

5 challenges facing BCOs

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Georgia Foreign Trade Conference
February 6, 2017

www.drewry.co.uk

[Maritime Research](#)

[Maritime Advisors](#)

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1. Higher ocean contract costs, particularly for US importers and retailers

- Recent trend:
 - Contract freight rates on Transpacific and Asia-Europe **increased** by 3% between 3Q16 and 4Q16
 - Follows six consecutive quarterly **decreases**
 - Based on contract freight rate data
 - Provided by Asian, American, & European retailers and manufacturers across Paper & Pulp, Industrial, Chemical & FMCG sectors
 - Shipping annual volumes from 3,000 to 300,000+ TEU
- Outlook:
 - **Rises of up to 40%** on inbound rates this year

What are the business benefits of joining Drewry's Benchmarking Club?

Drewry's Benchmarking Club comprises several key features to support your freight procurement needs:



Container Freight Rate Benchmarking

Allows members to share their contract container freight rates confidentially with Drewry and to compare these with the average, minimum and maximum rates submitted by other members via customised reports.



Drewry Outlook Briefings

Provide members with Drewry's expert analysis on the latest industry trends as well as our forecasts for future freight rate development via regular webinar briefings.



Best Practice Forums

Enables members to share best practice in freight transport procurement through a series of interactive webinars hosted by Drewry consultants.

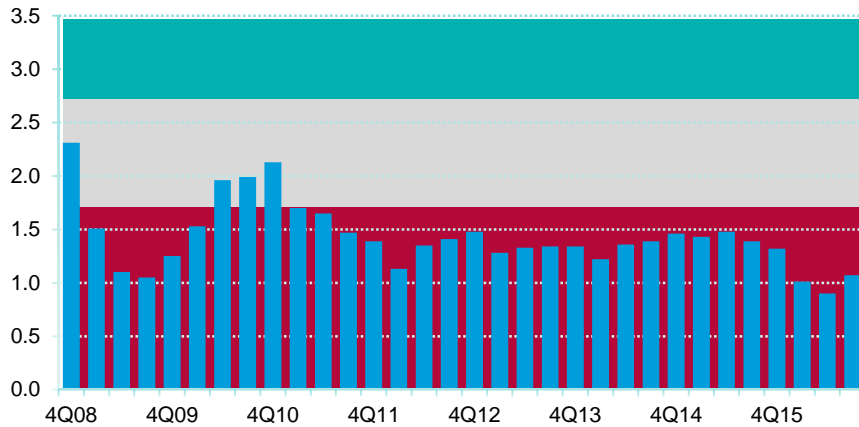
2. Drayage capacity and port trucking costs

“Drayage firms bear
brunt of supply chain
cost increases”
JOC March 2016

Drayage capacity is
“a key area of focus
in 2017”
Drewry BCO
benchmarking group

“Truck drivers
strike Southern
California drayage
company”
American Shipper
July 2015

3. Increased ocean carrier risks post-Hanjin; need for more careful selection of carriers

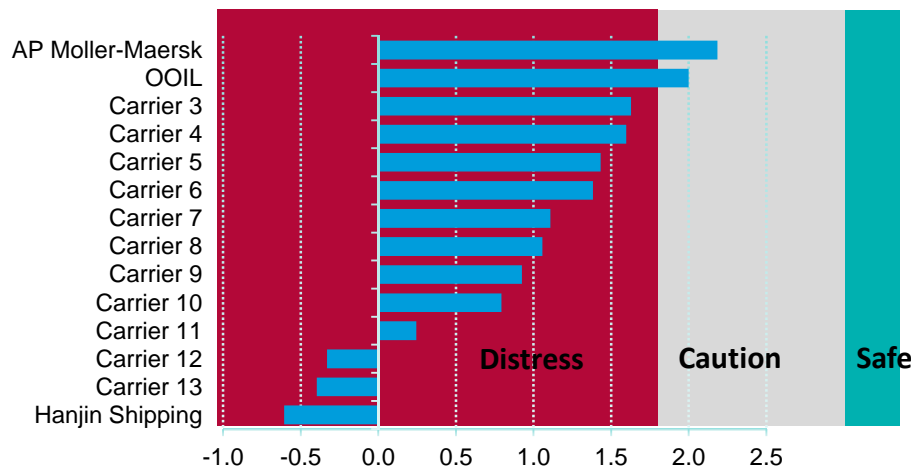


Safe

Caution

Distress

Development of average "Z score" financial ratings across the ocean carrier industry



Financial risk "Z score" of ocean carriers

Source: Drewry Sea & Air Shipper Insight

4. Variability of container availability at port of arrival & delays due to bigger ships eSOFs

Old Asia-US East Coast all-water services	Neo-Panamax Asia-US East Coast all-water services
5,000teu ships	9,000-10,000teu ships
1 day from ship arrival to container at gate	1-3 days from ship arrival to container at gate
Smaller peaks in volumes / more services	Bigger peaks in volumes / fewer services



Eg CKYHE AWE3 loop (9,000teu)
ETA Savannah Mon 6pm
ETD Savannah Wed 8pm
Container at gate ???

5. Uncertainty and operational changes of new alliances

THE Alliance's schedule announcement (example)

EC 1:

*Ningbo – Shanghai – Pusan – Tokyo – (Panama Canal) – Caribbean Hub – **South Atlantic (US) ??** – Norfolk – Miami (Seasonal) – Caribbean Hub – (Panama Canal) – Balboa – **Pacific South-West (US) ??** – Tokyo – Kobe – Ningbo*

Challenge for BCOs:

- how do you run an annual freight tender without knowing your carriers' network and services?
- transition and change



Thank you!

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