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WORLD MARITIME UNIVERSITY

Shanghai, China



**ANALYSIS ON THE STRATEGIES OF DAILY
MAERSK**

By

YUAN WENJUN

China

A research paper submitted to the World Maritime University in partial fulfillments of
the requirements for the award the degree of

MASTER OF SCIENCE

ITL

2012

DECLARATION

I certify that all the material in this research paper that is not my own work has been identified, and that no materials are included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

YUAN Wenjun
2012-06-09

Supervised by

Professor Liu Wei

Shanghai Maritime University

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ABSTRACTS

In September 2011, Maersk launched a new service to be known as “Daily Maersk”. The first impression of this service to the ship owner is every single day, my goods can be loaded on the Maersk liner sent to Europe, the same day to the bank financing, rest assured. The second impression is my goods entrusted to Maersk will not be delay. For the other liner companies are an extremely heavy blow.

Based on the above characteristics can be obtained, shipping in the value chain contribution becomes smaller, you need to look for the point of growth, it is in two directions, one is horizontal, and the other one is vertical. Horizontal is the increasing scale to generate economies scale, like the Maersk acquisition. Vertical is how to expand growth for shipping, such as from shipping to logistics, it is the new point of growth. “Daily Maersk” is like throwing a bombshell to the current fierce competitive shipping industry. There are certain guidance and driving forces for the future developments and trends of the world’s shipping. If analyzing the pros and cons of policy is launched, how to analyze the impact of world’s major shipping routes from the perspective of economies of scale, monopoly, customer service, innovation, supply chain management, and the revelation of the Chinese shipping. It is the main purpose and direction of this study, also has a reality for China shipping guidance and practical reference.

This paper first introduced the status of the Maersk shipping operations, as well as the company background, significance, progress; then, a prediction research for the Daily Maersk project; use economic analysis method to analyze Daily Maersk project on international shipping include economy of scale, monopoly, customer service innovation, supply chain management influence; and then analyze the impact on the development of Chinese shipping industry and countermeasures; finally conclude the paper. The main innovation of this paper is: through the introduction of this service-“Daily Maersk”, analyse its impacts for the entire international shipping

industry and the shipping industry in China, before that, no systematic analysis reference about that. This paper is elaborated from the service industry chain, scale, and several other aspects of the system. The conclusions of this paper is necessary to strengthen the services and the industrial scale, to increase cooperation with foreign countries, to improve the competitiveness of the port, so as to occupy a place in the international shipping industry, optimize the structure of China's foreign trade.

Key words: Daily Maersk, International shipping, impact, Chinese shipping

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Chapter 1 Introduction

1.1 Background

Shipping is an ancient mode of transportation, but also is a kind of modern mode of transportation. Historically, the development of shipping has a very big impact of industrial layout and development. Due to geographical reason, shipping cannot be replaced by other means of transport. Shipping is not only the service sector, but also is the basic industry of the national economy. It is the main way to contact the global economic and trade, commitment to the global, inter-regional transportation of goods, an important transportation link for the world economy globalization and regionalization, with a capital-intensive, technology-intensive, labor-intensive and information-intensive characteristics.

International shipping is a part of international maritime service trade. Namely the use of ships and other transport tools through the provision of maritime transportation of goods and passenger services for foreign exchange earnings. International trade in freight expenses like accounting for about 10% of the total import and export, we can see the freight of transportation of foreign trade space is very large, including sea freight's share accounts for a sizeable proportion.

In recent years, shipping has vigorous development, basically reflect in the following respects:

1. The expansion of the transport function and the change of the mode of transport.

Modern transportation emphasizing system concept of logistics, under the premise of expansion of the port function and give full play to the role of port transport, set up by roads, railways, waterways, aviation, pipelines and other modes of transport to the port as a logistics center to optimize the combination of intermodal transport system, making the entire logistics channels become smoother. Coastal transport is the main organization form of international multimodal transport, this form of organization is about shipping companies as the main body. Through sign and issue MT B/L, to carry out transport operations between two sides of inland transport sector, to compete with continental bridge transport. In addition, the organizational form of the sea and air transport has also been the developed, this form of organization mainly by sea, and ultimately the delivery section of transport by air, give full play to the sea and air with their respective advantages.

2. To change the shipping operation methods, enhance their competitiveness. In the highly competitive shipping market, the concept of the operation of shipping companies and ports from the simple pursuit of profits into the pursuit of low cost and high service quality. This requires that the services provided by the shipping companies and ports change from a single transport, handling, storage and other segment service, to raw materials and finished products to consumers in the entire process of logistics services, such as to provide users with the declaration, distribution processing, packaging multimodal transport, distribution and other value-added services, use multimodal transport mode, the simplest way, the best transport distance, shortest time to complete the delivery process, so that logistics efficiency and effectiveness can be maximized. At the same time, services, pricing strategies shift towards more flexible, diversified combination of open pricing strategy. All of these, only through the adjustment of port logistics management system to establish a sound internal management structure, and improve the functionality and efficiency of logistics services, reduce service costs in order to effectively improve the competitiveness of the shipping companies.

3. Shipping specialization and transport globalization development. In the reality of globalization of economy and trade, transportation globalization is an inevitable trend, long-distance maritime transport promotes large-scale ship and professional development. From ship type, oil tankers and bulk cargo ships and other specialized ship holds the very great proportion. As the development of container transport, cargo containerization proportion enhances unceasingly, has been the rapid development of container ship.

4. Berth deep-water technology, terminal specialization, loading and unloading automation development. Vessel large-sized trend on the channel ports, waterways and berth front depth has put forward higher requirements. For example, 5500 to 6500 TEU Post-Panamax container ships into the mainstream of main transport ship, the inevitable requirement for ports to provide a water depth of 15m or more deep-water berths to meet the needs of the large container ship operators. For the big flow and stable goods, such as the transportation of bulk petroleum and container, there has been a dedicated berth. In order to improve the economic benefits of port handling, dedicated automated handling machinery has been widely applied. These have greatly enhanced the capacity of the port. Therefore, the berth deep water, specialization and handling mechanization become the development trend of the modern port.¹

5. Informationization and networking development. Informationization and network is an important feature of the modern port development. Without a stable and efficient logistics system computer, there is no efficient port container transportation system. Advanced information technology and commodity logistics technology is extensively used in the modern logistics management and distribution technology. Application of advanced techniques can realize visualization of the entire process of logistics, automation, paperless and

¹ Gort M, Klepper S. Time paths in the diffusion of product innovations. . 1982, 112

intelligent, and can combine packaging, transportation, handling, warehousing with distribution and logistics information operation together organically, as a system to manage. Port establishment and the improvement of electronic data exchange center, can realize the electronic customs and trade without paper, the establishment of public trading platform, make full use of logistics capabilities, expand value-added services and enhance the capacity of the port radiation.

6. The center of gravity of the international shipping market will be Asia-Pacific regions. In recent years, the application and promotion of new technologies, accumulation of capital and the growth in the volume of trade within the region, the Asia-Pacific region has maintained a strong momentum. The world fleet capacity, such as oil tankers, bulk carriers, container ships, etc., there are 40% controlled by the Asia-Pacific region. The shipbuilding industry in the Asia-Pacific region, led by Japan, South Korea, and China has become the world's shipbuilding center. Asia-Pacific region is dominant in the world's bulk cargo imports and world container throughput. According to statistics, 2/3 of the world's top 20 largest container shipping companies and container ports in Asia.

In September 2011, Maersk launched a new service to be known as “Daily Maersk”. The first impression of this service to the ship owner is: " Any single day, my goods can be loaded on the Maersk liner and sent to Europe, the same day to the bank financing, rest assured." ² The second impression is: " My goods entrusted to Maersk will not be delayed". For the other liner companies is an extremely heavy blow.

It can be obtained based on the above characteristics that shipping' contribution in the value chain becomes smaller, you have two directions to look for the point of growth, one is horizontal, and the other one is vertical. Horizontal is the increasing scale to generate economies scale, like the Maersk acquisition. Vertical is how to expand growth for shipping, such as from shipping to logistics, it is the new point of growth. The promotion of “Daily Maersk” is likely to throw a bombshell to the current fierce

²competitive shipping industry. There are certain guidance and driving forces for the future developments and trends of the world's shipping. If analyzing the pros and cons of policy is launched, how to analyze the impact of world's major shipping routes from the perspective of economies of scale, monopoly, customer service, innovation, supply chain management, and the revelation of the Chinese shipping is the main purpose and direction of this study, which also has a reality for China shipping guidance and practical reference.

Foreign Research Background

Ross Robinson (2002) believes that the logistics chain business and supply chain put into the port operations and development, for the present, the function of port enterprises is not enough, the port delivery must be approved by the shipper and third party service providers as a part of the value chain, and then can realize its value delivery. Ross Robinson also believes that whether customer division or target market positioning, should have a clear value proposition. And Port itself and its supply chain create value, port and harbor bureau play a role in the new positioning in the market environment as the composition of value-driven chain.³³

Dong-wook Song, Photis M.Panayides (2007)⁴⁴ and others believe that the port is the starting point and end point of the contemporary shipping industry and logistics, which should play an irreplaceable role in strategic importance. They are respectively presented the adoption of IT、 the relationship of the shipping industry、 value-added services、 interface between modes of inland transport, the relationships between inland carrier and the practice of channel integration and performance of these six parameters to explain the port integration the extent of the variables.

