



**Quality leadership and customer focus:
What marine logistics
partners can expect
from Hapag-Lloyd**

Hapag-Lloyd
STRATEGY
**20
23**

6th German-Dutch Logistics Conference

Pyers Tucker

September 16th, 2020

After a turbulent decade, we believe our industry has reached a turning point....



...and the time has now come for change and to refocus on service and quality – as evidenced by the impact of Covid-19 on supply chains

Our industry and market have changed fundamentally and we are at an inflexion point



Moderate global growth in container trade



Challenging geopolitics and trade policies



Consolidation wave over



Digitalisation transforming the industry



Historically low orderbook



New environmental regulations

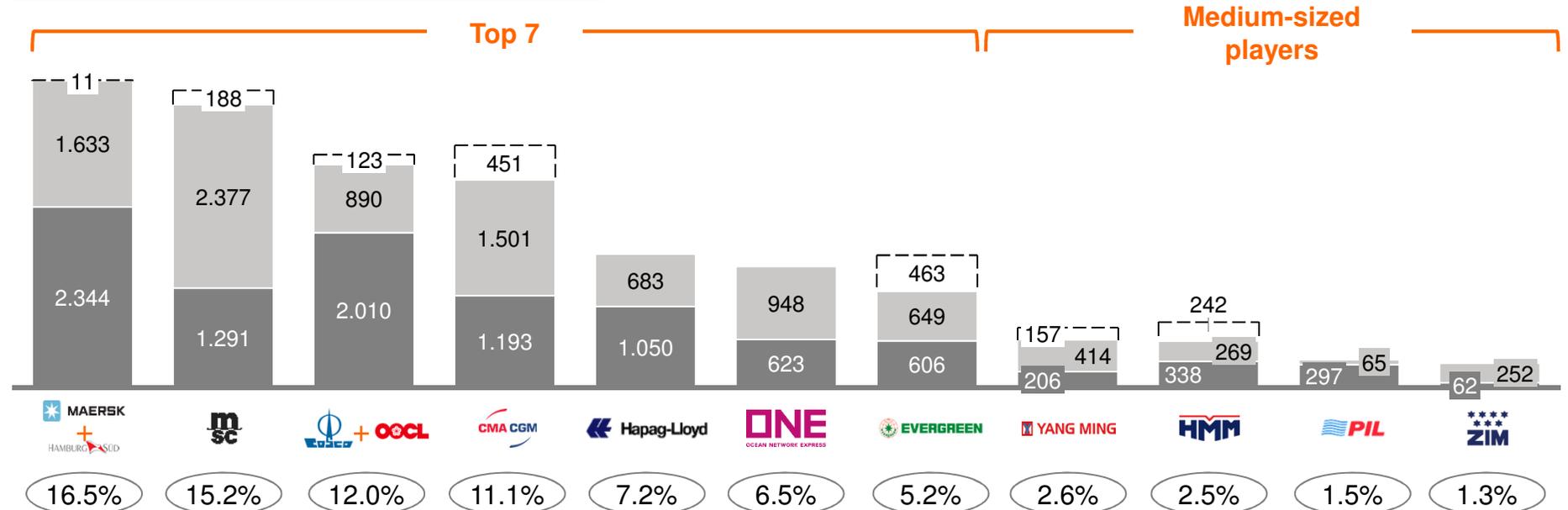


Global viral pandemic

The liner shipping industry has seen significant consolidation...

