

# Research on Management Mode of Air Cargo Revenue Promotion in China under New Normal

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**Abstract:** With the rapid development of our national economy, China's import and export trade is also growing, China's air cargo enterprises are also facing new opportunities and challenges. At the same time, foreign shipping companies are also coveting the Chinese air freight market, so how to improve the revenue management level of China's civil aviation freight in the huge market competition is the problem we should think about now.

## 1. Introduction

China Freight Airways Limited (China Cargo Airlines LTD) was established on 30 July 1998, It is the first company authorized by CAAC to specialize in air freight (Figure 1), Headquartered in Shanghai Hongqiao International Airport. Founded jointly by China Eastern Airlines (China Eastern Airlines) and China Ocean Shipping Corporation, Accession to the International Aviation Organization (IATA) in 2003, Selected as a pilot unit of the General Administration of Civil Aviation of China for the transport of dangerous goods in 2004, Full accession to Union cargo on 5 June 2013[1].

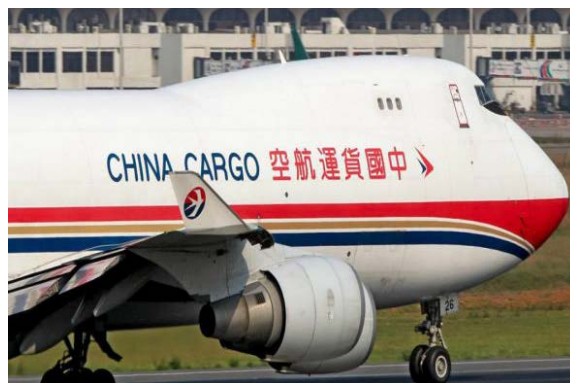


Figure 1 China air cargo

## 2. Development of China Civil Aviation Freight Market

### 2.1. Freight Market Development Potential

Since reform and opening up, Our national economy has grown at a qualitative leap, It's a huge opportunity for air cargo, Under the stable economic development of our country, China's air transport industry has been rapid development. As of 2009, Over the past 40 years, our air traffic has increased to 120 times, At 4.45 million tons, From 2012 to 2013, Our airline's total cargo fleet (Figure 2) increased directly from 106 to 137, year-on-year growth reached 18.9%.



Figure 2 Full cargo aircraft

## 2.2. Market Competition

Along with the opening of China's air freight market, many large domestic air logistics enterprises have also begun to enter, such as: UPS、FedEx、DHL and so on, which invisibly intensifies the competition in the air freight market (figure 3). For example, "DHL", it was the earliest international air express company established in China, and it was jointly established with China Foreign Trade and Transportation Corporation. DHL are fast in delivering goods and can track information in a timely manner, while the price of large goods in individual areas is lower than that of international EMS. FedEx" can provide diversified services according to the needs of different customers, but also can provide door-to-door services, and China's air cargo mode or the traditional airport-to-air, point-to-point transport mode, because China's air cargo aircraft is relatively small, resulting in China's air cargo size and quantity are relatively small, is not conducive to China's competition in the market[1].

◆ 2019 年亚太排名 (单位: 亿美元)

排名	公司名称	营业收入	净利润	图标/备注
◆ A	日航(Japan Airlines Co., Ltd)	137.76	11.17	JAPAN AIRLINES
◆ K	澳洲航空(QANTAS AIRWAYS LIMITED)	227.53	10.53	QANTAS
◆ Q	捷星航空(Jetstar Airways)	113.54	9.4	Jet
◆ J	全日空控股(ANA Holdings)	191.95	8.37	ANA
◆ 10	国泰航空(Cathay Pacific)	281.26	5.21	CATHAY PACIFIC 截至 2019.9
◆ 9	新加坡航空(Singapore Airlines)	87.65	2.88	SINGAPORE AIRLINES
◆ 8	阿联酋航空 (Emirates)	267	2.37	Emirates
◆ 7	越捷航空 (Vietjet Air)	22.18	1.8	vietjet air
◆ 6	新西兰航空(Air New Zealand)	35.81	1.33	AIR NEW ZEALAND
◆ 5	长荣航空 (EVA Air)	60.31	1.32	EVA AIR
◆ 4	越南航空 (Vietnam Airlines)	41.83	0.99	Vietnam Airlines
◆ 3	印度尼西亚鹰航 (Garuda Indonesia)	45.72	0.7	Garuda Indonesia
◆ 2	曼谷航空(Bangkok Airways)	8.76	0.11	Bangkok Airways

Figure 3 Airline asia pacific earnings rankings

## 2.3. Cost Pressures

With the development and transformation of China's economic growth mode, the government has made a series of adjustments to the industrial structure of enterprises, which has led to the increase of the original labor of enterprises year by year, and the huge amount of labor costs has also caused the operating costs of air freight enterprises to increase sharply. At the same time, the price of crude oil in China is also increasing year by year. In 2011, the price of crude oil has risen to

\$100 per barrel, which undoubtedly makes air freight enterprises face a more severe test. And on January 1, 2012, the European Union unilaterally issued a tax on aviation carbon emissions that would have to be reduced by airlines around the world under the carbon trading system (ETS), which, if exceeded, would have been penalized, would have added fuel to the already difficult situation of air cargo companies.

