

Analysis of the cma cgm company



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CMA CGM (2010a) is the world's third largest container shipping company and is ranked number one in France who offers a complete range of activities including shipping, handling facilities in port as well as logistics on land. Its main objective is to offer customers all over the world a proactive, innovative service which reconciles quality and high performance with protection of the environment.

The founder and CEO of CMA CGM Mr. Jacques R Saade is guiding the group from the beginning to till date confidently and wish to develop and run in future of container shipping. CMA CGM has always integrated security, safety and environmental concerns in their development strategies and used the latest technology to minimize the pollution.

Figure (Diagram) 1. Greenhouse gas emission by transportation (River Shuttle Containers, 2010)

The River shuttle containers (2010) of CMA CGM calculated the benefit of waterways carries for protecting the environment comparing with the land transportation. Enhance to reduce the pollution they introduced the river shuttle container barge in French territory and Europe.

Figure (Diagram)2. History of CMA CGM developed by author (CMA CGM, 2010b)

CMA CGM is operating by its own brand shipping line “ CMA CGM” and other subsidiaries for integrating the organisation and adding value for customization in container shipping market. CMA CGM worldwide subsidiaries

for strengthening group activities in transportation area which are as follows:-

Container Shipping Line

Delmas. Expert in African region

OTAL Africa Line. Maximum coverage in west Africa

CNC Line-Specialist for Intra -Asia line

ANL- Leader in Oceania

Mac Andrews Dedicated in Intra European trade

COMANOV. Specialist for Morocco

US Lines. Specialist for transpacific and Australasia trade.

Multimodal

River Shuttle Containers

LTI France

Progeco

CMA Rail

Logistics Services

1) CMA CGM Logistics

2) TCX Multimodal Logistics

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International Tourism

Compagnie du ponant

Tapis rouge International

Partir en cargo

The Travellers club

The CMA CGM's (CMA CGM, 2009) e-commerce services offer a full range of online business which are comparatively easy, safe and efficient to the customer and planned to eliminate the paper and making the flow of faster information around the clock. They are highly integrated in transport sector of the world by connecting the regional leader in transportation like ANL in Australia.

World shipping council (2009) reported that CMA CGM has become an international operator serving maritime shipping routes around the world with door-to-door services combining maritime shipping with rail, river and highway transport. They expanded their business by a growth strategy and sustained capital spending which is powered by the joint force of giant shipping leaders from USA (US Lines) to Africa (OTAL line of Africa). The Group has built its success on the strong values of quality, innovation, imagination and anticipation.

The CMA CGM (Marinelog, 2009) group inaugurated the French Asia Line or FAL service (Asia to Europe) in partnership with MAERSK line (No 1 in container shipping) by their latest vessel CMA CGM CHRISTOPHE COLOMB,

one of the world's largest container ship having 13344 TEU capacity. This vessel is integrated by latest environmental technologies that actively contribute battle against global warming and CO2 emission.

In (The Journal of Commerce , 2010) this global economic downturn, CMA CGM affected and had \$5 billion in debts following the worst downturn in container shipping history also a series of steep losses from hedging deals on oil prices. The company (The Financial Times, 2010) is unable to complete the payment for new ships also taking the delivery from shipyards where the Greek ship-owner brought the ordered ship. They are trying to manage the capital from outside of the country because France's FSI strategic investment fund is normally to invest alongside other, conventional investors. The State-owned fund of Qatar is offering \$ 1 billion for recovering the losses and faces the unwanted situation of the CMA CGM group.

“ Advance Shipping, Environment Minded” is the motto of CMA CGM about environment protection in this climate change and frequent change of world weather condition. They are awarded about the environment and know-how its ability to innovate and prepared to protect the environment. They are committed to sustainable development and respect for nature relies on numerous environmental initiatives to minimize the impact of transporting activities and trying to develop alternative transportation modes.

