MARKETING CONCEPT IN THE FUNCTION OF CROATIAN SEAPORT BUSINESS OPERATION IMPROVEMENT

ABSTRACT

The application of the scope of marketing concept in modern market conditions of business operation is obligatory. The role of marketing, as a business philosophy, is in the end unavoidable for the improvement of business operation. It is impossible to do business in market conditions and not to apply basic marketing rules. Therefore, the solution for the improvement of operation of Croatian seaports should be sought through the systematic application of the scopes of marketing concept. Marketing mix should be applied to the system of business operation of Croatian seaports, with a breakdown of all underlying marketing functions based on the results of a systematic market research, and through monitoring not only of the current status but also of market trends and forecasts, listening to customer demands and trends in this particular branch of industry. In addition to the improvement of the quality of transport services, through the analysis of the price policy and by strengthening the logistics of port operation, particular attention should be focused towards the systematic application of all promotion mix elements aiming at strengthening the identity and the image of Croatian ports. In the end, such business and marketing-like thinking should result in economic development and business prosperity not only of ports but of maritime transport as well; in other words, by the prosperity of the entire transport activity, as a prerequisite for the economic development of the Republic of Croatia.

KEYWORDS

development, marketing, marketing mix, seaport, transport

1. INTRODUCTION

The connection between marketing and transport may be regarded as the connection of a branch of industry with the rules for the improvement of the entire economy performance on market concept of business operation.

The basic purpose of transport (system of transport) is the efficient fulfilment of needs for the transport of goods, passengers and transfer of messages (by post or telecommunications). In addition to the general transport technology, the issues of transport are studied by special disciplines connected to particular branches of transport, and maritime transport as well, from various points of view (technical, technological, organizational, economic, and legal). Only recently, the practice of propulsive and open (globalized) systems of transport has imposed the need for scientific and teaching study and implementation of transport services marketing.

Marketing problems in the system of transport are generally detected when demands for efficient and effective functioning (and business operation) of the system are explicitly set. At the lower level of the development of the system and knowledge, the general issue is about the need to take into account the market and the user, without any clear and systematic concept or instruments that may be used to implement this. The need for marketing is “solved” by enhanced promotion and certain forms of market research and sales improvements. That said, the standard profile of knowledge and training of “traditional marketers” are such that they are in fact marginalized to the field of sales and promotional activities – since they are “technically incompetent” for anything else. At the same time, the importance of marketing is, rather intuitively, acknowledged in a manner that marketing sectors are led by technical experts without any systematic marketing training.
The application of scopes of marketing concept is unavoidable in modern marketing conditions of business transactions. Marketing, as a business philosophy, has in the end the unavoidable role in the improvement of business operation. It is impossible to envisage doing business in the market and in market conditions without knowing and implementing the basics of marketing regularities. Accordingly, the solution for the improvement of operation of Croatian seaports should be sought through systematic application of the scopes of marketing concept.

2. RELATION BETWEEN MARKETING AND TRANSPORT

Marketing concept in transport is determined by the particularities of the transport process.

In order to become aware of the possibilities for the application of marketing concept in transport, it is necessary to analyse the particularities of the marketing in transport in order to determine as efficiently and purposefully as possible the policy of marketing in transport. The particularities of marketing in transport are determined by the particularities of the production process in transport and the particularities of the transport market.

When talking about the particularities of the sales of transport services, it refers to the particularities of the transport market. The particularities of the transport market are essentially determined by the particularities of production process and the consumption of transport services, on the supply as well as on the demand side.

The particularities of the production process are also presented as the particularities of the technological process of the production of transport service; its characteristics, specified here, also determine the particularities of marketing in transport.

The particularities of the transport service production process, namely, the produced goods in transport, are derived from the following characteristics of the technological process of the production in transport:
- the process of transport is carried out by overcoming the distance in space;
- the process of production and the process of consumption (realization) in transport represent a unique process in terms of time and space;
- transport service as the result of the production process does not exist as a material product outside the production process after the process has been completed.

