Changing the way we think about shipping

Thilo Heinrich, Head of Trade & Marketing
Maersk Line Germany
What happens if we only focus on our own brilliant legacy, and forget to adapt our business to deliver what customers really need?

- Music players and mobile phones
- Aviation
- Postal to parcel

100 % electronic ticketing for all members as of 1 June 2008
The opportunities

• Getting cargo there on time

• Ease of business

• Environmental performance

Think differently

“We can’t solve problems by using the same kind of thinking we used when we created them”

Albert Einstein
Physicist

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Changing the way we think about shipping.com
We need to change the conversation: Reliability is ‘the new rate war’

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

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Introducing absolute reliability
Daily Maersk, the **conveyer belt** of global trade

- **Daily cut-offs** at **20:00 hrs** in Ningbo, Shanghai, Yantian and Tanjung Pelepas
- **Daily availability** at **08:00 hrs** in Rotterdam, Bremerhaven and Felixstowe
- **Fixed and consistent transportation times**, every day of the week:
  
<table>
<thead>
<tr>
<th>Location</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ningbo</td>
<td>36 days</td>
</tr>
<tr>
<td>Shanghai</td>
<td>34 days</td>
</tr>
<tr>
<td>Yantian</td>
<td>30 days</td>
</tr>
<tr>
<td>Tanjung Pelepas</td>
<td>26 days</td>
</tr>
</tbody>
</table>
From transit time to **transportation time**

**Transportation time (TTT)**

- Departure
- Arrival
- Cut-off
- Cargo availability

**Transit time (TT)**
The value of daily cut-offs and the value of reliability

Up to 50% inventory reduction

Up to USD 500 saved per container

Visit DailyMaersk.com
The shipping industry ~ systemically poor!

80% at 34 days

55% at 34 days or less
45% is ‘late’

If 20% is more than 3 days late, then the chain is not manageable for JIT
Let’s put on an **end-to-end** perspective

All customers care about is cargo arriving on time at their door step

Let’s enable them to rationalise their entire supply chains and inventories

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When does Intermodal complement the ocean product?

- When it provides value for the customer
  - One stop shopping / end-to-end service
- When it enables synergy and economy of scale
- When it reduces the overall cost of transportation
- When it is profitable

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We need to reduce waste

- Containers not appearing at the dock jeopardises our entire operation
- Price volatility benefits neither us or our customers
- Honour commitments

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30 % no shows
Taking out the pain: **One-click shipping**

Customers expect easy and hassle-free service
They want to:

19 touch points

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You will benefit from easy interactions with us - in an old industry with old habits

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What gets measured gets done

The responsibility to continuously deliver sustainable and push for a transparent footprint

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Investing in the right assets and **putting our cards on the table** …

...are some of the answers to the environmental challenge

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**Changing the way we think about shipping.com**
• What if we could guarantee that cargo would be on time, every time?

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

• What if the shipping industry was known for beating environmental expectations – not struggling to meet them?
Positioning requirements and ratios differ across geographies

Intermodal versus positioning

Based on expenses, 2010

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To manage Inland Operations, several key areas must be reviewed and continuously optimized:

**Governance & Transparency**
- Creating full cost transparency
- Building a structure to illustrate and track profitability

**Network & Scale**
1. Simplify inland network structure
   - Optimize Entry and exit flows
   - Optimize number of hubs
   - Optimize flows to preferred mode
   - Optimize empty flows
2. Reduce scope of network and/or drive scale
3. Build products with scale

**Execution**
4. Procurement effort on transportation
   - Ensure realization of cost reduction opportunities based on market potential
5. Improve invoicing process for inland services

**Pricing**
6. Simplify inland product offer
7. Improve pricing procedures (rules and governance)

**Reliability & Sustainability**
8. Improve on time delivery to our customers
9. Sustainable transportation

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*Changing the way we think about shipping.com*
The Intermodal Network is like a vessel network and requires continuous optimization.

<table>
<thead>
<tr>
<th>Network structure</th>
<th>Observations</th>
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| Hub structure     | • Areas for consolidation  
                    | • Overlapping hubs  
                    | • Limitation of hubs vs. overall positioning costs |
| Entry and exit flows | • Designed around ocean products  
                          | • Volumes going through non-preferred ports/corridors  
                          | • Customer requirements |
| Modes             | • Serving same locations by multiple modes  
                          | • Flexibility vs scale  
                          | • Standard product |

The vessel network drives the inland network, however there are several opportunities to optimize on various parameters while also managing customer requirements.

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There will become more focus on sustainable transport solutions

Energy-efficient, sustainable cargo transport

Maersk Line vs. other modes of transport vs. Shipping lines average*

Maersk Line (owned + Charter Vessels) vs. Shipping lines average*

CO₂ (g/ton/km)
Source: NTM

0 100 200 300 400 500 600

Air
Truck
Rail Diesel
Rail Electric
Maersk Line

CO₂ g/TEU Km

0 25 50 75 100

Maersk Line
Industry Average

78
88

* As per CCWG
** Including Maersk Line

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Welcome to the future