



# Airport Retail

Group 4





# Passenger Survey



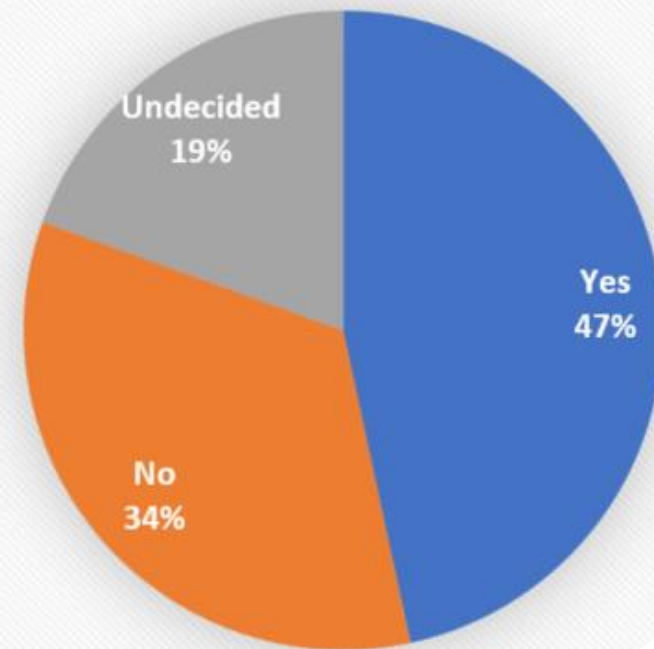
|               | Intended to buy |     |   | Of these, what percentage actually bought something? |
|---------------|-----------------|-----|---|--|
| F&B           | Yes:            | 35% | ➔ | 93%  |
|               | No:             | 41% |   | 31%  |
|               | Undecided:      | 24% |   | 62%  |
| Non-duty free | Yes:            | 14% | ➔ | 61%  |
|               | No:             | 69% |   | 9%   |
|               | Undecided:      | 17% |   | 21%  |
| Duty free     | Yes:            | 16% | ➔ | 58%  |
|               | No:             | 71% |   | 5%   |
|               | Undecided:      | 12% |   | 24%  |

