

Air cargo and its connections

Welcome to the first edition of Town Hall. Through this newsletter, you will glimpse into Cargo Flash's Town Hall meetings and familiarize yourself with all the important points discussed. This edition covers the highlights from our 4th December 2020 meeting where we discussed about air cargo and its connections.



Air cargo and high costs

What makes the fastest mode of transportation so expensive? The fact that it is the fastest mode of transportation. Airplanes cost anywhere between 200 and 300 million dollars. Above that, equipment selection adds approximately 100 million dollars more, depending upon the size. Thousands of kilometers long distances across the globe mean more fuel usage. And then come operating costs and maintenance. All of them together make air cargo expensive, along with the fastest, of course.

Air trade on global scale

In 2020, the air freight volume raised almost 54.2 million tonnes, a little shy of 61.3 million of 2019 figure. This 10% YOY drop is highest in recent years, resulted from the global pandemic. Certain industry analysts believe that in 2021 air trade will go back to its previous year's figure, i.e. 61.3 million. Yet, despite the challenges, air freight globally generated revenue in the range of 150.7 billion dollars. Of which, 87% business came from international and 13% from domestic air freight market.

Qualities of a successful air cargo forwarder

The ability to put the shipper at ease is the foremost quality of an air cargo forwarder. Finding the right carrier at the right price and offering a seamless end-to-end job is what adds value to the whole air cargo process. A successful freight forwarder offers more to its clients like pickup, global transportation, brokerage at origin and destination, last mile transportation and much more. Add safety and most competitive pricing to the list and you have all the ingredients to become a successful air cargo forwarder.

Air cargo forwarder: Adding value to the shipper

Air cargo is all about timely delivery. A freight forwarder is as good as his commitment and adherence to time. Then comes the safety part. A good freight forwarder takes all the measures and follows all mandatory protocols to keep the cargo as well as the aircraft safe at all costs. Delivering the cargo intact is of utmost importance and that's what the cargo forwarder gets paid for. Be it for short or long term cargo delivery, what really makes a freight forwarder stand apart is the ability to provide capacity, combinations and equipment. So whatever the type of cargo is, a freight forwarder can always overcome all the expectations.



Challenges faced by a freight holder

Air cargo logistics involve more parties than just two. So informational transparency and ease of doing business are the top two challenges that are constantly faced. A freight forwarder's primary concern is real-time tracking which gets hampered by the lack or delay of data transmission. Secondly the culture of paper-based processes affects the whole process to a large extent. Data interpretation and sanitation also result from unintentional human errors. Of the two major models – Freight Forwarder Model and Integrator Model – the latter is traditional and the former is relatively new, the Freight Forwarder Model tries to curb the pain points to the maximum, simplifies the process and puts the freight forwarder at ease.

Succeeding as a GSA

Here are three most important advices from three experts.

Mr. Prithvi: Help bring in more sales revenue and make business plans that empower to achieve higher revenue through various plans. Be proactive with customers and offer solutions beforehand. Follow the objective approach and deliver numbers.

Mr. Suresh: A GSA reduces the cost burden of an airlines by multiple times and hence proves to be highly beneficial. So always keep your operating costs competitive. The another thing is quick set up. The GSA that comes up with the fastest and best solution to help a client in a particular territory wins the race.

Mr. Jasraj: To have a business model that operates on the lowest cost principle and be able to have the credit risk taking ability on behalf of the airlines. These are the two most important aspects that contribute to the success of a GSA.

Air cargo without GSAs

GSA is one of the pillars that the air cargo industry firmly stands upon. Its removal will mean more damage than betterment. So instead of their complete removal, their margins can be reduced and their responsibilities can be changed to more clerical and technical assistance related work. Until air cargo logistics become fully digital, GSAs are required to provide the much-needed support and it is not yet possible to replace the human touch and decision-making skillset.



Importance of GSAs

Till all airlines get accustomed to using only technology to deliver cargo, the importance of GSAs will remain intact. Especially for new operators, GSAs fill in to save the day and smoothen the whole air cargo process. As long as GSAs offer excellent services at competitive prices, they are going to stay important to the industry. Other than taking care of cargo, GSAs bring more to the table like, customer service, relation management, administration, pricing advantages, etc. All these things combined only make them more important to the air cargo industry.

Airlines and bankruptcy

Two insights from our experts.

