ASM GLOBAL ROUTE DEVELOPMENT

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PART 3

ROUTE TO RECOVERY –

Route Development Beyond COVID-19

AVIATION WEEK NETWORK
By Informa Markets

ROUTE TO RECOVERY – Route Development Beyond COVID-19



Many, if not most of us, in the industry are dealing with the here and now impact of COVID-19 as it spreads globally. Today those impacts appear unprecedented in scale, but we know that as an aviation community we are resilient and have a strong faith that recovery will happen in time.

This article is the third of an ongoing series which will investigate route and air service development through the recovery period and the post COVID-19 industry backdrop that we think we will all need to adapt to. Through this work we hope to help our industry colleagues navigate through these most challenging of times and reshape how to be the most effective in the future.

For our third piece we investigate what Route Development may look like for Airport Route development professionals. As detailed in earlier articles airlines behaviours are likely to change and the size and shape of route networks will be different from that prior to the impact of the virus. Airports will be re-setting themselves as business as they try to rebuild in as fast and sustained way possible. In addition, we have already seen some nation states introducing initial support intervention measures for aviation, these may well expand over the coming weeks and months ahead. The work of route development will undoubtedly be undertaken against a very different setting than before.

We hope that this work, as it develops, will be helpful to all of us working in route development now and in the coming months ahead.



David Stroud
Managing Director - ASM

HOW WILL COVID-19 IMPACT AIRPORTS AND THEIR RECOVERY STRATEGIES

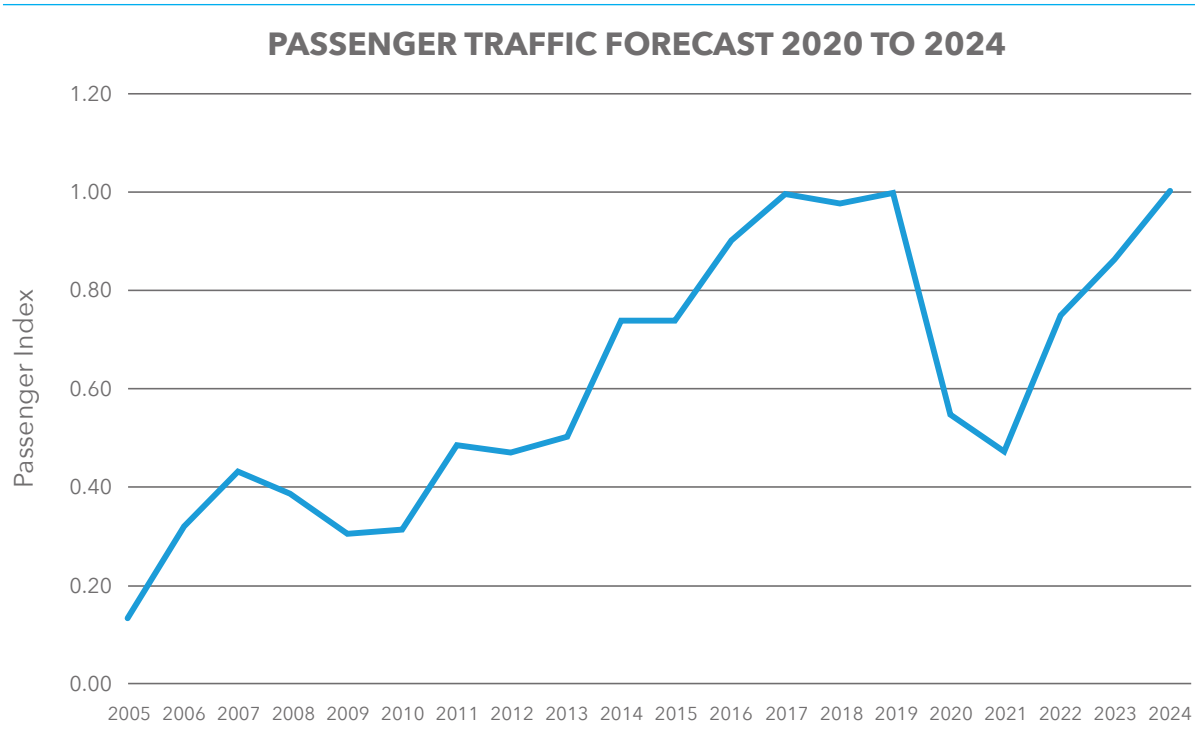
It is fair to say that no airport or destination globally has ever experienced such a unique situation as the one we all find ourselves in today. Fundamentally all airports will be thinking about what will recovery look like and more importantly what should we be doing as Airports to recover and grow our business.

In this article we focus our discussion mainly on what we think airports should be doing to deliver the best outcomes.

Firstly, though we will take a brief look at what a recovery timeframe could look like.

The consensus view is that traffic for many airports will not get back to the levels achieved in 2019 until the end of 2022 or early 2023. One or two in the industry predict an earlier return, others don't expect to get back to 2019 levels until 2024.

At ASM we are trying to model a whole range of inputs we are receiving and the traffic pattern we are forecasting right now looks something like the line in the graph illustrated below. This is indexed to 2019 global levels and shows as a percentage how the 'journey' back to 2019 levels may evolve. Of course, it could take a very different path, and no one will really know for sure until the recovery starts to take place. The graph line is representative of a typical 8-10 mppa airport in Europe.



SO, IN GENERAL WHAT DOES ALL THIS MEAN FOR ROUTE DEVELOPMENT AT AIRPORTS?

We Think ...