PESTLE ANALYSIS

The simplest(Rugman and Collinson, 2006) form of understanding the particular competitive environment or investment contexts for firms at the

national or international level is PEST analysis which examines the political, economical, socio-cultural and technological conditions of an organisation. In addition legal and environmental factors created the full form of PESTLE analysis by which it is easy to assess new investment environment as an input into global expansion and market entry strategies. The environment is very important for doing business in this uncertain world also in globalized economy. After understanding the internal factors of the organisation (Strength and Weakness), need to assess the other factors for competing with others or adding value to create such an environment for sustainability.

Figure (Diagram)3. PESTLE Analysis (Developed by Author)

In a study of business environment, Johnson et al (2007) identified three layers which are as follows:-

The most general layer of the environment is macro-environment as framed the PESTLE which strategies are affected by influences and some of the ways for seeking to handle the outer aspects of the organisation.

The broad general layer is the industry or sector as framed five forces which strategies are concentrated the cycles of competition among the organisations.

The most immediate layer is markets and competitors which strategies are concentrated to identify direct and indirect competitors.

Overall, PESTLE analysis is tool identify the major external factors for running the organisation within a limited arena where opportunities are unlimited but threat may be influenced to stop the activities.

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PESTLE ANALYSIS OF CMA CGM

Political

As a European shipping company also to be a french line, CMA CGM has a stable political advantages in own region and over the world. They are getting exclusive cooperation from French government and European Union for extending the business globally. Due to their subsidiaries presency in Africa, USA and others, they are able to manage any political issues by their partner and directly.

Economical

CMA CGM is passing a very tough economic time because of the downturn. They are in crisis from the begining of 2009 where 2008 shows ahuge profit. The Financial time reported that the company is trying to solve the problem by procuring the fund fron government or outside of the country.

Sociocultural

CMA CGM (2010C) plays a significant role in humaintarean development of the world and committed to promote the well-being of the children, particularly children with disabilities or length illnesses. Handicap International and the International Red Cross is the social partner for supporting the childrens mental and physical development. CMA CGM corporate foundation also support various artistic activities includingg the socaial and cultural activities in port and shipping sector. The foundation contributed in humanitarean and cultural program by working in Franch and Lebanon. Over 60 projects are running by reneod humanitarean and cultural organisation funded by CMA CGM foundation.

Technological

E-business is the main systems of container shipping and CMA CGM is serving through e-business. Every information related to shipping operations and corporate are available on their website and customer can know any information regarding their cargo or others business function from the corporate website also from the subsidiary website. All vessels are manoeuvring by using latest technology which are safest and environment friendly.

Environmental

The Group (CMA CGM, 2009) has a plan to cut CO2 emissions by 15 % per container and per kilometre. They will preserve the budget for ocean environment also develop the portfolio which will be environment friendly services and shipping solutions. Fighting against the negative impact of climate or climate change is the key component of Group's environmental policy. The equipment or container of the company is going to convert into eco container for reducing the use carbon as raw material.

Most of the vessel of the company is equipped with a combination of innovative environmental features like fast oil recovery system, multichamber waste compactor to recycle garbage on board, proper water ballast systems and etc. CMA CGM is awarded by Long Beach Harbour in their "Green Flag Program".

Legal

CMA CGM expanded their business through merger and acquisition recently. They owned various lines as per international legal policy and financial

transaction and paying all kinds of tax and duties to the respective government. All vessels of the company are manoeuvring as international standard rules and regulations imposed by IMO (International Maritime Organisation) or other shipping authority.

