

# The amazing China's airfreight procurement model

- The Neutral Master co-loader
- The truth behind China's unstable airfreight rates



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# The Airfreight Wholesaler | Neutral Master Co-loader

- Neutral airfreight wholesale and brokerage is the systematic series of actions, operated by intermediary wholesalers ( Consolidators and Master co-loaders ) by which logistics companies can purchase cargo capacity and procure wholesale rates less expensive than offered by the carrier
- Fundamental purpose of an international airfreight wholesale business is to provide value added international airfreight service exclusively to freight forwarders and transport related companies .



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## The Airfreight Wholesaler | Western Model

- The operation varies, and results differ widely in different parts of the world . In the West this is achieved by consolidating many shipments in one single Master AWB ( lose or ULD ) taking advantage of the lower rate per kilo offered by the airline for higher weight break .
- By combining dense and volume cargo in to the same consolidation .
- Through BSA CPA agreements at a lower than market rate signed between the carrier and the wholesaler .



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## Neutral Master Co-loader | Eastern Model & China

- In Asia this can be achieved by consolidating dense and volume cargo for several destinations , and under multiple Master AWBs into one or more BUP airline pallets .
- By combining and mix dense and volume cargoes on multiple airline pallets virtually , taking advantage the equalization period ( EQ ) offered by the carrier , in order to maximize the capacity of the pallet with out exceeding it's physical weight , and to aggregate pallet's actual weight over a period of days .
- Through dead BSA CPA agreements at committed tonnage per month at a lower rate than offered to the market by the carrier.



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# BSA - CPA BLOCKED SPACE AGREEMENTS

- Airlines sell most of their capacity at an all - year around, or under 3 seasons - basis to , a maximum of 10-30 airfreight companies ( Known as Master Co-loaders ) under soft or hard blocked space agreements , and under ULD and EQ (Equalization) period basis.
- Special rates apply but on a fixed monthly tonnage and EQ period negotiation



## **EXAMPLE**

If a contract states 300 tones a month and agent delivers 200 tones - airline will charge for 300 tones. Equalization period 2 weeks.





# Procurement- Business Model in China for Master co-loaders

**AIRFREIGHT PROCUREMENT IS DRIVEN BY 5 IMPORTANT FACTORS :**



- Equalization
- Blocked Space Agreements ( BSA – CPA )
- SWAP
- ULD Contract
- Monthly Contract



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# Equalization- EQ

## WHAT IS THE BENEFIT OF EQUALIZATION?

- The Airlines allow air cargo agents to aggregate pallet's or container's actual weight ( ULD ) in a spread of several days (usually from 7 days to 1 month) depending on the slack or peak season.
- Air cargo agents can eliminate paying pivot to the carriers. ( EQ ) allows master co loaders to aggregate weights to multiple destinations inside one or more ULDs .
- ( EQ ) business model allow air cargo agents to consolidate and mix high dense and volume cargoes over the agreed EQ period with the advantage of issuing multiple MAWBS for several destinations under one or multiple airline pallets .



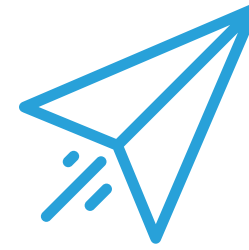
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# SWAP

Swap - is the method where master co-loaders exchange cargoes ,ULDs and space allocation , either between different stations or between airlines , in order to :

- Achieve better ULD's utilization by mixing high dense and volumetric cargoes
- Achieve better EQ results
- Fulfill their dead space commitments to the airlines



## EXAMPLE

Master co-loader A ,has a Special contract with EK to Europe , but they require 2 ULDs a week and a special target rate on SQ to North America . They can swap ,exchange ,ULDs and contract rates with a Master Loader B , who is specialized on SQ to North America ,and both can end up with the required space and very competitive rates, for a trade lane where they were not specialized .





# What does it take to become a Professional Airfreight Player in China ?

- At least 2 - 3 BSAs with major airlines for SWAP Benefits
- Space Brokerage department
- Multiple Vendors ( fellow Wholesalers /Master co-loaders per Airline and Gateway)
- Various co – load customers/local freight forwarders
- Trade lane departments
- Professional overseas agents
- Networking with Master Co-loaders and Airlines
- Transparency
- Specialization ( Trade lanes or Airlines )
- Educate your overseas partner on how to sell airfreight from Asia



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Can we digitize effectively air cargo sales and procurement in China ? .....



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# THE AIRFREIGHT WHOLESAL MARKET

Apart of the today's shipper demand and the new hybrid services that have been developed making airfreight wholesale services attractive, there a few equal important factors predicting a growth to the wholesale airfreight forwarding industry

- Security & Licensing Costs
- Accreditation costs
- Risk Management
- Cash flow concerns
- Outsourcing trends
- Industry's Merge & Acquisitions
- Spending cuts at the forwarding and Aviation industry.
- Shipper's demand for Personalized Service



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# THE AIRFREIGHT WHOLESAL MARKET

- Over the long run , neutral airfreight wholesale will play an important role with in the global air cargo industry , traffic should continue to grow ,and airfreight increasingly will be integrated into multimodal supply chains that provide a better balance between cost and time .
- Airlines and cargo agents will continue to outsource cargo operations and security matters to 3rd parties ,reduce cashflow risks and cut spending .



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# THE AIRFREIGHT WHOLESAL MARKET

- Demand for economy airfreight solutions will open to new developing markets by providing fast and reliable services for medium value goods ,and will continue to grow supporting production activities ,critical spare parts ,and high value inputs.
- Finally airfreight will increase in importance in supporting reverse logistics ,including repair and warranty work for electronics and high end consumer goods .



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Thank you for  
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