



CATÓLICA LISBON

SCHOOL OF BUSINESS & ECONOMICS

How can Portfolio attract people on airport retail environment?

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Abstract

Title: How can Portfolio attract people on airport retail environment?

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Being present on the airport retail environment forces companies to frame their strategies based on this industry particularities. Here there are very distinct characteristics from all the others retail environments such as, consumers' schedules and culture.

Portfolio is the largest retail space inside Lisbon's international airport restrict zone. With more than 400 m² this store offers consumers a selection of the best Portuguese products of all kind of industries.

The store used to be alone just in front of the *Lojas Francas de Portugal's* exit and it was one of the first stores that passengers saw after passing the airport's security point. On July 2013, with the opening of a new commercial area, international competitors surrounded Portfolio.

Besides new consumers passing by, the new commercial area was not giving Portfolio the expected revenues. It was time to define what was the next step to do. Two options were being taken into account, develop a communication strategy, complemented by store improvement or bet in impulse shopping in order to attract more passengers and increase the number of tickets.

Key-words: Airport Retail; Lisbon International Airport; Communication Strategy; Impulse Shopping



Resumo

Título: Como pode a Portfolio atrair mais consumidores no ambiente de retalho aeroportuário?

Autor: Joana dos Santos Ramos Tição

Estar presente no ambiente do retalho aeroportuários força as empresas a adaptar a sua estratégia com base nas particularidades desta indústria. Aqui existem características muito distintas, tais como os horários e a cultura dos consumidores.

A Portfolio é o maior espaço de retalho dentro da área restrita do Aeroporto Internacional de Lisboa. Com mais de 400 m² esta loja oferece uma seleção dos melhores produtos portugueses das mais variadas indústrias.

A loja costumava estar isolada em frente à saída das Lojas Francas de Portugal, sendo assim, uma das primeiras lojas que os consumidores viam após passar o ponto de segurança do aeroporto. Em Julho de 2013, com a abertura a nova zona comercial, a Portfolio ficou rodeada por concorrentes internacionais.

Para além de novos consumidores a passar pela loja, a nova área comercial não deu à Portfolio o lucro esperado. Estava na altura de definir o próximo passo. Havia duas opções a considerar, desenvolver uma estratégia de comunicação complementada por melhoramentos na loja ou apostar em compras por impulso, de modo a atrair mais passageiros e aumentar o número de tickets.

Palavras-Chave: Retalho Aeroportuário; Aeroporto Internacional de Lisboa, Estratégia de Comunicação; Compras por impulso

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The case study

Introduction

In the beginning of October 2013, after the analysis of Lisbon airport passengers' traffic, Dr. Carlos Gutierrez, *ANA Aeroportos* Retail Director, realized that it was time to do something. Portfolio was in Lisbon airport's central plaza, the route to the most important flights moving out of Lisbon, therefore, it would be an opportunity to attract more people to the store instead of just passing by.


Since the opening of Portfolio, on October 30th 2012, the store was almost isolated on the far side of Lisbon airport's international area, but there would be some changes since everything was getting ready for the opening of the airport's central plaza. This would bring a total makeover to the airport's retail area: new spaces, new brands, and new passengers fluxes would daily be present on Lisbon's international airport.

Three months had passed since the opening of the airport's central plaza in July. Lisbon airport improved its retail spaces and passengers fluxes. In addition to the new passengers that cross the commercial area, now the arriving passengers do not go directly to the luggage picking, since they also need to pass through the airport's central plaza when leaving the airport. Departures' pathway was also different, being the central plaza the first place passengers see after leaving the LFPs¹. Besides this improvement, the new number of passengers passing by was not showing on Portfolio's revenues.

Dr. Carlos Guitierres decided it was time to get the board together and draw a strategy to tackle this new opportunity. With the new changes, adaptation was a major necessity for the company.

Now all the arrivals and non-Schengen flights were passing by the store, with more than 16 million passengers in 2013. This was a huge opportunity for the company to grow and achieve the largest number of costumers possible.

¹ LFPs – Lojas Francas de Portugal, also known as duty free stores



Portfolio could not be left behind and let the competitors lead. It was time to change.

Portfolio

During the year 2010 due to the program “Flight 555” of *ANA Aeroportos*², the concept of *Loja de Portugal* emerged and in October 30th of 2012 the Portfolio store was inaugurated.

This concept arose after an intensive effort in marketing research with national and international benchmarking. It was evident for *ANA Aeroportos* (Exhibit 1) what consumers were looking for: an innovative shopping place that not only can differentiate itself, but also present strong elements that recall the tradition of the country. A store that could give foreign consumers good memories about Portugal showing the best products that the country has to offer.

After the proof of the project’s viability, *ANA Aeroportos*’ started to look for a partner with the know-how to develop and implement the concept. Following the analysis of several hypotheses, *AREAS* group (Exhibit 2) was the one for this challenge. Furthermore, *ANA Aeroportos* and *AREAS* already had several partnerships in airport retailing.

This time a partnership was made through the creation of a third company, *Feito de Portugal*, whose name is the translation of Portfolio’s signature, *Made of Portugal*. All branding, concept, architecture and store layout was developed by *ANA Aeroportos*. Property, and registration is in name of *ANA Aeroportos*, while *AREAS* stayed in charge of managing the brand.

The company’s vision is to contribute to spread “portugality” and Portuguese identity, by promoting companies and entrepreneurship of several Portuguese brands.

Portfolio is a store that reinvents Portugal in a way that it brings together tradition and innovation, offering in its portfolio a selection of the most relevant Portuguese brands in five different worlds, from food to fashion.

² Project “Flight 555”- Strategic Plan of *ANA Aeroportos* focus on implementations in five main airports, in five years with five key concepts



This store does not only sell products but also reaches their consumers with experiences and emotions with an environment that follows the concept of “Sense of Place”, offering its consumers products totally Portuguese, made and thought in Portuguese.

Portfolio’s brand is assent in one major pillar – “portugality”, and around this main value, the brand focuses on other four: quality, authenticity, originality and innovation. With the purpose of generate on its consumers emotions, nostalgia, proximity and memory.



Image 1- Portfolio store

Brand elements

The **name**, Portfolio, is a mix between “Port-“ (from Portugal) and “-folio” that can be translated in the diversity that the store has. So Portfolio is exactly a portfolio of the best brands that Portugal has to offer in the most relevant industries.

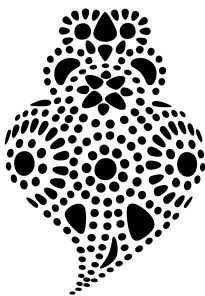



Image 2- Portfolio’s logo

Brand’s **signature** is *Made of Portugal*, this shows the essence of the company, which presents not only products made in Portugal but also brands with Portuguese know-how, though in Portugal, by Portuguese people.

The **logo**, a *Viana’s heart*, is sometimes incorporated in a symmetrical mood with all the company’s icons and on the mood’s centre is possible to see the logo.



All the brand elements were created exclusively for this brand, bringing Portuguese typical icons like the Portuguese guitar, the *Barcelos*' rooster or the wine grapes, together.

The **slogan** *Definitely, a Portuguese Store*, brings to memory a typical Portuguese fado's song *É, com certeza, uma casa portuguesa!* (Definitely, a Portuguese Home!), which correlates Portuguese tradition to the store, enhancing brand's positioning of being close and build warm feelings on its consumers.

The Portfolio store is located inside of Lisbon's international airport, on the central plaza, inside the airport's international area. This is the place where people cross when arriving and departing, so it is at the same time one of the first and the last contact people have with the country.

It all started with the creation of the brand, Portfolio as an umbrella brand, then it was defined that it would have five distinct worlds (Flavours; Fashion; Design; Handicraft; Culture). For each one, a selection of brands was made, in order to identify them and create credibility. For brands, Portfolio is a window to the world, helping them on their internationalization process.

Portfolio also wanted to be connected to art, music, and literature, since that not only do Portuguese products have a virtuous quality, but also the Portuguese culture is notable. For that, Portfolio chose two ambassadors, Henrique Sá Pessoa, a Portuguese cuisine chef and Cuca Roseta, a fado singer. These ambassadors also represent two areas where Portugal is known for, food and music, giving once more, credibility to the brand.

