How do Airport Commercial Offerings Maintain Competitiveness in the Era of E-Commerce

Tasneem   Ejaz

CHAPTER - 1

INTRODUCTION

The competition in the aviation sector is gathering pace throughout the world. With the liberalisation of business in a global market, the consumer preference while choosing a product has become not only price sensitive but also service sensitive. Airports around the world are going through a mass transformation in terms of how they generate revenue.the practice of e-commerce is gaining notoriety in the globalized world market. Some reasons for the success of this new model are a wide variety of products offered; reaching new markets and niche markets, and the concept of "endless supply" that guarantees an edge in cost competitiveness. Traditionally, airports focused only upon aeronautical revenue for its survival but lately they are thriving upon improving non-aeronautical revenue. World scenario says that an average of **60** percent revenue for airport is generated from non-aeronautical sources.

For all major international airport operators, utilizing available opportunities in e-commerce offerings is much unexplored area. An airport serves substantial number customer, both directly and indirectly. Broadly, commercial offerings by an airport can be segregated in B2C (Business to Customer) and B2B (Business to Business) segments. The two categories might appear to be independent, but, they are tightly bound from within. This abstract explores, how can an airport leverage e-commerce in both aero and non-aero commercial sector, and, at the same time use cross selling opportunities.

Commercial Offering into two Segments;
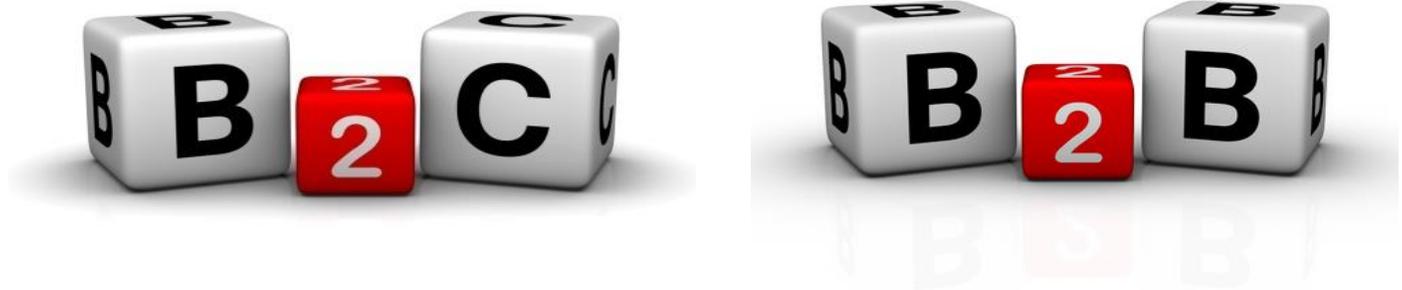
Fig. 1: (a) Business to Customer (b) Business to Customer

Brief Background:

The main asset of any airport is its real-estate (building, land etc.). These are also tangible assets. Apart from that, an airport also has its customers (passengers).Passenger goodwill is an intangible asset. In services sector, customer goodwill is considered to be of prime importance. The whole gamut of offerings from an airport perspective revolves around its assets (real-estate and passenger) irrespective of the fact that the offering is in B2CorB2B.or still, e-commerce or otherwise.

Challenges and Opportunity:

An increasingly dynamic environment provides new challenges for airport shopping and in the era of e-commerce people have more option to choose their product online. Branded shop at airport promote their individual online shops, special restriction at airport is also one of the challenge in dynamic environment, airlines are more focussing to expand their retail activities, international top airport retail location enter the online retail business, omnipresence of domestic and international e-commerce players like Amazon, Ali express and flip kart etc.

The Digital transformation and an increasingly dynamic environment simultaneously create attractive opportunity.
Change of customer behaviour and demand, digital devices creates new transaction and communication channel, digitalization of travel journey creates new touch points, participation in the international e-commerce growth, and passenger movement at airport increasing every day and customer excellence by providing attractive digital offers and service form a unique customer experience.

