

Db reply



**ASSIGN
BUSTER**

Response As per the discussion the shipping industry can benefit by attaining economies of scale and scope. Lindstad accepts this proposition and provides further research on the benefits of economies of scale that can be attained by the shipping industry. Lindstad identified that the shipping industry can reduce its share of emission of greenhouse gasses if it attempts to attain economies of scale. Lindstad states that if the shipping industry increases the sizes of their vessels and transport more products at the same time, then the industry can reduce the emission of greenhouse gasses by 30% (Lindstad, 2012). This means that companies such as Wal-Mart can reduce their external cost and increase their goodwill if they choose to ship more products through larger vessels and this will even reduce transportation cost. Eddy even seconds the proposition that the shipping industry needs to operate to attain economies of scale and scope and they can do so by horizontal integration taking place between different elements of the shipping industry. Eddy states that now those shipping companies are more successful that instead of competing with the ports have integrated with the ports and due to this integration they are attaining economies of scale and scope and developed a strong maritime logistics chain (Eddy, 2009). Eddy even asserts that due to higher degree of focus on integration, the shipping firms that have increased their vertical and horizontal integration have attained higher power in the market and have gained a competitive advantage over others.

References

Eddy, . V., & Thierry, V. (2009). Market Power and Vertical and Horizontal Integration in the Maritime Shipping and Port Industry. OECD Publishing; <https://assignbuster.com/db-reply/>

Éditions OCDE.

Lindstad, H., Asbjornslett, B. E., & Stromman, A. H. (July 01, 2012). The importance of economies of scale for reductions in greenhouse gas emissions from shipping. *Energy Policy*, 46, 3, 386-398.