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# KEEPING CARGO MOVING

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BEST PRACTICES  
TO NAVIGATE  
THE CHALLENGES  
OF PORT CONGESTION





The container shipping market continues to face a broad array of challenges that are wreaking havoc on global supply chains, causing major disruptions, increased costs, and instability.

From a lack of container equipment to port congestion, extremely high spot rates, a supply/demand imbalance, blanked sailings, and a global pandemic that's limiting industry labor pools to the ripple effect from the Ever Given ship stuck in the Suez Canal... there hasn't been a let-up in quite some time.

We hear words being used such as agility, resilience, flexibility, and shifting to alternatives to keep global supply chains moving. The words are the easy part. It has become clear that this situation is here to stay for the foreseeable future, so it's time to move from words to action.

With current levels of market instability and volatility, how are businesses striving to keep ocean cargo moving and address business performance? In this report, we'll explore what some businesses are doing and possible tactics for improving outcomes.

## It All Starts With Strong Collaboration and Clear Communication

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Building strong, collaborative business relationships within the industry has always been a cornerstone of success, but it is now more crucial than ever. Fostering an open line of communication based on mutual respect builds trust and facilitates the sharing of crucial information.

The relationship between ocean carriers and buyers of their transportation services, including freight forwarders, NVOCCs, and BCO shippers, is mutually beneficial if all parties communicate with transparency and forethought.

Ocean carriers need to gauge container volumes for effective vessel planning, and buyers need to know the available capacity, cost, and service network for optimal freight planning. In addition, carriers want to trust that the shipper will show up with the promised number of containers and the shipper wants to know that the carrier will honor the booking and the shipment will not get rolled to another vessel.

Ocean freight buyers that provide timely and accurate forecasting of container volumes to ocean carriers help to put their business in a better position to have vessel space when it's needed. When timely information and service alternatives are shared, it benefits all parties creating a win-win situation that fosters mutual commitment.

Graham Cousins, Chief Strategy Officer at Vanguard Logistics, commented on the importance of building strong, collaborative relationships with ocean carriers, “carriers value good customers, those with regular and predictable volumes and who deliver against allocations. For us, the better our service and allocation performance is, the better the outcome for our customers, and the more we can build volume and service with the carriers. As a major global LCL operator, we drive a consistent and regular network and volumes.”

World Cargo Alliance (WCAworld) General Manager for Asia Pacific, Relocations and Vendors, Victor Gomez, commented on the value of its global network relationships, “our global members have an advantage as it gives them options and alternatives. I have even seen competitors working together because they are in the same network. They have that bond and are willing to collaborate to help fellow members in need. Without such a large reach, most forwarders would struggle to find an agent to help. This is not an issue with a network of our size.” Established in 1998, WCAworld is the largest network of independent freight forwarders, with over 9,540 member offices in 194 countries around the world.

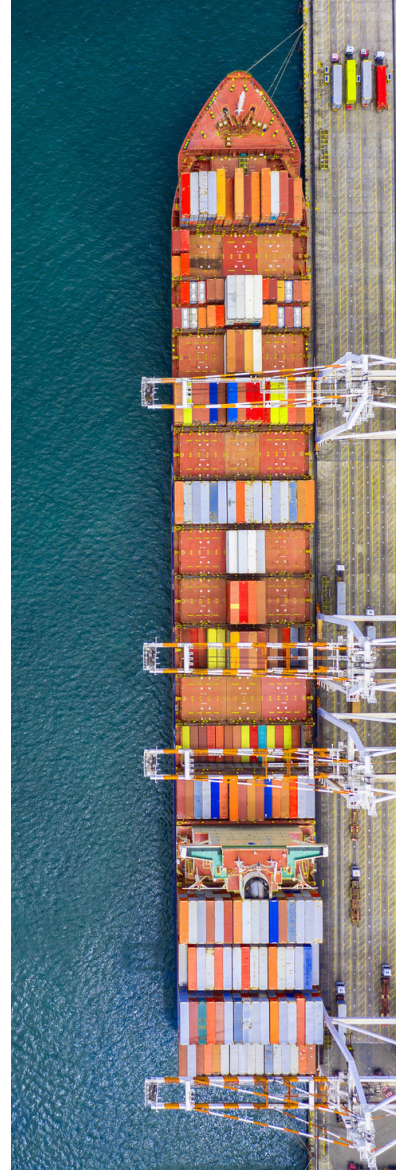
With an open line of communication, a better understanding is achieved, which can, in turn, deliver real advantages for all parties.

Mediterranean Shipping Company's Fabio Santucci, President & CEO of MSC USA, commented on the collaboration that's necessary to address the 2021 market challenges, “constant and effective communication and cooperation with partners, vendors, and clients remains key. Understanding one another, planning together, and setting the right expectations go a long way. This is one of the things that we have to continue doing throughout 2021 as well.”