The research objective is to describe airport commercial strategy in terms of offering and optimal revenue methods which requires defining target customer group with extensive research, customer relationship management and technology-based outreach programs (e.g. social media),understanding the role of innovation, competitiveness, and new outreach technologies in developing commercial marketing strategies that effectively influence the airport's strategic business plan, Improve resource allocation – re-focus team from data collection to analysis, monitor budgets real-time, Improve negotiations with airlines and concessions, improve flexibility

of commercial contracts, automate airport billing to concessionaires, assess impact of promotions and digital advertising within the airport and finally more focus on digital transformation of airport.

In the research paper, first we will provide the various scenarios and their potential result along with various relevant case studies then we will focus on marketing strategies to identify target customer group with passenger profiling and digital transformation of airport.

CHAPTER - 2
SCENARIOS AND POTENTIAL RESULTS

Scenario 1: Car parking slots (Commercial Non- Aero)

Car parking slots are often sub-leased to third party vendors for operations against a fixed monthly revenue model (rent, rent + profit % etc.). Passengers often coming to airport do not have information of the available parking slots at the airport. This information can be made available to them by the help of a mobile application. Passengers can book the available parking slots directly via a mobile device and make payment on the go (B2C). Some of the possible advantages of this approach are:

- This will help gauge available opportunities of parking lot expansion in near future.
- Understand customer behaviour and preferences (With data points).
- Based on better understanding of consumer, outlet expansion opportunities near and around the airport can be decided (B2B).

The decision of whether to start this service or not can be determined by a customer survey and applying statistical techniques to understand its viability.

Scenario 2: Airport internal navigation System (Commercial Non- Aero)

Navigation inside the airport often becomes difficult especially for its new passengers. An internal navigation system can help passengers traverse quickly and easily to their desired gate or shop inside the airport. This internal navigation system can:

- Increase passenger convenience.
- Help locate outlets which may not be directly visible to the customers. Hence, increasing customer reach of the shops which do not fall on the direct route of passengers.
- Placing shop outlet information on the navigation app can help earn extra revenue of airport operators.
- The app can also be enabled with an airport e-wallet feature, which can be used by customers to pay at any outlet.

- This e-wallet usage can also be used to capture customer buying behaviour which can be shared with external brands for marketing purpose (B2B).

Scenario 3: Digital Transformation of the Airport (Multichannel concept)

Digitalization in shopping through digital marketing campaign as per flight schedule can encourage passenger to buy or shop from airport as these customers are accurately known, identifiable and locatable through flight data, this can be done through collaboration with airline/stake holder and through integration of airport system with stakeholder system, some of the possible digitalization ideas are ;

- Digital price tags. (Display of price in multiple currencies as per flight schedules)
- Digital Marketing Campaign as per Flight schedule.
- Display of airport product or services through in-flight entertainment system.
- Cloud Based billing.
- Digital Inventory control of a particular brand.
- Multichannel strategy at airport.

Fig. 2: Digitalization As an Enabler of Attractive Potentials in All Areas of Tosday's and Future airport Environment

Digital price tags:

Display of price tag in multiple currencies as per flight schedule, the need for this idea is to save passenger time for calculation of product price in their local currency. It will reduce the manual calculation of bill or reduce error in case of system breakdown.

Digital Marketing Campaign:

Digital display of product or services in various regional languages as per flight schedule will encourage the customer to buy from the airport because local or regional language connect will always be different if you are travelling abroad; similarly to complement above, manual announcement can be made in regional language as per flight schedule to give emotional touch to the passenger travelling. For e.g. if there are flights arriving/departing from china or middle east then announcement can be done in Chinese and Arabic language and vice versa.

Display of airport product or services through in-flight entertainment system:

Offline information about the airport product and services can be made available through in-flight entertainment system of airline. This will encourage the passenger to plan or choose their shopping items on board before arrival. An integration of airport and airline system is required to achieve this concept.

Cloud Based billing Concept:

Organizations are increasingly shifting to the cloud for a billing platform to monetize and manage their subscription-based products and services.

