

Commercial effectiveness at modern airports

Lessons from European airports



Roland
Berger

Management summary

Airport commercial performance is at a crossroad – Potential is within reach, but only for airports ready to innovate. Retail growth has stagnated, yet passenger numbers are soaring to new heights, offering an opportunity to transform current revenue streams. To seize this moment, airports must reiterate on their commercial strategies and outpace the shifts in the global retail environment.

Airports can unlock significant profitability by capitalizing on emerging trends in customer preferences and a shifting customer base. Success depends on having the right building blocks in place to ensure both commercial excellence and operational efficiency.

Leading airports have shown that strategic investments in operations, business partnerships, retail spaces, customer insights, and commercial capabilities not only enhance the passenger experience but also significantly improve financial performance.

Roland Berger has a proven track record of helping airports worldwide achieve their commercial goals. Our tailored commercial improvement program offers a comprehensive, adaptable solution designed for the modern airport landscape. By empowering organizations and aligning with financial objectives, our program drives sustainable commercial success and positions airports to thrive in the future.

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Industry fast facts

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+60%
of airport profit comes from commercial revenue



Passenger levels increased by ~20% between 2022 and 2023



15.8 € is the average spend per departing passenger for large European airports

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Value of non-aero commercial spend at airports

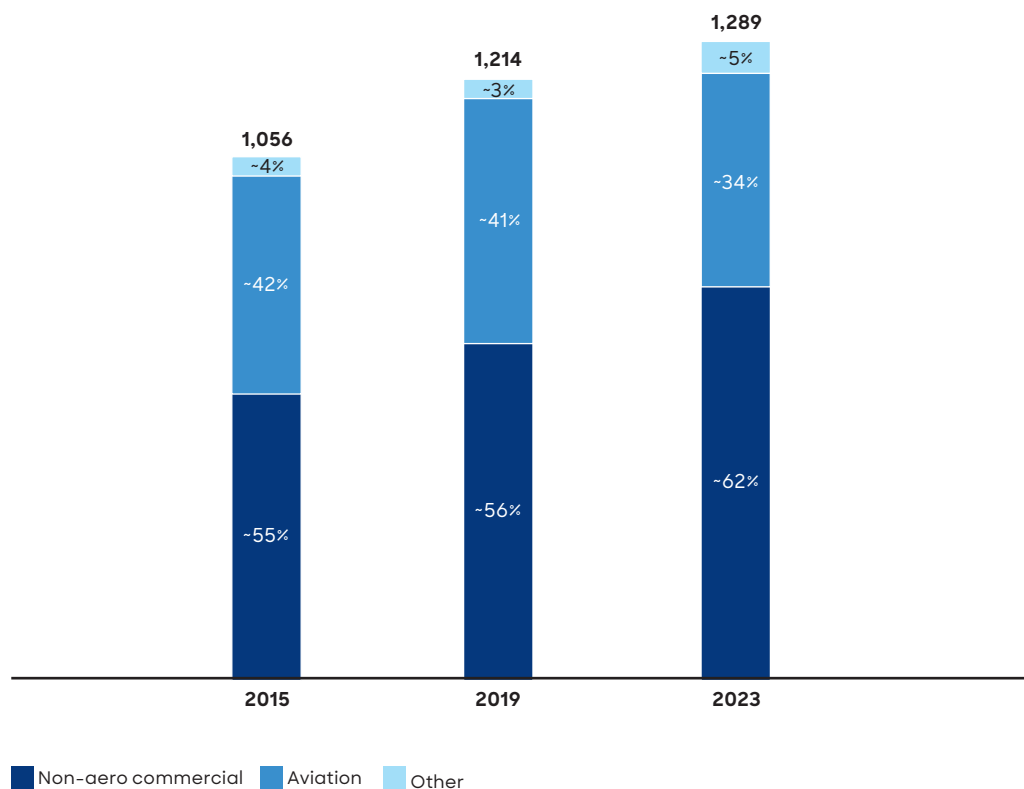
Airports are increasingly struggling to improve (or even maintain) their commercial performance, mainly due to shifts in the wider retail environment. Yet, for the largest airports in Europe, non-aero commercial activities are the principal contributor to airport revenue and profitability. In recent years, increased pressure on airport aeronautical fees has made airport profitability even more dependent on these non-aeronautical commercial activities. ▶ [A](#)

