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## Improving Export Forwarding by Sea in Vietnam: Analyze Influencing Factors

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### **Abstract:**

*Foreign trade goods and services have been becoming an important sector in the world modern economy. Vietnam has always considered import and export as a lever to promote economic development. After over 30 years since 'Doi Moi' policy, both import and export turnover have had positive changes contributing to national economic development, of which export by sea has played an important role in total export turnover every year. It also means that the importance of forwarding activities has been increasing. Preparation for goods of exporters, customs procedures, liquidation and freight forwarding affect mostly the efficiency of export forwarding activities in Vietnam. This article focused on analyzing the performance of export forwarders by sea in Vietnam by investigating and interviewing managers and experts of Vietnam's transportation industry as well as some big forwarders in Vietnam to prove these primary factors that affect their performance. The article gave some recommendations to improve export forwarding activities by sea in Vietnam in the context of international integration.*

**Keywords:** Influencing, factors, export, forwarding, by sea, forwarders

### **1. Introduction**

The import and export industry has existed for a long time by exchanging goods merely between feudal nations and nations. In the current integrated economy, enterprises have many options to circulate their goods. No matter what options they choose, they must ensure the performance of the shipping process inside and outside the country. There are many factors affecting the import and export profession such as goods, people and one of the most important factors is transporting or forwarding in modern economy. A freight forwarder, forwarder, or forwarding agent, also known as a non-vessel operating common carrier, is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. It means that forwarding is not only transporting goods, but forwarders also play an intermediary person or company to promote import and export activities.

Freight forwarding has a lot of concepts about forwarders. Prof. Dr. Hoang Van Chau said: 'Forwarders are those who take care of the goods to be transported under consignment contracts and act for the sake of the consignees and they themselves are not carriers. Forwarders also undertake all works related to forwarding contracts such as: preservation, storage, transshipment, customs clearance, inspection, etc'<sup>[1]</sup>. The article No. 164 of Vietnam's Trade Law says that a forwarder is a trader with a business registration certificate for goods forwarding services. A forwarder may be a goods owner when the goods owner himself/herself undertakes the delivery and receipt of his or her goods; a ship owner when the ship owner on behalf of the goods owners performs the forwarding services; a goods agent, a loading or unloading company, a warehouse, a professional forwarder or any other person registering the business of freight forwarding services<sup>[8]</sup>. From the theoretical foundation to the actual situation of export forwarding activities by sea of the enterprises in Vietnam in the current context of international economic integration, the process of forwarding includes: (1) Preparation before delivery; (2) customs declaration, (3) delivery, (4) post-delivery.

The fact showed important reasons for exist and development of forwarders. Small customers may not be easily accessible and bargained directly with the carriers, so they need intermediaries as forwarders to meet freight needs. Using forwarders has considered to reduce costs, because they can find the best shipping route, methods and carriers that best suits customers' needs. Forwarders also arrange many small shipments to consolidate and transport to the destination, thus reducing costs for each individual shipper. Import and export goods by sea has been still very popular in the world, but this mean of transportation always bring along threats including long distance, time consuming and disasters from the sea. Therefore, using forwarding services is one of useful solutions chosen by increasing importers and exporters to limit

those risks. In Vietnam, some forwarding companies have good relationship with transporting firms, ports and shippers to address the needs of the parties, especially big forwarders such as Vinatrans, Sotrans, Vinalink and Vitranimex.

In addition to arranging transportation, forwarding companies also provide other ancillary services, helping customers focus on their business and production. For example, forwarder can replace the goods owner to complete the customs clearance and pay import and export tax basing on regulation; issue related to documents such as bill of lading (B/L), certificate of origin (C/O), import and export license; help customers in inventory management, logistics and supply chain management activities. In addition, forwarders are also a useful channel for international trade. Experienced forwarders will be good consultants for new clients entering the foreign trade field.

Vietnam is a developing country, and import and export have played a more and more important role in reducing costs and improving the competitiveness of the economy. Therefore, right after Vietnam became a member of WTO in 2007 and signed several free trade agreements, it has had the necessary premises to step up its international trade. Total export and import turnover of goods in 2019 were estimated at US\$ 516.96 billion, export turnover of goods gained US\$ 263.45 billion, a rise of 8.1% over the previous year, of which the domestic economic sector saw a high growth rate of 17.7%, higher than the growth rate of FDI sector (4.2%). The trade balance of goods in 2019 was estimated at trade surplus of US\$ 9.9 billion. The international trade in goods has grown rapidly, mainly goods transported by sea (about 80% of the total volume). This was an important prerequisite in the development of Vietnam's seaborne shipping industry, of which seaborne shipping economy of major coastal cities. The sea freight forwarding also has its own characteristics. Compared to other modes of transport, the seaway vouchers are of a very important position as they determine the decision of the importers and/or exporters to deliver or receive the goods as well as make payment. Therefore, throughout this research, we focus on improving import- export forwarding activities by sea of forwarders in Vietnam via exploring, surveying and analyzing the data to give appropriate recommendations to improve forwarders' performance in the current context of international integration in Vietnam.

