Global Airports Survey 2013–2014:
Market Trends, Buyer Spend and Procurement Strategies in the Global Airports Industry

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# TABLE OF CONTENTS

## 1 Introduction .......................................................................................................................... 9
  1.1 What is this Report About? ................................................................................................. 9
  1.2 Definitions .......................................................................................................................... 9
  1.3 Methodology ....................................................................................................................... 10
  1.4 Global Airports Industry: Profile of Survey Respondents ................................................... 12
    1.4.1 Global airports industry: profile of buyer respondents .................................................. 12
    1.4.2 Global airports industry: profile of supplier respondents .............................................. 13
## 2 Executive Summary .................................................................................................................. 15
## 3 Global Airport Industry Dynamics .......................................................................................... 17
  3.1 Revenue Growth Projections in the Global Airports Industry ............................................ 18
    3.1.1 Revenue growth projections by company type ............................................................. 20
    3.1.2 Revenue growth projections by region ......................................................................... 21
    3.1.3 Revenue growth projections by company turnover ....................................................... 23
    3.1.4 Revenue growth projections by senior level respondents ............................................ 24
  3.2 Future Developments in Business Structure in the Global Airports Industry .................... 25
    3.2.1 Future developments in business structure by buyers .................................................. 25
    3.2.2 Future developments in business structure by suppliers .............................................. 27
    3.2.3 Future developments in business structure by region ................................................... 29
    3.2.4 Future developments in business structure by company turnover ................................ 30
    3.2.5 Future developments in business structure by senior level respondents ...................... 30
  3.3 Change in Company Strategies in the Global Airports Industry ........................................ 31
    3.3.1 Change in leading company strategies by buyers ........................................................ 31
    3.3.2 Change in leading company strategies by suppliers ...................................................... 34
    3.3.3 Change in leading company strategies by region .......................................................... 35
    3.3.4 Change in leading company strategies by turnover ...................................................... 37
  3.4 Merger and Acquisition Activity Projections in the Global Airports Industry .................... 38
    3.4.1 M&A activity projections by buyers .............................................................................. 39
    3.4.2 M&A activity projections by suppliers .......................................................................... 43
    3.4.3 M&A activity projections by region .............................................................................. 44
    3.4.4 M&A activity projections by company turnover ............................................................ 46
    3.4.5 M&A activity projections by purchasing decision authority .......................................... 47
  3.5 Estimation of Capital Expenditure in the Global Airports Industry ...................................... 48
    3.5.1 Estimation of capital expenditure by buyers ................................................................. 48
    3.5.2 Estimation of capital expenditure by suppliers ............................................................... 51
    3.5.3 Estimation of capital expenditure by region .................................................................. 53
    3.5.4 Estimation of capital expenditure by company turnover ............................................. 54
TABLE OF CONTENTS

3.6 Planned Change in Staff Recruitment Activity in the Global Airports Industry ............................................. 55
  3.6.1 Planned change in staff recruitment activity by buyers ........................................................................... 55
  3.6.2 Planned change in staff recruitment activity by suppliers ................................................................. 57
  3.6.3 Planned change in staff recruitment activity by region ................................................................. 58
  3.6.4 Planned change in staff recruitment activity by company turnover .............................................. 59

4 Global Airport Industry Market Growth Outlook ......................................................................................... 60
  4.1 Global Airports Industry: Demand in Emerging Markets ................................................................. 61
    4.1.1 Demand in emerging markets by buyers ..................................................................................... 61
    4.1.2 Global airports industry - demand in emerging markets by suppliers ........................................... 65
    4.1.3 Global airports industry - demand in emerging markets by region ........................................... 67
    4.1.4 Global airports industry - demand in emerging markets by company turnover ........................................... 68
  4.2 Global Airport Industry - Growth Projections in Developed Countries .................................... 69
    4.2.1 Growth projections in developed countries by buyers .................................................................. 69
    4.2.2 Growth projections in developed countries by suppliers .......................................................... 73
    4.2.3 Growth projections in developed countries by region ................................................................... 75
    4.2.4 Growth projections in developed countries by company turnover .............................................. 76