It can be seen from the above-mentioned foreign research, the academic community

² Han Jingwei; Gao Zhiyuan, Container resource Analysis of "Daily Maersk serve ports hinterland [J] *Chinese port*

³ Klepper S, Graddy E. The evolution of new industries and the determinants of market structure. *The Rand Journal of Economics*. 1990, 122

⁴ Greenstein S, Khanna T. What does industry mean?. . 1997, 121

on logistics risk evaluation research has made some achievements, and application in practice; logistics enterprises are facing the risk is increasingly prominent threat to the enterprise growing. Foreign literature on logistics risk assessment research is more qualitative analysis, less quantitative analysis, and deficiency in the logistics risk identification, analysis, controls system research. China logistics risk management in its infancy, the lack of comprehensive understanding of logistics risk has not yet formed an effective risk management mechanism.

Domestic Research background

Yong Huang⁵⁵ systematically analyzed in the four levels of port enterprises overall development of strategic positioning, development of internal human resources, hardware and software system development and business and port relations. It focus on the corporate culture, human resources, financial management, port capacity, service innovation, safety management and other aspects of the specific planning measures. Finally, the development strategy of port enterprises is formulated combined with the economic characteristics of the port.

Under the background of market economy of the competition and win-win cooperation, Hui Wang put forward the development mode of competitive alliances, establishment of a shipping enterprise multi-dimensional collaborative competitive strategy model. On the basis of analysis of shipping alliance advantage, and evolution trend present alliance member selection. Fianally analyse the management strategy of shipping companies in the collaborative competitive environment.

Yu Wang⁶ analyzed the rate of change of external environment, the complexity and hostile corporate strategy, the relationship between the amplitude, and further study of the adaptability and performance relationship between strategic change and the environment, put forward the complexity of external environment, hostility to the

⁵ Huang Yong; An Empirical Study of the port development strategy [D] Beijing Jiaotong University; 2008

⁶ Wang Yu, Yu Rong, complexity and hostility of the external environment on the strategic change of the listed companies, [J], "management observed in 2008, 13, 113

speed of strategic change and the amplitude impact of conceptual model, and prospect the future research work.

Jiahua Li⁷ based on long-term development strategy of the shipping enterprises. He clarified the intrinsic relationship between development strategies, financing and investment of Chinese large shipping enterprises; analysed the main factors that affecting the changes in China's shipping cycle; summarized a practical strategy mode of sustainable development and effective control of risks to shipping companies.

If shipping companies can provide their customers with whole process of logistics service, it is better to obtain their own business profits and market space. Therefore, expansion of international logistics service has become an important growth point of the future development of the international shipping enterprise. Large shipping companies has their own services network of ships and agency, as well as the nascent global station with a certain scale, terminals, barge, car and storage hardware systems, has become an important foundation of international logistics services.

1.2 Methodology

This research is mainly use literature-summarizing method to introduce Maersk background, in order to analyse the importance of shipping strategies. Then use comparative analysis method, which is according to the specific indicators to analyse the change of shipping industry after Daily Maersk launched and to make a proper evaluation.

This research is innovated to analyze its policy impacts and responses for the entire international shipping industry and the shipping industry in China through the introduction of the new service, there is not much systematic analysis about this topic

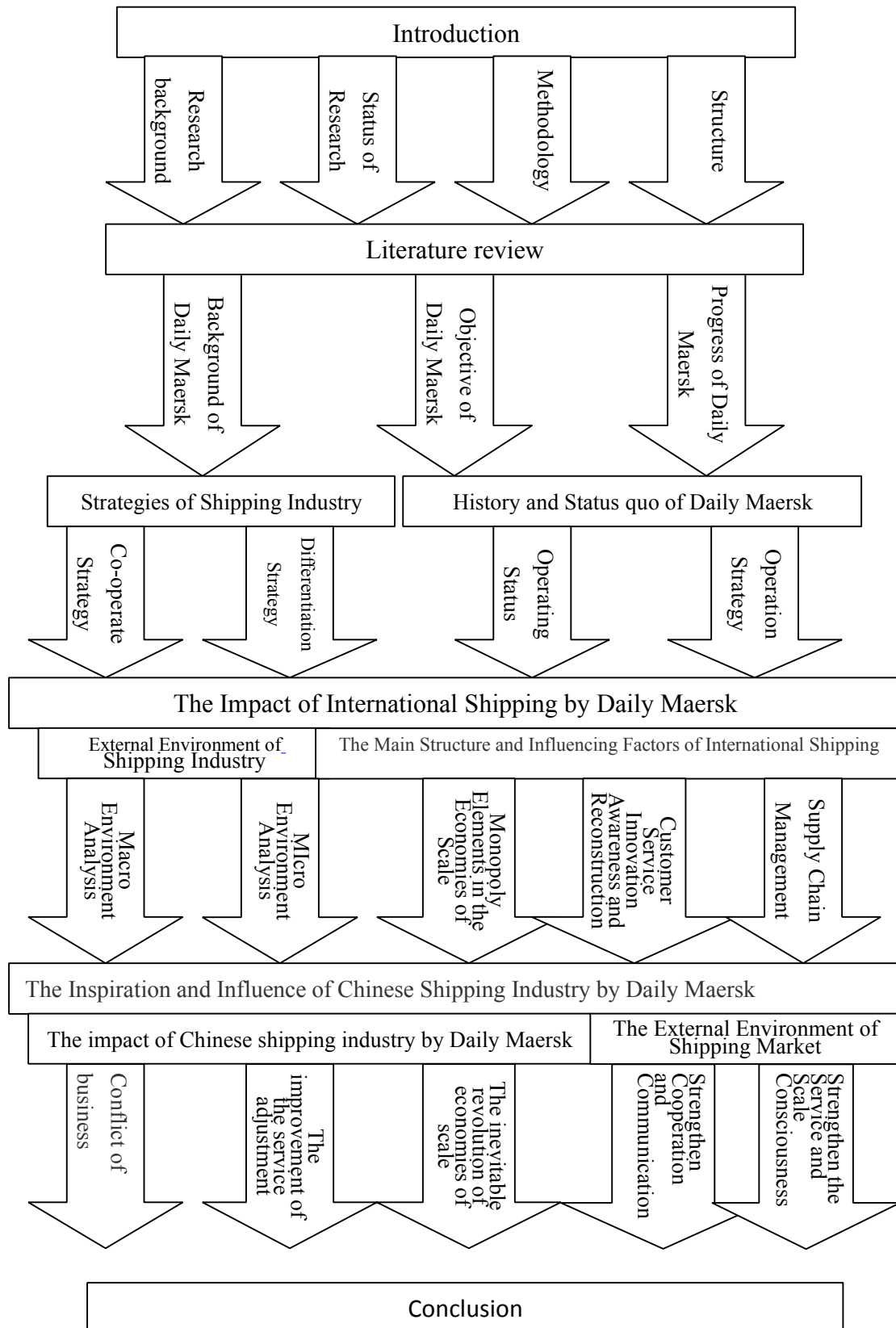
⁷ Li Jiahua, a large shipping companies to the sustainable development of the actual operation and risk control strategy, *Shipping Management* 2, 2005, 67

previously. This paper systematically explains impact on shipping industry from several aspects such as service, industrial chain and large-scale.

1.3 Structure

This research first analyzes the status of the Maersk shipping operations, as well as the project background, significance and progress of Daily Maersk; then do a prediction research about the Maersk new service - Daily Maersk. Use economic analysis method to analyse the impact of Daily Maersk project on international shipping, including economies of scale, monopoly, customer service innovation and supply chain management; and then analyse the impact and countermeasure to the development of China's shipping industry; finally arrive at the conclusion of this research.

Figure 1-1 Structure of the paper



Chapter 2 Literature review

2.1. Overview

The shipping enterprise strategy is derived from the general strategic theory. It is the product of perfect combination between traditional strategies and modern strategies.

2.1.1 Co-operative strategy

The main cooperation mode:

Exchange shipping space, in cooperation of exchange space, participants continue to operate its own routes, and also take a part of their own shipping space to exchange with the same space of other ships on the same route, which is a high level of cooperation mode. Participants can reach unanimous agreement about cargo operating capacity, and then to clarify the number of ships involved in the cooperation, according to the total tonnage to finalize the space number of different participants.

Alliance Strategic

Shipping alliance strategic means two or more shipping companies who have the same cargo capacity to occupy the market and share the resources together by contract, agreed to establish a common risk factor, a bidirectional or multiway flow state of the decentralized network structure. The international shipping alliance strategic is from the initial mode which is to exchange or share the ship contract, cooperative use the route, share the land transport facilities, expanded to today's mode which is shipping

enterprises establish the long-term cooperation mode for fulfilling enterprise strategy. The mode of cooperation is not limited to the level of optimize operation resources, but also to put cooperation strategic as the starting point, to use more ships, number of routes, using a wide variety of cooperation modes and methods from shipping cooperation to the shared terminal facilities and process management, cooperation in the depth and breadth as the mark. One of the important trends in liner shipping is a alliance strategic, because it can increase the frequency of liner, expand service areas, and improve the efficiency of resource using and effective guard against operational risks. At present, the main shipping companies that use the alliance strategy are: Hapag-Lloyd, Great alliance, OOCL, New World Alliance, Japan's Mitsui OSK Lines, American President Lines, Hyundai Merchant Marine; and Kawasaki, COSCO, Yang Ming, victory and Korea intocomposed of CKYHS Union.

