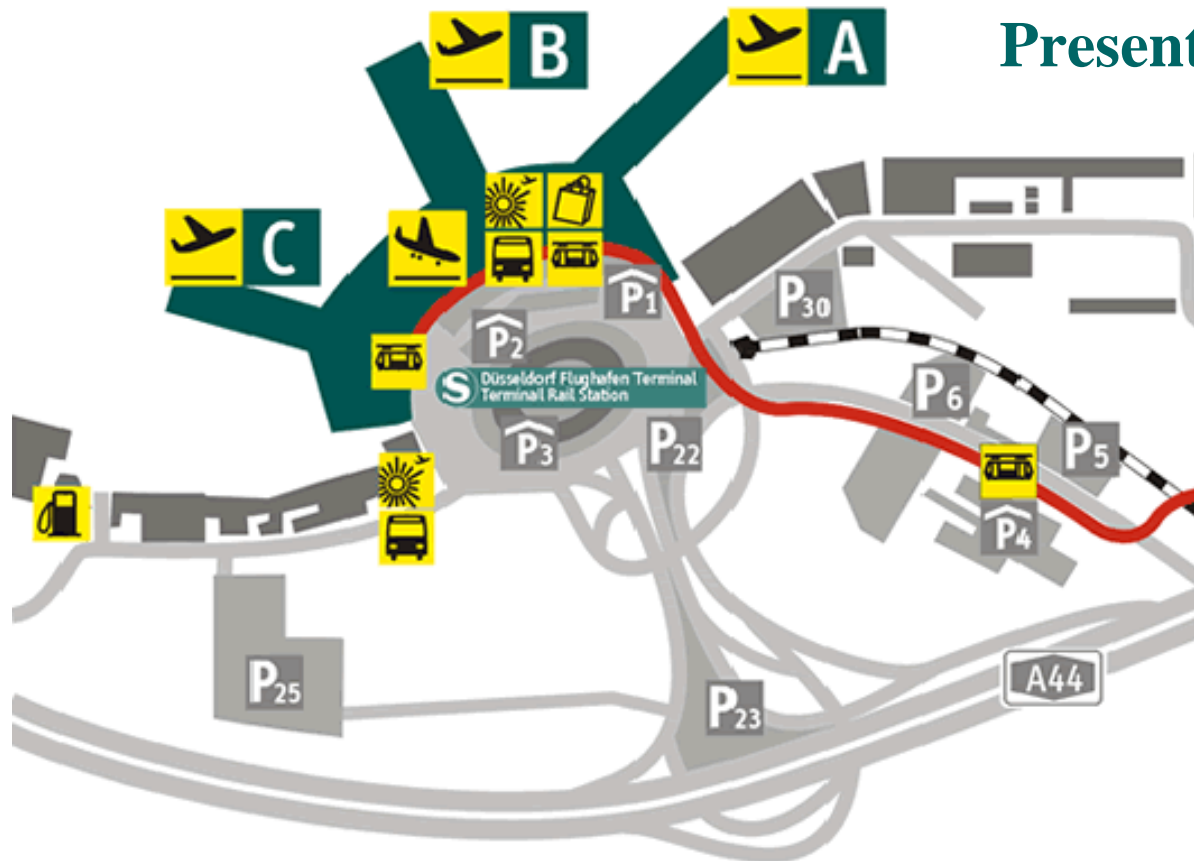


Potential of Non-Aeronautical Revenues for Airport Duesseldorf International

Presentation on Bachelor Thesis



