

# NON-PRICE COMPETITION ON PORT INDUSTRY

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## Abstract

Competition, as a factor in positioning of the firm at the market, is fierce in service industry. Even if the pricing policies are assumed as the most important item of the competition, the non-price competition is also vital for service – based companies. The technological developments and changes in dimension of the vessels force the terminal operators to bring action. Although the strong companies can more easily meet the requirements in this huge investment based port industry, when the competition is in topic; first of all quality of port services is essential. Nevertheless the port services and marketing of port services, tariffs, port – customer relations, port – community relations, port suppliers and port – supplier relations, port capacity and its efficiency, port equipment, port area, location of the port, and port management type are the important items. The purpose of this study is to reveal the importance of non – price competition in service - based industries thereby clarifying the components of the non – price competition and how it shapes for port industry. An exploratory research is targeted with questionnaire survey.

**Keywords:** *Port Service Quality; Port Pricing; Port Competition; Non – Price Competition; Turkish Ports*

# **NON-PRICE COMPETITION ON PORT INDUSTRY**

## **1. INTRODUCTION**

Competition in the port sector has a vital importance as with all commercial activities it is well accepted mutually in the commerce and academic communities. Every firms have a strategic view, develops proper plan and implementation program. At this point, pricing is the one of the key tools for competition.

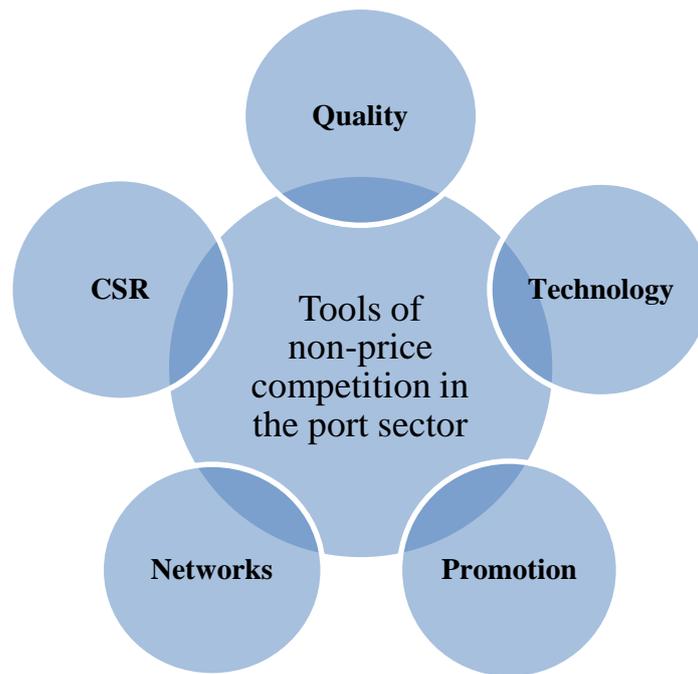
On the other hand, customers, when buying goods and services, take not only the price but also non price factors into consideration. For this reason, in the port sectors, although port tariffs are the main source of income for ports (Bandara et all, 2013), ports, however, when serving their services, depend on more than just price as a strategic variable and compete in the market using non-price tools.

This research focuses on the importance of non – price competition in service - based industries thereby clarifying the components of the non – price competition and how it shapes for port industry.

## **2. LITERATURE REVIEW**

Non-price forms of competition are important and ports have to give at least equal importance with price competition. Although the effects of price changes are more instant and direct, and price is the easiest communicating tool to potential buyers, competitors can react more easily to price than to non-price tools (Rao, 1984). For instance, quality, as the most popular non-price instrument, has equally significant with price.

In early studies, Alderson (1937) stated that the four major factors in non-price competition are improvement in quality and service, differentiation of product, consumer advertising and trade promotion. Some other non-price tools have been added such as R&D, developing long-term relationships with customers and building value (Khatibi and Vergote, 2011). From this point of view, it is clearly that port service quality, technology usage, Corporate Social Responsibility (CSR), promotion and network structure are tools of non-price competition in the port sector.



