

## ANALYZING AND CHOOSING THE TARGET SEGMENTS OF THE MARKET FOR CARGO FREIGHT TRANSPORT SERVICES

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**Abstract:** In order to attract more customers, transport enterprises strive towards providing transport services that fully meet their marketing criteria for quality. However, transport enterprises are not always capable of fully satisfying customers' needs. Therefore, when choosing their "own" customers, transport enterprises need to develop a program for segmenting the transport market by recognizing its real capabilities for performing marketing events. The segmentation criteria depend on the economic and geographical peculiarities of the region, the development of transport infrastructure, the peculiarities of management and the transport enterprise's capabilities.

The report indicates the main stages of conducting effective segmentation of the cargo transport market. The necessity for analyzing the competitive advantages of enterprises working in a specific region has been determined; one instance involves the use of key factors that influence the quality of the transport service whose improvement in turn helps improve the competitiveness of enterprises. The paper's main idea is to showcase the necessity and approaches for analyzing and assessing those target segments of the transport service market that carry out cargo freights. Segmentation is an essential element of the marketing concept that allows transport enterprises to choose those target segments of the market that are the most convenient and effective for them, thus guaranteeing the optimization of their expenses and profits.

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### Introduction

The segmentation of the transport market involves analyzing and grouping customers and their various criteria in relation to the quality of the provided services, as well as searching for selection options of every individual client or group through the marketing approach as well as through a set of specific tools. In this case, the set of tools we are referring to is the type of rolling stock, the freight's characteristics, the conditions of payment, the concessions, the requirements towards the time of delivery or the guarantees for delivery at a specific time, the additional services regarding cargo preservation, etc.

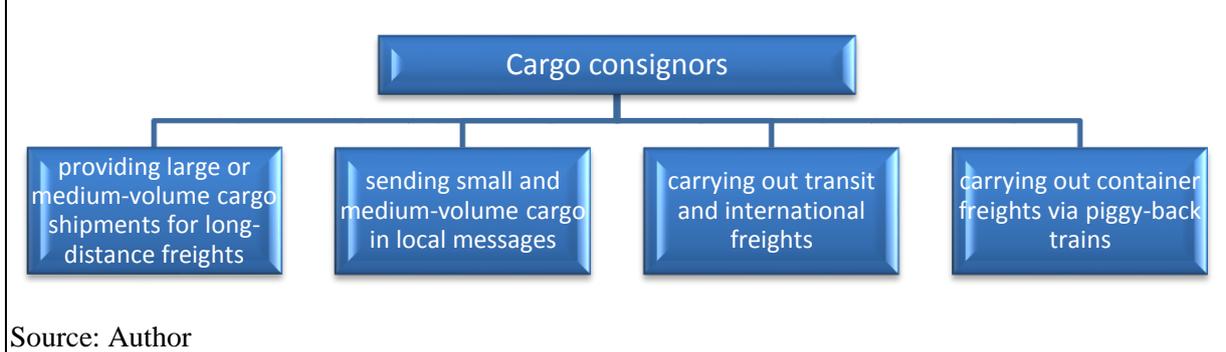
It is apparent that every type of transport has customers who make use of its services traditionally. Another part of a cargo consignor is defined as the so called "field of competition" of several types of transport or of numerous enterprises from the same type of transport. Therefore, it is essential for managers of transport enterprises to determine which cargo consignor segments it intends to work with. That way, automobile transport enterprises could specialize in transporting cargo in containers, in local cargo freights within the city, region, etc. In that regard, the automobile enterprise, depending on its size, aims towards demanding one or several target segments. Unlike commercial enterprises, some transport firms cannot choose to serve only the most beneficial customers, refusing to work with other segments of the transport market (Tzvetkova 2014). But even taking the impossibility for a selective approach towards customers out of the equation, it is advisable to segment the market of cargo consignors in order to improve the quality of their attendance and attract new customers, as well as to save resources. The practical execution of the segmentation of cargo consignors is a difficult task. The most important (from the perspective of marketing specialists) sub-groups of customers are separated based on a study of the structure of the transported cargo and the peculiarities in the activity of load-forming enterprises defined as a result of marketing studies of the transport enterprise's region of attraction (Tzvetkova 2009).

### Segmentation of the Transport Market

In order to be successful, the segmentation should be done in two stages. The first stage divides all cargo owners into groups based on the cargo's volume and the lead, placing transit and international freights into an individual sub-group. From the perspective of obtaining high income from the freight, transport firms are interested primarily in the cargo consignor's relative share in the total cargo turnover for the planned period of time. Therefore, it is advisable for marketing specialists to differentiate the following segments in the first stage: (fig.1).

