

A 2010 Industry Report:
The Future of Internet Use in the Shipping Business

Developed by:



SHIPSERV

ShipCrunch

About ShipServ

ShipServ helps marine and offshore buyers to find the best suppliers easily, trade efficiently and build trusted relationships.

Our products and services bring buyers and suppliers together online, in print, on ship and in person. We offer the largest online trading platform, the most used supplier search engine, the leading ordering guide and the first online ad network.

The high volumes of sourcing, trading and search data our community shares every day helps us deliver better results and more accurate information to both buyers and suppliers. No one facilitates the intelligent, trustworthy matching of demand and supply better than ShipServ. For more information visit www.shipserv.com.

About ShipCrunch

ShipCrunch gives leaders in the marine innovation and technology scene the latest scoops on new companies, technologies, people and ideas.

The frequently updated ShipCrunch blog has a core readership of 1500+ marine technology professionals from around the world. The blog has been cited and republished by the likes of Lloyd's List, Digital Ship, IMarEST and Coracle Online.

Ongoing series like the "10 technologies to change shipping", "What Would Google Do....if it was in shipping?" and the Marine Innovation Chats establish ShipCrunch as one of the freshest voices on the shipping scene. Check out the content, check in via twitter (@rskin11) and subscribe to ShipCrunch via RSS or email at ShipCrunch.com.

The Future of Internet Use in the Shipping Business

In the spring of 2010, ShipServ together with marine innovation blog ShipCrunch set out to determine the state of Internet use in the shipping business. They asked eight questions of shipping professionals worldwide. Because these respondents likely represent an online vanguard among buyers and sellers in the shipping industry, this paints a picture of Internet use in shipping business in the very near future.

Goal

The aim of this survey was to establish the state of Internet use in the shipping industry, and to provide statistics and figures with which to understand how the Internet is, and will, impact the nature of the industry.

Procedure

The short survey was designed by Ryan Skinner, publisher of marine innovation blog ShipCrunch, together with input from John Watton, CMO of ShipServ. Most of the questions provided multiple possible responses; some were open-ended. Answers were prompted through the ShipCrunch blog, attendees of ShipServ's Connect10 conference, maritime-themed groups in LinkedIn and other channels. The survey itself was run on a third-party survey platform called Survey Monkey.

Respondents

In total, 175 individual sets of eight responses were received after approximately one month. The means of gathering responses (primarily through social networking and ShipServ-related channels) skews the responses towards those companies and individuals who are already active in Internet-driven business and transactions.

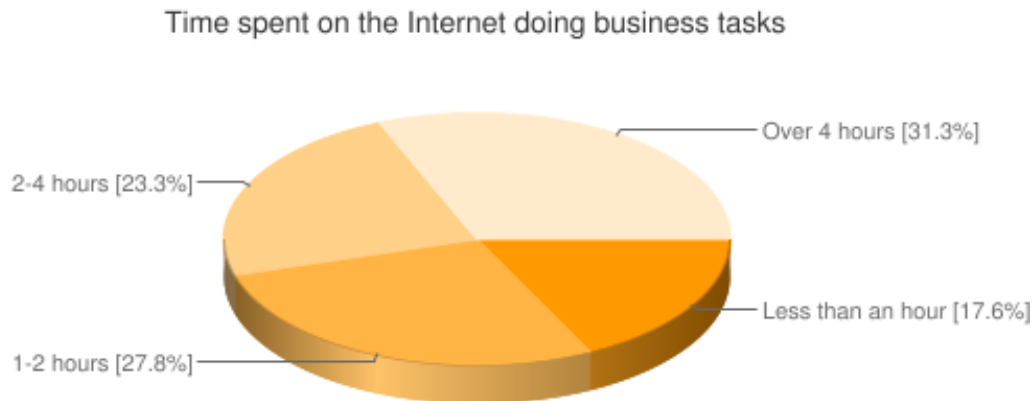
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Question #1

How much time do you spend on the Internet daily doing business-related tasks?



Analysis

Today more and more professionals use the Internet to gather information, research products and companies, compare others' experiences, make purchases and follow-up projects and transactions. Among the online tasks increasing fastest include real-time operations management (via web 2.0 applications) and open or closed network communications.

