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Anna Schmidt

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BUDAPEST BUSINESS SCHOOL  
FACULTY OF INTERNATIONAL MANAGEMENT AND BUSINESS  
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SPECIAL AIR TRANSPORTATION  
ESTABLISHING A GSA IN THE AIR INDUSTRY

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By Anna Schmidt

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# LIST OF ABBREVIATIONS

AVI – Live Animal Transportation

BAR – Best Available Rate

CEE – Central-Eastern Europe

CEO – Chief Executive Officer

CITES – Convention on International Trade in Endangered Species of Wild Fauna and Flora

DOC – Day-Old Chickens

ECS – Environmental Control System

ETA – Estimated Time of Arrival

ETS 193 – European Convention on the Protection of Animals during International Transportation

FAP – Flown as Planned

FIRAV – First Available Flight

GHA – Ground Handling Agent

GSA – General Sales Agent

HEG – Hatching Eggs

IATA – International Air Transportation Association

IATA CASS – International Air Transportation Association – Cargo Account Settlement System

IATA LAR – International Air Transportation Association – Live Animals Regulations

KLM - Koninklijke Luchtvaart Maatschappij

LASA – Laboratory Animals Science Association

LAT – Latest Acceptance Time

OIE – World Organization for Animal Health

SCT – Station Capability Tool

ULD – Unit Load Device

## WACD – World Air Cargo Market Data

# INTRODUCTION

## Motivation

In the twenty-first century the most precious commodity for everyone is time. People rush to the important scenes where their life is scheduled - their workplace, the school, the gym – we cannot afford to waste any time, therefore air transportation has a fundamental role in the rat race of our times. Shipping goods by plane is the fastest method, consequently, time-critical goods are available internationally in just a few days. A huge number of articles could be mentioned, for instance live human organs or pharmaceutical products that require fast action and highly trained personnel, but in my thesis, I would like to focus on live animal transportation, as my future company will work in this field.

Air transportation is much more convenient for the animals to be shipped from one country to another within one day instead of weeks. However, freight forwarders and carriers have to meet a lot of security requirements to fulfill their obligations regarding shipping the animals from the shipper to the consignee. These obligations are based on international conventions and legislation but also on special requirements defined by the airlines as well as the countries of origin and destination.

In my thesis I would like to study the environmental, legal and infrastructural obligations of freight forwarders, carriers, GSAs (General Sales Agent) and all the other parties who have a significant role in transportation. Furthermore, I would like to highlight how to start a company as a young person in the complicated industry of air transportation, while competing with already-established companies.

Currently I have been working for Air France-KLM as a Cargo Sales Trainee since September 2018 so I have access to the IATA (International Air Transportation Association) books and other professional literature. On the other hand, the product engineers, freight forwarders and many more professionals offered me their help and answers so that I can conduct the research for my thesis.

In the following pages, I will try to make everyone who is not employed in this field aware of the reasons why there is demand for my company and provide an insight into the processes of the air cargo industry. Additionally, I would like to investigate if there is a reasonable chance to establish such a company in five months, as the general manager for Eastern-Central Europe

has set the deadline to create the business until the first of March. It is not guaranteed that I will succeed in winning the tender but if I do, I will be obligated to finish all my tasks by the due date.

## **Research method**

### **Secondary research**

The air cargo industry is an especially complicated field of business with a lot of organizational restrictions, which means that most of the data from the secondary research concern rules and regulations. They are gathered from the convention's books and documents, but the airline's own adjustments are collected from its own data base and manuals.

It was also necessary for me to study books on legal matters as my topic is how to establish a company and an accurate but still understandable book is inevitable for this purpose since I am not qualified as a professional lawyer.

Unfortunately, I was not able to do my research in the library because I was not in Budapest most of the time due to the global pandemic. I tried to use the online database of the school but I could not find any information on my topic so I used Google Scholar, which revealed a lot of literature that proved to be definitely useful.

Also, Air France-KLM made surveys about the feedbacks of the customers about the company in 2019, which gave me accurate information on the preferences. The company also investigates the WorldACD (World Air Cargo Market Data), which provides them with a detailed picture about their shares on the markets. The search can be filtered based on product, market and further extended factors and it makes it possible to study only the important results.

### **Primary research**

Primary research is made by means of deep interviews with the most highly skilled personnel at the company and outside the organization. The group of persons I interviewed included the head of customer service in CEE (Central-Eastern Europe), the product engineer for live animal transportation of Air France-KLM, a freight forwarder who is interested in live animal transportation, the operational deputy manager in CEE and a lawyer.

Unfortunately, most of the interviews were carried out via email, as the pandemic made it impossible to meet with everyone. However, they were successfully made and concluded.

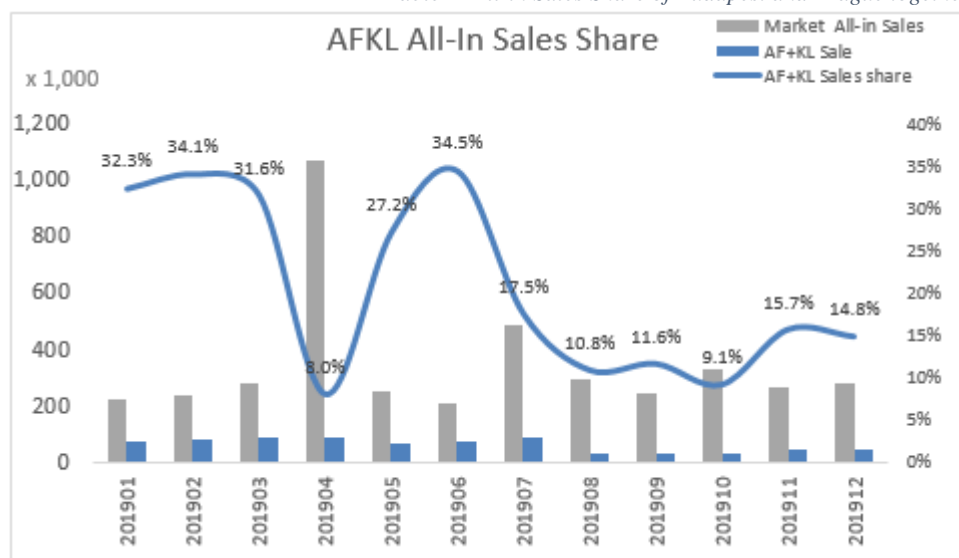
I did not do any surveys about the topic as the air cargo industry is quite closed and the outsiders have no opinion or any additional information. I did not manage to do any public opinion polling since the market for live animal transportation is narrow and I could hardly obtain a sufficient amount of answers for the questionnaire.

# 1. GENERAL MARKET POSITION OF AIR FRANCE-KLM

## 1.1. Comparison of the Hungarian and Czech market

In order to research the current market situation of the company I studied the inside sales reports and the WACD report of 2019 to see the most recent results on shares. These data consist of only Air France-KLM Air Waybills and prefixes, even if the animals were shipped by Martinair or Delta Air Lines. They calculated with chargeable weights instead of actual weight, and all all-in sales results are indicated in Euro. The shipments are calculated for that month when their Air Waybill was issued. (WorldACD, 2019)

Table 1- All-in Sales Share of Budapest and Prague together



Source: (WorldACD, 2019)

In Table 1, you can see the all-in sales share for both Budapest and Prague for the year 2019 for live animal shipments. The all-in sales results consist of net sales, fuel surcharges, security surcharges and all other charges that may occur. On the left you can see the sales in Euro, while on the right side of the table you can see the percentage of the market share. At the bottom the months are displayed, when the AWB was issued. The grey columns represent the market all-in sales data, while the blue ones indicate the Air France-KLM all-in sales data. The line above the columns depicts the market share and the fluctuation of it, which is calculated by dividing Air France-KLM's all-in sales results with the all-in sales results of the market. (WorldACD, 2019)

In the first quarter the market share exceeded thirty percent, which is an excellent result considering the fact that there are many airlines on both stations, for example Czech Airlines,

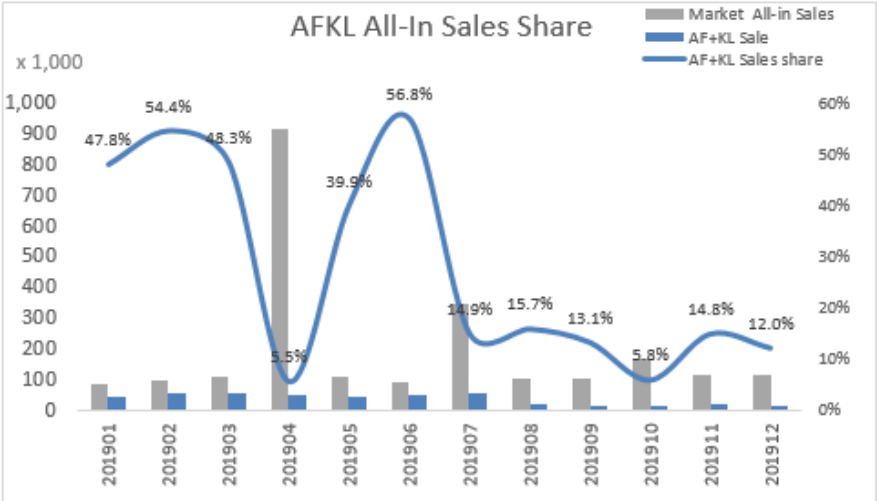
which is the national airline of Czech Republic, and as a consequence, it is popular. In April there was a huge downturn for Air France-KLM, but not for the market, as the company introduced an embargo from Budapest on Air France for all live animal shipments and for KLM on sub-nosed dogs, which is the animal most frequently shipped by the carrier. These embargoes took place only for a few weeks, but the customers were forced to find other solutions for this time period. The sales results went up immediately after the elimination of the embargo and peaked in June. (WorldACD, 2019)

In the second part of the year the company had to face a decline again as during summer a heat embargo was imposed on the company at O'Hare International Airport, in Chicago, which is the fourth most popular destination for Budapest and Prague, as it can be obviously deduced from Table 5. Also, there was a heat embargo on Budapest, which required the sub-nosed dogs to be shipped on the morning flight. This means, that the company was able to ship maximum six kennels of sub-nosed dogs a day, as they could only fly on the morning flight. From Prague, in the summer season only Embraer type of aircrafts flew to the hubs, which means the maximum number of kennels was six per day (two kennels per flight, and there were three available flights a day). (WorldACD, 2019)

After the summer season, the downturn continued and the reason for this may be the fact that September and October are not the peak season in animal transportation for the company as there are weather conditions which make the shipping harder. However, by the end of the year the company had reached a more favorable position on the market due to the tendency that a lot of people buy animals for Christmas. Another cause of the downturn might be the breeding of animals, since the period in the life cycle of mammals to give birth is in spring and summer, which ensures the growth of the animals before the winter. (WorldACD, 2019)

In Table 2, the same method of analysis can be seen for Budapest and for Prague in Table 3. It allows us to compare the fluctuation in market search for the two locations. The line of market share has basically the same fluctuation in Budapest as it had when we considered the two airports together. A possible reason for this phenomenon is that Budapest had more kennels, which results in higher chargeable weights and bigger influence on the total market share than Prague had. (WorldACD, 2019)

Table 2 - All-in Sales Share of Budapest

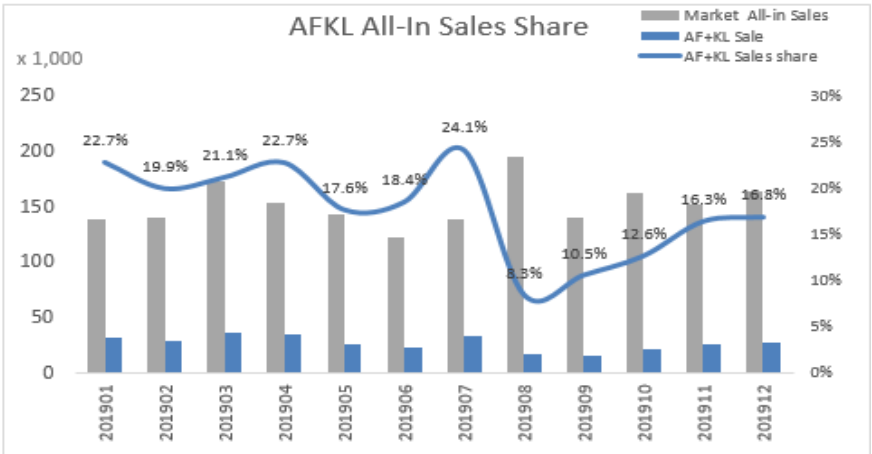


Source: (WorldACD, 2019)

As one of our freight forwarders from Hungary has pointed it out, most customers would prefer to use KLM if it is possible because it provides a very good service while its prices are more reasonable than those of Lufthansa, for example. (Pellérdy, 2020)

On the other hand, Table 3 demonstrates it clearly that Prague has a steadier line than Budapest or the two stations together, while their market share is lower as a consequence of smaller chargeable weights and fewer kennels. It is caused by the reduced capacity and the fact that the customers have more and cheaper options from that airport than from Budapest. (WorldACD, 2019)