Each cloud provider has similar, but slightly different, ways of billing. Utility billing is a universal concept that all cloud providers are using. Amazon has been the leader and trend setter.
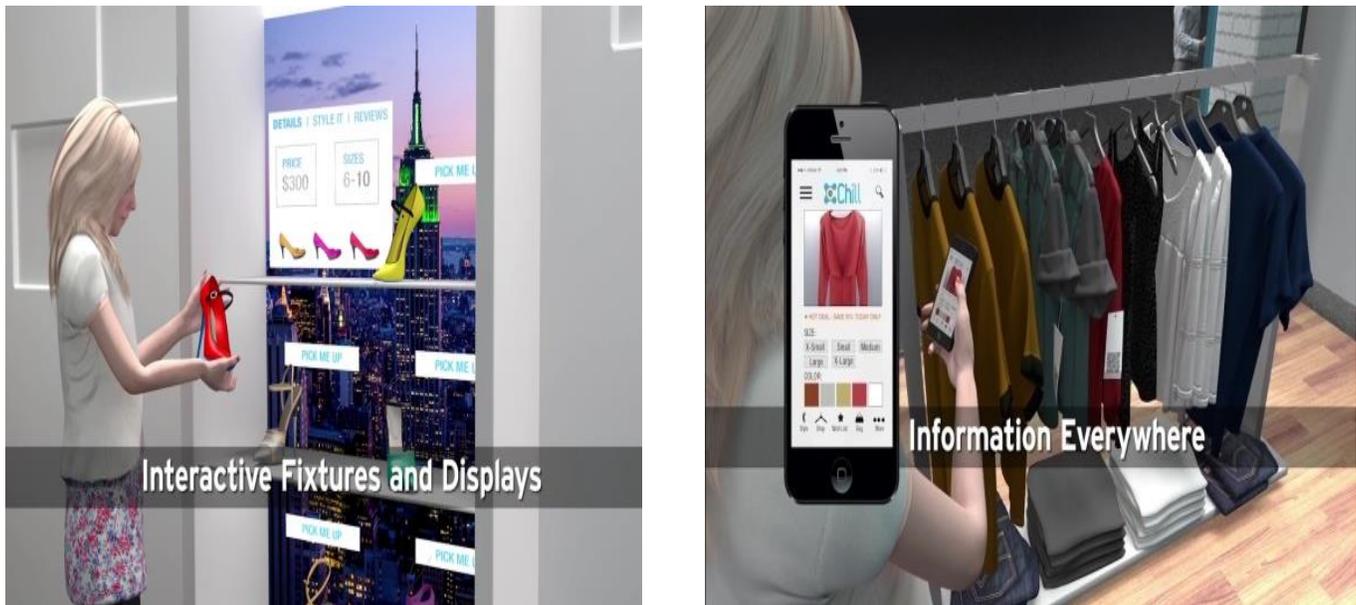
Fig. 3: (a) Interactive Fixtures and Displays (b) Information Everywhere

Digital Inventory Control of a Particular Brand:

It is a virtual representation of the physical inventory in the warehouse and/or showrooms (and all the components that make them work – product intake, inventory aging mechanisms, distribution, etc.) When a user logs into view a product, they can see the inventory remaining and gauge how much they need to order and when that user finalizes an order for.

To increase revenue and sales at airport, digital inventory control of a particular brand is the best option to use. through this, you can stock only those brand/colour/sizes etc. at the airport which might not be available in the city where the airport belongs, availability of limited edition product from different brand will motivate the buyer to purchase product from airport.

Multichannel strategy at Airport:

Multichannel marketing refers to the practice by which companies interact with customers via multiple channels, both direct and indirect, in order to sell them goods and services. Multichannel marketing is based on the fact that customers have more choices than ever in terms of getting information on products. The spread of

available channels, including the growth of email, social media and mobile, has caused marketing departments to increase their presence on these channels in order to develop their customer relationship management (CRM) efforts. The old ways of marketing, such as using print sources, telemarketing or broadcasting on radio and TV are no longer the sole focus of marketing departments. These methods are still present, but are part of a bigger strategy that includes new media and evolve along with changing customer tastes and communication preferences.

