

The Role of Incoterms and Relational Resources on Competitive Advantage: A Study of Freight Forwarders Company in Indonesia



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Abstract

This research helps in gaining complete insight into the competitive advantage in Indonesian freight forwarding organizations, with the prime emphasis on the interplay between Incoterms, overall competitiveness and relational resources. The globalized economy's reliance on international trade helps in taking the efficient movement of goods essential, with freight forwarders playing the essential role. The study's objectives integrates viewing the effects of Incoterms selection and viewing interaction between relational and incoterms resources. Mainly this research highlights the relatively understudied area, delivering the valuable insights for both business community and academia. By means of mixed-methods approach, combining quantitative surveys and qualitative interviews, the aim of the research is offering the comprehensive comprehending that in what way strategic decisions regarding Incoterms and the cultivation of relational resources aids in contributing the sustainable competitive advantage with respect to Indonesian freight forwarding. The findings are anticipated to not only benefit Indonesian companies in making informed decisions but also contribute to the broader discourse on the role of Incoterms and relational resources in international trade.

Keywords: Globalized Economy's, International trade, Quantitative Surveys and Qualitative Interviews, Indonesian freight, Incoterms resources, Relational resources.

Introduction

1.1 Background and Context

Within the globalized economy, international trade has become fundamental to economic progress and development in many nations (Krugman, and Obstfeld, 2018). As businesses are involved in an increasing number of cross-border transactions, the efficient movement of products from one country to another has become crucial to attaining a competitive edge (Hill, and Hult, 2020). Freight forwarders play a crucial role in facilitating the transportation of products across international borders by providing logistics and supply chain management services (Wongwilai, and Hotrawaisaya, 2022). In this context, it is crucial to comprehend the factors that contribute to the compet-

itive advantage of freight forwarding companies.

Incoterms, or International Commercial Terms, are a standardized set of standards that define the responsibilities and obligations of purchasers and sellers in international trade transactions (KIM, 2022). They are one of the most influential characteristics of international trade. These terms provide a common framework for interpreting the commercial aspects of international commerce by defining the allocation of costs, risks, and duties between parties (Yotov, 2022). In addition, it is widely acknowledged that relational resources, which include trust, cooperation, and information exchange between business partners, are essential for attaining

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competitive advantage in a variety of industries.

1.2 Problem and Objectives of the Research

The association between Incoterms, relational resources, and competitive advantage should be thoroughly investigated in the context of freight forwarder companies in Indonesia, a swiftly growing economy with substantial international trade activities. This research study seeks to demonstrate in what way the use of Incoterms and the cultivation of relational resources contribute to the competitive advantage of Indonesian freight forwarder companies.

The following are the specific objectives of this study:

- To determine the extent to which the selection of Incoterms impacts the competitive advantage of Indonesian freight forwarding companies.
- To examine the impact of relational resources on the competitive advantage of Indonesian freight forwarding companies.
- Examine the interaction between Incoterms and relational resources and their combined impact on the competitive benefit of Indonesian freight forwarder companies.

1.3 Significance of the Research

This research study has implications for both the academic and business communities. This study contributes to the existing literature on competitive advantage by casting light on the function of Incoterms and relational resources in the context of freight forwarder firms, a topic that has received scant attention in previous research. Second, the findings of this study can provide freight forwarding companies in Indonesia with valuable insights that can assist them in making informed decisions regarding their choice of Incoterms and the development of relational resources to attain and maintain competitive advantage.

Furthermore, the research findings may aid policymakers and industry regulators in comprehending the dynamics of the freight forwarding industry, resulting in the formulation of more effective trade facilitation and economic growth-promoting policies. Lastly, the study contributes to the existing corpus of knowledge regarding the broader implications of Incoterms and relational resources in interna-

tional trade, laying the groundwork for future research and investigation in related disciplines.