Source: Airport survey of departing passengers



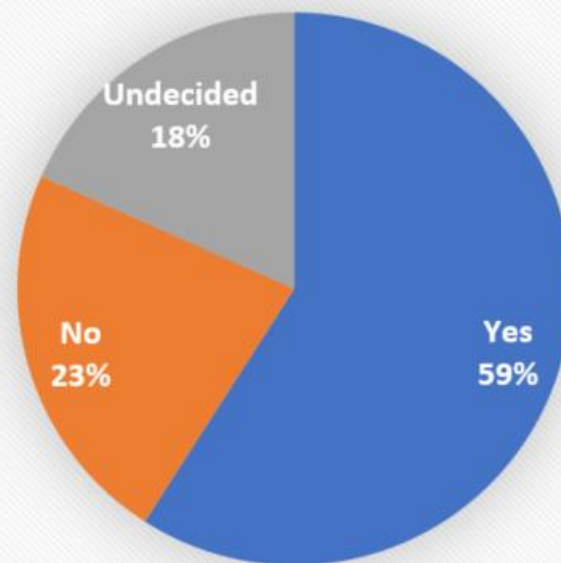
# Methodology

Non-duty free



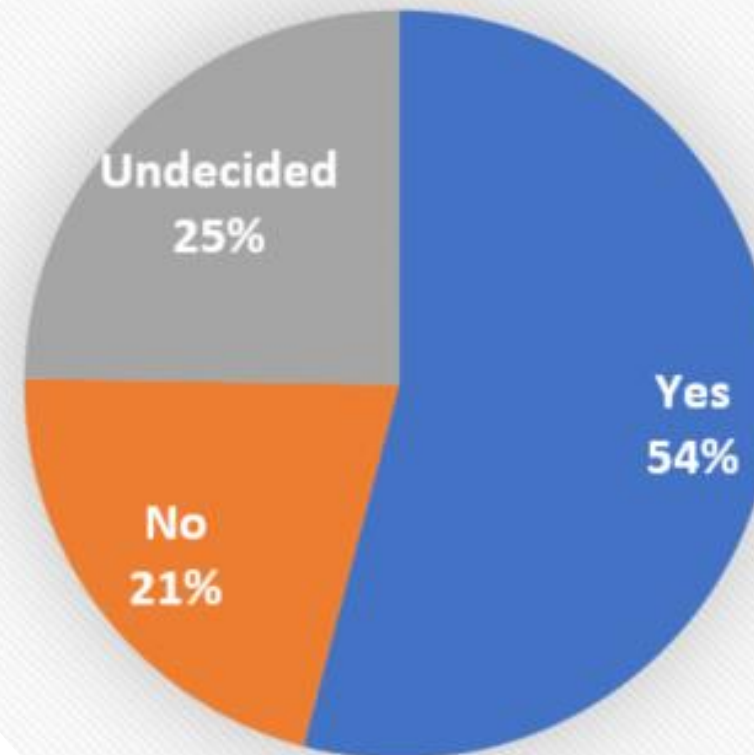
■ Yes ■ No ■ Undecided

Duty Free



■ Yes ■ No ■ Undecided

F&B



■ Yes ■ No ■ Undecided

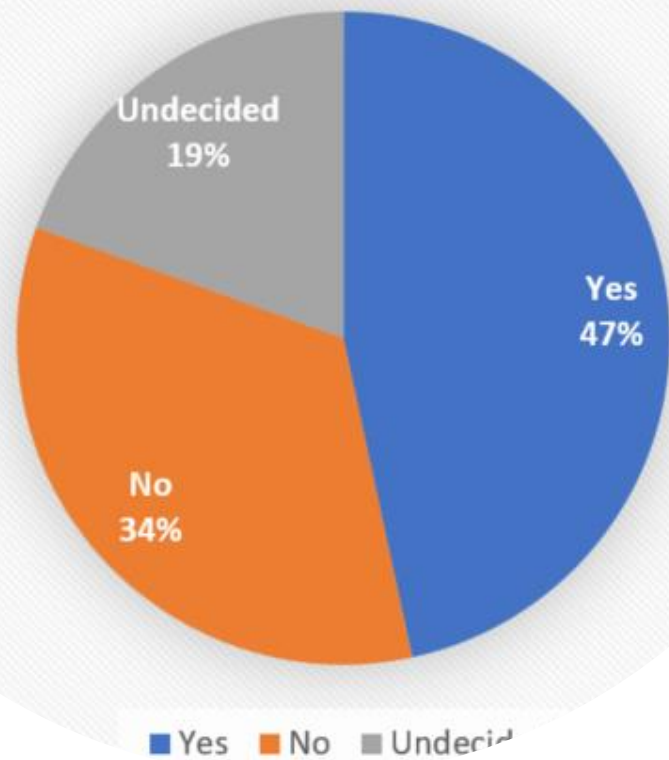
- Conditional Probability and Bayes' theorem
- Calculate the intention (Yes/No/Undecided) of the people who eventually bought at airport based on different good categories



