

XENETA

Red Sea Crisis

**4 STEPS SHIPPERS
CAN TAKE NOW**

OCEAN & AIR FREIGHT SHIPPING
PUBLISHED 10 JANUARY 2024



Whilst you're reading this, major ocean freight carriers have paused some or all of their transits through the Suez Canal and began diverting ships away from the Red Sea.

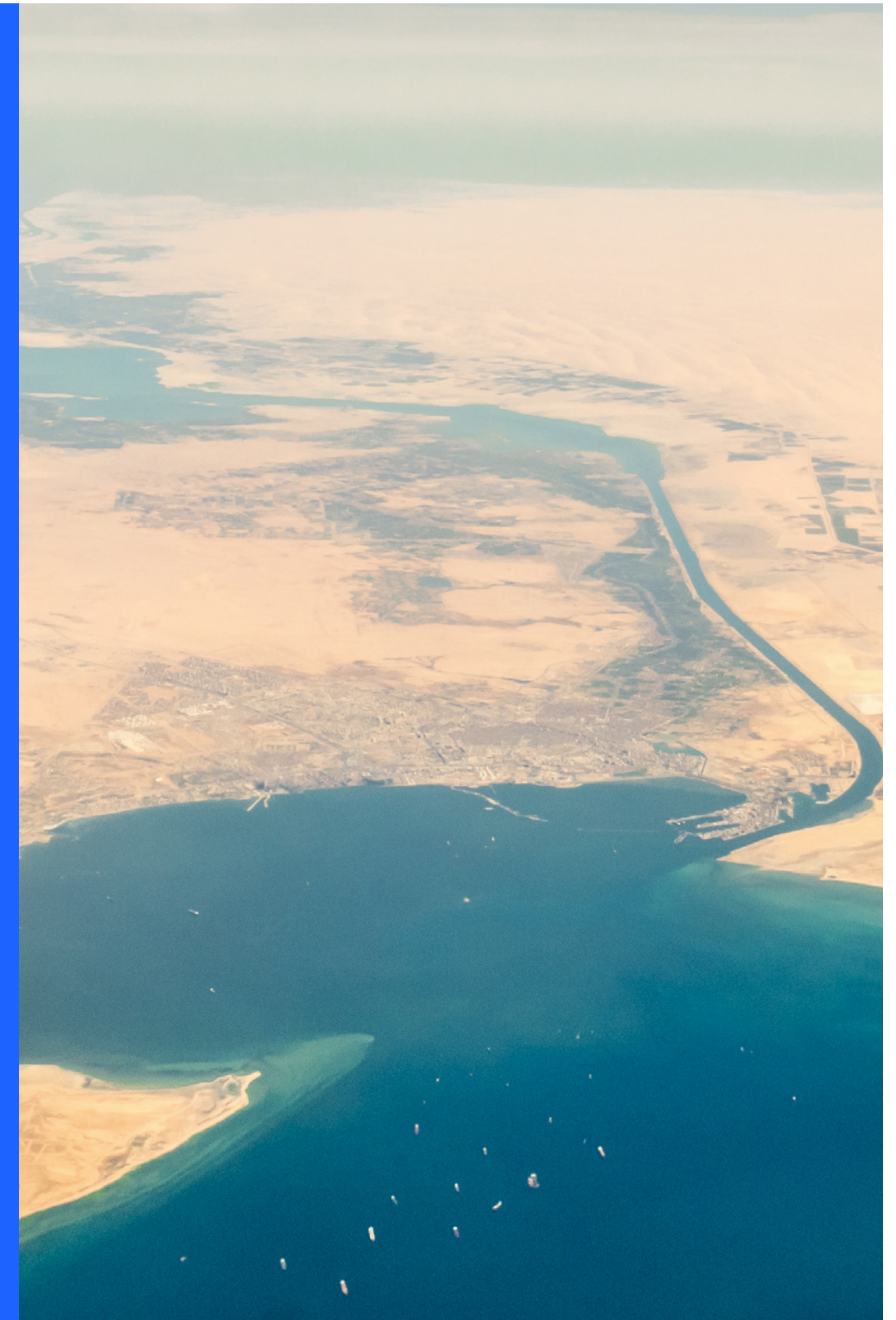
This has triggered nearly a month of shipping uncertainty and rising ocean freight shipping rates. With A.P. Moller Maersk announcing the extension to pause transits 'for the foreseeable future', this uncertainty shows no sign of slowing down.

