



An e-commerce
breakthrough for
airline cargo

The New Revenue Engine

SmartKargo 

There is significant opportunity for airlines to drive additional revenue from their cargo divisions through e-commerce air transport

An E-Commerce Breakthrough Underway

It's been a difficult time for all of us since the onset of the global pandemic in 2020, and airlines have taken the brunt of economic woes brought about by the many changes the crisis initiated around the world. During this time, the airline Chief Financial Officer (CFO) had one of the toughest roles within an airline—managing tremendous cash burn with little revenue, raising funds, managing government assistance and navigating global restrictions—all of which have impacted revenue and the bottom line. Airlines have always been leveraged, but now add an unprecedented level of debt burden that could curb investments for years ahead.

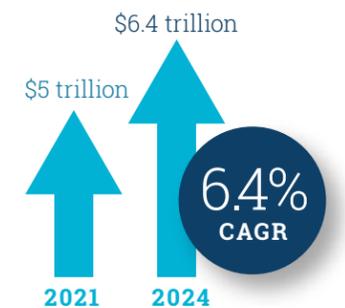
Given the impact on airline revenue in 2020-2021, it's fair to say that all airlines are looking for more revenue. Doing so is integral to economic survival. The opportunity for airlines to drive additional revenue from their cargo divisions has become increasingly important, even while attention to the rebuilding of passenger revenue remains preeminent. With business travel not expected to return to 2019 levels within the next 5 years, long-term impacts on passenger revenue are expected. Airlines will need to fill this gap in top-line growth.

Growth of E-Commerce

The growth of e-commerce has skyrocketed during the pandemic, fueling the already growing shift away from brick-and-mortar shopping. As a result, retailers are closing stores and reducing inventory—instead directing consumers to online options. This shift to online requires speedy shipping options, an opportunity that puts airline transport at a stark advantage.

An airline's fleet of aircraft are already poised to transport these high-yield e-commerce packages. By deploying the SmartKargo e-commerce technology solution, an airline can generate much needed new revenues and better optimize flight load margins across an entire fleet of aircraft types.

E-Commerce Growth Projections



E-Commerce sales are projected to grow globally at a compound annual growth rate of 6.4% from an estimated \$5 trillion in 2021 to a projected \$6.4 trillion in 2024.

A Year Like No Other

A Financial Balancing Act

The revenue impact to the airline industry reached a staggering [\\$391 billion in 2020](#), as 60% fewer passengers traveled last year. Globally airlines have built up over [\\$300bn](#) in debt. This is on top of debt that was already part of the operating model as a planned anchor for growth, a necessity for most, whether government sponsored loans or private funds raised by an airline.

The pandemic lockdowns and border restrictions nearly decimated passenger revenues in 2020 and will still be well short of previous levels in 2021. Airlines must find additional sources of revenue while still trying to innovate and make shareholders happy.

Addressing the Revenue Gap

Both personal and business travel is markedly down from pre-pandemic numbers. In fact, passenger business is not expected to recover until 2024 or 2025.

Business travelers have typically comprised [12% of total airline traffic](#) and these travelers bring in double the revenue associated with other types of air travelers. While airlines are beginning to report good news in terms of the outlook ahead for Corporate Travel, many technology experts and analysts, and even [Bill Gates](#) expect the return to be at around a 50% level, due to new patterns of doing business and conducting meetings online.

For instance, [Microsoft Teams grew from “44 million active users in March to 75 million by April.”](#) Additionally, [Zoom has grown from 10 million daily users to about 300 million daily users since pandemic-related restrictions began.](#) With the familiarity and cost savings of using such applications has reduced the need for in-person meetings, making it unlikely that business travel revenues will return to pre-pandemic levels in the near future.



Post-pandemic, airlines expect to see a radical reduction in business travel due to the shift to more digital meetings. This sea change will translate to a stark need for replacement revenue for airlines. SmartKargo’s technology platform allows airlines to capture lost revenue through e-commerce air transport.

