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WORLD MARITIME UNIVERSITY

Shanghai, China



**RESEARCH ON
CONTAINER LINER COMPANY
MARKETING STRATEGY**

By

Shi Huayu

China

A research paper submitted to the World Maritime University in partial
fulfillments of the requirements for the award the degree of

MASTER OF SCIENCE

**INTERNATIONAL TRANSPORTATION
AND LOGISTICS**

2016

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Declaration

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

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

2016-08-18

Supervised by

Professor Zhao Gang

World Maritime University

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Abstracts

Title of Research paper: **Research on Container Liner Company Marketing Strategy**

Degree: **M.Sc.**

The research paper is a systematic analysis and application of marketing strategies in container industry. A complete overview of today's container market and the existed marketing theory in container industry is the basic background of the dissertation, especially the alliance situation and the downturn. An updated general marketing theory named 11Ps theory is employed as the general marketing theory, and there is a targeted analysis of the theory in container industry. A five forces model analysis of today's container market helps to analyze the general market trend. An application of 11Ps in container industry is the core issue of the paper, and it uses COSCO Shipping as an example to do the case study which takes the merging situation of the company in consideration. Additionally, there is a new marketing channel called integration of network platform, which combines the marketing trend and the market situation.

KEYWORDS: Marketing Strategy, Liner Shipping Market, COSO Shipping, Five Forces Analysis

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Chapter 1 Introduction

1.1 Backgrounds and purpose of the dissertation

As we know, shipping market is in downturn now, and it is a very long downturn. The amount of global trade is still increasing lightly, and the trade growth rate has been below 3% for 4 years. The shipping industry, which is a derived industry of global trade, faces a huge challenge recently.

In this year, the global economy is recovering slowly, for there are many uncertain factors. But in general, the economic recovery will drive the demand of the transportation increase. There are different demands in different routes. For example, the demand of the routes inside Asia increases stably, but the demand of the routes which starts from Asia to Brazil is growing weakly.

The capacity of the container transportation keeps growing because of the delivery of huge container ship. According to statistics from Clarkson, up to the end of February in 2016, there are 5230 container ships and 4788 thousand TEU of transportation capacity. The scraping market focuses on Handysize vessel and Panamax vessel. The capacity of scraping container ships is 584 thousand TEU in the first two months in 2016, and it increases remarkably. But still, the imbalance of the container industry makes the freight rate in a quite low level. Many container lines begin to control the capacity of transportation, and the idle container capacity is continually on the rise.

When the container industry just came into being, the price was set by the oligopolistic organization. After the industry became more mature, the free price mechanism replaced the original mechanism, and now the supply capacity of container transportation is far more than the demand. The new container alliance was established recently. The new 3 alliance occupy is about 80% of the container market

share, and most of the alliance contracts are long-term ones. Absolutely, the new competition situation will strongly affect the container market. It is a vital period for many shipping company, so it is very important to investigate the nature of today's market and to find out the proper marketing strategy to make the enterprise survive.

The purpose of the dissertation is to find out several proper marketing solutions to create comparative advantages of the company, so that the company can survive from the brutal situation.

1.2 Research methodology of the dissertation

There are many research methodologies in this dissertation.

1) Investigation method

There are many investigations of the global economy, the container industry and the background of the container company.

2) Analogy

Because of the lack of marketing theory and method in container industry, the container marketing theory is based on the analysis of marketing theory in general product.

3) Analytic method

The basic principle of this dissertation is to analyze the nature of the container industry, then to compare with the mature marketing approach to establish new marketing approach for container industry.

1.3 Outline of the paper

Chapter 2, literature review, intends to overview relevant research papers and market reports/comments on the marketing strategy in container industry. **Chapter 3, the analysis of the container shipping market and generic marketing theories**, analyzes the general background of the industry, and chooses the basic marketing theory. **Chapter 4, Analysis of marketing strategy of container company**, extracts the main features and general situation of the container industry, specializes the 11Ps marketing theory into container marketing theory, and creates a new marketing channel approach. **Chapter 5, Case Study**, uses COSCO Shipping as an example to apply the container 11Ps marketing theory and the new marketing channel approach, and provide some general advices to the company. **Chapter 6, Conclusion**, is a simple summary of the whole paper.

Chapter 2 Literature review

The literature of this issue had been divided into two parts in this review. The first part is about existing market analysis approach. The second part is the research of pricing and marketing.

The decision of the marketing strategy must be based on the external condition and internal condition of the container line.

How to analyze the conditions of the container line and to identify the environment are the key points to the decision of the marketing strategy.

Firstly, Michael Porter (1979) proposed Five Forces Model which is usually used to analyze the company's or the industry's situation and to make the strategy, and it is also useful for container industry and company.

Secondly, Philip Kotler (1986) proposed the Marketing Theory of 11Ps which helped the company to find out proper marketing strategy and occupy more market share. James P. Rakowski (1976) proposed Perceived-value pricing theory, and it includes 3 approaches to help the company to discover the value and price. Sten Nybery (1993) proposed a function formula to set a price by the quality of the service, and built a mathematical model to analyze the freight rate in monopoly situation and free competition situation. Dieter Bos (1994) proposed two models to set a freight rate, one is stander model and the other one is Forward theoretical model. G A A Costa (2009) presented a Contribution margin model applied to the marketing planning of a container liner carrier. Mingzhu Yu (2014) proposed a price scheme of ocean carrier for inbound container stowage for assistance of container supply chain finance. The scheme of ocean carrier's inbound container storage faces two kinds of contracts from the container terminal operator: the free-time contract and the free-space contract. Di

Liu (2015) presented the joint slot allocation and dynamic pricing of container sea-rail multimodal transportation.

2.1 Situation

Although there are many theory to analyze the market and the pricing and some theory is old, we must checkout whether it works for today's situation or not, and we can revise the approach and theory. Some theory is not for container market, so we should revise it to fit container market, too.

2.2 Existing problems

2.2.1 Impact of the global economy environment

The global economy is still depressing, and the shipping market is still in downturn. The collapse of the shipping market in 2008 was too huge for shipping company to revive, and it causes the imbalance of the demand and supply of the international transportation.

The following authors had comprised the related essays.

1.Ü NVER, Mustafa, (2016), The impact of liner shipping connectivity level of economies on export to developing economies in East Asia and Pacific economies, Gümüşhane University Electronic Journal of the Institute of Social Science / Gümüşhane Üniversitesi Sosyal Bilimler Enstitüsü Elektronik Dergisi. 2016, Vol. 7 Issue 15, p265-287. 23p. DOI: 10.17823/gusb.283.

2. Levinson, Marc, (2006), Container shipping and the decline of New York, 1955-1975, *Business History Review*. Spring, 2006, Vol. 80 Issue 1, 49

2.2.2 The change of competition situation

Now the new-established 3 alliances occupy around 80% of the market share, which must have a strong influence on the marketing strategy.

The following authors mentioned the points:

1. Hyangsook, L., Maria, B., & Sotirios, T. (2014). A freight network planning model in oligopolistic shipping markets. *Cluster Comput* 17:835–847. DOI:10.1007/s10586-013-0314-3

2. Angeloudis, Panagiotis, (2015), Strategic Maritime Container Transport Design in Oligopolistic Markets, In Papers selected for Poster Sessions at The 21st International Symposium on Transportation and Traffic Theory Kobe, Japan, 5-7 August, 2015, *Transportation Research Procedia* 2015 9:269-282, DOI: 10.1016/j.trpro.2015.07.015

3. Devlin, Alan, (2007), A proposed solution to the problem of parallel pricing in oligopolistic markets, *Stanford Law Review*. Feb 2007, Vol. 59 Issue 4, p1111, 41 p.

2.2.3 Lack of marketing approach

There is not much literature talking about the specific marketing approach of a container company. Now the situation is very complex, as the container lines need more marketing approach than before.

The points can be found in the following essays:

1. Iordanoaia, F., (2012), the influences of marketing particularities in shipping, *Analele Universitatii Maritime Constanta*. 2012, Vol. 13 Issue 17, p279-286. 8p.

2. Plomaritou, E., (2008), *Marketing of shipping companies: a tool for improvement of chartering policy*, Athens : Stamoulis Publications S.A

Cerit, A. Guldem, (2002), *Marketing strategies in shipping, The maritime economics and business handbook*; pp.553-579.

2.3 Summary

In this chapter, we reviewed relevant researches of marketing in container industry. Because of the argument in marketing, there is no recognized marketing theory, so the first step is to decide the marketing theory. And there is no systematic marketing analysis method in container industry, and the container industry has changed a lot in recent year, especially after the establishment of the new three alliances.

So the purpose of this paper is to analyze the marketing theory systematically in container industry, update the marketing theory provide an integrated marketing method for liner company and create a new comprehensive marketing approach.

Chapter 3 The analysis of the container shipping market and generic marketing theories

3.1 Analysis of external environment

As a derived industry of global trade, shipping industry is influenced by several factors in external environment, such as political factor, legal factor, technical factor, cultural factor, and so on. Some factors are changing all the time, especially in recent years, as the market is in downturn and the prospect of the container market is not very optimistic. Therefore, in this chapter, some basic environmental factors which affect the container market nowadays are analyzed as below.

