

Airports Flying High on Non-Aeronautical Passenger Revenue



2013 ACI-NA Concessions Benchmarking Survey Results for CY2012

November 2013

Where Passengers Spend The Money...

Median* Amount per Enplanement Spent at Airports in 2012

Food & Beverage

\$5.15

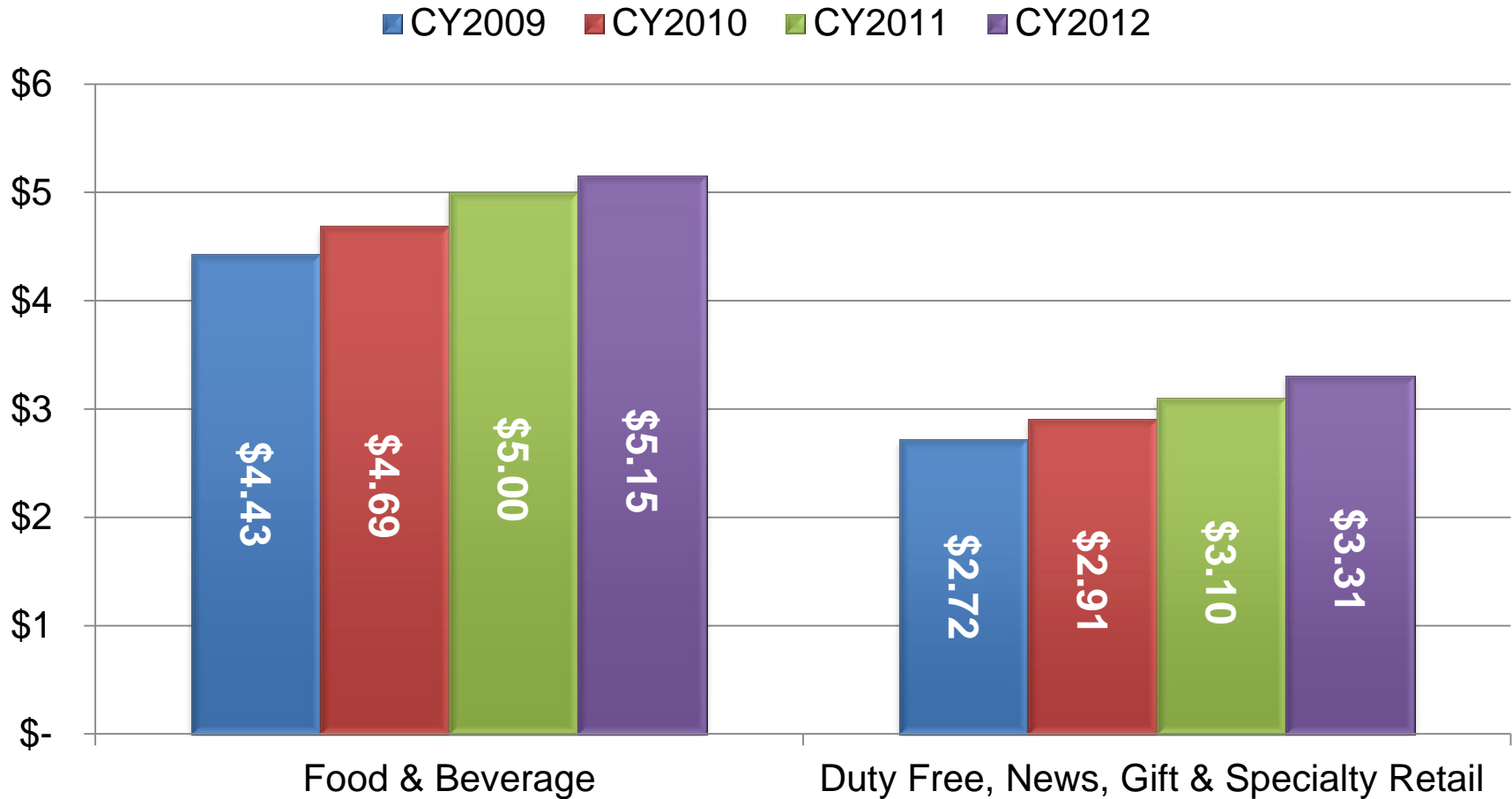
**Duty Free, News,
Gift and Specialty
Retail**

\$3.31

* Median is determined by ranking the data from largest to smallest, and then identifying the middle value so that there are an equal number of data values larger and smaller than the number.

