

RELATIONAL CONTRACTS IN SERVICIZATION CONTRACTS. COST AND RISKS

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Danske  Maritime

Blue
INNOship

 COPENHAGEN BUSINESS SCHOOL
HANDELSHØJSKOLEN



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The cost of using wrong contracts

Conditions in the shipping industry:

Global rates dropped due to over capacity

The all-out price war in 2011

High competition

Defending market shares

Low margins, lower profits and lower cash reserves

One way to deal with
the market situation
is by
strategic alliances



Maersk Line, Limited (MLL) "We partner with small and large companies that are well positioned to deliver top-quality services and provide the best solutions to resolve our customers' challenges. We rely upon our network of partners to augment our skills in commercial and government contracting while reducing the total cost of ownership. Our strategic alliances provide us the flexibility to assemble a team having the specialized experience and unique knowledge necessary to fulfill any requirements."

Hapag-Lloyd AG and five Asian carriers form a new vessel-sharing :

"Through this robust network, THE Alliance will offer a superior, reliable, efficient, and wide ranging product suite to shippers in the East/West lanes. The partners of THE Alliance will keep the market informed about further steps and the final, more precise service rotations."

The Ocean Alliance :
CMA CGM +
China CoscoShipping +
Evergreen Line +
OOCL:

"This new partnership will allow each of its members to bring significantly improved services to its respective customers. Shippers will have ... access to a vast network with the largest number of sailings and port rotations connecting markets in Asia, Europe and the United States."

Advantages strategic alliances in the shipping industry:

- Improve innovation
- Reduce costs by collaboration – sharing cost
- Improve operational management
- Service improvement
- Increase market share
- Increase profits
- Increase competitive advantages
- Share resources
- New markets



Who can "alliance"