Mr. Pukhraj: Aircrafts are very expensive. In the light of the pandemic, airlines relying on passengers alone can't survive. Keeping the geographic area airlines cover and the management that is required to make it successful, it takes a lot more than just aircrafts. That's why we are building upcoming software. It will benefit airlines like never-before and empower them to add value to each and every process while keeping costs to minimum.

Mr. Jasraj: Over the last few decades, aircrafts have changed a lot. But the processes that airlines follow are very much still the same. We still rely on human intelligence more than our state-of-the-art technology. That has impacted many airlines over the years in the form of increased operating costs. Our upcoming software solution is going to change that for good. Through cooperation, coordination and collaboration, it's going to empower the air cargo industry to utilize their capabilities to generate more revenue and stay strong.

Choosing an airline

Choosing an airline relies on many factors. Sometimes a bigger brand name helps and the other times clients just rely on their freight forwarders and GSAs. There's no formula that can help judge the best airline for a particular job. As long as all the service parameters are met, any airline is good to do business with. Delivery track record, safety parameters, brand value, seamless process and competitive pricing are the most usual factors to consider in this manner.



Cargo: Unchanged in 20 years

The air cargo industry is working almost the way it worked 20 years ago. It is yet to adapt to the available technologies that make everything more seamless and simple. Despite that, the industry has blossomed to reach unprecedented milestones. With the tradition of more paperwork and less direct contact, the industry faces many challenges. The freight forwarders and GSAs take care of business on their own. Thus, eliminating the needs for air cargo to get more involved. Plus, the customs and bureaucracy related to the processes make the whole industry more conservative. Until the industry adapts to the latest technological advancements, it is going to stay the same for many years to come.

Rapid growth of e-commerce

Digital advancements have changed the fate of e-commerce forever. Businesses are witnessing never-before online growth. The pandemic also played a part in it. E-commerce is now part of our day-to-day lives. For the airline industry as well, e-commerce has become very important, especially for the cargo wing of it. More business is done through e-commerce and that's where CargoFlash

shines. With our solutions, we are going to make the most of this e-commerce boom as well as help empower all our clients to reap its benefits in equal measures.

Mr. Jasraj: CargoFlash helped Lion Air to build its own e-commerce door-to-door service. Since e-commerce is here to stay, making an e-commerce service of your own is a great model for airlines to deliver better services and more cargo seamlessly.

Impact of e-commerce on air freight

Since airplanes are the fastest way of transportation, looking at e-commerce can be very beneficial for the air cargo industry. All we need to do is to adapt to the latest advancements and align processes as per the e-commerce needs. Dedicating airplanes for only e-commerce purposes can also be looked at. Air cargo industry can definitely create a strong e-commerce market in the years to come. Like Amazon and FedEx, they can carve a niche for themselves and take e-commerce higher and further.



Airlines for cargo: A possible future

For the next 20 years, air cargo will grow at 4%. The e-commerce growth has opened new avenues for more cargo airlines. In the coming years, 930 new and 1500 converted aircrafts will join the new fleet of cargo airlines. The global freighter fleet is estimated to be at 3,620 aircrafts by 2039 which is an increase of 62% from the current figure. Only the airlines that find opportunity in the booming e-commerce segment will be able to utilize it. E-commerce has opened new avenues for the cargo industry and the early birds will catch maximum worms.

Impact of Covid-19 on air cargo

The airline business is divided in two sections. One section carries both passengers and cargo and another carries only cargo. Airlines who dealt in cargo made more money than the airlines who lost business during passenger operations. Similarly, passenger airlines who turned into cargo airlines benefited from the scenario. Freight forwarders and GSAs also made good money with cargo operations. So in a way, Covid-19 has opened new doors for both passenger and cargo airlines to look at things in a different light. And since e-commerce is booming, giving more importance to cargo might be the next best thing that can happen to an airline.

Look forward to:

Town Hall, Volume 2 in which we will bring to you the Vision of CargoFlash for the year 2021 focusing on Quality.

Special thanks to:

Mr. Prithvi, Mr. Suresh, Mr. Jasraj and Mr. Pukhraj for their valuable insights during the Town Hall session.



Mr. Jasraj Chug



Mr. Prithviraj Chug



Mr. Pukhraj Chug



Mr. Suresh Nair