



PROBLEMS FACED BY EXPORTERS IN CONNECTION WITH LOGISTICS SERVICES

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Abstract

With the arrival of globalization, the entire world is thriving with glorious opportunities of growth in business. It has led to development in every sectors of economy thus, bringing impact on international business too. Logistics occupies a vital role in global business. As per the L/C norms the exporters should deliver the cargo to importer on time and this duty is performed by logistics intermediaries like shipping line, nvocc, freight forwarders, clearing and forwarding agents etc. The knitwear cluster (Tirupur) has around 6250 units but due to lack of logistics support, exporters they may face various problems. This paper attempts to explore the root cause of such troubles faced by exporters and suggestions to progress it so that the export turnover could mount.

Key Words: *Global Shipping Agents, Problems in Shipping, NVOCC, Freight Forwarders, Customs Broker.*

Introduction

Pascal Lamy (2012) we are in a twenty-first century multi-polar world. The global system of imports and exports is no longer just the North-South paradigm of the past century. Countries such as China, India, Brazil, Mexico, Indonesia, Malaysia, South Africa being the emerging economic powers are no longer policy takers. These countries now increasingly influence the range of global trade, creating new supply and demand pulls and flexing their influence in international organizations. In the recent society, logistic business has happened to be more fundamental and crucial for the development of all industries. A country's ability to trade globally depends on its trader's access to global freight and logistics networks. World Bank pointed out that enhanced overall logistics performance and trade facilitation are strongly associated with trade extension, diversification of exports and attractiveness which would lead to foreign direct investment and economic growth. Logistics services broadly encompass courier services, freight forwarding, third party logistics and reverse logistics. The logistics price in India – which includes stock holding, transportation, warehousing, packaging, losses and related administration costs is high due to multi-layered tax régime, poor infrastructure and other inefficiencies. The logistics price in India is valued at 13-14% of GDP while in developed nations the cost is in the range of 7-8%. The price of logistics is a key factor in the overall cost of product or service, manufacturers and providers of various services. So, the exporters are always on a constant search for more efficient and cost effective logistics remedies, to be competitive in the nation and International Markets. In this situation it has become necessary to find out the problems faced by exporters associated with logistics services.

Statement of the Problem

The textile business has made a chief contribution to the national economy. Tirupur, is an important trade hub of India which is renowned for its knitted garment wears and it is the 7th Big Industrial City of India. The knitwear cluster has around 6250 units operational, employing around four lakh people directly and another five lakh people indirectly. However, the garment trade in India faces rigid rivalry from countries such as Bangladesh, China and Vietnam. According to CRISIL report, India's share in world garment exports is 3.5% whereas Bangladesh has overtaken India with a share of 4.5%. So there exists some problems in connection with general (lack of raw material, pricing, subsidiary, labour, taxation etc) and logistics services. At this juncture it is appropriate time to ascertain the nature of problem faced by garment exporters of Tirupur.

Objectives of the Study

- To study the changing roles and function of various international shipping agents.
- To identify the problems associated with logistics services.

Research Design

The exporters who were registered and active in AEPC during the financial year 2011-2012 has been obtained and 353 sample units were selected based on random sampling techniques.

Data Source and Tools Used

The chief contributions of data collection are primary in nature and it is obtained from Tirupur cluster. Initially, the researcher in his pilot study has composed the questionnaire with one hundred questions. In limelight of suggestions from respondents and industrial experts the final questionnaire has drafted and used for the study. The secondary data were collected from the published Annual directory of Apparel Exporters, AEPC, Ministry of Textiles, published journals, books



and website Frequency Analysis, Chi-Square Test, ANOVA and Henry Garrett Ranking Techniques tools were applied in this study.

Scope of the Study

Garment export is conceded out from all parts of India. Tirupur is a major source of Foreign Exchange for the country and the principal export destination is Europe, USA, Canada, Japan and Middle East. It was a fact that one of the garment producer in Tirupur had supplied T-Shirts to FIFA World Cup. It also creates employment opportunities (next to agriculture).