Container shipping companies,

Shippers,

Freight forwarders,

Shipping agents,

Terminal operators,

Customs clearance,

Stevedore companies,

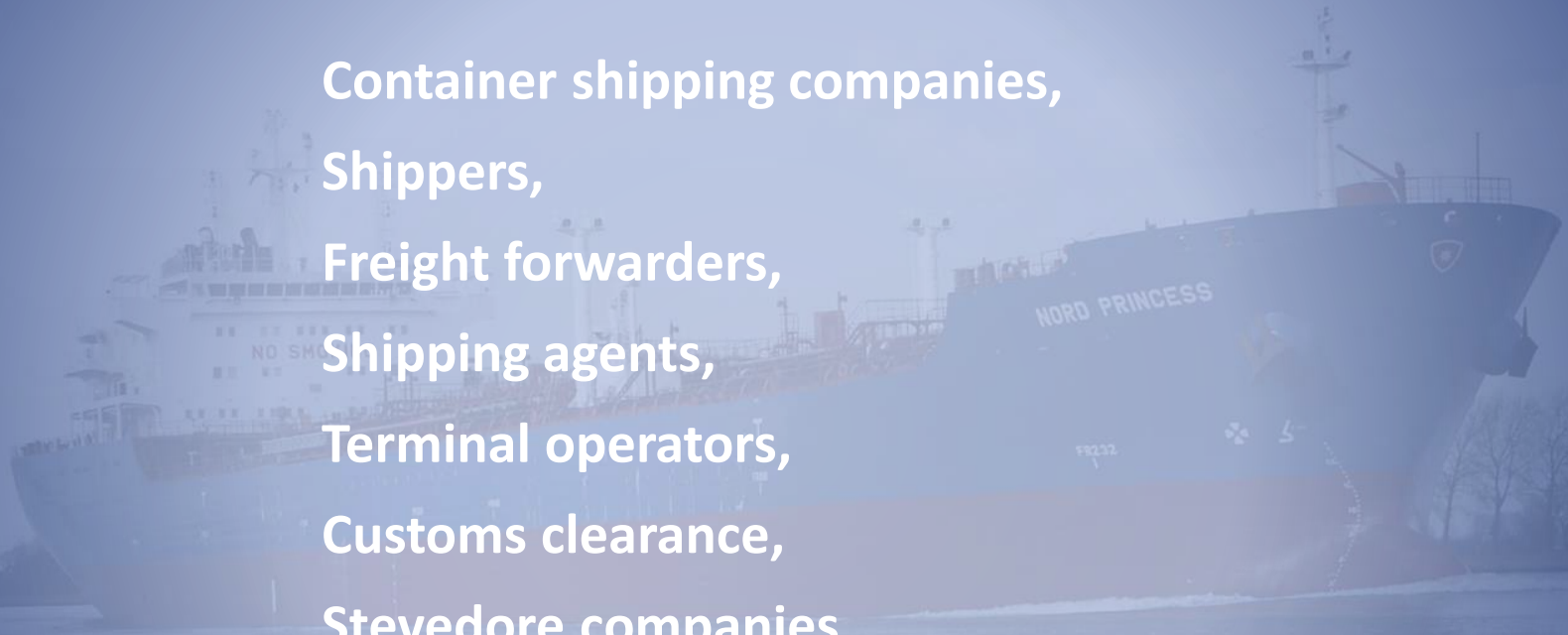
warehouse service,

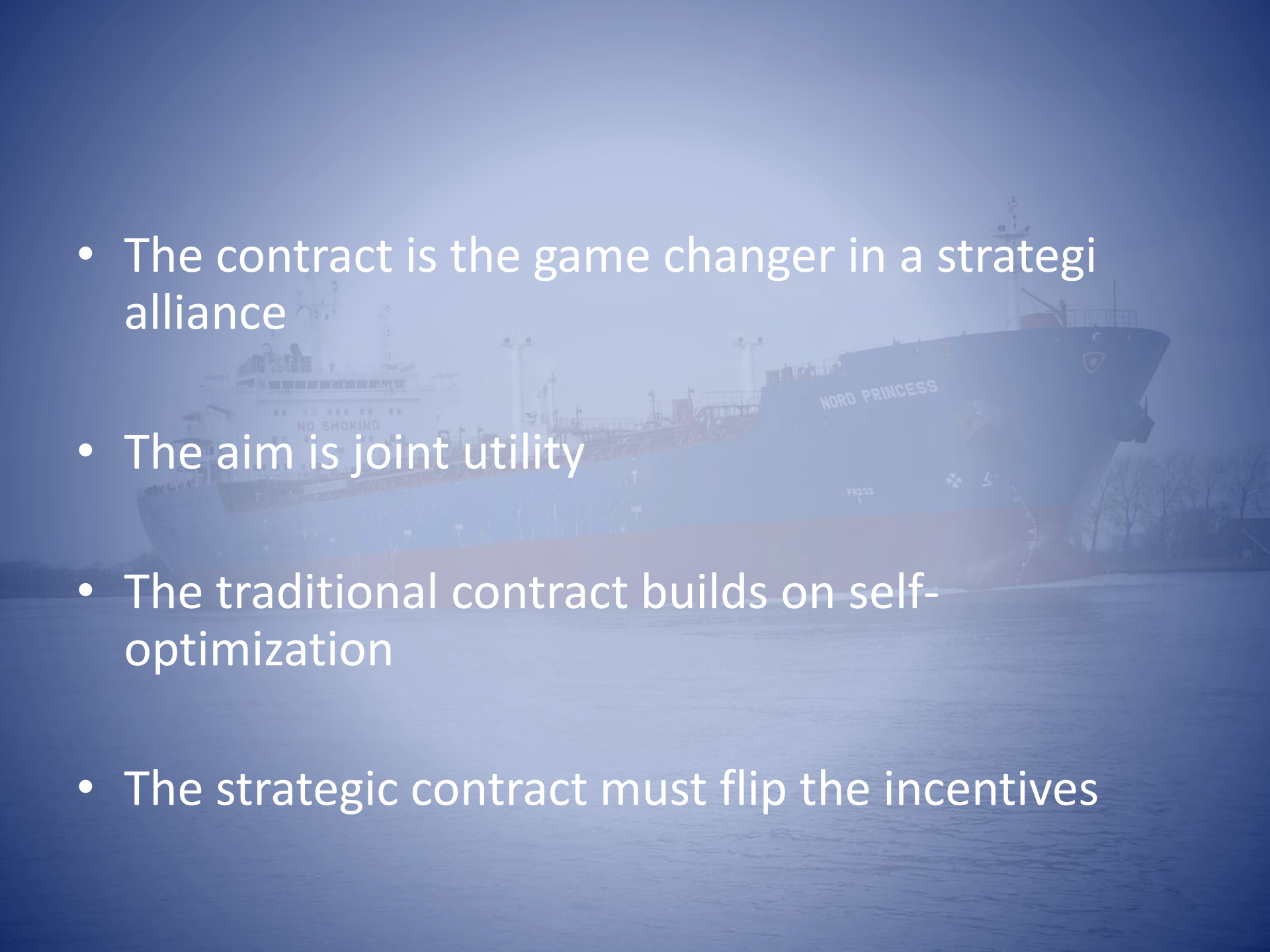
Truckers,

Inland warehouse operators,

Railway transportation

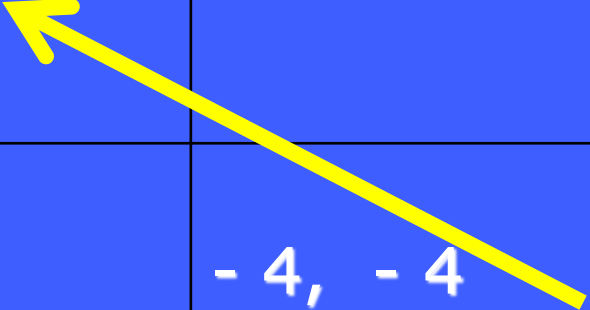
Consignees



- 
- The contract is the game changer in a strategic alliance
 - The aim is joint utility
 - The traditional contract builds on self-optimization
 - The strategic contract must flip the incentives

