

Navigating The Complex World Of Maritime VSAT

by Alan Gottlieb, Managing Director, Gottlieb International

Numerous VSAT providers are rushing to the maritime world. In a market once dominated by Inmarsat, fixed priced broadband is making significant inroads into commercial shipping markets. Competition is rapidly intensifying as new players like Speedcast, Singtel, KVH Industries, Orange Business Services, Satlynx, Hughes Network Systems, Intelsat, Ship Equip, Globecom, Caprock and Norsat take aim at established commercial VSAT maritime providers like Inmarsat, Radio Holland, Vizada/Marlink, Globe Wireless and Stratos.

Based on a quick, statistics-based market analysis, the commercial shipping market appears to have enormous potential. With more than 50,000 vessels, a relatively low VSAT penetration rate, and increasing demands for fixed priced broadband at sea, VSAT use appears likely to grow significantly. Due to the 12 to 24 months sales cycle, those companies who enter the market now stand to benefit substantially as the industry recovers from the recession.

However, despite the lucrative potential for this market, those companies seeking to gain a significant share of this market should beware of its complexities.

Consider the containership segment that consists of approximately 5,000 ships. While the market appears to be large, only 20 companies control 70 percent of these vessels. Expect the battle to win customers in this segment to be extreme, as a dozen or more providers vie for the business of the largest fleet owners while **Inmarsat** and other providers struggle to hold onto their market shares. Already, Inmarsat has been reported to be offering **FleetBroadband** at extreme discounts to its largest customers at prices significantly below their expected pricing.

Those companies who expect to achieve a 5 percent share of this market and whose projections are based on selling bandwidth and hardware alone will likely fall victim to the inevitable vendor consolidation. Clearly, successfully competing against Inmarsat and the other players will require a clear understanding of the needs of each individual customer and the ability to differentiate product and service.

A Highly Segmented Industry

Those who know the shipping community know that the industry is not homogenous but rather a collection of numerous segments that cannot be sold a universal solution. Each individual segment is distinctly different and varies in their communication needs based on the cargo they carry, fleet size, regulatory issues, and the sophistication level of corporate IT management.

For example, carriers of hazardous cargo such as oil, LNG, and chemicals are subject to very stringent safety and operational requirements that generate a critical need for acquisition and transmission and analysis of data monitoring ship performance. As oil companies use this data to evaluate tanker companies for charter contracts, the need to know how well a fleet is meeting the required standards becomes a business acquisition issue. Here, VSAT becomes the ideal medium for transmission of the data to shore allowing management to monitor, analyze and enhance vessel conformity to meet or exceed regulatory standards.

On refrigerated cargo carriers, DSL is used to transmit critical information on temperature to a central server where it can be transmitted to cargo owners to demonstrate that refrigeration has been maintained at proper levels during the voyage.



Understanding such differing requirements between industry segments becomes the basis for successful high margin, solutions-based selling, rather than the traditional VSAT selling strategy of offering generic solutions at a low price.

Furthermore, it is important to understand that the shipping industry — as a whole — is generally unfamiliar with the myriad of potential cost saving applications that can be supported by fixed-priced VSAT as well as the software and IT controls necessary to manage the resource aboard a vessel.

Justifying VSAT Installation + Bandwidth Costs

IT departments in most cargo carriers have traditionally restricted the use of data services due to the high cost of pay-by-the-byte Inmarsat services and are, therefore, unfamiliar with the potential benefits and technical issues related to installation of a fixed-priced broadband service.

When confronted with a VSAT offering, shipping IT managers typically note that their current usage of data is less than 100 Megabytes per-month per-ship at a cost of \$1,000 per/month or less. Why should they make a substantial investment in hardware and pay more for unlimited fixed priced bandwidth?

Thus, the ability of a sales executive to construct a viable economic argument based on potential cost-savings made possible by new VSAT dependent software and data transmission applications is absolutely critical in making the sale.

For example, one of the many VSAT potential economic benefits is related to the growing popularity of electronic chart updates. Currently, **Chartco**, the leading service vendor, offers electronic chart updates over Inmarsat at a fixed monthly cost. However, to receive the service, each vessel must be equipped with a \$4,000 decoder. Installation of VSAT eliminates the need for the decoder resulting in significant savings.

Consider a second example: Fixed priced VSAT facilitates automated downloading of data on winds and currents that support automated operation of **Sperry Marine's** new fuel optimization programs which can save tens of thousands of dollars in fuel costs per/voyage.

Or a third: Using VSAT facilitates the unlimited transmission of photographs in support of maintenance and procurement operations thereby eliminating the need for extensive descriptive text in reports. With photography, crew can clearly and easily document spare parts requirements and other visually detectable maintenance requirements such as corrosion repair.

