

# Specialist systems pay off faster

Investment in specialist intermodal fleet management systems offers an impressive return on investment and a quick pay-back time, a recently released analytical paper has concluded.

Managing a fleet of intermodal tank containers is a challenging business. The average value of assets is inevitably much higher than for standard container fleets, and so the need to maintain a high degree of control is consequently even more important. Similarly, tank container operators and lessors need to achieve very high utilisation levels if they are to ensure a good return on investment.

The use of sophisticated IT-based asset tracking and management systems is particularly beneficial for operators of such high value intermodal assets as tank containers. However, using specialist software developed by an experienced third party offers benefits to all companies that are active in the container transport market.

As Keith Hotston, IT manager of leading container lessor, Blue Sky Intermodal, explains: "If you use a specialist system developed by a reputable software company then they are responsible for making sure that the system does what it promises and for ensuring the integrity of the data that is generated. With specialist third party software you get the comfort of dedicated back-up, as well as a product that is designed specifically to support business requirements in the intermodal sector, rather than the 'fudge' that can happen if you go down the in-house route."

A recent white paper from Real Asset Management (RAM), calculating the return on investment of a specialist intermodal IT system, highlights the need for tank container lessors and operators to calculate the costs of running their current systems and assess what savings can be made by implementing an alternative IT solution. When evaluating new software, it is crucial to calculate the ROI rather than just look at the short term purchase costs.

As Craig Anthony, general manager, RAM, observes: "To maximise profits and compete in a demanding market, forward thinking intermodal companies must take full advantage of the latest technology, continually review their business processes and upgrade or replace front office systems. We believe our latest white paper provides intermodal decision makers with the information they need to assess the benefits and financial impact of implementing a specialist software package."

The paper suggests there are both financial and strategic advantages to be gained from a change to a specialist IT system. For a start-up company, for example a leasing company or operator with up to 100 tank containers, the report calculates a return on investment of 21%, with net savings of around US\$163,000, over a five year period. For a small company operating up to 500 tanks, net savings of US\$386,000 would be made in five years, offering a return on investment of 38%. A medium sized company, with up to 5,000 tanks, could generate net savings of US\$770,000 and a 49% return over five years, while at the top end of the scale, a large lessor or operator with a fleet of 5,000 tanks or more could achieve net savings of US\$2.1m and achieve a return on investment of 51%. For all categories of tank container lessor and operator, the report finds that the cost of the

initial investment would typically be paid back in six months or less.

Companies may have invested in what they consider to be a very good in-house system, but the RAM paper argues that they can still save substantial sums of money with a specialist product. As Anthony points out: "Even when you factor in the purchase cost of a bought-in system, there are significant, overall savings to be made through the reduced need for IT staff and their associated recruitment and management costs."

The paper is perhaps timely, as in the current recession the temptation for some companies might be to curb IT related expenditure. "A key point to emerge from the paper is that spending on IT will actually increase profits," Anthony adds.

Using a software package from a supplier that specialises in the intermodal industry generates strategic as well as financial benefits, the paper concludes. For example, these systems are more feature-rich than alternatives, giving intermodal tank container companies an increased competitive advantage.

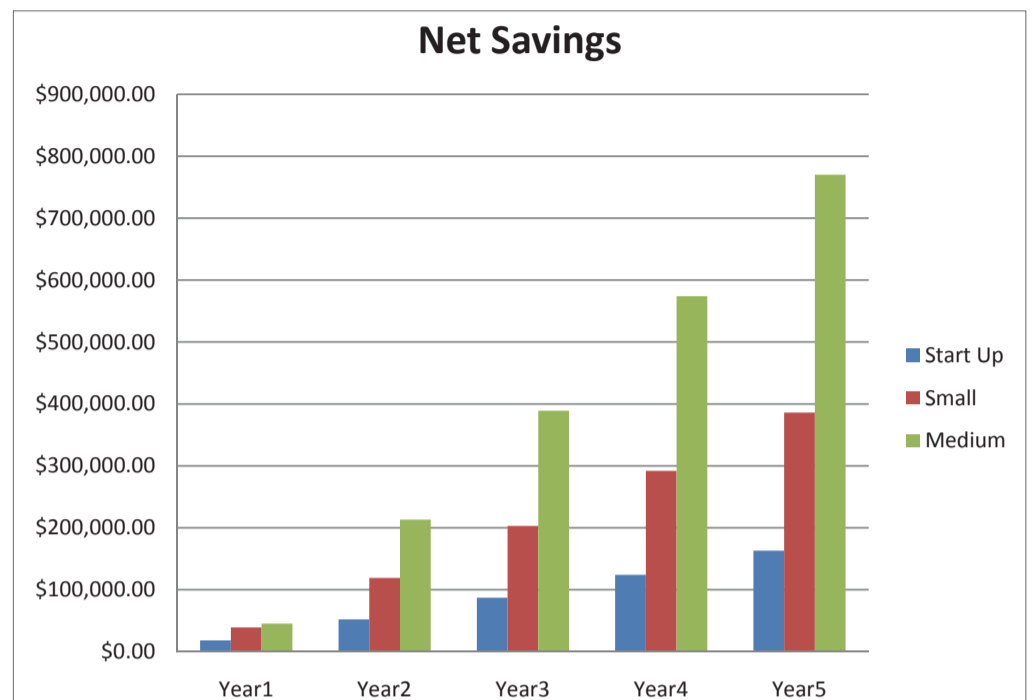
The white paper further highlights the fact that tactical information generated by the system will enable management to maximise profit per unit and will be able to generate a range of reports focusing on business performance. In addition, specialist software systems are likely to be continually enhanced and updated to take advantage of technological developments.