Passengers Spending More at Airports

Median Gross Sales - Per Enplanement



Transforming The Passenger Experience

Airports have taken the approach that “the customer is king” - providing a high level of customer service is essential. Below are a few winners of the 2013 ACI-NA Airport Concessions Awards focusing on the passenger experience:

- ➔ Airport Butler Meet and Greet at Vancouver International Airport
- ➔ OTG Restaurant Program (iPads) at Toronto Pearson International Airport
- ➔ Aquafina Junior Flyers Club at Dallas/Fort-Worth International Airport



Maximizing Non-Aeronautical Revenue in Small Spaces

Percent of Airports With Carts & Kiosks Programs



Airports' carts and kiosks programs provide small businesses the opportunity to have an increasing presence in concession programs as well as enable airports to cater to ever-evolving market trends and demands.

Growing Trends in Automated Retail at Airports

Percent of Airports with Automated Retail Units

50%



Average Annual
Gross Sales per Unit = **\$101,770**

Automated Retail Units are increasingly visible at airports that provide immediate access to essential items any time of day. They help airports generate revenue from spaces that otherwise are too small to accommodate traditional retail outlets.

Making Shopping Fun at Airport Duty Free

Responding Airports Have Duty Free Stores

46%

Offer Duty Paid Stores to Domestic Passengers

64%

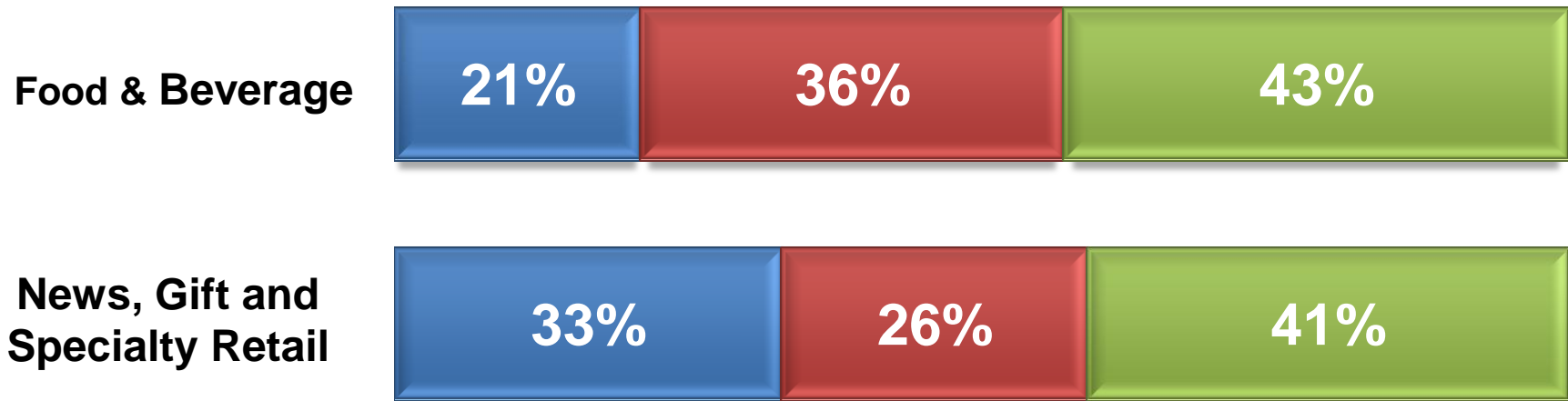
Duty Paid Stores are for all passengers:

- International passengers can purchase all goods exempt from sales taxes.
- Domestic passengers can purchase anything except liquor and tobacco. Domestic passengers are not exempt from sales taxes.



Showcasing Local Culture in Airports

■ Airport Brands/ Non Brands
 ■ Local/Regional Brands
 ■ National/International Brands



- ➔ Airport Brand/Non Brand - A generic brand relatively unique to that airport.
- ➔ Local/Regional Brand - A brand that is developed, distributed and promoted within a defined geographical area.
- ➔ National/International Brand - A brand that is marketed and distributed nationally/internationally.

