

Monitor
Deloitte.

The Future of Air Cargo

How to perceive, manage, and
monitor volatility and uncertainty
around the airfreight sector

FIATA World Congress 2019
Cape Town, South Africa
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center
for the long view

Air cargo at the cross-roads

The established business models of your sector may need rethinking

Which parts are moving?

Selection



Cyclical, unbalanced trade flows

- Trade tensions
- Unequal development



Changing customer requirements

- E-Commerce
- Sustainability concerns



Competitive pressure

- Intermodal competition
- New market entrants



Dynamic and disruptive trends

- Blockchain technology
- Electric engines

What is at stake?



Market position

- Raison d'être
- Value proposition
- Competitive target position



Future operating model

- Customer segments
- Products
- Network/Fleet



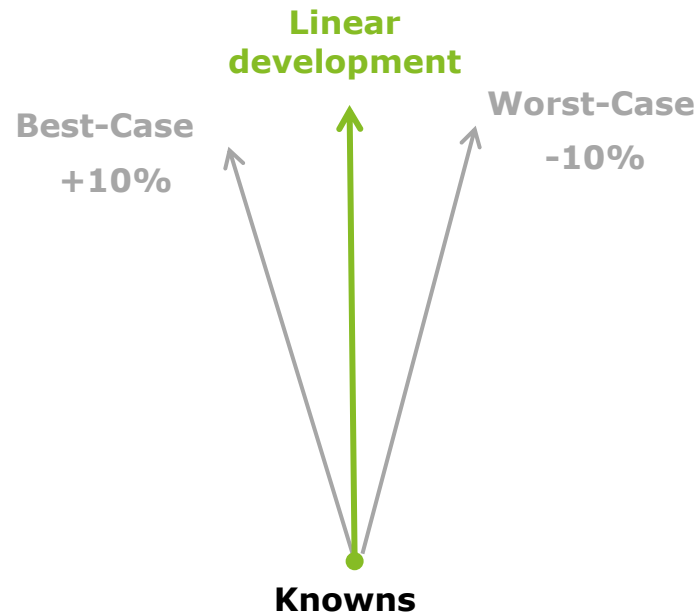
Pending invest decisions

- Fleet renewal
- LCC neo
- Technological Innovations

Predicting the future is impossible

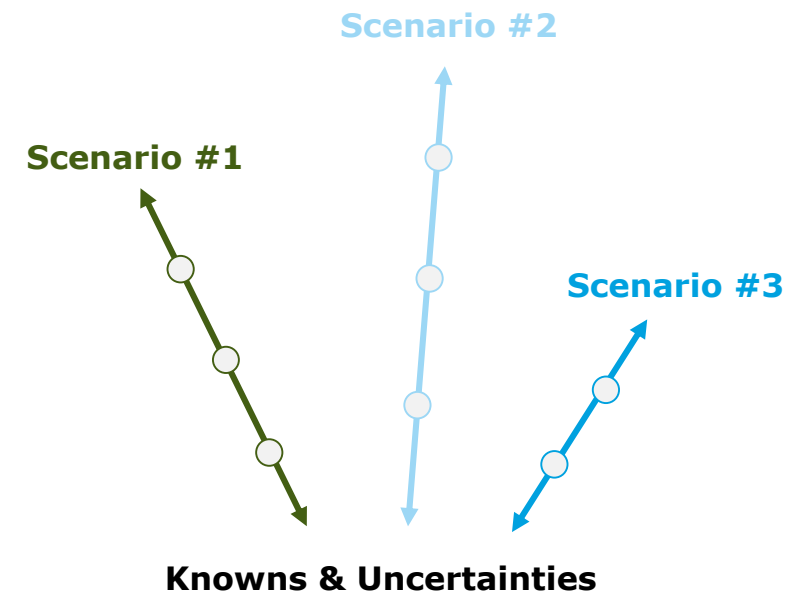
Anticipating plausible scenarios is more robust than traditional forecasts

Forecast mindset



Conventional approaches to planning yield conventional and often **unsurprising answers** ...

