Low-Cost Carrier Passengers at Airports – Knowing Their Needs and Expectations to Enhance the Passenger Experience

Summary of a Research Study
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Introduction

TH Airport Consulting

- Independent consultancy for Planning and Optimization of Airports with a focus on enhancing Passenger Experience, Operational Efficiency & Security
- Continuous work and research on the Passenger Experience
- Contributor to the ACI EUROPE “Guidelines for Passenger Services at European Airports”
- 2015 ACI EUROPE World Business Partner Award

The Study

Bachelor thesis by Gesa Klingenberg:

- International Tourism Studies, Harz University of Applied Science, Wernigerode
- Supervised by TH Airport Consulting
Problem Statement & Objectives of the Study

- LCC market changes constantly and new business models appear with a **general tendency towards a hybrid business model**
- LCC passengers are often **defined as cost-conscious**, having **hardly any further expectations**
- Nowadays LCCs serve **various passenger segments with different needs and expectations** while at the Airport
- Airports face challenges when it comes to **satisfying all types of passengers**

| Define how LCC passengers can be satisfied at airports |
| Find out their needs and expectations by applying a passenger segmentation |
Aspects of the Classic Low-Cost Strategy

Most LCC move towards a hybrid business model, replacing some of the LCC aspects by FSNC services.

- Low fleet costs
- Low landing fees
- Short turnarounds & high aircraft utilisation
- Few on-board service
- Point-to-point system

- Simple fares
- Low distribution costs
- Non-refundable tickets
- High share of ancillary revenues
- Creation of new traffic markets
Relevance of low-cost carrier passengers at airports

Increasing importance in the aviation business

Hybrid business models create new target groups

More diverse customers for Airports

There is a need for Airports to particularly understand the needs and expectations of low-cost carrier passengers to enhance their Passenger Experience at Airports
Passenger Experience is one of the **most important aims of marketing** and a **major talking point**.

It is crucial to meet the **emotional expectations** customers have regarding the **gain of experiences** by using one service.

Positive experiences impact the entire journey.

Exceptional experiences lead to **satisfaction & loyalty** and make the airport **more attractive for airlines and passengers** at the same time.

High-quality environments benefit from **higher revenues and concession fees**.

**Segmentation** is a possible step to find out the needs and expectations.
A Methodology to enhance the Passenger Experience based on the ACI EUROPE Guidelines for Passenger Services at European Airports can be applied.
Segmentation helps to find out **needs and expectations** to enhance the **Passenger Experience**

- Mostly based on the **journey purpose**, the **length of the journey** and the **country** or **culture of origin**

- New segmentations consider the **time perception** as distinguishing criterion

- **ACI** proposes the „**passenger personas**“ including the personalities and the specific behaviours
Segmentation of Low-Cost Carrier Passengers

Traditional segmentation (cf. Conrady 2013) applied in the study

**Reason for travel**

**Leisure travel**
- Holiday trip
- Visiting friends and relatives
- Other private travel

**Business travel**
- Business trip / Meeting
- Event / Convention / Incentive
- Combination of business and private activities

**Constitution:**
- More relaxed, want more than the pure product
- Few time, comparably wealthy – which to be treated as such

*Traditional segmentation* applied in the study (cf. Conrady 2013)
Segmentation of Low-Cost Carrier Passengers

Modern segmentation (cf. Van den Bergh/Behrer 2016) applied in the study

- **Silent generation** 1928-1945
  - Constitution:
    - Born during WW II

- **Baby Boomers** 1946-1964
  - Constitution:
    - Adaptive, flexible, optimistic, open-minded, confident

- **Generation X** 1965-1979
  - Constitution:
    - Individualistic, pessimistic, high stress level (job + Gen Z children)

- **Generation Y** 1980-1996
  - Constitution:
    - Critical, cynical, difficult to wow, well-connected, technology-savvy

- **Generation Z** 1997-
  - Constitution:
    - High brand awareness, open to mix backgrounds, technology addicted
Design of Research Methodology

Methodology

Own empirical research with a survey at HAM Airport

Comparison of results with a consecutive passenger survey at HAM

Literature Research
Sample of 210 passengers mainly flying with Easyjet, Ryanair, Eurowings/Germanwings

Computer Assisted Personal Interviews with a highly structured questionnaire

Survey conducted at the airside of Hamburg Airport
Identified Needs & Expectations of Low-Cost Carrier Passengers

- 61.9% find price most important
- 36.7% did not find another flight at time requested
- 18.1% did not pay attention to airline

- Cafés/bars, vending machines at gate
- Duty-free, restaurants, takeaways, books & press after the security
- Public transports & wifi
- Airport staff for general questions

- 68% spend money at the airport
- Mainly for food & beverages
- Most passengers spend less than 10 €

- Walk boarding/deboarding acceptable
- Baggage drop-off machines acceptable
- Internet replaces staff not acceptable at all
Identified Reasons to Choose a Low-Cost Carrier

- **Price** is the decisive criterion for **leisure** travellers.
- **Business** travellers often fly with a LCC because there is **no other choice** or **someone else** booked.

Where price is not the decisive criterion (business travellers, Gen X, Baby Boomers), passengers would also fly with another airline.

- **Price** as decisive criterion for **all generations**.
- **Gen X & Baby Boomers** fly often with a LCC due to no other choice.
- **Staff & good service** only important to Baby Boomers.
Identified Spending Behaviour

- Baby Boomers are **less interested** in the non-aeronautical services.
- Gen X is **most interested** in the non-aeronautical services, in particular shopping.
- Results of the **consecutive survey** at HAM are comparable.
- Baby Boomers either **do not spend any money** or only very few.
- Gen X spends more money than Gen Y.

Spending behaviour is not exploited to the fullest. Especially business travellers have a high purchasing power. Focus needs to be put on Gen X and business travelers.
Identified Required Services by Passengers

- Public transport is most important for all
- Lounge access and work or rest areas are mainly important for business travellers

- Only small differences among generations
- Baby Boomers look slightly more for design
- Gen X has slightly less requirements
- Wifi and sockets are more important for Gen Y

Airports should consider providing unlimited free WiFi, sockets, public transports, cheap parking & nice design for low-cost carrier passengers.
Identified Acceptance of Low-Cost Measures

Under the assumption of a comparably low ticket price, in how far do you accept the following measures at airports? (reason for travel)

- Business travellers find **all measures less acceptable, except internet replaces staff**
- **Baggage drop-off machines** and **walk-boarding/deboarding** most accepted in general

Under the assumption of a comparably low ticket price, in how far do you accept the following measures at airports? (generations)

- Baby Boomers find **most measures less acceptable**
- Gen Y has a **general high level of acceptance**
- The younger the passengers, the more they accept low-cost measures

Airports should avoid typical LCC measures when serving business travellers. Seats and staff are needed for LCC passengers.
Conclusion & Outlook

- **Significant differences** appeared between the evaluated segments of LCC passengers.
- Airports **need to understand specific needs and expectations** of the different passenger segments to improve their services and offerings for LCC passengers.
- Most LCC passengers are **not explicitly cost-conscious** and do require **non-aeronautical offerings**.
- **Measures to enhance the Passenger Experience** along the entire Passenger Journey need to be determined for LCC passengers.
- **Changing needs and expectations** of the different customer segments have to be observed permanently to enhance the passenger experience.
Thank you very much for your attention!

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