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AB ME GROUP OY LTD CATERING MANAGEMENT
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AB ME GROUP OY LTD CATERING MANAGEMENT MANAGERIAL ISSUES

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Tämän opinnäytteen tarkoituksena oli tutkia laivamuonitusta, catering management:iä ja mahdollisia tapoja sen parantamiseen mikäli yhtiössä Ab ME Group Oy Ltd:ssä on siihen tarvetta. Tärkeintä oli luoda informatiivinen paketti lukijalle yhtiöstä, laivamuonituksesta, catering managementistä yleisesti ja tavoista pysyä budjetissa.

Tämä tutkimus toteutettiin pääsääntöisesti kirjoituspöytätyönä. Opinnäytteen päämetodeina käytettiin SWOT analyysiä ja kvalitatiivista analyysiä kyseisestä aiheesta ja lähteistä. Materiaalina käytettiin henkilökohtaisia kokemuksia kyseiseltä alalta sekä kirjoja ja Internetiä. Kirjoitettua materiaalia aiheesta on olemassa hyvin vähän. Kenttätutkimukseen tietoa kerättiin henkilökohtaisten kokemusten, havainnoinnin ja Rauman aluejohtaja Tage Mattssonin kanssa käytyjen keskustelujen perusteella. Koska tämä tutkimus perustuu henkilökohtaiseen havainnointiin ja läsnäoloon, voidaan tutkimusta pitää osittain toimintatutkimuksena. Teoreettinen kehys on markkinointi-mix ja tutkijan omat kokemukset työskentelystä ME Groupilla.

Tämän opinnäytteen ansiosta joitakin ongelmia catering managementissä on tiedostettu, mikä helpottaa niiden huomioimista tulevissa muutoksissa. Tämä opinnäytetyö antaa myös useita vaihtoehtoja budjetin tiukentamiseen, mikäli tarvetta siihen ilmenee. Yhtiössä on ollut merkittävää liikevaihdon ja voiton kasvua laivamuonituksessa ja catering managementissä. Ab ME Group Oy Ltd on luonut vakautta vakavaraisuudella ja uusilla asiakkailta eri aloilta. Johtoporras voi käyttää tätä opinnäytettä yhtiön kehittämiseen ja käytännöllisenä monipuolisen tiedon lähteenä.

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The purpose of this thesis was to study the industry of ship supplying and catering management and what ways there are to improve it if necessary in the company Ab ME Group Oy Ltd. The key was to create an informative packet about the company, ship supplying, catering management in general and staying in the budget for the reader.

This research is carried out primarily as a desk research. The main methods used for this thesis are SWOT analysis and qualitative analysis of the referred case and references. The material is from personal experience working in the field of study, books and Internet. There is quite limited source of written material about the subject. Field research is used to gather information based on experience, observations and from Mr. Tage Mattsson the District Manager in Rauma. As this study uses personal observations this study has parts of action research by reason of involvement in the subject of study. The theoretical framework for this thesis is marketing mix and field study from my own experiences working in ME Group.

The thesis brings to knowledge some problems in catering management and helps to take them in consideration of future changes. It also gives several options if there comes a requirement to tighten up the budget. The growth of the company in ship supplies and in catering management has been reaching skywards in terms of revenue and profit. Ab ME Group Oy Ltd is also transforming to a truly multi-functional company with new functions in different branches, creating a sustainable company with a good financial standing. The management can use the thesis for finding areas needing improvement and for practical source of versatile information.

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LIST OF SYMBOLS AND TERMS

FORMAL TERM	USED TERM
Ab ME Group Oy Ltd	ME Group
The International Ship Suppliers Association	ISSA
The Finnish Ship Suppliers Association	FSSA
Catering Management	CM

1 INTRODUCTION

1.1 Background of this study

Ship supply has changed during the last decades radically as most ship owners are outsourcing their catering, stocking and other departments. Ship owners are trying to make cost-cutting measures to keep up with the competition and rising costs. Most foreign shipping companies have made really vigorous decisions to save and at least for now the Finnish shipping companies have not made so radical decisions although it is slowly starting to show also in Finnish shipping companies. The prices are also comparatively higher in Finland than in the Southern Europe. Prices in Finland are higher mainly due to location, higher manufacturing costs and smaller market area. Also the prices of foodstuff have risen lately and they will probably stay in that trend. (Merimies Sjömannen 6/2007, 13)

Catering management is one of the solutions for outsourcing some of the operations and quite commonly used. With catering management the ship owners can outsource the supply of foodstuff to a one company and have a flat rate for meals. There has been negative news about catering management in some shipping companies. Although the supplier has been switched from a ship supplier to a German catering company. Ship supplying differs greatly from a normal on land catering. ME Group wants to keep the Finnish ship suppliers image as good as it has always been and continue improving it, including catering management. (Merimies Sjömannen 6/2007, 13)

The idea for this study comes from a company Ab ME Group Oy Ltd in Rauma and the main goals for this thesis came from the district manager in Rauma Mr. Tage Mattsson. The personal experience working for ME Group in different assignments mainly at the Rauma site but also in Helsinki and this experience has a lot to give for this thesis. During the practical training period the idea of this thesis was born. ME Group in Rauma is the key focus point in this thesis and the other sites are mostly in the background. Mostly the ship supplying and catering management in Rauma is concentrated on cargo vessels and therefore the supplying

for passenger ships is not included in this thesis. There is some difference in supplying a passenger ship and a freighter, firstly there are much more crew and passengers in passenger ships, secondly there are usually some tax-free shops or sales in passenger ships and freighters buy some technical stuff such as engine parts for repairs as passenger ships have their maintenance agreements with service companies.

This thesis has the focus on the catering management from the suppliers ME Groups point of view. Ship supplying basics as it is somewhat unknown business for majority. There will be studied as well the ways if any to improve the managerial issues in catering management for more easily approachable and less time consuming. In addition clients' side is taken in consideration with a smaller scale.

