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Maritime and logistics advanced producer services within the Mediterranean: the liner shipping companies' positioning strategies in new market areas

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Abstract

The new global economy framework is characterised by strategic economic centres formed around networks of goods, financial and information flows that constitute the today's social morphology of our societies. In this scenario almost every international company or firm develops its own structure and positioning plan by evaluating the business opportunities linked to each possible future branch office. Of course, the way to do business differs a lot considering that can be affected by customs, language, culture, laws, geography, infrastructures and business mind-set for instance and this is why developing a strong relation between the main headquarters and the world spread company's offices has become needful for a company to be successful. The shipping sector is not an exception, on the contrary all the shipping companies, especially the liner ones, due to the nature of their business are forced to establish regional offices to cover the global market. In particular, this analysis has been conducted with a focus on the Mediterranean and on the different positioning strategies adopted by one of the biggest liner carrier in the world, the German company Hapag-Lloyd.

The present research tries to answer to following questions:

- How do World City Networks and AMPS (Advanced Maritime Producer Services) affect a liner shipping company's positioning plan and how does it work in the Mediterranean?
- Which variables does a big carrier take into consideration planning its network?
- Which steps have to be followed entering a new market?

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1. Introduction

Globalization has been eased by International trade agreements such as NAFTA (North American Free Trade Agreement) and GATT (General Agreement on Tariffs and Trade) that have lowered trade barriers and opened the doors to the world marketplace. Services and processes around the world have been standardized assuring the customer of a high level of quality, just thinking to Advanced Producer Services and to containerization. When we refer to APS (and AMPS – Advanced Maritime Producer Services) we mean all the services needful to international and maritime firms to do business at a global level and we will discuss in this paper about their strategic localization in the “hot spots” spread worldwide. The relationship between global companies and APS/AMPS is a sort of mutual advantages chain: Global firms place their offices in locations deemed strategic that would not be so if APS/AMPS missed; at the same time APS and AMPS set their organization in the same area of international firms in order to closely serve their major customers. Nowadays doing business globally is inevitable, especially in the shipping sector and undoubtedly, it can provide business with new opportunities for growth and profit. However, there are many risks and challenges associated with facing international markets. In fact, to succeed internationally it is fundamental to employ trustful people to supervise the global operations and to pay attention to several issues as laws, language, culture and policy. Conducting trade in other countries requires being familiar with that country's laws, its additional taxes and import duties importing products from other countries. The legal complexities of international business can be challenging, and without proper legal information, there might be consequences as fines and penalties. English is the dominant business language and it has become almost a necessity for people to speak English if they are to enter a global workforce. Researches from all over the world show that cross-border business communication is most often conducted in English that is surely the shipping language but mentioning Nelson Mandela's quote: “If you talk to a man in a language he understands, that goes to his head. If you talk to him in his language that goes to his heart”. In fact, sometimes it could be of help to communicate in the customer or counterpart's language in order to avoid misunderstandings and to go straight to the point. Language barriers are an obvious downside to do business internationally this is why relying on translators is of basic importance to manage the customer service in other countries. Indeed, customers may struggle to understand people whose first language is different from their own. At the same time, different cultures have different values, and sometimes these differences can be harsh. Gender, for example, could prove problematic in countries where women are not given equal rights to men. Marketing styles in other countries may differ, and polite behavior in the United States may be impolite elsewhere. Some cultures do not take contracts as seriously as others do, and many cultures view the group as more important than the individual. Therefore, it is important to learn the cultural complexities of the different places. Moreover, in case a company opens a branch office in another country, distance obviously reduces its oversight so it is wise to employ people who can promptly inform the top management about the status of the business in other countries and who can warn of any potential problems. Without proper oversight, a company would risk to lose the global view of the business and to waste millions investing on wrong projects or countries. Obviously all these issues can be found in the Mediterranean countries' markets as well because although the distance between these areas is not huge; each area has its own features and issues an entering company has to tackle. In fact, the analysis focuses on an area that includes several sub-areas whose countries have been gathered in order to simplify the case-study; of course, each sub-area contains countries with similar characteristics and that are geographically close one to another.

This scenario is characterized then by main players as the biggest worldwide carriers: they can offer similar services to the customer; they serve same routings with fleets composed by ships whose dimensions are exponentially increasing year after year. In this scenario, even their strategies are similar and in particular, those ones concerning the entering in new market area, this is why the analysis focuses on a big carrier taken as model on behalf of the other major liner companies. The company taken into consideration is Hapag-Lloyd, ranking sixth among the container operators with a fleet capacity of 923,072 TEUs (Twenty-Equivalent-Unit) and a market share of 4,5% according to Alphaliner (June 2nd, 2016). The main goal of the research is to observe how a big carrier deals with new potential markets in areas characterised by different business mind-set and market rules. As a matter of fact for every country involved in the analysis the research has focused on features as its common import/export trades, general overview of the country, its own market potential (comparison between 2013 and 2014), its ports' throughput and port investments linked to future scenarios. Actually, this specific topic has no significant published sources because these kind of evaluations companies usually do are strictly confidential and may be considered very

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