World Maritime University Dissertations                    Dissertations

2005

# The analysis of Customer Relationship Management (CRM) in Vietnam National Shipping Lines (VINALINES)

Vu Thi Thuan
*WMU*

Follow this and additional works at: https://commons.wmu.se/all_dissertations

## Recommended Citation

# WORLD MARITIME UNIVERSITY
Malmö, Sweden


# THE ANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN VIETNAM NATIONAL SHIPPING LINES (VINALINES)


By
**THUAN VU THI**
**VIETNAM**


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


**MASTER OF SCIENCE**
In
**MARITIME AFFAIRS**

**(SHIPPING MANAGEMENT)**


**2005**

# DECLARATION

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

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

(Signature): ……………………

(Date): …………………………

Supervised by: Professor, Shuo Ma,
World Maritime University

Assessor: Associate Professor, Patrick Donner
World Maritime University

Co-assessor: Associate Professor, Gerhardt Muller
Marine Transport Department
New York Marine Academy

# ACKNOWLEDGEMENTS

# ABSTRACT

Title of Dissertation:   **The analysis of Customer Relationship Management of Vietnam National Shipping Lines.**

Degree:                                    **MSc**

In this dissertation, the author investigated Customer Relationship Management (CRM) of Vietnam National Shipping Lines (Vinalines). The analysis identifies the company's necessity of having a complete CRM system. The initial literature review investigated CRM in general: What is CRM, what are fundamentals of CRM, and what are the prerequisites of a successful CRM implementation. This analysis also discovered that customer segmentation plays a key function in CRM system. Through segmentation, different groups of customers will be classified. The company can therefore have more appropriate marketing strategies to obtain and retain them, especially the key customers.

The CRM case study of Vinalines was made through 4 year customer analysis. Accordingly, the top 50 customers over the years was sorted out and segmented. The Boston Matrix Model was used to group them into Stars, Children Problems, Cash Cows and Dogs. Further analysis was made to find out the Golden, Bronze and Silver customer among those in the Stars group. Several suggestions regarding marketing strategies applied to different groups of customers were made, along with the analysis of the company's SWOT, cost/benefit effect and people deployment. The detailed discussion of marketing strategies applied to four golden customers was made. With the purpose of giving guidelines regarding the CRM implementation, the suggestions on this research are not the definite solutions for Vinalines. As the suggestions are made based on the limited information from the customers and other resources, they can therefore be much different in the reality.

# TABLE OF CONTENTS

## FIGURES

## TABLES

# LIST OF ABBREVIATIONS

CRM:             Customer Relationship Management

B/L:             Bill of lading

TEU:             Twenty Equivalent Units

VOV:             The Voice of Vietnam

VIETCOMBANK:     Vietnam Commercial Bank

VINACAFE:        Vietnam National Coffee Corporation

LEFASO:          Vietnam Footwear Association

VAP:             Vietnam Seaport Association

VINATEX:         Vietnam Garment and Textile Corporation

## *Chapter 1. Introduction*

## 1. Problem discussion

*"They may forget what you said. But they will never forget how you made them feel"*

Carl W. Buechner

The statement of Carl W. Buechner somewhat indicates the change of behaviour to customers of any company nowadays. Marketing is not a new concept. From the Mid-20th Century, it has been perceived as a set of tools pertaining to product, price, distribution and promotion (James, 2001). However, the marketing concept now is changed from the product-based to the customer-based approach. It is all about increasing customer satisfaction through creating value for customers, not just making sales. Traditionally customer relationship management (CRM) was simply considered as a marketing activity mainly focusing on conveying new products to customers. A new point of view on CRM has occurred due to the high demanding customer, globalisation and fierce competition.

Having a successful CRM requires the company to have comprehensive market segmentation. The company cannot serve all kinds of customers at the same time; therefore, it is necessary to focus on targeted markets where the company can make use of its strength and advantages and serving customers most effectively. Market segmentation is "the division of a large, undifferentiated market into smaller homogeneous subgroup or segments, which have a common characteristic, or interest, or need" (Ma, 2005, pp 23). In other words, market segmentation is the process of splitting customers in a market into different groups, or segments, within which customers share similar level of interests in the same set of needs satisfied by a separate marketing proposition.

In general, it is not simple to segment the market and not all market segmentation is successful. Customers usually do not care about how the company segment their markets, and they may even segment by themselves. The main concerns to them are price, quality and product services. When choosing between competing products and services, customers select the proposition that meets their needs better than any other. To win market share, therefore, a company must ensure that their offers meet the customer' needs better than any other at a price that customers perceive as providing superior value for money they spend, which does not necessarily mean it has to be the cheapest. Consequently, market segmentation must be based on the needs of customers and the potential abilities of the company to meet such needs. A clear perception and understanding about market segmentation is very crucial to any company, because any wrong step on segmentation project will probably cost the company a fortune.

Vinalines, the Vietnamese biggest shipping corporation, has recognised CRM as one of the most important activities in the company operation. However, merely having marketing people seems not to be enough to keep up with the change of the new pattern in CRM as required in this competitive market today. This research desires to discuss and build up a CRM model which can be applied to the company, with the hope that the improved CRM will be one of the main elements to enable Vinalines to increase its domestic market share in coming years, as well as participating actively in the regional transport market.

## 2. Objectives

The dissertation will start with the introduction of CRM, its historical overview, followed by understanding of marketing concept. The main part of this research is to discuss the CRM activity in Vinalines. Conclusions will be drawn with some suggestions on the CRM model that can be applicable to the company's conditions. A number of questions will be addressed in this research as follows:

> ➢ What is the new pattern of CRM?
> ➢ What is the current CRM of Vinalines?
> ➢ How are customers segmented?
> ➢ What are the marketing strategies applied to different groups of customers?
> ➢ What possible CRM model is applied to the company?

## 3. Proceeding

The first chapter of this dissertation makes an overall introduction and treats the methodology used during the research. This chapter is included in order for the readers to be able to evaluate the methodological choice made in this dissertation. The research approach, the way of data collection and processing will be discussed in this chapter.

Chapter 2 will focus on an overview of CRM, its definition and understanding. Several examples of CRM activities from related service industries such as airlines, banking, insurance and logistics will be represented. In the main part, detailed steps of customer segmentation will be presented. Beside, several examples of customer segmentation from Maersk Sealand will be used to make as an example into the case of Vinalines in the later part of this study.

The empirical part of the study will be presented in Chapter 3 which is aimed at generating data related to the initial theoretical frame of reference. Lists of customers of Vinalines covering their name, amount of freight, volume, type of cargo and destination for the last four years will be aggregated. Accordingly, specific groups of clients along with their total volumes, freights, and loyalty level will be set up. This chapter will also find out the key customers, loyal customers and also potential customers.

Chapter 4 will be followed by a further analysis about key customers. A scale of point will be made based on the market share of customers and their loyalty level to further find out the golden customers among those key ones. Besides, this chapter will discuss and analyse the strengths, weaknesses, threats and opportunities (SWOT) of Vinalines in the context of CRM implementation.

In chapter 5, marketing strategy will be presented and analysed for some groups of customers, mainly for the golden customers. Based on their business performances and future objectives, along with the information and analysis from previous Chapters, the study will attempt to discuss some solutions that Vinalines should do to retain these golden customers, and treat other groups of customers.

Chapter 6 will make conclusion and recommendation to the company regarding CRM implementation.

## 4. Methodology - Research approach

There are four main types of research approaches that are commonly used, namely descriptive, explanatory, exploratory and predictive (Lekvall and Wahlbin, 2001).

The *descriptive* approach is mainly employed when the researcher is aiming at showing the characteristics of a particular problem area. The *explanatory* approach implies that the researcher wants to establish relationships between a numbers of variables. The *explorative* approach is used when the researcher has limited knowledge about the subject and the needs to identify the research issues to address. Finally, the *predictive* approach is employed if the researcher aims to do a prognosis for the future development.

In this dissertation, most of the research conducted in the theoretical framework is based on an explorative approach with an aim to build up a guideline for the case study of Vinalines. In the presentation of the empirical findings, the descriptive approach will be applied in discussing how the company is implementing CRM, and an explanatory approach will be used in analysing the company's CRM in relation to the theoretical guidelines as made in previous part.

## 4.1 Qualitative and quantitative study

The central idea of the qualitative method is to create a deeper understanding of the problem studied. The knowledgeable purpose with this method is primarily to understand, not to explain. The characteristics of the quantitative method are an ample use of statistics, mathematics and distinct guidelines on how to conduct the research. The purpose is to explain the correlation between cause and effect of the research phenomenon, and to prove if the achieved results are valid for the whole population within the study (Lekvall and Wahlbin, 2001).

To accomplish the purpose of this dissertation, the study will be based on both quantitative and qualitative methods since both analysis and data collection will be dealt with.

## 4.2 Data collection

This study will apply both primary and secondary data collection to answer the research question. The primary data is collected from the company's annual reports, questionnaires with suitable people in the company, mainly from the Planning and Investment Department, Accounting Department and Shipping Department. It is rational to say that the data collected is from right resource since those people was asked have extensive knowledge in the company's business situation and marketing

information. In addition, data is also collected directly from some key customers' websites, questionnaires, from Vietnam Chamber of Commercial or the Ministry of Trade.

Secondary data is data collected and evaluated by other researchers, and in this case it is the basis for the theoretical framework. This was carried out in different ways. For some parts of the literature review the study used published sources, such as books and articles by authors with extensive knowledge of the subject. For other parts the author used materials from handouts of professors, internet websites since the area in question sometimes can not be addressed in the published books, but from other resources.

There are very few published studies that could be regarded as scientific framework about the marketing subjects, particularly CRM in shipping companies or relevant industries. The theoretical part therefore cannot go deeply into the research of CRM; this part is to mainly focus on discussion of CRM in general theory, in addition to examples from Maersk Sealand as well as other industries such as airlines or banking.

## 5. Dissertation outline

The figure below describes the research process and the correlation between the different parts of this study. It is included in order for the reader to understand the flow of the dissertation.
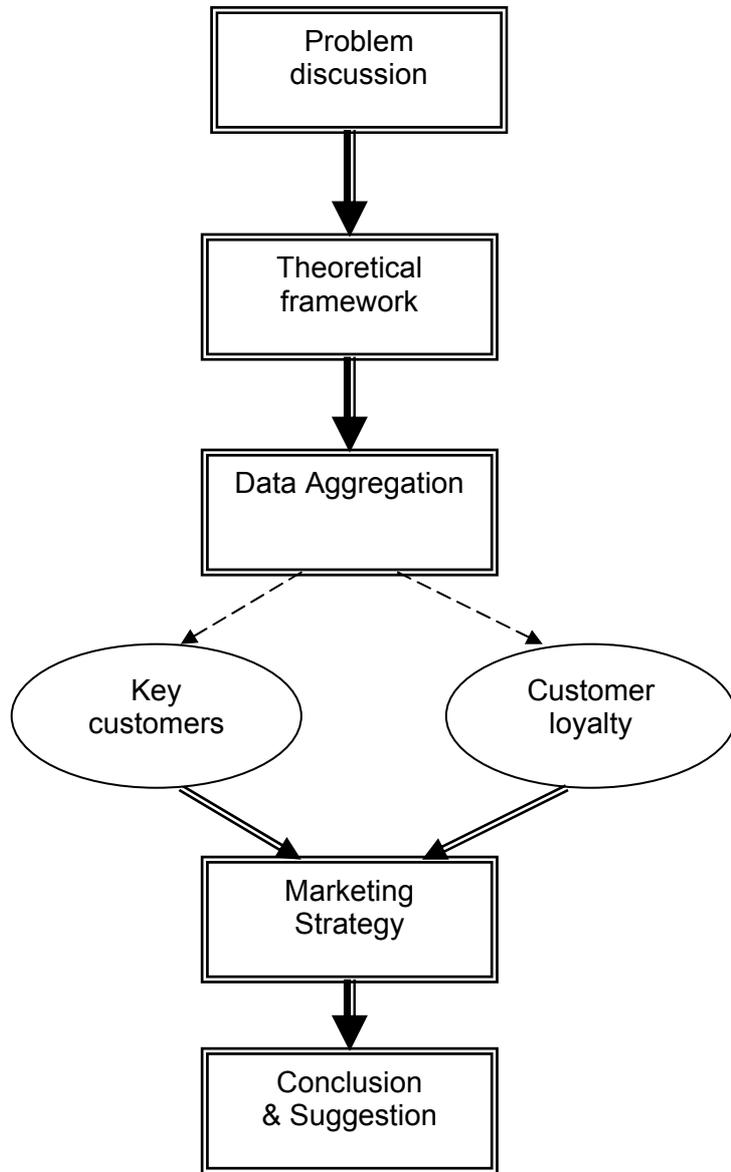
**Figure 1: Flow of the dissertation**

## *Chapter 2. Literature review and theoretical framework about CRM*

*This chapter presents theoretical information concerning marketing in general and CRM in particular. A brief background of CRM will be mentioned in the first part of this chapter. The following part will discuss the steps in making market segmentation, for example defining marketing objectives, choosing the base of segmentation, drawing the map and chart. Several examples of Maersk Sealand will be utilized to support the theory discussed. The final part will talk about customer retention, and marketing strategy.*

---

## 1. Definition and history of CRM

Marketing perception has changed over many decades; it started with the product orientation in the early 50s/60s. At that time companies were primarily focused on achieving high production efficiency, low costs and mass production (Bruhn, 2003). This mass production probably results in abundance of supply and shortage of the end consumers; it made the marketing view to change from the product-based to the market-based approach. From the last decade, competition has emerged even more fiercely due to the increased demands of the customers, highly applied technology and globalization. Marketing is accordingly changing to the customer orientation.

The first CRM initiatives, according to Peel (2002), were launched in the early 1990s, which were focused mainly on call centre activities. Later on companies widened the focus to other aspects such as sales, and additional channels. There are probably numerous definitions of CRM and it is also not simple to judge which definition is more proper than others. Roughly, CRM can be understood as a business strategy to select and manage customers to optimize long-term value. CRM uses one-

to-one marketing to customize messages to the needs of customers segments or clusters (Ma, 2005).

On the contrary, some authors assumed the concept of business relationship occurred as old as the phenomenon of trade itself (Jay, 2002). He also argued that the evolution of this relationship is probably attributed to the change of business itself in the way it operates, consequently it contributed to the development of the CRM. Business relationships today have assumed numerous strategic roles, both within and outside the organization, which were not perceived and utilized in the past. Relationship marketing helps the company to focus on the long term win-win approach instead of the short term financial focus.

The success of CRM the strategy very much relies on the data mining techniques. Many companies nowadays have the database system describing their customers in sufficient details, so that management and salesmen would have better understanding and anticipation of the needs of customers; then they should know what to do to meet such needs. However, having a nice database seems not enough to secure CRM is implemented successfully. Unless having the right perception and implementation, CRM objectives cannot be achieved. CRM does not have to engage in complex software, it is a process for collecting data on how customers behave, then determining their needs from that data, and presenting the business in a way that will meet those needs (Stone, 2001).

## 2. The reasons for a new trend in CRM

In today's fierce competitive market, the most crucial task of any company is to win and retain customers. The emergence of a global marketplace, the increased number of firms, new technology makes it easier for firms to enter into new markets which create such an intensive competition (Jay, 2002). Besides, the increase of numbers of mergers and acquisitions, coupled with the increased number of large institutional

investors, has pushed the company in cutting cost, improving financial performance, restructuring the organisation. Most companies pay much attention to these activities since they are considered to be the factors to decide the success of any business. In addition, companies are now more concerned about their CRM, though this terminology seems to be very theoretical so the numbers of companies disregard it. As most of the decisive factors are more or less the same, the ones who can differentiate themselves by having good customer relationship will gain the competitive advantage over the others. The requirement for having CRM is very high nowadays due to several reasons.

The first is the fact that customer acquisition and retention have become top management priorities of many companies. Many senior managers realize that these matters are the dimension of competitive strategy (Bruhn, 2003). If it can be managed well it will lead to much more profit, but if not, it can lead to the loss of the best customers, missed opportunities in developing customers, and high costs of customer acquisition and management. These all affect the company profitability.

The second driver of the growth of CRM is the development of information technology and its role to the business. Thanks to it, the company can correspond with customers quickly in the most efficient way. It facilitates the company to have a sufficient and effective profile of customers. Any company who has poor identification of this valuable tool may suffer very high cost of customer acquisition.

CRM has been carried out intensively in many service industries such as airline, bank, and insurance. However, much attention has not been paid by the shipping industry. As a result of an interview with senior airline executives done by IBM's 1999 World Airlines Benchmark report (Jay, 2002), the airlines are struggling to balance their top priorities of improving customer service, loyalty and market share with optimizing yield, unit costs, route structure, capacity offered and network match to demand. And they think the competition is fierce than ever due to the advent of the

low airlines, the dramatic improvement in transparency of pricing achieved through Web-based travel agents, which give customers much greater choice. The thing they should do is to participate in alliance to optimize their strengths and to reduce the costs.

As shown by IBM's European Customer Relationship Management Audit for the Travel Industry in 1999, many airlines companies admitted that the information about customers such as lost property, complaints and promotional enquiries, is limited. They also realized the necessity of having effective customer databases and web-based solution to understand more about their customers.

