

# Problems Encountered by Importation Companies in Calaca, Batangas

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**Abstract** - *This study aimed to determine the importation problems encountered by companies operating in Calaca, Batangas, Philippines. Quantitative-descriptive type of research method was utilized in the study with 30 respondents from the three (3) companies. Findings showed that these companies rarely encountered problems on Long Processing Time in the Bureau of Customs, Non-working Holidays and truck ban, Delayed Transmittal of Documents by the Supplier, Limited Supplier, and Unexpected Weather Conditions. Respondents also strongly agreed that the Problems Encountered in Importation have effects on Overload of Work, Costly and Time Consuming for the company and Opportunity loss due to long time processing in the bureau.*

**Keywords:** *customs administration, freight forwarding industry, importation*

## INTRODUCTION

Every country is endowed with certain advantages in resources and skills and because of that reality; there is no escape to the fact there is a need to import to get that certain commodity Pagoso [1]. Even if the domestic market has the required material, the existence of a source that provides better quality brings out the process of importation into the spotlight for importing companies. Since the process involves a lot of parties, local and international, there may be circumstances that it may not go the desired way because of fortuitous events, mistakes, negligence or any other problems in which will be the main focus of the study.

There are several reasons and to name one, importation reduces costs since sometimes procuring locally costs more than outsourcing from other countries. Importation paves way for innovation as some imported products/equipment is more advanced compared to some found here [2].

In the town of Calaca lie various corporations that undertake the importation process since their manufacturing processes involved materials that are not available here in the Philippines. The town is a strategic location for these companies since the town is near the shore, making the handling of vessels possible and the newly improved and widened roads give the companies easier and better access to their corporation or even to Manila.

The researchers' aim is to determine the importation problem of raw materials and equipment by the different companies operating in Calaca, Batangas. Through the results, the researchers will become more familiar about the common complications importers encounter and its effect to the company's performance. The study may help the researchers have an idea about the problems they may encounter in the future when they start working for similar companies. The researchers will benefit as they will gain more proficiency and analysis skills regarding importation problems. This study can help the researchers as it is in line with the major courses of the researchers' program. This may also serve as a guide of licensed customs broker who are processing documents for importation and for those students who will conduct the same study.

## OBJECTIVES OF THE STUDY

This study aimed to determine the importation problems encountered by companies operating in Calaca, Batangas. Specifically, determined the problems encountered in their importation; identified the effect of these problems to the respondent's operation; identified if significant relationship exists between the problems and effects; and proposed plan of action to address the problems encountered.

## **METHODS**

### **Research Design**

This study used the descriptive method of research. The descriptive method of research is the accumulation of a data base that is solely descriptive but may describe more powerful purposes like, seek or explain relationship, test hypothesis, make prediction or get at meanings and implications. By using this research method, the researchers are able to interpret the conditions or relationship between the variables through the collected information from the respondents [3].

### **Participants of the Study**

The participants of the study are 30 employees from the three different companies in Calaca, 10 respondents per company. The respondents come from the procurement/ import divisions of the companies. Names of companies were deleted in this study to protect their identity. All of the companies, as much as possible, wanted to keep the information limited, thus, they only allowed only 10 employees to answer the researchers' inquiries.

### **Instrument**

The researchers used an adapted questionnaire from the theses entitled "The Importation of Atlantic Gulf and Pacific Company Bauan, Batangas: An Assessment" by Fondevilla et al. [4] in which the questionnaire was modified to further obtain relevant information from the respondents. There were two sets of questionnaire, one for the manager and one for the employees of the company. The respondents answered the questionnaire by marking the rating that corresponds with the statement. The first questionnaire consists of the profile of the company. The second questionnaire is composed of problems of importation and statements that may cause probable effects to the company's performance.

### **Procedures**

The researchers gathered related literature from the library and the internet. The researchers then proceeded on making a letter of request signed by the research adviser and the Dean to ask for the approval of the several companies in Calaca. The letter was disseminated to the companies and only three companies approved the request of participation in the study. Upon the approval from the companies, the researchers distributed the research instrument. It took a long time before the researchers were able to retrieve the questionnaires as the companies are busy

in their daily operations and some of the employees are not usually present in the premises.

