Managing profitability in shipping: The role of the new purchasing department
Introduction

Shipping is a notoriously cyclical business. Recent years have provided spectacular returns as:

• Changes in sourcing strategies, particularly from low-cost countries, are increasing demand for shipping capacity across the globe
• Charter rates for some freight types are on the up
• The number of new builds is at an all time high, with Chinese yards now responsible for 40% of the global order book
• Day rates for the tanker business are at historic highs

But already challenges are looming.

• The demand for raw materials and spare parts is putting pressure on resources, driving up costs and increasing delivery lead times
• Increased competition from new market entrants, particularly from low-cost countries, is driving some shipping rates down
• The cost of fuel is skyrocketing, cannibalizing profits for many operators
• Environmental pressures are mounting, adding price premiums to spare parts that need to meet green requirements; new regulations from the IMO are forcing companies to use more refined (and more costly) distilled fuels instead of cheaper bunker oil in certain geographies
• Finding, training and keeping enough people to crew the rising number of vessels is difficult; competition for experienced crews is fierce, driving up the cost of monthly wages

Whether you are a ship owner or manager, run a cruise line or a repair yard, these opportunities and pressures all put the need for business agility, flexibility and operational efficiency top of mind for the CEO and CFO.

This document highlights the results of an independent research study carried out in spring 2008. The study involved in-depth interviews with senior purchasing executives from 14 global shipping companies, representing organizations of all shapes and sizes from Europe, Asia Pacific and the United States.

The executive summary provides an overview of the key findings from this study. The following sections offer a more detailed look at how shipping companies are responding to business challenges and opportunities today, the benefits they have experienced by working with e-commerce technology, and how they see the future for purchasing’s contribution to their companies over the coming months and years.

We hope that in learning what other companies have been able to achieve, you will find the inspiration you need to build a business case for change so you too can benefit from the opportunities offered by e-commerce technologies and services within your own company.
Executive Summary

The need to reduce costs and maximize charter income places demands on every aspect of a shipping company’s operations. Thanks to innovative tools that automate the purchasing process and generate business data to give greater management visibility and business planning insight, today’s purchasing organizations are not only helping drive savings to the bottom line but are also enabling companies to operate more efficiently and flexibly to maximize revenue opportunities.

Thanks to the e-commerce services available today, shipping companies are able to embrace and optimize the purchasing expertise and talent within their organizations to help them respond more easily to the changing dynamics of the shipping industry. How companies make the most of this opportunity is where competitive advantage lies.

This study looks at the goals of purchasing and the challenges facing buyers both internally and externally. Driven by the desire to address these challenges and improve purchasing processes and collaboration with suppliers, we look at the benefits shipping companies have been able to achieve by implementing e-commerce services and what the future now holds for companies that have been able to eliminate the burden of paper-based manual processes.

Here is a summary of the key findings of the study. Further details are presented later in the report.

Drivers
The purchasing departments of shipping companies, regardless of their shape or size, are driven by three clear aims:

- To keep vessels operational
- To reduce cost of ownership
- To maintain quality and comply with regulations

The need for speed spans all purchasing processes in support of these strategic goals.

Challenges
Purchasing departments face similar challenges:

- Lead times for deliveries are getting longer
- Internal inefficiencies caused by paper-based and manual processes add to the administrative burden of buying teams and reduce time that could be spent on more strategic buying activities
- Lack of visibility into the status of requisitions and orders and supplier performance make management control difficult and disguise opportunities for improvement

Benefits
By implementing e-commerce applications and services, shipping companies have been able to:

- Substantially lower cost by leveraging better sourcing capabilities and increasing the volume of competitive quotes
- Reduce purchasing cycle times by more than 30%
- Streamline operations and improve quality by reducing errors and eliminating the need to manually re-key and double-check data
- Expand the number of vessels managed without adding more purchasing staff
- Cut costs by eliminating or redeploying administrative staff and reducing traditional communications costs such as fax and email
- Reduce the administrative workload and free up a buyer’s time by 15-20% to enable them to:
  - Analyze and consolidate spend
  - Identify and evaluate new suppliers
  - Negotiate improved contract pricing
  - Manage better compliance with contracts
  - Monitor and improve supplier performance
  - Improve regulatory compliance and risk management
  - Improve the quality of the purchasing role, enabling companies to more easily retain and attract employees

The future
Companies that are able to lift themselves out of the chaos of paper-based and manual purchasing processes are putting in a strong foundation for the future. Today most leading shipping companies are taking advantage of e-commerce technologies to help them save time and money, generate valuable business data and free up buyers’ time to enable them to build lasting value across the supply chain.

