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**THE EFFECTIVENESS OF  
PORT MARKETING**

**BY**

**MUHAMMAD MUCTARU CAREW**

**Sierra Leone**

A paper submitted to the faculty of the World Maritime University in partial fulfilment of the requirements for the award of a

**MASTERS OF SCIENCE DEGREE  
in  
PORT AND SHIPPING ADMINISTRATION  
1992**

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

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

Signature .....

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## DEDICATION

To All Those, Past and Present, who have made  
me what I am today

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First and foremost, I am indebted to the Management of the Sierra Leone Ports Authority for selecting and sponsoring me. I shall always remember and appreciate the inexorable efforts, albeit unsuccessful, they made to secure external fellowship. They can, however, be confident that the "dividend" will be worthy of the "investment".

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## CHAPTER ONE

### A NEW DAWN

Gone are the days when Port Authorities could comfortably sit back and expect traffic would come to them simply because of their natural attributes or what they had to offer. There is no longer any guarantee that an increase volume of traffic-- or even the same traffic-- will come to the same Port, because some Ports established over a thousand years ago have continued to grow and thrive; whilst some once flourishing have faded into obscurity, whilst others have remained little changed in size for the past few hundred years.<sup>1</sup>

But who and what is to commend or blame for the respective success, demise, or stagnation of these Ports? Does the enterprise of their owners or controllers have anything to do with it, for empirical evidence shows that at one stage every Port was once a growth industry. What, then, has happened?

The reason why growth is threatened, slowed, or stopped is not only because there have been too many ports, but because there has been a failure of Management. The failure is, unquestionably, at the Top.

Top Management have been complacent. They have been relying on past success that they are not aware that the days are over when they could offer customers standard "product" on the "take it" or "leave it" basis. They are not aware that the customer now has a choice; and that this choice has become the vogue for any successful business. They have also failed to realise that the customer today is the one who determines:<sup>2</sup>

- a. what a business is;
- b. what it produces;
- c. whether it will prosper.

Indeed, what the business thinks it produces is not of paramount importance, especially not to the future of the business and to its success. What the customer thinks he is "buying" and what he considers value is decisive. To him what he "buys" and considers value is never a service. It is a utility. And that is exactly what the service does for him.<sup>3</sup>

This being the case, it seems undoubtedly best that Ports should devise their policies and carry them out with the customer's needs and not the needs of the Port, as their central concern. Surely, any Port that does not follow this course is likely to be unsuccessful in the long run, if not in the short run, since ultimately it is the customer who decides whether to buy or not to buy. Therefore, the Port that ignores the customer's needs does so at its peril! Subsequently, it is this crucial role of the customer, the "buyer", and the

"consumer" from which the Marketing philosophy emanates.

Marketing has since been gaining currency by letting everyone including Top Management realise that if they fail to recognise it they will be overtaken by their neighbour who does. As a reminder, an official of the Marseille Ports Authority says, "This is a race, nothing short of that. If we are first we get the business. If we are second we get less business. If we don't do anything, we get nothing. Unless we improve and expand we shall be out of business".<sup>4</sup>

It has thus been recognised that the part the Port Management have to play in making the Port efficient and viable is not one of sitting on the fence, however excellent a landlord they have been trained to be. They must take the lead.

Therefore, the Top Management of the Port of Talhadi, in order not to be left behind, have decided;

Firstly, to find out what Port Marketing is all about and then secondly, use it to achieve success and competitive advantage over its competitors. This dissertation will show how it is being accomplished.

Sequel, the aim of this dissertation is to demonstrate how Marketing can make a Port flourish.

The Port of Talhadi, however, is a hypothetical port-- a model of a port that is using Marketing.

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## CHAPTER TWO

### UNDERSTANDING PORT MARKETING

Hitherto, almost everybody including Top Management do not succintly understand what Port Marketing means. Indeed, whenever the question is posed as to what it means, the familiar reply of selling or advertising is heard. They are always confusing marketing to selling or advertising. To them it is a synonym for either.<sup>1</sup>

Fortunately, in their inexorable efforts to have an efficient Marketing programme they realise that there is more to it than selling and advertising. They are mere activities in the Marketing process, and not marketing per se. And that there are also other similar activities

Consequently, they (Top Management) were determined to appreciate the exact and comprehensive meaning of Port Marketing so that they would be able to chart the right course that will enable them to reach their ultimate destination (Mission, goals and objectives).

Eventually, they do not only know its precise meaning but its characteristics as well.

## 2.1

### DEFINITION

There is indeed a plethora of definitions. But the one which they admire and accept because it is lucid and exhaustive is that by E. Pollock.

He defines Marketing as " The Management function which organises and directs all those business activities in assessing and converting customer purchasing power into effective demand for a specific product or service to the final consumer or user so as to achieve the profit target or other objectives set by a company."²

## 2.2

### Translation

The preceding definition is so comprehensive that they (Top Management) are able to deduce the following characteristics:

### 2.A.

#### Concept³

It is a concept because the customer is and should be central to the total marketing philosophy. In other words, the primary aim of Port Marketing is to create, win and keep a customer. And in order to do so, it (Port) must be able to create, produce, and deliver what the customers want and value.

Inevitably, such services should be created, produced, and delivered under conditions and at prices that are relatively attractive to them (customers) vis-a-vis those offered by its competitors.

Moreover, the number of customers who may want such services must be sufficiently large to justify the conditions and prices of creation, production, and delivery.

However, it is assumed that in the absence of a contrary government policy, it should be able to generate revenue which:

- i. exceeds costs;
- ii. is of sufficient margin;
- iii. is regular;

to attract, keep and develop capital for the organisation; and to keep, at least, abreast and sometimes ahead of competitors

## 2.B            Function<sup>4</sup>

It is a function because it (Port) can determine if:

- a. there is a niche in the market;



- b. the market is large enough to justify the creation, production, and delivery of the services.

Thus, it can select the market segment it wishes to serve by determining:

- i. the kind of clientele it may efficiently serve as customers;
- ii. the type of need it will be trying to satisfy; and
- iii. what they (customers) are looking for in the range and quality of services it is providing.

Because it knows that it can determine what its customers want, it can plan each element of the range and quality of services which it will serve its target better than its competitors.

For example, it knows that it should not offer "luxury" services, such as High Value storage to a market segment whose main consideration is low price.

Similarly, to offer a second rate to a market segment which needs or is looking for a high quality can be disastrous.

## 2.C. Tools and techniques.<sup>5</sup>

It (Marketing) covers a range of activities.

Obviously, once they (Top Management) recognise how central the customer is to the Port, then the activities necessary to ensure that his needs are served will emerge as a matter of course. For example:

### C.1. Tariff<sup>6</sup>

The range and quality of service he chooses will determine the cost of the service, and also influence the price.

Similarly, his propensity to use the service will determine whether he is willing to pay high price for a modified form of the service. And unless it can understand what constitutes quality in the eyes of its target customers, it will likely get its prices either too low or too high.

### C.2. Distribution / Logistics.<sup>7</sup>

Ports the world over are competing in competitive market

And apparent with such markets, regrettably, is that customers are not expected to go out of their way to find the services.

If the service is not available at the right place or time, they will look for a competitive service. Ultimately, it will lose. But if it knows the "buying" habits of its target market, that is, where and when they may look for its types of service it will ensure that they are available.

### C.3      The Sales, Promotion, & Personal Selling<sup>m</sup>

Customers do not have the time or energy to go hunting for better range or quality of services. They therefore expect it (Port) to tell them about their range and quality of services through advertising, and other forms of promotion.

Indeed, if only it knows what newspapers and magazines its target customers use, it can beam its messages along the right channel. And most importantly, if only it knows what type of message and tone is acceptable to them, it is not likely to meet rejection.

### 2.3      Analogy

From the definition and characteristics, everyone, especially Top Management no longer equates Marketing to either selling or advertising. They now understand that whereas selling focuses attention on:K♥ sales, Marketing focuses on the needs of the customer; and of producing a service which will satisfy those needs.

What is offered for sale is determined not so much by the seller (Port) as by the buyer (customer/ user) and the seller takes its lead from the seller in such a way that the product becomes a consequence of the Marketing efforts rather than the selling efforts."

#### 2.4 Comment

Port Marketing is a way of organising the Port. It ensures that, since the customer is its focus, the services produced are delivered in the most customer effective way.

Furthermore, it ensures that all organisational decisions stem from them.

And most importantly, it ensures that they are created, won over, and kept.

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## CHAPTER THREE

### THE WAY AHEAD

Top Management now understand what Port Marketing is all about. As a result, they decide to institutionalise it in the Port. Thus, the first step they took was to create a Marketing Department.

#### 3.1 The Marketing Department

A Director of Marketing is appointed as the Head of the Department. He is directly responsible to the General Manager.

Various section heads, such as Sales, Research, Public Relations, and Forecasting, are also appointed. They are directly responsible to the Director.

Other staff and employees were also recruited.

After the appointments and the establishment of the Dept it (Dept.) was given its Terms of Reference.

1.A. Terms of Reference.

"To ensure that the Port not only retains its existing customers but to woo new ones as well". And they must be achieved in consonance with the Port's mission, goals and objectives.