Store Layout

Portfolio's has an area of 400 m² and 21 m windows, divided in its five worlds:

- **Flavours**, as the most typical way to remember Portugal. This world as all the key gastronomy products from Portugal. Here can be found a coffee balcony belonging to a Portuguese coffee brand, Delta, where the consumers can taste coffee and the Portuguese typical custard cream tart.

- **Culture**, from books to CDs and DVDs of the most charismatic Portuguese figures, here is possible to find from *José Saramago* on the literature to *Mariza* on music;
- **Fashion**, following the international trends, the brands give a Portuguese soul to their clothes;
- **Design**, with the more innovative brands of design, maintaining the Portuguese identity;
- **Handicraft**, where it is possible to find typical handicraft pieces of Portugal, such as Santo António statues and Barcelos's cocks but with an innovative touch that can be found on the hands of new artisans.

“Portfolio Selection”

Besides all the main Portuguese brands presented inside the store, Portfolio created its own brand, *Portfolio Selection*. This brand offers a diversification of Portuguese souvenirs, from plates and key holders to a selection of olive oils and jams.

This brand uses the Portfolio’s identity, by incorporating on its products, the mood and icons that characterize Portugal and Portfolio.




Image 3- Portfolio Selection’s Products

Airport Industry

The Airport industry is growing since the early days of its creation. Globalization is the key reason for this, since the global economy leads to global companies, and so, global families. All together, these factors contribute a massive need of travelling.

Emerging countries³ were contributing for an exponential growth on the number of passengers since 2003 (Exhibit 3), achieving a total of more than 280 million passengers on April 2013. Advanced Economies, although in a slower proportion, were also part of this growth achieving almost 120 million passengers in 2011 (ACI 2013).

³ Consider as emerging countries outside Europe and North America



Airports' revenues are divided between aeronautical and non-aeronautical sources. The aeronautical ones come mostly from passengers' charges, 38% and landing charges, 23% (Exhibit 4). The remaining income belongs to order taxes and fees paid, such as cargo, security charges or handling (ACI 2013).

Non-aeronautical revenues can be found coming from seven different sources, globally the largest source of income is retail concessions with 29% of total income followed by Property and Real State income with 20% (Exhibit 5) (ACI 2013).

Airport Retail Industry

Traditionally, Duty-free stores, where consumers buy due to low prices and exclusive products, characterize airport retail industry. On this industry there are three big categories that stand out from the others for selling the most since its existence. These categories are, Perfume & Cosmetics, Alcohol and Tabaco.

Nowadays these three categories continue on top of revenues, yet, the scenario is changing; Tabaco and Alcohol are becoming less important, whereas Clothes and Accessories are clamming to the top.

During the last years this industry has been growing quickly due to airports strategy of gaining revenues from non-aeronautical transactions, from 2008 to 2014 there was an increase of 14% (Vincent Bamberger 2009).

Retailers had already realized that industry's success was no longer by reproducing Duty-free stores but bet on new store formats focused on brand experience and offer costumers the most appropriate mix of products and services, based on their needs (Vincent Bamberger 2009).

In Europe, airport retailing as following the global trends, contributing for 14% of the total airports revenues in 2011 with an increase of 11% since 2008.

Airport Retail industry in Portugal

In Portugal, there are eight airports owned by *ANA* Group. These airports are located in continental Portugal (Lisbon, Oporto, Faro and Beja) and Autonomous Regions (Ponta Delgada, Horta, Santa Maria and Flores).

Retail is also the main business in non-aeronautical services in Portugal, followed by Real State, Parking, Rent a car and Advertising, respectively (ANA Aeroportos de Portugal 2012). Beja's airport is different from the others once there is still no retail activity and the main source of revenue is Real State.

There are a total of 300 retail spaces in Portuguese airports within an area of 30.200 m². Revenues have increased from 37 million euros in 2006 to more than 50 million euros in 2013, which represents more than 15% of company's revenues and a AAGR⁴ of 6,2%. In Portugal's airports, consumers have a mean ticket of 9,45€, which means that passengers spend, on average, almost 10€ on retailing when in an airport (ANA Aeroportos de Portugal 2012).

Lisbon International Airport

Lisbon's airport is the most important and international airport in Portugal. Divided among departures, arrivals and traffic, it welcomes more than 16 million passengers every year coming from more than ninety different destinations, being the top ten countries: Portugal, France, Spain, Brazil, Germany, United Kingdom, Italy, Switzerland and Netherlands. Most of these destinations are led by *TAP*, the largest Portuguese air company, with 59% of market share in transported passengers, followed by Easyjet with 10%. Remaining companies have market shares lower than 3% (INAC 2013).

⁴ Annual Average Growth

Evolution of Passengers and Destinations in Lisbon's international Airport

In the beginning of the 90's, Lisbon's international airport received around 5 million passengers. During this decade the number of people passing by the airport increased plenty, almost two fold. On 2003 the number of passengers achieved the ten million (INAC 2010). Passenger's boom occurred in 1998 due to "Expo 98"⁵ when the annual growth index was 17% (INAC 2010), being one of the biggest events that placed Lisbon in the route of tourists.

In 1990, Funchal was the destination with the largest passengers share (10,32%), followed by London, Paris, Oporto and Madrid with shares of 9,10%, 7,14%, 7,05% and 6,29%, respectively (INAC 2010). It was clear that Lisbon was not an international destination. During the 90's the figure started to change, domestic flights became less important and international destinations became more relevant. In 2000, Funchal had already passed for 4th place being London, Paris and Madrid the top three routes from Lisbon's international airport with shares of 9,36%, 9,11% and 8,38% respectively (INAC 2010).

The 00's did not bring new destinations to the Lisbon's international airport top routes, but changed the leader from London to Paris. Domestic routes decreased their importance. Funchal had now a share of 6,83% and Oporto 3,30% (INAC 2010).

Nowadays the picture is extremely different. On regular flights Madrid (1.173.256 passengers), Funchal (811.208 passengers) and Paris (647.273 passengers) are the still the leading routes. But now Brazil is the fourth route chosen, with a total of 692.517 passengers from three different airports, São Paulo, Rio de Janeiro and Fortaleza (INAC 2012).

In other hand, non-regular flights are leaded by touristic destinations to Central America, having Mexico with 45.791 passengers and Dominican Republic with 42.782. Africa is also one of the most important destinations, with 17.414 passengers to Cabo Verde (INAC 2012).

⁵ International Exhibition of Lisbon of 1998, with the theme "The Oceans", appended in Lisbon between May and September.



Evolution of Retail Spaces in Lisbon's International Airport

Lisbon airport have been facing an expansion for the last years:

- In 2007 there was the opening of Terminal 2 enlarged the retail area of the airport and allowed to receive more destinations and low-cost companies.
- One year later, the airport received a facelift on its food court becoming more consumer-friendly.
- In 2009 new brands and concepts emerged due the opening of the North Pier.
- The last change in the airport was the grand opening of the airside central plaza that gave more and new offers to the consumers that pass through this area.


In Lisbon's international airport, retail occupations are divided in five duty free, 65 specialized store and twenty restaurants with a total of 11.800 m².

Airport competitive environment

Airports retail is a completely unique environment. Here consumers are outside their comfort zone and a variety of feeling emerging inside them, such as stress, nervousness and enthusiasm.

Developing a business inside an airport is extremely different than build a business on the streets of Lisbon. On the airport it is not possible to run a 9 a.m. to 7 p.m. store. Consumers are constantly coming and going and have all kind of needs. It is possible to adapt your offer to the target, but here different people are from different cultures, ages and have different needs, all at the same time.

Another different aspect of being an airport retailer is that when shopping on airport, price is not a priority for people, consumers expect high prices and because of their lack of time they do not compare prices, so they do not mind to spend more 50% to 100% on an product than they are used to. Passengers see airport retail, such as stores and restaurants, as a premium service and consumers know that high quality services have premium prices associated. So, when entering on airport's international area, consumers expect to have a service suitable to



their needs for that moment, fast and efficient. For instance, a bottle of water, that normally cost around 1€, inside the airport the price goes until 3 €.

Airport's international area is a restrict area⁶, which means that Portfolio cannot choose the potential consumers and attract them through traditional channels such as media, once that only travellers can access the store.

Time to shop

On the most international airport of Portugal, hours are no longer the ones set by watches. People are always coming and leaving from the most various destinations. It could be natural to look for a dinner at 8 a.m. or breakfast at 4 a.m.

