

G7

NEWS

www.g7networks.com

2021/4

SUPPLY CHAIN DISRUPTION:

**A CRISIS YES
BUT AN OPPORTUNITY TOO**

ASIA:

**THE HIGHWAY OF VALUE
FOR GLOBAL LOGISTICS**

BACK TO THE FUTURE?

**AIRLINE SECTOR POISED TO
CHANGE POST-COVID-19**

**MEMBERS
NEWS**

RICHARD'S MESSAGE

Richard Overton

Director of G7 Logistics Network



Dear G7 Colleagues,

Hello to all G7 members and welcome to our End of Year 2021 issue of our quarterly network newsletter and welcome to 2022 !

恭喜发财 Gōng xī fā cái To all of our members as we enter the year of the Tiger!

We have now said goodbye to the year of the Ox... After the steadfastness and resilience required to plough through 2021, fittingly symbolized the Chinese zodiac's Ox in 2021. Hopefully, the powerful Tiger is ready to roar this Chinese New Year....allowing for this year's Tiger to bring with it a sense of fearlessness and momentum, fostering opportunity and financial and entrepreneurial success. It has been said that the tiger also drives off household threats, quite timely given the COVID-19 variants that have plagued the World for too long....Hopefully, the Tiger will chase away the past and keep us all safe as we move into 2022 and beyond.

Again, thank you to all of you who have contributed to this issue with your news, projects and updates and interesting news of your individual business developments, examples of projects and work handled between members of all groups within G7 and for your industry updates.

I would also like to take this opportunity to welcome all new members of G7 and as we enter the New Year and I am looking forward to catching up with many of you during our 3rd Virtual Conference. I am equally

as excited about finalising dates and location for our physical conference. Of which I hope to have a solution for us all soon.

As we have now entered 2022 ... I would like to Thank you everyone for all of your efforts and support to one another throughout the year. The success of G7 is built on the efforts of both our members and our teams. The G7 community has definitely allowed for support to one another and I am very happy to see new relationships being built despite the absence of our physical conference.

We would like to thank you most sincerely for your continued faith in us, and the team and we look forward to our continued relationships with as we enter 2022 and preparing ourselves for a much better year ahead!

G7 has proved itself to be a great international community built on the foundation of professionalism, safety and trust.

Take care everyoneand please do not hesitate to call, message and get in contact with me or the team!

Regards,

Richard

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How to be Financially Protected
by G7 Network



G7N
VIRTUAL
CONFERENCE
7-10 MARCH 2022

**FREE FOR ALL
G7 MEMBERS**

G7N Zoom Forums

Monday **7th March**

2PM – 3PM (BKK time) – Opening Zoom with Richard
3PM – 7PM (BKK time) – Members forums*

G7N 1:1 Virtual Meetings

Tuesday **8th March**



1:1 SCHEDULER OPENS

8AM (BKK time) – 1:1 Virtual Meetings

Wednesday **9th March**



1:1 CONTINUES

Thursday **10th March**



1:1 CONTINUES

CLOSES MIDNIGHT (BKK time)



Richard Overton
Director

[Connect](#)



Jennifer Llanes
Commercial and Accounting
Manager

[Connect](#)



Patarasorn Jommawun
Office Manager

[Connect](#)



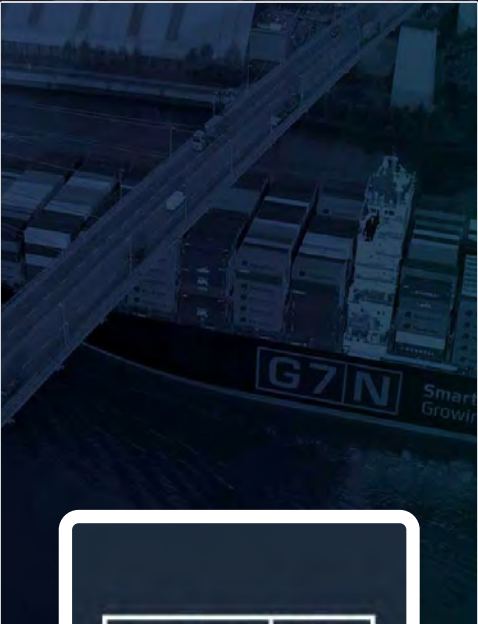
Shawn Stephen
Membership Services Executive

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Lead Graphic Designer

[Connect](#)



Global Platform that Promotes
Cooperation and Enhanced Business
Growth Between Freight Forwarding
Professionals

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David Mills
Network Enhancement Executive

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Full Stack Developer

[Connect](#)



Songpon Domethong
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G7N 5 Year Anniversary

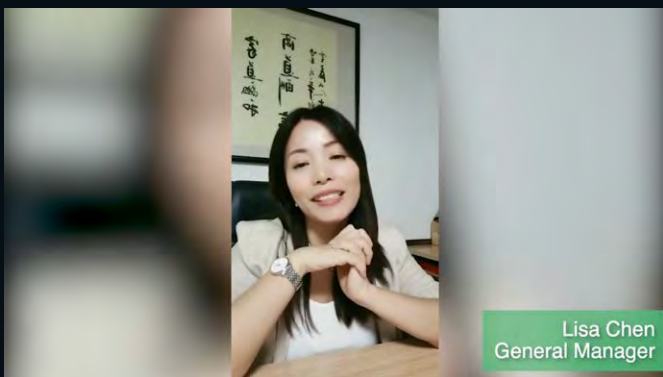
Today we celebrate G7 Logistics Networks 5th Anniversary. We all take pride in having an amazing relationship with our members, for supporting each other, and for always having each other's back.

This amazing network community which started 5 years ago, has now grown over the world with 158 members from 98 countries. We are growing steadily and will uncover every milestone with the support of our members.

This has been great 5 years, with many more upcoming goals to achieve. Let's celebrate together.

Looking Back.
Moving Forward.
Stronger together!

Thank you for supporting us!!!



Members News



JM LOGISTIC SERVICES S.A. DE C.V. Celebrates 15 years

We would like to share the Milestone achieved by our member JM Logistics Services from Mexico on their year work 15th anniversary.

Your contribution to G7N Logistics Network and its members is greatly appreciated and all of the G7N team wishes you all the best in the years ahead.

Happy Anniversary!



Members News

G7N

 **NedAir Freight BV**



AEO Certified NedAir Freight reaches another milestone

G7N is proud to share the achievement of our G7N member Ned Air Freight from the Netherlands that the Dutch Customs Authority awarded the European Union's Authorized Economic Operators (AEO) membership to NedAir Freight BV.

