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AIR FREIGHT SERVICE DEVELOPMENT PLAN

Case: CMA CGM Logistics Vietnam

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ABSTRACT

Being one of the fastest-growing nations in the world, Vietnam is trading across the border actively and at the same time attracting multiple foreign investments. Import and export activities are occurring vigorously which leads to a huge potential for international transportation sectors, particularly for aviation industry. Hence, the ultimate goal of this thesis is to establish a development plan of air freight service for the case company – CMA CGM Logistics Vietnam (CCLOG VN).

The study is performed deductively with the assistance of quantitative method. All of the information and knowledge is collected through various sources. Secondary data is acquired from books, journals and Internet while primary data is only gathered from a survey which is a pivotal process for drawing a thorough plan later on.

SOSTAC[®] model is the key planning framework for this study in which SOSTAC stands for Situation Analysis, Objectives, Strategy, Tactics, Actions and Control. This model would not be applied effectively without the use of different complementing tools. PESTEL and Porter's Five Forces are employed to discuss deeply the external factors including the current situation of the market as well as competition in order to accurately evaluate the opportunities and threats. Also, Fishbone diagram reflects insightfully the internal strengths and weaknesses that the case company is facing at the moment. In addition, STP (Segmenting, Targeting and Positioning), Gantt chart and 4Ps Marketing Mix are key tools in drawing the plan into details.

It is concluded that possibility exists in developing air freight service for maritime clients which is the key customer group of CCLOG VN at the moment. In fact, the service will be introduced as an additional service besides sea transport with focus on sample products and spare parts. Furthermore, companies with foreign direct investment (FDI) located in industrial zones in Ho Chi Minh City and neighboring provinces are main targets for CCLOG VN to concentrate on. Last but not least, it is suggested that further research related to financial matters be performed so that the case company can have a broader view on how much benefit they will get from this service development.

Key words: development plan, FDI, Vietnam, air freight, industrial zone, logistics

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ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
B2B	Business to Business
BOM	Board of Management
CCLOG VN	CMA CGM Logistics Vietnam
FDI	Foreign Direct Investment
FIATA	International Federation of Forwarding Agent Association
GDP	Gross Domestic Product
HCMC	Ho Chi Minh City
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IZ	Industrial Zone
RTK	Revenue Ton-Kilometer
STP	Segmenting, Targeting, Positioning
USD	United States Dollar
WTO	World Trade Organization

1 INTRODUCTION

1.1 Background

Since the Doi Moi Reforms in the 1980s which implemented integral changes to the Vietnamese economy, a new chapter was open to the prosperity and even to the history of the nation. Indeed, since then, the country has witnessed significant economic growth in which there have been a huge amount of direct and indirect investments pouring to Vietnam. This trend has created jobs for millions of people, changed the economy and as a result, transformed the nation into one of the fastest growing nations in the world (IDA World Bank 2010). According to figure 1, with Gross Domestic Product (GDP) per capita below 500 USD in 1986 as shown in below figure, Vietnam almost quadrupled the number by 2012.

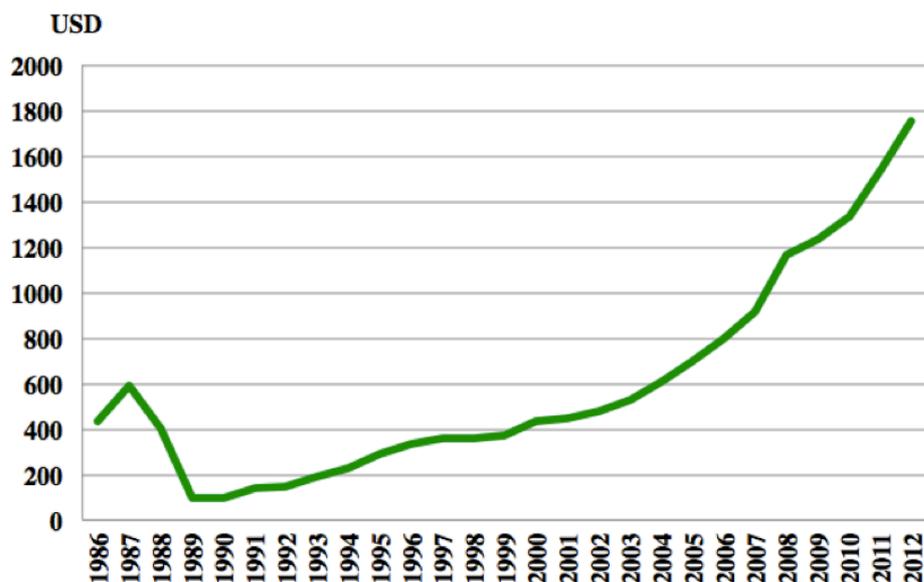


FIGURE 1. Vietnam GDP per capita 1986-2012 (World Bank 2014)

As Vietnam is on its path of global integration, with the most notable occurrence being the participation in World Trade Organization (WTO) in 2006, international trading is expanding to every corner of the world. From Figure 2, it can be seen that the international freight traffic increased remarkably during 1995 and 2010 before dropping mildly in 2011 and 2012.

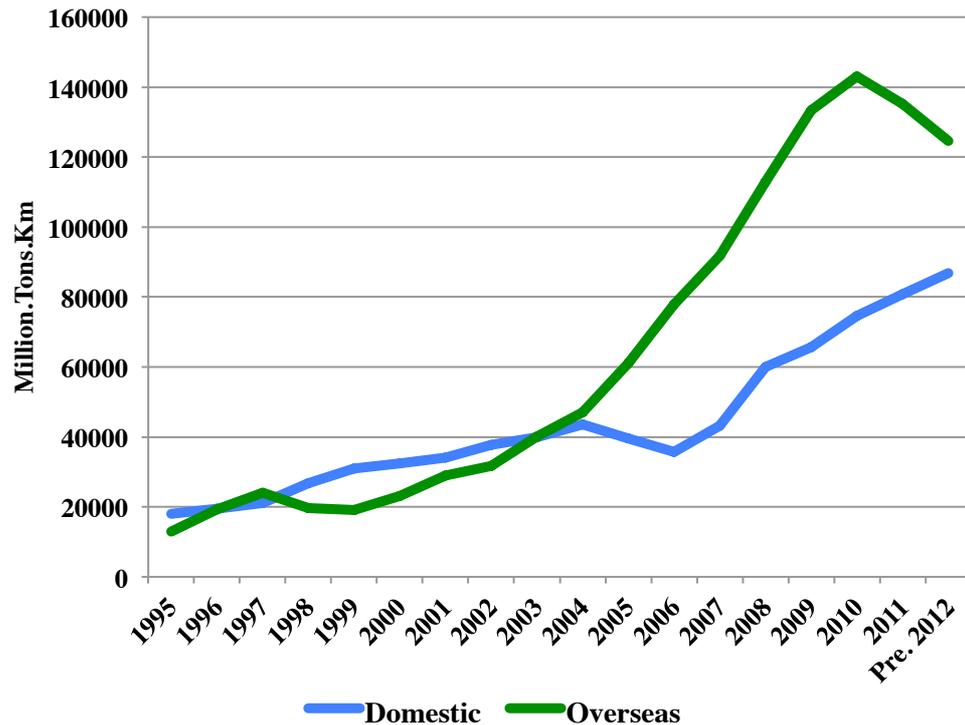


FIGURE 2. Vietnam Volume of Freight Traffic by Transport Sector (General Statistics Office of Vietnam 2014)

As a matter of fact, irrespective of passenger or cargo, transportation consists of five main modes: air, water (sea and inland waterway), rail, pipeline and road. With reference to freight transport, seaway is mostly used and the least common mode is air due to significantly high cost. However, it should be noticed that even the amount of goods transported by air is much less than that of the rest, its value of goods are at the highest. On a global scale, in 2012 air cargo accounted for a third of total value of goods transported globally (IATA Annual Review 2012, 38). In the upcoming years, particularly between 2013 and 2017, Vietnam is expected to be the fastest growing country in terms of freight volume (Bekele 2013).

The thesis topic came up to the author when she was performing her five-month internship at CMA CGM Logistics Vietnam (from now CCLOG VN), a subsidiary of CMA CGM Group. The General Manager sees the potential of developing new service segments for customers in which air freight is included. As per his instruction, air freight service of CCLOG VN is developed with

specialization of spare part import and export. According to him, at the moment in Vietnam located hundreds of factories and manufacturing plants of mostly FDI corporations, not to mention many other companies which are planning to expand their production plants to Vietnam. These firms always have demands in importing machinery from their country of origin to Vietnam for domestic production or sending them back for maintenance or repairment in urgency. In addition, at the moment, only in Ho Chi Minh City (thereafter HCMC) there are currently 8,500 forwarders operating logistics activities and not many of them are capable of providing air freight business (Duong 2013). If CCLOG VN, with all the inherent resources as well as the assistance of its headquarter, can grab this chance and take one step ahead the competitors, victory is absolutely over reach.

1.2 Thesis Objectives, Research Questions and Limitations

The thesis aims to provide understanding concerning aviation industry, especially the air freight market in Vietnam so as to create an air service package for the case company. Hence, the final goal to be accomplished by the end of this study is an in-depth development plan of air freight service for CCLOG VN.

Thus, a research question is set: *How can CCLOG VN develop air freight service with its current maritime clients in HCMC and neighboring provinces?*

In order to attain the objective and answer to the research question, sub questions are compiled as follows:

- How is the perception of sea freight clients – the current customer group of CCLOG VN – about air freight service?
- How can the group of maritime customers be segmented so that air freight service can be effectively applied?
- Who should CCLOG VN pay attention to in the market regarding competitiveness?
- How should CCLOG VN position its place in the market?
- What are the strategies for sales team to approach clients for air service in one to three years?

One of the biggest limitations of this study is that it does not cover financial factors of the commissioner. It is supposed throughout the thesis that CCLOG VN has a strong foundation of finance and is ready to invest as much as possible to develop air freight service. Furthermore, the author is not able to conduct the survey herself. Instead, her colleagues at the company in Vietnam are ones to do it. As a result, the author cannot understand 100 percent the opinions and ideas of respondents. She has to trust all the information and answers indicated in the responses. Hence, the survey is designed in a very simple manner so that no difficulty can arise in the analysis process later.

1.3 Theoretical Framework

The most important framework to be used in this thesis is the business marketing planning. Planning is a chain of activities in which actions and strategies are formulated for an upcoming event (Zimmeran & Blythe 2013, 41). Without planning, the company cannot have a clear vision on where they are going and how their goals can be achieved, just like Dwight Eisenhower once stated: "Plans are nothing, planning is everything" (according to Zimmeran & Blythe 2013, 41).

In this study, the SOSTAC[®] Planning System is utilized. SOSTAC[®] is a simple yet versatile model designed by PR Smith which can be applied to various kinds of planning: marketing plans, corporate plans and even advertising plans (Chaffey & Smith 2008, 441).

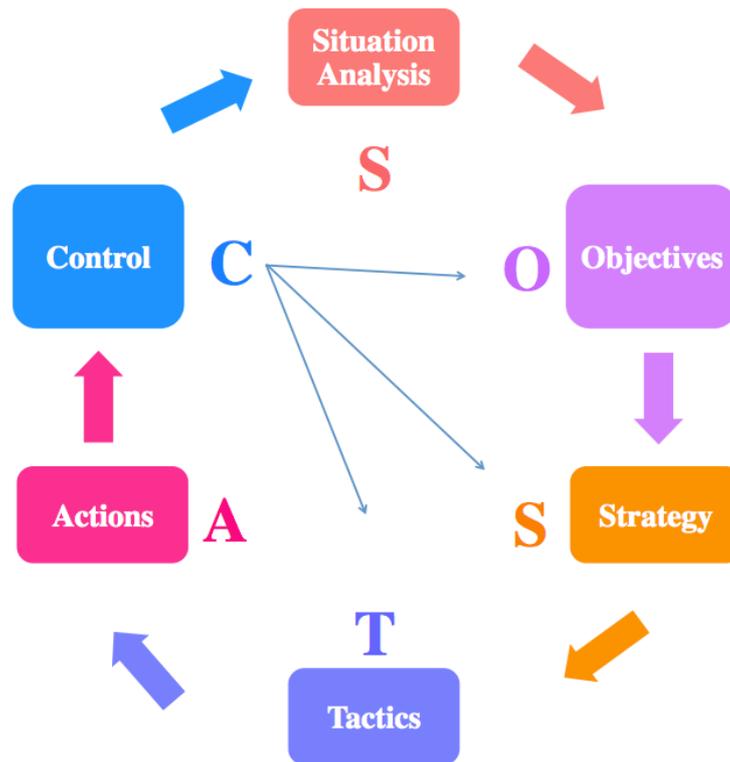


FIGURE 3. SOSTAC[®] model (modified from Smith 2014)

As can be seen from above figure, SOSTAC[®] is the abbreviation of Situation Analysis, Objectives, Strategy, Tactics, Actions and Control (Smith 2011). The model will be discussed at length in the next chapter but generally, SOSTAC[®] is capable of conveying a whole marketing plan in details, starting with a market analysis and ending with the final steps of drawing insightful strategies for a particular business plan. Furthermore, one crucial issue to be considered when applying this model is that the following three main resources have to be taken into account: Men, Money and Minutes. It is because a plan cannot go well without resources (Chaffey & Smith 2008, 444). In order to effectively introduce this planning system, some extra tools are used on the way. For instance, PESTEL, Porter's Five Forces and Fishbone diagram are applied in Situation Analysis; STP (Segmenting, Targeting, Positioning) is utilized for Strategy section; 4Ps Marketing Mix assists the Tactics phase and last but not least, Actions part is illustrated through Gantt chart model.

Besides the planning system, theories regarding transportation are also reviewed as illustrated in below figure so that a broader view on the thesis topic can be provided which is helpful for the planning strategies later on.

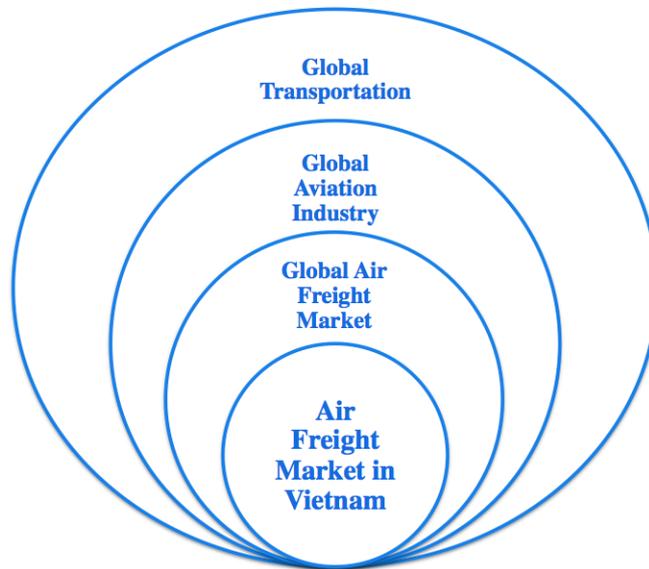


FIGURE 4. Theoretical framework on transportation

Firstly, some general information as regards global transportation is discussed which then follows by details of aviation industry. In addition, since air service consists of passenger and cargo service, the topic is once again narrowed down to freight market as it is the main focus of this thesis following with information about current situation of air freight market in Vietnam.

1.4 Research Methodology and Data Collection

Before starting any research, researchers must come up with the decision on which approach to be use, whether inductive or deductive. As can be seen in figure 5, each practice steers into different direction. While induction uses a few specific cases to draw generalization, deduction goes completely opposite way which is from general theory to empirical. In other words, based on the theory, a conclusion is made for a specific case. (Kananen 2011, 40.) As for this study, the latter will be applied.

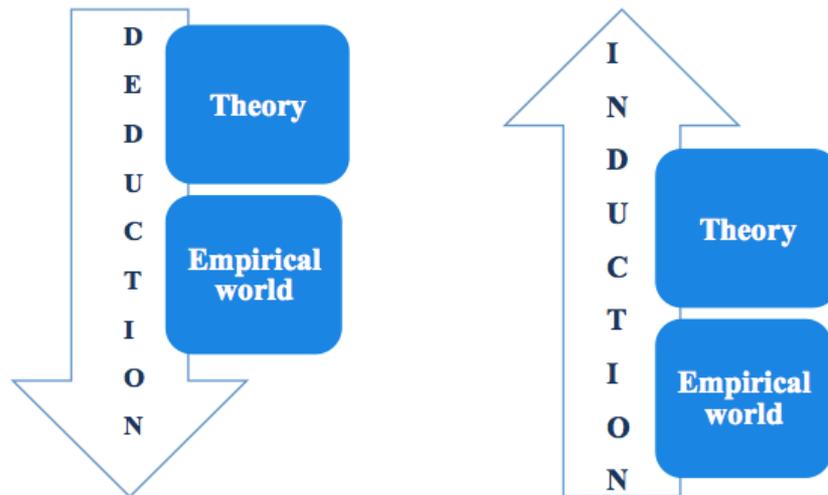


FIGURE 5. Deduction vs. induction (Kananen 2011, 40)

After knowing what approach to be used in the study, a decision must be made on which methods to be applied, whether qualitative or quantitative. Whereas qualitative method focuses on understanding the phenomenon as a whole, testing and verification are main emphases of quantitative research (Reichardt & Cook 1979, according to Ghauri & Gronhaug 2002, 86).

