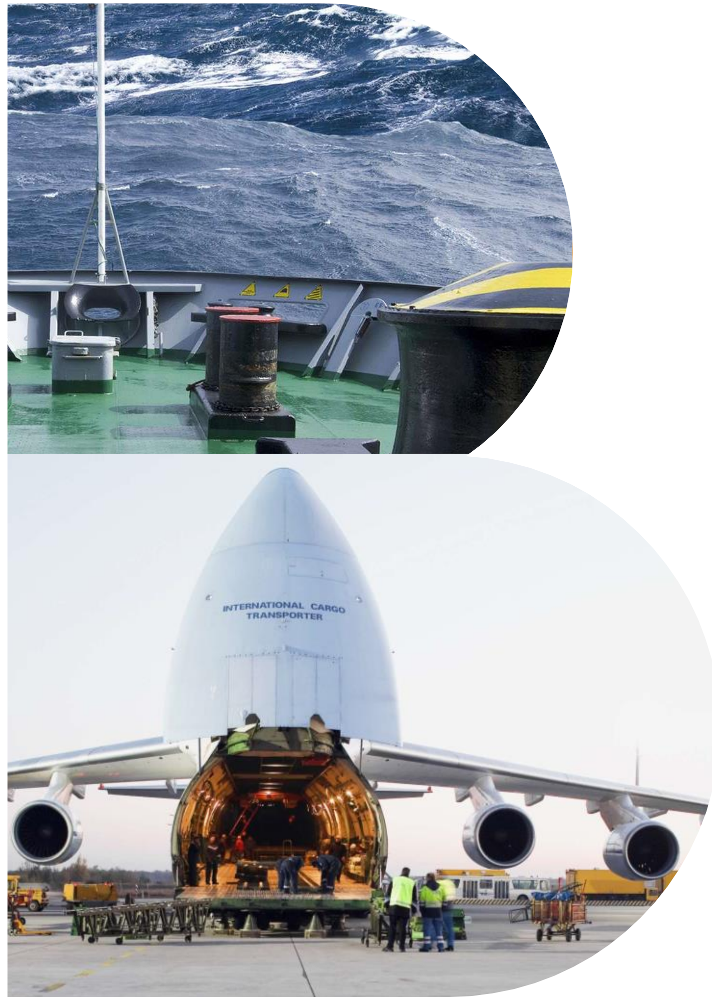
# Dynamic packaging in global forwarding
## Potential future value chain landscape and the role of freight platforms




Matthias Hanke

Extract of study results

Zürich, October 2016

# Overall summary

- **Existing and upcoming platforms in global forwarding** are a phenomena which might lead to loss of market share for legacy players
- Generally, **forwarder business models** and **tour operator business models** are similar in many topics – TO industry assumed some 5 years ahead with some major take away for the forwarding industry
- Seat liquidity, inventory management, real-time availability and a 'to the point-technology' have mainly triggered the change in the tour operating industry – most of the **change triggers** are applicable for global forwarding in the near future
- However, digital players in the global forwarding industry have **to be differentiated by their type of platform** – Roland Berger has clustered the potential players along the forwarding value chain
- All models have a **sustainable value proposition** and might contribute to diminish the position (market share) of legacy forwarders
- Legacy players need to define **strategies how to deal with this challenge** – potentially with 'virtual forwarders' under the own roof but with maximum degrees of freedom

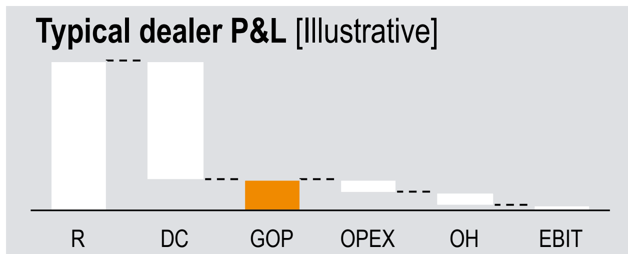
Source: Roland Berger

# Forwarder business models and Tour Operator business models are similar in many topics – TO industry assumed some 5 years ahead

## Comparison tour operator and forwarder

### Tour operator (TO)

- Dealing with **travel packages** consisting of:
  - Flight
  - Transfer
  - Hotel nights
  - Activities/VAS
  - …


**Typical dealer P&L** [Illustrative]


- **Components acquired** from content and service providers
- **USP is facilitation** of booking and **safeguarding** of quality

- **B(2B)2C** business – End customer is a traveler
- **High share of service cost** (travel) **on overall cost** for customer (travel and expenses while travelling)
- Already high **number of "digital natives"** active in the market – Some have become market leaders
- **Market conditions** significantly **changed** as a result of overcapacity and growing online **capabilities**

### Forwarder (FWD)

- Dealing with **forwarding packages** consisting of:
  - global transport
  - Trucking
  - Warehousing
  - Customs clearance/VAS
  - …

- **Components acquired** from carriers and service providers
- **USP is facilitation** of booking and **safeguarding** of quality

- **B2B** business – End customer is a company
- **Low share of service cost** (shipping) **on overall cost** for customer (goods and shipping)
- Only **few "digital natives"** active in the market – No significant market position
- …