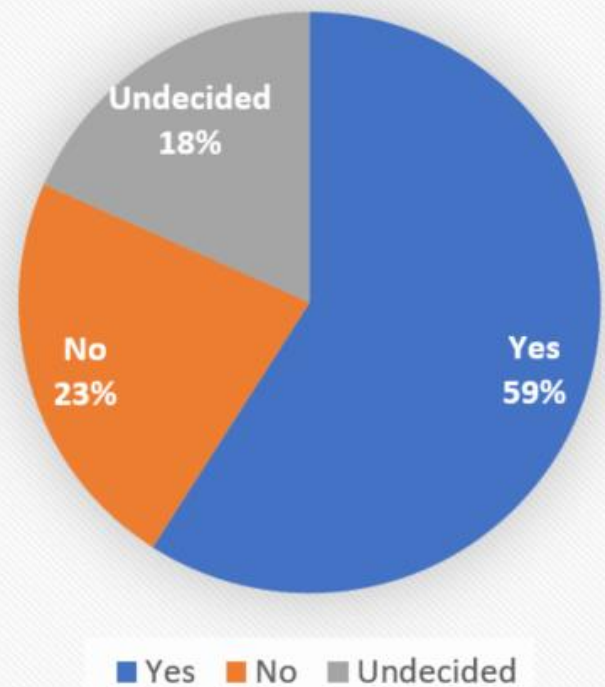


# Insights

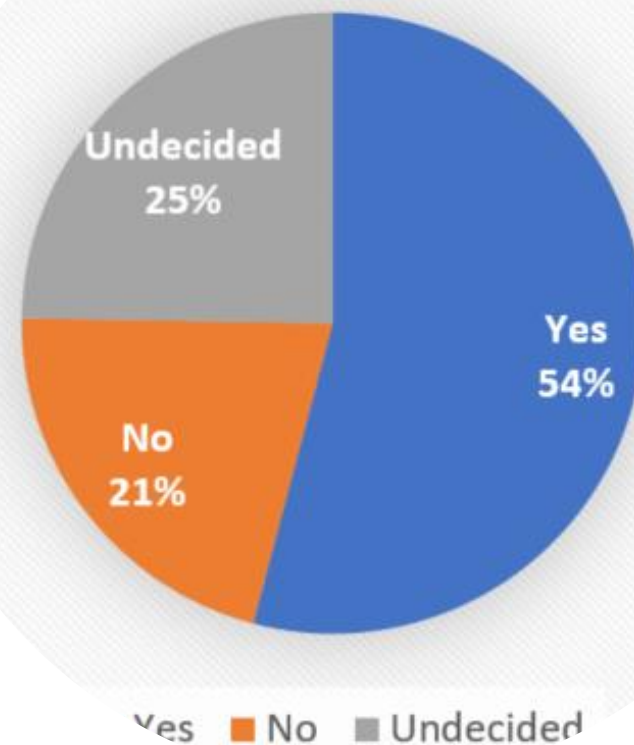
Non-duty free



Duty Free



F&B



1. “*Duty free*” and “*Non-duty free*” are much more elastic market compared with “*F&B*” since the “*No*” proportion is much greater than the “*Undecided*” proportion.
2. The proportion of “*No*” plus “*Undecided*” indicates how good the sales promotion and advertisement of airport shops is.
3. The “*Non-duty free*” category is the easiest category airport can improve their sale performance.



# SWOT Analysis

## Strengths

- Almost 24/7 year-round foot traffic
- Nature of airports encourages spending
- Nature of airports allows for high prices

## Opportunities

- Continued market development
- Emerging countries e.g. Japan, Brazil, China, Russia
- Digitalization

## Weaknesses

- On the learning curve / Largely Undocumented
- Very dependent on unpredictable political climate
- High competition

## Threats

- Online stores threaten physical stores
- Alternatives to car parking
- Shrinking middle class
- Population aging



