

# SeaIntelligence Consulting

## *Challenges for the Liner Shipping Industry in the next 10 years*

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Let's start with the good news

**There will be plenty of opportunities !**



**But it may not be all existing players who will be benefitting from them.....**

# In this industry, change is nothing new - hence just business as usual?

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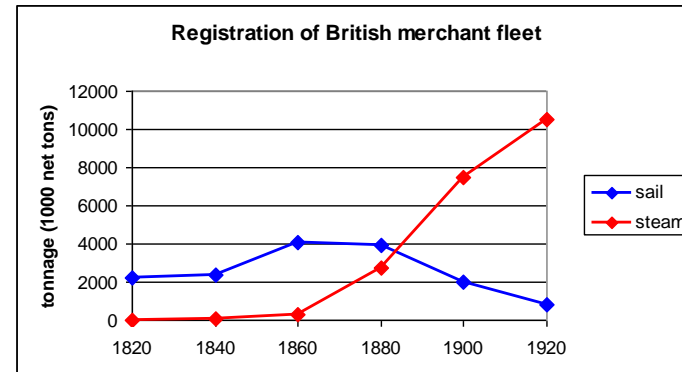
In the past 100-150 years we have seen significant innovations such as

- Powered ships replacing sails
- Telephone -> Telex -> Fax -> email -> eCommerce
- The Suez and Panama Canals
- The shipping container

...and yet the industry is still here, bigger and stronger than ever

# The industry changes slowly though....

The lifespan of the assets means that transitions only happen gradually – irrespective of the enormity of the advances in new technology



# Market Forecast Next 10 Years ??

1980-2007 Average global demand growth : 8.7%

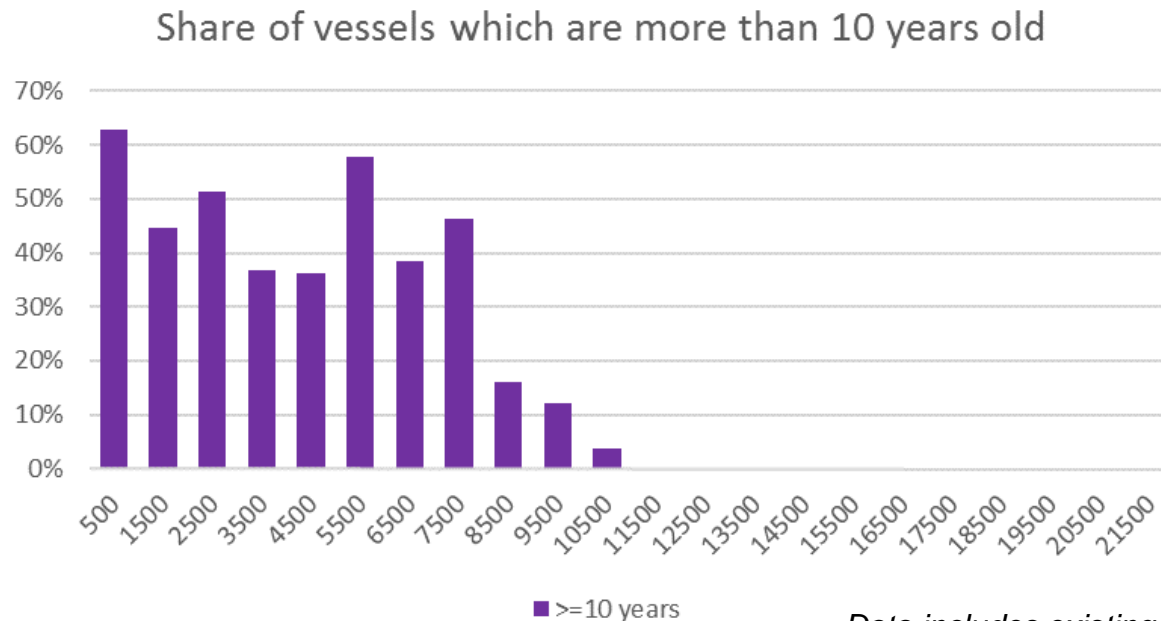
2011-2015 Average global demand growth: 2.5%

