

**THINK RETAIL THINK VERDICT**

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# **Global Airport Retailing 2008**

**Rewards outweigh risks in  
emerging markets**

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# About Verdict Research

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## Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

## Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

## Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

## Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

## A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



**“Verdict are the company of choice for any research analysis and insight into retailing”**

**Sir Stuart Rose**  
Executive Chairman of  
Marks & Spencer

# Global Airport Retailing 2008

## Airport retailing is set to shrug off the global economic slowdown...

Airport retailing is set to shrug off the global economic slowdown and expand by 11.0% in 2008 with the fastest growth in its emerging markets. Emerging markets offer a clean slate in terms of airport development and provide huge scope for growth that is less feasible, physically or financially in regulated and restricted mature markets. Emerging markets will continue to benefit from rapid growth in passenger numbers and retail spending, driven by increased affluence, growing tourism, rapidly expanding airline networks, new routes and an increasing propensity for business travel as a result of globalisation.

This latest report published by Verdict Research that provides in-depth analysis of the opportunities in global airport retailing. Focusing especially on emerging markets, this report identifies the opportunities available to investors and highlights the challenges that retailers must negotiate to trade successfully at airports.

Regional sections

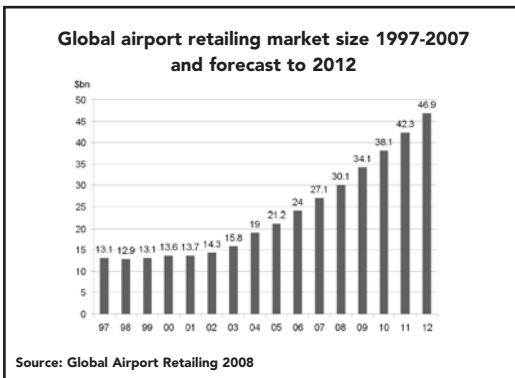
China

India

Middle East & Africa  
(including UAE, Qatar,  
Bahrain and Oman)

## Capitalise on new and emerging retail opportunities at airports in the developing markets with this new report...

Since 2002 the market has moved from being a steady performer to one of the best performing channels in global retailing...



"The Americas market, which was worth \$6.9bn in 2007, we expect to grow by 54.7% to \$10.4bn by 2012. While this is still a strong growth market, Verdict do not expect the region to see the same rise in value in the next five years as it saw in the last..."

- **Identify the fastest growing markets in airport retailing** with five year historical data and forecasts for retail spending and passenger numbers, for global regions and key emerging markets.
- **Discover which product categories offer the greatest growth prospects** with this report's historic data and forecasts for personal care, alcohol and tobacco products.
- **Compare the performance of duty paid and duty free channels** with this reports historic data and forecasts by region.
- **Analyse the development of key airport operators** including, Aelia, Autogrill, DFS Group, Dufry and Nuance Group.

# Global Airport Retailing 2008

## This report answers key questions including...

- Which regions offer the best growth prospects for global airport retailing?
- What are the growth trends in duty-paid vs duty-free retail sales at airports?
- How do airport retail sales perform in each of the key categories?
- Will the Middle East succeed in its bid to eclipse Europe as a global hub ?
- What opportunities are presented by the modernisation of India's airport infrastructure?

### Key Market Data

Global duty free sales by product group

Global duty free sales by region

Duty free vs duty paid sales

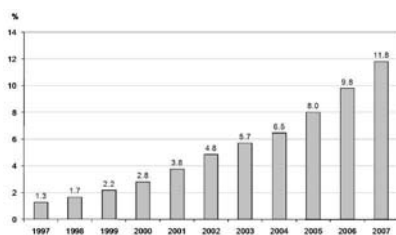
Passenger numbers

Spend per passenger

## Key issues examined in this report...

**Growth is largely in the Middle East, with Africa remaining stagnant despite similar increases in passenger numbers...**

Middle East & Africa airport retailing market as a % of global market 1997-2007



Source: Global Airport Retailing 2008

"The Middle East & Africa holds the smallest market share but has grown fastest in recent years, multiplying 4.6 times in value between 2002 and 2007. Though it accounted for only 11.8% of the global market in 2007, this region is swiftly taking market share from other regions..."