He also noted that MSC has diversified its U.S. port gateways and added terminals, as well as adjusted inland services with the railroads to improve cargo flow, adding, “the key was to find creative alternatives and do some problem solving along with our customers.”

Maersk Line also reports on the value of diversifying gateways in their May 5th Customer Advisory, Transpacific Update: “one strategic consideration has been in ensuring there is adequate port diversification within a company's logistics network in order to minimize disruption. In simple terms, this allows customers to better mitigate ongoing port congestion or labor challenges with a ‘multi-pronged’ port strategy.”

Ocean carrier communication through customer advisories and other channels is an important vehicle for forwarders and other parties to a container shipment to maintain a timely and clear view of surcharges, rate increases, service changes, and other issues that may impact shipments. Data transparency and proactive communication allow freight managers to quickly address disruptions and communicate delays or cost increases to the stakeholders that require up-to-date supply chain information. Undeniably, communicating this data digitally, online, would enable a faster, easier, and more productive way to manage shipments and quickly respond to issues when they arise.



“Closer dialogue is necessary for us all to better understand how to support each other and collaborate for better outcomes. To remove bottlenecks, container velocity must increase, forecasting must be more accurate, and transparency must increase across the supply chain.”

*The World Shipping Council, January 2021*



# Stay Ahead With Digital Solutions

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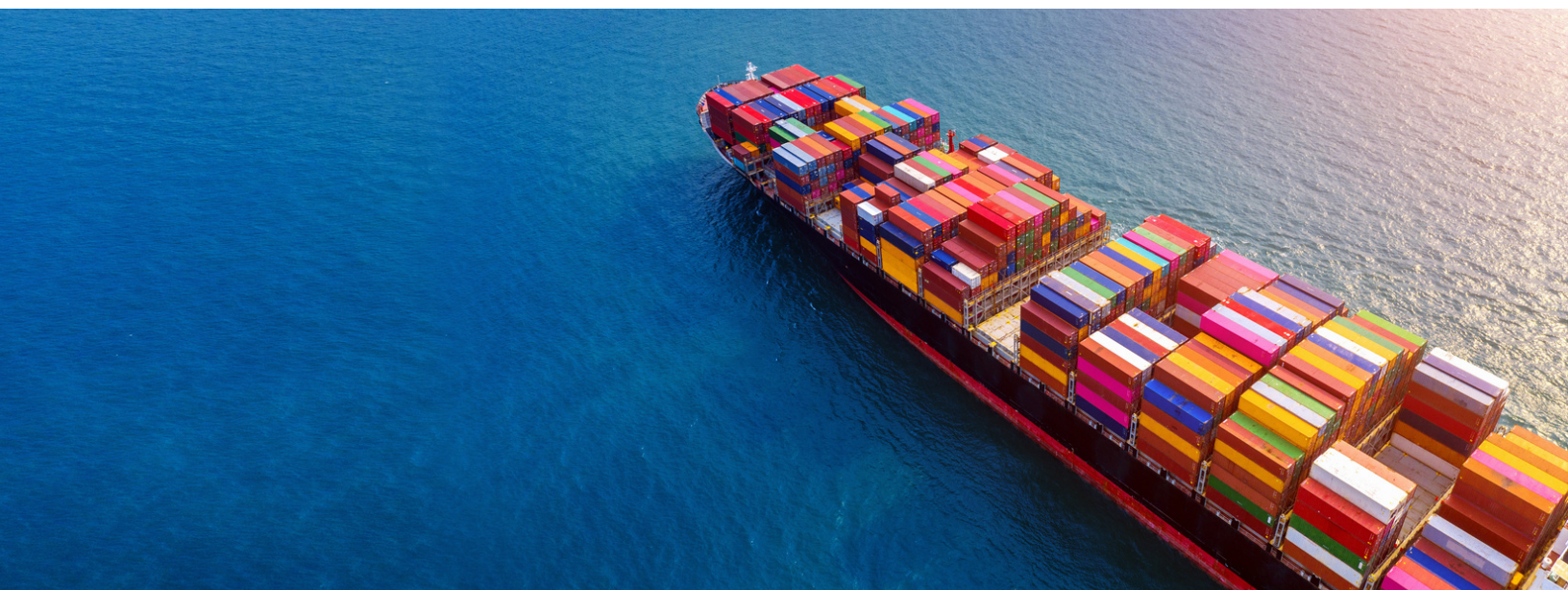
Digital freight solutions are even more crucial during this period as logistics service providers are working harder than ever to overcome market challenges and effectively process freight. Digitalization improves data accuracy by reducing the need for manual intervention, which helps ensure shipments aren't held up due to human error. Additionally, manual processes like emails and phone calls simply can't keep up with the pace of business and today's high customer expectations for speed and service.