Beyond this, pioneers are already taking purchasing excellence to higher levels and are addressing the need to integrate the role of purchasing further into the physical and financial supply chain. By doing so they are operating more efficiently and flexibly, enabling them to respond more effectively to challenges in the global market and take advantage of revenue and profit maximization opportunities.

Companies not already on this journey risk being left behind as they continue to struggle with the daily chaos of manual processes and the related lack of control and visibility.
What drives purchasing?

"What’s really important to shipping companies is reducing off-hire days. We have 100+ ships earning $60,000 a day. We’re likely to have two to four off-hire days a year – that’s $250,000 per year lost!"

The companies interviewed as part of this study came in many shapes and sizes, from a two-vessel cruise line to a ship owner/management company with a multi-fleet freight operation with over 150 vessels – and everything else in between. Although each company has its own unique operations, their purchasing departments shared exactly the same goals:

• To keep vessels operational by getting spare parts to them on time to, at best, avoid costly air freight charges as spare parts ‘chase’ the vessels from port to port, or at worst, reduce the risk of off-hire days
• To reduce the overall cost of ownership of the vessels to save the company money
• To maintain quality and comply with safety, environmental and other regulations

Spanning all of these objectives, the most important factor to this group of customers is speed.

This need for speed applies to every step in the purchasing process, from the time it takes to get a requisition from the ship to a buyer, to the buyer starting work on it, to the buyer sending out RFQs to suppliers, to supplier response times, the time it takes to raise a purchase order, and then getting the goods delivered to the right place at the right time.

Time is money!

The companies we spoke to work hard towards achieving these goals. But keeping things running smoothly and quickly isn’t always easy.

The purchasing challenge
"We face longer and longer delivery times because the equipment suppliers are busy – business is good for them."

One of the biggest frustrations experienced by shipping companies are the long lead times involved in the delivery of spare parts from suppliers to ships. There are various reasons for this, including the scarcity of spare parts (suppliers rarely hold large volumes of stock) and even complacency amongst some suppliers, particularly where there is little competition. These challenges are on-going and apply to ship owners and managers around the world.

But for most customers in this study, many of the bottlenecks they experienced in the past started at the very beginning of the requisition process. There were many different reasons for these delays, but the same ones came up again and again:

• Illegible or missing information from manual requisitions, particularly those sent by fax
• Incorrect or inadequate product specifications, resulting in queries from suppliers who received the confusing RFQs
• Large numbers of requisitions containing a few line items, increasing the number of buying ‘events’ that take place, and often missing the opportunity to bundle deliveries together to save on freight charges, or causing the company to miss out on better prices due to better economies of scale

All this meant more work for the purchasing teams onshore as they had to spend time chasing, checking and re-checking requisitions and answering queries from confused suppliers, unsure about exactly what products they should be quoting on. Trying to communicate with ships often operating in different time zones added to the time delays.

Manual requisitions also meant that data had to be re-keyed into purchasing systems, increasing the chances of error and duplication. There was too much paper flying around, too many errors to be investigated and rectified, little or no visibility into the status of requisitions, no traceability, and poor supplier records – quite simply, too much time wasted on paper-based administrative tasks instead of buying.

For many companies this situation was intolerable. Surely there must be a better way?

What they needed was a solution that would:

• Ensure they were getting good information from ships to suppliers right away
• Automate processes to eliminate paper and manual handling to increase efficiency and reduce errors
• Help buyers have better control of processes through better visibility into the requisition-to-delivery process.

