



the new normal

a manifesto for changing the way we think about shipping



MAERSK
LINE

the new normal

a manifesto for changing the way we think about shipping

// We need to remember that change is in our DNA



Once we were drivers of change

Containerisation revolutionised the world because it fundamentally overturned the ingrained ways of thinking about global transportation. We had to change everything. Stevedores and longshoremen had to retrain almost overnight. A whole new class of ship, truck, equipment, and port terminal machinery had to be built. And suddenly unimaginable complexities of schedules, equipments and timelines had to be factored in. It took time, effort, money and a belief in the future – and huge amounts of potential were unlocked, for both ourselves and customers. We all benefit from that change every day.

People in business are fond of saying that change is a constant

But in shipping, we haven't changed with time. This is an industry that has an established way of doing things and changing those ingrained habits is often harder than turning around one of our vessels midstream in the Suez Canal.

The way we have done things for the last 50 years has given us the comfort of knowing that, whatever other fluctuations we might have to manage on a minute-to-minute basis in our business pipeline – from the rise and fall of oil prices to the rise and fall of the world's oceans – our operating model is a constant.

But it is a constant that lets us and our customers down, when containers still arrive late as often as they are on time. Our customers still get involved with our operational complexity, sometimes for no good reason. And we still have vast opportunities to help solve the environmental challenges in the business world of the 21st century.

As in many other areas of our business, we have too often told ourselves that 'shipping is different'. We have told ourselves that the rules of the market economy – constant operational change to meet changing customer needs – do not always apply to us. But they do and if we do not recognise that we face the truest business axiom of all: that those who stop listening to the market because they think their methods and products are too established to fail ... end up failing.

Containerisation re-invented global commercial trade. The time has come to make that kind of change again.

Eivind Kolding
CEO, Maersk Line

Is the conversation of yesterday preventing us from **seeing tomorrow?**

The discourse in shipping has barely changed for half a century.

We have new customers with new economies and a range of new products to transport. We provide them via new ships and a whole new type of global network, and we build new IT systems to manage the logistics. But those customers also have new expectations of us, new needs – and yet, inside our boardrooms and meeting rooms, the conversation we have about them is the same as ever.

We need to rethink

We have a whole new generation of customers that expect a different kind of service level from all their suppliers. Our customers repeatedly tell us that other buying factors matter to them besides price such as schedule reliability, money-back guarantees, quick notifications of delays, intuitive self-service wherever possible, and ease of business. They expect that we will serve them.

If we are truly to re-assess where we need to be, we must first realise that the old conversation no longer applies. We have to rethink our business focusing on the tremendous value we could add to our customers' supply chains. We really could be so much more; we must make the industry of tomorrow, today.

We must already
be making the
industry of
tomorrow, today

What happens
if we only focus on
our own brilliant
legacy, and forget
to adapt our
business to
deliver what
customers
really need



The car business dominated American industry in the post-war boom years. By the late 1950s the car industry hosted the largest private employers in the world and contributed significantly to America's economy – the biggest consumer market in the world. It was the engine of US industry; everybody knew that 'Americans buy American'.

And then from 1960 something happened. Customers started buying Japanese. The pattern continued through the 1970s and 1980s leading to bankruptcies and the demise of household names like Cadillac, Chevy, Pontiac and Buick.

The customer dynamic changed, but the companies didn't

Management teams in car companies kept operating as if normal rules of the free market were suspended. The quality of the product lost importance, innovation was resisted, and, most importantly, attention to changing customer wants and needs were ignored. They lost touch with their customers.

Instead, consumers chose a better way. Once companies like Toyota broke out of the traditional auto playbook offering consumers a better product and better service, customers flocked like bees to honey.

We shouldn't make the same mistake

The containerisation of world trade has over time served players in our industry and our customers very well, but aren't we also faced with changed needs among our customers? Are we listening enough to their wants and ideas to improve their supply chains? If we had a more dedicated focus on what our customers want – plus what they didn't even think of yet – then imagine the potential for our industry.



What happens when online retail becomes the industry norm?

In 2000 Ryanair launched its website with online booking allowing the company to sell directly to passengers and cut flight prices.

