

In the sri lankan freight forwarding industry marketing essay



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After the three decades of the war ended the political situation in the country is stable and the current government enjoys 2/3 of majority of the parliament and president remains the most popular person of the country. But the political turmoil surrounding the Middle East and Iran affecting the local export market since most of the tea products were export to the Middle East market. Also the economic sanctions impose by United States and European Union on Iran affecting the local export market.

2. 2 Economical Environment

The fluctuating exchange rates are affecting the local produces since most of them imports the raw material from china and India and produce their main products . also the world economic downturn affecting the local economy. On the plus side opening of the new port and expansion of the Colombo port will bring more vessels to the Colombo port. This will definitely increase container volumes to the country.

2. 3 Legal Environment

The government has introduced a system to regulate the shipping and freight forwarding industry in the country. All shipping and freight forwarding agents must register with Merchant Shipping department. Where they will categorise to two separate groups and issue licences. This is renewable yearly.

2. 4 Technological Environment

The Sri Lanka customs department has introduced the new EDI (electronic data interchange) system to update shipping manifest through the entering in to customs department website , which will benefit the industry where <https://assignbuster.com/in-the-sri-lankan-freight-forwarding-industry-marketing-essay/>

cost and time of the forwarders will be saved . previously the manifest were submitted by manually and separate person should allocate to do the job. Also this will help the accuracy and duplication of work.

3 ANALYSIS OF THE INDUSTRY THOUGH PORTERS FIVE FORCES

The Threat of entry

In the Sri Lankan freight forwarding industry the threats of new entry is rather high because there are no legal requirements other than registration as a company with register of companies. Any one or any party can enter in to the industry with only requirements are recognition in the industry, business contact and Agent network with minimum capital can enter in to the industry . When new entry enters in to the market it is a burden for the existing freight forwarders in the market. Since the industry is already overcrowded with so many players with in the industry completing for slow growing export market and everyone have e to share the existing customer base with new entries to the industry.

The entry barriers to the market can be arisen due to new entry to the industry unable to get economies of scale at once since they do not have the volume advantage at the start of the business. Another barrier is the new regulation by the government which comes under the Merchant Shipping Department. The forwarders must have the licence to carry out the business with in the local Market.

The Treats Of Substitutes

The substitute's service can be provided by the carriers and air lines by way of value additions or part of the supply chain to the customers. Ware these carriers can provide additional services like warehousing, transportation, inventory control etc. The Maersk the world leading carrier has started their own arm to provide the additional value added services to the customers by in the name of DAMCO international . this will surely make the adverse effect on the current forwarding market in the country.

The Bargaining Power Of The Buyers

In the Sri Lankan freight forwarding market the bargaining power of the buyers are very high. when comes to the export market in year 2011 country's export containers were around 260047 and for a month it is around 21680 . other than forwarders the main carriers are also competing to get the business direct from the customers. The freight forwarder has to convince the buyers and must offer more value for the money. When relating to the concerned company the 10 major customers bring about 26. 38% of the total income of the company so there buyer power high and the profit margins from these customers are thin.

The Bargaining Power Of Suppliers

The suppliers for the freight forwarders either shipping lines, airlines, ware house provider or Logistics Company's provide services to the freight forwarders. in Sri Lanka the shipping lines and air lines are dominating the market . if other than the freight forwarder has large volumes they can bargain with the shipping lines and air lines other than that the bargain

power of the suppliers are very high. When come to the concerned company same theory is applied to some destinations not for the all destinations.

Competitive Rivalry Among Exciting Firms

As per the merchant shipping department there are 296 freight forwarding companies in the local freight forwarding market. But there is other freight forwarders operating in the market without licences also. There is high competition among the forwarders since the export market is only expand around 6% in year 2011 and import market did expand by 17% when compared to 2010 as mentioned by the Sri Lanka Freight Forwarders Association (SLFFA). in the industry there are lot of equal size competitors in the market and this will result intense competition with in the market . and there are few major size competitors competing in different sectors of the market . most of these competitors complete in the appeal and tea sector since those are the most exported commodities in the country.