Companies strive to develop analytics in order to determine which customers get which messages based on their demographic information and other behaviours. Beyond knowing who the customer is and what he/she wants, companies try to understand which channel a particular customer prefers to maximize the visibility of their messages. This enables companies to target the right audience with the right content to facilitate sales.

Multichannel focus on three substantial success levers:

Fig. 4: Multichannel Focus on three Substantial Success Levers

Connection	Integration	Marketing
Shopping & Rewards	Establishment & Integration	Integrated Online and
Personalized	of information and interaction	offline marketing
Communication &	channel along all point of	
Initiatives	contact	

Case Study: Frankfurt Airport: From Airport to global Omni channel Travel – and Shopping Hub

Fig. 5: Airport to Global Omni Channel Travel and Shopping Hub

Frankfurt am Main, 9:30 a.m. Alex smith is travelling from Frankfurt Airport to Heathrow Airport today with Flight LH 906.Before setting out from home, he uses his laptop to log on the Frankfurt Airport Portal, where he purchases a hospitality gift for his business partner.

Upon arrival at the airport, Smith park his car in Park House 2 (as usual), so that his way to the gates is as short as possible.

After check-in, Smith has enough time to pick up his purchases at the store.

He receives the necessary information on his smart phone using the Airport Mobile App.

After stopping by the store for his order, he still has enough time for a cup of coffee-but he has to hurry, for the flight is on-time.

Reference: About Fraport: https://www.aoe.com/en/clients/frankfurt-airport.html

Scenario 4: Gate allocation and parking lot auction (Aero-Commercial):

For all major international airport operators, optimal resource scheduling and capacity utilization is critical factor in being able to serve a larger number of flights and ensuring smooth passenger transit at improved cost of operations. The problem of assigning gates to flights is one of the key activities for an airport operator, which requires the resource planning team to utilize the available gates in an optimal manner to maintain its service-level agreements with airline operators while improving passenger service delivery. Some of the factors that impact the assignment of gates to arriving flights include aircraft size, passenger walking distances, baggage transfer, ramp congestion, aircraft rotation, aircraft service requirements etc.

1. An airline operator also works in an analogous situation and would like to have preferred gates allocated to its aircrafts to its operations as smoothly as possible.
2. To utilize this opportunity. Gates can be auctioned using an e-auction platform, where airline operators can auction the desired gates based on availability in advance. Based on this an operator can allocate preferred gate to the airline by using standard gate allocation methods and models.(Optional)
3. The key advantage of using this method is that, revenue from gate allocation will be demand driven and will help extract any market surplus available and add to revenue maximization for the airport operator.

Scenario 5: One Day Offices premise in and around airport:

In today's dynamic environment where business travelers or frequent flyer has very limited time to catch the flight. These traveler may requires a place or office premises to organize their business meets in case of any exigencies .An airport can offer plug n play office for rent on hourly basis. These offices can be built on city side of the terminal or inside the terminal building near visitor gallery and after security hold area. Currently railways, bus stations and some coffee shops are providing this type of facility. An ideal office space in and around airport must have a Wi-Fi enable room with internet access and sufficient chairs with a meeting table along with Air-conditioning/ fans/ heating that's easily adjustable, Additional stationery if required, e.g. paper, pens, highlighters, Tea/coffee/water facilities available anytime ,Photocopying/printing/ Inclusive data projector, flip-charts (smart-board would be good!) & audio system and Wall mounted clock. Some of the possible advantage are;

1. Attract business traveller and frequent flyer.
2. Generate additional revenue on regular basis due frequent business traveller.

Scenario 6: Lounge Facility via E point on shopping at Airport

Now a days, many financial institutions or banks are encouraging the customer to use their card and in return they provide rewards point to them which can be redeemed at many shopping web portal. An airport can also apply same logic and encourage the passenger to shop at airport by providing e-point to them. An airport lounge are often sub-leased to third party vendors against a fixed monthly revenue model (rent, rent + profit % etc.).Except ceremonial lounge which is being used exclusively for VIP guest. An airport operator can provide a separate lounge facility for the passenger and encourage them to avail this facility with their E-point while purchase at the airport.

Case Study: Ireland West Airport has integrate its parking, lounge, and fast tracking booking system for customers.

