

The relationship between airlines and airports:
An analysis of dimensions and success factors
to improve cooperation and efficiency

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2 Theoretical Framework: Extended IMP Model

3 Airport-Airline Model

4 Empirical Study

5 Preliminary Results

- The ongoing liberalization and privatization leads to sustainable change in the relationship between airports and airlines
- Among other effects, these developments result primarily in a wider range of strategic options for both actors
- Due to increased air traffic demand and pressure on costs and capacity, the importance of this relationship will increase significantly
- Another problem area arises from the very different (service) requirements of the carriers (LCC vs. FSC) and substantial regional (international) differences in the industry
- In most cases the current relationship can be characterized as problematic or at least as difficult
- A solution to this issue can only be reached by joint efforts

- „In all cases, [airport] operators will have to work much more closely with the carriers to optimize joint interfaces and to leverage cost and revenue synergies.“
(BCG Report, 2004)
- „From the customers’ point of view, closer cooperation will be increasingly necessary for the simple reason that if customers don’t have a good perception of the situation (...), it will obviously impact on the image of both partners.“
(Spinetta, CEO AirFrance & IATA, in: Jarach: Airport Marketing, 2005)
- „..., thus establishing a solid basis for a strong partnership between airlines and the airport.“
(Gerber, Vice President LH Aviation Infrastructure Management, in: JATM, 2002)

- Although there is extensive research on all forms of cooperation, the airport-airline relationship in general has been almost neglected
- Single aspects of the relationship are dominating the research field, e.g. slot allocation mechanisms or pricing issues
- Existing research may also take a very general approach to describe the relation, e.g. Graham (2002)
- A systematic analysis and configurational propositions are rather limited [Exceptions: Fuhr & Beckers, 2006; Albers, Koch, Ruff (2005); Gillen, Lall (2004); Francis, Fidato, Humphreys (2003)]
- Due to its increasing importance, the topic tends to be an issue on industry conferences (e.g. London 2004, Orlando 2005)

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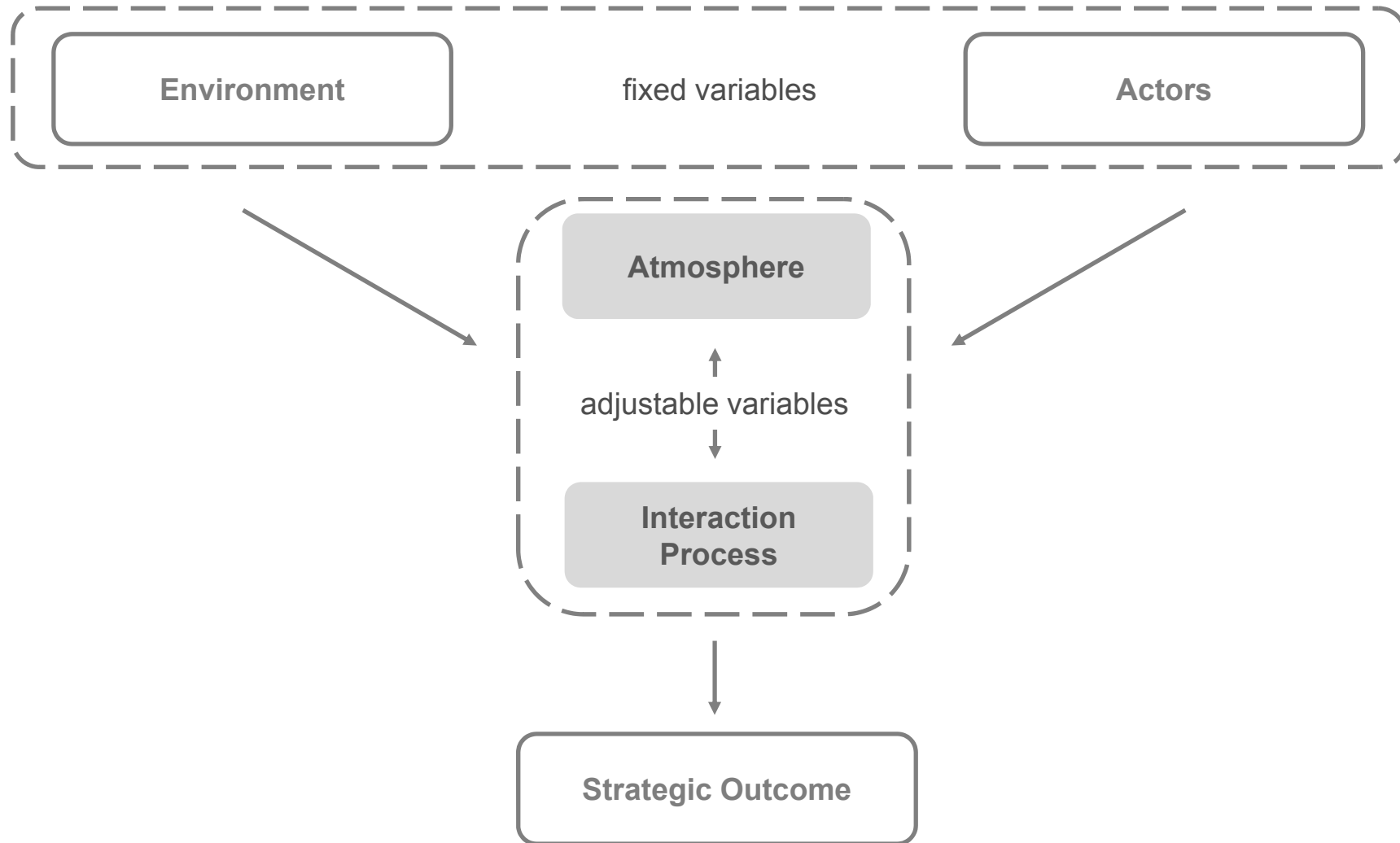
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- Goal is to conceptually grasp the relationship and to uncover major mechanisms and interactions between determinants and elements of the very complex relationship
- Model as diagnostic as well as design tool for the relationship
- Two classes of variables
- Contingency variables: given, cannot be influenced directly, but considerable influence on the relationship
- Design variables: directly adjustable by management decisions, i.e. they offer opportunities to shape relationship
- Focus on design variables and propositions
- Model based on IMP interaction model (Hakansson, 1982)