Since the pandemic, passengers started to return to air travel. The number of air passengers in Europe is forecasted to exceed 2019 figures by 2024, with forecasts around 2,400-2,500 million European passengers. ▶ [B](#)

Despite the fact that the number of passengers have returned, the real total passenger spend – corrected for inflation – has been decreasing. This is predominantly driven by retail, the main non-aeronautical commercial activity. The average retail spend per passenger has declined with 20-25% between 2015 and 2023. This was partially offset by the growth in F&B spend of 25-30% between 2015 and 2023. ▶ [C](#)

[A](#) Non-aeronautical profits drive airport financial performance

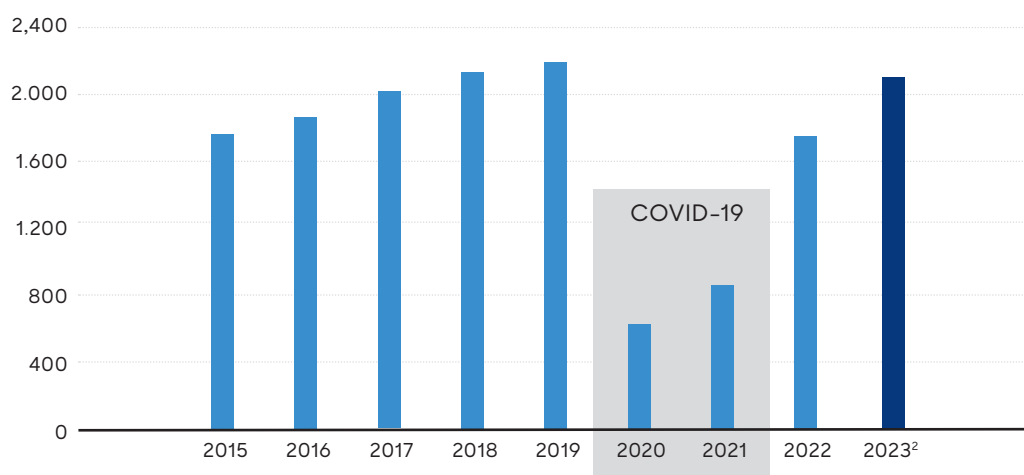
EBITDA breakdown of largest European airports, 2015-2023 [EUR m]



Source: Annual reports, Albatross

B European air passengers have returned after the COVID-19 pandemic

Number of European passengers, 2015-2023¹ [# m]

