From volume to (shared) value

by Jan Hedeman, *EMEA Business Manager, SSI*

European shipyards continue to set the standard for technical excellence, building some of the most complex and specialised vessels on the planet, but they struggle to compete on efficiency at scale. The key to regaining momentum isn't more capability – it's stronger connection. Through collaboration and digital transformation, Europe has the opportunity to rebuild its competitive advantage and redefine what modern shipbuilding looks like.

Europe today builds just 4.0-6.0% of the world's ships. Unlike its Asian counterparts, it operates largely without the benefit of strategic government support or long-term industrial policy.

European shipbuilding has instead chiefly operated as a market-driven sector. Without a coordinated strategy or shared investment, European yards have struggled with higher labour, energy, and compliance costs in a market that rewards low prices and high volume. Still, Europe remains a global leader in high-complexity, low-volume vessels, like cruise ships, naval vessels, ferries, yachts (including traditional sailing ones), and other bespoke projects that demand technical precision and innovation. The challenge is now to protect this leadership while restoring efficiency, scalability, and competitiveness.

Structural support and global pressures

Over the past three decades, strategic investment by governments in South Korea, China, and Japan through subsidies, export credit, and other policy support has enabled their shipyards to scale efficiently and dominate commercial segments.

European shipyards were meanwhile left to compete independently. Chronic overcapacity turned shipbuilding into a buyer's market, forcing prices down and thinning margins. Rising costs, strict environmental regulations, and fragmented operations compounded the challenge.

As such, Europe's landscape is characterised by small and mid-sized yards, each with its own unique systems, processes, and supply networks. This fragmentation limits economies of scale, weakens bargaining power, and results in duplicated effort across the value chain. The absence of shared digital infrastructure and standardised practices means information rarely flows seamlessly between stakeholders. The result: inefficiency, rising costs, and lagging innovation. It is this fragmentation rather than capability that remains the primary barrier to European competitiveness.

That said, the pivot by European yards towards technically advanced, specialised vessels has brought its own vulnerabilities. Order books are smaller and less predictable, often concentrated within a few premium segments. A single delayed or cancelled project can significantly impact a yard's financial performance. Fixed-price contracts expose builders to a much higher financial risk. Inflation and rising interest rates have further squeezed margins, while milestone-based payment structures mean many yards operate with negative cash flow until final delivery.

High operating costs combined with low production volumes make profitability fragile. To remain viable in the future, yards must think differently about how to reduce inefficiency and share risk.

When information, talent, and tech flow freely

Can collaboration deliver the scale and efficiency that Europe's yards need without requiring consolidation? Instead of competing in isolation, can more European shipbuilders share expertise, resources, and infrastructure to improve collective performance?

In fact, successful examples already exist. Naviris, a French-Italian naval partnership, unites design, research & development, and export programmes to strengthen European defence shipbuilding. The Meyer Group, operating in both Germany and Finland, coordinates design and production through a unified digital platform.

These models prove that co-operation can unlock shared R&D investment,

Photo: Royal Bodewes

improved utilisation, and faster innovation. When information, talent, and technology flow freely, Europe's shipyards can compete as a coordinated ecosystem – not fragmented competitors.

It is clear that joint investment lowers cost and risk exposure; sharing R&D can speed up the process of technology adoption. Integrating supply chains for common parts reduces duplication and the risk of rework. Using collaborative platforms can improve capacity utilisation and increase contract performance predictability. Many European yards still rely on document-based workflows that limit visibility and slow down response times. Transitioning to data-driven environments changes that via integrating dashboards that link engineering progress with cost and production data.

An embedded approach to change management connects design updates to financial impact, while real-time visibility enables proactive control of cost, schedule, and risk. By breaking down silos, yards can identify and solve problems earlier, improving predictability, profitability, and overall project execution.

Digital transformation doesn't end at delivery. Through tools such as digital twins and supplier integration portals, shipyards can maintain long-term relationships with vessel owners and operators.

Early involvement of suppliers improves coordination and reduces procurement delays, while a life-cycle approach to data supports maintenance, retrofits, and performance optimisation. This continuous collaboration generates recurring revenue through service partnerships and shifts shipbuilding from a transactional business model to a sustainable, life cycle-driven industry.

Collaboration builds

Without a doubt, collaboration depends on digital confidence. A unified data infrastructure connects design, engineering, suppliers, and production teams in real time, ensuring that every stakeholder works from a single source of truth.

Experience from successful programmes illustrates that shared R&D can stimulate technology uptake, integrated supply chains reduce duplication and rework, while collaborative platforms improve capacity utilisation and predictability. The outcome is clear: collaboration builds resilience, boosts performance, and amplifies innovation.

This backbone improves traceability, reduces errors, and accelerates decision-making while maintaining control over intellectual property. It provides the digital foundation that allows collaboration to scale safely and effectively. Shipyards that have embraced integrated digital environments consistently report measurable performance gains. A reduction of between 15 and 25% in cycle time is possible through model-based engineering and digital work packaging. Moreover, reduced rework means fewer penalties via a shared approach to change control. Real-time progress tracking leads to improved cash conversion. Life-cycle service revenue can give shipyards greater margin stability. These efficiencies not only improve competitiveness but also make complex, custom projects more predictable and profitable.

How vs how

Europe's shipbuilding base risks further decline if it does not embrace change. Without coordinated digital transformation and collaboration, it is predicted that market share could fall below 5.0%, and margins could compress to 3.0-4.0%. Cash cycles could extend beyond 1,000 days, and falling orders could see skilled labour and suppliers exit the industry altogether.

Europe's shipbuilding future will not be defined by how many ships it builds, but how it builds them – through shared knowledge, connected by data and closer integration. Collaboration – rather than simple consolidation – can create scale, while digital transformation can make it sustainable. ■

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