CORPORATE STRATEGY

Grant (2005) defines corporate strategy as the scope of the firm in terms of the industries and markets in which it competes and decides the investment procedures through diversification, integration, merger, foreign direct investment, acquisition etc. In a multi-business (Lasserre, 2007) corporation, the corporate strategy features the long term objectives, selecting business portfolio, allocating resources across businesses and designing its structure, systems and processes. Corporate (Koveos, 1997) history has featured lots of ways or approaches for restructuring the company both internally and externally. External restructuring has taken place through a variety of mechanisms including Mergers and Acquisitions. He added that the changed world business system augmented by the transition of so many previously planned economies to a new market based framework. Synergy (Koveos, 1997) from mergers or other restructuring activity has been characteristically portrayed as $2+2=5$. For getting the competitive advantages or extra benefit from the synergy and entrancing the market or decreasing the barriers, the restructuring process is done through corporate strategy like mergers and acquisitions.

05. MERGER & ACQUISITION

The main theme of corporate business strategy is integration of the company. Integrating process may be diversification, Merger and Acquisition, FDI, CSR or any other strategic application. Galpan & Herndon (2007) found that well managed integration in an organisation can achieve significant results in working and positive outcomes in a disciplined, accelerated and result-oriented approaches of the employee.

Figure (Diagram)5. Merger and acquisition developed by author

In a study of strategic management , Thompson & Strickland (2003: p-177) expressed that no company can afford to ignore the strategic and competitive benefits of acquiring or merging with another company to strengthen its market position and open up avenues of new opportunity. That is why M&A is one of the best option for penetrating the own product into new market or kill the rivalry for decreasing the competition at present market.

06. MOTIVES FOR MERGERS AND ACQUISITIONS

In a study Panayides & Gong (2002) stated two major motives of M&A in shipping industry and these are Value- maximization and Strategic & marketing motives. Value -maximization motives divided into three parts which are as follows:-

01. Market Power. It impacted to the present market and may be extended the business with the help of merged or acquired company. Panayides & Gong (2002) brought an example of a shipping company. The case of CP ships and its 1994 acquisition of CAST (Shipping Company) – a major

competitor of CP ships in the port of Montreal- provide anecdotal evidence completely changed and controlled 85% of the container business in a relatively short period.

02. Efficiency Increase.

03. Operating and Financial synergies. Operating synergies may arise as a result of revenue enhancements and/or cost reductions that are effected from the merger

The major strategic objectives of shipping companies may include the acquisition of market share, the expansion or entry into new markets (geographical or new services), acquisition of management skills to argument firm capabilities in relation to new growth areas and the transfer of management capabilities to acquired firms to assists rebuilding.

07. MERGER & ACQUISITION IN SHIPPING

Maritime industries are prone to uncertainties and risks for their global activities where competitive pressure releted to larger but fewer players. Due to globalization of the world trade especially in shipping, shipping companies are trying to make a global chain for providing the services from door to door as well as adding value by covering the all places of the world. This is the main logistic aims of container shipping to diversify the business by offering wide range of benefits and economic facilities from the origin to the final destination. Minimizing the barriers which are blocked to serve in the chain, they are integrating their company by global strategies viz Diversification, M&A and etc.

Year

Coverage

1982

26%

1992

42%

2008

60%

Figure (Table) 6. World slot coverage by top 20 carriers (Notteboom & Rodrigue , nd)

In 1982, the world slot is covered by top 20 carriers was 26% and it tremendously increased in 2008 and the highest 60%. The world container or slot is increasing but the business is going to the limited operators. Merger and acquisition strategy is playing the main role for decreasing number of operators.

Internationalization and globalization both are created the competitive environment in container shipping industry. Preliminary, it transform to the liner service and taking slot from other operators for reducing cost or customization by mother connection with the feeder or quick service. After that the alliances of some operators like OOCL MISC, former P&O and NYK made Global alliance (OOCL, 2010) in 1998 and more alliances by leading <https://assignbuster.com/analysis-of-the-cma-cgm-company/>

