

British Journal of Economics, Management & Trade
4(7): 1128-1142, 2014

SCIENCEDOMAIN international
www.sciencedomain.org



The Shipping Marketing Strategies within the Framework of Complexity Theory

Alexandros M. Goulielmos¹ and Evi Plomaritou^{2*}

¹University of Piraeus, Department of Maritime Studies, 80 Karaoli and Dimitriou, 18535 Piraeus, Greece.

²Lecturer of Frederick University, Department of Maritime Studies 18, Mariou Agathagelou Str., Agios Georgios, Limassol 3080, Cyprus.

Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

Review Article

Received 28th January 2014
Accepted 13th March 2014
Published 25th March 2014

ABSTRACT

This paper examined the shipping marketing strategies within the framework of complexity theory. Then using prevailing models in both services marketing and complexity theory, core elements like dynamic life cycle of products and industries, strategy, leadership, team-work as well as safety and security culture are presented. Shipping industry is in this paper contrasted and compared with other service industries for peculiarities that exist and make this industry unique for business-to-business marketing. Analysis is based on case studies of leading shipping companies of bulk and liner markets.

Keywords: Shipping marketing; chartering; leadership; shipping marketing mix; complexity theory; shipping marketing strategy; differentiation strategies; positioning strategies.

1. INTRODUCTION

As it is well known, Marketing delayed [1] to be applied to service industries compared with that of products. Additionally, Marketing much delayed to be applied to Sea Transport Industry. This happened par excellence and especially to the Ocean going ship-owning companies -with the exception of Cruising where hotel marketing has indeed been earlier -in

*Corresponding author: Email: mail@eviplomaritou.com;

1972- applied to the ships i.e. the sea traveling hotels. The present research [2] revealed-for the first time we believe-that the implementation of marketing into shipping industry was not as extensive as in other service-industries like e.g. air transport (appeared in 1971). Panayides tried to apply marketing to ship management companies (companies which manage third party vessels) using the approach of relationship marketing [3], concluding that the adoption of contemporary principles of marketing will assist companies in the achievement of their key objectives and that marketing is essential in professional ship management as mostly deals with clients. Frameworks, concepts and strategies indeed have been developed to address the fact that services marketing is different vis-a-vis packaged goods and manufacturing [4]. However as presented by Kasper [5] from the 25 studies appeared between 1992 and 2001, only three focused explicitly on market orientation and services. Conclusively, Services Marketing is still under the process of a continuous evolution and change. Marketing early in the decade 1980-90 followed a prominent research on service quality [5], but the emphasis has by now shifted to the process of creating value for the customer. In this paper, the current shipping industry situation is investigated and the application of the long celebrated Marketing-mix to Shipping Industry is analyzed. This will be connected with sustainable leadership as it stands in the Marketing Science, but also and especially as leadership is understood by Complexity theory. This paper is designed to deal with 3 subjects in both the sciences of Marketing and Complexity theory: (1) Strategy, (2) Leadership and (3) Marketing-Mix. For working purposes the sustainable marketing leadership is defined as the process of influencing a group/company towards the achievement of marketing goals in a permanent / sustained way.

2. ANALYSIS

2.1 Marketing Models in Services

First, Kotler [1], with bank services in his paradigm, was not able to grasp shipping industry's peculiarity. In shipping, the customer does not see either the physical environment or the contact personnel, before hiring the service, as the hiring is done via brokers from both sides who act as salesmen. Secondly, Zeithaml and Bitner [4] drew attention to experience and even credence qualities. Ships are indeed experience goods and provide credence qualities especially safety [6]. According to Kotler [1] the services marketing strategy means: (1) external marketing, (b) internal marketing needed for employees' motivation and (c) interactive marketing. This is the known 'Services triangle'-a strategic framework-attributed to Gronroos [7], in effect emphasizing that (external) marketing is about making promises, (internal) marketing is about enabling promises and (interactive) marketing is about keeping promises (reliability). The above although a rather naïve construction is useful to see that the providers of service are firm's employees, subcontractors, outsourced entities, agents, or what stands for 'People' in the marketing-mix. Good, but obvious, is also the emphasis given by internal marketing to recruiting, training, motivating, rewarding and providing equipment and technology. Real-time marketing is the time of truth. Promises are kept or not. The defect of this analysis is the absence of any safety and security concern [8] of paramount importance for shipping and ports. Third, Zeithaml and Bitner [4] argued that services should be viewed in a structured and integrated way. The four gaps are: (1) know what the customers expect, (2) select the right service designs and standards, (3) deliver to service standards and (4) match performance to promises. But, these four gaps include many key factors (Table 1).

Table 1. The integrated gaps model of service quality

Gap 1: 1. Inadequate marketing research orientation.	2. Lack of upward communication.	3. Insufficient relationship focus.	4. Inadequate service Recovery.
Gap 2: 5. Poor service design.	6. Absence of customer-defined standards.	7. Inappropriate physical evidence and servicescape.	
Gap 3: 8. Deficiencies in human resource policies.	9. Failure to match supply and demand.	10. Customer not fulfilling roles.	11. Problems with service intermediaries.
Gap 4: 12. Lack of integrated services marketing communications.	13. Ineffective management of customer expectations.	14. Overpromising.	15. Inadequate horizontal communications.