The banking industry also paid not less attention on CRM than the airline. According to Bryan (2002), CRM in the investment banking industry is quite developed which is characterized by two different types of relationship as follows:

- Share of mind relationships: The aim of this one is to build strong and differentiated relationship with key clients. It requires very intensive investment of time by key people in the bank in working with key decision makers of clients.
- Share of wallet relationships: This is involved with very large scale coordination with many banks. The scope and complexity of these relationships increased as the bank set up the network with other banks in sharing customers.

In logistics services, customer management is even more important since the services across national boundaries they offer are very complex not only due to enhanced distance and costs constraints, but also cultural and organizational conditions that influence the utility of specific service offerings among customers. Market segmentation strategies provide several benefits of the organization as follows (John, 2004):

- Costs can be reduced by avoiding redundant or surplus logistics service offerings through the customization of logistics offerings for specific segments.
- The customization of logistics models enhances firm revenue through increased customer satisfaction levels, which in turn increase lifetime customer value to the firm.
- Firms can benchmark externally (relative performance compared to industry averages) and internally (performance increases or decreases within the firm over time) on specific components of logistics services.

The benefits of customer management and segmentation are abundant to all kinds of businesses. Having an effective CRM system helps the company to manage customer in different categories, then having proper marketing strategies to retain them. As the competition in the multinational environment continues to rise, the emphasis on customer service offerings as a differentiator between products will also increase.

## 3. CRM prerequisites

A successful CRM system depends on many factors such as basic business rules or organizational factors. Many companies have very sound financial conditions but they do not have appropriate business strategies to make use of the advantages they have. Many of them do not have marketing plans. On the contrary, some companies are aware of the necessity to have a good CRM system but they lack other supporting tools such as capital or skilled marketing people. This part will discuss some conditions that the company usually takes into account before making their CRM system.

## 3.1 Company's strategy

Relationship strategy today plays an increasingly essential role in the corporate strategy, since it helps to gain competitive advantages over the competitors. Thus the core competency of the firm is creatively developed by the firm's ability to nurture the relationships with various parties inside and outside the organization, which include not only customers but also other parties such as stakeholders, employees, and suppliers. CRM strategy should be4 made and carried out corresponding to the corporate strategy. If not, it may leads to serious results such as wrong target, overlap of using resources, cost money and time. One of the most common sources of failure of CRM implementation is the inconsistency of CRM strategy and corporate strategy (Gillies et al 2002). It was further stated that this is not so important how customers are segmented; more important is the segmentation must complement the business strategy.

## 3.2 Culture and perception

To have a good CRM, the company must have a clear perception and culture about the necessity of having CRM. Jill (2001) stated that most companies lose between 10 and 40 percent of their customers each year which results in bad economic impacts such as downsizings, rightsizings, plant closings, and layoffs. However, not many executives recognize the consequences of losing customers or at least they do not have strong reaction over it. On the contrary, some companies rush to CRM and this creates many problems. Many companies are much disorganized in their approach to the CRM and often fail to understand the requirements of multi-channel strategies, so they start with an approach that works in one channel and collapse (Stone, 2001). For example, simply asking the customer to click on a data item on a Website is not enough, as the company does not know what the customer prefers and how to make them to come back.

A recent study of Forsyth (2002) showed the causes for unsuccessful CRM implementation. As can be seen from Figure 2, software issue is very tiny effect to that of failure, but the company politics and organizational change contribute to almost 50% of the failure. Lack of CRM understanding and poor planning are also very hazardous.
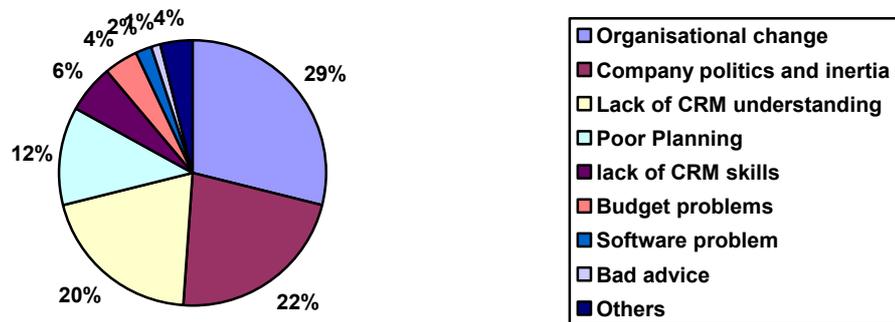


**Figure 2 – Reasons for CRM failure**
*Sources: CRM Forum.com July 2002. Responses from about 900 CRM practitioners, clients side companies, CRM suppliers and Consultants*

In fact, CRM does not create a new way of marketing. It upgrades the existing approach with a more detailed focus on customers. Dickie (2003) indicated that this replacement requires change which most people are afraid of. Addressing these changes can be time consuming and needs to be carried out in the early stage of the strategy. Education and communication help people in the company to understand the need for changes and lead toward a mutual trust of the customer policy.

For some kinds of companies, losing one key customer can cost them a fortune, especially for shipping lines and port operators. The Port of Singapore after losing Maersk Sealand, cost millions of dollars to build a new terminal for the new client,

Cosco. This should be a very important lesson for any company in knowing the necessity of retaining key customers.

## 4. Building customer relationship

Building customer relationship cannot be done with all kinds of customers since the company has limited resources. The important thing needed to be taken into account is to find out the key customers who decide the health of the company, without them the company may not survive. By doing segmentation, these questions will be addressed. This part is going to discuss the steps needed to be carried out in segmentation.

### *4.1 Customer segmentation*

Customer segmentation means that customers who have similar needs and preferences are grouped in the same segment. This phenomenon appeared a long time ago in the economic theory. In 1956, Smith defined: "Market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of customers for more precise satisfactions of their varying wants" (Smith, 1956, pp 3-8). This is being an accurate definition to date and referred to by many authors. However, the question here is about empirical application as to how well it describes the situation for a particular product. Recently, there are two major alternatives to segmentation, including one-to-one marketing and mass marketing (Wagner et al., 1999). What option should be applied depends on different kinds of products. Mass marketing can be used in daily used products such as soft drinks, and foods. But the industry like shipping, logistics requires one-to-one marketing. The distinction between the two is whether it is continuous or discrete distribution of consumer preferences (Wagner et al., 1999).

Nowadays, companies operate globally, so they identify the segment cross nations and develop a global marketing mix to serve those segments. Having effective customer segmentation helps the company to identify profile, target and reach segments using their customer transaction databases. It also helps the company to reduce operational costs through elimination of redundant efforts and effectively allocate the company's resources to target market (Berrigan & Finkbeiner 1992).

The market mapping and segmentation process can be extracted into four steps below, as defined by Professor Malcolm Mc Donald and Ian Dunbar in 2004:

*4.1.1 Define the total market, marketing objectives*

A market is defined in terms of a need that can be satisfied by the products or services that customers view as alternatives. Market defined based on wrong categories of products or service could cause danger for the long term survival of the company. The success of a company does not only rely on the needs of people, but also on how the company can make them want. What customers want is the products or services that they perceive best meet their needs at whatever price they are willing to pay (Ma, 2005). Many customers have needs to transport across the Atlantic but they have different wants. The shipping company should know such wants and have a proper strategy to satisfy them. For the high value cargo, customers need time saving rather than cost saving, since less time spent on transport enable them to save capital cost which is much higher than the transport cost. Some of the very high value cargo requires air transport instead of sea or land transport. Today many passenger carriers still get successful in the fierce competition with airline companies because they can satisfy the wants of people of travel rather than pure transport demands.

Marketing objectives can be measured as market share or growth rate over the year. It depends on an individual company to set up the marketing objectives which is in line with their business strategies.

*4.1.2 Choose the bases of segmentation (Key Discriminating Features - KDFs)*

KDFs selection is the second step which helps a company to build up features for the micro-segments. Using spreadsheet or database program is very useful to draw up a list of features for each particular segment. The questions of "what", "where", "when" and "how" should be made. A market can be segmented in many different ways. For example, for the small car market, many bases of segmentation may be appropriate, including age, lifestyle, distance travelled, and occupation. There is no correct approach, but well chosen bases help to describe the motivations, desires or characteristics of users and reflect the benefits which different clusters of users may derive from the product. It is useful to try a wide range of different bases. Industrial customers tend to be fewer in numbers and purchase larger quantities. They evaluate offerings in more details and the decision process usually involves more than one person.

The shipping industry is a very special service sector with a derived demand from trade in goods (Ma, 2004); therefore the customer requirements are different from that of other industries. Customers are mainly from manufacturers or trading companies. There are some main groups of customers using transport services, those customers who have general cargoes and require frequency usually use liner services, others who have bulk cargoes and need no regularity they can utilize tramp services. Furthermore, the segment is also based on the size of the shipper, specific characteristics of the products they want to transport, and many other factors. Maersk Sealand used 25 features to build their market segmentation for example growth rate per year, seasonality, sensitive to price, and cyclicality (Hansen, 2005). Customers of the shipping company are not only cargo owners, but also freight forwarders, and

other shipping companies. Each of them has different requirements on the service they demand from the shipping company. The main features of such requirements can be summarized in the following:

| **Price base**: | - Forwarders/Shipping lines |
| | - Shippers with low quality cargoes |
| | - Short-sea shipping |
| | - Empty container transport |

| **Logistics service base**: | - Large shippers |
| | - Maritime hinterland transport |
| | - Short-sea shipping |

| **Safety base**: | - Large shippers |
| | - Maritime hinterland transport |
| | - Short-sea shipping |

| **High-quality:** | - Perishable goods |
| **time/reliability base** | - High value cargoes |
| | - Shippers/forwarders in just in time systems |

### 4.1.3 Draw chart & map products and segments

Based on the features of segmentation, a chart or diagram will be made. There are many factors taken into consideration to group a certain kind of customers into segments. In a shipping company, the factors usually to be considered are the volume of cargoes, growth rate of customer, size of customer and freight amounts. From

these aggregate, lists of key clients, loyal clients, potential client will be made. Using the Boston Matrix method to classify those clients is very helpful.

The process of segmentation includes three steps. First, use spreadsheet to aggregate the information of all customers. For the big companies who have a large number of customers, the best way is to use a database system to store all the information and profiles about customers. For the smaller companies, using Microsoft Excel is a good method to keep the customer's information since it can save the cost of building up a database system.

Second, from this information, the company can make a table to group certain kinds of customers. Figure 3 is one example of Maersk Sealand regarding the final result of aggregation and analysis of customer information.

| Trading desk customer | Global Key Clients & Regional Key Clients | | | |
| | Freight Forwarders | Single Accounts | Split Accounts | Integrated Accounts |
| | Direct sales | | | |
| | Freight Forwarders | Industrial: Automotive Chemical Others | Perishables | Consumer Goods: Electronics, High-value com. Health/Pharma | Retail Solutions |
| | Pro-active Telesales | | | |
| | Transportation Services / Self Service | | | |

**Figure 3- Different groups of customers of Maersk Seland**

Third, the company can make a chart to show the relationship between certain groups of customers and selected factors. Figure 4 shows how customers contribute to the

company based on volume. A similar way to make a chart can be based on value, the size of customers, and potential growth. These figures are different in different companies; some companies depend much on the size of the key customers since they generate most of the company's income. On the other hand, the other companies rely on a large number of customers rather than the size of them.
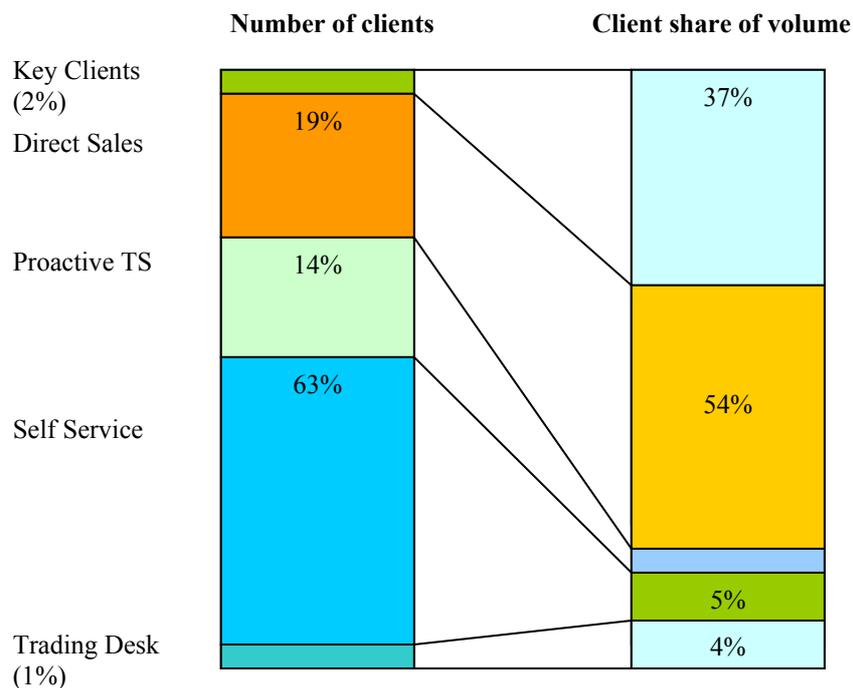


**Figure 4 – Share of volume – example of Maersk Sealand**

## *4.2 Customer retention*

Many studies show that winning a new customer can cost five times higher than retaining an existing one. Jones (2002) indicated three reasons why a retained customer can be more profitable than a new one. Firstly, satisfied customers are likely to make a bigger purchase or even chose the supplier as a single sourcing. Secondly, retained customers are normally willing to share their plan and strategy

with the suppliers, which lead to cost reduction. Lastly, it takes longer time and money to attract a new customer.

From the aggregated information through segmentation, the company will know which group of customers make up mostly to the income of the company; then having a proper method to retain them. For example, the company should have strategies to respond to the customer's changing needs and desires quickly, or spend more time with them. Some companies even work together with customers on their product improvement and new product development. Maersk Sealand is stepping ahead in its CRM strategy. The company attempts to know the future business strategy of key clients to have suitable business plans to meet their demands. According to Hansen, a global sale manager of Maersk, the company has been working closely with Nike, one of the key clients, and learned that Nike has plans to shift most of its shoes production plants from China to Vietnam in the next five years due to the cheaper labour cost there. And they offer Maersk to be their main carrier from Vietnam to the world, mainly to the USA. Maersk is accordingly conducting many steps to expand their business in Vietnam after measuring the potential business of Nike, notably building quite big warehouses near the port and improving logistics services there with an aim of retaining this key client.

Serving customer after having their requests is too late, the company needs to step ahead to know what their clients need, and try to work with them closely to bring mutual benefits to both parties. Some companies even endeavour to create the needs for customers, then grasp and retain them; Maersk Sealand is a good example. This is the new trend in CRM strategy, if any company does not perceive it early, it will face some failure in catching new customers or even losing existing ones.

## 4.3 Marketing Strategy

Marketing strategy can be considered as the last step of the CRM system. After having the customers segmented, the company needs to formulate and implement a marketing strategy to obtain the marketing objectives based on the targeted groups of customers, the company's condition and external environments. There are various definitions of marketing strategies. Walker, Boyd, and Larreche (1992) define marketing strategy as the effective allocation and coordination of marketing resources to accomplish the organization's objectives within a specific product market. Recently, McDonald (1999, pp 50) gives very simple definition of marketing strategy as follows: "the means by which marketing objectives will be achieved and are generally concerned with the four major elements of the marketing mix".

Although these definitions are expressed in different ways, they somewhat mention the same substances of the marketing strategy. In general, the marketing strategy should deal with the following issues:

➢ Defining the company's objectives, including time frame of achieving them
➢ Allocating the resources and people deployment
➢ SWOT analysis
➢ Analyzing cost/benefit effects
➢ Reviewing and controlling the process

Marketing strategy is a very broad matter which requires a deep research on it. Due to the limited scope of this study, this issue will be discussed in the context of the last step of the CRM system. The following parts will mainly focus on analysing the customer segmentation of Vinalines, along with marketing strategies for different groups of customers. SWOT analysis and other relevant matters will also be discussed.

# *Chapter 3. Critical description of current situation of CRM in Vinalines*

*This chapter will discuss the empirical data from Vietnam National Shipping Lines focusing on the container fleet run by the headquarters. Lists of customers of the last four years from 2001 to 2004 will be presented and analyzed regarding their volumes, and values. Accordingly, the Boston Matrix will be made to find the key customers in terms of size of volume and loyalty level. Customer lifetime value for some key customers and will also be calculated to give an example; marginal value added effect analysis will be made.*

## 1. Vinalines in brief

Vietnam National Shipping Lines owned by the Vietnamese Government was established in 1995 by the decision of the Vietnamese Prime Minister which is based on the restructuring of some shipping, stevedoring and servicing enterprises formally controlled by Vietnam Maritime Bureau and Ministry of Transport. The aim of this formation is to create a strong national maritime conglomerate not only to compete with other shipping groups operated in Vietnamese waters but also to gradually create a well-known player in the ASEAN region and the world. With an aim of having a strong national shipping corporation, the Vietnamese Government has been investing considerably in developing a specialized fleet such as container vessels, crude oil carriers, large bulk carriers, building and upgrading port infrastructure, expanding the Inland Container Depot (ICD) in Hanoi and Ho Chi Minh City (HCMC). At present, it is the biggest Vietnamese maritime corporation. The main routes it operates are mainly from Vietnam to South East Asia and East Asia.

