executives of international interactions in effective planning for the use of Incoterms Regulations to optimize delivery points, risk transfer and costs in international supply chain management, given the buyer and seller's relationships in transboundary transactions.

Please cite this article as (APA): Babaie, M., Haji Aliakbari, F., Lotfizade, F., & Farahmandian, A. (2024). Identifying factors affecting delivery points, risk transfer and costs in international trade with an emphasis on Incoterms 2020. *Journal of value creating in Business Management*, 4(3), 105-140.

 <https://doi.org/10.22034/jvcbm.2024.444134.1317>

Publisher: Research Centre of Resources
Management Studies and Knowledge-Based Business

Creative Commons: CC BY 4.0



Corresponding Author: Firouze Haji Aliakbari

Email: firouzehajialiakbari@gmail.com

Extended Abstract

Introduction

Supply Chain Management in production, inventory control, location, distribution, logistics management and transportation between supply chain factors is to achieve the best responsive, efficient and profitability of market success (Song et al, 2022). Companies are more at risk when more dependent on the other dealing party (Hallikas, 2004, Swink & Zsoidisin, 2006). With the increase in the volume and complexity of the business, especially globally, the likelihood of disputes or misunderstandings of the supply chain partners has also increased; therefore, a set of commercial terms, called Incoterms rules, is designed by the International Chamber of Commerce to standardize the performance of businesses when concluding a contract for the sale of goods (Davis & Vogt, 2021). Incoterms, which is being updated periodically, determines who is incurred in international trade, cost and risk. Choosing the delivery method caused by these bylaws is one of the most important issues that should be consciously considered for both the buyer and the seller (Erdogan & Kavas, 2020). The important thing is that these laws are not mandatory, they only play the role of supporting actors involved in international trade, but if the parties agree to use them, they become mandatory (Mirică & Tudor, 2022). Incoterms' terms support trade growth and facilitate their use of international and domestic trade (Davis & Vogt, 2021), to the extent that they are known as the columns of international trade (Coetzee, 2010). The responsibility and how to settle costs and risks in international trade is an essential aspect of international competitiveness (Baena-Rojas & Cano, 2022). Therefore, according to the above, the researcher seeks to answer the question: What are the factors affecting the delivery, risk transfer and costs in international commerce with emphasis on Incoters 2020?

Theoretical Framework

Supply Chain Management

Supply chain management is known as a network management of interconnected businesses that are involved in providing final product packaging and service to the customer; as a result, the supply chain management covers all the necessary displacements and warehousing of the raw materials between the process and the finished products from the basic point to the point of consumption (Ghadri et al, 2019)

Delivery of goods in international trade

Delivery is one of the most important and basic principles in any foreign sales agreement. For each party, the delivery has its own specific place. On the one hand, the seller calls for more freedom on the terms and conditions of delivery, and on the other hand the buyer calls for more confidence in delivery of the goods in terms of quantity and qualitatively and in accordance with the raised conditions; in this context, the documentation or other documents related to the products order are important. Some commentators have defined the delivery as any action that allows the buyer to dominate the goods' buyer (Abadi & Azadi, 2017).

Incoterms

Incoterms is part of a business contract between the seller and the buyer. Proper business terms improve logistical engineering, reduce risk, save the company's money; and successful transportation provides solid bases for transnational transactions (Jimnez, 2012).

KIM (2022) in a study entitled "Some Critical and Controversial problems about Incoterms 2020 for International Trade" argues that Incoterms has been revised for the eighth time since its initial release in 1936. Incoterms 2020 (eighth edition) was required on January 1, 2020. Like the 2010 Incoterms (Seventh Edition), Incoterms 2020 provides eleven law (seven laws

for multiple transport and four laws for marine transport), but Incoterms 2020 added DPU law by deleting the DAT law. The 2020 Incoterms seems to be improved and better organized, but it also brings some important and controversial issues. This article discusses some of the most important and controversial issues about Incoterms 2020.

Karimi et al, (2022) investigated the impact of supply chain strategic management on performance and orientation of supply chain with the role of resilience mediation (case study of the Oil Industry Offshore Sector). The results showed: 1- Supply chain strategic management has a direct and significant impact on the supply chain orientation, 2- Supply chain strategic management has an indirect and significant impact on supply chain orientation (through agility and chain strength), 3- Supply chain strategic management has no direct and significant impact on the performance of the supply chain, 4- Supply chain strategic management has an indirect and significant impact on supply chain performance (through agility and chain strength), 5- Chain agility plays a significant mediating role in the relationship between strategic management of supply chain and chain performance and orientation. 6- The chain strength has a mediating significant role in the relationship between strategic management of the supply chain and chain performance and orientation.

Research methodology

The research method is applicable-operational in terms of its purpose, and mixed (qualitative) and exploratory research in terms of implementation. The statistical population in the qualitative sector consisted of 12 academic experts and experts in the field of international commerce, international transportation and Incoterms, selected by targeted sampling and snowball; and statistical population consists of 10 experts in the field of commerce. Data collection tools were semi-structural interview in the qualitative section, and a researcher-made questionnaire in the quantitative section. The study was conducted in two stages, including the data-based method and the Delphi technique.

Research Findings

Maxqda20 software was used to analyze the qualitative data, and SPSS software in the quantitative part. The results in the qualitative section showed that 7 effective factors, 13 components, 11 strategies, and 2 consequences were identified and extracted. In the quantitative section, 33 effective factors were identified in the four stages of the Delphi interview technique. These findings will be able to provide a tool for senior executives of international interactions in effective planning for the use of Incoterms Regulations to optimize delivery points, risk transfer and costs in international supply chain management, given the buyer and seller's relationships in transboundary transactions.

Conclusion

The purpose of this study was to identify factors affecting the delivery points, risk transfer, and costs in international commerce with emphasis on Incoterms 2020. The results of this study are consistent with the results of samiei et al, (2023), ahmadi et al, (2023), KIM (2022), Karimi et al, (2022), Durdağ & Delipinar (2021), Miltikbaevich & Kizi (2021), Stojanović & Ivetic (2020), Erdogan & Kavas (2020), Shafei et al, (2021), Islami Tabar et al, (2020), Ranjbarzadeh (2020), and Herghelegiu et al, (2019). KIM (2022) argue in a study entitled "Some Critical and Controversial issues about Incoterms 2020 for International Trade", that Incoterms 2020 provides eleven laws (seven laws for multiple transport and four laws for maritime transport). Incoterms 2020 improved and better organized

It is recommended that companies with international transactions during international negotiations on the purchase or sale of goods and prior to the contract of sale, transportation,

insurance and inspection, should consider effective factors and extracted indicators in this study to:

- 1- Reduce product transfer costs and reduce risk between buyer and seller.
- 2- Bring the country's economic growth and development by removing the ambiguities of transactions and increasing the quality of transactions.
- 3-Develop willingness to foreign direct investment by improving the international business environment.