

Quality Promises: Questions and Answers



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I. Strategy 2023

1. What are the key strategic goals of your “Strategy 2023”?

Our Strategy 2023 has three key strategic goals: First, to become “Number One for Quality”. Second, to grow in selected markets and niches to attain a global market share of 10 percent (excluding Intra-Asia). Third, to be profitable throughout the cycle and earn more than our cost of capital.

2. Why are you focusing on quality?

Our industry has reached a crucial turning point: The priority is no longer on size, but on quality. In consequence, we have put quality at the heart of our Strategy 2023, and we are focusing on differentiation to create superior value in our customers’ supply chains.

3. Why do you believe your customers will be willing to pay more for premium services?

Extensive market research and customer interviews show that for ‘service seekers’, quality clearly creates additional value, for which they are willing to fairly compensate Hapag-Lloyd. There are also significant numbers of ‘value seekers’ who will award business to the more reliable carrier, provided that their prices are similar. Both groups will only do this for proven quality and additional value.

II. Quality Promises

4. What is behind your Quality Promises?

We have committed ourselves to quality by developing 10 Quality Promises and defining clear goals that we aim to achieve. These goals will guide us on our journey towards improving the standards in our industry, benefiting our customers and ourselves.

5. What are your Quality Promises aiming at?

Our first seven Quality Promises aim to ensure prompter and more precise documentation, increased supply chain efficiency as well as quick issue resolution.

*With our first Quality Promise, ‘**Fast Booking Response**’, we have set ourselves the goals to issue booking confirmations within one business hour in 85 percent of cases and within eight business hours in 98 percent of cases.*

*With our second Quality Promise, ‘**Timely and Correct Bill of Lading**’, we promise to send a draft bill of lading within four business hours in 80 percent of cases and within eight business hours in 95 percent of cases. In addition, we aim to provide the final bill of lading after one business day of vessel departure in 95 percent of cases.*

*With our third Quality Promise, ‘**Accurate Invoicing**’, we aim at providing an accurate invoice at least 97 percent of the time.*

*Our fourth Quality Promise, ‘**Loaded as Booked**’, focuses on the goal to load at least 95 percent of our customers’ containers as per booking confirmation.*

*With our fifth Quality Promise, ‘**Volume Agreements Honored**’, we promise to confirm bookings for at least 90 percent of the volume agreements we have with our mid- and long-term customers who bring us regular business.*

*With our sixth Quality Promise, ‘**Schedule Reliability**’, we aim to provide more transparency on our schedule reliability, to increase our vessels’ on-time performance and to maintain our current ranking among the 15 largest carriers in terms of schedule reliability (as reported in the monthly Sea-Intelligence Global Liner Performance Report). We intend to further improve in 2022 and beyond.*

*With our seventh Quality Promise, ‘**Efficient Cargo Claims Handling**’, we have set ourselves the goal to fully review and close cargo claims within 14 days in 85 percent of cases.*

6. What is in it for your customers?

Fast Booking Response: *Having the peace of mind that our customers' booking has been received and confirmed will allow them to focus on other tasks in their busy schedule. At Hapag-Lloyd, we make it our priority to help their business to run smoothly in any way we can.*

Timely and Correct Bill of Lading: *By minimizing the time spent on continuous amendments and changes, our customers will be able to focus on other tasks in their daily work. Receiving well-documented proof of shipment for their banks and/or insurance companies can also play an important role, such as enabling our customers to receive payments sooner from relevant parties.*

Accurate Invoicing: *We believe that high transparency regarding our customers' transportation costs can help them in their financial planning as well as in assessing the risk of potential revenue leakages resulting from incorrect invoicing. As a result, they will have more time to focus on processing invoices for payment rather than for corrections.*

Loaded as Booked: *We believe that loading our customers' containers as booked will help them to improve supply chain flow due to increased predictability, to safeguard their reputation as a reliable logistics/business partner and, last but not least, to reduce administrative work related to rolled cargo or shipment re-planning and thus reduce commercial costs and liabilities.*

Volume Agreements Honored: *We believe that offering our mid- and long-term customers a much higher level of certainty that planned volume will be accepted and fewer bookings rejected will enable them to enjoy more efficient planning due to high confidence in cargo flows plus significant cost savings. Additionally, regular data-based reviews will facilitate their forecasting process and allow them to achieve better commercial results.*