Information technology has made quite large leaps in embedding systems and software, which can be a great assist in making managerial issues less of a burden. One of them is the Power Play system by Cognos that is available in ME Group but the use of this system is scarce and at the moment it is only used as a random source for statistics. It could reduce the burden on some basic tasks or to be used as more in depth resource for management. The advantage of Power Play system is it can be used through out the company. Thus giving the decision makers an excellent information source with minimal delay. The use of different technologies in catering management will stay in the background of this study, as it is not the main issue. (Pirttimäki V. & Hannula M. 2002, 29)

The main objective of this thesis is to give the reader a clear point of ship supply, catering management and managerial issues concerning catering management. Due to the competitive nature of the business no actual figures can be published and there are no actual financial values used.

1.2 Research problem

The purpose of this thesis is to improve the practicality of catering management in ME Group. Mainly emphasis is in explaining catering management and ship sup-

plying in general. In the research the main idea is to have real-world observations from which can then be made the conclusions and from these conclusions are made the possible enhancements to be applied.

This thesis will explain Catering Management and Ship supplying and tries to answer some questions that have risen to knowledge during the planning period of this project. What is ship supplying and catering management? How to maintain the budget and how to monitor vessels inventory? As mentioned earlier improving the overall management of Catering Management and improvement of practicality results in reducing workload.

1.3 Research Methods

This thesis is carried out primarily as a desk research. The main methods used for this thesis are qualitative analysis of the referred case and references. The material is from personal experience working in the field of study, books and Internet. There is quite limited source of written material about the subject. The theoretical framework for this thesis is marketing mix and field study from my own experiences working in ME Group.

Field research is used to gather information based on experience, observations and from Mr. Tage Mattsson the District Manager in Rauma. As this study uses personal observations this study has parts of action research and this is a result from my presence, participation and interventions. (Gummesson E. 2000, 83-86)

1.3.1 SWOT-Analysis

SWOT analysis is used as a basic tool in evaluation of the Strengths, Weaknesses, Opportunities and Threats of a specific strategy, project, company or a product. (Griffin R. and Pustay M. 2003, 322-324)

The SWOT analysis is a prearranged method to evaluate the strategic position of the research subject by recognizing its strengths, weaknesses, opportunities and threats. The analysis presents information that is helpful in linking the company's resources and capabilities to the competitive market in which it operates. It is important part of the strategic development process. After the environmental study in which the researcher studies the internal and external factors, from the internal and external analyses comes the list of strengths, weaknesses, opportunities and threats.

(Johnson G., Scholes K. and Whittington R. 2008, 119-120)

Internal strengths and weaknesses are summarized with their relation to external opportunities and threats as shown in Figure 1. and these summarized results give the basis for further analysis. (Jobber 2004, 44)

Strengths	Weaknesses	Internal source (Controllable)
Opportunities	Threats	External Source (Uncontrollable)

Figure 1. Strengths, weaknesses, opportunities and threats (SWOT) analysis (Jobber 2004, 44)

Strengths are the company's resources and capabilities that can be used as a foundation in development of a competitive advantage. Bland generalizations should be avoided as they can recognize weaknesses as strengths and using resources or capabilities that a customer would give value to. (QuickMBA; Jobber 2004, 45)

Weakness could be the obverse or the absence of strength. In weaknesses the bland generalization should also be avoided as in strengths. (QuickMBA; Jobber 2004, 45)

The external analysis might reveal some new unutilised opportunities for the company to have profit and growth. These could be a new customer need, new technologies, and regulation or trade barrier changes. (QuickMBA)

External environment changes might also be negative opposed to opportunities. Some threats could be regulation based or loss of customers to a substitute product. (QuickMBA)

The internal part of SWOT analysis is to find out the resources that are available and what resources is the company lacking. This way the strengths and weaknesses can be found out. The external environment is often forgotten when finding out the internal. This may lead to inefficient company, which cannot make changes what are needed to develop to bring better value for the company's target customer segment. Opportunities can change due to socio cultural, technological, legal, political or economical working environments. Also location and product modifications can be seen as opportunities and threats if looked at external environment. All of these can be used as an opportunity to gain advantage from rivals if the external environment has been under investigation. (Danca A. 1999)

For a company it is not enough to investigate strengths, weaknesses, opportunities and threats. When investigating weaknesses and threats it is also important to minimize them. Weaknesses should be converted to strengths and threats converted to opportunities. The strengths and opportunities should be matched to maximize the company's potential. (Danca A. 1999)

1.3.2 Marketing Mix

For service marketing the marketing mix with four Ps has been extended to seven P's to include the service sector. Services are perishable, inseparable, variable and tangible. (Bishop 2004, 39)

Product variety also means substitutes for products, there has to be product variety or substitutes as the products can have different characteristics, which can be used

in different utilizations. Quality and design are important characteristics on a product and they can in some cases level out the price difference of different products made for the same purpose. Product features, packaging, size, brand name and also design are about the image of the product, which are important from marketing's point of view and also they have an affect in the cost of the product. (Johnson G., Scholes K. and Whittington R. 2008, 62-63,100,570)

Services are part of the product in a service company and staffs are also part of the service product. Customers recognize the staff as a part of the service and for the best of marketing high standard of staff and customer service is required. Standardisation of staff and service is harder to control than a physical product. (Bishop 2004, 39)

Pricing a service can be thought as pricing a perishable item. Price has to cover the human resource costs as well as the items incorporated for the service. Pricing policies affect directly in revenues of the company and having a policy, which leads the way in decisions. Pricing policies also define the list price with possible discounts. Payment terms include the payment period and credit terms. (Bishop 2004, 39)

Sales promotion for a service is usually highlighting the level of service. Sales promotion can give results faster than advertising as it gives incentives for quick buy. When used rarely the sales promotion will not devalue the image of the company or product, if used continuously there is the risk of negative impact on brand image. Advertising works traditionally as a monologue and from the buyer's point of view and also from the marketers point of view dialog would be better option. (Bishop 2004, 39; Kotler 2008, 87-88)

