

A THEORETICAL FRAMEWORK FOR IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT IN THE CONTAINER SHIPPING INDUSTRY

Dr. Harikrishan Chaurasiya¹, Dr. Belur Baxi², Suresh Yadav³

¹Assistant Professor, Faculty of Management, GLS University-Ahmedabad.

²Assistant Professor, Faculty of Business Administration, GLS University-Ahmedabad,

³Research Scholar, GLS University & Assistant Professor, Department of Maritime Management, B.K. School of Professional and Management Studies, Gujarat University, Ahmedabad, Gujarat.

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Abstract

Drawing upon multiple studies, it underscores the compelling need for CRM to secure competitive advantage and enhance business performance in the container shipping sector. The framework establishes a comprehensive understanding of CRM in shipping, Customer-Centric Approach, CRM Indicators and Data Utilization, Identify the Factors Influencing Choice of Shipping Companies, Understand the CRM Attributes for Firm Performance, Understand Selection Criteria for Ocean Container Carriers, Utilization of CRM Software, Creating Differentiation, Building Strong Customer Relationships. Researchers believe that this framework enables shipping companies to adapt to the ever-changing landscape of this sector, improve customer satisfaction, and boost financial performance.

Key Words: Customer Relationship Management, Relationship Management, Container shipping Industry, Maritime Industry, Service Marketing, Business to Business Services.

INTRODUCTION

The maritime sector in India is undergoing a significant transformation, driven by a multitude of strategic initiatives and investments. In the fiscal year 2022, key ports in India joined hands with private entities to execute seven projects worth over US\$ 274.31 million (Rs. 2,000 crore) on a public-private partnership basis, a testament to the government's dedication to modernizing and expanding port infrastructure. Furthermore, the ambitious goal of doubling ship recycling capacity to around 4.5 million light displacement tons (LDT) by 2024 is expected to generate an additional 1.5 lakh employment opportunities, contributing to both economic growth and sustainability.

India's coastline, spanning over 7,516.6 km and featuring more than 200 ports, positions the nation strategically along the world's major shipping routes. A substantial 70% of India's trade, in terms of value, relies on maritime transport, making the sector a linchpin of the country's economic activity. The Indian ship-breaking industry holds over 30% of the global market share, home to the world's largest ship-breaking facility in Alang. To further boost the shipping and port industry, the government has introduced a range of fiscal and non-fiscal incentives for enterprises engaged in port development, inland waterways, and shipbuilding.

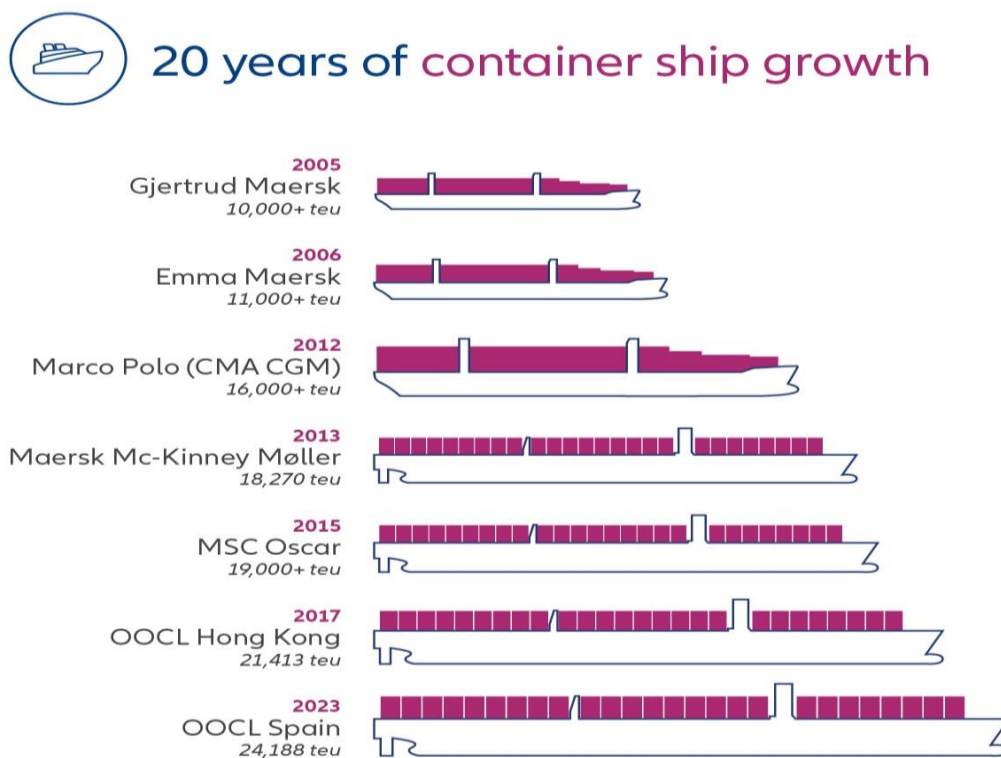
The Maritime India Vision 2030, unveiled by the Prime Minister in March 2021, delineates more than 150 initiatives aimed at coordinating and accelerating the maritime sector's development. Additionally, the Sagar Mala Program, initiated in 2017, envisions port-led development through investments across various components, offering significant revenue

