

# CONNECTIONS

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### MTS provides:

- **Quick access to e-commerce**
- **One common interface for all e-transactions**
- **Single data entry**
- **Easy integration process with integration adaptors**
- **No comprehensive training of staff required**
- **Improved process efficiency**
- **Greater transparency of information,**
- **Cost savings!**

## Vision vs Reality

### E-Commerce in the marine industry

What have we achieved with the introduction of e-business in the marine industry? Have the original objectives and visions of e-procurement been delivered? Who set these objectives? Who is receiving the benefits? Is this what the industry wants or needs?

#### Vision

What are the objectives of e-procurement in the marine industry? Reduction of sea based transportation costs? Lower the cost of ship operation?

Cost of ship operation is for a significant part related to acquisition costs for spare parts, services and provisions. If e-procurement could make the process of ordering, invoice matching and payment more efficient the cost of ship operation would be lowered.

Can e-procurement influence the cost of products/service in terms of the product unit price?

True B2B (ship to cash), can positively impact the cost of ship operation by:

- Lowering buyer process costs
- Lowering supplier handling cost (through lower product cost).

#### Reality

Have we managed to lower the cost of ship operation?

Many different types of solutions were discussed initially. Online auction sites and also Web shops have vanished. Only so-called "end-to-end solutions" remain. Three different types of solutions are labelled 'end-to-end' solutions,

where only one of them is true B2B. We have:

End-to-Web (currently the most commonly used). The buyer is integrated through his internal procurement system and the supplier receives and replies to transactions through a web page.

End-to-Spreadsheet Same as above but where the suppliers respond to/by an Excel spreadsheet. End-to-Web and End-to-Spreadsheet are the same with regards to limitations.

End-to-End Both parties are integrated through their internal systems.

Currently, it seems that End-to-Web solutions are gaining ground and will be the chosen way of e-procurement in the marine industry. The question is then, whether such a solution meets the visionary target of lowering the cost of ship operation?

In a scenario where ship operators are today sending transactions by manual fax, they

will definitely save time by simply pressing an "e-commerce button" in their system versus printing and faxing. In another scenario where a ship operator today is using an automated fax or email transmission the saving is questionable when it comes to outgoing transactions. However, if we look at incoming transactions in both scenarios, all ship operators will save time, as they do not need to enter quotes or order particulars into their system. They will also benefit from having more accurate price information available in their system, currently they tend not to key in the replies & corrected/updated information from suppliers). All together the ship operator saves time, and therefore money.

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## E-Commerce in the marine industry

### Vision vs Reality

But what about product prices? Will this model also provide lower product prices for the buyer? As discussed, the product prices are (also) dependent on supplier's handling costs (process costs), and we need to assess the impact this model has on the cost at the supplier side.

Current e-procurement has proven to have a negative impact on the supplier's handling costs, especially the order taking and order delivery process costs. There are two main scenarios:

For a supplier that does not have any sales order processing or ERP system the (only!) cost impacts are the Web site provider's charges. On the other hand, a supplier that is equipped with a sales order processing system, or a full blown ERP system, will need to open an email, launch a Web site, print a "web-order", key the order into his internal system, process it, print a reply document and key this back into a Web site. Alternatively, he could in most cases simply have entered a transaction directly into his system from a fax and auto sent the reply by electronic fax, or by email. Studies show that such a supplier scenario creates additional process cost, even before the charges from the e-commerce provider are added! It is understandable that most suppliers are dragging their feet when invited to use such a solution. We have created a scenario where the total cost of process has increased, where the buyer saves and the suppliers pay even more! A rather straightforward assumption is that the increased supplier side cost will either reduce the profit, or be charged back to the ship operators, either as increased product prices for all customers, higher prices for specific buyers using such solutions or through an additional handling fee for such transactions. It is naive to believe that additional costs will be taken by the supplier's shareholders though less profit.

**True end-to-end solutions** simplify the process on both sides; the buyer sends transactions directly from his native ordering system into a supplier side order processing

#### Is the industry heading in the right direction?

system, eliminating manual order entry, automating order validation in terms of prices and availability, and automating the transmission of the reply document. Optimally, the entire order handling process can be automated (especially where frame agreements exist). Such a system may create some upfront costs related to data cleaning, but has definite potential to significantly reduce the over all process cost on

both sides. As a bonus, the ship operator can get quality product data and price data directly from the supplier into his system for general usage and also much faster responses and service from the supplier. In

this scenario the ship operator achieves true lower cost of ship operation through both lower internal process cost and potentially lower product cost .

Looking at the current development of marine e-commerce where 'end-to-web' seems to be the trend creates some real concerns. It appears that the industry is heading in the wrong direction! When recognizing this fact it is easy to understand that the adoption rate for e-commerce is as slow as it is. Not all suppliers or buyers are ready for end-to-end solutions, as many do not have a streamlined ERP system in place, nor the required quality in their data, so there is a need for a range of e-procurement solutions. At the same time, there are many who do have the infrastructure to support a true B2B solution, but are being pressured by their own customers to use inadequate, cost- increasing "e-solutions", often more than one. With most shipowner/operators and suppliers sitting back waiting to see who wins the marine e-commerce endurance race, maybe the only difference in the "Reality" picture in 3 years time will be increased product prices?

Is this what the industry wants or really needs?