## 2. Methodology of the Research

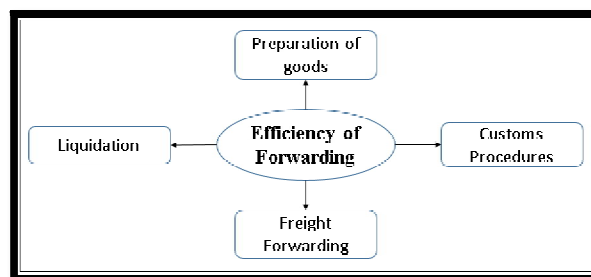


Figure 1: Research Model of Forwarding Process  
(Source: Compiled From the Authors' Data)

### 2.1. Research Hypotheses

- H1: The preparation of goods greatly affects export activities of the enterprises.
- H2: Customs clearance affects the efficiency of import-export activities, of which forwarding process is also affected. If this stage is not done well, the goods will not be cleared, which greatly affects the reputation and costs of the enterprise.
- H3: Organization of a freight forwarding system greatly affects the reputation of the enterprise. If the delivered goods are not of sufficient quality nor on time as agreed by both parties, the enterprise will lose a certain number of customers.
- H4: The liquidation affects the financial performance which is the premise for long-term operation of the enterprise.

In addition to secondary data referred from some manuscripts published specialized magazines, the authors used primary data collected from the survey implemented with related people. Particularly, this research implemented the following steps:

- Step 1: Based on the basic concepts and theories of forwarding and research results of other authors, the authors used qualitative methods to conduct group Efficiency of forwarding including customs procedures, freight Forwarding, Liquidation and Preparation of goods. A survey of 84 discussions and consultation of leading experts to select variables and groups of observed variables suitable to the topic (including 4 elements mentioned in Figure 1 above).
- Step 2: Based on 4 groups of factors, the authors designed the questionnaire, made preliminary survey to eliminate the non-impact variables (including 23 observed variables) and preliminarily implemented the survey among 50 people, of which there were 10 business managers, 15 business owners, and 25 employees of some forwarders in Vietnam. The survey results were used as inputs and the Cronbach's Alpha coefficient was used to test the scale.
- Step 3: After preliminary testing of the scale, there was no observed variable excluded. Thus, the set of factors affecting the efficiency of export forwarding activities consists of 4 groups of factors with 23 observed variables redesigned for official investigation. The survey took place from October 1, 2019 to December 31, 2019 at the

seaway forwarders operating in Vietnam. Firstly, the authors made phone contacts for responders' survey permission and discussed about the questionnaires' purposes. Then, the questionnaires for interview were sent to responders through email and post office. The testing the official scale produced Cronbach's Alpha coefficient of the 4 groups of factors with 23 observed variables of more than 0.6, so all scales were accepted.

- Step 4: After the survey completed and the official scale tested, the authors conducted Exploratory Factor Analysis (EFA) to minimize and summarize the data. This method is based on the factor extracting ratio (Eigenvalue), whereby only factors that have Eigenvalue of greater than '1' will be retained, and those that have Eigenvalue of less than 1 will have no better effect on summarizing information than an original variable, because after normalizing, each original variable has variance of '1'. The method of extracting principal components and Varimax Procedure were used to minimize the number of variables with large coefficients at the same factor, increasing the ability to interpret factors.
- Step 5: Based on the results of analysis done at stage 4, the authors redefined the research model and set up research hypotheses for the model. The method of multiple linear regression analysis was used to test the model hypotheses, thereby considering the impact of these factors on the performance of export forwarders in Vietnam.

### 3. Results and Discussion

#### 3.1. Results of Scale Test

Results of the official scale test mentioned in the Table 1 below. The Cronbach's Alpha coefficient was greater than 0.6 and the correlation coefficients of the total variables were inside the standards ( $> 0.3$ ). Therefore, all scales were accepted and included in the next factor analysis.

