E-Chartering Web Based Platforms Between Success and Failure

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ABSTRACT: For many years there is a debate in the shipping industry over the impact of e-chartering web platforms on small and medium chartering houses. Although a lot of efforts and money have been spent in developing such platforms, their impact was lower than anticipated and only few of them are still active. This paper will try to evaluate why such e-chartering systems failed and what would be main requirements for a successful e-chartering web platform.

1 HOW SHIPBROKING HAS CHANGED OVER THE LAST 30 YEARS

Fixing ships was a very challenging task 30 years ago when, due to very limited communication possibilities, an owner with a ship looking for cargo in an area far away from his traditional market, could only see 20-30 possible cargoes from that area and he had to choose the best out of them, without knowing that in the market there were much more cargoes available and even better paying. Development of e-mail has been seen as a blessing by many ship brokers, since with only on click their open positions and open cargoes could be sent to hundreds of brokers.

Apart from the fact that more and more shipbrokers were added to the address books, phone and telex bills were also considerably lower, which in turn encouraged brokers to put more and more cargoes on the market, whether they were controlling them or not. This development radically changed the tasks of shipbrokers which are now flooded with hundreds of e-mails which are difficult to evaluate and are very time consuming. Shipping market is very conservative and although all parties involved in chartering agree that sooner or latter most of the fixtures will be done on trading portals, there is a considerable resistance to change which is also fuelled by failure of many web based platforms.

There is a continuous debate about the impact of web based platforms on shipbrokers earnings, but this is not taking into consideration the fact that anyhow the number of transactions done directly between charterers and shipowners is increasing and this has nothing to do with e-commerce.

Over the last couple of years number of transactions done via competitive brokers has also declined due to spread of e-mail. This trend will continue and even if there is a risk that owners and charterers will do most of their fixtures directly it is hard to believe that charterers, whose prime objective is to make money from commercial transactions and not to save brokers commission, will employ qualified brokers to handle their requirements. Even if this will happen it means that owners and charterers will have to employ more brokers to cope with the new work which can compensate the eventual loss of jobs from small and medium shipbroking houses.
Over the years there were featured 35 web based platforms offering e-chartering services and many of them failed to meet the expectations of the market. Some portals did not meet the industry's needs, some had a market and no product, some had a product and no market, and even those who had a market and a product had to learn that adoption was not as swift as all had expected.

One of the reason for failure is that market participants are not keen to put their ships and cargoes on a website unless they can see on the same site all other cargoes and vessels. At this particular moment there are few websites developed with financial contribution from various first class ship operators and charterers, but it is unlikely that this will continue since other large organisations will consider that they can do better and develop new web platforms. Main e-chartering platforms available today on the market are LevelSeas, Strategic Software, AXS Marine, GoReefers, Shipping Direct, Chartering Solutions and Steminorder.

LevelSeas (www.levelseas.com) is a subsidiary of Clarksons and it consists of two modules Levelseas exchange and Levelseas operations and it is available to members. LevelSeas’ ambition is to provide integrated information systems which manage data, extracted directly from user companies’ systems over the internet. The main benefits are increased efficiency, greater transparency, reductions in costs and reductions in errors. The biggest barrier to usage of LevelSeas is the offline world; people still need a lot of convincing about why they should use it. One of the biggest accelerators to its usage, however, is the gradual adoption of the internet in other areas of people’s lives, particularly at home which leads to people being more comfortable using it in the office. The fact that it is a Clarksons company makes it hard to believe that this is the platform that will be the leader of the market since Clarksons’ competitors will not feel secure to place their confidential orders on a platform controlled by them.

Strategic Software (www.strategic.co.uk) considers that an essential tool for shipbrokers is to use a good messaging system. The most useful service Strategic provide is creating a data network which saves brokers from all the manual retyping they have to do. This led to the creation of Strategic IMX, a network for information sharing, with founder members Banchero Costa, EA Gibson, Ispat Shipping, JC O’Keefe, Poten and Partners and Torvald Klaveness Group.

Baltic Exchange (www.balticexchange.com) has a long tradition in shipping and the system they developed is a means for brokers (and also owners and charterers) to share information about ships and cargoes, being extremely specific about who they would like to be able to view their information. There is a searchable database of all fixtures made. Although there is no “click to trade” button, already a number of fixtures have been made as a result of brokers using the system. There is also a freight derivatives trading system, which is currently under testing. Only brokers are allowed to trade on the system, although principals are able to view the market.

