



GRADUATION THESIS

INTERNATIONAL BUSINESS

**FACTORS AFFECTING THE CHOICE OF DELIVERY TERMS UNDER INCOTERMS 2020
OF EXPORT ENTERPRISES IN VIETNAM**

GROUP: GRI491_G1

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THESIS OUTLINE



INTRODUCTION

1.1. Background

1.2. Research objectives

1.3. Research questions

1.4. Research scope & methods

CHAPTER

1



1.1. BACKGROUND



The negotiation of trade agreements
is complicated and diversified
recently



An increasingly important role of
export activities in Vietnam's
economy development

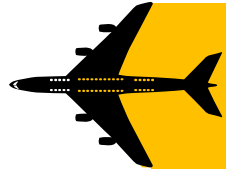


The critical need of choosing the
appropriate delivery terms under
Incoterm 2020 for each international
commercial transaction.

THESIS TOPIC:

“Factors affecting the choice of delivery terms under Incoterms 2020 of
export enterprises in Vietnam”

1.2. RESEARCH OBJECTIVES

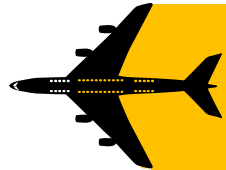
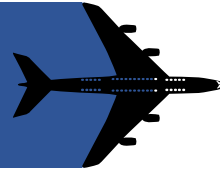


01

Overview the theories of Incoterms 2020 in international trade as well as the role and meaning of choosing delivery terms under Incoterms in export activities.

Identify the critical factors and evaluate the impacting level of each factor on the choice of delivery terms under Incoterms 2020 of exporters in Vietnam.

02



03

Propose some feasible recommendations to deal with existing limitations in choosing delivery terms under Incoterms 2020 of export companies in Vietnam.

1.3. RESEARCH QUESTIONS



1

What is Incoterms 2020? What is the role and meaning of the choice of delivery terms under this rule in export activities?

2

Which factors influence the choice of delivery terms under Incoterms 2020 and extent of their influence?

3

What is the recommendation for the choosing process of delivery terms under Incoterms 2020 for export firms in Vietnam?

1.4. RESEARCH SCOPE & METHODOLOGY



SCOPE

- ✓ Incoterms version: Incoterms 2020.
- ✓ The participants of this survey are export firms in Vietnam.
- ✓ Secondary data is collected from 2017 to 2022.

METHOD

- ✓ The data collected are both primary and secondary data.
- ✓ Both quantitative and qualitative methods are applied.

CHAPTER

2



LITERATURE REVIEW

2.1. Overview of export

2.2. General theories of delivery terms under Incoterms 2020

2.3. Key recent studies

2.4. Literature gap

2.5. Proposed model and hypothesis

2.1. OVERVIEW OF EXPORT



DEFINITIONS OF EXPORT

- ✓ Export activity is a part of international trade, and it is originally defined as the act of sending goods to another country for sale (Oxford Language)
- ✓ Export company is any company that sells goods to another country (Cambridge Dictionary).

IMPORTANCE OF EXPORT

- ✓ Contributing to economic development
- ✓ Strategic significance for economic growth of the country
- ✓ Great benefits for exporting companies



2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.1 Theories of delivery terms under Incoterms

► DEFINITION

“**Incoterms (International Commercial TERMS)** is a set of internationally accepted definitions and rules of interpretation for most common commercial terms used in contracts for the sale of goods” (ICC, 2020)

CHARACTERISTICS

Each Incoterms rule consists of three letters indicating the rule to be used



The use of Incoterms is not obligatory

The Incoterms rules define the obligations, risk and costs of the buyers and sellers in international transactions for the sale of goods (not services)

2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.1 Theories of delivery terms under Incoterms

▶ HISTORY OF INCOTERMS



- ✓ Developed and issued by the International Chamber of Commerce (ICC) in Paris
- ✓ The latest version is Incoterms 2020

THE JOURNEY TO

1923
ICC conducts first study of most commonly used trade terms, highlighting disparities of their interpretation.

1928
Second Incoterms rules expand scope to improve clarity of trade terms in over 30 countries.

1936
ICC publishes first edition of the Incoterms rules including six trade terms relating to carriage by sea.

1953
Three new non-maritime terms address the rise of transport of goods by rail in the wake of World War II: **FOR** (Free on Rail), **FOF** (Free on Truck) and **DDP** (Delivered Duty Paid).

1959
ICC launches third edition of the Incoterms rules, including two new terms: **DAF** (Delivery at Frontier) and **DDP** (Delivery in Country of Destination).

1976
Fourth edition of the Incoterms rules announces new terms to end confusion relating to the interpretation of **FOB** (Free on Board) for air transport.

1980
FRC (Free Carrier) term and new documentation processes introduced to address rise of containerisation.

1990
ICC revises Incoterms 1990, a complete revision of the 1953 version reflecting contemporary practices in international trade and use of international transport. **FRC** becomes **FCA**. Changes also contain provisions for the use of electronic messages.

2000
Publication of Incoterms 2000 sees major changes to the "Delivery" section, which made the term **FCA** (Free Carrier) far clearer and easier to use.

2010
ICC releases Incoterms 2010, reducing the number of terms from 13 to 11 by inclusion of two new rules for use irrespective of the agreed mode of transport. Other modifications to reflect contemporary trade landscape comprises measures to enhance cooperation among parties and adaptations regarding commodities sales and domestic transactions.

2019
To keep pace with the ever-evolving global trade landscape, the latest update to the trade terms is currently in progress and is set to be unveiled in the second half of 2020 for entry into force on 1 January 2020.

INTERNATIONAL CHAMBER OF COMMERCE

#Incoterms2020 @ICC_Incoterms iccwbo.org/incoterms

2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.1 Theories of delivery terms under Incoterms

01

Creating a
common frame
of reference for
the signatories

02

Minimizing
transaction
costs and
trade risks

03

Defining each
party's
obligations to
minimize and
conveniently
settle disputes


Roles of Incoterms in export activities

2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.1 Theories of delivery terms under Incoterms















▶ ABOUT INCOTERMS 2020

- ✓ Effective from **January 1, 2020**
- ✓ **11** Incoterms 2020 provisions divided into 4 groups E, F, C, D
- ✓ Obligations gradually shifting from seller to buyer.











Incoterms®
2020 by the International
Chamber of Commerce (ICC)

RULES FOR ANY MODE OR MODES OF TRANSPORT

	Seller	Buyer
<p>EXW Ex Works (Insert named place of delivery) Incoterms® 2020</p>		
<p>FCA Free Carrier (Insert named place of delivery) Incoterms® 2020</p>		
<p>CPT Carriage Paid To (Insert named place of destination) Incoterms® 2020</p>		
<p>CIP Carriage and Insurance Paid To (Insert named place of destination) Incoterms® 2020</p>		
<p>DAP Delivered at Place (Insert named place of destination) Incoterms® 2020</p>		
<p>DPU Delivered at Place Unloaded (Insert named place of destination) Incoterms® 2020</p>		
<p>DDP Delivered Duty Paid (Insert named place of destination) Incoterms® 2020</p>		

RULES FOR SEA AND INLAND WATERWAY TRANSPORT

	Seller	Buyer
<p>FAS Free Alongside Ship (Insert named port of shipment) Incoterms® 2020</p>		
<p>FOB Free on Board (Insert named port of shipment) Incoterms® 2020</p>		
<p>CFR Cost and Freight (Insert named port of destination) Incoterms® 2020</p>		
<p>CIF Cost, Insurance and Freight (Insert named port of destination) Incoterms® 2020</p>		

TRANSPORT OBLIGATIONS, COSTS AND RISKS

Blue indicates seller's Gold indicates buyer's
Green indicates mixed or shared


WARNING: THIS CHART IS NOT INTENDED TO BE USED ALONE, AND SHOULD ALWAYS BE USED IN CONJUNCTION WITH THE INCOTERMS® 2020 RULE BOOK.

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2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.2 Choosing delivery terms under Incoterms in export

Importance of choosing appropriate delivery terms under Incoterms in export

A Contributing to national economic activity

B Gain benefits for export company

- ✓ *Take advantage of trading opportunities*
- ✓ *Be proactive about delivery time and place*
- ✓ *Actively move the risks and arising costs related to the buyer's goods*
- ✓ *Gain the right to choose a quantity tolerance*
- ✓ *Avoiding disadvantages arising from contracting the customer's transport and insurance*

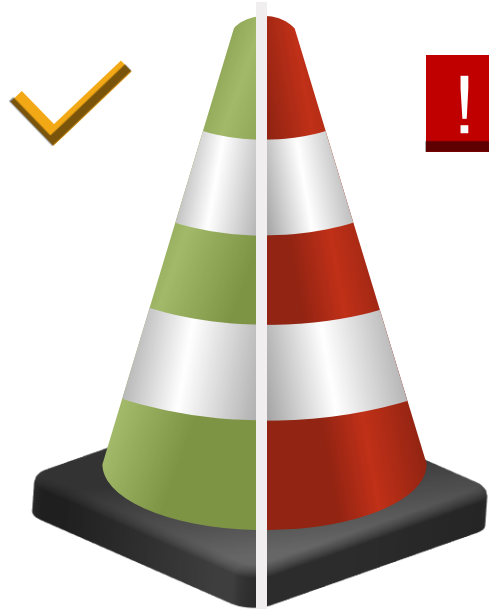


2.2 GENERAL THEORIES OF DELIVERY TERMS UNDER INCOTERMS 2020

2.2.2 Choosing delivery terms under Incoterms in export

Advantages

- ✓ Popular, can be applied in both international and domestic contracts
- ✓ Easy to use: obligations, costs and risks of each party are clarified in ICC Knowledge 2 Go
- ✓ Reduce transportation risks and dispute



Difficulties

- ✓ Lack of knowledge and experience
- ✓ Lack of long-term relationship with partners
- ✓ Different regulations and standards in importing country
- ✓ Risk of long-term transportation