Source: Zeithaml and Bitner (2003: 531). Kotler (1994) mentioned 5 gaps, while above have been reduced to four

The authors of the above theory talk about effective services marketing and a framework for understanding and improving service delivery and a way of positioning the key concepts, strategies and decisions in services marketing. Thus starting with the customer and closing the gap between customer's expectations and perceptions. Indeed, some of the above factors apply to shipping but only as an aide de memoir, but safety and security are nowhere mentioned. In addition, lack of team work must be accepted as a fact in Greek shipping rather than something to be eliminated. Supply and demand in shipping cannot be matched by the actions of the individual firm; education of customers is not possible. This model is indeed an aide de memoir, and it is not a model of success. The analysis provided by marketing is most of a consulting philosophy and planning and success is not in any way guaranteed, and thus is not yet persuasive for a shipping firm, a par excellence profit seeking/making enterprise. Success in business according to Berry [9] is rather attributed to 8 drivers: exceptional excellence, control of destiny, trust-based relationships, generosity, investment in employee success, acting small, brand cultivation and strategic focus. This is the way of building a lasting (sustainable success) service businesses. These may lead to customer satisfaction, innovation and growth. This is clearly a panacea model indeed.

3. STRATEGY

3.1 Marketing Strategy

As argued, a marketing strategy alone is not enough if it is not transformed into marketing programs, as this is a practical science. Therefore, basic decisions must be made on three essential pillars shown in Diagram 1.

Marketing-mix is characterized as one of the key concepts in modern marketing theory. There is also an optimality condition-not specified though-in the mix as far as the 4 etc P's are concerned [4]. Marketing mix is characterized as a powerful concept. Kotler [1] has established that the marketing strategies can be considered as the means of a company to achieve its marketing objectives related to marketing-mix. Three strategies are suggested by

Kotler [1] based on Porter [10]: overall cost leadership, differentiation and focus. Tramp Shipping companies indeed pursue overall cost leadership as they are compelled to do so where price is an out of control variable. This however does not bring in more customers, but only provides survival. In differentiation, indeed safety and security leadership is pursued by tramp shipping companies, too. According however to Zeithaml and Bitner [4] based on analysis of some 60 studies on service success the most dominant and reliable predictors of success relate to strategy characteristics i.e. dedicated human resources to support, and dedicated R and D on, the so called initiative. Moreover, [11] market orientation has been defined as a strategy used to reach a sustainable competitive advantage.

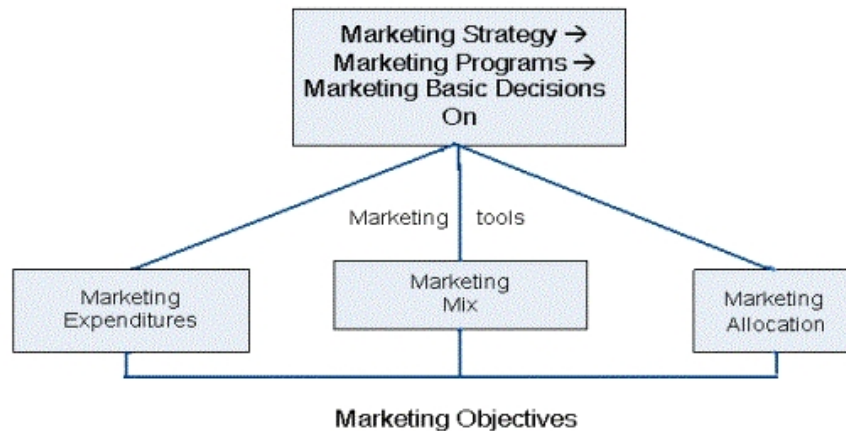


Diagram 1. The role of marketing-mix in marketing strategy

Source: Inspired by Kotler (1994:98-99)

3.2 Strategy in Complexity Theory

In marketing science, emphasis is given to planning, without strategic thinking though to precede. Marketing planning is only a practice and should be concerned with ensuring that action is consistent with the original intention; is a design methodology as well as a practice, which should create a structure for fulfilling ideas being perfectly in line with the principles of the original intention. Strategic thinking on the other hand attempts to understand the nature of things and to create the opportunity to respond to current circumstances and actions in such a way that the future created far exceeds any other future. Strategic thinking is imperative in providing first a theory capable of approaching today's world [12] and then to be seen as workable by: testing, providing the right questions and leading to a new theory through information, if it is necessary to replace the old. Theory coexists with strategy and strategic thinking, and planning can only then begin. The usual mistake in marketing is in using exhortation in place of strategic thinking. Marketers must realize that strategy is a process of profound original thinking about the company and its relationship with its environment and is only this company, which will be gaining an enormous marketplace advantage. Successful strategy is what generates the future as much as it predicts it. "Only a very small % of companies have a strategy that is understood and respected by employees or the public". Most companies are faulted for lack of originality, lack of clarity, or lack of understanding both of business and of marketplace; lack of match between action and resource allocation with regard to what is said to be the strategy. A strategy has to get operationalized into practices and adopt processes based on: Quality (safety and security for shipping) past experience +quality (safety and security for shipping) client (charterer)

