

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

DIVERSIFICATION IS THE KEY TO SUCCESS IN THIS YEAR'S CONTRACT NEGOTIATIONS

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Diversification is the Key to Success In This Year's Contract Negotiations

It is clear after TPM that many shippers are still having trouble deciding whether or not to sign a fixed contract with a carrier or play the spot market. If they do sign a contract, then there's additional difficulty deciding how much volume they should commit to that contract.

It's understandable why many are having trouble making these key decisions in the next few weeks because it looks like, thanks to low spot rates, many shippers should be able to make up for the high ocean freight rates they've had to pay for the last two years. However, the reality is that taking the wrong course of action could have serious consequences to service reliability as many carriers will be forced to continue with blanked sailings and ultimately service closures, which could potentially cost shippers millions of dollars. Those who take the right course of action will ultimately rise to the top of their respective industries.

“This is a classic damned if you do, damned if you don't market because shippers now have a very rare opportunity to recover their losses from the past two years,” said Peter Hsieh, Vice President of Sales and Marketing for OEC Group's Northeast Region. “However, in order to recover the losses – and even get ahead – shippers must figure out the right combination of fixed and spot rates for their business within the next few weeks. Failure to get it right could result in missing out on a once-in-a-lifetime opportunity.”

The key to taking advantage of the current market is diversifying your fixed and spot rate portfolio because the market's direction is still uncertain. For example, while container volumes are down, they are down relative to the historic pandemic levels. In fact, the current "downturn" is actually comparable along some trade lanes (if not higher) than pre-pandemic highs. From a historical perspective, volumes are not as low as they seem, and this indicates that fixed rates could be the right option.

However, carrier orders are being fulfilled for new large and ultra-large container vessels at a historic rate. Our industry has never seen the flood of newbuilds that will hit the market between now and 2025. As new vessels come into rotation, they are adding significant capacity into the market, putting further pressure on spot rates. This trend contradicts the other outlined previously and signals that spot rates might be the right option.

"The problem is, the historic influx of capacity means that space and equipment are not the bargaining chips that they used to be, and the focus is solely on rates. Committing to just fixed eliminates your opportunity to take advantage of the spot market, which is especially important during periods of slack demand where the spot rate will inevitably be at its lowest," said Frank Costa, Vice President of Sales for OEC Group's New York branch. "Our advisors can help manage your combined portfolio of spot and fixed shipments to ensure you're always on the right side of market swings. That's the most effective way to build your supply chain under the current market conditions and it is a much better offer than you'll ever get from any carrier."

**CLAIRE YANG**

Business Solutions Specialist
for OEC Group's Northeast region

INTERVIEW WITH AN EXPERT

Claire Yang, Business Solutions Specialist for OEC Group's Northeast region, discusses the security of our OEC Customer Portal and how we manage client data to ensure the safety and security of all of our clients' most sensitive information.

Q: What sets OEC Group's Portal apart from what others are offering on the market?

A: What sets us apart is basically our approach to digital services. A lot of providers are focused on all-out automation, but we focus our tech solutions on the human element that OEC is known for. The goal isn't to minimize or eliminate person to person interaction, but to support those relationships and to optimize our efforts as a team—not just our internal team, but the teams we've built with our customers.

Q: Do the high-profile hacks of the last few years, including Maersk most recently as well as CMA CGM and Expeditors International closer to the start of the pandemic, point to an upward trend of cyberattacks?

A: I think it's safe to say that our industry is being tested. Our supply chain sector has never had as many digital services and technological solutions as we do now, and bad actors are clearly trying to take advantage. That's not necessarily a bad thing. These reports and these instances of data breaches let us know that this threat is certainly out there. The trend has forced our technical teams to consider cyberattacks in a very practical way and develop internal processes to prepare for them. On the other hand, increased cyberattacks can certainly be a critical issue if you're not confident that your information is being stored safely and reliably.

