

Page 13
Supplier Risk
Management, a Top
Priority for Global
Procurement Leaders
BY MARTIN HUBERT

Page 18
Freight Outlook and the
Airfreight Industry
BY MARK DIAMOND

Page 22
Wrapping Up the LogiSYM
Live Industrial Transformtion
INDUSTRY 4.0
BY STEPHANIE KRISHNAN



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**Supplier Risk Management,
a Top Priority for Global
Procurement Leaders**



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**Supplier Risk Management, a Top Priority for
Global Procurement Leaders**

See article on page 13

4 From the Editor

News

- | | |
|--|---|
| <p>6 PSA named Best Global Container Terminal Operator Once Again</p> <p>7 BIACC Appointed as the New Land Border Cargo Facility Operator</p> <p>9 Global Logistics Service Provider Benchmarking Index</p> | <p>11 Aviation Industry's Green Revamp Inevitably Risks Rising Costs</p> <p>12 Global Trade Conference Hit by COVID, Australian Minister Makes Geneva, Canada Hits Out at US Duty Hike</p> <p>24 2021 E-Commerce Holiday Shopping Predictions and Trends
BY PARCEL MONITOR</p> |
|--|---|

Features

- | | |
|---|--|
| <p>13 Supplier Risk Management, a Top Priority for Global Procurement Leaders
BY MARTIN HUBERT</p> <p>18 Freight Outlook and the Air-Freight Industry
BY MARK DIAMOND</p> | <p>22 Wrapping Up LogiSYM Live Industrial Transformation INDUSTRY 4.0
BY STEPHANIE KRISHNAN</p> |
|---|--|



FROM THE EDITOR
Peter D G Raven

And it's a wrap...

If you follow us on social media you would have seen that we have had a busy couple of weeks. After months of tireless planning, we successfully held the largest supply chain symposium and exhibition in Singapore in 2021.

ITAP | LogiSYM | CargoNOW - was run as both a physical and hybrid event. With 3,600 attendees on site and thousands more online over three content filled days the event was a resounding success.

I was very pleased to be able to attend in person and as part of the organising committee, my thanks and gratitude goes out to all our participants, sponsors, partners and committee members who have helped make this a reality. Running a physical event is always taxing and with COVID-19 and the need to stay safe and operate within regulatory guidelines, this challenge was increased ten-fold.

2022 is fast approaching and we hope to soon emerge into the better normal. From a Supply Chain perspective we expect the first half of the year to be as challenging as the last year has been, with things only starting to ease up in the latter half of the year. If we have learnt anything these last 24 months is that for a supply chain to continue operating as efficiently and effectively as possible, calculated risks need to be taken - with the right partners.

In running this event, we had many discussions and meetings about whether to proceed with a live event but at the end of the day the committee unanimously decided that "we should continue to establish and lead aggressively, but with caution and continue to be the leading voice and platform for supply chain collaboration and knowledge sharing in the region".

We take this part of our remit seriously and one of the reasons we decided to make this move was to demonstrate that calculated risks can be successfully undertaken through proper planning, communication and with the right partnerships. Collaboration is key to the success of any successful supply chain and this could be taken as a case in point.

As always, we hope you found the event and this issue of CargoNOW relevant and we look forward to your feedback, input and comments. Be safe, and let's keep those supply chains moving!

Peter D G Raven
Editor-In-Chief (Interim)
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PSA named Best Global Container Terminal Operator Once Again

Singapore's PSA has been voted the Best Global Container Terminal Operator for the 14th time at the 2021 Asian Freight, Logistics & Supply Chain Awards (AFLAS).

PSA Singapore was named the Best Container Terminal

for Asia over four million TEU, marking the 31st time the terminal has won.

"These industry accolades, received during extraordinary times, are especially meaningful as they validate our efforts to help our partners and stakeholders cushion supply chain disruptions and maintain essential business activities in the face of the Covid-19 pandemic and shifting trade patterns," said PSA CEO Tan Chong Meng.

"I would like to thank our customers and business partners for their continued vote of confidence, as well as convey my deep appreciation to our staff, unions and management whose unceasing dedication and contributions have made this possible. PSA will continue to seek mutually beneficial collaborations in the ports and logistics spheres; and invest

in digitisation and innovative technologies to enable more resilient and sustainable supply chain ecosystems around the world," said Mr Meng.

The awards are designed to honour organisations that demonstrate leadership and consistency in service quality, innovation, customer relationship management and reliability.

These industry accolades, received during extraordinary times, are especially meaningful...





BIACC Appointed as the New Land Border Cargo Facility Operator

On Wednesday, 17th of November 2021, BIACC Sdn Bhd and Maritime and Port Authority of Brunei Darussalam (MPABD) signed two Tenancy Agreements for the Management, Operation and Maintenance of Inland Container Depots (ICD) at Sungai Tujuh and Kuala Lurah via virtual signing ceremony.

Signing on behalf of BIACC was its Chairman, Yang Mulia Awang Haji Khairuddin bin Haji Abdul Hamid, while MPABD was represented by its Acting Chief Executive, Yang Mulia Captain Abdul Mateen Abdurrahman Liew @ Martin.

