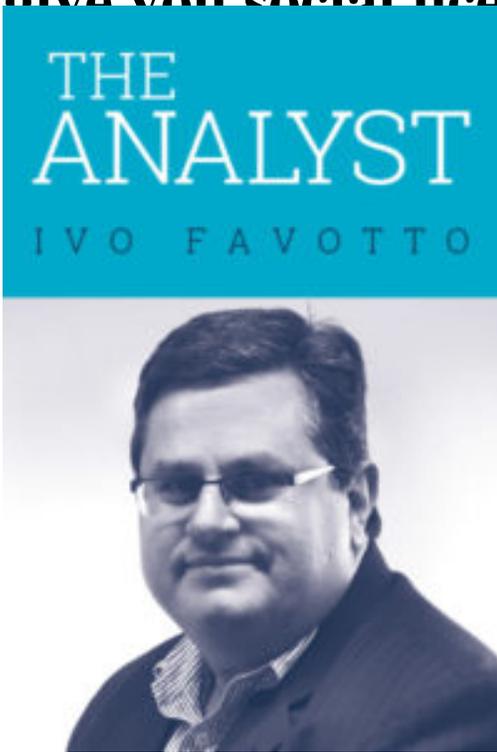


The Analyst – Does providing a free parking period give you social licence to charge more for car



The Moodie Davitt Report introduces the latest feature in The Analyst

series, written by The Mercurius Group Founder & President Ivo Favotto. Here the long-time travel retailer, now Sydney-based consultant looks at some of the insights gained from the Airport Car Parking Study, published jointly by The Moodie Davitt Report and The Mercurius Group, on the provision of free parking.*

The views expressed in this column are not necessarily those of the publisher.

The provision – or lack thereof – of free parking periods to facilitate the pick-up and drop-off of passengers is one of the more contentious issues in airport car park management and is the subject of much consumer feedback to airports.

While it is plausible to think of the provision of a free parking period as a lost revenue opportunity, the opposite may be true according to the findings of the recently-released Airport Car Parking Study (ACPS).

Published jointly by The Moodie Davitt Report and The Mercurius Group, the ACPS examines the level and structure of car parking prices at 336 airports worldwide. Undertaking a comprehensive study like the ACPS appeals to my inner analyst as it facilitates data ‘slicing and dicing’ across different factors – the provision of free parking being one of the first we reviewed.

The ACPS includes an examination of free parking provision among the 336 airports and also provides comparisons by region (Europe, Asia Pacific and the Americas) and by airport size (0-2 million, 2-5 million, 5-10 million, 10-30 million and 30+ million passengers). The three key aspects of the provision of free parking periods that are examined include:

- Whether airports provide free parking periods;
- For how long free parking is provided at these airports; and
- The location of the free parking – i.e. in the Short Term or Long Term car parks or elsewhere.

The team at The Mercurius Group then compared the pattern of the provision of free parking periods for the group as a whole compared to the Top 35 airports with the highest Short Term parking prices. The analysis generated some very interesting insights.

Insight 1: Airports with the highest Short Term car parking prices were more likely to provide free parking than the global average

The 35 airports with the highest 24 hour Short Term parking prices are 25% more likely to provide free parking periods than airports globally (i.e. out of the 336 airports in the ACPS).

The provision of free parking periods differ materially by region and by airport size. Airports in the Americas for example are 41% more likely to provide free parking periods than airports in Europe and very large airports (30+ million passengers) are 44% more likely to provide free parking periods than airports in the 10-30 million passenger range. Even adjusting for such regional and airport size variations, airports with the highest Short Term 24 hour parking prices consistently have higher rates of provision of free parking periods.

Insight 2: Airports with the highest Short Term car parking prices were more likely to provide longer free parking periods

Airports in the Top 35 typically provided longer free parking periods than the rest of the airports in the study. However, the provision of longer free parking periods often comes with trade-offs – for example free parking periods can be provided in less convenient car parks such as the Long Term rather the Short Term, or in dedicated facilities a little further away than Short Term car parks. In the UK for example, some airports have adopted the practice of providing more than 60 minutes of free parking but in Long Term car parks that may require parkers to park and ride.