Scenario thinking

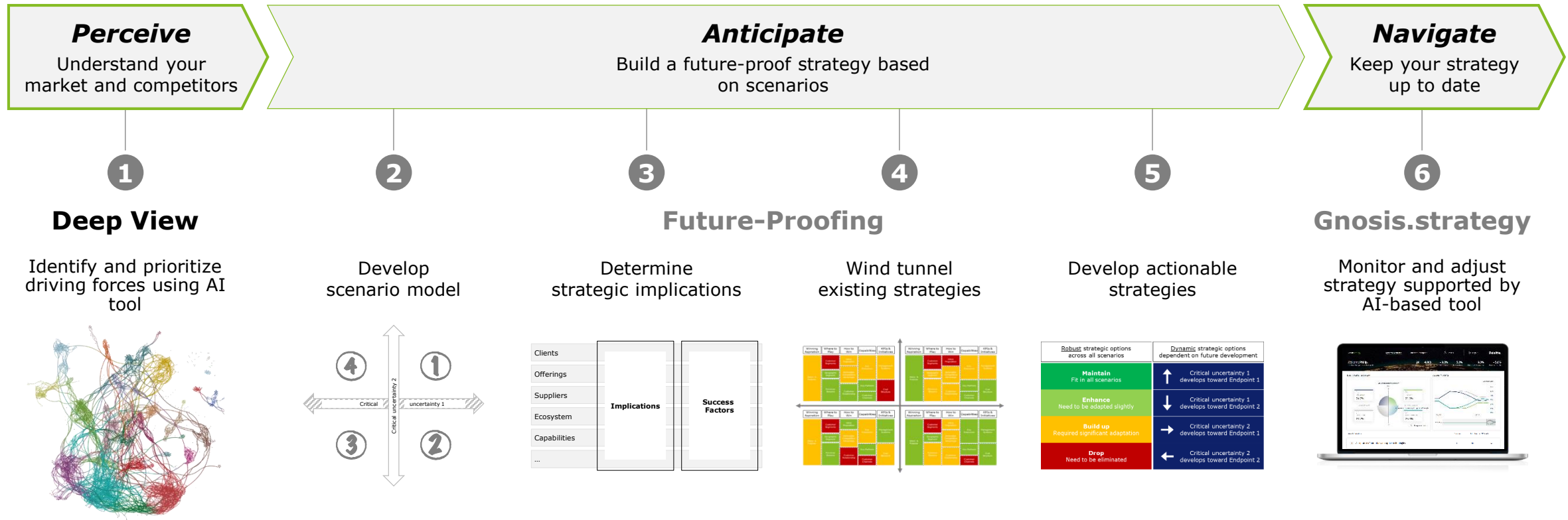


...whereas scenario planning **challenges assumptions** and provides organizations with more options to make **better decisions**

The Dynamic Strategy approach

We combine scenario-based strategic thinking with cutting-edge Artificial Intelligence

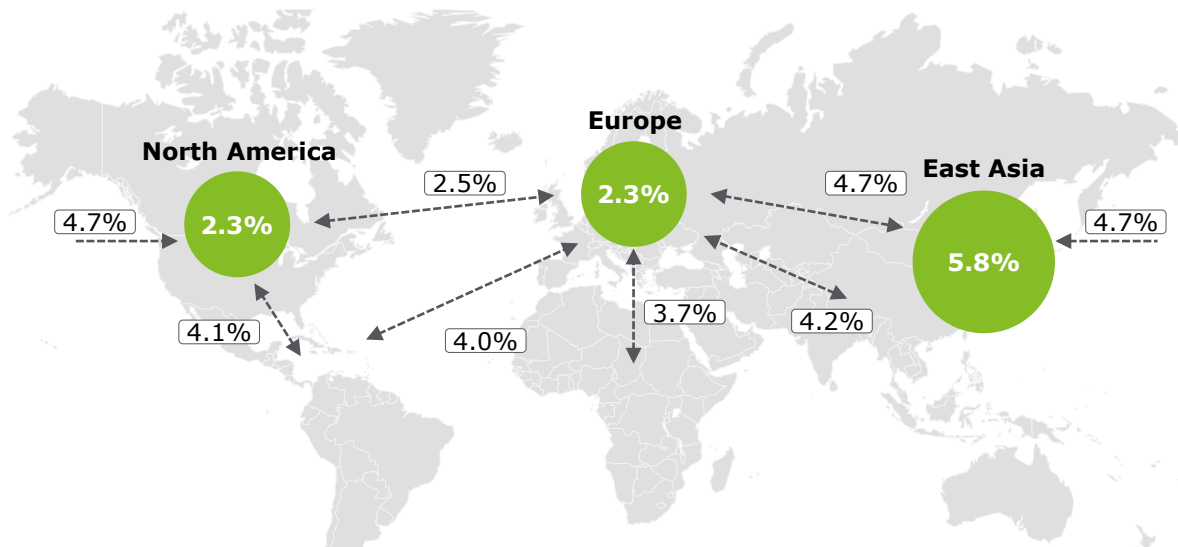
Dynamic Strategy Approach



The global picture

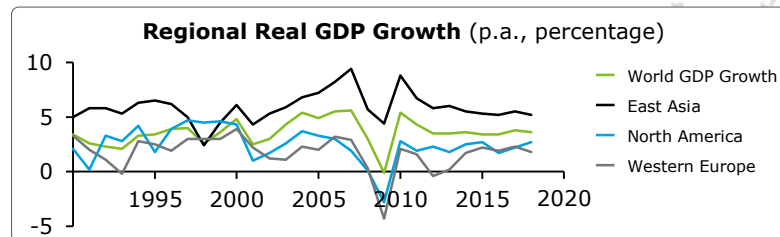
Global trade flows will continue to shift towards Asia. Economic volatility and overcapacity put pressure on prices and planning