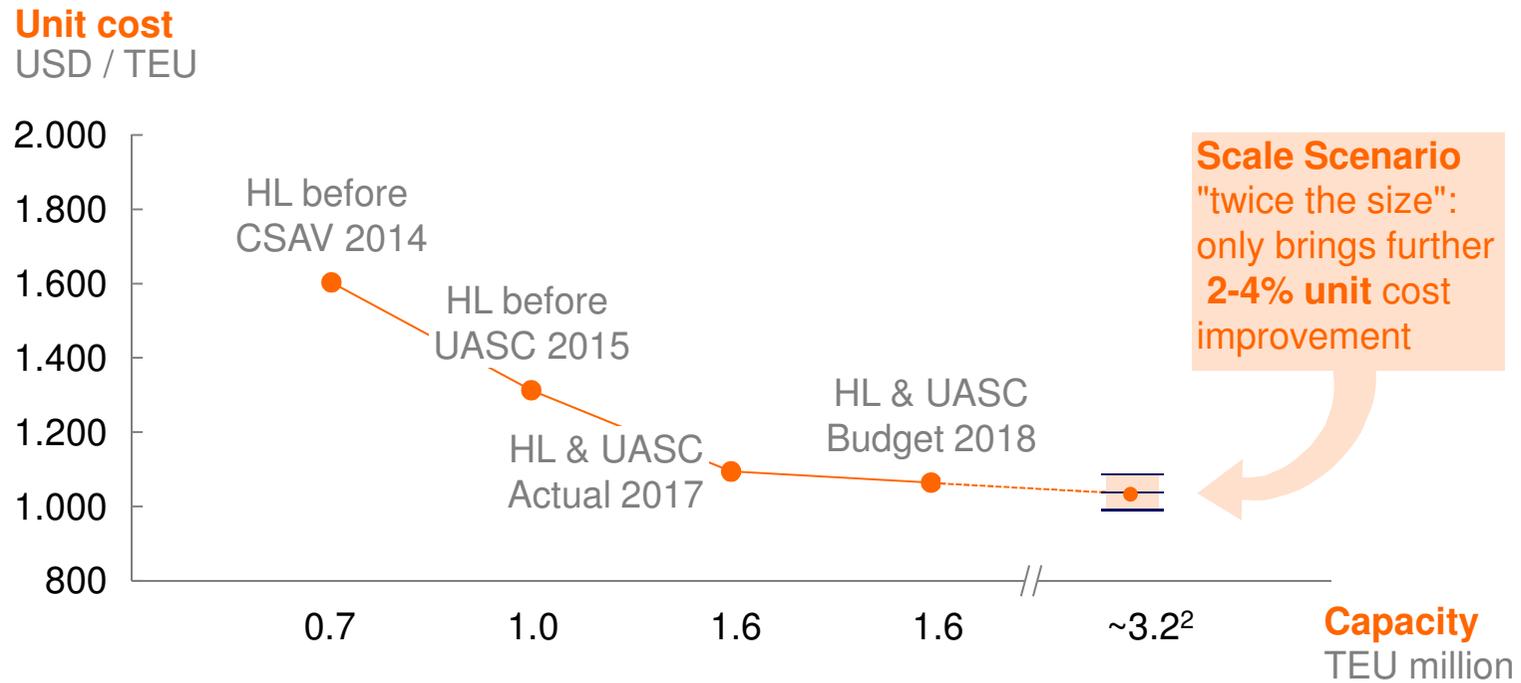
Largest operators by fleet capacity¹⁾, '000 TEU

Orderbook Chartered Owned Share of total capacity²⁾ (24.2 mn. TEU)