experience +quality (safety and security for shipping) business practices = future. As strategy should provide information, important is to recognize the 'distributed processing' philosophy. Firms must be aware that economic profitability is a function of time and of competitive advantage, but competitive advantage suffers from life cycle phenomenon, too and must be reinforced by another and so on and so forth. In all marketing sources, it has been encountered in place of strategy, a long list of plans and intentions, all producing complicated expressions resulting in chaos instead of in self-organization of complexity.

4. LEADERSHIP

4.1 Leadership in Marketing Science

Kotler, [1] argued that leadership deals with facing out change. Alternatively, Kasper [5] mentions as better the female way of leadership, i.e. social interaction, interest in employees and care about people. Leadership in organizations is defined as that it makes things happen. MacKenzie et al. [13] applied the traditional definition of leadership to sales-people and argued about the obvious which is that a leader must inspire sales forces to outperform. Complexity theory as presented below is more sustained than this simple rule. Moreover, Harris and Ogbonna [14] stepped over the traditional path of leadership by referring to participative (appeared in 1973, with changes in 1988 and 2000), supportive (appeared in 1971, based on motivation) and instrumental types. They found that only the first two types are positively associated with overall market orientation (=customer, competitor and interfunctional coordination). These authors have not applied the achievement-oriented leader which is the fourth leadership behavior [15]. Thus marketing falls behind advances in Management science. Berry [9] moreover argued in favor of values-driven leadership. It infuses its values into the fabric of the firm leading with a set of core values; what the firm represents and aspires to be. These values should tap into employees' own core values and guide individual decision making and inspire personal achievement; leaders mobilize emotional and spiritual resources; people at work often have more of themselves to give and they must have a cause not just a job. Leaders articulate company's reason for being (the dream); convey company's fundamental aspiration and why they are important, but also the meaning of the success (speaking and acting). Business effectively requires the sustaining power of values-driven leadership; keeping performers performing at a high level in a continuous fashion. Shipping indeed although is not a labour intensive industry, personnel on board and especially Captain is of paramount importance. As also argued by Kotler [1] many industries contain one firm that is the acknowledged market leader. Moreover, the firm that has the largest market share is leader also in: 1. Price changes, 2. New product introduction, 3. Distribution coverage and 4. Promotional intensity.

4.2 Leadership in Complexity Theory

In complexity theory [16] leadership is too needed but: (a) helping developing the clear identity of the company, (b) supporting people as they learn how to live by their values and (c) understanding that people is best controlled by concepts that invite participation. Leadership is the one that shows by going first and having the courage of his convictions; one that has theories that determine and guide his actions. There are two reasons for failure in any effort towards any organizational transformation that may be needed to sustain success in the market place: The lack of a theory and of leadership.

Sustained leadership in market success is conceived for companies that fit with their environment, compete within a context of cooperation and create systems that become increasingly complex as evolution requires, while remaining extremely flexible. The influence will be done in shipping via cost minimization, and newbuildings, but these are the required abilities to be acquired in a mastery way for dominance in the marketing game, and for survival or else for death. The exceptional leader must have exceptional thinking, exceptional increase in information and exceptional creativity. The organization of the company must be able to organize the indicated requirements. The way to build a future success is presented in Diagram 2.

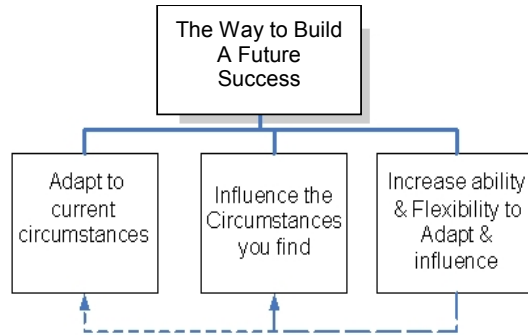


Diagram 2. The way to build a future success

5. SHIPPING MARKETING MIX

Shipping industry is here defined as the industry serving sea transportation needs for cargoes: (a) with no pre-advertised itineraries (tramp shipping), but also (b) for cargoes with predetermined and regular round the world services to shippers (liner shipping). Marketing objectives are related to marketing-mix. Marketing mix is not a static, but a dynamic tool, as it implies an optimal combination of the P's for a given market segment over time [17]. In addition Time and Place-apart from making the mix dynamic- are equally important in shipping. This means that at another point of time, a different mix has to be applied. But is it possible to make marketing tools dynamic? Yes. Diagram 3 depicts the life cycle of a product becoming dynamic. It should be mentioned that, there is nonlinearity at the strategic marketing level [18].