Extended IMP Interaction Model



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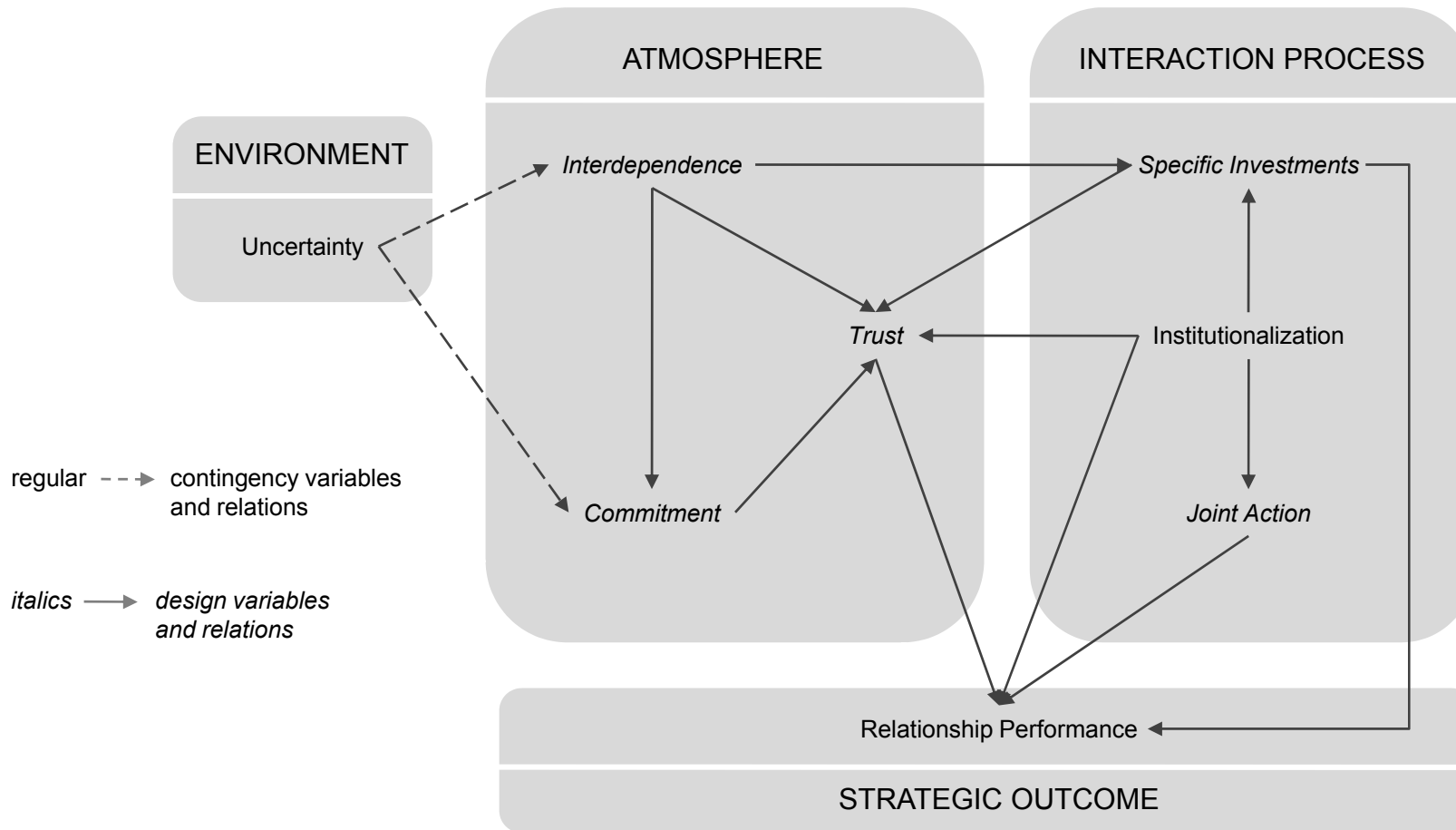
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Overview of Hypotheses