Sales force is frequently quoted as the face of the company and especially for a service company. Having a representing sales force is affordable promotion for a company. (Bishop 2004, 39)

Public relations consist of multiple tools, which can be called PENCILS of PR and they are publications, events, news, community involvement, identity tools,

lobbying, and social investments. PR has a better chance of getting through to consumers, than a one blink of an ad from the massive sea of advertising. (Kotler 2008, 86-87)

In service marketing the product and service goes to the customer, as they are inseparable. As in product marketing, the product is distributed via distribution channel. (Bishop 2004, 39)

The greater number of distribution channels, the greater the reach of the company into the market and also the coverage. The negative side in selling through multiple channels is market control and channel conflicts. The channel conflicts arise from the competition of different channels. (Kotler 2008, 78-80)

People as in staff are the ones who interact with the customers and are the ones who create the level of service. And the people are the ones who sell the services and therefore highly trained and motivated staff is a key for successful service. (Bishop 2004, 39)

Process in service sector means serving the customer. As a service is perishable forecasting the demand levels is required for equal level of service for customers. (Bishop 2004, 39)

Physical evidence in some level is required as the service by definition is intangible. Whether it is premises, uniforms, business card or other, it is to give the customer the feeling of the service quality. (Bishop 2004, 39)

The marketing mix as mentioned above includes only the company's point of view and it is lacking the customers point of view thus there is also the four Cs to make the marketing mix to take also the customers side into consideration. So there is some criticism to the four Ps. Noting that the P concept takes a seller's view of the market, not the buyer's view. A buyer considering an offering may not see it from sellers point. Each of the four Ps might be described as the four Cs from the customer's point of view as shown in Figure 2.

Four Ps		Four Cs
Product		Customer Value
Price		Cost to the customer
Place		Convenience
Promotion		Communication

Figure 2. Four Cs (Lautenborn R. 1990, 26)

Sellers see they are selling a product and customers see themselves as buying value or a solution to a problem. And customers are interested in more than the price, they are interested in their total costs of owning and using a product. Customers want the product and service to be as easily available as possible. Finally, customers want two-way communication not promotion. Sellers should first think through the customers four Cs and then build the 4 Ps. (Lautenborn R. 1990, 26)

2 SHIP SUPPLY

The beginning of ship supply was when man first started to sail the oceans of the world. And as those ships and their crews needed diverse items to stay a float and to reach their destinations they needed someone to supply those items to the ship. When the most vessels at sea were sailing ships items that could be found from a Chandler might consist of following: candles, turpentine, tar, pitch, linseed oil, whale oil, tallow, lard, varnish, twine, cordage, rope, hemp, oakum, different tools (hatchet, axe, hammer, chisel, planes, lantern, nail, spike, boat hook, caulking iron, hand pump), brooms, mops, galley supplies, leather goods and paper. It is uncertain why the name Chandler is linked to ship supply (see appendix 1). It has been thought that vessels of yesteryear also required candles and perhaps they are linked. (Rocker 1996, 9-12)

The principles of ship supply have stayed the same through time, although it has gone through several transformations during the centuries. Modern efficiency has

affected shipping industry as vessels before might have stayed at the port for weeks and today they stay only one to few days, depending on cargo. For example 1 528 vessels visited at the Port Of Rauma in the year 2006, which is 8,4, % higher compared to year 2005. Usually the vessels depart as soon as they have discharged or loaded the cargo and sometimes this is only few hours. (Rocker 1996, 10-13; Rauman sataman vuosikirja 2007. 2007, 3-6)

As time passed and vessels grew larger and more technology was introduced also their requirements changed correspondingly. Today's ship chandlers' deal more in goods typical for fuel powered commercial ships, such as oil tankers, container ships, bulk carriers and ferries. They supply the crew's food, medical supplies, ships maintenance supplies, cleaning compounds, paint, rope and private items such as alcohol and tobacco. (Rocker 1996, 10-13)

Ship chandlers speciality is the high level of service available and the short time required to fill and deliver their special orders. Because commercial ships discharge and turn around quickly today, delay is expensive and the services of a dependable ship Chandler are urgent. The maintenance of the vessel is very important so there would be minimal delays at berth, so the parts needed in maintenance are ordered from the supplier so the work can be done at sea or when needed. (Rocker 1996, 10-15)

The ship owner usually chose one reliable supplier in chosen locations to supply the fleet visiting the ports of the supplier. Suppliers on the other hand tries to stock as much as possible within the short time from order to the vessels departure. Relationships in ship supplying are a key factor when making business and keeping the customers satisfied. In some shipping companies the information about ship suppliers is communicated between the vessels, whether it is good or bad experience about a supplier. (Rocker 1996, 10-15)

The importance of sea transport is unquestionable to Finland or for any country situated by the sea or with connections to the ocean. Finland is dependable of sea transport as approximately 80 per cent of all Finnish foreign trade is transported by sea. In year 2007 the Finnish foreign trade by sea was approximately 100 mil-

lion tons for the transportation of it came from abroad approximately 32 000 vessels. (Finnish Maritime Administration 2008, 15)

From the foreign trade of Finland 90 per cent of export and 70 per cent of import is transported by sea. Export provides approximately 40 per cent of the Finnish gross domestic product. The transitional traffic to Russia is rising steadily. All foreign trade by the Finnish ports has almost doubled during the last 20 years. (The Finnish Rail Administration 2007)

2.1 Ab ME Group Oy Ltd

Ab ME Group Oy Ltd was formed in 1994–1995 via fusion of companies. Mathias Eriksson, Trapp & Klingstedt Shippsupply, Laivamuonitus-Shipstores and Mathias Eriksson Sweden are part of ME Group. (T. Mattsson, personal communication on 19 March 2008)

The oldest company in this group was established in 1910. And this makes the ME Group a company with long history, traditional and long experience in the field of ship supply. Customers include cargo ships, airlines, Finnish UN troops, diplomats, embassies, and export customers. (ME Group ship supplies, 2006, 4)

