The business model of an airport
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2. Methodology: The Osterwalder approach
3. Airport business models (based on the Osterwalder approach)
4. Case studies - implications of changing one element
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1. RATIONALE & AIM OF PAPER
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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

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<td>Key Resources</td>
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Cost Structure

Revenue Streams
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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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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## Case studies

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<th>Case 1: Brussels Airport</th>
<th>Case 2: Antwerp Airport</th>
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</table>
| ▪ 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 | ▪ 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

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