
THE PRICE DIFFERENTIATION STRATEGY FOR MULTI-SEGMENT MARKET: CASE STUDY IN AN INTERNATIONAL SHIPPING COMPANY

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Abstract

The global market gives opportunities to the shipping company to develop its business, such as the larger market, the addition of new routes, the broader port of destinations, and the development of services. It will give effect to the increase in the number of markets served. Generally, shipping companies have a multi-segment market and apply specific strategies for each segment. One is the pricing strategy. To be more focus on each segment and able to serve it best, the company should define the appropriate price (rate) policy for every market segment. A study has been carried out at PT X, an international shipping company at Surabaya. As a world-wide company PT X has shipping service to various ports of destination around the world. From observation it was known that the company applies different pricing strategies for each segment of its market, like contract rate, negotiated rate, market rate, etc. Each strategy has certain advantages for its market segment and the company determines specific requirements for this strategy. Through those strategies a multi-segment market could be served well in accordance with the characteristics of each segment. It will provide benefits for the company, such as establishment and maintenance of good and profitable relations with customers.

Keywords: price, segment, shipping

RESEARCH BACKGROUND

Sailing or shipping via ocean or shortened by shipping is a transportation mode which is most often used, because its excellence characteristics, such as the flexibility to send various kinds and volume of goods, and can reach far destinations, which cannot be reached by other transportation modes. About 90% of world trade is carried by international shipping industry. [5] In addition, low price is also a consideration why the shipping is most commonly used. For goods with big volume but have a low value, shipping is the most appropriate transportation mode, especially if the company does not focus on time delivery and speed of response to customers. Trends show an increase in the shipping world that reflects the ability to absorb the volume of shipment of goods in larger quantities. [11] The new vessel now is able to transport approximately 10,000 containers the size of 20ft. [12] The increased capacity means that more cargo can be loaded, which also led to increasingly competitive pricing. Furthermore the integration performed by several voyages creates more capacities. The integration can be done via the operator alliances or mergers and acquisitions to increase scale of operations and reduce costs. [8] An example is the acquisition of PONL by Maersk Line in 2005 and the acquisition of Delmas and CNC by CMA CGM completed in 2006. The acquisition will lead to increased capacity and also the addition of new routes, making it possible to reach a wider area and grab a larger market share. Of course, this will also increase competition among ocean carriers. [6]

As one of the shipping company PT X is experiencing the impact of adding capacity and more competitive shipping business. By serving a wide range of products delivered to almost all port