Ireland West Airport

The main gateway to the west of Ireland and the island's fourth international airport Ireland West experienced a significant growth in the years following 2005, serving over 700,000 passengers each year as of 2014. An award-winning airport that was named best regional airport two years in a row in 2005 and 2006, by the Ireland Chamber of Commerce, it now offers routes to 20 scheduled and charter destinations in Ireland, the UK, and Europe.

Despite almost a decade of increasing business up until October 2015 Ireland West had no pre-booking facility. When it was realized that a pre-booking service would benefit the airport and its growing passenger numbers Rezcomm was brought on board to integrate its parking, lounge, and fast tracking booking system for its customers. The system had the intended effect and since its installation West Ireland has seen a large increase in sales. With more growth looking likely for the future the system can be adapted and expanded if necessary to evolve with the airport and its changing passenger requirements, setting the foundations for a continually improving customer experience. In addition to this successful targeted campaigns to outline regions have generated a significant increase in revenues. Reference: https://www.rezcomm.com/ireland-west-airport

Scenario 7: Instant Product delivery at Gates

In the era of e-commerce, people prefer to buy online through mobile devices. The main drawback of this concept is product delivery while at airport or traditional buying the product delivery is on the spot. This facility will enable the incoming passenger to pre buy the product from airport website or app and get their product at the entry gate.

To achieve this, airport operator has to integrate with retailer at the airport. If passenger has ordered more than one product from different retail store then the representative of the airport should get email or SMS alert for that transaction and then he has to collect the entire product and prepare a gift wrap for delivery at gates.

Scenario 8: Creative Services Offering

Creative service offering at the airport will encourage passenger to buy product from airport. Digital display of some innovative ideas or quotes as per flight schedule which might change the mood of the passenger. Creating an interesting info graphic that describes the need for your product. Organize the event inside the terminal like gaming, singing and seek participation from passenger by giving some attractive gift on the spot. Apply some innovative ideas for passengers who are looking for something exciting to do at the airport during free time or in case of flight delay like Flight for Fantasy simulator inside the terminal building which allows one to pilot a flight to any of more than 20,000 Airports around the world and many other facilities.
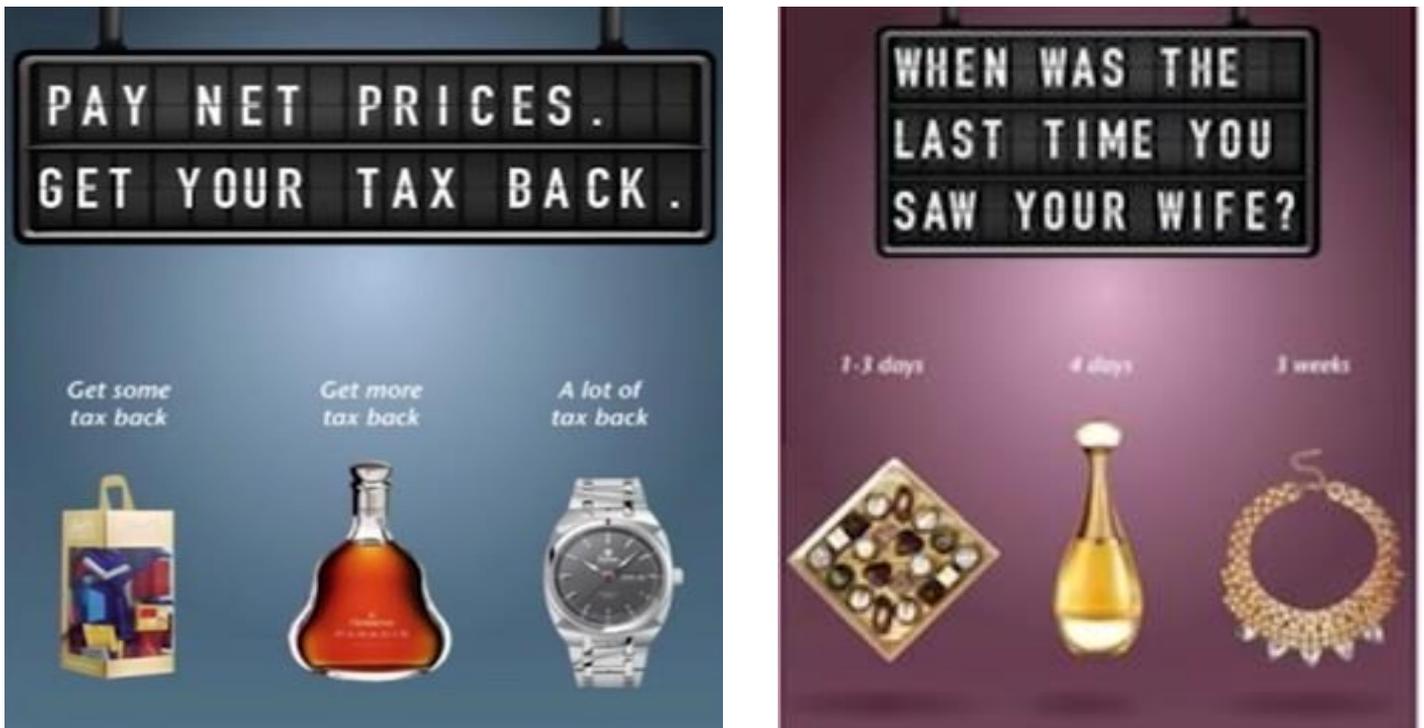
Fig. 6: Creative Services Offering