### **Data Analysis**

The gathered data were tallied and tabulated by the researchers and afterwards sent to the statistician for the application of the needed statistical tools. Weighted mean and ranking were used to determine the top and least encountered problems by the companies in their importation. Weighted mean was used to acquire the average mean of both tools. To find the significant relationship between the problems encountered and effects to the company's performance, the statistical tool used was correlation matrix that defined as a table showing the correlation coefficients between the variables. These statistical tools used statistical software, PASW version 18 to further analyze the results. The given scale was used to interpret the result of the data gathered: 3.50 – 4.49 = Always; 2.50 – 3.49 = Often; 1.50 – 2.49 = Rarely; 1.00 – 1.49 = Never.

## **RESULTS AND DISCUSSIONS**

Table 1 shows the importation problems encountered by the respondents. In the problems encountered, the long processing time at BOC ranked 1 with the weighted mean of 2.46. Long processing time at BOC may be caused by unexpected inspections or it may have been caused by force majeure that importers have no control of. During the time of Commissioner Faeldon, he explained that third party disturbances result to the delays that is happening at that time. The importers and the Bureau were deprived of more income due to the delays. The Bureau is only responsible for the processing of the documents and releasing but they are not in charge for the regulation of the shipment. When the consignee has processed and passed the required documents, the BOC shall release the shipment [5].

Non-working holidays have a weighted mean of 2.33 and is ranked 2nd. There are times the companies import and the shipment arrives at a holiday. It resulted for them to experience delays concerning their shipment. Factories/manufacturers became very busy trying to finish all promised orders. Some factories/manufacturers may not be able to finish and ship all orders before the holidays and that is the reason why the delivery of the shipment reaches holidays. Even though it is not a holiday here, there is a possibility it's a holiday in other countries and this leads to unexpected delays.

**Table 1. Problems Encountered in Importation**

	WM	VI	Rank
1. Miscommunication/ Lack of good communication with supplier	2.00	Rarely	10
2. Delayed Transmittal of Documents by the Supplier	2.30	Rarely	4
3. Limited Supplier	2.26	Rarely	5
4. Unexpected Weather Conditions	2.20	Rarely	6
5. Non Conformance of the Supplier	2.16	Rarely	7.5
6. Insufficient Time Allowance to Supplier	2.06	Rarely	9
7. Long Processing Time in the Bureau of Customs	2.46	Rarely	1
8. Lack of Experienced Personnel	2.16	Rarely	7.5
9. Temporary Breakdown of Server	1.96	Rarely	9
10. Improper Handling and Storage of Goods	1.90	Rarely	12
11. Defects in the Articles upon receiving	1.90	Rarely	12
12. Loss of Shipment/ Container	1.90	Rarely	12
13. Non-working Holidays	2.33	Rarely	2.5
14. Truck Ban	2.33	Rarely	2.5
15. Unavailability of Port Facilities	2.06	Rarely	7
<b>Composite Mean</b>	<b>2.13</b>	<b>Rarely</b>	

This is usually experienced by the importers because each country has its own holiday period and with that, one country may have a holiday on a certain day but not in the other country. Most of the shipments get affected by this, either in its origin or destination. Not only that the shipment may get delayed because of no port operations, there are chances that the port may get congested after the holidays. Port operations will resume and a lot of importers will arrange and finalize their importation which will cause port congestion and can also lead to further charges like demurrage, per diem or delay in the port when that happens [6].

Truck Ban is also ranked 2nd with a weighted mean of 2.33. This has become a problem for importers since some of their importation is shipped to the ports located in Manila where the truck ban is imposed. An article by Peña [7] discussed that a serious problem of port congestion is slowly making its way in Port of Manila. The imposition of daytime

truck ban is the root cause of this problem. The daily routine of trucks such as picking up containers, delivery of containers, returning of empty containers abruptly stopped. This resulted to the accumulation of containers and the importer and exporters wasn't prepared for this kind of situation which led for the delays and additional charges.

