

The business model of an airport *STRUYF Els*

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1. Rationale & aim of paper
2. Methodology: The Osterwalder approach
3. Airport business models (based on the Osterwalder approach)
4. Case studies - implications of changing one element
5. Conclusions

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- 1. RATIONALE & AIM OF PAPER**
2. Methodology: The Osterwalder approach
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Rationale and aim of research

Little has been written about the business model of airports.

“a business model is an organization’s core logic for creating value” (Linder & Cantrell, 2000)

- business models are dynamic
- they need to be adapted to the market needs

*Is this also applicable to airports?
(How) are the elements interrelated?*

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Methodology: The Osterwalder approach

A. Osterwalder (2009): conceptual approach

With its product or service, a company wants to create/have a competitive edge; it needs to respond to the customers wishes...

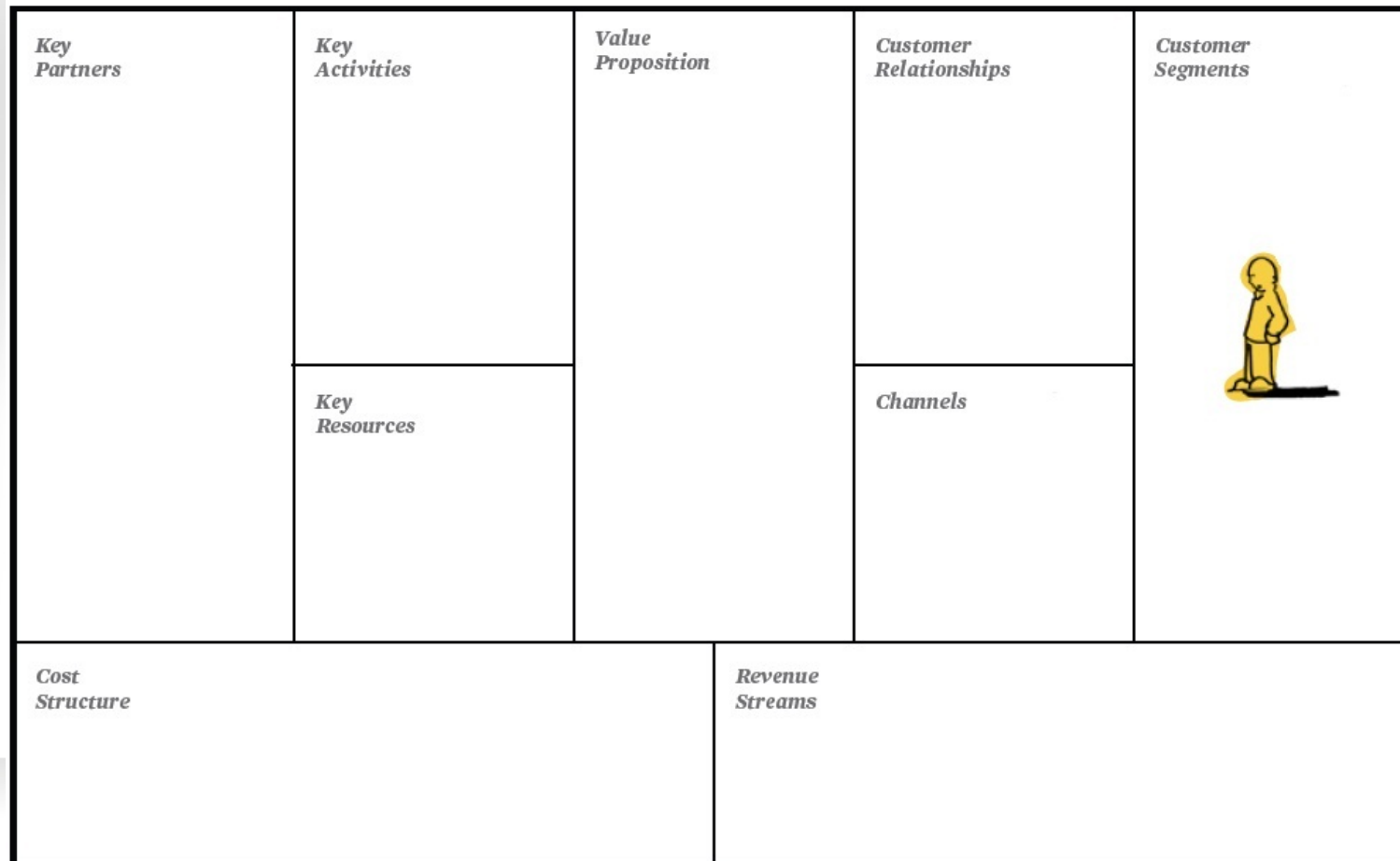
Two preoccupations:

- Who is the customer? How do we make money and what are the costs?
- How can we create value by using our resources?

→ all the elements are aligned to responding to the customers wishes and create a competitive edge.