- Airline engagement will be more important than ever – maintaining relationships, understanding their business and being a true partner will help ensure future success.
- There will emerge a new post COVID-19 business case where demonstrating destination and market trust will be more important than traditional route forecasts and market numbers. Cities and places will need to coherently articulate their re-emergence plans to show their attractiveness and health and wellbeing strength.
- Whilst retrenchment into strong proven markets and networks may dominate the early period of recovery, there will still be opportunities for new routes in the rebuild. We say this as some weakened airlines will have vacated markets leaving new entrant opportunities or creating a vacated opportunity for competing airports.
- Airlines will be looking to reduce costs and improve efficiency, at least in the short term.
- Airports' strategy and positioning will need refinement.

THE DRIVERS OF RECOVERY

ASM believes there are three major areas, as illustrated, which will impact recovery and more importantly define what airports can or should do to influence airlines network decisions.

All three are equally important and interdependent.



1. MARKET DEMAND FACTORS – WHAT CAN AIRPORTS DO TO INFLUENCE MARKET DEMAND?

We will review demand factors in more depth in a subsequent paper but want to focus on what can airports do now to influence demand returning.

Consumer confidence regarding international travel, destination management hub and congested airports may be low as passenger anxiety and nervousness around COVID-19 will persist for some time to come. Trust in places and the travel journey will be paramount.

We think that Airports should:

- Undertake a major rethink of their operational and facilitation plans to help overcome the low level of consumer confidence. It would require as a minimum, airports to implement safeguarding operational measures to reassure and protect passengers.

- Start looking to radically re design their future facilities and terminals to accommodate future long-term requirements as a result of COVID-19 and other such like potential global crisis.
- Market and communicate these safeguarding measures to potential visitors and consumers alike as well as to their airlines and other B2B partners.
- Use this pause effectively to revisit and refine where appropriate their route development and marketing strategies, including identifying potential new route targets and new opportunities that may present themselves in the new world post recovery. This may for example involve a switch to pursue volume markets with LCC's as opposed to a strategy that may have been focussed on the more traditional hub and spoke.
- Work out which segments of traffic are likely to return first – domestic, VFR and prioritise their initial conversations with airlines whose strategies and networks will deliver these markets.
- Business plan and forecast the time frame for recovery phase to include an analysis of markets, customer airlines and competition and address issues of terminal management, future CapEx and capacity management.

2. AIRLINE BEHAVIOURS – IMPACT ON AIRPORTS – WHAT SHOULD AIRPORTS DO?

Crucial to all airports will be how the airlines will react post crisis. Question is, how should airports alter what they do, based on the variations of airline behaviour which may emerge. These can be summarised as:

- Hub and anti-hub strategies;
- More aggressive on route support;
- Working harder to capture markets, strong capturing shares off the weak;
- Playing airports/cities off against each other.

SO, WHAT CAN AIRPORTS DO TO HELP INFLUENCE THE AIRLINES NETWORK DECISIONS UNDER THESE CIRCUMSTANCES?

We think Airports should:

- Continue to talk regularly with the network planners, canvas their thoughts, discuss ideas understand the drivers of recovery and offer help and assistance that will make a meaningful difference in the recovery phase.
- Form stakeholder recovery groups, task forces – involve the airlines in these groups. This idea has already been implemented by several airports who have formed committees of all key stakeholders and airline partners to form plans that work for all concerned.

- Some airlines could use this period to be radically rethinking their plans in the recovery phase and in the future. Monitor, research and keep up to date through all sources of intel to assess changes to airline strategies, fleet orders and networks. Discuss with airlines, their strategies.
- Undertake a detailed 'network health check' of the airport's current routes, analysing load factor, passenger volumes, market share etc. This will help airports gain an understanding which of its routes are poor performers and may be at risk routes and which are its strong routes that may justify additional capacity or new airline customers.
- Similarly carry out analysis to benchmark network performance to competitor airports, identifying opportunities to exploit competitor weaknesses and guarding against potential threats.

3. STATE INTERVENTION – HOW WILL IT IMPACT AIRPORTS AND WHAT SHOULD AIRPORTS DO?

Many governments have announced policies and intentions to support the aviation industry (mainly airlines) with financial support, loans, subsidy and other mechanisms. State intervention will matter hugely regarding which airlines survive, how routes are supported, and ultimately which airports survive. It is crucial that airports mobilise their efforts to influence this process to deliver the best outcomes for their recoveries.

SO, WHAT SHOULD AIRPORTS BE PREPARING FOR, DOING IN ROUTE DEVELOPMENT?

We think Airports should:

- Lobby governments for continued support.
- Similarly lobbying for and the deployment of route development support funds in conjunction with airline and supply chain partners.
- Securing essential access to hub for connectivity.
- Implement operational processes that help set the right standards for consumer confidence, and the need to ensure consistency of approach so proper standards across the board.
- Consider co ordinating issues on a national basis in the interests and benefit to all. An example of this would be setting up things like National data sharing.
- Join force through association bodies to try to encourage consistency of government economic stimulus and as much joined up nation state thinking around border opening, stimulus and other aid.
- Be seeking to influence any regulatory policies and issue such as bi-lateral negotiations support that would be impacted in the event of airline failures post crisis.

About ASM

Airport Strategy & Marketing (ASM), the founder of the renowned Routes events, has supported airports, airlines, tourism organisations and governments in the development of new routes since 1993.

ASM was the first air service development consultancy in the world and we have maintained our leading position in the aviation industry – our clients rely on us to help them expand their air service networks.

We guide and support clients through every step of the air service development process: identifying potential new services, preparing business cases and presentations, negotiating with airlines and ensuring new routes are sustainable.

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