



An innovative framework for the study and structure of airport business models

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ABSTRACT

This paper aimed to explore different types of airport business models. The business model structure of Osterwalder and Pigneur (2010) can capture both the operation and the environment in which a company exists and for this reason it was employed to study the operation of twenty airports. These airports were organized into five categories (primary hub, secondary hub, business, low cost and cargo) according to the traffic type they are known to serve and their business profile. After comparing the business models of the airports within each category, the common elements were identified and their key differentiation parameters were designated. It was found that there is a pattern for the primary and secondary hub airports but not for the business, low cost and cargo airports. The outcome of the paper was the proposal of a new framework for the exploration of airport business models which introduces the concept of airport regeneration and incorporates the factors that impede airport managers from developing the business models they want.

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1. Introduction

Airports have developed a multidimensional nature that establishes them as distinct global entities. Their role has evolved into that of a “multipoint firm” (Jarrach, 2001) and now they are equally concerned with their management and their planning. The major challenges are increasing and airport operators are called upon to manage them successfully. At the same time, the business world is attempting to conceptualize business operations through models. These models have been called “business models” (BM) and they are emerging because of their nature that promises great potential. Such models are regarded as key operational tools that can improve the performance and bring revenues. During a volatile economy, with unexpected changes in policies and increasing demands and expectations of people, it would be expected that many elements of a society re-evaluate their business models.

Airport business models have not been widely studied. It is believed that the conceptualization of the business model of an airport can help its managers have a clear and organized view of the current airport's goals and the path that will help them achieve them. In addition, a business model can help managers highlight the distinct features of their airport and the environment in which

it operates and how they can best capture opportunities. A review of the literature made it evident that there is a lack of incorporation of the theory of business models in the airport business analysis. This paper intends to apply and adjust the theory in such a way to adequately describe airport businesses and management. We are presenting case studies of airports and we are proposing a framework for the conceptualization of airport business models. The paper is organized in 7 sections. First, a review of the literature is presented and then the methodology is explained. The next three sections present the airport case studies under exploration and the discussion of their content. Afterwards, a framework for the study of airport business models is proposed and this is believed to be the contribution of this paper. Finally, we end with some final conclusions.

2. Theory of business models

What is a business model? No unique definition exists for this concept. Business experts have tried to form their own perception of what a business model is. The majority uses the same concepts but describes them in different ways. At the beginning there was confusion among the concepts of business model, strategy and competitive strategy, but there is evidence for their differences (Casadesus-Masanell and Ricart, 2010). The concept of business model remains ambiguous and sensitive to the nature of business. Different definitions have been given by Timmers (1998), Magretta (2002), Rasmussen (2007) and Perkman and Spicer (2010). In this paper the definition of Osterwalder and Pigneur (2010) will be adopted: “a business

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model describes the rationale of how an organization creates, delivers and captures value”.

2.1. Elements

The large variety that is present in the definition of a business model extends to its formulation and the identification of its key elements. Some approaches have been found in the literature. A short presentation of the proposed elements is given in Table 1. A first insight is that the principles that have been used are repeated and are expressed with different words. For example, the concepts: offering level, competitive position, offered service and value proposition can be used to describe the same element of a business model. Apart from the general approaches, there are also proposals for the structure of business models which are focused on one specific business area (technology, material, project and specific service) and the corresponding models are structured based on the characteristics of this specific area (Table 2).

It is evident that depending on the nature of the entities under examination, the structure of the business models differed. This indicates that the business environment influences the way certain business develops.

2.2. Airport business models

Many experts are using the term business model but the content in which the term is used is not always the same. According to the traffic types the airports attract, de Neufville (2003) categorized airports into intercontinental airports, cheap

fare-short haul and cargo airports. He also mentioned some emerging business models, the formation of which was based on the extent of the activities that the airport itself executes and the extent of the activities that the airport outsources to external agents. The resulted categories were named “complete airport operators, specialist operators and airport development teams”. Gillen (2009) developed different models based on the governance and ownership of the airports. Also, Qin (2010) used as a criterion the type of governance (public, mixed, private) to find types of airport business models and indicated their advantages and disadvantages. Frank (2011) tried to explore the business practices of airports that promise profitability. To achieve this she described in detail the operation of three airports and then she compared their business models. After presenting the results of her analysis, she critically compared the model patterns of the airports and she found that among the business models there was heterogeneity. She concluded that the environment in which each airport operates is determinant for the formation of its business model. This was the first study in which many aspects which cover a large range of the airport environment were used in order to capture the structure of airport business models.

3. Methodology

For the exploration of airport business models, the definition and the methodology proposed by Osterwalder and Pigneur (2010) will be used to study airports based on the perception of an external agent. According to them there is a very distinct discrimination between the business model and the business plan

Table 1
Review of proposals for the elements comprising a company's business models.

Authors	Business model elements	
Hedman and Kalling (2003)	The activity and organizational level	The market level
Afuah (2003)	The resource level	The offering level
	The competitive position	The capabilities and resources
	The activities	The costs
Bouwman et al. (2008)	The external forces from the industry	
	The offered service	The organizational component
Osterwalder and Pigneur (2010)	The technological component	The financial component
	The customer segments	The key resources
	The value proposition	The key activities
	The channels	The key partners
	The customer relationships	The cost structure
	The revenue streams	
Nielsen (2010)	Organizational structure	Customer types
	Alliances	The links among the elements
Demil and Lecocq (2010)	Management processes	
	Competences of the firm	
	Organizational structure	
	Value proposition	

Table 2
Review of proposals for the elements comprising focused business models.

Authors	Business area	Business model elements	
Chesbrough and Rosenbloom (2003)	Technology firm	The value proposition offered	The cost structure
		The targeted market segments	The profit potential
		The value chain process	The competitive strategy
		The position in network	
Halme et al. (2007)	Material efficiency firm	The service competitive advantage	The resources
		The customer benefits	
		The additional capabilities	
Wikström et al. (2010)	Project-based firm	The value proposition	The assets used
		The organizational arrangement	Innovation and growth
		The customer relationships	
Kindström (2010)	Service-based firm	The value proposition	The value network
		The revenue mechanisms	The competitive strategy
		The value chain	The target market

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