



Elements for the competitive analysis of marinas and other yacht harbours

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Abstract

The lack of competitiveness of some companies in the service sector might be due to the fact that their functions are carried out as if they were manufacturing companies. MARINAS, as service companies with special characteristics, should be run with this circumstance in mind, while incorporating strategic attitudes to their directive system. Strategic Management is a complex process, the permanent aim of which is the choice of a means of advantageous competition the application of which supposes certain problems whose treatment requires specific solutions.

1. The concept of service company

In developed countries, a great number of companies are devoted to providing SERVICES, (in France, for example, the service sector represents 66% of the GNP) and their importance is growing, in spite of which, many of them fail. At the centre of the problem is a management focus that continues to refer to old concepts belonging to the industrial sector.¹

In this way, the paradox arises that while service companies, following the line of famous management gurus such as Theodore Levitt, operate as if they were industrial companies, in the industrial sector where everything is much more predictable and measurable, more and more importance is given to "intangible" concepts such as ORGANIZATIONAL CULTURE or SERVICE QUALITY as determining factors of competitiveness.

In order to understand the performance of a service company, we need to introduce a new concept: "serviction".

Serviction is a neologism developed by Eiglier and Langeard², equivalent to service production, which can be defined as the systematic and coherent



organization of all the physical and human elements of the customer-company relationship necessary for the realization of a service whose commercial characteristics and quality level have been determined.

According to this definition, servition consists of five elements:

- The client; the notion of client is, by the way, elemental. He is the consumer of the service and inseparable from it. Here we find the essential difference between product and service since, while the product could exist by itself, this is not true of services: without the client there is no service. We should distinguish, besides, between clients who actually buy something (the owner of the yacht or the client of the restaurant) and the beneficiary of the service (the craft or the client itself).

- The physical support; that is the necessary material support for the production of the service both for the staff, the client or both at the same time (our port installations or restaurant).

- The front-line staff: the people employed by the service company and whose work requires them to be in direct contact with the client (sailors, "maitre" or waiters)

- The system of internal organization. The physical support and the staff are only the visible part of the service company. There is, also, an "invisible" portion of the company where the other traditional functions of all enterprises are carried out: Finance, Marketing, Safety, and so on. This is the system of internal organization.

- The service; the service is the result of the interaction between the client, the physical support and the staff that constitutes the benefit that should satisfy the need of the client.

2. The Concept of MARINA

At this point, we can define a modern MARINA as a collection of elementary services:

a) Basic services, such as facilities for the harbouring of yachts, both afloat and ashore.

b) Peripheral services that, generally, cannot be enjoyed by the users unless they utilize the base service: toilets and changing rooms, radio connections, car parks, electricity and water supplies, telephones, message service, mail, disposal of used oil, rubbish disposal etc.

c) Base-derived services, which may be utilized by our clients without them necessarily having to be users of the base-service: boatyard, yacht club, fuel station, nautical and sailschools, bar-restaurant, etc.

d) Complementary services are those that are added to the basic, peripheral and base-derived services in order to supplement the offer and differentiate a company from its competitors: laundry, ship suppliers, shops, supermarkets, etc.



3. The Concept of Global Service

We see, therefore, that a MARINA does not provide a single isolated service, but rather a series of elementary services, in some cases with the intervention of different companies or, governmental institutions.

We have overcome, therefore, the concept of MARINA as company, and moved on to another wider concept that we will call "offer of services" since, as Eiglier and Langeard³ say, this group of elementary services, are not juxtaposed entities, without connection between each other, but rather, on the contrary, each one of them is connected to all the rest, forming a system.

As every system, our "offer of services" operates in search of an objective or result, that we shall call global service. The concept of global service is completely theoretical and generally rather difficult to define, and may be considered, besides, as a natural process of integration and simplification in the mind of the client.

4. Competitiveness and Strategy

We may define competitiveness, in general terms, as the capacity to compete. In managerial terms, we can say that a MARINA is competitive if it is capable of extending or, at least, sustaining its position in a market, competing with other marinas that pursue similar goals and preserving its financial viability, that is, obtaining a profit level that at least remunerates the capital invested in terms of opportunity cost.

Then, how is it possible that some companies are capable of sustaining themselves in the market, obtaining a reasonable profit levels, while other companies are hardly able to sustain themselves?

Jarillo⁴, after arriving at the conclusion that it is absolutely impossible, in a market of perfect competition, to obtain medium and long term real profits, claims that the basis of the capacity for obtaining profits in a determined sector is to be found in the imperfections of that sector.

Furthermore if we bear in mind that we live in a time characterized by high level of changeability in the managerial environment, which has important repercussions in the management of organizations, it is necessary for management to incorporate, permanently, strategic attitudes in its systems of management, that allows it to react promptly to threats which arise in the market and to anticipate competitors when they possess a competitive advantage⁵.