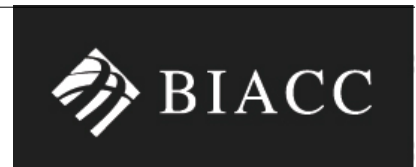
This is a major milestone for BIACC Sdn Bhd, a Government-linked company under

Darussalam Assets Sdn Bhd (DA), under its strategic plan to support the realisation of the nation's Wawasan 2035 through the Strategic Priorities outlined in the Brunei Darussalam Economic Blueprint initiated by the Ministry of Finance and Economy in providing "a well-connected, reliable and convenient transportation network (road, sea and air) which can facilitate efficient movement of goods and services supported by a well-developed transportation and logistics infrastructure (airport, ports and warehousing) to enhance market access and opportunities".

The strategic locations of both ICDs near the border between Brunei and Sarawak,

Malaysia will enable BIACC to facilitate and accelerate the movement of cross-border cargo transaction for domestic and regional distributions in a more efficient way. Various handling services and facilities will be offered for the benefits of the operators in logistics and transport chain of both sides of the borders. The ICD complexes will also accommodate the offices of Royal Custom & Excise, other government agencies as well freight forwarding companies and shipping lines agents to serve the needs of cargo community.

Among the key services and facilities to be introduced include bonded warehousing, cross border e-Commerce ful-



About BIACC Sdn Bhd

BIACC Sdn Bhd is a government linked company and one of the subsidiary companies of Darussalam Assets Sdn Bhd. BIACC core business activity is involved in delivering air cargo ground handling logistics services at Brunei International Airport for scheduled and unscheduled cargo and passenger airlines as well as international cargo integrators. Operating since 2002, BIACC also performs cargo hub management for the national airlines. With years of extensive experience in logistics industry, BIACC has been diversifying its business into providing 3PL services covering air, land and sea logistics to support the growing national economy. In meeting the standard of international and domestic clients, BIACC has developed robust quality management system and acquired several global certifications include ISO 9001:2008, OHSAS 18001:2007, IHI Halal Logistics besides being IATA ISAGO registered, and IATA Ground Handling Partnership Programme to ensure the Company continuously deliver the highest level of quality service to its valued clients. Recognising the importance of achieving this objective, the Company equipped itself with modern technology and invest in human capital to generate capable and highly motivated workforce to meet the ever increasing clients demand for quality service.

fillment warehousing, sea container clearance (un-stuffing and stuffing) import and export warehousing with build-up and break down services, parcel processing center, consolidation, temporary storage, documentation processing, reefer refrigeration points, open yard material storage, cleaning services for shipping containers and nationwide and cross-border transportation services.

As a strategic shareholder of BIACC Sdn Bhd and several of Brunei's Government-linked companies, DA is an integral part of the Government's objective to encourage national development, drive economic diversification and generate gainful employment. With its mandate to manage the performance of the GLCs under its purview, and operating as the Government's corporatisation vehicle when required, DA works in close collaboration with the Government to improve industry structures and sector strategies with an overarching objective to improve efficiency and accelerate innovation for the betterment of the nation. Being a key player in fostering economic oppor-

tunities has empowered DA to promote local business development whilst complementing private sector growth.

With BIACC's experience that boasts over 20 years of cargo handling, this milestone witnesses an expansion of its logistics services to alleviate the challenges of doing business and allow for a more conducive business environment for existing and new players in the industry alike. Aspiring entrepreneurs and start-ups encountering issues with movement of goods across borders can now place reliance on BIACC as a solution provider, therefore allowing businesses to flourish and succeed. Similarly, existing players in the logistics sector, such as freight forwarders and runners, will be able to focus more on meeting the demands of their customers where previously attention needed to be given to logistical issues that can now be taken care of by BIACC. Supporting continuous operational excellence within the DA Group is hoped to contribute significantly to the national aspiration of Wawasan 2035.



Global Logistics Service Provider Benchmarking Index

Logistics & Supply Chain Management Society (LSCMS), Supply and Distribution Group Launches

Singapore 12th August 2021: Recognising the heightened focus on overall supply chain performance due to increased disruption and challenges, shippers, manufacturers and beneficial cargo owners (BCO's), are increasingly faced with soaring freight rates and what they, correctly or otherwise, perceive to be sub-standard or inferior service.

Additionally, many companies today are placing an increased focus and significance in assessing the wherewithal of a Logistics Service Provider by their sustainability and digitalization initiatives and capabilities – aside from rates and service levels.

According to Mr. Kendrick Ng, of the LSCMS Supply and Distribution group, "It is a crowded and convoluted playing field and there are seldom unbiased or uninfluenced qualitative and quantitative data to manage these perceptions - real or otherwise. As a

shipper, participating in this survey will provide valuable data to index the performance of your LSP's" Developed with Dr. Rajesh Piplani, Director of the MSc in Supply Chain and Nanyang Technological University, the index analyses the responses of up to 100 major shippers who spend at least US\$1 million a year with a particular LSP in airfreight, ocean, warehousing or express services. The first index of its kind to be released globally, it will not be vendor sponsored but rather driven by the real and accurate feedback provided by major shippers. Companies interested to contribute to the index can complete the survey questions at

The Logistics & Supply Chain Management Society is the regional professional body for Logistics practitioners.

Practically all areas of the Logistics spectrum are represented in the Society. Shippers, Freight Forwarders, Academics, Students, Carriers,

Personal Effects Movers and other individuals and organisations form our core. With an emphasis on commercial experience and expertise we are the lead platform for the development of Logistics in the region and work with our members, government, organisations and professionals in raising the profile and expertise through a range of activities.