By comparison, the report underlines the drawbacks of the approach being adopted by some intermodal companies which are still using existing systems that are either essentially 'manual', with basic IT office products such as spreadsheets, or based on IT that is relatively old and outdated. As THE REPORT points out: "A major frustration with systems that have been in use for some time is the lack of functionality."

With older or more basic software, operational, contractual and billing elements are not always contained within a central system, data entry can be slow and subject to operator error, the report generating capability can be limited and net book values are not always available to instantly monitor the true cost of equipment and its replacement. Furthermore, older systems may not have an electronic billing option, can lack the increasingly important EDI capability and may not easily produce KPIs, such as unit profitability.

By contrast, the paper says: "Packaged software products are feature-rich and are produced by specialist companies that have the advantage of being able to recover their large investment over several years through multiple sales. This effectively shares the cost of production and customers benefit from regular upgrades as new technology makes greater efficiencies possible."

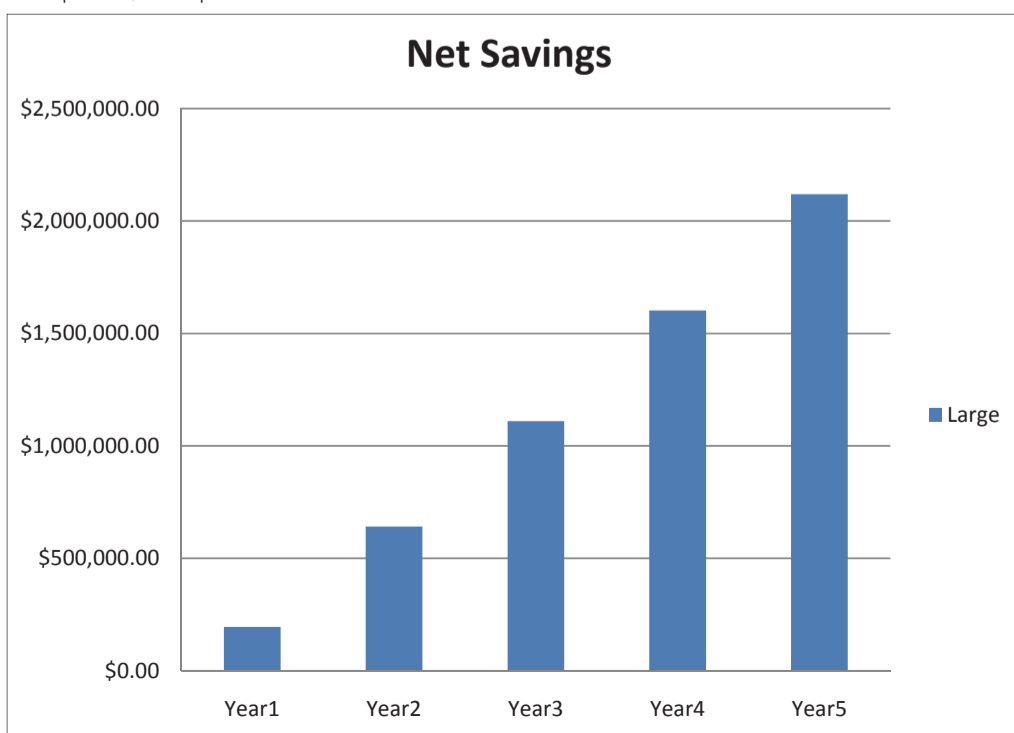
Specialist systems will incorporate the very latest industry ideas, and added features can be supplied regularly through updated software releases. The paper further points out the importance of having the support of a team of experienced intermodal consultants who will be available for advice and guidance in getting the best out of the software. "The technical team will




be fully conversant with the latest industry and software innovations. Implementation will be quick and efficient, using proven techniques and fully documented procedures," the report states. "The main aim of the white paper is to provide decision makers in the intermodal industry with a template for calculating the costs and assessing the financial and strategic advantages of using the latest front-office software tools in their own business," explains Craig Anthony. "It will also provide useful guidance when it comes to

planning for and implementing a new IT system." RAM is a software supplier specialising in fixed asset management products and it offers a range of modules designed for the intermodal sector, including both leasing companies and operators. The company provides software and support services to organisations of all sizes and its customers currently manage an estimated 20% of the world's leased containers.


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