Airport consumption is influenced by Dwell time⁷. It is proved, by *ANA Aeroportos* studies, that when this time is less than 45 minutes, stress becomes a major player in consumers' decisions. Passengers get focused on finding their boarding gate on time and, all desires to consume disappear. When dwell time is less than 45 minutes consumers have less than 15 minutes to shop when arriving to the international area, once boarding information appears 30 minutes before boarding and, when it shows up, travellers go straight to the gate. To face this short dwell times, *ANA Aeroportos* is improving the x-ray and searching procedures. One hour of dwell time already allows the consumer to spend time shopping once that boarding information is shown half an hour before the boarding and so it gives him thirty minutes inside the airport (Exhibit 6).

When talking about transfer passengers their time to shop is longer, with a mean of three hours waiting for the next flight. This average time is not enough to exit the airport and visit the city therefore, consumers will stay inside airports restrict area, which increases the probability to shop.

⁶ Restrict Area is an airport zone where only passengers, crew and staff can pass. Also called as airside, is delimited by control post where people need to be searched by airport security beforehand.

⁷ Dwell time is the time that consumers take from the control point until the boarding gate

Customers Lock-in

When arriving to an airport's international area, consumers are locked in it. After passing security, consumers cannot turn back. This forces consumers to stay surrounded by brands that offer their products and so, people become more predisposed to buy, since the airport is the last chance to get a product in that country. This leads to last minute shopping that could be for several reasons:

- **Souvenir:** This is the most common reason for last minute shopping. In one hand tourists want to save money and in other they want to offer memories of their trips and know that they can find all kind of souvenirs on the airport.
- **Opportunity:** Passengers going to non-Schengen destinations can benefit from lower prices on duty-free store, so people wait until the airport to purchase in some categories such as tobacco and alcohol
- **Expend last bills:** When exit a country with a different currency people normally have a large amount of money in cash and use airport retail to expend the leftovers in order to not keep them.


Regarding food products, usually people need to leave them before security due international regulations that do not allow products such as liquids or open organic products. With these restrictions, impulse buy is a fundamental strategy for retailers on airports because people want to eat and do not have any food with them.

Ana Paula Silva commented:

“Most of passengers are not aware of what products are allowed to enter on international area and so, they opt to leave everything behind in order to reduce stress and waste time on the x-ray. This is a huge opportunity for us to offer all the products that they want and to create awareness about our brand, so they know that even if they do not bring food with them they have it available as soon as they pass the x-ray”


Consumers' profile

On airport's retail business, segmentation is a sensitive topic since consumers are all different, have different ages, come from different places, have different cultural identifications and have different needs. For instance, outside an airport, retailers choose their location based on where the target market is, and consumers go to those stores with a specific



need. According to *ANA Aeroportos*, seven different segments can be found in airport retail by consumption patterns:

- **Shopaholic:** Represent 16% of total travellers in Lisbon's airport. This kind of consumer has pleasure in shopping. 67,2% of this segment shops inside the airport and those who do spend on average 44,6 €. Most of them are in traffic (55%), and the ones that are not arrived at the airport several hours before the flight. This segment does not look at prices and is sensitive to service.
- **Fans:** 20,3% of all shoppers. About 70% of this segment shopped on airport spending an average of 25,8 €. This people are influenced by promotions and benefit. They do not travel on low-cost companies and their destinations are non-Schengen countries. Most of these travellers are in Lisbon in traffic. They are sensitive to brands and go to stores to spend their time. A good mix of restaurants and stores satisfies this segment.
- **Pure convenience:** With a 13,8% of the total travellers, this segment reacts by impulse and shop due to convenience. 78% of this passengers shop with an average of 20,4€ spent on each trip. This segment is very sensitive to store locations and become satisfied with convenience offers.
- **Minimalists:** Passengers that travel alone with all kind of destinations characterize this segment. Most of them travel for business and 70% of them shop at the airport. Their average ticket is 14,1 € on commodities like newspapers and food. This type of travellers is not very shop oriented and their motivations are about satisfying their basic needs.
- **Controllers:** This is the small segment, with 5,5% of the total travellers. Low cost flights are the most used type of trip. The average ticket is 8,5 € and 69% of this segment shops inside the airport. Sensitive to price, only buys if they really need to.
- **Value seekers:** Represent 6,3% of total passengers, on average this segment spends 18,5€ each time that travels through Lisbon's airport. Usually traveling for leisure or to visit family. They search for opportunities, normally shop before going to the airport. This segment is very price sensitive.
- **Unlikely shopper:** Low cost travellers, travel for leisure and represent 13,7% of the total amount. Just half of this people buy on the airport and their motivation to buy is impulse. With an average of 7 €, they do not like to buy on airport.



Another marketing limitation that airport retail imposes is the difficulty to create loyalty among consumers, since they usually do not come back very often. Ana Franco, Marketing director of *AREAS Portugal*, commented:

“Or you are an international well-known brand and people go there for safety or you need to create loyalty with your products. So the loyalty created is through the products that company sells in a way that travellers are looking for typical products of that country. In the Portuguese case, consumers are loyal to custard cream tart, so we have the best custard cream tart, winner of several awards”

So, the loyalty created need to be through the products sold inside stores. Brands need to adapt to this and have available traditional products from Portugal with visible quality stamps that differentiated them from the competition.


Communication and promotion are two other relevant topics on airport’s retail environment. On Lisbon’s airport, the communication space concession belongs to *JC Decaux* and the price per spot is higher than on the city. Due to international zone restrictions, promotion is also a hard topic to develop: all objects that enter on the airport international zone need to pass on x-ray, so the objects’ size is also limited. Besides that several other objects, like cameras, need special authorizations to enter on international area. And, because people are not free to enter there, periodical access cards are required. This enlarges costs and makes promotions a hard task to develop on airport.

Managing Airport Retail

With the differences seen on consumers, management also needs to be different.

Usually airport retail stores exist through a concession given by *ANA Aeroportos*. They define which spaces are available for retail and give the concession during a certain number of years, contractually defined, to the best project presented on a contest.

On this industry, know how consumers behave is the most relevant key success factor, so retailers are organized in large international groups. Opposite to traditional retail, here the retailer groups are not specialized in some area or brand. Retailers are specialized in airport



retail and so a group can own a food corner at the same time it owns a Starbucks or a Divers store.

International presence is also very important for retailers. Being present in the largest airports in the world gives companies the know-how necessary to follow up the trends in the market and to give the passengers innovative and unique experiences.

The New Central Plaza

On July 17th, 2013, the central plaza was born (exhibit 7). Portfolio was no longer alone in front of the LFP store. A new area was now open. Portfolio became a mandatory passing place for most of the destinations.


Following *ANA Aeroportos* strategy to increase Lisbon airport's capabilities to receive more passengers a new commercial plaza was created in order to reinforce the existent commercial offer. This brought to the airport new international brands and with it new competition to the Portfolio store.

On the new central plaza two new players entered the food competition: Starbucks, known all over the world for its famous coffee drinks; and Hediard, a French bakery that brings classy and exquisite to pastry. This had a large impact on Portfolio's food sales, which started to decrease.

Several international brands were implemented in this new retail area. Here emerged the first Victoria Secrets in Portugal. Other brands such as Fnac, in electronics, Imaginarium in toys, Pandora, Swarovski and Accessorize in accessories and Desigual and Springfield in fashion were now the new international competition for this national brand.

New destinations - new consumers


Since the creation of the plaza, twelve new routes and nineteen new airlines on existing routes were added to Lisbon international airport. Of these new routes, the major part is



coming from emerging countries, which brings to brands new opportunities. Emerging countries bring new types of consumers, with higher incomes and with predisposition to buy and spend money. These new consumers are curious about buying the best and most traditional products from Portugal.