Within a year the website was handling three-quarters of all bookings and today it is only possible to book seats online or via the call-centre. Ryanair is today the second-largest airline in Europe in terms of passenger numbers (66.5 million in 2010). Its fiscal results tell a story of success in a squeezed industry.

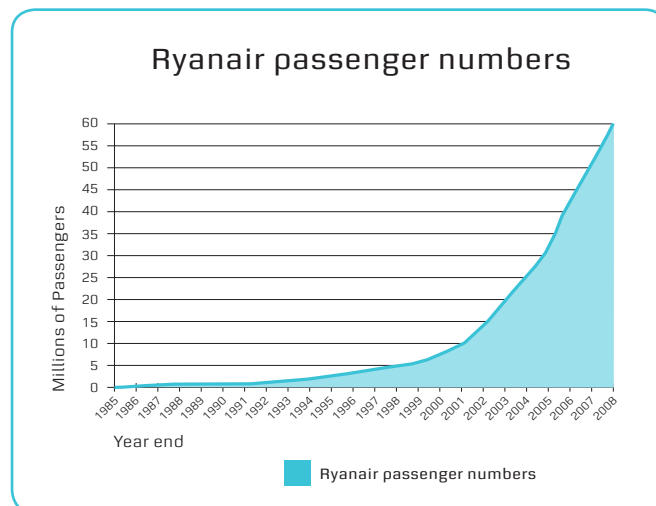
Fifteen years ago, many in the travel industry were certain customers would always want ‘the personal touch’ when booking their trip. Many seasoned experts argued that travel agents would always have a key part to play in the future.

Any bank teller would have told you the same about the high-street banking industry. And supermarket cashiers would have said the same about the food retail industry.

As soon as technology unlocked online purchasing, customers turned to the web in droves. The interaction between producers and consumers radically changed.

We need to learn from that

Can we state that the shipping industry has gone online? Or are we missing some opportunities to interact with customers through more channels?



What happens when you can't see what's coming next and just try to hold your existing position?

Music players

For 20 years, the personal music player market – be it cassettes, CDs, and later mini-discs – was filled with a wealth of similar products and where market leadership was decided on brand alone.

While music was shared and stored in physical formats, these brand leaders had an unassailable edge. Until, they missed a new way to think about portable music ...

Mobile phones

Ten years ago, almost overnight, mobile phones in the developed world went from luxury item to everyday essential. The major players jostled for position behind the industry leaders and were focused solely on the now traditional, and back in 2005 the presumed only, design of mobile phone.

What they all failed to see coming was a totally new way to think about mobile phones ...

What happened?

In the space of a few years, Apple twice gave customers what they had always wanted before they themselves knew that they had always wanted it – and in the process, they completely stole both the music player and the mobile phone markets overnight. In the face of competitive innovation, every successful and well-established service business in the world is only one surprise product launch away from being left behind.





What are **the opportunities** for the shipping industry?

What can the shipping industry learn from the historic developments in other industries such as automotive, aviation, portable music players and mobile phones?

Lesson 1: Just because a business is established, it may only be a few years from being completely overtaken by new technology.

Lesson 2: Market and customer behaviour is forcing companies to never lose sight of what customers really want – including the needs they are not even aware of.

So far we haven't experienced a silver bullet online solution revolutionising our entire industry – or any other fundamental game changing innovation for that matter. We have an opportunity to challenge ourselves and take a harder look at the new technologies available.

Fundamental challenges = Fantastic opportunities

The shipping industry is faced with three fundamental challenges: our unreliability, our complexity and our environmental impact. But instead of making excuses we should stop the repair work and see them as fantastic opportunities.

Why shouldn't we be able to get cargo there on time, every time?

Why shouldn't we make it easier and give customers instant prices and instant confirmation of their booking?

Why shouldn't we hold ourselves to the highest environmental standards?



Getting cargo there **on time**

As an industry we only deliver one out of two containers on time. Name a supplier to your business that only delivers half the time, but is still able to count on your loyalty as a customer.