Bosses worried that personal Internet use may dilute business results can take comfort in a recent study by University of Melbourne's Dr. Brent Coker who found that: "People who surf the Internet for fun at work...are more productive by about 9% than those who don't."

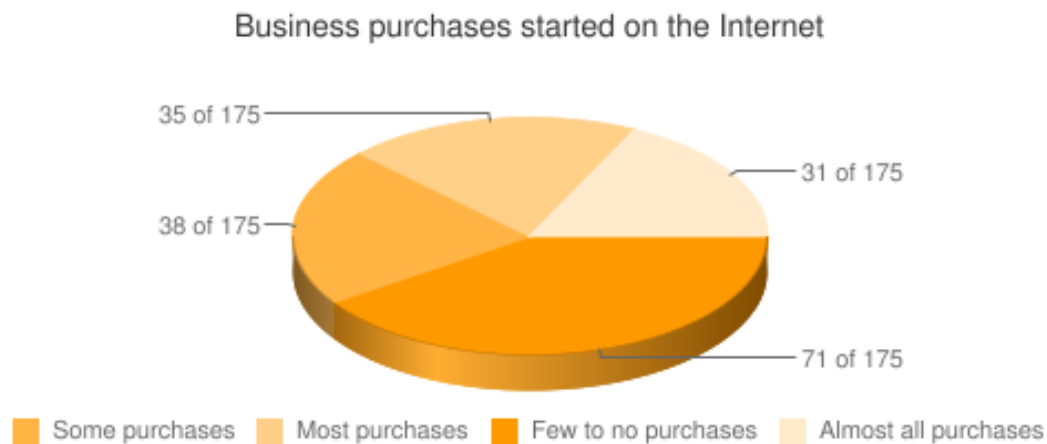
Further, a 2010 Pew Research Center survey found that a majority of both technology stakeholders and critics believed that innovative forms of online cooperation would result in significantly more efficient and responsive businesses by 2020.

Key points

- 82.4% of respondents spend over one hour per day doing work-related activities on the Internet.
- Approximately one-third spend as much as half of their working day doing business on the Internet.

Question #2

What percentage of your business purchases today start with the Internet?



Analysis

The buying process in B2B transactions generally begins by determining the need, creating a specification, identifying potential suppliers and comparing their offerings. Google has quite simply become one of the most common ways to identify suppliers of given products, as people's use of the Internet at home has impacted how they use the Internet at work.

A 2007 survey from Enquiro found online influencers such as vendor web-sites and search engines outperformed offline influencers like trade shows and paid consultants. Another study found the overwhelming majority of technical buyers begin a research process with a broad Internet search by product category.

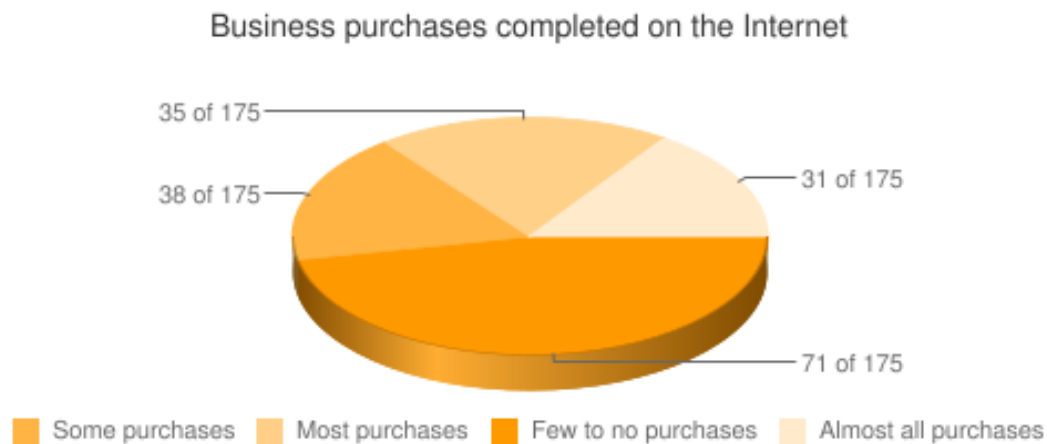
On the opposite end of the purchaser is the supplier. Because so many purchases start with Internet research, Forrester, among others, has found that findability (the ability for buyers to find sellers' sites and the product and information they seek within that site) can be a question of millions of lost profit for most businesses.

