

MARINE TRANSPORT

Just Survive? No, Play to Win



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Age Old Challenges

Volatile bunker costs. Fluctuating freight rates. Idle capacity. Sound familiar? Every industry has its unique challenges and marine transport is no exception. These challenges are not new to the industry. They are cyclical *and* frequent. As a result, marine transport companies will experience upswings and downswings every few years or even months. The question is whether your company can weather the storm and remain profitable during the downswings.

The marine industry has diverse sectors in container, bulk, oil, chemical and specialized transport. Besides terminal & port operations and local agents, the industry is supported

through a myriad of peripheral suppliers including charterers, crewing companies, bunker & lube providers, dry docks, freight forwarders, spares, ship supply, catering and other related services. How companies prepare themselves for the inevitable market volatilities in each of these sectors will determine whether

they will survive and remain profitable. In fact, during the last major downturn in 2011-12, the 16 largest carrier companies dropped freight prices substantially in order to maintain the same levels of vessel idle time. The cost: **US\$11.4 billion** in losses compared to profits of US\$7.1 billion just a year earlier¹.

The Ripple Effect

During the good times, global shipping demand experiences double digit growth. When this occurs, a ripple effect is created

that affects the marine transport supply chain. Freight rates increase - which is beneficial to carriers - but so do the prices of ship building, port fees, ship supplies and most other players in the industry value chain. This occurs because the shipping ecosystem is trying to make up the losses incurred during the downtimes. While other industries may also experience upswings and downswings, very few are as volatile and sensitive to macroeconomic forces as the shipping industry. The continuous uncertainty of the marine transport environment results in rash decision making, which leads to a lack of focus and, ultimately, long-term losses.

Play to Win

It is imperative that marine transport companies adopt a strategic decision making process that strengthens important value metrics such as long-term return on invested capital and net profitability. The strategic formations we present will bring about positive change and sustainable business models for ocean carriers and other subsectors in the shipping industry.

Uncover Value Gaps

Identifying segments in which you want to operate will keep you focused on attractive markets. It is important to uncover value gaps that you can fill. For carriers as an example, segmentation can revolve around criteria such as less competitive trade routes, number of competitors, costs per trade route / market / customer type and others.

Devise a Focused Strategy

As with any commodity industry, the decision to compete on price versus service will influence all of the decisions and activities that shape your company. By focusing on where you will compete, the possibility of being both the lowest-cost *and* most differentiated provider can become a reality.

Make Strategic Thinking a Core Value

A well-articulated and focused strategy, together with clear initiatives, will enable employees to take decisions and actions that are aligned with company objectives. It is crucial to instill a sense of urgency about grasping opportunities. Initiatives may include value-added services with premium pricing, cost and contract management that mitigate economic volatility, strategic partnerships and more.

¹ SealIntel Sunday Spotlight, March 2012

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KOMAND Consulting helps organizations make high-impact strategic decisions

Since KOMAND was founded in 2006, we have worked with medium and large companies in sectors ranging from aerospace to healthcare. We provide executives and directors with a clear road map to outperforming the competition and increasing enterprise value. The only measure of our success is the long-term success of our clients.

Our Advantage

At KOMAND we develop sophisticated strategies for our clients through creative strategic planning that will help bring about a desired future. Every important decision should be an informed decision and we use the power of *advanced statistical analysis* to drive our strategic recommendations. We also introduce appropriate vehicles to measure the results. We gather the latest intelligence in your economic sector and perform detailed strategic audits to ensure that your decisions are informed and right for your organization.

How We Do It

Whether your enterprise is a multi-business firm or a single business unit, the strategy process has the same four key elements: Articulate your vision and mission, formulate a winning strategy, translate that strategy into actionable initiatives, and monitor results to make any adaptations that increase your competitiveness.



David Cocklin is the maritime industry expert at KOMAND with over 40 years of maritime experience. He has vast expertise in sector related topics including *strategy and transformation, operational performance improvement* and *M&A development*. An entrepreneur at heart, David grew his small ship supply company, Karlo Group (eventually the One Source Group), to \$120M in annual sales by 2009 through organic growth, mergers, acquisitions and strategic partnerships. In 2010, the group was divested through a cash and equity agreement to Wrist Ship Supply, establishing a truly global presence. David departed as a senior vice president of Wrist in 2015 at which time the company's revenues exceeded \$600M.

David served multiple terms as President of the Canadian Ship Suppliers Association, is a founding member of COMPASS and has been a member of both the International Ship Suppliers Association and the International Marine Purchasing Association.

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