3.1.1 Political and legal factor

Shipping industry is very vital to the national economy, especially to huge countries like the US, China, Russia, and so on. In these countries, the maritime transportation can't be monopolized by foreign company or other country, so the governments in these countries may carry out some policies to protect domestic shipping companies. For example, China carries out a policy to subsidize scrapping vessel and newbuilding vessel. When a company scraps a vessel and orders a new vessel at the same time, the government will subsidize the company a bunch of money. The policy makes the shipping company and the shipyard easier to survive in today's situation, and it also improves the excess transportation capacity in the market.

In some small countries relying on other countries, the local government might carry out supportive policy to attract foreign shipping companies to invest. Some country can be an important location of hub port. For example, China is now considering to

invest and operate the port in the Republic of Cyprus. This is an opportunity for Chinese shipping companies, and it also might change the structure of container market in Europe.

The political factors also affect the maritime regulation. For instance, the Emission Control Area. When the vessel is in the area, the vessel only can use low sulfur oil, and old vessel need some amendment about the bunker to meet the standard. Another example is that China once forbade importing chick from America, and some policies like that can change the whole route of the vessel.

3.1.2 Economic factor

As a derived industry of global trade, the global economic situation decides the demand of the shipping market. Therefore, the way to predict the demand of the market is to predict the economic situation. For example, now the economic growth of China has slowed down a little bit, and maybe the developing potential is in Africa, India and Brazil. Because these developing countries export raw materials, bulk carrier market is kind of mature. However, container market is still frontier market, so the container company might focus on these countries.

Another economic factor that suggests to focus on developing country is the labor cost. As we know, many multinational corporations move their headquarter to China because of the cheaper labor cost. The labor cost in China has increased a lot. it is not a strong comparative advantage now. The labor cost occupies a lot in container industry, and it is remarkable to consider when we decide a marketing strategy of container company.

The flag of convenience is also an economic factor. When the market is good, there are no many problems with the flag of convenience. On the contrary, when the market

is bad, it might cause some issues, such as scraping of contract, and most of the countries, which provide the flag of convenience, do not have much power to recover the losses. So it is a problem we should consider when we doing the marketing and find the balance of the advantages and disadvantages of the flag of convenience.

The last economic factor is the cycle of the shipping industry. The cycle of the shipping industry can be divided into four phases, which are boom period, senescent period, slack time and recovery period. Now the shipping market is in slack time, it's considered that the marketing strategy of a container line in slack time is to make the balance of payments. In slack time, the profitability is not important for a container company. The only target is to survive in this period and hold the market share until the boom period coming. This is the best result.

3.1.3 Technical factor

The technical factor means the technical policy, the technical level, the ability of creating new technology, the trend of technology, and so on. It affects whether the container line can adjust the strategy and decision to get new comparative advantages at once.

1) The trend of upsizing container vessel

As we know, the bigger the vessel, the cheaper the cost. Upsize the container vessel is one kind of scale of economy in shipping industry. Because of the expectation of low cost and high profit, many container lines order very large container vessels, and this trend is irreversible. But now as the market is not good, the advantage of huge vessel cannot perform because it only performs when the container vessel is fully loaded. So in the author's opinion, a good marketing strategy is very important now. The container company should load as much cargo as possible, and even the huge vessel

will lose the comparative advantage of cost.

2) Informatization of management

As a multinational shipping company, there are a lot of global strategies can be employed, such as the globalization of the market, centralization of development approach, networking of management structure, and so on. These strategies base on the informatization of management. Therefore, the container company can take cost and competition advantages earlier to get bigger market share by using these strategies.

3) Improvement of maritime technology

Since the satellite communication technology has developed a lot, all the ships are equipped with GPS navigation system up to now. Seafarers can use the GPS navigation system to design more economic route, and avoid waste of time and money which caused by deviation of the route. What's more, the satellite communication technology can also make the vessel safer. At the same time, a lot of container lines equip their vessels with sea water desalting equipment, so they can save the cost of fresh water. They also update the vessels' main engine to make the engine more efficient, so that they can save the fuel cost. But on the other hand, new maritime technology might increase maintain cost and some uncertainty, and these issues should be considered when the company make related decision.

3.1.4 Cultural and social factor

Actually, cultural and social factor can affect all the products, services, markets and consumers. It is a challenge and opportunity to all the industries includes container industry.

1) Language barrier

English is the official language in shipping industry. Both the seafarer and offshore clerk usually use English to communicate with each other, so language barrier will affect the container industry. For example, English is one of the official languages in India and Republic of the Philippines, while English is not official languages in China. Although shipping industry is very popular in China, the language barrier is still a threat. There used to be a lot of Chinese seafarers all over the world. Recently, the amount of Indian seafarers and Philippine seafarers is increasing while that of Chinese seafarers is decreasing. These two countries involve more in shipping industry, and the governments of these two countries support many students to study shipping and relevant subjects. So when it refers to the marketing of container industry, it should be considered that maybe China is the largest market, but India and the Republic of the Philippines have better and cheaper human resources.

2) Influence of religion

Punctuality is quite important for container industry, and sometimes it can be affected by religions. For example, Islam is one of the main religions in Egypt; so many pilots in the Suez Canal are Muslims. They perform Salah wherever they are, and they might perform Salah during piloting. So if a container vessel plans to pass through the Suez Canal, this religion factor can affect the efficiency.

What's more, if a seafarer is Muslim, he must eat special food, which requests the company to hire qualified cook and prepare qualified provision, and hence the cost might increase.

3.1.5 Other factor

In addition to the main factors mentioned above, there are other factors that can affect container industry. Since the main factors are closely related to each other, the container industry is a=hard to list the factors one by one. Some of them are only a unique issue and are hard to classify. The author will introduce the situations when they may appear in the analysis.

3.2 Analysis of the main company and alliance in the world

The container alliance has a long history which is almost as long as that of the container box. In different periods, the container alliance has different functions. The function of container alliance is changing all the time, and the marketing strategy is changing all the time, too. The purpose of the first container alliance, which is called container union, was to prevent the vicious competition of low price and to avoid new competitors joining the container market. After the containerization became more and more mature, many independent carriers joined the container market. As the container alliance could not control the market anymore, the first container alliance collapsed.

After the container alliance collapsed, the competition in container market became much fiercer, and low price was no longer a comparative advantage. Consequently, many container lines decided to establish a new container alliance, which was different from the former one. It intended to create economy of scale and comparative advantages.

Similar to shipping industry, the function of container line also has a cycle. Then the container alliance decided to control the capacity of each route to balance the supply and demand. It worked at that time, but it was kind of monopolistic behavior, so it had to stop because of the antitrust law in America and Europe.

The most giant three container alliances came into being few time ago. They occupy almost 80 percent of the container market share. The three alliances are 2M alliance, OCEAN alliance and THE alliance. The market is in extremely bad time, The analysis of the new situation in both company position and alliance position is showed in the following.

3.2.1 Analysis of company position

A single company cannot survive in today's container market, and the alliance is the only choice that these companies have so far. Since the alliance has a lot of advantages, one single company can get many benefit from alliance cooperation.

3.2.1.1 *Cost reduction*

There are many solutions to reduce cost in a container alliance.

1) Combined Transport

Feeder vessel is used to sail to some feeder ports, because of the flag issue or high cost of the mother vessel. Container line sends these feeder vessels to maintain the business in feeder ports, and running these feeder vessels is relative expensive for a single container company. But in a container alliance, many container lines operate the feeder routes. The cargo flow becomes bigger, and some feeder routes can combine into a new container shipping network. Consequently, the cost can be reduced a lot.

2) Space Charter

In case that a client has need to transport his cargo to a new port where the container company doesn't has vessels to reach something like this, and a feeder vessel is too expensive to carry small amount of cargo, the space charter will be an excellent solution. By space charter, the company can charter space in a relative low price from allied container companies, and this solution can not only keep the clients and but also lower the cost.

3) Space Co-Charter

It is evolution of space charter. It means that the allied container companies work closer to each other and rent shipping space from each other. Sometimes it can be an exchange of shipping space, and space charter can be regarded as a regular business and a way to keep client stable. As it's mentioned before, this solution can lower the cost, and the exchange of shipping space can avoid tax issue and save more money.

4) Vessel Sharing

The allied container companies run some routes together, which use lower investment and gain higher profit. It is more profitable. At the same time, vessel sharing lowers the entrance and exit barrier, so this action is able to lower the cost indirectly because of lower capital cost.

3.2.1.2 Risk reduction

Another quite important advantage of alliance is risk reduction.

1) Capital risk

As we know, container industry is a capital intensive industry. Many huge container ships require relative few seafarers, and the container ships worth a big amount of money. What's more, running a route requires many vessels to ensure stable sailing schedule, which usually is weekly basis in container industry. So when the distance of route is very long, the route requires more vessels to ensure the sailing schedule. The more vessels mean more capital and the higher the capital risk.

In the container alliance, container companies have a lot of solutions to cooperate with each other. As it's mentioned before, vessel sharing can make many container companies run the route together, maintain the client and lower the investment of capital at the same time.

2) Credit risk

The three container alliances occupy almost 80% of the market share, and each alliance is a giant organization with plenty of capital support in the container industry. Each container company is capable to do container business independently. It is well known that accidents may happen in shipping industry. For example, when a container line cannot arrange a vessel to carry the cargo on time once accidents happen such as break of engine, its allied company can help to arrange a vessel to fix the problem. Therefore, alliance can avoid credit risk, for it possesses many backup plans.

