

Introduction and  
recommend the  
appropriate criteria to  
be



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Introduction Uniqlo, a Japanese clothing brand, specialises in stylish casual-wear which is both high-quality and affordable to the mass market. The first Uniqlo store first started in Japan in 1984, with over 760 stores all over the world today.

Being a global multi-national apparel brand, Uniqlo has expanded internationally and ships vast amount of inventory of clothing regularly. In this report, I will be focusing on the transportation system of the store located in UK. ("Uniqlo Clothing Analysis", 2013) As a transportation manager of Uniqlo, I will recommend suggestions on the welfare of the company, such as which incoterm(s) Uniqlo should use, and how it will benefit the company.

Secondly, I will analyse the transport goals, the needs of Uniqlo and recommend the appropriate criteria to be considered when selecting those carrier(s). Thirdly, how to build the recommended relationship with the carrier and if the company should outsource and why. Lastly, I will analyse the transportation goals and the needs of Uniqlo and recommend appropriate type(s) of relationship to be built with the carriers. Incoterms selection consideration A set of international rules for the interpretation of the most commonly used trade terms. Applying Incoterms to sale and purchase contracts makes global trade easier and helps partners in different countries understand one another. ("Understanding Incoterms - Inbound Logistics", 2013) Free on Board (FOB) Free on board (FOB) can only be shipped by sea. Firstly, it is usually used when the vendor has direct access to the boat for loading.

For example, cargo that is transported in large quantities and shipments that are stored on the deck. Secondly, the manufacturing company will have the responsibility to deliver the goods, clear the export, load on board the boat to the discharging port. Lastly, as long as the cargo are loaded on board, the risk automatically transfers from the manufacturing company to Uniqlo who will bear all the cost afterwards. (" Free On Board - Incoterms Explained", n.

d.)Ex-Works (EXW) Ex-Works (EXW) can be used for air, sea, rail and motor.

Firstly, this incoterm places the lowest responsibility on the seller, who have to just ensure that the goods are in stock, packed in a neat position and at a specified location. Secondly, the buyer has the responsibility for loading up the cargo onto the vehicle for all the export paperwork and bare all the cost after collecting of the goods. Lastly, exporter may still need to be involved in clearance processes and export reports, and cannot depend on the buyer to do alone. (" Ex Works - Incoterms Explained", n. d.)

Delivered at Place (DAP) Delivered at Place (DAP) is used for air, sea, rail and motor.

This incoterm practices an approach with higher responsibility, as they make arrangements for carriage to deliver the goods to destination country and is responsible for the unloading of the goods from the arriving port. Once the goods are available for unloading, , the risk automatically transfers from the manufacturing company to Uniqlo who will bear all the cost afterwards.

Uniqlo will be responsible for import clearance, any applicable import duties or local taxes. (" Delivered At Place - Incoterms Explained", n. d.)

Recommendation: As the transportation manager for Uniqlo, I have selected

3 incoterm fitting Uniqlo's criteria, to compare the selection consideration

from the seller and buyer side, as to who is responsible for paying for the <https://assignbuster.com/introduction-and-recommend-the-appropriate-criteria-to-be/>

transport and insurance goods. Ex-Work incoterm bears no responsibility after leaving the warehouse, while FOB bears responsibility up till seller's loading bay. Delivered at Place ensures delivery from warehouse to the buyer's unloading port.

Uniqlo need an incoterm that can take huge quantity and the charges to transport is cheap. Hence, choosing FOB will be a better choice for Uniqlo as they may not have the expertise on vessel transportation and it is better to let the exporter do the clearing of custom documents and transportation.

Carrier selection criteria As a transportation manager of Uniqlo, I will analyse the and suggest the appropriate carrier criteria to be considered when selecting carriers.

Hence, I will pick the 5-carrier selection and rate them in percentage according to how important they are toward Uniqlo. Top 5 carrier selection based on percentage (%)

Transit time	15
Reliability	35
Geographic coverage (accessibility)	20
Capacity	15
Freight rates	15

Transit time (15%)

Definition - Transit time is the time taken for a shipment to leave the factory to the time taken for it to be arrived at the customer's location. Transit time is usually measured in days or hours depending on the transportation that is used. ("Transit Time", 2012)

Explanation - Time plays a crucial part in transportation, it is highly important for Uniqlo to keep transit time as their priority when selecting which carrier. Transit timing determines the duration of the shipping process. A slight discrepancy in shipping time may snowball the entire transportation process.