As shown in the above 'full Descartes quadratic' diagram-using rates of change than absolute amounts of profits and sales-at the introduction of the product both sales and profit rise, and as the product is more accepted into the market, the sales and profits improve (growth area). Decreases in rate of growth in profits (but not sales) lead to shakeout. The maturity comes when the trajectory enters into the 4th quadrant on the phase plane as both sales rate of rise and growth of profits decline, while sales may continue to rise. The decline stage comes when the trajectory gets into quadrant 3 where both sales and profits decline. The factors that have caused the above clock-wise pattern are: (a) the production capacity, (b) the size of the initial promotional budget, (c) the acceptance rate of customers, (d) the reaction of the competitors, (e) the available substitutes and (f) the efficiency of the product's distribution channels. Many of the above obviously belong to Marketing mix. Marketing professionals know e.g. that prolongation of the maturity stage may be followed by, for example, multiple products' uses or making it ecologically safe or even by other methods thus extending the life of the product /service. In addition, the marketing-mix must be

distinguished between short and long run. Advertising, price and sales force e.g. can be modified in the short run in all industries (assuming short run of a time length over 2-3 months for shipping). In shipping, freight rate/price cannot be modified either in the long run or the short run at the whim of the firm and in the case of liners prices were only steadily increasing in the past. Advertising in liners can be increased in the short run, but the number of agents is much more difficult to be increased in the short run. There is also a complexity element that the 4 (or 8) P's are interrelated and depend one on each other to a certain extent. Kotler [1] argued that the marketing mix is in effect a sum of marketing tools used by the enterprise in order to achieve its objectives in the target-market. For tramp shipping however the P- price-is not a controllable decision variable and this must be noted. Services however needed an extended/ expanded marketing-mix including to the four, three more P's: people, physical evidence and processes. The expansion has taken place in 1981 and included: People, Physical Evidence and Process.

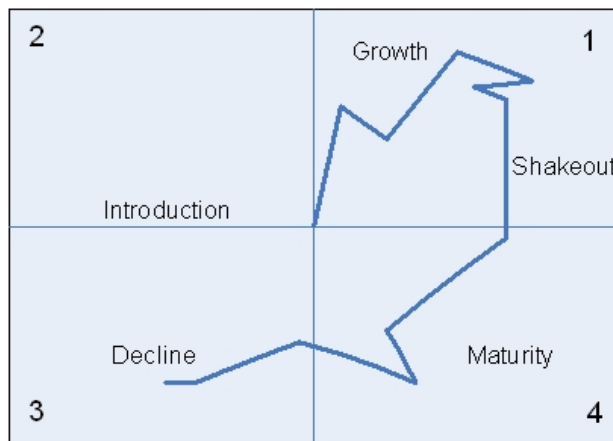


Diagram 3. History of a simulated product in a dynamic life cycle

Source: Modified from Priesmeyer (1992:92)

In shipping marketing-mix it should be taken into consideration the time as a factor making it dynamic. In shipping marketing the customer is the owner of the goods transported. A shipping company is a profit-maximizing company, especially through the effective reduction of costs, in selling services at a more or less given price (price taker). But, satisfying user's needs presupposes not only correct diagnosis of charterer's/shipper's transport needs, but also the appropriate organization, planning and control of the means of those providing the transport means [19]. Shipping in particular is very sensitive in control, communication and co-ordination from distance as the factory/vessel is far away. The ship "is" the company. A shipping company is a multi-company/multi-factory corporation in case there is more than one ship. Obviously, the shipping company has to find out charterer's needs, to adapt chartering and operations policies as well as safety/security requirements to satisfy such needs. This with a view to offer the required transport services as demanded by the user at a profit, whenever possible, given the shipping and business cycles. The transport price i.e. freight, is something negotiable, but within the framework of total supply and demand in case of tramp shipping. Eventually shipping companies realized that they must communicate effectively with their customers in their endeavor to build out a long-lasting commercial operation of its vessels. Given however that the ship is built by the first-owner with a trade in mind and a customer in focus, the second-owner has certain marketing restrictions to face, given that the ship is

called to serve other trades/ customers than those to which has been originally designed. Thus, all shipping enterprises seem to have fixed capabilities as far as the means, the resources and the management abilities of their ships, are concerned. This leads to the lack of perfect adaptability of a ship to the customer's needs, with the exception of ships built under contracts of affreightment. This fact introduces a case of limited ability for the ship to be able to exploit all challenges of the shipping market with equal effectiveness and here marketing may be considered helpful. Tramp Shipping services unlike liners at the end are broadly considered homogeneous.

