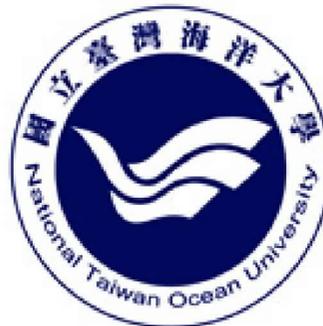


# Redefining competitiveness for global liner carriers: Bigger is better? Sustainable growth?

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# **Outline**

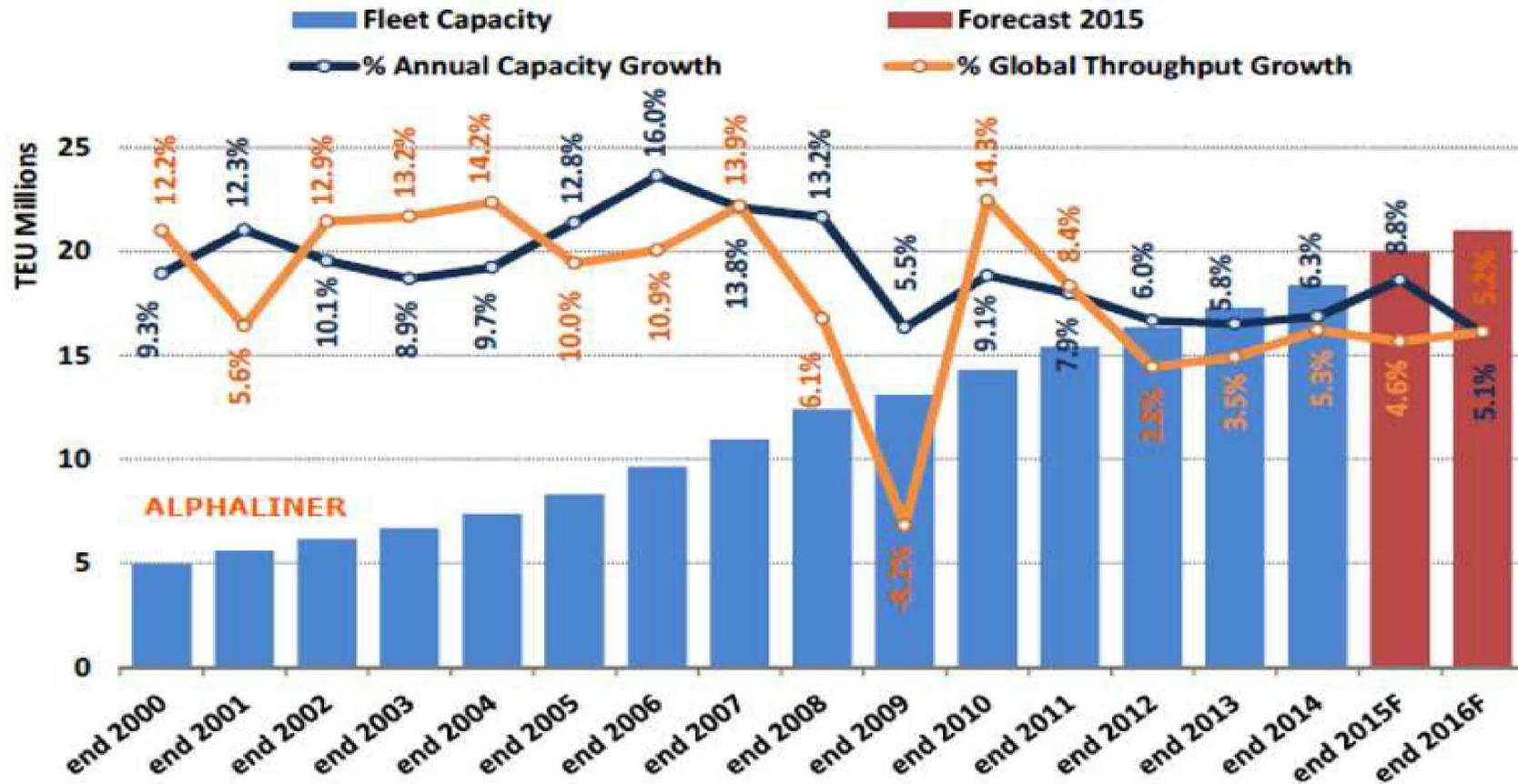
**I. Current business environments**

**II. Risks and challenges**

