

MBA in Aviation Management

Part 13:

Airport Management Strategies

Frankfurt, 2023, January

Knut R. WALTHER

- 1 • Introduction: What is Strategy and Why?
- 2 • The seven ideal components of strategic corporate governance
- 3 • How to get there? The strategic process
- 4 • Eight practice-based strategic tools to manage the process
- 5 • Strategic development for airports: What are the differences to other companies?
- 6 • “Real-life example” Fraport
- 7 • Exercise

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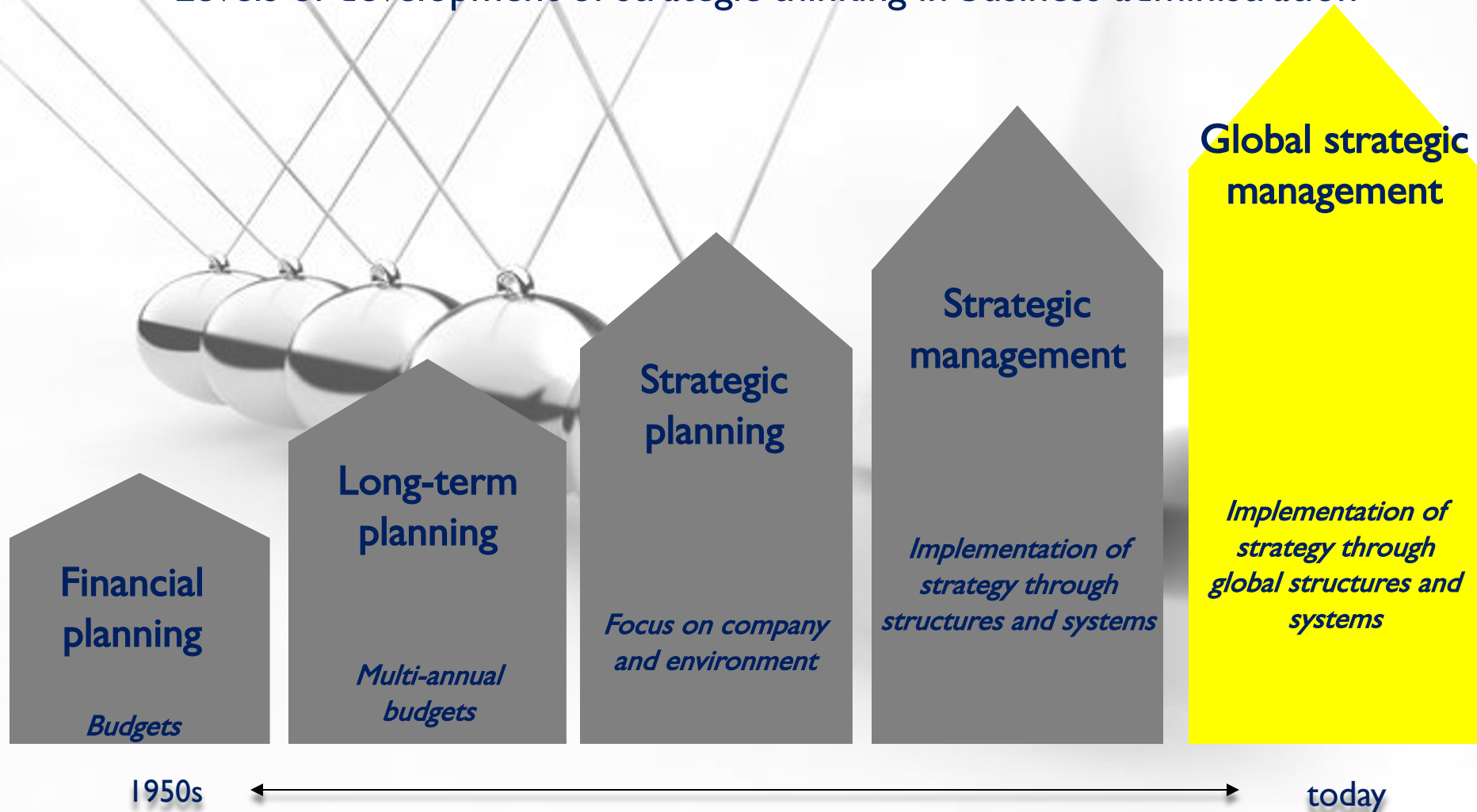
The term “strategy” traces back to the ancient Greece



Strategy: orientation of all decisions and doings on the superior targets of the enterprise!

Source: Gälweiler: Strategische Unternehmensführung, Frankfurt u.a. 1987

Levels of development of strategic thinking in business administration



Source: Gölweiler, Strategische Unternehmensführung, Frankfurt u.a. 1987, Hahn, Taylor (Hrsg.) Entwicklungsstufen zur strategischen Führung, 2006

What is “Strategy”?

“Strategy is not „operational effectiveness“

(M.Porter)

“Strategy is an elaborate and systematic plan of action”

(Princeton University)

“The Essence of strategy is choosing to perform activities differently than rivals do” (M.Porter)

*„- a Plan
- a Pattern
- a Position
- a Perspective
- a Ploy“*

(H. Mintzberg)

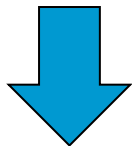
“Thus, then, in Strategy everything is very simple, but not on that account very easy.”

(Carl von Clausewitz)

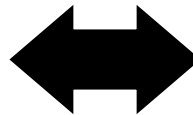
Porter: Strategy is not Operational Effectiveness!

Operational Effectiveness

- Assimilating, attaining, and extending **best practices**



Run the same races faster



Strategic Positioning

- Creating a **unique** and **sustainable** competitive position



Choose to run a different race

What does strategy accomplish?



- **Strategy is a comprehensive plan to optimally employ resources to take a preferential position, that is to gain a competitive advantage over other companies**
- **The essence of strategy is choosing to perform activities differently than rivals do**
- **Strategy rests on unique activities!**

Source: M. Porter, 2006

Why do we need a strategy?

Strategy creates orientation and structure

Strategy reduces complexity

Strategy tells you how to do it

Strategy establishes security – „We do the right thing“



The Five “P’s” of Mintzberg



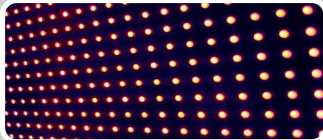
1) Plan

- Conscious intention to achieve an objective



2) Ploy

- Tactical move to reach the strategic objective and to surpass an opponent



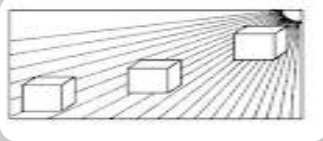
3) Pattern

- Processes often underlie a specific pattern of action
- Patterns of action of competitors could be adapted if required



4) Position

- Competitive position of a company in the economic environment
- Adaption to surrounding conditions to rise the probability of implementation of the plan

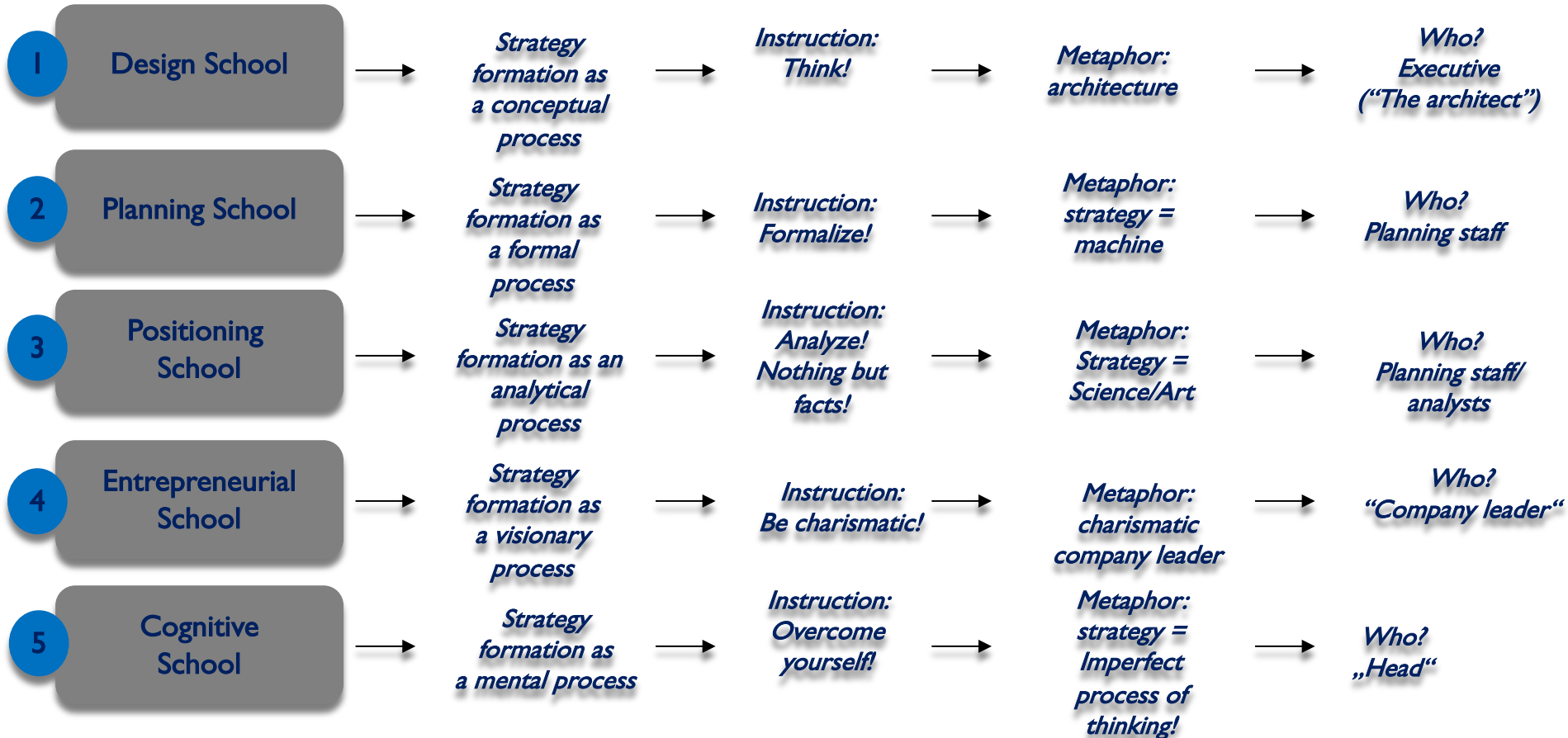


5) Perspective

- The decision-maker/s has/have different (cultural) perceptions of the environment

Source: Pfriem: Unternehmensstrategien – Ein kulturalistischer Zugang zum Strategischen Management, Marburg 2006

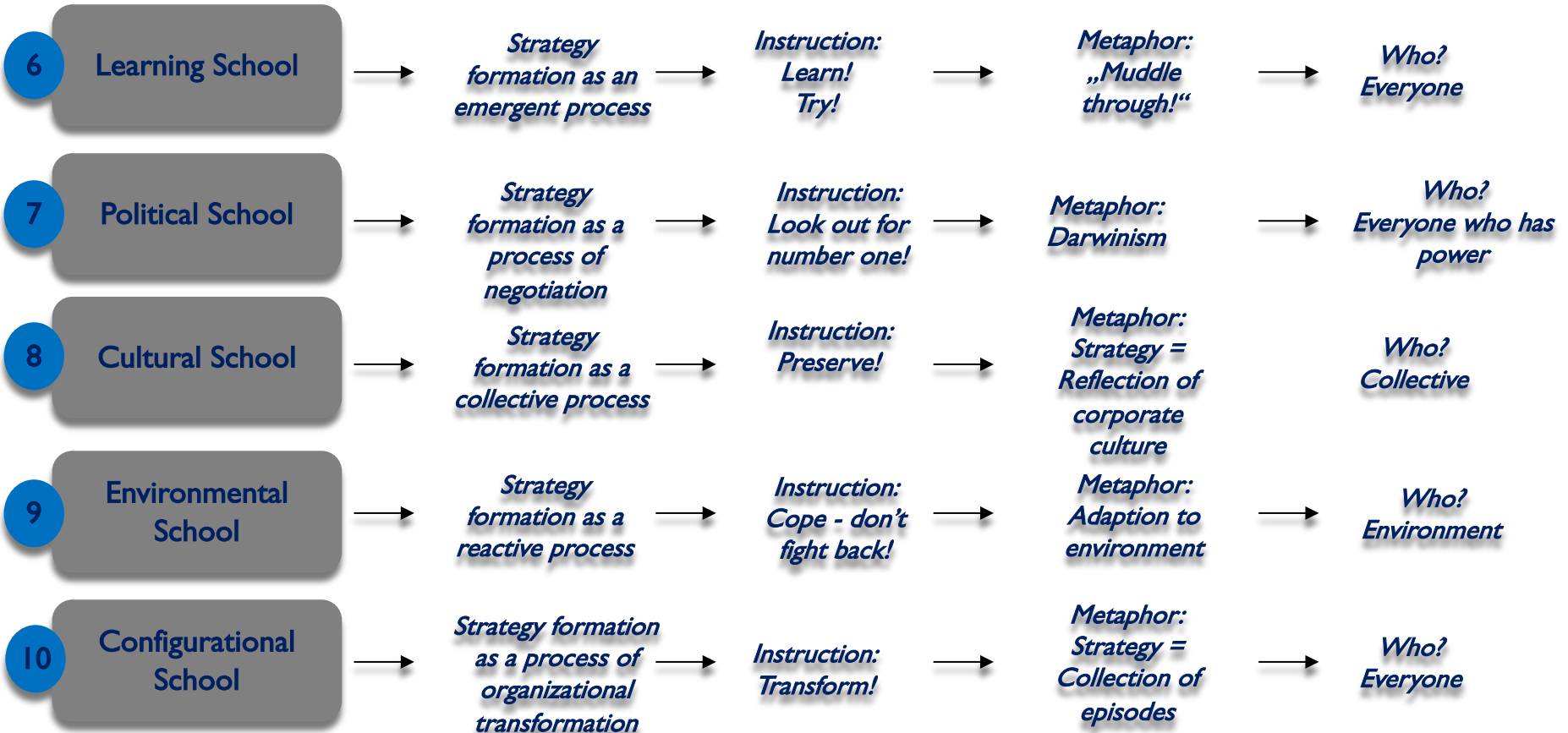
Ten schools of thought of strategic management by Mintzberg (I)



Quelle: Mintzberg, Ahlstrand, Lampel: Strategy Safari, Wien u.a. 1999

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Ten schools of thought of strategic management by Mintzberg (II)



Is there a “best practice approach” for strategy development?

No, the reality shows:

There is no “best structure“ for a strategy.

There is no “best strategy process”.

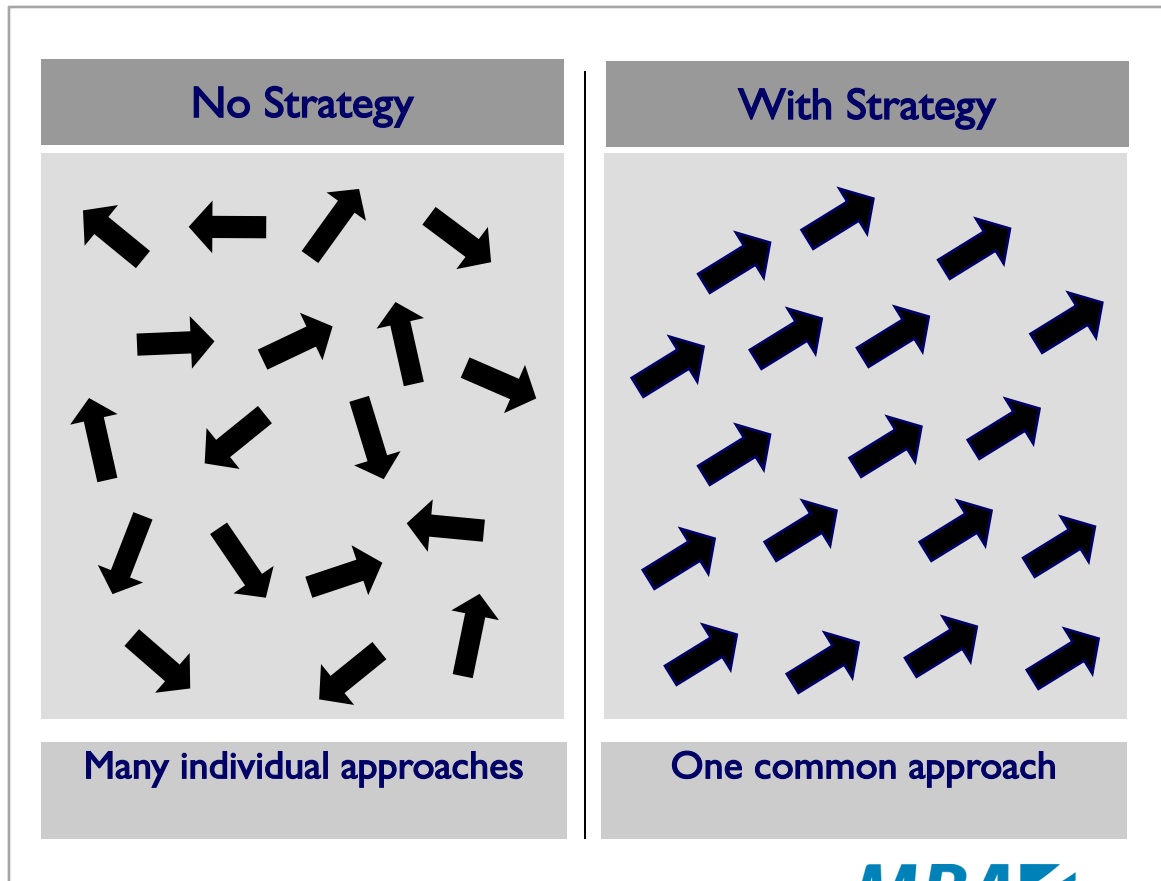
A strategy **does not have to be formalized** to be successful.

The **effect of the strategy is decisive**.

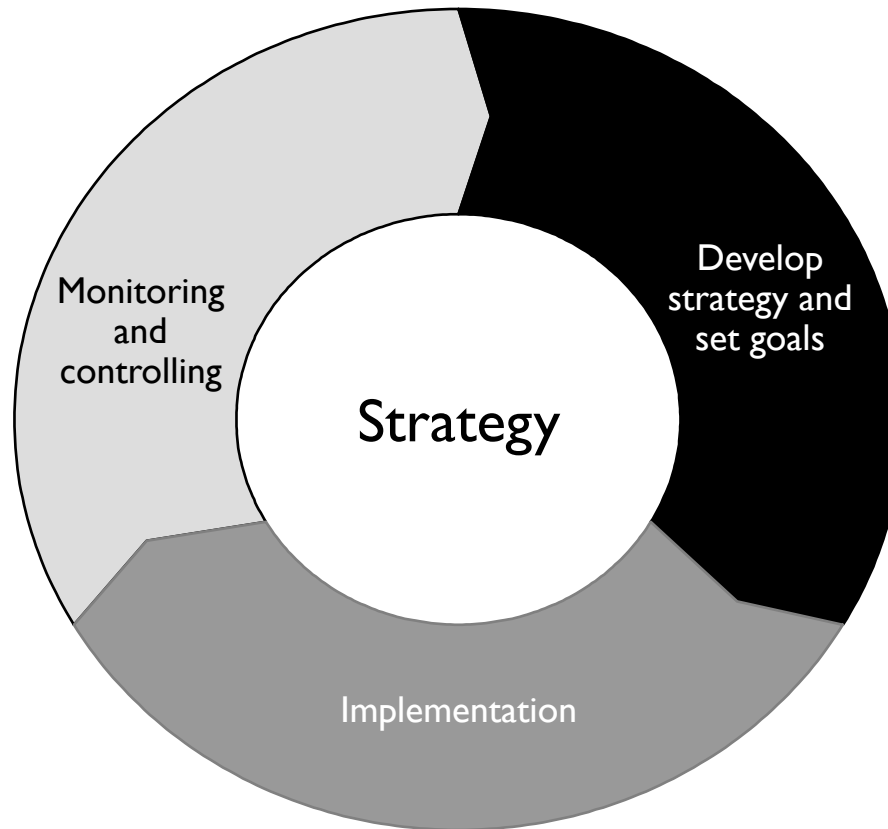
Strategies need **symbols**.



And: Strategy needs working together!



Strategic management is an ongoing process



**Without operationalisation and monitoring
strategy remains an academic exercise**

Five Tests of a “Good Strategy”

- A **unique value proposition** compared to other organizations
- A **different**, tailored value chain
- Clear tradeoffs, and choosing what **not** to do
- Activities that **fit** together and reinforce each other
- **Continuity** of strategy with continual improvement in realizing the strategy

Source: M. Porter, 2006

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Seven components of strategic corporate governance according to Hinterhuber



„Mission statement“

Source: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992
<http://sbinfocanada.about.com/od/businessplanning/g/missionstatement.htm>
<http://www.samples-help.org.uk/mission-statements/vision-statements.htm>

Corporate Vision



- Vision = **Entrepreneurial dream** to change the environment.
- Vision equals a sense of business mission, a **conviction** to be destined to be active in an innovative way.
- Visionary **objectives** are **challenging** and **extraordinary**.
- Written for customers, employees of corporations, trade partners, the media and shareholders.
- Focus on **tomorrow**.

A Vision is defined as 'An Image of the future we seek to create'

Source: Fraport

<http://sbinfocanada.about.com/od/businessplanning/g/missionstatemen.htm>
<http://www.samples-help.org.uk/mission-statements/vision-statements.htm>

Business Mission



- The Business Mission contains important **information about a company in a nutshell**, including what the company does, its products, its services and its customers.
- It's a brief description of a company's fundamental purpose. **"Why do we exist?"**
- 'Purpose, reason for being'. Defined simply **"Who we are and what we do"**.
- Written e.g. for prospective employees or when applying for membership of an organisation
- **Focus on today.**

Source: Fraport

<http://sbinfo.ca/about.com/od/businessplanning/g/missionstatement.htm>

<http://www.samples-help.org.uk/mission-statements/vision-statements.htm>

„Mission statement“

- Many successful companies, corporations and organizations combine both their present accomplishments, which would typically be found in a Mission statement, together with their future aspirations in just one statement.
- A hybrid version of both a Mission and Vision statement.
- There are no rules, the choice is down to the company who decide what they are trying to achieve and who will be reading the statement.

