

## SEA SHIPPING LOGISTICS

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*The logistics integrated in the activity of sea shipping in general, especially in Romania, is an indubitable reality and a challenge at the same time for introducing in the management of sea sailing companies. World trade development and the appearance of new sailing companies has caused a tough competition in the field of sea shipping.*

*Therefore, sea shipping has established the use of many modern managerial tools. Even if it has been a long-term process, with a certain resistance to change from ship owners, still, on the background of the legislative restrictions established by the International Sea Organization and by some “sea powers”, navigation companies have begun to organize their activities at a certain level different from what used to happen in the past. A significant change has been caused by the implementation of the safety management at board and at the sea company headquarters through extension.*

*Key words: maritim transport, logistics, trade, distribution channel, navigation company.*

*JEL Classification: L91 Transportation: General*

*In the field of sea shipping, logistics is the strategic management of information flows, materials and spare parts acquisition for ships, marketing channels for maritime contracts with the lowest costs and maximum profit. By connecting all logistic activities in the field of sea shipping, added value is achieved, which is the amount of money that the client-freighter is willing to pay for the services provided by the navigation company. Added value is the difference between what the client pays and the cost borne by the company for providing the shipping.*

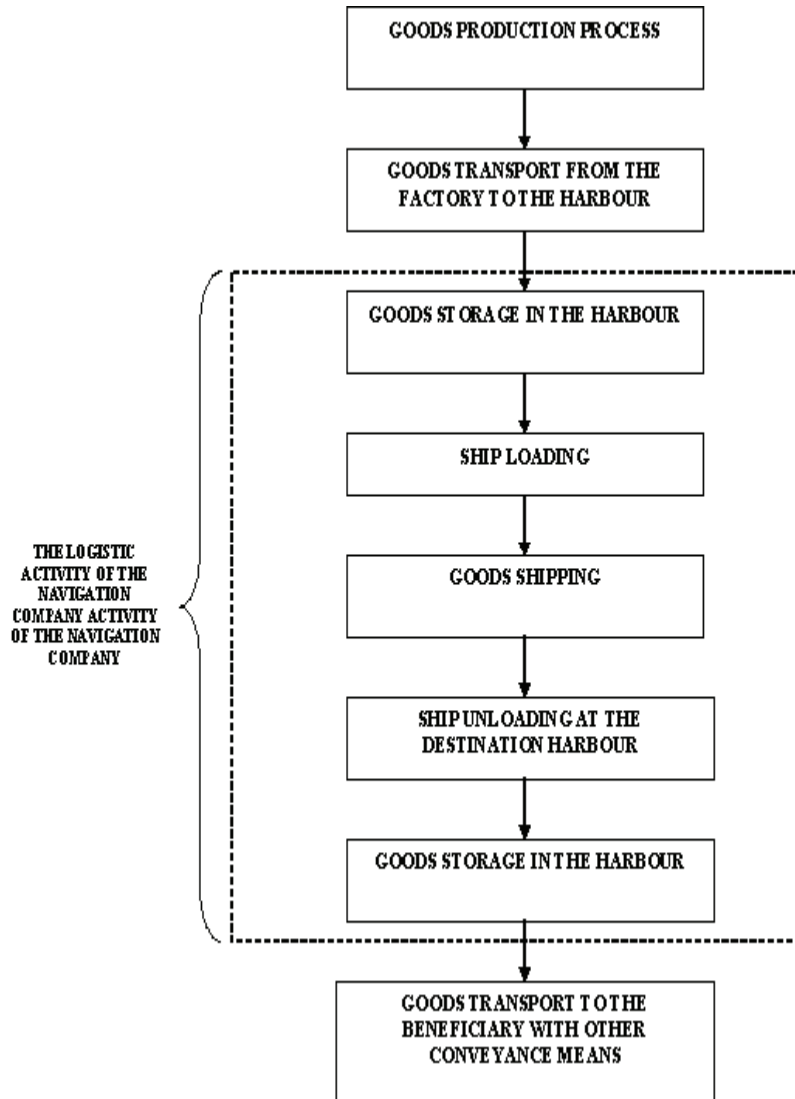
*Sea shipping companies that try to establish sea shipping services related costs have to consider in my view the main concepts of distribution management, as follows:*

- how much added value is added to the service while it is provided from the moment the conveyance means is employed (the ship), during loading, moving and unloading the goods?*
- which are the freighter’s costs for such an added value at every level?*

*The stages of the goods from the warehouse in the harbour to its unloading in the destination harbours places, in my view, two main problems: who offers the service and which are the attributions of the parties involved.*

