

Market-Focused Parking Products at Airports

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Airports are beginning to change the way they look at their parking systems. Before 9/11, the parking system was a necessary service to the public that coincidentally threw off a lot of net revenue to support airport operations. With enplanements down, concession revenue off and security costs way up, airports are taking a new look at parking and are discovering that market-driven parking products can significantly enhance gross revenue. Combined with cost-effective ways to collect those revenues, significantly improved net revenue from parking can result.

Wants and needs

To develop any market-focused product, one must first identify the parking customers and their wants and needs. The traditional view of airport parking is based on length of stay: long-term or short-term. The first paradigm shift is to step back from this viewpoint and take another look at what really drives customer choices. From a marketing perspective, trip purpose gives more illumination of wants and needs than simply length of stay. This approach leads to the development of more parking products to serve user needs at differing price points.

Let's take a look at the types of airport customers:

- **Meeters, Greeters and Well-Wishers.** These parkers are primarily concerned with convenience and ease of wayfinding. They typically stay a short time, may be unfamiliar with the airport and may come from a greater distance than the typical business parker. They pay relatively small parking fees and thus typically pay by cash. The parking fee is not important in their decision to park in the closest available parking location so long as that rate is not out of line with local norms. They truly are a captive market for airport parking.

- **Business Travelers.** The vast majority of parkers who stay four hours to three days are business travelers. Many business travelers use credit cards rather than cash. Within the business traveler category there are three parking subgroups.

1. **Premium.** Those who are not very rate-sensitive, and will pay a premium price for convenience and service.

2. **Economy.** Those who are primarily rate-sensitive and will choose either on- or off-airport parking that is positioned as an economy product.

3. **Standard.** Those in the middle of the market, who are value-conscious and balance price with convenience.

- **Leisure Travelers.** Leisure travelers are primarily interested in economy, with speed and convenience being lesser concerns. They typically stay the longest, are the most likely to be rate-sensitive and the most likely to choose economy parking (either on- or off-airport).

Off-airport competition

One of the reasons for separating parkers by trip purpose is to tailor parking products to their wants and needs in order to compete effectively with off-airport parking. In the wake of 9/11, off-airport operations have become even more aggressive about gaining market share. While airports have had many issues to deal with, off-airport parking operations have only one: attract parkers to stay in business.

Competing for economy parkers has traditionally been an issue of price, and off-airport operations have typically undercut the lowest on-airport parking fee by a relatively small number. Quite recently, however, off-airport parking has become more market-focused, and differentiated products are being developed. In particular, off-airport operations are seeking to attract premium and standard business parkers. This in turn has led many airports to reposition their parking products in order to keep business travelers on-airport.

Differentiated products

When the customer wants and needs and the competitive climate are well understood, parking products can be differentiated to meet those needs. We usually recommend three basic parking products as follows:

1. "Hourly" for meeters and greeters and well-wishers.
2. "Daily" for the "standard" parking product (particularly for one- to three-day stays).
3. "Economy" for longer stays.

We've found over the years that Hourly, Daily and Economy terminology is the most easily and immediately understood by those who use airport parking. When more than these three parking products are provided, they should be "branded" to communicate both the price point targeted and market segment. As one steps up in price point from economy parking, each succeeding product should have a title that communicates progressively more speed and convenience of service relative to the lowest price product (economy). An example of product branding is "Corporate Connection" used by Indianapolis International Airport for a credit card in/out lot near the terminals. Valet parking should always include valet in the title, so that the fact that somebody else will drive and park the car will be clearly communicated. Frequent Parker Programs (FPP) and pay-on-foot systems should



also be branded to connote speed and convenience. Among brands now in use at airports, our favorites include Exit Express (SeaTac and San Antonio) and EasyExit (Indianapolis) for pay-on-foot systems, and EZPark (Columbus), Express Lane (O'Hare/Midway), Fastrack (Heathrow) and Sure Park (Houston).