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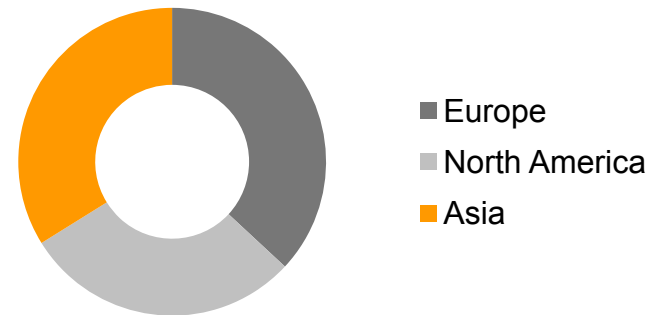
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- The sample was drawn from the TOP 200 airlines as ranked by Airline Business in 2007 (see Airline Business, Vol. 23, No. 8)
- Key informants: Senior airline manager of respective hub or base airport
- Response rate: Approx. 33% (n=65)
- A structural equation modeling (SEM) approach has been chosen to evaluate both error in construct measurement and error in hypothesized relations
- PLS approach (in contrast to LISREL) due to small sample size and the use of formative and second order constructs

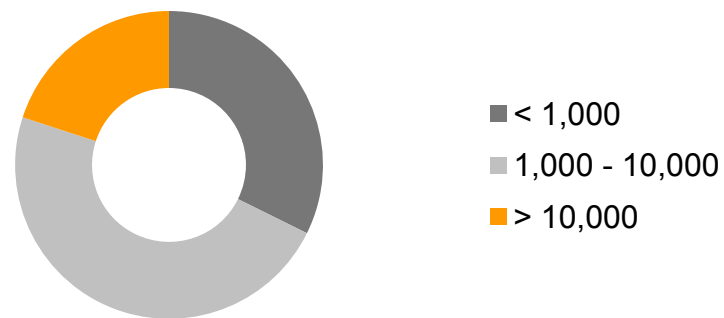
Business Models



Geographical Spread



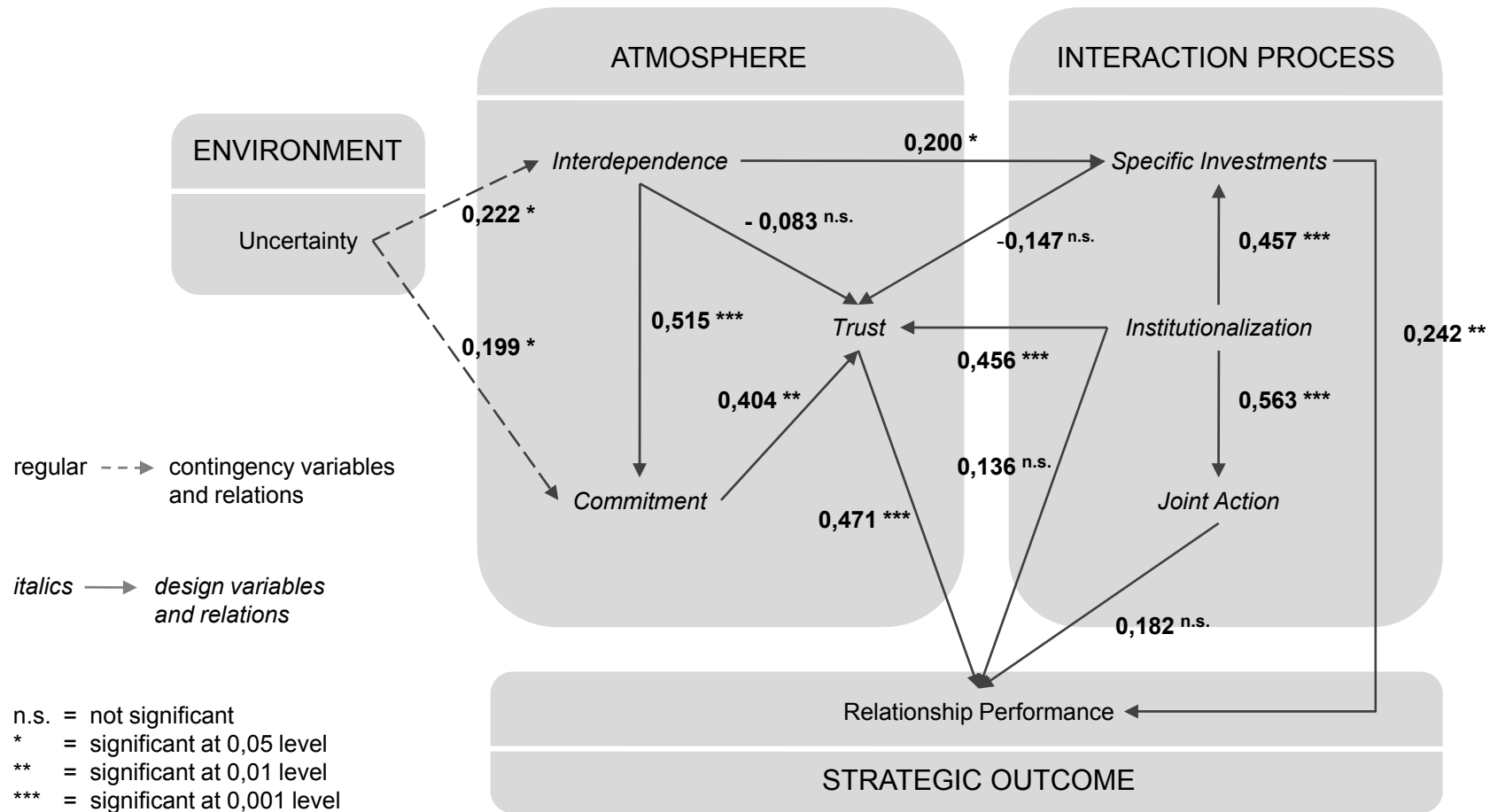
Revenue 2007 (in mio. USD)