Chances are, you're already in conversations with your suppliers and will be up to date with the latest market analysis. Rather than repeating what you already know, we recommend you immediately do the following four steps:

On the following pages, we cover why these actions are important to prioritize.

Xeneta recommended four steps:

- 1 Immediately flag to your CFO and other internal stakeholders that freight costs and surcharges will be much higher than expected/budgeted.
- 2 Prepare operationally to negotiate spot rates throughout HI, rather than relying on long-term contracts.
- 3 Prepare to use air freight more than expected to minimize supply chain disruption.
- 4 Use the Xeneta platform to continually monitor the situation and make data-backed decisions.



1

Immediately flag to CFOs and other internal stakeholders that freight costs and surcharges will be much higher than expected/budgeted.

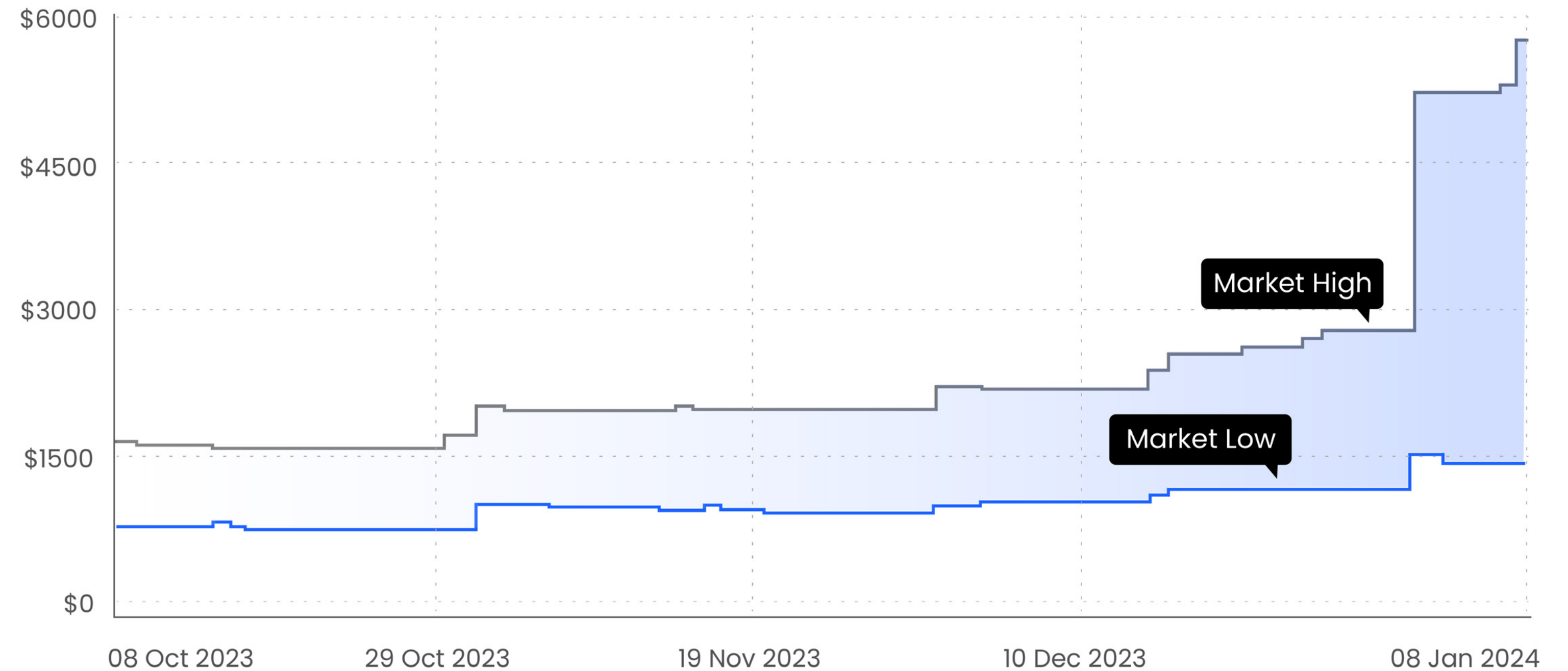
If you haven't done so already, your CFO needs to know that rates are on the rise and highly volatile, and contracted/NAC rates are unlikely to be honored by carriers. Using Xeneta's real-time dashboard and reporting function to understand today's market low, average and high will provide clear guidance during these meetings on how a revised budget should be positioned based on likely market trajectories.