5 Threats and Opportunities for the Global Airports Industry ................................................................. 77
  5.1 Global Airport Industry - Leading Business Concerns for 2013–2014 ................................................. 78
    5.1.1 Leading business concerns for 2013–2014 by company type ..................................................... 80
    5.1.2 Leading business concerns for 2013–2014 by region ..................................................................... 82
    5.1.3 Leading business concerns for 2013–2014 by company turnover ................................................. 83
  5.2 Global Airports Industry: Key Supplier Actions to Maintain and Win Buyer Business .................. 84
    5.2.1 Actions to maintain and secure buyer business by buyers ............................................................ 86
    5.2.2 Actions to maintain and secure buyer business by region ............................................................... 88
    5.2.3 Actions to maintain and secure buyer business by company turnover ........................................ 89
    5.2.4 Actions to maintain and secure buyer business by purchasing decision authority ............................ 91

6 Global Airport Industry Buyer Expenditure Activity .............................................................................. 92
  6.1 Annual Procurement Budgets in the Global Airports Industry ......................................................... 93
    6.1.1 Revenue growth vs. procurement budget ....................................................................................... 94
    6.1.2 Annual procurement budgets by company type .......................................................................... 94
    6.1.3 Annual procurement budgets by region ....................................................................................... 95
    6.1.4 Annual procurement budgets by company turnover ...................................................................... 97
    6.1.5 Annual procurement budgets by senior level respondents ......................................................... 98
  6.2 Planned Change in Procurement Expenditure in the Global Airports Industry .............................. 99
    6.2.1 Planned change in procurement expenditure by buyer type .......................................................... 101
    6.2.2 Planned change in procurement expenditure by region .............................................................. 103
    6.2.3 Planned change in procurement expenditure by turnover ........................................................... 104
  6.3 Planned Change in Procurement Expenditure by Product and Service Category .......................... 106
### TABLE OF CONTENTS

6.3.1 Planned change in procurement expenditure by product and service category - region .................. 112
6.3.2 Planned change in procurement expenditure by product and service category - company turnover .... 113

6.4 Global Airports Industry: Variations in Regional Supplier Prices .................................................. 114
6.4.1 Variations in regional supplier prices by company type ................................................................. 116
6.4.2 Variations in regional supplier prices by region ............................................................................. 117
6.4.3 Variations in regional supplier prices by company turnover ......................................................... 118

7 Global Airports Industry: Procurement Behaviors and Strategies ................................................. 119

7.1 Global Airports Industry: Critical Success Factors for Supplier Selection ...................................... 120
7.2 E-procurement in the Global Airports Industry ................................................................................. 125
7.2.1 E-procurement in the global airport industry by company type .................................................... 128
7.2.2 E-procurement in the global airport industry by region ................................................................. 129
7.2.3 E-procurement in the global airport industry by company turnover ........................................... 130

8 Appendix ............................................................................................................................................ 131

8.1 Full Survey Results – Closed Questions ............................................................................................ 131
8.2 Methodology .................................................................................................................................... 146
8.3 Contact us .......................................................................................................................................... 146
8.4 About ICD Research ......................................................................................................................... 146
8.5 Disclaimer .......................................................................................................................................... 146
TABLE OF CONTENTS

