

## Technology holds the key to success for Triton

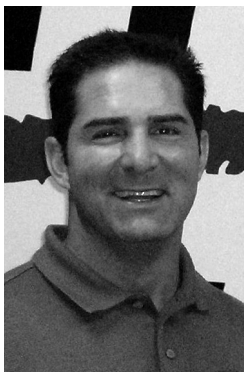
*Other NVOs say trust is the key ingredient*

By Jon Jacobs

As he courted a large exporter of project cargo, Bill Onorato, president of Triton Overseas Transport, got a sense of what Zeus's son Tantalus must have felt. Again and again, Triton submitted bids for the exporter's business. Each time, its rate quote came out too high. So he and his colleagues repeatedly watched the coveted project recede beyond their grasp, like the fruit and water forever denied to Tantalus in the Greek myth.

Triton, a non-vessel-operating common carrier, kept losing the tantalizing contract because it misinterpreted accessorial charges published by the shipping line that would transport the cargo to the Middle East. The ship line's tariff listed two distinct fuel-related surcharges, and Triton built both into its quoted price. But it turned out that only one of the charges applied.

The mistake was rectified after Triton outsourced its rate retrieval functions to Management Dynamics Inc., a technology firm specializing in global trade management solutions. Management Dynamics' "Rate Explorer" product not only stores each ocean carrier's latest rates and charges,



Bill Onorato

but combines them according to specific rules published in each tariff or service contract — relieving a non-vessel-operating common carrier such as Triton of the task of correctly inter-

preting a ship line's documents.

Armed with the new rate quotation technology, Houston-based Triton went

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back to the shipper and was given a chance to bid again. "We were able to secure that piece of business due to having the correct rates," Onorato said. "So right there, it (the Rate Explorer subscription) paid for itself." In spades: that one account generated profits of \$300,000 per year.

Soon Triton sales staff quoted rates faster and more accurately for other accounts as well. Looking up rates and charges and fashioning a complete price quote — a process that took three or four hours a few years ago — now usually is completed during the initial phone call from the shipper requesting a quote.

"A lot of times, the first guy to respond with a credible quote wins" the business, said Jim Preuninger, chief executive of Management Dynamics.

The alternative, low-tech approach to NVO rate management is slow and labor-intensive. Service contracts and/or tariffs — text documents that

can run hundreds of pages long — must first be converted to digital form to make rates and charges available for calculations within a spreadsheet or database application. Then, a person still must wade through the text of the contract or tariff rules to determine specific base rates, conditions and charges that apply to a particular shipment.

Triton used that approach during its early years of operation, in the second half of the 1990s. Each time Triton entered into or changed a service contract with an ocean line, an outside contractor would manually enter the contract details on a spreadsheet and send it back to the NVO. This typically took four or five days, according to Onorato. With fuel and other surcharges changing from week to week, the figures in the spreadsheets Triton received were often dead on arrival; its pricing staff had to phone shipping lines frequently for updates and interpretations.

The NVO executive credits the rate system from Management Dynamics for raising its margins by 2 to 3 percentage points. "It's helped our profits rise because we're quoting correctly now; our costs are correct," he said.

Onorato said his sister came up with the name for the company when he started it in the mid-1990s and "The Little Mermaid" was a favorite of her young children. The mermaid's father was named Triton, a god of the sea.

Increased efficiency also is helping Triton sustain rapid growth, on the order of 20 percent a year. The compa-



Jim Preuninger

ny was able to reassign one of four people it had quoting full-container-load rates, to concentrate exclusively on project cargo. It's also broadened its range of services, raising its pres-

ence in the import business and completing more outbound less-than-containerload consolidations in Houston instead of transloading cargo in Long Beach or Miami.

Expanding global trade and a trend toward smaller U.S. firms entering global markets, are pushing non-vessel-operating common carriers to move beyond their traditional role as "pure-play resellers of transportation services," Preuninger said.

As NVOs diversify into warehousing and distribution, logistics and freight forwarding, they also face pressure to upgrade their information technology. Viewing things from the shipper's perspective, "It's not just about freight; they're looking for both physical management and information management," he said.

Many of the biggest NVOs and logistics companies can boast of having global reach and ownership of physical assets such as warehouses and trucks. Some are subsidiaries of corporate giants such as A.P. Moller-Maersk and UPS that have vast fleets of planes and trucks. One way that smaller NVOs can keep pace with these behemoths, Preuninger argues, is through the efficiency and customer-service gains that come from well-planned data automation.

"A smart executive is always looking for a way of differentiating their product and perhaps charging a premium price," he said. "But what's really important is having a higher margin. That comes from having 'stickier' customers, lower costs and a more productive sales force."

Onorato sees outsourced technology as his ace in the hole against the large, integrated firms that he considers his main future competition. "They already have a head start on us as far as their cargo tracking," he said,



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because of bar-coding — a tool he hopes Triton can deploy within two or three years, provided its foreign agents go along.

"We don't have the deep pockets of the DHLs and the UPSs. So we depend on the software companies to keep us competitive," he said.

The one cited most often as a threat to traditional NVOs is DHL, the commercial freight transport arm of Deutsche Post World Net, the partially privatized German postal system. DHL became the world's largest ocean freight and contract logistics firm when its parent acquired Exel PLC in late 2005. DHL and Exel's combined 2005 revenue from third-party logistics alone

exceeded \$22.8 billion, according to data compiled by Armstrong Associates, a supply-chain management consulting firm in Stoughton, Wis.

"Over the last year or two, they've become extremely aggressive in the U.S. market and have gone on a major campaign to win just about every sea and airfreight account in the U.S.," said Abed Medawar, president of Somerset Marine, a neutral, global shipping intermediary based in Hillsborough, N.J.

Medawar's approach to building customer loyalty rests on using high-quality, reliable carriers on the ocean and the land sides, and standing ready to step up and take responsibility any time a shipment goes awry. For cementing relations between partners in the supply chain, he said trust and human contact play a more important role than information technology.

Peter Schauer, president of Orion Marine Corp., agrees. "Everything we do is just based on knowledge and trust," he said. Chicago-based Orion is the U.S. general agent for ConFlo Lines, a neutral NVO that focuses on serving difficult destinations including ex-Soviet Central Asia, Afghanistan, East Africa, Libya and Iraq.

Communicating accurate information to customers is essential for any business. Somerset, whose primary trade routes are the Middle East, Mediterranean and Indian subcontinent, is building up its Web site so that customers eventually will be able to download and print their own shipping documents from Somerset's Web site instead of relying on email, Medawar said.

For cargo tracking, Somerset relies on the systems made available by its ocean carrier partners, including Maersk, Hanjin and United Arab Shipping. ⚙



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