Lead Partner Task Leader Project

Project name: **Baltic.AirCargo.Net**
Improvement of the air cargo transport sector by
service oriented ICT-methods and processing logistic network

Project ID **#050**

Report

WP 3.2 Expert Interviews – results and findings along the Baltic Sea Region

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Task #	3.2 – ICT Infrastructure
Task Leader	HCN e.V. – High Competence Network
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1. Goal and relevance of the output

Work Package 3.2 supplies the background of WP 4 (ICT – Platform). The aim is to analyses the current situation of Air Cargo related ICT Infrastructure, used standards within the process chain as well as the methods of the Air Cargo business. Furthermore it should point out the bottlenecks of the Air Cargo business processes and therefore shape the idea of the BalticAirCargo.net platform.

According to this report it's to say, that it sums up the main findings of the regional reports. If there is more detailed interest in regional profiles, there are regional reports of the interviews available. Those are stored at the intranet of the project related website (balticaircargo.net).

2. Methodical background and database information

The primary data collection was organized together with the survey of WP 3.1 caused by the similar focus group, to reduce double questions, to reduce the timeslot of the interviewees and to give the interviewer the chance to get an overall picture of the Air Cargo business in its region.

The data collection was built up as an Expert Interview. Therefore a Guideline[1] was prepared to fix the recurrent themes and to ensure that the output of the Expert interviews will be comparable.

The Guideline provides mainly open questions. Those where organised in three theme Fields of Interest.

- FIELD OF INTEREST A: General Business Information
- FIELD OF INTEREST B: Process chain and information flow
- FIELD OF INTEREST C: Core Competences

Participating regions of the WP 3.2 Expert Interviews were Latvia, Lithuania, Estonia, Poland, Sweden and Finland. 17 Interviews were held in total and supported by qualitative data as well as Interview outputs from Germany. The Expert interviews took place in the period between November 2011 and January 2012. The target groups of the interviews can be classified as freight forwarders, representatives of cargo handling terminals, Cargo Service provider, representative of airlines and airports itself. All interviewees were mid-level or top-level managers and were showing extensive knowledge about the Air Cargo market.

country	Number of interviews	Responsible interviewee
Latvia	2	Igor Kabashkin, Latvian Transport Development and Education Association kiv@tsi.lv
Lithuania	2	Paulius Kutys, Klaipeda Science and Technology Park Paulius.Kutys@kmtp.lt
Estonia	6	Tarvo Niine, TUT tarvo.niine@ttu.ee Tonis Aadli, TUT t6nis@yeah.ee

[1] Guideline is available at the intranet of project website: balticaircargo.net

Poland	4	Malwina Konieczna
Sweden	3	Fredrik Backman, Linköpings Universitet, fredrik.backman@liu.se
Finland	1	Siren Jukka

3. FIELD OF INTEREST A: General business information

To get to know the business structure of the Air Cargo relevant focus group better. The Field of Interest A gathered information about the general structure. As main cornerstone the numbers of employees, expected sale volume and the number of serves customers were been asked[2]. For the studied Baltic Regions the following overall picture were sketched.

Due to the fact that the Interview was qualitative based and the focus wasn't to get quantitative data, the numbers has to been used carefully. Those figures are not been able to picture the whole Baltic region, but seem to be useful to characterise the interview group.

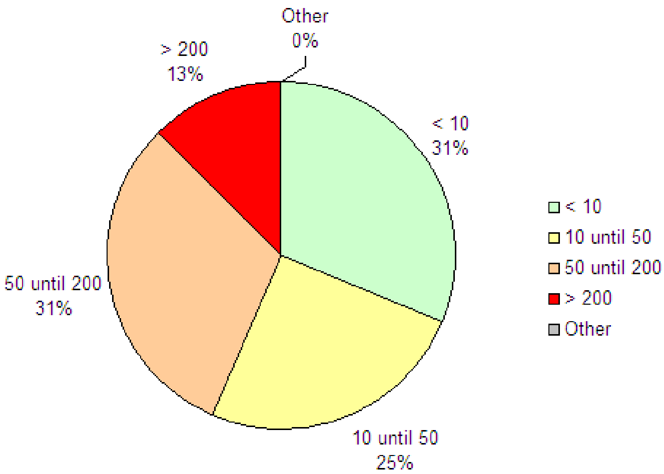

Figure 1: Numbers of employees employed by the companies interviewed

Figure one showed the diverse company structure in terms of employees. Noting the mark in the Estonian report, those numbers has to be handled carefully. *"However, it is important to note that specifically in air cargo operations all companies have less than 10 employees"* [report Estonia]. Basically it is to estimate, that the actual number of employees in the Baltic Region range from less than 10 people.