**Figure 1: Tools of non-price competition in the port sector**

The quality of service is the most important aspects of non-price competition. The importance of port service quality has been highlighted by some authors such as Tongzong (2007), Clark et al. (2001), NG (2006), Featherstone (1979). It has been already known that technology, however, directly affects the quality of service level.

The other non-price is CSR and Carroll defined the complexity of a broadly interpreted corporate responsibility by positing four basic components: (a) economic responsibilities (producing goods and services that society wants, being profitable), (b) legal responsibilities (operating under the laws and regulations of society, playing by the rules), (c) ethical responsibilities (conforming to the expectations of society over and above legal requirements, doing what is right, just, and fair), and (d) discretionary responsibilities (contributing to society and improving the quality of life, being a good corporate citizen) (Carroll, 1979, 1991a, 1991b).

Promotion, however, can be defined as communication between the port, port users and potential target groups in order to raise port's awareness (Esmer, 2011). UNCTAD (1995) defines the port promotion tools which are advertising, direct mailing, personnel selling, representatives, organizing port days, international press days and conference, establish domestic networking, school visits, attending international shipping exhibition, domestic fairs and conference.

The last non-price competition tool is network structure especially used in liner shipping sector. From this point of view, the container shipping networks are generated as carriers formulate their service schedules to capitalize on opportunities that are presented by evolving container trade patterns along trade routes and relative changes in the competitive profile of the ports of call (Yap, W.Y. and Notteboom, T., 2011).

It is clear that using non-price tools in the port sector should be increase general recognition and popularity of the port, improve the port demand, the service offering

approaches and the port's image, and emphasizing the quality of the port services. In this study, an empirical research has been carried out for detecting the importance of non-price competition tools in application.

### **3. METHODOLOGY**

To implement the purposed empirical work, a questionnaire survey consisting of five sections was developed on the basis of "communication", "service differentiation", "service quality", "corporate social responsibility" and "importance of non - price competition towards price". The questionnaire was prepared to separately evaluate each component of non - price competition. Part A refers to information and communication skills of the firms. Part B consists of some questions about a variety of port service and differentiation of these elements. Part C comprises service quality perspective of the companies. Part D contains plans for preventing pollution and environmental protection in the light of corporate social responsibility activities of the ports. Part E also explains how the port managers see the importance of the non - price competition. A five Likert scale was respectively implemented in the questionnaire.

According to Turkish Maritime Sector Report, There are totally 172 ports (22 public owned, 23 municipally owned, 127 private owned). However limitations of this study are;

- More than 500,000 tons or 100 TEU cargo handling ports,
- Ports giving services to the third parties
- Due to their weak marketing activities, municipally and public owned ports are excluded.

And consequently 52 ports are targeted for the study. The commercial managers, marketing managers, operational managers and top managers were determined as survey profile. Although the targeted sample group was 52, the sample included 42 managers of these Turkish container ports, and the acquired usable responses were analyzed. Within this context the response rate of the study is 75%.

### **4. FINDINGS**

The maritime industry faced many developments in recent years. The ports witness to the fierce competition, and thereby the port competition has become an extensive and progressive research area in years. The price effect in the competition has investigated many times however, owing to policies of the companies to acquire the price related information has become more restricted day by day.

Talley, W. K. (2009) emphasizes the importance of port performance evaluation under two titles as "Throughput Performance Evaluation" and "Indicator Performance Evaluation". And the service quality, the communication skills, the service differentiation, and technological and technical installations are revealed as the critical items in development of these performances. In consideration of these data it is aimed to examine the effect of marketing of non - price competition items in port competition, and a questionnaire survey, which is intended to evaluate the perspective of the companies was propounded.

In this study, the overall Cronbach alpha value for the survey is 0,986, which shows that the questionnaire is reliable. Table 1 shows descriptive statistics (mean and standard deviations) for the variables.

