

Air Cargo Competitiveness and European Airports: Markets and Strategy

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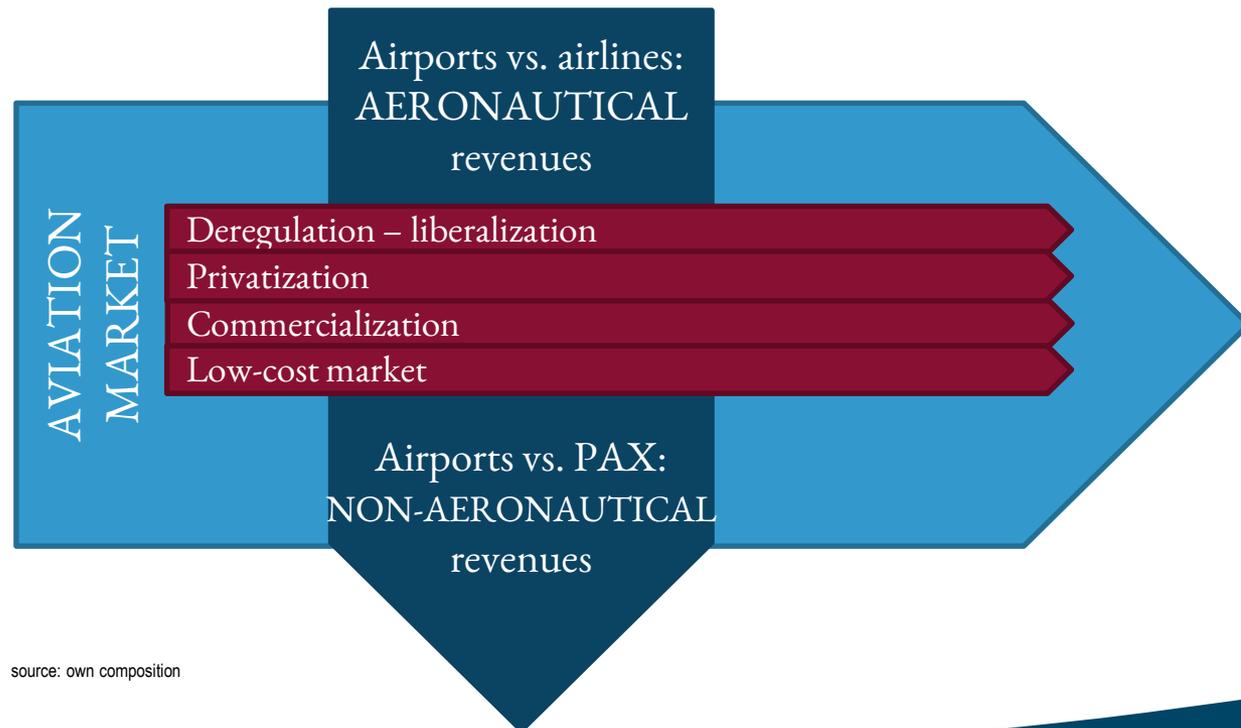
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Setting the scene

The **relationship** between **airlines** and **airports** has considerably **changed** over time due to various factors including: liberalisation, privatisation and the increasing role of low-cost carriers within the industry.