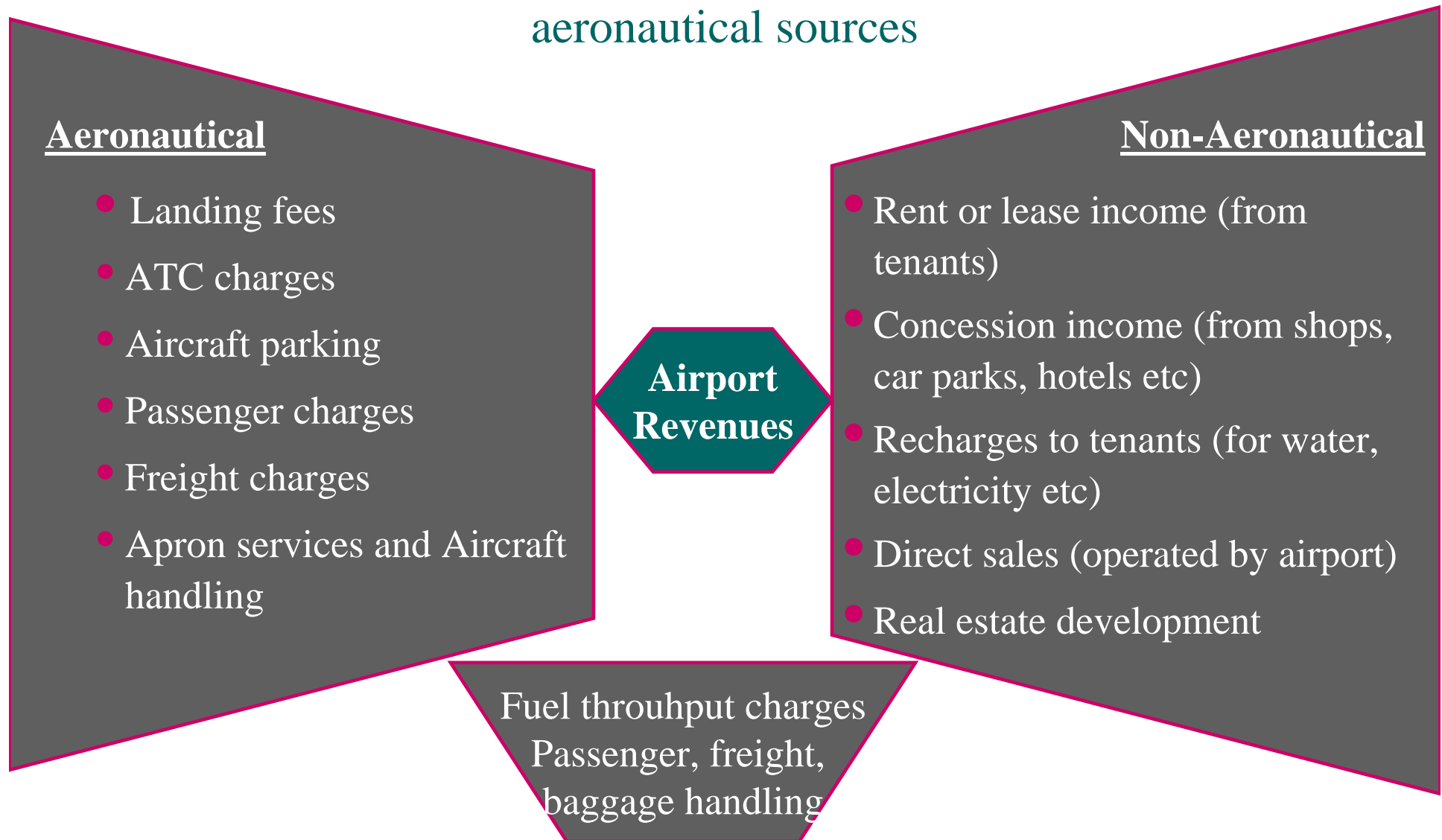
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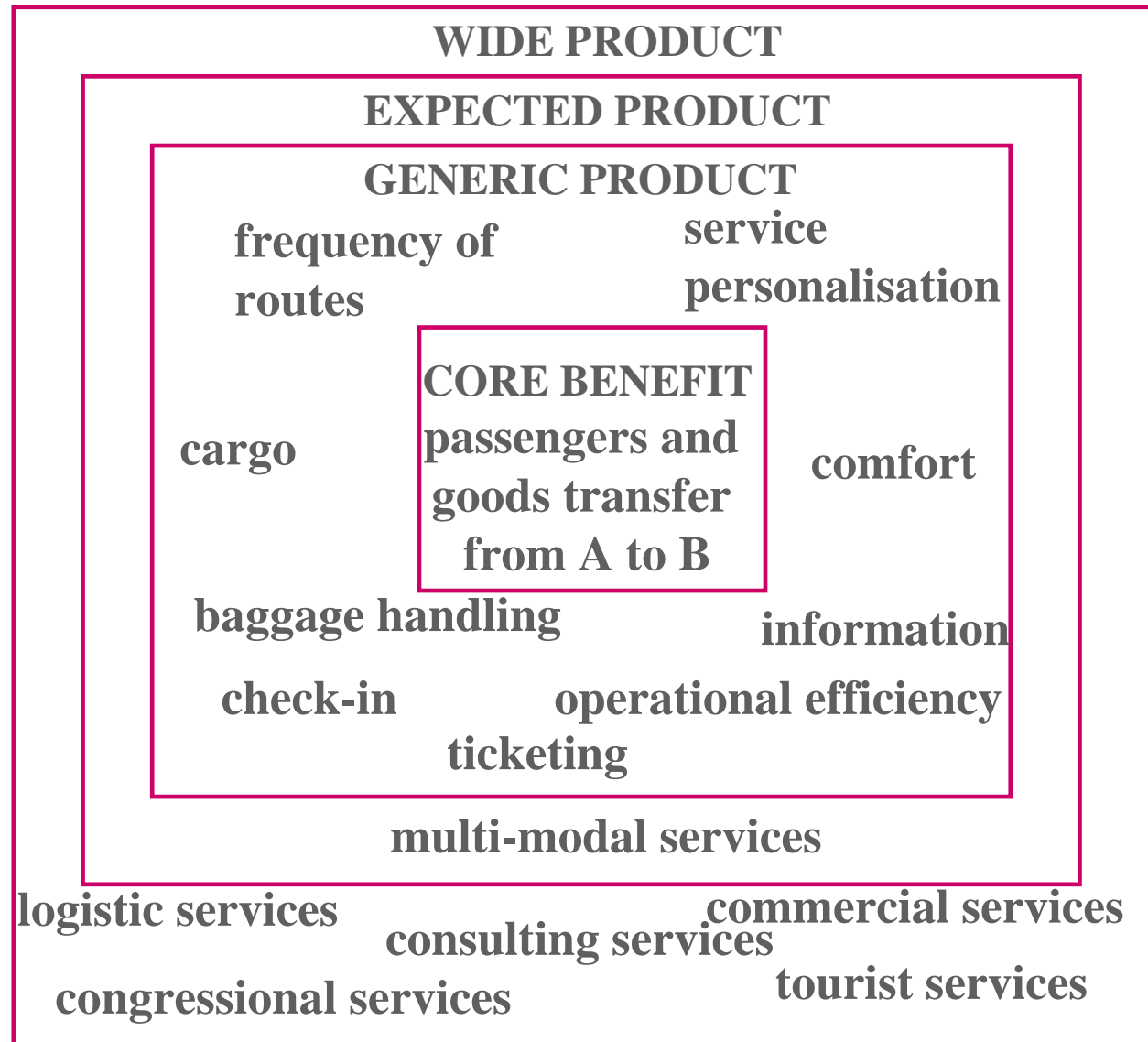
International University
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Commercial airports derive revenues from aeronautical and non-aeronautical sources



