

# SHIPPING INDUSTRY

July 2019



**We Chat:**

**Mr B. B Sinha**



**Advisor at Great Eastern Shipping**

# ABOUT US



## OUR VISION

**“To nurture thought leaders and practitioners through inventive education”**

## CORE VALUES

**Breakthrough Thinking and Breakthrough Execution**

**Result Oriented, Process Driven Work Ethic**

**We Link and Care**

**Passion**

*“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler*

At WeSchool, we are deeply inspired by the words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities require a new approach both in terms of thought as well as action. Cross-disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy the mind’s eye needs to be nurtured and differently so.

We school has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

## MESSAGE FROM THE DIRECTOR

Dear Readers,

It gives me great pride to introduce SAMVAD's edition every month. Our SAMVAD team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone.



**Prof. Dr. Uday Salunkhe**  
Group Director

As we begin a new journey with 2019, I sincerely hope that SAMVAD will reach new heights with the unmatched enthusiasm and talent of the entire team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

SAMVAD is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

**Prof. Dr. Uday Salunkhe,**  
Group Director

## FROM THE EDITOR'S DESK

Dear Readers,

Welcome to the April Issue of SAMVAD for the year 2019!

SAMVAD is a platform for “*Inspiring Futuristic Ideas*” and we constantly strive to provide articles that are thought provoking and that add value to your management education.

With courses pertaining to all spheres of management at WeSchool, we too aspire to represent every industry by bringing you different themes every month. We have an audacious goal of becoming the most coveted business magazine for B-school students across the country. To help this dream become a reality we invite articles from all spheres of management giving a holistic view and bridge the gap between industry veterans and students through our WeChat section.

The response to SAMVAD has been overwhelming and the support and appreciation that we have received has truly encouraged and motivated us to work towards bringing out a better magazine every month. We bring to you the July Issue of SAMVAD which revolves around the theme of “Shipping Industry”. Shipping is fuel for the global economy. Without shipping trade between nations for import/export of food and manufactured goods and bulk supply or raw materials would not be possible. According to the United Nations Conference on Trade and Development (UNCTAD), around 80% of global trade is carried out by shipping. Seaborne trade continues to expand, bringing benefits for consumers across the world. With this issue the SAMVAD Team brings to you the various aspects of Shipping in different functions.

We hope you read, share and grow with us!

Hope you have a great time reading SAMVAD!

Best Wishes,

Team SAMVAD.

*“The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand”.*

- Vince Lombard.



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# WECHAT

**Mr. B. B Sinha**

Advisor at Great Eastern Shipping

*Team SAMVAD*

**1. How can one join the Shipping industry?**

**Ans.** There are two ways to join the industry, one would be to be part of the crew on the ship, who operate the ship like the captain, chief engineer and the navigators. Then there is another set of the people who work from the office, who solicit the business for the ship under whose instructions the ships operate.

**2. How important is people management as a skill in the industry?**

**Ans.** As in any industry it is very crucial. People are the ones who are operating the ship, which is thousands of miles away in the ocean, it is a floating industry like a floating factory which is worth millions of dollars and has cargo which is worth millions of dollars and of course human life. The decisions must be taken on the spot and any wrong action on part of the crew can endanger life, property and the environment. Hence the training and education of crew is very important for smooth and safe operations.

**3. How would you describe the current shipping industry?**

**Ans.** This industry is a derived demand industry, service industry, if there is global trade there will be more demand for the ships. Nobody foresees a situation where there will be no demand for the ships as the global trade continues and is essential for humanity. There will always be commerce between the countries and within the

country.

**4. How is the industry being sustainable?**

**Ans.** It is the most economical and environmentally friendly mode of transportation in terms of energy used per ton-mile distance of the goods being moved. There is continuous work going on to reduce the carbon footprint and to reduce the pollution. It is also one of the most regulated industry considering its nature, subjected to the rules and regulations of different countries that need to be followed. The mode of shipping is not just most economical but most sustainable as well.

**5. What advice would you give students who would start their professional career now?**

**Ans.** For management students the shore side of careers are suitable. A career in the shipping industry is very exciting. The industry is very volatile in nature, due to the volatility in the global market and existence in different time zones, one has to adjust to the work timings, the challenges are much more and one has to be ready to embrace them and be prepared for the hard work.

