

Geographic diversification of ITOs: a longitudinal study to understand the internationalization's patterns

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The relevance of the phenomenon - Geographic diversification

- ✓ **Ports' privatization:** according to Cullinane and Song (2002) the ports' reform and **liberalization's process** in many countries have opened up a lot of **investment opportunities**.
- ✓ **ITOs:** in year 2019, terminals owned or partially owned by **GTOs/ITOs** accounted for **over 66%** of global throughput, with other private operators handling 14%, and the state sector 20%.

| | % Share of Throughput | | | | % Share of Throughput | | | |
|----------------------------|-----------------------------------------------|--------------------------|--------------|--------------|-----------------------------------------------|--------------------------|--------------|--------------|
| | 2018 Throughput (^{'000 teu}) | Global/ International | Private | State | 2019 Throughput (^{'000 teu}) | Global/ International | Private | State |
| North America | 67,564 | 59.9% | 20.2% | 19.9% | 68,674 | 58.1% | 21.3% | 20.6% |
| Europe | 136,072 | 76.4% | 16.4% | 7.3% | 139,724 | 78.4% | 13.7% | 7.9% |
| Asia | 423,547 | 64.8% | 9.9% | 25.3% | 433,047 | 64.4% | 10.2% | 25.4% |
| Middle East and South Asia | 68,591 | 71.6% | 11.2% | 17.3% | 69,606 | 73.3% | 10.9% | 15.9% |
| Latin America | 48,030 | 56.5% | 32.5% | 11.0% | 48,328 | 61.1% | 31.7% | 7.3% |
| Africa | 27,653 | 55.8% | 6.8% | 37.4% | 28,393 | 59.7% | 5.2% | 35.1% |
| Oceania | 13,133 | 33.5% | 56.5% | 10.0% | 12,983 | 31.7% | 58.8% | 9.6% |
| World | 784,589 | 65.6% | 14.1% | 20.3% | 800,756 | 66.2% | 13.8% | 20.1% |

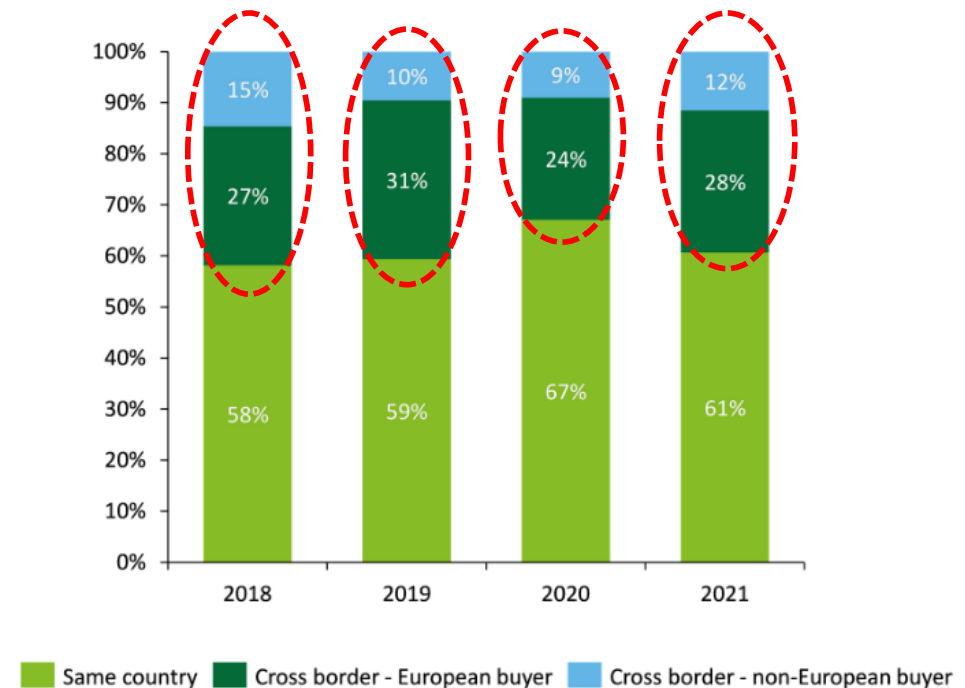
Source: Drewry Maritime Research

- ✓ **Growth's trends:** according to Drewry Shipping Consultant Annual Review 2022, global container port capacity is projected to **increase** by an average annual rate of **2.4%** to reach 1.38 billion TEUs **by 2026**.