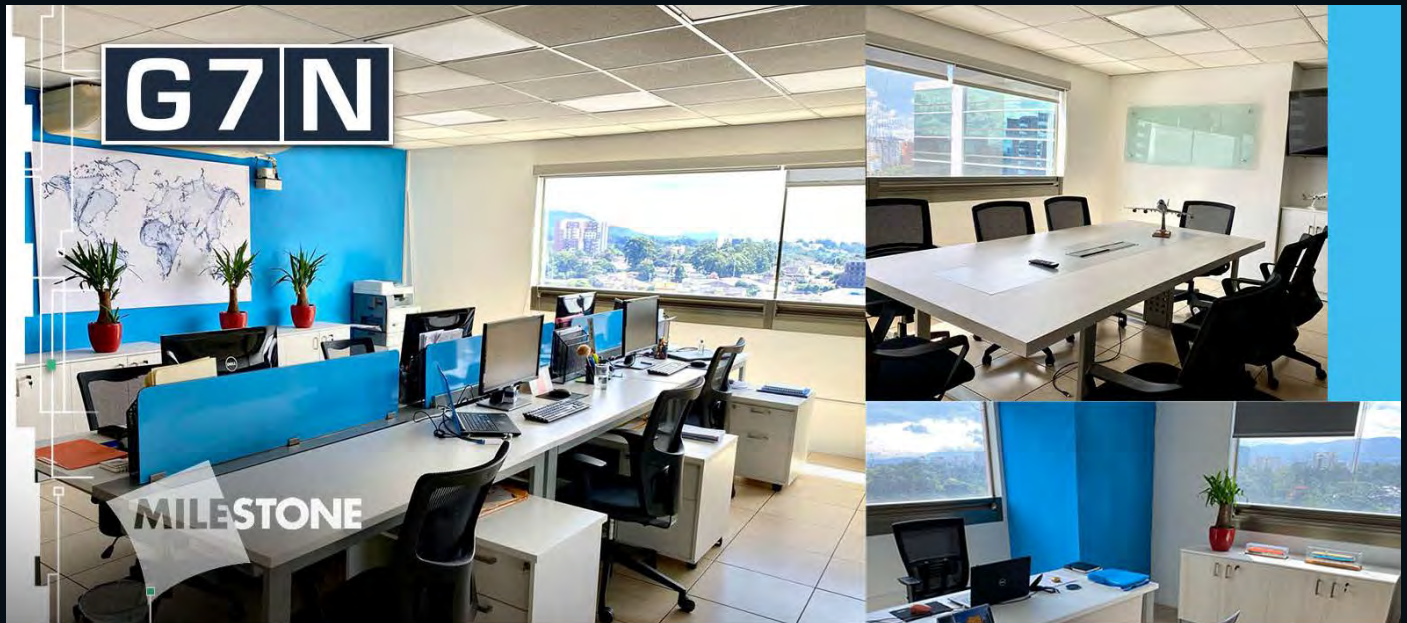
Receiving AEO certification is a significant achievement, ensuring their customers that goods move in and out of The Netherlands in the most reliable and controlled manner with the least disruption.

We at G7N wish NedAir Freight a lot of success and luck in achieving future Milestones, which we are sure will be impressive as you have proven a continuous growth and a very reliable business practice.

Congratulations!

 **NedAir Freight BV**

Members News



Milestone Guatemala New Office Opening

G7 logistics networks would like to congratulate our member, Milestone Guatemala for opening your new office. We wish for never-ending success as

you start running your business in your new place of work. Only best luck and success! Happy Wishing!



Members News



**Vote for us!
at**

<https://ccawardsafrica.co.tz/vote-for-logistic/>

Most Reliable Goods Transportation Company of the Year



**CONSUMER CHOICE
AWARDS AFRICA**

Marinair Freight Ltd. Tanzania was nominated for Consumer Choice Awards

We would like to share with our G7N members that Marinair Freight Ltd. Tanzania has been nominated for Consumer Choice Awards

Marinair, always strives to provide the best possible service to their amazing customers!

It is a testament to your support that they have been nominated by Consumer Choice Awards as one of the "Most Reliable Goods Transportation Company of the Year" in the Logistics Sector.

With your help, they can go a step further and be recognized as the best in the region.

If you've been happy with our service, they would like to ask you if you can vote for them.

All you need to do is go to: <https://ccawardsafrica.co.tz/vote-for-logistic/> and cast your vote.

They will greatly appreciate your support and promise to continue offering world-class services to you.

Your cargo is their business!



Members News



Personal route risk management by Schneider & Pekar GMBH

We would like to share with you the amazing news by our member Schneider&Pekar from Austria!

Personal Route risk management for one of their VIP-Pharma Clients, the truck driver was none other than Valentin Pekar himself. Enjoying the trip from

Vienna to Portugal and loving every second of it. Well done Valentin, you truly have a service mind!



Members News



Sobel Can Handle Oversized Cargo with Personalized service

Our G7N Member Sobel Network Shipping can offer personalized Project Cargo handling which includes Flat Rack Security Inspections for the Intended Voyage Professional and Packaging to Ensure Adequate Security for the Cased Cargo.

Anyone that needs a professional and fully dedicated team to assist you in the USA with the Project handling Sobel Network Shipping is the right address.



Members News



Woodland Group Acquires 50% Share Of Worldwide Book Services

Congratulations to our G7 member Woodland Global on their successful acquisition!

Woodland Group and Worldwide Book Services (WBS) are delighted to announce the strengthening of their alliance with Woodland Group having successfully acquired 50% of the UK logistics company.

This move marks the combined forces becoming the strongest supply chain suppliers to the media and publishing industry across the globe and their combined substantial volumes further improving their joint service offering across east and west Europe, and Russia.

Having forged a very close working relationship with WBS over more than 10 years, delivering book and media solutions to joint clients such as Amazon since 2007, Woodland Group was recently offered the opportunity to buy out Simon Taylor and

acquire half the business.

Managing Director David Burnham remains 50% shareholder and will partner with Woodland Group to develop and grow opportunities through their shared network, global coverage, and client database, strategically strengthening their already well-established presence in the media & publishing industry and further enhancing their international capabilities.

“Our vision is to combine the specialist skills and experience of Worldwide Book Services with the strength and quality of Woodland Group to become the ultimate leader in delivering international media logistics. Thanks to the involvement of Woodland Group, we now have the ideal combination of skills, experience, and resources to bring a new standard of service to booksellers, publishers, printers and the wider industry.”, David Burnham, MD of WBS, commented.

Members News

WBS and Woodland Group unite their considerable resources, assets and reach across warehousing and fulfilment, customs, air, ocean & European road freight capabilities. Together they will deliver true global coverage, developing opportunities through WBS' strengths across Scandinavia with daily export consolidations and its owned services in and out of Russia and Woodland Group's owned locations across the UK, Ireland, Asia, mainland Europe and USA, and dedicated media air solutions through its airport hub at Heathrow, London, UK.

Woodland Group recently invested considerably into dedicated customs teams across the two continents, who will be joined by the combined force of teams on the ground delivering local support and expertise. This will allow Woodland Group and WBS to deliver leading solutions on US to UK and EU routes in both directions and meet the growing demand for personalised supply chain management solutions post-Brexit.