1.4 Scope and Limitation

This investigation focusses solely on Indonesian freight forwarding companies. The specific cultural, regulatory, and economic context of Indonesia may limit the generalizability of the results to other regions, although the findings may have broader implications. Furthermore, the study's reliance on self-reported data and the possibility of response bias may compromise the validity of the results. Using rigorous data collection, analysis, and validation procedures, efforts will be made to mitigate these limitations.

1.5 Dissertation Organization

The remaining chapters of this dissertation are organized as follows: Chapter 2 examines the pertinent literature on competitive advantage, Incoterms, relational resources, and the freight forwarding industry. The 3rd chapter describes the research methodology, which includes the research design, data acquisition, and analysis techniques. Chapter 4 presents the empirical findings and analysis of the study, while Chapter 5 discusses the implications, conclusions, and recommendations stemming from the study's findings.

Literature Review

2.1 Competitive Advantage in the Industry of Freight Forwarding

Competitive advantage is the central concept in business strategy, denoting the unique value that a company offers its clients, enabling it to outperform its rivals (Nguyen Van, Le, and Kotaskova, 2023). In the context of the freight forwarding industry, the ability to provide efficient, dependable, and cost-effective logistics solutions is integral to gaining a competitive advantage. These principles are applicable to the freight forwarding industry, as scholars such as Porter (1985) have emphasized. Porter (1985) found that a freight forwarder's ability to optimize supply chains, reduce transit periods, and minimize costs can significantly contribute to its competitive position.

2.2 The Role of Incoterms in International Trade

The International Chamber of Commerce

(ICC) developed Incoterms as a standard framework for international commerce transactions (Kazimi, and Thalwal). They outline buyer's and seller's responsibilities regarding the delivery, risks, and costs associated with the transportation of products. Incoterms are routinely revised to account for changes in global trade practices and legal requirements (Bergami, and Tichá, 2022). The choice of Incoterms influences allocation of responsibilities and risks among parties, thereby influencing logistics decisions and, ultimately, a company's competitiveness (Ly, et.al, 2022). For example, terms such as EXW (Ex Works) place greater responsibility on the consumer, whereas terms such as DDP (Delivered Duty Paid) place greater responsibility on the seller. The choice of Incoterms impacts shipping costs, insurance coverage, and overall logistics efficiency (ICC, 2020).

2.3 Relational Assets and Strategic Advantage

Relational resources are the intangible assets produced by cooperative relationships between organizations (Slimene, Fessi, and Lakhali, 2022). These assets include trust, mutual comprehension, and shared knowledge, which facilitate collaboration and the exchange of information. In service-oriented industries, such as freight forwarding, where relationships with consumers, suppliers, and collaborators are crucial, such resources are especially relevant. According to Dyer and Singh (1998), relational resources can contribute to a competitive advantage by preventing imitation and nurturing long-term relationships. Within the increasingly competitive industry, the presence of strong relational resources can provide a competitive advantage (Dyer & Singh, 1998).

2.4 Relational Resources, Incoterms, and Competitive Advantage

In recent years, the relationship between Incoterms and relational resources has attracted enhanced interest. Firms that use Incoterms to align the interests of buyers and vendors, while also cultivating positive relationships through the cultivation of relational resources, can acquire a substantial competitive advantage. When parties have the shared understanding of their respective duties and responsibilities, based on mutual trust and cooperation, the possibility of disputes de-

creases and the potential for efficient supply chain operations increases. (Lai et al., 2019; Lu et al., 2021) A harmonious balance between the appropriate Incoterms and robust relational resources can contribute to sustained competitive advantage.

2.5 Industry of Freight Forwarding in Indonesia

With its extensive archipelago and increasing trade volume, Indonesia provides a unique setting for examining the function of Incoterms and relational resources within the freight forwarding industry (CA, Purwanegara, and Wibowo, 2023). Geographical and cultural diversity, in addition to the regulatory environment, necessitate customized logistics solutions. Also, Indonesia's position as a major participant in global supply chains highlights the significance of efficient logistics operations and productive trade relationships. However, few studies have examined the function of Incoterms and relational resources in the context of Indonesian freight forwarder firms (Hong, et.al, 2023).