Service Package offered by a Commercial Airport



Jarach (2005, p. 72)

Diversifying into commercial sector helps widen the target market and catchment area

-needs work related
eg. check-in desks,
lounges, warehouse
-airline employees for
private purposes

-impulse shopping
during waiting time



- shop for day-to-day
needs
- eg. departmental
stores, groceries

- shops due to longer
working hours
-conferences & office
facilities

- Leisure: shop most for souvenirs & gifts
- Business: emergency shopping, car rentals, banks...
- Transfer: shop for attractive prices & enough time
- Arriving: less shopping, car rentals

Non-aeronautical services of an airport can be grouped under five broad categories



Growing Importance of Non-Aeronautical Revenues

- **Reduction of landing charges**
 - due to falling airline yields, high competition and the erratic world events
- **Growing travel demands of the passengers**
 - due to industry maturing and sophisticated frequent travellers
- **Increasing competition between hub airports**
 - airports aiming to attract transfer paxs by offering commercial amenities
- **Slot limitations and environmental restrictions**
 - shift of focus towards commercial revenues

Airports which ignore the revenue oppertunities of non-aeronautical services do so at their peril.

Four Strategies to Improve Market Shares in the Airport Business

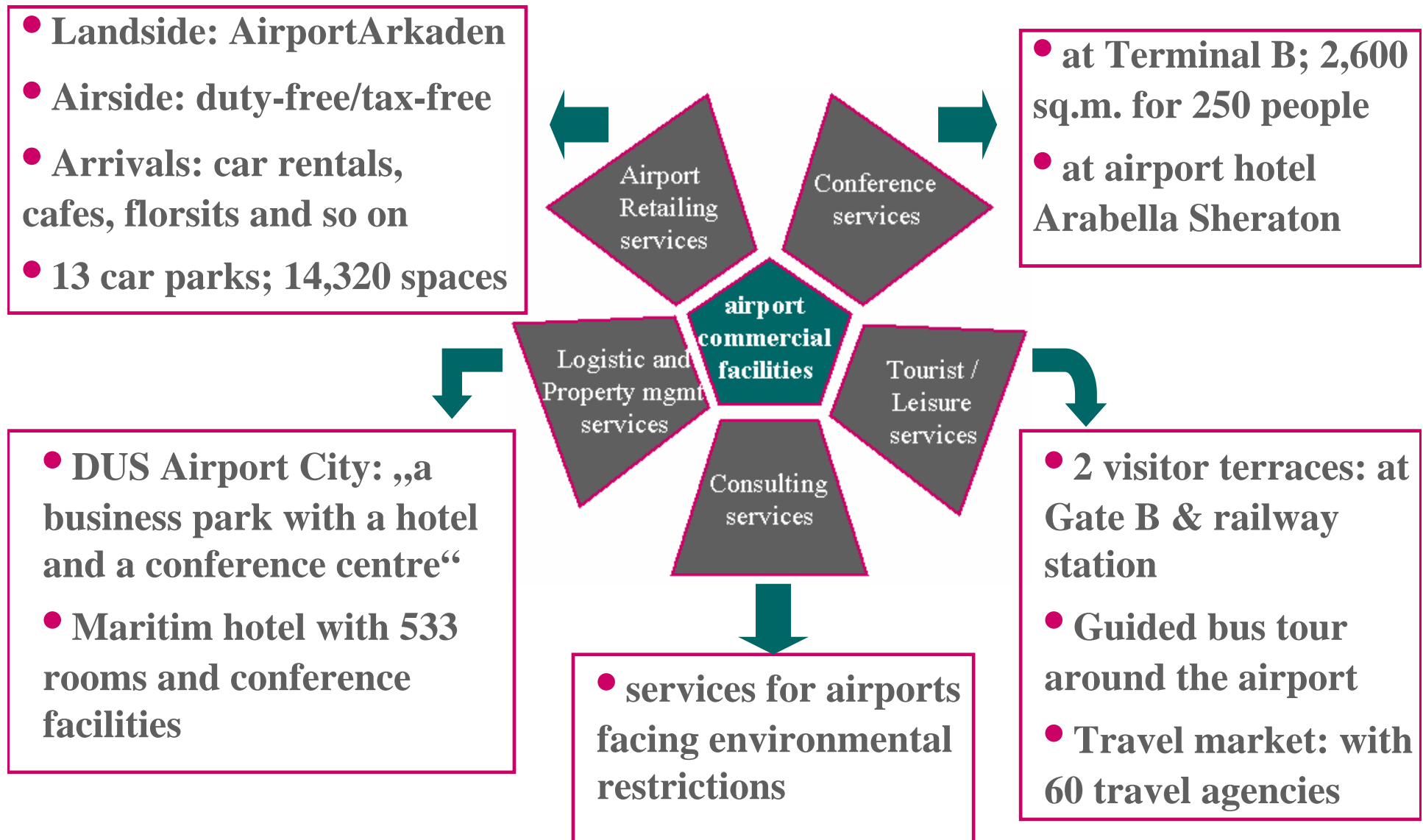
New	Developing by stretching the current value proposition (upgrade of the airport retailing offer)	Creative diversification (entertainment, logistic, conference businesses)
Value Offer	Better penetration of served market (by improving satisfaction on KPIs)	New market development (by attracting new carrier)
Current	Current	New
		Market

