Exclusive: Lars Fischer, MD Softship, on the Industry's Need for 'Digital Integration'

By **Priyanka Ann Saini** - March 9, 2018 0

Lars Fischer, Managing Director, Softship Data Processing Singapore Ltd.

Sea News received exclusive insights from Lars Fischer, Managing Director, Softship Data Processing Singapore Ltd. – the leading provider of software solutions to the international liner shipping industry and port agency sector – about the industry's readiness to accept technology and the pressing need for total digital integration for optimum success.

Below, Mr. Fischer addresses the question, 'Is blue-sky thinking always the bright approach?'

As a technology company, at Softship, it is music to our ears when we hear shipping companies getting excited about new developments in technology.

For an industry that has traditionally taken a conservative, exceptionally cautious approach to adopting new technologies, the chatter around new developments including blockchain in particular makes for a welcome change. We are, however, also realists, and for that reason it is important to bring the conversation around blockchain into context. If blockchain is to work for shipping as many pundits have suggested – and the potential applications really are exciting – the shipping supply chain must overcome some significant hurdles first.

To provide some background, blockchain is a shared ledger for recording the history of transactions that is extremely difficult to alter once it has been recorded. In every shipping company, transactions occur every second, from orders to payments to account tracking. Each member in these processes has their own ledger, and therefore, consequently, their own version of events. A scenario in which multiple ledgers exist would create an environment for error, fraud and inefficiencies.

The objective of blockchain technology is to see a transaction end-to-end and reduce vulnerabilities by requiring all parties to give consensus before a new transaction is added to the ledger. Paper processes are reduced or removed which speeds up transaction times resulting in increased efficiencies. These are, of course, all good things.

Whether blockchain develops into the prominent technology, as some expect it will, it is important to realise that there are some significant technological issues right now that need to be addressed. For want of a better analogy, you 'have to learn to walk before you can run'. One critical issue, or hurdle, with the adoption of a new technology like blockchain is the common problem in shipping of a lack of integration of IT systems and means for communicating across a business and its operations.

Take a smartphone as an example: a smartphone can send an SMS message or take a picture, but what a smartphone can do that legacy models cannot do is take a photo and share it as a message or post it to social media. The

legacy model is digital, but the smartphone's capability to redefine shared data makes it digitally integrated.

In a fully integrated shipping company, the tariff system will capture all the complex information relating to individual customers, ports, terminals and cargoes, which can be a hugely complicated matrix of individual prices, restrictions, discounts and incentives. So when a customer requests a quotation, the quotation system automatically looks up the relevant tariff to create a bespoke and accurate quote and show the yield. If the quote turns into a sale, the system will, again, automatically produce the required documentation, bills of lading, manifests and more. And once the vessel has sailed, an invoice will be automatically generated and that information will be posted to the accounts system.

During this process, if changes need to be made, a fully integrated system will automatically create manifest correctors, revised invoices and other updates. In other words, information will flow seamlessly from one activity to another without the need to re-enter data. Retyping can lead to errors, errors lead to delays and delays disrupt cash flow and cost money.

While most shipping companies would say that they have embraced the digital world, there are differing degrees of digitisation. Most if not all companies will have an accounting package, and most will operate systems to handle the administration of various commercial and operational requirements. However, there are various degrees of integration amongst these systems. That is why many shipping companies still duplicate their work and have inconsistent data in their systems. But if the data that is provided by the shipping company to the blockchain is inconsistent, then what is the value of using blockchain in the first place. Simply put, if the shipping company does not keep 'their house in order' they might have a long way to go. It is for this reason, perhaps more than any other, that shipping is unlikely to be in a position to adopt blockchain solutions across entire supply chains.

This is not to say that it never will be. Twenty or more years ago, digitisation was the prerogative of the very large shipping company with deep pockets. Today, it is a relatively simple process to buy specialist packaged or off-the-shelf solutions that suit the individualities of each company. These packages are the means to make digitised companies into digitally-integrated companies. The beauty of these applications is that they are built to facilitate total integration between each of the core processes – connecting systems through a single over-arching, fully connected and seamlessly networked entity. So, data flows smoothly from tariffs to quotes, to sales to bookings to invoices to accounting and finally to management review.

By simply adopting a software solution specifically for the shipping industry, internally integrated businesses will be able to ensure external integration with every partner and outstation. That said, many shipping companies do not yet have such solutions in place and, to their detriment, they are losing out to those that do. So, while blockchain technology may well have a transformational role to play in the development of shipping in the years to come, the need to achieve digital integration should be a more pressing issue for shipping companies now. If – or hopefully, when – shipping successfully clears the integration hurdle, there really is reason to be excited about the potential for blockchain and the many other blue-sky solutions that keep conversation interesting.

Article contributed by Lars Fischer, Managing Director, Softship Data Processing Singapore Ltd., exclusively for Sea News. Founded in 1989 and headquartered in Hamburg, Germany. Softship employs 100 industry experts across a global network, with offices in, Singapore, The Philippines and the USA.

Sea News Feature, March 9