LIST OF FIGURES

Figure 1: Revenue Growth Optimism in the Global Airport Industry (%), 2010–2013 ................................................................. 19
Figure 2: Revenue Growth Optimism in the Global Airport Industry by Company Type (%), 2010–2013 .............................................. 21
Figure 3: Revenue Growth Optimism in the Global Airport Industry by Region (%), 2013 .............................................................. 22
Figure 4: Revenue Growth Optimism in the Global Airport Industry by Turnover (%), 2013 ............................................................ 23
Figure 5: Revenue Growth Optimism by Senior Level Respondents - Global Airport Industry (%), 2013 ................................................. 24
Figure 6: Key Expected Changes in Business Structure by Buyers - Global Airport Industry (%), 2013 ...................................................... 27
Figure 7: Key Expected Changes in Business Structure by Suppliers - Global Airport Industry (%), 2013 .................................................... 29
Figure 8: Key Expected Changes In Business Structure by Senior Level Respondents - Global Airport Industry (%), 2012 ....................... 30
Figure 9: Change in Leading Company Strategies by Buyers - Global Airport Industry (%), 2013 ......................................................... 33
Figure 10: Change in Leading Company Strategies by Suppliers - Global Airport Industry (%), 2013 .................................................... 35
Figure 11: Change in Leading Company Strategies by Region - Global Airport Industry (%), 2013 ......................................................... 36
Figure 12: M&A Activity Projections - Global Airport Industry (%), 2013 .................................................................................. 39
Figure 13: M&A Activity Projections - Global Airport Operators Industry (%), 2010–2012 .............................................................. 41
Figure 14: M&A Activity Projections - Global Airport Support Services (%), 2010–2013 ................................................................. 42
Figure 15: M&A Activity Projections - Global Airport Industry Suppliers (%), 2010–2013 ................................................................. 44
Figure 16: Global Airport Industry M&A Activity Projections by Region (%), 2013 ................................................................. 45
Figure 17: Global Airport Industry M&A Activity Projections by Turnover (%), 2013 ................................................................. 46
Figure 18: Global Airport Industry M&A Activity Projections by Purchasing Decision Authority (%), 2013 ....................... 47
Figure 19: Global Airport Industry - Increase in Capital Expenditure by Airport Operators (%), 2013 .............................................. 49
Figure 20: Global Airport Industry - Increase in Capital Expenditure by Airport Support Services (%), 2013 ............................................ 51
Figure 21: Global Airport Industry - Increase in Capital Expenditure by Airports Industry Suppliers (%), 2013 ............................................. 52
Figure 22: Global Airport Industry - Increase in Capital Expenditure by Region (%), 2013 ................................................................. 53
Figure 23: Global Airport Industry - Increase in Capital Expenditure by Turnover (%), 2013 ................................................................. 54
Figure 24: Global Airport Industry - Planned Change in Staff Recruitment Activity by Buyers (%), 2013 ..................................................... 56
Figure 25: Global Airport Industry - Planned Change in Staff Recruitment by Airports Industry Suppliers (%), 2013 ....................... 57
Figure 26: Global Airport Industry - Planned Change in Staff Hiring Activities by Region (%), 2013 ..................................................... 58
Figure 27: Global Airport Industry - Planned Change in Staff Hiring Activities by Turnover (%), 2013 ..................................................... 59
Figure 28: Global Airport Industry - Top Ten Growth Regions (%), 2013 .................................................................................. 60
Figure 29: Global Airport Industry - Top Five Emerging Markets, 2013 .................................................................................. 61
Figure 30: Global Airport Industry - Demand in Emerging Markets by Airport Operators (%), 2013 .................................................. 63
Figure 31: Global Airport Industry - Demand in Emerging Markets by Airport Support Services (%), 2013 ................................................ 64
Figure 32: Global Airport Industry - Demand in Emerging Markets by Airports Industry Suppliers (%), 2013 ................................................ 66
Figure 33: Global Airport Industry - Demand in Emerging Markets by Region (%), 2013 ................................................................. 67
Figure 34: Global Airport Industry - Demand in Emerging Markets by Company Turnover (%), 2013 .................................................. 68
Figure 35: Global Airport Industry - Top Five Developed Regions by Growth (%), 2013 ................................................................. 69
Figure 36: Global Airport Industry - Growth Projections in Developed Countries by Airport Operators (%), 2013 ........................................ 72
Figure 37: Global Airport Industry - Growth Projections in Developed Countries by Airport Support Services (%), 2013 ....................... 73
Figure 39: Global Airport Industry - Increase in Growth Projections of Developed Countries by Region (%), 2013 ....................... 75
Figure 40: Global Airport Industry - Increase in Growth Projections of Developed Countries by Turnover (%), 2013 ....................... 76
Figure 41: Global Airport Industry - Top Five Leading Business Concerns, 2013–2014 ................................................................. 79
Figure 42: Global Airport Industry - Leading Business Concerns (%), 2013–2014 ................................................................. 80
Figure 43: Global Airport Industry - Securing Buyer Business: Buyer vs. Supplier Responses (%), 2013 .............................................. 85
Figure 44: Actions to Secure Buyer Business, Global Airport Industry Buyer Responses (%), 2013 .................................................. 87
Figure 45: Global Airport Industry - Securing Buyer Business by Turnover (%), 2013 ................................................................. 90
Figure 46: Global Airport Industry - Securing Buyer Business by Purchasing Decision Authority (%), 2013 .................................................. 91
Figure 47: Annual Procurement Budgets of Global Airport Industry Buyers in US$ (%), 2010–2013 ................................................ 93
Figure 48: Global Airport Industry - Annual Procurement Budgets in US$ by Buyer Type (%), 2013 .................................................. 95
Figure 49: Global Airport Industry - Annual Procurement Budgets in US$ by Region (%), 2013 .................................................. 96
Figure 50: Global Airport Industry - Annual Procurement Budgets in US$ by Turnover (%), 2013 .................................................. 97
Figure 51: Global Airport Industry - Annual Procurement Budgets in US$ by Senior Level Respondents (%), 2013 ............................. 98
Figure 52: Change in Procurement Expenditure - Global Airport Industry Buyers (%), 2010–2013 .................................................. 101
Figure 53: Global Airport Industry - Change in Procurement Expenditure by Buyer Type (%), 2013 .................................................. 102
Figure 54: Global Airport Industry - Change in Procurement Expenditure by Region (%), 2013 .................................................. 104
Figure 55: Global Airport Industry - Change in Procurement Expenditure by Turnover (%), 2013 .................................................. 105
Figure 56: Future Change in Expenditure by Product and Service Category, Buyers, 2013 ................................. 108
Figure 57: Change in Expenditure by Product and Service Category, Airport Operators (%), 2013 .................................................. 109
Figure 58: Change in Expenditure by Product Category, Airport Support Services (%), 2013 ................................. 111
TABLE OF CONTENTS

