

IC Aviation Ltd.

BALTIC BIRD Project

Work Package 5.1 - Elaboration of an Airport Marketing Toolbox

Output Report - Task B - Data Collection

21st June, 2013

Task B - Data Collection

IC Aviation is pleased to report that the Data Collection phase of Work Package (WP) 5.1 has been completed. A large amount of data has been collected from each of the partner airports involved. From the information we have received we have been able to identify some excellent marketing tools that are being used currently. However, it is also obvious that there are certain aspects of the airport marketing function that could be improved. All of this detail will be presented more clearly in the Toolbox itself. In addition, IC Aviation in conjunction with Uniconsult, will also implement 3 of the new marketing tools as a test cases at 3 different airports that are involved with WP5.1 in order to test the success of some of the key marketing tools that will be suggested in the Airport Marketing Toolbox.

Task B - Objectives

The purpose of the data collection phase was set out in the Terms of Reference for the Elaboration of an Airport Marketing Toolbox dated 29th August, 2012. The following objectives were listed:

1. Survey of airports' marketing goals and objectives, including target plans depending on the competitive position of the airport (as is situation) and the aimed at future market position.
2. Definition of the airports' customer groups, which are requiring individual composition and design of marketing tools:
 - Airlines differentiated into full service network carrier, low-cost carrier, charter / leisure carrier, regional carrier, cargo carrier
 - Passengers differentiated in terms of travel motivation (business travel, holiday travel) and stopover (originate and transit)
 - Commercial customers, e.g. retailers and service provider (concessionaires, tenants)
 - Other customers, e.g., people taking or picking up someone at the airport, airport employees, business people with appointments / meetings at airport facilities, visitors, residents
3. Identification of existing marketing tools at each airport.

Task B - Methodology

The airports being represented in WP 5.1 come from four different countries, Finland, Poland, Latvia and Sweden. The involved airports are:

Seinäjoki (FI)
Savonlinna (FI)
Tampere (FI)
Bzdgoszcz (PL)
Liepaja (LV)
Norrköping (SE)
Karlstad (SE)

The partner airports therefore come from a very diverse range of markets and indeed each of their respective situations is quite unique by reference to stages of development and maturity in their markets. For example, in some cases the airports involved were well developed with strong airline and passenger profiles whilst in other cases, the airports had very little or no commercial passenger traffic at all. There is also varying ownership structures at each of the airports, with some of the partners not owning or having any control over the airport yet they still take an active role in the marketing of the airport.

Questionnaire & Business Model Canvas

Two of the methods for collecting the data from the partner airports, was to ask some basic questions about the airport and the ambitions for the airport in a questionnaire format. These are some of the questions that IC Aviation asked of the project partners:

1. Please explain about the evolution of airline development over the last 3 years, for example, has there been an increase in low cost and a decrease in legacy?
2. Please list the destinations currently served from the Airport.
3. Please give some indication of the catchment area of the Airport, for example, do people generally drive for 1+/- hour to get to the Airport.
4. Please explain about the ambitions for the next 3-5 years for the airport, for example, plans to increase low cost, legacy, routes, markets, etc.

IC Aviation also used what is known as the Business Model Canvas to collect as much information as possible about ongoing marketing activities at the airport as well as other more general information that may be relevant to the elaboration of the Toolbox. The Business Model Canvas is a system which is most commonly used as a strategic management template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's value proposition, infrastructure, customers, and finances and was originally created by the Swiss author and entrepreneur Alexander Osterwalder. IC Aviation took this model and adapted it to suit the area of airport marketing specifically. Instead of using only a predetermined list of questions, the Business Model Canvas encouraged the partners to think a little more deeply about all of the issues effecting their airport. As with most businesses, it is impossible to consider one aspect of the airport's business without also considering the impact that this may have on every aspect of the business. Airport marketing is a small - albeit very important - aspect of the entire business. Please find attached to this Report as **Appendix A**, a diagram of the Business Model Canvas that was used by IC Aviation for Task B.

Site Visits and Interviews

Another important element of the methodology employed to complete Task B was visiting the partner sites. From IC Aviation's extensive experience, the best way to understand a particular region, city or airport is to go and pay a visit. Certain information can always be gathered electronically or remotely but in terms of understanding the real potential or indeed the challenges facing airports in today's market, it is necessary to visit the location and speak to the people involved. This aspect of the methodology has provided some very important insights into both some of the opportunities but also the challenges that some of the airports involved in WP5.1 are facing.

