

Taking control of costs

Web-based applications like International Asset System's software are important cost-cutting tools. **Rebecca Moore** examines how the US firm's products are applied

The current and pressing need for ocean carriers to cut costs has encouraged the wider use of web-based applications for container movement and related transactions.

Indeed, the need to cut costs in the face of the economic downturn is currently the most 'compelling' reason for them to use International Asset Systems' (IAS) web-based intermodal applications, according to IAS' Brian Shultz, vice president of sales in the Americas.

The Oakland, California-headquartered company's applications – which are charged on a pay-as-you go basis – include *InterChange*, which allows the interchange of equipment between areas where surpluses and deficits exist around the globe, *EventManager*, which allows all transport events to be tracked, and *EquipmentRepair*, which lets ocean carriers electronically co-ordinate the maintenance and repair process.

The company's latest product *DispatchManager*, which was launched last year, allows ocean carriers to electronically (online) manage their drayage activities. This includes everything from selecting a trucking company, dispatching transport work orders, proof of deliveries, termination and invoicing.

Although the latter application is currently only available in the US, it is being adapted to the European market. At the moment only 3PLs and ocean carriers deploy it, but the company is pushing for shippers to enlist.

Shultz explained that IAS' range of products save costs in three major ways: They slash money through abolishing manual processes, such as faxing and telephoning, as everything is done online; they cut the price for the actual transport of freight, and help control costs and budgets.

An example of how abolishing manual processes and switching to automated transactions can save money is highlighted by an IAS summary of cost-savings derived from a



company using *DispatchManager*.

This illustrates that – based on an ocean carrier that moves 12,000 containers a month by truck – before the application was installed, 43 intermodal staff were needed to manage work orders.

After its installation, the employee count was slashed to 17, reducing average monthly staffing costs by USD96,750 a month (see table 1).

As well as also providing this benchmarking facility, *DispatchManager* offers another way of saving money as it leaves a record trail of every single transaction when it comes to the drayage arrangement.

This is an enormous factor in cutting down on costs, as if there are any extra add-on charges, say for instance, the trucking company charges extra for waiting, the system will not put these through as extras to the original charge unless they are approved first.

Previously, it was easier for trucking companies to slip through these extra costs, as not all individual item were recorded and billings could be mislaid when faxed or emailed.

NYK Line in the US installed the system in January 2008 and said that this aspect was 'significant' in cutting costs. Greg Tuthill, senior vice president of North America sales at NYK Line (North America) Inc, elaborated: 'The fact that any mismatch between the first bill and the final one – ie if

the trucking companies add on any charges – is instantly highlighted means we can control our costs and we can make labour savings in this way as well.

'When it was manual and trucking companies came back with extras, this all had to be checked and audited by our staff. But instantly, the system highlights any billing discrepancies, which means we don't have to employ people (it used to be three or four) to do all the administration.'

The numbers in table 1 back this up, as invoice checking and approval workload savings are thought to save USD37,260 per month.

Saving on transport costs is the second significant way in which ocean carriers can benefit. Shultz highlighted the ability of being able to use many of the applications to benchmark as being crucial in saving money.

InterChange is also an important means by which ocean carriers can save money. It is one that is particularly relevant in the current trading climate, especially on the transpacific route, where the imbalance between the trading legs means that having to shift empties is a real problem westbound.

PIERS data for Q1 09 highlights the scale of this imbalance. From North East Asia to the US, 1,915,321TEU was moved, almost double the 1,007,497TEU shipped back loaded.

CMA CGM's Sylvie Orsatelli, the French ocean carrier's Interchange manager, acknowledged that the problem of surplus

containers was especially a problem in the US.

The company has been using the system for the past five years, and although Orsatelli was not able to provide actual percentages, she said that using the software had saved the carrier money.

Last year, CMA CGM used the software to pick up a total of 14,000TEU from other shipping lines, while it provided other ocean carriers with a number of containers that amounted

to 21,000TEU. This was a marked improvement on the figures achieved in 2007, where 9,000TEU was picked up from other carriers, and 7,000TEU was provided by CMA CGM to other accounts.

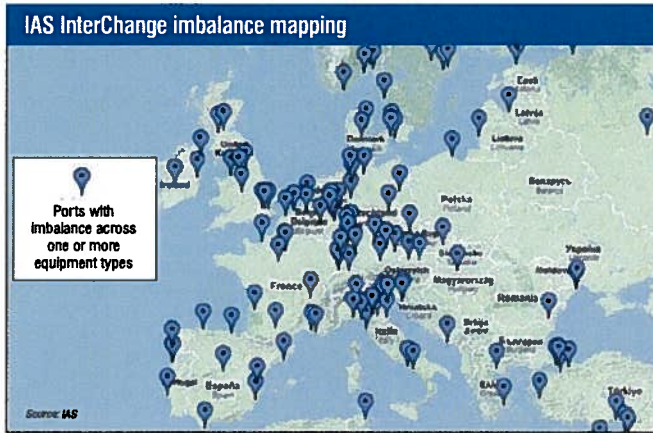
Cost control is the third strength of the IAS systems. Chile-based ocean carrier CCNI has used *EquipmentRepair* since 2006 and installed *EventManager* last year.

