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WORLD MARITIME UNIVERSITY

Malmö, Sweden

**MARKETING IN LINER SHIPPING:
CURRENT PRACTICES AND SUGGESTIONS FOR
INTRODUCING NEW MARKETING TOOLS TO THE INDUSTRY**

By:

Sandra Samy George Haddad

Egypt

A dissertation submitted to the World Maritime University in partial
Fulfilment of the requirements for the award of the degree of

**MASTER OF SCIENCE
In
MARITIME AFFAIRS
(SHIPPING MANAGEMENT)**

2008

DECLARATION

I certify that all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

The contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the University.

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ABSTRACT

Title of Dissertation: Marketing in Liner Shipping: Current practices and suggestions for introducing new tools to the industry

Degree: **M.Sc.**

In an era of globalization, competition, advanced technology and increased world trade, customers became much more aware and demanding which created a need for efficient marketing practices. Marketing holds that the major factor to achieve the organizational objective is to identify the needs and to satisfy them better than your competitors. Marketing is to give the company's customers the service they need, not to find the right customer for your service because it is a customer driven concept (Kotler, 2003).

This research does not aim at convincing the reader that successful operations are only about applying appropriate marketing tools; nevertheless, it does say that marketing is a huge part of making liner shipping successful. No doubt liner shipping is far behind when it comes to marketing, especially when compared to other transport service industries like aviation. According to the European Shippers Council the reason is that the shipping lines have been protected for a long time by the conference system (N. Van der Jagt, personal communication, August 1, 2008). In order to have high service quality, shipping lines have to research to understand what the shippers need, want and expect, which is a marketing practice.

Finally all departments and activities have to work together to reach the company's success, as marketing will not transform a shipping line unless there is devotion from every part of the company to transform and become a customer focused business.

KEYWORDS: Marketing, customer satisfaction, segmentation, liner shipping, differentiation, cultural adaptation.

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CHAPTER ONE

INTRODUCTION

1.1 Overview

In the era of globalization, competition and emerging technologies, marketing plays not only an important role but its scope and limits broadened a lot during the last decade. This happened because customers became much more aware and demanding due to the increased number of options they have. Marketing is mainly concerned with the customers rather than only the products or service. It holds that the major factor to achieve the organizational objective is to identify the needs and to satisfy them better than your competitors. Marketing is to give the company's customers the service they need, not to find the right customer for your service because it is a customer driven concept (Kotler, 2003).

The shipping industry is still far behind when it comes to being customer focused or customer driven because from the European Shippers' Council perspective the shipping lines were protected for too long through the conference system therefore they did not have motive to compete and differentiate their services (N. Van der Jagt, personal communication, August 1, 2008).

During the whole research, concepts' applications by the leading shipping lines, Maersk Line and CMA-CGM, were shown. Maersk is number 1 and CMA-CGM is number 3 in terms of liner shipping worldwide market share. Maersk and CMA-CGM are moving towards better applications of the marketing concept and are becoming more customer focused.

1.2 Thesis objective and scope

The objective of this research is to examine the marketing concept in liner shipping and suggest introducing new methods to the industry. Through readings and interviews with shipping lines' marketing managers and shippers' representatives the objective could be reached. This topic was chosen as it is very interesting to find out why liner shipping in such a competitive developed era, is still not customer focused and a lot of complaints are still coming from shippers.

This period is a critical period for the liner shipping industry as it is a transformation phase with the conference system being abolished and the shipping lines facing huge pressure from the shippers. How are they going to deal with the situation; will they be more customer focused and turn to marketing or do they have other solutions? It seems like leading shipping lines that were interviewed are really turning to marketing as a solution.

1.3 Research methodology

The methodology used for the purpose of this research can be classified as inductive or qualitative as it does not involve any figure based result and is based on critical thinking of the author. Therefore, marketing books, journals and articles were used for literature reviews. The main concepts and tools of marketing were studied as well as successful marketing experiences from other service industries were reviewed. Literature reviews also included books and articles addressing problems with shipping lines and unsatisfied customers as well as the few available marketing shipping books.

Furthermore, marketing managers of Maersk Line gave a seminar about Maersk's marketing activities and efforts, and contact was kept with them through e-mail afterwards. In the meantime, contact was established with CMA-CGM's global accounts manager via e-mail. After collecting information from the literature review and the established contacts with the shipping lines' marketing managers, two personal interviews were carried out with the marketing manager of Maersk Egypt and the marketing manager of CMA-CGM Egypt. Moreover, feedback about shippers' satisfaction level was given by the European Shippers' Council Secretary General.

Thus, a theory was conducted and work started accordingly. Meanwhile any occurring questions were very welcomed by all managers who showed a lot of interest in the topic and asked to share the results when the research finishes.

1.4 Limitations of the study

As this is an inductive or qualitative research the findings are not statistically proven. It is subjective and it might be argued to have low reliability; however, this disadvantage can be overcome as all the information and facts are referenced. Moreover, the sample is small with only a few shipping lines, which limits the outcomes. Furthermore, there are no literature reviews addressing this topic from the same aspect. The only available material include this topic as a section, very short and not deeply analyzed and in most of the cases it is marketing practices in shipping in general not specifically liner shipping.

1.5 Thesis plan

The plan was to explain marketing and liner shipping separately and then later combine both practices and come up with the findings. Therefore, the dissertation itself is divided into chapters as follows:

Chapter 2 provides overview of marketing, how it has evolved and what its main elements are through looking at its history and development. It also explains the marketing process, functions and the marketing mix. Later presenting the special characteristics of marketing services and finally concluding by relating marketing to shipping and showing the uniqueness of marketing shipping as an international industry.

Chapter 3 discusses first the current status of liner shipping in order to have an idea of the global ranking of the shipping lines. Afterwards market research and MIS (Marketing Information System) are covered as to show the importance of information in the segmentation decision making process. Later segmentation and targeting are explained as marketing concepts along with the practices of Maersk and CMA-CGM.

Chapter 4 covers the positioning and differentiation concepts along with the integrated marketing communication tools, including branding, advertising, sales promotion, direct marketing, personal selling, Internet marketing, publicity and Relationship Management CRM. Concluding with the communication tools used by some leading shipping lines and some suggestions are made by the author.

Chapter 5 shows how the targeting strategies and the communication tools can differ from one segment to the other. In this case, the Egyptian liner market will be

presented as a unique geographical segment that needs special adaptation techniques in using the marketing tools in order to communicate with the market effectively. The tools used by Maersk and CMA-CGM Egypt and some other suggestions for adaptation are presented by the author.

Chapter 6 provides a conclusion by confirming that marketing is a huge part of making liner shipping successful; nevertheless, all departments and activities have to work together to reach the company's success, as marketing will not transform a shipping line unless there is devotion from every part of the company to transform and become a customer focused business.

CHAPTER TWO

MARKETING

2.1 Introduction

This chapter attempts to explain what marketing is all about, how this concept evolved and what its main elements are. In order to be able to define the concept history and development should first be looked at. This chapter will cover the historical stages in business after the industrial revolution that led to the marketing concept whose main elements will be discussed throughout this chapter. After showing the development stages various definitions of marketing by some organizations and authors will be presented. Afterwards the marketing process and functions along with the marketing mix will be discussed. Later the special characteristics of marketing services will be presented and finally concluding by relating marketing to shipping and showing the uniqueness of marketing shipping as an international industry.

2.2 The development of the marketing concept

To reach the current Marketing concepts business practices have changed over the years and went through five development stages: the production, product, selling, marketing and societal marketing concepts. This led to the distinction between marketing versus selling concepts.

The first stage can be referred as the *Production Concept* that started with the industrial revolution. It assumes that consumers prefer reachable and relatively cheap products and therefore the company should concentrate on productivity and distribution. Although this concept was developed way back in the past, it is still used

when demand is higher than supply or when the production cost is high, so increased productivity is needed to break it down.

The ***Product Concept*** assumes that consumers prefer high quality products with best performance and innovative features. It concentrates on product improvements and mainly overlooks other marketing and promotional tools that enable the company to communicate effectively with the consumers. Moreover, this concept might also lead to marketing myopia; in other words, focusing on the product rather than its purpose or the original need of the consumer (Armstrong & Kotler, 2005).

The ***Selling Concept*** holds that without huge selling and promotional efforts the customers will not buy the product. Its objective is to sell rather than giving the market what it wants. This approach is mainly used in situations of overcapacity or with unattractive products like insurance and blood donations. The selling concept mainly focuses on short term selling transactions rather than long term customer relationships, assuming unsatisfied customers will forget and buy again. It is a dangerous strategy owing the surveys have shown that dissatisfied customers don not forget and tend to tell others about their bad experiences (Kotler, Saunders, Wong, & Armstrong, 2001).

The ***Marketing Concept*** started in the mid-1950s and is concerned with the customers rather than the products. It holds that the major factor to achieve the organizational objective is to identify the needs and to satisfy them more than your competitors. Marketing is to give the company's customers the product they need, not to find the right customer for your product because it is a customer driven concept and a "gardening" rather than a customer "hunting" philosophy. As the famous marketer Lester Wunderman pointed out:

The chant of the Industrial Revolution was that the manufacturer said to the customer, ‘This is what I make, won’t you please buy it’. The call of the Information Age is the consumer asking ‘This is what I want, won’t you please make it.’ (Kotler, 2003, p.19).

It shows then that marketing is not just a reactive approach but a proactive one, thus the customers’ apparent needs should not simply be responded but their future needs and wants have to be foreseen before they even realize them. Customer-driven means extensive research of the customers, on their current and potential desires and needs (20 years ago no customer thought of demanding mobile phones or laptops), and leads to the distinction between the selling and the marketing concept as illustrated in Figure 1.

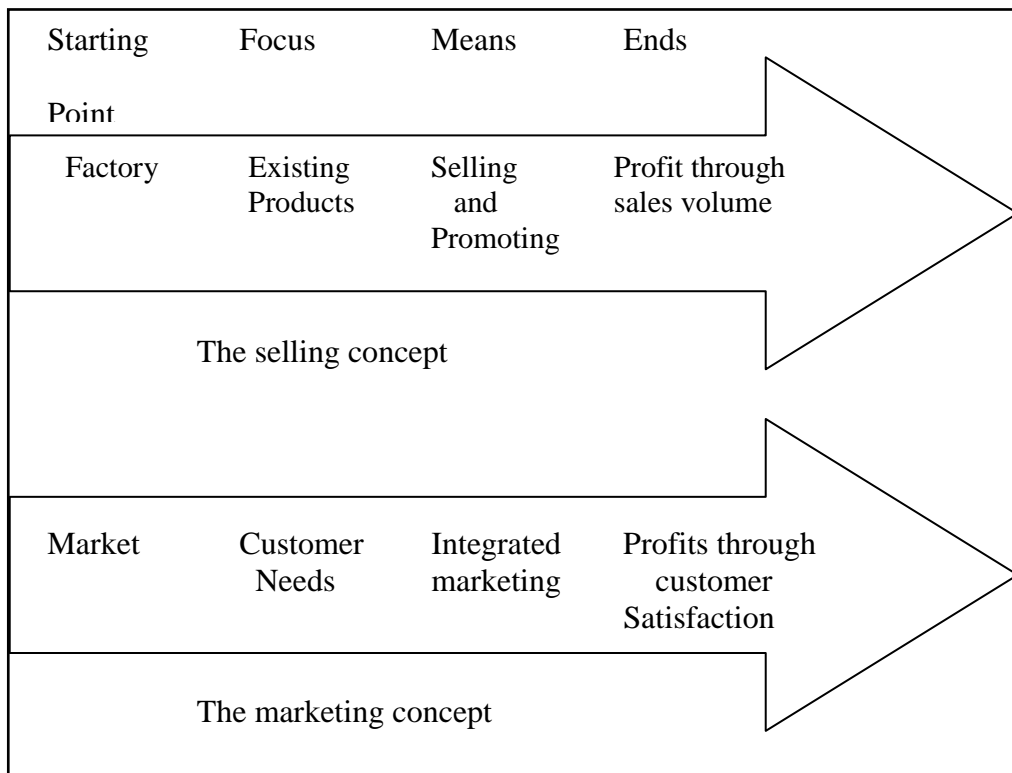


Figure 1: Selling versus marketing concept

Source: (Kotler, 2003)

The superiority of the marketing concept over the selling concept comes from the fact that the latter is an inside-out perspective, with the factory as a starting point, and concentrating on the already existing product, aiming at undertaking a large scale of selling and promotion effort to achieve profit. The marketing concept is an outside-in perspective, customer driven as it starts from the market and focuses on customers' existing and potential needs. It therefore requires all integrated marketing tools (see next chapters) to fulfill customer's needs and thus achieving profits through long term relationships from satisfied customers.

In the same vein, the *Societal Marketing Concept* assumes that the marketing strategy should not only deliver customer value through short run satisfaction but also enhances customer's and society's welfare. Focusing only on satisfying customer's short run needs is not enough as long term interests of the customers and the society should definitely also be taken into consideration (Kotler, 2003).

It appears from former discussions that defining marketing is not therefore an easy task.

2.3 Defining marketing

Marketing has been defined by many scholars. Kotler and Armstrong (2005) define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging value with others.

The American Marketing association refers to a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organizational objectives (Stanton, 1991).

Marketing can also be defined as a process whereby an organization seeks to identify, quantify and anticipate the wants and needs of its markets, both present and potential, and develops the product or service to satisfy such wants and needs (Ma, 2008).

These are just some examples among many others showing that most definitions share similar terminologies important to understand marketing (see Figure 2).

2.4 The marketing process

Marketing is a process containing elements related to needs, wants, markets, customer satisfaction and marketing strategy which are illustrated in Figure 2:

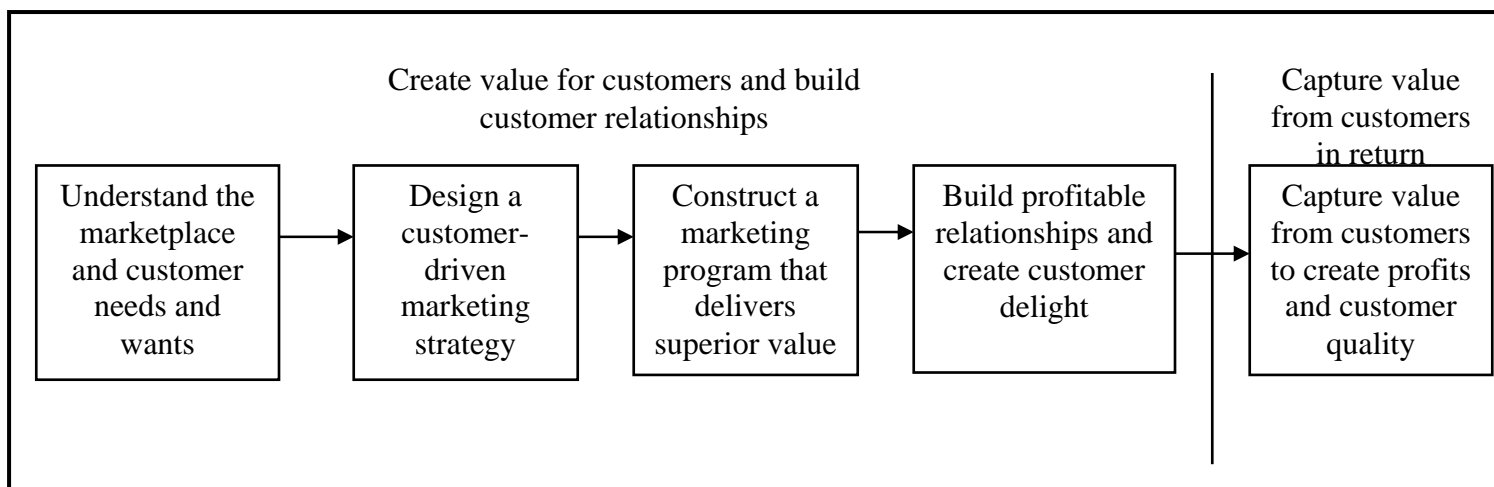


Figure 2: The marketing process

Source: Armstrong and Kotler, 2005

Needs are an undividable part of the human being from their state of deprivation. These are not created by marketers but marketers can help customers realize them or their significance. When the needs are formed to take a certain shape, they become wants. They are shaped according to one's culture, personality and perception.

Marketers can create wants and affect them. For example, a shipper needs to transport his goods safely and on time; thus he wants to use Maersk lines because, from his perception, Maersk is a reliable carrier. Here comes the marketers' role to affect the perception and shape the wants of the customers in favour of his products or services and organization.

When the wants are supported by buying power in other words can be transformed in an ability to pay, they become demands. This segment of customers is the suitable target market for the company for whom the whole marketing efforts should be targeted (segmentation and targeting strategies will be discussed later in this chapter and in more detail the following chapters).

Value and satisfaction depend on the customer's expectations of the product or service. Marketers should through market research be able to set the level of customer expectation correctly. Of course customers compare between competitors' products and set their expectations accordingly. The various pools of information technology that allow the customers to know more than before make them also more demanding and raise their level of expectations. Satisfied customers build long term relationships; therefore, become permanent buyers and transfer their experience to others while dissatisfied customers switch to competitors and warn others of the product or service.

In marketing, markets always mean buyer or customers, actual and potential ones of the organization's products or services. Markets are the main concern of the marketing department because they are the source of revenue. The set of buyers forming the organization's market share the same needs and wants that the company can satisfy through building a relationship with these customers.

Finally, marketing strategy is concerned with the tactics that the company follows in choosing the customers or the markets to serve and which suitable products or services to offer them in order to achieve profitable relationships. The strategists are involved in planning the right mixture of tools to target these markets which leads us to talk about the Marketing Mix (Armstrong & Kotler, 2005).

2.5 Marketing Strategy and the Marketing Mix

As mentioned before, the marketing strategy involves choosing the markets to serve i.e. segmentation and targeting, and it involves proposing the suitable value i.e. differentiation and positioning. In order to target the right segment, differentiate the company's product or service from competitors and position it with a favourable image in the mind of the customers, the marketing department has to select the best suitable marketing mix putting the customer in the centre of its marketing activities as shown in Figure 3.

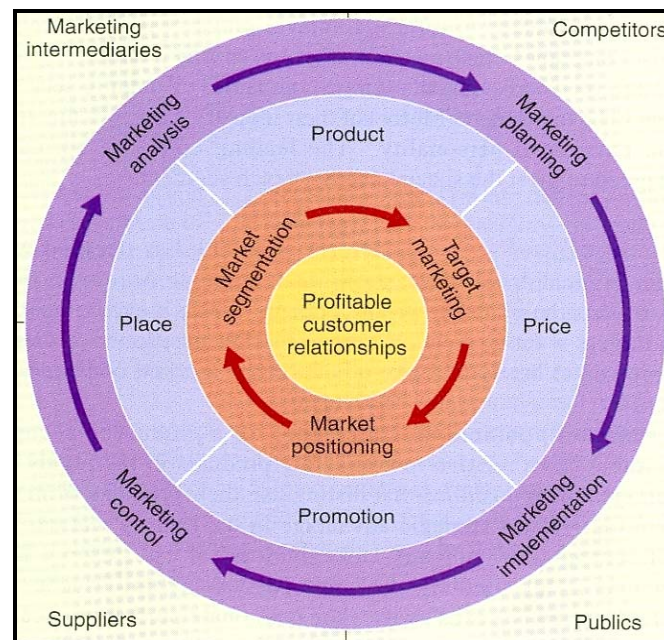


Figure 3: Managing marketing strategy and the marketing mix

Source: (Armstrong & Kotler, 2005)

In other words, organizations know in advance that they can not serve all customers successfully because the market consists of different customers with different needs and wants and know that, in order to be profitable, they have to concentrate on some specific market segment in which they are better than their competitors. To achieve this objective, 3 steps are required:

1. Segmenting the market in dividing the total population into segments or groups of customers sharing the same needs, wants, demographics, buying power etc.
2. Target marketing or the process of assessing each segment and selecting the one or more to serve.
3. Markets positioning once segments are defined. The marketers have to be certain about the position their products or services should occupy in the mind of the customers as there has to be a clear differentiation between them and the other competing products. Giving products or services a distinctive position in the segment is very important and is achieved through the marketing mix.