Table 3 - All-in Sales Share of Prague

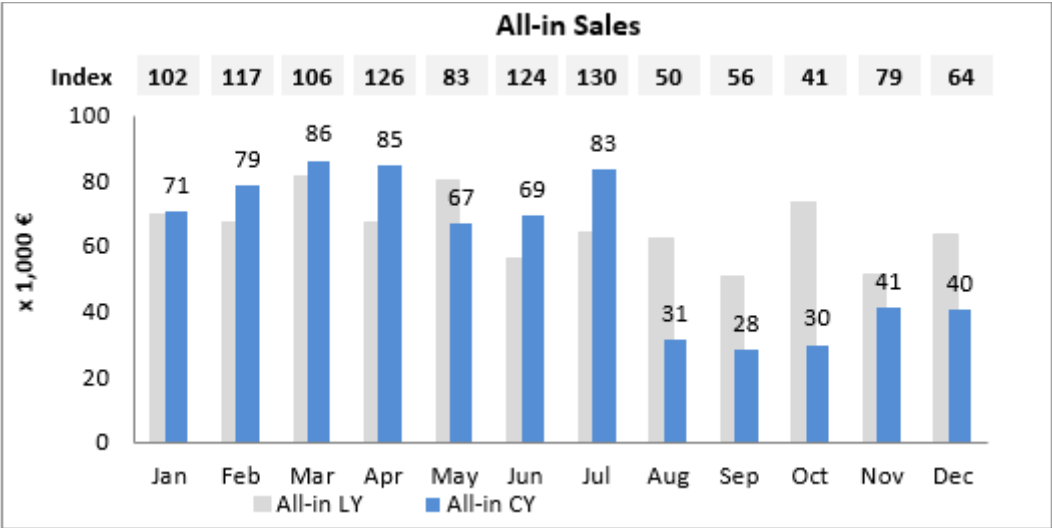


Source: (WorldACD, 2019)



In Table 4, we can see the all-in market share of Budapest and Prague together compared to 2018. On the left side, the sales data are indicated in Euro while the horizontal axis represents the months. The grey columns show the results of 2018 and the blue columns stand for 2019. Obviously, the first seven months (except for April, when the embargo was implied) were more profitable in 2019, but after that there was a downturn, which declined the sales data almost to its half in August, September and October. In November and December, it increased again due to the holiday season, but not significantly. This situation was formed by all the above-mentioned factors but it also has to be taken into account that 2018 was an outstanding year for the company, so it was hard to space out. (WorldACD, 2019)

Table 4 - All-in Sales Share of Budapest and Prague together compared to 2018



Source: (WorldACD, 2019)

## 1.2. Top 15 destinations from Budapest and Prague

As it is indicated by Table 5, the most popular destinations are mostly located in North America. (Air France-KLM, 2019) According to our customers, the reason for this is that in these countries the pure-bred animals are much more expensive than in Central-Eastern Europe, even if the freight charge and all the necessary health inspection and customs procedures are also taken into consideration. (Pellérdy, 2020)

Table 5 - Top 15 Destinations of Budapest and Prague together

Top 15 Destination Country	All-in Sales CY	All-in Sales LY	Index LY	Share	Weight CY	Weight LY	Index LY	Share
ATLANTA	145	151	96	20%	21	21	100	23%
HOUSTON	79	96	83	11%	9	12	74	11%
TORONTO	61	53	114	9%	8	8	100	9%
WASHINGTON	43	26	164	6%	5	4	152	6%
VANCOUVER	39	45	87	6%	5	7	72	5%
CHICAGO	27	34	80	4%	4	4	84	4%
MONTREAL	23	18	131	3%	3	2	123	3%
PHILIPPINES	22	32	69	3%	3	4	75	3%
MIAMI	24	29	83	3%	3	4	64	3%
LOS ANGELES	23	20	112	3%	2	2	102	3%
SAN FRANCISCO	18	24	77	3%	2	3	63	2%
NEW YORK	16	8	189	2%	2	1	205	2%
MINNEAPOLIS	14	25	55	2%	2	4	45	2%
MEXICO	14	12	119	2%	2	2	99	2%
CALGARY	11	17	66	2%	1	2	59	2%
<b>Total</b>	<b>560</b>	<b>590</b>	<b>95</b>	<b>79%</b>	<b>71</b>	<b>80</b>	<b>89</b>	<b>81%</b>

Source: (Air France-KLM, 2019)

In Table 5, we can see the differences and similarities between 2018 and 2019, and also between the all-in sales (displayed in thousand Euros) and chargeable weight data (displayed in tons). For Atlanta, Houston, Vancouver, Chicago, Manila (displayed as Philippines), Miami, San Francisco, Minneapolis and Calgary the index regarding last year is in minus. For Chicago, it is because of the heat and the cold embargo (cold embargo is established below minus seven Celsius degree), while for San Francisco and Minneapolis it is because in the summer season the company had no option for live animal shipments to these stations. The other destinations are in minus due to the decreased demand for animal shipping and the change in customers' behavior. Because of this change, Toronto, Washington, Montreal, Los Angeles, New York and Mexico had a higher demand compared to last year. (Air France-KLM, 2019)

Manila, in Philippines is popular with Air France-KLM as there is a lack of possibilities to get there without having to change airplanes, therefore it is included the top fifteen destinations for both Budapest and Prague.

New York has the highest index both for all-in sales and for chargeable weight of this fifteen stations, but as Table 5 and 6 depict it, only Budapest has this destination among the top ones,

which shows how big influence Hungary has compared to the Czech Republic as a result of the amount of animals they ship. On the other hand, Minneapolis has the lowest index for both categories because the company stopped animal transportation there as the flight arrives too late. Consequently, only some special animals and fish species are allowed to be transported there, which do not require so much care as a pet. (Air France-KLM, 2019)

At the same time, we can detect a tendency according to which for Toronto and Mexico the all-in sales index is positive, but the chargeable weight index is negative, which means that the company shipped fewer or the same amount of kennels as in 2018 for a higher price, so they increased the rate for these two destinations. It can be explained by basic economics; the company calculated with higher demand when they created the rates, therefore they increased the prices as well. (Air France-KLM, 2019)

In total, it can be established that 2018 was a better year for both all-in sales and chargeable weight results for the markets of Budapest and Prague calculated together. As far as the all-in sales are concerned, the company made thirty-thousand Euro more than in 2019, while 2018 had a nine tons bigger weight of animals. On the total row of Table 5, there is a minimal difference compared to the results above it, because the table did not use decimals. (Air France-KLM, 2019)

Table 6 - Top 15 destinations for Budapest

Top 15 Destination Country	All-in Sales CY	All-in Sales LY	Index LY	Share	Weight CY	Weight LY	Index LY	Share
TORONTO	50	49	102	12%	6	8	85	13%
ATLANTA	45	48	94	11%	6	7	91	13%
HOUSTON	41	57	72	10%	5	8	60	10%
VANCOUVER	36	39	91	9%	4	6	74	9%
WASHINGTON	24	12	198	6%	3	2	165	6%
LOS ANGELES	19	13	150	5%	2	2	123	4%
MIAMI	19	27	70	5%	2	4	54	4%
CHICAGO	15	18	85	4%	2	3	79	4%
SAN FRANCISCO	17	19	90	4%	2	3	69	4%
NEW YORK	14	5	261	4%	2	1	262	3%
PHILIPPINES	12	21	55	3%	1	2	57	3%
MONTREAL	11	10	110	3%	1	1	86	3%
SEATTLE	10	5	203	2%	1	1	153	2%
MEXICO	8	5	151	2%	1	1	127	2%
OMAN	5	14	37	1%	1	3	33	2%
<b>Total</b>	<b>325</b>	<b>342</b>	<b>95</b>	<b>82%</b>	<b>40</b>	<b>50</b>	<b>81</b>	<b>82%</b>
<b>Grand Total</b>	<b>399</b>	<b>440</b>	<b>91</b>		<b>49</b>	<b>65</b>	<b>76</b>	

Source: (Air France-KLM, 2019)

In Table 6, you can see the top destinations for Budapest displayed in the same method as before. For Budapest, only Toronto, Washington, Los Angeles, New York, Montreal, Seattle and Mexico had a positive index. New York and Seattle have the highest index both for all-in sales and chargeable weight, because New York opened two flights in 2019, while Seattle opened for animal importation for the winter season of 2019, but they have already re-

established the embargo as the company does not possess enough aircrafts to meet the demand on their own, so they made a contract with Delta Air Lines to serve this route on behalf of KLM, which cannot be used for live animal shipments. Muscat, in Oman has the lowest index both in case of all-in sales and chargeable weight, as the station is available with other airlines that have lower rates. Toronto and Montreal have the same situation as in the summary of the studied stations, that is, the chargeable weight is lower while all-in sales are higher, which means the rates were increased. In the case of Budapest, the total results are the same as the abovementioned ones so 2018 was more successful for Hungary as well. (Air France-KLM, 2019)

Table 7 - Top 15 destinations for Prague

Top 15 Destination Country	All-in Sales CY	All-in Sales LY	Index LY	Share	Weight CY	Weight LY	Index LY	Share
ATLANTA	100	103	97	32%	14	14	104	37%
HOUSTON	38	39	99	12%	4	4	100	11%
WASHINGTON	19	14	134	6%	2	2	138	6%
CHICAGO	12	17	74	4%	2	2	92	4%
MONTREAL	12	7	160	4%	2	1	183	4%
TORONTO	11	4	253	3%	2	0	381	4%
MINNEAPOLIS	11	19	58	3%	1	3	55	4%
PHILIPPINES	10	10	98	3%	1	1	108	4%
CALGARY	8	13	67	3%	1	2	59	3%
BOSTON	8	3	260	3%	1	0	218	3%
DUBAI	7	5	157	2%	1	1	173	2%
TAIWAN	6	4	140	2%	1	0	140	2%
MEXICO	6	7	95	2%	1	1	75	2%
OSAKA	5			2%	1			1%
EDMONTON	4	5	94	1%	1	1	93	1%
<b>Total</b>	<b>259</b>	<b>249</b>	<b>104</b>	<b>83%</b>	<b>34</b>	<b>31</b>	<b>108</b>	<b>87%</b>

Source: (Air France-KLM, 2019)

In Table 7, you can see the top destinations for Prague displayed in the same manner as before. Here, Atlanta, Houston, Chicago, Minneapolis, Philippines, Calgary, Mexico and Edmonton are the negative indexers. Osaka opened only in 2019 for live animal importation, therefore there is no index neither 2018's results, but this station is only open for live fish species that are not possible to be shipped from Budapest due to lack of trained staff and equipment for loading. Atlanta and Minneapolis have higher chargeable weight index than all-in sales index, which shows that we shipped more kennels for less revenue, therefore the rates went lower. In total, Prague was better off in 2019 than in 2018 both in the case of all-in sales and weight results, which highlights that in Budapest the total for the summarized results declined, because it has more shipments and therefore higher influence on the summary. (Air France-KLM, 2019)

Boston has the highest index in terms of all-in sales, because in 2019 Air France opened its flight to the station also for live animal shipments, which lasted until the beginning of the spread

of Corona virus, therefore the results of last year are better than the year before. From the perspective of chargeable weight, Toronto had the highest index. (Air France-KLM, 2019)

Dubai and Taipei are also popular destinations from Prague because KLM is almost the only airline that can solve the whole journey by itself, without any changes in the carrier. The lowest index is for Minneapolis, for the same reason already mentioned in the case of the summarized data. (Air France-KLM, 2019)

### 1.3. Customers’ feedback on Air France-KLM

Air France-KLM did a survey for their customers about their opinion of the company in 2019. The survey was open from the fifth of June until the nineteenth of June and thirteen companies of all the customers from Prague and Budapest gave responses to the survey, which is a smaller amount than in the previous years or in the first questionnaire of 2019 (in January). These questionnaires are prepared twice a year, and they are studying four waves of them at the same time to see the fluctuation. They survey NPS (Net Promoter Score), which shows how likely the freight forwarders are to recommend the company to others. The NPS is measured between minus and plus one hundred points to give a very specific picture of the company. Air France gained plus ten points, while KLM obtained twelve extra points compared to the previous questionnaire completed in January of 2019. (Air France-KLM, 2019)

According to the findings of the survey, the price and capacity agreements improved the results for the airlines, while the operational performance decreased them. The company wanted to perform better in this survey. However, the customers have serious problems with the continuous off-loads and delays. This is not usual for live animal shipments, but in many cases the customer will not choose the carrier for AVI, if their other shipments are delayed. (Air France-KLM, 2019)

Figure 1 - Confusing Station Capability Tool

Remarks (Import Af)	Avi are only allowed on af334 with mandatory ok to forward (approval from regional operations manager on sept 2020)
Remarks (Kennels)	For delta flights:with immediate effect and until further notice max 3 kennels per shipment live pets in view limited bulk cap available on a330-300 ac

Source: <https://www.afklcargo.com/HU/en/local/contact/contact.jsp>

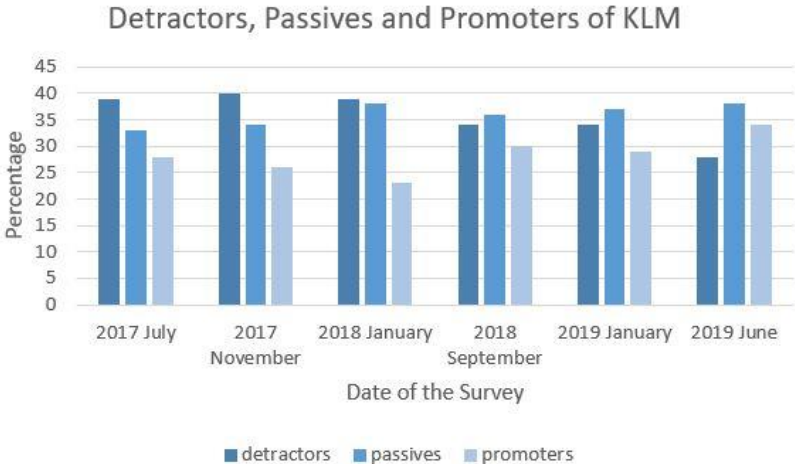
The other factor responsible for the decline was the lack of up-to-date information on the website. The cargo website of the company should show all the information, rules and regulations which are in force currently or have changed to previously used ones, but for some stations it is not updated or confusing - see Figure 1. This shows the animal transportation rules

for Boston in the SCT (Station Capability Tool), which should provide accurate information for the customers. According to this, AVI is only possible to be shipped on Air France, but at the same time there are rules for Delta Air Lines flight as well, which is prohibited for live animals. (Air France-KLM, 2019)

