

The Shipping News

The international freight industry is plagued by red tape and inefficiency. A few startups, along with a few established players, are starting to change that.

BY RONNA ABRAMSON

EVERY MORNING, FROM HER OFFICE in Wichita, Kan., Chris Broughton types up bills of lading – the basic contract between a shipper and carrier – for 15 to 20 shipments of beef, pork and poultry all over the world.

Broughton, who works at Excel Corp., the country's second-largest beef packer and processor, used to spend about 10 minutes typing each bill. But in 1996, her company's shipper, American President Lines, posted an online version of the document on its Web site and changed her life at work.

By creating templates for each Excel customer using APL's system, Broughton has cut the time she spends typing to as little as two minutes per bill. Also, with the ability to print the final version of the document from her PC, she has shaved off a day of waiting to receive the final copy from APL by courier.

"It's so much quicker all the way around," says Broughton, who has worked in the shipping industry nearly 20 years. In addition to using APL's online bill of lading, she taps the company's Web site to track shipments for customers, a task that in the pre-Internet era meant picking up the phone.

While major shipping lines like APL are embracing the Net to offer customers real-time information and electronic transactions, a number of startups are jumping into the game with competing services that they promise will cut through the

impenetrable red tape that gums up the industry. Perhaps even more importantly, a handful of new players are proposing to create a universal platform that streamlines shipping transactions, much like the airline industry's Sabre system, making it easier for smaller companies to trade internationally.

The shipping market they're targeting is enormous, estimated at anywhere from \$100 billion to \$1 trillion. Imports in the United States alone totaled 10 million containers in 1999, while exports totaled 6.5 million containers, together carrying \$375 billion worth of goods, according to the Federal Maritime Commission.

The most enthusiastic dot-com players say the Internet could bring a third revolution in the ocean shipping business, rivaling the first revolution sparked by the steam engine more than a century ago and the second brought on by the invention of the container in the 1950s.

"One of the more difficult transactions is to source goods from overseas and have them delivered with minimal paperwork all the way through to the end customer," says Joseph Landy, managing director of Warburg Pincus Ventures, lead investor in Tradiant and TradeCard, two startups working to automate trade transactions. "It's antiquated. This industry is begging for Webification."

Some of the changes so far are predictable. A number of business-to-business exchanges have cropped up, touting more competitive prices for

smaller carriers. Shipping lines are providing real-time information on the location of ships and goods. And e-mail is enabling crew members, who live an isolated life at sea, to easily and cheaply connect with their families when they're in port.

More significant are the attempts to automate shipping transactions online. They're taking aim at the industry's administrative inefficiencies, which account for 4 percent to 10 percent of international trade costs, according to the United Nations. Industry insiders peg error rates on documents even higher, at 25 percent to 30 percent.

Launched in September by the banking and logistics industries, London-based Bolero.net is providing a platform to the numerous players involved in a shipping transaction – including shippers, carriers, middlemen called freight forwarders and banks – that enable them to electronically exchange such documents as purchase orders, invoices, letters of credit, inspection certificates and bills of lading. Think of it as a glorified e-mail system with important amenities. It notifies the sender that a document has been received, it checks to ensure that a contract hasn't been changed as it moved between parties and it allows for digital signatures.

"The major issue is the transaction cycle is reduced," says Peter Scott, Bolero.net's commercial director. "The amount of transparency in the deal is enhanced."

Based on a nine-month beta test last year, Bolero estimates it can cut some of Sanwa Bank's administrative costs in half. Its platform could trim courier costs by more than half and postage costs by 20 percent on shipments of computer printers from Japan to the U.K. for Itochu, the Japanese trading house. And because documents can be sent instantaneously and corrections made almost that quickly, the system could cut

10 days out of the trade cycle for Maurbeni, another Japanese trading house, which moves coffee from the United Kingdom to Japan.

Finding a shipper can be cumbersome, prompting the debut of online marketplaces. Bolero.net is partnering with industry-specific exchanges that sell items such as tires and metals, while other companies base their business around an exchange.

Online exchanges such as GoCargo.com, Tradiant and Logistics.com let shippers solicit bids online in a reverse auction. The alternative for shippers would be to call a half-dozen carriers for quotes or hire a freight forwarder to make those calls. The online exchanges say they can eliminate those calls, streamline

bidding and potentially save money through increased competition.

The problem is that big carriers have yet to come on board. "I don't get bites when I put something up," says Jim Fitzgerald, senior VP of San Francisco-based J.E. Lowden & Co., a freight-forwarding company. Fitzgerald has tried some exchanges but doesn't rely on them.

It's no secret that the startups must overcome the reluctance of hide-bound shipping lines, which have "deep-seated emotional fears of dot-coms coming between them and their customers," according to Greg Johnson, director of product marketing for Tradiant.

Tradiant, which recently introduced an online bill of lading to complement its exchange, is confronting this

reluctance head-on. The company has signed Max Hopper, who helped create the airline industry's Sabre system, to its board to develop a similar platform for ocean shipping, so shippers don't have to jump to numerous Web sites to track cargo and manage transactions with different carriers.

Meanwhile, A.P. Moller, the Danish shipping company that owns Maersk Sealand, has approached other carriers with the idea of building a single Web site, according to the *Journal of Commerce*, which tracks the shipping industry.

Hans Hickler, APL's senior VP of customer support and information strategy, acknowledges the need for standardization in the industry and believes it will sprout from the Internet. But he argues that customers care more about the depth of information than having a single stop for it.

If APL and other large carriers take their customers as seriously as they claim to do, they may have to come around.

With just a taste of what the Internet can accomplish, Broughton of Excel is already asking for more from APL. She says the company needs to improve its online booking system, which lets her ask online for a place on a ship but requires an APL employee to call her to tell her if room is available. "I don't think it's fast enough," adds Broughton, noting that she usually hears from APL in an hour. "I want an immediate response." ■

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Across the Sea

A half-dozen startups are streamlining the shipping process.

COMPANY	LAUNCHED	HEADQUARTERS	BACKERS	WHAT THEY OFFER
Bolero.net	Sept. '99	London	Swift, processor of bank transfers; TT Club, transport insurer	Secure online trade platform
GoCargo.com	Nov. '99	New York	Atlas Venture, Cargill, Goldman Sachs, Seed Capital/Softbank	Reverse shipping auction
Logistics.com	August	Burlington, Mass.	Internet Capital Group	ASP, exchange for truck, rail, ocean and air shipping
NeoModal.com	July	Charlotte, N.C.	Milestone Venture Partners, Randolph Street Partners, Senvest Capital	Exchange, online contracts and tracking
TradeCard	April	New York	Mitsubishi, Mitsui, Softbank, Warburg Pincus	Network to settle trade transactions online
Tradiant	January	Alameda, Calif.	ABN AMRO, Warburg Pincus	Reverse shipping exchange, automates paperwork

SOURCE: COMPANIES LISTED