

**Partnership in Practice –  
An Airport Perspective.**



Indian Aviation- New Growth Paradigm

Indian Travel Retail - Changing Landscape

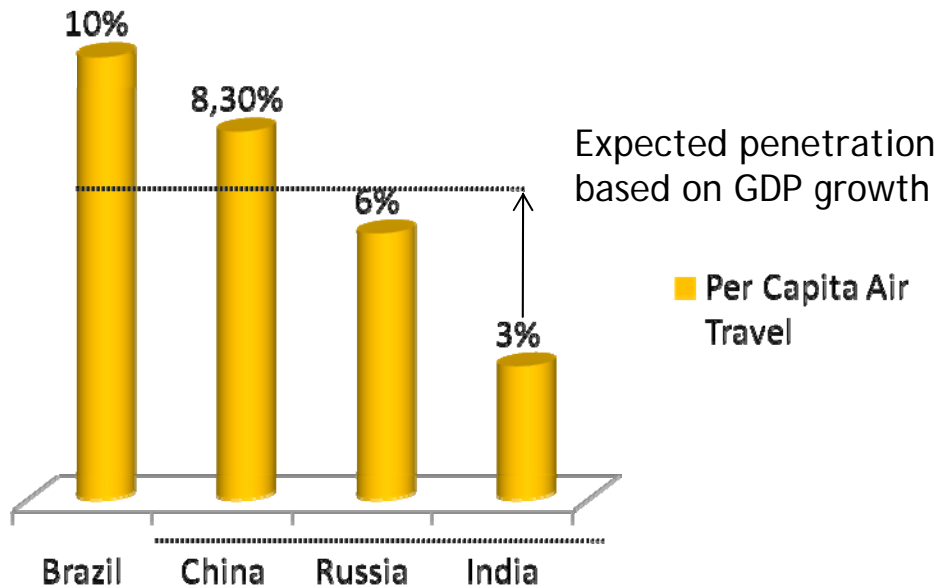
Airport Operator as a Preferred Partner

Partnerships - Key to Customer Value Delivery

Delhi Airport - Exemplifying Successful Partnerships

Conclusion

## Per Capita Air Travel



Source: IATA

### Opportunity

- Per capita travel is increasing rapidly (upgrading middleclass) but has potential to grow further compares to BRICS countries
  - India ~ 3% penetration compared to Brazil ~10% and China over 8%;
- Potential upsides - daily Interstate rail travelers from Delhi more than monthly air travelers from the City - future upsides
- Travel retail emerging as strong growth sector with huge employment traction
  - Estimated to reach Rs 5 Bn. In Sales by 2015-16

**Strong correlation exists between economic growth and air travel in India. Service sector led growth set to positively impact Indian travel retail sector in next decade..**

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## Influencers

Huge Indian travelling diaspora and emergence of organized retail format

Access to India's premium audience including international consumers

Untapped Potential and unexplored upsides

## Implication

### Informed Indian Travelers

- Increasing awareness to global brands
- Largest spending population in destinations like Dubai, Singapore and Hong kong
- Similar retail formats increases at downtown at major Indian cities

### Better profile consumers

- Direct influence on SEC A consumers
- First and last dwell point in any country
- High impulse zone

### Huge Upsides in Non Traditional Avenues

- Many revenues sources unexplored
- Emerging as preferred destination for product launches, events, activations and consumer interaction platform

**There exists a huge upside in revenue exploitation in Indian Travel Retail domain with privatization of airports..**

## Influencers

## Implication

High management bandwidth and engagement requirement



### Business continuity

- Involves high management bandwidth due to various regulatory nuances
- Stakeholder management key to success

Regulatory and Operational Challenges



### High Entry Risk & Stringent Regulatory Framework

- Investors in Indian travel retail have challenges of FDI cap for Multi brand retail
- Capable partner for scalable operations at India
- Security and other regulatory concerns

Skilled manpower and retention



### Talent Pipeline a Concern

- Few with specific industry exposure
- Higher retention costs and attrition
- Business continuity

Despite challenges the sector has shown interest from major brands across the globe vying for market share..

# Effective Stakeholder Management Chain - Key to Sustainability



Airport is a multi stakeholder and complex business where success depends on effective management of stakeholders for driving the business growth..

