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In 1937, a trucker got frustrated waiting for his cargo to be unloaded. He later sold his company for $1.1 billion.

Here's the story of how Malcom McLean made a billion dollars and which startup could be following in his footsteps. (Inspired by our episode with @laurabehrenswu)

In the early 1950s, the shipping industry was a dying business.

New York's docks were handling half as much domestic cargo in the early 1950s as they had been in the depressed 1930s.

In thirty years, no one had invested significant money in coastal shipping.

Why?

As McLean found out, loading ships was difficult and slow.

A truck or train would deliver items to the port. Each item was unloaded separately, recorded, and carried to storage.

When a ship was ready, each item was taken from storage, counted again, and hauled on-board.



The cost of this labor was significant. As one expert at the time explained:

“A four-thousand-mile voyage for a shipment might consume 50 percent of its costs in covering just the two ten-mile movements through two ports.”



Yet, despite the industry’s issues, it felt little pressure to change.

Foreigners were barred from operating domestically. Cartels ran international routes. And gov. subsidies eased the pain of labor costs.

Reshaping the industry needed an outsider.

Enter Malcolm McLean.



In 1953, McLean owned one of the largest trucking companies in America.

But he worried that domestic shipping lines would undercut his business. Highway traffic was getting worse and shipping costs were falling as the government gave away war-surplus ships for next to nothing.



His memory of Thanksgiving 1937 resurfaced.

Why not bypass traffic by driving truck trailers onto ships?

Ships would then move trailers between North Carolina, New York City, and Rhode Island, circumventing traffic jams at a time when expressways were few and far between.

After some thought, he reconsidered.

The wheels beneath each trailer would waste precious space. Pondering that problem, McLean came up with a more radical idea.

Leave the wheels and chassis, load the container. That would reduce the space each trailer needed by one-third.



But to make that happen, McLean needed to buy and convert old WWII tankers.

The Interstate Commission said no. He couldn't own both a shipping and trucking company.

McLean chose shipping.

In 1955, he made $6 million ($60m today) on the sale of McLean Trucking.

One year and no small amount of problems later, McLean’s vision sailed into reality.

On April 26, 1956, 100 dignitaries watched a purpose-built crane place a container on the Ideal-X every seven minutes. The ship was loaded in less than eight hours and set sail the same day.



For McLean, Ideal-X's real triumph came when the costs were tallied.

Loading loose cargo on a medium-size cargo ship cost $5.83 per ton in 1956. McLean's experts pegged the cost of loading the Ideal-X at $0.15 per ton.

With numbers like that, the container had a future.

And so it proved.

McLean wasn't the first to suggest containerization. But he was the first to understand that the future of shipping required not just a metal box but an entirely new way of handling freight.

Today, the US shipping industry alone is worth $700bn.



McLean built a billion-dollar business by taking a problem he experienced and solving it for everyone.

Laura Behrens Wu, this week's FFG guest, is doing the same. She's making shipping easier in the internet age.

McLean 2.0? Listen to find out:

https://t.co/vP8POjAEfb

Both stories beg this question for aspiring entrepreneurs:

If you're struggling for business ideas, what problem do you face that you're sure other people struggle with too?

Start there. Solve that problem. As Laura shows, you may find it's a huge market.

If you want to learn more about Malcom McLean, read Marc Levinson's excellent book, 'The Box'.

It pairs well with @patrick_oshag and @LauraBehrensWu's conversation about Shippo and how to build a digital business in the physical world of shipping.

https://t.co/zCZWTiFOsj