- **Economic factors like inflation and deflation; interest rates; the liquidity of capital markets; and economic growth, downturns and recession all impact global airport retailing.** However Verdict believes airport retailing will prove resilient to the deteriorating economic outlook with emerging markets set to gain global significance.
- **Airport retailing has consolidated rapidly in recent years, but there is much scope for further mergers and acquisitions.** Over the last two years, Italian based Autogrill has emerged as a lead player following its takeover of Spain's Aldeasa and Britain's World Duty Free and Alpha Airports Group, while LVMH owned DFS continues to expand in Asia-Pacific and North America. This dash for scale, Verdict argues will cause other airport retailers to join forces.
- **The increasing contribution to global warming through emissions from aircraft is of real concern to airport users.** With the prospect of aviation emissions being included in carbon trading schemes and the industry committed to the pursuit of carbon neutral growth, environmental issues have never been higher on the aviation industry's agenda.

# Global Airport Retailing 2008

Pages 169

Figures 14

Tables 50

## Chapter 8: Spotlight on India

### Significant and Innovative Investment in Indian Airports

- India currently has 126 operational airports of which 11 are international, 89 are domestic and the remainder are managed by the military. For the size of the country, this is a relatively small number with huge scope for organic expansion in tune with demand.
- However, airport development in India is booming with recent developments in Hyderabad, Bangalore, Halwara, Kannur, and Kohima among others. At least 100 new airports are in the pipeline across India. Many of these will be replacements, but modernisation of established airports is also afoot throughout the country, from the hubs of New Delhi and Mumbai to Bhopal, Kolkata, Udaipur, Chennai and Varanasi among others.
- India has taken an innovative approach to brownfield and greenfield airport developments through partnerships of government, airport authorities, industrial firms, financial investors and airport management and retail specialists, both foreign and national.
- Public private partnerships are immensely popular, due to perceived successes of this model in North America and Europe. As well as bringing in necessary investment and expertise, they fit in with India's interest in maintaining the interests of government and/or national investors in Indian commercial ventures. A potentially negative aspect of this arrangement is that restrictions may deter potential investors resulting in a slower rollout.
- As a key determinant of retail spend, India's airport infrastructure still requires considerable investment to turn potential into reward. But the signs are that airport retailing will continue to receive the prioritisation it deserves as a premium revenue driver for airport owner-management.

**Table 28: Indian airport retail spend as a proportion of Asia-Pacific and global markets 2002-2007**

Year	Est total spend \$m	% of Asia-Pacific	% of Total market
2002	21	0.6	0.1
2003	29.2	0.8	0.2
2004	55.8	1.2	0.3
2005	70.1	1.5	0.3
2006	94.5	1.8	0.4
2007	127.7	2.2	0.5

Source: Global Airport Retailing 2008

### Principal Hubs in Delhi and Mumbai

- Mumbai and New Delhi are the principal hubs in India, accounting for around two-thirds of international travel. Lucrative returns are expected from Mumbai's Chatrapati Shivaji International, India's biggest international and domestic aviation hub which, together with Delhi's Indira Gandhi International, accounts for around 75.0% of airport duty-free sales in India.

### New Hyderabad & Bangalore Airports

- Bangalore is one of India's boom cities, driven by the rapid growth of the IT sector. Bangalore, India's fourth largest airport, has also seen phenomenal growth, to the extent that significant pressure on airport infrastructure has meant a new airport is required. A greenfield development is in the pipeline at Devanahalli, and is expected to open in Q3 2008, after which the existing airport will be closed and passed over to Hindustan Aeronautics, an aerospace firm.

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