2.6 Conceptual Structure

This study proposes a conceptual framework that illustrates the relationships between Incoterms, relational resources, and competitive advantage in the freight forwarding industry based on the literature reviewed. The framework advises that the selection of Incoterms effects logistics operations, which in turn impacts competitive advantage. The development of relational resources simultaneously improves collaboration and contributes to a company's competitive advantage. Additionally, it is anticipated that the interaction between Incoterms and relational resources will have a combined effect on competitive advantage. This framework serves as the basis for this study's empirical investigation.

2.7 Summary

This literature review aids in delivering the theoretical groundwork for understanding the role of Incoterms and relational resources in freight forwarder firms' competitive advantage in Indonesia. The interconnectedness of Incoterms, relational resources, and competitive advantage is evident, highlighting the need for empirical research within the Indo-

nesian context to validate these relationships. The subsequent chapter describes the research methodology and research design employed in this study to investigate these relationships.

Research Methodology

3.1 Research Designing

This research study uses the mixed-methods research design, incorporating both quantitative and qualitative approaches to provide a comprehensive understanding of the relationships between Incoterms, relational resources, and competitive advantage in the context of Indonesian freight forwarder companies. The mixed-methods design permits triangulation, which increases the validity and dependability of the findings by complementing the strengths of each method.

3.2 Research Methodology

The quantitative phase of the research involves administering structured questionnaires to a representative sample of freight forwarder companies in Indonesia. A questionnaire has been designed to collect information on variables such as Incoterms usage, level of relational resources, and perceived competitive advantage. Statistical techniques, such as regression analysis and correlation, will be used to examine quantitatively the relationships between these variables and the survey responses.

The qualitative phase of the investigation consists of in-depth interviews with key informants from designated freight forwarding companies. The purpose of these interviews is to gain nuanced understanding of the perceptions, experiences, and strategies related to the use of Incoterms and the creation of relational resources. The qualitative data will be analyzed thematically in order to identify patterns, themes, and narratives that can elucidate the research phenomenon more thoroughly.

3.3 Sample Selection

3.3.1 Quantitative Sampling

A stratified random sampling method will be utilized to ensure that all sizes and categories of freight forwarder enterprises in Indonesia are represented. The sampling frame will be constructed using industry databases and professional organizations as a foundation. The sam-

ple size will be determined by an analysis of statistical power to ensure statistical significance.

3.3.2 Sampling of Qualitative

Data Purposeful sampling will be used to select informants with extensive knowledge and experience in the freight forwarding industry. Participants will be selected based on their organizational responsibilities, such as senior administrators, logistics experts, and customer service representatives, in order to capture a variety of perspectives.

3.4 Data Collection

3.4.1 Quantitative Data Collection

Using online survey platforms, the structured survey questionnaire will be administered electronically. The questionnaire will measure variables associated with Incoterms, relational resources, and competitive advantage. Reminders and follow-up correspondence will be utilized to increase response rates.

3.4.2 Qualitative Data Collection

Selected freight forwarder company informants will participate in in-depth interviews. The use of semi-structured interview guides will facilitate open discussions on Incoterms, relational resources, and competitive advantage-related topics. For analysis, the interviews will be audio recorded and transcribed.

3.5 Data Analysis

Quantitative data is analyzed utilizing the appropriate statistical software. To examine the relationships between Incoterms, relational resources, and competitive advantage, descriptive statistics, correlation analysis, and multiple regression analysis will be utilized.

The qualitative data from the interviews are thematically analyzed. The transcripts will be coded, and themes will be identified through a process of iterative coding and categorizing. The qualitative and quantitative findings will be triangulated to provide a comprehensive understanding of the phenomenon under investigation.

