

Professional procurement begins to get a grip on ecdis

An increasing number of shipping companies are using procurement departments to specify how they purchase ecdis and ENC's to maximise the cost benefits

by Michael Herson*

With full ecdis regulation less than three years away, the rise of the professional procurement function within the shipping industry is starting to have an impact on the electronic navigational chart (ENC) purchasing process. Fuelled by the need to cut costs, procurement is increasing its influence in the decision making process for navigation products, as more vessel operators progress towards paperless navigation. Procurement departments in shipping companies, rather than just technical operations teams, are increasingly influencing decisions about purchasing ENC's and this is having an effect on how distributors and shipping companies interact.

The Strategy Works conducted research at both ends of the supply chain to understand the factors driving the shift in purchasing behaviour within the shipping industry. It compared the perceptions of distributors with those of shipping companies at the various stages of the decision making process. The main findings were:

- Half of distributor respondents and 45 per cent within shipping companies said that procurement has some influence over the initial specification phase
- Eighty eight per cent of distributors said that procurement has influence over the final specification, compared with 45 per cent within the shipping companies
- All of the distributor respondents and 90 per cent of those within shipping companies said that procurement is an influencer in the selection of an ENC distributor
- For brand selection, half of the distributor respondents and 73 per cent within shipping companies said that procurement has some influence
- For price negotiation, a quarter of distributors and more than half of respondents within shipping companies said that procurement is the main decision maker
- In this final stage, procurement departments

are five times more likely to be the decision maker than at any other stage of the buying process.

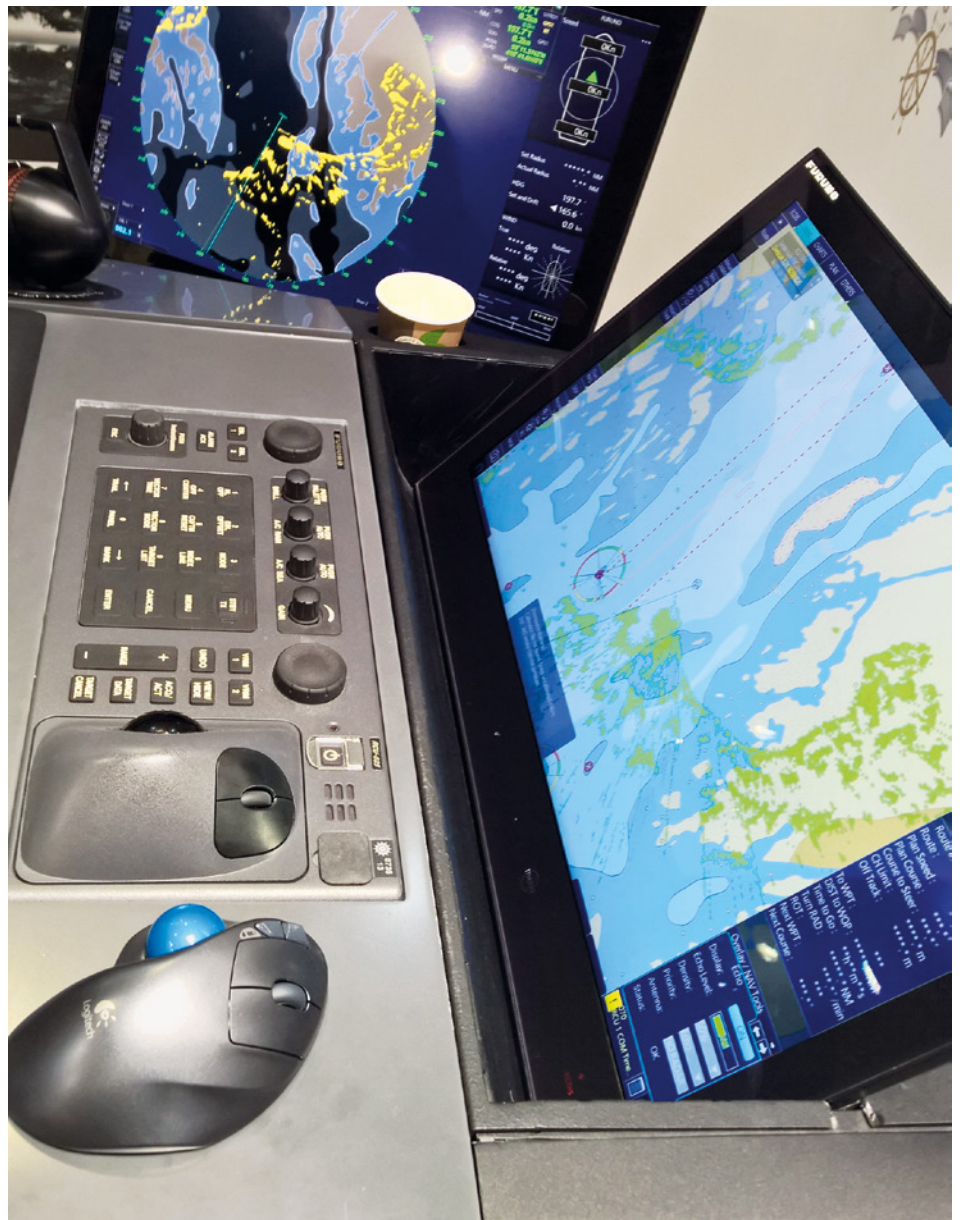
Global Navigation Solutions head of marketing Hayley Jopson said that procurement departments are playing a greater role in ENC purchasing. "We are seeing an increased emphasis on procurement in shipping companies. Previously we have dealt mainly with operations teams, but increasingly we are seeing that procurement is playing a role in the process."

