

Liubov Dosovitchaia

FCA TERMS OF FINNISH-RUSSIAN DELIVERIES: COMPANY X CASE

Detection of issues throughout the FCA delivery process of Finnish-Russian sales in the case of Company X

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Liubov Dosovitckaia
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ABSTRACT

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Author: Liubov Dosovitckaia

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The subject of the thesis is the effective use of an international commercial term (Incoterm) in Finnish-Russian shipments in the target company. The purpose of this thesis is to identify the issues the company face with during FCA (Free Carrier) Incoterm delivery process and to give recommendations on how to eliminate them. The case company requested to collect opinions from all the parties of the FCA delivery process and to identify the challenges that occur at different stages.

The thesis used qualitative research to achieve the goals. The empirical part of the study was created from several sources, and the research part was conducted with four thematic interviews. Each of the interviewees represented a party taking part in the FCA delivery process: customers, Company X logistics team, Company X sales team and terminals.

The study showed that the company is already struggling with problems at different stages of the process. Some actions to prevent the challenges have already been taken. At the same time, other identified challenges require a more individual approach. The thesis includes recommendations to help to avoid these issues.

Keywords: FCA, Incoterms, issues, delivery process, customer service

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1 INTRODUCTION

The Incoterms 2010 is the list of rules applied in logistics of goods over the borders. The statutes have a significant influence on daily trade between companies and countries. The Incoterms rules take a vital position in international sales contracts guiding export-import relationships (Incoterms rules 2010). Incoterms are crucial elements of the international sales contracts, where all responsibilities and risks of each party are determined (Ramberg 2011, 16).

The purpose of Incoterms is to help export-import parties elevate or reduce confusion over interpretation of delivery terms related to delivery follow-ups, such as damages or losses. The sides are strongly recommended to agree in advance on the terms of deliveries where one of the parties takes responsibility for the risks of goods delivery, the insurance of the products and custom regulation. (Jimenez 2012, 43) Nevertheless, there are still some situations that are not covered by the rulebook and left as open issues for the trade parties, for instance, costs of unloading the goods from pre-delivery, loading them again for the final part of delivery, securing and supporting the products in the vehicle (trucks, wagons) and the level of support, documents etc. The absence of the instructions in the situations mentioned above leads to misunderstandings between the customer and the company which worsens customer service and slows down the delivery process.

The objective of the research is to outline the prescribed rules and conditions of FCA (Free Carrier) Incoterms 2010 and terms left open by FCA. The study is orientated on combining the views of customer, sales and logistics on the current situation. The parties involved are case company sales team, case company logistics team, customers and terminal operators. The intention is to create a set of guidelines and suggestions on how to improve the FCA delivery process that Company X could use to optimize their order delivery service.

A challenging problem which arises in this domain is that each party has its own opinions regarding the questions left open by the FCA terms. In these opinions, they tend to favour themselves rather than their business partner. The open conditions are not covered in the Incoterms 2010. They are also not reflected in the contracts of sale. Therefore, it is essential to define what the current customer contracts involve; what responsibility and costs Company X proposes and what parts of the agreement require a more detailed description. The research question explored in the thesis is as follows: What are the challenges of FCA Incoterms 2010 in Finnish-Russian trade with regards to Company X case?

Companies widely use FCA Incoterm due to its flexibility. It allows for transfer the goods both at seller's premises and at other points serving as terminals, ports, transports centres and others. FCA is suitable for delivering any cargo and for payment of any kind. Moreover, the Incoterm is convenient for many modes of transport. Nevertheless, high flexibility entails high freedom in actions for each of the parties. It requires the parties to describe many details of FCA delivery in the contracts or additional agreements to eliminate the conflict of interests.

The methodology of the thesis applies qualitative research performed by answering the research question and identifying the key insights and perspectives. The study consists of themed interviews and surveys that are collected from the parties involved in the FCA delivery process. The themed interviews are conducted through face-to-face conversations with the representatives of the Company X sales and logistics teams, which offices are located the CSC (Customer Service Center) Northeast department, Oulu. The interviews with customers have been conducted via video call. The meetings are supplemented with the surveys from the rest of the study participants. The study aims to collect a diverse set of opinions and views on the FCA delivery process for its optimization.

As it was already motioned earlier, in the thesis, I want to concentrate on determining the FCA Incoterm unprescribed conditions. Therefore, the study starts with the definition of Incoterms and an explanation of the differences between Incoterms 2010. It is a short tour for the reader to get a brief understanding of what regulates the rules of international trade. Third chapter is directly dedicated to establishing the seller's and buyer's obligations in FCA delivery process. The final part is the research conducted on the example of Company X case. By collecting the information from the interviews, we will try to identify what factors obstruct the efficiency of the delivery process.

2 INCOTERMS AS ICC TRADEMARK

"Incoterms" is a capacious and sonorous word that replaces the phrase "International rules for the interpretation of trade terms." These are 11 rules, first published back in 1936, which determine those responsible for various operations in international transactions. Incoterms are known and used everywhere - from Australia to Japan. They are required for each commercial invoice and significantly reduce the risk of potential costs due to misunderstandings.

2.1 Incoterms

International commercial terms, or its better-known abbreviation Incoterms, is a list of rules applied to the contract of sale. The terms are formed to regulate international and domestic trade. Incoterms provide instructions for the following fields: cargo delivery from seller to buyer; export-import and insurance clearance; and the division of responsibility and costs between the parties. However, it is crucial to understand how the Incoterms appeared and how they have developed over the decades.

The first reference to the standard international trade rules was made in the beginning of the 20th century. At that time, traders faced a problem that was impossible to ignore: countries that are trading partners had different legislation regarding the conditions of international trade. It pushed the International Chamber of Commerce (ICC) of forming a group to deduce Incoterms 1936. There have been other attempts to distribute the general international trading terms. However, ICC's 1936 was the first version that has been broadly accepted. Incoterms has been revised and published in 1953, 1967, 1976, 1980, 1990, 2000 and 2010. The revision is an essential activity, aimed at ensuring that Incoterms instructions are up-to-date and relevant for contemporary trade activities. (Ramberg 2011, 8)

Incoterms 1936 were concentrated on commodity delivery and trade. The core parts of the first version was dedicated to shipping the goods by sea. The Incoterms 1936 included FAS, FOB, CIF, Ex Ship and Ex Quay terms. After the Second World War, the development of Incoterms has been resumed. The number of deliveries by train has been increased. It forced ICC to reconsider the terms. Therefore, in 1953, there was the first revision of Incoterms. In a result, three new Incoterms were added: DCP ("Delivery Cost Paid"), FOR and FOT ("Free on Rail" and "Free on Truck"). In

1974 due to increased air traffic, a specific term for air deliveries (FOB Airport) was supplemented. With the expansion of freight shipments in containers and new clearance of goods, another revision was required. In the fifth edition (1980 y.), the trade term FRC ("Free Carrier ... At Named Point") was presented. Goods were received at goods delivery stand on the shore, such as a container platform (not from the ship) (ICC International Chamber of Commerce 2019). In 1990 a complete Incoterms revision took place. All these trade terms (FOR, FOT, FOB Airport), except maritime, were simplified. ICC saw no reason to have specific terms for each type of transportation. It was decided that FCA ("Free on Carrier") term will be used the removed ones instead. Changes in customs clearance obligations were noted in the 2000 revision.

Incoterms 2010 is the latest version of the Incoterms rules. This version restructured the term of the D-family group: deleted DAF ("Delivered at Frontier"), DES ("Delivered Ex Ship"), DEQ ("Delivered Ex Quay") and DDU ("Delivered Duty Unpaid"), whereas added DAT ("Delivered at Terminal") and DAP ("Delivered at Place"). Other modifications were devoted to obliging buyers and sellers to exchange and share information to adapt "string sales". (ICC International Chamber of Commerce 2019)

Now, in 2019, the whole world uses the rules of Incoterms as amended in 2010. However, already today the new trading terms Incoterms 2020 are being developed in the International Chamber of Commerce (ICC) by a committee of experts - the Drafting Group. This committee includes lawyers from the United States of America, Great Britain, France, Turkey, Germany, and representatives of China and Australia for the first time. The drafting group should simplify the rules, remove redundant supply bases that confuse the use of trade terms, and clarify all delivery conditions for exporters and importers around the world.

2.2 Rules for any mode of transportation

Incoterms is a set of acronyms of the delivery condition they are describing. The core duty of Incoterms is outlining the responsible party which is obliged to take control and/or insure the goods at a particular stage of the delivery process. Choosing Incoterms should be done with caution because each Incoterms refer to the mode of transport. In the subchapter, the implications of each Incoterms 2010 are disclosed.

2.2.1 Incoterms 2010 abbreviations

There are 11 Incoterms, that can be divided into two groups: Rules for Sea and Inland Waterway Transport and Rules for Any Mode or Modes of Transportation. They are presented below in the order from the least risk/responsibility to the seller to the highest (see Figure 1). Depending on the revised terms, both parties (buyer and seller) have to agree in advance on precisely where the order is delivered and what costs and charges are included and include this into the sales contract (Ramberg 2011).