Caring for the Community

40%

Airports have their own recycling program

60%

Airports & Tenants have a joint recycling program



Going Beyond Recycling

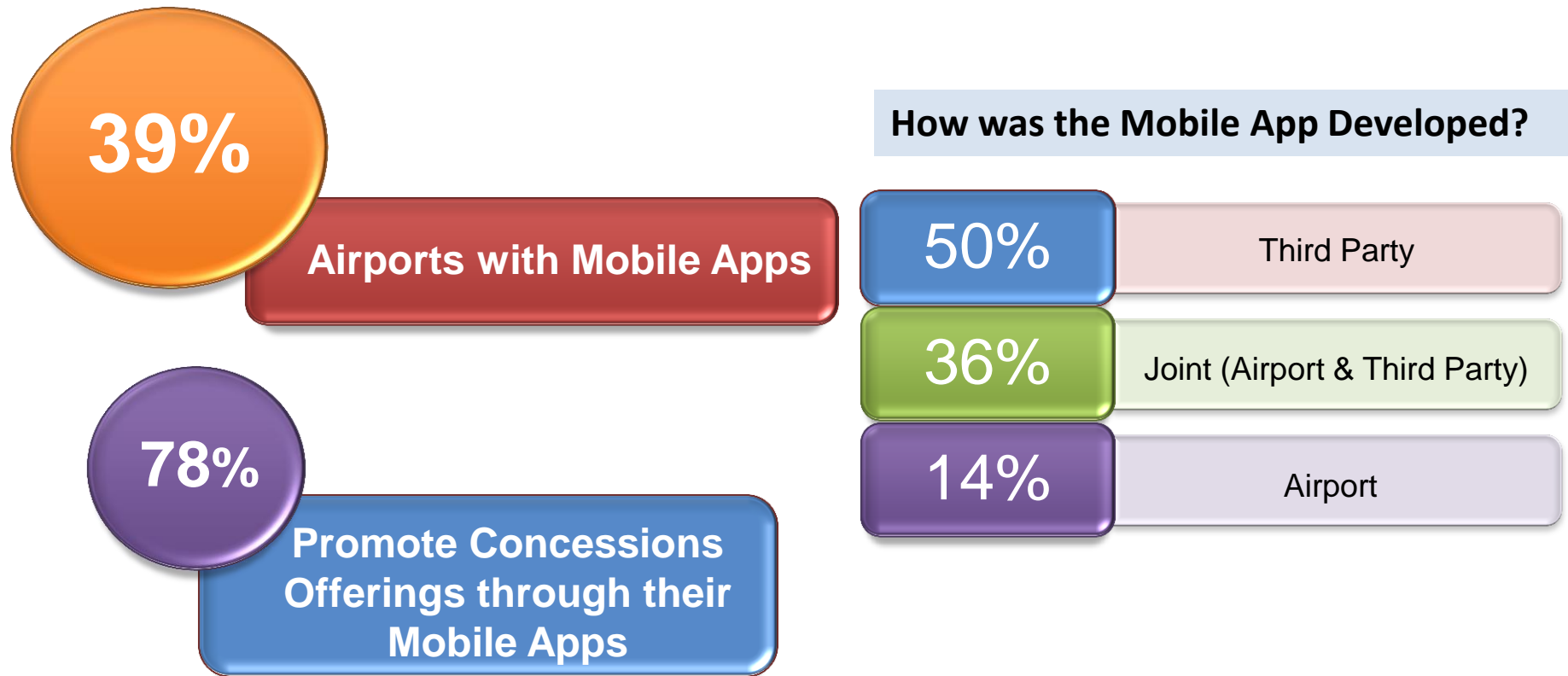


Examples include:

- ❖ Food Donation Program at Portland International Airport
 - ❖ Donated almost 13,000 pounds of food in its first six months, which is equivalent to just over 8,600 meals.
- ❖ HMSHost Food Donation Program Nationwide
 - ❖ In 2012, 1.4 million pounds of food were donated to food banks.

