Freeing up information is key to efficient parts procurement

Since its launch in 1999, ShipServ has survived the dot.com boom and flourished, becoming one of the leading e-commerce marketplaces for the marine equipment industry. How did this come about?

As far back as the 1990s, people understood that e-commerce had potential to eliminate the friction that traditionally existed between buyers and sellers, thus allowing market forces to work more efficiently. But transforming a concept into a proven reality took longer than perhaps many originally anticipated.

According to ShipServ’s founder and current chief executive officer, Paul Ostergaard, one of the key obstacles was the existence of legacy procurement systems. While the latter were more advanced than traditional faxed orders between buyer and seller, they were not sophisticated enough to take advantage of everything the Internet had to offer.

“In those early days, I thought we could launch a fully web-based service, akin to eBay, for ship supplies,” he says, “but it rapidly became clear that starting from a clean slate was not a feasible option. Indeed, the global nature of the maritime industry meant that most companies already had some appreciation of the value of technology and had in-house systems to meet their specific trading requirements. They were not going to suddenly scrap those systems and start doing business directly via the Internet because some newcomer told them to do so.”

To be successful, the nascent company came to the conclusion that a way of integrating all these systems was necessary, or at the very least, making sure they could ‘talk the same language’. “Fortunately, only around 10 dominant e-procurement systems existed at that time, so there was a reasonable chance of persuading all those players to agree on one common language. Of course, it was to their advantage as well as their users,” notes Mr Ostergaard.

From here, ShipServ ploughed its efforts into creating the common standard known today as MTML or Marine Trading Mark-up Language. “What we did was to take an old EDI standard and transform it into a modern XML-based standard – the glue of web-based data transfer. We then lobbyist software providers and the International Marine Purchasing Association (IMPA) to adopt MTML as the electronic lingua franca for describing marine equipment transactions. It was crucial step in removing a major obstacle to the future growth of e-commerce, both for us and, in many respects, our competitors, too.”

It is because of MTML that users are not restricted to accessing the ShipServ platform only from their web-browser. Buyers can continue using their existing e-procurement system, but when they press the ‘send’ button, instead of a fax or e-mail going out, the information is encoded into MTML for transmission over the Internet back to ShipServ’s servers. Buyers new to e-commerce, however, can use either the browser-based interface or a lightweight hybrid application that is installed and operates on the client’s computer, but essentially acts only as an interface, with all functionality dependent on a network connection to the server being available. Mr Ostergaard notes: “Provided the data reaches us in one way or another, the type of interface is not that important.” He adds that today around 80 per cent of ships trading on ShipServ TradeNet do so via MTML compatible in-house applications.

Nevertheless, this ratio could change dramatically as smaller owners and new regional markets open up to the idea of e-commerce. ShipServ estimates that of the 80,000 vessels afloat today (a figure that includes those operating on inland waterways), only 15,000 or so are managed by companies that have invested heavily in standardised software systems.

Most of the remaining 65,000 are operated by very small concerns. “In the past, these companies could never dream of having enterprise level software because the cost of developing or licensing it was so high. Today, however, thanks to the Internet, gaining access to best-of-class software systems is simply a matter of going online.”

Furthermore, as the Internet becomes more and more accepted and trusted, people have fewer inhibitions about working online even when financial transactions are involved. Japan is one country that ShipServ says is now showing a strong interest in web-based trading. “There are some countries that are always slower than others to latch on to certain technologies. In Russia, for example, they jumped straight from telex to e-mail, skipping fax machines on the way. The signs are that Japan could be another example – leapfrogging from brown manilla envelopes straight to the Internet.”

On the supplier side, the dynamics are different but the set-up is conceptually the same. Many suppliers are reluctant to invest in e-commerce unless it works with their own systems. But at the same time, they need to jump on board as more and more clients want to place orders electronically, and often via TradeNet.

Again, ShipServ offers suppliers a three-tier solution. The simplest is the fully web-based service, which provides core functionalities such as an ability to respond to requests for quotes. Once volumes start to increase, however, a hybrid client speeds up the handling and processing of orders; and once a supplier hits 500 orders annually, ShipServ recommends upgrading to the pay-for service, which can integrate with a range of ERP systems, including SAP or Oracle.

Nonetheless, on both sides of the market, ShipServ tries to remain agnostic about how individual buyers or sellers interact with TradeNet. “We represent the hub where everybody meets and trades, so it is not in our...
Compared to the conventional ship supply process (left), TradeNet allows information to flow more freely between all parties.

Another area of innovation is the company’s directory service for suppliers, called ShipServ Pages, which was recently revamped to enable member suppliers to market themselves more effectively. In the new version, they can upload their entire product catalogue rather than being limited to a short company description, contact details and a list of product categories.

“We know that all the information is out there – what we are trying to do is release this. For example, a supplier may have, say, three cylinder liners sitting in his warehouse. Hopefully, he will have remembered to put this into his inventory system. From there we need that data to reach the outside world and be available to his customers.”

On top of this, ShipServ is making use of its some seven years’ worth of trading history to provide more accurate search results. “We know what suppliers have actually supplied, which does not always match what they say they supply. So the results that a shipowner receives from a search are ranked according to how much a supplier has supplied that product in the past.”

In fact, together with its sleek, simplistic front-end interface, ShipServ’s policy of aggregating and indexing as much information related to the ship equipment as possible bears a striking resemblance to that other major web directory – Google. MEC