

## **Will European All-Cargo Airlines have a future?**

*Frankfurt, July 05, 2010* – Low freight rates, high fuel rates and high costs for pilots: European all cargo operators seems to have a disadvantage against their rivals e.g. from the Gulf States. Rumours at Air France to continue in phasing out their full freighters, uncertainty at other European majors such as KLM or Lufthansa Cargo whether they'll keep their current fleets of full freighters bring up the question whether it makes commercial sense to maintain their fleets or whether this field will be left to non-European providers in the future. Even if European manufacturers are demanding a first class air service, their willingness to absorb costs is very little and rates are low. Loyalty seems at an all-time low.

### **We have our visitors for their opinion whether European all cargo providers have a future?**

With a low participation of 288 visitors only, 82,6 per cent of our poll guests decided to vote with “Yes”. As our polls are anonymously made, we unfortunately cannot make any statements which occupational group has voted pro or con. But at only 17,4 per cent of all votes saying that there is no future perspective for European all cargo carriers we assume that this presents a clear statement. Just recently avainform has made an extensive analysis of market share development on the popular Europe-China trade lanes. Because of all the new start-up airlines in Asia, European carriers have lost some ground over the past five years. Our research has also shown that this was mainly driven by higher rates on eastbound routes over their Chinese rivals. On westbound business, space availability remains a key issue and European carriers are obviously considered as “a better choice” because of their pan-European distribution capabilities and more effective ground handling facilities.

Especially places such as Frankfurt or Luxembourg have been named once reliability is a priority while in particular Amsterdam was mentioned if price has the utmost priority. Interestingly smaller or regional airports are out of the radar for most exporters due to missing infrastructure or far higher re-distribution costs within Europe.

The research team of avainform is in agreement that there is a good future outlook for European carriers, if they do the right things together with their forwarding partners. Let us describe of how this could work also on the Europe-China trade: like elsewhere, the lion share of the freight volume shipped to China is under the control of just 20, mainly European forwarders. And the relationship of key personal between European airlines and European forwarders is extensive enough to ensure that both will continue in solid partnership. On the other hand, the Chinese market is pretty much fragmented with ten-thousands of very small, small and medium-sized forwarders while the global Top League is in control of less than 1/3 of the freight volume back to Europe. This leaves plenty of room for growth for new players in this segment. There are a couple of airlines flying between China and Europe with 5 or less airplanes, having neither a feed or de-feed network. Nevertheless they may help smaller and unknown forwarders to aggressively compete against larger rivals, mainly on price. We also tend to say that the Chinese companies will work together at a higher level of loyalty but this might be one of their future disadvantages as European carriers know already for years, that there is no loyalty in this business.

Our records from earlier research work also indicate that global coverage plus a large fleet is important to maintain a strong relationship between a forwarder and an airline. All European majors have extensive networks, covering almost any point on earth – frequently and reliably.

But as shippers are getting more price concerned these days, European major cargo carriers may have to re-think their mid- and long-term strategies. They have certainly their lists of USP's but are they good enough for the next 5 to 10 years? Changing of strategy does not necessarily mean that price reductions but what else can they deliver which separates them from these new Chinese rivals? We will possibly notice more extensive talks between the forwarders product managers and the air carriers strategy staff in the nearby future: both are linked into the same battle and both must ask themselves of how to effectively compete against low-price competition in the future. We know from major manufacturers of goods that they require reliability and that they are willing to pay for – but they are no longer willing to pay higher prices if they will not get an advantage over the lower priced non-European competition.

**About avianform:** As one of the most specialized consultants in researching market data, trends and developments of the global Air Transport Community, avianform enables air carriers and other providers of Air Transport Services to anticipate changes in their competitive environment. As experts with diverse backgrounds in the Air Transport Industry, avianform understood right from the beginning that generally the complete data required for meaningful analysis in the airfreight and transportation industry simply does not exist. avianform address this data gap by building databases that quantify trade and freight transport demand at a highly granular level while remaining consistent across geographic limitations. Maintaining an extensive collection of traffic and economic data and providing unique analytical tools, avianform enable Air Transport Industry organizations to employ information as a strategic asset.

On behalf of its clients avianform instantaneously observe the latest developments in civil aviation, accumulate such information with customer-internal data and analyze the results to improve its client's business performance enhancement process. This will support managers both foresee risk and identify new profit opportunities that will lead to sustained, above-average growth.

Contact: Dirk Steiger, Principal and Managing Director  
dsteiger@avianform.org - +49.69.130.21610

Dr. Uwe Schomaecker, Chief Technology Officer  
uschomaecker@avianform.org - +49.69.130.21620

Visit our web presence [www.avianform.org](http://www.avianform.org)

**Legal Disclaimer:** Although every effort has been made to ensure accuracy, avianform GmbH shall not be held liable for loss or damage caused by errors, omissions, misprints or misinterpretation of the content hereof. Furthermore avianform GmbH expressly disclaims all and any liability to any person, whether a purchaser of this compilation or not, in respect of anything done or omitted, and the consequences of anything done or omitted, by any such person in reliance on the content of this compilation. No part of this compilation may be reproduced in full, in any form and by any means.