



November 26, 2020

By Kevin Rozario

Emirates Group Chooses London For Inflight Retail HQ As Focus On Ancillary Sales Sharpens

This article is based upon a report issued by IdeaWorksCompany.

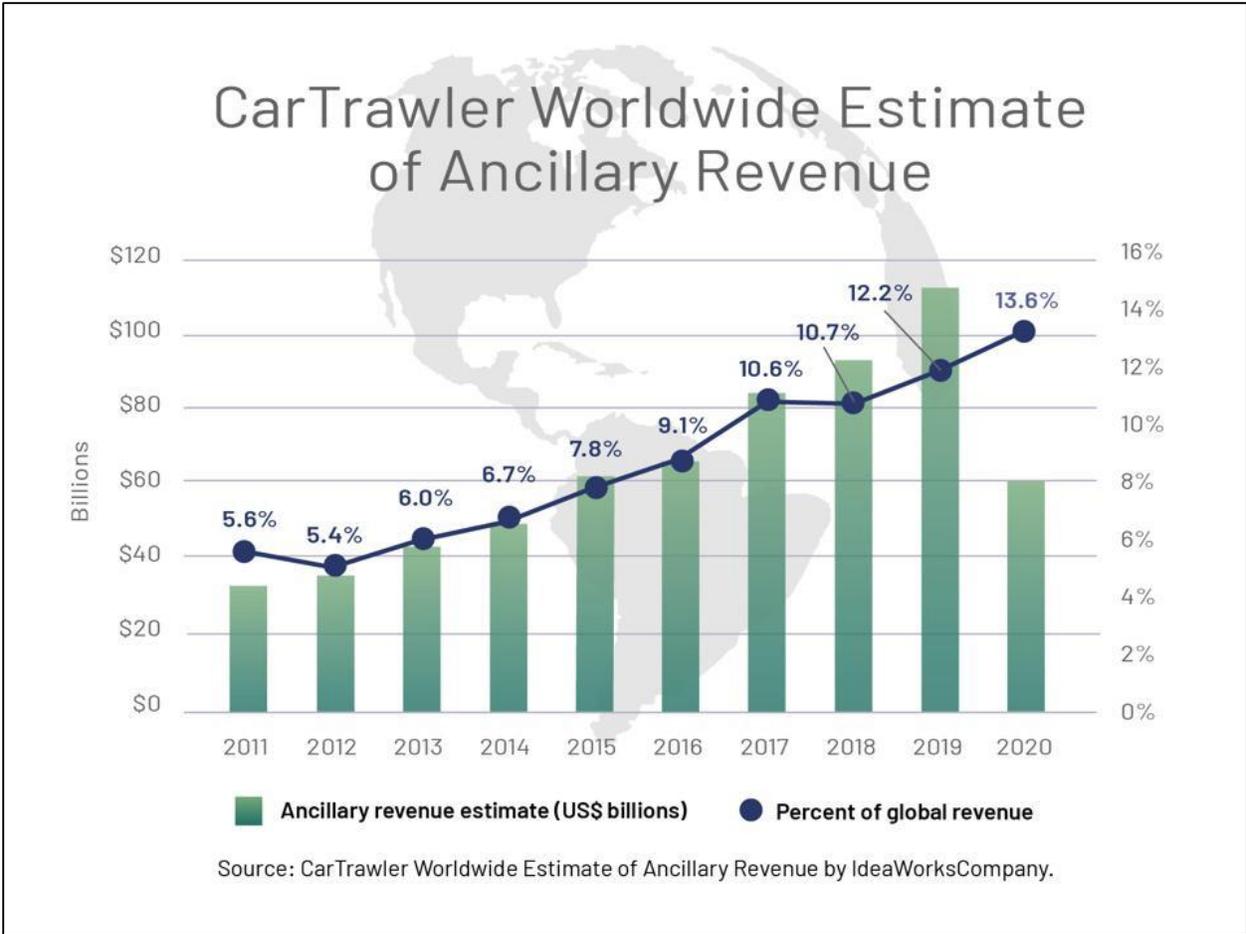
Dubai-based air services provider dnata—part of Emirates Group—has set up a specialist retail unit in London, England that will offer airline customers on-board retail programmes to maximize ancillary revenue.

During the course of the Covid-19 pandemic and widespread travel bans, airlines have been particularly hit and have had to rely on government aid. The financial damage has been immense—for example in Europe, Easyjet reported its first ever loss and in the U.S. American Airlines AAL +1.1% has cut thousands of jobs and pared back its domestic route network.

With far fewer passengers travelling, airlines are trying to increase revenue per head by improving services, and dnata believes its decision to create a specific retail division will support this. A company spokesperson told Forbes.com: “As more airlines adopt and look to innovate in inflight retail, forming a central team dedicated to global strategy, solutions and delivery makes sense. It ensures that consistent solutions are available across our network.”

The latest update on ancillary revenue from Wisconsin-based consulting group IdeaWorksCompany projects that it will drop by almost 50% this year to \$58.2 billion worldwide, wiping out five years of annual gains. The just-released data are based on a larger list of 134 airlines—versus the 81 that reported for the [CarTrawler 2020 Yearbook](#) – in order to provide a better global projection.

Importantly, while ancillary revenue has fallen, its share of airline income has actually increased this year, indicating that the collapse in overall sales for carriers has been far worse. Airlines will therefore be looking more keenly at ancillary revenue streams going forward. These streams are defined by IdeaWorks as any revenue “beyond the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience.”



Fully outsourced retail

Dnata has existing retail programmes in place with a number of low-cost carriers such as Air Arabia in the Middle East and Australia’s Jetstar. By aligning tech, innovation, strategy and planning in one place the company plans to offer off-the-shelf services to more airline customers. These will range from product development and digitalized sales through to cabin crew engagement, product design and accounting.

An end-to-end, fully outsourced retail programme is dnata’s flagship product, with a suite of additional ‘to order’ services on top if that’s what airlines want.

In a statement dnata said: “The addition of a retail-focused unit cements our credentials as a truly end-to-end inflight and airport service provider.” The company—best known for its ground handling and catering activities—contributed about 14% of Emirates Group’s AED104 billion (\$28.3 billion) revenue in its financial year ended March 2020, with the rest coming from the currently loss-making Emirates Airline.

The new retail unit is backed by dnata catering, a major inflight hospitality provider, and it is being led by Alan Hayes, who is currently in charge of retail for the company's U.K. catering operation. He has managed retail programmes for more than 15 years with previous experience working at easyJet, Thomson Airways and First Choice Airways.

Robin Padgett, divisional senior vice president at dnata catering, said: "We have seen significant growth with our core retail customers in recent years, particularly in driving pre-order capability and lifting on-board sales through reward, recognition and engagement of cabin-crew. The Covid-19 pandemic has seen airlines rapidly explore additional revenue opportunities."

Dnata's existing inflight customer-base spans airlines across the world, led by the U.K., Europe and Asia Pacific. The spokesperson added: "We serve the leading low-cost carriers in a number of markets, including Australia, Czech Republic and the UAE. Alongside them, we're working with various low-cost carriers and charter airlines to deliver retail solutions. We expect the adoption of retail to grow."