These strategic attitudes lead to the adoption of certain decisions, based on the trilogy:

PRODUCT/SERVICE - MARKET - TECHNOLOGY

within the framework of the two generic strategies stated by M. E. Porter⁶.



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Having reached this point, we can define the strategy of the company, as the plan by means of which the company obtains its competitive advantage⁷, which is the same as saying that the strategy consists of the choice of how to compete.

The strategy is always present, in every enterprise, whatever size it is. Nevertheless, another quite different thing is whether it is formulated in explicit form, that is, carried out through a process of strategic planning, or instead it is implicit in the interactions of every one of the functional areas of the company.

The benefits of an explicit strategy are numerous, but here it is enough to say that, the principal advantage of an explicit strategy is that, it may be easily known by all the members of the company. This has been understood and applied by most big companies.

5. Strategic management of MARINAS

In a service company a series of activities are carried out in order to transform determined inputs into services or combinations of product/service designed to satisfy human needs. The task of the managers or executives of any company is to ensure that these transformations are carried out in an effective and efficient way.

Until recently it has been considered that this work is carried out through five managing or directive functions: Planning, Organizing, Staffing, Leadership and Controlling. However at the present time the existence of a sixth executive role has been recognized: The strategic development of the organization⁸, a role which becomes more important the higher the director responsible is in the levels of the organization and is known in specialized literature as strategic management.

We understand strategic management as a management process of analysis - decision making - planning - implementation -control, flexible and opportunist, decentralized and participative, capable of responding to an unstable and turbulent environment, and the ultimate aim of which is the choice of a particular way of competing with advantage.

6. Steps in the process of Strategic Management

In accordance with the definition that we have given, the process of Strategic Management consists of four phases or stages:

1. A first stage of analysis which includes:
 - Obtaining a vision of the firm which understands at least:
 - * Its mission or purpose
 - * Its corporate culture
 - * Its general long term objectives.

- Determination of the opportunities and threats that the environment offers (historic analysis and, fundamentally, future orientation). The analysis of the environment includes at the same time:

- * Analysis of the environment
- * Analysis of the industry⁹
- * Analysis of competitors.

- Determination of the internal resources and capacities of the firm (fundamentally historic analysis)¹⁰

2. In the second stage the alternatives for the future of the organization are developed on the basis of the results of the previous analysis. This implies, on the one hand, the taking of strategic decisions such as:

- To continue as before.
- To attempt to shape (not to change) the environment.
- To enter or leave a particular sector.
- Modification of the capacity, that includes:
 - * Diversification
 - * New products/services
 - * Market development
 - * Market penetration
- Integration.

And on the other hand, the choice of the way how to compete with advantage. Choosing, therefore, the competitive strategy that allows us to maintain a sustainable advantage by means of:

- The leadership in costs.
- The differentiation of our services.
- The focus.

3. The third step of the process is the strategic planning and consists of "shaping" the decisions, taken in the two previous phases, in:

- Plans, including the determination of the general objectives for each one of the functional areas or value activities.
- Simulation of results in order to verify the financial consequences of the chosen alternative.
- Establishment of specific objectives, which at the same time, implies:
 - * the setting in progress of tactical plans.
 - * the allocation of means, and
 - * the allocation, also, of tasks and responsibilities involved.

4. The fourth stage is that of control, indispensable if we wish to ensure that the plans are started and completed. The activity of control also allows for process feed-back, checking the deviations between the outputs obtained and the expected ones based on targets, facilitating at the same time necessary corrective measures.