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# Need for Strategic Partnerships - Indian Travel Retail



- **Market Entry Support** - Retailers need support for establishing business by getting understanding of business potential, competitive landscape and investment variables
- **Regulatory Support** Indian travel retail with FDI norms, customs and security regulations necessitate tie-up with local partner with expertise in this area
- **Operational Support** - day to day operational support requires strong feet on ground which usually is provided by local partner
- **Informational Support**- availability of local market information is critical for business continuity and success
- **Investment Support**- local financial networks and relationships for unhindered funding for growth
- **Skill set support** - availability of talented local manpower

Global Operators prefer to tie-up with Indian partners to make successful inroads into Indian Travel Retail Sector

- *Market entry and regulatory support - airports are best positioned to support global partners with awareness of regulatory framework around airport*
- *Information and operational support - none other than airports are suited to provide passenger information and day to day operational support to the retailers*
- *Re defining operating model- moving away from landlord -tenant approach to a partnership model*
- *Risk and Reward sharing - Co-ownership of upside and downside when airport is the partner with the retailer*
- *Airport equally depend on strong retail partners for their growth- Finally airports are not retailers but depend on concessionaires to achieve their Sales!!*
  - *For better control of business*
  - *Key strategic decisions leading to growth*

Several global retailers in past have entered Indian airports with local retailers, but not without challenges in sustenance and continuity

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# Service Delivery Excellence with Partnerships

Success of an airport depends on successful partnerships it builds with various external stakeholders and partners to deliver the value proposition to its passengers..

