

Growing Pains: Staying Profitable in the New Aviation Era



The new aviation landscape.
There was a time when airports were simply providers of transport infrastructure for airlines and their passengers. But today airports are complex, multi-faceted businesses, operating in a new landscape of increasing competition, diversification of revenue streams and demands to demonstrate sustainability.

Better informed and hyper-connected passengers are empowered with more choice than ever before, creating a competitive environment for airports that was unheard of twenty years ago. Airlines too, are taking the upper hand in their relationship with airports. While major hubs continue to work closely with national flag carriers, the low-cost carriers relied on by so many smaller airports can drive a hard bargain – and can easily take their business elsewhere.

While passenger numbers are set to rise significantly over the next few years, planning for greater capacity is fraught with difficulty. The unpredictability of traveller numbers, increasing environmental pressures, and the very real danger of airline bankruptcies and mergers can delay or even destroy plans for growth. Airports of all sizes also have a unique responsibility to the communities in which they operate. They are challenged to build sustainable businesses that continue to create jobs and drive the local economy, with minimal environmental impact, so any growth plans are subject to levels of public scrutiny not seen in other industries.

Handling complexity

For today's airports, profitable growth is about more than just adding capacity for greater numbers of flights and passengers – the airport charges they pay seldom cover the costs of the infrastructure provided. To grow profitably, airports must develop sophisticated business models that encompass an array of additional revenue generators, from car parking and shopping to restaurants and conference facilities.

This complex and dynamic new business landscape presents huge opportunities for airports that can take control. Increased business insight and operational efficiency enabled by innovative, resilient and affordable technology can help forward-thinking airports gain a sustainable competitive advantage.

Growing profitably and sustainably

Airport expansion, even when it's within existing boundaries, requires huge capital investment. Growth projects have to generate acceptable returns for investors, which means airports must maximise revenue from non-aviation activities to mitigate the risk of losing an airline or finding that plans have been based on overly optimistic passenger forecasts. Lessons must be learned from Spain's 'ghost airports', where billions of euros have recently been invested in airports that either closed shortly after opening or never opened at all.

Airports must also be able to show all stakeholders – investors, communities, local and national governments – how growth programs will benefit the local economy, meet stringent environmental standards and help nurture strong communities. To do this, it's critical to analyse and glean insight from vast quantities of data to predict potential outcomes and support better-informed decisions.

Building stronger customer relationships

Ultimately, it's airports' relationships with their customers, whether airlines or passengers, that hold the keys to profitable growth.

Today it's easier for airlines to pull out and shift operations to a different airport on more favorable terms. Reliance on one or two major airline partners puts airports at risk from airline bankruptcy. Increasing airline consolidation presents a threat too, with the possibility that newly merged airlines may combine their operations at another airport.

For example, the 2001 merger of TWA and American Airlines saw operations dramatically reduced at Lambert-St. Louis International, as American Airlines began to route flights through its hubs at Chicago and Dallas. The airport at St. Louis, built to serve 30 million passengers a year, saw passenger numbers fall to just 10 million a year.



Delivering world-class passenger experiences

Passenger experience is another important factor in airports' plans for growth. Today's traveller can compare everything from prices and flight frequency to security processing times and retail environments. To succeed in this age of heightened competition, airports must ensure that the passenger experience – from entering the airport to boarding their flight – is seamless, stress-free and even rewarding.

Those airports that can deliver consistently outstanding passenger experiences that keep travellers happy and encourage increased spending will have an opportunity to reduce airline fees – keeping both sets of customers satisfied while remaining profitable.

All of this depends on the ability to harness the power of market and customer data to understand customer behaviors and preferences. Backed by a solid technical infrastructure, these kinds of insights allow airports to develop their offerings to match shifting demographics and rapidly changing market forces – ensuring they can grow profitably, now and into the future.

Learn more

From infrastructure deployment to comprehensive managed IT services, Fujitsu helps airports and their partners create a foundation for profitable growth. Get in touch today to find out more about how we can help you enhance the passenger experience, improve operational efficiency and plan for future growth with confidence.

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