According to Ilagan et al. [8], the most encountered problem in releasing imported goods at the port of Manila is delay in the delivery of cargo due to truck ban, followed by the unavailability of delivery trucks. It became a hindrance for the fast delivery of the imported cargoes to their consignees once release at customs custody, it made the truckers have limited time to move in and out of the port. Likewise, unavailability of delivery truckers is also a result of the truck ban. Truckers are stuck inside the traffic making them difficult to move and reach their destination at the expected time. Because of these, the rentals for trucks became limited and thrice or quadruple the price compared as before the truck ban.

Delayed Transmittal of Documents by the Supplier ranked 3 with the weighted mean of 2.30. The companies rarely encounter this type of problem since they strive to comply and submit the required documents to avoid getting the shipment delayed or being charged additional costs. There are situations wherein there are incomplete information in the documents which leads for the late processing or release of the shipment by the Bureau. To add, there are also additional charges and it can be also costly [9].

Limited supplier is ranked 4<sup>th</sup> with a weighted mean of 2.26. Having a single source of materials greatly affects the supply chain of production and will result for the companies to be vulnerable to drastic changes in demand and supply. The companies rarely encounter this problem since they are diverse with their suppliers and they work and maintain a great relationship with the supplier.

Unexpected situations like a fire or natural disaster can shut down the supplier's facilities or warehouses and that is the reason why having few suppliers is hard to come by. If the importer will rely on one source, it can give the supplier a great advantage and this will make the importer re-evaluate their selection of supplier [10].

Unexpected weather conditions (2.20) ranked 5<sup>th</sup> while non-conformance of the supplier (2.16) ranked 6<sup>th</sup>. Placed on the 7<sup>th</sup> rank is insufficient time allowance to supplier with a weighted mean of 2.06.

Next is miscommunication/ lack of good communication with the supplier garnering a rank of 8<sup>th</sup> with weighted mean of 2.00. Temporary breakdown of server is ranked 9<sup>th</sup> with a weighted mean of 1.96.

Three variables are ranked 10<sup>th</sup> and these are improper handling and storage of goods, defects in the articles upon receiving and loss of shipment/ container. The respondents rarely encounter these kind of problems since they have an established relationship with their suppliers and made sure of the quality of the materials they import if it complies with their standards. The companies have good communication with the supplier regarding the quality and specifications of the material.

According to Stacy Bruce [11], defects are common problems faced by importers. It can range from small scratches to major damages, to the point it needs reworking. There are many ways how to handle defects but to eliminate it, the importer should find the root cause. After knowing the root cause, the importer should plan out and have detailed negotiation with the supplier. Working with a known supplier helps in avoiding defects which is why the three companies rarely encounter these kinds of problem.

The freight forwarding industry strives to reduce the cases of lost shipments. Ever since, there have been a reduced percentage of losses carried by ships each year. The average number of container estimated to cost each year, is down from the estimates reported in 2014[12].

Damage or loss of shipment is another issue importers face in importation since there may be instances where the cargo isn't secured properly in the container or may have been handled roughly while it is in the process of stuffing or on voyage. It may also get damaged by the negligence of vessel/crane operators and in the event of damage of shipment, compensation shall be provided to the importer in a timely manner. Since the cargo may be lost or damaged, the importer may not be able to manufacture further due to shortage of supply and it shall also be detrimental to importer due to time loss [6].

Overall assessment based on the effects of problems encountered in importation on table 2 below. The respondents strongly agree on the overload of work with a ranking of 1 and weighted mean 2.73, costly and time consuming for the company being ranked 2 and weighted 2.63.

The companies strongly agree that there is overload of work due to non-working holidays as

shown in Table 2. Even though the countries are close to each other, it does not mean they have the same shipping policies or holiday schedules. It is advisable not to assume and one should know the policies and holidays of the other party. When holiday season takes place in a country, it is certain that there will be overload of work since there is no operation during holidays, leading for the projects or tasks to pile up [13].