When analysing the five force frame work in the freight forwarding industry in Sri Lanka there is little information about the individual performance of the rival organisation. And there is no ranking system to identify who the best company is providing the forwarding services in the industry. Even though there is association in the industry it has only 84 members and where government has issued over 296 licences to practice as freight forwarders. And there is lack of understanding among competitors with in the industry about the growth and there is no growth forecast with in the industry.

When analysing the above finding there are lot of competition in the market for sea freight export since the sea freight export growth rate is about 6%

but the sea freight import growth rate is high about 17% . most of the freight forwarders concern about the full container cargo (FCL Containers) in market and less about the loose cargo load (LCL) and multi country consolidation (MCC).

4. VALUE CHAIN ANALYSIS

To achieve the competitive advantage organisation must deliver the value to the customers below are the value chain analysis for the CWT Globelink Colombo

4. 1 Primary Activities

4. 1. 1 Inbound Logistics

When comes to the export of goods organisation provide transport from shippers place of production to the organisations ware house. Fumigation, obtaining relevant certificates for the export purposes is other parts of the job. In the import sea freight communication with relevant shippers in the various destinations, picking up the relevant good, storing in the ware houses in the relevant destinations till it ships to the Colombo or various other ports.

4. 1. 2 Operations

In sea fright exports the operation is stuffing the relevant cargo inside the container according to the stuffing plan. in this case the Cargo must be stuffed to the container without any damages and relevant cargo must be send to the relevant containers accordingly. And should send to the relevant ships accordingly. in import sea cargo must be DE stuffed accordingly.

4. 1. 3 Outbound Logistics

When it comes to the import shipments after receiving the goods to the Colombo port the organisation must issue the relevant documents to the relevant consignees to clear the goods from the relevant ware houses operated by the Sri Lanka ports authority. Also must help the consignees to track down the cargo from the ware houses.

4. 1. 4 Marketing and Sales

Promoting sea freight business with relevant rate to the direct and cooperate customers, overseas agents and shippers with value added services are the part of the sales and marketing

4. 1. 5 Services

Tracking the customer's cargo till its deliver to relevant parties, issuing Delivery orders, Bill of lading, surveying for the damage cargo and issuing relevant letters to obtain the insurance claims and sending arrival notices some of the additional services provided by the company.

4. 2 support activities

4. 2. 1 Technology Development

The firm provide tracking system to all their customers to track their cargo through new innovative system . using this system customers can see where their cargo are currently lying on or which vessel the shipments are on and time this shipments will be delivered to the destinations.

4. 2. 2 Firm Infrastructure and Human Resources Management

The firm has a good reputation among the customers. The organisation poses a good customer centric culture. The MIS support the innovation and responsiveness to the customer needs.

5. THE SOURCE OF COMPETITIVE ADVANTAGE THROUGH ONION MODEL

THE GOOD ONION MODEL

5. 1. 2 The Agent Network

The organisation poses a worldwide agent network . the organisations has 40 associate offices in 13 countries and cargo ships to over 120 countries reaching more than 1200 destinations worldwide which unmatched by the local competitors .

5. 1. 2 Superior Rate Structure

The organisation offers the most competitive rate in the LCL cargo sector in the market and most of the other freight forwarders in the market co-load their shipments with company since they do not have the capabilities match the rate offered by the firm.

5. 1. 3 Leading Multi Country Consolidator

The organisation is the innovator of the large scale of operations of the multi country consolidation among the competitors. Firm is the leading MCC to Indian sub-continent.

5. 1. 4 Innovative Cargo Tracking System

The customers can track their cargo through the system only they have to do is enter the bill of lading numbers to the system and will be able to get the full details about their cargo

5. 1. 5 Customer Centric Culture

The organisation is fully focused on customers' needs and requirements. Organisation has separate department focusing on customer care and even has a customer complaint line which is first for the Sri Lankan freight forwarding industry.

