

AIRPORT RETAILING IN INDIA: A STUDY OF GROWTH AND OPPORTUNITIES

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ABSTRACT

Airport retailing is a way forward for retailers around the world and India is no exception. This format of retail is in its initial stage in India but it has seen an early growth and ranked amongst top ten destinations in the world for Airport Retail. The present paper discusses major factors contributing to the growth of airport retail in India. The study included secondary data collected from different sources such as journals, books, magazines etc. the study concluded that size of Indian middle class increasing urbanization, rise in size of air travel, low cost carriers and modernization of airports are the factors contributing to the growth of this sector.

Key Words: Airport Retail, Travel Retail, Indian Airports

INTRODUCTION

Airport retailing is in its early stages in India. The Airports Authority of India (AAI) has undertaken the development and modernization of metro and non-metro airports with the prime purpose of development of modern infrastructure, up-gradation of handling capacity and enhancement of non aeronautical revenue. Indian airports are now most lucrative destination for retailers.

OBJECTIVE OF THE STUDY:

The primary objective of the study is to find the present scenario of airport retailing in India. It aims at investigating the reasons responsible for increase in sales at airport retail stores.

RESEARCH METHODOLOGY:

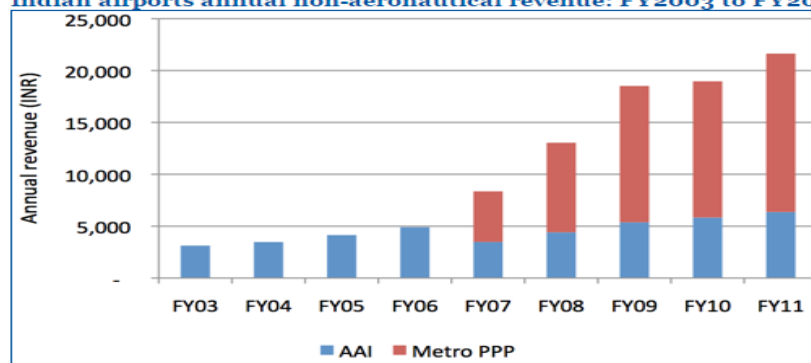
The research is descriptive in nature. The data have been collected through secondary sources such as journals, magazines, books, theses, market research reports etc.

Literature Review:

The Centre for Asia-Pacific Aviation (CAPA) estimated that duty-free spend at Indian airports will touch \$1.6 billion by 2021. It is an eight-fold increase in a decade. The combined spend on duty-free, duty-paid and food & beverage will touch \$3.5 billion by 2020. Some of the conclusions of this report are as under.

- India is projected as first in global ranking of growth rate of aviation over the next 20 years
- India is projected as third in global ranking of the size of aviation industry by 2020.
- 140 million passengers were handled by Indian airport system in 2010 and it is projected that 430 million passengers will be handled in 2020.
- Indian airport expansion programs will have investments of US \$ 30 billion over the next 15 years

Indian airports annual non-aeronautical revenue: FY2003 to FY2011



Source: CAPA – Centre for Aviation & company filings

Fig 1.2: Non-Aeronautical Revenue at Indian Airports

The researchers mentioned that growing air travel in India will drive airport retailing so much that by the end of 2015, over 50 per cent of revenues of the Airport Authority of India (AAI) are expected to come from non-aeronautical activities, with airport retailing contributing a mammoth 27 per cent.

According to **Verdict Research**, airport retail spending has increased rapidly from 2006 to 2012. It showed