**Table 2. Effects of Problems Encountered in Importation**

	WM	VI	Rank
1. High Possibility of Wrong Order	2.16	Disagree	14
2. Delayed Release of Shipment	2.50	Agree	6
3. Production of finished products is postponed due to insufficient supply	2.56	Strongly Agree	4
4. Delay of Shipment due to bad weather conditions	2.40	Agree	10
5. Costly and Time Consuming for the company	2.63	Strongly Agree	2
6. Cancellation of Order	1.93	Disagree	15
7. Opportunity loss due to long time processing in the bureau	2.60	Strongly Agree	3
8. Employee's affected working hours	2.50	Agree	6
9. Projects Affected due to delay of shipment	2.50	Agree	6
10. Damaged goods due to mishandling	2.33	Agree	12
11. Substandard quality due to defects	2.30	Agree	13
12. Deferred Production of the company	2.40	Agree	10
13. Overload of Work	2.73	Strongly Agree	1
14. Company's operations are delayed.	2.40	Agree	10
15. No Supply of Materials	2.43	Agree	8
<b>Composite Mean</b>	2.42	Agree	

They also strongly agree that the effect of the problems result to additional charges and consumption of time. This is unwanted by the importer but this cannot be avoided when trouble rises during the importation process. A mistake may cost the importer, money and time regarding international shipping businesses not complying with the rules and regulations that may lead to unwanted charges and

problems that are hard to fix. Not all the requests of the importer are followed by the supplier so that is why there are additional costs, effort and consumption of time by the importer. However, there are instances when an importer follows the rules regarding importation but still is subject to different charges and situations [6]. Opportunity loss due to long time processing in the Bureau weighted 2.60 ranked 3. The companies strongly agree because experiencing long time processing by the Bureau affected their operations in a way that instead they are able to produce this amount of products, they are able to produce less =er quantities. Importer ought to provide complete and precise information about their shipment to their brokers to prevent any delay in the clearance of the shipment. What the importers want is to gain the trust of customs. To avoid delay, both parties have to make available the necessary documents for their shipment to process smoothly since if one failed to comply, they shall pay the consequences of additional penalties, effort and time loss [6].

The respondents strongly agree that the production of finished products is postponed due to insufficient supply weighted 2.56. To satisfy the increased demand for more variety and highly customized products, companies will have to change their supply chain in an effort to lower costs and maintain the economies of scale of a mass market environment while creating economies of scope through a wide range of product offerings[14].

The variable delayed release of shipment gained a weighted mean of 2.43. The companies agree that this is the effect of the problem since they may have experienced this in the past and delayed transmittal is one of the top problems they have encountered. The most common issue regarding the importation of the raw materials of YKK Zippers Philippines Incorporated based from the results of the study of Fondevilla et. al [4], is the inefficiency of shipping documents which was proven to pose a problem in the execution of the company's business and manufacturing. He inferred that the importation issues experienced by the firm concentrated on the essential forms that are required by the Bureau of Customs and that the reasons for such issues pave way for the company's shortcoming in regards to the handling of the documents and commodity supply.

Siemens Power Operation Incorporated should utilize advance processing of documents to avoid further problems in importation. Buted Jr. et al. [15]

also recommended the thorough monitoring and supervision concerning the processing of documents.

The working hours and projects of the employees (2.50) are affected due to delay of shipment as agreed by the respondents. No supply of materials weighted 2.43. Delay of shipment due to bad weather conditions, deferred production of the company and company's operations are delayed are being ranked 7 with a weighted average of 2.40. On the 8<sup>th</sup> spot, damaged goods due to mishandling have a weighted mean of 2.33.

Another one is substandard quality due to defects has a weighed mean of 2.30. When there are defects, low quality products are to be expected. The companies agree since they experienced receiving shipment with defects, they proceeded to use the defected materials to other plans because using it in producing their main products may damage their reputation. According to Bruce [11], defects are common problems faced by importers. It can range from small scratches to major damages, to the point it needs reworking. Reworking those defects resulted to more expenses by the company. Using material with defects can decrease the quality of the product and that is the last thing a company may want for their products and clients. Providing low quality products may leave a bad impression on the clients and the clients may end their contract.

