13th WORLD CARGO SYMPOSIUM

MARINA BAY SANDS – SINGAPORE
12 – 14 March 2019
E-Commerce & Logistics

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Schiphol

Shaping Europe's smartest cargo hub at Amsterdam Airport
Thank you!

Last Night’s Gala Dinner Kindly Sponsored by:

SINGAPORE AIRLINES
Welcome Address and Opening Remarks

Jörgen Van Mook
Head of Network Management & Innovation
International Post Corporation (IPC)
E-commerce growth

Note: includes physical products ordered online via any device, regardless of method of fulfilment, excludes travel, tickets, services
Source: Euromonitor International, IPC analysis

Cross-border
Domestic
E-commerce continues to grow globally

Evolution online retail sales – 2018 vs 2017

+10%
+16%
+17%
+19%
+24%

Source: Euromonitor International; data for internet retailing in Brazil, China, Russia, the UK and the US
E-retail market value and share of total retail

**RUSSIA**
- E-retail mkt value: €16bn
- E-retail/retail: 5%

**CHINA**
- E-retail mkt value: €495bn
- E-retail/retail: 23.7%

**SOUTH KOREA**
- E-retail mkt value: €60bn
- E-retail/retail: 24%

**GERMANY**
- E-retail mkt value: €56bn
- E-retail/retail: 11%

**UNITED STATES**
- E-retail mkt value: €374bn
- E-retail/retail: 17%

**UNITED KINGDOM**
- E-retail mkt value: €73bn
- E-retail/retail: 17%

**BRAZIL**
- E-retail mkt value: €15bn
- E-retail/retail: 7%
Shopper trends
IPC Cross-border e-commerce shopper survey

2016:
- 24,331 Respondents from 26 countries

2017:
- 28,892 Respondents from 31 countries

2018:
- 33,589 Respondents from 41 countries
Key insights in e-shoppers’ behaviour

- 38% of parcels purchased from China
  - USA (15%), UK (10%), and Germany (9%)

- 71% of parcels are delivered by the post

- 62% of e-shoppers had free delivery

- 84% of parcels are up to 2kg (4.4lb)

- 40% of parcels contain goods valued less than €25

- 40% of returned cross-border parcels contained goods valued less than €25

- 8% of e-shoppers returned their cross-border parcels

- 32% of e-shoppers choose faster delivery as the most important improvement

- 62% of e-shoppers have free delivery

- 71% of parcels are delivered by post

- 20% of e-shoppers shop once a week
  - 24% once every 2 weeks
  - 31% once a month
  - 15% around 2-3 times a quarter
  - 10% once every 3 months

- 38% of parcels purchased from China are valued at €38 or less

- 8% of parcels are purchased from China
Device preference

Smartphone use has doubled over the past three years

Question: Considering your online shopping experiences of the past 12 months, how often has parcel tracking been offered to you?
Sample: 33,588 (all respondents)

Source: IPC Cross-border e-commerce shopper survey 2018
Seller country

China remains most popular and increases year-on-year

- China: 38%
- United States: 15%
- United Kingdom: 10%
- Germany: 9%
- Japan: 3%
- Hong Kong: 3%
- France: 2%
- Australia: 2%
- Other: 18%

Cross-border internet sales from China increased by 10% between 2016 and 2018.
Seller website

AMAZON, EBAY, ALIBABA / ALIEXPRESS AND WISH ACCOUNT FOR 64% OF CROSS-BORDER E-COMMERCE
Single Piece cross border delivery

E-seller

click

Forwarder
Integrator
Post

Country A

Customer

Post
Integrator
Parcel service

Country B
Local warehouse delivery

E-seller

Country A

Warehouse

click

Warehouse

Country B

Customer

Post Integrator Parcel service
E-Commerce Growth and Global Projection

Dr. Ludwig Hausmann
Partner
McKinsey & Company
E-commerce and air cargo: a match made in heaven?

IATA, 13th World Cargo Symposium

Dr. Ludwig Hausmann, Partner
Singapore | March 2019
E-commerce continues to grow

Cross-border e-commerce is even more successful

De-mystifying the potential of cross-border e-commerce

Cross-border e-commerce needs air cargo

Cross-border e-commerce needs fast, affordable delivery services
The story of e-commerce growth continues... and not just for Amazon and Alibaba
e-commerce growth rate per year over the last 15 years

>20%

potential share of e-commerce in total retail sales

15-20%

In the next 5-10 years:

10-15%

expected e-commerce growth rates
While marketplaces are the biggest segment, growth is strong (and partly stronger) for other players, too.