potential and the promise of generating two million direct and indirect jobs by 2030. With 100% Foreign Direct Investment allowed through both the government and automatic routes, India's maritime sector is open to international collaboration, presenting opportunities for global players to contribute to its ongoing transformation.

The expansion and growth of the maritime industry has a direct effect on Container shipping Industry.

CONTAINER SHIPPING INDUSTRY

The container shipping industry has been navigating through a period of significant change and uncertainty following the post-pandemic boom. Freight rates on routes between Asia and the US or Europe in April 2023 dropped by more than 80% compared to the previous year, a stark reflection of falling demand and economic uncertainties. This decline has been exacerbated by the arrival of new vessels ordered during the boom, with shipping giants like the Mediterranean Shipping Company adding mega ships, further increasing the industry's capacity. The Baltic and International Maritime Council (BIMCO) anticipates that weak demand will continue to outstrip supply in 2023, putting pressure on both freight rates and the values of second-hand ships, but there's optimism for a potential recovery in the latter part of the year, which could lead to 1-2% demand growth for 2023 and a more promising 5-6% in 2024. In the coming years, the industry is expected to experience a considerable fleet expansion, with larger container ships playing a significant role in this growth. While facing challenges, the container shipping sector also holds the promise of a brighter future ahead.



Capacity of the largest container vessels has doubled in the last 20 years.

Source: <https://commercial.allianz.com/news-and-insights/expert-risk-articles/shipping-safety-23-economic-outlook.html>

The growth of container shipping industry leads to intense competition among the service providers of shipping services. In this intense competition, it became highly important to maintain Customer relationships, else customers will switch to another service provider.

METHODOLOGY

This research paper is an attempt based on the secondary data to develop a theoretical framework for the shipping services providers to have a better understanding of CRM, specifically in shipping Industry. For this purpose, researchers have gone through past research work of customers relationship management and tried to explore the various aspects of CRM. At last researchers provide a theoretical framework for the implementation of CRM in shipping Industry.

LITERATURE REVIEW

Customer Relationship Management (CRM), as defined by various authors and researchers over the years, encompasses a wide array of perspectives and dimensions. (Berry, 1983) characterizes CRM as the practice of attracting, maintaining, and enhancing customer relationships in multi-service organizations. (Kotler, 2006) underscores the importance of building strong relationships with customers for future business success. (Glazer, 1997) sees CRM as a strategic bridge between information technology and marketing strategies to foster long-term relationships and profitability. (Thomas W. Gruen, 1997) emphasizes the creation of an environment dedicated to mutual value creation. (Hobby, 1999) defines CRM as a management approach focused on identifying, attracting, and retaining profitable customers. (Woodcock, 2000) regards CRM as a business attitude enhanced by information technology to deliver exceptional customer value profitably. These varied perspectives highlight that CRM is a multifaceted approach encompassing marketing, technology, and customer-centric strategies, aiming to create lasting, mutually beneficial relationships with customers, a philosophy that has evolved and adapted over time (Boulding, Staelin, Ehret, & Johnston, 2005). Furthermore, CRM encompasses functions like Marketing, Sales, Service, Support, and Information Technology (Nagai EWT, 2005), demonstrating its all-encompassing nature.