Focus Group

IC Aviation also took the opportunity to carry out some focus group research at the BALTIC BIRD meeting in Norrköping in April 2013. Attending the meeting were not only the 7 airports involved in Work Project 5.1 but also a wider group of people involved the BALTIC BIRD project generally. In total, we created 5 different focus groups which were randomly selected and each group was asked to respond to three questions:

1. What do you want the Toolbox to achieve?
2. What have we missed so far?
3. Any questions - is anything not clear?

These questions were only suggested as a guide to get people talking within their groups. The main objective was to get as many people involved as possible into this process so they could add their suggestions about what they wanted the Toolbox to achieve. IC Aviation was very pleased with the

level of responses from all of the groups involved in the focus group research and ultimately this process will add a significant level of information and detail into the Toolbox. The Minutes from Focus Group research are attached as **Appendix B** to this Report.

Liepaja Airport

1. Status Quo and Future Aims of Market Position

Liepaja Airport is a small airport in the western part of Latvia, which is owned and operated by the Liepaja Municipal Council. The airport is situated just 7km from Liepaja town centre and around 210km from Riga. There are currently no scheduled commercial aircraft flying to Liepaja airport. The only carriers using the airport at present are pilot training aircraft.

The airfield at Liepaja will however undergo major construction work in 2014 with a view to attracting first scheduled services in the Spring of 2015. The future strategy of the airport is to attract scheduled and charter services which would help to boost the local economy.

2. Customer Groups

At present, the customer groups are somewhat limited due to the fact that there is no scheduled commercial air traffic at the airport. However, the pilot school is clearly a key customer at this point in time.

3. Identification of Existing Marketing Tools

The airfield construction is a key priority for the airport management at the current time. Therefore, there has been no systematic attempts to market the airport or generate more traffic.

4. Recommendations

o Marketing Strategies

Clearly, the upgrading of the airfield at Liepaja Airport is an important first step in preparing for future development. It would also be reasonable that marketing towards passengers at this early stage (given that scheduled flights are unlikely to start before 2015) would not be carried out. However, there is work that could be done towards other potential customers and key partners.

o Marketing Tools

First, IC Aviation would recommend to hold an Airport Workshop within the next few months. Especially, given that local elections are taking place in Liepaja in June 2013. It would be a good opportunity for the airport to invite local and national politicians, tourist boards, private businesses, hoteliers, bus companies, etc. Show them all of the benefits that the airport can deliver to the economy but also educating them on the challenges and costs associated with operating an international airport.

Secondly, it would also be advisable to start which carriers and which destinations specifically the airport management would like to target for 2015. Many airlines will already be planning their schedules for 2014 and 2015 at this stage. Liepaja airport is therefore in a very good position to start building a Business Case for airlines, by doing as much research as possible about its catchment and learning the strategies of some European carriers.

Bydgoszcz Airport

1. Status Quo and Future Aims of Market Position

Bydgoszcz Airport is a regional airport situated in central Poland. It is majority owned by regional and local governmental bodies. The city of Bydgoszcz has a population of around 360,000 people but the wider catchment of the airport is around 2m. The airport has seen a considerable increase in low cost traffic in recent years and there are 6 scheduled destinations served from the airport currently, including domestic services to Warsaw. There are also a number of charter / leisure type destinations served also.

The airport would welcome more growth to certain destinations with low cost carriers, but is also seeking to get a connection to a large European hub. The airport continues to have discussions with various airlines to increase traffic and routes to the airport.

2. Customer Groups

The airport has quite a diverse range of carriers, so clearly the legacy, low cost and charter carriers (along of course with the passengers they carry) are all very important customers. The airport would also have a number of bus, taxi and travel companies that use the airport that would be considered as important customers. The ownership structure of the airport is also an important factor to consider, with local, regional and national shareholders as well as some private shareholders who are involved with the airport.

3. Identification of Existing Marketing Tools

The most distinguishing feature of Bydgoszcz Airport's existing marketing tools, is the strong emphasis that is placed on marketing the airport in the local area, therefore targeting customer groups that are associated with the direct locality of the airport. These groups will mainly consist of politicians, local interest groups as well as new and potential passengers. There are many different activities being carried by Bydgoszcz Airport, for example:

- distributing information leaflets about the airport in local areas, including shopping centres, local towns,
- leaflet drops are also sometimes coordinated with some of the airlines
- advertising key information about the airport in local and national newspapers
- email advertising to a database of 39,000 subscribers
- advertising in the Gold Hundred Polish companies magazine
- issuing extensive press releases about destinations and carriers serving the airport
- advertising on local busses and taxies
- placing advertising loyalty / discount cards for local amenities (for example the local taxi company)
- organising press events at the airport for new routes launches / announcements as well as passenger milestone celebrations
- advertising on billboards and light displays at for example, bus stops in local towns
- merchandise branding

- giving tour operators leaflets and information about the routes from the airport
- advertising at local events, for example tourism fairs, school events, air fares, etc.
- organising free flight giveaways with airlines
- sending regular mail advertising to a range local entities, like schools, businesses, sports clubs, etc. and also to Polish communities in destination markets, like the UK
- advertising campaigns on satellite television channels
- organising conferences with interesting host speakers
- meeting with sales representatives in local companies to discuss the airport

4. Recommendations

○ Marketing Strategies

There is an abundance of local marketing being carried out, which is obviously very important for creating a positive awareness of the airport in the local area. However, in order to develop new routes, which the airport clearly wish to do, the process of marketing the airport towards potential new airlines is not as strong as it should be. From the information gathered during Data Collection phase, IC Aviation can observe that business cases put forward by the airport to airlines in some cases are exactly the same, irrespective of the airline being targeted. This does not represent a clever or unique way of marketing the airport towards airlines.

