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Container shipping alliances - feel the quality not the breadth



With the formation of the Gemini Cooperation between Maersk and Hapag-Lloyd correspondent Nick Savvides examines how alliances may change their approach to customer service.

[Nick Savvides](#) | Jan 25, 2024

[Ocean Network Express \(ONE\)](#) has issued a statement reaffirming THE Alliance partners' commitment to their partnership over the coming year, following [Hapag-Lloyd's](#) resignation, with the intention of joining [Maersk](#) in the Gemini Cooperation.

It is inevitable that the remaining lines would wish to reassure their customers of their commitment to the cause and the quality of their service, but Hapag-Lloyd's

departure from THEA could be about more than just reshuffling capacity, and more about a major change in carriers' approach to customers.

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THEA carrier's statement essentially commits for the next year to maintain its services, Hapag Lloyd, [HMM](#), Yang Ming and ONE stated: "We wish to emphasise our unwavering commitment to maintaining a robust cooperation throughout 2024 ensuring that the highest standards of cooperation and exceptional service are delivered to our stakeholders and the industry at large."

Peter Sand, Chief Analyst at Xenata, asks when did shippers ever get the agreed on service, and were those shippers prepared to pay that premium?

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"For the former, it's been several years now, and for the latter - I think that in a non-exceptional market, the quality aspect of ocean shipping often in the form of reliability - has been that individual carriers have been proud of, but I don't think that they were ever able to get a decent premium for it, from the shippers."

A new era?

Is this the beginning of a new era? It could be useful to reflect on what has changed over the last four years to create the conditions for a new evolution.

Climate action, technology and the pandemic have turned the container shipping industry into a new animal. Where there were 10 or so lines offering basic port-to-port services with little differentiation other than price, regulation has forced carriers to offer greener services, and following the pandemic carriers have the cash to deliver the differentiation needed.

The most crucial change came with the pandemic. Soaring profits of near to \$300 billion a year over a two-year period has given the carriers the opportunity to

transform their businesses, including for some, like Maersk and [CMA CGM](#), to develop into integrated supply chain operations.

This troika of change has transformed the container shipping seascape. Gemini is a consequence of that transformation.

Alphaliner's excellent analysis on the consequences to THE Alliance in this context is only half the story as Alphaliner's Stefan Verberckmoes acknowledged to Seatrade Maritime News.

"A hub and spoke network is not an entirely new concept, but it has never been implemented in the way that Maersk and Hapag-Lloyd intend to do. They come with something new, completely different from the usual alliance networks," said Verberckmoes.

He added: "The main goal is obviously to achieve excellent reliability. By limiting the number of calls and having the ships mainly handled by owned terminals, you are taking out many causes for potential delays."

Alphaliner pointed out that although Hapag-Lloyd is the largest carrier by capacity in THEA, it is not the largest contributor, ONE contributes 38.7% of THEA capacity, Hapag-Lloyd 26.2%, and Yang Ming and HMM offer an evenly split 35.1%.

A major challenge for THEA will be the Atlantic where HMM does not operate and Yang Ming is just a slot charterer.

"The situation is very different for the Asia - North America trade," however, "ONE currently provides 41.1% of all alliance capacity and Hapag-Lloyd only 21.4%. THEA could continue trading if it would reduce the number of weekly loops (currently 12) by around one fifth," according to Alphaliner.

THE Alliance - bringing in a new partner?

Another possibility for THEA, as Alphaliner points out, is to invite the Taiwan carrier Wan Hai to join its alliance, with its fleet of 18 vessels of 13,000 teu ships, some of which are still on order. This would replace about a third of the Hapag-Lloyd capacity.

ONE itself has 32 large container ships on order, including 12 methanol powered vessels. HMM also has some methanol powered vessels on order and is increasing its fleet size from 820,000 teu to 1.2 million teu according to the latest reports.

Yang Ming, the third alliance partner also has five LNG-powered 15,500 teu vessels on order.

Together these newbuildings and the addition of Wan Hai could compensate for the resignation of Hapag-Lloyd from THEA, giving the group the possibility of competing on market share, with Ocean Alliance and Gemini.

Gemini, however, is operating on another plane, so to speak.

A Hapag-Lloyd spokesman said that the company is “not planning to lose market share” and he argues that quality has always been at the centre of Hapag’s planning.