TABLE 1. Distinctions between quantitative and qualitative data (developed from Dey (1993); Healey & Rawlinson (1994); authors' experience, according to Saunders et al. 2009, 482)

Quantitative data	Qualitative data
<ul style="list-style-type: none"> • Base on meanings derived from numbers • Collection results in numerical and standardized data • Analysis conducted through the use of diagrams and statistics 	<ul style="list-style-type: none"> • Based on meanings expressed through words • Collection results in non-standardized data requiring classification into categories • Analysis conducted through the use of conceptualization

As previous table indicates, on the one hand, quantitative method depends on numerical and standardized data as well as diagrams and statistics. On the other hand, qualitative method requires verbal expression and conceptualization is the main tool for analysis conduction. Depending on the nature of the research, either one of the two methods is implemented or both can be combined together.

Furthermore, when conducting any scientific study, the reliability and validity of the information gathered are always crucial as they determine the accuracy and consistency of the research. Quantitative and qualitative methods have its own reliability/validity criteria and those should never be mixed up (Kananen 2011, 67). In relation to quantitative which is used in this study, reliability testifies whether consistency exists in research results. In other words, if the research is repeated in another time, whether the results are the same or not. On the other hand, validity determines if the research has reached the right answers. (Kananen 2011, 125.)

In the beginning, general knowledge of air freight is introduced. An idea is derived from the knowledge which is then turned into a development plan for the commissioner. During the process of making business plan, quantitative research is carried out. Collecting data is a pivotal part in understanding well and properly before making such plan. As for secondary data, books, journals, articles and relevant sources are made use of. On the other hand, primary data is collected from two sources: personal observation during the five-month internship the author did at the case company and a survey done with maritime clients. It should be noticed that there are four kinds of survey interview and each has its own pros and cons regarding cost and speed as demonstrated in the next figure.

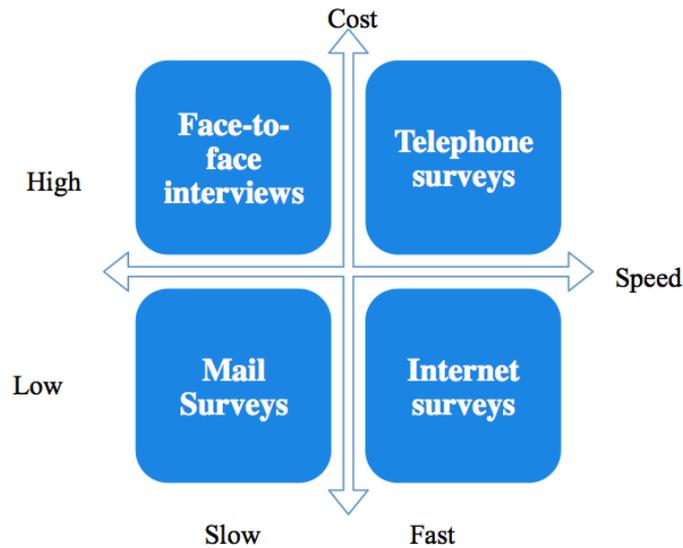


FIGURE 6. Cost vs. Speed in surveys (modified from Zimmerman & Blythe, 2013, 98)

Since the author is in Finland for the time being, assistance from staffs of the commissioner is needed. Based on the characteristics of their jobs, two survey types are used: via telephone and emails in which focus is placed on telephone and it is conducted by two staffs who are working at CCLOG VN's office at the moment. Telephone survey is believed to be fast, cost-efficient and suitable for business-to-business surveys since respondents might want to communicate via phone rather than someone visiting their office (Brace 2004, 35). However, besides the drawback in costs, this method should not be utilized if the questionnaire takes long time to answer (Craig & Douglas 2005, 298).

Before the survey is widely implemented, a pretest should be done to examine whether respondents understand well enough all the questions asked. In other words, survey designers want to check whether terms, words and concepts are understood correctly by respondents (Czaja 1998, 1). The number of pretests relies on how big the survey is. In relation to this study, the survey is operated in relatively small scale in which the author plans to gather maximum 30 answers so there should be at least one pretesting survey. Afterwards, if any error arises, the survey will be rechecked. Unfortunately, due to time differences between Vietnam and Finland and also the passiveness of the author in the interviewing process, no pretest was done. However, no problem was reported during the time so it can be

assumed that respondents and survey's designer (hereby the author) have mutual understanding regarding all the inquiries.

1.5 Thesis Structure

With the aim to answer all the research questions clearly and deeply enough, the study is organized as follows:

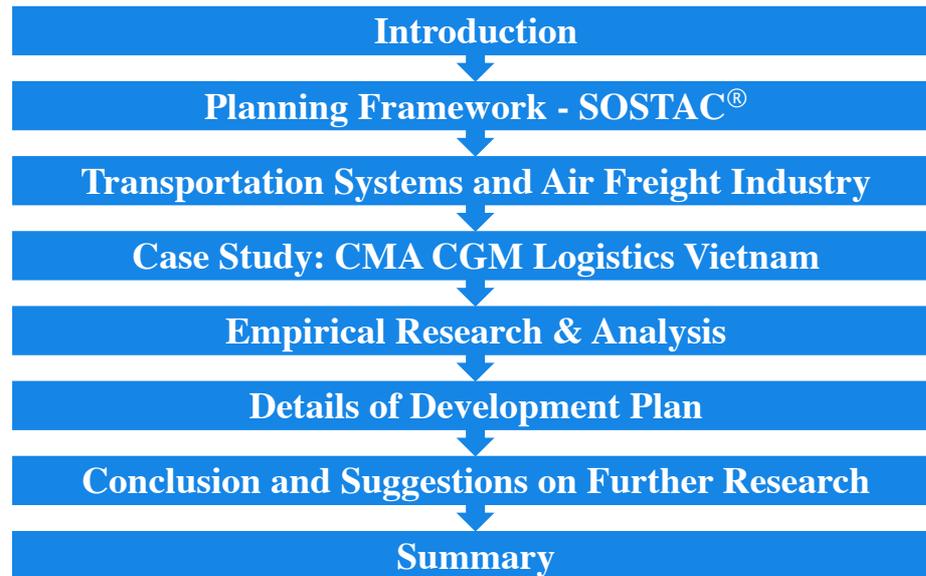


FIGURE 7. Thesis Structure

The work is divided into two parts: theoretical study and empirical study. To be precise, chapter two includes all theories in respect of business planning and marketing models which are used later in the development plan. The rest of the thesis – chapter three, four, five and six – emphasizes on air freight which is the main topic of the thesis. Particularly, chapter three covers insights to global air cargo market as well as the current situation in Vietnam. The next part introduces some background information of the case company as well as its current advantages in the market. Chapter four and five focus on the data collected from the survey which is entailed with the detailed development plan in chapter six. It should be mentioned that the plan is in accordance with future strategies of the company. Last but not least, a summary of all the pivotal phases during this study is provided and some recommendations are also made for future research.

2 PLANNING FRAMEWORK – SOSTAC[®]

When it comes to planning, it is likely that different types of plan will pop up: long-term plans (aka business plan), short-term plans which contribute in fulfilling corporate objectives (Chaffey & Smith 2008, 440). While the former concentrates on the entire business as a whole which includes different factors such as budgets, human resources, products and services, the latter places focus on marketing in which all aspects relating to the field (target market, target customers etc.) are taken into account (Berry 2012). Despite the differences, all are related to one another. In fact, they contribute to the whole development process of the company. Without any of them, it is impossible for the firm to complete their mission.

With the final purpose of carrying out in details the development plan, from the viewpoint of the author, SOSTAC[®] is the perfect fit for the thesis. This famous model is a registered trademark developed in the 1990s by PR Smith and since its invention, various companies have been applying it to build up their business plans, regardless of the plan size. In fact, the model is praised for its simplicity yet versatility. It is no wonder that Chartered Institute of Marketing centenary poll voted it in the Top 3 Business Models worldwide (Smith 2014). As introduced in the first chapter, SOSTAC[®] is the abbreviation of six crucial points shaping a development plan (Smith 2011):

- Situation Analysis – Where are we now?
- Objectives – Where do we want to go?
- Strategy – How do we get there?
- Tactics – Details of strategy
- Actions – Who does what when?
- Control – Measurements and metrics

The SOSTAC[®] model alone cannot be completed without the three key resources which are 3Ms: Men, Money and Minutes. Particularly, Men indicates human resources with abilities to operate different tasks; Money relates to budgets and financial capacity for operation and Minutes concerns time scales such as schedules and deadlines (MMC Learning 2009). These resources must be

considered alongside with SOSTAC[®]. Otherwise, the model would not work out effectively. (Chaffey & Smith 2008, 444.)

2.1 Situation Analysis

Apparently, before making a good marketing decision, firms should always be updated with latest macro trends as well as micro factors that create impacts on their business (Kotler & Keller 2012, 67). In other words, this part is the most important section in the whole process as only when the company can determine where they are standing, how the market situation is and how well their competitors are performing, an effective plan can be drawn and realized with ease. Therefore, the analysis should reflect as much accurately as possible so that the company's true capabilities can be assessed (Blythe & Zimmeran 2013, 41). In order to create an effective and in-depth situation analysis, internal and external aspects should be reviewed which are current market and company's advantages.

2.1.1 Current Market

At a nation-wide level, as can be seen in figure 8, PESTEL is utilized which helps to describe the political, economical, social, technological, environmental and legal factors of the environment in which the company is operating (Team FME 2013, 6). In addition, the analysis of PESTEL leads to the opportunities and threats that the company faces in the business.



FIGURE 8. PESTEL model (modified from Fox 2014)

Moreover, it would be a mistake if there were no description of opponents and how they are doing. When it comes to competition analysis, Porter's Five Forces is the most well known. This model was established by Michael E. Porter and firstly introduced in 1979 in "Harvard Business Review: How competitive forces shape strategy". As described in the following figure, not only does the model discuss the situation among current competitors, it also introduces the bargaining power of suppliers and customers as well as the threat of new entrants and substitute services.



FIGURE 9. Porter's Five Forces (Porter 1979, 6)

2.1.2 Company's Advantages

In this part, the strengths and weaknesses of the company shall be revealed. In the author's opinion, one of the models that are capable of bringing out these issues is the Fishbone Diagram (Cause and Effect Diagram).

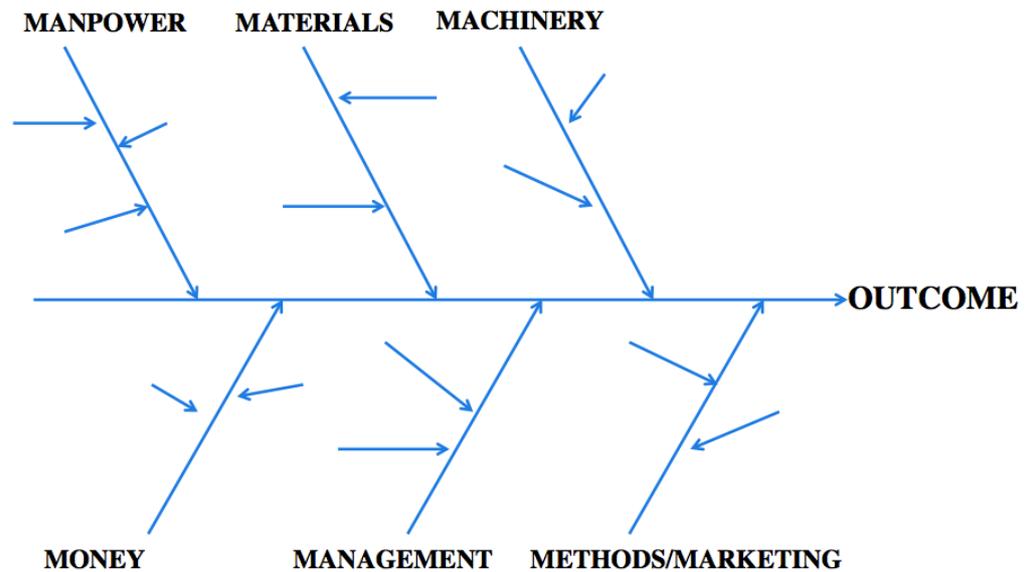


FIGURE 10. Fishbone Diagram (modified from Slack et al. 2007, 606)

According to the above figure, the diagram consists of detailed information regarding internal factors of the company, including manpower, materials, machinery, money, management and methods/marketing. All of these aspects create the 6Ms fishbone model. This schematic model assists companies in diagnosing problems and finding out their causes (Kumar & Suresh 2009, 264). It will be used in this study for company internal analysis with the aim of clearly observing the strengths and weaknesses that the commissioner is having at the moment.

2.2 Objectives

After evaluating the current position in the market, objectives should be made. In fact, they determine where the whole business of a company wants to head to (Perreault & McCarthy 2002, 95). Company objectives are put at the highest level which drives for smaller ones. Otherwise, it is likely that the company will lose track of its direction. They consist of mission statement and vision. On the one hand, mission statement declares the reason for the firm's existence in business (DeCenzo & Robbins 2010, 112). On the other hand, vision narrows down the mission statement by describing how the company will be appearing in a future (Society for Human Resource Management 2012). Relying on both of them, each department will define its own objectives which contribute to fulfilling the

common vision and most importantly, the mission statement. In respect to the study, only marketing objectives are mentioned. The positions of those elements are described in below figure:



FIGURE 11. Hierarchy of Objectives (modified from Perreault and McCarthy 2002, 97)

Marketing Objectives are set on factors such as Sales results, the number of customers acquired or the market share for a specific period of time. In short, the objectives have to be created for every customer physical activity in an exact timeframe (PR Smith 2011). It should be considered that objectives are subjected to changes, depending on the market and internal factors. Moreover, all the objectives should be SMART which stands for: Specific, Measurable, Acceptable, Reasonable and Time-related (Chaffey & Smith 2008, 454).

2.3 Strategy

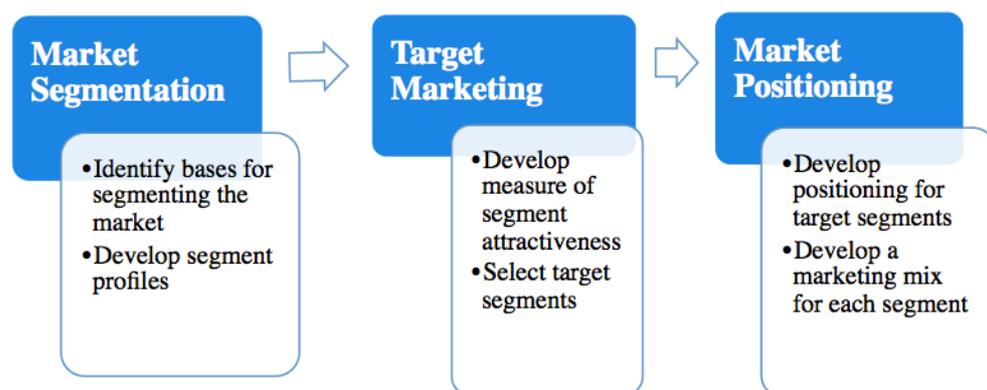


FIGURE 12. Segmentation/Targeting/Positioning process (modified from Armstrong and Kotler 2007, 165)

As the competition within any industry is getting more fiercely, mass marketing is not a good option for companies. Indeed, mass marketers find it tough to compete

with firms focusing on specific segments. With differentiated marketing, companies divide market into smaller groups, target some segments and design a service/product package for each. (Kotler & Armstrong 2004, 228.) Overall, firms serving smaller segments own better credibility and they can learn exactly what customers need in order to please them (Blythe 2005, 76). As above figure states, in order to examine clearly which segment should be targeted, these three processes are done step by step: Market Segmentation, Target Marketing and Market Positioning.

2.3.1 Segmenting

Market segmentation helps company to divide a huge, heterogeneous customer group into smaller, more distinct segments that can be reached more easily with products or service matching their demands (Armstrong & Kotler 2007, 165). By doing that, firms have more in-depth and better understanding of customers and as a result, they can choose the suitable market segments to concentrate on. It is no doubt that one of the keys to marketing success is identifying and satisfying the right customers (Kotler & Keller 2011, 213).

There are numbers of models that can be applied when it comes to B2B marketing segmentation such as Nested Approach, Portfolio Management Segmentation and Buying Process Segmentation. The last method will be exploited in this case since segmenting market based on purchasing decision process that helps sales force to easily identify segments, to gain understandings of various buying patterns and thus, to know which aspects to focus on in selling process to different segments (Robertson & Barich 1992, 11).

According to its inventor, this segmentation divides customers into three categories: First-time prospects, Novices and Sophisticates. The following table provides a brief description of their characteristics:

TABLE 2. What buyers of industrial products look for (modified from Robertson & Barich 1992, 7)

	FIRST-TIME PROSPECTS	NOVICES	SOPHISTICATES
Dominant theme	"Take care of me"	"Help me make it work"	"Talk technology to me"
Benefits sought	<ul style="list-style-type: none"> • Honest sales rep who knows and understand my business. • A vendor who has been in business for some time. • Sales rep who can communicate in an understandable manner. • High training level. 	<ul style="list-style-type: none"> • Easy-to-read manuals. • Technical support hot lines • A high level of training. • Sales rep who are knowledgeable about their products and services. 	<ul style="list-style-type: none"> • Compatibility with existing systems • Product customized to customer needs • Track record of vendor. • Maintenance speed in fixing problems. • Post-sales support and technical support.
What's less important	<ul style="list-style-type: none"> • Sales rep's knowledge of product and services. 	<ul style="list-style-type: none"> • An honest sales rep. • A sales rep who knows and understand my business 	<ul style="list-style-type: none"> • Training • Easy manuals • Sales rep who can communicate in an understandable manner.