Enter e-commerce technology and online services!
The business benefits

In speaking with this group of global shipping companies, it quickly became clear that the benefits they enjoy from using e-commerce services to support their purchasing activities are very similar in nature, falling into the following four categories:

- Saving time
- Reducing costs
- Improving quality
- Enhancing job satisfaction

Let’s look at each of these in more detail.

Saving time

Using an automated system to send RFQs and purchase orders electronically instead of manually by fax or email has helped shipping companies speed up their purchasing processes and reduce cycle times. What might have taken up to a week in the past, now takes one to two days, reported one company. Another has been able to reduce the time it takes from requisition to order by three days, or 30% of the total time it used to take. Companies can now track the status of RFQs and orders, eliminating time spent needlessly tracking information and chasing suppliers.

Additionally, companies reported benefiting from simpler processes, with no need to double handle transactions in order to identify the previously inevitable errors created by manual processing.

“...the number one benefit...has been saving time, especially not having to re-key in orders. That’s a big deal when you have an order with 50 line items.”

“The simplicity and transparency of the system is key. Also speed...things happen more quickly now.”

“Our buyers can now do more buying. There’s less wasted time so their workload has improved.”

“Buyers have more time to add value to their role and to think more strategically. They’re not wasting time standing by the fax machine.”

Reducing costs

By automating processes and thereby increasing the work capacity of administrative staff and buyers, shipping companies have been able to:

- Eliminate or redeploys employees to more value-added roles
- Handle a higher volume of work and manage up to double the number of vessels with the same or fewer people
- Save money on communications costs (i.e. fax and email), in some cases totalling up to several thousand dollars per year in communications costs and wasted staff time

“The introduction of [the system] freed up one full-time employee.”

“We measured that there were about 18 steps in the process from a request from a ship to sending out a PO – that cost us about $500 in administration, even if an order just had one line item on it. By reducing the amount of manual handling we cut that cost massively.”

“We’ve been able to manage 10% more vessels with the same number of people. We can also send out more RFQs...We believe that if we’re more active in the market we’re getting better deals.”

Improving quality

Automating processes has also led to an improvement in the quality of purchasing data. Less manual handling means less manual rekeying of data into systems, reducing errors and simplifying processes. There is one entry point for requisitions, carried all the way through to suppliers.

Shipping companies have also been able to improve the quality of spare parts by sourcing alternative suppliers, an activity they didn’t have much time to do before.

“It’s easier now to go out and get quotes from more than one supplier. It reduces the risk of typing errors. Overall we have more cost-efficient purchasing.”

“It’s definitely cost-effective. It saves so much money in terms of the quality of data – you can’t measure that.”

“There’s less manual handling. Purchasers now have time to do better things. They get some quality time back – probably about 15-20% of their time. We do better contract management now and we’re able to cope with disasters better.”

Enhancing job satisfaction

Not surprisingly, customers report that removing significant chunks of administration from an employee's workload makes for a happier and more motivated person. With less time spent doing repetitive and dull administrative tasks, the quality of a buyer’s job is improved. This also improves their ability to control and have visibility into the tasks in hand, giving them time to act more strategically.

“Our technical assistants are far more productive. I'd go as far as saying they feel more gratified by their jobs. They're no longer just clerks – they have a greater ability to analyze and become part of the process.”

For younger people joining companies, in a world where technology permeates our daily lives, having IT systems to take care of administrative tasks and automate processes at work isn’t 'nice to have' anymore – it’s expected as the norm. With quality people becoming an increasingly scarce resource, this is critical when trying to attract people to your organization.
Shipping companies around the world are on a journey of continuous improvement. Companies may take different routes, but the destination is the same – to have flexible operations that help to optimize a company’s ability to respond to business change and operate profitably. In this section we highlight a number of examples provided during the interviews that show how companies are using creative and innovative ideas to enable flexible operations and create competitive advantage.

In talking with senior purchasing executives within these global shipping companies we identified five different stages of maturity or evolution (see below for an overview of these steps).

“Purchasing was a mess. There was no central place for documentation. We needed a way to organize and streamline. Once we’d done that we started to rationalize.”

