

Container Terminals: Paths to Profitability

By Remco Stenvert and Andrew Penfold

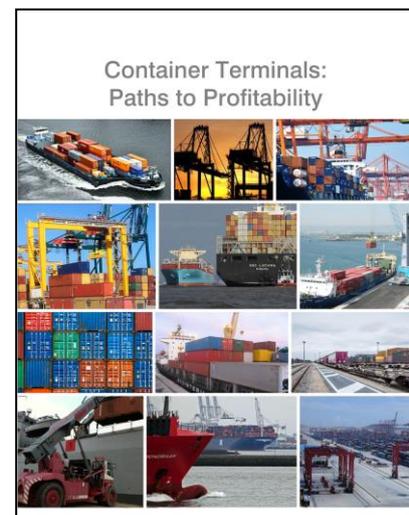
The container revolution has both facilitated and driven globalisation. The transfer of production to low-cost regions and increasingly complex supply chains have been the major factors generating trade growth. There are risks with this system. Increased protectionist pressures are directly impacting on growth and calling this model into question. This uncertain background is combining with technical shifts in container shipping and ports to multiply risks and place pressure on trading margins. The levels of risk are now as high as those that followed the Financial Crisis.

This new study – ***Container Terminals: Paths to Profitability*** – develops new forecasts, trends and scenarios for future demand development for the period to 2030. The lessons learnt and the underlying risks in this sector are described and analysed. In addition to identifying the trading background, the study defines proven marketing, financial and competitive techniques that offer ways to increase margins for terminal operators. This provides vital intelligence and experience in a tightening market.

The study runs to over 220 pages and provides a summary of experience in these sectors and develops a clear way to chart forward progress. Mundy Penfold Ltd., and their associates, have unrivalled expertise in the container terminal and port sector and bring together objective appraisals of demand growth with specific experience in the field of terminal marketing and management, operations and development. This new study condenses this experience and provides an essential guide to all those currently running, expanding or planning to develop new container terminals.

Key specialists in these fields have prepared the study and it is designed as a tool for those involved in developing and managing existing and greenfield ports and container terminals in an increasingly competitive environment.

A profile of the Study's Contents follows.



The authors have a proven track Record in the funding, development and operation of major container projects and front-line container handling experience.

Container Terminals: Paths to Profitability is the latest in a series of in-depth container sector studies written by the team. Previous works have been acclaimed and include well known works such as ***Container Terminal Management***. Both authors continue to work on the front-line of the container handling sector.

CONTENTS

Part One: Major trends impacting container terminals

The level of risks associated with the container terminal sector is at extremely high levels. Macro-economic factors that drive demand indicate increasing risk. Forecasting terminal demand is more uncertain than at any time since the Financial Crisis. At the same time, the size revolution in the shipping sector and resulting over capacity is placing specific pressures on the demand side, with consolidation and ownership changes modifying the demand base. The study identifies and assesses the various risks associated with terminal investment and is structured thus:

1

Trends and Risks in Container Port Demand

- Overall demand growth
- Regional trends
- Import/export v transshipment demand
- Risks and uncertainties impacting on demand

2

The Container Shipping Market

- Major issues
- Over-capacity and low freight rates
- Ship size – where are the limits?
- Cascading
- Terminal Implications

3

Terminal Investment Trends

- Who is buying-in?
- Location of investments
- Terminal Strategies
- Some Specifics

4

Forecast Demand Growth

- Overview
- Macro-Economic Driving Forces
- Other Factors Impacting on Container Port Demand Growth
- Economic Scenarios to 2030
- Forecast Container Port Demand to 2030

Part Two: Managing for Maximum Profitability

Future container terminal management will need adjustments of current commercial, financial and competitive strategies. Margins are under pressure while the level of required investment continues to increase. The study provides a detailed assessment of these issues and provides tools for those involved in the sector. Part II of the study is structured as follows:

5

Winning Competitive Strategies

- Porter's generic value strategies
- Market share or market scope
- Shipper or shipping line focus
- Cost and service strategy
- Seaport or Network focus
- Collaborative strategies
- Selecting the growth strategy

6

Customer Behaviour in the Container Terminal Industry

- Defining the customer
- Decision making units
- Decision-making criteria
- Decision processes
- Market segmentation

7

Servicing Customers

- The service mix of container terminals
- Service levels and performance
- Multi-user service concepts
- The co-producing customer
- Dedicated terminal concepts

8

Effective Pricing for Stevedoring Services

- Who gets the invoice?
- Basic pricing
- Incentive schemes for customers
- Pricing for dedicated capacity
- Pricing strategies
- Container terminal cost structures

9

Competitive Assessment of Port-Wide Service and Cost Levels

- Definition and assessment of port-wide service levels
- Definition and assessment of port-wide costs
- Assessing the competitive position

10

How to Make a Comparative Port Cost Analysis

- Container handling charges
- Shipping costs
- Port dues and shipping charges
- Hinterland transportation costs
- Total built-up costs per container

11

Assessing the Real Risk of Losing Customers

- Port selection
- Cost components and revenue risks
- Base case calculations
- Scenario analysis
- Assessment of switching risks
- Further considerations

12

Competing for Transshipment Volumes

- Transshipment markets
- The transshipment supply chain
- Built-up logistic costs
- Competing for transshipment volumes

13

Building Revenue Robustness

- Strategic measures
- Marketing techniques
- Contractual means

ABOUT THE AUTHORS

This is collaboration between Remco Stenvert and Andrew Penfold and follows from earlier joint work on the container port sector.

Remco Stenvert

Remco Stenvert is Manager Corporate Development for Hutchison Ports ECT Rotterdam in the port of Rotterdam, part of the Hutchison group - the world's largest container stevedore. Prior to this he has held various marketing posts at ECT since 1993. He has been responsible for establishing pricing structures, dedicated terminal concepts, joint ventures, e-business initiatives and new activities and ventures. He is co-founder of a number of companies, amongst which are Maasvlakte Transport BV, Delta Reefer Care, Euromax Reefer Care and Hutchison Ports Belgium, a tri-modal hinterland terminal in Belgium. He has held positions as chairman of the Supervisory Board of Delta Reefer Care and as board member of Port of Rotterdam.com. Prior to ECT, he held the post of senior management consultant at Ernst & Young, based in the Netherlands. Remco holds a Master of Business Economics degree from the Erasmus University of Rotterdam with concentrations in marketing. He was a lecturer in marketing and sales management at the Institute for Social Sciences (ISW) in the Netherlands.

Andrew Penfold

Andrew Penfold has over 30 years' experience as a shipping economist. He was the founder and owner of Ocean Shipping Consultants Ltd. a leading firm of market analysts with extensive experience in shipping, port economics and development projects. He held this post until 2011 when he sold OSC to Royal HaskoningDHV. He is now a director of Mundy Penfold Ltd and Director Global Maritime at WSP in London. He is responsible for dry cargo shipping and port development with specific reference to containerisation.

Andrew has been responsible for cargo market forecasting and port investment projects in numerous world-wide locations. At the global level his clients have included the PSA Corporation, Hutchison Ports, the Ports of Rotterdam, Antwerp and Felixstowe, DP World, ICTSI and major financial investors in the sector. Considerable expertise has also been developed regarding container shipping operations and clients have included Lloyd's Register of Shipping and major liner operators.

Andrew has been directly involved in the establishment and expansion of container terminals all around the world and has acted as advisor to project promoters and been responsible for financial 'due diligence' investigations.

Mundy Penfold Ltd. was established as an independent shipping and port financial consultancy in 2015. The MPL team includes highly experienced industry consultants and provides advisory services to Port owners, operators and investors. MPL are also consultants to the international shipping sector. The team's portfolio of clients includes virtually all of the major shipping, port and terminal companies.



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