2.3. KEY RECENT STUDIES

Foreign studies

Authors	Factors	
Suraraksa et al. (2020)	<ol style="list-style-type: none"> Operating costs: <ol style="list-style-type: none"> Annual budget Transportation expenses Value of products Cooperation and bargaining power: <ol style="list-style-type: none"> Negotiation between the buyer and seller Trust between the seller and buyer Collaboration within the company Agreed terms between the seller and buyer 	<ol style="list-style-type: none"> Knowledge and understanding: <ol style="list-style-type: none"> Incoterms® rules Experience in choosing Incoterms® International trade laws Complicated documents Operation duration: <ol style="list-style-type: none"> Payment terms Transportation period Duration to change carriers Duration for risk taking
Božena Pera (2021)	<ol style="list-style-type: none"> External factors: <ol style="list-style-type: none"> Tax regulations Transport and logistics infrastructure Freight forwarding services Complexity of transportation Geographical distance Counterparty negotiating power and expectations Legal regulations on foreign markets Risks on foreign markets Foreign and domestic competition 	<ol style="list-style-type: none"> Internal factors: <ol style="list-style-type: none"> Employee experience Knowledge of foreign market Financial resources Material Resources Mode of payment Relations with the forwarding agent Relations with the contracting party Transaction value Type of goods Cost of transportation and warehousing Mode of transportation
Unal and Metin (2021)	<ol style="list-style-type: none"> Resource-advantage criterion: <ol style="list-style-type: none"> Firm size Staff characteristics Relations with customers/suppliers Relations with forwarding agents Efficiency-cost: <ol style="list-style-type: none"> Mode of transportation Mode of payment 	<ol style="list-style-type: none"> Type of goods Cost of goods Cost of transportation Legitimacy environment: <ol style="list-style-type: none"> The complexity of transportation Risks Customs/bureaucracy Distance

Domestic studies

Authors	Factors	
Hien (2014)	1. The capacity of supporting industries and services	<ol style="list-style-type: none"> Transportation infrastructure The capacity of enterprises
Diem (2019)	<ol style="list-style-type: none"> Knowledge and expertise about Incoterms conditions Country's negotiating position in the international market 	<ol style="list-style-type: none"> The capacity of domestic exporters Transport mode
VIAC To Binh Minh (2020)	<ol style="list-style-type: none"> External factors <ol style="list-style-type: none"> Regulations Instructions of competent authorities Mode of transport Market situation Risks 	<ol style="list-style-type: none"> Internal factors <ol style="list-style-type: none"> The ability of enterprises Transaction method Conditions in the contract of sale.
Tuan Anh (2014)	<ol style="list-style-type: none"> Relationship with forwarder Infrastructure facility Relationship with customers 	<ol style="list-style-type: none"> Knowledges and experiences Insurance issue Firm's capability Risks
Thu Van (2014)	<ol style="list-style-type: none"> Firm size Risks Domestic fleet 	<ol style="list-style-type: none"> Mode of transportation Business capability Knowledges and experiences

2.4. LITERATURE GAP

Shortage of
Vietnamese research

Research scope
was not focused



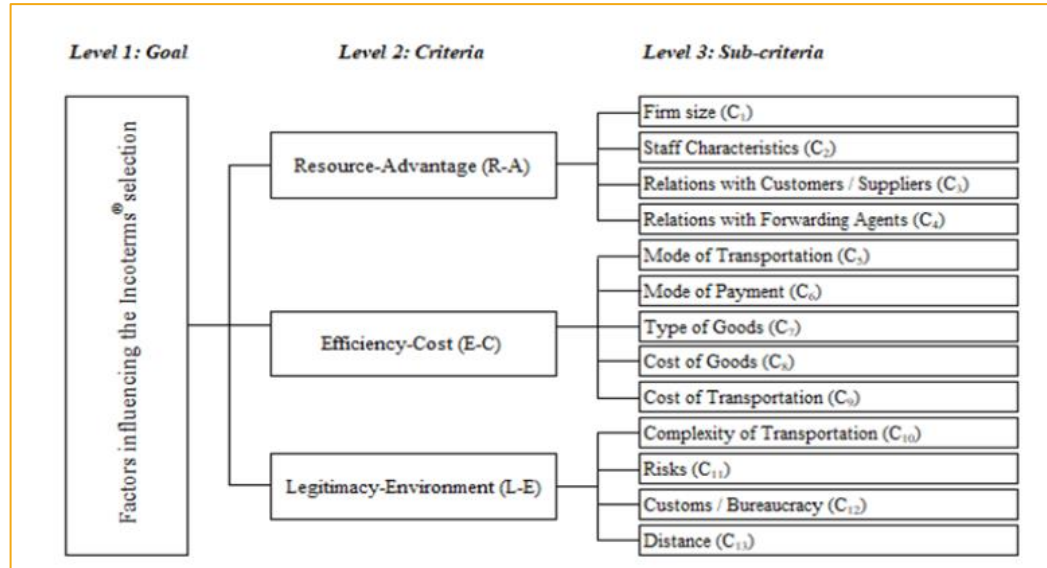
The quantitative method
has not been applied in
Vietnamese research

Out-of-date results

2.5. PROPOSED MODEL AND HYPOTHESIS

► Reason for choosing:

- ✓ The most complete and fulfilled research model
- ✓ Published in 2021 and applies the latest version of Incoterms - Incoterms 2020
- ✓ The methodology of this conceptual model shared some similarities in the subject approach

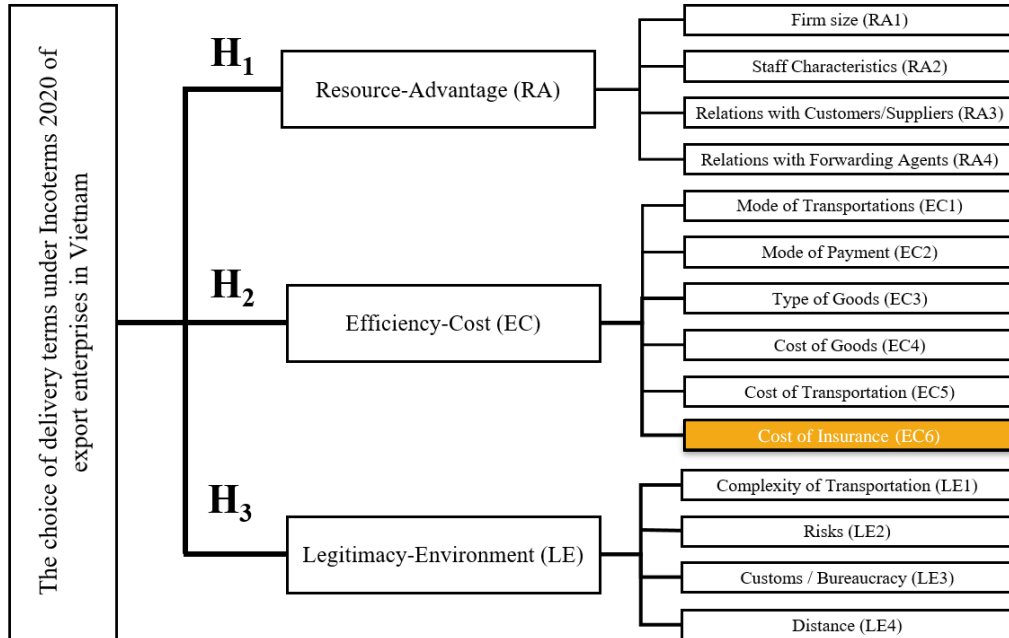


▲
The original model

(Source: Unal and Metin, 2021)

2.5. PROPOSED MODEL AND HYPOTHESIS

THE PROPOSED RESEARCH MODEL



H1: Firm resources and advantages affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.

H2: Efficiency and cost affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.

H3: Country legitimacy and business environment affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.