Like most professional bodies, the Logistics & Supply Chain Management Society emphasises a commitment to ongoing education and encourages performance consistent with a generally agreed body of knowledge or standards. Members of our Society are recognised as members of a professional body through the work we continue to perform. The LSCMS has the proven history, framework, value for money and strategic reach to make it the right choice for you.

The Society was formed by Logistics professionals with the following objectives :

- To promote professional development of Logistics and Supply Chain Management;
- To serve as a resource centre for its members and parties interested in Logistics and Supply Chain Management;
- To serve as a resource centre and focal point that demonstrably re-inforces Singapore as a regional Logistics and trans-shipment hub; and
- To advance, study and disseminate techniques and applications on Logistics and Supply Chain Management.

Scan the QR Code and Find Out More on the Logistics & Supply Chain Management Society



Logistics & Supply Chain Management Society (LSCMS), Supply and Distribution Group Launches



Aviation industry's green revamp inevitably risks rising costs



Airlines across the world have pledged net-zero emissions by 2050, putting pressure on the industry to accomplish the goal. This is a task that requires billions of dollars in investment and risks an increase in rates and fares,

The International Air Transport Association (IATA) whose

members account for up to 82 percent of global air traffic, estimates the green transition could cost US\$1.55 trillion.

Airbus hopes to do this by having its new aircraft running on hydrogen, which emits no pollution when burned and hopes to do this as early as 2035.

Fuel currently represents between 20 to 30 percent of airline operating costs. Higher prices would mark a big change for a sector even if it still excludes up to 95 per cent of the global population.

Some 310 million air trips were taken in 1970 and 4.4 billion in 2019.

IATA is banking on the figure rising to 10 billion in 2050 despite the Covid crisis.

IATA declared the cost of air transport has dropped 96 per cent since 1950 due to the introduction of jets in the 1960s, leading to dramatic industry growth, and the 1978 deregulation of the sector in the US.





Global Trade Conference Hit by COVID, Australian Minister Makes Geneva, Canada Hits Out at US Duty Hike

GLOBAL TRADE CONFERENCE HIT BY COVID: The WTO has postponed its 12th Ministerial Conference in Geneva as travel of some delegates was disrupted by the Omicron variant of COVID-19. WTO director-general Ngozi Okonjo-Iweala said travel bans meant participation on an equal basis was impossible.

AUSTRALIAN MINISTER MAKES GENEVA:

Trade Minister Tehan was en-route when the WTO postponed the 12th Ministerial Conference. He continued to Geneva where he met with WTO director-general Ngozi Okonjo-Iweala and senior officials. "We must reconvene MC12 as soon as physically possible," he tweeted.

CANADA HITS OUT AT US DUTY HIKE: The US has doubled to 17.9% its anti-dumping and countervailing duties on softwood lumber products. Canadian Trade Minister Ng has described the action as extremely disappointing and called on the US to stop imposing what she described as unwarranted duties.

HUGE SAVINGS FORECAST BY GLOBAL STUDY: A joint study by the WTO and OECD has suggested a new agreement on

the domestic regulation of the services sector could **provide** annual savings of \$US150 billion. The 67 economies participating in the initiative represent 90% of the world services trade.

US & INDIA REACH DIGITAL AGREEMENT: The US and India have reached an agreement on digital services taxes. The agreement will apply before the full implementation of an OECD agreement. It will enable US companies to accrue against future Indian taxes and the US to terminate additional duties on Indian goods.

AUSTRALIA APPOINTS ENVOY TO BOOST FARM TRADE: Australia has appointed a Special Representative for Agriculture. Su McCluskey will promote Australia's commitment to a rules-based order for agricultural trade. Agriculture Minister Littleproud said market access was vitally important to Australian farmers.

INDIA BUSTS SMUGGLING RACKET: India has busted an iPhone smuggling racket with more than 3600 iPhone-13 cell phones seized in Mumbai. The phones, with a value in India of \$US5.7 million, had been shipped from Hong Kong. The shipment had been declared

as memory cards with a value of \$US106,000.

CHINA LASHES US ECONOMIC TALKS WITH TAIWAN: China predictably hit out at the US for holding a second economic and trade dialogue with Taiwan. Foreign Ministry spokesman Zhao said China deplored and strongly opposed the talks saying the US should abide by the one-China principle.

AUSTRALIA LAUNCHES "NUISANCE TARIFF" STUDY: The Productivity Commission has begun a study to clarify the costs and benefits of "nuisance tariffs." The tariffs raise little revenue, provide negligible protection and impose compliance burdens. The study is expected to be published in February 2022.

PHILIPPINES REPORTS BIG SALES TO CHINA:

The Philippines reports its food sector secured \$US600 million of new sales at the recent China International Import Expo in Shanghai. Forty Filipino food companies participated in the expo. China accounted for 27% of exports by the Philippines last year.



Supplier Risk Management, a Top Priority for Global Procurement Leaders

By Martin Hubert

Supplier management, specifically supplier risk management, is now a top priority for procurement leaders around the globe, trailing only behind cost reduction according to The Hackett Group's 2021 Key Issues Study.

Freight Forwarders and Non-Vessel Operating Common Carriers (NVOCC's) now more than ever need to quickly adapt to fast-changing market conditions and manage risk, evaluate spot options and find solutions to space shortages that have been a byproduct of the global pandemic. While Artificial Intelligence, Machine Learning and Neuro-linguistic Programming was not so common a few years ago, these technologies are here and available now!

