# AIRPORT MARKETING

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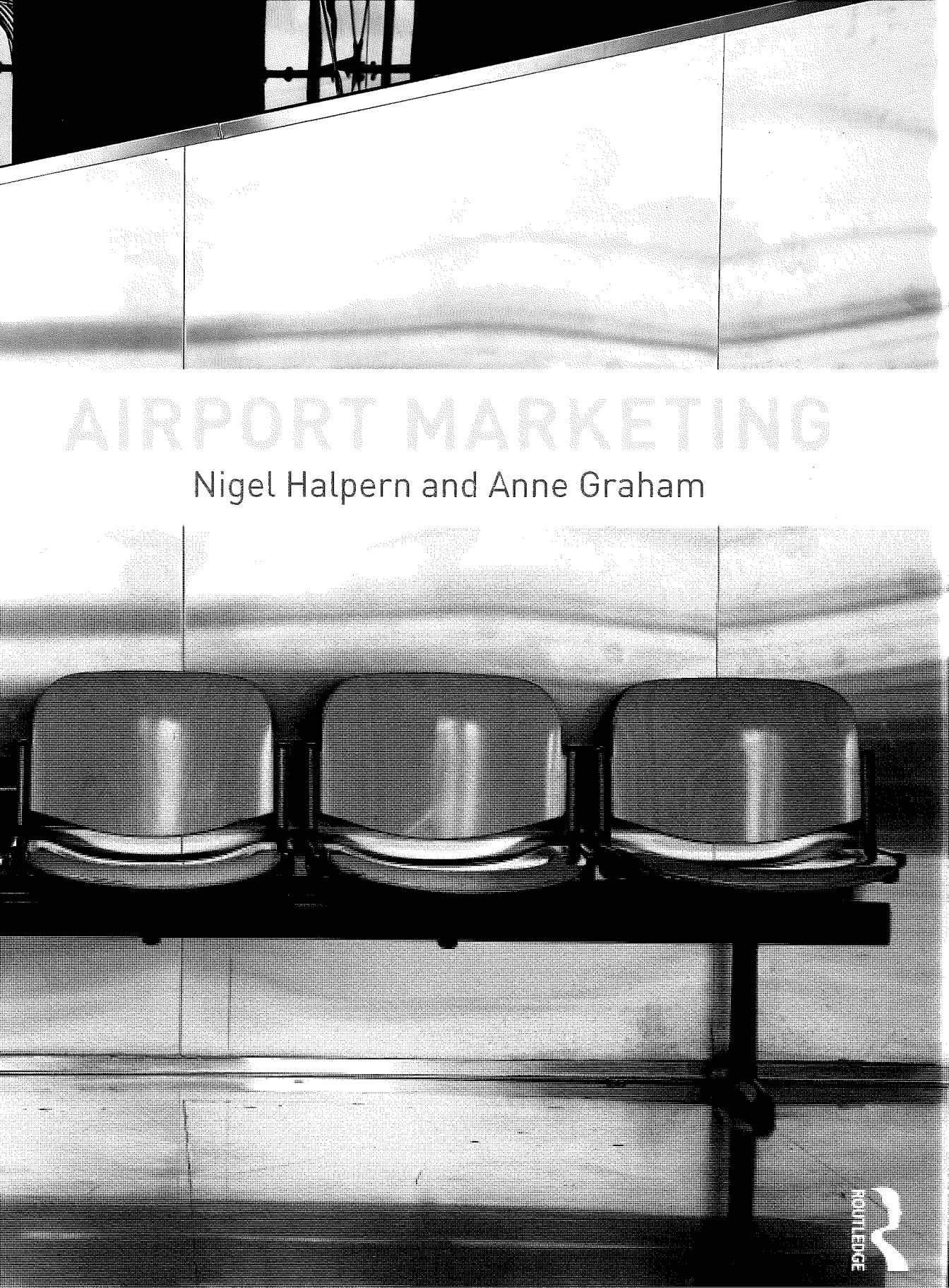

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service quality that need improving, and monitoring the effectiveness of promotional campaigns. The research requirements vary for each of these areas, but in practice a large part of airport marketing research can be divided into three different categories covering customer characteristics, product and service quality issues, and the use and performance of commercial facilities. While separate marketing research may be undertaken for each of the three areas, there is likely to be a considerable amount of overlap. For instance, information about passengers' characteristics that may be gathered for market assessment purposes can be used to determine the best commercial offer mix. Similarly, customer satisfaction scores may offer insight into attitudes towards commercial facilities. In addition, external economic information such as income and GDP will be useful for predicting the potential for new routes and also for assessing trends in commercial revenues.