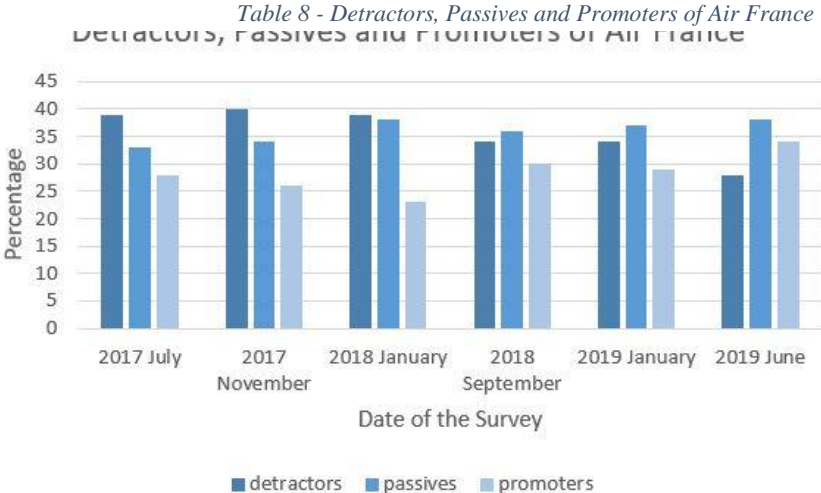
The circumstances are the same case for animal transportation in the online booking system; there are destinations where the company is not permitted to import animals, however, the system gives routing possibilities (even with Delta Air Lines or other interline solutions) and price for the customers, and they always need to double-check the credibility of it with customer service representatives. (Nagy, 2020)

For both airlines personal contact is getting less important and they regard the e-booking system a very useful tool, which is surprising as Central-Eastern Europe is a market of customers who prefer face-to-face communication with the customer service representatives. (Air France-KLM, 2019)

Table 9 - Detractors, Passives and Promoters of KLM



Source: (Air France-KLM, 2019)



As you can see on Table 8 and Table 9, both Air France and KLM were able to decrease the number of detractors and increase the number of promoters. The customers indicated how likely they are to recommend the airline. The detractors are those customers who gave zero to six points, the passives gave seven or eight points while promoters gave nine or ten points to the company. On the other hand, the number passives has also increased, which shows the trend that instead of being a passive or a detractor, they became passive or promoter oriented. (Air France-KLM, 2019)

When comparing the two carriers, it can be deduced that KLM always had fewer detractors and more promoters, and this behavior can be attributed to customers during the daily routine as well. Some forwarders do not intend to use Air France, because they had some bad experience with it, such as huge delays or plenty of missing cargoes. (Air France-KLM, 2019) As for animal transportation, forwarders do not prefer Air France because this company has more complicated rules than KLM. For example, all documentation must be in French or it must be accompanied with an official translation of the paper. However, sometimes they still need to give the company a chance as there are lots of destinations, where Air France is the only option (most of the previous French colonies). (Nagy, 2020)

In the next part of the questionnaire, the customers were asked about their decisions concerning why they consider themselves as detractors, passives or promoters. Detractors suggested that most of the problems arise because of handling issues and delays, mostly in the case of Air France. They cannot count on the ETA (Estimated Time of Arrival), because they know that the shipment will arrive with a delay of three to five days. The other complaint concerns communication; when there is a delay, the company notifies them about it, which they also could do by themselves on the online platform, but they get to know the reason for offload only the next day, or in a few days and this time gap is unacceptable in the case of air transportation. (Air France-KLM, 2019)

On the other hand, it must be underlined that most of the shipments struggling with this problem are general cargoes that have the lowest priority and the abovementioned problem barely happens to special cargoes. Therefore, in the case of animal transportation, the competent staff usually let customer service know immediately about the reason and find a solution for the problem, so the sales representatives can reach the customers with detailed information. (Nagy, 2020)

They also remarked that the customer service is not available outside office-hours, which is not a sustainable feature as there are shipments that need to be handled immediately, such as ok-to-

forward requests for live animals. (Air France-KLM, 2019) The customer service asks the customers to arrange it until three hours before departure, but in some cases, they are not capable of doing this due to the urgency of the shipment and the time lag between Europe and other parts of the world. Unfortunately, it is difficult to solve this issue since there is a maximum limit for employees currently, and they are not able to work twenty-four per seven. (Nagy, 2020)

The customers of Air France-KLM also commented on the customer service. In their opinion it is not pro-active and customer-oriented enough, therefore the company decided to analyze the reasons for this. Above thirty percent of the respondents said it was complicated to contact the customer service and above twenty-five percent claimed that the follow-up of the shipments has a poor service level. (Air France-KLM, 2019)

To show the reasons for the abovementioned problems, they found that regarding Air France in 2018 the detractors gave lower points because of poor customer service but the situation changed in 2019 as they did the same as a result of operational problems. At the same time, in the case of KLM, in 2018 price and capacity, at the beginning of 2019 the operational problems, and in the middle of 2019 the customer service were the biggest issues. KLM's price and capacity problems have mainly evolved due to spot rates that are offered to the customers at higher prices than those of the competitors and the fact that the rates are too high, even if the aircraft is empty. As a conclusion, we may state that while Air France has continuous and unsolved problems, KLM always tries to improve their weaknesses, but as one disappears, a new matter emerges to the surface. (Air France-KLM, 2019)

Those regarded as passives said that the customer service is always reachable via phone and email, but they still noted that they usually get late answers in the case of delays and reasons for offloads. They also made complaints about the traceability of the shipments on Air France and Delta Air Lines flights, and for a lot of shipments transported by truck. (Air France-KLM, 2019) As Delta Air Lines is a totally separate third party, it is hard to integrate their tracking system into the company's, but separately they are working quite well. It is hard to track those shipments that are transported via truck in the United States, as there are many mini hubs for trucks with an enormous number of trucking companies, therefore the information flow is slow and confusing. (Nagy, 2020)

As a summary of the view of passives, it may be stated that those who gave seven points are more likely to be detractors but compared to other airlines the company performs on a much



higher level, while those who gave eight points are more likely to act as promoters, but still have problems with the service level provided by the carrier. (Air France-KLM, 2019)

We need to separate complaints about the operational side, such as delays and off-loads, and about the customer service, because locally only the latter can be solved. Operational problems can be escalated to the headquarters, but Budapest and Prague are not able to solve them on their own. For both Air France and KLM, above seventy percent of the customer said that the FAP (Flown as Planned) index of the company is poor, and above twenty percent criticized the re-prioritization of offloaded products. It is a general trend that most customers book only general cargo that has a lower priority compared to special cargo, therefore rebooking them can take several days. (Air France-KLM, 2019)

The customers do not know about the organizational structure of the company. Consequently, they expect the customer service to solve all of these issues. Most of the passives, however, gave seven or eight point, because of the price and capacity of the flights, which seems to be a very divisive topic among the customers. Passives gave a constant answer throughout 2018 and 2019 for the question why they chose to be neutral in the case of Air France: it was because of the price and capacity and it seems to be the case that they are not totally satisfied with the service in terms of these factors. Thirty-two percent of the customers say they have this opinion because the spot rates are too high compared to other airlines, and twenty-nine percent declared that the rates do not match the available capacity (too high rates with many empty positions on the aircrafts). Only thirteen percent said that there is a lack of capacity and that the market rates are too high, which is a good number, as these factors are really significant for animal transportation. (Air France-KLM, 2019)

The results were almost the same in the case of KLM, but at the beginning of 2018 the respondents stated that they had made their choices based on poor quality customer service. Forty-nine percent of customers supposed that the problems had occurred is because the customer service was not able to follow-up the actions and they were not proactive and customer-oriented enough. (Air France-KLM, 2019)

Finally, there are promoters whose number increased in the past three years. They praised the number of destination options of the carrier as well as the good rates. (Air France-KLM, 2019) This is slightly controversial, as there are stations, which are only reachable with Air France-KLM, therefore the prices are high due to the lack of competition. On the other hand, the company is focusing on special cargoes so the prices are reasonable while the service has a

great level. They also highlighted the big capacities, which can be explained with the many full-freighters and combi aircrafts owned by the airline and their easy variability. (Nagy, 2020)

Some of the customers complained about the online booking tool of the company, but in the case of promoters the number of those who especially likes is bigger. The significance of the tool lies in the fact that it gives the BAR (Best Available Rate) to the customers without including the customer service, therefore the whole process will be faster and available at any time. Unfortunately, the system is not ready yet, so there are products that cannot be booked by means of the tool, such as live animal shipments. On the other hand, they really like the teamwork and helpfulness of the customer service, they do not mind being in daily contact with the employees. (Air France-KLM, 2019)

Promoters argued that they gave nine or ten points for Air France because of its prices and capacity, which is also controversial, as passives are not fully satisfied with these factors. The reason behind this is that not every customer books the same shipments; for example, if a forwarder books only general cargo, they will give a lower point as they get higher prices than those provided by the competition, because the company does not focus on this kind of shipment, but if someone only books live animals, they will give higher point, as the AVI service of the company is of high level with reasonable rates. For KLM, it is almost the same, except that at the beginning of 2018, the level of customer service was the main reason for the good rating. (Air France-KLM, 2019)

The company also asked the customers about their opinion of the two-hub system. Thirty-one percent of them argued that it is quite difficult to see it through and adapt to it, while nineteen percent of them thinks that it is impossible to adjust the two networks so properly that they will manage to cooperate without continuous discrepancies. The other big problem for the customers is the limited main-deck positions on KLM and Martinair flights, which is also controversial in terms of other answers. (Air France-KLM, 2019)

The last question is aimed at the overall performance of Air France and KLM separately. For Air France, customers claimed that the biggest problem is that the carrier is not liable in terms of operational issues, and it cannot understand or adapt to the demand of the market. The third main reason is the lack of necessary services and options, such as faster responses from customer service and twenty-four-per-seven availability. For KLM the leading reason is that it cannot understand the business needs, probably because the prices are sometimes too high in terms of capacity. Not being reliable is only the second reason, which shows that between the

two carriers, KLM has a higher level of operational services and the whole supply chain works better than in the case of Air France. (Air France-KLM, 2019)

Comparing the Hungarian and the Czech market is challenging and risky as the relationship between the customers and the company is very different. It is due to the fact that Budapest is a mini hub, therefore the employees have less time to build friendly or tighter connections with their forwarders. Also, in Prague, there are fewer customers and two sales managers instead of only one, so they can build better relationships with them than in Hungary. (Air France-KLM, 2019)

According to the questionnaire, in Budapest the average score is 6.5, which means that the customers more likely to be detractors, than passives, while in Prague the average is 7.2, which is still not good, but it is closer to being promoters. The conclusion may be drawn that in Prague the customers ranked the carrier higher than in Budapest. The other difference between the two market is that the customers wanted to stay anonymous in Budapest, while in Prague they wrote their email address and name on the survey - in fact they also asked for the results of the survey. (Air France-KLM, 2019)

After the problems were discussed, the company asked the customers about the improvements and about what they would like to see in the future for both airlines. Regarding Air France, they claimed that improvements are needed in terms of the digital booking system to make it more reliable and they also think that the track and trace system could be more suitable for the business requirements. As far as KLM is concerned, all the abovementioned requests are identical, so basically the customers do not make a distinction between the carriers in terms of improvements and innovations, which can be explained by the fact that they would like the two companies to integrate more and evolve together. (Air France-KLM, 2019)

#### **1.4. Most popular animals**

When people think of animal transportation, they automatically associate it with the transportation of zoo animals or bigger mammals, as they assume that transportation is only relevant for them. However, on the Hungarian and Czech market, the shipping of pets, which category consists of cats, dogs, bunnies and rodents as well as smaller animals are the market leader. To be more specific, sub-nosed dogs, such as French Bulldog, English Bulldog, Pug and Boston Terrier are the most popular animals in this segment. (Nagy, 2020)

These dogs are transported mostly from breeders to natural persons or dealers, who will resell the animals at the destinations. They usually opt for this method because these dogs are less expensive in Central-Eastern Europe than in the Western countries, more specifically in the United States of America even if the travelling cost is included in their price. (Pellérdy, 2020) As it was previously pointed out and shown in Table 5, for both Budapest and Prague North America is the number one destination. Also, the pets are usually at a young age because the customers demand small animals, but the minimum age of shipping is ten weeks since the necessary vaccinations will be given at that time. If rabies injection is also required in the transit of destination country, the minimum age can increase to three months. (Air France-KLM, 2020)

Sub-nosed dogs are a separate category of dogs, because they need to be handled differently. Due to the stress on the flights and the morphology of their breathing system, they can have difficulty breathing during the journey, therefore many airlines prohibited the transportation of them. Air France-KLM still operates with these four breeds, but with serious regulations and restrictions. For example, the animals need to be at least three months old, but they must not be older than six months. Also, these animals need to be shipped in a container that is one size bigger than the usually used ones and it cannot be a wooden crate. (Air France-KLM, 2020)