Market leaders in this space have been able to make remarkable leaps in the freight technology space by providing solutions to its customers that has helped maintain their supply chain competitive advantage; to name a few:

- AI has helped reduce time of quote by 50% and provided updated ETA information up to 70% earlier than previous notifications.
- Dynamic routing has delivered up to 17% savings on transportation cost spent.

Everyone was caught off guard by disruptions caused by the pandemic and the Suez Canal blockage that had cascading effects into other markets such as semiconductors and pharmaceuticals.

These events sent ripple effects through global supply chains, extending across multiple countries, industries, and product lines, with manufacturing and pharmaceuticals hit particularly hard.

Given the extent of these aforementioned disruptions, a surge in container prices as well as increased demand, combined with less than ideal working conditions has resulted in placing the Supply Chain industry in the hot-seat. The White House has now stepped in, to review American supply chains, further pushing supply chains and supplier management into the spotlight.

Turning to technology such as Artificial Intelligence, Freight Forwarders and other stakeholders involved in the Supply Chain have found that forecasting and prediction tools provide greater market clarity reducing uncertainty for businesses. Predicting arrival times, rates, demurrages & detention times as well

as assisting in contracts discussions given historical data from respective systems with increasing accuracy and thereby minimizing variability when planning ahead is the name of the game.

WELCOME TO SUPPLY CHAIN AI

AI is becoming essential to innovative supply chain transformation. According to IBM's recent report, "Forty-six percent of supply chain executives anticipate that AI/cognitive computing and cloud applications will be their greatest areas of investment in digital operations over the next three years."

Companies have been quickly reacting to the pitfalls that the 2020 pandemic has caused to their supply chain, all of which have expedited the desire to automate and better monitor shipments through the use of technology.

Implementation examples of AI in the supply chain can assist in more accurately determining important dates like ETA and ETDs from different data sources and evaluate, given the historic data for a given vessel, carrier or 3PL the likelihood the date is correct which in turn could trigger internal processes or increase visibility for these shipments. Having good empirical data allows stakeholders to have a higher level of discussion when addressing carriers or customers. The use of models

will allow companies to find and exploit competitive edges that suit your business's practices. For example, should a discount for a given customer be kept or removed if the NVOCC wishes to increase rates to a given trade lane. A model could be used to check if it makes financial sense to request the NVOCC to increase rates in low volume trade lanes as opposed to the large volume lanes and what would be the impact of such change to your budget.

It is fairly common in the logistics industry to find shipments with unexpected overhead costs such as waiting times and unforeseen fees. Unexpected fees are an inherent part of the supply chain as there are too many moving parts to accurately and cost effectively predict what happens at a terminal when picking a container. Nonetheless, AI and Machine Learning can utilize the historical data in your system to assist in predicting waiting times and overhead costs, reducing surprises at the end of the month or even assisting trucking companies to direct their trucks to a given terminal. For example, if your model shows, that the terminal you use have high congestion every 3rd week of the month, your business can re-direct their capacity to other terminals - as opposed to going to a congested port.

The adoption of AI / BI technologies provides valuable insights that will raise the level of discussion internally driving businesses to have a

better understanding of their operations. This in turn leads to more automation, seeking maximizing returns and reducing human input error where possible.

As the intersection of transportation and numerous governmental regulations -- global supply chains have been burdened by enormous amounts of paperwork and bureaucracy making the adoption of new technologies harder.

A common misconception when companies are attempting to implement technologies such as AI and Machine Learning is that these implementations will resolve all issues their current operations have, expecting some sort of black-box solution that provides a remedy to problems without fully understanding the algorithms and thought processes these solutions bring to the table. It is important for companies who desire to make this leap, to fully grasp the added value they present and also the downfalls they might bring as well. Partnering with technology companies who have an understanding of the industry and can help understand where automation is best implemented in addition to the added value these models & predictions bring to the table when discussing business strategies.

IOT TRACKERS & REAL-TIME CARGO MONITORING:

One example is IoT Trackers. IoT trackers can provide greater cargo visibility through all stages of transportation. The ability to record data for your specific containers will allow you to compile not only information about your cargo, but also registers what vessel and carrier being used.

Given enough volume and data, the utilization of this stored information can then be processed and bring insights regarding matters such as: does the use of a certain carrier for a trade lane bring your company better returns? Can we better predict the ETA for shipments? Get automated alerts and triggers in your company's system given a predetermined geo-fence.

The deployment of such solutions generally consists of two basic components, the use and installation and monitoring infrastructure of IoT trackers, followed by the storage and analytics platform which is where models and indicators are developed to suit customer requirements.

The combination of greater visibility and development of bespoke tuned models that take into account stakeholders' workflow are crucial for meaningful results. Having those involved understand that AI-based solutions are not all about programming and code, but mapping and designing decisions based on workflows is key.

Cloud connected IoT Trackers are particularly useful for first mile & last mile -- but also in trans-shipment scenarios as they require cell coverage for timely information reporting. When shipping perishable or temperature controlled cargo monitoring will be paramount. Feeding early warnings into your supply chain analytics will allow for corrective actions before the cargo hits your dock. Increasing capabilities of these devices are making automated AI based reorder processes reality.