Gain full transparency over rising costs

The Xeneta platform includes the raft of Red Sea related Surcharges already announced by carriers to provide the most comprehensive picture of the market.

Short-term market spread - Far East to North Europe

Source: Xeneta



The automated **Budget Outlook feature** also considers these real-time rate developments as it calculates three different budget scenarios for you to strategize around.

"If you are a shipper, there is a level of negotiating power. Surcharges do not have to just be accepted and they should always be questioned and challenged."

Erik Devetak
Xeneta Chief Product and Data Officer

2

Prepare operationally to negotiate spot rates throughout HI, rather than relying on long-term contracts.

Unless you have very high levels of inventory, you'll need to restock in HI. And with longer transit times and decreased reliability, this can put your supply chain at risk. While the situation will vary depending on a shipper's individual circumstances, many are being told long-term contracts and NACs from Freight Forwarders and Carriers will not be fully honored. This is seeing shippers being pushed onto the spot market or incurring other premium charges added to the cost of transporting their goods.

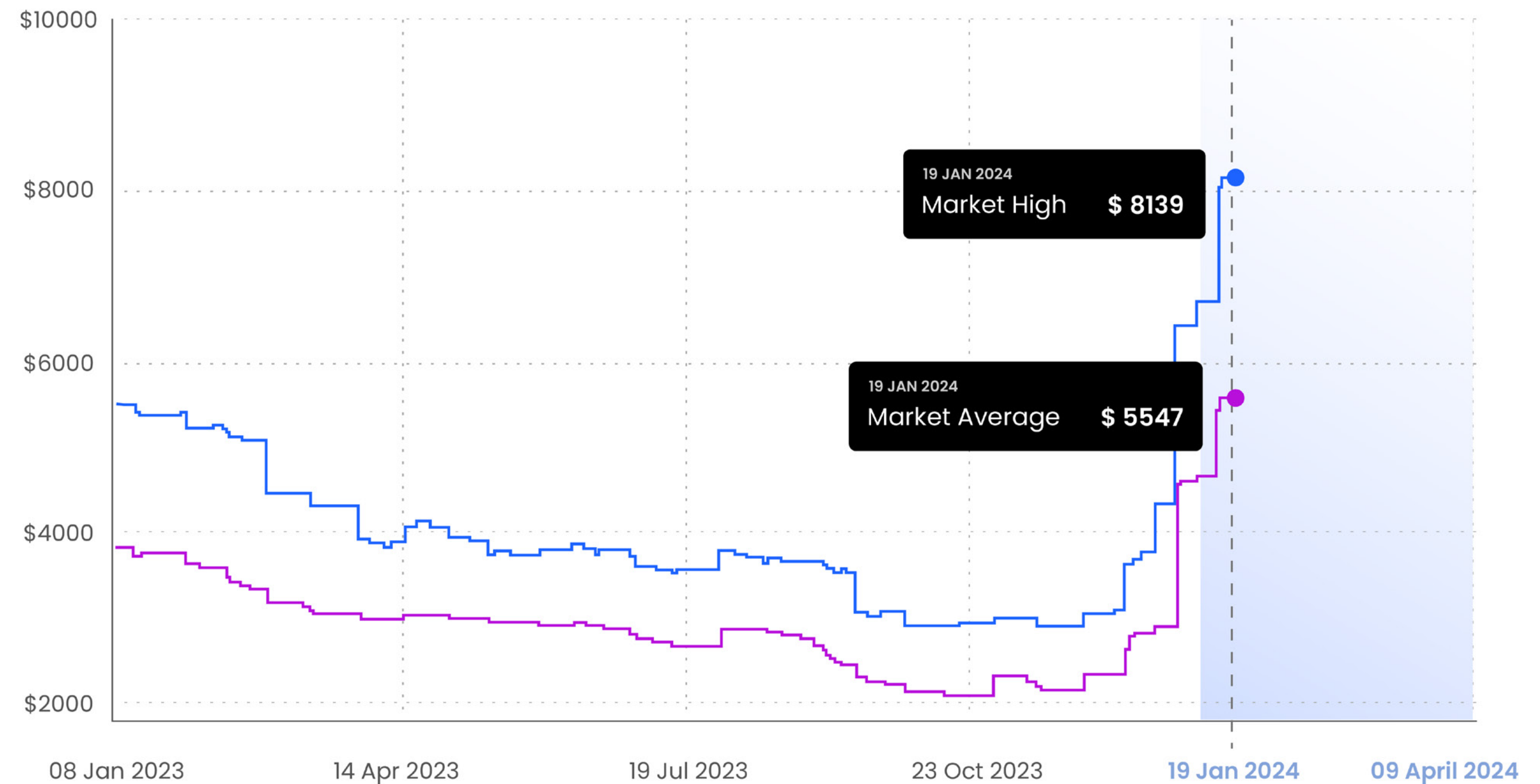
The graph to the right provides an indication of the magnitude of the rate increases shippers could be faced with when they are pushed onto the spot market. Rates between the Far East and Mediterranean are set to breach USD 8000 per FEU with similar stories to be found between North Europe and US East Coast.