Apart from sub-nosed dogs, we also ship a lot of service dogs. Most of them are for the police or military, so they are large ones, such as German Shepherds or Rottweilers. (Boer, 2020) They require a strengthened, built cage because they could easily escape from a normal kennel, which would cause a lot of discrepancies at the airport and possible injuries to the staff. As from Budapest and Prague, in normal times, the company operates with Boeing 737 and Airbus 320 aircrafts, these animals can easily fit, but in the winter season in Prague or during the pandemic with the re-integrated Embraer 190 planes, shipping them is impossible, as the maximum height of the kennel is sixty-eight centimeters. (Air France-KLM, 2020)

The third category of dogs is household dogs. In case of these animals, the owner family is moving from one country to another or they are going on a holiday and they would like their four-legged friend to accompany them. Most household pets travel as baggage or in the cabin, but if they are too big or too complicated to be shipped in those ways, then their owners ask the help of a freight forwarder who arranges the travel with the carrier and ship the animals as a cargo. If a dog is sub-nosed and already part of a household, Air France-KLM cannot accept it as there would be too many problems with the owners; for example, a certain master of a dog kept calling the Animal Hotel about the well-being of his pet and asked for photos of it, and the Animal Hotel has no capacity for these requests. (Boer, 2020)

Cats occupy the fourth place in the ranking for popularity. They can be shipped for commercial and non-commercial reasons and there are sub-nosed and not sub-nosed cats as well. There are no restrictions for them currently, but in the past, when Delta Air Lines was allowed to ship them, sub-nosed cats were prohibited from flying for the same reason as dogs - due to their limited capacity of their airways. (Boer, 2020)

For special animals, such as zoo animals or spiders, or anything other than dogs and cats, the company has an ad-hoc pricing system, which means that the sales representative always needs to ask the headquarter about the possibility of shipping and about the rate. For these animals, the packaging depends on IATA LAR (International Air Transportation Association – Live Animals Regulations), and the special conditions of the animal, which always need to be checked by the carrier before shipping. (Boer, 2020)

From Prague, there are a lot of fish shipments when the fish species are transported in tanks. The fish get enough oxygen for the estimated transit time, therefore in the case of this product the carrier needs to pay special attention to the time factor. There was a case, when a live fish shipment was intended to fly to Helsinki, but there were two flights from the same gate; one to Amsterdam and one to Warsaw. Unfortunately, the GHA (Ground Handling Agent) loaded the fish into the plane to Warsaw so they needed to be shipped back to Prague, then to Amsterdam and then to Helsinki, but the fish did not have enough oxygen for the bypass. This was clearly the fault of the GHA in Prague, therefore the penalty and compensation were paid by them. (Boer, 2020)

The different varieties of rodents are also a specialty for Prague. It is a well-established fact that Air France-KLM operates with narrow body aircrafts from the Czech Republic as well, but the customers insist on delivering the animals to Amsterdam or Paris. These shipments are usually between two-hundred kilograms and two tons and the animals are packed in wooden crates. They cannot fly as bulk cargo, therefore they needed to be built up on pallets to lower-deck positions. The crates need to have spacer bars on the sides to ensure ventilation for the animals and they can only be stacked in three rows. Even though these animals are directly delivered to the hub and the first segment is not done by the carrier, the revenue goes to Prague as they are the governing station (this is the case in any direct delivery). (Air France-KLM, 2020)

Day-old chickens are popular for both stations, and they are also needed to be delivered to Amsterdam or Paris in great volumes by the forwarder itself. These are even more sensitive products than other live animal shipments, therefore they cannot be shipped as bulk cargo either. Instead, they need to be palletized. The maximum stackability of them is also three rows, and

spacer bar must be added in the case of DOC (day-old chickens). The GHA must pay special attention to the volume of the chickens, as if it is higher than in the booking, it can cause offloads of other lower-priority shipments. Also, they need to check if the boxes are not overcrowded, because the animals may get injured, or the ventilation will not be sufficient. When the chickens arrive at their final destinations, the GHA must break down the pallets as soon as possible, and they need to start it from the middle, to ensure the animals inside the building can get enough oxygen. (Air France-KLM, 2020)

In the transportation of HEG (hatching eggs), Budapest is more widely used. Customers usually want the shipments to be delivered to Amsterdam or Paris as they would like to ship high volumes. These are considered as live animals although they do not breathe and digest yet. Special attention has to be paid to their ground handling since they are very fragile, and their stackability must not exceed three rows, either. (Boer, 2020)

## **2. AVI – LIVE ANIMAL TRANSPORTATION**

The transportation of live animals has a lot of reasons; guidance and service dogs are needed all over the world and there are better breeders in some regions than in others, families sometimes move from one country to another and they do not want to leave their pet behind, sport animals are necessary to be shipped for the races and there are animals that must travel for scientific reasons, or there are also zoo animals that might have to move for better conditions. (SkyBrary, 2019)

Animals usually travel by airplanes, because it is the fastest method available and when we are taking care of sensitive cargo, we need to regard time as the most important factor. At the same time, the value of live animals is priceless, therefore the safety of them must also have priority. All the international organizations, such as IATA, OIE (World Organization for Animal Health), CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) and many more make efforts to reduce the risk of death or injuries of animals during the flight and to ensure the general well-being of them.

Service animals and family pets are the easiest to ship as they are usually smaller animals, such as cats, dogs, bunnies or rodents. They do not require special documentation or containers, they can easily fit into a narrow-body aircraft and no special preparation is required for loading and unloading.

Aircraft manufacturers usually give airlines manuals about the planes to make their work easier. These manuals are also useful when we are shipping animals. From Budapest and Prague there are only narrow body aircrafts, so the weight and the dimensions of the kennels cannot be too big. To be more specific, on Boeing 737 the maximum weight per piece can be hundred-fifty kilograms and the maximum height can be eighty-six centimeters. While on Airbus 320 the maximum weight per piece is two-hundred kilograms, the maximum height is hundred-thirteen centimeters. During the pandemic and in Prague usually during the winter season, the company uses Embraer 190 aircrafts. They are much smaller than the previously mentioned two types, which comes with limitations in accordance with which no more than two kennels can be loaded and the maximum height can be sixty-eight centimeters. As a result, only very small animals can fly by these aircrafts. From Budapest it is not possible to ship animals with Embraer in the winter season because the time of the flight exceeds two hours and the temperature drops too low to be suitable for the animals as it cannot be controlled from the cockpit. (Air France-KLM, 2020)

Most agricultural animals, such as cows, sheep, horses and even chickens are transported on wide-body aircrafts due to the size of the shipment. In this case, forwarders from Europe deliver their shipments to Amsterdam or Paris. There are full-freighter aircrafts, which -as the name indicates- are full of cargo. The advantage of these aircrafts is that they have main-deck positions, which means that the maximum height of the cargo can be two-hundred-eighty centimeters, and due to the door at the nose, longer containers can be also loaded into the aircraft. When bigger animals, such as horses or cows, are transported, usually a self-load process is to be used during which the animals walk into their containers to make loading easier. In this case, there is a side protection on the ramp to prevent the animal from falling or getting injured, by means of this tool the aircraft is protected, too. In the case of these animals the container must be loaded in parallel with the flight's longitudinal axis. (Air France-KLM, 2020)

As for the scientific reasons behind animal transportation, they are strictly regulated by LASA (Laboratory Animal Science Association), the Animal Welfare Act in the United States of America and the ETS 193 (European Convention on the Protection of Animals during International Transportation) in Europe. I am not planning to elaborate on this aspect, because Air France-KLM does not work with animals used in laboratory experiments. (LASA, 2005)

Zoo animals are very special and most of the time they are endangered, therefore CITES also regulates their transportation. These animals are shipped mostly because their previous zoo has shut down, and they need to be accommodated somewhere else. Another reason can be that there is another zoo where they can be more conveniently lodged or they are shipped for breeding. Finally, it is also possible that a country gives the animal as a diplomatic gift to another country, such as China giving panda bears to their allies. KLM had the opportunity to ship one of the pandas from the zoo of Vienna to China, which could be a very interesting shipment. (Air France-KLM, 2020)

## **2.1. Supply chain**

The process of live animal transportation is carried out between three or more interested parties. The first one is the shipper who will deliver the dogs to the freight forwarder. The forwarder needs to ask for a quotation and reservation from the carrier or the GSA. Finally, the carrier conveys the dog to the consignee or to the person who is hired by the consignee to collect the animal at the airport, while the GHA helps the airline with loading and other services on the airport. In case a GSA is included in this procedure, the whole reservation process is made by



them instead of the carrier, so the carrier's only task is to physically convey the animal from the place of its origin to the destination.

### **2.1.1. Shipper's responsibilities**

It is irrelevant whether they are the breeder or owner, they have plenty of responsibilities. They need to state the kind of species, the health status of the animal and issue the Shipper's Declaration<sup>1</sup>. Shipper's Declaration is optional in case of shipping the animal as a baggage, but it is mandatory in the case of cargo. The declaration must be written in English and it must be issued in two copies - one for the carrier to accept the shipment, and the other one will be sent with the shipment to the final destination. (International Air Transportation Association, 2020)

They also need to have the veterinary health certificate that complies with the regulations of the exporting, transit and importing countries and the original copy must be securely attached to the Air Waybill. This document is also mandatory for shipping animals in the air. There is no example for this documentation in the appendices, as there is no standard form for it. (International Air Transportation Association, 2020)

Sometimes a CITES permit is required, which is issued for endangered animals. It has three appendixes which categorize the animals. It must contain the animal's scientific name and description in one of the convention's three languages (English, French or Spanish) and indicate which appendix applies to the animal, the place of origin of animal, the number of the animals and the date of issuance and expiry<sup>2</sup>. (International Air Transportation Association, 2020)

If the reason of transportation is breeding or any animal exhibition, the stud book is needed, but the carrier does not expect it. It is usually put in the envelope of the aircraft along with other documentation. The company has faced many issues when the freight forwarder attached the stud book to the kennel and it disappeared when the animal arrived at the final destination. In these cases, we perform a warehouse check at all airports, where the animal has been, but we cannot be held liable for the loss of it. (Boer, 2020)

The shipper also needs to give a phone number available twenty-four hours a day to the freight forwarder in order to make it possible for the latter to contact them in the case of any problem. This phone number is included in the Air Waybill and it can be possessed even by the consignee or the broker of the consignee. Its significance is to be reachable at any time. (Pellérdy, 2020)

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<sup>1</sup> See in Appendices, Figure 2

<sup>2</sup> See in Appendices, Figure 3

The shipper also needs to inform the forwarder if the animal has received any medication, sedation or drugs, but Air France-KLM does not accept animals sedated due to the higher risk of injuries during the flight. In the case of horses, the attendant can give medication to them if they are dangerous to the aircraft or the safety of the flight, but it must be detailed in the protocol. (International Air Transportation Association, 2020)

As Air France-KLM is not able to work directly with natural persons or organizations which are not part of the IATA CASS (International Air Transportation Association – Cargo Account Settlement System), they are asked to use freight forwarders if they plan to ship their animals as a cargo. (Boer, 2020)

There are two other possibilities to ship the animal with the company. As for the first one, it can be shipped as an emotional support animal, when it is in the passenger cabin with its owner, but this solution requires a certificate from a psychologist according to which the owner is not able to fly without their pet (it is only possible with animals which are considered to be pets) and their kennel can fit under the seat in front of them. The second option is that the shipper delivers it as a baggage and when they are checking in, they just give the kennel to the staff and at the destination they collect it as they do with their luggage. (Boer, 2020)

The fitness of the animal to fly depends on many factors, which can be regulated by the IATA LAR the airline, the country of destination or transit, but it also depends on the behavior of the animal. If the they are getting aggressive in the kennel, or too frightened in it, it means they are not fit to fly, so the shipper needs to make the animal become familiar with the kennel and delay or totally cancel the conveyance. If the animal is still aggressive, but probably harmless or it is unpredictable how it may react, a strengthened kennel can be a solution. (Pellérdy, 2020)

### **2.1.2. Freight forwarder's responsibility**

The next person in the supply chain is the freight forwarder, who basically helps the shipper and make the connection between the parties. They will define the final destination to the carrier and airline for the shipper, check the documentation if it has been prepared correctly, inform the shipper if there are any special regulations of the airline or unusual documentation for the destination and deliver the animals to the airport. (Pellérdy, 2020)

In some cases, the forwarder is obliged to provide the appropriate container for the animals. It mainly happens when the animal requires a built crate and the shipper is not able to make one. Also, there are cases when the shipper delivers the animal to the freight forwarder in an inappropriate container so they need to change it before departure. Unfortunately, sometimes

unsuitable containers slip through forwarders and even GHA, and staff only realizes in Amsterdam or Paris that there is a problem. In these cases, they change the container and impose a huge penalty on the freight forwarder. (Pellérdy, 2020)

Marking and labelling can be the responsibility of the shipper or the forwarder but the agent must check the correctness of them before departure. (Pellérdy, 2020)

Marking must be durable and printed on the outside surface of the kennel and it needs to be in English and other required languages. It must show the full name, address and phone number of the shipper, the consignee and the freight forwarder, the twenty-four-hour-working emergency phone number, the common and / or scientific name of the animal, the feeding and watering instruction and if the animal is poisonous or may bite. (International Air Transportation Association, 2020)

Labelling must also be durable, and it must comply with the IATA LAR standards. The Live Animal Label is mandatory. It must be green and the minimum size of it is 10 x 15 centimeters<sup>3</sup>. The This Way Up label is also mandatory and there should be at least two of them on two sides of the container. It can be red or black and the minimum size of it is 7.4 x 10.5 centimeters<sup>4</sup>. The Laboratory Animals label is only required in case of animals to be transported for laboratory use but it can be attached to the kennel instead of the Live Animal Label. It is red and it has a minimum size of 10 x 15 centimeters<sup>5</sup>. The labelling cannot block any of the ventilation holes. (International Air Transportation Association, 2020)