Insight 3: Airports with the highest Short Term car parking prices were more likely to provide dedicated locations for the provision of free parking periods

The most common location for the provision of a free parking period across the 336 airports in the study is the Short Term car park. Nevertheless, an increasingly common phenomenon is the utilisation of dedicated locations for the provision of free parking periods, especially among the Top 35 airports. Although called different things in different locations – for example Cell Lots in North America, Kiss & Ride facilities in Europe and Express pick-up zones in Asia Pacific – these dedicated lots are operated in a number of different ways but some common features include limits on the length of stay (usually only a few hours), very high pricing after free periods (designed to act as a deterrent to stay), and conditions of stay (e.g. driver must remain with the vehicle).

Upon first examination, these insights may seem counter intuitive. After all, isn't providing free parking for longer periods and in dedicated facilities a lost commercial opportunity for airports?

Providing free parking periods, even providing dedicated facilities for the pick-up and drop-off of passengers, can be presented as an act of altruism and a desire to provide passengers and the community with a good customer experience. Airport parking prices are highly visible and communities seem to place a high value on airports providing free parking periods. Some airports, recognising that properly structured, free parking periods can be provided at limited cost, may provide longer free parking periods and dedicated facilities as a legitimate mechanism to deflect public criticism of parking prices and to earn a 'social licence' to optimise overall prices and revenue.

While the maths of revenue forgone due to free periods and revenue gained from higher prices (and hence the answer) may differ from airport to airport, it seems more than a coincidence that airports with the highest prices also provide (on average) the most free parking and dedicated facilities.

About the Airport Car Parking Study

The ACPS is a detailed examination of the level and structure of Short Term, Long Term, Premium and Valet car parking prices at 336 airports across Europe, the Americas and Asia Pacific. It provides valuable benchmarks for airports considering the level and structure of their car parking prices, as well as the structure of their overall parking offer. In addition to free parking periods, the ACPS also examines a number of other issues associated with car park management including:

- The level of provision of facilities for passengers with reduced mobility;
- The level of provision of electric car charging facilities;
- The level of provision of additional services such as car detailing and maintenance, flat battery charging and flat tyre changing;
- The degree of segmentation of the car parking offer – how many price points airports offer parking customers;
- The existence of multi-storey parking facilities; and
- The existence of rail links.

Further details on the Airport Car Parking Study can be found [here](#). Inquiries and requests to purchase can be made to Ivo Favotto at: ifavotto@themercuriusgroup.com

Please visit [The Mercurius Group website](#) for more information and analysis.

Previous articles by The Analyst:

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[‘Brexit’ and the five stages of grief](#)

[What does ‘Brexit’ spell for European travel retail?](#)

[Australia bucks retailer consolidation trend](#)

***About Ivo Favotto**

Ivo Favotto has a long and distinguished record in the airport and travel retail sectors. A trained economist, he entered the airports/infrastructure sector with Australia’s Federal Airports Corporation in 1992 as GM – Planning & Economics.

He later built a highly successful international airports/infrastructure consulting practice, working with three firms – Bach Consulting, Arthur Andersen and URS Corp – and advising many of the world’s leading airports, governments and investors in the areas of retail planning, master planning and privatisation/transaction support.

In 1998 he established the market-leading Airport Retail Study, selling it to Moodie International so he could join The Nuance Group (now owned by Dufry) as Executive Vice President – Strategy & Business Development in Zürich. He later returned to his native Australia as Director – Sydney Airport before being named Executive General Manager of Duty Free & Luxury, Pacific for Lagardère Travel Retail.



He has now formed [The Mercurius Group](#), a Sydney-based

consultancy focused on industry research, consultancy and benchmarking studies. The company also assumes responsibility for revamping and relaunching The Airport Commercial Revenues Study (ACRS), which Ivo founded (as The Airport Retail Study) and sold to Moodie International in 2007 as part of an informal alliance between Mercurius and The Moodie Davitt Report.

Contact: Tel: +61 423 564 057; **E-mail:** ifavotto@themercuriusgroup.com; **Website:** www.themercuriusgroup.com