Marketing Mix (also called the 4 P's) is a mixture of four controllable tactical marketing tools that the marketers use to satisfy its target market needs and create the maximum demand for its products or services. If the marketer fully understands its target market needs and accordingly offers them a product or service with superior value, suitable price, convenient distribution and promotes it in the right way, it will be sold easily. These four activities are called the "four P's" (Product, Price, Place and Promotion).

Product is the goods or services the company is offering to its target market. Price is the required return the customers have to pay in exchange for the product. Place is the distribution activities undertaken by the company to make the product or service available at convenient places for the target market. Finally, Promotion comprises all

communication techniques and channels the company uses to communicate the value of the product with the customers and affect their perception. In the past, promotion and advertising were always confused with marketing itself although this is only part of the marketing mix as can be seen in Figure 4.

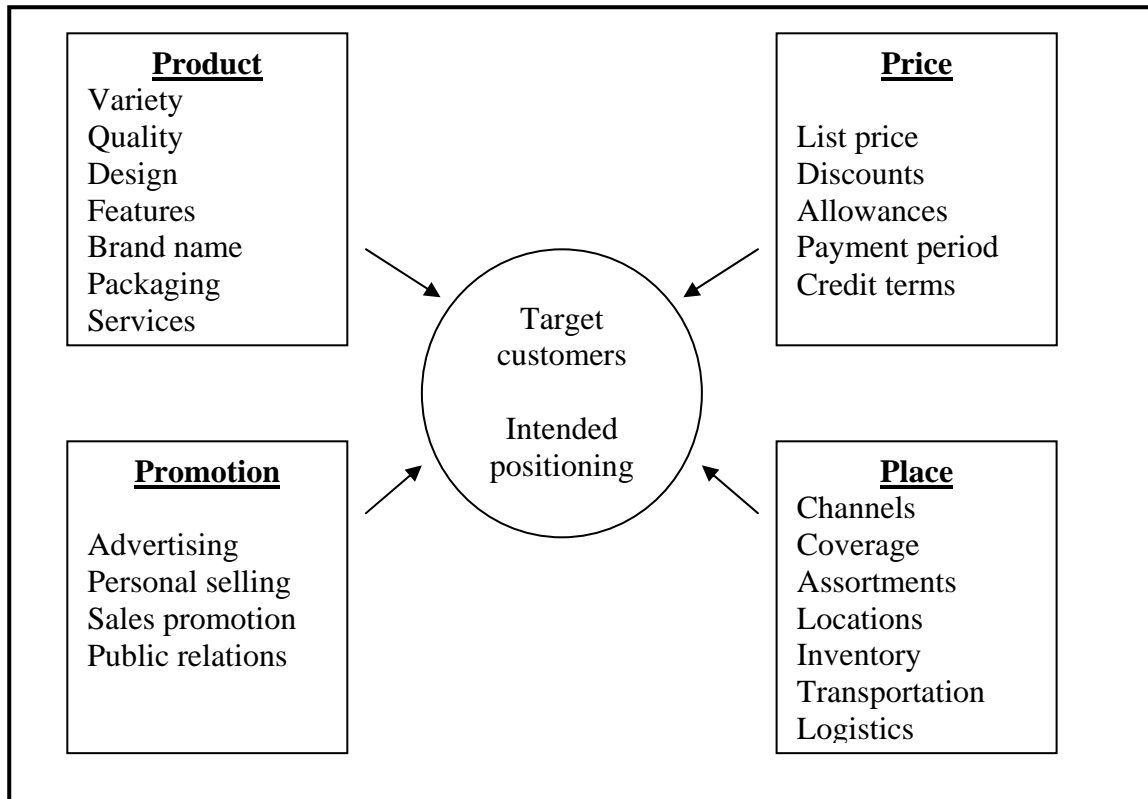


Figure 4: The four *Ps* of the marketing mix

Source: (Armstrong & Kotler, 2005)

2.6 Marketing services

In a dynamic environment with high uncertainty like shipping, marketing plays an important role especially in today's market where competition is becoming more severe every day. Service marketing is unique and different from marketing physical goods (Panayides, 2001); in the meantime, it is advanced in other service sectors like

tourism and aviation services. In comparison, shipping marketing is still far behind, for example customer relationship and loyalty programmes are not as integrated in shipping as in other service sectors.

In order to understand how marketing services is different from marketing physical goods the specific characteristics of services have to be examined first, especially shipping that is already a unique service compared to other services. Basically services can be divided into levels depending on the proportion of physical material involved in delivering the specific service. In other words, some services are directly related to the sale of physical goods and some are not, i.e. after sale services and maintenance are services based on sale of physical goods where health care and shipping are pure services. The main activity of the company in this case is selling the service itself as the core of its marketing offering (Cowell, 1984).

Scholars and marketing associations tried to define services and agree on major characteristics distinguishing services from goods. The American Marketing Association “AMA” refined definition of services is:

Services are those separately identifiable, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However when such use is required, there is no transfer of title (permanent ownership) to these tangible goods. (Cowell, 1984, p.5).

Kotler and Armstrong (2005) have a similar but more simplified definition of services which is: “Any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything”.

From the above definitions and scholar works, the characteristics of services can be derived, therefore the next section will examine these characteristics and how they operate in shipping as a transport service.

First of all services are intangible; they can not be seen, touched, felt before the actual transaction; the sale is mainly based on experience, company’s reputation or reference from other customer. Intangibility is the major characteristics of a service which makes marketing something intangible harder than tangible products. Shipping services can be classified as a series of intangible activities carried out using a tangible physical asset, basically the ship (Panayides, 2001). Therefore, the customers in shipping are concerned with the outcome of the transaction rather than the activity itself. Transport services cannot be seen or felt, the most important thing is getting the freight to its destination on time and intact, thus what marketing communication should focus on is the reliability of the service rather than the concrete transport activity that is intangible.

Inseparability is the second characteristics distinguishing a service as it is produced and consumed at the same time (Ma, 2008). Consumption cannot be separated from production of the service. In shipping the cargo is simply being transported; the shipper wants his/her cargo at a specific destination and the shipping line is fulfilling the shipper’s want by transporting this cargo using the ship as a tool or means of transport.

Moreover services can never be homogenous as there is always a level of customization of specific personal needs; therefore standardization is hard to achieve. In other words, another characteristic of services is heterogeneity because services are heavily dependant of people and although the processes and systems can be standardized, ultimately the same level of output quality can not be ensured (Cowell, 1984). Shipping companies can promise to transport the goods in good conditions and on time, but it is difficult to ensure this is 100 % the case in all the voyages as accidents and delays are possible. Unlike marketing for physical goods that are standardized and homogenous, service marketing has to be very conservative when it comes to promising outcomes.

Furthermore, services can not be stored as they are perishable, which means if the ship has empty slots on a voyage, then this capacity will be lost forever unlike products that can be stored if not sold. Marketing departments in shipping companies have to be very careful when it comes to these characteristics in the sense of what strategies to adopt according to the situation of the market. The fluctuation of demand in shipping is severe which affects the company's decision of the appropriate sizes of ships in their fleet to best cope with the fluctuating demand. Apart from that, in times of low demand the marketing department has to use the right elements of the marketing mix to overcome the perishability feature, in this case pricing and promotion, which means special promotional offers and attractive prices. This way the marketing strategies will help the company even out the fluctuations in demand (Cowell, 1984)

The fifth distinguishing characteristic between products and services is lack of ownership. Basically the payment is for the use or the benefits or the expertise of something or someone. After the activity takes place the beneficiary or the buyer can not own or resell the service as the transaction does not result in the ownership of

anything. When the shipper books the space of the ship in order to transport his cargo to the required destination he doesn't end up owning this space on the ship he only hires it for a certain period of time to certain destination. On the contrary when marketing for products, ownership feature is a strong point unlike in marketing services.

It can be concluded that marketing services is different from marketing tangible products, because the former has special characteristics and might sometimes be harder to carry out.

2.7 The Uniqueness of marketing shipping

As shipping is an international service, the companies function in different countries with different cultures where they have to adapt their marketing strategies to cope with the business process in those countries. As was mentioned before, marketing is about examining the market in order to identify customers' needs and wants and satisfy them through the most appropriate marketing strategy corresponding to that specific market. Therefore, it is a difficult job to do crossing international boundaries with different market environments (Cateora, 2002).

The way to adapt to the different environments is the main concern of the international marketer. The major complexity of foreign marketing remains in the unfamiliar practices and problems the company will be facing. Although marketing principles are universal, the controllable factors (marketing mix) still have to be adapted according to the different environments of different countries. The high level of uncertainty is represented in the uncontrollable factors marketers face in foreign countries, such as competition, customs, customers' taste, political issues or even weather which might affect the outcome of the marketing plan (Cateora, 2002).

Therefore, marketers have to research and analyze the market carefully before getting engaged in business in a new country. In order to achieve the marketing objective of identifying customers' needs and wants and developing strategies to satisfy them, three key areas have to be focused on, namely: analysis, planning, implementation and control.

The analysis stage is about gathering information and researching the market or the new environment and the best way to analyze the market is through a SWOT analysis. The SWOT analysis helps the marketer to identify strength, weaknesses, opportunities and threats existing in the foreign market. This study enables the marketer create a database and formulate effective marketing strategies. In shipping it is a top importance to identify uncontrollable factors, such as port regulations and classifying them according to the SWOT analysis, which certainly contributes to setting more profitable plans and strategies (Branch, 1998).

The planning stage involves strategic planning, objectives and goals formulation, so after analysing the market, the marketer starts setting objectives and plans corresponding to the market situation. For example, specifying which ports of call and in which sequence the vessels will sail. The planning stage also involves breaking down the strategic plans into tactics or operational plans to cover the short term operations.

Then comes the implantation stage where the plans have to be executed in reality in order to achieve to required outcome. It involves ensuring the readiness of the ship to sail of the specific route, the availability of resources, time scale and budgetary formulation.

The last stage is the control stage, where the progress of the marketing plan has to be monitored to make sure the original plan and marketing objectives are achieved, if not why and what can be changed. It reflects the market shares and maybe requires more marketing research and analysis. New marketing research techniques might be required as a result of the feedback (Branch, 1998).

These are the stages that might enable the marketer to overcome the difficulty of dealing with the uncontrollable factors in a foreign environment. Accordingly, the real challenge for the marketer is altering or adapting the controllable factors of marketing (product, price, promotion, place or distribution) in a way that best deals with the uncontrollable factors (competition, customs, customers' taste, political issues, level of technology) of the foreign market in order to achieve the marketing objectives. Doing this the right way, after conducting a good market research will determine the outcome for the company.

It is not easy to standardize the marketing strategies and practices all over the world; not impossible but the way the operational strategies (on a daily basis) are carried out certainly vary from country to country. The marketing tools and practices that are successful in a certain country are not necessarily successful at all in another country. Nevertheless, some leading companies like Maersk line have the capacity and the resources to change and develop the markets and force a standardized strategy; it does not succeed over night but they invest on the long run.

CHAPTER THREE

MARKETING SHIPPING: HOW TO APPLY MARKET SEGMENTATION AND TARGETING CONCEPTS TO LINER SHIPPING? THE CASE OF MAERSK LINE AND CMA-CGM

3.1 Introduction

This chapter will discuss first the current status of liner shipping in order to have an idea of the ranking of the companies whose marketing applications will be focused on throughout this chapter. Afterwards market research and MIS (marketing Information System) will be covered briefly as to show the importance of information in the segmentation decision making process. Finally, segmentation and targeting will be discussed as marketing concepts along with the practices of two leading shipping lines Maersk and CMA-CGM.

3.2 Current status of liner shipping

According to Alphaliner the three world leading shipping lines, Maersk Line, MSC and CMA CGM, who have been growing in capacity since 2000, represent one third of the global market. In 2007 alone they managed to grow from 32.1% to 34.1% in terms of TEU capacity (AXS-Alphaliner, 2008).

Maersk Line bought P&O Nedlloyd in 2005, which led to an increase of its market share from 12.5% to 18.2% but in 2007 its share fell to 16.8% indicating the difficulties Maersk experienced integrating P&O Nedlloyd (AXS-Alphaliner, 2007). In the beginning of 2008 its share continued to fall reaching 16% but grew again to

16.3% during the first 4 months of 2008 thanks to its fleet growth as new buildings coming in. In the meantime, MSC and CMA CGM have been growing fast and enlarging their market shares. MSC has increased its share from 8.6% in 2006 to 10.4% in 2008 and CMA from 5.6% to 7.6% (AXS-Alphaliner, 2008).

Table 1: Market Share progression on 24 months – Jan 2006-Jan 2008

	Jan 06	Jan 07	Jan 08
Maersk Line	18.2%	16.8%	16.1%
MSC	8.6%	9.8%	10.4%
CMA CGM Group	5.6%	6.5%	7.6%
All three	32.4%	33.2%	34.1%

Source: (AXS-Alphaliner, 2008)

As shipping is derived from world trade which has been booming for the last 8 years, shipping lines had to increase their capacities to cope with the rising demand. Therefore the TEU capacity deployed on liner trades has more than doubled. It has increased from 5,150,000 teu to 11,696,000 teu; in other words, 127% increase (AXS-Alphaliner, 2008). To explain further this simply meant the existing shipping lines had to increase their capacities by 127% to keep their market shares and cope with the growing demand. Shipping lines who did not have the capacity to invest or charter new vessels could not keep their market shares in a harsh competition.

Figure 5 shows the top 30 shipping lines and their growth rate of the market shares between 2000 and 2008:

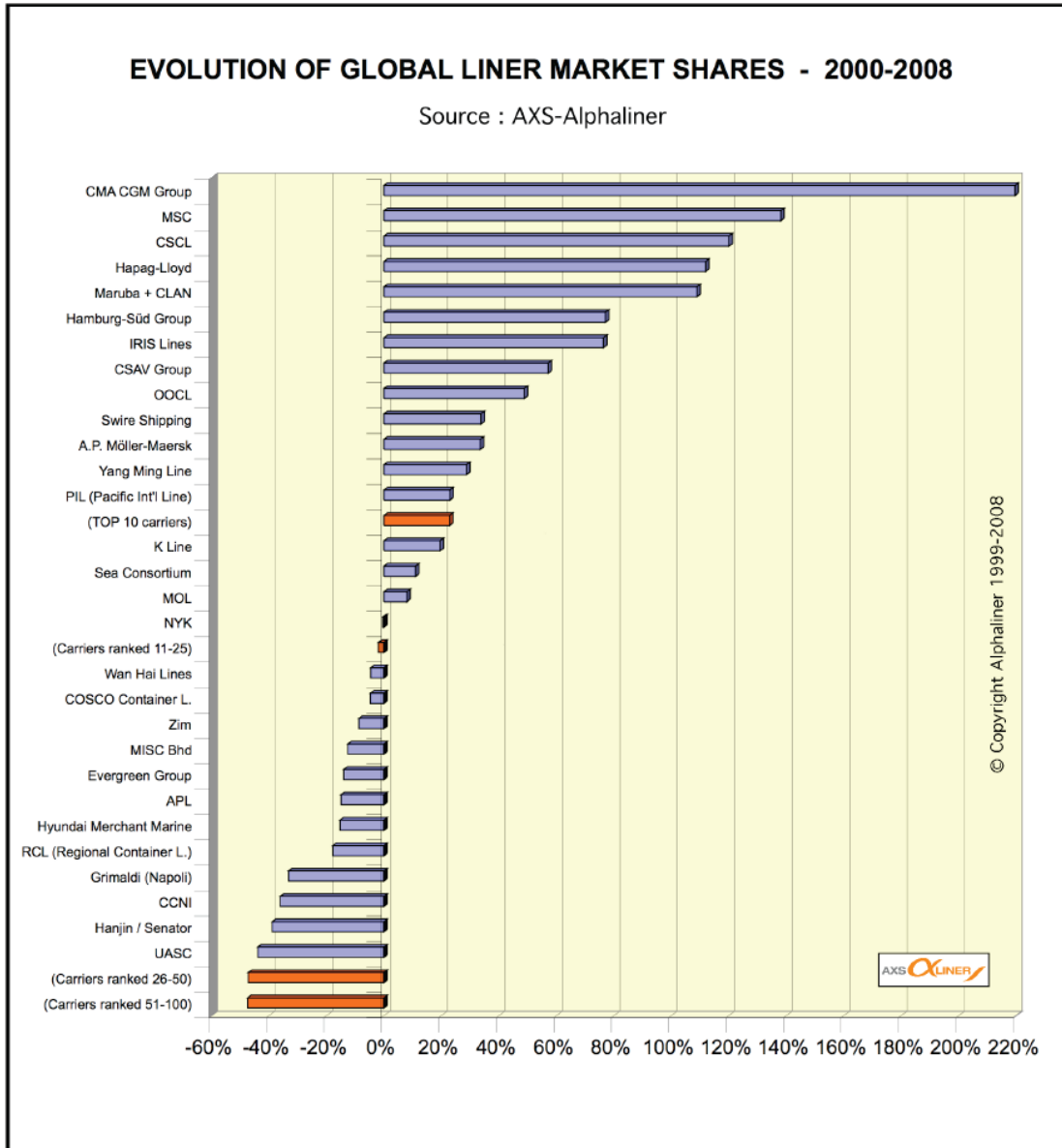


Figure 5: Evolution of global liner market shares 2000-2008

Source: (AXS-Alphaliner, 2008)

Figure 5 shows that the four companies whose growth was quite impressive during the last 8 years are: CMA-CGM, CSCL, MSC and Hapag-Lloyd. Despite the fact that AP Möller-Maersk Group comes in the eighth position in terms of market share growth, it is still number one in terms of fleet capacity. Nevertheless, the eighth rank was achieved thanks to the takeover of P&O Nedlloyd. That reflects an increase of 51% in comparison to 2000. Before the takeover took place in 2005, Maersk's market share was steady at 12% since 2000 (AXS-Alphaliner, 2007).

MSC and CMA-CGM, who are Maersk rivals holding the 2nd and 3rd ranks in the global shipping market, grew much faster than Maersk since 2000. Nevertheless, Maersk is still by far the largest carrier with a fleet of 2 million teu at the end of April 2008. The lost market share percentage of course is won by other competitors in the market (AXS-Alphaliner, 2008).

Due to the mergers and acquisitions of shipping lines, which has been obvious during the past few years the Top 10 carriers had a combined market share of 49.3% in January 2000. In 2007 it increased to 60% as the Top 10 fleet increased from 2.54 million teu to 6.28 million teu. Therefore, their total market share has grown by 21.7% till 2007 (AXS-Alphaliner, 2007).