CRM CONCEPTS

Customer Relationship Management (CRM), as discussed by various authors, is a comprehensive strategic approach aimed at developing and maintaining mutually beneficial, long-term relationships with customers to create superior value for both the company and the customer. (Sheth and Parvatiyar, 1995) emphasized the purpose of CRM, highlighting its role in involving and integrating customers, suppliers, and other partners, reflecting interdependence, cooperation, and enhancing marketing productivity. Authors like Winer (2001) and Parvatiyar and Seth (2001) delved into the framework and components of CRM, including database creation, data analysis, customer selection, one-to-one targeting, relationship development, and data privacy. CRM is seen as an outcome of the integration of evolving marketing ideas, supported by technology and data, as discussed by Boulding et al. (2005). It serves to improve firm performance and requires careful integration with existing organizational processes. Zablah et al. (2004) presented CRM as an ongoing process driven by market intelligence and customer interaction, emphasizing the development, and leveraging of market knowledge. Critical success factors, according to various researchers, include management commitment, customer focus, information quality, and employee readiness. CRM is ultimately about understanding and serving customers while creating value, which impacts both company profits and customer satisfaction. It involves continuous adaptation to changing market dynamics and evolving customer expectations.

EFFECT OF CRM

Customer Relationship Management (CRM) has been widely recognized for its significant impact on businesses. (Storbacka, Strandvik, and Grönroos, 1994) demonstrated that CRM contributes to increased relationship strength, as it fosters better service quality and customer satisfaction. (Seth, Sisodia, and Sharma, 2000) emphasized how CRM enhances productivity and helps organizations assess and understand individual customer needs, allowing for more effective customer-centric marketing. (Peppard, 2000) underscored the role of information technology and integrated information management in CRM implementation for financial services. CRM's effect on profitability and customer lifetime value was highlighted by Panda (2003), who stressed the importance of a holistic strategy that combines business, people, technology, and processes. These studies collectively emphasize that CRM plays a pivotal role in enhancing customer relationships, optimizing business processes, and ultimately driving organizational success.

CRM IN SHIPPING INDUSTRY

In the dynamic world of the shipping industry, the concept of Customer Relationship Management (CRM) has emerged as a pivotal element in achieving competitive advantage and enhancing business performance. Several researchers have delved into the intricacies of CRM within the shipping sector, shedding light on its various components and their impact. In a study by Jirsak and Kolar (2012), the importance of customer orientation policy is highlighted, emphasizing the need for shipping companies to make customers the core focus of their operations. This entails keeping customers in proximity while devising marketing plans and ensuring that all employees are well-versed in the company's customer policy. Such customer-centric strategies are found to be instrumental in boosting customer satisfaction and, in turn, gaining a competitive edge and achieving economies of scale.

Building strong relationships with clients is another key component of CRM, as elucidated by Bamrara, Jamba, and Rathore (2014). The researchers suggest that service providers must regularly visit and engage with clients to better understand their requirements and experiences with existing services. Additionally, the study recommends setting up systems for gathering feedback from customers at regular intervals to grasp their evolving demands and expectations. This customer feedback mechanism emerges as an effective tool for aligning services with customer preferences.