Going Mobile

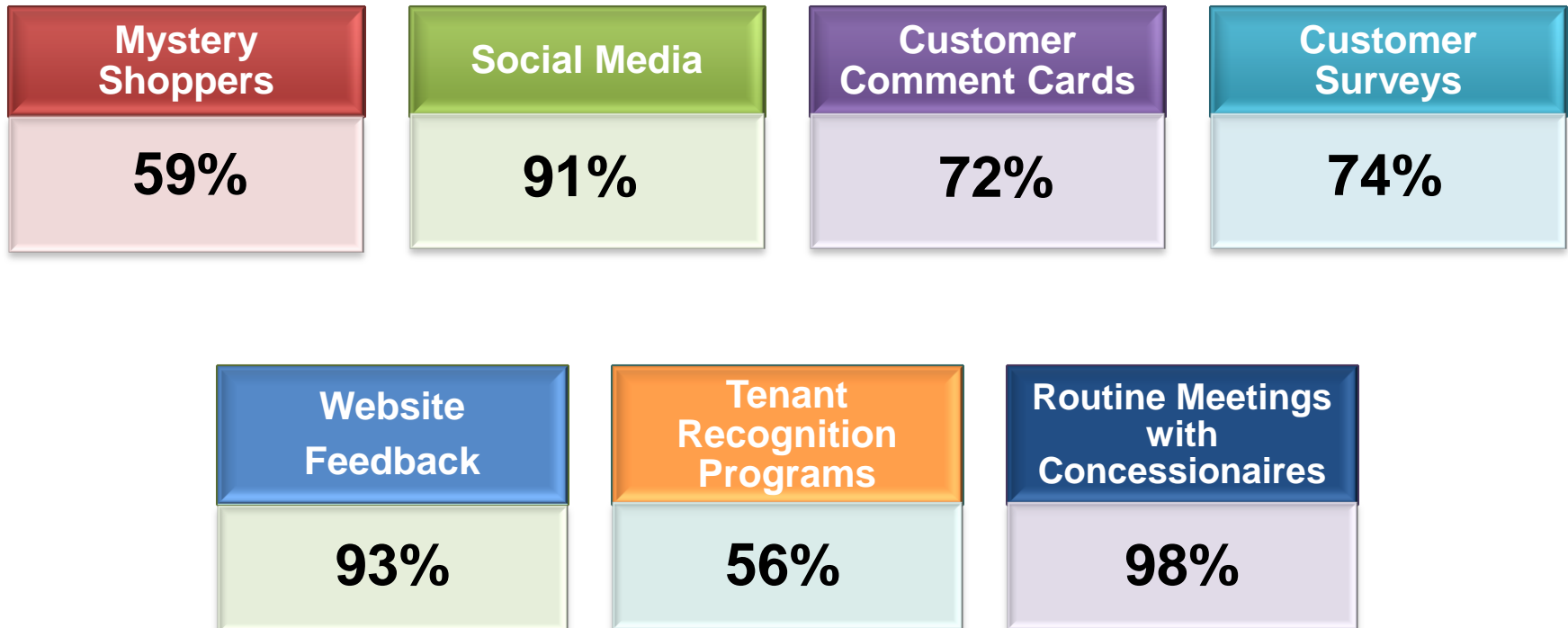
Mobile Apps better meet the needs and expectations of air travellers



Like any other industry, airports are seeing mobile devices becoming the most important digital gateway. Passengers can now navigate through airports and order food on the go, to make those tight connections.

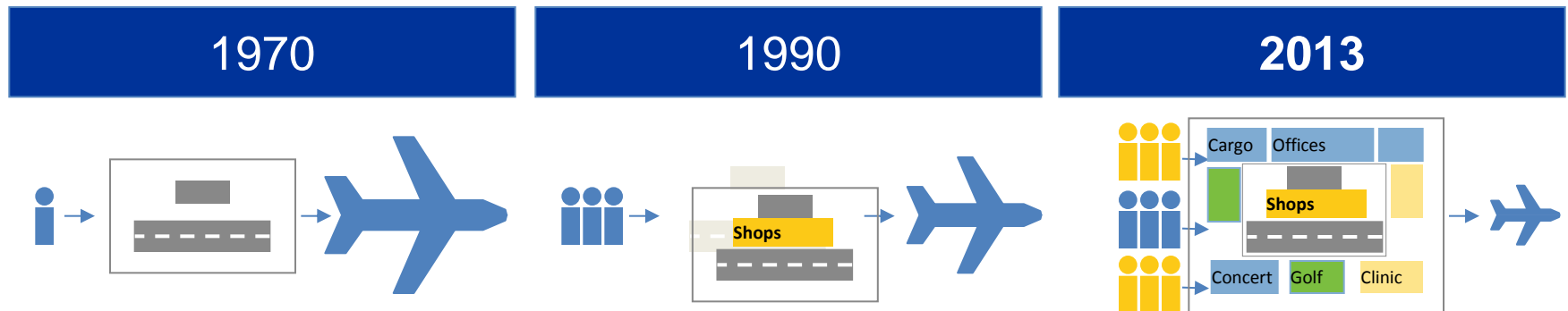
Monitoring Customer Satisfaction

Airports use a range of customer satisfaction/monitoring programs for concessionaires



