

## Implications of intermediaries in global logistics of foreign trade

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**ABSTRACT:** The world towards traveling in integrated phenomena which require more needs. That it is fulfilling by the trade between the countries. Because of each country continuously transfer the goods to other country as same as another country transferring to that country. That make as a global logistics belongs to foreign trade. Also it clears from the past literatures. Being a shipper or buyer can export or import the goods as directly they meet more complexity like business contacts, forwarding, transportation arrangements and customs clearance etc. By those reasons, a shipper and buyer can export and import using indirect involvement means that the firm participates in worldwide commerce through an intercessor and does not deal with foreign customers or markets. In that situation, the intermediaries get the huge place of contribution in global logistics belongs to foreign trade.

The study focuses on the significant role of major intermediaries in export and import of goods in global logistics and structure of intermediaries' services. Also the previous literatures taken to this case towards conclude the intermediaries' supportiveness to global trade. As it given more solution about various intermediaries, in the case should consider significant intermediaries to international trade based on location of India.

**Key words:** Global Logistics, Trade Intermediaries, Shipper and Buyer, Warehousing.

## INTRODUCTION

As increasing importance of global logistics such the main reasons of effective logistics is becoming a key to winning and possession customers, logistics is a most important cost component for most businesses, the detonation in product multiplicity has formed a need for enhanced logistics management, and information technology has created opportunities for major gains in distribution efficiency. Universal logistics and distribution have joke a perilous role in the evolution and improvement of world trade and in the assimilation of business on a worldwide scale. A set of codependent establishments (intermediaries) complicated in the course of making a product existing for use or ingestion. The network will be utmost operative when each associate is consigned tasks it can do best and all members cooperate to attain overall channel goals and satisfy the target customer.

As firms start operating on a global basis, firms or shipper needs to manage shipping of goods or cargo to various buyers or importers at the most easiest, economical and reliable rates. Because of the shipper keeping touch and communicate with trade intermediaries as indirect trade involvement. Trade intermediaries are instrumental in the expansion of global trade. Improving the performance of intermediaries will contribute to the development of world trade. Intermediaries often find it difficult to develop relational partnerships because supply chain members operate in different countries and often have inconsistent business goals (Bello and Gilliland, 1997; Cavusgil, 1998; Morgan and Katsikeas, 1998). Intermediaries and direct exporters respond differently to

exchange rate fluctuations both in terms of the total value of shipments and the number of products exported as well as in terms of prices and quantities. Aggregate exports to destinations with high shares of indirect exports are much less responsive to changes in the real exchange rate than are distributed to nations functioned principally by direct exporters. The main objectives of the paper is to highlight the significant work of intermediaries in global logistics to both break bulk and containerized cargo, to show the shipper and buyer how to use major intermediaries to global trade in India and to track the set-up function of major trade intermediaries in global logistics at India.

## **LITERATURE REVIEW**

Buyer and Seller coordinate the flow of materials and resources between customers and suppliers. Intermediaries help clients search for new opportunities to trade, new sources of products, new materials and design, new ways in which supply and demand can be integrated (Popp, 2000). Trade intermediaries play an important role in international trade. They enhance the productivity of host economies, improve efficiency of distribution, open up new markets, provide marketing technology, credit, managerial training and minimize costs incurred in overcoming barriers to trade (Ellis, 2003b). Intermediaries in global supplier and customer markets have their operations anchored in a supply chain. A supply chain is a complex of establishments that are involved through upstream and downstream linkages, and engaged in different practices and accomplishments that produce value in the form of products and services in the indicators of the definitive consumer such that customers are serviced at higher levels and at a lower cost (Christopher, 1992).