The providers of transport services offer their products in a particular space in a particular network, in the part of the network, or, with all the characteristics, at a particular destination.

On the other hand, the users of transport services may realize their demand precisely at the point where the providers are offering their product, and only at the time when the providers offer their product, in other words – when they produce the transport service.

Further, the particularities of the transport market are determined by the presence of different means of transport in the transport process. This refers to the following:
1. fixed transportation facilities (transportation infrastructure and transportation suprastructure);
2. mobile transportation facilities (means of transportation).

Due to the existing transportation infrastructure, the flexibility of the supply is low and this affects considerably the functioning of the transport market. The problems are additionally becoming complex by the different function of the transportation infrastructure in the technological process of the production of transport service in particular parts of the transportation system, namely in particular branches of transport.

The shaping and the provision of transport services also have particularities regarding the supply and demand of material goods and other services. Namely, the supply of transport services does not include the supply of any finished products; in fact, it represents the desire and readiness to transport goods or persons from one point to the other under determined conditions.

According to professor Bogovic, the application of marketing concept in branches of transport lags behind its application in production or other service organizations. Basic reasons for this were monopolies and different situation in other branches. Only after such positions have been "lost", own position began to be evaluated and was followed by accepting the concept of satisfying the needs of the transport service users. Such efforts resulted in certain marketing functions which have been considered as initial in the application of marketing to transport organizations.

The introduction of advertising may be considered the beginning of the application of marketing in transportation. The media – press, radio, television and other public communication facilities, have considerably contributed to that. However, the messages have frequently been created following the opinion of certain categories of company personnel; but since they have been mostly poorly prepared, they presented more damage than good to marketing.

The second approach included the establishing of smaller organizational units (services) which began researching the transport market. At the beginning, such services analysed (or they are still analysing) con-
siderable performance of transport branches, and lately they began researching the transport market.

The third approach, which is implemented by advanced production or other service companies, is still to become revealed in transport. This approach is in fact the market research of the future product, namely, future service. It will probably have more success with users and suppliers as well.

That was the beginning of marketing in transport. Modern theory and practice particularly treat marketing in its basic functions through which the marketing concept is realized. Such marketing functions are as follows:
1. market research
2. development of product-service,
3. planning of product-service,
4. sales and distribution,
5. advertising and sales promotion.

When put together, such main functions represent integral marketing.

Except for the above main functions of marketing, literature also gives more detailed divisions. Integral marketing generally consists of at least four and maximum sixteen, seventeen or eighteen functions.

3. EVALUATION OF DEVELOPMENT OF MARITIME TRANSPORT SYSTEM TO DATE

Until 1991, the maritime transport of Croatia developed in two segments: shipping and seaports.

Both segments have partially developed during the said period by mutually affecting one another and partially by developing individually.

Croatian shipping industry has a long tradition. However, due to the very fact that until 1991 Croatia did not have its own state, the states of which Croatia had been a constituent part, had not paid appropriate attention nor had treated shipping adequately. When Croatia was part of Yugoslavia, and particularly when it was part of the second Yugoslavia, its shipping industry developed according to the trends that determined the entire Yugoslavia. Former Yugoslavia, and Croatia as a clearly littoral but not a maritime country as well, failed to make use of its transport and geographical position either in terms of the degree of the development of shipping or in terms of its maritime and economic activities in general.

Therefore, it is not surprising that the merchant fleet of the former Yugoslavia, and Croatia since it was part of it, stagnated in comparison to the fleet of other maritime countries. Former Yugoslavia was the last state which only in 1958 achieved the tonnage which it had before the World War II. The relative share of the national fleet in the world merchant fleet tonnage was achieved only in 1987 (Table 1).

The merchant fleet of Croatian ship operators was in 1939, according to GRT, the 18th ranked in the world merchant fleet, while in 1985 it was ranked the 35th in the world.