Incoterms 2010 can also be classified into four groups (Royal & Sun Alliance Insurance plc 2019):

- Group E is represented by only one term, Ex Works (EXW). Seller has the minimum responsibility. His obligations finish merely by providing the goods to the customer.
- Group F is represented with Free on Board (FOB), Free Carrier (FCA), Free Alongside Ship (FAS). Seller has more responsibility in the term group. He is obliged to deliver the goods to the agreed point to pass over the freight.
- Group C is represented with Carriage Paid To (CPT), Carriage and Insurance Paid to (CIP), Cost and Freight (CFR), Carriage, Freight and Insurance (CFI). Seller arranges and pays for the transportation. Nevertheless, the buyer is responsible for providing insurance to cover the costs of the risks associated with the activities after unloading the goods.
- Group D terms are most dangerous for seller, as seller carry maximum responsibility. He takes all the risks for the goods during transportation until the orders are delivered to the destination.

INCOTERMS® 2010

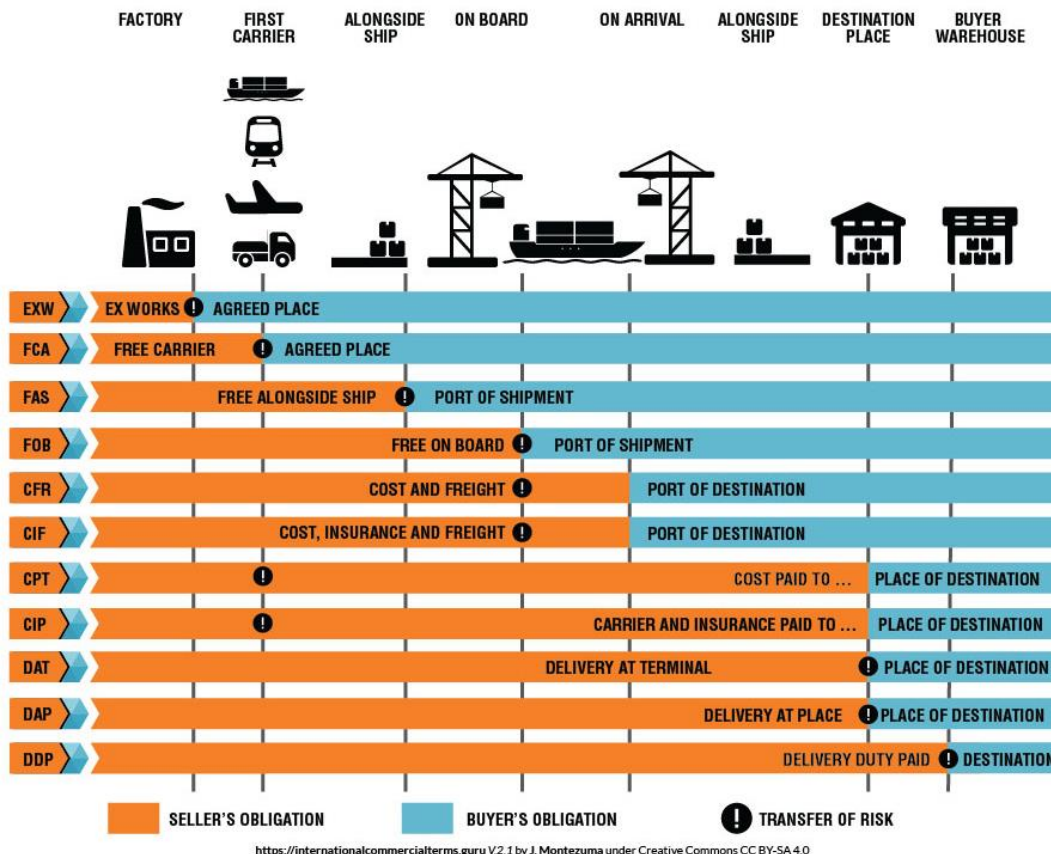


Figure 1 Incoterms 2010 scheme: seller's and buyer's risks

Another way to classify the terms is by classes. Rules for Sea and Inland Waterway Transport class consists of four terms: FAS, FOB, CFR and CIF. The delivery point and the place where the goods are transported to are both ports. Therefore, the rules of labelling "sea and inland waterways" apply to these goods. Each subsequent term of the class is one step further than a previous one. The one-step difference is marked with the underline:

- FAS – Free Alongside Ship: Buyer takes all risks, such as transportation charges and insurance expenses, as soon as the goods are handed over alongside the ship (to the agreed port/terminal, not onboard) by seller. Seller is obliged to handle the export clearance.
- FOB – Free On Board: Buyer takes all risks, same as term FAS when the goods are delivered on board the vessel by the seller. Before it, the seller that is responsible for the cargo.

- CFR – Cost and Freight: The seller delivers the goods on board the ship. From that moment, the risk passes to the buyer. The seller takes care of paying costs and freight to the agreed destination port.
- CIF – Cost, Insurance and Freight: The seller assumes all risks until the delivery of the goods is completed onboard the vessel. The seller pays cost, freight and insurance to the agreed destination port.

Rules for Any Mode or Modes of Transportation class consists of 7 Incoterms 2010 rules: EXW, FCA, CPT, CIP, DAT, DAP and DDP. The terms are applied to any mode of transport. They may also be used irrespectively whether one or a few types of transportation have been used.

- EXW – Ex Works: The seller should deliver the goods at transfer point at the seller's premises. The term is the most convenient and beneficial for companies which have just entered export. The seller bears the minimum liability. The buyer is not obliged to spread the information related to the goods' shipping with the seller.
- FCA – Free Carrier: The seller delivers the commodities to the carrier and may be obliged to providing export document on the goods. The seller offers loading at the pick-up point. The seller shows more concern about the products compared to EXW to avoid export violations.
- CPT – Carriage Paid To: The goods are delivered by the seller to the carrier. Since the products were passed to the carrier, the buyer is responsible for them. However, the seller pays for transportation to the end destination costs.
- CIP – Carriage and Insurance Paid To: The seller organizes the delivery to the carrier, also pays for transportation to the end destination and insurance costs. The buyer takes care of all other liabilities.
- DAT – Delivery At Terminal: The seller is a responsible face for costs and risks of the goods until they are delivered at the agreed premises at destination. It can be a warehouse, yard or terminal. The seller provides export documentation, not import.
- DAP – Delivery At Place: The seller takes responsibility for the cost and risk for the goods until they are handed over to the buyer at the named (by the buyer) location. The seller provides export documentation, not import.
- DDP – Delivered Duty Paid: The seller is liable for the cost, risk, liability and clearance of the goods. The goods are delivered to the named (by the customer) destination at the buyer's disposition. Therefore, the buyer unloads the products, while the seller bears import clearance (paying duties and taxes). The seller, not buyer, is "importer of record".

2.2.2 Parties involved in the transportation process

A *carrier* can be any company that undertakes the carrying out internal delivery of goods to a previously agreed destination. The “inland carriers” designation is used as a general term. It can be used either to rail or road transport modes, or the combination of the two modes. Shipping or airline companies usually perform overseas carriers. Thus, transportation with carriers can include multiple modes of transport, and the shipment requires only one document. It can be either a Bill of Lading or Waybill.

Freight forwarders, freight brokers, transit agents, clearing agents or customs brokers act the same way and can also perform as forwarding agents. In most cases, buyers and sellers do not arrange the shipment of their goods. They pass on the responsibility to make the necessary arrangements and to process customs formalities to the specialized firms. The role of the forwarders is to supervise the shipment from the seller’s premises till the end destinations. They register consignment with the carriers, agree on the place where to pass over the goods to them, provide the Bill of Lading, pay the freight and related expenses, execute the required documents, and distribute the documentation to the involved parties (buyer, seller, carrier, etc.) as it is prescribed in the instructions.

Dock authorities are under the port or airport authorities’ jurisdictions. It is the point where the cargo is stored waiting for unloading or clearance before they are moved to the destination point.

Custom control is compulsory and an inevitable unit for any export/import activities. The documents are verified in the customs offices. *Custom authorities* keep statistical records of quantities and value of the exported goods. However, from the import side, the situation is different: they collect additional taxes from the firms, rather than exempt the firms from them.

The specialized companies represent *insurers* providing insurance for the cargo. The companies are hired in case of specific insurance policies or contractual arrangements. The insurance companies will keep the freight insured from force majeure situations, losses and damages throughout the delivery track up to the destination.

Nevertheless, there are many other small sub-contractors taking part in the shipment process. They rarely interact directly with suppliers or core parties. For example, they are warehouses, surveyors, banks and others. (UNDP Practice Series 2008, 10-11)

2.3 Role of Incoterms in international sales contracts

2.3.1 The ICC Model Sales Contract

The ICC Model International Contract (or the Sales Form) assists the trading parties by helping to deal with issues not covered in the individual or standard contracts. It can be presented in various forms. The ICC Sale Form consists of A and B parts (Ramberg, 2011, pp. 11-12). The scheme of the contract of sale is represented in Figure 2.

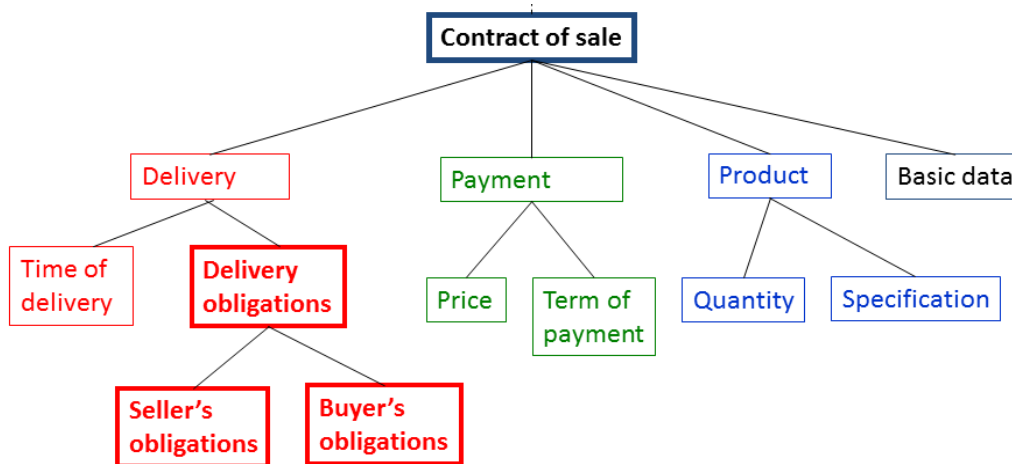


Figure 2 The contents of a contract of sale (Reijo Rautauoman säätiö 2019)

Section A allows parties to choose the solutions suitable for themselves. The core agreement parts are the introduction of the parties, goods specification, price specification and payment method. Another crucial aspect to agree on is the goods delivery term.