<table>
<thead>
<tr>
<th>Customer segment</th>
<th>Market share Percent, 2017</th>
<th>CAGR 2014-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure online Marketplaces</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Super Giants (&gt; $10bn GMV)</td>
<td>41</td>
<td>33%</td>
</tr>
<tr>
<td>Giants (&gt; $10bn GMV)</td>
<td>9</td>
<td>16%</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>47%</td>
</tr>
<tr>
<td>eTailer</td>
<td>12</td>
<td>21%</td>
</tr>
<tr>
<td>Omni-channel Multi-channel retailer</td>
<td>28</td>
<td>12%</td>
</tr>
<tr>
<td>Brands</td>
<td>6</td>
<td>13%</td>
</tr>
</tbody>
</table>
Marketplace giants have been outgrowing the market...

...but will unlikely reach more than half of the global market share
Social commerce is increasingly popular where marketplaces do not have a stronghold.

Social media purchases
Percent of responders, 2018

18% purchased via social media

Instagram followers by e-commerce player
Millions, 2018

81.9

×4-50

1.5

Nike
Amazon
Cross-border e-commerce has an even more impressive success story.
Cross-border e-commerce is expected to expand at 25% annual growth rate in coming 5 years.
### Why are consumers choosing to buy from non-domestic websites?

Number of customers (out of 10) citing respective reason for shopping cross-border

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Customers</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product availability</td>
<td>☺☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻</td>
<td>The only way of getting this rugby gear to Australia is to ship it in from the UK</td>
</tr>
<tr>
<td>Lower price</td>
<td>☺☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻</td>
<td>Buying this camera gear straight from Japan saved me EUR 250</td>
</tr>
<tr>
<td>Greater selection</td>
<td>☺☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻</td>
<td>The only way to get the full lineup of my favorite cosmetics brand is to buy it directly from the US</td>
</tr>
<tr>
<td>Product quality</td>
<td>☺☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻☻</td>
<td>By buying this handbag straight from Italy, I could be sure I get the best product quality</td>
</tr>
</tbody>
</table>
Brands are “rising stars” – they expect even higher cross-border growth than other sellers.
of the cross-border e-commerce market ~50%
AliExpress is already the clear winner in Russia
Amazon is active in cross-border e-commerce mainly through their marketplace sellers.
Cross-border sourcing of bulk volume is different from “cross-border B2C e-commerce”

<table>
<thead>
<tr>
<th>Cross-border sourcing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods are shipped in bulk to warehouse in country of destination (B2C or B2B e-tailer)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Origin</th>
<th>Country of destination (e.g., Germany)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warehouse/fulfillment</td>
<td></td>
</tr>
<tr>
<td>Outbound logistics to consumer</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Reverse logistics</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inbound logistics from manufacturer</th>
<th>Internal stock replenishment</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Cross-border e-commerce</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single goods from warehouse directly to end customer (incl. customized goods)</td>
<td></td>
</tr>
</tbody>
</table>

Origin:
- Country of origin (e.g., China)

Country of destination (e.g., Germany):
- Country of destination (e.g., Germany)

- Line-haul

- Amazon

- AliExpress
How big of a market is cross-border e-commerce and will its growth be sustainable?
~5 bn shipments annually

Top 5 trade lanes

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of total trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Europe (incl. Russia, Turkey)</td>
<td>12%</td>
</tr>
<tr>
<td>North America (incl. Mexico)</td>
<td>4%</td>
</tr>
<tr>
<td>APAC (incl. India)</td>
<td>21%</td>
</tr>
</tbody>
</table>

>60% of all cross-border e-commerce shipments are inter-continental
Different product categories will move online and cross-border in the future.
Air cargo is the critical part in the cross-border e-commerce story.
~80% of cross-border B2C shipments are sent via air, most of them channeled through postal companies.

Cross-border B2C shipment volume, 2017

<table>
<thead>
<tr>
<th>Mode</th>
<th>Volume</th>
<th>Future growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>~5 bn</td>
<td></td>
</tr>
<tr>
<td>Non-air</td>
<td></td>
<td>~15-20%</td>
</tr>
<tr>
<td>Air</td>
<td></td>
<td>~5%</td>
</tr>
<tr>
<td>Express air (via Integrators)</td>
<td>~70%</td>
<td></td>
</tr>
<tr>
<td>Postals (via Airlines)</td>
<td>~10%</td>
<td></td>
</tr>
<tr>
<td>Others via airlines (CEPs, Forwarders, Airlines through own channels)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Future growth
For air cargo, e-commerce accounts for ~10% of total air cargo volumes and the share will be growing.
Cross-border e-commerce is in need for faster, yet affordable delivery products – an opportunity for air cargo
Slow international postal shipment clashes with the expectation of consumers today and even more tomorrow.