Clients and partners will benefit from the two companies' continued investment into fully integrated IT systems and digital platforms, with WBS and Woodland Group looking to unite resources to further optimise respective offerings.

With WBS' 50,000 sq ft distribution centre in Wickford, Essex added to Woodland Group's existing fulfilment locations, they will now be able to rely on more than 1 million sq ft of dedicated warehousing across the UK, USA, and mainland Europe to become the ultimate leader in international media logistics and distribution.

Kevin Stevens, Chairman and CEO of Woodland Group, added: "WBS and Woodland Group are a great fit. We look forward to jointly furthering our purpose of creating opportunity for our teams, clients, partners and suppliers whilst focussing on delivering sustainable supply chains into the future."

WE DELIVER
FLEXIBLE
SOLUTIONS

Welcome to the fast moving world of Woodland, global freight forwarding and supply chain specialist.

woodland
Group

Members News



Marinair Cargo services attend the 8th International Supply & Logistics Exhibition in Athens

We would like to share with our members that Marinair Cargo services Greece has recently attended the 8th International Supply & Logistics Exhibition in Athens, which gave them a good opportunity to meet with their customers and also build some new trade lines.

We are excited that our members have finally

started to get Physical again, and Supply & Logistics Exhibition is surely an event that most progressive Freight Forwarding companies should be attending.

The world is going back to normal and soon there will be more traveling!

Positivity is the key to success.



Members News



G7N



Dear Mario Eusebio,

Following your request, it is our pleasure to welcome you to CASS Portugal as of

The unique IATA number assigned to your agency is: 64450620066

Legal Name: Vigonorte Cargo Lda

Trading Name: Vigonorte Cargo

VIGONORTE
cargo

Vigonorte Cargo Lda reaches a big Milestone in its journey becoming IATA CASS ASSOCIATE

We are pleased to announce that our G7N member Vigonorte Cargo Lda from Portugal receives long-awaited accreditation for IATA CASS ASSOCIATE!

Expansion and new opportunities are just around the corner and new business millstones are jet to be made.

Congratulation from all at G7N Vigonorte

VIGONORTE
cargo

Members News

G7N**woodland**
Group

Woodland Group delivers airtime at unbeatable rates

As one of the top airfreight agents by carrier market share, Woodland Group is able to build to ULD Consol level to gain the best pricing from airlines.

Thanks to the Group's buying power and onsite screening capabilities, network members can benefit from very preferential pricing on regular despatches.

Routes that may benefit members:

SINGAPORE - 0,000kgs by air each week - Direct

DEL - 20,000kgs by air each week - Direct

SYD - 12,000kgs by air each week

JNB - 18,000kgs by air each week - Direct

JFK - 15,000kgs by air each week - Direct

ORD - 15,000kgs by air each week - Direct.

If you would like further information, please contact the Woodland Team.

For instance, in Singapore, Woodland Group currently has 7 to 8 PMCs departing its airfreight facility over 3 to 4 despatches, all direct on Singapore Airlines. Having been appointed logistics supplier to the largest book distributor for the third consecutive year following a rigorous tender process, the Group continues to build on routing and is able to offer some unbeatable rates.

woodland
Group

Members News



From Brussels Belgium to Perth Australia 6.5 Tons of Copper Wire by Air

Our G7N member from Belgium Brussels Airfreight Services has recently transported by AIR 6.5 copper wire from Brussels/Belgium to Perth/Australia.

The personalized service included pick up at the clients' premises till the final delivery at the construction yard in Perth, including customs clearances, screening, and more.

The above shows that organization is the key to success, and Brussels Airfreight Services most definitely has it.

Well done Team



Members News



From Egypt to the Netherlands 12 ton spring Onion handled by 2HM

We are delighted to share that our member from Slovenia 2HM Logistics has stepped into a new venture within the Perishables industry, recently securing the business for weekly cargoes of 12 tone spring Onion, with the origin of Egypt and its final destination Poeldijk Netherlands under temperature-controlled (+1 °C) solutions from the start.

The cargo was first shipped in the Reefer container from its origin Egypt and delivered to port of Koper, where was reloaded to a Temperature controlled Semi-Trailer Truck which took the cargo to the Netherlands.

The fastest connection from Egypt to Northern Europe is through the port of Koper. Every Cargo can be handled from Damietta port-Koper in 4 days, and 1.5 days to the Netherlands or any Northern Europe countries, so the door to door can be handled in incredible 7 days.

If anyone needs fast solutions from the Middle East to Europe contact 2HM which can find a fast solution for any Cargo with its highly professional team!

Keep on rocking 2HM!

Members News



A big Milestone for Transorient International Turkey

G7 Logistics Networks is proud to share with all the members that Transorient International Turkey has achieved a great milestone in their journey, and are celebrating their 60th anniversary. It shows their true passion and drives for excellence.

All at G7 Logistics Networks would like to congratulate Transorient for their 60 Years anniversary and for many more to come.

Congratulations from all at G7N!



Members News



2HM Logistics achieves a big Milestone in its journey by receiving IATA Certification

We are pleased to announce that our G7 member 2HM Logistics receives long-awaited and well-deserved IATA accreditation!

They have proved to be a leading expert in the transportation of dangerous cargo and objects and receiving IATA accreditation certainly proves it.

Expansion and new opportunities are just around the corner and new business milestones are yet to be made.

Congratulations from all of the team at G7!



Members News



Windfreight Express handled customs clearance of 6 Close Tucano Aircrafts

Our G7 member from the Philippines has recently handled customs clearance of 6 units of Tucan (Close Support Aircraft) consigned to the Philippine Air Force. This is one of the government projects in line with their Modernization Act.

We would like to congratulate Windfreight Express for having received the special award from The

Philippine Government for successfully clearing these aircraft through customs.

Well done Windfreight and we look forward to seeing more special achievements from your team.



Members News



30 Ft length Cargo managed by Excel Freight Movers with the best solutions

We would like to share with G7 members that Excel Freight from Malaysia has recently assisted their client that needed urgent help, while another agent found a very expensive Solution, Excel Freight Movers jumped right in and found the best one!

The cargo should be loaded to (Flatrack) or OT (Open Top), while Excel Freight immediately found a solution for crating the cargo and loading it to 1 x 40HC container and fumigate the container.

The cargo is now ready to be hauled and shipped to the final destination Fiji.

Well done Excel Freight Movers!