Figure 59: Increase in Expenditure by Product and Service Category - Buyers by Region (% Increase), 2013 ................................................................. 112
Figure 60: Increase in Expenditure by Product and Service Category - Buyers by Turnover (%), 2013 ................................................................. 113
Figure 61: Global Airport Industry - Variations in Regional Supplier Prices (%), 2013 ................................................................. 115
Figure 62: Global Airport Industry - Variations in Regional Supplier Prices by Company Type (%), 2013 ................................................................. 116
Figure 63: Global Airport Industry - Variations in Regional Supplier Prices by Region (%), 2013 ................................................................. 117
Figure 64: Global Airport Industry - Variations in Regional Supplier Prices by Turnover (%), 2013 ................................................................. 118
Figure 65: Global Airport Industry - Critical Success Factors for Supplier Selection – Buyers vs. Suppliers, 2013 ................................................................. 122
Figure 66: Global Airport Industry - Critical Success Factors for Supplier Selection – Buyers vs. Suppliers, 2012 ................................................................. 123
Figure 67: Critical Success Factors for Supplier Selection – Global Airport Industry Buyers, 2013 ................................................................. 124
Figure 68: E-Procurement - Level of Implementation in the Global Airport Industry (%), 2013 ................................................................. 127
Figure 69: E-Procurement in the Global Airport Industry by Company Type (%), 2013 ................................................................. 128
Figure 70: E-Procurement in the Global Airport Industry by Turnover (%), 2013 ................................................................. 130
LIST OF TABLES