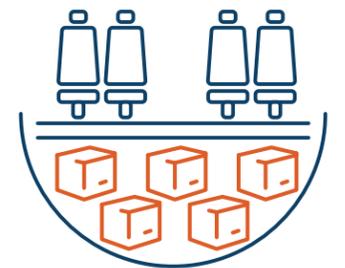


Capturing Revenue in Existing Cargo Capacity

Air cargo was also impacted in 2020, compared to 2019, as there were significantly fewer airplanes in the air, thus reducing available capacity. In 2019, half of all global airfreight volumes were carried in the belly of passenger airlines.

The demand sparked creative action by airlines all over the world to utilize the cabin for cargo as well as the belly—to meet customer demand and capture as much cargo business as possible to augment the revenue gap.

By filling the underutilized capacity in the bellies of their narrow body fleet, the contribution of cargo to total airline revenue can be greatly increased. The challenge now is how airlines can mitigate continued current and future revenue gaps to meet their financial projections.



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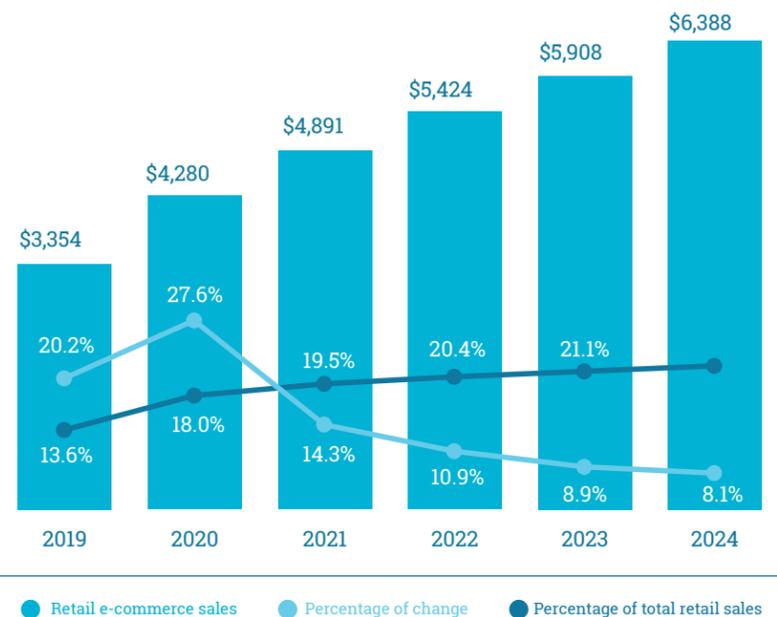
Uniquely Positioned to meet Consumer Demand



Airlines, with daily scheduled service and multiple frequencies in key markets, are uniquely positioned to meet consumer demand for fast shipping and delivery.

Retail E-Commerce Sales Worldwide, 2019-2024

The global e-commerce market is expected to total \$4.89 trillion in 2021. That figure is estimated to grow over the next few years, showing that borderless e-commerce is becoming a profitable option for online retailers.



Note: Includes product or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as a bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, Dec 2020

A Cargo Revenue Engine

E-commerce sales are projected to grow globally at a CAGR of 6.4% from an estimated \$5 trillion in 2021 to a projected \$6.4 trillion in 2024. And with this growth has come a shift in consumer expectations that is relevant for airlines.

Consumers expect their purchases to get into their hands fast, and to do so, retailers must ship by the fastest mode of transportation, air transport, to meet this expectation. And consumers are increasingly willing to pay a premium for the fastest shipping method from their online retailer. Airlines, with daily scheduled service and multiple frequencies in key markets, are uniquely positioned to meet consumer demand for fast shipping and delivery. And e-commerce packages, usually averaging 1-10 kilos in weight, are a perfect fit for an airline's fleet across all aircraft types.



How to Capture Higher Yield Cargo

When an e-commerce package is sent to the airline, the shipment transaction can be treated much like that of a single passenger. Until now, most airlines have captured only a small fraction of e-commerce shipping revenue by selling cargo space to the intermediaries at low, general cargo rates. When cargo space is purchased by these intermediaries, the mega integrators like FedEx or multi-national freight forwarding companies such as DHL, they usually pay the airline's lower general cargo rates for the transport.

