



**MAERSK**

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RIDING THE WAVES OF CHANGE

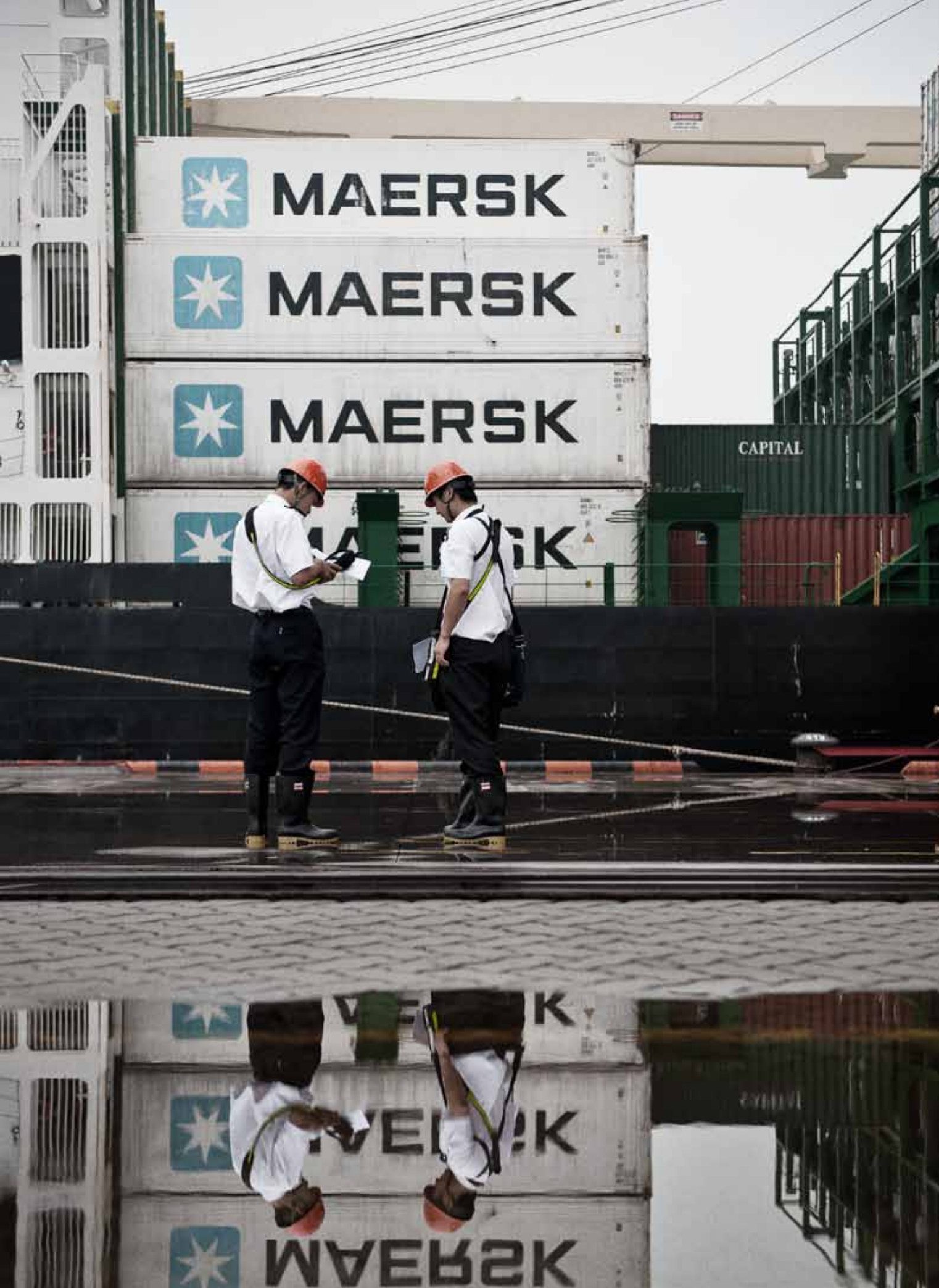


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# RIDING THE WAVES OF CHANGE

*As Maersk Line's Chief Operating Officer, Morten Engelstoft explains, despite being the largest container ship operator in the world, Maersk Group continues to steer itself forward into new areas of growth*

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For some companies their very name has come to be synonymous with their particular area of industry. Think mobile phones or tablets and Apple springs to mind. For oil and gas it will be BP or Royal Dutch Shell, while mention of the fast food sector immediately conjures up images of McDonalds or Burger King. While these businesses are hugely different when it comes to what they do, what they share is the fact that their strong history and track records of success have made them the leaders in their field.