Visibility to containers has been particularly important due to current market conditions. To address this situation, global shippers are utilizing digital tracking solutions to achieve faster, and even real-time, access to in-transit freight data. This enables shippers to better address exceptions, manage supply chains more effectively, and keep customers apprised of the status of their shipments, even when things don't go as planned.

Magaya LiveTrack is a mobile application offering push notifications with the real-time status of a shipment. It's updated every time the status changes. This provides customers with optimal transparency to their shipments and reduces unproductive (seemingly endless) emails and phone calls seeking freight updates. Customers can check the status of their shipments themselves, at any time of day, and receive push notifications when a status changes.

LiveTrack also works with the Container Tracking extension, where shippers can track ocean shipment containers across more than 100 sealines faster and more efficiently than ever, all within the Magaya Supply Chain solution.

WCAworld's Victor Gomez added, "when efficiency and costs are being strained by the global pandemic, IT solutions can assist in simplifying otherwise tedious jobs to help staff focus on other tasks. Without instant information in the modern age, an agent that is lagging could lose valuable opportunities. IT solutions that can streamline the information and provide immediate access will help agents remain current and be more competitive."







# Think Outside the Box With Vendor Diversification

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When ocean transport capacity is extremely tight, as it is now, it's critically important for ocean freight buyers to diversify their supplier base to expand access to transportation service options - no matter what mode of transportation is being considered. This can be accomplished with a selection of direct carriers, NVOCCs, and large freight forwarders. Supplier base diversification helps to reduce supply chain volatility and expand service options.

A recent LinkedIn post from Alan Smith, Procurement Director - Global Logistics at The Coca-Cola Company, reinforced the value of supplier diversification. He stated, "NVOs are starting to step up to the mark. Twice in the last week, they have saved the day where our carrier partners had no interest. We need all types of partners big and small to reach the places we supply to. Everyone has a part to play."

Graham Cousins describes the value of working with a global NVO in these challenging times, "as a global network, we have the expertise, processes, and product performance to deliver the best possible outcomes in an uncertain market. This can only be done when you own the cargo flow end to end, can take responsibility for performance, and leverage your global scale and local relationships with service providers. The communication we can achieve in our global systems and processes is paramount to customer service excellence."

The best way to deal with today's market challenges is to, "build business plans between shippers and carriers, and show growth through the delivery of these plans. Allocation performance - ultimately the commitment to ship and to the carrier delivers the best outcome," Graham remarked.

# Now's the Time to Consider Your LCL Options

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Full container load (FCL) shipments are a common option for moving a customers' freight, but another option that's gaining in popularity is less than container load (LCL). This allows for the shipment of smaller quantities of goods, which is particularly valuable for today's SMB e-commerce companies. Flexibility regarding shipment size and markets targeted, along with local market support and a broad range of regular weekly global services, port-to-port, and end-to-end, are some of the many advantages of LCL.

WCAworld's Victor Gomez notes that its freight forwarder members are using more LCL services due to the fact that, "there are fewer options now, so members have to be creative in finding solutions. For example, there has been a steep rise in demand for full air charters for essential products due to a lack of alternatives."

An April 28, 2021 article in The Journal of Commerce reports, "forwarders are reporting double-digit percentage growth in less-than-containerload (LCL) volume, with shippers prepared to pay premium rates on the major trades to guarantee space in a market disrupted by maxed-out air capacity and congested ocean freight." The reason for this increase is that, "higher (LCL) rates mean LCL containers are given 'top-loading priority' by carriers, making cargo consolidation services highly attractive for shippers and forwarders in a market where finding equipment and securing space on ships out of Asia remains difficult."

At Vanguard Logistics, they've sustained high space availability and grown their LCL volumes on many trades. "By working closely with carriers to manage allocations, building premium LCL services and priority loading solutions, as well as managing pricing dynamically to demand we're addressing today's market challenges," said Graham Cousins.

The uptick in LCL service requests from forwarders has been dependent on, "availability of space, which is a key driver, but also the cost of shipping. The economic benefit of sharing the cost of a 40-foot container is now very material for customers with less than container load shipments, with freight rates frequently above \$10,000 a FEU (40-foot equivalent unit). Not only the ocean cost but also now the warehouse and inland costs need to be added to this cost and are increasing significantly," Graham continued.







## The Europe-China Rail Alternative Goes Full Steam Ahead

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Staying on land with rail to combat tight container shipping capacity is an option today which offers both speed and available space. An increase in new rail services between China and Europe is helping shippers move their freight. It's evident that almost all the important logistics hubs in both regions are part of the network of rail services available today.

As reported in the Wall Street Journal, "China Railway Corp., which operates the trains in China, said it recorded 976 trips in April (2021), a 47% increase year-over-year. The trains were carrying cargo equivalent to the capacity of four of the world's largest container ships." The Chinese government has provided financial assistance in the form of subsidies to the China-Europe Express rail network, but, more recently, has slowly reduced assistance measures. At this time, shippers pay a significantly reduced cost, approximately one-third, and the Chinese government picks up the rest.