 Numerous factors have influenced such position of Croatian ship operators during the monitored period. Generally, they may be classified in the following two groups:

- external factors, the most important of which were the maritime policy of the former country, legislation of the then economic policy (foreign trade and foreign exchange systems, customs system) as well as the participation of Croatian ship operators in the foreign trade exchange of the former country,
- internal factors were greatly under the influence of external factors, and they refer to the organization of shipping companies, operating costs, personnel quality level, quality of business efficiency, economy in property management.

The common resultant of external and internal factors was the increased or decreased power of reproduction of Croatian ship operators. Former Yugoslavia never placed shipping industry as its top priority. The maritime orientation of the former state was nothing but declarative.

The foreign trade and the foreign exchange regime in the former Yugoslavia were never in the function of

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of ships</th>
<th>GRT</th>
<th>Share in world merchant fleet</th>
<th>DWT</th>
<th>Share in world merchant fleet</th>
<th>GRT Index 1939=100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>220</td>
<td>382 296</td>
<td>0,55</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>1956</td>
<td>242</td>
<td>241 287</td>
<td>0,23</td>
<td>-</td>
<td>-</td>
<td>63</td>
</tr>
<tr>
<td>1974</td>
<td>334</td>
<td>1 248 908</td>
<td>0,49</td>
<td>1 884 793</td>
<td>-</td>
<td>326</td>
</tr>
<tr>
<td>1985*</td>
<td>283</td>
<td>2 157 906</td>
<td>0,52</td>
<td>3 343 771</td>
<td>-</td>
<td>564</td>
</tr>
<tr>
<td>1987</td>
<td>274</td>
<td>2 280 790</td>
<td>0,56</td>
<td>3 512 062</td>
<td>0,54</td>
<td>597</td>
</tr>
<tr>
<td>1990</td>
<td>331</td>
<td>2 612 935</td>
<td>0,61</td>
<td>3 979 863</td>
<td>0,59</td>
<td>683</td>
</tr>
</tbody>
</table>


the development of the merchant fleet. In the situation when it was impossible to build the fleet in the country (except for a very short period), the import of new or second-hand ships was mostly made impossible. Ship operators were either not allowed to use foreign exchange for import of ships, or the import was conditioned by the fulfilment of the building plan in the country. Ship operators encountered difficulties particularly from 1969 when the building of fleet in former state lost its import status, and from 1981 to 1983, when over 60% of foreign exchange earnings was taken from ship operators because of the foreign exchange insolvency of the state.

When the export of new or second-hand ships is concerned, particularly aggravating situation was in the period from 1970-1988, when customs duty, which was in the range from 4% to 22%, was charged to imports.

In the period until 1965, the share of the transport of goods by the merchant fleet of the former Yugoslavia, which also included Croatian ship operators, in the foreign trade exchange of the former state was 52 to 54%, which is relatively satisfying. After that, the share of domestic fleet is gradually decreasing, and in 1988 it amounts to only 12%. The share in the transport of transit freight from Yugoslav ports by Croatian ships decreased from 29.3% in 1960 to only 10% in 1988.

Since the share of the domestic fleet in foreign trade exchange of the former state had been decreasing, Croatian ship operators started to gradually turn to the transport of freight between foreign ports; thus, in 1988, of the total amount of transport of freight, 66% referred to the transport between foreign ports.

Port and port activity in Croatia have a long tradition, they represent an important economic and transport factor. For illustration purposes, Table 2 shows the traffic of Croatian ports sixty years ago, i.e. in 1937.

Table 2 - Traffic of Croatian ports in 1937

<table>
<thead>
<tr>
<th>Port</th>
<th>Traffic in tons</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sušak</td>
<td>737 000</td>
<td>30</td>
</tr>
<tr>
<td>Šibenik</td>
<td>265 000</td>
<td>11</td>
</tr>
<tr>
<td>Split</td>
<td>663 000</td>
<td>27</td>
</tr>
<tr>
<td>Metković</td>
<td>225 000</td>
<td>9</td>
</tr>
<tr>
<td>Dubrovnik</td>
<td>514 000</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2 404 000</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: B. Kesić-Kalina: Theoretical and Practical Approach to the Ports of Yugoslavia

It is characteristic that the share of freight distribution in the traffic of Croatian ports is relatively low.
M. Jurčević, B. Skoko, P. Madunić: Marketing Concept in the Function of Croatian Seaport Business Operation Improvement

(8-9%), while in the traffic of Italian ports its share is 29%.