The same holds true for Maersk Group, arguably the most recognisable name in the global maritime world. Made up of four core business, Maersk Line, APM Terminals, Maersk Oil and Maersk Drilling, with Services and Other Shipping set to become its fifth core business unit from 2014, the group today employs around 121,000 people across 130 countries and generated some \$59 billion in revenue in 2012 alone, a figure that is all the more astounding when one considers the challenging environment the group finds itself in at present.

“Our market as it exists today is unquestionably tougher than it has been in the past,” states Maersk Line’s Chief Operating Officer, Morten Engelstoft. “At present we are witnessing a trend whereby our more mature markets are experiencing flat development, while emerging markets are slightly better, giving us a global annual growth rate of between three and four percent.”

While growth of any kind is of course welcomed, it does pale in comparison to the ten-plus percent yearly growth that the industry





regularly experienced in the years between 2002 and 2007. Nevertheless, where there is growth today there is opportunity, particularly if you happen to be the largest container vessel operator on the planet.

“Emerging markets are definitely the source of any green shoots we are coming across at the moment,” Engelstoft continues, “with Latin American, African and Intra-Asia freights all experiencing strong growth characteristics in recent years. Meanwhile, what we term our back haul business, meaning business moving from regions such as Europe into China, is also picking up well, which is a reflection on the fact that China is importing more now than it has previously.”

The reality of the situation that the container industry finds itself in today is that it is a highly fragmented market in which a vast number of players are essentially competing to offer very similar products and services.

**“MAERSK GROUP TODAY EMPLOYS AROUND 121,000 PEOPLE ACROSS 130 COUNTRIES”**

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Embracing change in a fast-moving environment requires a new approach in business. Technology or services single-handedly are not enough, but when combined, they bring enriched solutions and capabilities to address everyday complexity in multiple industries. Ericsson believes in the power of the combination.

For Maersk Line, the demand on transportation of goods around the planet requires a vessel communications system that can precisely monitor and manage each ship and coordinate the entire fleet. Constantly improving customer value and operational efficiency is crucial. Ericsson has given Maersk an edge by providing an end-to-end solution, combining our expertise in mobile and satellite technology with our global reach in services – including monitoring, operation and maintenance.

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We might think today’s pace of change is fast. But we will never move this slowly again. We are facing a new normal with ICT in transformation. New skills are needed, requiring the combination of advanced technology and services, rather than one at a time.

The amount of generated data may seem staggering but it pales in comparison to reality in the near future. Each smartphone user generates 500 MB a month now. Before the end of 2018, mobile

pace and performance. Ericsson’s formula to help our customers succeed in the new ICT landscape is to multiply the advantages of technology and services. As a leader in both, we have unique

Embracing change in a fast-moving environment requires a new approach to ICT that goes beyond technology and services as separate processes. The challenges and opportunities are best met by the



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**OUR SERVICES LEADERSHIP**

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data traffic is expected to grow 12 times from today, a trend driven mainly by video. ICT is transforming the way billions of people work, play and communicate.

The change is powered by two different engines. On one hand, there is rapid change in consumer lifestyles, where mobile devices are used for any type of service and the download of a single app can drastically change behavior. What used to be a homogenous market with limited differences is now a long-tail market. On the other hand, every industry is impacted by the complexity within the fast-moving ICT environment, where telecom and IT meet. The result is a marketplace with a need for new skills that are continuously developing.

The winners in the new landscape will be the ones who accelerate

capabilities and a competitive edge by merging our skills and experiences.

We gain insights from operations, design, optimization and R&D labs that we feed into our technical development. We also use technical expertise to fuel our service delivery. This enables us to stay at the forefront of change through insight-based innovation, driving a synergy circle of competence exchange between technology development and service professionals. In other words we invest in our people, enabling us to master complexity in multi-vendor and multi-technology environments, creating superior experience for our customers – and their customers – as well as leveraging scale. Our R&D organization, solutions, and services create synergies in all types of projects, contributing to the customer scale dimension.

combination of capabilities. Addressing complexity with the technology x service formula allows us to create momentum for our customers across a variety of industries – stimulating growth, enabling innovation and new businesses.

**Constant change has become the new business normal. For ICT the formula is combining technology with services.**





Understanding the necessity to stand out amongst such a crowd Maersk has focused a great deal of effort on the service it provides its clients by creating its own Customer Charter. Made up of eight key components of services that its customers themselves highlight as being most important to them, the Customer Charter provides a transparent overview of how the business is performing in these areas and what its long term targets are for improving itself further.

