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How Grimaldi Group survived the downturn

Family-run shipowner managed to stay in the black last year, thanks in part to its strategy of focusing on the ro-ro and north-south trades where it has relatively few direct competitors

IT PAYS to be different. That at least is the experience of Italy's Grimaldi Group, which was in the rare position of making a profit last year.

Staying in the black was a considerable achievement, given the fact that vehicles account for a large share of cargo carried by Grimaldi. Yet the company managed to avoid lay-ups at a time when virtually all the other major operators of car and truck carriers were forced to trim their fleets and leave ships at anchor as global demand collapsed.

But that is not Grimaldi's only distinguishing feature. The family-owned Naples company founded by Guido Grimaldi, who died in September, has turned its back on the China trades and also only has a modest interest in the container sector.

Instead, growth has been focused largely on the intra-European shortsea and north-south deepsea ro-ro trades, leaving Grimaldi with a clear field in many markets. In the process, it has become the line that others use as a benchmark.

"We would rather be big in the trades where we operate, than be last somewhere else," says Emanuele Grimaldi, joint managing director of Grimaldi Group with responsibility for the shortsea business. His brother, Gianluca, runs the deepsea division.

The business has expanded enormously in recent years through both organic growth and acquisitions, with fleet numbers doubling since 2006.

Not surprisingly, 2009 was one of the worst years the group had ever experienced, with revenue falling by around €400m (\$545m) to €2.1bn. Even so, a modest profit of €100m was achieved.

This year is proving difficult for a different reason. High oil prices, compounded by the expense of low sulphur fuel, has added about €100m to Grimaldi's annual bunker bill. The operator will still make money in 2010, but there will be no rapid return to the lucrative years of 2007 and 2008 before recession hit.

However, Grimaldi is happy to operate in a sector of shipping that generates steady returns over the years rather than the wild swings that many other parts of the industry have to cope with.

That is helped by the fact that Grimaldi's major customers, such as motor manufacturers, will sign long-term contacts of five years or more. Volumes still fluctuate, but those clients will commit to Grimaldi when they have cargo to move. During last year's turmoil Grimaldi did not lose a single customer, and in fact gained some new ones, according to Dr Grimaldi.

Rather than go head-to-head with the global pure car and truck carrier operators whose core business is the east-west deepsea market, Grimaldi has concentrated on the regional trades and routes between Europe, West Africa and Latin America, where there is plenty of business but relatively little competition.

Services are designed around the needs of big shippers, with vessels deployed that suit their specific requirements and ports served that are close to factories.

Grimaldi's Euro-Med service — which calls at ports in the UK, Ireland, Denmark, Sweden, Belgium, Spain, Italy, Greece, Turkey, Israel, Cyprus and Egypt on the outbound leg and then back to northern Europe via Italy and Portugal — is a perfect example of matching capacity to demand.



Press review

Typically, ships will leave northern Europe full of cars, vans, trucks, construction equipment, farm machinery, project cargo and containers and then discharge and load freight at each port of call. Only on the leg from Alexandria to Salerno is the ship likely to be fairly empty, apart from a small amount of export cargo from Israel and Egypt.

Cargo can be transhipped between services, usually in Antwerp, where European exports are switched to ships heading to West Africa or South America.

Having established a north-south trade, Grimaldi will then search out specific country or port pairs along the way that have not been served before, but where a potential trade exists.

“We can create markets,” says Dr Grimaldi, citing as an example the route between Spain and Italy, which Grimaldi now serves with eight dedicated ships.

As well as organic growth, Grimaldi has hit the acquisition trail in recent years.

Full control of transatlantic specialist Atlantic Container Line was gained in 2007, a strategic move that gave the Italian group a presence in the US, and the New Jersey line the opportunity to expand its network through transshipment connections with other vessels in the fleet.

That has proved a successful liaison, with Grimaldi now preparing to order new ships to replace ACL’s unique but elderly G3 multipurpose vessels.

Other purchases include Finnlines, which has proved a more tricky acquisition, requiring Dr Grimaldi to take personal charge after a frustrating period, in an effort to stop the losses that were running at €10m per month at one stage. Dr Grimaldi found management that was resistant to change and ships that were unsuited to the trades they were in, and openly admits it has been hard work returning Finnlines to profit.

In recent months, though, the Baltic line has started to make money.

Another purchase was the Greek ferry operator Minoan Lines. Then, earlier this month, Grimaldi, Mediterranean Shipping Co and Moby Lines revealed they were putting together a joint offer for ailing Italian ferry company Tirrenia.

Assuming the bid is successful, Tirrenia will be kept as a separate entity but with all three shareholders able to find links with their respective businesses that would help cut costs.

However, Dr Grimaldi is confident there is still plenty of room for organic growth in the markets that the Italian company has carved out for itself.

The ro-ro trades “are a little more complicated” than other shipping markets, Dr Grimaldi says.

But with ships in service or on order that are designed specifically for the trades that Grimaldi serves, and with few direct competitors, the Naples company is confident that it can continue to make a profit even during difficult times when others are losing money.