ABSTRACT

Shipping today is extensively globalized and help in the smooth functioning of trade. While trade is high on the global agenda, the documentation, which is critical to the global trade, has largely been overlooked. While considering International trade there is a need of having uniformity, consistency and standardization of the process and hence the shipping documents plays a significant role in outlining the sale, shipment, and responsibilities of each party so that the full transaction is understood and complete without delay or additional costs. Documents also ensure compliance with applicable regulations. The objective of this article is to find solution to improve the documentation system and processes, reducing and eliminating unnecessary delays, duplication steps and negligence in the entire system. This study is for specific company - Bulk Commodities Dangote group. This study was able to show the documentation system in Bulk Commodities and its business associates, and identified the root cause for the delays on presentation of the documents. Furthermore we were able to identify those using different tools and analyse them and had given appropriate recommendations.

Key words

Shipping, Documentation, Delays, Bulk Commodities, International Trade Exporters, Importers, Letter of Credit, Simplification, Standardization, Harmonization, CEFACT, ISO 2005, Dangote Group, Fishbone Analysis,
Trends In Shipping Documentation Practices With A Special Reference To ‘Bulk Commodities’

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Introduction

Shipping, or carriage of goods by water, has played a crucial role in the progress of human society over the centuries. It serves as an essential link in establishing commercial relationships between widely separated parts of the world. The world’s shipping industry has contributed to more fortunes by transporting 90% of the world’s food, products and energy and also helping out to transform the global economy along the way. The fascinating insight is that each year some 86,000 ships move more than 9 billion tons of cargo (Barry, 2013). Without shipping the import and export of goods on the scale necessary for the modern world would not be possible. Shipping is the safest and most environmentally benign form of commercial transport (Patraiko and Holthus, 2012, p-9). As a whole, the shipping business has lifted people out of poverty over the past 15 years alone has fed half the world an kept the other half warm by shuttling products and commodities from where they are most efficiently produced to where they are most profitably consumed. Tankers, bulk carriers and container ships are the most important means of transportation and each year they carry billions of tones of goods along a few principal trade routes. Ships are busiest while in port. The agent arranges pilotage, schedules tugs and line service, handles customs and brokerage, pays port dues and procures spare parts (No author, 2011).

Since shipping industry is a global phenomenon and the trader’s population is quite diverse like shippers, exporters, sellers who have never met or seen the importer or buyer they can rely only on documents to connect them and do business fairly. While considering International trade there is a need of having uniformity, consistency and standardization of the process and hence the shipping documents plays a significant role in outlining the sale, shipment, and responsibilities of each party so that the full transaction is understood and complete without delay or additional costs. Documents also ensure compliance with applicable regulations (Antônios et al, 2009, p-3).

The shipping documents vary from country to country and depending on nature of the business and agreement between the consignee and consignor.

Review of Literature

One element of the supply of international transport services as part of shipping logistics is the use of documents which exchange and record information and embodies legal significance (David et al,2010, p-1) . Historically, many of these documents developed along modal lines and are paper-based but modern logistics practices and international trade often require the greater use of information technology with a possible shift to electronic documents. There are research going on in the light of the evolving operational and legal environment and from an industry perspective, a more flexible approach to carriage documentation could emerge (ibid).
There are several types of documents involved in a global business shipping industry: contracts, transportation documents such as letter of credit, invoices, and customs clearance documents. Ship agent should be aware of what copies of the documents precede the shipping and which documents follow the shipment of goods (Wu WeN-Jen et al, 2012, p-47). ISO 9001 is a widely-used set of voluntary management system specifications to establish a fundamental working platform of a quality-oriented organization, including documentation. ISO 9000 (ISO, 2005) defines document as information and its supporting medium” with examples being records, specifications, standards etc. “Documentation” is defined by ISO 9000 as “a set of documents”, a procedure and a specified way to carry out an activity or a process (Wu, Wen-Jen et al, 2012, p-48).