GET NOTICED

Want to make it
into the next

G7 NEWS

contact the team
and submit your content!

members@g7networks.com

New Members Q4 2021



AIR & SEA
HADOLT
GLOBAL EXPRESS

Global Express Austria GmbH
Austria, Graz

www.global-express.at



FAST FREIGHT
INTERNATIONAL

Fast Freight International (FFI)
Bangladesh, Chittagong

www.ffi-jsl.com



GHS
INTERNATIONAL
LOGISTICS

GHS International Logistics
Cameroon, Douala

www.ghs-logistics.com



GLOBTRANS
FREIGHT FORWARDER

Globtrans Freight Forwarder
France, Marseille

www.globtrans.eu



SHOTTO LOGISTICS LIMITED
Your all in one Logistics Partner

Shotto Logistics Limited
Ghana, Tema

www.shottogroup.com

New Members Q4 2021



BlanCargo
Hungary, Budapest

www.blancargo.com



Givven Logistics Private
India, Chennai

www.givven.com



AGS Global Forwarding Ltd
United Kingdom, Surrey

www.ags-global.co.uk



U&I Logistics – Northern JSC
Vietnam, Hanoi

www.unilogistics.vn



Supply Chain Disruption: A crisis yes, but an opportunity too

We're in a perfect storm with the global supply chain—and 2022 is shaping up to be even more challenging.

We're in a perfect storm with the global supply chain—and 2022 is shaping up to be even more challenging. The reality is that most companies lack the critical capabilities needed to overcome this disruption and ensure their supply chains are resilient, relevant and responsible.

They currently don't have the right level of visibility into their full supply networks to see disruption as it's unfolding and they struggle to predict and meet demand for their products and services.

Global growth is at stake

This is bad news for the global economy. According to a new research study, "Accenture: C-Suite Reactions to the Supply Chain Crisis," not only will some businesses fail to meet basic needs, 88% of surveyed C-suite executives believe that the expected outcome from supply chain disruption will be continued price increases, causing consumers to cut spending just as businesses are hoping to make good on the losses of 2020.

Perhaps of most concern is that one-third (33%) of leaders believe the crisis could last for as long as three years.

Maintaining stakeholder trust is key to mitigating potential losses. Customer expectations will remain high, and companies that fail to deliver against these expectations will lose brand capital. That's why business leaders are already acting to address

the threats posed by supply chain disruption. According to our research, top company actions include ordering supplies earlier than previously (43%), creating new contingency plans to limit the effects on the business (43%), and restructuring supply chains and inventory management processes (42%).

Opportunities in digital backed by Cloud

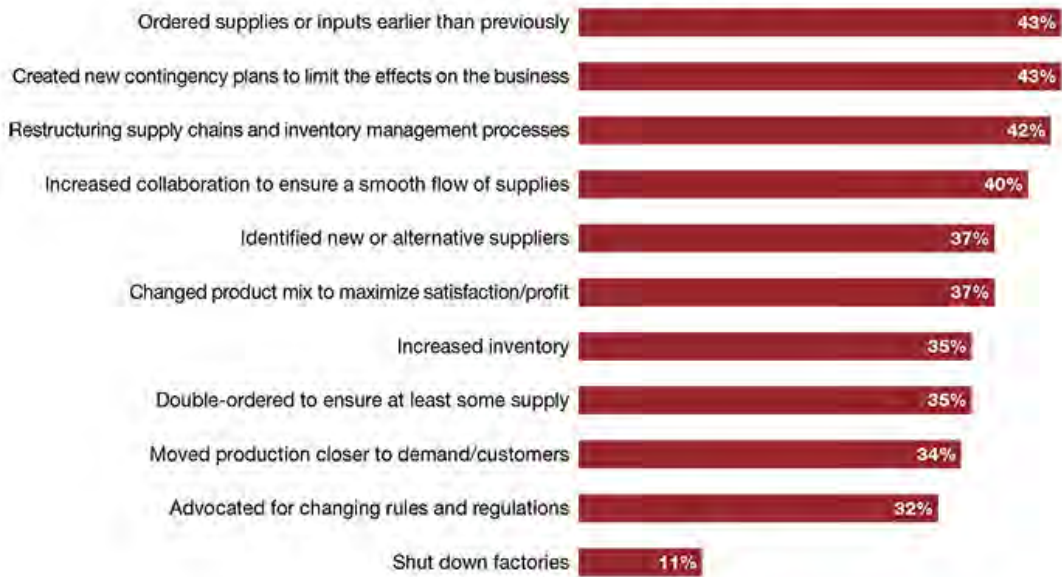
However, beyond the immediate measures that businesses will take now to lessen the pain of disruption, there are medium-to-long term changes that will yield value. Just as COVID-driven remote working improved the way many businesses operate for the better, so too will changes to supply chain management that arise as a result of the current crisis.

Chief among these is the adoption of data-driven technology and the Cloud. Thanks to advances in digital technology, businesses can for the first time weigh up every supply chain decision against a rich set of factors. Indeed, the intersection of automation, AI and robotics will enable businesses to build digital twins of their multi-tier supply networks and subject these models to stress tests and "what if" scenarios.

Doing so will uncover weak links and vulnerabilities in the supply chain and allow these to be addressed by, for example, switching partners or bringing manufacturing closer to home. Such an approach could also ensure that only a limited percentage of a critical item passes through the same supplier, port, or route, helping to build resilience.

C-Suite leaders are taking action to manage supply chain issues

BUT APPROACHES VARY BY COMPANY



Real-time data analytics will also provide greater flexibility to follow changes in demand. By setting up supply chain control towers and empowering managers with real-time demand and supply planning and digital management tools, businesses will be able to keep their finger on the pulse of customer requirements and ensure that goods are getting to where demand is highest. Such capabilities will prove particularly useful during periods of peak demand, such as what businesses experienced in this most recent holiday season.

That digital thread, underpinned by the Cloud, consists of weaving multiple integrated technologies throughout your operations, so your people—in conjunction with AI and analytics—can predict and monitor the consequences of almost every action in real-time.

It's a transformational way of running supply chains, and one that will make them more resilient, more relevant to customer demands, and sustainability practices. Significantly, our research suggests that it's a model that many leaders expect to adopt: 79% of the people we spoke to said that the increased use of automation, AI and robotics to create full visibility is a likely outcome of the current disruption.

The Cloud is critical for this digital thread—providing vast amounts of computing power, with a simple,

flexible and affordable data and digital architecture, that opens up myriad possibilities for the supply chain—and enables leaders to manage service levels and cost, build in resilience and ensure responsible operations.

Looking ahead

Supply chain leaders are figuring out how to go beyond just responding to but also thriving in this new reality. A digital foundation underpinned by the Cloud will be what allows them to concurrently handle fluctuating demand, the need for resilience, the pressure to manage costs and calls for greater responsibility for society and the environment.

The companies that scale their investments in digital and Cloud will be best placed to meet the expectations of customers and drive strong growth.

Source: Supplychain247



Asia: The highway of value for global logistics

Logistics—a bright spot in a global economy still recovering from the pandemic—presents many opportunities in Asia. How can stakeholders make the most of them?

As with most other industries, the COVID-19 pandemic has transformed global logistics in profound ways. But unlike most other industries, the decline in economic activity during the pandemic has not affected global logistics too negatively. The consumption of goods—and thus the corresponding logistics needs—has been left relatively unaffected.