Stage 1: Chaos – Processes are largely manual and paper-based, resulting in poor visibility, inefficient and inconsistent processes, with little or no management of supplier performance.

Stage 2: Control – Automated processes and business intelligence data enable companies to speed up processes, save money and free up valuable resources to spend time on more value-added buying activities.

Stage 3: Efficiency – Companies can now spend time on strategic sourcing and supplier management activities to improve spend management and ensure the optimal performance of suppliers against contracts and performance targets.

Stage 4: Integration – The purchasing process is integrated more deeply into logistics and financial systems and processes to enable a more holistic view of the supply chain and help a company become more responsive to supply chain glitches and changes in the market.

Stage 5: Agility – Companies are able to coordinate and orchestrate its business planning and operational capabilities to achieve optimum cost-efficiency, quality and performance in the supply network. It is here that companies believe the most significant business improvements and financial benefits can be achieved.

### E-commerce journey

<table>
<thead>
<tr>
<th>Stage</th>
<th>Purchasing set-up</th>
<th>Benefits</th>
<th>Value</th>
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</table>
| 1: Chaos | Manual processes | • Poor visibility  
• Boring manual & administrative tasks  
• Inefficient & inconsistent processes  
• Difficult to source & evaluate new suppliers | | |
| 2: Control | Automated processes | • Automated RFQs & purchase orders  
• KPIs & industry benchmark data  
• Supplier market insight | • Speed up processes  
• Save money  
• Free up valuable resources | |
| 3: Efficiency | Strategic sourcing & supplier management | • Spend analysis  
• Supplier consolidation  
• Contract management  
• Supplier performance management | • Visibility & control  
• Performance improvement | |
| 4: Integration | Integrated supply chain management | • Integration with logistics  
• Financial supply chain management | • Holistic view of end to end process  
• More responsive business planning capabilities | |
| 5: Agility | Optimized supply planning & execution | | • Improved business agility  
& revenue optimization capabilities | |

Managing profitability in shipping
The e-commerce journey (cont)

Using business intelligence as a foundation for process improvement
Collecting and analyzing business intelligence data is helping shipping companies achieve continuous improvement with their purchasing processes and supply strategies. By using an automated system to collect this data, many of the companies interviewed are now able to shed new light on the way things have been previously done and learn from it.

Key performance indicators can potentially reveal a lot about how well individual buyers and suppliers are performing, as well as about the effectiveness of overall processes. Here are a few of the questions shipping companies should be asking themselves:

• How do key performance indicators reveal a lot about how well individual buyers and suppliers are performing?
• How do we set up a system to enable better management?
• Are we sending out too many RFQs to ensure we're getting the best prices?
• Are we sending out enough RFQs to RFQs promptly?
• Are we re-keying quotes into separate systems?
• Are you sending out too many RFQs and wasting time or dulling suppliers?

“Our aim is to have fewer suppliers but to be more important to them.”

Where are companies today?
All of the shipping companies interviewed are out of the chaos stage and have been able to enjoy the benefits of automated processes. Some companies are still rolling the system out across their vessels, so have not yet achieved the full extent of the benefits they could – but they’re working on this.

For many others, now that the desktop looks clearer, they’re looking at ways in which they can improve their purchasing processes further by assessing their supplier base to see where they could make further efficiencies and improve performance levels.

By eliminating the chaos, companies are able to put in place consistent, centralized processes and a knowledge base of best practices to enable the whole purchasing team to speak the same language, also enabling better management information across a company’s entire purchasing activities. Faced with the challenge of constantly changing ship crews, many of whom do not share English as their first language, one company has captured its processes and guidelines in a useful handbook to make compliance with new processes simpler and easier to help reduce errors and eliminate maverick spending.

Consistency doesn’t just apply to internal processes – the benefits even span shipping companies: one company recently sold a vessel to another company that used the same e-commerce system. As they were both using a similar system they were able to transfer the purchasing history for that vessel over from one company to another, giving the buyers an instant record of its purchase history to help manage its entire lifecycle.

Once better control has been achieved and resources have been liberated, the companies told us what they’ve been able to do now they’re spending less time on administration.

