



Great expectations?

Business information service **ICD Research** provides an in-depth account of growth expectations of the aviation industry in 2011 and beyond.

Airport operators and airport support service companies have identified the Middle East, China, India, Eastern Europe and Brazil as offering the largest growth potential among emerging markets. Respondents to ICD Research's 'Global Airports Supplier Industry Outlook Survey 2011-2012' say the expansion of business activities in emerging markets, together with stronger economic growth than other regions of the world, changing consumer lifestyles and a rise in disposable income, has increased the demand for air travel and related services. This, in turn, is expected to increase the need for airport infrastructure and support services. The Middle Eastern market emerges as the most promising among developing markets.

Respondents from airport industry supplier companies identified the Middle East, China, India and Brazil as offering the greatest growth potential to the industry in emerging markets. China, India, and South Africa were identified as offering the greatest growth potential to the industry.

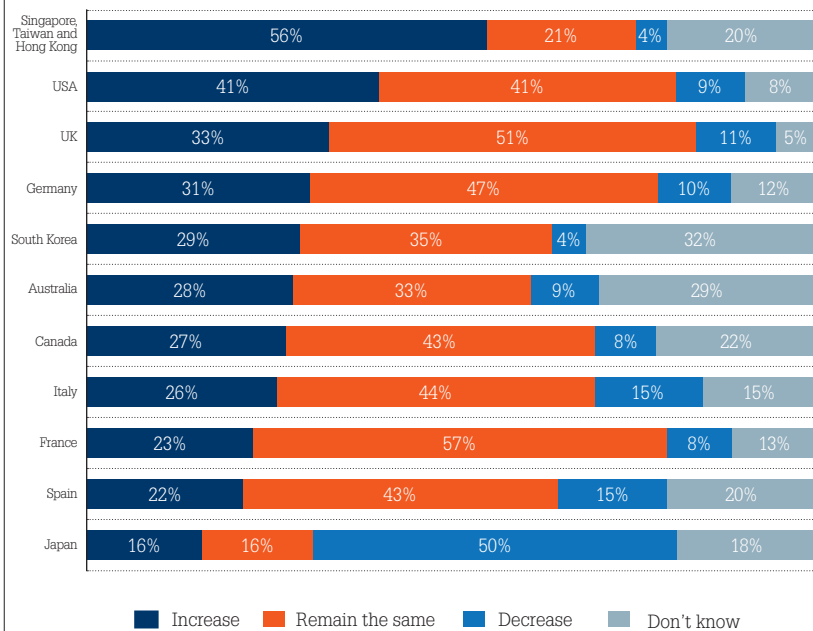
Economic growth in the Middle East is expected to increase, and airport supplier respondents expect this to reflect positively in air traffic. This will, in turn, drive the need for new aircraft, along with related products and services. According to Boeing, the Middle East's fleet size is expected to increase by more than 150% by 2029.

Growth expectations in developed countries

Singapore, Taiwan and Hong Kong, the US, and the UK are the developed regions with the most growth potential, identified as 56%, 41% and 33%, respectively, by airport operator respondents. In the 2010 'ICD Research Industry Survey', Singapore,

Figure 1. Growth expectations in developed countries by airport operators (%) 2011

Question: For the following developed markets how do you expect demand to change in 2011-2012 (% airport operator respondents)



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Source: ICD Research Industry Survey 2011
Results may not equal 100% due to rounding method

Taiwan and Hong Kong, Germany and South Korea were identified by respondents as offering the most growth potential. Based on current responses, the US and UK hold second and third position, respectively, while Singapore, and Taiwan and Hong Kong continue to be the top favourites.

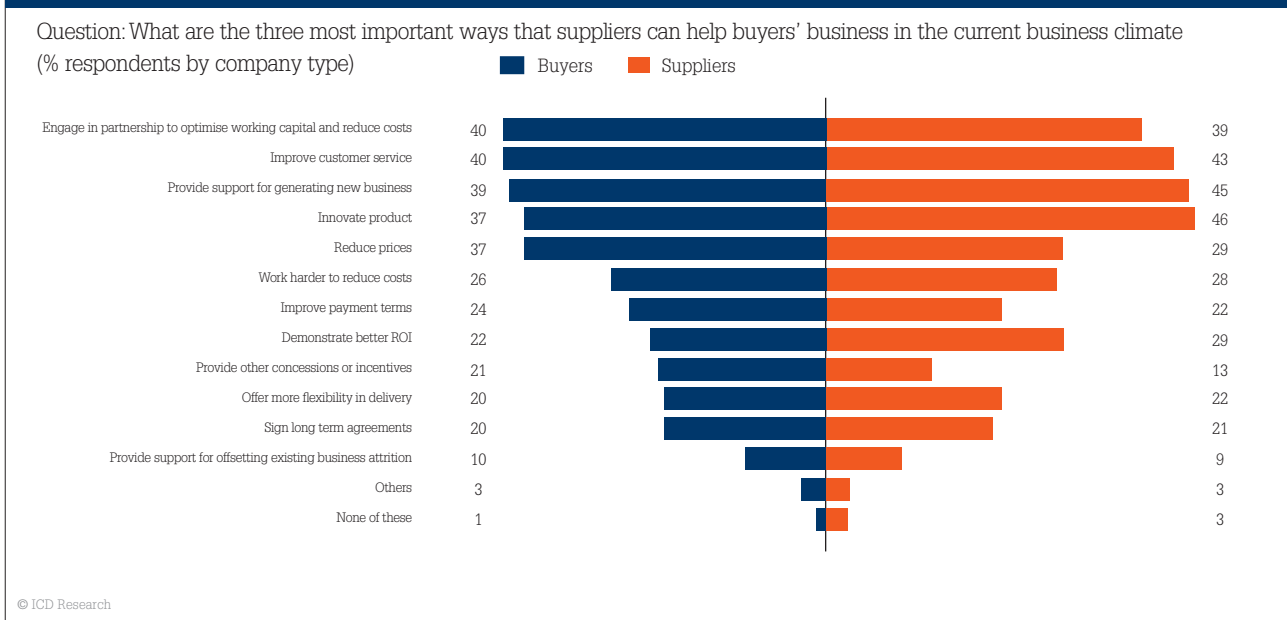
Singapore's economy is expected to strengthen in 2011, as a result of growth in the country's manufacturing and services industries, supported by regional growth and substantial government expenditure.

