Potential gains in 2020 schedule reliability

In issue 505 of the *Sunday Spotlight*, we took a simplistic approach to see whether cargo owners that moved cargo with specific alliances in 2020 would have been better off by picking services using historical schedule reliability. The short answer: Yes.

We used hypothetical scenarios to test our premise, using Shanghai-Los Angeles/Long Beach (LA/LB) as a proxy for the Transpacific and Shanghai-Rotterdam as a proxy for Asia-Europe. Our main aim was to illustrate if, at all, an advantage could have been gained by using historical schedule reliability for future service selection.

We tested across two scenarios: Cargo owners moved 70% of their cargo to the alliance service with the highest schedule reliability in either the previous or the previous two months, while spreading the remaining 30% evenly across the two remaining alliances. In both scenarios, and for both port-pairs, we found that schedule reliability could have been improved. Figures 1 and 2 show the potential percentage point (PP) gain.

Fig. 1: Relative Improvement in Schedule Reliability on LA/LB (based on past 2 months)

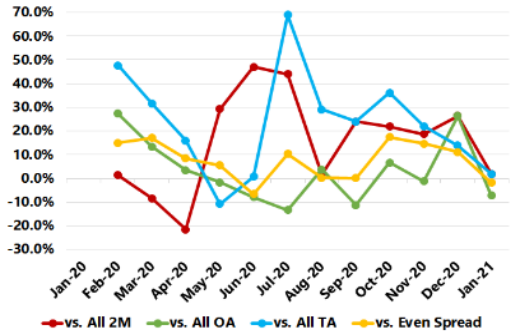
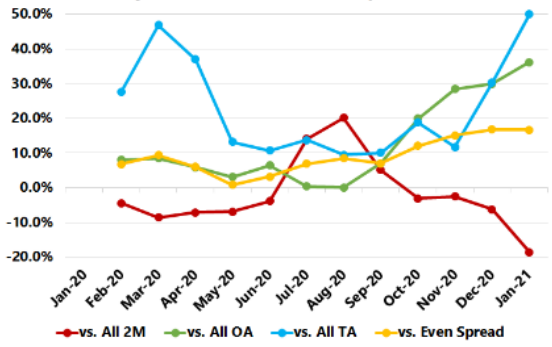


Fig. 2: Relative Improvement in Schedule Reliability on Rotterdam (based on past 2 months)



On Shanghai-LA/LB, cargo owners could have seen a net annual improvement of 23.4 PP if they had followed this methodology versus shipping exclusively with THE Alliance, a 15.5 PP gain versus 2M, and a marginal 3.2 PP gain versus Ocean Alliance. On Shanghai-Rotterdam, since most reliable services were operated by 2M, cargo owners would have seen a net annual decrease of -1.8 PP against 2M, but substantial gains had they shipped exclusively with THE Alliance or Ocean Alliance carriers. Furthermore, had cargo owners split their cargo evenly across all three alliances, a 10.0-20.2 PP gain could have been attained.

While all of these scenarios are hypothetical, cargo owners are likely to already have a different mix of alliances and services that they use and making cross-alliance cargo shifts can be difficult. One way this can be particularly useful is if/when cargo owners move cargo on spot. In that case, using historical schedule reliability on a port-pair level would help cargo owners select a product offering a better chance at higher schedule reliability.

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