Examples include:
• Conducting a regular and thorough spend analysis to determine how much money is being spent on what and with whom
• Using this data to consolidate the supply base in order to take advantage of economies of scale and leveraged spend, e.g. reduce the number of purchase orders and invoices, get better prices by channelling more spend through fewer suppliers etc.
• Searching for alternative suppliers (using resources such as online supplier directories) to establish true market pricing
• Managing supplier contracts and monitoring supplier performance to drive improvement, e.g. increase supplier response rates

“We use [online directories] for looking up suppliers around the world, particularly when the vessels go to remote areas we’re not familiar with.”

On the cutting edge of process improvement, a small group of customers are looking at how they can further extend control and visibility into the broader ‘req-to-cheque’ process, by integrating processes and systems further into the physical supply chain – i.e. the logistics process of getting orders from suppliers, to warehouses, to ships – and the financial supply chain – i.e. automating purchase order and invoice matching and reconciliation, giving financial reporting systems a more extended view of upcoming orders and the subsequent future cash flow requirements, and so on.

“There’s still a lot of manual work for the finance department. They need real-time updates on our financial status. We need a better integration to our financial systems.”

Beyond integration lies arguably the ultimate goal of purchasing and broader supply chain management: agility. What this means to companies and how they achieve it varies greatly, but we are already seeing examples of companies either already starting or putting in place projects that enable the ability to be truly flexible and responsive to market dynamics and challenges.

One example of this comes from a shipping company that is looking at better ways of managing inventory to make sure that critical parts aren’t delayed:

“We want to build stocks in key locations to combat longer lead time challenges. We’re categorizing spare parts and giving them a critical measurement. How critical is it? How long would we live without it? How long is the lead time?”

Taking this even further, companies are trying to coordinate sources of supply to optimize the total landed cost of orders, taking into account logistics and customs charges.

“We’d like to capture transportation costs from supplier to ship so we can do better supply planning.”
A strategic role for purchasing

“Internally, purchasing had a low profile. Three years later we’re now at the high end of the organization and part of decision-making processes. How? We moved purchasing to the technical division, took control of the purchasing process and stopped maverick buying.”

For many years now, the purchasing department has played a largely administrative role. Buying teams have done a great job saving their companies money while doing what was needed to keep the ships operational. As long as companies don’t spend too much money and the ships are kept operational, then that’s good enough.

But is it?

With ever-increasing pressures on shipping companies internally and externally, is now the time to think of purchasing on an even more strategic level? Just how much money is being left on the table?

Putting more power in the hands of purchasing

Thinking of purchasing more strategically has not generally been on the corporate agenda until relatively recently. But with the advent of the Internet and new supporting technologies in the late 1990s this began to change as companies began to take a more strategic view of the full value creation potential of the purchasing function.

“Purchasing doesn’t always have the status it deserves. We want to change this by elevating our status and earning respect. We need to have that status or the business won’t listen to our ideas.”

Purchasing departments the world over have begun to lift themselves out of corporate anonymity and demonstrate the value they can contribute to their companies. Many shipping companies have already taken advantage of e-commerce services and have freed up resources for more value-added activities. New blood is coming from outside the shipping industry, bringing fresh ideas and best practices from other industries where protecting profit margins is a pressing issue for purchasing departments.

Responsibility for making this change happen does lie within purchasing departments themselves. They need to demonstrate the potential value of their contribution. But it also lies with senior management, who must shine the spotlight on purchasing and give it the support it needs to free up valuable human resources to excel at their jobs and add even more value to their companies.

Many shipping companies around the world are already automating or eliminating manual steps, reducing costs, improving data quality and increasing visibility. The bottom line is clear: more profitable and competitive purchasing departments that better serve the company and its clients.

We invite you to join them.
An introduction to ShipServ

This paper isn’t meant to be an in-depth guide to what ShipServ is and how it works. But if you’ve made it this far we’d like to share with you a little about what ShipServ offers and how it’s already helping over 120 shipping companies today. If you’d like to know more, we’d be delighted to offer you further information.