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Figure 1: Segments of Cargo Consignors



Source: Author

The approaches of working with the four groups of segments differ in principle. The individual approach is more appropriate for the segment of large and medium cargo owners with a large relative share in cargo turnover. As a rule, marketing specialists and transport-forwarding firms handle them. The approach is based on the mutually beneficial cooperation of transport firms with such enterprises on a long-term basis. Depending on the practical situation, at a later stage it is advisable to execute the second variant of the segmentation, where large and medium cargo consignors are divided into small subgroups. The designation of the cargo in accordance with the nomenclature of goods (coal, liquids, iron ore and ferrous metals, fertilizers, chemicals, containers, cement, wood, paper, industrial raw materials, etc.) accepted by transport firms predominantly serves as a criterion of segmentation. If a more complete acknowledgment of customers' demands is needed, and to save on expenses for carrying out the necessary marketing actions, it is acceptable for cargo consignors to be divided into even smaller segments, based on one or several of the following criteria:

- freight regularity;
- special requirements towards the rolling stock;
- period of delivery;
- conditions for payment or customer reliability;
- contract peculiarities;
- requirements for cargo preservation, etc.

The methods for collecting data and doing analytical work in the segment of large cargo consignors include: sampling, personal communication between marketing specialists and managers of cargo consignor enterprises; analysis of the economic state, the commercial and financial problems of cargo consignors, the situation in the field in which they operate, naturalizing investments, incorporating new technology into load-forming enterprises; studying geography of sales; monitoring the prices of the cargo consignor's production in the places of its realization and calculating the transport constituents in the price.

For the segment of cargo consignors of small and medium cargo shipments primarily in a local message on behalf of the firm, the work is done by the marketing specialists of the firm's regional subdivisions, as well as by the employees of transport-forwarding organizations. It is recommended that the given market segment be subdivided:

- according to the type of rolling stock;
- according to the conditions of payment;
- according to the periods of delivery;
- according to the complexity of "door-to-door" service;
- depending on the conditions for cargo preservation and the readiness for payment for protection services, etc.

When studying these segments, aside from the analysis of cargo distribution into types and designations, the analysis of the elasticity of freight demand based on price and numerous quality indicators (speed and periods of delivery, efficient preparation of documents, etc.) is also topical. The coefficient of elasticity should be calculated individually for each group of customers.

The analysis of the transit and international cargo freight segment boils down to clarifying their distribution by volume, sort, points of launch, points and countries of destination, degree of regularity, requirements of cargo consignors towards periods of delivery, preservation and other indicators of quality. A more detailed segmentation is not mandatory here, excluding international freights, when the conditions for delivery require different approaches towards the period and conditions for cargo delivery. That way, at present, since one of the directions of work of Bulgarian transport firms is taking responsibility for organizing the delivery of cargo shipments not just “door to door”, but by solving all issues regarding formation, going through customs, receiving permission for launch, tracking the cargo movement along the route, including overloading and delivery with different types of transport. This direction of work is too long-term for transit cargo, especially in the field of international freights.

**At the second stage**, the transport market is segmented in accordance with the conditions for the quality of cargo freights and transport service. For this purpose, it is advisable that all transported cargo be divided into four groups or segments:

- cargo for even, regular delivery under common freight conditions (these include predominantly raw materials and fuels);
- cargo with guaranteed delivery for a specified period of time (products components, machines and equipment);
- cargo which requires speedy delivery (rapidly decaying, deficit production);
- cargo which requires special (individual) freight conditions (off-gauge, toxic, flammable and other cargo).

Such cargo grouping is done after in-depth development of marketing measures for improving the quality of the clientele’s transport service. Marketing measures have to foresee a differentiated approach towards tariff policy, the means of forming the demand and stimulating the quality of customer service by acknowledging the peculiarities of cargo freights in each segment. It is possible to develop special marketing programs for each of these segments – for example, the group of speedy cargo delivery (formation of gear trains, development of refrigerated transport, etc.). On the whole, market segmentation should not be approached in a formal manner. Its depth and scope depend on the goals and capabilities for studying and developing the market. Traditional criteria for market segmentation, as is known, are groupings by types of customers, types of production and main competitors, thus separating geographical, technological, behavioral and other signs. At the same time, for economic reasons, it is advisable to avoid the creation of an excessive number of segments, so as not to increase the expenses for creating and realizing complex marketing for each of the multitudinous segments. It is appropriate to develop a flexible and differentiated production, and a means of stimulating demand solely with regard to the most important not large group of segments on the transport market.

The division of consumers of cargo freight services into segments provides opportunities for more detailed studies of their main requirements and issues and, on the basis of the individual approach, to fully satisfy existing customer needs, so that the transport firm can retain them as customers in the future. At the same time, transport enterprises save on expenses by providing cargo consignor groups with identical and acceptable for them sets and quality of offered services.