Reorganization and acquisition:

It is refers to two or more than two company reorganize and merge together. For the purpose of reorganization and merging among enterprises is to improve the comprehensive competitiveness of enterprises, increasing economies of scale and improve their overall efficiency.

2.1.2 Differentiation strategy

The main objective of using the differentiation strategy is to enhance the company's brand influence and enhance the competitive edge in the market. It is also called brand characteristics strategy, means many shipping companies try to offer unipue product and service, and make it diferente and unique to their customers to compete with the competitors, the independent brand of shipping companies such as “Maersk”, “COSCO”.

Specialization strategy is refers to shipping companies rely on market segments to

focus on and capture a certain type of customer groups, or focus on operating the subdivision section of a service product, or targeted to specific market areas, to improve the company service products on the market occupation rate. Shipping enterprises to adopt a specific strategy aimed mainly to enhance the longitudinal competitiveness. Rely on the implementation of specific strategies, various shipping companies and the world's leading shipping companies signed a long-term friendly cooperation agreement and a good distribution of the shipping companies' traffic in different seasons. Large shipping group will establish a good working relationship with large international companies as an important strategic business planning.

2.2 History and Status of Daily Maersk

In 1904, Arnold Peter Moller, and his father Peter Maersk Moller, bought the first ship, and in 1917 established their own shipping company, called Maersk. In 1962 it got oil and gas licenses in Denmark and other countries; in 1964, began operating in Denmark, the supermarket business; in 1970, started to touch upon airlift business; 1974, Maersk got the largest load ship; in 1995, cooperate with SEALAND company in some areas; 1996, Maersk has successfully built a large container ship of 6000TEU; second year, the world's largest container ship was put into operation.⁸

Maersk Group is a highly international Multi-National Corporation, headquartered in Denmark Copenhagen. After more than a century of development, now in the shipping, oil refining, natural gas operations, logistics and shipbuilding industry, shipping, information industry and commerce department store industry, etc. have a super-competitive. At present, Maersk Denmark's largest group company in 2005, total operating revenue of more than 2 000 Danish kroner net profit of more than 20 billion Danish kroner, the total net assets reached 284.9 billion Danish kroner, the share capital amounted to 123.4 billion Danish kroner. has branch offices in 325 cities of over one hundred countries around the world, the world's total number of

⁸ (United States) Michael Porter (Michael E. Porter), Xiaoyue translation of competitive advantage [M]. China Press, 2005.211

employees more than 11 million people, in 2007, judged by fortune" magazine as one of the Global 500 companies.

2.3.1 Operating Status of Daily Maersk

Maersk Line as the subsidiary of Maersk Group, it is the largest container shipping company in the world. The company has the ability to provide transportation services to all over the world, there are hundreds of branches around the world, with more than 30,000 employees. There are more than five hundred of vessels in different sizes. The ship operational capacity over 1.7 million TEU, the total number of container put into operating use over 1.4 million. Maersk relying on the three major routes that is, the Atlantic routes, Pacific routes, and European routes to operate transportation business in global.

In the early 1990s, Maersk established strategic cooperative relations with U.S. SEALAND. 1999, the Maersk line successfully merged SEALAND, and changed its name to Maersk Sealand, Maersk Sealand company re-acquisition of another company called P & O Nedlloyd seven years later, and once again changed its name to Maersk Line.

Maersk Line use regional decentralized management, the company internal management structure is divided into three levels, take two management approach. The first layer for the company headquarters, responsible for corporate operational guidance and strategic planning, as far as possible to delegate powers, so that each subsidiary business to maintain a degree of independence. The second layer has three separate segments, namely the European Division, Asia Division and the Americas division; they are located in Denmark, Singapore and New Zealand. Each Division is responsible for the subsidiary's income in this area, the business of cargo transportation, terminal management, quality of service and warehousing, and guide

subordinate enterprises to develop new markets in the area. Maersk attaches great importance to the importance of geographical segments in the Group's management structure to focus on to stimulate the innovative capacity and enterprising consciousness of the subordinate units. Each geographical segment under a number of regional branches, the European division manages business of Northern Europe, Mediterranean and Africa regions; Asia Division is responsible for the business of Far East and Southeast Asia. American division is in charge of northern, central, south and the Caribbean's business activities. The Group is headquartered in Copenhagen, is mainly responsible for the formulation of major policy decisions on the strategic cooperation, financing, large ship construction. Regional Division under the guidance of the headquarters, in charge of business sales, ship co-ordination of business activities, management and budgeting; regional offices under the leadership of the Division, to carry out a variety of specific marketing campaigns. Use of revenue management to determine whether to accept the booking of a business or not. The Group headquarters give the authority to each independent region to make the business decisions of the relevant tariff, but each specific decision-making must ensure to compliance with the Group's headquarters guidelines.

2.3.2 Variety of operational strategy

Maersk Line is an important business goal to control and influence more involved in the container business enterprise on a global scale. Maersk and other shipping companies are different, which adhere to set up their own offices or subsidiaries in all countries and regions, providing liner services, rather than relying on an intermediary agent doing business. There is also a goal is the pursuit of the scale of operations, including the size of the main business and also refers to the scale of ship traffic. Maersk Line has been able to, as always, the decision-making pressure on these two objectives as management direction, thanks to its unique capital structure, no need to take short-term shareholders decision pressure. The Muller family-owned Maersk

55% of the share capital as well as three-quarters of the voting rights has the absolute right to speak on the company's major business decision-making activities.

Maersk is different from the other shipping companies; the subsidiaries are relatively independent shipping enterprises. Such as Maersk shipping market in America, it has an American flag merchant fleet. In its European headquarters were relocated to London, effectively promote business growth in England. In British branch, employees more than 3,000 people, flying the British flag fleet size of over one million dwt.

Maersk respected business philosophy, relying on the container shipping business, and concurrently shipbuilding, logistics providers, port and other related industries, strive to build a powerful "Maersk empire," continue to promote external trade internalization. Rely on their own strength and brand impact, Maersk Line is commonly used to separate business routes, Maersk can accept shippers, cargo transport and logistics business alone all over the world, without having to rely on external support of the cooperative enterprise, or space exchange. On the contrary, many shipping companies often lease Maersk's box instead of lease other carriers' box. It pursues "internalization" business philosophy, to make use of a subsidiary as a shipping agency, set up their own logistics and shipping agency companies, direct contact with the shippers to avoid cooperation with other freight agency. Therefore, different from other shipping companies, Maersk can be flexible to adjust business services in a timely manner according to the changing market conditions. In order to achieve these two business objectives, specifically to develop and implement corresponding development strategies.

Michael Gould, who has pointed out that the matching relationship between the parent company and its subsidiary of operating business, is like a double-edged sword: a good matching relationship can bring more wealth and a bad matching relationship will lead to significant losses. Maersk, through the implementation of

diversification in its internal practices, use internalization of external transactions to achieve the business purposes of the compressed transaction costs, adherence the trade secrets, and earn more profits. Diversification can reduce the market risk, but also contributed greatly to Maersk's main business development.

Maersk can achieve the coexistence of diversified business management objectives; the most important reason is the strong financial strength to support. Many of the world's shipping companies such as COSCO Group, the company internal still implement industrial diversification. It is intended to promote land-based industries, services and air cargo industry to diversify and reduce the operational risks of the shipping business. COSCO owns many subsidiaries such as foreign trade, real estate, tourism and so on. Although COSCO onshore industry revenue is only about 12 percent of the total income of the whole group, its fixed assets is approaching half of the total domestic fixed assets of COSCO. And COSCO's main businesses have less relevant with other business, can not be achieved internalization of external transactions so as to achieve economies of scale, therefore, COSCO in operating costs, trade secrets has a far cry from Maersk.

Chapter 3 The Impact of International Shipping by Daily

Maersk

3.1 External Environment of shipping industry

External environment and business activities have a strong correlation. Studies have shown that the external environment can have a major impact on the development of enterprises and profit levels. Today, world economy integration trend is increasingly clear, the development environment is different from past. Large-scale international conflicts and coups, such as the Iran-Iraq war, comprehensive national strength and technical level of different countries in different stages has brought challenges, but also provide opportunities for development to the companies. At the same time, it also seriously affects the company strategic planning activities. The company must face the external environment, which belongs to the uncontrollable factors, after careful analysis of the external environment to find favorable conditions for enterprise development, continue to grow their own.