Revolutions in electronic commerce have a crucial role to play in managing inter-organisational networks of supply chain members. The evolution of electronic commerce technologies is having a considerable impact on the communication patterns in supplier networks in many industries (McIvor et al., 2000). Electronic commerce can reduce the costs of closely integrating buyers and suppliers and through electronic networks; firms can achieve an integration effect by tightly coupling processes at the interface between stages of the value chain (Benjamin et al., 1986). Researchers working in the export development area often approach problems from the point of view of the manufacturer, e.g. by examining their channel choices (e.g. Aulakh and Kotabe, 1997; Klein et al., 1990; Li, 2002; Peng and Ilinitich, 1998; Trabold, 2002) and the intermediaries' perspective is often neglected. When researchers do study intermediaries, common research themes are:

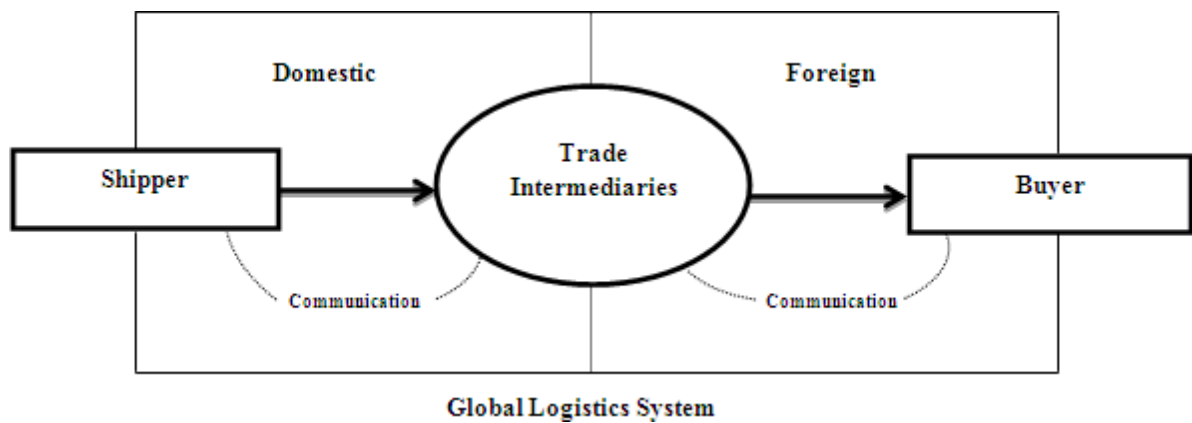
- Their fluctuating parts and functions (Brasch, 1978; Shao and Herbig, 1993; Mattson, 1990; Wichmann, 1997; Perry, 1992);
- Precursors of cooperative relationships (Balabanis, 1998; Bello et al., 2003; Matear et al., 2000);
- Their service aids (Balabanis, 2000); and
- Their part as an information hub (Casson, 1997; Hsing, 1999; Popp, 2000).

## **METHODOLOGY**

It follows case study approach whereby highlights the significant role of major trade intermediaries (Trading Company, Steamer Agent, Liner, Freight Forwarder, Custom House Agent, CFS/ICD, Port and Stevedore Agents) in global logistics belongs to foreign trade. The evidence charity in this study was composed from the custom house authority of India, Ministry of Commerce and Industry and some logistics service provider of India. Also considered the previous literature.