**III. Refining competitiveness for  
global liner carriers**

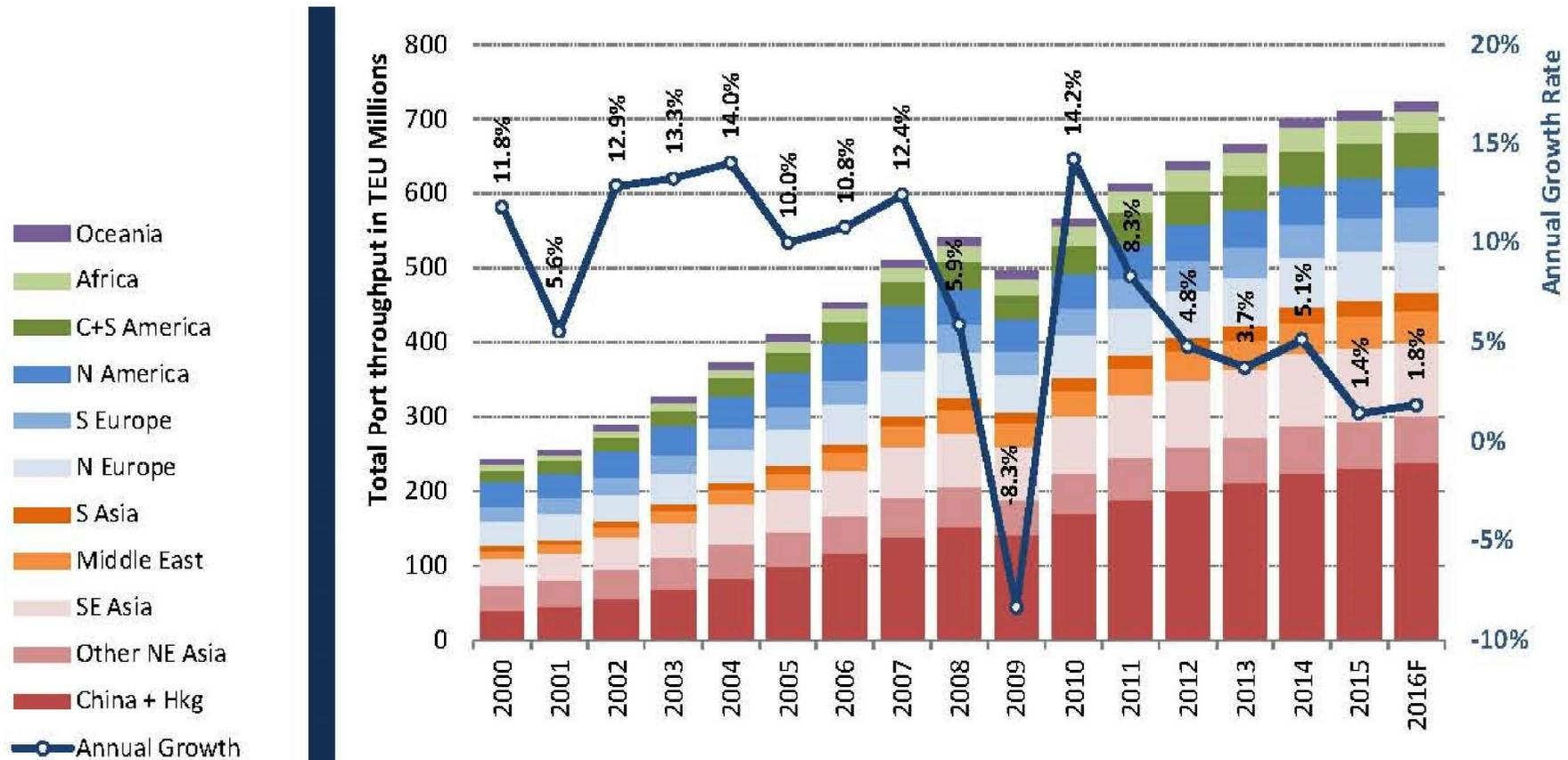
# **I. Current business environments**

## Cellular Fleet Growth vs Global Throughput



Source: Alphaliner Newsletter

# Global port throughput: world economic development



Global Port Throughput 2000-2016