## *1.1 Structure*

Vinalines is made up of 7 shipping companies, 4 main port operators, 6 maritime servicing companies, 7 joint ventures and 14 share holding companies. The company operates 79 vessels of all kinds with a total tonnage of 844,521 DWT. Among them, the headquarters operates a container fleet of 12 vessels with a total capacity of 15,580TEU. Among these vessels, the company operates 10 vessels; the two others are chartered out. Due to the scope limitation, this study will only focus on analyzing CRM of the headquarters, from now on the word "Vinalines" is impliedly used as the headquarters of the Vietnam National Shipping Lines in this research. In addition, CRM relating to 9 vessels that the company operates will be discussed; the other 3 chartered out vessels will be disregarded.
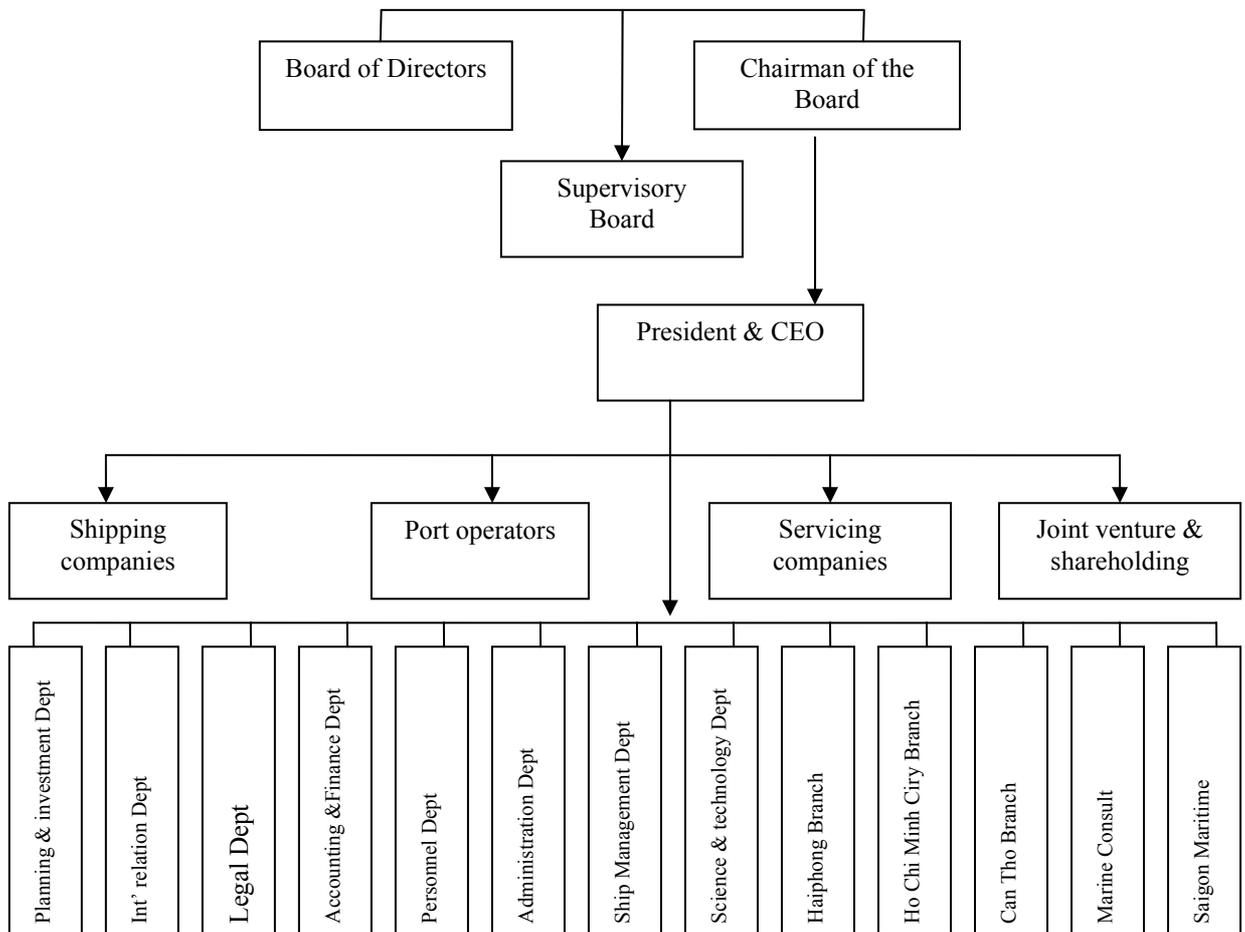
**Figure 5 - The organisational chart of Vinalines Group**

## 2. Current CRM situation

### *2.1 Marketing objectives*

Setting up marketing objectives is a very crucial step before undertaking market segmentation. If marketing objectives and strategy are not clear, it is difficult to assess success and value in marketing efforts and expenditures (Jain, 1997). There are five different types of objectives that can be targeted at, including cargo turnover, financial income, market share, diversification, and social, macro economic

considerations (Ma, 2005). Marketing objectives of Vinalines Group are made by the company based on the growth indicators in the development plan approved by the Government. This development plan is made for every period of five years based on the past performance, future forecast of the market, and investment capability of the company. The company also make a short term plan of two years which is in line with the long term plan.

The plan for the development of Vinalines Group stage 1996-2000 was approved by the Prime Minister aiming at "One Step to Modernization". After 5 years operation, the company has successfully achieved all the goals set out in that plan; the foremost accomplishment is the increase of volume of cargoes carried ranged between 17% and 31% yearly. In addition, 34 vessels were bought in this period with a total of 490.000 DWT raising the number of vessels of the fleet to 79 units equivalent to 844,521 DWT including 9 container carriers with total capacity of 8,102 TEU.

Marketing objectives set up for the period of 2001-2005, which was approved by the Decision No 1419/QD-TTg of the Prime Minister on 1st of November, 2001, are as follows:

- **For the whole corporation**: increase market share in volume (including import export cargo and domestic cargo) from 15% to approximately 20%.
- **For the headquarters**: increase market share in volume from 5% to 9%

In the last 4 years, Vinalines made very good performance in quantitative figures with an average increase in volume of 23% yearly, from 97.780 TEU in 2001 to 182.463 TEU in 2004 (Vinalines's annual reports). In which the export import cargo consists of about 64% of the total volumes carried. The details can be seen in Figure 6. The result of first six months of 2005 is also very impressive with an increase of about 20% compared to the same period last year. As the shipping market is still on upturn, the company will probably continue to get high growth rate in both volume

and value for the last six months of this year. Therefore, the whole result of year 2005 will be likely high, which has lead to good performance over the last 5 years.
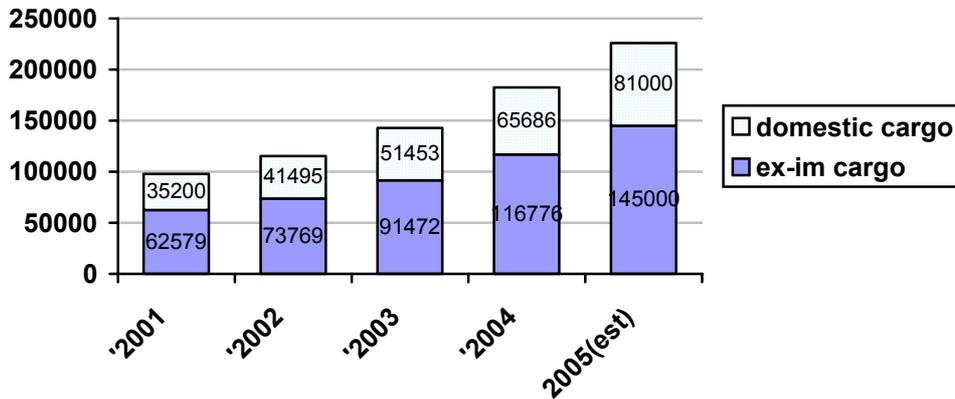


**Figure 6 – Volume of cargo carried from 2001 to 2005**

The company's performance does not say much if it is not in comparison with the market situation. The most popular way is to look at the market share of the company. Furthermore, the company's marketing objectives are all about market share attainment, this facet will be scrutinized to see if the company's objectives for the next period of time will be reasonable or not. The market share analysis for the last 4 years made by Department of Planning & Investment as can be seen in Table 1 indicates that the company did not accomplish the plan set for this period of time, even it shows very high increased growth as analysed above. The information was obtained from Vietnam Chamber of Commercial and Vietnam Maritime Bureau combined with Vinalines' annual reports.

**Table 1 - Market share of Vinalines Group and headquarter**

| Description | 2001 | 2002 | 2003 | 2004 | 2005 (est.) |
|---|---|---|---|---|---|
| Total volume of the market (TEU) | 1,345,587 | 1,717,585 | 2,043,217 | 2,437,688 | 3,000,000 |
| Volume carried by Corporation (TEU) | 224,201 | 244,112 | 270,125 | 481,610 | 510,000 |
| Volume carried by headquarter (TEU) | 97,780 | 115,265 | 142,926 | 182,463 | 227,000 |
| Market share (%) by Corporation | **16.6%** | **14.2%** | **13.2%** | **19.7%** | **17%** |
| Market share (%) by headquarter | **7.2%** | **6.7%** | **7%** | **7.5%** | **8%** |

*(Vietnam Ministry of Transport, Vinalines)*

Table 1 shows that the market share of the Corporation is 16.1% on average, much lower than the plan of 20%, and of the headquarters is 7.3%, also quite low compared to 9% as planned. Obviously, the company has not achieved requirements for both corporation and the headquarters for last period of 5 years 2001-2005, even though it showed a high growth rate of volume carried. In other words, this growth is not as fast as that of the market.

The company's objectives for the period of 2005-2010 are being set up to increase the market share to 20% by 2010 for the whole corporation and 10% for the headquarter, and gradually become a big player in the South East Asian region transport market. This is quite an ambitious figure which is very difficult to obtain if the company does not have a proper marketing policy, or the market situation is bad. As analyzed earlier, the total market volume for the year 2005 is projected to be 3 millions TEU. If the company headquarters' objective is to get 8% market share, it must carry 227,000TEU, equal to a 20% increase compare to 2004 figures of 182,463 TEU. If this ratio is 10%, then the company has to carry 300,000 TEU, an increase of 39%. This objective is not likely to get for the year 2005. There are some

critical and opposed ideas about the marketing objective for the next five years as they think the market share of 10% of the headquarters is doubtfully achievable. Furthermore, their opinion was based on the fact that Vietnam exports goods free-on-board (FOB) and imports goods under cost-insurance-freight (CIF) terms, so the right to hire transport ships belongs to foreign owners of goods who often prefer foreign shipping lines (Giang, 2004). It puts Vietnam at a serious disadvantage in contending for a shipping market share.

However, this objective was built based on many rational factors. From a macro economic point of view, Vietnam GDP is forecast to continue to grow at a high ratio of about 7.5% to 8% for the next five years (Tran, 2004). The country's economy is mainly based on import and export activities; therefore, it will bring the shipping industry with considerable volume of cargo to carry. In this analysis, the doubtfulness about the marketing objective achievement is disregarded; the analysis of customer relationship management will be based on the target of attaining 10% market share of the headquarters.

Currently, the company has one marketing section which works directly with clients. In addition, the company has wide range network of agencies all over the country. Having marketing people is not enough to secure a well implemented CRM. Apart from having a clear customer strategy, the company needs to have a database to scrutinize each customer, then having proper policy to retain key customers. The next part is going to examine the aggregated data relating to customer relationship, then base on the theoretical framework as done in Chapter 2 to figure out how to get that marketing objectives set for 2005-2010.

## 2.2 Customer segmentation

Access and Excel are tools used to process data of customer profiles for the last 4 years of Vinalines. Customers are classified based on the volume, freight,

destination, and type for each year. As marketing objective of the headquarters is to get a 10% market share in volume, so this part will focus on grouping customers based on this category. The purpose of this part is to find out who the key customers are in terms of volume. About 50 of the biggest customers will be sorted out; their volume contribution over the years and their potential growth will be analyzed. This analysis is done through two Boston Matrix tables, between growth rate - market share, and loyalty lever – volume. Chapter 5 will thoroughly analyze the method to retain them as well as looking at potential customers who have increasing contribution to the company.

### 2.2.1 Volume base

As mentioned above, Vinalines has experienced very good business performance during the last two years. The total income of the headquarters increased from US$30 millions in 2001 to approximately US$49 millions in 2004. This income is made up of the hire from time charter, freight collection from fleet operation and manning service. In this part, the customer analysis based on volume of cargoes carried by the company through nine vessels will be made. The other three vessels which are chartered out will not be discussed in this study.

Accordingly, Figure 7 shows that volumes of cargoes carried also increased year over year, from 97,780 TEU in 2001 to 182,463 TEU in 2004. The number of customers has also become bigger with 828 customers in 2001 up to 1208 customers in 2004. It is very interesting to find out that the top 2% customers based on volume contributed to 29% of total volume transported in 2001, 33% in 2002, 36% in 2003, and 31% in 2004. The reason for analyzing this ratio is to prove the idea that groups of key customers generate most of income to the company which need to have special treatments from the company as mentioned in Chapter 2. This is also in line with the example of Maersk Sealand. As the numbers of customers in top 2% vary in

different years, groups of top 50 customers will be set up to make it more comparable over the years.
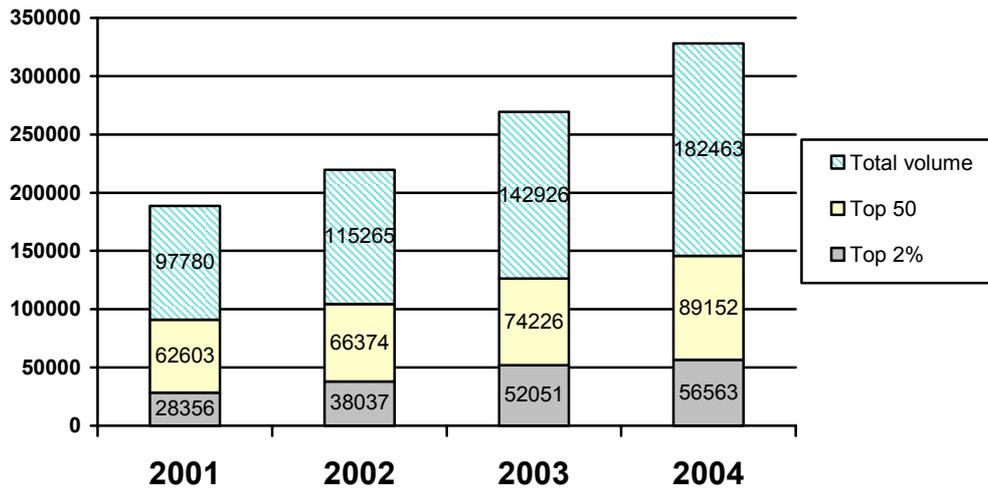


**Figure 7- Top 2%, top 50 customers – volume base**
*Sources: Vinalines's annual reports*

In the meantime, the top 50 customers make up of 64%, 58%, 52% and 49% volume in 2001, 2002, 2003 and 2004 respectively. This result indicates that volume generated by many big customers in the top 50 has declined sharply in the last four years. Obviously, the increase in volume carried in 2003 and 2004 is considerably attributed to the increase in numbers of customers, rather than the increased size of existing big customers. This increase is probably due to the upturn market situation of the world shipping industry in general, not the company's subjective action. Therefore, it can be roughly seen that the company has not had a proper marketing plan to keep hold of the big guys, or at least does not have incentive policy to attract big customers.

In addition, the list of the 50 biggest customers in terms of volume each year is not the same. Some big shippers only used services in one or two years; some of them

keep being loyal over four years. Besides, the growth of their volume contribution is also different between them. Therefore, it is very necessary to identify the key customers not only in terms of volume indicators but also their loyalty level over the years.