*City and Kerbside*

*Check-in, Departure Lounge, Gates*

*Airside*

Service Delivery

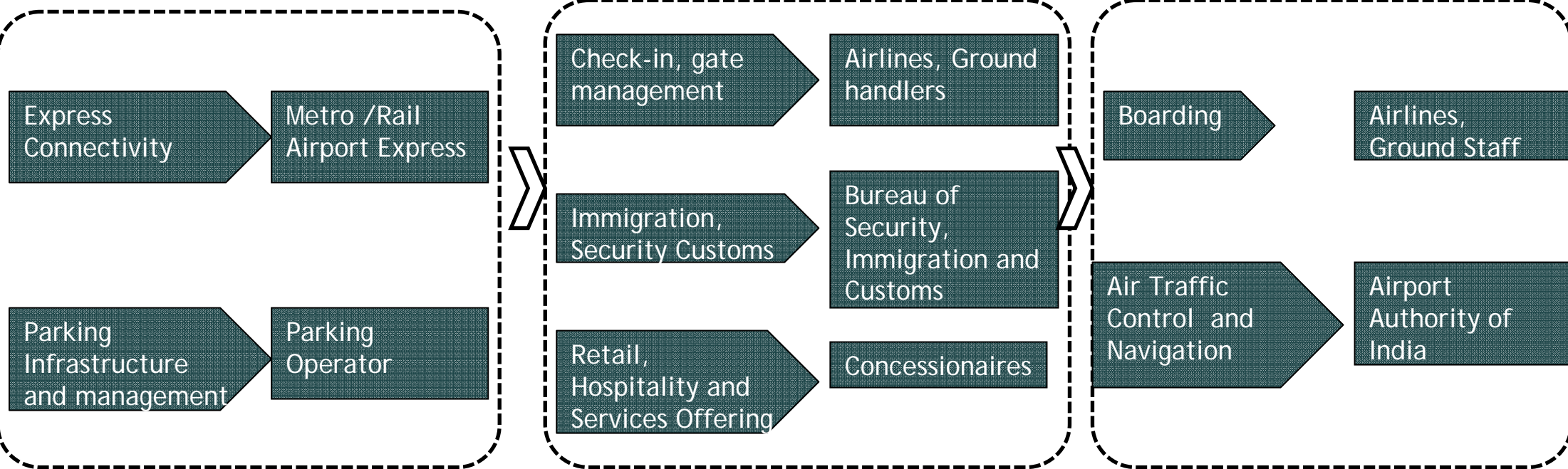
Partner in Success

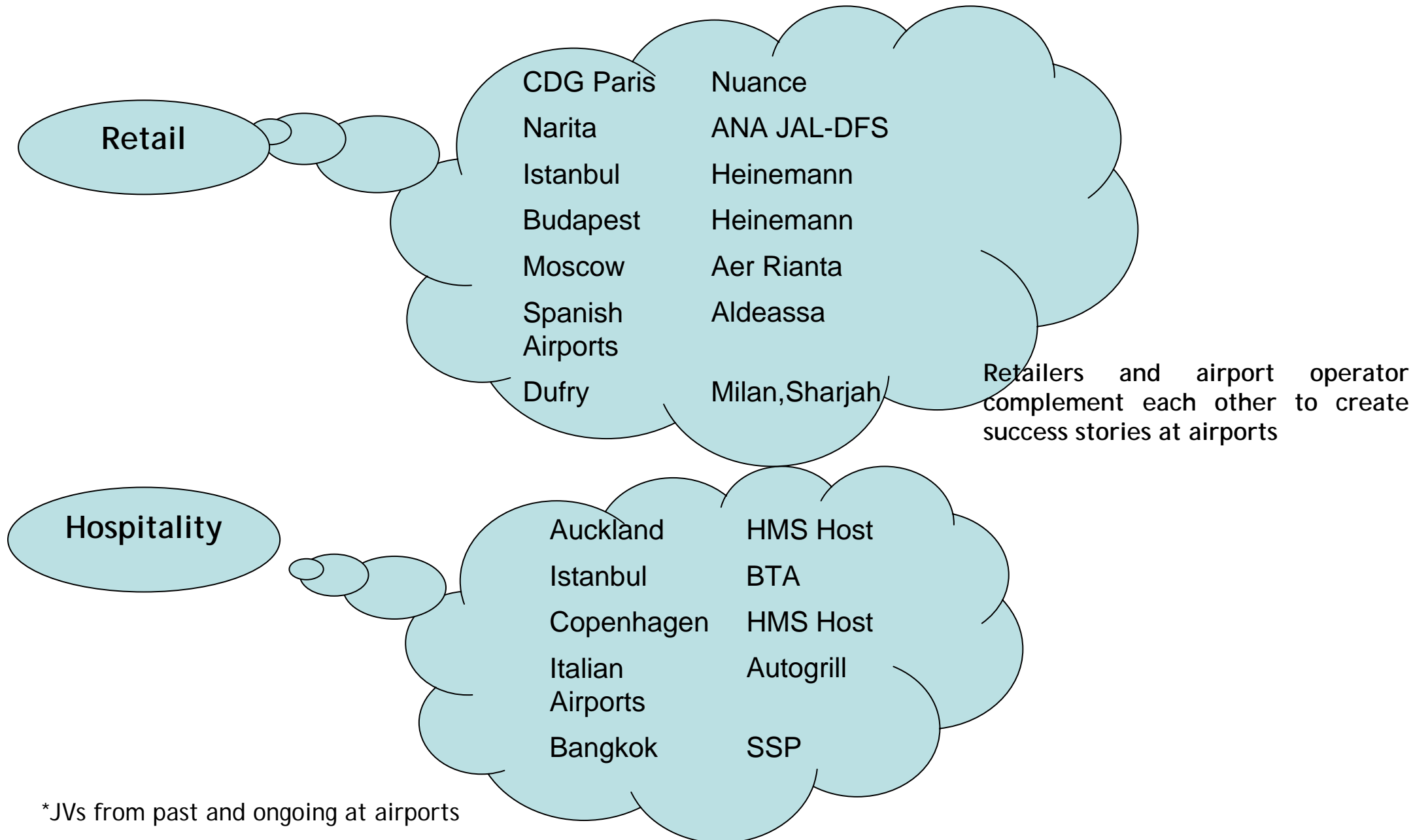
Service Delivery

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\*JVs from past and ongoing at airports

