

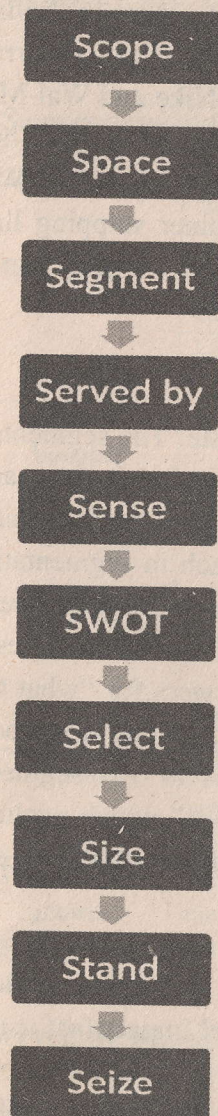
Marketing of Container Liner Shipping- Application of "Ten S" model

By Lalith Edirisinghe

Chartered Marketer

Abstract

The concept of marketing has its origin in many complicated disciplines such as economics, psychology, and sociology. Many textbooks attempt to explain how to market a product or service successfully and professionals in marketing refer to appropriate models; tools and matrix that help analyze and recommend marketing approaches best suits for a particular firm, industry or situation. Out of various models and tools available to help develop a strategic marketing plan, the Ten-S model created by Professor Uditha Liyanage is exclusive and something unique for its simplicity despite its comprehensiveness and visibility. This article attempts to discuss the application process of the "Ten S" model in the context of container shipping services.



The Ten-S Model¹

This model consists of 10 keywords those start from the letter "S" thus named as Ten S model.

The framework originates from the Business Scope (BS) that eliminates the possibilities of being myopic defining what business they are in. Secondly it prompt the firm to clearly define the Market Space (MS) that they associate followed by identifying market Segments (third S of the model), competitors who serve the particular segments. This may be done through a detailed study such as analyzing key purchase determinants. In the fourth and fifth steps the marketer identifies the competition and sense market opportunities respectively. These market opportunities will be evaluated through a SWOT analysis in the stage six. The target market segment(s) will be selected and quantifiable objectives will be determined in the next two stages.

The Greatest Marketing Principal (GMP) is to own a word in the consumers' mind and be lodged there. Getting in to the consumers' Mental Filing System (MFS) and storing the brand physically and chemically needs a systematic approach. This difficult task is attended at the ninth (Stand) stage. If your customer remembers your brand (Shipping Line) as the first choice when he/she has an export booking it means your product rightly stands in the market. The last but not least the "operationalization" of the marketing plan using marketing mix will be done at the tenth stage.

However this is easier said than done.

The marketing of Container shipping Line (CSL) is a complicated

¹ Ten "S" is a creation by Professor Uditha Liyanage based on the STP(Segmenting; Targeting; Positioning) model

job as it theoretically falls under “services” category and it predominantly involves in the Business-to Business (B2B) process. Shipping is anyway a complicated subject primarily due to the derived demand factor in an economic sense. In addition the complexities of International Marketing also play a role in marketing shipping services. Therefore developing a strategic marketing plan is obviously a complicated task yet it would be immensely beneficial to marketers in shipping to apply the Ten S model to do their job efficiently and effectively.

S1 & S2-Defining Business Scope (BS) and Market Space (MS) for CSL

Defining the right BS of a firm is crucial and challenging because it is the starting point of the Ten-S matrix. If the beginning itself is myopic, the firm cannot expect a successful outcome at the end of the process. The IBM failed miserably as they lost sight of its customers; customers needs changed but IBM did not. Because, the firm simply believed that they were in “selling computer hardware and software” business. They did not realize that their scope was too narrow thus competitors could easily supersede them. In contrast companies such as Nike and Wal-Mart manage to expand their horizons by understanding what business they are actually in. Nike help people experience the emotion of competition, winning, and crushing competitors, while Wal-Mart delivers low prices everyday. In the same note the BS for the Container shipping lines (CSL) is not the mere “Selling ship space” but “Transportation” and the MS for CSL can be concluded as Container Shipping market.

S3-Segmentation of shipping markets

Consider a FMCG (Fast Moving Consumer Goods) market such as tooth paste. The segments in toothpaste market represent socio economic, Demographic and psychographic groups as it considered to be Business to Consumer (B2C) market. In contrast, shipping, predominantly being a Business to Business (B2B) activity it may need a different approach in segmentation. For example the type of commodities, Destinations/ origins of cargo, volume of cargo/frequency etc. would be the factors to consider. Once identified the potential groups of consumers, a test to be carried out to validate the existence to such segment in reality. The answers for “what they buy?” and why they buy?” do make the fundamental validation of a “true” segment. If a product (what) can satisfy two “who”s (two proposed segments) then actually there is no “two segments” exist in such situation. This may require further validation of “SADAM test” which evaluates each segment whether it is Sizable, Accessible, Distinctive, Actionable, and Measurable to exist and sustain.

While the conceptual reality is the same, there are practical variances in segmenting shipping markets than that of any Fast Moving Goods (FMG). The Business markets has greater tendency towards rational decisions based on economic disciplines than the emotional impact that usually leads in consumer markets. But it is still possible to analyze the value hierarchy in the shipping market. Similarly, the shipping consumer primarily gets the value of smooth delivery of goods as a functional value. Then he/she experience the service features such as the network communication, container tracking etc. By shipping cargo with a prestigious carrier, the

customer may feel proud to be in equal status with other giant exporters in the market such as Multinational Companies thus acquire a relational value. This perceived association gives value of a communicator about the consumer that he would not have got otherwise. At the end the consumer will have a psychological value by being proud about him to use a top level carrier.

