Planes, Trains, and Automobiles: Common Challenges and Opportunities in Surface and Air Transportation Revenue and Finance

Airport Concession Revenues and Options

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Airport Overview of Non-Aeronautical Revenue

- Revenue Tools
- Non-Aeronautical Revenue
- Emerging Technologies
- Car Parking
- Partnerships
- Summary – Future of Airports

“Publicly owned airports do not seek to maximize profits because they do not have the same economic incentives as private investors.”

– US DOT
Revenue Tools

- Branding
- Technology
- Marketing
- Customer Service

Revenue Enhancement
Big Picture of U.S. Airports
Aeronautical vs. Non-Aeronautical Revenue

2012 (In Millions of U.S. Dollars)

Total Operating Revenues
$16,869 Million

Aeronautical
Revenue $9,312
55.2%

Non-Aeronautical
Revenue $7,556
44.8%

Total Non-Aeronautical Revenues
$7,556 Million

Parking and Ground Transportation,
$3,114 41.2%

Rental Cars, $1,498 19.8%

Retail and Duty Free, $630 8.3%

Food and Beverage, $533 7.1%

Other, $748 9.9%

Land and Non-Terminal, $550 7.3%

Hotel, $105 1.4%

*Services, $378 5.0%

*Includes revenues for services such as telecommunications, internet access, advertising, barbershops, shoeshine stands, spas, and revenues from other non-aeronautical terminal uses not otherwise listed.

Source: FAA, ASS-400: CATS: Report 127
Growth of the Airport Business

Many airports today are developing their non-aeronautical revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Goal</th>
<th>Target Customer</th>
<th>Relevance Non-Aviation</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>Handle aircraft and passengers</td>
<td>Passengers</td>
<td>&lt;5%</td>
<td>Slow growth and reduced margins from cost pressure</td>
</tr>
<tr>
<td>1990</td>
<td>Increase revenue and profitability</td>
<td>Passengers</td>
<td>&gt;30%</td>
<td>Higher margins but still high dependency from aviation business cycles</td>
</tr>
<tr>
<td>2013</td>
<td>Reduce dependency from aviation business cycles</td>
<td>Beyond passengers</td>
<td>&gt;70%</td>
<td>Broad, risk-reduced portfolio of diverse income streams</td>
</tr>
</tbody>
</table>

Source: Oliver Wyman
Business & Leisure Customers
Retail Mindsets

What do we know about our best customers, and their spending profiles?

‘License to Spend’

‘Means to an End’ or ‘Time to Relax’

‘Default Spender’

‘Hassled and Harried’

Source: Manchester Airports Group plc
Innovative Approach
Imagine walking into a terminal or retail area in a terminal and seeing a sign that says:

**Turn on your Bluetooth or Wi-Fi and select Airport Mobile Rewards to receive specials offers on your phone.**

Immediately after turning on your Bluetooth or browsing the Wi-Fi landing page, you receive the following on-screen coupon:

**HMSHost News Rewards:** Spend $10 and get $2 off of your purchase. Code HMS716. Valid until 7/24/13

*You show your phone with the coupon to the cashier and she enters the code and you receive $2 off of your purchase.*
Car Parking Products & Services

- Complementary Customer Services
- Cashierless Transactions
- Parking Space Availability and Guidance Systems
- Revenue Enhancement Strategies
Improve Existing Car Parking Products

- Facilities Focus
- Pricing Focus
- Yield Management
- Capacity Management
- Reach and Awareness Focus
- Loyalty Programs
- Operating Structure Focus

Median gross revenue:
- Large Hubs: $55.1 million
- Medium Hubs: $21.8 million
- Small Hubs: $6.1 million
Cashing in on Passengers’ Eyeballs

Boston Logan International Airport Examples

- Naming Rights
  - Right to rename the Logan Garage Structures
  - Million Dollar Naming Rights Package
- Sponsorships - Long Term Partnerships
  - Long Term Advertising Partnership with Dunkin Donuts
    - Initially – 1 Year Agreement
    - 7 Years – $1.7 Million
- Digital Signage
- Wi-Fi
  - Fee or Free???
Summary

- Understand and know your passengers
- Understand your own facilities
- Enhancing the customer experience
- Provide passenger friendly facilities & services
- Maximizing vacate airport space
- Embrace a commercial mindset
- Think like an entrepreneur
- Every airport is unique
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