Section B contains general conditions regarding liability in case the goods do not correspond to the characteristics of those ordered, or the delivery was delayed (compensation for the caused losses or termination of the contract). There is a provision that ordains the default interest if the payment has been delayed. In case a party does not follow its obligation because of an unexpected incident, it is impractical to hold this party responsible for failure. The situations are prescribed in the Force Majeure part of section B. (International Trade Centre 2010, 9-11)

It is possible to derogate from provisions that are specified in section B by filling in the boxes in section A. For instance, it is possible to indicate a specific date of termination with an influence of applicable law. Moreover, the parties may wish to provide a different form of compensation.

The ICC Model International Contract is both flexible and essential in its recommendations for the parties of the sale contract. It serves as a guide for the parties who want to draft an agreement. The Sales Form can be used "as is" and fill it in the manner as mentioned earlier. Otherwise, it can be used as a model in drawing up an individual contract. Nevertheless, it is essential to note that the ICC Sales Form is intended for resale of manufactured goods. Thus, it can be inappropriate in cases where products are produced for the buyer who is an end-user. (Ramberg 2011, 13)

2.3.2 Additional contracts

An international trade relationship often requires an additional agreement in support of a contract of sale. In practice, the delivery process involves three parties: seller, buyer and carrier. Firstly, the order has to be shipped from the seller's location to the destination agreed upon with the buyer. Next, the mode of transport should be determined and paid for. Incoterms' function is to delimit what role each party is performing in the contract of carriage. The delivery process is described in Figure 3. (Ramberg 2011, 13-14)

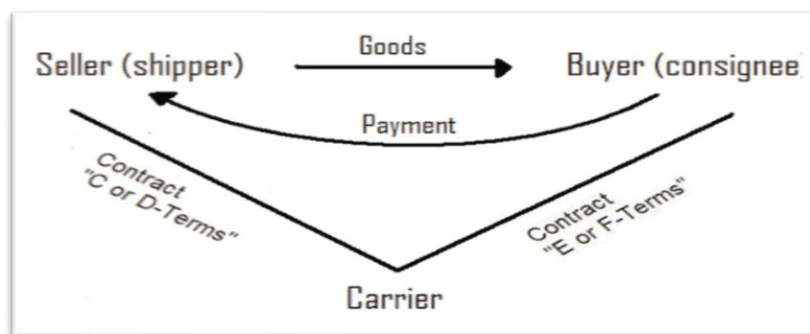


Figure 3: Delivery process scheme (Ramberg 2011, 13)

If the Incoterms shipment terms start with letter C and D, the seller is the party responsible for the contract with the carrier. The seller should agree the time and place or end delivery to make sure that the buyer is able to receive the goods from the carrier. The seller must also escort the shipment with documents for the buyer, for example, a bill of lading. In case of carriage under D terms, the seller is responsible and carries the risks throughout the delivery process: from the seller's location up to the buyer's destination. However, with the C terms, the situation is different: after the seller has arranged and paid for the carriage, the entire liability and risk passes to the buyer.

The seller often tries to make sure that the orders are delivered intact to the buyer. They want to eliminate the risk of loss or damage to goods. If it happens, it is the seller's responsibility to provide a substitute for the damages or lost goods. Although, it is generally assumed that in case of failure to deliver the goods, both parties could free themselves from the contract of sale. Nevertheless, it is better to agree upon circumstances and consequences of the incident in the individual contract. The same relates to the buyer's payment liability. When signing a long-term sales contract, the seller trusts the customer enough to sell goods on open credit account. However, for each seller, it is vital to protect themselves and have security. It can be expressed in different ways. One of the options that the seller can use to protect themselves is to arrange bank guarantees. It means that in case the customer does not pay the invoice, the money is collected from the warranty (No758 2010). For their part, the buyer may also request a letter of credit. It enables the customer to make sure that the goods have been delivered safely before paying for them. (Trade Finance Global 2019) However, these requests should not conflict with the sales contract.

2.4 The Incoterms rules and documentary credits

Documentary accreditation serves to prove that the seller's obligations to the buyer have been fulfilled according to the Incoterms rules and the contract of sale. In turn, the buyer is obliged to pay for the goods and services. In context, the rules should be followed – firstly, the instructions provided by the customer to the bank carrying out the documentary accreditation must correspond to the terms of the contract of sale. Next, the seller should have access to the letter of credit to check its terms well before the goods delivery. Thirdly, there are no discrepancies between the terms of the letter of credit and the terms of contract of sale that could allow one of the parties to break the contract. Finally, the bank can only pay against the document that controls the disposition of goods and prevents the seller from sending the goods to someone else after receiving the money (from the initial buyer). (Ramberg 2011, 36)

The list of the most common documents:

- Bill of Lading is a legal document handed over by carrier to a shipper. The paper contains information about the transported order: weight, quantity, the destination point. The Bill of Lading is used for goods shipment by sea. By the end of the transfer, the document must be approved by carrier, shipper and receiver. Bill of Lading also serves as a receipt for the

shipped products. The main specific feature of the document is that it gives ownership of a cargo (document of title) (Investopedia 2019).

- Multimodal Transport Document is issued or signed by a carrier. The document is used if the shipment contains a minimum of two different modes of transport. For example, the core delivery is done by vessel; however, the pre-delivery is arranged by truck (Deshpande 2014).
- Sea waybill (SWB) is a transport document used in maritime transport, whose functions include confirming the conclusion of the contract of carriage and the fact of acceptance of the goods by the carrier (shipowner) for carriage, in the quantity and quality specified therein (Wilkins 2011).
- Mate's Receipt is a ship's document confirming acceptance of the goods for transportation. So, it is applicable only for marine deliveries. It reflects the transfer of responsibility for the products from the shipper to the ship. The date on the receipt must correspond to the actual time of loading on the vessel (Ramberg 2011, 37).
- Air Waybill is a document issued by a shipper or an authorized agent. It confirms the existence of an agreement between the shipper and the carrier on the cargo transported by the carrier's airlines. An air waybill is neither a title document nor a transfer document (Reijo Rautauoman säätiö 2019).
- Consignment Note is used for land deliveries. It can also be called RWB for railway delivery or CMR for road delivery. The Consignment Note is issued to confirm the conclusion of the contract of carriage, which determines the responsibility of the seller, carrier and buyer of the goods. It proves that at the time of accepting the products were in proper condition, in the whole package and the marking correspond to those indicated in the consignment note. At the same time, the CMR invoice is not a document of title (Sheahan 2019).
- Warehouse warrant is applied for both land and sea transportation. It is a transferrable document. Warehouse warrant is a document used as a proof of ownership of the goods storing in the warehouse and waiting for collection (Heritage 2017).
- Packing List is a shipping document, which contains a complete list of goods for each item separately (box, role, pallet and others). Transportation of goods by the seller to the buyer is usually accompanied by an extract of packing lists (How to fill out a shipping packing list 2016).

2.5 Matters uncovered by Incoterms

Though when talking about Incoterms, we always mention price and payment. The Incoterms 2010 do not determine any accurate instructions pertaining to the amount to be paid or the payment method. The terms neither set rules for transfer of ownership nor the consequences of the breach for the parties. These matters are usually determined in the contract of sale or governed by law. It is often an issue because sometimes local law can contradict some aspects of the contract of sale, including the choice of Incoterm.

Incoterms should be supplemented with specific provision to tailor the contract for a special trade relationship. The requirements usually concern the delivery time and place, loading and unloading charges, modes of transport, goods insurance and others. Therefore, there are no specific instructions on how the goods must be delivered to the handing over the place or to the destination point. In case it is vital for the buyer how the goods are delivered to the delivery point; it should be specified in the contract of sale. (Jimenez 2012, 51)

3 FREE CARRIER TERM

Company X is one of the biggest paper manufacturers in the world. Its customers are all over the world. The Russian market is not the primary but essential customer group for the company. One of the core delivery routes used in the Finnish-Russian trade relationship by the case company is FCA ("Free Carrier") Incoterms 2010. The scheme of the way is illustrated below in Figure 4.

