

Fritz edges into e-commerce

Deal with TradeCard is part of a broader strategy

BY HELEN ATKINSON

Fritz Cos., the large San Francisco-based customs broker and forwarder that's in the midst of a reorganization, is moving to expand its involvement in e-commerce through a partnership with TradeCard.

The deal will allow buyers who have negotiated for the purchase and shipment of goods on the TradeCard system to also obtain Fritz logistics services through TradeCard. It will also give Fritz' customers access to TradeCard services.

"It's a move towards recognizing the world of e-commerce and to put the skills and technology that we have to work in the e-markets," said David Williams, Fritz Cos.' customs and compliance board chairman.

"We're looking at e-commerce B2B markets, doing business in a more technological manner."

As part of the deal, Fritz will check shipments and electronically submit proof of delivery documents to TradeCard that will be compared to the original purchase contract by TradeCard's patented compliance engine, triggering electronic payment from buyer to seller.

TradeCard is an electronic platform

created in 1994 to facilitate international orders. The system, for example, will transfer funds in a transaction after verifying that the goods to be delivered are consistent with the purchase and order documents.

With the advent of the Internet, TradeCard is positioning itself to help those who transact business online to follow the transaction through to delivery and payment.

Large forwarders such as Fritz have lagged behind express carriers and dot-com startups in developing technology to facilitate online transactions.

Fritz has been focused in the last three years on integrating a diverse network of non-compatible computer systems that it obtained during a mid-1990s acquisition spree.

Under chief executive Raymond Smith, Fritz is turning its attention to other things such as improving customer service and en-



Raymond Smith

hancing profitability.

"The (freight forwarding/customs brokering) sector in general doesn't have the same exposure to e-commerce as the small package business does, because it's mostly dealing with large cargoes instead of small packages that go straight to the consumer," said Greg Burns, an analyst with Lazard Freres & Co.

in New York who follows the forwarding industry. "But all these companies are enablers of more efficient supply chains, so it makes sense for them to get involved in e-commerce in a number of ways, and I think management at Fritz has been moving in that direction."

"The brokering and forwarding communities are putting their heads in the sand about technology, but the exporters and importers are embracing it," said Williams.

In order to use TradeCard's transaction system, buyers and sellers must first become approved TradeCard members. To begin a transaction, the buyer creates an electronic purchase



Ed Wolfe



Greg Burns

E-COMMERCE/TECHNOLOGY

order in one of three ways: through the TradeCard system using its contract templates, via electronic file from a company's ERP system, or from an online marketplace. TradeCard then notifies the seller that there is a purchase order pending for review.

The buyer and seller can further negotiate the purchase order online. Once they agree to the terms, both buyer and seller authorize the purchase order with digital signatures.

Fritz' deal with TradeCard comes as the company is being watched closely on Wall Street for signs of a turnaround after several difficult years stemming from its acquisition streak in the mid-1990s.

Fritz's results from the first quarter

of fiscal 2001 showed "weak" growth in net revenue of 1.6%, according to Ed Wolfe, an analyst at the New York investment bank Bear Stearns & Co.

"Clearly, in our opinion, Fritz is losing customers and business to its competitors," said Wolfe.

Fritz executives such as Smith have said the company doesn't feel threatened by the several recently launched dot-coms that aim to help online buyers and sellers negotiate customs regulations.

"One of the things e-commerce lacks is the ability for an online buyer to find out the true cost of product. More important is the correct customs classification," said Williams. He criticized the software based landed-cost

engines, saying they were too automated and prone to the "garbage in, garbage out" problem.

"You need the human aspect," he argued. "How do you have a computer have a look at the warp and weft of a textile, or design drawings?"

TradeCard's main competitor is London-based Bolero.net, a project set up by the Through Transport Club, a mutual insurer, and Swift, the Society for Worldwide Interbank Financial Communications. Another firm, RosettaNet, is seeking to standardize interactions so that all electronic exchanges between business partners are handled in the same format. ■