

# The Effect of Retail Mix on Passengers' Motivation to Shop at Airport Terminal Outlets

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*Abstract — Retailing represents one of the commercial activities contributing to the non-aeronautical source of revenue to most airport operators. In this research, Kuala Lumpur International Airport 2 or better known as KLIA2 represents the focus of the study. KLIA2 is built to cater to low-cost carriers and the airport is built on the concept of 'a mall in the airport'. There are two commercial areas designated for passengers to shop: gateway@KLIA2 and terminal outlets. These create more choices for passengers to shop and at the same time increase competition among the retailers. Focusing on the terminal outlets, this study aims to examine the influence of airport retail mix elements on passengers' motivation to shop. The factors examined were the location of the outlets, promotion, personnel, atmosphere of the outlets, product mix and price. The study utilized survey method and questionnaire was designed to gather data from departing passengers for both domestic and international sectors. The self-administered questionnaires generated a total of 307 usable responses. Data were analyzed using SPSS. The result of multiple regression analysis showed that the key airport retail mix element which motivates passengers to shop is the location of the outlet, followed by promotion and product mix. Recommended strategies for airport retailing were highlighted.*

*Keywords - Airport retail, KLIA2, passengers, retail mix, shopping motivation*

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## ARTICLE INFO

Received 1 April 2018

Received in revised form 5 June 2018

Accepted 12 June 2018

Published 30 June 2018

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## I. Introduction

Airports have become retail destinations and they also act as laboratory and source of important data to many companies in strategizing and marketing their brands (Deloitte, 2015). According to Thompson (2007), airport retailing represents one of the fastest growing niche retail markets. In fact, the commercialization of airports has been a global trend and retail has become a massive contributor to airport profits (Fuerst & Gross, 2018; Graham, 2009; Thompson, 2007; Freathy & O'Connell, 1998). The other sources of non-aeronautical revenue include advertising, car rentals, car parking, and land rentals. Aeronautical or aviation activities are associated with runways, aircraft parking, and terminals (D'Alfonso et al., 2017). In their review and analysis on the commercial performance of global airports, Fuerst and Gross (2018) stated that in comparison to aeronautical business, expansion of non-aeronautical business, which includes the retail segment, is seen as attractive to most airports due to its lower operating cost structure. This may then allow the airport operators to gain more profit. The growing roles of airport retail to non-aeronautical business segment, suggest that the airport operators will need to develop new strategies and to adopt new value propositions for its businesses. This includes a further explore into commercial business opportunities at airport terminals. The main parameter used by airports to assess retail success is net income per passenger (NIPP) (Thompson, 2007). Thus, examining and gaining insight into what drives passengers' motivation to shop is vital to both the airport operators and the retailers. These may provide a useful input to both parties in strategizing their marketing activities. Assessing the business opportunities then would require one to carry out a comprehensive research. In executing any research work on airport retailing, researchers need to incorporate several key factors into the framework of data

requirements and information accumulation. In this present study, six elements of the retail mix are examined to determine the most significant factor which encourages the passengers to shop. The factors examined were outlet location, promotion, personnel, atmosphere, product mix, and price.

Kuala Lumpur International Airport 2 or better known as KLIA2 was chosen as the study setting. KLIA2 Terminal was built to cater for growth in travelling by low-cost carriers in the region and KLIA2 was designed with the concept of 'a mall in the airport'. The airport was officially opened in 2014 (<http://www.klia2.info/>). At KLIA2, commercial areas are divided into two: retail outlets at the terminal and retail outlets at gateway@KLIA2. The area at KLIA2 Terminal consists of a commercial space which is dedicated for retail and service spaces with a multitude of offerings for the benefit of the passengers. Another commercial area of KLIA2 is gateway@KLIA2 which is located between the drop-off and the Main Terminal Building of KLIA2. Gateway@KLIA2 is a public area and it is accessible to visitors and passengers alike, and the area is connected by all modes of surface transportation. Most passengers tend to spend time together with their families and friends at gateway@KLIA2 before checking-in at KLIA2 Terminal.

## II. Literature Review

According to Solomon (2011), motivation refers to the processes that led people to behave as they do. Thus, to understand motivation is to understand why consumers do what they do. The forces that drive consumers toward some products and away from others may differ. In the context of airport retail, the exotic stimuli and situations provided by an airport may evoke shopping motivations that differ from those for daily shopping routines and venues (Lin & Chen, 2013). The increase in rental as compared to the turnover of commercial activities would make retailers be more creative. Retailers need to offer critical mass and need to take the opportunities that may arise from being where the prospects are and improve the retail offer at airports (Thompson, 2007).