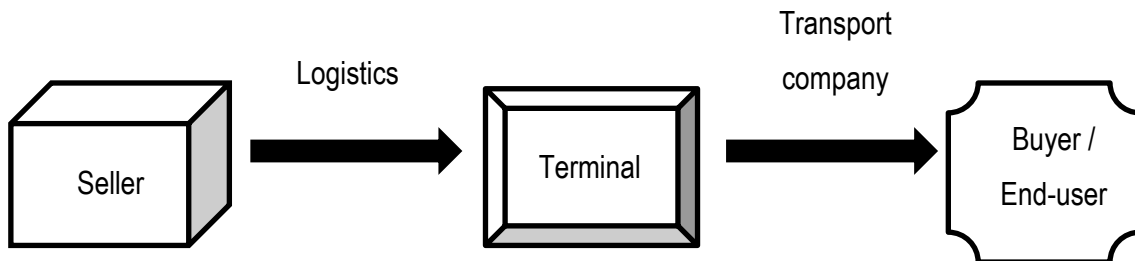


Figure 4 FCA delivery scheme

The seller, whose note is performed by Company X, manufactures the goods. Then the finished and packed products are delivered by the company to the terminal that was earlier agreed with the customers. The terminal companies are the case company's partners. The date of delivery to the terminal is also discussed and agreed with the customers beforehand. That is why, within thirty days after the agreed delivery date, the carrier must pick the goods up from the terminal. The buyer and carrier usually arrange the time individually with the terminal. However, in some cases, the company may be an intermediary link between the terminal and the client to organize the time and coordinate which orders will be unloaded. From the moment the goods are loaded to the customer's truck, the company does not bear any risks and responsibility for the products. The orders go straight to the customer.

The purpose of the study is to identify what services, costs and terms are included in the FCA Incoterms 2010, and what elements of deliveries are still left open. That is why our research will be concentrated on one Incoterm 2010, FCA. The general nature of the FCA term has been already reviewed and briefly explained in the subchapter 2.2.1. The following subchapters will be concentrated more on section by section examination of the FCA term. It will allow the reader to follow the risks and responsibilities of the party at each step of the delivery process more manageable.

The information about seller's and buyer's obligations was collected from the ICC resources: "Incoterms® 2010 by the International Chamber of Commerce" by ICC (ICC 2019, 24-27) and "ICC Guide to Incoterms® 2010" by Jan Ramberg (Ramberg 2011, 64-81; 98-108).

3.1 Seller's obligations

A1 General Obligations of the seller – The seller provides the goods and the commercial invoice. A document that confirms the condition of the goods corresponds to the ones described in the sales contract is also sent to the customer.

A2 Licences, authorization, security clearances and other formalities – The seller is obliged to prepare goods for the export: approval and assume the risk and additional costs. For example, in case there is export prohibition or some taxes to pay, it is in the seller's care. Nevertheless, the seller can use the provisions part of the Sale of Goods Act that can allow him to relieve himself from the obligations.

A3 Contracts of carriage and insurance – The seller does not have to sign the contract of carriage with the customer. FCA implies that the seller's responsibility for the goods passes to the buyer when transferring the goods. Nevertheless, if it has been agreed between the parties to arrange a contract of carriage, F-terms allow it as an additional service to the buyer. It also relates to the contract of insurance.

If there has been an increase in the price or change to the availability of transport, the buyer usually carries all risks and costs. The seller must plan the delivery to the place where the goods are to be handed over that has been agreed upon by the parties.

A4 Delivery. The shipment is arranged by the seller to the carrier or the consignee at the agreed point on the agreed date or within an agreed period. If the agreed place is the seller's premises, then the delivery is completed when the goods have been loaded to the transport provided by the buyer or carrier. If the agreed point is any other place, then the delivery is completed when the goods have been handed over to the buyer or carrier.

There may be multiple delivery points in the contract of sale in abstract B7 d) (Notice to the seller: the point of taking delivery within the named place). However, if it was not specified which point to use, the seller can select the one that is more convenient to them in this case.

Parties need to agree in advance in order to avoid conflict, which party is responsible for unloading the goods from the seller's vehicle and loading them to the buyer's transport at the place of transfer of assets. According to Incoterms 2010, the seller is the party obliged to do so. The buyer is responsible for unloading the goods.

In case the buyer requests to include the option to decide the place to hand over the goods or the mode of transport to pick up the products. Then it is essential to define the range of buyer's options concerning the matters and the time within which the buyer must notify the seller about the handing over place or mode of transport. If there are a few delivery points in the contract of sale in abstract B7 d) (Notice to the seller: the location of passing goods within the agreed place); however, it was not specified which to use. The seller can select the one that is more convenient to them in this case. In this case, the handing over instructions are based on transferring the goods to the carrier "in such a manner as the quantity and/or nature of the goods may require".

A5 Transfer risks – In A5, all the Incoterms follow the same rule. The risk of loss or damage of the goods passes to the buyer when the seller has performed the delivery in accordance with A4 obligation. In Incoterms rules and the Contract for the International Sale of Goods Contract (CISG), the transfer of risks relates only to the delivery of goods and not with any other circumstances, for instance, the ownership changes or the termination of the contract.

The transfer of the risk of loss of or damage to the goods relates to the risk of accidental situations. It does not include loss or damage caused by the seller or buyer, for example, due to improper packaging or marking of products. Hence, even if the goods have damages after passing the risk, the seller may still be liable for the loss. The goods may have been delivered in a manner not conforming with the contract (obligations A1 and A9). Nevertheless, there may be exceptions by the article B5. It means that in case the buyer does not fulfil his obligations, it can lead to the premature transfer of risks.

A6 Allocation of costs – As it was prescribed in article A4, the seller must pay all the charges until the goods are delivered to the point of transfer. Further payables are buyer's duties (see article B6). It is also possible that the buyer can carry additional costs if they do not provide the carrier with an opportunity to receive the goods in time or do not notify the seller in advance.

Thereby, the seller's liability and risks are limited to delivering goods to the transfer point. The buyer bears all the further costs. Nevertheless, the seller is the party responsible for paying for the customs expenses, taxes and other export-related charges.

A7 Notices to the buyer – The seller is obligated to notify the buyer appropriately when the goods will be transported to the agreed place, so the buyer could prepare all the necessary arrangements to receive the goods in time according to B4 obligation rule. The seller must inform the buyer in case the carrier provided by the buyer was not able, for some reason, to pick up the goods.

In the Incoterms 2010 rules, there is no penalty for the seller if he does not give the notice to the buyer. However, according to Incoterms, it is considered as a breach in the contract of sale. The seller is the responsible party for the breach.

A8 Delivery document – The seller must pay and provide the buyer with the proof document that the goods delivery corresponds to A4 obligations. Moreover, the seller must help the buyer in issuing the transport document if it is needed; however, the risks and costs are the buyer's responsibility.

Handing over the cargo to the carrier, the seller gets from him a receipt identical to the transport document. The document serves as a proof of the contract of carriage and a confirmation that the goods have been handed over to the carrier.

A9 Checking – packaging – marking – The seller must provide and pay off all the costs relating to the quality checking operations (such as measuring, weighing, counting). These operations are needed to meet the requirement of A4 obligations and the export mandated inspections.

It is vital to ensure that the orders fulfil the unique requirements requested by the buyer (A1 obligation). That is especially important for a customer if prescriptions are paid on a prepaid basis before the customer has received and verified orders.

The packaging of the goods is provided by the seller too and is included in the seller's expenses. The exception is if it is a type of product that is sold unpacked. The goods are packaged in a manner appropriate for the transport. The buyer can request special packaging, in case it was agreed before the contract conclusion. The marking of the package is to be performed in an appropriate manner.

A10 Assistance with information or related costs – The seller should assist the buyer in obtaining any documents or information required for goods import and/or their transportation. Since the buyer must arrange safe transit and/or import, he may require some additional documents, such as the certificate of origin or clean report of finding, issues in the countries of origin or delivery transit. The seller compensates the buyer all the costs taken place in obtaining the documents or information, as it is prescribed in article B10.

3.2 Buyer's obligations

B1 General obligations to the buyer. The customer must pay the seller the price for the orders agreed in the contract of sale. Any document referred to in articles B1-B10 can be provided to a party in electronic form if it has been agreed upon and approved by both parties.

B2 Licenses, authorization, security clearances and other formalities. The seller's obligation is to hand over the goods and to clear them for export. However, after this, the buyer is the responsible party for addressing transit formalities and preparing the products for import.

B3 Contracts of carriage and insurance. The buyer must arrange a carrier to transport the orders from the agreed point with the seller, to the end destination. The exception is if the seller, as an additional service, contracts the carriage for the buyer at his own risk and expense (see A3).

B4 Taking delivery. The buyer must take the delivery of the goods if they have been transported by article A4 at the agreed place and time. If this has not happened, it will result in the premature passing the risk of loss of and damage to the goods, or the buyer would have to pay a charge (see B5 and B6).

B5 Transfer risks. The risk passes to the buyer when the goods have been handed over to the carrier or other person nominated by the buyer. However, in case of the buyer's failure to give a sufficient notice to the seller in advance (see article B7) or the carrier's failure to receive the goods at the nominated place and time (see article A4), then the risk of loss of and damage to the goods passes to the buyer earlier. The premature passing of the risk of loss of and damage to the products can begin from the date previously agreed on by the parties (it can also be a date notified by the seller by the article A7), or an expiry date of an agreed period for order delivery.

B6 Allocation of costs. The buyer must cover the charges for the goods; after that, they have been delivered concerning article A4. The exception is the export-related costs the seller must bear, for example, custom charges and taxes (see article A6).

The buyer must bear additional costs incurred as a result of the failure to accept the goods if the buyer did not notify the seller in advance by article B7. Failure to transfer assets may occur if the buyer has not designated a carrier or the carrier was unable to receive the goods at the transfer point.

B7 Notices to the seller. The buyer must give the seller an appropriate notice about:

- a) the carrier's name to hand over the goods;
- b) the nominated place and time to hand over the goods;
- c) the transport mode that will be used by the carrier;
- d) the point of taking delivery at the named location;

As it was mentioned earlier in the articles B5 and B6, the failure of the buyer to give notice to the seller in advance entails the premature passing of the risk of loss of or damage to the goods according to the article A4. Moreover, it can obligate the buyer to pay off additional costs to the seller.