DYNAMIC GLOBAL ROUTING AND EXECUTION

Everyone in Logistics and Supply Chain is affected by the convergence of higher than expected demand with the disruptions from the 2020 pandemic all of which culminated to record high shipping rates, severely constrained capacity in all modes and the industry trying to react accordingly. The calls for more Supply Chain resiliency are louder than ever, therefore the ability to evaluate routing and your company's trade lanes strengths and weaknesses become fundamental in bolstering such resilience. Allowing for a mesh-up of Total Transportation Costs when evaluating sourcing alternatives in light of transit time forecasts, available capacity and transportation costs in a consistent cloud supported fashion will greatly enhance an importer's ability to deliver on customer promises, avoid lost sales and improve margins.

Reducing costs of shipping as well as expediting the entire process through route optimization with the use of AI. An example could be having predetermined requirements for a given shipment where AI can evaluate all these variables in seconds and determine the optimized route that meets those demands. As these types of optimizations become more available, other products and awareness of their impact become a common place. Having the shipping industry work on their environmental impact is gaining more importance by the day.

The current global awareness of climate change has resulted in customers being more conscious about their carbon footprint, for many it is a marketing strategy to attract this type of demographic, others are being forced by investment funds and stakeholders who have climate change as a drive. AI powered solutions can help you compare routing options across modes as well as leg combinations with ease using a single API call or interactive user query in the cloud platform. By capturing CO emissions per leg and if possible reloading events, one can begin to measure their carbon-offset, demonstrating the commitment to the cause to regulators and stakeholders.

USES OF NATURAL LANGUAGE PROCESSING (NLP)

A common issue in the Supply Chain and many businesses is how communication is done. The shipping industry is notorious for the vast amount of emails exchanged on a daily basis requesting updates, document deadlines, quotes amongst others. Natural language processing is a field in AI and Data Science which addresses processing and understanding text or voice data to respond accordingly, mimicking a human interaction with the machine.

The use of NLP could be applied to a company's workflow to address for example the large influx of emails by detecting requesting quotes, an update about a Master Bill of Lading or requesting a document. The ability to determine correctly what was requested and then trigger the response accordingly allows staff to focus on other matters, such as how to streamline the communication through other tools and developing better workflows, as opposed to

wasting time responding to email requests that could have been automated.

NLP has also been a big support to service desks and customer relationship management tools with automated web-chats that assist on redirecting questions to the correct departments expediting the experience and response to customers requests.

STRATEGIC RFP PROCESS

A least obvious application for AI is the ability to model Carbon Emissions over different transportation options. As Carbon Emissions and sustainability are regaining momentum for global supply chain networks and becoming a sales differentiator for many — collecting relevant information during an upcoming RFP is a great starting point. Being able to collect and model based on CO2 impact has become important both on the buying and selling side.

As companies are either forced by legislation to meet CO2 emissions or truly adopt the ethos of going green, the need to measure and report on their impact becomes an important aspect of RFP processes as well as the difference between securing or not the RFP. Customers are more aware of their environmental impact which in turn drives companies to choose to have "greener" solutions even if at a slightly higher price, as those products usually can charge a premium for being green.

As the freight industry evolves, innovative companies all around the world are coming up with creative ways to improve the impact on the environment. Re-engineering the way we transport goods internationally and domestically to advance the health, safety and our future.

DEMAND PREDICTIONS

The entire Supply Chain industry revolves around un-



derstanding demands, be it from customers or carriers. As opposed to being reactive and only responding to the market's demand, companies have more and more relied on large data to predict and therefore become proactive as opposed to reactive.

Finding the correct partner with experience and ability to understand your company's requirements becomes paramount to the successful use of AI

Understanding what has changed that has allowed the large adoption of AI has to do with how cheap storage has become as well as the processing power of modern computers. The statistical methods used in machine learning have migrated from pure academia to real world applications thankfully to open-source tools and easy integration with cloud solutions.

It is believed that to be able to implement AI solutions, large amounts of data is required. To some extent that is correct, the amount of data a carrier stores about their operation is vastly larger than what is expected from a small freight forwarding

company. Predicting demand for larger data sets can be easier but statistical methods like bootstrapping and bagging can be used on small data sets to replicate and mimic the data set to generate more data points that follow the general trend of the original data set. All of which makes the use of AI and Data Science more accessible to smaller and mid-size companies alike.

The ability to predict demand and demand forecasting allows companies to maximise their efficiency for different departments, allowing management to make better business decisions based on empirical data. We foresee that shippers that are able to accurately predict their shipping volumes will be able to get better space commitments and rates from carriers as predictable, planable capacity utilization also helps carriers maximize asset utilization.

FINAL REMARKS

The Supply Chain industry is at the cusp of a great transformation, the leverage and convergence of technology to support and inform the industry are here to stay and the companies that adopt these practices the best are the ones that will survive, simply due to their competitive advantage.

AI helps forecasting demand, expediting the communication through automation, provides optimized routes to customers, models CO2 consumption

for greener decision making among many other solutions.

Finding the correct partner with experience and ability to understand your company's requirements becomes paramount to the successful use of AI to leverage your business into the Industry 4.0.

ABOUT THE AUTHOR

MARTIN HUBERT



Martin Hubert was born in Germany. He sold his first program at age

16, then went on and studied computer science. While at the university, He started a software company selling custom software solutions. After graduating with a Master and MBA he did a short engagement in New York, NY at a freight company whose president afterward offered me a job as Director IT. In 1994, his independent Internet quest began by founding a company that focused on providing track and trace capability over the internet through establishing EDI capabilities with carriers. We spun-off Freightgate in 2000 with a vision to provide a focused platform that improves the life for logistics companies and shippers.