In the second figure, it is clearly recognisable that the focus is on serving in the wide range of 20 until 100 customers. Having a look to the original interview data the number of customers seems quite high estimated by the interviewee. The interview group from Estonia marked in their report that one of the companies interviewed

[2] Quantitative data in terms of the Field of Interest A were not been offered.
The total numbers of companies been asked n = 17

indicated that their turnover are mostly generated by 3 customers. Those structures of customer relation are pointed out in the other reports too (see Poland ...).

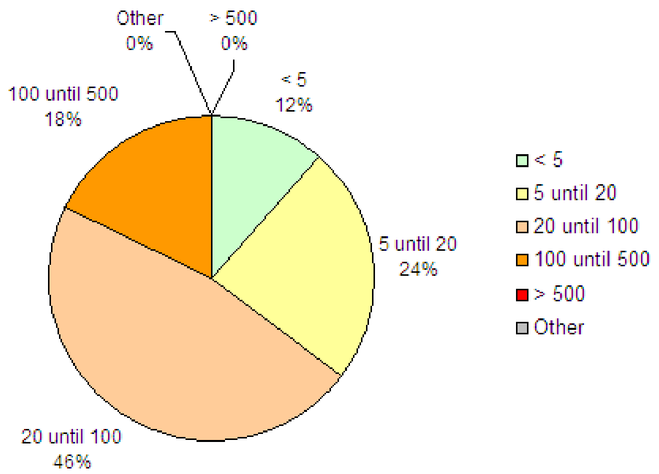

Figure 2: Numbers of customers are served by the companies interviewed

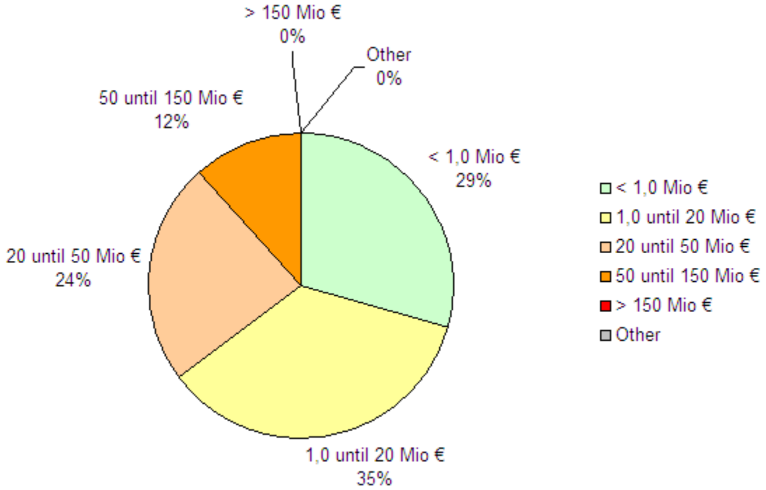

Figure 3: Range of expected sales for the year 2010 (regional) by the companies interviewed

The figure, created by the question: In what kind of range are your expected sales for the year 2010 (regional?), shows a diverse ad spread picture too. A closer look to the country itself is maybe helpful to understand how to deal with those numbers.

By comparison global acting air cargo companies and those rude gathered information of the focus group the low developed air cargo structure level in the interviewed Baltic region is exposed. There is just a small served custom group and the focus on the air cargo business is quite low developed.
According to the project aims and the added work package number four, the different causes of low air cargo rates and lower rate of customers has to been investigated. Based on the idea of providing better communication structure between members of the process chain the focus on the WP 3.2 expert interviews is concentrating on the communication structures (INTEREST B and C).

Due to the aspect ob different political and developing structures the air cargo sector should seen in a regional scale. There fore the regional reports should consider by evaluating task WP 3.2. But nevertheless there are some common phenomena that covered all regions investigated.

4. FIELD OF INTEREST B: Process chain and information flow

Concerning the process chain and workflow process there is to say, that the communication is moving constantly into a digital world. Even if there are wide ranges of the developing und usage of digital data within the target regions, there is the trend of digitalisation. An outstanding position in this term has Finland, were about 90% of the air cargo business is handled by e-booking systems. This is mainly caused by the forcing of big airline players like Lufthansa

"Lufthansa is forcing clients to use ebooking in Finland – when you are not using ebooking, you must pay extra. [INT, EE].