There are four distinct reasons for people to pass by the new central plaza:

- **Departures:** Here two different types of passengers that want to leave the country can be found: Portuguese and foreigners. It is important to distinguish these two groups since they have different reasons to buy on Lisbon international airport. This Portuguese people want to take memories for them or to share with others on their destinations, so they look for high quality products that they already know to take the best of their country. In other hand, foreign want to take the experience that they have lived in Portugal to save as memory or to share with other people. Foreigners do not usually know the Portuguese brands and most of the times do not know how to choose a high quality product, so it is important to offer the best products in order for them to have the best that Portugal has in order to spread our country around the world.
- **Arrivals:** These are the most difficult people to attract since they were inside an airplane for a long time and they want to leave as quickly as possible. Portuguese are getting back home and they know exactly where to buy whatever they need outside the airport and frequently do not want to stop. Foreigners are just receiving their first contact with the country and they want to rest from the flight, leaving shopping for outside the airport or on their way back.
- **Transfer:** This is the most attractive group for retailers. When on traffic, people stay inside the international area for several hours without the option of leaving the airport. With this free time and having nothing else to do, this passengers visit every stores on the airport and have time to look for products, without the rush of the other two groups. In some cases this is the only contact that people have with Portugal and so they use this opportunity to experience the country inside the airport by trying typical food and buy traditional products.

- 
- **Staff:** There are around 1500 people as staff on Lisbon's international airport. This is a unique group because staff knows exactly what products they can find inside the airport. On this group, buys are made for: convenience, due to the large schedules and late hours (sometimes the airport is the only place having stores open), and also due to the distance of everything else (since staff need to stay inside the airport); opportunity, since they have access to all the airport's promotion and sometimes there are also exclusive promotions for them.

With all of this new kind of consumption that central plaza brings to Portfolio it became essential to adapt its strategy in order to attract passengers to consume instead of just passing by.

Competitors


Traditionally a competitor can be translated as a company that sells similar products and can satisfy the same need as other company. The competition for this kind of store should be stores inside the airport with similar products. However, Lisbon's airport has circulation fluxes that differ according to passengers' destinations so, the Portfolio's main competitors are the different stores that travellers pass when doing a flux, where Portfolio is included (exhibit 8), and as indirect competition all the other brands inside the airport, which passengers can still access.

Competitors segmentation

Concerning the opening of the new central plaza and Portfolio's mix of products, competition can be divided in two different categories (exhibit 9):

- **Food:** In a place like an airport the food offer is very wide and so is the number of competitors of Portfolio. It is possible to find global brands such McDonald's, Harrods café, Starbucks and others.

All of the competitors have in their product range coffee and custard cream tart, as these are the most typical and known Portuguese products, they are "a must have" products inside Lisbon's airport.



Taking into account Portfolio's location and consequently the flux, there are two main competitors to consider: Starbucks and Hediard

- **Non-food:** Considering Portfolio's worlds, that show a very diversified product lines, this brand is competing with almost every airport's retailers. Fnac in books and CDs, Imaginarium in toys, Adolfo Dominguez in clothes and all the souvenir shops. Regarding the passengers, fluxes can be consider as portfolio's competitors Imaginarium; Swatch; Fnac; Lacoste; Pandora; Vitoria Secrets; Springfield; Swarovski; Womans Secrets; Geox; L'Occitane; Desigual; Accessorize; Sunglass Hut

Attracting People

With the new central plaza it was clear that Portfolio needed to adapt its strategy in order to adjust the new demand. Ana Franco commented:

“Now we need to fight, we are no longer alone and we are no longer the last place people see when leaving Portugal. We are also the first store, and first impressions are the one that last. Therefore our goal is to show people how good and competitive Portugal is by offering them the best Portuguese product. ”

After summer *ANA Aeroportos* received passengers and sales reports. After a quick look of this data Dr. Carlos Gutierrez called Portfolio steering committee to define a new strategy. There were now new competitors and new consumers. Portfolio needed to make this an opportunity instead of being beaten by its competition.

Portfolio's steering committee consisted of four people from *Feito de Portugal*: two from *ANA Aeroportos*, Dr. Carlos Guitierres and Ana Paula Silva and two people from *Areas Portugal*, Ana Franco and Sergio Rodriguez.

The meeting was scheduled for the 1st of October. After the entire committee analysed the data, it was clear that something needed to be done. They needed to find a way to face the new airport's situation.

The main objectives with these changes were:

- Increase the average ticket in 5% until 2015
- Increase the number of people entering the store in 20% until 2015
- Create brand awareness on frequent flyers

In 2012, Portfolio had a number of tickets larger than 160.000 with an average buy of 20 € and an average margin of 60%. In order to achieve these goals, two options came up, each one of them with associated costs (exhibit 10).

Communication & Store Improvements

Now that Portfolio is no longer alone at the central plaza, it needs to attract people and stimulate willingness to enter the store. In order to do that Ana Paula Silva proposed the development of a communication campaign along with several in-store improvements that would make consumers more interested on the store


This campaign had several communication pieces that would make a connection with the brand before people saw the store and once inside it.

Outside the store: It would be used mupis in strategic points of the airport and floor communication with vinyl arrows unto the store entrance. The mupis implementation would attract 10% of passengers inside the store and from those 10%, 5% would buy.

Inside store: All of the high margin products would have information boards on them explaining its history and with information about them. A cultural area on the front store dedicated to performers and exhibitions would also be developed.

The communication campaign needed to be continuous due to loyalty limitations. With this option comes also the dwell time issue people with people arriving with less than 45 minutes, communication efforts would be totally unnecessary.

Changes inside the store should pass through an improvement of shopping experience by using tools to increase purchase intentions. Here the key should be sensorial marketing, in one way to raise feelings on consumers and in other to create differentiation among competitors. Products need to be out of their packages, giving consumers the opportunity to



touch it and understand how they really feel. Aligned to this, several workshops and product tasting were needed to be implemented in order to be closer to consumers and so they could have an unique experience.

Also using sensorial marketing, smell points would be installed with typical Portuguese fragrances such as custard cream tart and on Christmas, king's cake. This would create warm feelings and wiliness to buy.

Impulse shopping

Since impulse shopping is one of the biggest motivations to buy inside an airport, changing the coffee balcony located inside of the store to the front store and enlarge its product range, was another option.

The existent balcony had for in-store consumption, espresso coffee and custard cream tart, with an average margin of 80%. This change would present several new products entering due to the necessity of covering new functions such as breakfast and snacks, therefore Portfolio's committee expects to attract 5% of the total passengers thanks to the privileged location of the store. By doing this, people would stop in front of the store to grab a coffee or a bottle of water, and because of that enter inside the store to buy some other product. Unlike this, two problems might arise:

- The average ticket of a coffee balcony is approximately five fold smaller than the average ticket on the rest of the store (4,25 €);
- People can stop on the balcony and not enter inside the store.

Impulse shopping revenues needed to be high enough not only to maintain the total store average ticket but also to increase it, since now the number of potential consumers will increase brutally.



Conclusions

After the steering committee reunion both hypotheses were studied in different perspectives in order to see which one was the most viable one.

So it was necessary to choose between communication and impulse buying. It was time to see the pros and cons of both ways. Should Portfolio invest in communication? Would the revenues achieved cover the investment? Should they bet on impulse shopping? Would the number of clients increase without doubt, and would it be enough to compensate the loss on average ticket?

There were a lot of open questions but the decision needed to be fast, competitors are gaining importance and stealing consumers, soon portfolio would not be strong enough to be on Lisbon's international airport central plaza.

Literature Review

Customer Lock-in

In marketing it can be said that costumers lock-in occurs when a consumer is reliant on a retailer for products and services in a way that, change to another retailer becomes impossible or has extremely high costs related (Kevin Xiaoguo Zhu 2011).

In order to lock consumers to companies there are seven types of strategies (Singh 2000):

- **Contractual commitments:** This type of strategies makes it very difficult to break the contract between the company and the consumer
- **Durable purchases:** On this strategy consumers become lock-in, as they are not going to repurchase the same item for a long time
- **Product-specific training:** Software's are a great example of this type of strategies, because when a product require a high training to use it consumers do not want to change and to learn all over again

- **Information and databases:** Just like the previous strategy, when a product requires a lot of personal and specific information, consumers do not want to change and to give it all over again
- **Specialized suppliers:** This is a strategy that can be find majorly on B2B consumers with relationships that stay strong during times
- **Search costs:** This strategy tends to disappear with the internet usage, in the past people spent a lot of time and money going from place to place to search about products, and now its easier to look for everything online
- **Loyalty programs:** Being an increasing trend, loyalty programmes are the lock-in that consumers prefer and most of the time they are the ones looking for it.