3) Market risk

Simple products will cause huge risk in free market. In container industry, product means transporting different cargos from one port to another port. Joining an alliance will expand the type and size of previous container business, and it can also create more routes to run and cargos to carry. So it diversifies the service of the company.

When some routes or services don't perform well, other product will perform instead. As a conclusion, joining an alliance will reduce market risk.

3.2.1.3 Avoiding competition

It is universally known that blind expansion causes today's downturn. When the market is good, a lot of container companies order many new container vessels, especially very huge container vessels without enough consideration, and this action is in order to occupy more market share and compete with other company. Joining an alliance can avoid competition to some extent, especially vicious competition. On the other hand, now since there are only three giant alliances, the freight rate of container is not at normal price in today's market. The freight rate in some routes cannot cover their total cost. So the three alliances might reach an agreement of a minimum freight rate to make themselves survive, at least to set a price inter the alliance.

3.2.2 Analysis of alliance position

Alliance makes a lot of marketing strategies become possible. The more the market share, the more the options of strategies. In today's market, the main 3 container alliances occupy huge market share. Many container lines decide to join a container alliance to survive in the downturn. There are many solutions which the alliance can do to protect the benefit of its stakeholders from the downturn of the market.

Allocation of transportation capacity

The alliance decides to put how much transportation capacity into one route and to assign the container box in proper position. These methods make the whole alliance more efficient. Then the company might reduce some vessels. Both scraping and idling an extra vessel is a good choice for the company in today's market.

On the other hand, allocation of transportation can address the issue of excess transportation capacity in many routes, and put more vessels to underdeveloped market. The freight rate can increase in the main routes and occupy more market share of underdeveloped market.

3.2.2.1 Economy of scale

Due to the large percentages of container market share, the alliance can gain the economy of scale and then it can also gain the market power. The alliance can purchase input factors such as bunker and vessels at low price to reduce cost. On the other hand, allied companies can wider the market border by cooperating with other allied companies so that the alliance can gain economy of scale in larger market area. From the above, it's indicated that alliance can focus on specialization in wider area to reduce operating cost, and reduce transaction cost to gain technical economy of scale by internal coordination of the alliance. At the same time, alliance can gain economy of scale in wider market area.

3.2.2.2 Resource complementation

Different container companies have different strength. In the alliance, many companies can cooperate with each other to reach resource complementation.

It's well known that different container lines have different strength. For example, Maersk is famous for short delivery time and high frequency, and COSCO is powerful in Chinese market.

Resource complementation helps allied companies improve their weaknesses and enhance their strength, and then the efficiency of the whole alliance can increase a lot.

Possibility of freight rate coordination

It's generally known that the three alliances occupy around 80% of the container market share, and the freight rate of container vessel is not a sustainable price. The freight rate is too low to maintain the vessels and the companies.

As the market continues being in downturn, the possibility of freight rate coordination will increase. That means the three alliances might make some simple contracts about the unsustainable freight rate to make companies survive. For example, through a simple contract about avoiding a malignant price war at least the company will not face a huge bankrupt risk.

3.2.2.3 Development in potential area

The benefit factors are closely related to each other both in company position and alliance position. Expansion of the market is similar with development in potential area, and allocation of transportation capacity can promote development in the potential area. It is well known that the good time of shipping industry in 2008 is driven by Chinese buying and selling power. Now the economic growth of China is decreasing. Therefore, it is wise to find another potential area to develop in advance. For example, India and Africa has similar situation which China had before, that is large population and immature market. So these two areas are worthy to develop, and now it is a good time to occupy the market share there.

3.3 Analysis of generic marketing theories

Marketing is a science, and it is an art. A successful marketing management is never a coincidence, but a result of scientific planning and effective implementation. The market is changing all the time, so marketing strategy should keep up with the times, and marketing management should provide creative and useful solutions for changing

market.

A simple definition of marketing is “make a profit from satisfying people’s need”. Marketing is not a tricky trap but a win-win approach to producer and customer. When the market is not good, marketing becomes more important. Because when the market is good, the demand is more than supply, and there is no need to promote too much, However, now it is more difficult to stand out from the competition, and a good marketing strategy can yield twice the result with half the effort, so marketing management is a vital issue for every shipping companies in today’s market.

A very hard part of marketing management is that it should change all the time to keep pace with the constantly changing market. Consequently, the marketing theories are not changeless. They should also change all the time. If the company wants to develop, it has to make and force new marketing strategies constantly. It has to be creative in service and product aspect. It has to know and satisfy customers’ need, and it has to find new marketing advantages but not to rely on past experiences. There are many marketing theories in the marketing history, and some of them are the flash in the pan while some of them are the pillars of the marketing management, like 4Ps theory. Now it is an information-overloaded age. People widely use the Internet, laptop, intelligent mobile phone and so on. These things really change the way in which people do business, so does the marketing theories.

As it is mentioned above, marketing theory should change all the time to fit the new market situation, so does the pillar marketing theories. For example, 4Ps marketing theory was enough to design company’s marketing strategy in the past, but now it is not as useful as before. The 4Ps theory hence evolves a lot to fit today’s situation, of which the new 4Ps came out. But it is fair to say 4Ps theory is a classical theory in marketing management history, we still can find out a lot of useful ideas in today’s market from the old 4Ps theory. So 4Ps theory will be used in this thesis to analyze today’s container industry. It’s because the old 4Ps is about analysis of the basis in one

industry.

When it's concerned about the span, complexity and diversity of marketing management, the old 4Ps cannot describe the whole marketing activities exactly. So the new 4Ps marketing theory should be used to analyze a market. The old 4Ps is called tactical 4Ps, and the new one is called strategic 4Ps.

Besides the tactical 4Ps and the strategic 4Ps, there are 2Ps called megamarketing theory. They are political power and public relations. The last and unique one Ps is people. Then we have the 11Ps marketing theory.

The traditional marketing concept defined that the market is uncontrollable, and the only thing a company can do is to adapt to the circumstances. But now the new marketing concept thinks it is necessary for a successful company to combine internal controllable factors and external uncontrollable factors, and the company should transform external uncontrollable factors into internal controllable factors to some extent. In the new international market environment, the traditional marketing concept has been challenged constantly. The classic 4Ps marketing theory developed to the 11Ps marketing theory. In the new 11Ps marketing theory, there are 7 more marketing factors besides Product, Place, Promotion and Price. The new 7Ps are Probing, Partitioning, Priority, Positioning, Power, Public Relations and People. Although the theory has updated, the market is changing all the time. Something is not valid and something is more important. So in the following, there will be an analysis about the 11Ps marketing theory under today's market situation.

1) Product

The core issue of marketing activity in an enterprise is that the enterprise produces and manages what kind of product. It is a basic factor that influences strongly about the marketing strategy. When the company is developing a new product, the company

should decide the function, quality and other features of the product according to customers' need. The company should provide entity, the core selling point and the extension of the product. In the second place, the company should select proper phase to produce and innovate continuously according to the life cycle of the product. In addition, the company should use market research, market segmentation, market positioning and some channels like these to make the product more competitive.

2) Place

After the company has a marketable and competitive product, the company should consider about the marketing channel of the product. The Place means the marketing channel. Because it is easy to remember, many exact words are translated into "P" words. A better marketing channel can make the product be sold in shortest time, least cost and most reasonable way, and the customer is satisfied with the product and the way in which the company sells the product.

3) Promotion

After the company has good product and unblocked marketing channel, the company needs to use proper promotion method to pass information of the product and the company. In today's global market, promotion is an important marketing tool to guide market and consumption.

4) Price

Finally, the company should consider the last factor of classic 4Ps. In a sense, price can decide the profit or the loss of enterprise, the strength degree of the product competitiveness and whether the company can conclude the transaction or not in modern marketing management. The general trend of today's market is the higher the price stands for higher quality, and the lower price stands for lower quality. It is

important to list a reasonable price, and it is necessary for the company to keep an eye on the supply and demand of the market and the race condition in the competition, so that the company can list a good price with good quality or same price with same quality based on the cost.

5) Probing

Probing is the first one to be discussed in strategic 4Ps, because when the company use the marketing theory in real market, it is the first thing it should do. Probing means market research. It is the precondition of the company's marketing management. The company must use market research to the consumers' demand situation of the product, and the level of competition of similar type product which is produced by other competitors on the market. Then the company could have an overview of the whole market and find a reasonable position when the company generates the marketing strategy.

6) Partitioning

Partitioning means market segmentation. The supply of a product has great diversity in the global market, and the demand of customer is also very different. After finishing the market research, the company should subdivide the market into several small markets according to a specific standard and choose some of the small markets as target market. The essence of market segmentation is dividing different customer with different needs, then the company can contrapose the different needs to develop the product in a proper way. Consequently the company can make full use of its all kind of resources to enhance advantage and avoid disadvantage.

7) Priority

On the basis of market segmentation, the company also needs to think about the priority of the target market. The main purpose of priority is to decide which

subdivided market to develop. No matter how large the company is, the resources of the company are limited. What is more, the number of consumers is very large. They have diversified needs. The competition is quite intense, so the company should enhance advantages and avoid disadvantages, and give preference to more skilled subdivided market to achieve efficient targeted marketing.