There is a considerable amount of information that can be gathered concerning market characteristics for airlines, passengers and other customers. Some of this has already been discussed in Chapter 3 in relation to market segmentation choices. For example, airline data can be collected by type of airline, nature of route, passenger business model, cargo business model and alliance membership. Similarly, passenger data can be collected by trip and passenger characteristics. This data and the associated market segments can be used to identify strategies for airport market targeting and positioning, and to plan the marketing mix in terms of product design and delivery, pricing strategies, promotional activities and distribution channels. The data also plays a key role in the ASD process, which is discussed later in this chapter.

Research concerning service quality and customer satisfaction can broadly be undertaken in two ways. First, an objective approach can be adopted by measuring the services delivered; this can cover areas such as flight delays, availability of lifts, escalators and trolleys, and other factors such as queue length, space provision, waiting time, and baggage reclaim time. To be accurate and reliable, these measures need to be collected regularly and at varying time periods when different volumes and types of passengers are being processed through the airport. The advantages of these measures are that they are precise and easy to understand. However, this approach to researching service quality can only cover a limited range of issues and service dimensions. For instance, while they can evaluate the reliability of equipment, they cannot tell whether consumers feel safe, assured and satisfied with their use of the equipment. Similarly, a passenger's perception of the time they have spent waiting in a queue may be very different from the actual waiting time. Therefore, more subjective research looking at passenger satisfaction ratings is also needed, to enable the quality of service to be assessed through the eyes of users rather than airport marketers.

Any information an airport has gathered on market characteristics may be useful for research related to commercial facilities, as passenger profile information can be important in explaining price sensitivity, product and quality preferences, and propensity to spend with commercial facilities (LeighFisher, 2011). More specific information on customers of commercial facilities (e.g. passengers, employees and visitors) in terms of their characteristics, dwell times and attitudes and behaviour towards commercial facilities can also provide insight, as can sales and performance data.

## 4.3 The ASD process

An important area of airport marketing research is associated with the marketing of new services (STRAIR, 2005; Martin, 2008). For this, the airport marketer will typically go through an ASD (sometimes referred to as route development) process, which will have different data and research requirements at each stage. The overall task is to identify potentially viable routes that are not currently being served, and ultimately to produce route by route forecasts and a feasibility





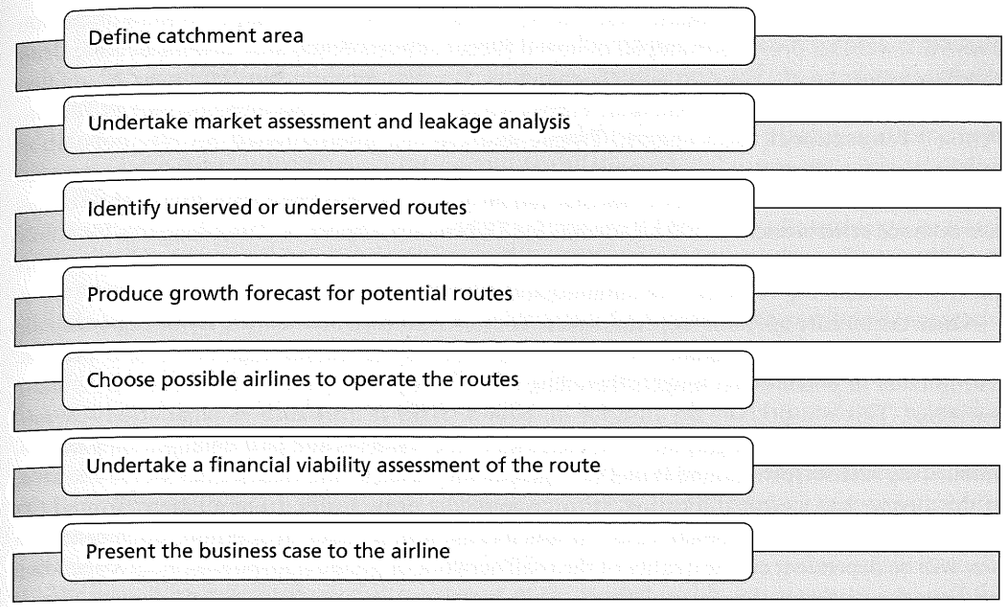


**Figure 4.1** Stages in the ASD process
*Source*: compiled by the authors

assessment. Marketing research is an essential component that provides the foundations for this. The typical stages of the ASD process are outlined in Figure 4.1.