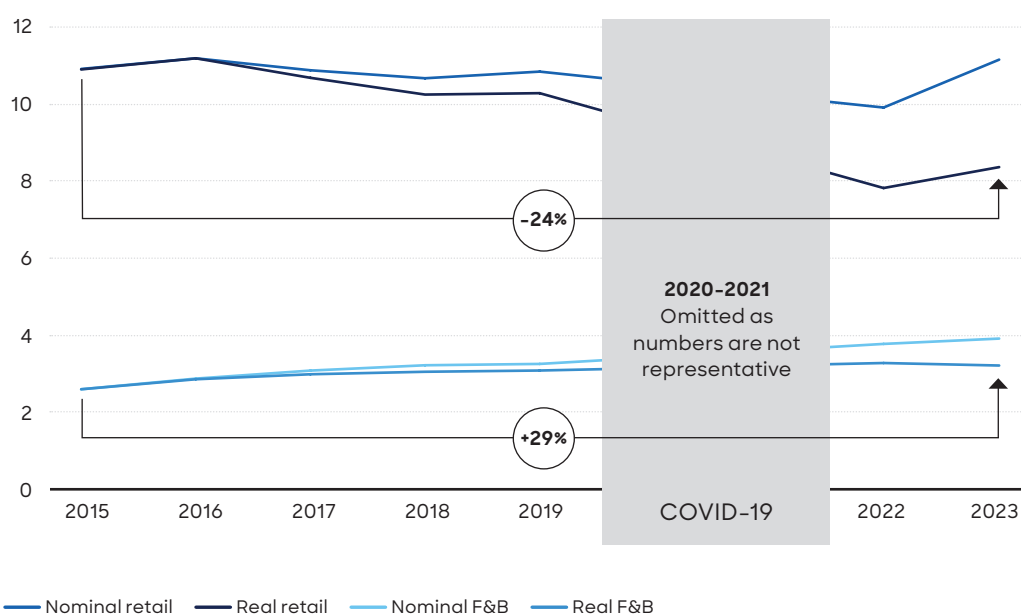


¹Excludes Liechtenstein, Israel, Russia, Andorra, Montenegro, San Marino / ²Estimate

Source: Annual reports, Albatross

C Average retail passenger spend (inflation corrected) has been declining

Average European retail and F&B spend per passenger, 2015-2023¹ [EUR/passenger]



¹Includes retail and food & beverage, excludes parking, advertising and other services

Source: Annual reports, Eurostat

// Airports have the golden opportunity to leverage their full potential in retail, but these opportunities need to be seized before the market moves on."

Evelijn Zikken, Retail Partner at Roland Berger

Drivers for the declining retail passenger spend include shifting customer preferences, changing customer base and rise of e-commerce. While some developments can be mitigated by tailoring the products and service offering, other developments cannot be mitigated. For example, the rise of e-commerce has permanently changed the landscape and dictates the new reality. Therefore, additional measures need to be taken to increase retail spend. ▶ D

D Retail spend has been changing for various reasons

Main trends for the changing retail spend

 Customer preferences	1	Premiumization Passenger preference has been shifting from traditional to more luxurious and exclusive products and services
	2	Localization Passenger preference has been shifting from the standardized offering to locally sourced or regionally specific products
 Customer base	3	Sustainability New generations (e.g., gen Y and Z) prefer eco-friendly products and services and they represent a growing passenger segment
	4	Experience & entertainment New generations (e.g., gen Y and Z) are looking for interactive, digital, and online experiences and entertainment
 E-commerce	5	Digital channels Online shopping (including delivery) enables passengers to purchase goods before or after the airport visit, bypassing in-airport retail
	6	Price transparency Access to price comparisons through digital platforms drives down in-airport spending as travelers seek the best (online) deals

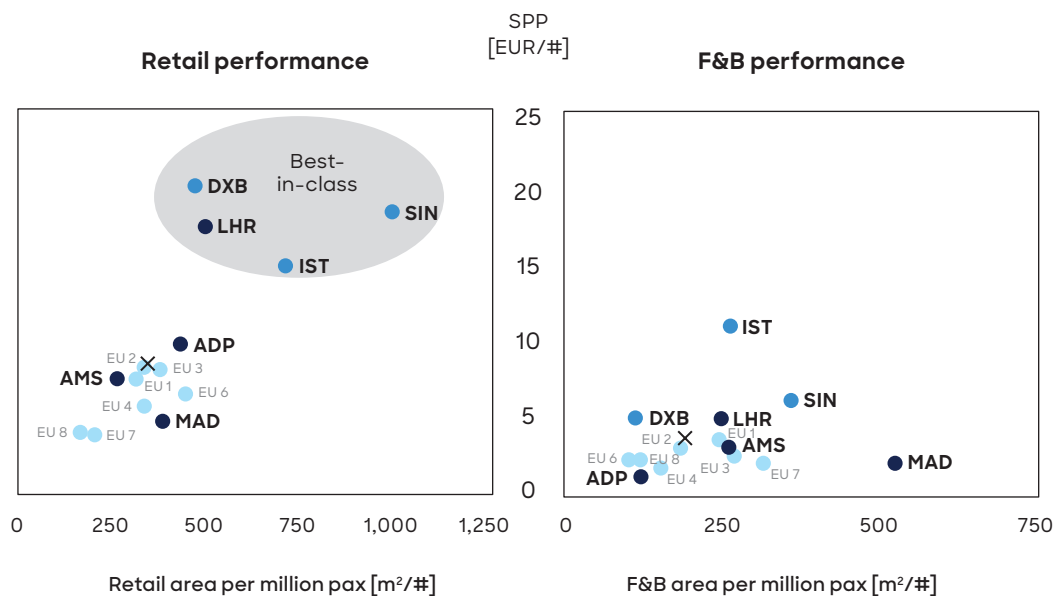
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Opportunities in non-aero commercial spend