Retail mix refers to factors namely location, promotion, personnel, outlets' ambiance, product mix, and price. It is a tool that helps retailers to define their strategy to attract customers to buy (Turley & Chebat, 2002). Literature indicates that choosing a strategic retail location is critical to retailers. This is because the location of the outlets may present either an opportunity or a constraint to the retailers. Considering this, retailers have become proficient at creating particular atmospheric designs and then expanding, contracting or shaping them to fit the locations which become available in the markets they want to serve (Turley & Chebat, 2002). A previous study indicated that 'convenience' which was one of the perception variables regarding airport shopping positively influenced the pre-planned shopping and impulse shopping tendencies (Lu, 2014). The security of locations is equally important as the location itself. Customers need to feel secure and safe. The review shows that while in the airport, the passengers may experience a wide range of emotions, such as anxiety and fear of flying as well as joy and sorrow to meet and to leave someone. These intense emotions are grounded in the process of travel and personal relationships of the traveler (Huang et al., 2018). Thus airport retailers must compete to attract busy and nervous customers (Konttinen, 2017). These are part of the unique characteristics of airport retail environment.

Promotion, on the other hand, is a form of communication by retailers to provide encouragement to prospects to shop or buy a particular product. Promotion could also be seen as a form of communication destined to a targeted audience. Promotional methods had evolved from the very basic in the form of flyers, brochures, advertisements in the media and billboards, to a new form of direct marketing which is through e-mail, mobile phone, internet, telephone, newspaper, and magazine. A sale promotion is an attempt to influence customers directly with marketing activities. It aims to stimulate immediate purchase. Sales promotion represents one of the external retail stimuli in which the retailer has direct and indirect control in creating perceptible store images in the mind of the customer (Gilmore et al., 2001).

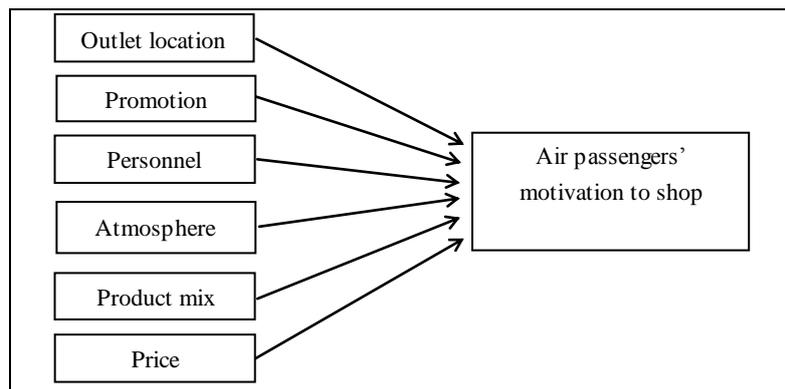
Next, any service or customer experience is largely contributed by people or personnel. Services are not similar to products, where services are produced and consumed at the same time. Service standards delivered by individuals may be good and excellent or may contribute to a bad day. Over the last decade or so, managing customer relationship has taken up the priority list where retailers struggle to develop and implement customer relationship management by providing good customer service (Bolton et al., 2007). In their study, Gilmore et al. (2001) found that most respondents preferred to shop in a store with friendly salespeople and excellent service.

Many researchers and retailers are of the opinion that the atmosphere of a store is vital in attracting customers. The atmosphere, through the use of atmospheric variables such as colors, layout, music, flooring,

lighting and merchandise arrangements creates a package surrounding the merchandise which can create a unique shopping experience (Turley & Chebat, 2002). According to Omar and Kent (2001), shopping behavior of air passengers mostly involve impulse decisions and is motivated by the marketing strategies of shops and the commercial environment at airports (Lu, 2014, p. 72).

The next retail component is product mix. According to Partel and Sharma (2009), increasing the product mix or portfolio will prevent a customer's boredom and subsequently, will improve a mature product life-cycle. The authors further stated that consumers do not buy products or services, but they buy benefits, some tangible and some intangible. The 'economic consumer' for instance, is concerned with price, product assortment, and quality. Thus, the best-selling products in the duty-free segment in airports are standardized across countries to ensure that the products are comparable (Park, 2013). Travelers and tourists are also likely to buy products for souvenirs or gifts. A special design paper bag or a unique duty-free wrapping would make shopping at airports to be prestigious and more desirable as compared to shopping at common souvenir shops. A special design souvenir that comes in a handy travel set coupled with additional promotional gadgets would also make airport shopping to be more irresistible (Geuens et al., 2004). For food and beverage services, according to Heung et al. (2000), travelers or passengers are expected to receive the food that they order, and they are not much concerned about the ambiance of the outlets since they are more concerned about taking suitable decent meals exactly as they have ordered. They are also equally concerned about their flights.

In terms of product pricing, Freathy and O'Connell (1998) indicated that pricing is certainly a complex element and influential towards the behavior of customers. The ability of the retailers to offer valuable products, cheap prices and a variety of items in a comfortable and relaxing shopping environment will stimulate the passengers' intention to shop at the airport (Lu, 2014). Fig. 1 indicates the framework of this present study.