As its name suggests, first-time prospects have never used the service/product before but they are actively seeking information about it. On the other hand, while novices are those who have at least used the service once within the last 90 days, sophisticates are most familiar with it by buying the product/service before and willing to rebuy. Each segments has nothing in common so different approaches must be made in order to create good sales results. (Robertson & Barich 1992, 7.)

The purpose of the survey is to examine how to effectively segment customers and which ones CCLOG VN should concentrate on as each different one requires different methods to approach the customers.

2.3.2 Targeting

After segmenting the market, the next step is to decide on which segments to be served. Depending on their available resources, firms may choose to focus on different targeting methods as shown in below figure: undifferentiated, differentiated or concentrated marketing. Under some occasions, a tailor-made solution is also applied in which company designs a specific service/product package for a particular group of customer to satisfy their own needs and conditions (Amstrong & Kotler 2007, 181).

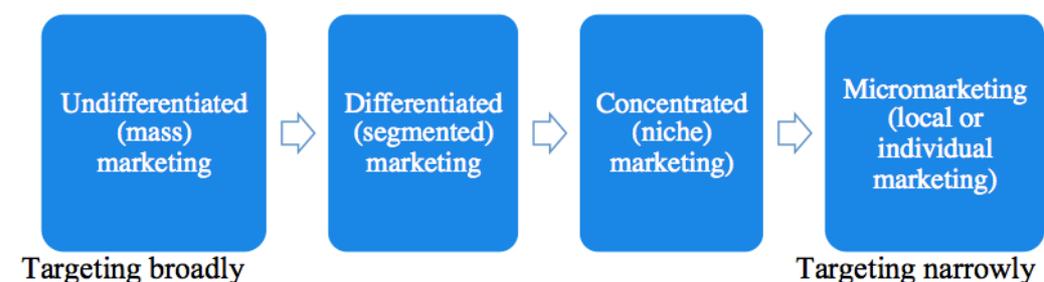


FIGURE 13. Targeting Marketing Strategies (modified from Amstrong and Kotler 2007, 178)

In this thesis, differentiated (segmented) marketing will be implemented. Accordingly, a number of customer segments from segmentation process will be chosen for firm's concentration.

2.3.3 Positioning

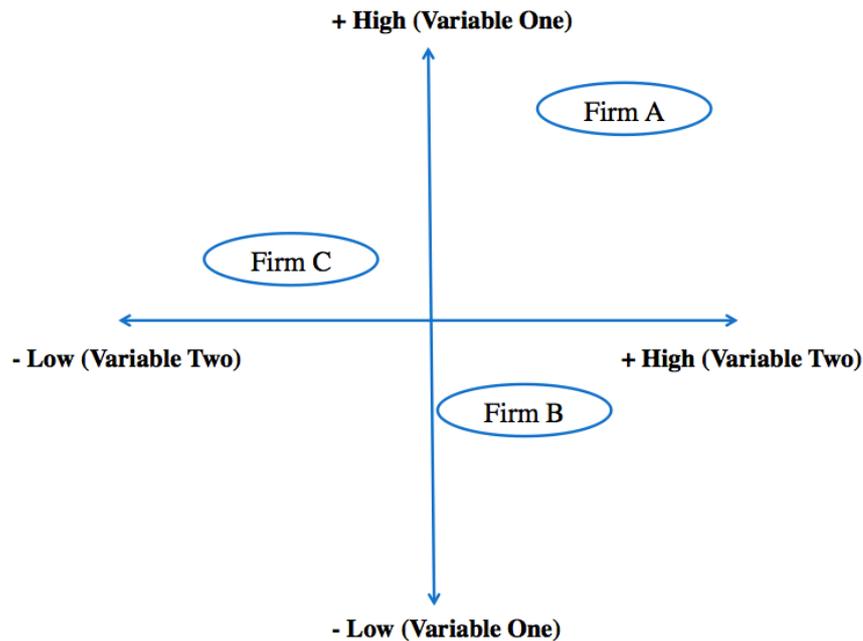


FIGURE 14. Perceptual mapping (modified from Marketing Teacher 2014)

By definition, positioning is customers' perception in terms of prospects or current product/service in the market (Perreault & McCarthy 2002, 84). In other words, firms are able to clarify how they would like to be seen by targeted segments in the market regarding specific variables. The common method used at this phase is the positioning map which is demonstrated in above figure. By utilizing this map, not only firms are able to clarify how they would like to be seen by targeted segments in the market through specific variables but they also can see positions of their competitors. (Kotler et al. 2009, 369.)

2.4 Tactics

After defining target groups to be served, a group of variables will be put together into a marketing mix that will be applied to satisfy each certain group (Perreault & McCarthy 2002, 46). Commonly, marketing mix consists of four basic aspects which are shown in figure 15: Product, Place, Promotion and Price. If the company creates different products for different targets, various 4Ps must be created even though under some circumstances, a few contents or tactics are similar.

Product	Place	Promotion	Price
Physical good	Objective	Objectives	Objectives
Service	Channel type	Promotion blend	Flexibility
Features	Market exposure	Salespeople	Level over
Benefits	Kinds of middlemen	Kind	product life cycle
Quality level	Kinds and locations of stores	Number	Geographic terms
Accessories	How to handle transporting and storing	Selection	Discounts
Installation	Service levels	Training	Allowances
Instructions	Recruiting middlemen	Motivation	
Warranty	Managing channels	Advertising	
Product lines		Targets	
Packaging		Kinds of ads	
Branding		Media type	
		Copy thrust	
		Prepared by whom	
		Sales promotion	
		Publicity	

FIGURE 15. Strategy decision areas organized by the 4Ps (modified from Perreault & McCarthy 2002, 49)

2.5 Actions

Actions contains details of tactics. In other words, it includes different smaller projects of different teams/departments in reaching the targets which can be illustrated through Gantt chart or any other project management tools (Smith 2011). It was invented by Henry Gantt with the initial purpose being for large infrastructure projects. It represents the chain of activities with general timing on when those actions will take place and finish. Overall, this chart places focus on dimension of time. (Brennan 2011, 178.) For instance, plans are made for sales team on weekly or monthly basis on how many customers they need to meet and what the sales target for them is, or what should be done with social media order to raise awareness of customers about the company's services. In short, actions are where strategies and tactics are brought into practice (Cheffey & Smith 2008, 469). The next figure provides an example of a very simple Gantt chart.

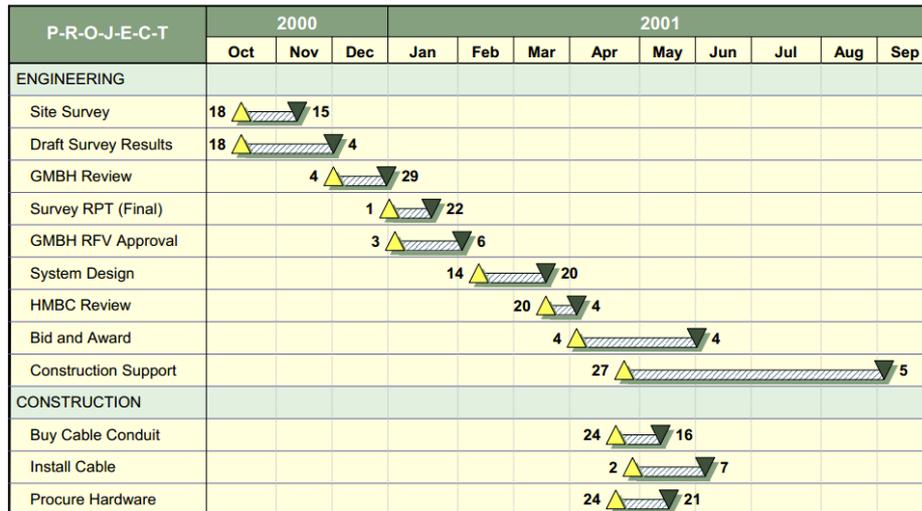


FIGURE 16. Basic Gantt chart example (KIDASA Software 2014)

2.6 Control

During the process of performing the plan, check-ups should be done frequently to assure that everything is on the right track and to see whether the plan is still feasible or not. Furthermore, based on the marketing objectives, it also can be determined easily whether the goals can be achieved as planned (Smith 2011).

In addition, companies should always beware of risks that might affect their business. Risk assessment helps to determine the risk likelihood and its impact on the firm (Scasso 2008, 7).

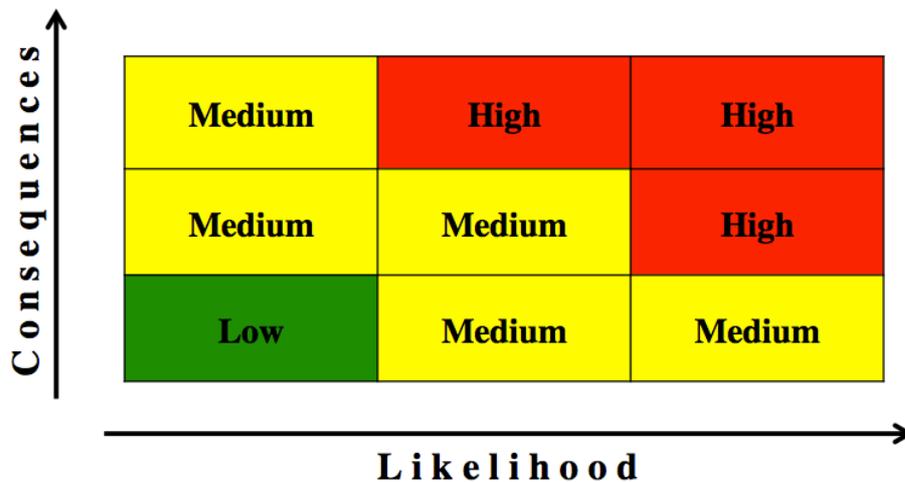


FIGURE 17. The "3x3" risk matrix (modified from Gormley et al. 2011, 7)

As can be seen from the previous figure, risks can be assessed through the consequence-likelihood risk matrix. With 3x3 matrix, risks can be classified as low, medium or high. Low-probability and low-consequence risks are perceived as acceptable and only need monitoring. On the contrary, high-probability and high-consequence risks require immediate strategies to mitigate. The other risks in yellow need further assessment to better understand its traits in order to find a suitable act. (Gormley et al. 2011, 7.)

3 TRANSPORTATION SYSTEMS AND AIR FREIGHT INDUSTRY

Apparently, transportation plays a key role in supply chain operations as it creates movements of goods between the place it is manufactured and the place where it is demanded, especially since globalization is spreading to every corner of the world and the place of production can be miles away from that of consumption. As transportation cost accounts for a large part of total costs, an appropriate use of transportation might link to the cost-efficient success for the supply chain. (Chopra & Meindl 2004, 412.) Basically, there are five main modes of transport: road, rail, water/sea, pipeline and air. Depending on the need and characteristics of the situation, either a single mode is used or different methods are combined together which is known as multimodal transport. The pros and cons of each transport mode are described as follows:

TABLE 3. Transport modes' benefits and limitations (modified from Perreaut and McCarthy 2002, 342)

Mode	Transporting Features					
	Cost	Delivery speed	Number of locations served	Ability to handle a variety of goods	Frequency of scheduled shipments	Dependability in meeting schedules
Truck	High	Fast	Very extensive	High	High	High
Rail	Medium	Average	Extensive	High	Low	Medium
Water	Very low	Very slow	Limited	Very high	Very low	Medium
Air	Very high	Very fast	Extensive	Limited	High	High
Pipelines	Low	Slow	Very limited	Very limited	Medium	High

As can be seen, truck seems to be an ideal mode comparing to the rest. Indeed, it owns various advantages when it comes to speed, destination extensiveness, goods handling ability and level of frequency. Besides, railway transport is also competitive in terms of cost and goods handling ability. Nonetheless, judging from the viewpoint of international transportation, maritime is an optimal option with medium price and it also allows transportation to an extensive network of locations. This mode, however, is rather slower than trucking and depends heavily on schedule. It is obvious that airways is the fastest mode among all of them and at the same time, the most expensive. Like roadway, aviation can transport goods to multiple places with higher probability in meeting schedules. Last but not least, pipeline is only used for goods in liquid forms such as petrol. Consequently, its

ability to handle goods and location network is limited. Overall, depending on different characteristics of the shipments and situations, an optimal means of transportation will be chosen.

One of the most significant leaps of transport industry can possibly be the deregulation happening between 1970s and 1980s. By definition, from a logistics point of view, deregulation eliminates partly or completely economic regulations that control transportation. Indeed, transportation is the pioneer field for this event and it has created higher competitiveness within the industry which results in lower price, higher flexibility and more customer orientation. (Grant et al. 2006, 417.) The liberalization initially took place in the United States with aviation being the first industry for implementation in 1978. It has become a huge success that other nations and regions started to realize the impact and gradually follow the footsteps such as European Union and Association of Southeast Asian Nations.

3.1 Global air freight market

3.1.1 Current situation and future prospects

Comparing to other transport modes, especially maritime and road transport, air freight accounts for a very small part in the market. Despite such fact, it is strongly increasing its presence and activity as it starts to play an important role in the global economy. As can be seen from Figure 18, air cargo industry has evaluated significantly between 1980 and 2011. The freight carried increased by nearly 4 times, from almost 50,000 million ton-kilometers to around 175,000. In addition, if in 1985 air freight service took only 0.8 percent in transport market in terms of cargo weight, the situation improve considerably twenty years later when in 2005, the number rose to 1.1 with the climax of nearly 1.2 percent in 2000. However, from freight value perspective, air cargo is believed to account for nearly 40 percent of the total transport.

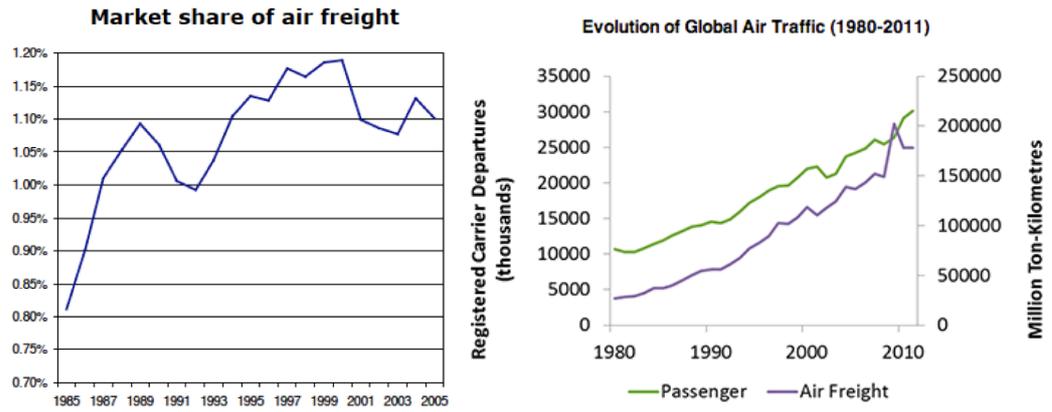


FIGURE 18. Market share and growth rate of air freight (Boeing & according to World Bank Group 2009)

Furthermore, according to figure 19, Asia seems to be the leading market for air freight business in developing countries as in 2005, Boeing estimated that 70 percent of global cargo flows have either origin or destination in Asia. In fact, freights between Asia and North America accounts for the largest share with more than 20 percent which follow by Europe-Asia routes.

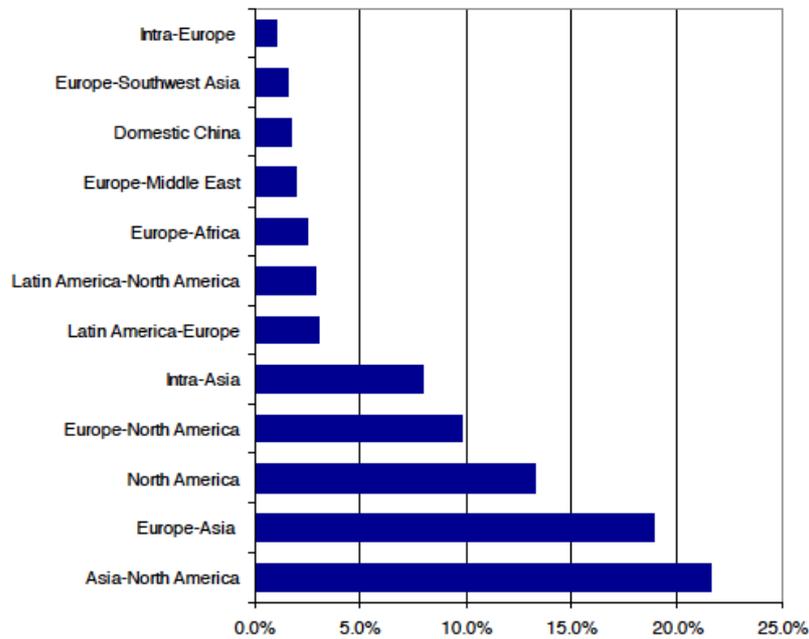


FIGURE 19. Air freight market share by routes 2005 (Boeing, according to World Bank 2009, 31)

As stated by Boeing in its research "World air cargo forecast 2012-2013", for the next 20 years (2011-2031), air freight traffic is expected to grow by 5.2 percent

annually in revenue ton-kilometers (RTKs) with Asia leading the global growth. Particularly, with much anticipation, intra Asia and domestic China air cargo will surge to 6.9 percent and 8 percent respectively. As the global economy is recovering steadily, it is highly hoped that the industry will make various improvement alongside. (Boeing 2012, 3.)