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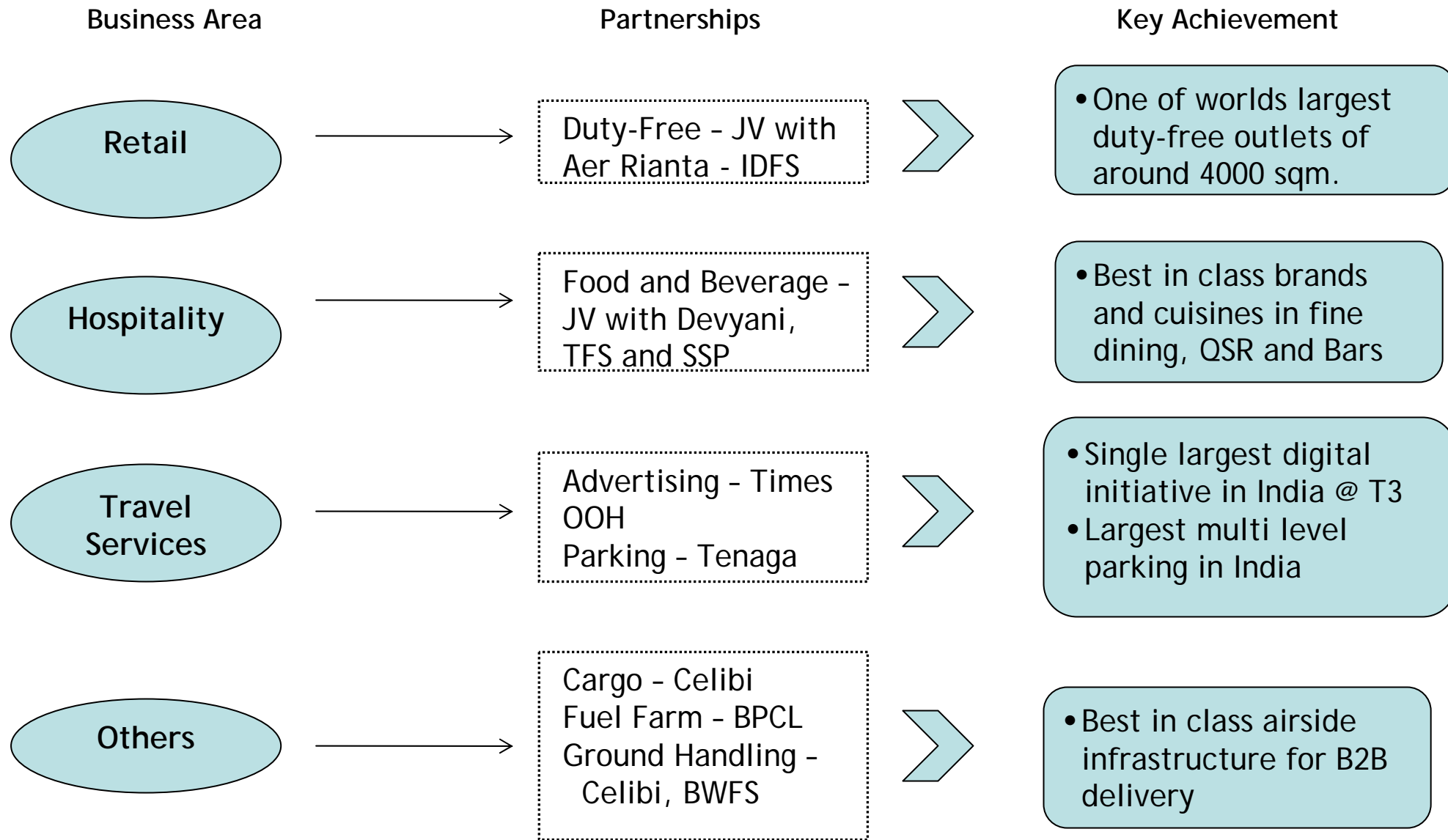
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# Delhi Airport - Exemplifying Partnership at Practice



Above JVs of Delhi Airport is testimony to our commitment to nurturing partnerships with operators from across the world..

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- *Each JV partner to add value in their respective area of core competence*
  - *Airport partner*
    - *Regulatory support*
    - *Passenger information*
    - *Operational handholding*
    - *Strategic investment and ongoing funding; Board level strategic support*
  - *Retail Operator*
    - *Operational management*
    - *Supply chain expertise*
    - *Training development and staff competence*
    - *Drive value to shareholders through category optimization*
- *Respect for partner - key to building sustainable partnerships*
  - *Stick to your own scope of contribution with independence to partners*
  - *Joint decision on key areas like - governance, management, investment, divestment*
  - *Handholding in both entry as well as exit*
  - *Win-win for both parties to be borne in mind for every decision made*

***Most importantly, treat your partner like a bride from an arranged Indian Marriage!!!***

Thank You