The forwarder needs to inform the shipper and the consignee about the import, export and in-transit procedures, veterinary checks at stopovers, quarantine, embargoes and give them any other important and unusual information. (Pellérdy, 2020)

The freight forwarder needs to issue the AWB (Air Waybill), which identifies the shipments. It must be written in English, especially concerning the species of the animal. A twenty-four-hour emergency phone number also needs to be added, otherwise the carrier is not allowed to accept the animal. (International Air Transportation Association, 2020)

The forwarder gets the details of the animal from the shipper and ask for a quotation and reservation from an airline. At Air France-KLM there is a rule to obtain ok-to-forward before the departure by means of which the consignee confirms for the airline that they will be at the

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<sup>3</sup> See in Appendices, Figure 4

<sup>4</sup> See in Appendices, Figure 5

<sup>5</sup> See in Appendices, Figure 6

airport when the animal arrives. For some destinations, such as all stations in the United States of America, Canada and in the United Kingdom, brokers must be hired to do the customs clearance and the paperwork. In these cases, they need to give the ok-to-forward. (Air France-KLM, 2020)

On the due date, the freight forwarder or its driver deliver the animals to the airport, where the GHA will take care of them. The forwarder needs to sign a so-called Live Animals Acceptance Check List<sup>6</sup>, where they confirm that the shipment complies with the rules and regulations. They need to tick “yes” or “no” to every question, but when they tick “no”, it means that the shipment is not suitable for air transportation. (Pellérdy, 2020)

### **2.1.2.1. Process of shipping from the freight forwarder’s side**

The shipper gets into contact with the freight forwarder, but there are more kinds of shippers: there are companies which primarily deal with the transportation of animals and they are in direct relation with the breeders, or they can be natural persons as well. As far as the natural persons are concerned, there are two groups: those who ship their dogs for commercial reasons and those who ship their own dogs (whether they are traveling with them or not). (Pellérdy, 2020)

After that the forwarder asks for all the necessary information, such as the breed, age and dimensions of the animal and the kennel, the destination, the date and the purpose of travelling., the forwarder will ask for quotations from the airlines considering all the given information from the shipper. An experienced forwarder already knows which carriers should be asked regarding the destination and is aware of the most important regulations of the airlines. When all the potential quotations have arrived at the forwarder’s, they will choose the best option and create their own offer for their customers considering many factors, such as what is the best for the animal (shortest transit time, departure of the flight, which depends on the season) and the price. There are customers who have already established business relation with the forwarder, and they have many years of experience about cooperation with each other, therefore the agent knows if the customer prefers the lowest price with a poorer service, as in the case of Aeroflot or Turkish Airlines, or if they prefer the best service with a higher price, which may provided by Lufthansa, Air France-KLM or Swiss. If the customer is new, they offer more possibilities as their preference is unknown. (Pellérdy, 2020)

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<sup>6</sup> See in Appendices, Figure 7

The offer created by the forwarders for their customers consists of the freight charge of the carrier, extra charges of the carrier (such as handling charges, or some extra fees for special animals), the price of the kennels if it is provided by the forwarder, the customs charges and the profit. (Pellérdy, 2020)

At the same time, they need to check the special import regulations of the country and what kind of documents are needed. A health certificate and a passport are needed for all countries but there are destinations which requires import permits, the result of a blood test, a titer test and some countries even require certificates from the authority on foreign affairs as well and there are some species which require the CITES certificate. They also need to inspect all the necessary injections, tests and certificates and the special regulations. (Pellérdy, 2020)

When all these tasks have been completed, they give out the offer to the customer, which consists of the all-in rate and how this price is calculated, the size and type of the kennel, the chosen airline, the transit time if they requested a further date, or the ETA if they requested a sooner date (in the case of Air France-KLM, maximum thirteen days ahead), import regulations (collecting the documents is the responsibility of the shipper, but the forwarder helps them to gather the needed papers) and they tell the customer about the responsibility they have and the shipper has. If the shipper accepts one of the offers, the forwarder starts to arrange the booking with the airline. (Pellérdy, 2020)

The forwarder needs to double-check all the documents, if they are filled in correctly and if everything is readily available. If not, they ask the customer to replace or correct them. The forwarder's obligation is to fill in the AWB, collect all the necessary labels for the kennel and prepare everything for the invoicing. If the customer has never shipped animals, they need to arrange the certificate from the customs as well. (Pellérdy, 2020)

When the ok-to-forward is received from the consignee, the forwarder completes the customs procedures. If the shipper requests for a kennel or a crate, the forwarder prepare it for them with all the necessities, such as drinks, litter and obligatory standard labels and marking. (Pellérdy, 2020)

The forwarder informs the customer when they need to deliver the animals to the premises of the agent. Then they receive the animal and deliver it to the GHA. In Budapest it is Celebi Ground Handling Hungary Ltd. while in Prague it is called Menzies Aviation. Air France-KLM requires the forwarders to deliver the animals three hours before departure as this is the LAT (Latest Acceptance Time). Before the delivery to the airport the animal needs to be put into the

kennel to check if the size complies with the IATA LAR. There are many cases when the shipper wants to send the animal in a smaller kennel to reduce the freight charge, but if it is too small for the animal, the customer needs to decide if they are willing to pay more or the animal is not permitted to travel. (Pellérdy, 2020)

The forwarder also needs to check if the animal is fit to fly. It is a factor which can be divided into two parts: firstly, they need to check if the animal's species and breed can be shipped by the airline and if it is allowed to be imported to the country of destination, but this is considered before the reservation is done. The second part is the animal's behavior, which has been discussed previously. (Pellérdy, 2020)

The AWB and all the documentation belonging to the shipment needs to be double-checked upon the customer's arrival and copied for the forwarder. They give the invoice to the customer, who can pay their debt -usually- within fourteen days via bank transfer or they can pay immediately at the office. (Pellérdy, 2020)

If there is any problem or disruption during the transportation, regardless of the fact which party is to be blamed for it, the freight forwarder needs to contact the parties in order to solve it. (Pellérdy, 2020)

The time frame of this whole process is very varied due to the many factors which need to be considered. In some cases, they need to wait for the animal to reach the age when it is possible to be ship it because most breeders sell the animals when they are born. They also need to wait for all the necessary documentation, for example a titer test, which –in a worst-case scenario- takes one and a half month to obtain. Usually, when a family moves from one country to another, they ask for a quotation many months before the due date to be sure and ready for everything, but in most cases the customers are breeders who knows the process so the whole procedure takes one or two weeks. The minimum time for the process is around three or four days, in case of overseas shipment, due to the time lag and the process of ok-to-forward. (Pellérdy, 2020)

According to one of the customers of Air France-KLM, ninety-nine percent of their shipments have commercial reasons, eighty-five percent of them are puppies, eight percent of them are older dogs, six percent of them are cats and only one percent are those animals which require CITES certification or zoo-to-zoo animals. (Pellérdy, 2020)

### **2.1.3. Ground handling agent's responsibility**

When animals are delivered to the airport by the freight forwarder, the ground handling agent is obligated to check the necessary documentation, the kennel and the animal itself. There is a so-called Live Animals Acceptance Check List that needs to be fulfilled by the forwarder and in case of a “no” tick, it will be not possible to accept the animal. (Papp, 2020)

For Air France-KLM, both in Budapest and in Prague the standard LAT is three hours before departure, while it is five hours in Amsterdam, but if the forwarder brings the animal before this time to the airport, they need to store them. This space needs to be locked from people who do not have the authorization to handle the animals and it must protect them from all the extreme weather conditions and noises. It also needs to have enough ventilation, and the animals should be protected from being moved unnecessarily. (Air France-KLM, 2020)

During the loading procedure, the animals need to spend as little time in the aircraft as possible and if the weather conditions are favorable, the compartment door should stay open during the loading procedure. If it cannot be achieved, the ventilation system must be switched on. (International Air Transportation Association, 2020)

The animals need to be loaded into a single compartment if they are flying as bulk shipments, which is usually located in the nose of the aircraft. There must be a curtain which separates the animals from the luggage. The compartment is in the front because in this case the animals are protected from the immediate local temperature when they land. The animals are not allowed to be loaded underneath or on top of other shipments, which is obvious in case of bulk loading. Almost all animal shipments are considered as wet cargo, which means that the GHA cover the ground of the belly with plastic sheets underneath the animal's containers. (International Air Transportation Association, 2020)

Animals cannot be loaded near foodstuff and some dangerous goods, especially not dry ice. Dry ice evaporates carbon dioxide, which is heavier than oxygen, and it easily spreads to animals and causes health problems. Goods that pose any significant danger to the animal's welfare are not allowed to be loaded together with them. Natural enemies, such as dogs and cats, cannot be loaded at a place where they can see each other. (International Air Transportation Association, 2020)

There are also special requirements for some species. For Air France-KLM horse shipping is a very important, well-working and popular service. As they are very sensitive and huge animals, their conveyance is also hard. They require an attendant, who is adequately trained even for

euthanasia, if the horses cause any trouble during the flight and endangers the safety of the journey. (OIE, 2019) They are shipped in stalls, which are provided by the carrier and borrowed to the shipper. They self-load themselves, and they are placed on main-deck positions as their heights cannot fit into lower-deck positions. Main-deck options are only available on full-freighters and combi aircrafts, so the possibilities of destinations are limited for the company. (Air France-KLM, 2020)

From Budapest and Prague, the company has only Boeing 737 and Airbus 320 aircrafts and during the pandemic they fly with Embraer 190, which are considered to be narrow body aircrafts. On the Boeing and Airbus, the maximum kennel number is six, and if there are not many passengers' animals, this number may go up to ten. On Embraer, it is possible to place only two kennels so the capacity is quite reduced from these stations and the GHA needs to pay attention to that as well. (Air France-KLM, 2020)

#### **2.1.4. Carrier's responsibility**

As everyone else in the supply chain, the carrier also needs to check the documentation, more precisely the Air Waybill, the Shippers Certification, the import and export permit, the health certificate and if it was necessary, the CITES certificate. Moreover, they need to check if the packaging complies with the IATA LAR, if it protects both the staff and the animal, if the litter is appropriate for the animal, but they only inspect it from the outside. (International Air Transportation Association, 2020)

Before the departure, the carrier needs to make a reservation for the animal considering the available aircrafts, the capacity, the ECS (Environmental Control System) available on the aircraft, the temperature and weather conditions at the place of origin and the destination station and other animals or goods on board. (Air France-KLM, 2020)

The aircraft type is a very important factor when we are shipping huge containers, for example for elephants or horses, or great amount of kennels, such as poultry or rodents. From another perspective, the aircraft type is important for ECS that is the cooling, heating and humidity controlling system. Unfortunately, there are planes which cannot provide the appropriate circumstances for mammals which are the most commonly shipped class of animals.

Not only the inner temperature, but the outer one can also have influence on the route and possibility of conveyance. If the weather conditions are not suitable either at the origin station or at the destination, the animal will not be accepted, or the shipping will be delayed. For example, from Budapest in the summer, when the temperature is higher than twenty-seven



Celsius degrees at the time of departure, the sub-nosed breeds (English Bulldog, French Bulldog, Pug and Boston Terrier) are not accepted, therefore there is a rule that in the summer season there is an option to ship these breeds only on KL1972, which departs at six o'clock in the morning. (Air France-KLM, 2020)

To Chicago, O'Hare International Airport, the Air France-KLM can only ship three kennels (before this rule, no transportation was allowed, if the temperature is above twenty-seven Celsius degrees. Nevertheless, animal transportation to this station is totally suspended, if the temperature is below minus seven Celsius degrees in the winter to ensure the welfare of the animals. (Air France-KLM, 2020)

Capacity is quite limited concerning air transportation; therefore, carriers need to pay special attention to this factor. As live animals have the fourth priority on an airplane, after the passenger, the passenger's baggage and its animals, capacity is not such a challenging issue in the case of wide-body aircrafts, but for narrow-body ones, where there is really limited capacity, it can require more logistics. (Air France-KLM, 2020)

Due to the limited capacity on smaller aircrafts, the employees of carriers need to take the type of goods already booked on the flights into consideration, for example dry ice and other dangerous goods, or even human remains. It is not allowed to combine them with live animals or it is possible only with serious limitations. (International Air Transportation Association, 2020)

Besides these precautions, carriers are not liable for any loss of the animals, when these happen due to the animals' behavior or inappropriate packaging, and this must be written on the Air Waybill to be sure that the shipper, the forwarder and the consignee have accepted this term. At the same time, carriers are able to change routing or delay the journey, if it is better for the animal or because of any weather issues or technical disruption. The ETA is not part of the freight contract, which means it has no negative consequences for the airline if it is changed. In case of off-load, which is quite rare, the carrier is bound to keep the animals in welfare. (International Air Transportation Association, 2020)

Due to the sensitivity of the product, all staff who are working with it must take a IATA LAR exam, which consist of questions on documentation, handling and general regulations and they are obliged to undergo reexaminations every thirty-six months to refresh their knowledge and to become familiar with the new rules (there are exams for almost every product, which is differentiated according to IATA). (International Air Transportation Association, 2020)