Source: Jarach (2005, p. 102)



The capacity restrictions at DUS presents non-aeronautical services as a viable option

DUS offers a wide range of commercial facilities at its premises



Customer Profile of DUS Airport's Non-Aeronautical Services



- **Passengers: Business: 40%. Leisure: 60%**
(Euro: 66%, Intra-German: 23%
International: 11%)

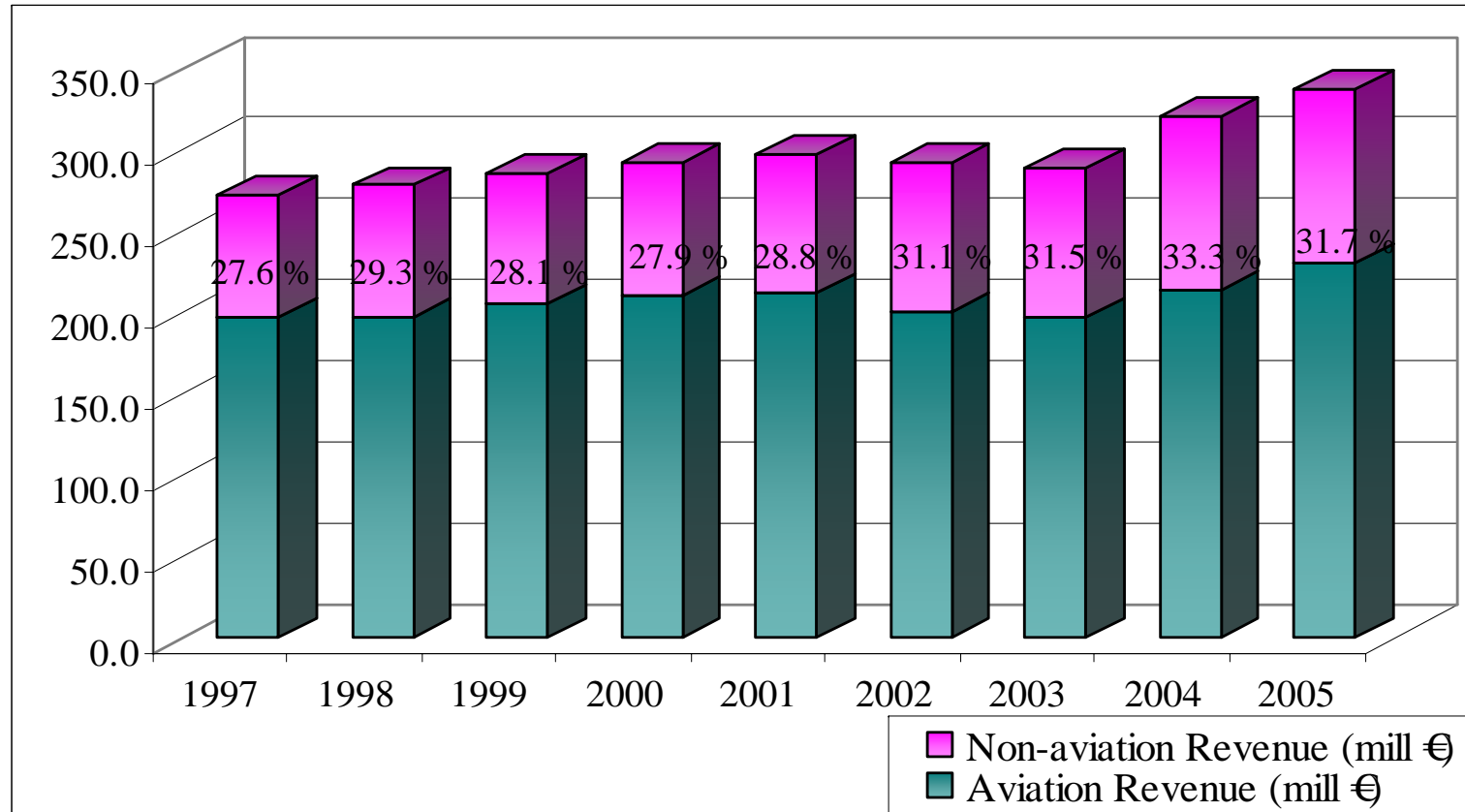
- **Airport employees: 15,900 (approx) at the airport**