(DING J F, 2012) conducted extensive research on Customer Relationship Management for container carrier companies in Taiwan. The research identifies major CRM indicators in the shipping industry, including customer interaction, value addition, and customer profiling. Customized services are found to be a powerful tool for nurturing loyal customers, with interactive data marketing tools helping companies reduce time and effort. Data storage, management, and display are emphasized for understanding customer behavior, and creating value for customers to build goodwill in the minds of potential clients is underlined as a significant strategy. Whereas Lu J.L. (2013), explored the factors influencing the choice of shipping companies by shippers and international freight forwarders in Taiwan. The study revealed that attributes such as reliability, general reputation, rates, service quality, shipping order and operation, and effective communication play a crucial role in the decision-making process. The top five attributes identified were carrier financial stability, pickup and delivery reliability, transit time reliability, accuracy of shipping documents and bills, and carrier reputation, underlining the importance of these factors in the shipping industry's competitive landscape.

(Shang K.C. and Lu C.S., 2012), conducted research on CRM's impact on firm performance in the context of freight forwarders. The study focused on various CRM attributes, with the top five perceived as most crucial being the use of phone calls and email for communication, responding to customer problems and inquiries, providing transportation and related information, and understanding customer requirements. The research established a positive relationship between these CRM attributes and firm financial performance, highlighting the need for freight forwarders to prioritize their service offerings.

In the year (2011), Yang and Nguyen's study explored CRM system perceptions in different container shipping companies in Taiwan and Vietnam. The research determined that "Customer feedback" was the most important factor, while "Tracking of customer interaction" and "Call management system" were also deemed significant. The study recommended utilizing call management systems for efficient information handling and noted that "Keep up the good work" areas included Call Management system and Help Desk. In contrast, areas requiring more attention were Customer feedback and Customer Self Service.

(V.Kannan, Bose, and Kannan, 2010), identified the selection criteria for ocean container carriers by shippers. They found that low freight and pricing flexibility were the most desired criteria among shippers, underlining the importance of cost-effective shipping options in the industry.

(Hatta. N. N Md. et al, 2015) conducted case study research to elucidate the benefits of CRM implementation in the shipping industry, examining the use of CRM software like "sugar CRM." The study found that companies implement CRM to strengthen customer relationships, support customers, and gain a competitive advantage over competitors. CRM software emerged as a significant tool to change the customer perception of a company, leading to improved customer relationships and business performance.

(Balci, Cetin, and Tanyeri, 2018) conducted research in Turkey to understand how shipping companies create differentiation among themselves in an era of standardization. The authors identified 21 factors of container shipping attributes grouped into customer services, customer relationship, core offering, and door-to-door services. Notably, customer services and relationships were found to be the most crucial in creating differentiation in the minds of customers. Customer relationship attributes like the frequency of visits and willingness to resolve issues were particularly significant.

In conclusion, the components of CRM in the shipping industry encompass customer orientation, strong customer relationships, key CRM indicators, factors influencing shippers' choices, top CRM attributes, selection criteria for ocean container carriers, benefits of CRM implementation, differentiation strategies, and CRM tool implementation. These components collectively contribute to enhancing customer satisfaction, loyalty, and overall business performance in the ever-evolving shipping sector.