The carrier and the GHA need to issue a so-called NOTOC<sup>7</sup> (Special Load Notification to Captain) for every flight, which shows what kind of goods are on the plane. From our perspective, it includes the type of animals, the number of them and their positions. The captain always needs to know what is on the plane, and they can refuse any shipment, if they have a well-founded reason to do so. The cabin crew also must know, if the attendant of the animals, mostly in case of bigger mammals, gave any medication to them during the flight or in case of euthanasia, they need to be notified. This paper also contains the preferred conditions in the belly for the products. (International Air Transportation Association, 2020)

As Air France and KLM are two airlines with a long history, they have excessive experience in animal transportation, therefore they have a number of unique rules. For example, it is prohibited to ship laboratory, circus and poisonous animals and reptiles, amphibians are not allowed on board due to ethical and technical reasons. Interline options are not available, either so the employees of the airline cannot book animals with more than two legs in the journey, not even with more than one airline. (Air France-KLM, 2020)

All the animals arriving to France or to the Netherlands from outside the European Union need to be vaccinated against rabies to prevent the spread of the disease in the countries and in the Animal Hotels. If the animal is imported into France, the health certificate must be issued in French or must be accompanied with an official translation. (Air France-KLM, 2020)

As it has been noted before, the company is not able to work with natural persons or organizations that are not part of the IATA CASS system so the freight forwarders request the reservations from the airline. Obviously, it must be arranged before the departure considering the abovementioned facts. The carrier must pay attention choosing the shortest route to maintain the animal's welfare during the journey. In this case, they need to consider when the flight of the first leg arrive to the hub, and when the flight of the second leg departs from there. In the case of Air France-KLM there must be at least four hours between the two dates. They also need to take the fact into consideration that some stations are not able to accept animals at the weekends or during holidays, or only for a fee, and that there are some countries which do not accept AVI from specific countries. As a GSA, my company would take this task from the airline to exempt personnel from customer service and also to maintain and improve the already established service level of the carrier. (Air France-KLM, 2020)

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<sup>7</sup> See in Appendices, Figure 8

There are two possibilities for booking: same-day or overnight staying shipping. In the first case, the animal needs to depart in the morning flight, and there are a limited number of connection flights that they can catch at the hub. As a result, it is not possible to reach all the destinations within twenty-four hours. This solution is advisable for animals that are not so environment-dependent, such as fish or spiders. This option is also favorable for mammals and more sensitive animals, but the length of the journey and the lack of rest can cause more stress to the animals. (Air France-KLM, 2020)

The second option is to ship the animals from the place of origin to the hub where they spend the night in the animal hotel. The staff feed, water and walk them and they also change and clean their litter for more comfort, so the animals can continue their journey the next day. If there is any disruption, even if the animal has a same-day connection, the staff will deliver them to the animal hotel to solve the problem. The most common reasons why the staff must bring them are that there is too small a kennel, which needs to be changed or some kind of injuries that are treated by the vet in the hotel. In these cases, the animal will be rebooked for FIRAV (first available flight) to the destination. Unfortunately, in the third quarter of 2020, the animal hotel faced problems caused by the lack of staff and most shipments had to be booked with a same-day connection to release the workers. (Air France-KLM, 2020)

If everything goes smoothly with the shipment, it will depart from the hub and arrive to the final destination on the estimated time of arrival. When it happens, the carrier notifies the consignee or the broker that everything is arranged for the pick-up of the dog. Unfortunately, there are cases, when no one reacts to the notification and the airline must dispose of the animal. (Air France-KLM, 2020)

## **2.2. Case study**

As at every workplace, even at Air France-KLM, there are errors due to the fact that people work for the company and everyone can make mistakes. In the following few paragraphs, I will show how the failures emerge, how the company handles them, what solutions they find and how they communicate them to the customers.

There were two dogs in two kennels, both departed from Budapest on the same flight and both of them were delivered to the airport by the same freight forwarder with the same shipper on the Air Waybill. One of them was intended to be transported to Atlanta, while the other one was on its way to Toronto and they needed to do an overnight in Amsterdam Animal Hotel. At the transit station the staff need to walk, feed and drink them to maximize the well-being of

them and after the process, they read the microchip in the dogs and put them back into their kennel before departure (during the time spent in the Animal Hotel, the dogs were accommodated in an overnight kennel of the company). (Air France-KLM, 2020)

Unfortunately, in this case the staff probably failed to read the microchips and put the dogs into each other's kennel, so the next day when they departed, the dog which was supposed to go to Atlanta was shipped to Toronto in the other dog's kennel and with its documentation, while the dog aiming at Toronto was transported to Atlanta with the same conditions. The consignees did not recognize it at the final destination, as they saw the dogs for the first time, and they were littermates, which means they were almost identical, therefore the consignees (in Atlanta, the broker) cleared the dogs at the customs without any trouble, which is quite unusual as the customs should have read the dog's microchip when they were clearing the pet. The problem was revealed when they checked the microchip at the consignees' premises and it did not match the documentation, so they contacted the freight forwarder, who got in touch with the sales representative in Budapest, who started to work out a solution for the issue. (Air France-KLM, 2020)

The first step was that the customer service representative for live animal transportation in Budapest contacted the Animal Hotel staff at Amsterdam to inform them about the problem and to get more accurate and up-to-date information about the case at the eighth of September. On the ninth of September the Animal Hotel stated that the dogs were separated from the beginning, as their destinations were different, so they were accommodated in totally different places and left the hotel in different time frames (the KL0621 flight to Atlanta departed at five in the afternoon, while the KL0691 flight to Toronto departed at eleven in the morning). Due to the above-mentioned reasons, they suggested that the switch had probably been done in Budapest whether by the GHA or by the freight forwarder itself. They contacted Toronto and Atlanta for further assistance and to explain their point of view. (Air France-KLM, 2020)

At the same time in Budapest, the customer required the representatives to take action immediately and they also claimed that the switch had not been done in Budapest, especially not by them as they had read the microchip carefully. (Air France-KLM, 2020)

The customer service in Canada declared that both dogs were in delivered status, which means that the customs clearance had been done by the consignee or by the broker, therefore the parties needed to contact a local agent for the re-switching process. At the same time, they asked for some documentation by means of which the dogs could be identified, such as the veterinary certification. (Air France-KLM, 2020)

This documentation was requested from the freight forwarder, who sent it immediately to Air France-KLM, and it was forwarded to the competent staff. The customer service representatives in Canada also requested some pictures of the dogs to be more certain about the identification, but the Animal Hotel only takes pictures of the animal, if there are some kind of discrepancies, such as a small kennel or any kind of injuries. There is no veterinary check at Amsterdam, as the dogs originate from the European Union and they did not check the microchip for this reason. The Animal Hotel also declared that they do not know where the mistake was made, but it does not even matter as far as the solution is concerned but it needs to be decided who will bear the costs of the further actions. The consignee in Toronto is a dog dealer, therefore he has no emotional connection to the animal, and they did not contact the carrier or the freight forwarder about the change. On the other hand, the consignee in Atlanta was expecting a dog, which they choose from a breeder to have a pet at home, so they were pushing their freight forwarder to solve the problem immediately. (Air France-KLM, 2020)

On the tenth of September, Canada stated that it was difficult to get in touch with the consignee because the phone calls immediately go to voice mail, about which the forwarder was informed and they were surprised, as the consignee was continuously writing emails about the issue to them. Due to this fact the freight forwarder was pushing the customer service to take action with immediate effect. (Air France-KLM, 2020)

To act in accordance with the request, the representatives escalated the issue and contacted the product engineers in Amsterdam, who are the leaders of the live animal transportation to claim what actions should be done. In line with the organizational structure of the company, there is no one above of product engineer in operational matters so they can establish rules and regulations, discuss any issue and solve any problems. (Air France-KLM, 2020)

On the eleventh of September, Toronto stated that the dogs must be switched back as it was requested by the Hungarian freight forwarder, but the dogs had already been cleared by customs, which means that the same Air Waybill number and Cargo Control number could not be used as these had already been closed in the system at the Canadian and American customs. The customer service was still trying to contact the consignee in Toronto, but without any success, therefore they requested a new phone number or email address. (Air France-KLM, 2020)

On the fifteenth of September, one week after the issue emerged, no update or solution was found, and the freight forwarder was getting angrier. The consignee in Atlanta informed the forwarder that they had not received any emails from the Air France-KLM regarding the issue,

or any information, while the consignee in Toronto was not reachable by the customer service. These communication problems led to the late arrival of the dogs to their right owners. (Air France-KLM, 2020)

On the sixteenth of September the Canadian consignee was successfully reached, and they confirmed that they had received a dog with a wrong microchip number, and they supported the idea to switch the dogs back. The customer service representative explained the situation and the possible solution to the consignee. At the same time, they asked for help from Amsterdam about the process of transporting one dog to the other's place and to find out who would bear the cost of transportation, as it could not be determined with absolute certainty that the mistake was made by another party instead of the carrier itself (Animal Hotel in Amsterdam is owned by Air France-KLM, which means that they are part of the company). (Air France-KLM, 2020)

The consignee in Atlanta still had no information about the issue, but the competent staff (Air France-KLM Product Desk and the Operational Department) was informed and they declared that the Operational Department cannot do anything, because the animals had already been cleared by customs, so they needed to have a new, full set of export documentation, therefore it was not a matter of importation. However, they proposed two options: the first one was to ship the dogs back to Amsterdam by means of the usual export process, while the second option was to ship the animals directly between Toronto and Atlanta. For the first option, it would have been necessary to send all the documentation with the dogs, which means that it would have been necessary to forward them to the right dogs before the departure, because in compliance with the procedures the scanned documents are not acceptable and there is a need for original paperwork. The next day (on the seventeenth of September) it turned out that the second option was not possible as there were no direct flights between Toronto and Atlanta owned by the Air France-KLM or its partners. (Air France-KLM, 2020)

The next day, on the seventeenth of September the leaders of the issue determined that the costs must be borne by the company, as they could not prove that the mistake was made by any other parties of the supply chain. At the same time, the representatives of the customer service informed the consignees about the only possibility to change back their dogs (via Amsterdam), but they were not supportive and tried to find other options, but in order to oblige the Air France-KLM to bear the costs they needed to agree on changing the dogs back via Amsterdam, as the airline has no direct flight between the two cities. (Air France-KLM, 2020)

The consignee in Toronto did not want to bring back the dog to the airport as it is three hours away from their premises, which means it also took time for them to decide when and how they would solve this problem. At the same time, the company realized that they have an embargo on the importation of American dogs into Canada, which also needed to be clarified before they started the whole process. (Air France-KLM, 2020)

On the eighteenth of September, the customer service representatives made reservations for the dogs as it turned out that the embargo only covered dogs that were born in the United States of America, so they got a green light for the switching. The Canadian consignee stated that they could solve the transportation of the dog to the airport, so the customer service booked the animals for the twenty-third of September with an overnight stay in Amsterdam, which implied that the dogs would be delivered to their right places on the twenty-fourth of September instead of the eighth. (Air France-KLM, 2020)

On the twenty-third of September, the flight from Toronto departed at five in the afternoon. Consequently, the ok-to-forward had to be arranged until two in the afternoon, but it was still not in the system at ten in the morning. The customer service and the consignees were in a hurry to get the green light until the last acceptable time, and finally it was done at one in the afternoon. The dogs departed from both stations, and were successfully delivered to Amsterdam. The next day they arrived at their own destinations and the consignees collected them. (Air France-KLM, 2020)

After everyone received their own dogs, they requested their freight forwarder to issue a claim against the company to get their compensation for the caused troubles, which was paid by the airline (as they had already agreed on that), because eventually they could not prove fully that they did not switch the dogs. (Air France-KLM, 2020)

Unfortunately, in this case the company did not react fast and well enough; fifteen days passed until the dogs were delivered to their right place, and the customer service in Atlanta did not respond any of the emails from Budapest, Amsterdam and Toronto until the sixteenth of September, a week after the whole situation emerged. This case study showed the communication problems inside and outside of the company, as the customer in Budapest needed to wait a lot until they could find the solution. This problem was also shown in the customer's feedback on the questionnaire made in 2019, but with this issue I could demonstrate the problem in more details, in a more practical way. Also, it represented a very extreme and rare situation, which will be solved by my company, when the animal transportation is outsourced. (Air France-KLM, 2019)

## **3. MY BUSINESS**

### **3.1. Scope of activity of my company**

As it has been noted before, my company would work as a GSA, that is, it would provide services for airlines. I would book the animals on behalf of the customers in Air France-KLM's booking system. It would satisfy the customer's needs for their AVI shipments from Air France-KLM, as the company does not have enough trained personnel any longer to continue this activity on their own. The customer service in Budapest and Prague has no capacity and experience in taking care of live animal shipments and having a new member in the team could be time-consuming as the training lasts at least six months and they are allowed to hire a new person only for a year. Therefore, the best possibility is to outsource this service to someone who has already worked with these very sensitive shipments.

The objective is to book all narrow body aircrafts from both stations full and maximize the revenue for both companies and stations. At the same time reducing the costs for Air France-KLM is inevitable as the virus had a very serious effect on the company and the personnel on the customer service department is reduced to 2.75 people (0.75 means that one member is working 6 hours a day). (Nagy, 2020)

If the company becomes successful for Air France-KLM, I am planning to expand it to other airlines, which are interested in animal transportation in the Central-Eastern European region. As the next step, in the future I would like to make the portfolio bigger, for example, expand it with track and trace service that is a follow-up activity on shipments and ensure to deliver them to the consignee. At the same time, temperature-controlled consignments are getting more and more frequent, but they are time consuming to book and cause big workload, therefore I see the opportunity to take them over from airlines as well.

