

Corporate strategy meli marine case study

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To complement above analysis of external factors a couple of further considerations can be made about social and economic environment.

From a social demographic perspective: Western countries population is aging in spite of Asian and emerging countries population still growing and well balanced in terms of age striation. This trend, expected to last over next decade at least, will most probably exacerbate the tendency of Western manufactures to shift their production in Eastern countries, to enlarge from one side their market share in fast growing markets and reduce on the other side their production costs.

As final result, volumes shipments imbalance over transoceanic shipping lanes is estimated to grow further worsening one of the main issue a global container shipping player needs to face. Finally, from worldwide economy standpoint another issue may arise from the global Roth rate slowdown compared to the industry pace in adding new containers capacity. The 'centralization' trend has plateau already at 90% of exported goods as of sass and according to market observers this can lead to an overcapacity issue in the long- term.

) Since David Titan has been appointed as CEO of the company, Melt Marine strategy has pursued a few guidelines dictated by its CEO, which in fact have been proven to be quite successful. Melt Marine financial have improved constantly over years sass, almost doubling its revenues and achieving best in class performance against competition in terms of operating argil and return on asset achieving for both stable 10-12% results (See exhibit 2 for Company performance key indicators). Study of Melt Marine strategy, to

compete in the shipping industry, starts with an internal analysis of the company position against the industry value chain.

The container shipping value chain reckons five key segments: container delivery, shipment origination, vessel operations, terminal operations and inland delivery. Each of them has specific key activities and competitors types. Biggest container carriers (e.

G. Markers) succeed in playing role almost across the entire value chain, while, smaller regional players struggle to enlarge the degree AT Integration across ten most printable segments AT ten value canal (see exhibit 5 for details about the five key segments of the value chain and their estimated Return on Capital Employed).

Under David Titan era Melt Marine is clearly moving from asset intensive vessel 5 operator segment to the shipment origination segment, largely more profitable (e. G. Vs..

Return on Capital Employed). First move of Melt Marine under David Titan guidance was to renew its fleet with mailer vessels (1 , 200 Tests on the average) and to outsource 70% of vessels operation using a mix of long-term and ' spot' charters, taking the advantage of having reduced fixed costs and a more flexible cost structure.

Second step of the company reshaping was to shift the focus from feeder service to liner service segment. As of 2007 roughly 80% of revenues came from liner service, which bring to the company the competitive advantages of having direct contact with manufacturers and traders, guaranteeing more

stable rates on a per TIES-Km basis, and ultimately improve its customer's loyalty fugue (see exhibit 4 for detail about churn rate versus customers profitability by segment). Further strategic decision made by the new CEO was to prioritize a narrower set of customers and commodities.

The company has focused its attention to perishable foodstuff (e. G. Hall products destined to Muslim Asian consumers) or chemicals needing specialized containers either refrigerated or insulated. By late sass the company was the leader of these specialized services. Lastly, according to the strategy of backward integration so far pursued, Melt Marine built its own freight forwarder arm. This move allowed the company to establish direct relationship with exporters and finally improve the level of service provided to customers.

Summarizing, actions taken by Melt Marine under David Titan leadership can be framed in a mix of strategies: Focus on shipment origination segment inside the intra-Asia market region from one side and Differentiation strategy offering specialized services to niches market in the same region. About the expansion opportunity to enter the Asia-to-North America market through acquisition of 16 ships (average capacity of 4, 500 TEE) from an indirect competitor Teeth-Sash), we would have advised Mr.. Titan to opt for staying local and pursuing strategy so far adopted. According to above exposed five forces Porter's analysis, entering the transoceanic market would be hazardous decision for Melt Marine with the additional risk of defocusing the company from its current market target which has proved to be fairly profitable over last years.

We would suggest instead to straighten its position inside intra-Asia market leveraging or even expanding its freights forwarding arm, keeping differentiation strategy to offer new specialized - gig added values services and continue to improve its quality of service and attention to customers need.