

TRANSFORMING AIRPORT INTO PREMIUM DIGITAL EXPERIENCES

For many years, airports have relied on traditional revenue streams, such as terminal rent, landing fees, parking and concessions to meet rising operating costs. Despite the forecast for a robust increase in enplanements at U.S. airports in the next 10 years (from under 800 million in 2017 to over 1.1 billion in 2027), the average cost per global passenger of \$13.69 in 2017 exceeded the average aeronautical revenue per passenger of \$9.95. To overcome this gap, airports must increase nonaeronautical revenues per passenger. Perhaps the most promising new opportunity to do so is for airports to fully exploit the rapid advancement of digital tools, such as big data and targeted advertising, to enhance the traveler experience.

The ubiquity of cheap sensors has transformed physical objects and spaces into intelligent networked systems. Now, owners of physical places, such as retail stores, manufacturing plants, transportation networks, homes, and even airports, must contemplate their value proposition and strategic operations in a world where virtual and physical environments are seamlessly connected and continuously evolving in the invention of new experiences and forms of value. As even more real-world activities and daily interactions get augmented or replaced by digital media, the market pressure to innovate will intensify for those who own physical spaces.

Airports can no longer be perceived as a static group of runways and buildings supporting the takeoff, landing, and maintenance of aircraft to facilitate passenger and cargo travel. Airports must embrace a new identity as an interconnected physical and virtual space supporting many dynamic systems whose value creation stems from serving the needs of captive consumers as they pass through. In this new paradigm, consumers and their experiences sit squarely in the bullseye. Value creation (i.e., revenue generation) is about deploying transactional tactics that serve their needs and improve their travel experiences or enabling partners to do so.

The immediate challenge of generating new sources of nonaeronautical revenue, therefore, is to determine how airports can leverage the myriad of innovative digital marketing techniques available to help discover, understand and then serve the physical and virtual, travel and non-travel needs of people. Meeting this challenge requires a deep understanding of both consumer behavior and airport operations and of aviation stakeholders. It also requires robust expertise in both digital marketing strategy and emerging technologies, harnessed in a rigorous methodology, to define and vet feasible solutions.

While many airports could benefit from these tactics, little research or guidance was previously available to help airports apply these new tools to improve the traveler experience and enhance existing relationships with airlines, concessionaires, and other critical strategic partners for such efforts. Our recent project supports airports with an actionable Guidebook serving as a set of practical steps for airports to follow.

- >> The opportunities available for increasing revenues or generating new ones
- >> The requirements and steps for successful deployment
- >> The capability to calculate the risks or rewards and determine which opportunities fit their needs

This Guidebook provides the practical steps to transform airport environments into premium digital experiences.