Of course, there are many more software related and data transmission applications that become possible with VSAT that are not economic with a pay-by-the-byte service such as Inmarsat.

In addition to economic justification of VSAT, vendors must be able to provide shipping customers with a complete solutions package capable of managing VSAT aboard the vessel. The fact is that shipping company IT managers need extensive VSAT vendor support to select and implement such solutions. To be successful, vendors must move beyond provision of hardware and bandwidth.

Managing Ship Board VSAT

Contrary to popular assumption, most shipping company IT departments are unprepared to deal with the technical aspects of managing a VSAT resource. Having dealt only with pay-by-the-byte Inmarsat throughout their careers, they generally lack the knowledge of how to identify and select and implement the necessary software applications to provide the required functionality. Typical questions raised on sales calls include:

Who will own the Maritime VSAT Market?



The demand for high volume data transmission and Internet access has gone to sea. VSAT use is rapidly becoming the standard as more and more shipping companies are realizing that access to fixed-priced Broadband is vital in a highly competitive environment. This is an enormous, yet highly complex market. Far from being homogenous, it is comprised of numerous segments, all with different communication requirements.

We are Gottlieb International Group, and we specialize in Maritime VSAT. With an intimate knowledge of the industry's segments and needs, we offer unique marketing research and sales expertise to those companies seeking to own their share of this exciting and emerging market. For further information, call us today.

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- **“What happens if the crew uses up all the bandwidth cutting off critical business related voice and data communication?”**
- **“How do I manage security when crew use their own laptops via WiFi?”**
- **“What happens if crew members loose sleep because they are instant messaging instead of sleeping and, as a result, accidents occur?”**
- **“How do I restrict access to selected websites?”**
- **“Can you provide a VPN?”**

Clearly, a vendor must be able to provide software that incorporates such management functionalities and others as part of its offerings. Such packaged solutions for the management of VSAT aboard a vessel do exist and VSAT providers can either incorporate them into their offerings or develop their own set of solutions. Whatever the course, functionality to manage the VSAT must be offered.

Other Critical Elements

In addition to justifying the cost of VSAT and providing solutions for the management of fixed priced broadband aboard a vessel, there are other critical elements that need to be addressed in the selling process.

Reducing capital cost of the required hardware and installation to the absolute minimum is vital in the current economic environment. Limited budgets and reluctance to invest new capital tend to favor 60 cm antenna offerings over the conventional 1.2-meter Ku antenna offerings. Assuming competitive bandwidth costs, use of 60 cm antennas can reduce the cost of hardware by as much as 40 percent and lower installation costs as well as minimizing blockages and the associated need to switch to Inmarsat backup services. Adding leasing packages offers a further incentive to the customer.

One stop service management is also a major consideration. Vendors must be able to take complete responsibility for the maintenance and operation of the service and provide customer reporting and problem resolution through a single point of contact. Customers expect “turn key” management and service and will not be satisfied with shouldering the responsibility of iden-

tifying which, of many, hardware, software and bandwidth providers are responsible for service disruption.

Service portals that offer access to such functionality as tracking usage and monitoring performance of the VSAT links are also effective catalysts to the selling process. Ship Equip in Norway offers a unique package developed by Parallel UK, which allows each customer to log in over the Net and monitor the performance of its own network.

Finally, there is no substitute for effective solutions selling. Vendors must not ignore that they are working in a conservative, consultative selling environment that demands customer education and the building of trust over an extended period. They must keep in mind that selling solutions tailored to each type of vessel's needs is a vital element of success and that selling a “plug” in an emerging, new market at a low price is not a viable sales strategy.

As always, knowing the customers business and demonstrating how it can be improved is the basis of successful selling.

About the author

Mr. Gottlieb is Managing Director of Gottlieb International Group Inc. His firm, Gottlieb International Group Inc., specializes in market research, business development and sales and business development of satellite and wireless communication technologies to numerous vertical markets. In particular, his firm specializes in assisting satellite providers in penetration of Maritime, Oil and Gas, International Construction and Mining markets. His career encompasses an unusual diversity of sales and marketing background in many segments of the wireless industry including VSAT, Cellular and Mobile Commerce. He has served as Vice President of Sales for Audiovox Communications, Director of Sales for Southeast Asia for COMSAT and Aether Systems, and Corporate Market Research Manager for a Division of Baker International (now Baker-Hughes). Major clients have included KVH Industries, Intel-sat, Inmarsat, Verestar, Globecom Systems, Sonic Telecom, Frontier Technology, THISS Technologies, (Singapore), Sonic Telecom, Parallel Software U.K., the National Technical Information Services and the Office of Post and Telecom of French Polynesia. He can be reached at +1-703-622-8520. <http://www.gottliebinternationalgroup.com>