On the other hand, rates for e-commerce packages are much higher, resulting in higher margins on flight capacity. SmartKargo technology allows an airline to move this higher yield cargo, which is suitable for loading on any airplane type in the fleet. Whether small plane or large, the individual packages travel at high-yield per weight.

The E-Commerce Logistics Ecosystem

The innovative technology automates all of the e-commerce logistics ecosystem. The ecosystem is connected for every facets of the shipment journey - beginning with the online transaction at the e-commerce shopping site. Within the cloud platform EDI messaging facilitates the communication between all parties and enforces all of the SLAs ensuring all parties are in alignment. Ultimately, creating a platform that provides full trenchancy in real-time across all segments of the e-commerce logistics journey from the e-commerce door to the consumer's front door.

"The immense revenue potential to airlines in transporting high-yield e-commerce packages has now been proven. It is no longer theoretical, it is being realized by airlines."

Milind Tavshikar, CEO
SmartKargo



Breakthrough Success

Just as airline ticketing technology evolved almost two decades ago, enabling a direct connection between the passenger and the airline’s ticketing distribution network—SmartKargo technology now provides a similar business solution for cargo. One that transforms efficiency and increases revenue.

Airlines own the most important component in the e-commerce logistics chain – the plane. Customers expect their package to be delivered fast and expectations for next day and even same day shipping are becoming the norm. Only airlines can guarantee the speed that customers expect. Airlines are already flying to cities with daily frequencies that may not be served easily by other cargo integrators, who may fly to a destination on one or several days each week. Moreover, airlines are already experts in security, planning and ground coordination—all needed for e-commerce success.