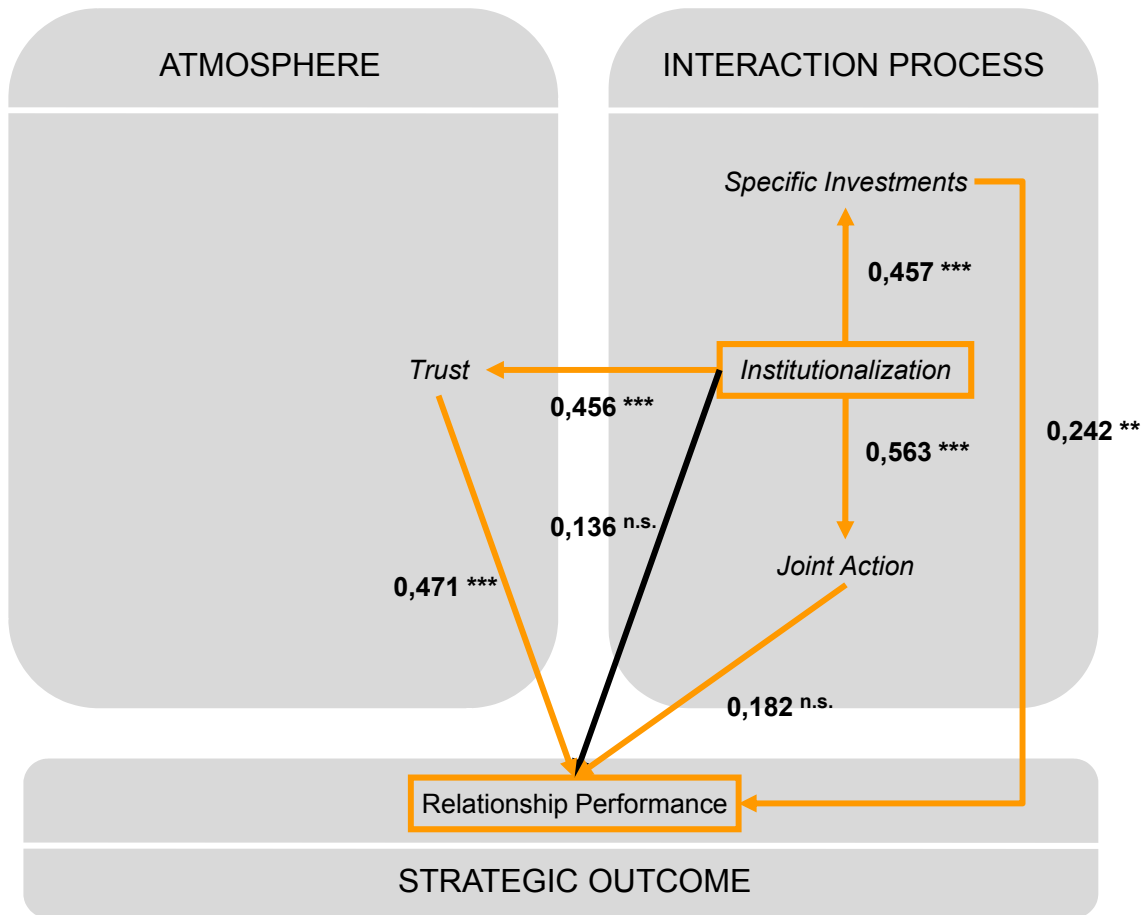
Passenger (in mio.)



Structural Model – Direct Effects



Structural Model – Indirect and Total Effects



Direct Effect

Institutionalization –
Relationship Performance: 0,136 n.s.

Indirect Effects

via Trust: 0,214 **
via Specific Investments: 0,111 *
via Joint Action: 0,071 n.s.
(results based on Sobel-Test)

Total Effect

Institutionalization –
Relationship Performance: 0,532 ***

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- Airline-Airport-Interaction-Model as a first step to structure and analyze the relationship
- Introduced different dimensions / variables and propositions regarding the interaction process
- Apparently, trust and institutionalization (=governance of the relationship) play a major role in generating relationship success
- Relationship model allows for a systematic analysis of the current situation of the airport-airline relationship (diagnostic tool)
- Based on this assessment the management may identify additional potential for efficiency or service level improvements (design tool)
- This, in turn, may cumulate in a customer-specific development of the relationship, i.e. the creation of trust or the development of dedicated governance mechanisms

- Detailed analysis of interdependence construct as effects from dependence (one-sided) and interdependence (two-sided) may differ
- Detailed analysis of institutionalization construct, i.e. determining the performance contribution of every single governance mechanism (control, coordination, incentive)
- Control relationship model for airline business model and regional differences
- Due to the importance of trust it might be helpful to identify trust-building mechanisms in the airport-airline context
- Consideration of the airports' view in order to account for major differences