B8 Proof of delivery. The buyer must accept the proof document provided by the seller if it meets the contract's terms and requirements (see article A8). In case the buyer does not confirm the proof document, it means that the buyer violates the agreement. It gives the seller right also to breach the contract, for example, to cancel the contract. Nevertheless, the buyer can reject the conformation of the document in case the paper does not provide sufficient evidence of delivery. It can be used in cases where the goods were delivered in less than the ordered quantity, or the delivered goods had some defect.

B9 Inspection of goods. The buyer is obligated to pay the costs for the pre-shipment inspection. The exception is if the examination is mandatory in the country of export. Nevertheless, in some cases, the contract can say that the inspection costs should be paid entirely by the seller. If this is the case, it should be determined in the contract of sale.

B10 Assistance with information or related costs. The buyer must notify the seller in advance of all the requirements with regards to the security of information. So, the seller would be able to comply with article A10. The buyer compensates the seller for all the costs incurred in obtaining the

documents or information, as is described in article B10. The buyer should assist the seller in obtaining any materials or information required for goods export and/or their transportation.

4 METHODOLOGY

A large amount of data collection in qualitative research is achieved through open and interactive interviews. The main objective of a study is focused on identifying the respondents' internal motivators that encourage behaviour. Understanding how the target group makes a decision can help to conclude the case study. There are various methods of collecting and recording data that provide high flexibility for the researcher. (Linda T.Kohn 1997, 2-8)

Based on the nature of the research, a case-study-based analysis method is the most appropriate. The case study approach investigates a current phenomenon in its natural environment. The key feature of the method is the understanding of the dynamics involved in real-life conditions. Interview gathering, literature review and document analysis are the primary methods of data gathering applied to capture the experiential knowledge of the case.

4.1 Interview planning

The purpose of the case study is to describe the FCA delivery process and to detect the challenging moments that complicate it. The “one-on-one” interview method has been used in this research. The unstructured interviews are characterized by active listening, and open questioning enables the collection of precious and meaningful data and contested issues by getting in-depth insight into the interviewee’s experiences related to the case. The FCA delivery process is presented within a collaboration of four parties:

- Company X Sales and Customer Service teams - They coordinate the transportation from the mill up to the moment the goods are handed over to the customer. They are the link facilitating the communication with all units involved in the delivery process.
- Company X Logistics team - They transfer the cargo from the mill to terminal and provide agreed services.
- Terminals - the partner companies serve as intermediaries between the case company and the customers. Their services may vary depending on the type of the contract. However, the core duties are to receive the cargo from Company X logistics and store it up to the moment when the order will be picked up by the customer. They also provide loading for the products into the customer’s truck or wagon.

- The Russian market companies represent customers. Their core interest is to get the best quality delivery service most efficiently without any problems with regards to border crossing.

Correspondingly, to assess the delivery process, a representative of each of the four parties has been interviewed: Sales Manager of Russian Market, Director Land Services Finland and North-East Europe, terminal, customer A. Company X has a highly diverse client base. Each customer is different and has different goals for obtaining the goods. However, it was disadvantageous for the company to disturb all the clients. It could harm the current order and delivery process. That is why, one customer, Company A, has been chosen, with whom the relationships are stable and more reliable. The interviews were conducted via Business Skype call. They were recorded and later transcribed. More detailed information about the meetings is presented in the table below.

Fields	Position	Length	Data
Sales Team	Sales Manager in the Russian Market	35 min	03.09.2019
Logistics Team	Director of Land Services Finland & NE Europe	20 min	16.09.2019
Customer Representative	CEO of Company A	15 min	04.10.2019
Terminal Representative	Logistics company Y	21 min	11.10.2019

Table 1

Interviews with these critical influencers bring multiple perspectives to the case study. The structure of the interviews was similar but personally tailored for each representative due to the differences in the nature of their activities (see Appendix 1). The interviews contain the real cases of the issues that have already taken place. Each representative was requested to express their own opinion on what modernisations the system requires to optimize the delivery process. All the conversations were recorded and been transformed into the written text (see subchapter 5.2) for future analysis (see subchapter 5.3).

4.2 Analysis methods

The analysis process involves reducing and transforming a large amount of data into topics that can encapsulate an absolute value in the data. The concept mapping strategy was applied. It was performed with a visual representation of the data, which simplified the way of exploring the links between related concepts. The approach combined three stages of the analysis: interview findings

performance, coding, and categorizing the data and exploring the findings for patterns. Hence, the data gathered by document analysis and interviews were first converted into written form. The interviews were converted into scripts. Then the data was studied and analysed. Here the second stage (coding and categorization) took place. The data were broken into segments and datasets. Finally, in the end, the information was recorded and performed in the pattern. The part included the outcome of the data analysis and possible proposition related to the case study question. (Simons 2014, 455-469)

5 DATA ANALYSIS: COMPANY X INTERNAL RESEARCH

Company X is one of the biggest manufacturers in their field. It has customers all over the world. Although the Russian market is not the main one, it is an essential customer group for the company. Most of Russian market orders are delivered from Finland in two ways: DAP (Delivery at the Place: the order is transported from the mill directly to the customer) and FCA (Free Carrier: the order is delivered from the mill to a Finnish terminal, where the customer is obliged to pick it up without delay). Nevertheless, the study will focus on the FCA delivery terms.

5.1 Interaction through contract

The contract is the sales agreement between two parties (Seller – Company X and Buyer – the client). The contract determines what product the customer is going to buy and what requirements they have for the product and its packaging and labelling. The agreement established the terms of payment processing, conditions of price changes and the stipulations of the return of payment. The delivery terms are regulated by the Incoterms 2010. The item includes the list of the documents the seller must provide to the Consignee/Buyer: waybill, Invoice, Invoice Specifications, Certificate of Origins and EX (Export Declaration). In some contracts, the consignment note is also included. The documents must be sent by e-mail to the customer on the loading day. Some contracts cover the point that the originals of the documents must be sent to the buyer by courier immediately after unloading or once a month. The packaging and labelling of the goods shall be done according to Seller's standards. Packaging shall protect the orders during handling and delivery.

The appendixes and price agreements support the contract. Appendix 2 is General Trade Rules for Sales of Paper and Paperboard (GTR). The rules were primarily issued by Finnish, Swedish and Norwegian forest industries. The document sets the commonly accepted norms of paper characteristics and permitted deviations in paper quantity and quality. It also determines the criteria for issuing claims for both transport and quality damages.

Price agreement establishes the price for each customer individually, depending on paper requirements, delivery conditions and the final use purposes. The sales team sets the prices. The final cost and the delivery expenses are specific to each customer and confidential. The price agreement conditions are affected by which Incoterms terms the customer is using.

Company X has a list of FCA approved terminals. The terminals have direct communication and program connection with the case company's service coordinators and standard ERP systems. Thereby, the case company and these terminals are connected via messaging: when the company sends goods from the mill to the terminal, they already get some pre-information in their systems. When the goods are loaded into the trucks, the company receives waybills to invoice via the system. The terminal partners are, for example, Logistics company Y. In the contract the terminal commits to handling the order capacity from the case company mills each year, in return Company X promises to transfer the specified number of tons through the terminal per year.

Nevertheless, many customers accumulate orders from various suppliers, Company X and its competitors. So, they have been choosing terminals based on the criteria of where it is more convenient for them to store and combine goods. That has caused situations where the terminals do not have a contract with Company X. The main disadvantage is the absence of direct communication between the unapproved terminals and the case company. It is most evident when processing certain documents manually through the company's ERP systems and the inability to follow up the stock situation at the terminals. Using these terminals, Company X cannot guarantee to deliver a certain number of tons, and the terminal cannot guarantee that it would be able to accept all the orders the mills send to it. When this happens, the customers who have contracts with the terminals have to coordinate on these issues with the terminals directly.

5.2 Consignment notes - CMR ("Contract de Transport International de Merchandises par Route")

International form CMR is a contract on carriage applied to international road carriages. It is made in three or more copies, signed by the consignor and the carrier: the first copy goes to the sender, the second one is provided to the carrier, the last one escorts the goods to the end destination. Individual countries require additional copies for tariff control. If the cargo is being transported by several cars, or in one car - several different orders, the number of copies of documents is determined by the number of vehicles or types of cargo. The carriage of dangerous goods must be reflected in the consignment note: the kind of danger and safety measures are mentioned. (Convention on the Contract for the International Carriage of Goods by Road (CMR) 1956)

CMR International Consignment Note contains sample data, information about the sender and carrier, the place of acceptance of the goods and the address of its delivery with the name of the recipient.

Additionally, it specifies the nature of the cargo and its packaging, payments related to transportation (customs and other) and instructions for customs clearance. If a CMR consignment note is issued for a shipment, the form may also contain instructions on the prohibition of transshipment, the value of the shipment, the amount of payment at the time of delivery, as well as instructions on insurance of the shipment, the expected period of transportation and a list of documents received by the carrier. Nevertheless, the consignment note does not transfer the ownership of the transported goods to the carrier.

The carrier usually fills out the form. However, the sender (seller) is responsible for the accuracy of the information and must sign the form handing over the goods to the carrier. The consignee also signs the form upon delivery, which is necessary so that the carrier can confirm the delivery of the products and justify payment for its services. This document shall be prepared by the exporter (seller) and forwarder and is addressed to the importer (buyer) and carrier. (Global Negotiator 2019, 1)

5.3 Interview findings

The subchapter is dedicated to the interviews of the parties involved in the FCA delivery process. The questions generally were aimed at collecting opinions about the responsibilities and risks of each party and the issues they have already faced with. It is possible to study them more detailed in Appendix 1.