Average annual growth rates per main airways, 2018-2037



World growth rate: 4.2%

- Intra-zone growth rate
- ↔ Inter-zone growth rate



Sources: Boeing, IMF, Deloitte Analysis

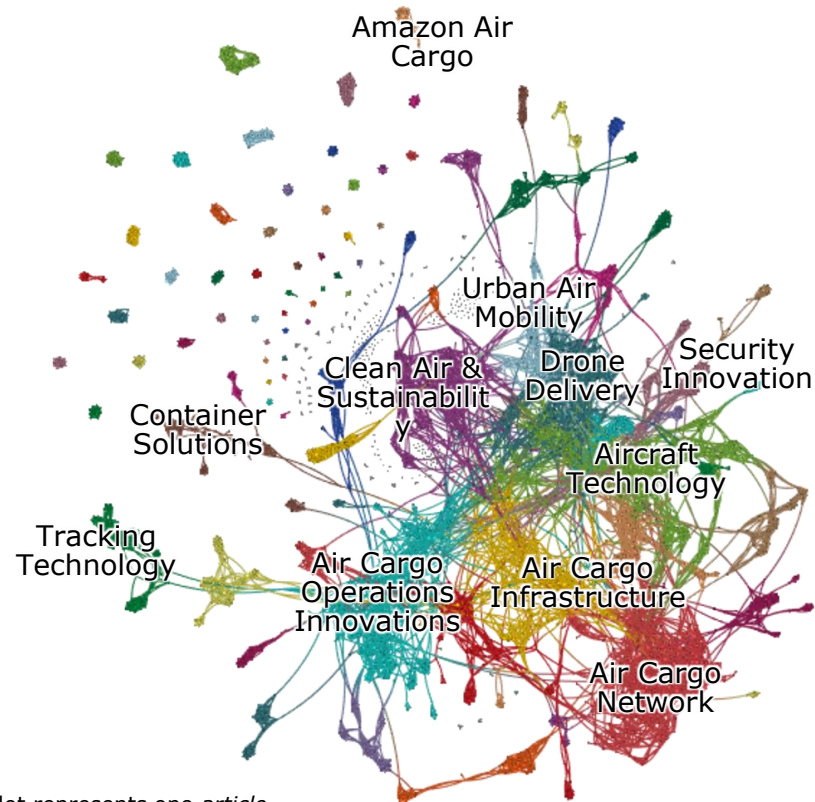
Key questions

- 🔭 What's the future of **global trade flows**?
- 📍 What's the impact on the **regional air freight market** and their cargo carriers?
- 📈 Are the routes **to/from and within Asia** continuing their growth path at expected rates?
- 📦 **Which goods** will be shipped to/from **major emerging markets**?
- 📉 How can air cargo carriers best react to **volatile global economies**?
- 🔗 What's the **future effect of imbalanced trade flows** on network and capacity planning?

Trend analysis

Digitization of established air cargo processes increase visibility and transparency

Trend Analysis



Each dot represents one *article*

Selected insights

- Increasing **importance of last mile solutions** triggers development of autonomous air cargo drones
- **New aircraft technologies** (electric and hybrid) provide an answer to sustainability concerns
- **Cloud-based operations platforms** bear potentials for visibility and efficiency gains
- **Blockchain technology** promises real-time transparency and traceability of shipments
- Actively **temperature-controlled containers** may lead to increasing pharma shipments
- Advances in **screening technology** allow for more reliable and faster detection of dangerous air freight enhancing the **aviation security**
- An **expansion of airport facilities** as well as **fleet and network sizes** is necessary to accommodate increasing air cargo demands

Source: CLV Deep View screenshot [31/07/19 – search topic “Air cargo trends”; from 07/30/18 to 07/30/19; N = 6,200 (World)]

How will the sector react to disruptive trends?

Disruptive tech trends will have varying degrees of impact on the sector. Will new business models emerge?