CHAPTER - 3

MARKETING STRATEGIES

After considering various scenarios and their potential result, the next step is to identify the target customer group, passenger profiling and various marketing strategies to achieve desired result.

Target customer Group Analysis

No one can afford to target everyone, with a clearly defined target audience, it is much easier to determine where and how to market your company. An extensive research and details study is required to defined target customer for airport business. Identify the target customer group as per below mention criteria; Price sensitive shopping lover, Low income promotion swayed, Emotional high spender, Low budget gift shoppers, Bargain seeking self-indulger, Time killing browser, Executive pre planner, Authentic product seeker etc.

Based on target customer and their behaviour, commercial offering strategies can be decided.
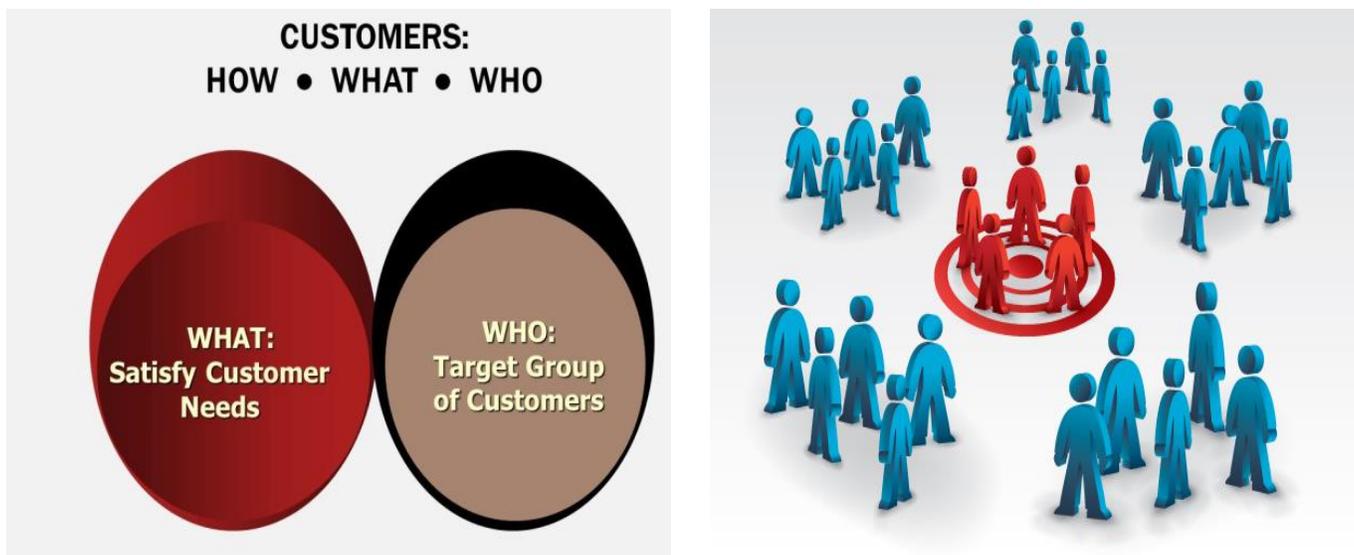