Source: Roland Berger

# Seat liquidity, inventory management, real-time availability and a 'to the point-technology' have mainly triggered the change

## Triggers of change

**Seat liquidity:** There was growing amount of seat capacity publicly available in the market

**Inventory management:** Especially charter airlines were looking for ways to sell excess capacity on the spot market, leading to ad-hoc/utilization driven aircraft rates

**Real time availability:** GDS and BB provided information regarding available hotel and AC capacity with direct access to respective inventory management systems, allowing for instant confirmation

**Digitalization of content:** Standardized data formats enabled quick comparison and consolidation of data

**"Data mixer" technology:** Big data capabilities and faster server architecture allowed for real-time combination and recombination of components into packages

**Online affinity of customers:** Travelers were increasingly getting used to buying goods and services online. Furthermore, at first online travel products were in a very low price segment facilitating first online booking of travelers

Source: Roland Berger

# Forwarding business likely to be affected by similar developments in the future – However, so far technology only existing on small scale

## Gap analysis forwarding vs. tour operating

| TO triggers | Corresponding FWD triggers | Status |
|---|---|---|
| Seat liquidity | Slot liquidity | Overcapacity in global is a given factor and potentially to increase |
| Inventory management | Inventory management | First carriers are starting to talk about introducing airline like inventory management |
| Real time availability | Real time availability | Digital solutions already offering 24/7 quotes and bookability; yet no direct inventory access given |
| Digitalization of content | Digitalization of pricing and information | High number of solutions and providers digitalizing pricing and information processes |
| Data mixer technology | Data mixer technology | First examples exist, but still very specialized on hand full of trade lanes |
| Online affinity of customers | Online affinity of B2B customers | Shippers increasingly interested to move forward with e-bookings/ e-freight to reduce their operating cost |

Source: Roland Berger

# Based research and interviews, different platform types are to be expected in the future Global Forwarding industry

## Potential development for the Global Forwarding Industry

> Roland Berger conducted **in-depth interviews** with selected players – **Platform** foci are **diverse**; the field is not yet fully sorted

> RBSC sees an **upcoming structure**, clustered into (1) Legacy solutions, (2) Tender platforms, (3) Carrier distribution systems, (4) Freight exchange broker platforms and (5) virtual forwarders supported by instant quote service providers:
- **Legacy solutions** are mostly based on limited degree of automation and hybrid data flows due to lacking digital readiness
- **Tender platforms** provide a service for shippers and provide transparency on competing offers
- **Carrier distribution systems** collect and manage carrier and service provider information as well as capacity in a central system
- **Freight exchange broker platforms** trade single components, but are rather hesitant offering package deals
- **Virtual forwarders** automatized their sourcing process and provide value added services to the shipper
- **Instant quote service providers** support virtual forwarders with appropriate technology to manage quotes of individual carriers/ service providers and combine quotes to door-to-door packages with instant response times

> All models have a sustainable value proposition and might contribute to **diminish** the position of **legacy forwarders**

Source: Roland Berger

Roland Berger

# Business models of new entrants into the freight forwarding business separated in 5 groups – Each with different value proposition

## Overview of business models

*Supply management* | *Demand management*

| | Carriers and services[1] | Legacy LSPs | Shipper/ Consignee |
|---|---|---|---|
| Legacy players | **1 Legacy solutions**<br>*Offering services on own webpage* | *Supply chain optimization and visibility tools (forwarder internal e-operations)*<br>*Partial automation of the legacy value chain* | *Own sourcing web-page* |

**New entrants**

**3 Carrier distribution systems**
- Distribution of sailing schedules, contract and rate information
- Bundled and standardized access to carriers

**4 Freight exchange broker platforms**
- Sales of single components
- Negotiate own carriers and services
- Sales of FWD packages

**5a Virtual forwarders**
- Sell door-to-door packages
- Provide VAS
- Use automated sourcing/ best price and instant quotes

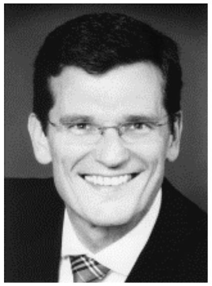
**5b Instant quote service providers**
- Manage quotes of individual carriers and service providers
- Combine quotes to door-to-door packages

**2 Tender platforms**
- Provide a service for shippers
- Provide transparency on competing offers

1) Including warehousing, customs clearance, trucking etc.

Source: company websites, Roland Berger

# Our logistics experts



## Matthias Hanke

**Partner**

Global Head of
Logistics Practice

Central EU Head of Consumer
Goods & Retail

- 4 years Executive Vice President "Network & Strategy" at Swissair, Crossair, Swiss
- 3 years of experience in DHL Express
- 17 years of consulting experience
  - Logistics, Freight forwarding/shipping, Supply Chain Management
  - Aviation
  - Tourism
  - Consumer Goods & Retail

mobile: +41793723945
email: Matthias.Hanke@rolandberger.com

## Peter Wiese

**Project Manager**

- 3 years of experience in DHL Global Forwarding
- 5 years of consulting experience
  - Logistics
  - Freight forwarding/shipping
  - Distribution and supply chain optimization
  - Reorganization and offshoring

mobile: +41798088657
email: Peter.Wiese@rolandberger.com

Source: Roland Berger

Roland Berger

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