1.B. Implementation

Undoubtedly, it seems to have enthusiastically accepted the tasks. Thus, firstly, it draws up a Market Plan in which it tries to answer the following questions:

A.i. What business is the Port in ?<sup>1</sup>

ii. Is it a profit-oriented Port;

iii. a strategic gateway for the government; or

c. an economic multiplier for the state or region.

2.i. Who are its customers ?<sup>2</sup>

ii. Are they shipowners, shippers, agents, freightforwarders

iii. Are they tenants ?

iv. Are they regular or casual? and

v. Where do they come from ?

3.i. What are its strengths and weaknesses?<sup>3</sup>

ii. Does it (Port) have the "stamina" to accomplish its tasks.

4.i. Does it have the right pricing policies?<sup>4</sup>

ii. Does the tariff reflect costs ?

iii. Do the customers think they are receiving "value for money"

In other words, are they satisfied with what they are paying for the service they are getting.

5.i. How much do existing, prospective, and potential customers know about the Port?<sup>5</sup>

ii. Are the increase or decrease in customers due to what they know or do not know about the Port ?

In other words, how much do they know about the Port and its services, if they do know anything at all.

In order to effectively answer the preceding questions it (Dept.) made the Port's Mission the theme of the Market Plan.



3.2

WHAT IS THE PORT'S MISSION?<sup>4</sup>

The Mission of the Port of Talhadi is to "excel as a regional megaport".

In order to achieve it, it has made the following commitments:

- A. that it will not only meet the needs of its customers but will also provide them with value-for-money services promptly, reliably and efficiently.
- B. that it will create a rewarding, challenging and innovative environment for its employees so that they can achieve their fullest potentials.
- C. that it will use the latest Port and Information Technologies to gain competitive advantage.
- D. that it will have a competitive pricing and effective cost control so that it will earn a reasonable return to finance its growth.

Surely, the Mission is the important statement it (Port) must make. If it fails to state what it wants to be, or what it wants to do, it will, ab initio, be doomed.

Thus, from the mission, in conjunction with other departments, it (Marketing Dept.) sets up the goals and objectives that it wants to achieve.

### 3.3 Goals and Objectives:<sup>7</sup>

1. To become the region's best container terminal in terms of:
  - a. fastest ship turnaround;
  - b. cellular vessels berthing without waiting; and
  - c. fastest container delivery and receiving.
2. To make conventional gateways more efficient by:
  - a. improving ship productivity in terms of tonnes per ship hour; and
  - b. limiting any increase in Port cost per tonne of cargo handled.
3. To be the best Free Port / Free Trade Zone in the region
4. To become a Total Maritime Service Centre.

It is indeed very easy to state a mission, goal or objective, but until it is achieved or ways and means designed by which it could be achieved such mission, goal, or objective will remain a dream.

For the Port of Talhadi, the above have to be achieved. Since it cannot be a fait accompli, it examines all the pros and cons of how to get there.

### 3.4 QUESTIONS AND ANSWERS

It (Port) does not function in a vacuum. It "lives" and "operates" in a dynamic and complex environment.<sup>2</sup> For it to succeed, therefore, it must be able to appreciate the opportunities and constraints that may enhance or bedevil its progress and development by solving the following questions:

#### 3.4i External Constraints<sup>2</sup>

A. What external difficulties or opportunities will prevent or assist it getting there ?

The continuous changes taking place in the outside world can be either good or detrimental.

Demography, and economic development or decline; social values and distribution may change slowly. As a result, Top Management may be unaware of the changes until it may have been too late to take action. Whilst, on the other hand, other changes such as government action, legislative measures, and technical innovations may be more dramatic. And since all these changes may be outside their control, constant vigilance will be required to evaluate if:

1. any of the given changes will any have long-term impact;
2. it will affect the survival or development of the Port;
3. it will affect the competitive standing of its competitors; or
4. it will enable it to compete where formally it could not.

3.4ii Internal Constraints<sup>10</sup>

B. What internal strengths and weaknesses will prevent it getting there ?

1. What are the Port's internal strengths and weaknesses ?
2. Does it have a "unique" product: an exclusive range and quality of service ?
3. Are its facilities conveniently located to the Market it is targeted ?
4. Does it have adequate financial resources ?

By reflecting on each questions respectively and objectively, the Port is able to arrive at the set of strengths which should be exploited, and the set of handicaps which either need to be rectified or rendered less crucial by judicious choice of Market Segmentation; Marketing Mix; Market Research and Forecasting.

### 3.5 The Merits of SWOT Analysis

At the end of the external and internal analysis, the Port should be able to state where and how it stands in the form of a chart depicting its strengths, weaknesses, opportunities and threats (SWOT).

#### A. Strengths:<sup>11</sup>

- i. It is strategically located. It is located at the cross road of major shipping lanes.
- ii. It has a natural harbour with a draught of 17 metres.
- iii. It has a natural shelter and adequate anchorage. Vessels can drop anchor without worrying about the strong winds and currents.
- iv. It has good access: vessels can enter and leave at any time of the day.
- v. It has a network of extensive and frequent shipping services.
- vi. It is a loci for shipowners regional offices.
- vii. It has extensive ancillary services such as Trading Houses and Financial Institutions.

B. Weaknesses:<sup>12</sup>

- i. It has a high chronic labour shortage. Regrettably, it is finding it very difficult, if not impossible, to recruit labour as longshoremen. Consequently, the cost of labour is relatively high.
- ii. The topography is mountainous. As a result, it is difficult to expand. Most of the available land is reclaimed either from the sea or civil engineering works. This is, unquestionably, very expensive.
- iii. Land for development or expansion is, therefore, not only limited but at a premium.

C. Opportunities:<sup>13</sup>

- a. There is a substantial quantity of exports:
  - i. Raw materials: Iron ore, bauxite, rutile, agricultural produce.
  - ii. Finished products: textiles
  - iii. Semi-finished products: plastics (for domestic use)
- b. There is also a big import base: rice, provisions and luxury items such as furniture.
- c. The government does not impose tax, especially corporation tax on industries that are principal exporters.
- e. Trade is liberated from all government regulatory framework.

### Threats:<sup>14</sup>

The sizes of vessels and throughput continue to increase. But since land is scarce and expensive, it may find it difficult to succeed as a "megaport" because if it wants to continue to seek transshipment cargoes it must continue to expand. It will have to find the land, but at what cost. Will it be economic to do so.

### COMMENT

Because of the above SWOT analysis, it (Port) can decide whether or not it will be able to fulfil its Market Plan; and what hurdles it may have to clear.

Subsequently, since it involves the understanding and assessing of the Port's strengths and weaknesses and identifying threats to its business as well as opportunities in the market place, it endeavours to exploit its strengths over its weaknesses, grasp opportunities and defend itself against threats.<sup>15</sup>

However, in order to get the best result from a SWOT analysis, it is always comparing it to a competitor's. Such comparisons are necessary because it will enable it to determine how successful it might be in implementing its plan.

For example, it discovered that one of the strengths of its main rivals was its adequate availability of labour something which it lacked. Similarly, it found that its (rival) channel is only passable at high tide which regrettably lasts only fourteen hours a day. And ship owners do not like it because once they miss the tide

they may have to wait a very long time - about ten hours

Because it is aware of this weakness it is exploiting it aggressively.

After the analysis and comparisons, it knows exactly where it stands, and what to do. So it decides on the strategy by which to achieve the mission, goals, and objectives.

### 3.6. Strategy

In Alice in Wonderland it is espoused that "if you don't know where you are going any road will lead you there."

But it (Port) similarly believes that if you don't know where you are going no road will get you there.

Fortunately, it knows where it is going. In fact, lest anyone forgets, it reminds everyone by prominently displaying its missions on plaques and posters on the walls of every corridors, sections and departments.

It is hoped that by being constantly on their minds, the roads that lead to its achievement will be sought and followed.

#### a. How it gets there:<sup>16</sup>

##### i. Provide quality services at competitive prices:

By quality services, it will provide, inter alia, good access.



Vessels can come in and go out without any problems. The access channel are clearly marked by navigational aids.

There is a twenty four hour pilotage and towage service.

When alongside, there will always be adequate depth of water to always keep her afloat.

The draught of 17 metres will be maintained, and, if possible, increased by dredging.

There will always be sufficient equipment to work the cargo so that she can be turnaround fast.

And the prices that they (customers) are paying, even if it is higher than its competitors, will be justified by the range and quality of services they are getting.

b. Send regular high level Marketing emissaries abroad:

This will not only be to canvass new customers, but to assure existing customers that they mean a lot to it (Port). To assure them that it is and will always be ready to provide them satisfaction, and thereby remove any post purchase anxiety that they may have.

c. Help small and medium-sized enterprises to modernise and upgrade.

Every customer means a lot to the Port. Consequently, it is reprehensible to lose any customer, no matter how big or small. But unfortunately, because of the rapid changes in the maritime industry, small and medium-sized firms may not only be out of touch but may not be able to provide the same quality of service.

