## Reading Passage 3

You should spend about 20 minutes on ***Questions 27-40,*** which are based on **Reading Passage 3.**

# THE HIDDEN OPPORTUNITY IN CONTAINER SHIPPING

**A** The container-shipping industry has been highly unprofitable over the past five years. Making things worse, earnings have been exceptionally volatile. Several external factors are responsible, notably trade's spotty recovery from the global financial crisis, and redoubled efforts by corporate customers to control costs. Some of the pain is self-inflicted: as in past cycles, the industry extrapolated the good times and foresaw an unsustainable rise in demand. It is now building capacity that appears will be mostly unneeded.

**B** These problems are real and significant, and largely beyond the power of any one company to address. But shipping companies cannot afford to throw up their hands and accept their fate. Hidden beneath these issues (and driving them to a degree) is another set of challenges that shipping lines can readily take on. Across the enterprise, in commercial, operations, and network and fleet activities, shipping lines have opportunities to improve performance. In sales, for example, carriers often confuse their costs with the value received by customers and fail to charge a premium for services for which shippers will pay more. In operations, many lines treat bunker as just another cost of doing business. In network design, more than a few shipping companies use outmoded approaches to design their routes; new and more powerful systems use algorithms to make better, more effective decisions about networks.

**C** With a little bit here and a little bit there, companies that take on a full program of initiatives regarding the three mentioned aspects can boost earnings by as much as 10 to 20 percentage points—enough to reverse the recent trend, and return to profit. To realize that kind of upside, however, firms must also ready their organizations for change. That's a nontrivial challenge: in many ways, very little has changed in container shipping since the first crane hoisted the first box in 1956. Companies need to find ways to help employees embrace new ways of working and must be prepared to bet on the future.



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Carriers that embrace change will be better prepared than their rivals to make the best of the current business cycle and to thrive in the next one.

**D** Some of the challenges that companies face—the supply/ demand imbalance, and swings in demand— are systemic, and beyond the ability of any one company to fix. But the rest are readily addressable. Container lines can and must deploy three sets of actions—commercial, operations, and network and fleet—to improve their performance. Companies have a huge incentive to act first—once the whole industry has moved to a greater level of productivity, the benefits will likely be passed on to customers once again through competition. Several lines are already well advanced on the journey to greater productivity; smart lines can beat the competition by being quicker and more thorough in their implementation.

**E** In their marketing and sales, shipping companies need to shift from a cost-plus approach to one that emphasizes value. Lines should get paid full value for the services they provide. A comprehensive commercial program, covering the full gamut of commercial activities from pricing strategy to contracting strategy to uptake management, can deliver immediate bottom-line impact. In our experience, companies can improve return on sales (ROS) by 1 to 2 percent within 9 to 12 months.

**F** The approach has many elements; three stand out. First, a "model ship" analysis can help carriers understand which customers contribute most to profits. One global container line used market information to develop its model. Based on this analysis, the company created targeted sales campaigns to pursue and capture high-contributing customers. The campaigns lifted ROS by about 2 percent in several regions and trade lanes.

**G** A second element is better commercialization of "last mile" customer services, including detention and demurrage. Many shipping lines have made strides in this area, but more can be done. One global shipping line created a rigorous performance-management system to ensure accurate invoicing and also standardized tariffs across different countries and trades. These two steps lifted detention and demurrage revenues by 15 percent.



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H Third, and perhaps most important, lines can improve their pricing discipline to ensure that they reap the full benefit of their value-selling approach. We see clear improvement potential for lines across all elements of the pricing process, from strategic pricing to transactional pricing to the systems and tools used to support the front line. Sometimes it is right to follow the market and price close to marginal cost to fill the ship. But lines need to promptly identify the peaks in prices (they do happen, even in today's oversupplied market) and the times that they have privileged capacity, and ensure that they are charging to capture both events. This requires building flexibility into contracting, so that in the peaks a carrier's ships are not full of low-yielding cargo contracted at annual rates. Carriers can also extract higher prices from customers in certain industries in Europe, to whom reliable transport and the resulting stable inventory are quite valuable.



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**Questions 27-30**

Reading Passage 3 has eight paragraphs, **A-H.**

Which paragraph contains the following information?

Write the correct number, **A-H**, in boxes 1-6 on your answer sheet.

**27.** a potential benefit that encourages shipping lines to take actions as soon as possible

**28.** two important factors for a specific group of customers

**29.** reasons for the current state of container-shipping industry

**30.** the maximum rise in revenue a company can achieve once it manages to address all three crucial elements

**Questions 31-35**

Do the following statements agree with the information given in Reading Passage 3?

In boxes **33-36** on your answer sheet, write:

| | |
|---|---|
| ***YES*** | *if the statement agrees with the information* |
| ***NO*** | *if the statement contradicts the information* |
| ***NOT GIVEN*** | *if there is no information on this* |

**31.** Most of the challenges that shipping companies are facing are caused by increasing tax rate.

**32.** Shipping companies are fully responsible for their own worrying situations.

**33.** There is room for improvement in various aspects of a shipping line.

**34.** Container shipping industry has gone through significant changes since the first container was drag up.

**35.** Companies must set higher standards when recruiting new employees.



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**Questions 36-40**

Complete the sentences below.

Choose **NO MORE THAN THREE WORDS** from the passage for each answer.

Write your answers in boxes 37-40 on your answer sheet.

36. A comprehensive commercial program to take up and make use of management can make ..... without delay.
37. A "model ship" analysis is used to calculate the main source of ..... and set plans for attracting significant contributors.
38. Companies can gain maximum benefit from their ..... provided that they can improve their pricing strategy.
39. Despite today's oversupplied market, the ..... should be quickly recognized by shipping lines.
40. *For European customers, reliable transport and* ..... are two important aspects.

**Các bài đọc được lấy và chỉnh sửa từ các bài báo:**

- Leopard seal - Travel Wild
- How teabags became a secret weapon in the fight against climate change – New Scientist
- The hidden opportunity in container shipping - McKinsey Insights



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