In terms of fleet size the establishment of a procurement function appears to have

a threshold, and is more likely to be present in fleets of 20 vessels or more, said Transas navigation product director Anders Rydlinger.

Transas Denmark sales manager Jens Hjortkjaer reflected the view of many distributors who believe that greater cost pressures have fuelled the rise of the professional procurement function. "I think that procurement plays a bigger role now because, in order to survive in a very competitive market, owners realised that while price is perhaps the key factor, it is not the one and only parameter," he said.

Many of the new breed of procurement



Ecdis and ENC's enable shipping companies to adopt paperless navigation

managers have a purchasing background from outside the shipping sector. One such manager for a leading European shipowner, with 130 vessels in the fleet, explained how his role is becoming more proactive. "In the last three years there have been major changes in this particular purchasing sector," he said. "Since I joined the company I have put in the purchasing procedures for both ecdis hardware and ENC's. We are investing in the older vessels, so they are all using ENC's, but we are not yet fully integrated. Keeping paper charts is an enormous expense for us, because we still have to maintain them."

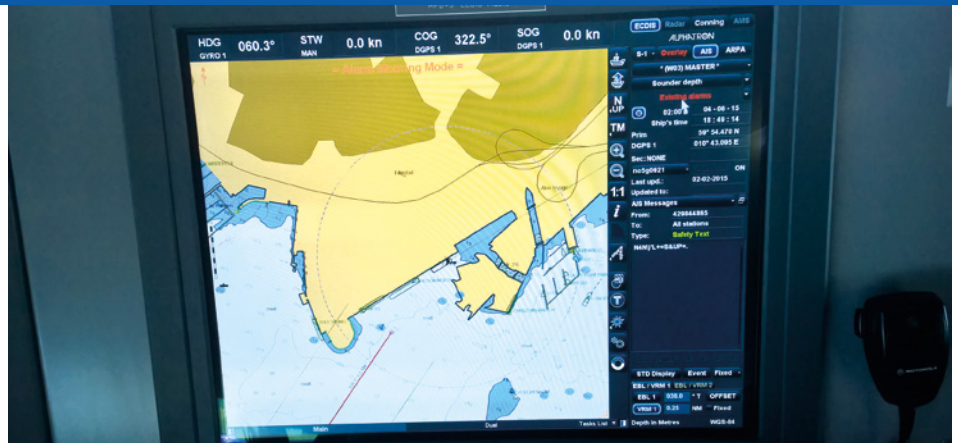
In many companies the switch to ENC data has created more layers within the supply chain than is the case with paper charts, as a number of departments are involved in the purchasing decision. Three quarters of shipping company respondents regard the procurement process as teamwork between procurement and technical professionals. Procurement specialists become more active in the later stages of the process, to negotiate terms and conditions and pricing, rather than in the earlier specification phase, particularly if they do not come from a technical shipping background. Three shipping companies interviewed work this way.