8) Positioning

When the company does the market segmentation and choose the target subdivide market, the company should consider finding a proper position of the product and the whole company.

9) Power

The enterprises, government offices, social organizations, public officer, public figures and so on, which have the power of influence, control power and right of dominion to the general public. This sort of power could affect the implementation of marketing activities. The attitude, opinion and preference are affected by these power or right to a great extent. The company could use different kinds of marketing strategies or skills to gain the privilege of the target market through the local government, legislative institutions or local companies. Or the company could use the influence of noted public figures or public officers.

10) Public relations

The company should take a series of measures, plans or actions to adapt environment, gain public understanding and trust, and establish a good social image. Public relations are in order to pursue internal solidarity and external development. The company which competes in global market should not only have marketable product, but also has a good corporate image. When the company faces the complicated market

structure and strong competition, especially in some closed market with high entry barriers, the public relations could be a stepping stone for the company to entry the market.

11) People

The People here means the inner staff of the company and the external target consumers. This last strategy runs through the whole process of marketing activity, it is about understanding people and providing service for people. The people strategy is about grasping tendency trend and law of staff's requirement inside the company, then it could strengthen the cohesion and pride. And it is about satisfying the need of customers, collecting feedback in time, and adjusting the marketing strategy continuously outside the company.

12) Conclusion

The 11Ps is a very important part in modern marketing management theory. In the process of development of marketing management, the strategic factors have an increase trend, but the classic 4Ps is still the basis of the marketing management.

3.4 Summary

In this chapter, we have analyzed the external environment of the market, and analyze the new market situation base on the company and alliance situation. We have chosen the 11Ps marketing theory as the basic marketing theory of the dissertation.

Based on this information, in the next chapter, we will analyze today's container market situation, and update and apply the 11Ps theory on container market.

Chapter 4 Analysis of marketing strategy of container company

4.1 Michael Porter's Five Forces Model

Michael Porter five forces model was proposed by Michael Porter in 1980s. It is a great theory to analyze the situation of an industry or a company. This theory will be employed to analyze today's container industry.

4.1.1 Bargaining Power of Suppliers

The major suppliers of container industry are respectively the shipyard, provision supplier, bunker supplier and equipment supplier.

1) Shipyard and bunker supplier

Now there are many shipyards in the world, and most of the shipyards set the price according to the market situation, so does the bunker supplier.

2) The provision supplier

The provision supplier is a low threshold industry, so they do not have much bargaining power because of the strong competition.

3) Equipment supplier

Some of the equipment of container vessel is controlled by oligarchic enterprises, such as maritime book and chart. But the total value of this sort of equipment is not

very high, and there are many alternative products with inferior function, so it is not irreplaceable.

In conclusion, the bargaining power of suppliers in container industry is relative weak.

4.1.2 Bargaining Power of Buyers

The major buyers of container industry are respectively cargo owner and freight forwarder, and the main factors which determine the bargaining power of buyers are in the following.

1) Buyer's ability of obtaining information

In container industry, there are many freight forwarders and container companies competing in the market, so it is very easy for the buyer to gain the information of the container companies and the freight rate.

2) Buyer's purchasing power

Except some special cargo owners like coal and grain, the purchasing power of most cargo owners is not very high in container industry, They just order several container boxes, and usually they do not centralized purchasing. There is no cargo owner could afford a whole container vessel. But a huge freight forwarder could make a big contract with the company with strong purchasing power, so they have high bargaining power.

3) Buyer's attention of quality and brand name

Owners of high value cargo care about the quality of the service and the brand of the company a lot, and on the contrary, owners of low value cargo do not care about that so much.

4) Buyer's attention of price

Most of the buyers are very sensitive with the price, and they will change to another container company because of lower price.

In conclusion, the buyer of container industry has a relative strong bargaining power.

4.1.3 Threat of New Entrants

1) Capital barrier

Container industry is a capital concentrated industry. It requires a very large amount of capital to run the business. If the new entrants company does not have enough reputation and credit, it is very hard to finance.

2) Barriers of economies of scale

The container industry has high barriers of economies of scale, because the company should have regular container vessel. It requires many vessels to run the route. the bigger vessels have lower cost, but the bigger vessel requires more capital to support.

3) Overplus of transportation Capacity

The capacity of container transportation is more than the demand now, and it is still increasing now. Therefore, it is not a good idea to entry the market now.

In conclusion, the threat of new entrants is not very high now.

4.1.4. Substitutes

There are many possible substitutes of container industry, and the analysis of the main possible substitutes is in the following.

1) Road transportation

Road transportation is running by trucks. Most of them carry cargo inside the land, and it is usually a relative short distance and small amount of cargo. And the price of road transportation is relative high.

2) Rail transportation

Rail transportation is running by trains. This type of transportation is limited by the railway, and it is an inland transportation for now. The price is not very high, but it is not as cheap as container transportation.

3) Air transportation

Air transportation is not restricted by the land, but the price is the highest one, and the amount of cargo is not very much.

4) Tube transportation

Tube transportation is limited by the form of the cargo, and most of the container vessels are not used to carry gases and liquids, and tube cannot carry most of cargos

in container vessels. So these two types of transportation are relative independent.

5) Other types of vessel

The container vessel has many advantages, and it is a relative newly born industry. A subverted type of vessel requires high level of technology, which is not very possible. As a conclusion, in a short period, there is no threat of substitutes in container industry.

4.1.5 Rivalry

The container market is a strong competitive market, which can be reflected in many aspects.

1) Concentration ratio

The biggest 16 container companies occupy around 80% of the market share, so it is a industry with relative high concentration ratio.

2) Competitive power of major container companies

Table 1 - Market share of top 15 container company, 2016-08

Rank of capacity	Market share	Name of company
1	15.4%	APM-Maersk
2	13.4%	Mediterranean Shg Co
3	11%	CMA CGM Group
4	7.5%	COSCO Container Lines
5	4.6%	Evergreen Line
6	4.4%	Hapag-Lloyd

7	3%	Hanjin Shipping
8	3%	Hamburg Süd Group
9	2.8%	Yang Ming Marine Transport Corp.
10	2.8%	OOCL
11	2.6%	UASC
12	2.6%	MOL
13	2.4%	NYK Line
14	2.1%	Hyundai M.M.
15	1.7%	K Line
Total	79.3%	

Source: Own calculation based on Alphaliner (2016)

3) Price competition

The container industry has strong price competition. Each company wants to build bigger container vessel to gain economy of scale and optimize the route to reduce cost. The main reason is that customers in container market are very sensitive with price, so the main way for the container company is to reduce the price.

4) Exit barrier

The container industry needs a strong capital to support, and the exit barrier is relative high now because of the low price of secondhand vessel and scraped vessel. So most of the container companies choose to continue running the business.

5) Growth rate of the industry

The container industry is growing, but the capacity is still more than the demand in the industry.

6) A situation of tripartite confrontation

As it is mentioned above, there are three huge container alliances in the container market now, and many container companies choose to join an alliance to survive the downturn.

4.1.6 Conclusion of the five forces model

The container industry is a relative oligopoly industry with strong competition, and there is no much threat of substitutes. In general, the buyers have relative strong bargaining power, and the suppliers have relative weak bargaining power.

4.2 The application of 11Ps in container market

In this part, 11Ps marketing theory will be used to analyze the marketing strategies or marketing plan of container company.

4.2.1 Product

When it's considered about the product, there are a lot of aspects should be known. Things should be considered including the type of the product. For example, the product could be an entity or a service, and it might be visible or invisible, touchable or untouchable.

The next thing should be considered is the quality of the product. Usually, better quality means more cost, and sometimes better quality means that the company wants to occupy the market share of upmarket customers. Good quality often lengthens the service life of the product. Therefore, the company should consider the replacement cycle of the product.

Next the company should consider the design of the product, which is the main factor making the product differentiate from competitors' product. The design is usually strict with the level of the technology, so this factor relates to the cost of production. Also in some fields, the design of the product could be the core competitive power.

In the next place, the company should think over the features of the product. The features of the product include form, characteristic, life cycle and so on. Through the features of the product, the company can identify the positive features and negative features of the product, and then the company can improve the product to gain more competitive force.

Next the company should take the brand name of the product into account, since the brand name of the product receives much more attention in today's market. The brand name means the impression of the company's product in customers mind. A strong brand name can usually increase the entry barrier of similar product, and a famous brand name stands for good quality and service of the product, which is a simple of trustworthy product. And when the market is not good, many customers tend to choose big brand because of the growing credit risk. Therefore, now the management of brand name is even more important for most of companies. Then the company should think about the packaging of the product.

The size of the product is also a considerable factor. The size of the product is not only the volume of the product, but also the pieces in one packaging.

Another important factor is the service of the product. It includes pre-sale service, on-purchase service and after-sales service. The pre-sale service can affect the buying inclination of the customer directly. The on-purchase service means give customer the optimal solution and product with better cost performance. The after-sales service can affect the public praise of the product and increase user engagement.

