



**SpecTec**

Leading the way

# DigitalShip Athens 2007

*IT in Shipping*

*A venture for masochists?*

# Defining the shipping market for IT purposes

➤ Not all ships need to have IT on board:

- small ones
- old ones
- short trip, coastal areas ones
- most tugs
- very small ferries

normally do not need a system on board

# Sizing up the shipping market for IT purposes

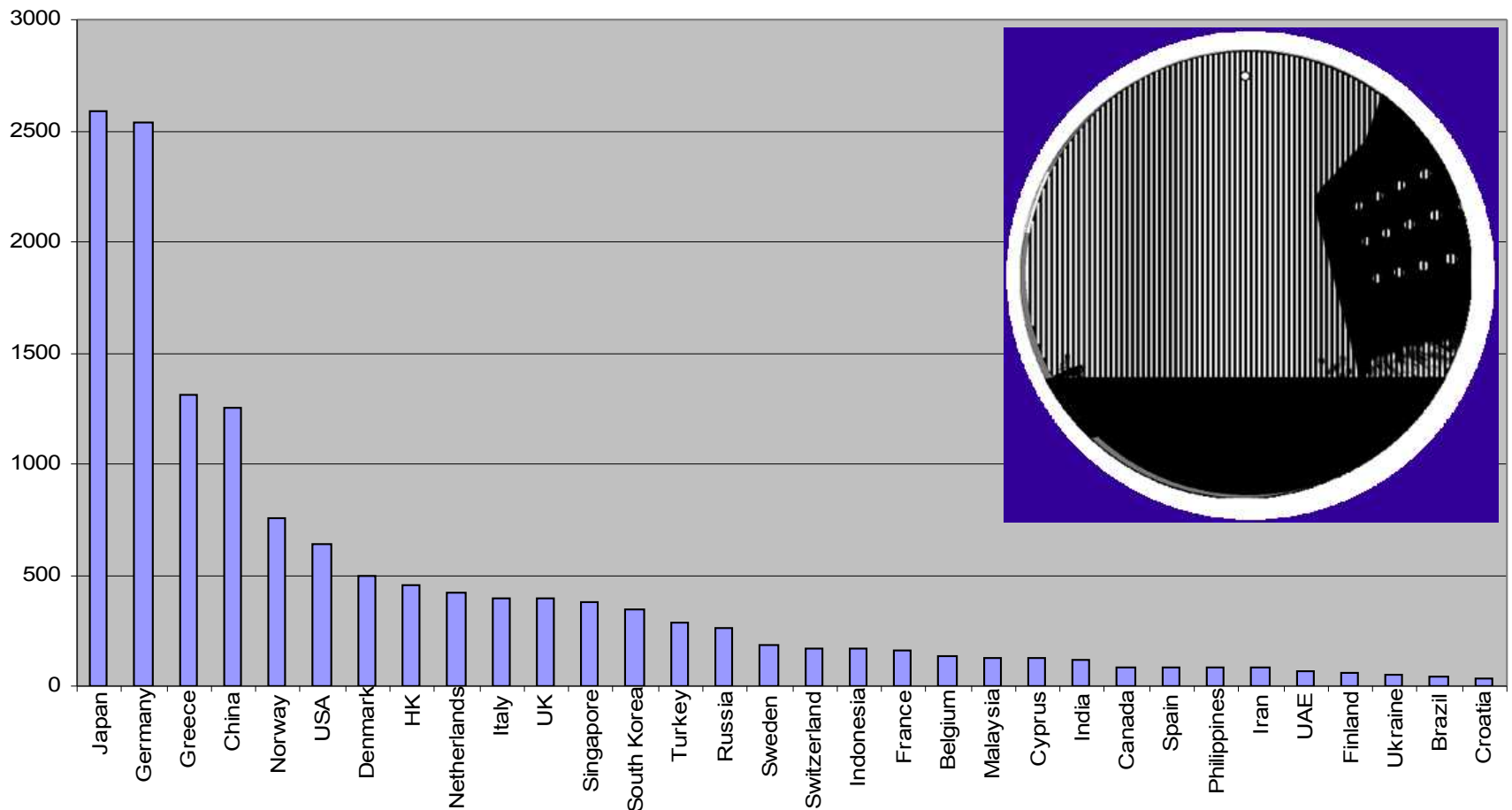
- Most of the ships which could (should) install an IT system on board are >2500 DWT, and below 15 years of age
- I would assume that the definition above would cover about or more than 85% of the targets of a normally sized IT company in shipping
- According to LLMIU, this sums up to **15.652** ships

# Further refining our target

- These ships are located all over the world
- If we limit ourselves to the 30 or so most common countries, the number is reduced to **14.255**
- Of these, 9000 are in the first 7 countries: Japan, Germany, Greece, China, Norway, USA, Denmark

# Our market in shipping

SHIPS > 2500 DWT and < than 15 years old



# Number of main IT companies in shipping

26

- Danaos
- Elentech
- SES
- Benefit
- ShipNet
- SIS
- Consult AS
- Satpool
- Teromarine
- Marine Software
- SRO
- Avecs
- ShipSure
- BAS
- UH
- T...ki
- M...s
- C
- A...aut...systems
- T...ta
- V... (W...)
- BC
- IB
- Marine Software
- Centric