There is no doubt however, that the matching of the capabilities of the shipping enterprises with the needs and the desires of the charterer is fundamental for the sustained provision of the required transport services. Moreover, this is essential for the satisfaction and 'loyalty' of the user and as a result a prerequisite for the commercial success of the shipping enterprise [20]. Thus, a shipping company must organize its resources in such a way that the stages of the marketing process can be applied and by this way, a long-lasting and profitable operation of its ships can be achieved. The application of a marketing system requires a selection of the appropriate marketing policy and an undertaking of specific activities, with continuity and periodicity. The most appropriate marketing policy for a shipping enterprise is the target marketing, which assists shipping enterprise to concentrate its efforts to the most promising opportunities [21].

Primary information was collected through a quantitative research undertaken to the leading tanker and liner shipping companies in the world. In accordance with the above-mentioned research the shipping marketing-mix consists of the following 8 P's [22]:

- (1) The Product-Service is the basic element of the mix. The firms when introduce new services in the international market they face many challenges as consumers are not very aware of the quality of new services or they have little knowledge about the firm (reputation and image in the market [23]. This is offered to the market and its safety/security is in the focus of many organizations for the last seven years. The liner services have the peculiarity to be involved with too small cargoes for filling-up the entire capacity of the ship and they must be grouped out/containerized with other cargoes. The liner ship operates in regular pre-advertised services between certain known ports carrying cargo at fixed prices for each commodity, where discounts can be offered only to regular customers. The transport of a multitude of small goods on a regular service obviously faces the liner operator with a more complex and extensive administrative task than the one facing the bulk/tramp shipowner. Indeed, the bulk shipping branch of industry provides different services than the liner shipping branch using shiploads instead of small cargoes in containers. Here several and different bulk cargoes may be carried by a single ship, where a load may occupy a separate hold or a part of a hold. This is the traditional tramp practice without regular services and predetermined routes. The safety of shipping services as mentioned already is since 1998 legislated in ISM Code and is compulsory and demands conformity with this international safety standard that seeks to protect sea environment as well. Security of ports and ships is again a compulsory service feature legislated in 2004. Shipping companies will probably sell these features using marketing techniques. This first P- the service- is not a single variable but includes many other features like safety and security. In effect, in shipping services the design of the vessel is not a direct marketing feature unlike speed (which in turn may depend on design). Packaging is too irrelevant, while the brand name may be related to what we call as the identity of 'good operator' and refers to the ship-owner. The sizes of the vessels however are

essential marketing tools as this feature determines along with place (ports) and time the suitability of the vessel to attract the customer from other competitors the ships of which may be found in the same port or near-by. Time is a unique feature in shipping that may be not found in the variable 'Place' as defined by marketing science. The job in shipping is secured by those ships that are found in the right place at the right time and have the right type and size.

- (2) The Price-Freight: in all sectors of the tramp shipping market the agreement between the parties involved (normally represented by their brokers)-within the supply and demand framework-is carried out by negotiations given the specific requirements of the particular transportation from port to port. The characteristics of this market are the frequent and unpredictable marked fluctuations of the price of transport determined by changes that occur in supply and demand. As far as the liner market is concerned, the freight rate remains for a long time steady and is determined by the transport companies although elements of competition is introduced in later years in another times cartel (shipping conference).
- (3) The Process: the process that we may identify here in shipping marketing mix is that of the stage of negotiations on the one hand and the execution of the agreement (charter party) on the other. This process can be described as follows: first a cargo is sold by the producer to the merchant/importer for further sale etc., secondly the charterer's broker seeks the appropriate vessel to transport this cargo, the owner's broker thirdly negotiates the terms and conditions of the transport contract providing the suitable ship for the situation. This whole process leads to the signature of the final charter party. So, in this situation the Marketing of the cargo holder acts first for the sale of a produce to an overseas merchant. This agreement-charter party- is then passed from the Sales department (Chartering) to Production Department (Operations) to be executed to the full satisfaction of the shipper and under the protection of the environment. This stage contains distribution and production in one.
- (4) The People: people is of course one of the basic live means to provide the transport services to the charterer and the human element is very crucial for shipping especially on the ship. The manager of the ship/ the Captain acts in great distances from the shipowner/ shipmanager. And one may note the high capital/labour ratio (in an ecological new tanker the ratio is 2 m \$ per head) in shipping. People/operators also supervise the crew from the office and a person is now established in the shore office called 'designated person ashore' accountable for the safety of the ship and the cargo. The crew also makes the public relations with the representatives of the customer (charterer) and especially in time charters (longer in time) where the role of the charterer is more active in production. The office and the ship's crew have to be capable and effective in providing worthy work and in possessing psychological maturity for the smooth operation of the vessel and the more effective service. The ship-owning nowadays is an ever more regulated profession as it has to obey to the relevant codes and regulations, standards and instructions published by IMO (International maritime organization of UN), the state authorities of the flag/registration and the classification society and the Port state controls. Thus safety/security is imposed from outside aiming at achieving safety and security and environmental protection and is not paid by the customer/user, unlike of what happens in other industries. Imposed is also the continuous professional training of the seamen, who have to obtain the skills required, evidenced by relevant official certificates.
- (5) The Place (the Ports and Geographical Area): the ship goes to the place where the cargo is provided by the shipper i.e. in the port of loading and she has to carry by sea

to where is required by the shipper i.e. in some other port. This in effect is the distribution function, which coincides with production function or stage.

