e-Commerce Strategies for Air Cargo Airlines

Transforming the industry during the COVID-19 crisis

2020 wasn't an ordinary year for air cargo. While demand decreased by 10.6% compared to 2019, the most significant drop in year-on-year, cargo load factors, yields and revenues rose to record-high levels. After the low point in April, volumes have continuously recovered. The industry expects that they will return to 2019 levels next March.

Multiple factors drive this recovery: Operationally, as vaccination rolls-out globally, unlocking international passenger travel will ease capacity constraints. Financially, the global economic improvement and government aid packages will provide industry support. Finally, changes in shippers' behaviors (like the recent push for supply chain sustainability and reliability) will transform air cargo and e-commerce strategies moving forward.

With so many changing trends in motion, air cargo needs to work on rebuilding its industry now. Adapting their strategy to capitalize on e-commerce is critical for the re-start.

COVID-19 shifts the world online
The new variants of COVID-19 detected in different parts of the world are forcing governments to implement new restrictions and requirements, including the reinstatement of lockdowns in several countries. Like in 2020, this situation will again create an additional boost for e-commerce. Nowadays, even traditional "brick and mortar" businesses are shifting to digital, including their supply chain.

One year after the beginning of the pandemic, the consumers' behavioral change towards online retail is established, with shoppers choosing more often the convenience (and often necessity) of online purchases. E-commerce rose to 18% of the total retail sales in 2020, four points higher than forecast.
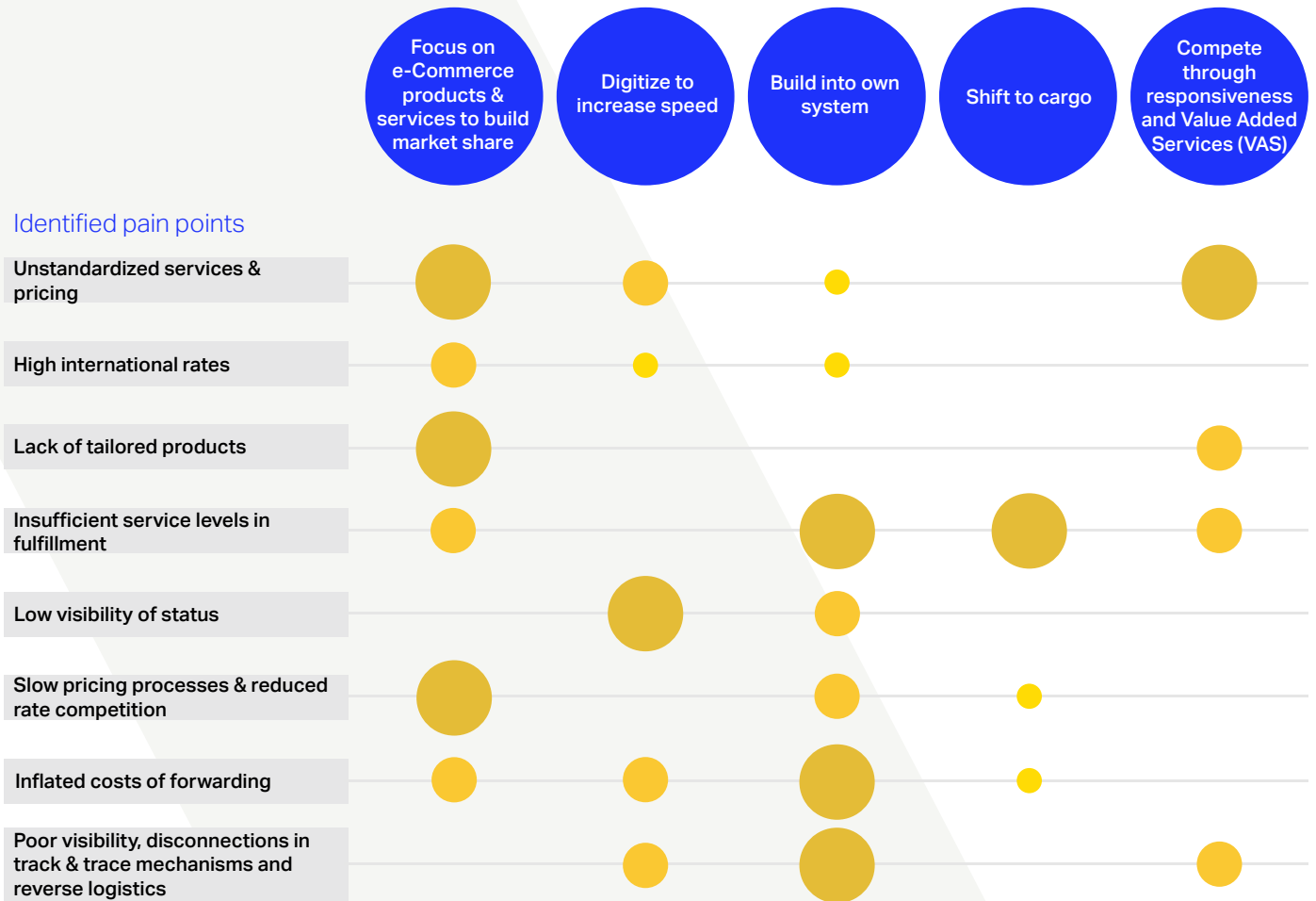
Addressing industry pain points
Cargo airlines face an "adjustment window" with regards to e-commerce. They should act today if they want to stay relevant in this digital shift.

