



The trend to use e-commerce applications when booking cargo in China is accelerating as trading flows continue to rise and supply chains become more sophisticated.

While other countries – most notably the US – latched onto the use of web-based portals, etc, several years ago, China is a relative newcomer. Its shippers had preferred sticking to the old-fashioned manual processes of making bookings, sending shipping instructions and placing bills of lading.

This is changing with the use of electronic applications in the supply chain snowballing, according to vice president of freight forwarding group Airsea Transport China, Davy Wu.

He said: 'The e-commerce trend in China has strengthened, due to the development of the Chinese economy and its maturing logistics sector. Companies in China are becoming more and more competitive and they need to be well-equipped and have the right technology in place.'

'There is a continuous driving forward of the e-commerce trend and to work in a paperless environment. This is due to the cost savings that can accrue and to the need to become a low carbon society.'

Airsea is a member of the INTRTA portal and uses it for its customers, including the Qingdao branch of L.Kee Industrial.

L.Kee is part of US-headquartered Keeco, which is a leading designer, marketer and distributor of handcrafted home textile products. The company has used Airsea, which has 52 branch offices scattered throughout China, for 10 years.

The trend to use e-commerce platforms is catching on in China. Rebecca Moore spoke to two shippers based in the country about their use of the US portal INTRTA and how this has enhanced their supply chains.

Airsea has been using INTRTA for the past five years. The logistics provider, has enjoyed cost savings, better levels of risk management and improved levels of stability and now uses the portal in its freight contract dealings with six ocean carriers.

Explaining why Airsea decided to use a third-party portal rather than an individual standalone EDI application, Wu said: 'We work with over 15 carriers and it would take more effort and energy to create an EDI application with each one. By using a third-party portal we can maintain certain standards and it's much more cost-effective.'

EXECUTIVE SUMMARY

- A developing economy, more competition, plus the drive to work in a paperless environment, is accelerating the use of e-commerce applications in China's shipping sector.
- E-bookings has cut down on costs, time and disputes
- Real time track and trace is especially helpful in raising the efficiency of any supply chain

The product that Airsea uses for managing the supply chain of L.Kee is INTRTA Link, which is an EDI connection that allows the electronic management of shipment processes, from booking cargo, submitting shipping instructions, to tracking and tracing the cargo once it is in the supply chain.

Airsea arranges the movement of L.Kee's cargo from its factories in China – located in the Bohai Bay and Yangtze River areas – to destinations in the US.

The company trucks the products to the ports of Shanghai, Qingdao and Ningbo and arranges the carriage of the products on the ships to Oakland and New York in the US. Approximately, 5,000TEU is shipped annually.

Other tasks that the freight forwarder carries out for L.Kee include customs clearance and on some consignments direct freight rate negotiations with the ocean carriers. However, L.Kee does negotiate directly as well.

Zhang Qun, general manager of L.Kee Industrial Company's Qingdao branch office, explained: 'Tariffs and rates are two key areas for us when it comes to ocean carrier services. Airsea negotiates some prices because they can get more competitive rates as they are controlling a larger number of boxes. It means they can secure wholesaler tariffs for us on certain trades.'

Highlighting the benefits of working with Airsea, she said: 'Since the economic recovery, space from China to the US has been very tight and this has been an issue for us. Airsea has good relationships with many ocean carriers so this has helped us get our containers shipped

INTTRA: The automatic choice for CM

China Merchants Logistics Group (CM) decided to sign up with INTTRA because most of the carriers it works with, including COSCON, CMA CGM, Hamburg Sud and Maersk, are members of the portal.

The Tianjin branch of CM started using INTTRA for one of its customers, the tomato paste producer Xinjiang Pollo Food Co, five years ago. In all the two have worked together for 10 years.

CM manages the movement of Pollo's goods between its factories in north western China and Europe, the Middle East, South East Asia and the US.

Product is shipped from the company's factories, primarily by rail because of its lower cost, to the port of Tianjin from where the paste is shipped all over the world.