○ Marketing Tools

The key marketing tool that Bydgoszcz Airport should be seeking to implement, is creating stronger business cases for airlines. For example, there should be a different approach being taken towards each airline and are the airlines that are being targeted the right ones to offer the routes that Bydgoszcz Airport is seeking as part of their future strategy?

Savonlinna Airport

1. Status Quo and Future Aims of Market Position

Savonlinna Airport is located in the south west of Finland. It is a small regional airport fully owned and operated by the Finavia group, which are a government owned monopoly company that own the majority of Finland's airports. The representatives from Savonlinna Airport which are involved in the Baltic Bird project do not therefore exercise any direct control over the airport, from a marketing or any other perspective.

Savonlinna Airport has very little airline traffic currently, with a route to Helsinki operated by Flybe the only route that operates on a scheduled basis. There are also some charter services and private jets from Russia. The city administration has ambitions to increase the number of flights from Russia in particular but would welcome any flight services that have the potential to increase incoming tourists to the city.

2. Customer Groups

Due to the fact that Finavia own the airport, the customer group from the City's perspective, would include:

Finavia

Taxi Companies

Airpro (ground handling company)

Flybe

Russian tourists (and private jets)

Savonlinna Opera Festival

3. Identification of Existing Marketing Tools

Currently the representatives involved in the Baltic Bird project are not directly involved in any marketing activities. However, Flybe, the operator of the only scheduled service to the airport obviously markets its own service. Additionally, Savonlinna Travel Ltd. and Savonlinna Opera festival also market the Flybe service and a company called the Savonlinna Business Services Ltd. also tries to influence local companies to use the Flybe flights.

The disjointed relationship between the representatives involved in the Baltic Bird project and the owners / operators of the airport can sometimes make it difficult to develop and implement comprehensive marketing plans.

4. Recommendations

○ Marketing Strategies

There is currently a vacuum of information in Finland in relation to the many regional airports that Finavia / the government currently controls. The only guidance given so far by Finavia is that maintaining the existing network of some 25 airports is not sustainable. Due to the fact that Savonlinna Airport ranks among the smallest of the regional airports in the Finavia network in addition to the intense competition from other surrounding airports, it risks being closed or sold.

For that reason, IC Aviation would suggest that the interested parties in Savonlinna Airport should be trying to improve their market position by introducing new carriers and destinations and alerting local and national politicians / decision makers as to the importance of the airport to the local area.

- Marketing Tools

More direct dialogue with airlines is hugely important at this time for Savonlinna Airport. The representatives of the airport need to start meeting with and presenting proposals to airlines to gauge the level of interest that prospective airlines may have in the airport generally - keeping in mind that the relatively small catchment and competition from other airports is a real challenge. The Savonlinna Airport representatives should also consider hosting an information day about the airport, inviting local and national politicians / decision makers as well as media personnel so that the full value, but also the opportunities, of the airport can be outlined in great detail.

It would appear to be imprudent at this stage to consider other types of marketing, for example towards passengers, until a more long term strategy for the airport can be decided upon and put in place.

Tampere Airport

1. Status Quo and Future Aims of Market Position

Tampere Airport is a reasonably well developed regional airport in central Finland, circa 120km north of Helsinki. It is fully owned and controlled by the Finavia group. A distinguishing feature of Tampere Airport is that it offers both a full service and low cost airport terminals. This has meant that in recent years that airport has experienced significant low cost carrier growth. The airport processed circa 570,000 passengers in 2012.

The Baltic Institute (who represent Tampere Airport in the Baltic Bird project) have some big ambitions for the future of the airport. This will include a large renovation project of the low cost terminal, which should allow for more traffic development in that segment. Charter traffic is also high up on their list of future growth plans as well as a connection with Russia. There are also plans to try to increase the catchment of the airport by attracting people from other cities and regions that are not too far away from Tampere.