Shipping documentation and related procedures are an important component of the trade facilitation system. They help identify the import and export items in terms of description; value and ownership for both trade as well as control purposes. They allow for the tracking of cargo so that the importers and exporters know where their shipments are and when they will arrive at the final destination. Trade documents are also important evidence of goods clearance and are used for financing and the payment for the goods especially if payment is made under Letter of Credit (LC) terms (Mwajuma, 2014, p-18). While trade documents are an integral and necessary part of international trade, efforts should be made to simplify them, so that they do not become an obstacle to international trade. Shipping documentation should therefore be reviewed regularly and improved so that it will facilitate trade and at the same time to prevent any abuses to the trading system. The Simplification, Standardization and Harmonization of procedures in documents and associated information flows required to move goods from seller to buyer and to make payment with compliance with national and international requirements and this is needed to keep pace with the Global Economy (UN CEFACT, 2001,p-3). These shipping documents recommended a number of concrete measures to facilitate international trade transactions. They consider a living document, subject to a constant review process in order to keep it in pace with rapid developments in the area of international trade and electronic business.

**Being concerned** that a wide range of formalities, procedures and practices create obstacles and extra cost to international trade, and therefore restrict countries and enterprises from fully benefiting from international trade;

**Considering** that the simplification, harmonisation and standardisation of procedures, practices and of formalities, and of the documents arising from them are useful steps towards the removal of such obstacles, and towards the reduction of cost and delay;

**Bearing in mind** the rapid and ever-accelerating pace of the introduction of information and communication technology, the new developments in the trade and transport industry, and the
urgent need to adapt trade procedures and practices to such new techniques.

International Documentation

The documentation is the process that is used worldwide for the international trading, they all have same contents only few will have more or less but the main content will remain the same.

Steps in International trade

Setting up the right terms of trade is a crucial part of the exports. There are several terms of payments that are commonly used in International Trade (Fig.1)

Figure No. 1 - Steps in International Trade

Objective

The objective of this article is to find solution to improve the documentation system and processes, reducing and eliminating unnecessary delays, duplication steps and negligence in the entire system. This study is for specific company - Bulk Commodities Dangote group. Bulk Commodities International DMCC (Dubai Multi-Commodities Companies) was established in Dubai, United Arabs Emirate in the year 2006 and it is located in Jumeirah Lakes Towers. Being a branch of Dangote group, Bulk commodities was established to cater to Dangote Group in Nigeria and it deals with all shipping documents (documentations) process both ways from and to shippers (manufacturers), vessel Owners, brokers advising etc. Bulk commodities act as broker to Dangote group, and Dangote is the only customer. The Dangote Group is a diversified conglomerate, headquartered in Lagos, Nigeria, with interests across a range of sectors in Africa. Current interests include cement, sugar, flour, salt, pasta, beverages and real estate, with new projects in development in the oil and Natural gas, telecommunications, fertilizer and steel. The Dangote Group’s annual group turnover is approximately N450 billion (US$3 billion).
In this research the qualitative method conducted through a series of interviews and meetings. Then a survey questionnaire was developed for the quantitative approach. Secondary data is collected from the organization history and data is collected from annual reports and other published records of Bulk Commodities, Dangote Group and business partners journals etc.

**Figure No. 2 - Typical Process Documentation**

In a typical shipment process (refer Fig.2) with respect to Bulk Commodities, they get a request from Dangote Group about a certain commodity (cement, gypsum, wheat, sugar, pozzolana, salt, clinker, coal) and how much quantity they need in minimum and maximum. Now, Bulk Commodities checks
internally, if they have a contract with the shipper or manufacturer of that certain product. As per the contract they request a Proforma invoice and issue them L/C. Then again Bulk commodities verify whether they have a contract with a vessel. In other cases (e.g. if they don’t have a contract) they have to charter a vessel on the spot (from the market). After having this information (about vessel availability), they will charter a vessel depending on market freight and availability and the vessel size. The vessel owners will give laycan days and estimated arrival date (laycan is minimum and maximum days period) so shippers/exporter can prepare the cargo and do all the customs process at their port.

