

Meeting Customer Expectations

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In the last four articles, since the August issue, we looked at the importance of training and the shipping economics (focusing on the supply-demand model) with November issue specifically relating the theoretical model to the actual market conditions and the recent phenomenon. In this article, we will address the most important aspect of any business i.e. meeting the customer expectations.

A ship-owner sells the cargo carrying capacity of his ship as his product. To service the customer, this ship is manned and managed by staff, both onboard and ashore, is maintained in seaworthy condition, being in full compliance with the rules and regulations. This product then goes on to strive to meet the contractual obligations, of a charterparty (CP) or a contract of carriage, as a “bare minimum”.

In addition to above what sets a quality ship-owner apart are attributes such as attitude – “can do” approach; five dimensions of Servqual* - reliability, assurance, tangibles, empathy and responsiveness; flexibility; quality of operations etc.

Customer

Who is the customer of a ship-owner?

He definitely is not what the word sounds in Hindi!

Kas(h)t – Mar : Jo Kas(h)t kar ke mar jaye (One who gives up because of hardship)

For a ship-owner, the customers could be the operators, charterers, industrial houses, shippers and traders. These customers are global and are the centre (“Kendra-bindu”) of a ship-owner’s business orbit.

Attributes that a customer wants are similar to above but with more emphasis on reliability and meeting schedules; flexibility; track record; quality of operations and finally, “No Problems”!

Now, let us define and understand the meaning of some of these attributes:

Reliability

Reliability is the ability to deliver what was promised, dependably and accurately.

It means servicing contractual promises so as to satisfy charter-party obligations.

To tell if there is a problem because problems do happen and an early discovery and remedial action is far superior that cover ups!

To fix promises when they break and remedial actions.

Transportation of cargo is a derived demand and is not an end in itself. While a break down onboard a vessel may cause losses to her owners by way of loss of hire and cost of repairs, the losses to his Customers could be many folds larger, e.g. by way of “not meeting commitments” down the line and in some cases – loss of an entire market which could be extremely difficult, if not impossible, to regain.

Assurance

It flows out of the knowledge and courtesy of employees.

The ability to convey trust and confidence by the employees, both afloat and ashore, will provide the desired “assurance”.

A simple matter, usually taken for granted, such as compliance with Charterer’s system of reporting, both in terms of the frequency and the format, without reminders, is important. Experienced & knowledgeable operations personnel – “to know what one is talking about” can give the required assurance implicitly. Every message and response to the customer is important. Once the words are spoken or conveyed in writing, they are not retractable and leave an impression, favourable or adverse. In a subconscious mind, a trail starts to form. Hence, day to day communications must be relevant, clear and concise. Experienced & knowledgeable Masters, Chief Engineers and the staff onboard and ashore can deliver consistently good performance, leading to a high degree of assurance to the customer.

Tangibles

What the customer sees and perceives – from both hardware and software i.e. the ship and how the shipboard personnel come across.

Impression of the ship and equipment carried away by the customers or the agents of the customers during their ship visits. ***What they see is important than what the ship’s personnel think they have seen!***

Impression carried by the customers or agents of the customers – when they visit the Ships. Further ***how “they” see they are treated is extremely important.***

Empathy

The degree of caring and individual attention provided to customers, summarized as “empathy” is an understanding of customer’s needs.

Taking that extra time to learn and understand customer’s problems and/or bottlenecks rather than a reactive “No” can go a long way. Having customer’s best interests at heart and at times thinking “out of the box” – how we can help eliminate/minimize problems or go that extra mile for the customer i.e. do more than what is required. This could be to accommodate requests that can be complied with without comprising the safety of the ship and ship-owner’s interest.

Flexibility

An attribute that customers so desire.

There are always some conflicting situations regarding “Ship-owners’ interest” and say “Charterers’ interest”. Contractual rights and obligations are discussed and finalized at the time of commercial negotiations while fixing the ship. At this point of time, customers want maximum flexibility mainly in terms of trading areas and cargoes.

