



Fair-Mead Marine

Founded in 1974 in Singapore

- Leading carrier in the Intra-Asia market, no presence on the major Asia-North America sea lanes
- In vessel operations providing actual shipping service it
- Business focused on being mainline feeder owning its own fleet of container ships with aggregated capacity of 26,500 TEUs
- Have a new CEO David Tian with aggressive change policies

Key Case Elements

- **Variable costs** come from "bunker costs" or fuel prices - A material increase in the price of oil usually had an adverse impact on the bottom line
- **Fixed costs** are high overruling about half of the total cost structure. Other fixed costs come from terminal charges and overhead, which was needed to effectively fill capacity.
- Teah-Sah Holdings container business in the trans-Pacific, Asia-North America shipping lanes selling 16 ships with average capacity of 4,500 TEUs
- Rapid business development in focusing business in **niche markets** such as shipping intermediate goods and foodstuffs also developed its own **freight-forwarder arm**
- **Customer-centric model:** Focus on customer satisfaction and customer relationships while providing value-added activities to customers to keep loyal.
- Business to **MLOs** continued to grow, by 2007 Intra-Asia liner services accounted for approximately **80% of the company's revenues**.

Issues

- Variable Cost & Fixed Costs
- Capacity: High origin volume with low destination density
- High barriers to entry
- Volatile demand environment
- Long lead times/customer-centric business

Industry

Businesses, also carriers, to help customers and benefit themselves.

- High degree of competition
- High degree of volatility in pricing
- High degree of volatility in demand
- High degree of volatility in supply
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- High degree of volatility in supply

Qualitative

Advantages	Disadvantages
<ul style="list-style-type: none"> • Increase Market Share • Access Trans-Pacific • Growing market • Reduce threat of competition • Create value for customers 	<ul style="list-style-type: none"> • Price pressure • Overcapacity of market • Higher cost of funding • Cyclical downturn

Recommendation

Adopt Teah-Sah Holdings 16-ship fleet into the Asia-North America shipping lanes

Real-World Example

- Evergreen Marine Corporation
- Jinhua Shipping
- Walther
- e-commerce movement
- Pacific
- Geneco Distribution Inc.

Investive Analysis



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Industry

Businesses with similar, or very different, and facing very different...

- Geographic Area (Regional)
- The 10 biggest container shipping lines worldwide
- International trade and transportation are major drivers of container shipping
- Global volume will rise to 1.5 billion TEUs by 2020, up from 1 billion in 2010
- Container shipping is highly competitive
- Major shipping companies include: Maersk, MSC, CMA CGM, COSCO, Hapag-Lloyd, Evergreen, ONE, Nippon Yusen Kaisha, Yang Ming, and OOCL

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Recommendation

Acquire Teah-Sah Holdings to ship Main into the Asia-North America shipping lanes

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Investive Analysis

	Liner Only	Feeder Only	Both Services
Annual Contribution Margin	506	689	1009
The Discount Rate(Constant)	7.50%	7.50%	7.50%
The Retention Rate	86.00%	71.00%	89.00%
The Growth Rate (Growth)	5.00%	5.00%	5.00%
CLV	3067	2187	7474

Fair-Mead Marine



Team Boeing

Fair-Mead Marine

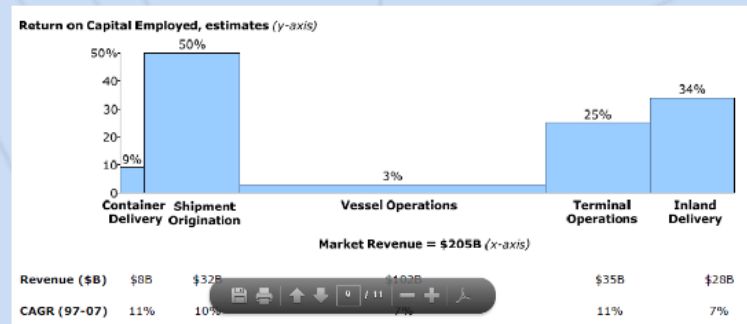
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Industry

"asset intensive, vessel expenses, including maintenance and financing, were significant."

- Comprised of four major segments
 - Top 15 players accounted for approximately 80% of volume
 - Freight-forwarders and major retailers own exporter relationships
- 60% of volume from Asia to North America or Europe could be attributed to freight-forwarders or major retailers.
 - Container carriers aggressively compete for capacity
 - Bigger ships and Cascading/ Threat of Overcapacity

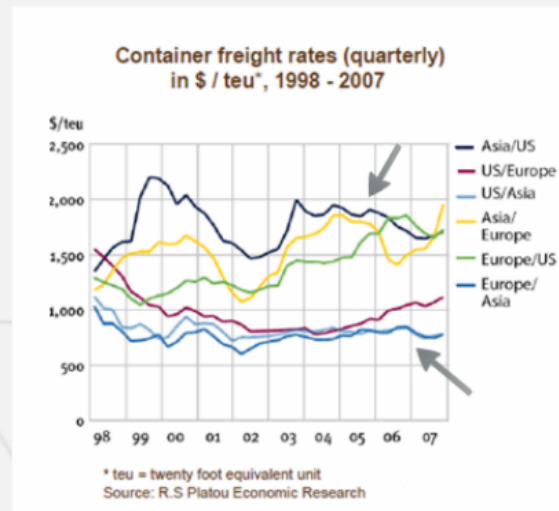


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