Then the warranties are quite significant in today's situation. Now people are in post-crisis era, the credit risk is still in high position. It is a vital time for many enterprises to survive through the economic crisis. The warranties are about warranties of both upstream sellers and downstream buyers. The company should hence choose the upstream sellers carefully and prepare enough backup plan or room for downstream buyers. The last thing the company should consider is the returns of the product which is all about the sustainability of the business and also a good returns system which can improve the brand name. These is a general situation of the product side. It is the core issue of marketing, and it decides the general trend of the company's marketing strategy.

The product of container industry is a transportation service which carries cargo from one port to another port. So the marketing strategy is actually about the transportation service.

1) Diversify the freight rate solution

In container industry, the freight rate solution is the type of the product, and there are many types of the container transportation. From the point of appearance of container box, there are 20ft container box, 40 ft container box, high-cube container box, and so on. From the point of the function, there are Open Top Container, Venti-lated Container, Platform Based Container, Plat-form Container, Reefer Container, Tank Container, Pen Container or Live Stock Container, Garment Container, Solid Bulk Container and so on. From the point of the receiving and delivery system, there are Door to Door, Door to CY, Door to CFS, CY to Door, CY to CY, CY to CFS, CFS to Door, CFS to CY and CFS to CFS. From the point of routes, there are many different routes of container line including Asia to Europe. And from the point of the loading of cargo, there are full container load and Less Container Load.

So we can see there are a lot of types in container industry. In today's market, it is

better for the container company to provide as many types of transportation service as possible to gain more cargo. But the container company should consider about the cost and potential customers at the same time. So it is necessary to analyze the potential demand and the prospect of the specific type of service.

2) Quality of service

The most important quality factor is cargo damage rate. As it's well known, container transportation is a high risk way to transport cargo, and usually the value of the cargo is not very cheap because the cargoes are usually finished products. Another important factor is the speed of the transportation. Some cargoes have seasonality and timeliness. It is very important to deliver the cargo on time. In the market situation today, a fast and safe transportation service could stimulate consumption and make the container company more competitive and raise brand images.

3) Insurance and guarantee system

After the financial crisis, people came to realize the importance of insurance and guarantee system in shipping industry, and it is wise to buy insurance of container box. Once an accident happens, the insurance company will cover the loses. Although the market situation is not good, the container company should still give fully guarantee to all customers so that the customers will make a contract securely.

4.2.2 Place

There are several factors that matters the Place. Firstly, the coverage of the marketing channel is very significant. When the company considers about coverage, there are many things to think about. These are the main issues when the company decides the coverage: the local competitors, the features of the product, and the policy issue.

Secondly, the company should consider the assortments and the timeliness of the product to decide the intensive of marketing channel. Thirdly, location is a very important decision that the company should make. The company should think about the local market or surrounding market, the transportation condition, and the features of the product to choose the locations. And then the company should consider the inventory of the whole supply chain. It is a vital factor that affects the efficiency of the company. The higher the consumption rate, the more the inventory, and each step of the whole supply chain has different requirement of inventory. The last thing about the Place is the transportation. Different transportation methods can affect different marketing channels. For example, if the product is delicate electronic device which is transported by airplane, then it is better for the factory to have an airport round the corner, because air transportation provide high timeliness. And also in some industry, the transportation type will determine the marketing channels, like automobile.

In general, the main factors of marketing channel design are the length, width and number of the channels. As it is mentioned above, the Place means marketing channel which is the main factor of the Place. When the company considers about the marketing channel, it is mainly about the length and the breadth. Usually, the longer the marketing channel is, the more the cost of money and time. If there are too many resellers between the company and the customer, the product might lose competitiveness because of the commission. The breadth of the marketing channel is also important. Usually, the wider the marketing channel is, the less the cost. Because a wider marketing channel often brings the economy of scale, so it can reduce the cost of the product. The length of the channels means the number of marketing hierarchy. The width means the number of middleman in each hierarchy, and the number means the number of different marketing channels. There are two main types of marketing channel.

4.2.2.1 Direct selling

Direct selling means there is no middle man between the producer and the customer. The general advantages of direct selling are that it is good for a long-term strategy, it is closer to the customers, and it has higher profitability. The disadvantages are that it requires more investment, it is more risky and it is harder to manage. There are three main kinds of direct selling.

1) Sales by subscription

It means the company and the customers make a sales contract before the company produces the product. The advantage of this method is that it does not cause the overstock of the product and the sales process is very simple. And the disadvantage of this method is that it cannot adjust the supply according to the market changes and demand.

2) Sales by direct-selling store

It means the company opens a store by its own. The advantage of this method is that the cost of the product is relative low so the price of the product is relative low, and the company could gain the information from its customers directly. The disadvantage of this method is that the company should put more people and resources to manage the store, and it is a hard task for a company which has never opened a store before. It requires specialized management experience.

3) Sales by joint operation

It means the producer of the product manages the store with the seller together to sell the product. The advantage of this method is that it saves a lot of resources to run the

store, and the disadvantage of this method is that it is hard to adjust the management efficient and it lowers the profitability.

4.2.2.2 Indirect selling

Indirect selling means that the producer provides the product to middlemen and the middlemen sell the product to customers. The main difference is that there are middlemen in the process. The general advantages of indirect selling are that it is good for the product to occupies the market share, it makes the producer could focus on the manufacture, and it alleviates pressure of the fund and human resources. The disadvantages are that it lowers the efficiency of the whole supply chain, it creates a barrier of information transfer, and it might exacerbate the burden on ordinary consumers. There are four main kinds of indirect selling.

1) Sales by franchised dealer

It means the company provides product to franchised dealer. Although the franchised dealer stands for the producer in the customer's point of view, the producer is not in charge of the selling activity, and the franchised dealer is relative independent. The advantages of this method are that the producer can still build a brand, and it relieves more resources than joint operation. The disadvantages of this method are that it is passive for the producer if the franchised dealer is too powerful, and sometimes it is hard to control the quality of service.

2) Sales by consignment

It means the producer provides detail of the product to the commission agent, the commission agent do the sales activity, and the producer delivers the cargo or service to the customer. There might be several commission agents in the whole sales process.

The advantages of this method are that the producer does not need to find the customers, and it is good to develop the market. The disadvantages of this method are that sometimes it is hard to maintain a long-term relationship with the customer, and it increases the cost so that the price is higher.

3) Sales by bulk

It means the upstream companies provide a bunch of product or service to the downstream company and the upstream company is not the producer sometimes. The advantages of this method are that it simplifies the sales process, and the upstream company only deals with few downstream companies. The disadvantages of this method are that the upstream cannot gain the information from the customers directly, and if there are too many middlemen, the producer cannot control the final price of the product, so the product might deviates from its market positioning.

4.2.2.3 Advices for container company

It is well known that there are many forwarding companies and shipping agencies in container industry. Their business relies on the container lines. They make a profit in the middle of actual container carrier and shipper. Usually, they charge a bunch of money according to special proportion. In the market situation at present, every part of the container industry has a bad time. Developing more clients is a vital issue, so marketing channel is very important now.

1) Replacement of forwarding companies and shipping agencies

These two kinds of company work for agency fee, they do not contribute anything actual in this whole container transportation procedure. So it is a good idea for container lines to replace this sort of company with a corporate department. A

corporate department belongs to the container company, so this action could reduce the total cost of carrying a container box and make the whole container system more efficient. The client can communicate with the container company more smoothly at the same time.

2) Adding more offices in developing area

China drove the shipping industry into a good time in 2008, so the power of developing area can be found. The demand in developing area is hard to forecast, and it might be very huge. If the container company adds more offices in developing areas like India, South Africa and South America, then once the demand in there increases dramatically, the company will make a huge profit because the company occupies most of the market share already.

3) Cooperating in alliance

There are three main alliances in container industry, and they occupy around 80% of the whole market share. It is a wise decision to join an alliance, because container company can use other company's vessels, routes and space. In this way, the company can develop business in other areas through the alliance. This action can expand the range of business.

As it is mentioned before, the marketing channel is very important now. So there is a new marketing channel in the following which combines these three useful actions and the whole marketing approach.

4.2.3 Promotion

In the average person's idea, marketing is the same as promotion. Although we know

marketing is about the whole picture which is not just about promotion, this idea still can reflect the importance of promotion in marketing management. There are several factors which include in promotion. Firstly, the sales promotion is the main part of promotion, and it is a very usual way of promotion. For example, the most common sales promotion is reduction in price. The company might reduce the price in some specially day or period, or the company might give the customer a discount when the customer wants to buy a lot of products. Another way is giving the long-term customer a lower price to promote the product, and this method could maintain the relationships with the customer. But there is a noteworthy point that the reduction of price should not be the normality of the product, even if the market is not good. Because if the company reduces the price of product in downturn to stimulate the market, this action could destroy the value of the brand name. When the market recovers, customers will not pay the normal price to buy the same product. So in the downturn, a better way for the company to survive is to create a new cheaper brand to stimulate consumption. Secondly, advertising is also an important part of promotion. Advertisement is an independent industry. This situation can reflect the importance of advertisement in promotion, even in marketing management. Advertisement is not only significant for a new entrant, but also for big and established company. For example, Nike company and Adidas company still invest a lot of money on advertisement. The intrinsic reason is that even if the company is old, there are a lot of new consumers in the market. As it is mentioned above, promotion is about passing information, and advertisement is the most direct way. Advertisements which are on the paper, TV, internet or public place, deliver the most competitive and useful information to the potential customers, then some of the viewers of the advertisement will change into customers. The better the advertisement is, the higher the conversion rate of viewer. Thirdly, the company should consider about the sales force. it's known that almost all the companies have sales department. The purpose of this sort of department is to develop the whole promotion system and promote the product by a person-to-person way. For example, one of the most popular ways in sales force is telemarketing. Door-to-door selling is also popular. Nowadays as the Internet

