The COVID-19 crisis has accelerated the expansion of e-Commerce towards new companies, customers, and product types. The pandemic has added diversity in a sector that was already very dynamic, with many different players, big and small, and various business models. How can the airline industry capitalize on the growth of e-Commerce and cater to a very diversified market?

Top-50 e-Commerce players

To know more about the needs and requirements of major e-Commerce players, IATA has identified the top-50 companies. The final objective was to better understand how air cargo can help in developing their logistics model, by aligning to e-Commerce businesses and ultimately offer customer-focused solutions.

For this reason, IATA has analyzed not only their e-shop or marketplace profiles but also their “air cargo potential.” This calculation is based on the gross merchandise value (GMV), geographical coverage, and their remote shipping potential, a subjective and qualitative assessment of the categories shipped and the type of operations.

While e-shops sell their own products online, e-marketplaces serve as a platform to connect buyers and sellers. E-shops are usually in control of their supply chain, occasionally outsourcing parts of it. On the other hand, e-marketplaces outsource most of their transportation, allowing them to grow and/or scale-up.
The four e-commerce logistic models

<table>
<thead>
<tr>
<th>Model</th>
<th>Description</th>
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<tbody>
<tr>
<td>Owned and fully dedicated air transport capabilities</td>
<td>Firms reduce their dependence on 3rd party carriers, limiting risks and increasing margins.</td>
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<tr>
<td>Air freight shippers</td>
<td>These companies move the goods to fulfillment centers in freight format and perform local ground distribution in the destination country (owned or outsourced).</td>
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<tr>
<td>Hybrid model</td>
<td>There is a mixed-use of internal and external capabilities to move freight to fulfillment centers and also shipping of single parcels to consumers via air cargo.</td>
</tr>
<tr>
<td>Air parcel shippers</td>
<td>Firms rely on standard Courier-Express-Parcel &amp; airmail. It is common for marketplaces due to their high dispatch fragmentation, as they are frequently used for individual orders.</td>
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expONENTIALLY BY BUILDING SELLERS’ NETWORKS. TWO LARGE COMPANIES ARE AN EXCEPTION TO THIS RULE: AMAZON AND JD.COM. BOTH ARE PURE MARKETPLACES WHICH CONTROL THEIR OWN LOGISTICS.

**Four logistics models**

Through our research on the top-50 online retailers, we could develop a matrix and identify four unique e-commerce logistic models. These models are distinguishable by variations in the level of owned versus outsourced capability and whether they ship single parcels or freight.

However, the e-commerce landscape is changing rapidly. E-Tailers everywhere are continuously assessing their level of control over their logistics operations. The efforts to counter the effects of the pandemic are bringing in new trends into e-commerce logistics.

The focus on building more resilient supply chains is making many companies consider re-localizing or multi-sourcing their productions. The number of e-commerce fulfillment centers is expected to increase to bring goods closer to the consumer.

These and other similar trends may negatively impact airlines by reducing the demand for high-speed air cargo offerings.

**Adapting to e-commerce needs**

For airlines, transforming to capture e-commerce volumes can represent a lifeline in an otherwise dire situation for air transport. IATA forecasts that air cargo will represent 36% percent of airline revenues in 2020. E-Commerce is the fastest-growing segment for air transport. IATA forecasts that e-commerce volumes can represent 20% of all airline traffic by 2024.

AIR CARGO CARRIERS WILL BENEFIT HEAVILY FROM TECHNOLOGICAL ADVANCEMENTS AND DATA INTEGRATION TO UNIFY, SMOOTHEN, AND ACCELERATE THEIR SERVICES FOR E-COMMERCE. CREATING NEW STRATEGIES TO BECOME MORE AGILE AND EMBRACING TRANSFORMATION TRENDS WILL ALLOW THE INDUSTRY TO BUILD A RESILIENT SUPPLY CHAIN WITH TAILORED SOLUTIONS FOR THIS CRITICAL SEGMENT.

Learn how IATA helps the air cargo industry to capitalize on the growth of e-commerce on www.iata.org/ecommerce

Subscribe to the IATA e-Commerce Monitor at cargo@iata.org

e-commerce companies by model

**e-Commerce Insights**

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