From a customer point of view, literature says that a lock-in hurts more than benefits and so is social undesirable. (Kevin Xiaoguo Zhu 2011)

Impulse Shopping

Impulsive shopping is a spontaneous behavior that happens when a consumer makes a purchase with no plan or intention to. (Marco Hubert and Mirja Hubert 2013)

The factors that influence impulse shopping can be (Muhammad Tariq Khan 2014):

- **External Stimuli**, such as promotion and in-store communication
- **Internal Perceptions**, like emotions, personality or lifestyle
- **Buying Behaviour**, prices, payment methods and time of purchase
- **Demographics**, age, gender, income

On food consumption, impulse buy is connected with the primary need of hunger, when people feel this need their main objective is to satisfy it and so they buy products that can satisfy that need fast. (Li Miao 2013)

Lastly, Impulse buy is in some ways connected with emotions, and when people have emotional needs tend to loose control easily, even more than when having primary needs (Li Miao 2013). On airport, people, normally experience several emotional needs, which leads



them to loose control and to buy for impulse.

Airport Retail

Willingness to buy can be influenced by several factors such, fast processes, on check-in and security, or environment. So airports need to develop systems and facilities in order to increase their retail revenues. (Madeira 2011)

Shopping, bank facilities and restaurants are three of the most important factors on the airport retail that contribute to passengers' satisfaction. (Exhibit 11) (Madeira 2011)

One of the main trends in airport retail, and on retail overall, is showrooms, and brands use them on airports to allow consumers to know the brands and test them. (BELARDINI 2013)


Teaching Note

Case Synopsis

In the end of 2011, *ANA Airports* planned a project for the largest retail space inside Lisbon's international airport, this had to be a store based on Portuguese products.

After analysing several possibilities *ANA Aeroportos* chose *AREAS Portugal project*, and the two companies created Portfolio.

Portfolio was inaugurated in October 2012 inside Lisbon's international airport restricted zone. The store was located just in front of LFP store exit, being one of the first stores that passengers saw when entering the airport restrict area. The store is divided in five worlds (Flavours; Design; Handicraft; Fashion; Culture) represented by the best Portuguese brands.



The airport retail is a unique retail environment. On the airport there are consumers leaving and arriving constantly with all kind of needs. To attract them, companies need to define their strategy according to a multi-cultural and multi-need customer.

During the first year, Portfolio was growing and profits were getting positive. In July 2013 the airports central plaza, a new space of retail, was created. While this new area, located just next to portfolio, gave more visibility to the store, with all the passengers' fluxes passing there. It also brought new threats due to the opening of sixteen new stores, most of them international brands.

The opening of the new central plaza, contributed to the decline of Portfolio's revenues due to the new competition. Portfolio steering committee, composed by Dr. Carlos Gutierrez; Sergio Rodriguez; Ana Franco and Ana Paula Silva, needed to define a new strategy in order to solve this setback. To do that they came up with two solutions: (1) Develop a communication plan and implement store improvements in order to attract more consumers and improve store environment. (2) Bring the coffee balcony to the front store in order to have a point of impulse shopping to attract consumers.

Teaching Objectives

- Recognize how location can be crucial to define your marketing strategy
- Comprehend how to align the 4'Ps of marketing mix on different environments
- Define strategies for consumers that are unlikely to buy on airports
- Managing the competition using available marketing tools
- Understand consumers lock-in and how consumers behave when facing lock-in in several industries
- Know the importance of impulse shopping on airports and know how to use it



Teaching plan

Target

This case main focus is in airport retail, approaching consumer's experience on this environment, consumer lock-in and impulse shopping topics.

This case should be used on a class-based analysis by Marketing or Management Bachelors and Master degrees in courses such as Marketing, Marketing Management, Strategic Marketing Retailing, Brand Management and Consumer Behaviour.

Assignment & Class Plan

Assignment:

- Individually: The students should start by reading the case at home and answering the questions, in order to prepare it. This should be done in two days.
- Group: The students should read the case and prepare a presentation for class of the answers to the questions proposed. This should be done in one week.

Class Plan:


- Individually: After preparing the case, the professor should make an introduction followed by the discussion of the questions' answered by the students, with the help of the professor.
- Group: The groups should present their answers to the questions followed by a class discussion to understand every perspective and point of view.

Assignment Questions & Resolution

1. Characterize the main differences on airport retail compared to traditional types of Retail

There are three main differences on airports retail: Time, lock-in and consumers profile.

- Time: Stores are not only opened from 9 a.m. to 7 p.m. as there are consumers coming and going all day. Store opening hours are superior and so require a higher



number of workers, in shifts. There are people coming from all around the world and so while some people are looking for dinner, others are looking for breakfast.

- Lock-in: When people enter on the airports restrict area they cannot leave, so they are locked inside. After passing the x-ray people see on the airports retailers the last chance to shop, taste Portuguese food, buy souvenirs, spend the last euros or grab some great deals.
- Consumers: Consumers are very different and have different needs. According to *ANA Aeroportos* there are seven distinct types of consumers. Here, segmentation is made by consumption on an airport. Loyalty is also very difficult to establish since only a minority of the travellers are frequent flyers. There are two ways of attracting people. By product identification: consumers look for the best traditional products from that country. By brand recognition: consumers recognize international brands and choose them for safety.

2. What are the implications of these differences when defining a marketing strategy?

Traditional strategies may not work on airport environment. The marketing-mix needs to be shaped accordingly to international consumers.

Product:


- Product range needs to be adequate to international consumers, people are not coming back, so its important to have products with high margins
- Impulse products are the key to attract consumers that do not have time to waste.

Price:

- Inside the airport people expect premium services, and so higher prices than outside, but always aligned with the closer competitors
- Consumers are also less able to perform price comparison due to their lack of time

Placement

- Its important to be visible to most consumers, and so, be present in airport main fluxes of passengers

- 
- The first stores that consumers see are the ones where they buy the first, when arriving to the last ones they have no time left to spend inside stores

Promotion:

- There are groups of passengers who are very sensitive to opportunities and good deals, so it is important to have constant promotions
- Traditional communication such as media is not effective, due to stores not being available to everybody, as their location is inside the airports restricted area
- Loyalty strategies do not work, so this powerful tool cannot be used.

3. How can customer lock-in influence consumers' decisions? How can it be applied in other industries?

Consumers tend to avoid lock-in, but often these situations are impossible to avoid, and when forced to lock-in, consumers try to acquire the one that is less harmful to them.


On airport retail, lock-in is impossible to avoid, because consumers are stuck inside the airport before taking a flight, consumers can opt to not make purchases in order to try to avoid it. (Kevin Xiaoguo Zhu 2011)

The most common industries with lock-in are (other examples can be given):

- Telecommunication: when companies offer several packages with benefits inside the company. For instance free calls for all the numbers in the same operator
- Supermarkets: supermarkets use loyalty programmes as a lock-in situation. Giving consumers several advantages if they enrol on their loyalty programs, consumers feel forced to shop at those stores in order to get more benefits.

4. Why is impulse shopping important on airport's retail environment? Give advantages and disadvantages of this type of strategy.

Inside airport's restrict area consumers are stressed and with the perception of having little time left to shop. So they tend to buy on impulse because do not want to spend time looking for products and comparing prices.



Due to these facts, all airports retailers should bet on this kind of products to include on their portfolio.

Advantages:

- Attract consumers and so Increase the number of clients
- Potentiate sells on high margin products
- Attract consumers that usually do not shop

Disadvantages:

- Decrease average ticket
- Consumers can buy impulse products but not look at the rest of the store
- Impulse products usually have lower prices


5. What strategy could portfolio define to attract unlikely shoppers? Is this a good segment to go forward? Why/ why not?

The strategy should focus on the following aspects:

- Bet on impulse shopping, because this are the kind of products bought by this segment
- Have in-store promotions, due to the predisposition of this segment to get good deals and opportunities
- Have low-price products, as one of the reasons for this segment not to buy is they do not have a lot of money to spend on trips.

Students should answer that this is a good segment to go forward, as it is an increasing segment and in some ways it captures different segments and expands brand's portfolio. With this adaptations portfolio could also achieve more of the middle segments by enlarge their average ticket, for instance, consumers that only buy one product, now could buy more from the lower price ones.

They can also answer no, with the following justification: This is not a good segment to go forward because they will lower the average ticket and it is possible the changes needed to



attract them will also attract other segments, and so cannibalize high prices products and decrease revenues.