The first stage involves determining the catchment area of the airport: this refers to the geographic reach of the airport services on the surrounding population and economy they serve. Hence, it is the area where most of the outbound passengers originate from, or where most of the inbound passengers are travelling to, so airport marketers will tend to concentrate their marketing effort on this area.

Catchment areas can be formally defined using isochrones that identify an area within which it is possible to reach the airport within a certain time. These can be identified with different time periods (e.g. 1-hour isochrones, 2-hour isochrones) and can be more complicated if different forms of ground transport modes are taken into account (e.g. 2-hour drive time, 2-hour public transport time). The appropriate drive time is dependent on the passengers' willingness to travel to the airport, which needs to be assessed by considering the true origins and destinations of passengers. Various types of passenger will have different preferences and willingness to accept certain travel times. For instance, more time-sensitive business passengers will tend to demand shorter travel times than leisure passengers; long-haul (or perhaps international) travellers are likely to be less concerned with this element of travel time than short-haul (or perhaps domestic) travellers, since it accounts for a smaller share of their overall journey time. Hence, the airport marketer needs to take into account the nature and purpose of journey when defining its catchment areas. The distinction between the primary catchment area – where most travellers (both residents and visitors) are likely to consider the airport as their first choice based on proximity – and weaker or secondary catchment areas – where the airport will not necessarily be the first choice – can also be made based on isochrones of longer times.

The catchment area information on The Route Shop website (see Chapter 8 for a discussion about this website) provides examples of how different airports define their catchment area. Drive time isochrones are the most popular. For example, Brussels Airport identifies almost 20 million people living within one and a half hour's drive, while a number of other airports (such as Toronto Pearson International, Copenhagen, Prague and Cancun International) provide population information for 30-minute, 60-minute and 120-minute drive times. Haikou Meilan International Airport provides details of major cities that can be reached within these time limits, while others use distance criteria such as 100 kilometres for Dubrovnik Airport or 250 kilometres for Rome Fiumicino Airport. Dublin Airport provides population data for a 10-mile radius of the airport (nearly one million), 40 miles (1.7 million) and 50 miles (1.9 million).

Once the airport operator has established its catchment area boundaries, it must quantify the level of air travel demand generated in the area, which is the second stage of the ASD process. The number of potential passengers travelling to or from a catchment area will depend on many variables. This is especially the case for outbound traffic factors such as population size and propensity to travel, demographic characteristics of the residents and past immigration patterns. Influencing factors for inbound travel will include the business and tourist activities in the area. If the airport has a central location, it can potentially draw traffic from all areas around the airport, which would not be the case if it was located near a coast. In addition, catchment area size will be dependent on the quality of the road network or public transport services (depending on how the isochrone has been defined), with better quality increasing the catchment size. If subsequent improvements are made to transport links, the catchment area will increase.

It is important to note that any estimate of the level of demand in the catchment area is only a hypothetical maximum measure of the traffic-generating power of the area, as it will fail to take account of nearby competitor airports and the impact such airports will have on potential traffic volumes. In reality many airports have overlapping catchment areas, so potential passengers within these areas will make their choice of airport dependent on a number of factors such as fares levels, services levels (frequency or whether the service is non-stop or connecting), preferred airlines, parking and so on. For short-haul travel to popular destinations there may be significant competition from other airports, and so catchment areas will probably overlap considerably, whereas this may not be the case for less popular or longer-distance destinations. Overlap typically occurs with regional airports or when there is more than one airport serving a major city. The larger the overlap of the two catchment areas, the higher the likelihood that the two airports will compete directly for the same passengers. However, the relative attractiveness of overlapping airports will vary constantly as improvements are made to the road infrastructure or public transport, new or additional air services are offered, or there is some other change such as a reduction in car parking prices.

A good example of overlapping catchment areas occurs in the UK. The UK CAA (2011) found that the catchment area of London Stansted Airport overlaps with that of London Luton Airport, Bristol Airport, Birmingham Airport and East Midlands Airport, but has very little direct overlap with Manchester Airport. However, this concept of overlap is only relevant if the airports are providing substitutable air services or products. For instance, within the London area there are the two business and general aviation airports London Biggin Hill Airport and Northolt Airport, whose catchment areas overlap considerably with London Heathrow Airport and London Gatwick Airport, but who offer distinctly different aviation products and are therefore not really in direct competition.