To assist them it, therefore, holds regular meetings and consultation with them. It also sends them circulars and newsletters.

d. Restructure the Marine Management and Control System.

The maritime industry is constantly changing. Whether the industry likes it or not, technology, safety, and international regulations and pressures will make the facilities obsolete. And as such, will need constant upgrading.

The Superintendents at the docks are supplied with VHF radios so that they can communicate with the Director of Operations; the Harbour Master; the vessel's Master; shipping agents; and all related interests.

The Sheds will be linked by computer to the Traffic Dept so that delivery and receipt of cargoes are effected efficiently and expeditiously.

The Port will be linked by computer (called Frontnet) to customers who have subscribed to the system. Hopefully, the daily berthing meeting will be replaced by computer.

e. Draw up a Master Plan of the Sea.

Where is the Port located? How will its location and geography make it a successful Port?

It will identify and chart out where development can take place.

Finally, it draws up a Master Plan as to how it hopes to capture the market.

### 3.7. The Master Plan<sup>17</sup>

In the Master Plan, it states that it will:

1. select and examine the market it wishes to target;
2. find the Mix that will serve and satisfy the market;
3. research, assess, and predict the future potential of the market.

#### COMMENT

The Marketing Plan is flexible so as to take into account changing circumstances, because if it sticks too rigidly to its pre-established plans, it stands in danger of missing new opportunities which may arise in the course of the Plan's implementation.

Similarly, if it chooses to ignore its Plans, it will definitely be in danger of heading off in a number of different directions, disrupting its overall planning and possibly overstretching its resources.

Indeed, the Port industry has become more competitive and change has become more rapid. Consequently, it will only be able to make profits and survive by being more effective than others in understanding where it should be developing. And in order to be effective, it will need to plan surreptitiously, defining and continually reevaluating its goals, objectives (Mission); and the Strategy it favours to reach those objectives. But to be able to plan for the future, it will first find the available opportunities, and then continuously monitor its progress in taking advantage of these opportunities.

Undoubtedly, if it can select an opportunity that corresponds to one of its strengths it will definitely start off with a competitive advantage. Therefore, there is truism in the formula:<sup>10</sup>

GROWTH OPPORTUNITY + PORT STRENGTH = COMPETITIVE ADVANTAGE

It subsequently follows that it must clearly understand the strength it possesses. Furthermore, if it can identify any vulnerable areas within, it will, hopefully do something to prevent any competitive attack. If, however, it can identify such weaknesses in its competitors, as it has done, it could have identified an opportunity of taking business from them, and, no doubt, they will find it difficult, if not impossible, to prevent it from doing so !

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## CHAPTER FOUR

### MAKING Segmentation The Panacea

Market Segmentation, no doubt, is a new concept to the port. However, it was convinced that the only way to succeed was to select the market it would be able to serve best. Thus, what it did was to group together all those customers who share some similar characteristics, such as geography, demography, or the way they "buy" or use its services. In other words, it divided a heterogeneous market into a number of smaller, more homogeneous submarkets.<sup>1</sup>

#### 4.1 WHY?

- A. Firstly, because the customers not only see the services in very different terms from themselves, but that different groups of customers have different criteria by which they judge a Port.<sup>2</sup> And inevitably, the Port that wants to understand its markets need to understand who these different groups are and how their needs differ from one group to the other.<sup>3</sup>

For example, a shipowner that operates a second or third generation cellular vessel has a different need to a shipowner that operates a traditional general cargo

vessel. In the former, obviously, exigency and speed of turnaround are a premium.

- B. Secondly, because the Port operates in an increasingly competitive market, emphasis has to be placed on the splitting up or segmenting of overall areas of specialisation that the port can occupy more effectively than its competitors.

Accurately defining the market and market demand is therefore crucial in order to improve its competitive advantage. The total market for Port services is too heterogeneous to be considered as a single uniform entity.<sup>4</sup>

- C. Thirdly, because the Port is such a diversified, and dynamic industry it may not be possible to pursue every traffic because of the following constraints:<sup>5</sup>

- a. Manpower: does it have the "Know-how"; and can it easily find the right labour?
- b. Cost: does it have the financial resources?
- c. Capacity: is there an excess or under capacity?

Thus, in order to be successful, it had and would continue to choose the market that it wants to serve, and able to serve efficiently and profitably.

Indeed, how it made or would make the ultimate choice would always depend on the result of the segmentation.



#### 4.2 How It Segmented The Market?

As explained above, Market Segmentation is the grouping together of customers who are alike in the manner in which they perceive the Port's benefits to satisfy their needs and wants.

How, then, did it group these customers ?

##### A. Geography

Prudently, it selected its hinterland and catchment areas by determining which target (customers) it could serve best.

Since it has a large iron ore deposit, and a neighbouring country which has none is almost completing a steel industry, it is targeting her as a potential customer.

##### B. Demography.

Despite the fact that it has all the natural attributes to grow and thrive, it knows it will never flourish until and unless it has a good hinterland: the area from which it draws its trade. Therefore, it searched for customers that have adequate exports and imports; enough cargoes that will last a long time.

C. Port Use.

1. Technological:

It evaluated the type of facilities: container, general, bulk; it can provide best.

ii. Frequency of Usage:

- a. The "Ultimate " Consumer: They are "casual" users of the Port. In other words, most of their cargoes are non commercial (personal ), and they are often "seasonal". It is aware for example, that during the months prior to Christmas, there is a large throughput of non-commercial cargoes for its residents living abroad who send Christmas gifts home.

These customers, even though they may be using the Port only for this period, may still be making a valuable contribution. Perhaps, their net revenue may be higher than the regular customers.

Fortunately, it knew it. And as such, it carried out a cost benefit analysis on them.

- b. Commercial (business) Consumers: They are the real consumers of its services. They are the importers, exporters, shipowners, and shipping agents and all the regular users of the Ports

### Remarks

The segmentation of all markets into consumer or business is extremely important because the two markets buy differently.

#### 4.3 What It Looked For Before Selecting A Market

After dividing the market into the above segments, it had to choose its "favourite". But to be able to make a prudent choice, it had to find positive answers to the following questions:

- a. Is there a niche in the Market that has not been catered for ?<sup>9</sup>

For example, are those vessels, that are going to an immediate competitive port, but have to wait hours for a tide before entering or leaving, a captive market?

- b. Are the majority of consumers in this market satisfied with what they are being offered by the competition, or are they looking for a change.<sup>9</sup>

Are they satisfied of waiting so long before entering or leaving, or are they looking for a port where they can come and go without delay.

- c. Can it offer them something which really meets their needs?<sup>10</sup>

It cannot only guarantee easy access and digress at all times, but can also assure them of quicker turnaround because they would be offered an Appropriated Berth where they would not only have an exclusive berth, but could use their own longshoremen as well.

- d. Will it generate enough business in this segment to survive and grow?<sup>11</sup>

Provided it wins and keeps these shipowners, would the prospect be and remain attractive?

- e. Is there too much business?<sup>12</sup>

- i. Will it overreach itself? Does it have enough capacity: berths and anchorage to accommodate them if it wins them over?
- ii. Will the competitor(s) tolerate its entry because the market is growing; or will they have to fight back because it will be taking business from them ?

Surely, if it can provide what the customers want; and they are satisfied with its service, it would have a competitive edge.

- f. How long will it be before they react ? Will it be secure by then ?<sup>13</sup>

Could it rest on its oars that provided it already has the facilities, once it wins them it will immediately

have secured them, and therefore will never be worried about when and how they (customer) react.

g. And can it effectively communicate what it is offering<sup>14</sup>

Are its salespersons vibrant? Are they always on the move, knocking at existing and prospective customers doors.

#### 4.4 What Characteristics must it have?<sup>15</sup>

e: Ultimately, the segment it is going to choose must be:

1. Measurable: The size of the consumers in each area must be easily determined on an objective criteria.

There are empirical data, for example, on the number of vessels waiting on the roads for the tide to rise so that they can enter or leave. And how long they have to wait before coming or leaving.

2. Accessible: It must be easy to reach the potential customers in each area. For example, how easily can it reach an importer or exporter ? Could it be reached through existing shipowners, agents; or advertising media with a minimum of cost.

3. Substantial: The segment should be the largest homogeneous element that can be defined in the market.

Surely, the larger the market segment the greater the market opportunities.

4. Sustainable : The segment must be able to continue to exist for a period of time .

The economy (domestic and regional) seems to be growing.  
The outlook for the future looks promising.

#### 4.5        The Merits of Segmentation

It is able, as a result of segmenting its customers, to identify their needs within the segment, and also satisfy those needs.

By tailoring marketing programmes to individual market segments, it can obviously do a better marketing job, and thus making efficient use of marketing resources.

It can now effectively compete in one or two segments, (the segment(s) it has chosen); whereas it may be buried if it were to aim for the total market.

By segmenting it's market, it has been able to design it's services to really match market demands.

Furthermore, it can promote itself more effectively because it can aim more directly at each segment of the market. Consequently, it is developing strong positions in specialised market segments. This has enabled it to grow, develop, and flourish. Its march to becoming a "megaport" seems to be progressing steadily.