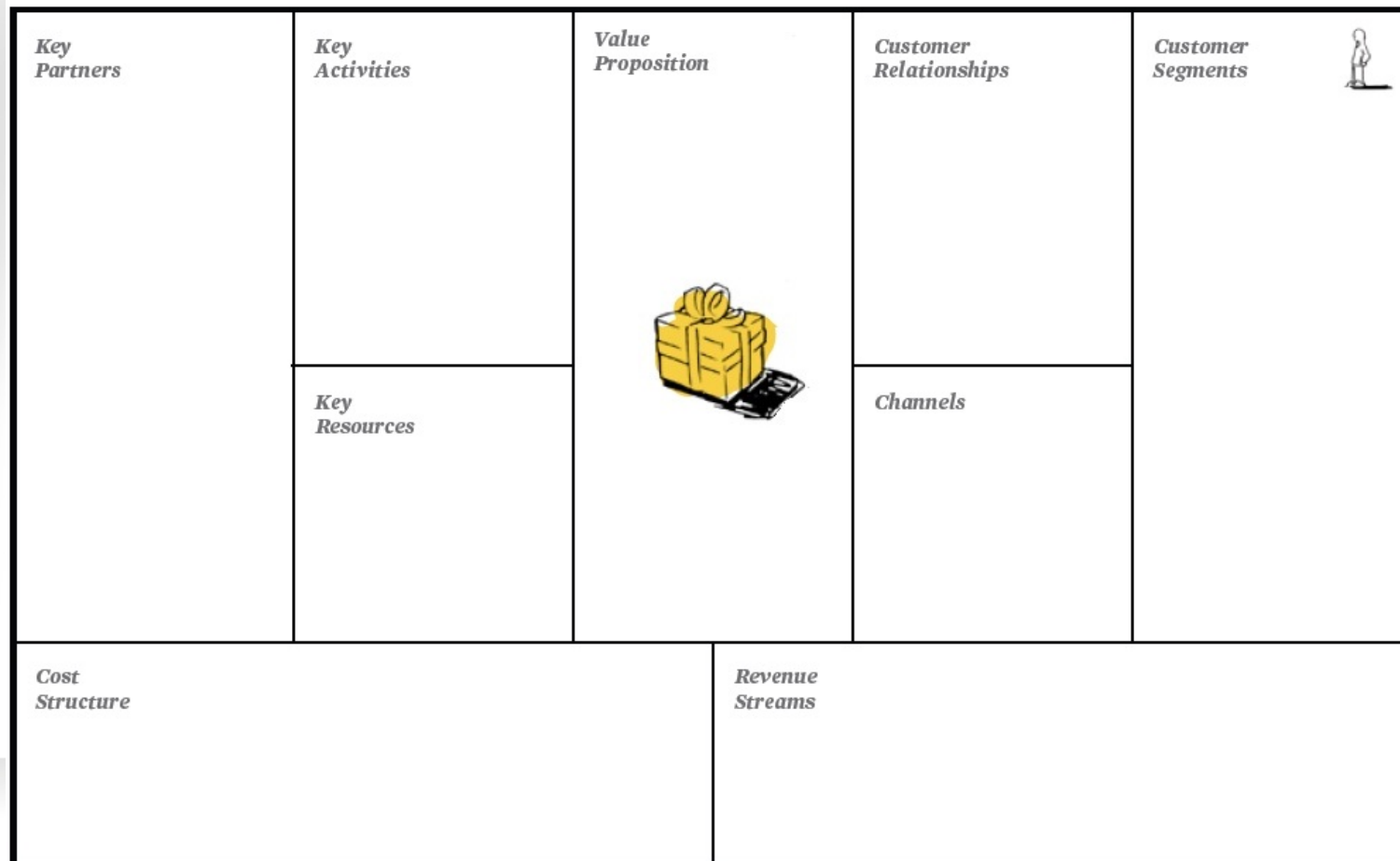
The Osterwalder approach

1st building block: Targeted Customer



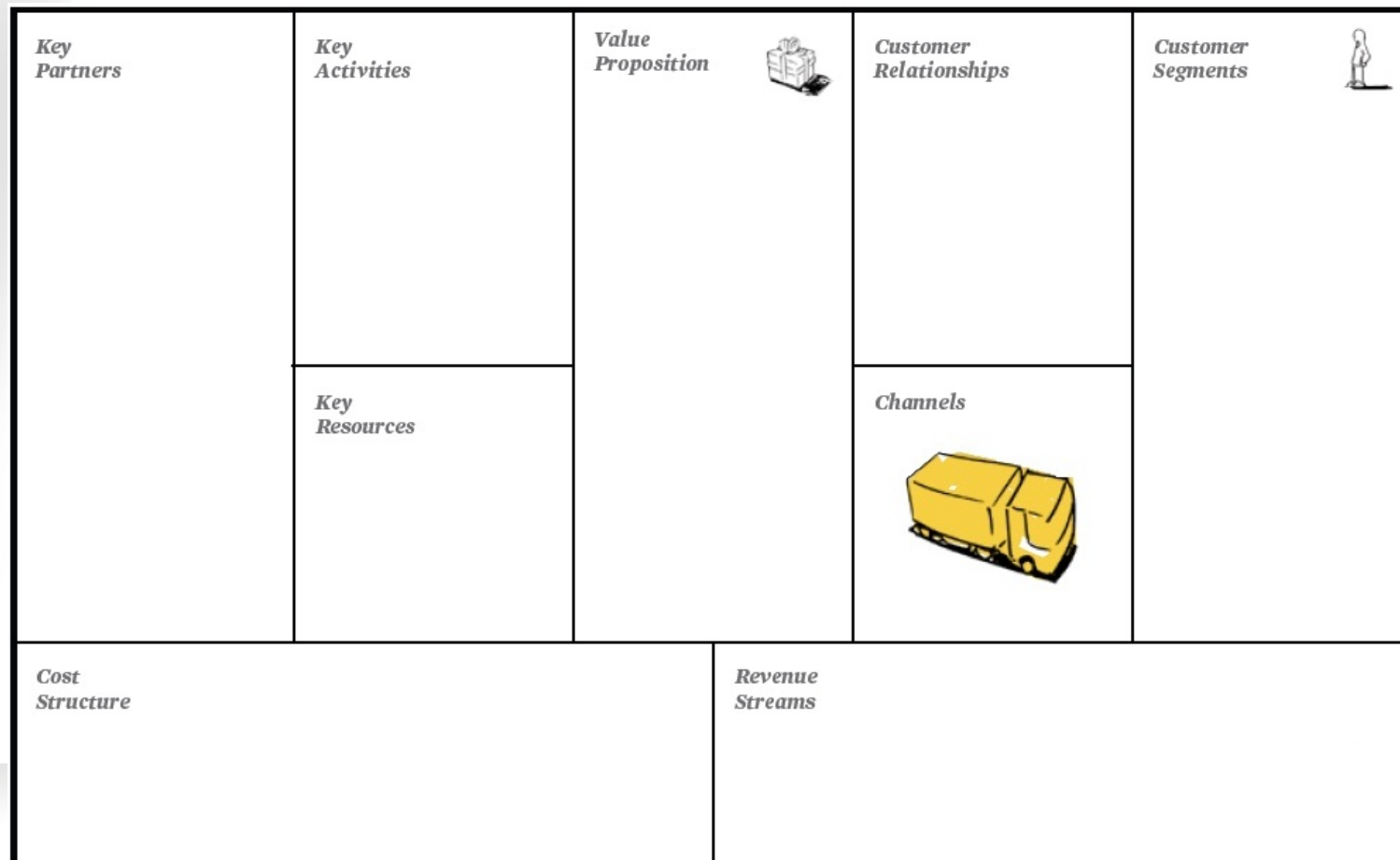
The Osterwalder approach

2nd building block: Value Proposition



