

Internet: A Paradox in Shipping

Sri Lanka is strategically located in main East-West sea route thus shipping industry has many comparative advantages. A clear focus and innovative ideas would pave our way forward to make the dream of "Asia's Miracle" a success if we make use of such comparative advantages in order to develop the shipping industry in Sri Lanka. Irrespective of the front-end identity of organisation (i.e., whether shipping line agent, Non Vessel Operating Common Carrier (NVOCC) or Freight forwarder), the common objective is to serve the ultimate customer (i.e, the Shipper) at a profit. As a result, the increasing cost of pre- and post-shipment activities, such as, local correspondence, pricing, costing, managing schedules, handling cash, etc., is of much concern to the shipping service provider. Shipping is being an ever changing business heavily impacted by macro economic factors the exploration of market intelligence at the fastest possible time is vital. Shipping is a derived demand of the world trade thus such external impact is obvious.

While E-Biz or "On-Line" sales increasingly becoming a common tool in many business sectors, the paradox is that the percentage of activities between shippers and carriers through Internet remains very low.

Understandably, 88% of communication between liner carriers and their customers are done over the telephone as per a study done by one of the shipping web portal called INTTRA.(Ignarski.S, 2006)

The study was done sometime back, and the global statistics would have improved to some extent by now. But the industry reality may be the reflection of some proportionate improvement only. Some mega carriers took initiatives to convince exporters to maximise customer service activities through internet. But, we realise that there has not been much improvement in the local scenario. The main application of internet by shipping service providers to a greater extent still remains just plain e-mails. Electronic Data Interchange (EDI) between shippers and carriers could eliminate error rate on many shipping documents and the freight department can save resources and reduce costs.

It is a common understanding that all the functions in shipping business too could be enhanced with the extensive usage of Internet. It is equally understandable that such usage would ultimately bring forth a solution to rising pressure of "cost-cutting" faced by shipping and logistics companies. Because internet connectivity is a common office tool in the present office environment that facilitates 24Hours / 365Days of year connectivity comes with most competitive internet connection charges.

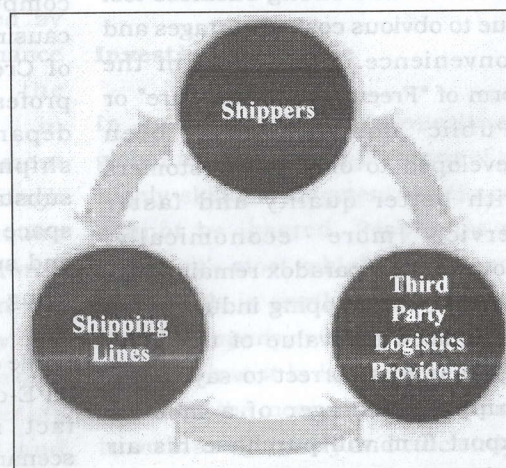
A trend in "Internet way" could reduce the electronic complexity of one-to-one connectivity. 200 shippers x 10 shipping lines x 20 third party logistics providers would generate 40,000

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possible combinations of connectivity. The same numbers of players connected via shipping portal results in only 230 connections to the place on the web where the business must be transacted. (Ignarski.S, 2006)

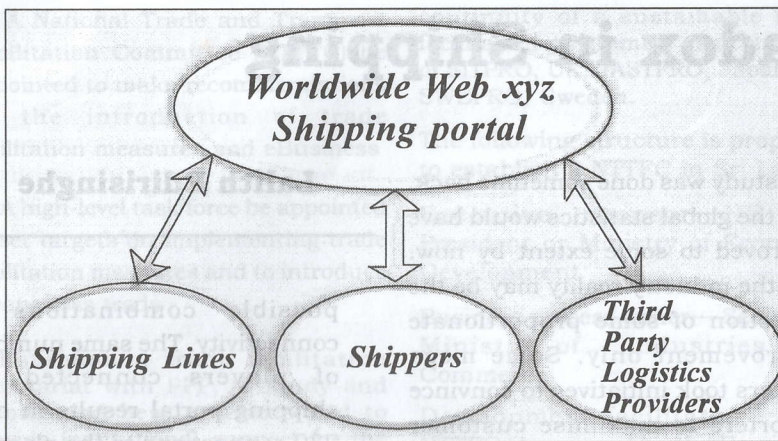
E-mail is a low cost method compared to telefax and is a low cost alternative. Therefore, in the recent past, most organisations changed from telefax to e-mail and derived its due benefits. However, shippers and carriers continue to communicate mostly via telephone while having internet connectivity at fingertips.