Key points

- Roughly 50 per cent of shipping purchasers begin the majority of their buying processes on the Internet
- One in seven shipping buyers begin more or less every purchase online

Question #3

What percent of your business purchases are completed over the Internet?



Analysis

Thanks to e-commerce transaction portals like ShipServ's TradeNet, more and more companies in the shipping business complete business transactions entirely online. An eMarketer survey reported USD 131 billion worth of online sales in the United States in 2009, and a projected USD 183 billion by 2012.

Testimony from companies completing transactions via online commerce portals give as their reasons: reduced time, reduced administrative costs and fewer errors related to documentation, among others.

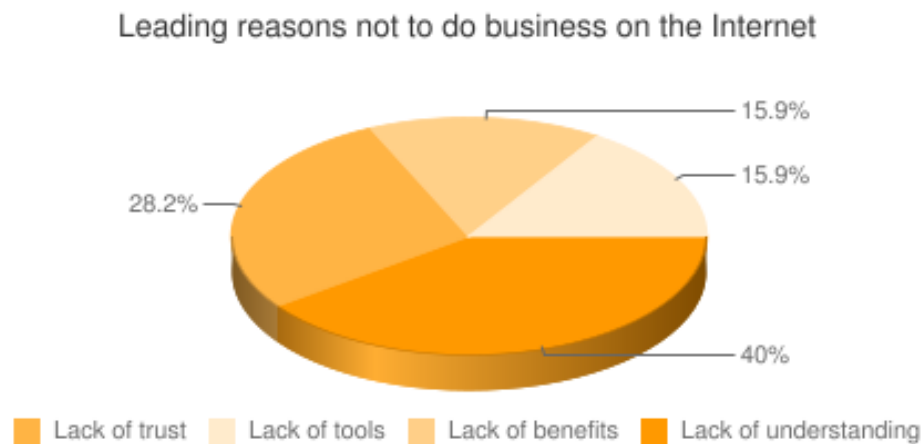
As buyers' and sellers' experience working with secure certificates increases, there is reason to believe that the volume of transactions completed over the Internet will increase.

Key points

- Roughly 50% of respondents still only complete transactions over the Internet rarely
- Of those who complete transactions over the Internet, there is an even distribution of those who do it very often and those who do it only occasionally.

Question #4

What's slowing the shipping industry from doing more business over the Internet?



Analysis

As many respondents have adopted the practice of doing business over the Internet, these responses might be best interpreted as their hindsight. What were your greatest obstacles? Even if the arguments for greater efficiency, speed and performance via e-commerce are sound, the transition is not as easy as flipping a switch.

"Lack of understanding" as the leading response indicates that knowledge of how to best do business on the Internet is a significant hurdle for many in the shipping business. "Lack of trust" could indicate that security issues remain strong in buyers' and sellers' minds. Or it could indicate that the industry still prefers to do business face-to-face and inherently doesn't like to forge relationships online.

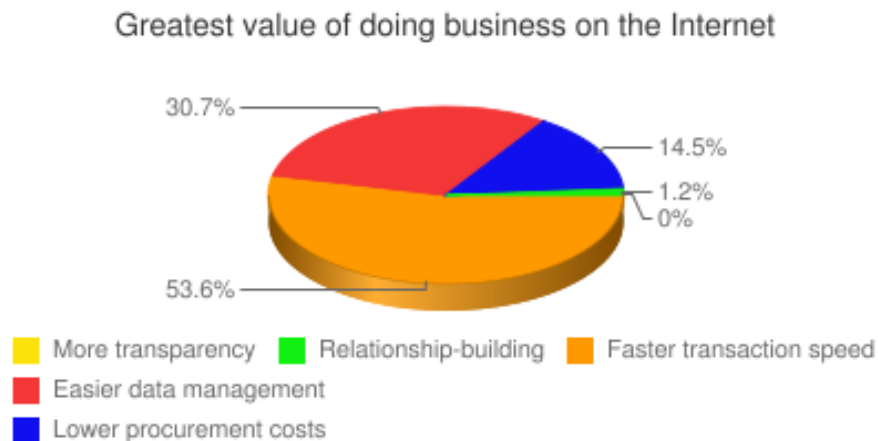
"Lack of benefits" and "Lack of tools" indicate that the respondents feel like there are obstacles to implementing Internet-driven business processes within their organization. In other words, not all companies may be prepared for the changes that the new processes would entail. The Internet is yet another enabling technology and the biggest challenge is changing the way we do things.