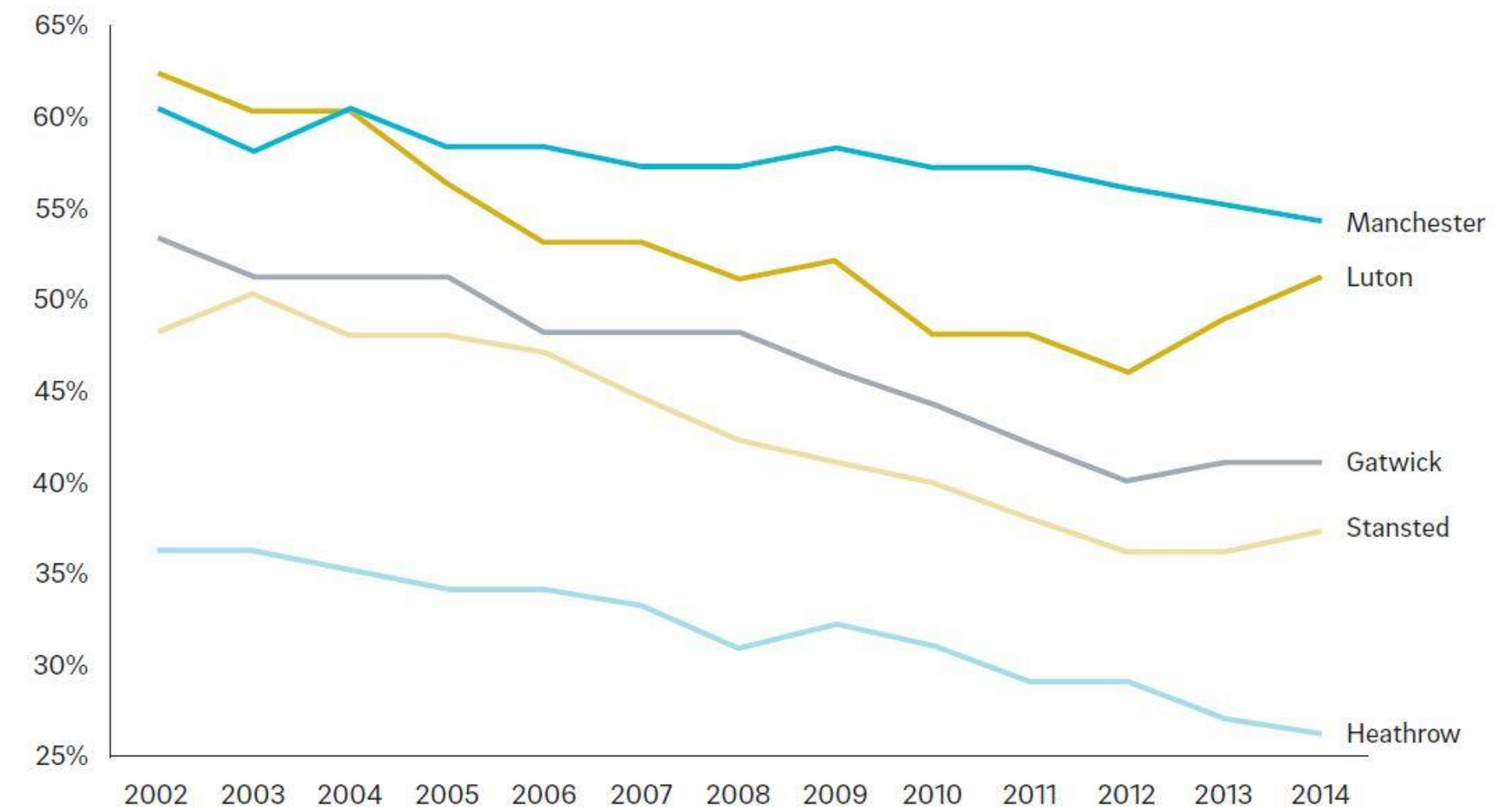


# Airport Carparking

- Alternatives to private cars e.g. Lyft, Uber
- Ever increasing accessibility through public transport expansion
- Hotel shuttle services
- Electric cars remedy the decline partially
- Introduction of self driving that can return home
- Very tough competition e.g. FlightCar
- High cost

## DRIVING A PRIVATE VEHICLE TO OR FROM THE AIRPORT IS GOING OUT OF FASHION

Changes in the share of private car use at the main UK airports.





# Shopping at the Airport

## *Airport Spending is Transforming*

- China Online Retail 66% ↑ in 2012
- Millennials are interested in the experience not the product
- Online-retail is taking over, airport retail needs to adapt  
*Suggestion: Order online & pick up at airport option*

## *Challenges and Demanding Customers*

- 2-5 B EUR lost in revenue in the next 5 years
- Available items do not meet expectations e.g. high demand for compact and local items  
→ low customer satisfaction 40% intending customers do not buy with not finding what they want as the #1 stated reason
- Decline in the purchase of alcohol and tobacco due to regulations



- Economic crisis in the EU affects spending





# London Heathrow



- 185 000 passengers passing through each day
- 4 terminals
- 420 000 ft<sup>2</sup> of total retail space
- More than 300 shops