- (6) The Promotion: here this item of the shipping marketing mix means the actions that a shipping company undertakes to inform users about the features of its fleet and other basic information concerning the main characteristics of vessels and their potential port/place/time (ETA), where can be found when needed. This is of course an effort towards the charter or hire of the vessel through information as this is the practice e.g. in the newspapers for advertised goods offered in special discounted prices-when and where. Ships are information goods. The non-determination of the sea transport services renders the immediate distribution impossible. In shipping there is nothing tangible to distribute but only to transport and as mentioned distribution and production takes place in a simultaneous way. The cargo is safely distributed/ transported to the port specified by the seller. Thus, and especially in liner shipping, the promotion is considered as an effort to show the attributes of the specific offered service by the company. The possible benefits or merits of the ship are tangible to the user as far as capacity/size, speed, port, class, safety and dates are concerned. These attributes and others will convince the user/its broker to commence the negotiations with the shipping company and specify the detailed contract of carriage providing eventual a firm offer or official proposal to the owner of the ship. To inform the shipbrokers of the merits of the ship one may resort to forms of advertising to the specialized press and participate to exhibitions, like e.g. Possidonia, as well as to use the normal communication means and circulars. Advertising is a mean of providing the charterers the required information to decide whether a chartering agreement is worthwhile pursued. Advertising can make the ship and her features (age, maintenance class, speed, equipment and people) known to the potential user. The shipping enterprises possessing service quality must have a motive to reveal their quality through advertising and place their competitors in a disadvantageous position if the latter offer an inferior service quality. A specialized mean of informing the possible user is the so called 'position list' which provides up to date information of the expected time of arrival of all company's ships by connecting ships to ports once a week. In liner market, advertising can be considered as one of the main factors dealing with non-price competition. Moreover, maritime transport services are considered as 'experience goods' [6], which in effect means that ship services are known to the user as they are used and this experience is the best to know of what is offered and whether a new hire or prolongation of hire will be further pursued or not. Although this is a costly way to find out the level of services rendered, this is the only method to know the ship services from first hand. The satisfaction of the charterer from ships' good performance will lead to repetition of charter.
- (7) The Physical Evidence: this consists of the ship, where the service is provided and can be called the physical environment. This environment is mainly fixed by ship's name, year of built, flag, cargo capacity, speed, draught, width and length, cargo handling equipment, number and type of holds, and fuel consumption. When the charter party is about to be negotiated, the user has to be sure about her suitability, which means the seaworthiness of the ship to carry out the transportation work. The ship has to be also suitable to carry the specific cargo or being cargoworthy, a term that covers all parts of the vessel and the engine, the supplies and spare parts. In effect the ship owner is obliged to provide a ship built, equipped, supplied and manned so as to carry the cargo in her holds safely to its destination and to be able to face and overcome the ordinary perils of the sea.

- (8) The Paperless Trade, may be considered as the eighth P in the marketing-mix, that may reduce time spent for formalities and make the travel faster and thus more productive as more cargo can be transported in the unit of time. This benefits both the user and the provider of the service. Certain aspects are within the control of the industry like electronic mail and Internet while others like EDI is partly in the control of ports. The global information is required at 24 hours especially for shipping which is subject to economic, political, social and other worldwide developments. Shipping moreover is involved in voluminous and time consuming exchange of documents so that it became necessary for the industry to use modern electronic communication means by which time, cost and effort is reduced and perhaps quality of service offered is improved. Electronic trade [24] is a sum of business strategies that can support specific sectors of business activity and practices, which allow, through the use of new technologies, to accomplish commercial processes via electronic means. This trade is applicable to a broad field of shipping activities, apart from trade created over the seas, like the electronic negotiation for chartering a ship, the electronic production of shipping documents including the bill of lading, the follow-up of ship's movements, the communication of the ship with the office, the charterer, the flow of relevant information, advertising of services, support of charterer and payments. The advantages of the paperless trade for shipping enterprises functional and strategic. The shipping company using EDI provides improved services to its customers/users, maintains better business relations with them and gains a competitive advantage.

Diagram 4 presents the 8 P's of Shipping Marketing Mix.

