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COVID-19 To Help Air Cargo's Digital Drive

<u>Helen Massy-Beresford</u>   October 01, 2020

Cargo operators, including Lufthansa Cargo, have been making digital progress for some time, but the COVID-19 pandemic is accelerating their efforts.
Credit: Lufthansa Cargo

In the short term, the air cargo sector has been holding up against the COVID-19 crisis better than the passenger side of the airline business: The need for transporting medical supplies gave an initial boost, and e-commerce plus the beginnings of economic recovery in some markets are now underpinning demand.

According to figures from the <u>International Air Transport Association</u> (<u>IATA</u>), air cargo demand in August was 12.6% lower than in 2019, a slight improvement on the 14.4% year-on-year decline recorded in July.

- Air cargo has lagged digital developments on the passenger side
- COVID-19 crisis is encouraging air cargo operators to go contactless
- Greater efficiency will help fill the capacity gap

By contrast, meanwhile, restrictions and uncertainty meant that July passenger demand was 79.8% lower.

The main problem the air cargo industry currently faces is a capacity shortage, since belly hold capacity from the many grounded international flights is off the table for now.

In this context, operators know they need to focus on anything that can improve efficiency, and the novel coronavirus pandemic is expected to encourage them to tackle a long overdue task-improving digitalization.

"With regard to [digitalization], we have seen an acceleration just in the last few months," IATA's global head of cargo, Glyn Hughes, said during a briefing on the sector earlier this month.

Part of the renewed drive toward greater digitalization stems from the realization that digital processes that help boost transparency through increased automation and tracking capabilities will be important for improving efficiency.

Hughes sees initiatives such as One Record promoting greater efficiency. The IATA-backed data-sharing standard creates a single record view of a shipment that can be shared via a standardized and secure application programming interface, helping to smooth processes and clearances within the air cargo supply chain.

One Record aims to make data sharing easier and more transparent throughout the supply chain and is part of the association's broader drive to digitally transform the air cargo industry fully, such as through the replacement of paper documentation with electronic air waybills.

The COVID-19 pandemic has given that digitalization initiative a rather dramatic and unexpected boost.

"What this crisis has taught us is that cargo that sits on the ground in a warehouse doesn't help anybody—whether that is pharmaceuticals, fresh flowers or perishables, cargo is designed to be moved," Hughes said. "So if we can automate, if we can digitize, if we can improve the processes to get that cargo moving quicker, then the industry will help to be reshaped going forward."

But the explanation is also simpler, Hughes said. Even in a sector that has clung to physical processes such as paper air waybills far longer than its more digital passenger counterpart, because of the coronavirus "people don't want to share a pen when they sign a piece of paper, and people don't want to hand over a piece of paper from one individual to another."

Celine Hourcade, transition director at The International Air Cargo Association (TIACA), agrees.

"No doubt the COVID-19 crisis has accelerated the digital transformation of our industry: Suddenly thousands of employees had to work from home and rely on digital technologies and processes, realizing this is possible, efficient and can be implemented fast when there is no other choice," Hourcade says. This represents "a mindset shift for those who were still thinking, 'It is difficult; it takes time; it has been working well as it is—so why change?'"

Now, though, there are no more excuses, she says. "If we can, we must be digital. It is required to be competitive, to meet customers' expectations, to be efficient, to be attractive to employees and to meet regulators' demands," she adds.

TIACA, which has been pushing for more digitalization in the industry for some time, believes the practice should happen at every stage of the process from booking to invoicing, information exchange, safety, security and cargo monitoring. "I think the starting point is to listen to customers to understand what they need and what they expect, listen to employees to identify the blind spots and pain points and rethink processes by embedding digital and sustainability principles," Hourcade says.

Growth in e-commerce demand also provides opportunities for disruptive technologies to take hold in the air cargo sector, says Milind Tavshikar, CEO of SmartKargo. And COVID-19 has highlighted an opportunity for passenger airlines to make better use of the varying volumes they have available for transporting cargo, he adds.

"The overall outlook has changed 180 degrees, from a cargo standpoint. The supply—empty onboard volumes—has always existed, but airlines did not have a big focus on monetizing it before because of the complexities involved. With COVID-19, and no passengers on board, that supply became very apparent."

SmartKargo uses cloud computing, mobile devices and data analytics to allow passenger carriers to make the best use of their available capacity and compete with freight specialists, especially focusing on the fast-growing e-commerce business.

It has a partnership in place with Azul, through which the Brazilian carrier, using a network of local franchisees, is able to compete with the integrators—UPS, DHL and FedEx—on e-commerce.

"With e-commerce, the demand pattern has shifted dramatically, with expectations of next-day delivery," Tavshikar says. "And airlines have that supply. We saw that those two needed to be matched up."

Hughes also noted that the unprecedented COVID-19 crisis has brought home an understanding within the entire aviation sector that it needs to look at what lessons can be learned to help prepare for the next major global crisis, whatever and whenever that may be—and here again, transparency, better and faster information sharing, and streamlined processes will be essential.

If and when a COVID-19 vaccine becomes available, the air cargo industry will also play a pivotal role in ensuring it is distributed around the world. IATA estimates that if even a single dose of a COVID-19 vaccine were to be distributed to all of the nearly 8 billion people in the world, the shipment would fill more than 8,000 Boeing 747 freighters.

"Shippers need speed, reliability and transparency," Hourcade says. "Digitalization is key to meeting customers' expectations."

IATA has been calling for better international cooperation on security arrangements and border processes to help facilitate the effort. Because that task is both delicate and important—vaccines are not only temperature-sensitive but valuable and vulnerable to theft —IATA has launched One Source, an online platform that helps the air cargo industry match shipping needs with available infrastructure capabilities and service provider certifications across the value chain, in a bid to help provide shippers with accurate information for time- and temperature-sensitive shipments.

Hughes also believes that the air cargo industry could use lessons learned from the uncoordinated response to the pandemic from various countries to restart efforts. "Every country has done something different," he notes. "We need much more global coordination with matters that impact particularly aviation, which is a global industry. So I would say, going forward, there will be a greater role for collaboration and cooperation and transparency and certainly digitalization will be accelerated."

For its part, TIACA and its members see the pandemic as an opportunity to boost transformation. "This crisis offers an opportunity to rethink and redefine business practices, priorities, operational processes," Hourcade says. "There is a real appetite from, and call to, the air cargo players to accelerate their digital and sustainable transformation."

Editor's note: This article has been updated to reflect new information.

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Based in Paris, Helen Massy-Beresford covers European and Middle Eastern airlines, the European Commission's air transport policy and the air cargo industry for Aviation Week & Space Technology and Aviation Daily.

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