3.1.1 Macro-environment Analysis

Overall, the macro-environmental factors can be divided into four categories, The PEST (Political, Economic, Social and Technological) shown in Figure 1:

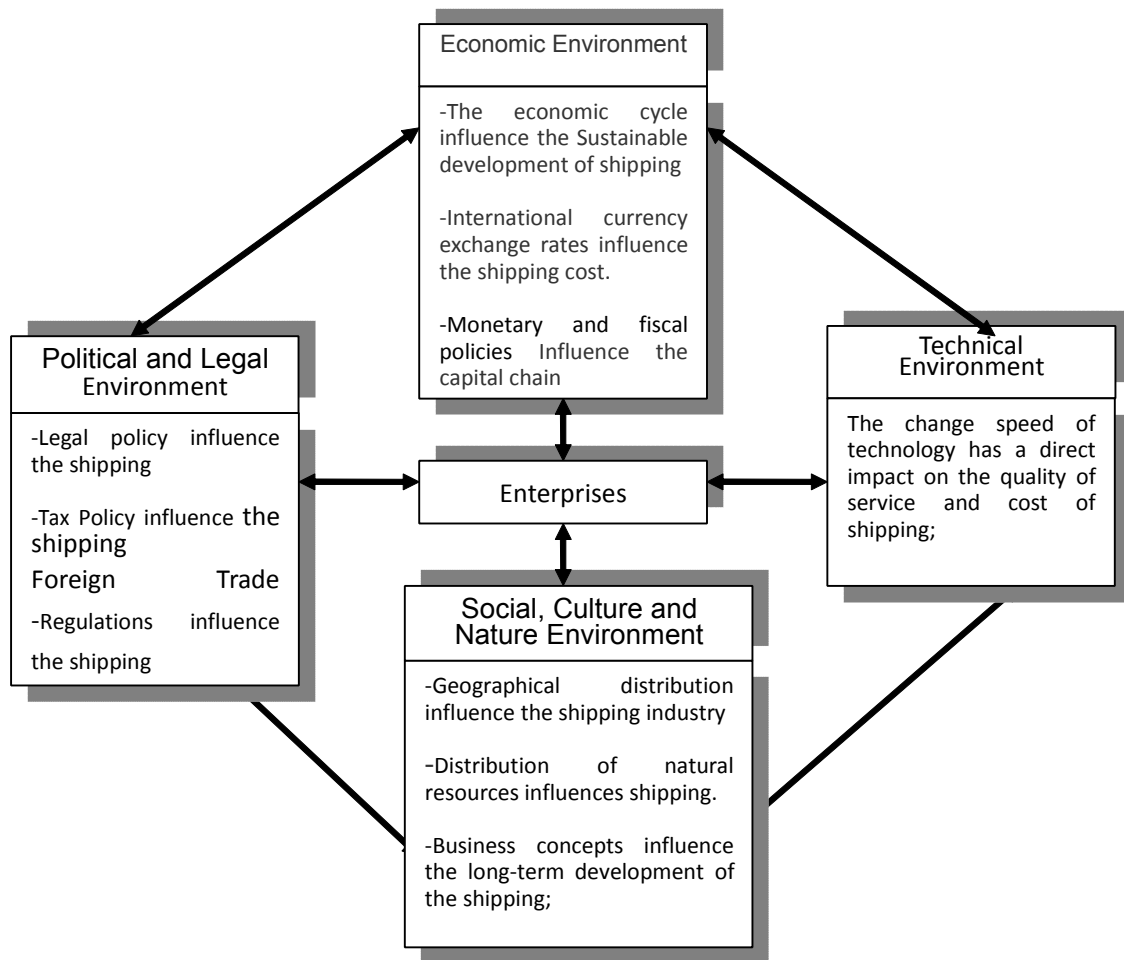


Figure 3-1 Macro-Environmental Factors about shipping

Today, the international political situation has been changed. Between the nations, the rapid development of science and technology and the effects of international economic ideology replaced the forces of Differences in ideological morphology; economic diplomacy began to dominate the development direction between the nations. When nations participated in international situation revolution, turn economic interests as the main tool and method. Especially since the eighties and ninety's of last century, with the rapid development of science and technology and the rapid promotion of productivity, enhanced mobility and the development of Multi-National Corporation. Many factors of production achieved optimal configuration in the world, which also greatly promoted the development and progress of productivity and technology. On the basic of traditional factors such as human resources、 financial

capital, land and new factors such as technology, management experience, IT, the development trend of world economic integration are increasingly evident. Become a strong impact on a variety of trade barriers and obstacles. Beyond borders, different regions is started to move closer to global integration.

Today, economic integration and globalization beyond the borderless economy has been gradually formed. This will have a significant impact on the world's trade activities. Constantly expand the scope and areas of countries to conduct economic and trade activities, and gradually increase in the degree of dependence between each other. Many economic research institutes forecast the demand of world container trade will continue to maintain the rapid rate of growth. Merge Global forecasted: before 2010, the average annual growth of world's total container trade is over 7%, and relatively stable. The international shipping industry will have a golden period, but also will face more intense competition.

3.1.2 Micro Environment Analysis

Micro-environment also known as the competitive environment, and it decided whether the enterprise could survive or not. The attraction of the industry would decide the profitability of the business. Any company will suffer the impact of macro-market environment. On the other hand, all individual enterprise are reacting to the macro market.

Company competitive environment includes international shipping policy, marketing fluctuation cycle, global economic environment, cultural and custom, and so on. All elements would change by time, and the company competitor is also changing all the time. Cooperator might become competitor, and competitor might become cooperator. Company should adjust their target or objectives depend on competitive environment and competitor's change. Objectives adjusting could consider as a detailing

innovative activity. Company need analyze the situation, and find the advantages. Appropriated policy would help company make more strength.

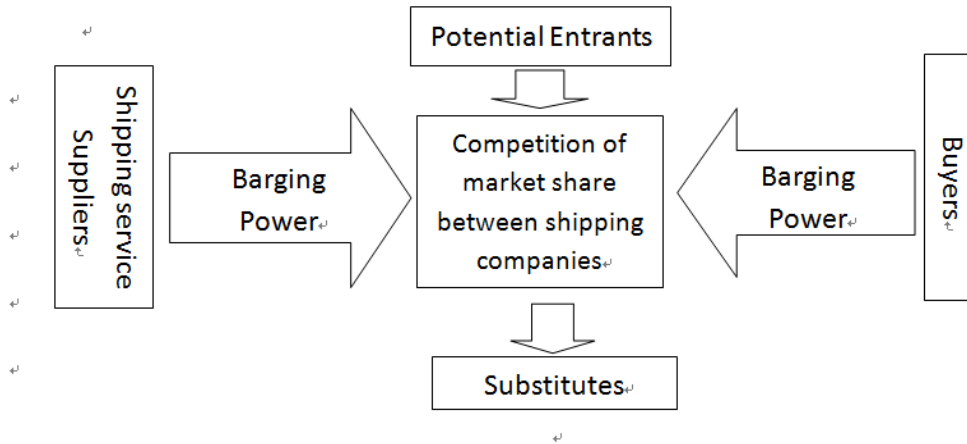


Figure 3-2 Porter's Five Forces Analysis Model

All industry is facing pressure from five areas of competition, potential entrants, the competition between the alternative product, buyer, supplier and current enterprise. These five facts impact on the industry's competitive intensity and average profit. The profitability of the industry depends on the characteristics of the industrial structure, rather than relying on the appearance of the product or technology gold. Different industry would have different characteristics, so in different industry the five facts would act different role. The importance of each fact would really depends on the industry.

1. Potential Entrants

Timely detection of new entrants of the industry is very important because they will impact current market share of all enterprise directly. It would make the competition more intense. The threat of new entrants to the existing enterprise has to side factors: resistance size and attitude response of competitors. Into the main resistance omes from the degree of product substitution, switching cost, market share, economies of scale, information availability, and government policy.

Firstly, scale of operation would increase the difficulties of new entries enter the market because it would need new entries had more abilities or have enough strength to pick withstand low cost competition and low profit margins. Potential entrants are difficult to have these two conditions, which cannot enter into the industry. Recently multinational companies and global strategic alliance carrier vast majority of trade in goods, the degree of concentration of the resources of the global container liner shipping is growing. The world's top 20 shipping companies have a total capacity of 80 percent of global container. In other words, international container liner transport capacity, basically the 26 largest liner companies are trying to build a super-ship, in order to achieve better economies of scale or to improve the comprehensive competitiveness. Therefore, for new entrants into the shipping market, the resistance will be encountered is very large.

On the other side, shipping container transport industry has lots of similarities. New entrants in order to gain a place by virtue of differentiated products will be very difficult. In addition, organized eight ship of 8000TEU between the Eurasian continental weekly would needs at least one billion U.S. dollars. It would stop lots of potential entrants. The results are that the industry is ultimately only a few mega-firms exclusive market share. The exciting international shipping companies have established a very mature marketing network, which is a set of new entrants at a disadvantage. Governments' restriction policies on the special nature of certain industries, directly restricts the entry of new entrants. For example government issued lots of safety standards and environment friendly policy, it increased their competitive costs. New entrants will also take more pressure from exciting enterprise. Finally, new entrants would be not able to enter in the industry.

2. Buyer Barging Power

Buyers would try to reduce costs and fees, and buyers would try to negotiate with sellers. At the same time they would ask to provide higher quality products and

services. market competition would help buyer make more benefits. For the shipping industry, the buyer usually has to carry out import and export trade qualified manufacturing enterprises engaged in foreign trade business of the company and maintains a business relationship with such enterprises forwarding intermediary companies. Almost every international shipping company provide transportation services products are no significant differences, and thus buyers can pick and choose any one transportation company to provide services, which has a very low switching costs. In addition, large numbers of buyers potentially expanding the scope of customer choice, and it gives more bargaining power in negotiations the initiative, the relatively strong bargaining power. Relatively strong in the current international shipping market, the overall strength of the buyer for larger or wider range of business enterprises, because of greater transport demand, and demand long-term stability characteristics, it has strong bargaining power in price negotiation process. In addition, belong to the advance technology are popularization and relevant laws and regulation system are constantly improving and perfecting. The buyer can easily get a variety of market information for shipping companies in particular, offer information which can greatly increase the buyer's bargaining power.