5. 1. 6 Cost Leadership in LCL market

The organisation provides special services for the like packing transport fumigation entry passing as a whole package which includes the freight charges. The organisation always provides more service for the money charge for the customer.

THE BAD ONION MODEL

5. 2. 1 Parochial Top Management Mind Set

Even though the organisation is very centric towards the customers and customer needs they are not much focused on developing business to the next level or stepping up for the next level. They pose a very narrow set of business vision for the company and do not want to step outside the comfort zone they are currently in and change the current business dynamics.

5. 2. 2 Employee Engagement

The organisation lacks the motivation to achieve its goals . where employer wants employees to do their best work and drive the organisation towards its goals. to do that employer must engage with the employees and find the ways to get more from the employees other than the primary work set they have been assigned to do .

7. THE SWOT ANALYSIS

7. 1 Strengths of the Organisation

7. 1. 1 Agent Network

As mentioned earlier organisation has good agency network around the world. Using this network firm can import and export any cargo according to the customer requirements.

7. 1. 2 Rate Structure

Since the firm operates most parts of the world with various agents organisation can offer the cheapest LCL rate in the market. Most of the agents the firm work are the market leaders in those destinations and the have the lowest tariff with in that particular destination . with the collaboration with them organisation can offer the best rate in the market.

7. 1. 3 Transshipment Cargo Volume

The Colombo port is a strategic transshipment point in the world. so most of the cargo to Europe from Indian sub-continent tranships through the Colombo port and most of the European Cargo to Indian sub-continent tranship through Colombo port. most of the agents send their transshipment

cargo to consolidate in Colombo send to the various destinations previously mentioned.

7. 2 weaknesses Of the Organisation

7. 2. 1 Working Capital Inadequacy

The firm always works with the thin profit margins with credit to the customers sometimes with low volumes will create a loss situation where it will affect the working capital requirements of the company. The other scenarios is there more imports to firm than exports and the firm has to pay to the agents and should provide credit to the customers this will also create working capital inadequacy.

7. 2. 2 Human Resource Management

The firm not very keen in developing good human resources management process . this will lead to the less employee engagement and will hinder the achievement of organisations goals through performance.

7. 3 External Opportunities

7. 3. 1 Development of Colombo and Hambantota Port

The development of Colombo port efficiency and increase of the handling of the containers will affect the industry also opening of the new port in Hambantota will increase the vessel calling specially the car carriers are promoted in the new port. Expansion of the Colombo port to will attract more vessel to the port and will benefit the local industry by more volumes and less cost

7. 3. 2 Stable political Environment

The ending three decades of the war and stable political environment will attract more investors to the country. The more investment comes and starts new business will create more imports and exports from the country.

7. 4 External Threats

7. 4. 1 Weak Economic Development of United States and European Union

The European Union and United States economic crisis were affected to the local garment and tea and other sectors badly and this crisis has been effected to the freight forwarding industry also the export market were grown only by 6% in last year.

7. 4. 2 Turmoil in Middle East and Sanctions to Iran

One of the best export market for the country is middle East and Iran . the current turmoil in Syria, Egypt , Libya has halted the export to those countries also the sanction by the US and EU to Iran also effected the industry .

VISION

To Be A World-Class Corporation

With Global Logistics Capabilities

MISSION

To Excel As A Leading Logistics Solutions

Provider Delivering Best Value To Customers

(<http://cwt.listedcompany.com/misc/ar2011/ar2011.pdf>)

8. THE VISSION, MISSIONS, CORE VALUES OF THE COMPANY

The Colombo office uses the same vision statement as head office in Singapore. This is for a border group with different SBUs and freight forwarding is a one SBU among other business units. Colombo office should have a different vision for its objectives. Modified vision statement for the firm would be “ TO BE A ONE OF LEADING FREIGHT FORWERDING COMPANY IN SRI LANKA WITH GLOBAL FREIGHT FORWERDING CAPABILITIES”.

The mission statement by the head office will be the mission to the company since to become the leading freight forwarding company in Sri Lanka the firm must move to the other sectors of the logistics to provide best value to the customer.

