

Strategy of container company for customer satisfaction economics essay



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Analyze the strategy by Container Company that will allow them to retain existing customers, add new ones and improve the service offering to client. It will also allow you to examine possible future strategies and marketing activities that can be carried out to adding value to container operators support their operations : this needs to be supported by academic work.

Note. This essay is prepared by following a Bangladeshi shipping company named HRC Shipping. Due to data availability and others most of the informations are taken from the group website [www. hrcbd. com](http://www.hrcbd.com)

INTRODUCTION

Shipping plays a significant role in national and international development. The container (Yim, 2009) shipping industry is a business which underpins much of the modern economic system where economic activities take place on a global dimension. Container ships carry most of the world's manufactured goods and finished products, usually through liner services. The containers are carried valuable cargo as short shipment of cargo from one place to another place economically. The special features of containerized cargo are that it is easily stuffed; calculation is easy door-to-door service shipment in a small amount, used full space and etc. The basic aim of economic planning is to bring about rapid economic development through the development of agriculture, industry, power, transport, communication cottage industry and all other sectors of the economy. Through rapid growth that means economic growth, the country aims at increasing national GDP (Gross domestic products). However, the container

(Levinson, 2006) made shipping cheap and by doing so changed the shape of the world economy.

Within (Ocean Shipping Consults, 2005) the overall market for container handling, demand for transshipment handling has been particularly dynamic and accounted for an increasing share of throughput. In this essence, the container feeding system is made for getting the maximum containers in a regional hub. This also a demand for container main line operators because main vessel can't entrance to the spoke port for draft and length restriction also the less volume of the cargo.

This paper aims to discuss how a feeder vessel operator is retaining their existing customer by their old 9 vessels, what is their current business strategy, and future plan for sustaining in this trade. Finally, set an operation strategy of the company for understanding their plan for serving the current customer also attracting the new customer.

BRIEF DESCRIPTION OF THE COMPANY

HRC (2010a) shipping is the leading shipping company of Bangladesh who developed the shipping agency house and the largest private sector ship owner or operator especially in container shipping business. Today HRC (2010b) is a leading blue chip conglomerate in Bangladesh with an expansive presence in South Asia in diversified areas of business concentration including ship owning/chartering, shipping agency, distribution, leasing, foreign representation, travel trade, tannery and finished leather processing, tea and rubber plantation, owning tea

blending/packaging, infant formula and cereals, commodity, real estate, bulb manufacturing and publications.

HRC Shipping is the leading container feeder operator in Bangladesh that is fully owned by HRC Family Group of companies of Bangladesh. HRC Group is the largest business conglomerate having the business of shipping, banking and consumer products. The Group is well known for their business activities locally and internationally. Due to integrated business connection with the most of trader and maintaining proper channel of national and international marketing, HRC shipping is getting the maximum freight from the local trader and international buyer. In addition, they are GSA (General Sales Agents) of world renowned container line operators COSCO, CMA-CGM, Evergreen also the subsidiaries of main line like IM, CCNI and others. They are integrated by covering the all ports of the world via the main line operators also their own brand named HRC especially in South Asia (Bangladesh-India-Pakistan). The company has 9-container feeder vessel that are representing Bangladeshi flag in Asian port proudly. Moreover, they have a strong liaison with two national ports of Bangladesh Chittagong and Mongla .

General Sales Agents

Evergreen – Taiwan

Italia Marittima – Italy

Evergreen Marine (UK) Ltd.

CMA-CGM S. A. – France

ANL Container Line Pty. Ltd. – Australia

Compania Chilena de Navegacion Interoceanica S. A. (CCNI) – Chile

Consolidation and Freight Forwarding

HRC provides solution in Freight Management and this includes storage, transportation and multi-country consolidation. It works closely with a number of international NVOCC (Non-Vessel Operating Common Carrier)

Companies:

Flash Line 2000 UK Limited – UK

American Independent Lines – USA

Dhow Express Corporation – South Korea

Oughtred & Harrison Ltd. – UK

Nuri Sea & Air Co.- South Korea

Sun Duck Shipping Co. – South Korea

RTW (Round the World) Corporation – Taiwan

IMEX INC. – South Korea

Overall, the company is the reputed agency house having the GSA of container and tramp vessel. From January 1991 to December 2004, HRC (2010d) shipping handled the maximum number of vessels in Chittagong Port.

