



## Airport route development: A survey of current practice



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### HIGHLIGHTS

- Airports are particularly focused on attracting new routes with new airlines.
- Active and targeted forms of personnel selling are most widely used methods.
- 54 per cent of airports have a dedicated route development team.
- Airports employ an average 3.6 FTEs to work specifically on route development.
- Average expenditure on route development activities is US\$346,645.

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### ABSTRACT

To develop air services and in many cases tourism flows, airports focus their marketing effort on airlines through a process known as route development. Whilst route development is a well-known concept within the airport industry it has received limited attention in academic or industry literature. As a result little knowledge is shared about why airports use route development, what are the most common methods and what is the general level of involvement. To fill the gap, this paper investigates airport route development practice using an online survey of 124 airports worldwide. Findings show that the vast majority of airports are actively involved in route development for a range of objectives and that the process and level of involvement is extensive, although this often depends on airport size, location or ownership. Results are particularly relevant to airports that are less advanced in route development activities and also those seeking to debate route and tourism development strategies with stakeholders.

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### 1. Introduction

Airports were traditionally considered to be public utilities, and focused largely on facilitating the safe and efficient movement of aircraft and passengers rather than commercial considerations. Airport operators adopted a fairly passive approach to marketing, doing relatively little to encourage customers to use their services. However, in many parts of the world, airports have become more commercially orientated. This, combined with airline liberalisation in many markets, has led to a much more competitive airport industry (Forsyth, Gillen, Mueller, & Niemeier, 2010; Thelle, Pedersen, & Harhoff, 2012). As a result, marketing has become a core activity

at many airports, and one that is considered to be vital for success (Halpern & Graham, 2013).

An airport has many customers but two of the most important are airlines and passengers, and the marketing techniques used for the two types of customer vary (Graham, 2014). Airports tend to use traditional approaches when marketing to passengers such as providing electronic and printed information, advertising through a range of media, developing loyalty programmes, offering sponsorship, and holding fundraising events and air shows. However, the extent to which an airport operator by itself can influence a passenger's choice is limited as their decision is primarily determined by the airline services on offer and the location of the airport. Instead, many airports direct much of their attention towards marketing to airlines, and this can arguably have a more significant impact on the success of an airport.

ASM (2009) found that 96 per cent of all European airports are actively involved in marketing their airport to airlines. This includes the use of common approaches such as providing publicity

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information or launching advertising campaigns that create awareness and communicate general messages about the airport. However, in recent years, airports have increasingly used personal selling as a means of targeting specific airlines with the aim of developing a deeper relationship with them. Route development (also known as air service development in some countries) underpins the targeted approach to personal selling. It is a process that seeks to “demonstrate to air carriers that there is sufficient demand, and suitable airport facilities, to profitably operate a route from the airport” (Trethewey & Kincaid, 2010, p. 133).

Route development is now a well-known concept within the airport industry, and has been accompanied by a growing number of specialist route development consultants. Surprisingly, it has received limited attention in academic or industry literature. This means that little knowledge is shared about why airports use route development, what are the most common methods used, and what resources airports dedicate to it. To fill the gap, this research investigates airport route development practice based on the findings of an online survey of 124 airports worldwide. The findings can be used by airport management to further develop their own route development strategy and to learn from best practice. Whilst many airport stakeholders can be involved with route development such as regional economic development agencies, destination management organisations or tourism authorities, and Chambers of Commerce or other business associations, the focus of this research is on the airport operator's use of route development.

The structure of this paper is as follows. Section 2 discusses the principles of route development, drawing from the limited literature available on the topic. Section 3 briefly describes the methodological approach taken in terms of survey design, sampling and analysis. Section 4 presents the main findings of the survey. Section 5 concludes and discusses the implications of the research.