3. Supplier Bargaining Power

Suppliers could higher the price or lower the product and services quality to enhance bargaining power. Those that can increase buyer bargaining power of the factors, such as supply-side aggregation, the buyer's switching costs, alternatives to replace the capacity, in terms of the buyer, the seller's product is an important input into elements and so on. The supplier of shipping company is composed of the following categories: ship builders, Gas Company, ports, and port cargo distribution business enterprises, as well as the company provide shipping needs information intermediary agency. In fact, these enterprises would sign a long term cooperation contract contracts with shipping giants.

4. Substitutes Threaten

Marine transportation is instigated through the use of the ship with the maritime waterway transportation of goods between ports around the world, a mode of transport; it is one of the most important modes of transport in international logistics. According to statistics, over 60% of the total international trade in goods as well as China's import and export cargo more than 90% are relying on an ocean ship worldwide. The outstanding advantages of the global marine transportation determine its dominant position cannot be replaced. There are not any threat existing in international shipping industry nowadays.

5. Enterprise Competition

The most important competition of the maritime industry from fierce competition among the existing competitors in the industry, they relate to the survival of a shipping enterprise or not.

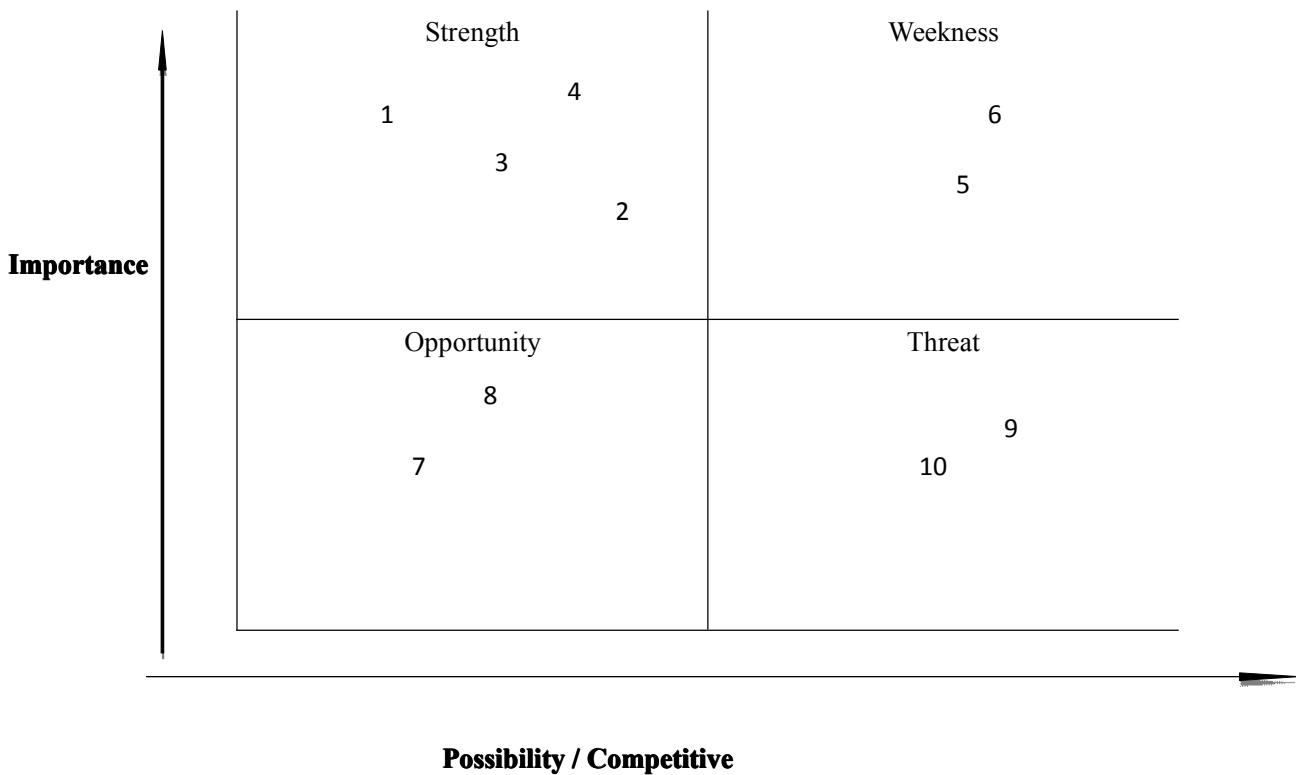
The competition between enterprises is a market competition in general; it is an ever-changing, dynamic process. Companies are willing to adopt the means to compete, due to win more customer resources. The majority facts impacting competition are similar competitors in the industry; slow industry growth rate; big number of fixed costs or inventory costs; a high degree of convergence of the products or services; the conversion is relatively easy. These facts might impact international shipping industry deeply.

3.2 SWOT Analysis of Daily Maersk

Based on the international market, we do a SWOT analysis about Maersk line for launching the new service “Daily Maersk”.

Figure 3-3 SWOT OF MAERSK LINE (DAILY MAERSK)

<p>Strength (S): Compare to the other shipping companies</p> <ol style="list-style-type: none"> 1. High market share 2. High quality of the service 3. Give customers commitment; customers will get pay for delay. 4. More loyal customers 	<p>Weakness (W): Compare to the other shipping companies</p> <ol style="list-style-type: none"> 5. Higher cost 6. Higher freight for the customers
<p>Opportunity (O):</p> <ol style="list-style-type: none"> 7. Totally new service 8. Main power in the route of Asia-Europe 	<p>Threat (T):</p> <ol style="list-style-type: none"> 9. Difficult to keep high quality service 10. Loss incurred in the company



3.3 The Main Structure and Influencing Factors of International Shipping

3.3.1 Monopoly Elements in the Economies of Scale

If a commodity or labor demand is caused by other commodity or labor demand, it is a derived demand, the commodity or labor demand which cause the derived demand is the original demand. International shipping is caused by the needs of international trade; international trade brings the needs of long-distance flows of goods, international shipping is adapted to such a request. Therefore, the international shipping demand is a derived demand, which is based on socio-economic activities and international trade.

The international shipping market demand is derived from international trade demand, so analyse the demand of international shipping market, we should first analyse the demand of international trade. International trade on the quantity, value and commodity structure changes will be reflected by the demand for shipping. When the world economy is rapidly growth, international trade will be a corresponding substantial increase. Therefore, the overall demand for shipping must have rapid growth, the shipping market will become active and prosperity. When the world economy is in stagnation, recession period, international trade is bound to face a halt, shrinking status, at that time, shipping market will be depressed. the overall demand of shipping is subject to the change in the world economy and international trade, with certain periodicity. However, the law of shipping demand has a hysteresis quality.

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The imbalance of shipping demand is exist between countries, regions or transport objects. And this characteristic is not only the result by the imbalance of distribution

⁹ Klepper S,Graddy E.The Evolution of New Industries and the Determinants of Market Structure. The Rand Journal of Economics . 1990, 114

of resources, economic development and international trade, but also it is the reason to promote the development of shipping market. Due to the imbalance of the resource distribution, productivity layout, the levels of the regional economic development, it makes the cargo transport from raw material place to production manufacturer or from production place to consumption place. For these goods, either in quantity or in the direction of flow may not always balance. Also will be imbalance for the shipping demand. This imbalance has been able to promote the development of shipping, because it put forward different proportion requires, transport form requires and to improve the transport system requirements of the scale of shipping development, fleet composition and shipping parameters, in order to adapt the needs of imbalance law.

The identity of shipping demand means no matter what kind of difference for demand of each individual, and no matter the difference about the method and technical measures that taken to meet every individual satisfaction. Or the freight price differences, all requirements are the displacement of transport object, while it has no fixed shape. Individual shipping demand is often vastly different. Different type of cargo, different requirement of transport, different countries and regions and so on, those factors have its own particularity. Analyze and grasp the characteristics of individual needs, the purpose is to take appropriate measures in the process of transport organization, to satisfy the requirements of individual needs. With the development of world economy and international trade, the development trend of shipping demand standardization, diversification also requires shipping operators to research the individual needs. This is really important to get in the competition of international shipping market. Daily Maersk, clearly meet the different requirements of this difference needs.

3.3.2 Customer Service Innovation Awareness and Reconstruction

In marketing, customer demand is constantly changing, if you can not grasp and understanding of customer needs, you will not be able to provide effective services, it is also difficult to improve customers' satisfaction. Usually we analyze customer needs, always limited to the product features, and performance analysis. In fact, customers need to consider many aspects: appearance, security, maintainability, cost and so on. Any one of them may become a important factor of customers' decision making. To have a great understanding of customer needs, you need to do the following:

Before Daily Maersk appeared, the awareness of international shipping services is in a same level, the dominant of customer satisfaction requirements is not very strong, in the shipping industry, it is still more seller's market-oriented service. Daily Maersk appeared, strongly break this pattern, customer service innovation awareness of international shipping has been strengthened, and reconstruction.

Many shipping companies start to examine again whether their products can meet customer requirements and satisfaction from the perspective of customer service. Try to put more attentions and efforts on customer psychology.

They will analyse the needs when customers decide to buy and within the purchase process. Whether the price is appropriate, payments are convenient. No doubt, even if the customers have already decided to purchase, these details still can decide whether your product is really needed, rather than failure at the last minute because of these details.