#### 4.6

##### Comment.

It is indeed the care with which it has chosen the segment that would determine its future success.

Consequently, the segment it has chosen to serve would determine, more than any other factor, the type of Port it will become.

However it must be noted that selecting a market has been difficult lest it would not be able to serve more than one customer without overreaching itself. And, unquestionably, the segment(s) it has chosen must be the right one(s)!

Furthermore, it will never enter a market that is already saturated with competition unless it has some overriding competitive advantage that will enable it to take customers away from it!

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## CHAPTER FIVE

### FINDING THE RIGHT MIXTURE

The Marketing mix is the set of controllable elements which it is using to influence customers' preference. And they are:

- a. its Services. (i.e Product)
- b. Its Distribution and Logistics. (Place)
- c. its Tariff. (Price), and
- d. its Promotion.

By rightly blending together the preceding four elements it endeavours not only to retain existing customers, but also to attract and capture potential ones as well. Consequently, the primary task of its Top Management and Marketing personnel is how to judiciously blend together these elements of the Marketing mix so that they would fulfil the wants and needs of the selected target market

5.1. HOW IT BLENDS THEM!

5.1.1 THE RANGE AND QUALITY OF SERVICE<sup>1</sup>

It provides two types of service, namely Traditional and Specialist:

A. The Traditional Service:

It is the customary, if not mandatory, service every port should provide. In other words, it is what one expects to find in any port. And it is, inter alia, good access to and from the port; adequate shelter; deep water berths; and sufficient anchorage. Undoubtedly they are the attributes that should make any Port tick. In other words, because of some ports natural endowment, or other criteria they can provide these services better than their competitors. It is blessed with them. Thus, it is relentlessly ensuring that its customers enjoy them by, for example, vessels coming and leaving at any time of the day, at any state of the tide.

B. The Specialized Service.

These are the services the customers yearn for but rarely gets. Consequently, these are the services that make or break a port! A Shipowner of a cellular vessel, for example, wants a speedy turnaround for his vessel. If he cannot achieve it because the Port lacks the facilities, he will obviously move to another Port. As a result, it provides a fluid of handling equipment that

will enhance a quicker turnaround for all vessels calling at its port.

Additionally, it also provides supplementary services such as shiprepairing, drydocking, and mechanical engineering with the aim of building a reputation for reducing technical and commercial risks to its customers' equipment.

#### C. SAFETY REGULATIONS

Sequel to IMO (International Maritime Organisation), and other International codes and regulations, it provides facilities for the handling and storage of hazardous and dangerous cargoes. It also provides reception facilities for the discharge of garbage and other wastes.

#### D. Zones

In order to increase its throughput and, above all, add value to the cargo, it has created an "EXPORT Process Zone." Raw material are imported to the zone via the Port, while the finished, or even semi-finished products, such as Polythene bags are packed into containers in the zone and then exported through the port.

It has also created a FREE PORT. Its objective is that with the absence of the Customs whose meticulous conduct often throttle trade, usage of the Port will flourish.

**E. DOCUMENTATION:**

A document takes not more than thirty minutes to be completely processed. That is exactly what it takes for a customer to effect delivery of its cargo! This is made possible because documents have been reduced to only one triplicate copy which is issued by the Revenue Section, countersigned by the Foreman of the Area where the cargo is stored, and by the Security at the gate.

**F. EMPLOYEES INPUT / OUTPUT**

The days of only working Weather Working Days with Saturdays, Sundays and Holidays excluded are over. Even the routine of 0800 to 1700 with tea and lunch breaks is outdated. The Port can no longer afford to close for either break or till the next day when there are vessels especially cellular vessels still to be completed.

Subsequently, its new condition is to be prepared to work 24 hours a day 7 days a week.

Vessels can come in at any time of the day and will be worked!

**G. LOGISTICS AND DISTRIBUTION (PLACE)**

Unlike other industries, the services provided by a Port have to be consumed in situ. The customer has to go there if he wants to receive or use its services. Subsequently, he expects his needs to be satisfied when he gets there. It is imperative, therefore, for a port to provide these wants if it is to retain or attract any customer. What then does it provide?

## G.1. SUPERSTRUCTURE

### i. Containers

There are large areas for the stacking of boxes. They can be stacked three high; and there are plans afoot to have equipment that can stack five high.

There are thermal points where reefer boxes can be plugged in so that their temperatures are maintained.

### ii. SHEDS

Additionally, the old transit sheds have been refurbished and modernised. Two of them now have air-conditioned facilities for groupage and conventional cargoes that need storage, albeit temporary, but which must be kept at a minimum temperature.

High value cages have also been constructed within the sheds for specie (vulnerable) cargoes. The customers are thus assured that they can receive their cargoes pilferage-free.

There is, indeed, no doubt that the customer wants an expedient service. The sheds therefore, have high-rack storage and computerised monitoring systems. Cargoes are easily traced and retrieved for examinations or delivery

It's Forecasters predict that although traffic will continue to grow, it will, however, predominantly be boxes. Lest it may not have sufficient stacking areas, all new sheds that are being constructed are prefabricated. The cost is not only less than (+- 40%) the conventional concrete, but it can be easily moved or dismantled.<sup>1</sup> Thus, if containers continue to grow as predicted, these prefabricated sheds can be easily demolished to provide additional stacking areas.

#### H. DISTRIBUTION CENTRE

It provides facilities for stuffing, unstuffing, palletization, unitisation, and even shrink- wrapping of cargoes.

The aim of the Distribution Centre is to enable it to:

- a. keep tabs on the market;
- b. see whether the predictions are accurate; and
- c. react quickly by ensuring that cargoes do not pile.

#### I. INFRASTRUCTURE

The roads to and from the Port have been upgraded so that they can cope with the heavy tonnage. There are no bottlenecks!

It has close liaison with every transport operator. In fact, it is an active member of ROTA, the national transport association. Besides, it also provides a haulage service.

Customers, therefore, never have any problem in finding trucks to carry their cargoes.

#### J.        ELECTRONIC DATA INTERCHANGE

It is linked by computer to the Customs, Shipping companies and agents, shipowners, banks, insurance, and other subscribed customers. It operates this computer link called Frontnet to keep customers abreast not only with ETAs and ETDs; or the operational progress hitherto, but also give an exhaustive information about their cargoes.

At least the Customer can satisfy a need (information) by not going down the Port.

## 5.2. WHERE PRICING COMES IN?

It wants to continue to operate as a viable commercial enterprise within which it would determine its pricing and development policies, since it is primarily through its tariff (pricing) that it would be able to maintain a satisfactory revenue position and correct utilisation of its assets. It is therefore imperative that those who use the port should pay for the use of the facilities they require and also for the time they are in use

However, the tariff should not be a rigid, inflexible procedures of "price for the job." Indeed, a crucial element in any good Marketing Plan is to build customers trust in a sound pricing policy.

### 5.2.1 FACTORS OF A GOOD PRICING STRUCTURE

It has designed its tariff to be:

- a. straightforward and easy to understand;
- b. complete: encompassing everything the customer expects;
- c. constant: not frequently changed;
- d. able to give the customer reasonable control over the purchase transactions.



A. STAIGHTFORWARD AND EASY TO UNDERSTAND

It has tried to have a tariff that does not confuse or mislead its customers by correctly and completely reflecting the total cost of the transaction.

Although customers are not entirely influenced by costs, yet they invariably take into consideration the type of services provided. However, they appreciate the tariff because it is not only comprehensible, but can be compared to those of its competitors, albeit there is no uniform system of comparing tariffs.

Indeed, what it (tariff) does is to lucidly describe each charge, specifying which services are included and which are not. For example, with regard to Free Period, it clearly states that general cargo (ex ship) can be stored free for seven days (SSHEX) commencing a day after the last cargo was discharged and stored. Thereafter, rent will be levied at \$2 per ton per day (SSHIN)

Transshipment and transit cargoes have 28 days Free period (SSHIN) commencing a day after the last cargo was discharged.

House to House boxes (FCL) import or export carry a FAK rate of \$150 per TEU.

5.3.1A.

Comment

Truly, there has never been any inquiry or complaint by existing customers because it is clear and simple. And to potential customers, it is easily discernible.

It is indeed a truism that many customers shy away from a Port simply because they do not know what the service cost and for one reason or another feel shy about asking. That is why through its tariff, it is unambiguously telling its customers how much its service costs before they have to ask.

The customers appreciate it because it let them know in advance how much they will have to pay. Obviously, no one likes to get an unexpectedly large bill after services are rendered!

B: SHOULD BE COMPLETE.<sup>3</sup>

It includes everything that a typical customer expects to pay for; and perhaps (if need be) would pay a little bit more.

Customers will undoubtedly be annoyed if, for example, a. Harbour dues does not include pilotage, or towage; or b. Wharfage does not include loading, discharging, and transportation ex ship to transit shed.

Proudly, its tariff is complete. Everything he expects is included. And for those that are not included it accurately states so. For example, it succinctly states that additional handling charges of \$5 will be levied as Additional Movement on every box, which, after having been put down once or taken to the shed for customs inspection, delivery could not be effected and has to be returned to the stacking area. And that, thereafter, no more charges will be levied irrespective of how many subsequent movements - removal and return to the stack - is made for the respective box.