Figure 8 is made to reflect the contributions of some groups of customers and it indicates some surprising results. Accordingly, the top 2% customers make up 31% of volumes and 36% of value of cargoes carried, meanwhile 63% customers contributes only 7% in volume and 6% in value. The top 14% customer generates the largest proportion both in volume and value with 56% and 53% respectively. It is in line with the theory discussed in the previous chapter, that key customers create most of the company's income, as in the example from Maersk Sea Land. Each group will have different marketing strategies. Due to the study scope limitation, only group of top 2% customers will be thoroughly analysed in the following Chapters.
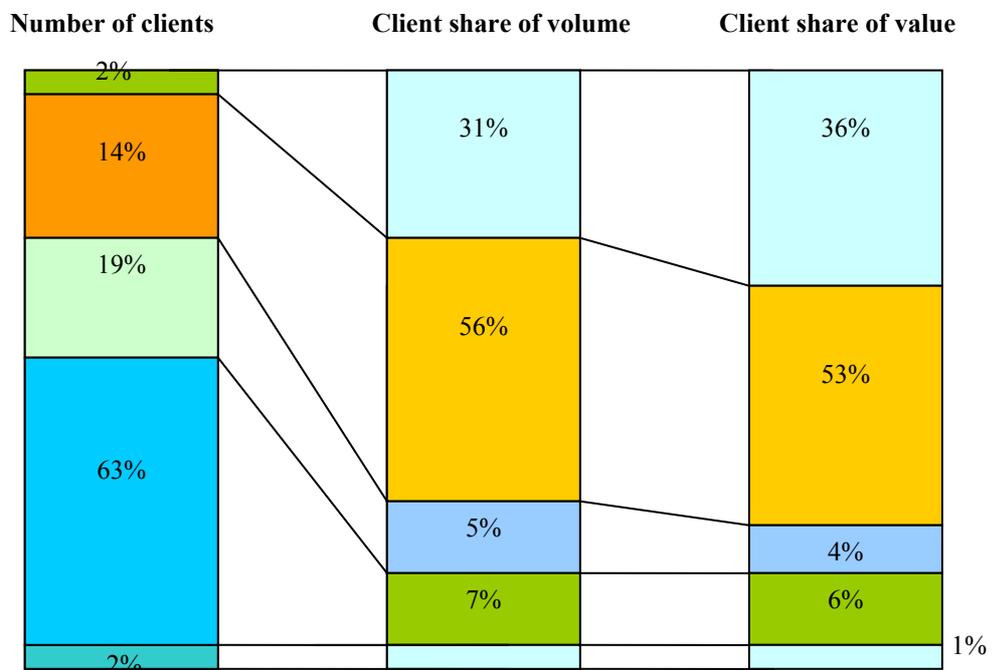


**Figure 8 - Customer segmentation based on volume and value - year 2004**

## 2.2.2 Boston Matrix

Boston Consulting Group Matrix is the best method to classify customers based on different indicators as mentioned in the previous chapter. In this case, as the company's objectives is to get 10% of the market share in volume, the correlation between market share and market growth, between level of loyalty and the size of volumes of each customer will be analyzed. In this part, the Boston Matrix for both instances will be made to figure out the key customers in terms of size of the volume and loyalty level. The top 50 customers over the last four years will be used in this analysis since the top 2% gives different number of customers over the year which is not comparable. The base of segmentation of this case was chosen subjectively based on the perception of the author which is presented as guidelines. It will probably be different from the reality. Therefore, the final results will be the references for the way of segmentation, not absolute answers for the company.

## 2.2.2.1 Growth Rate

In the first case, growth rate of the volumes of cargoes of the key customers over 4 years (market growth) and the size of volume contribution (market share) will be used to analyze. This methodology helps to highlight what could be the strategic positions of the company.

Appendix C and E indicate the detail analysis of growth rate and market share of each customer in the top 50. Appendix C deduced the likely future trend to the year 2005 in 4 classes, including Strong Growth (SG), Moderate Growth (MG), Status Quo (SQ), DeCLine (DCL) following the rules below:

| SG | Growth rate at 25% and more |
| MG | Growth rate at 5% and up to 25% |
| SQ | Growth rate at 0% and up to 5% |
| DCL | Growth rate above -10% and up to 0% |

Similarly, Appendix E indicates the likely trend of market share of each customer in top 50 by using 4 classes including Strong (S), Fair (F), Weak (W) and Very weak (V)

| S | Market share of 2% and above |
|---|---|
| F | Market share from 1% to 2% |
| W | Market share from 0.5% to 1% |
| V | Market share of 0.5% and less |

The Boston Matrix (Table 2) was made automatically based on Appendix C and E, in which each customer is coded by a specific number, for example AHLERS is 2, AGRIFISH is 3.

**TABLE 2 - BOSTON MATRIX – Growth rate and Market share**

Strong ➤ Weak

| Expected Growth in the range up to year 05/06 | THE TREND OF MARKET SHARE OF EACH CUSTOMER OF THE COMPANY | | | |
|---|---|---|---|---|
| | STRONG | FAIR | WEAK | VERY WEAK |
| SG | 23, 28, 32, 48 | 1, 6, 13, 59 63, 68, 70 78 | 16, 26, 27, 52, 33, | 11, 38, 39 53, 56 58, |
| MG | 15, 35, 40, 57 64, 79 | 31, 47, 66, 67 69, 71, 72 73, 76, 77, 82, 85 | 34 | |
| SQ | 14, 36, 46, 60 | 3, 17, 25 | 7, 29, 41, 49 54, 62, 83 | 8, 18, 30 42, 43, 51 55, 74, 81 |
| DCL | | 2, 19 44 | 9, 12 20, 22, 37 24, 49, 75, 80, 84 | 4, 5, 10, 21, 45 50, 61 |

STARS

CHIRLDEN PROBLEM

COWS

DOGS

The matrix is made up of four quadrants which provide the company with an overall picture of customers, from which the company will know who is bringing the most income, who will likely grows in the near future, and who is getting out of the company's business.

**Stars**

It is the aggregation of all customers who are in high growth markets with a relatively high share of that market. There are 23 customers belonging to Stars, in which 10 customers are grouped into very strong growth and strong market share. It means that these customers has been contributing a very high amount of income to the company and tend to generate more in the years to come. The number of Stars is quite big which shows the good current market situation of the company. However, the company should have appropriate strategies to retain those Stars, as well as get more Stars from other groups.

**Problem Children**

This group consists of those customers who have quite a good growth rate but quite small market share. The company should not pay too much attention to this group since they only can generate little income even though they are growing so fast. In other words, if the company aims at increasing the market share, it is not a wise way to invest much in this group since they can absorb most money as the company attempts to increase the market share but contribute very little in total. There are 18 customers in this group.

**Cash Cows**

This group includes those customers who have a high market share but slow growth rate. They are the big guys in the company's freight structure even through the growth of using the company service is very low. The question arising here is why those big ones keep decreasing their interest in the company's business. The marketer should find out the answer by working with them closely to get to know if

the reason belongs to their own business strategy or because of bad services offered. The final strategy for this group is to keep them in the company's customer development plan for the time being. There are 16 customers in this group who are considered as potential customers in the years to come.

**Dogs**

Dogs are made up of those customers who have both very low growth rate and tiny market share. In general, the company should get rid of those customers since they cannot bring much income to the company. In this case, it is not a good signal to notice that there are many customers belonging to this group, including some big ones, as can be seen from Table 2. The company probably consumed a lot of time and money to attract those customers but get very little in return. It somehow reflects that the company does not have a proper marketing policy to retain potential customers.

*2.2.2.2 Customer loyalty*

The level of customer loyalty is measured by the commitment or attachment to a brand, manufacturers or service providers based on favorable attitudes and behavioral responses such as repeat purchase (William, et al, 2003). Loyalty indicates a commitment and support of a relationship which is mutual beneficial to both parties. In this case, the customer loyalty level will be examined by looking at the sequence that customers use the company's service in comparison with the size of volumes that each customer contributes. The Boston Matrix about Loyalty Level is made in the same way as that of Growth Rate indicator. The details are presented in Appendix B. Each customer is coded by numerical number from 1 to 84. The level of loyalty is based on the number of years that each customer used the company's service. For example if a customer continues to use the services for 4 years it is considered as very high level (VH), 3 years is high (H), 2 years is medium (M) and 1 year is low (L). A high level of loyalty does not make sense if it is not put in

comparison with the magnitude. A customer used the company's product very often but with very low proportion of volume is not considered as a key customer. In this case, key customers belong to the Stars group, customers from the Cash Cow group are also considered to be potential key customers. There are 31 customers in the Star group and 9 customers in the Cash Cow group.

**TABLE 3 - BOSTON MATRIX – Loyalty level and Market share**

| Expected level of customer loyalty | VOLUMES OF CARGOES | | | |
|---|---|---|---|---|
| | STRONG (S) | FAIR (F) | WEAK (W) | VERY WEAK (V) |
| VERY HIGH (VH) | 14, 15, 23, 28, 32, 35, 36, 48, 57, 60, 64, 79 | 3, 31, 40, 47, 66, 67, 69, 70, 71 72, 73, 76, 77, 82 85 | | |
| HIGH (H) | 46 | 1, 2, 13, 17, 19, 25, 63, 65 68, 78, | 83 | |
| MEDIUM (M) | | | 16, 20, 22, 24 29, 34, 34, 37, 41 59, 75, 80, 83 | |
| LOW (L) | | 6, | 7, 9, 12, 33, 44, 49 52, 62 | 4, 5, 8, 10, 11, 18 21, 26, 27, 30, 38, 42, 43, 45, 50, 51, 53, 54, 55, 56, 58, 61, 74, 81 |

The next step will combine Stars group from Table 2 with Stars from Table 3 to see if those loyal customers have a strong growth rate or not. It is not surprising to see that not all of them scored a high growth rate over the last 4 years; meanwhile some of the big guys are not loyal to the company at all. Similarly, those customers from Cash cow groups of the two tables will be compared to find out who are the potential ones in terms of both high growth rate and loyalty level. The result is as follows:

- Number of loyal customers who have high growth rate belong to Stars group: 18
- Number of potential customers regarding high growth and loyalty belong to Cash Cow group: 6

## 2.2.3 Marginal Value Added effect

Analyzing key customers regarding their total volume carried is not enough, it should be in line with the value added they bring to the company. Different kind of cargoes generates different value added. This analysis helps the company know how much value added it can get for every 1% increase in total market share, and from the company's own market share. It also indicated how many percent the company needs to increase in order to get the marketing objectives (Ma, 2005). The cargo of Vinalines consists of two kinds, dry cargo and reefer cargo. The average freight in 2004 for dry containers is 300$/cont 20ft, and for reefer is 1200$/cont 20ft for the same route from Ho Chi Minh Port to Busan, Korea. The direct expense to carry one container 20ft is estimated at 205$/TEU, and 750$/TEU for dry cargoes and reefer cargoes respectively. Therefore it can be roughly calculated that the value added of 1 dry container is 95$, and reefer is 450$. Assuming the marketing objective in terms of value added is 5 millions USD, the calculation will be made as follows.

|                     | Dry container | Reefer |
|---------------------|---------------|--------|
| Value added per TEU | 95$           | 450$   |
| Marketing objectives | 5,000,000$   |        |

**Table 4 - Marketing Mix**

| | Value Added per TEU | Total Volume (TEU) | Market Marginal VA per 1% | Value Added Efficiency % needed | Own volume (TEU) | Own marginal (VA per 1%) | Physical limitation (Own % needed) | Existing Margin (%) |
|---|---|---|---|---|---|---|---|---|
| Dry cargo | 95 | 2,242,672 | 2,130,358 | 2.35% | 176,488 | 167,664 | 30% | 23% |
| Reefer | 450 | 195,015 | 877,568 | 5.7% | 5,957 | 26,888 | 186% | 45% |

As can be seen from Table 4, value added per TEU of reefer is almost 4 times higher than that of dry cargo, but the total value added the company can get for each 1% increase of dry cargo is much more than that of the reefer. Furthermore, if the company increases value added 1%, it will get 167,664$ for dry cargo and 26,888$ for reefer cargo. In order to get 1% increase in value added, the company needs to grow 30% for dry cargo and 186% for reefer. It is not easy to get such high increase in growth rate but it is still likely to be achieved for dry cargo, as can be seen from last period of five years, the average growth in volume is 23%, not far behind this target of 30%. However, if the company wants to get a 2% increase in value added, it is probably over its capacity. For reefer cargo, a 1% increase in market share needs 186% increase in growth rate. This is almost impossible to get if there are not some kind of breakthrough in reefer customers. Vinalines therefore should focus on dry cargo to obtain its objectives, rather than reefer cargo. Furthermore, the company sets up its objectives based on the market share proportion in volume, value added increase will not be the core discussion in this study, though the company should take into account this issue.

## 2.2.4 Customer lifetime value

The key for any company is to understand the relative lifetime values of its customers, and use this information to make decisions about allocating marketing resources with the aim of generating high potential value customers, and reducing

low potential value customers. In other words, by knowing customer lifetime value, the company can determine how much money it can afford to invest to acquire that customer. The more lifetimes value of a customer, the more efficient that investment on acquiring them. Lifetime value is the value of the customer over the lifecycle that a customer used the company's service. Estimated lifetime value can be calculated using formula below (Jay, 2002).

---

Estimated Average Lifetime Profit = (Average Profit Per Sale) x (Estimated Number of times customers reorder)

---

For example: AGRIFISH ordered 12 times service in 2004 with a total of 770 TEU. Supposing the average profit per sale is 154$, the average lifetime profit will be 1,848$. As long as marketing expense is less than 1,848$, the company should acquire this customer.

It is complicated to calculate the lifetime value of all customers in this case. To simplify, 5 customers will be selected in 2004 that have different sequences to examine how the marketing expense is used more efficiently. Table 5 shows the details of this analysis.

**Table 5 – Marketing expenses**

| Customers | Volumes (TEU) | | | | | Marketing Expenses | Marketing Efficiency |
|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | Total | | |
| CARGILL | 790 | 801 | 697 | 1090 | 3378 | 2000 | 0.59 |
| CATACO | | | 578 | 786 | 1364 | 2000 | 1.47 |
| CASUM | | 505 | 515 | 545 | 1565 | 2000 | 1.28 |
| DAKMAN | | | 557 | | 557 | 2000 | 3.59 |
| CHUNJEE | 1549 | | | | 1549 | 2000 | 1.29 |

In the container shipping business, value added generated by a container is almost the same since the freight is based on the FAK method for the same kind of container. Most of the containers carried by Vinalines are dry cargo; only a small proportion is reefer. In this case, assuming all other factors are unchanged, and the company spent 2000USD on marketing expenses for each customer in the first year of the period, year 2001. Different customers in terms of life cycle of using service were chosen. Cargill is the one who was used 4 times; Cataco was used 2 times, Casum 3 times, and Dakman 1 time. Chunjee also was used 1 time but with high volume. As a result, Cargill needs the least marketing expense with 0.59$ per TEU, in the meantime Dakman who has a frequency of 1 time takes the highest marketing expense of 3.59$ per TEU. The case of Chunjee is exceptional since it employs very high volumes of cargo.

From this analysis it can be seen that the company can invest more today to reap a much larger profit later on as long as the cash flow is healthy and can support it. The longer the life cycle of a customer, the more profit can be brought to the company. Every marketing campaign costs the company some money but also brings some benefits such as increased sales, and enhanced corporate image. However, only knowing the customer lifetime value can determine when this benefit would overweigh the costs of investment. From the above example, it is assumed that the company can make profit at the marketing expense of 1.5$ per TEU. This can be considered as a standard to determine the marketing campaign. However the company should not constantly rely on a definite benchmark since the situation of the customers varies among them. For example, the company can make more spending on acquiring those customers who will likely to be money spinners of the company in the future. Marketing expenses should be calculated based on the long term payback which will be discussed in the cost/benefit effects in Chapter 5 regarding the efficiency of the marketing strategies.

## *Chapter 4. Analysis of CRM of Vinalines*

*This chapter will start with a further analysis of the key customers by combining their volumes and loyalty levels. Based on the information collected in Chapter 3, those key customers will be divided further into golden, silver and bronze customers, in order for the company to have more proper marketing policies to each cluster of them. In the later part of this chapter, a SWOT analysis of Vinalines will be made to see if the company has capabilities to carry out the marketing strategies or if there are any difficulties that the company will face.*

---

## 1. Analysis of customers regarding loyalty and volume proportion

Customer retention and customer loyalty are major benefits of the CRM system to the company. Working to retain the relationship with them will generally increase revenue and reduce costs. Chapter 3 already drew an overall picture of four groups of customers, and roughly found that key customers have contributed the largest proportion of volumes of Vinalines in the last four years, but not all of them are loyal to the company and vice versa. In each group, different customers have different level of loyalty and volume magnitude. Accordingly, customers are already divided into four groups, namely Stars, Children problems, Cash cows and Dogs. In this part, further segmentation will be made to these customers into more detailed categories, for example in Stars group; some customers would be grouped into Golden, the others into Silver. This is because there are many customers in the Stars group that cannot be applied only one marketing policy.

Firstly, based on the information from Table 2 in Chapter 3 – Boston Matrix Growth Rate and Market Share, each customer will be given certain points which are based on the numbers of TEU each of them generates. It is more accurate to compare the ton-miles of customers rather than tons alone. This is because the longer the distance

that customers demand, the higher freight the company can get. However, as Vinalines is mainly a feeder, its cargoes are mainly carried to the regional hubs such as Singapore or Hong Kong. Therefore, ton-mile is not taken into consideration in this analysis. It is simply based on the amount of volume which is measured in TEU of each customer to set up the point system. This point system will be made as follows:

Firstly, a scale of point will be made for each group as below:

| Stars | 10-25 |
| Problems Children | 7-10 |
| Cash Cows | 4-6 |
| Dogs | 0-4 |

Secondly, each sub-group within these groups will be given different point range. For example, the Stars group is made up of four pairs including Strong-Strong Growth (S-SG), Fair-Strong Growth (F-SG), Strong-Moderate Growth (S-MG), and Fair-Moderate Growth (F-MG). A point range from 20-25 will be given to S-SG, 15-20 will be given to F-SG, and 10-15 will be given to S-MG and F-MG.

Lastly, each individual customer will be given specific points based on the point range set up for the section it belongs to, and the amount of its volume.