Table 1: Global Airport Industry Survey Respondents by Company Type, 2013 ................................................................. 12
Table 2: Global Airport Industry Buyer Respondents by Job Role (%), 2013 ............................................................................. 12
Table 3: Global Airport Industry Buyer Respondents by Region (%), 2013 ............................................................................. 13
Table 4: Global Airport Industry Buyer Respondents by Global Company Turnover (%), 2013 .................................................... 13
Table 5: Global Airport Industry Supplier Respondents by Job Role (%), 2013 ........................................................................ 14
Table 6: Global Airport Industry Supplier Respondents by Region (%), 2013 ......................................................................... 14
Table 7: Global Airport Industry Supplier Respondents by Global Company Turnover (%), 2013 ........................................... 14
Table 8: Revenue Growth Optimism in the Global Airport Industry (%), 2010–2013 ................................................................ 19
Table 9: Revenue Growth Optimism in the Global Airport Industry by Buyers (%), 2010–2013 .................................................. 20
Table 10: Revenue Growth Optimism in the Global Airport Industry by Suppliers (%), 2010–2013 ........................................... 20
Table 11: Revenue Growth Optimism in the Global Airport Industry by Region (%), 2013 ......................................................... 22
Table 12: Revenue Growth Optimism in the Global Airport Industry by Turnover (%), 2013 ....................................................... 23
Table 13: Revenue Growth Optimism by Senior Level Respondents - Global Airport Industry (%), 2013 ................................. 24
Table 14: Key Expected Changes in Business Structure by Buyers - Global Airport Industry (%), 2013 ............................................. 26
Table 15: Key Expected Changes in Business Structure by Suppliers - Global Airport Industry (%), 2013 ................................. 28
Table 16: Global Airport Industry - Key Expected Changes in Business Structure by Region (%), 2013 ........................................ 29
Table 17: Global Airport Industry - Key Expected Changes in Business Structure by Turnover (%), 2013 ................................. 30
Table 18: Change in Leading Company Strategies by Buyers - Global Airport Industry (%), 2013 ................................................. 33
Table 19: Change in Leading Company Strategies by Suppliers - Global Airport Industry (%), 2013 ............................................ 34
Table 20: Change in Leading Company Strategies by Turnover - Global Airport Industry (%), 2013 ........................................... 37
Table 21: M&A Activity Projections - Global Airport Operators Industry (%), 2010–2013 ......................................................... 40
Table 22: M&A Activity Projections - Global Airport Support Services (%), 2010–2013 .......................................................... 42
Table 23: M&A Activity Projections - Global Airport Industry Suppliers (%), 2010–2013 .......................................................... 44
Table 24: Global Airport Industry M&A Activity Projections by Region (%), 2013 ................................................................. 45
Table 25: Global Airport Industry M&A Activity Projections by Turnover (%), 2013 ................................................................. 46
Table 26: Global Airport Industry M&A Activity Projections by Purchasing Decision Authority (%), 2013 ................................. 47
Table 27: Global Airport Industry - Increase in Capital Expenditure by Airport Operators (%), 2013 ............................................ 49
Table 28: Global Airport Industry - Increase in Capital Expenditure by Airport Support Services (%), 2013 ............................ 50
Table 29: Global Airport Industry - Increase in Capital Expenditure by Airports Industry Suppliers (%), 2013 ......................... 52
Table 30: Global Airport Industry - Planned Change in Staff Recruitment Activity by Buyers (%), 2013 ................................. 56
Table 31: Global Airport Industry - Planned Change in Staff Recruitment by Airports Industry Suppliers (%), 2013 ............... 57
Table 32: Global Airport Industry - Planned Change in Staff Hiring Activities by Region (%), 2013 .............................. 58
Table 33: Global Airport Industry - Planned Change in Staff Hiring Activities by Turnover (%), 2013 .............................. 59
Table 34: Global Airport Industry - Demand in Emerging Markets by Airport Support Services (%), 2013 .................... 64
Table 35: Global Airport Industry - Demand in Emerging Markets by Airports Industry Suppliers (%), 2013 ....................... 66
Table 36: Global Airport Industry - Growth Projections in Developed Countries by Airport Operators (%), 2013 ........ 71
Table 37: Global Airport Industry - Growth Projections in Developed Countries by Airport Support Services (%), 2013 ... 72
Table 38: Global Airport Industry - Growth Projections in Developed Countries by Airports Industry Suppliers (%), 2013 .... 74
Table 39: Global Airport Industry - Leading Business Concerns by Region (%), 2013 ......................................................... 79
Table 40: Global Airport Industry - Leading Business Concerns by Turnover (%), 2013 ........................................................... 81
Table 41: Global Airport Industry - Leading Business Concerns by Company Type (%), 2013–2014 ........................................ 82
Table 42: Global Airport Industry - Leading Business Concerns by Region (%), 2013–2014 .......................................................... 82
Table 43: Global Airport Industry - Leading Business Concerns by Turnover (%), 2013–2014 ....................................................... 83
Table 44: Global Airport Industry - Securing Buyer Business: Buyer vs. Supplier Responses (%), 2013 ................................. 85
Table 45: Actions to Secure Buyer Business - Global Airport Industry Buyers Responses (%), 2013 ................................. 86
Table 46: Global Airport Industry - Securing Buyer Business by Region (%), 2013 ................................................................. 88
Table 47: Global Airport Industry - Securing Buyer Business by Turnover (%), 2013 ................................................................. 89
Table 48: Annual Procurement Budgets of Global Airport Industry Buyers in US$ (%), 2010–2013 .................................................. 93
Table 49: Global Airport Industry - Increase in Revenue Growth vs. Procurement Budget (%), 2013 ........................................... 94
Table 50: Global Airport Industry - Annual Procurement Budgets in US$ by Buyer Type (%), 2013 ................................. 94
Table 51: Global Airport Industry - Annual Procurement Budgets in US$ by Region (%), 20123 ................................................. 96
Table 52: Global Airport Industry - Annual Procurement Budgets in US$ by Turnover (%), 2013 .................................................. 97
Table 53: Global Airport Industry - Annual Procurement Budgets in US$ by Senior Level Respondents (%), 2013 ............... 98
Table 54: Change in Procurement Expenditure - Global Airport Industry Buyers (%), 2010–2013 .................................................. 100
Table 55: Global Airport Industry - Change in Procurement Expenditure by Buyer Type (%), 2013 ........................................... 102
Table 56: Global Airport Industry - Change in Procurement Expenditure by Region (%), 2013 .................................................. 103
Table 57: Global Airport Industry - Change in Procurement Expenditure by Turnover (%), 2013 .................................................. 105
Table 58: Future Change in Expenditure by Product and Service Category, Airport Operators (%), 2013 ......................... 108
TABLE OF CONTENTS