Q: What is one question you'd ask a provider regarding cyber security?

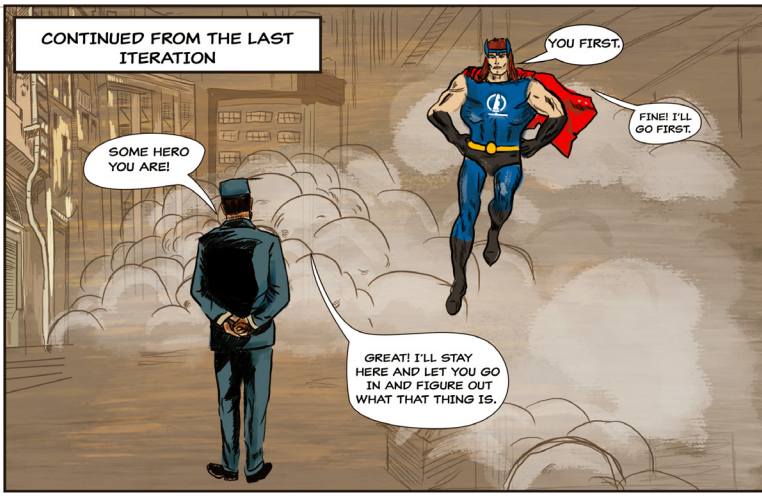
A: With issues as complex as cybersecurity, I find it best to be as straightforward as possible. Ask a question like, "Just how safe is my sensitive information?". Providers who have prepared for cyberattacks and have SOPs in place will be able to give you an idea of their approach or provide internal documentation right away. Now, they likely will not give detailed information on their IT systems (for obvious security reasons), but if they can't describe any security features or strategies, then that's certainly a red flag.

Q: What should a shipper be looking for in a provider's cybersecurity information?

A: "Penetration testing" is one important piece of IT security preparation that should be featured in an answer to any big question about a provider's digital safety. The frequency of these tests and also the depth or meticulousness of these tests would be an added bonus detail to ask about. The most prepared organizations will establish internal guidelines regarding this kind of testing and keep on their own testing schedule year in and year out. Another extremely important thing to look for, outside of the technical features, is a real person to speak with. The more automated and digitally reliant some of the tech services in our industry are, the harder it can be to get a hold of a real person that can answer your questions.

Q: Can you give shippers one piece of advice moving forward in this market with a very real threat of cyberattacks?

A: Make sure you're communicating with your provider. Effective communication is the best way to make sure your provider is prioritizing what you find important in your supply chain—including cybersecurity. We're in a true shipper's market right now, and cybersecurity is one outside variable that can completely prevent shippers from regaining any ground following two years of historically difficult market conditions. Neutralize that variable by choosing the right provider and voicing any concerns you may have.



SPORTS CARS

FUN FACTS



The world's best-selling sports car is the Ford Mustang



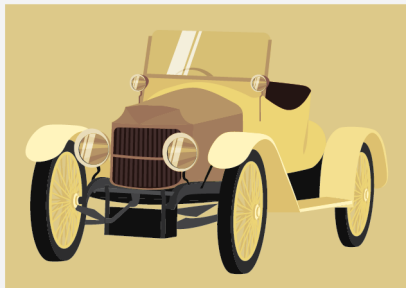
The Bugatti Veyron Super Sport is the fastest sports car on record, reaching a maximum speed of **268 mph**



Sports cars account for about **3%** of the car market



The McLaren F1 has 3 seats and the driver sits in the middle



FIRST SPORTS CAR

Many consider the 1914 Vauxhall Sports Torpedo as the world's first sports car



Butterfly doors are a safety feature that allow the driver to escape in case the car turns over



The rarest sports car is the Maybach Exelero, which was specifically built to test high performance tires for a German tire company



The Ferrari 250 GTO sold for **\$70 million** – making it the most expensive sports car on record

ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.