Key points

- 85% of respondents believe that e-business brings benefits to users
- Education and information are probably the greatest hurdles to broader e-business implementation in shipping

Question #5

What do you see as the greatest value of doing business over the Internet?



Analysis

These responses can be seen as the rationalization for the respondents who begin and complete transactions online (above). Over half of these respondents feel like the improvement in speed is the most valuable aspect of online business. Given increasing workloads for shore staff and ship operators, this answer is not unexpected. In a 2008 survey “Managing Profitability in Shipping” commissioned by ShipServ, respondents cited that they had reduced purchasing cycle times by more than 30%.

In a clear second place, easier data management is the result of the fact that online transactions are completed after data is entered only once. Thereafter, the data can be controlled, moved or adjusted, without re-entering an entire order. When orders have to pass through several gates, this value increases.

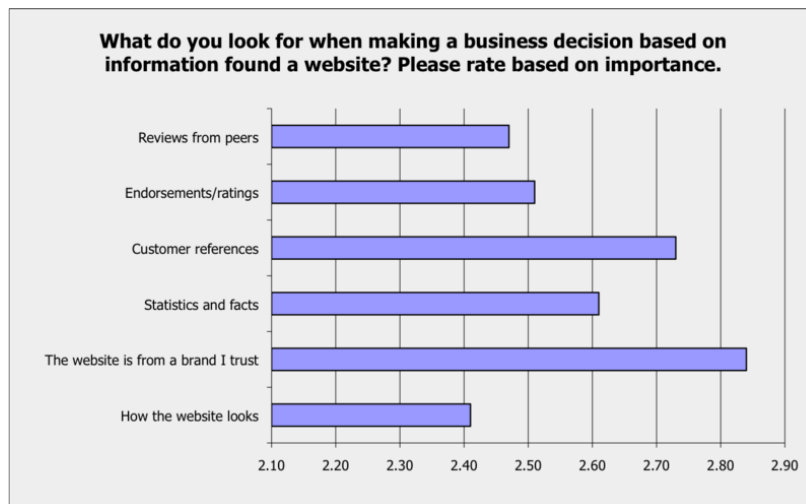
Lastly, respondents cite lower procurement costs. This response probably relates to increased operational efficiency, better timing and the ability to apply renewed focus to existing contracts. In the “Managing Profitability in Shipping” survey, respondents stated that an average purchaser had reduced the administrative workload and freed up the buyers’ time by 15-20%. In the words of one executive, “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.”

Key points

- Internet-driven business has the capability of significantly easing administrative burdens on shipping professionals

Question #6

What do you look for when making a business decision based on information found on a website?



Analysis

Clearly, shipping professionals seek to qualify suppliers and the legitimacy of their web-site offerings. In fact, the two leading factors that impact buyers do not come from the sites themselves, but rather their own experiences with the company and peers' experiences.

In the consumer world, [e-tailing group](#) estimated that 98% of shoppers read peer reviews before making a purchase. And this behaviour is moving to the business-to-business world too. Take, for example, UK business listings directory yell who recently bought reviews site [trustedplaces](#) to add subjective review content to their business information.

It's good news for suppliers too. According to [Bazaarvoice's Brett Hurt](#), the addition of reviews can lead to an uplift in conversion rates of up to 20%, as well as increasing average order values by 15% to 30%.

And when it comes to site content, buyers are most appreciative of objective arguments. They want to see facts and figures, as well as the opinions and findings of other buyers. As a company-owned site is often not the best source of objective material about that company's products, buyers seem to seek qualified third-party websites with company and product information and comparisons.

