

8 September 2014

Strategic Planning for Parking Revenue Maximization

ACI-NA Annual Conference 2014



- Parking is a major source of non-aeronautical revenue
- US airports traditionally not heavily focused on commercial, for a range of reasons, such as:
 - Ordinance controlled rates
 - Governance structure
 - Competitive landscape
- But an increasing focus on commercial considerations
 - Grow non-aeronautical contribution
 - Address revenue decline due to competition
- Typical objective: ***maximize non-aeronautical revenue from existing parking assets***

Planning for Revenue Growth

The process of maximizing revenue from parking assets:

- **Step 1:** strategic planning – assess current performance, establish position within the competitive landscape, identify and assess strategic options
- **Step 2:** detailed business planning:
 - People
 - Process
 - Technology
 - Facilities and infrastructure
 - Operating structure and agreements
- **Step 3:** implement

Strategic Planning Process



Planning for Revenue Growth

The strategic planning process for airport parking businesses focuses on gathering and analyzing the data to figure out:

What drives revenue growth?

Strategic Planning Process



What Drives Revenue?

Performance is a Function of:

- Factors that cannot be controlled or for which there is limited control, such as:
 - Market demand
 - Competition
- Factors that can be controlled, such as:
 - Products
 - Pricing
 - Reach & awareness



What Drives Revenue?

Market Demand & Competition

Market Demand

- Total volume
 - Originating enplanements
 - Less visitors
- Segments
 - Different wants & needs
 - Different price sensitivities



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Competition

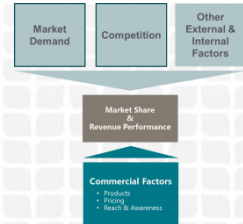
- Off-airport
- Drop-off/pick-up
- Other modes of airport access



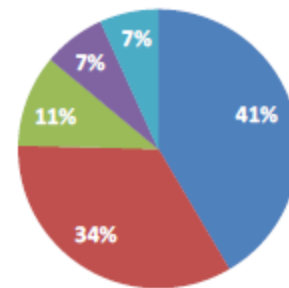
What Drives Revenue?

Market Demand & Competition

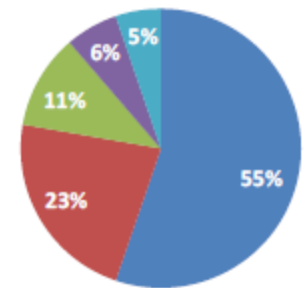
- **How** is the market responding to current set of choices?
 - Gather as much segmentation data as possible
 - *Demographics*
 - *Purpose of trip*
 - *Frequency of travel*
 - *Duration of trip*
 - Capture actual behavior/choices rather than stated preference
 - Capture all airport access modes, not just airport parking



Female Business Travelers



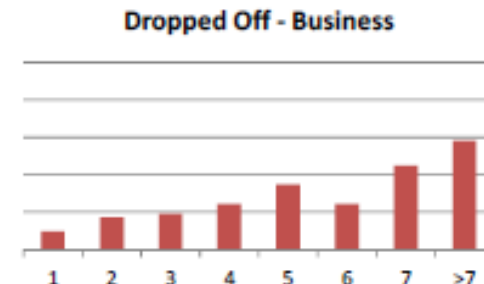
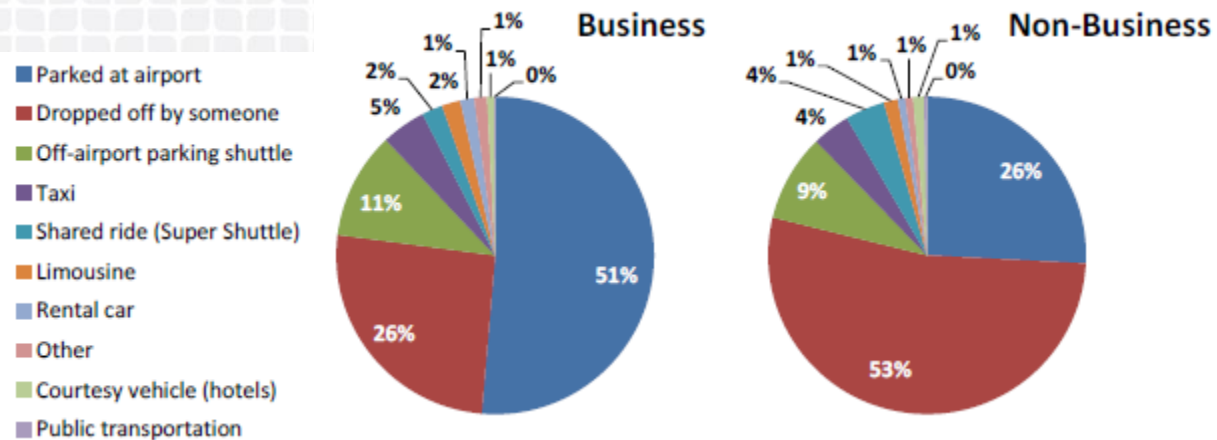
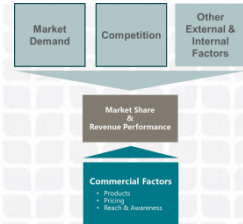
Male Business Travelers