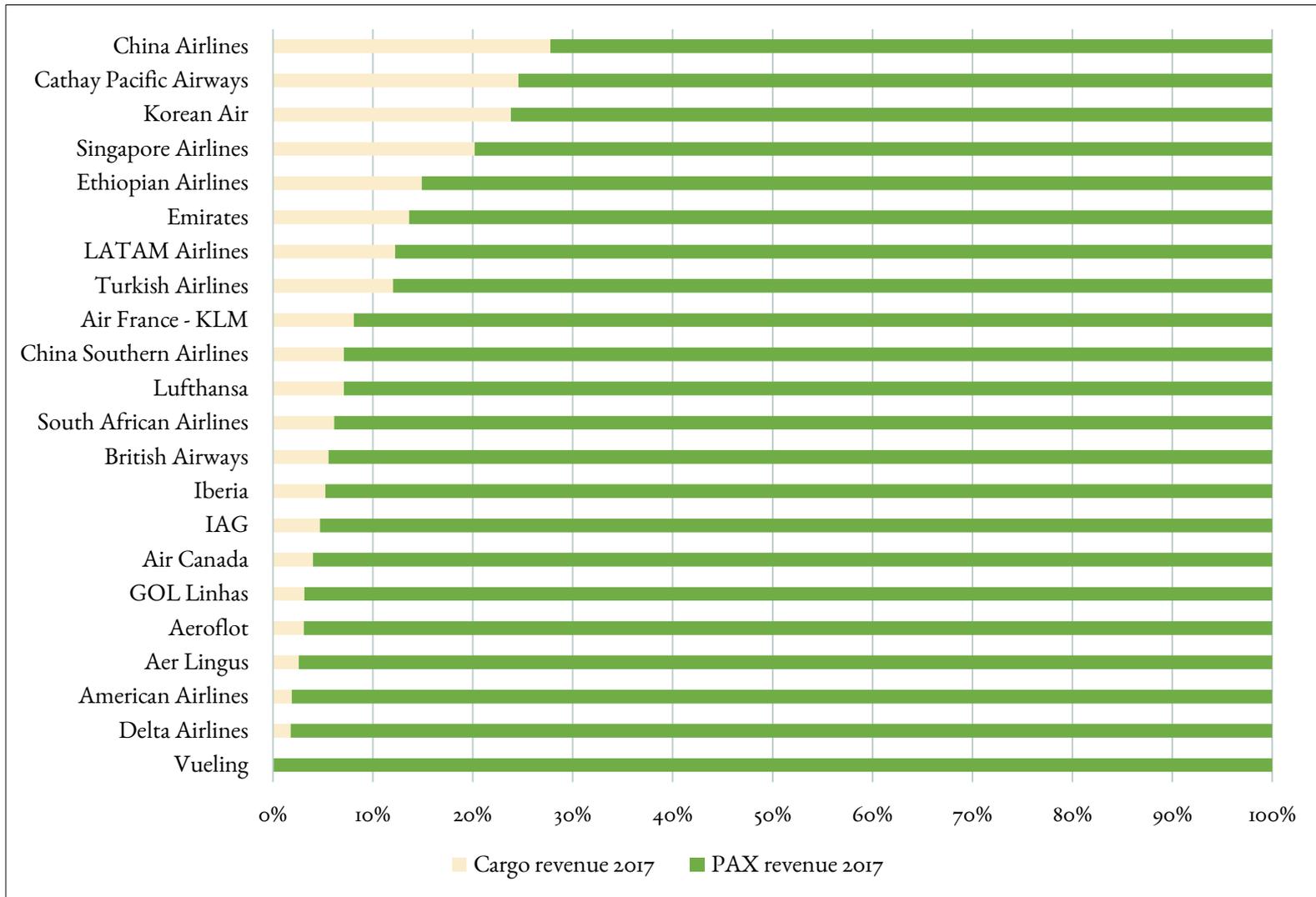
Traditionally, **airlines** were considered the most valuable customers of airports. However, airports are nowadays increasingly focusing on non-aeronautical revenues (e.g. retail and concessions). As such, **passengers** are also presently considered **valuable customers**.



Competitive pressures on airlines as well as on airports made that both were looking for **additional sources of revenue...**

