Missing marketing

George Santayana once observed that "fanaticism consists in redoubling your efforts when you have forgotten your aim." For some steamship lines, this might describe their current marketing strategies.

The passage of the Ocean Shipping Reform Act combines the freedom to establish rates without prior regulatory approval with the ability to make such arrangements confidential. Similar deregulation in other asset-based, networking-operating companies has proven very traumatic to the status quo.

Here are some things we know to be true: Past success does not necessarily guarantee future success. And cost savings — while important — are not the end-all. A company cannot shrink its way to profitability. Customer-focus is essential.

Running through all three of these is the need for marketing ability within an organization. Troublesome for steamship lines is the fact that demonstrated marketing ability is in very short supply. In many companies it is nonexistent.

This is not to say that marketing departments and personnel don’t exist. They do. But their function may be obsolete.

In most steamship companies, marketing consists of advertising, pricing, conference activities and statistics. Advertising is fairly innocuous — most steamship lines are fairly conservative and fail to establish a strong brand identity.

The Internet can now provide sailing information on a more timely, more accurate basis, yet steamship lines continue to print convoluted schedules that are at times out of date or incorrect.

Pricing remains an intensely bureaucratic function that frequently pits marketing personnel against the sales force. Steamship lines view pricing as an end in itself, rather than as a means to reaching a consensus with customers in order to handle and keep their business. Speed of response is also lacking. Although customers want "yes" or "no" answers at the time of the sales call, lines may respond to customers after a competitor obtained the business.

Conference activity antagonizes customers and has no commercial value-addition. When discussion agreements are included in this category, the amount of wasted time and money can run into the tens of millions of dollars a year in administrative costs alone.

Since conferences — and most likely discussion agreements — will decline as the result of market freedoms granted by the shipping reform act, it is to be hoped that steamship lines will expend the resources to meet and understand their customers’ requirements.

Statistics are another area of high expense and low value-add. The statistics in the liner shipping industry could be much better.

PIERS data are excellent at providing port volumes and aggregate line volumes for the United States. But its worth beyond that is questionable. Customer data can be hidden, inland information is lacking and U.S. volume moving over Canada is excluded.

Unfortunately, for many years, PIERS failed to detect that large amounts of export traffic went unreported.

The other source is conference data — limited, because that information only represents part of the market. Misreporting is a drawback, and monthly aggregation is often misleading.

Despite the poor quality of these data, lines work to "mas- sage" and report this information. In many cases, time is spent explaining what happened when it might be better used to focus on what will happen.

Most lines would be better off to establish clear-cut targets and to measure compliance with those with a single measurement of general market direction.

Marketing has too long been a stand-alone function. The advanced truckload firms, which grew out of motor-carrier deregulation, succeeded in large part because marketing, operations and sales were integrated into a single, indivisible contact with the customer.

Railroads followed this example. And non-asset companies in the ocean shipping business have done the same.

The current need to review our thinking about marketing is not without precedent. Prior to deregulation, rail and motor carrier marketing consisted of Interstate Commerce Commission practitioners.

Deregulation rendered these skills obsolete overnight. Successful companies were those that went out and recruited new personnel.

Today’s steamship lines have a great opportunity to reinvent themselves through savvy marketers. Attracting these individuals to the liner shipping industry will be an exciting challenge.

However, we will only meet it effectively if the companies are willing to the embrace some new techniques.

Successful marketing can turn around a company just as poor marketing can kill one.

Regardless, market conditions in the post-shipping-reform-act era will greatly reduce the time frame of implementation to results. The marketplace will undoubtedly be very unforgiving to the lines that do nothing to change.

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