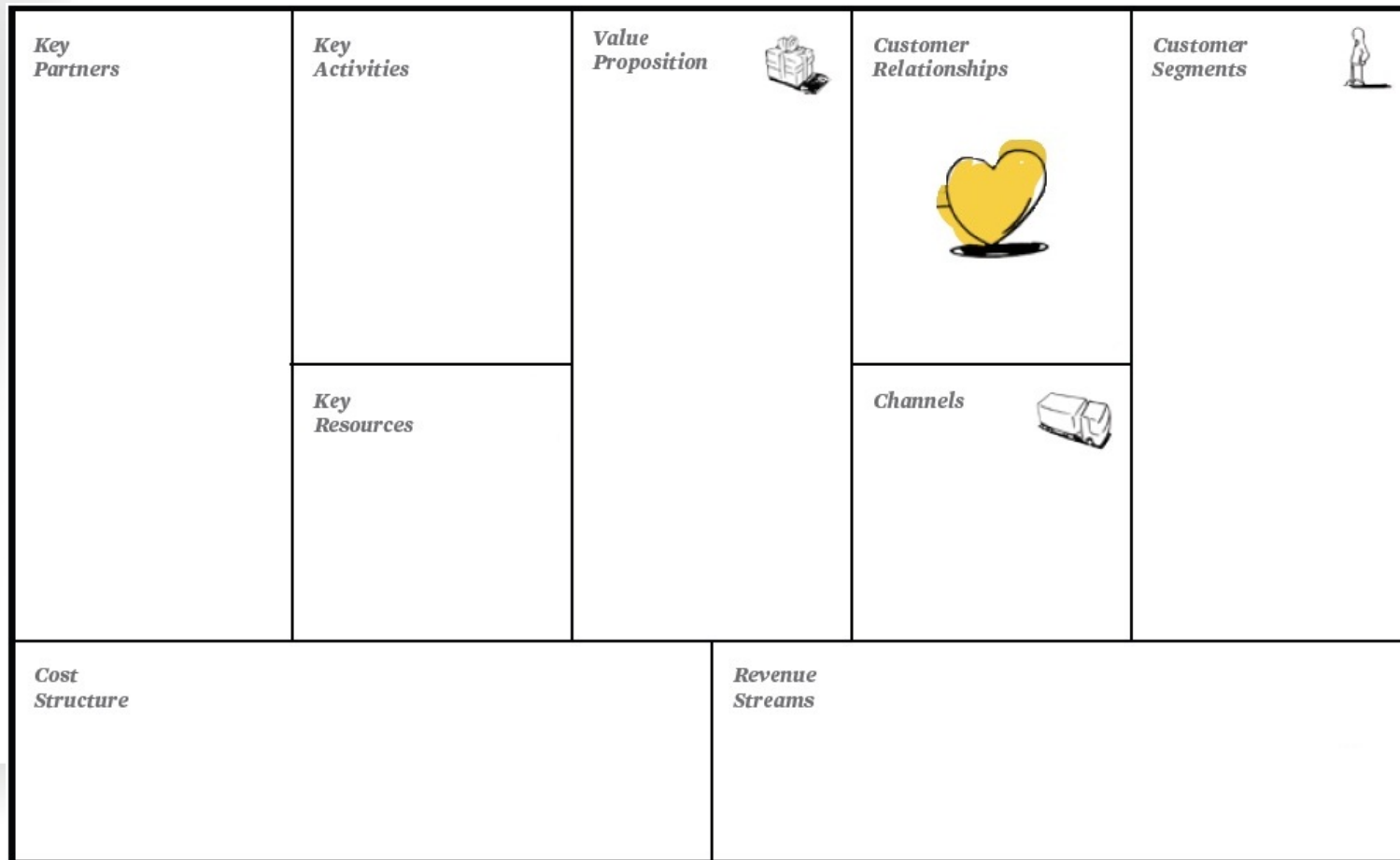
The Osterwalder approach

3rd building block: Distribution Channels



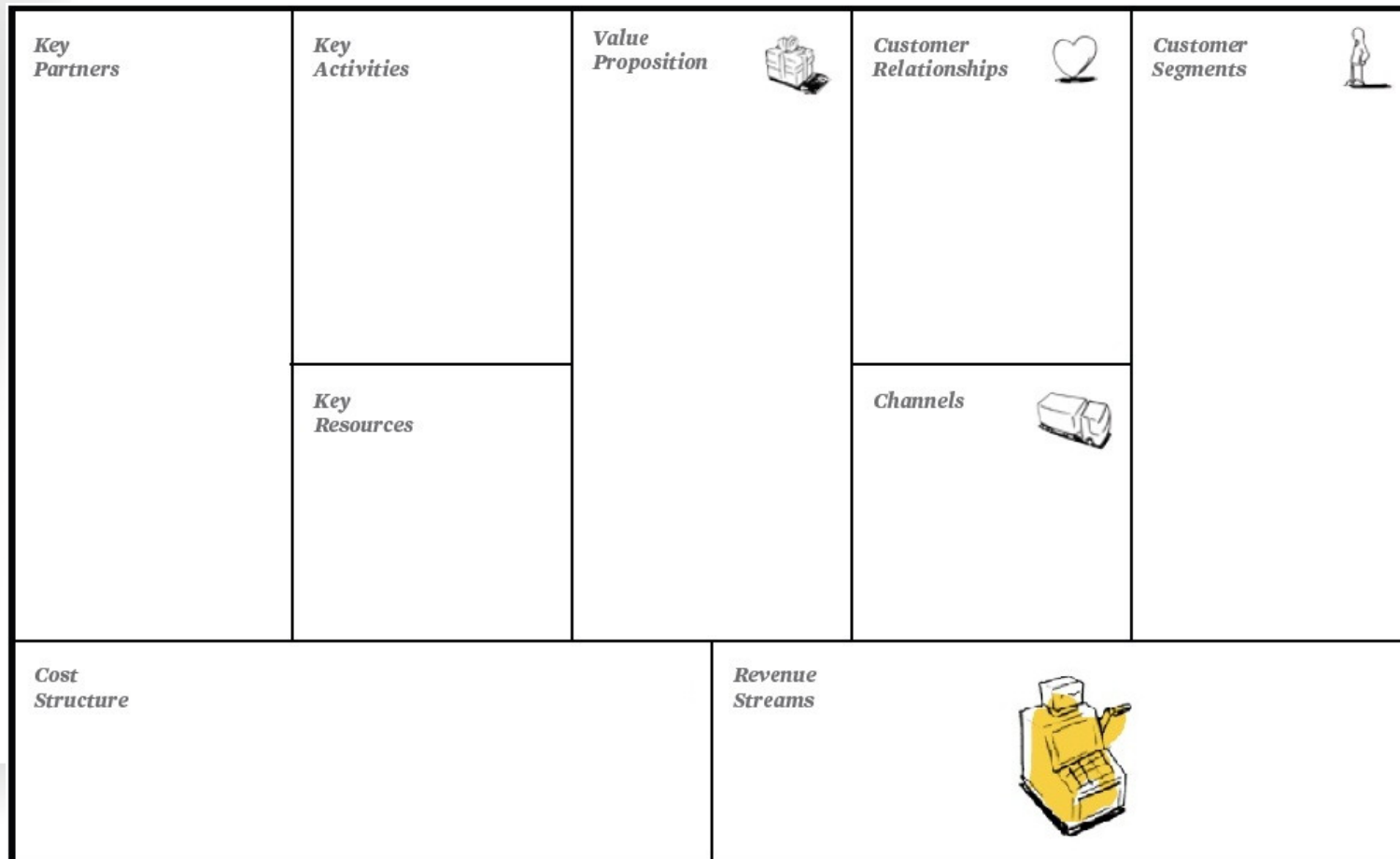
The Osterwalder approach