Separating products

With a "clean slate," we believe it is best to separate daily parking from hourly, and concentrate the hourly space on one floor of a parking garage or in a close-in lot, so that the spaces that are likely to be available in times of high turnover (afternoon and evening) are in one defined area rather than sprinkled throughout a multi-story garage. Hourly parkers comprise the largest volume of parkers and pedestrians, despite occupying a relatively small number of spaces at any one time. Locating hourly parking at the level of pedestrian connection to the terminal reduces the need for elevators and/or escalators, and all of their associated capital and operating costs, not to mention safety and security considerations. To sum this approach: assure the most convenience to most of the parkers, who (not coincidentally) pay the most to occupy the parking space.

Premium vs. standard

One option for a premium parking product for business travelers is to dedicate a specific parking area for their use. To truly be a premium parking area, it must be in the most convenient location. This conflicts with our general philosophy of providing hourly parking at the most convenient location. Rather than a reserved premium parking area, we frequently recommend that an airport employ the hourly parking product as a de facto premium parking product for business travelers who are willing to pay the price. Hourly parking demand is typically highest on weekends and peak holiday travel periods; therefore there is some beneficial "shared use" with premium parking midweek.

Frequent parker programs

By far the greatest "want and need" for business travelers willing to pay for premium garage parking is speed and convenience. It is our opinion that the best way to meet that want and need is through a frequent parker program, because it provides the fastest in/out and the most flexibility to meet current and future needs.

We believe this is the appropriate product for many airports because multiple products at multiple price points can be incorporated into the FPP. For example, FPP users could have "general admission" to any facility by credential, as well as the ability to make reservations at a premium price for a specific guaranteed parking facility. Billing is either by corporate accounts or automatic credit card charges after each use.

The biggest selling factor for the FPP is that it takes those parkers out of the ticket/cashier system and serves them by either proximity cards or AVI. While gates are still required, processing an FPP customer via credential is still significantly faster than processing either by cashier or by validated POF ticket. As of this writing, at least a dozen airports already have or are developing FPPs.

Valet parking

Valet parking at an airport provides the traveling public with an added degree of convenience, security and a savings in time. The patron utilizing this service will expect to pay a

premium for the handling of their automobile at drop-off and pick-up. The patron will also expect a greater degree of security for the stored automobile.

Valet parking is provided at a number of medium and large airports around the country and has been growing in popularity. In a recent limited survey, we found 11 airports across the U.S. that provide valet parking. An advantage of

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valet parking over other premium products is that vehicles can be stacked in any less desirable area on-site or staged with off-site storage, somewhat increasing the overall capacity of parking in a constrained location. Valet is most successful where there is a constrained supply or low levels of convenience. In other words, there has to be a real benefit in convenience to entice a large number of users to choose valet parking. The primary disadvantage to valet parking is that it is far more expensive to operate than other options for premium parkers.

Parking reservations

Parking reservations are becoming more common at off-airport parking facilities in the U.S., but we have found only one example in North America of an on-airport reservation program: Vancouver. We are currently working with a major airport to develop what is believed to be the first on-airport reservation program in the U.S. Perhaps the best model we have found is that employed by British Airport Authority in the United Kingdom. For example, at Gatwick Airport outside London, patrons are able to make a reservation for access to any one of the parking facilities, even if the facility would otherwise be considered full and closed to the public. Reservations can be made by phone or by logging onto a Web site.

Parking reservations should be most successful where supply is constrained and regular users know they may not be able to park in their preferred facility. Parking reservations reduce the need to drive from facility to facility looking for one that is open and thus reduce congestion on airport roadways. Parking reservations can attract those who might otherwise avoid airport parking, thereby gaining parkers that would otherwise be lost to off-airport providers.

A new paradigm

We have observed a paradigm shift among airports in the last year or so. They no longer view their parking system as a public service monopoly, but rather as a market-driven and customer-focused enterprise. The specific tools which will be most effective will depend on the airport, but it is clear that in today's challenging and ever-changing business climate, a successful transition to market-focused parking will help assure loyal, satisfied customers and maximum net revenues.

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