Major Segmentation Variables for shipping Markets.

Bonoma and Shapiro (1983) suggests seventeen segmentation variables for business markets (as cited in Kotler, P, & Keller, K.:2006,p259) out of which five variables may be appropriate for container shipping. For the given Market Space, therefore the segmentation variables of Industry, Company size, Location, urgency and size of order are considered to be vital.

Segmenting the CSL market

		Examples
Who buys?	Industry/Commodity of the customer	Garments exporters, Freight Forwarders, Milk powder importers etc.
	Company size in their functional capacity, annual turnover etc.	Customers total export volume is more than 1000TEUS, Less than 100 TEUS etc.
	Location of customers' key shipping operations	Whether customer is in Colombo or elsewhere etc.
What is bought?	Size of order or booking over a specified period	Estimated volume from the customer per annum
	% of the market	Customers' potential as a share of total market. Suppose the shipper gave you 300 TEUs to Hamburg last year and last year total exports to Hamburg say 8000TEUs it is 4%
	Type	He/she may buy on Service contract basis, Nominations of direct quote etc.
	Purchase frequency	Weekly, monthly fortnightly etc.
Why?	The main reason that attracts the customer to your service	Documentation flexibility, Fast Transit Time, weekly frequency etc as perceived by the customer
Potential for growth	Based on your market intelligence how you rate the customers future growth	Moderate, Fast or medium etc.

Source: Author

Served by whom? (The fourth "S")

Due to the geographical location of Sri Lanka which has strategic advantage for shipping, most of major CSL used to call port of Colombo including mega lines such as Maersk, MSC, CMA etc. Therefore it makes sense to carefully evaluate how the customer demands are being satisfied

by the competitors and at what service levels etc. Another significant factor is the dual roles played by Freight Forwarders as they are customers in one situation and competitors in another. For an example XYZ Freight Forwarder can be your best customer to Colombo/Europe service while they would compete you in the Colombo/USA service through a Service Contract with another shipping line. These possibilities should be carefully analyzed under each market segment thus your strategic marketing plan will be sufficiently proactive rather than ad-hoc reactive actions that many CSL used to take.

S 5-Sensing Market Opportunities

In order to sense market opportunities a clear understanding on the Key Purchase Determinants (KPD) is a must. The degree of importance of each KPDs may vary thus the marketer should essentially assess of these criteria too and assign a weight to each KPD if at all to derive a logical marketing information through the data set. This approach facilitates you with a comparison between competitors' offer against yours.

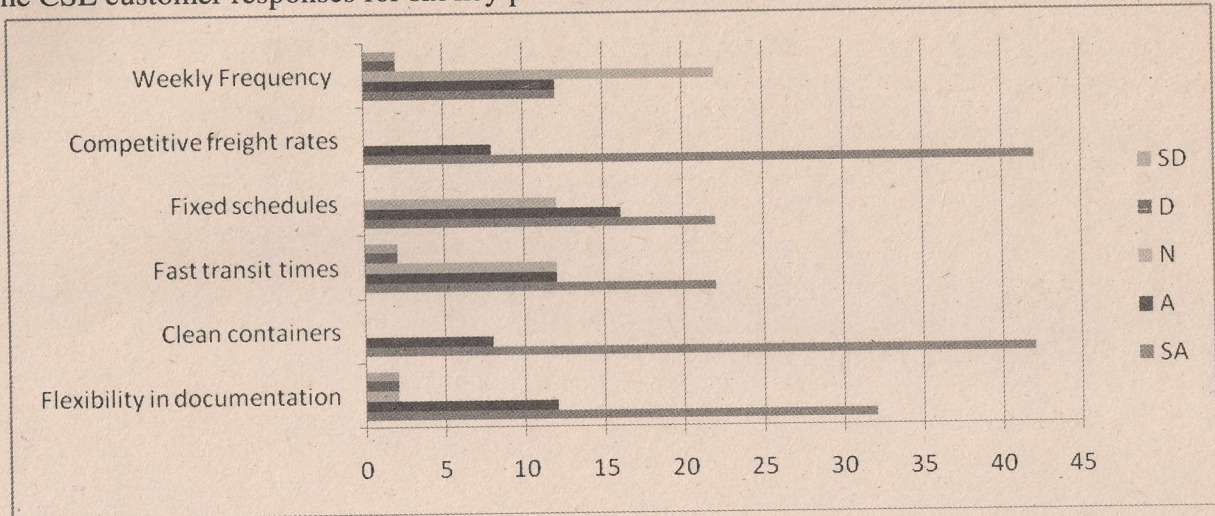
The KPD could vary depending on the segments a particular CSL is chosen. It is suggested that there are six KPDs in the container shipping industry.

1. Flexibility in documentation
2. Availability of clean and seaworthy containers
3. Transit times
4. Fixed vessel schedules
5. Competitive freight rates
6. Maintaining weekly Frequency of ships

Although the customer responses may vary significantly depending on the trade lane or customer segments the author wishes to share survey data that was revealed in a previous research². The graph below illustrates the response of customers in the Europe,USA, and West Mediterranean trades with regard to six KPDs in the likert scale. (SA-Strongly agree, A-Agree, N-Neutral, D-Disagree, SD-Strongly disagree)

² This research –“A study on the factors influencing brand choice in the shipping industry” has been carried out in 2010 using 50 samples by the author as a partial fulfillment of the requirements of the PgDBM of University of Colombo.

The CSL customer responses for six key purchase determinants



Source: Author

In contrast to B2C markets, the impact on freight rate (Price) play more complex role in shipping. This is primarily due to shipping being a derived demand of world trade.

This ends the part one of the article. Part two of this article will appear in a future CASA Weekly publication.

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