Source: Alphaliner Newsletter

# Oversupply of capacity: leading vicious circle or successful business model

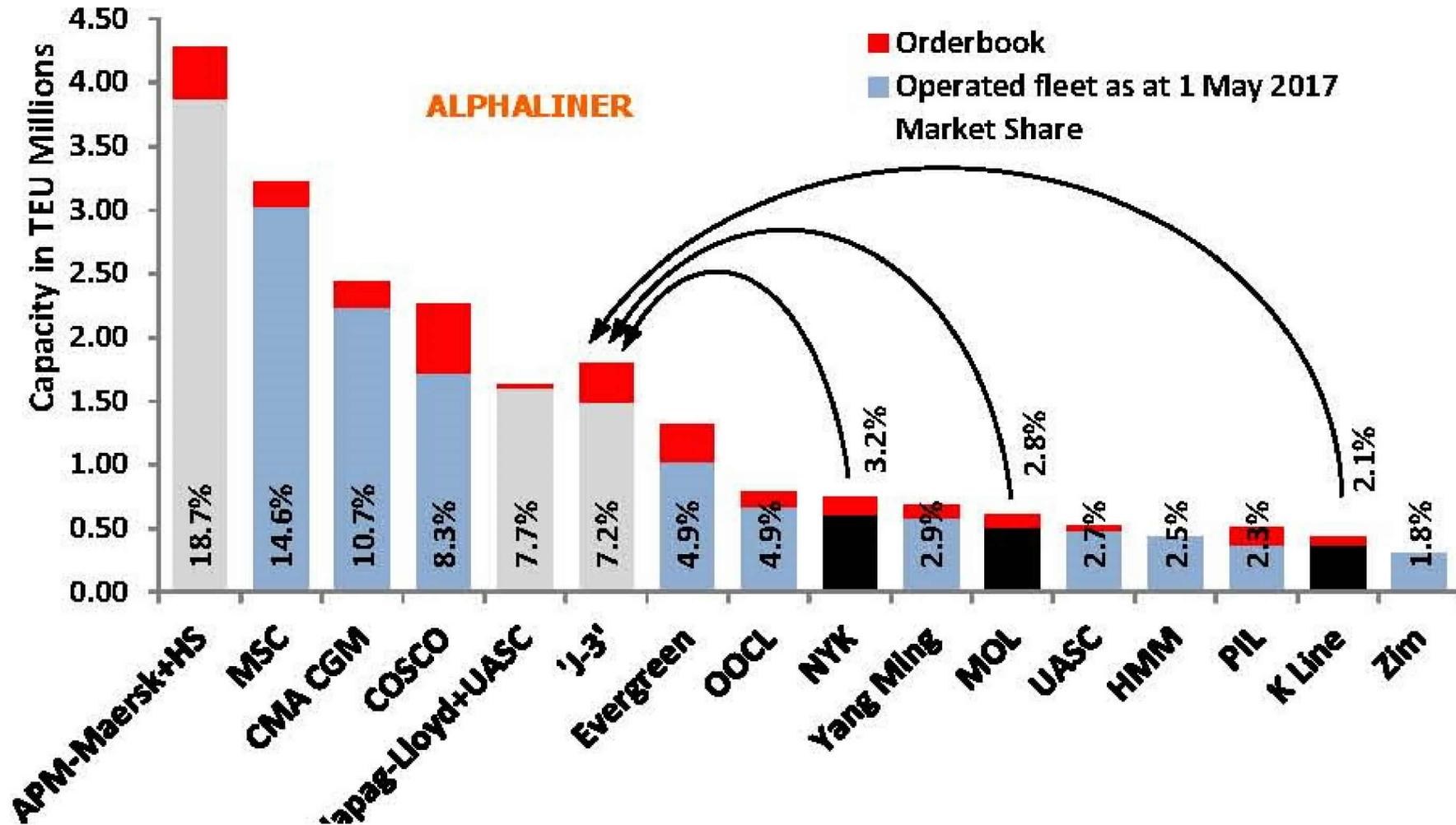


# Alliance, Mergers and acquisition

1. Industry under financial pressure
2. Ship building technology
3. Mergers and acquisition/alliance: niche for survival ?