5.3.1 Sales team

Interviewee – Sales Manager in Company X. She is a representative of the Russian sales team. Her office is placed in Moscow, which allows her to respond to the customers' needs faster by being close to them. Within the research, we have asked her a few questions regarding what is better for customers and company, FCA or DAP delivery (the core Incoterm way of shipments from Finland to Russia), what issues of FCA process the sales team faced with, and what the ways to improve the situation.

It is difficult to say what delivery method is more convenient for Company X in the Russian market: FCA or DAP terms. DAP helps to liquidate the stocks at the mill's warehouses and terminals. Nevertheless, during the winter season, the harsh weather conditions caused many delays in the delivery process. At the same time, the production and delivery deadlines are crucial.

FCA terms are expressed with the high stocks at the stores. It is a big problem for the company due to the increase in working capital and expenses for storing the goods. Fortunately, it is different with each customer – some clients pick up the orders immediately after its production, while other customers use Company X warehouses for storing, for instance, due to some changes in the printing schedules. These situations are a significant burden for the case company. Struggling with such customers (for example, Company A) the company started a practice of billing the client for storing the goods over the permitted time (over 30 days after the agreed to deliver date) at the mill's or terminal's premises. Nevertheless, the practice is still under development for other customers.

For FCA deliveries, the company provides Invoice, Invoice Specification, certificate of origin (CO) and CMR (depending on the contract). Certificate of Origin is granted to the customer and is noted in all Company X customer contracts. The document was a must to pass the customs. However, nowadays the border customs rarely request the certificate. As it is quite expensive for the company, CO is provided by the customer's request. The additional documents the customers may require are paper profile and technical characteristics of the paper. They are needed to confirm the TN VED TS code (Commodity Nomenclature for Foreign Economic Activities of the Customs Union) and paper composition that are crucial for crossing the border. PEFC (the Programme for the Endorsement of Forest Certification) and FSC (Forest Stewardship Council certificate) are the environmental sustainability certifications that are the critical factor for the customer's end-users when choosing a supplier.

Notwithstanding, according to the interviewee, the main challenge that comes out during the FCA delivery process is the case company conditions and services, which are not homogenous for all the customers. The company does not take responsibility for issuing consignment note documents: CMR/TIR (Transport International Routiers)/RWB (railway consignment notes). It provides the loading of goods into the customer's trucks, clearance documents, storing the goods the limited amount of days (30 days after the agreed delivery date) at the terminal. All these services are included in the price. However, issuing consignment notes must be paid and decided separately to the terminal or other subsidiary company in advance. The usual practice is that the customer signs

the contract with the terminal that includes providing additional services from the terminal's side (including issuing consignment notes).

Nevertheless, some customers were unsatisfied with this practice. Comparing Company X to its competitors, which bear responsibility for issuing consignment notes, the clients required the same action from the case company side. To some clients, Company X had to reject their request, justifying it by saying this is the way the company works. However, when it came to other clients, bigger and more significant ones, the case company met them halfway, paying off the consignment notes to satisfy the customer's needs. It was a necessary decision to make from the commercial point of view not to lose the customers.

There is a discussion between the sales and logistics teams about the need to create a standardized service model. In this way, Company X would bear the costs of issuing the consignment notes. Notwithstanding, negotiations have not yet yielded any productive results. At the moment there is a list of clients for whom the company is providing these documents and a number of clients who arrange them independently. The situation is inconvenient and requires individual and manual monitoring.

Another significant issue that occurs during the FCA delivery process is the detection of a transport defect (dents on a reel or broken package of a pallet) after the goods were delivered to the end-user. In the case company delivery process that is described in the Figure 4 Chapter 3, the terminal is the direct intermediary between Company X and the user in the delivery process. One of its duties is to detect damaged cargo and to inform the company's service centre how severe the defect is. The message is usually justified with pictures. The service centre, in turn, contacts the customer and asks them if the damage is critical for the client and if the goods shall be loading. However, if there was no message from the terminal, the transport department considers that the damage has happened after the responsibility passed to the client (after loading the cargo into the customer's truck), hence the case company does not bear any responsibility for it in an FCA case. When the goods are handed over, it is the customer's responsibility to check whether the cargo is in an appropriate physical condition.

Company X loading service is provided according to the standard loading rules with necessary fasteners. In case the customer needs better protection for the goods, for example, reinforced security items, the terminal can supply the transport with them for extra payment. This case is still missing its place in the contract; however, the situation has already happened. The trucks ordered

by the client came without string hooks, but the terminal loaded it as usual not reporting it neither to the client nor to service department. As a result, the reels were damaged. Firstly, the customer blamed the case company for the defect. However, during the trial, it turned out that it was the transport company's fault that was hired by the client. In the end, the client decided to switch the transport company. Another case happens more frequently with the wagons. Sometimes, the wagons ordered by the client come in poor condition. It can take half a day to prepare it for loading: to repair floors, clean rubbish. There was also a situation where the terminal had to refuse to accept such vehicles since it was not suitable to guarantee the safe transportation of goods. For customers, this is an occasion to reflect on and increase the requirements for the provided transport.

A more detailed contract is the easiest way to avoid inconsistencies. However, the interviewee mentions that it is impossible to foresee all situations in advance. Every business day brings new unpredictable cases.

5.3.2 Logistics team

Interviewee is the Director of Land Services Finland and North-East Europe. His responsibilities include contracting the terminals and planning road and rail transportation. Their role in the FCA process: the logistics team is responsible for delivering the goods up to the terminal. Here, in the initial stage, the first issue appears – it is often a phenomenon for the logistics team that the agreed final delivery point is unclearly set. For example, in the contract, it stipulates that delivery is to be made to Terminal X or Kotka port. However, it is not defined if the delivery is up to the terminal door, or it is to terminal's warehouse, or the delivery includes loading the customer's vehicle. It is a significant problem, especially if it is an unapproved terminal. The point is not reflected at all in the sales contract.

The logistics provides pre-delivery to the transfer place and carry the risks up to the delivery point according to FCA terms. There are cases when the end-user or customer gets wet or damaged paper inside their contracted vehicles. It is often unclear where the damage has happened. If CMR and RWB are clean and there are no remarks from the driver or transport company, it means that customer transporter had taken these goods in appropriate condition when the orders were handed over. Therefore, the case company should not bear any responsibility for the damages. Nevertheless, sometimes this kind of claims are accepted due to the commercial reasons, and this

is, according to the interviewee, the most significant risk for Company X Logistics department bears. There is no clarity on understanding between Company X and the buyer where the risk and delivery responsibility pass to the customer.

Invoices for warehouse rent – it is a surprise for the businesses involved in it. Company X receives the invoice when the goods are unloaded, which means that in worst cases, the products can be standing at a terminal for one year or longer. The sales team tries to persuade the customers to pick up the old cargo from the terminal to get free space. When the client finally does it, the case company receives an invoice for the whole storage period (months or years). The maximum period the orders would be kept at the terminals is not determined anywhere.

The FCA term includes loading the reels into the wagon contracted by the customer. There are a few moments that require special attention – how cargo security is provided, who bears door opening costs needed for the Russian customs and who is responsible for RWB/CMR issuing. According to Company X policy, these cases should be organized by the customer. However, it often occurs that the customer does not have a contract with the terminal. So, Company X moves the costs on itself, charging the customer extra but also taking on additional risks and work.

There are several FCA terms in Fenix (the case company's ERP system). FCA is a free carrier term where the case company bears all the costs up to handing over the responsibility: delivery to the terminal, unloading there and loading into a customer's truck. FCAA – the internal technical term when the unloading of the goods at the terminal is in another country, not Finland. That is required by the system to differentiate the delivery type and to build the right route automatically. FCAF is a free carrier in front of terminal. It means the delivery is provided and paid by Company X to a terminal's gate. The customer pays for the unloading at the terminal and loading into the client's truck. FCFA is a free carrier term when the goods are delivered and unloaded at the terminal by Company X, but a customer pays the loading into the client's truck. The problem is that the logistics system does not distinguish the differences in the terms. At the same time, in a sales contract, there is just a standard FCA delivery term prescribed. It causes dissonance between logistics team, sales team and customers if FCAF and FCFA terms are used.

As it was mentioned earlier, to have safe delivery of goods and obtain required documentation, the customer is responsible for contracting with a terminal. That is why there are situations when a customer already has a contract with a terminal Company X does not cooperate with (unapproved terminal). The unapproved terminal requires a double-check from the case company's point. Here

the company faces with the question whether it should increase its number of locations. For it, the case company requires some administrative work to be done with unapproved terminal: annual reports, annual terminal checks, administration of continuous system updates. Then it will serve as an additional case company location. It also has to prepare the contract according to the harmonized contract process and update the system. Another option is to consider the terminal as a customer contracted terminal, then the goods are delivered as a door deliver or in front of the customer terminal.

The standard service provided by logistics include maintaining the terminal contracts, unloading the cargo at the terminal and providing loading into the customer's vehicle, but never doing load securing. These are fixed service offers provided by Company X logistics side. However, due to commercial and sales benefits, Company X make concessions to satisfy customer's needs. This situation requires a lot of manual and individual work.