3.1.2 International air organizations

At the moment, three official aviation institutions are actively in active operation which are International Federation of Forwarding Agent Association (FIATA), International Civil Aviation Organization (ICAO) and International Air Transport Association (IATA).

Relating to air freight forwarding, IATA Cargo Agency/Intermediary Programs is the most well-known program whose purpose is to regulate and control business practices among its members. In order to participate in this program, the company is obliged to satisfy three key requirements below (IATA Montreal-Geneva 2013):

- Good financial status. Depending on the country the company is performing, different financial requirements are applied. In relation to Vietnam – where the case company operates, the minimum paid up capital is \$50,000. Additionally, their financial state should be reviewed and unless the company obtains satisfactory result, they will not be credited as IATA Agent (Criteria are in Appendice 5).
- Suitable working premises and handling facilities. Besides, sales activities of international cargo must be actively performed.
- Qualified and trained staffs. The firm must have at least two people joining in training course concerning applicable Dangerous Goods Regulations and two people (not necessarily the same as the former's) with certification of industry introductory or basic training course. Those courses must be provided by IATA airlines member, IATA Training Home study Programs or certain Governmental Organizations. Besides, some third-party training courses are also approved but it is advised that the firm should contact IATA Cargo Agency Administration for further information.

It should be mentioned that once become the member, after the financial year end, the firm's financial result will be assessed by IATA in order to examine whether they are performing well or not (Criteria are in Appendice 5). (IATA Montreal-Geneva 2013.)

By becoming a member of this program, companies can gain a lot of benefits. First and foremost, they will receive recognition in the field due to high prestige of this program in the industry. Indeed, they are eligible to issue House Airway Bills with logo of IATA. In addition, big customers tend to seek IATA members for service provision when they are in need. It is understandable since becoming a member is absolutely a challenging process in which firms have to prove its financial capacity, deep level of knowledge and expertise in the field. Besides, a wide network of various providers is established through IATA resulting in opportunities for a company to create partnerships and collaboration for business relationship as well as expansion. (Nguyen 2014.)

3.1.3 Air cargo commodity category

In respect to commodities carried by air service, it should be noted that not all kinds of product can be shipped by air. Generally, based upon the characteristics of goods and types of service required, air cargo commodities are divided into four categories: capital intensive, temperature sensitive, time constraint and short-product life cycle, as can be seen in the following table:

TABLE 4. Types of air cargo goods (modified from Reinhold et al. 2012, 2)

TYPE OF GOODS	CHARACTERISTICS	EXAMPLES
Capital intensive	High value relative to mass and dimensions	Microelectronics, medical technology, computer
Temperature sensitive	Perishable goods	Pharmaceutical products, fresh food, living animals
Time constraint	Express delivery	Spare parts, air mail, production bottlenecks, relief shipments
Short product life cycle	Trend products	Fashion, technical equipment

According to an analysis performed by IATA in April 2009, among all goods types, around half of the freight transported by air is intermediate parts for manufacturing or capital equipment, including computers. Consequently, air cargo market is heavily impacted by fluctuations in industrial production rather than retails. Another issue resulted from the fact is that the industry reacts more agilely and fiercely to changes in global context. (Pearce 2009.)

3.1.4 Air cargo service providers

According to World Bank (2009), air cargo service providers are categorized into 2 main groups: non asset-based operators and asset-based operators. The former concerns freight forwarders who have to rely 100 percent on asset-based operators for equipment. Regarding asset-based operators, they are divided into four sub-categories: carrier-passenger airlines (e.g. Lufthansa, Air France-KLM), all-cargo airlines (e.g. Cargolux, Martinair), integrated carriers (e.g. FedEx, UPS) and leasing companies. (World Bank Group 2009, 17.)

Overall, depending on service category and specific characteristics of situation, customers might choose either of mentioned providers for their shipment. As can be seen from below table, the rankings of air cargo providers vary a lot. Whereas FedEx dominates the domestic ranking, they lag behind Emirates, Cathay and Korean Air in international field. However, generally, since they have quite large market share in both areas, totally FedEx still ranks first globally in air freight service, followed by UPS, Emirates and Cathay respectively.

TABLE 5. Rankings for air cargo providers in 2012 (IATA 2014)

RANK	DOMESTIC	INTERNATIONAL	TOTAL
1	FedEx	Emirates	FedEx
2	UPS Airlines	Cathay Pacific Airways	UPS Airlines
3	China Southern Airlines	Korean Air Lines	Emirates
4	Air China	FedEx	Cathay Pacific Airways
5	Polar Air Cargo	Lufthansa	Korean Air Lines
6	Hainan Airlines	Singapore Airlines	Lufthansa
7	All Nippon Airlines	UPS Airlines	Singapore Airlines
8	United Airlines	British Airlines	British Airlines
9	Shenzhen Airlines	China Airlines	China Airlines
10	American Airlines	EVA Air	EVA Air

The range of service developed by those providers has been diversified considerably throughout the years. Figure 20 points out that while airlines mostly provide airport-to-airport service with the link to freight forwarders, integrators create a more tempting package for customers in which they receive products from original place of shipper and deliver to the very final destination with the combination of various transport modes such as air and road. (Popescu et al. 2010, 216.) In other words, the shipment is taken care from the moment it leaves the warehouse/production plant to when it is safe and sound at the consignee's place. Obviously, this door-to-door service is now preferred a lot thanks to the convenience it brings to customers.

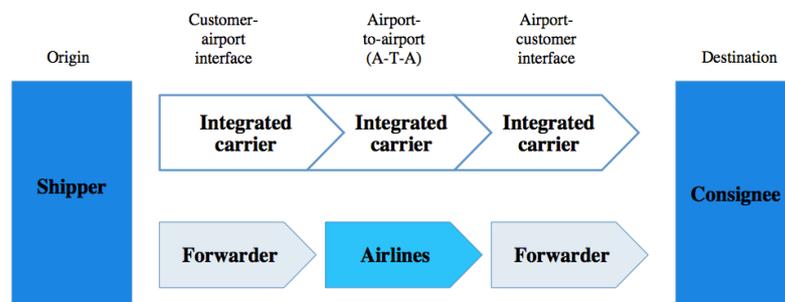


FIGURE 20. Door-to-door air freight value chain (modified from Popescu et al. 2010, 215)

Besides, airways can also be combined with other modes to create a multimodal transport mode with the most notable one being sea-air service, as illustrated in figure 21. For instance, the shipment can be transported by seaways to the regional hub first, then continues its journey by airways to the destination. According to a study performed by Al-Hajri in 1997, this combination is proved to create high flexibility, short transit time and even cost reduction (Al-Hajri 1997, 239).



FIGURE 21. Multimodal transport (DHL 2009)

As for this thesis, the non-asset based operators will be further assessed since it is the category the case company belongs to. Because freight forwarders do not own any equipment or airplanes to operate the service, it is most likely that they have to make a contract with those asset-based firms for service provision.

3.1.5 Opportunities and Challenges

One of the biggest opportunities for air cargo market is the deregulation in aviation industry, notably Open Skies Agreements whose basic foundation is the "Convention on International Civil Aviation" signed in Chicago in 1944. Most of those agreements consist of eight freedoms of the air shown in Appendice 4. In fact, it is a bilateral or multilateral treaty among states regarding liberalization in aviation activities – commercial or cargo business – with the ultimate goal being the creation of a free environment for airlines industry. As a result, it is obvious that customers can benefit from this agreement with cheaper offers, faster and more frequent service. In relation to freight business, the treaties assist air cargo airlines in setting up different packages of service more easily. Besides the deregulation, progress and innovation in supply chain management might also be able to create opportunities for air service market. Just-in-time practice is a good example in this case. Under this term, the product is only produced and delivered when it is needed in order to basically cut down the inventory cost and eliminate waste in production process. In other words, time-saving is an important factor, thus manufacturers need a fast transport mode for product delivery which airway is an ideal choice. (Boeing 2012, 10.)

Apparently, aviation industry is facing more challenges than chances at the moment. According to World Bank Group (2009), such issues among air cargo industry should be paid attention in the upcoming years. First of all, and also most importantly, fuel price has been increasing for the past few years. Airplanes always consume a large amount of fuel which leads to high total costs. The price competitiveness of air cargo comparing to other modes is naturally weaker. Unless the fuel price is stabilized, a bright future for air cargo cannot be guaranteed. In addition, the fierce competition between air freight and other means of transportation, especially with roadway for domestic transport and maritime transport for international trades, is absolutely a hindrance for the

industry. In fact, the transit time for sea transportation is being shortened significantly and shipping lines are making various improvements in their supply chain management, resulting in less demand for emergency shipments. Besides, the rise of new emerging economies, notably Latin America, has led to the fact that Asian countries such as China, is no longer a sole place for outsourcing. Consequently, the production plants are getting closer to the market which makes sea or road transport an optimal mode. (World Bank Group 2009, 10.)

3.2 Overview of Vietnam

The purpose of this part is to provide a brief introduction to Vietnam – the main market that the thesis is focusing on. It includes current situation and some future prospective for the economy.



FIGURE 22. Vietnam on the world map (Map Pictures 2011)

Located in Southeast Asia as shown on the above figure, for a long time, Vietnam was only known for its glorious independence from America decades ago. It was not until the Doi Moi Reforms happening in the 1980s that the world has perceived the country from a different perspective. From a poor country with a huge war aftermath, Vietnam has risen up and become one of the countries with the fastest growth rate in the world. Indeed, GDP per capita of Vietnam grew more than 630 percent between 1985 and 2012. Besides, the government managed to eradicate poverty rate from 58 percent in 1993 down to 14.5 percent by 2008 (World Bank 2014). Additionally, since the economy was opened, a large number

of foreign investors have come and established a lot of businesses here, either directly or indirectly. According to figure 23, up until mid-December 2013, there have been nearly 16,000 FDI projects all over the nation (FIA Vietnam 2013). There is no doubt that it has created jobs for millions of people, contributing significantly to the economic boost of Vietnam. As a result, Vietnam is on the way transforming itself from an agricultural-oriented country to an industrialized one.

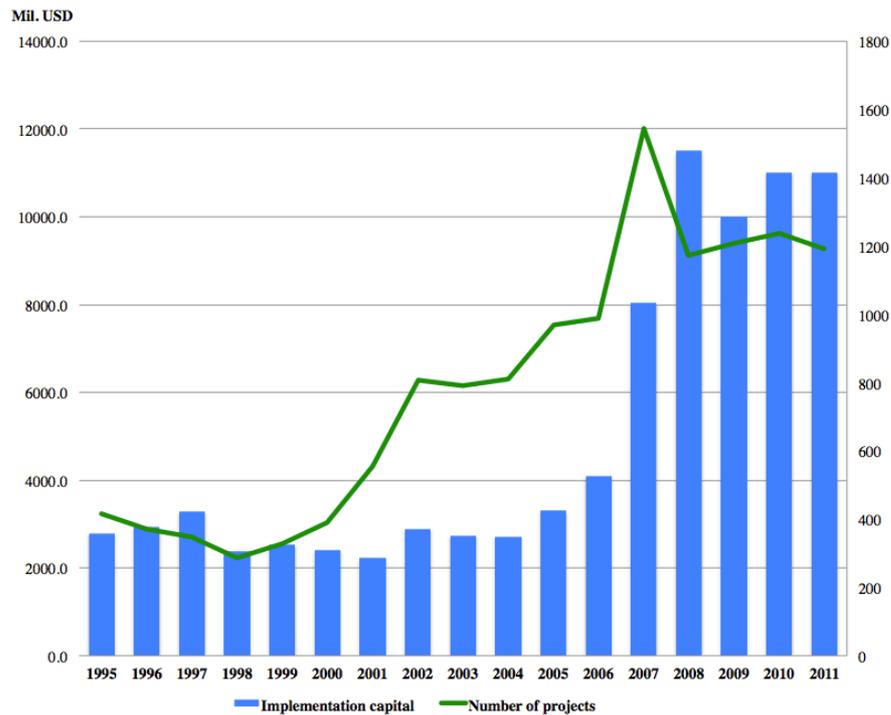


FIGURE 23. FDI flows to Vietnam 1995-2011 (General Statistics Office of Vietnam 2014)

Moreover, on the path to globalization, Vietnam has actively joined in various international trading organizations, namely Association of South East Asian Nations (ASEAN), Asia Pacific Economic Cooperation (APEC), World Trade Organization (WTO) and the latest might possibly be Trans-Pacific Partnership as Vietnam is on active negotiating process with other nations. Those activities are obviously the opportunities as well as challenges that the country has to face and overcome. Unless the government knows how to make good use of these chances, the economy and even the culture can be taken over and controlled by external factors. Following are some key indicators of Vietnam's demography as well as economy.

TABLE 6. Vietnam key indicators (CIA The World Factbook 2014)

FULL NAME	Social Republic of Vietnam
CAPITAL	Hanoi
AREA	331,210 sq. km
POPULATION	92,477,857 (July 2013 est.)
LANGUAGE	Vietnamese (official), English (increasingly preferred as second language)
GDP – REAL GROWTH RATE	5.2% (2012 est.)
LABOR FORCE	52.29 million (2012 est.)
LABOR FORCE – BY OCCUPATION	Agriculture: 48%, Industry: 21%, Services: 31% (2012)
EXPORT / IMPORT	\$114.6 billion / \$104.7 billion (2012)
EXPORT COMMODITIES	Clothes, Shoes, Electronics, Seafood, Crude Oil, Rice, Coffee etc.
EXPORT PARTNERS	US 17.8%, Japan 11.8%, China 11.2%, South Korea 5%, Malaysia 4.1% (2012)
IMPORT COMMODITIES	Machinery And Equipment, Petroleum Products, Steel Products, Raw Materials For The Clothing And Shoe Industries
IMPORT PARTNERS	China 25.8%, South Korea 13.9%, Japan 10.4%, Singapore 6%, Thailand 5.2%, US 4.3% (2012)

A more insightful look at macro situations of Vietnam in different areas, including political, economic, social, technological, environmental and legal factors are provided next. All of these factors are illustrated in the PESTEL table as follows. The author strives to drive all of them towards air freight industry.

TABLE 7. Vietnam PESTEL analysis

P OLITICAL	<ul style="list-style-type: none"> • One-party socialist country. • Politically stable.
E CONOMIC	<ul style="list-style-type: none"> • Top 10 fastest growing country in the next 40 years (Knight Frank Research 2012). • Too dependent on global economy. • High inflation rate which also means weak currency (9.2 percent 2012 est.) (CIA World Factbook 2014). • Actively participating in international trading organizations/forums.
S OCCIAL	<ul style="list-style-type: none"> • Young workforce with 63 percent of population is between 15 and 54 years old in 2013 (CIA World Factbook 2014). • Population distribution is not even, mostly in two biggest cities: HCMC and Hanoi. • Urbanization is getting stronger. • Low quality infrastructure.
T ECHNOLOGICAL	<ul style="list-style-type: none"> • Vietnamese are highly exposed to technological changes. • 35.58 percent of population is connected to Internet (VNNIC 2012).
E NVIRONMENTAL	<ul style="list-style-type: none"> • A tropical country with great natural resources. However, it is being exploited which leads to serious pollution.

	<ul style="list-style-type: none"> • Being affected by flooding on yearly basis, especially in the central area. • Vietnam is among countries that will be severely affected by climate changes.
LEGAL	<ul style="list-style-type: none"> • Bribery and corruption rate is high (ranks 116/177 globally in 2013) (Transparency International 2014). • Inefficient and complicated legal system in every aspect. • Incentives in promoting foreign investments.

Overall, Vietnam is a politically stable country with various incentives for foreign investments. Moreover, a young and well-trained work force also contributes considerably to the fast growth rate of economy. Comparing to other nations in the region, Vietnam has quite cheap labors which is one of the key attraction for international firms. On the other hand, different bottlenecks are visible that can prevent the state from growing further. First of all, low-quality infrastructure is one of the main drawbacks that hesitate investors. In fact, the development of infrastructure does not catch up with the fast pace of economic growth. For instance, in Annual Consultative Group Meeting 2012 report prepared by Vietnam Business Forum, the Nordic Business Association (NORDCHAM) pointed out the high cost and some other difficulties that Nordic companies are experiencing as a consequence of low cargo handling capacity and congestion at big ports. Besides, complicated and inefficient legislation is another hindrance for the state. Also in the same report, Japan External Trade Organization (JETRO) showed a survey conducted within Japanese firms and assessed that Vietnam has high rate of cumbersome bureaucratic procedures as well as inadequate legal systems. Moreover, corruptions and unstable currency are also threats for the states. To summarize, even though Vietnam is an attractive country for foreign investments, unless the state manages to tackle all the bottlenecks they are coping with at the

moment, there is no doubt that international companies will lose interest and move their production plants to neighboring countries in the future.

3.3 Air freight market in Vietnam

The history of Vietnamese air industry is traced back to 1956 when Vietnam Civil Aviation was established. It is the first air-related organization to be founded, creating the cornerstone for all air activities until now. During the time, the main purpose of air industry was to support the wartime by transporting food and weapons between North and South Vietnam. Once it came to an end, airways started to contribute considerably to the economy. (Civil Aviation Authority of Vietnam 2013.) Even though the amount of freight transported by airways is significantly small compared to other modes, it is gradually proving the cruciality in the national transport systems. As can be seen from the following figure, between 1995 and 2012, the freight traffic volume was mostly on increasing mode, surging 5 times from less than 100 to nearly 500 million ton-kilometers. Especially during the economic downturns 2009 and 2010, air industry still made the best out of it. IATA predicted that during 2009 to 2014 will be the remarkable period for Vietnam aviation industry as the growth rate for international freight market will rank 3rd worldwide with 11.4 percent.

