Cargo Transformation Track

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PayCargo®
Welcome Address

Celine Hourcade
Head, Cargo Transformation, IATA
The Case for Change

Marcel de Nooijer
EVP Air France KLM Cargo & Managing Director
Martinair
THE CASE FOR CHANGE

MODERNIZING CARGO DISTRIBUTION

Marcel de Nooijer  13 March 2019
FROM RESTRUCTURING TO NEW BUSINESS DEVELOPMENT AND INNOVATION
IS THE AIR CARGO INDUSTRY READY FOR CHANGE?
myCARGO: OUR ONE STOP SHOP FOR FREIGHT FORWARDERS
myCARGO ADOPTION

**User accounts**
- **26,670** User accounts
  - myCargo
  - Jan 2019

**Website visits**
- **660K** Website visits
  - Jan 2019

**Logins**
- **190K** myCargo logins
  - Jan 2019

**Track & Trace visits**
- **374K** Track & Trace visits
  - Jan 2019

**AWBs directly booked online (Jan 2019)**
- **30.4%**

**Share of Direct Online bookings**
- Air France / KLM

**SO FAR THE INVESTMENTS ARE PAYING OFF**
BE WHERE THE CUSTOMER IS EASY TO DO BUSINESS WITH
DYNAMIC TRANSACTIONS IN AN INTERACTIVE WAY
STANDARDIZATION IS KEY
STAND UNITED
The Digital Cargo Distribution Landscape

Samuel Demont
Director Digital Practice, Argon Consulting
## Digital actors and how they change the rules

<table>
<thead>
<tr>
<th>Carriers</th>
<th>Freight Forwarders platforms</th>
<th>Marketplaces</th>
<th>Digital Services</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>myCargo</td>
<td>KUEHNE+NAGEL</td>
<td>FLEXPORT</td>
<td>FREIGHTOS Smooth shipping</td>
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<td>upply</td>
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<tr>
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<td>PANALPINA on 6 continents</td>
<td>iContainers</td>
<td>simpliship</td>
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<td>Freight Forwarders platforms</td>
<td>Digital Forwarders</td>
<td>OVRSEA</td>
<td>FF to carriers</td>
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<td>Cargobase, Fleet</td>
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For long, industry has been segmented and rather not transparent nor efficient
Digital Freight forwarders

Offer Freight Forwarding Services to Shippers. They are «technology first» companies, who bet on a highly digitalized customer experience. They streamline processes for shippers.

Client = Shipper

- Legacy Freight Forwarder Business Model
- **Integrate services and invest in their own assets**
- Enter market on **spot demands** and focus on **industry verticals** and **general cargo**
- Differentiators
  - Customer experience
  - Online, mobile
  - **Competitive services to small shippers**

*ID Card*

*Valuation*

FLEXPORT

OVRESEA

$3.2 billion

Monthly Growth 30% to 50%
Offer **Freight Marketplace to Shippers**. They compare offers from multiple providers: integrators, freight forwarders and carriers. They start with **comparing best market offers** and encapsulate step-by-step the **whole shipping process**.

**Client = Shipper**

- Digital marketplace business model
- Rely on industry **digitalization** (rates, API...)
- Focus on small shippers and spot, growing to larger shippers
- Platforms address **both sea and air-freight** with often a **first focus on sea**

---

**ID Card**

**Total Funding $92.7 million**
Offer **carrier Marketplace to Freight Forwarders**. They integrates routes, rates and booking capabilities in a **one-stop-shop** for Freight Forwarders.

**Client = Airlines and Freight Forwarders**

- Developing new business models
  - Fees for airlines
  - Commissions for airlines
  - Subscription for Freight Forwarders
- Rely on carrier digitalization (API)
- Key steps to be digitalized: **Routes, price benchmark, booking, booking updates**
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The rules are changing
- Industry is becoming more client-centric through digitalization

Freight-Forwarders & Carriers have understood the urge
- Heavy legacy IS
- Invest in visibility, online portals and efficiency
- Innovation is a differentiator
The rules are changing
- Spot rates for everyone! Really?