The relevance of the phenomenon – Overseas investments

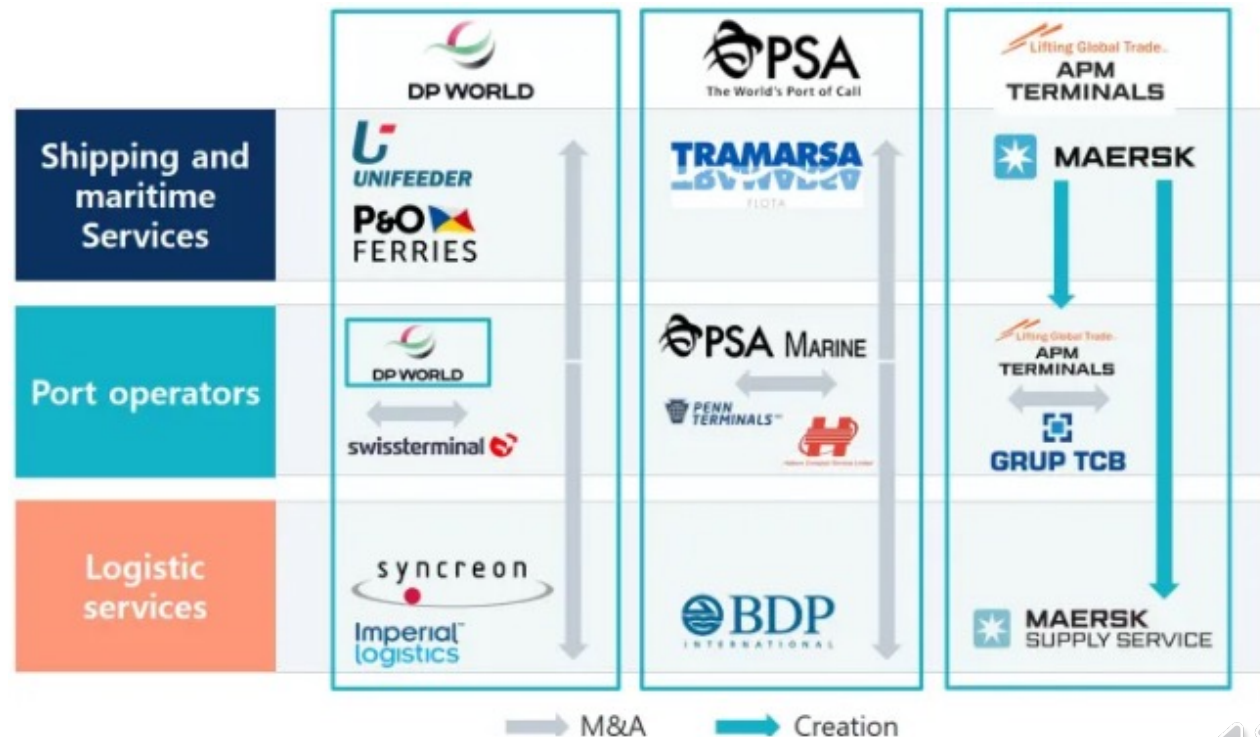
- ✓ According to Deloitte Netherlands (2021), about **814 M&A deals** occurred in the **logistics sector** in the period **2018-2021**.
- ✓ M&A activity remained relatively high in 2019 and into 1Q20, but it has since slowed dramatically.
- ✓ In the period 2018-2021, **cross-border** M&A activity accounts for about the **40%** of deals occurred.
- ✓ While the majority (**70%**) of GTOs/ITOs investment's plans remain focused on **existing assets**, there has been a **notable increase** in the number of **greenfield projects** according to Drewry Shipping Consultant Annual Review 2022 CMA Terminals, Hutchison and TIL are expected to add 4 mteu of greenfield capacity by 2026.



ITOs' growth's strategies – Examples

Main corporate growth's strategies:

- ✓ **Vertical** integration
- ✓ **Horizontal** integration
- ✓ **Internationalization**
- ✓ **Financial** diversification



Source: ALG analysis



Key literature's streams – ITOs' internationalization's patterns

MNEs

- International business theory argues MNEs are known to follow **sequential** and **incremental** foreign expansion pathways (*Johanson and Vahlne, 1977*).

ITOs


- In last twenty years ITOs have performed **horizontal growth's strategies** to keep the pace with global and regional **demand's expansion** as well as to **diversify** corporate risk across **various geographic regions** (*Notteboom and Rodrigue, 2012; Yi et al., 2021*).

TMNEs vs EMNEs


- EMNEs are characterized by the ability of **quickly entering faraway foreign markets** and of successfully catching-up with the early-mover TMNEs from developed countries (*Li, 2003; Satta, Parola and Persico, 2014*).