Driven by a passion for innovation and never-ending improvements. Leading a team that strives to provide innovative logistics solutions, fostering global collaboration and productivity, while building a highly configurable platform with a global-by-design philosophy. Martin will continue to deploy technology to find smarter ways to solve today's and tomorrow's supply chain challenges.

A large white cargo aircraft, likely a Boeing 747, is parked on a wet tarmac. The aircraft is viewed from a low angle, showing its massive size. The tarmac is wet and reflective, and the sky is overcast with grey clouds. The title text is overlaid in the upper half of the image.

Freight Outlook and the Airfreight Industry

By Mark Diamond, Vice President, SASI

The COVID-19 pandemic has led to enormous changes in the global air cargo industry, with significantly higher revenues and returns than ever before. The future outlook for air cargo remains strong. Cargo is likely to represent a higher share of revenue for the airline industry as a whole well into the future and a critical contributor to the profitability of passenger aircraft operations.

AIR CARGO DEMAND CONTINUES TO GROW ABOVE PRE-PANDEMIC LEVELS

Air cargo demand has been much more resilient than passenger demand since the onset of COVID-19. Cargo volumes fell more than 25% in the early days of the pandemic — largely due to a sudden shortage of belly capacity on passenger aircraft rather than underlying demand issues — then rebounded quickly. As of September 2021, global cargo tonne-kilometers (CTKs) were about 9% higher than in September 2019. In contrast, global passenger traffic fell as much as 94% at the beginning of the pandemic and was still 53% below pre-pandemic levels in September 2021.

As a result, air cargo's importance to the global airline industry has increased dramatically. Cargo revenues are expected to account for a third of global airline industry revenues in 2021, compared to about 10%-15% pre-pandemic.

A number of factors have driven air cargo's growth during the pandemic, including supply chain disruptions in surface shipping causing a temporary shift of cargo volumes from surface to air transport. However, a more long-lasting driver of air cargo demand growth has been the exceptional increase in e-commerce shipments. Even before the pandemic, e-commerce sales were growing at more than 20% per year worldwide, but COVID-19 has greatly stimulated online buying: in 2020, global e-commerce revenue increased by 26%. Online buying is expected to grow robustly well into the future, with e-commerce projected to capture a 25% share of global retail sales by 2025, up from 14% in 2019.

AIR CARGO CAPACITY REMAINS WELL BELOW PRE-PANDEMIC LEVELS

Prior to the pandemic, nearly half of global air cargo was carried in passenger aircraft bellies. However, as passenger demand plummeted during the pandemic, airlines responded quickly by parking their aircraft. Global passenger capacity, in terms of available seat-kilometers (ASKs), fell by nearly 90% in the spring of 2020. While passenger capacity has been added back since the early days of the pandemic, ASKs were still 44% below 2019 levels as of September 2021.

The reduction in passenger capacity has caused an enormous and continuing loss in

belly capacity for cargo, with more than 40% of global air cargo capacity disappearing early in the COVID-19 crisis. Total cargo capacity, in terms of available cargo tonne-kilometers (ACTKs), was still 9% below 2019 levels as of September 2021.

With burgeoning demand and a continuing capacity shortage, cargo load factors and yields have skyrocketed and remain elevated. Global cargo load factors increased from 46% in September 2019 to 55% as of September 2021. Global cargo yields in 2020 were about 56% above 2019 levels on average and were much higher on certain trade lanes; freight rates more than doubled from Europe and Asia to North America.

The spread of the COVID-19 delta variant in 2021 has meant that the supply-demand trends first seen in the first half of 2020 continue unabated.

DEMAND FOR FREIGHTERS IS BOOMING

There has been extraordinarily high demand for freighters during the pandemic to make up for the lost passenger aircraft belly capacity, and freighters are being used more intensively than ever. During the three months ending July 2021, freighter ACTKs were up 28% compared to the same period in 2019.

Not surprisingly, there has been a boom in conversions of passenger aircraft to



Demand for Freighters is Booming

freighters, taking advantage of the current high availability of passenger aircraft feedstock at low acquisition costs and the overall attractiveness of the air cargo market. Between May 2020 and February 2021, nearly 200 narrowbody and widebody freighters were added to the world fleet, including new-build aircraft, new passenger-to-freighter (“P2F”) conversions and existing freighters re-entering service from storage. There are now three separate announced programs to convert 777-300ERs into freighters, with multiple conversion lines being established to meet demand.

In addition, numerous airlines have temporarily converted

their underutilized passenger aircraft into cargo-carrying “freighters”, in some cases removing some or all of their seats in order to accommodate more cargo on the main deck. However, these aircraft are expected to be placed back into passenger service as the pandemic wanes and passenger demand returns. Freighters are less efficient than pure freighters, with volumetric and weight payload restrictions, and no ability to accept full-size pallets on the main deck. Freighters also cannot accommodate certain types of high-value cargo, such as hazardous items.

INDUSTRY OUTLOOK

Boeing projects that global passenger demand will not return to 2019 levels until 2024. While domestic travel has recovered considerably, long-haul international passenger travel continues to lag, constrained by the slow pace of reopening borders, increased business sensitivity to controllable travel expenses and the widespread use of online videoconferencing as a substitute for business travel during the pandemic.

As long as passenger traffic remains below pre-pandemic levels and passenger aircraft remain underutilized, there will be a continued capacity squeeze in air cargo. The recent popularity of new

long-haul-capable narrow-bodies may have an additional impact: aircraft types such as the A321LR, A321XLR and 737 MAX can operate efficiently on long-haul routes between the eastern US and Europe, but offer only a fraction of the belly cargo capacity of widebodies that have dominated such markets to date.