The cost of the wrong contract

	Quite = collaborate	Confess = Self optimize
Quite = collaborate	- 1/2, - 1/2	-4, 0
Confess = Self optimize	0, - 4	- 4, - 4



Relational contracts

Joint-optimizing

Process and management

Trust and collaboration

Sharing of Information

Positive incentives and
allocation of gain

Alternative dispute resolution

Education – also back office

Traditional contracts and maritime contract law

Self-optimizing

Delivery /specifications

Control

KPI

Damages / penalties and cost
control

Court solution

Business as usual

BlueINNO+ Project 15 – Part B

Ph.D. fellow Henriette S.G.T. Schleimann

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BlueINNO+ Project 15 – Part B

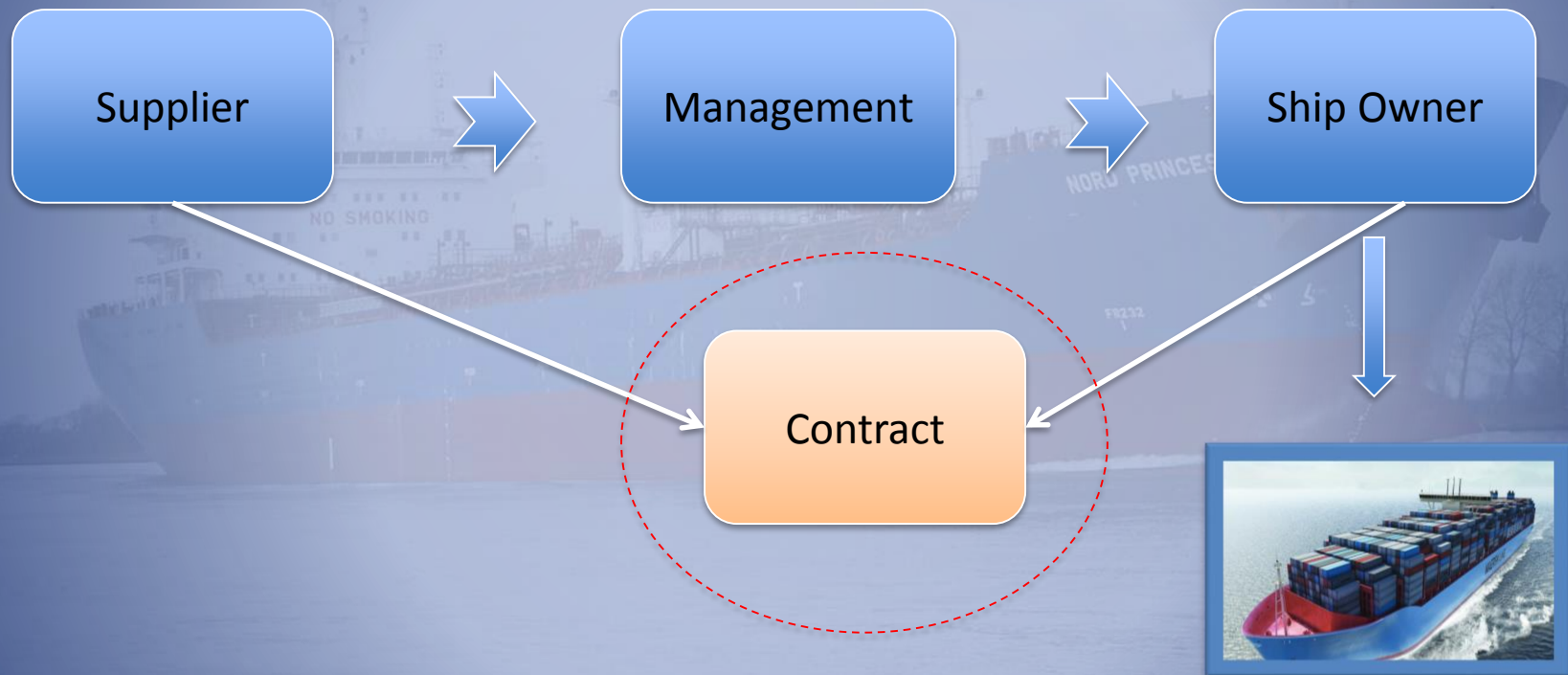
Purpose

- Optimizing the contracts between shipowners and suppliers.

By the means of

- Partnering
- Strategic alliances

BlueINNO+ Project 15 – Part B



Thank you for your attention