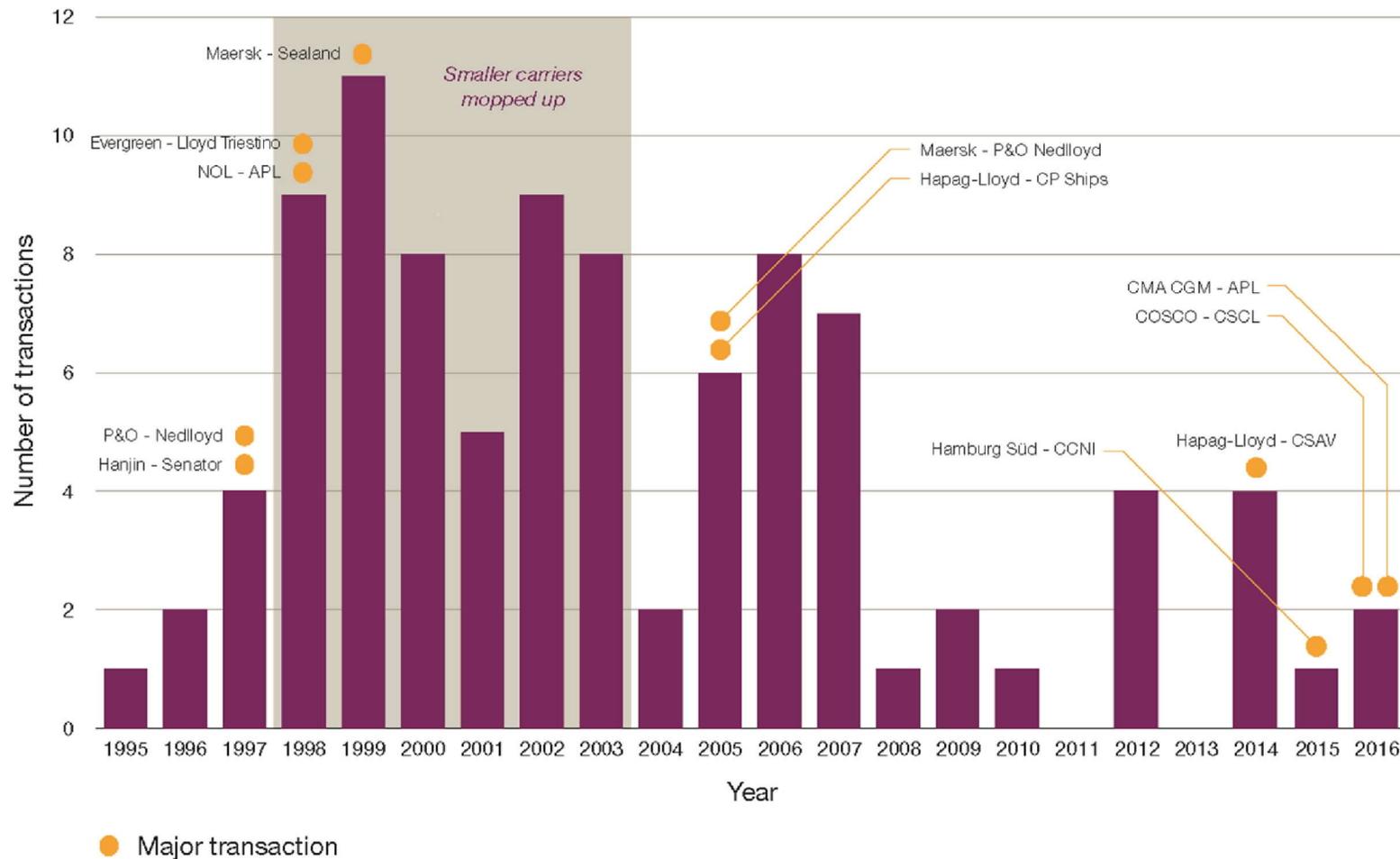
## Top 13 Carriers Global Capacity Share—May 2017 (Pro-Forma based on consolidations announced)



Source: Alphaliner Newsletter

# Major mergers and acquisition

*Are major transactions back on the consolidation agenda?*



Source: Drewry Maritime Advisors, Consolidation in the liner industry, 2016

# Why mergers and acquisition?

1. **Economic scale:** for bigger market share?
2. **Strategic advantage:** for great control of its own competitiveness and oust weak competitors?
3. **Complementary geographical coverage:** for integrating north-south route trades?
4. **Market power:** for achieving market leadership in pricing?
5. **New sources of funding:** for obtaining opportunities to re-capitalize the business?

# II. Risks and challenges

# Unseen truth



- **High profit**
- **Bigger is better**
- **Market restoration**
- **Desire for expansion**

- 
- **High risk**
  - **Sustainable growth**
  - **Internal/cost control**
  - **Corporation governance**

# Some hurdles to overcome

1. **Customers' support** after consolidation
2. **Integration of the organizations**, including people, branch offices, IT systems, cultures, managing styles, and remuneration structures, etc.
3. **Potential costs** in redundancy of staff, reallocation of offices, termination of certain contracts, feeder costs, potential liabilities, etc.
4. **Revenue decline** if freight levels and market shares are lower than their original expectation

# **III. Refining competitiveness for global liner carriers**

# Needs to re-define competitiveness?

## Current situations

- Economic scale
- Efficiency
- Cost saving
- Internal control
- Market efforts
- .....

## Redefined competitiveness

- Mergers and acquisition?
- Global strategies for resources allocation?
- Long-term planning?
- Financial support?
- Corporate governance/
- .....

# Go back to basics?

## 1. Strategy management

- Bigger market share or sustainable growth?
- Retrenchment or expansion strategies?
- joint efforts for survival?

## 2. Operation management

- Cost saving? Or Pricing policy?
- Internal control?
- Marketing efforts?

## 3. Risk management:

- financial risk?
- over investment?
- Long -term strategies vs. short-term benefits

# Why these issues matter?

Strategy, Operation, Management			Risk
<b>B</b> usiness model	<b>M</b> arket share	<b>W</b> ho owns, manages it?	

# Closing remarks

1. Bigger is better or sustainable growth?
2. Mergers and acquisition or organic growth?
3. What independent carriers can do now?
4. What government can do?
  - Shipping policy and regulations?
  - Finance support?
  - Urgent measures vs. regular assistance
5. Business is business?