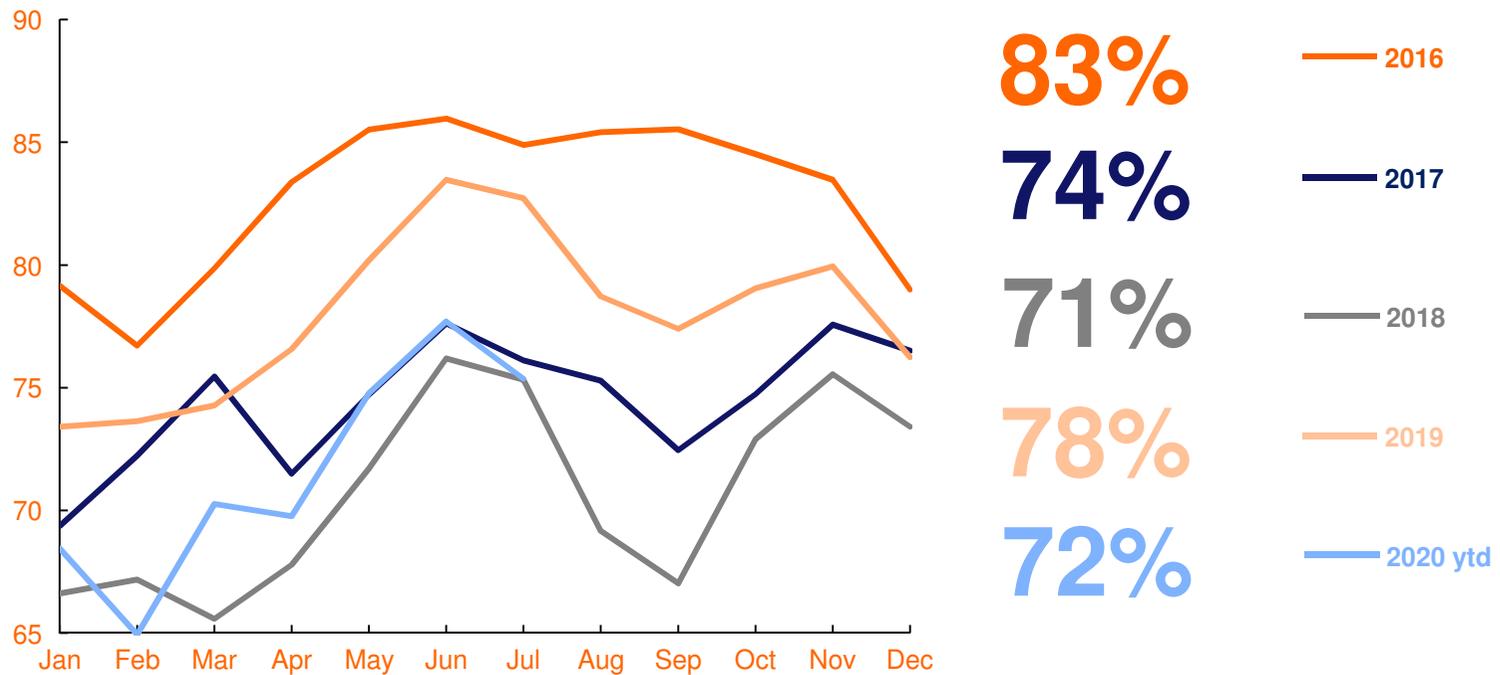
- Since 2017, acquisitions by Maersk and COSCO as well as the merger of ONE created 7 major global players and increased the gap with medium-sized players
- Due to successful mergers with CSAV & UASC, Hapag-Lloyd is firmly established as top 5 player in the industry

...and the benefits of further scale have decreased significantly



Since the financial crisis, container shipping lines have focused on building scale to reduce unit costs - and have neglected service quality

„Schedule Reliability“ as reported by SeaIntel



Market research reveals that **PROVEN** and **CONSISTENT** quality matters to more than half the market...



- 01** Offer **Value Seekers** proven quality for similar priced services - so they award HL more business
- 02** Offer **Service Seekers** proven superior value - and share in the additional value created
- 03** Over time **demonstrate** to interested **Price Seekers** how higher quality can also create more value for them

We aim to truly, transparently and measurably deliver on our promises

Customer needs have not changed much ...

Customer Needs of today

Selected Customer Needs



On Time Delivery & Fast Transit Times

Customers need to receive their containers on time and require full visibility



Equipment and Space Availability

We need to provide agreed space on vessels



Fast Response Time & High Quality Issue Resolution

By accessible Sales and Customer Service Experts



Timely and Accurate Documentation

On time and accurate documentation prevents disruptions in the supply chain and reduces cost

- HL recently conducted extensive **Market Research** and **in-depth interviews** to understand:
 - Where and how is **value** being created and destroyed today – and by whom?
 - Where would customers like to see **more value created** for them?
- Unsurprisingly, the main customer needs have **not changed much**
 - Meeting these needs – and improving and innovating, **has however lagged**
- There is **considerable appetite** for:
 - Greater **clarity** about what will and will not be provided - and for what price
 - The operational capabilities and discipline to **execute reliably**

... and service differentiation is a customer requirement

Our industry needs to be able to meet a **range of customer needs – reliably and consistently**