4th building block: Customer Relationships



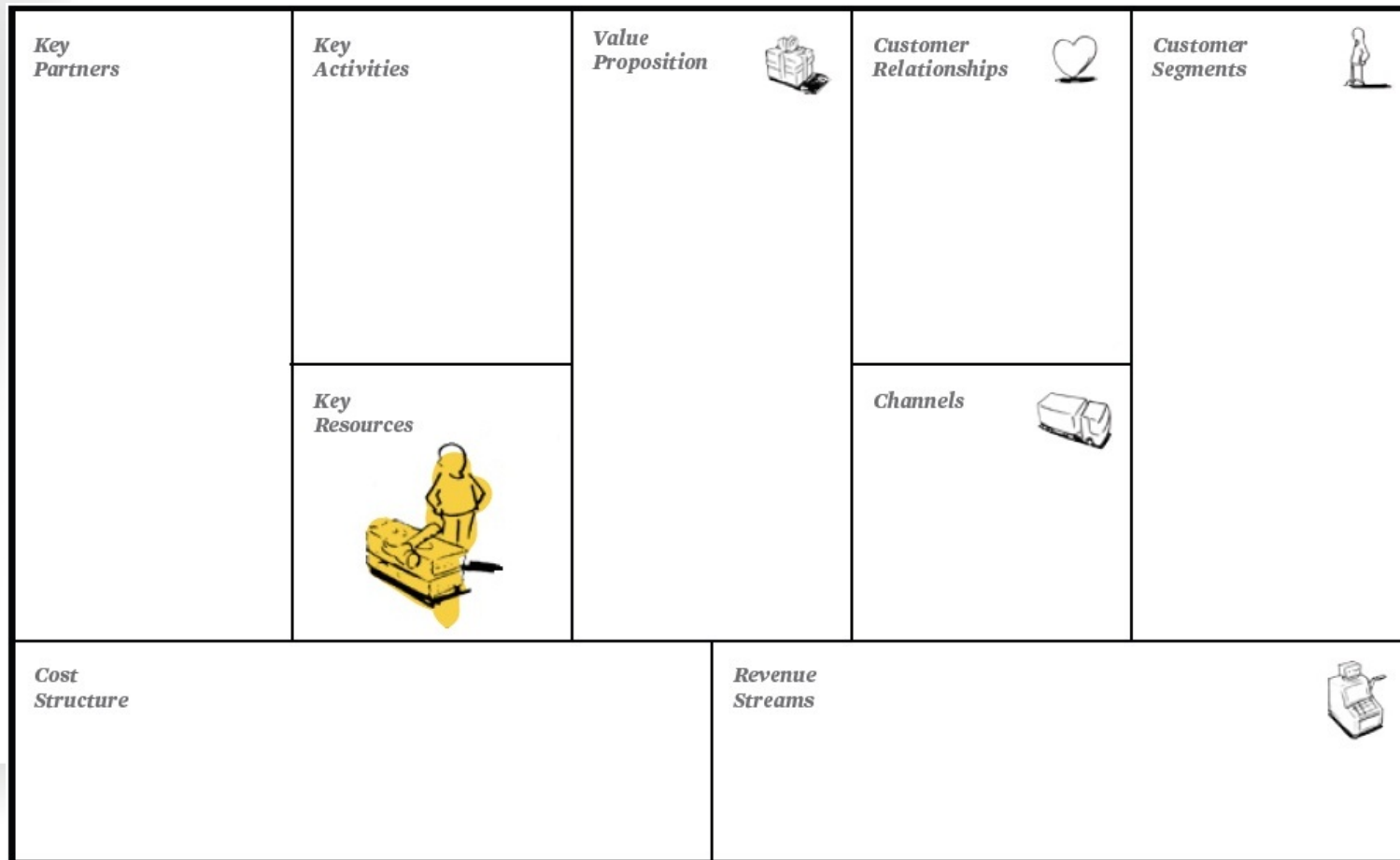
The Osterwalder approach

5th building block: Revenue Streams



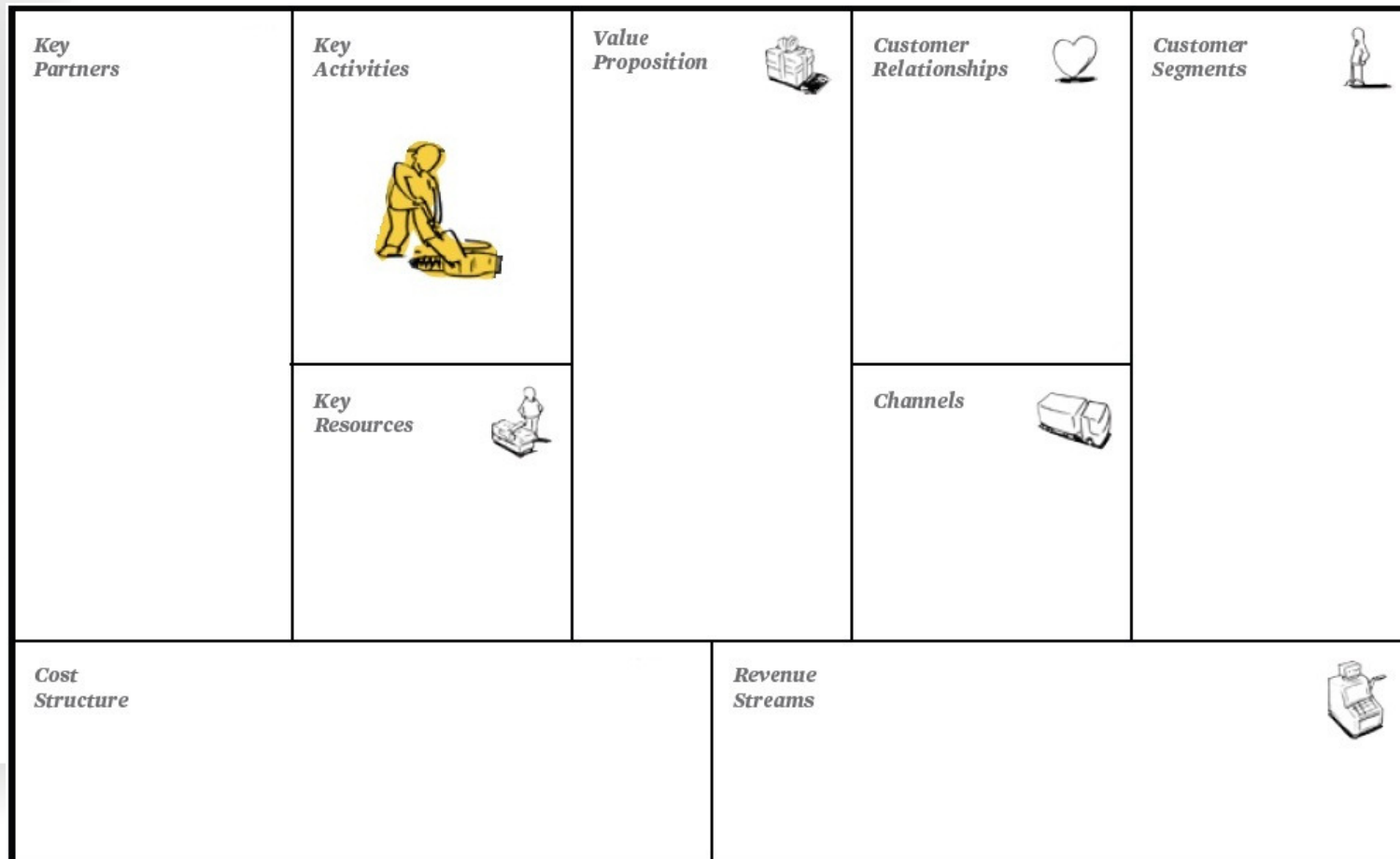
