

ARO 2020: Forwarders must combat carrier 'data cartels' to survive

Steve Walker, founder, SBS Worldwide and SWG Global | Jan 03, 2020 10:33AM EST



The global freight forwarding market contracted 1.3 percent in 2019, the first annual decline since the global financial crisis in 2009, according to a projection from analyst TI Consulting. Photo credit: Shutterstock.com.

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As freight forwarders struggle to face the challenges of digitization — the new competition and the new solutions — they risk sliding backward on the digital curve if they

surrender too much ground to the better prepared.

Digital isn't just a nice-to-have philosophy: it's the key to survival. And forwarders already are losing ground to innovative players, with new digital process platforms that deliver more benefits. But there are answers to these problems.

For forwarders, Boston Consulting Group (BCG) talks about a digital transformation that requires embracing digital platforms, analytics, automation, and improved customer experience, drawing on artificial intelligence and machine learning. And shipping lines, BCG suggests, should develop new business models, digitalizing core operations and using blockchain technology to secure the documentation process.

In response to these pressures, Maersk Line and IBM have formed TradeLens, a joint venture that aims to transform the shipping of goods into a paperless, online experience, securing transactions and retaining data in a blockchain-encrypted format. Despite Maersk's joint ownership of the platform's intellectual property, which means the company will profit from TradeLens's growth while other participants will not, it has been joined by many of the world's leading container carriers.

It took decades to break up the shipping conferences' control and fixing of shipping rates, but now the entire industry watches quietly as Maersk and the other lines

that have joined TradeLens set about taking control of half the world's ocean container cargo data.

Market analyst TI Consulting projects the global freight forwarding market will contract 1.3 percent this year, the first market decline since the global financial crisis in 2009. Weakness in air freight forwarding, which is expected to shrink 3.9 percent, has been a primary driver for contraction, but sea freight, which usually drives growth, also has been weak, climbing just 1.8 percent over the full year. That's particularly surprising given that, despite deteriorating trade conditions, the global economy is growing.

In a contracting market, it's more critical than ever to protect the most reliable revenue streams, yet forwarders are on the cusp of surrendering control to the shipping lines, as the TradeLens initiative morphs into something very similar to a "data cartel."

But how does a traditional sector such as freight forwarding, which already is struggling to find its place in the digital world order, reinvent itself to meet the challenge of the shipping lines' flagrant attempt to control global shipping data? Internally focused and individual initiatives will not be enough. Successful opposition will require industrywide collaboration and the establishment of common objectives and operating standards.

The International Federation of Freight Forwarders Associations (FIATA) represents 40,000 forwarding and logistics companies employing 8 to 10 million people in 150 countries, and has consultative status with the United Nations, the International Chamber of Commerce, the International Air Transport Association, the International Union of Railways, the International Road Transport Union, the World Customs Organization, and the World Trade Organization. FIATA is the global voice of freight logistics, but the group has yet to speak out against the potential risk of shipping lines forming "data cartels."

Founded in 1926, FIATA is rooted in the past and needs an existential change to face the new reality of forwarding and deal with the challenges that may undermine the industry's very foundations. Maersk, IBM, and the other TradeLens partners have vision, but their model is flawed.

In representing global forwarders, FIATA needs to engage with TradeLens and persuade Maersk to put itself on an equal footing with all participants of the TradeLens platform. Maersk also needs to relinquish TradeLens's intellectual property and any profit motive — to forgo competitive advantage — if TradeLens is to be a success for all and not just for the founding partners.

If Maersk and IBM balk at the notion of surrendering their intellectual property, and it will be surprising if they don't,

then FIATA's work really begins. Instead of surrendering data to the carriers, we need horizontal collaboration — that is, forwarders working together for the common good of our industry — to develop common data standards, and perhaps even their own blockchain solution, under FIATA's auspices and financial control.

This will be a challenging journey for sure. But every journey starts with a single step, and this journey has already begun. Many FIATA committee members acknowledge the issue, the need, and the solutions. There are myriad issues to overcome, but these can be ticked off. All we require is acknowledgment from the top and the green light to get to work.

If FIATA keeps quiet, however, the global voice of the forwarding industry will be the architect of its demise.

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