Business Growing at the Airport

Many airports are focusing on being more creative with non-aeronautical revenue



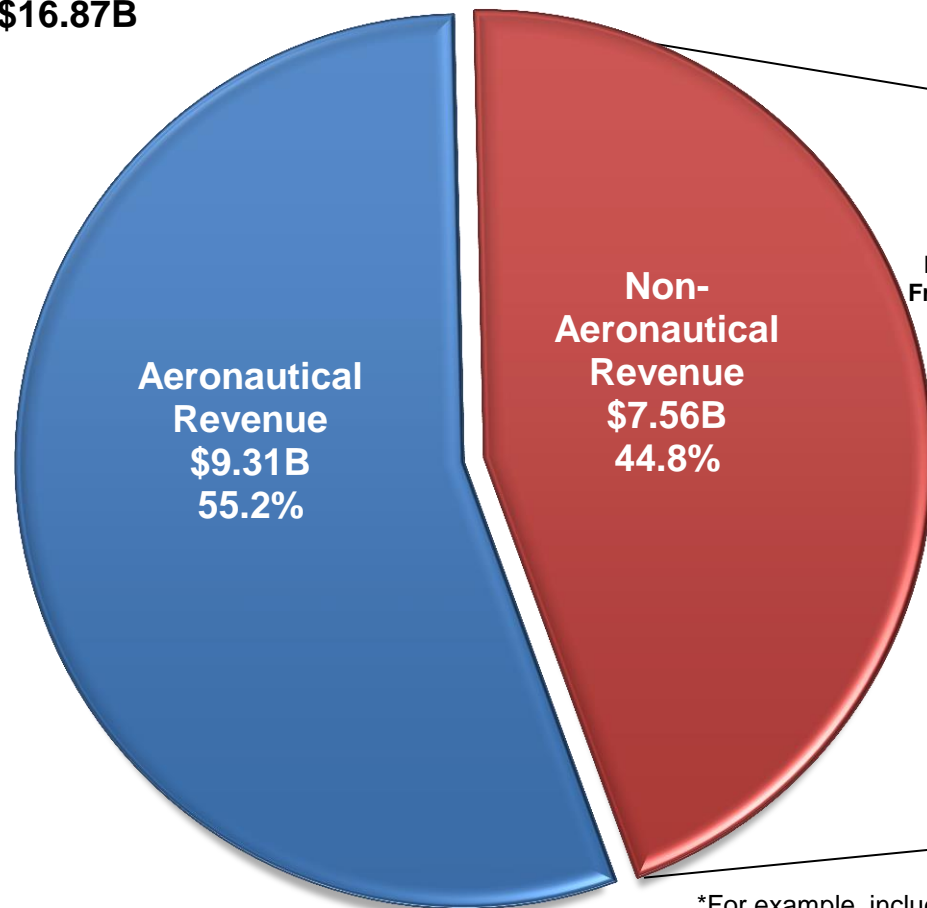
Goal	<ul style="list-style-type: none"> Handle aircraft and passengers 	<ul style="list-style-type: none"> Increase revenue and profitability 	<ul style="list-style-type: none"> Reduce dependency from aviation business cycles
Target customer	<ul style="list-style-type: none"> Passengers 	<ul style="list-style-type: none"> Passengers 	<ul style="list-style-type: none"> Beyond passengers
Relevance Non-Aviation	<ul style="list-style-type: none"> <5 % 	<ul style="list-style-type: none"> >30 % 	<ul style="list-style-type: none"> >70 %
Conclusion	<ul style="list-style-type: none"> Slow growth and reduced margins from cost pressure 	<ul style="list-style-type: none"> Higher margins but still high dependency from aviation business cycles 	<ul style="list-style-type: none"> Broad, risk-reduced portfolio of diverse income streams