The Osterwalder approach

6th building block: Key Resources



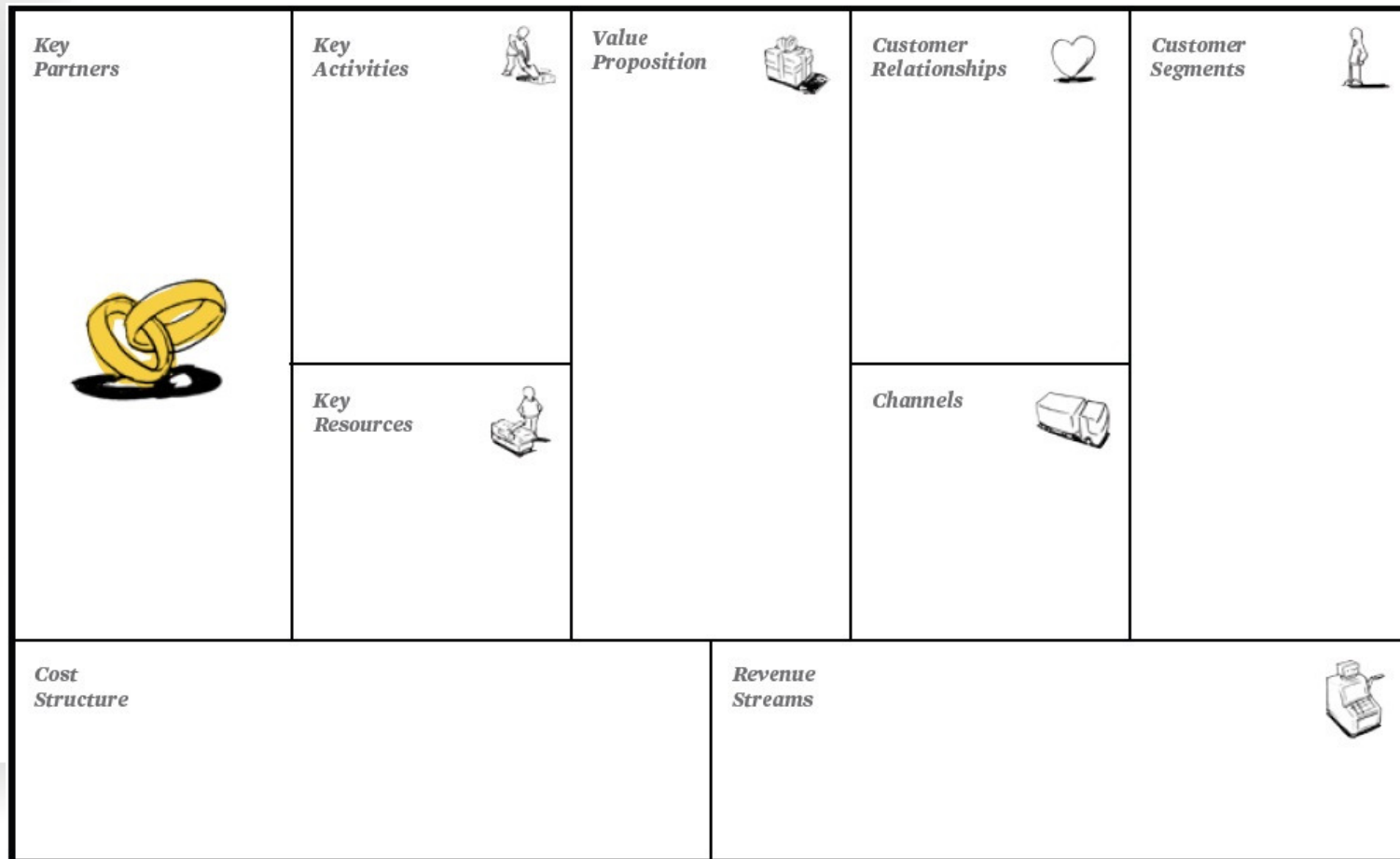
The Osterwalder approach

7th building block: Key Activities



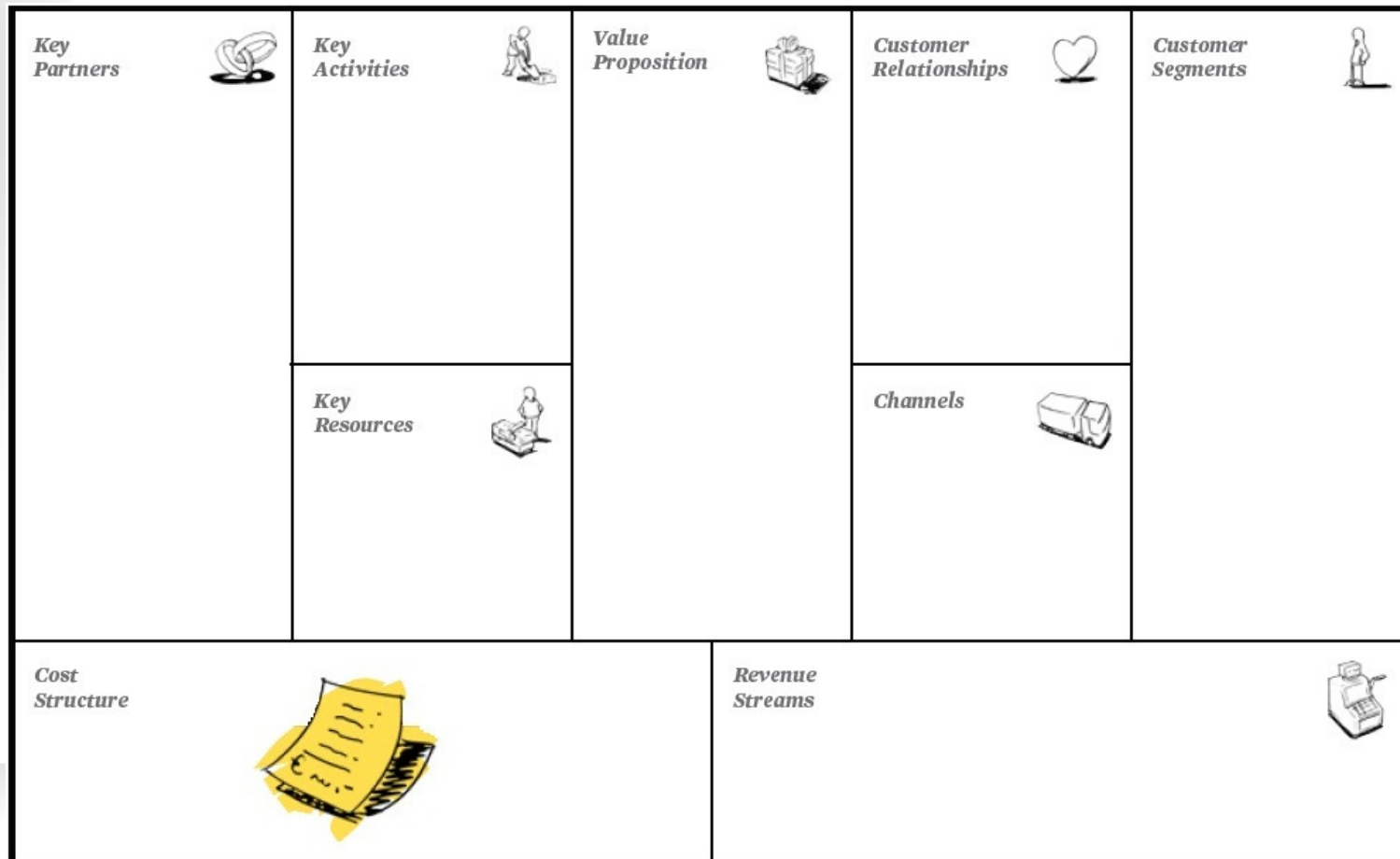