What Drives Revenue?

Market Demand & Competition

- **Why** is the market making current set of choices?
 - Segment wants & needs compared to product features
 - Pricing compared to price sensitivity
 - *Which also needs to consider duration of stay*
 - Customer satisfaction surveys and focus groups can help decipher some of the patterns in the data

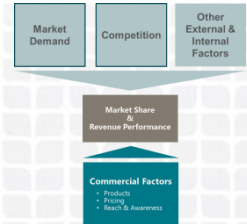


What Drives Revenue?

Market Demand & Competition

Establish the key identifiable market segments

For example:

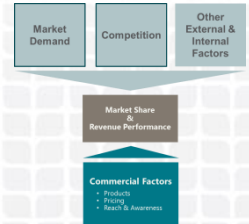


<u>Segment</u>	<u>Wants & Needs</u>	<u>Price Sensitivity</u>
Segment 1	<ul style="list-style-type: none"> • Proximity and minimum time to terminal • Guaranteed availability • Great customer service 	Very low
Segment 2	<ul style="list-style-type: none"> • Proximity and minimum time to terminal • High availability • Good customer service 	Low
Segment 3	<ul style="list-style-type: none"> • Reasonable proximity and time to terminal • Reliable availability • Good customer service 	Moderate
Segment 4	<ul style="list-style-type: none"> • Reasonable proximity and time to terminal • Reliable availability • Reasonable service 	Moderate
Segment 5	<ul style="list-style-type: none"> • Basic connectivity to terminals • Basic service 	High

What Drives Revenue? Market Demand & Competition

Map segments to current choices

For example:



<u>Segment</u>	<u>Airport Product</u>	<u>Off-Airport Parking</u>	<u>Other Mode</u>
Segment 1	Not available	Not available	Limousine Service
Segment 2	Terminal – Daily	Not available	Taxi Service
Segment 3	Not available	Off-Airport A	Taxi Service
Segment 4	Not available	Off-Airport B	Taxi Service
Segment 5	Remote Economy	Off-Airport C	Drop-Off/Pick-Up

What Drives Revenue? Other Factors

Other factors, such as

- Regulatory restrictions
- Political considerations
- Available capacity
- Physical constraints
- Operating structure and agreements