ME Group is in today's terms one of the biggest Duty Paid, Tax Free and Provisions provider in the Baltic Sea region. Logistics, storage and delivery services are handled with the help of a widespread network of offices. Office sites have a strong hold of coast of Finland, as companies are located in Oulu, Rauma, Turku, Helsinki, Mariehamn, Stockholm and Tallinn. (ME Group ship supplies, 2006, 2)



Map 1: Wiklöf Holding Corporate Group (ME Group ship supplies, 2006, 2)

As the Map 1 shows operations are spread logistically to handle the whole coast of Finland. Corporate Group's head office, grocery, construction materials wholesale and retail, hotel- and restaurant business, industrial catering, helicopter rescue services and sports events organisations are located in Mariehamn, Åland (1.). In Helsinki (2.) there is Ship supplies, Catering management, diplomatic trade (embassy sales), import and export businesses. In Turku area (3.) there are the largest warehouses of ME Group, wholesale and retail importing and distribution for tax-free and domestic market. Rauma (4.) is more concentrated in traditional ship supplying and catering management. Also traditional ship supplies are the key business area in Oulu (5.). There is a hotel in Kokkola (6.). In Kälviä (7.) there is located the sports and warehouse halls manufacturing. Stockholm (8.) has wholesale and retailing import and distribution for tax-free and domestic market and also ferry traffic provisions. In Tallinn, Estonia (9.) are tax-free ship supplies,

wholesale, retail import and distribution for tax free and domestic market. (ME Group ship supplies, 2006, 2)

Operation areas have been shared in a way that Rauma office handles the West coast, Oulu handles the Bay of Bothnia and Helsinki has the Southern coast of Finland. Turku handles mainly the tax-free and alcohol deliveries and warehousing. The main warehouses are situated in Turku, Helsinki and Stockholm and the latest logistics centre in Raisio.

ME Group Camp Solutions Oy started in 2005 operating in military camp maintenance and services in Tuzla, Bosnia-Herzegovina supplying foodstuff and other provisions on site. (ME Group ship supplies, 2006, 2)

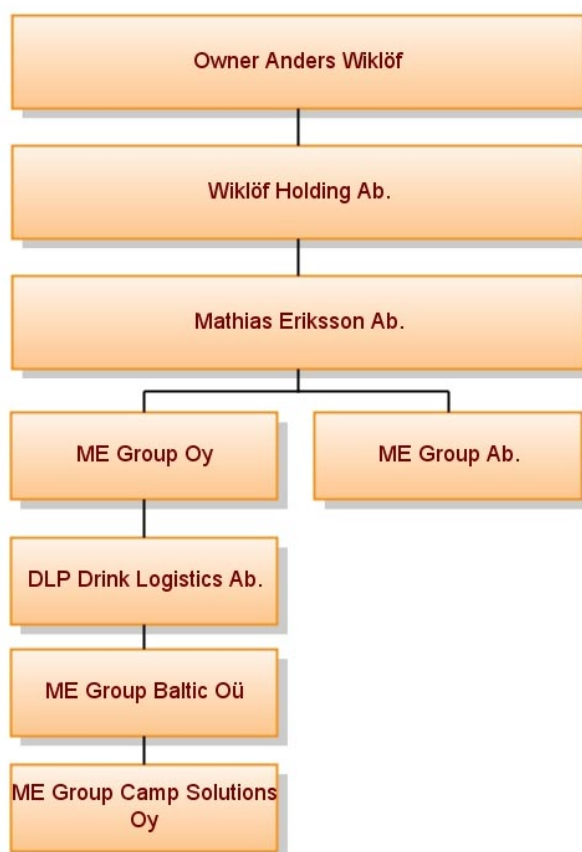


Figure 3. The company organisation (Me Group)

ME Group is a part of Wiklöf Holding Ab. owned by commercial counsellor Mr. Anders Wiklöf (Figure 3). Wiklöf Holding Ab. is one of the largest privately owned groups of companies in Scandinavia. The group of companies have per-

sonnel of approximately 800 and its turnover lies in the vicinity of 285 million Euros. The Wiklöf Holding comprises from different companies from different industries (Figure 4.). Main actions of the companies are linked in shipping and tax-free trading. (ME Group ship supplies, 2006, 2)



Figure 4. Companies in Wiklöf Holding Ab. (Wiklöf holding)

2.2 Catering management

Catering for short means providing food and drink. Management on the other hand means the process of controlling things or people or a company. Management can be summarized as planning, budgeting, organizing, staffing, controlling and problem solving. (Heavens S. and Child J. with Verstringhe M. 2002, 63)

Simplified description of catering management means to have the control of providing food and drink. Of course catering management is not as simple as that. There are different levels of catering management; some companies organize

everything from food to cafeteria and some only to supply the materials on site and invoicing the agreed price per meal. Defining catering management is depending greatly from the case, customer and supplier. The catering management differs from total ship management as in the catering management only food and drink is under management. In total ship management everything concerned running a fleet of vessels is taken care of from crewmembers to spare part.

ME Group Catering Management handles everything concerning the supply of the provisions to the vessels run under the catering management in every port. ME Group and the Shipping Company have a Catering Management contract where daily fee per person is stated and other general terms concerning the supply of provisions and other non-catering management related goods such as pantry and machine items. Vessels catering crew cooks and stewards can also buy small amounts of catering items from the local grocery stores, if the amount is small and or the delivery costs are too high. In these cases the catering crew contacts ME Group's catering management department and asks for order number for the purchase. The number is also registered in the catering management system to be connected with the purchase and the vessel. At the end of the month the vessels send in their bookkeeping's and copies of the receipts from the groceries with the given number. So the receipt and the purchase number can be checked. When the monthly expenditure of the vessel is calculated the purchases made in groceries and other food stores are known and they can be taken in consideration. These purchases made by vessels catering personnel's are somewhat insignificant and also they do not add the effort in catering management. But also the income for the company from these purchases is well in balance with the required amount of effort. As the income from these purchases are only fractions of the vessels monthly catering costs. (Me Group)

Depending on the customers contract usually the meals are described as normal homemade meals, and therefore limits the use of speciality items that are usually more expensive. With this the product variety can be made smaller with the removal of the expensive items, which do not belong for a basic homemade meal.