If the carrier is unable to meet the transit time, Uniqlo should factor out the carrier and find someone else who will. Reliability (35%) Definition - Reliability is the ability of a system or component to meet its required functions for a certain period of time (" Reliability", 2017) Explanation - Reliability is proven to be one of top criteria that Uniqlo should take note when picking a carrier, as reliability shows the quality of being trustworthy and performing consistently well. The carrier should have well-structured and highly-regulated operation procedures to carry out transportation process smoothly.

The more reliable a carrier, the lower risk of shipping errors and this improves efficiency of transportation process as a whole. Geographic coverage (accessibility) (20%) Definition - Geographic coverage (accessibility) refers to the ease of reaching goods, services, destinations and activities (" What is the meaning of logistics term - FreightArea. com | Ship It Easier", 2012) Explanation - Geographic coverage (accessibility) will affect the overall transportation.

For example, if there are stocks to be arrived at the port but there is no appropriate vehicle to transport the stock to their warehouse. Resulting in a big mess that Uniqlo have to brainstorm for a solution. Therefore, it is very important that accessibility is one of the top priority that Uniqlo should consider when selecting a carrier. Capacity (15%) Definition - The volume of the load, number of persons which can be carried by means of transport under given conditions. (" transport capacity", 2005) Explanation - Capacity play huge part in transportation, as Uniqlo need to consider if their carrier is able to transport the amount they desire from port to port. For example, if <https://assignbuster.com/introduction-and-recommend-the-appropriate-criteria-to-be/>

the cargo could not fit the amount of amount of supply Uniqlo indented, more shipment need to be used, resulting in a higher expense. Hence, Capacity of the transportation is very important towards Uniqlo. Freight rates 15% Definition - A freight rate is a price at which a certain cargo is delivered from one point to another.

The price depends on the form of the cargo, the mode of transport (truck, ship, train, aircraft), the weight of the cargo, and the distance to the delivery destination. (Mifflin, 2016) Explanation - Freight rates could affect the relationship between Uniqlo and the carrier, as the cost of transportation is a huge. Transporting from the place of origin to the destination could be a huge budget for Uniqlo. As well as which mode of transport they will be using for the delivery. Hence, it is wise for Uniqlo to consider these factors before picking their carrier. Carrier relationship Management Build the recommended relationship Uniqlo should build a relationship with their carrier.

Firstly, Uniqlo need to an approach to the market for particular service. They must maintain good relationship with the selected carrier to assure continuity and quality of service at the lowest total cost. Secondly, transportation with the selected carrier as reliability and transportation speed provide a significant competitive advantage. Lastly, managing relationship between Uniqlo and their carrier for transportation services is a process that is critical to successful achieve high level of transportation performance.

Outsourcing Uniqlo should outsource based on a few reasons. Firstly, the financial and service control the success of transportation in a company as it is critical to develop an effective transportation strategy. Secondly, For a growing number of organizations, particularly those moving freight internationally, this strategy involves outsourcing some responsibilities to external service provider. These third-party logistics service providers (3PLs) are expert in the management and flow of freight, allowing customers to focus their resources on other activity/.

Type of Outsourcing Relationship As there are several types of outsourcing relationships. For example, Arm's length relationships, type I partnerships, type II partnerships, type III Partnerships, joint venture and vertical integration. Therefore, as a transportation manager, I will pick analyse the best outsourcing relationship for Uniqlo. Type II partnership Type II partnership is contractual in nature and the contracts are of longer duration than Arm's length and Type I.

Additionally, it may require investment from either party, incentives for cost reduction and guaranteed annual volumes. Finally, type II partnership not only provide basic transportation service, it also is involved in a long-term relationship with the company. Recommendation As a transportation manager of Uniqlo, I will recommend Type II partnerships as we need long term contractual relationship with the transport carrier. As Uniqlo is Japan's leading clothing retail chain and its expertise lies in selling and marketing of its profits, long-term contractual relationship with their carrier will guarantee cost reduction and annual volume. Therefore, it is better for Uniqlo to find a

carrier that are able to is able to establish a type II partnership as it will benefit them in the long run.

Conclusion In conclusion, as a transportation manager of Uniqlo, I recommended suggestions on the welfare of the company, such as they should use Free on board (FOB) as their incoterm as it will more benefit the company. Secondly, I have recommended Transit time, Reliability, Geographic coverage (accessibility), Capacity and Freight rates as top 5 carrier selection criteria and rank them in percentage according to how important they are towards to company. Lastly, I have analysed the transportation goals of the carrier relationship management and suggested that Uniqlo build recommended relations with their carriers recommended Uniqlo to use type II partnership with their carrier for a longer-term relationship and incentives for cost reduction.