What Drives Revenue? Commercial Factors

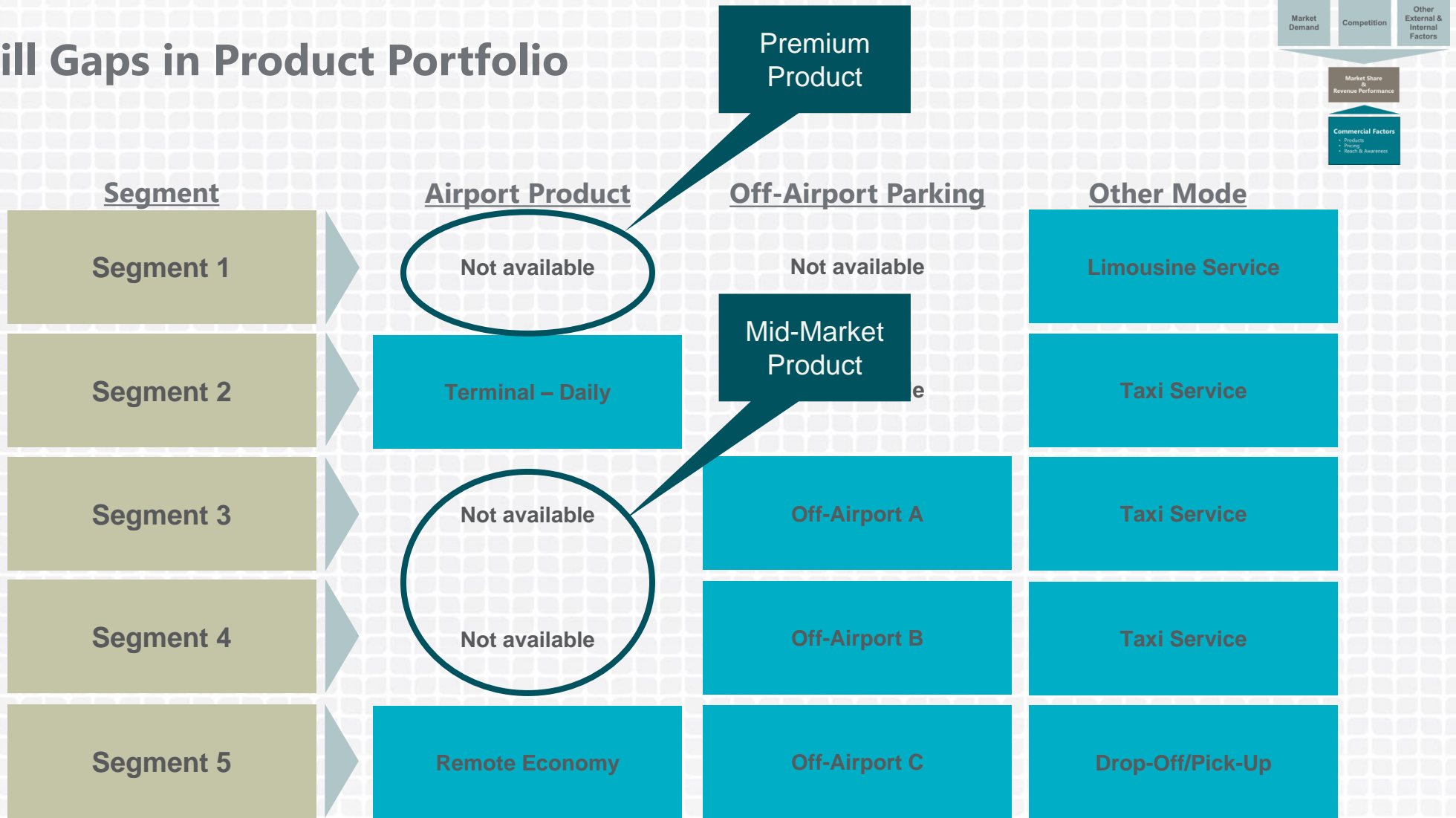
Commercial Factors

- Products
 - Tiering
 - Refining
- Pricing
 - Rate setting
 - Yield management
- Reach & Awareness
 - Connecting to the customer



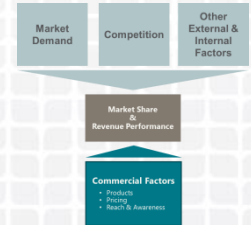
What Drives Revenue? Products

Fill Gaps in Product Portfolio



And/or Refine Current Products

- Adjustments to current product and service features, such as:
 - Improved shuttle routes and frequencies
 - Improved amenities
 - Improved lighting, ambiance, and security
 - Parking guidance systems
- Refinements are often complicated by operational issues, whether:
 - Cost
 - Labor and/or parking management agreements
- And by investment needs