Limitations of the Study

The researcher takes all possible care to avoid shortcomings and errors in the gathering of data. All potential care and skill are to be exercised to derive the conclusions. Though all the pains taken by the researcher in this regard, the study is subject to suffer the following limitations:

1. The study focuses only on the exporters located in Tirupur cluster.
2. It concentrate on the problems related to logistics services

Review of Literature

He Xiaolan (2013) had analyzed the relational model between the capability of logistics information, distribution, flexibility, service quality, response and the financial recital of supply chain. His study identified that logistics information ability does not have direct impact on the performance of supply chain, but have impact on the service quality of supply chain and financial concert through the influencing distribution capability and flexibility capability. **Mary J. Meixell, and Mario Norbis (2012)** had analyzed that supply chain security concerning security in the supply chain. It assists the managers to diminish cost, transit time, and security risk. To accomplish this aim a decision process and a multi-objective optimization model was proposed. **Michael Bernon et al, (2011)** had proposed a three overarching management dimensions such as operational performance, amalgamation and organization reporting and control to manage the retail sector in UK. The adoption of this framework would have an force on practitioners by supporting them in tumbling the volumes of goods being returned, lower their reverse logistics expenses and increase their product asset recovery values. **Gelareh et al (2010)** had proposed an integer programming formulation for hub-and-spoke network design and it addresses the competition between a new liner service contributor and an existing dominating operator. Further it states that the new company market share depends on the service time, transportation cost and designing its network. **Dan tan (2009)** found that the constant improvement of China's overseas trade in modern years brings forward new requirements on the efficiency, eminence, price and shelter to our global logistics industry. However there exists some problems for international logistics industry in China in the areas of service capability, operation cost, infrastructure construction, professional thought, specialized talents, management arrangement, lawful system, and information network etc. So the author proposed some effective countermeasures to these problems.

Research Gap

Most of the reviews are foreign based, so prospect of applying those research findings in modern Indian market is a condensed one. Most of the researches and reviews discussed are conducted as a case study on a firm or on single infrastructure only. International Shipping Agents role in Indian perspective is not clearly examined in the review of literature. Previous research focused only on general issues and has not paid attention towards the problems faced by exporters in connection to logistics services. The research gaps mentioned above are accorded in the present study and areas are considered while framing the objectives for the study.

Global Shipping Agents

The Global shipping agents in the study area are classified into

- ❖ Shipping Line / Ocean carriers
- ❖ Non Vessel Operating Common Carrier (NVOCC)
- ❖ Freight Forwarder
- ❖ Customs House Agent (CHA) / Customs Broker.

Analysis and interpretation

Logistics Performance Index (LPI) -compares 160 countries

This performance indicator is an interactive benchmarking tool created to help countries identify the problems and opportunities they face on trade logistics and what they can do to improve their performance. This survey was conducted by World Bank in collaboration with academic and international institutions, private companies and individuals occupied in global logistics. The LPI score index ranges from one to five (1=low to 5=high), with a superior score indicating greater performance and the same is illustrated in the below mentioned Table



Table 1, Global Logistics Performance Index

S.No.	Country	LPI score	Rank 2010	Country	LPI score	Rank 2012	Country	LPI score	Rank 2014
1	Germany	4.11	1	Singapore	4.13	1	Germany	4.12	1
2	Singapore	4.09	2	Hongkong	4.12	2	Netherlands	4.05	2
3	Sweden	4.08	3	Finland	4.05	3	Belgium	4.04	3
4	Netherland	4.07	4	Germany	4.03	4	UK	4.01	4
5	Luxembourg	3.98	5	Netherlands	4.02	5	Singapore	4.00	5
6	Switzerland	3.97	6	Denmark	4.02	6	Sweden	3.96	6
7	Japan	3.97	7	Belgium	3.98	7	Norway	3.96	7
8	UK	3.95	8	Japan	3.93	8	Luxembourg	3.95	8
9	Belgium	3.94	9	US	3.93	9	US	3.92	9
10	Norway	3.93	10	UK	3.90	10	Japan	3.91	10
11	China	3.49	27	China	3.52	26	China	3.53	28
12	India	3.12	47	India	3.08	46	India	3.08	54