8. 1 Core Values

8. 1. 1 Service Reliability

Provide the best service to customers and to improve the service levels and consistently upgrade the service levels

8. 1. 2 Competitiveness

To provide competitive freight rates in the market and pass any reductions possible to valued customers so they can keep their cost down to the minimum levels.

8. 1. 3 Customer Focus

To understand the customers' requirements and utilise the knowledge of the organisation to deliver quality, committed service to the customer

8. 1. 4 Teamwork

As an reputed organisation it is value the strength of an individuals and combined together to deliver the objective of the firm

8. 1. 5 Quality

The firm to ensure customers receive a standard of service which provides quality and assurance that can be deliver time and time again.

9. GROWTH TARGETS

As per the attached Annexure Below the firms average import turnover increase about 28% and export turnover were increase by 41% . but the firms import volume was only increased by 9% and export volume was down by 34% . the export volume decrease is mainly due to the low volume exported during year 2010 recession period . even though year 2011 and 2012 shows an increase of 42% and 22% respectively.

These are the growth targets set for the next 3 years

2013

2014

2015

Export tus

3300

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3630

3993

Import tus

4, 696

5, 165

5, 682

2013

2014

2015

Export turnover

477, 276, 792. 67

525, 004, 471. 93

577, 504, 919. 13

Import turnover

41, 796, 722. 88

46, 394, 362. 40

51, 497, 742. 26

Export profit

37, 495, 029. 33

41, 244, 532. 27

43, 306, 758. 88

Import profit

30, 887, 954. 40

30, 887, 954. 40

30, 887, 954. 40

After analysing the market trends for the year

2008/2009/2010/2011/2012 the growth target was set. The average turnover and profit were nearly about 11% for the export and imports therefore the target was set as 10% increase for income and profit for two sectors.

For the volume the fluctuations are very high and it was very difficult to set an accurate target therefore the 10% was taken to the volume target also

STRATEGY OPTION TO ACHIEVE THE GROWTH

1. The Ansoff Approach

1. 1 Market Penetration

Increasing the sales volume through new marketing recruitments, encouraging the customers to purchase more services, attracting the customers with price and differentiation and gaining the market through expense of the competitors will help the organisation to penetrate more in to the market

1. 2 Market Development

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Firm can enter in to the new market segments like supply chain management to the garment industry and telecommunication industry. Also can enter in to the market such as Maldives and Afganistan where there are less competition and high profit margins.

1. 3 Product Development

Firm can combine their import and export business together and provide services such as imports goods from one country and export the same goods to an another country . bundling the products together and offering as a one product (freight, transport, packing , entry passing together as one product)

1. 4 Diversification

Firm can move in to a commodity markets where they can buy and sell commodities

2. The Porters Approach

2. 1 Cost Leadership

Currently the firm provides the lowest cost in the market. Where firm cut the costs to the minimum and pass the savings to the customer with lower price . this help to attract more volumes to the organisation.

2. 2 Differentiation

The firm can differentiate their product and services more attractive than the competitor . this can be create through customer service, image of the organisation, faster services to the one destination to another.

STRATEGY FOR THE GROWTH

The firm to use hybrid strategy for the growth . the organisation need to penetrate in to the market using differentiation and cost leadership and must move in to the new products to grow in the market .

Currently firm offers the best rate in the market. Offering the best rate will help organisation to gain the cost leadership in the market. Gaining the cost leadership will help secure more volumes from the customers and attract the customers from the competitors. With the cost firm can encourage the customers purchase more products and services and these will help the firm to penetrate in to the market with same products catalogue.

Currently firm only offers few services such as freight, transport, packing and entry passing. This will limit the growth opportunities. Firm can enter into a new market segment using supply chain management. This will help the firm to tap in to the appeal industry which is one of the largest import and export market in the country.

The growth target was set for the next ten years is 10% for the profit and volume. Through new product development firm can attract more customers and volumes to achieve the set target. Combining few product and services as new product and offering to the customer's services like imports from one destination to other destination without importing the goods to Colombo will be a new product development to the firm

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