

Maximizing Non - Aeronautical Revenue at Airports



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Traditionally decades ago, Airports were dependent on Aeronautical revenue that came from landing and parking charges from the Airlines, Root navigation facilitation charges (RNFC) and terminal navigation facilitation charges (TNFC) for the services provided by Air traffic control. These areas were primarily dependent on the number of flight movements both landing and takeoff. Non-Aeronautical revenue was not in focus because Airports, being in the hands of Government and passenger facilitation at their cost was the main aim, it was more as social responsibility towards public like roadways and railways. The commercial aspect of revenue generation was realized when the corporate sector started managing Airports in various countries. The government owned Airports too realized the importance of generating revenue from non-traffic sources so as to spend money to facilitate passengers better. The area of revenue generation was broadly from parking facility, food and beverage outlets inside and outside Airports, book and gift shops, traveler requisite (TR) shops etc. However, cleanliness, garbage removal and grass cutting activities were expenditure.

The major aspect of revenue generation was covered by Aeronautical sources, whilst non-Aeronautical revenue was barely 30%. Later, over a period of time, things changed on the model of Changi Airport Singapore. It was then realized that Airports must be modernized with commercial touch. The luxury services to massive shopping centre scenario could be made to earn revenue. It also serves as a great help to passengers when they find Spa, Beauty Parlor, Massage facility, Business lounge, rest rooms, utility services, Restaurants, Bars at the Airports. Later, the garbage cleaning and grass cutting too became the revenue contract from expenditure as the waste that agencies collected had a good recycle / market value.

Commercial revenue – Richness in offerings

Let us discuss about approach for commercial revenue for retail density. The retail foot print has a maturity level and saturate around 1200 sqm/mn resulting in sales per departing passengers of US \$ 26. Another approach for commercial revenue was category optimization in the form of richness in offerings, focusing on luxury brands and higher

margin products. The marketing and communication drive aimed at optimizing footfalls.

When we look at maximizing non-Aeronautical revenue, the biggest strength can become the biggest weakness since it is chiefly dependant on the number of passengers, a slight decline can pose a big loss. Apart from this, there are space constraints and structural issues limiting categorizing maximization in totality. We think in terms of Compound Annual Growth Rate (CAGR) that speaks about business and investing specific term for a geometric progression ratio that provides constant rate of return over a period of time. If we talk in terms of existing source pattern to generate non-Aeronautical revenue, percent wise it comes 33% duty free, 23% space rental, 17% car parking, 8% car rental, 5% specialty retail, 3% advertising, 8% hospitality and 3% from currency. These percentages don't look encouraging enough; this concern needs to be probed.

Challenges come with Long-term solutions

First and foremost, the key challenge comes in the form of dependence of concessionaire and passenger volume. If looked upon as

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an opportunity, we can go ahead with innovating structuring option and diversification through non-traditional revenue. There is a need to differentiate by creating a sense through retail brand. The up skilling and employee engagement is also a great opportunity to go for developing internal capabilities.

Entertainment is yet another virgin area where the possibility of maximizing revenue can be explored by way of converting 'dwell time' into 'passenger spending capacity' especially in transit. Significant contributions can be seen for Airport service quality (ASQ) and passenger alignment. The entertainment should be positioned as a seamless experience rather than mere filler. Here, the location is very important collaboratively leading to revenue generation. We need to go beyond the routine by way of practicing "Do it yourself zone" with a culture of unique selling proposition (USP) such as food, retail and theme-based engagements. There is lot of scope in innovation for generating revenue through entertainment. Some areas are sponsored aircraft simulators, Aviation museum and Airport Library. Keeping in mind the younger crowd as passengers, we can create motion sensor gaming and 7 D Theaters, Art gallery, thereby making exhibition and showcasing culture yet another area of interest.

Pouring - Exercising Choices

You must be surprising why I am using this word as one of the strategies for revenue generation. The pouring leverages unique position to Airport operators holding retained rights on selection

of exclusive brands. We must ensure availability of soft beverages, juices, water, coffee, energy drink, hard liquor and beer. The time has come to create exclusive supply arrangement with select brand for premier value such as audio and video playing rights, Airport radio channel with favorite RJ playing songs of choice. We should not ignore exercising choice to select premier partners. For that matter the rights to visibility in smoking zones with availability of outlet to sell tobacco at selected location should not be forgotten.

Branding – Associating Sponsorship

We are talking about various strategies to be adapted for maximizing revenue from the point of view, as to how it works and why it is going beyond routine. The branding creates newer formats beyond traditional advertising and promotions for security channel, horticulture, toilets, and dustbins because plantation and greenery in these areas is a value addition to the fragrance we try to provide. Modernization of theme-based environment can be created by branding fragrances and vanity zones, mainly in women's boulevard and kid's arena. The unique brand engagement platforms with brand lounges, experience zones and floor walkers can be created. The sponsorship by stakeholders can't be overlooked for branding, which can come in the form of sponsorship for cost maintenance, play areas and baby strollers etc.