Figure 6 shows the ranking of the top 30 lines in 2000 and in 2007 along with their TEU capacities; also the group shares of a combination of the top carriers are shown:

>>> AXS-Alphaliner - Liner Market Shares <<<								
- Evolution of carriers operated fleets and market shares 2000-2007 -								
	Jan 2000			Jan 2007			growth	rise p.a.
	rank	teu	share	rank	teu	share		
A.P. Möller-Maersk	1	620 324	12,0%	1	1 759 619	16,8%	184%	16,1%
MSC	5	224 620	4,4%	2	1 026 251	9,8%	357%	24,2%
CMA CGM Group	12	122 848	2,4%	3	685 054	6,5%	458%	27,8%
Evergreen Group	2	317 292	6,2%	4	547 576	5,2%	73%	8,1%
Hapag-Lloyd	14	102 769	2,0%	5	458 161	4,4%	346%	23,8%
CSCL	18	86 335	1,7%	6	399 821	3,8%	363%	24,5%
COSCO Container L.	7	198 841	3,9%	7	387 690	3,7%	95%	10,0%
Hanjin / Senator	4	244 636	4,8%	8	348 235	3,3%	42%	5,2%
APL	6	207 992	4,0%	9	339 036	3,2%	63%	7,2%
NYK	8	166 206	3,2%	10	329 324	3,1%	98%	10,3%
MOL	10	136 075	2,6%	11	281 807	2,7%	107%	11,0%
OOCL	16	101 044	2,0%	12	281 113	2,7%	178%	15,7%
K Line	13	112 884	2,2%	13	275 634	2,6%	144%	13,6%
CSAV Group	20	69 745	1,4%	14	250 452	2,4%	259%	20,0%
Zim	11	132 618	2,6%	15	241 951	2,3%	82%	9,0%
Yang Ming Line	17	93 348	1,8%	16	240 305	2,3%	157%	14,5%
Hamburg-Süd Group	21	68 119	1,3%	17	204 960	2,0%	201%	17,0%
Hyundai Merchant Marine	15	102 314	2,0%	18	164 700	1,6%	61%	7,0%
PIL (Pacific Int'l Line)	24	60 505	1,2%	19	145 500	1,4%	140%	13,4%
Wan Hai Lines	22	63 525	1,2%	20	115 009	1,1%	81%	8,8%
UASC	19	74 989	1,5%	21	86 608	0,8%	15%	2,1%
IRIS Lines	42	19 920	0,4%	22	59 900	0,6%	201%	17,0%
MISC Bhd	26	41 738	0,8%	23	58 013	0,6%	39%	4,8%
Grimaldi (Napoli)	28	35 283	0,7%	24	56 668	0,5%	61%	7,0%
RCL (Regional Container L.)	33	26 355	0,5%	25	46 466	0,4%	76%	8,4%
CCNI	32	26 710	0,5%	26	41 471	0,4%	55%	6,5%
Sea Consortium	43	17 562	0,3%	27	40 580	0,4%	131%	12,7%
SYMS	128	2 954	0,1%	28	36 705	0,4%	1143%	43,3%
China Navigation Co	60	11 377	0,2%	29	35 951	0,3%	216%	17,9%
Costa Container Lines	98	4 914	0,1%	30	35 947	0,3%	632%	32,9%
TOP 5		1 687 666	32,8%		4 476 661	42,8%	165%	17,7%
TOP 10		2 538 199	49,3%		6 280 767	60,0%	147%	16,3%
TOP 25		3 843 612	74,6%		8 789 853	84,0%	129%	14,8%
TOP 10		2 538 199	49,3%		6 280 767	60,0%	147%	16,3%
Carriers ranked 11-25		1 305 413	25,3%		2 509 086	24,0%	92%	11,5%
Carriers ranked 26-50		576 316	11,2%		621 693	5,9%	8%	1,3%
Carriers ranked 51-100		397 895	7,7%		390 736	3,7%	-2%	-0,3%
LINER TOTAL		5 150 000	100,0%		10 467 496	100,0%	103%	12,5%

Figures extracted from the **Alphaliner TOP 100** at 1st January 2000 and at 1st January 2007.

Figure 6: Evolution of carriers operated fleets and market shares 2000-2007

Source: (AXS-Alphaliner, 2007)

3.3 Market Research and Marketing Information System (MIS)

With the international nature of shipping and rivals competing on entering new markets in new countries information becomes a necessity. New countries means more complexity of uncontrollable factors, new customers' needs and wants, with many alternatives shippers becoming more selective; therefore. in order to predict shippers response to the market offer and the marketing mix, marketers have to turn to marketing research.

Also in the existing markets, shipping lines are advertising, trying to differentiate their services from competitors, focusing on branding and sales promotions; therefore, they require feedback in the form of information to assess the effectiveness of these marketing tools (Kotler, 2003). As will be discussed throughout this section, marketers need information to enable them to divide the market into segments and target the ones most appropriate to reach the marketing objective.

Advances in information technology ease the process of collecting data and enable the system to generate information to support marketing decision-making (Van Bruggen, Gerrit, Smidts, Ale, Wierenga, & Berend, 2000). Therefore, shipping lines must organize and distribute a continuous flow of information to their marketing managers. Thus, it is necessary in today to design a "marketing information system which consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers (Kotler et al., 2001).

Figure 7 illustrates how the marketing information system works. The MIS starts and ends at the marketing manager. The system starts by assessing the information need of the marketer and then uses a combination of sources to generate the needed

information. Those sources are internal records and marketing intelligence and marketing research. All the information generated is analyzed in order to distribute it effectively to the marketing manager in the right form and time to help him do the planning, implementation and control. Also the information comes from the marketing environment and then after getting analyzed, the marketing environment is again affected by the marketing decisions:

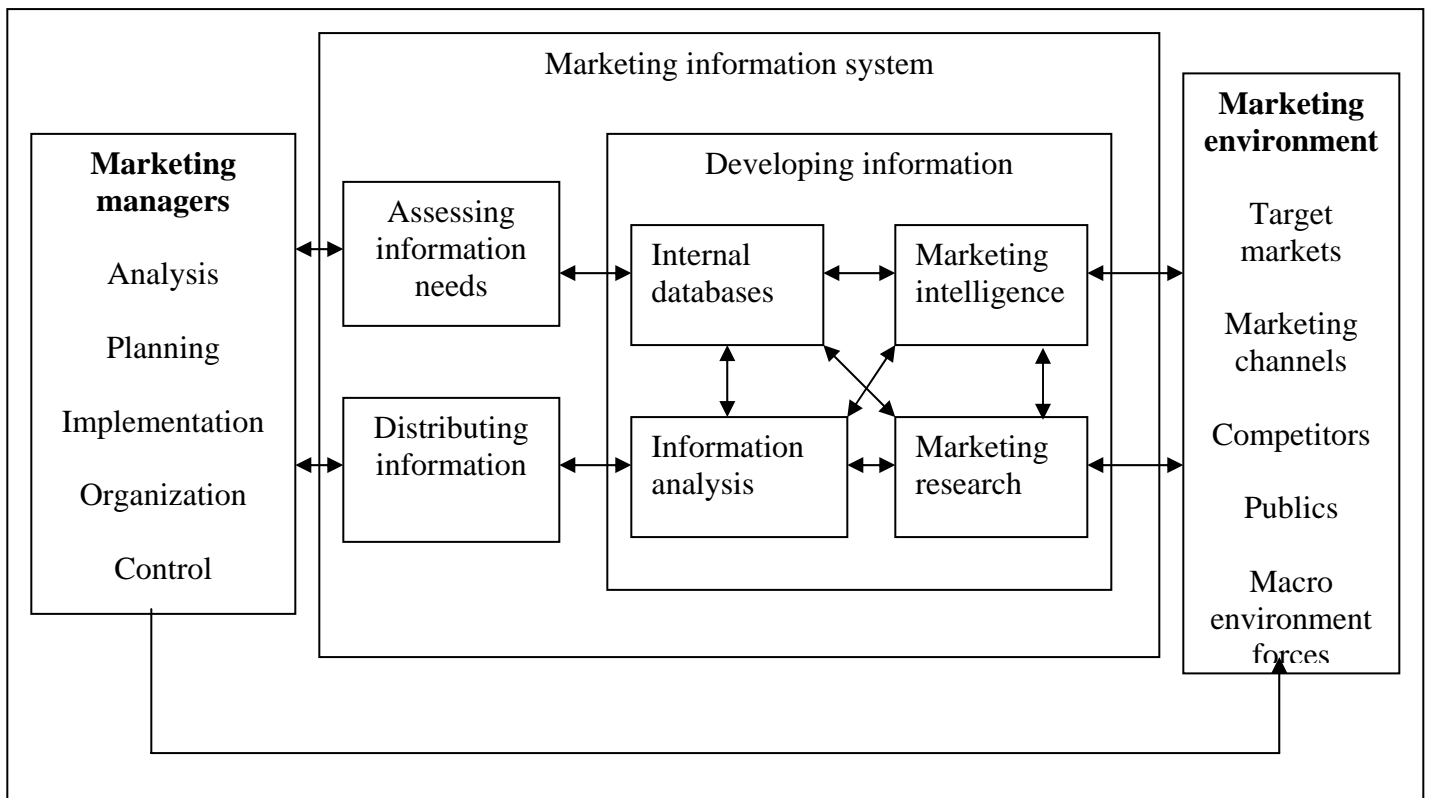


Figure 7: Marketing information system

Source: (Kotler et al., 2001)

This means that the shipping line can more accurately determine what the results for example its promotional programs encountered. The relationships between the marketing-mix variables and the outcome derived from the market data leads to the development of more effective promotional programs and attractive marketing offers

for specific market segments. Thanks to advances in technology the marketers have access to many data sources (will be discussed shortly) for their decision making which helped them to develop better market insights on the relationships between relevant marketing variables. If a marketer receives data on sales as well as the internal data he has on advertising expenditures, he will then have enough information on these two variables to develop a correlation study between advertising and sales (Van Bruggen et al., 2000).

3.4 Data development

So how should the companies gather their data and what are the data sources?

Internal databases, represent information collected from sources within the company to enable marketing managers assess the marketing performance and discover marketing problems and opportunities; nowadays the collection of data is done electronically (Armstrong & Kotler, 2005). Organization-wide information systems (e.g., ERP systems) enhance inter-departmental information sharing. Thus marketers get access to data from the finance department about sales, cost and cash flows or from the sales department about competitors' activities and sales figures. This further increases the availability of data for the support of marketing decision-making (Van Bruggen et al., 2000)

Market intelligence, represents the systematic collection and analysis of publicly available information provided to the marketing managers about competitors and developments in the marketing external environment (Kotler et al., 2001). Data come from different sources such as personnel, transactions data, data on marketing actions, external data purchased from direct marketing companies, and from retailers', consumer-panels and scientists. This data can be put together in so-called *data warehouses*. Market intelligence uses data warehouses to make data easily available

and accessible for marketers' decision support. It provides insight about the growth or decline of the sector, market shares, position of the firm in the market, competition, information about the trade cycle and the most importantly the customers (Ma, 2008).

Currently most salespersons are equipped with laptops which they use to record sales information. These devices are connected to support systems that enabled a systematic collection and storage of information about customer contacts and its results. Through analyzing these results, the effectiveness of the past marketing plans can be determined. Moreover, these data help determining methods of approaching potential customers in the most effective way according to customers' segments (Van Bruggen et al., 2000).

Sometimes also *competitor intelligence* is considered a sole source of data dedicated to find out about competitors' activities, what they are doing or about to do, specifically for benchmarking purposes. This can be done in many ways, such as training the sales force to get competitors' information from the market, following published materials, also from people doing business with competitors and recruiting competitors' employees. Most of the shipping companies are following this method.

Marketing research is the systematic design, collection, analysis and reporting of data relevant to a specific marketing situation facing an organization. As is obvious from the definition, companies do research when they want to find out about a specific case and for sure they use their marketing intelligence and internal database as data sources as well as other methods designed specially to deal with the matter at hand. Marketing research can help shipping lines assess customer satisfaction levels for example, or it can also help evaluate the potential of a new market entry and the effectiveness of the company's marketing mix towards a specific market segment.

Figure 8 illustrates the marketing research process:

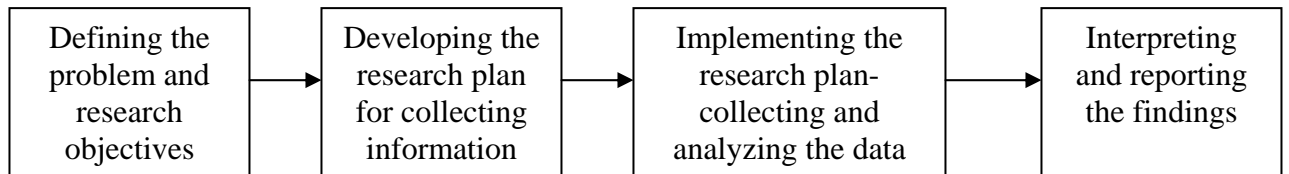


Figure 8: The marketing research process

Source: (Kotler, 2003)

Advances in information technology have led to a more accurate collection of data on many marketing variables which made marketing research easier. It means that with all these data, marketers should be able to develop marketing programs that are targeted at potential customers and solve any marketing issues.

3.5 Application by Maersk and CMA-CGM

As Mr. Mikkel Lund, head of market intelligence in *Maersk line* stated, Maersk obviously has a specific department responsible for market intelligence and research, and its research functions are divided into sub areas, namely the following: (Lund, March, 2008)

- >Strategic Analysis –Supply and Demand
- >Tactical Analysis –Trade Specific
- >New Markets Analysis -Opportunities
- >Competitor Intelligence -Benchmarking
- >Sales Channel Intelligence –Customer Segmentation

As can be seen Maersk came up with its own design of the market intelligence department researching supply and demand on a strategic level from published documents like containerization international and Drewry, trade specific and routes on a tactical level through its own internal databases, sales force and also published documents. Moreover, new markets analysis and opportunities in form of a SWOT analysis through local market research agencies and domestic publications or route studies. Competitors' performances are being followed up on a regular basis for efficient benchmarking. Last but not least and the core of this chapter is to emphasize that companies should research to determine the appropriate customer segmentation and their corresponding needs. Customer segmentation has to be based on the data acquired by the sales force from customers and from internal databases like the sales and the financial departments. Market and customer segmentation tools are going to be discussed in detail in the next section.

As for *CMA-CGM* Mr. T. Conte, Global Accounts Director declared the following: (personal communication, April 2, 2008)

- ❑ Our **Marketing Department**, is meant to better serve all parts of the Group, whether operational, commercial or else, HO or network by means of market research represented in the following:
 - **Statistics**: trade volumes per country, per commodity, per port, volumes per Operator, etc...Requests for statistical data have increased by 100% since same period 2006, more and more originating from regional offices.
 - **Market analysis** (Drewry, Global Insight, ...)
 - **Supply analysis**: world fleet and evolution, fleet per operator (current capacity + order book), TOP 30, etc...
 - **Market Intelligence & Competition analysis**: permanent watch over Competition evolution and relay information to all parties concerned.

Synoptic table summarizing all competition services distributed by trade + all specific requirements on trades or container market

- **Sales Enhancement Tools:** Synoptic table summarizing all services operated by the Group (CMA and subsidiaries) updated constantly, Lines detailed standard descriptions, brochures and flyers to promote new service, specialized product (TRANSRACK, Reefer services, regional products,...
- **MIRA:** all marketing products to be made available on MIRA (Sales & Marketing/Global Accounts portal to be restructured and revamped to make it more user-friendly and efficient.

As shown, two of the world leading shipping companies are putting a lot of efforts in the area of research and market intelligence, but it is for the right reasons. In other words, it should be all for the objective of gathering information about customer needs, wants and requirements in order to satisfy them the best way. However according to the Secretary General of the European shippers' council Mrs. N. Van Der Jagt shipping lines are still not customer focused and are doing all these research effort just to gather information about their market shares, competition, information about freight and trade cycle. Mrs. N. Van der Jagt shared the following shippers' perspective: (personal communication, August 1, 2008)

Shippers are primarily interested in quality of service. Until they do not have a good basic quality of service they don't really care about the marketing practices yet. That is something the industry should care about – but they haven't! And even if they have – they don't live towards their publicity and promotions. All has to do with the fact that shipping lines have been operating in conferences and that this has *not supported customer focus*. Why? Because

there has been no *differentiation of services*. This was not really possible under the conference system and certainly not encouraged. Some shipping lines like Maersk are now trying to change their culture and to become more customer-centric which is of course welcomed by us.

From our perspective carriers should seek out the root causes of performance failings/issues rather than seeking quick-fixes that are not sustainable or dealt with the underlying problem.

- key to this is innovation
- In Maersk and possibly some other lines products are now measured in terms of satisfying basic customer needs, customers performance needs, and customers' 'excitement' levels (as with new innovative products, e.g. the BAF calculator, the on-line booking product). This is a good development which we hope will be successful and will lead to more carriers to follow. As of October they will have to come forward with new strategies when the conferences will be abolished.
- For shippers a major project is the improvement of invoicing and documentation accuracy, which the European shippers' Council had long advocated (i.e. getting closer to the customer and putting the meeting of customers' objectives at the heart of carrier objectives, and measuring those areas of performance that was important to shippers,

based on measures relevant to and understood by shippers) could be extended to the liner shipping sector as a whole in the post conference environment.

- A standard framework with standard high level Key Performance Indicators would enable cross sector comparisons, trade lane comparisons (door-to-door), and even modal comparisons (with the same approach being developed by the short-sea, rail freight, air freight and road freight sectors). But significantly it would enable major ‘bottleneck’ issues to be identified that might require a collaborative approach to fixing or removing (e.g. legislation).

Thus, shippers believe shipping lines are not yet customer focused and are not fulfilling shippers' demands to the maximum especially because of the conference arrangements which led to lack of differentiation in the lines' services. Therefore the next section will be about the segmentation process because it enables the shipping will to divide their customers in groups using various techniques in order learn much more about their needs and wants and satisfy them in the best possible way.

3.6 Market segmentation and targeting in liner shipping

In this section how shipping lines can apply segmentation and targeting concepts will be explained. Companies may not be interested or able to cover the entire market especially in an international industry like shipping. The number of customers is huge and they are very heterogeneous in their buying requirements. The most important thing is choosing the right relationships with the right customers depending on the

capabilities and the objectives of the company. In order to achieve that successfully, a company needs to divide the market into segments, identify and target one or more market segments it can serve effectively according to its objectives and design the most appealing marketing mix and strategies for each of the chosen segments. These steps are illustrated in Figure 9:

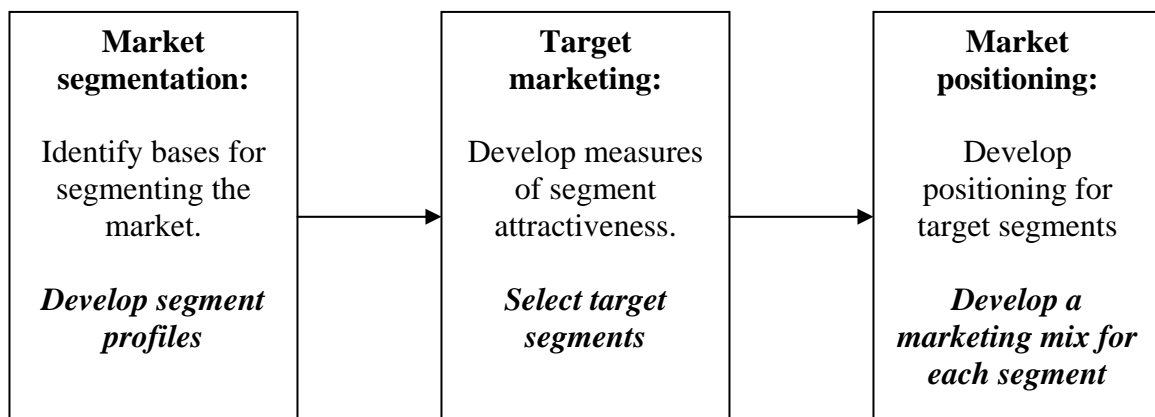


Figure 9: Steps in market Segmentation, Targeting and Positioning

Source: (Armstrong & Kotler, 2005)

Thus the process of target marketing is divided into these three steps:

1. Divide the market into distinct groups of buyers by identifying and profiling them according to their different needs and preferences (market segmentation).
2. Select one or more market segments to serve effectively (market targeting).
3. For each chosen target segment, design a tailored marketing mix and marketing program communicating the key distinctive benefits of the company's offering (market positioning) (Kotler, 2003).