Source: world Bank 2014, <http://lpi.worldbank.org/>

The above Table 1 shows that the LPI overall score reflects perceptions of a country's logistics based on efficiency of customs clearance procedure, eminence of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, excellence of logistics services, capability to track and sketch consignments, and frequency with which shipments reach the consignee within the scheduled time. The researcher had taken top 10 countries and also included China and India. The result shows that India ranked 47 in the year 2010 followed with 46 in 2012 and 54 in the year 2014 with a score of 3.12, 3.08 and 3.08 respectively. From the above it is clear that we are far behind the countries and India could also be listed in the top 10 rank by improving the efficiency of customs clearance process, develop infrastructure, provide competitive freight rates, increase in the quality of shipping, ability of track and trace shipment through sophisticated technology and regular shipment within the schedule time.

General Profile of the Global Shipping Agents

Initially agents concentrated only on their core area of specialization. At this juncture the exporters are forced to contact different shipping agents according to their area of specialization.

Table 2, General profile of Global shipping agents in India

S.No.	Activities	Shipping Line	NVOCC	Freight Forwarder	Customs Broker
1	Local transportation	-	-	-	-
2	Customs clearance	-	-	-	✓
3	Stuffing	-	-	✓	-
4	Consolidation	-	-	✓	-
5	Preparation of various Documents (assisting)	-	-	✓	✓ -
6	Freight –Marketing	-	✓	✓	-
7	Insurance	-	-	-	-
8	Forward documents to Bank	-	-	-	-
9	Issuing Bill of Lading	✓	✓	-	-
10	Packing / Marking	-	-	-	-
11	Warehousing	-	-	-	-
12	Checking fumigation	✓	✓	-	-
13	Claiming subsidies	-	-	-	✓
14	Arranging space in vessel	✓	✓	✓	-
15	Sailing Schedule	✓	✓	✓	-
16	Tracking and tracing	✓	-	-	-
17	Paying Taxes(if necessary)	-	-	-	✓
18	Dealing with Govt officials	-	-	-	✓
19	Finding new markets	-	-	-	-
20	Assisting -preshipment Inspection	-	-	-	-

Source: Observed Data



The above Table 1 shows the activities which is carried out by each shipping agents on behalf of exporters. Moreover shipping line and NVOCC they do similar jobs and they differ in Freight marketing and tracking and tracing. Freight forwarders concentrated on stuffing, consolidation, documents preparation, freight marketing, arranging space in vessel and provided sailing schedule to the exporters. Whereas CHA concentrated on customs clearance, preparation of documents, claiming subsidies and paying taxes. Now their role has changed due to LPG and stiff competition. The changing profile of these shipping agents is shown below.

Table 3, Changing profile of the Global shipping agents

S.No.	Activities	Shipping Line	NVOCC	Freight Forwarder	Customs Broker
1	Local transportation	-	✓	✓	✓
2	Customs clearance	-	Assist	Assist	✓
3	Stuffing	-	✓	✓	✓
4	Consolidation	-	✓	✓	Assist
5	Preparation of various Documents (assisting)	-	✓	✓	✓
6	Freight –Marketing	✓	✓	✓	Assist
7	Insurance	-	✓	✓	✓
8	Forward documents to Bank	-	✓	✓	✓
9.	Issuing Bill of Lading	✓	✓	✓	Assist
10	Packing / Marking	-	✓	✓	✓
11	Warehousing	-	✓	✓	Assist
12	Checking fumigation	✓	✓	✓	✓
13	Claiming subsidies	-	✓	✓	✓
14	Arranging space in vessel	✓	✓	✓	Assist
15	Sailing Schedule	✓	✓	✓	Assist
16	Tracking and tracing	✓	✓	Assist	Assist
17	Paying Taxes(if necessary)	-	✓	✓	✓
18	Dealing with Govt officials	-	✓	✓	✓
19	Finding new markets	-	✓	✓	-
20	Assisting -preshipment Inspection	-	✓	✓	✓