*Shipper’s voice*
What is your n°1 priority with regards to prices?

- 75% Competitive rates
- 25% Stable rates

Source: Argon’s client database

- Several new entrants bet on a massive shift to spot rates
  - Dynamic prices reinforce the value proposition of platforms
  VS ...
  - Most shippers expect stable prices for planning & budgeting purposes

- Probable increase in ratio of Carrier’s spot rates to contract rates
- Not obvious that shippers will be willing to move also to dynamic prices
The rules are changing
- Real time communication for more transparency

Most actors are developing APIs

- **Different mindset** than traditional EDI messages
- **New entrants** are betting on an APIs-ed landscape
- Brings more **data quality**
- **Mature** concept and technologies

“API : In general terms, it is a set of clearly defined methods of communication among various components”
The rules are changing
- What is the future of Freight-Forwarders?

New rules...

- Shippers are more hands-on and have more insights
- Technology can “do” some of the work

... unsettling industry giants

- Freight Forwarding is one of the very first “Platform Business”
- They already know and are good in this business
- New business models’ successes are yet to be proven
Cargo Digital Distribution
- Summary

3 new types of actors

- Digital Freight Forwarders
- Shippers to Freight-Forwarders Marketplaces
- Freight-Forwarders to carriers Marketplaces

Key insights

- Industry becomes more customer centric
- New actors are betting on an evolution of habits in rates
- All actors need to invest on transparency and connectivity
- The role of the freight forwarders is being redefined
From Rates to Booking: Can We Still Rely on the Phone as the Primary Means of Business Interaction?

Moderator:
• Frederic Chapelle, Partner, PwC

Panelists:
• Manel Galindo, CEO, Freightos WebCargo
• Robert Kunen, Vice President Customer Service, Air France, KLM and Martinair Cargo
• Klaas Kurz, Carrier Integration Manager, Schenker AG
• Niranjan Navaratnarajah, Director Global Commercial / Industries Logistics Solutions, Unisys
• Fredrik Wildtgrube, Head of Global Sales, Finnair Cargo
What About Payment Modernization?

Adriaan Reinders
CEO Europe, PayCargo

Celine Hourcade
Head, Cargo Transformation, IATA
Settlement modernization in Air Cargo

Adriaan Reinders
CEO
PayCargo International
Why PayCargo?

“PayCargo is the next step in digital invoicing between Forwarders and Handlers.”

“PayCargo is boosting efficiency at Forwarders side by connecting charged amounts directly to operational files.”

“PayCargo is able to create ‘one’ invoice containing all activities of ‘all’ Handlers (members) at a single Airport.”

“PayCargo is creating better DSO at Handler side without disputes obstructing complete invoices being paid.”

“PayCargo is finally removing the existing “manual” invoicing system between parties. Something which we should have done years ago.”

“PayCargo creates the environment for disputes to be solved with fixed timelines for the members, avoiding lengthy dispute cases.”

Jeroen Giling
Director Cargo
Swissport Cargo Services
The Netherlands B.V.
About PayCargo

We are an innovative electronic settlement solution which allows importers, freight forwarders and agents to simply pay all cargo related transactions.

We provide unique electronic tools automating the settlement process thus reducing inefficiencies and costs on both sides.
Some of our major Payers and Vendors

- Air France / KLM / Martinair Cargo
- Lufthansa
- Kuehne + Nagel
- Swissport
- WFS
- DHL
- Cathay Pacific Cargo
- UPS
- DB Schenker
- Nippon Express
- dnata
- LATAM Cargo
PayCargo Overview