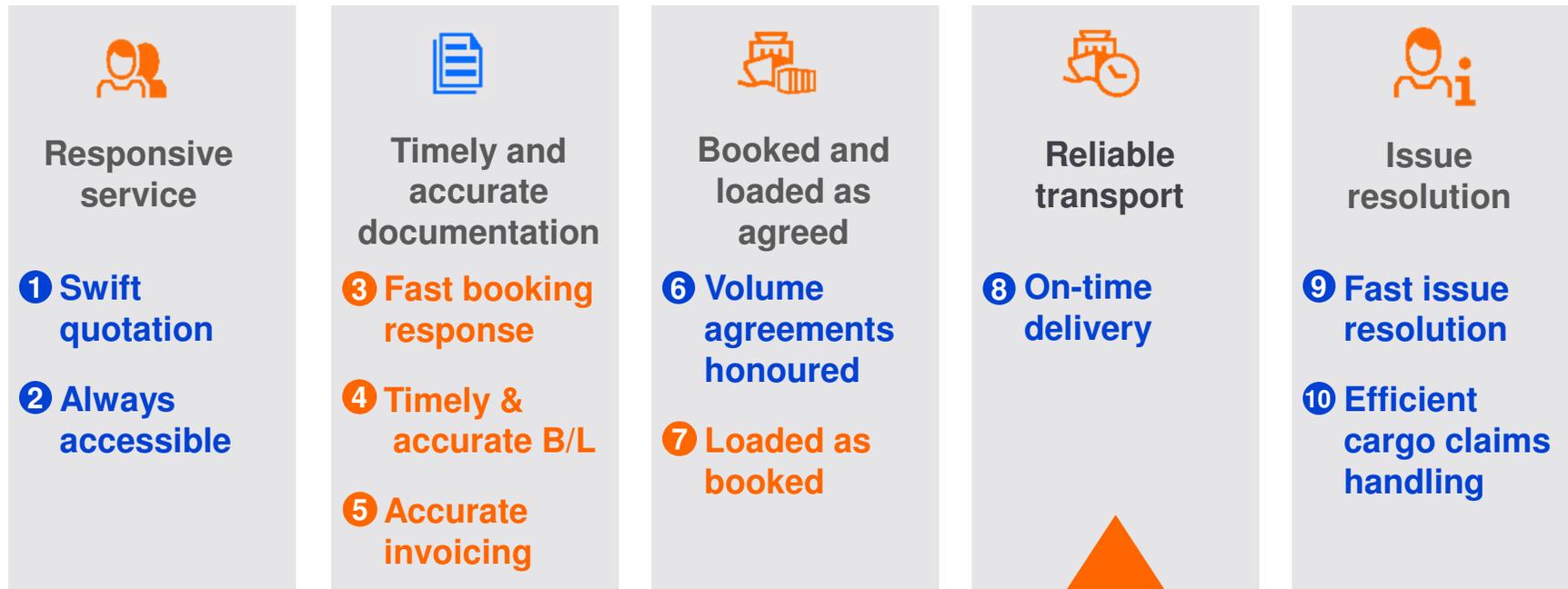
- **Without differentiation** of the offered services meeting varying customer needs is **not possible**
- There are **plenty of opportunities for carriers to differentiate**
 - Customer service
 - Physical services
 - Contractual commitments
 - Digital/ information services

Opportunities for service differentiation



We are focusing single-mindedly on quality and customer needs

We have developed 10 “quality promises” in 5 categories



- ⊗ Already launched
- ⊗ To be launched over next 15 months

The most important promise is “on-time delivery” at the shipment level

To really “move the needle” on quality, we are making far-reaching improvements deep down in our operational engine-room



Voyage Control Tower

- Responsible for schedule production and adherence to schedule and directing how our ships sail
- Make better globally informed decisions quickly



Terminal Partnering

- Improve quality and reliability of the services we receive from terminals
- Work more closely with terminals
- Better information to improve planning and communication between carriers and terminals



Quality Service Centres

- Improve the consistency and quality of the service provided by Hapag-Lloyd in Areas