As a result of extensive usage of telephone in the day-to-day business activities, knowing or unknowingly, the customer as well as service provider will incur heavy operational costs. This also creates bottlenecks in the work process due to obvious limitations in telephone connectivity.



Electronic complexity of one-to-one connectivity.

(200S x 10 SL x 20 TP = 40,000 possible combinations of connectivity)



Connected via a shipping portal
 (200S + 10 SL + 20 TP = 230 connections)

The above model barely explains the benefits that can be derived from internet. It reduces bottlenecks in connectivity while saving cost.

It is claimed that the Internet had its origins in the United States military, designed in such a way that it could withstand and continue to operate after nuclear war. (Ignarski.S, 2006) . There have been many terms to identify this useful tool in its emergence until to-date, and reportedly the term "Internet" was used for the first time in 1982.

Today, almost all business fields have captured and grasped the "internet" as a strong business tool due to obvious cost advantages and convenience. Many tools in the form of "Freeware", "Shareware" or "Public domain" have been developed to offer the customers with better quality and faster service more economically. However, the paradox remains that whether the shipping industry has recognized the value of this tool. Because it is correct to say that a shipping manager of a modern export firm will purchase his air ticket using on-line booking through internet, but reluctant to book the next shipment via internet from the carriers portal.

As far as shipping and logistics are concerned, far more, the success in e-commerce has so far been reflected in the automation of process and functionality of the individual ship-owners' websites which have been introduced increasingly to improve efficiency and reduce costs. Agents thus have still to connect to a great variety of individual web-based platforms, where indeed such platforms exist. (Ignarski.S, 2006)

Interestingly, this appears to be a common global scenario. Researches claim that EDI between shippers and carriers are alarmingly low; communication in shipping is done predominantly by phone, re-keying of data into computers in different locations causing high error rate on Letters of Credit (LCs). The industry professionals claim that freight department cost difference per shipment can be reduced substantially if booking of ships space and related documentation and support service can be done using internet.

While carriers have invested heavily on E-commerce and on-line tools , fact remains that the above scenario exists in reality. In order to change the frame of mind and explore sustainable solutions to the situation, enhanced knowledge of modern information technology

(IT) would be the key. The scope that exists for substantial improvement is evident.

It is estimated that 70% of all computer output in the freight industries is used as manual input to other computers. (Ignarski.S, 2006)

Mr. Sam Ignarski of Bow wave explained these facts during an International Marine Conference organised by Ceylon Association of Ships Agents (CASA) held in Colombo sometime back. Also he pointed out that, increasingly, agents are being drawn into the supply chain designs of logistics planners. Information systems in use are designed to be visible to all the parties in the chain of supply and to minimise the re-keying of information. The system in which information is entered has to be both visible to the parties concerned (sometimes called stakeholders) and to allow the maximum velocity of cargo flow. A typical traditional shipping transaction will involve as many as 80 separate administrative transactions with many opportunities for mistakes.

The professionals and opinion leaders in the industry should convey the benefits of using the internet as an industry tool. It may facilitate increased productivity reduce cost and enhance quality standards of the shipping industry. It will be a welcoming approach if academic institutes in shipping and logistics sector give more emphasis on to E-Biz modules when they design in their syllabus.

A photo attached. Revised title MCIM(uk), FIMS (uk) EDM (sl) MSLIM

Reference:

Ignarski.S,(May 2006) . Ship Agents and E-Commerce ; International Marine Transport & Logistics Conference.; organized by CASA -Sri Lanka