



SECTOR SPOTLIGHT

E-COMMERCE COLLABORATION



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Air cargo, like every mode of freight transportation, has experienced significant disruption in the COVID-19 world. Based on industries and commodities, there have been clear winners and losers. One area that has seen tremendous growth is e-commerce.

The pandemic has caused steep increases in e-commerce volumes. According to research by eMarketer (TechCrunch 6/8/20), U.S. e-commerce sales will jump 18 percent this year due to the impact of the pandemic, reaching \$709.87 billion. This represents 14.5 percent of total U.S. retail sales.

Not surprisingly, COVID-19 has prompted even faster adoption of e-commerce as consumers shift to touchless orders and delivery options, according to McKinsey. While some of these transactions will shift back to in-person as the economy reopens, the “next normal” includes a reset baseline of e-commerce-related volumes that will undoubtedly continue to grow in the foreseeable future.

Shippers face the question “As e-commerce volumes continue to grow, how do I diversify my logistics options to keep up with demand?”

In the United States, e-commerce logistics is often associated with FedEx, UPS, the U.S. Postal Service, and Amazon. But there is a highly effective, if lesser-known, alternative. For decades, passenger airlines and air freight forwarders have partnered to move hundreds of tons of time-sensitive products to points throughout the country and the world.

A few facts about air cargo:

- Air cargo provides about 35 percent of global trade by value, according to the IATA (International Air Transport Association)
- Airfreight includes pharma, consumer electronics, auto parts for JIT delivery, and perishables such as fruits, flowers, vegetables, and many other commodities
- There are approximately 3,600 TSA registered Indirect Air Carriers (IAC), also known as airfreight forwarders

Specifically, “zone skipping” mail, while not new, is an excellent and economical option for B2B and B2C shippers. Hassett Express has worked with Southwest Airlines and other commercial airlines

to provide same-day airfreight services for over 30 years. In the 1980s and 90s, Hassett worked with magazine publishers to manage the transport of 95 percent of all time-sensitive periodicals. The delivery chain included print plants, ground transportation providers, commercial airlines, and the USPS.

How does this model work today? Highly specialized freight forwarders typically play the role of quarterback. They work directly with all points of the logistics chain: shippers, manufacturers, retailers, airlines, long-haul, local trucking companies, and even the U.S. Postal Service. The freight forwarder works in a 3PL capacity, coordinating the unique strengths of each party to move goods from point A to B (or C or D) in an efficient, expedited, and cost-effective manner. In addition to designing customer-specific solutions, the freight forwarder / 3PL must ensure that data flow and connectivity between the transportation touchpoints work in such a way to detect and prevent potential delays and provide shippers with tracking visibility.

Commercial airlines offer the unique ability to move today what others would move overnight. This is an important capability as businesses and consumers expect goods to arrive quickly in the world of e-commerce. Airlines have moved cargo in the bellies of their aircraft dating back to the early days of aviation. Airmail was and is still a very common commodity moving in the belly of flights all over the world. Other commodities have come and gone, like unprocessed 35mm film and canceled checks for banks. But

these commodities have been replaced with goods that reflect today's modern world, including time-critical commodities like medical diagnostic specimens, pharmaceuticals, certain perishable and high-value goods, and the seemingly unstoppable growth of e-commerce related goods.

This innovative and highly orchestrated process between partners provides tremendous levels of capacity. For example, Southwest Airlines, which flies exclusively narrow-body Boeing 737 aircraft, offers 10 million pounds of available weight for air cargo per day when operating a full schedule. Even with the schedule reductions caused by COVID-19, Southwest still offers close to five million pounds of available space per day. That's significant on its own, but when combined with other passenger

carriers, the daily amount of available air capacity provides an immediate and substantial logistics opportunity for e-commerce shippers. Couple this with the unsurpassed capabilities of the U.S. Postal Service for final-mile delivery, and B2C shippers have a viable and highly reliable shipping alternative.

Technology solutions have improved over the past few years, but there needs to be even more investment in solutions and tools that connect all parties in the delivery chain. Forwarders must have a platform that allows them to handle varying shipment volumes, monitor movement, respond to changing conditions during transport, and connect to a variety of transportation



providers. Forwarders and airlines need connectivity to track the air portion of the move. Carriers like Southwest and others have recently made great progress to offer plane side scanning of commodities at a piece level as they are loaded and unloaded from the aircraft. These solutions, when integrated with the forwarder, provide a level of visibility that didn't exist just a few years ago and greatly reduce the need for manual information gathering.

The freight forwarder/commercial airline model provides service quality comparable to an integrated model. In one large-scale example, on-time performance exceeds 98 percent on regular basis. In addition to a high-performing delivery chain, the economics are favorable as individual small parcels can be consolidated in larger boxes, averaging down the cost per box.

Freight forwarding features an innovative model built on collaborative partnerships through a variety of transportation partners, which results in a seamless delivery experience to the end customer. The forwarder and airline partnership enables B2B and B2C shippers to meet the growing expectations of their customers.

While this alternative might not be for everyone, in today's world of rapidly growing e-commerce demand, disrupted supply chains, and peak season capacity crunches, the "next normal" should include a portfolio of logistics solutions that ensure customer demand and service quality expectations can be met under diverse circumstances.

Brandon Fried, the executive director of the Airforwarders Association, says, "The coordinated effort between airline and forwarder is a prime example of how relationships and trust among partners have enabled a highly viable solution to today's expedited B2B and B2C needs."

All supply chain players need to be focused on not only the current "new normal," but also the "next normal," and the next. Measurable solutions that combine reliability and flexibility, along with trusted partners, will be the key to facing the future. ■