The dilemma for ship-owners is to cooperate in order to retain a valuable customer, while at the same time, to mitigate the exposure based on the knowledge that accepting some trading areas and carrying some cargoes may result in damage to the ship and/or result in other financial losses including costs involved to restore the condition of the cargo holds.

Ship-owner must try to avoid medium to high risks at the time of negotiations by having a tight charterparty. However, where the business and a relationship depends upon agreeing to taking some risks by way of accepting to trade in some areas and carrying some cargoes that a ship-owner would normally like to avoid, the ability of the ship-owner to mitigate the possible losses by close monitoring by the ship staff and office is an added edge that can differentiate one ship-owner from the other.

Responsiveness

Willingness to help customers and providing prompt service

React – Uncontrolled bouncing effect of an “act”.

Respond - Comes from the word ponder – think and then carry out “an act of communication”

Responsibility – to keep promises to “get back” as committed, do “home work to find solution” as a commitment.

Competitive Rates

Unless the contacting parties can find common grounds by way of profit making in addition to other important and sometimes more crucial parameters such as reliability and flexibility, a business relationship cannot prosper. Customers want best service at a most competitive rate and this is possible only if the cost base is low, of course without compromising the safety and quality of operations and without asset deterioration. Only when some of the cost savings can be passed on to the customer, a ship-owner is able to offer competitive rates. Simply paying less to the ship staff and running ships on shoe string budgets is not the optimum means to save costs. The cost savings can be direct or indirect e.g. by way of nil or minimum off-hires, no losses due to breakdowns, meeting schedules to reduce risk of unreliable delivery.

Track Record

Commercial shipping is a very close knit industry with a very high degree of transparency. Word of mouth travels fast, especially the negative publicity. It takes many years, nay decades, to build the reputation of a company but it takes one or two incidents to seriously tarnish this hard earned reputation. This can only be done by having very

high degree of integrity, believing in “ships & relationships”* and “our word our bond”** and being responsive to the sensitivities of our customers.

Over Promise

The aim at all times should be to outperform the customer expectations. This should be done through careful evaluation of the capabilities, resources required to ensure that we can deliver what we promise. For example, refer speed and fuel consumption warranties in the charter party descriptions.

Communication/day to day relationship

Positive, “can do approach” signals and “avoiding negative knee-jerk” replies in the first instance should form the basic technique. Thorough evaluation of the requirement at hand of the customer, understanding whether it can be done at all and if yes – what needs to be done to satisfactorily comply, open channel of communication with the head office and then finally responding to the customer is the way forward.

In every business environment, there may be an optimal mix of these attributes. In some businesses, one attribute may be denoted by a larger piece of the pie and others attributes as smaller fractions. In shipping, all of above are very important but the relative importance may vary depending upon the market conditions, type of business being negotiated (short, medium or long term), standing of the customer etc. One thing, however, that does not change is –

Each member of the shipboard team is an “Ambassador” of the company in the commercial shipping World. This simple but important realization and its awareness, while dealing with the customers can make or break an organization.

References:

*Zeithamel, Parasuraman, and Berry’s List of the Dimensions of Service Quality (1988)

1. *Tangibles – physical facilities, equipment, appearance*
2. *Reliability – ability to perform the promised service dependably and accurately*
3. *Responsiveness – willingness to help clients and provide prompt service*
4. *Assurance – knowledge, competence, courtesy of employees and their ability to convey trust and confidence (credibility and security)*
5. *Empathy – caring, individualized attention, access, communication, and understanding.*

Those who would like to learn more about Dimensions of Service Quality, please refer to http://www.kmfadvance.com/mind_the_gap.htm;

* “Ships & Relationships” – Motto of KC Maritime, www.kcmaritime.com.

** “Our Word Our Bond” - Motto of the Baltic Exchange and Institute of Chartered Shipbrokers, www.ics.org.uk; <http://www.ourwordourbond.net/2004/index.htm>