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# OPERATIONS

## LNG: The Future Fuel

*Amritraj Sutar - PGDM RBA 2019-21, Prin L. N. Welingkar Institute of Management Development and Research, Mumbai*

Two decades ago, the idea of going green in corporate were never in talk because it was thought to be cost prohibitive. Ten years later, all of them started paying attention and embraced the idea of sustainable practices so to develop competitive advantage over their competitors. Not only corporates, nations and international organisations across the world decided to restrict the activities proven to be harmful to the planet.

Keeping this in mind, Sustainable transportation has become the need of the hour because of the increasing global warming and pollution due to continuous consumption of resources. To tackle this, huge investments are being done to look for alternate fuels which are clean and eco-friendly. Recently, International Maritime Organisation announced its goal to reduce its carbon footprint by 50% in the shipping industry by 2050. This led the industry to immediately look for cleaner alternative fuel.



Liquefied Natural Gas (LNG) has been around for more than 50 years and has been growing in demand in Japan, China, India and Southeast Asia for power and heat generation. LNG is natural gas in liquid form which takes only 1/600<sup>th</sup> of the volume as compared to that of natural gas with low sulphur content. According to IMO's new

regulations to reduce sulphur content in fuels from shipping activities, the bunker fuel to be used has to have sulphur content of 0.5% as compared to present 3.4% by April 2020.

A comparative study on alternate marine fuels was conducted by DNV-GL to understand the operational viability and effectiveness of six different fuels i.e. hydrogen, methanol, ammonia, hydrotreated vegetable oil (HVO), biofuel, LPG and full battery electric systems as compared to LNG and heavy fuel oil on 11 set of parameters. The fuels were extensively evaluated on the basis of energy value in one tonne of fuel, performance in terms of safety and reliability, local and global emissions standards compliance, current availability in terms of geographic bunkering, present and predicted cost of fuel, flammability, toxicity, global production capacity and associated cost of engines and its safety.

The study showed that there can be variety of clean alternative fuel which can help in meeting the GHG (Greenhouse gas) reduction target of IMO by 2030 and 2050 but most of them like hydrogen and ammonia still need significant development to stand up to industry requirements. Though these fuels will outperform LNG but they still require huge amount of investment in developing infrastructure to improve the production capability, storage and supply chain compared to which LNG requires very low capital expenditure. Therefore, at least for time being, LNG came out to be the most commercially viable and mature fuel for shipping business. But it's still a matter of debate whether the LNG will be able to achieve

the emission target by 2050 or not.

According to the report, the demand for LNG engine technology also proactively increased in quite few years with ready availability of infrastructure and rapid expansion in supply chain globally. The life expectancy of any vessel is nearly 25 years. The shipping managers have to act decisively and invest in technologies and vessels keeping in mind the future impact of environment regulations on their operational cost and the type of fuel used.

Hence it is apparently obvious that LNG capable vessels are commercially viable, economical and will give better return on investment to the industry. It will safeguard the interests of the shipping managers by facilitating competitive advantage and will improve sustainability in the long run.

The challenge to meet the IMO standards is unclear for Indian shipping for now. The use of low emitting sulphur fuel will force the cost of shipping up and make business unviable. As said by the Indian National Shipbuilders Association, it is estimated that the cost of LNG will go up by 80\$ to 200\$ per tonne and the addition of scrubbers in the new LNG based vessels will also increase cost up to 2 million dollars. Such cost increase is an offset by increase in freight charges, or a fuel surcharge. Indian companies understand and support the regulations but they fear that customers will shun shipping and move into a cheaper version of travelling like rail and plane.

Though all the benefits of LNG are known, most of the organisations are of the believe that it will not be able to meet the goal of the IMO emission standard for GHG reductions. The European union, for example, wanted the curtailment of 70% and believed that the present goal is not par the Paris Agreement. Even though being the need of today, LNG is still a carbon fossil and produces carbon dioxide when you combust it which is not exactly the objective of the Paris Agreement for

climatic change. The organisation should be looking for not a marginal or incremental change but the wholesale change to the zero-carbon energy systems. There is lot to be done in coming future so to use more cleaner alternative fuels like hydrogen and bio derived fuels. Till then, we can say that the LNG is going to be the most positive, scalable and futureproof fuel available to improve the shipping industry emissions.