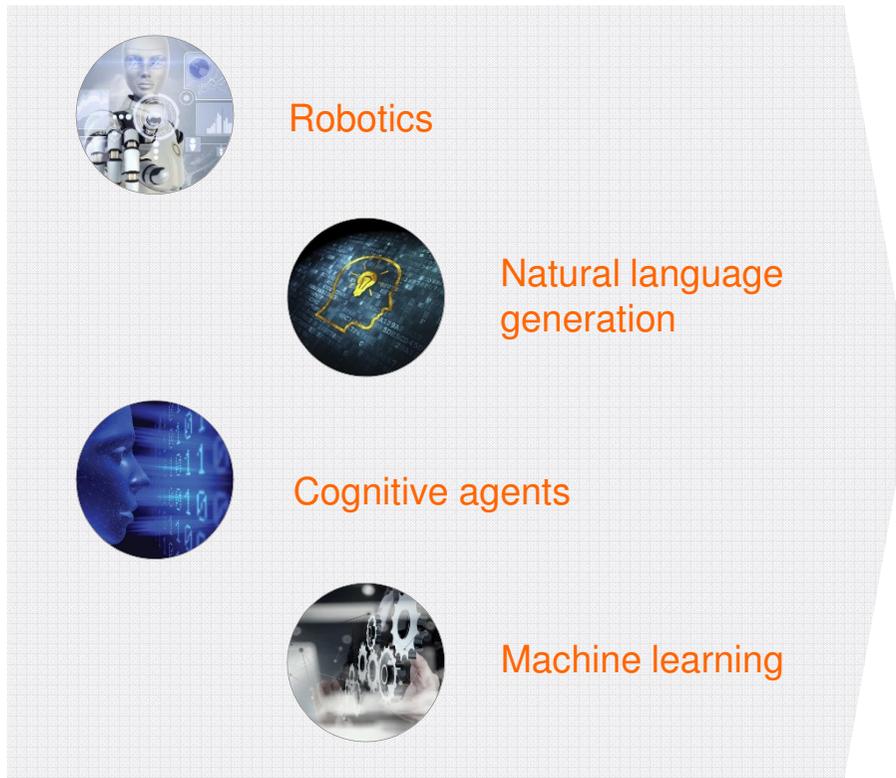
...but implementing this takes a lot of effort and time!

Establishing Regional “Quality Service Centers” will help us increase consistency and quality...



1. Improve the **consistency** and **quality** of **service**
 2. Make **continuous improvement** of **processes** easier
 3. Make **process** and **system** roll-outs / updates much **faster and more reliable**
- **Regional centralization** of certain functions of:
 - Customer Service
 - Operations
 - Business Administration
 - 10 Quality Service Centers (QSC) already established in **Germany, Poland, Mauritius, India, China, Malaysia, USA, Brazil, Chile, Colombia**
 - By the end of 2021 we will have **15 QSCs**

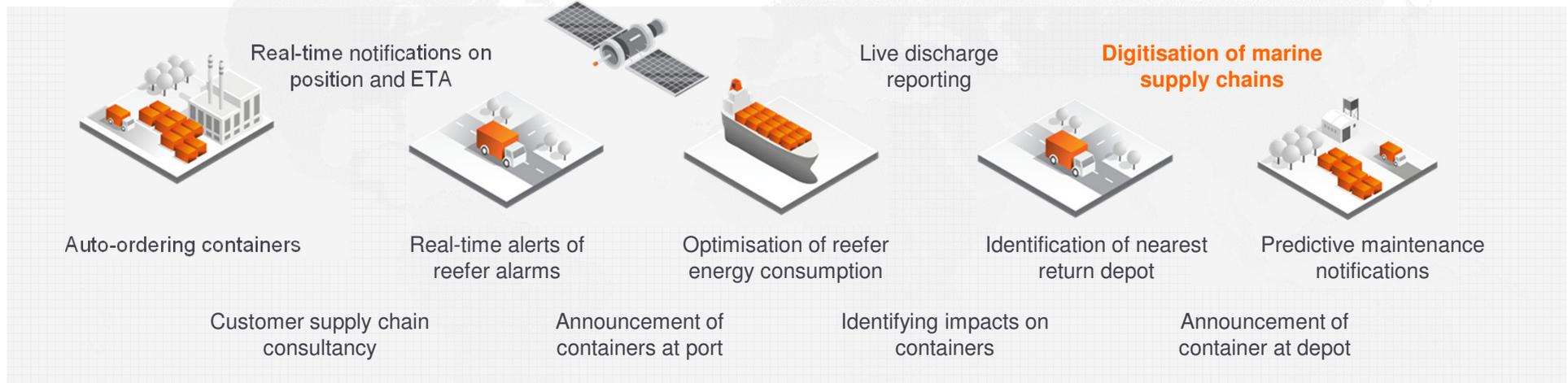
...while automation will allow staff to focus on tasks with higher value-added



