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# SinoShip NEWS

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**In Focus**

## **iShip**



Growth in Asia and the Chinese market in particular is driving demand for progressive ship supply in the region. The latest report published by the Shanghai International Shipping Institute states that China's shipping confidence index is up almost 10 points, quarter-on-quarter, boosted by the recent injection of additional funds into domestic shipbuilding. However, operating conditions for shipping companies remain tough, further emphasising the need to continue to generate operational efficiencies and improve supply chain performance to achieve a competitive advantage and maintain profitability.

Competition within Asia is assuming even more importance for owners this year as recent research revealed that this was second only to demand trends as a performance-affecting factor. Given this concern, there is a real opportunity for ship owners to gain a competitive advantage by reviewing their procurement processes and streamlining to create efficiencies. The ship supply sector is an ideal market to achieve this.

Representing between 3% to 5% of a vessel's operating costs and a €3.5bn industry, the supply chain for supplies is ever evolving, leading to greater complexities. It therefore requires a great deal of internal resource and infrastructure, particularly for global shipping companies with vessels all over the world. Outsourcing this element to a third party provider allows ship operators to focus on core operations, reduce costs and also improve the consistency and quality of products and services to both the ship owner/operator and the crews of the vessels that they run, who are crucial to delivering customer promises.

To meet the demand for these new methods of working, the ship supply industry has changed dramatically over the past few years, facing significant consolidation as smaller companies struggled to compete with the large, multi-national operators. The big players provided customers with an end-to-end global supply and logistics solution, which has subsequently acted as the catalyst for an outsourcing model. Their purchasing strength ensures that the highest quality products can be consistently procured at the best possible price and standardised.

In addition, efficiencies within operations can be generated, costs can be reduced, and improved wellbeing and motivation can be delivered to crews as a result of better quality consumables on board, again building up a competitive advantage. In response, the ship supply sector has developed advanced procurement software and implemented Enterprise Resource Planning (ERP) systems that create transparency across all operational areas, as well as provides critical intelligence and insight on procurement habits and expenditure. This also allows for supplies to be tailored to individual vessels, depending on the crew and for specific voyage or dietary requirements, enabling ship operators to meet crew nutrition standards. Budget control for food and beverages is a priority for ship owners in a turbulent market and ensuring that seafarers receive a low cost, high quality and nutritionally balanced diet is coming under even closer scrutiny now that 22 countries have ratified the Maritime Labour Convention 2006 (MLC2006).

Intelligent ERP systems really come into their own to streamline the process from suppliers through to the kitchen, enabling more effective cost control, menu planning and a more efficient order process. An example of this is the new Xena software developed by Wrist Ship Supply - a menu-planning tool and electronic cookbook that gives ship owners inventory control, reducing waste and enabling transparency to ensure that they stay within nutritional guidelines. Recipes in this programme correspond with GDAs, provide cost per meal information and reconcile this against existing food stock.

Managing these latest ship supply complexities through an intelligent software system will therefore deliver genuine value to ship owners and operators, enabling them to concentrate on core operations, reducing the risk of fines, providing a healthy diet for the crew, and providing a procurement resource that can be updated in future as further regulation comes online.

As with all new ways of working, adapting to an outsourcing partner successfully requires trust, based on their solid understanding of the customer's business and strategic priorities. But once this decision has been taken, the ability to concentrate on core business operations and delivering for customers, as well as the subsequent improvement in performance and profitability is plain to see. And when it comes to ship supplies, it can make for a far more productive vessel fuelled by a happier and effective crew, which is a priceless commodity in a competitive market.