<http://www.samples-help.org.uk/mission-statements/vision-statements.htm>

Corporate policy

- Corporate policy is a entirety of **corporate principles** and guiding maxims.
- It includes **values, standards** and **ideals** to which the corporation is committed.
- Typical contents of a corporate policy / a guiding principle are:
 - **Purpose and area of activity** of the corporation
 - **Responsibility** of the company towards its **stakeholders**
 - **Strategic alliances**
 - **Appropriation of profits**

Source: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

Strategies



- Strategies are the **concretisation of a guiding idea** given by corporate policy.
- **Differentiation between corporate strategy and strategies of single divisions/business areas is reasonable.**

Source: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

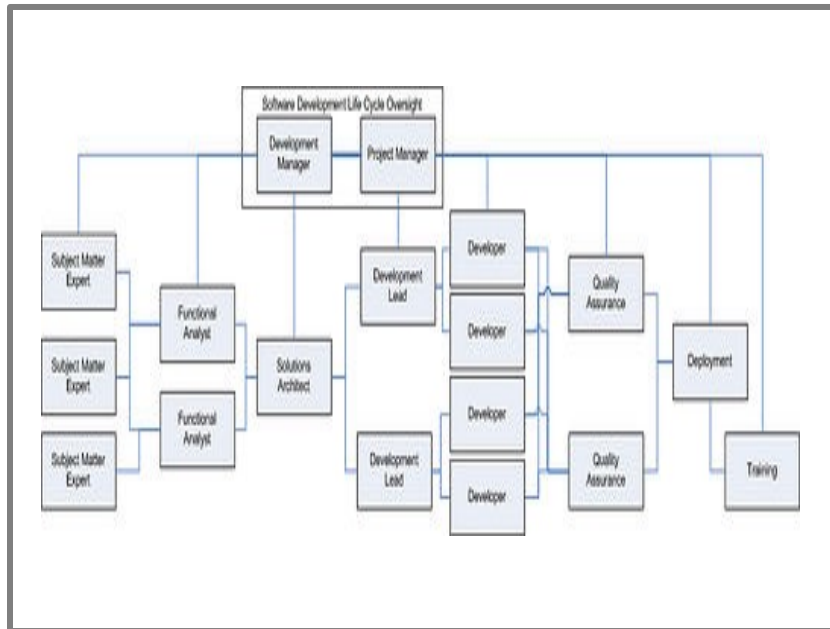
Functional policies



- **Concretisation of strategies as directives and instructions.**
- **Functional policies set the limits in which managers become active within strategy fulfilment.**

Source: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

Organisation

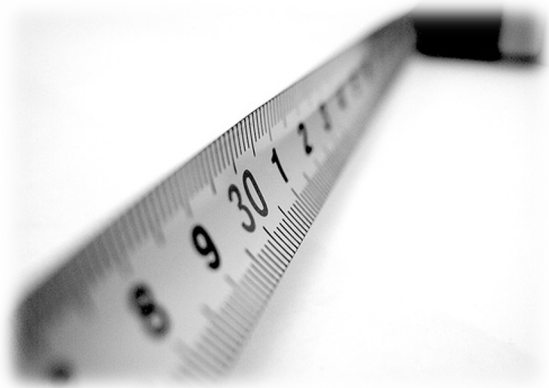


- Crucial requirement for an optimal, strategic employment of resources is the **adaption of the organizational structure of the company to its strategy.**

- **Principle: Structure follows strategy!**

Source: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

Control / monitoring of strategy



- A **monitoring system** as basis for target-performance comparisons and variance analyses
- Possibly **revision** or **new formulation** of strategies

Quelle: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

Corporate culture

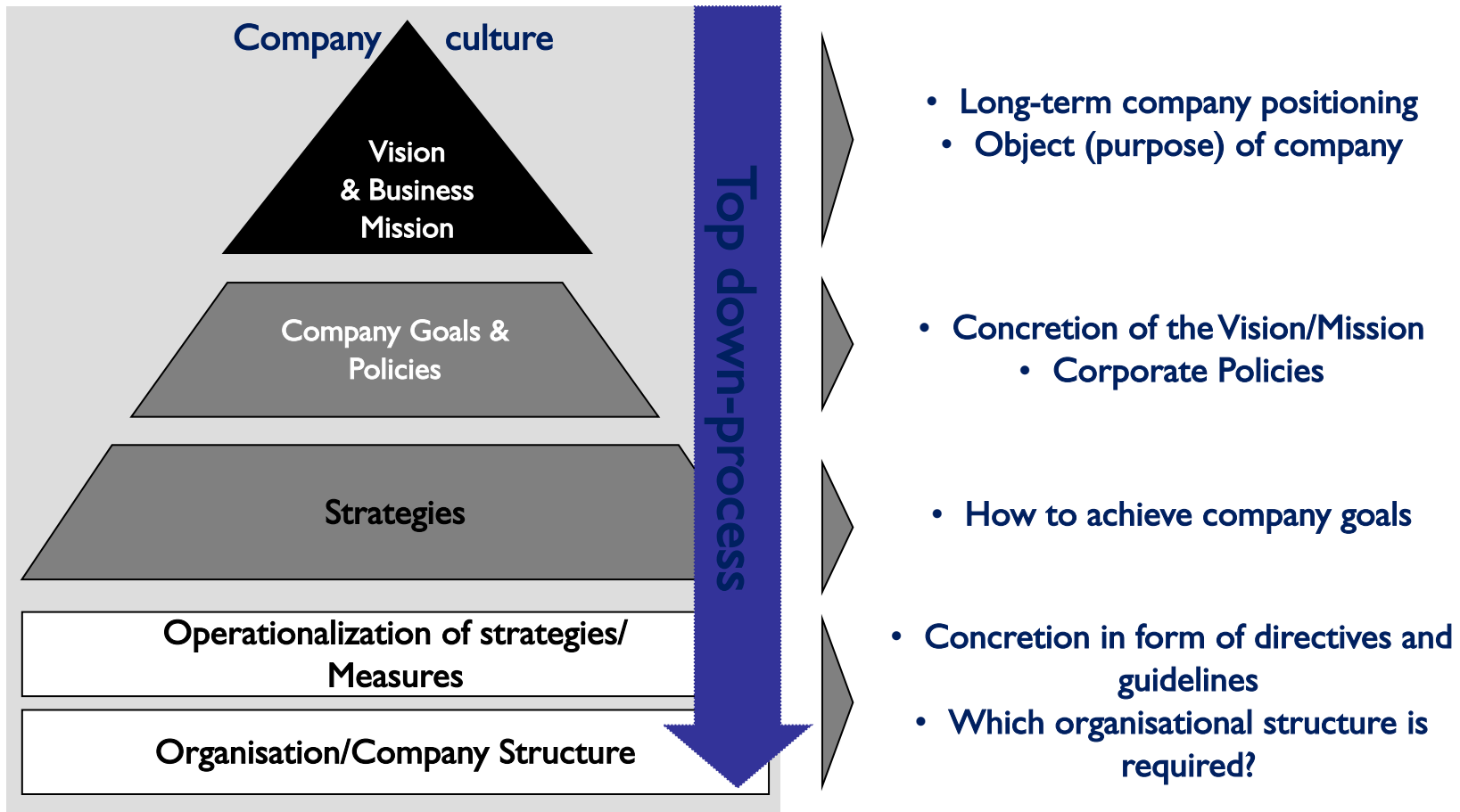


- **Integrated** element of strategic management
- Successful implementation and execution of the strategy are only possible if corporate culture **complies with the strategy**

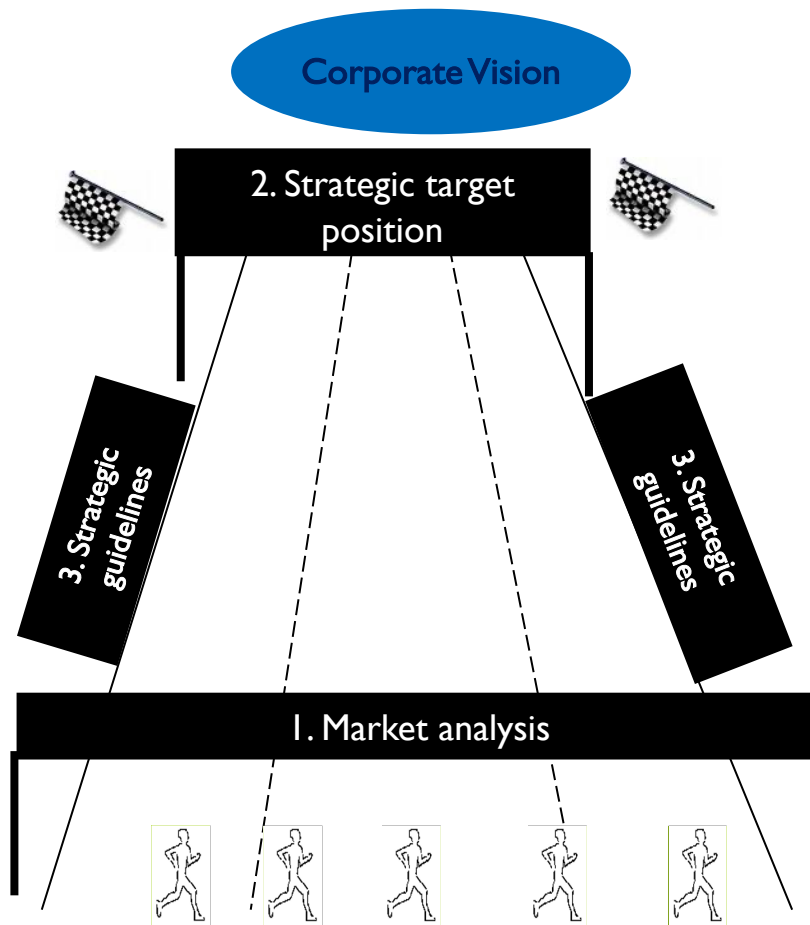
Source Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

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The classical strategy approach seems to be abstract and is often hard to apply for the employees



Therefore it is important to derive Strategic Target Positions and Strategic Guidelines that are easily usable for all employees



The strategic objectives consist of three elements that together give concrete form to the existing corporate vision:

Step 1: Market Analysis

Our starting point. Description of the current situation.

“Where is the start?”

Step 2: Strategic Target Position

Where do we want to go?

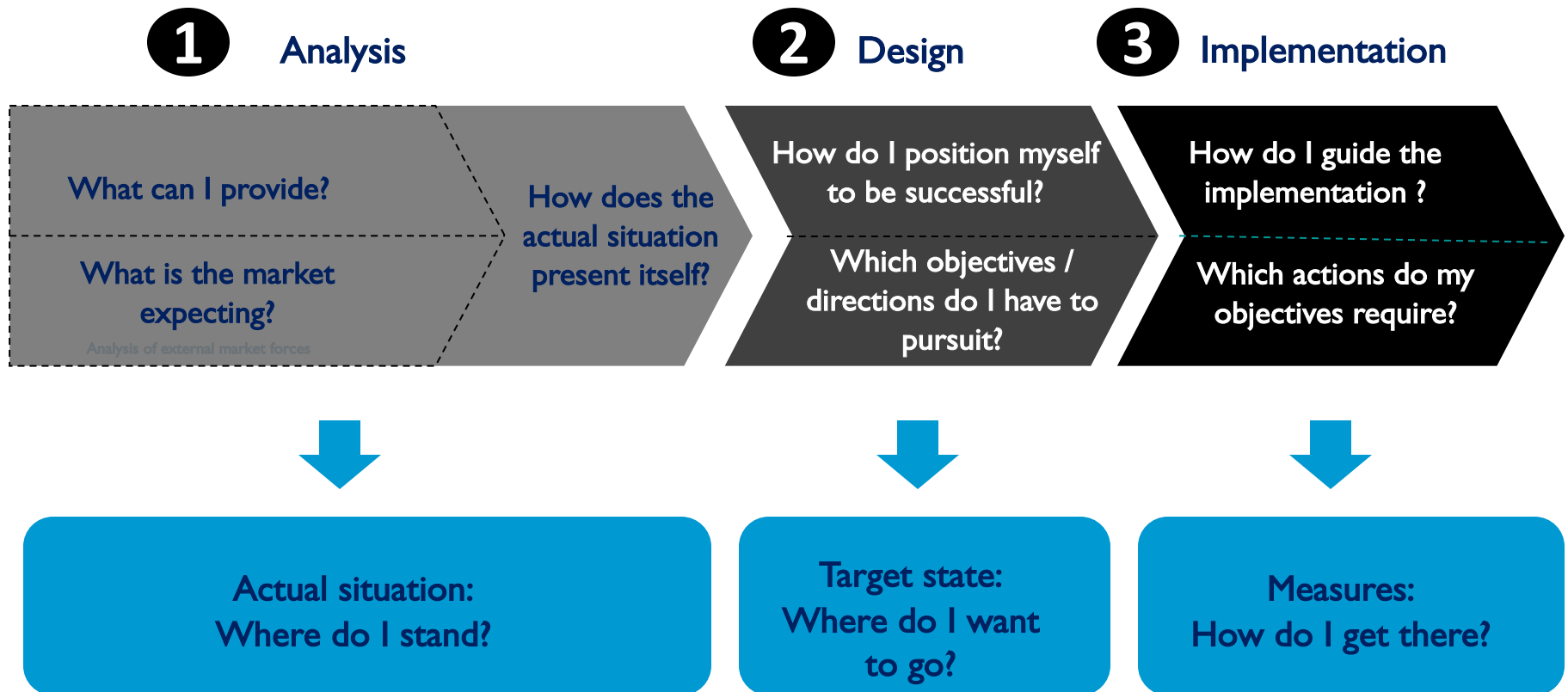
“What/Where is the goal?”

Step 3: Strategic Guidelines

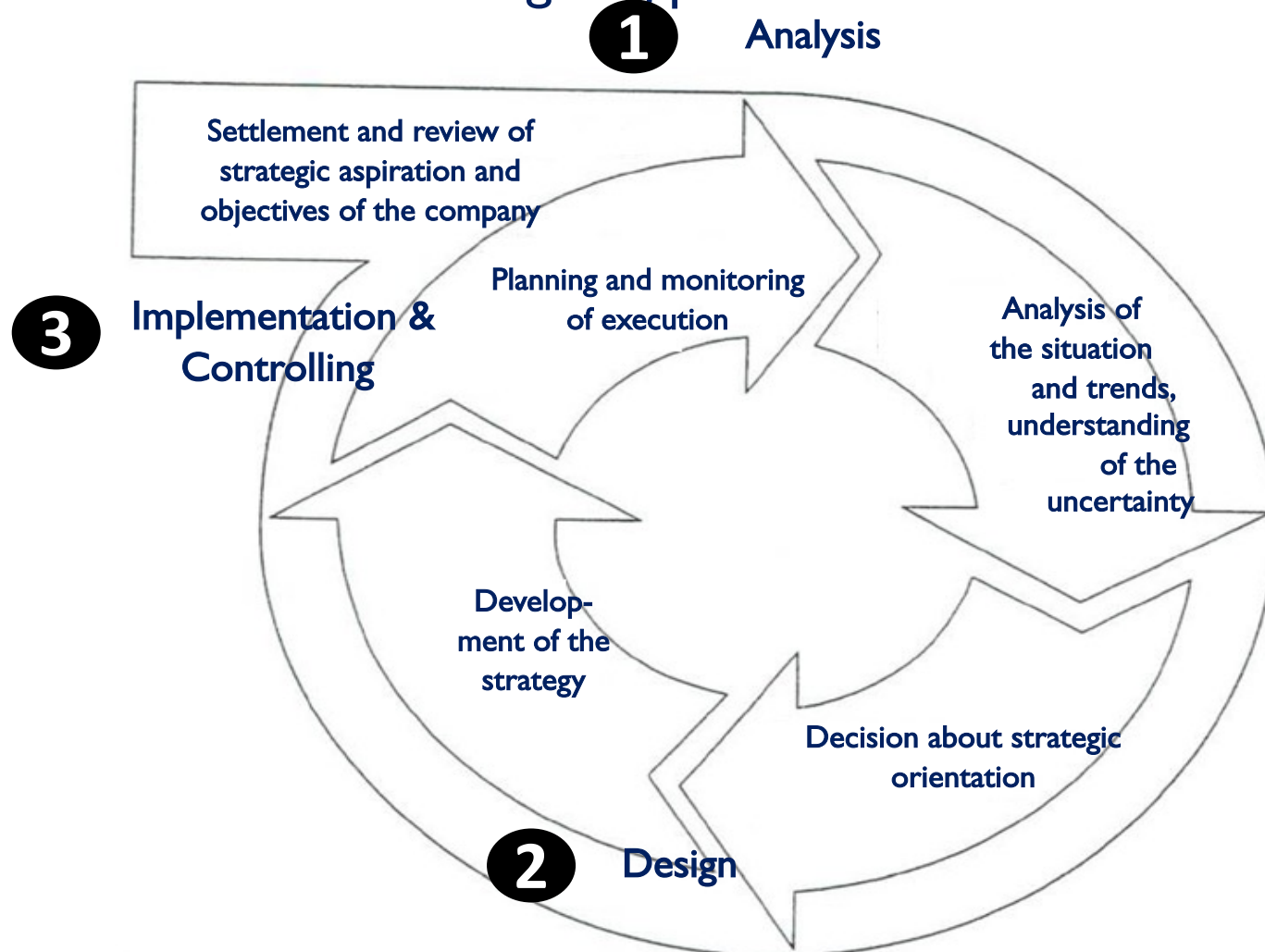
A guide for strategic development; The “golden thread” of strategy planning.

“What is the fastest route to reach the goal?”

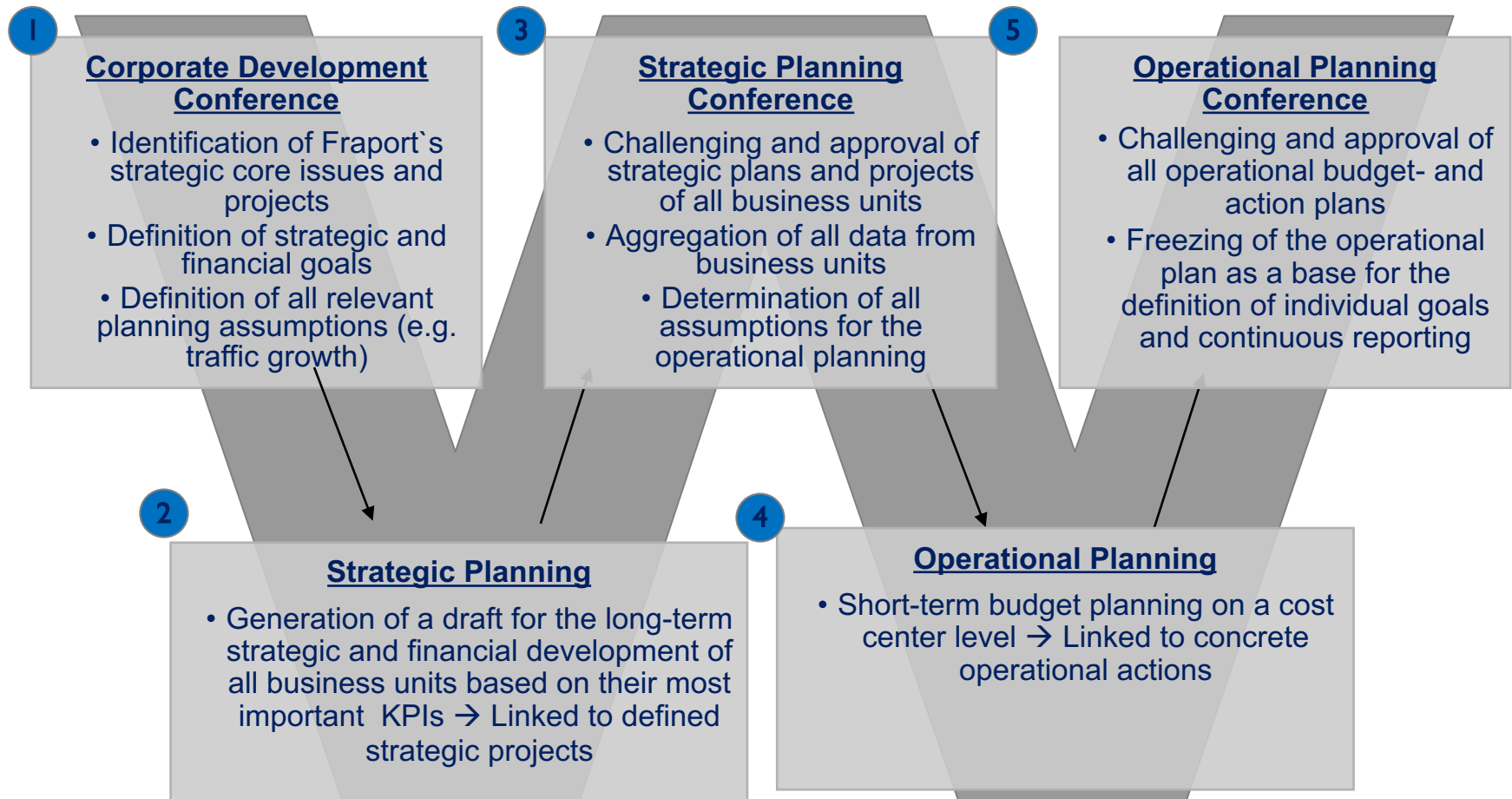
The “ideal” strategic process runs in three main steps...



