

Overview of traffic at uk airports tourism essay

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Being the second most attractive region for foreign investment in France, Lyon is also ranked 19th among European dynamic cities and the third most popular destination for business travel. In addition to its business activity, the region is also a major tourist destination, offering a variety of historical and cultural attractions and being the gateway to the Alps, which established itself as one of the most attractive destinations for leisure in Europe. Lyon is one of the economic powerhouses of European stature and France's second-largest business capital after Paris. The GDP of Lyon is 62 billion euro and the city is the second richest city after Paris. The Lyon region has a long standing tradition of technological and economic initiative. Lyon is a major center for banking as well as for pharmaceutical, biotech and chemical industries. Though all industries are represented here, special mention should be made of areas in which Lyon holds an international reputation: chemicals, engineering and textiles. The city has a growing software industry with particular focus on video games, and has fostered a growing local start-up sector in recent years. Lyon is also home to the international headquarters of Interpol, Euronews and the International Agency for Research on Cancer and by some measures, Lyon has been ranked second in France as an economic and convention center. Lyon was ranked 8th globally and 2nd in France for innovation in 2011. It ranked 38th globally in Mercer's 2010 liveability rankings. The city of Lyon, known for its historical and architectural landmarks is a UNESCO world heritage site and is a famous tourist destination. Tourism provides a big boost to the Lyon economy with one billion euros in 2007 and 3.5 million hotel nights in 2006 provided by non-residents. Approximately 60% of tourists visit for business, with the rest for leisure.

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Overview of Traffic at UK Airports:

Traffic between London & Lyon Airports

Over the years, traffic between London and Lyon has increased on average but it saw a drop in 2009 because of the global economic crisis.

Nevertheless, there has been an increasing trend over the last two years and the business sector has been a major contributor towards the rise in traffic.

Overview of Traffic at Lyon

Traffic to International destinations at LYS has increased significantly over the last ten years. Last year, the airport welcomed almost 8317671 passengers of which 5157052 accounts for international traffic. International traffic remained the main driver of growth at the airport rising by 2%, now making up 62. 2% of total passenger traffic. This increase in 2011 kept it in third place among French airports in terms of passengers, after the Paris and Nice airports. By the end of 2020, the passenger capacity of the airport will have reached 10 million.

GRAPH LYON TRAFFIC

Existing Players in the Market & Their Schedule: British Airways and EasyJet are the two carriers connecting Lyon to different Airports of London, With British Airways only serving Heathrow with its A319 and A320s and Gatwick and Stansted are served by Easy Jet with A320's. Easy Jet provides a no Frills service and British Airways, being a Scheduled Airline is providing full service to this destination. BA runs three flights daily from Heathrow and same on the other side of the leg with 2 to 3 more flights on weekends. EasyJet connects Lyon more than BA daily. EasyJet has selected Lyon as its base in

France which shows its importance as a gateway to the Rhone Alps. Armed with the knowledge that at this moment there are no French carriers operating on this route, an opportunity to capitalize on this route has arisen and the possibility of capturing the market has become plausible. Keeping customer satisfaction in view by providing enhanced service and offering better schedules will guarantee success for LumieAir.

Easy JET

Frequency

DEP

ARR

Frequency

DEP

ARR

MTWTF

LYS

7: 10

LGW

7: 40

MTWTF

LGW

8: 15

LYS

11: 00

MTWTF*S

LYS

16: 30

STN

17: 10

MTWTF*S

STN

13: 15

LYS

16: 00

******F****

LYS

16: 55

LGW

17: 25

******F****

LGW

13: 40

LYS

16: 25

MTWTF

LYS

17: 05

LGW

17: 35

*****T*****

LGW

13: 50

LYS

16: 35

*******S***

LYS

10: 35

LGW

11: 05

MTW****

LGW

13: 55

LYS

16: 40

*******S***

LYS

15: 15

STN

15: 55

*******S***

LGW

7: 25

LYS

10: 05

*******S**

LYS

7: 25

LGW

7: 55

*******S***

STN

12: 00

LYS

14: 45

*******S**

LGW

8: 25

LYS

11: 10

Frequency

DEP

ARR

Frequency

DEP

ARR

BA

MTWTFSS

LYS

8: 15

LHR

9: 05

MTWTFSS

LHR

8: 40

LYS

11: 15

MTWTFSS

LYS

11: 55

LHR

12: 35

MT*****

LHR

15: 55

LYS

18: 35

MTWTFSS

LYS

19: 20

LHR

19: 55

***TW*FSS**

LHR

16: 00

LYS

18: 35

MTWT*SS

LHR

20: 40

LYS

23: 15

*****F****

LHR

21: 00

LYS

23: 35

Prevailing Fare in the Market:

With EasyJet offering a " no frills attached service" it therefore has the lowest fare at 70 pounds, but being a low cost carrier which charges for extras, one has to pay for baggage allowance, seat selection, onboard snacks and meals.