Soon after the shipper finish loading the cargo on the vessel, Bulk Commodities will calculate demurrage for shippers and vessel owners separately. This is the actual process on all the cargos as they always take FOB (Free On Board) incoterm. Bulk Commodities Company have issued L/C from the local bank as issuing bank and send it to Shipper earlier so now they have to request also Dangote group to issue L/C to Bulk Commodities Company.

**Statistical Tools Used**

The statistical tool used for the research is **Fishbone analysis** in order to find out the cause for a problem faced by the Bulk Commodity company. Also we have used **SWOT analysis** to see how the company’s strength and opportunity can help improve the situation. Then following graphs and chart are based on the questionnaire survey to know about suppliers and products.
Figure No. 4 - The Main Reasons Contributing To Company’s’ Problem
Questionnaire analysis

The questionnaires were given to company employees in Dubai and in headquarters in Nigeria a small sample of fifty including the business partners. Below are the answers analysed in graphs and pie charts for better understanding.

Analyses for Bulk Commodities

**Figure No. 5 - Analysis on the Types of Commodities in Bulk Commodities Company**

![Types Commodities in Percentage Graph](image)

*Source: Author*

Figure 5 demonstrates the core commodities of this company, and it shows each commodity is imported from different country and therefore documentation is done in seven types with seven completely different processes.

**Figure No. 6 - Analysis on Signatory/Authorized Person(S) Who Signs the Document**

*Source: Author*
The purpose of Figure 6 is to identify how many were actually having the authority to sign the documents they were creating. By analyzing the result it shows this would be the reason why the document process is getting delayed. Only 70% can sign and the other 30% have to run around for signatures this can lead to delays in presentation.

Figure No. 7 - Analysis on the Standardization of Documentation Process

Do you have standardized documentation process

Source: Author

Figure 7 shows that the successful organization should have standardized process to work effectively and efficiently. When the processes are standardized it is easy to spot the problems, obstacles, duplications, unnecessary steps and the gaps. As per our study above 99% they don’t have the process standardized so we can see clearly why they have delays in presentation.

Figure No. 8 - Analysis on Time Taken To Obtain All Documents

Source: Author
Figure 8 is the study about shipping process with emphasis to documentation on Bulk Commodities Dangote but the documentation is extended all the way to headquarters (Dangote Group Nigeria) in terms of funds, signatures and other business partners like banks, suppliers, brokers and vessel owner. The above graph shows the time period each company takes to receive documents from the other. Since Bulk Commodities is the center of them all it takes longer to receive all the documents as mostly it takes up to 10 working days.

**Figure No. 9 - Analysis on Cost Incurred in Courier shipments Per Month**

*Spending on courier shipment, USD per month*

Source: Author

Figure 9 shows the monthly expenses for document shipment from the related parties. If the organization had introduced E-Clearance this costs would been avoided.

**Figure No. 10 - Analysis on Delays Caused By Courier Company**

*Courier Company Delays*

Source: Author

Figure 10 indicates the occurrence of delays by Courier Company as they make mistakes like delivering to wrong address. Sometimes they are late to pick
the documents after office hours. These mistakes cost the company a lot, and to avoid this companies should have accounts with more than one Courier Company.

**Figure No. 11 - Analysis in Identifying the Party Which Are Causing Most of the Delays**

![Figure 11 analysis](image)

*Source: Author*

Figure 11 demonstrates the reason for the delays that led to late presentation of documents that cost organization financial and non-financial implications. There are fines for late presentation of documents to the banks, upset Shippers/Suppliers which damaged business relationship and vessel delays at the discharge port as they incurred a lot of demurrage. The study has shown there are three types of delays.

**The signatory Delays:**

The delays from the signatory personnel is one of the main reason as they could be busy or they don’t understand the urgency of the documents especially in important documents like Bill of Ladings, Letter of credit and Proforma invoice. Regarding banks they have to be sure they have enough funds before issuing the L/C or else they won’t issue it.

**The Document Issuance Delays:**

Beneficiary must issue the Proforma invoice so that Beneficiary can instruct his bank to issue the L/C, if there is a delay in sending the documents and the whole process will be delayed. Even though the vessel arrives on time still there be a before it start loading. So this paper work is the root cause for all the delays.