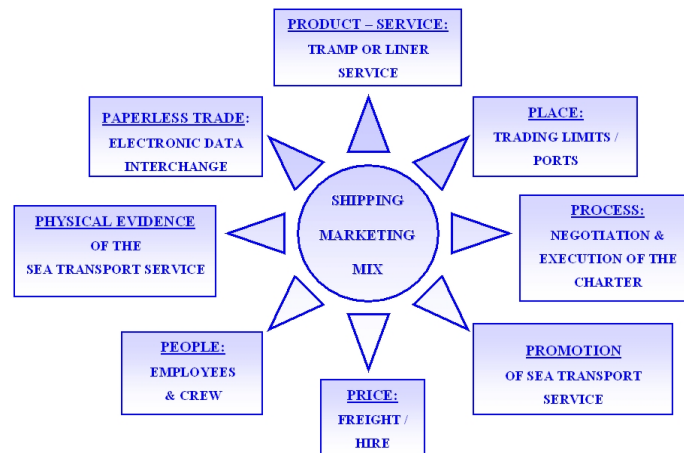


Diagram 4. The tools (8P's) of shipping marketing mix

Source: Plomaritou 2008b:59-71

6. SHIPPING MARKETING STRATEGIES: DIFFERENTIATION AND POSITIONING STRATEGIES

During the planning of marketing strategies, special emphasis must be given to decisions that concern company's differentiation and positioning for gaining competitive advantage. Once the target market is selected, successful shipping firms establish a differentiation strategy, which sets them apart from competitors in charterers' eyes. Success through differentiation demands skills that completely diverse from those needed for cost leadership.

The differentiator wins by offering a transportation service that is unique or superior to competitors. Shipping companies aim to achieve superior performance of a sea transport service, adding value to their offering. One way in which firms seek to gain advantage over their competitors is by providing greater quality service relative to freight than their competitors. Added value can also be achieved by offering completely new services which are not yet available from competitors, by modifying existing services or by making them more easily available to customers in order to gain a competitive advantage.

The shipping enterprise can differentiate its offer from that of its competitors through the following differentiation approaches [25]:

- **Qualitative Differentiation:** According to charterers and shippers, the quality of services offered includes mainly the reliability, frequency, flexibility and immediacy of service, as well as the safe carriage of goods by sea. A shipping enterprise can achieve a qualitative differentiation with the offer of special services to its client – charterer or shipper - in comparison to the package of benefits that its competitors offer. However this is more important in the liner market than in the bulk market. Thus, as an example, APL achieves a qualitative differentiation by applying an advanced electronic data interchange system (EDI) between the company and the shippers. The system provides the shippers with quick and sound information, while saving effort.
- **Geographical Differentiation:** The enterprise may achieve geographical differentiation with its ability to manage routes, which serve the needs of seaborne trade worldwide. This is a strategy followed by the leading companies of the liner market. An example of geographical differentiation is the case of A.P. Moller – Maersk Group, which possesses and operates the most modern fleet of containerhips, managing the largest route network and serving the needs of trade worldwide.
- **Personnel and Crew Differentiation:** In this case the enterprise sets themselves apart by employing the appropriately trained personnel and crew at company's offices and vessels. For example, Clipper Group achieves this by providing crew with continuous development at its training and simulation centres.
- **Image Differentiation:** This is achieved by maintaining the best image of the enterprise to the bankers, insurers, suppliers, agents, charterers or even investors. Tanker Pacific Management, for example, has built a very good image in the tanker market and has the reputation of a reliable and responsible company.

The more effective an enterprise is in differentiating its transportation services from competitors, the greater is its power. The quality, personnel, crew, image and geographical differentiation aim to reduce the competition on freight rates (price differentiation does not apply largely in shipping companies). A shipping company can realistically aim to be leader in one of the above mentioned areas, but not in all at the same time. It therefore develops those strengths, which will give it a differential performance advantage in one of these benefit areas. A characteristic of the differentiation strategy of a shipping company is that a sea transport service cannot be easily copied due to the high capital cost of vessels. So, a shipping company seeking to differentiate by innovation should not find its innovatory service copied quickly by competitors.

Furthermore, positioning strategy refers to the final selection and choice of target market segment, which describes the clients (charterers / shippers) the business will seek to serve,

as well as the choice of differential advantage, which defines how the company will compete with rivals in the segment. In this way, the target market designates what the company is in relation to its competitors.

The appropriateness and effectiveness of the positioning strategy is the major determinant of business growth and profit performance. The positioning process of a shipping company includes the following stages [26]:

- Firstly, the shipping company must localize the possible differences in its sea transport services compared to other competitive enterprises.
- Secondly, the shipping company must apply selection criteria in order to spot the most important differences leading to a comparative advantage over its competitors. Many businesspeople prefer the promotion of only one competitive advantage – and no more - in the target market.
- Finally, the shipping company must show that within its target market it differs from its competitors.