Analysis of the customers After-sales needs. Joe Girard said: "I believe that marketing activities really began is after the transaction, not before."

3.3.3 Supply Chain Management

Become the core enterof the supply chain, must have a scarce resource. Productivity is extremely developed; the vast majority of products are determined by the demand for the supply. Enterprises can become the core enterprise in the supply chain only through holding bottom market of supply chain. Daily Maersk is the typical example.

1. Expand the scale of service

Customers increasingly hope to get the "integrated", "one stop" and "single contacts" logistics service, which require liner company to vigorously carry out the longitudinal and horizontal integration in transportation chain. It needs to point out that the policies integrating the initiative development in the eastern part, i.e. the area along Yangtze River, the emergence of the central part and develop-the-west strategy are the principal development axis with overall strategic significance in China. The seven provinces and two cities along the Yangtze River have rich resources and intensive industries, which account for over 41% of the economic aggregate of China. The economic belt relying upon the industries including metallurgy, electronic, machinery, automobile, crude oil and chemicals, etc as the entity formed along the trunk line of Yangtze river, and taking high-new technology industry as the mainstay have become one of the areas with the most vitality and competition. During the "11th five year period", the average annual growth rate (AAGR) of GDP of the seven provinces and two cities along the Yangtze river have reached 13.1%, and the total GDP in 2010 had reached RMB 14.3 trillion yuan, accounting for 36.0% of the whole country, which is 1.2% up as compared to the figure on 2005. The rapid development of the social economy along the Yangtze River has generated large amounts of freight demand on water transportation. According to statistics, the "gold water channel" GDP of Yangtze River in 2007 had reached RMB 77.2 billion yuan.

China is a big trade country, which is also a big shipping country. However, its sea and rail traffic only accounts for 2%, which is extremely incompatible with the actual needs for developing multimodal transport. Therefore, river and sea multimodal transport should seize this strategic development strategy, change development mode, integrate communication resources, break through environmental restraints and vigorously develop multimodal transport so as to meet the requirements on economic and trade development.

The potential of river and sea multimodal transport needs to be explored. Inland water transport is low in land occupancy, low in cost, low in energy consumption, light in pollution, large in transportation capacity and high in efficiency, which can acquire enormous green transportation capacity with relatively low environmental cost, so it's beneficial for optimizing the communication and transportation structure of China. Although it has the disadvantages of greatly influenced by natural conditions and low in transportation speed, seen from the spatial distribution of transportation channel of Yangtze River Basin and the competition and cooperation of each transportation mode, it has obvious technical and economical advantages as it's the great channel linking the east, middle and west part of China. Under the dual pressure of resources and environment, vigorously developing river and sea multimodal transport is the optimum choice for reducing transportation energy consumption, decreasing pollution emission and expanding container transportation service.

The development of river and sea multimodal transport plays significant role in driving the macro economy, and it has played strong supporting role in transportation, production and the development along Yangtze river, which promotes various industries to concentrate along the Yangtze River. Moreover, the area along Yangtze river has gradually become a platform for grouping advanced production factors and undertaking the transition of domestic and overseas industries relying upon its comparative advantages in river and sea multimodal transport.

As the model area for river and sea multimodal transport, the port capacity of Jiangsu Province along the Yangtze River has achieved remarkable increase. It reached 695 million ton in 2008, which is 4.23 times of the figure in 2000; the container throughput is 5.465 million TEU, which is 7.95 times of the figure in 2000. The multimodal transport development in Yangtze River Delta Area has contributed enormously for the rapid development of container transportation of Shanghai city, and Shanghai has become the first grand port in global container throughput for consecutive two years.

2. The impact of transportation union

MSC (Mediterranean Shipping Company) and CMA CGM hope to bring business to its vessels (containing thousands of containers) through win-win cooperation, and fully improve the container use ratio of Asia-Europe shipping route and Pacific shipping route so as to lower the cost and face the operation challenges of MAERSK, which boasts of "everyday MAERSK" and building 20 ULCC (ultra large container carrier) with 18000 TEU.

It's reported that after the alliance between MSC and CMA SGM, the most influenced world shipping market would be Asian shipping route and north European shipping route. The two companies will deploy 4 shipping routes, and input 44 jumbo ships. There are still 21 ships that will join the alliance in the coming one year. Such 21 ships will be deployed at Asia-North Europe route and Asia-Mediterranean route.

In Dec 2011, MSC and CMA SGM (respectively ranks at the second and third place in the world liner company, and have traditions of nonalignment) made joint declaration that they will carry out extensive cooperation, including Asian-Europe route, Asia-African route, Asia-Latin America route. The two companies declared that the cooperation aims to improve the performance of each company and expand business cooperation. Establishing cooperation relations in multiple businesses can enable the two companies to co-use the best ships under their operation, meanwhile it

can also improve their coverage and shipping frequency at the port of call. Neil Davidson of Drewry Shipping Consultants said that: "The decision of Maersk to build ships with the capacity of 18000TEU and launch the service of "everyday Maersk service" facilitates it to become the first to change the rules of the game. The response of MSC and CMA SGM is to declare alliance, who are the second to change such rules"; Alphaliner said that: the alliance between MSC and CMA SGM may completely change the current alliance mode, and more shippers may break the limits of alliance and co-share shipping space.

As to capital intensive industry, such as liner transport, the benefits of resource co-sharing is self-evident. Shippers can reduce the quantities of ships and lower the capital risk by purchasing ships after alliance. For instance, after the alliance between MSC and CMA SGM, MSC leases part of its large ships to CMA SGM at preferential rent. On the one hand, MSC can avoid the redundant ships be in idle; on the other hand, it can help CMA SGM to reduce capital cost and regain profit increase target, which is a successful case on reducing cost and achieving win-win in cost.

If restructuring into "China Alliance" or "Far East Alliance" on the basis of CYKH alliance, the consortium can combine with wharf company and oil supplier to discuss port use fee, loading and discharging fee and preferential price on fuel oil. "China Alliance" or "Far East Alliance" can fully use the wharfs under its operation, reduce the overlapping investment at the port or wharf and sign the common agreement on wharf.

Meanwhile, the consortium can cancel the container yard with high price, low container handling area and repeated construction, so as to improve the use ratio of wharf and container yard and avoid the loss of resources idling at slack season of shipping.

Moreover, the consortium can negotiate with container leasing company to reduce the

leasing ratio by taking advantage of large leasing volume, and it can also carry out the mutual lease of containers and the mutual transport of empty containers, so as to resolve the lacking or overstocking of containers at certain port and increase the turnover of containers as well as to lower the container transportation cost.

3. Re-allocation of surplus resources

Under the current American debt crisis and European debt crisis, liner shipping is at sluggish status. Carriers often face the problem of surplus shipping capacity, which hopes to lower the risk through curtailing the shipping capacity. Shipping alliance enables members to exchange shipping capacity at different shipping routes and re-allocate the surplus resources.

Table 3-1 Existing capacity and order capacity of vessels

Existing capacity of vessels		order capacity of vessels	
Ship type/TEU	Occupy the total capacity %	Ship type /TEU	Occupy the total capacity %
≥ 10000	9	≥ 10000	48
7500—9999	16	7500—9999	21
5100—7499	18	5100—7499	9
4000—5099	21	4000—5099	12
3000—3999	7	3000—3999	4
2000—2999	12	2000—2999	3
1500—1999	7	≤ 1999	3
1000—1499	6		
100—999	4		

Source: According to Chinese customs data estimates

It's worth noticing that: in the new order on building container ships, ships with over 10000 TEU accounts for 48%, 7500 ~ 10 000 TEU accounts for 21%, and the two

accounts for as high as 59%. In 2000, the average TEU of container ship was 2900TEU, while in 2011, it reached 6100TEU. It increased by 1 time during ten years. According to predictions, the average TEU of container ships reaching 7500TEU will account for the most part.

Large size in ships is the development trend, the maximum value of quantity of TEU of ships is the crosspoint of marginal revenue and marginal cost, MAERSK positioned it at 18000TEU. As to the bold creation of MAERSK in building large size container ships, people will wait and see what happens. But MAERSK randomly pursuits market share, how to avoid freight rate slope caused by reckless expanding of shipping capacity and the increasingly idleness of container ships has become a problem?

Although for many years, negotiated freight rate has been continuously protested by shippers, as shipping industry has the characteristics of intensive capital and low investment returns, it has always enjoyed certain immunity in governmental legislation of countries. So negotiated freight rate still exists commonly on the current shipping routes of liner transport.

The new shipping alliance (situation of tripartite confrontation) and MAERSK shipping can control over 70% of global container shipping. Such four party can control the order on building new container ships, the quantity of ship scrapping and control reasonably the input on shipping capacity through consultation, and they can also increase or decrease the shipping capacity, reasonably arrange shipping routes and formulate freight rate. As compared to the freight rate seriously set by liner conference, the pricing policy of shipping alliance is more mild, which reduces the competition through various kinds of alliance. When alliance members provide the service without distinction, it can usually bridge the mutual freight rate difference.