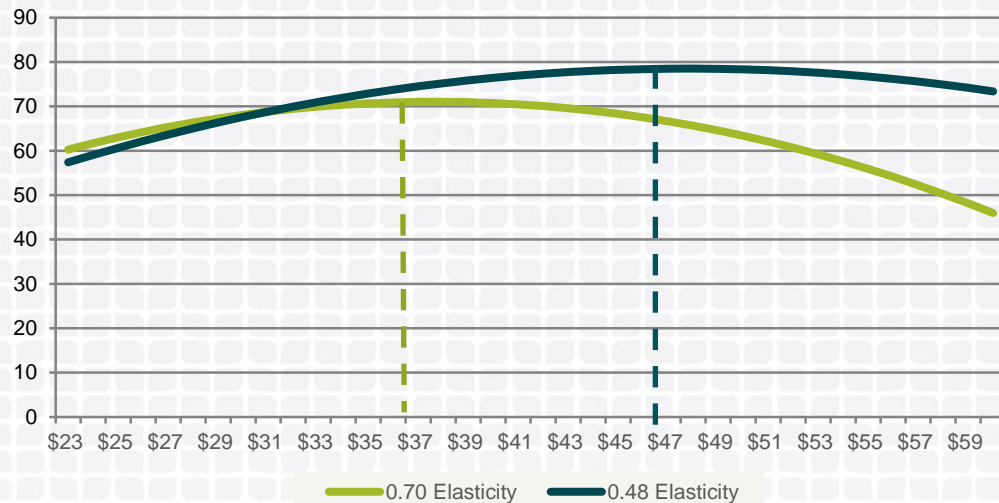
What Drives Revenue? Pricing

Two Elements to Pricing

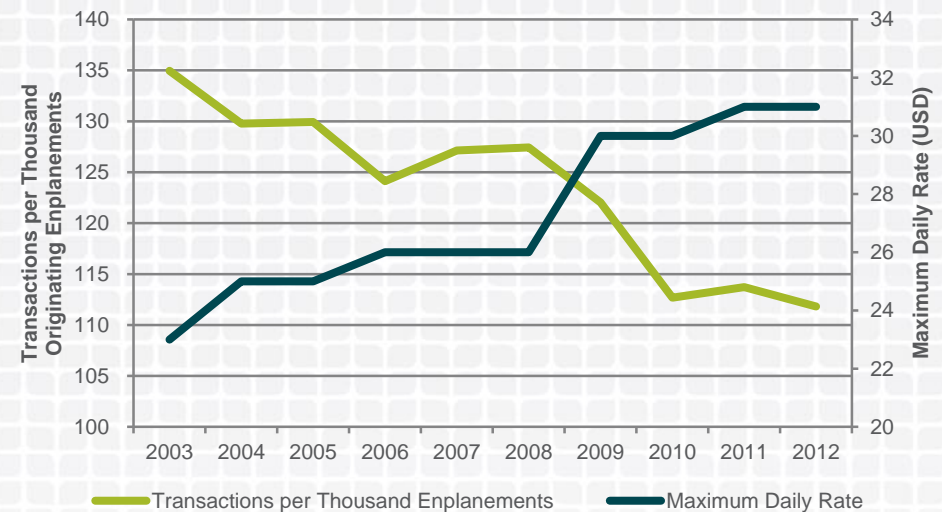
- Fixed list prices
 - Maximum hourly/daily rates
 - Demand is elastic (how much varies by segment)
 - Revenue can be optimized by balancing volume and rate



Revenue Optimization Rate Range

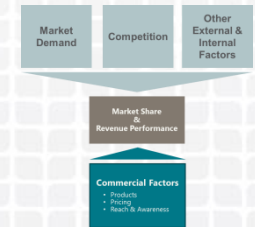


Transactions per Thousand Originating Enplanements vs. Maximum Daily Rate



Two Elements to Pricing

2. Discretionary variable pricing to manage yield
 - From simple targeted discount coupons
 - To complex dynamic pricing systems and processes, balancing:
 - *Available inventory*
 - *With demand volumes and elasticity by segment, considering seasonality, time of week, holidays, special events and other factors*
 - Focused on maximizing revenue by targeting the highest value utilization of available space inventory at any point in time