...and is an ongoing process

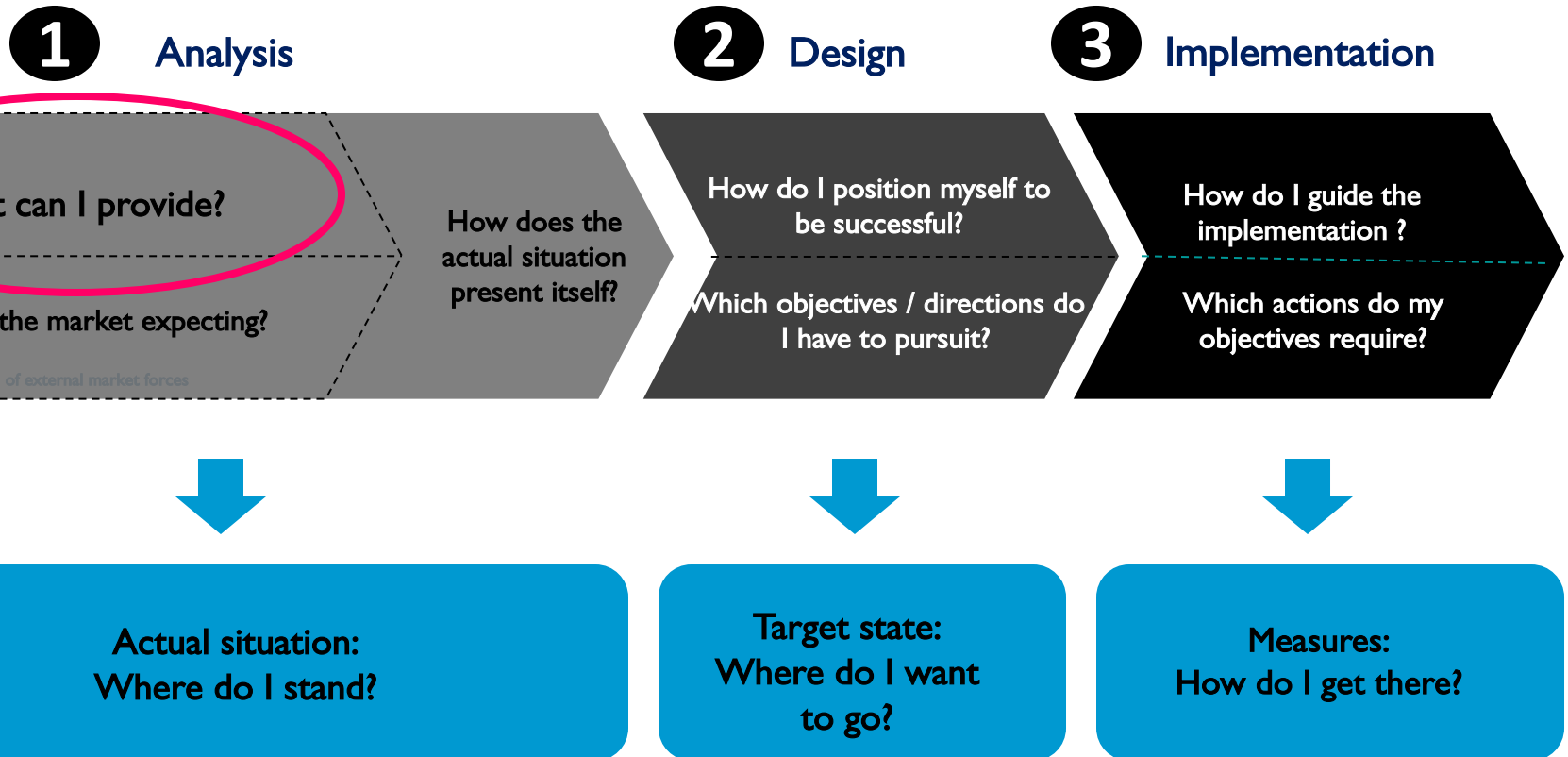


Fraport's year-round strategic planning process links long-term strategic planning and short-term operational planning



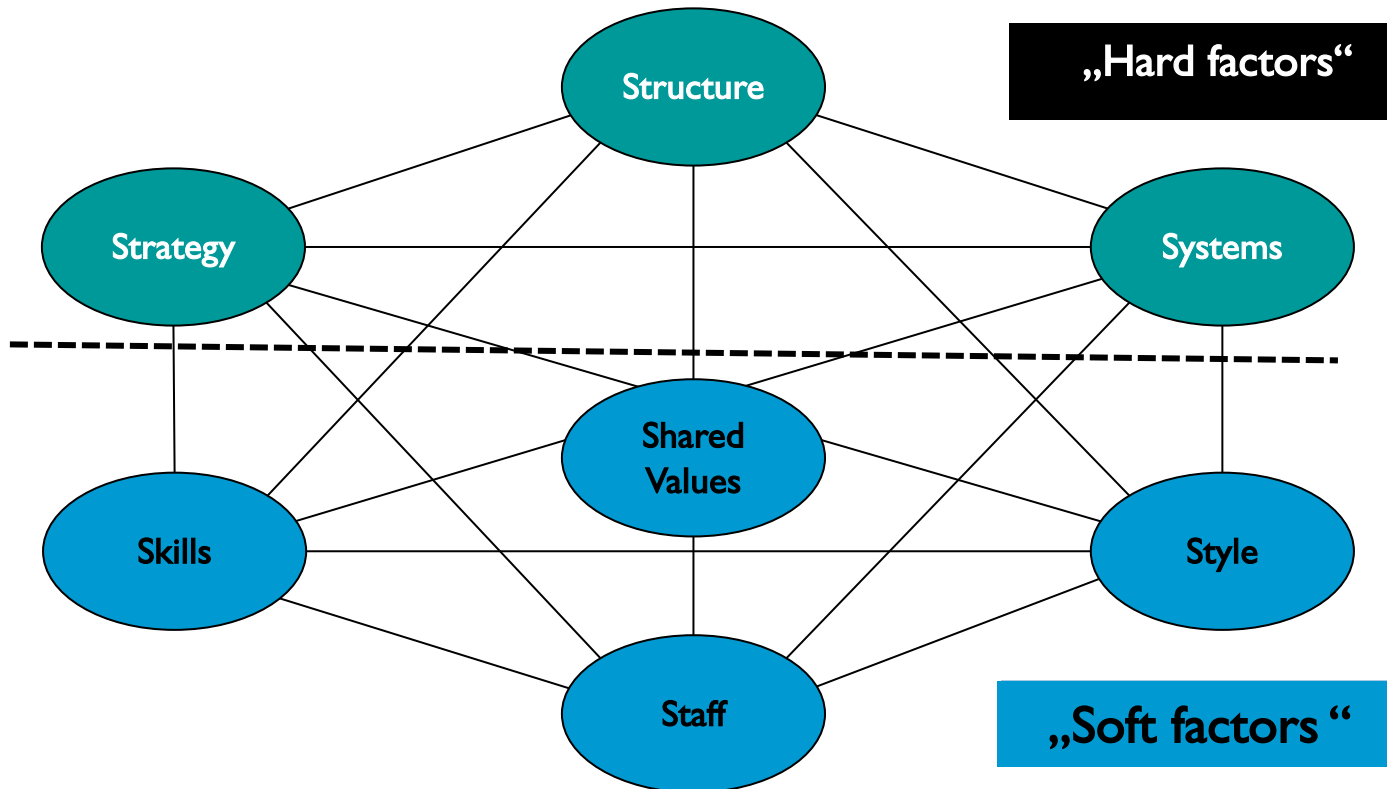
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Strategic analysis (inside view): What characterises the company?



What can I provide?

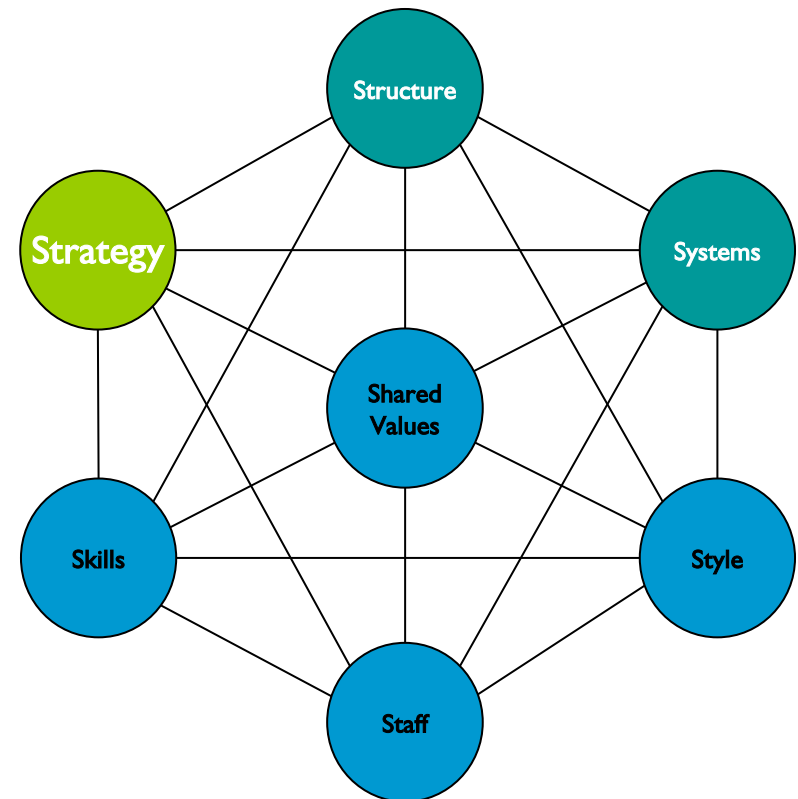
The “7-S model”: seven success factors for companies



Knowledge from the model: „Soft factors“ are as important as „hard factors“ for the company's success

The „7-S model“: Strategy

- How are vision and strategy of the company shaped?
- How well known are the intended strategy and the derived objectives by the employees?
- How big is the chance of actually implementing the intended strategy in the short-term?
- Do contradictory objectives exist?
- Is the strategy suitable to master the future challenges?
- Is the company differentiated clearly enough to competitors?
- Who is responsible for strategy development? Which persons and departments are the actual drivers of development?

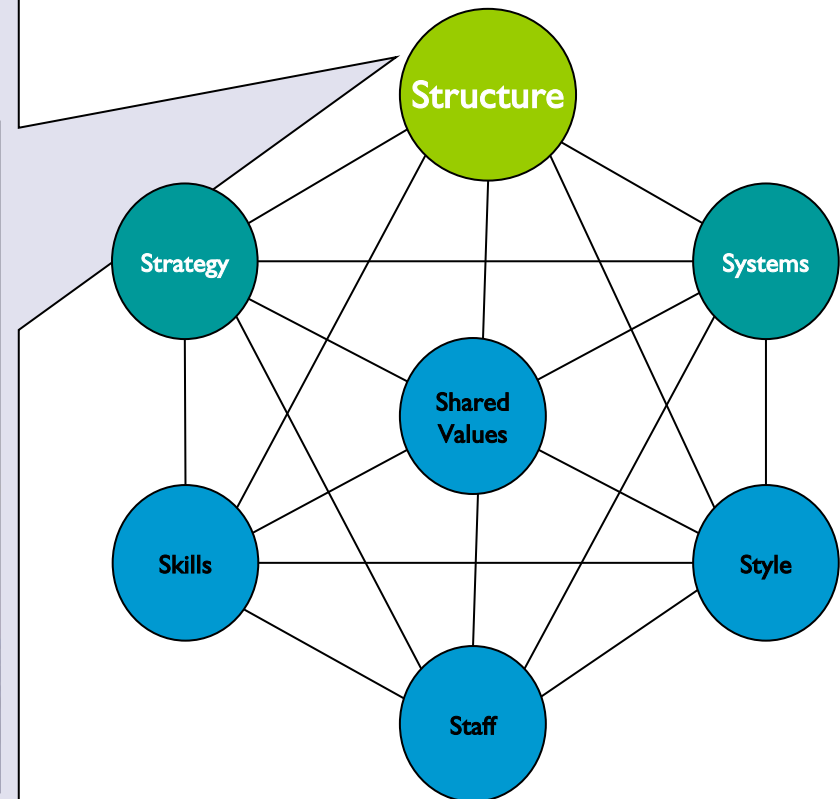


Source: Kerth, Pütmann: Die besten Strategietools in der Praxis, München, Wien 2005

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The “7-S model”: Structure

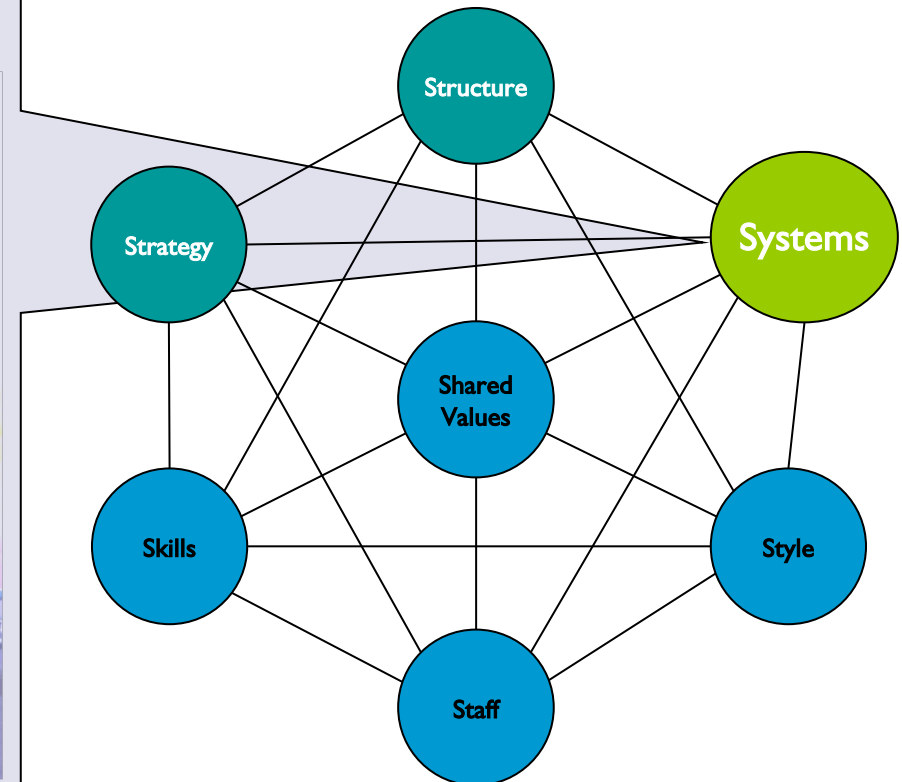
- Through what are company structures shaped?
- Does the actual structure match the needed complexity or simplicity?
- Does a clear organisation chart exist?
- Do structures have an supportive or rather hindering effect on the work?
- Are the competencies of the organisational units divided enough?
- Which changes in structure are planned? Who is integrated in the change process?



Source: Kerth, Püttnann: Die besten Strategietools in der Praxis, München, Wien 2005

The “7-S model”: Systems

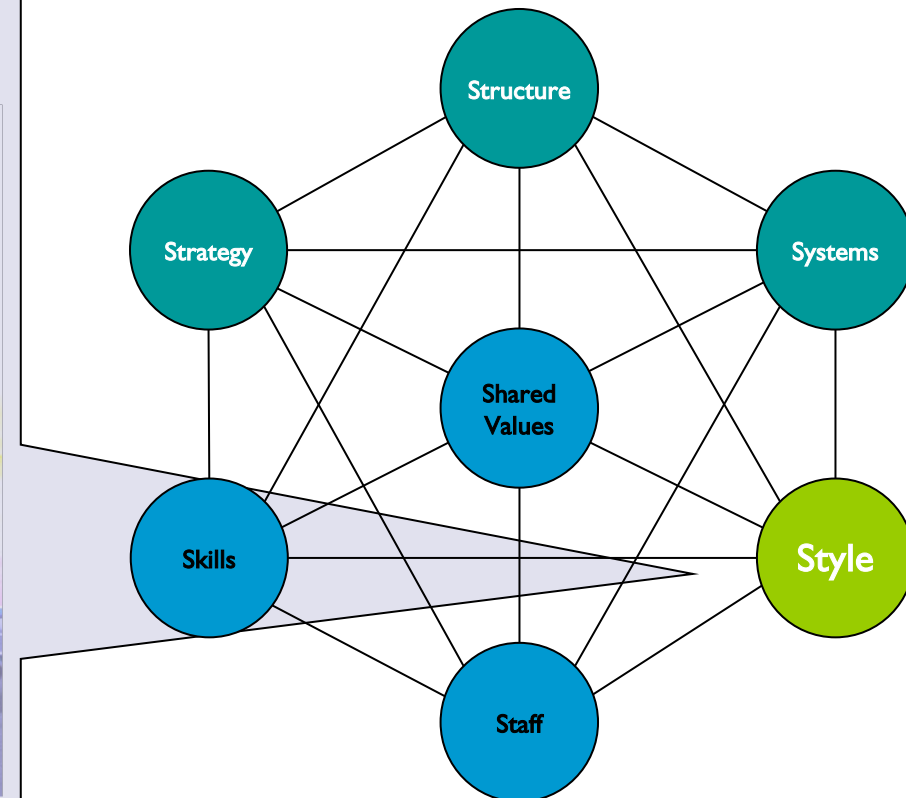
- Which processes are of high significance for the company?
- How is the quality of these processes?
- How are the procedures organised? Are they sufficiently transparent?
- At which interfaces do conflicts occur most often?
- Which formal and informal processes exist to implement the overall strategy?
- Where do you see a need for development in the processes?



Source: Kerth, Pütman: Die besten Strategietools in der Praxis, München, Wien 2005

The “7-S model”: Style

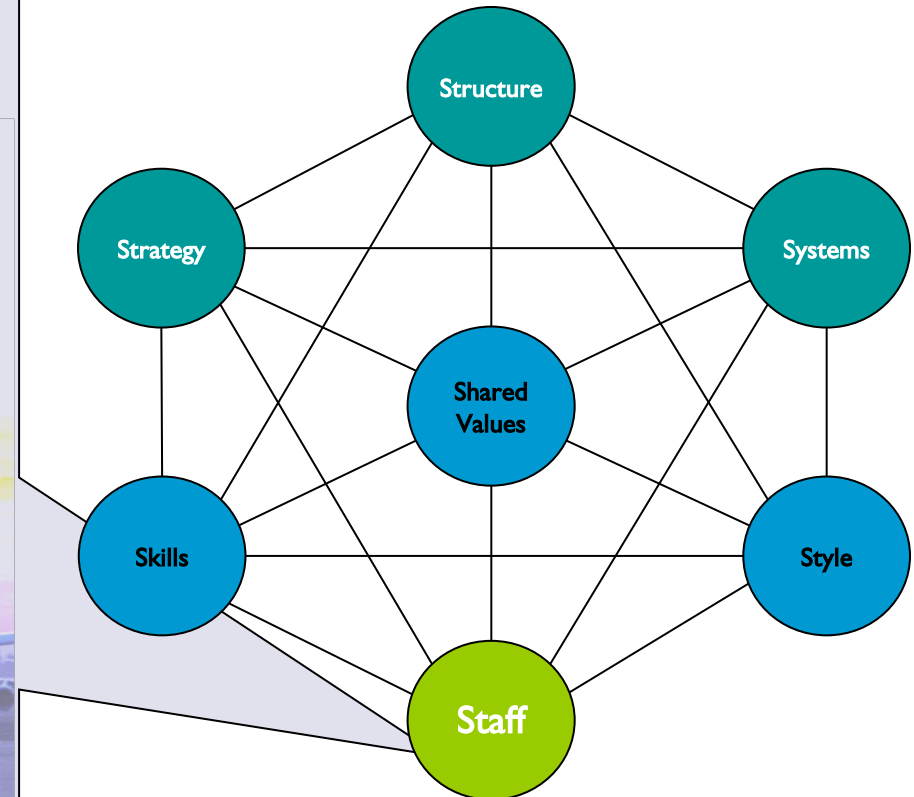
- Which rules and standards have to be absolutely complied with by the employees? Which reward and punishment mechanisms exist?
- How do collaboration and cooperation take shape in the company?
- How are mistakes treated?
- Which are characteristics of leadership within the company?
- Does the management style match the intended corporate culture?



Source: Kerth, Pütmann: Die besten Strategietools in der Praxis, München, Wien 2005

The “7-S model”: Staff

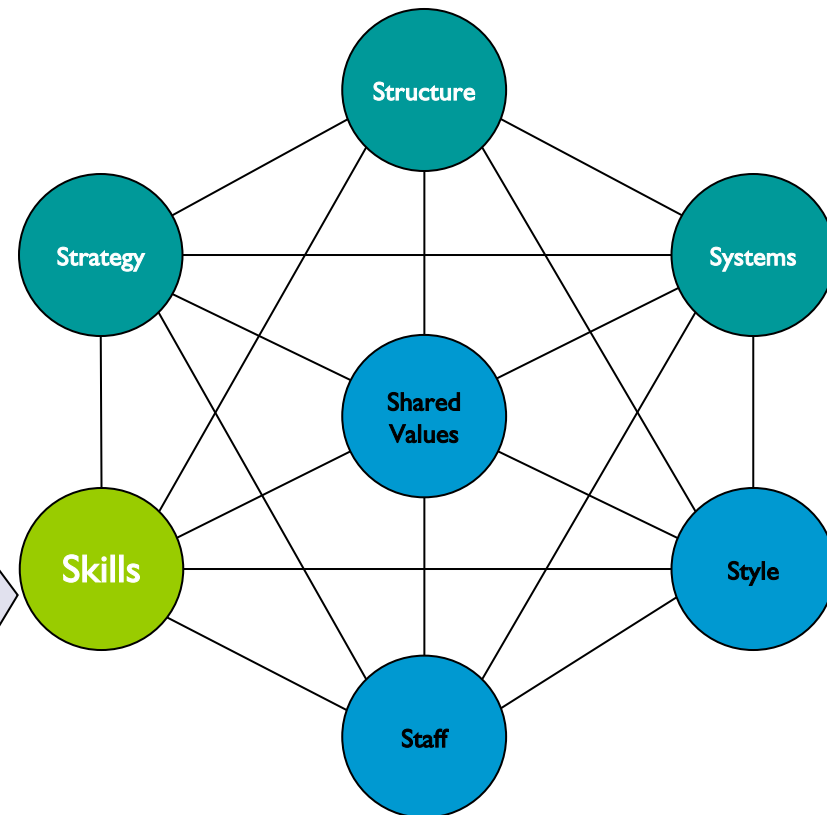
- Does the actual personnel structure correspond to the formulated guidelines?
- Are the employees crucial capital or only “a means to an end”?
- Do the strengths of the employees form a competitive advantage over competitors?
- How are employees promoted in the company and what are their development options?
- How high is the fluctuation?
- Which divisions have need for development concerning the personnel?