CLH06 - Crude Oil WTI (NYMEX)



Rank	2005	2016
1	Maersk Sealand	Maersk Line
2	MSC	MSC Line
3	P&O Nedlloyd	CMA CGM
4	Evergreen	COSCO/CSCL
5	CMA CGM	Evergreen
6	APL	Hapag-Lloyd
7	Hanjin	Hamburg Süd
8	CSCL	Hanjin
9	COSCO	OOCL
10	NYK	MOL
11	OOCL	UASC
12	CSAV	Yang Ming
13	Hapag Lloyd	NYK
14	Zim	Hyundai
15	K-Line	K-Line
16	MOL	Zim
17	CP Ships	PIL
18	Yang Ming	Wan Hai
19	Hamburg Süd	X-Press Feeders
20	Hyundai	KMTC

# One certainty: Capacity is key



*Data includes existing, undelivered, orders*

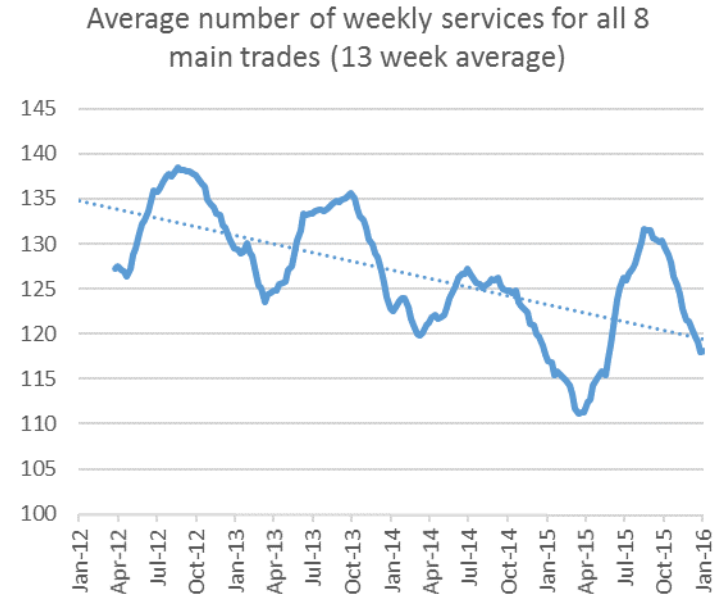
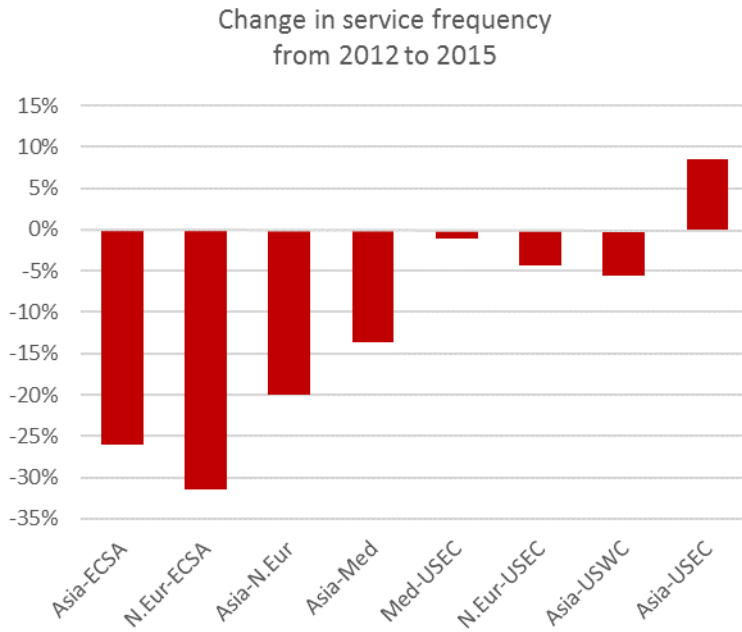
These “old” vessel account for 25% of the total fleet

