Smart shipping starts with small steps, says Martin Stopford

Researcher says owners should start their digital transition by adopting simple processes that demonstrably add value.

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Shipowners should embark on the journey into the new world of digitalised smart shipping with small and simple steps rather than wasting time and money on seeking potentially fruitless revolutionary business change, a leading industry figure has advised.

Martin Stopford says shipping faces reaping great benefits from the application of new digital technologies, but the path ahead is far from clear with many possible distractions.

“It is better to do something simple that delivers for your business, rather than getting disappointed with attempting something too ambitious that fails,” he told Tradewinds Shipowners Forum in Hong Kong today.

“Make sure what you are doing is going to add value to your company,” the non-executive president of Clarksons Research added.

Smart tool-boxes

Smart shipping has potential to deliver the shipowner improved performance in virtually every part of their business, from ship operations, fuel management, fleet efficiency, chartering and commercial management.

However, the potential complexity of the choices faced has created the risk of confusion and wasted investment if plans are not grounded in real and measurable gains, Stopford said.

“Put to work correctly, a smart shipping ‘toolbox’ can help build smarter ships, manage fleets smarter, and ensure logistics are really efficient,” he said, in a session chaired by digital innovator Richard Hext, chairman of Vanmar shipping.

Greater fleet efficiency will be vital if shipping is to service the increase in cargo demand expected in the coming decades.

Global cargo flows could theoretically reach 40bn tonnes by 2060 if growth consistently hits 3% over the next 40 years, up from just over 10bn today.

“Shipping will need to be much more efficient than today to deliver that,” Stopford added.

Spot market inefficiencies

Counter-intuitively, tanker fleet productivity is only half what it was at its peak in 1973, measured in tonne-miles per dwt, due to oil companies turning their back on running a time-chartered fleet on very tight turnaround schedules.

“The rise of the spot market – which the oil companies have themselves chosen to use – is far less efficient, with the waiting time and other factors.”

Further, ship fuel consumption has barely improved in the last 20 years. “Smart shipping can help shipyards build more efficient ships, but only when they can capture enough of the most relevant data," Stopford said. "And that’s not going to be easy.”

Ringside seat

Hext was the chief executive of online chartering platform LevelSeas in 2000 which raised over $30m in finance from owners, oil majors, trading houses and shipbrokers, before it folded in 2003.

“I had a ringside seat 17 years ago when 36 companies created [LevelSeas] to build an online platform on which owners, brokers and charterers would be able to fix ships and to manage the resultant voyages," he said.

The investors included four of the five largest oil companies in the world, all the largest dry bulk charterers, owners such as Maersk, Worldwide and Teekay, brokers such as Clarkson and Platou, and Kleiner Perkins, arguably the savviest tech investing venture capitalist at that time.

“The plan was to be worth $1bn in four years. But LevelSeas didn’t work for three main reasons: our main shareholders were broker unfriendly, the platform was cloud based before there was much of a cloud, and we went about it the wrong way.”

Digitalisation is, however, here to stay, he believes.

“How can I best summarize the world we are all facing now. There are between two and three billion smartphones, up from almost none 10 years ago," said Hext.

Out of the 10 most valuable companies in the world, eight are technology companies - five from the US and three from Asia, and they are collectively worth $4.7 trillion. That’s about five times the value of the world fleet, he explains.

“I would suggest to many of you that if you don’t make plans to substantially increase your use of digital tools to lower your costs or to improve your service and increase your revenues then you will almost surely, be displaced by those who do," Hext said.