2015 Global Shipper Survey

We know because we asked

June 2015

Foreword

This report is based on an 8-question survey of 336 shippers in January and February 2015. Shippers were asked to rate their satisfaction against the air cargo services they used for the past twelve months and to provide their views on air cargo's competitiveness, ability to innovate, opportunities to improve its processes and value proposition.

The data analysed in this paper is aimed to provide shippers' perceptions, experiences and expectations when using air to transport their goods. This will help IATA and its airline members to better understand their customers and improve their service.

We thank our key partners, global, regional and local shippers' association and freight forwarding companies who have engaged their members and customers to participate in this survey, namely:

- The International Air Cargo Association
- Cool Chain Association
- Clean Cargo Working Group
- Global Shippers Forum
- European Shippers Council
- American Shipper
- Association des Utilisateurs de Transport de Fret
- British Freight Transport Association
- EVO
- Honk Kong Shippers Council
- Swiss Shippers Council
- Agility
- DAMCO
- Panalpina

Table of Contents

To understand the survey

336

RESPONDENTS

When designing the survey, we chose to make it as short as possible to encourage a maximum of shippers to participate and share their views. Therefore, we decided not to ask questions on the size of the company, type of goods they are transporting, their annual spending for transportation services.

We also chose not to ask them for their contact details, country and company name. So we can't do any breakdown of the collected data by country or business type. However, 55% of the respondents voluntarily provided us with their contact details for further follow-up.

Companies in North America, Europe, Middle East and Asia took the survey. For next year's survey, extra engagement efforts might need to be undertaken to reach out to companies based in BRIC countries.

94%

OF THEM ARE USING AIR CARGO

Participants of the survey were asked to identify what modes of transport they use. 94% of respondents declared using air cargo. The report is based on the answers given by those 316 respondents.

66%

ARE MULTIMODAL

66% of those air cargo customers declared they use other modes of transport: ocean (55%), road (54%) and rail (20%). Having multimodal customers taking the survey makes was very important, especially for the questions related to air cargo's value proposition, competitiveness and ability to innovate compared to the other modes of transport.

Air cargo customers are satisfied

7.08

OUT OF 10

This year, our respondents gave air cargo services an average score of 7.08 out of 10.

That is not a bad result. But considering air cargo is a premium service, air cargo suppliers need to offer premium quality and ensure their customers are very satisfied. So this result clearly means customer satisfaction can and needs to be improved.

Interestingly, at the IATA World Cargo Symposium in Shanghai in March 2015, shippers commenting the first results of this survey made the difference between traditional air cargo (airlines and freight forwarders) and integrator businesses. They suggested that satisfaction scores would be different for services offered by traditional air cargo players and by integrators… a distinction we might consider making for the 2016 Global Shipper Survey.

"The best solution is an end-to-end one."

15%

VERY HAPPY CUSTOMERS

46 respondents gave air cargo services a 9 or 10 score. We categorize them as the "very happy customers", highly satisfied by the quality of service, the fast and safe delivery of their goods.

"The quality and security of air transportation is better than other modes."

"Service is satisfactory and hassle free."

"Goods are more secure by air and not subject to damage or pilferages as related to other modes of transport."

But there is room for improvement!

7%

VERY UNHAPPY CUSTOMERS ☹

7% of the respondents scored air cargo services from 1 to 4. We categorize them as "very unhappy customers". There are major risks associated to very unhappy customers: reputational and financial ones. In the survey, we gave them the opportunity to explain their dis-satisfaction.

"Air cargo shipments represent less than 0.5% of our shipments, but around 2% of time and effort spent."

According to Pete Blackshaw, an interactive marketing expert, in today's Internet-driven world, satisfied customers tell 3 friends when angry ones tell 3'000. Although that statistic refers to a business-to-consumer environment, it can apply to business-to-business world. Those very unhappy customers can therefore contribute to damage air cargo's reputation, resulting in market shares loss by airlines and increased marketing costs to promote air cargo and gain back new customers.

MULTIMODAL CUSTOMERS ARE LESS SATISFIED

The respondents who are using only air as mode of transport are slightly more satisfied (7.24) than the ones using other modes of transport (7.01).