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# FINANCE

## Why are Investment banks investing in 'Greening' of shipping sector?

*Madhur Bansal- Batch 2018-20, Fore School of Management, New Delhi*

In the recent years, there has been an overall shift in the way of doing business, with profitability being strongly contended against with sustainability. This change is borne out of the changing economies and market sentiments towards an uncertain future where resources are ever shrinking but demand growing rapidly. This shift has encompassed nearly all facets of business across the globe, either due to their direct impact on the overall sustainability of the environmental resources or due to a web of connectivity of various business operations linking to activities that impact the global sustainability. One of the business sectors woefully affecting the global environment sustainability is the shipping sector.

Due to the major fuel source behind the shipping sector being oil-based fuels, which directly leads to greenhouse gas (GHG) creation, more than 3% of the global Carbon Dioxide GNG emissions are caused by ocean-going ships (Oceana, 2018) and 3.5% to 4% of all climate change emissions (Tony R.Walker, 2018). The shipping sector, which facilitates global and domestic trade and manufacturing through the transportation of finished goods or commodities, while also delivering goods, directly to the consumer. While the overall costs involved with shipping might be minimal resulting from the bulk transportation of goods and efficiency of scales, the costs associated with environmental damage has been on the rise over the recent years.

The environmental impact of the shipping industry ranges from the atmospheric pollution and noise pollution caused, to the wildlife collisions, oil spills and ballast water discharge.

Borne out of the reason of the mounting increase in the environmental footprint of the shipping sector, global regulations have been becoming increasingly stringent, which may translate to changes prices across the economy, limited not only to the shipping sector, but the trade and manufacturing business facilitated by the same.

While profitable, the shipping sector companies may find themselves unable to finance the requisite inflow for implementing the growing environment focused changes. This would mean that the shipping sector companies would increase the costs charged comparative to the needed changes and investment involved with the 'greening' of the sector. To avoid any volatility across the business market and seeking an opportunity, Investment banks have approached to assist shipping sector companies in raising the required funds.

In the current business environment, Investment banks too have set their own individual sustainability strategies, concerned with assisting companies build long lasting operational efficiencies. This is borne out of the greater sustainability awareness across the market in combination with the required sustainability and consistency of the investment banks own operations. Due to the greatly interconnected impacts and effects of business and strategic decisions in the global business environment, Investment banks are required to concern themselves with the specific epicenters of such impacts and move along the effect zone hence created.

One such impact is the 'greening' of the shipping sector, an example of the same being the recent fund injection of EUR 110 Million made by ING bank and European Investment Bank towards Spliethoff, for their retrofitting venture across 42 different vessels of its fleet (Spliethoff, 2019). In this specific example, the investment decision was made to not only facilitate the improving operational efficiency of Spliethoff itself and positive relationship between the company and the banks, but also due to the direct impact it had on the bank's own sustainability strategy. According to EIB Vice-President Vazil Hudak, this investment towards the 'greening' of the transport sector is not only beneficial as a business decision but is also a superior option in regards to investment opportunities due to the assistance provided to the bank from the European commission for such investments.

The above example was able to further proceed the partnership targeted towards 'greening' the shipping sector between ING and EIB, which aims to assist energy transition and combat climate change. And this example is not an isolated case, with similar projects being undertaken around the globe, however the majority of these projects are found to be based in European boundaries.

With the framework created by the International Maritime Organization (IMO) to improve energy efficiency, it is the developing nations which are in the greatest need for financing assistance for 'greening' projects.

The shipping sector of the world is projected to grow, especially due to the greater penetration of global trade in the recent decade caused due to the proliferation of internet and inter-web services, facilitating global trade. With this increase in the direct delivery of goods to consumers, it is necessary to utilize the opportunity hence created, especially for investment banks who aim to finance business opportunities with sustainable prospects.

Finally, the added benefit of these 'green' finance decisions made by the investment banks also improves the market perception of the banks for the government and regulatory bodies and

market participants.