### **3. Strategies of CAAC Freight Revenue Management**

#### **3.1. Targeting Customer Value**

It can be seen from practice that in order to realize the maximization of enterprise income, we need to carry out income management through dynamic pricing and position control; from a strategic point of view, we should achieve the purpose of income management by enhancing the customer's value already loyalty, so as to improve economic efficiency and occupy a favorable position in the market competition[2]. Customer value can be divided into three categories according to customer consumption in air freight:

(1) Expected value. A customer's expectation or demand for a product or service prior to consumption. The customer's expected value is mainly reflected in the transportation service for the customer and the experience that the customer enjoys in the process. (2) Perceived value. It refers to the comprehensive evaluation of the customer's feelings after consumption in comparison with the cost of the product or service received. At the same time, the perceived value of customers is mainly based on the subjective cognition of customers, so the perceived value of different customers is also different. In the process of air freight, the perceived value of the customer is mainly reflected in the comprehensive feeling experienced by the customer after comparing the cost, time and cost with the service product of air freight, such as the price of the goods transported, the safety factor of the goods in the course of transportation, whether the goods are lost or damaged, and whether the goods arrive on time and so on. (3) Post-consumer value. It is a comprehensive evaluation made by the customer after comparing with the expected value and the perceived value, and then sets a new expected value as the basis for the subsequent consumption decision.

The main factors affecting customer value in air freight service are the convenience and quickness of air freight service. Therefore, air freight enterprises in China should pay attention to the diversity and individuation of products and service quality, change the viewpoint of "price war", actively learn from competitors in the same industry each other's successful experience, and at any time observe the policy changes in the industry and make overall plans. Secondly, we should grasp the changing factors of customers and the dynamic of customer value at any time according to the existing data, deal with the relationship with customers, and innovate and improve products and services on an irregular basis to meet the needs of customers at any time.

#### **3.2. Product Innovation**

The foundation of enterprise's long-term development lies in innovation. Therefore, air freight enterprises can learn the product model of other air freight enterprises on the basis of their own original innovation and upgrading, in the existing product innovation optimization, but also according to the needs of different customers to formulate the corresponding customized products[3].

For example: Lufthansa freight set the deadline for delivery of products, and according to the different characteristics of the goods to develop different service packages, similar to heavy goods express service, international express service, economic and reliable service, while Lufthansa freight also according to the needs of different customers to develop a relative logistics service. Developing corresponding services according to different requirements and hierarchical product management are the key to the high revenue of Lufthansa freight. China's air freight enterprises can learn from the successful experience of Lufthansa freight, according to the characteristics of express products and special goods to formulate a sound and reasonable freight transport system, form a market brand with its own characteristics, and lay a solid foundation for the development of air

freight logistics chain in China.

### **3.3. Service Innovation**

To innovate the service of air freight, we should first make a detailed analysis and understanding of our current service mode and state, and on this basis learn from other new service concepts, improve and innovate the current service process, and optimize the service mode. In order to occupy a place in the future market competition, China's air freight enterprises must optimize and integrate the existing resources, optimize and integrate the funds and information on the basis of the current perfect air freight logistics, and gradually improve the whole logistics system.

### **3.4. Market Segmentation**

The main factors affecting market segmentation are: time factor, brand factor, interest factor, frequency factor of use, consumer state factor. We can divide the air freight market into the emergency express market, the vulnerable goods market and the non-volatile goods market according to these factors, which influence the customers to choose the air transportation mode such as railway and road[4].

Customers send emergency express only pay attention to whether the air freight company can deliver the goods at the specified time and place, the demand for time is relatively high, and the price is not very important. Emergency express is characterized by small size and high economic value, such as high-end instruments, special drugs, emergency supplies, air mail and so on. Emergency express is the most economic value in air freight. At the same time, the biggest advantage of air freight and traditional land transportation, sea transportation is fast, high safety, and air freight brings the biggest benefit is express transportation, so air freight enterprises need to pay attention to express transportation, such as increasing the number of flights, reasonable arrangement of tonnage, so as to enhance the economic benefits of air freight.

The vulnerable goods market can be divided into two categories according to time and value :(1) according to the characteristics of the goods and changes over time to reduce the value of the goods themselves. Such goods, such as flowers, tropical fruits, fresh vegetables, seafood and frozen products, have higher time requirements when they are transported, and when they are transported by traditional land and are delivered relatively far away, the goods are prone to deterioration and decay in transit, and the choice of air freight for transport does not cause such problems. (2) The value of goods will change with the change of market demand, such as electronic products, popular clothing, precision instruments, high-end cosmetics and so on, and the time requirement for such goods to be consigned is also high, because the sooner the goods can enter the market, the more market share they can occupy and obtain more economic benefits. In general, customers who ship such goods have long-term cooperation with air freight enterprises, so air freight enterprises can reserve suitable space for such customers according to their own circumstances, so as to increase the revenue of air freight.

Vulnerable goods occupy most of the market in the air freight market, the characteristics of air transport relative to land transport, sea transport are :(1) large volume, light weight goods choose air transport cheaper, and short time, can greatly save costs and improve enterprise income. (2) Air cargo is more secure and less prone to damage. Compared with land transportation, air freight transportation process is more strict, to a large extent avoid the loss of goods, damage, and aircraft have a safety system and shock absorption system, a great deal of women to ensure the safety of freight. So some precision instruments, electronic equipment and so on in the consignment will choose air freight for transportation. Therefore, air freight enterprises must ensure the safety of transportation, so as to stand out in the market competition and enhance the income.

## **4. Conclusion**

To sum up, with the continuous development of the global economy and the continuous progress of the logistics industry, all of them have brought great challenges and opportunities for the development of air freight in China. In order to occupy a place in the fierce market competition, air

freight enterprises in our country need to formulate a reasonable air freight revenue management system according to the market changes, so as to improve the income level of civil aviation freight enterprises in our country.

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