VESSEL DETAILS

List of the Vessels

SI No

Name of the Vessel

Port Of Registry

Flag

Year Built

Length Overall in meter

Gross Tonnage

Container Capacity

01

MB Banga Bijoy

Chittagong

Bangladesh

1983

126. 52

5932

456

02

MB Banga Bonik

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Chittagong

Bangladesh

1983

126. 52

5083

456

03

MB Banga Lanka

Chittagong

Bangladesh

1978

133

7560

538

04

MB Banga Barta*

Chittagong

Bangladesh

1983

125. 27

5505

600

05

MB Banga Biraj

Chittagong

Bangladesh

1982

133. 3

8350

669

06

MB Banga Borat

Chittagong

Bangladesh

1983

147.5

9909

846

07

MB Banga Borak

Chittagong

Bangladesh

1984

121.4

7017

510

08

MB Banga Borti

Chittagong

Bangladesh

1984

121. 4

7017

510

09

MB Banga Bodor

Chittagong

Bangladesh

1984

121. 4

7017

510

* Suitable for dry bulk cargo

Figure 1. List of the HRC Vessels. (HRC, 2010c)

At present 8 vessels are engaged for container feeder trade and one vessel for bulk cargo caring in South Asia. Most of the vessels are old aged and staying idle for repair of hull and machinery or any other problems.

CURRENT SERVICE ROUTES

Figure 2 (Diagram). HRC Ports of Calling (HRC, 2010).

The shipping route is designed as per the demand of MLO and NVOCC who are doing container business presently in Bangladesh. In a study of transshipment port in Southeast Asia Lam and Yap (2008) argued that diversion of main operators from Singapore to port Klang and Tanjung Pelepas created a great competition among the Asian Transshipment Port. Moreover, acquisition of P&O Nedlloyd by Maersk line pushed the Asian feeder operator for introducing new route towards Tanjung Pelepas, port Klang and Colombo. However; HRC designed the main container feeder service routes for the following purposes:

Name of the Port

Purpose

Colombo

For all. For European and middle east connection.

Port Klang

Especially for CMA CGM.

Port of Tanjung Pelepas

Especially for Evergreen and Maersk Line

Singapore

For all. Especially for COSCO

Figure 3 (Table). HRC hub port connections developed by author.

HRC vessels are generally calling the Asian big container hub Singapore, Tanjung Pelepas (Malaysia), Port Klang (Malaysia) and Colombo (Sri Lanka). Due to the hub choices of the main line operator and diversification of container terminal operations, HRC designed the service routes because of mother vessel connection of local container shipping operators. In addition; they have two additional services with India and Pakistan. The trade between India and Bangladesh is increasing day by day and ocean shipping services is highly demanded by both countries. Therefore, that HRC started the new loop between Chittagong and Haldia for minimizing the demand of container trade. Moreover, they always divert the feeder vessel when required for caring rice from Kakinhat (India) to Chittagong and Jute from Chittagong to Karachi (Pakistan).

Group A. Regular Container Feeder Trade

Loop A. Chittagong-Colombo-Chittagong

Loop B. Chittagong-Port Klang-Chittagong

Loop C. Chittagong - Tanjung Pelepas - Singapore- Chittagong

Loop D. Chittagong - Mongla - Singapore - Tanjung Pelepas- Port Klang- Chittagong

Group B. Irregular Container Trade

Loop A. Chittagong- Haldia-Chittagong

Loop B. Chittagong-Colombo-Coachin-Chittagong

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Loop C. Chittagong- Colombo-Chennai-Chittagong

Group C. Diversified Bulk Trade (Especially for Jute/Rice caring)

Loop A. Chittagong- Karachi-Chittagong

Loop B. Chittagong-Haldia/Kakinhat-Chittagong

MAJOR COMPETITORS

The Chittagong Feeder Trade Committee (CFTC) is the main competitor of HRC feeder operations in Bangladesh. The CFTC (SDNP, 2003) is a group comprising the APL Feeder, Advance Container Line, QC Container Line, Orient Expresss Line and Sea Consortium is caring about 90 percent of container feeder trade of Bangladesh. HRC and Bangladesh Shipping Corporation is the Bangladeshi Flag carriers who are getting competitive advantages for getting cargo and berthing as priority at local ports.

