

Case Study

Airport “XYZ”

Driving Destination Demand



Helping Airports **Compete** for the Future

Background

“XYZ” is a medium hub airport in a single airport catchment. Since 2007, its enplanements have fallen approximately 20%. Its city is the largest metropolitan area in the state, and has some all-season outdoor and tourism appeal

Root Cause Analysis

LexVolo identified three root causes of XYZ’s challenges:

1. High barriers to entry - XYZ had no common use arrangement, and no Incentive or Cooperative Marketing programs. Carriers considering testing the market with low frequencies faced a cost per passenger three or more times the XYZ airline average.
2. Low inbound demand – the city has no clear brand to differentiate itself from its tourism competitors.
3. Low outbound demand – XYZ has a relatively small number of households in its primary service area at or above airline target incomes, leading to lower airline yields. The state has higher marginal tax rates and barriers to new business formation than other states with which it competes for business formation and relocations.



LexVolo Recommendation

The city and airport should develop and execute a comprehensive plan to increase demand for the XYZ brand from households at and above airline target incomes, leading to short term and long term service improvement:

Short term - Lower barriers to airline entry. Design and implement Incentive and Cooperative Marketing programs, and a common-use methodology for low frequency airlines, to reduce their cost per enplanement to something closer to the XYZ average while they test the market.

Medium term – Increase demand for XYZ as a destination. Convince the city to fund development of a tourism campaign, based on the city's unique value proposition, that other groups, including the airport and CVB amongst others, could extend and leverage.

Long term – Increase XYZ outbound demand. The city should work with the State to improve the tax and business climate of the area, to attract high income households to the city as they flee higher tax states.



Status

Short term - Lower barriers to airline entry. XYZ engaged LexVolo to design the Incentive and Cooperative marketing programs. Both are now in-place and a new-entrant carrier has executed a cooperative marketing campaign to promote its first service to XYZ, announced shortly after the adoption of the programs

Medium term – Increase demand for XYZ as a destination. LexVolo presented the strategy recommendation to the City’s Mayor, who endorsed and adopted it. The City is developing the broader campaign. Meanwhile, XYZ charged LexVolo with recommending tactical options to increase the visibility of existing service in both its primary service area and in select out-markets.

Long term - Increase XYZ outbound demand. City focusing on “cluster” approach to new business creation/retention/attraction.



Project Overview

	Objective	Goals	Strategy	Measures (Lag)	Projects
Airport	Grow Airline Capacity at XYZ, Faster Than Organically, Over Time	Grow the Customer Base On Existing Capacity	Increase out-market demand for XYZ	Coupon 2 Share	Outmarket Campaign
		Grow the Customer Base With New Capacity	Lower barriers to XYZ entry	New capacity	Incentive Program
					Cooperative Marketing
					Common Use Methodology
		Elevate Airlines' Expectations	Improve airline financial performance	All-in costs	Incentive Program
					Cooperative Marketing
					Common Use Methodology
				Average fare	Airport Experience
					Outmarket Campaign
		Improve airline relationships	TBD	Cooperative Marketing	
Partnership Efforts					
City/State	Increase Demand for the CITY Brand	Grow CITY Tourism	Increase four-season demand from Central and Eastern timezones	Brand Monitor Visits	Market Research
					Outmarket Campaign
		Grow the Local Target Customer Base	Increase interstate immigration by target households	Relocations	Tax Reform
					Regulatory Reform



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