



Cross-Border Strategies for Online Retailers

Boosting e-commerce air cargo after the COVID-19 pandemic

In the last few weeks, we have seen how some countries began to define what “normal” means one year after the onset of the COVID-19 pandemic. Thanks to the global roll-out of vaccinations, consumers are slowly returning to brick and mortar stores, supermarkets, restaurants, and cultural events. But even if we can already start to feel like we are returning to a sense of normalcy, the transition will take time.

Online shopping has not only helped to make consumers’ lives easier during the pandemic. It has also shown reluctant shoppers how convenient e-commerce is. The number of online consumers dramatically increased over the last 15 months. It is estimated that retailers have digitized about 20 percent of their activities during the pandemic, helping them expand their business globally.

e-Commerce Insights

Over the past year, the pandemic has accelerated existing e-commerce logistics trends, with global e-commerce delivering a phenomenal growth of 27.6 percent in 2020 to reach \$4.28 trillion. This year, Adobe’s 2021 Digital Economy Index revealed that global e-commerce hit \$876 billion in the first three months of 2021, a 38 percent jump from the year before. This jump demonstrated the shift in consumer habits as they embrace digital platforms.

A window of opportunity

As consumer behavior changes and even change-averse firms move towards e-commerce, online retailers need to evaluate the best strategy for the future of their business.

Regarding air cargo, they have an excellent opportunity to address existing gaps, pain points, and

opportunities through harmonized strategies for airlines and e-Commerce companies.

As we have seen in the previous IATA e-Commerce Insight article, we have identified the following challenges impacting both airlines and online retailers:

- Unstandardized services and pricing, leading to inflated pricing and consumer confusion
- High international rates
- Lack of products tailored for e-commerce increasing cost and time
- Insufficient service levels in fulfillment
- Low visibility of status for CEP (courier, express, and parcel) and e-commerce businesses
- Slow pricing processes, reduced rate competition
- Inflated costs of forwarding due to excessive labor
- Poor visibility, disconnections in track & trace mechanisms, and reverse logistics

Strategies impact in addressing identified air cargo pain points



Five strategies for e-commerce companies

Previously, we discussed the strategies airlines need to consider if they want to adapt to e-commerce customers. As part of a research study with PwC, IATA has also identified what approaches e-tailers should adopt. Depending on their market size and needs, e-commerce companies can adopt one, several, or all of the proposed strategies. For example, an e-tailer could consider investing in air cargo and dedicated capacity while simultaneously overcoming border blocks with speed and convenience.

1. Develop owned capabilities and opt into shared platforms

In a recovery context influenced by a capacity shortage, e-commerce players may need to reassess their opportunities for investing in air cargo and secure space for their products. Online businesses must

pursue capacity on dedicated services to enable critical consumer-focused transport and logistics capabilities. These include more reliability and control over the network, more accurate track and trace, and improved return logistics.

For e-tailers, having owned capabilities will lead to lower overall lifetime costs, reliability, and quality of service. Furthermore, it will cement the brand as a genuine player in the competitive world of air freight. Building their own delivery operations, both in the air and on the ground, will provide e-commerce firms with greater control over the speed and delivery of packages.

2. Overcome border blocks with speed and convenience

With tons of urgently needed medical equipment and vaccines being shipped by air across the globe, the pandemic may have created the right

environment for addressing border blockages. Provided that e-commerce firms have little to no influence over customs authorities, they need to partner with airlines through segment-specific products to optimize processes. However, e-tailers can actively work to speed up processing times by fostering compliance with common standards (such as Trusted Trade initiatives), re-thinking how parcels are prepared, and implementing value-added services to increase consumer satisfaction.

3. Double down on integrating data flows

e-Tailers need to consider renewing digitization efforts and integrating data with other parties to drive down the costs, increase speed, provide visibility, and enhance customer experience. e-Commerce companies have disrupted retail for more than a decade through innovation and

technology. Therefore, they can drive the integration of data flows between airlines and other business partners involved in the shipment processes.

4. Integrate track & trace

Nowadays, online shoppers consider order tracking an essential service. They expect the ability to monitor their purchases throughout every step of the shipping process. Not providing track & trace poses a risk to customer satisfaction and loyalty levels for direct-to-consumer online businesses.

Track and trace will reduce customer service costs, as the e-tailer will have to process significantly fewer inquiries. It will also lead to efficiencies as the business has more control over fulfillment and can quickly address any issues or deviations as they arise. For e-commerce firms, having the right fulfillment strategy will not only minimize problems but also increase the lifetime value of their customers and help them to increase sales.

5. Integrate pricing and forwarding platforms

With 80 percent of cross-border e-commerce being transported by air, air cargo is critical for online retailers. We are starting to see examples of e-tailers partnering with airlines to integrate their first and last-mile solutions under one brand.

It will allow e-commerce players to access parts of the supply chain through their airline partners, providing an even more efficient and seamless flow for their goods. By deploying multimodal forwarding platforms, e-tailers and airlines will increase pricing transparency, promote competition, and improve speed and cost.

Working for a sustainable future

All stakeholders in the e-commerce supply chain must incorporate a sustainability approach to their strategies to build system resilience. As e-commerce continues to grow and fuel consumption, businesses have become increasingly concerned with its environmental impacts, paving the way for "green logistics." Companies have found

ways to leverage technology to develop more environmentally friendly, sustainable practices that also create more resilient and effective business strategies.

There is significant sentiment building that the recovery from COVID-19 presents a unique opportunity to reset businesses and economies on truly sustainable footings. Airlines and e-tailers must position themselves to address sustainability concerns during the recovery period.

Smarter logistics and integration are key

In today's highly competitive and uncertain economy, it is even more critical for businesses to create a seamless and resilient logistics and supply chain infrastructure that can cater to customers in the digital economy. Here, the different strategies hold the opportunity for businesses to streamline operations, improve efficiency and cut costs, and ultimately reinforce their business resilience. As such, logistics is no longer an afterthought. It has become a game-changer and a strategic business advantage for successfully establishing a stable and extensive cross-border network.

In particular, integration has become critical in the competitive e-commerce environment: there is no future without solid partnerships along the supply chain. More than ever, e-commerce companies should reach out to airlines when developing their business solutions to go digital, go green and go smart together ●

Read all the e-Commerce Insight articles and learn how IATA helps the air cargo industry to capitalize on the growth of e-commerce on www.iata.org/ecommerce

Check the latest IATA e-Commerce Monitor (March 2021): <http://bit.ly/3eRFtM8>