3.6.1 Segmentation

Market segmentation provides marketers with a powerful insight to view the increasingly competitive and globalized marketplace helping them with the decision making process. Many different market segmentation models and techniques have been explained in literature and are used business practices (Liu, 2005). One can not think of much that would work in the marketing theory and practice without proper market segmentation. It is one of the most fundamental concepts in marketing and the chosen approach will directly affect the impact of segmentation on the business. Actually the major reason for introducing the concept of segmentation is to facilitate satisfying needs of different groups of customers (Kermally, 2004).

Therefore market segmentation can be put under the following definition:

The division of a large undifferentiated market into smaller homogeneous subgroups or segments which have a common characteristic or interest or need (Ma, 2008). Market segmentation is based on understanding the customers' needs and wants and thus how they decide between different offers. This method is used to form groups of customers who share similar characteristics, interests or needs which enable companies to determine which groups of customers they are best suited to serve through evaluating them against the company's objective. Thus which product and service offers will satisfy the needs of its selected customer segments and suits the company's abilities to serve these segments better than competitors will be determined.

Therefore, the main objectives of segmentation are how to win, retain and always meet the requirements of the target customers you want to serve. Moreover, this is also translated in the benefits of market segmentation to the company as through

segmentation marketing resources can be saved, more revenue will be generated and marketing practices will be more focused and better implemented. (Ma, 2008)

After explaining the benefits and purposes of market segmentation, the application part will be tackled by starting with the steps in the segmentation process: (Best, 2000)

- ◆ Needs-Based Segmentation: dividing customers into groups according to similar needs
- ◆ Segment Identification: For each of the above segments, determine the demographics, the operating variable, purchasing approaches, the situational factors and the personal characteristics that make the segment distinct and identifiable
- ◆ Segment attractiveness: criteria already set to measure the attractiveness of segments, such as market growth rate, competition and barriers to entry, should now be used to determine the attractiveness of the segments at hand.
- ◆ Segment profitability: try to assess how profitable for you the chosen segment might be.
- ◆ Segment positioning: For each chosen segment, create a “value proposition”; in other words, a favorable position the company needs to occupy in the mind of the customer along with product and price positioning strategy matching the specific customer segment needs and wants.
- ◆ Segment “Acid Test”: Construct a “segment storyboards” in attempt to test the attractiveness of each segment’s positioning strategy.
- ◆ Marketing-Mix Strategy: Include all marketing communications and all aspects of the marketing mix: product, price, promotion and place in the segment positioning strategy.

Following these steps also enables the marketing/sales program to focus on the customers that are best suited to purchase the line’s offering. If followed properly,

this will help to insure the highest return for the shipping lines' marketing/sales expenditures. As this dissertation focuses on shipping lines selling which is a business to business concept that entirely differs from offering to individual consumers therefore there are specific variable considered when defining market segments for business markets (BRS, 2008). These variables are discussed next: (Bonoma & Shapiro, 1984)

- Demographics: which in the business market involves determining which industry should be served, what companies' size is appealing and what geographical location will be served. Especially in liner shipping demographics in segmentation must be used by all liner companies.
- Operating Variables: which involves deciding on the customer technology to be focused on, the status of the user whether heavy, medium or light user; in other words, whether focus should be on big shippers or small shippers?
- Purchasing approaches: involves the structure of the customer's company, centralized or decentralized, the criteria and type of service they seek, whether they seek quality, service or price.
- Situational factors: involves the ability of fulfilling customers' urgent orders; i.e. whether to focus on small or large orders.
- Personal characteristics: includes deciding on whether or not to choose to serve customers with similar morals and values to the company; it also involves preferring to serve risk taking or risk avoiding customers and supplier loyalty level is also an issue when taking personal characteristics as a variable for business market segmentation.

The previously discussed variables for segmenting the business markets are general; therefore, shipping lines can use them in the broader sense but other variables directly related to the shipping industry are of high importance to properly segment the market. Shipping lines have to divide their markets by traffic, for example cargo

types, cargo origins, destinations, cargo packaging, value of cargo and volumes. Segments can in shipping can further be divided into time zone, language, economic system or economic block, freight forwarders, reefers or retail (Ma, 2008).

As a matter of fact, as shipping is such a complex business market, shipping lines should not be limiting their segmentation to only one or a few variables. They should rather use multiple segmentation using a matrix or a combination of various variables in order to better identify their target segments and properly satisfy their needs and wants. For example, shipping lines can start by dividing shippers or customers according to their geographic location, then by industry, narrow it done by volumes in side each industry or cargo type, further by routes or origins and destinations. The way and order the shipping line follows to use the variables depends on each line's priorities.

3.6.1.1 Maersk Line's segmentation strategy:

As can be seen from Figure 10 *Maersk Line* segments the market based on profitability and logistics potential. Thus, they divide the customers first according to volume and size of orders, which enables them to differentiate a scale starting from Key Clients to small shippers. Maersk line created four categories for its key clients, namely freight forwarders, single accounts, reefers and integrated accounts. The criteria qualifying its customers to become key clients will be explained shortly. Then they are further divided by the industry the shippers' company is operating in and later on further according to cargo type.

Maersk's objective from this style of segmentation is to allocate sales resources to the customers with the largest potential for current and future profitable business. So they set up 5 sales channels one for each customer segment whose members (customers)

are grouped together according to their business industry and cargo type. These segments are served by a direct sales force.

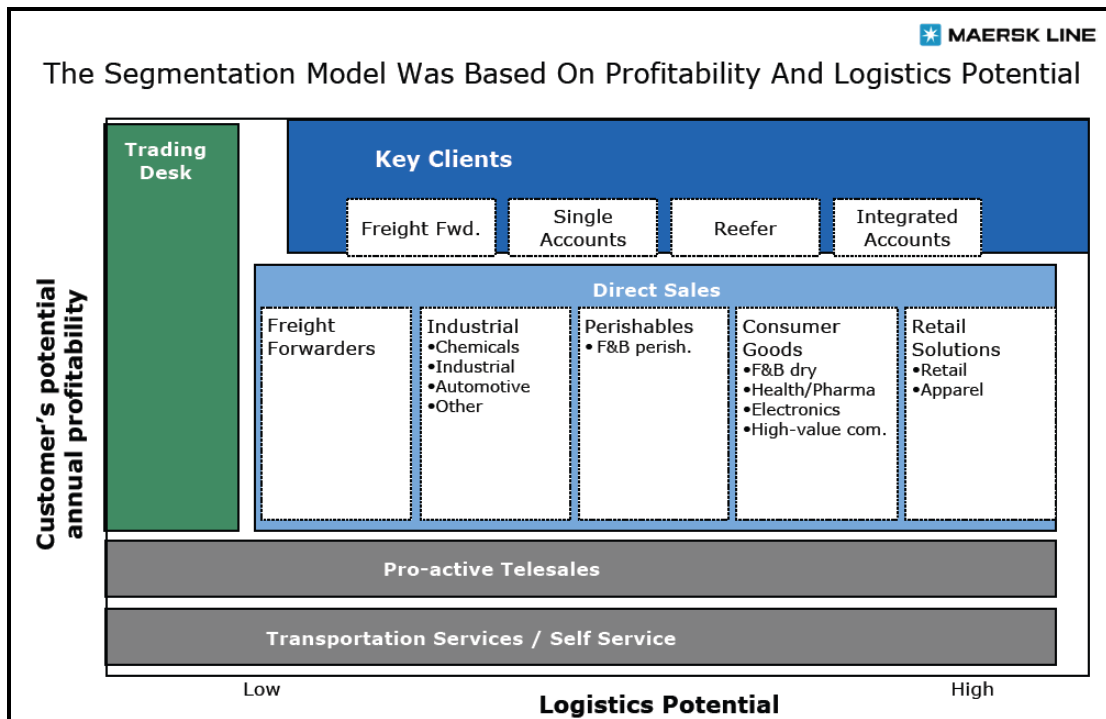


Figure 10: The segmentation model based on profitability and logistics potential by Maersk Line

Source: (Bingham & Rasmussen, March 2008)

Moreover, they have dedicated sales teams for each key client account inside each key client segment. In order to get this special treatment the shippers have to qualify according to Maersk's benchmarks in terms of volume and profitability. The following are the qualifying parameters, Maersk shared with the author, in order to be considered as a key client.

Key Client Qualification Parameters -‘Subjective Filters’: (Bingham & Rasmussen, March 2008)

- High Complexity in geography (multiple routes) and ‘scope’ (supply chain requirements).
- Client structured to facilitate ultimately centralized decision-making/key client team approach.
- Partnering mentality (‘strategic supplier status’ and ‘collaboration’ opportunities).
- Client prepared to potentially award at least 20% of their business to a single logistics provider.
- Key Client Team approach and resources are essential to manage the business.
- The client business is profitable and fits with existing strategies to support the Core by creating value-added logistics service offerings.
- Client is strategically positioned to be is a significant player for a longer term within their industry vertical.

Maersk assigns a dedicated most qualified sales associates to each *key client*, as they are Maersk is most profitable and important customers, and aims at providing the best *value proposition* in a uniformly and consistent manner to those large customers who have significant global logistic footprint. The sales team role is to increase stickiness through depth and breadth of a relationship and to know their clients logistic business and opportunities better than the competitors. One of their main strategies is to create and increase *‘share of wallet’*; in other words, sharing activities by cross selling the line and logistics products, thus building further competitive barriers to entry. When you become partner with your customer, it becomes much harder for him to move away from you. Finally, this strategy reduces unit cost as dedicated sales channels are believed to be cost effective (Bingham & Rasmussen, March 2008).

For Maersk the dedicated sales people are assigned in the offices of some of the important key clients in order to be available 24 hours for the customer's advice, convenience and service.

3.6.1.2 CMA-CGM's segmentation strategy:

CMA-CGM's segmentation strategy is similar to that of Maersk as Mr. T. Conte, global accounts director CMA-CGM shared with the author. Customers are traditionally divided as BCO "Business Cargo Owners", i.e. customers who own the cargo they ship (Nestlé, Michelin, BASF etc.) and IFF "International Freight Forwarders". The second phase is to divide customers by profitability and volume shipments in order to distinguish between medium small shippers and as big client or *Global Accounts* as called by CMA-CGM. Further, they group shippers according to their business industry and cargo type as shown through the following segments by Mr. T. Conte: (personal communication, April 2, 2008)

- Specialized Sales
 - Electronic, tires, Misc.
 - Wine and Spirits, Cigarettes and tobacco
 - White and Brown goods
 - Automotive industry
 - Chemicals & Petrochemicals
 - Commodities (Cotton, ...)
 - IFF

Like Maersk CMA-CGM has a dedicated sales team serving their Global Accounts. In order to qualify for *Global Account status* in CMA-CMG, a customer must: (T. Conte, personal communication, April 2, 2008)

- Be a “**Premier League** ” BCO or IFF
- Generate a minimum of **5,000 TEU** year
- Tender business on at least **3 Major Trade** lanes
- Have a ”**global**” **negotiation process** (as opposed to ”regional”)
- ❑ The Global Account department scope is obviously “**global**”, having neither “regional” nor “trade” limits.
- “Global Accounts” operates in Asia through regional dedicated “relays” in **Hong Kong, Shanghai** ,and soon in **Singapore**
- ❑ ” **Global**” **CUSTOMERS** operating mode :
 - **BCO** model : HO + Regions + Production (Sales) areas
 - **IFF** model : Centralised Global Sea Freight management + **TRADE** Management + Regions + local offices
 - Dual Sales to Multi Sales: we must therefore be everywhere and **Asian countries are the key to our success!**

CMA-CGM’s marketing department is integrated within the Global Accounts which is a transversal “direction”, entrusted with dealing with major customers accounts whichever line or service they are using. Global accounts department **mission** is to be the link between customers, lines and regions serving CMA CGM growth by enhancing CMA CGM competitive advantage through both BCO and IFF with the objective to grow those markets segments and increase their shares, volumes and profitability with an ever evolving customer base. Moreover, they are using a state-

of-the-art **Interface Systems** with customers by means of EDI, INTTRA and Exception management to better meet their requirements.

In terms of segmentation strategies, Maersk and CMA-CGM are working them quiet well, which might be a big part of their success and being the leading shipping lines. The author believes that if most of the shipping lines would be customer focused and try to use the segmentation strategies in order to identify which segments they would better serve, the shipping industry would be much more efficient and customer satisfying.

3.6.2 Targeting:

Targeting is the process of evaluating each market segment's attractiveness from the company's perspective, selecting one or more and directing company's efforts and resources towards satisfying their needs and wants (Kotler et al., 2001).

3.6.2.1 Evaluating the market segments

Segment size and growth: Which of the segments have the right size and growth characteristics? The marketers can gather and analyze data about the segments' market growth rate, profitability and sales. Depending on the information gathered analyzed and forecasted the shipping line can take a decision whether or not to serve the specific segment according to the company's capabilities and objectives.

Segment structural attractiveness: The Company needs to analyze the structural factors that affect long-run profitability of each segment from the *Porter's approach* which includes competition, potential entrants, substitute services, bargaining power of buyers and suppliers. A segment would not be attractive if it already contains a number of strong or aggressive competitors. Moreover, the lack of barriers to entry to a specific segment might lower the attractiveness as it will be attracting new

competitors who will bring in new capacity and strive for market shares. This is not usually the case in liner shipping as entering any liner segment needs huge investments. Furthermore, the existence of a segment potential substitutes for the shipping services, maybe road or rail transportation is convenient in this segment, puts limits on the potential prices and profits that could have been earned.

A segment definitely becomes less attractive if the buyers possess strong or increasing bargaining power. Buyers' bargaining power is big when they feel they are big customers, especially when the product is undifferentiated and buyers can easily shift from one competitor to the other. This is the case on Asia-Europe route in liner shipping. Finally, the level of bargaining power is another factor determining the segment attractiveness. The market segment becomes unattractive when suppliers have the power to raise prices or reduce the quality or quantity of ordered goods or services.

Company's objectives and resources: The segment might have the right size, growth rate and structural factors but does not meet the shipping lines' long term objectives. Some market segments could be rejected because of that reason. Even if the segment fits the company's objectives, the company must consider whether it possesses the capabilities, skills and resources to be able to succeed in that segment (Armstrong & Kotler, 2005).

3.6.2.2 Using the BCG Matrix for evaluating and selecting target segments

The author also believes that after grouping all these customers in different segments together, by using multiple segmentation variables, the shipping lines should now further evaluate and assess the attractiveness of each segment according to the BCG matrix. The marketers should plot the segments on the BCG matrix graph to help them rank the customer segments, traffic or region segments on the basis of their

relative market shares and growth rates. Segments will then be called either cash cows, dogs, question marks (also called problem children) or stars according to their position on the chart as shown in Figure 11.

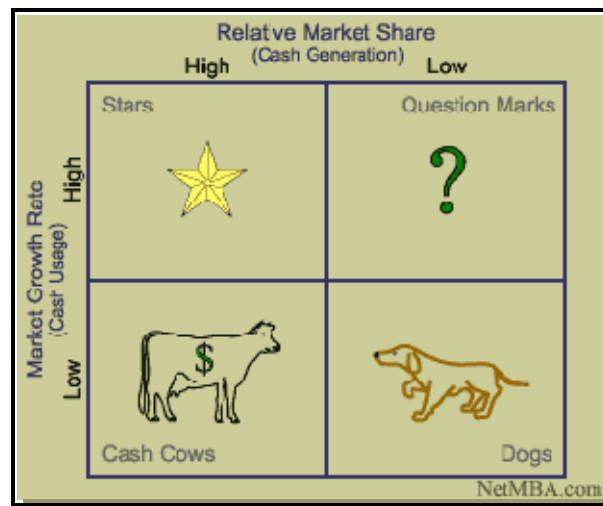


Figure 11: The BCG matrix

Cash cows are traffic or customer segments of the shipping line with a high market share in a slow growing market or industry. These segments are usually the ones the company started with some time ago, and they generate excess cash, maybe sufficient to support other activities. They are considered boring in a mature market where there is no challenge action for the company, and every shipping line would like to have segments falling under this category. They generate earnings continuously with as little investment as possible, since such an investment would be wasted in a market with low growth and preferably put in another high growth market.

Dogs are segments with a low market share in a mature, low growth rate industry. These segments usually just break even, generating barely enough cash to maintain their existence if possible. Sometime companies keep such traffic services in order not to downsize and to keep the service structure for a while but from an accounting

point of view such a unit is worthless not generating cash for the company. They have a negative effect on the company's income statement, which is used to by investors to judge the Company's performance. Most probably this traffic or customer segment should not be served anymore.

Problem children (also known as ***Question marks***) are traffic or customer segments with a low market share in a high market growth industry which requires a lot of investments with an offensive strategy to gain market share. They do not yet generate much cash as they still have low market shares. The result is large net cash consumption. A problem child segment has the potential to gain market share and become a star, and eventually turn into a cash cow when the market growth slows. If the company does not succeed in turning it into the market leader, then after a period of cash consumption it will turn into a dog when the market growth slows. Problem children must be analyzed and their returns must be forecasted carefully in order to determine whether they are worth the investment required to earn market share.

Stars are traffic or customer segments with a high market share in a high growth rate market. The line should try hard to turn its *star segments* into the next *cash cows*. Keeping leadership in a fast growing market requires new investments, but this is worthwhile if that is what it takes for the line's segment or traffic to remain a leader. When the market growth rate slows, stars become *cash cows* if they have been able to maintain their category leadership, or they turn into dogs if they could not keep up with the market.

Eventually, as a particular market growth slows, segments become either *cash cows* or *dogs*. According to the life cycle, segments (business units) go through phases; they usually start as question marks or problem children, and then turn into stars. Later on when the market growth slows, they become cash cows. At the end of the cycle the cash cow turns into a dog.

The overall goal of this ranking was to help marketers decide which of their segments to invest in and by how much. Similar to the SWOT analysis, shipping lines should use their strong segments to support their weak ones as strengths are used to overcome threats. Therefore, cash cows that supply funds should be used to support the future growth of stars and problem children (Wikipedia, 2008).

3.6.3 Selecting the market segment

Undifferentiated marketing (also called mass marketing): if the shipping line ignores market segment differences and tries to serve the whole market the same way with one market offer. This targeting strategy concentrates on what is common in the needs of buyers relying on mass distribution & mass advertising. It is not easy to survive in the liner shipping world when the competition is so high to attract customer to decide to aim all the line's resources at the entire market with one particular product. As shipping is an international very diversified service one marketing mix with one product or service will not attract a sufficient amount of buyers

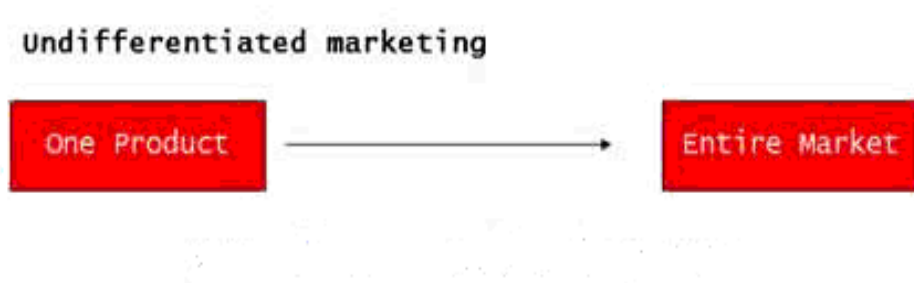


Figure 12: Undifferentiated marketing strategy

Source: (LearnMarketing.net, 2008)

Differentiated marketing strategy: When the shipping line decides to target various segments and develops distinct products or services with tailored marketing mix

strategies for each one. The airline companies follow this strategy as they have special treatment and service only for business (segment 1) other services and prices for economy class (segment 2) (LearnMarketing.net, 2008). The author believes this strategy is the most successful in the liner shipping industry.