**Table - 1. Descriptive Statistics**

	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
<b><i>A- Communication</i></b>			
1. Our port use advertisement channels	42	4,1905	,89000
2. Our port make promotion	42	4,2381	1,03145
3. Our port provide reliable information for customers	42	4,4762	,55163
4. Our port make price negotiation with customers	42	4,2381	1,03145
5. Our port provide facility of payment for customers	42	4,2619	,93859
<b><i>B- Service Differentiation</i></b>			
1. Our port provide differential service	42	4,3333	,72134
2. Our port provide diversity of service	42	4,3571	,57685
3. Our port provide service packages (warehousing, distribution etc. are included in price)	42	4,1905	1,15269
4. Our port provide special service for each customer	42	3,6190	1,18841
5. Our port provide reliable information for cargo owner	42	4,5714	,50087
6. Our port use information technologies	42	4,5238	,55163
<b><i>C- Service Quality</i></b>			
1. Our port consider important the service quality	42	4,4286	,63025
2. Our port provide reliable service	42	4,4286	,59028
3. Our port consider important the physical assets (equipment, facilities, warehouses etc.)	42	4,3810	,62283
4. Our port strive for enhance hinterland connection	42	4,4524	,80251
5. Our port develop multimodal transportation infrastructure	42	4,5476	,50376
6. Our port consider important the equipment technology	42	4,6190	,53885
<b><i>D- Corporate Social Responsibility</i></b>			
1. The field management plan is carried out in our port	42	4,5952	,66478
2. The preventions of water and noise pollution are driven in our port	42	4,5714	,66783
3. Our port consider important green port	42	4,4524	,94230

implementations			
4. Our port participate the social benefit provided activities	42	4,7381	,44500
5. Our port attend the environmental development programs	42	4,5952	,58683
<i>E- The non - price competition is considered as important as price competition for port businesses</i>	42	4,7143	,67302
Valid N (listwise)	42		

If each question groups are respectively examined; the response for group A is 4, 2809 in average. The most of the participants express that their port provides reliable information for the customers; the usage of advertisement channels realizes as the lowest value for the questions related communication. At the question group B the mean of the response is 4,2658. The responses in terms of service differentiation, while the highest tendency is for "our port provide reliable information for cargo owners", the lowest one is "our port provide special service for each customer". This frequency is also the lowest value of the whole questionnaire survey. The responses for group C is 4,4762 on an average. The questions related with service quality the samples highly reveal that the equipment technology is crucial, on the other hand importance of all over service quality is perceived lower. The average frequency of the responses for question group D is 4,5904. In terms of corporate social responsibility the managers mostly explain that their port participate the socially benefited activities. This expression is also the highest response of whole study. Otherwise "our port considers important green port implementations" is the lowest tendency for this group. The last but not the least the average response is 4,7143 for the question group E. It is observed that the tendency of the participants is pretty high for the Group E. Although it is perceived as a general question initially, in fact it indicates core results. The one of the underlying reasons of the results is the almost standardize prices in port services. On the other hand it shows that the customer is interested in service quality, service differentiation and service diversification as much as price. Therefore the port businesses are developed their internal dynamics in parallel with these non - price competition factors.

## CONCLUSION AND RECOMMENDATIONS

The ports industry has a unique role in world trade. On the nature of this important role ports have a live and ever - growing system in terms of infrastructure, superstructure, characteristics and services. Nowadays almost every port has typically similar services. To obtain competitive advantage the most important trump of the ports are low cost services and price. However it was risen that only the price competition is not sufficient with the decrease in trade borders in globalized world. Likewise, contemporary developments in the maritime transport and implicitly in the port industry force the port managers to consider the other elements of competition apart from the price.

Ports offering services to a port user dominated market and the ports must be customer-oriented. In other words, in appealing to the customer, port management finds success in utilizing the non-price sides of competitive activity, adjusting its strategy to the needs and desires of the port user. Under the circumstances the researched has focused on the

components of the non - price competition. This paper submits five parameters to evaluate the non - price competition elements, those are quality, technology, promotion, corporate social responsibility and network. Although the findings have showed that, these elements are assumed important as well as the price; the service quality and the corporate social responsibility are seen more important for the port competition by port business administrators. The advertisement channels and promotion are not given the great significance with regard to communication, if each group is considered overall, the service differentiation is designated as the lowest value, and one of the reasons of that result can be the uniformity of service types. Nevertheless the results can show differences as long as the scope is expanded. Further researches can enclose much more sample; hence the accurate approach of the Turkish port managers can be stated for the effects of non - price competition elements.

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