Beside that most of the business is handled by email or Skype. Data Exchange format and communication tools are (ranged by importance):

- e-mail
- Skype
- Phone
- EDI

Standard forms or documents are used rarely. Information exchanged is for example:

- price
- size
- weight
- quantity
- type of goods
- Deadlines
- conditions of service
- shape of pallets or packages,
- gross weight
- regulations
- shape

"*Within the supply chain many document forms are widely used: master airway bill, house air waybill, flight information, pricelists, cooperation contracts, reclamation notices, notifications for warehouse and customs. Many of these documents still exist on paper*." [Niine, EE]

[INTERVIEWEE ESTONIA] A few years ago there was an initiative to tranform the entire information chain (IATA eFreight), but it hasn't come to life here. It seems some countries were not ready for that yet. We would be and we reckon for most of the Estonian operations, eFreight wouldn't be too great of a challenge.

The general communication flow in the air cargo supply chain was evaluated to be good. Differences between the ratings are may caused by the type of company. For a clearer picture more companies should had been interviewed. However, there is a small tendency that the communication flow with administrative levels (like customs) is rated a little lower in all regions.

Asking about the bottlenecks within the supply chain paperwork, accessibilities of outside services (especially at night) and imperfect regulations (customs) are one of the most mentions during the interviews.
Improvements within the air cargo sector and the process chain are mainly seen in common e-Services and regulation correction. So work can go on efficiently and faster.

Concluding, there is seen a potential by the interviewee of eFreight services and standardized electronic systems and data exchanges (including customs) to improve the state of the art situation in the air cargo sector.

5. FIELD OF INTEREST C: Core Competences

The major core competences of air cargo service provider are their knowledge of the market. Further, using that knowledge to provide a fast, quick transport as well as providing value adding services.

"Hence the competency lays in both understanding the market, empathy towards customer needs and dedication to serve customers with information asap." [Niine, EE]

[Interviewee, EE] *Another aspect of competitive advantage is offering customers with information about backup plans - not only price and time is relevant, also frequency – if something happens, how long do I have to wait.*

The targets of daily business and additional service offered are:

- *The most important target is success and satisfaction of the clients and comprehensive services.*
- *We point to good contact with the customer and flexible adaptation to its needs*
- *use our own airplanes*
- *We can offer very short time between order and execution due to deployment of aircraft in all Polish airports.*
- *The smaller company the faster and more effective is your transport*
- *Knowledge regarding the forwarding business making it possible to fulfil customer requirements*

In every region the service provider are developing their core competences. But the understanding by doing that has a wide spread of quality. In below you will find some examples:

- *information systems*
- *membership in the network of agents WCA (World Cargo Alliance), IGLN*
- *Certificates ISO 2800, 9001*
- *WSK, AEO, new own offices in the Far East*
- *Annual renewal of certificates*
- *permissions, continues airworthiness management*
- *attention to the qualifications of crews*
- *Learning by doing*

6. Conclusion

Developing an own eFright System is not realistic, caused by the pressure and force of the bigger airline or airfreight companies. According the base work for WP there is to point out , that the focus of the functions within the balticaircargo.net platform should focus on ….

- Clustering knowledge
- Business partnerships
- Additional services

For Airports it should be important to create a competence cluster, by gathering different kind of service providers, knowledge, administrative competence, value adding services and infrastructure. Because summing them up in one geographical area – knowledge transfer, business ideas etc. will appear by their selves.

Regarding the results of WP 3.2 HCN developed an additional concept for the Air Cargo business environment that covers the IMOTIRS basic ideas, new concept ideas as well as future discussion bases. The idea is to bring the different kind of process flows and communication and business needs together. A frame for this is the “Airport cluster”. With in the cluster concept it is easier to understand different stakeholder, service provider and customer needs and find a concept that suites even international scales. The airport itself as a geographical frame equipped with infrastructure, services, human resources, technical resources. It is creating an Air Cargo related competence centre/ logistical centre that interacts with its environment. Effects identifying airports and their business potential based on the cluster concept are for example local buzz and global pipes. Due to the fact that the individual players are brought together and a new identity can be created. The final step those concepts can reach is to brand their selves.
This idea is not the base of the workflow structure. That is builded up in WP 4.2. Due to time and the kind of work it is not finished and has to been understand as an iterative process will form the functional base for balticaircargo.net.

7. Attachment

(Regional reports see intranet of the Baltic Air Cargo webpage: balticaircargo.net)