On the contrary, other operators are manoeuvring foreign vessel by getting waiver from Marine Mercantile Department of Bangladesh government as per Bangladesh Flag Vessel Protection Ordinance, 1982. Bangladesh Shipping Corporation is not operating the container feeder at this moment but any time they may be main competitor because of their competititive advantages of national organisation. However, big concerns of Maersk Line MCC transport also operating the feeder for their own container also other main line operators. The main advantages of HRC are they have in house cargo from their GSA CMA -CGM, Evergreen, COSCO and others.

The feeder business is very attractive for Bangladesh because of cargo availability and huge import business also export of readymade garments to USA, EU and other destination. Moreover, presence of all leading container main line operators, freight forwarder and NVOCC created the competitive business environment for doing business.

INTEGRATION OF THE GROUP

Container (Baird, 2003) lines serving the same markets endeavour to differentiate their ' product' by offering faster ' express' services than their competitors, or by introducing a new service which is faster than their own normal service linking particular markets. Container (Lorange, 2005) shipping has revolutionized the shipping industry and emerging containerisation changed the liner business dramatically even strongly affected refrigerated cargo trade by adding reffer plug in container also in container vessel. He added that containerization led to spectucular growth in this shipping segment, coupled with strong development of technology behind the container ship. This is just releted to container structure formation for sustaining with other form of shipping.

Shipping Line

Shipping Line

A

B

C

D

E

Shipping Agents or General Sales Agents at Various Port and Country.

Cargo Handling Company or Stevedores or Terminal Operator. Container Freight Station or Inland Container Depot.

Freight Forwarder Or NVOCC

Inland Transport Operator or Intermodal or multimodal operator

Figure 4 (Diagram). Integration of a Shipping Line (Fremont, 2009)

The strategic management (Johnson et al, 2005) is concerned with complexity arising out of ambiguous and non-routine situations with organisations-wide rather than specific implications. The manager will understand the problem arises by the derived demand of the services and product and how /he should manage this problem? Definitely, corporate strategy will show the way to work for solving it. Resources are necessary along with proper instruction to face the problem. HRC shipping group diversified their company by integrating the product and services and added value through vertical, horizontal and conglomerate diversification strategy.

Horizontal Integration

The main line HRC shipping is diversified horizontally with the COSCO group by joint venture shipping company.

Vertical Integration.

Vertical (Cariou, 2008) integration has a salient features of liner shipping strategies. This is help to add value in their current business. Like a company has feeder vessels and also they are the terminal operator in a port. The incoming vessel will take berth easily and complete the loading and unloading fastly. So, vertical integration is very important for shipping company for taking competitive advantages in the trade. HRC shipping is vertically integrated by achieving the GSA of world famous main line operator CMA CGM, Evergreen COSCO and others. By these main line operators they can reach any port of the world. This is the great advantages. They also involved in freight forwarding and NVOCC busines and partner of some international forwarder especially for LCL and consolidation of short cargo. HRC is the member of multiport (2010) which is the largest network of independent ship agents of the world. HRC (2010d) operates a large number of container handling equipment at Chittagong port like prime movers and trailors for smooth operations and quick turnaround of own vessels.

Conglomerate Integration.

Figure 5 (Diagram) Conglomerate diversification of HRC Group (HRC, 2010d)

The group created various sister concern as conglomerate integration. All of these business partially or wholly releted with shipping business. Mass customization and countrywide publicity is adding value to their shipping image as well as incresing brand value.

CUSTOMER SERVICE

The objective of a service organization is to satisfy the requirements of its customers at a least cost. To achieve this it needs to create an environment to offer quality service if an organization can do so, then it surely win the confidence of the customers.

CFS Facilities

At present, there is a small office in every Inland Container Depot which is operated by highly skilled employee of HRC including port for vessel operations and receiving shipper premises stuffed container. The stuffing operations are caring 24 hours and container shifting is daily from 6PM to 4PM generally (City road restriction at day time) but emergency transfer from Inland container Depot to vessel hook point. Chittagong Port is offering direct shipment of export containers and all ICD allowed the cut off time for staying container at yard. Key operating employesses are watching the CFS and vessel operations. Special group is working in Dhaka ICD operations and loading containers on rail. In connection, another group is receiving the rail containers at Chittagong port for connecting the feeder vessel directly or storing at export yard.

