



# KASPER KROG

## HEAD OF INTERCONTINENTAL RAIL AT A.P. MOLLER – MAERSK



Speaking exclusively with Port Technology International, Kasper Krog, Head of Intercontinental Rail at A.P. Moller – Maersk, looks beyond the port and to the railways as an integral part of the supply chain.

### HOW DOES AN INTERCONTINENTAL RAIL SERVICE FIT INTO THE WIDER SUPPLY CHAIN AND WHAT BENEFITS DOES IT BRING?

Maersk Intercontinental Rail covers the gap between air and ocean freight and is a suitable mode of transport for those customers who are looking for a more flexible and fast-moving supply chain to a competitive price complementing our integrated offerings. Customers are increasingly focused on speed to market, lower costs per unit, keeping stocks low, improving coordination and visibility around the value chain. This is why with rail we are able to offer them the option of moving goods across multiple modes via one channel. It goes well with our strategy as it is a door to door solution complementing our Ocean products.

### SEVERAL ROUTES HAVE BEEN ANNOUNCED THIS YEAR, WHAT ARE THE KEY CONSIDERATIONS WHEN OPENING UP A ROUTE, WHAT IS NEXT?

The demand and customer needs are the main considerations when looking into opening up new routes. We are always on the lookout how to improve customer experience and provide them with options which can simplify their supply chains and enable them to run their business in the best possible way. Expanding existing and in general giving our customers multiple

speed options that fit their supply chain needs is always on the top of our agenda.

### MAERSK HAS IN RECENT YEARS SOUGHT TO BECOME MORE THAN JUST A CARRIER BUT AN INTEGRATED CONTAINER LOGISTICS COMPANY, WHY IS THIS MOVE PARTICULARLY IMPORTANT?

It was in the autumn of 2016, that we announced our new strategy and embarked on a multi-dimensional transformation that would change not only our company but also our industry.

As customer supply chains become increasingly complex, triggered by globalization, constantly changing consumer trends and expansion of new technologies, the role of transportation providers and our industry is also evolving, with traditional roles and product offerings no longer applicable to the new reality.

We decided to transform A.P. Moller - Maersk from a diversified conglomerate to becoming a focused, integrated and digitised global logistics company, building on our strong position in container shipping, ports and container-based land-side logistics. A company that delivers true end-to-end logistics solutions that help our customers manage their global supply chains, while leveraging the opportunities of digital technology to significantly improve the customer experience and how we run the company.

The aim of the transformation we are on is to set the company on a new profitable growth to maximise shareholder value, while delivering on our purpose of ena-

bling cost competitive, simple and sustainable global trade.

### WHAT ARE SOME OF THE CHALLENGES YOU HAVE FACED TRANSPORTING GOOD BY RAIL, COMPARED WITH SEA AND AIR?

The China rail market is still a niche market representing less than 4-6% of the total ocean market between China and Europe so it has a long way to go. The crowded rail network in Northwest Europe is a challenge to growth especially at the Belarus and Polish border. However, the current rail transport reliability is very high (1-2 days lead time variance) making rail a reliable option, something that customers need especially in these times.

Last year we launched AE19 product from North East Asia via Russia re-connecting via feeder to North Europe which is reducing the transit time in half versus Ocean and completing our Rail product from China to Europe.

Rail product is still developing so there is still room for efficiency and quality gains in waiting times and processes for border crossings, technology developments and customs along the routes.

When looking into the future of rail we see opportunities in embracing and embedding blockchain technology, one example is TradeLens, which will be additional option to our customers as this would make it simpler for the customers to follow their shipment on-line similar to when you book airline tickets. It is all about simplifying the supply chain and enhancing the customer experience.

**WHAT CAN PORTS DO THEMSELVES TO MAKE THE OPERATIONS OF INTEGRATED CONTAINER LOGISTICS SUCH AS MAERSK EASIER, WHAT TECHNOLOGIES MUST THEY INVEST IN TO REMAIN COMPETITIVE?**

At the centre of our transformation journey are customer demands for a contemporary service, where solutions are designed in close collaboration and are flexible and easy to adapt to changing supply chain patterns. One of the main enablers for this change is a strong focus on digital solutions, allowing for quicker and real-time transactions, faster turn time, easier flow of information and simply better customer experience.

With the digital transformation we want to optimize utilisation of our assets. One example when we look at the terminals, is where we are introducing semi-automated operations at Pier 400, Los Angeles – the

largest container terminal in North America. The aim is to increase efficiency and safety, and to reduce emissions. When the project is finished, truckers will see their entry/exit times at the terminal go down from 105 minutes to 35 minutes.

