

**Sebastian Wagner**

# Hunting for Airport Revenue Optimization

Facing New Challenges in Airport Retail Development  
Using the Example of Copenhagen Airport

**Master's Thesis**

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## **Hunting for Airport Revenue Optimization**

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# **Master's Thesis**

on the topic of

## **Hunting for Airport Revenue Optimization Facing New Challenges in Airport Retail Development Using the Example of Copenhagen Airport**

for the acquisition of the academic degree  
Master of Aviation Management  
at Wildau Institute of Technology  
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**Sebastian Wagner**

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## A – Abstract

The aim of this thesis is to investigate the latest challenges and trends in airport retail using the practical example of Copenhagen Airport. Driven by the steadily increasing cost pressure on European airports, operators need to develop new sources of revenue. The greatest potential in generating additional revenue to combine reasonable income with high profitability can be found in the non-aviation sector, particularly in the travel retail segment. The research, however, revealed that airport retail is not always a fast-selling item. The market experiences extensive challenges driven by advanced airline retail activities or online sales developments.

In order to face the recent challenges, the importance of commercial revenues for airport operators needs to be evaluated firstly. Moreover, characteristics and specialties of travel retail have to be analyzed. Based on that, the thesis explores some of the key factors, such as market trends, economical changes and technical developments, which are leading to an ever-challenging environment for airport retail managers. Finally, the research paper aims at elaborating resulting challenges and future opportunities by providing new ideas and solutions in optimizing airport retail for European airports in general and Copenhagen Airport in particular. To conclude the master's thesis, a summary is presented reviewing all findings.

The overall research results reveal that Copenhagen Airport's retail philosophy has adapted to the dynamic changes in the airport retail segment. However, there remains significant room for further improvement in order to combat future challenges on the travel retail market. Furthermore, my results and recommendations can be transferred to the benefit of other airport retail managements as well.

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## D – List of Abbreviations

Abbreviation	Explanation
ACI	Airport Council International
ASC	Airport Shopping Center
ASQ	Airport Service Quality
BA	British Airways
CPH	Copenhagen Airport
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
F&B	Food and Beverage
FRA	Frankfurt Airport
KPI	Key Performance Indicators
LH	Lufthansa
LCC	Low Cost Carrier
MCT	Minimum Connecting Time
SAS	Scandinavian Airlines System
sq m	Square Meter
TFWA	Tax Free World Association
US	United States of America
USP	Unique Selling Point

# Chapter 1 - Introduction

## 1.1 Scope and Objective

Over the past decades, the airport industry has undergone major structural transformations. One can say, the nature of air travel in Europe has changed dramatically. De-regulation, changes in ownership structures, a new understanding of the mission of an airport and the significant growth of passenger numbers are just some of the main drivers of an ongoing change, which shows no indication of slowing so far. Another aspect is the almost unstoppable conversion of airports from ordinary means of public transportation into multiple purpose economic entities. Originally designated as simple departure and arrival points for passengers, today's international airports provide a vast variety of non-aviation related commercial services and facilities. Traditionally, airports have always been important components of regional economic development. Nowadays, though, the bandwidth of commercial services ranges from shopping and various hospitality services to car parking or rental and property management, just to name a few examples.

However, this development cannot hide the fact that the airport business has evolved into a dynamic and competitive industry. European airports are suffering from an ever-increasing pressure by airlines to keep their aviation costs down. The ongoing cost-cutting of carriers for instance has changed the focus of airport management in a certain way. Since the contemporary aviation environment is highly competitive, airports are hunting more and more for profitability; they are forced to be attractive and effective to survive. Consequently, the cost pressure is creating the constant urge to develop new sources of revenue.

Therefore the non-aeronautical sector has become a central component of airport income in the light of changing economics in the aviation industry. Modern airports regardless of their size and location have attempted to increase their share from commercial activities in order to reduce their dependency on airline fees. Furthermore, income from non-aviation related business is urgently needed to generate e.g. funds for investment in infrastructure and development. Regarding the fact that shopping is one of the most popular activities of travelers, the greatest potential in generating additional revenue from non-aviation activities can be found particularly in the retail business. Using retail sales to supplement airport income