Continued demand growth at 2.5%p.a. -> 28% demand growth by 2026

Present structural overcapacity problem: 10-12% of total fleet (excl. fast-steaming)

.....Need to order new capacity equaling 40% of current fleet

# Vessel sizes increase -> fewer services



Source: SeaIntelligence Consulting and SeaIntel Maritime Analysis

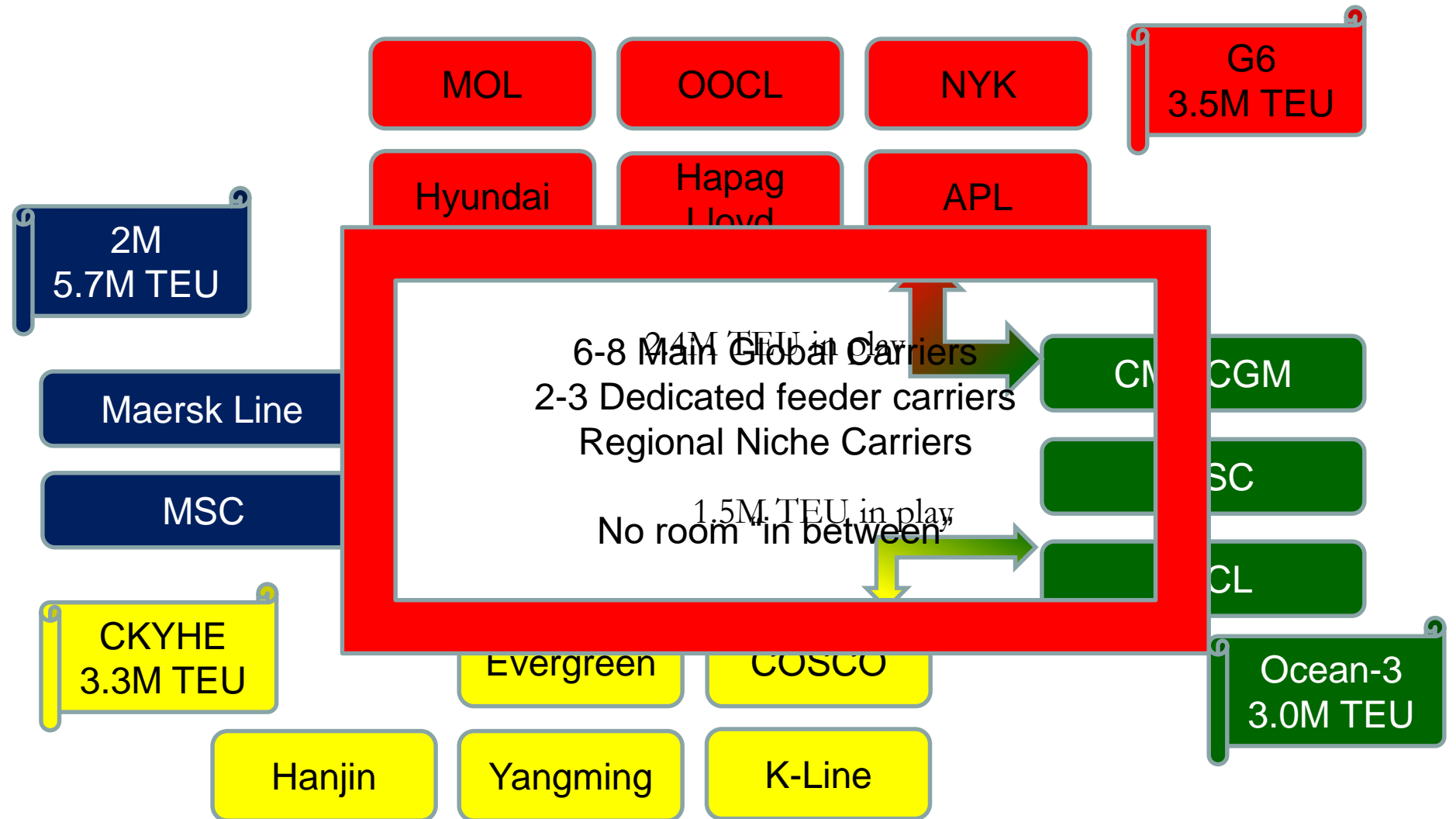
Overall we see a reduction of 4 services per year