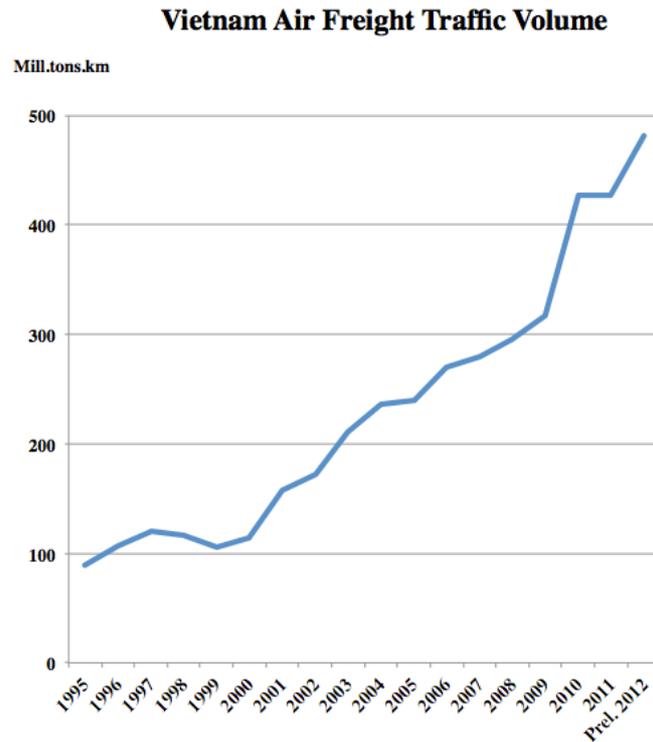


FIGURE 24. Vietnam air freight traffic volume (General Statistics Office of Vietnam 2014)

As can be seen in figure 25, up until now, Vietnam has been facilitated with 21 airports in which three are recognized as international ones. In fact, Tan Son Nhat Airport (in HCMC) and Noi Bai Airport (in Hanoi) are the two biggest nationwide. Besides, totally there are 56 airlines operating in the country and 51 are international. Consequently, most of these airlines only operate in Hanoi and HCMC. However, with the rapid economic growth of Vietnam at the moment, the two airports will no longer be able to serve the escalating demand with its current capacity (Bich Lien 2011). Hence, many new airport projects are being held among which the biggest project at the moment is the construction plan for Long Thanh International Airport. Located in southern part of Vietnam – the most vigorous area, the airport is highly expected to take a giant leap to the development of aviation industry in being the largest transit port in ASEAN (H.Mi-Hoang Ha 2013). Its master plan was approved in 2006 and the first out of three phases of the construction is planned to start in 2015 and expected to finish in five years. The maximum capacity of Long Thanh airport is 100 million passengers and 5 million tons of cargo annually (H.Mi-Hoang Ha 2013).



FIGURE 25. Vietnam airport locations (Vietnamairlines 2013)

As discussed in the previous chapter, Open Skies Agreements are one of the huge opportunities in aviation development. At the moment Vietnam only has Open Skies Agreement with nations in ASEAN. In fact, the treaty has been valid since 2008 and will be fully implemented in 2015 (Việt Hà 2010). By then ASEAN will be one united aviation market. Besides, ASEAN also has agreement with China signed in 2011 and started to negotiate with European Union in the beginning of 2014 for the bilateral treaty between two organizations. (Europa 2014.) If it works out, the benefits that arise from it will be beyond expectations. Undoubtedly Vietnam, particularly the aviation industry, will gain a lot from these treaties. Besides, liberalization or deregulation is also a potential merit for the industry. In 2008, the first privately owned airline was established in Vietnam and since then, there have been various happenings in the market. Vietjet Air, the first private airlines started to organize international flights in the beginning of 2013. Another player – Air Mekong – left the field in March 2013 and two new comers entered the market at the end of 2013 (Hai Son 2013). Consequently, until now, there are totally four private airlines ready for or already in operation. However, it should be noted that at the moment these firms are only carrying out passenger service. There is no plan that they will participate in the cargo market anytime soon.

4 CASE STUDY: CMA CGM LOGISTICS VIETNAM

4.1 Company Background

CMA CGM Logistics is the subsidiary of CMA CGM Group. CMA CGM is a French container company which was founded in 1978 by Jacques Saade. Ever since its establishment, CMA CGM is the third biggest shipping line in the world (after Maersk and MSC). At the moment, the head office of CMA-CGM is located at Marseille, France. Its presence is spread through 400 ports in 150 countries globally with 650 offices/agencies. As CMA CGM being a big corporation, the number of staffs is approximately 18,000 worldwide of which Marseille hosts 2,400 employees. (CMA CGM 2014.)



*CMA CGM Tower, Marseille
(CMA CGM 2014)*

Regarding CMA CGM Logistics, the subsidiary owns 50 branches in 30 countries (CMA CGM Logistics 2014). The service range is much wider than that of CMA CGM Liner as it can offer other packages to customers such as domestic service, multimodal transport and based on customer's request, the company even design tailor-made solutions.

4.1.1 Aims and Objectives

CMA CGM Logistics Vietnam was founded in 2012 as a joint venture between CMA CGM Group (France – 49%) and International Service Logistic (Vietnam – 51%).

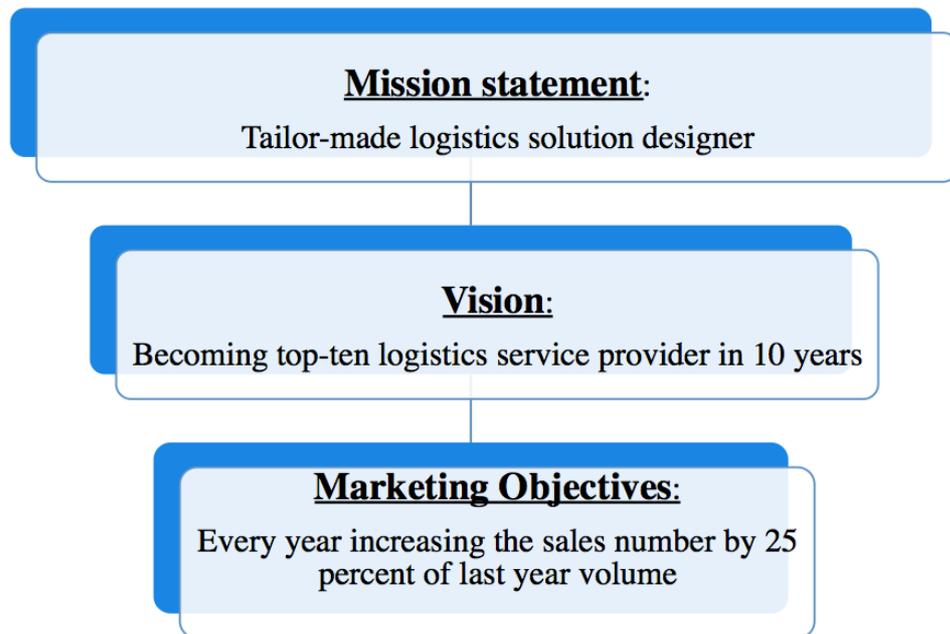


FIGURE 26. Hierarchy of objectives of CCLOG VN (Duong 2013)

It goes without saying that the mission of CCLOG VN must be coherent with that of CCLOG Worldwide which is "Tailor-made logistics solution designer" which is demonstrated in above figure. In other words, CCLOG aims to serve customers based on their specific needs. No matter what is the need of customers, just come to CCLOG and they will be satisfied. From that mission, CCLOG VN sets up its vision in 10 years to become the top-ten freight service provider nationwide. In order to achieve that goal, marketing team feels obliged to set its own target by every year in increasing the sales volume to 25 percent compared to that of last year. (Duong 2013.)

4.1.2 Service packages

CMA CGM Logistics Vietnam is on the way expanding its services to a wider spectrum. As shown in the next figure, at the moment four services are being offered to customers which are sea freight, domestic solutions, project cargo and customs clearance. Besides, two projects are under incubation for further development – air freight and cargo insurance.



FIGURE 27. CCLOG VN’s service packages

4.1.3 Company’s advantages

This phase is meant to discuss internal factors of the company including human resources, management, materials, machinery, money and marketing. The purpose of the analysis is to recognize strengths and weaknesses that CCLOG VN is possessing now. Figure 28 provides further details of those elements:

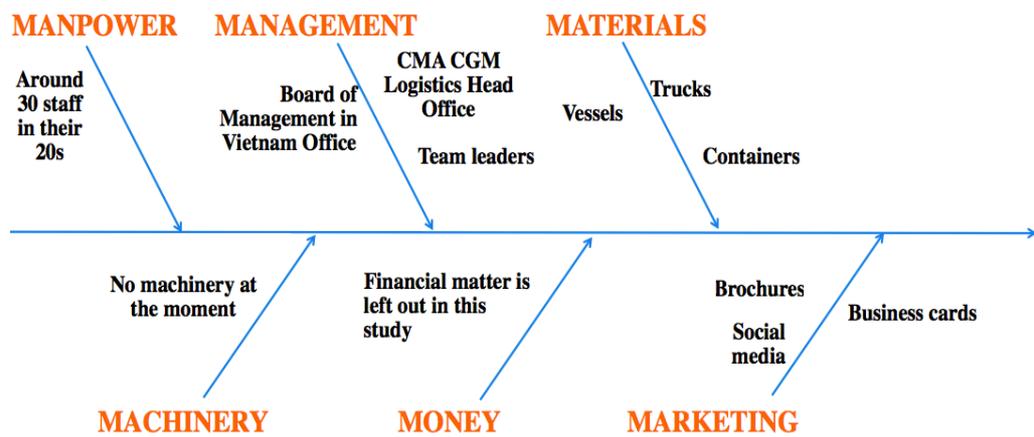


FIGURE 28. CCLOG VN’s fishbone diagram

Manpower

At the moment CCLOG VN employs approximately 30 staffs in which around 20 are permanent and the rest is in probation or internship. Regardless of the department they are working in, most of the employees are in their 20s, some are fresh graduates. Therefore, the human resources of the company are absolutely young and ambitious. Indeed, they come to CCLOG VN with high spirit and great enthusiasm. They are willing to learn new expertise on a daily basis and also very creative and flexible at the same time. This is one of the biggest strengths for the firm as with such dynamic force, it is no doubt that they will bring CCLOG VN to the new great level in short future. (Duong 2013.) However, this trait might seem to be a downside as well. Due to their inexperience in the industry generally, problems can easily arise. For instance, there might be some circumstances which require agile actions but they are still too young to realize its urgency. Customer service can also be affected since this section needs to deal with clients on a daily basis and in order to perform the task well, staffs need to expose themselves to the environment as much as possible.

Management

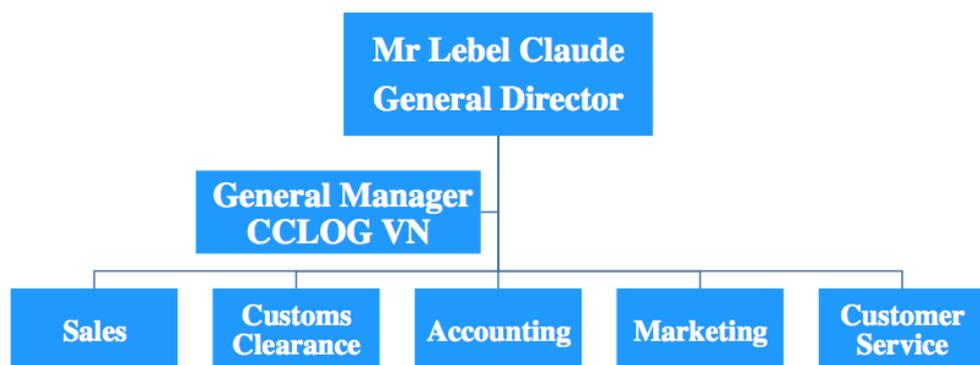


FIGURE 29. CCLOG VN's organization chart

The firm is driving by the CMA CGM Logistics Head Office in Marseille, France. In addition, there is one manager to directly manage daily operation at the office and each department also has one team leader. Leaders are responsible for managing their team and reporting to the manager frequently.

Materials

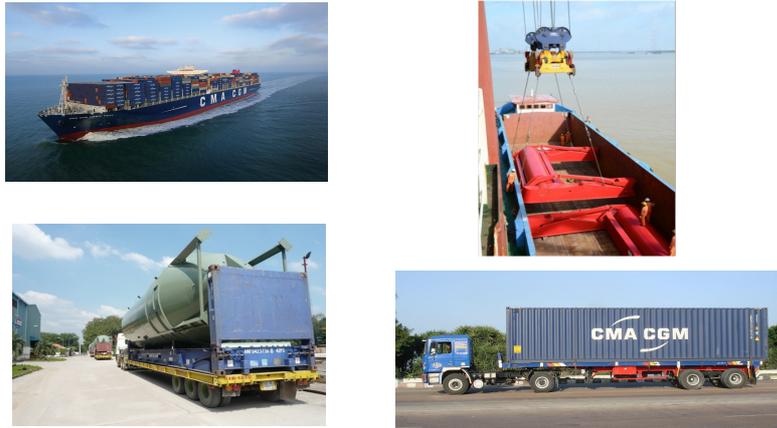


FIGURE 30. CCLOG VN'S materials

Materials concern what CCLOG uses in the service they offer to customers. As a freight forwarder, the main service that the company is offering is trucking, sea shipping and customs clearance. Hence, it can be said that CCLOG VN's materials are trucks, vessels and containers. (Duong 2013.)

Machinery

Unlike materials, machinery is what the company owns. Unfortunately, CCLOG VN does not own any assets up until now. Everything is outsourced from other suppliers. The manager once told the author that CCLOG VN does not intend to make investment in this area. In fact, when owning any investment, it is more complicated for the firm as depreciation and relevant issues must be taken care of. Instead of wasting time on those problems, he would like to invest in human resources which are more crucial than anything. (Duong 2013.)

Money

As mentioned in the beginning of the study, financial issues are left out in this situation.

Marketing

The marketing approaches of CCLOG VN are still limited to brochures, booklets, business cards and social medias such as websites and Facebook page.

Overall, the biggest merit that CCLOG VN possesses at the moment is the young and dynamic staffs. As discussed, the manager aims to invest in human resources rather than physical assets. Those assets will be depreciated over time but with talents, the more they are nurtured, the higher profits they will bring to the company. Excellent customer service is a huge advantage for any firm in this sector as the freight forwarding industry in Vietnam is now full with numerous competitors. Besides, CCLOG VN can also take advantage of being a shipping line's forwarder for growth and development. With the reputation CMA Liner has built in Vietnam market since 2006 as well as its international recognition, there is no doubt that it will be much easier for CCLOG VN to develop than an ordinary forwarder. On the other hand, not owning any asset does not seem very safe either. Some activities can be outsourced but at least the company should have some assets so that trust and reliability can be built to clients. If they ever find out that CCLOG does not possess anything on their own, skeptics will be raised in their mind. The good news is that at the moment, the board of management (hereafter BOM) is currently considering to hold assets in order to expand the service packages so this weakness will not be lasting for a long time (Duong 2014). Furthermore, marketing methods are not that diversified but it is fathomable as in this sector, naturally there are not that many marketing methods. From the viewpoint of the author, the strongest and most effective way is mouth-to-mouth marketing. Indeed, if CCLOG VN can gain trust from one client, it is most likely that they will recommend the firm to their partners so CCLOG VN can get a new customer without much effort. However, as the firm is still in its establishment phase, it will take some time for them to apply this strategy successfully.

4.2 Market Analysis

At this phase, the market situation is given a more insightful look by using Porter's Five Forces model.

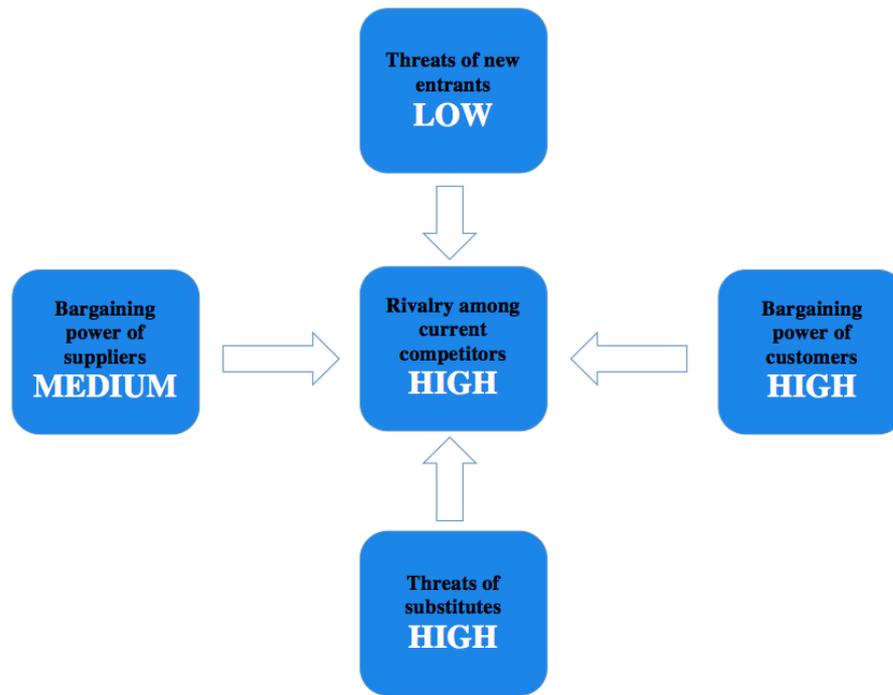


FIGURE 31. Porter's Five Forces of air freight market in HCMC

High bargaining power of customers

Since the competition in the transportation field generally is high, customers can always switch from one to another. CCLOG VN was founded just about one and half years ago so the company has not earned strong base of loyal customers. If they are dissatisfied with any aspect during the time they use the service, there is likelihood that they will stop and never come back again. Furthermore, since CCLOG VN does not specialize in air service, it is another point for customers to consider thoroughly before making the decision. Hence, customers have indeed strong power under this situation.