CHAPTER

3

METHODOLOGY

3.1. Introduction

3.2. Data source

3.3. Data collection method

3.4. Data analysis methods



3.1. INTRODUCTION

RESEARCH
PHILOSOPHY



PRAGMATISM

RESEARCH
METHOD



QUALITATIVE



QUANTITATIVE

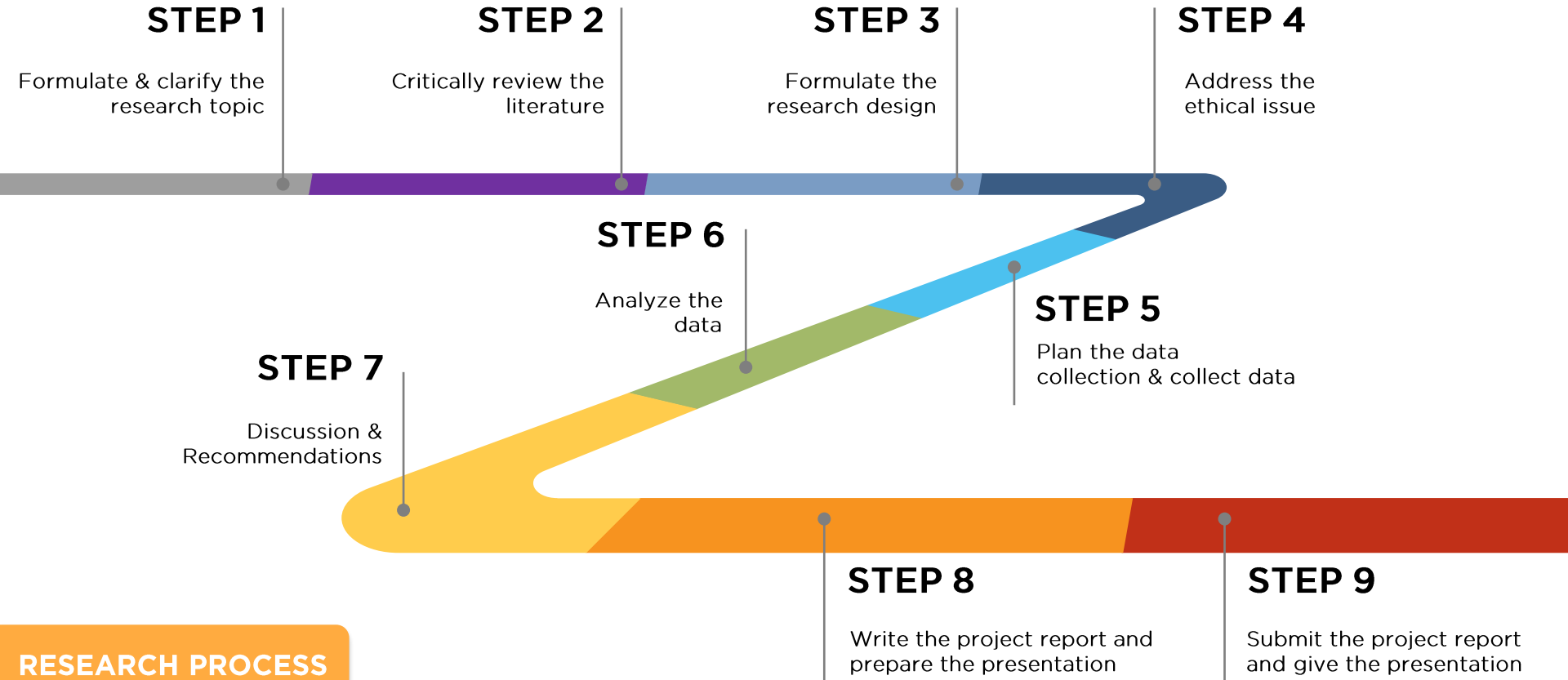
RESEARCH
APPROACHES



DEDUCTIVE
APPROACHES



3.1. INTRODUCTION



3.2. DATA SOURCES



PRIMARY

- 1 Online survey
- 2 In-person interview

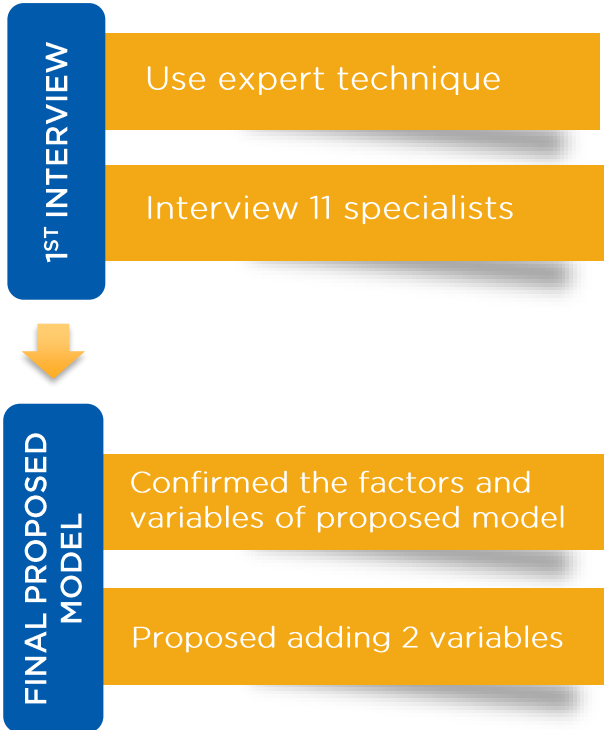


SECONDARY

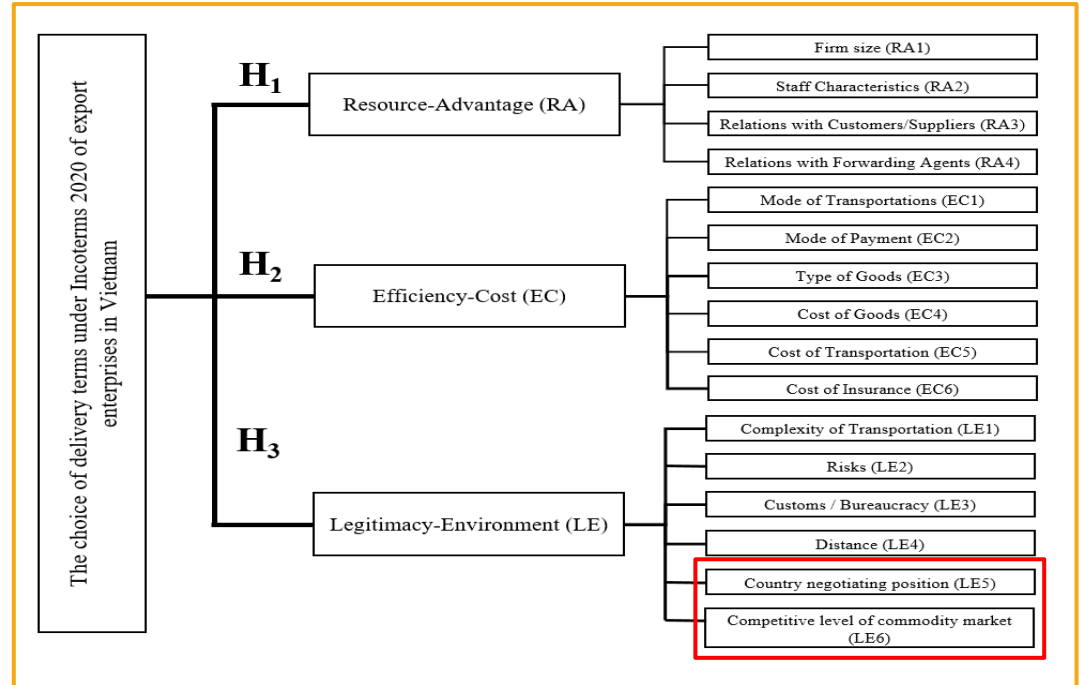
- 1 Government publications
- 2 Company's websites
- 3 Books/ Articles

3.3. DATA COLLECTION METHOD

PRELIMINARY RESEARCH



FINAL PROPOSED MODEL



3.3. DATA COLLECTION METHOD

2ND INTERVIEW

- ✓ Design the questionnaire
- ✓ Re-interview 11 specialists
- ✓ Feedback on the clarity and rationality of the observed variables in the questionnaire

FINAL QUESTIONNAIRES

DATA COLLECTION

SPSS ANALYSIS



3.3. DATA COLLECTION METHOD

DESIGN QUESTIONNAIRE

1

PART

Includes questions to gather information about interviewers



2

PART

Designed to gather responses from export businesses on factors influencing the choice of delivery terms under Incoterms 2020



3

PART

Contains two open questions that invite interviewees to make recommendations

3.3. DATA COLLECTION METHOD

1

SAMPLING

- ✓ Nonprobability sampling
- ✓ Sampling design:
nominal scale + interval
scale
- ✓ Minimum sample size:
178

2

COLLECTING DATA

- ✓ Type of survey: Online
survey.
- ✓ Respondents: Export
companies in Vietnam.

3.4. DATA ANALYSIS METHODS

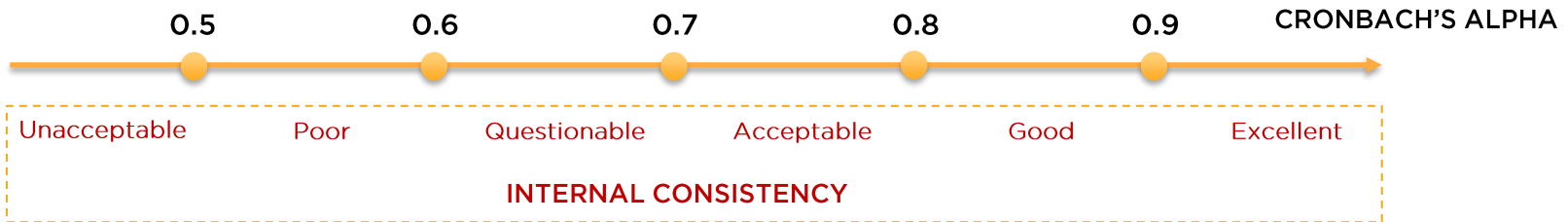
DESCRIPTIVE ANALYSIS

Descriptive analysis is the analysis of data collected between valid answers through the mean, percentage, mode and variance of variables.

RELIABILITY ANALYSIS (CRONBACH'S ALPHA TESTS)

- ✓ Item-total correlation > 0.3
- ✓ Cronbach's Alpha value > 0.7

Rule of Cronbach's Alpha (Cronbach, 1951)



3.4. DATA ANALYSIS METHODS

REGRESSION ANALYSIS



**INDEPENDENT
FACTORS**

- ✓ Adjusted R-square value > 0.5
- ✓ $1.5 < \text{Durbin-Watson value} < 2.5$
- ✓ Sig. of the F test < 0.05
- ✓ Sig. value of independent factors < 0.05
- ✓ VIF score < 2

- Resource - Advantage (RA)
- Efficiency - Cost (EC)
- Legitimacy - Environment (LE)



**DEPENDENT
FACTOR**

- The choice of appropriate delivery terms under Incoterms 2020 (CH)

ANALYSIS & FINDINGS

4.1. Vietnam's export activities and the general use of Incoterms in export

4.2. Survey analysis

4.3. Findings & Discussion

CHAPTER

4



4.1 VIETNAM'S EXPORT ACTIVITIES AND THE GENERAL USE OF INCOTERMS IN EXPORT

4.1.1 Overview of Vietnam's export activities from 2017 up to now



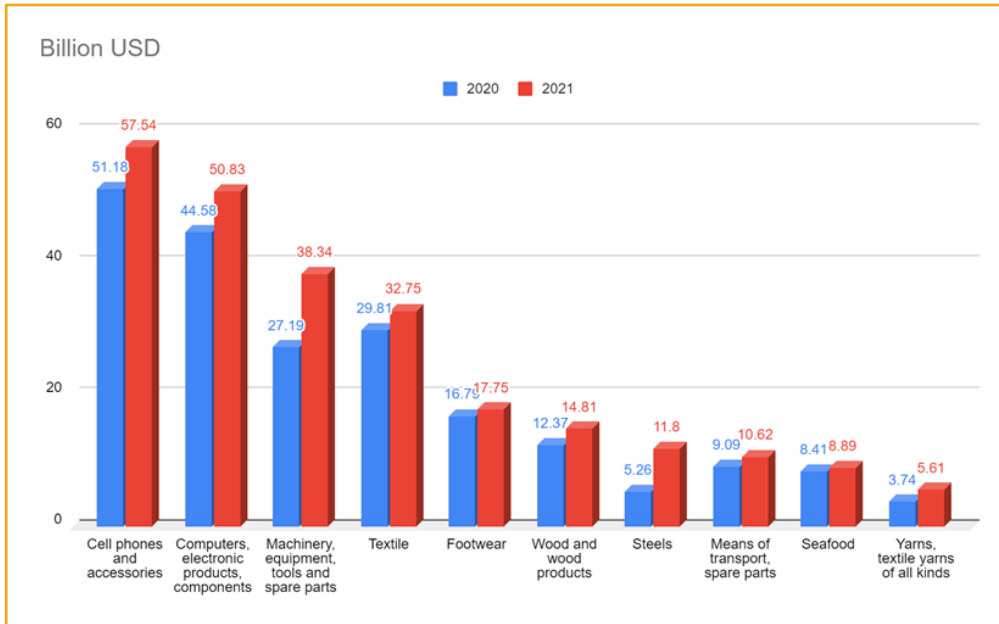
▶ **Chart 4.1: Vietnam export turnover 2017-2021**
(Source: General Department of Vietnam Customs)