For example, customer number 28 will get 25 points which is made as follows:
As it belongs to S-SG in Stars group, it will possibly get the point from 20-25. There are four other customers also belonging to this section. However, it has the highest volume of 14,208 TEU, so it gets the highest point.

Likewise, this computation will be made for all customers in the same way. Table 6 illustrates the result of some customers as examples. The detailed result is presented in Appendix F.

**Table 6 – Points given to Boston Matrix – Growth rate and Market share**

| Code | Groups | Sub group | Total Volume | Points given | Code | Groups | Sub group | Total Volume | Points given |
|------|--------|-----------|--------------|--------------|------|--------|-----------|--------------|--------------|
| 23 | Stars | S-SG | 7854 | 24 | 14 | C. cows | S-SQ | 6478 | 5 |
| 28 | Stars | S-SG | 14208 | 25 | 36 | C. cows | S-SQ | 6730 | 5 |
| 32 | Stars | S-SG | 6760 | 22 | 46 | C. cows | S-SQ | 6870 | 6 |
| 48 | Stars | S-SG | 6848 | 23 | 60 | C. cows | S-SQ | 7840 | 6 |
| ….. | ………… | …….. | ……. | ……. | ……. | ………. | ………… | ……. | ……. |
| ….. | ………… | …….. | ……. | ……. | ……. | ………. | ………… | ……. | ……. |
| ….. | ………… | …….. | ……. | ……. | ……. | ………. | ………… | ……. | ……. |
| 38 | C. Problem | V-SG | 1204 | 8 | 4 | Dogs | V-DCL | 1196 | 2 |
| 39 | C. Problem | V-SG | 1338 | 8 | 5 | Dogs | V-DCL | 1076 | 2 |
| 53 | C. Problem | V-SG | 1056 | 7 | 10 | Dogs | V-DCL | 806 | 1 |
| 56 | C. Problem | V-SG | 980 | 7 | 21 | Dogs | V-DCL | 1004 | 2 |
| 58 | C. Problem | V-SG | 2924 | 7 | 45 | Dogs | V-DCL | 1316 | 2 |
| 34 | C. Problem | W-MG | 2167 | 9 | 50 | Dogs | V-DCL | 872 | 1 |
| | | | | | 61 | Dogs | V-DCL | 1078 | 2 |

Table 3 in Chapter 3 – Boston Matrix regarding Loyalty Level and Volume will be further analyzed similarly as Table 2 – Boston Matrix regarding Growth rate and market share above. However, the point system is made differently based on the level of loyalty of each customer. The total number of times that each customer uses the company's service during the last four years will be the base for giving the point for each. For those who have the same numbers of times, the amount of volume will be taken into account as the second base for deciding the point given to them. Table 7 shows the results of some customers as examples. The details will be presented in Appendix G. The point system is made for each group as follows:

Stars: 10-20, in which S-VH: 15-20; F-VH: 10-15; H-S: 15-17; F-H: 10-15
Problems children: 6-10
Cash cows: 8-10
Dogs: 0-5

**Table 7 – Points given to Boston Matrix – Loyalty level and Volume**

| Code | Groups | Sub group | Frequency (times) | Points given | Code | Groups | Sub group | Frequency (times) | Points given |
|------|--------|-----------|-------------------|--------------|------|--------|-----------|-------------------|--------------|
| 14 | Stars | S-VH | 37 | 17 | 22 | Dogs | W-M | 17 | 4 |
| 15 | Stars | S-VH | 37 | 17 | 24 | Dogs | W-M | 19 | 5 |
| 23 | Stars | S-VH | 47 | 20 | 29 | Dogs | W-M | 16 | 4 |
| 28 | Stars | S-VH | 43 | 18 | 34 | Dogs | W-M | 17 | 4 |
| ….. | ……… | …….. | ………… | …… | ….. | ……… | …… | ………… | …….. |
| ….. | ……… | …….. | ………… | …… | ….. | ……… | …… | ………… | …….. |
| ….. | ……… | …….. | ………… | …… | ….. | ……… | …… | ………… | …….. |
| 83 | C.problems | W-H | 24 | 8 | 56 | Dogs | V-L | 8 | 3 |
| 6 | C. cows | F-L | 11 | 7 | 58 | Dogs | V-L | 8 | 3 |
| 16 | Dogs | W-M | 14 | 3 | 61 | Dogs | V-L | 6 | 2 |
| 20 | Dogs | W-M | 21 | 5 | 74 | Dogs | V-L | 5 | 1 |
| | | | | | 81 | Dogs | V-L | 8 | 3 |

As mentioned earlier, the task now is to aggregate the two Tables 6 and 7 by calculating the average points for each customer and ranking them in ascending order. The reason for making the average is that each customer gets different score in different tables, for example customer number 14 gets the very low point of 6 in Table 6 but the very high point of 20 in Table 7. In order to see the weight of his contribution, the average point he gets should be made. Table 8 presents the final results.

For example: the average point is calculated for each customer as follows:

Customer number 23: average point = (20+19)/2 = 19.5

Customer number 14: average point = (6+20)/2 = 13

Customer number 74: average point = (2+1)/2 = 1.5

……

……

……

**Table 8 - The final result – Ascending order of customers**

| Customer Code | Average points | rank | Customer Code | Average points | rank | Customer Code | Average points | rank |
|---|---|---|---|---|---|---|---|---|
| 23 | 22 | 1 | 6 | 11 | 29 | 44 | 4 | 57 |
| 28 | 21.5 | 2 | 67 | 10.5 | 30 | 22 | 3.5 | 58 |
| 32 | 20.5 | 3 | 46 | 10.5 | 31 | 24 | 3.5 | 59 |
| 48 | 20 | 4 | 36 | 10 | 32 | 29 | 3.5 | 60 |
| 57 | 15.5 | 5 | 66 | 10 | 33 | 75 | 3 | 61 |
| 64 | 15.5 | 6 | 3 | 9 | 34 | 7 | 3 | 62 |
| 70 | 15.5 | 7 | 65 | 9 | 35 | 62 | 3 | 63 |
| 15 | 15 | 8 | 2 | 8.5 | 36 | 45 | 3 | 64 |
| 79 | 14.5 | 9 | 19 | 7.5 | 37 | 37 | 2.5 | 65 |
| 68 | 14.5 | 10 | 25 | 7.5 | 38 | 80 | 2.5 | 66 |
| 35 | 14 | 11 | 59 | 7 | 39 | 4 | 2.5 | 67 |
| 47 | 14 | 12 | 52 | 7 | 40 | 21 | 2.5 | 68 |
| 13 | 14 | 13 | 16 | 6.5 | 41 | 84 | 2 | 69 |
| 40 | 13.5 | 14 | 34 | 6.5 | 42 | 12 | 2 | 70 |
| 31 | 13 | 15 | 27 | 6.5 | 43 | 49 | 2 | 71 |
| 63 | 13 | 16 | 17 | 6 | 44 | 5 | 2 | 72 |
| 82 | 12.5 | 17 | 83 | 6 | 45 | 30 | 2 | 73 |
| 73 | 12 | 18 | 33 | 6 | 46 | 54 | 2 | 74 |
| 77 | 12 | 19 | 11 | 6 | 47 | 55 | 2 | 75 |
| 85 | 12 | 20 | 26 | 6 | 48 | 61 | 2 | 76 |
| 1 | 12 | 21 | 38 | 5.5 | 49 | 81 | 2 | 77 |
| 78 | 12 | 22 | 39 | 5.5 | 50 | 8 | 1.5 | 78 |
| 60 | 11.5 | 23 | 53 | 5 | 51 | 10 | 1.5 | 79 |
| 69 | 11.5 | 24 | 56 | 5 | 52 | 18 | 1.5 | 80 |
| 71 | 11.5 | 25 | 58 | 5 | 53 | 42 | 1.5 | 81 |
| 72 | 11.5 | 26 | 9 | 4.5 | 54 | 43 | 1.5 | 82 |
| 76 | 11.5 | 27 | 20 | 4 | 55 | 50 | 1.5 | 83 |
| 14 | 11 | 28 | 41 | 4 | 56 | 51 | 1.5 | 84 |
|  |  |  |  |  |  | 74 | 1.5 | 85 |

Customers are so far already ranked in ascending order. Before discussing the marketing strategies applied to each of them, or each group, it is crucial to classify those key customers into golden, silver and bronze in order to set up more proper marketing strategies.

46

## 1.1 Golden customers

Golden customers are very important to the company because they are the life blood of the company's revenue stream; normally they are more loyal, less price sensitive and buy more products, more often. As can be seen from Table 8, the five biggest customers are called golden ones. Customer number 23 is the biggest one in these top 5; the others following are number 28, 32, 48 and 57. Those customers contribute to 17% of the total volume in the last four years. It is notable that customer 23 has smaller volume than customer 28 but it has higher points in loyalty level. It is in line with the discussion about customer lifetime value in Chapter 3 that a loyal customer costs less marketing expense than the less loyal ones.

## 1.2 Silver customers

As being set out the point system given to each customer, customers belonging to STARS group were scaled between 10 to 20 points. In this part, the customer who has the points range from 10 to 20 will be defined as silver. There are 28 customers who belong to this group. These customers also play a very important role in the company's business performance. Their contribution in volume for the last 4 years accounts for 50% of the total volume carried by the company. Therefore, it is very important to promote some of the silver customers to become golden customers in the near future in order to have as many golden customers as possible. If they show their increasing demands in using the company's service and also indicating their business potential growths, the company can consider whether or not they will become golden customers. In fact, many of these silver customers still belong to the Stars group as analysed earlier, and they will be treated as any other golden customers in the Stars group.

### 1.3 Bronze customers

As defined earlier, customers belonging to the Children problem group and Cash Cow group were given from 4 to 10 points. This basis is a base to consider those customers who have average points from 4 to 10 as bronze. Thus, there are 20 customers belongs to this category. These customers are even considered as bronze but they still belong to the top 50 biggest customers. The company therefore should build up a good relationship with them. The marketing strategy for each of these groups of customers will be discussed in Chapter 5.

## 2. SWOT analysis

It is very imperative to see that many key customers of Vinalines have demands of transporting their commodities to the U.S and Europe. Whether the company is able to carry out the marketing strategies to customers, SWOT analysis should be made. This model helps the company know both internal and external strengths and weaknesses, so the company can minimize the weaknesses, risks and maximize the strengths and opportunities.

### 2.1 Strength Analysis

As a biggest shipping company in Vietnam, Vinalines has received a great support from the Government in many fields which facilitates the company to modernize its fleet of vessels, and gradually become a big player in the shipping industry in the South East Asian region. Apart from the initial capital supplied by the Government, the company also has many advantages in getting loans from the banks since it has a good reputation and a strong backup. Great credit sponsoring from Vietcombank and other banks in purchasing vessels has enabled Vinalines to modernize its fleet of vessels in the past years.

In addition, the company also possesses a group of skilled and experienced maritime experts, many of whom have good experience at sea and in onshore business. These intellectual assets are extremely important to the success of the company as it has had so far. Many ex-seafarers or ex-captains were assigned to keep important positions. The company has been continuing to seek the young talented staffs that have excellent study records or experiences in the maritime field as well as other professions. Most of the staffs are satisfied with their jobs and energized to contribute the development of the company. This is one of the biggest advantages that Vinalines is holding in hands in comparison with other competitors.

## 2.2 Weaknesses Analysis

As mentioned the strengths of Vinalines are valuable, but it is also important to realize the weaknesses that may cause hindrance to the company's development. One of the weaknesses that should be revealed here is the company's organisational structure. It is somehow too convoluted and the functions among different sections overlap. There is too much paperwork which requires too many unnecessary manual workloads in the office. That paperwork should be computerised and managed through some databases and networks. The job of each department should be clear and assigned properly in order to avoid the overlaps or conflicts among them.

The other problem is poor marketing policies which are too far to meet the requirements of current fierce competition. Marketing activities still keep unchanged since the company's establishment. The company lacks of a complete marketing strategies such as customer management system, highly skilled marketing personnel.

## 2.3 Opportunities Analysis

The Vietnamese economy is now in the period of stable economic development, with low rate of inflation, constant GDP growth rates, decreased unemployment rate and reduced interest rates in the direction of demand stimulation by the State. All the above conditions are favourable ones for the development of the Company. Furthermore, Vietnam upcoming joining WTO is the biggest opportunity of not only Vinalines, but also of many other companies in the country. It is expected that a big flow of foreign direct investment (FDI) will come to Vietnam after the country joins WTO. In recent years, FDI has increased rapidly from 2 billions USD in 2002 to estimated 5 billions in 2005 (Vietnam Ministry of Planning and Investment). In addition, Vietnamese export products will get the benefit from lower tax systems applying within the WTO community. It will boost the export-import activities in the country, and it will lead to a tremendous demand for cargo transported to shipping companies and port operators. This opportunity is opened to any shipping company in Vietnam; therefore, it all depends on how the company can make use of this chance. The opportunity normally goes along with challenges; in this case it is fierce competition among those shipping companies. The successful company is the one who takes the chance better than others.

## 2.4 Threats Analysis

As mentioned earlier, joining WTO of Vietnam will bring marvellous opportunities for the company but also not less abundant threats and challenges. Doing business becomes very competitive since the Government has to give somehow equal chances to every player in the market. The coming of foreign carriers will be the biggest threats of Vinalines since they have much better conditions in all aspects such as

reputation, operational experience, financial strengths, strong customer relationship, and technology application. It is not easy to compete with them even within the Vietnamese waters. Another threat is the changing policies and procedures of Vietnam. Due to the fact that Vietnam is in the process of development and renovation, its policies and procedures are subject to change, which have had numerous impacts on the development plans of the Company. SWOT Matrix of Vinalines can be summed in Table 9 as follows:

**Table 9 - SWOT Matrix**

| **SWOT MATRIX** | **- Opportunities (O)**<br>1. Open door, renovation policy<br>2. Stable economic development<br>3. WTO entry<br>4. Increase of import-export | **- Threats (T)**<br>1. Increasingly fierce competition<br>2. Changing policies & procedures<br>3. Losing high skilled workers |
|---|---|---|
| **- Strengths (S)**<br>1. Support from the Government<br>2. High skills<br>3. Large size<br>4. Good reputation<br>5. Good experience in liner transport | S/O taking advantages & opportunities<br><br>$S_{1,3} \implies O_{1,2,3}$<br>$S_{1,2,4,5} \implies O_4$ | S/T using strengths to overcome threats<br><br>$S_{1,3} \implies T_2$<br>$S_{2,4,5} \implies T_{1,3}$ |
| **- Weaknesses (W)**<br>1. Weak marketing policies<br>2. Convoluted organisational structure | W/O overcoming weaknesses and taking opportunities<br><br>$W_1 \implies O_{3,4}$<br>$W_2 \implies O_{1,2}$ | W/T overcoming weaknesses and avoiding threats<br><br>$W_1 \implies T_1$ |

**S/O strategies**:

- Continue to be a leading shipping company in Vietnam by making use of the current economics environment and favourable support from the Government.

- Utilize the strong financial conditions, highly skilled workers and good reputation to expand the market share to take the chance of booming in import-export volume in Vietnam

**<u>S/T strategies:</u>**

- Attempt to minimize the bad influences by the change in policies and procedures of the Government. Playing as a key role in Vietnam shipping industry, the company can confer with the Government in making suitable and favourable policies to enable the company to operate efficiently.

- Having advantages of good financial conditions and high skilled workers, the company has potentials to succeed in the fierce competition today.

**<u>W/O strategies:</u>**

- The upturn in import-export volume can help the company reduce the bad effect of weak marketing policies.

- The innovation policies of the Government will force the company to have a more efficient organisational structure to cope with the new environments today.

**<u>W/T strategies:</u>**

The company cannot survive in the fierce competitive market with weak marketing policies in the long run. It requires a substantial change in this regard.

The tremendous threats and weaknesses of the company can be offset by the opportunities and threats as analyzed above. Having a good financial support from the Government, and possessing high skilled maritime experts are the two biggest advantages of Vinalines. The company should make use of its strengths and minimize the weaknesses to obtain its long term objective of becoming a key player in liner business in the South East Asian region. However, the external factors are subject to change all the time (Porter, 1981). The company should therefore remain innovative and adaptive to the dynamic environment in order to make use of these advantages to the maximum, but also adjust the risks in this volatile market of Vietnam today.

## *Chapter 5 - Marketing Strategy*

*This Chapter is going to analyse the last but most important step of the CRM system, the marketing strategy. This Chapter will mainly analyse the specific marketing strategies applied to each group of customers as the result of the customer segmentation made in previous Chapters, and mostly to each golden customer. The brief analysis of the future trends of some key Vietnamese export products will be made in the beginning of this Chapter. The next part will analyse the cost/benefit effects, and people deployment. The last part will discuss the evaluation and control of the marketing strategy.*

## 1. Marketing strategies for golden customers

As mentioned in Chapter 2, a complete strategic marketing system is perceived as one of the key elements in deciding the success of any company in the competitive environment today. It also revealed that marketing strategy consists of a set of issues including the company's objectives, market segmentation, resource allocation, payback analysis, and evaluation and control process. The company generally applies different marketing strategies to different kinds of customers. Market segmentation plays a very important role in formulating and implementing the marketing strategies since it helps the company to focus on targeted customers in order to maximize the advantages and benefits.