How data can help with spot rates

The Xeneta platform processes 10+ million data points per month to give you accurate

Future short term rates – Far East to Mediterranean

Source: Xeneta



market data that is neutral and allows you to enter negotiations with confidence.

Tip: With short-term rates ready to increase dramatically, you do not want to be paying the lowest price if you want to protect your supply chain. Carriers may look at long-term contracts at lower value and, in some cases, deem them to be unprofitable. Those shippers risk their goods being left at the port.

"If you are going to challenge and push back, then you can either go into these negotiations blind or you can have the Xeneta market data to strengthen your position."

Erik Devetak
Xeneta Chief Product and Data Officer

3

Prepare to use air freight more than expected to minimize supply chain disruption.

Motivated by dwindling stock levels going into H1, many shippers are preparing to shift a proportion of their cargo to air freight to mitigate the risk of increasing unreliability in ocean freight shipping. This will have a knock-on effect on budgets, timelines, port logistics and, in some cases, environmental targets. Higher-value agreements will also likely be prioritized by carriers due to a surge in demand.

How customers are using Xeneta

Xeneta customers are currently using the Xeneta platform to monitor both air and ocean markets before making decisions that impact on their supply chain. For example, dynamic load factor out of Hong Kong is already at 93% – meaning shippers are aware of capacity and cost implications before making the switch.

Availability of air cargo capacity – Asia to Europe & Middle East

Source: Xeneta

Average dynamic load factor from selected Asia airports to Europe and Middle East in the two weeks ending 17 December 2023



“As Covid proved, there is always room for air freight rates to go up. Air freight forwarders and airlines will prioritise agreements at higher prices and this is a real risk for shippers.”

Niall van de Wouw
Xeneta Chief Airfreight Officer

4

Use the Xeneta platform to continually monitor the situation and make data-backed decisions.

Short-term rates between Far East and North Europe have already passed the 100% increase milestone since mid-December 23'. While a localized incident, the Red Sea is having global implications across major shipping lanes that must be closely monitored.