The shipping company has only one invoice for the provision goods instead of few from every supplier and from different deliveries in different ports as ME Group Catering Management additionally arranges the provisions in every port from local ship suppliers or stores and handles most of the arrangements needed internationally. This operation eases the work for the shipping company and also for the crewmembers onboard as they only send the orders to ME Group Catering Management and wait for the delivery as ME Group Catering Management handles the orders and contacts the local ship supplier.

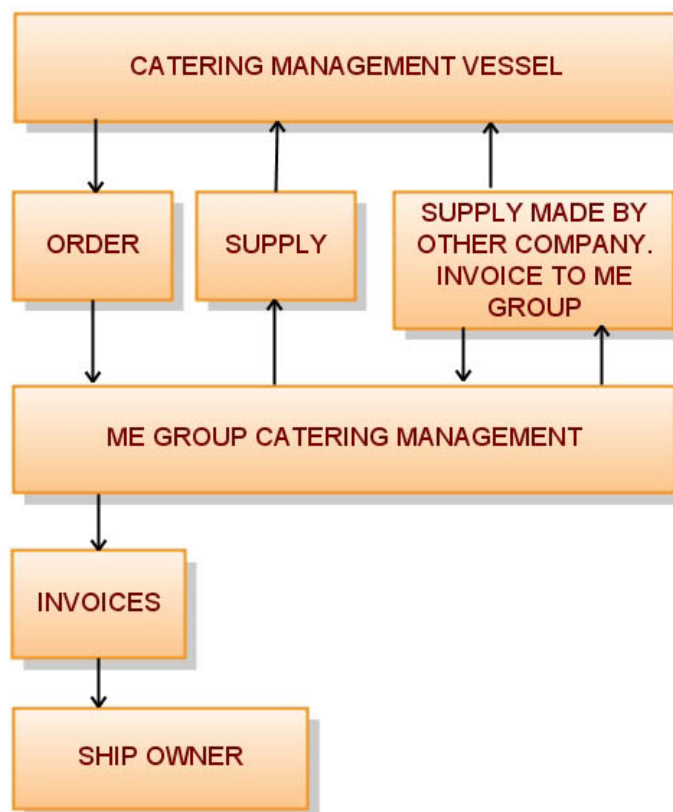


Figure 5. Catering management

As the figure 5. shows the catering management as in theory is not complicated. But as theories usual there are no real life complexities in the diagram, there are several aspects that affect the chain of catering management. The trade route for the most of the vessels is not continuous and usually the load (goods transported) is sold during voyage. And that affects for the next port as the ports can change quite rapidly. There are multiple reasons why the vessels need to change their ports, usually it is cargo related or the vessel needs to be docked for repairs.

Therefore the delivery of provisions can be sometimes get cancelled and transferred to some other supplier in different port. Sometimes vessels need provisions immediately as they have received information about their next destination and are required departing as soon as possible. Keeping vessels in ports costs great amounts of money and provisions are small percentages of the sum that having a vessel moored.

One important issue is request for quotation when making the orders to a ship supplier as the catering management relies on a tight budget. For all suppliers the quotations are not required with every delivery, as tenders require excessive work and usually the vessels need their supplies quickly. Some suppliers furthermore supply catering management vessels on a regular basis. With the new suppliers and those suppliers with infrequent supplies to catering management vessels quotation is usually sent to keep the budget set.

Catering Management contract will define the nature of the customer relationship and co-operation between ME Group catering management and the shipping company. The trust needs to be built before there can be co-operation contract with the supplier and customer as the catering management steps in and takes over multiple things, which are used to handle inside the shipping company. With the contract the shipping company gives liability of the catering management for the vessels stated in the contract. Ship owner and ME Group also agree on routines as how much is the money per crewmember per day for meals, inventory of stock and other delivery actions. The contract can differ between the vessels of shipping company as they are revised to be suitable for each vessel as case-specific and it builds a partnership where supplier and customer can communicate quite freely. (Heavens S. and Child J. with Verstringhe M. 2002, 104-105)

2.3 The International Ship Suppliers Association

The International Ship Suppliers Association was founded in 1955. ME Group is a member of The International Ship Suppliers Association. ISSA represents nearly 2,000 ships suppliers internationally. Under ISSA there are 43 national ship supplier associations, in Finland it is Finnish Ship Suppliers Association founded in

1946 and it is also one of the founding associations of ISSA. ME Group plays a big part in the aforementioned associations, as it is one of the largest ship suppliers in Baltic Sea region. Before ship supplier can join ISSA they have to go through a comprehensive procedure. (Rocker 1996, 17-23)

ISSA has a comprehensive list of ship suppliers ethics and condition of sale. It also assures that every member respects these ethics and guidelines. ISSA is also a white list of companies an opposite of a blacklist if a company is a member of ISSA, it usually is a trustworthy company and there is no need to make business with a ship supplier that is not a member of ISSA. (Rocker 1996, 37-39)

3 PURPOSE AND GOAL

3.1 Reducing time consumption

The catering management with all the paperwork, statistics and analyses is very time consuming and it is weakening the efficiency of the employees working with the CM field. Improving the statistics analysis for more streamlined, less time consuming and more efficient. As the catering management can be categorized as a new operation in the company some of the workload is excess and it can be reduced.

3.2 Improvement of statistics reporting and follow-up

Gathering the statistics and analysing them is part of the managerial issue, it also requires time and effort. Every CM vessels send their monthly statistics of crew-members, visitors and how many meals they have eaten. At the moment it takes a lot of effort and is time consuming. Improving the ways of input and output can be difficult as some vessels send the statistics by fax and therefore it requires manual labour to process and input it to a statistics program. Although this is a minor issue as only few vessels send it by fax and most of the vessels send the

statistics by email in digital form. Although this is adequate as of now but there are ways to improve the follow-up of the stock and budget per vessel.