If past data exists that shows passengers' use of a number of airports categorised by small residential regions (e.g. planning or postal districts), it may be possible to determine whether each region is within each airport's catchment area, and therefore whether any of the catchment areas overlap. For example, an assumption could be made, as in the UK CAA study, that an airport is





considered to be serving a region if it captured a quarter of its originating passengers. Therefore, such past usage data can provide some insight into the market share each airport is likely to achieve but, as conditions are constantly changing, this cannot necessarily be a realistic guide for future marketing planning.

In reality, the competitive strength of an airport and the success of its marketing effort can be assessed by determining its effectiveness in capturing all the potential passengers in its catchment area. When traffic is lost or diverted away from its 'natural' catchment area to another airport as a result of factors such as insufficient airline capacity or frequencies, higher air fares, or a lack of non-stop services at the airport in question, this is defined as traffic leakage. Reverse leakage is the opposite situation, when passengers will use a given airport even though they have not been directly associated with its catchment area. In recent years, LCCs have been particularly successful in attracting passengers from outside catchment areas and causing leakages because of the lower prices they offer. This has been especially the case with leisure passengers because of the lower value of their own time. An example is BSCA in Belgium, which is situated in a region that has traditionally attracted very little air travel, although it is located near other more populous and affluent areas. A survey of Ryanair passengers showed that only 18 per cent came from southern Belgium, which is the natural catchment area of BSCA. The Brussels area accounted for a further 25 per cent of passengers, with the rest coming from northern Belgium, the Netherlands, Luxembourg, France and Germany (Dennis, 2007).

The airport operator can use this assessment of the market within its catchment area and the associated leakage analysis to determine the adequacy of air services at the airport, and to identify routes not served satisfactorily, or at all, by considering the schedules of current air services. This is the third step of the ASD process. By weighing up the factors that passengers take into account when considering different flight and airport options such as air fares, frequencies and schedules, and accessibility of the airport (in terms of cost and time), the airport operator can then estimate the likely market share of new services to and from the airport.

The next stage of the process will involve estimating the potential future demand for the route, which will usually require the input of other marketing research data related to key drivers of demand such as income, population, propensity to travel and journey purpose. Forecasting methods may vary from simple time series projections of past traffic performance into the future to more complicated procedures such as regression analysis. Reference to aviation industry forecasts may also be useful here. One of the most challenging situations will be when there is no relevant historical data to use as a basis for the forecasts. There also needs to be consideration of the amount of stimulation or generation of new demand, which may be caused, for example, by a significant reduction in air fares, reduced ground time, the introduction of a non-stop route or a route which has reduced connection points or time. It is generally assumed that LCC services stimulate a certain amount of new demand because of the low fares offered. Indeed, a survey by NFO Infratest found that 'new' demand amounted to 59 per cent of the total demand (ELFAA, 2004). However, this is probably a considerable overestimate of LCCs' demand-generating abilities, given the more mature nature of this airline sector in many countries now.

Once future demand has been forecast, the airport marketer will need to research which airline would be the most suitable to operate the route, in terms of having the most appropriate network, flying aircraft that can reach the destination, and having the capacity to carry the projected traffic. In addition, the general strategy (e.g. expansion plans, hub development, alliance membership) and business model (e.g. network versus LCC) of the airline, as well as its attitude towards the airport in question and market characteristics of the new route, need to be considered to ensure a good match with the new route requirements.

As a final stage, the airport operator may undertake a feasibility assessment of the route by bringing together the forecast traffic, yield and load factor data and estimating the airline's

operating costs. This will require additional research to ensure that the estimates are realistic and credible when they are presented to the airline, even though the airline will undoubtedly undertake its own assessment if it is interested.

Initially, some of the research concerning the market assessment and potential for new routes may be presented on websites such as The Route Shop to encourage dialogue with airlines, or discussed during informal meetings at conferences such as Routes (see Chapter 8). If an airline is interested in the airport proposal, the airport will normally make a formal business presentation to the airline. Table 4.1 summarises the typical information presented during one of these meetings. To present a convincing and compelling business case, in addition to the traffic and financial assessment, other information relating to the attractiveness of the catchment area such as demographic and economic data needs to be provided (as well, of course, as details about price incentives, marketing support and airport facilities). While this information will primarily be used by airport marketers to make a business case to the airlines, it can also be used to encourage other organisations such as tourist boards or development agencies to cooperate by financially supporting price incentives and marketing assistance to encourage the airlines.