technology has improved a lot, network sale becomes more and more popular in today's market. The sales force should choose different sales methods based on the differences of the product and the needs of the customer. For example, if the product is software, it is more efficient to use network sale. In this way, the salesmen can send an email or something. This action at least ensures that the receivers of the sales behavior have a computer, so the success rate could be higher than other method. Another promotion factor is public relations. Public relations means the company maintains a good relationship between itself and the general public through a good settlement of special or important event which sometimes is a negative event. Sometimes a small settlement might cause huge result. The hardest part of public relations is crisis public relations, because sometimes a bad settlement of a negative event might cause the company go bankrupt, like the Chinese milk powder Sanlu Company, which went bankrupt because of several batch of substandard milk powder. The advantages of public relations are setting up a beneficial environment for the whole marketing behavior and it has imperceptibility. But it also has disadvantages. The speed of promotion is slow and is hard to measure, and some of the settlement costs a lot of money and time. The last main promotion method is direct marketing. By this method, the producer is the only seller, and the customer can communicate with the producer directly. There is no middle man in between, so the cost reduces a lot by this way. It is worth mentioning that direct marketing is more important when the market is in downturn. Direct marketing can reduce credit risk and it can feedback the market information to the company faster, so the company can know latest market situation, then the company can adjust the strategy as soon as possible to fit the changeable market environment.

Above are the main factors of promotion which directly affect the performance of the company, and they are classical issues of marketing management. As is mentioned above promotion is more important in downturn, so as the container industry.

1) Long-term agreement

Container company's main target is to survive in today's market situation, so it is better to ensure the company gain enough cargos to carry. The company can make a long-term contract in a relative low price to attract shipper, then the revenue could cover part of the cost, and the rest of the space in container vessel is at a relative high price for unstable customers.

2) Multimodal transportation

It is a very attractive way to take more responsibility for clients, and the company can provide multimodal transportation to cover more procedure of the whole Door to Door transportation processes. The essence of this action is giving consumer more convenience.

3) Discount

This is a classic way to promote product. It stands for transportation service in container industry. The company can give the customer a discount if the customer orders a big amount of container boxes, or the company can reduce the price in special day or specific route to stimulate consumption. The basic reason of this sort of low price promotion method is that the container company wants to fix part of the cargos to ensure the operation of the vessels. It is just like the airline industry, if the customer orders seats early, they could get a lower price. A discount can bring the company a base line of revenue, so that the company can make a profit from the uncertain customers which order the space in random time. This method can bring the container company a stable cash flow and profit, and it can bring more stable customers and stimulate consumption.

4.2.4 Price

Firstly, an important marketing activity of price is the list price. The list price means that the company shows the product's price, when it prints and distributes the list of the entire product. This action is in order to make it more convenient for customers to choose which product to buy. Some of the list prices are fixed prices, and some of them are reference prices. The reference price might change when the market situation or the trade terms are different from before. Therefore, in order to avoid this kind of misunderstanding, when the company wants to leave some room for the reference price, it should add some note on the product list like "if there are any changes, please consult with the staff". Then the price is only used for advertisement and publicity. There is no responsibility for the company to sell the product at the list price. In most of the cases, the list price can provide a good environment for other promotion activities. Secondly, discount is an important part of the price. As it is mentioned above, one of the promotion methods is to give customers a discount. These sorts of marketing method are related to some other marketing methods very closely. There are many kinds of discounts. The quantity discount means that if the dealers, retailers or other big customers purchase extremely large number of product, the manufacturers give a discount on the price of the product. The time discount means that the company gives the customer a price markdown if the customer pays the bill in negotiated time. Functional discount means that the company gives the middle man a functional discount if the middle man advertises, exhibits and sells or does some other promotion activity for the product. Seasonal discount means that the company sells non-seasonal product or service at a discount price. Online discount means that the discount price is only valid for the customers who order the product or service online, which is in order to occupy the online market share. Thirdly, the allowance is a considerable factor. There are two main types of allowance. The first one is the company allowance, the company promises an allowance if the buyer of the product performs negotiated duties. The duties have many forms, for example, cash for clunkers. Company allowance is usually in order to further popularizing the product

or the whole series of products. And another allowance is called national allowance, and it means that the government gives company an allowance to promote productivity of the product, or give customer an allowance to purchase the product which is good for the environment of the whole nation. This method might make the price lower than the cost of the product. Another significant factor of price is the payment period. As it's known to all, cash flow is a vital issue for most of companies, especially the company which has high cost of production and expensive means of production. So a long payment period is very attractive for these companies because of the high pressure of cash flow and capital risk. But the company should be very cautious with the payment period. The company should analyze the capital risk and the cash flow pressure of its own. It is a seductive but risky method. There is another risky marketing method in price which is credit terms. The credit risk has similar reasons with payment period, the company reduces the barrier of buyer's credit to attract more consumers and stimulate the purchasing power. But this method is risky. It's well known that the main reason of subprime crisis in America is that a lot of bank reduced the barrier of credit and relaxed the examination of borrower, and many unqualified people borrowed money to buy their house, but latter they were unable to repay the bill and the bank took back the house and sold by auction, then the bubble busted, the bank hold too many bad loans and unwanted houses, and consequently many banks went bankrupt. This example shows the risk of credit terms. The company should do enough investigation before implementing this method.

Above is the main situation of price. It is the most visual factor which affects customers' buying inclination.

The tactical 4Ps marketing theory is an old and classical theory. This theory will be employed in this thesis to analyze today's market. Although it takes a large space to talk about, it is still worthy. Many analyses are very useful in the following.

By a direct way to attract more customers, the company should reduce the price as low as possible to gain more clients.

1) Asking for allowance

The shipping industry is an important industry for the country. When the market is in down, the price is even lower than the total cost. The company can ask the government for allowance to support the local company, or ask for a tax refund for clients so that the general price is lower than before.

2) Lengthening payment time

The company can lengthen the payment time to attract more customers. For example, if the client pays the freight rate before the cargo loading, and the company wants to keep this good credit client, the company could allow the client pay the freight rate after the delivery. Because longer payment time saves capital cost and relieves cash flow pressure, it is a very attractive marketing method now. But it is also a risky method. The company should do the risk management before implement, or it might make the company go bankrupt because of the capital catenary ruptures.

4.2.5 Probing

In general, there are five advantages of market research. Firstly, it provides the basic information of the market to the decision maker. Secondly, market research can improve the shortage of important information. Thirdly, market research can provide the external information of the industry. Then, market research can find the changes of the market. Finally, market research makes the decision maker to know the new market environment.

Market research has many ways to do, and there are four main methods to do the market research. First is the case study. It means that the company gains the information of the market and the industry mainly from collecting, collating and analyzing the existed case, document or file. And the main sources of the information are library, network or Information Company. The second method is field research. The company can do a questionnaire survey to get information or sent some staff to the spot market to gain some information. What's more, the company could also do some experiment, such as changing some factors of the product to find out the response of the market. The last one is competitor analysis. The company should know as much as possible about the competitors in the increasingly heated competition market, and then the information can help the company to make a better strategy and avoid competitors' most powerful strength.

The container market is a changeful market, so the company should do marketing research continually to catch the trend of the market.

1) Information exchange

Now most of the big container companies have joined one alliance, so the companies can exchange information with allied companies. Maybe they used to be a competitor, but the allied companies should get together to get through such harsh time.

2) Research in potential area

The vital issue now is to find the potential demand in developing, and then the company will take a huge lead in the container market. The company should analyze the local economy situation and the industry situation to find out whether there will be a huge demand of container transportation in the future.

3) Questionnaire for customers

The company can send a targeted questionnaire to its clients about the demand situation, because sometimes it is hard to know the relationship between the specific cargo and the freight rate. For example, if the freight rate of carrying bananas from Brazil to the China reduces a little, then the bananas from Brazil have more price advantages than the Philippines. It might change the supply source of banana in China, and there will be a high demand of carrying container from Brazil to China to gain economy of scale.

4.2.6 Partitioning

There are four main advantages of market segmentation. Firstly, the company can make a custom marketing strategy to satisfy individual need, gather more loyal customer and expand sales. Secondly, the company can analyze the purchase potential, degree of satisfaction and race condition of each subdivided market, and then find the optimal and suited chance for the company. So market segmentation is good for the enterprises to obtain market chances and develop new markets. Thirdly, the company can invest limited human resources and capital to several subdivided market, this movement can make the company's product in a leading position of the subdivided market, then make the enterprise occupies the target market. Fourthly, the company can produce marketable product in the subdivided market through market segmentation. Then the product meets the needs of the market and increases the revenue of the company. A marketable product can increase the speed of product transfer process, enhance the productivity of the product and reduce the production and sale cost. The marketable product can also enhance proficiency of laborers and improve the quality of the product and economic benefit of the company. But still there are several disadvantages of market segmentation. For example, market segmentation is very expensive. The total investment is high because each subdivided

market should keep the unique style, then the advertisement cost goes up because different subdivided market need different advertisement, and the management cost goes up because the manage department should make different plan and strategy for each subdivided market.