- Focus staff on **value-adding** functions
- Increase **quality** and **speed of work**, reduce **errors**
- Support **further volume growth** of HL
- **Build on** automation already in place due to **strong operating backbone** and process structure

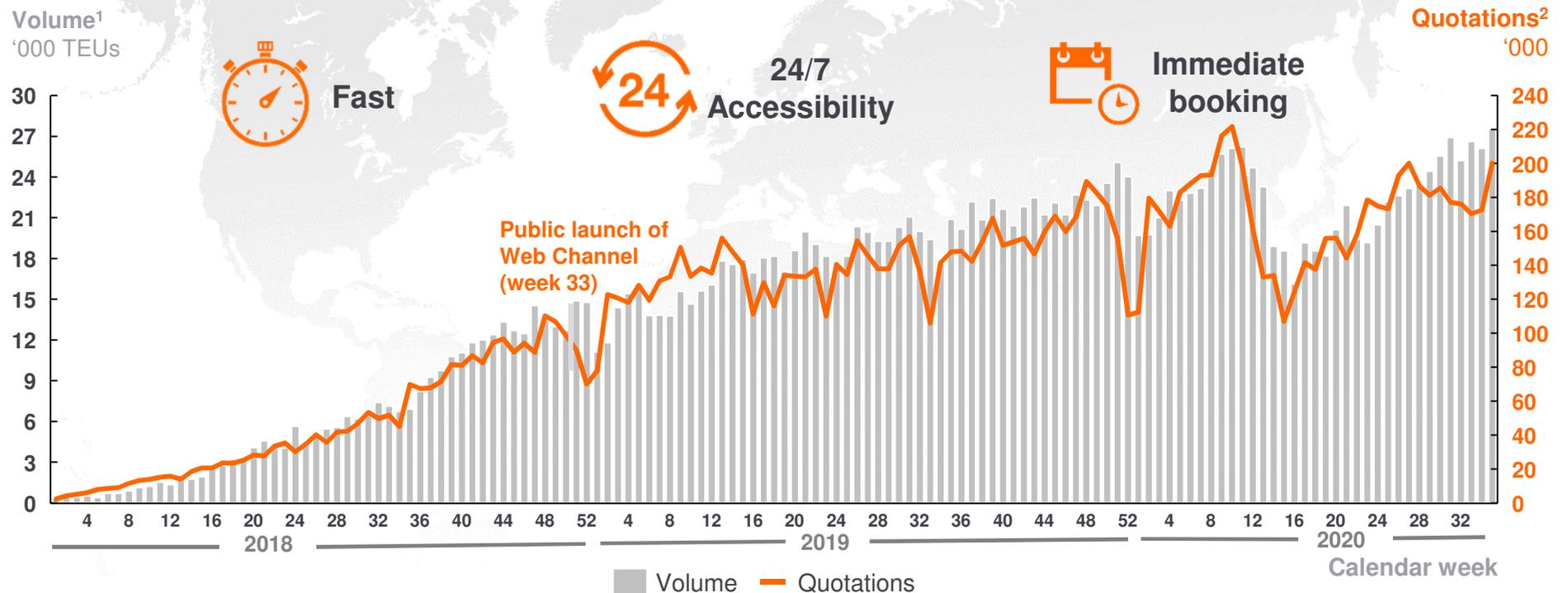
Digitisation is creating opportunities throughout the marine supply chain to serve customers better

- The container shipping industry is highly dependent on networking and a large number of interfaces. This creates a lot of possibilities for adopting digital technologies across the container supply chain.
- Digitisation is also steadily improving collaboration between the many stakeholders particularly customers, carriers, terminals and intermodal transport providers.



Our “Quick Quotes” online quotation and booking portal has been well received by customers

Quick Quotes volume and quotation development



Key takeaways



- **Our industry** has for many years **focused on cost savings** and “low-hanging fruit” at the expense of quality
- But **quality does matter!**
- This is why we are **focussing on our customers’ needs**
- **Quality** is a **mindset** based on **continuous improvement**
- We take our **environmental responsibilities** seriously
- We will **deliver on our promises**. We are making many improvements “deep down in our operational engine room”