Source: Kerth, Pütman: Die besten Strategietools in der Praxis, München, Wien 2005

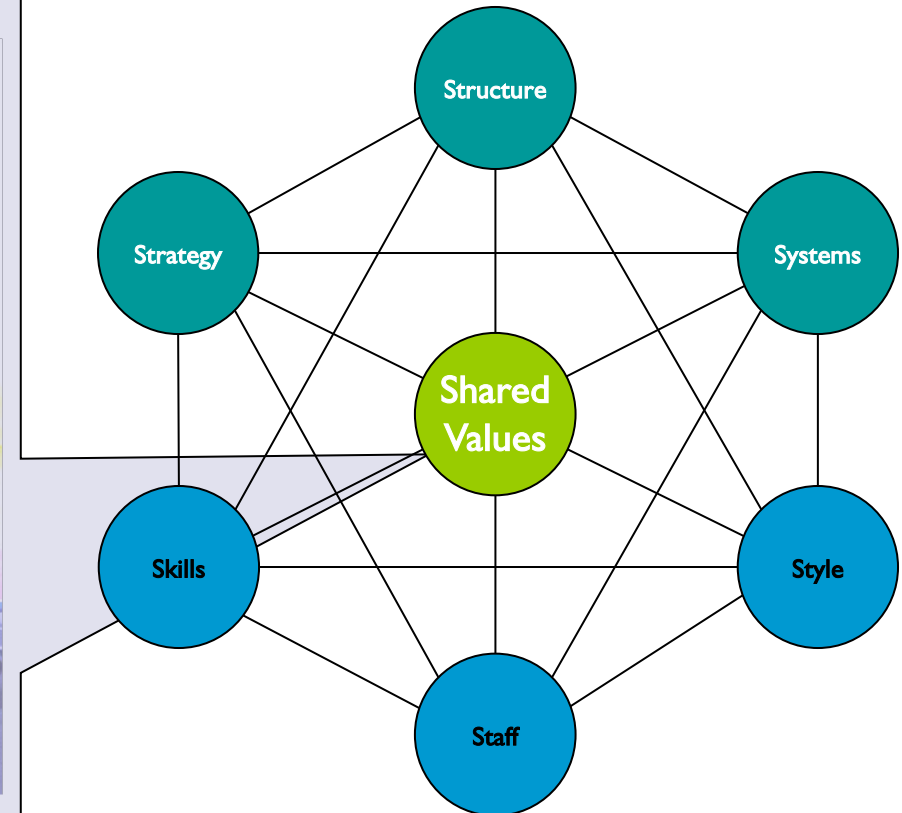
The “7-S model”: Skills

- Which outstanding skills has the company?
- Do competitive advantages result from these skills?
- Which knowledge exists in the company about its core skills? Is it bound to certain persons?
- How is knowledge passed on within the company? What happens to new expert knowledge?
- Are there incentive systems to stimulate knowledge preparation and transmission?
- Which knowledge management systems exist in the company?
- Where do you see needs for development concerning the skills and competencies of the company?



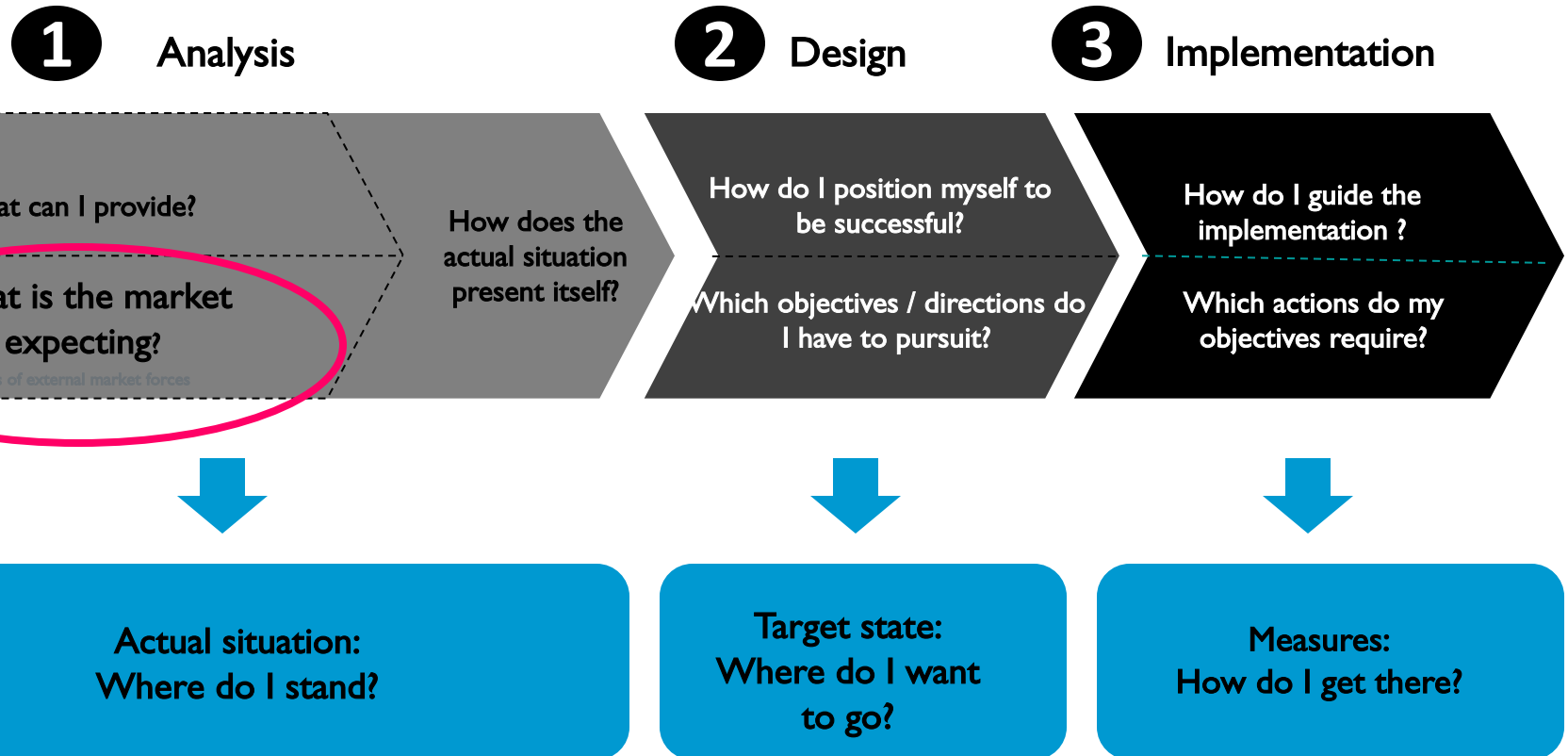
The “7-S model”: Shared Values

- What are the shared values of the company?
- Which corporate philosophy and which self-conception shapes the company?
- Do the employees share the understanding of these values?
- Does the development of the values rather take place in a rigid framework or is it dynamic and adaptable?
- Are the values suitable to promote the corporate culture?



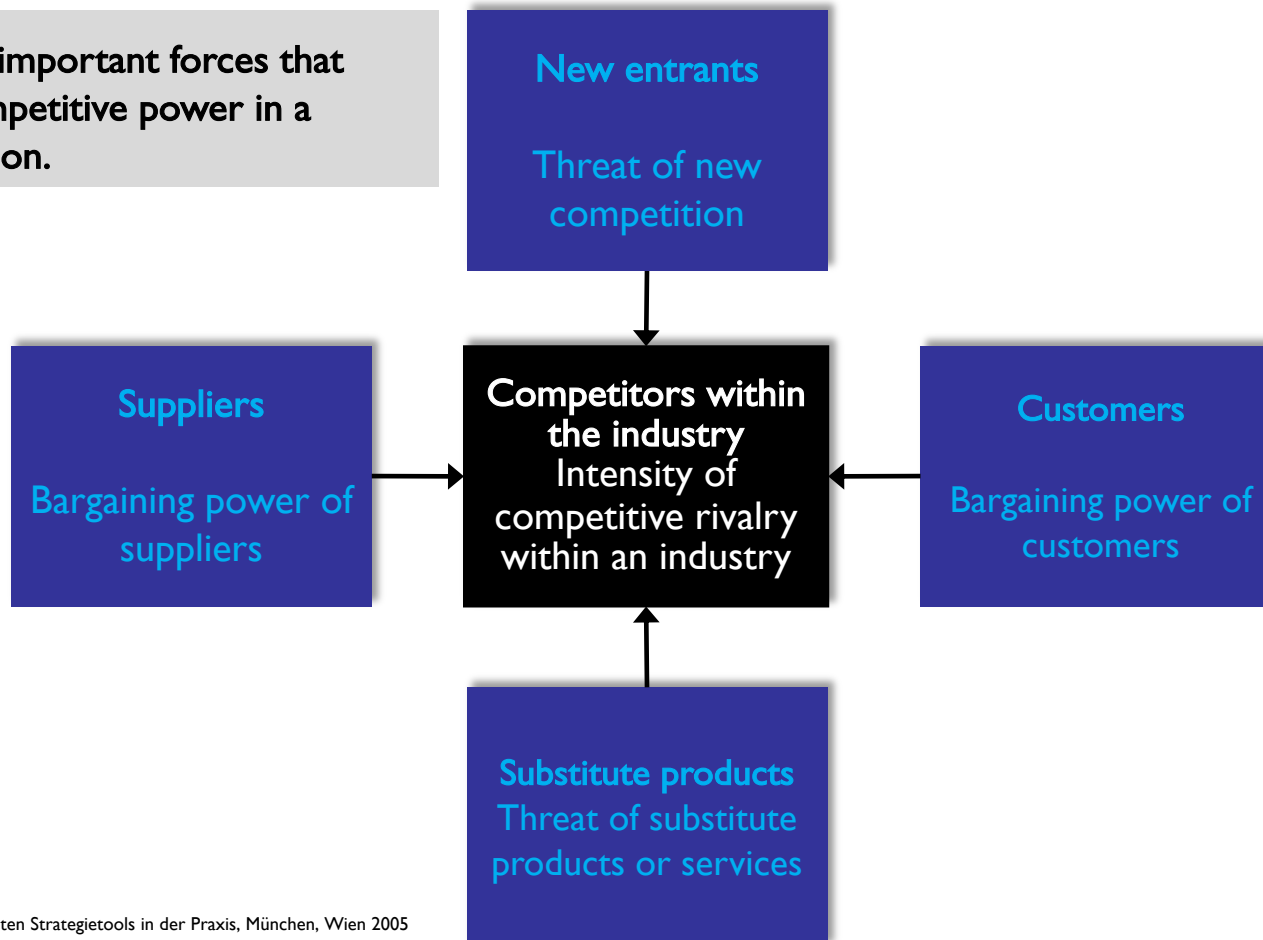
Source: Kerth, Pütman: Die besten Strategietools in der Praxis, München, Wien 2005

Strategic analysis (outside view): What characterises our market?



Five Forces (by Porter)

There are five important forces that determine competitive power in a business situation.



Source: Kerth, Pütmann: Die besten Strategietools in der Praxis, München, Wien 2005

Exercise: Five Forces (by Porter)

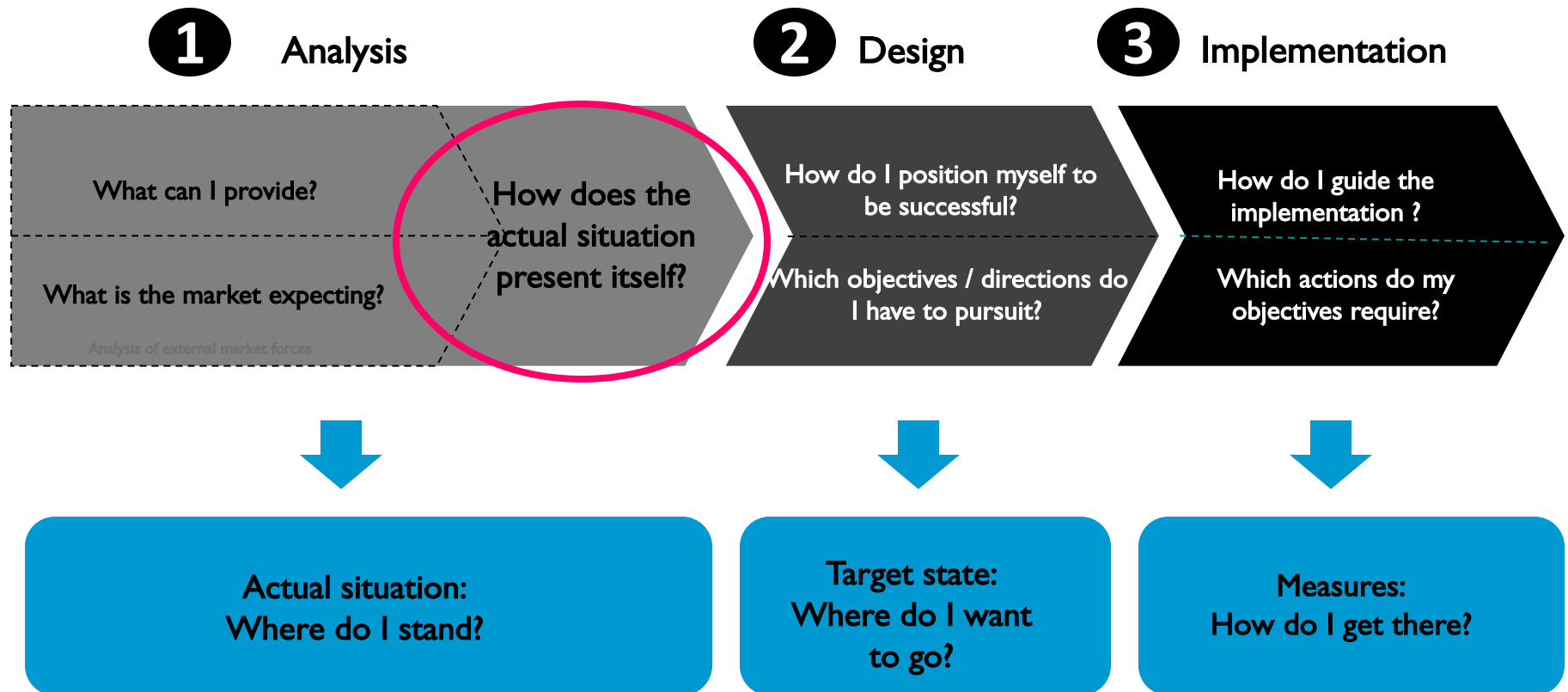
To use the tool to understand your situation at your Airport, look at each of these forces one-by-one and write your observations down.

Brainstorm the relevant factors for your market or situation, and then check against the factors listed for the force in the diagram.

Then, mark the key factors on the diagram, and summarize the size and scale of the force on the diagram. An easy way of doing this is to use, for example, a single "+" sign for a force moderately in your favor, or "--" for a force strongly against you.

Then look at the situation you find using this analysis and think through how it affects you. Bear in mind that few situations are perfect; however looking at things in this way helps you think through what you could change to increase your power with respect to each force. What's more, if you find yourself in a structurally weak position, this tool helps you think about what you can do to move into a stronger one.

Strategic analysis: consolidation



Quelle: Hinterhuber: Strategische Unternehmensführung Bd. 1 und 2, Berlin, New York 1992

Strategic analysis: PEST

PEST assesses a market, including competitors, from the standpoint of a particular proposition or a business

PEST Analysis



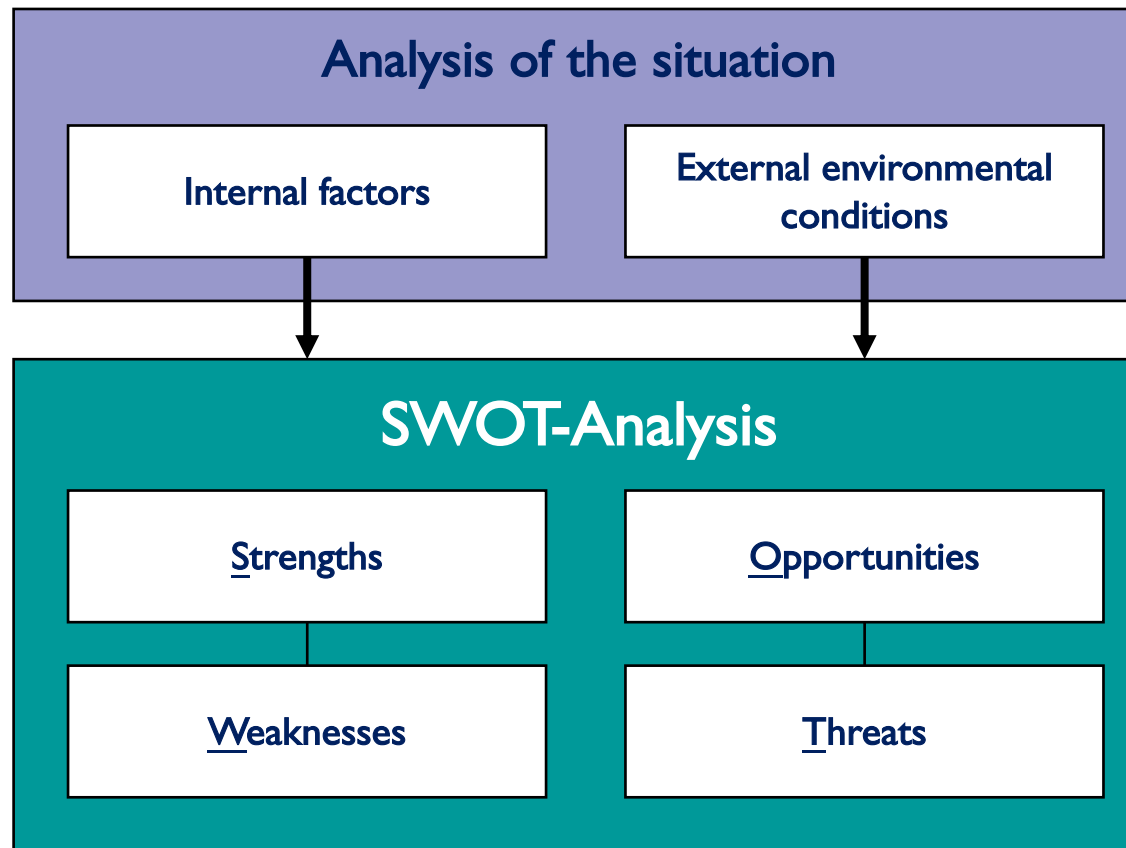
dreamstime.com

Source: Kerth, Pütman: Die besten Strategietools in der Praxis, München, Wien 2005

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Strategic analysis: SWOT

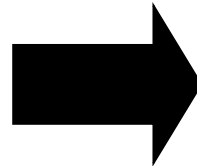
SWOT is an assessment of a business or a proposition, whether your own or a competitor's.



Source: Kerth, Pütmann: Die besten Strategietools in der Praxis, München, Wien 2005

The SWOT-analysis shows us what opportunities and threats for our company are emerging

External market conditions:



Opportunities

New Market Segments

New Technology

New Business Opportunities

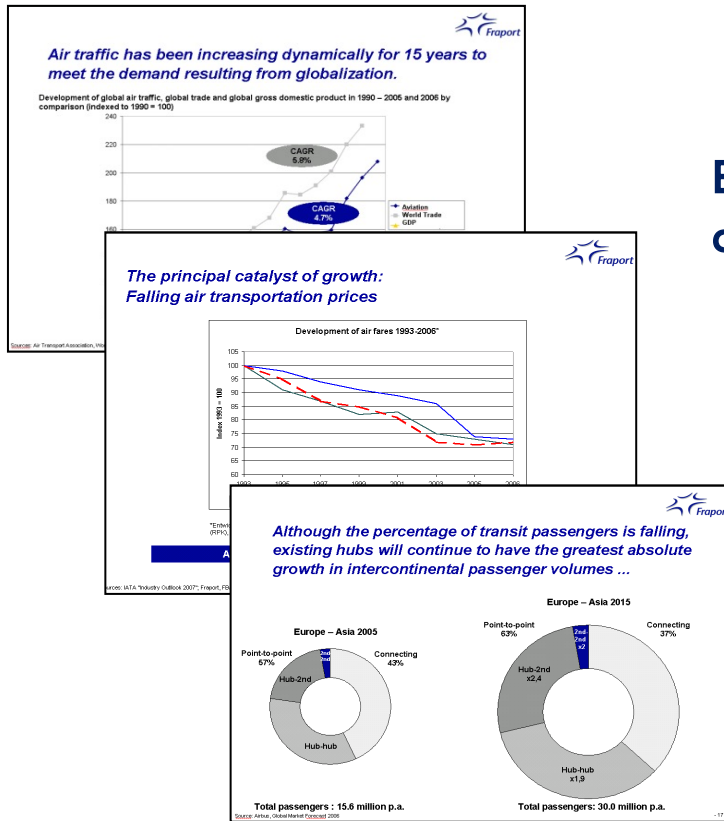
Threats

New Competitors

New Regulations

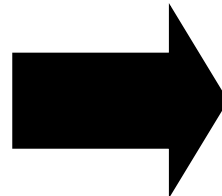
Capacity Constraints

....



Example

**Trend: Booming Low-Cost-Carriers
in West-Europe**



etc.

Opportunities

Strong traffic growth

New Holiday Travelers with
attractive buying power

...