Table 59: Change in Expenditure by Product and Service Category, Airport Support Services (%), 2013 ................................................................. 110
Table 60: Global Airport Industry - Variations in Regional Supplier Prices (%), 2013 .......................................................................................... 115
Table 61: Global Airport Industry - Variations in Regional Supplier Prices by Company Type (%), 2013 ................................................................. 116
Table 62: Global Airport Industry - Variations in Regional Supplier Prices by Region (%), 2013 ................................................................. 117
Table 63: Global Airport Industry - Variations in Regional Supplier Prices by Turnover (%), 2013 ................................................................. 118
Table 64: Global Airport Industry - Critical Success Factors for Supplier Selection – Buyers vs. Suppliers, 2013 ................................................................. 122
Table 65: Critical Success Factors for Supplier Selection – Global Airport Industry Buyers, 2013 ................................................................. 124
Table 66: E-Procurement - Level of Implementation in the Global Airport Industry (%), 2013 ................................................................. 126
Table 67: Global Airport Industry - Procurement Budget Increase vs. E-Procurement (%), 2013 ................................................................. 127
Table 68: E-Procurement in the Global Airport Industry by Company Type (%), 2013 ................................................................. 128
Table 69: E-Procurement in the Global Airport Industry by Region (%), 2013 ................................................................. 129
Table 70: E-Procurement in the Global Airport Industry by Turnover (%), 2013 ................................................................. 130
Table 71: Global Airport Industry Survey Results - Closed Questions ........................................................................................................... 131
INTRODUCTION

1 Introduction

1.1 What is this Report About?

This report is the result of an extensive survey drawn from ICD Research’s exclusive panel of leading global airport industry companies. As uncertainty in the markets contributed by the continuance of the European debt crisis, gradual recovery in the US markets and currency rate fluctuations led to weak growth in global economic markets, this report provides the reader with a definitive analysis of the industry outlook and explores how opportunities and demand are set to change in 2013–2014. Furthermore, it not only grants access to the opinions and strategies of business decision makers and competitors, but also examines their actions surrounding business priorities; additionally, it also provides access to information categorized by region, company type, and sizes.