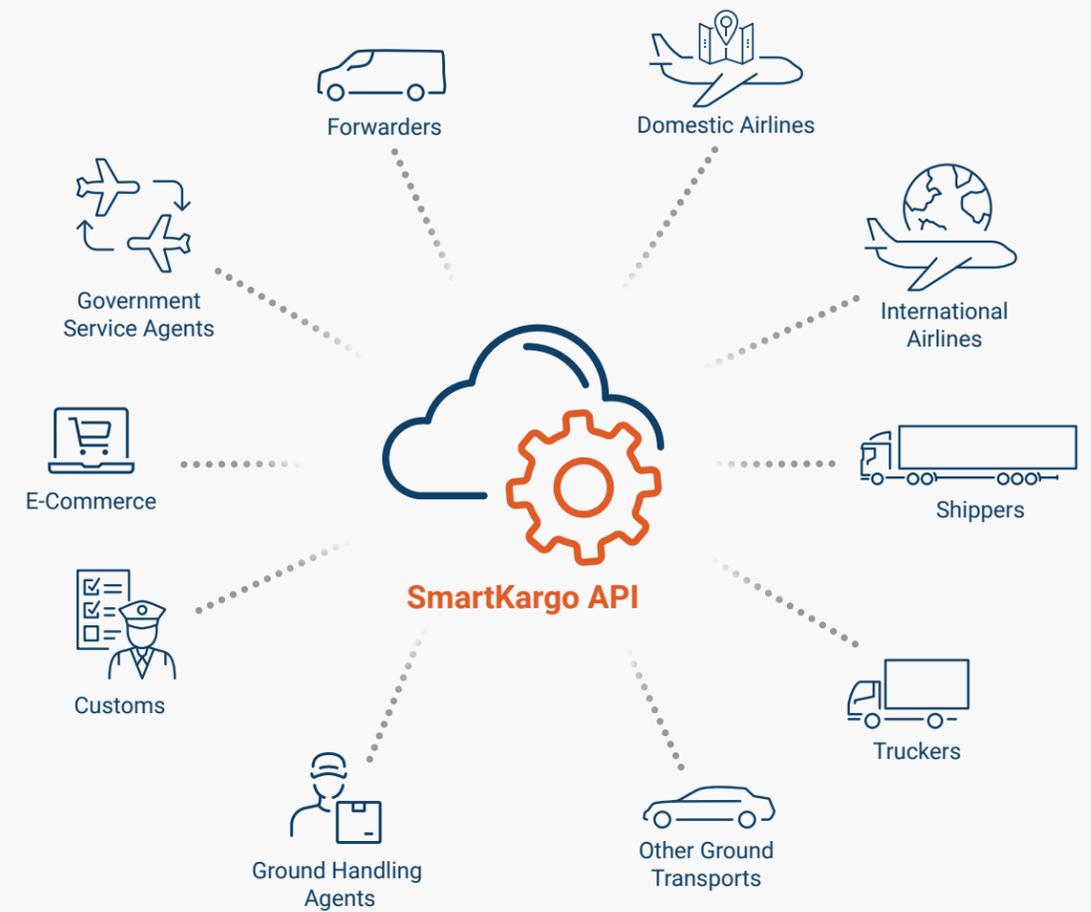


Azul Brazilian Airlines, an early adopter of the direct to consumer business model for airline e-commerce shipping, has seen its Azul Cargo Express revenues increase in a stunning growth trajectory.

SmartKargo in Action: Azul Brazilian Airlines

The use case of Azul Brazilian Airlines demonstrates how an airline has implemented the SmartKargo solution in conjunction with the airline’s overall strategic objectives—toward building a long-term cargo solution for their flight network. With focus on the high-growth e-commerce market, they were able to increase cargo Q4 revenue by 65.9% and target a [“forty percent year-over-year, cargo revenue growth.”](#)

This unbelievable growth has landed them the dominant market share of e-commerce shipments in Brazil (60%), where they have surpassed the largest integrators, namely the giants like FedEx and UPS, in the region. The business has added significant revenue to their top line, even during the pandemic. Azul has become an established market creator and a positive force in the Brazilian market as one of the biggest e-commerce logistics players in Latin America.



API and EDI-enabled E-Commerce Solution

SmartKargo supports air-to-air and door-to-door businesses with easy integration into e-commerce companies so you can extend your existing ecosystem. Our solution uses existing APIs and EDI components to build a seamless, integrated cloud platform using fully integrated data combined with the expertise of the e-commerce logistics business.

SmartKargo can establish an e-commerce platform where one does not exist or leverage the advantage of our cloud platform to extend your current system. Our innovative approach to dealing with existing cargo systems is fast and inventive.

Because you can use our e-commerce solution with an existing infrastructure for your cargo transport, SmartKargo’s solution has the specialized ability to help you get up and running quickly and easily to capture new revenue from your existing fleet.

“The growth of e-commerce provides an important opportunity for airlines like Widerøe, especially in these times when revenues from passenger travel have decreased.”

Widerøe Airlines

Works with Legacy Systems

Whether you are starting from a new build or a legacy system, SmartKargo deploys a team of seasoned airline, technology, and e-commerce experts to integrate the method and establish business processes alongside the airline cargo team. Essentially, our innovative solution does not require you to “rip and replace” to start getting e-commerce revenue from the point of implementation.

Flexible and Cost-Effective Approach

As we have seen in the past year, our partners have been able to expertly respond to this e-commerce growth offensively, and recognize top-line revenue from these higher-yield e-commerce packages. Our solution offers them a relatively low cost of entry, coupled with high revenue potential.

In the end, think of SmartKargo’s technology platform as a key revenue engine for your airline - one that can be built, extended and operated quickly and with little upfront costs. As important, the solution can be implemented in as little as three months. In a matter of one quarter, your airline could be realizing new revenue from cargo air transport.

E-Commerce is Fast and Growing Globally So Start Today

The past year has presented airlines with an opportunity to challenge their initial norms and generate additional revenues with e-commerce. And while today’s freight business is built primarily on wide-body flights, using palletized or containerized freight, the e-commerce business is well-suited to the airline’s network. New e-commerce revenues can flow into the airline by filling its underutilized fleet of narrow-body aircraft at higher-yield retail rates for shipping.

Why wait? Contact Us Today.

Contact us at sales@smartkargo.com for more information or to request a demo for your team.



www.smartkargo.com

SmartKargo 

Enabling-e-commerce. Delivered.