

Outsourcing and consolidation is the future

Where once cautiousness in outsourcing business prevailed among carriers and a high degree of fragmentation were hallmarks of the GSSA industry, times have changed according to industry players, *Donald Urquhart reports.*

"Now more than ever," airlines see outsourcing of cargo as a sensible option in terms of cost saving and incremental revenue, says Air Logistics Group COO Stephen Dawkins.

"They are looking for partners that are reputable, financially

sound and can deliver in terms of revenue, network coverage and manpower," he says.

As airlines continue to focus on cost control, revenue maximisation – which also means a core focus on their main passenger revenue stream – outsourcing demand will continue.

"GSSAs have naturally become outsourcing companies of choice for airlines, offering significant additional services such as trucking management, data capture, accounting and administration and IT development," he says.

As for consolidation, European Cargo Services (ECS) CEO, Adrien Thominet notes the market is becoming less and less fragmented with a substantial trend toward consolidation now in motion.

Dawkins notes that it is a natural progression in the GSSA industry: Just as airlines, freight



Thominet



Dawkins

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forwarders and handling companies have consolidated over the last 20 years, the GSSA business is following the same trend, he says.

A contrarian view

But not all are upbeat on the consolidation trend, with new entrant into the networked GSSA world, 1GSA, taking a contrarian view. While observing, "the market is buoyant, and the opportunities for GSAs are growing," the problem according to 1GSA president, David Lee, "is that there has already been too much consolidation".

"The major groups are getting too big. The airlines don't like it when their GSSA is as big or bigger than they are," he says. Lee says the growth of the major groups has resulted in a lot of "hardworking, entrepreneurial GSA owners" leaving the business and ultimately being replaced by branch managers.

"Service has deteriorated. Airlines are now often forced to use GSSAs who represent conflicting carriers. Choice has been reduced," he says

Fundamentally, he adds, airlines are not concerned with how large or small a local GSSA is, as long as they do the best possible job. And with airlines still tending to appoint station-by-station, rather than network-wide, the "swallowing small and highly-motivated independents and turning them into branches of major network operators is not necessarily what the airlines want," Lee adds.

But for ECS, which has frequently been in the news over the last few years for the acquisitions it has made, Thominet is keen to highlight that the "very selective" acquisitions "tends towards expansion, the dynamics remain true to the ECS spirit."

The importance lies in knowing how to integrate these partners, he adds. "It's above all, a question of consolidating an already existing relationship. We don't buy up GSAs – we invest in a long-term relationship. The GSAs that join ECS are first and foremost dependable partners,

longstanding friends, men and women with whom we share values," he says.

He cites the example of Singapore/Bangkok-based AVS GSA which was acquired in July 2016.

"Today, they are perfectly integrated into our group. They participate in our board meetings, it's with them that we develop our business strategy in Asia, and it's with them that we are building the future. We unite our respective expertise to advance together," he says.

Integration is good

Integration is good, he adds, as it enables different cultures and operations to be combined. This has major benefits for the combined sales network, he says, citing the example of business generated in Asia on companies departing out of Europe, for instance.

For Dawkins there is another key development that has been occurring in the industry in recent years: Airlines are now realising the value, "a large, well-financed and resourced organisation can bring".

"Airlines launching a new route do consider their existing suppliers because contracts, bank guarantees and compliance are already in place. More and more airlines are offering multi-country contracts because it just doesn't make sense to have numerous different GSSAs," he says.

"A GSSA has to listen to the client's needs and invest in what the client wants. Airlines see that and understand that we want a long-term partnership. We aim to secure our airline partners over the long term," Dawkins says of the Air Logistics Group business.

"The whole cargo business has become more professionalised and airlines know that we know the market well – so we can sell capacity at the right rate for the airline."

But selling is no longer the only requirement of a GSSA, with airlines knowing exactly where their business is. What they demand, he says, is an organisation that can knock on the door of companies where that business is.



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Expansion continues



Lee

Arguably a much smaller player than either of the two big global GSSAs, 1GSA is nevertheless growing and spreading awareness of its brand after only one year of operations. "It's still very early days, but we have added more members, now 16 countries, with a number of further interested parties who are expected to apply.

"We would like to get to 50 members by the end of this year, but that may be a little ambitious," Lee adds. And while 1GSA's world map may have lots of blank spots on it, Lee says there are no real geographic priorities, as "all new members deliver new opportunities. Our priorities are finding the right kind of members, of the appropriate high calibre."

"We recently secured an airline contract for one of our members, and we are working on a

number of other multi-station opportunities. Our members are actively pursuing opportunities for themselves and for the network as a whole, and these are certain to bear fruit in due course," he says.

Positive results

Lee also notes that two recent industry events yielded positive results, saying "airlines are starting to sit up and take notice of 1GSA. We have had some very positive dialogue with leading carriers, and a number have said that they really like our concept of uniting and supporting independents, and making it easier to do business with them," Lee adds.

For ECS, Asia – where much of its recent expansion has taken place, remains the core target – but the group is also pursuing other growth markets, like Latin America, where Paris-based ECS has just acquired a majority stake in the Brazilian GSSA, BCS.

"It's the leading GSSA in the country and our partnership has been up and running for years. We are delighted and honoured that this incredible team is joining our group. Our combined expertise will enable us to transform freight in Brazil," Thominet adds.

For the Air Logistics Group, Dawkins says it is comfortable to grow its business organically, continuing to focus its efforts on expansion in Asia. In the meantime it is very focussed on building a worldwide network with a solid IT platform to service its airline and forwarding clients, he says.

NAS looks for long term relationships



Network Airline Services (NAS), the GSA arm of the Network Aviation Group, represents some 30 airlines on a global basis, says NAS sales director, John Gilfeather (pictured right).

"We have 300 staff in some 30 locations worldwide," says Gilfeather. "We represent airlines in different geographical areas, such as Air Malta Cargo. Some we represent regionally, such as Astral Aviation."

Stressing that his company works to create long-term relationships with its airline clients, Gilfeather says: "We aim to provide the right quality and quantity of resources and services to our clients. We understand the relationship we have with them. In fact, we organise dedicated teams to work for our clients. They become so enthusiastic, they think they work for the airline itself!"

The policy of NAS is to start small with a client, demonstrate its skills and then expand its

representation into new markets.

Gilfeather joined the company in 1997, aged 20, just as it was taking on a new client, which it retains to this day.

"I joined as we gained Avianca, our most recent gain was Rwandair," he says.

Working with Rwandair demonstrates how NAS develops its selling role.

"We work in partnership with Rwandair. This gives us access to passenger information that allows us to accurately plan capacity. Rwanda's imports and exports are fairly balanced, with horticulture and flower traffic being a significant export traffic."

NAS has also taken a proactive approach to generating traffic for the airline and income for itself. A series of conference and business efforts saw NAS and the government encourage exports from the country, which some hope will become the 'Singapore of Africa.'

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