Threats

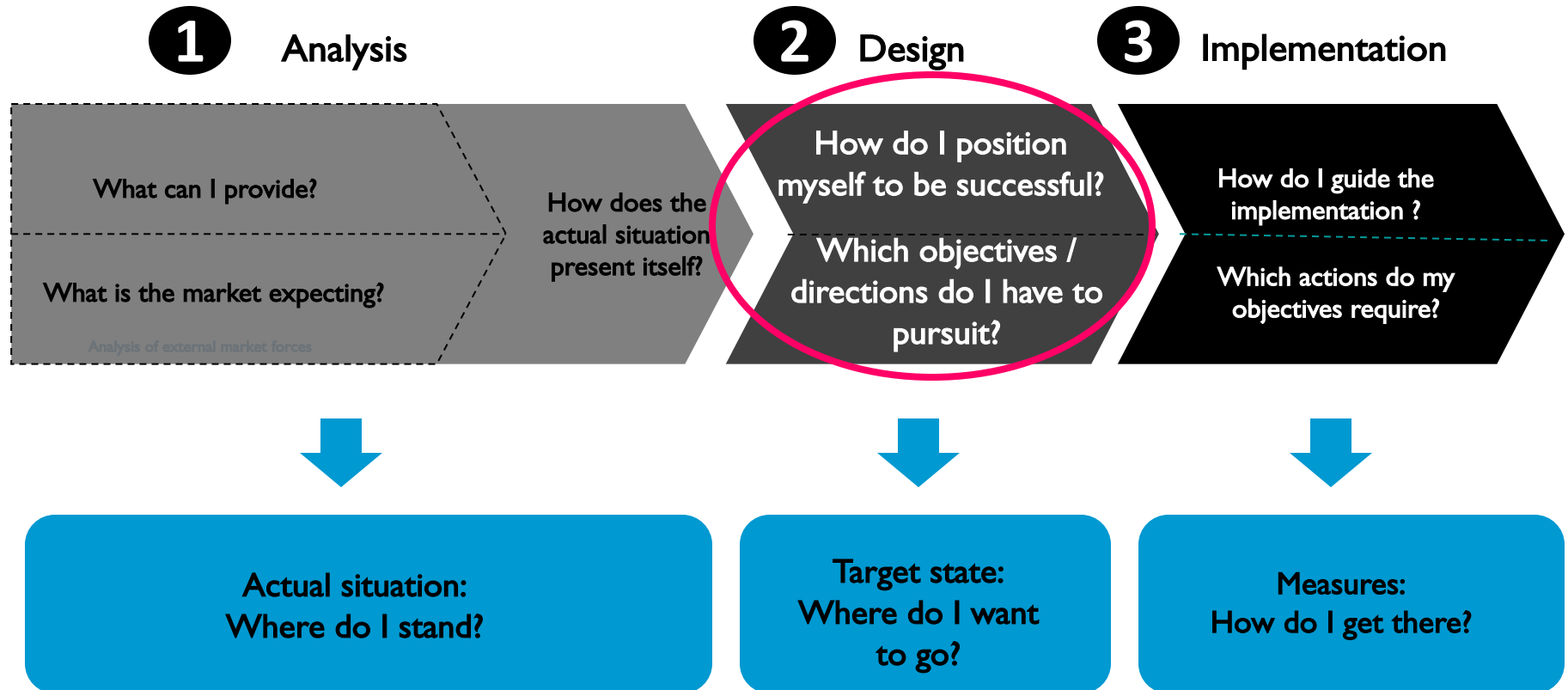
LCC choose competitor airport

LCC eliminate traditional carriers

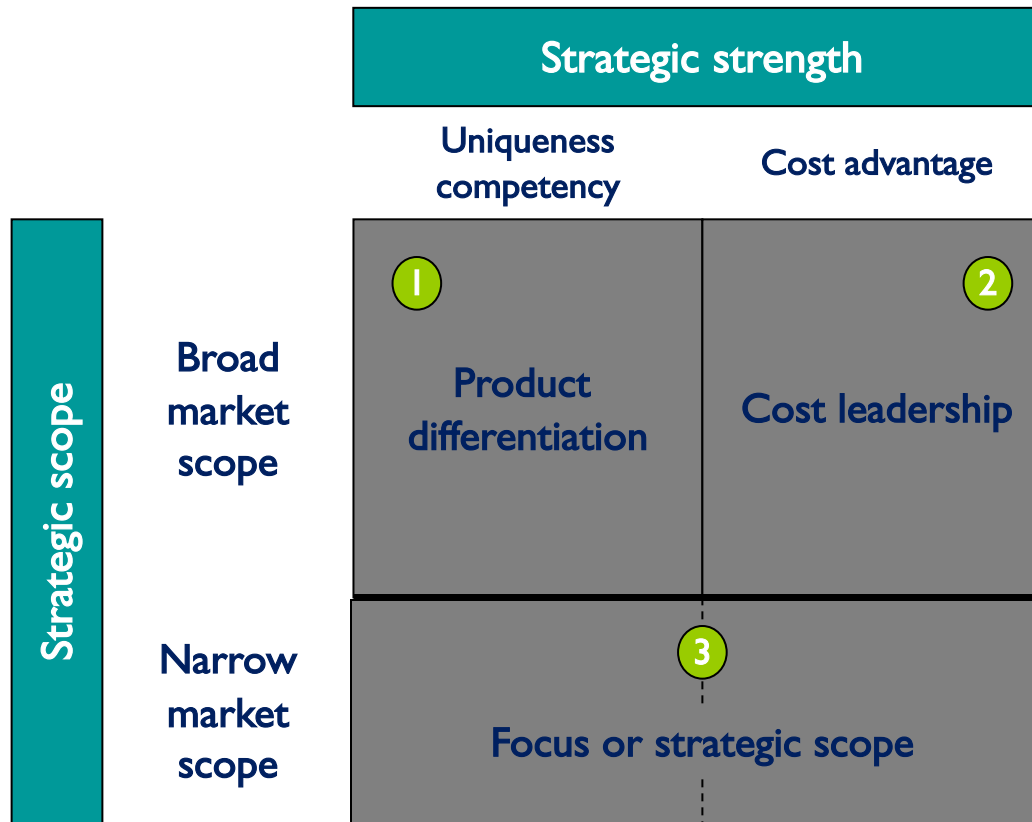
LCC create strong pressure on
airport charges

....

Strategic Design



Strategic design: Porter's generic strategies



Source: Kerth, Püttmann: Die besten Strategietools in der Praxis, München, Wien 2005

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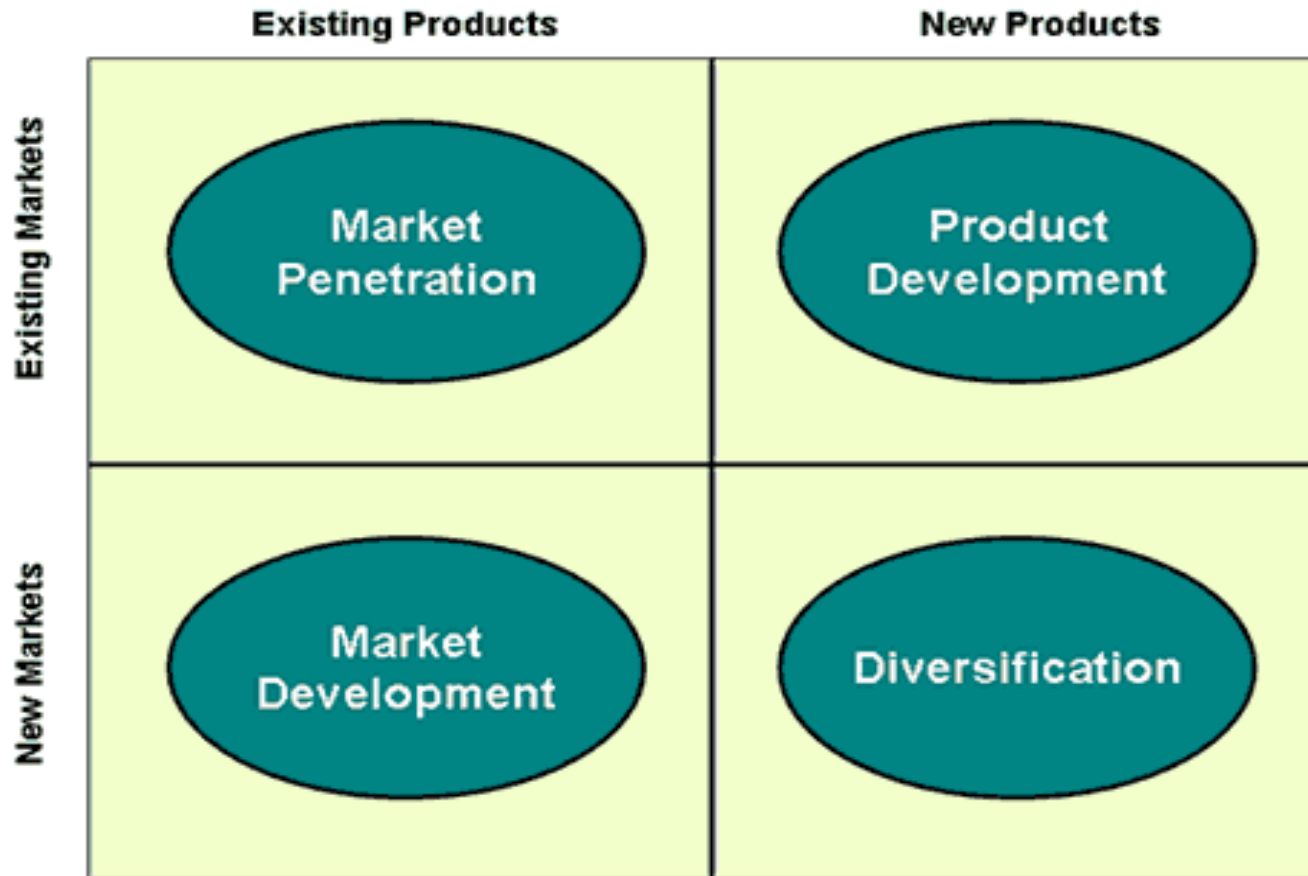
Strategic design: Porter's generic strategies

<i>Target Scope</i>	<i>Advantage</i>	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

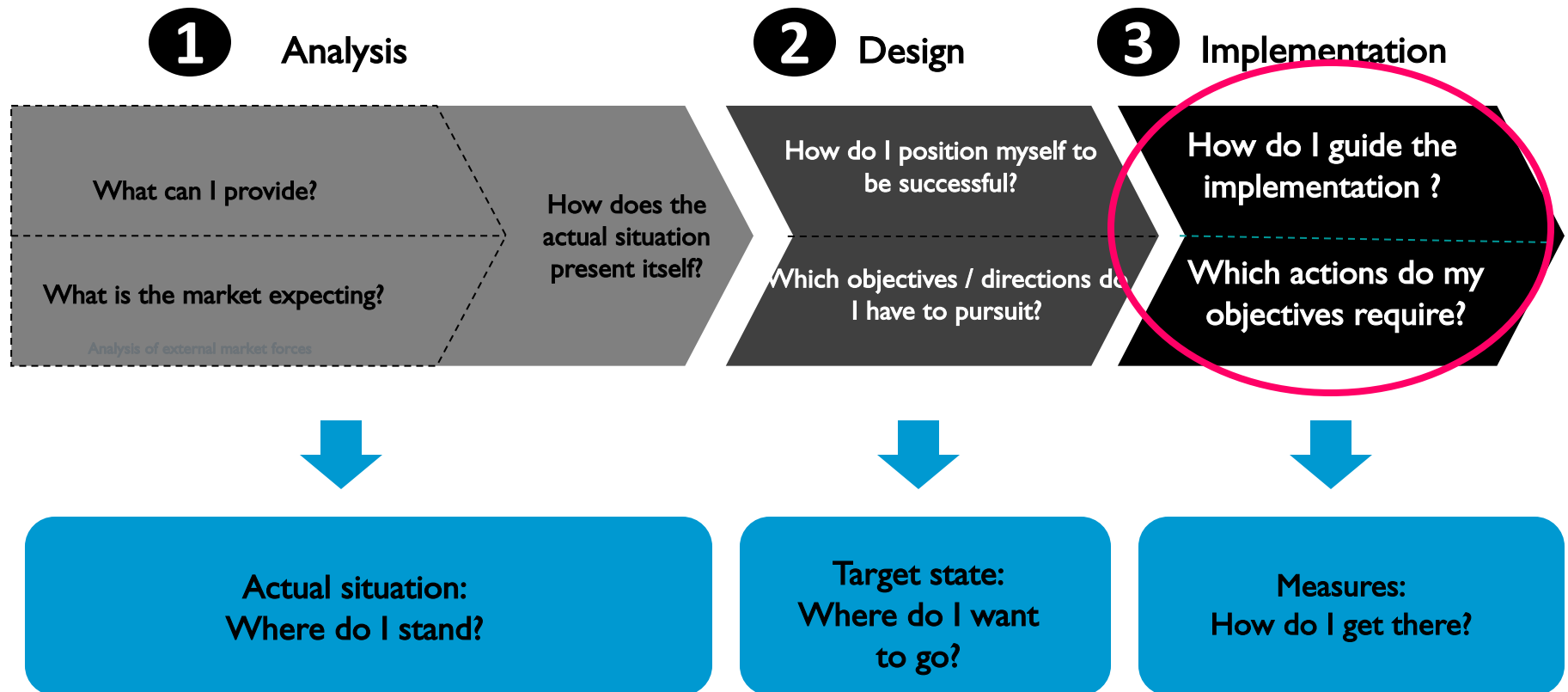
Source: Kerth, Püttmann: Die besten Strategietools in der Praxis, München, Wien 2005

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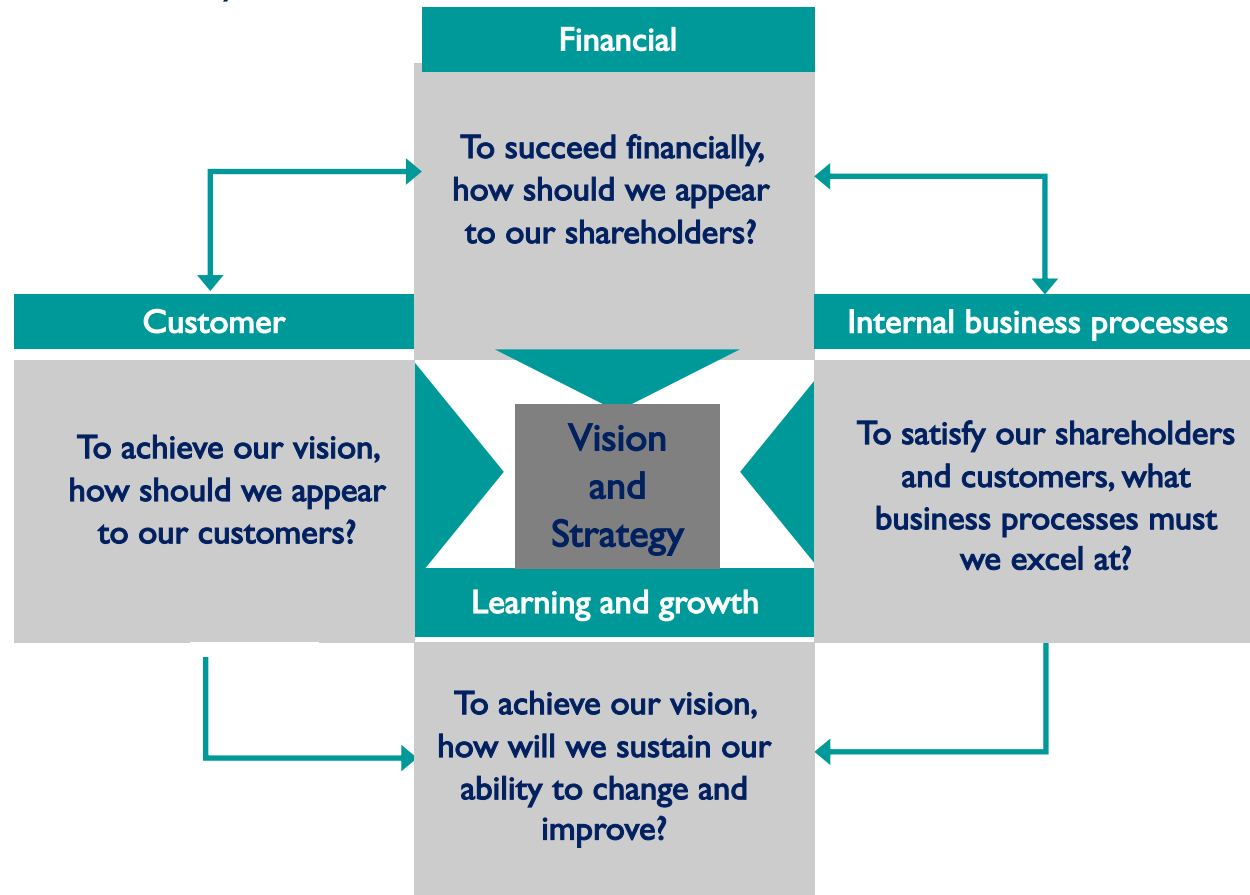
Strategic design: The “Ansoff Matrix”



Strategic Implementation



Strategic implementation: Balanced Scorecard (by Kaplan and Norton) – Basic Structure



Source: Kerth, Pütman: Die besten Strategietools in der Praxis, München, Wien 2005

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Strategic implementation: Balanced Scorecard (by Kaplan and Norton) – Perspectives

1) Financial perspective

- Profitability, revenue, cash flow, growth rates

2) Customer perspective

- Customer satisfaction, customer loyalty, customer profitability, profit and market shares

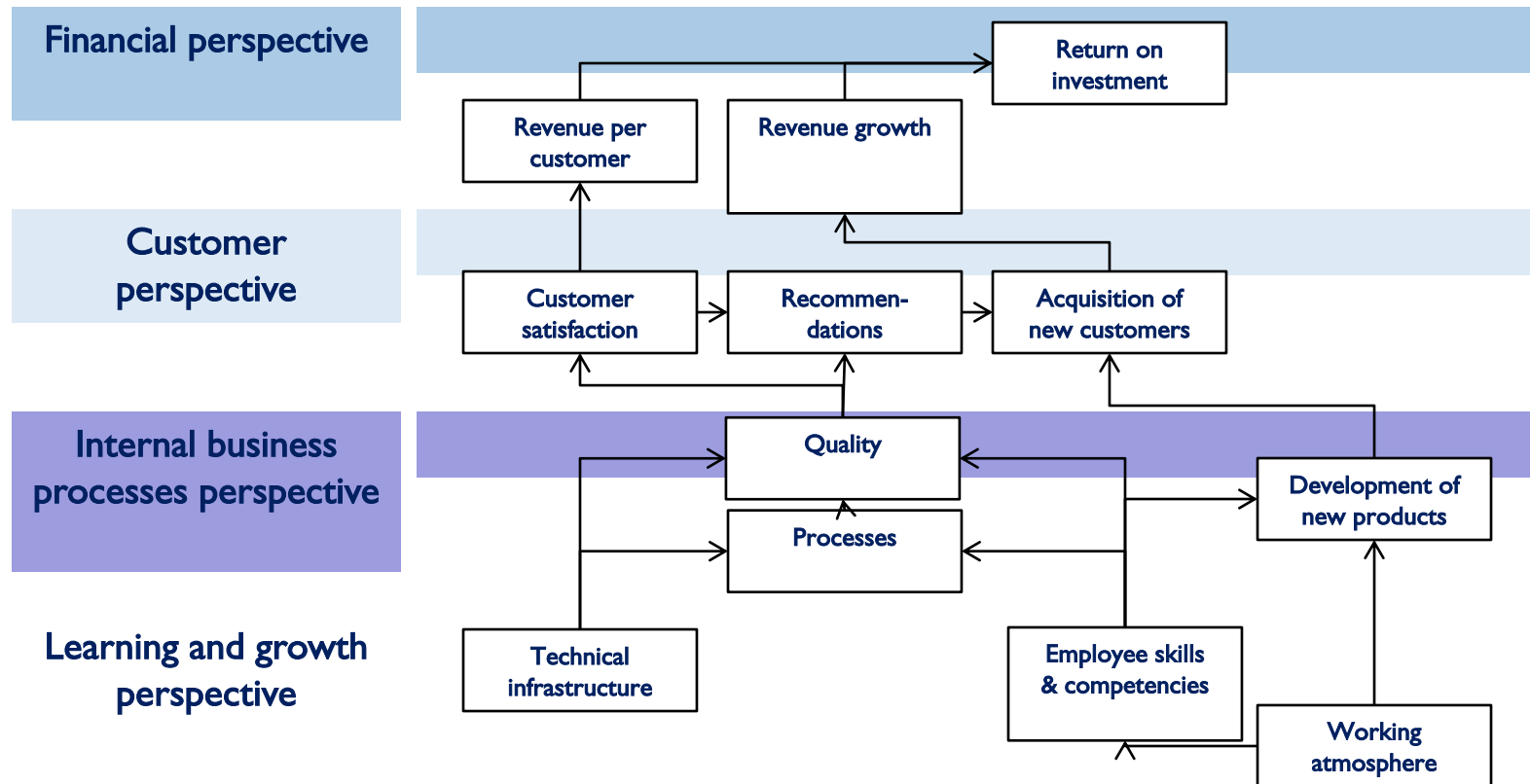
3) Internal business processes perspective

- Identification of new processes that a company needs to create to optimise customer satisfaction

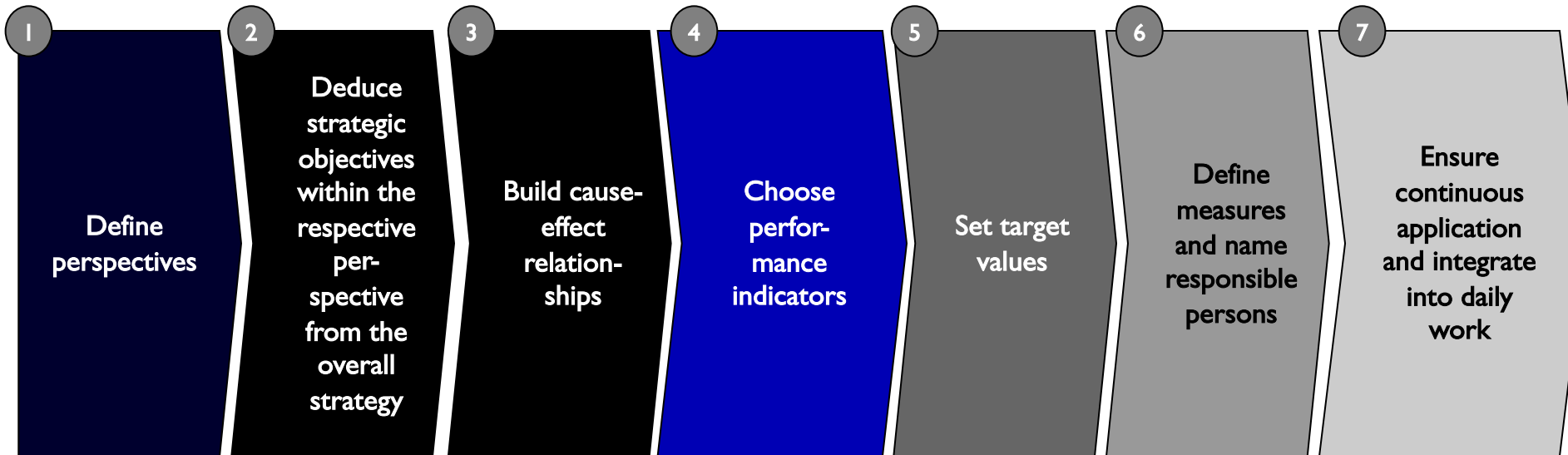
4) Learning and growth perspective

- Identification of infrastructure that a company needs to create to ensure longterm growth and continuous improvement

Strategic implementation: Balanced Scorecard (by Kaplan and Norton) – Perspectives



Strategic implementation: Balanced Scorecard (by Kaplan and Norton) – Approach and Procedure



Source: Kerth, Pützmann: Die besten Strategietools in der Praxis, München, Wien 2005

Strategic implementation: Balanced Scorecard (by Kaplan and Norton) – Advantages and Disadvantages