6.a. What would you do if you were in the steering committee? Why did you choose that option?

Communication:

- Easier to implement, this option has lower costs and does not need time to implement or works in store.
- Store becomes more visible: This option allows to consumers that usually, due their flux, do not pass by Portfolio, know about the store and have the opportunity to go there and buy
- The new costumers will expend the same amount as the old ones
- Will create curiosity around the brand
- Will create brand awareness for future trips to Portugal

Impulse shopping:

- New needs to attract different people: now consumers will stop at the store when needing to eat
- Will attract an enormous number of people
- Will face the new competition present in the central plaza
- Will increase the number of tickets of the Portfolio

6.b. Quantify your answer

Communication & store improvements

- Budget: 310.000€
- Investment mupis $300.000€ = 25.000€$ (cost of 120 faces)/ 4 (number of faces wanted)*48 (number of weeks per year)
- Store improvements: 10.000€
- OTS - $2,5 \times 16.000.000 = 40.000.000$
- From the 16 M that saw the ad → 10% are when to the store (potential buyers) → 5% of the potential buyers made a purchase: 80.000 new tickets
- Number of current tickets 160.000
- Number of New tickets 80.000
- Average Margin 60%

- Average Ticket 20€
- Average Margin in Euros 12€
- $12 \times 80\,000 = 960\,000\text{€}$
- Investment Recovery Period = 4 months

Impulse shopping:

- Investment 20.000 € (Price of changing location of the coffee balcony)
- 16M passengers → 5% buy in portfolio buy impulse = 800 000
- Average Ticket of balcony = 4,25€
- Average Margin 80%
- Average Margin in Euros 3,4€
- Profits: $800\,000 \times 3,4 = 2,720\text{ M}$
- Investment Recovery Period = Aprox. 2 days

Impulse buy is a better option

It will be not a better option if:


- The ticket number is less than 282 352, which means attract only 1,7% of passengers.
- Recovery time would still be small, but long term profits would be smaller as well.

Exhibits

Exhibit 1 – ANA Aeroportos

ANA Aeroportos de Portugal, is the Portuguese company responsible for managing Airports in the entire Portuguese territory that belongs to ANA Group. ANA's business passes through: aviation, managing passengers, aircraft traffic and load infrastructures; non-aviation, managing retail and all the infrastructures belonging to the airports; services like handling and airport safety. *ANA Aeroportos de Portugal* owned by ANA Group focus on operating through concessionaires the airports public services. (Grupo ANA s.d.)

ANA Aeroportos appears in the late 80's due to a large economical expansion that emerge in an aero traffic boom. Also during these years you start to see a growth on non-airport activities such as free-shops, rent-a-car and parking. Along the years *ANA Aeroportos* has been evolving, focusing on being competitive the company has decentralized their business areas and investing on the development of infrastructures and service provide (Sobre ANA s.d.).



On 2013, *ANA Aeroportos* finished the process of privatization, being now part of the international group *VINCI airports*. On the same years, retail, represented 93% of the non-aviation business and (Sobre ANA s.d.) the non-aviation, 25% of the total business volume (Anual Report 2013).

Exhibit 2 – AREAS Portugal

AREAS is a Spanish group created in 1968. Leader in food and beverage services and travel retail with more than 1260 outlets around the world (Areas - About us s.d.).

As a traveling people-focused company, *AREAS* has outlets placed in three major markets: airports, that in 2013 represented 54,4% of the company's turnover; highways and freeways, with 30,2% of the turnover; and others such as service plazas, train stations, shopping centres, exhibition venues and central city locations, that give the company 15,4% of turnover (Areas - Markets s.d.). The company as three main business lines: Food & Beverage, Retail and Hotels. They also provide services such as catering and nobags (Areas - Food - Bavarage s.d.).

With revenues of 650 million € in 2013 (Anual Report 2013), the company operates in nine countries with a glocal strategy. *AREAS* is the mother brand and it presents itself to their customers with several brands in different businesses, having from own brands to partnerships and franchising (exhibit).

In Portugal, *AREAS* operates since 1992 with 59 outlets in airports and freeways that are concessioner by major companies, like Brisa and *ANA Aeroportos* (Areas in the World - Portugal s.d.).

