# Container shipping's reformation in full swing

A lone wolf, alliances extolling the virtues of co-operation and the new philosophy answering calls for reliable services and greener shipping, the modern maritime supply chain resembles a Lutheran reformist society.

Nick Savvides, Europe correspondent

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MSC, the world's largest container carrier by fleet size "can now operate as an alliance-free carrier," the company reportedly claimed last month, and the data suggests that the gap in size between the Swiss-based company and the next carrier, Maersk, has widened over the past year.

Maersk and its new alliance partner in the Gemini Cooperation Hapag-Lloyd are examples of the changing strategies in the market, and on the face of it shippers should be pleased at this development.

Evergreen and its Ocean Alliance partners, CMA CGM, Cosco and its subsidiary OOCL and the Premier Alliance carriers will offer a reduced emissions service with the Taiwan carrier in particular having sold off older tonnage which it has replaced with newer more efficient vessels.

Dynamar analyst Darron Wadey points out that all the major lines are investing in greener ships, though, unlike Evergreen , MSC appears to be holding on to its older tonnage too. Within those majors, however, "the top three have expanded well beyond just vessels into integrated container supply chains with extensive own assets and operations."

Maersk has focused on boxes and is more modest than its peers in its vessel orders, while MSC and CMA CGM have moved well beyond containers. "Think of cruise ships and tugs and towage with MSC, and media activities with CMA CGM," explained Wadey.

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Outside of the top three, in particular Hapag-Lloyd and ONE, carriers "are playing catchup", focusing their efforts on building terminal activities.

Catching the Swiss-based carrier, however, is a thankless task. MSC has boosted its fleet by 12.3%, adding 632,000 teu in newbuildings and second-hand acquisitions and charter vessels, reports Alphaliner. In contrast Maersk, with the second largest fleet, added 300,000 teu, 225,750 teu of which was newbuildings. But the gap to MSC widened to 1.9 million teu.

Internet forwarder Zencargo said MSC will offer direct services between 1,900 port pairs: "This will be good news for some retailers… making MSC an attractive choice for those who value simple, broad coverage and direct shipping."

Global Shippers' Forum (GSF) director James Hookham, who is a former Freight Transport Association worker, likened today's shipping market to the trucking industry 25 years ago.

Consolidation of the trucking industry saw some operators offering value-added services and warehousing for customers, while other companies bought trucking companies to grow their operation and market share.

MSC is similar to that latter version of the trucking industry said Hookham, "But the question is can they get the profitability at scale that they envisage, with what is essentially a no frills, EasyJet service?"

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At the other end of the scale Maersk is looking to offer a genuine door-to-door service, with their customers effectively sub-contracting their logistics services to the carrier, "They will need to take the worry out of the customer's logistics business," explained Hookham.

That will require the type of soft skills that is simply not a part of the container shipping tradition.

"They won't be able to say 'oh there's a US East Coast strike sorry your cargo is delayed', customers will want to know what they are offering as a workaround, they want solutions," claimed Hookham, adding, "Shippers don't see lines, they see 3PL's."

Volume shippers and owners of high value or time sensitive cargoes such as fashion houses, or Christmas goods would pay a premium for such a service if it was reliable believes Hookham.

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But Wadey is sceptical, pointing out: "Gemini will have to deliver on the promised reliability forcing shippers to decide whether this is indeed a value proposition they can support."

It is possible that container shipping is entering a new era, but Wadey reminds us of the past failures.

"Whenever something radically new has been tried, they [shippers] have not responded as the innovators would perhaps have hoped. Remember Maersk's 'Daily Maersk' product of 2011-15 that offered guaranteed transport times, for a premium rate, between certain ports (but with compensation if not met). This was never embraced enthusiastically. Neither was 'The Containership Company' of 2010-11 which offered a sort of 'no frills', i.e. low-cost, transpacific service."

The 'Daily Maersk' differential product caused a seismic shift in the market, said Wadey, "albeit not one that was necessarily envisaged at the start - for it was a catalyst for the creation of the super-alliances like the CKYHE, G6 and Ocean Three, in response."

Ten – fifteen years later Gemini's reliability-based, but heavily hub and spoke dependent proposition will be put to the test, said Wadey.

An alternative to the premium and port-to-port model will be the Premier and Ocean Alliances, which have invested in new ships, but have not gone down the extensive hub and spoke route of the Gemini Cooperation.

According to Zencargo the Premier Alliance, ONE, Yang Ming, HMM, is a "key player in 2025". It will concentrate on the Asia-Europe and Asia-North America trades and has agreed vessel sharing deals with MSC.

Meanwhile, Zencargo said Ocean Alliance remains unchanged and will continue to target the transpacific trades.

"Retailers with a strong presence in these markets may well stick with the known quantity," claimed Zencargo.

A sentiment that Wadey can relate to: "Unfortunately, history has shown that radical departures from established norms tend not to be lasting successes. There is also the law of unintended consequences. Perhaps, sooner than we might think, even if the concept of operations has not changed considerably, the structure of the market may well have done."