### **3.2. Establishment**

The establishment of a single-member limited company in Hungary is very easy and can be carried out smoothly, as many people choose this structure for their businesses. The only thing that is inevitable to do is to hire a good lawyer who is able to draw up the memorandum according to preferences of the person establishing the firm. (Farkas, 2020)

The first step is to find a good attorney, who is specialized in civil law and will prepare the memorandum of the company. You need to take your identification card, your residence card,



your tax card and a certification of the ownership or rental agreement, where your official place of business will take part. It also needs to cover the full address and parcel number. It can be your own place of living. (Farkas, 2020)

These data need to be the part of the memorandum, next to the full, shortened and English name of the business, which will be investigated if it is unique and not used already by another entity. You also need to specify the scope of activities and the duration of its operation, which can be a definite or an indefinite time period. There is no need to specify the business share, as in a single member company there is no such a thing. (Barta, et al., 2016)

The memorandum also must contain the method of paying the financial contribution, which is three-million Hungarian Forints in the case of a limited company. There are more options to fulfill this obligation; you can pay in the whole amount in cash before the lawyer forwards the company registration application to the court of registration. You can choose to pay only the fifty percent of the amount and the other half will be paid within one year (the date must be written into the document) or you can pay the other half in the more distant future. There is an option not to pay the half at the beginning, but less than that and you can pay the rest within one year or later, but in this case the dividends will not be paid until the obligation is fulfilled. You can also make the payment with apports, such as cars or real estate. (Barta, et al., 2016)

The point of establishing a limited company alone is that you are only liable to the extent of your investment, to be more specific, to the limit of your three-million Forints. In case of a fault in your business policy with loans, the bank can demand the amount, but there is a need for incorrigible proof. (Barta, et al., 2016)

When you are writing the memorandum with the attorney, you need to declare who will be the CEO (Chief Executive Officer) of the company and represent the legal relationship between them and the company with a public or a private document, which is signed by a notary public. If there is no such a document, the whole memorandum will terminate. The founder can be also the CEO; however, the entity cannot have more owner than one. In case the CEO is another person, the founder still can instruct them to act in accordance with their will. As there are no other parties in the company, there is no need for general meetings, and if there is a decision which needs to be made, the founder needs to notify the CEO in writing. Next to the CEO, the auditor also needs to be specified. (Barta, et al., 2016)

After the memorandum has been prepared, the lawyer sends it to the court of registration that has three working days to accept or reject the application based on only the formal requirements.

If they reject it, the lawyer and the company have eight working days to correct and e-send it. If the court of registration accepts the application, they will have fifteen working days to register it into the system. Before it happens, the company is only a pre-company. (Farkas, 2020)

### **3.3. Services and prices**

According to my plans the company will work as a GSA providing services to airlines. At the beginning the only carrier who the company will work with is Air France-KLM, as I will be alone and I will probably have no capacity to supply other carriers. Also, the only service I will provide is live animal transportation. It consists of the booking process, the ok-to-forward process, the basic customer service tasks and providing information for the customers. Every administrative action that needs to be done by the customer service representative to arrange a live animal shipment from the place of origin to the destination will be performed by the company. I will have the same authorizations for the systems as I have now, which means that I can give full information to the customers about the change of flights, rules and regulations and I can also track their shipments and address every request.

The freight forwarders who would like to ship their customers' animals by Air France-KLM will write to my email address and ask for a reservation. They will be informed about the rates (the profit will be added to it) via a newsletter, which will contain the Excel sheet with the current rates to all the destinations. After the booking is done, the customer will be informed about the flight details and the ETA, as there are cases when the requested flights does not have enough capacity, so booking must be changed. If there is any change after the reservation is completed, it will be also done by me. The customers will be able to check if the ok-to-forward is arranged with me, and if there is an import shipment, I will give the ok-to-forward for the incoming animal.

If there are any discrepancies during the flight, my company will be the first to be informed about it, and it needs to take the appropriate actions in order to solve the problem. At the same time, if there are fundamental changes in the transportation of live animals, the company must inform the customers about them and help the process of implementation into their routine.

In the future, I would like to extend the portfolio for other available products at the company, such as temperature-controlled goods and track and trace processes I am already familiar with. Unfortunately, at the beginning I will have no capacity for this huge amount of workload, but as soon as the company has another worker, it will be possible to extend the scope of activities. The other expansion opportunity is to open the services for other airlines that are planning to

outsource the abovementioned services, but first it is easier to extend the portfolio to a company I already have a contract with.

The pricing strategy is very basic but effective: I will put a margin on Air France-KLM's market prices. I was calculating with eight to ten-thousand Hungarian Forint margin on kennels, which means approximately two-hundred Forint extra costs for the customers per chargeable weight kilogram. According to the WorldACD 2019 report, which was already detailed in this thesis, there were approximately eighty-eight-thousand kilograms of live animals from Budapest and Prague together last year, which means that the approximate revenue will be seventeen-million-six-hundred-thousand Hungarian Forints for a year with only the AVI shipments. This strategy costs nothing to Air France-KLM, except for the overhead costs, such as a laptop, a phone and the service of the phone, which creates a win-win situation for both parties in comparison with the other company, Sky Partner, who asks for a commission above a certain amount of all-in sales result. (WorldACD, 2019)

### **3.4. Risk assessment**

The process of outsourcing is usually not very complicated because the company does not have too many applicants for the tenders due to the lack of service providers in the industry. They usually receive a business plan from the applying company and they represent it to the headquarter for acceptance, which they always grant. In my case, unfortunately, there are two applicants; me and an already-established company, who has a contract with Air France-KLM for the booking of live animal shipments in Poland and Russia. They are operating very well in these two markets, which indicates that the process of outsourcing is remunerative, but it also displays the potential competition. (Nagy, 2020)

I sent my business plan to the competent staff and it is still under investigation by the company. The first step is to be taken by the regional manager of Central-Eastern Europe, who will decide between the two business plans and forward the better to the headquarter. He needs to decide between my unestablished company, which has an excellent relationship with the customers both in Budapest and in Prague and the staff of Air France-KLM. Furthermore, I have more than two years of experience in the systems and regarding the market. However, my company has no reputation and it will have a very young CEO, which can make the company look like a non-serious business.

The other company, Sky Partner is a Russian company that has been in the market since 2012. They have experience of doing business and representing themselves on the market efficiently.

On the other hand, their capital is much higher, therefore they are a more reliable company from the perspective of the contracting parties. They also have experience with Air France-KLM, as they currently have contracts with them for Russia and Poland, but they do not have any connection with the market of Budapest and Prague. This factor cannot be ignored since the customers will contact them directly and the language differences can cause problems, especially in Hungary. I have first-hand experience about this issue as I have some problems with the language on the Czech market. (Nagy, 2020)

### **3.4.1. Economic risk**

Any economic risk is caused by the constantly changing environment and demand of the customers. (Boinott, 2019) This risk has many forms for the air transportation of live animals, such as closing the origin stations. However, this can be conditioned in the contract between the company and Air France-KLM, that if they stop animal transportation or close the station in Prague or Budapest, they will give a certain amount of compensation to my business or terminate the contract with immediate effect from my side to ensure that I will have no further obligation towards them. (Nagy, 2020)

It can be also caused by the bankruptcy of the carrier, which is an unforeseeable event and it can cause huge harms to my company as well. Unfortunately, this a very common way to end the business activity of companies, but this is a risk every start-up needs to calculate with.

The company can also terminate the contract with my business, but this has serious regulations according to the law, and the period of giving notice on ending the contract legally must be defined in the contract. If they terminate the contract because my company does not comply with the written agreement, it is the fault of the business, but hopefully there will not be any need for this.

If Air France-KLM increases the rates so much that the customers will be not willing to ship the animals with them, probably all the airlines will do the same because they are working in a system that closely monitors the prices of other airlines to avoid these problems. They can also complicate the rules too much, which will make it difficult to integrate them into the customers' daily work routines but if this happens, the company will issue a newsletter about the changes and the solutions for them. Also, these administrative regulations are more likely to be the concern of the staff and the GSAs.

Last, but not least we need to calculate with the changing demand for live animal transportation, as more and more people will see the opportunity in the most popular destinations, that there is

a lack of cheap, but high-quality breeders. However, it will not happen probably in the close future and if it does, my company will also have other services for the airlines.

With the spread of Corona virus, Air France-KLM is already in a downturn, as all the other airlines, but live animal transportation has not stopped because the customers deliver the animals to Amsterdam to ship them, and from Prague there are operating aircrafts. If we consider this fact, we can see that the company may become vulnerable only if a huge negative externality hits it.

### **3.4.2. Compliance risk**

The compliance risk holds that the company needs to comply with national and international legislation as well as the regulation of international organizations. This requirement is pivotal and inevitable for this specific industry. The lawyer of the business will ensure compliance with the national and international law while the company will be responsible for the regulations of international organizations and it is obligated to arrange the IATA LAR exam for every staff member who will be the part of the company. Also, the company needs to check the abovementioned regulations of IATA and the airlines for every shipment, but this makes not so much difference between my current work and the future company's work. (Boinott, 2019)

### **3.4.3. Security and fraud risk**

This will not be the concern of my company, as it will use only Air France-KLM's technical and intangible equipment, such as a laptop, a phone, some software, the booking system and the email system. The security is the matter of the IT department of the carrier. (Boinott, 2019)

### **3.4.4. Reputation risk**

The reputation risk refers to what the customers will say about the company to others. This is a risk which cannot be separated from the carrier because as it can be realized from the customers' feedback, most complaints were made regarding the operational problems, which will not be solved by my business and if something goes wrong, they will complain about both companies. (Boinott, 2019)

On the other hand, the other unfavorable opinion was about the customer service, that they react slowly and they are hard to reach, which could be and hopefully will be solved with the help of my company, as it will concentrate on only live animal shipments and on a few customers, which means that the time spent on building relationship will be more than in case of the carrier. (Boinott, 2019)

## CONCLUSION

Based on the research above, it is clear that the opportunity that was offered to me is a huge kickstart to my carrier even though it requires a lot of hard work and I also took into consideration that I will have no days-off as I will do the company on my own, without a workmate. As it is one of the most rapidly changing industries, a new perspective from a freshly graduated person can initiate huge innovations.

Concerning Air France-KLM, it is also an excellent option, among other opportunities, towards the inevitable process of replacing customer service representatives with other, external companies and the online booking system, which generate the quotation and reservation for the customers instead of the personnel at the company.

The hypothesis was about the date of establishment of the company, as Air France-KLM would like to outsource the live animal transportation from the first of March. I can clearly state that five months are enough for founding a GSA company, as the only bureaucratic lead time is three plus fifteen working days to register the company (in worst-case scenario eight plus days). Also, it requires an IATA LAR exam, but I already have it and it is valid until the spring of 2022, when the company will hopefully be working already.

As the research above demonstrates, it is a very complicated industry with many participants in the supply chain, such as the shipper, the freight forwarder, not necessarily, but possibly the GSA, the ground handling agent, the carrier and the consignee itself. They all work on satisfying the needs of the shipper and the consignee and to deliver the animal from the place of origin to the destination without any discrepancies. The companies involved are working with highly trained personnel, and they comply with national and international laws, as well as the rules and regulations of international organizations and restrictions of the carrier.

The position of the company on the market of Budapest and Prague has also been discussed. The results indicate that the company did better in 2018 compared to 2019. However, the market share of it was still around thirty percent. This is an excellent proportion considering that there are a lot of other carriers at both stations. The benefit of the company in comparison with the competition can be explained by the fact that there is a possibility transporting sub-nosed dogs.

Apart from the market share analysis, we also asked the customers about their opinion of the company, which showed an increasing tendency compared to 2018's results, despite the smaller amount of population researched. Most of the complaints were made about the operational

problems in the warehouses of the hubs and the quality of the customer service, which will hopefully be improved by my company for the customers interested in live animal shipments.

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# APPENDICES


Figure 2 - Shipper's Certification for Live Animals

<h2 style="margin: 0;">1</h2> <h3 style="margin: 0;">SHIPPER'S CERTIFICATION FOR LIVE ANIMALS</h3> <p style="margin: 0;"><i>(to be completed in duplicate)</i></p>		
<p>This is to certify that (check appropriate box):</p> <p><input type="checkbox"/> In addition to having completed all advance arrangements, this consignment is properly described and packed, and is in proper condition for carriage by air according to the current edition of the IATA Live Animals Regulations and <i>all applicable carrier and governmental regulations</i>. The animal(s) of this consignment is (are) in good health and condition.</p> <p><input type="checkbox"/> Animals taken from the wild for shipment have been appropriately acclimatised.</p> <p><input type="checkbox"/> This consignment includes species as described in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Applicable permits/certificates are attached to the air waybill.</p> <p><input type="checkbox"/> This consignment includes species as described in other applicable national legislation.</p> <p><input type="checkbox"/> In the case of reptiles and amphibians, the animals contained in this shipment are healthy and they have been examined prior to shipment and are free of any apparent injury and readily recognizable diseases. They are also free of external parasitic infestation, including mites, ticks and leeches, that can readily be seen under normal lighting conditions.</p> <p>The shipper accepts that carriers will not be liable for any loss, damage or expense arising from death due to natural causes, or death or injury of any animal caused by the conduct or acts of the live animal itself or of other animals, such as biting, kicking, goring or smothering, nor for that caused or contributed to by the conditions, nature or propensities of the animals. In no event will carrier be liable for death or injury to an animal attendant caused or contributed to by the condition, conduct or acts of animals.</p>		
<b>Number of Package(s)</b>	<b>Specific Container Requirement Number (see IATA Live Animals Regulations)</b>	<b>Species (description and names — scientific and common) and Quantity of Animals</b>
Name and address of shipper  Signature of shipper _____  Date _____ <small>Year/Month/Day (See reverse side for special conditions)</small>		Shippers failure to comply in all respects with the applicable IATA Live Animals Regulations and any other international and/or national government regulations, may be in breach of applicable law and subject to legal penalties. Refer to Chapter 1, Section 1.2.
Air Waybill No.	Airport of Departure	Airport of Destination

Source: (Anon., n.d.)