7. CONCLUSION

This paper attempted a specification of the shipping marketing-mix introducing time. The marketing mix of a shipping enterprise activating in tramp or liner market are constituted of the: Product (Tramp or Liner Service), Price (Freight or Hire), Process (Negotiations' Procedure and Execution of the Charter), People (Office Personnel and Ship's Crew), Place (Ports and Geographical Area of Ship's Employment), Promotion (advertising programs), and Physical Evidence (Ship's Characteristics and Seaworthiness of the Vessel). The paper also presents the new tool of the shipping marketing mix, which is the "paperless trade". Then using prevailing models in both services marketing and complexity theory, we present core elements like dynamic life cycle of products and industries, strategy, leadership, team - work and safety and security culture. This last element will be the one to occupy management and marketing science for the time to come as argued. This paper shows that adaptability, flexibility and complexity are the basics for market success. Strategy takes a special track in this paper as new terminology is applied like strategic intent and thinking, defining at the same time the exceptional leader we need. Shipping Marketing as shown falls behind management, and concepts of management like strategy, leadership and culture are used with considerable delay. The novel culture called safety culture and the even more novel security culture discussed in this paper are still ignored by marketing. These play the entire role in shipping as a competitive advantage along with cost minimization. Shipping industry is in this paper contrasted and compared with other service industries for peculiarities that exist and make this industry unique for business-to-business marketing.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Kotler P. Marketing management: Analysis, Planning, Implementation and Control. 8th ed. Prentice-Hall; 1994.

2. Plomaritou E. Marketing as a tool of improving chartering policy. A comparative analysis of marketing implementation in tramp and liner market, worldwide and in Greece. Ph.D Thesis. University of Piraeus. Department of Maritime Studies. Greece: Piraeus; 2005.
3. Panayides PM. Professional ship management: Marketing and Strategy. USA: Burlington Ashgate; 2001.
4. Zeithaml VA, Bitner MJ. Services marketing: Integrating customer focus across the firm. USA. McGraw-Hill; 2003.
5. Kasper H. Culture and leadership in market-oriented service organizations. *European Journal of Marketing*. 2002;36(9-10):1047-1057.
6. Goulielmos AM. Operations management in shipping. 2nd ed. Athens: Stamoulis Publications in Greek; 2001.
7. Gronroos C. Service management and marketing. Lexington Books MA; 1990.
8. Goulielmos AM. Quality control in shipping company and the ship. Vol. 3rd ed. Athens: Stamoulis Publications in Greek; 2005.
9. Berry L. Discovering the soul of service: The nine drivers of sustainable business success. New York: The Free Press; 1999.
10. Porter ME. Competitive strategy: Techniques for analyzing industries and competitors. NY: Free Press; 1980.
11. Lado N, Maydeu OA, Rivera J. Measuring market orientation in several populations. *European Journal of Marketing*. 1998;32(1-2):23-39.
12. Goulielmos AM. Management of shipping companies. Vol. B. 3rd ed. Athens: Stamoulis Publications in Greek; 2005.
13. MacKenzie SB, Podsakoff PM, Rich GA. Transformational and transactional leadership and salesperson performance. *Academy of Marketing Science Journal*. 2001;29(2):115-134.
14. Harris L, Ogbonna E. Strategic human resource management. Market orientation and organizational performance. *Journal of Business Research*. 2001;51:157-166.
15. Robbins S, Coulter M. Management, New York. Pearson Prentice Hall; 2005.
16. Wheatley MJ. Leadership and the new science: Discovering Order in a Chaotic World. Berrett-Koehler; 1999.
17. Goulielmos A, Plomaritou E. A review of marketing in tramp shipping. *International Journal of Shipping and Transport Logistics*. 2009;1(2):119-155.
18. Priesmeyer H. Organizations and Chaos Quorum Books; 1992.
19. Plomaritou E. The marketing information system of the Greek shipping company. *Spoudai Journal of Economics and Business*. 2008;58(3-4):184-211.
20. Plomaritou E, Giziakis K, Plomaritou V. Shipping marketing & customer orientation: The psychology & buying behaviour of charterer & shipper in tramp & liner market. *Journal of Management*. 2011;16(1):57-89.
21. Plomaritou E. The application of marketing philosophies and policies to shipping companies. *Cyprus Journal of Science and Technology*. 2006;5(1):80-94.
22. Plomaritou E. A proposed application of the marketing mix concept to tramp and liner shipping companies. *Journal of Management*. 2008;13(1):59-71.
23. Shakir H, Shakir M, Zaman K. The impact of effective marketing strategy on buying behavior of the international consumer. *Journal of Academia Arena*. 2012;4(12):11-17. Saad A, Jadoon I, Zaman K, Gondal S. Effect of word of mouth on consumer buying behavior. *Mediterranean Journal of Social Sciences*. 2011;2(3):497-507. Treacy M, Wiersema F. Customer intimacy and other value disciplines. *Harvard Business Review*. 1993;71(1):84-93.

24. Plomaritou E. The implementation of EDI in ports: Special Reference to EDI Implementation in the Port of Piraeus. University of Wales. M. Sc Thesis. Wales: Cardiff; 1996.
25. Plomaritou E. The differentiation strategies of the leading shipping companies in the world. *Economic Outlook*. 2006;102:12.
26. Plomaritou E. Marketing of shipping companies as a tool for improvement of chartering policy. Recommended by the Institute of Chartered Shipbrokers. Athens: Stamoulis Publications; 2008.

© 2014 Goulielmos & Plomaritou; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/3.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:

The peer review history for this paper can be accessed here:

<http://www.sciencedomain.org/review-history.php?iid=427&id=20&aid=4119>