Chapter 3 already discussed the marketing objectives of the company, along with the time frame of a five year period as set by the Government. Accordingly, the company's marketing objective for the period of five years from 2005 to 2010 is to get 10% of the market share for the headquarters. Chapter 3 also mentioned that the total market volume of Vietnam is estimated to reach 3,000,000 TEU in 2005, an increase of 19% compared to the year 2004. In order to get 10% of the total market

share in 2005, the company has to carry 300,000TEU, an increase in growth of 39% compared to the year 2004. Furthermore, as the Vietnam Ministry of Transport forecasts the annual growth of the total tonnage of containers handled through the Vietnam sea ports is about 16% for the period 2006-2010 (Binh, 2003); the company needs to get the same rate in order to obtain 10% market share. It can be achieved since the company has been growing at 23% yearly. Retaining key customers are the most essential to obtain the objectives. As discussed in Chapter 2, one to one marketing, and building partnership relationship are the best methods to retain the key customers. This part will attempt to give some suggestions regarding the marketing strategies applied to each golden customer. With the purpose of giving guidelines, these suggestions are not the definite solutions for Vinalines. As the suggestions are made based on the limited information from the customers and other resources, they can therefore be much different in the reality.

## *1.1 Vietnam exports – Current and Future Perspectives*

As mentioned in the SWOT analysis in Chapter 4, Vinalines has the opportunity to increase the carrying capacity as a result of the fact that Vietnam import-export activities are projected to increase at a high rate in the coming years after the country joins WTO. It is a good signal for any company in Vietnam to have a chance to boost up their businesses.
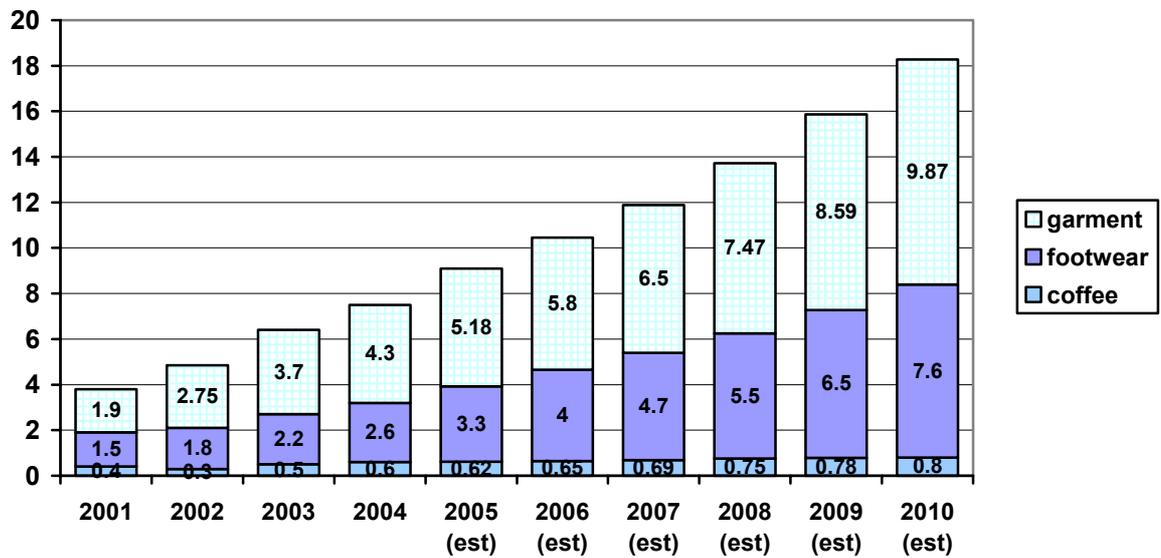
20
18
16
14
12
10
8
6
4
2
0

garment
footwear
coffee

| | 2001 | 2002 | 2003 | 2004 | 2005 (est) | 2006 (est) | 2007 (est) | 2008 (est) | 2009 (est) | 2010 (est) |
|---|---|---|---|---|---|---|---|---|---|---|
| garment | 1.9 | 2.75 | 3.7 | 4.3 | 5.18 | 5.8 | 6.5 | 7.47 | 8.59 | 9.87 |
| footwear | 1.5 | 1.8 | 2.2 | 2.6 | 3.3 | 4 | 4.7 | 5.5 | 6.5 | 7.6 |
| coffee | 0.4 | 0.3 | 0.5 | 0.6 | 0.62 | 0.65 | 0.69 | 0.75 | 0.78 | 0.8 |

**Figure 9 - Main export products of Vietnam 2001 – 2010 (in billions US$)**
*Sources: Vietnam's Ministry of Trade, Vinatex, Lefaso*

Figure 9 was made to reflect the current performances and future forecasts of some key export industries relevant to the golden customers of the company; Appendix A gives the details of each sector. Textile has been one of the key export products of Vietnam in recent years. Accordingly, the industry's export turnover has increased rapidly for the last few years from 1.9 billions USD in 2001 to 4.3 billions USD in 2004 and is expected to get 9.8 billions USD in 2010 (VOA News). However, from 2005 Vietnamese textile companies are facing a huge competitive pressure from its Chinese counterparts after the WTO lifted up the quota system in January 2005. Some experts even doubt that the industry will accomplish the export turnover plan of 5.2 billions USD in 2005, although the result for the first 6 months is not too bad, still slightly increased compare to the same period of 2004. The expectation is still there since many Chinese garment products are likely to be imposed by the quota system again from the U.S and European countries.

Footwear is another key export product of Vietnam with the impressive growth of 20% yearly. It is expected to get about 7.6 billions USD up to 10 billions USD in

export turnover by 2010 (Lefaso reports). Although the Vietnamese textile and footwear industries have to face the fierce competition from foreign competitors, particularly the Chinese counterparts, their export value is still anticipated to grow at about 12% and 16% per year respectively in the next five years due to a number of rational reasons. The foremost one is the joining WTO of Vietnam which will help Vietnamese companies to relieve the hindrances such as higher tax, and quota issue, in order to compete more fairly with other foreign companies (Truong, 2003). As a matter of fact, since Vietnam signed the bilateral trade agreement (BTA) with the U.S in 2001, the exports to this market was booming, especially the textile with the increase of 317% in 2001 compared to the previous year (Vinatex reports). The booming export market is expected to take place again after Vietnam joins the WTO, but with a lower rate. However, Vietnamese companies, especially the State owned enterprises, have to face with more fierce competition from not only foreign companies abroad but also foreign companies doing business in Vietnam. It requires the Vietnamese companies to modernize the production facilities, to focus on improving the skills of the labour forces to make the products more competitive in order to survive in this fierce competition. As suggested by the EU Economic and Commercial Counsellors in Hanoi, Vietnam could make improvements in the quality of garment exports by temporarily importing high quality fabrics from the EU, assembling them into top-end garments in Vietnam, and then re-exporting them to the EU. This has happened for example in China where famous European brands are currently being assembled and re-exported to the European market (VCCI).

### 1.2 Analysis of golden customer's business – Marketing strategies

As indicated earlier, in order to get 10% of the market share in the next five years, the company has to get at least 16% growth in transported volume which is in line with the increase of the total Vietnam transport volume of 16%. However, in 2005, this ratio has to be 39% to obtain that objective. This can be done by escalating either the number of customers or the size of the existing customers. However, as mentioned in Chapter 2, it costs five times higher to acquire a new customer than

retaining an existing one. It is therefore better for Vinalines to concentrate on retaining the existing golden or potential customers.

Before going to discuss the marketing strategies applied to the golden customers, it is essential to get to know their business. As a result of the aggregation in Chapter 4, the five customers who have the highest points regarding the total of their volume and loyalty level are considered as golden customers. They contributed to 14% of the total volume of Vinalines in 2004. They are engaged in different kinds of business. Due to the limited scope of this study and also limited information gathered from the company, this part will discuss the cases of four golden customers, including Viettien – a garment company, Vinacafe- a coffee exporter, Intimex – a trading company, and Biti's – a footwear maker. The forecast of total export of each company for the next five years will be based on their annual reports through their websites and questionnaires or relevant industries sources. The forecast of cargo carried by Vinalines is made based on the target of 16% increase in order to achieve 10% of the market share as analysed earlier.

### *1.2.1 Viettien garment company*

### *1.2.1.1 Business results overview*

Chapter 4 revealed that Viettien is the most important customers among the five golden ones. This is one of the biggest and most successful textile companies in Vietnam. The company's export volume has increased considerably from 1562 TEU in 2001 to 3270 TEU in 2004, an average increase of 25% yearly as can be seen from Figure 10. The company's objective is to get 17% increase yearly in export value for the next five years (Viettien annual reports). Accordingly, the export volumes can be roughly estimated for the next five years. The company has been selected to be one of 20 outstanding suppliers for the U.S second largest retailer Target Sourcing Services in 2003 and 2004. Furthermore, it was also selected as the best performing

enterprises in the garment and textile industry for 2004, among some 1,200 other companies in Vietnam (Vinatex ).
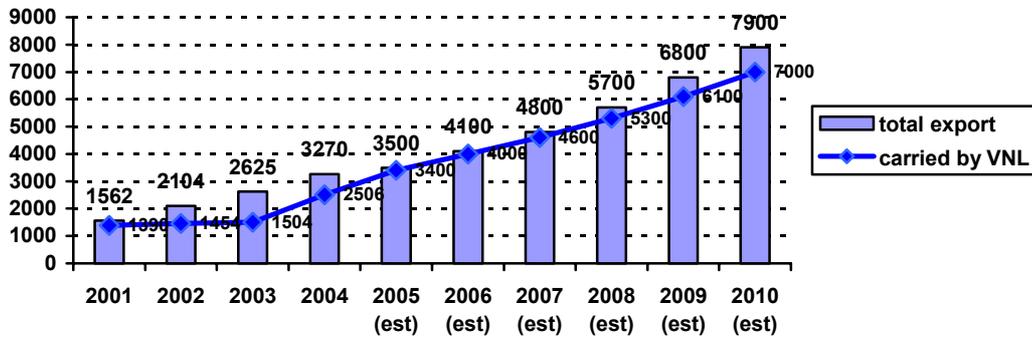


**Figure 10 - Export volume of Viettien 2001 – 2010 (in millions US$)**
*Source: Combined from Viettien's annual reports, Vinatex, Vinalines*

The advantages of Viettien are modern facilities, high skilled workers and good reputation. The board of directors has paid much attention on building up the company's trade mark, improving the quality of the products and also trying to minimize the costs. These key strategies help the company to become the key player of the Vietnamese textile industry as remarked by one of the leaders of the Vietnam Ministry of Trade (Vinatex). However, the company's production process still depends on imported raw materials from abroad, which is considered as the largest disadvantage of most Vietnamese garment companies (Truong, 2003).

*1.2.1.2 Marketing strategy*

Figure 10 also shows that cargo volume carried by Vinalines has increased considerably in recent years from 1396 TEU in 2001 to approximately 3400 TEU in 2005. The growth is expected to get 16% annually for the next five years in order to achieve the company's objective. As Viettien set up its goal of increasing 17% yearly, the objective of 16% of Vinalines is pretty high and risky. Obviously, the business performance of Vinalines depends considerably on that of key customers,

Viettien is one of them. Any divergence in their business plan would affect the company's business performance.

One to one marketing is the best way to keep hold of this customer. As analyzed in Chapter 2, this method is to engage customers in dialogue, to build trust in them with the purpose of mutual benefits between two parties. The company should not only try to know about their business strategy and future plan, but also work with them to find out the best way of reducing the costs. One of the most uncompetitive elements of the Vietnamese export commodities is high price. With a similar quality, the Vietnamese products are a bit more expensive than that of the Chinese, mainly due to the high indirect costs such as transport costs, logistics cost, and custom fees (Truong, 2003). Viettien is one of the customers who want to bring down these costs. The company has so far accepted the price that Vinalines offered since 77% of its export quantity was transported by Vinalines. In order to retain this customer, the company has to keep the price lower than other carriers. At present, it does not transport cargoes directly to the U.S and Europe, but mainly supply the mother vessels in Singapore and Hong Kong, and participate in the route from HCM to Japan. In the near future, it will not be possible for the company to open new routes to the U.S and Europe. Fortunately, there are not any carrier to transport cargoes directly from Vietnam to the U.S and Europe; most of the cargoes have to transit through the regional hubs such as Singapore and Hong Kong (VAP news). This may somehow indicates the equal competitive condition for the company with other competitors in the future. The foremost important things to do for that customer are as follows:

➢ Work with Viettien to reduce the logistics cost to the minimum, for example reducing the storage time. Textile can be considered as a sensitive product since it can become out of fashion very fast if it is kept in the storage too long.

➢ Arrange the most efficient way of transport, including land transport, time in port, logistics services to secure the delivery on time for them. Viettien perceives it as the most important for the company since many Vietnamese exporters lost the contracts due to the delay in delivery.

➢ Consulting and participating into the supply chain of this customer from purchasing materials arrangement to delivering the final products. Most Vietnamese textile manufacturers have to import raw materials from abroad; therefore it is important to make sure that the raw materials arrive on time to keep the production process carrying on. Just in time system should be taken into account in this company.

### *1.2.2 Vietnam National Coffee Corporation (Vinacafe)*

#### *1.2.2.1 The company's business overview*

This is the biggest state owned corporation specializing in coffee production, processing, export - import in Vietnam. The main export item is coffee beans to the US and Europe. The company accounts for 40% of the total Vietnam coffee export (Vinacafe's website). The company export activity is not stable since it depends on the world coffee market consumption and also the crop of Vietnamese coffee farms. For example, in 2002, the total export volume decreased considerably to 251,000 tons from 325,000 tons in 2001; the value was also reduced to 112 millions USD from 136 millions USD in the same period. The results of the following years were better with a slight increase in both volume and value as can be seen from Figure 11. However, the coffee export is less competitive than other export products; therefore it has less influence of the competition conditions such as anti-dumping rules or quota systems. It turns out to be more stable than other products in this regard. Vinacafe has planned to get a 5% increase in the export volume yearly for the next five years.
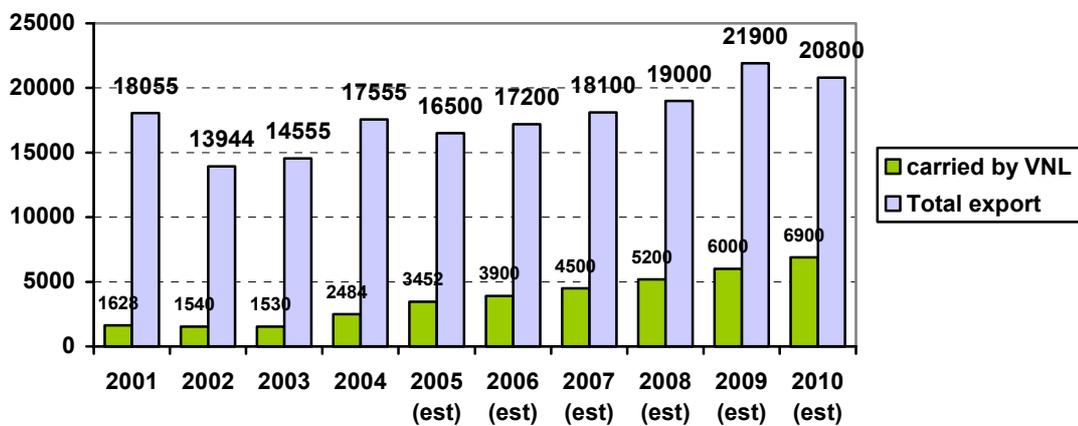
**Figure 11 - Export volume of Vinacafe from 2001 – 2010 (in TEU)**
*(Source: Vinacafe, Vietnam Ministry of Trade, Vinalines)*

This goal can be achievable since the world coffee consumption is anticipated to increase (International Coffee Organisation). In fact, Vietnam has been the 3rd biggest coffee exporter in the world, after Brazil and Columbia. However, the Vietnamese coffee product is not world widely recognised since the country mostly exports the raw beans to the third countries such as Singapore and the product is accordingly considered to be from Singapore. This situation has been changing in recent years as many Vietnamese companies triggered exporting directly to the final purchasers, not going through third countries.

*1.2.2.2 Marketing strategy*

Figure 11 clearly indicated the export volumes of Vinacafe for the last four years, along with the estimation for the next five years. The data was made based on the information provided by Vinacafe and the Vietnam Ministry of Trade. The total export volumes carried by Vinalines for the last four years were also specified, and it is expected to grow 16% yearly in the next five years. It is based on the estimated growth of the total transport volume of Vietnam will be 16% per year. In order to get

10% of the total market share, as defined in Chapter 3, the company has to catch up with such growth rate.