Medium bargaining power of suppliers

CCLOG VN puts strong emphasis on providing the high-quality service to its customers, whether it is trucking, sea or air service. In addition, the firm does not own any asset or equipments in providing service. Thus, the company strives to create a long-term partnership for mutual growth with its suppliers such as vendors, shipping lines and in this case, airlines and even integrated carriers. In the market at the moment there are numerous service providers as described in the previous chapter. Besides, the BOM of CCLOG has wide network in the field so it

is not a problem to find suppliers, the only thing that matters is pricing. As a result, this issue is only put at medium level.

High threats of substitutes

As mentioned earlier, air freight accounts for only a small part of market share in transportation systems. In fact, maritime transport has always been an optimal mode for international transport. As can be seen from the table below, seaways dominate the market in term of freight traffic with nearly 80 percent in 2011 which then followed by road and railways. On the contrary, air freight activities only accounts for less than 1 percent. For domestic transport, it is obvious that road and inland waterway take the lead since Vietnam has a long coastal line from North to South and the road infrastructure has been upgraded significantly throughout the years. Consequently, customers can always choose those two modes over airways.

TABLE 8. Freight Traffic of Vietnam by types of transport 2011 (General Statistics Office of Vietnam 2014)

	Rail	Road	Sea	Air
Freight Traffic (million ton-kilometers)	4,162	40,130.1	171,410.7	426.7
Market share	1.9%	18.6%	79.3%	0.2%

Low threats of new entrants

There are no official records regarding the amount of freight forwarders operating in Vietnam but from the manager of CCLOG VN, there have been around 8,500 companies in HCMC. It is a result from opening logistics industry of Vietnam a few years ago. The government would like to create strong progress and development of this area so numerous firms were able to get the license to operate in the field. Unluckily, the outcome did not live up to expectation. Various companies have to shut down their business due to poor performance and loss for consecutive years. Judging from this situation, the government again decided to

limit on the amount of freight forwarders entering the market annually. In fact, it is very difficult and complicated now to make registration with the authority for operation license. Therefore, new entrants are not a problem for CCLOG VN for the time being.

High rivalry among current competitors

Apparently, logistics activities in Vietnam generally are a promising market for investors. Though there is no official records on activities of firms in the field, based on a short e-mail interview with an experienced expert in air cargo as indicated in Appendice 2, it can be said that international companies are playing an important role in local logistics industry. Especially for big firms, they are in favor of international freight forwarders or shipping line forwarders such as DB Schenker, Kuehne & Nagel, DAMCO or Yusen Logistics. As for air freight service, there is no doubt that integrated carriers are the first names that customers will think of. FedEx, UPS and DHL are notable instances for the case with DHL dominating the current market (Nguyen 2014). Besides express service for mails and packages, they start to specialize in industrial business. For example, DHL has a separate section on their website introducing the air freight service for machines and spare parts. The ranges of service they are offering to customers are diversified as well. In addition to the transportation, they also offer customs clearance service. Consequently, it is a real conquest if CCLOG VN – a new company – wants to successfully compete with these giant names.

5 EMPIRICAL RESEARCH & ANALYSIS

5.1 Survey design and questionnaire formulation

Generally speaking, survey is a powerful tool in collecting primary data, i.e. subjects' opinions as regards specific topics or issues. Besides, it is also capable of conveying their characteristics and implying reasons for a certain action and decision. (Blythe 2005, 104.) In any survey, business objective is the most vital part since that expected outcome will place a mindset to the research objective which is the key reason the survey is designed for (Brace 2004, 11).

Relating to this study, the business objective is also the goal of this thesis which is the development plan of air freight service and the research objective is mentioned earlier in the first chapter which is the examination of the potential and probability to develop the plan to practice. To be precise, the survey for this study is shown in Appendice 1 and aims to examine these aspects:

- ◆ What is the type of the company?
- ◆ Where are they located?
- ◆ Which industry are they operating in?
- ◆ Have they used service of CCLOG VN before? If yes, how satisfied are they with the service, particularly the price and customer service level?
- ◆ Have they used air service before?
 - If yes, when is the last time they used it? How often do they use it? Where are the destinations and origins for their shipments? Who do they contact to? and Would they be interested if CCLOG VN offered them the service?
 - If not, what are the reasons? and Do they plan to use it someday in the future?

When designing a survey, questions are divided into two categories: open-ended questions and closed questions. Depending on the traits and characteristics of the research, either one or both of them will be applied to the survey. On the one hand, open-ended questions do not create any limit or structure in respondents' answer. Instead, they are encouraged to freely express their ideas and opinions.

On the other hand, closed questions offer a fixed set of answers and respondents need to choose among them. It is the job of the researcher to specify in advance all response options. (Craig & Douglas 2005, 248.)

The survey used for this thesis contains totally 14 questions in which 12 are closed and the rest two are open-ended. With all the aspects mentioned above, open-ended questions are applied to the industry the company is operating in and the reasons they do not use air service since the answer range for this inquiry is so big that the author does not want to set any limitation. However, with those two inquiries, after gathering all responses, they will be sorted into certain groups of answer.

5.2 Data acquisition process

This phase is meant to create a holistic view on how the survey is done and how it is analyzed with the goal of contributing to the further steps in this development plan. Below table summarizes the process of survey from the design step until the final phase for analysis:

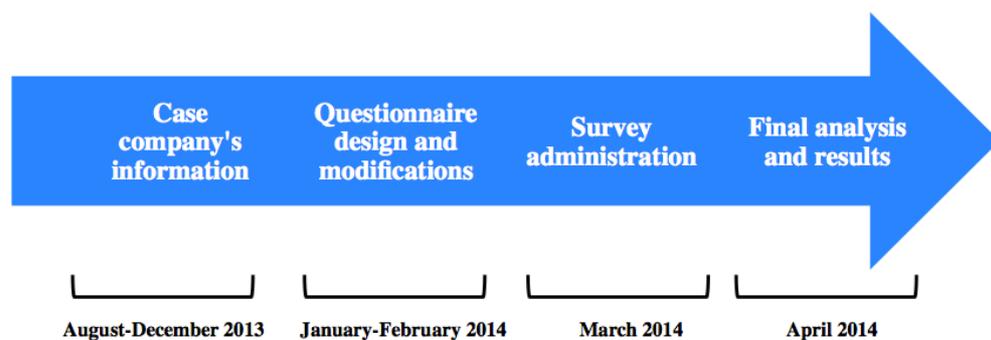


FIGURE 32. Data collection process

As mentioned earlier, the author was not present in the company for the time being so the survey must be operated by her colleagues. According to the instruction of the manager, two people were assigned to assist in this case and after discussion, one of them was responsible for contacting current customers of CCLOG VN and the other would approach potential ones, namely customers of CMA CGM Liner. The collaboration and communication between those two

people were easy since both companies are situated in the same office. It should be noticed that with current customers of CCLOG VN, the author means the direct customers, i.e. they are not third or fourth party logistics service providers. In addition, the design of the survey was sketched out after the research question was drawn and the survey took place in week 11 and 12 of 2014 even though the communication between the author and the manager about this issue was traced back two weeks prior to the actual occurrence. Consequently, the total time for this data collection was one month. The reasons behind such long time were due to miscommunication regarding who were the actual people to carry out the task and a number of modifications to the survey after discussion with the author's colleagues. With a specific list of customers in hand to approach in the beginning, half of the list was approached by emails and the rest was through phone calls. However, after a few days, it seemed that all the responses were from phone interview so a quick decision was made that all of them would be called to ensure the number of answers reaching the target. Because the author could not conduct the survey on her own, after the survey operation, she had to ask her colleagues to clarify some points in the survey regarding customers' opinions.

Moreover, during the time the author was performing her five-month internship at the case company from August to December 2013, she managed to acquire various information with reference to CCLOG VN's vision, mission statement as well as how air service should be developed for the clients and on whom the firm should specialize on. The information was mainly from the manager since the author spent most of her time working and studying under his supervision. All of the knowledge was noted and remembered by the author for this development plan. Furthermore, during the time for this study, guidance and advice were also offered by the manager whenever the author would like to clarify any issue.

Totally 28 responses were collected with the actual amount of customers approached were around 35. Unluckily, seven clients did not want to reveal any information during phone interviews. This number of answers might not seem so big but for a business-to-business case like this, it is sufficient to analyze. Due to the small scale of this survey, no specific statistics software is used. Another thing to be noted is that 28 respondents are operating in various industries such as agriculture, wood or steel sector.

5.3 Data analysis

The first step of this part is to provide an insightful look at current customers of the case company and which score do they grade the service level of CCLOG VN in terms of price and customer service. To begin with, as illustrated in below figure, out of 28 respondents, nearly half of them are FDI companies which then follow by public firms and private ones take the smallest account. In addition, only eight out of 28 respondents are currently using CCLOG VN's service.

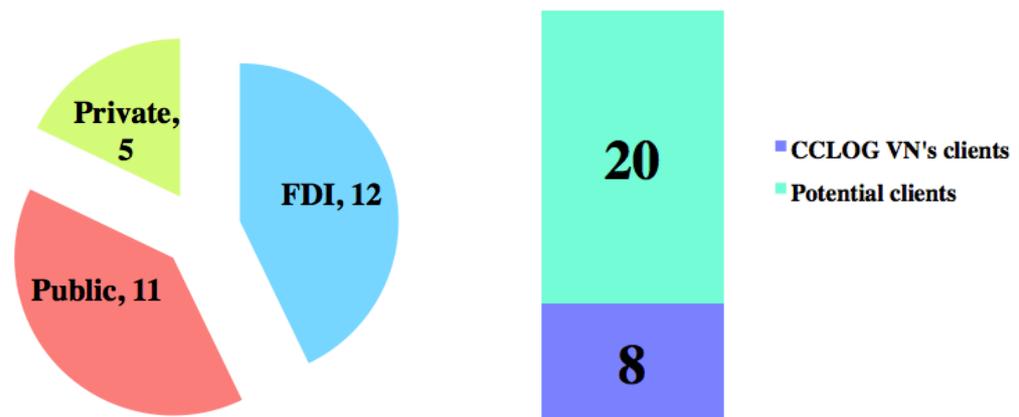


FIGURE 33. Proportion of survey's respondents

Besides, it seems like they are quite unpleasant with CCLOG VN regarding both price and customer service quality when asked to grade the price and customer service level (with 1 is the most dissatisfied and 5 is the most satisfied). The average point for price is only 2,5 and customer service is 2,1. Particularly, in price section, half of them give point 2 and half give point 3. On the other hand, when scoring customer service level, five respondents agree that CCLOG VN deserves only 2 points while the other two assess more positively with 3 points and only one is extremely dissatisfied by giving point 1.

TABLE 9. Customers' satisfaction grades over CCLOG VN's service

Criterion/Grade	1	2	3	4	5	Average
Price	0	4	4	0	0	2.5
Customer service	1	5	2	0	0	2.1

Even though the number of respondents is small, the result is believed to reflect the current situation because from the current customer list the author received from the Customer Service Department of CCLOG VN, more than half of total clients the firm is serving now are third or fourth party logistics service providers. All direct clients were approached but only eight agreed to provide feedbacks and answered the survey questions. The result points out a big problem for CCLOG VN now as discussed in the previous chapter, one of the strategies of CCLOG VN is putting priority in offering high quality of customer service. In addition, the firm also aims to increase the number of direct clients since the profit margin a forwarder can get from them is much higher than that of other segments. The price can be high but it should go along with the customer service. In other words, customers are willing to pay more for a good service. However, it seems like the goal has not been reached yet. The price of CCLOG VN is perceived as expensive and the staffs do not seem to satisfy the customers.

With respect to the poor customer service like respondents indicated, two possible explanations are presented. First of all, customers might have different perceptions on what is good service and sometimes in logistics service, disruptive risks happen which are out of control of the company. However, for customers, all they care about is their shipments arriving on time and no disruption should occur that could affect their other operations. It can never be guaranteed 100 percent that problems will not happen. Consequently, sometimes freight forwarders and customers might have misunderstanding regarding this issue. In addition, judging from CCLOG VN sides, the staffs are so young that they still need time to fully improve and professionalize their skills, especially when it comes to dealing with customers on a daily basis.

The most important part of this survey is the examination relating to air freight service. Among 28 responses, 19 claim that they have never used air service before and the reasons behind this is mainly due to characteristics of commodity (63%), high cost (11%), no decision in choosing transport mode (11%) and other matters relating to legal issues and customs procedures as indicated in the following figure. When taking one step further with the question whether they consider using air service someday, 16 out of 19 say No and only 3 say Yes. It is quite understandable since the most important factor in choosing transport mode

is the characteristics of the goods itself and if the goods is not suitable for air mode, there is no doubt that they will not consider to use it. In addition, it can be concluded that the current segments that the survey is examining on is mostly dedicated to sea way transport.

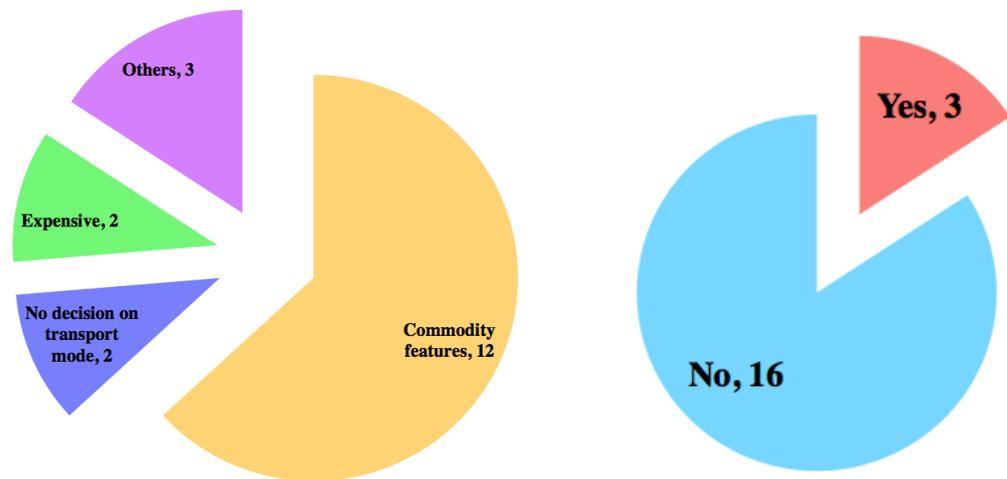


FIGURE 34. Reasons for no use of air freight service and consideration

The notion that customers segment in question is a dedication of sea transport is again seen in the 9 firms who have used air freight before. The reason they use air service is because the shipment is a sample product they need to send to their customer in other countries for testing. Another reason is the time-sensitiveness feature of the shipment in which it has to reach the destination as soon as possible. Furthermore, freight forwarders are the main contact point when they want to use the service and their most crucial decision-making criteria is the price level and delivery time. In addition, according to Figure 35, the destination and origin for their shipment varies with Intra Asia is the most common place and this is not a surprise since generally, Vietnam has been trading the most with countries in Asia area. It is interesting to note in the survey that 6 out of 9 clients are interested if CCLOG VN offers them with air freight service when they have the demand.

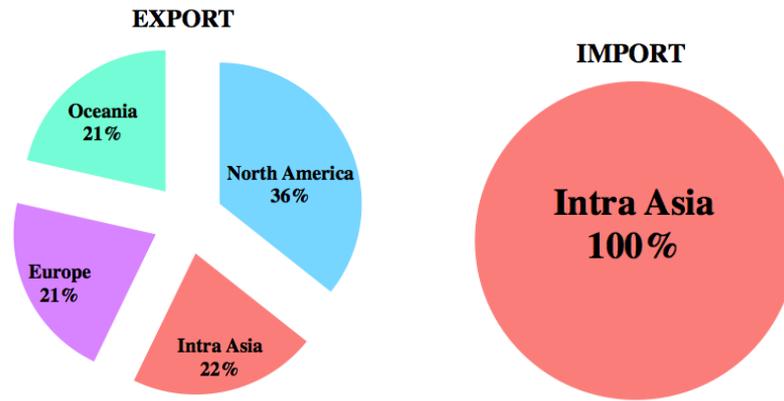


FIGURE 35. Answers on origins and destinations of air shipments

Moreover, the survey also conveys the location of the respondents and the result shows the equality between two variables: is it located in HCMC and it is in an industrial zone (hereafter IZ). However, according to the manager of CCLOG VN, huge potential customers for the firm are mainly located outside HCMC, particularly in IZs since it is where manufacturing plants are. Therefore, it can be concluded that CCLOG VN and CMA Liner have not paid enough attention to clients in IZs.

TABLE 10. Location of respondents

	In an IZ	NOT in an IZ	Total
In HCMC	8	4	12
NOT in HCMC	5	11	16
Total	13	15	28

To summarize, the survey has assisted the author in evaluating the current situation of freight market. It is found that the subjects in question belong to a dedicated segment of seaway transport so a proper strategy should be set on how to effectively approach this special segment.