Advantages

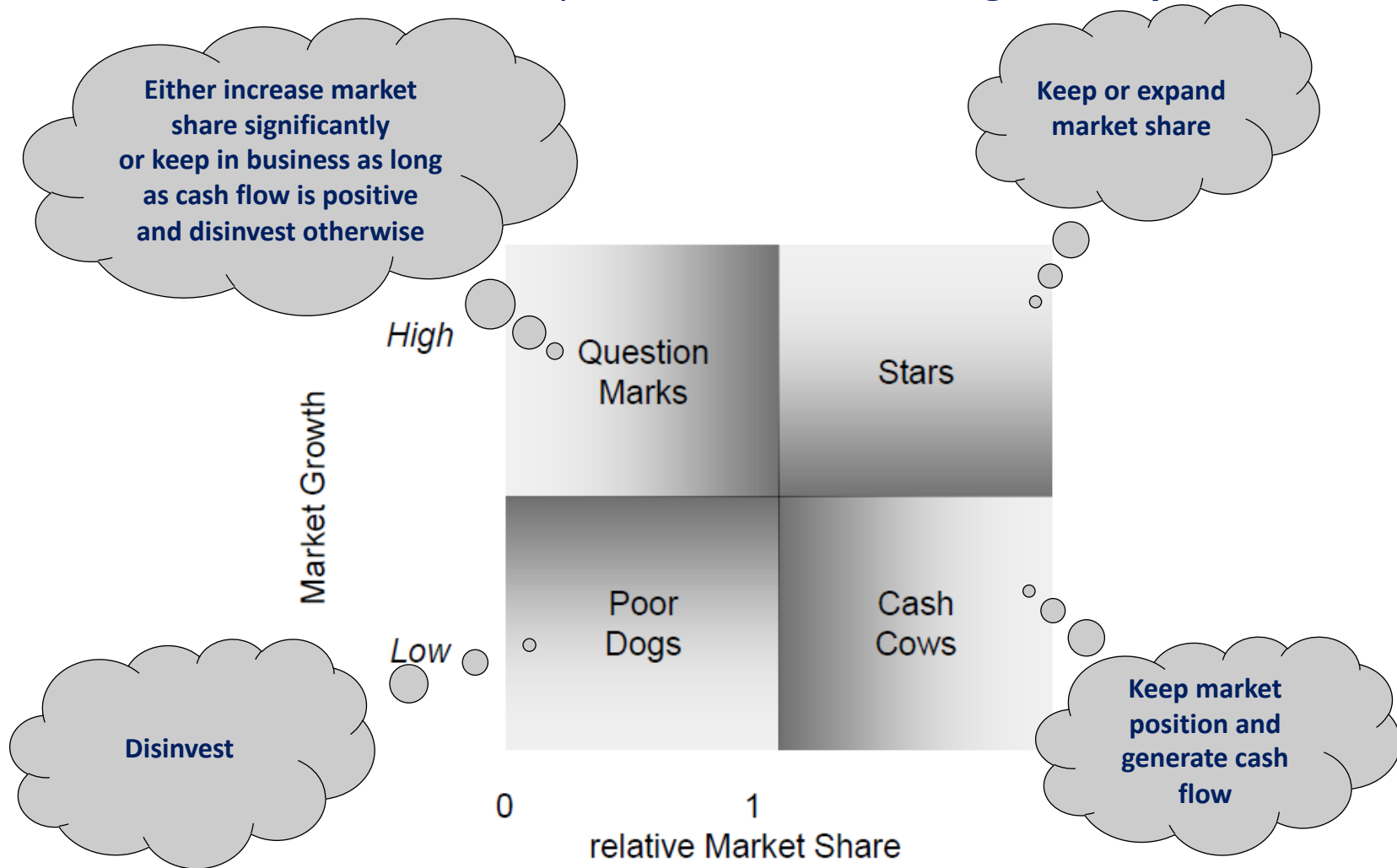
- ✓ Possibility of operationalisation
- ✓ Creation of transparency
- ✓ Concretisation
- ✓ Flexibility
- ✓ Inclusion of monistic and non-monistic aspects
- ✓ Inclusion of employees

Disadvantages

- Focus on optimisation of KPIs
(Key Performance Indicators)
- Pursuit of unrealistic goals
- Possibly low probability of
implementation

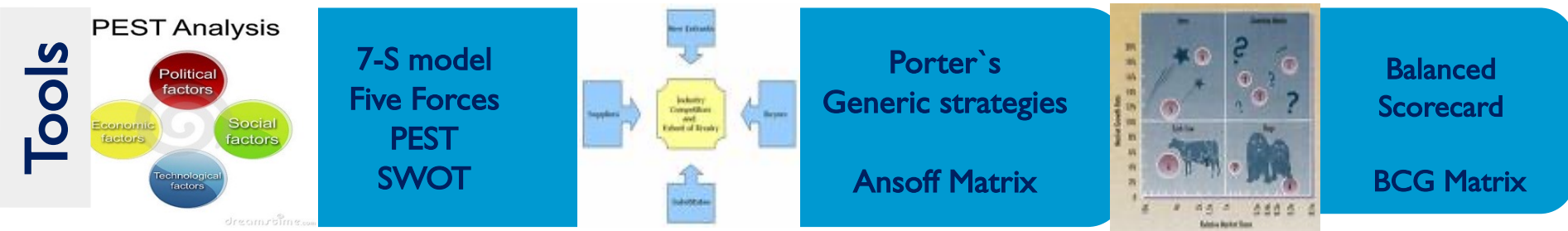
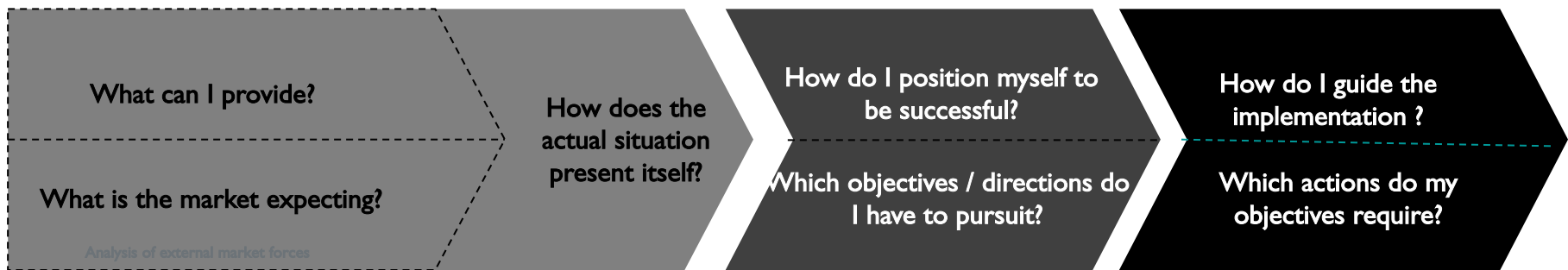
Source: Kerth, Pütmann: Die besten Strategietools in der Praxis, München, Wien 2005

The „BCG Matrix“ (Boston Consulting Group Portfolio)



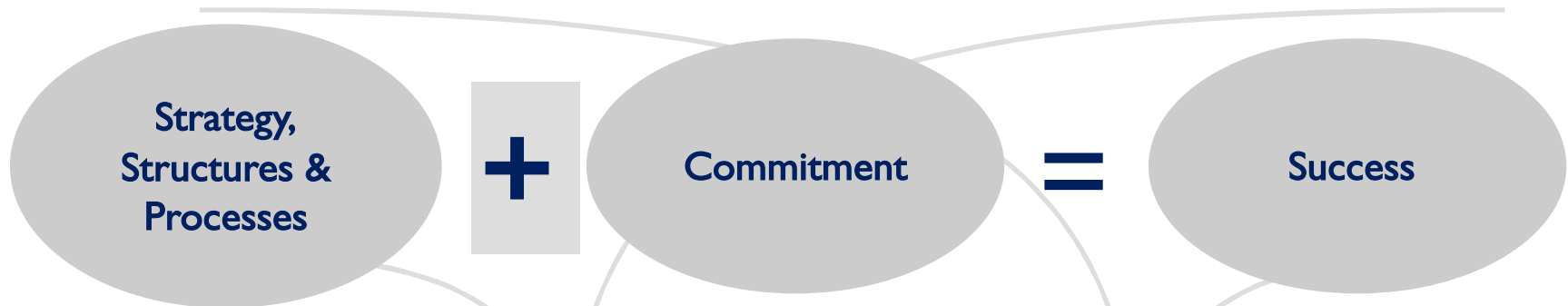
Summary: Eight practise-based strategic tools to manage the process

1 Strategic Analysis 2 Strategic Design 3 Implementation



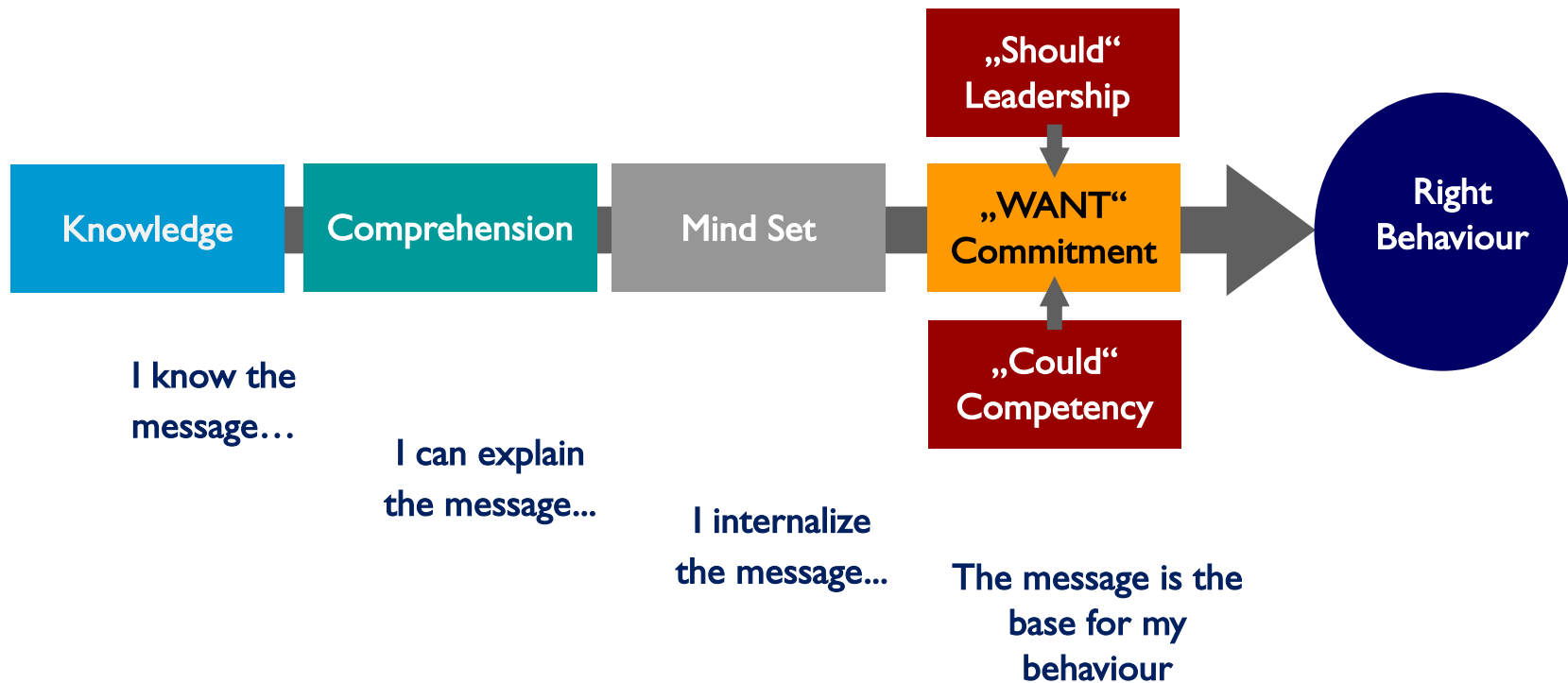
These are only a few examples for the use of strategic tools
Remember: There is no „best structure“ to run the strategy process

The commitment of the employees is as important as the strategy itself

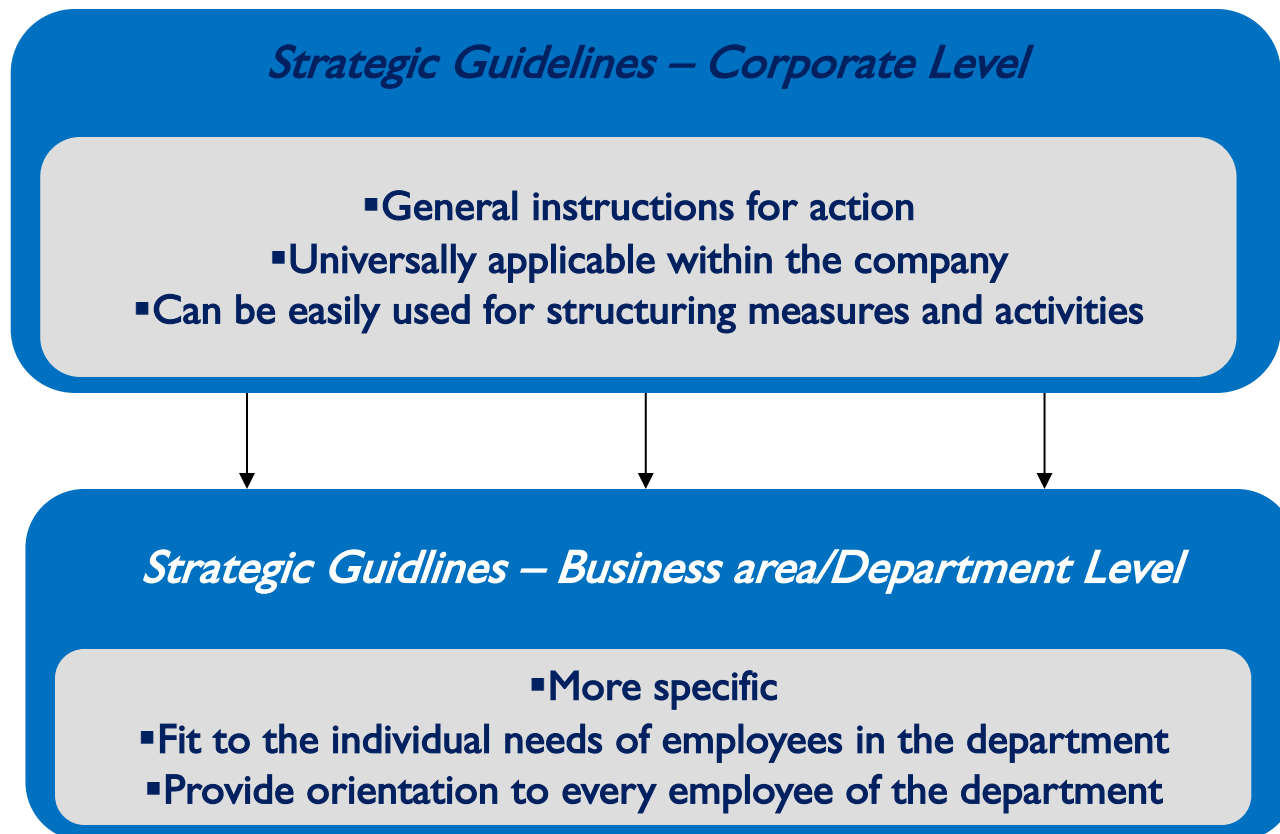


The right mind set is crucial because it steers the commitment of the employees into the right direction

„Should“, „Could“ and „Want“ are the necessary preconditions for the employee to act correctly within the framework of the corporate strategy



Therefore it is necessary to define Strategic Guidelines in order to provide orientation for the employees



Exercise

Do you know examples from your job, how employees act if they are committed, and how they act if they are not committed?

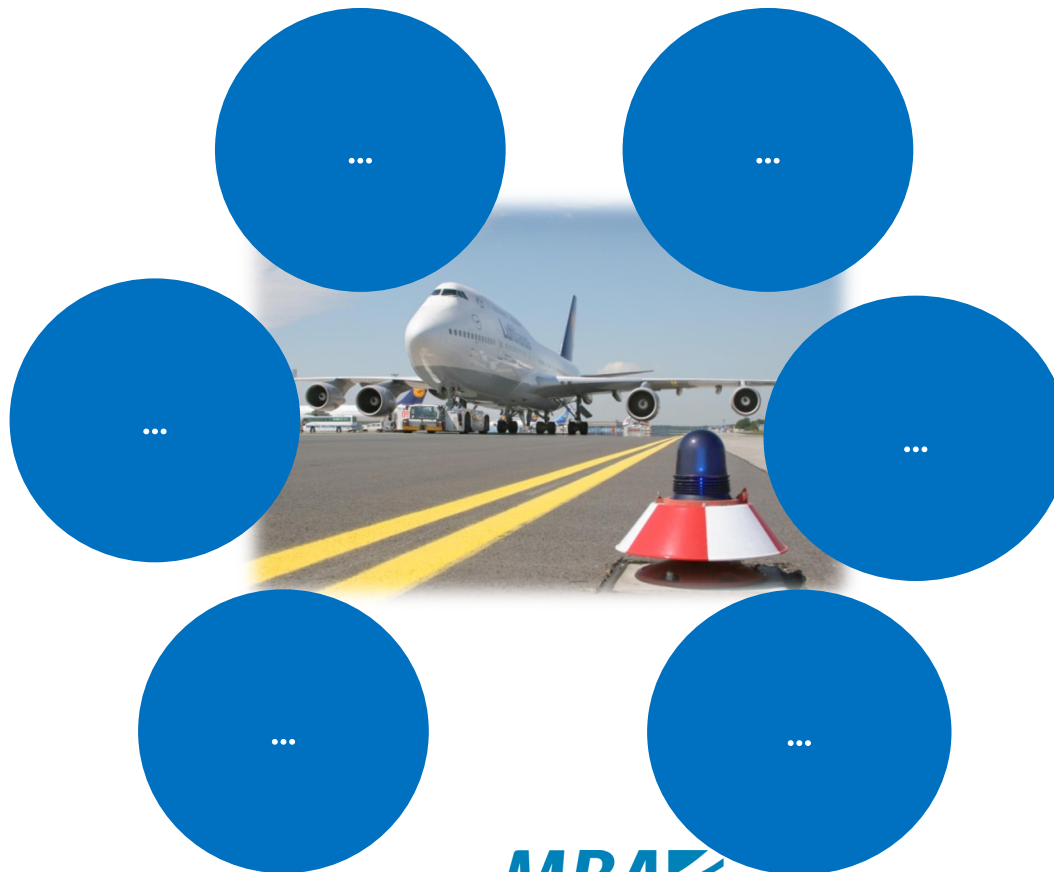
Employees are committed

Employees are not committed

1	• Introduction: What is Strategy and Why?
2	• The seven ideal components of strategic corporate governance
3	• How to get there? The strategic process
4	• Eight practice-based strategic tools to manage the process
5	• Strategic development for airports: What are the differences to other companies?
6	• “Real-life example” Fraport AG
7	• Exercise

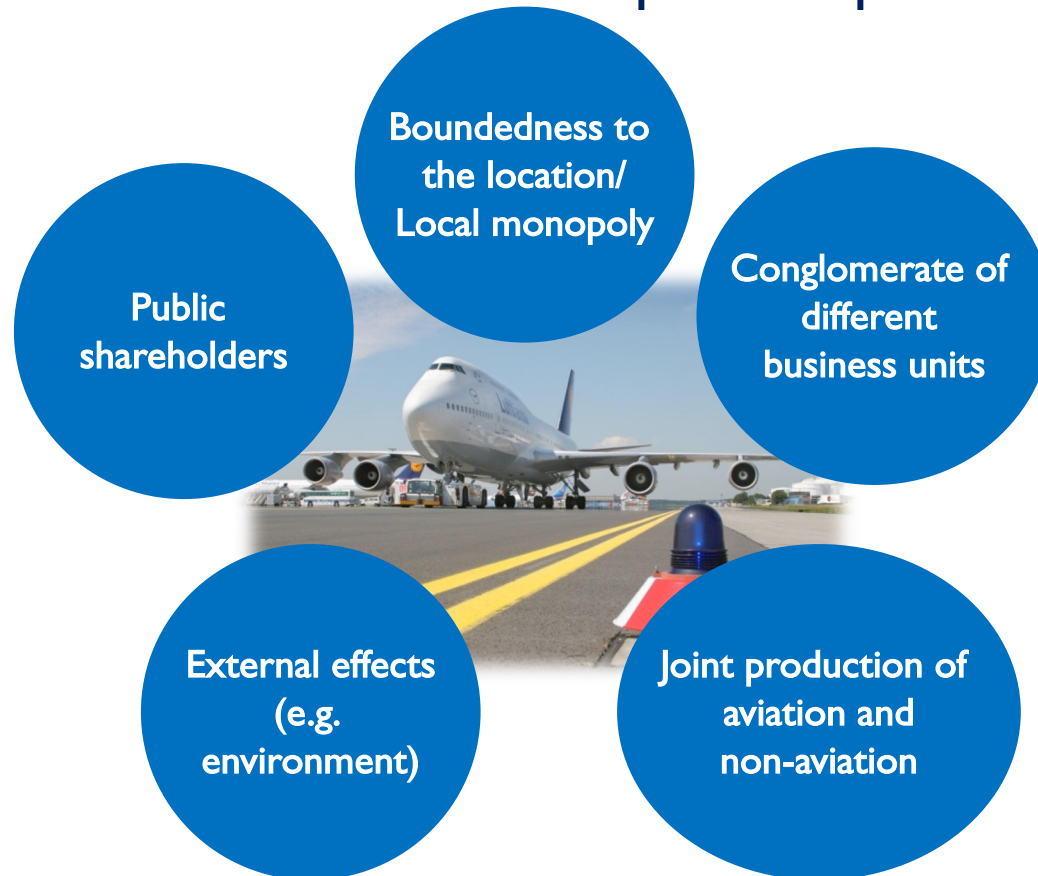
Exercise

What makes AIRPORTS to “special companies”?



Exercise

What makes AIRPORTS to “special companies”?



Boundedness to the location / Local monopoly

Airport specifics

- Airports are **bounded to one location** and own a **local monopoly** for a defined catchment area.
- Therefore the business activities of airports underlie generally (in parts) a **public regulation** (in particular aviation sector)

Effects on strategy development

- High **dependence** on the economic development of the **catchment area**
- Restriction of the range of possibilities in strategy definition (e.g. concerning choice of location, price strategy/differentiation or slot allocation)

Suitable „contra“-strategies

- **Extension of the catchment area** (e.g. expansion of intermodality)
- **Differentiation of product and price** through differentiated infrastructure and services
- **Multi-location-strategies**
- **Development of Hub-Strategy (Transfer Pax)**



Conglomerate of different business units



Airport
specifics

Effects on
strategy
development

Suitable
„contra“-
strategies

- Airports have not been growing “market-based” but “**location-based**” (principle: “We do everything that is needed at the location largely ourselves.”)
- Result: Airports normally consist of a conglomerate of **heterogeneous business units** – the link is formed by the location.
- **High degree of differentiation** is needed.
- Difficulty to design a holistic corporate strategy (Who are our customers? What are the overall objectives?)
- Definition of “**core competencies**” of an airport
- Development of **specific business unit strategies**

Joint-production of aviation and non-aviation with considerable shift in added value



Airport
specifics

Effects on
strategy
development

Suitable
„contra“-
strategies

- Airports practice a classical “**joint-production**” between **aviation** and **non-aviation** business.
- The **economic significance** of the **non-aviation** business is continuously **growing**.
- Difficulties in the **prioritisation of activities** (What is essential? How do we solve resource conflicts between aviation and non-aviation?)
- Clear **identification of interactions** between aviation and non-aviation

External effects (positive and negative)

Airport
specifics

- Airports create through their business activities a **multiplicity of external effects** – positive (e.g. economic prosperity of the region, secondary employment) as well as negative (e.g. environmental impact, ground consumption).