There also must be cloud-based solutions as this approach to IT infrastructure defines the speed, accessibility for multiple players and execution capability of the entire port eco-system. More importantly, it offers system backup/redundancy – essential for cyber protection.

In addition it is important that key players in ports and terminals develop new solutions, which go in line with customers' end-to-end expectations and current investments in landside products are a natural step in the right direction, which customers appreciate and rely on.

Reliability is another factor which industry is working on to improve in order to meet customer demands. Each link in the supply chain (inland operators, terminals, ports, carriers etc) need to deliver good performance and are working towards improving reliability.

We are many players in this chain, but we work together, and we all have important roles to play. Port authorities ensure development of ports as strategic gateways for new businesses. Terminals provide fast and reliable service, facilitated by barge or tug operators and pilots. Shipping line act a global “conveyor belt”, ensuring that goods move fast to all parts of the globe. Finally, end customers themselves play a role, involving their suppliers and service providers in the planning and developing tailored solutions jointly with them.





**VESSELS ARE GETTING BIGGER AND CONSEQUENTLY CARRYING MORE CARGO, WHICH IN TURN ADD STRAIN TO FREIGHT RAIL NETWORKS, WILL CONSTITUTE A CHALLENGE AND HOW WILL YOU OVERCOME IT?**

Maersk Intercontinental Rail is a service complementing our Ocean products. If we look at China freight train, then its capacity is about 84TEU while the new large vessels are over 20,000 TEU (If we look at air freight a Boeing 777 takes about 6-16 TEU). So it is not even possible to compare in any way the volumes of rail and vessels.

For us rail plays an important role as it provides a type of service which certain customers are asking for and we want to be able to meet all of our customers' needs. These customers are very focused on getting their products faster to the market, rail reduces transit time with 13-15 days compared to 28-35 days for ocean moves, it offers lower costs per unit, it is around 5 times more affordable than air freight, it ensures that their stocks are kept low, and with the 24/7 GPS tracking customers are provided with a better coordination and visibility around the value chain.

**WHAT DOES THE IMMEDIATE FUTURE LOOK LIKE FOR RAIL CARGO MOVEMENT AND THE INTERCONTINENTAL RAIL SERVICE?**

We see great potential for the rail product between China and Europe, both directions, mainly driven by speed once Europe starts to open up again, especially when the air freight rates are so high, and it is difficult to secure

space rail is gaining momentum. In addition, the Rail product is helping customer reducing the Co2 emission compared to airfreight which is also one of the considerations our customers are looking more into than ever before and the reason why they chose rail over air freight. Rail will remain an important long-term multimodal transportation mode complementing our Ocean product.

**THE GLOBAL ECONOMY IS CURRENTLY GOING THROUGH A CRISIS DUE TO COVID-19, WITH SOME SUGGESTING THE SUPPLY CHAIN WILL NEVER BE THE SAME. WHAT CHANGES DO YOU THINK WILL IT UNDERGO?**

Some of the changes we have seen are related to the use of technology and innovation which customers have been using to cut through the potential supply chain chaos. We have noticed different buying behavior from our customers as the demand is driven by customers relying on eCommerce to navigate in a business environment which has seen record numbers of employees working from home for safety reasons while performing day-to-day operations. Record demand for online business transactions has increased the Maersk shipments app usage by nearly 90% in 2020. Customers have noticed the convenience of going online to manage their logistics business using the Maersk mobile app and our statistics show us that in the first five weeks of 2020, the app averaged 70,000 business transactions weekly.

By mid-April, it had grown to 130,000 business transactions weekly, reflecting an 86%

increase in this online remote usage tool. This reflects everything from the container tracking, vessel schedule, live chat, instant rate quotes, booking of containers, cargo notifications, and Spot Rate activities that customers are relying on to run their business while away from the office. This is a behavior that is here to stay and proof point that our digital strategy is on the right track – we are here to enable smooth logistics journey throughout the supply chain for our customers.

Technology is particularly powerful at cutting through the supply chain chaos in times like now, as it can be used to predict and react to volatility in demand. By using the data and technology together, a business can have visibility of their products, see where they are in the supply chain and identify opportunities to slow them down, which is very much needed nowadays. This is going to have a big impact on how businesses view their supply chains.

Another trend is much closer collaboration between customers and logistics providers, resulting in more tailored solutions and greater agility in these unprecedented times. At Maersk we have been collaborating closely with our customers.

One example is rail and how much it has benefited our customers by providing them with the option to deliver their cargo on time when air and ocean services were not possible. But this was only possible due to our integrator strategy and the approach of working as one team with the aim to successfully deliver end-to-end logistics solutions to our customers.