6 DETAILS OF DEVELOPMENT PLAN

Judging from the market situation and survey result, air service is feasible for CCLOG VN to develop. However, at the first step which is a plan for one two three years, the scale of the plan should be small and be an additional package for clients besides sea service. It is because from the author's point of view, the company should get familiar with air freight market first and later on, depending on the speed of progress, the business can be expanded more widely with new segments of clients. The emphasis of this plan is on the strategy for sales people to approach potential clients with the ultimate goal is to contribute to the Marketing objectives mentioned earlier which is to increase the sales number by 25 percent annually. At this stage, Strategy, Tactics, Actions and Control in SOSTAC[®] model will be deeply applied.

6.1 Strategy

6.1.1 Segmenting

As introduced in second chapter, in this study, the segmentation is in accordance with Buying Process Segmentation. With this model, customers are categorized into three groups: First-time prospects, Novices and Sophisticates. Among the purposes of the survey are to clarify these segments and provide a deeper look at them.

To begin with, first-time prospects and novices are classified as seaway customers who need to use air service once in a while for sample products or urgent shipments. Particularly, the formers are those who have never used air freight service but they are aware that at some point in the future, they will have to use it due to the situation. On the other hand, novices at least used it once and like first-time prospects, under some circumstances, they will need to use air service again. As the survey indicated, seaway customers might have the demand in air freight even though it is not so frequent. Since they mostly use maritime transport, their knowledge and experience in air industry is not wide, not to say narrow. As a result, what is important for sales people when approaching these clients is the feeling of trustworthiness. However, one big shortcoming of those segments is

that the demand they have for air service is not high, if not to say low. It is because in the mindset of those customers, they only use the service only when the circumstance forces them to.

Unlike the first two segments, sophisticates is the segment that the survey cannot reach to. It can be categorized as firms who use air transport on a high level of frequency for their goods. For instance, short-life cycle products are mostly shipped by airway, e.g. electronic products such as mobile phones, tablets and trendy goods that can only be present in the market for a short amount of time. In its peak season and also the golden time for the firm to make profit, the demand can be escalating and the products have to be shipped to the destination within a few days and under those circumstances, air service is the optimal choice. Since they are common users of air service, they can be very well aware of the pricing, the transit time and it is not easy for sales people to sell to them. Not only sales personnel need to be trustworthy and honest, a high level of experience and persuasive manner in terms of knowledge and experience are also pivotal traits when dealing with this segment.

6.1.2 Targeting

Differentiated marketing is applied for the case company. In other words, one or two segments will be focused for further development. As analyzed previously, maritime clients are divided into first-time prospect and novices. From the viewpoint of the author, both segments are targeted and strategies for them will be similar since both have a lot in common. The only big difference is the sales attitude toward each of them. Since first-time prospects have never used air freight service before, sales people are advised to create a feeling trustworthiness of clients to CCLOG VN that the firm can do it well. On the other hand, a specifically higher level of training is required of sales people when dealing with novices because they have used the service before. As a result, they have knowledge about the field. In short, the focus of sales people when dealing with first time prospects is the understanding of client's business and with novices is service packages.

In addition, CCLOG VN will leave sophisticates segment to a later phase of development. The key reason is because this segment has not been studied thoroughly yet. Another point is that sales team of CCLOG VN at the moment are mainly maritime sales people and some of them will also be in charged of air service. Since they are not so experienced in the field, reaching sophisticates segment does not appear to be a good move for now.

Moreover, according of the manager and in accordance with CCLOG Global development strategy, air service of CCLOG VN gives priority to spare parts shipments. Particularly, focus is placed on FDI companies in IZs. Maritime sales people should be able to acquire information regarding imported/exported machinery of their direct customers to catch the business. For instance, a company whose industry is textile has manufacturing plant in HCMC and they use CCLOG VN's sea service to transport products/materials back and forth. Once in a while, they have to import spare parts for machinery's maintenance and repair. This is the time when air service can be utilized since speed is the priority of these activities. Otherwise, the production chain can be severely affected. However, as mentioned previously, the demand for air service of these two segments is low as maintenance activities only take place a few times a year. As a result, higher level of activeness and agility is required of sales people. They must be quick enough to notice when their customers will be in need of the service. In addition, by doing this, it is a possibility for sales team to increase their sales in both air and sea at the same time. While looking for a deal in sea transport, they can also find one for air service.

6.1.3 Positioning

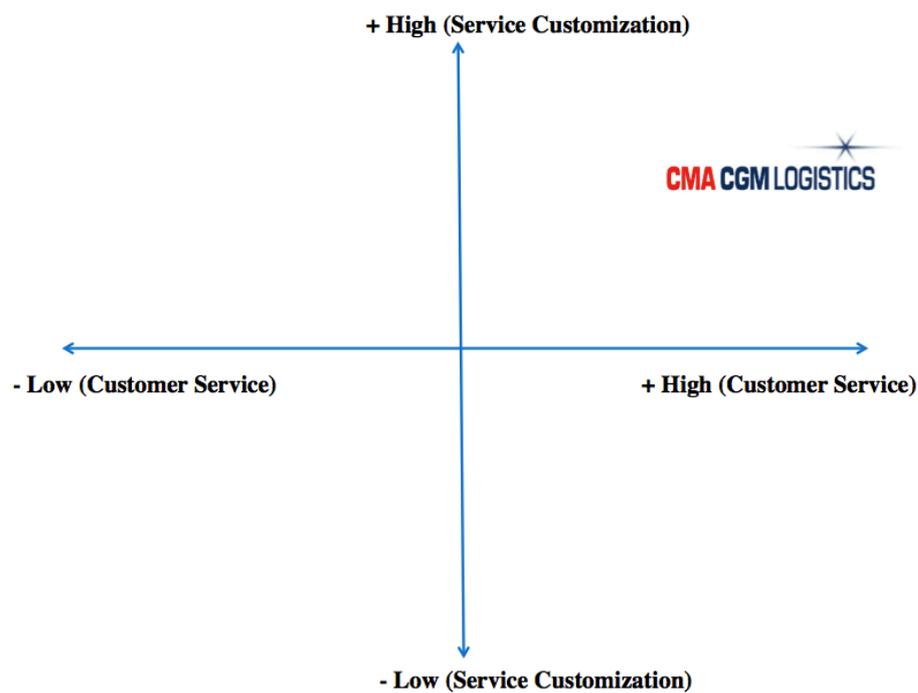


FIGURE 36. Positioning of CCLOG VN

As shown in above figure, based on the analysis of internal strengths and external aspects, CCLOG VN can set its image as a young and vibrant company with a dedicating team who always puts clients in priority. In addition, whenever the clients are in need or help, CCLOG VN is always willing to assist. This strategy will be explained further in Tactics section. Furthermore, as discussed in the survey chapter, at the moment the firm is not in a good shape in terms of customer service and some possible causes are also presented. With the high hopes in the staffs, this positioning can totally be realized in the near future.

As stating on the positioning map above, besides customer service, CCLOG VN also focuses on service customization. In accordance with CCLOG Global, mission statement which is to be "Tailor-made solution logistics service provider", services of CCLOG VN will also be offered to clients according to their requirements and circumstances. For instance, one customer needs to transport sample goods by air from Vietnam to China for their client's testing. In addition, their manufacturing plant is located in Binh Duong Province which is approximately 80 kilometers away from HCMC. As a result, CCLOG VN can design a service package in which those services can be included: pick-up service,

documentations/customs clearance. In addition, if needed, CCLOG VN can contact with CCLOG China in order to deliver the goods to the final destination of consignee.

6.2 Tactics

The 4Ps below is used to provide a detailed look on service package to be offered, the places sales people should focus on and how they can introduce themselves as well as advertise the air service to customers.

6.2.1 Place

As mentioned earlier, the emphasis for sales people to approach are factories located in industrial zones (IZs). In every IZ, there are approximately 20 to 30 manufacturing plants so it would be beneficial for sales people to try to approach all customers in the same area. Afterward when they have managed to make a deal with a number of them, it would be easier to control and record these clients. Furthermore, it should be taken into account that the number of IZs in Southern region of Vietnam is the highest nationally, especially when most of them are located in Southeast region, as indicated in Figure 37. Besides, manufacturing plants in those IZs outside HCMC includes multiple big international companies, i.e. FDI firms. Many of them have just got the approval from Vietnamese government to start building factories in Vietnam for production. Therefore, this is a huge opportunity for CCLOG VN trying to approach these players since it is obvious that there will be potential business with them. Another reason that CCLOG VN should concentrate on IZs is that since they are located outside HCMC, large freight forwarders usually neglect them as they are too far to reach. Consequently, they fall to hands of local forwarders. CCLOG VN is also a new-established company but with the big reputation that CMA Liner has developed in Vietnam through those years, the company can also take advantage of its image. Moreover, as stated in the positioning part, CCLOG VN always puts clients in priority which means that the staffs will always be available for them. As a result, even though the company might be located outside HCMC, staffs are always willing to come if needed.

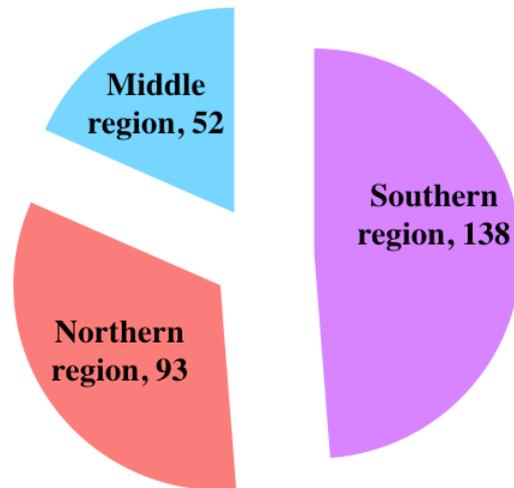


FIGURE 37. Distribution of industrial zones in Vietnam up to 2012 (modified from Vietnam Industrial Parks 2012)

6.2.2 Product

In accordance with CCLOG's mission, CCLOG VN is flexible in offering service to clients. Whatever their need is, it will be satisfied since the company creates tailor-made solutions for customers. Air service will be offered to clients as an additional service besides sea service since sales people of air freight are also in charge of sea freight. Overall, the main service range can be as follows:

- Consolidation
- Project cargo
- Documentation/Customs Clearance

All service will be offered at the level of airport-to-airport, door-to-door, airport-to-door and door-to-airport. Moreover, in order to make these service packages appealing and trustworthy in customers' mind, the membership in IATA Cargo Agency/Intermediary Program should be considered. As analyzed earlier, CCLOG VN can benefit a lot in terms of image and network. Besides, since CCLOG VN is a freight forwarder meaning a non-asset based air provider, product packages will need creating by signing different contracts with airlines for their service. KLM and Air France are two main airliners partners of CCLOG Global so priority will be set for these two names whenever possible. In addition, it is a possibility to make alliance with air integrators such as UPS and FedEx. Those big integrators

are both 2nd and 3rd party logistics providers since they own fleets for transportation. As mentioned earlier, since CCLOG VN does not own any assets for air service, they have to rely on asset-based service providers which are airlines and integrators in this situation. Regarding customs clearance and documentations, a separate person who specializes in this section will always be available for work. As mentioned earlier, air service can also be combined with other modes like maritime and road transport. In short, CCLOG VN provides tailor-made solutions for clients so it totally depends on how they would like their service to be.

6.2.3 Price

At this stage, it is hard to set a fixed price on every service package of CCLOG VN since it fluctuates along with market situation. In addition, the price also depends on the characteristics of the shipment, e.g. how much its urgency is. Another reason is that it is unclear in this study how competitors set their price so this section would not be analyzed deeply. However, generally speaking, the price CCLOG VN would set for its service will be ranging from the lowest price to the highest price of the market. It means that CCLOG VN does not want to offer too expensive or too cheap offer for clients. In fact, it has to go along with the quality of the service. In short, the price needs to cover all the costs and enough to generate profit for the company. The final thing to notice in this part is that in order to have good price, the company should have a good price negotiation with airlines and integrators who are the main service providers of CCLOG VN.

6.2.4 Promotion

In order to promote its image, the company can first strive to get attention from potential clients as much as possible through various tools such as webpages, brochures, etc. At the moment, a general brochure of CCLOG VN has been developed and sales team presents it to clients every time they pay them a visit for the first time. Besides, as said previously, being a forwarder of a shipping company CCLOG VN can exploit the image of CMA Liner as a powerful promotion tool. In my opinion, the strongest form of promotion in this case is word-of-mouth marketing. In other words, if they serve the current clients well

enough, good comments and recommendation will be spread among and across the fields and reputation of CCLOG VN will be increased without much effort in advertising. Especially for FDI companies, since they are operating in a foreign country, it is no doubt that firms with the same origin might have their relationship network. For the word-of-mouth strategy to be effective, the focus can be placed on the effort of sales team in creating a close relationship with clients, be a friend to them rather than a rigid business-to-business relationship. It can be done through phone calls, sales visits to client's office. Assessing from the survey, this strategy would take time for CCLOG VN to fulfill since customers now do not seem to be satisfied with the service quality at the moment.

6.3 Actions

With this step, a clear plan of sales team should be set with Gantt chart on how they will visit customers, where they plan to go and how many deals they want to get after a specific period of time. The timeframe varies, depending on the timetable of each sales person. Below is an example of this schedule:

TABLE 11. Actions required for visiting Industrial Zone A and B

	Week 1	Week 2	Week 3	Week 4
Identification of companies in both IZs	X			
Contacting companies for a visit	X	X		
Visit IZ A			X	
Visit IZ B				X
Report to team leader			X	X

Particularly, sales team leader assigns one or two IZ(s) to every team member to visit in one month. Each of them first has to find a list of contact information of all companies located in those places by any means such as Internet, phone or personal network. Then, they need to make a phone call introducing CCLOG VN and asking for an appointment with the aim to deeply understand their needs and let clients know what CCLOG VN can offer to them. Depending on the number of firms and time schedule of individuals, this action can last from a few days to maximum one week for one IZ. The next step is to go there and visit them. By actually going to the IZ and the company, sales people can somehow evaluate how big the firm is in order to have a suitable sales strategy for them. And lastly, a report is needed for team leader to review and advise further after each visit to every IZ.

6.4 Control

For sales department, controlling means comparing the sales target setting at the beginning with the final results to see if the goal has been reached. For instance, by focusing on an IZ, team leader can set a target that they have to make a deal with at least 25 percent of all companies located there within six months. After that period, they can check to see if they finally did it or not. And at the end of the year, a comparison with the biggest target will be made as well. If the objectives are all met, they can set a new goal to achieve. Otherwise, a meeting is necessary so as to determine all the causes and see whether the problems lie in their own team or due to external factors. In short, by doing this, they would be able to know where they are going and if their current strategy is suitable or not.

Besides, risks should also be considered in this phase. The following figure illustrates three main risks that CCLOG VN is facing at the moment:

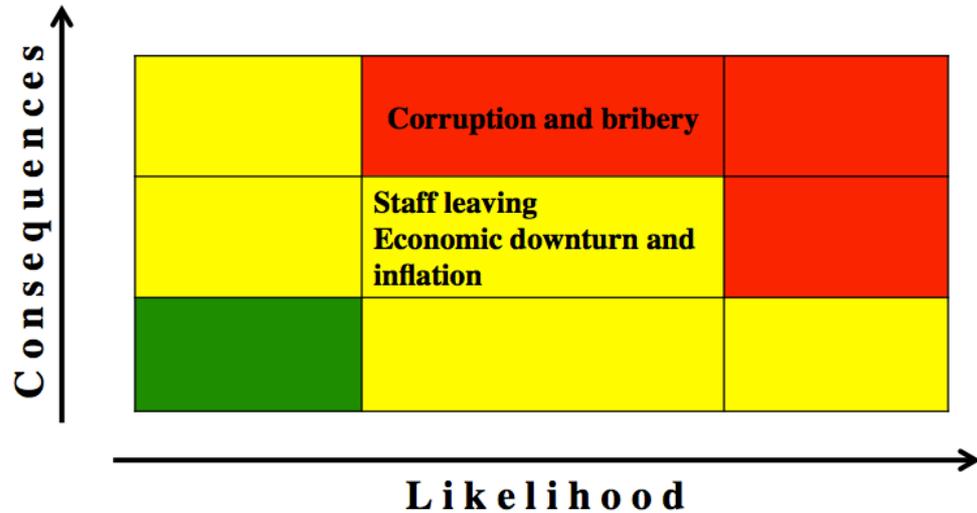


FIGURE 38. Risk matrix of CCLOG VN

First of all, regarding macro factors, economic hinders such as the recession and inflation rates can also have a big impact on the air business of CCLOG VN. High inflation rates and the downturn of economy may prohibit clients from using the service since aviation is never a cheap option for any kind of customers. Another external danger that CCLOG VN which is seen from the legal point of view is the corruption and bribery situation in the country. There have been different reports on FDI firms hesitating to invest into Vietnam, or a worst scenario is to withdraw their capital due to rather high corruption rate or under controlled bribery. This may have big impact on CCLOG VN as the company is focusing on FDI firms as potential targets. Overall, these macro factors are out of control of the company and there seems to be no contingency plan for them.

In relation to internal risks, it can be said that staffs leaving the company is the biggest threats. In other words, this is the huge brain drain for CCLOG VN. Since the firm wants to set the image of being young and dynamic, the Board of Management (BOM) concentrates on employing fresh graduate who are totally a white page for the company to train. The BOM does not mind spending time training and teaching them how they should do since by doing that, the BOM can drive the new staffs to the right direction that they want them to go. However, CCLOG VN is a new company so it is not easy to keep these young people in the company. As a matter of fact, a lot of young people have a misleading perception that after graduating, they have to find a good job with a high salary even though

the experience they have in hand is very limited. Consequently, after joining such young companies like CCLOG VN, they might see it would take them very long to make lots of money and they are too impatient to stay. In the end, the company wastes time and effort in training someone who will use their expertise for somewhere else. This risk can be mitigated through stricter terms indicating in the contract.

