

The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar

Liner Pricing Practices and Pricing Transformation

by

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Date: 23 September 2016 (Friday)
Time: 2:30pm - 3:30pm
Venue: R902, Shirley Chan Building
The Hong Kong Polytechnic University

(Conducted in English)

Abstract:

Liner shipping industry is facing unprecedented challenges today, due to the gloomy global economy and overcapacity. The low load factors and thin/negative profit make it imperative to have an efficient and effective pricing strategy to improve fleet utilization and increase freight revenue.

This research studies the practice of liner shipping pricing from three aspects:

First a statistical model on the contribution of freight rate and surcharge on the revenue of three main carriers: Wan Hai Line, Pacific International Line, and Regional Container Line, which includes 52 routes, 104 paths form period of 2015-2017. The statistical model found that the surcharge has significantly contributed more revenue than ocean freight.

Second, the research will study the practice of liner pricing strategy in cost shifting between freight and surcharge. A survey will be carried out. The researchers will interview 100 shippers and freight payers to gather data on whether the surcharge is substantial and significant, whether there is discrimination from shipper and freight payer's view, as well as whether pricing discrimination in freight rate exists. The data will show whether the cost shifting is an effective strategy.

The third part of research will focus on the booking acceptance process to increase profit and load factor. A correlation analysis will be established to exam the main trade lanes freight index, load factor, and number of laid up container vessel for period of 2011-2016. The result will indicate whether the strategy of low pricing has significant relationship with load factor. This may lead us to check whether the revenue management models under oligopoly condition including nested booking limit and bid pricing, is functioning.

The potential contribution of this research is to enable the line to build an effective pricing strategy, and to long term capacity utilization through customer relationship management (CRM). This can help liners to build capacity plan with maximum vessel utilization.

Bio:

Lee, Chih Wen is a Part Time - PhD candidate in the Department of Logistics and Maritime Studies, Faculty of Business, The Hong Kong Polytechnic University after served both navigation field as deck officer and liner shipping management for over 25 years. He received his Master degree back to 1994 in the department of Maritime Studies and Transport, University of Wales, College of Cardiff and his bachelor degree (1993) in the department Nautical Technology, National Taiwan Ocean University. His research interests cover liner shipping management, marketing and strategy.

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All are welcome!