The 'greening' of the shipping sector also being one of the more efficient investment opportunities leads to suggest that it is a prime market for Investment bank projects.

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- 1) Oceana. (2018). *Shipping Pollution*. Retrieved from Oceana: <https://eu.oceana.org/en/shipping-pollution-1>
- 2) Spliethoff. (2019, March 7). *ING And EIB provide EUR 110M for Spliethoff's green shipping investments*. Retrieved from Spliethoff: <https://www.spliethoff.com/news/ing-and-eib-provide-eur-110m-for-spliethoff-s-green-shipping-investments/>
- 3) Tony R.Walker, O. A. (2018, September 21). Chapter 27 - Environmental Effects of Marine Transportation. *World Seas: An Environmental Evaluation (Second Edition)*, pp. 505-530.

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# MARKETING

## Digital imperative in container shipping

*Sharmi Saha, Sayan Choudhury – 2<sup>nd</sup> Year PGDM, T.A. Pai Management Institute, Mumbai*

*“It’s no longer the big beating the small, but the fast beating the slow.”*

—Eric Pearson, CIO, International Hotel Group (IHG)

Companies are adopting digitalization to rapidly take advantage over their rivalries. Digital strategy and transformation have become a top priority for companies in order to gain a sustainable competitive advantage and survive in the Volatility Uncertainty Complexity Ambiguity (VUCA) world.

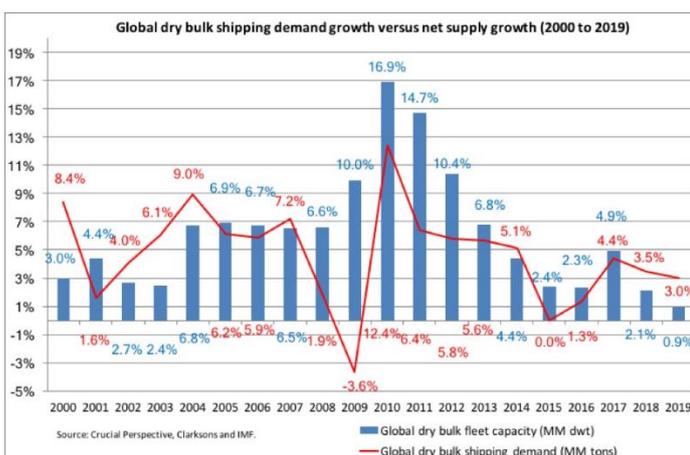
Almost all industries like music, media, and even traditional industries like banking and manufacturing have experienced disruption since the advent of digital business models. Its high time that the shipping industry should also join the era of digitalization. Reports say that the shipping industry has been highly unprofitable over the recent years.

shipping industry. The shipping industry is highly fragmented with a lot of players, competitive advantage can be easily gained by taking a first mover approach. Human intervention is needed in every stage of freight transportation, thus delaying the process and increasing the chance of mistake.

Since shipping industry is a services industry, inconsistency and intangibility are the major persisting problems.

- **INCONSISTENCY** - Automation and digitalization of the process will help in standardization and will thus reduce the inconsistency in services.
- **INTANGIBILITY**- Digitalization would help in live tracking of the goods shipped, and this would help reducing intangibility of services, since the stakeholders would be able to get an idea of the actual location of their package.

### SCOPE OF DIGITALIZATION OF SHIPPING INDUSTRY



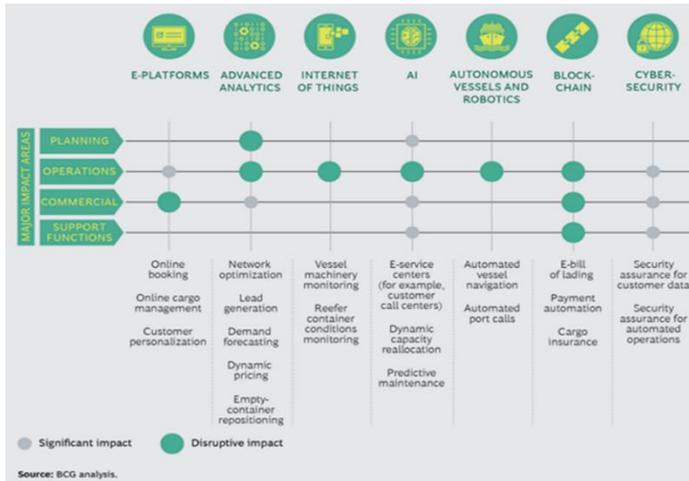
There is no/less innovation in the services offered. Most of the carriers offer almost the same services. Hence a digital imperative is in much demand in this industry. Digitalization will bring in a lot of changes to the container