Conveniences – Inducing further spends

The provision for essential services to passengers give rise to



further spends which can be collaborated with sponsors to monetize one or more services. Departure essentials must be looked upon. The passengers at the departure level do look for certain services which are both important and essential such as postal and courier service, business service, photo kiosk, shoe shining, salon, insurance, tailoring, health check-up, teeth whitening, stationery, beauty care with nail bars and especially kids on stop shop. The passenger in arriving and transit area also look for shower, concierge, travel guide, water heating zones for mother with infants, laundry services and grocery. These essential services for departing and arriving passengers as conveniences may not provide very high amount of revenue but we must think in totality these are essential in nature for passenger facilitation.

Non-Passenger – Reducing risk from passenger volatility

The non-traffic revenue is also generated from large community of people falling under the category of non-passengers. There is a huge opportunity to cater the needs of different segments such as facilities for Airport staff, Airlines, ground handlers, cargo, custom, police, CISF, Immigrations and

other regulatory agencies. These facilities for non-passenger crowd must be created by going beyond routine in the meeters and greeters' areas, information centers, messaging zone, photo play cards, food and beverage, gifting, floral grab, welcome-desk etc. Some of the other areas where revenue can be maximized are canteen, laundry, locker room, discount store, end of season sale and shuttle services for staff community. The empanelment of Airport citizen for goodwill, NGOs, Doctors, Media and entrepreneurs give rise to de-risking option to reduce risk passenger's volatility.

Designing Revenue Streams – Creating own identity

In order to maximize non-Aeronautical revenue, it is pivotal to intersperse the concepts illustrated above with other core concepts rather than deploy them silos. This is the key for various mode of revenue to sustain. It is important for Airport to plan certain stream especially those around convenience across various touch points for passengers as well as non-passengers. There is need to communicate some of the bespoke services effectively through prominent signages and other medium. The dedicated team is required to conceive, execute and manage these new revenue streams at an ongoing.

There is worldwide competition amongst Airports and Airport Council International (ACI) conducts surveys for Airport Service Quality (ASQ) on 5-point scale. There are Aviation hubs where the Airlines find more space & convenient stopovers like Frankfurt, Amsterdam, Dubai where more

We learnt about various sources maximizing non-Aeronautical revenue by way of touching certain areas still there always remains a scope for more innovation. We must think in terms of consumers to the Airports which forms a great population besides passengers. We need to create facilities for every user at airport keeping in mind that large number of agencies working at the Airport employing people who may have their own wants and wishes. They spend money for necessity and choice. The happy hour period should be created to sustain.

number of flights not only give Aeronautical revenue but open new doors for non-Aeronautical revenue. There is a need for every Airport to create its own identity and charm. The people travel through Airport more out of necessity than choice. However, they would like to spend money at the Airport only out of choice. Therefore public perception is a great influencer. The communication of unified Airport values removes clutter in consumer mind which translate expectation into brand values. The brand value helps in guiding physical manifestation in the form of designs, layout, offering, pricing, quality etc. The multiple retailers across Airport are bound by Airport

brand mentors from the prospective of enhancing non-aeronautical revenue.

Airport branding to enhance value

Airport brand and its value becomes fulcrum of retail design philosophy having capability to maximize value through enhancement of spends. The engagement of concessionaire is an important aspect to be taken care of. The binding of retailer by best practices and processes keep them engaged. The unified brand guidelines must be practiced by all concerned at the Airport. The color palette, logo, taglines, and visual elements such as carry bags, flyers helps in ensuring uniform visual appeal. The multitude of offering, value for money, price advantage, depth of categories, service disposition and manpower quality acts as effective communication for competitive advantages. The multiple touch point needs to be created across Airport and beyond to influence the life of passenger right from their journey from home to Aircraft when they depart.

Consumer Engagement to maximize revenue

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necessity and choice. The happy hour period should be created to sustain. We must create such environment which may hold passengers in departure lounge before they head straight to the boarding gates.

Parking - Multiple sources of revenue generation

The parking facility at the Airport used to be a traditional source of revenue generation where the income was from parking contract which was decided by awarding contracts on the basis of minimum reserve license fee (MRLF). The amount of revenue used to be fixed on the basis of award price depending upon the anticipated moment of vehicles and also on the basis of forecast for increase in passengers, visitors, Airport users. It was only 17% of the total non-Aeronautical revenue.

As a matter of fact, the parking is a major ancillary income stream and key part of non-Aeronautical revenue. Today the car parking contributes fairly good part of revenue. The Airport in USA alone generated nearly 6 Billion dollars from parking and car rental in the year 2017. The parking provides the highest Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for Airport with the potential of more sustained gain than other revenue streams.

Airport parking - A big business

The UK based travel insurance provider "Stay Sure" conducted research study on this burning issue by using Google search data on car parking habits at 10 largest Airport of United Kingdom. The passengers were likely to face three times more competition for parking spaces at non-London

Airports since not even 1 in 100 people flying at Heathrow were looking for Airport parking which had the lowest percentage of flyers looking for parking in comparison to its passenger volume at just 0.83%. Manchester Airport had far more people searching for car parking than any of the other analyzed Airports because around 1 in 20 passengers flying through Manchester were looking for Airport parking whereas about Bristol Airport has the largest share with 1 in 10 flyers looking for parking.