*Logistician managers in the field of sea shipping have to identify the activities that create added value and allow such a difference between services provided by their company, comparing to that of their competitors. Goods circuit is described in scheme no. 1.*

*From the analysis of this scheme, we notice the area where the sea shipping company develops its activity. In some cases, this area extends towards the goods producer or towards their beneficiary. Many companies are able to significantly differentiate their own services from those offered by their competitors. Together with the growth of their complexity it is easier to offer a different service comparing to that of the competition, but it is more difficult to make the client perceive this difference. If the client does not notice the difference, it shall not exist on the market either, and thus the foreseen advantage will not be brought.*



**Scheme no. 1 Goods circuit**

Source: Iordănoaia F., *Marketing maritime și portuar, Nautica, Constanța, 2005.*

If two sea shipping companies have the same type of conveyance means (ships) for example oil tanks, which do not carry the same type of products, still successful company tend to differentiate especially through the elements of significance for their clients. Abstract elements like the reputation of the shipping company through the quality of its services, is the only advantage perceived by the clients.

In this case there are many favourable occasions for those in charge with the managements of logistics of focusing on those differences important for clients in order to allow them to get a competitive advantage. Apparently, in the case of the same types of ships only the price (freight) is the one making the difference, but in reality there are also the following aspects: the age of the conveyance means (ships); technologization degree of operations, loading ability, average speed and consumption for kilometre, freighter's relations, appurtenance to a "Conference", training the commander and the crew members.

As far as information cost is concerned, it has been one of the few types decreasing for the last few years<sup>56</sup>. The revolution in the field of information technology offers logistics the possibility to use trade based systems as well as support ones for decisions making, as a source of competition differentiation and as a way to increase the market quota. Service management by using electronic data trades between the shipping company and “key” suppliers can substantially decrease the costs. In this context the use of electronic data trade, between the shipping company and clients can offer savings regarding to stocks, for the execution time of the report, used for strengthening their competitive position on the maritime market, dividing advantages of the added value within connections to partners, which allows to create a partnership spirit significantly cancelling all costs and putting entry barriers on maritime markets against competitors. Due to the fact that suppliers, as brokers, can be strong factors of differentiation and influence, shipping companies have to learn how to make a trustworthy ally from the brokers’ network. Freighters finding that they are in a partnership with their suppliers can influence the clients to choose a certain shipping company, they are the ones that can make the differentiation of the service. In certain cases, the image of a company is so strong that brokers have no other option than to offer what the client demands.

In most of the cases, the client shall be influenced by the quality of services offered in the past and the relationship with the freighter. In these cases, the broker creates added value by promoting the service of the shipping company. Logistics departments have contacts more frequently with freighters and brokers, than ships or marketing operating departments. Due to the interactions with freighters and intermediaries, they have the unique occasion to offer services appreciated by freighters thus strengthening the partnership relationship between the two parties. There are three types of ships operating in maritime conveyance, distinguished by their service: line service, bulk service, tramp or charter service.<sup>57</sup>

*The line service* offers regularly scheduled travels on established routes.

*Bulk service* offers especially contractual services for individual travels or for extended periods of time.

*Tramp service* is available for irregular routes scheduled only at request.

The differences between the two types of line and tramp shipping lead to the differentiation of the working way with clients because in the line shipping contracts are concluded for longer periods of time with direct implications upon the activity, and in the tramp one, brokers have the first contact with freighters.

Except for the services offered by shippers the “loading” type that a ship can carry is also important. The most common are usual loading ships (break bulk), containers harbour ships and RORO ships. Usual loading ships are useful for heavy loadings and unusual loadings, but they can be less efficient at the operations in the harbour.

Container harbour ships carry standardized containers facilitating goods loading and unloading as well as intermediary transfers. As a result, the time of the ship in the harbour is reduced.

*RORO ships* are actually ferries on the ocean. Trucks can climb on platforms built inside them and can come down at the destination. Another ship similar to RORO is LASH ship (much easier on board). LASH ship is built of boats stored on the ship and lowered at the destination point. These individual boats can operate on naval routes inside the territory which is useful especially in small waters.

The availability of a certain type of ship does not automatically mean that it can be used. The biggest international restraint regarding shipping is the lack of harbours and harbour services. For instance modern container harbour ships cannot serve certain harbours because their equipment cannot operate the resulting traffic. This can also be often seen in the developing countries as

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56 Kampas P.J., Roadmap to the e-revolution. Information System Management, Humanitas, București, 1993.

57 Czincote M.M., International Business, Third Edition, The Dryden Press, Harcocest Brace College Publishers, 1998.

well as in transition countries where local authorities do not have the necessary funds to develop facilities.