source: own composition

Additional source of revenue for many airlines

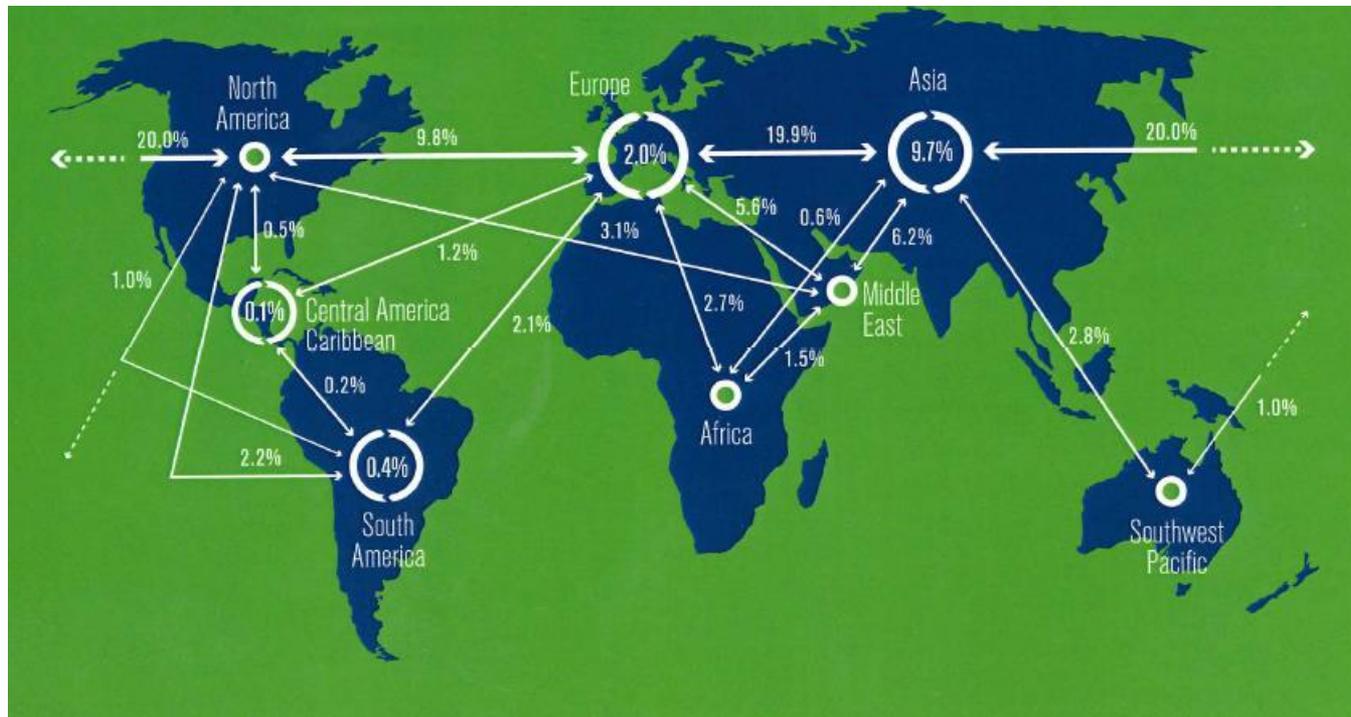


source: own composition

Trade lanes and routes are maturing

Air cargo lanes are maturing. Indices show **increasing opportunities in the Asia Pacific region**. In the mature air freight lanes it becomes key to add higher value to the service offerings in order to avoid commodity pricing and increased yield pressure.

Studies indicate the importance of reliable knots into the trade lane system. **The role of the airport to add value in the chain is increasing.**



source: WATS, 2017

How airports could assess their competitiveness in the air cargo market



source: own composition

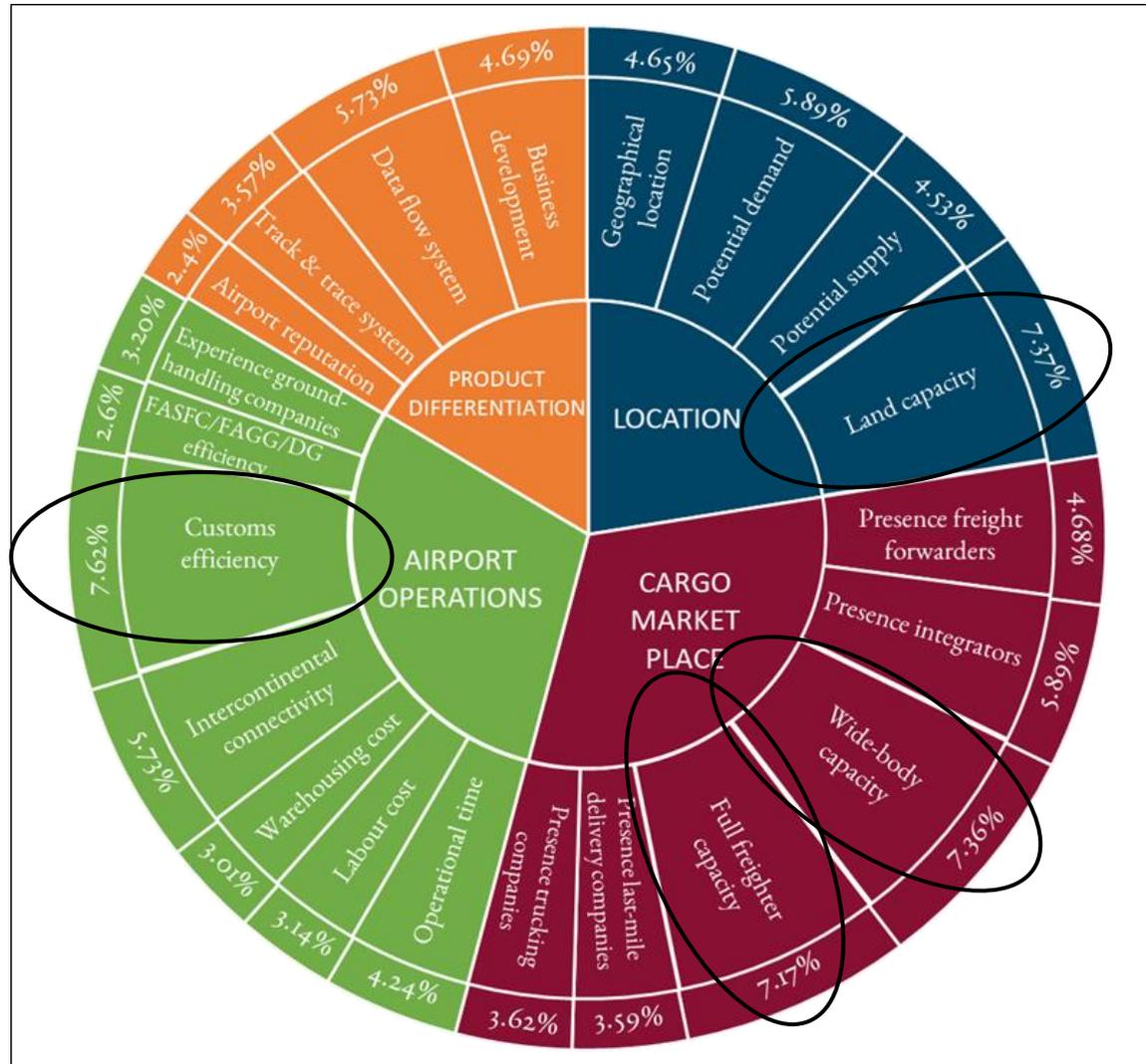
4 different blocks identified, some more in control of management than others.