## Norshipping 2003

It was a record year at the bi-annual international shipping trade fair - Norshipping, held during June at Lillestrøm, Norway. MTS was present at the BP Marine, Alfa Laval, and Unitor stands, and received a great response from interested purchasing departments and exhibiting suppliers. Live demonstrations were given and purchasers were impressed with the BuyerLink product and the ease of ordering from their existing purchasing system, with a full integration to the supplier side back office/ERP system. Suppliers liked the range of solutions available from MTS, that they weren't being forced into a solution they weren't happy with by their customers who have chosen MTS as their e-enabler.



**Mr Stsherbakov from Aquaship receiving a demonstration. Aquaship is now another satisfied MTS customer .**

## Bergshav went for MTS

After testing Marine Transaction Services (MTS) for six months on The World, Bergshav Management AS decided to use the system for all its vessels.

"The main difference between MTS and the other solutions on the market is that MTS is part of the business community," explains Peter Kraugerud, Parts & Service manager of Marine & Diesel at Alfa Laval Nordic. "It is founded by members of the supplier community with the aim of simplifying the process and reducing costs, not increasing them the way other portals increase costs by adding non-streamlined work processes."

"It is a win-win situation," agrees Steinar Sandberg, purchasing manager at Bergshav Management AS. "We are still early in the process, but it looks like it is benefiting both the suppliers and us. MTS is streamlined and there is no duplicated work. It can take care of everything."

**Providing solutions**  
Mats Ottosson, responsible for the Parts & Service e-business strategy at Alfa Laval's Equipment Division, stresses that the company sees integration and portals as important tools to make the whole supply chain more efficient. "By working with customers, other suppliers, software and system integrators, we are able to provide beneficial electronic trading solutions for the marine business," he says

Arne Sørensen, IT manager at Bergshav Management AS, is understandably concerned about security issues. "Using the Internet makes a lot of companies vulnerable," he points out. "But the MTS system is very secure. Transactions are coded and automatically validated. It backs up every day, and security routines are built into the system. It tracks everywhere."



## Industry Standards for electronic communication

Sharing and communicating electronic information is the key prerequisite for automating trade and improving efficiency of supply chain related business processes among industry participants. This requires consensus behind a common set of standards and transaction rules. Agreeing on a common approach does not require participants to adhere to a set of rigid technical or architectural standards. In contrast, it entails sharing a vision, agreeing on a defined set of basic common transaction rules, and standardisation in the area of document content. MTS do not believe that the actual document format, such as ebXML, mtml, mxml etc. is the central issue. We have created a White Paper for electronic information flow in the marine industry. The aim of the White Paper is

**The development of e-business today is, to a large degree, in the hands of various supporting providers as opposed to actual end-users and it is this user engagement that will be needed to deliver meaningful and lasting solutions.**

to create a common approach towards sharing and communicating electronic information in the marine industry where the ship owners, ship operators, ship managers, and suppliers are the driving force. The standard should give answer to questions such as:

"How is the document used?" - "Which fields must be on the document?" - "Which fields are mandatory, which are optional?" - "What is the content (meaning) of this field?" - "What is the data format of this field?" - "Which are the relevant code lists for this document?" - "This field is also used in which documents?" Data management standards should also be neutral for all participants. Specifically they should be neutral with regards to: Providers of ERP- and vessel management systems, Suppliers and Buyers in the industry, E-commerce service & technology providers, Document formats (such as mtml and other xml-dialects as well as EDIFACT), IT architectures, languages and solutions. If you would like more information on the White Paper, and how to become a supporter of industry standards, please contact Penny Bjorkmann at MTS. (tlf: +47 22 13 10 19).



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## MARINE TRANSACTION SERVICES

*Created by the Marine industry - For the Marine industry*

[www.martranserv.com](http://www.martranserv.com)

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- **Marine Transaction Services (MTS) is an initiative designed to bring greater efficiency into e-procurement. Providing the only “Ship to Cash” integration available in the marine market today, MTS is focused on customer friendly solutions and balanced benefits, for both owner/operators and suppliers.**
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- **MTS Solutions available:**
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- **BuyerOnline: web-based purchasing tool**
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- **BuyerLink: integration to ship operators existing procurement application, including electronic invoicing**
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- **SupplierAttach: spreadsheet solution for receiving and answering queries and orders**
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- **SupplierOnline: Web-based sales order management tool**
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- **SupplierOPS: a complete order processing and invoicing system, hosted by MTS**
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- **SupplierLink: integration to supplier’s existing back office system, including electronic invoicing**
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## SIS and MTS announce an industry standard B2B solution

Star Information Systems (SIS) and Marine Transaction Services (MTS) announce the development of a global business-to-business (B2B) software and e-commerce solution for the shipping industry. The solution is a “ship to cash” integration, including the entire procurement process from a need being identified onboard to electronic invoicing.

“MTS and SIS offer true B2B integration. MTS’s expertise in e-commerce for primary marine vendors was a major determining factor for SIS entering into this collaboration. The two companies have worked professionally together for the past two years” said Leif Tusvik, head of department SISCommerce.

Under the new cooperation agreement, MTS will integrate marine vendors existing ERP/back office systems with ship owners and operators currently utilising SISCommerce software. According to SIS, the partnership with MTS is an essential one and opens new business opportunities for both companies.

“Finding and teaming with other highly qualified suppliers of B2B technology with skills that complement our own, allows us to take on opportunities we may have otherwise passed by. We want to bring together some of the best technologies to address critical client business imperatives,” said Tusvik.



**E-business saves time and costs by simplifying the supply chain.**