

## **‘Brave new world?’ – What industry leaders really think the future holds**

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*A comprehensive report into the global container transport industry authored by TT Club and McKinsey.*

Coinciding with its 50th anniversary, leading international freight transport insurer TT Club, in conjunction with global management consulting firm McKinsey, have published ‘Brave new world? – Container transport in 2043’, a wide-ranging, qualitative report summarising the passionate thoughts and opinions of industry leaders on what the future holds for the container industry over the next 25 years.

Rather than focusing on purely quantitative research and analysis of trends, the authors of the report interviewed over 30 highly respected leaders and experts from a wide cross section of the Transport chain. The aim was to gain a qualitative insight into the perceptions and confidence of the people who have greatest experience in the industry and are best placed to predict the sector’s future. These included Board Members of TT Club, but importantly other supply chain professionals, financial intermediaries, law firms, and disruptors and innovators.

Following the research, TT Club and McKinsey, in ‘Brave new world?’ have drawn five broad conclusions as to where the industry is going and then have examined four specific potential future scenarios together with their implications. Two of these scenarios centre on digitalisation and two on trade development, or the lack of it.

The development of containerisation over the past fifty years is well documented. The industry is now well-established at the centre of international trade with over 90% of

consumer goods (TVs, toys, clothing, furniture) and many raw materials being shipped in these metal boxes. Yet despite the success of the container, the returns for the average container liner operator or freight forwarder have lagged the cost of capital over the last two decades. There have only been a few winners who have found a sustainable recipe for value creation.

So what will change in the future or will the familiar boom and bust cycle continue? 'Brave new world?' reports five broad conclusions:

1. The **physical characteristics** of the industry are unlikely to change, as the container and the ships that carry them will still exist over the next 25 years
2. **Trade flows** will become more balanced across trade lanes as incomes converge between East Asia and developed economies, and the emerging economies in South Asia and Africa "catch up"
3. **Automation** will be broadly adopted across the value chain, especially on the landside in ports, terminals, rail and trucking, to unlock significant efficiencies
4. **Digital, data, and analytics** will cause a fundamental shift in the sources of value creation and customers will expect a high level of reliability, transparency and user-friendliness
5. The **industry leaders in 2043** will look very different; some will consolidate, others may change their business model. Some will be "digital natives", either start-ups or e-commerce players optimising the container transport leg of their supply chain

Drawing together these broad conclusions, the report identifies the key sources of value creation for the industry, leading to a pivotal debate as to whether the future is fundamentally driven by trade or by digitalisation. From this, the authors derive four possible outlooks for the future in thought-provoking articulation.

Charles Fenton, Chief Executive Officer, TT Club, says:

"TT Club was founded in 1968 by some of the early adopters of the unitisation of cargo, the container. We have been keen to mark our 50th anniversary of the start of a Member-owned, mutual insurer by launching this report. From inception, TT Club has had a philosophy of listening to its Members and sharing their experiences to make the industry safer and to minimise risk whilst lobbying for and embracing change when and where it's required.

"Therefore this piece of research, asking industry leaders what the future of the industry may look like and issuing 'Brave new world?', is I think a most appropriate project. We believe the

container transport industry will face challenges as technology changes the environment, but we are confident that an industry that has shown itself adept at change will rise to meet these challenges.

“The container’s simplicity and modularity has made it the mode of choice for transporting many goods across the globe. This examination of the wisdom and perceptiveness of the industry’s opinion formers is, we believe, relevant in exploring how such strengths will develop the container transport environment by 2043.”

Martin Joerss, Senior Partner, McKinsey, says:

“More than 50 years after the introduction of the container, the container transport industry faces the transformative rise of digital, data, analytics, and automation. There is a range of futures where digital fundamentally changes the industry’s economics – for the benefit of both customers and industry participants – but getting there will require vision and relentless execution.”

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**Notes to editors**

**About TT Club**

TT Club is the international transport and logistics industry's leading provider of insurance and related risk management services. Established in 1968, the Club's membership comprises ship operators, ports and terminals, road, rail and airfreight operators, logistics companies and container lessors. As a mutual insurer, the Club exists to provide its policyholders with benefits, which include specialist underwriting expertise, a world-wide office network providing claims management services, and first class risk management and loss prevention advice.

TT Club is managed by Thomas Miller.

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