2. Customer Groups

Given the reasonably high level of low cost traffic at Tampere Airport, this group and their passengers are clearly a very important customer base for the airport. However, there are some other key customers:

Finavia
City of Tampere
Regional Council
Development and Tourism Agency
Chamber of Commerce

3. Identification of Existing Marketing Tools

Clearly, as the Baltic Institute does not own or operate the airport, the influence that they have in officially marketing the airport towards airlines, passengers and other customer groups is somewhat limited. Nevertheless, there is some good work being done. In particular, there has been a lot of research carried out about the catchment of Tampere City and the region. This includes information about the amount of businesses operating in the area and which regions in Europe that they have significant export business with. There has also been some passenger surveys carried out to try to identify where potential passengers want to fly to. This information can all be very valuable for building business cases for airlines.

The representatives from the Baltic Institute also maintain contact with the airlines flying to Tampere but obviously, they don't have a mandate to negotiate airport agreements with them. There are also plans for the Baltic Institute to start issuing information leaflets about the airport, which would obviously improve marketing towards passengers and other stakeholders in the local area.

4. Recommendations

○ Marketing Strategies

There is clearly big potential in this lucrative market for further aviation development. However, the fact that Finavia own and control the airport really limits the ability of third parties to properly market the airport. However, notwithstanding this limitation, the good work that is already being done should be extended so that more effective marketing of the airport can be carried out towards airlines and passengers.

○ Marketing Tools

In terms of marketing towards airlines, the surveys and catchment data that has already been prepared by the Baltic Institute should be fed into comprehensive business cases that can be presented to airlines. Whilst certain information is already being presented to airlines, there is probably more that could be done to demonstrate the strong potential that clearly exists in this market. One key airline customer group that should be targeted specifically, is the charter market given that Tampere has a relatively low proliferation of this airline segment.

In relation to passenger marketing, the planned information leaflets about the airport should certainly proceed. The funding for such an initiative would appear to be coming entirely from the Baltic Institute, however, Finavia should be more involved in this process. The plans to increase the catchment of Tampere Airport should be accompanied by a strategic marketing tool, like for example, a Google Adwords campaign that could be targeted at specific cities and regions.

Seinäjoki Airport

1. Status Quo and Future Aims of Market Position

Seinäjoki Airport is a small regional airport in the mid-west of Finland. It is quite unique in Finland as one of only 2 privately operated airports in the entire country. However, intense competition from other airports as well as a very efficient train connection to Helsinki has put pressure on the airport in recent years. There are currently no scheduled flights to the airport with the last flight finishing earlier this year, which was a connection to Helsinki. There are charter flights from Seinäjoki but these don't generally number more than 15-20 flight per year.

The airport management in cooperation with the City administration, are obviously very keen to encourage more scheduled traffic to the airport in terms of international destinations. They are keen to attract the services of a low cost carrier as they believe that this sort of business model could work well to Seinäjoki, however, they are willing to consider all options.

2. Customer Groups

Along with the obvious charter airlines and their passengers, other customers of the airport would be local and city administration, travel agencies and tour operators (due to the fact that charter airlines are the only flights currently operating to the airport). Private companies would also form an important customer group, in particular due to the fact their employees would have used the previous connection to Helsinki but will most likely form an important part of the customer base in the future.

3. Identification of Existing Marketing Tools

The management at the airport as well as the city administration have been quite active in advertising the airport. There has traditionally been a large focus on marketing with the catchment or regional area, which makes sense given that there is competition from other airports in the vicinity. This means that the advertising is focused primarily on targeting new passengers to use the airport. Some of the marketing tools that are being used or have been used in the recent past are:

- An airport magazine, informing people in the local area about what's happening at the airport
- Advertising in local / regional magazines like Ykköset and Ilkka
- Advertising the airport on LED screens in the downtown area of Seinäjoki
- Extensive use of social media, in particular facebook to promote the airport
- Issuing press releases about airport news and events

There has also been considerable efforts in recent months to make contact with and present proposals to some European carriers. The airport has attended Routes conferences in order to get meetings with as many airlines as possible.

4. Recommendations

- Marketing Strategies

Running an airport on the basis of only a handful of charter operations each year is not sustainable. The recent loss of the scheduled service to Helsinki is therefore a significant development for the

airport. It also means that attracting new scheduled airlines to the airport is now much more important than any other type of marketing that the representatives of Seinäjoki Airport should be engaged in.

- Marketing Tools

On the basis of the above, it is imperative that Seinäjoki Airport starts to create some very strong business cases to put before airlines in order to convince them to fly there. It is important to realise the challenges that Seinäjoki Airport faces in terms of competition from other airports and the train service to Helsinki. However, it is just as important to realise that Seinäjoki is very unique in Finland due to the fact that it is a privately operated airport and does not therefore need to rely on decisions from the Finavia group. In theory therefore Seinäjoki Airport can be very creative in preparing Business Cases for airlines and should be able to come up with a strategy that sets them apart from the other Finavia owned airports in their catchment or indeed in other parts of Finland.