MOVING GOODS

INTO THE CLOUD

LAST WEEK’S ACADEMY Awards broadcast offered a striking example of communication in the world looking back and looking forward.

The British movie The King’s Speech looked at a particular world centuries ago and had at its core the spoken word. The Social Network, which dramatizes the launch of Facebook and the era of social media, focuses on a starkly different world and peers into a future where the spoken word is supplanted by the richness and reach of technology.

Facebook’s phenomenal growth has stunned the world. According to comScore’s 2010 Mobile Year in Review, the social networking site grew more than 120 percent last year and now reaches 90 percent of all U.S. social media users.

Technically, Facebook qualifies as Software as a Service, a component of cloud computing — what The Economist has labeled the “first truly global utility.” SaaS has replaced the discredited application service provider that arrived, and then departed, in rather spectacular fashion during the dot-com boom-bust period at the end of the century. SaaS employs easy-to-use, Web-based programs available as needed rather than complicated client-server applications embedded in a company’s technology infrastructure, allowing for the support, integration, upgrades and scalability that ASPs promised but never delivered.

The benefits of cloud computing are manifold. There are some estimates that conversion to a cloud computing environment can reduce IT budgets by a third. Market research firm IDC estimates such savings will exceed $1 trillion within the next four years.

The ocean shipping industry could benefit from cost savings. Why hasn’t it embraced this opportunity?

There may be several reasons.

Foremost is a belief that IT in its traditional forms offers a strategic advantage, and that it preserves the unique way companies do business.

However, what really matters is not the system itself, but rather how systems are used. When users talk about “operating advantage,” they’re often really talking about the ability to access reports integral to their job functions. These reports frequently could be generated better and cheaper with a new system.

Ship lines have wasted billions of dollars and man-centuries of effort trying to develop their own solutions to incorporate all business processes and financial transactions into a single, global system. There are few success stories. One is the Integrated Regional Information System, or IRIS-2, developed by Orient Overseas Container Line in 1999. OOCL offered it for sale to the industry because company executives believed their way of doing business (and not their technology) was their sustainable advantage — and that other lines (even with IRIS) couldn’t replicate their success. Surprisingly, several lines overcame their not-invented-here mentality and acquired IRIS-2.

The benefits of industrywide collaboration are obvious. A decade ago, sophisticated ocean carriers realized they couldn’t implement IT-based customer solutions because customers didn’t want to be tied directly to carriers. It would be too difficult to switch, they reasoned. The result was the development of three shipper portals: CargoSmart, GT Nexus and INTTRA.

The portals facilitated shipper-carrier transactions and reduced systemwide IT expense. Now we need to go beyond that. The shipping industry, despite believing it is somehow “different” from other businesses, basically is an “order-to-cash” process, like many other industries. Other asset-intensive competitors (chemicals, refining, pharmaceuticals and automotive, for example) have arrived at common industry IT platforms. Why hasn’t shipping?

The development of vessel-sharing alliances has shattered the industry myth that proprietary assets constitute a competitive advantage. Alliances result in carriers cooperating operationally and competing commercially. Information technology is a natural extension of a strategy to share assets, and thereby reduce risk.

Potential customer benefits are significant. Consider the constant problem of overbooking and the inevitable result of rolling cargo. Most shippers have an ERP system that has issued a purchase order with lot quantities tied to a specific delivery date. Ocean carriers could — and should — know which boxes could be rolled without adverse impact.

Today, EDI-supported collaboration solutions aren’t sufficient; however, synchronized ERP-to-ERP integration across the industry could be a game-changer.

Not only would collaborative IT improve operations, but it also might help expand the business. Air cargo is expensive and environmentally degrading. APL and others have demonstrated that air cargo can be siphoned off to ocean transport if the right solutions and service levels are in place. Customers have come to expect “iPhone ease-of-business” in daily transactions across the business world. Our industry must respond to these challenges.

Ocean shipping has always been a cyclical industry. But recent highs and lows are more extreme and the cycles have become shorter. Within this turmoil, however, companies must invest in expensive 30-year assets. Industry IT collaboration offers a way to mitigate risk by removing one “bet-the-company” financial risk.

The opportunity is there.

Ted Prince is principal, T. Prince & Associates. Contact him at ted@tpassociatesllc.com.

Why hasn’t the ocean shipping industry embraced this opportunity?