While the average (real) spend per passenger (SPP) has been declining in recent years, the spend differs significantly across airports. Lessons can be learned from London Heathrow, Dubai or Singapore Changi airport, which are among the best performing airports. Singapore Changi airport also benefits from its large retail surface area and hence broader retail offering. ► [E](#)

[E](#) Spend differs across airports lessons can be learned from best-in-class

Retail and F&B SPP versus area per passenger, 2023¹ [EUR/#]



X Average ● Large European airports ● Mid-size European airports ● Middle Eastern airports

¹Where 2023 data was unavailable 2019 figures were used to exclude the impact of post COVID effects

Source: Annual reports, interviews with market participants, Albatross

“ Navigating the evolving retail landscape creates lots of new opportunities, requiring us to be innovative, data-driven and efficient.”

Business leader at an European Airport

As non-aero commercial spend per passenger and airport profitability stagnate or even decline, multiple opportunities have been identified for airports to enhance their non-aero commercial performance. ►F

As an example, the best-in-class airports have already embraced many of the commercial opportunities identified for airports. Singapore Changi Airport and Dubai International have elevated luxury retail and personalized services, catering to the premium market, while Schiphol Amsterdam capitalized on the trend of a more local offering with locally sourced Dutch cheeses and local brands like Tony Chocolonely. Furthermore, an increased focus on sustainability can be observed at Dubai International and Singapore Changi Airport, where eco-friendly materials and products are prioritized.

Singapore Changi Airport also offers entertainment options like theaters and themed gardens. Additionally, in response to digital trends, Istanbul Airport allows travelers to shop online and pick up upon arrival, while London Heathrow actively uses social media to promote duty-free and exclusive products.

F Airports respond to trends and tailor their product offering and approach

Opportunities in non-aero commercial spend



Source: Roland Berger



Premium offering

- Airports are enhancing facilities, services, and experiences to cater to the growing demand for premiumization among affluent travelers
- Efforts include introducing more luxurious retail and dining outlets, additional (VIP) lounges, and wellness and relaxation areas



Local offering

- Airports are partnering with regional brands and artisans to showcase unique local products, highlighting the area's culture and craftsmanship
- Adding local cuisine and specialty foods, creates an authentic taste of the region to the passengers



Sustainable offering

- With the increasing pressure to reduce environmental impact, passengers are becoming more conscious of making sustainable choices, driving demand towards more natural and ethical products and services
- Airports are implementing sustainable initiatives attracting environmentally conscious travelers and boosting spend on eco-friendly products and services



Experience & entertainment

- There is a shift towards experiential retail driven by evolving passenger demographics, who prioritize experiences and digital interactions in their spending habits as well as concepts such as pop-up stores
- Airports are expanding dedicated spaces for entertainment and experiences, e.g., children's play, movie theaters, gaming, and cultural events



E-commerce

- E-commerce has shifted a significant portion of retail traffic to digital channels
- Digital channels have expanded alongside traditional retail, offering services like in-store pickup, click-and-collect, and home delivery
- The rise of e-commerce has increased price transparency, prompting airports to take a more strategic approach to pricing agreements with their business partners



Social media

- Social media is ever present in the current era and is still growing in popularity
- Airports can leverage social media to effectively reach their customers, offering tailored deals and promotions while enhancing entertainment value
- Data collected from social media platforms can provide valuable insights, enabling airports to further customize their offerings

3

Balancing the building blocks of commercial excellence at airports

To enable these opportunities and create commercial excellence, successful airports strike a delicate balance between customer insights and data, commercial capabilities, airport operations, business partners, and retail space and investments. To keep profitability and passenger experience growing, airports need to actively coordinate these five building blocks as they are inherently connected, evolving out of their historical emphasis on operations alone.