Big Picture of U.S. Airports

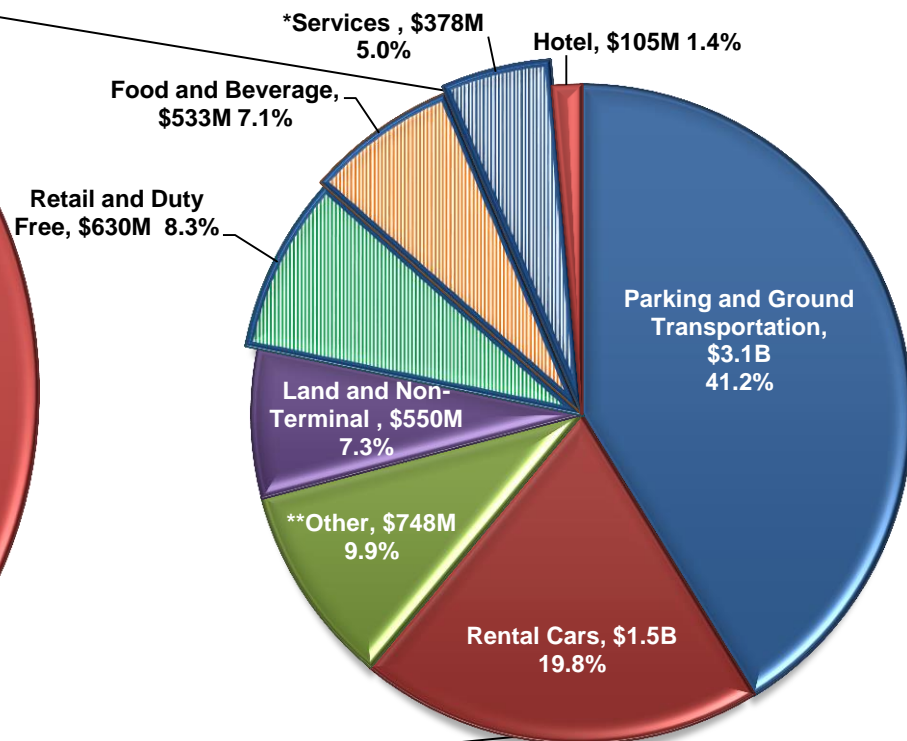
Aeronautical vs. Non-Aeronautical Revenue

FAA 2012 Summary – Revenue to U.S. Airports

Total Operating Revenues
\$16.87B



Total Non-Aeronautical Revenues
\$7.56B



*For example, includes revenues for services such as telecommunications, internet access, advertising, barbershops, shoeshine stands, spas.

**All other non-aeronautical operating revenues earned from the non-aeronautical use of the airport

Definitions

Automated retail - (e.g. ZoomSystems) means a vending solution that dispenses goods that would generally be sold in specialty retail shops; may be included under the Specialty Retail category; may be individual locations or small "stores-within-a-store" that are accounted for separately from the larger location.

Carts/Kiosks - Any non in-line unit, including mobile and non-mobile facilities, stand-alone "grab 'n go" units, etc.

Duty Free shops - Retail shops that mainly sell high-end luxury goods such as designer fragrances, cosmetics, jewelry, watches, chocolates, cigarettes, liquor and, with some exceptions, sell merchandise that is free of import duties, excise taxes, and local and state sales taxes. Sales are, by law, limited to departing international passengers.

Fast Food/Quick Service - Food is served at counters or is pre-prepared for "grab and go." Food may be quickly prepared to order, and may be branded or non-branded.

National/International Brand - A brand that is marketed and distributed nationally/internationally.

News/Gift - (also referred to as Convenience Retail, Newsstand or Sundries Retail) - A type of Concessions Operation that specializes in the sale of magazines, newspapers and other periodicals, candy, gum, snacks, sundries, magazines, paperback books and souvenirs. Some news/gift stores may sell hardcover books as part of its product mix, but such books are not the primary item offered. Single-serve canned or bottled drinks may also be sold at such locations.

Sit Down/Casual/Bar - Typified by table service, although there may be carry-away or "grab and go" components. Food is prepared to order and restaurants of this type often include a bar. Examples include TGIFridays, Carabbas, Outback, Max & Ermas, Chili's, etc.

Specialty Coffee - These venues focus on coffee & may offer other beverages as well along with pastries, bakery items or other light food. The venue may have take away items such as sandwiches & bottled beverages. Includes Starbucks, Seattle's Best, Peet's Coffee or a local specialty coffee concept.

Specialty Retail - A type of Concessions Operations that specializes in the sale of a particular category of consumer products such as clothing, sporting goods, electronics, travel accessories, books, leather goods and luggage, souvenirs, lotions and personal care items, and home accessories. Automated retail of good that would generally be sold in specialty retail shops may also be included in this category; may be individual locations or small "stores-within-a-store" that are accounted for separately from the larger location. Stand-alone bookstores should be included as specialty retail.

ACI-NA Concessions Benchmarking Survey

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