When the transhipment freight structure is concerned, the major share refers to bulk cargo – 68% in 1986 and 67% in 1990. Immediately following is general cargo, with 25% and 22%, respectively.

However, when the total traffic of Croatian ports in 1990 is concerned, the freight structure was as follows:

Table 4 - Structure of total transhipment freight at Croatian ports in 1990

<table>
<thead>
<tr>
<th>Traffic</th>
<th>Share in traffic (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General cargo</td>
<td>10</td>
</tr>
<tr>
<td>Bulk cargo</td>
<td>35</td>
</tr>
<tr>
<td>Liquid cargo</td>
<td>54</td>
</tr>
</tbody>
</table>


The share of general cargo in the total traffic of Croatian ports amounted in 1990 only to 10%, while bulk cargo amounted to 35%. In comparison with the traffic of Italian ports, the balance is considerable. The share of general cargo in the traffic of Italian ports is 20%, which is double the share when Croatian ports are concerned. It should be pointed out that general cargo is the most expensive cargo and that its transhipment is the service generating the highest profit. In other words, the average tariff for the transhipment of one ton of general cargo is higher by eight to ten times than the tariff for the transhipment of one ton of bulk cargo.

The capacity of Croatian ports is considerably higher than the realized traffic. The infrastructure has particularly high capacity. The length of the operative wharfage for ocean-going and other large vessels is 17.033 m, or 104 berths, while wharfage for smaller coastliners is 6.500 m, or 63 berths.

4. FORECASTS FOR MARITIME TRANSPORT DEVELOPMENT

The forecasts for maritime transport (either by ferry or by ship) by the year of 2000 or 2010, is classified in three navigation areas: the territory of Rijeka, Zadar and Split.

The territory of Rijeka covers the north Adriatic, the territory of Zadar covers the islands of Zadar and Šibenik archipelago while the territory of Split covers the islands of Split and Dubrovnik archipelago.

During 1997, five ship operators: “Jadrolinija”, “Rapska plovibda”, “Lošinjska plovibda”, “Dalmacijatourist” and “Mediterska plovibda”, regularly maintained 27 ferry and 13 ship lines connecting the islands with the land. Besides the above ship operators, various small operators maintained smaller lines. Also, during the summer season, various season-related charter and transfer lines were maintained. They all were extremely important for tourism of the coastal zone of Croatia.

Table 5 shows the traffic of passengers and vehicles in 1989 and 1996 by navigation areas and realistic forecasts for the period until 2000, or 2010.

5. DEVELOPMENT PLAN FOR MARITIME TRANSPORT

Future development of fast ferry lines along the coast shall be affected by the development of Croatian

Table 5 - Traffic and realistic traffic forecasts until 2010 on regular local lines by navigation areas (000 tons)

<table>
<thead>
<tr>
<th>Navigation area</th>
<th>Realized traffic</th>
<th>Traffic forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rijeka</td>
<td>2 072</td>
<td>1 787</td>
</tr>
<tr>
<td>Zadar</td>
<td>2 185</td>
<td>1 495</td>
</tr>
<tr>
<td>Split</td>
<td>2 782</td>
<td>1 736</td>
</tr>
<tr>
<td>All areas</td>
<td>7 039</td>
<td>5 018</td>
</tr>
</tbody>
</table>

Vehicles

<table>
<thead>
<tr>
<th>Navigation area</th>
<th>Realized traffic</th>
<th>Traffic forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rijeka</td>
<td>760</td>
<td>762</td>
</tr>
<tr>
<td>Zadar</td>
<td>128</td>
<td>158</td>
</tr>
<tr>
<td>Split</td>
<td>541</td>
<td>367</td>
</tr>
<tr>
<td>All areas</td>
<td>1 432</td>
<td>1 287</td>
</tr>
</tbody>
</table>

motorway network, namely, by the construction of the Adriatic motorway.