Coding	Components	Cronbach's Alpha Coefficient
A	Relationship	0.933
B	Trademark	0.746
C	Market Capacity	0.744
D	R&D capacity	0.786

Table 1: Scale Test Results

Source: Calculated by the Authors from Survey's Data

#### 3.2. Exploratory Factor Analysis (EFA)

Bartlett test resulted in the Table 2 with Sig. =  $.000 < 0.05$  and KMO coefficient = 0.756. The observed variables overall correlate with each other.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.723
Bartlett's Test Of Sphericity	Approx. Chi-Square	1,594.560
	Df	190
	Sig.	.000

Table 2: Bartlett Test

Source: Calculated by the Authors)

Details of the Observed Variables	Factor			
	1	2	3	4
Simple packaging process for export goods	.869			
Fully-prepared relevant documents	.843			
Quick collection of goods	.843			
Clear and accurate codes and marks on the package	.838			
Strictly checked quality of goods	.824			
Simple customs clearance	.832			
Good schedule of Transportation		.776		
Complete and accurate set of documents		.748		
Scientific timing and line-up for loading documents		.742		
Suitable shipping and insuring costs		.677		
Reputable and prestigious forwarder		.677		
Reasonable customs clearance's costs			.838	
Available human resource to monitor and manage all goods loaded on board			.812	
Fast custom clearance's process			.784	
Good exchange currency rate policy			.772	
Custom mastering employees			.760	
Payment Commitment of Importer				.786
Short time for liquidation				.750
Quick process of payment documents				.709
Convenient liquidity by electric				.679

Table 3: Affecting Factors Calculations

Source: Calculated by the Authors from Survey's Data

From the results mentioned in the tables above, it could be seen that EFA model was consistent with the actual data of 4 groups of factors. Thus, it could be used for multiple regression analysis.

### 3.3. Multiple Linear Regression Analysis

In order to determine, measure and evaluate the influence of factors on the satisfaction of the survey's respondents, the authors used the multiple linear regression method for the 4 influencing factors obtained from the above EFA, including preparation of goods, registration of customs procedures, delivery of goods and liquidation. The dependent variable was the effectiveness of implementing export forwarding process.

According to the model of stepwise regression, the following results were obtained reasonably. This result gave the value  $R^2 = 0.909$ . The  $R^2$  value indicated that the independent variables in the model could account for 90.9% of the variation of the dependent variables.

		<b>Model 1</b>
R		.955 <sup>a</sup>
R <sup>2</sup>		.912
Adjusted R <sup>2</sup>		.909
Std. Error of Estimate		.245
Change Statistics	R <sup>2</sup> Change	.912
	F Change	330.026
	df1	3
	df2	96
	Sig. F Change	.000
Durbin-Watson		1.810

Table 4: Linear Regression Analysis  
Source: Calculated by the Authors from Survey's Data)

## 4. Conclusions and Recommendations

Export forwarders have increasingly played an important role in promoting export activities, especially in the context that Vietnam's export turnover by sea has had a big proportion of the total one. After strict calculating process of the data collected from the survey implemented among related respondents, the authors mostly found 4 internal factors affecting the performance of export forwarders and the difference between the influence of each factor. According to the analyzing results, the performance of craft villages in all scales was assessed by the respondents as to be at an average level. This is an important point not only for the forwarders to review and re-evaluate their development policies and improve operational efficiency but also for building and developing export forwarding, especially export forwarding by sea in Vietnam. Therefore, with the authors gave some recommendations to improve the efficiency of export forwarding by sea in Vietnam basing on the 4 groups of influencing factors analyzed in this article.

Firstly, improving the preparation of goods for export is the first reasonable condition to pay attention for good forwarding activities. The employees of forwarding enterprises may be freshmen in implementing export processes so that they may face difficulty in preparing of goods before exporting. Thus, forwarders should pay more attention to preparing export-related documents to avoid difficulties in customs clearance. The forwarders also need to link with corporate producers to comprehend about production of the goods in order to remind them in good preparation of high quality products both in model and packaging to create prestige for the businesses. Additionally, forwarders may provide advices for attracting investment or even give support in finance and technology to create favorable conditions for production.

Secondly, it is necessary to complete customs clearance such quickly and effectively that the customers believe they cannot solve all processes without the forwarders. In order for the customs declaration to take place quickly and accurately, the declarers need to be honest and have good qualifications, avoiding annoyances and obstruction of customs clearance which affects the delivery time and warehouse storage costs. Therefore, the forwarders need to have good relationship with customs agencies as well as officers to avoid harassment by export declaration procedures and the multiple inspections, which increases loading and unloading costs and storage time. Thanks to that, the goods are released quickly, ensuring prestige with customers.

Another recommendation is that the forwarders may focus on completing the liquidation stage. Using Telegraphic Transfer (T/T) method, the forwarders should consider many factors of their partners, including the partners' solvency, reputation and payment commitment. When using this payment method, enterprises must be proactive about the relationship and establish the prestige of both partners. They must be creditable partners, have long-term relationships, so the forwarders can control the risk levels in payment process of the goods. If the partners have long-term relationships with each other, the forwarders may not use payment method of letter of credit (L/C) because each L/C amendment is very expensive, not only for the buyer but also for the seller. However, if the partners are in the first cooperation, L/C is the safest method to help the forwarders avoid risks in payment process. Choosing a reputable bank in payment is also a good solution for the forwarders. This is particular appropriate in the current context of profound international economic integration.

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