



PROCUREMENT RISES TO THE CHALLENGE OF ECDIS



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In the first of a two-part research paper, London-based strategy company, The Strategy Works talks to IMPA members about their preparations for the ECDIS mandate

Research background

London-based strategy company, The Strategy Works (TSW) interviewed 23 shipping companies in Europe and Asia Pacific in Q4 2015 - between them accounting for 1560 vessels - to understand the extent to which the purchase of ECDIS and ENCs have shifted away from the traditional world of navigation and fleet managers towards professional procurement. With ECDIS mandation only two years away, it is important for those within the supply chain to understand these shifts in purchasing behaviour.

Many of those that responded to TSW's interview request attended the IMPA conference in London in September 2015 where this issue was high on the agenda. Half the sample interviewed had job functions with 'procurement' or 'purchasing' in the title. The other half were within more traditional technical roles linked to navigation. Those currently holding procurement roles tend to have a shipping industry background, with just two who had been recruited from other sectors within the mix.

Collaborative Approach

What is interesting is that only a quarter of the aggregated sample identify themselves as the main decision maker - 74% of those interviewed identified themselves as influencers, meaning that decisions in major shipping companies are most likely to be taken on a joint basis between the two functions - procurement and technical with some involvement from health and safety. Teamwork is the norm; it's only when the final price negotiation phase is reached that procurement starts to assume the role of main decision maker.

Maersk Tankers stress the nature of the team decisions,

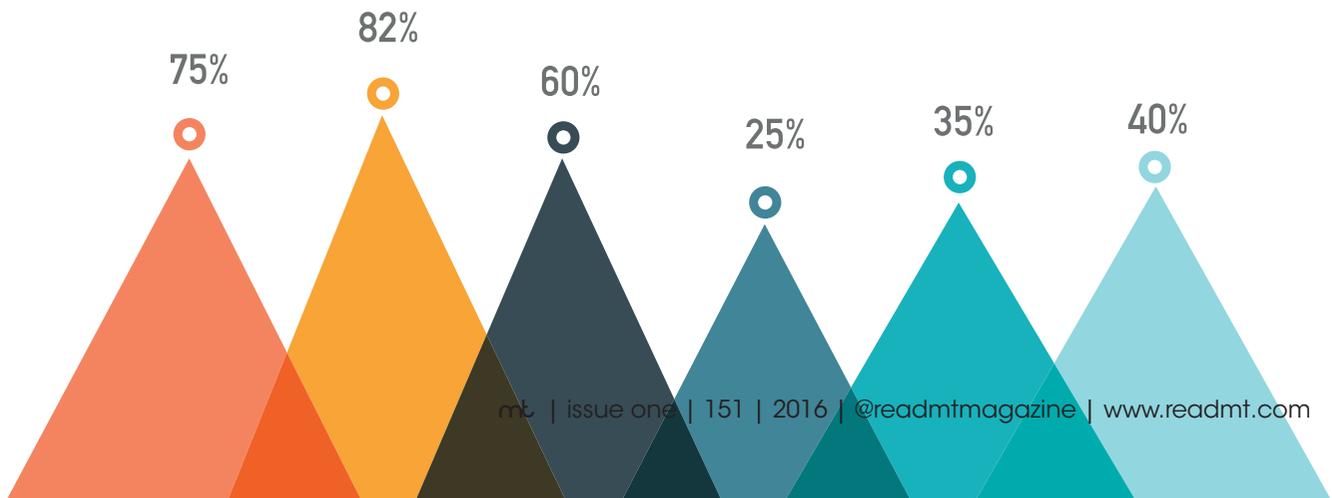


“Great teamwork across the functions is key for the successful execution of sourcing both product and supplier. Selection decisions are taken jointly by the Nautical, Technical and Procurements teams.” comments Nitesh Vishwakarma, Marine Category Management – Group Procurement.

There's plenty of evidence of collaboration: “I meet regularly with the navigation team to discuss any specifications,” explains Roar Misje, Purchasing Manager, Grieg Star. Confirming this point: “Procurement sources all potential suppliers and then we make decisions jointly with the nautical and the technical team”, adds Mr Vishwakarma.

Collaboration is also evident at a leading German shipping company: “Strategic decisions like for example ECDIS retrofits are usually handled by the head of procurement together with the nautical experts. Final decisions on specifications are made by the team of navigation experts. Procurement makes decisions on price negotiations.”