Banking Facilities

The customer of HRC is getting exclusive banking support for clearing the port, customs and agents payments through online or direct payment. HRC sister concern One Bank Limited is helping for issuing container security guranntee for taking the load container to consignee premises. HRC has special agreement with the leading public and private bank of Bangladesh

for online payment or money transfer for avoiding paper money because it is risk for all for caring one city to another city.

Multimode Transportation

HRC developed a fleet of prime mover and trailers for quick discharging of import container from vessel hook point to port yard or private ICD. The company is giving facilities to export processing zones for direct transfer of container to consignee premises by their trailer. This facility also for outside of EPZ but consignee has to submit a guarantee for SOC containers. A HRC freight system is working for trucking facilities from port/ICD to consignee premises.

E-service.

The potentiality (Anderson & Leinbach, 2007) of e-commerce is to transform the volumes, structure and pattern of business freight systems which impacts on the freight industry itself also the spatial distribution of the production that are induced as well as in the mix of goods and service. HRC is using latest technology for data exchanging with MLO and their local sales agents. Freight manifest is receiving through online and distributing to the local agents through online. Chittagong custom house is receiving the shipping documents through online, so they have to submit all documents via online. HRC is using IEM (Integrated Equipment Management) for controlling the vessel schedule and container management. As a feeder operator, they are responsible for the loaded container up to the hub and transfer the data of discharging the container at Hub through online to all MLO. Reversely, they are forecasting the import details to the MLO before arrival of the vessel at discharge port. Every week they are forecasting the <https://assignbuster.com/strategy-of-container-company-for-customer-satisfaction-economics-essay/>

future schedule and international slot for available via online. After loading all export load container, they are offering the available empty repo slot to all MLO and NVOCC for clearing the port jam via online also taking the booking from them.

Cut-off time and Special export permission

As per general rules and regulations of customs, HRC is forecasting the cutoff time to the exporter for stuffing the cargo at ICD for declaring the cargo for port and customs clearance. This is very important for MLO for calculating the stuffing time, feeder connection and mother vessel connection at hub port also shipments of the cargo as per buyer instruction. Sometime special permission is required for stuffing the specialized cargo like RMG or pharmaceutical products from port and customs, some devoted staffs always helps the shipper for getting such approval from the designated authority. All cargoes are stuffed in ICD except for a few from Export Processing Zone (EPZ) and Chittagong Port CFS.

As per existing Port Regulations, Cut-off time for port CFS is 24 hours for day berthing and also for night berthing. For off-dock and EPZ stuffing, cut-off time is 36 hours after vessel takes her berth. For cargo stuffed in ICD/Dhaka and for Reefer cargo, there is no cut-off time.

Special wings for freight forwarder

HRC has a special team for providing the better service to the freight forwarders for 24 hrs customer service and operational assistance for container stuffing, un-stuffing and stuffing plan for LCL(Less than one container Load) and consolidation cargo. Mainly they are the reliable source

of getting in house cargo. Special care is taking for LCL cargo and monitoring the import LCL at port CFS thoroughly and delivery to the consignee.

BUSINESS PLANNING

All vessels of HRC are over 25 years and need to replace the vessels immediately on the service route for retaining the present customer and attracting the new customer. The repair and maintainace (Drewry, 1997) costs will increase for old vesel as older machinery will need more regular checking and frequent more renewal of parts while corrosion and wethering of interior and exterior surfaces in operational use. Due to over age of the vessels extra cost is incuring day-by-day especially repair and maintainance cost. Inurance premium will be high in near future and getting a class will be difficult for existing vessels. In addition, all vessels will be expired in same time and will collapse the total trade.