- **Airport visitors: 60,000 at the malls daily**

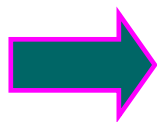
- **Airlines: 78 airlines**
(major ones: LH, LTU, AB, dba, HF)

- **Businesses: around 230 companies stationed at the airport**

Development of Non-Aeronautical Revenues at DUS Airport over the Years

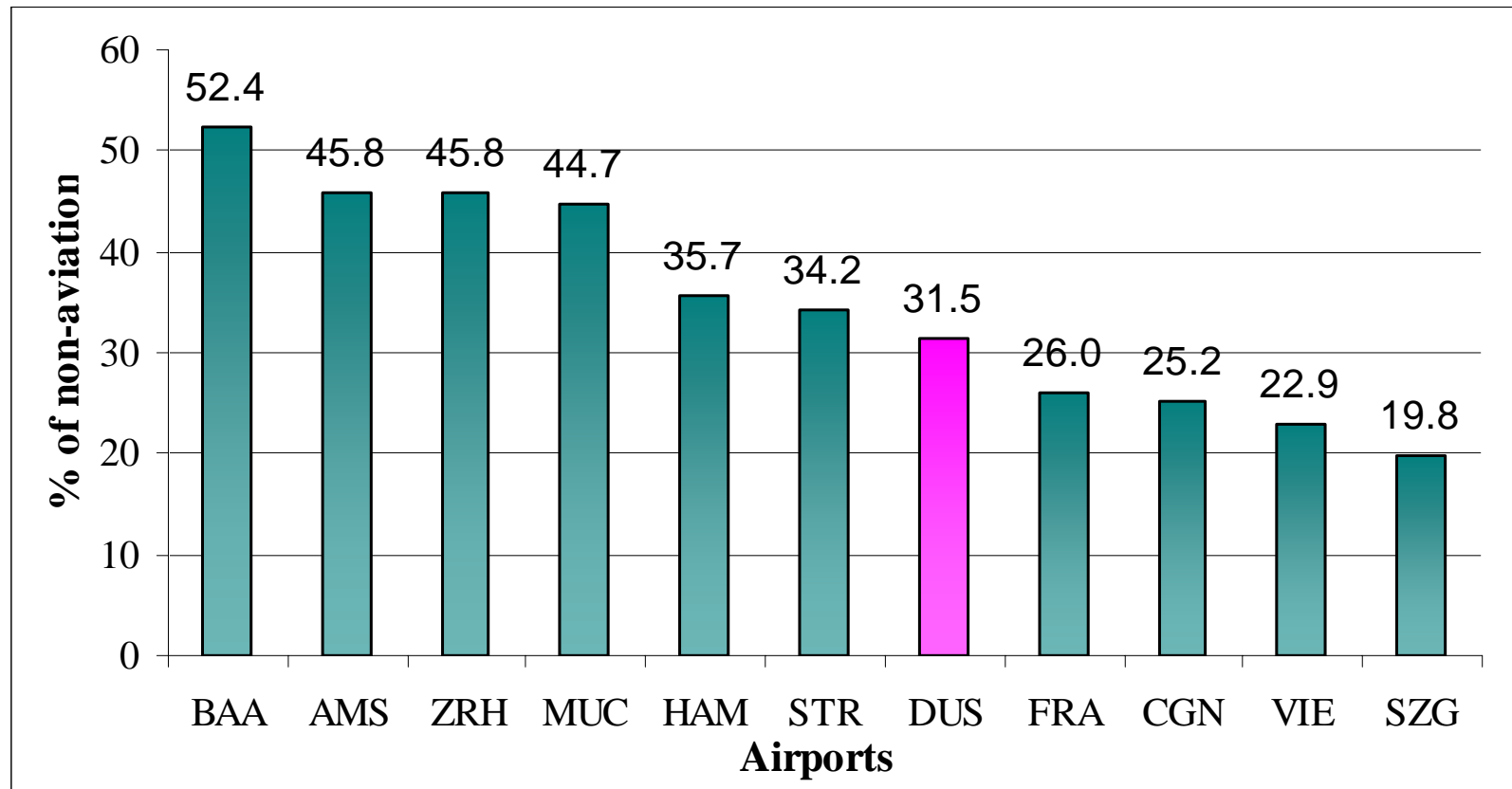


Source: Oechsle (2005, p. 209)

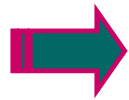


On an average, non-aeronautical revenues account for 30% of the airport's revenues.