**INTERMEDIARIES IN GLOBAL LOGISTICS BELONGS TO FOREIGN TRADE**

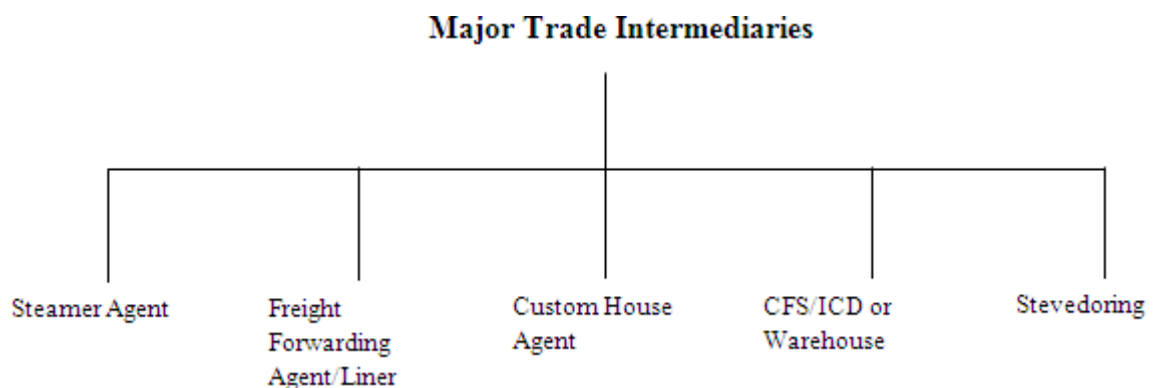
International logistics is well-defined as the design and executive of a system that leads and pedals the flows of tacklehooked on, through and available of the firm diagonally national boundaries to attain its business objectives at a least total cost. The Global Logistics includes various service activities such as Order Processing, Warehousing, Inventory Management, Transportation, Trade Intermediaries, Design system to minimize costs of attaining objectives etc. In such that international trade intermediaries are play a significant role in foreign trade. That it is only providing supportive services to their clients such as shipper and buyer. The Figure 1 shows a place of trade intermediaries in international trade.



**Figure 1. Global Logistics in Foreign Trade**

**(a) MAJOR TRADE INTERMEDIARIES**

This study mainly focuses on the major intermediaries for international trade. That it is continuously using by most of shipper and buyer in India. The major trade intermediaries for transferring the goods between countries are clearly shows in figure2.



**Figure2. Major Trade Intermediaries for International Trade**

There is various trade Intermediaries. But those five intermediaries are providing significant services to shipper and buyer which easily do make the trade. In such that didn't includes the Trading Company and Transportation. Because manufacturing firm or owner of the goods and original buyer can directly export and import the goods. Also those possibilities defined in previous literatures. The transportation mode also important one in international trade like as Road, Rail, Ocean, and Air Transports. As the transportation different from those intermediaries and also it is studied in most previous literatures, Those intermediaries might place in this study.

#### **(i) STEAMER AGENT**

The Steamer Agent acts as an agent for owner of the ship which is operated in various countries by providing agencies to others. As the reasons of unable to operate in various countries by own, the steamer agents providing those services behalf of ship owner. Shipping corporation of India providing ship transport facilities by own but it is operate various areas by help of steamer agent. It given some important logistics services to their clients (shipper/buyer) such as arrange the vessel, sign on and sign off the vessel in port, making other requirements ship officers and cruises, vessel expectation, anchorage, sailed information given to the port, pay the all marine charges to the port.

Vessel size has increased dramatically in recent years (a trend termed by some as -gigantism)). Maersk Line's new flagship vessel the -Emma Maersk, which won the title of ship of the year at the 2007 Lloyd's List awards in London, is said to be the world's largest container vessel with an operating capacity of some 11,000 twenty foot equivalent units (TEUs) (BBC, 2006).

#### **(ii) LINER/FREIGHT FORWARDING AGENCY**

Freight Forwarding Agency acts as an independent business that handles export/import shipments for a fee. A freight forwarder is amid the best sources of information and aid on export rules and documentation, shipment methods, and foreign import regulations. Forwarder assembles, collects and consolidates low container load (LCL) freight. Forwarder consolidates freight for many shippers, arranges for shipment and delivery via LCL carriers and gets lower (freight) rates based on volume than the individual shippers could obtain. At the appeal of the shipper, the forwarder makes the definite engagements and offers the essential services for furthering the shipment to its overseas destination. The freight forwarder does not essentially transmit the consignment or conduct business for the ship. It is an intermediary among carrier and owner of goods being transported. The forwarding agency helps the exporter in discovery the most economic and efficient systems of transporting and storing cargo.

Liner is an owner of the container and also providing ship transport facilities by own. They are giving container facilities to forwarding agents or direct shipper at rental basis. Also freight forwarders are same as liner. But they arrange those facilities to export. There are various types of liner such as mother liner, non-vessel operator, Freight forwarder etc.