Selected Disruptive Tech Trends

Booming eCommerce leads to increase in small parcel volume

3D Printing – might affect a significant portion of currently air freighted goods

Digitalization of supply chain – offers opportunities to better integrate and serve key clients

Air Cargo trading platforms – new and innovative capacity auctioned sites

Blockchain Technology – reliable real time tracking and upfront reconciliation



Potential Response



- **Adjust network** to serve large delivery centers
- Develop **eCommerce specific** solutions/vehicles
- Offer **Track & Trace solutions** for customers



- Develop innovative solution(s) to **integrate 3D printing in supply & transport chain**
- Adjust network and **product portfolio**



- Invest in IT and **innovative solutions**
- **Partner** with experts from other industries
- Apply “Wave Approach” – start with **focused pilots**



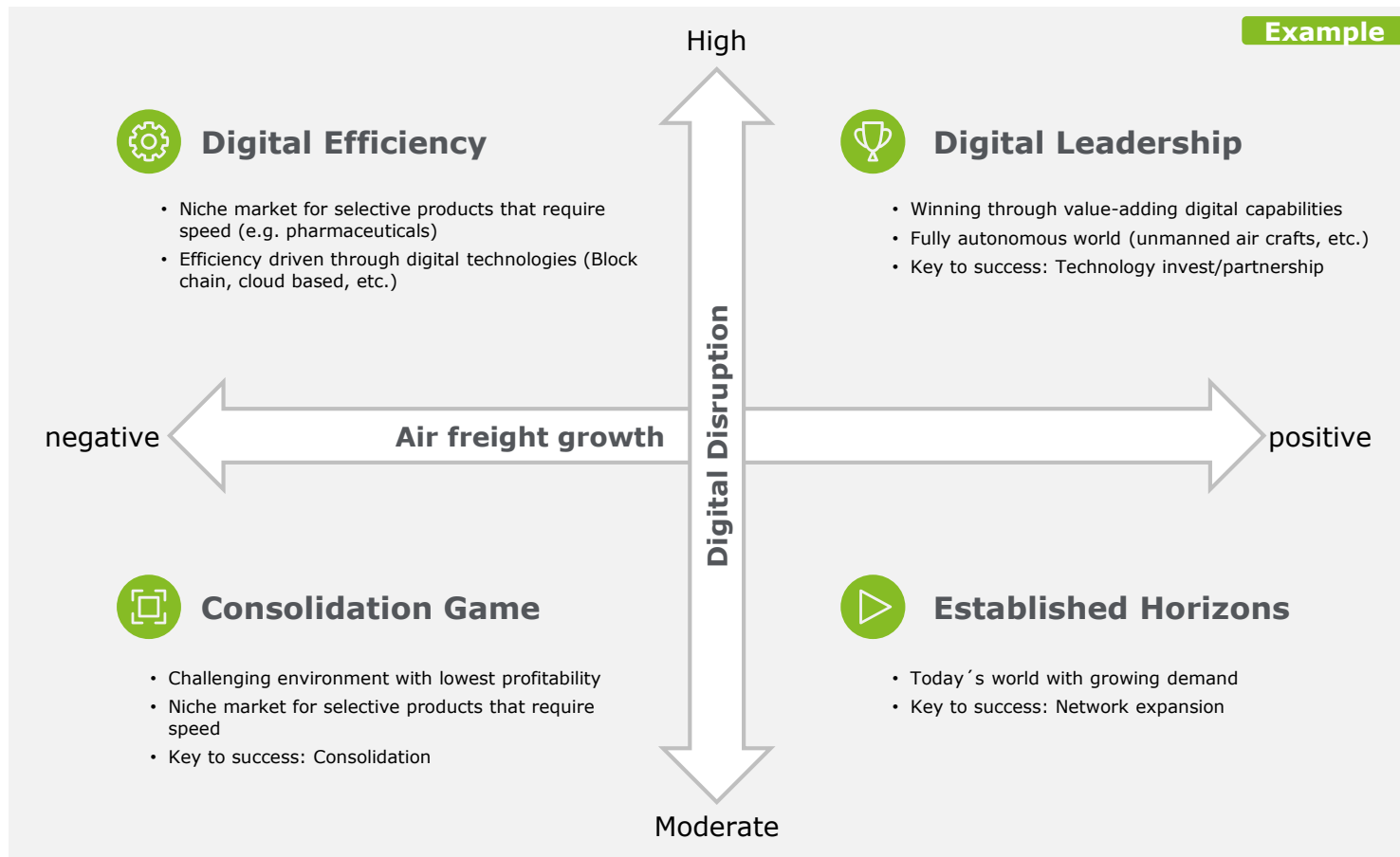
- **Invest in IT** and innovative solutions
- Develop **new pricing models** and processes
- Become innovator and **driver of sales platform**



- **Partner** with innovative start-ups
- Develop and pilot **first use cases**
- Become innovator and **driver of blockchain**

The future of air cargo

Considering critical uncertainties can be the basis to build robust strategies



Considerations

- The future of the air freight industry might look very different
- Considering two critical uncertainties we can draw four diverge scenarios
- Scenario thinking establishes a base for strategy definition
- Robust strategies are valid for all scenarios
- Dynamic strategies are scenario-specific



**Which drivers will be critical?
How will you interpret them?**



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