Fig. 7 : Target Customer Analysis

Passenger Profiling

Airport operates in highly dynamic and competitive environment. An airport operator has to focus on passenger profiling to serve them better and utilize current and future business opportunities in the era of e-commerce. Profiling of passenger required extensive data collection from airlines or travel agents and online source etc.

- Who is travelling?
- What is their time availability?
- Origin/Destination?
- What is their demand for facility/services/product/brands?
- What is their feedback on what you have to offer today?
- What facilities do they use elsewhere?
- Reason for using or not using your facilities?

Marketing Plan:

- Golden triangle of positioning:
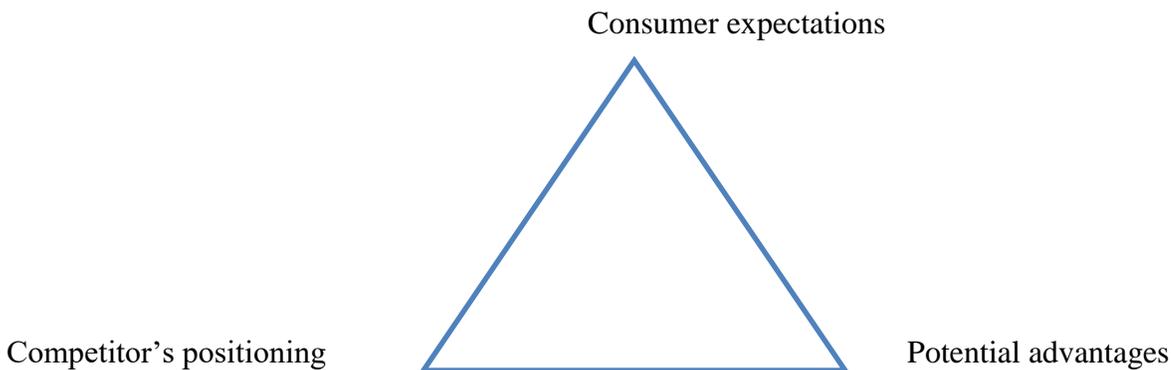
Fig. 8 : Golden Triangle of Positioning

Promotion:

Initially it is important to determine to whom one wants to communicate, since there are two types of targets to communicate one service/product– marketing and communication.

Marketing targets are those who actually will be using or consuming the product/service and communication targets are those that one need to communicate the existence of the product/service and can influence others to buy the product/service.

