

Missing the IT trick

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We live in digitised world, or so we are led to believe. But those of us who spend our workaday lives in the shipping industry might beg to differ. Certainly it is true that most shipping companies are partly or fully digitised for if they were not, it is doubtful that would have survived into the 21st century. But how many of these companies can truly say that they are integrated? Digitisation without

integration is like owning an old Nokia 8210 cellphone when all the people around you are on the iPhone 7. Today's smartphones connect us to the world-wide-web, they allow us to receive and share information on a range of social media platforms, they give the ability to capture and share information seamlessly and without the need to retype or copy and paste. Using an old handset means we can make calls and send texts, but we are missing out on all the other facilities delivered by a modern smartphone. And that's exactly what is happening in most shipping companies.

All shipping companies will operate an accounting package to handle receivables, payables, ledgers, reporting and other day-to-day book-keeping requirements. Similarly, most will also operate systems to handle quotations, sales and bookings. But only a few will have integrated the two software packages to allow information to flow seamlessly between them. This lack of integration creates friction in the workplace, duplication of process and also encourage "silo" working.

Integration will allow the tariff rating system to capture all the complex agreements relating to individual customers, ports, terminals and cargoes – a hugely complicated matrix of prices, restrictions, incentives and discounts. When a quotation is requested by a customer, integration allows the quotation system to automatically look-up the relevant rates and create an accurate and individualised quotation. When the quotation turns into a sale, integration will create the required booking, bill of lading, packing information, manifest and everything else required. And once the vessel has sailed, integration will generate the invoice and send that information to be seamlessly received by the accounts package.

Why is this important? Integration allows data to be captured, reused and shared without the need for re-keying. Re-entering information is time consuming, error prone and costly.

It is widely accepted that around 10% of ocean freight invoices are incorrect. Errors caused by a lack of integration are causing these invoices to be put aside by customers until they have been corrected – and that takes time. Even a small carrier will be achieving revenues of more than \$100 million a year meaning that \$10 million, or more, is in dispute. In

today's climate of poor freight rates and paper thin margins, having such a large hole in the cashflow can be overwhelming.

It's not only senior management who should be aware of this issue. Those closer to the coalface, such as the accounts or booking clerk, are also asking their IT colleagues to link up the company's systems to enable information to flow across the company, free up time and plug the cashflow gap. But often it is not that simple.

The implementation of IT platforms and software systems have usually taken place over long periods of time often with additions being installed unplanned and piecemeal. It is rare for a shipping company to work to a long-term, thought through IT strategy. As the company develops and grows, they find it an increasing challenge to maintain a vast array of software products and platforms – and almost impossible to integrate them. This means that there is little or even zero integration being achieved and this results in the need to re-key huge amounts of data daily. But the issue is wider than internal integration and extends to communicating with external outstations and partners such as ports, terminals, customs and clients. A shipping company is obliged to exchange a staggeringly large amount of data each time one of its vessels enters port and no common standard for this data exchange exists. Although almost all ports will encourage EDI messages that contain roughly the same information, each individual terminal will require a slightly different way of structuring these messages. This means that a shipping company's internal systems will need to incorporate dozens or even hundreds of message formats to ensure they comply with regional and local requirements. Achieving external integration is arguably more important than internal integration. Without being able to communicate with business partners in the way they insist upon is likely to interrupt and possibly terminate the business. Companies can survive without internal integration – but probably for not too much longer.

Twenty years ago, achieving digitisation was only realistic for the very large shipping companies with the resources to develop bespoke systems. Today, the abundance of cheap technology means that all companies of any size can benefit. And it also means that all companies – again of any size – can be fully integrated both internally and externally. It is a simple process to purchase packaged solutions that can be customised to suit the individualities of each company. The beauty of these tried and tested solutions is that they will facilitate total digitisation and integration across all company processes, connecting systems through a single over-arching, fully connected and seamlessly networked entity. This means that data will flow from tariffs to quotes, to sales and bookings to invoices to accounting and finally to management review. Modern IT has levelled the playing field allowing small, medium and large operators to compete evenly with one another. More importantly, it is allowing those canny enough to install such systems the ability to communicate effectively with their external business partners and customers and protect their cashflow and margins.

The choice between owning a smartphone or an outdated Nokia handset is one we would probably make without thinking. Shipping companies need to apply the same level of logic to their IT strategy - achieving digitisation without integration is missing the biggest trick in the IT book.