Respondents disagree on high possibility of wrong order with a ranking of 14 and a weighted mean of 2.16. The respondents rarely encounter wrong orders as they are teamed up with well-known companies and that they disagree that this kind of problem results to wrong order. On the other hand, there is a higher chance of miscommunication when the importer is dealing with large companies with multiple clients. It is advisable to keep contact with a certain employee from the supplier's company. That employee should be, as much as possible, someone who is capable of understanding the importer's request and messages[16].

Last is the cancellation of order with a weighted mean of 1.93. This has the lowest rank since the companies do not cancel their orders because of high demand of their products. They are in great need of resources which is why they resort to gather materials as much as possible. The importer should pad their timeline and their budget. Factoring in this extra time plus including additional money in your budget can help accommodate these unforeseen delays and cancellation of orders. Based on the recommendation

of Fondevilla [4], utilization in the usage of raw materials to the fullest and provide necessary allowance for arrival of shipment maybe done by company to eliminate such problems. It is also suggested to establish transparency of rules with the clients.

**Table 3. Correlations Matrix Problems and Effects of Problems To Importation**

	Effect		
	r-value	p-value	I
Problems	.529	.043	S

*Legend : Significant at p-value < 0.05:S- Significant; NS-Not Significant*

Table 3 indicates the significant relationship of the problems encountered and its effects to importation. Result showed that the problems encountered have a significant relationship with the effects to importation. They have a positive relationship which means that if a variable increases, the other variable may increase or decrease. In the table, if there is an increase in the problem, the variable effect has also the tendency to increase Even if they have a relationship with each other, it does not mean they have a cause and effect relationship as there are other variables that can affect the result of the variables. Based from the responses from the respondents, a relation can be derived between the problems and effects from the diverse responses.

**CONCLUSIONS**

The companies rarely encounter problems in their importation but the top problems they encounter are long processing time at BOC, non-working holidays, truck ban and incomplete shipping documents. Also, the companies mostly agree with the effects but they strongly agree that the problems result to the additional costs, consumption of time, postponement of projects, opportunity loss and overload of work. There is a significant relationship between problems encountered and effects. There are possible actions that can be done to prevent the occurrence of problems in importation.

**RECOMMENDATIONS**

It is recommended that to improve and for the shipment to be released immediately, it is recommended to prepare the necessary documents, and by anticipating and monitoring constantly the shipment before its arrival. The companies should focus on improving the communication of their supplier to be able to achieve transparency and collaboration with each other. The companies may review and adapt the proposed action

plan the researchers formulated for the prevention of importation problems. Future researchers may conduct similar studies but with different variables.

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**Table 4. Proposed Action Plan to Address the Problems Encountered by Companies Operating in Calaca, Batangas**

Key Results Area	Strategies/Methods	Persons Involved
Schedule Management	<ul style="list-style-type: none"> <li>• Make up working days affected by the holidays</li> <li>• Proper Scheduling of Shipment so that its arrival will not fall on a holiday.</li> <li>• Make note of the yearly holidays of the exporting and importing company.</li> <li>• Have the shipment be shipped at a port where truck ban is not imposed.</li> <li>• Negotiate with supplier for an early delivery to avoid delay.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee</li> <li>• Freight Forwarder</li> <li>• Supplier</li> <li>• Importer</li> <li>• Supplier</li> <li>• Freight Forwarder</li> <li>• Supplier</li> </ul>
Transmittal of Documents by the Supplier	<ul style="list-style-type: none"> <li>• Maintain communication with supplier and prepare the documents beforehand.</li> <li>• Enforce laws, rules, and regulation relating to procedure of submission of incomplete document and return</li> <li>• Constant monitoring and Give adequate time frame for the compliance of document</li> </ul>	<ul style="list-style-type: none"> <li>• Importer</li> <li>• Supplier</li>   <li>• Supplier</li>   <li>• Exporter/ Suppliers</li> </ul>
Sufficient Supply of Materials	<ul style="list-style-type: none"> <li>• Create temporary corrective measures such as finding other alternative solution or alternative material.</li> <li>• Prioritize critical shortages by Supplier and always check the quantity of the materials to avoid shortage of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Importer</li>     <li>• Supplier</li> </ul>