Then, the targets are divided as follows;
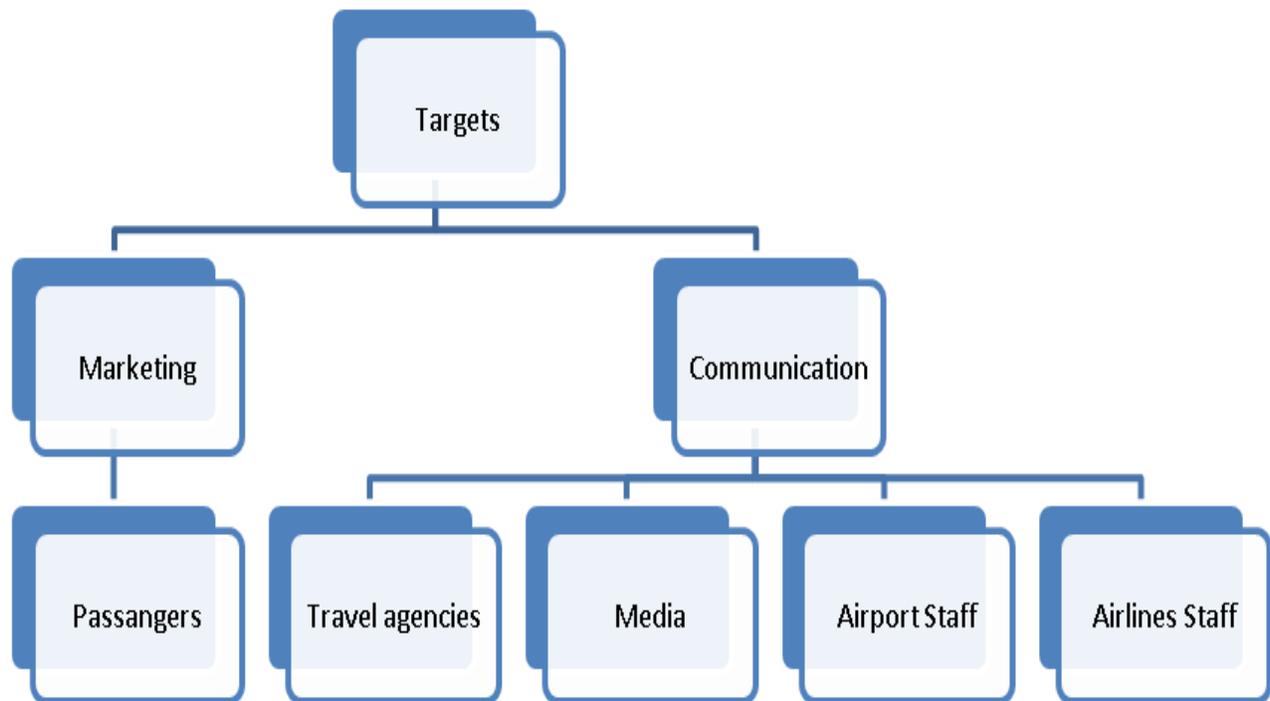
Fig. 9 : Marketing and Communication Targets

Mobile Application Strategy:

For Digital transformation at airport, mobile device plays a vital role in today's dynamic environment. Various facilities provided by the airport can be communicated through social media, mobile app etc.

Mobile marketing unlocks powerful opportunities for marketers on a scale never before seen. Unlike any other engagement and communication channel, mobile allows marketers to reach larger audiences in a way that is real-time and personal. Today's typical consumer owns at least one mobile device. The most interesting fact is that 70% of the population accesses the internet via their mobile device and not their laptop or desktop computers. Mobile marketing is much more than a trend—it is an increasingly important part of the market.

Mobile applications can be useful tools and represent a decisive edge with respect to the competition. Mobile apps have numerous possible applications – both in B2B and B2C.

Airport can reach their target audiences at nearly any time or place through mobile. For global companies and corporations, mobile application is the central elements of their marketing strategy to increase customer loyalty generate revenue as well as optimize and automate business processes.


Fig. 10 : Mobile Application Strategy

CHAPTER - 4

CONCLUSION

An increasingly dynamic environment provides new challenges for airport shopping.

From the inception of e-commerce, the possibilities have become endless for both businesses and consumers and it is also affecting airport commercial business directly or indirectly.

An Airport commercial can gain competitive advantage in the era of e-commerce by utilizing multichannel concept, providing comprehensive airport information, digitalization, commercial contract management, revenue share agreement and creative services offering.

There are several factors and variable that needs to be considered and decided upon in terms of commercial offering at airport business. Some of these include: Target customer analysis and passenger profiling, e-auction platform for gate allocation, cloud billing, lounge shopping and digital transformation etc. If the correct and innovative ideas are followed, then airport commercial business will prosper in an e-commerce setting with much success and profitability.

The Digital transformation and an increasingly dynamic environment simultaneously create attractive opportunity in all areas of today's and future airport environment.

REFERENCES

- http://www.worldairportawards.com/awards_2012/leisure.htm
- https://www.aoe.com/en/clients/frankfurt-airport.html
- https://www.rezcomm.com/ireland-west-airport.
- ACI Airport Economics Report and Key Performance Indicators - Mar 07, 2016.
- ACI world report April 2016.