Business model

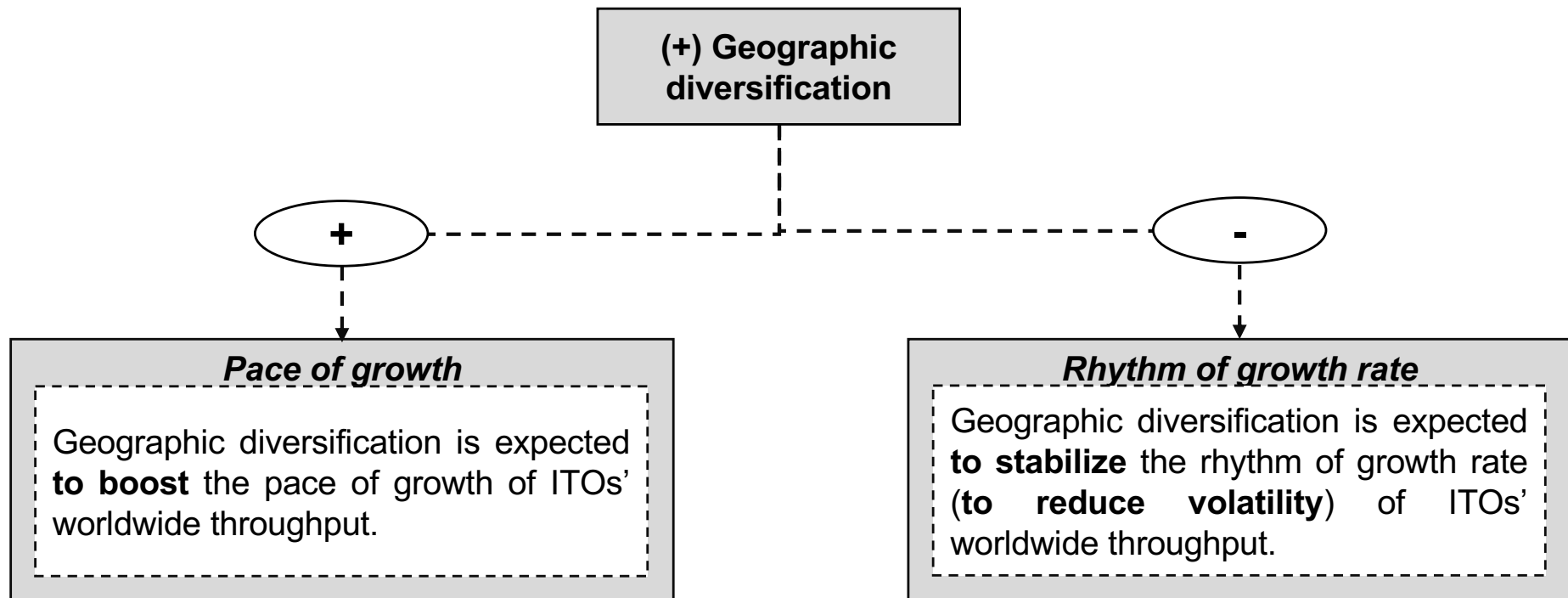
- some distinctive behaviors emerge in line with the diverse business models adopted by ITOs: **pure stevedores, ocean carriers, hybrid operators** and **financial operators** (*Haralambides et al, 2002; Cariou, 2003; Olivier, 2005; Parola, 2014*).



Literature gap: the study of the impact of geographic diversification on the **pace** and on the **rhythm** of growth's rate of ITOs' throughputs taking into consideration **simultaneously** the **differences TMNEs vs EMNEs** and the **differences** between **business models** of origin.