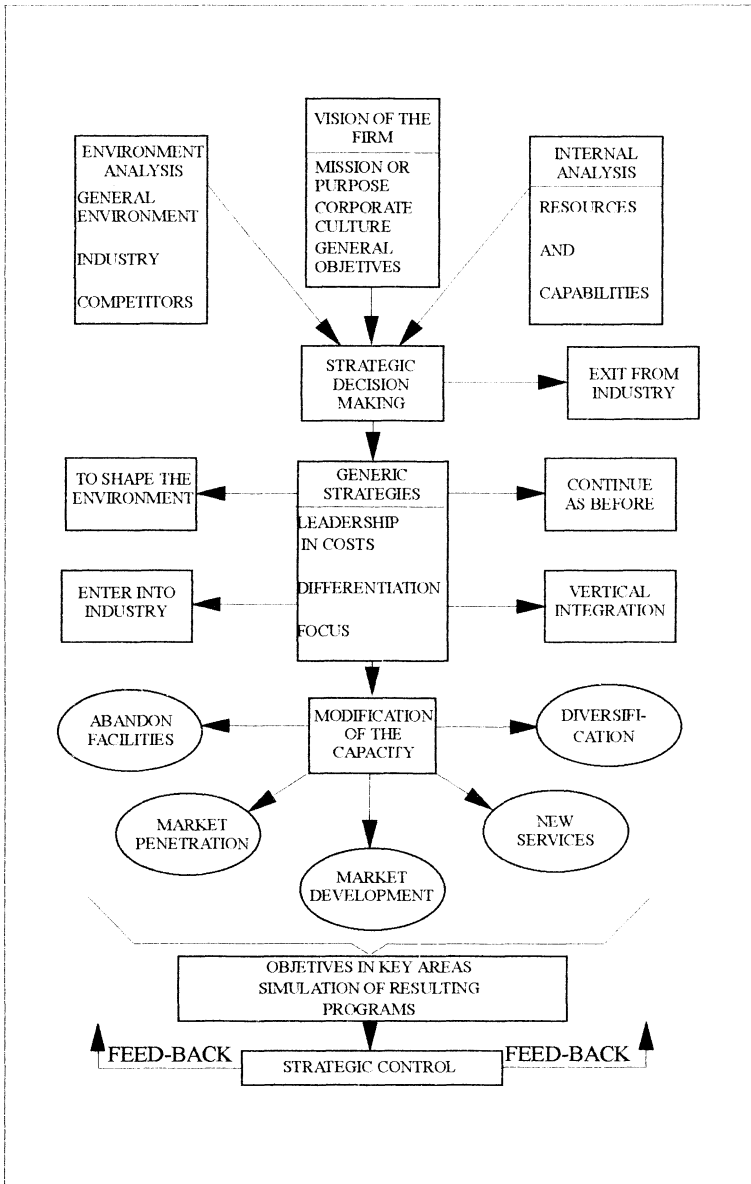


Fig. 1 The process of formulating strategies



7. Conclusions

This complex process of strategic management may lead to two derived problems, on the one hand, from lack of harmony between the people with top-level responsibilities (the ones who make the decisions and formulate the plans) and the rest of the staff (the ones supposed to carry them out), and on the other hand, from the plurality of services in a MARINA, which are often offered by small enterprises, independent both financially and organically, and which have different philosophies and interests, and whose actions, in any case, may lead to the failure of the others.

The way of solving this problem could be twofold: either by carrying out a process of VERTICAL INTEGRATION¹¹ where a single organization offers all the services, or by means of the creation of a NAUTICAL COMMUNITY formed by all the enterprises with interests in the MARINA, equipped with an organizational structure that includes some type of common management with wide powers over the associates, that can impose standards of conduct capable of responding, in a coordinated manner, to the demands of the clients (we must not forget that the clients see the marina as a whole: as a global service).

Once the community is set up, the most difficult task consists of motivating all the component parts and establishing among them, including the workers of whichever of the services, a common commitment to the development of the MARINA, which cannot be achieved without a CORPORATE CULTURE, both in the internal sphere of the firm owning the MARINA and in the collective whole that we have chosen to call nautical community.



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¹ Shaw, J., *The Service Focus. Developing Winning Game Plans for Service Companies*, Richard D. Irwin, Inc., 1990.

² Eiglier, P. & Langeard, E., *Servucción, el Marketing de los Servicios*, McGraw Hill, Madrid, 1989.

³ Eiglier, P. & Langeard, E., *Ibid.*

⁴ Jarillo Mossi, J.C., *Dirección Estratégica*, McGraw Hill, Madrid, 1992.

⁵ Bueno Campos E., & Morcillo Ortega, P., *Fundamentos de Economía y Organización Industrial*, McGraw Hill, Madrid, 1993.

⁶ Porter, M. E., *Competitive Strategy, Techniques for Analyzing Industries and Competitors*, The Free Press, 1980.

⁷ Jarillo Mossi, J.C., *Op. cit.*

⁸ Mintzberg H., *The structuring of Organización (A synthesis of the Research)*, Prentice Hall, Inc., Englewood Cliffs, N.J., 1979.

⁹ In accordance with M. Porter, the first factor determining the competitiveness of any enterprise resides in the attractiveness of the industry belonging to, whose rules of competition are determined for the five forces of competition:

Entrance of new competitors.

The threat of substitute services.

The bargaining power of the buyers.

The bargaining power of the suppliers, and

The rivalry among existing firms.

¹⁰ The internal analysis could carry out in different ways, as the proposed by Hax and Majluf (1984), consisting of analyzing the following functional areas of the company: manufacturing [or in our marinas, "serviction"], marketing, R&D, management and finance, whose finality end is to obtain their major strengths and weakness and whose output are presented as tables named profiled charts, or the method suggested by M. Porter (1985) named method of the value chain, consisting of evaluating those activities that create value in the company so that one could understand, easily, the behavior of the costs and the sources of differentiation.

¹¹ Anderson, W.W., "Marina Management in the 90's: a U.S. perspective", International Marina Conference Proceedings, Amsterdam, 1993.