Key points

- Online buyers like to use offline experiences and stories to prequalify offers
- Objective third-party product and company evaluations are highly sought-after by online purchasers
- Peer recommendations (both online and offline) are important in supplementing the above.

Question #7

If you were to compare adoption of Internet-based tools in your business as a voyage from Shanghai to Rotterdam, where would your company be right now?



Analysis

A particularly subjective and shipping-themed question, this question creates a very interesting picture. As many as half of the respondents feel like their company is either at the starting line or at the finishing line. There are lines of company "ships" jumbled in the ports of Shanghai and Rotterdam.

The remainder of respondents feel like their company is in the midst of its journey, with remaining answers stretching from the waters around Singapore to the Portuguese coast. Interestingly, many put themselves in the Red Sea - an anecdotal half-way point.

Given the tremendous spread of responses, there would seem to be strong opinions on the subject, but also significant confusion. Whether your company is a first-mover, a laggard or just average, the industry has no real gold standard by which to judge itself.

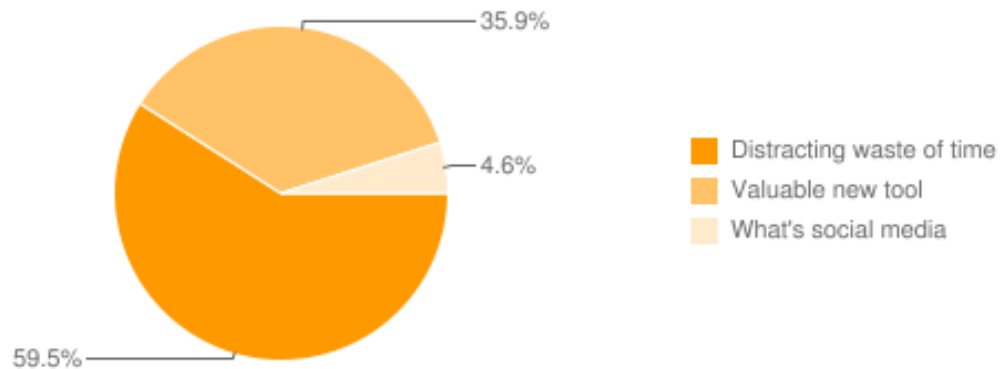
Key points

- Half of respondents are likely either frustrated or proud of their shipping company's adoption of Internet-based tools
- Half of respondents feel like they are "on the way" to full adoption.
- No one responded that their shipping company was completely off course (e.g. near Hawaii)

Question #8

What's your view of social media and its role in the shipping business?

What is your view of social media's role in shipping?



Analysis

Despite what might seem like an overwhelmingly negative response (with 2 of 3 expressing either total ignorance or dislike), this is arguably a very optimistic result for social media in the context of the shipping business. Given that more than 1 in 3 professionals feel like blogs, facebook, LinkedIn, twitter and sites like them are valuable, this could reasonably challenge traditional media.

The value of social media channels is very closely linked to the presence of your contacts and relationships in these channels. Once they are present, the value increases exponentially. With traffic by shipping professionals increasing at these forums, there is every reason to believe that the value of social media will increase rapidly in coming years.

Key point

- 1 in 3 shipping professionals see social media as a valuable new business tool
- Only 1 in 20 respondents are completely ignorant of the social media phenomenon

Conclusions

The shipping industry is steaming into Internet-driven business processes, slowed only by the demands of gaining familiarity and knowledge of the platforms during a hectic workday. For those who like to expound upon the slow and conservative nature of shipping business, this survey would seem to be a rebuke.

With that said, there remains a significant amount of ground (or sea) to cover before users and the market in general feel fully comfortable completing transactions over the Internet. A large minority of people even feel like they are getting nowhere in this respect. Even if this is a response of frustration, there is the sense that adoption of e-business is a major competitive advantage, and not something any shipping business can neglect.

Shipping professionals bring the same mechanisms for judging suppliers and offers on the Internet, as they use in offline business. In other words, your good reputation is a precondition, and successful deliveries for other companies a necessity.

Shipping companies will continue to increase the amount of tasks that they complete online, which will have untold effects on their business. Further, how will increased use of online business channels impact suppliers, third-party service providers and charterers? These are questions for further research.