This article reports that while the COVID-19 pandemic has accelerated the growth of global logistics, it has also widened the gap between the sector's leaders and laggards. The market is becoming more dynamic, with many new start-ups providing increasingly intense competition. In response, legacy players are acting to consolidate strength with M&A activity or scale up operations by going public. This is especially true of the Asia market, where all indicators point to the continent's recovery outpacing the rest of the world's in the next year. The continent is expected to account for 57 percent of the growth of the global e-commerce logistics market between 2020 and 2025.

This may make Asia the single-most-important region for global trade and logistics activities going forward. Whatever their role in the logistics ecosystem—a global logistics operator, a local specialist, an e-commerce player, or a logistics real-estate player—companies could seize opportunities now and act quickly to capture value. Those that

leverage this window of opportunity to create a lasting competitive advantage and a strengthened market position will emerge from the pandemic as leaders.

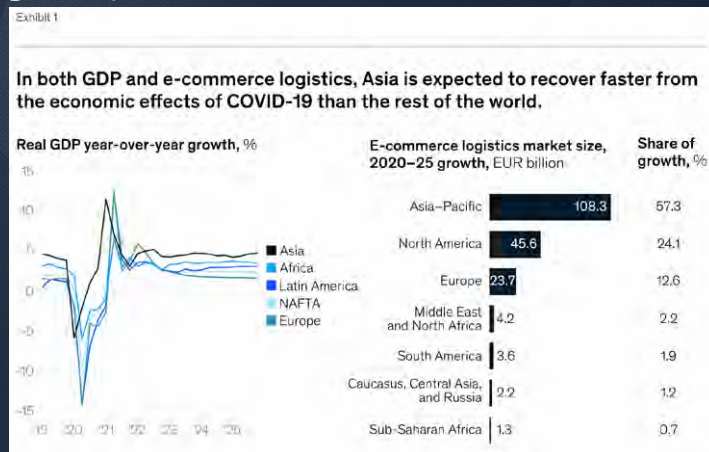
The pandemic has catalyzed the growth of global logistics but polarized leaders and laggards

While the pandemic caused severe and sudden supply-chain disruptions in its initial months, the crisis has also yielded opportunities for the logistics industry and its subservice lines, such as cross-border e-commerce logistics. The pandemic accelerated e-commerce adoption, perhaps irrevocably. According to our COVID-19 retail-recovery survey, online penetration is now likely to remain six to 13 percentage points above pre-COVID-19 levels. While this puts greater pressure on global logistics, it also presents a huge opportunity, as consumer goods and retail make up almost half of the logistics market. The logistics industry has outperformed most other sectors during the crisis.

The COVID-19 pandemic has accelerated the polarization of leaders and laggards in the logistics industry. The biggest challenge faced by the logistics industry is less about the demand and more about the supply side. Companies that are best able to mobilize operations and assets to serve their customers consistently and resiliently will be the ones to capture a disproportional share of value. Companies that are able to steal a march on their competitors will quickly outstrip them, and it will be increasingly difficult for the laggards to make up the growing distance.

Asia is fast becoming the global hub of the logistics industry

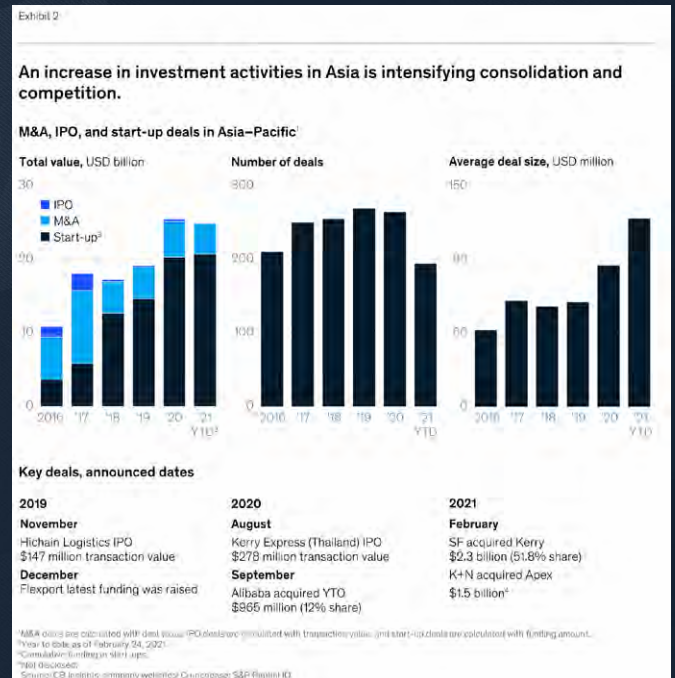
To grow and stay competitive, logistics players have realized that Asia will likely be the single-most-important addition to their business portfolios. Asia is projected to recover faster than other regions economically and will be at the center of all logistics activity—both in growth and investment. With regard to growth, Asia will contribute about half of the world’s trade growth by 2030. Trade growth between Asia and the rest of the world will contribute about 55 percent, with intra-Asia trade growth making up the rest. The Asia e-commerce logistics market will account for 57 percent of total market growth from 2020 to 2025 (Exhibit 1). Industry players will, therefore, need to reconfigure their networks if they aim to capture these opportunities. Additionally, many Asian countries can expect extraordinary growth in their domestic economies. GDP growth in Asia is expected to be 4.5 percent, more than double the world’s average of 2.0 percent. By 2025, 30 percent of world consumption will be in Asia. While China, Japan, and India will remain the largest logistics markets in Asia, India, Indonesia, Vietnam, and Thailand show the highest growth potential.



Start-ups are heating up the competition, while legacy players are actively consolidating strength

In the past 12 months, the global logistics market has outperformed many other sectors. Mergers and acquisitions and start-ups attracted about \$25 billion in just the first quarter of 2021 in Asia, surpassing the annual figures from 2016 to 2019 (Exhibit 2). In the face of increasing competition from more new start-ups, fast movers have already taken decisive actions to stake a stronger position in the region. Investment

activities have created momentum for logistics assets, and both industry players and investors have been involved. With the right injection of capital, we can expect legacy players to accelerate efforts to capture more of the market by means of M&A activity. As scale begets scale, smaller and weaker players may find themselves becoming increasingly vulnerable.



We project that global companies with a strong logistics presence in Asia or those with a robust Asia-focused logistics plan will continue to perform better than their more conservative peers. Missing out on Asia will mean not only missing out on the opportunities Asia provides but also losing relevance when it comes to matching the demands of global customers, since Asia plays such an integral part in global supply chains.



Seizing the logistics opportunity in Asia

While we see competition intensifying rapidly, it's important to emphasize that the logistics opportunity in Asia is still up for grabs. Although the window is narrowing, there is still time for players that move quickly to benefit.

Four tactical moves

Companies could use four drivers to consolidate their strengths: M&A, IPO, captive-function carve outs, and strategic investments (Exhibit 3).