According to studies carried out by Maersk Line, a significant amount of customers claim they would increase volumes with a carrier if its on-time delivery was significantly improved, and many of them say they even would pay a premium to get cargo delivered on time to their doorstep. On-time delivery is not a nice-to-have for them; it is a cold, hard business necessity.

We need to change the conversation: Reliability is 'the new rate war'

For so long the key driver of industry discussions has been price levels. Customers of course care about cost, but what they really care about is the total cost and not the price on a single box. They can accept rate rises; what they cannot accept is a delivery promise that isn't trustworthy.

Often customers value their ability to trust delivery promises more than they need a rock-bottom price – because the cost implications of late deliveries are far greater.

If they cannot rely on a container being at destination on time, their whole business operations are compromised. Supply chains must be reworked, stores may not have products to sell to eager customers, and potentially one late cargo arrival might have implications not just for the customer's own business, but those of a range of interconnected suppliers.

If cargo was delivered on time it would enable customers to rationalise their internal processes and optimise their supply chains and inventories – easily saving them hundreds of dollars per container.

Often customers value their ability to trust delivery promises more than they need a rock-bottom price



Making it easier

Shipping is a complex business.

Scheduling, network operations, intermodal transit, equipment availability, customs, ancient maritime laws, labyrinthine documentation, hurricanes, earthquakes, piracy, war, fluctuating oil prices, insurance premiums, canal tolls ...

It is indeed a complex business, but do customers have to know?

Our complexity is a customer's challenge – and our opportunity

Ask those heavily involved in almost any business and they will regale you with tales of the industry's complexity.

Our business model is founded on one ideal: we help customers do their business. We make worldwide commercial trade possible, but then our value to the customer lies in our ability to help them optimise their processes.

Taking out the pain: Ease of business

Out of all the processes that make up container transportation, there are only five relevant steps for our customers to be involved in. Today, however, customers and their business partners are involved in far too many unnecessary interactions and transactions.



In every other service interaction in their lives – personal and professional – customers expect and now get premium, easy, hassle-free service. Why should a customer not just be able to make a booking, pay with credit card, and leave the rest up to us?

We need to make it easier for the customers to:

- look up a price or a schedule;
- get instant availability overview and an instant booking confirmation;
- have a simplified documentation process – pre-populated wherever possible;
- track incoming cargo;
- get notifications if the cargo is delayed.

Opportunity to earn customers' commitment

Today, the industry's customers do not honour their commitments. Three out of ten confirmed boxes simply don't turn up when the ship is ready to sail. If we started delivering top-class tracking and tracing, exception handling, etc., constituting a complete seamless experience, then we earn the right to demand that confirmed containers show up – simply because we are offering a compelling product.

Customers expect
premium, easy
and hassle-free
service

How world-class service pays off

Our research has shown that guests who rate their overall experience 'excellent' rather than 'very good' are twice as likely to return and refer.

Walt Disney once said that it didn't matter if people consciously noted the details because "People can feel perfection."

Mike Reardon, Business Program Facilitator
Disney Institute







Doing it with environmental excellence

With its vast volumes, rising growth rates and all-pervasive involvement in global commerce, the shipping industry will always be in the crosshairs of those targeting corporate environmental performance. And rightly so.

Our overall impact on CO₂ levels is bigger than some countries. The shipping industry's carbon footprint, like that of all large-scale transportation industries, is a contributor to rising global levels of CO₂. The industry's total emissions comprise between three and four percent of global emissions – higher than the nation of Germany. Furthermore, the growth outlook indicated by the International Maritime Organization (IMO), where the industry is set to grow 400-800 % towards 2050, poses an obvious challenge for both the industry and our customers.

Tapping into the needs of end consumers

Where does that leave shipping? Well, we actually have a positive story to tell about environmental impact and, moreover, the shipping industry has an untapped potential to become a key driver in improving the environmental footprint of the commercial world.