Exhibit 3 – Passengers evolution

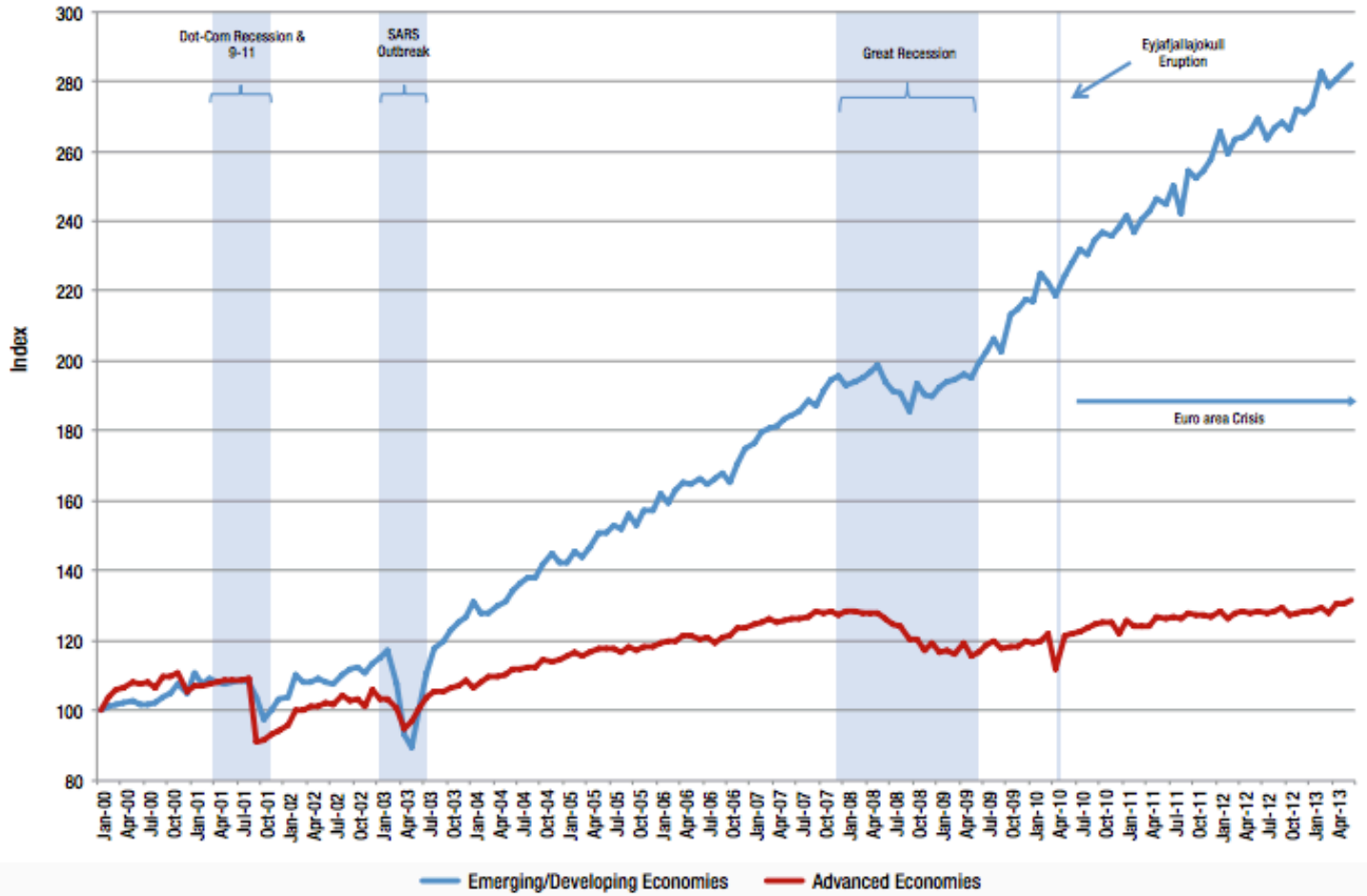


Exhibit 4 – Aeronautical Revenues

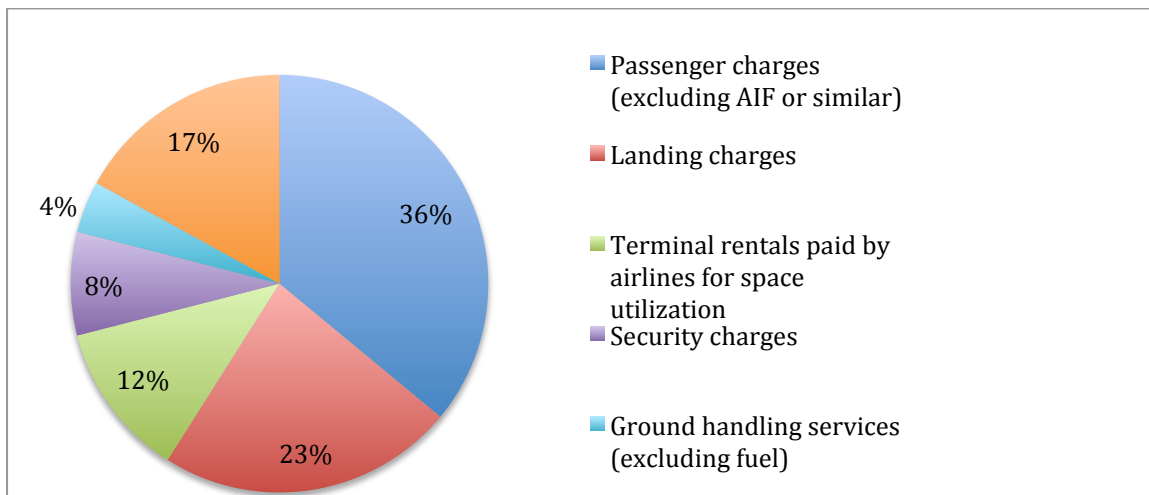


Exhibit 5 – Non-Aeronautical Revenues

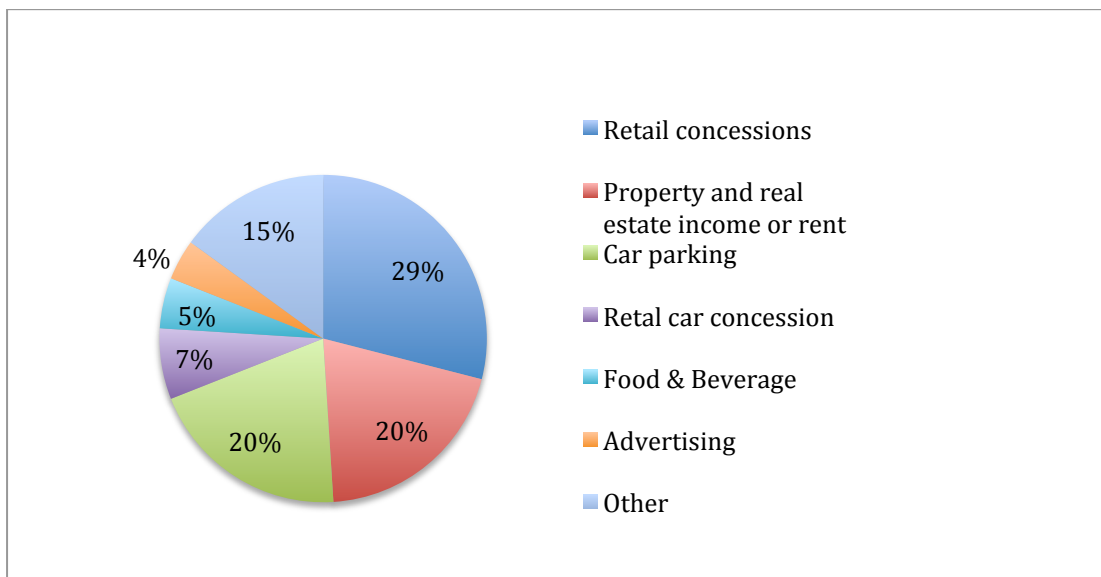


Exhibit 6 – Penetration of Buyers and Spend per Consumer by Dwell Time

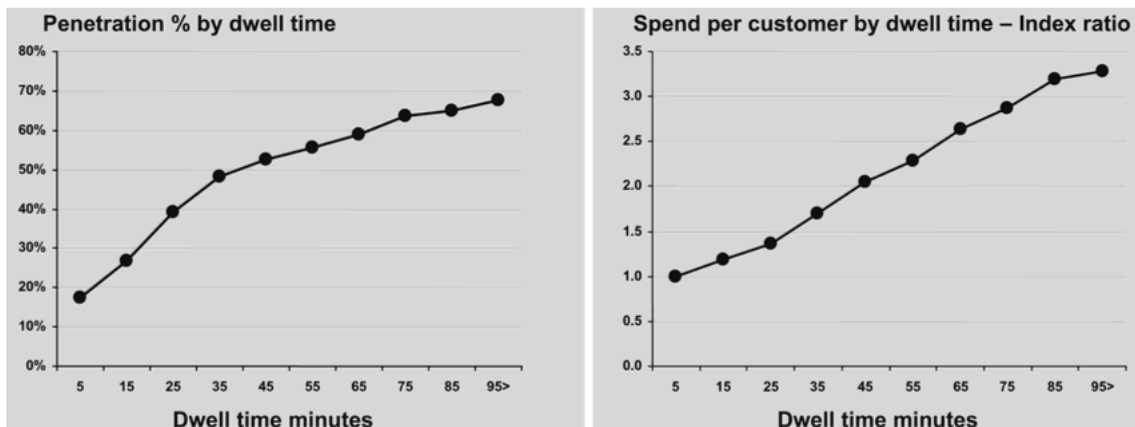


Exhibit 7- Lisbon Airport Central Plaza

In order to increase Lisbon’s international airport capabilities several works were developed inside the airport. It started with the opening of Terminal 2 with low-cost and domestic flight. On Terminal 1 all the forces where focus on the enlargement of boarding gates number and the improvement of the facilities already existent. Align with this strategy the new central plaza was planned to fit better the needs of passengers by offering a larger pallet of international brands so consumers can be familiarized and increase consumption.

On July 17 of 2013 born the new central plaza. The brands that this plaza brings to the airport are the following:

- 1- Starbucks
- 2- Imaginarium
- 3- Swatch
- 4- Fnac
- 5- Lacoste
- 6- Pandora
- 7- Vitoria Secrets
- 8- Springfield
- 9- Swarovski
- 10- Womens Secrets
- 11- Geox
- 12- L’Occitane
- 13- Desigual
- 14- Desigual
- 15- Accessorize
- 16- Sunglass Hut