However, its principal business is Europe with the paste mainly routed through ports like Hamburg, Naples and Rotterdam. CM moves some 200 containers a month on behalf of Pollo.

Part of CM's remit is to arrange the freight rates with ocean carriers on behalf of Pollo. The shipper believes that CM gets better deals owing to its experience of dealing with ocean carriers and the volumes of cargo it is able to draw on.

The INTTRA products that CM has adopted for use on the Pollo account

comprise INTTRA Link and the company's desktop product. The latter enables users to create shipping documents and generate bookings offline and then send them to carriers via email or through web-based services. This is considered to be very important as in China the internet is still unreliable.

Pollo's exports have been rising and the need to have a good range of e-products installed has been strengthened. Indeed, the approach has freed up various parts of the company's manpower to focus on product development, research, etc.

As Pollo's Lin Yang, management team explained: 'It has helped us manage the growth in volumes as it means that time is saved and employees have more time to contact customers and perform other functions. Since the use of INTTRA we have seen freight contracting/booking times, etc, cut by 50%.'

She said that Pollo had enjoyed recent growth rates equivalent to 30% a year. 'There is fantastic demand from Europe, particularly Germany and Italy, where their own supply cannot meet demand. We expect our customers in Europe to grow in peak season as well.'

Yan Zhao, CM's ocean department manager, also highlighted the benefits for Pollo's supply chain: 'It means that

booking orders can be processed quickly and as well as this makes sure that they have been received. Prior to using INTTRA, telephone calls would had to have been made to get confirmation.

'Now we get automatic confirmation that the booking has been received by the ocean carrier with this system, which saves a lot of time. We also book space on the ships and send through the bill of lading via INTTRA for Pollo as well.'

As with the L.Kee/Airsea relationship, an important element of the service is the track and trace module.

Zhao explained: 'By tracing cargo we can gather feedback about the movement of the shipments more quickly. We can get that feedback more quickly to Pollo, so that they know where the supply chain needs to be developed. Being able to track and trace is really useful as it cuts down on the previous problems of facing delays and of cargo getting lost between the factory and the port.'

CM strongly believes, as does Airsea, that automating the supply chain is the future for China. As Zhao stressed: 'We were manual before the use of INTTRA but now we use this product for all of our customers.'

'Everything will be automated as more and more companies wish to save a lot of cost and cut down on paper usage. There will be no use for the manual process.'

on time as they have found space for us.'

Wu said that L.Kee uses the e-booking module of the portal and that this saved it a huge amount of paperwork.

He added: 'There sometimes used to be a high error ratio which does not happen anymore. Also when the booking process was manual there were significant telephone costs.'

'It has also cut down on the number of disputes between our shipper customers such as L.Kee and the ocean carriers, for example, over whether a fax was received or not. Communication is much better on both sides.'

Qun was in no doubt that the use of INTTRA had led to improved levels of efficiency in L.Kee's supply chain.

A particular benefit of using INTTRA for Airsea is the track and trace option. It used to only cover the movement of the container from depot to port but was recently enhanced to cover the actual unit



Davy Wu: 'Integration was a piece of cake'

of cargo from origin to the final destination point.

Wu commented: 'We are one of the earliest freight forwarders to offer this option in China. It's the basic requirement for customers such as Hewlett Packard

and Dell, which like to have 13 or 14 check points on the movement of their boxes. We are trying to get up to 17.'

He said that L.Kee did not need as many check points and currently used just eight. Nonetheless, he alluded to INTTRA's real time track and trace element as helping it manage an efficient supply chain.

Asked how easy it was to link up with INTTRA, Wu said that there were a few 'initial small teething problems' but that once these were ironed-out 'integration was a piece of cake'.

In terms of cost, L.Kee does not have to foot the bill as Airsea paid only for the cost of their internal programming and only when the system was first set up.

E-commerce applications are definitely increasing in China and it will be interesting to see the speed with which other companies embrace the concept and the types of products that evolve in the coming years.