A statistical tool called the quality service index (QSI) estimates passenger behaviour by quantifying the relative attractiveness of different flight options. It is used by airlines when assessing their networks, but can also be used by airport marketers during the ASD process to evaluate route opportunities and perhaps to add credibility to the business case proposal to airlines. The inputs to the model are the factors that passengers consider when choosing different flight options such as air fare, flight frequency, travel time, aircraft time and number of stops. A coefficient is then applied to each of these factors, which can have a relative value (e.g. non-stop flight = 1, single connection = 0.25) or an absolute value (e.g. number of frequencies). By imputting data related to the city pair market size, airline schedules, air fares, stimulation factors and so on, the model can calculate market share and other variables such as load factor and airline revenues (Weatherill, 2008). Some airports have chosen to develop their own QSI models, even some small ones such as Grenoble Airport and Chambéry Airport, while others have bought software packages offered by, for example, IATA, the Official Airline Guide (OAG) and Sabre. These models can be useful but require a considerable amount of data,

**Table 4.1** Typical information provided by airport marketers for airlines at ASD meetings

| *Information* | *Examples* |
|---|---|
| Route forecasts | Nature of traffic, traffic forecasts, stimulated traffic, schedule, load factor |
| Financial evaluation | Operating costs per block hour, yields, forecast revenues, costs and profits |
| Catchment area characteristics | Population, travel propensity, demographics, business/tourist activity, surface transport links |
| Marketing support | Fee deductions or incentives, joint advertising campaigns, sharing of market research data |
| Airport facilities and profile | Infrastructure, services, other airlines at the airport |

*Source*: compiled by the authors





as well as realistic assumptions related to the coefficients, to ensure that credible estimates are produced.

## 4.4 Secondary research

One of the key decisions to be made in developing any research plan once the problem or issue to be considered has been identified is the choice of the most appropriate research method, and whether secondary, primary or both information sources are going to be used. For the airport industry a range of sources are in many cases available, but all have their benefits and limitations. Therefore, cross-checks should be made whenever possible, using all available sources. In making choices, consideration has to be given to the accuracy, reliability, relevance and timeliness of the data, as well as to practical considerations related to the cost, resources and time involved. The rest of this chapter will discuss the types of research that can be undertaken, starting with secondary research and concluding with primary research.

### 4.4.1 Air transport statistics

Internally, particularly for operational reasons, a considerable amount of traffic data is available to airport marketers. This includes volume figures such as the number of movements, passengers and cargo tonnes. Each of these can be broken down into further detail, for instance, by flight destination or airline and by daily, weekly and monthly patterns. ACI undertook a survey among its member airports of the internal sources used to produce these air transport statistics. In many cases, a mixture of sources were used, the most popular being directly from airlines (72 per cent), followed by air traffic control and civil aviation departments (62 per cent), internal airport company records (57 per cent) and airlines via handling agents (49 per cent) (ACI, 2011).

In addition to internal traffic statistics that are directly available to the airport operator, there are a number of global publications of data that can prove useful to the airport marketer. ACI's traffic reports provide passenger, cargo and movement data, such as its annual world airport traffic report, which covers over 1,400 airports in more than 150 countries, and the corresponding monthly report. Since these reports include a considerable number of airports they cannot be published until several months after the data has been collected, so there are also monthly summary reports called PaxFlash and FreightFlash; these cover a smaller size (60 per cent of total passenger traffic and 70 per cent of total freight traffic worldwide) but provide a snapshot of up-to-date traffic trends. Some of ACI's regional offices such as ACI Europe and ACI North America also produce reports of airport traffic in their regions.

ICAO reports monthly and annual traffic data at major international airports, but again there is some lag before this data becomes available. National government departments or agencies often publish airport traffic data, sometimes on their websites. Other relevant sources of air transport data include OAG, which publishes airline schedules from all over the world and sells a number of software packages that enable further analysis of the schedule data. IATA produces a considerable amount of airline data that, although not directly related to airport operators, can be particularly useful in the later stages of the ASD process when the airline evaluation is being undertaken. ICAO airline data may also be useful here.

While airport traffic volumes can be helpful for assessing the comparative performance of competing airports, for ASD planning purposes more detailed passenger traffic between city pairs is needed. ICAO has two publications related to this. The first is the on-flight origin and destination report, which shows, on an aggregate basis, the number of passengers, freight and mail tonnes carried between all international city pairs on scheduled services. This is based on ticket