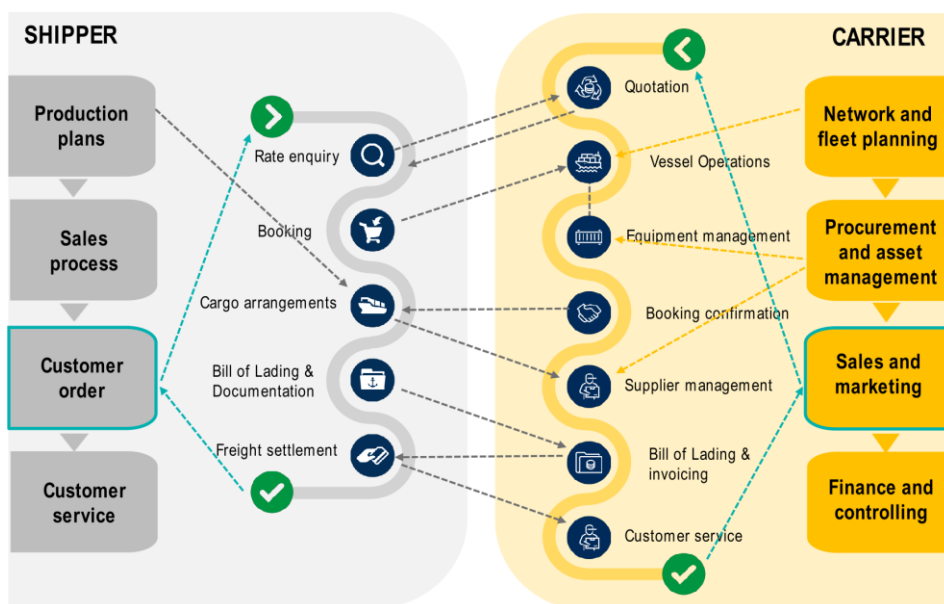


Study findings: Drewry believes future online marketplaces could bring mutual benefit to both carriers and shippers

London, UK, 02 October 2019 – Online technology platforms where shipping lines and their customers can negotiate forward contracts could help improve vessel utilisation levels and reduce freight rate volatility, according to a joint study conducted by global shipping consultancy, Drewry and maritime supply chain technology provider, CyberLogitec.

While the shipping industry has changed dramatically in recent years, the market for ocean freight services remains exposed to the inherently dynamic nature of demand and fixed nature of supply which results in oscillating vessel load factors and freight rate volatility. This fundamental supply and demand mismatch causes significant structural inefficiency which adversely impacts all market participants.

Figure 1: Main interactions that take place in container spot markets and where they are situated in the organisations of shippers and carriers respectively



Co-researched by Drewry and CyberLogitec - Oct 2019

In this study Drewry assessed the ability of technology platforms to help reduce the fundamental mismatch between supply and demand in global liner shipping spot markets.

“Our study concluded that many of the market’s pain points could be addressed through a capability to flexibly buy or sell ocean freight services in advance, using a neutral, global

platform,” said Philippe Salles, Head of e-Business, Transport and Supply Chain at Drewry Supply Chain Advisors. *“Volume commitments and capacity guarantees would provide an early visualisation of demand to the market, thereby reducing the supply-demand mismatch and rate volatility, to the benefit of all market participants.”*

“As an independent market analyst with rich heritage in the global container shipping market, we approached Drewry to help define the major structural issues facing today’s container liner industry,” said Chris Na, VP and Head of Platform Division at CyberLogitec. *“With a clear understanding of the origin and mechanics of the problem we believe we are well placed to develop innovative and robust solutions that can benefit all market participants.”*

The study identified the following end benefits resulting from technical platforms enabling the market:

- **For shipping lines**, forward selling of vessel slots, underpinned by volume commitments, would put them in a stronger position to forecast their revenues and reduce their cost of capital. The early visualisation of demand could also be linked to collaborative, dynamic capacity management and increase vessel load factors. The reduced freight rate volatility would assist in stabilising vessel P&L’s and improve invoice accuracy. The ability to ‘sell forward’ will provide an effective hedge against freight rate decreases.
- **For shippers and forwarders**, the reduction in freight rate volatility and the ability to ‘buy forward’ would protect their product margins and provide an effective hedge against freight rate increases. Together with space guarantees, enforced through a deposit scheme and vendor reliability scores, this would result in more stable and elevated service levels of their ocean providers that enable reduction of safety stock levels. Forward buying ocean freight provides procurement teams with an additional ocean freight procurement tool with flexible timings, thereby improving the agility of their logistics management teams.
- **For IT providers**, a platform which provides these forward negotiation capabilities would be the ideal starting point to also provide the ensuing requirements involving electronic booking, documentation, freight settlement and cargo visibility. These items combined would provide a unique position in today’s market place offering unparalleled scope and exciting opportunities to optimise their customer’s ocean freight experiences by eliminating other pain points like:
 - Ambiguous freight agreements and extensive contract management efforts
 - Uncertain booking and cargo statuses
 - Unreliable contracts
 - Low documentation and invoice quality

<ENDS>

The white paper can be downloaded from the Drewry website at www.drewry.co.uk/white-papers

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About Drewry

Drewry is a leading international provider of research and consulting services to the maritime and shipping industry. From its origins in 1970 London to a 21st century maritime and shipping consultancy, Drewry has established itself as one of the most widely used and respected sources of impartial market insight, industry analysis and advice. Drewry serves its clients through four business units: Drewry Maritime Research, publishing market-leading research on every key maritime sector; Drewry Maritime Advisors, supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors, providing seafreight procurement support to retailers and manufacturers; and Drewry Maritime Financial Research, delivering an Investment Research Service on listed companies operating in the industry.

Drewry has a truly global perspective of the maritime sectors and areas of expertise it covers and employs over 100 professionals across an international network of offices in London, Delhi, Singapore and Shanghai.

About CyberLogitec

CyberLogitec empowers the world's supply chain with advanced technologies that solve operational challenges and meet the exacting demands of our industry. From maritime shipping operations, port and terminal operating systems to logistics forwarding and warehouse management, our integrated solutions help your business respond swiftly to changing operational needs. Our technology's advanced algorithms digitize and automate data exchanges to improve efficiency, competitiveness, productivity, and service, no matter which part of the global supply you operate within.

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