Airports in London, Paris and Amsterdam show signs of converging to commercial excellence by investing in these building blocks. For example, since Heathrow privatized in the 00s, significant changes to the commercial terminal space and performance have now made it one of the most profitable airports in the world. Since the pandemic, Charles de Gaulle and Schiphol have been investing hundreds of millions each year in terminal development and governance changes to narrow the gap towards commercial excellence. Schiphol has even announced that it will invest EUR 6 billion in its commercial terminal space, alongside some operational activities, to move its airport back towards the top-3 position in the ASQ ratings. ► [G](#)

[G](#) Commercial excellence is achieved by investing in five building block

Building blocks of commercial excellence



Source: Roland Berger

**Airport operations**

- Operational decisions can have a big impact on commercial performance, e.g., by moving high-spending passenger streams away from luxury stores or by doing construction work during the day
- More transparent and frequent alignment between operations and commerce improves the airport profitability
- For instance, Schiphol assigns a commercial value to all operational decisions to ensure the effects are transparent for all stakeholders

**Business partners**

- Airports often lack expertise in retail and rely on business partners for product assortment and enhanced passenger experience
- A clear strategy for allocating new available space is key for fulfilling passenger needs
- A “win-win” arrangement with retailers ensures that both parties invest in commercial shells, tools, and shopfloor assistants training to maximize experience and conversion rates

**Retail space and investments**

- Commercial success depends on ongoing enhancements in store offering, concepts and brand selection
- Continuous investments in the commercial space in cooperation with business partners ensures competitiveness and the ability to meet the continuously shifting consumer expectations

**Customer insights and data**

- Insights into customer needs, preferences and shopping behavior require a more (big) data-driven way of working and allows airports to steer commercial performance, challenge business partner choices, and prioritize changes towards operational demands
- From our experience, focusing on the right customers can increase financial results by +20–25%

**Commercial capabilities**

- The commercial department plays a crucial role in maintaining the airport’s resilience by quickly spotting, evaluating and responding to trends and external changes impacting the business
- The ability of the commercial department to e.g., negotiate better contracts, conduct benchmarks, as well as to ensure sufficient retail space and investments strengthens or weakens an airport’s overall financial performance

4

Commercial improvement program

From years of experience, Roland Berger has devised a robust commercial improvement program that brings new opportunities in today's airport retail market and improves the commercial performance of airports. Our commercial improvement approach comprises: a 360° diagnostic phase and a results implementation phase. [▶ H](#)

Underpinning this program are **five principles**:

1

Anchored in the organization

The airport is put in the driver's seat, empowering those who deal with the challenges on a day-to-day basis.

2

Direct connection to the P&L

Every action has a price tag, as well as a potential, and both are calculated carefully in advance to prioritize and roadmap the improvement program.

3

Rapid piloting

Rather than engaging in a lengthy concept phase, the program implements actions immediately by relying on smart hypotheses.

4

Adaptability of implementation

As the program does not call for big investments, the airport can continuously adapt actions without major financial consequences.