## 2. Principles of route development

### 2.1. The objectives of route development

Route development has been explained in a number of ways. Thelle et al. (2012, p. 81) define it as the “marketing activities undertaken by airports with the aim of attracting new routes, for example through participation in route development conferences, offering incentive schemes, meetings with airlines, producing bespoke reports for airlines”. Martin (2009, p. v) states that it “includes the attraction, initiation, expansion, retention, or any improvement of air service and can include changes in pricing, frequency, capacity, hub connectivity, or the number of nonstop destinations served”. These two descriptions demonstrate the wide ranging nature of route development, both in terms of its objectives and the methods used. This is not fully apparent with the name itself which arguably suggests a somewhat narrower and simpler approach.

The most obvious objective of route development is to encourage new airlines to an airport to operate new routes. Indeed, Kramer, Fowler, Hazel, Ureksoy, and Harig (2010) identify the air service development cycle where new services grow the traffic, which in turn makes the market more attractive and attracts more services. However, in reality, route development can have a number of different purposes including attracting new routes with new airlines, but also growing existing routes, attracting new routes with existing airlines, retaining existing routes and influencing change to existing routes (e.g. lowering fares, changing schedules, reducing seasonality, upgrading aircraft).

There is very little evidence in the literature to help determine the relative importance of the different objectives. An exception is a survey of 41 small and non-hub airports in the US as reported by

Martin (2009). Eighty per cent of airports stated that they used route development techniques to retain existing services and over 70 per cent declared that they used it to add services to new destinations or add frequencies at the airport. Around 60 per cent used it to reduce fares, whereas just under half used it to improve services and only around a third to upgrade the aircraft used.

STRAIR (2005) divides the objectives into two types, namely those related to connectivity (number of destinations served, frequencies and capacity) and those related to traffic (number of passengers arriving, departing and transiting, cargo value, weight and volume). The type of service being targeted may also vary considerably. It can be considered by airline (e.g. mainline, low cost, regional, leisure/tourism charter, private/business charter) or destination (e.g. domestic, international within the same world region, intercontinental). In addition, cargo flights can be specifically targeted but, as de Haan (2012) argues, this can be more challenging because of the different markets and airline business models, together with the relatively poor quality of data. Depending on the nature of the airport operator and the relationship with stakeholders in the surrounding community, there may be broader and complex objectives related to wider benefits for the region such as the development of tourism or improved connectivity for businesses or local residents.

ASM (2009) conducted a survey of about 100 airports in 2008 and found that within Europe, over 74 per cent of airports focused their route development efforts on short-haul services whilst 49 per cent focused on long-haul. By contrast, for airports in the rest of the world, 66 per cent concentrated on long-haul services and 54 per cent on short-haul. Low cost carrier flights were of particular interest for 72 per cent of European airports and 66 per cent of other airports. In addition, some indication of the priorities of airport route development can often be observed on the business-to-business section of airport websites, where information or published price incentives demonstrate the airport's favoured route developments. For example, with airports as diverse as Dublin, Prague, Phoenix Sky Harbor, Macau and Bergen, there are more generous incentives offered for intercontinental or long-haul services (Halpern & Graham, 2013).

Whatever the objectives are for airport route development, they have to be realistic in terms of the demand that can be generated at the airport, the airport infrastructure and services that are offered, and the availability of airlines that are willing and able to operate the services that are being proposed.

### 2.2. The route development process

In order to be successful in route development, a considerable amount of marketing research is needed to be undertaken by the airport operator. Halpern and Graham (2013) describe how this is needed to support the following stages in the route development process: define catchment area; undertake market assessment; identify unserved or underserved routes; produce growth forecast for potential routes; choose possible airlines to operate the routes; and undertake a financial viability assessment of the route. Martin (2009) and STRAIR (2005) discuss the processes in a similar way. The data requirements for such an exercise can be substantial. Not only will use be made of internal airport data and surveys, national travel and tourism statistics, but also true origin and destination demand and schedule data that is provided, for instance, by Sabre, OAG, the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO). These sources can be used as a basis for estimating market shares and forecasts, and for considering the financial feasibility of the routes. Various methodologies can be applied with one of the more sophisticated estimation models being the quality of service index (QSI), which

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