It also can be seen that Vinalines carried a small proportion of the total demand of Vinacafe, with 14% in 2004, and an estimated ratio of 33% in 2010. There are obviously abundant chances for the company to exploit this customer in the coming years. Coffee beans are bulk cargo and it is cheaper to transport by bulk vessels, but coffee export requires regular shipments and the consignments are not always big enough to fit into bulk vessels. Therefore most coffee exporters use container vessel to transport their products (Vietnam Seaport Association). As the coffee bean has lower value than the textile; Vinacafe is not very sensitive to the time factor as Viettien. It pays more attention on reducing the cost, especially transport costs. Vinalines should work together with the customer to help them to reduce the costs. The suggestions are as follows:

➢ Working with Vinacafe to get more export contracts under CIF condition. Since most of their export contracts were signed under FOB (Vinacafe website), meaning that the transport obligation belongs to the buyers. Bringing down the price will be the best way to get more CIF contract. The company should work with this customer to cut down more total costs.

➢ Calculating the optimal stock level that meets the requirement of clients, especially when the coffee export price is high, the stock level should be high enough to make use of it. Furthermore, all cargoes of Vinacafe are purchased from the big farms in high land provinces which is about 300km far away from the port of HCMC. Considering to build warehouses whether in the port or in the farm areas is important to reduce the costs and improve the delivery process.

➢ Arranging the most efficient logistics service.

## 1.2.3 Intimex Import Export Corporation (Intimex)

### 1.2.3.1 Business analysis

This is the leading trading company of Vietnam involving both the import and export business. The main export products include agricultural products such as coffee, pepper, rubber, rice, peanuts as well as exporting seafood, and processed items. The company is also a key importer of a wide range of consumer goods, automobiles and motorbikes. Figure 12 indicates that the company got a breakthrough in 2004 when the export volume increased rapidly with 165% compared to 2003 (Intimex website). It is projected that its import export volume growth will be about 10% in the next five years. The export volume carried by Vinalines has increased considerably from 2001 to 2004 with an average rate of 24% annually. As the year 2004 is remarkably well performed by Intimex, the volume growth carried by Vinalines of 28% is rather low. Besides, Vinalines forecasts to get a 16% increase in volume of this customer in order to fulfil the target of obtaining 10% of the market share, similarly to other key customers as done earlier.
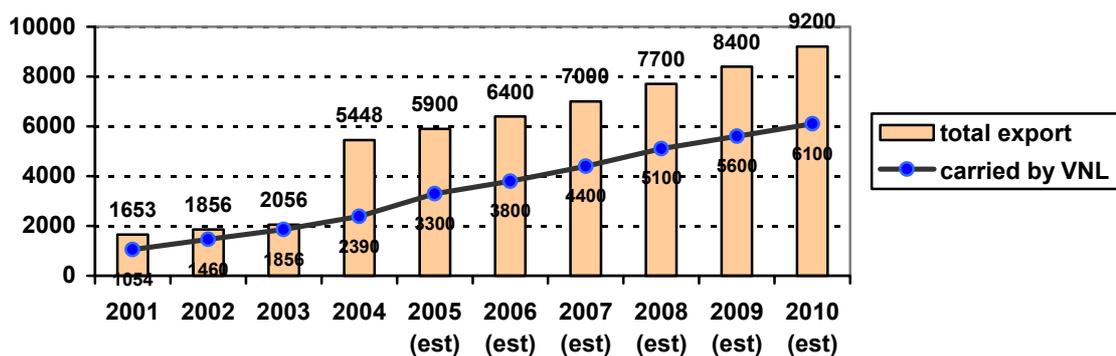


**Figure 12 – Export volume of Intimex 2001 – 2010**

*Sources: Intimex's annual reports, Ministry of Trade, Vinalines*

## 1.2.3.2 Marketing strategy

From the above information, it can be seen that Intimex is a fast growing company and its business picture seems to be very bright in the coming years. Vinalines has so far utilized about 45% of this customer's total demands. This case is one more example showing that Vinalines has not made use of the key customers to the maximum. Intimex is a trading company which is different from other key customers who are manufacturers as discussed earlier. It therefore has different requirements to its customers and suppliers. Intimex is trading with different kinds of companies, therefore its business is not stable as that of other types of businesses. The company business depends significantly on the import-export situation of Vietnam. As discussed earlier in this Chapter, Vietnam is forecasted to be one of the leading exporting countries in the world in the near future. This somewhat brings an optimism for Intimex about its business potential. Responding to the change of customers is one of the requirements of Intimex. Logistics is therefore a very important tool to link all these customers with suppliers. Vinalines can offer the customer with the best logistics service as follows:

➢ Working with Intimex to consider building distribution centres in the strategic cities such as HCMC, Hanoi. It helps to sustain the volume level required by the customers, but the costs should be thoroughly calculated which corresponds to the benefits it brings.

➢ Providing the company with a reliable inland transport and arranging the import-export procedures for it.

## 1.2.4 Biti's Company

### 1.2.4.1 Business analysis

Bitis is one of the leading footwear makers in Vietnam with 3,000 distribution agents nationwide and exports reach 40 countries all over the world. The company had an annual output of 13 millions pairs of shoes and slippers in 2003, with 28% increase year-on-year (Biti's website). It has a wide range of factories all over Vietnam and in some parts of South China provinces. The company exports about 64% of the total volume. Unfortunately, the company has not published its detailed business indicators; therefore it is not possible to see more clearly its past performance, and future trends. Figure 13 shows that in the last four years, the volume carried by Vinalines has increased at a high rate of about 33%. It includes both domestic and export volumes. The forecast made for the next five years is based on a 16% increased target as set up in earlier parts of this Chapter; this ratio is lower than the objectives of Biti's of 28% growth annually.
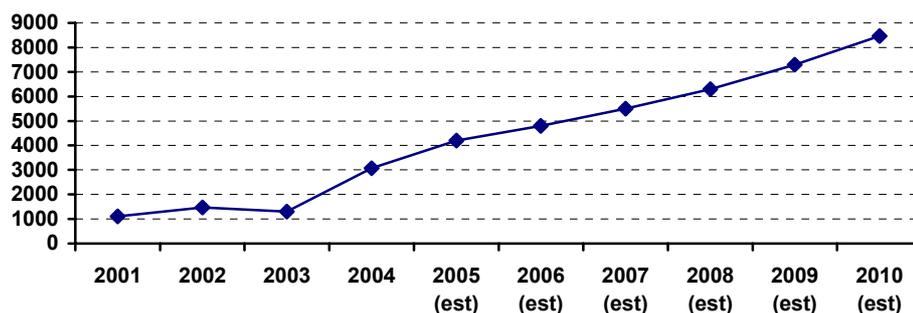


**Figure 13 – Volumes of Biti's carried by Vinalines 2001 - 2010**
*Sources: Vinalines's reports*

## 1.2.4.2 Marketing Strategy

Together with the garment industry, footwear is another key export product of Vietnam, ranked the 3rd largest export items after crude oil and textile. Facing the similar difficulties with textile, the Vietnamese footwear products are considered to be more expensive than the same type of the Chinese products. However, many Vietnamese footwear manufacturers are trying to focus on making high quality products rather than reducing the price. It has been said that it is almost impossible to

make the price lower than that of the Chinese (Lefaso). Nevertheless, making the products at minimum costs is still the top priority of every company; Biti's is not an exceptional case. As Biti's productions and storages are located in many places of Vietnam and some in China, it probably requires an efficient inland transport to connect these points. Furthermore, the raw materials to make shoes are mainly rubber which can be purchased in Vietnam, as Vietnam is one of the biggest rubbery producing countries in the world. Some suggestions can be given as follows:

➢ Comparing the total costs of transport cargoes between the inland and short sea transport from Vietnam to China in order to find out the most efficient way of transport. As Vietnam's infrastructure is not developed, the cost of inland transport is pretty high, short sea transport from Vietnam to China is probably a more efficient way.

➢ Consulting to use the efficient logistics and warehouse networks to find out the optimal total costs of its products. Comparing the storage costs and transport costs is a good way to find out the total costs.

## 2. Marketing strategy to other groups of customers

Silver and bronze customers are not far less important than the golden ones, especially those customers who just used the company's service recently but with high volumes. The total volumes they used are still smaller than that of the golden customers, but many of them are big companies who have high demand of transporting cargo for export. For example, ALC is a new customer who just used the company services in 2004 with total volume of 1868 TEU. Looking at one of the golden customers, Viettien, this customer generated 3927 TEU for four years, so the average volume per year is 981 TEU which is smaller than the volume of ALC. Another example is ITS Hanoi who created 959 TEU for one year. That volume is also higher than the average volume per year of Viettien. Obviously, it is very important to promote these customers to demand the same volume or higher for the

long run. To those customers, one to one marketing should be used since they are possibly becoming golden customers in the near future if the company has appropriate marketing policies to endorse them.

Marketing strategies to those customers is to maintain good relationships with them. Regular visits, quick responses to their demands are good ways to secure these relationships. It is also crucial to make some of the bronze customers to become golden or silver ones in the coming years. The more golden and silver the company has the better for the company in the long run. This study will not discuss deeply the marketing strategies applied to other groups of customers due to the limitation of the study scope. It should be set aside for further study regarding this topic.

## 3. Cost/benefit analysis

Marketing strategy is an integral part of corporate strategy, so it seems to be difficult to distinguish between them in practice (Zinkhan and Pereira, 1994), therefore it is very difficult to calculate separately the profits that marketing investment will make after a certain time. However any investment should consider the payback that it will generate; marketing investment is not an exception. The company has to make sure that any marketing strategy is thoroughly analysed both its feasibility and efficiency. The expenses for marketing activity mainly consist of expenses for advertisements, sales, promotions, and also CRM software purchase (Don, 1990). It seems to be not much compared with other production costs. However, a wrong marketing strategy can cost a company a fortune. The failure of the port of Amsterdam in launching a new container terminal in 2001, Ceres Paragon terminal, is a big lesson for any company in deciding their marketing strategy. The port spent millions of dollars to build one of the most modern and well-equipped container terminals in Europe with excellent road, rail and inland waterway connections, with 300 moves/ship hour in its unique return dock, the terminal has not yet grasped any customers for years after its launching (World cargo news). According to K-Line Europe director, Isao Akiba,

one of the reasons for refusing this terminal is the concern about lock access nearby which takes much time to go around. Hans Gerson, executive director of the Amsterdam port authority admitted that the terminal was built at a wrong place and at the wrong time (World Cargo News). Obviously, superior quality of service can not secure the using of customers. The service must be competitive in both price and quality. Too high total costs for customers would be the foremost reason for their refusal of this terminal (Ma, 2005). In other words, the port did not stand on the customers' toes to know what they want.

Returning to the case of Vinalines, as analysed in Chapter 3, the company can make profit if the marketing expense for a TEU is less than 1.5$, as the result of examples from some customers. However, this is not a benchmark for the company to allocate the marketing expense to each customer. It can be much higher for some golden customers and pretty lower for some others. Moreover, the payback of a marketing strategy can be considered as financial performance such as return of investment (ROI), sales growth, and non financial performance such as customer satisfaction, and job security (Slater, 2001). Different company perceives the benefits of the marketing strategy in different ways. The example of one customer of Vinalines will use ROI to measure the payback of marketing investments.

It is normally not visible to measure the payback of a marketing strategy in short term as can be seen from the example of Intimex. In this case, some relevant factors will be presumably disregarded to calculate the payback of the marketing investments. Assuming it costs Vinalines 200,000 USD marketing expenses for Intimex in 2004. The value added is estimated at 95USD per TEU (total income minus direct total costs per TEU) as made in Chapter 3. The net profit is estimated at 28USD per TEU for dry cargo, presumably the payback that marketing strategy brings to the company is 20USD per TEU in this case. The reimbursement of this investment can be calculated as below. The time factor and opportunity cost are disregarded to make it simple.

**Table 10 - Payback calculation – Example of Intimex**

| Years | Total volume | Payback per TEU | Total payback from marketing strategy | Accumulated Total |
|-------|--------------|-----------------|----------------------------------------|-------------------|
| 2004 | 2390 | 20 | 47,800 | 47,800 |
| 2005 | 3300 | 20 | 66,000 | 113,800 |
| 2006 | 3800 | 20 | 76,000 | 189,800 |
| 2007 | 4400 | 20 | 88,000 | 277,800 |

From the calculation in Table 10, it can be seen that the company can get the payback for the marketing investment of 200,000 USD at year 4. Obviously, the company has to retain this customer as long as possible in order to get not only the payback of initial investment, but also extra profit in the following years. The leaving of this customer before year 4 would be hazardous for the company. This example shows the importance of having loyal customers as discussed in Chapter 2.

Although Vinalines applies FAK systems to most customers, in fact it still offers the shippers of lower value cargoes such as Vinacafe with lower prices. The payback of the marketing strategy for Vinacafe will take longer time since the payback per TEU is less than that of Intimex. It is imperative for the company to retain those golden customers in order to get the objective of 10% market share; the company however needs to consider thoroughly the potential payback of each customer before making the marketing investments for them.

## 4. People deployment

The study has so far indicated that Vinalines possesses good conditions to carry out marketing strategy to the customers. The success of its implementation now depends on the people deployment. As mentioned in Chapter 2, culture and perception of the company to the marketing activity are the key factors in deciding the success of the

CRM implementation. Marketing strategy has a central role in the business strategy (Slater and Olson, 2001). The company should not consider decisions regarding marketing strategy independently of the business strategy, because marketing strategy is uniquely able to assess consumer needs and the potential of the organizations for gaining competitive advantage, which ultimately may guide the corporate or business mission.

## 4.1 Commitment of top management – marketing manager

Chapter 2 argued that the company's culture and perception are the key deciding factors to the success of the company's marketing strategy; it also stated that lack of understanding about CRM of the organisation cause 20% of the failure of the CRM implementation. Top management plays the most important role in creating the perception, viewpoint, attitude and aspiration about marketing for the whole company (Stasch and Lanktree, 1980). With strong supports from the executives, marketing strategy formulation and implementation will be likely to be carried out successfully. A clear marketing strategy should be made with the commitment of the top leaders. Vinalines's Board of Directors have paid much attention on marketing strategy but it seems not enough to meet the higher requirements of the customers, especially the new trends in CRM as discussed earlier.

Furthermore, the company should have a complex network of communication to connect different sections of the company such as among members of the planning group, and internal and external staff, and higher levels of management. It not only creates the convenience of the communication but also shows the common understanding of the same purpose.

The commitment of a marketing manager is another crucial element in the implementation of the marketing strategy. Understanding and agreement of the marketing managers upon the strategy could promote and speed up the success of its

implementation because of the clear direction and strong commitment on it. The lack of commitment may also lead to information distortion and promotion alternative among staff.

## 4.2 Marketing personnel

Marketers are the people who carry out the marketing strategy with the aim to bring the customer into the company. In the current complex business environment, marketing people must be critical and creative in implementing their roles (Slater and Olson, 2001). These people are the ones who need to understand the new marketing concept thoroughly. As discussed in Chapter 2, the purpose of marketing now is changed from manipulation of the customer to genuine customer involvement; from telling and selling to communicating and sharing knowledge; from product based to customer based approach. Evidence indicated that when marketers increase their knowledge and skill related to the product, marketing activities can be carried out successfully.

Vinalines so far has not yet built up a partnership with any customer. The reasons come from both objective and subjective perception. The company has long tradition of being served rather than serving others. Furthermore, this idea is very new and not many companies can recognise it, especially shipping companies. The requirements of customer are getting higher and it leads to more competitiveness. Those who can get success or even survive are those who have good long term relationships with customers. In order to keep those key customers, the company has to work closely with each of them. In addition to those marketers who have good knowledge about the company's business to convey the company's service to the customers, it requires more people who are the experts in the key customer's business to work with them. Maersk Sealand is a good example in using the people who know deeply about the key customer's business such as Volvo and Ikea to work at these companies. As discussed earlier, the company should have four experts in different business fields

of four golden customers. These people can be either the permanent employees of the company or the temporary consultants.

- ➢ One expert about textile business to work with Viettien to participate in its business operation, particularly in the supply chain management. Having just in time management is one of the key requirements of this customer.
- ➢ One expert who has thorough knowledge about coffee export to work with Vinacafe to find out the best ways of reducing the costs to the minimum such as reconsidering the storage location, and logistics services.
- ➢ One expert who knows much about the trading business to work with Intimex. This person can be one of the employees of Vinalines since the company has many people involved in trading areas. The two suggestions to this customer are building the distribution centre in some strategic cities, and organizing the logistics service efficiently.
- ➢ The last person works with Biti's about footwear manufacturing and exporting. This company's business involves both domestic consumption and exports. It requires a good inland transport and efficient logistics services.

## 5. Evaluation and Control

The marketing strategy needs to be evaluated and controlled periodically to see if the formulated strategy reflects the real market conditions and if it is out of the company's capabilities or not (Sashittal and Jassawala, 2001). Those suggestions to the key customers of Vinalines as made earlier need to be considered thoroughly before putting them into practice. Furthermore, the company should evaluate them again after carrying them out. During the strategy implementation, marketing managers may face the changes in the market and customer preferences, they must make some adjustments and adaptations to make the strategy remain in line with its environment (Piest, 1993). This evaluation process requires the involvement of many people in the company to evaluate both internal and external factors. From the

analysis of the golden customers, most of their businesses are not stable which requires substantial efforts of them to achieve their objectives. The company therefore needs to evaluate the efficiency of the marketing investment to each customer, in order to know which one should receive more expense than others.