3.3 Restrictions on a variety

Restrictions are needed for some of the most expensive products such as some fillets, as the agreement is made for basic homemade food and not for the likes of the finest restaurants. Also some items of different brands, which require the company to acquire independently from retailers, are changed for the items found from stock. The restrictions are made using common sense. The catering quality has to remain on current level to keep the crew satisfied, if the crew becomes disgruntled the catering management contract can come to an end. Besides the company has an image of being about quality, service and customer-oriented, catering management does not change the image and methods of the company.

3.4 Request for quotation for specific items from the wholesaler

Making a request for quotation for the items bought from the wholesaler or from retailers. This concerns the items not found from ME Groups assortment. For example the fresh goods such as vegetables and other items requested from the CM vessel. Having an up to date pricelist of the items, makes it easier to have an updated inventory list of the value of the stock.

4 RESEARCH

4.1 ME Group SWOT –analysis

Strenghts:

Company has a good financial standing with growing capabilities and turning slowly into a conglomerate for more stable cornerstone on the markets. With the excellent customer relations and willingness to be of service have built a memo-

rable reputation and several long-lasting customer relations. The company has also excellent government institution relations. ME Group has been in close collaboration with the Finnish Customs and other governmental institutions and has required a trustworthy status. Long traditions from decades in ship supplying and specialists working in the company offer a wide field of expertise. Good working atmosphere delivers a strong bond within the company is also good for increasing the motivational strength of the company.

Efficient transportation, delivery trucks are seldom empty on route as they deliver multiple vessels during their run and on their way back they deliver stock up from logistics centres. Location is excellent with the offices near the harbour and within a logical reach to several other ports and logistics centres.

Weaknesses

Information technology has not been fully utilized to meet today's standards and furthermore improvements could be done concerning environment and energy consumption to lessen the burden coming from external factors as rising energy bill. The warehousing facilities are not adequate for the amount of stock and transit-traffic, and also cold storage is insufficient and is constantly overflowing.

Opportunities

Changes in global traffic, improving the Finnish ports density of vessel visits. New ports and expansions of old ports add more vessels to be supplied. Increase in through-passage via Finland to Russia with better infrastructure and growth in economy of Russia meaning more cars and luxury items from west to east. Growth in cruises in the Gulf of Bothnia and in the Baltic Sea meaning increase in sales.

Threats

Rising shipping costs such as fuel is slowing the shipping business as there would be less vessels sailing and thus less customers for ship suppliers. It has had its impact already for the market prices of goods imported from Asia and basically every item that requires some sort of transportation. Recession in world's econ-

omy leads to a reduced amount of transportation needs and violent savings meaning less ship supplying. Increased oil prices have their affect also in delivery transports to customers and increasing prices of the goods. (The Star online 2008)

In some scenarios the rising oil costs might mean more goods would be manufactured locally in Eastern Europe for European markets and in South America for American markets and so forth thus less vessel traffic. (Saft J. 2008)

4.2 ME Group Catering Management SWOT –analysis

ME Group Catering Management SWOT –analysis (Figure 6.) shows the main strengths, weaknesses, opportunities and threats. There are good amount of strengths and the weaknesses can be dealt with, also threats are notices in strategies.

<p>Strengths:</p> <ul style="list-style-type: none"> A successful company Excellent customer relations Excellent reputation Co-operation with other suppliers Broad internal delivery network Low cost warehouse expenses 	<p>Weaknesses:</p> <ul style="list-style-type: none"> Experience in catering management Amount of catering management customers Difficulties in limiting supply of expensive items
<p>Opportunities:</p> <ul style="list-style-type: none"> Increase of catering management customers Increase in overall customers Catering Management making big and steady revenues 	<p>Threats:</p> <ul style="list-style-type: none"> European or global competition Loss of customers Customers requiring retrenchments

Figure 6. ME Group Catering Management SWOT -analysis

The strengths ME Group Catering Management has are that there is a successful company with powerful but still agile enough for fast transitions because of economical or other changes. There has been a long history of excellent reputation and customer relations. With the help of potent co-operation with other suppliers around the globe, ME Group has a broad external and internal delivery network in Finland and also all over the globe. Low cost from warehousing helps to keep the expenses under control.

Increase in supply for other companies' management vessels

Weaknesses ME Group Catering Management has are mostly because of insignificant experience in CM and also the amount of catering management customers. In the limitation of expensive items and amounts there is lack of firm control. Increase of catering management customers can weaken the managerial quality if there is a dramatic increase in number of customers requiring observation and guidance.

With the increase of catering management customers and increasing overall sales through CM, resulting in big revenues. Keeping the sales steady with multiple fleets under catering management contract.

The biggest threat for ME Group Catering Management is loss of customers and European or Global competition with companies operating only in catering management can be fierce. Catering management customers requiring smaller daily meal fees, consequentially calling for drastic measures.

4.3 Implementing the Marketing Mix

Marketing mix, also known as the four Ps and they can be seen come to fruition with ME Group. The original four Ps come from the following words: Product, Price, Place and Promotion. And with the extension to seven Ps to include service sector, there are added People, Process and Physical evidence. As the ship supplying is mainly a service sector the seven Ps are suited best for ME Group. (Bishop 2004, 39; Lautenborn R. 1990, 26)

Product variety is very wide and extensive with specialty products for Dutch customers as well for Thai oriented customers. There are thousands of items in stock only at the Rauma warehouse and there are plenty more in different warehouses. Mostly the goods are from a known brand and particularly alcohol beverages, tobacco and sweets. Quality of the goods is excellent especially fresh vegetables and meats. Design is what it is from the supplier although some customisations are made as some goods are re-branded for ME Group. Usually packaging and sizes are the same as in normal retail trade but depending on products they are sold as cartons, larger packages for the passenger ships and for the bigger freighters are also available from stock. Services are a big part of the product that ME Group sells and it is taken seriously as the physical material is not produced by ME Group, only the service is. All the products have warranties unless otherwise agreed and return is accepted and refunded instantly if the customer is not satisfied with the quality or otherwise satisfied with the product. Products in the company are one of the most important things, as they are very high quality products usually Finnish origin and generally acquired from a closest local producer. Also some items are imported to narrow the price gap between Southern Europe and Finland or to add variety. This makes the reputation of ME group selling high quality items and improves company's competitive edge for competition against central European companies.

