

A professional headshot of Mr. John Fay, a middle-aged man with short brown hair and light-colored eyes, wearing a dark suit, light blue shirt, and a red tie with a small pattern. The background is a textured blue. A teal graphic overlay is positioned in the lower-left corner, containing his name and title.

**MR JOHN
FAY**
CHIEF EXECUTIVE OFFICER
INTTRA



SMOOTH SAILING FOR OCEAN SHIPPING

Although the ocean container industry is facing several challenges, experts believe that the shipping sector can prevail by adopting smart strategies, ranging from forming alliances to embracing larger vessels. However, there is one particular strategy that stands out as a must-have for ocean shipping today to even stay afloat.

“In order to solve these challenges, companies operating in the ocean and logistics industry need to focus on automation and technology to stay in the game. It is virtually impossible to succeed otherwise,” says **Mr John Fay, Chief Executive Officer of INTTRA.**

INTTRA is of course one of the world’s leading ocean shipping electronic marketplace, with over 600,000 container orders are initiated on the INTTRA platform each week, representing 22 per cent of global ocean container trade. In this issue of *Supply Chain Asia* magazine, Mr Fay shares with us his background, reasons behind the company’s success, and insights into this volatile industry.

How does your strong background in finance and commodities help you as the CEO of INTTRA? On the other hand, how challenging was it not having a major background in ocean shipping operations?

The challenges facing the global shipping business today, with respect to technology, are very similar to the challenges in the financial services 10 to 15 years ago, when there were increasing volumes and significant pressure on costs. In order to solve these challenges, companies operating in the ocean and logistics industry need to focus on automation to be competitive.

More importantly, automation will require companies to connect to one another electronically, which is a solution to a very large source of inefficiency. In the financial services, the firms I worked for from 2000 to 2007 were leaders in automation of exchanges and trading networks, and communicating information among major players in the industry. The dynamic I see in the ocean industry is very similar.

As far as the industry itself, it has been exciting and interesting for me. But I think my past experiences, as an outsider, have actually been helpful. I think it is good to have a mix of shipping industry experts as well as professionals with fresh, outside perspectives. At the same time, we have people at INTTRA who have worked in the ocean industry for 30 years. Their input is helpful as I think about the next 30 years. We have a much more diverse management team today than when I joined the company, and I think that diversity has helped fuel INTTRA's momentum.

INTTRA's Marketplace generated record volume in June, July and August of 2015. Can you share some of the main reasons behind this?

INTTRA has very strong volume growth – 12 per cent year-over-year – which is remarkable given the industry growth of zero to two per cent. A reason for the growth is the industry's recognition and continual adoption of electronic communications among players in the industry. There is a significant benefit both in time and cost in terms of utilisation of resources for shippers, freight forwarders and carriers to use INTTRA.

Another reason that is driving our growth is that, on the shipper and forwarder side of the network, they understand the benefits of using INTTRA, which provides them a pure stream of data of status events transmitted back to them. It is a really powerful benefit for managing your supply chain.

At this point, for the industry, somewhere between 2014 and 2015, we have reached the tipping point where electronic shipping volumes approached 50 per cent. That has caused a lot of the customers who are not significantly electrified to realise that they are now at a competitive disadvantage, and that has accelerated their growth on our platform.

What are your predictions for INTTRA in 2016 then? Will the company be introducing new solutions or strategies?

For 2016, INTTRA is all about new products and expanding our core business volumes through growth. We are expanding into regulatory products, such as Safety of Life at Sea (SOLAS) verified gross mass (VGM), and data products, like expanded ocean schedules and decision support tools.

SOLAS VGM is the most important new development in 2016 for shipping and also from INTTRA's perspective, as we have led the e-VGM initiative, which is developing common technology and business process standards to help the industry comply with new container weight requirements that will be effective in July.

It is a great example of INTTRA serving the needs of the industry, leveraging its neutral position to come up with a solution. We also have software solutions that carriers and shippers can use to comply.

Can you share some ocean shipping trends (particularly in Asia Pacific) that you expect to emerge in the next couple of years?

The two current macro trends in the container shipping industry are excess capacity leading to lower prices and consolidation that is under way. We saw two major deals in Asia last year, with CMA CGM – APL and COSCO – CSCL. Given the continued pressure on companies, I think we will see a much more rational market evolving over the next few years.

The second trend will be a more rapid adoption of technology. There are going to be haves and have-nots in this area. Companies that have invested in technology have a significant advantage. At the moment, too many companies operating within these trade lanes are low on the technology adoption curve, including Japan and Southeast Asia. The continued rapid growth in this market will create even greater pressure to invest in technology to generate efficiencies.



What are your thoughts on mega-vessels? Do you see this as a successful strategy for the industry?

There are legitimate questions about the extent of mega vessels' operational flexibility and how they will fare in a depressed market. But ultimately, yes, it is a successful strategy. Mega-vessels are all about consolidation and lowering costs. This means that the larger carriers and the ones with financial resources will have mega-vessels and have a significant advantage over those that do not.

In your opinion, how important is it to be technologically advanced and innovative when it comes to ocean shipping operations? Do you see a majority of industry players today embracing technology?

Yes, I think it is important. You see that market share in the industry changes despite the competition on revenues. Again, I think we have reached a tipping point in the use of electronic transactions throughout the industry where, from INTRA's view, about 50 per cent of the transactions between parties are now electronic. In certain Asia markets, such as China and India, that can be upwards of 80 to 90 per cent. Now that we have reached the tipping point, I think we will see acceleration in the adoption of technology across more markets in Asia like Korea and Taiwan and around the world. I certainly see that in the market today.

Ocean shipping is typically considered as an investment heavy and traditional industry. In your opinion, could it ever be possible in the future to succeed in this industry with minimal investment or expenditure?

The ocean carrier segment will always be capital-intensive and technology-heavy. The real change in the industry over the next couple of years is going to be the increase in technology around the hardware. If you think about a ship and all the operations and management required to run that ship, I think that investment will continue to be expensive.

But the differentiation will be determined by how efficiently you use these assets. To me, that is where technology makes a difference, particularly cloud-based technology.

Ocean shipping has lasted for over 400 years. Do you predict that ocean shipping will continue to be the most popular form of freight transport in the distance future, i.e. the year 2100? Why or why not?

Absent a leap in technology akin to going from horse-driven to diesel-fuel driven, and given the current state and cost of technology, ocean shipping will continue to be the dominant form of global transportation of goods and services for the foreseeable future. Unless there is a significant change in the cost of brand new technologies, then ocean shipping will continue to dominate. It is both cost-efficient and effective. In the long-term, I foresee clear sailing for ocean shipping. 🚢