We know we have a positive environmental story to tell

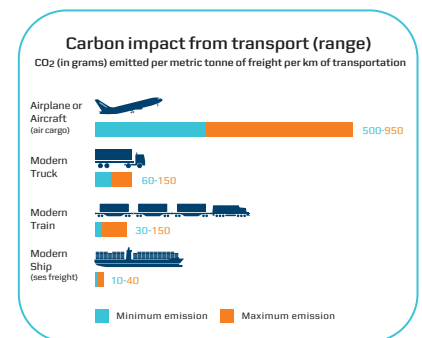
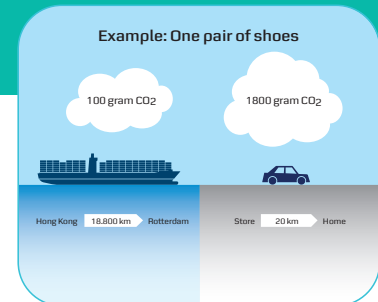
A large proportion of consumers prefer sustainable products and our customers have taken that to heart. Product recycling, sustainable packaging, energy efficient production, organic materials, etc., have been in focus for more than a decade. Our customers' customers, the end consumer, can today often afford to act solely by beliefs, but companies struggle to cut their emissions to an extent where it makes a visible difference in the end product.

We have already proved that shipping can lead the way in solving the environmental challenges of the 21st century. Pound-for-pound, shipping is the least polluting mass transportation system available for consumer goods.

- A cargo plane will emit 20-50 times more CO₂ than a container ship over the same distance with the same weight of cargo. A truck will pollute 3-5 times more. And a small car will emit 18 times more CO₂ than a container vessel to travel only one-thousandth of the same distance.
- That means that, for the flat-screen TV in a consumer's living room, the carbon footprint of the car trip back from the store is almost certainly greater than that of a truck that drove it 100 miles from the port to the store. And the emissions resulting from shipping it several thousand miles from the factory to the port in the first place are miniscule in comparison to both.

We can be much more

Shipping is the least polluting way to mass-move commercial goods around the planet. While worldwide commercial trade will continue to grow and put pressure on companies to find carbon efficient solutions, ocean transport holds huge potential to become an even more important player in global trade.



The Low-Carbon Leaders Project, developed under the umbrella of the UN Global Compact's Caring initiative and in cooperation with WWF.

The shipping industry has an untapped potential to become a key driver in improving the environmental footprint of the commercial world

We are committed to environmentally sustainable business practices. Accordingly, it is not enough for Nestlé to focus on our own operations; we are also striving to improve the broader impacts across the entire value chain in order to give our consumers the peace of mind that our products are not only tastier and healthier, but also better for the environment and the people who are involved in supplying them.

Claus Conzelmann, Head of Safety,
Health & Environmental Sustainability Nestlé Group

Nestlé

- Nestlé's approach to sustainability is founded in the concept of Creating Shared Value (CSV), which is a fundamental part of its business strategy.
- Nestlé seeks to create value for the people in the countries where it is present – the entire value chain, including farmers, employees, consumers, and finally, the communities in which Nestlé operates.

Think differently

"We can't solve problems by using the same kind of thinking we used when we created them"

Albert Einstein
Physicist

"The opportunities of man are limited only by his imagination"

Charles F. Kettering
Engineer, inventor and holder of 140 patents

What if
we could
guarantee
that cargo
would
**be on time,
every time?**



Today, we deliver one out of two pieces of cargo on time. We need to revolutionise the industry and get up to 95 % instead – or even higher.

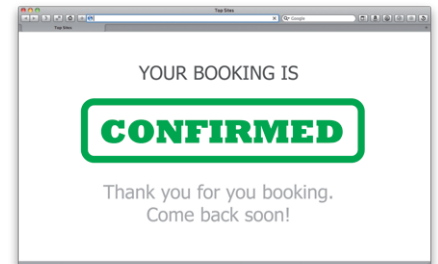
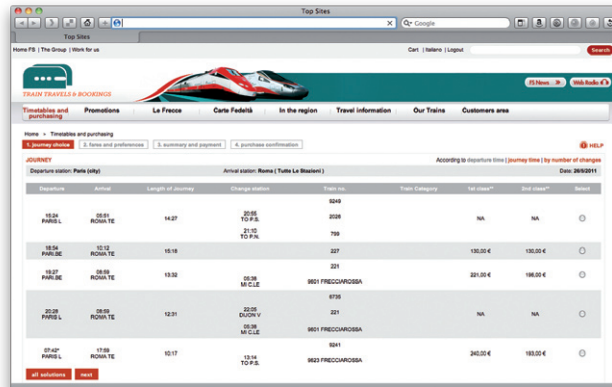
If customers increase their trust in the shipping industry as a supplier ...
... **then we** would get more repeat business – the most reliable operators in any logistics sector will always attract customers.