Based on the major drivers, the main areas of concern that will be impacted are operational areas like supply chain, right from the booking of cargo, reception, documentation, financial transactions, live tracking and till delivery. The digital trends and techniques that would play a vital role in contributing to the enhancement of the services a carrier can be cited as: e-services, Artificial Intelligence, Blockchain, Analytics, Cybersecurity and Automation.

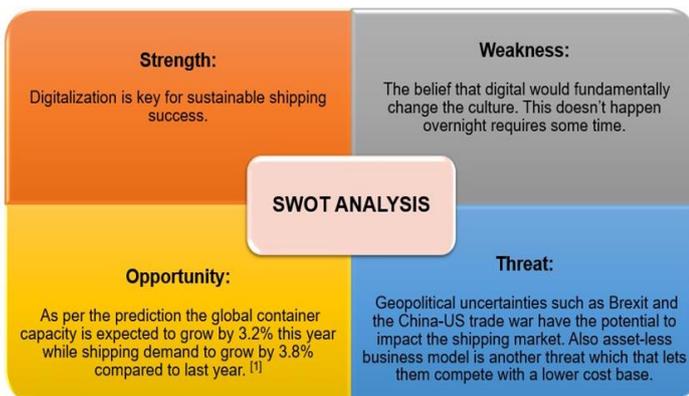
**Conclusion:**

Digitalization will bring about a revolution in the container shipping industry. In order to gain a sustainable competitive advantage in a highly fragmented market like shipping industry, a company should grab the opportunity to take a first mover's advantage. Proper planning and implementation of digital techniques will bring about a boom in the industry.

The following figure shows the scope of digital trends that will probably transform the shipping industry, and its effect upon the major impact areas, planning, operations, commercial and support activities.



**SWOT ANALYSIS OF DIGITALIZATION OF SHIPPING INDUSTRY**



[1] <https://www.seatrade-maritime.com/news/americas/container-shipping-demand-to-outpace-supply-in-2019-yang-ming>

# HUMAN RESOURCES

## Falling interest of millennials in the merchant navy segments – Ways to tackle it!

*Diksha Tomar - MBA 2019-21, ICFAI Business School, Hyderabad*

As the name suggest Merchant Navy to many of the people's interpretation is one at the same thing as Navy but in literal sense IT IS NOT. So, what is Merchant Navy let's have a glimpse of that first.

Merchant Navy is governed by both government and private shipping companies and a purely commercial form of sea carrier to work on all kinds of sea going vessels, such as cruise liners, tankers etc. where in DEFENCE NAVY is nation's maritime Military Wing, to safeguard the nation's maritime borders, both in war and peace.

Coming back to the topic of discussion that why the interest of millennials is falling in Merchant Navy segment is because of numerous reasons a human brain can think of for example Right Qualification, Health and Fitness (to survive onboard ship) etc. But the major issue of Concern according to me lies in two aspects the first and the foremost being the Negligible Social Life one has to sacrifice and the second Being Family onboard. Before you think that how come I know the perks of being in this profession is well known to me, I would like to bring a twist in the story by telling you my father is working in the same profession. Being a daughter of the person working in the same profession since last 19 years I have seen every side of it , my father on board for months to get a tax-free income to him not being with us on most of the Festivals or occasions as well as not being able to attend my Parent Teacher meet during my initial days of School when you would see all the other students of your class being accompanied by both the parents.

