



Keeping airport costs down in a post-pandemic world by working with Airlines

In We all know that the aviation sector has experienced extreme financial hardship due to the pandemic. Flights were grounded, passengers were stuck at home, and many employees had little choice but to find work in other sectors. The pandemic has had consequences for the entire industry and continues to do so during this tricky recovery period. Cost management has become a top priority for both airports and airlines, as highlighted in a recent article 'Keeping airport costs down in a post pandemic world' by the IATA Airlines Magazine AGM Issue.

The post pandemic world for the aviation industry

The IATA Airlines Magazine article raises some valid points. It explains the challenges airlines face during the recovery period and how the prospect of increasing airport charges and campaigns against the regulatory review could make it even more difficult for airlines to recover.

"Airports seeking to raise charges - and campaigning against the regulatory review of such increases is, therefore, an extremely disappointing development," said Nick Careen, IATA's Senior Vice President for Operations, Safety and Security.

The article also highlights two airports that have announced plans to increase charges and concerns that this will roll out globally. At this point, it's essential to remind the industry that not all airports are like the big-ticket names mentioned.

Like airlines, airports also face significant challenges to recover from the pandemic, focus on cost management and claw back lost revenue. European airports alone are estimated to have lost **\$39.7 billion in revenue in 2021, following a \$43.8 billion loss in 2020**. And it's not just about the revenue, but staff losses, which both airlines and airports have suffered over the last couple of years. You only need to look at the strain UK airports are under, with a discrepancy between passenger and staff numbers causing friction and delays in the passenger journey.

But despite these difficulties, airports appreciate that they need to support their airline partners and the passengers they serve. To do so, they must think outside the box and find new ways to ensure that both survive and go on to thrive as passenger numbers increase.



Challenges and opportunities

One element of the debate highlighted by the IATA Airlines Magazine article is whether airports could afford to invest in crucial infrastructure without increasing charges. The article also shares various ways airports can navigate this without increasing their prices, such as 'refinancing - adjusting the original terms of the debt to facilitate repayment' and accessing private sector funding.

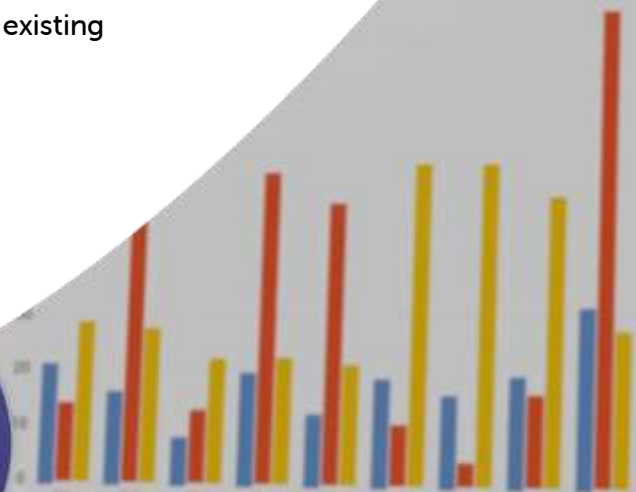
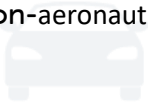
But these aren't the only options for managing airport costs. We are also seeing many airports looking for ways to increase their non-aeronautical revenue streams to generate a profit and use it to finance airport infrastructure. A good example is London Stanstead Airport which financed its new terminal infrastructure using retail revenues. The result was a better passenger experience at no extra cost to its airline partners.

The way we see it, airports need airlines and vice versa, so it makes sense that the two work together as partners. Profit generated from non-aeronautical revenue streams could, therefore, subsidise increased airport charges.

The opportunity is there to optimise untapped revenue streams at the airport, unlock new revenue and use it 'for the greater good' in terms of supporting airline partners and offering a better passenger experience.

Duty-free and airport parking are two of the biggest non-aeronautical revenue streams for airports, along with lounge, meeting room hire, airport tours and food and beverage. And while some airports may be capitalising on these opportunities already, it's still worth evaluating each non-aeronautical revenue stream to see if there is even more revenue to unlock

Below we've shared some examples of how airports can untap existing non-aeronautical revenue streams.