Moreover, container volume is increseing day by day through Chittagong Port. The staistics of Chittagong Port is as follows:-

Statistical Information Of Chittagong Port

YEAR

CONTAINER HANDLING IN TEUS

2004

688771

2005

783353

2006

876186

2007

960603

2008

1069999

Figure 6(Table) Performance of Chittagong Port (CPA, 2010)

Figure 7 (Chart). Chittagong port container handling in TEUS (CPA, 2010)

Last 5 years container handling is remarkable and almost double In addition Bangladesh (The Free Library, 2010) Prime Minister declared that the country's two seaport Chittagong and Mongla will be ready this year (2010) for using by neighbour country India, Nepal and Bhutan. Therefore, it is great opportunity for developing the fleet for handling more containers through national ports.

However, need to analyse the demand for covering the main feeder trade. Investment (McConville, 1999) decision in shipping is the capital investment which will take twoforms, the purchase of new vessels to replace ones which are worn or secondly additional new building enlarging the stock for

introducing new route or service or minimizing the increasing demand of trade.

Above the situation and circumstances, it is highly recommended to scrap the old vessel MV Banga Lanka as it over's 30 years replace as early as possible. Shipping (Thanopoulou, 2002) companies are faced with a number of alternative choices when they decide to proceed with new investment. Replacing or finding the substitute of the old vessels or expanding the fleet the following options are available:-

New Building.

Turing on Shipbuilding supply (Stopford, 2009), there are four influences to consider which are as follows:-

Shipyard Capacity that means availavility of the yard and order book status

Shipyard unit costs which depends on labour, material and others costs.

Exchange rates which is highly volatile.

Production subsidies offered by the local or state government.

However, this supply is the production of derived demand which mainly forcasted from the shipping cycle (Drewry, 1997) when it indicates the peak (Highest position of the cycle).

Shipbuilding (McConville, 1999) is the primary method of increasing the supply of tonnage within the shippinh industry which also increases the quality of that tonnage. New building is the best option for replacng the

existing vessels but it is a costly decision for ship owners. Now-a -days, Bangladesh also building container vessel. This year Ananada Shipyard (2010) delivered 2900-dwt capacity/112 TEU capacity multipurpose vessel to the denish buyer M/S Stella Shipping. Hence, it is great scope to build container vessel here for getting finanacial advantages also local banking facilities.

Secondhand Market

Secondhand market is the convenient way for replacing the exiting old vessel within short period where newbuilding is the time factor replacing method. The demand (Drewry, 1996) for secondhand tonnage is dependent on the individual characteristics of a particular ship that is seraching by buyer and seller. In a study Thanopoulou (2002) identified two reasons for chossing the secondhand market by the buyer which are as follows:

Much lower capital cost

Waiting time for the actual delivery of the ship is minimal compared to the normal delivery of new orders (Generally 1. 5-2 years for new orders)

In addition, secondhand vessel will start the operations immediately and join the exiting fleet and no risk of overcost or exchange rate hedging problems.

International Lease.

This is the chartering market for replacing the old vessel through spot or time charter from the international container lease company. Nevertheless, flag of the vessel is a factor for HRC because they are operating Bangladeshi flag vessel. In this case, they will loose the some dometics facilities like early

berthing or window (Jetty fixed for the specific domestics) berthing also cut off time for container loading at berth.

Joint Venture.

Joint venture is the alternative source for expanding the capacity, HRC is the powerful agency house in Bangladesh because they are representing world 3rd largest main line operator CMA CGM (2010) also ranked operator Evergreen and COSCO. They can build joint venture with them and engage some vessels from the MLO in their specific route.

Strategic Alliance.

A strategic alliance (Cariou, 2000) is the ability to undertake operational synergies for shipping for controlling the market. The opportunity is available with Bangladesh Shipping Corporation for making such alliances to control the market with the help of Bangladesh Flag Vessel (Bdlaw, 2010) protection Ordinance, 1982

However, a plan is necessary for continuing the service on the present loops. The strength of the company is the huge capacity but the vessels are at risk for their age. In addition, the maximum age of the vessel will not help to do good marketing in international trade. For this purpose, a plan is made for HRC shipping for sustaining with their fleet.

GROUP

Name of the Vessel

Year Built

Future Plan

A

4 Vessels

MV Banga Bijoy,

MV Banga Bonik,

MV Banga Barta,

MV Banga Borat.

1983

Need to replace within 2013 and may divert to the bulk trade after 2011.

