

# Digital freight sales move from concept to logistics mainstream

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If you think selling freight digitally is still a concept for the future, you're already behind.

In 2019, digital sales became integrated into the standard business model and strategies of Hapag-Lloyd, Maersk and the CMA CGM Group.

Meanwhile, freight forwarders such as Kuehne + Nagel, Toll and DHL implemented or prepared to launch a true digital freight experience.

This transition to digital creates huge opportunities for improved profitability driven by dynamic and attributes-based pricing.



But its clear companies need to act fast if they're going to secure a foothold in the changing landscape.

### A fast-growing segment

The Journal of Commerce has estimated digital solutions to reach 15 percent of container volumes or approximately 30 million TEU transacted online by 2023.

Indeed, significant numbers of early digital adopters have already started to procure and book their freight digitally.

In 2018 Hapag Lloyd didn't have an instant quote capability from their homepage. They launched Quick Quotes in the second half of that year and by 2019 reported that nine per cent of container volumes were being procured online.

Maersk launched Maersk Spot last year, rapidly growing from zero to a 12 per cent share of their spot market volumes - all delivered with customer-focused booking guarantees and two-way commitments.

Some of the larger freight forwarding companies have started to build strong digital capabilities and launch their own products.

Kuehne + Nagel's Pledge product is focused on improving booking certainty outcomes with lead time and 100 per cent money-back guarantees.

Toll Global Forwarding is also working on creating digitally focused customer solutions, working closely with the Kontainers' team to fast track their digital offerings.

### Change is inevitable

Digitalisation creates opportunities but also creates new threats as the Boston Consulting Group highlight in their paper *The Digital Imperative in Container Shipping*.

For a freight forwarder they now have to compete not only with other freight forwarders for new business opportunities from contestable cargo, but also from four new fronts.

1. Shipping lines that are going digital and able to service the market beyond the wharf and offer a complete end-to-end supply-chain solution to direct shippers.
2. The growth of online marketplaces that connect direct shippers to logistics service providers.
3. "Born digital" freight forwarders, the most prominent of which are extremely well funded by venture capital. The front end may give a great user experience, but critics state service levels can be impacted by a lack of on-the-ground operational resources.
4. Incumbent freight forwarders are going digital. There are a number of multinational and local entities that are building or buying a digital customer-facing solution to overlay on their existing physical operations and therefore overcoming the perceived limitations of a "born digital freight forwarder".

The common underlying proposition of all four is that via their digital solution, they can service a direct shipper

customer better and at a lower cost than the traditional freight forwarder model.

**A true digital sales experience**

Most of the software solutions in the market today focus on bringing efficiency to the current business process rather than using technology to create new business models.

But customers today have digital expectations set by their use of online banking, shopping, flying and more from their mobile phone.

To succeed in the future, shipping technology needs to learn from 25 years of digital disruption in other industries and choose a model centred on the customer experience.

Creating a credible and profitable digital experience is not just about buying software, it is about creating new processes in your business, finding staff with the relevant skills and giving them time to create the capability to service your customer 24/7 from your digital shop front.

**Digital Sales Traction (2019 and beyond)**

Who	Online numbers
Hapag Lloyd	9% of total liftings sold online, 15% target by 2023 (Quick Quotes)
Maersk	12% of total Maersk spot cargo in 2019 (Maersk Spot)
Cogoport	300k from FY18-FY19
NYSHEX	82k TEU in FY19, 428k TEU target in 2020
Kontainers	710k bookings in 2019, 1m+ target for 2020

Source: SealIntelligence Consulting  
<https://view6.workcast.net/ControlUsher.aspx?cpak=2892910641524871&pak=3987799459231743>

The upside is improved profitability driven by dynamic and attributes-based pricing. For the early movers this is a competitive advantage and differentiator; it will give them an early lead which they should be able to exploit in the short to medium term.

Your business must have a transformation strategy if you want to have access to the digital customer.

Often it's only in hindsight that we can see the full impacts of change. The businesses who take action in 2020 will reap the digital logistics rewards.

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