### **An Example of Doing SWOT-analysis**

In order to use the transport firm’s capabilities more fully and design strategic, organizational, economic and technical measures, it is necessary to study the work conditions of the competitive types of transport in the transport firm’s region of attraction and discover the competition’s bases, i.e. those cargo consignor segments for which other forwarders and transport types are in serious competition with the transport firm (Tultaev 2008).

For each segment, based on its study, several (3-5) most important requirements towards the freight’s quality and peculiarities are outlined; they are key factors for success in its service.

The most important requirements towards the transport enterprise include:

- speed of delivery;
- retention of utility value;

- “door to door” delivery;
- minimal difficulties in the formation of cargo freights.

These requirements can be chosen in their quality of key factors of success (KFS).

Expert evaluations or factual data provide a basis for studying the degree of availability of corresponding KFS in the transport firm and its main competitors in the given segment: the transport enterprises segment (Table 1).

Table 1: An example of SWOT-analysis of the competitive advantages of the transport enterprises in the region

Key factors of success	Weight	Railway transport	Motor transport
Speed of delivery at a distance of 200 km	0,30	7	6
Retention of utility value	0,35	6	7
“Door to door” delivery	0,20	7	10
Minimal difficulty in cargo formation	0,15	6	8
TOTAL	1,00	-	-
Weighted estimation	-	6,5	7,45

Source: The Author

The total estimation in the SWOT-analysis is calculated as a sum of the held evaluations for the corresponding KFS of the relative weight of the KFS in parts of the unit. As a rule, the relative weight of the factors is determined based on sampling of customers.

For example, according to experts, the total weighted estimation of the transport firm can be read on a scale of one to ten as follows:  $7 \cdot 0,3 + 6 \cdot 0,35 + 7 \cdot 0,2 + 6 \cdot 0,15 = 6,5$  (Table 1)

That way, the SWOT-analysis on the strengths, weaknesses, capabilities and flaws shows that with a bigger part of KFS and on the basis of the total weighted estimation of the firm, motor transport gives way to the given sector. In order for it to gain competitive advantages, it is necessary to adopt measures for providing better security regarding the preservation of cargo delivery; attention should be given to “door to door” delivery; the order of forming and accepting cargo for consignment should be simplified. For the economic estimation of the effectiveness of these measures it is necessary to use methodical recommendations for determining the effectiveness of innovational projects (purchasing special rolling stock, gear locomotives, road reinforcement, acquisition of motor transport, etc.).

International and domestic cargo freights are separated in the segmentation of the transport market, as well as intermodal and multimodal freights in directly mixed messages (TultaeV 2000).

The segmentation of the transport market is done in the process of processing the materials for the marketing research. However, the main principles of segmentation should be formulated prior to developing the study’s inquiry. Segmentation involves the differentiation of cargo freight volumes, cargo turnover, income, expenses, earnings and profitability for each segment. The prime cost dependent on the sizes of the transport section is separated, so that the possible worth of concessions can be fully determined. It is appropriate to also determine the geographical scales of the segment.

When segmenting the cargo freight market, attention should be paid to the grouping of cargo by tariff classes of the flexible tariff policy. It is necessary to take this circumstance into account when developing marketing measures for stimulating demand for freights (TultaeV 2012). The transport marketing segmentation is completed with the choice of the most effective target segments of transport attendance by the transport firm. The target segments which result from the segmentation of the transport market have to be:

- single-type, i.e. they need to have a clear and, for example, identical set of necessities for transport services, as well as react in a similar manner to the marketing activities of transport firms;
- significant in size, in order to justify the additional losses for carrying out marketing strategies, in accordance with the requirements of the given group of consumers;

- accessible for effective marketing activity;
- quantitatively measurable;
- able to use in the course of an extended period of time.

If it turns out that the selected market segments do not satisfy the single-type reactions and the other requirements, the process of segmentation should be continued by using other criteria. For transport firms the main segments are the branches of material production: coal-mining, oil-processing, metallurgical industry, chemical, forest and woodworking, mechanical engineering, the agricultural complex. In that regard, it is important to determine the relative weight of cargo freight volumes, as well as the income for each segment of the transport market.

### **Conclusion**

The analysis and choice of target segments for offering transport services in cargo transport provide opportunities for reducing competitive struggles and guaranteeing advantages in the quality of transport services, compared to other types of transport or competitive enterprises. For example, the most effective transport market segments for railways are medium-distance and long-distance freights of fuels, raw materials and other massive loads. For motor transport short-distance and, in individual cases, medium distance freights are more advisable. The segmentation of the cargo freight market and the implementation of marketing approaches in the management of transport enterprises are prerequisites for their successful development in today's conditions of a highly dynamic and competitive market.

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