**and SpecTec**



Leading the way

# Also....

- Companies which work only on smaller sectors:
  - MPX
  - IDEA
  - VESON
  - SHIPSERV
  - MTS
  - SEASUPPLIER
  - IBS
  - SEAGULL

**and surely there may be more,  
working locally or having  
very few customers**

# Who develops software?

- **Specialized companies:** Danaos, ShipNet, SpecTec, Teromarine etc.
- **Classification Societies:** GL, ABS
- **Shipping Companies:** Fleet Management and many more
- **Ship Managers:** V Ships, Wallem
- **Shipowners:** Maersk, Evergreen



# Let's go back to the figures

Leading the way

- 14.255 existing ships which represent a good, reachable target
- I believe about 10.000 of them to have already a system on board
  - SpecTec circa 6700
  - ABS 1000 (does it include SafeNet?)
  - BASS 400
  - ShipNet 1000
  - SIS 400
  - Teledata 100 in HK
  - Danaos?
  - Others?
- There are also around 2000 ships being built
- Total number of ships which represent a potential market = 6.000
- Let's assume, for the sake of it, that we can target them ALL (very unlikely)

# A bit of math

- 6.000 ships, 32 countries, 26 suppliers
  - 187,5 ships per country
  - 230 ships per supplier
  - 7,2 ships per supplier, per country
- Let's assume I am wrong and double the estimate?
- It still means 16 ships per supplier, per country

# And, on top of that

- Some countries (Italy, UK, Cyprus, Norway, Sweden, Spain, Denmark) are almost 100% saturated
- Most of free markets are very difficult to penetrate: **China, Japan, Taiwan** to name the main ones
- Customers are, by hook or by crook, very faithful (drop rate close to zero) which blocks competitive changes and (less) cross selling

# What is the market value?

- It depends on pricing, of course. If we sell an average SW at 10.000\$ per ships, and 6.000 ships, it means that we have a 60 mU\$ potential market.
- But do we?
- And then we have the consultancy: mainly DB and training. On 6.000 ships, it may give us \$\$\$\$\$\$\$\$\$\$.
- Or not?

# Let's see

- Offer from a company which states to be:  
*a premier provider of IT products and services to the Maritime industry*
- Offer made to a high level, reputed company in Asia, for 35 ships plus office plus training plus installation on board plus, of course, Database

# Quotation

- **Office SW:** free of charge
- **SW for ships:** 3.750U\$ each  
(PM, Spares, Purchasing, DD)
- **Database:** 2.000 U\$ each
- **MIS SW:** free
- **Set-up for office:** free
- **Training for office (7 days):** free
- **Training for ships (7 days each):** free



# Database

**I have a  
question:  
what can one  
get  
with 2.000US\$?**

# Answer

- A full, complete Database, with at least:
- a complete list of all the equipment specific of that particular ship, inclusive of the Serial Numbers and other data which allows the perfect identification of the equipment ordering spares
  - a list of all main vendors
  - all the job titles and descriptions
  - at least 13.000 spares



# The right answer is (maybe)

- A skeleton Database, a.k.a. a DB which contains a list of standard equipment, with no specific reference to the vessel
- It is then supposed to be filled in by the crew
- If the crew will do it, it will result in complete different data from one ship to the other
- This means that any resulting calculation of KPI would be quite difficult



**SpecTec**

Leading the way

# What is more important



**The sales  
person**

**The software  
price**



**The company  
location**

**The Data**





Leading the way

# If the Data is wrong

- ANY system is useless
- And the comments from the users will be:
  - the system does not work
  - I spend too much time looking for information
  - what a waste of money

# What about the rest of the offer

- The offer includes  $7 \times 36 = 252$  days of consultancy.
- Let's assume that I have a senior software engineer, who costs me in total 50.000 US\$ per year. I can do the work in a reasonable way with at least 200 days.
- $252 \text{ days} / 2 = 126 \text{ days} \times 400 = 50.400 \text{ US\$}$
- SW development costs: 0.000 US\$ divided per 200 (twice what I believe is a reasonable estimate) = 2500 US\$ per ship
- Gross SW gain of that offer:  $131.250 - 87.500 - 24.000 = 19.750 \text{ US\$}$
- Let's again double the estimate. Then I have a still a gross gain of 40.000US\$.
- **For a fleet of 35 ships, it is 1.100US\$ per ship.**



Leading the way

# What happened in the past

- Isherwood
- MMS
- Marinor
- Bullet
- MASP
- Dataship
- VesselNet
- Vector
- NSOS
- NTS
- Tekna
- Idhammar
- and many more



Leading the way

# And what is happening now?

- ShipNet sold to Inchcape
- 3 reputed Norwegian companies are for sale (and nobody is buying them)
- several companies have rightsized their business

# So...

- More companies will go....
- More shipowners would lose their investment, and some will lose faith in IT on board ships
- Investors will lose confidence in this sector



# Who is at fault?

## ➤ **EVERYBODY**

- **Shipowners**, who deserve to lose money when they think they can pay 2.000U\$ for a DB, or when they think that SW is cheap simply because it can be copied onto a CD
- **Ship Managers**, who have better things to do than create software
- **Classes**, for which creating software is, in my opinion, a breach of their mandate and in contradiction with what they are asked to do
- **Suppliers**, who in order to get a share of the pie sell at any price even if they lose money
- **Investors**, who deserve to lose money if they do not even do their math right

# Do we want to eat, or be eaten?

