Technology will foster a global logistics ecosystem where partners can connect, collaborate and create unlimited opportunities. The future of smart cooperation between container shipping companies is very positive, as the values shared between collaborative liners are also of value to other players in the ocean logistics domain. In fact, the ongoing evolution of smart cooperation between container lines will likely be the very seed of tomorrow’s maritime logistics marketplace.

A COLLABORATIVE PLATFORM FOR CONTAINER SHIPPING

Jung Kwang Yong, Business Consultant, Platform Business Division, CyberLogitec, South Korea

Faced by the pressures of overcapacity, growing demand to lower costs, and uncertainties in global trade politics, container lines are up sizing to gain efficiencies and a competitive edge. The chart below (Figure 1) highlights the direction of container lines through the years.

Plotting the top 100 container liners in the chart from 2006 to 2018, based on average vessel size and fleet capacity, we notice the prominent movements of liners towards either greater ‘economies of scale’, by increasing capacity of vessels, or greater ‘economies of scope’, achieved through the deployment of more vessels.

Rather than pursue both strategies concurrently, which usually adds up from a financial and marketing perspective, container lines tend to go with either ‘economies of scale’ or ‘economies of scope’. So, working together makes sense.

To meet the needs of a market that is demanding wider coverage and greater
frequencies, but always at lower costs, partner liners band together. Those who have economies of scale will offer lower slot costs, while those with economies of scope offer service flexibility.

These win-win collaborations between container lines have been working in many ways for decades, a trend outlined by the Federal Maritime Commission Agreement Library (Figure 2). However, these various ways of working together have traditionally been fraught with challenges.

**BETTER WAYS TO COLLABORATE**

From slot swaps to strategic alliances, an elaborate chain of processes is triggered when container lines work together — from discussion to consensus, agreement, contract, vessel & port operation, handling each liner’s legacy system, and ultimately settlement. Every process is about sharing code, data or information, and communicating, be it directly or indirectly, with one or several parties to provide or acquire a service.

Basically, all processes surrounding collaborative partnerships between container lines revolve around the same functions. However, when too many communications are involved there can be a great amount of duplicated effort, especially with closed networks. Missing data, unmatched codes and outdated information are just some of the issues that can lead to underutilization of slots, unproductively long negotiations, and delays due to non-consensus during the settlement phase.

A unified IT platform would be able to harmonize cooperation in practical ways through IT technology. Essentially, it would enable the slot seller to offer the latest available slots on a vessel to a buyer, who can then reliably complete the shipment order with real-time precision and visibility from booking to delivery.

**TRADITIONAL TO TACTICAL**

If we drill down into the chain of processes involved when a slot seller (operating line) and buyer (booking line) connect, there are many steps involved such as sending, receiving, understanding, confirming, recording and validating data. In traditional modes of communication - email and phone calls - multiple partners have to replicate the same data, information or process many times over throughout the course of the collaboration. This creates room for error, inaccuracies and lost opportunities.

The fact is 84% of booking line working processes rely on the action of the operating line, while 73% of operating line working processes are for booking line. Therein lies the source of great inefficiencies and inflexibility with the traditional system. Why not streamline the processes and remove duplicates and inefficiencies? Advanced IT technologies and proven methodologies already connect players on a single system in many other industries, such as retail and manufacturing.

Easy communication regardless of code, information or channel, open trade based on smart contracts and settlements, and the real-time sharing of information by intuitive data are no longer a complicated matter with today’s technologies. All key data can be aggregated and integrated on a single multi-tenanted platform where collaborative container lines can connect and work with each other securely for an individual and collective good.

The various cooperation contracts can also be standardized and used as smart contracts, opening up the possibility of forming a slot market for trading services in real-time. Instead of working based on different processes, policies and regulations, connected parties can work more efficiently using unified and standardized processes, creating greater order under one common rule.

**THE FUTURE OF COOPERATION**

As Doug Braun, CEO of Kewill, suggests, “The key to a global trade network is connecting all these supply chain partners through technology that is easily and instantly accessible to everyone”. Connected on one unified platform, container lines will not be the only ones to benefit. Eventually players within the supply chain - forwarders, suppliers and even customers - along with partners outside the supply chain, will be able to leverage an open and collaborative IT platform, powering a universal ecosystem that provides opportunities for all.