The company can be described as a price taker as it has only little influence over the prices of their products. It is a common process to have a price competition in this competitive society to keep the purchase prices reasonable. From the small marginal between the buying prices and selling prices has to cover a lot of expenses so everything needs to calculate spot-on. Most of the items on stock are priced with a fixed multiplier with exceptions of specialty items. (Drury C. 378)

Pricing can be considered a bit higher than the central European prices but also location of Finland has its own effect in the prices as well the generally higher prices. Pricing is aimed to be competitive even with the high-grade products with negotiations with the manufacturers and wholesalers, buying large stocks and making contracts for mass buying.

Discounts are given for long-term customers, management companies and when paid by cash on delivery. Payment period is usually 14 to 30 days net or cash on delivery with the cash discount, in addition with some companies as with the catering management the payment period is bendable. In normal deliveries it is normal that the customer pays either by cash in given currency, via invoice with given number of days net or via agent. In catering management the customer receives the delivery notes with delivery and the invoices are sent to ship owner at the end of the billing period usually at the end or at the beginning of the month with defined number of days net.

Promotion is important part in increasing sales and the promotion is mostly executed via sales force and with sales promotion gifts such as pens, lighters and other items as such. There is no other proper way to promote ship supply then direct marketing as the company operates on a niche market so the marketing has to be done with this in mind. The service quality is a great promotion with deliveries going smoothly and the delivery trucks with company's logo so the truck itself is a big billboard for the company. Promotion is highly relied on customer visits and negotiations. Promotion with business gifts and sometimes with discounted items are used also as ME Group is a member of ISSA and therefore ship owners and management companies can find the company from ISSA catalogue for supplies in Finland. Company takes part in conferences, exhibitions and trade fairs. Not forgetting the word of mouth marketing with the help of excellent service and high quality products. The promotion is limited because the business operates on a small niche market. (Kotler 2008, 81-91)

Place is one of the P's in marketing mix and as shown earlier in Map 1 the locations are strategically in strong places with high traffic levels and good infrastructure. Coverage in deliveries for ME Group is whole coast of Finland and for catering management practically whole world, but mainly in Europe. Assortments differ slightly between offices, but main items are available from all. Range of different items is growing and thus creating a vast assortment. Transport is outsourced for professional drivers with long contracts for sustainable partnership. Usually no transport cost is added if the order is adequate or the vessel is in port nearby. (Kotler 2008, 78-81)

All the office sites of the company are in strategically important places near the big harbours of Finland and main warehouses are located in bigger cities with better infrastructure for importing specialty items. Also one of the main warehouse in Turku functions as logistic centre for domestic distribution of alcohol beverage imported and managed by the Swedish DLP Drink Logistics Partner a member of Wiklöf Holding. Warehouse items in Rauma usually come from either Turku or Helsinki warehouses, but some items that can be obtained from the vicinity of Rauma are usually acquired from these companies. And especially all special items are acquired from specialist in Rauma or from the nearest available place with competitive pricing. The long tradition of shipbuilding and heavy industry in Rauma helps the supply of these special items that are usually connected to these industries. The location of warehouse and office in Rauma are in the vicinity of the harbours, thus minimizing the time and journey needed for customer visits and delivery of the goods. Also seeing from the window when the vessel has docked helps.

People are in key position as the industry is in a service market. The whole personnel that the customer interacts affect what kind of image the customer has about ME Group. Sometimes it is enough for a customer to make a purchase decision that a salesperson comes aboard or contacts the vessel on arrival creating an easily approachable service. (Terrill C. and Middlebrooks A. 1999, 202-204)

People as in staff are a key to success in ME Group as the people handle all customer contacts and promotion. And as services are hard to standardise a highly trained and motivated staff is required. (Bishop 2004, 39)

Process is not automated in ME Group as the service is in key position and the nature of the business is that there has to be a person at every step of the process. There are only few processes that can be cost-effectively automated, most of them are already automated or being automated, such as expiry date surveillance and stock balance are automatically controlled by the stock control software. But majority of the processes require active personnel and for the foreseeable future going to stay that way. Process gives the service a straightforward heading to

serve every customer as good as possible. And keeping the process in hands of the staff without external automation the customers can have a personal touch and thus continuing the high-quality service. (Bishop 2004, 39)

The seventh P is the physical evidence is the product sold and all the other merchandise that is delivered to the customer. As service is intangible and ME Group sells something tangible those are in itself enough for physical evidence for the customer. The company provides numerous different physical evidences for the customer from business cards to t-shirts and price lists. There is a high quality feeling and image gathered with the business gifts and a long tradition created with the physical evidence given to the customer. Physical evidence helps the service to become something physical rather than just a service. As the customer has something physical it gives the customer indication of the service they are getting. It can be a price list, business card or even a pencil. (Bishop 2004, 39)

Making small changes to the marketing mix to achieve tactical changes to improve marketing in the company. Or making a long-term strategic change by making dramatic change in any of the P's to achieve competitive edge. (Fuller D. A. 1999. 77-78)

4.4 Reducing time consumption and improvements

The catering management with all the paperwork, statistics and analyses is very time consuming and it is weakening the efficiency of the employees working with the CM field. Improving the statistics analysis for more streamlined, less time consuming and more efficient. The easiest way to reduce the workload is to improve the statistics collection forms so that the crew can fill in the information required and just send the file to ME Group for checking. With the requirement that the form is send digitally and not faxed as from the fax it would require manual labour to write the forms to the computer. There is so little that can be made to reduce the workload that the statistics and analyses require, but with small changes here and there can be made some reduction of workload. Every CM vessels send their monthly statistics of crewmembers, visitors and how many meals they have eaten. Improving the ways of input and output can be difficult as some ves-

sels send the statistics by fax and therefore it requires manual labour to input it to a computer based statistics program. Although this is a minor issue as only few vessels send it by fax and most of the vessels send the statistics by email. Checking if there is something unimportant in the forms and removing excess information that is not required and reorganization of the forms for more easily approachable from the customer's point of view as from the ME Group's point. The forms are at the moment basic Excel forms and they could be easily made more automated for more easier filling and checking. The communication with the vessels crew is now handled mostly via e-mail and telephone and these are working excellent.