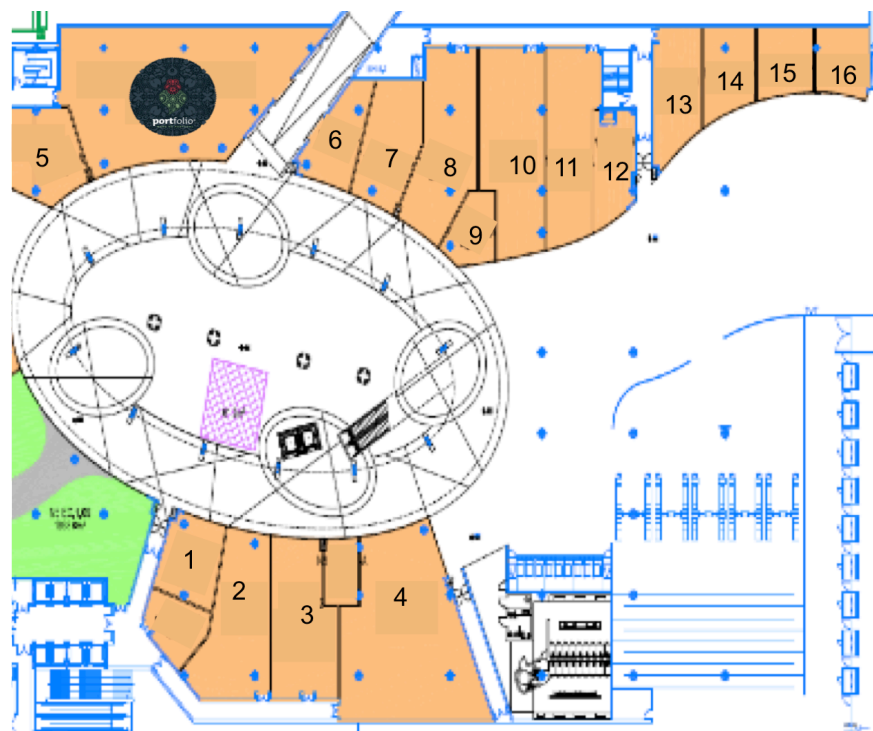
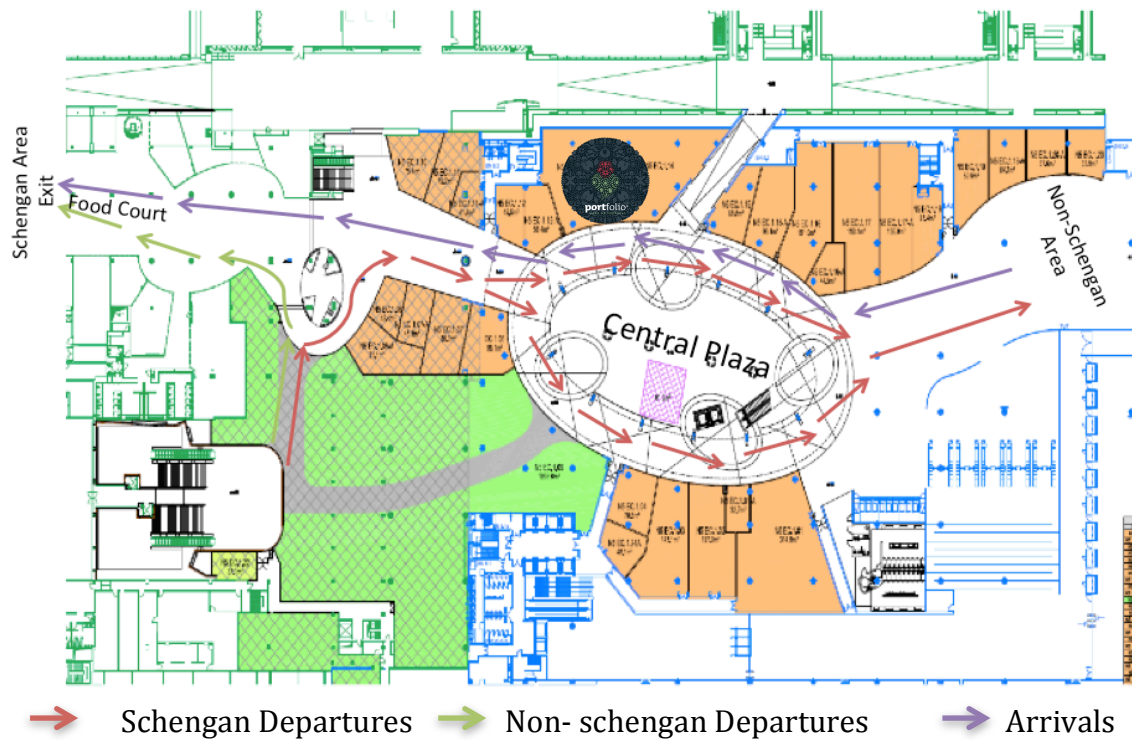







Exhibit 8 – Airport Passengers Fluxes

On the Terminal 1 of Lisbon International Airport is possible to identify three distinct fluxes: Arrivals; Non-Schengen Departures; Schengen Departures as it can be seen on the following image.



This fluxes can be translated as the way passengers do when enter on the airport's restrict area. This determines the stores that they pass by.

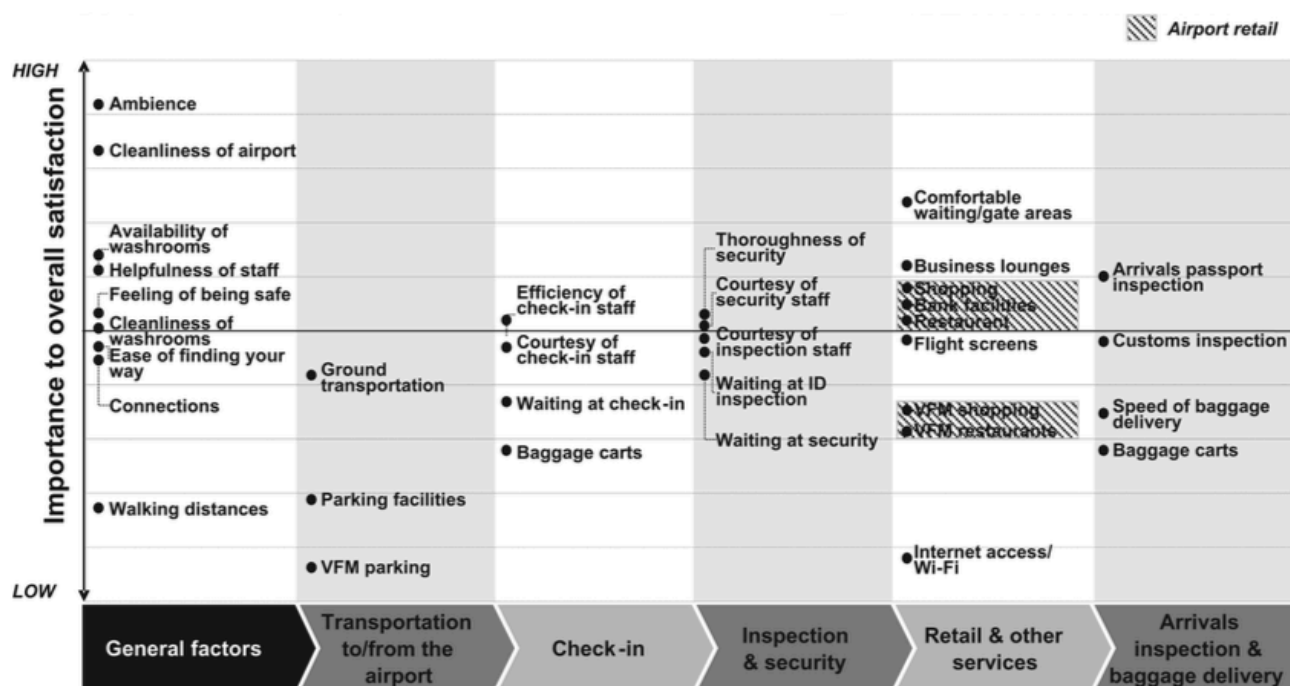
Exhibit 9 – Central Plaza Competitors

Competitor	Nature	Products	Price	Internationalization	Observations	Logo
LFP	Food and Non-Food	Clothes; Food; Alcoholic Drinks; Cosmetics	Medium / Low	Also know as duty-free this stores are present in all of the airports around the world, here the brand itself is not important but yes being a duty free store	Consumers know duty frees as having a lot of good price opportunities and exclusive products	
Starbucks	Food	Pastry & Coffee	Medium/ high	Present in more than 50 countries all around the world	Know by their famous Frappuccino and very large coffee offer	
Hediard	Food	Pastry	High	With locations in more than 17 countries	Offering very exquisite pastry, typical from the French pastry	
Fnac	Non-food	Stationary; Books and electronics	Medium/ High	Have more than 200 location in the world	French brand, created in 1954 know for its costumer service an high quality products	
Pandora	Non-food	Accessories	Medium/ High	On more than 50 countries, Pandora is also sold in airplanes and cruises	Know for its personalize jewellery made to mark important moments	
Swarovski	Non-food	Accessories	High	Present all around the world with a centenary history	Their high quality crystals are known all over the world and used for very different ends	
Accessorize	Non-food	Accessories	Low	With stores all around Europe and Asia	British brand know in Europe for its low cost and fashion products	
Springfield	Non-food	Clothes	Low	Located in 45 countries on every continent of the globe	This brand is known for its affordable prices and fashion clothes	
Geox	Non-food	Shoes and accessories	Medium	Present all around the world with their own stores	Their shoes are know by the comfort and freshness that provide	

Exhibits 10– Costs of Strategies

Communication & store improvements	
Number of Mupis wanted	30
Number of Airport Mupis	100
Price of Communication / week (Decaux 2013)	25.000€/120 faces
Price of store improvements works	10.000€
Impulse shopping	
Price of work	18.000
Price of workers	2.000€

Exhibit 11 – Passengers Satisfaction



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