**Payment Delays:**

If the payment gets delayed to the bank for issuing the L/C or to the shipper before they load the goods or freight payment to the vessel owners or the brokers’ commission. This is international trading so if there if there is any late payment they will hold back the document till they are paid.
Figure No. 11 - Analysis on Suggestion to Introduce E-Clearance/Standardization/ERP to the Documentation Process.

The last analysis in Fig.11 shows how the candidates were accepting the suggestions to introduce e-clearance which got 90% (agreed), standardization 70% (agreed) and lastly EPR 60% to the documentation process. This clearly illustrates the study was successful and it has brought the problem to light.

Findings and Recommendations

The investigation is on the study on shipping and documentation practices with special reference to Bulk commodities Dangote Group Company.

Financial costs

The findings in this project have resulted in a number of ways through which to Bulk commodities Dangote Group Company, Dubai can find a better way in doing business. If we perceive the charges of demurrage calculations for both to Bulk commodities Dangote Group Company, Dubai and Headquarters in Nigeria for all load ports and discharge ports it approximately cost the organization more than 15 million USD in year 2012 and 45% is due to late presentation of documents.

Personnel Issues

We also found the people negligence is one of the reasons while creating the documents. In Bulk commodities all documents should be rechecked by the third person to avoid the discrepancies before it is being dispatched. The study shows the person who compiles the documentation mostly doesn’t have the authority to sign, and in some cases the documents have to be couriered to Nigeria to be signed, and the authorities over there do not understand the urgency. And in addition the different working days and time difference pushes the delays even further.

Process Issues

Duplication of the process shows that whatever Bulk Commodities is doing with shippers has to repeat all the process with Dangote group. This delays the documentation and also the bank charges double the amount. Since this process is
not standardized, it is likely that mistakes can happen and it lacks creativity.

Technology Issues

There is no any ERP or special software’s used to create the documents. As per our questionnaires we found out that Bulk Commodities, Dangote Group and business partners’ candidates 99% have agreed they uses Microsoft word and excel and it is not an error free.

Bulk Commodities has not invested on the Electronic clearance, and this shows that they have to adopt latest technology in order to benefit the organization.

RECOMMENDATION

Resources

Dangote Group is the one of the most successful conglomerate organization, and this study shows that there is loss of 15million every year due to the delay in documentation process. In order to have a stronger relationship with business partners they just have to follow some strategies.

Technology Issues

The introducing of ERP or special software that will able to detect errors while creating the documents will also reduce the delays on the process, and it will take short period to create the documents. Technology is a friend of every organization and now days it’s not that expensive to acquire ERP so that the entire organization can improve its nature of doing business, and it will be investment now but in the future it will improve the process effectively and efficiently.

Process Issues

Courier Company’s negligence like missing pickups or delivering to wrong address is one of the issues. In order to rectify this organization should have more than one Courier Company that they can rely on and the organization should be clear to the shipment companies that we have zero tolerance as these documents are very important.

Personnel Issues

Ongoing trainings should be given to the employees from time to time as to keep them motivated and to boost morale of doing the job well. This will also solve the new respondents to keep up with the work. The employees are considered as an important asset to the organization and they should be able to perform effectively to bring the overall quality end product.

We also saw that the documents get delayed due to signatures; the headquarters should decentralize signatory responsibilities to Bulk Commodity to reduce the long process and the waiting time.

Conclusion

While considering International trade there is a need of having uniformity, consistency and standardization of the process and hence the shipping documents plays a significant role in outlining the sale, shipment, and responsibilities of each party so that the full transaction is understood and complete without delay or additional
costs. The correct and timely completion of documents is crucial to many aspects of the delivery. This ensures the safety of the goods, avoidance of delays, and prevention of overpayment or underpayment of duty (No author, 2005, p-12).

This study was able to show the documentation system in Bulk Commodities and its business associates, and identified the root cause for the delays on presentation of the documents. Furthermore we were able to identify those using different tools and analyse them and had given appropriate recommendations.

References