The Osterwalder approach

8th building block: Key Partners

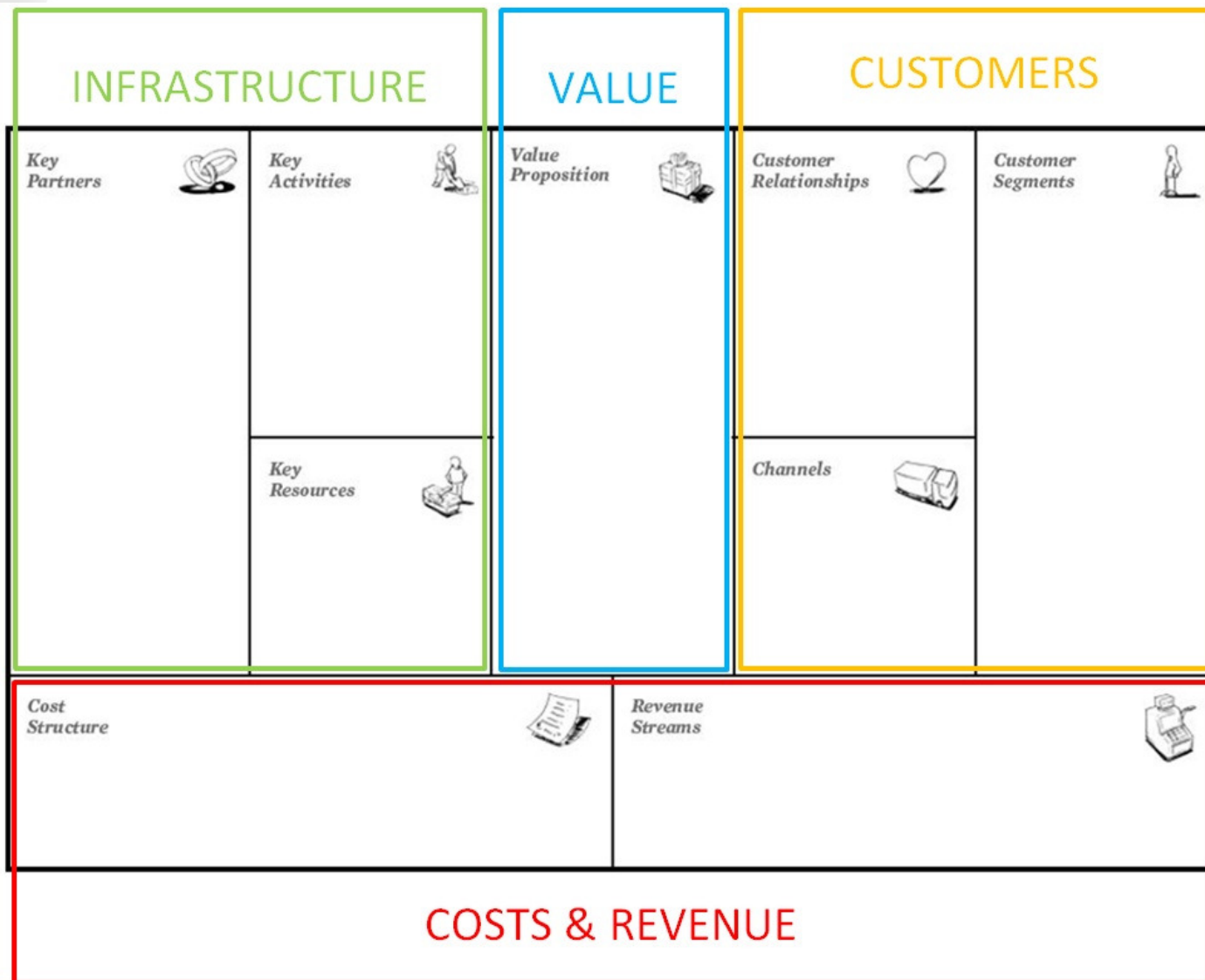


The Osterwalder approach

9th building block: Cost Structure

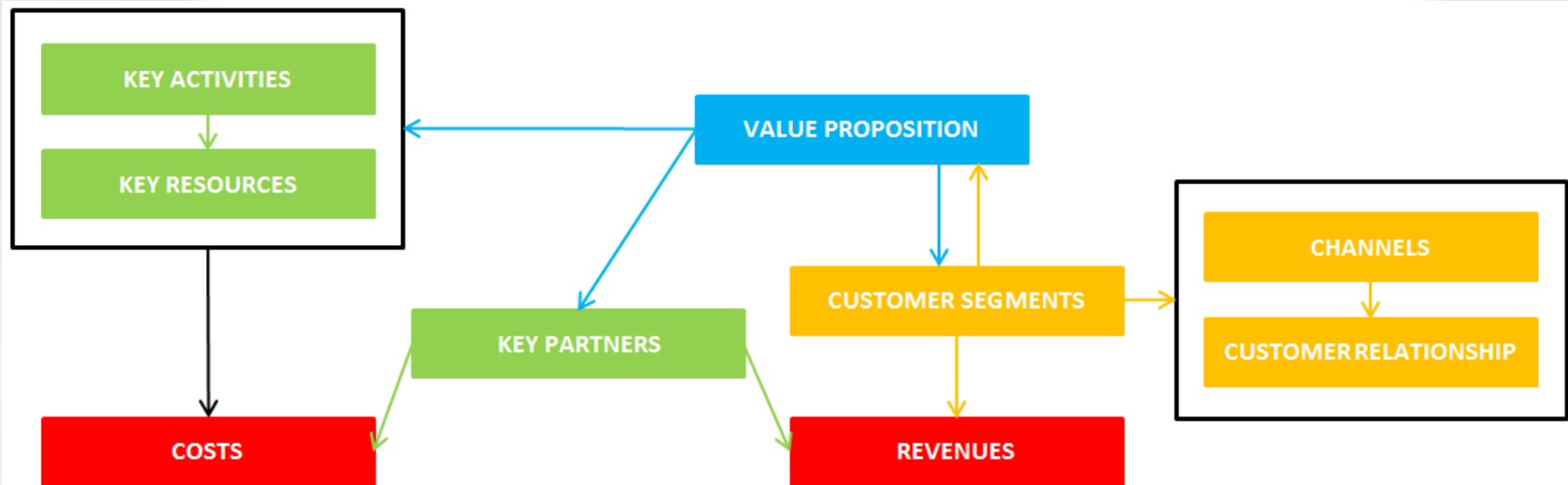


The Osterwalder approach



The Osterwalder approach (3)

Core of the conceptual framework: different building blocks are tuned to one another
→ Building blocks are intertwined!