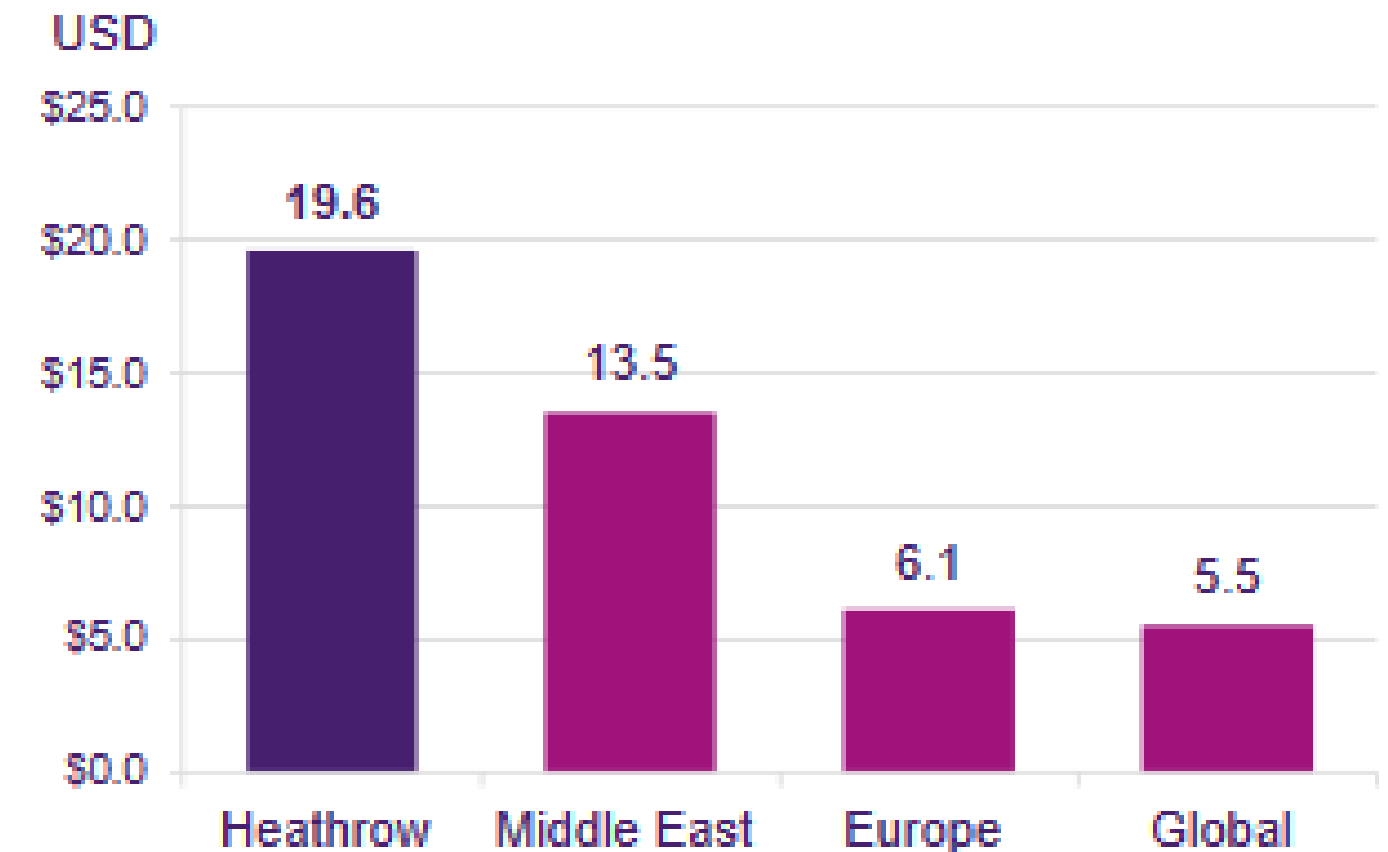


# London Heathrow

| Six months ended 30 June | 2017<br>£m   | 2016<br>£m   | Change<br>(%) |
|--------------------------|--------------|--------------|---------------|
| Aeronautical             | 814          | 802          | 1.5           |
| Retail                   | 313          | 280          | 11.8          |
| Other                    | 247          | 238          | 3.8           |
| <b>Total revenue</b>     | <b>1,374</b> | <b>1,320</b> | <b>4.1</b>    |