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British Airways has a fare of 130 pounds featuring seat selection, baggage allowance and a complimentary on board snack. As shown below, fares of 130 pounds for BA and 80 pounds for U2 are the lowest for both carriers. Changes and refunds to these fares are not permitted or may be permitted upon payment of a penalty fee with a possible increase in fare. In the flexible fare category, BA is charging 580 pounds and Easyjet 280 pounds. BA's flexible fare offers changes and refunds with no penalty fees. Since EasyJet is a no frill carrier that charges for extras, its flexible fare offers unlimited date changes with other extras such a Baggage allowance and speedy boarding.

2. Choice of Airport

2. 1. London

Where?

London City Aiprot (LCY):

For London we have chosen London City Aiprot (LCY) for this route. LCY is the UK's leading airport connecting over 30 destinations across UK, Europe and USA with connections to the rest of the world through the major European hubs. The local connectivity of the airport to Canary Wharf and city of London makes LCY a cost and time effective facility for passengers especially business travelers. The airport has all the standard shops and outlets including an Eat for food and Nero for those early morning shots of caffeine. LCY can be reached by Docklands Light Railway direct from city in a 15-20 minutes of time. Due to the proximity to London Docklands and the financial district its main users are business travelers but those travelling for leisure are increasing significantly. LCY has driven business productivity for users across East London, but particularly the financial and business services firms

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of the City of London and Canary Wharf, by providing rapid, easy and efficient access to a wide range of European business destinations and now to New York

Why LCY:

LCY has always been the preferred choice for a business traveler because of its minimal check-in time. Business traffic makes a greater proportion of the total traffic for LCY at 60% of the total traffic visiting Lyon is for business so having chosen LCY for this route is part of a strategy to capture the greater portion of the market share. Since competitors are based in other airports in London, getting a head-start with LCY would ensure dominion over the market since there are no flights from LCY at this point in time.

LYS Runway 4000m 13124ft PAX served (2011) 8,437,141 Capacity of the airport 9 m PAX growth rate 6% Aircraft Movements (2011) 117,979 Number of Terminals 3 Per Hour

No of gates 16 gateway Time to the city 20 km No of destinations served 91 Number of carriers serving this LCY 40

2. 2 Lyon:

LYS

Lyon has two airports Lyon-Saint Exupéry Airport (LYS) and Lyon Bron Airport. Our base for this route will be LYS. LYS is more popular with passengers and airlines in terms of providing connections to many European and international destinations. The airport lies in Colombier-Saugnieu, 20 km east southeast of Lyon city centre and has two runways . It is an important connection to the entire Rhône-Alpes region. It is easily connected to the

centre of Lyon and other towns in the area including Chambéry and Grenoble via coach links. TGV (high speed train) provides the airport access to Paris, French Alps and the South of France. The train station is linked to the airport by a walkway. The airport served 8, 437, 141 passengers in 2011, making it France's fourth busiest airport after Charles de Gaulle, Nice and Orly airports. 2011, has been a record year for Lyon airport with international traffic rising by 4. 5% and domestic traffic by 10. 3 %.

Why LYS:

LYS ' s proximity to the city center, its large capacity and the reduced costs of being based in LYS due to lower parking fee and airport charges are some of the many reasons for this selection. Establishing the base in Lyon would help in achieving the optimized schedule which would be otherwise difficult. LYS' ability to cater large aircrafts like B747 and A380 makes it an obvious choice for many carriers. It provides easy connections to other parts of France.

Traffic Forecast:

Traffic between London and Lyon showed an increasing trend over the years but dropped in 2009-2010 due to the shifting economic situation around the world. In 2011 traffic saw an increase in the recovery of the economic turmoil. This was not the case with EasyJet, which was operating from LGW to LYS. Easyjets passenger numbers have increased over the years and even in periods of economic crisis. Traffic at Stansted for this route has been stable over the years. Easy jet is the only carrier operating to the LYS from Stansted where there was no significant change in the traffic after the

decrease in 2008. Based on the increasing trend for months in 2011 we estimated that traffic will grow by % in 2012 and 2013.