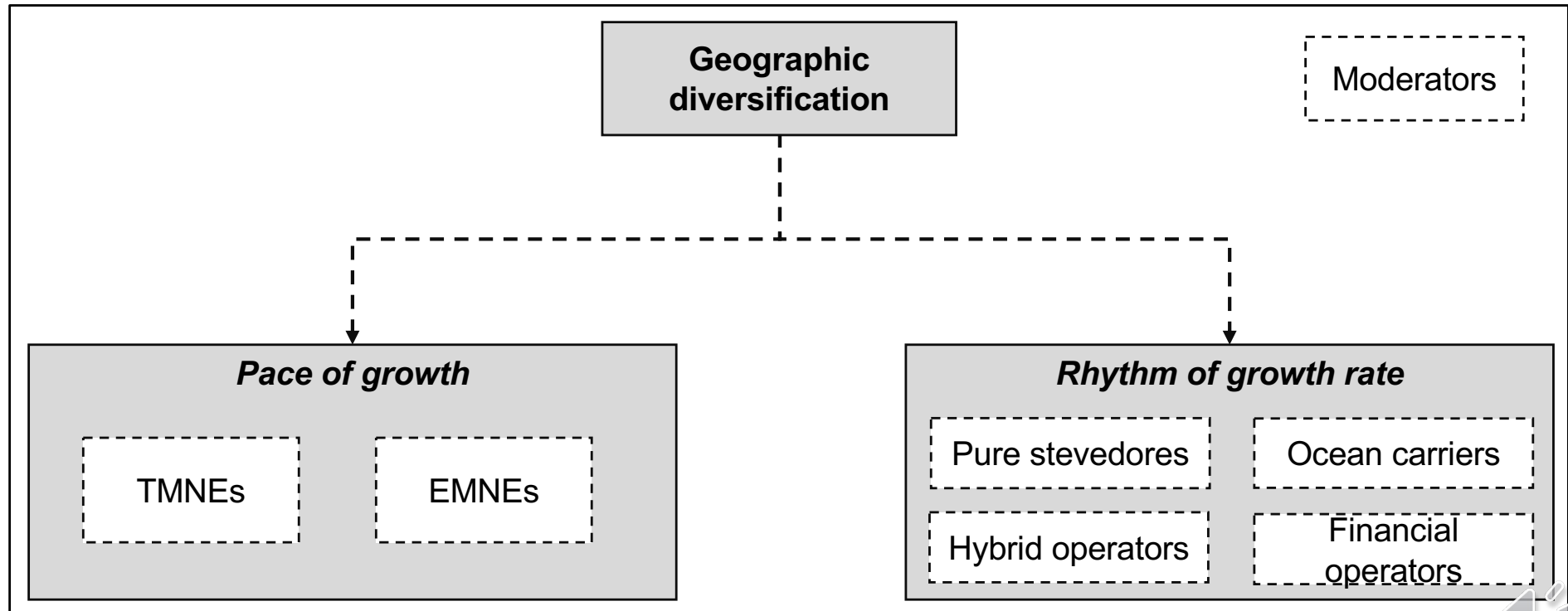


Research's objectives

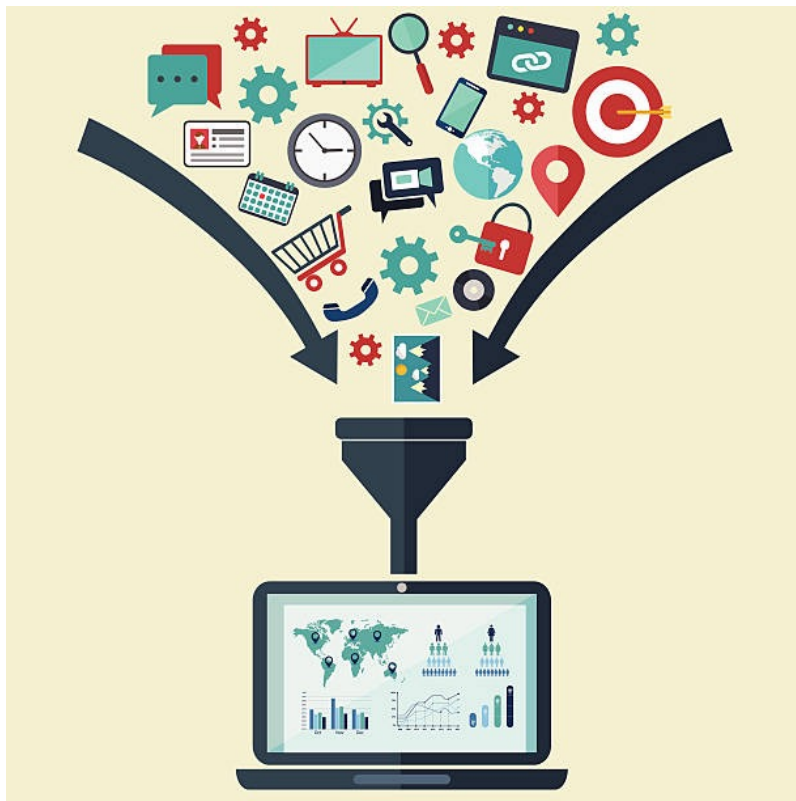


Conceptual framework

Internationalisation strategies of ITOs



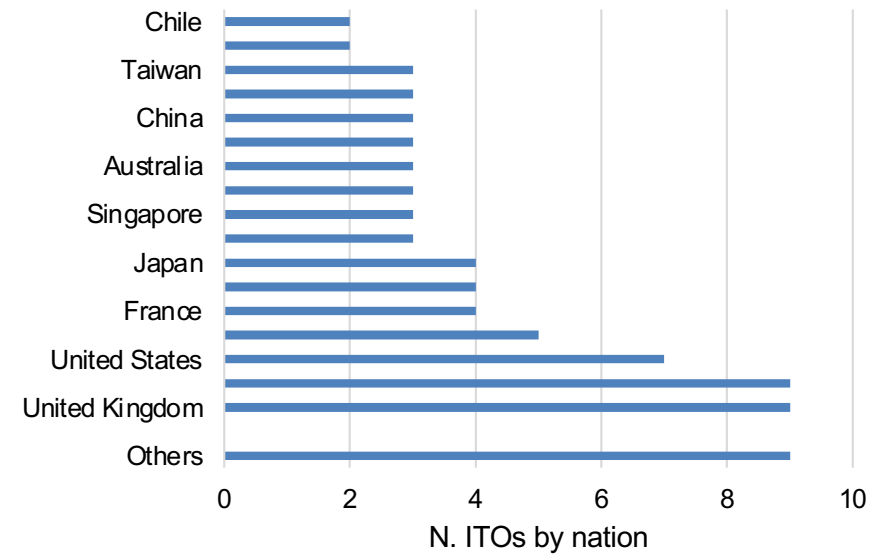
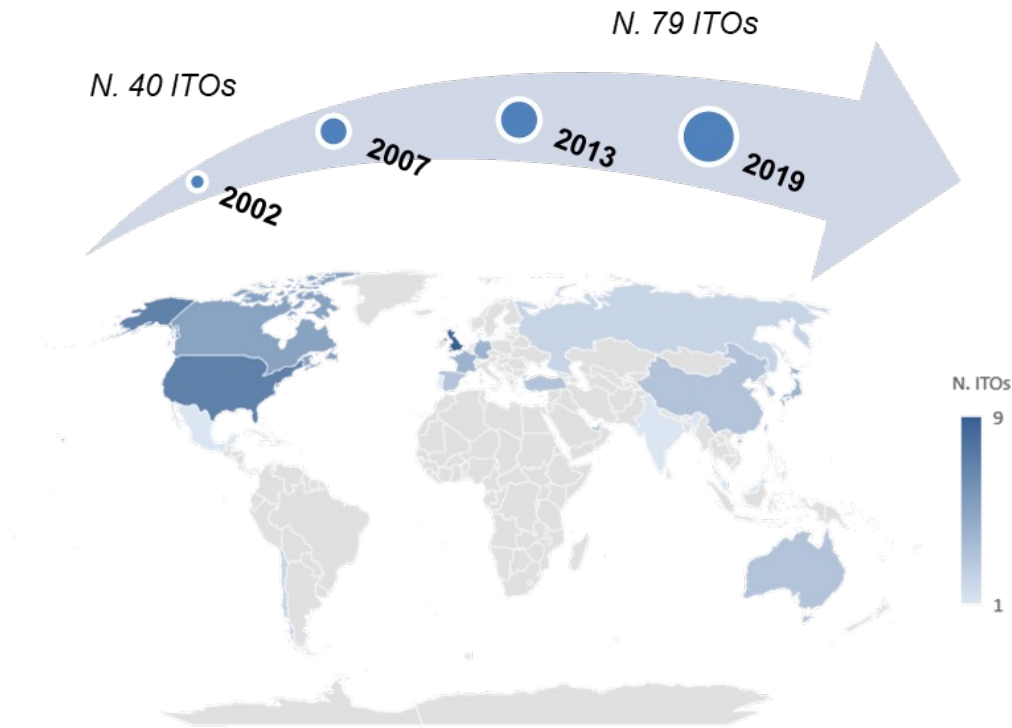
Data gathering



- ✓ Data is gathered from the “*Annual Review of Global Container Terminal Operators*” published by **Drewry** Shipping Consultants in the **18 years** period **2002-2019**, integrated with information sourced from consolidated firm’s annual reports, company’s website and press releases.
- ✓ Corporate governance structure (i.e., business group affiliation) is considered to build the dataset: after data consolidation, the **sample** of ITOs is composed of **79 operating/holding firms**.
