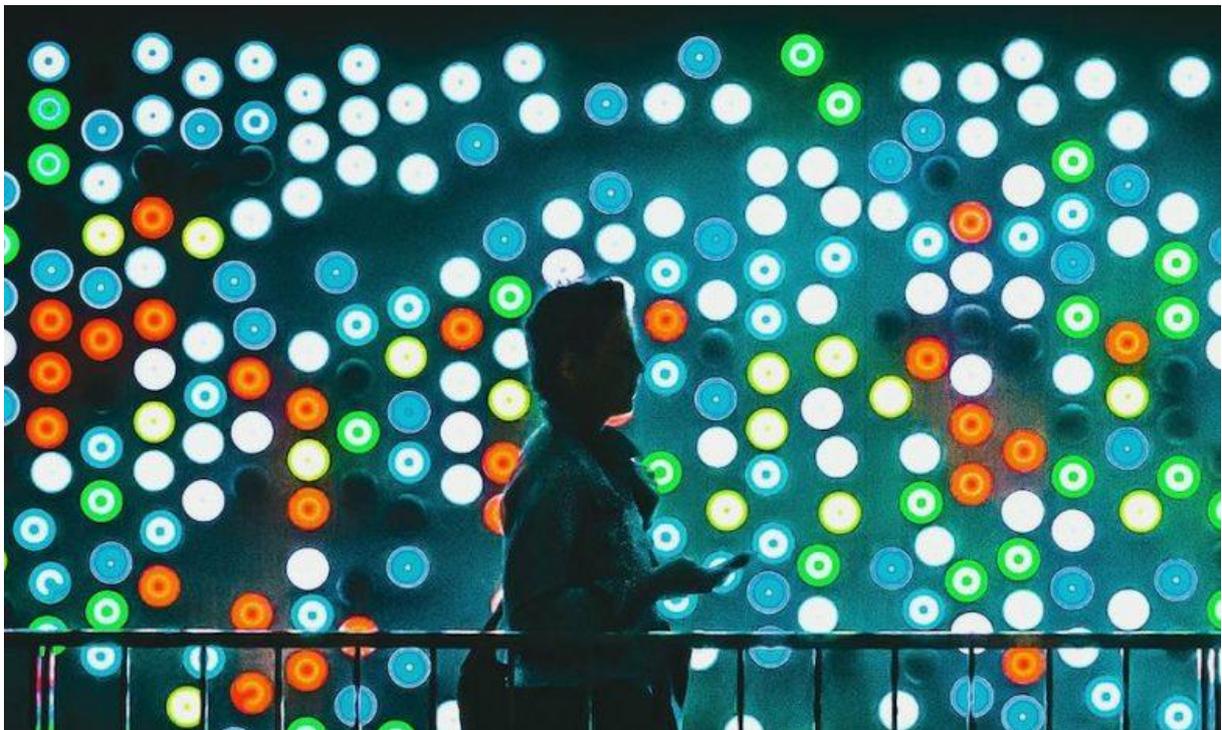# Three reasons why shipping transactions have not yet been digitalised

Splash

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Torgeir Willumsen, resident partner at Simonsen Vogt Wiig in Singapore and founder of Assentiri, establishes the unique peculiarities of shipping that make the digital transition so tricky.

In an era where digital transformation has revolutionised many industries such as banking and real estate, the maritime sector stands as a notable exception. Like an old man stubbornly refusing to use a smartphone, transactions in the maritime industry continue to rely heavily on manual, unstructured and paper-intensive processes. Why is it that shipping transactions have not undergone a comprehensive digital makeover? Here's three important reasons I see for the current state of affairs.

Complex ecosystem without standardisation

The shipping industry is an intricate web of interconnected entities, including shipowners, charterers, brokers, lawyers, banks, ship registries, and more. Each stakeholder operates within its own set of processes, protocols, and legacy systems. The sheer complexity of this ecosystem makes it challenging to implement a unified digital platform that accommodates the diverse needs and systems of all stakeholders.

Generally speaking, standardisation is crucial for the successful implementation of digital solutions in any industry. In shipping, where various parties interact globally, the absence of standardised processes poses a significant challenge. A relatively straight-forward shipping transaction can involve numerous parties such as the buyers and sellers, one bank on each side, lawyers for all of the aforementioned parties, and two different ship registries. Each stakeholder is likely to have its own unique approach to documentation, communication, and data management, making interoperability a major hurdle.