In some cases, some nations can deliberately limit harbours development in order to prevent the flow of imports. Still, increasingly, governs have begun to admit the significance of a harbour structure that could offer adequate facilities and develop such facilities despite the necessary huge investments. Is such investments are accompanied by simultaneous alterations in the general structure, transport efficiency, on a long term, should overcome the original investment.

Investment can be even more profitable if the harbours in the neighbour countries are not adequate. Traders may choose to use neighbour harbours, with harbour facilities complying to their standards and then carry their goods on the ground to their final destination. For example by opening the East-European markets, German harbours Hamburg, Bremen and Bremerhaven are ideal locations because big ships should detour Denmark in order to reach East-European harbours, thus adding two days to the travelling time; German harbours are expected to take a big part of the anticipated growth of trade.<sup>58</sup>

Great investments in the infrastructure are always necessary to give results. Selective funds allocation for transport usually result in transferring strangling to other point of the infrastructure. If these strangling are not removed, the consequences could be felt in the entire economic performance of the nation.

Activities development has to be considered due to their potential impact upon freighters and other clients. The few logistic resources of the shipping companies have to be directed towards these activities appreciated by clients, that bring added value and thus determine the competitive advantage for the company. Logistic manager should have a picture upon the strategic plans of their own companies and understand the role of logistics in the success of these plans. Logistic managers shall cooperate with the freight departments, the marketing and financial departments for identifying the types of activities that add value to the company's services.

The challenges of shipping logistics are many and various. It is certain that logistics will have a significant strategic role in getting the competitive advantage by the competing companies on maritime market. In order to answer these challenges, logistic managers have to develop new skills, to convince their superiors of the meaning of logistics and provide that level of services that could be appreciated by the company's clients.<sup>59</sup>

At every level of the logistic service, we have to consider the following aspects: supplying and re-supplying the ship and the person in charge with making decisions regarding the re-supplying of the ship, the method to compute the amount of materials and pieces, the difference between supply and scheduling, the person in direct charge with the ship supply, agents company or the personal personnel of the logistic department?; what kind of goods are carried by the company's ships?; scheduling the ship movement in the loading harbour, receiving and loading the goods on board; goods shipping to the destination, unloading the ship and preparing it for restarting the shipping cycle; closeness to the harbours where the goods are located, covering the potential maritime market with the company's ships etc; orders management; credit control; promoting, promoting activities, company's management and representation; relations with the clients; services alterations, establishing the prices; service performance; technical support; information on the market; discounts/increases of prices to be applied? Are these common for this field of activity? Are they adequate to the service? Is there more to be done? How important is our service for clients? How important are clients for the company? <sup>60</sup>

All these questions and aspects are, in my opinion, a real managerial project or management act for the management of a shipping company. Finding the answers to these questions and issues at

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<sup>58</sup> Armbruster W., *Porturile vest-germane speră să câștige comerțul din blocul Europei de Est*, The Journal of Commerce 27 Decembrie 1989: 1A.

<sup>59</sup> Caraiani Gh., *Managementul afacerilor*, ediția a III a, Postuniversitaria, București, 2006.

<sup>60</sup> Roșu Hamzescu I., *Tratat privind tranzacțiile internaționale*, vol.II, Universitaria, Craiova, 2006.

the same time is a challenge for everybody involved in the management, especially for the ones in the logistics department.

From the aforementioned, regarding the logistic activity of a shipping company, I conclude that logistic is considered a significant factor in shipping, and the main principles of logistics, providing the connection between logistics and the strategy of the shipping company, overall organization of activities, total involvement of human resources, strategic alliances, financial performances, establishing the adequate level of shipping, solving details, regulating the amount of goods carried, are described in compliance and direct connection to what is happening at the level of modern companies management.

*Superior services of the shipping service*, clients service and complete quality, distribution strategy and identifying the needs of clients serving are at the same time a challenge for the companies management. Also, clients serving strategies development, the strategy of a distribution channel in shipping, the distribution channel and the structure of the distribution channel with all the participants to it, as well as brokers are a new element, a challenge for the management of any shipping company.

*Aspects regarding the control of the distribution channel, conflicts inside the distribution channel*, establishing a partnership within the distribution channel, partnership advantages are very important for providing the future of the company's business. All these have to be known and understood in order to answer possible situations and challenges.

Another important aspect for current logistics is electronic systems for making the necessary decisions for logistics. These systems are important from the beginning of their use, once with the introduction of the entry data in the computer in order to get the support for logistic decisions. Therefore, systems applications for decisions support, electronic data trades, hardware and software equipments positively influence the costs of the shipping company.

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