Effects on
strategy
development

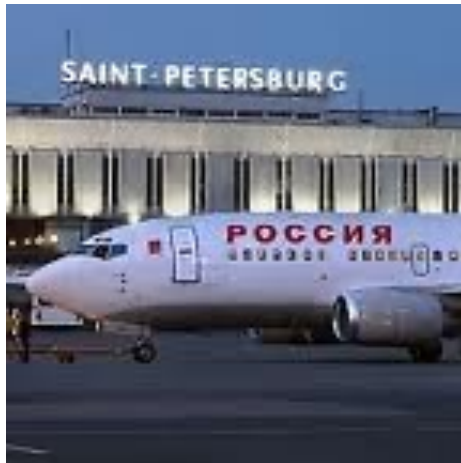
- **Airport strategies** need to be “**broader**” and the effects of the airport’s business activities on the market environment have to be considered in the strategic thinking.

Suitable
„contra“-
strategies

- Clear definition of the term “**sustainability**” and inclusion into the strategic thinking



(Public) shareholders with their own interests – airports as public infrastructure



Airport
specifics

- Many Airports worldwide are still predominantly owned by public shareholders
- But also fully privatized airports face conflict of objectives:

Effects on
strategy
development

- Maximisation of corporate revenue or maximisation of regional economic effects of the airport?

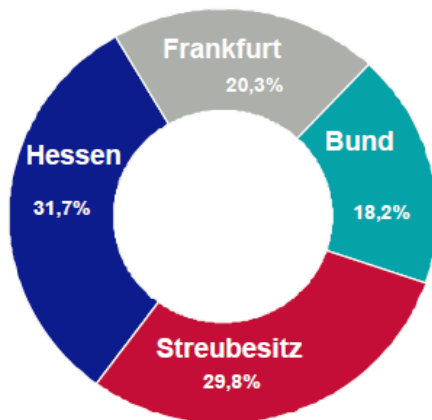
Suitable
„contra“-
strategies

- Clear definition of objectives and agreement between airport company and shareholders

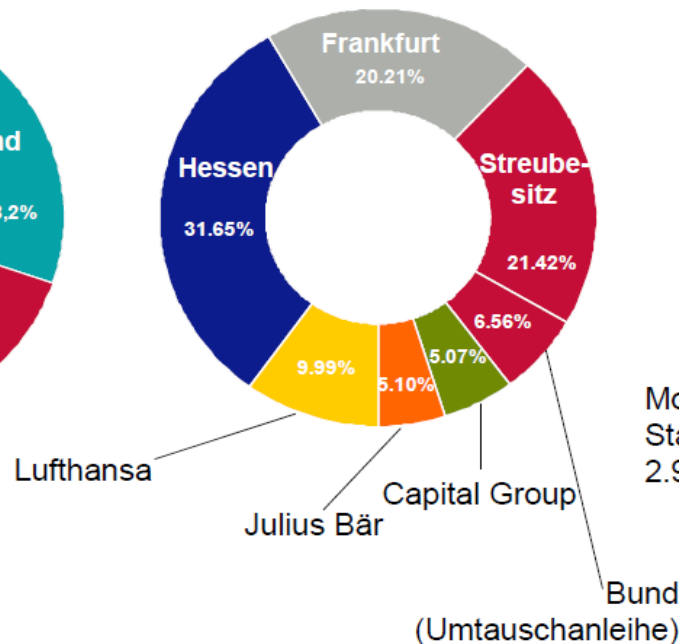
1	• Introduction: What is Strategy and Why?
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Fraport AG: Strong partners for a strong enterprise

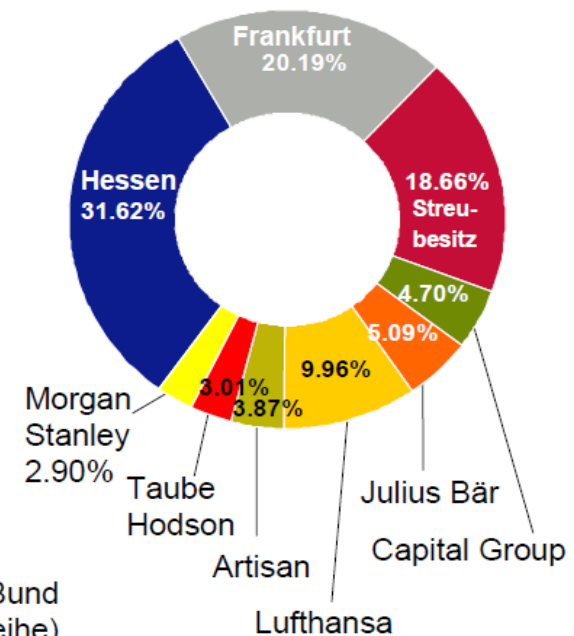
bis 26. Oktober 2005



bis 22. März 2007

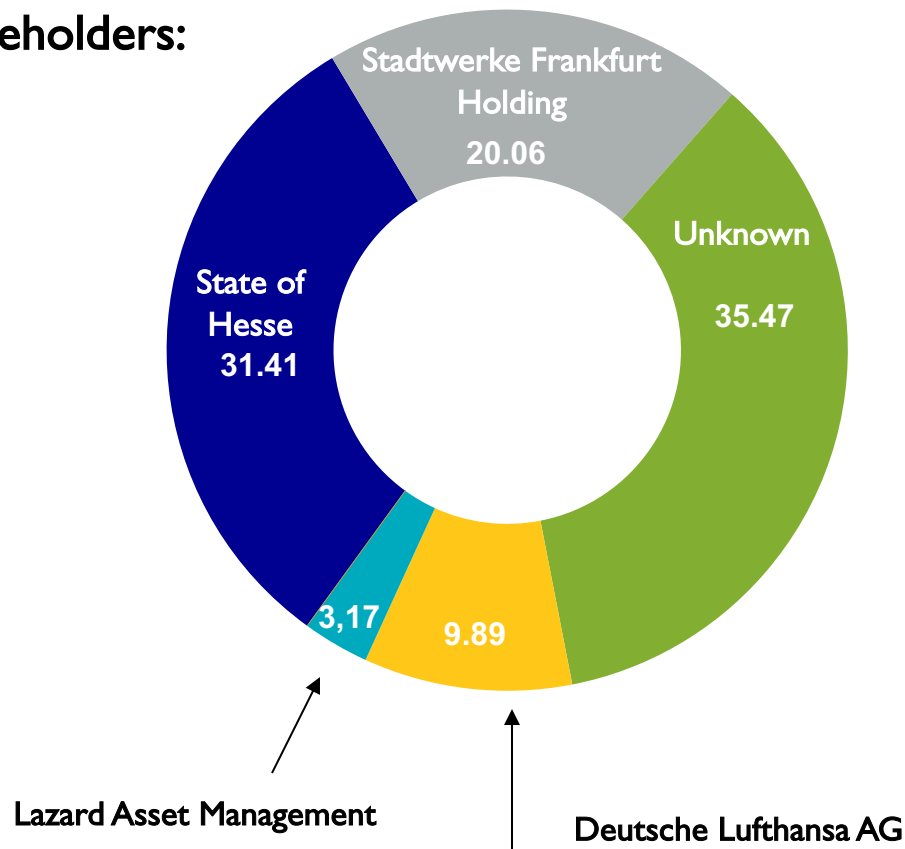


per 31. März 2008



Fraport AG: Strong partners for a strong enterprise

Our shareholders:



As of July 9, 2012

Fraport core business activities



29 %

Aviation
€ 1,006 million



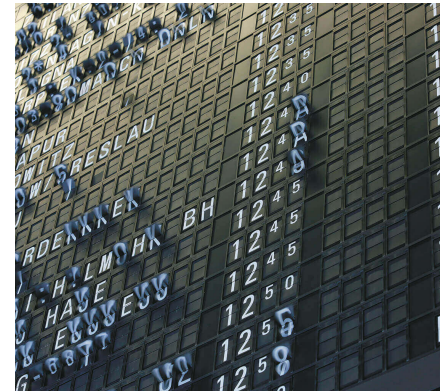
19 %

*Ground
Handling*
€ 674 million



15 %

*Retail &
Real Estate*
€ 507 million

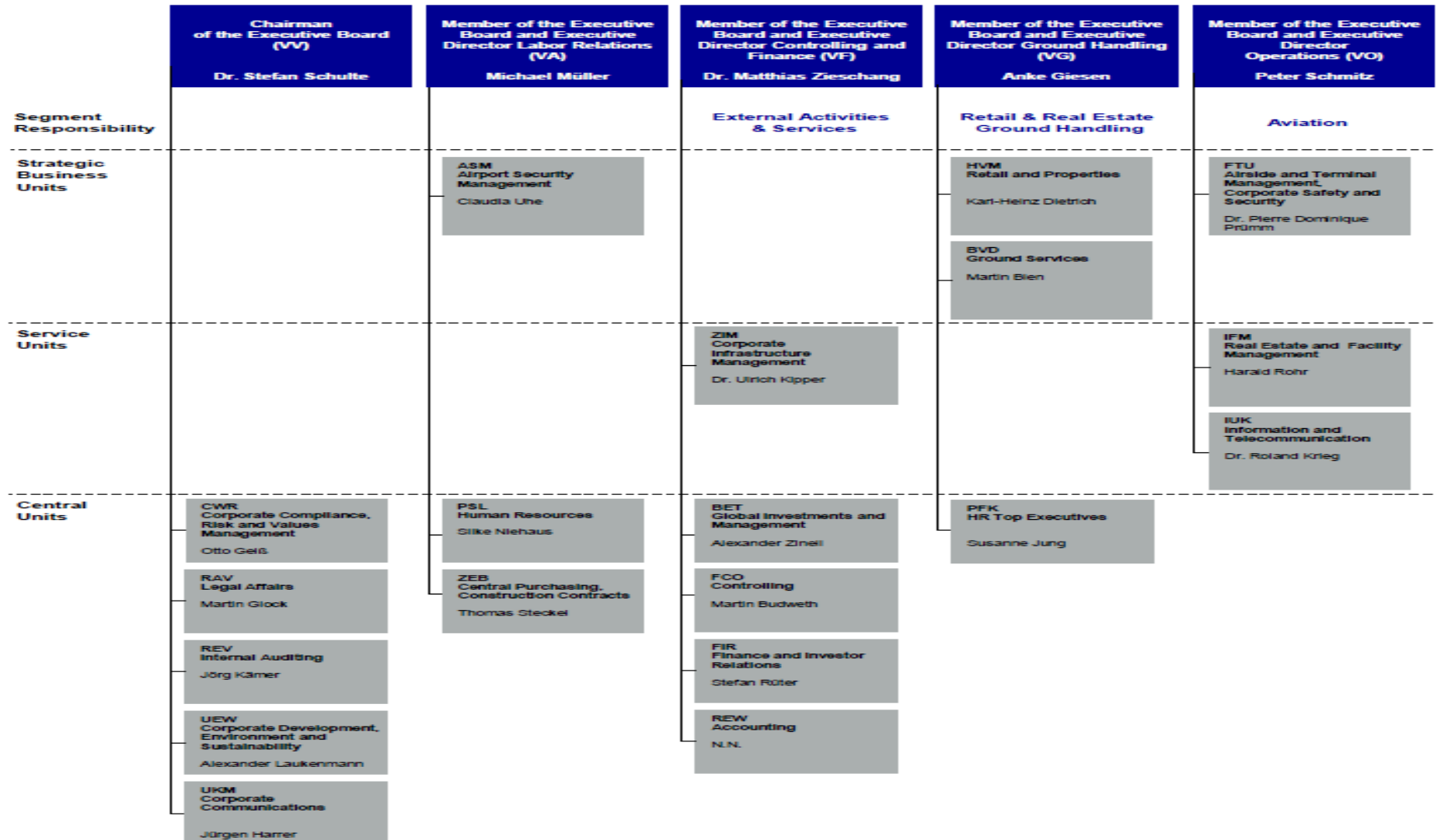


37 %

*International
Activities &
Services*
€ 1,291 million

*Due to rounding of percentages, the individual percentages do not add up to 100 %
Group Revenue by Segments 2018*

Fraport: Organizational structure



What makes us special at Frankfurt airport?



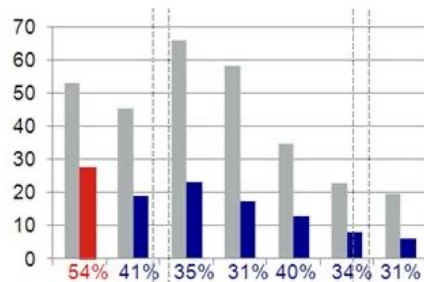
Large Catchment Area



Excellent Connectivity



Top- intermodality



FRA as transfer hub



Best quality



No. 1 in Germany
(Passengers, Cargo)

Frankfurt Airport is located in the Rhine-Main region – A powerhouse of economic activity



8.3% of Germany's GDP is generated here.

Frankfurt is:

- A business metropolis with 38 million consumers within a radius of 200 km
- A banking center with over 330 financial institutions and the seat of the European Central Bank.
- Host to over 100 trade shows a year and about 2.3 million visitors from around the world.

Frankfurt Airport – Facts and Figures

- 21 sq km area, currently up to 94 aircraft movements per hour
- 2 runways + 1 runway for aircraft landings and 1 runway for takeoffs
- 2 passenger terminals and 1 AIRail Terminal (long-distance ICE train station)
- 132 flight gates , 190 aircraft positions
- Air cargo rail track

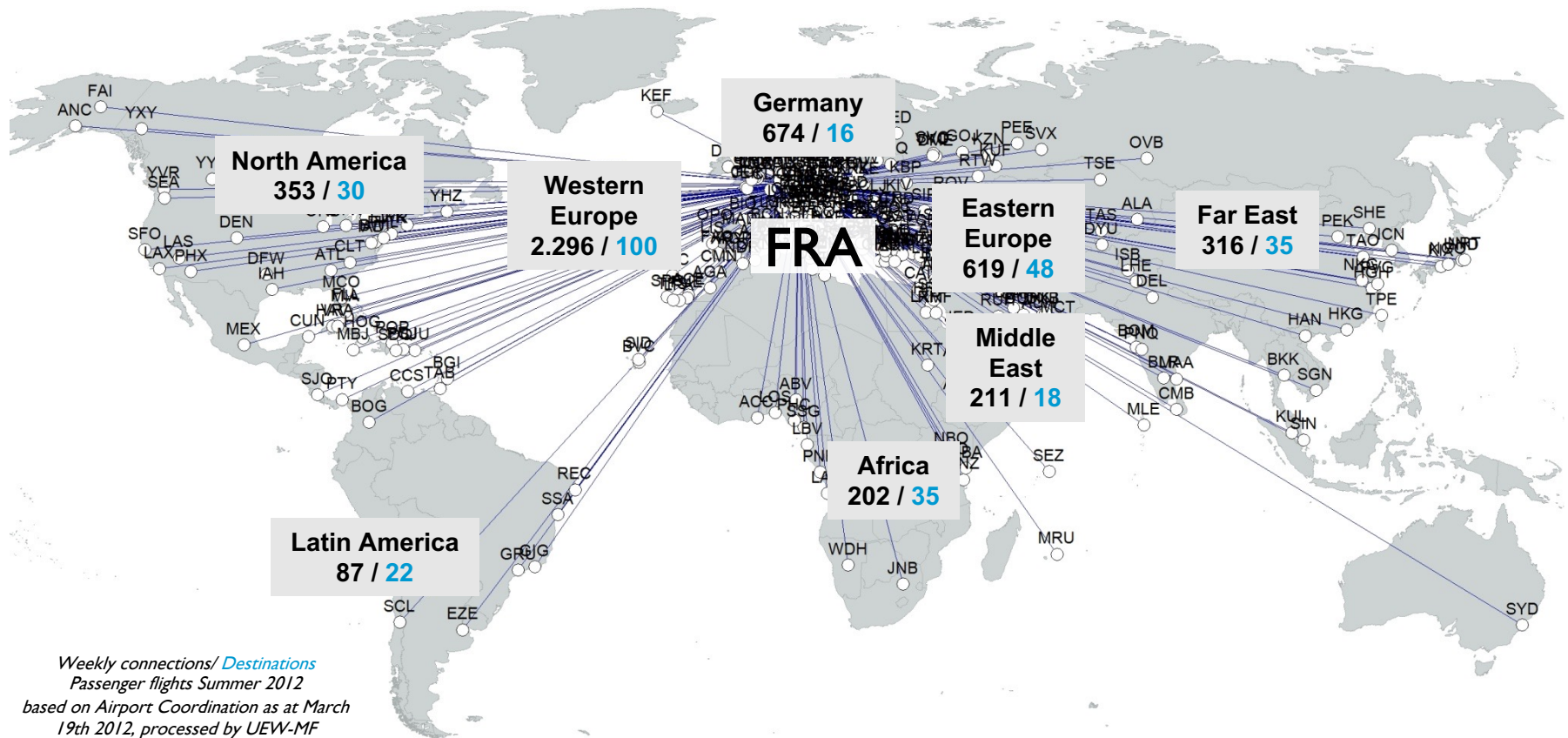
On a single day*:

- 155,000 passengers
- 77,000 pieces of baggage
- 6,200 metric tons of cargo
- 397 trains serving the airport train stations (2010 timetable)



**average figures of 2011*

108 Airlines fly to 304 Destinations in 108 Countries



Intermodal Transport of Frankfurt Airport sets standards worldwide

Long-distance railway station:

- 174 ICE-train services per day
- 380,000 flight passengers per month
- 56 minutes travel time to Cologne
- 73 minutes to Stuttgart



Regional train station:

- 223 train services per day
- 213,000 flight passengers per month
- 10 minutes travel time to Frankfurt main station

Road:

- 40% of passengers arrive by car
- 18% by taxi
- 5% with a rented car
- Nearly 14,000 public parking spaces at airport



FRA is Lufthansa's home base and a hub of the Star Alliance

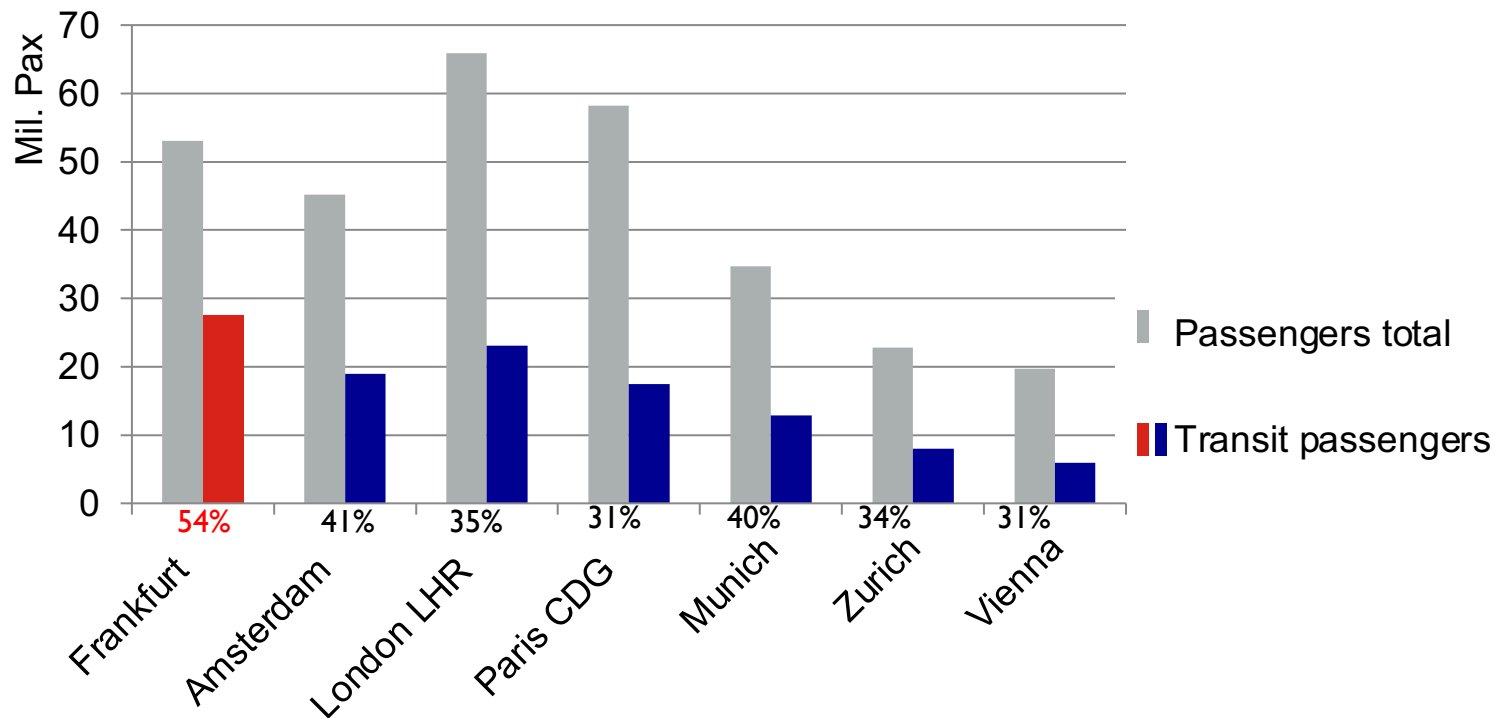


Passenger Share Lufthansa at FRA: > 50%

Passenger Share Star Alliance: 75%

54% of all passengers use FRA as a transfer gateway

Share of transfer passengers at major European airports in 2011



FRA has the highest share of transfer passengers of all major European airports.

FRA ranks among the top airports worldwide in terms of passengers...

Passengers 2018 (mil.)