Depending on the type of airport and the shareholders' objectives, the assessment of the different factors can change.

However, some factors could be prioritized:

- Forwarders/integrators
- Airlift capacity
- Network & connectivity
- Reputation

An example: the competitiveness of an airport within the e-commerce market

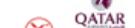


source: own composition

The airport cargo strategy canvas: a tool to assess the competitiveness of an airport in the air cargo market

Shareholder objectives	Exogenous drivers				Endogenous drivers			
Cash flow vs regional development Growth vs consolidation	Territory	Cargo market place				Operations	Differentiation	Airport product
	<ul style="list-style-type: none"> ❖ Location ❖ Local O-D demand ❖ Airport capacity 	Integrator airlines	Full freighters	Belly space	Trucking	<ul style="list-style-type: none"> ❖ Operational time ❖ Labour and warehousing cost ❖ Intercontinental network ❖ Airport accessibility 	<ul style="list-style-type: none"> ❖ Reputation ❖ Air cargo branding ❖ Supra-structure ❖ Customs 	
		Integrators	Freight forwarders	Postal offices				
	Regulation		Key Strategic Products		Competition			Airport market
	<ul style="list-style-type: none"> ❖ European Commission ❖ IATA – ICAO ❖ Traffic rights ❖ Local regulations 		Niche markets	General cargo	<ul style="list-style-type: none"> ❖ Surrounding airports ❖ Cargo vs PAX 			
Disruptors	New aircraft types	Climate change	Digitization	Changing business models	Trade barriers			

Application on Brussels Airport

Shareholder objectives	Exogenous drivers				Endogenous drivers				
Cash flow growth driven airport	Territory	Cargo market place				Operations	Differentiation		Airport product
	<ul style="list-style-type: none"> ❖ Location ❖ Local O-D demand ❖ Airport capacity 	Integrator airlines  	Full freighters   	Belly space   	Trucking    	<ul style="list-style-type: none"> ❖ Operational time ❖ Labour and warehousing cost ❖ Intercontinental network ❖ Airport accessibility 	<ul style="list-style-type: none"> ❖ Reputation ❖ Air cargo branding ❖ Supra-structure ❖ Customs 		
airport market	Regulation	Key Strategic Products				Competition		Airport market	
	<ul style="list-style-type: none"> ❖ European Commission ❖ IATA - ICAO ❖ Traffic rights  ❖ Local flight path (noise) regulations 	E-commerce  BE-GATE	Perishables 	Pharma   	General cargo 	<ul style="list-style-type: none"> ❖ MUC - LGG - FLAP's ❖ Cargo vs PAX 			
Disruptors	New aircraft types		Climate change		Digitization		Changing business models		Politics

Conclusion: Airport Air Cargo Success factors

1. **Air cargo** started to play a major role in the aviation industry, for airlines as well as for airports
2. The **role of airports** in the market **increased**
3. To assess airport competitiveness within the air cargo market, a **broad set of factors** has to be taken into account
4. Of utmost importance are:
 1. Forwarders' or integrators' presence
 2. Airlift capacity (wide-body aircraft as well as full freighter)
 3. Network & connectivity (Asia-Pacific & USA)
 4. Reputation
5. An IT system to plug in and provide seamless **data exchange** (and **track & trace**) on parcel level is mandatory to make it work



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