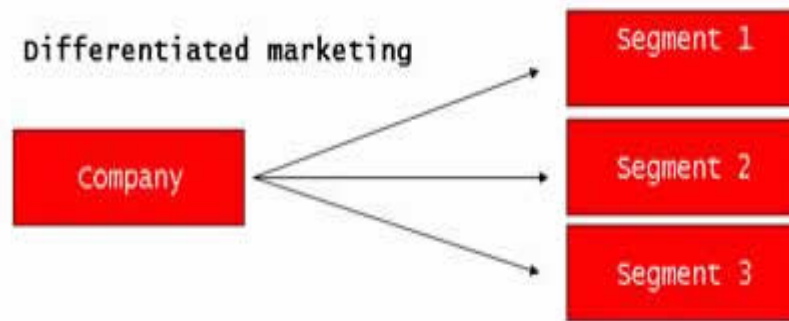


Figure 13: Differentiated marketing strategy

Source: (LearnMarketing.net, 2008)

CMA-CGM and Maersk Line both follow this strategy as CMA-CGM divides the market into various segments as was shown in the last segmentation section and tackles each one of them separately with a different marketing offering and marketing mix.

As for Maersk Line and obviously from Figure 14, its marketing department does also follow the service-differentiated marketing strategy as it divides the marketing into distinct groups, evaluates and forecasts the potential volume share of each and targets each with a tailored marketing mixes. Maersk tackles each segment with a different sales option, matching its earnings as they have the expensive key clients program with dedicated sales force because these clients bring the highest return to the Line. Then direct sales for the second biggest profitable segment, followed by telesales, self service and trading desk in a respective order of segments attractiveness from volume and profitability perspective.

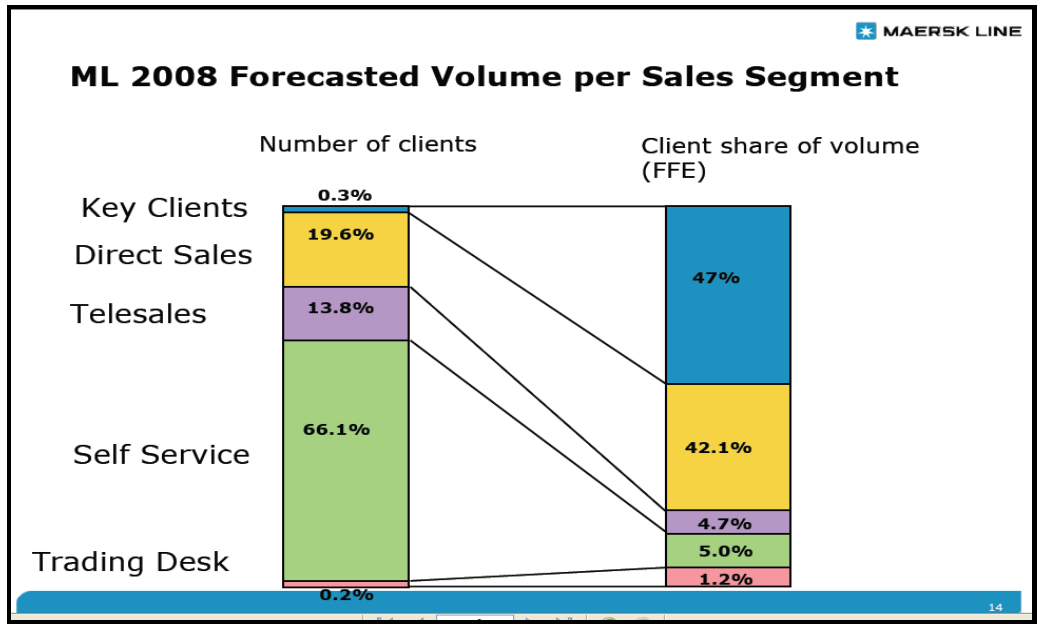


Figure 14: Maersk's customers segments' shares in volume and return

Source: (Bingham & Rasmussen, March 2008)

Concentrated Marketing: the line following this strategy might be called a nicher as instead of going for a smaller share of a larger market, the Line would be concentrating its marketing effort on one particular segment. The line usually develops a product or service that satisfies the needs of that particular group. NYK is restructuring and setting up a separate company called NYK Cool just concentrating on the Reefer container market is an example of this strategy (Sandstrom, 2008).



Figure 15: Concentrated marketing strategy

Source: (LearnMarketing.net, 2008)

Micro-marketing also called customer marketing: it is tailoring the marketing program according to location and or individual customer needs and wants. This strategy is specially set up for the local market or for individual consumers (LearnMarketing.net, 2008). The use of this strategy by CMA-CGM for the local Egyptian Market will be examined in Chapter 5. As for applying this strategy to individual customers, one might argue it is expensive and difficult; therefore, it should be tailored just for the clients who are very profitable and generate a lot of return like it is done by Maersk through the key clients program or by CMA-CGM through the Global accounts program.

On the contrary, the author argues that this strategy can also be applied to small shippers at a low cost using the internet. The most efficient way for marketers to spend money is to direct spending to customers who are most likely to be interested in the line's market offering. Sadly, efforts to target only customers who have a high potential of buying the line's service have not been easy. Too much money is wasted on mass promotion, where a large number of the audience may actually not be part of the line's target market. Here the strong ability of the Internet to identify and track customers is shown which leads to improved targeting strategy reaching customers who have the highest potential for purchasing the company's services. Marketing's long sought goal of targeting individual customers rather than mass marketing to many is a reachable reality through the Internet (Christ, 2007).

This is possible through Internet Customer Profiling. Customer Profiling is the process of gathering data about customers such as type of business, size of company, location, industry, and buying patterns in B2B industry. Through Customer Profiling Surveys companies can gather and analyze critical customer demographics and behaviour using a single platform. The rule is that the more information captured about the line's customers, the better prepared the shipping line is to anticipate and

satisfy their customers' needs. Customer Profiling Surveys grants a clear image of customers by category which can be used to produce tailored marketing messages, campaigns, offers, and products/services. Moreover, customer profiling give the company the ability to integrate CRM (will be discussed in detail in the next chapter) and other business systems to create more accurate and personalized Customer Relationship (Confermit.everywhere, 2008).

This technique is used by E-Bay and Alibaba websites and is very successful as through internet profiling these companies are enabled to develop profiles and purchase patterns of customers and target them with personalized offers the customers are truly interested in buying. It is proved to be extremely successful and generated a high percentage of purchases of the offers targeted to the individual customers through profiling. Moreover it makes the customer feel unique and taken care of by the company when he/she logs in his/her account and is welcomed by a personalized message addressing him/her by his/her name and offering tailored services according to the previously monitored purchase pattern.

So why not apply this technique in Shipping? The only company that made an attempt to implement this is Maersk Line as it published the following on its website but unfortunately not in an obvious location:

Welcome to the Maersk Line customer advisory. The content of this advisory is customized to your needs based on your subscription profile on maerskline.com. Click the "My profile" link to alter your preferred trade categories and you can tailor-make the customer advisory in accordance to your needs. We also offer other publications with just the information you are looking for. If you are in doubt or need help, please contact your local Maersk

Line representative. Have a look at your profile to see whether it is set up correctly (Maerskline, 2008).

This technique should be encouraged by other Lines as shipping needs to be more customer focused, learn more about its customers and target them with offerings satisfying their needs in a cost effective way. For example, monitoring which routes and type of cargo the customer is interested in and send him/her regular offers and promotions on these routes.

CHAPTER FOUR

POSITIONING AND DIFFERENTIATION: AN INTEGRATED MARKETING COMMUNICATION APPROACH

4.1 Introduction

As marketing is about satisfying customers' needs it is also about communicating how different can the company satisfy those needs better than competition leaving the customer with the most favorable image of the company through integrated marketing communication. After segmenting the market and deciding on which segments to target with which strategy, it is time to communicate with these target segments. This chapter will cover the positioning and differentiation concepts along with the integrated marketing communication tools, including branding, advertising, sales promotion, direct marketing, personal selling, Internet marketing, publicity and Relationship Management CRM, to deliver the essence of these concepts to the customer. Later, communication tools used by the some leading shipping lines will be discussed and some suggestions will be made by the author.

4.2 Positioning and differentiation

As Philip Kotler (2003) explains *positioning* is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. The end result of positioning is the successful creation of a customer-focused value proposition. Offering a high value service, superior and different from competitors' offerings, is what the company wants to communicate with the target segment.

That leads us to *differentiation*, which is the process of adding a set of meaningful and valued differences to distinguish the company services from competitors (Kotler, 2003). The shipping line would want to position itself in the mind of the consumer as either reliable, high quality, cost efficient, low transit time etc. ***So how can this goal be achieved?***

There are a number of ways a shipping line can differentiate itself from competition such as service differentiation, thus offering a unique customer focused service, like door to door logistics services, container bar code tracking and surveillance cameras enabling the shipper to track their containers. It could be personnel differentiation through recruiting and training high qualified and experienced employees, cooperative with customers and good crises managers, better than competitors' employees. Moreover, image is very important differentiation tool. It is mainly the identity and the brand image that makes customers identify one company from the other visually.

When any shipper sees a blue star, he/she will know it is Maersk and the following reasons, given by Mr. Martin Plambek, head of advertising and branding of Maersk, explain why Maersk strives for a world-class visual identity differentiating itself from competition through branding:

- >We are a global business with global customers.
- >We need to look and feel the same no matter where people meet us around the world.
- >We need to create one single and lasting impression.
- >We are a business that wants and needs to look professional, precise and in control of complex operations (Plambek, March 2008).

4.2.1 Branding

The American Marketing Association (AMA) defines a *brand* as a "name, term, sign, symbol or design, or a combination of all intended to identify and the goods and services of an organization and to differentiate them from those of other sellers (Lake, 2008). In other words, a brand is a mixture of tangible and intangible attributes, symbolized in a trade mark which, if properly managed, creates influence and generates value to the customer. *Brands are needed to own a place in customers' hearts and minds.*

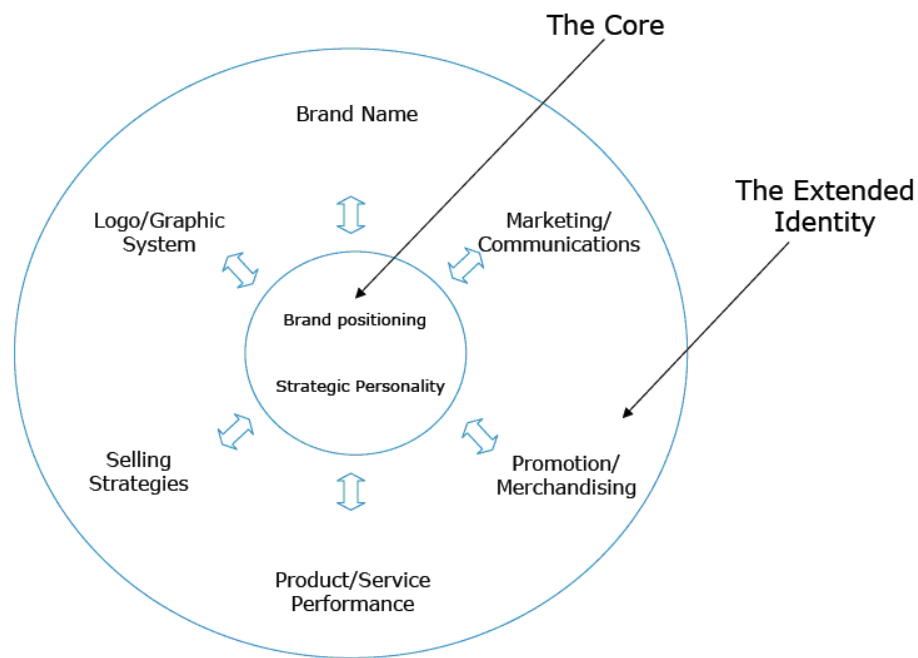


Figure 16: Brand identity

Source: (Plambek, March 2008)

Therefore, it makes sense to understand that branding is not only about convincing your target market to choose you over the competition, but it is also about getting your prospects to see you as the only one that provides a solution to their problem. A good branding strategy will achieve delivering the message clearly, confirming the

shipping line's credibility, connecting the target segment emotionally, motivates the customers and create loyalty, reflected directly and indirectly in enhanced profits (Lake, 2008).

In order to have a successful branding strategy the shipping line must understand the needs and wants of their customers and prospects. Moreover, it has to integrate and communicate the branding strategy at every point of public contact so that brand resides within the hearts and minds of target customers. What remains with the customers is the result of their experiences and perceptions, some of which the line can influence, and some that the line cannot.

A strong brand is priceless as the battle for customers intensifies day by day. It is important to put time and resources into researching, defining, and building the brand. Eventually the company's brand is the source of a promise to the customers. It is a essential part of the shipping line's marketing communication and it should not lack it (Lake, 2008).

Furthermore, through effective branding it is likely to enter long term partnerships with the customer, which leads to addressing customer relationships management and its status in liner shipping.

4.2.2 Relationship marketing

The customers became more demanding and educated towards their relationship with their service provider. The fierce competition puts them in a strong position enabling them to ask for more and more. The solution to that is Relationship Marketing which aims at engaging the customer interactively in the process of creating value which is eventually for the benefit of the shipping line and customer (Danciu, 2003). This marketing style eases the job of the market research department as it creates life

interaction with the customers and provides updated feedback which requires focusing on long-term customer relationship.

In order to gain and retain long-term customer relationships, the shipping line should understand customer expectations, know the customers, assess the services process, reach a service quality level matching or exceeding the customer expectations and properly manage customers' relationships. Quality of service may be a strong factor for assessing relationship marketing performance. So that shipping lines can achieve their goal of retaining actual customers, they should be prepared to pinpoint customers who leave the company and switch to competition and then analyze the reasons for their behavior in order to act accordingly. The Relationship Marketing focuses on keeping the existing customers on the long run and then attracting new ones. In the mean time, Relationship Marketing seeks to understand, anticipate and satisfy customers (Danciu, 2003). *It costs five times more to get a new customer than to keep the one you have and they are 40% more profitable* (CardWerk, 2008).

The Relationship Marketing recognizes that a major role of the customers is not only to buy the service, but it remains in defining the value they want. Earlier the normal process was that the companies would identify and provide the value and service they anticipate the customers need. With Relationship Marketing, the customer interacts and helps the company to provide the service and the marketing mix the customer values and that meets his expectations. The value is created with the customers and not for them. Thus to have an efficient Customer Relationship Marketing system the shipping lines are required to design and align its business process, communications, technology and employees around the value customers want. Relationship Marketing acknowledges the value of customers over their lifetime's relation with the company. As Relationship Marketing recognizes customer lifetime value it seeks to establish a strong tight bond with customers (Danciu, 2003).

In order for the shipping line to establish and earn customer relationships they must work out bi- and multilateral activities with customers to produce and provide value, mainly through an interpersonal communication which is a main reason why Maersk Line and CMA-CGM invest in a dedicated sales force for their key clients. Time is needed in order to create and maintain the relations. The short relationships involving only few transactions with the Line, are generally more expensive in the service sector. As already mentioned, it costs much more to attract new customers to accept the companies' promises. That is why carrying out marketing efforts for protecting the existing customers became extremely important. It is more important to focus on establishing and maintaining long-term customer relationships.

The customer judges the service quality based on three assessments, namely the expected quality, the experimented or experienced quality and the perceived quality, which are displayed in Figure 17:

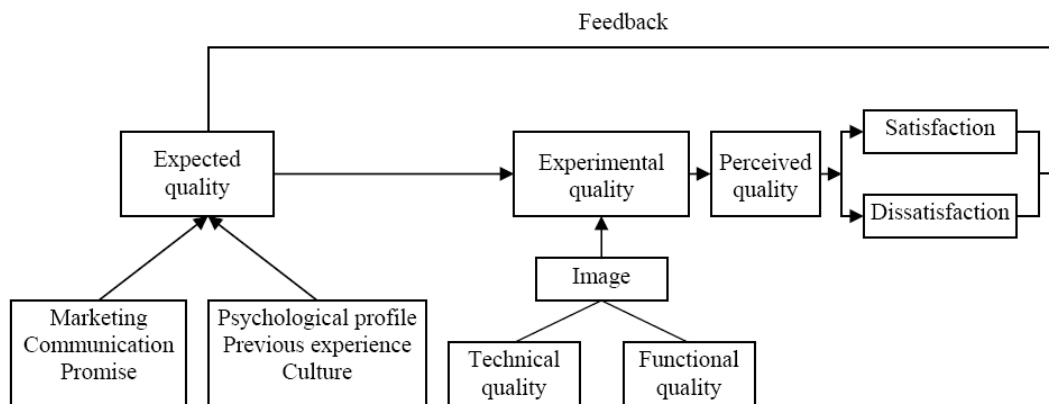


Figure 17: A service quality process model

Source: (Danciu, 2003)

In the matter of fact feedback from lost or defected customers is more likely to be concrete things like attitudes or satisfaction, which change over time and are

subjective. Defection analysis consists of a questionnaire of specific relevant questions set to find out why the customer left or switched to a competitor. The information obtained by this kind of research is useful in a variety of ways. It might direct the marketer's attention that the competition is under pricing the company services. Moreover, the obtained information can help the shipping line decide which service quality investments will be profitable which does not mean that achieving service quality leads to retaining all customers at any cost (Danciu, 2003). It is believed that reducing the customer loss rate by 5% can lead to 25%-85% increase in profit (Ma, 2008).

In case all efforts are properly carried out but still specific customers wish to leave, the shipping line should not invest in attracting them. The defection analysis can also, using the information find defectors, point out common characteristics among customers who stay longer. These findings of defection rates might help the company choose the market segment it wants to serve and target its marketing efforts towards. Furthermore, it is important for management performance to have the entire company focused on keeping profitable customers (Danciu, 2003).

Leading shipping lines like Mearsk and CMA-CGM do implement customer relationship management through their long term relationships with key clients and global accounts and also direct marketing with their profitable market segment which might be one of the reasons that made them successful. Unfortunately, that is not the perspective of the whole liner shipping yet. Moreover, what liner shipping really lacks, are the loyalty programs that the airline industry excels at. This strategy should be implemented by liner shipping companies.

4.2.3 Customer loyalty program

Retaining customers and keeping them loyal makes them profitable for the business. Loyalty programs, which are a recent tool of Customer Relationship Management, are very appealing to customers. This tool was proven to be very successful by the aviation industry whose experience will be looked at shortly. It is program that rewards customer for using the company's services, i.e. the more the customers purchase, the more rewards they earn. The customers like to feel they are being rewarded for being loyal. The company usually realizes the benefits and the profits in a short period. This program needs a transaction technology (to calculate the purchases and the earned rewards) and the right marketing knowledge to increase sales, improve customer retention, reduce transactional cost and attract new customers (point.point, 2008). The rewards come in a form of discounts or free future purchases or other benefits. Usually in order for the system to be efficient customers should be allowed to track their rewards online

Furthermore, loyalty programs can improve customer retention and encourage customers to stay with you. Customer attraction will be improved by differentiating the shipping line and the services from the competition. Moreover, the line can acknowledge frequent customers by awarding them points according to the ton miles they have been booking on the line's ships, which would encourage them to repeat using the line.