Non-Aeronautical Revenue as a Percent of Total Revenue for Major European Airports, 2003

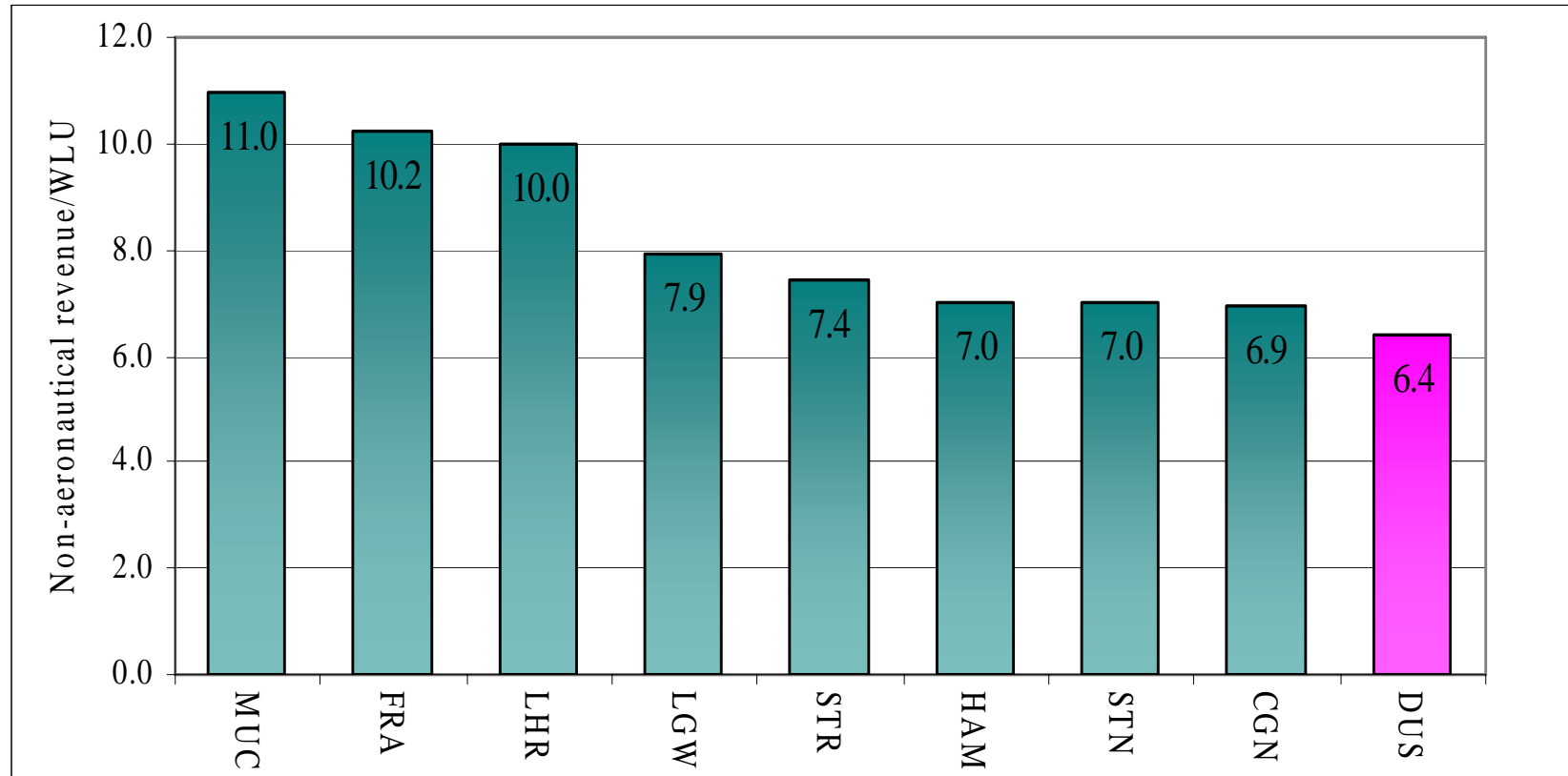


Source: Oechsle (2005, p. 198, 194, 189, 175, 212, 218, 209, 178, 215, 206, 220)