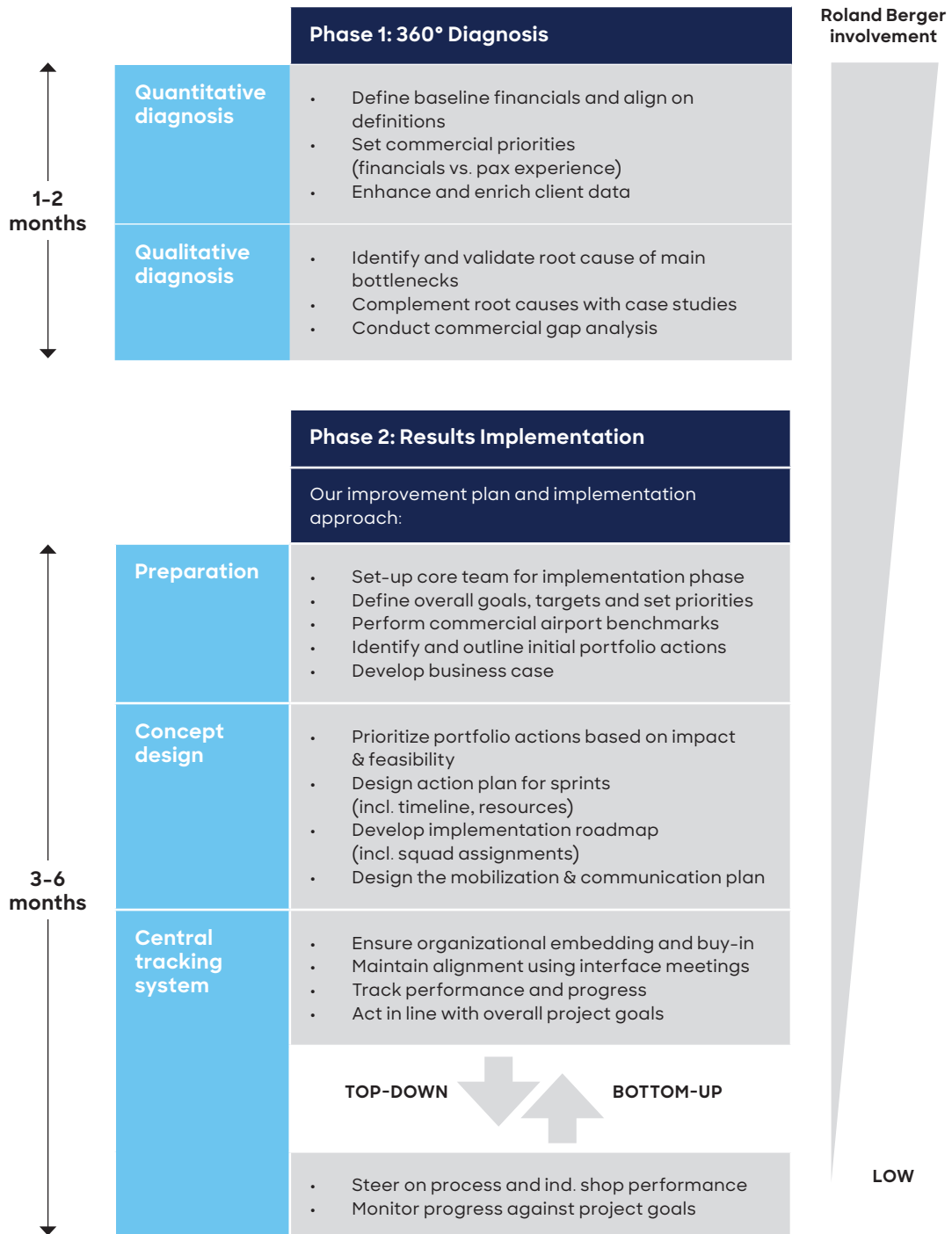
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Positive culture

The approach unleashes creativity and asks for collaboration between departments, thus quickening developments and implementation.

H Roland Berger | Commercial effectiveness at modern airports can help improve the commercial performance at airports

Roland Berger's commercial improvement approach



Source: Roland Berger

Conclusion

The dynamic retail environment and various internal and external challenges are making it difficult for airports to sustain or enhance their commercial performance. Roland Berger has developed a robust commercial improvement program for the airport retail market, leveraging years of experience to build an actionable and durable approach.

We pride ourselves on our proven track record and a tested methodology, where we have helped numerous airports accelerate implementation and swiftly realize their targets. With our expertise and innovative solutions, we are poised to drive commercial success across the aviation sector.

Should you have any questions or require further information, do not hesitate to reach out to us.

Let's embark on the journey to success together!

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