- Patented B2B online settlement platform powered by PayCargo and built by First Data Corporation. Serving the Cargo Industry since 2008.
- **2,500 Vendors** registered including Air France, Air Canada, LATAM, Avianca, Nippon Cargo Airlines, Swissport and major steamship lines like Maersk Lines, CMA-CGM, COSCO, Hapag Lloyd, Evergreen and others.
- **11,800 Payers** registered with 22,250 users, including the top 10 in the world; Kuehne + Nagel, DHL, UPS, FedEX, XPO Logistics, Nippon Express etc.
- Fully integrated with **14 Logistic Software Providers** and **5 major import Shipper’s Associations**.
- Processed over **$2 B in Payments in 2018**.
The PayCargo Solution
Synergy-powered system integrations

- Input Vendor Invoice data
- Payer Invoice Notification and data import
- Invoice Cross-Reference and Matching
- Per-item Dispute Resolution
- Seamless Payment
- Reconciliation Report
For the Vendor to provide Invoice information of all the cargo in transit, PayCargo offers a variety of integration capabilities for the data import of standardized freight documents:

- Feeding PayCargo with invoice data from Major ERPs and cargo management systems (SAP, Cargospot, etc.).
- Supporting the most common formats (XML, EDI, CSV, etc.) (*).
- Using **PayCargo API** for seamless invoice data capture.
- Generating invoice data using a minimum of six simple fields.
- Uploading transaction related attachments.

(*) Other delivery and format options are available upon request.
PayCargo to feed Payer’s ERP systems with Vendor Invoicing information upon arrival.

- Notifying Payer when a new invoice is available for payment.
- Providing Payer with invoicing data for seamless import.
- Supporting the most common formats (*XML, EDI, CSV, etc.*) (*)..

(*) Other delivery and format options are available upon request.
Internally data to be cross-referenced and matched by comparing charged amounts directly to Payer’s operational files.

(*) Other delivery and format options are available upon request.
**1 Exception to approval workflow:** Payer runs invoice matching/price checking and finds a discrepancy in an invoice item.

**2 Dispute Notification:** In case a dispute is found, Payer logs into the PayCargo System and provides with dispute details like category, reason, amount and any other information required to facilitate item identification. PayCargo then immediately send an email alert to the Vendor Representative in charge of the Payer account disputing the charge together with all related transaction details for faster resolution. Each disputed transaction is handled separately, allowing the Payer to pay for those items correctly charged from the same invoice.

**3 Dispute Process:** A direct link from dispute alert is provided for the Vendor Officer to log into PayCargo and, after internal review, reply to Payer by detailing the item charges, updating transaction amount, cancelling or issuing a credit note. PayCargo keeps track of the back and forth messages and sends status reports of existing and previous disputes for top management control and statistics.

**4 Dispute Resolution:** Once the amount to pay is agreed, Payer approves payment for the resolved item through PayCargo (Browser based/API)
• Using either PayCargo Web based interface or **PayCargo API** for seamless invoice payment.

• Notifying the Vendor about the payment immediately upon Approval.

• Delivering payment notifications from a regular e-mail to a more elaborate alerting process.

(*) Other delivery and format options are available upon request.
PayCargo triggers a daily **Settlement Reconciliation Report** with remittance information containing all payments made by all customers to allow the Vendor to reconcile within their accounting systems.

- Reporting customization options are based on Vendor request.
- Supporting most common formats (**MsExcel, CSV, txt, pdf, etc**).
- Delivery options: e-mail, SFTP, iiNett. (*)

(*) Other delivery and format options are available upon request.