# *Chapter 6 – Conclusions and Recommendations*

## 1. Conclusions

The study has somewhat addressed the dissertation's questions by examining the CRM system both in theory and practice of Vinalines. In the literature review in Chapter 2, the study investigated CRM in general terms: a brief mention about the history, the new pattern, and the prerequisites of CRM. The main part of the theoretical framework is about customer segmentation since it plays a key role in the CRM system. Boston Consulting Matrix was proved to be very useful in segmenting the customers. In the empirical parts, various issues of the CRM of Vinalines were dealt with, particularly customer segmentation, marketing strategies. Concretely, through the customer segmentation model, the study virtually found the golden customers of the company, along with other strategic groups of customers. Then several marketing strategies applied to these customers were discussed. Some conclusions are made as follows:

First, to manage all customers successfully, the company needs to have a CRM system which is built around a centralized profile management. Without CRM system, the company may not perceive Viettien as the best customer and it is probably treated as other big customers. However, CRM is not all about technique, but also about the company's perception and strategy. A nice database CRM system cannot secure the success of the CRM implementation. Customer segmentation is a key activity of the CRM system. The base to segment customers into groups is different in different companies and industries. Any mistakes in this stage would cause the misleading of the company toward its key customers. Some targeted customer may be forgotten, and much of the money may be spent inefficiently on other less important customers. The CRM system and marketing strategy complement and support each other, CRM assists the marketing strategy to target the

right customers; meanwhile the marketing strategy drives CRM into an appropriate system.

Second, groups of key customers generate a significant proportion of the total income of the company, for example the top 2% of customers bring 37% of the total volume of Maersk Sealand, and 31% of Vinalines. However, some customers who may generate very high product volumes, but may not be strategic customers since their loyalty level are very low. On the contrary, some customers have small market shares at the beginning but they may have big potential in the future and show a strong level of loyalty, so they can be considered as key customers. ITS Hanoi is a good example. In other words, market share and loyalty level are the two factors which should be taken into consideration when selecting the key customers.

Third, the marketing purpose has changed from the product based to the customer based approach, so relationship marketing is not just a win-win situation, but it is at partnership level. The company should not only attempt to convey its products or services to the customers, but also encourage them to create demands of using its services. Serving customers after getting their demands is too late, the company has to step ahead to promote them to create their needs. In the case of Vinalines, working with golden customers to find the most efficient way of doing business not only helps the customer to increase their outcome but also creates more business for the company. Different golden customers have different requirements on the services they use. Therefore, the company has to apply different marketing strategies to retain them. Viettien is more sensitive to the time factor than Vinacafe, for example it requires delivering its cargoes on time, at the same time Vinacafe asks for as cheap price as possible.

Fourth, the company's perception, especially commitments of the top leaders and marketing managers play a decisive role in the success of the marketing strategy and CRM implementation. To implement CRM and marketing strategy, top management

should create organisational atmosphere which promotes openness, innovativeness and responsiveness. Piercy (1992) revealed that the most important and productive thing to focus on strategic marketing planning is not techniques and the formal methods, but simply the commitment of the top management. There are no real rewards for beautifully designed CRM system by incorporating the latest computerized models. The rewards come from getting people excited and motivated to do their jobs that serve customers the best in the market place. As CRM is a broad and complex process, it requires the participants of every person in the company, from top leaders to the marketing staffs. Chapter 2 revealed that lack of CRM understanding caused 20% of the CRM failure; at the same time as the budget matter only caused 4%. Obviously, the success of the CRM depends mostly on the perception of the company, not on the budgeting at all. Vinalines cannot have a CRM system implemented successfully without the strong commitment of the top leaders.

## 2. Recommendations

### 2.1 Marketing database establishment

It is not simple to manage thousands of customers as those of Vinalines without a database as analysed in previous chapters. The company should have a database system which stores all the information and profiles of customers. This database should be made in the way that it would allow the company to learn about customer requirements, segment customers based on marketing criteria, and reward loyal customers. Database on customers consists of internal and external data which will be presented in Figure 14. This chart is to roughly make the flow of information to build up database system in Vinalines as a guideline. The real system can be much more sophisticated. This database system should be kept and managed in technology and marketing sections and also connect with other internal networks such as accounting software.
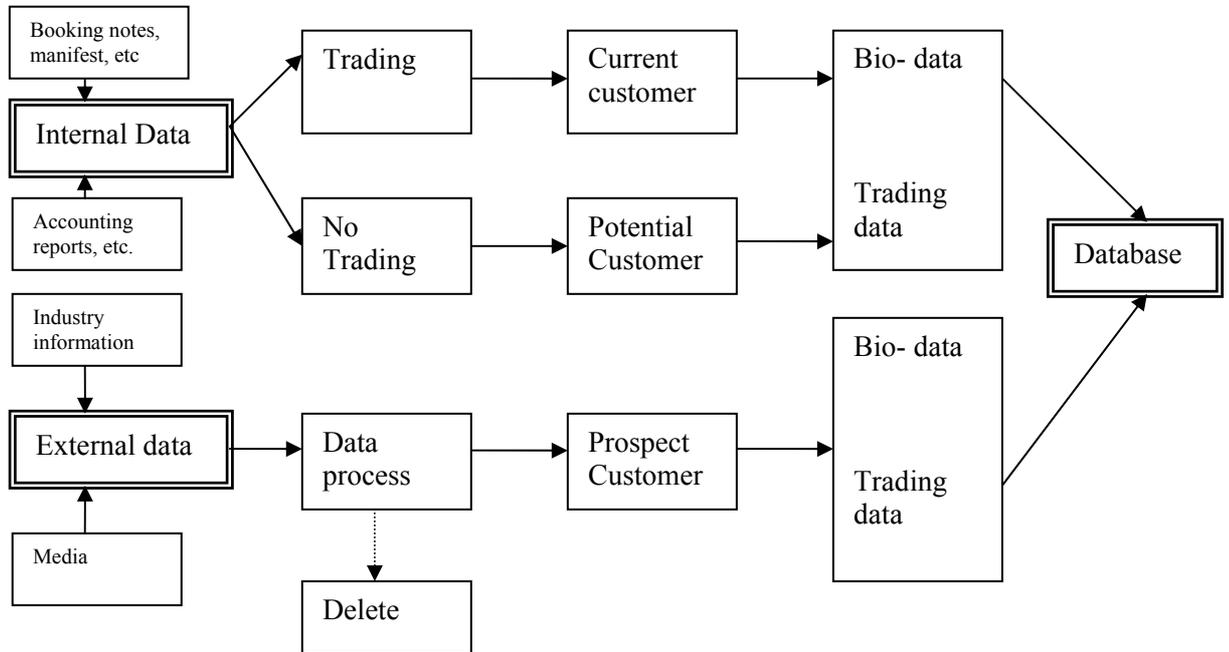
Booking notes, manifest, etc

Internal Data

Accounting reports, etc.

Industry information

External data

Media

Trading

No Trading

Data process

Delete

Current customer

Potential Customer

Prospect Customer

Bio- data

Trading data

Bio- data

Trading data

Database

**Figure 14 - Model of marketing database in Vinalines**

The system can be designed using Access software or any other software programs. The marketing section should be incorporated with Department of Science and Technology to build up this program. The data resources, as can be seen in Figure 14, come from two different kinds of resources, internal and external. Internal data is mainly from daily business transaction of the company for example from booking notes, cargo manifest, and B/L. They are also from indirect resources such as accounting reports, data and documents from the Department of Planning and Investment, Relation Department, Accounting and Finance. In the current situation of Vinalines, those departments keep their own data resources, which are sometimes different from each other for the same subjects, and therefore there is an overlap somehow. It is a very natural result of not having a standard system which is commonly used by all relevant sections within the company.

## 2.2 Building up a professional marketing team

There is no doubt about the necessity of having appropriate strategies to the key customers as proved in previous chapters. The marketing activities of Vinalines are still in the initial stage which does not correspond with the high requirements of customers of today. Having a professional marketing team is very crucial to facilitate the implementation of the marketing strategy. The marketers need to have very broad knowledge of the business of both the company and that of the customers. The analysis of the marketing strategies in Chapter 5 indicated that each golden customer needs different experts relating to their business fields. These marketers must advance their capabilities to promote their important responsibility which can make it possible to maximize their customers' satisfaction, but also give a better return on investment for their companies.

## 2.3 Targeting at potential customers

It is acknowledgeable that the company may cost five times more to acquire a new customer than retaining the existing ones. However, the analysis in Chapter indicated that some golden customers of Vinalines have very limited demand and their business future perspectives are quite volatile. Viettien is one clear example; its business is expected to get a growth of 17% yearly; meanwhile Vinalines's goal is to get 16% increase in its volume annually. The Vietnamese textile export is also forecast to increase in the coming years, but it is not likely to compete with Chinese products regarding the efficiency. It still lags far behind the Chinese counterparts regarding the applicable technology and supporting industries such as fabric supplying. The company should also look for other potential customers who are new comers but already show their promising business prospective, such as Binh Minh Furniture Company, and ITS Hanoi.

The new customer focus frequently requires a change in existing business procedures. As people are reluctant to change, different business procedures should be decided in the early stage of the strategy, including all parties involved. A clear perception and strong determination of all the people in the company can secure the success of the CRM implementation. However, the CRM system does not stand still after implementation, but changes as the market's and customers' requirements are changing. CRM is an ongoing process.

# References

Berrigan, K and C. Finkbeiner (1992). *Segmentation marketing: New methods for capturing business markets*. Harper Business Press, NY.

Binh, D. D (2003). *Vietnam Transport Sector and the WTO accession*. Retrieved on 14th August 2005 from the World Wide Web: http://www.worldbank.org.vn/WTO/Paper,%20MOTr.pdf#search='Vietnam%20export%20producthigh%20transport%20cost'

Brown, S. (2000). *Customer relationship management: a strategic imperative in the world of e-business*. John Wiley & Sons. Toronto.

Bruhn, M. (2003). *Relationship marketing: Management of customer relationship*. Prentice Hall/Financial Times. LD.

Bryan, F. (2002). *CRM in Financial Services: A Practical Guide to Making Customer Relationship Management Work.* Milford. CT, USA.

Dickie, J. (2003). Key Factors for Optimizing CRM Project Success. *Defying the limits*, 4, 59-61.

Don, B. (1990). *Principles of Strategic marketing*. Tudor. Eastham.

Forsyth, R. (2001). Six Major Impediments to Change & How to Overcome Them in CRM (and Politics). *CRM Forum*, June 11, 2001.

Giang, T. (2004). Domestic lines miss boat on freight trade. *Vietnam Investment Review 20*. Retrieved 15th July, 2005 from the World Wide Web: http://www.vpa.org.vn/detail_temp.jsp?id=430

Gordon, I (1998). *Relationship marketing: new strategies, techniques & technologies to win the customers you want and keep them forever*. John Wiley & Sons. NY.

James, G. B. (2001). *Secrets of customer relationship management: It's all about how you make them feel*. McGraw Hill. LD.

Jain, S. C. (1997). *Marketing Planning and Strategy* (5th ed.), Cincinnati: South-Western College Publishing.

Jay, K. (2002). *Relationship marketing in services.*
West Yorkshire, England: Emerald Group Publishing Limited, 2002.

John, T. et al. (2004, January). Global market segmentation for logistics services. *Journal of Industrial Marketing Management,* Volume 33, Issue 1, January 2004, 15-20.

Jones, R. (2002). *Customer Relationship Management*. Financial World Publishing. England.

Jill, G. (2001). *Customer Winback : How to Recapture Lost Customers -- and Keep Them Loyal*. Incorporated Publishers. NJ.

Lekvall, P. and Wahlbin, C. (2001). Information for market resolutions. IHM Förlag. Göteborg.

Ma, S. (2005). Maritime Economics. Unpublished lecture handout, World Maritime University, Malmö, Sweden.

Ma, S (2005). Shipping and Port Marketing. Unpublished lecture handout, World Maritime University, Malmö, Sweden.

McDonald, M. et al (1999). Exploiting technique Interrelationships: A Model of Strategic Marketing Planning," *Journal of Euromarketing 7(3)*, 1 -26.

McDonald, M & Dunbar, I. (2004). *Market segmentation: how to do it, how to profit from it*. Elsevier. LD.

Peel, J. (2002). CRM-Redefining Customer Relationship Management. *Digital press*.

Piercy, N. F. and Morgan, N. A. (1994). The Marketing Planning Process: Behavioral Problems Compared to Analytical Techniques in Explaining Marketing Plan Credibility. *Journal of Business Research*, 29, 167-178.

Piest, B. (1993). Corporate Strategy: Implementation and Control. *European Management Journal*, 11 (1), 122-131.

Photis, M. P (2001). *Professional Ship Management. Marketing and Strategy*. Ashgate Publishing Limited. Hampshire.

Porter, M. (1981). The Contribution of Industrial Organization to Strategic Management. *Academy of Management Review*, 6 (4), 600 - 20.

Radio the Voice of Vietnam. *Vietnam's economic development impressive in 2004*. Retrieved on 10th July 2005 from the World Wide Web: http://www.vov.org.vn/2004_12_29/english/kinhte1.htm

Sashittal, H. C. and A. R. Jassawala (2001). Marketing Implementation in Smaller

Organizations: Definition, Framework, and Propositional Theory. *Journal of the Academy of Marketing Science*, 29 (1), 50 - 69.

Slater, S. F. and E. M. Olson (2001). Marketing's Contribution to the Implementation of Business Strategy: An Empirical Analysis. *Strategic Management Journal 22*, 1055 - 1067.

Smith, W. (1956). Product differentiation and market segmentation as alternative marketing strategies. *Journal of Marketing 21*, 3–8

Stasch, S. F, and Lanktree, P. (1980). Can your marketing planning procedures be improved? *Journal of Marketing, 44*, 79-90.

Stone, M, et al (2001). Integrating customer data into customer relationship management strategy. *Journal of Database marketing*, 289-300.

Stone, M. *Successful Customer Relationship Marketing: New Thinking, New Strategies, New Tools for Getting Closer to Your Customers.* Milford. CT, USA.

Tran, Q. Q. (2004). ADB forecast Vietnam's GDP growth will remain strong at above 7% in 2004 and 2005. *Vietnam Economics Times.* Retrieved 25th July 2005 from the World Wide Web: *http://www.vneconomy.com.vn/eng/index.php?param=article&catid=01&id=0409 23154538*

Truong, N. D. (2003). *WTO accession for Viettien Garment Company.* Retrieved on 15th August 2005 from the World Wide Web: http://siteresources.worldbank.org/INTRANETTRADE/Resources/WBI-Training/viet-iettiengarment_truong.pdf#search='Viettien%20garment%20company'

Vietnam Business Collaboration Services. *Vietnam aims for $55bil export in 2010.* Retrieved on 19th July 2005 from the World Wide Web: http://www.bvom.com/news/english/news/index.asp?.sequence=16867&.this=53

Vietnam Ministry of Planning and Investment. *Foreign investment in Vietnam in the first 6 months of 2005 and the forecast for the year 2005*. Retrieved on 20th July, 2005 from the World Wide Web: http://www.mpi.gov.vn/fdi/tinhhinhdtnn.aspx?Lang=4&Mabai=350&Mamuc=1

Wagner, et al. (1999). Discrete and continuous representation of heterogeneity. *Marketing Letters 10 (1999)*, 217–230.

Walker, O. C., et al (1992), *Marketing Strategy: Planning and Implementation*, Homewood: Richard D. Irwin.

William, G. Z, et al (2003). *Customer relationship management: integrating marketing strategy and information technology*. John Wiley & Sons. NY.

Zinkhan, G. M. and A. Pereira (1994), "An Overview of Marketing Strategy and Planning," *International Journal of Research in Marketing*, 11, 185-218.


**Internet Websites**

Binh Tien Footwear Company: http://www.bitis-vn.com

International Federation of Freight Forwarder Association http://www.fiata.com/

International Coffee Organisation: http://www.ico.org

Intimex Trading Company: http://www.intimexco.com

Vietnam National Shipping Lines: http://www.vinalines.com.vn

Vietnam Chamber of Commercial:  http://www.vcci.com.vn

Vietnam Seaport Association: http://www.vpa.org.vn

Viettien Garment Company: http://www.viettien.com.vn

Vietnam National Coffee Corporation: http://www.vinacafe.com.vn

**APPENDIX I – QUESTIONNAIRES**

It is not always possible to collect all information from the customers' websites. The questionnaires were made and sent out to the four golden customers of Vinalines, asking them their business objectives for the period of 2005-2010, export volumes over the last four years. The responses are as follows:

1. Viettien: webmaster@viettien.com.vn: Growth rate objectives: 17% annually.
2. Vinacafe: vinacafe@hn.vnn.vn. Growth rate objectives: 5% annually
3. Intimex: intimex@hn.vnn.vn. Growth rate objectives: 10% annually
4. Biti's: bitis.vt@fmail.vnn.vn. Growth rate objectives: 20% annually

The export volumes of these customers are presented below:

| Customers | 2001 | 2002 | 2003 | 2004 | 2005 (est) |
|-----------|-------|-------|-------|-------|------------|
| Viettien | 1562 | 2104 | 2625 | 3270 | 3500 |
| Vinacafe | 18055 | 13944 | 14555 | 17555 | 16500 |
| Intimex | 1653 | 1856 | 2056 | 5448 | 5900 |