The report also examines:

- **Revenue growth projections**: projects revenue growth of chief stakeholders of the industry
- **Market-specific growth opportunities**: identifies the strongest growth regions so that companies can allocate their marketing activities and budgets effectively
- **Mergers and acquisitions**: showcases merger and acquisition (M&A) activity and the core influencing factors
- **Capital expenditure**: demonstrates the change in capital expenditure airport industry buyers or suppliers to provide a balanced future growth with capital returns
- **Leading business concerns**: identifies leading business concerns and the subsequent efforts to negate them
- **Procurement expenditure trends**: tracks the procurement budgets of buyer companies and forecasts the possible change in expenditure
- **Factors for supplier selection**: understands the critical factors that influence supplier selection

1.2 Definitions

- **Airport operators**: buyers for the global airport industry include airport operators and airport support services companies. Airport operators either directly operate an airport or work as airport contractor companies.
- **Airport support service**: engaged in system integration, ground support, and air traffic control activities.
- **Airport suppliers**: engaged in the provision of software, security, materials, and equipment, and in the operation of airlines and aircraft. Non-supplier industry observers, such as trade bodies and government organizations, are also included in this category.
- **Budget airlines or low-cost carriers (LCC)**: a low-cost carrier or low-cost airline, also known as a no-frills, discount, or budget carrier or airline, is an airline that generally has low fares and more economical services. To make up for revenue lost in decreased ticket prices, the airline may charge for extras such as food, priority boarding, seat allocation, and excess baggage.
INTRODUCTION

- **Hedging**: a financial tool denoting an investment position intended to offset potential losses that may be incurred by a companion investment. Possible vehicles for a hedge investment include stocks, exchange-traded funds (ETFs), insurance, forward contracts, swaps, options, and many types of over-the-counter and derivative products, and futures contracts.

- **Return on Investment (ROI)**: A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

- **Take off/ Go around (TOGA)**: Take off is the state of flight during which an aerospace vehicle moves from ground to flying position. A go around is the phase in which the aircraft flies in the pre-defined path when the landing is aborted due to some reason.

- **E-procurement (electronic procurement)**: business-to-business (B2B) buying and selling of services through the internet and other IT solutions, such as electronic data interchange (EDI) and enterprise resource planning (ERP).

- **Company turnover**: Companies with turnover of less than US$100 million are identified in the report as small companies. Companies with turnover between US$100 million–US$1 billion are referred to as medium-sized companies, and those with turnover of more than US$1 billion as large companies.

1.3 Methodology

1) **Online Survey**

The research source in this report is based on the surveyed opinions and forward-looking projections of highly engaged and senior industry professionals. ICD Research conducted an extensive online survey during December 2012 that was taken by 238 senior global industry buyers and suppliers including C-levels, directors, managers, and technical and professional staff.

These respondents are drawn from the ICD Research Industry Insight Panel, an exclusive industry panel covering over two million business professionals worldwide. Respondents represent a dedicated professional community where participants are surveyed ‘in context’, drawn from our industry magazine and media communities, including the readership of airport-technology.com and futureairport.com, and delegate relationships across our global industry conference and forum events. These business communities are made up of highly engaged, qualified professionals who rely on our flagship media brands in their respective markets, enabling ICD Research to access knowledgeable and informed industry opinion.

2) **Secondary Research**

Comprehensive international desk research was conducted across the following industry sources, with a focus on examining the themes, issues, and market trends currently affecting the industry, as well as discussing examples of the latest products within the industry to validate primary research observations.

- Industry associations
- International organizations
- Industry news websites
INTRODUCTION

3) Data Analysis and Report Writing

The results of this research have been analyzed and evaluated by ICD Research’s in-house industry-specific analysts. Our analysts’ research and analysis expertise, pedigree in marketing, market research, consulting background in their industry, and ongoing continuous education on leading macro-economic and industry news and events have shaped their analytical judgments and conclusions of the industry opinions gathered.