| Six months ended 30 June    | 2017<br>£m | 2016<br>£m | Change<br>(%) |
|-----------------------------|------------|------------|---------------|
| Duty and tax-free           | 70         | 62         | 12.9          |
| Airside specialist shops    | 63         | 51         | 23.5          |
| Bureaux de change           | 24         | 24         | -             |
| Catering                    | 26         | 22         | 18.2          |
| Other retail income         | 43         | 37         | 16.2          |
| Car parking                 | 58         | 55         | 5.5           |
| Other services              | 29         | 29         | -             |
| <b>Total retail revenue</b> | <b>313</b> | <b>280</b> | <b>11.8</b>   |

## Comparative spend per passenger



-> 22.7 % of airport income comes from retail in 2017





# Conclusion

Offering good shopping & dining experience

- In F&B, ensure that customers are given multiple brands and varied menu choices.
- Enrich the choice of shops & products.
- Mass customization: Tailor-made projects adapted to each zone's clientele

Motivating the interest in purchase before arrival

- Widen our targets of customers
- There is much room for growth in the area of online shopping, and souvenir food items. iShopChangi, the airport's online shopping platform.

A concession business model:

- Joint ventures 50/50, or Brands operating directly their shop.
- Airport play the double role: lessor and shareholder, which can be reactive and share the financial and legal risk, lower the cost.





# Singapore Changi Airport

iSHOP  
CHANGI

▼CR SPECIALS BEAUTY ELECTRONICS FASHION FOOD HEALTH KIDS PREPAID SIM SOUVENIRS TRAVEL WATCHES WINE & SPIRITS SPECIALS

**First Launch in Airports Worldwide**  
**NEW Ultimune Power Infusing Concentrate**

**ISHOPCHANGI EXCLUSIVE**

Receive a 8-piece gift set\* with min. purchase of S\$500 on Shiseido products.

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**SHISEIDO**  
GINZA TOKYO

\*While stocks last. Limited to one redemption per customer. Terms and conditions apply.

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[SHOP NOW](#)

**WHY SHOP WITH US?**  
[FIND OUT MORE](#)

**E-NEWSLETTER**  
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## IN THE SPOTLIGHT: SHISEIDO

**NEW PROMO EXCLUSIVE**  
SHISEIDO ULTIMUNE POWER INFUSING CONCENTRATE  
S\$138.00

**PROMO**  
SHISEIDO ULTIMUNE POWER INFUSING EYE CONCENTRATE  
S\$88.00

**NEW PROMO**  
SHISEIDO 24-HOUR DEFENSE MIST DUO (SINGAPORE)  
S\$59.00

**PROMO**  
SHISEIDO WHITE LUCENT MICROTARGETING SPOT  
S\$124.00

**PROMO**  
SHISEIDO WHITE LUCENT LUMINIZING INFUSER 150ML  
S\$64.00

Data is from official website of Changi Airport: <http://www.changiairport.com>

**CHANGI**  
airport singapore

Earn & redeem with Changi Rewards eCard

**Flight Info**

Shop Dine Getting Around Airport Experience My Changi What's New

Tap here for free #WiFi@Changi



**7%**

GST absorbed- with Changi Rewards



**\$2.5 Bn**

Total retail sales in 2017



**>400**

Retail outlets



**iShop Changi**

Online e-commerce - buy before you fly!



**>180**

Perfume and cosmetics brands



**>140**

F&B options

iShopChangi's value proposition is simple, and its results speak for itself – sales on the platform had increased by some **76%** year-on-year