→ No 2 identical business models: business model can change by altering only one building block

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3. **AIRPORT BUSINESS MODELS (BASED ON THE OSTERWALDER APPROACH)**
4. Case studies - implications of changing one element
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Airport business models

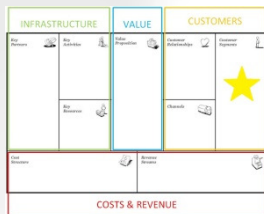
Is the Osterwalder approach applicable to any company? Even to airports?

→ Translate the 9 building blocks to the context of airports...

1) Customer Segments: segmentation based on

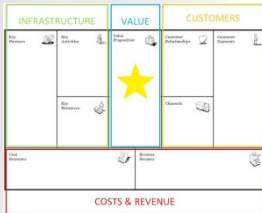
travel purpose;

- business
- leisure



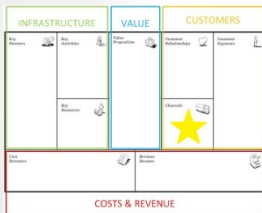
Airport business models

2) Value Proposition: everything concerning the airport experience;



- accessibility
- destinations offered
- reliable and punctual travel related services
- additional services (e.g. retail)

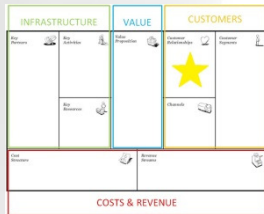
3) Distribution Channels: before travel; during travel; after travel communication



- internet: before travel (marketing & sales)
- face-to-face: during travel (information & sales)
- telephone: after travel (after sales services)

Airport business models

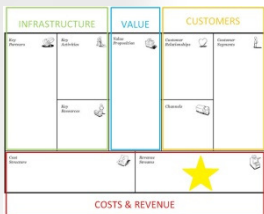
4) Customer Relationships: influenced by



distribution channels;

- short term contact
- long(er) term contact (e.g. fidelity programs)

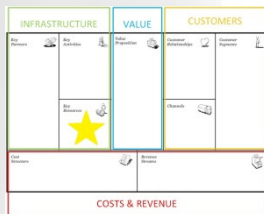
5) Revenue Streams:



- aviation related revenues (e.g. airline fees, passenger charges)
- non-aviation related revenues (e.g. concession grants)
- subsidies

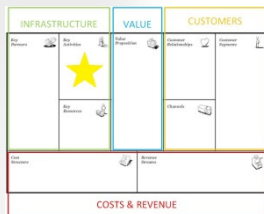
Airport business models

6) Key Resources:



- infrastructure: physical (e.g. building) & technological (e.g. website)
- human resources
- financial resources

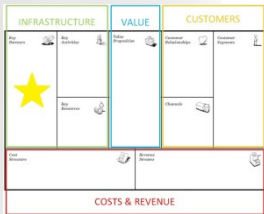
7) Key Activities:



- commercial exploitation: attract access modes, airlines & retail
- travel related services (e.g. safety & security)

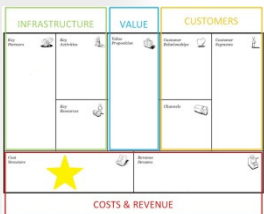
Airport business models

8) Key Partnerships:



- at the airport: access transport providers, airlines, concession partners, service providers
- other: government, other airports

9) Cost Structure:



- infrastructure costs
- exploitation costs
- financial costs

Airport business models

Also all the building blocks of airport business models are linked to one another.

For example:

- The value proposition is tuned to the wishes of the different customer segments (e.g. leisure travelers want LCC, business travelers want reliable services)
- Also partners (e.g. airlines, service providers, retail) add to the value proposition and some of them provide the airport with revenue
- Attracting the right partners, depends on which value they want to offer their customers
- ...

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4. **CASE STUDIES - IMPLICATIONS OF CHANGING ONE ELEMENT**
5. Conclusions

Case studies

Case 1: Brussels Airport

- National airport of Belgium
- Focussing on business as well as leisure travelers.
- + 200 destinations offered by + 80 airlines
- A lot of retail available
- Accessible through various modes

Case 2: Antwerp Airport

- Small, regional airport
- Focussing on business travelers.
- 2 destinations offered by 1 airline
- Check-in to 20 min. before departure
- Only one shop available
- Accessible through bus and car/taxi

2 very different airports, with a similar problem: poor rail access.

Case studies - implications of changing one element

Improving rail access = changing value proposition

→ Attract other partners → possibly extra revenue

→ Might change the infrastructure needed → extra costs!

→ Might attract other customers → possibly extra revenue + other indirect effects

Now...looking at the actual cases...

Case studies - implications of changing one element

Improving rail access in BRUSSELS = making the airport directly accessible by rail from the entire country
→ Improving one element that already exists: **NO major changes** in the business model

Improving rail access in ANTWERP= provide rail access
→ Adding one element: **major changes** in the business model:

- Altered value proposition
- Extra partner needed
- New infrastructure needed
- Other indirect effects: other passengers attracted

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Conclusions

The conclusions are twofold:

- 1) The Osterwalder Business Model Canvas can also be applied on airports
- 2) The nine building blocks are closely related and this has some influence on the entire business model

⇒ There are no two identical business models; not even when comparing the same sort of companies, with the same mission!

The business model of an airport

STRUYF Els

University of Antwerp

Department of Transport and Regional Economics

Prinsstraat 13 - 2000 ANTWERP (Belgium)

els.struyf@ua.ac.be