Well before I move further there is a new term for my readers again **TAX-FREE INCOME!** Now what does that mean, well very less of our India is aware about it , so to make it easy for you it's an income an individual receive if he/she stays out of the country for more than 183 days, which at the same time is not easy to earn . People have an assumption that Merchant Navy people intentionally sign contracts for months or even a year to earn loads of money and the moment any child says My father is in Merchant Navy. The first very obvious word which comes from an Individual's mouth "Well you must be very rich , loads and loads of money and would surely come under one of the Elite's" But who knows what a person has to go through to earn that money , only the one associated with this profession could relate to what I am talking about and the one 's who cannot . Well I am here to give them a glimpse regarding the same. It's the profession which demands not only sacrificing our social lives at the cost of our profession but also much more to **what a human mind can perceive and think of!** How can a person think of staying for months or when the situation demands for a year without socializing among people which at the same time doesn't only stays till friends or colleagues rather at times even with your own family members? Yes, you heard it right I said **FAMILY MEMBERS!** I have seen my parents going days of not being able to communicate with each other because of ship sailing to distant locations which leads to zero connectivity of Officers onboard with their family members, not able to ask about the well-being of the family or things have not fallen out of place in the family in

their absence. IT IS JUST NOT AN EASY TASK to stay the way our Officers onboard stays as well as their family. The second issue being the fact of not being able to take your family onboard when all the norms of the company are compiled with plus the company allows for the same. More over on top of it **the major concern** of an Officer is that he/she is supposed to make a choice because “family” here for a married person means only the wife and kids and not parents. Parents are just allowed to accompany their sons or daughters onboard. Plus, the trading routes also determines whether the family carriages will be allowed or not because in HR areas when passing the GULF OF ADEN, family carriage is not allowed.

Apart from all this a person with a Criminal record is not allowed to be seafarers, and if by any chance he/she has the individual is not eligible to join his career in Maritime or even dream of entering the same.

COMING BACK TO OUR MAIN CRITERIA of writing it for our keen readers is – What according to the writer are ways to tackle all of the above listed problems?

So, the answer to much awaited question are many, to make it simple and precise for you I would list down the important point for my readers –

The first thing they can do is to pay our Maritime officers off board as well when they are off duty , because if they can work for months without bothering about the fact of leaving their families behind so instead of spending their leave in so much of stress of going back to work after couple of days , they can cherish their leave with the fact of being paid at that time as well , which will make an impact psychologically as well on them in terms of Motivation .

The second thing they can do is to provide some extra benefits to their family for example we can say they can give them the facility of availing health benefits free of cost, which would benefit

them in a way that they can get free check up’s done of their family members without worrying about the expenses being imposed by various

hospitals for getting basic medications done. With them being healthy themselves by being a maritime officer they can keep their family members equally healthy as well.

Third being able to provide them with numerous insurances for a safe, long and lasting stress-life for the person working as well as their family member.

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# GENERAL MANAGEMENT

## The hidden opportunities in container shipping

*Madhav Rathod - 2<sup>nd</sup> Year MBA Maritime Management, B.K. School of Professional and Management Studies, Gujarat University, Ahmedabad.*

### Meaning of Shipping Container

- A shipping container is a standardized re-useable transportation box which is suitable to withstand shipment, storage, and handling. A container designed to be moved products and raw materials from one mode of transport to another between two locations or countries without unloading and reloading of cargo.
- There are various types of containers which are used currently some of them are Dry storage container, Flat rack container, Open top container, Tunnel container, Open side storage container, Double doors container, Refrigerated ISO containers, Insulated or Thermal containers etc.

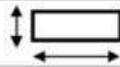
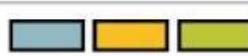
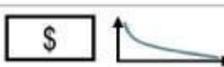
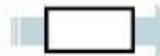
### Containerization in Shipping: Benefits and Problems

- Containerization is a method of distribution of goods using containers or we can say Containerization is the practice of carrying goods in containers of uniform size and shape for shipping. Almost anything can be stored in a container, but they are particularly useful for the transport of manufactured goods.

### Benefits of Containerization:

Here are some benefits of containers and containerizations in Shipping as well as Logistics Industries:

1. Flexibility & Velocity
2. Standardization
3. Costs & Warehousing
4. Security and Safety

<b>Standardization</b> 	ISO standard (modes and equipment). Unique identification number and size type code.
<b>Flexibility</b> 	Commodities, manufactured goods, liquids and refrigerated goods.
<b>Costs</b> 	Low transport costs. Economies of scale at modes and terminals.
<b>Velocity</b> 	Fast transshipment operations. Low terminal turnaround times.
<b>Warehousing</b> 	Own warehouse; simpler and less expensive packaging. Stacking capability.
<b>Security &amp; Safety</b> 	Contents unknown to carriers. Reduced spoilage and losses.