Exhibit 3

Logistics players in Asia can make four tactical moves to consolidate their strengths.

M&A	IPO	Captive-function carve outs	Strategic investments By PE/VC ¹	By tech players
<ul style="list-style-type: none"> •To quickly enter a new market •To expand business portfolios •To enhance capabilities 	<ul style="list-style-type: none"> •To raise money from investors for expansion and operation optimization 	<ul style="list-style-type: none"> •To drive higher enterprise value by making logistics a market-facing business and scaling •To enhance brand presence and partner with other companies •To concentrate on major business 	<ul style="list-style-type: none"> •To raise money from investors for expansion and operation optimization 	<ul style="list-style-type: none"> •To codevelop/integrate offerings •To engage in logistics ecosystem

Private equity, venture capital.
Source: Crunchbase, S&P Capital IQ

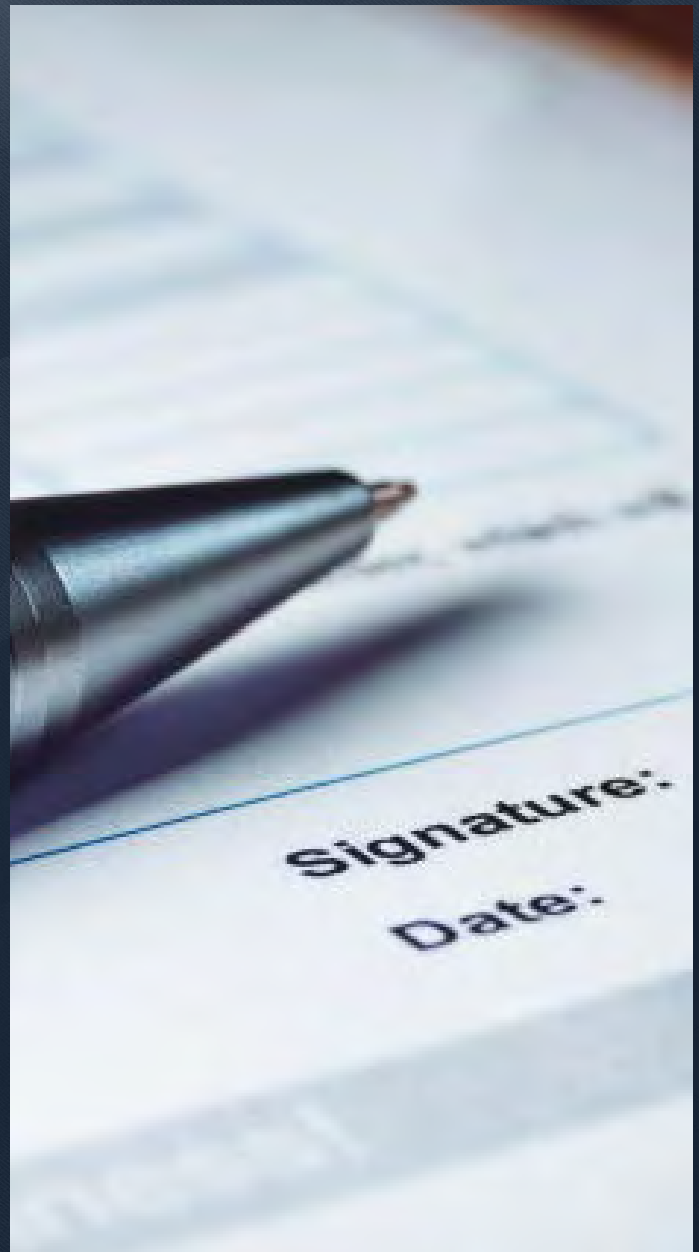
- M&A.** Both global players and local champions have been active in M&A to expand their Asian networks as quickly as possible. In a context where speed is a competitive advantage, M&As provide a way for companies to quickly enter a new market and expand their business portfolios as they beef up their capabilities. Kuehne+Nagel expanded its Asia presence with the acquisition of Wira Logistics, an Indonesian logistics company, for \$2 million in 2018. It also acquired Apex International for \$1.5 billion in 2021 to strengthen its Asia air-freight-forwarding (AFF) network and capabilities. Meanwhile, it sold the major part of its UK contract-logistics portfolio to XPO Logistics, indicating an attempt to recycle capital to fund growth in its Asia network. In the meantime, SF Express, China's leading express-delivery company, acquired Kerry Logistics at \$2.3 billion in 2021 to expand its network in container logistics, freight forwarding, and express in Southeast Asia.



- Going public.** Emerging local leaders in fast-growing countries have been successful at IPOs, which are a way to raise money to invest in the expansion of the business and optimize operations. While raising money from private equity certainly remains an attractive option, there may be some advantages to going public. First, as companies are required to meet stringent standards and undergo strict audits as part of the due-diligence process, IPOs instill greater confidence in investors and customers and open up more funding options at later stages and at cheaper rates. Second, there is a low risk of losing control, as the company is drawing from a larger pool of shareholders rather than one or two investors. Third, an IPO tends to inject a higher level of liquid equity in a relatively short period of time to allow company leaders to manage their company without too many constraints. Kerry Express raised \$278 million from an IPO in Thailand in December 2020, and Mahindra Logistics has achieved a P/E ratio of 51.5x with its IPO in India in 2017, almost double that of its international peers.



- **Captive-function carve outs.** Parent conglomerates can carve out their logistics business units to drive higher enterprise value and enhance their brand presence by selling their services to other companies at scale. This has become a trend in Asia. Firms like Mahindra Logistics and TVS Supply Chain Solutions (TVS SCS) have converted their logistics business units into third-party logistics firms and reaped the benefits. Mahindra Logistics raised about \$129 million in its IPO, while TVS SCS has been raising private capital at attractive valuations over a period of time (raising about \$114 million). We believe this trend may continue, considering the value it has generated for proprietors of large businesses. Furthermore, a focused strategy, aggressive talent, and capital infusion are likely to shorten the cycle of carve-out-to-value capture to a few years. China Eastern Airline carved out its logistics business, Eastern Air Logistics (EAL), to pilot a mixed ownership in the national civil-aviation sector and plans an IPO as an integrated-logistics service provider to raise about \$350 million. SpiceXpress, the cargo arm of the Indian budget carrier SpiceJet, is also reported to be preparing an IPO soon. These companies will be able to use the influx of liquidity to make bolder plays in the market.



- **Strategic investments.** Over the past five years, private equity (PE) and venture capital (VC) have made financial investments of approximately \$37 billion in Asia. Temasek Holdings' investment in SCOMMERCE, Warburg Pincus' investment in Rivigo and Stellar Value Chain Solutions, and CDPO's investment in TVS SCS are funding expansion and optimization of operations. Likewise, tech players are making multiple strategic investments through direct investments, start-up accelerator programs, and VC arms to engage in the logistics ecosystem. Google, for instance, has backed India's Dunzo with \$40 million in funding to codevelop new products and solutions as well as rapidly build existing portfolios with new-business models and test applicabilities at scale.