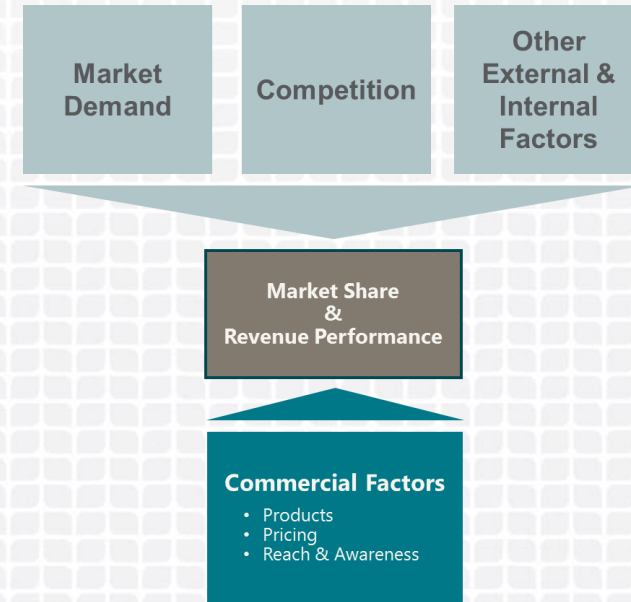
What Drives Revenue?

Reach & Awareness

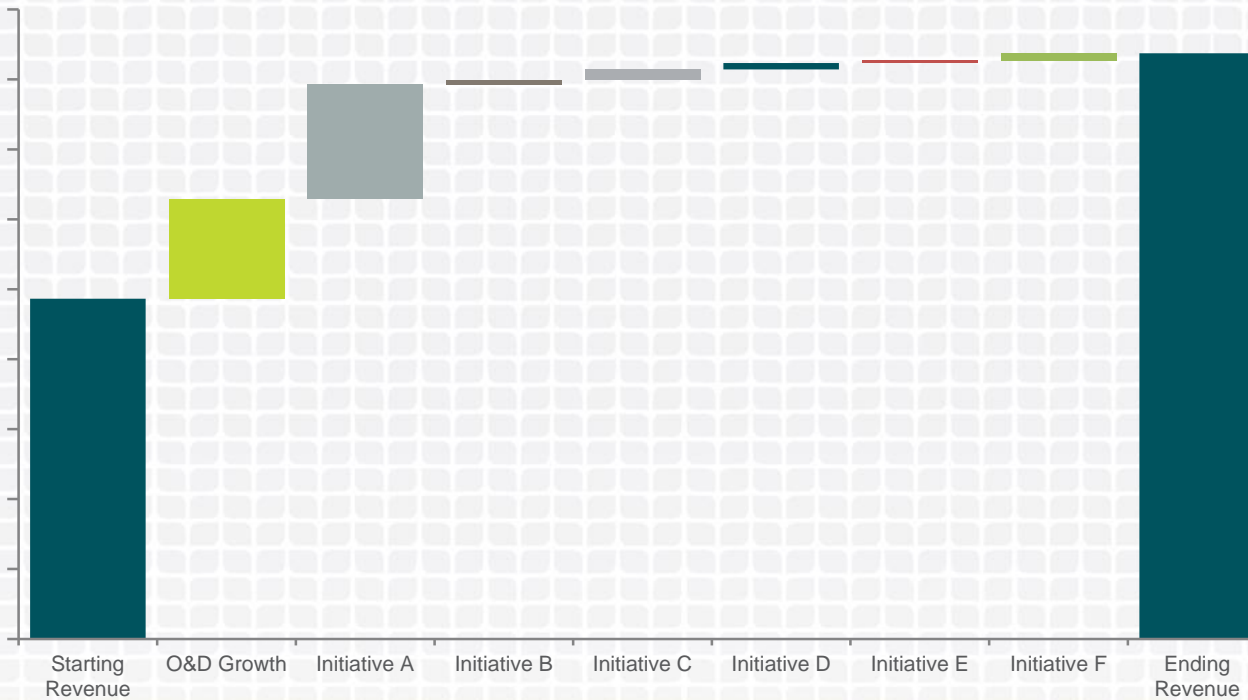
- Marketing and promotional activities are important in competitive environments
- Technology is facilitating improved distribution channels to the customer
 - Online prebooking via:
 - *Airport website*
 - *Airline website*
 - *Mobile app*
 - Integrated marketing communications and price incentives via multiple channels
- Technology permits integration of inventory management, yield management, distribution, and communications tools

What Drives Revenue?

Strategic planning helps establish the foundation for revenue growth



Revenue Growth by Strategic Initiative



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