FRAMEWORK FOR CRM IN THE SHIPPING INDUSTRY

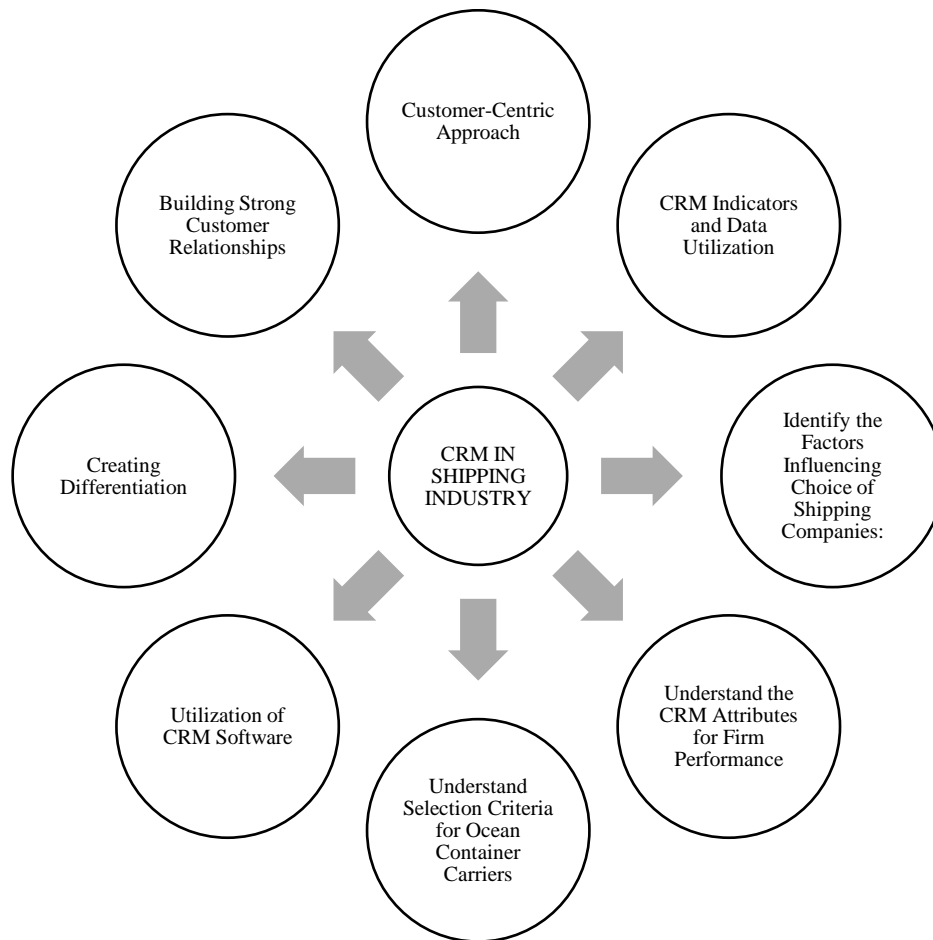


Fig1: Framework For CRM in The Shipping Industry

1. Customer-Centric Approach:

- *Customer Orientation Policy:* Make customers the core focus of operations. Keep customers in proximity when devising marketing plans. Ensure all employees are well-versed in the company's customer policy.

2. CRM Indicators and Data Utilization:

- *CRM Indicators:* Identify and track CRM indicators, including customer interaction, value addition, and customer profiling.
- *Customized Services:* Utilize customized services as a powerful tool for nurturing loyal customers. Implement interactive data marketing tools to reduce time and effort.
- *Data Management and Analysis:* Emphasize data storage, management, and display for understanding customer behavior and creating value for customers.

3. Identify the Factors Influencing Choice of Shipping Companies:

- *Attributes for Decision-Making:* Consider attributes such as reliability, reputation, rates, service quality, and effective communication.
- *Key Attributes:* Prioritize attributes like carrier financial stability, pickup and delivery reliability, transit time reliability, accuracy of shipping documents, and carrier reputation.

4. Understand the CRM Attributes for Firm Performance:

- *Key CRM Attributes:* Implement CRM attributes such as the use of phone calls and email for communication, responding to customer problems and inquiries, providing transportation and related information, and understanding customer requirements.
- *Firm Financial Performance:* Recognize the positive relationship between these CRM attributes and firm financial performance.
- *Customer Feedback:* Acknowledge the importance of customer feedback as the most critical factor.
- *Information Handling:* Utilize call management systems and efficient information handling tools.
- *Areas for Improvement:* Identify areas requiring attention and improvement, such as Customer feedback and Customer Self Service.

5. Selection Criteria for Ocean Container Carriers:

- *Shippers' Preferences:* Understand that low freight and pricing flexibility are the most desired criteria among shippers. Prioritize cost-effective shipping options.

6. Utilization of CRM Software:

- *CRM Software Implementation:* Implement CRM software, such as "sugar CRM," to strengthen customer relationships, support customers, and gain a competitive advantage.
- *Changing Customer Perceptions:* Recognize CRM software as a significant tool to change customer perceptions, leading to improved customer relationships and business performance.