Source: McKinsey & Company

Back to the future? Airline sector poised for change post-COVID-19

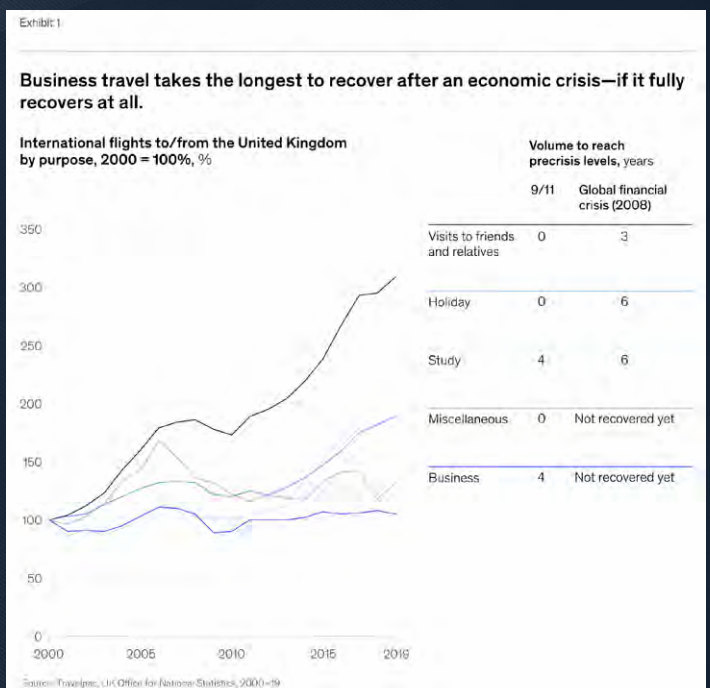
As they look beyond the pandemic, airlines need to grapple with five new realities—and devise strategies to adapt.

It's difficult to overstate just how much the COVID-19 pandemic has devastated airlines. In 2020, industry revenues totaled \$328 billion, around 40 percent of the previous year's. In nominal terms, that's the same as in 2000. The sector is expected to be smaller for years to come; we project traffic won't return to 2019 levels before 2024.

Financial woes aside, the pandemic's longer-term effects on aviation are emerging. Some of these are obvious: hygiene and safety standards will be more stringent, and digitalization will continue to transform the travel experience. Mobile apps will be used to store travelers' vaccine certificates and COVID-19 test results.

Other effects, though, are more profound. Unlike the 2008 global financial crisis, which was purely economic and weakened spending power, COVID-19 has changed consumer behavior—and the airline sector—irrevocably.

This article will explore five fundamental shifts in the aviation industry that have arisen from the pandemic. For each of these shifts, we also issue a call to action. By responding to these shifts decisively now, carriers should be able to look beyond the pandemic and adapt to the long-term realities of COVID-19.



1. Leisure trips will fuel the recovery

Business travel will take longer to recover, and even then, we estimate it will only likely recover to around 80 percent of prepandemic levels by 2024. Remote work and other flexible working arrangements are likely to remain in some form postpandemic and people will take fewer corporate trips.

In previous crises, leisure trips or visits to friends and relatives tended to rebound first, as was the case in the United Kingdom following 9/11 and the global financial crisis (Exhibit 1). Not only did business trips take four years to return to precrisis levels after the attacks on the World Trade Center but they also had not yet recovered to pre-

financial-crisis levels when COVID-19 broke out in 2020. Therefore, we expect that as the pandemic subsides, the rise in leisure trips will outpace the recovery of business travel.

Some carriers are highly dependent on business travelers—both those traveling in business class and those who book economy-class seats right before they need to travel. While leisure passengers fill up most of the seats on flights and help cover a portion of fixed costs, their overall financial contributions in net marginal terms are negligible, if not negative. Most of the profits earned on a long-haul flight are generated by a small group of high-yielding passengers, often traveling for business. But this pool of profit-generating passengers has shrunk because of the pandemic.

The call: Revisit flight economics

Airlines should reevaluate the economics of their operations, especially long-haul flights. First, a smaller contribution from business traffic could necessitate a different pricing logic. For example, today most carriers price point-to-point nonstop flights at a premium. Travelers who value time over price—mostly business travelers—book these nonstop flights. Leisure travelers, even those traveling in premium classes, are more price sensitive and may choose an indirect routing. This large gap between nonstop pricing and connect pricing may need to narrow.

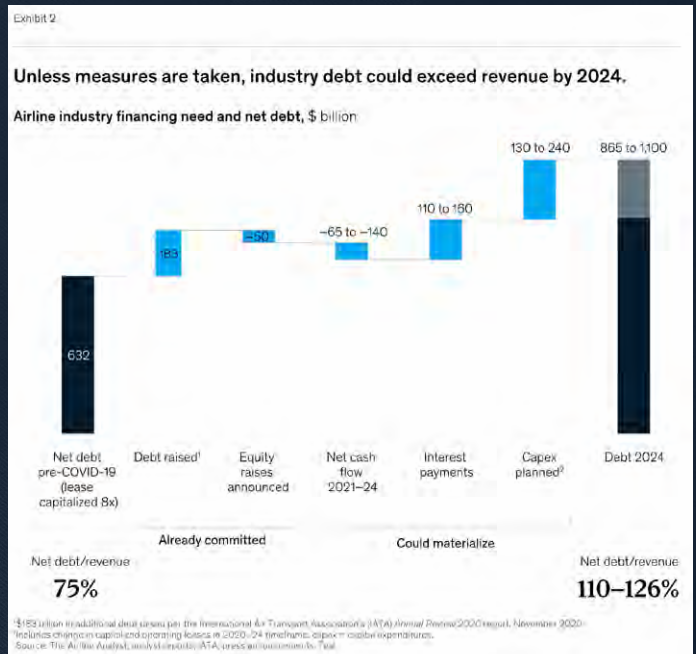
Second, lower business traffic may require network changes. Airlines added many flights over the past few years between hubs and smaller cities, using small-size widebodies such as the Boeing 787. These flights work because of the high-yielding business demand. With business demand subdued, economics favor larger aircraft flying less frequently. Airlines may find that larger aircraft such as Airbus A350s or Boeing 777s—which have lower unit costs—become the base of the long-haul network.

Third, airlines may also look at reconfiguring the layout of their cabins to address the increased share of leisure traffic. At the simplest level, lower business-class demand may warrant smaller business-class cabins. Taking this further, products may shift to better cater to premium-leisure

passengers, such as growth of premium-economy cabins or development of business-class seats more suitable for traveling as couples or groups.