(Source: Geuens et al., 2004; Lu, 2014)

Figure 2: Research framework

### III. Research Design and Data Collection

This study utilized survey method as the method of inquiry. The unit of analysis in this study was the airline passengers to KLIA2. Considering respondents' availability to take part in the survey, departing passengers were chosen as the target respondents, instead of arriving passengers. For this reason, purposive and convenience sampling techniques were utilized in approaching the respondents who were both domestic and international departing passengers at KLIA2 terminal.

The questionnaire was tailored in the form of closed-ended questions and it was divided into two sections namely Section A: Respondent background and Section B: Retail mix and motivation to shop. In detail, Section B measured the respondents' level of agreement or disagreement towards statements on motivation to shop at terminal outlet (4-item) and the factors examined were namely, outlet location (3-item) promotion (3-item), personnel (3-item), outlet atmosphere (5-item), product mix (3-item) and price (2-item). The items were adapted from related past studies and measured using a five-point Likert scale (1 as strongly disagree – 5 as strongly agree). With the approval and assistance from the airport management, a total of 310 questionnaires were distributed to the respondents who were departing passengers at the departure level for both international and domestic sectors. The data collection was carried out within two weeks and this generated 307 in total of usable

responses. The item-reliability test was carried out and the findings showed that Cronbach alpha value of the items ranged from .823 to .914.

#### IV. Analysis and Findings

Table 1 provides a summary of the respondents' background. It can be seen that there is an even distribution of males and females in the sample. A relatively high proportion of the respondents (48.2%, 148) belonged to a young age group (21 to 30). The middle age group was the second largest (24.8%, 76). The respondents predominantly (71.0%, 218) were Malaysians. The remaining 29.0% (89) were non-Malaysians. The findings also showed that 41.0% of the respondents (126) were single. 55.7% (171) of the respondents were on leisure trips. 49.5% (152) of the total respondents stated that their frequency of travel by plane was less than three times in a year and 50.5% (155) respondents used to travel by plane four times and more in a year. 47.9% (147) of the respondents stated their individual monthly income as below RM3000 and this was followed by an income group of RM3001 to RM5000 (22.1%, 68). This may suggest that the majority of the respondents belonged to low to middle-income groups.

Data were collected using convenient sampling. The respondents' profiles which include their age distribution and purpose of travel are comparable to the KLIA2 targeted users. KLIA2 was established to cater for the explosive growth in the low-cost travel industry (<http://www.klia2.info/>). The existence of low-cost carrier operations has made air travel more affordable and accessible with competitive fares (DCA, 2015). Internally, this development tends to encourage more Malaysians to travel by air.

Table 1: Respondents' Background

Profile		Frequency (N =307)	Percentage
Age	Below 20	13	4.2%
	21 – 30	148	48.2%
	31 – 40	76	24.8%
	41 – 50	43	14.0%
	51 – 60	25	8.1%
	Above 60	2	0.7%
Gender	Male	140	45.6%
	Female	167	54.4%
Nationality	Malaysian	218	71.0%
	Other South East Asian (the Philippines, Vietnam, Indonesia)	45	14.7%
	Asian (Japan, China, India)	20	6.5%
	Australian	13	4.2%
	European	11	3.6%
Category of Traveler	Single	126	41.0%
	Couple	96	31.3%
	Group with children	54	17.6%
	Group without children	31	10.1%
Travel frequency per year	Less than 3 times	152	49.5%
	4 - 6 times	97	31.6%
	7 - 9 times	13	4.2%
	10 - 12 times	23	7.5%
	More than 12 times	22	7.2%

Trip purpose	Business	53	17.3%
	Leisure	171	55.7%
	Others	83	27.0%

Next, multiple regression analysis was carried out to assess the influence of outlet location, promotion, personnel, atmosphere, product mix and price on passengers' motivation to shop at KLIA2 terminal outlets. Based on the results, the recorded adjusted R-square of the model was .503. It suggested that 50.3% of the variance in the respondents' motivation to shop at KLIA2 terminal outlets was explained by the three variables namely, outlet location, promotion, and product mix. As shown in Table 2, the respondents' motivation to shop at the terminal outlets was significantly predicted by the location of the outlet ( $\beta = .439$ ,  $p < 0.001$ ). This was followed by outlet promotion ( $\beta = .204$ ,  $p < 0.001$ ) and product mix ( $\beta = .179$ ,  $p < 0.001$ ). The findings indicated that the other three variables namely, outlet atmosphere, personnel and price of the product were not significant in explaining the respondents' motivation to shop at the terminal outlets.