Schedule Reliability: *We believe that offering our mid- and long-term customers a much higher level of certainty that planned volume will be accepted and fewer bookings rejected will enable them to enjoy more efficient planning due to high confidence in cargo flows plus significant cost savings. Additionally, regular data-based reviews will facilitate their forecasting process and allow them to achieve better commercial results.*

Efficient Cargo Claims Handling: *We believe that responding to our customers who need to issue a specific cargo claim fast and handling their requests quickly and efficiently, will enhance their satisfaction and peace of mind. They will benefit from an easy, hassle-free and transparent cargo claim process including profes-*

sional guidance from assigned experts. Prompt notification regarding the resolution of a cargo claim will improve their planning security.

7. You are talking about the first Quality Promises. Are there more to come?

Yes, we have developed a set of 10 Quality Promises, and we plan to gradually launch additional promises in the upcoming quarters. The next Quality Promise, 'Fast Issue Resolution' will be launched in Q4 2021. Our complete set of Quality Promises is aiming at improvements in our services in five different key areas, which we understand our customers would like to see from us: timely and accurate documentation, responsive service, booked and loaded as agreed, reliable transport and quick issue resolution.

III. Quality Promise Customer Dashboard

8. What is behind the Quality Promise Customer Dashboard?

We create additional transparency with our online [Quality Promise Customer Dashboard](#). Customers are able to get an overview at any time of how Hapag-Lloyd is delivering on its Quality Promises. Since September 2020, Hapag-Lloyd Online Business users have had access to a separate personal area. Based on their own shipments, they are now able to see exactly where Hapag-Lloyd stands in terms of delivering on its Quality Promises.

9. How do I get access to the data?

You can gain access to our Quality Promise Customer Dashboard via the [Hapag-Lloyd website](#) with your online business credentials. Try the dashboard on our desktop, mobile or tablet versions. More information can be found [here](#).

10. What can I do if I do not have a business login yet?

You can register for a Hapag-Lloyd Online Business account [here](#). With a valid HL Online Business credential, each customer can log in to our [Quality Promise Customer Dashboard](#). For technical assistance, please contact your local Hapag-Lloyd Sales representative. You can find your local office [here](#).

11. What are the advantages of using the dashboard for me as a customer?

Our dashboard offers exact and detailed information on our quality delivery performance. Knowing the data, you will always have a clear picture of the service you can expect. In the individual customer area, you are able to evaluate the ser-

vice you have received and paid for. In showing you complete transparency in our dashboard, you can trust our commitment to deliver high quality.

12. Which data are displayed in the Quality Promise Customer Dashboard?

In our [Quality Promise Customer Dashboard](#), you can see Hapag-Lloyd's performance on the Quality Promises versus the targets we aim to achieve. The data are also visible for different locations and periods. It currently covers the performance for Fast Booking Response, Timely and Correct Bill of Lading, Accurate Invoicing, Loaded as Booked, Volume Agreements Honored, Schedule Reliability and Efficient Cargo Claims Handling . To complete the picture, we have added an overview of the commitment of your company within our partnership. By the end of this process, 10 defined Quality Promises will be fully trackable via the Quality Promise Customer Dashboard.

13. Can I see Hapag-Lloyd's individual performance on my shipments in the Quality Promise Customer Dashboard?

Yes, by logging in to the [Quality Promise Customer Dashboard](#) our customers can see their own performance. Each Quality Promise comes with corresponding commitments that Hapag-Lloyd is asking its customers to fulfil. If you uphold your commitments as our customer, it makes it easier for us to comply with our Quality Promises. We call this the "mutual handshake".

14. Who can see customised data on the Quality Promise Customer Dashboard?

Only customers with Hapag-Lloyd Online Business access can track their own data related to Quality Promises and customer commitments. We value the privacy of our customers and ensure that any third party that is not part of the transaction with Hapag-Lloyd will not be able to gain access to sensitive customer-level performance information.

15. Looking at your quality performance delivery in your new dashboard, one sees that you have not been able to deliver on all your promises yet. What are you doing to improve your performance?