Another area in which Maersk is very much taking the lead is energy efficiency. The drive



towards this actually began in 2007 when the group set itself a target of reducing CO2 emissions per container kilometre by 25 percent before 2020. Remarkably this figure was actually achieved eight years ahead of schedule in 2012. Maersk Line would then go on to raise the bar further by setting itself a 40 percent reduction target by 2020.

One of the more impressive examples of Maersk's work in this field is without doubt its new Triple E class of vessels, launched in July 2013. Measuring 400 metres in length and boasting a capacity of 18,000 TEU, the

## Technology and efficiency

- Efficient management
- Resources optimization
- Latest technology
- Sustainability and environmental care



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## TERMINAL DE CONTENIDORS DE BARCELONA



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environmental compatibility, which are certified by independent organisations. Implementing the latest technologies, improving and expanding its facilities and professional training of its personnel are the main pillars of its growth strategy. All these values contribute to the economic and social development of the places where its activity takes place. Currently, Grup TCB is immersed in an ambitious international expansion programme to develop new projects and add new terminals to its portfolio. The most recent project undertaken by the company is the modernising, expanding and increasing the efficiency of Puerto Quetzal coinciding with the Panama Canal expansion.

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-Maersk Mc-Kinney Moller
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Triple E vessel is the largest ever built. It will also represent one of the most energy efficient vessels on the planet, reducing CO2 emissions by around 50 percent per container moved, compared to the industry average CO2 performance on Asia-Europe trade routes.

“In many ways the Triple E vessel showcases the way Maersk Group undertakes a continuous process of innovation when building for the future,” Engelstoft enthuses. “It also highlights how we do not shy away from ploughing considerable amounts of capital into better, more fuel efficient vessels, what with each Triple E vessel representing \$185 million in investment, \$30 million of which has been spent on

environment and efficiency improvements.”

By mid-2015 Maersk expects to have received delivery of the 20 Triple E vessels it has on order, each of which will be periodically deployed into the group’s network where they will replace older vessels that are operating along the Asia to Europe trade lines where much of the group’s business is currently emanating from.

Interest in these massive new additions to Maersk’s fleet has been impressive. More than 250 customers and government officials, and thousands of people, have participated in events in the maiden voyage ports of call; however Maersk’s attention is already turning towards applying the Triple E’s fuel and energy efficiency learnings to other Maersk

**\$59  
BILLION**

.....  
In revenue achieved by  
Maersk in 2012







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Line vessels, and replicating it across the group's different business divisions.

“Looking at the Triple E it should be immediately clear that they are built upon industry leading experience, innovation and confidence in our abilities,” Engelstoft says. “A good example of this is the vessel's Waste Heat

Recovery System, the installation of which costs approximately \$10 million per vessel alone. The purpose of the Waste Heat Recovery System is to reduce the engine's need for fuel and therefore its CO2 footprint. The effect is a reduction in the engine's fuel consumption and CO2 emissions by approximately nine percent.”

This system was actually developed and perfected on earliest vessel classes, before being upgraded to become a key feature of the Triple E's energy efficient design. It is this methodology of building upon Maersk's achievements that will ultimately see it further improving on the successes of the Triple E in the years ahead.

A separate development that has occurred in recent months took place in June of this year. It was then that news broke that Maersk Line, MSC Mediterranean Shipping Company and CMA CGM has agreed, subject to regulatory approval, to establish a long

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“MEASURING 400 METRES IN LENGTH AND BOASTING A CAPACITY OF 18,000 TEU, THE TRIPLE E VESSEL IS THE LARGEST EVER BUILT”





term operational alliance on East-West trades, called the P3 Network.

“If and when we get regulatory approval, we will operate a joint network of approximately 250 vessels with a total capacity of around 2.6 million TEU,” Engelstoft highlights. “The creation of this network will benefit all parties by providing increased cost efficiency and will also provide our customers with better frequency, increased coverage, lower CO2 footprint, and ultimately a better product.”

While 2013 will go down as a year of big achievements for Maersk Line; longer term we know that the coming months will remain challenging, with annual market growth expected to reach between four and five percent. One of the primary reasons for this will be the increase in vessel capacity set to be delivered throughout the world’s major markets. This trend however is expected to subside during 2015, meaning that the sector does still possess encouraging growth potential in the long-term.

“Our own business approach revolves around the fact that we want to grow with the market, retaining our market share,” Engelstoft concludes. “In the meantime we will continue to work to improve our bottom line by working to reduce our cost levels to among the lowest in the industry, and to deliver best-in-class customer service, all while carefully watching how the industry performs so that we can grow accordingly as the environment evolves.” **BE**

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