This means that the time of travel by future motorway between Rijeka and Split would decrease to three or four hours. Therefore, it is unrealistic to expect that, after the motorway between Split and Rijeka is opened for traffic, fast ferry lines would still be operating along the coast at approximately 20 knots. It should be pointed out that the distance between Rijeka and Split of 160 nautical miles, which means around eight hours of sailing, is in terms of time twice as long as by road (future motorway).

In order to be able to compete with the traffic by future motorway, ship lines operating along the coast should introduce fast ferries (catamarans or single hull ships), with the speed of about 40 knots. Such fast ferries would cover the distance between Split and Rijeka in four hours. But, in order to introduce such a vessel, the minimum annual traffic of around half a million passengers between Split and Rijeka (and vice versa) would be required.

The realistic possibility for maintaining fast ferry lines along the coast still exists in the establishing of a combined fast ferry line Rijeka - Split - Dubrovnik - Greece (Igumenica or Patras). It is known that with the dissolution of the former Yugoslavia, and because of the later war events in that area, large international road and railway transit between Central Europe and the states of SE Europe, particularly Greece and Turkey, has been interrupted. After 1991, its large portion was diverted to Italian ports of Ancona, Bari, Brindisi, and further by ferries to Greek ports.

The Republic of Croatia has relatively large number of ports open for international transport. Due to the above reasons, the freight transport is relatively small. In order to increase the port traffic, considerable investments in port infrastructure and transshipment equipment are required, but available financial means are not sufficient. Therefore, it is necessary to determine the priority investments for the period until 2010.

It is most certain that the priority should be given to the Port of Rijeka, particularly regarding the investments into container and ro/ro terminals, and the construction of a completely new state-of-the-art terminal for general cargo.

With reference to passenger or ferry transport, the investment priorities should include the passenger and freight port in Split, followed by ports of Zadar and Dubrovnik. Certain investment in ferry ports on islands should clearly be required. Ferry ports on islands of Hvar, Korčula and Vis should be equipped for larger ferries operating on lines Croatia – Italy (during summer season).

Traffic forecasts for ports of Rijeka and Ploče made by the company “Apis” should be reviewed. Regarding the Port of Ploče, forecast traffic was considerably larger than the one that could be realistically achieved, and regarding the Port of Rijeka, too low traffic was forecast for 2005. If, following the Croatian economic policy measures, the port of Rijeka is technically and technologically considerably upgraded by the end of the forecast period the return of the large portion of transit freight could be expected (freight that is presently directed to the ports of Koper and Trieste). On the other hand, by the end of the forecast period, the Croatian economy would probably become considerably more oriented towards the seaborne exchange of goods. Upon consideration, the traffic of the Port of Rijeka in 2005 might range between the minimum of 6 to maximum of 7 million tons.

In the period until 2010, it is necessary to give particular attention to ferry and standard ports on islands because of their importance for the development of the Croatian islands. In compliance with the development strategy for the connection of islands with the land by sea, it is necessary to prepare the development strategy for island ports. At that, it is particularly important to take into account the forecasts for the development of traffic of such lines by 2010 and further on, and the introduction of larger classic ferries on one, and fast ferries-catamarans, on the other side. New types of ferries impose complex requirements to be solved to designers of ferry ports on islands.

6. CONCEPT OF MARKETING MIX IN MARITIME TRANSPORT

The marketing mix concept reflects a systematic approach and important systematization regarding the instruments for marketing activity. The basic idea is to adapt, by appropriate combination of instruments (product, price, distribution, and promotion), the offer of companies or the entire transport system to the market goals and thus achieve results. This is not a simple sum of different instruments but a combination that gives synergic effects.

When elaborating the instruments of technology marketing, Professor Bošnjak established the new model of marketing mix. The marketing concept in transport emulates the classical concept (scheme of instruments) of “4Ps” (Product, Price, Place, Promotion) by introducing an extended scheme of instruments of “7Ps” (Product, Price, Place, Promotion, People, Physical evidence, Process) and this enables a more in-depth breakdown when services are concerned.