5.3.1b

COMMENT

It is making every effort to address this issue forthrightly by:

a. regularly reviewing it to ascertain that everything it offers and every services rendered is inclusive.

b. asking itself, whenever (If ever) there is any extra or additional charges, whether there is any plausible reason for it.

c. pondering how much it would lose if it includes some or all of the extras in its base tariff;

d. wondering whether the charges for the extras are really fair.

e. checking whether it has been adequately communicated to them. f. inquiring how many of them have ever been confused with what was or was not included.

Indeed, if it realises that even a small number has been, it will definitely make the changes. This is, unquestionably, very important when dealing especially with new customers who may not be familiar with its customs.

Truly, it is taking all these steps in order to remove any omission or ambiguity that may inevitably develop into a nightmare of misunderstanding between them (Port and Customers)!

#### C. REMAIN CONSTANT<sup>4</sup>

It has indeed realised that it is not only a complex process to change it, but that frequent changes create confusion for them. It has, therefore, been designed to achieve both present and future pricing objectives. Obviously, that is why it always lasts about five years, if not more, before being completely revised. Meanwhile, the level of each charge may be modified as conditions change. However, if there are to be any changes, it will ensure that they are informed well in advance. It is hoped that it will enable them, if necessary, to modify their "behaviour"; otherwise, they may object very strongly to an increase with a retroactive effect!

#### D. REASONABLE CONTROL OVER PRICE<sup>5</sup>

It gives them a wide choice over the final price, or the amount of services they wish to buy. For example, if they want to take part of their cargo and leave the rest in the shed until market prices become favourable, they can do so. They do not incur any extra charges for that.

In providing this facility, it firstly ensures that it is used genuinely by ensuring that those who want to use the shed as a (free) warehouse instead of using a proper warehouse pay a rent that is so high that only those who utilise the assets efficiently and profitably will have a net benefit great enough to make such a use worthwhile.

COMMENT

It has two more policies with regards the use of its assets:

1. Whenever the assets are in short supply, it enforces them to remove their cargo from the transit sheds as quickly as possible because any delay in taking delivery will create overcrowding in the sheds with the consequential effect of inadequate utilisation of quays, and other equipment; delays to ships and waste of gang time.

Consequently, it may even have to waive it. Although this may yield lower or no revenue, it undoubtedly permits better utilisation of its assets.

2. Similarly, whenever it has excess shed capacity, it encourages them to use it for warehousing. Such warehousing is indeed a good source of income because the relative low charges not only allow cargoes to be left in the sheds, but also better utilisation of them without jeopardizing the utilisation of its other assets

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## CHAPTER SIX

### HOW IT LET THE WORLD KNOW THAT IT IS EXCELLENT

To really become effective missionaries, its customers (existing and potential ) need all the necessary information to discriminate between the range and quality of its services and those of its competitors for in their eyes there is little difference, if any , between the services.

Thus, it is the duty of Top Management and the Marketing team to convince them that there are indeed differences and that these differences will help and satisfy them.

How, then, does it ensure that they have the information so that they can:

- a. come and use it;
- b. continue their patronage;
- c. spread the "good" news to other prospective customers.

## 6.1 BY PERFORMANCE

It has a reputation for an efficient and reliable service. Shipowners know that their vessels can arrive and depart any time of the day, and that work can start as soon as they are alongside. Turnaround is fast.

Importers, exporters and other customers acknowledge the services because their cargoes are handled, stowed, loaded, and delivered pilferage and damage free, with virtually no delay. Paper documentation has been drastically reduced, if not eliminated.

These customers, because they are so happy and satisfied are spreading the message to their agents and colleagues

## 6.2 IT TELLS THEM ITSELF<sup>2</sup>

Everyone is so positive and relaxed with modern communication that it is easy to become complacent. Fortunately, it has realised that despite the advent of EDI (Electronic Data Interchange), the feeling, confidence, and satisfaction one gets by personal, face to face contact are enormous. Consequently, the sales persons on the Marketing staff are always going out into the street to meet the customers. Their aim is to talk to them; and also keep them abreast about existing and future services, thereby explaining to them how its (Port) range of  $K$  and quality of services can solve their problem(s) by satisfying both their individual and collective needs.



Obviously, one of the advantages it finds in personal selling is that the salespersons are able to "read" the customer. In other words, they can sense if he agrees or disagrees. And from such contacts, they know what service(s) is/are wanted. Moreover, he sometimes even suggests how existing services can be modified to better suit his needs.

Indeed, one can hardly count how many times these customers, because of the personal rapport, have provided new sales lead by mentioning other customers that could use their services. They have also recommended customers that they could use to their advantage.

6.2a

#### COMMENT

As a result of the personal selling, it has, therefore, been able to concentrate on the best sales prospects.

Undoubtedly, a TV advert may be seen by just everyone, including, of course, many people who may never be interested in the service being offered for "sale". It has reduced, if not eliminated, this "waste circulation" by aggressive personal selling.

Furthermore, since it has realised that the personal computer will never give the same contact or feeling, it is paying emphasis on personal selling because it wants to "feel", if not "smell" what is going on!

### 6.3

#### TREATMENT OF THE PEOPLE AROUND<sup>4</sup>

It realised that the way one treats ones employees, suppliers, and customers, is an important element in gaining and keeping the trust of these customers.

It is indeed a truism that the way it relates to them is routinely communicated to each other. It follows, therefore, that it does not take long for an interested party to learn about each other from those that they deal with regularly. Inevitably, if it treats any of them badly, they will spread the bad news. Conversely, if it goes out of its way to treat them well, they will spread the good news too.

Surely, this interconnectedness can never be overemphasised, for even where a word (good or bad) about it is dormant, as soon as someone enquires about its reputation, it will wake up promptly and continue its journey from person to person.

#### 6.3a.

#### COMMENT

In striving to be both a good Master and Servant, it has installed Suggestion boxes in every prominent areas within the Port. It also has a Port Users Complaints Board (PUCB); and a Port Promotional Committee (PPC).

Even if the above is not the panacea, yet they seem to be going a long way to foster trust and respect between everyone; and above all dispel any doubt or acrimony that may be lingering.

It is therefore, no surprise that it is always doing its utmost to have positive relations with all of them, for surely, this is the foundation on which it is building its success.

#### 6.4 EDUCATION

It has an institute known as The Waterfront Training Centre where it runs port and related courses for

- a. its own staff and employees;
- b. the local and national industries.

Because Top Management and other qualified staff can teach these people it has been scoring a great marketing advantage over its competitors because it is using it as a medium to communicate directly with both existing and prospective customers.

As a member of the Regional Academy, its staff participates in all regional seminars. And whenever relevant, they attend international seminars and conferences as well. Wherever and whenever they attend they always try to deliver a Paper. The primary objective is to establish contact and relationships with people from the world maritime community.

It has decided that in order to cement such relationship it would not always be "Guest" (participant), but "Host" as well. Thus, last March (1992), it organised a Seminar on Applied Port and Shipping Management. Managers and senior personnel from the regional ports and shipping industries attended. It fervently hopes that the rapport

established with the participants will be beneficial.

#### 6.3.2 OPEN-DOOR DAY

Biennially, it organises an Open-door Day. Invitation is extended to everyone to come and see at "first hand" what it does and what it has to offer because it has found out that even regular users are not conversant with the system and procedure through which their cargoes go in the Port.

It always uses this occasion to demonstrate its latest technology. During the last Open Day, it displayed its new five-high stacking FEL (Front End Loader), Mafi trailers and tractors, and bagging machines (for the bagging of bulk cargoes such as rice). Rice used to come pre-bagged. It is hoped that it will henceforth be brought in bulk and then bagged in the Port. It is very proud that it is the first in the region to use it. Everyone seemed to be impressed!

Films and Videos were also used to elucidate what it does.

By doing all these, it hopes that, at the end of the day everybody would have renewed zest, enthusiasm, and confidence in it and its services.

#### 6.6 PUBLIC MEASURES

Inspite of all the above efforts, it discovered that its promotion will never be complete unless it makes

creative use of public communication, such as magazines, newspapers, and in-house newsletters.

Thus, it advertises in the local newspapers. And at least, thrice a year it also advertises in the international maritime press such as Fairplay and Lloyds list. The aim is to inform, if not remind, the world maritime community that it is not only "alive", but where it is and the advantages of its locations; and above all what it can offer to satisfy their needs.

Its image is undoubtedly a great determinant in a customer's decision-making process, especially when a port routeing decision is often already taken before the port is even aware of it - let alone carry out any marketing actions. And since its image cannot certainly be established overnight through, for example, a simple personal visit, a regular advert on the international press is a sine qua non.

Apart from the adverts in the local and international press, it has its in-house publications as well. It publishes a quarterly magazine called the Waterfront. It covers every department and section vis-a-vis their respective role and performance hitherto towards its corporate commitment. A quarterly review on the Traffic (throughput) is also always included. And at the end of the year, it publishes an annual handbook.

It also has a monthly newsletter that covers the social activities and welfare of staff, employees and their families.