Market	Export		
	Value (billion USD)	Compared to the same period in 2020 (%)	Proportion (%)
Asia	161,94	15,5	48,2
- ASEAN	28,77	24,8	8,6
- China	55,95	14,5	16,6
- Korea	21,95	14,9	6,5
- Japan	20,13	4,4	6,0
America	114,19	26,6	34,0
- USA	96,29	24,9	28,6
Europe	51,04	14,2	15,2
- EU(27)	40,06	14,1	11,9
Australia	5,52	23,9	1,6
Africa	3,61	18,1	1,1
TOTAL	336,31	19,0	100,0

▶ **Table 4.1. Export value by continent, country block and some major markets in 2021 and compared to 2020**
(Source: General Department of Vietnam Customs)

4.1 VIETNAM'S EXPORT ACTIVITIES AND THE GENERAL USE OF INCOTERMS IN EXPORT

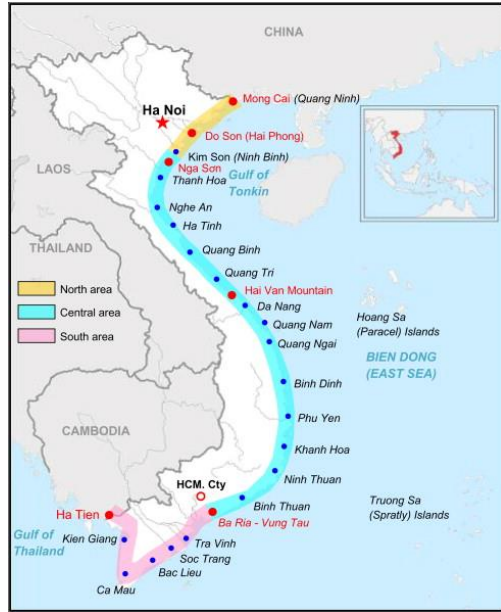
4.1.1 Overview of Vietnam's export activities from 2017 up to now



▶ Chart 4.2: Export value of 10 largest commodity groups in 2021 compared to 2020
(Source: General Department of Vietnam Customs)

4.1 VIETNAM'S EXPORT ACTIVITIES AND THE GENERAL USE OF INCOTERMS IN EXPORT

4.1.2 The general fact of choosing delivery terms under Incoterms by export enterprises in Vietnam



SEA COASTLINE: 3444 KM

Data of Vietnam Maritime Administration: Vietnam's seaports exports reached more than 184 million tons, up 4%.

Export enterprises in Vietnam usually prefer to choose Incoterms for maritime transport: FOB, CIF



90% of coffee exports
used the FOB term



- ✓ FOB: 79.5%
- ✓ CFR: 10.7%
- ✓ CIF: 4.3%
- ✓ Other terms: 5.5%



Enterprises exporting
goods by FOB term

4.1 VIETNAM'S EXPORT ACTIVITIES AND THE GENERAL USE OF INCOTERMS IN EXPORT

4.1.2 The general fact of choosing delivery terms under Incoterms by export enterprises in Vietnam

► After Covid-19, in the past 2 years: the transition from export under FOB to CIF

In 2020 and in the first half of 2021, about 35% of coffee exporters agreed to switch to the CIF term.



Currently the export turnover to this market in the US at FOB term is decreasing from 98% in 2018 remaining 96.9% in 2020.



With Japan, exports under CIF are also increasing from 25.4% in 2018 to 25.7% in 2020.



About the Chinese market, wood exports under FOB dropped sharply from 49% in 2018 to 43.2% in 2019, and 2020 is only at 39.1%.

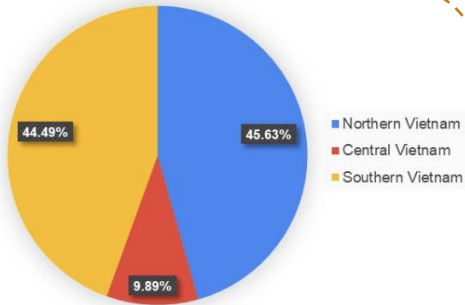


An opportunity for exporters in Vietnam

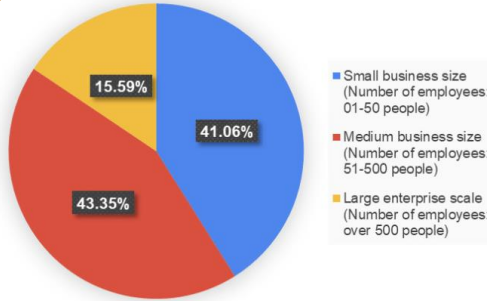
4.2 SURVEY ANALYSIS

Respondent profile

- ▶ **Data collection: in March**
- **282 received - 263 valid**

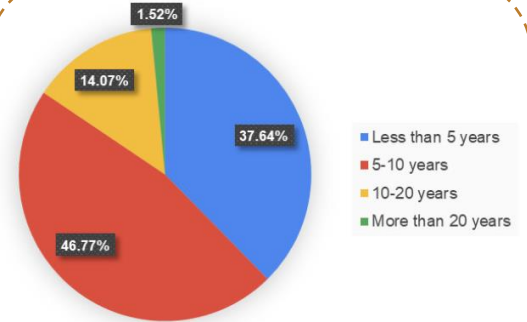


Location of export enterprises



Firm size of export enterprises

SURVEY RESULTS

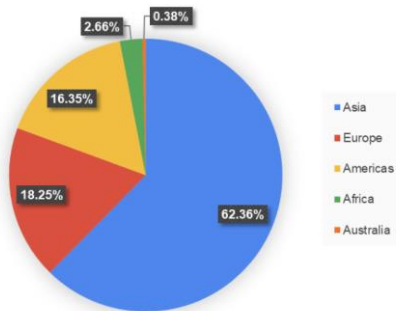


Respondents seniority in Import-Export field

4.2 SURVEY ANALYSIS

Respondent profile

- ▶ **Data collection: in March**
- **282 received - 263 valid**

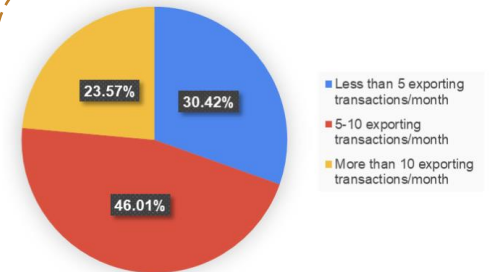


Export market of enterprises



Frequently used Incoterms rules

SURVEY RESULTS



Transaction frequency

4.2 SURVEY ANALYSIS

Descriptive Statistics



DESCRIPTIVE STATISTICS						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
RA1	263	1	5	3.79	.961	.924
RA2	263	1	5	3.81	.965	.931
RA3	263	1	5	4.05	.839	.704
RA4	263	1	5	4.14	.931	.867
EC1	263	1	5	3.87	.952	.907
EC2	263	1	5	4.28	.888	.789
EC3	263	1	5	3.89	.923	.851
EC4	263	1	5	4.31	.825	.681
EC5	263	1	5	4.33	.829	.688
EC6	263	1	5	4.04	.992	.983
LE1	263	1	5	3.73	1.003	1.005
LE2	263	1	5	4.23	.840	.706
LE3	263	1	5	4.10	.881	.776
LE4	263	1	5	3.93	.968	.938
LE5	263	1	5	3.59	1.077	1.159
LE6	263	1	5	3.77	1.023	1.047
CH1	263	1	5	4.30	.842	.709
CH2	263	1	5	4.13	.894	.800
CH3	263	1	5	3.97	1.094	1.198
Valid N (listwise)	263					

Factor descriptive analysis (SPSS results)

4.2 SURVEY ANALYSIS

Reliability analysis

▶ Assess the reliability of the scale through Cronbach's Alpha coefficient

Variable	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RESOURCES - ADVANTAGES (RA)		
Cronbach's Alpha = .856		
RA1	.729	.803
RA2	.700	.816
RA3	.680	.825
RA4	.690	.820

Variable	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
EFFICIENCY - COST (EC)		
Cronbach's Alpha = .865		
EC1	.583	.856
EC2	.734	.828
EC3	.648	.844
EC4	.645	.845
EC5	.667	.841
EC6	.692	.836

Variable	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
LEGITIMACY - ENVIRONMENT (LE)		
Cronbach's Alpha = .830		
LE1	.623	.797
LE2	.600	.803
LE3	.660	.791
LE4	.598	.802
LE5	.558	.813
LE6	.584	.806

Reliability analysis result of independent variables (SPSS results)

4.2 SURVEY ANALYSIS

Reliability analysis

- ▶ Assess the reliability of the scale through Cronbach's Alpha coefficient

Variable	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CHOICE OF APPROPRIATE DELIVERY TERMS UNDER INCOTERMS (CH)		
Cronbach's Alpha = .812		
CH1	.717	.700
CH2	.724	.683
CH3	.581	.855

Reliability analysis result of dependent variables (SPSS results)

4.2 SURVEY ANALYSIS

Exploratory factor analysis (EFA)

a. Analysis of exploratory factors for all independent variables

KMO AND BARTLETT'S TEST						
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.						.913
Bartlett's Test of Sphericity					Sig.	.000
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.978	43.616	43.616	6.978	43.616	43.616
2	1.548	9.677	53.293	1.548	9.677	53.293
3	1.291	8.072	61.364	1.291	8.072	61.364
4	.877	5.481	66.845			
5	.704	4.401	71.247			

ROTATED COMPONENT MATRIX			
	Component		
	1	2	3
EC2	.805		
EC5	.774		
EC4	.751		
EC6	.746		
EC3	.664		
EC1	.536		
LE5		.798	
LE1		.685	
LE4		.654	
LE6		.637	
LE2		.590	
LE3		.590	
RA1			.811
RA4			.767
RA2			.761
RA3			.756

Results of Exploratory factors analysis for independent factors (SPSS results)