### Benefits of Containerization

Brief description of each and every point is described below:

#### 1. Flexibility and Velocity

- Containers can be used to carry a wide variety of goods such as commodities (coal, wheat, cement, etc.), manufactured goods, cars, refrigerated (perishable) goods.
- We can adapt containers for dry cargo, liquids (oil and chemical products) and refrigerated cargo according to the nature and type of the cargo.
- Usage of container carrying ships enable faster operations than regular freighter ships i.e. faster ship turnaround time at ports, faster transshipments.

Port turnaround times are reported to have been reduced from 03 weeks to 24 hours with usage of modern-day container ships.

- Also, discarded containers can be recycled and reused for other purposes so it will be used for money generation after utilizing the all benefits from container.

## 2. Standardization

- Containers offers the benefit of being a standard transport product that can be handled anywhere in the world (ISO standard) through specialized modes (ships, trucks, barges and wagons) and equipment.
- Each and every container has a unique identification number and a size type code which is remain same all over the world.

## 3. Costs and Warehousing

- Moving the same amount of break-bulk freight in a container is about 20 times less expensive than conventional means.
- The containers enable economies of scale at modes and terminals that were not possible through standard break-bulk handling.
- Lower transport costs due to the advantages of standardization and minimum warehousing costs.
- The container is its own warehouse, protecting the cargo it contains.
- This implies simpler and less expensive packaging for containerized cargoes, particularly consumption goods.
- The stacking capacity on ships, trains (double stacking) and on the ground (container yards) is a net advantage of containers.

## 4. Security and safety

- The contents of the containers are unknown to carriers since it can only be opened at the origin (seller/shipper), at customs and at the destination (buyer). This implies reduced spoilage and losses (theft).

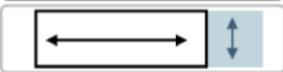
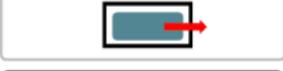
### Problems with Containerization

Having discussed the benefits of containerization, one must understand that

there are certain loopholes or challenges that the concept of containerization faces in reality.

Here is a list of problems related to usage of containers and containerizations in Shipping as well as Logistics Industries:

1. Capital intensiveness & Site constrains.
2. Repositioning.
3. Theft, Losses and Stacking of containers.
4. Illicit trade

<b>Site constraints</b> 	Large consumption of terminal space. Draft issues with larger containerships.
<b>Capital intensiveness</b> 	Container handling infrastructures and equipment are important investments.
<b>Stacking</b> 	Complexity of arrangement of containers, both on the ground and on modes.
<b>Repositioning</b> 	Divergence between production and consumption; repositioning. 20% of all containers.
<b>Theft and losses</b> 	High value goods vulnerable to thefts, particularly between terminal and final destination.
<b>Illicit trade</b> 	Illicit trade of goods, drugs and weapons, as well as for illegal immigration.

### Problems with Containerization

Brief description of each and every point is described below:

#### 1. Capital intensiveness & Site constrains

- Container handling infrastructures and equipment (giant cranes, warehousing facilities, inland road, rail access) are important capital investments that require readily sources. Further, the push towards automation is increasing the capital intensiveness of intermodal terminals.
- Containers are a large consumer of terminal space (mostly for storage), implying that many intermodal terminals have been relocated to the urban periphery.

Draft issues at port are emerging with the introduction of larger containerships, particularly those of the post-panama class.

## 2. Repositioning

- Many containers are moved empty (20% of all flows). However, either full or empty, a container takes the same amount of space and it will cost high to shipping line or charterer party when they are moved empty. A container moved empty, increases the overall cost.
- The observed divergence between production and consumption at the global level requires the repositioning of containerized assets over long distances.