Hapag-Lloyd is taking an approach that is unique in the entire industry to transparently documenting how its promises are kept. The performance on all promises is measured, and this data is made available to all customers via our [Quality Promise Customer Dashboard](#). An evaluation of the full year 2020 shows that we have been able to significantly boost our performance regarding six already-released Quality Promises – Fast Booking Response, Timely and Correct Bill of Lading, Accurate Invoicing, Loaded as Booked and Volume Agreements Honored compared to 2019.

For instance, we have:

- *Increased the frequency of issuing fast booking confirmations within eight hours from 54 percent of the cases in 2019 to 70 percent in 2020.*
- *Increased the frequency of delivering a draft bill of lading to customers within four business hours from 69 percent of the time in 2019 to 87 percent of the time in 2020, thereby exceeding our promise consistently.*
- *Achieved our target to provide an accurate invoice to our customers 97 percent of the time; in fact, we are hitting this target continuously.*
- *Seen a drop in our performance on loading containers as booked, primarily due to the operational constraints our industry is facing. We are determined to improve our performance on this promise as well as on our Schedule Reliability*
- *Accepted around 10 percent more bookings during 2020 than agreed on in our volume agreements with our mid- and long-term customers, thereby exceeding our promise consistently.*

Still, transforming our industry and becoming “Number One for Quality“ will not happen overnight. We have set ourselves ambitious goals, and we are well aware that we are only at the beginning of our journey to achieve these goals linked to our Quality Promises. Our ambition is to steadily improve the service we deliver to our customers and the way we do business with them. This is what we are committed to, and how we progress on that journey is displayed transparently via our Quality Promise Customer Dashboard.

16. Can I rate Hapag-Lloyd’s performance as a customer?

As we are introducing performance data based on defined KPIs which can be measured and monitored, we do not offer a customer rating section. But, of course, we would be very happy to receive any feedback from you on our improvements and our efforts to become the “Number One for Quality”. Please provide your feedback to us directly via your Sales contacts and/or in the customer surveys we regularly conduct.

17. What does Hapag-Lloyd expect from customers in exchange for improved reliability and service quality?

Delivering on our promises will only work if our customers are equally accountable for delivering on their commitments to Hapag-Lloyd. We call this mutual commitment the “handshake with our customers”. This should be done in the spirit of true partnership, which we want to further strengthen with our customers. Therefore, we need our customers to honor volume and booking commitments, provide accurate information on time, and make payments as agreed, for example.

18. Are there any consequences if customers do not fulfil their commitments?

Currently, there will be no consequences if a customer is unable to fulfil its commitments. The idea of our “mutual handshake” is to help our customers as they help us to improve our performance.

19. Are you planning to introduce consequences for non-delivery?

The customer level for all our promises is designed to be mutually beneficial to both Hapag-Lloyd and our customers. Monitoring customer performance in the Quality Promise Customer Dashboard enables you to evaluate your own performance and to analyse in which areas improvements could be made. However, for some of our promises (e.g. Volume Agreements Honored), customer performance is crucial to our joint success. Thus, we will consider certain consequences for non-delivery after both sides have adapted to the new arrangements and the time is right to strengthen our mutual commitment. Should we be required to take action, we would introduce and discuss possible measures in our regular data-driven reviews.

IV. Schedule Reliability

20. What is schedule reliability in general?

Schedule reliability in general is defined by the total on-time arrivals of vessels divided by the total number of arrivals within a specific measurement period. Since port omissions and blank sailings are not considered at all, they will not affect schedule reliability negatively. Currently, for our industry, schedule reliability reports are being provided by, for example, Sea-Intelligence, eeSea, SSE (Shanghai Shipping Exchange) and CargoSmart. At this time, the Sea-Intelligence Global Liner Performance Report is the most recognized in the market and commonly used in discussions within the shipping industry.

21. Why has Hapag-Lloyd gone public with a Quality Promise on Schedule Reliability and why the focus on transparency?

Hapag-Lloyd has gone public with its initiative to improve its schedule reliability to underline its strong determination to improve its services. Hapag-Lloyd does not want to promise too much. However, we are convinced that reliable transportation along with transparency on schedule reliability are significant service characteristics for our customers. That’s why we have informed our customers on our efforts and initiative to be completely transparent on the schedule performance of our ships. At the same time Hapag-Lloyd is working hard to remedy the situation,

improve the ships' on-time arrivals and wants to assure customers that all teams are working hard to do so. Plus, Hapag-Lloyd has started the implementation of several operational improvement processes in 2020, and is confident that these will show results.