In Hapag Lloyd’s view its Gemini Cooperation network will help to improve services and clearly differs from other offers in the market.

“Both carriers, Hapag-Lloyd and Maersk, will make terminal capacities available for Gemini Cooperation – our network will centre around hubs where we aim to have the highest levels of productivity and flexibility, thereby ensuring competitive and highly reliable transit times across seven trades.”

All well and good, a faster more reliable service to attract customers that want that sort of thing.

Hapag-Lloyd gives the game away, however, by stating: “Our joint ambition is to deliver a flexible and interconnected ocean network with industry-leading reliability, quality, and sustainability. We are aiming for customers who decide to have a high-quality service.”

Courting customers who demand quality has apparently split the views of potential Gemini shippers, with independent shippers in favour and freight forwarders seemingly less convinced.

Demand for quality service

Freight forwarder representative Nicolette van der Jagt, Clecat Director General said she has not had many responses from her members on the issues raised.

However, she pointed out: “Ultimately less port calls (is this simplification?) will maybe keep their time schedules more intact, but this is not to the service of connectivity. I have not heard shippers calling for more feeder services, but instead more direct services.”

Intermediaries may want more direct services, but shippers are more engaged with the Gemini move: “It would be a welcome strategy and one consistent with Maersk's stated aim of becoming a full-service logistics provider, where customer relationships are everything,” said Global Shippers’ Forum Director James Hookham.

He went on to point out: “In these business models, the key metrics are more subtle than gross market share, such as deliveries on time, product availability (to the end customer), and customer satisfaction scores. These are the outcomes of value added by the logistics provider and offer a clearer route to more enduring and predictable contracted business of the sort that Maersk says it wants, and Hapag-Lloyd has tended to specialise in.”

A new order is emerging in container shipping, and for those willing to take the risk, the rewards may be great.

Alphaliner's Verberckmoes believes that the "operational benefits will certainly be there", however, he adds that Maersk and Hapag-Lloyd are taking a commercial risk too.

"Some countries will be served in transshipment. Le Havre and Marseille/Fos will not receive a single east/west call from 'Gemini' and will be served by feeders. So, there might be French shippers turning to CMA CGM, MSC or other competitors which serve Le Havre or Fos directly."

As such, Alphaliner believes: "Maersk and Hapag-Lloyd will make full use of their schedule reliability to attract business from cargo owners."

According to Hookham this is music to shippers' ears. "Replacing the inward-looking 'market share' scorecard with a customer-focused strategy would make sense in an over-supplied ocean freight market and I think would be keenly watched by shippers."

Will shippers pay?

Ultimately, the question will arise of whether shippers are willing to pay for a better service. And the answer for freight forwarders is they will go with the choices their customers, the shippers, make.

Up to now the answer has been no, as Sand mused: "Maybe, that's also why carriers across the board, don't care much about the current and appalling low level of schedule reliability."

He added: "Having said that, it's the one pain point that all shippers would like to see disappear. 'All they want', and can rightly claim, that they have also paid for is reliability, predictability and stability. But they have never seen it delivered."

At GSF Hookham sounds a carrier alarm bell with the response that will depend on the resilience of the service.

“How much disruption could the door-to-door service endure before the delivery schedule diminishes? This will be of interest to European manufacturers reliant on delivery of components and sub-assemblies from Asia, where the cost of delivery failure is to shut-down the production line, or maybe retailers, where the cost is empty shelves or missed online orders,” said Hookham.

He said the loss of access to Suez is one thing, and largely out of the carriers’ control, “but running out of containers in Asia, the cause of another surcharge at the moment, would be the sort of problem customers would not expect to hear about, never mind get surcharged for.

“This may not be what Maersk have in mind, but it is the level of service other 3PLs and 4PLs strive to provide, based on their own core expertise, think DHL, Ceva, etc.”

Sand goes further saying Maersk in particular, pushed the 90% reliability during the launch. “But what can be reached in simulations, can it all be reached in real time?”

Carriers want to attract the higher paying customers; however, Sand concludes it doesn’t really work like that.

“Will the Gemini be much different from existing alliances? maybe in the sense that it's more focused on where the two companies see their future business. They do not set this up to be a truly global player - they set this up to fit their future customer base.”

In this sense, carrier customers must feel the quality if the range of services are diminished.

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