Moreover, this program makes it harder for the shipper to leave the shipping line and switch to competition as rewards are now at stake. It does not have to be only one shipping line; on the contrary, it could be rewards on all the alliance members' services and even any other partners in the supply chain the line is dealing with. In other words, shippers demand door to door services and when they can have discounts or get rewards with more than one partner in the supply chain that definitely would differentiate the shipping line's services and make it very costly for the customer to leave or switch to competition.

In addition to coordinating loyalty, this system enables the company to record valuable data about their customers' behavior from all transactions, which include data about customer demographics, shipments frequency, routes, and geographic area. The loyalty software should maintain a complete database of all customer rewards and should enable customers to check their rewards online (CardWerk, 2008).

There is no reason for the shipping lines not to start this program with all its benefits; however it might need some investment at the beginning, but it will surely work eventually especially after witnessing it to work so well in the aviation industry.

4.2.4 Learning from the airline experience

The airlines started these programs as a competitive tool when the competition between the legacy carriers and the startup carriers became so fierce. It began as frequency programs by the legacy carriers' as a first attempt to benefit from their big size planes and larger route networks and therefore take advantage of their economies of scale. The legacy carriers thought of it as the competition had lower cost, which enabled them to offer lower prices but they usually had smaller routes, just mainly regional routes. Frequent travelers started realizing the benefits of focusing their traveling on a small number of carriers who offered the frequent flyer awards in order to maximize the awards they could achieve. Furthermore, the legacy carriers offered awards to favorite leisure destinations that the startup carriers could not match.

This type of loyalty programs, called the frequent flyer programs, also allowed the legacy carriers to differentiate their brands with their target market segment who are the higher value business traveler. The program also enabled the legacy carriers to continue demanding a price premium from business travelers, as the perceived value of the programs helped to insulate these travelers from price sensitivity. The combination of frequent flyer programs and sophisticated revenue management systems meant the

legacy carriers would compete equally with the new carriers only for the price-sensitive traffic, keeping a disproportionate share of the high yield business travel to themselves (Arsenault, 2004).

There are the benefits to the frequent flyer programs which have contributed to the industry's efficiency and bottom-line. Customers self-identify which is a personalized one to one identification between the airlines intelligent agent and the customer. In other words, when the customer logs in to the website with their frequent flyer numbers the intelligent agent recognizes the customer and starts addressing him/her by name. This makes the customer feel appreciated and taken care of. This also enables the airlines to collect customers' data which in turn led to efficient customer segmentation.

Frequent flyer programs have become a revenue generator for airlines with established programs. Airlines started contracting with non-airline or ground partners which turn out to be a very successful move. It was estimated that 60% of miles earned by customers nowadays are earned on the ground from traditional travel partners like hotels and car rental agencies. As a matter of fact, building alliances has benefited the carriers a lot and enabled them to work more closely and integrate their programs. The partners have promised to offer a continuous service to any destination to travelers which can only be achieved through the Alliance partners' joint networks, with each alliance member giving the appropriate level of reward and recognition to each other's members (Arsenault, 2004).

Some carriers such as West Jet have joined existing multi-merchant programs (Air Miles). These programs allow travelers to use West Jet flights as an additional earning mechanism, along with grocery, phone and fuel purchases. Through this system even infrequent traveler gets rewarded as they can earn non-travel awards. Ryanair came up with a very interesting deal with banks. It has a co-branded card which appears to be a

very low cost solution as most if not all related costs of the program are borne by the sponsoring bank, with Ryanair receiving money for the sale of tickets to the bank (Arsenault, 2004).

It appears that the situation that pushed the airlines to come up with this system is very similar to the situation of liner shipping today especially after abolishing the conference system in October. Moreover, the aviation industry is very similar to liner shipping; therefore, there is not reason why shipping lines should not investigate in exploring options on implementing this system.

4.3 Integrated Marketing communication tools

According to Ma (2008) communication = promotion. For a long period of time promotion was thought to be only advertising and mass media. Advertising was the main tool for all marketing communications but promotion is not all about advertising, on the contrary it is the coordination of all sellers' efforts to set up channels of information and persuasion to sell goods and services or promote an idea. The elements that are used to achieve this are called the promotional mix which traditionally include four elements: advertising, sales promotion, publicity/public relations, and personal selling. Nevertheless today direct marketing and interactive media or Internet marketing are considered major elements of the promotional mix (Belch & Belch, 2001) as illustrated Figure 18:

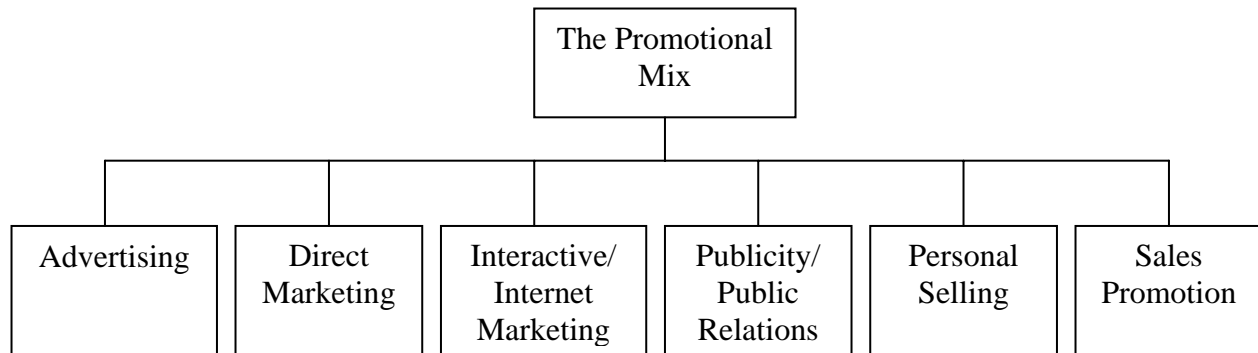


Figure 18: Promotional mix

Source: (Belch & Belch, 2001)

All these elements have to be strategically integrated rather than having them operate autonomously as by coordination the marketing communication efforts shipping lines can take advantage of the synergy among the promotional tools and develop a strong integrated marketing communication program.

4.3.1 Advertising

Advertising is any paid form of a non-personal communication that attempts to convince potential customers to purchase a particular brand or use a service. Advertisements are mainly designed to generate increased consumption of products and services through creating and reinforcing a brand image and brand loyalty. For these purposes, advertisements sometimes embed their persuasive message with factual information. Advertising involves the usage of mass media to deliver these messages, including television, radio, cinema, magazines, newspapers, video games, the Internet and billboards. Marketers should be careful and consider how the audience will interpret the message and respond to it especially if he was advertising to a new culture.

Advertising is a very efficient tool for companies targeting at mass consumer market (Belch & Belch, 2001).

In the liner shipping industry, TV advertising is not an effective tool as TV viewers are liner shipping target market. Therefore, before directing any type of communication tool, the shipping line marketer should first make sure how much of his target market is affected by each media. If the liner shipping industry aims at enhancing the shipping image in the eyes of the community than TV advertising might be an effective tool because then the TV viewers are the target audience. When talking about a usual target segment of a shipping Line, then printed ads in professional magazines like containerization international is considered effective.

Advertising can be customized at any target audience maybe a specific industry for example advertising an existing or a new service. This type of advertising is customized to the special target audience, for example Maersk had a targeted advertisement at "MAE REE Africa fishing industry". The advertisement target was reflected through the choice of photos not as much in the text. As Mr. Plambek, the head of advertising and branding of Maersk Line said that they in fact have deliberately tried to keep text to a minimum, since too much information in an advertisement will only make the reader go to the next page. Maersk's advertising is adapted to different cultures through the usage of different photos from all over the world. They have their own photo collection which has 400 photos, all "blue-washed" to make them distinctively Maersk Line (Plambek, March 2008).

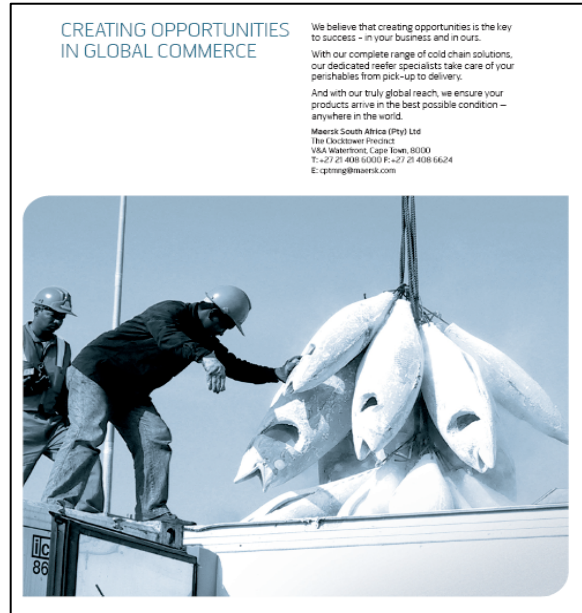


Figure 19: Customized advertisement for Africa fishing industry by Maersk

Source: (Plambek, March 2008)

Shipping lines target audience will be best reached by advertising through leaflets and brochures distributed among shippers and printed advertisements in professional maritime journals and magazines as well as publications of chambers of commerce for example. The following are examples of printed ads by Maersk and CMA-CGM:



Figure 20: Advertising by Maersk

Source: (Plambek, March 2008)

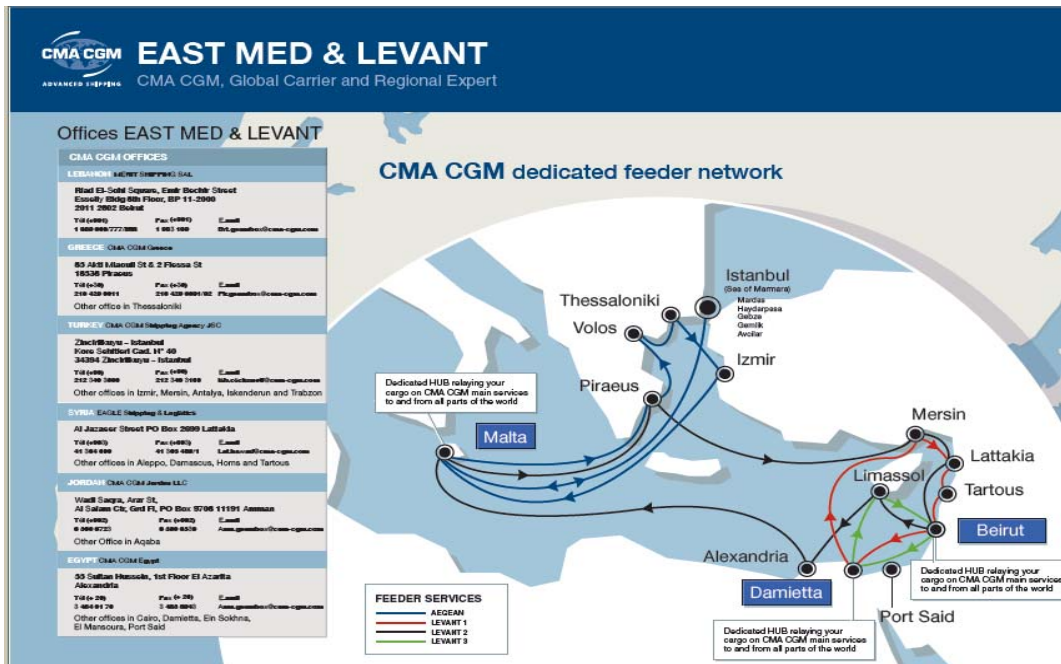


Figure 21: Advertising by CMA-CGM

Source: (T. Conte, personal communication, April 2, 2008)

4.3.2 Direct Marketing

Direct marketing is a marketing communication tool where the company directly communicates with its target shippers or customers aiming to generate an immediate positive response or a sales transaction. It attempts to send its messages directly to consumers, without the use of intervening media. Direct marketing was not seen as part of the promotional mix traditionally; nevertheless, it evolved and proved to be a very useful and important tool to be a part of the integrated marketing communication approach of any company. It involves commercial communication including database management, direct selling and direct response ads through direct mail, the internet, e-mail and telemarketing (Belch & Belch, 2001).

In shipping, direct marketing is very much evolving among the leading shipping lines as Maersk Line and CMA-CGM are targeting a big market segment through direct sales, telemarketing, direct mail and the internet.

4.3.3 Interactive Internet Marketing

Internet marketing, also referred to as online marketing, Internet advertising, or e-Marketing, is the marketing of products or services over the Internet. This is a revolution in the advertising and promotion industry. Instead of being a one-way communication tool, internet advertising has made it an interactive marketing tool, which is a unique quality of the medium, and it enabled marketer to use a variety of functions. Through the internet marketing shipping lines can receive and alter information and images, receive inquiries, respond to questions and enable shippers to book online. The Internet has brought many unique benefits to marketing, other than the mentioned before lower costs for the distribution of information and media to a global audience. In addition Internet marketing is believed to have broader scope as through the digital media it can reach any audience on the globe no matter to the geographical location, Nevertheless, Internet

marketing includes also management of digital customer data and electronic customer relationship management (ECRM) systems (Belch & Belch, 2001).

Internet marketing is not simply about building or promoting a website, nor does it mean placing a advertisement on another website. Effective Internet marketing requires a comprehensive strategy that incorporates the company's objective and identity with its website function and appearance, focusing on its target market through proper choice of advertising type, media, and design.

As mentioned before, the Internet is superior to any other medium when it comes to data collection and providing information on customer activity. Every time visitors access the website they leave an information trail that explains how they got to the site, which pattern did they follow while navigating through the site, what they clicked on, and a lot of information. When combined with methods for customer identification, such as login information or tracking "cookies", the marketer can easily monitor customers' activity over repeated visits to the site. Knowing customers' behavior, attitude and preferences enables the company to know about them and understand their needs and wants, which if executed properly, should eventually lead to a customer long-lasting loyalty (Christ, 2007).

The customer identification methods are important as it makes the customer feel special because when he/she logs in the intelligent agent welcomes the customer by name and offers him/her customized offer according the information already collected by his preferences. In other words the system creates a profile of the customer that makes him/her feel he is treated on a one to one basis. Maersk Line is the only shipping line starting to apply this concept when other websites like E-bay have been doing it for a long time now. Moreover leading shipping lines offer shipment and container tracking on their websites which is a good initiative but much more is still needed in the liner shipping industry.

Moreover, only one website exists in the whole liner shipping industry enabling shippers to book online which is YOUSHIP empowered by Maersk Line. Booking online has always been a problem in shipping because of the bill of lading and the legal requirement of the handwritten signature. The bill of lading is mainly required when the shipper needs a document of title in case he wants to endorse the B/L while the shipment is in the sea because he wants to sell and thus change the pass the document of title (Donner, 2007). Nevertheless Maersk Line found a special market segment of shippers not interested in having a document of title and targeted its efforts towards that segment.

What is youship.com?

youship.com

A POSITIVE (R)EVOLUTION FOR THE INDUSTRY

THE ONLY 100% ONLINE OCEAN CONTAINER TRANSPORTATION PROVIDER
THE ONLY CARRIER WHO IS OPEN AND CAN CONFIRM BOOKINGS 24/7 365 DAYS A YEAR

SIMPLE	TRANSPARENT	INSTANT
<ul style="list-style-type: none"> Online payment Space guarantee Online live help 24/7 booking 100% correct documents 	<ul style="list-style-type: none"> All-in freight rates No surcharges Powered by Maersk Line Lower rates for early bookings 	<ul style="list-style-type: none"> Online instant quotes Online booking confirmation Online invoice E/Doc

powered by MAERSK LINE

Figure 22: What is youship.com?

Source: (Jensen, March 2008)

According to Mr. Lars Jensen, the director of Youship, using Youship facilitates the booking transaction and spares you from spending so much time on following up with carrier on Bills of lading and invoice discrepancy, handling changes in your supply chain due to cargo not being loaded on vessel you had booked on, or your container being left over during a transshipment, booking and getting a booking confirmation, getting a rate quote and agreeing on the correct price and finding all the relevant surcharges applicable to your shipment to get an overview of the real price you are going to pay. Finally, you will not have to chase a booking confirmation and empty release document (Jensen, March 2008).

Booking on Youship is just like buying an airline ticket online. You go to the site, then you see the price, you book, you pay and you print your booking confirmation. It is available 24/7 and is easy and simple. Prices are transparent and published on the site. At the meantime as mentioned before, it is not targeted at the whole market but it is a new product proposition for a new segment. It aims at establishing a direct relation with small shippers/forwarders who are granted a space guarantee. There are no documentation issues or outstanding invoices. Invoices are never in dispute as payment is made upfront. In addition, it is a low cost customer service which does not create any rate tension with Maerskline as the products are different and have different limitations (Jensen, March 2008).

These limitations are that Youship accepts general cargo only, does not reach every destination but has defined trade lanes from point to point only, grants only E-waybill (for the legal issues discussed earlier) and the price is not negotiable. It might not be the most flexible booking site, but at least it is a start which everybody in the industry believed was impossible. Figure 23 illustrates the differences between Youship and the traditional ocean carrier.

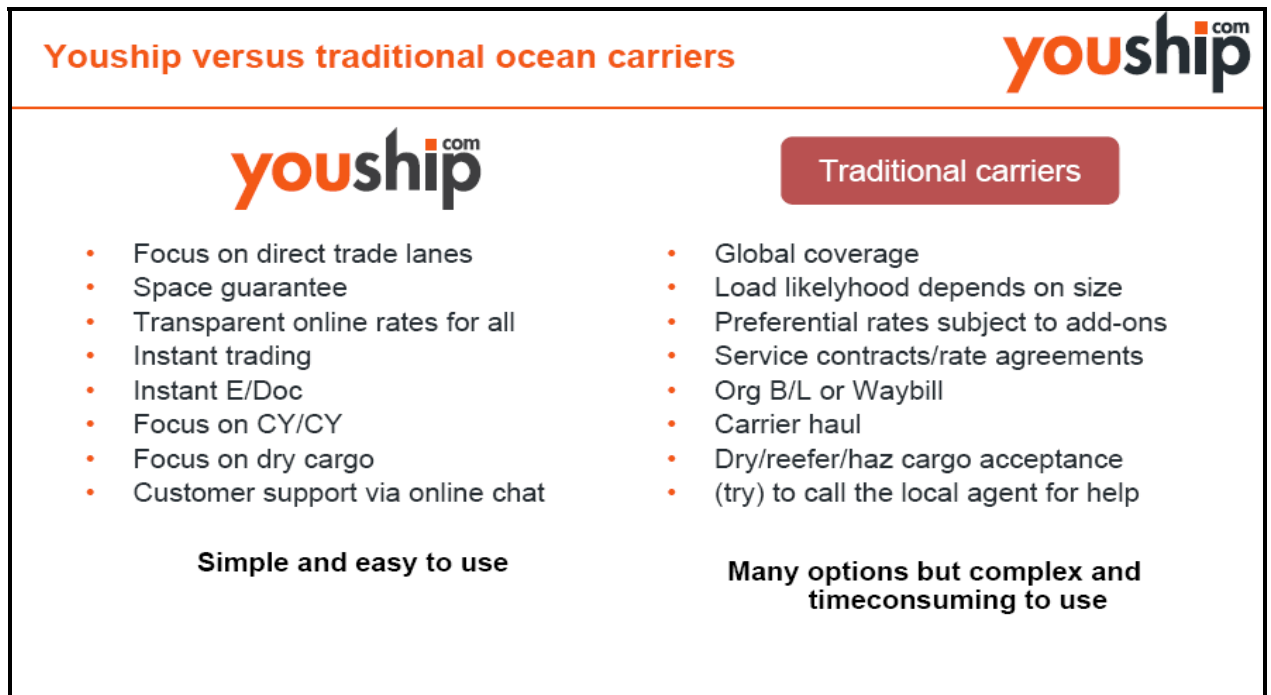


Figure 23: Youship versus traditional ocean carrier

Source: (Jensen, March 2008)

Now the industry is moving towards a more efficient interactive customer focused approach but a lot of effort should still be put to further integrate the electronic and Internet concept into the liner shipping industry.