At a leading European tanker fleet, it's a three-way





decision involving the safety department: “The decisions are taken as a Team, composed by the Navigation Superintendent (Captain), the Safety and Security Marine Department and shipboard bridge teams.” This approach is also endorsed by Clara Ng, Group Procurement Manager, at China Navigation: “For navigational data and equipment mostly the technical department is responsible. However, the safety manager is also involved, as for technical software, possible risks have to be assessed.”

Stolt Tankers in the Netherlands is another good example of the team decision taking process, “Navigation Superintendent and Purchasing make decisions on charts; the purchasing guy deals mainly with contracts and I, as Electrical and Automation Manager am mainly involved with the hardware. The procurement and purchasing is conducted as a team, we are all involved” said Sean Crowley, Electrical and Automation Manager.

The distinction between the specification and price negotiations is made by a leading German shipping company: “Final decisions on specifications are made by the team of navigation experts. Procurement is only an influencer as part of a team of decisions. Procurement makes decisions on price negotiations.”

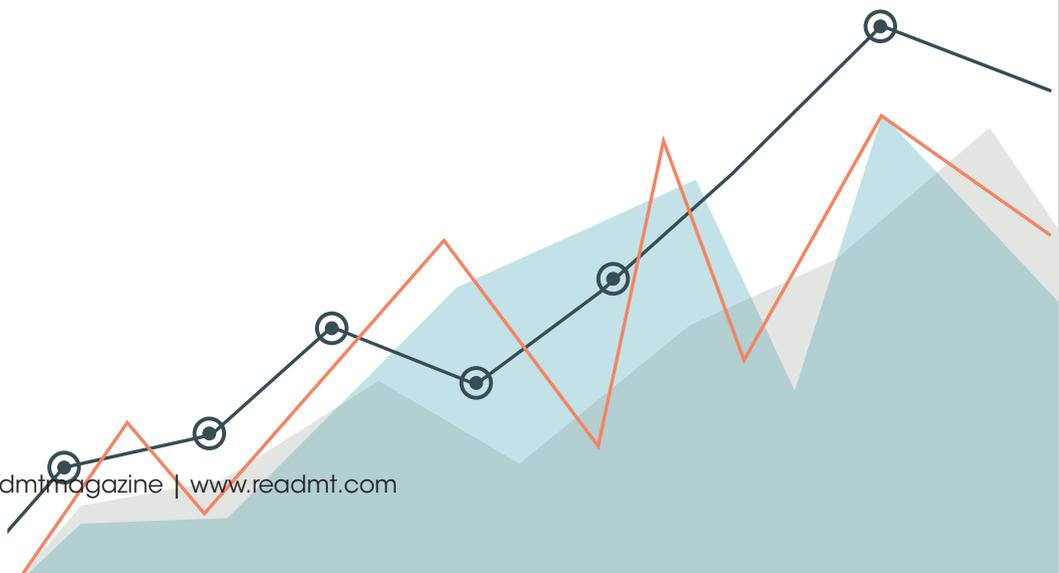


Paperless Navigation

Forty-three percent of interview respondents (representing 366 vessels) say they are now fully equipped to sail paperless - 23% out of a total 1560 vessels

It is therefore possible to conclude that procurement behaviour has moved in line with the shift towards paperless navigation. Svitzer are a good example of where their fleet is being updated. “In the last three years there have been major changes in this specific purchasing sector. Since I joined the company we put in the purchasing procedures for both ECDIS hardware and ENC. We are investing to bring all our vessels into ENC. Improve accuracy, safety and ease of use are driving our adoption of ENC. We are now close to having 100% of our fleet on ENC” said Ernesto Lopez, Procurement Manager.

Nordic Tankers are also embracing the shift towards



paperless, “All vessels we have got now have ECDIS/ENC installed. We are going paperless and we have got only one vessel that uses also the paper charts as well as the ENC’s”, stated Bruno Sommer, Electrical Superintendent, Nordic Tankers.

Mare Maritime feel the regulatory requirement comes into the equation, “As navigation purchases are governed closely by regulation, extra controls and checks are in place to ensure that the requirements are met. There is less flexibility in purchasing decisions”, says Alex Roy Mamode,

Marine Superintendent.

In the next issue the paper discusses Advantages to the Procurement Process of ENC’s, Navigation versus other Ship’s Purchases, the Ranking of Buying Attributes and the role of Buying Clubs.

This article has been prepared by Michael Herson of London based strategy consultancy - The Strategy Works - specialising in original research on a global basis within the shipping sector and other B2B markets. Contact: 44 208 868 0212 or mherson@thestrategyworks.com, website: www.thestrategyworks.com



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