Chapter 4 The Inspiration and Impact of Chinese Shipping Industry by Daily Maersk

4.1 The Impact of Chinese Shipping Industry By Daily Maersk

4.1.1 Conflict of business

Daily Maersk not only has a great impact for the international shipping industry, for China, it is definitely a challenge. Some shipping companies have been highly concerned about the the Maersk behavior, began to increase marketing efforts to take some specific measures on improving service, to highlight the advantage of shipping. Previously, some business people in Sinotrans Changhang and CSCL were assessing the new service of Maersk Line, and may be forced to follow the standards, and consider taking alliance method to deal with Maersk.

The intention of Maersk's strategic is clear, the intention is to use its giant position in the Asia-Europe routes to seize market share, ultimately to achieve the purpose of the industry reshuffle. As a result, for the only 56% punctuality rate service of Asia-Europe route, if cannot be better, the market share of domestic shipping companies in the Asia-Europe route will hand over to Maersk.

China COSCO, CSCL and other companies should take an alliance, through increasing the fleet number and operating routes, realize the space sharing to improve

punctuality rate in order to keep the market. However, due to the cost of increasing speed is much higher than the cost of increasing the vessel number, once to take alliance, the additional costs will further exacerbate the companies loss. Even the punctuality rate is increase 20 percentage points to 75%, expense accounts for the total operating income proportion is still as higher as 0.5% to 1%. This for the domestic shipping companies who got not very high gross profit margin is undoubtedly disaster.

Daily Maersk launched in Euroupe, especially to attract high value-added supply of those who require a higher transit time. By then, the market in Shanghai, Ningbo, Yantian and Tanjung Pelepas other liner companies may face some loss of supply. Maersk market share in the Far East / Europe route is about 20%, Maersk will be even greater on influencing the freight market if its market share further enhanced.

Asia-Europe route is about to enter the off-season of traditional transportation. East and South market of China competition would be more intense. Estimated the initial period of daily Maersk, in order to ensure the loading rate, Maersk may cut the freight price to hit the market. Until the loading rate of eastern and southern is stable, Maersk would implement higher than the market average freight price strategy for the delivery guarantee--Daily Maersk.

We should also see, Daily Maersk service will bring the power of example to the Chinese shipping industry situation.

4.1.2 The improvement of the service adjustment

For an enterprise, high-quality products and perfect service is the ultimate goal. However, not many enterprises can accomplish this. Successful enterprise always put the customer benefit in the first place. Only meet the customers' requirements and

satisfaction, the enterprise will win more loyal customers.

Daily Maersk always put the customer service to the top priority, if they delay, customers will get compensate. Such a service commitment itself will bring great benefits to its image and reputation. At this point, Chinese shipping industry has a lot of space need to improve. Always delay, customer complaints can not be responded, these problems are urgently needed to be solved.

In addition, in today's competitive environment, the formation of a learning team is also a key to the effectiveness. From the launch of Daily Maersk, we can also profoundly recognize, now, if you want to be invincible, apart from the competition in one industry, not only have a sense of service, to satisfy customers, even go deeper and farther of service adjustment, that is the way to do a better position to become an industry leader, not just an industry follower.

With the diversification development of customer needs by the impact of Maersk, port logistics changed from a simple transport of goods to the distribution of tangible goods, technology, capital and information in one shift. Insiders pointed out that this is a customer demand-oriented, but also the port logistics new profit growth point. Build customer loyalty at the same time, will also promote the overall development of the port city.

Port of Rotterdam owns about 3500 international trade company, with an oil refining, petrochemicals, shipbuilding, port machinery, food and other sectors of the waterfront along the industrial belt. At the same time, the establishment of large-scale offshore terminals and logistics industrial park also allows the customer storage, packaging, assembly, labeling, sorting, testing, submit, container storage, repair, and other matters. In addition, convenient leisure, entertainment can also provide customers with comfortable and attractive service.

In this financial crisis, through optimization and upgrading of industrial structure, the

value of container units has significantly increased between China and Europe, thus decreased from 2252TEU / billion U.S. dollars in 2008 to 1996TEU / billion U.S. dollars in 2010, declined 12.8 percent.

Table 4-1 Container trade between some provinces in China and Europe

Unit: TUE/Billion Dollar

Year	2008			2010		
	Export	Import	Export & Import	Export	Import	Export & Import
China	258.7	157.0	225.2	233.1	145.0	199.6
Jiangsu	197.7	187.2	195.4	167.3	137.2	159.5
Zhejiang	340.6	302.3	335.4	254.0	203.4	245.9
Shanghai	129.0	80.2	108.4	98.4	53.4	76.3
Guangdong	326.8	254.7	308.1	387.4	262.5	310.3

(Source: According to Chinese customs data estimates)

By comparison of the data can be judged, China's Guangdong Province, Jiangsu Province, Zhejiang and Shanghai has completed the adjustment of industrial structure. As long as the world economy doesn't have big fluctuations, the demand of container transport between China and EuropeT will still showing growth.

4.1.3 The inevitable revolution of economies of scale

An enterprise hopes with the expansion of the production scale, it will increase the returns to scale. This often means the realization of "economic of scale". In the actual production, we can see the most companies are striving to expand the production scale. Why after scale expanding will appear the situation of returns to scale? Mainly due to the following two aspects:

First, large-scale production will be better to achieve the specialized division of labor. Second, remove the factors of production collaboration, the characteristics of some production factors also need economies of scale. In the Economics, the economies of scale refer to the cost advantages that an enterprise obtains due to expansion. There are factors that cause a producer's average cost per unit to fall as the scale of output is increased. "Economies of scale" is a long run concept and refers to reductions in unit cost as the size of a facility and the usage levels of other inputs increase. So when production has a certain scale, the production efficiency will be improved.

The competition of container port is influenced by large vessel trend. The proportion of Maersk shipping vessels becomes higher. Therefore, the depth and operating efficiency are two essential factors in determining the competitiveness of container ports.

The late 1980s, with the mature development of international container transport, the speed of vessel large-sized trend is markedly accelerated. Into the 21st century, with the strongly develop of the container transport, trade across the oceans and the rapid growth of container traffic has led the constant pursuit for transport economies of scale by many shipping companies. Use large-sized ship to reduce the cost of container transport also becomes an important goal for shipping companies to pursue. Data has shown that the 6000 TEU container ships can save 20% cost than the 4000 TEU ship.

By the end of 1995, the total quantity of Post-Panamax container ships is 32 in the world, by the end of 2006 reached 783, accounting for 48.6 percent of the global container capacity. In 2007, the 8,000 TEU Post-Panamax container ship has become the main container shipping ship size. In the top ten liner companies in the world, there are 9 companies have already got 8,000 TEU ship order. Due to the scale of large-size container ship continue to expand, not only have a profound impact on the global shipping industry pattern, but also will bring new opportunities and challenged

to the global container port.

4.2 Strategy and Suggestion for Chinese shipping companies to deal with Daily Maersk

4.2.1 Strengthen Cooperation and Communication

The core competitiveness of container port has experienced deep change under the propelling of technical reform. If we can't seize this change trend, then we can't participate in international competition and adapt to the requirements of globalization. Such change is mainly embodied in the following four aspects:

One is the transition of container port competitiveness from "throughput scale" to "comprehensive competitive power". The so called "comprehensive competitive power" means the competition of the whole supply chain. Its advantages should be embodied in providing quality value-added services, such as the distributing capacity, information management capacity and the competitiveness at the area supply chain network. While exerting the role of communication infrastructure, it's imperative for port enterprises to integrate the existing resources, use the advantages of logistics node and participate in the operation of global supply chain. Modern port has been developed into diversified function industry from general basic industry, from single land to interior development, and then to surrounding common interior development. Moreover, it radiates in all directions to each system of social economy. The further integration of container port function makes it become the important link in value creation of the supply chain; the establishment of new type cooperation relations within container group port will further promote the extension of seamless transport chain from port to the two sides of the sea and the land.

While increasing the route density, shipping company also brings forward higher requirements on transportation cost. Moreover, the large size of the ship has also

become the bargaining counter for shipping company to demand further requirements on port. It brings higher requirements on port infrastructure, operation mode and collection, distribution and transportation system on the reasons of choosing international hub port. This will promote the transition of container port transport mode to higher level standardized and intensive transport mode.

The second is the "collection, distribution and transportation rule" of container port competitiveness will be more important, how to lower the cost (including "hard cost" and "soft cost"), develop multimodal transport, explore and extend the hinterland have become the core elements of container port competitive power.

The affiliation of ultra large ship not only needs the wharf to rapidly discharge goods, it's more needed for the rear transportation system to rapidly distribute and allocate, so as to guarantee the stability of goods transportation. As the important expansion of current highway transport and inland water transport, container sea-rail combined transport can rapidly upgrade the passing capacity of land goods transportation so as to provide continuous goods supply guarantee. The large size trend of ship and improvement of central hub port with each passing day have caused more and more high concentration extent. Logistics operation is becoming increasingly concentrated from dispersion, so the diversified logistics service requirements on cross-border procurement and international distribution, etc have emerged, port competition has evolved into the competition of the whole logistics supply chain.