- ✓ More than **1.400 statistical observations** make up the dataset: for each ITO data is collected **yearly** and is expressed in **thousands** of **TEUs** and is thus registered separately for **11 regions**: (i.e., *Africa, East Europe, Far East, Latin America & Caribbean, Middle East, North America, North Europe, Oceania, South Asia, Southeast Asia and South Europe*).



Sample – ITOs by nation

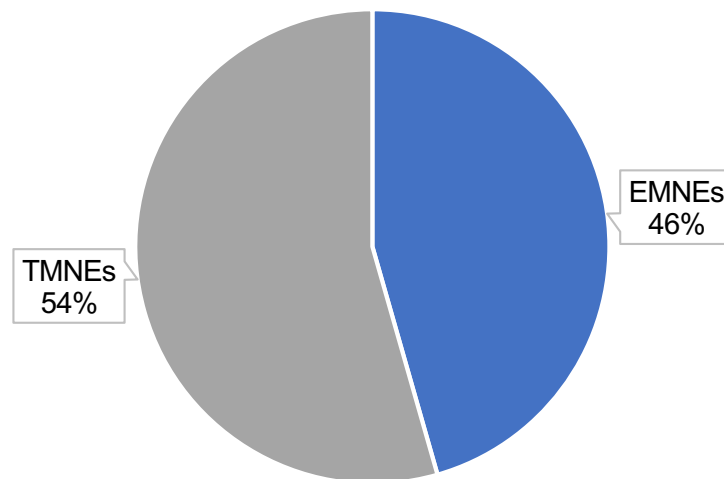


- ✓ Strong engagement of **Anglo-Saxon** countries, among others U.K. and U.S.A.
- ✓ Capillar presence of **Asian** countries, in particular **Hong-Kong**



