Global Competitive Benchmarking for Airports

A unique and beneficial approach
Introduction

Airport managers are used to external benchmarking on general topics such as traffic, quality, or high-level business performance. However, most benchmarking initiatives are too high level and do not compare "apples to apples", leaving the airport with the question: So what?

The complex nature of the industry, constraints on data availability, and limited comparability have been an issue with benchmarking so far. These approaches have been outside-in or limited to certain functions of the airport, such as non-aviation performance. There has been no methodology out in the market providing a complete and comparable set of benchmarks on all airport-specific business units.

Hence, A.T. Kearney designed the GCB—the Global Competitive Benchmarking for Airports. It spans all airport activities, comparing your data with inside-out data of other airports, while providing absolute data confidentiality. The GCB helps improve the airport across all businesses. The level of aggregation can be modified from a holistic picture to very specific drill-downs over six levels of detail.

The identification of improvement areas is realized by comparing financial data and key performance drivers with operational best practices. The GCB insights can be used for a multitude of objectives, such as restructuring, cost control, revenue improvement, mergers and acquisitions, budgeting and performance steering.

The methodology of data standardization behind the GCB—to overcome various accounting practices and national differences—has proven itself for more than ten years and has been successfully adopted to the airport industry for more than four years. The GCB airport panel covers more than 30 international airport operators in 2012 and is growing steadily.
Unique

GCB is different from all other benchmarks because ...
... it addresses revenues, cost and capex ...

**Scope of GCB for Airports**
The data collected covers all financial data of an airport giving a holistic picture of the participants' competitiveness.

<table>
<thead>
<tr>
<th>Total airport profit and loss (on a one-airport basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GCB benchmark scope</strong></td>
</tr>
<tr>
<td><strong>Airport-related business</strong></td>
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<td></td>
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<tr>
<td><strong>OPEX</strong></td>
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<td>Process-related costs</td>
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<tr>
<td>Remaining costs</td>
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<td></td>
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<tr>
<td><strong>Performance gap quantification</strong></td>
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<td></td>
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<tr>
<td><strong>Revenues</strong></td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Performance and long term</td>
</tr>
</tbody>
</table>

- Aviation
- Non-aviation
- Safety & security
- Ground handling
- IT
- Support and overhead
- Infrastructure development
- Aviation revenues
- Central infrastructure fees
- Retail revenues
- CAPEX on
- Aviation
- Non-aviation
- Security
... it creates real comparability ...

Three steps of GCB
GCB collects data in a standardized form and performs various analyses to yield comparable results

- **Input**
  - Standardized input into user-friendly allocation tools
  - Consistent due to a large set of precise definitions in the GCB manual

- **Analysis**
  - Harmonization to adjust for country-specific price levels
  - Normalization with cost and revenue drivers

- **Output**
  - Process-related
  - Dashboard on all airport activities
  - Detailed analyses for each activity—up to six levels of drill-down
... it assures data quality and security.
Beneficial

GCB provides insights and tangible results such as ...
An executive dashboard overview ...

**GCB Dashboard**
The "Dashboard" provides an overview on the performance of the operator consolidated on main activities.

<table>
<thead>
<tr>
<th>Aviation</th>
<th>Airside operations</th>
<th>Airside facilities</th>
<th>Terminal operations</th>
<th>Terminal facilities</th>
<th>Baggage systems</th>
<th>Access and interconnectivity</th>
<th>Traffic data administration</th>
<th>GAT</th>
<th>Commercials</th>
<th>Aviation overhead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-aviation</td>
<td>Retail and gastro (Profit Benchmark)</td>
<td>Property (Profit Benchmark)</td>
<td>Car parking (Profit Benchmark)</td>
<td>Advertising (Profit Benchmark)</td>
<td>Concessions and licenses</td>
<td>Services</td>
<td>Utilities</td>
<td>Non-aviation overhead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety and security</td>
<td>Passenger screening</td>
<td>Hold baggage screening</td>
<td>Personnel screening</td>
<td>Cargo screening</td>
<td>Airport security</td>
<td>Fire dept.</td>
<td>Emergency mgmt.</td>
<td>Safety and security overhead</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground handling</td>
<td>Passenger Service</td>
<td>Baggage Services</td>
<td>Aircraft Services</td>
<td>Cargo Handling</td>
<td>GH Overhead</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT</td>
<td>Development IT application</td>
<td>Maintain/operate IT app.</td>
<td>Enterprise infrastr.</td>
<td>Internal infrastr.</td>
<td>IT infrastructure</td>
<td>Planning</td>
<td>Development</td>
<td>Project financing</td>
<td>Non-airport-related Services</td>
<td></td>
</tr>
<tr>
<td>Support and overhead</td>
<td>Purchasing</td>
<td>Finance and accounting</td>
<td>Controlling</td>
<td>Office facility mgmt.</td>
<td>Human resources</td>
<td>Legal</td>
<td>Strategy</td>
<td>General marketing</td>
<td>Communications</td>
<td>Environment</td>
</tr>
</tbody>
</table>