## 3. Theft, Losses and Stacking of containers

- About 1,500 containers are lost at sea each year (fall overboard).
- High value goods and a load unit that can forcefully opened or carried away (on truck) implied a level of cargo vulnerability between a terminal and the final destination.
- Complexity of arrangement of containers, both on the ground and on modes (containerships and double-stack trains).
- Container restacking is difficult to avoid and incurs additional costs and time for terminal operators. The larger the mode or the yard, the more complex the management.

## 4. Illicit trade

- The container is an instrument used in the illicit trade of goods, drugs and weapons, as well as for illegal immigration (rare).
- There are concerns about the usage of containers for terrorism, but no documented use has emerged.

## Hidden Opportunities in Container Shipping

Even though there has been a challenging due to various reasons in past number of years in the shipping industry, container shipping must continue to face these adversities and counter them by implementing changes that will begin to turn the table on the profitability side.

There are four ways in which shipping lines can accomplish their full potential and all are equally crucial to the future of this industry.

A brief description is described below:

### 1. Maximizing innovations and automation through technology

- A fresh perspective and new technology will be key for today's shipping lines.
- Bringing in new points of view and stirring up the normal is what innovation is all about.
- This requires up-to-date IT and software programs to make data-based decisions regarding logistics and automating processing and booking protocols.
- Outdated systems will bury carriers under their newer competitors. They should be looking ahead to the future to keep pace with the rapidly growing opportunity of technology-empowered operating systems.
- Another way shipping lines can improve through technology is to create a testing process for which they consistently evaluate what is working in these areas across the industry.

### 2. Structured operations

- Having diverse teams that are comprised of experts from multiple areas of the industry can help them better solve how to tackle operating issues that arise. Such managerial teams can make better decisions about both commercials as well as the operational impact on the shipping line.

### 3. Consistent performance evaluations & Improvement through analytics

- Companies that invest in analytics can better understand how well their corporate strategy is working.
- Shipping companies should implement a persistent performance-management system. This can happen with weekly, monthly, and quarterly meetings, where the overall statistics, profit-loss comparisons, and reports from all management teams are reviewed.

- By consistent monitoring and evaluating, business practices can be improved upon and maintained, providing growth and better insight to the industry.
- A dedicated analytics team can perform analysis of multiple areas such as productivity, vessel deployment, bunkers (speeds and routes of vessels), forecasting, marketing trends, and more.
- Having an up-to-date method will implement a company's strategy, preparing them to maximize their potential.

#### 4. Better Incentivization

- As any of industry, employees thrive on incentives, both monetarily and through recognition.
- Even having bragging rights or status through promotional opportunities is an incentive. Providing better incentive opportunities will assist in better leadership development.
- Therefore, incentive programs help groom "potentials" towards the behaviours that shipping company's desire in leadership and management structure.

By Implementing these strategies will drive existing carriers ahead of the competition and launch Container shipping towards success.

#### Conclusion:

The container shipping industry in specific and maritime sector in general, have huge numbers are full of opportunities and challenges. However, with increased globalization & more diverse international markets, the idea of containerization continues to undergo rapid changes to meet the new challenges & opportunities. Right from finished to semi-finished to raw materials, all types and sizes of cargoes are finding their space on container ships. Advent of technology, mass production, changing lifestyles, mobility of resources and easy transportation- all these factors are set to give container shipping business a huge boost in times to come. The strategists and management experts in the industry need to be ready to take on challenges of full utilization of resources by

managing demand & supply and be innovative and cost effective in their solutions. It is imperative to say that growth and expansion of containerization has changed, is changing and will continue to change the way products are made, transported and consumed throughout the world.

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# CALL FOR ARTICLES

We invite articles for the August, 2019 Issue of SAMVAD.

The Theme for the month of **August - “Education”**

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

You may also refer to sub-themes on Dare2Compete.

### Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com**. **Deadline for submission of articles: 30<sup>th</sup> August, 2019**
- Please name your file as: <Your Name>\_<title>\_<section name e.g. Marketing/Finance>
- Subject line: <Your Name>\_<Course>\_<Year>\_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Clearly provide source credit for any images used in the article.

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**“Reading is like thinking, like praying, like talking to a friend, like expressing your ideas, like listening to other people’s ideas, like listening to music, like looking at the view, like taking a walk on the beach.”**

**Roberto Bolano**