Disruptions in Airport parking industry

Prof. Max Hirsh, the leading expert on Airport and urban development says "many Airports are hesitant to have this disruption conversation for a variety of structural, financial and cultural reasons". The disruption in Airport parking industry comes out of environmental pressure, changing consumer behavior, millennial generation and transformation in technology. The truth lies somewhere between attitude of parking operators who may continue to be optimistic about parking being a cash-cow, though the technology firms giving unbelievable futuristic scenario wiping of parking completely.

The Airports must transform their parking system because Airport in metropolitan areas populated by younger international travelers will always look for change whereas Airport in developing countries in rural location will face less pressure for change and innovation. The parking scenario revolves on the modes of self-parking, ride hailing, traditional mass transit and autonomous cars. Therefore, we need to rethink and renovate by

way of introducing new model for monetizing ground access, designing a more attractive terminal fore court, improving the quality of existing produce and re-developing facility into ground transportation Centers which will require creativity and collaboration for success.

Food and Beverage- A must to link with parking

It was the beginning by the company named VIC's Station & Boathouse with creative promotion idea which was driven to repeat business. Its owner made out an attractive plan for linkage of parking with package offered in the food, beverages and entertainment.

The free parking for dining gave fruitful result from 2 January to 15 March 2019 at Changi Airport. The minimum spend was S\$ 35 by Mastercard and S\$ 50 by other payment mode in a single same day receipt at participating food, beverages restaurants or cafes between 12 to 3 pm or 6 to 9 pm to enjoy two hours free parking. However, the redemption was limited to first 1050 dinner daily. The dinner was also allowed to redeem two hours of complementary parking coupon from designated customer service or information counters if they meet the required minimum spend at participating F&B cafes and restaurants.

Linking Parking with F&B - innovative ways for sales promotion

Let us discuss some more interesting F & B promotion schemes linking to parking. The Starbucks happy hours were received well for coffee and novelty drinks. Dominos also created potholes for

pizza. It was a campaign which helped towns across America paving way for more perfect pizza. "Sonic's sip the night away" was another innovative idea offering half prize after 8 pm for shakes and ice-cream slush. It was advertised with the caption "sip your night away till Labor Day". These examples confirm that sales promotions really work by linking parking with food and beverage.

The message from above sales promotion strategy enhancing non-Aeronautical revenue was to say "Promote Park and Fly" and the target flyers were business traveler, such as one day interviewee, super commuters, unlucky with cabs and car lovers. This offer can be for any bond family, friendship, social introduce because F & B offers were for that special friend who drive all the way to pick you up and drop away. The F & B services also took care by shielding chauffeurs because they have major occupancy in parking where they wait for long hours. Another way to link parking with the F & B can be collaboration with debit and credit cards by adding the parking clause. Another interesting offer can be by offering free goodies such as cupcake packed with restaurant logo by placing at parking exit. These offers can be converted into habits. Keeping in view of large number of Airport user at the parking the F & B kiosk can be set up at parking lots for the people who want to wait in the parking areas. It needs to promote the promotions by asking those folks to opt in. Restaurants can make it easy for them by using QR code on the receipt's menus or other printed material. The F & B users can be asked to follow

on social media and to invite a friend to visit because "Refer a Friend" type deals help growing recurring business and new business simultaneously. The Final word for linking F & B services to parking lot is to get more out of the promotion that work by extending the reach of F & B through network, boosting sales and generate revenue, enhancing passenger experience, augment the image of Airport and to build a sustainable business the growing one.

Artificial Intelligence - A boon to increase revenue

During last one decade there is great transformation in Industry 4.0 era by way of introduction of digitization, new technology, modern techniques and multi-skilling reducing the manpower cost. The Robots replacing "May I help you" counter, remote ATC towers, paperless travel, sensors, biometrics for entry and exit of

passengers and other Airport users besides cyber security are some of the measures to reduce the cost. It all goes in the form of increasing revenue by way of giving better facility to the passengers. The recent corona pandemic has created a great vacuum for progressive plans of growth in Aviation sector nevertheless it speeded up the process of using artificial intelligence.

When we think about technology interface the web, mobiles, website, mobile application with root finders, welcome E-mail from Airport, SMS alert for flight timing, weather prediction, retail exclusive and offering, arrival electronic play card, image screening of chauffeur's, last minute pick from conveyance item, retail space for virtual shopping, virtual trial rooms, delivery mechanism to home, internal WI-FI enable chat rooms and smart sensory panel for advertising comes to our mind. These can be considered as great value addition not only for passenger facilitation but also for generation of non-Aeronautical revenue mainly because information and convenience to passenger through technology opens new source for revenue through advertisement. It also gives rise to passenger friendliness and convenience. The innovative way of advertising and Airport branding will always prove to multifold the existing revenue. The "Feel Good" factor is cherry on the cake while passengers move out happy being served the best way, and Airports earn as well while they put their best foot forward to serve.

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