7 CONCLUSION AND SUGGESTIONS ON FURTHER RESEARCH

This section is meant to summarize all the findings and results this study has found. Besides, some suggestions on further research are also mentioned at the latter part.

7.1 Answers for research questions

Generally, Vietnam is a potential market for air freight service. Especially when there are multiple foreign companies investing in the country at the moment. Ho Chi Minh City and its neighboring provinces are a great place to start the air service for the case company when within the area located nearly 100 industrial zones.

- **How is the perception of sea freight clients – the current customer group of CCLOG VN – about air freight service?**

All respondents in the survey are those who mostly use maritime service. In fact, they rarely use air freight service and only a small portion of them have used it before. One of the reasons they only use maritime transport for international distribution is due to commodity features. The most common goods that they use for air service are samples and time-sensitive products. Though they are a dedicating group for maritime service, under some circumstances, they are willing to use air service instead.

- **How can the group of maritime customers be segmented so that air freight service can be effectively applied?**

Buying Process Segmentation is applied in this situation in which customers are divided based on their familiarity with the product or service. Precisely, three segmentations are created: First-time prospects, Novices and Sophisticates. First-time prospects includes clients who have never used air freight service but are willing to try it someday in the future. On the other hand, Novices consists of those who have at least used air service once in three months and are planning to reuse it. Last but not least, Sophisticates concerns who are very familiar with this service. In fact, sophisticates are the most knowledgeable among the three

segments about the product or service resulting in the fact that they are also the hardest group to approach. Maritime clients belong to two segments First-time prospects and Novices.

TABLE 12. Answers on research questions

RESEARCH QUESTION	ANSWER
How is the perception of sea freight clients – the current customer group of CCLOG VN – about air freight service?	They know about air service, some have used air service before for mainly sample and time-sensitive products.
How can the group of maritime customers be segmented so that air freight service can be effectively applied?	First-time prospects have never used air service before but is willing to use it someday in the future and Novices are those who have at least used the service once before and have possibility to use it again.
Who should CCLOG VN pay attention to in the market regarding competitiveness?	Other freight forwarders, especially international ones and those of shipping lines.
How should CCLOG VN position its place in the market?	A young and vibrant company who puts clients in priority and creates customized service packages according to individual needs.
What are the strategies for sales team to approach clients for air service in one to three years?	Focusing on FDI firms in industrial zones. CCLOG VN sales people try to attack all IZs in the Southern region of Vietnam.

- **Who should CCLOG VN pay attention to in the market regarding competitiveness?**

Other freight forwarders in general are competitors with CCLOG VN. Since there are no official records on who are dominating the logistics market, it is hard to accurately evaluate the competition. It can be seen that freight forwarders of shipping lines and internationally prestigious forwarders are main competitors.

- **How should CCLOG VN position its place in the market?**

Based upon on the mission statement of CCLOG Global, CCLOG VN wants to set its image in the market as a logistics company with high level of service customization. Whatever clients want will be satisfy when they come to CCLOG VN. In addition, customer service is also a key trait when shaping its position in the market. Staffs strive to create a long-term and mutually beneficial relationship with customers. In other words, a friendly connection is made instead of rigid business relation.

- **What are the strategies for sales team to approach clients for air service in one to three years?**

Companies with foreign direct investment (FDI) located in industrial zones in Ho Chi Minh City and neighboring provinces are main targets of CCLOG VN. Each sales person or a group of two will try to approach all clients in particular industrial zone for a specific timeframe in order to try to make business with them.

7.2 Validity and reliability

Regarding validity, the final goal of this thesis was reached with all research questions being answered properly. Moreover, theoretical knowledge and empirical research are done through different academic sources. First of all, theories were collected from official books, journals as well as trusted Internet sources. Most of the knowledge was published over the last five years so it is supposed to be up-to-date. On the other hand, in terms of empirical study, particularly the internal analysis of the case company, it was gathered during the

time the author was performing her internship from August until December 2013. She took note of all key information and used it later for this research. The manager also followed the progress of this study and provided guidance as well as advice whenever the author was in need. Therefore, this study can be said to be highly valid.

Besides, with respect to reliability, the survey was conducted with customers of CCLOG VN as well as CMA Liner and it contributed a lot to the detailed development plan in a later phase. The author believed that if it were repeated, the result would not change much since the subjects of this survey belong to a dedicated maritime segment. Besides, an interview with an experienced person in air freight service encompasses some current situation of Vietnam market and benefits of an air freight organization. As a result, this thesis is relatively reliable.

7.3 Suggestions on further research

One big suggestion for this study is that it might be a possibility to do research on financial matters when operating the service. As stated in the beginning, the thesis is completed without discussing this aspect. Therefore, a study on this issue should be conducted so that the commissioner can have a deeper look on how much they need to invest in order to successfully operate the new service. In addition, a broader study on other group of customers is also recommended. Particularly, if the case company can make a survey on the customer segments who regularly use air service, they will be able to understand more thoroughly the characteristics of air freight industry and how much beneficial they can truly get from this service development.

8 SUMMARY

As Vietnam is on its path of globalization, the country has established numerous tradings across the border since the Doi Moi Reform in the 1980s. Therefore, international transportation is playing a key role in the national economy and air freight industry is not an exception. Hence, the ultimate goal of this thesis was to create a development plan of air freight service for the case company.

Throughout this study, a deductive research method was employed with the assistance of a quantitative approach. Particularly, secondary data was collected from reliable books, Internet and relevant sources. On the other hand, the collection process of primary data was completed via two ways: personal observation during the five-month internship period of the author at the company and a survey conducted with current and potential maritime customers of the commissioner. It should be noticed that the survey contributed a pivotal part in analyzing and drawing out specific strategies at later phases of the research.

In addition, one of the key frameworks that are applied for this plan is the SOSTAC[®] model. Invented by PR Smith, this model can be utilized to create any kind of business planning. To be precise, SOSTAC[®] consists of six different steps, going from general to specific: Situation Analysis, Objectives, Strategy, Tactics, Actions and Control. In short, by using this model, the author managed to convey a whole development plan from the general knowledge market until the very last process which was the control measurements in order to ensure that the strategies are employed effectively. One thing that should be taken into account when applying this framework is the consideration of the three main resources: Minutes, Men and Money in which Minutes represents the time, Men analyses human resource aspects and Money concerns financial matters. Since financial issues were left out in this study, only Minutes and Men were discussed in this research.

The study began with a brief introduction regarding global transportation market. Apparently, comparing to other transport modes including maritime, railway, road and waterway, airway is the least common mostly due to its expensiveness. In fact, it is maritime transport that is dominating the market with its high level of

flexibility, fair price and capability of carrying any types of commodity. However, air freight is growing with a fast pace and it is predicted that in the future, aviation industry will create more obvious presence and influence. Regarding the Vietnamese market, though air freight service only accounted for only 0,2 percent of total transportation in 2011, it is on the fastest increase and by judging from various factors, it is concluded that huge potential exists for companies to invest in this field.

In terms of the survey, as mentioned earlier, it was the most important part which contributed greatly to the future strategies. Based on the survey analysis, maritime customers had some perception regarding air freight service and some of them have used the service before, especially for sample products and spare part import/export for machinery maintenance. In other words, air freight service was employed for emergency shipments. Therefore, conclusion was made that it was feasible to develop air freight service for maritime clients. Besides the survey, the plan was also fully completed with the guidance of the manager. He advised the author on which direction this service should go and whether any change should be made during the whole process.

The plan was eventually drawn with the focus being placed on foreign direct investment (FDI) firms located in industrial zones in Ho Chi Minh City and neighboring provinces. Particularly, the service will be offered to clients as a additional service package besides sea freight service which is the company's main concentration. In order to operate the service, contracts with asset-based providers, namely airlines and integrators, will be made. The reason behind this act is because being a non-asset-based operator, the commissioner does not own any equipment or facility to operate the air service which means that all the activities need outsourcing. The priority is placed on KLM, Air France, UPS and FedEx. Moreover, a membership of IATA Cargo Agency/Intermediary Program is another possibility for the case company to promote their image. It is because this program is very prestigious in the industry and when choosing an air service supplier, big international companies will be most likely choose one who is the member of this program. Another benefit is the wide network that the commissioner can establish with other global forwarders around the world.

In conclusion, the study managed to reach its final goal by answering all research questions properly with a high level of validity and reliability. The two biggest limitations of this research are the absence of financial issues and the inability of the author to conduct the survey herself. Last but not least, the author suggests a further study on financial matters be done so that the case company can precisely calculate all costs in bringing this plan into practice. Additionally, a survey on a broader scale which employs for segments who use air freight service frequently should be done as well. By doing that, the commissioner can understand more thoroughly the characteristics of this segment and have a proper plan to target this group.

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APPENDICES

APPENDICE 1. Survey

SECTION 1: BACKGROUND INFORMATION

1. Company type: *

- FDI (fully or partly)
- Public
- Private

2. Which industry does your company operate? *

3. Is your company located in an industrial zone in Ho Chi Minh City (HCM)? *

- Yes
- Yes but it's not in HCM
- No
- No but it's in HCM

4. Have you used CCLOG VN's service before? *

- Yes
- No

SECTION 2: CCLOG VN'S CUSTOMER FEEDBACK (If not, continue with section 3)

5. How do you score these elements of CCLOG? *

1 is poor and 5 is excellent

	1	2	3	4	5
Price	<input type="radio"/>				
Customer Service	<input type="radio"/>				

SECTION 3: RESPONDENT'S FAMILIARISATION WITH AIR FREIGHT SERVICE (Yes: continue with section 5, No: continue with section 4)

6. Have you ever used air freight service before? *

- Yes
- No

SECTION 4: RESPONDENT'S CONSIDERATION TO USE AIR SERVICE

7. Please shortly tell us why you have not used air service before *
(e.g commodities are not suitable for air, it is expensive....)

8. Do you consider to use air service someday? *

- Yes
- No

SECTION 5: DETAILED INFORMATION OF AIR SHIPMENTS

7. When was the last time you used air service? *

- Less than 3 months
- More than 3 months

8. How often do you use it? *

- Less than 3 months
- More than 3 months

9. Which kinds of commodity do you use air service for? *

- Perishable Products
- Frozen Products
- High Value Products
- Other:

10. Who do you contact to when you use air service? *

- Freight Forwarders
- Air integrators (DHL, Fedex)
- Airlines

11. How do you rank the importance of these criteria when using air service?

1 is the most important and 3 is the least important

	Price	Customer service quality	Delivery time
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Where are your shipment's destinations when using air service?

For export

- Intra Asia
- Europe
- North America
- South America
- Africa
- Oceania

13. Where are your shipment's origins when using air service?

For import

- Intra Asia
- Europe
- North America
- South America
- Africa
- Oceania

14. Would you be interested if CLOG VN provides you with air cargo service? *

- Yes
- No

APPENDICE 2. Email interviews

Structure of email interview with Mr. Nguyen Giang, President of New Global Tours Co., Ltd

Email sent: 12th February 2014

Reply received: 3rd March 2014

- In order to perform air freight service, do forwarders need any special documents or certificates?
- As far as I know, forwarders can become an air-cargo representative for IATA. What are the requirements and what benefits forwarders can gain from this?
- At the moment approximately how many forwarders are there in the market operating air service? And who has the most market share? As I check on the Internet, there is not much information regarding forwarding and logistics activities in HCMC/VN.

APPENDICE 3. Email conversation

Structures of emails with Mr. Duong Quoc Chien – Manager of CCLOG VN.

Email sent: 28th February 2014

Reply received: 28th February 2014

- What is CCLOG VN's vision and objectives (vision is what CCLOG wants to achieve in 5-10 years and objectives is what CCLOG wants to achieve in air freight service)
- For Fishbone Analysis, in machinery part, will CCLOG VN intend to buy any asset like containers or trucks in the future?
- Will air freight mainly focus on spare part import/export?

Email sent: 4th April 2014

Reply received: 4th April 2014

- How many percent of sales target does CCLOG VN want to increase every year?
- Are sales people of Air service the same as Sea? Or CCLOG VN will hire people specifically for air? I think at the first stage we might just have some sales people of sea do sales of air as well.

APPENDICE 4. Eight freedoms of air (World Bank Group 2009)

- First: An airline may overfly one country to reach another.
- Second: An airline may land in another country for a technical stopover (fuel, maintenance, crew change) but not to pick up or drop off traffic.
- Third: An airline, registered in country X, may drop off traffic from country X into country Y.
- Fourth: An airline, registered in country X, may carry traffic back to country X from country Y.
- Fifth: An airline, registered in country X, may collect traffic in country Y and fly on to country Z, so long as the flight either originates or terminates in country X.
- Sixth: An airline, registered in country X, may carry traffic to a gateway – a point in country X – and then abroad. The traffic has neither its origin nor ultimate destination in country X.
- Seventh: An airline, registered in country X, may operate entirely outside of country X in carrying traffic between two other countries.
- Eighth: An airline, registered in country X, may carry traffic between any two points in the same foreign country – known as cabotage.

APPENDICE 5. Financial Criteria for Evaluation of IATA Cargo Agency/Intermediary Programs Vietnam (IATA 2013)

1. GENERAL RULE

The Agency Administrator has the right to conduct Financial Reviews of Agents at any time to ensure compliance with the financial criteria set forth in these criteria, including at a minimum an annual Review.

2. CRITERIA FOR EVALUATION

2.1 Minimum Capital

Paid up capital for a new applicant or existing Agent must be at a minimum USD 50,000

2.2 Financial Assessment

The result of the financial assessment is based on the 4 tests and the allocation of applicable points to each test. The maximum possible points is 100.

The maximum number of points obtainable is made up as follows:

i.	Current Ratio	30
ii.	Debt Ratio	30
iii.	Profitability	20
iv.	Tangible net worth to turnover	20
	TOTAL	100

2.3 Current Ratio

Current Assets/Current Liabilities

- Current Assets exclude receivables from shareholders

- Current Liabilities exclude loan provided by shareholders or proprietor/partners

≥ 2	30 points
1.75 – 1.99	26 points
1.50 – 1.74	24 points
1.25 – 1.49	22 points
1.00 – 1.24	20 points
0.80 – 0.99	10 points
Less than 0.8	0 points

2.4 Debt Ratio: Total Liabilities/Tangible Assets

- Total Liabilities is the total of Current Liabilities + Long Term Liabilities
- Tangible Assets are total assets at market value (including receivables from shareholders) less intangible assets being goodwill, franchise fees, client lists and preliminary expenses.

Under 0.5	30 points
0.50 – 0.59	25 points
0.60 – 0.69	20 points
0.70 – 0.79	15 points
0.80 – 0.89	10 points
0.90 – 0.99	5 points
>1	0 points

2.5 Profitability Ratio: (Net Profit After Tax/Owner's Equity) x 100/1

Owner's Equity: this is the paid up capital/owner capital plus retained earnings (minus deficit).

≥20%	20 points
15% - 19.99%	16 points
10% - 14.99%	14 points
5% - 9.99%	12 points
0% - 4.99%	10 points
Less than 0.5%	0 points

2.6 (Tangible Net Worth/Total Turnover) x 100/1

Tangible Net Worth is Owner's Equity

Total Turnover is total Annual Sales/Revenue

≥2%	20 points
1.50 – 1.99	18 points
1.25 – 1.49	16 points
1.00 – 1.24	14 points
0.75 – 0.99	12 points
0.50 – 0.74	10 points
Less than 0.50	0 points

3. FINANCIAL REVIEW

- New Applicants

New applicants must provide audited financial statements not more than twelve months after the Agent's last financial year end, at the time of application to become an Agent for the purposes of evaluation against the financial criteria tests set forth in Section 2.

To achieve a satisfactory result in the evaluation, the new applicant must:

- a) Obtain a minimum total of 50 points in the financial assessments; and
- b) Have the minimum level of paid up capital referred to in Section 2.1 of these criteria.

If applicant does not obtain a satisfactory evaluation, the applicant will not be credited.

If applicant obtains a satisfactory evaluation, the applicant must provide a financial security as defined in Section 4.

- Existing Agents

Existing Agents must provide audited financial statements for each financial year end of that Agent for the purpose of evaluation against the financial criteria tests set forth in Section 2.

Audited financial statement must be provided no less than 6 months after the Agent's financial year end.

To achieve a satisfactory result in the evaluation, the existing agent must:

- a) Obtain a minimum total of 50 points in the financial assessments; and
- b) Have the minimum level of paid up capital referred to in Section 2.1 of these criteria.

If existing agent does not obtain a satisfactory evaluation, the existing Agent must provide an additional Financial Security to IATA in a form of Bank Guarantee of USD 30,000 or the equivalent in local currency according to exchange rate

published by IATA Clearing Bank in Vietnam at the time of submission of the Financial Security.

If existing agent obtains a satisfactory evaluation, the applicant must provide a financial security as defined in Section 4.

4. FINANCIAL SECURITY

With the effect from 1 June 2012, all Agents must provide a Financial Security to IATA to cover the Amount at Risk equivalent to the average sales of 3 reporting periods of the actual CASS net sales over the last 12 months from CASS Airlines (Total sales of CASS Airlines in previous 12 months/24 x 3)

An Agent's Financial Security may be reviewed at any time and if the existing Financial Security is insufficient to cover the Amount at Risk, the amount the Financial Security required must be increased to cover the Amount at Risk.