**Sanitized**

- **Relative gap <5%**
- **Relative gap between 5% and 25%**
- **Relative gap between 25% and 50%**
- **Relative gap 50%**
- **Not benchmarked**

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[Global Competitive Benchmarking for Airports](#)
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... with relative comparison of revenue and cost

**Airport-related revenue per traffic unit**

Total airport performance

<table>
<thead>
<tr>
<th>Airport</th>
<th>Fin year</th>
<th>Dashboard color and gap</th>
<th>Gap absolute</th>
<th>Revenue position</th>
<th>Driver: total traffic units</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ</td>
<td>2010</td>
<td>● ● ● ● xx.% xx,xxx,xxx EUR</td>
<td>xxx,xxx,xxx EUR</td>
<td>x,xxx,xxx</td>
<td></td>
</tr>
</tbody>
</table>

**In Europe per traffic unit**

- Total traffic units in mn
- Total annual movements
- Traffic units per movement
- Share of LCC\(^1\) PAX\(^2\) in %
- Max monthly PAX capacity utilization in %
- Max monthly movement cap. utilization in %

\(^1\)LCC: low-cost carrier  
\(^2\)PAX: passengers
### Results example—profit analysis (without goods sold)

**Non-aviation—retail**

<table>
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<tr>
<th>Airport</th>
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<th>Driver: total traffic units</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ</td>
<td>2010</td>
<td>xx.x %</td>
<td>xx,xxx,xxx EUR</td>
<td>xx,xxx,xxx EUR</td>
<td>x,xxx,xxx</td>
</tr>
</tbody>
</table>

#### In Europe per sqm

- **Share of international PAX² in %**
  - XYZ: xxx%
  - Panel average: xx%

- **Share of inter-continental PAX² in %**
  - XYZ: x%
  - Panel average: xx%

- **Share of business PAX in %**
  - XYZ: x%
  - Panel average: xx%

- **Share of LCC¹ PAX² in %**
  - XYZ: xx%
  - Panel average: xx%

- **Revenue per PAX² in EUR**
  - XYZ: X,xx%
  - Panel average: X,xx%

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¹LCC: low-cost carrier
²PAX: passengers
Allow for a balance of cost and quality

## Total cost per screened passenger

<table>
<thead>
<tr>
<th>Airport</th>
<th>Fin year</th>
<th>Dashboard color and gap</th>
<th>Gap absolute</th>
<th>Cost position</th>
<th>Driver: total traffic units</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ</td>
<td>2010</td>
<td>● ● ● ● ● ● ● ● xx.x %</td>
<td>xx,xxx,xxx EUR</td>
<td>xx,xxx,xxx EUR</td>
<td>x,xxx,xxx</td>
</tr>
</tbody>
</table>

### In Europe per passenger

- **Passenger screening sites**
  - XYZ: x.x
  - P Avg: x.x

- **Existing passenger screening lines**
  - XYZ: xx
  - P Avg: xx

- **Min. employees per line requirement**
  - XYZ: x.x
  - P Avg: x.x

- **Screened PAX\(^2\) per average open line in mn PAX\(^2\)**
  - XYZ: x.xx
  - P Avg: x.xx

- **Waiting time security screening (av.) in minutes**
  - XYZ: xx.x
  - P Avg: xx.x

- **FTE\(^1\) per one mn screened PAX\(^2\)**
  - XYZ: xx.x
  - P Avg: xx.x

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\(^1\)FTE: flight technical errors
\(^2\)PAX: passengers
Up to 300 detailed analyses ...
The GCB four-step root cause analysis
After identifying a gap in retail stores, the terminal center management was restructured

**Client example: non-aviation**

<table>
<thead>
<tr>
<th>GCB results and analysis</th>
<th>Post-GCB valuation and root cause</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>Phase 2</td>
</tr>
<tr>
<td>• Performance gap in the Non-aviation section</td>
<td>• To identify a profit gap split down of sub-activities</td>
</tr>
<tr>
<td>• Analysis of the Retail-dashboard</td>
<td>• Good relative performance with gastro</td>
</tr>
<tr>
<td>• Harmonized profits per square meter fine at the landside and off-terminal</td>
<td>• Bad performance with shops, especially branded fashion</td>
</tr>
<tr>
<td>• Drill down: airside retail costs</td>
<td>• Branded shops further investigated:</td>
</tr>
<tr>
<td>—Benchmarks competitive at sales, marketing, billing and overhead</td>
<td>—Process-related cost</td>
</tr>
<tr>
<td>—Cause is not a cost gap</td>
<td>—Revenue split</td>
</tr>
<tr>
<td></td>
<td>—Varying cost drivers by # shops, # sqm, # contract partners</td>
</tr>
</tbody>
</table>
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Watch the GCB video online

http://youtu.be/qiu6FJwp-L8
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The signature of our namesake and founder, Andrew Thomas Kearney, on the front of this document represents our pledge to live the values he instilled in our firm and uphold his commitment to ensuring ‘essential rightness’ in all that we do.

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