<table>
<thead>
<tr>
<th>TRANSACTION NUMBER</th>
<th>CATEGORY</th>
<th>PAYER</th>
<th>VENDOR</th>
<th>AMOUNT</th>
<th>DIRECTION</th>
<th>NACHA_DATE</th>
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<td>Invoice</td>
<td>Charles Bruna (Payer Demo)</td>
<td>ABC Shipping (Vendor Demo)</td>
<td>€2500.00 IN</td>
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<td>Air General - DFW (Dallas) - Lufthansa</td>
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Platform features

- Company control over Branches or Stations.
- User level Permissions: Inputter, Reviewer, or Approver
- Payments Limits per Station or by User.
- Easy Online Registration and Onboarding Process
- Browser based, or seamless integrated solution.
- Multiple Upload options for Electronic Invoice data.
- Cross-Reference and matching process capabilities.
- Several Data Download formats and customized reports for remittance information.
PayCargo Benefits
Vendor Benefits

• Reduction in collection administrative costs by 50%.
• Significant reduction of DSO (Days Sales outstanding) by 50%.
• Integration with one System connected to all of your customers.
• Single statement each morning detailing the funds deposited in your bank account by all of your customers.
Payer Benefits

• Reducing labor costs through automation of matching process and payment approvals.

• Reduction on error-prone manual input invoicing information and duplicate payments prevention.

• Improves visibility of cash flow forecasts and avoid non-collection from customers of unknown charges billed.

• Ability to pay all Vendors in one single place.

• Constant matching of the cost per file within the freight forwarding system.
Conclusion

If we as an industry, do not adapt simplified and efficient standardized data processing systems such as PayCargo, we will be dictated to by our customers which systems to use.

The strength of using one platform for payment and settlement is that we create one solid backbone for our future development.
Thank you!

Adriaan Reinders
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PayCargo International
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Networking Break
15:30 to 16:15 in Roselle Simpor Ballroom
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PayCargo®
The Legacy, the Digital and the Virtual: the Evolving Freight Forwarding Market

Cathy Morrow Roberson
Founder and Head Analyst
Logistics Trends & Insights LLC
The Legacy, the Digital and the Virtual: the Evolving Freight Forwarding Market

Cathy Morrow Roberson, Founder & Head Analyst
Logistics Trends & Insights LLC

A boutique market research firm that specializes in global supply chains. Our approach is to provide a third-party unbiased solution to supply chain providers as well as to shippers. Whether the solution is a market report, a customized white paper, competitive analysis, due diligence for an IPO or m&a, strategy development or a specialized consulting project.
The Evolving Freight Forwarder

Global trade under threat
- Politics
- Economics
- Regionalization

Technology
- Improving efficiencies
- Aiding regionalization
- Playing a role in competition

Competition
- Amazon, Alibaba, JD.com etc.
- Tech startups
- “Traditional” forwarders

Services
- Multimodal
- Industry-specific solutions
- Emerging (i.e. 3D printing)
What is a Freight Forwarder?

- A firm specializing in arranging and shipping of merchandise on behalf of shipping
- A facilitator, value-adder and a consultant
- Other

66%  26%  8%
The Value of a Forwarder

• Low Rates
• Trade Expertise
• Ease & Timeliness in Booking Freight
• Other – “Peace of mind that somehow the forwarder or NVOCC can take care of every issue door to door at all times”

22% 18% 28%
Technology’s Role

How Important is Digitization to a Forwarder’s Strategy?

100% Important

Are Marketplaces an Opportunity or Threat to Forwarders?

40% An Opportunity
The Opportunities

- Horizontally - E-commerce
- Vertically - High Tech
- Geographically - North America & APAC
The Threats

- Shipper Insourcing
- Other – Competition, Economic Downturn
- Autonomous & Blockchain Technologies

54%  14%  12%
Are Freight Forwarders Relevant?

74%  20%  6%
Thank You!

Cathy Morrow Roberson
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404-683-7954
www.LogisticsTI.com
Modernizing Air Cargo Distribution: What Are the Next Steps in Standardization?

Moderator:
• Henk Mulder, Head of Digital Cargo & Secretary of the Cargo Operations & Technology Board, IATA

Panelists:
• Moritz Claussen, Founder & Managing Director, Cargo.one
• Boris Hueske, Head of Digital Transformation, Lufthansa Cargo
• Jan Kleine-Lasthues, Global Head of Airfreight, Hellmann
• Adriaan Reinders, CEO Europe, PayCargo
Closing Remarks

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