The Asian Development Bank (ADB) estimates the economic growth of East Asian countries to be 7% in 2011. Taiwan's

GDP is expected to grow above 4.6% this year, led by increased private consumption due to an improvement in the domestic economy. Employment programmes are also expected to reduce the unemployment rate and increase disposable income.

For Hong Kong, the airline industry's recently released Q1 2011 results show an optimistic outlook for buyer respondents. Hong Kong registered a 4.6% annual increase in passenger traffic to 12.5 million in the first quarter of 2011, whereas cargo volumes rose by 4.3% to 944,000 tons and flight movements increased by 14.0% to 79,845. The growth in passenger traffic was

Figure 2. Actions to maintain and secure buyer business, buyer vs supplier responses (%) 2011



mainly driven by resident travel, which registered an increase of 6% over figures from the same period in 2010. The growth in cargo tonnage was primarily attributed to the growth in exports and transshipments, by 7% and 8%, respectively, while imports grew by 4% in March 2011. In the US, passenger traffic is projected to rise by 6% per year during 2011-2014.

Threats and opportunities for the airports industry

While 48% of companies rate 'market uncertainty' as the most important business concern during 2011-2012, a further 42% rate 'cost containment' as the second most important. Overall, 50% of buyer respondents rate 'market uncertainty' as the most important business concern during 2011-2012, and a further 47% rate 'cost containment' as the second most important concern. Similarly, 'market uncertainty' and 'rising competition' are considered to be the most significant business challenges in 2011-2012 by 46% and 40% of supplier respondents, respectively.

Leading business concerns for 2011-2012 by region

'Market uncertainty' and 'cost containment' remain the leading business challenges for respondents throughout different regions. 'Falling demand' is a greater concern for respondents from North America and Europe, which indicates comparatively

higher growth in the aviation sector in the Asia-Pacific and Rest of the World regions.

These expectations complement IATA forecasts, which show that Asia-Pacific will account for 30% of global air traffic by 2014, while North America will contribute 23%. The 'retention or recruitment of skilled staff' remains a higher business concern for Asia-Pacific and Rest of the World than other regions. Boeing estimates that the largest growth in demand for pilots and maintenance workers will be in Asia-Pacific, with a requirement for 180,600 and 220,000, respectively, over the next 20 years.

Within Asia, China will require the most pilots and maintenance personnel, with 70,600 and 96,400 new staff members needed for these roles respectively. In the Rest of the World, Africa will require 13,200 pilots and 15,000 maintenance personnel, the Middle East will need 32,700 pilots and 44,500 maintenance personnel, and Latin America will need 37,000 pilots and 44,000 maintenance personnel over the next 20 years.

Key supplier actions to maintain and win buyer business

Global economic uncertainty has made cost concerns a higher priority for most companies; simultaneously, demand is changing, as regular patterns of purchasing have become disrupted due to the recession and a subsequent tentative move into recovery in some parts of the

world. These changes require proactive and improved methods of securing new business, as well as maintaining current business, as industry buyers will review their supplier base with more scrutiny.

The survey results show that, in 2011, buyer respondents require suppliers to 'improve customer service', 'engage in partnerships to optimise working capital and reduce costs', 'provide support for generating new business', 'work on product innovation', and 'take steps towards price reduction' to secure business from buyers. Of all buyer respondents, 40% agree that 'improvement in customer service' and efforts to 'engage in partnerships to optimise working capital and reduce costs' are the most effective way suppliers can secure business from buyers, while 39% emphasised the importance of 'providing support for generating new business'. In addition to this, the need for suppliers to 'innovate products' and take steps towards 'price reduction' are also important for the airports industry, as identified by 37% of buyer respondents each. ■

The information in this article was taken from 'Global Airports Supplier Industry Outlook Survey 2011-2012'. To purchase this report and for more information on sample provision, survey support or custom support solutions, contact icdreports@progressivedigitalmedia.com.