ShipServ is a maritime marketplace, helping buyers and suppliers to find each other, connect and then trade. Since its foundation in 1999, ShipServ has built a powerful online community, linking over 120 ship owners, managers and yards, and over 4,000 ships with over 20,000 suppliers.

ShipServ offers the following services to the maritime industry:

- **ShipServ Pages** – an online directory of over 20,000 suppliers, searchable by product type, brand, or port location
- **ShipServ TradeNet** – an online hub which enables buyers to connect with suppliers to issue RFQs, manage quotes, orders, logistics, invoices and contracts.

Optimized Trading with TradeNet

Buyers install software that can be integrated into existing purchasing systems. Buyers can then trade with the many thousands of suppliers already available on the ShipServ TradeNet marketplace, and can also invite their existing suppliers to sign up to ShipServ’s introductory StartSupplier service, which is available free of charge.

Through this service suppliers are alerted to RFQs via email and respond via a simple online tool. A more powerful trading tool or integration with a supplier’s ERP system are additional options, giving suppliers better integration with their own internal processes and systems helping them achieve their own operational efficiencies.
Getting started: the implementation process

“There was no business disruption. That’s not usual for IT implementations. It raised a few eyebrows internally!”

For the majority of customers implementation couldn’t have been simpler, reporting that business disruption was minimal. On average, implementation of the system on the customer’s site took from half a day to a day.

This simplicity is thanks largely to pre-built connectors to most of the commonly used maritime purchasing systems, making it easy to literally ‘plug in’ ShipServ to customers’ existing systems.

Training people to use the system was equally easy. In fact, customers reported that there was little for the buyers to take on board:

“It’s invisible to the buyer, it’s in the background; they still use the same purchasing system, but now they just press ‘Send’ when they’re ready to send out an RFQ or a purchase order.”

Connecting the buy-side with the sell-side

The whole point of ShipServ is about connecting buyers with sellers, so of course it’s not only the buying organization that needs to connect to the ShipServ TradeNet community.

Today there are over 20,000 suppliers connected to TradeNet. Although major annual contracts for fuel and lube oil are typically handled outside of the ShipServ system, today companies are transacting with 70-85% of their suppliers through ShipServ, in one case, 100% of suppliers transacting in this way. The companies interviewed as part of this study took a variety of approaches to get existing suppliers to sign up to the TradeNet trading hub:

• The ‘carrot’ approach – buyers communicated with suppliers to encourage them to sign up for a free TradeNet identity and help them understand the benefits of doing so. One shipping company from Singapore had particular success with supplier on-boarding by holding a series of supplier seminars
• The ‘stick’ approach – buyers advised suppliers that they would not do business with them if they did not transact through TradeNet

Both approaches seem to have brought customers to similar end points, although in cases where there was little competition and where suppliers held the balance of power, adopting a more strategic, incentive-driven approach has tended to be a more appropriate strategy. For new suppliers however, most customers now make transacting through TradeNet a prerequisite for doing business with them. Indeed, one company will only deal with suppliers that already have a TradeNet identity.

“Our original target was to put 70% of our suppliers on ShipServ. We’ve already got 85%!”

For suppliers, the incentive for transacting through TradeNet is clear in cases where important customers will not do business with them otherwise! However, although some customers reported that having to transact through TradeNet put an additional burden on their suppliers who in many cases had to deal with multiple different buying systems, the benefits in terms of automated processes, clarity of data and speed of processes offers a significant advantage in terms of reducing the overall cost of sale, particularly when they choose to integrate ShipServ into their own internal order processing systems.

“Suppliers are coming to see that having a TradeNet number on their web site is a good marketing tool for them.”

By establishing these basic benefits of automation with suppliers there are additional benefits to be had. One large Danish shipping company indicated that they would soon be entering concrete discussions with a supplier about agreeing product discounts due to the fact they are making the transaction electronically over the ShipServ system. As we are about to see, others are using performance data from the ShipServ KPI dashboard as a tool when negotiating with suppliers.
The ShipServ Key Performance Indicator (KPI) Dashboard gives shipping companies a quarterly view of how they are performing, both independently and against industry highs, lows and averages. Many companies use this data as a complement to the performance data generated by their e-purchasing systems and make the data accessible to all members of the purchasing team and their managers.

