WORLD ROUTES 2013
The 19th World Route Development Forum
5 - 8 October 2013, Las Vegas, Nevada, USA
UBM – Travel Brands

Events & Conferences
- Routes
- Airport Cities
- Cruise Shipping Miami
- Invest & Manage Airports

Data, Consultancy & Training
- ASM
- OAG
- OAG Cargo
- T3

Media & Digital
- TTG MEDIA
- THE HUB
- Routes Online
- Airline Route
- Las Vegas McCarran International Airport
Why is Air Transport is Important?

- Aviation transports 2.7 billion passengers annually
- Aviation generates 33 billion jobs annually
- Aviation carries over 46 million tonnes of freight – 35% of all goods
- For every 1 million airport passengers, 1000 jobs are generated
- 40% of all international tourists travel by air
- Air transport provides huge tax revenues - UK APD, £2.7 billion
- Air transport brings people and cultures together across the globe
Air Service Development – Our Philosophy

- Air services are a destinations most important asset
- The Economic impact of air service development is vast
- The most important customer is the airline (not passenger)
- B2B marketing to airlines is the most efficient form of air service development
- Air service development is about changing airline perceptions
- Air service development is the responsibility of all stakeholders
Strategic Approach to Air Service Development

Study Phase
- Assessing the Market
- Evaluating the Competition
- Understanding the Airline Customers
- Air Service Development Strategy
- Marketing Strategy
- Route, Airline & Traffic Targets
- Visitor / Traffic Forecasting

Delivery Phase
- Marketing Implementation
- Route Development Implementation
- Training & Skills Development

Visitor / Traffic Forecasting

routesonline.com
What’s Happening in the Aviation Industry?

- World economy – where are the drivers of growth?
- New technologies – B787, A380, 737MAX, A320Neo
- Consolidation & partnerships in airline industry
- Regulatory issues
- Taxation
- Increased focus on environmental impacts
Global Economy

- Asia-Pacific is forecast to lead in World Traffic by 2030

**World Traffic by airline domicile (RPK billions)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2010 Traffic</th>
<th>2010-2030 Traffic</th>
<th>% of 2010 world RPK</th>
<th>20-year growth</th>
<th>% of 2030 world RPK</th>
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<tbody>
<tr>
<td>Asia-Pacific</td>
<td></td>
<td></td>
<td>28%</td>
<td>5.7%</td>
<td>33%</td>
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<tr>
<td>Europe</td>
<td></td>
<td></td>
<td>27%</td>
<td>4.0%</td>
<td>23%</td>
</tr>
<tr>
<td>North America</td>
<td></td>
<td></td>
<td>27%</td>
<td>3.3%</td>
<td>20%</td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td></td>
<td>7%</td>
<td>7.4%</td>
<td>11%</td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
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<td>5%</td>
<td>6.1%</td>
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<tr>
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<tr>
<td>Africa</td>
<td></td>
<td></td>
<td>3%</td>
<td>5.6%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Airbus
Air Canada Celebrates 75th Anniversary with Debut of Boeing 787 Dreamliner in Canada – March 2012

"Today is a double celebration for Air Canada as we welcome the future, embodied by the Boeing 787 Dreamliner, and take stock of our accomplishments over our 75 year history. Today’s visit by the 787 Dreamliner marks another stage of our ongoing evolution.”

B787 Dreamliner

• Deliveries began Sep11
• Expected sales to 2028 – more than half of 3,500 units
• Claims to be 20% more fuel efficient than similarly sized airplanes

Air Astana orders 3 787-8s – March 2012

"Our decision to order the Boeing airplanes is part of Air Astana’s long-term growth strategy to expand and modernise our fleet with newer, more fuel-efficient airplanes to serve domestic, regional and international routes," said Peter Foster, president, Air Astana.
Understanding the Market