Adding to this, the shipping industry operates within a framework of international and national regulations that govern various aspects of maritime activities. Potentially all of the stakeholders in a transaction could be located in different jurisdictions. Adhering to the relevant regulations is mandatory, and any digitalisation effort must align with existing legal frameworks.

Introducing digitalisation thus requires collaboration and standardisation across the industry, which is a formidable task. Different jurisdictions, regulations, and compliance standards further complicate the process, creating a fragmented landscape that impedes the seamless integration of digital solutions.

The human element

Human resistance to change is a prevalent barrier in any industry, and shipping is no exception. The maritime sector has a long history rooted in traditional practices and manual paperwork. Many industry players remain skeptical regarding the benefits of digitalization, and may also fear the learning curve associated with new technologies, potential job displacement, and concerns over data security.

Fueling this skepticism is also potentially significant upfront costs involved in implementing digital solutions in the shipping industry. The adoption of new technologies, integration with existing systems, training programs, and the potential need for custom software development contribute to the financial burden. This applies in particular for small and medium-sized businesses that simply do not have the budgets of major players.

Convincing industry veterans and decision-makers to adopt new technologies thus requires a cultural shift in terms of mindset and appreciation of long-term benefits and return on investment. The image of a supertanker being turned around comes to mind.

Security concerns

The maritime industry handles vast amounts of sensitive information, including transaction details, cargo documents, and financial information. Concerns about data security and the potential for cyber threats act as a deterrent to digitalisation efforts.

The fear of unauthorised access, data breaches, and cyberattacks on critical transactions can be paralysing for industry stakeholders. As a result, many may opt to stick with traditional, paper-based processes, perceiving them as less susceptible to digital threats.

However, the irony is that security concerns have not stopped people from using e-mail, which is not considered a secure way of communicating, for all aspects of a transaction. Indeed, e-mail modification fraud is one of the most common types of cyberattack, but people still routinely use e-mail to share sensitive information such as bank details and passport copies. This may indicate that in fact the power of habit and desire for convenience is stronger than any valid concerns regarding security. The old man who begrudgingly started to use e-mail and is finally comfortable with this technology, sees no reason to make another change.

Nevertheless, addressing security concerns requires investments in cybersecurity measures, robust encryption protocols, and ongoing efforts to stay ahead of evolving cyber threats. Convincing industry participants of the security benefits of digitalisation is an ongoing challenge that must be addressed for successful adoption.

The way forward

The benefits of moving shipping transactions into a digital environment are clear for efficiency, transparency, and simplicity, but the industry still has significant obstacles to overcome in this process. To tackle these challenges, stakeholders, governments, and industry bodies need to work together to promote standardisation, deal with security issues, and foster a favourable climate for digital innovation.

The path to digitalisation in shipping is not a straightforward one, but the potential benefits – from reduced costs to enhanced sustainability – make it a journey worth undertaking. As the industry continues to evolve, stakeholders must work together to build a foundation that supports the seamless integration of digital technologies, paving the way for a more efficient and resilient maritime sector.

The silver lining

Despite the challenges, we should keep in mind that even old dogs can learn new tricks and that the shipping industry is actually fast to embrace superior technologies that address real issues.

A case in point is the use of video conferencing technologies such as Microsoft Teams when conducting closing meetings. As late as early 2020 the standard practice was to conduct a physical meeting between the buyers and sellers of ships and nobody appeared interested in moving these meetings into the cloud. Then covid happened and borders all over the world closed so that it became impossible to meet up in person. The obvious solution was to conduct the closing meeting remotely, which allowed transactions to continue to take place. It quickly became apparent that this was a superior way of closing transactions in terms of time and costs spent, and this has remained the industry practice also after commercial cross-border flights resumed. This example shows how the industry is willing to adapt to new ways of doing business, but the burden of proof remains on the providers of new technology to show that it actually results in a better way of doing business.

Although the obstacles to digitalisation are many, significant strides have been made over the last few years. My distinct impression after many discussions with industry people is that decision-makers previously asked themselves whether they needed new digital tools. Now industry stakeholders simply ask which tools they should start using.

Much of what Torgeir discusses above forms the plank of debate on the digital Day One of Geneva Dry next month, our brand new commodities shipping event. Find out more about the [agenda here](#).