Table 2: Regression analysis output

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.513	.503	.49748

a. Predictors: (Constant), location, promotion, personnel, atmosphere, product mix, price

Coefficients <sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	Mean	t	Sig.
		Beta	Std. Error	Beta			
1	(Constant)	0.364	0.223			1.629	0.104
	Location	0.389	0.047	0.439	3.327	8.254	0.000*
	Promotion	0.194	0.053	0.204	3.100	3.665	0.000*
	Personnel	0.066	0.055	0.058	3.573	1.206	0.229
	Atmosphere	0.004	0.056	-0.03	3.517	-0.070	0.944
	Product mix	0.223	0.060	0.179	3.449	3.749	0.000*
	Price	0.029	0.040	0.033	2.957	0.716	0.475

a. Dependent Variable: Motivation to shop

## V. Discussion and Managerial Implication

This study focused on the KLIA2 terminal outlet which was restricted to passengers and other authorized groups. As highlighted earlier, KLIA2 was built with the concept of 'a mall in the airport'. The airport can accommodate up to 45 million users per year ([www.klia2.info/](http://www.klia2.info/)). This represents a huge opportunity for the airport operators to enhance their source of non-aeronautical income. This study provides some inputs to the airport operators and the retailers in understanding how and to what extent retail components motivate the passengers to shop at the terminal outlets.

The findings of this study indicated that location of the outlet, promotion and product mix were significant in motivating the respondents' who were the departing passengers of domestic and international sectors to shop at the outlets along the KLIA2 terminal. Part of the descriptive analysis showed that a majority of the respondents agreed that the outlets of the KLIA2 terminal were located at the right location. As supported by a previous study (Freathy & O'Connell, 1998), the location of airport outlets is important to the shoppers. To the frequent flyers, the familiarity with the store location may facilitate their shopping process. Outlet location is also important as air passengers tend to face time pressure and they are likely to make impulse decisions (Kontinen, 2017; Chung et al., 2013), although, experienced passengers, tend to view airports as a personal space and quality alone-time (Huang et al., 2018). In general, according to Wattanacharoensil et al. (2016), the

airport sees that once passengers have passed through all the processes and have plenty of time left for themselves at the restricted area, passengers can appreciate the extra time and the enjoyment from the various activities offered there. These include retail shopping, dining, or the relaxation corner. Depending on the airport operators' policies, the location of the outlets can be categorized as prime, less prime and non-prime. Notably, retailers may face some difficulties to get customers if the outlets are located in the isolated or non-prime area.

In order to deal with the above issue, retailers are recommended to further optimize the next significant elements of retail mix examined, which are promotion and product mix. The promotional activities referred in this study were sales promotion and discounted price. The concept of 'a mall in the airport' as promoted by KLIA2 may indirectly induce passengers to shop at the airport. In terms of product mix offered, the findings of the analysis indicated that nearly fifty percent of the respondents agreed that KLIA2 provides a wide-range of outlets combination within the terminal. As reflected in the airport outlet directories, fifty-percent of the outlets are allocated for retail products, forty percent are the outlets for food and beverages and the remaining allocation is for services. This study provided support that a wide variety of products offered are significant in encouraging the passengers to shop at the terminal outlet. From a retail perspective, a well-blended product assortment and store environment can enhance both product quality and image, hence this may increase customer preference for the store (Alias & Abdullah, 2017).

## **VI. Conclusion and Recommendations**

Assessing what drives the passengers' motivation to shop at airport retail is of significance to most airport operators and the retailers, as retail represents one of the valuable sources of revenue for non-aviation business. Accordingly, the retail mix is regarded as an important determinant to the commercial performance of global airports (Fuerst & Gross, 2018). In this present study, the location of the outlets, promotion and product mix were significant in motivating the respondents to shop at the terminal outlets. To conclude, a well design outlet location, in-store promotion and wide-range of product assortment offered, play an important role in encouraging the passengers to shop at the airport terminal outlets. These inputs could help the airport retailers in formulating strategies on how to encourage the passengers to increase their dwelling time and expenses at the airport.

Furthermore, according to Wattanacharoensil et al. (2016), as airports are key places of arrival and departure, they need to showcase what the destination has to offer. The airport itself represents a destination (Huang et al., 2018). Given there is a clear relationship between positive image of a destination and positive purchase decisions (Mohd Khalid & Mohd Roslin, 2016), the concept of 'a mall in the airport' may become a source of differentiation to KLIA2 in creating its positive image, hence this will help the airport in maximizing its non-aeronautical income.

Although the results of the study cannot be generalized to the entire population due to its sampling decision, considering the socio-demographic profile of the sample, it is recommended for the airport operators to consistently review the product range offered and their prices to suit the purchasing power of the targeted customers. Future researchers are encouraged to investigate the impact of the airport's brand positioning on passengers' shopping behavior.

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