4) Quality Control

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Advanced data analysis and survey programming tools
- QC checklists
- Randomized spot checks on data integrity
- Senior Level QC
1.3.1 Revenue growth projections by region

Of all respondents, 66% from companies that operate in Asia-Pacific, and 70% from companies operating in the Rest of the World, are optimistic about revenue growth in 2013, as compared with 49% of respondents from companies operating in North America, and 44% from companies operating in Europe. This disparity is predominantly due to the fact that Asia-Pacific is considered an emerging hub for global economics, trade, and tourism activities, a factor that has encouraged the growth of global air travel within the region. Consequently, many airlines have expanded their routes and several new airlines have been established in order to offer diverse flight routes in this region, resulting in increased revenues for airports operating in the Asia-Pacific region. This is expected to continue in 2013, with new airport constructions and renovations expected to cater to the region’s increasing air travel volumes; for example, Narita International Airport Corporation, Japan plans to expand its capacity to 270,000 movements a year until March 2013, and further to 300,000 by early 2014.
International Passenger and Freight Flash Report of November 2012, passenger traffic at airports in the Middle East region registered a 10.1% annual growth during September 2012, and this trend is expected to continue in 2013; the council also reported that cargo volumes increased in the Middle East by 3.4% for the first nine months of 2012. Evidencing the future growth trend, in December 2012, ARINC announced its plans to expand its presence supporting airlines and airports in the Middle East, to take advantage of the projected growth expected in the region until 2020. ARINC announced that it is stepping up its presence at the New Doha International Airport, where the first phase of systems are scheduled to be ready to support customer operations in early 2013.

Furthermore, India also expects unprecedented growth in civil aviation, and, consequently, the Airports Authority of India (AAI) plans to increase the handling capacity in Indian airports to 280 million passengers and 3.4 million metric tons of cargo per annum by 2020, and the Indian government plans to invest US$110 billion in infrastructure development by 2020. Also, in October 2012, the Indian government announced that it plans to build 10-15 Greenfield airports and modernize 50 others in the non-metro cities over the next few years, and with the Indian government now permitting 100% FDI in Greenfield airports, the airports industry could demonstrate an increased growth to accommodate the growth in air traffic in 2013.

![Figure 30: Global Airport Industry - Demand in Emerging Markets by Airport Operators (%), 2013](image-url)

Which emerging markets do you expect to offer your industry the most growth in 2013–2014? (% all airport operator respondents)

Source: ICD Research Industry Survey 2013

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1.3.2 Planned change in procurement expenditure by buyer type

Although ‘market uncertainty’, ‘cost containment’, ‘responding to pricing pressure’, and ‘regulatory changes’ were identified as the leading business concerns by different groups of buyer respondents in section 5.1.1, these respondents have company-specific plans to increase procurement expenditure. Respondents also hope to benefit from the opportunities expected to arise as a result of market recovery.

On average, airport operator respondents expect to increase their procurement expenditure by 5.3% in 2013, while 61% plan to increase their procurement budget between 1% and 10%. With the gradual recovery of the global economy, many airport operator respondents plan to expand their facilities in order to cater to increasing demand; furthermore, to support the procurement plans of operators, government organizations and associated bodies also provide capital support through the allocation of funds for development activities at airports. For example, in its budgetary estimates for fiscal year 2013, the Federal Aviation Administration of the US has projected an expenditure of US$1.45 billion for the procurement and modernization of facilities and equipment. Additionally, as per the Scottish draft budget for 2013–2014, the government of Scotland plans to support Highlands and Islands Airports Limited (HIAL) by the allocation of US$64 million to manage its operations and resources. Similarly, in November 2012, the Brussels Airport Company announced plans to invest US$260 million for the development of its logistics infrastructure.

Respondents from airport support service companies expect, on average, to increase their total purchasing levels by 5% in 2013, and 56% of these respondents plan to increase their procurement budgets between 1% and 10%, while 20% expect no change in their procurement expenditure. Results show that 10% of respondents from airport support service companies expect to reduce their procurement budgets by up to 10% in 2013.