4.2 SURVEY ANALYSIS

Exploratory factor analysis (EFA)

b. Analysis of exploratory factors for dependent variables

KMO AND BARTLETT'S TEST						
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.					.683	
Bartlett's Test of Sphericity				Sig.	.000	
Component	Initial Eigenvalues			Extraction Sums of Squared Multiple Correlations		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.229	74.289	74.289	2.229	74.289	74.289
2	.520	17.337	91.625			
3	.251	8.375	100.000			

COMPONENT MATRIX	
	Component
	1
CH1	.898
CH2	.892
CH3	.791

Results of exploratory factors analysis for dependent factors (SPSS results)

4.2 SURVEY ANALYSIS

Correlation analysis

CORRELATIONS					
		CH	RA	EC	LE
CH	Pearson Correlation	1	.544**	.666**	.557**
	Sig. (2-tailed)		.000	.000	.000
	N	263	263	263	263
RA	Pearson Correlation	.544**	1	.534**	.564**
	Sig. (2-tailed)	.000		.000	.000
	N	263	263	263	263
EC	Pearson Correlation	.666**	.534**	1	.593**
	Sig. (2-tailed)	.000	.000		.000
	N	263	263	263	263
LE	Pearson Correlation	.557**	.564**	.593**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	263	263	263	263

** . Correlation is significant at the 0.01 level (2-tailed)
* . Correlation is significant at the 0.05 level (2-tailed)

Multiple linear regression results (SPSS results)

4.2 SURVEY ANALYSIS

Regression analysis

REGRESSION EQUATION

$$CH = 0.455*EC + 0.204*RA + 0.172*LE$$

AFFECTING LEVEL

$$EC (0.455) > RA (0.204) > LE (0.172)$$

MODEL SUMMARY ^B					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.714 ^a	.510	.504	.57017	1.851

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.497	3	29.166	89.713	.000 ^b
	Residual	84.201	259	.325		
	Total	171.698	262			

COEFFICIENTS ^A							
Model	Unstandardized Coefficients		Standardize Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1(Constant)	.351	.234		1.500	.135		
RA	.214	.058	.204	3.696	.000	.620	1.613
EC	.528	.066	.455	8.027	.000	.590	1.694
LE	.196	.066	.172	2.966	.003	.563	1.776

a. Dependent Variable: CH

4.2 SURVEY ANALYSIS

Hypothesis conclusion

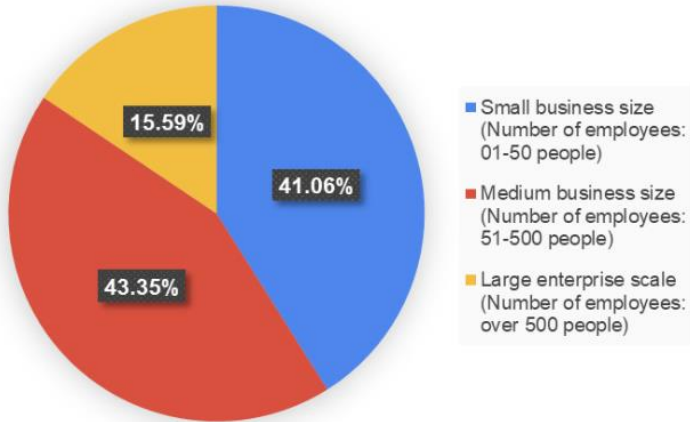
HYPOTHESIS	SIG.	RESULT
H1: Firm resources and advantages affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.	.000	Confirmed
H2: Efficiency and cost affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.	.000	Confirmed
H3: Country legitimacy and business environment affect the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam.	.003	Confirmed



4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA1: Firm size



Firm size of exporters enterprise in Vietnam

(Source: Data compiled from survey results)

Small-scale enterprise

Poor experience, reputation and prestige

EXW term

Large-scale enterprise

A lot of capital and experience, good reputation

Choose the terms in their favor

Group E, F

Want to avoid both risk and cost in transit

Group C

Accepts to bear the costs but not the risks

Group D

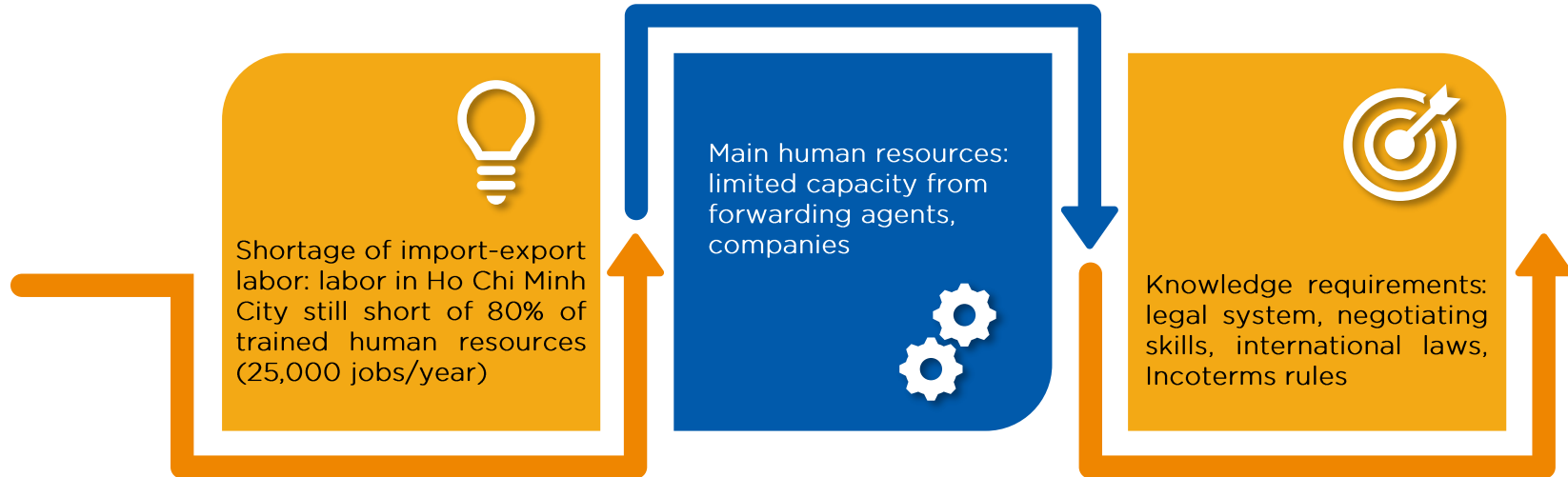
Ready to bear both risks and costs in transit

4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA2: Staff Characteristics



KNOWLEDGE



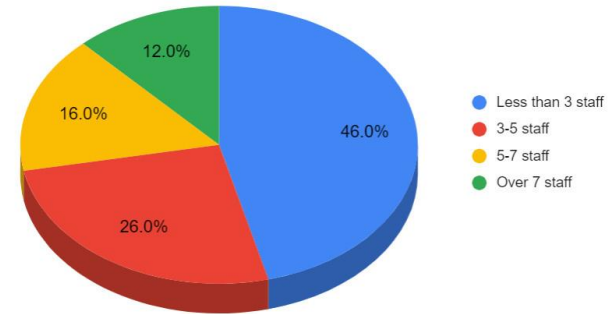
4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA2: Staff Characteristics

Expertised and experienced employees	Fresher/junior employees
<ul style="list-style-type: none"> ✓ Understanding and know which Incoterms is suitable for each transaction ✓ Experienced negotiating with other businesses 	<ul style="list-style-type: none"> ✓ Do not have much experience ✓ Choose popular and customary terms
<p> Better choice</p>	<p> Limited choice</p>

EXPERIENCE OF EMPLOYEES



Number of Chinese-speaking employees

(Source: Research by Dr. Lam Thanh Ha)



Difficult to deal delivery terms with Chinese partners

4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA3: Relations with Customers/Suppliers

CUSTOMERS



- ✓ More proactive, quickly contact
- ✓ Find a solution if there is a problem



- ✓ Have good relationship for dealing with strict regulations and specific requirements



- ✓ Delivery of goods to an unqualified buyer under Incoterms group C, D will easily cause trouble

SUPPLIERS

- ✓ Vital relationship: affecting the supply, price, quality, quantity, time of goods and competitiveness
- ✓ In Vietnam, this relationship is not favorable because of both subjective and objective factors.

4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA3: Relations with Customers/Suppliers

HAVING A GOOD RELATIONSHIP

More proactive,
quickly contact and
solve the problem quickly

GROUP C AND GROUP D



HAVING A POOR RELATIONSHIP

Having difficulty
in transaction,
transportation

GROUP E AND GROUP F

4.3 Findings and Discussion

RA factors: influencing with a regression coefficient of 0.204

RA4: Relations with Forwarding Agents

VIETNAM'S LOGISTICS	GOOD RELATIONS WITH FORWARDING AGENTS	POOR RELATIONS WITH FORWARDING AGENTS
<ul style="list-style-type: none"> ✓ Growth rate of 12-14%/year ✓ 4,000 professional logistics enterprises ✓ Provide services: transportation, forwarding, warehousing, customs declaration, goods inspection, seaport services,... 	<ul style="list-style-type: none"> ✓ Minimize freight and other services costs ✓ Receiving advice on choosing Incoterms ✓ Reducing the risk of discrepancy, damage of goods and customs declaration ✓ Easily handle with transportation problems <p> Choosing Incoterms group C, D</p>	<ul style="list-style-type: none"> ✓ High freight costs ✓ No added or ancillary services ✓ Be dependent on the forwarding agents ✓ Problems are not notified and handled on time <p> Choosing Incoterms group E, F</p>

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC1: Mode of Transportations



(Source: Data compiled from survey results)

Most used Incoterms: FAS, FOB, CFR and CIF (sea transport)

Year	2017	2018	2019	Prel.2020
By kinds of goods				
<i>Export goods</i>	125,294	144,587	161,051	178,015
<i>Import goods</i>	150,928	175,759	207,962	226,433
<i>Domestic goods</i>	269,599	359,523	459,877	473,599
<i>Goods in transit</i>	77,778	77,312	1,954	1,465
By types of ports				
<i>Sea ports</i>	519,297	606,617	664,611	692,291
<i>Inland waterway ports</i>	102,935	149,072	164,718	185,963
<i>Air ports</i>	1,366	1,492	1,515	1,258
Total	623,598	757,181	830,844	879,512

(Source: General Statistics Office)

- ✓ 90% of goods are transported through seaports and inland waterways ports
- ✓ Growth of cargos through seaports in 2020 (+3.68%)
- ✓ Less interrupted because of the Covid-19

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC1: Mode of Transportations

MARINE TRANSPORTATION



Exporters in Vietnam are still encouraged to choose incoterms rules specific for sea transport (FAS, FOB, CFR, CIF)



MARINE TRANSPORTATION



ROAD OR RAIL TRANSPORT



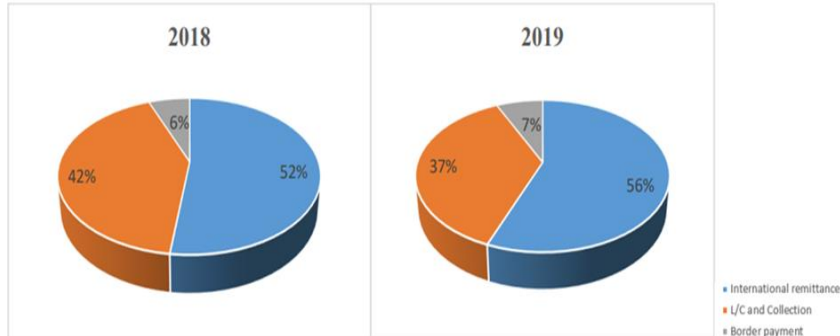
Transport the container from the point of consolidation to the port

The choice of FAS, FOB, CFR, CIF will no longer be appropriate, but should be replaced by FCA, CPT, CIP.