Airport ecommerce websites

An airport might already be using its ecommerce website to sell flights, hotels, holidays and parking, but how about duty-free and travel products? Weave them into the booking journey to unlock more revenue while improving the customer experience. Essentially, airports can sell everything passengers will need on their travels in a single basket, with options like click and collect or gate/home delivery adding to customers' convenience.

And why not make the airport more attractive to airlines by promoting in-flight retail during the booking journey too? Enabling customers to pre-order in-flight retail and services can boost revenue for airline partners. At the same time, the airport benefits from valuable passenger data for tailoring personalised marketing and offers in the future.

Airport parking

Parking reservations are already one of the biggest non-aeronautical drivers for airports. Still, many airports could make even more of their parking operations with revenue management and dynamic pricing models, i.e. adjusting prices to reflect demand. For example, lower prices at off-peak times to attract passengers to park and higher prices when it's busy to encourage passengers to use public transport instead. Airports could even consider working with transportation partners for pre-book bus, monorail, taxi or train to sell tickets at a special price through their airport ecommerce website.



Food and beverage

Offering pre-order food and beverage through an airport's ecommerce website or app is another excellent way to increase non-aeronautical revenue. Integrate it as a cross-sell when passengers book a flight or holiday and upsell gate or lounge delivery to unlock even more revenue and deliver a better passenger experience. Airports could also consider attaching retail vouchers to food and beverage order receipts to encourage passengers to spend more money at the airport. Or, they could work with airline partners to offer in-flight vouchers that passengers can redeem purchases against, to increase airline revenue.

These aren't the only non-aeronautical revenue streams airports can tap into. From meeting room hire to airport tours and fast track tickets, there are all sorts of ways airports can increase revenue, which can then be used to subsidise necessary price hikes..



Airport cost control

In response to the IATA Airlines Magazine Article 'Keeping Airport Costs Down in a Post-Pandemic World,' we've shared some ways airports can tap into non-aeronautical streams to subsidise charges and support airline partners.

However, it's also important to recognise that airports are also under increased pressure to do more with less. As we highlighted previously, airports have experienced extreme revenue losses, and with budget cuts on top of that, it's left them cash strapped.

To keep on top of managing airport costs, airports need to focus on data and take the guesswork out of decision-making with predictive technology and business intelligence. With tools such as Rezcomm's Business Modules, airports can gain a 360-degree view of their operations and easy-to-use dashboards to understand the data better.

And once operators know exactly how and where they're spending money, they can decide where it can be better optimised, cut, or in some cases, increased to drive more revenue.

We've explored other ideas for airport cost control in our article 'How to drive airport innovation in a cost-controlled and cash-strapped airport.'



The benefits of interoperability

"The road to a successful recovery depends on a harmonization effect," wrote Graham Newton in the IATA Airlines Magazine Article, and we couldn't agree more. As airport technology partners, we champion the value of collaboration and interoperability and believe it's the key to success for airports, airlines and other stakeholders.

Interoperability helps form a shared vision amongst airport departments, partners and stakeholders, ensuring everyone works together to achieve common goals. Moreover, it leads to increased productivity, reduced costs, reduced errors, and better data protection, benefiting all stakeholders, including the passengers both airports and airlines serve.

For it to work, the conversations need to be open. Airports, airlines and other stakeholders must be willing to engage in discussions about new ideas, initiatives, and investments. Stakeholder buy-in is absolutely crucial to success, and we're not just talking about the money. But rather what each partner can contribute, how it might affect them and how they will benefit too.



Improve airport cost control with Rezcomm

“The IATA Airlines Magazine Article makes it clear that ‘price hikes are not the answer’ and that it believes ‘airports can easily manage their finances without resorting to exorbitant cost increases for their airline customers and the end customer.’ But whether this is the case will vary from one airport to the next. What we do know is that there are many airports out there exploring alternative solutions to price hikes to support airlines and passengers in recovery.

If your airport is looking for a better way to manage airport costs and find innovative ways to unlock revenue with airport technology, get in touch with Rezcomm. We not only have the tech to improve your digital toolbox and attract and support airline partners but the know-how to streamline your operations, improve interoperability and set you on the right flight path. Download our brochure and book a meeting with our team to learn more.



Let's talk

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