6.6a

COMMENT

Firstly, the object of these publications is to keep its customers and interested parties well informed about its current and new developments, projects, and performance so as to convince them to use or continue to use its services.

Secondly, they are the media for disseminating information within the port.

It hopes that they will imbue a sense of participation and belonging among staff and employees and ultimately stimulate their motivation and interest.

6.7

GRATITUDE<sup>e</sup>

Christmas is a time of festivity. As a result, it always holds its annual General Manager's Dinner on the first Saturday after Christmas. It uses it to express its gratitude and appreciation to all its customers.

This Dinner, which is always held in one of the top hotel, is such an important event in its calendar that, even around July, they start talking about and looking forward to it.

In addition, it has gifts and souvenirs such as pens, ties, scarfs, plaques and umbrellas (because it rains heavily between June and October) with its insignia and logo

GENERAL COMMENT

Its overall objective in trying to find the right mixture couple with an aggressive promotional policy is to:

- a. build awareness and interest in its service and organisation;
- b. differentiate its services from those of its competitors;
- c. communicate and portray the benefits of the services available;
- d. build and maintain a commendable image and reputation; and
- e. persuade them to buy and use the service through information, persuasion, and reminder.

However, it is aware that if its service is "bad" to the extent that it is not up to what they want or need, then unless it realises it promptly, it would be financially fatal. There should never be any lapse in communication between them (port and customer).

In order to prevent that happening, it embarked on Marketing Research which it hopes will bridge the gap between them.

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## CHAPTER SEVEN

### THE RAISON D'ETRE FOR THE MARKETING RESEARCH

Prior to the setting up of the Marketing Department, neither Top Management nor any other senior staff knew what Marketing Research means or what it is all about. However, since then they have learned that it is "the means used by those who provide goods and services to keep themselves in touch with the needs and wants of those who buy and use those goods and services."<sup>1</sup> In other words, "it is the systematic process of gathering, analysing, and interpreting relevant information for decision making."<sup>2</sup>

Consequently, in order to find out how it works the Marketing personnel were requested to conduct a research on the Throughput Analysis.

## 7.1 WHY IT CHOSE THROUGHPUT ANALYSIS?

Although its Throughput has been rising for the past years, yet it was still having excess capacity. Everyone it seemed, was perplexed by this paradox, for how can there continue to be excess capacity when traffic was increasing. Thus, it was determined to find out. The Director of Marketing was, subsequently, ordered to ensure that this paradox was solved.

## 7.2 HOW IT WAS ACCOMPLISHED?

### 7.2.1 Problem Definition<sup>3</sup>

The first thing they did was to state and define the problem thus: "Why should there be excess capacity whilst throughput was increasing?"

### 7.2.2 Research Design<sup>4</sup>

After defining what they wanted to examine, they then drew up a Master Plan where they identified and chose the tools and procedures they were to use to collect and analyse the information pertinent to the research programme.

Obviously, they took the usual step of not only relying on experience and observation, but on secondary and primary data as well. But since it (Port) has a plethora of customers, it would be difficult, if not impossible, to get information from all of them. As a result they had to select a sample.

### 7.2.3 Selecting The Sample<sup>5</sup>

Firstly, they ensured that every group was represented. At least 10% of every group: shipowners, ships' agents, freightforwarders, importers, exporters, and all the users were selected. The 10% was a rule of thumb.

Then, secondly, the population within the 10% (quota) were randomly selected. It was done on the assumption that they already represent all the users.

Lastly, after having determined the sample they then proceeded to collect the data.

### 7.2.4 Data Collection<sup>6</sup>

#### 4.1 Observation

They looked at their (customers) behaviour pattern, such as how and when they were using the Port. They were observed for a year.

A year was assumed to be sufficient for any one to be able to draw positive conclusion on anyone's behaviour.

#### 4.2 Secondary Data

They culled information from maritime publications, such as Lloyds List; Shipping Economist; Fairplay; and Journal of Commerce.

These publications provide invaluable information on how the global seaborne commodity trades; the shipping and cargo technology are evolving and progressing.

#### 4.3 Primary Data

They had face to face, informal discussion and conversation with them. And for those they could not reach directly, they either telephoned, telexed, or faxed

In most cases, even where they had already spoken to them they still sent them questionnaires. It must be said that they were all very cooperative, helpful, and frank.

#### 7.2.5 Data Analysis<sup>7</sup>

No doubt, to collect data may be a difficult task, but how to collate it afterwards may be more daunting.

However, they were able to sieve through all the flood of information: oral, written, and statistics; collate and analyse them. And this is the result of the analysis:

Table 1<sup>a</sup>

General cargo traffic in the  
Port of Talhadi (1980-1985)  
in million tons

	I 1980	I 1981	I 1982	I 1983	I 1984	I 1985
I	I	I	I	I	I	I
I-----I-----I-----I-----I-----I-----I						
I Conventional	I 1.36	I 1.20	I 1.01	I 0.90	I 1.21	I 0.68
I-----I-----I-----I-----I-----I-----I						
I Ro/Ro	I 1.96	I 1.82	I 2.04	I 1.87	I 1.96	I 1.91
I-----I-----I-----I-----I-----I-----I						
I Container	I 4.77	I 6.09	I 5.23	I 5.02	I 6.00	I 5.42
I-----I-----I-----I-----I-----I-----I						
I	I	I	I	I	I	I
I Total	I 8.09	I 9.11	I 8.28	I 7.79	I 9.16	I 8.00
I-----I-----I-----I-----I-----I-----I						

7.2.6 Draw Conclusion<sup>a</sup>

From the above table, they were able to deduce what was happening in the market. They deduced that although throughput has been increasing, yet it has been losing a share of the market. As a result, they then prepared a report for Management.

#### 7.2.7 Report▼

In their report they stated, inter alia, that:

- a. there was a continuous decline in the conventional cargo market;
- b. export has been going up, but shipment are boxes;
- c. import has been on the increase as well, but 90% go by containers, whereas previously only 35% were containerised;
- d. the rice transshipment for an inland landlocked country is now also being handled by a neighbouring competitive port.

#### 7.3 Was It Worth It?

- 3.1 Firstly, it enable it (the Port) to realise the marketing philosophy that the customer is the key to any port's success. No port will consistently know what will satisfy them without research.

Indeed, the common mistake that a port can make is to assume that "it knows what its customers want."<sup>9</sup> But unless it can satisfactorily answer the following:

1. How do you know?<sup>10</sup>

2. When did you last check?<sup>11</sup>

it should not claim to know.

The Port of Talhadi knows because it has just checked.

In today's highly competitive environment, there is no substitute for keeping in constant touch with the market place.

Surely, it can never be overemphasised that the markets are constantly changing and so are the requirements of the customers.

Regrettably, however, it is so easy for a port to get so involved in one market or on one sector of a market that it is not able to consider the whole market for its range and quality of service that it may miss or be missing potential opportunities in other markets.

3.2 Secondly, it let it know what was going "wrong"; why there was overcapacity whilst throughput was increasing.

Since it offers an intangible but perishable service, it is imperative that it understands and appreciates:

- a. why they want or do not want its services;
- b. the determinants affecting their behaviour, such as social, geographical, political, or even incomes or population growth;
- c. the "buying" patterns as to how and when they use it; and

d, who and what influences their decisions?

3.3 Thirdly, it enables it to determine if a set of needs and wants exist for the services it offers; and

a. on what scale do such needs and wants exist;

b. what economic value, if any, will they attach to the satisfaction of those wants; and

c. how much will it cost it to provide the satisfaction of those wants and needs; and

d. in what sense and to what degree are those wants unsatisfied, or inadequately satisfied?

#### 7.4

#### COMMENT

Henceforth, everyone is unquestionably confident that Marketing Research must form the basis of an on-going system for gathering intelligence about the Port, its services, and its markets.

Although such intelligence is often gathered informally and perhaps, even, subconsciously by Managers in the course of their routine duties by observing; listening to discussions; talking to colleagues in the industry; and reading trade and other technical journals and paper it is invaluable that this process should be supported by more by more formal procedures carried out in a systematic and scientific way.



Consequently, within its Marketing Research section, it has set up a Port Marketing Information System (Portmis) so as to ensure that it has a system for the regular, planned collection, analysis, and presentation of data.

One of the benefits of this is that Management can find and use the facts relevant to a given problem quickly.

Indeed, information is crucial to the Strategic Planning process. Every port, undoubtedly, needs varying types of information, but it is a truism that the Port that has the greatest understanding of the particular market sector than its competitors will have a competitive advantage.

Obviously, it will not only benefit from the speed of reaction to changing conditions, but also the ability to define opportunities more accurately than its competitors.

Truly, such advantages will only materialise if it is able to interpret accurately, and use effectively, the information that is available.

Consequently, it has started Forecasting as well.

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## CHAPTER EIGHT

### WHY IT MAKES A FORECAST ?

The Report of the Market Research explained the reasons for the steady increase in Throughput and excess capacity. But, regrettably, it could not assuage Top Management's anxiety as to what might happen in the future. In other words, it could not predict if this trend will continue. Even the Portmis could only facilitate the planned collection, analysis, and presentation of the data.