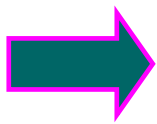


The present scenario of non-aeronautical services at DUS airport signals scope for improvement.

Non-Aeronautical Revenue per WLU for selected German and BAA Airports, 2003



Source: Oechsle (2005, p. 175, 178, 198, 209, 212, 215, 218)



Efforts made to change the perception of the population about airport retailing would improve results.

Reasons for the present scenario of commercial services at DUS airport

- **Privatisation**:-Privatisation opens the door for profit maximisation and airport commercialisation.
- **Employee productivity**:- Privately managed companies show better employee performance and greater profitability
- **Higher prices**:- Higher prices lead to lower demand for the airport's retail products.

- **Competition**:- Competition from other service providers leads to substantial revenue loss.
- **Volume of traffic**:- Smaller airports have less chance of generating non-aeronautical revenues
- **Other external factors**:- tax environment, propensity to buy, lifestyle etc

Both internal and external factors account for present state of the airport.

Suggestions for Improvements at DUS Airport

- **Brands versus local products**:- More shops of budget category helps boost revenue from low-yield segment.
- **Landside versus airside**:- Adding more shops in the airside assures steady flow of revenue in future.
- **Pricing strategy**:- Prices at the airport should be comparable to that of city centres, ensuring good value for the products sold.
- **Promotional strategy**:- through a mix of various tools (catalogues, internet, billboards, local media, inflight magazines, indirect promotion) and ALPs, the airport may market its products to its actual and potential customers.

Since the service portfolio of the airport is complex and revenues obtained in millions, it calls for prudent management of resources.

Thank You for your kind attention!

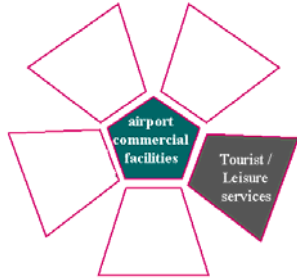


Commercial facilities comprise all the products/services of airport retailers

- **Airport Arkaden**:- a landside shopping arena offering around 40 shops and a
 - multi-faceted Gastronomy.
 - covers an area of 2,200 sq.m, open 365 days a year
 - visited by about 60,000 people daily

- Tax free/duty free shops located airside
- Arrivals section facilitated with car rentals, banks, cafes, florists and so on

- **Carparks**:- operated by tenant Apcoa Group
 - operates around 13 short duration and long duration parks, amounting to 14,320 park spaces
 - high potential due to 60% of passengers access the airport on private vehicles



Leisure services renders the airport the popular appeal of a tourist destination

- **Erlebniswelt Flughafen:-** packages the two visitor terraces, the travel market and shops and restaurants
- **Visitor terraces:-** provide a good view on ramp traffic and ground handling
 - one at the roof of Gate B of the Terminal, other at the railway station
 - “weekend destination“; 20 –30% more revenue on weekends
- **Airport tour:-** a guided tour presenting the behind-the-scenes happenings on the apron, free entry into the visitor terraces and a ride on the sky train
- **Travel market:-** houses more than 60 travel agencies
 - liberal working hours; summers from 10:00 to 20:00 and winters from 10:00 to 19:00



Conference services are a potential source of revenues for airports located within sprawling business centers

- Great potential in the conference market:- strategic location in the Rhine-Ruhr region
 - 40% of passengers being business people (i.e. 18,180 out of 45,451 daily passengers)
- Conference facilities at the airport:- in Terminal B; 2,600 sq. m. equipped with modern technologies with capacity for 250
 - airport hotel, Arabella Sheraton
- Advantages for passengers:- reducing travel time to reach the centre
 - possibility of overnight stay at the airport hotels