7. Creating Differentiation:

- *Container Shipping Attributes:* Identify 21 factors of container shipping attributes grouped into customer services, customer relationship, core offering, and door-to-door services.
- *Importance of Customer Services and Relationships:* Recognize that customer services and relationships are the most crucial factors in creating differentiation in the minds of customers.

8. Building Strong Customer Relationships:

- *Client Engagement:* Regularly visit and engage with clients to understand their requirements and experiences.
- *Customer Feedback Mechanism:* Set up systems for gathering feedback from customers at regular intervals to grasp their evolving demands and expectations.

This comprehensive CRM framework addresses the various components and tools that researchers have highlighted in the shipping industry. It places a strong emphasis on customer-centric strategies, data management, performance improvement, and the effective use of CRM software for competitive advantage. Additionally, it considers shippers' preferences and factors that differentiate shipping companies in the industry.

MANAGERIAL IMPLICATIONS

The proposed CRM framework offers several important insights for managers operating in the container shipping industry. One of the most critical implications is the need to embed a customer-oriented mindset across all levels of the organization. This requires the development and enforcement of a clear customer-centric policy, ensuring that all employees are aligned with the organization's commitment to delivering value through understanding and addressing customer needs effectively.

Investing in advanced CRM systems and data analytics capabilities is essential for effective customer engagement. Managers should prioritize the adoption of tools that facilitate the systematic collection, organization, and analysis of customer data. Such tools enable the provision of tailored services, enhance communication efficiency, and support informed decision-making, all of which contribute to strengthening long-term customer relationships.

Furthermore, the findings highlight the importance of maintaining high service quality and effective communication as key competitive advantages. Managers must ensure reliability in service delivery and promote transparent, consistent communication with clients to improve customer satisfaction and retention. Attention to these areas can significantly influence a company's reputation and competitive standing within the market.

Regular collection and analysis of customer feedback are vital for ongoing service improvement. Managers should implement formal mechanisms to capture client insights and use this information to refine service offerings and operational practices. Incorporating customer input into strategic planning ensures that services remain relevant and responsive to evolving market needs. In a market characterized by increasing standardization of services, CRM practices can serve as a means of differentiation. By offering personalized services and demonstrating a strong commitment to customer satisfaction, firms can create a distinct competitive identity. Additionally, the research underscores the positive relationship between effective CRM practices and organizational performance. Key CRM attributes such as responsiveness, personalized communication, and proactive customer support contribute directly to improved financial outcomes. Understanding the preferences of shippers—particularly with regard to pricing flexibility and cost-effectiveness—is another critical consideration. Managers must incorporate these preferences into their strategic approach through pricing models and value-added services that enhance customer appeal while ensuring sustainable profitability. Successful CRM implementation also requires effective change management. Managers should lead organizational transformation by fostering cross-functional collaboration, supporting employee development, and ensuring that the necessary infrastructure and competencies are in place to support CRM initiatives.

Ultimately, CRM should be viewed as a long-term strategic process that evolves with changes in customer expectations and market dynamics. Continuous assessment and adaptation of CRM strategies will enable shipping companies to remain agile, competitive, and customer-focused in a rapidly changing global environment.

CONCLUSION

CRM is not only a business strategy but a philosophy that transcends industries. The common factors identified, such as customer-centric orientation, strong customer relationships, CRM indicators, factors influencing customer choices, the benefits of CRM, creating differentiation, CRM tools, continuous improvement, and organizational integration, are universal principles of CRM. These principles underpin the success of organizations in the shipping sector and other fields, as they work towards enhancing customer satisfaction, gaining a competitive advantage, and achieving long-term profitability. Effective CRM strategies recognize that customer relationships are at the heart of business success, and they ensure that these relationships are nurtured and strengthened continuously. Whether in the context of shipping or other industries, CRM remains a powerful approach to building lasting and mutually beneficial connections with customers.

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