2. Staggering debt levels will lead to ticket price increases and a larger role for government in the sector



Many airlines have had to borrow huge sums of money to stay afloat and cope with high daily cash burn rates. Tapping into state-provided aid, credit lines, and bond issuances, the industry collectively amassed more than \$180 billion worth of debt in 2020,¹ a figure equivalent to more than half of total annual revenues that year. And debt levels are still rising (Exhibit 2). Repaying these loans is made even harder by worsening credit ratings and higher financing costs. These costs will need to be recouped. Therefore, we'll likely see ticket prices rise. By our estimates, this could amount to a rise in ticket prices of about 3 percent, assuming a ten-year repayment window for only the additional debt taken on.

Furthermore, when demand for air travel returns, it will likely outpace supply initially. We see a glut of latent demand of people eager to travel. It will take time for airlines to restore capacity, and bottlenecks such as delays in bringing aircraft back to service and crew retraining could lead to a supply-demand gap, resulting in higher short-term prices.

In many cases, airline rescue efforts come in the form of government bailouts—with strings attached. We're seeing a reemergence of, or increase in, the level of state ownership and influence. In Europe alone, TAP Air Portugal, Lufthansa Group, and Air Baltic all received state aid combined with an increase or reintroduction of government shareholdings.

The call: Be a constructive collaborator

As the state becomes a more active player—whether as a creditor, a direct shareholder, or as part of the board—airlines will find themselves having to deal more closely with the authorities. Instead of seeing this as a necessary restriction to access much-needed funds, airlines can treat it as an opportunity to shape how the sector evolves with a key stakeholder.

Airlines can work with regulators to set standards across a gamut of issues. These could include committing to reductions in greenhouse-gas emissions in return for more labor flexibility; increasing the cash-on-hand requirements to make airlines more resilient against future shocks; more balanced value sharing between airlines and other sectors such as airports; or changes in the ownership caps to allow greater inflows of foreign capital, reducing the reliance on state capital further down the road.



3. We will see a greater disparity of performance among airlines in the future

Some airlines have responded to the pandemic by restructuring for greater efficiency; others are merely muddling through. Occasionally, this is linked to state-aid programs, which may reduce the incentive for much-needed measures such as cost, organizational, and operational restructuring. Airlines that are not proactively transforming risk failing to set the business up for longer-term structural value creation.

As such, we're seeing some airlines pull ahead. Before COVID-19, an airline boasted an ROIC well ahead of the overall industry's rate of 5.8 percent. Not only did its stronger position pre-COVID-19 enable it to navigate the crisis thus far without taking on government loans of the scale relative to other airlines, it also made it possible for it to restructure to emerge with an even more competitive cost base.

Another group of carriers that have an opportunity to transform their business are airlines that have access to a restructuring process, such as Chapter 11 in the United States. These carriers can renegotiate midlife leases, shed excess debt, and emerge leaner. They will be fierce competitors going forward.

The call: Aim higher when it comes to IT and digital investment

Becoming better can necessitate investment. Even though many airlines find themselves in financial straits, we recommend investing more in IT and digitalization, not less. Before the pandemic, airlines spent roughly 5 percent of their revenue on IT. This is relatively low compared with other sectors. By means of comparison, the retail industry spends around 6 percent on average, and financial services 10 percent.

Airlines could consider stepping up IT and automation investment now. For example, airlines can respond to the quicker recovery of domestic and short-haul flights by investing in direct sales and owning the customer relationship. Relationships with IT and distribution providers could be reexplored. Carriers can also invest in the customer experience—such as making check-

in and boarding processes more seamless—and support services—from revenue accounting to invoicing—to drive the next level of efficiency. Beyond this, the next horizon is analytics, which involves, among other efforts, using data in smarter ways to enhance decision making, requiring some investment but yielding significant payoffs.



4. Aircraft markets may be oversupplied for some time to come

In the years before COVID-19, aircraft OEMs ramped up production in the anticipation of continued growth. This has led to a glut in aircraft availability. Furthermore, some carriers have returned relatively new aircraft to lessors, such as Norwegian Air Shuttle when it exited the long-haul market. Prices for used-aircraft leases have plummeted and are likely to remain lower. For instance, the monthly lease rate of a 2016 vintage Boeing 777-300ER aircraft was around \$1.2 million in 2019. In 2020, the rate fell to less than \$800,000. New aircraft are rumored to be available at even deeper discounts.

The call: Act countercyclically now, if you can

If finances permit, carriers can consider acting countercyclically: locking in orders for new aircraft or confirming operating leases now when demand is low. Aircraft are a significant expense for an airline, making up 10 to 15 percent of a carrier's cost base. As lease rates and OEM pricing fluctuate with supply and demand levels, inking deals during a crisis could allow carriers to enjoy a cost advantage for years to come.



5. Air freight will see undersupply for some time

Over the past ten years, low cargo rates and the unprofitability of the cargo business have led many airlines to relinquish or scale back their dedicated cargo freighter fleets. However, cargo has been a lifeline for the aviation industry during COVID-19. Before the pandemic, cargo typically made up around 12 percent of the sector's total revenue; that percentage tripled last year. Based on data from the Airline Analyst, only 21 (down from 77 in 2019) of the airlines around the world that disclosed their operating performance achieved positive operating profits for the third quarter of 2020, traditionally the industry's most profitable quarter. Among these 21 airlines, cargo revenue accounted for 49 percent of total revenues on average.

During the pandemic, e-commerce sales soared while many passenger flights—which are responsible for delivering around half of total air cargo—were grounded. As a result, cargo yields increased by about 30 percent last year. As commercial flights gradually return, belly supply will increase, although not to pre-COVID-19 levels for at least a few years, as the industry is expected stay smaller than before the pandemic for several years.

The call: Bring back freighters, carefully

In response to the high demand and low supply of air freight right now, carriers could investigate short- to medium-term opportunities to boost their cargo services. Airlines can enhance their flexibility through measures such as increasing the deployment of so-called preighters, or passenger airplanes that are used to transport cargo. Airlines may look at freighter conversions, especially as their passenger fleets reduce in number.

Airlines need to be agile. Rushing headlong into developing and maintaining a large freighter fleet again comes with risk. Airlines need to grow cargo in an agile way that allows for quick adjustments; pursuing such a play should be seen as part of a wider theme of establishing a more flexible production setup. High fixed costs combined with unpredictable demand levels outside an airline's control increase the need for airlines to be able to scale down supply nimbly.

The impact of the COVID-19 pandemic is far from over. There is some relief to be found in various parts of the world now that vaccinations have begun, but the road to recovery for air traffic will take several years. The shape of the post-COVID-19 airline sector is becoming clearer and holds lessons for airlines today. Multiple longer-running trends have been accelerated, such as digitization and the phasing out of less efficient aircraft. Burdened

by debt, many carriers have depleted their cash reserves. But the forecast is not without bright spots. Travel will become greener and more efficient, and people are itching to travel again for holidays. Taking steps now will help airlines thrive in this transformed sector.

Source: McKinsey & Company





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