Aircraft Choice:**Embraer 170 Specifications****Flight Deck Crew****2****Passengers****70(2-class, 36 in/32 in)****Propulsion****Engine Power (each)****20000 / 22000 lbf****Speed****890 km/h (481 kn)****Empty Weight****21, 140 kg (46, 600 lb****Max Takeoff Weight****35, 990 kg (79, 300 lb)****Max Payload Weight****Length****29. 90 m(98 ft 1in)****Height****9. 67 m (32 ft 4 in)**

LYS-LCY-LYS is a short haul route so here a narrow body jet would be the optimal choice. LumieAr will use a Embraer E170 for its first year of operations. The Embraer E-Jet family is a series of narrow-body, twin-engine, <https://assignbuster.com/overview-of-traffic-at-uk-airports-tourism-essay/>

medium-range, jet airliners produced by a Brazilian aerospace conglomerate. The cost-effective use of the latest technologies makes the EMBRAER 170 the most efficient aircraft available in the 70 to 80 seat segment. The excellent fuel burn, best structural efficiency, and outstanding aircraft maintainability characteristics provide substantial cost advantages to many airlines. The planned configuration of the aircraft would be 2: 2 with 70 seats in a standard configuration in three classes. A NEW CABIN CONCEPT : The Embraer 170 features a double-bubble fuselage which gives our passengers an extraordinary amount of personal space. The spacious seats and wider aisles in this aircraft category add to passenger comfort and satisfaction. Four-abreast seating eliminates the need for a middle seat, easing access and making boarding and deboarding smoother and faster. We are leasing one Embraer on a ACMI basis for the first year of our operations with a plan to replace the aircraft with a new Bombardier CS100 which is under production and will be available by 2014. In comparison to the cabins of other narrow body aircraft in service , the CSeries will provide carriers with the highest overhead bin volume per passenger and a even wider aisle that would allow for the most efficient boarding and disembarkation of passengers as well as lower seat-mile cost and lower maintenance costs associated. CS series is cheapest of the options of the same breed such as A319, A320 and B737.

Market dynamics:

Distribution StrategyThe strategy in mind here is a blend of different distribution channels mainly through using travel agents with website bookings acting as the driving force. Initially the carrier has to bear relatively

higher costs for distribution by GDS but for a start up carrier using GDS is crucial for market penetration. The web interface will be designed to be multifunctional and user friendly at the same time so that passengers are able to able to book their tickets online with added ease. Once the carrier will establish its position in the market the reliance on GDS would diminish in upcoming years. As a part of the marketing plan an aggressive market strategy would be adopted with the primary focus on corporate deals while building up contacts with big businesses and consumers through the utilization of social media and viral media. Product Features: Operating as a full cost carrier, we will merge certain features that our competitors are offering in both economy and business classes which is shown in the table below with a comparison of the other two carriers in the market. To enter into the market with a new angle, LumieAir is launching a new product called " Economy Gold" along with the traditional Economy and Business classes. By traveling in the Economy Gold cabin, our passengers will enjoy additional space and superior comfort at a price suited to to the needs of the majority of short haul passengers. Economy Gold will capture the market of business travelers who were downgraded to economy class due to the economic influence on their companies. What the passengers will receive is 4" of extra legroom, 50 percent more seat recline. Standard in flight radio and complementary neck pillows for that extra added comfort. Economy Gold passengers can disembark quicker after landing because their seat will be located at the front of the standard Economy Class. The introductory price to sit in the economy gold will be 25-30 pounds each way on top of the fare. The Brand: LumieAir draws its name from the famous light festival 'Fête des Lumières' in Lyon city which occurs every 8th December and lasts for four

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days, giving Lyon the title of Capital of Lights. We have a plan to apply for "LA" as a two letter ICAO code.

Flight Schedule

An optimal flight schedule is crucial for any carrier, LumieAir's schedule is designed in such a way that it attracts a wider segment of the market and by providing efficient yet convenient schedule for Passengers LumieAir is targeting the the upper end of customer satisfaction level . Since 60% of the traffic to Lyon are business passengers so three daily flights are scheduled, five days a week from Monday to Friday on each side of the route. On both sides of the leg one daily flight early in the morning is scheduled to cater the needs of business travelers travelling early morning. Flight scheduled at around 10: 40 am fro LCY is suited for business traveler flying for a lunch meeting etc where as the Last flights of the day are scheduled at 7 pm from LCY and 8 pm from LYS for those business travelers who want to return to their hometown after a day trip or a meeting. At the same time this schedule turns out to be real convenience for leisure passengers as this portion of the market is flexible with the timings of the flights but mostly do not use early morning fights so still have good choice of 2 daily flights on each side of the leg i. e one in the afternoon and one in the evening. For weekends 2 flights on Saturdays are scheduled on each side of the leg, at 9: 30 am and 10: 30 am, as a traveler does not prefer to fly early on weekends and is mostly suited for passengers flying to spend their weekends.