Taking a panoramic view of the situation and following the future development trend of global container port, we believe that: Pearl River Delta container port group should approach the development road of competition and cooperation, i.e. the organic combination of competition and cooperation. Firstly, competition and cooperation is not to eradicate competition, it's to provide better service for customers through orderly competition and achieve the maximization of integral benefit. Under the restraints of resources, each port enterprises should improve productivity through

strategic positioning and structural restructuring, bridge on berth time and keep peculiar competition advantages, so as to achieve win-win in competition and cooperation strategy. Then it's cooperation. In fact the cooperation relations between ports within Pearl River Delta had been established early, but it's mainly limited to the investment field of wharf construction, extensive cooperation needs to be carried out further. The detailed idea is as follows:

(1) Pearl River Delta port group should not only cooperate, but also carry out work zdivision, so as to achieve complementation in function positioning. The control on foreign trade container source of this area, especially the contend for container source surpassing the current service radius with the transition of industries, decides the future development fate of Pearl River Delta port group. Therefore the development of such port group should take strengthening transportation system and perfecting port function as the core. It should upgrade the competition power of port supply chain, expand its handling ability at pan Pearl River Delta Region. Meanwhile it should expand domestic trade and international transshipment business and consolidate the position as foreign trade hub.

Broadly speaking, the three ports of Hong Kong, Shenzhen and Guangzhou can be developed into one "combination port". Hong Kong, as international shipping center, should utilize the self advantages in information, management and talent, lower the operation cost of wharf and promote the cooperation with Pearl River Delta, so as to make the shipping along Pearl River Delta be more smooth. Shenzhen Port should seek development space amid the dislocation competition with Hong Kong, and seek competition advantages amid the competition with other international ports along with Hong Kong. Meanwhile, it should resolve the insufficiency of the rear area of port and the imperfect problem of transportation, simplify the operation procedure of the customs and speedy the entry and exit of goods and containers, and finally guarantee the level and added value of port by relying upon its relatively low cost. Guangzhou Port as the regional central port,

should fully exert its advantages targeting at the problems of lack of port rear area, etc. Firstly, it should fully develop domestic trade business, gradually develop foreign trade business, exert its advantages in land transportation and air transportation, develop multimodal transportation and find extensively the supply of goods. The formation of this combination port is conducive for optimizing the layout of ports of Pearl River Delta. It should reasonably use shoreline resources of the port and form benign development relations with orderly competition so as to promote the coordinated development of ports of Pearl River Delta Region.

- (2) Hong Kong and Shenzhen container port should carry out deep cooperation, and build integrated international shipping center. In order to guarantee its advantageous position in international competition, and in consideration of the resource factor structure and development status of the two ports, it's important to speedy the further cooperation between the two ports and co-build integrated international shipping center in scheduling the future development strategy of the container port group within Pearl River Delta Region. If the relation between Shenzhen and Hong Kong is handled well, then orderly competition and cooperation relations within the port group can be achieved easily.

Currently, the position of Hong Kong as international shipping center has experienced a series of impact and challenge. While independently building international shipping center by Shenzhen is unrealistic and not necessary. After co-building international shipping center and making it as an integral part of the construction of "Hong Kong and Shenzhen International metropolis", it's not only beneficial for consolidating the position of Hong Kong as international shipping center, but also beneficial for its transition and the integrated upgrading of the industries within the region. Shenzhen port boasts of wide economic hinterland, ideal water depth conditions, perfect infrastructure, excellent geographical location and efficient port operation level. While Hong Kong boasts of highly efficient container port and free port policies. The average annual growth rate of

commodity trade volume of Shenzhen is about 16% in the past few years, while that of Hong Kong is 8.8%, and the average annual growth rate of total foreign trade volume (excluding the trade between Shenzhen and Hong Kong) of the two cities is 9.9%. The two regions are expected to become the area with the largest trade volume in Asia. From 2001 to 2007, the average growth rate of container throughput of Shenzhen Port is 26.7%, while that of Hong Kong is about 4%. Influenced by global economic crisis, although the container throughput Hong Kong port has decreased from Jan-Oct, 2008, the container throughput of Shenzhen port still kept 4.2% growth rate. According to predictions, with the introduction and implementation of policy on economic recovery by each country, the container throughput of Shenzhen and Hong Kong Port will exceed 45 million TEU in 2010, thus the two ports will become the biggest container distribution center and the most important shipping center with most outstanding advantages in the world.

4.2.2 Strengthen the Service and Scale Consciousness

The development of port and logistics are complementary and mutually promoting. In recent years, with the rapid development and subdivision of logistics industry, port logistics has become a new term. Port logistics means the central port city utilizes its self port advantages, strengthens its radiation capacity to its surrounding logistics activity relying upon its advanced software and hardware environment, highlights its advantages in goods consolidation, storage and allocation. It takes bay industry as the basis, information technology as the support, optimizing port resources integration as the target. It's a port comprehensive service system in developing the logistics industry chain with all the link characteristics.

Port logistics is a comprehensive logistics system under special form. As an irreplaceable and important node in the process of logistics, it undertakes the basic

logistics service and derivative value-added service of the whole supply chain logistics system. Meanwhile, enterprises attach great importance to logistics, so the "internal work" taking establishing logistics business as the core and regarding the peripheral service basing on logistics service is the key factor for winning the favor of customers. Therefore, how to seize this development opportunity to strengthen self strength is the problem that all port cities should consider seriously.

The core competitiveness of the port logistics is still convenient, efficient, throughput and large cargo transport capacity. Although with the continuous develop of the technology, users' consideration of the transport capacity is still the first. In increasingly competitive world, cargo transport infrastructure construction, informatization level and the service system is the three necessary conditions of port logistics.

“With the higher requirement of logistics efficiency by customers, port logistics should strengthen infrastructure construction, further shorten the cargo dwell time, at the same time, achieve accurate and safe.” Relevant experts said from customer perspective of port logistics, at the same time also stands in the port's point of view. Chinese foreign trade is increasing year by year, the market opportunity of port logistics is increase also. Through strengthening infrastructure can make a greater port capacity to attract more business.

At the same time to increase investment on infrastructure should also focus on the construction of the logistics supply chain informatization. Infrastructure construction is the entity of supply chain; informatization can via the virtual supply chain to optimize the existing infrastructure. Under the same conditions in the hardware, by means of informatization to optimize efficiency, in addition to meet the clients' requirement of cargo transport efficiency, but also make sure the cargo can be safe and accurate transport, while also reducing management costs.

Port construction project needs higher investment, long construction period; the risks faced are also relatively large. Port operators can through joint investment to reduce the risks. From long-term development perspective, the port operators should not be limited to the development in this region, a successful port operators should also be a successful capital operators, through the joint capital, in order to make the port operators penetrating into other areas of port market, expand their business range. Through allied with other ports in the region, the resources, capability and core competitiveness can be combined together, thereby enhance the market viability and competitiveness of the port in the region. Also can effectively improve both service level, and organization structure through sharing and exchanging the information, technology, machinery and some other aspects. Through competition and cooperation with regional port can be significantly improve the service level and will be able to attract more ship anchored. Port capacity and utilization rates improved, thereby enhancing economic efficiency, at the same time to achieve economies of scale by expanding the port production scale and reduce the handling costs. Based on the existing scale, enhance the efficiency of port integrated service. Gradually improve the functionality of the port. Try to achieve to the third-generation, and even fourth generation port.

Chapter 5 Conclusion

International shipping market is made by the demand of maritime service by international economy, international trade. The development of international shipping market is accompanied by the world economy and international trade development. Last half of the twentieth Century, in a world of increasing economic integration and the rapid development of knowledge-based economy, traditional shipping industry has occurred a great change from the structural adjustment of the shipping industry to the management of shipping companies, from tonnage to maritime technology, national shipping policies become more open, the competition of shipping market become more intense.

In the past half century, with the development and progress of world politics, economy, trade and technology, make international shipping industry unprecedented change. In the 1960s and 1970s, developing countries problem get attention. Their liner shipping participation right in international affairs was one of the hotspots. The “Shipping Act 1984” implemented by the United States in 1984 made international liner shipping more liberalization. It expanded the competitive environment between liner companies. The law allows guild member to act independently, they have the right to sign the service contract with big shippers. In the highly competitive shipping market, in order to protect the benefit of shipowners and maintain the stable development of trade, the Stability Pact Organization and the inter-company strategic consortium gradually formed, it will play an increasingly important role. The formation and development of the shipping company consortium has shaken the basis of the Liner Conferences survival.

Especially in 1960s, container transport appeared, international maritime transport has now entered into a new era of container transport. In 1970s, some large high-speed container ships are put into operation, which made the rapid development occur in cont

ainer transport in a very short time. Today, container transport in some major shipping route has gradually replaced the traditional general cargo ships transport and become the main form of regular transport ship.

Since the September 12th, Maersk Line announced the launch of the "Daily Maersk" Service, as a result, customers book the service enthusiastically. Daily Maersk service means transport cargo from Asia's four main routes(Ningbo, Shanghai, Yantian, TIANJUNG PELEPAS)to Europe's three main routes(Felixstowe, Rotterdam, Bremerhaven). Customers can receive a fixed transit time commitments. Daily Maersk sets custom clearance and cut-off time every seven days in a week. This service seeks to build a ocean trade belt between Asia and Europe.

This new service not only have impact on international shipping business, but also has enormous influence on shipping business in China. Based on mentioned above,after a nalysis of the shipping business and the background of Maersk, this paper analyze that the policy makes impact and influence on international shipping industry mainly from the aspects of economies of scale, supply chain, and also this paper analyze other several aspects of shipping industry in our country such as adjustment of service, economies of scale and volume of business. And then this paper offered corresponding measures, including to enhance the international cooperation, and improve service and the sense of scale so as to make some useful comments and suggestions on Chinese shipping companies.

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