#### **(iii) CUSTOM HOUSE AGENT**

Customs House Agent (CHA) is a person who is licensed to act as an agent for operation of whichever business concerning to the access or parting of conveyances or the import or export of goods at any Customs station. Section 146 of the Customs Act of India is the assisting establishment, which permits agents of importers

and exporters to act on behalf of importers and exporters. This is obliged by the extremely involved and technical nature of the work to be complete in construction with clearance of imports into and exports out of country. The importers and exporters themselves may require neither interval nor the obligatory knowledge on their own. Hence, agents are permitted to act on their behalf. The work of the agents is governed by the Customs House Agents Licensing Regulations, 1984 of India.

Multimodal transport operators (MTOs) are appointed under Multimodal Goods Transportation Act, 1993 by the Ministry of Surface Transport. Their exertion encompasses bearing of goods by more than one mode of transport between India and any place overseas. They switch export consignment stuffing and destuffing. This does not mechanically deliberate any right on them to obtain appointment as steamer agents or CHAs unless they are otherwise qualified for such appointment. Their part is dissimilar from that of a CHA or a steamer agent. Each CHA has to join himself as an associate of a CHA association registered with the Custom House and familiar by the Commissioner. Regulation 25 deliberates authority on the Commissioner to fix rates which may be accused to the punter for services extracted by the CHA. This is complete in session with acknowledged association of CHAs. The CHAs are obligatory to sternly adhere to these rates.

**(iv) CFS/ICD**

An Inland Container Depot / Container Freight Station is a mutual user facility with public right status fortified with fixed systems and proposing services for handling and impermanent storage of import/export laden and empty containers carried under customs control and with Customs and further agencies proficient to clear goods for home-based use, warehousing, short-term admissions, re-export, impermanent storage for ahead transit and outright export. Transshipment of consignment can also take place from such locations. For example Central warehousing Corporation and Container Corporation Of India Ltd etc. Functionally there is no dissimilarity among an ICD/CFS as both are transit facilities, which compromise services for containerization of break bulk goods and vice-versa. These could be obliged by rail and/ or road transport. An ICD is commonly situated in the interiors (freestanding the port towns) of the country away from the servicing ports.

CFS, on the supplementary pointer, is an off dock competence situated near the servicing ports which helps in decongesting the port by shifting consignment and Customs associated activities outside the port area. CFSs are largely expected to deal with break-bulk cargo originating/terminating in the instant hinterland of a port slightly may also deal with rail borne traffic to and from inland locations. Custody in view the necessities of Customs Act, and need to introduce lucidity in nomenclature, all containers terminal amenities in the hinterland would be designated as "ICDs".

**(v) STEVEDORING AGENT**

The stevedoring agent acts as an agent to shipper and buyer for loading/unloading the cargo. The stevedore agent services to handle the cargo from the vessel in port area behalf of shipper and buyer. Every stevedore agent must be registered in port for provide these services. The key services of the stevedores are as request to port for loading/unloading the cargo using cargo handling labour, Pay the advance levy for cargo loading/unloading, Loading/unloading the cargo.

**3PL LOGISTICS**

3PL - Third party logistics provide services for shipper and buyer. Certain of these services comprise, but are not inadequate to: transportation, (including domestic and international) warehousing, distribution, fulfillment and packaging, customs brokerage, freight payment services and trade compliance. Most of the trade intermediaries provide this all services to clients through their one company. For example Freight forwarders providing forwarding, custom clearance and warehouse. It should be effective in recent global logistics.

## CONCLUSION

The study emphasized the significant role of major trade intermediaries in international trade and structure of service supportive to shipper and buyer. In the case the major intermediaries should make easy to export and import process belongs to shipper and buyer. Being shipper and buyer can export and import in directly mode, they are using trade intermediaries at maximum where more complexity should reduce. Also intermediaries contributing to increase the trade when providing value added service, reverse logistics service and 3PL service. However those intermediaries robust a significant role in global logistics of international trade which the case should emphasis.

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