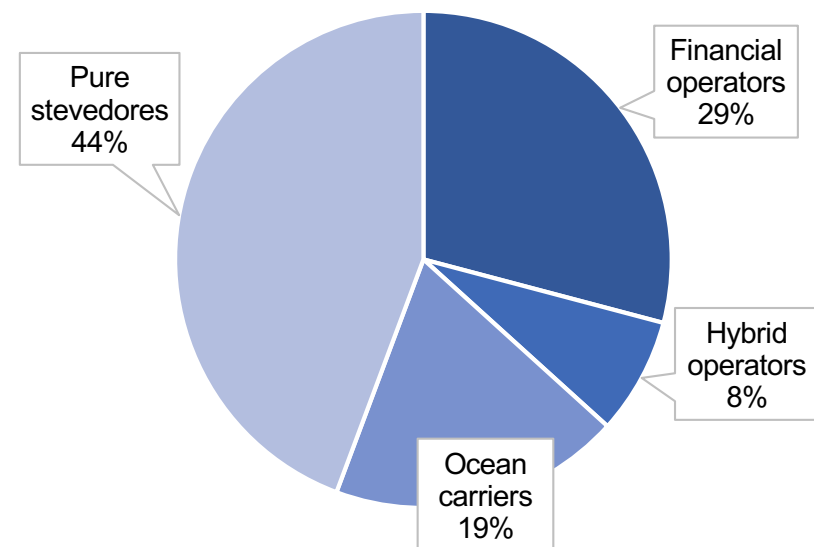
Sample – Descriptive statistics

TMNEs vs EMNEs



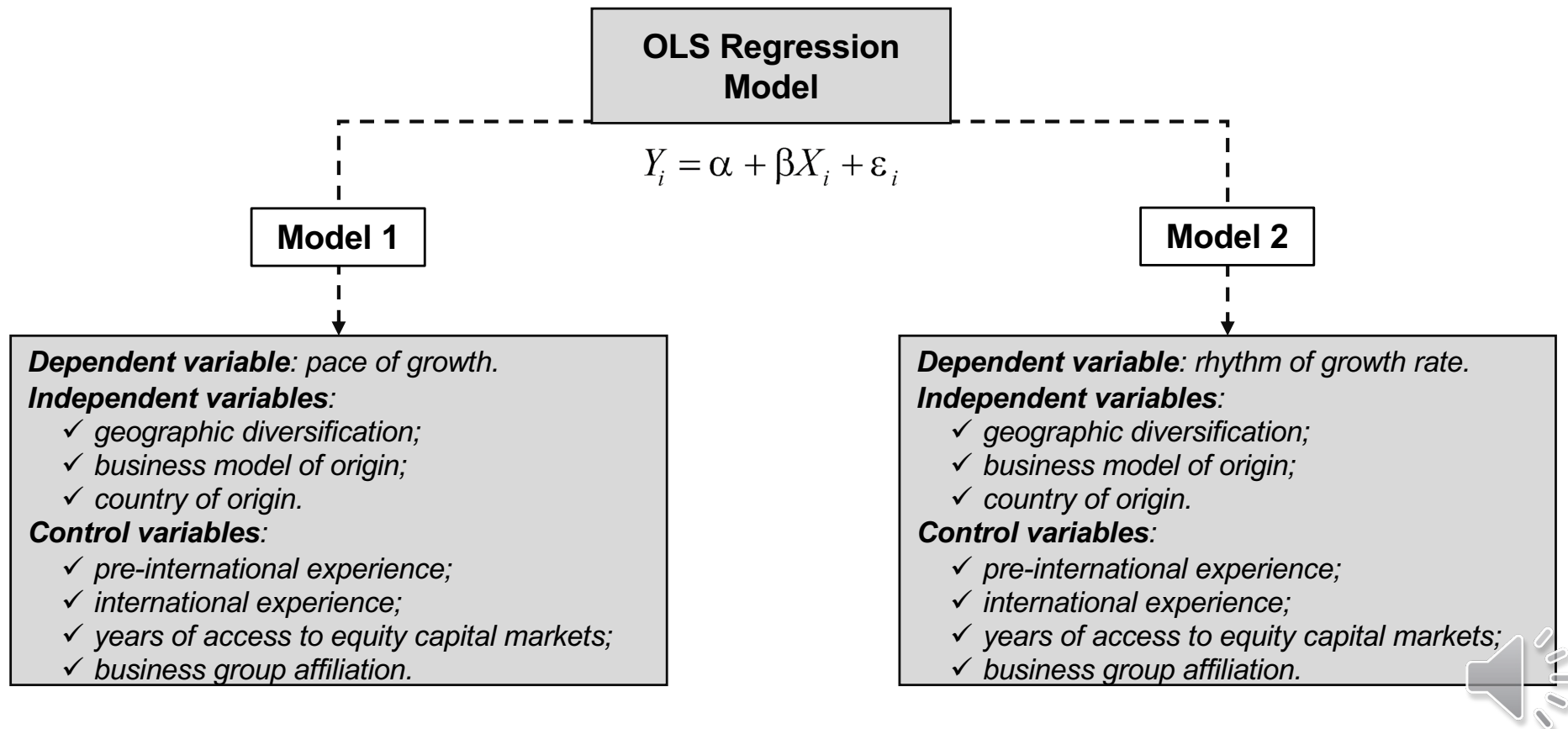
- ✓ The majority of ITOs sampled belongs to the label of **TMNEs** (54%). Within this group, U.K., U.S.A. and Canada are the most represented countries.
- ✓ As regards **EMNEs**, principal countries are Hong Kong, China, and Singapore.