These Silk Road services broaden supply chain service options for shippers between China and Europe, both inbound and outbound, providing a reliable, effective alternative to ocean transportation for cargo moving between these regions.

# A Much-Needed Digital Productivity Boost

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There's no doubt that the adoption of digital freight management solutions is delivering improvements to productivity and accuracy, and enabling logistics providers to respond to customers faster and more effectively. Moreover, the acceleration of online buying and 24/7 access to information means that digital has become what is expected.

Magaya Rate Management is how forwarders, NVOCCs, 3PLs, and other logistics providers add value and increase customer satisfaction with regard to freight rates and quotes. With today's incredible rate complexity and volatility having a digital database of contract and spot rates, surcharges, and freight accessorial costs means a faster, more accurate, and efficient process is possible. In addition, the Magaya system provides the ability to connect air, ocean, rail, and road rates to create customized, multi-modal quotes for shipper customers.

"Having cost visibility and being able to execute against carrier contracts is critical. We need to be timely, in control of our costs, and be able to use this to drive dynamic and effective pricing for our customers. We couldn't do this without the leading contract management platform that we have with Magaya," remarked Graham at Vanguard Logistics.

With the weight of today's uncertainty and supply chain risk, the digital tools that assist logistics providers, forwarders, and their shipper customers are not only welcome but are necessary. The ability to be more productive aided by digital solutions that offer faster access to data-based insights, improved operational efficiency, and accuracy is a path to business growth.

## Get to know Magaya

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Consisting of Magaya Supply Chain, Magaya Digital Freight Portal, Magaya Customs Compliance, Magaya Rate Management, Magaya CRM, plus a collection of apps and extensions, the Magaya Digital Freight Platform delivers flexible, interoperable, modular, cloud-based solutions that can be used together as an integrated logistics software platform or independently with your existing solution suite.

Navigating the seas amidst today's port congestion challenges requires smart strategy, effective networking, and modern technology. Magaya has the tools logistics services providers need to reach new heights in speed, efficiency, and service to set a strong foundation for sustainable growth.



## APPENDIX

- **In 2021, Magaya became an accepted technology vendor member of the WCAworld. This standing includes a rigorous vetting process that involves a review of financial health, background checks, and customer references.**
- **World Shipping Council** - [https://www.worldshipping.org/pressroom/article?news\\_article\\_id=125](https://www.worldshipping.org/pressroom/article?news_article_id=125)
- **UNCTAD** - <https://unctad.org/news/shipping-during-covid-19-why-container-freight-rates-have-surged>
- **Marine Insight** - <https://www.marineinsight.com/shipping-news/constructive-collaboration-is-key-amid-supply-chain-overload-msc-usas-ceo/>
- **Maersk Line Customer Advisory, Transpacific Update, May 5, 2021** - <http://view.maersk.com/?qs=6a002dd8c027c54360be72cf6238f24e8f8050221014e8edf5d15b5b081893d9906e43b7f526b985561c520dd5035328c3eccfbb39bf44a267d0a8d20711071e4bd3e23c7bd0fb7f0b5ec3c94394c36c>
- **The Wall Street Journal** - <https://www.wsj.com/articles/coronavirus-has-been-a-boon-for-chinas-railways-11589364002>
- **The Journal of Commerce, Shippers turn to premium LCL in race for priority loading** - [https://www.joc.com/maritime-news/shippers-turn-premium-lcl-race-priority-loading\\_20210428.html](https://www.joc.com/maritime-news/shippers-turn-premium-lcl-race-priority-loading_20210428.html)
- **LinkedIn post** - [https://www.linkedin.com/posts/alan-smith-13b6b897\\_nvos-are-starting-to-step-up-to-the-mark-activity-6796006567541039104-E\\_Y5/](https://www.linkedin.com/posts/alan-smith-13b6b897_nvos-are-starting-to-step-up-to-the-mark-activity-6796006567541039104-E_Y5/)

Magaya delivers a Digital Freight Platform that accelerates growth with flexible, interoperable, and modular cloud-based solutions designed to optimize and digitize end-to-end logistics operations and customer experience. Whether used together as an integrated digital freight platform or independently, Magaya solutions enable businesses of all sizes to streamline complex and redundant processes, enhance the customer experience, optimize productivity, reduce costs, and grow revenue. At Magaya, we are passionately devoted to ensuring our customers' success through our innovative technology and comprehensive array of related professional services. We take great pride in our people, experts in the field of logistics automation, who are always willing to go the extra mile for our customers. There are no limits to your growth with Magaya. Visit [magaya.com](https://magaya.com) to learn more.