As a result, it knows that if it is to effectively plan ahead, it will need some knowledge of the future.

The fact that over the last few years a particular type of traffic has been increasing does not in itself mean that the trend will continue. Trend can reverse themselves quickly.<sup>1</sup>

Consequently, like Market Research, Forecasting is also a section of the Marketing Department. And its (Forecast Terms of Reference is:<sup>2</sup>

- a. To find out what type of tonnage will move through the Port;

Is there likely to be any changes in the pattern of

tonnage handled or will it remain the same?

- b. How will these cargoes be packed and carried as maritime cargo?

The impact of unitisation and containerisation has been so dramatic that it wants to be prepared for any changes.

- c. What types of ships will this result in?

Which comes first: the cargo or the ship? There is indeed a "chicken and egg" scenario. However, it is imperative for it to know what types of vessel will be evolving.

- d. What will be the demand on the inland transport modes?

Obviously, different cargoes will need different mode of transport.

## 8.2 Implementing its tasks.

### 2.1 Assumptions

The first and most important thing it did was to make the following empirical assumptions:<sup>25</sup>

- a. That it (Port) has done nothing to prevent the traffic arriving; but instead
- b. it encourages it by providing reasonable facilities; and
- c. It is "capitalising" on its strengths.

## 2.2 Collecting The Data.

A. It set up a committee of:

1. The Port's Traffic Manager;
2. Representatives of shippers and shipowners interest;
3. National Chamber of Commerce; and
4. representatives of other users.

It (forecasting team) has made a policy to have regular interviews, discussions and meetings with this committee. It is expected through this direct contact, that they will always be abreast with not only present programmes but also with future developments.

B. It collects all traffic statistics from the Traffic Department. But the most relevant are:<sup>4</sup>

- a. The total tonnage handled and the total tonnage this represents;
- b. the average ship turnaround time (including waiting /service time).
- c. the average tonnage (or number of containers and TEU) loaded and discharged per ship.
- d. the average gang productivity.

- e. the output per 24 hours per ship (per ship type)
- f. the percentage of ships with a specified type of equipment, such as shipboard cranes or stern ramps
- h. the maximum draught on arrival and departure.

### 2.3 Procedures.

Obviously, statistics and data do not mean anything until they can be collated and analysed. And that is exactly what it has been doing.

#### A. Analysing The Data:

Firstly, it examined the existing traffic in detail, on a year by year basis going back for at least three to five years.

Then, secondly, it divided it by:="

- a. country of loading or discharging;
- b. major cargo class.

#### 1. Country

The countries of loading or discharging were first divided respectively. Then, they were classed by region.

The reason for dividing it individually was because it

made it easier to forecast since it takes account of political and other externalities; and by Region because the same kind of cargo from the same loading/discharging area would be always carried in a similar mode.

## 2. Classes

They were grouped into classes in order to estimate:

- a. The volumes of cargo; and
- b: the no. and types of ships that carried them.

### 2.4 Making the forecast.

After collating and analysing all the data, it then made the forecast. And this is how it was done:

#### A. Method Used: Least Squares.<sup>4</sup>

##### i. Conventional Traffic:

X	X <sup>2</sup>	Y	Y <sup>2</sup>	XY	
1	1	1.36	1.8496	1.3600	
2	4	1.20	1.4400	2.4000	
3	9	1.01	1.0201	3.0300	
4	16	0.90	0.8100	3.6000	
5	25	1.21	1.4641	7.3205	
6	36	0.68		0.4624	2.7744
-----					
21	91	6.36	7.0462	20.4849	

$$\bar{X} = \frac{21}{6} = 3.5$$

$$\bar{Y} = \frac{6.36}{6} = 1.06$$

$$b = \frac{\sum XY - n \bar{X} \bar{Y}}{\sum X^2 - n (\bar{X})^2} = \frac{20.4849 - 6 (3.5) (1.06)}{91 - 6 (3.5)^2} =$$

$$\frac{20.4849 - 22.26}{91 - 73.5} = \frac{-1.7751}{17.5} = -0.1014$$

$$b = -0.1014$$

$$a = \bar{Y} - b\bar{X}$$

$$a = 1.06 - (-0.1014) * 3.5 = 1.4149$$

$$Y_c = 1.4149 - 0.1014 X$$

$$1990 \text{ corresponds to } Y_c = Y_{11} \text{ (as } 1980 = Y_1)$$

and hence:

$$Y_{11} = 1.4149 - (0.1014) (11)$$

$$Y_{11} = 0.2995 \text{ million tons}$$



ii. RO/RO Traffic

X	X2	Y	Y2	XY	
1	1	1.96	3.8416	1.96	
2	4	1.82	3.3124	3.64	
3	9	2.04	4.1616	6.12	
4	16	1.87	3.4969	7.48	
5	25	1.96	3.8416	9.80	
6	36		1.91	3.6481	11.46
-----					
21	91	11.56	22.3022	40.46	

$$\bar{X} = \frac{21}{6} = 3.5$$

$$\bar{Y} = \frac{11.56}{6} = 1.927$$

$$b = \frac{40.46 - 6(3.5)(1.927)}{91 - 6(3.5)^2} = \frac{-0.007}{17.5}$$

$$b = -0.0004$$

$$a = 1.927 - (-0.0004)(3.5)$$

$$a = 1.9284$$

Hence the expected ro/ro traffic in 1990 is:

$$Y_{11} = 1.9284 + (-0.0004)(11)$$

$$Y_{11} = 1.928 \text{ million tons.}$$

iii. Container Traffic

X	X <sup>2</sup>	Y	Y <sup>2</sup>	XY
1	1	4.77	22.75	4.77
2	4	6.09	37.09	12.18
3	9	5.23	27.35	15.69
4	16	5.02	25.20	20.08
5	25	6.00	36.00	30.00
6	36	5.42	29.38	32.52
<hr/>				
21	91	32.53	177.77	115.24

$$\bar{X} = \frac{21}{6} = 3.5$$

$$\bar{Y} = \frac{32.53}{6} = 5.4217$$

$$b = \frac{115.24 - 6(3.5)(5.4217)}{91 - 6(3.5)^2} = \frac{1.3843}{17.5}$$

$$b = 0.0791$$

$$a = 5.4217 - (0.0791)(3.5)$$

$$a = 5.4217 - 0.2769$$

$$a = 5.1448$$

and hence the container traffic forecast for 1990 is then:

$$Y_{11} = 5.1448 + (0.0791)(11)$$

$$Y_{11} = 6.0149 \text{ million tons}$$

Table 27

Comparison of forecasted traffic  
with actual traffic in 1990.

	Actual		Forecast	Difference
	1985	1990	1990	
Conventional	0.68	0.50	0.30	-0.20 (-40 %)
Ro/Ro	1.91	2.88	1.93	-0.95 (-33 %)
Container	5.42	8.34	6.01	-2.33 (-28 %)
TOTAL	8.00	11.72	8.24	-3.48 (-30 %)

2.5 A Word of Wisdom.

The differences in the above prediction show that Forecasting, per se, is an unreliable science. The sheer number of different factors which influence the flow of international shipping make it difficult, if not impossible, to create an economic model that will permit accurate forecast to be made. Thus, the volatile nature of shipping means that unforeseen events can overtake projected forecasts (especially those longer than one year).

However, the difficulty of predicting future events has not discouraged the team for it realised that very often, a re-examination of a forecast made earlier shows that a vital event was not foreseen. And consequently, this inadvertent omission does not destroy the value of forecasting or mean that it was a bad forecast.<sup>2</sup>

It is, indeed, impossible, to do more than prepare a forecast that is based on the best information available. Surprise events or circumstances can never be foreseen. The possibility that they will happen is a primary reason for providing flexibility in the development plans, and thus confirming the already expressed need to continuously update and revise forecasts, rather than consider them as one off exercises.<sup>3</sup>

Thus, whenever the Marketing Plan is being designed it incorporates:

- a. short-term forecasts (between three and six months)

It will be useful in making day-to-day tactical decision

- b. Medium-term (up to five years).

It is used as an aid in strategic marketing decisions. such as the development of new services.

- c. Long-term (five to ten years).

It will help to pinpoint changing trends in international shipping, thereby enabling it (Port) to action.

### 8.3

#### Is It (Forecasting) Necessary?

Forecasting is all about the minimization of risk.<sup>10</sup> One of the largest risks that it (Port) can face is the inability to foresee rapid changes which can cause either a dramatic increase or decline in the demand for its services. Undoubtedly, either will definitely cause it greater problems than it can immediately deal with.

Consequently, any advance warning of these "turning points" will enable and allow it to make resources such as more capacity or more promotion available.

Indeed, the planning for change involves not only the ability to react rapidly to changes in the environment, but above all the ability to anticipate major changes in all factors that will affect the Port. It follows, therefore, that it must be able to decide where it should be investing and what the rate of return is likely to be. But how can it do that, if one may ask? Only if a forecast is prepared to reflect the anticipated results with projected throughput, profitability, and cash flow. Subsequently, the forecast will inevitably influence and characterise future Marketing Plans. But why?