Business model of origin



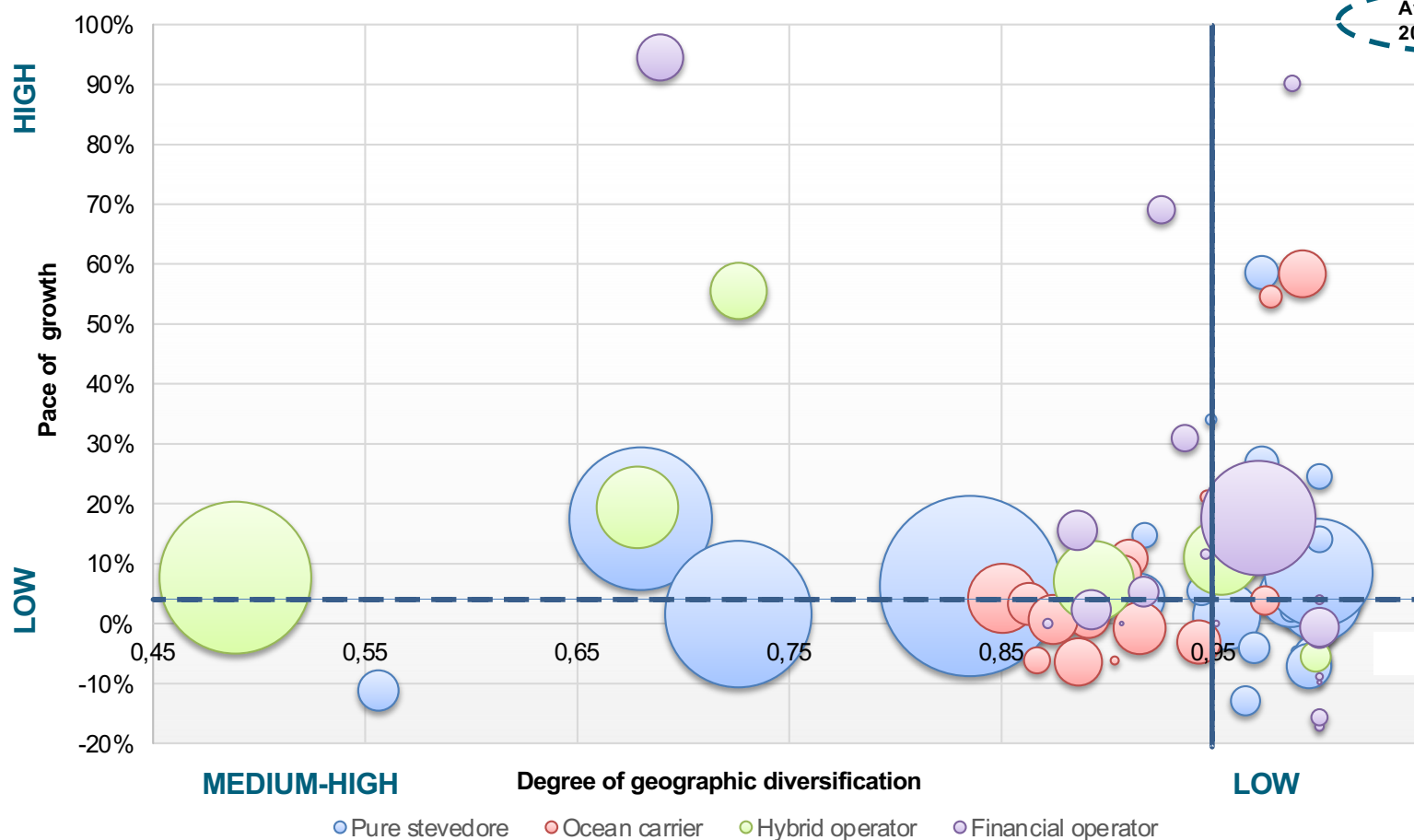
- ✓ **Pure stevedores** preside over the industry in the observation's period;
- ✓ in last years the number of **financial operators** followed a rapid increase.