The presentation of basic characteristics and the content of marketing mix components in transport is based on the following elements:
P1 – “Product” (service/product) – level (rank), performance, choice, additional possibilities, name, image and other.

P2 – “Price” (tariff or price) – service tariff, discounts, bonuses, method of payment, price differentiation, price-performance relation, and other.

P3 – “Place” (sales and distribution flows) – accessibility, number of middlemen and additional service providers, networking and other.

P4 – “Promotion” (promotional activities) – advertising, sales presentations, personal contacts, public relations and other.

P5 – “People” (persons included in the process of transport) – training, competence, behaviour, politeness, incentives for employees, user training and other.

P6 – “Physical evidence” (ambiance, physical characteristics) – ambiance for provision of services, physical supports, ergonomic elements, visualization of services and other.

P7 – “Process” (process, procedures) – service processes, procedures, methods for user participation, level of automation and other.

The above basic as well as subsequently introduced instruments of marketing mix in transport should be further elaborated; as such, they could be used in defining the entire marketing strategy, not only for transport but also in preparing the concept for the improvement of seaport operation as well as the entire subsystem of maritime transport.

7. CONCLUSION

Upon considering the development of the maritime transport system and seaports until present, and analysing the forecasts and development plans for maritime transport, the possibility and the necessity of the application of the scope of marketing concept in this particular industrial branch as well is suggested. Marketing mix should be applied to the system of Croatian seaport operation, by elaborating all the basic marketing functions based on the results of a systematic market research and by monitoring not only the current status but market trends and forecasts as well, listening to user demands and trends in this branch of transport. Beside the improvement of the quality of transport service, through the analysis of price policy and by strengthening the entire logistics of port operation, special attention should be focused towards the systematic application of promotion mix elements, with the aim of strengthening the identity and the image of Croatian ports. Such business and marketing consideration should, in the end, result in economic development and business prosperity not only of ports but of the maritime transport as well, namely, in the prosperity of the transport operation in general, as a precondition for the economic development of the Republic of Croatia.

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SAŽETAK

MARKETINSKE KONCEPCIJE U FUNKCIJI UNAPRJEĐENJA POSLOVANJA HRVATSKIH POMORSKIH LUKA

U suvremenim tržišnim uvjetima poslovanja neizostavna je primjena dosegusa marketinške koncepcije. Marketing, kao poslovna filozofija, u konacnici ima neizostavnu ulogu unapređenje poslovanja. Nezamislivo je poslovati na tržištu u tržišnim uvjetima poslovanja, a ne poznavati i ne primjenjivati osnovne marketinške zakonitosti. Tako i rješenje unapređenja poslovanja hrvatskih pomorskih luka, valja tražiti kroz sustavnu primjenu dosegusa marketinške koncepcije. Marketinški splet valja aplicirati u sustav poslovanja hrvatskih pomorskih luka, razrađujući sve osnovne marketinške funkcije, temeljene na rezultatima sustavnog istraživanja tržišta, te praćenjem, kako postojećeg stanja, tako i tržišnih kretanja i previdavanja, ostužujući zahtjeve korisnika, te trendove u ovoj prometnoj grani. Pored unapređenja kvalitete prijevozne usluge, analizirajući politiku cijena, i jačajući cjelokupnu logistiku poslovanja luka, posebnu pozornost valja usmjjeriti na sustavnu primjenu elemenata promocijskog spletu, a s ciljem jačanja identiteta i imidža hrvatskih luka. Ovakvo poslovno i tržišno promišljanje, u konačnici, moralo bi položiti gospodarskom razvitkom i poslovnim prosperitetom kako samih luka, tako i pomorskog prometa, odnosno prosperitetom prometnog poslovanja u cijelosti, kao pred uvjeta gospodarskog razvijanja Republike Hrvatske.

KLJUČNE RIJEČI
promet, marketing, marketinški splet, luke, transport

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