LumieAir

Frequency

DEP

ARR

DEP

ARR

MTWTF

LYS

6: 30

LCY

6: 55

LCY

7: 35

LYS

10: 00

MTWTF

LYS

10: 40

LCY

11: 05

LCY

14: 30

LYS

16: 55

MTWTF

LYS

19: 00

LCY

19: 25

LCY

20: 05

LYS

22: 30

*******S***

LYS

10: 00

LCY

10: 25

LCY

11: 05

LYS

13: 00

*******S**

LYS

11: 00

LCY

11: 25

LCY

12: 05

LYS

14: 30

*******S**

LYS

17: 30

LCY

17: 55

LCY

18: 35

LYS

21: 00

Costs:

For the purpose of calculating costs of LumieAir's operations a carrier of almost similar business model having short haul aircraft in its fleet is selected. In this case BMI has been selected to infer. Costs of BMI are adjusted accordingly to the operations of Lumie Air to obtain an estimation of the total operating cost for the start up carrier.

Market Share

A market share of 8% is a realistic assumption for a start up carrier which accounts for about 18218 of the total estimated traffic for 2012. Another measure for market share can be used based on the Lumie Air's capacity. According to this measure portion of the market share Lumie Air estimates to steal would be around 7% calculated as:

Fare:

Fare structure 4 week ahead 1 week ahead

Economy	Economy Gold	Business	Economy	Economy Gold	Business	Lumie Air
£125.00	£180.00	£440.00	£560.00	£650.00	£680.00	£00

It is always about cheap price when it comes to a choice between options. we are playing on price as well as service as the other two carriers are not providing best value for money so our target is to provide best service yet at a cheaper price. For Economy Gold on the top of fare of Economy person can get extra leg room and recline by paying extra 50-60 pounds for a return ticket. We will offer the 60% of the seats (89 seats) at the lower price, that you get if you book at least 2 weeks before the flight and the rest 40% (60 seats) at the higher price.

Revenue

LumieAir is using Alcarte pricing model to maximize its profits so above mentioned table shows percentage of seats allocated for high and lower end fare categories. We are doing this segmentation of the seats so that we can have the maximum profitability. LumieAir Fare% of seats Fare% of seats

Business	440	30%	680	70%	Economy	125	60%	560	40%	30% x 15 seats = 4.5
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seats x 0.65 LF = 2.9 seats at £440 x 15 seats = 11.25 seats x 0.65 LF = 7.31 seats at £680 x 50 seats = 30 seats x 0.65 LF = 19.5 seats at £125 x 50 seats = 20 seats x 0.65 LF = 13 seats at £580

Revenue per round trip £16224.3
 Total revenue 468 round trips x Revenue per trip (16224.3) £7592972
 Revenue per trip (16224.3) £7592972

Projected Profits for the 1st Year of Operations:

Total revenue 468 round trips x Revenue per trip (16224.3) £7592972
 Total cost £3391708.32
 Total profit £4201263.68
 Profit per trip £8977.06
 Based on above mentioned Calculations assuming a 65% of Load Factor LumieAir is projecting a profit of 4201263.68 for the first year of operations which is a decent amount for a start up carrier.

Critical Analysis

Serving LCY would be one of our major advantages, Its market share has sat at zero having no carriers operating the LCY-LYS route at present. Thus market potential of this airport has not been explored as of yet. LumieAir will penetrate the market by providing efficient and convenient schedule to capture the market with a Short haul Embarer 170 on a ACMI basis thus avoid higher fixed investment costs. The existing service is not providing of value for money, for instance U2 offers the lowest fares in the market but customers end up paying a higher amount when he has to pay for baggage, food etc . Their marketing campaign named " Business sense not Business class" is misleading as U2 charges people for complimentary services in economy class of a legacy carrier. LA will provide clear differentiation in the range of fares and products accociated therewith. By providing a new product such as Economy Gold in the market LA is not only giving the

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consumer an added choice at the same time increasing airline's revenue-generating capability. Having leased the aircraft so for the 1st quarter of operations we will see how this new product is perceived by passengers as a litmus test and configure our new order of Bombardier CS100 accordingly. This product has already been launched by many US and European carrier on long and short flights such as, Delta, United and Airfrance-KLM etc. and are getting a good response from consumers. By launching this product on the LCY-LYS route would be a wise strategy where most of the traffic comprises of business passengers. So Assuming a 65% load factor, we are projecting our revenues and since premium economy which is new product if it fails for whatever reason still we are not worse off since it required very minimal investment.