New order may be placed for replacing the vessel immediately.

B

2 Vesels

MV Banga Lanka

1978

This vessel is over 30 aged. Getting the class of the vessel will be difficult and maintenance cost and insurance premium will be high. Need to scrap the

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vessel immediately and replacing by time charter from the international lease company. Due to foreign flag of the vessel, alliance may make with the leading operator in same route in slot agreement for minimizing the loss

MV Banga Biraj

1982

Do

C

3 Vessels

MV Banga Borak,

MV Banga Borti,

MV Banga Bodor

1984

These vessels will continue on the service up to 2014 and yet not any plan for them. If any strategic alliance offer come from the Bangladeshi Flag vessel owner like Bangladesh Shipping Corporation, these vessels will be deployed.

Figure 8 (Table). Vessel restructuring plan developed by author

OPERATIONS STRATEGY

The role (Reid & Sanders, 2002) of operations strategy (which is a part of Business Strategy along with Marketing & Finance strategy) is to provide a plan for the operations functions for making the situation touse its resources perfectly and effectively. For developing the operations starategy or fleet management of HRC , the folloings points will be considered for getting the business advantages in container feederling in Bangladesh:-

COST. Cost is the main elements of business. Less cost or minimize the access expeditutre will help to increase the profit margin as well as decrease the misuses of the company resources. For decreasing the repair & maintainance cost of MV Banga Lanka, it will be scrapped in this year and will be replaced by time chartering of a feeder vessel shortly. The capacity will be same and will try to lease the vessel from the main line operator who has such vessel. Preliminary, secondhand vessel will search for direct purchase to replace the vessel otherwise newbuilding option will choose for Banga Lanka. MV Banga Biraj will be replaced by new building and it will be constructed in local shipyard for minimizing the cost of the vessel.

QUALITY. Quality as a competitive priority (Reid & Sanders, 2002) mainly focused on product and service quality. There will be no sacrifice in quality of the service. The present container feederling loops will be continued to the major hubs of Asia. HRC vessels will make voyage regularly for providing the mother connection of local & international shipper's container also in house freight. For instance, vessel will charter for continuing the service loops.
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TIME. Time is the best priority for speed and on time replacement of the vessel. As HRC is demanded by the customers and speciall for international customers because maximum vessel slot of 2010 is already distributed to the MLO and others. In addition, this is the prestigious matter for the group. Furthermore, HRC is only national flag carriier who prodly represents the Bangladeshi flag in Asian hubs. The decision of group vessels will take at the end of the year and possible thinking is chartering good vessel and divert them to bulk trade.

FLEXIBILITY. Due to the pattern and style change of trade, environment change rapidly, including customer needs and expectation, the ability of the organisation to accomodate these change can be a wining strategy. The schedule may be changed as per customer needs and demand for caring the container from Chittagong to any hub prior notice to the customer or consultation with the customer. Cargo forecast will help to change or divert the vessel.

CONCLUSION.

The global (Ocean Shipping Consultant, 2005) transshipment demand is very positive because it comprises both hub and spoke systems for connecting the main line transportation. Transshipment already has a significant place in the global market and its share is expected to continue increasing. The main line will continue to serve port region by direct call and thus the role of hub and spoke container business will continue to strengthen. For this purpose, the feeder service is the main source of a hub port and main line for getting the competitive advantages of not going to all ports and offering lots of service.

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The development (Branch, 1998) of the hub and spoke system is gaining momentum as trading regions introduce higher capacity container storage and restore their schedules. HRC shipping leads the feeder industry of Bangladesh. They have international recognition through the membership of Multiport also brand image in South Asia. They can expand their business by acquiring new or second-hand vessel or time chartering because of their service demand in Chittagong port as national carrier.

The aim of this paper was to draw an outline for a container shipping company for retaining their existing customer and avail new customer. Chapter 7 (Customer Service) described how they are getting customer by their commitment to service and diversification strategy. Finally operation strategy briefed their plan for running the vessels with minor change of the vessels and future planning. Operating (Drewry, 2000) benefits are more comprehensive range of sailings, effective deployment of fleet and continuous negotiation with charters, shippers and customers for caring the shipping trade for survival. Overall, the company has a plan to replace the vessel but