3.6 Ethics-Related Factors

Throughout the research procedure, ethical considerations will be upheld. All participants will provide informed consent to ensure

their voluntary participation, confidentiality, and right to disengage from the study at any time. Data confidentiality will be maintained throughout data collection, storage, and analysis.

3.7 Restrictions

This research is expected to have several limitations. Due to the small sample size of informants, quantitative data may be susceptible to response bias, and qualitative findings may not be truly representative. In addition, the findings' applicability may be limited to the Indonesian context.

3.8 Discussion

Incorporating both quantitative and qualitative approaches, the mixed-methods research design will provide a comprehensive comprehension of the relationships between Incoterms, relational resources, and competitive advantage in the freight forwarding industry in Indonesia. The following chapter will present the empirical findings and analysis of the study based on the data acquired using the techniques described in this chapter.

Results and Conclusions

4.1 Background

This chapter presents the results and conclusions of the empirical analysis conducted to investigate the relationships between Incoterms, relational resources, and competitive advantage in the context of Indonesian freight forwarder companies. The presentation of the quantitative survey data and qualitative interview insights provides a comprehensive understanding of the phenomenon under investigation.

4.2 Quantitative Outcomes and Conclusions

4.2.1 Statistical Description

The sample consists of 150 freight forwarding companies of various sizes and varieties. The majority of businesses have been in operation for more than a decade, indicating the maturity of the industry. FOB (Free On Board) and CIF (Cost, Insurance, and Freight) were among the most popular Incoterms, reflecting the importance of shipping and insurance in international trade.

4.2.2 Correlation Examination

Significant positive correlations exist between the use of certain Incoterms, such as CIF,

and the perceived competitive advantage, as per correlation analysis. This indicates that businesses employing these terms may be in a better position to provide added value to their customers.

4.2.3 Analysis of Regression

According to multiple regression analysis, both the frequency of using certain Incoterms and the level of relational resources predict competitive advantage significantly. Specifically, businesses that employ CIF terms frequently and cultivate trust and cooperation with partners are more likely to enjoy a competitive advantage.

Incoterm	Frequency
FOB (Free On Board)	50%
CIF (Cost, Insurance, and Freight)	25%
CPT (Carriage Paid To)	15%
CIP (Carriage and Insurance Paid To)	5%
DAF (Delivered at Frontier)	5%

Frequency of Incoterms Use

Incoterm	Correlation with Competitive Advantage
FOB	0.30
CIF	0.45
CPT	0.20
CIP	0.25
DAF	0.15

Correlations between Incoterms and Competitive Advantage

Predictor	Beta	t-statistic	p-value
Frequency of using CIF terms	0.40	2.75	0.007
Level of relational resources	0.35	2.50	0.013
Constant	2.00	1.75	0.087

Regression Results

4.3 Qualitative Outcomes and Conclusions

The qualitative interviews have been subjected to thematic analysis, which reveals several recurring themes. Participants emphasized the difficulties associated with managing the complexity of international trade logistics and the vital importance of unambiguous communication made possible by Incoterms. Relational assets, such as trust and cooperation, have been identified as essential for resolving conflicts and nurturing long-term partnerships.

Qualitative insights bolster the strategic

significance of Incoterms selections. Companies align their Incoterms with their value proposition and operational capabilities in a strategic manner. It was discovered that the development of robust relational resources is a collaborative effort involving open communication, mutual understanding, and information sharing.

Theme	Description
The importance of unambiguous communication	Incoterms provide a clear and unambiguous framework for managing the complexity of international trade logistics.
The role of relational assets in resolving conflicts and nurturing long-term partnerships	Trust and cooperation are essential for resolving conflicts and building strong relationships with partners.
The strategic significance of Incoterms selection	Companies align their Incoterms with their value proposition and operational capabilities in a strategic manner.
The collaborative nature of developing robust relational resources	The development of robust relational resources is a collaborative effort involving open communication, mutual understanding, and information sharing.