The bottlenecks in global supply chains and soaring container shipping rates look likely to continue well into the future, with some cargo volumes continuing to migrate from surface shipping to air, putting further pressure on air cargo capacity.

We project that cargo load factors and yields will remain elevated as a consequence, and demand for freighters will continue to be strong for years to come.

Air cargo demand growth is likely to remain robust through much of this decade, driven by a rebounding global economy as well as continued growth in e-commerce demand. Amazon Air's growth shows no signs of stopping, with its own-controlled freighter fleet increasing to more than 80 aircraft since its launch in 2015, and other global e-retailers are expected to build own-controlled capacity as well. JD.com has announced plans to operate at least 100 freighters by 2030. Smaller e-retailers are expected to continue to increase demand for shipments on passenger and all-cargo airlines as

well as on integrated express carriers.

Other developments bode well for future freighter demand, with traditional participants in the air cargo industry modifying their business models to include freighter operations. A number of passenger airlines, including WestJet, Air Canada, LATAM, S7, IndiGo and AirAsia, are adding freighters to their fleets to take advantage of growing cargo demand, reversing a decades-long trend of passenger airlines divesting their freighters. Several large global freight forwarders, including DHL Global Forwarding, DSV, CEVA, Geodis and Flexport, have launched own-controlled air freighter operations. Container shipping company CMA CGM, the parent of forwarder CEVA Logistics, has ordered 777 freighters and plans to secure its own air operator's certificate in 2022. The container shipping giant AP Moeller-Maersk is expanding its footprint in air logistics with the acquisition of air freight forwarder Senator International and an order for 777 freighters.

While the overall outlook for air cargo demand is healthy, there are some longer-term threats, including the potential for some lower value, less time-sensitive air cargo to migrate eventually to surface modes. One example is the Asia-Europe trade lane, where China's Belt and Road Initiative is stimulating investment in rail, road and maritime infra-

structure, increasing the long-term potential for modal shift from air to surface.

CONCLUSION

The air cargo industry developments described here are durable and will continue as long as there is strong consumer demand for e-commerce. Passenger demand will return eventually once the pandemic ends, bringing with it an increase in belly capacity. Nonetheless, cargo's share of total airline revenue likely will remain more important than before the pandemic. We expect air cargo to play a more significant role in passenger airline strategic decisions going forward and it will attract additional investment across all elements of the service chain, in the air and on the ground.

ABOUT THE AUTHOR

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WRAPPING UP LOGISYM LIVE

Industrial Transformation

INDUSTRY 4.0

IT'S A BLAST! The much awaited LIVE conference kicked off last November 22 and spearheaded by notable speakers from the Supply Chain Industry.

November 22-24, 2021



ITAP LogiSYM 2021 was a welcome change from the virtual events that have become standard on our calendars, and we continued to embrace technology to bring hybrid delivery. Thank you to those who made it happen and took time out of their schedules to attend.

We had a solid start to the event with Ms. Cheryl Chan Wei Ling, PBM Member of Parliament for East Coast GRC and Group Strategy & Sustainability Officer ST Engineering, who invited us to disrupt ourselves. This idea was carried through with emphasis on the need to develop strong ecosystems and create partnership collaborations to build up the capability to create agility. We were also asked to challenge the status quo to move with markets to build flexibility, which I think we all agreed will be necessary over the coming years. Integrating within and between

organizations, ensuring that the data available supplements the people, the process, and the ecosystem we work with, and creates a digital-first culture.

Digital cultures are becoming increasingly crucial in supply chain organizations, and this was a critical message that was conveyed. Organizations require that supply chain personnel develop the ability to get in with the data, be an analyst of data, and be curious to support the supply chains of the future. Being digital-first is necessary to ensure we have supply chain flexibility and resiliency and attract the best employees. We need to align with the ideals of a new generation, and that requires a work environment that looks like the 2020s and supports sustainability, inclusivity, and equality.

We also heard that while we work towards a digital-first culture, it is vital that we acknowledge that it is to a view to augmenting human capabilities that we undergo transformation journeys. While we balance the investment priorities between capacity and digital capabilities, including data and analytics, physical automation, artificial intelligence and machine learning, we need to ensure that the focus is on capitalising on human skills. These include the ability to solve problems and cultivate relationships, skills that we have relied on heavily over the last 2 years, as well as developing digital leadership capabilities.

Lastly, as we move into 2022, we acknowledge a strong push towards visibility and transparency, but what do we do with that visibility? Ensuring that we use this visibility to deliver on the flexibility and resilience that we heard is a requirement throughout ITAP-LogiSYM 2021 will be vital to building intelligent, adaptable supply chains of the future, ensuring we can deliver on our promises, and meet our customer expectations.

Thank you again to everyone that supported ITAP-LogiSYM 2021. We know time investment is a significant investment for those who attended, and I hope you found it a good investment. Thank you.

Stephanie Krishnan
ITAP-LogiSYM 2021 Chairman
LSCMS Advisory Board Member

*Associate Vice President,
Manufacturing & Energy
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2021 E-Commerce Holiday Shopping Predictions and Trends

The holiday season is soon approaching and this marks the beginning of the peak season for retailers. Having gone through almost 2 years amid a pandemic, the retail landscape has evolved tremendously. Many new trends have emerged, and new consumer habits formed.