Annex 2

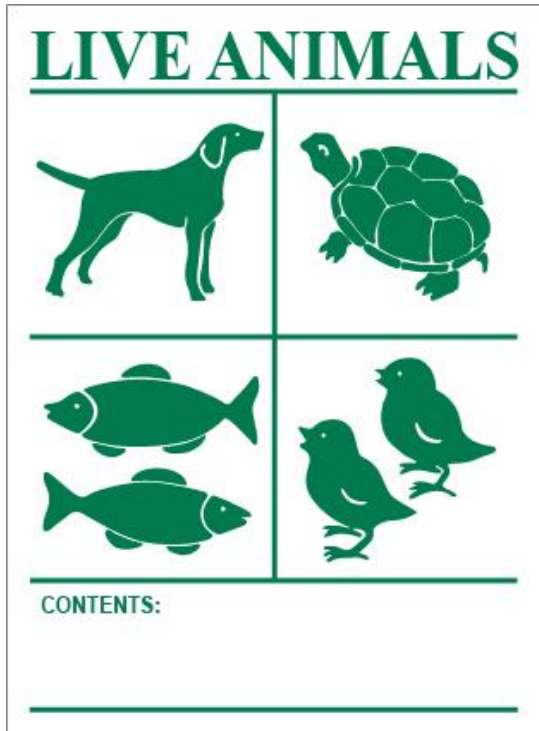
Standard CITES form

 <b>CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA</b>		<b>PERMIT/CERTIFICATE No.</b> <input type="checkbox"/> EXPORT <input type="checkbox"/> RE-EXPORT <input type="checkbox"/> IMPORT <input type="checkbox"/> OTHER:		<b>Original</b>	
3. Importer (name and address)		4. Exporter/re-exporter (name, address and country)		2. Valid until	
3a. Country of Import		Signature of the applicant			
5. Special conditions  If for live animals, this permit or certificate is valid only if the transport conditions comply with the IATA Live Animals Regulations; if for live plants, with the IATA Perishable Cargo Regulations; or, in the case of non-air transport, with the CITES Guidelines for the Non-Air Transport of Live Wild Animals and Plants		6. Name, address, national seal/stamp and country of Management Authority			
5a. Purpose of the transaction (see reverse)		5b. Security stamp no.			
7./8. Scientific name (genus and species) and common name of animal or plant		9. Description of specimens, including identifying marks or numbers (age/sex if live)		10. Appendix no. and source (see reverse)	
				11. Quantity (including unit)	
				11a. Total exported/Quota	
A	7./8.	9.	10.	11.	11a.
	12. Country of origin *    Permit no.    Date		12a. Country of last re-export    Certificate no.    Date		12b. No. of the operation ** or date of acquisition ***
B	7./8.	9.	10.	11.	11a.
	12. Country of origin *    Permit no.    Date		12a. Country of last re-export    Certificate no.    Date		12b. No. of the operation ** or date of acquisition ***
C	7./8.	9.	10.	11.	11a.
	12. Country of origin *    Permit no.    Date		12a. Country of last re-export    Certificate no.    Date		12b. No. of the operation ** or date of acquisition ***
D	7./8.	9.	10.	11.	11a.
	12. Country of origin *    Permit no.    Date		12a. Country of last re-export    Certificate no.    Date		12b. No. of the operation ** or date of acquisition ***
* Country in which the specimens were taken from the wild, bred in captivity or artificially propagated (only in case of re-export) ** Only for specimens of Appendix-I species bred in captivity or artificially propagated for commercial purposes *** For pre-conversion specimens					
13. This permit/certificate is issued by:					
_____ Place		_____ Date		_____ Security stamp, signature and official seal	
14. Export endorsement:		15. Bill of Lading/Air waybill number:			
Block	Quantity				
A					
B					
C					
D					
_____ Port of export		_____ Date		_____ Signature	
		_____ Official stamp and title			

CITES PERMIT/CERTIFICATE No.

Source: (Anon., 2018)

Figure 5 - Live Animal Label



Source: (Anon., 2020)

Figure 4 - This Way Up Label



Source: (Anon., 2020)

Figure 6 - Laboratory Animals Label



Source: (Anon., 2020)



Figure 7 - Live Animals Acceptance Checklist

**LIVE WARM-BLOODED ANIMAL ACCEPTANCE CHECKLIST**

Air Waybill No.: \_\_\_\_\_ Origin: \_\_\_\_\_ Destination: \_\_\_\_\_  
 Gross Weight: \_\_\_\_\_ Dimensions: \_\_\_\_\_ X \_\_\_\_\_ X \_\_\_\_\_ PAX CONF# \_\_\_\_\_

All questions must be answered, do not use "N/A" unless a box is provided.  
 If any question is answered "No", the item must be corrected prior to shipment acceptance.  
 Review all items with the customer before rejecting an animal.  
 Any issues must be communicated to the PetSafe Desk – 1-800-575-3335 or 1-832-235-1541  
 File the checklist and copies of all documentation (as required in the booking record) with the origin station air waybill

General Acceptance	Yes	NA	No	Container (continued)	Yes	NA	No
1. Is the shipment booked? <b>If no, contact PetSafe Desk to book.</b>	<input type="checkbox"/>		<input type="checkbox"/>	16. Are only permitted items (less than 16 oz of food for the animal, 1 leash, 1 collar) securely attached to the outside of the kennel? <b>Note:</b> Toys or medication of any kind (OTC or prescription) are <b>not permitted</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the animal tendered 4 hours or less before the booked flight?	<input type="checkbox"/>		<input type="checkbox"/>	17. Does the kennel meet minimum ventilation requirements and have rims / spacers at least 3/8 inch thick around the kennel? <b>Note:</b> - have ventilation on all three walls when traveling internationally - have ventilation on the two side walls when traveling domestically	<input type="checkbox"/>		<input type="checkbox"/>
3. Verify booked flights are operating as scheduled. (Contact the PetSafe desk to re-accommodate if the animal will misconnect.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	18. Is there sufficient space to allow the animal to turn about freely, in a standing position, using normal body movements, and to stand, sit, and lie in a natural position? <b>Note:</b> For brachycephalic (short nosed) dogs, is the animal in a 1 size larger kennel?	<input type="checkbox"/>		<input type="checkbox"/>
4. Can the aircraft in the routing accommodate the kennel tendered? (Will crate fit all downline aircraft? Especially check UAX Connection Carriers.) (No #700s on UAX or B737-500)	<input type="checkbox"/>		<input type="checkbox"/>	19. Is the number of animals per kennel within the limits prescribed by the regulations? <b>Note:</b> Limits are found in the IATA Live Animal Regulations. For cats and dogs the limit is one adult (dog or cat) or two puppies or kittens under 6 months old, under 20 pounds, compatible and of similar size.	<input type="checkbox"/>		<input type="checkbox"/>
5. For dogs and cats is the animal at least 8 weeks old as stated on the health cert. (10 weeks old if weight less than 1 lb. or 45 kg)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Documentation</b>			
6. Customer confirms that the animal has not been tranquilized?	<input type="checkbox"/>		<input type="checkbox"/>	9. Does the shipper have a valid health certificate, dated no more than 10 days prior (or compliant with destination govt. if less than 10 days)?			
7. Customer confirms that the animals are not being shipped for use in fighting ventures?	<input type="checkbox"/>		<input type="checkbox"/>	10. Verify all documentation listed in the booking alert / remarks was presented? <b>Examples:</b> CITES permits, country import license or permits			
8. Verified that there are no visible signs of a pre-existing condition, illness or evidence of recent surgery? <b>If present – do not accept.</b>	<input type="checkbox"/>		<input type="checkbox"/>	<b>Container</b>			
<b>Documentation</b>				20. Are the names, addresses, and telephone numbers of the customer at origin and destination, as well as the name of the animal affixed to the top of the kennel?			
<b>Container</b>				21. Are properly sized orientation labels affixed to the kennel on at least 2 sides?			
11. Does the kennel meet IATA standards as required in the Live Animal Regulations? <b>Note:</b> Handles cannot be covered with labels or pouches.	<input type="checkbox"/>		<input type="checkbox"/>	22. Do the words "LIVE ANIMAL" appear on the top and at least 1 side of the kennel with the letters a minimum of 1 inch high?			
12. Does the kennel have easily accessible openings for the removal of the animal?	<input type="checkbox"/>		<input type="checkbox"/>	23. Are food and water instructions posted on the top of the kennel with indication as to when the animal was last offered food and water? <b>Note:</b> Water will be provided as needed, but will only feed once every 12 hours provided the shipper sends food and it is accessible from the outside of the kennel.			
13. Is the interior of the kennel clean, dry with adequate absorbent material and free of protruding objects that could injure the animal?	<input type="checkbox"/>		<input type="checkbox"/>	Signature of Shipper _____			
14. I certify that I have secured the kennel with releasable cable ties? <b>Note:</b> Door requires a minimum of 4 ties, one on each corner. Clamp style kennels require ties around the clamp. Secure it to ensure the kennel will stay intact during transit.	<input type="checkbox"/>		<input type="checkbox"/>	Signature of Accepting Agent & Employee Number _____			
15. Does the kennel have 2 food/water dishes which can be filled from outside the enclosure without opening the door?	<input type="checkbox"/>		<input type="checkbox"/>	Time _____		Date _____	

CGO556 Revision 12/11

Source: (Anon., 2014)

Figure 8 - Notification to Captain

ABC AIRLINE													SPECIAL LOAD — NOTIFICATION TO CAPTAIN		TATA						
Station of Loading		JFK		Flight Number		AB-1309		Date		3 JAN 08		Aircraft Registration		N-18805		Prepared by		B. Watkins		B. Watkins	
DANGEROUS GOODS																					
Station of Unloading	Air Waybill Number	Proper Shipping Name	Class or Division For Class 1 compet. grp.	UN or ID Number	Sub Risk	Number of Packages	Net quantity or Transp. Ind. per package	Radio-active Mat. Categ.	Packing Group	Code (see reverse)	CAO (X)	Loaded									
												ULD ID	POSITION								
CDG	12345675	METHYL ACETATE	3	UN1231	—	10	14 L	—	II	RFL	X	AA2101	A								
CDG	12345675	SELENIUM OXYCHLORIDE	8	UN2879	6.1	4	0.5 L	—	I	RCM		AF5040	23								
CDG	12345675	RADIOACTIVE MATERIAL, TYPE A PACKAGE	7	UN2915	—	1	3.5	III	—	RRY			53								
CDG	2345678	CONSUMER COMMODITIES	9	ID8000	—	50	100 kg 0.6 kg 2.5 kg	—	—	RMD		D123AN	11R								
*There is no evidence that any damaged or leaking packages containing dangerous goods have been loaded on the aircraft.																					
OTHER SPECIAL LOAD																					
Stat. of Unload	Air Waybill Number	Contents and Description	Number of Packages	Quantity	Supplementary Information	Code (see reverse)	Loaded														
							ULD ID	POSITION													
Loading Supervisor's Signature		Captain's Signature		Other Information																	
J. Smith		R. Martin																			

\*This sentence must be shown on the NOTOC. The location is left to the discretion of the carrier.

Source: (Tayfour, 2018)

## **Interview Questions to János András Nagy**

(The interview was made in Hungarian and translated to English)

Who is the biggest competitor for KLM on the Hungarian and Czech market?

How big is the market share of KLM on the Hungarian and Czech market?

How many customers are there both in Budapest and in Prague?

According to the customers' feedbacks, the off-loads are quite common in the case of general cargo. Is the situation the same for live animal shipments as well?

To what extent does the company pay attention to special cargo?

According to the customers' feedbacks, information about trucked shipments is confusing. Why is that so?

Which animals are the most popular to be shipped?

How regular are these customers?

How many kennels do the customers book?

How many shipments were there in the previous year and the first two quarter of 2020?

Can the customers use the online booking system for live animal shipments?

How would you characterize the company's relationship with the customers? How preferable is KLM for them?

What services does KLM need from my business?

Why is outsourcing necessary?

Why has KLM outsourced on many locations, but not in Budapest and Prague yet?

How profitable and convenient is the outsourcing on different locations so far?

Please, elaborate on the process of outsourcing.

Are there any competitors for my business? If yes, please inform me about them.

## **Interview Questions to Nóra Pellérdy**

(The interview was made in Hungarian and translated to English)

Please, elaborate on the process of shipping animals from the perspective of the freight forwarder.



How long does this process last?

What documents are needed for the transportation of animals?

What makes a dog fit-to-fly?

Which airlines are the most preferred ones?

How many percentages of the animals fly with Air France-KLM?

What was the purpose of shipping in most cases?

Why are there so many commercial shipments?

### **Interview Questions to Bernard de Boer**

What kind of animals does the company regularly ship?

Are there any regular, reoccurring problems?

Are there possibilities to shipping animals other than cargo?

### **Interview Questions to Dr. Regina Farkas**

(The interview was made in Hungarian and translated to English)

Please, speak about the process of establishing a single-member limited company.

What documents are needed for the establishment of this company?

How long does it take to register the company?

### **Interview Questions to Bence József Papp**

(The interview was made in Hungarian and translated to English)

Please, elaborate on the GHA's procedure in case of animal shipments.