The KPI data is helping customers identify key areas for improved supplier collaboration in order to drive down costs on both sides and is also used as a way of identifying new and more competitive suppliers. Sent out quarterly, but with data available on demand via a web tool, the dashboard currently includes the KPIs shown in the following table.

This type of data, combined with KPIs from other systems that customers are using, such as their internal purchasing or ERP systems, gives customers insight into how they can raise the level of purchasing excellence within their organizations, as well as improving supplier collaboration and driving down costs in the supply chain.

### Key Performance Indicator

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Description</th>
<th>How it can help drive improvement</th>
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</thead>
<tbody>
<tr>
<td><strong>E-enablement Status</strong></td>
<td>The percentage of POs your company sends electronically through TradeNet</td>
<td>Are some of your buyers still handling POs manually? Are all of your suppliers registered on TradeNet and able to receive POs electronically? Are you really achieving the full benefits ShipServ can offer or are you leaving money on the table?</td>
</tr>
<tr>
<td><strong>Supplier Response Rate</strong></td>
<td>The percentage of your RFQ’s responded to through TradeNet</td>
<td>Do you have to re-key quotes into your system because your suppliers don’t respond electronically? Do they fully understand how to use it? Do they have an incentive to respond? Are suppliers responding at all? Are you sending RFQs to the wrong suppliers or are you ‘spamming’ your supply base in an attempt to find the cheapest prices? Do you favour one supplier time and time again, making other suppliers reluctant to provide quotes?</td>
</tr>
<tr>
<td><strong>Supplier Response Time</strong></td>
<td>The percentage of RFQs responded to within the indicated period</td>
<td>Are you sending all the information that suppliers need or are they having to come back to you for clarification and therefore delaying the process? Are suppliers being complacent and do they still need to be chased for responses?</td>
</tr>
<tr>
<td><strong>RFQ to PO Ratio</strong></td>
<td>The number of RFQs sent for every PO placed</td>
<td>Are you sending out enough RFQs to ensure that you’re getting the best market price or do you deal with the same old suppliers again and again? Do you send out too many RFQs? Are you making suppliers reluctant to respond to future RFQs because you constantly send them RFQs but never give them the business? The Response Rate KPI will also help here.</td>
</tr>
<tr>
<td><strong>Run Rate</strong></td>
<td>The annualized number of POs sent out per vessel</td>
<td>Do you have a reason for sending out twice as many POs per vessel as the average shipping company? Do you know that this is what you’re doing? Are you making purchases on an ad hoc or unplanned basis? Are you sending out multiple POs when a consolidated order may have saved you handling time and money and delivered a better overall unit cost?</td>
</tr>
<tr>
<td><strong>Line Items per PO</strong></td>
<td>The average number of line items per PO</td>
<td>A more detailed indicator of Run Rate issues. Could better forward planning mean that there are fewer POs to handle, helping to leverage price advantages and minimum order value commissions from suppliers? Do you give certain suppliers too many line items and put too many eggs in one basket? Are you striking the right balance?</td>
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Let’s talk about how you can share in the benefits…

We would firstly like to thank the shipping companies around the world who have taken the time to share their experiences with us.

We are delighted that these companies can see clear benefits from using e-commerce services. They’re doing more with less – and doing it better. They’re doing things faster and more accurately, improving the quality of the purchasing team’s day to day lives, and giving them more time to act more strategically within their roles. At the same time management is enjoying better overall control of purchasing processes, with better performance data that it is using to further improve internal processes and relationships with suppliers.

In the future we see this level of purchasing excellence rising even further as our customers take advantage of new applications for contract management, invoicing and logistics integration, enabling them to step up the value creation ladder. All you need is the attitude to enable you to see the need for change and the management commitment to make it happen.

If you would like to enjoy the same benefits or more, we invite you to contact ShipServ to find out more. Join us and our buyers and suppliers in the evolution of purchasing and supply management excellence in the shipping industry.

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