<table>
<thead>
<tr>
<th>Delivery Time</th>
<th>Share of Cross-Border B2C Shipment (%)</th>
<th>Shippers who perceive delivery as acceptable or fast (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same day</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Next day</td>
<td>3</td>
<td>99</td>
</tr>
<tr>
<td>2-3 days</td>
<td>13</td>
<td>90</td>
</tr>
<tr>
<td>4-5 days</td>
<td>17</td>
<td>70</td>
</tr>
<tr>
<td>6-7 days</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>8+ days</td>
<td>52</td>
<td>&gt;10</td>
</tr>
</tbody>
</table>

“New normal” following Alibaba’s 72h click to door promise.
Competitors have entered the market between express and postal cross-border products.
To make 72h delivery promise a reality, air cargo carriers and their partners need to address the pain points of e-commerce shippers.
Cargo airlines are entering the cross-border e-commerce market, capitalizing on its growth.

**Singapore Airlines Cargo**
Assembled E-commerce team to grow partnerships, design customized solutions and shorten shipment times.

**Zenda IAG Cargo**
Launched a door-to-door cross-border E-commerce platform for US to UK deliveries in 4-7 days with direct booking, fully landed cost at checkout and E2E visibility.

**Lufthansa Cargo**
Announced launch of cross-border e-commerce fulfillment service at the end of 2018; Entered into a joint freight operation agreement with China Post.
E-commerce and air cargo: a match made in heaven?

It’s in the hands of cargo airlines: strike while the iron is hot, or maintain the status quo.
E-Commerce Growth and Global Projection

Dr. Ludwig Hausmann
Partner
McKinsey & Company
Transformation in Operations Serving e-Commerce

Brendan Sullivan
Head of e-Commerce and Cargo Operations, IATA

Olivier Bijaoui
Chairman of IAS Board, International Airport Services (IAS)
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IATA Shipper & e-Commerce Survey 2019

In 2018, did you use air cargo more, equally or less than 2017?
Answered: 189   Skipped: 226

For 2019, do you foresee you will be using air cargo more, equally or less than 2018?
Answered: 189   Skipped: 226

New Business  New Traffic  More orders  Increase in parcels and EMS volumes
IATA Shipper & e-Commerce Survey 2019

How do you see e-commerce transforming or impacting your supply chain?

Answered: 194   Skipped: 221

- No impact
- Low impact
- Medium impact
- High impact

72%
What are the main 3 services you don't get today but you think the air cargo providers should offer in the short term?

- Interactive Cargo Tracking & Tracing
- Instant Notification
- Speedy customs Visibility of logistics providers & Milestones
- Speedy deliveries
Transformation in Operations
Serving e-Commerce

Brendan Sullivan
Head of e-Commerce and Cargo Operations, IATA

Olivier Bijaoui
Chairman of IAS Board, International Airport Services (IAS)
Networking Break
10:30 to 11:15 in Roselle Simpor Ballroom
Kindly Sponsored by:

France Cargo Handling
The Role of Communities for e-Commerce

Moderator:
• Bart Pouwels, Head of Cargo, Schiphol Cargo

Panelists:
• Christian Bergfelder, Director Network Airside Europe, DHL
• Pashupati N. Pandey, Senior Technical Office, WCO
• Khoo Seng Thiam, Senior Vice President Projects & Cargo Services, SATS
Creating air cargo communities to increase value for stakeholders
Communities, e-commerce and data sharing

“Global e-commerce is growing at 20% on average per year. With the emergence of many new players and consumers, including developing countries, there’s still a lot of room for growth.” — Brendan Sullivan, head of e-commerce and cargo operations at IATA.
Keeping up with new business models

Are airports ready?

CHALLENGES

Changing supply chains
Can we make air cargo smarter, faster and more sustainable?

**Source:** IATA Cargo Strategy, February 2018
Keywords

- Reliability
- Information
- Transparency
- Digitalization
- Predictability
- Accessibility
Technology and the supply chain

- **Need for collaboration in the chain**
  - Supply chain is fragmented
  - Individual initiatives lack support and acceptance

- **Digitalization of the chain**
  - Need for international agreements
  - Monitoring & enforcing

- **Better usage of information**
  - What is coming & when?
  - Improve connectivity
How to digitalize?
Work with standards

Information flow is lagging behind the transportation flow
From supply chain to supply community
Community App
Thank you
The Role of Communities for e-Commerce

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Innovation Serving e-Commerce

Xiong Wei

Chief of Staff,
Head of Strategy & Business Development
Cainiao
Closing Remarks

Jörgen Van Mook
Head of Network Management & Innovation
International Post Corporation (IPC)
E-Commerce & Logistics

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Shaping Europe's smartest cargo hub at Amsterdam Airport