22. Where does Hapag-Lloyd rank in terms of schedule reliability at this time?

At the moment, we have already seen initial results from our efforts. Referring to the Sea-Intelligence Global Liner Performance Report from May 2021, Hapag-Lloyd was able to move from 12th position out of 15 in December 2019 to 4th in April 2021. Climbing to this rank has been an achievement, as the results compare us to our peer group, the 15 largest carriers. Nevertheless, we acknowledge that we are far from delivering the absolute levels of service that our customers expect from a quality carrier. But we have the single-minded ambition to deliver.

23. Will Hapag-Lloyd also improve on-time delivery at the individual-box level?

Hapag-Lloyd's ultimate goal is to deliver our customers' boxes right on time, as that is what really matters to them. One of the key factors to reach that is the on-time performance of all vessels. This is phase one. Hapag-Lloyd is actually planning and preparing phase two of schedule reliability, which will focus on ensuring on-time delivery at the individual-box level.

24. Regarding schedule reliability, which are the largest carriers Hapag-Lloyd is being compared with?

Based on the Sea-Intelligence Global Liner Performance Report, Hapag-Lloyd is compared to the following top carriers: APL, CMA CGM, COSCO, Evergreen, Hamburg Süd, HMM, Maersk Line, MSC, ONE, OOCL, PIL, Wan Hai, Yang Ming and ZIM.

25. Why is Hapag-Lloyd providing different reliability figures from those of the Sea-Intelligence Global Liner Performance Report?

Using the Sea-Intelligence Global Liner Performance Report, Hapag-Lloyd can only share data and rankings on reliability performance at the global level. This limits its ability to go into granular detail on performance reporting, such as at the trade, country and port pair levels. This information is supplied by their in-house "Carrier Schedule Analysis" (CSA), which plays a vital role in creating valuable insights that Hapag-Lloyd can share with its customers.

26. What are we currently doing to perform better and achieve measurable improvements?

Hapag-Lloyd is implementing several operational processes and improving co-operation with terminals, ports, and all on-shore partners to significantly reduce the average delays. An important result is that we are collecting better data on the arrival performance of our vessels, which will enable us to share regular notifications with our customers and to become more precise regarding ETAs (estimated times of arrival) and container pick-up times.

27. Why is Hapag-Lloyd aiming to rank among the top third of the largest 15 carriers when you actually want to be the “Number One for Quality”?

As one of the largest global carriers, Hapag-Lloyd has set ambitious goals for itself. In addition to changing the quality of our own services and products, Hapag-Lloyd also wants to change processes involved in collaborating with all its partners and, last but not least, in its customers’ daily business. In any case, transforming not only our own operational processes, but also processes at ports, at terminals and in our industry cannot happen overnight. Hapag-Lloyd will have to make these changes in a piecemeal fashion and wants to be completely open about this process. By maintaining our position among the top third of the largest 15 carriers in terms of schedule reliability, Hapag-Lloyd is taking one huge step. But it is not the final destination.

V. Efficient Cargo Claims Handling

28. Which parties are authorized to raise a cargo claim request with Hapag-Lloyd?

Any party involved may be authorized to raise a cargo claim, yet specific regulations per country or contract may apply. Our cargo claims experts will advise our customers about the authorized parties during the process.

29. What documentation do I as a customer need to provide for raising a cargo claim with Hapag-Lloyd?

For resolving a cargo claim Hapag-Lloyd will request only documents relevant for a specific case. In most cases a claim calculation including the claim amount, copies of the commercial invoice as well as the packing list and photographs are required. Should additional documents be required, your claims handling expert will advise on further steps.

30. What is the time limit for filing a cargo claim request with Hapag-Lloyd?

The time limit for filing a cargo claim depends on several factors like applicable jurisdiction and legislation. Under our terms and conditions for cargo claims against Hapag-Lloyd time becomes barred one year after the goods have been or should have been delivered.