

SESSION V ROUND TABLE SUMMARY

MARINE STRATEGIC PLANNING—PERSPECTIVES ON THE INDUSTRY

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How well are we doing in strategic planning in the marine and intermodal sector and what are the key issues that require further attention?

This type of dialogue with this caliber of people making the contributions they have is extremely valuable. The bad news is that how somebody will capture this in a succinct fashion to pass it along to people who should read it is quite a challenge.

How effectively are the marine and intermodal sectors doing in strategic planning? We talked a lot about the dynamic economics that are driving the intermodal or multimodal systems in the United States. The bulk shippers highlight the fact that cost is king and service follows, in contrast to operators who have introduced technological advancement in ships, handling systems, and types of cargo. A strong point was made that improvements in the software are needed to allow those who have invested to receive a decent return on their investment. As far as strategic planning goes, obviously there is a lot that takes place. It is impressive to see what Sea-Land is doing in spreading the risk. When you consider that Sea-Land has the lowest slot cost existing in the North Atlantic trade, they have taken tremendous steps to mitigate their risk, yet they are at best breaking even on the North Atlantic. This tells you some of the risks that carriers have taken in this particular trade. It is worth repeating.

We heard a lot about partnerships. Forming a strategic partnership is delicate—how do competitors learn to be allies? This is a great question. Companies are learning. We heard several good examples with trucks, rail, barges, etc.

Strategic alliances and partnerships—a sobering example where a strategic alliance hasn't worked—are the efforts on the part of United Shipowners Association to resolve their differences on the subsidy issue. How can government facilitate some of this strategic planning? What should the government's role be? I think there shouldn't be too much government. I do think the government has some role if only as a mediator or facilitator.

As for the problems that exist in the regulatory arena, we wouldn't have such a hard time coming up with a maritime policy if the government would answer the basic question, "Do we need an American flag steamship line?" "Do we need American-flag shipping lines for economic interest?" I know what I think the answer should be and I won't get into it but I do think that we have the Shipping Act, Section 101A, which outlines a policy. If government people are asked do they really believe that Section 101A applies, I would like to hear what the answer is.

PERSPECTIVE ON CURRENT AND FUTURE INDUSTRY PRACTICES

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As strategic planning has become a buzz word, every marketing, planning, or marketing book that comes across my desk now says STRATEGIC. This word is supposed to indicate that this book is current and vital. There is nothing magical about the term "strategic." The notion as a process forces us to take a systematic approach, to go through a series of steps, the chief one being environmental scanning, looking at the current market situation both externally and internally. Certainly this was done. Paul Mentz tells us that Secretary Skinner wants a strategic planning perspective integrated into the industry. The Secretary wants clear goals and guidelines. Better short-term decisions for long-term benefits.

Whose decisions is the Secretary concerned with, his own regarding the industry or industry's decisions? Ralph Kreuger hinted that Lykes Lines is about to make a decision shortly and I wonder whether that is the same as a short-term decision concerning subsidy in the hopes of achieving long-term benefits for Lykes. If so, would that really be a long-term benefit for the nation? Along with Paul Richardson, I am concerned that the nation does not recognize—the Administration does not recognize—the need for a strong U.S. merchant marine. Paul Richardson and Carl Seiberlich yesterday both asked for a government statement on policy. I believe the government has made that statement implicitly, from

everything it has done from 1980 on. It is clear to me that the U.S. government does not recognize the need for a strong U.S. merchant marine and I bemoan that fact.

I reviewed my notes to see how well we addressed strategic planning in the maritime industry using Terry Lathrop's format but somewhat adjusted to meet the strategic market planning format that I prefer. I am using the transportation industry as my unit of analysis rather than any one specific carrier. Terry started out with an examination of mission. We never addressed our mission for the transportation industry. From a U.S. perspective, our mission could be: to provide cheap and efficient common and contract carriage of freight domestically and internationally, to facilitate U.S. domestic and international trade, to earn a profit for shareholders and risk takers, to provide employment, etc. But I don't know how you see the mission of the transportation industry and if we have the time I would love to have that addressed by someone. What is the mission?

An examination of the current market situation obviously requires in-depth environmental scanning. Externally, legal, political, regulatory, economic, technological, I thought that Hugh Randall, Steve McGowan, and Ralph Kreuger presented us with good information on the external environment in terms of the internal environment—technology of individual companies, suppliers, customers, economics of scale, market forecasts, etc. Paul Richardson, Gene Pentimonti, Ralph Kreuger, and Craig Philip addressed that. Sid Robinson did a great job presenting that for Ports and Jim Lamb and Steve Lucas spoke about customer needs that had to be addressed in the examination of the internal environment. John Saylor gave an interesting example of how a third-party intermediary really meets the needs of shippers. After an examination of the environment, the next step is an analysis of issues that have been presented in the environmental scanning, including strengths and weaknesses. Strengths of the U.S. maritime industry technology and U.S. know-how are number one. But that is all I got. In terms of weaknesses, the transfer of information, the paucity of publicly funded R&D, little or no market research, funds drying up, industry squabbles, and a total production orientation up until this point are problem areas. It is finally recognized that shippers really do call the shots.

Opportunities and challenges (which is a nicer word than threats). What is facing the industry? In terms of opportunities, cooperation among partners, more linkages, more strategic alliances, and an examination of the external environment indicate that there are growing trade opportunities, and the forecast looks good. In

terms of challenges (or threats) certainly the fact that the Administration does not support the industry and that funds are drying up. I know you can add to that.

In an analysis of issues one should come up with a series of objectives. Again the one that was mentioned constantly was a seamless intermodal system. But this is a production-oriented objective. No one really said to increase customer satisfaction in terms of their shipping needs. During the roundtable workshop, Dave Messer said improve the efficiency of the transportation system. That is a good objective. Certainly customer needs were very succinctly stated by Jim Lamb and Steve Lucas, and that should provide direction for objectives.

On the basis of objectives, that leads into strategies. The only strategy that I heard mentioned was the need to improve software, with the end result a paperless movement, and strategic alliances. From strategies, we get to tactics and programs of action, and I didn't hear any. The important focus should be on market research. If we are in the business of satisfying consumer needs, we must do market research. Steve is the first industry person that has mentioned the company doing market research. For some reason, market research seems to have been regarded in the industry as a bad investment. Carriers decide what they want to do and shippers better accept it and like it. This is not the way other industries operate.

Besides increased market research and R&D, there are only so many controllable variables that we can address. All else in the short term is not controllable. The four Ps. We can control the product that we offer and the price and the promotion (that has not been a word mentioned in this workshop). Distribution certainly has been emphasized, the need for a global network, a global scope, and global alliances. One would follow that with a business analysis, cost-benefits, and certainly we should examine the cost to industry and the profits to industry. What I keep hearing is that most of the industry is losing money, so there is something wrong with the programs of action. Finally, the cost and benefits to the nation. In the last 15 years or so, there have been many seminars on the costs and the benefits, but nobody out there is listening, which amazes me.

SOME OF THE CRITICAL FACTORS FOR THE FUTURE

Steve Nieman
Consultant

One traditional strategic planning item we haven't covered is some kind of industry structural analysis