The demand in container industry is very complicated, and we can see it from the numerous types of the container box. The company can do the market segmentation according to different cargo, different route and so on.

1) Different cargo

There are many different types of cargo in container industry, so there are many different functional container boxes. The company can explore new types of container box or different size of container box. Before the company designs a new type of container box, the company should know the size that the target consumer needs, and weigh the profit and cost of the cargo.

2) Different route

Different areas have different desire of demand and supply, so the company should know the demand in different areas, so that the company can create different route to satisfy local demand, and optimize the port of call and the frequency of berthing of specific port.

4.2.7 Priority

The target subdivided market usually has the following conditions. Firstly, the quantity of sale should be big enough to achieve company expected turnover and profit. Secondly, the company should have the specific resources to meet the needs of

the subdivided market. Thirdly, the competitors haven't entry the market entirely or haven't entry the market at all. Fourthly, the company should have relative comparative advantages in the subdivided market.

And there is another meaning of the priority in marketing management, and it is the thinking mode of priority. This thinking mode is very useful in the whole marketing management. For example, when the company considers about the product, and there are many functions of the product, the company should decide the priority of all the functions and consider the cost of the function at the same time to decide the function of the product.

In today's market, many container companies have a bad time. It is impossible for most of container companies to participate in all the subdivided market, so the company should recognize its core competitive power to develop prior market.

1) Retaining market share in local market

Each container company has its own prior market, and it is usually the local market. For example, COSCO is very powerful in Chinese market. As we know, container market is full of competition. It is not wise to reduce operation scale, especially in prior market, because it is hard to take it back.

2) Expand the market in developing area

As we know, China drives the good time of shipping industry in 2008. The potential demand in developing area is very hard to forecast. So it is a good time to expand the market in developing areas like India, the Africa, and South America. The company should find a potential market to occupy in advance, and then the company can have a chance to recover sooner.

3) Cost reduction

When the company want to expand the market, it is important that the company should analyze its own capital power, and the company should not expand market blindly. The company should balance the cost and potential profitability of the market in developing areas. In today's vital period, the main target for most of the container companies is to survive, and the companies should optimize their management system to reduce cost and alleviate pressure of the fund through merging and alliance.

4.2.8 Positioning

There are many factors can affect the positioning of the product and company. Firstly, the company should find the position in the market on the basis of the product's features. For example, there are many features could be the distinctive principles like constituent, price, quality and material. Secondly, the company should consider the function and the usage occasions of the product, and sometimes the function and usage occasions of the product could change. For example, a company in China used to positioning its cookies as a snack food, and the company found out the cookies were very popular as a gift among Chinese people, so the company changed the position of the cookies slightly and beautified the packaging of the product, and then the cookies sold better. Thirdly, the special need of customers could be one standard of positioning. Fourthly, the company could use the type of customer as a positioning standard.

There are three main types of market positioning. First type of positioning is avoiding competition with strong competitors. Second type is called competitive positioning. This type of positioning usually happens in the industry with very large market. The company should base on its own strength and resources to compete with the dominant companies in the market directly. This type of positioning is very risky, because the

dominant companies have a lot of expertise and strong brand name. So the company must be very cautious. Before the positioning, the company should know the capacity of the market, and do the competition simulation to find out if the company's product can beat the previous one or at least has equal shares. The last type of positioning is call repositioning. This type of positioning method is usually used when the old product is not marketable anymore or when the whole market changes dramatically in a short time. For example, the preference of mobile phone changed a lot after the capacitive touch screen's popularization, and then the company has to reposition the product and find a new position to hold on the market.

The above 4Ps is the strategic 4Ps. It decides the general trend of the marketing strategy, and many of the methods are the precondition of tactical 4Ps. After the company finishes the market research, market segmentation and priority research, the final and the most important step for the company is to find a proper position in the container market.

1) Diversification

Diversification is a good method to position the company. In container industry, the company can diversify the transportation service to find a unique position in the market. For example, Evergreen group has its own airline company, so Evergreen has an opportunity to offer an efficient intermodal transportation service.

2) Carrying forward the advantage

Each company has its own comparative advantages, and it is a good idea to keep carrying forward the comparative advantages to occupy a good market position. For example, Maersk line is famous for its fast and safe container transportation service, and the company creates a symbol called Daily Maersk. After that, once the potential customers think about fast and safe container transportation service, they will think

about the Maersk line.

4.2.9 Power

The essential reason of why power is an important factor in marketing management is that power could affect the source of public information. And more or less, the consumers receive external information passively or active. These sorts of information affect or even control the consuming behavior.

There are four main forms of power marketing. The first one is called direct power marketing, which means that the company could use all kinds of power to affect or control consuming behavior, such as legal rights, expert power, power of rewards and punishment, and so on. The second one is called political power marketing. The political power means both the internal and global political activity of government, political party, social organizations or individuals, and the company use the influence of these political activities to develop marketing management. The third one is called legal power marketing. It means that the company uses or affects the legal environment to do marketing. The fourth is government power marketing. It means that the government uses marketing theory to adjust or control the implement of social economic activity macroscopicly, and advances the implement of governmental target, concept or plan. This action could ensure the reasonable and healthy development of the whole society.

There are three main functions of power marketing. The first one is called Hygiene. It helps the company gaining access to the markets. The second one is called motivation. It can enhance the sale of the product. The third one is called promotion. It can improve the reputation and public praise of the company.

But there is a noteworthy point. The company should not cross the line to use power

marketing, or the power marketing could be counter-productive, even makes the company go bankrupt.

Transportation industry is a sensitive industry in many countries and areas. There are many regulations, rules and laws, so the container should understand and use this sort of power to draw the marketing strategy.

1) Expert effect

Now people care about the environment a lot, so if the company has the environmental friendly technology, it is a good idea to find some experts to do the carbon tracking to prove the technology.

2) Expand market share through regulation

Sometimes the market share in some areas might change dramatically because of new regulation or law. It brings an opportunity to the company to entry the market or expand the market share. For example, the implement of Emission Control Area in China forces the vessel to use low sulfur oil, and this oil requires a new structure of the bunker, and the modification needs some time. So if the company wants to expand their market share, the company should do the modification to enough vessels immediately.

4.2.10 Public relations

Public relations include all the relationship management between the company and customer, supplier, dealer, commission agent, bank, competitor, government agent, social organization, shareholder, staff, general public, etc. The public relations mainly involve 7 factors.

The first one is publication. The corporate publication is a serial publication or a pamphlet which is issued by industrial and commercial enterprises or utilities. This sort of thing is known as mouthpiece of business. The target readers of corporate publication can be mainly divided into inner staff, shareholder and consumer. Corporate publication aims at publicizing the culture, product and service. It is a promoter of public relations marketing.

The second one is event. Special event could definitely create news and topics for marketers and public relations practitioners. For example, the 2008 Beijing Olympic Games is a special event. Many companies used this special event skillfully to permeate their intentions into this big event, and then the companies gained public attention of their product, culture and service. The special event is different for different companies. It could be a fashion show, a personal speech, a charity activity, and so on. The special event can make company pass the marketing information to the public.

The third one is news. Whether it's a press conference of a new product or an outdoor opening ceremony of the project, it is a great opportunity to gain the attention of media. Company could get more positive news if the company has more contact with the media, and it requires marketing skills and interpersonal skills for marketers and public relations practitioner.

The fourth one is identifying media. Identifying media is a procedure of using scientific method to select, optimize or combine the effect of different media. The basic purpose of identifying media is to reach the expected propagandist effect with lower cost. It is necessary to think of the marketing strategy of the company when the company selects and confirms a media. For example, if the marketing strategy of the company is an offensive marketing strategy, then it is better to advertise through mass media.

Fifth one is community relation. Community is an epitome of the country and a group of individuals. The community relation means the relationship respectively between the company and the local government, social communities, other organizations and the local people. Whether the community relation is good or bad largely depends on the behavior of the company and the willing of the community. It really has a huge influence on the survival and development of the company.

The sixth one is lobbying. Lobbying is another way to enhance the reputation of the company. It is a public relations marketing activity which the canvasser voices his or her opinions and expresses emotion to the public by words and body language, then moves and inspires the audience.

The last one is social cause marketing. It means that when the company satisfies the desire and demand of customer and makes a profit, the company should conform to the long-term interests of the customers and the whole society. It is significant to deal with the contradiction between the desire and interest of the customers and the long-term interests of the society. For example, the company appeals to people to protect the environment and wild animal by publishing service advertising. The company should do some practical actions at the same time. Through this way, the company could achieve the goal of establishing a long-term good corporate image.

The most important part of public relations in container industry is environmental issue.

1) Environmental friendly technology

As it's mentioned before, the expert effect is a good method of marketing public relations. The company uses environmental friendly technology which can improve the reputation of the company, but the company should also balance the cost issue and the environmental friendly technology to find out the optimal solution. It's because that every producing activity destroys the environment more or less, and the cost of

environmental friendly technology has no boundary.

2) Good solution of accident

It is well known that shipping industry is a risky industry, both on environment and capital. When the accident happens to the container vessel, it might cause leakage of dangerous chemicals or oil, both of which are deadly to the ocean environment. In this situation, the company should duly handle the Remedial work, or it might be a mortal blow to the company. When the accident happens to the freight forwarding, the company should take some responsibility of the losses of actual shipper.