With peak season last year being a record-breaking one for many, what can retailers look for during this year's peak season? With vaccination roll-outs, are there any new trends that retailers should know about before entering this peak season? Check out a list of trends below that we think will emerge this holiday season.

1. HIGH DEMAND, LOW SUPPLY, INCREASED PRICES

This holiday's retail sales are expected to increase by 7-9% according to Deloitte's annual holiday retail forecast. Having missed out on the regular celebrations last year, many seem to be ready for an expensive revenge holiday season.

While retailers would have no issues with getting customers to shop, they might face another challenge in filling their shelves. Larger retailers such as Walmart, Home Depot, and Ikea resorted to chartering their own ships, while others opted for the higher-priced air freight to ensure their goods can be delivered on time.

The increased shipping cost and scarcity of products may in turn lead to higher prices for consumers. Hasbro, for instance, has increased its

prices to make up for the rising freight costs.

2. PUSHING EARLY HOLIDAY DEALS

As the saying goes: once bitten, twice shy. Concerns surrounding the supply chain crisis and shipping delays have weighed on consumers' minds since the beginning of the pandemic, driving them to start holiday shopping earlier. According to ICSC's Annual Holiday Shopping Intentions Survey, 75% of shoppers are planning to shop earlier this year.

We have seen this trend emerge since 2020 with an 8% rise in holiday spending as early as November compared to 2019. However, we might be seeing an even earlier rise this

year. 8 in 10 shoppers claimed that they would shop earlier if brands started to offer promotions before Black Friday.

3. POP-UP STORES & POP-UP FULFILLMENT CENTRES

To make shopping more accessible for consumers, many retailers have launched pop-up stores during the holiday season as temporary storefronts. An example that Target did in 2019 was a Christmas pop-up that allowed shoppers to touch and feel the products and place orders online through their devices, connecting the physical and online experience. As vaccination rates continue to increase around the world, we might see retailers returning to pop-up stores to boost holiday sales this year.

In addition to physical pop-up retail stores, high volumes of e-commerce orders have led big retailers to create pop-up distribution centers to fulfill deliveries. For example, we saw Walmart opening these fulfillment centers last year across their 42 existing regional distribution centers.



4. BUY ONLINE, PICK-UP IN-STORE (BOPIS), AND COLLECTION POINTS

With ongoing labor shortages to fulfill the peak shopping demand, BOPIS and collection points are retailer must-haves. This reduces the stress put on logistics partners to fulfill individual deliveries and allows orders to reach customers efficiently and at their convenience during the busy period.

In peak season 2020, 53% of shoppers opted for BOPIS or curbside pickup for their orders. The click-and-collect retail sales amounted to US\$ 58.52 billion in 2020 alone, and this number is forecasted to reach US\$ 74.24 billion in 2022.

5. INCREASED FOOT TRAFFIC AT PHYSICAL RETAIL STORES

Bain's 2021 Holiday Shopping Outlook projected in-store sales will grow at a 5% rate this year, whereas e-commerce sales will grow at 2%. More people are looking to shop in-store this holiday season.

With the challenges in the supply chain, retailers should make early preparations for the spike in demand. When the peak season comes, retailers should be ready with enough manpower and goods to serve their customers.

OMNICHANNEL RETAIL STRATEGY IS KEY

Despite the uncertainties brought about by the

pandemic, there is one thing we can be sure of: shopping behaviors will continue to change. Retailers should be ready to adapt to new trends, changing circumstances, to ultimately deliver a great shopping experience to their customers. The common thread among the trends we have highlighted above is the need for a strategy that combines the physical, and digital aspects of shopping, i.e. having an omnichannel strategy. We believe that the most successful retailers this peak season will be the ones who are able to enable customers to have a frictionless experience regardless of which channel they may choose to shop from.

For more exclusive reports, insights, and interviews on the latest updates in e-commerce and logistics, follow us on LinkedIn or join our community as a member



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Grow Your Brand Through Platform Partnership



Consumers trust recommendations from third parties more than they trust a brand itself. 70% of people will trust a review from a complete stranger as opinions and recommendations are by and large more influential when they do not come from the source itself. Additionally, most marketers include company logos and testimonials as proof on materials pages to strengthen trust and influence visitor behaviour.

LogiSYM offers marketers a range of promotional options to reach your target audience, generate quality leads and increase conversion rates.

The combined magazine platforms of LogiSYM and CargoNOW offer one of the largest circulations globally and are the biggest in the Asia Pacific region. Coupled with this, LogiSYM and CargoNOW hold world-class symposiums in various parts of Asia and the Middle East and have been doing so for more than 8 years.



The online presence of the brands is second to none and this is further strengthened by our high visibility on social media such as Facebook and LinkedIn.

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- ✓ Articles in two of the largest circulation supply chain publications globally
- ✓ Press-releases
- ✓ Webinar sponsorships
- ✓ Online advertising
- ✓ Industry led symposiums across the region
- ✓ Surveys & survey analysis
- ✓ Advertisements in two of the largest circulation supply chain publications
- ✓ Online articles
- ✓ Content syndication
- ✓ White label reports and thought leadership articles
- ✓ eDMs
- ✓ Social media – LinkedIn, Facebook, You Tube

When working on the Influencer / Platform Partnership, partners have the opportunity to choose which options they feel will give them maximum reach and success and planning and pricing will be structured along the desired activities. Contact Harjeet@logisym.org for more information.