Two key consequences:

Less choice for shippers

Less operational flexibility for carriers

# What will happen to the alliances?





# Intrinsic versus extrinsic challenges

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Some challenges come from within – intrinsic - and their speed of implementation depends on the industry players. Others are extrinsic and are imposed by the surroundings.

Examples of intrinsic challenges:

- Adoption of eCommerce standards within the industry
- Should specialist functions be retained in-house or outsourced?
- The eternal “tension” between carriers and forwarders
- Playing the pricing games
- Increased staff turn-around

# Extrinsic challenges, examples



# The liner industry culture: unique and the same

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On one hand, companies are very different and also have very different cultures.

On the other hand, the industry demonstrates aspects of a monoculture which will be challenged in the coming decade

....hence when we talk about the industry culture, it is the aspects which pervade the industry as a common thread

# Commonalities

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Let us take a look at the more visible aspects – namely the artifacts.

Clearly everyone has widely different artifacts, yet some are very persistent and common:

- A fondness for displaying hardware which is of much more interest to the industry itself and not its customers
- A focus on the ocean and not the land-based connections

# Core beliefs

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Digging further down to the core beliefs – “*how the world works*” – we also find commonalities:

- The market is cyclical
- Shipping is a tradecraft
- Commoditization is bad
- Transparency is bad
- “*We can beat the market as we are smarter than the other shipping companies*”
- Mistrust

# Coming changes/challenges

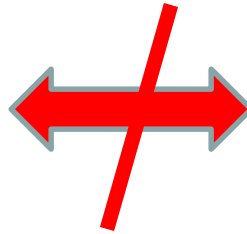
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The underlying cultural commonalities have clearly developed as they were ideal to matching the surroundings – but now the surroundings are changing.

What if we match the extrinsic challenges to culture changes ?

# Extrinsic challenges

- eCommerce encroaching from other sectors
- Standardization and simplification
- A shift from tradecraft to Lean Process Control
- Significant demographic challenges
- The risk of reduction in the amount of ton\*miles or TEU\*miles
- Discrepancy between national legislation where global regulation fails
- High degree of transparency



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# Possible new matches

- eCommerce encroaching from other sectors
- Standardization and simplification
- A shift from tradecraft to Lean Process Control
- Significant demographic challenges
- The link between environmental drivers and energy drivers
- The risk of reduction in the amount of ton\*miles or TEU\*miles
- Discrepancy between national legislation where global regulation fails
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- It is all about handling exceptions and creating resilience
- Embracing global collaboration on standards
- Long-term stability in performance more valuable than “riding the peak”
- Marine tradecraft is not the only valuable skill



# Let's end with the good news

**There will be plenty of opportunities !**



**But it may not be all existing players who will be benefitting from them.....**

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Thank you for your attention

# About Lars Jensen



## Lars Jensen, GDBA, Ph.D.

- 15 years of shipping experience
- 23 years experience in mathematical modelling
- Global expert, Strategic analysis for liner shipping
- Experienced leader of process re-design and implementation projects

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### SeaIntelligence Consulting

Container Market Analysis  
Process improvement  
Container eCommerce strategy

### CyberKeel

Maritime CyberSecurity  
Penetration Testing  
Technical Training  
Management Training  
Security Assessment

### LinerGame

Container Market Training  
Teambuilding