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## The airport business in a competitive environment

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### Abstract

Airports have traditionally been considered as public utility providers, with little potential to develop significant market opportunities. Liberalisation of the air transport market around the globe has introduced new dynamics into the airport industry. The emergence of competition and the transition in ownership (towards privatisation or commercialisation) demand a different perspective in airport management. This paper aims at explaining the complexity of the airport business, in particular in what concerns the role of the airport as a firm that operates in a network of stakeholders, to produce a set of service packages targeted at several types of customers.

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*Keywords:* Airport management; Airport strategy; Airport competition.

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### 1. Introduction

Before liberalisation spread around the world, the air transport market was heavily regulated by the Chicago Convention of 1944 (which still applies for many international services). In such context, the lack of competition between airlines was echoed at the airport level (Barret, 2000), and an apparent sense of certainty about future demand dominated airport planning and management as planners and operators followed a narrow technical focus almost exclusively (De Neufville & Odoni, 2003). Yet the current environment in the air transport industry is radically different, and the transformations have directly impacted the airport business in the ways we intend to describe in this paper.

This analysis is based on a comprehensive review of scientific literature and documentation released by airport operators, mainly regarding airport planning and airport marketing. Such review was complemented by non-structured interviews with key informants within the airport industry (e.g., ANA Aeroportos de Portugal, Fraport,

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the Schiphol Group, and the Athens International Airport) and, in addition, technical visits to a wide range of airports, such as Munich, Vancouver, Dallas (Forth Worth), Atlanta, Frankfurt am Main, Schiphol Amsterdam, Zurich and Athens.

The following sections describe the competitive environment that we claim to exist in the current context of the airport industry, the actors and the structure of what we call “the airport business network”. A redefinition of the current approaches to the airport business is also presented. Conclusive remarks and recommendations close the body of the document.

## 2. The competitive environment

Airport competition is a rather new concern among researchers. Earlier works (as summarised by Lian and Rønnevik (2011)) focus almost exclusively on traffic leakage, a term coined to describe competition when the catchment areas of two or more airports overlap, especially in the case of multi-airport systems in metropolitan regions. Indeed, it is commonly accepted (De Neufville & Odoni, 2003; European Commission, 2002; Forsyth, Gillen, Müller, & Niemeier, 2010; Graham, 2003) that airports compete at least in two cases: when their catchment areas overlap or when they effectively work as alternative transfer hubs.

Developments in recent decades render that vision insufficient. Remarkably, liberalisation of the air transport market propelled both the growth of low-cost carriers (LCC) and the change in airport ownership and/or the change of management perspective towards privatisation of commercialisation (Bush, 2010; de Neufville & Odoni, 2003; Graham, 2003). Moreover, the widespread use of the internet allows for an easier, quicker and cheaper promotion of new services by airlines and airports, thus favouring competition (Copenhagen Economics, 2012).

Since our previous research (Jimenez, Pinho de Sousa, & Claro, 2011) we have been expanding our perspective on the subject of airport competition. Recent reports on the airport practice confirm our position, in many aspects (Copenhagen Economics, 2012). As a result of this perspective, the airport industry nowadays faces a competitive environment that can be described by the seven areas of competition that Fig. 1 presents.

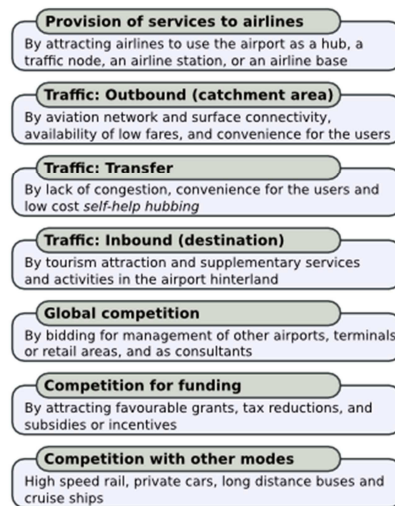


Fig. 1. The areas of competition within the airport industry.

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