COVID-19 has shifted consumers behavior and brought exponential growth to e-commerce. The end-of-year numbers shows a continued increase, following on from the big sales events in November 2020. It is necessary that we act, as an industry, to prepare for this continued growth, to capitalize and build a more robust air cargo industry. What have we learnt in 2020? And how can we build strategies to meet the increased demand for e-commerce?

Worldwide E-Commerce will reach $5 Trillion in 2021

Worldwide e-commerce retail sales grew 27.6% for the year, for a total of $4.280 trillion.

24% jump in e-commerce transactions in December 2020 compared to 2019

Source: https://www.emarketer.com/; https://www.freightwaves.com
Transform to build a robust air cargo

In order to capitalize on the demand and embrace the opportunity that air cargo has during this pandemic, it is critical that we build a robust air cargo strategy. In order to do this, we must examine the pain points in order to transform the industry.

Understanding services & pricing

Value added service, tailored to client needs

Poor visibility, disconnections in track and trace

5 strategies for air cargo

IATA forecasted that air cargo represented 36% percent of airline revenues in 2020. E-Commerce is the fastest-growing segment within cargo. With that in mind, and the fact that 80% of cross-border e-commerce is transported by air, transforming to capture e-commerce can represent a lifeline for air cargo.

As part of our research, IATA engaged with many e-commerce players to identify how to transform the pain points into opportunities. And depending on the degree to which they wish to enter the market, they could then adopt one or more of the following strategies illustrated below. Read more about the 5 strategies in the latest insights article (pdf)

1. Focus on e-commerce products and services to build market share
2. Digitize to increase speed
3. Build into own system
4. Shift to cargo
5. Compete through responsiveness and Value-Added Services (VAS)

Source: IATA Economics; https://aircargoeye.com/
E-Commerce grows exponentially

The air cargo sector has retained 92% of its business while almost 90% of passenger demand has evaporated because of travel fears and government restrictions.

In the U.S., COVID-19-related shifts in buying behavior translated into an enormous 45.2%. Latin America experienced unprecedented growth during 2020, with e-Commerce growing by 36%. In Europe, overall retail sales received a boost through e-commerce, which grew 25% in 2020 compared to 10% in 2019, and 7% in 2018. China will produce $2.779 trillion in e-commerce sales in 2021 (56.8% of the global total).

Cross-border is key to air cargo growth

COVID-19 has had a major impact on consumer behavior, increasing online purchases, and this change is here to stay. This is the first time that domestic outgrows cross-border. COVID and the lack of air freight capacity reversed the trend of cross-border outgrowing domestic. However, according to McKinsey, cross-border e-commerce will return to outgrow domestic from next year onwards with a predicted 20% shares of air cargo trade volumes by 2022.

Stay connected
Sign up for the quarterly E-Commerce monitor
Read the latest E-Commerce insight papers
iata.org/ecommerce

Source: McKinsey; IPC; Forbes; Freighwaves.com; https://www2.deloitte.com; https://www.bnamericas.com