The e-Commerce Impact on Air Cargo Operations

Challenges and Opportunities for Logistics

e-Commerce has revolutionized the way we do logistics. In 2015, online retailing giants began asking for same-day domestic delivery and 72 hours for international shipping, and operating models had to evolve to speed up transportation. As no ship, train, truck or horse is faster than a plane, air cargo was naturally suited for this logistic challenge: IATA estimates that, in December 2019, e-commerce represented up to 15% of air cargo volumes. This number is continuously growing, and the trend has accelerated during and after the COVID-19 pandemic. According to McKinsey, in Q2 2020, e-commerce achieved the growth previously forecasted for the next ten years.

However, shipping e-commerce does require not only speed but also transparency, reliability, and consistency, creating a competitive supply chain. While air cargo welcomes these new volumes, the industry must consider the challenges they bring. Innovation, collaboration, and data-sharing are a must to deliver on online retailer’s expectations.

Is the air cargo industry ready?
The top ten largest e-commerce players outsource part of their operations. They do it because the knowledge of a third party enables them to benefit from their vast experience of implementing and running best-in-class operations. Logistics providers bring efficiency by using technologies such as robotics, automation, and software solutions to optimize their entire supply chain. They also enable online retailers to ship anywhere on the planet by leveraging facilities worldwide in economies of scale.

However, today we see some e-commerce giants are moving to integrate their logistics operations vertically to gain more control over their distribution. As the requirements of these stakeholders become increasingly complex, traditional air cargo models risk losing part of the market if they don’t address long-known issues. One of the main challenges is the lagging implementation of digital communications, creating a lack of visibility and transparency. Another factor slowing the supply chain is the lack of adherence to handling standards by some parties, leading to inefficiencies, congested facilities and irreversible mistakes. The insufficient investment in new technologies and lack of adoption of industry standards contribute to perpetuating these issues and hinder speeding up processes.

Compliance with customs regulations also contributes in slowing down operations. Customs controls for e-commerce products can vary from one country to the next, and navigating the regulations can be challenging. IATA and Cargo iQ demonstrated that, on average, it takes 2.1 days to clear customs globally.

Adapting to shippers and society
More than ever, innovation is critical for the air cargo industry. e-Commerce hasn’t only changed the way we do logistics, but also changed consumer expectations. Young shoppers drive online businesses and marketplaces, and they will compare services and change their provider in a click if they are not satisfied. The entire supply chain needs to transform to fit into this new behavior.

But consumer expectations today go further than getting their e-commerce products swiftly and transparently. Society has become more environment-conscious and many perceive e-Commerce as a source of CO² emissions and waste. Some companies have started to adapt by ensuring a green logistics supply chain. The COVID-19 pandemic hasn’t changed this trend: sustainability is expected to stay high in the list of concerns.

Only in a collective effort, transforming the supply chain by focusing on the customer, we will ensure efficiency in our daily operations. The air cargo industry needs to embrace the current and future needs of our e-commerce partners. By adopting new technologies and adhere to operational standards, we will be able to provide what our customers require in an agile and scalable way.

Accelerating digitalization is critical if the air cargo supply chain wants to capture online retail volumes and drive efficiency and sustainability in operations.