

Daily Maersk

Increasing the value of a container

The value to customers of on-time delivery goes beyond optimisation of their supply chain. In several industries, containers arriving on time are essential to pricing and profits. Having the right products on the shelf at the right time is critical, especially in the retail and electronics industries, both heavily represented on the Asia–North Europe trade lane.

“As a rule of thumb, the transportation cost is about 2% of total product cost. It is natural that our customers want to reduce this cost as much as possible, and the success criteria of logistics managers and procurement officers are usually simple – get the lowest possible transportation cost per box,” Maersk Line CEO Eivind Kolding explains.

“It may sound simple and logical that we deliver on time. But to take full advantage of this, it will also require a rethink on many levels on the part of our customers. For instance, are employees and managers in our customers’ organisations measured on the right things in their dealings with shipping lines?”

The cost of losing a week

In a recent Maersk Line survey, one global retailer explained that 70% of his cargo loses on average 25% of its retail value when it is a week late. With an average cargo value per container of EUR 30,000, the cost of delay equals EUR 7,500 per container.

Electronic products may suffer even greater losses when delayed, as new and improved products continuously hit the market. A container full of laptops is valued at around USD 1.5 million. If it is delayed, the metre quickly starts to run. The customer may be penalised by their customers waiting for the products, or they may have to reduce prices due to competitors’ product launches that have overtaken them – or simply because they have fewer days to sell the product.

Also, if on-time delivery is inherent in the brand promise made by the industry’s customers, late delivery not only has a short-term impact on profit, but can damage credibility in the eyes of the end-consumer and thereby result in loss of brand equity.