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC2: Mode of Payment



(Source: BIDV Trade Finance and International Remittance report)

Different payment method

- = Different costs, risks, procedures, processing time
- = Different requirements to documents.



Minimize the risk of discrepancy



EXW term



L/C method: issuing bank require B/L



CFR or CIF terms more appropriate than others

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC3: Type of Goods

Diverse export goods

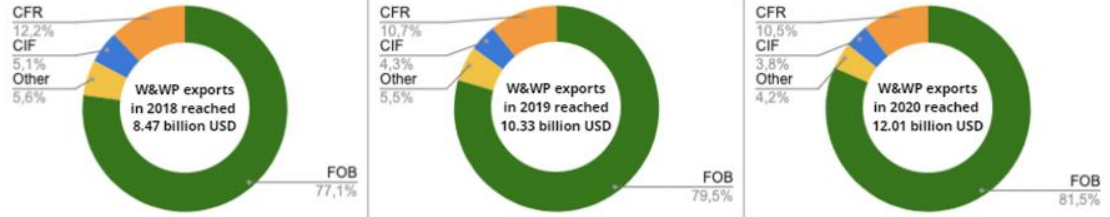
Exporters use Incoterms differently depends on type of goods



Many exporters in Vietnam often choose Incoterms based on habits or imitate other companies

Should: choose delivery terms under Incoterms based on “type of goods”

Ex: wood and wooden products => Shift to CIF or CFR delivery terms.




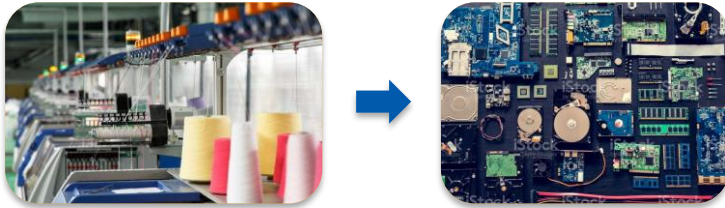
(Source: Vietnam Timber and Forest Products Association)

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455


EC4: Cost of Goods

 Vietnam's production-export ratio shows a change in the orientation of the industry



"Cost of goods"

- ✓ Seller does not wish to bear the risks and costs: use groups E or F.
- ✓ Seller wants to have complete control over the carriage: use group D.
- ✓ Seller accepts to bear the costs but not the risks: choosing group C.

 High value goods need to be packed and transported according to a separate process to ensure safety.

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC5: Cost of Transportation

01 Shipping costs directly affect the difference of each Incoterms rule and the estimated annual budget.

02 The expensive transportation cost, especially after Covid-19

“

On average, in 2021, transportation costs increased by 19% compared to 2020... when the price is too high it will affect the competitiveness of Vietnamese products in the international market

”

Mr. Than Duc Viet, General Director of Garment 10

Example: sea freight to the US

Before the COVID-19 epidemic
3,000 USD/container

After



EC factors: strongest influencing with a regression coefficient of 0.455

EC5: Cost of Transportation



Series of surcharges such as loading and unloading fees, storage, clean fuel, container balance



“Cost of transportation”



- ✓ The higher the transportation cost, the less often chooses Incoterms C, D group.
- ✓ If loading and unloading costs are already included in the freight => use FAS is more suitable than FOB, DPU is more suitable than DAP.

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC6: Cost of Insurance

Specifically in Incoterms 2020, levels of insurance coverage between CIF and CIP were cleared

- ✓ CIF => "Institute Cargo Clause C" or similar
- ✓ CIP => "Institute Cargo Clause A" or similar

01

Insurance rates do not fluctuate strongly in insurance market

$$\text{CIF} = (C+F) / (1-R); I = \text{CIF} \times R$$

Note: R decrease from insurance
"A" (highest) > "B" > "C" (lowest)

02

Exporters can consider choosing Incoterms rules to have the right to "surfing" on the insurance market.

03

4.3 Findings and Discussion

EC factors: strongest influencing with a regression coefficient of 0.455

EC6: Cost of Insurance



**...SHOWS THAT INSURANCE BUSINESSES ARE
IMPLEMENTING EXPORT INSURANCE IN THE FORM OF
"SKIMMING" BUT NOT GOING INTO DEPTH**



— Associate Professor. Dr. Hoang Manh Cu of the Academy of Finance —

Exporters often apply FOB
delivery terms (delivery on board)

**REASON
01**

**REASON
02**

Insurance enterprises' capacity is
limited, low competitiveness

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE1: Complexity of Transportation



Geographical advantages
of Vietnam



Enterprises can flexibly choose
delivery terms under Incoterms 2020

Delivered at the border
↪ choose FCA or DAP

Delivered at seaports
↪ often apply FOB, CIF

Vietnam seaports are
mainly shallow
↪ Use the FAS term

The complexity of transportation also
comes from multimodal transport



Exporters need to consider
carefully to avoid receiving
unnecessary damages

- Deliver the goods by multimodal
- Use a transshipment port

SEA COASTLINE: 3,444 KM

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE2: Risk

COUNTRY RISK

Political risks: elections, sanctions or other governments' pressure



Delays delivery time

Cargo risks

High materials' costs

USING GROUP D

Exporter bear the risk of loss of or damage to the goods in transit

USING GROUPS E AND F

Exporter only bear the costs and risks during transportation in the exporting country

DELIVERY RISK

- ✓ Both subjective and objective risks: damages and compensation for seller if choosing inappropriate delivery terms
- ✓ Trend of shifting from exporting FOB to exporting CIF



- ✓ In the past: mainly use FOB
- ✓ Covid-19: Partners requested to CIF

- ✓ From 2020 to now: shifting from FOB to CIF

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE3: Customer/ Bureaucracy

When customs clearance and bureaucracy procedures are not a big obstacle, exporters can flexibly accept all delivery terms.

Vietnam still faces many difficulties with customs clearance and bureaucracy procedures



Example: Customs clearance of fruits to China

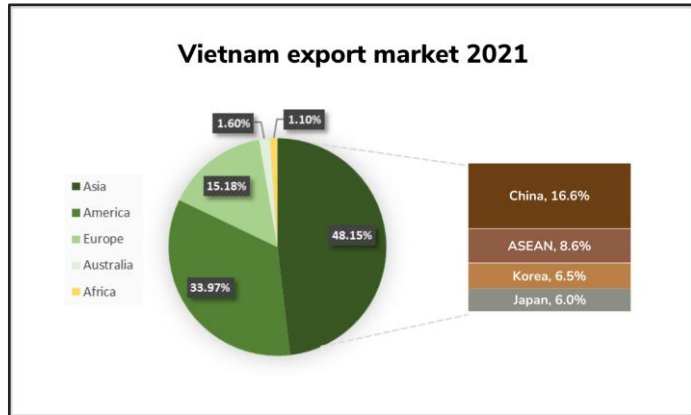
Exporters need understand the procedures and customs clearance regulations

When having sufficient knowledge, experiences, financial ability, exporters choose the DDP terms

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE4: Distance



VIETNAM'S LARGEST EXPORT MARKET IN 2021:
ASIA (48.2%)

(Source: General Department of Vietnam Customs)

CLOSE-DISTANCE PARTNERS	LONG-DISTANCE PARTNERS
<ul style="list-style-type: none"> ✓ Save on freight and warehousing expenses ✓ Choosing transportation options more freely ✓ Goods are easy to satisfy due to similarities in weather, culture, lifestyle, commodities and use demands <p>➔ More flexibility in all delivery terms under Incoterms</p>	<ul style="list-style-type: none"> ✓ Increasing delivery cost ✓ Increasing transactions cost due to insurance ✓ Risks of the goods <p>➔ Choosing group E, F (carry less risk and incur lower costs)</p>

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE5: Country negotiating position

Reason for lower position of exporters in Vietnam

- ✓ Mostly small and medium-sized
- ✓ Reputation and position are not strong enough
- ✓ The quantity of exported goods is insignificant
- ✓ Lacking of export experience and the ability to handle risks



“Country negotiating position”

- ✓ Larger, more experienced partners often require exporters in Vietnam to export FOB
- ✓ Some exporters in Vietnam accept long risk-taking terms and require paying costs in advance (group C and D terms)

4.3 Findings and Discussion

LE factor: lowest influence with a regression coefficient of 0.172 ◀

LE6: Competitive level of commodity market



Government	Export enterprises
<ul style="list-style-type: none"> ▪ Signing FTAs ▪ Promoting exports ▪ Guiding implementation and compliance regulations in each country 	<ul style="list-style-type: none"> ▪ Competing in terms of both price and delivery ▪ Using group C or group D to offer and create more competitive advantages

RECOMMENDATIONS

5.1. Summary of findings

5.3. Recommendations

5.2. Vietnam's export development orientation 2021 - 2030

5.4. Limitations & Conclusion

CHAPTER

5



5.1. SUMMARY OF FINDINGS

What is Incoterms 2020? What is the role and meaning of the choice of delivery terms under this rule in export activities?