One of the main advantages it has seen is that the software has removed the need of the middleman – the agents that the liner company uses to represent it across the globe – in these transactions, and means that its Chilean-based head office can directly work with the terminals and depots, allowing a better control of cost.

EquipmentRepair includes data on 1,400 repair and maintenance companies with fee estimates. Therefore, ocean carriers can select service providers in terms of price.

CCNI, which has used *EquipmentRepair* since 2006, agreed that being able to benchmark repair prices had reduced its fees.

Mauricio Concha, vice president of container logistics at CCNI, told *CI*: 'A very important function is that we can make decisions on cost, as companies indicate the amount they will charge for a repair through the software, and we can make a decision,



accordingly, on which firm to use.'

Roberto Manubens, vice president of finance and administration, CCNI, told *CI*: 'Before *EventManager*, agents used to enter information about the movement of goods manually, which could be untimely.

'Using IAS' software means the right movement of goods is processed in a timely fashion. This means better cost control, as does the fact that by going direct to the terminal for information about movements; we have more certainty about the shipment and, therefore, a more realistic idea about the costs involved in the move.

'Before, we relied on our agencies to input containers' whereabouts information and this meant there was a greater possibility of mistakes being made. Addressing costs in this situation was much more difficult.'

Pointing to a specific example of how his company's costs are better managed, he said: 'When we get final bills in for the movement of containers, sometimes several months will have elapsed. Now, by using the system and being able to go direct to the terminals/depots, we get a better estimation of what all the costs will be.'

CCNI's Concha highlighted how it was especially relevant for the present time, when ocean carriers are trying to adapt their container fleets to reduce surplus capacity as freight volumes fall.

'We are trying to reduce our container fleet, and knowing exactly the amount of containers we have in place, and where they are, means we can improve our decision-making and have a strong base when it comes to making plans to reduce our fleet.'

Figures from IAS illustrate his point. A medium-

sized ocean carrier, using *EquipmentRepair* can reduce fleet size and subsequently slash up to USD14,575 a month.

Benefits are passed onto the ocean carrier's customers too. They are able to access the precise movements of their containers (provided by *EventManager*) via CCNI's website. Concha pointed out that shippers could control their inventories better by having more precise information about the whereabouts of their containers.

While the benefits of using Intermodal software are clear, what challenges, if any, are there to overcome?

CMA CGM's Orsatelli said that while IAS' *InterChange* aided the company's repositioning of equipment, it was important to combine it with other methods.

She explained: 'While a lot of carriers use *InterChange*, not all do so, therefore we have also built up relationships with other carriers, and get in touch with them via email or phone in order to see if we can swap equipment.

'And while *InterChange* provides good opportunities, sometimes shipping lines do not have the same needs as us – for example, we might not be able to find a shipping line that has a deficit of containers in Antwerp.'

The main challenge is simply to get companies onto the system once they have signed up to it. Shultz explained: 'This is the number one issue for us. It is a matter of priority. It only takes 30 days to set up, but ocean carriers' have other priorities, and it might be down the pecking list of priorities for them. This means that it can take months to install.

'It is possible for them to connect with the system over the web right away, but a lot of them have their own systems and they want to integrate the product with it, rather than use it as a standalone.'

Indeed, it seems that the current downturn is a double-edged sword: Cost-saving systems such as this are especially crucial in such times, but the tightening of resources in companies' IT departments due to the credit crunch means there could be greater delays in getting the software up and running.

Tuthill said that while *DispatchManager* was given high priority as the 'return on investment (RoI) was so high', it took three or four months to implement the system.

Intermodal web application such as those which IAS offers provides ocean carriers and their customers with a host of advantages, a major one being the reduction in costs, a crucial factor in the current downturn.

Table 1: Cost-savings derived by using DispatchManager

| | |
|---|--|
| Dispatch workload savings | USD96,750 per month |
| Customer service savings Customer service and sales workload | USD3,938 per month |
| Dray invoice savings Invoice checking and approval workload savings Elimination of invalid work orders | USD13,500 per month USD23,760 per month |
| Equipment Savings Repositioning | USD14,040 per month |
| Truck Transport Savings Street-turns and match-backs | USD123,552 per month |
| Total | USD275,540 per month |

Note: Based on an ocean carrier that moves 12,000 containers per month by truck
Source: IAS