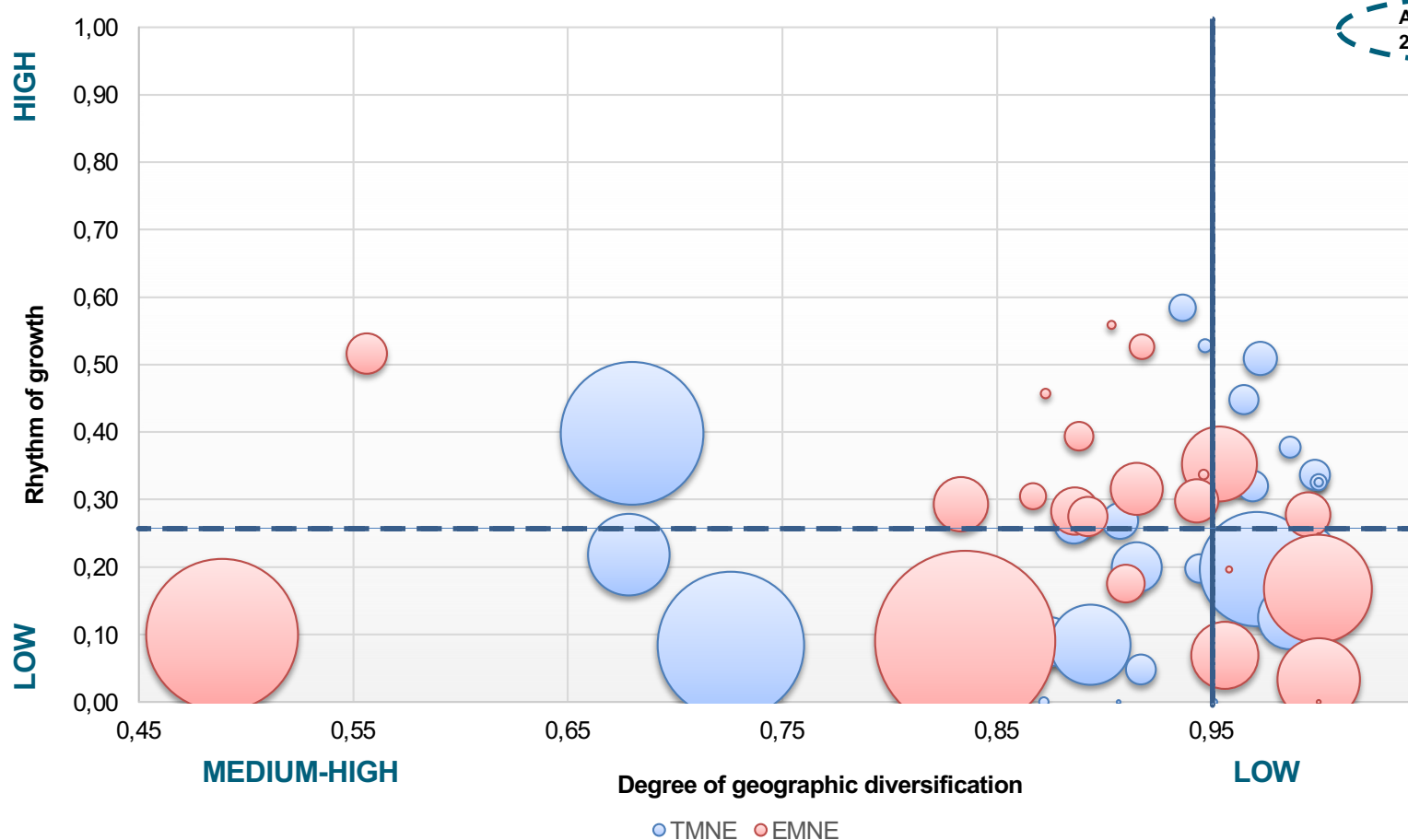


Preliminary results: throughput's pace growth

Average values
2002-2019



Preliminary results: throughput's rhythm of growth



Implications

- ✓ The study contributes to **international business theories** by examining **the impact of geographic diversification** on the return of (overseas) investments as well as on the corporate risk of **ITOs**.
- ✓ The paper provides **anecdotal evidence** on the **port industry** stressing some behavioural peculiarities of ITOs' internationalization processes that depend on their business model and country of origin.
- ✓ The increasing role played by **international financial operators** and the growing number of **M&As** constitute interesting drivers to investigate the **internationalisation growth strategies** of terminal operators.
- ✓ The empirical results demonstrate the **opportunities** that have been taken by **EMNEs** and different **managerial implications** emerge from the specific **business model** of ITOs.
- ✓ **Policymakers** could benefit from the study since it provides insights concerning the effectiveness of the **port's reform and liberalization processes** which have opened the opportunity for both traditional and emerging MNEs to enter this high-growth business.



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Thank you for the attention