4.2.11 People

The concept of People foremost is the general trend of the global market. As the world is developing, more and more people are not only concerned about having adequate food and clothing. There are many different various demand in today's market. So it is not a good idea to pursue higher productivity blindly. It is good for the company to step into the shoes of customers and staff. The people strategy is the success guarantees of the above 10Ps.

Human recourse is a kind of company's core competitiveness, and the essential reason of container industry is satisfying people's material needs all over the world. So people is an important factor in container industry.

1) Foster staff's cohesion

Container industry requires high experience and expertise. Experienced employees are the treasures of the company. Container industry has great cyclicality, so when the market is in downturn, firing employees is the worst thing to do. The company should

focus on talent training.

2) Care for people

The seafarers are a relative vulnerable group in container industry, and they are very large in number. So the company should care about the seafarers, which could increase the reputation of the company. On the other hand, customers are also people. Marketing is helping the company to sell more service to the customer, so the company should think about the consumer behavior and consumer psychology.

4.3 New marketing channel approach

The new marketing channel approach is called integration of network platform.

4.3.1 Introduction

Integration of network platform means that the container line establishes a network platform, which has order function, settlement function and delivery function. The network platform could accomplish most of container business. It is well known that the Internet really changes people's lifestyle and the structure of business, and with the development of mobile phone technology, the mobile phone has a lot of functions now, even it is very easy to do business by the mobile phone. So the network platform includes a website and a cell phone application.

4.3.2 Main idea

Now most of the container companies have their own website, but the function is not impeccable and intelligent enough. Therefore, there are still many shippers do not

order spaces through the website but through agencies. There are four main purposes of this approach.

1) Removing middlemen

The middlemen of container industry are the freight forwarders and the shipping agencies. The reason freight forwarders and shipping agencies exist is that a container company cannot face the request of all small shippers. But an integrated network platform can unify the transaction process and simplify the formalities settlement, and it has an impeccable pilot system to solve common problems. Then it is possible for the container company to deal with all the business with lesser resources. This process of integration is a long-term process, and the implement of this target needs a lot of development.

2) Cooperation in alliance

The alliance provides an opportunity to integrate the network platform. The establishment of an integrated network platform needs a lot of resources which alliance has, and the alliance could satisfy almost all kinds of needs of different customers. The network platform can combine all the allied companies to develop. There is a small challenge, which is the solution after the break of the alliance. The good news is that all three alliances made a long-term contract, so it is possible that the market will recover after the break of the alliance. The companies may have resources and experience to localize the previous network platform.

3) Implement of marketing strategies

There are three main parts of the network platform. They are transaction part, news part and query part. The transaction part can implement the promotion, price and place marketing strategies through different management operation. the news part can

implement the public relations and power marketing through publicity and report, and the query part can implement the product marketing through providing convenient services.

4) Maintaining long-term relationships

The integration of network platform is a long-term process. The network platform can create a membership system, which provides welfare to the users according to some indicators, such as years of memberships, number of transactions, amount of turnover and number of introduced members. The network platform can create a lot of long-term clients.

4.3.3 Advantages

There are four main advantages of integrated network platform

1) Easy to spread

The website and mobile application of the integrated network platform is easy to spread, because it provides a lot of information of the cargo. Usually, the container vessel's estimated time of arrival at the port is not during working hours, so it is a necessary and convenient function for shippers to inquire the latest information of the cargo. And the integrated network platform provides many solutions of common problems in container transportation, which is very useful to the shippers. So the integrated network platform is easy to spread.

2) Cost reduction

The ideal integrated network platform removes the middlemen, so it reduces the total

cost of the transaction. The container company has more space about the price.

3) Information transfer

The network platform can update all kinds of information fast. All the information about cargo, policy and news could spread very fast because of the website and the mobile application, which can make the whole transportation system more efficient.

4) Representing the trend

The general trend of the industry is using a high efficiency, unmanned and automated system, so the network platform is within the general trend of the industry. It is a burgeoning way to do business.

4.4 Summary

In this chapter, we have used Michael Porter's Five Forces Model to analyze today's market situation. And we have applied 11Ps on container market and proposed several specific solutions for the company. There is a new marketing channel at the end of the chapter called integration of network platform, which combines all the marketing strategies

Based on these analyses, in the next chapter, we will use the specific solution and all the 11Ps on COSCO Shipping, and apply the integration of network platform for the company.

Chapter 5 Case Study

In this chapter, there is a marketing strategies analysis of China COSCO Shipping Corporation Limited.

5.1 Company introduction

On February 18, 2016, the COSCO merged with China Shipping, then the fourth largest container company came into being. The starting point of this merging was the weak recovery situation of the global economy. The container market remained weak. In order to follow the trend of the market, these two huge companies decided to merge with each other. The new container company has around 1,580,000 capacity of container fleet. The company has a relative completed industrial structure system which includes upstream and downstream industry, such as port, logistics, maritime finance, shipyard, and so on. The new company has more than 46 container ports and 190 container berths. The new container company is still a state-owned enterprise in China, and the government is very supportive about the new container company. Therefore, the company is very powerful in China, and the company is also very strong in East Asia market.

5.2 Marketing strategy of container line

The establishment of marketing strategy of the new container company is still mainly based on the 11Ps theory.

1) Product

The company can improve the quality of service, and it is a long way to go for the

company, because the service level now is not satisfying enough. A typical example is the PSC issue. The passing rate is relative low in the company, and it might cause a serious delay of cargo. And the company can optimize or create container box to carry diversified cargo. The main market of the company is in China, so a current target could be a more efficient container box design of primary products. Another important method is rail-water combined transportation. China has high technology of railway, and all the railway is operated by state-owned enterprises, so an excellent rail-water combined transportation is feasible, and it can stimulate both import and export.

2) Place

As it is mentioned before, the new marketing approach is feasible for the company. The company can work with allied company to establish an integrated network platform to sell the service. because of the participation of allied company, the network platform could satisfy all kind of needs, and the company still has a route of retreat to develop local integrated network platform after the alliance breaks. It is a long-term transformation, so the company should prepare for that. For the customers in China, the company can use Wechat official account as an entry point to spread the network platform. The first step is providing inquiry service of the cargo, and then the company can guide the clients to install the application.

3) Promotion

Because of the cheap labor force in China, Chinese articles of daily use are all over the world. A lot of producers of this sort of product have a long-term demand to export product to developed countries, because of the shrinkage of local manufacturing industry. So the COSCO Shipping can make a long-term contract with these producers at a relative low price, then it will stimulate the demand further because of the enhanced price advantage. As it is mentioned before, a railway-river

combined transportation and this sort of multimodal transportation is easy to implement for the company. It has a strong radiation effects, and it might even drive the whole container market into a good time.

4) Price

As a state-owned enterprise, the company can negotiate with the government, and then the government can provide favorable policy to support the local container industry, which is mainly support the COSCO Shipping Enterprise. The government provides a tax refund for the local shippers, so the COSCO Shipping has a relative advantage of price. And as the company is supported by the government, the state-owned bank can loan a lot of money with a low interest rate to the company, so it is feasible for the company to lengthen payment time to attract more consumption.

5) Probing, Partitioning, Priority and Positioning

The company could have a lot of resources to do the market research. It can use local resources to investigate local market, and use the resources in the alliance to investigate global market. The final purpose of these strategic 4Ps is to find the position of the product. Based on the existing information of the company and the industry, the COSCO Shipping should base on the Far East to radiate global market. Around 70% of container cargo is generated in Asia now, and around 70% of Asian cargo is generated in China, so it is an opportunity for the company. The main marketing strategic target of the company is to occupy the leader status in Asia, and another target is occupying the market share in developing area.

6) Power and Public relations

These two marketing factors are very favorable for the company in China, but as a double-edged sword, it has a little bad affect in other areas. The policy supports the

company in China, and the company can catch the symptom of a political trend. Because the nature of the company is a state-owned enterprise, the company can cooperate with other state-owned enterprise to gain a comparative advantage. For example, the company can work with Zhenhua Port Machinery, so the company can purchase port machinery at a relative low price but a high quality. It improves the efficiency of the whole transportation process.

7) People

A main issue about people is the level of the staff. English level is a big problem for the seafarers in the company, and the English level can affect the service level to some extent. Another important issue is the incentive mechanism. Because the nature of the company is state-owned enterprise, it is now not fair enough for the staff. The company should create a new mechanism to make the employees who get more pay for more work done, it should works for both offshore employees and seafarers.

5.3 Integrated suggestions

There is another important marketing strategy in addition. It is anti-corruption in the company, which is very important for the company. Corruption can make the company lose the wheels of progress and affect the spirit of all employees and hence lose the competitive power in the industry. So it is a precondition of all the successful marketing.

Chapter 6 Conclusion

The container market is in an extended downturn. There is no container company can afford a malignant price war. When the market is not good, good marketing strategies can help the company survive from this bad time, so the marketing strategies is a very significant influence factor of container companies.

As a conclusion, all the container companies should combine with their own advantages to develop marketing strategies. A good marketing strategy can not only improve the business circumstance, but even can stimulate the whole industry.

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