All in all, the FCA delivery process should be harmonized, so there would be only one type of FCA delivery for a business unit (Consumer Board, Packaging Solutions or Biomaterial Products). In every case, the terminals would be responsible for the same items. It would help to avoid the situation of "grey" areas such as loading and securing the goods in the customer's vehicle, customer's responsibility of checking the products and others. All the specific steps should be agreed with the customer and be officially reflected in the contract. Now some customers require a specific approach in the delivery. It is challenging for all the parties to follow the individual customized instruction, especially if they are not described in order level instructions.

5.3.3 Terminals

Interviewee is Key Account Manager of Logistics company Y. Logistics company Y operates in two ways within the FCA delivery process. The first operating process is when the orders are received directly from a mill. Company X provides all the information (loading plan, truck details) for the delivery, and the customer only picks up the order. Sometimes customers may be kept only in copies in emails while the case company and the terminal agree upon the loading plan. The second is when the customer has a contract with a Logistics company Y. In this case, the customer sends the loading details directly to the terminal, excluding Company X. After the loading is done, the terminal sends waybill to Company X to get documents: Invoice and EAD. The loading process depends on how the communication is built between the customer and the terminal.

The loading stage is often quite "stressful". One of the issues is the actual sequence of the orders. There were situations when the truck had been already loaded, but the customer requested to reload it in a different sequence. It was needed due to the road inspections at the border crossing. Recently the number of such requests and situations has decreased. The wagon loading is another case; the cargo security not provided by Company X is addressed directly to the customer. The client is responsible for paying the charge.

The customers frequently request certain information mentioned in the document. However, it seems it has been already successfully regulated with Company X. There was a case when after truck left the terminal, the customer requires to make some urgent changes in CMR. The changes were done, but the car could not come back in time. Luckily, the customer could arrange the handover of the document on the way to the customs.

The damages are a factor that, unfortunately, is impossible to eliminate. The instruction any approved terminal has is to inform Company X in case a loss happened; the damaged goods can be loaded only with the permission from the mill. However, there are situations when damage was not detected or happened during unloading or loading at the terminal. Then it is dealt with individually by the terminal with the customer.

The main issue is processing the payment. It would be much more fluent if the terminal had only one client paying for the costs. It would simplify the process. Now if there are two clients: Company X and a customer – the process is more complicated. The customers are charged for the additional documentation they require, such as the consignment notes. So, for one loading, the terminal has two clients that they should receive payments from the case company and its customer. It is especially painful in cases where the client is small (loading a half truck or one truck in a few months). It is not financially attractive for Logistics company Y to work with these low volume customers. To get the payment from the Russian customers requires a proper contract between the customer and the terminal. An offer alone is not enough. It causes plenty of questions for the Russian bank to process the payment and as a result, payment of the fee is often delayed.

5.3.4 Customers

Interviewee is an executive Director of the customer company, Company A. Company A is one of the biggest paper customers in the Russian market. It is a subsidiary between the paper plants and

printing houses. The company helps printing houses to choose the most suitable paper for their printing, to place the order and organize the delivery to any place in Russia. The critical feature of the customer is that they do not have any storage place in Russia. That is why the client often stores orders at the case company's warehouses until the printing period and is characterized by paying the monthly charge for large stocks.

The customer company contacts several carrier companies. When the final user is ready to ship the goods, the customer orders the trucks independently. The main reason of preference FCA to DAP terms is the costs. The FCA delivery is much cheaper for clients than DAP ones. Two factors play a role in pricing. Firstly, it is more profitable to order cars from Russia. The competitive market environment in Russia provides a wide choice of companies to order vehicles at an affordable price. Secondly, the customs duty is lower with FCA delivery. Customs duty is calculated from the total value of the order and delivery. Thus, with DAP delivery, the total price is higher than with FCA; therefore, the customs duty increases, that is not beneficial for the client.

The main document that needs to be drawn up for the delivery is the CMR consignment note. CMR is issued either immediately at the terminal or through an intermediary company. This service is agreed upon between the client and the terminal.

The customer's risks are characterized by instances where the truck delivery by carriers is disrupted (it may get stuck at the border or break down during transportation). The customer does not arrange any additional insurance for cargo, as the risk of cargo damage, according to the client, is minimal. Since the client "blindly" orders the trucks without checking them, there were situations where the terminal refused to load them due to unacceptable conditions for loading (problems with the floor and/or ceilings of a trailer). The customer accepts and bears full responsibility for these risks. Nevertheless, according to the customer, these situations happen rarely.

The client says there are just a few general issues that they have ever faced. The overloading and underloading of goods into the machine are standard occurrences. The leading cause of it is usually a discrepancy between the theoretical and practical weight of a particular product when loading. However, the unpredictable conditions in production affect the amount of goods ready for loading. For example, due to underproduction of commodities with a specific grammage or parameters, the truck can be loaded partly.

Another occurrence for this client is that certain orders must be loaded into the trucks in a specific sequence. That is because the cargo goes to several end users. In order not to unload the car each time, it is much more convenient if specific order numbers are placed close to the door. However, these requirements are not mentioned in the contract nor in the appendices. It was verbally agreed with the loading staff to pack the goods following the shipment plan, where the loading process of the products would be spelt out. In any event, some cars still come with the wrong boot order.

There are also situations when one role or a pallet that is not specified in the invoice gets into the truck. This situation is a massive problem for both the client and the company. If the un-invoiced role is revealed at border crossing, the machine will be sent back to the terminal/factory mill for re-equipment (removal of the extra part) or the release of new documentation. It can also cause a problem with the border crossing for the clients' trucks in the future.

5.4 Outcome

After gathering the perspectives of the interviewees, the interview findings can be categorized into common issues and individual issues (see Figure 5). Common problems are the challenges that each party has faced during the FCA delivery process. These issues are the inhibitors of the process. They are the primary issues faced by a party and can also be considered as a parties' pain (the blue boxes). That is why the issues selected for this group should be dealt with immediately. Individual items are the issues a party has faced, but that does not have an effect on the whole process or other participants. They are minor challenges (the green boxes). Nevertheless, their influence on the delivery process experience is significant.

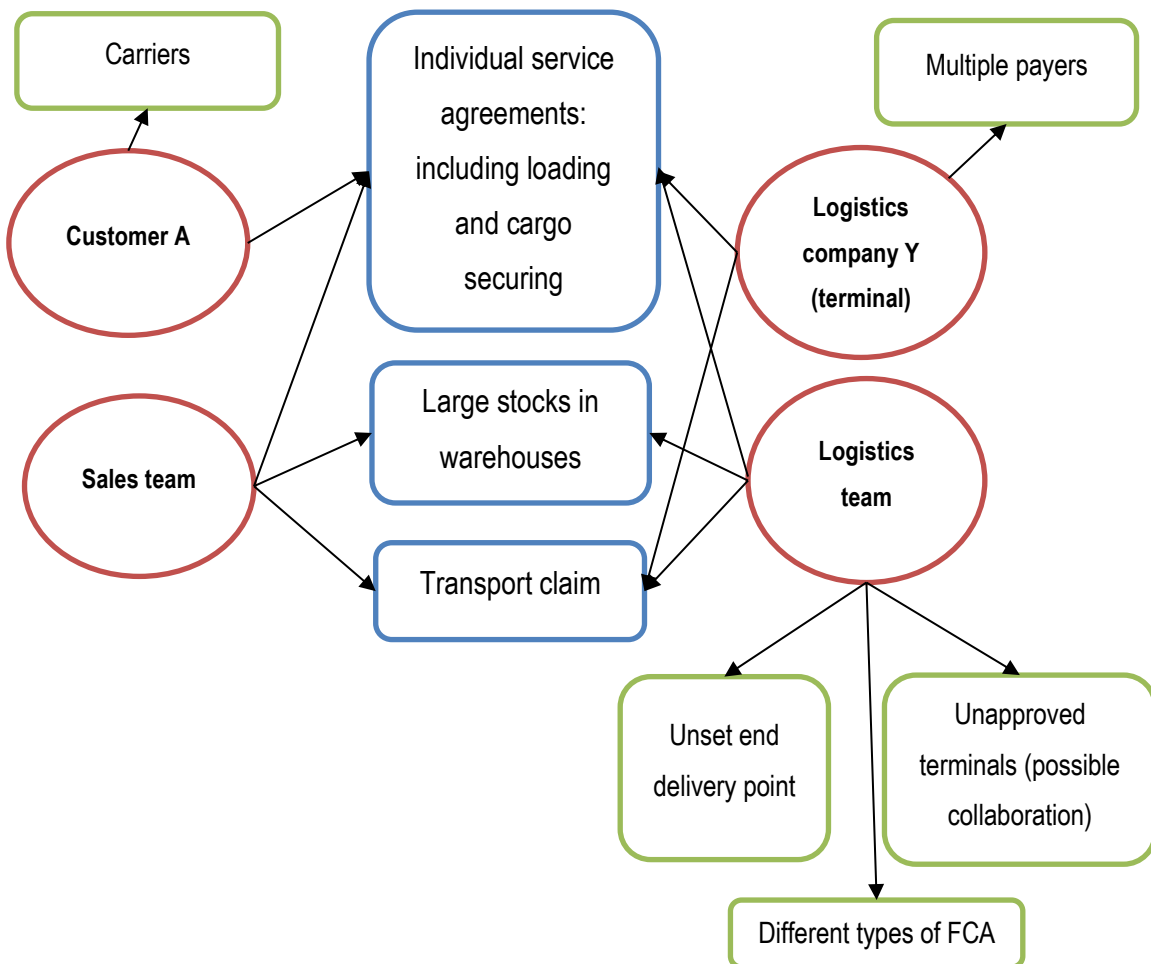


Figure 5 Concept mapping – Outcomes representation

Let's consider each major problem individually based on its classification. In this subchapter, we will combine the opinions of each party expressed in the interview to discuss the problem from all sides. The following issues can be assigned to the primary category:

- Individual service agreements: consignment notes, loading service and cargo securing. Assessing the results of the interview, the issue was identified as the most painful for the logistics and sales departments. There is one point both sides agree on – there should be a standardized service model for all the customers of the Paper division. This service model must be clearly defined in the contract of sales. It should include the loading terms (what the company provides included in the price), consignment note-issuing decision (whether it is included in the price and issued for all the customers or it is the customers' obligation) and cargo securing terms. The road and rail delivery cases are similar; however, there are a few significant distinctive features that also require a place in the contract. For example, which party bears the costs for the door opening of a wagon at customs or the terminals have an option to reject a wagon or truck if it is in inappropriate condition to provide secure transportation of the cargo. Another point would be to include individual customer desires with regards to loading, document issuing or the delivery process (such as a particular sequence of order loading) – it should be discussed and agreed upon by the parties in advance and be properly described in the contract or its appendices.
- Large stocks in warehouses: This is a long-term challenge the Russian market department struggles with. Company X allows customers to keep the goods at the terminals and warehouses for 30 days after RFL date. However, the fact remains that many customers use it for longer periods. There is no time limit; the orders are stored at the case company's warehouses for months and sometimes even years after RFL date. The policy of charging for warehouse storing after RFL date is applied only to a few customers.
- Transport claims: If the defect has not been reported anywhere before loading the orders into the customer's truck (neither by the terminal nor mentioned in the consignment note by the driver), the damage is considered to have occurred after it was unloaded at the terminal or the mill. Therefore, the customer is responsible for the defect. This point shall be reflected in the contract.

The minor issues were not revealed in each party. However, these issues have a direct influence on the FCA delivery process and indirectly affects other parties of the delivery process. The problems are gathered and briefly presented below:

- Carriers – Customer A's point of view: Carriers are the main risk each customer has. They can cause the disruption of deliveries. It frequently happens that transport companies provide transport which is not suitable for transporting paper without any securing hooks.

Sometimes, terminals have to spend a few hours just to clean the rubbish in them. Although it does not have any direct relation to the case company's activities, it might be a valuable point to include in the contract to give terminals official permission to refuse transport if its conditions are poor.

- Multiple payers – Logistics company Y's point of view: according to the Russian market sales manager, there is a discussion going on about, including consignment notes into customer service. It would be a good option for the terminals, especially with small customers. It would decrease the number of payers the terminals have to control.
- Unapproved terminals – Logistics point of view: Unapproved terminals are still an issue requiring much manual work. The systems are not collaborating, so there is always a lack of information. It takes much time for Company X to decide whether a terminal has to be contracted and requires many preparations.
- Unset end delivery point – Logistics point of view: Some customers have multiple end-delivery places. The full information of the unloading place should be placed in the Fenix ERP system at the order setting stage.
- Different types of FCA – Logistics point of view: In case the customer is using other FCA terms (like FCAF or FCFA terms) they should be determined in the sales contract and be entered in ERP system in loading comment at the order placing stage.

6 CONCLUSION

In the final chapter, the research results re-discussed and possible solution for the case company is offered. The discussion subchapter concludes the author's personal view on the process of the research and the stated outcomes. The subchapter 6.2 is dedicated to solutions that were retrieved during the study.

6.1 Discussion

The outcomes revealed one essential point – most of the parties are aware of the existence of the issues, and some of them are experiencing their influence on the field activities. However, the actions are either taken very slowly or not done at all. The main reason for this is the scope of the company and scattering of its offices between cities or even countries. The communication between the parties is done via calls or online conferences. Rare face-to-face meetings are usually concentrated on more urgent topics.

That is why, in this research, I tried to collect diverse opinions about the same case. One of the goals was to make the study versatile. The most frequently encountered issues are characterized by a customized and individual approach. That is why they must be handled manually. The computer systems are often not even intended for such operations. That increases the risk of human error.

Another factor which affects the possibility of improving is Russian customers' disinterest. During the interview with the CEO of Company A, it was especially evident. The customer demonstrated total unwillingness to change anything in the delivery process and collaboration with the case company from their side. He emphasized: "We are satisfied with the current situation. Some issues do take place; however, they happen everywhere. We have been working with Company X for decades, we got used and adapted to the way how they do the business." Thus, the interview did not give any new insights which had not already been noted by a sales representative.

On the other side, Company X representatives showed a high interest in the study. The long-term existence of the problems motivates them to participate in the research actively. The outcomes

shall help to move the long-lasting negotiations in the case company about some issues of the delivery process off the ground, such as the consignment note case.

6.2 Offered solution

Each interview included a question about what improvements the interlocutor would recommend to Company X in the FCA delivery process. Thus, this subsection combines interview tips with research-based author ideas.

FCA problems occur daily during the delivery process. Some issues are severe and require urgent attention, such as an individual service agreement, big stocks of warehouses, and transport claims. Most parties experience these problems. It causes confusion and even conflicts inside the company. Secondary issues, on the other hand, are also important. These are carrier failures for customers; multiple payers at terminals; an undefined delivery destination, various types of FCA terms in the Fenix ERP system, and unapproved terminals for the logistics team. Although they do not directly affect all parties, their reflections can be seen throughout the delivery process at different stages. Most problems require manual assistance and an individual approach to solving the issue. The probability of human error in these conditions is very high, which is not suitable for the company.

The only thing the interlocutors agree upon is that the contract does not contain information about the terms of delivery and loading. The sales contract contains only general information about delivery days, free storage in warehouses, provided documents and the conditions of the delivered goods. These items are automatically included in every Company X contract. However, there is nothing in the instructions about loading conditions or the maximum days for storing the order in the warehouses before the mill returns the order. Many agreements between the client and the case company are concluded individually, but they are not reflected in the contract. Company X is already struggling with the previously mentioned problems, but this requires much more significant changes within the system. It means that Company X must strictly solve each question separately. As the representative of the logistics team noted, the FCA delivery process needs to be harmonized.

After analysing the research, the recommendation is to develop the contract. As I noted earlier, the agreement does not contain information about the delivery process, product storage time, loading

of goods and transfer of responsibility. These points require special attention in a new appendix or a chapter of the contract.

The ERP system needs to be updated. The program does not support all the functions requested by clients. The process can be expensive and complicated for the company because it is the main system on which the workflow is based. In the event of changes, this will require training for employees throughout the company. However, modernization should lead to less manual work. It can also increase the amount of information that the program contains about the delivery process at the order placement stage.

A supportive document could facilitate this very well. The study can serve as a source to determine which subsections should be included in a document. For example, a group of customers with a small order placement and correspondingly low unloading volume at an approved terminal may include CMR in the service. That will help both clients and terminal partners to eliminate the need to sign an agreement and process multiple payments.

To reduce working capital, it is best to determine how long the goods can be stored in the terminal after an RFL day. After the deadline, the goods must be unloaded by the buyers; otherwise, they shall be recalled back to the factory. This system is suitable for small customers with low order performance. However, for a more significant and more critical customer group, a charge system for storing extra days is best. The method is already applied to a few clients.

Company X may call on the customers to be more careful and critical when choosing a carrier. It is important to ensure a secure delivery process after the transfer of responsibility. When shipping goods, the orders must be carefully checked by the representative of the buyer (in this case, the driver) for compliance of the characteristics, quantity and labelling with the issued documents. In the event of an error, the consequences can be critical for everyone: the buyer, seller (Company X), the carrier and the driver himself. Similarly, in less serious cases, this may also cause controversy, for example, regarding transport claims. If the driver or terminal did not inform anyone of the defect before the truck left the terminal, the damage is considered beyond the case company's responsibility. The point should be clearly stated to the customer or even have its place in the sales contract.

To summarize the above study, the performance of FCA delivery process services in the sales contract requires changes. Due to the high and urgent need for them, the implementation and

modernization is already taking place. The best strategy for Company X is to support and stimulate further development.

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Customers

- What does your FCA delivery process contain? What does it require from their side?
- Why did you choose FCA delivery rather than, for example, DAP?
- What liability and risks do you take on with FCA delivery?
- What liability and risks do you expect from Company X in FCA delivery?
- Who is responsible for goods clearance? What documents are provided by Company X? And which the customer issues documents?
- What issues have you already faced within FCA? What has caused it?
- What modernisations does FCA delivery process with Company X require?
- How would you like Company X better to support FCA deliveries?

Logistics

- What does your FCA delivery process contain? What does it require from their side?
- What liability and risks does Company X take in FCA delivery?
- What liability and risks are your expectation from terminal and customers?
- What issues have you ever faced with during FCA delivery process?
- What modernisations does FCA delivery process with Company X require?

Sales

- Which Incoterms delivery term is more convenient for the company? FCA or DAP? Why?
- What issues have you ever faced with during FCA delivery process? What has caused it? What are the ways to avoid these problems in the future?
- What modernisations does FCA delivery process with Company X require?

Terminals

- What does your FCA delivery process contain? What does it require from their side?
- How is your communication with Company X expressed?
- How is your communication with customers/consignees expressed?
- What liability and risks do you take on with FCA delivery?
- What liability and risks do you expect from Company X in FCA delivery?
- Do customers/consignees have any liabilities and risks?

What issues have you already faced within FCA? What has caused it? We need to know the problems caused by both sides: in cooperation with customers and company
What modernisations does FCA delivery process with Company X require?