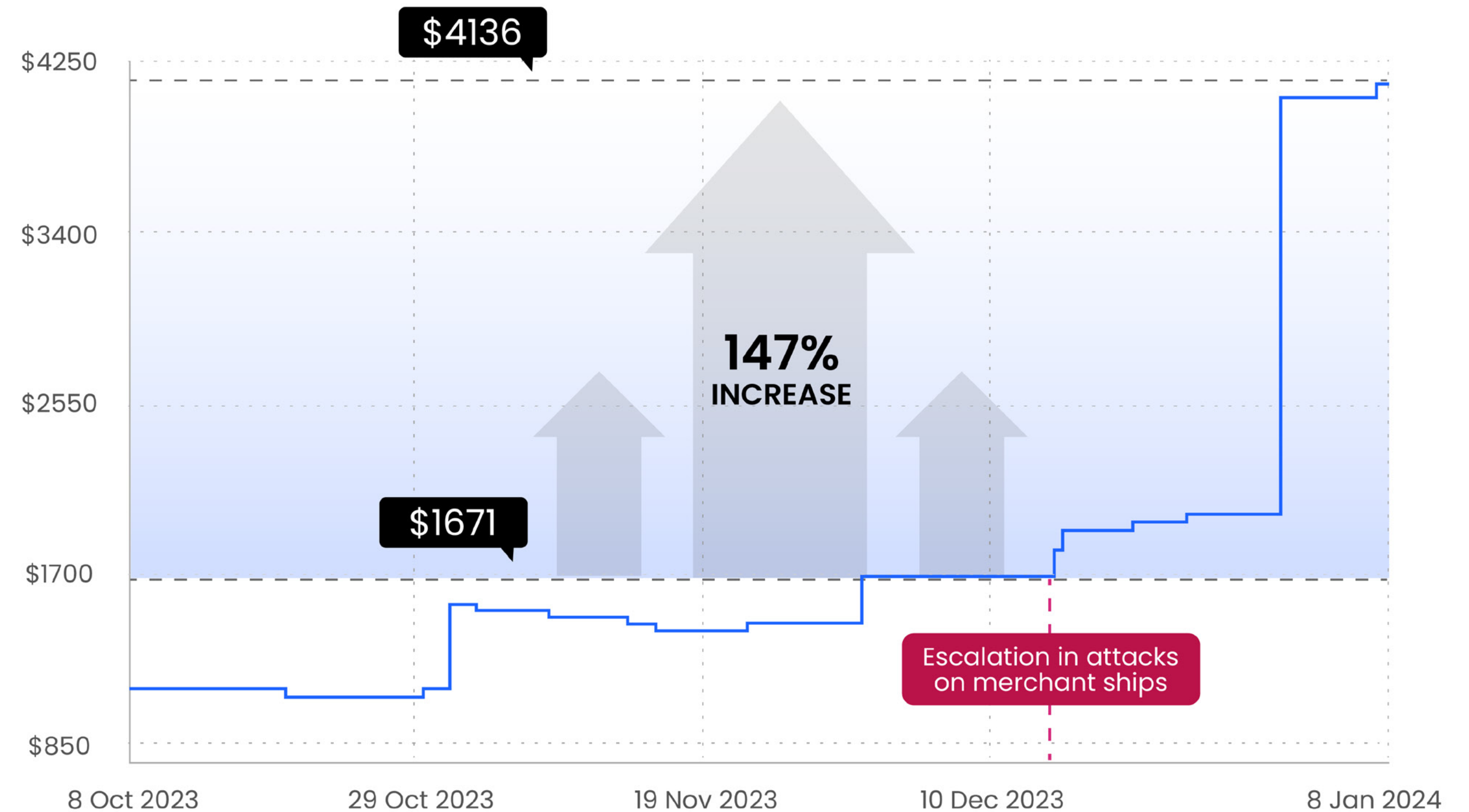
The graph to the right shows the "market mid-high". These are the rates shippers, who are being pushed onto the spot market, are targeting during new negotiations with freight forwarders and carriers to help mitigate the risk of their containers being rolled.

Monitor the whole market in one place

Xeneta customers are using the platform to monitor the market, not only on trades that transit the Suez Canal, but across the global supply chains. For example, HMM has announced rate increases on the Transpacific as a result of the crisis in the Red Sea.

Short term 'market mid-high' rates per FEU – Far East to North Europe

Source: Xeneta



By using Xeneta to continually monitor Air and Ocean Freight data, you'll gain reliable and independent insights into the market. This includes spend analysis, strategic sourcing and a more holistic view of how the market interacts with your supply chain strategy – all in one platform.

"Remember this is a quiet season for shipping – carriers will need their ships to be back in Asia following the upcoming Chinese New Year when demand increases, so disruption is only going to get worse."

Erik Devetak
Xeneta Chief Product and Data Officer

Planning your next strategic move

We hope the four recommended next steps offer guidance during this time.

As a Xeneta customer, our ocean and air freight intelligence makes it possible for you to monitor the market in real-time with objectivity, transparency and trust in pricing data.

This continues to prove invaluable for customers during incidents such as the Red Sea crisis when opportunistic behavior and misinformation is witnessed across the industry. It also greatly benefits customers looking to optimize their supply chain strategy all year round.



Did you know, Xeneta customers benefit from being part of a peer-led community, with **regular customer-only webinars and roundtables**? This community provides access to market leaders and analysts to help you navigate the market, no matter what the condition.

[Join the January Webinar](#)

XENETA

Navigate unpredictability with data-driven certainty.

As the current situation in the Red Sea continues to unfold, remaining vigilant is key. And with Xeneta, you can understand how your rates, reliability, and key trade lanes are being impacted with a clear picture of the market.

Keep optimizing your contract type, supplier selection, and overall strategy – even in the most challenging conditions.



[Contact Your Customer Success Manager](#)