If customers save significant inventory costs by minimising risk in their supply chain ...
... **then we** will build better relationships because customers will be more satisfied with our service deliveries.

If we improve our own processes and operate with fewer defects, meaningless waste and lower costs ...
... **then customers** would be able to improve their processes and be enabled to deliver even better products to their customers. We will be providing them what every business wants: helping them do business better.

What if
placing a
shipping
order was as
easy as
buying
an airline
ticket?





Our customers just want us to do the simple things well – like giving them an answer on whether they can get on our ships or not – so they can plan their own businesses. In order to meet their demands we need to be:

- Quick – The whole process is simplified to take a matter of minutes.
- Efficient – The size of shipping documentation is slimmed down and what remains can be mostly pre-populated with information from previous shipments or common terms.
- Instant – The customer gets not just instant price and instant confirmation, but can even make instant payment at the point of booking.
- Simple – It can all be done self-service over the web, if required.
- Streamlined – Customers are shielded from our operational complexity and only involved in logging the booking and paying for it

If customers are offered a more automated booking process saving them money through supply chain and inventory optimisation ...

... **then we** will get better control of bookings and less no-shows. Because instant booking confirmation is a two-way process and a two-way guarantee, it means the customer is also confirming.

If customers are presented with an immediate price, with a full breakdown of charges – so they can deselect options they don't need – and a possibility to follow their order ...

... **then we** create security for them and they enjoy an improved overall customer experience.

If we automate customer interactions and thereby free up time spent on filling out forms, re-work and chasing loose ends ...

... **then customers** could enjoy an improved personal service as we could spend the time we free up to serve them when and where they need it.



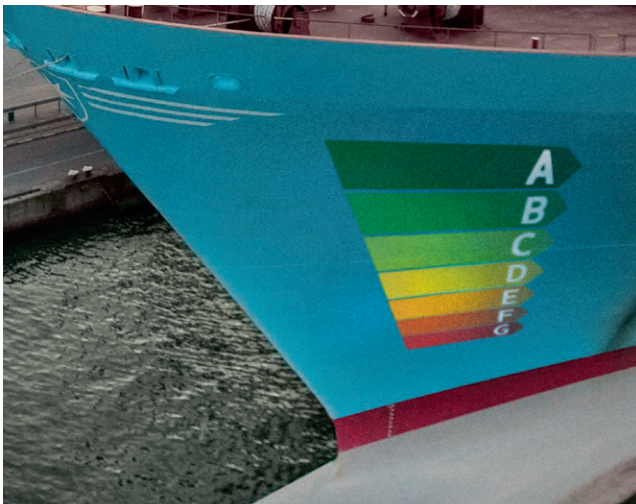
What if the shipping industry was known for **beating environmental expectations** – not struggling to meet them?

Customers are increasingly expecting transparency on environmental impact. They want uniform environmental standards and independently verified environmental data such as the A-G energy rating that has existed for electrical appliances for years or the US Energy Star guiding consumers on energy efficiency of the products they buy.

If we take proactive action we will have an opportunity to help set the standards ...
 ... **then customers** will be able to make decisions with open eyes between the carbon footprints caused by carriers in their supply chains.

If customers brand their end product with the product's energy efficiency and thereby meet the buying criteria of the end consumer ...
 ... **then we** will be awarded more business because ocean transportation is the most energy efficient mode of transporting goods.

If we become better a making it obvious that we are the cleanest transport industry ...
 ... **then we** will not only strengthen our own image, but also the image of our customers.





Join the debate on:
Changingthewaywethinkaboutshipping.com