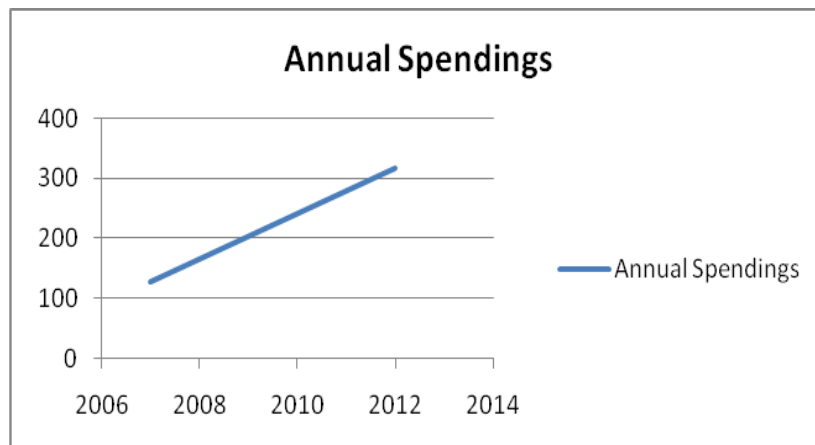


Fig 1.3: Airport Spending In India

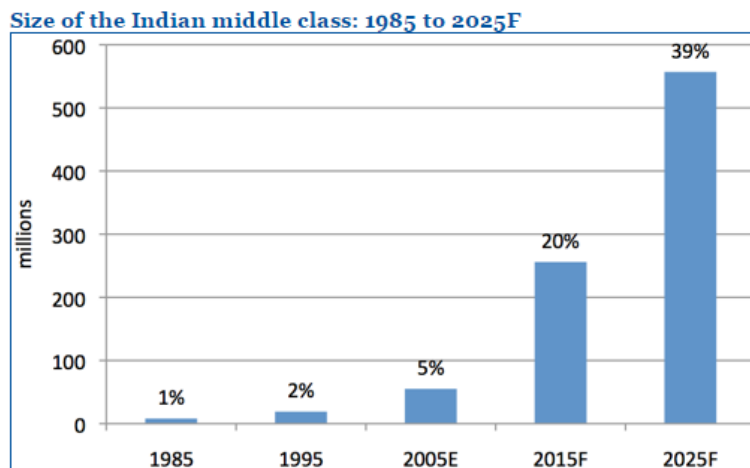
Delhi Airport gets almost 62% of its non-aeronautical revenue from retail stores, which have a compounded annual growth rate (CAGR) of 33%. The growth outside airports is much lower. Industry estimates revealed that the CAGR of branded apparel is 18%, jewellery and gift items are 21% and electronics is 14% to 15%. This shows that the growth at airports is much higher.

1.4.3 Factors Driving Growth of Airport Retail in India

India is emerging as one of the largest travel destinations. In the recent years India has planned reconstruction and extension of airports; also more than 100 airport schemes are planned. Existing airports are being modernized. As mentioned above the spending at airports in India has grown exponentially. There are several factors which are contributing to the growth of this sector. Some of them are motioned here.

1. Size of Indian Middle Class:

The size of middle class is increasing day by day. According to a report published by McKinsey, the size of Indian middle class was 50 million in 2005 which is approximately 5% of the total population. But it has reached to 20% in the last 10 years. It is also forecasted to grow by an increasing rate in the next 10 years.



Source: McKinsey
Note: Number above bar indicates percentage of total population

Fig 1.4: Size of Indian Middle Class

2. Increasing Urbanization:

The census of India, 2011 defines urban settlement as all the places having municipality, corporation, cantonment board or notified town area committee. Urbanization is at its rapid pace in India. Approximately 32% Indian population lives in urban areas. Migration from rural area is the major reason of urbanization. Employments have also contributed and lead the pace of urbanization. Metros like Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmadabad and Pune are the major cities of urban India.

3. Rise in Size of Air Travel:

A data from the **Directorate General of Civil Aviation (DGCA)** Shows that the size of domestic air travel in India was 81 million passengers, which registered a growth of 20% from last year. The growth was lead by low air fares.

	Market size (mn)	Growth (%)
India	80	18.8
Russia	47	11.9
China	394	9.7
US	708	5.4

Fig 1.5: Size of Air Travel

4. Low Cost Carriers:

Low cost carriers are also in the early growth stage in India and have enormous potential to make air travel more reasonably priced and will guide to increase footfall at airports. Some of these are SpiceJet, Air India Express, GoAir, Indigo JetConnect and JetLite.

5. Modernization of Airports:

Anil Prabhakar, (2010), in his article “A case for airport retail” concluded that Indian airports are modernizing and creating new opportunities not just for advertising and branding but for retailing. He quoted the example of Dubai Duty Free shop which was declared as the biggest single airport retail operation in the world in 2009. The reconstruction and extension of airports have lead to better facilities and infrastructure. The modern airports have large retail space.

CONCLUSION:

India is a lucrative destination for airport retailers. The early growth of this format of retailing has given a boost to retail industry in India. The study concluded that Indian airport have immense potential for retail businesses. The growth will continue at a rapid rate for next few years. Size of Indian middle class increasing urbanization, rise in size of air travel, low cost carriers and modernization of airports are few factors contributing to the growth of this sector.

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