4.3.4 Sales Promotion

Sales promotion is an element of the promotion mix that provides extra value or incentive to promote an increase in sales of the service like price deals, discounts, gifts to customers which are initiatives not covered by the other elements of the marketing communications or the promotion mix. Sales promotions should be original and creative, and marketers come up with new ideas daily. Branded New Year’s calendar is a type of sales promotion. Loyalty programs and reward systems discussed earlier are types of sales promotion (Jensen, March 2008). The mentioned examples are the types of sales

promotions applicable to liner shipping as for example free samples and buy one get one free are type of sales promotion that are not applicable to a service industry.

4.3.5 Publicity/Public Relations

Publicity/Public relations is an important element of the promotional mix which is the practice of managing the information flow between the shipping line and its public. It is a non-personal communication regarding the company as a whole, one of its service or maybe a crisis. PR aims to gain a positive exposure towards a company's key stakeholders, while manipulating any negative exposures and dealing with problems and complaints skillfully. Common activities include news releases, working with the press, conferences, articles, winning industry awards, shipping exhibitions, organizing receptions and sponsorships (Jensen, March 2008).

It is important to a shipping line to maintain its image among its community and shippers especially nowadays when it comes to environmental issues and pollution. Therefore, explaining oneself and the green efforts through publicity is of high priority. Attendance in shipping exhibitions where target professional shippers are present is an effective PR tool. Moreover sponsoring shippers' events and community's events is a good method for getting the public attention. Maersk line sponsors the Dutch National Olympic Team and the Americas Cup. They also hold regular press conferences with the shippers, making them feel in the center of Maersk's attention.

4.3.6 Personal Selling

Last but not least, *personal selling* which is one of the oldest forms of promotion used in shipping. Personal selling is based on one to one communication, where one party (e.g., salesperson) uses his personal skills and techniques for building personal relationships with another party e.g. the shipper which results in both parties obtaining value. Naturally the value for the salesperson is realized through the financial rewards

of the sale while the value for customer is realized through the benefits obtained from buying the service. In contrast to mass media, personal selling involves personal contact, which in turn involves direct contact between the involved parties through face-to-face meetings or via telecommunication, such as a telephone conversation, or through newer technologies allowing contact to take place from distant geographical locations over the Internet including using video conferencing or text messaging (e.g., online chat) (KnowThis.com, 2008).

Personal selling usually involves immediate feedback as the customer's reaction can be assessed on spot after the presentation where the sales person has the option to modify the message if the feedback is unfavorable. As personal selling is often expensive it should be targeted at customers with high profitability towards the shipping line (Jensen, March 2008) Therefore, Maersk and CMA-CGM implemented this concept through their dedicated sales force for their profitable key client and global accounts.

To conclude, this part, in order to have an effective integrated marketing communication strategy, shipping Lines should integrate and coordinate between all the above elements of the promotional mix in consistency, keeping the brand identity, one positioning message and consistent elements of differentiation.

CHAPTER FIVE

EGYPT AS A SPECIAL GEOGRAPHICAL MARKET SEGMENT: ADAPTING MARKETING TOOLS TO THE EGYPTIAN CULTURE

5.1 Introduction

The aim of this chapter is to show how the targeting strategies and the communication tools can differ from one market segment to the other. In this case, the Egyptian liner market will be presented as a unique geographical segment that needs special adaptation techniques in using the marketing tools in order to communicate with the market effectively. The author attempts to reach this objective by introducing the special characteristics of the Egyptian market and its potential for attracting shipping lines. In order for a shipping line to enter a new market it has to research its potential. Areas that should be researched when entering a new market will be presented for the Egyptian market, such as the size of the market from a general perspective first, then the local maritime liner market in TEU volumes, later presenting shipping lines currently operating in Egypt as to assess competition. Furthermore, efforts of the Egyptian Transport Ministry, Maritime Sector to improve the market situation and encourage private sector investments will be discussed. Afterwards, the cultural barriers facing the shipping Lines, such as the education level and maritime culture of Egyptian shippers will be covered. Finally, concluding with the marketing tools used by Maersk and CMA-CGM Egypt and how they are adapting these tools to suit the Egyptian culture along with some suggestions from the author to communicate more effectively with the Egyptian Shipper.

5.2 Researching and assessing market potential

5.2.1 Total Egyptian Market

Egypt has the second biggest population in Africa. The population mainly settled on the banks of the River Nile, where most economic activity takes place. The total population of Egypt according to a survey of July 2008 is estimated to be 81,713,517 with a rate of growth of about 1.721% annually; in other words, a huge market. The literacy rate of the total population is 71.4% (Mapsoftheworld.com, 2008).

The Egyptian GDP increased by 5% per year in 2005-06, and reached 7% growth in 2007 which attracted foreign direct investment including many shipping lines in the past two years, but progression by the government to implement its aggressive pursuit of reforms in order to keep the movement of foreign investments, growth and began to improve economic conditions for the broader population. Egypt's export sectors has bright prospects (CIA, 2008).

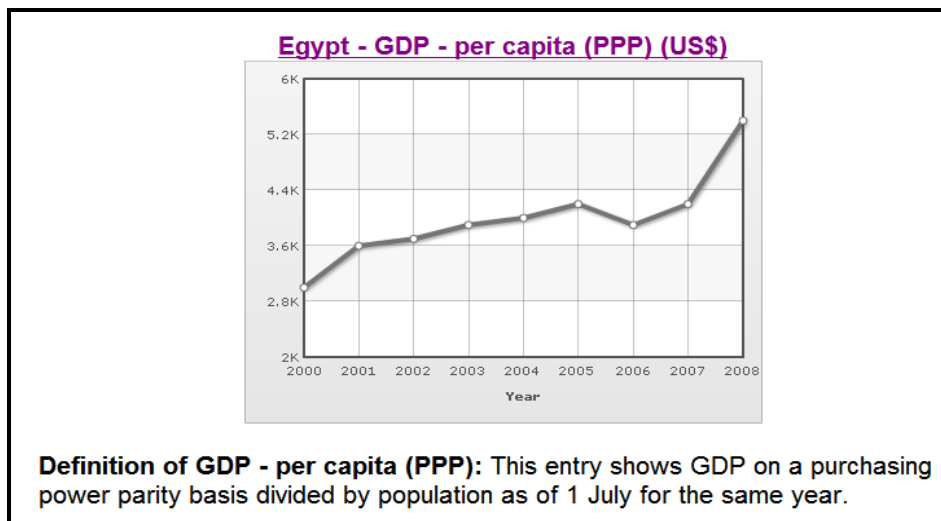


Figure 24: Egypt GDP per capita

Source: (Mundi, 2007)

Egypt has always been a maritime country since ancient times because it has a remarkable geographical location on the intersection point of three continents. Egypt enjoys coasts up to 2000 km long on both the Mediterranean and the Red Sea which is one of its major attractions allowing it to enjoy perfect connections with the rest of the world. Moreover, the world's most vital maritime canal the "Suez Canal" passes through its land linking the East of the world to the West of the world. Around 90% of the Egyptian foreign trade volume is done in seaborne trade ("Egyptian Maritime Transport sector website", 2008).

5.2.2 Total container (liner) market size

In 2006 Egyptian ports handled 4.6 million TEUs compared to 3.7 million TEUs in 2005 i.e. 25% growth. Out of the total handled containers 68.4% or 3.1 million TEUs were transit containers.

The three main ports handling containers in Egypt are Port Said Port, Damietta Port and Alexandria Port. Port Said Port Authority is the biggest authority in terms of container handling enjoying 58.2% of the total handled containers in Egyptian ports which represents a total of 2.7 million TEUs (most of which are transit containers with 89.1%). Thus, Port Said Port (East and West) was ranked number 5 in the Mediterranean Sea in 2005, rank 60 in the world in terms of container handling and 3rd in the world in terms of growth rate (reaching 80%).

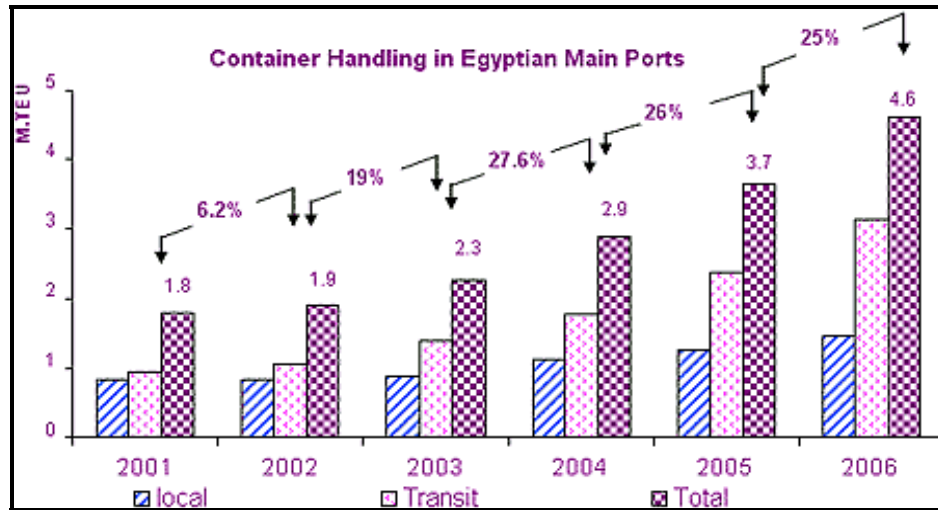


Figure 25: Container handling in Egyptian ports

Source: (Egyptian Ministry of Transport, 2008)

5.2.3 Local container market

Local container handling increased in 2006 by 14.1% compared to 2005. In addition, transit container handling grew by 30.9% in the Egyptian ports (Egyptian Ministry of Transport, 2008). This is the growing Egyptian market attracting a big number of shipping lines to open branches in Egypt during the past 2 years, as it has been growing very fast due to the improvement of the GDP and the booming economic activity. In 2007 Egyptian ports handled about 1.8 million local TEUs obtaining an increase up to 24.3% compared with 1.44 million TEUs in 2006. This is considered the second highest growth rate during 2001-2007 after the growth rate of 27.5% achieved in 2004 compared with 2003.

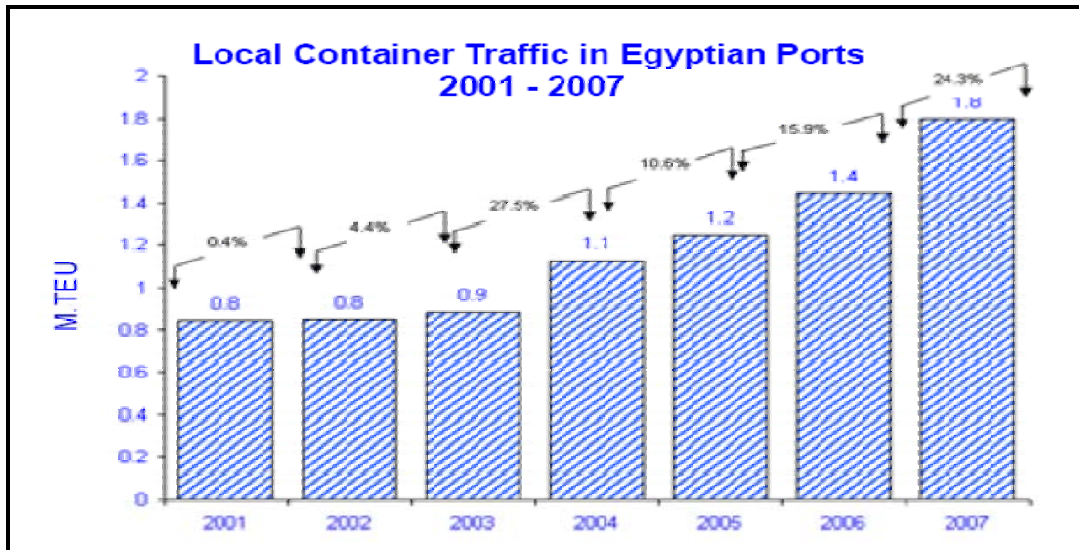


Figure 26: Local container traffic in Egyptian ports 2001-2007

Source: (Egyptian Maritime Databank, July 2008)

As already mentioned this growth in the economic activity and GDP nourished the Egyptian imports and exports and attracted many shipping lines.

5.2.4 Liner shipping companies operating in Egypt

As shown in Figure 27 the Egyptian liner market situation is very similar to the world liner market situation as the three leading Lines are the same in Egypt as they are in the world with a slightly different ranking. The four leading shipping lines in Egypt in a respective order are: MSC with 16% market share, followed by CMA-CGM with 14% share, then Maersk and APL with 12% and 10% respectively. Thus, they have a total share of 52% mainly due to the fact that they were the first ones to enter the Egyptian market.

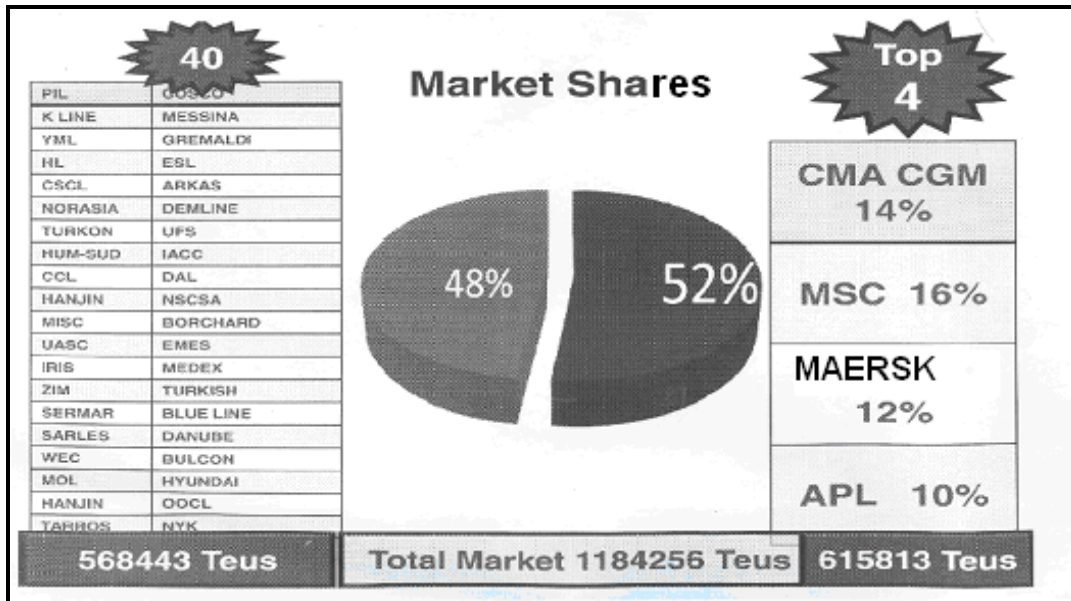


Figure 27: Ranking of leading shipping lines in Egypt in 2007

Source: (T. Zagholoul, personal communication, June 3, 2008)

Mr. T. Zaghloul, marketing and sales manager of CMA-CGM Egypt shared with the author the results of his thorough research about the core competencies or the main competitive edge of these four leading shipping lines in Egypt. According to his chart every line is unique from the other in what it offers to shippers. As an example he claims that the strength of MSC in Egypt is represented, for example, in its sharp rates to all trades, strong logistics division and flexibility in handling weight. On the other hand, his company CMA-CGM has a strong coverage of the Egyptian market, is flexible and most importantly understands and integrates with the Egyptian culture, which is a very controversial point as other companies like Maersk claims to force the culture to change. Which is the best approach? That is a very important subject that will be covered later in this chapter.

Top Players Ranking and Market share										
Line	2007 Yearly volume Teus			R a n k i n g	MKT Share	TOS				Main Competitive Edge
	Exp	Imp	Total			Exp		Imp		
						CIF	FOB	CIF	FOB	
MSC	72650	113876	173526	1	16 %	73%	27%	79%	21%	<ul style="list-style-type: none"> > Offering Sharp rates to all trades. > Serving all trades. > Dedicated service ex NWC. > Strong logistic division. > Weight is no problem.
CMA CGM	51765	109786	161551	2	14 %	97%	3%	59%	41%	<ul style="list-style-type: none"> ✓ Coverage. ✓ # of services Calls/months. ✓ Flexibility. ✓ Coping with Market Culture. ✓ Stronger desire to Develop Biz in Egypt.
Maersk	52125	92750	144875	3	12 %	12%	88%	91%	9%	<ul style="list-style-type: none"> ⚠ Their own port Eoct. ⚠ Global accounts. ⚠ Strong logistic subsidiary. ⚠ Transit time accuracy.
APL	26578	87023	113601	4	10 %	78%	22%	68%	23%	<ul style="list-style-type: none"> □ Their own port Sokna. □ Lower cost (Suez canal dues) □ Historical relation with F-East clients. □ Aggressive logistic division. □ Long list of rate protected clients. □ Dedicated Service.

Figure 28: Top players ranking and market share in Egypt

Source: (T. Zagholoul, personal communication, June 3, 2008)

It appears that some the competencies these global companies enjoy apply for Egypt as for the rest of the world, i.e. Maersk's transit time accuracy and reliability are no doubt appreciated by Egyptian shippers as well as by any shipper in the world. Moreover, as the Egyptian government strongly seeks to attract investment, it allows shipping lines to give bids to win some of its terminals as dedicated terminals, so Maersk and APL already have their own dedicated terminals which certainly give them a competitive edge.

5.3 Encouraging government attitude towards the private sector

As the Egyptian government is putting strong efforts to keep its economic growth and that would not be fulfilled without an efficient maritime industry. Therefore, the Ministry of Transport – maritime transport sector is trying to play a big role to effectively contribute in the Egyptian national economy and the Egyptian foreign trade through creating efficient facilities and services.

The author finds it useful to mention the efforts undertaken by the Egyptian maritime sector (MTS) as she believes the shipping lines should cooperate with the maritime sector and take advantage of its efforts. The following are some objective and actions taken by the Egyptian maritime sector that are very beneficial to the improved service and marketing activity of the shipping lines.

The MTS aims at developing the Egyptian sea ports in order to cope with the progress of the maritime transport industry and to acquire the necessary competitiveness through updating their infrastructure and facilities as well as transforming the role of the ports from being just a gateway or a passage to become one of the links of the multi-modal transport chain and a distribution center. Attempting to better serve the customer in which of course shipping lines are included, MTS is trying to raise the efficiency of the maritime transport personnel according to international standards (MTS, 2008).

MTS is also aiming at accessing and improving the information technology era in the Maritime Transport Sector which is highly influencing the shipping lines that are struggling with the computer illiteracy of the Egyptian shippers preventing them from having an efficient automated booking system. The government tries its best to encourage the participation of the private sector in the maritime transport activities including the ownership of vessels and floating units, setting up branches in Egypt etc. Thus developing the maritime transport facilities in order to cope with the world

development in the field of maritime transport industry is on the ministry's priority list (MTS, 2008). Eventually, it is hoped that all these efforts would lead to achieving the optimal level of efficiency in order to serve the national economy.

5.4 Egyptian cultural barriers

5.4.1 Customer education level

Most shipping lines are trying to introduce the automated booking system through installing their programs to the customers' computer networks allowing them to order instantly without paper work. Unfortunately the illiteracy level in Egypt is very high among even shippers preventing shipping lines to benefit from this technology.