An IT multinational company which spent $264m on air freight last year, believed other modes of transport were better: "In air freight, I haven't seen much change in 10 years, but surface transportation is really moving forward. We've implemented tools and systems that help us to integrate better, but we don't have that with air – it's disconnected."

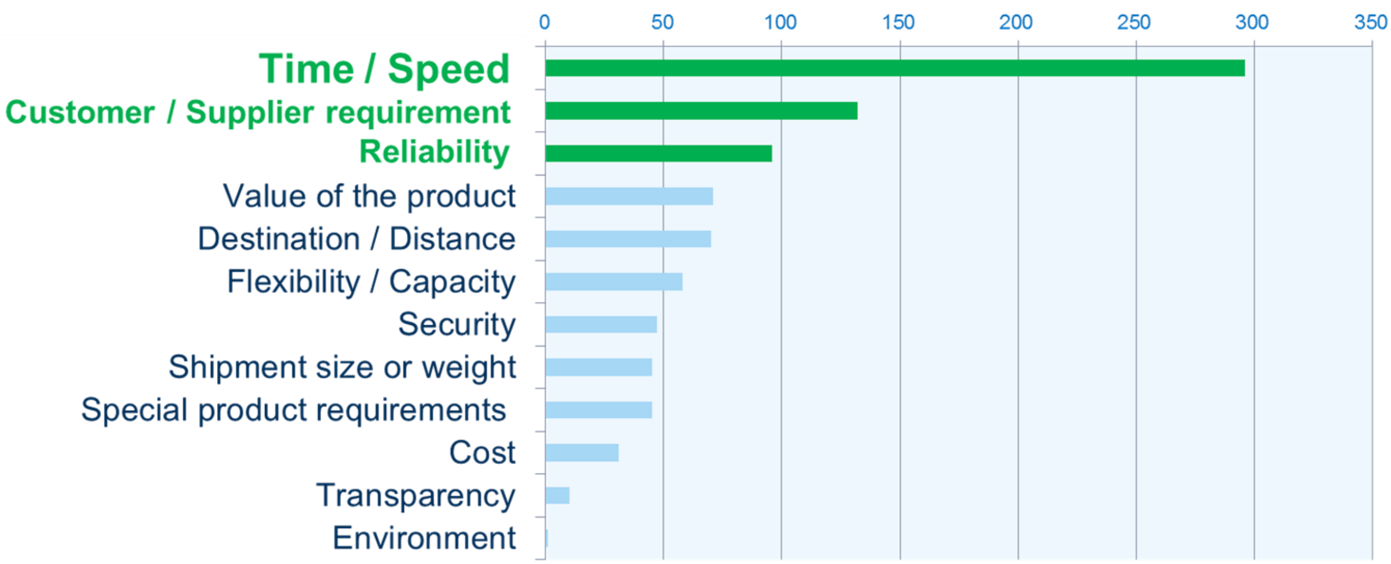
Competition is stronger than ever with other modes offering new products and customers looking at mixing modes to balance costs and speed. It is therefore important for air cargo to protect its strengths and address its weaknesses.

Speed remains the main selling point

To better understand customers, we asked them to give us their top 3 reasons to choose air cargo compared to other modes of transport.

Overall, the advantages of air cargo transportation as seen by shippers are the speed, the on time arrival of goods and the reliability of the transportation by air.

Not surprisingly, speed is the number one selling point. Air cargo is the fastest mode of transport with an average of 6 days for end-to-end transportation from shipper to consignee. However, the other modes of transport are partnering to improve their lead times and compete with air cargo on that front.



What are the 3 main advantages of using air cargo over other modes of transport?

But shippers need more!

Areas which have been highlighted as disadvantageous are the high cost for shipping goods by air, the lack of transparency (for price, process of transport and the responsibility) and the environmental footprint.

We opened our survey questionnaire to free text comments to capture reasons of dis-satisfaction and suggestions for improvement. Their answers were enlightening: air cargo is perceived by its customers as old-fashioned, complex and inefficient. Shippers complained about the poor customer service offered and the lack of real-time information available that overall weakens air cargo's value proposition.