If, for example, the throughput is forecast to fall by  $\pm 10\%$  in the coming year due to dramatic meteorological changes, it will be incumbent on the Marketing Department to consider ways in which this shortfall can be made up through new service development; increased promotional activities; or what other means the department can devise.

Inasmuch as it must know where it is at the moment, but most importantly, it must unequivocally determine where it is going and where it hopes to be in the future. It lives and perform in two time periods: today and tomorrow. Tomorrow is being made today. In turbulent times Managers cannot assume that tomorrow will be an extension of today."<sup>11</sup>

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## CHAPTER NINE

### THE SYNTHESIS

The Effectiveness of Port Marketing is, indeed, all about defining the market for its range and quality of services; what the consumer may currently want or might want in the future; or what may or may not happen to affect this demand.

Since the advent of containerisation, the enviable role of the Port as the only "gateway" for a country's import and export has been challenged by other modes of transport. And to exacerbate the situation, the Landbridge philosophy has been gaining currency. The inevitable question, therefore, that one must pose, and for which pertinent answers must be given is what role will the Port play where a Landbridge becomes the vogue. For example, boxes are now moving from Asia through USA west coast Ports and overland by landbridge to destination such as Chicago and New York, which would previously have moved through the Panama Canal, and through the USA east coast Port.

Thus, the Top Management of Ports the world over should not sit on the fence, but should start looking and planning ahead. And coming from West Africa, one must ask what will happen to the Ports of West Africa if a landbridge between Senegal in the west and Tanzania in the east becomes a reality?

Consequently, the challenge of Port Marketing is to define the needs of the market in relation to what the Port can most profitably provide, and continue to make these decisions in a changing environment. And to provide and supply a range and quality of service and above all "sell" it profitably should be such an elaborate undertaking is a sine qua non, due to the complexity of the environment in which the modern Port operates.

Ports have Marketing Departments because they need them! In order to survive and grow, its Management must not only be able to sustain demand for its services, but must be able to provide answers to the following questions:

- a. Who
- b. What
- c. When
- d. Where
- e. Why and
- f. How

shall it organise to sell ? Which competitors does it most need to take account of ?

Indeed, finding the solutions is the unique contribution of Marketing to a successful Port operation. However, the questions will always arise because the scale and scope of human activities will mean that situations are



no longer and will never be as clear cut as they were in the past. The speed of change demands more accurate definition of both problems and possible solutions.

No Port can survive long if the services it produces are not "bought" in the volume and at the prices that will cover the costs of borrowing money to buy equipment, and pay salaries. At first, it was held that a way of solving this problem was to sell more cheaply than its competitors. Although a technology change may give the Port an advantage, it is obviously not long before its competitors find out how to match the price.

Undoubtedly, at the end of the price war, the Ports often find that neither they nor their competitors have gained. All that has happened is that each Port is earning less profit.

Thus, as Peter Drucker explained that the purpose of a business is to make and hold a customer (1), shipowners, shippers, importers, exporters, and all the consumers of the Ports will choose a Port that satisfies their needs.

No doubt, if the Port can understand these problems and needs better than its competitors, it will be well placed to meet these needs and help to solve these problems better. Inevitably, the Port must be able to do this at a profit though, which means that they must, by and large, understand what their customers are willing to pay.

Indeed, as "society" changes, new problems and new needs may emerge which existing services may be less capable of solving. The old services are threatened, and so are the Ports who stuck with them. Thus, most changes in society inevitably represent opportunity for new services and new Ports. Truly, the Management of Ports that can correctly read the signs, identify these needs, and develop new services will grow. And those who miss the opportunities will stagnate or decay.

Regrettably, it is no surprise that the most frequent reason for the failure of new services is not that it is a bad service, but because the Management has simply not checked if a need exists; and that most crucially, it can provide a greater benefit than competing services; or that the potential customers are identified and informed of the service, and what it can offer them.

Truly, until and unless a demand has been created and satisfied a market cannot exist at all. Subsequently, the port will only earn profit from the efficient creation of services and its ultimate supply to the consumers. This invariably implies that the whole Port must be established on a Marketing aspect, which will in turn impart to TOP Management the responsibility for directing the Port and its Personnel to the understanding that the eventual consumer is the ultimate being upon which the Port will depend.

Indeed, for any Port Marketing Policy to be successful, and not merely a contrived statement, Top Management

should have certain broad aims (Mission) and abilities (Strategy). Amongst others, it must have the will to succeed; must be creative, flexible, and have the ability to operate within defined principles.

Similarly, established Ports have failed because either:

- i. They have not identified changes in what the market wants;
- ii. They have not reacted to or forestalled the introduction of something better by their competitors;
- iii. They were unaware that the technology or social developments were making their Ports obsolete.

Surely, when failures of established Ports are analysed, it is found that they either lack the awareness that the market environment has changed; or that they have failed to make the appropriate changes in operations and structure to fit themselves to the new situation. If, however, they have responded to the new environment they have definitely not done so quickly enough.

Levitt in his talk on "Marketing Myopia",<sup>2</sup> gave reasons for the failure, decline and demise of the Railway industry. He explained, inter alia, that the railways failed because they had allowed their customers' needs to have been filled by other modes of transport. The customers were gained by other modes of transport because the railways thought of themselves as being in the "railway" business rather than in the "transport" business; and the reason why they described their

industry wrongly was because they were "railway" oriented and not "transport" oriented. They were "product" oriented and not "customer" oriented.

Surely, there will be no mercy for any Port that adopts similar philosophy. A comparable fate will befall it! The great success stories, therefore, are about Ports who not only identified the needs for their services, but also exploited them in a creative way. They are also about the Ports who, having met a demand once, continue to innovate by maintaining close relationships with their customers.

Anticipating and responding to the fast-changing competitive environment is fundamental to the success of a Port. No doubt, to lose this deftness of touch is delirious! Port Marketing, therefore, does not stop at the Port gates! And that is exactly what the Port of Talhadi has been doing: providing what the customer wants today whilst preparing the wants to satisfy their tomorrow needs. It knows that the best way to win is to maintain a close contact with them, listen to them, discuss with them, help them, and satisfy them.

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## CHAPTER TEN

### The Last Word

The changes in transport technology have had and continue to have profound effects on the Port routing of cargoes and on the shipowners decisions as to their choice of Ports.

In the past, services tended to be tied to the use of certain traditional Ports in or near major industrial or population areas that provide the necessary complex of shipping and related facilities. Shipowners did not like to move their services because of shippers assumed preference in favour of these Ports. However, the development of Containerisation and the Through Transport, coupled with the parallel developments in Inland transport have given shipowners a new freedom to choose what are to them the the "best" Ports.

Regrettably, this new "Freedom", and the related economic pressures to concentrate on far fewer Ports have already resulted in the demise and stagnation of many Ports.

Undoubtedly, in order for a Port to capture and hold a market it will need a vision of the future that will be understood and endorsed by all decision makers. But how can it do that ?

Obviously, the process starts once again with Top Management identifying the basic mission of the Port. That means it has to state quite clearly its goals and objectives: the "golden" theme of what business it is in.

Rather sadly however, but for a few Ports, Ports the world over do not have Top Management that understand what:

- a. Marketing is; or
- b. Its importance to a Port's success.

These executives seem to equate Marketing with Selling, and consequently they fail to consider other parts of the Marketing System. Moreover, if one may ask: How many Ports have an Executive whose sole responsibility is Marketing ?

No doubt, whilst Port Marketing will fascinate some, it will surely frighten a few, if not frustrate many! It will obviously have its champions, its charlatans and critics. As a result, claims about it will range from Management panacea to academic futility.

Surely, Port Marketing can benefit from sound academic probing and the resulting bank of academic data. Indeed, at the end of the day, its real worth will be judged by how it helps Ports to win against severe domestic and international competition; and the strategic "weapons"

it provides to achieve this success. .

Thus, the fascination of Port Marketing lies with the hidden dimension: the definition of Opportunities and the planning to achieve success. Consequently, the Marketing of a Port is a key factor to its survival! If, then, it is to be successfully managed, it must be carefully planned, the required results identified, and the activities which will bring these results about thought through, organised and controlled. And most importantly, at the end of each period of the Plan, a review must be made of the success achieved hitherto; and how even better results could be achieved in the next period. It is hoped that in this way, the Port will gain an increased understanding of its business; gain in confidence; and increase its power to compete, flourish, and survive. Marketing therefore will make the Port a better informed industry provided it always remembers that:<sup>1</sup>

- the customer is the most important person in the port; whether or not he is personally there; writes it a letter; or calls on it by telephone;
- the customer does not depend on the Port. Instead, it is the Port which depends on it;
- the customer is no interruption of its work; but rather its aims and objectives;
- the Port does not do him a favour if it serves him. Instead, he does it a favour if he gives it a chance;
- the customer is not an outsider, but a living part of its business;



- the customer is not somebody with whom it should hold debates; or on whom it should try to measure its intelligence. Nobody has ever won a dispute with a customer;
- the customer is somebody who presents it his wishes. It is its obligations to fulfil such wishes to the mutual benefits of each party!

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