- Catchment area of the airport, Competitive airport catchment area, (catchment areas are ‘elastic).
- Corporate travel potential, Employment sectors, Forecast economic growth rates, Propensity for air travel, Commercial/economic ties with target route destination, Main exports/imports - trading partners, Population Trends.
- Catchment area, Tourism indicators, Origin/nationalities, Number of bed nights, Holiday patterns, Events, Places of interest, Demographics, VFR.
- Data Sources, Government/CAA aviation statistics, EU Stat, US BTS, UK CAA, German Destatis, numerous Airport web sites, ICAO, Booking data (MIDT, BSP), Passenger Surveys, Boeing, Airbus, IATA, Tourism Organisations.
- Industry requirements, Access links, Consumer habits/tastes, Directionality trends, Economy mix.

- Economic indicators
- Competitors
- Tourism profile
- Route specific data
- Air passenger traffic
- Air freight traffic
- By volume (2-way), Seasonality, Origin and Destination, By airport, By ticket type, By airline, Traffic trends.
Tools for delivering new routes

- Analysis & data
- Airline information
- Research

Desk research

- Airline discussions, meetings
- Events including route development events
- Negotiations
- Partnerships
- Legislation
- Politics

Resources

- People
- Money
- Non-Financial Support
- Operational Support

Focus & credible targets

- Role of passenger marketing
- Passenger marketing mix
- Airline marketing mix

Marketing Communications Pax/Airline

Relationships
Understanding the Competition?

- Airline Fleet Developments drive capacity
- Destination Product
- Consumer Trends
- Economic Growth & Emerging markets – Source Markets
- Political & Regulatory Environment: Bilaterals, Taxation and Visa Processes
Is the Caribbean still competitive?
Is the Caribbean still competitive?

<table>
<thead>
<tr>
<th>Pax Share</th>
<th>1986/87</th>
<th>1996/97</th>
<th>2006/07</th>
<th>2011/12</th>
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<tbody>
<tr>
<td>Europe</td>
<td>80.2%</td>
<td>74.4%</td>
<td>76.0%</td>
<td>73.8%</td>
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<tr>
<td>North America</td>
<td>11.0%</td>
<td>12.7%</td>
<td>9.4%</td>
<td>9.7%</td>
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<tr>
<td>Middle East</td>
<td>4.5%</td>
<td>5.2%</td>
<td>5.6%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Asia</td>
<td>1.1%</td>
<td>4.1%</td>
<td>4.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Africa</td>
<td>2.4%</td>
<td>2.4%</td>
<td>3.2%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>0.7%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>South America</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Central America</td>
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<td>0.0%</td>
<td>0.0%</td>
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</tr>
</tbody>
</table>
Understanding the Airlines?

• What is the airline business model?

• When is additional capacity coming into the fleet?

• Are existing routes being evaluated?

• What is the customer profile?

• What information is important to the airline

• What is the route development decision making process

• What support does the airline want?
Destinations often do not understand the levels of risk involved in airline route investments.
Airline Segmentation

- Airlines
  - Passenger
  - Cargo
Airline Segmentation

Airlines

- Passenger
  - Charter
  - Full Service
  - Low-cost
- Cargo
  - Belly
  - Freighter

Airline Segments:

- Charter
- Full Service
- Low-cost
- Regional Feeders
- V.I Carriers
- ACMI Carriers
- Non-V.I Carriers
- P-T Regionals
- Ultra-LCC
- Hub Carriers
- Hybrid
- Long Haul
- Standard
- Crossover
- Scheduled
- Belly Freighter
- Integrator
- Combination
- ACMI
- Alliance Hub Carriers
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      - **Freighter**
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- P-T-P Regionals
- Hub Carriers
- ACM
Based on Form41 data, a daily year round service from New York to destinations within the Caribbean region can involve investment of between $10m and $46m.
The Air Service Development “Golden Triangle”
In Summary...

- Air services are a destination’s most important asset
- An air service development strategy is essential

To create a strategy, a destination must....
- Understand the Market
- Understand the Competition
- Understand the Airline Customer
Thank you for your attention and your time.