The catering management is still quite new in Finnish cargo vessels and it takes time for the crew to get used to working differently then some of them has been working for decades. One of the maritime education facilities is located in Rauma and there could be easily co-operation with the school and ME Group or with the FSSA. As ship supplying is quite important issue in maritime traffic it is important that the school teaches the students the peculiarities of ship supplying such as catering management and custom regulations.

4.5 Restrictions in product variety

Restrictions are needed in some of the items that can be categorised as a luxury items that cannot be rated for normal homemade meal such as fillets and exotic seafood. The crewmembers have been given general guidelines about the items, which have not been approved. Although if there is a special holiday and or there is surplus in the budget, the use of specialty items can be evaluated. Seasonal items such as fruits, vegetables and fish are mostly offered only when they are readily available.

Some products are ordered from another manufacturer than is in ME Groups product assortment and it can usually be switched to corresponding product from ME Group. Thus saving the time and money of searching and getting the product from a supplier. This is also stated in the catering management contract.

Making a request for quotation for the items bought from the wholesaler or from retailers. This concerns the items not found from ME Groups assortment. For example the fresh goods such as vegetables and other items requested from the CM vessel. Having an up to date pricelist of the items, makes it easier to have an updated inventory list of the value of the stock.

Designing a product variety specially for catering management customers, with cuisine planned for healthy, tasty and economical is a step that could ease the operations greatly. As important as sustenance is the planning has to be made professionally, and to take in consideration the roughness of life at sea.

The use of latest nutrition recommendations by Finnish National Nutrition Council should be used. The recommendations have been renewed in 2005 and goal is to improve the diet and public health. The list of options should include right amounts of vegetables, fruit, berries, potatoes, whole-grain products, low-fat dairy products, fish and lean meat. (National nutrition council 2005, 6-8)

Problems might arise from the chef on board as one might feel the restricted choice in menus is illiberal. Therefore the menu could have various alternatives or the planned cuisine could be used in weekdays and the chef could implement his/hers own menu during the weekends.

In essence having a list of the ingredients used in the defined cuisine will decrease complications concerning the use of stock goods and special items. Also requesting quotations from suppliers for the common items in the cuisine improves having a fixed price from the suppliers for the specialty items or adding those items to the variety of ME Group. All this makes the inventories a lot easier as there are fewer items of unknown price range.

5 CONCLUSIONS

The thesis has successfully improved the catering management operations motivationally as well as improvements in staff's knowledge about catering management. While the thesis was under work some of the problems in catering management has been solved. In the beginning of this thesis the catering management was still quite new for the company as everyone working on it. During the time the thesis was being made because of the thesis project dug around catering management there were found some points which have been a great asset and help for the company.

There is no public literature about catering management in ship supplying before this thesis. About ME Group the literature can also be graded as minimal. Some parts of this thesis can also be used widely as internal material in the company also the us in offices overseas can have some interest in this thesis as there is no language barrier.

There are some threats and weaknesses in every company including ME Group, as there are also strengths and opportunities. ME Group has taken into consideration the worst-case scenarios and spread the company's operations to include more than just ship supplying thus giving the company its degree of solvency. When trying to have new customers for the company having a good financial standing in the days of possible recession is a great value to have.

The company has the marketing mix in good use with functional network of offices and know how in the field of ship supplying, tax-free, catering management, camp solutions, warehousing, import and export. ME Group has been almost constantly growing and spreading to new areas, mostly because of positive drive in the company.

Making the process less tedious is hard as there are only limited things that can be changed. Improving the forms vessels are required to fill is one thing which can be changed and only with small changes as they are as simple as they can be at the moment. In the beginning there was some motivational problems in filling the forms and complying the guidelines. After the first year of catering management, most of these problems have been ceased to exist. Both the customer and the ME Group have learned how the catering management works and how to use it as a competitive advantage. The workload has been reduced with the things running relatively smoothly and the whole workforce in ME Group Rauma has been trained to operate the processes of catering management. With everyone able and knowing what to do concerning catering management, means less burden for the district manager who has been mainly in charge of the whole catering management operations.

Restriction of items availability is in use already in some of the high-priced items. But no drastic restrictions have been implemented up till now. If the costs overrun the budget, the appropriate vessel will be contacted and warned. If the overruns are constant the restrictions will be put to use. In addition the restrictions can be easily put to use with new guidelines sent to vessels and reviewing the orders before processing them.

The company has been in contact with Rauma Vocational College and their ship cook program about the planned cuisine for cm vessels. And they have promised to make a sketch of the suitable menus to be used in cm vessels. With the professional approach taking into consideration all the requirements for a healthy and nutritious meal there should be no arguments from the shipping company. Unfortunately as of now it is not yet available for review. At the moment there has not been the requirement to put the designed menu in use as the budget has been quite near the objectives. But if the budgeted amount for the meals is cut, it is probable that having a weekly menu will be put to use. Or if there will be troubles maintaining the budget having a planned set of choices for the crew to choose their meals from, will be among the first big changes made.

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chandler |' ch an(d)lər|

noun

1 (also **ship chandler**) a dealer in supplies and equipment for ships and boats.

2 historical a dealer in household items such as oil, soap, paint, and groceries.

- a person who makes and sells candles.

ORIGIN Middle English (denoting a candlemaker or candle seller): from Old French *chandelier*, from *chandelle* 'candle' (see *chandelier*).

(The Oxford American Dictionary 2005. Apple OS X)