Source: Observed Data

The above Table 3 shows that the changing role and responsibilities of shipping agents .The exporters would prefer to concentrate only on manufacturing and for other shipping process they prefer outsourcing. Moreover, in order to avoid multiple contacts, the shippers often want to deal with a single service provider. Due to the above mentioned reason in order to retain the existing exporters, to attract new exporters and to fulfill the needs of exporters, these agents widened their services beyond their area of specialization. So there exists the competition between these agents such as Shipping lines, NVOCC, freight forwarders and customs broker firms.

Problems Faced By Exporter

In the study area, the exporters are facing number of problems while exporting. The researcher has identified 13 common problems while exporting. In order to identify the most important problem faced by the exporter the respondents are asked to rank the problem. Their responses are highlighted in the following table 4.

Table - 4, Problems faced by Exporter

Problems/ Rank	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Global Incapability of Agents	54	28	21	27	24	15	13	21	29	26	21	33	41	353
Preference given to regular/ big exporters	37	47	19	32	32	22	25	29	22	17	33	26	12	353
Coverage of Service	40	18	60	22	21	13	35	21	26	42	18	14	23	353
Consolidation	39	23	22	52	26	26	15	26	43	26	18	14	23	353
Non availability of containers	30	25	23	30	23	61	25	28	24	25	15	24	20	353
Delay in customs clearance	20	21	6	27	20	54	36	21	18	26	36	25	43	353



Port Congestion	31	26	18	18	19	45	49	29	21	16	18	15	48	353
Sailings (Frequency of ships)	29	18	21	30	49	20	25	37	27	18	33	14	33	354
Surcharges	42	30	26	37	16	18	13	16	50	30	33	18	24	353
Hidden costs	51	21	39	21	14	18	17	14	18	34	35	29	42	353
Professionalism of the staff	47	36	24	22	10	17	21	16	14	33	42	41	30	353
Instability of the staff	47	35	19	26	25	14	25	16	31	27	15	44	29	353
Dependence on Agents	53	29	37	24	31	16	27	22	16	28	31	15	24	353
Garret Table Value	84	73	67	62	58	54	50	46	42	38	33	26	16	

Source: Primary Data

Based on the responses of respondent, the researcher has tried to identify the most important problem by applying Garrett Ranking technique.

Table 5 Ranking (Problem faced by Exporters)

	1	2	3	4	5	6	7	8	9	10	11	12	13	G.Value	Mean	G. Rank
Global Incapability of Agents	4536	2044	1407	1674	1392	810	650	966	1218	988	693	858	656	17892	50.69	8
Preference given to regular/ big exporters	3108	3431	1273	1984	1856	1188	1250	1334	924	646	1089	676	192	18951	53.69	2
Coverage of Service	3360	1314	4020	1364	1218	702	1750	966	1092	1596	594	364	368	18708	53.00	3
Consolidation	3276	1679	1474	3224	1508	1404	750	1196	1806	988	594	364	368	18631	52.78	4
Non availability of containers	2520	1825	1541	1860	1334	3294	1250	1288	1008	950	495	624	320	18309	51.87	5
Delay in customs clearance	1680	1533	402	1674	1160	2916	1800	966	756	988	1188	650	688	16401	46.46	13
Port Congestion	2604	1898	1206	1116	1102	2430	2450	1334	882	608	594	390	768	17382	49.24	12
Sailings (Frequency of ships)	2436	1314	1407	1860	2842	1080	1250	1702	1134	684	1089	364	528	17690	50.11	9
Surcharges	3528	2190	1742	2294	928	972	650	736	2100	1140	1089	468	384	18221	51.62	6
Hidden costs	4284	1533	2613	1302	812	972	850	644	756	1292	1155	754	672	17639	49.97	10
Professionalism of the staff	3948	2628	1608	1364	580	918	1050	736	588	1254	1386	1066	480	17606	49.88	11
Instability of the staff	3948	2555	1273	1612	1450	756	1250	736	1302	1026	495	1144	464	18011	51.02	7
Dependence on Agents	4452	2117	2479	1488	1798	864	1350	1012	672	1064	1023	390	384	19093	54.09	1