As part of a research study with PwC, IATA identified the main pain points for airlines:

- Unstandardized services and pricing, leading to inflated pricing and consumer confusion

- High international rates

- Lack of products tailored for e-commerce increasing cost and time

- Insufficient service levels in fulfillment

- Low visibility of status for CEP (courier, express, and parcel) and e-commerce businesses

- Slow pricing processes, reduced rate competition

- Inflated costs of forwarding due to excessive labor

- Poor visibility, disconnections in track & trace mechanisms, and reverse logistics

Strategies impact in addressing identified air cargo pain points

Identified pain points	Focus on e-Commerce products & services to build market share	Digitize to increase speed	Build into own system	Shift to cargo	Compete through responsiveness and Value Added Services (VAS)
Unstandardized services & pricing	● (large)	● (medium)	● (small)		● (large)
High international rates	● (small)	● (small)	● (small)		
Lack of tailored products	● (large)				● (medium)
Insufficient service levels in fulfillment	● (small)		● (large)	● (large)	● (medium)
Low visibility of status		● (large)	● (small)		
Slow pricing processes & reduced rate competition	● (large)		● (small)	● (small)	
Inflated costs of forwarding	● (small)	● (small)	● (large)	● (small)	
Poor visibility, disconnections in track & trace mechanisms and reverse logistics		● (medium)	● (large)		● (small)

Five strategies for airlines

As the air cargo industry adapts to e-tailers' needs, dedicated products and a new focus on processes are critical if airlines want to capture e-commerce volumes. Industry stakeholders must prioritize the digitalization of their air cargo operations. This will be the main game-changer if they are going to keep up with online retailers.

As part of our research, IATA engaged with many players in the e-commerce supply chain, from e-marketplaces to airlines. Based on the pain points and expected opportunities, we have identified how airlines wanting to capture e-commerce volumes need to transform. Depending on the degree to which they wish to enter the market, they will have to adopt one or more of these strategies.

1. Focus on e-commerce products & services to build market share

E-Commerce can be flown as general cargo and mail, allowing airlines to develop segment-specific products and services. They can integrate their operations into the e-tailers' activities and reassess their possibilities to repurpose their fleet from passenger to cargo (at least temporarily). They may also consider catering to the most prominent clients' demands at a larger scale through inorganic growth.

2. Digitize to increase speed

Airlines must support transparency by digitally integrating with their business partners. This includes the integration of data flows between airlines and other parties involved in shipment processes. They need to assess and develop multimodal forwarding platforms and provide transparency for consumers.

3. Build into own system

Airlines need to foster the transformation of their border processes to ensure smooth customs clearance. Compliance with common standards (e.g., trusted traders' initiatives, know shipper and authorized economic operators programs...) could reduce the time necessary for border controls. Expanding digital integration to customs authorities (over which e-commerce companies have little to no influence) will further enhance a seamless and efficient physical operation.

4. Shift to cargo

The COVID-19 pandemic has demonstrated air cargo's value, showing that the industry is essential for global and local economies and helps industries and populations worldwide. Airlines should consider new ways to address the risks related to crisis and capacity

shortage by investing in their air cargo products.

5. Compete through responsiveness and Value Added Services (VAS)

To reduce processing times, airlines need to optimize their air, border and customs operations processes and analyze how they handle cargo and mail. They should consider adding new value-added services to increase convenience, as well as adapt their process to provide the visibility their customers require, both at airline and at airport level.

Start your business transformation today.

As e-commerce becomes one of the leading new volume sources for air cargo, we start to see examples today of airlines capitalizing on the online market's opportunities. Several airlines are moving towards integrating their first and last-mile solutions for e-commerce under one brand. Creating and supporting start-ups to develop door-to-door specific products is the solution some of them developed. Others are integrating e-commerce marketplaces' platforms and creating digital tools for bookings and pricing.

At the same time, e-commerce companies are constantly adjusting their strategies to tackle new challenges. They are not only putting the consumer in the center of their preoccupations. They are also looking at the challenges posed by their transport and logistics segment and taking decisions that affect their supply chains and their partners.

In a fast-changing e-commerce environment, the best moment to launch your business transformation is today. Positioning your company as an industry leader in innovation will bring success, revenue, and sustainability to your business •

Do you want to know how e-tailers are addressing air cargo pain points? Stay tuned for the next e-Commerce Insights article.

Read all the e-Commerce Insight articles and learn how IATA helps the air cargo industry to capitalize on the growth of e-commerce on **www.iata.org/ecommerce**

Read the first IATA e-Commerce Monitor (December 2020)