

Hotel Online

News for the Hospitality Executive

AIRPORT PARKING MARKET: SEIZED BY A DOT-COM

June 12, 2008 - **Niche Advisors** recently released a study on "Top 30 U.S. Airports" that identified the various revenue sources for airports and grouped them into 3 revenue categories: (1) airline, (2) parking, and (3) concessions and other. Furthermore, six airports were closely analyzed and the findings indicated that only 50% of revenues were related to the core business in the form of airline landing fees, terminal building rent, and ground facility leases. The following is a summary of these airports' revenue sources:

| AIRPORT REVENUE MIX (\$) | | | | |
|--------------------------------|------------------------|----------------------|----------------------|----------------------|
| Airport Name | Gross Revenue | Airline | Parking | Concessions & Other |
| Dallas/Ft. Worth International | \$567,612,000 | \$249,580,000 | \$106,911,000 | \$211,121,000 |
| *Denver International | \$388,471,000 | \$217,393,000 | \$86,715,000 | \$84,363,000 |
| Detroit Metro | \$266,513,000 | \$96,098,000 | \$58,859,000 | \$111,556,000 |
| San Francisco International | \$503,914,000 | \$296,368,000 | \$67,428,000 | \$140,118,000 |
| **Fort Lauderdale Hollywood | \$160,126,000 | \$81,693,000 | \$40,565,000 | \$37,868,000 |
| San Diego International | \$125,366,000 | \$56,699,000 | \$28,392,000 | \$40,275,000 |
| TOTAL | \$2,012,002,000 | \$997,831,000 | \$388,870,000 | \$625,301,000 |

| AIRPORT REVENUE MIX (%) | | | | |
|--------------------------------|---------------|------------|------------|---------------------|
| Airport Name | Gross Revenue | Airline | Parking | Concessions & Other |
| Dallas/Ft. Worth International | 100% | 44% | 19% | 37% |
| *Denver International | 100% | 56% | 22% | 22% |
| Detroit Metro | 100% | 36% | 22% | 42% |
| San Francisco International | 100% | 59% | 13% | 28% |
| **Fort Lauderdale Hollywood | 100% | 51% | 25% | 24% |
| San Diego International | 100% | 45% | 23% | 32% |
| | | 50% | 19% | 31% |

Source: DFW/DEN/DET/SFO/FLL/SAN (Notes: * DEN revenue data from 2007 Q1, Q2, & Q3 only, **FLL revenue figure from 2006)

Study Recap: "Airport Parking Market: An Untapped Revenue Source for Airport Hotels"

Our study challenged hoteliers to determine the feasibility of migrating to a pay for parking operation in their local airport markets through a series of self-assessment questions. In instances where local market conditions were opportune and favorable, we recommended hoteliers to seize these "low hanging fruit" to market and sell excess parking inventory at their hotels. To read the article in full, please go to <http://www.hotelnewsresource.com/article32325.html>.

Overview: Park and Fly Packages

Currently, many airport properties offer a "park and fly" package, which enables hotels to offer travelers discounted parking typically for 5 to 7 days or even longer. For the most part, this type of service offering is a win-win proposition for both parties. The hotel benefits from increased occupancy and revenue. The traveler receives a discounted parking rate in a safe hotel parking facility. Traditionally, however, hotels were still faced with the challenge of marketing and selling these packages at their own expense.

Case Study: ParkSleepFly.com

Since our publication, we learned of a company called **ParkSleepFly.com** that is taking the "park and fly" concept to a new level. ParkSleepFly.com offers customers the ability to book online lodging and parking accommodations at over 800 airport hotels in 129 cities across United States, Canada, and Mexico. They bundle a one-night hotel stay, either on the front or back end of the trip, with parking. Due to increased airport security and travel regulations, this type of service has become extremely popular with travelers who may have early morning flights and do not want the hassle of the morning traffic congestion, travelers who do not want to risk missing their early morning flights, or travelers who are returning on a late flight and do not wish to drive until the following morning. Regardless of the traveler's reason, this organization offers valuable marketing and distribution channel for hotels to leverage since there is no cost to become a participating member hotel.

The screenshot shows the ParkSleepFly.com website interface. At the top, there's a navigation menu with links for Home, Cities Served, My Account, Customer Service, and Partners. Below the navigation, a blue banner highlights the service: "Getting to the airport on time and finding reasonably priced, safe and secure airport parking is one of today's toughest travel challenges." It lists pain points like airlines requesting check-in up to two hours prior to departure, traffic congestion, and long airport commutes. The main search area includes a "Departure City" dropdown menu, a "Select a City" dropdown, and radio buttons for "Hotel & Parking", "Airport Hotel Room Only", and "Cruiseport Hotel & Parking". There are also checkboxes for room reservation timing and a "Check-In Date at Hotel" field. A "Vehicle Pick-Up Date" field is set to 06/17/2008. A "Find Hotels" button is visible. On the right side, there's a "Hotel & Parking" section with images of a hotel room, a car, and a shuttle. Below this, a "Package Prices Include:" section lists: "One Night's Accommodation at an airport hotel", "Shuttle Service to and From the airport terminal", and "Up to 7-14 Days or more of Free Parking". A red starburst graphic says "Just a Small Deposit Holds Your Room Until Check-In".

Since the company's inception in 2003, ParkSleepFly.com is credited for generating 350,000 room nights at an average daily rate of \$100.00 for its member hotels. According to company officials, they booked 76,000 additional room nights in 2007. The following are results that ParkSleepFly.com yielded at couple of their participating properties:

Case Study: Property A

A 362-room, full service hotel at Chicago O'Hare Airport increased its annual occupancy by 2 occupancy points and generated \$300,000 in additional revenue with an ADR of \$129.00.

Case Study: Property B

A 140-room, limited service hotel at Detroit Airport increased its annual occupancy by 9 occupancy points and generated \$375,000 in additional revenue with an ADR of \$80.00.

Conclusion

Many airport hotels have already incorporated this type of service to diversify their distribution channel to facilitate the sale of excess room and parking inventory. Due to our industry's challenge of our products not having a shelf life beyond the current day, hoteliers are embracing different means to maximize yields. If you would like to learn more about how your property can become a **ParkSleepFly.com** member hotel, please contact:

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Sang Hwang is the Managing Director of **Niche Advisors**, a consulting firm dedicated to providing customized solutions in specialty areas of the hospitality industry. The firm provides consulting, operations support, project management, and training services to enhance the value of hospitality assets. Niche's parking consulting services include designing parking facility layout and flow for development planning, appraising asset value for acquisition or disposition strategies, implementing operational, contractual, and financial improvement initiatives of existing assets, conducting feasibility analysis for proposed development, repositioning operating strategies of under-performing assets, installing parking infrastructure for new hotel openings, improving revenue control processes and guest service levels, and managing procurement activities for parking access and revenue control systems (PARCS) and operator selection.

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