01

02

Which factors influence the choice of delivery terms under Incoterms 2020 and extent of their influence?

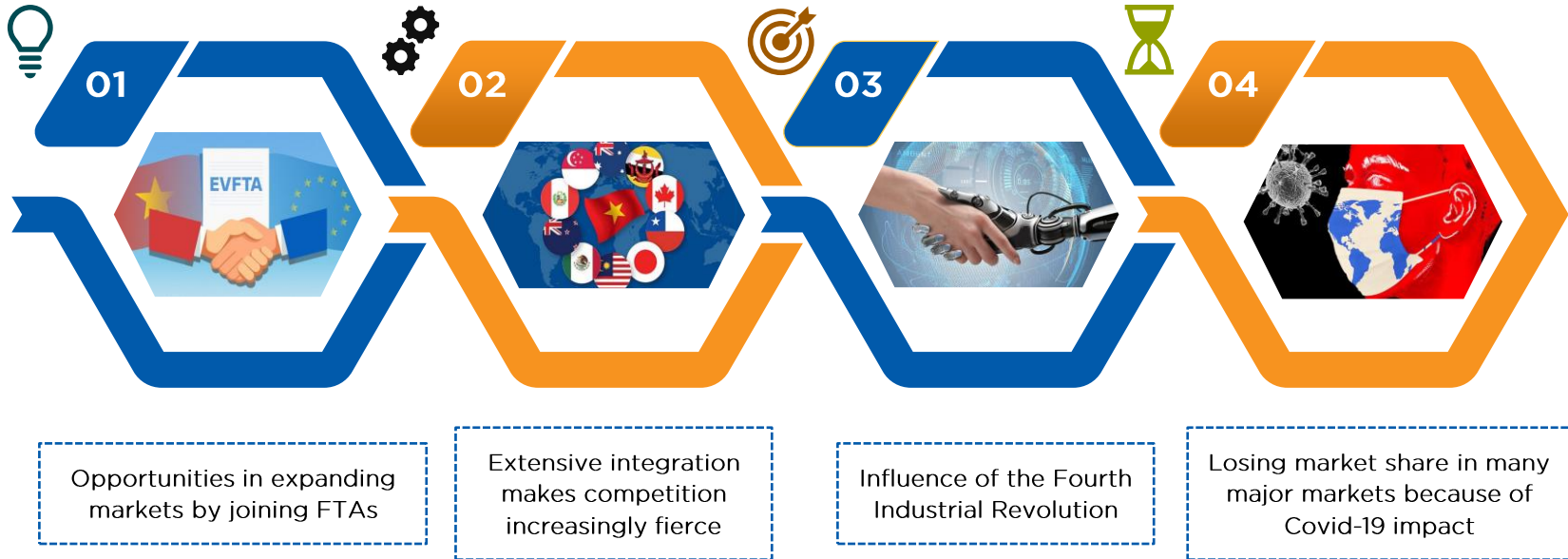
Factor	Sig.	Beta Standardized Coefficient
Resources - Advantages	.000	0.204
Efficiency - Cost	.000	0.455
Legitimacy - Environment	.003	0.172

What is the recommendation for the choosing process of delivery terms under Incoterms 2020 for export firms in Vietnam?

03

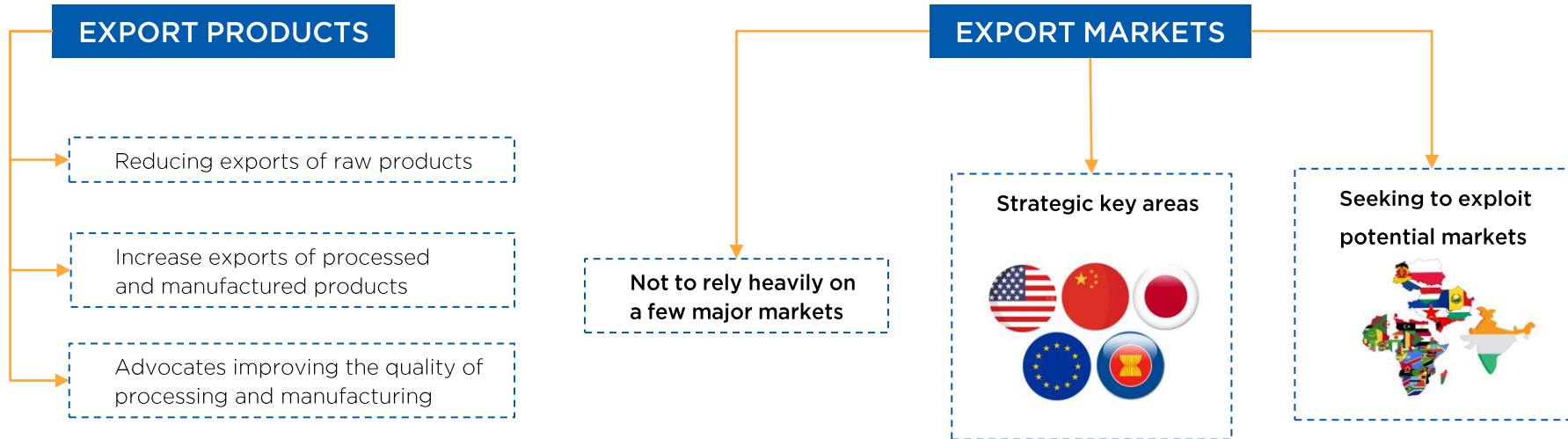
5.2 VIETNAM'S EXPORT DEVELOPMENT ORIENTATION 2021 - 2030

5.2.1 The context of Vietnam and the world in the period 2021 - 2030



5.2 VIETNAM'S EXPORT DEVELOPMENT ORIENTATION 2021 - 2030

5.2.2 Forecast of Vietnam's export products and markets by 2030



NECESSARY TO BE CAREFUL IN CHOOSING DELIVERY TERMS UNDER INCOTERMS 2020 THAT ARE APPROPRIATE AND BENEFICIAL TO BOTH COUNTRY AND EXPORT BUSINESS

5.3. RECOMMENDATIONS

5.3.1. Improve knowledge and experience of export staff about Incoterms 2020

FOR COMPANY

- **Practical experience:** New training programs for staff
- **Expertise knowledge:** Courses about Incoterms 2020 and international trade



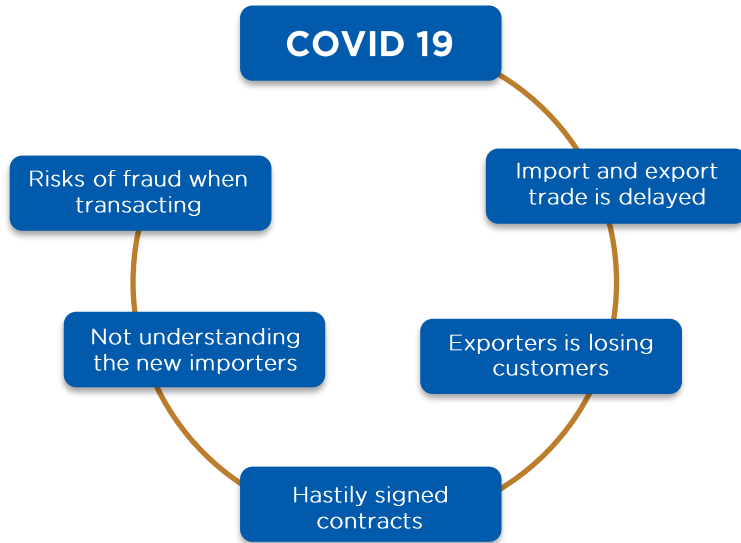
FOR GOVERNMENT

- Coordinate with enterprises
- Focusing on higher education, vocational education
- Training cooperation between schools - enterprises



5.3. RECOMMENDATIONS

5.3.2. Be careful when transacting with new importers



Recommend 1: For export enterprises

- ✓ Carefully check and authenticate the importers
- ✓ Maintain control and ownership of shipment

➔ **Choose delivery terms group E, F**

Recommend 2: For government

- ✓ Establish official databases
- ✓ Building a quick response channel

➔ **Inform about suspected scammers**

5.3. RECOMMENDATIONS

5.3.3. Enhancing the competitive position and signing contracts of export enterprises

Recommend 1: Strengthen and promote relationships with partners

Customers

- ✓ Providing special services
- ✓ High quality of goods
- ✓ Transparent in the production process

➔ **Chose Incoterms used before and save contracting time**

➔ Enhance negotiating position in selecting Incoterms in favor

Suppliers

- ✓ Maintaining regular communication
- ✓ Ensuring the payment, clearly terms in agreement
- ✓ Applying automatic supplier management software