Source: Computed Value

Among identified 13 common problems, "dependence on logistics agents" is ranked as first with a Garrett score of 19093 and followed by preference given to Big/ Regular Exporters, Coverage of Service and Consolidation with a Garrett score of 18951, 18708 and 18631 respectively. The problem called delay in customs clearance is ranked as the 13th problem. It means that there is no more problem in custom oriented process. It may due to sophisticated technology which is incorporated in customs such as EDI, Online Processing, etc. So the above table clears that the shipping agent should concentrate on the above mentioned problem

Findings

- Shipping lines and NVOCC undertake similar jobs and they differ in freight marketing and tracking and tracing.
- Freight forwarders concentrated on stuffing, consolidation, document preparation, freight marketing, arranging space in vessel and provided sailing schedule to the exporters and CHA concentrated on customs clearance, preparation of documents, claiming subsidies and paying taxes.
- Due to LPG and stiff competition now these agents role has changed. At present the exporters would prefer to concentrate only on manufacturing. So for rest of the processing like local transportation, customs clearance and shipping they prefer outsourcing. Moreover, in order to avoid multiple contacts, they often show much interest in dealing with a single service provider. Due to the above mentioned reasons in order to retain the existing exporters,



to attract new exporters and to fulfill the needs of exporters, these agents widened their services beyond their area of specialization. So there exists the competition among these agents such as Shipping Lines, NVOCC, freight forwarders and Customs brokers firms.

- The result shows that among identified 13 common problems, the problem called "dependence on agents" is ranked as first with a Garrett score of 19093 and followed by "preference given to big/ regular exporters", "coverage of service" and "consolidation" with a Garrett score of 18951, 18708 and 18631 respectively. The problem called delay in customs clearance is ranked as the 13th problem

Suggestions

- It is observed from the study that the shipping agent services have showed remarkable changes from the traditional to the new sophisticated services. But still India's LPI score is below the Global average. So in order to achieve the International standards, the researcher recommend to the policy makers and the other stake holders to take initiative and frame the policy which in turn will improve to the level of international standards.
- It is found from the reviews that shipping agent services are not up to the level of international standards due to the lack of infrastructural facilities. So the researcher recommends to the policy makers and the stake holders to improve the infrastructure facility in ports in order to improve the shipping agent services to the international standards.
- The study indicates that Indian owned shipping lines are limited in India. Hence International shipping agent services are not fully satisfied their customers in the study area. Therefore the researcher suggests the stakeholders to take initiative to bring Indian owned shipping lines for the international trade. So that it may boost up the satisfaction level of the customers.
- The study divulges that the shipping agents give more concentration on big and regular exporters. It is one of the most important reasons to lose their customers by the shipping agents. Hence the researcher recommends the stakeholders that irrespective of export volume the shipping agents should take care and treat all the exporters equally.

Conclusion

Garment industry has been India's age old industry which gives strong economic support to national economy and plenty of job opportunities. However looking into the World trade garments, one finds that India despite being one of the largest cotton mounting state, can occupy a significant place in the global trade if they could get superior support from logistics service providers. This study will be handy to all the people who were engaged in export- import business.

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