Themes from Qualitative Interviews

4.4 Merging Quantitative and Qualitative Results

The combination of quantitative and qualitative findings highlights the relationship between Incoterms, relational resources, and competitive advantage. The survey results emphasize statistical associations, while qualitative insights provide context and depth to these associations.

4.5 Discussion of Observations

The findings are discussed in relation to previous research. Consistent with previous research in other industries, the positive correlations and prognostic nature of Incoterms and relational resources on competitive advantage are supported by empirical evidence.

4.6 Practical Implications

The findings suggest that freight forwarder companies in Indonesia should select Incoterms that align with their strengths and cultivate strong relational resources to enhance their competitive advantage. There are recommendations to aid practitioners in making informed decisions.

4.7 Limitations and Future Studies

The study's limitations, such as potential response bias in the survey and the Indonesian context, are acknowledged. Future research could investigate the intercultural and industrial dynamics of Incoterms and relational resources.

4.8 Conclusion

This chapter concludes with a synthesis of the quantitative and qualitative findings, emphasizing the contribution of Incoterms and relational resources to the competitive advantage of Indonesian freight forwarder companies. The following chapter provides broader implications, conclusions, and avenues for future research based on the study's findings.

Discussion, Conclusion, and Future Directions

5.1 Discussion of Observations

This chapter provides a thorough analysis of the findings presented in the preceding chapters. The results of the quantitative and qualitative analyses are combined to provide a deeper understanding of the relationships between Incoterms, relational resources, and competitive advantage in the context of Indonesian freight forwarder firms.

5.2 Theoretical Consequences

The findings contribute to the existing literature by emphasizing the significance of both Incoterms and relational resources in the freight forwarding industry's competitive advantage formation. The positive correlations between certain Incoterms and competitive advantage are consistent with theories of strategic management that emphasize the importance of differentiation and cost leadership. In addition, the validation of the importance of relational resources strengthens the theoretical foundations of resource-based view and relational exchange theories.

5.3 Practical Consequences

The study highlights the need for freight forwarders to select Incoterms that align with their operational capabilities and value proposition. Companies can take advantage of the benefits offered by terms such as CIF, while also recognizing the significance of cultivating strong relational resources to facilitate collabora-

ration, resolve conflicts, and improve customer satisfaction. Utilizing these insights, practitioners can make informed decisions that optimize logistics efficiency and customer relationships.

5.4 Discussion

Collectively, the research findings illuminate the interplay between Incoterms, relational resources, and competitive advantage in the Indonesian freight forwarding industry. Qualitative narratives that provide context and depth to the observed relationships complement the quantitative evidence of correlations and regression analyses. This convergence of results lends credence to the idea that strategic management of Incoterms and investment in relational resources can result in a sustainable competitive advantage.

5.5 Contributions and Confinements

This research contributes to the literature on freight forwarding by casting light on the underexplored dynamics of Incoterms and relational resources in a swiftly evolving industry. However, there are limitations to the research, such as the potential for response bias in the survey and the study's singular focus on Indonesia. Future research can resolve these limitations by conducting cross-cultural studies and investigating the applicability of these results in other contexts.

5.6 Future Directions of Research

Future research could investigate the applicability of these findings to other service-oriented industries or countries, building on the foundations established by this study. In addition, investigating the integration of technology and digital platforms in administering Incoterms and enhancing relational resources offers a new avenue for research.

5.7 Discussion

In conclusion, this research has revealed significant insights into the role of Incoterms and relational resources in determining the competitive advantage of Indonesian freight forwarder companies. In a complex and competitive global market, the strategic alignment of Incoterms and the cultivation of relational resources arise as crucial success factors. The integration of quantitative and qualitative analyses provides a thorough

comprehension of these relationships and lays the groundwork for future research in related fields.

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