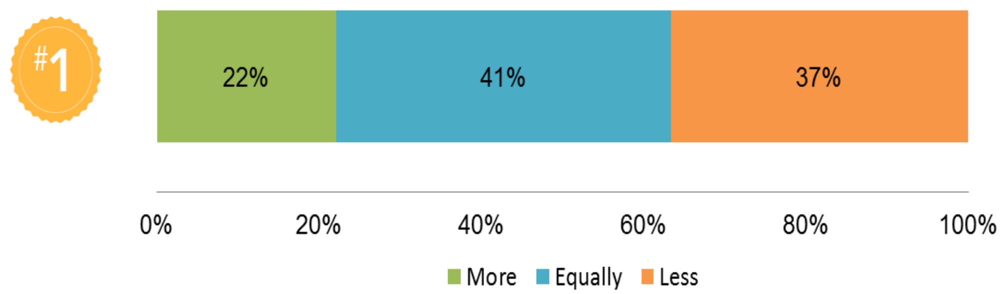
Increased value proposition

Shippers responding to the questionnaire highlighted the need for greater competitiveness for air transportation. They tend to think that air cargo is offering "low value for money": high costs not compensated by high enough customer service and quality. This results in a relatively poor customer satisfaction level. Shippers explained in the survey that they would like to see quality improvements from their air cargo suppliers (reduction of damaged goods and bumped cargo, delays, flight changes, etc.) in order to ensure an increased level of customer service.

"Reduce the costs while being able to provide more reliable service and propose "low-cost" solution for the freight also."

"Long lead times compared to cost"

We also asked multimodal shippers how they perceived air cargo in terms of competitiveness compared to the other modes of transport they are using. 37% of them see air cargo as less competitive than the other modes of transport.



More transparency & visibility

The air cargo industry needs to improve the service offered to shippers through a more transparent environment where prices and more specifically extra charges (security, fuel surcharges) are clearly indicated.

"Show transparency in rates which includes the matrix of the fuel surcharges."

Transparency is not only about prices, but also about quality of service. Shippers highlighted the need to invest in tracking capabilities to get real-time information and accurate data about the transportation process. This is particularly important for time sensitive, vulnerable and valuable goods.

"We need transparency with better tracking and tracing of cargo and shorter communication links."

"Possibility for tracing shipment from exporter to final destination will be ideal and better EDI feed to assist it."

"When something goes wrong, it takes time to get the information."

Shippers believe also that investing in better track & trace capabilities will help air cargo industry to provide them with accurate carbon footprint reports.

Optimized processes

Decreasing transit times and increasing handling performances were raised by respondents of the questionnaire. Shippers expect fewer damaged goods during transportation and handling and a smoother overall end to end process.

"Shorter transit time, less damage of cargo shipments and clear communications will be great."

"Cut delays in transit time."

"Quicker ground handling will be able to shorter lead times. Trucks are waiting too long to unload air cargo or receive cargo after arrival of aircraft. Reduce handling times from freight acceptance to flight departure and from flight arrival to making available for collection."

"Air cargo represents less than 0.5% of our shipments but around 2% of time and effort spent."

"Too much repetitive data entry for necessary documentation."

"It's a pain to pick up and drop off cargo."

Conclusion

"THE AIR CARGO INDUSTRY CANNOT AFFORD TO BE COMPLACENT" – GLYN HUGHES, GLOBAL HEAD OF CARGO AT IATA

The air cargo industry cannot afford to be complacent! Air cargo must transform itself into a lean, adaptive and innovative industry centered on increasingly sophisticated customer demands.

To address the competitive pressures facing air cargo, the industry challenged itself in 2014 to meet an important objective by 2020: seeking to optimize the air cargo supply chain for every commodity type transported by air to provide shippers with greater transparency, reliability and predictability.

With the new Cargo Transformation program, IATA is committed to lead and support the air cargo industry in its transformation process by driving innovation, making changes happen, uniting and inspiring people.