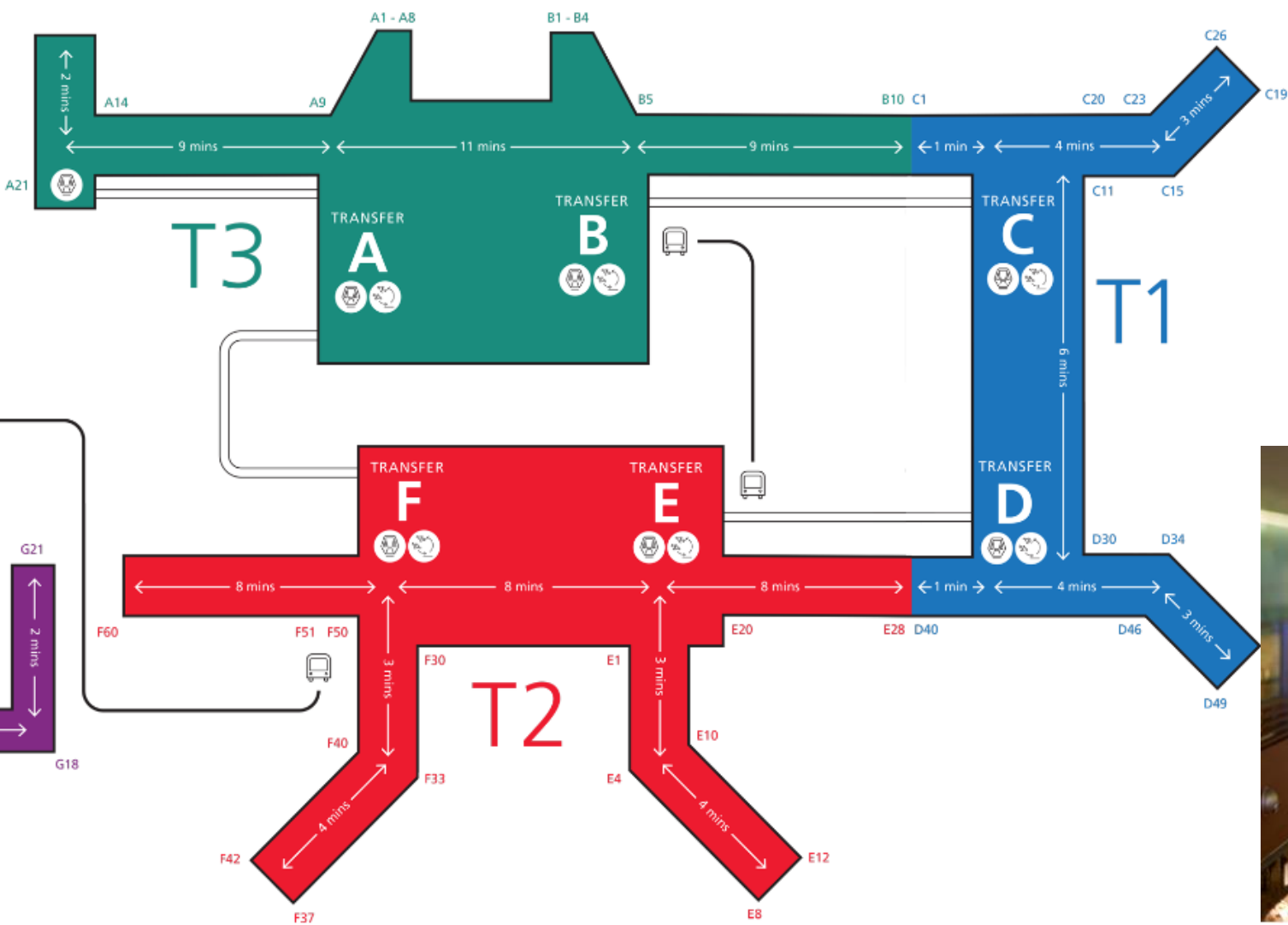




# Conclusion

## T3

Opened in 2008, Changi Airport's eco-friendly 'green terminal' lifts your spirits with natural skylight and gardens featuring over 200 species of foliage and butterflies.



## T1

Opened in 1981, the upgraded Terminal 1 now serves up to 24 million passengers per year with a wider selection of shopping, dining and relaxation options.



## T4

Opened in 2017, the new Terminal 4 will bring you design and process innovations that will redefine your travel experiences.



## T2

Opened in 1991, Terminal 2 has been revamped to be a non-stop entertainment hub. Visit a movie theatre, gardens, and more, while waiting for your flight.