AMX Marine (www.amxmarine.com) provides powerful, flexible knowledge tools, tailored to the specific needs of dry bulk, wet bulk and container carrier charterers, owners and shipbrokers. The charging structure depends on how the system is used. If a broker uses the system, then no charge will be made directly to the principals, but the brokers will pay for it. However if two principals negotiate directly over the system, then AXS considers itself to be taking the role of a broker and will charge commission accordingly at 0.75 to 1 per cent of the transaction.

Shipping Direct (www.shipping-direct.com) is about to launch an e-chartering system working with a specific target on short sea shipping. The platform will make it easy to transport data, simplifying and automating a lot of systems. It will include an instant messaging tool. The company is now specifically focused on the short sea broking since there are a much greater number of small brokers in the short sea market and information is also much harder to come by.

Steminorder (www.steminorder.com) is the website which claims to have the biggest number of members, but the design and the updating of the information is far from an acceptable level. Also very few large owners and charterers are members of this site which does not put it a good position to become the leader of the market.

Before we can talk about a global chartering platform we have to see some mergers and acquisitions on this market, but it is hard to believe that something like this will happen in the near future since most of the web sites are covering their expenses from subscription fees.

3 STEPS TOWARD A GLOBAL E-CHARTERING PLATFORM

A global e-chartering platform has to be managed by a credible independent organisation to ensure that no company has an advantage over other competitors. In order to be successful the platform has to start
With basic features and to grow step by step based on clients requirements, as it is hard to believe that large organisations will leave aside their own operational and financial applications to use the online tools.

At first, the web based system should give users the same freedom they have when they send away messages with open cargoes and positions and the main goal should be to reduce the number of e-mails send and received. Instead of sending out e-mails users can set up various groups and give permissions to see open cargoes and open positions. In this way the other users will not need to read hundreds of e-mail, but they will have the information available and they can use the search capabilities of the platform and find what they need. One other shortcoming of many e-chartering platforms is that various ship brokers quote the same cargo with different commission structures which will make the result of the search confusing and this should be avoided by viewing the cargo only once and users can thereafter decide if they want to see who else is quoting that cargo.

Sending indications or firm offers should be easier as there should be standard forms with fields, check boxes and drop down list boxes. Port agents may contribute to a central port costs database as well as parameters of a specific cargo will also flow directly into an online quick voyage estimator with integrated distance tables, so users can evaluate a business much quicker. Negotiations can be recorded in a secure log file with possibilities of sending out copies to e-mail system and with automated recapitulation of all terms agreed.

One important issue will be the charging for the service, as it is obvious that developing and maintaining a first class service would need considerable funding. At this moment there is no free e-chartering platform available, all know platforms either use a subscription fee or a transaction fee. A transaction fee would be more appropriate, but the administrators of the site have no control over the activities performed on the site by the users and have to count on users correctness. The main problem of most web based providers was that they had no funds to sustain the website for enough time to allow it to generate income itself and they imposed some subscription fees which in turn made more and more clients to run away. Since the website can and will also be used by shipowners and charterers it appears that a lot of other service providers (agents, insurers, shipyards etc.) would be interested to target the audience and they would be ready to pay for advertising, which should become that main source of funding.

It may take several years until the first 10% of all fixtures are done on the net. Once the critical mass of 10% is reached, it will develop into a stampede and merely take perhaps another year, until the majority of all business is actually traded on the shipping exchange. Instead of drowning in information overkill, created by easy e-mail communication, people will then be able to specifically look for what they are really interested in and immediately bid on it. Another year later, it will be so common, that nobody can afford not to put their cargoes or ships on the net! Fixtures will be concluded by electronic negotiations, by matching and alert systems, managed tenders or real time reverse auctions.

European Union is studying if bulk shipping market needs to be regulated in order to avoid monopolistic practices of many shipowners and ship operators forming pools and establishing a common price strategy. An online trading environment can help industry become even more transparent and competitive that today.

After completion of each voyage, charterers and owners can have the opportunity to give a rating, evaluating the performance of the counter part. After many such fixtures, the average rating will become quite representative. In fact it will be a better tool to judge the standing and performance of an owner or charterer than the biased opinion of a broker, who’s prime interest is to fix that piece of business.

Many tools and services that we cannot even imagine today will be refined and integrated year by year. Port information, laytime calculations and various other decision support tools and post fixture applications will become part of the site. Once enough traffic is obtained, the market site can generate its own statistics. Needless to say, maritime news, fixture reports and market forecast will also form part of the portal.

Fixing ships and cargoes on web platforms will not make a better shipping world, but competition will be fierce and market will be more transparent. Shipping will also become less personal and more standardised. Some will hate it, same will like it, but for sure this development will be inevitable and nobody can stop it. It will be driven by the commercial pressures of the global economy and the desire to become more productive, save costs and find a better match.

REFERENCES

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