"As a purchasing department, we get the functional and technical requirements from other departments, and based on this we search, deal and negotiate with suppliers," said one European purchasing manager, who oversees a fleet of 40 vessels.

This is also the case with Italy-based SeaQuest Shipmanagement. Purchasing officer Elisa Callegari said: "Captains of vessels specify what they need. In the purchasing department we work around the budget we have got in terms of buying and negotiating with suppliers. Final decisions related to purchasing are taken by the technical department together with our department." The process was summed up by Nils Trones of Knutsen OAS Shipping. "It is always team work. What differs are the people that make up the team, as they will be from different departments."

Distributors welcome the team approach to purchasing. Céline Mortier, chief operating officer of Belgian distributor Bogerd Martin, said: "With ENC's, it is not just the purchasing department that is involved in the process. You have safety involved, the technical guys, and the IT department." Many in purchasing roles within shipping companies view the switch to ENC's as easier to administer than paper charts. It can be a less laborious process compared with ordering paper charts and having to update them, said UltraShip's head of procurement Jesper Larsen. "There has been a reduction in processing time and costs since we started using ENC's," he said.

Distributors have recognised the need to



Ecdis displays information about harbour facilities and shallow water areas

reduce the administrative burden for shipowners. ChartCo managing director Martin Taylor said that this was one of the reasons for introducing fixed prices. "We were invoicing, say, US\$10 to US\$30 worth of data, which is not efficient for anyone in the supply chain. So we introduced a fixed price for a vessel, with just one invoice in a scheme, which is US\$4,495 per vessel, including updates. So there are no more small invoices, no paperwork and no uncertainty about the cost," he explained.

Stolt Tankers navigation superintendent Petter Brandt values these types of arrangements with providers to reduce administration. "We prefer to have as few invoices as possible," he said.

Priority given to navigation procurement

Jeppesen global sales leader Steve Mariner believes that ENC purchasing has brought about a sea change in the entire chart buying process. "The procurement of these licences, through the period of time that shipowners are working with a particular supplier, is becoming more and more integrated with the whole of the shipping organisation – the ships and the way they work," he said.

Two thirds of those interviewed rank navigation products as more important than other ship's purchases. There is strong evidence that, as far as procurement is concerned, navigation products require more time than their annual value suggests they should. This was explained by Singapore-based Mare Maritime manager Alex Mamode. "Navigation products are of paramount importance due to regulation. They are ranked above all other services and products."

Datema Delfzijl international sales manager Jelle Glas agreed. "There is a disproportional amount of work related to chart licensing, compared to the total cost." For some survey respondents, the interaction between the distributor and the procurement function is becoming more and more collaborative. Grieg Star purchasing manager Roar Misje described the purchase of navigation products for a fleet of 30 vessels as an important issue. He added: "We have more of a collaborating relationship with our supplier."

Ms Callegari said that collaboration had led

to a more streamlined procurement process. "We have a contract with the charts supplier and they send us automatic updates," she explained. "We have a programme that is shared with all our vessels that allows them to request what they need, directly from us. This process is conducted for other products too, such as spare parts. We then send orders to our suppliers, and from that point onwards it is up to us in purchasing to negotiate and conclude the purchase."

Mr Misje said that another advantage derived from ENC purchasing was enabling the fleet to adopt paperless navigation. "The advantage of the electronic system is that all vessels have all charts on board," he said. "With paper charts, if a ship goes into a new area, we have to buy and scan and send the charts to the vessels. Doing it electronically, we always have ENC's available when we need them."

In the survey, 91 per cent of the shipping company sample saw advantages in ENC data over physical paper charts, which require transport logistics and constant manual updating. The main perceived benefits of ENC's over paper charts are time and cost savings, as well as the ease of use. In addition, the hidden costs of paper charts are largely eliminated. Mr Trones explained how paper chart updating is a timely process. "Paper charts need corrections to be done every week, and vessels navigating worldwide need to have hundreds of charts, from different accounts. This takes up many working hours," he said. "With ENC's, we update charts electronically every week. It only takes a few minutes, and greatly reduces the working hours involved."

Although procurement within the marine sector is generally still organised along traditional lines, the research provides evidence of a move towards centralised purchasing, particularly within the bigger shipping companies. The adoption of ecdis to comply with IMO rules, as well as the cost and time benefits, is clearly accelerating this process. **MEC**

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