The illiteracy rate in Egypt according to official statistics is 17 million illiterates among the general population. The prevalence of illiteracy particularly in very conservative rural and remote areas, where for example most of the agricultural exports exists, introduced the idea of mobilizing multimedia technology in an effort to produce educational content on a CD set that can be used in eradicating illiteracy (Stockholm challenge, 2008).

On the other hand, unfortunately given Egypt's high illiteracy and poverty rates, as well as the lack of necessary infrastructure to offer IT services to underdeveloped areas, which makes the Ministry of Communication and Information Technology job difficult. MCIT has responded taking initiatives and designing special programs to solve these problems and guide the country through an accelerated process of development. Nevertheless, it is not only computer illiteracy that MCIT seeks to eliminate, but illiteracy in general (MCIT, 2008). This is certainly a barrier to the efficient operation of the shipping lines.

5.4.2 Corruption and bureaucracy

Egypt suffers from corruption and bureaucracy, which hinders any business process. The bureaucracy in terms of container inspection was proven by the World Bank to be one of the highest in the world. As shown in Figure 29 Egypt follows a routine inspection for all containers entering Egypt which is very time consuming. No risk management analysis technology or any other technique is followed to make the process more efficient and less time consuming.

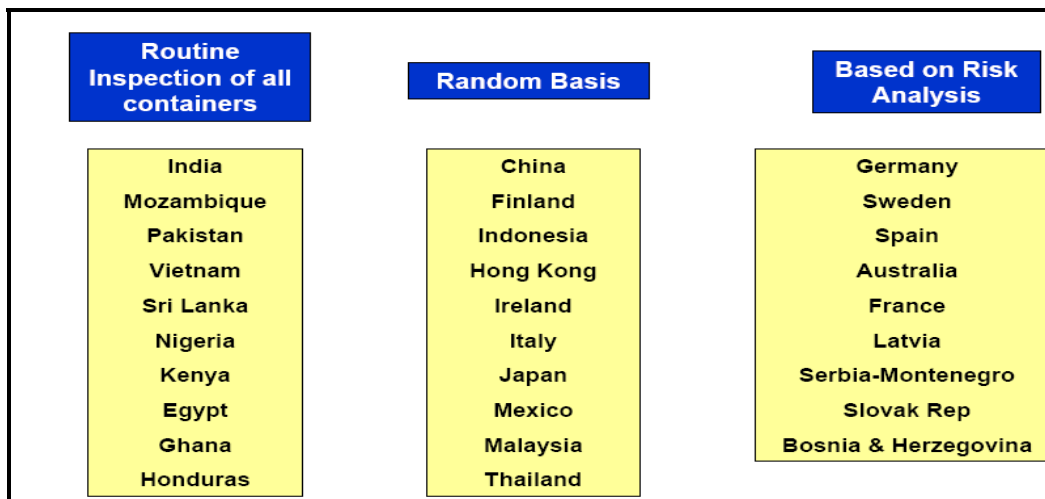


Figure 29: Criteria for selection of containers for customs inspection

Source: (Subramanian, 2005)

Transparency International (TI) is an international organization assessing and addressing corruption, including, but not limited to, political corruption issues; an annual report called Corruption Perceptions Index is based on perceptions of the degree of corruption from business people and country analysts' point of view, with 10 being highly clean and 0 being highly corrupt. In 2005 Transparency International assessed Egypt with a Corruption Perception Index score of 3.4. Egypt was ranked 70th out of the 159 countries included in the report (Wikipedia.org, 2005). This is a huge problem facing shipping lines doing business in Egypt.

5.5 Degree of marketing strategies adaptation to the Egyptian market by Maersk and CMA-CGM

As the whole study was presenting the application of the marketing concept by Maersk line and CMA-CGM, in Egypt also the marketing managers of both companies were interviewed and shared with the author the marketing tools used in the Egyptian market and how much these tools are adapted to the Egyptian market.

Just briefly the history of Maersk Line Egypt and CMA-CGM Egypt will be presented. First of all, *Maersk Egypt* was established as a branch for Maersk Line in 1998. Since then, Maersk Egypt has been growing fast hiring more than 150 employees which made it one of the leading shipping agencies in Egypt. It has offices in 5 different cities and is operating through 3 ports. As a leading and profitable provider of shipping solutions, the company facilitates a motivating work environment, in which employees continuously strive for total customer satisfaction. This is all in order to abide Maersk's global vision; becoming the customers' first choice through innovative and differentiated value added solutions (MaersklineEgypt, 2008).

As explained by Mr. M. Shihab the marketing manager of Maersk Egypt they follow the global marketing strategies of Maersk Line; they try not to adapt their strategies to any specific culture; on the contrary, they try to educate the shipping industry in the societies they operate in, always acting as a market leader. As an example for this strategy, Maersk line accepts online electronic booking through installing its software system on the shippers' networks and as explained before Egypt has a high computer illiteracy rate. Actually, the biggest export market segment in Egypt is the reefer market as Egypt exports a lot of fruits which means the shippers might be uneducated farmers who are computer illiterate and do not have any knowledge of how to book electronically (personal communication, April 2, 2008).

Nevertheless, Maersk does not surrender to this cultural barrier, instead it directs these shippers to book through Maersk logistics who do the e-booking on behalf of the shipper for a fee of 100 L.E. Maersk is acting as a market leader leading the market into a new era, however this strategy does not always work at least not in Egypt on the short run as Maersk Egypt has been losing market shares after implementing this strategy (Shihab, May 2008). The Egyptian small sized shipper found the strategy offensive and forcing him to pay extra money for a service he does not see as necessary at all. However it might prove to be very successful on the long-run and Maersk as a leader may be a cause for a market upgrade.

Also the segmentation strategy of Maersk Egypt is the same as the global segmentation strategy discussed before. Maersk Egypt mainly focuses and profits from its global customers operating in Egypt and local (Egyptian) key clients, more than small shippers; nevertheless, they see the opportunity in the reefer sector and acknowledge that it has the highest potential in Egypt. The following figure illustrates the customer shares in Maersk Egypt business model:

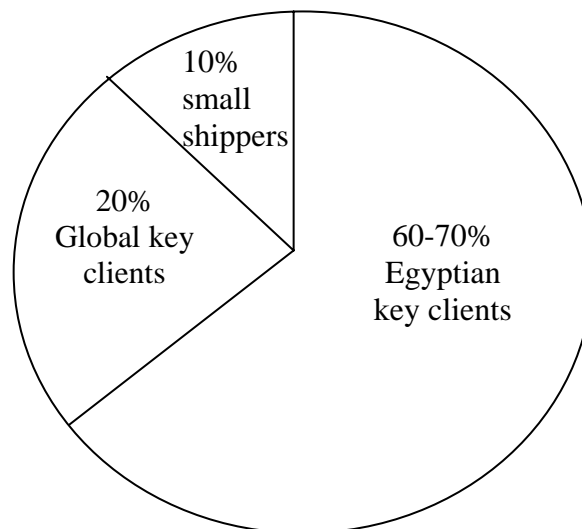


Figure 30: The customer shares in Maersk Egypt business model

Source: (M. Shihab, personal communication, June 3, 2008)

As for the positioning and differentiation strategies, the same global path and vision are followed through branding and communication. The branding is recognized all over the world through Maersk's blue star and the usage of photos all "blue-washed" to make them distinctively Maersk Line. Maersk succeeded in positioning itself as reliable, low transit time and efficient in Egypt as it aims to do worldwide. It has dedicated terminals in 3 ports in Egypt which helped influencing the customer perceptions of being a reliable low transit time carrier. Moreover, Egypt has a strong cabotage system allowing only Egyptian flag ships to sail in the Egyptian waters and Maersk is the only liner company having a ship carrying the Egyptian flag. Maersk uses this ship as a feeder carrying south Asian cargo from Port Said, which is the transshipment hub, to Alexandria port instead of using road or rail to transport the cargo from Port Said port like the other lines (M. Shihab, personal communication, June 3, 2008).

On the other hand, **CMA-CGM** started in Egypt through an agent 25 years ago. CMA-CGM EGYPT was founded in 1995. CMA-CGM Egypt is the first line in Egypt to start its own activities with 227 weekly calls in 6 continents: To and from the Far East and China, North and South Europe, Sub Continent, Arab Gulf , USA, North and South America, Red Sea, Indian Ocean, Black Sea and Australia (CMA-CGMEgypt, 2008).

Mr. T. Zaghoul CMA-CGM Egypt marketing manager, explained that unlike Maersk CMA opens up to the culture it is operating in and tries to adapt. They also have an e-booking system but never forces the shippers to use it as they still operate a parallel manual system. For segmentation they follow the broad line of the global CMA-CGM segmentation strategy but Mr. Zaghoul came up with a modified segmentation strategy for the Egyptian market. For example, he adds extra regional and competition parameters to segment the market. In other words, he tries to target areas where different competitors operate differently according to the type of competition which is a

characteristics not followed by the global CMA-CGM segmentation strategy (personal communication, June 3, 2008)

Like Maersk CMA-CGM recognizes the reefer market as the biggest export market segment in Egypt but unlike Maersk Egypt they focus their marketing efforts on small and medium sized shippers. CMA-CGM enjoys a bigger market share in Egypt than Maersk which might be because of their adaptation process that is appreciated by the Egyptian shippers. The Egyptian market is still an immature market with a high potential that attracted a lot of industries a few years ago but its main strength still remains in export of fruit and agricultural products which are exported by small and medium sized shippers. This is the segment CMA-CGM mainly targets and obviously serves well, which shows in the market share CMA enjoys. Figure 31 illustrates the customer shares in CMA-CGM Egypt business model:

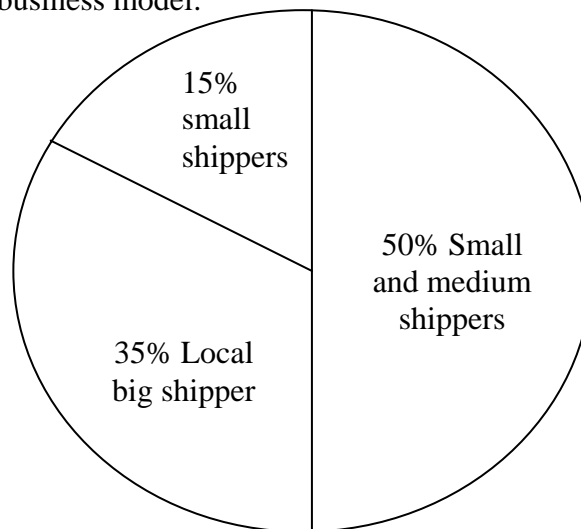


Figure 31: Customer shares in CMA-CGM Egypt business model

Source: (T. Zagholoul, personal communication, June 3, 2008)

As for the positioning and differentiation strategies, CMA-CGM Egypt succeeded in positioning themselves in the minds of the Egyptian shipper as flexible, having a high market coverage and adapting to the Egyptian culture.

5.6 Marketing communication tools used by Maersk, CMA-CGM and suggestions to facilitate the adaptation to the Egyptian shipping culture

Maersk and CMA-CGM use the same communication techniques they use globally in Egypt, namely, printed advertising, direct marketing, personal selling, Internet marketing, public relation and sales promotions.

For advertising they put their ads in handbooks, journals and websites of chambers of commerce, brochures, and they distribute flyers. In order to ensure consistency across the Maersk Central Brand identity, they have developed an online visual identity system Brand Central and non-standard request system AROS. Here their employees in the 54 Clusters and 125 countries can find all the information, brand assets and templates they need to create for their marketing material and thereby apply the brand consistently (Plambek, March 2008).

As for adapting the advertising to the Egyptian culture, it has been made possible through the usage of photos from Egypt still all "blue-washed" to make them distinctively Maersk Line. However, usually Maersk Line does not prefer to show a specific culture or country since the services they provide brings the product to or from another part of the world, which makes it less interesting to show the local high street. In other words, an international service that does not need to be localized. Instead they try to show their strength which they believe to be their size and global reach that is reflected in their choice of photos for their advertising (Plambek, March 2008).

Figure 32 shows how the culture can be incorporated into a photo; this photo is taken from Mearsk Egypt website but it is not an advertisement as it is not blue washed.



Figure 32: Customized for Egypt by Maersk

Source: (MaersklineEgypt, 2008)

CMA-CGM also tries to hold one identity through its logo but its advertisements are not as consistent as Maersk's. Figure 33 is a customized advertisement for Egypt and the Middle East shared with the author by Mr. Conte CMA-CGM global accounts manager.

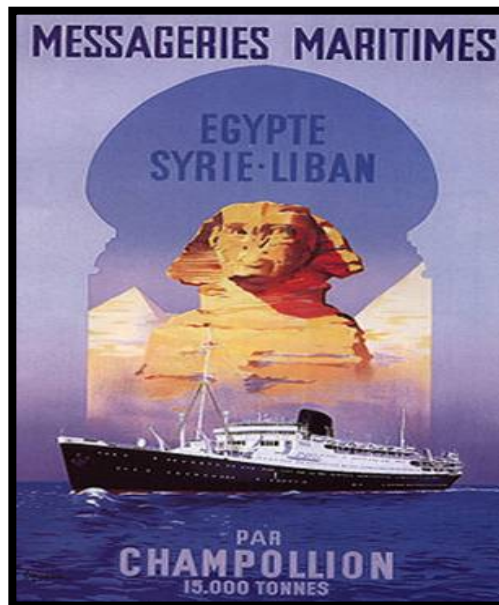


Figure 33: Customized advertisement for Egypt by CMA-CGM

Source: (T. Conte, personal communication, April 2, 2008)

There is still room for integrated communication efforts like publicity through sponsoring an illiteracy elimination campaign for shipper's employees maybe in coordination with the maritime transport sector that is willing to accept ideas from the private sector.

The Egyptian market by nature likes free gifts and rewards and once you establish a good relationship with the customer he/she can stay loyal for a long time. So why not implement the customer loyalty programs even if not through the internet. Rewards will be very much appreciated by the Egyptian shipper.

Moreover keeping customers' databases containing all information including booking patterns, would enable the marketer to send offers to the shipper in the right time, e.g. during the harvest time when the shipper needs to export his commodities. These tools will make the shipper feel that the shipping line is putting him under its attention and cares for him, which is very important in the Egyptian culture.

Personal selling is usually an expensive tool because it requires to hire a sales force, while in Egypt labour force is not costly due to the economic conditions, shipping lines should take advantage of that and use personal selling to reach the shippers. The Egyptian culture believes in personal contact and prefers it to the telephone and the electronic communication, thus personal selling is an appropriate means to reach the Egyptian shipper.

CHAPTER SIX

CONCLUSION

This research does not aim at convincing the reader that successful operations are only about applying appropriate marketing tools; nevertheless, it does say that marketing is a huge part of making liner shipping successful. No doubt liner shipping is far behind when it comes to marketing, especially when compared to other transport service industries like aviation. In order to have high service quality, shipping lines have to research to understand what the shippers need, want and expect, which is a marketing practice. Of course efficient operations have to be carried out, but marketing is the department that directs the corporation towards the right customer with the right tools. That is why the marketing departments are put at the corporate level in the organizational structure.

The European shippers' council "ESC" believes the immaturity of liner shipping and its lateness in executing effective marketing activities are due to the Conference system that enabled the shipping lines to set a collective price and offer the same service. Therefore, they did not need to make any effort to differentiate themselves or to better satisfy the customers as the customer did not have a choice. The ESC remains convinced that the solution rests with a greater focus on service quality. Some shippers would actually be willing to pay more for improved quality in the services they received. They would do this because improved service can result in reduced costs elsewhere in the supply chain, savings far more than any justifiable increase in the ocean shipping freight rate. Therefore, improved service quality would be achieved through knowing the customers and understanding what they want and expect (N. Van der Jagt, personal communication, August 1, 2008).

An illustration of not taking customer wants into consideration was the decision to invest in bigger ships. The decisions taken by the shipping lines did not include a consideration of the need to improve the service quality to a level that would enable them to justifiably raise the freight rates. As it stands, therefore Lines focusing on rates and reducing their costs with bigger ships, for example, and yet service quality is reportedly falling in many areas (N. Van der Jagt, personal communication, August 1, 2008).

In order to overcome this problem and to understand the needs and wants of the customer, shipping lines have to first to divide the market into customer groups to decide which customers' segment needs it can and want to satisfy according to the company's objectives, the size of the segment and the structural attractiveness of the segment. Once the decision is made on which segment the shipping line finds appropriate to serve, it has to choose a strategy to cover and communicate with the target segment. The customers need a clear message from the shipping line communicating its core competencies. The line should position itself in a favourable image in the mind of the customer differentiating itself from competition based on reliability, efficiency, door to door services, crisis management or any favourable trait the customer wants to communicate.

To deliver a good consistent message, integrated marketing communication should be used, which means integrating all communication channels and activities rather than as individual activities to have maximum exposure and best results. Marketing communications should be based on market research, focused at target markets, and be consistent in their message (Cahoon, 2004). These communication tools or the promotional mix include, advertising, sales promotion, direct marketing, personal selling, Internet marketing, publicity and Relationship Management CRM, which can be considered a type of personal selling,

Further, there is value in determining whether causal relationships exist between marketing communications and the line's overall performance, which means better customer satisfaction, increased profits or a better perceived image. (Cahoon, 2004)

An important differentiation tool is Relationship Marketing, which aims at engaging the customer interactively in the process of creating value, which is eventually for the benefit of the shipping line and customer. It seeks creating long term relationships with the customers as retaining loyal customers are much more profitable than attracting new ones. In order to gain and retain long-term customer relationships, the shipping line should understand customer expectations, know the customers, assess services process, and reach a service quality level matching or exceeding the customer expectations.

Retaining customers and keeping them loyal makes them profitable for the business. Loyalty programs, which are a recent tool of Customer Relationship Management, are very appealing to customers. It is program that rewards customers for using the company's services; the more the customers book, the more rewards they earn. Shipping lines should start this program as the aviation experience proved it increases profits.

Another revolutionary interactive marketing tool is Internet marketing. The Internet is superior to any other medium when it comes to data collection and providing information on customer activity. Every time visitors access the website they leave an information trail that explains how they got to the site, which pattern did they follow while navigating through the site, what they clicked on, and a lot of information. Knowing customers' behaviors, attitudes and preferences enables the company to know about them and understand their needs and wants, which if executed properly, should eventually lead to a customer long-lasting loyalty (Christ, 2007). Online booking that the Internet enables was impossible in liner shipping until Maersk line introduced Youship

where shippers can order online but with some conditions and limitations such as certain destinations only, upfront payment and the use of seaway bills.

During the whole research application, practices by Maersk and CMA-CGM were shown. As number 1 and number 3 in the liner shipping industry Maersk and CMA-CGM are moving towards better applications of the marketing concept and becoming more customers focused. Yet suggestions were made to introduce loyalty programs and personalized online shippers' accounts. The author believes that a big part of Maersk's and CMA's success is owed to marketing.

From a shippers' perspective Maersk represent a leader in the liner shipping sector and their apparent focus on operational efficiency and service performance, seems to set them apart from competition (N. Van der Jagt, personal communication, August 1, 2008). When it comes to the case of Egypt, Maersk Line is not the best shipping line dealing with the culture at least on the short run. CMA-CGM has adapted to the culture it is operating in and tries to satisfy the shippers where Maersk tries to make the shippers do business its way. Which strategy is better? This question cannot be answered as different corporations have different strategies and ways of doing business and only time can show which works better where as also the strategy that works with a certain country or segment does not work with the other. That is what marketing is all about.

Finally, all departments and activities have to work together to reach the company's success, as there is no use of finding out about the customers' needs and wants when there is nothing going to be done about it. Marketing will not transform a shipping line unless there is devotion from every part of the company to transform and become a customer focused business.

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