operator driven exclusive business dynamics in this trade. After (Heaver et al, 1993) huge loss in north atlantic container trade in 1993, all operators tried in several times to develop cartel agreements like Transatlantic Agreement (TAA) by determining rates, capacity, supply of the vessel for gaining and minimizing the lost . Acquisition of Australian National Line ANL by CMA CGM or takeover of APL by NOL were the big dealing in ocean conatiner shipping. Surprizingly, MAERSK line (P&O Nedlloyd, 2005) merged its core competotr company P&O Neddllloyd in 2005 and expressed as the largest shipping company of the world. Not only horizontal integration but also vertical integration of shipping company created more competition in the container shipping market. Furthermore, merger and acquisition is extended to port & terminal management, intermodal systems, tourism industry, and shipbuilding for getting more advantages and fullfill the main motto of container shippiing servces (Stopford, 1997) that means door to door service.

08. INTEGRATION OF CMA CGM GROUP

Shipping Line

Shipping Line

A

B

C

D

E

Shipping Agents or General Sales Agents at Various Port and Country

Cargo Handling Company or Stevedores or Terminal Operator

Freight Forwarder Or NVOCC (Non Vessel Operating Common Carrier)

Inland Transport Operator or Intermodal or multimodal operator

Figure (Diagram)7. Transport Chain Integration based on shipping line example

Freeman (2009) argued that containerisation prepares the basis ground of integration in both vertically and horizontally. It is the demand to create the chain or making a system for transporting the box or container smoothly. The main components are Main Line operations, terminal operations, Intermodal and logistics. The containers are mainly owned by the operator and repositioning from one place to another frequently. So, the responsibility of the carriers is not finishing by giving only the one service.

CORPORATE SHIPPING CONTRACT

Vertical Integration of CMA CGM Group

LOGISTICS

Figure(Diagram) 8. Vertical Integration of CMA CGM Group developed by author.

The company integrated vertically by creating the business of logistics, terminal business and intermodal in various countries (Road and rail

facilities). Land Transport International and Transit International are two transport channel of trucking and forwarding company for caring the cargo from/to the consignee premises to/from the port or internal transfer from one place to another. The River shuttle containers (2010) is the cheaper and more ecological transportation of containers by barge or rail services which are operated in all over the Europe as door to door intermodal services. In addition they have corporate shipping contract with the industry players and international organisation CMA CGM logistics . CMA rail has two subsidiaries where 100 % in europe rail link and 55% in Algeria rail link (Northern Africa). Moreover, they are expanding their rail network in USA and India. TCX multimodal and Progeco covered the area of multimodal carriage which are help to add value in their main business. CMA CGM (The Hindu Business Line, 2006)has two subsidiaries in terminal and port operations “ Terminal Link ” and “ Portsynergy” which are operated in Malta, France, Morocco, North Eastern Europe, USA and Togo. However, they established the supply chain network from the bonded warehouse to ocean transportation facilities by their subsidiaries and independent network of transport.

Horizontal Integration of CMA CGM Group

Container shipping transportation is the main business of CMA CGM group. They owned the seven container lines of the world ANL, DELMAS OTAL and others to cover the all port and places of the world. As per their strategies, they merged or acquired these lines for getting the competitive advantages in a specific region and connecting with the main line of CMA CGM.

09. CONCLUSION

The Shipping industry (Casson, 1986) has an important role in contemporary restructuring of world trade. Containerisation made the easy transportation of commodity especially for manufacturing goods and its raw materials. Integration (Freemont, 2009) of the transport chain come up against the financial, technical and human resource capacity of the different actors involved in this trade. Merger and Acquisition of a company is the fruits of research to cover the area for adding value in the shipping services. Other factors like culture, attitude of key employee and environment also key factors to adapt or sustain after merger and acquisition. CMA CGM is the great example of M&A for their group activities from the very beginning to till date but recent recession affected the group and trying to survive. However, they are trying to manage the fund from outside of the Group (The Financial Times, 2010). Corporate business strategy will help them to do better work for upcoming business trends. As shipping is the big business where risk is high and low return, the strategy may be considered carefully and economically.