

INCOTERM MANAGEMENT AS A STRATEGY FOR ADDED VALUE

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Lately, companies have been striving to offer their clients increasingly greater value. As opposed to cost strategy, tied to offering a product at the possible lowest price, a differentiation strategy is postulated, whereby the company seeks to distinguish itself from the competition through different features that are valued by its clients. This differentiation strategy is linked to higher prices, which is why companies that compete by this approach do not base their strategy on offering the lowest market prices.

The differentiation strategy is based on what in the recent years has been termed the management of intangibles. The management of intangibles is the process whereby sensitivity regarding clients, suppliers and workers of the organisation is incorporated sustainably into the organisational strategic approach. It involves integral management of the organisation in fields like know-how, information of the environment, logistics, delivery times, brand, reputation, quality of the service, among others. The present study focuses on a very specific feature, which has to do with logistics: the use of Incoterms as an intangible element of differentiation.

The *European Commission* and the *Ministers of Transport* of the fifteen member states have stressed the need for the seaports to offer an increasingly higher quality/price ratio. In this sense it is necessary to review the internal procedures, the intra-port coordination, documentation and costs. In other words the clients are to be offered more value at a lower price. The present study analyses the *Incoterms* most widely used at the moment by the Spanish and Italian ceramic companies for destinations in the Mediterranean and Black Sea area. *Incoterms* are international rules for the interpretation of trade terms, fixed by the International Chamber of Commerce. They are of great importance since they provide the businesses community with an elementary clarity on concepts for limiting the responsibilities incumbent on the buyer and the seller in operations between different states. This study focuses on the costs of the main ports of embarkation for Spanish ceramic products: Port Castelló and Puerto de Valencia.

Spanish ceramic companies basically work ex-factory for the selected destinations, and CIF just appears in a testimonial way, for two destinations: Algeria and Tunisia. A first reflection, in view of the data, would focus on the fact that the Spanish companies leave control of maritime logistics to the clients in exchange for bearing smaller risks and costs. However, reality shows that many Spanish ceramic companies handle the whole transport organisation to the port for their clients and thus offer a service that is not charged.

These data lead to a reflection about the existence of an export strategy by the Spanish ceramic companies. To work ex-factory has the advantage of smaller costs and responsibilities, and therefore a smaller risk. But it also means less control of delivery times and of the quality of the final service. In contrast, working FOB or CIF entails a greater economic risk but it means controlling more closely the delivery times and the quality of the final service. The quality perceived by a client does not finish when the product is made or leaves the factory store, but when the client receives the order at home. Nowadays, other economic sectors offer their clients comprehensive solutions. This strategy is especially useful in mature and very competitive markets, where it is necessary to offer much value in exchange for price. From our point of view, it would be convenient for the sector to reflect on this fact, especially when, often, almost the entire FOB transaction process is being handled. At least, given the level of competitiveness that has been reached in the different markets, it is important to make the client note the value of what is being offered. Therefore, a policy to be considered could be that of offering greater value to the client by working FOB or CIF with them; however, making this known so that it can be perceived. Still, all this requires some further nuancing.

With regard to the data obtained from the study, it should be noted, first, that the Spanish ceramic companies, in general, are faster than the Italians in servicing the orders. This advantage is very important in the field of short sea shipping. Therefore, the Spanish ceramic companies have an important advantage in the delivery times

(4.4 days). This competitive advantage is particularly relevant in short sea shipping, or overland exports to the continental markets, where delivery times are especially decisive. The advantage of the Spanish companies resides in better store management, in which important invests have been made in recent years by certain companies. Moreover, a better mutual understanding between the factory stores and the road haulage companies has been observed.

In spite of these quite positive features, it is necessary to draw attention to the long time it takes to make an order, which accounts for 66% of the delay time. In this sense it is important to reflect, once again, on the high number of product references that the ceramic companies handle, on the necessary coordination with the trims companies, and on the high number of new product launchings, which are not offset by the rhythm at which obsolete products are eliminated. It is necessary to examine exhaustively, therefore, the company catalogue and to verify whether the products it comprises meet the necessary requirements, i.e. address true needs in the market they target. And, in addition, to determine whether their dimensions match the size of the company, i.e. in clear reference to its production, structural and financial, capacities. Another weak point to be addressed is the connection of the sector with the export seaports. There are also problems regarding the accesses to these ports, in the internal logistics of these ports (bottlenecks at the entrance, in loading and unloading the vessels), while the smaller frequency of the ships, compared with the Italian ports, is also an issue to be considered, particularly in order to foster short sea shipping.