➔ **Receive more incentives, flexible to choose Incoterms in favor**

Forwarding agents

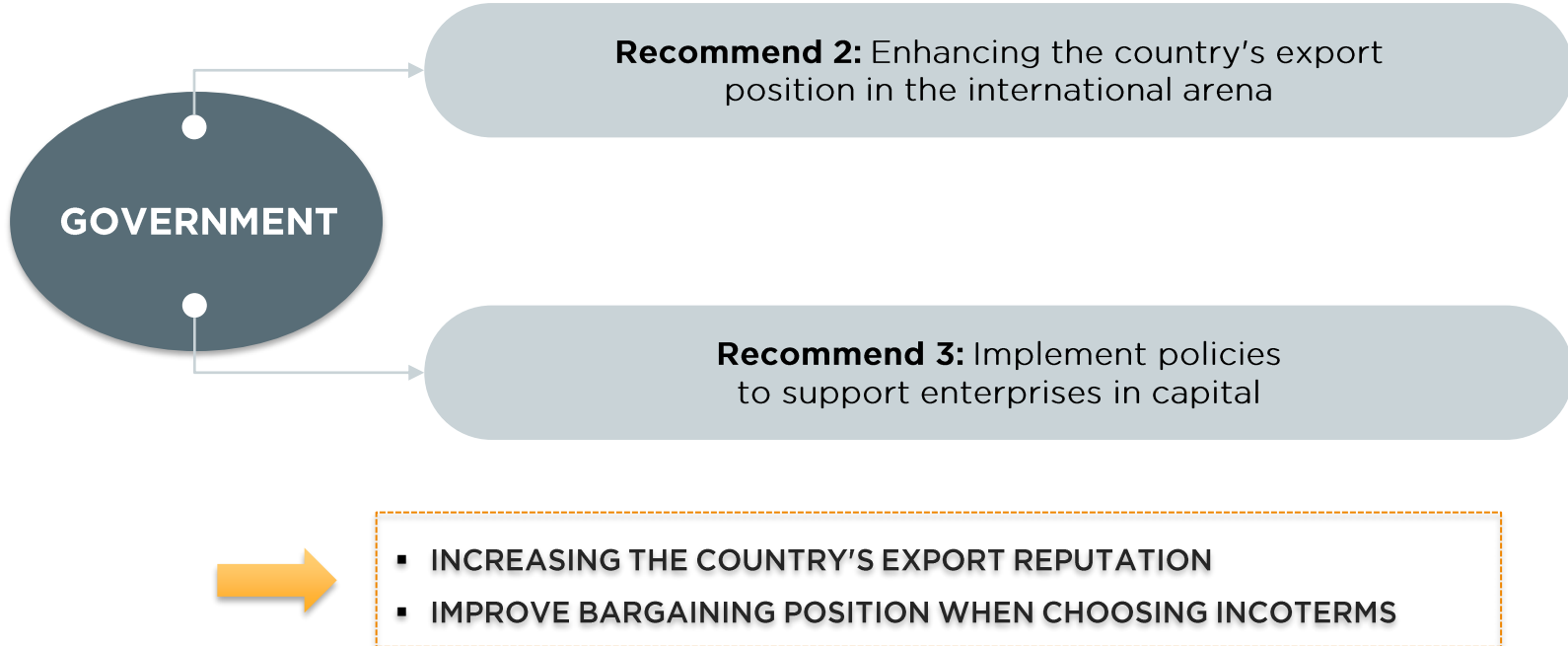
Signing long-term contracts, ensuring on-time payments...

➔ **Getting advice on choosing suitable Incoterms**

➔ Feeling secure when choosing any Incoterms

5.3. RECOMMENDATIONS

5.3.3. Enhancing the competitive position and signing contracts of export enterprises



5.3. RECOMMENDATIONS

5.3.4. Find out and choose appropriate, cost-effective modes of transport that are in line with the realities of transport infrastructure in Vietnam.

▶ Reduce transportation costs

Choose Incoterms for multimodal instead of marine transport



Strengthen a long-term relationship with a reputable carrier



**EXPORT CIF TO
AVOID SURCHARGES**

Actively choose delivery terms based on the delivery time and place of receipt



**AVOID WAREHOUSING COSTS
OR CAPITAL STAGNATION**

5.3. RECOMMENDATIONS

5.3.4. Find out and choose appropriate, cost-effective modes of transport that are in line with the realities of transport infrastructure in Vietnam.

▶ Select delivery terms in accordance with Vietnam's transport infrastructure

ENTERPRISES

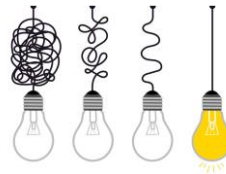
- ✓ Understand the actual infrastructure of Vietnam
- ✓ Actively negotiate and win the right to transport



GOVERNMENT



To have solutions to upgrade and strengthen transport infrastructure



Speed up and simplify the process



Encourage businesses to use multimodal transportation

5.3. RECOMMENDATIONS

5.3.5 Understanding the nature of export commodities

Choosing Incoterms suitable for each type of goods



Investing more in preservation technology, keeping quality for a longer time

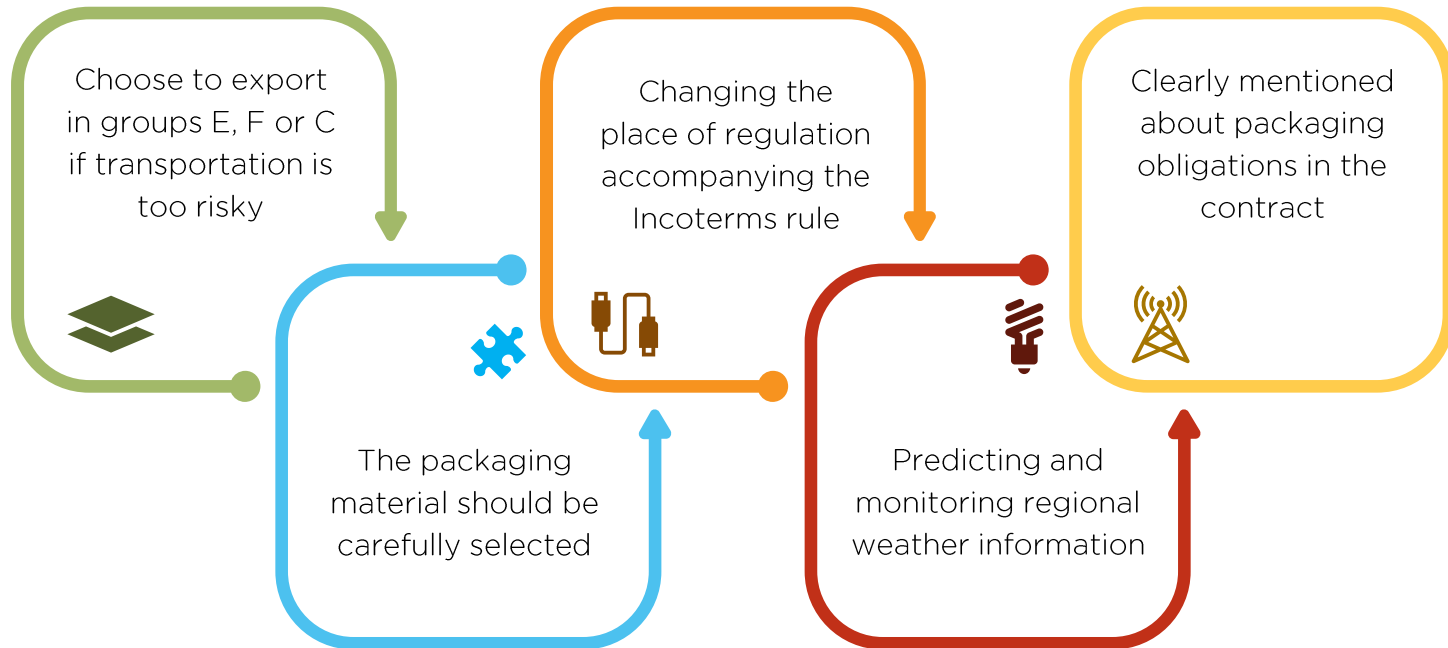


Participating in industry associations and forums related to export products



5.3. RECOMMENDATIONS

5.3.6. Strengthening measures to minimize risks of goods in the transportation process



5.3. RECOMMENDATIONS

5.3.7. Be careful and take advantage of the right to buy insurance when exporting

RECOMMEND 1

ACTIVELY NEGOTIATE FOR APPROPRIATE INSURANCE COVERAGE LEVEL

Avoid choosing terms where the insurance does not cover the risks that may arise.

RECOMMEND 3

IMPROVE THE COMPETITIVENESS OF DOMESTIC INSURERS

Exporters can choose and negotiate about CIF, CIP price



RECOMMEND 2

GRADUALLY CHANGING FROM THE HABIT OF EXPORTING FOB TO EXPORTING CIF

- Business choose to buy insurance at domestic enterprises
- Build relationship with Vietnam insurance company, surfing in insurance market
- Government: specific mechanisms and policies to encourage companies to exporting CIF

5.3. RECOMMENDATIONS

5.3.8. Learn the politics, regulations and laws of the importing country



5.3. RECOMMENDATIONS

5.3.9. Thoroughly understand export clearance procedures of Vietnam

FOR EXPORT ENTERPRISES

- **Understand the customs clearance procedures** → Preparation of documents, detailed process
- **Learning about import clearance in partner countries** → Consider choosing delivery by DDP terms
- **Attention to awareness and understanding of e-customs**

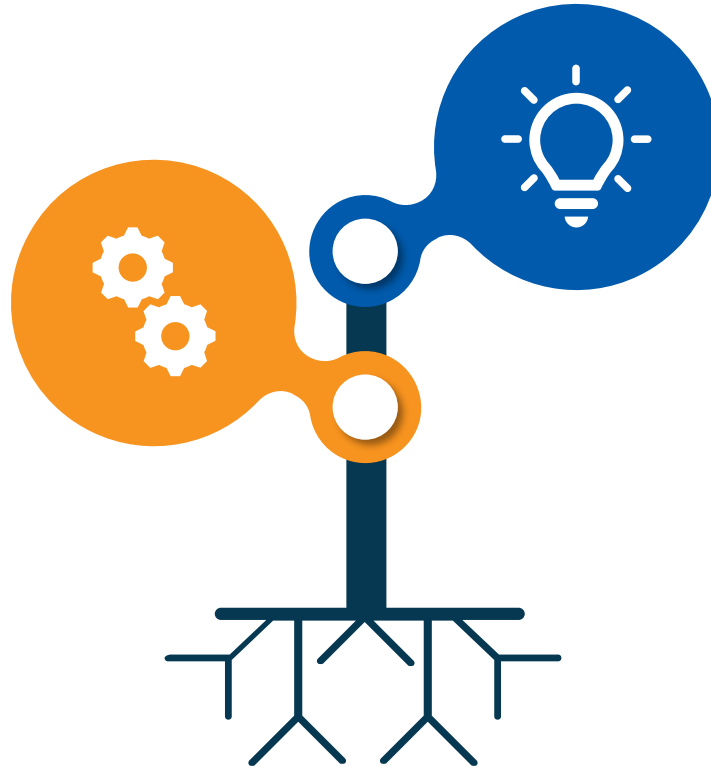
FOR VIETNAMESE CUSTOMS

- **To continue to improve the legal environment**
 - **Improve the quality of digital infrastructure**
 - **Develop IT platforms**
- } Exporters can easily learn and grasp the necessary information

5.4. LIMITATIONS AND CONCLUSIONS

LIMITATIONS

- Time constraint only 4 months
- Limited quantitative literature review
- Social distancing because of Covid-19



CONCLUSION

- Examining the factors affecting the choice of delivery terms under Incoterms 2020 of export enterprises in Vietnam
- Providing recommendations for export businesses in Vietnam
- Being a reference document for future research

THANK YOU FOR LISTENING