1.	Atlanta (ATL)	107,4
2.	Beijing (PEK)	101,0
3.	Dubai (DXB)	89,1
4.	Los Angeles (LAX)	87,4
5.	Tokyo (HND)	87,5
6.	Chicago (ORD)	83,3
7.	London (LHR)	80,1
8.	Hong Kong (HKG)	74,6
9.	Shanghai (PVG)	74,0
10.	Paris (CDG)	72,2
11.	Amsterdam (AMS)	71,1
12.	New Delhi (DEL)	69,9
13.	Guangzhou (CAN)	69,8
14.	Frankfurt (FRA)	69,5
15.	Dallas (DFW)	69,1



...and the top in terms of cargo tonnage



Cargo 2018 (in mil. t)

1.	Hong Kong (HKG)	5,12
2.	Memphis (MEM)	4,47
3.	Shanghai (PVG)	3,77
4.	Incheon (ICN)	2,95
5.	Anchorage (ANC)	2,81
6.	Dubai (DXB)	2,64
7.	Louisville (SDF)	2,62
8.	Taipei (TPE)	2,32
9.	Tokyo (NRT)	2,26
10.	Los Angeles (LAX)	2,22
11.	Doha (DOH)	2,20
12.	Singapore (SIN)	2,20
13.	Frankfurt (FRA)	2,18
14.	Miami (MIA)	2,13
15.	Beijing (PEK)	2,07

Fraport within a complex business environment



Various strategic challenges for Fraport

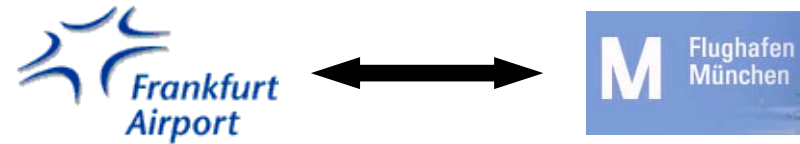
Important determining factors for future market success



„Three level competition“ for Frankfurt Airport

1

Competition within
Lufthansa/ Star Alliance



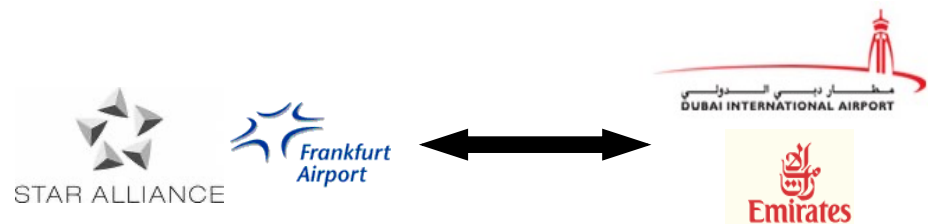
2

European Airport Competition



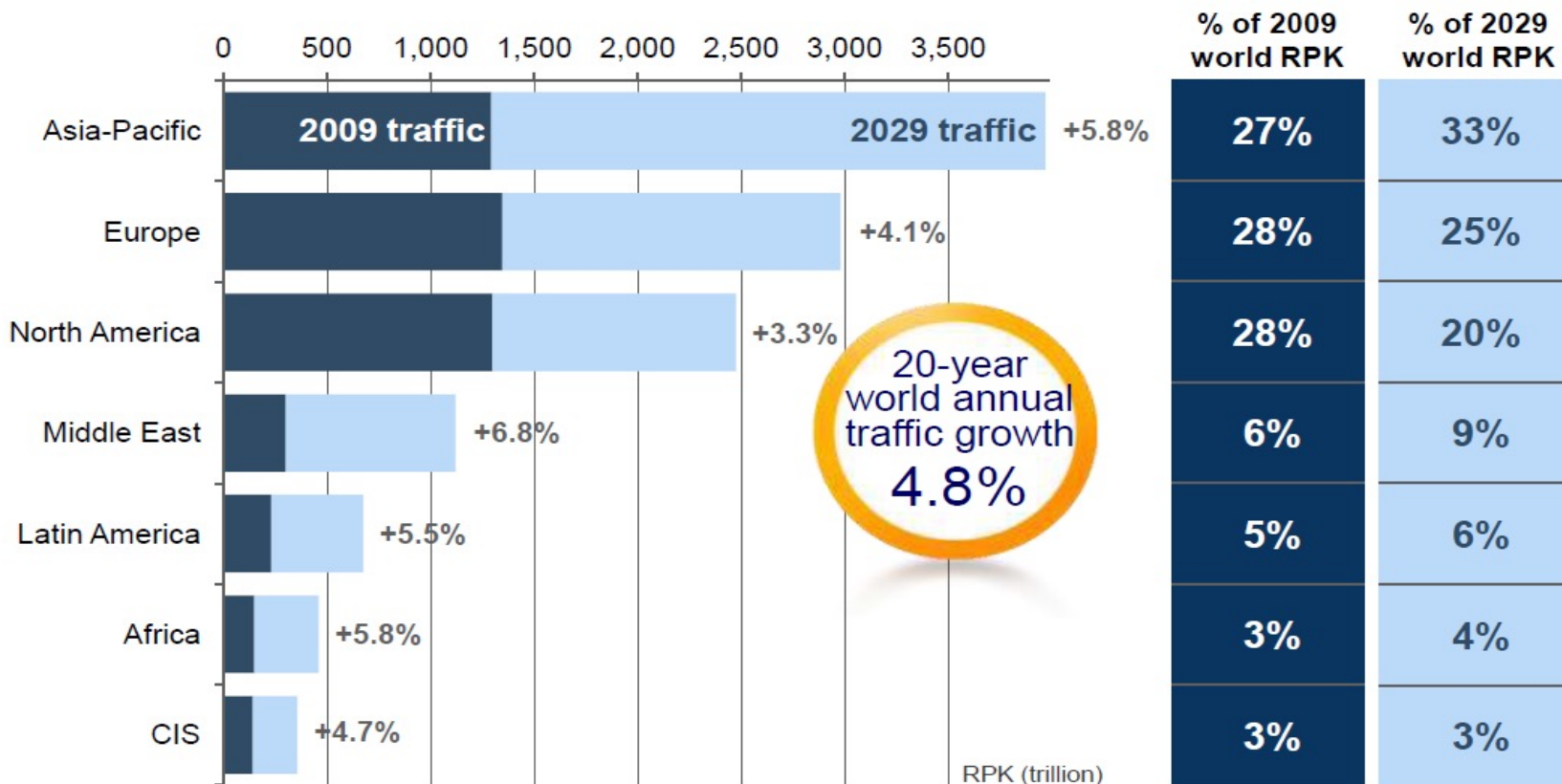
3

Global Competition

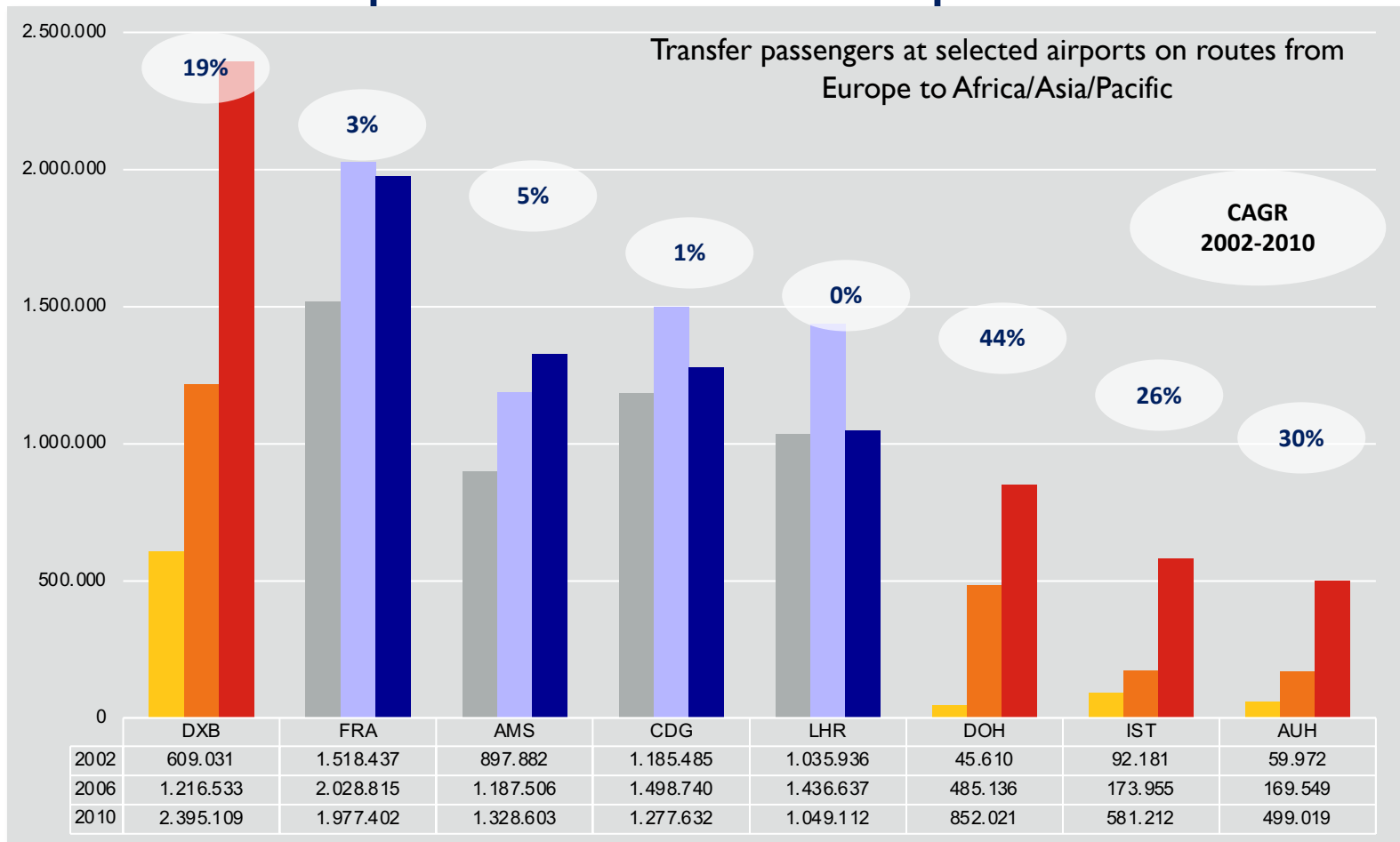


Asia/Pacific will develop to the strongest aviation market in the world

2009 and 2029 traffic volume per airline domicile region

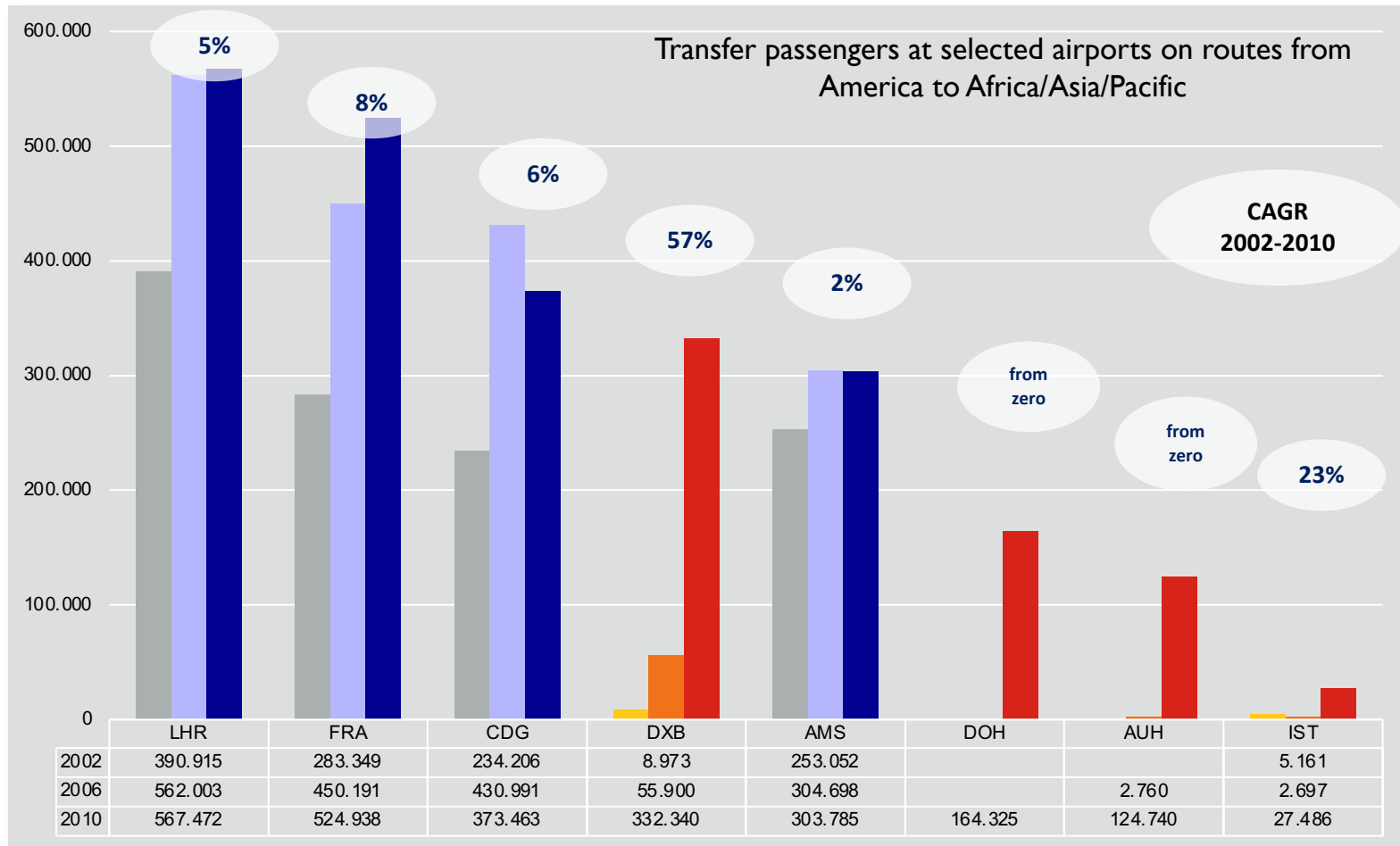


Strong growth of Transfer Passengers from Europe at Middle East Airports



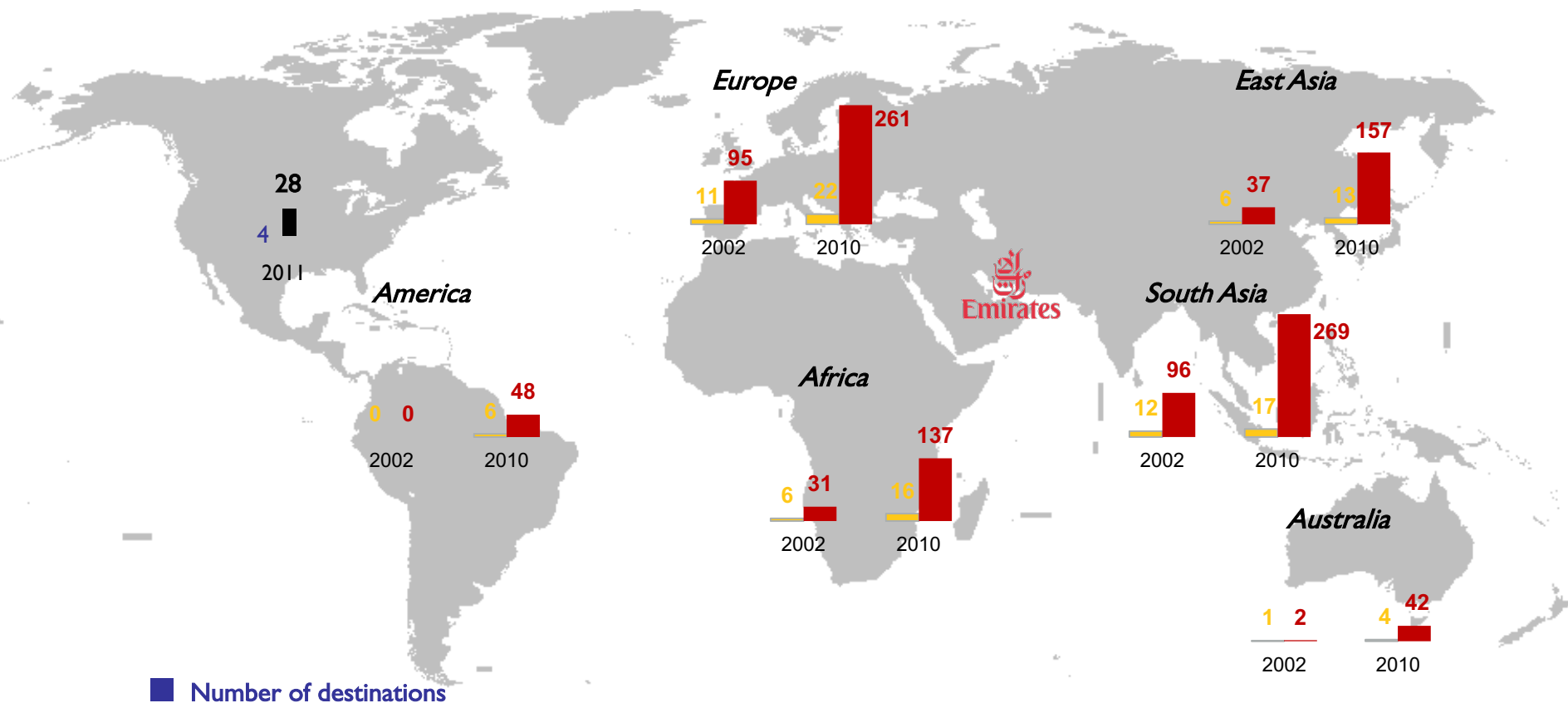
Quelle: Sabre ADI, 09/2011

...as well as of intercontinental passengers!



Quelle: Sabre ADI, 09/2011

Emirates intercontinental network 2002 vs. 2010: Number of destinations more than doubled, frequencies more than tripled!



■ Number of destinations

■ Frequencies per week

Quelle: Sabre ADI, 09/2011

Fraport Mission Statement

We professionally develop mobility, making it an exciting experience for our customers. As an airport group we are the most strongly performing player in all business segments of the industry.

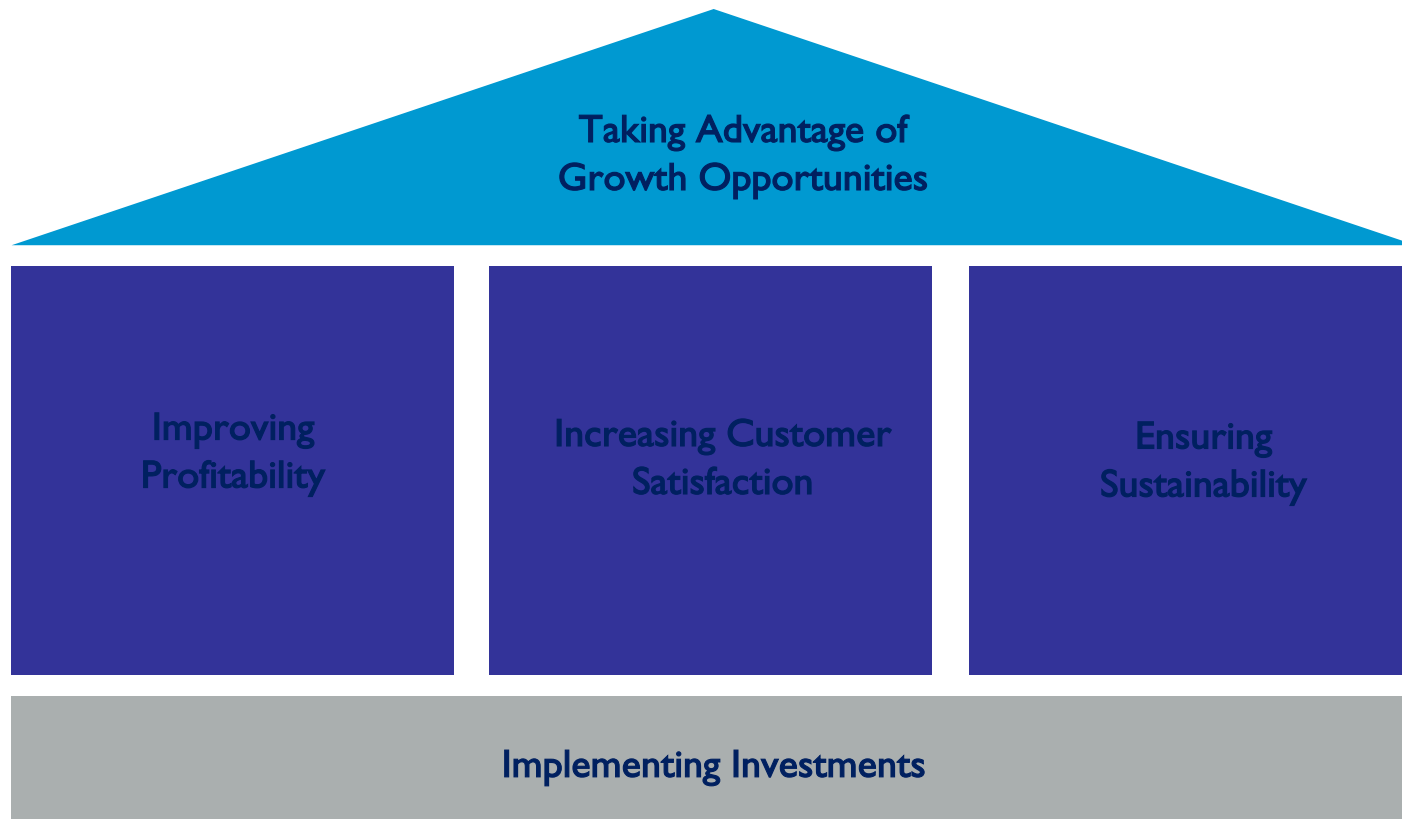
For Fraport, airports are worlds of excitement and diversity as well as intermodal hubs. We systematically link different modes of transportation.

At all our locations process efficiency and innovation is our hallmark. Our success is based on competitive integrated services, which flexibly meet our customers' requirements.

Our top priority is safety and security.

In pursuing our business, we create sustainable value for the benefit of our shareholders, employees, and the regions where we are located.

Fraport's Strategy – “Agenda 2015”



Further reading: <http://www.fraport.com/content/fraport-ag/en/company/vision/group-strategy.html>

Where are we coming from, where are we going?



**Technology,
expansion of
infrastructure**

Yesterday



**Processes,
infrastructure,
management,
customers**

today

“People serve processes”



**Focus on
customers**

tomorrow

“Processes serve customers”

Flughafen Frankfurt Main AG (Fraport's predecessor) is a market and customer-oriented company.

“The Airport Managers”
We professionally develop mobility and turn it into an experience for our customers.

... and tomorrow?

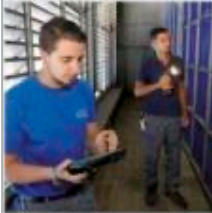





„Gute Reise! We make it happen“ – Fraport Group's new Mission Statement



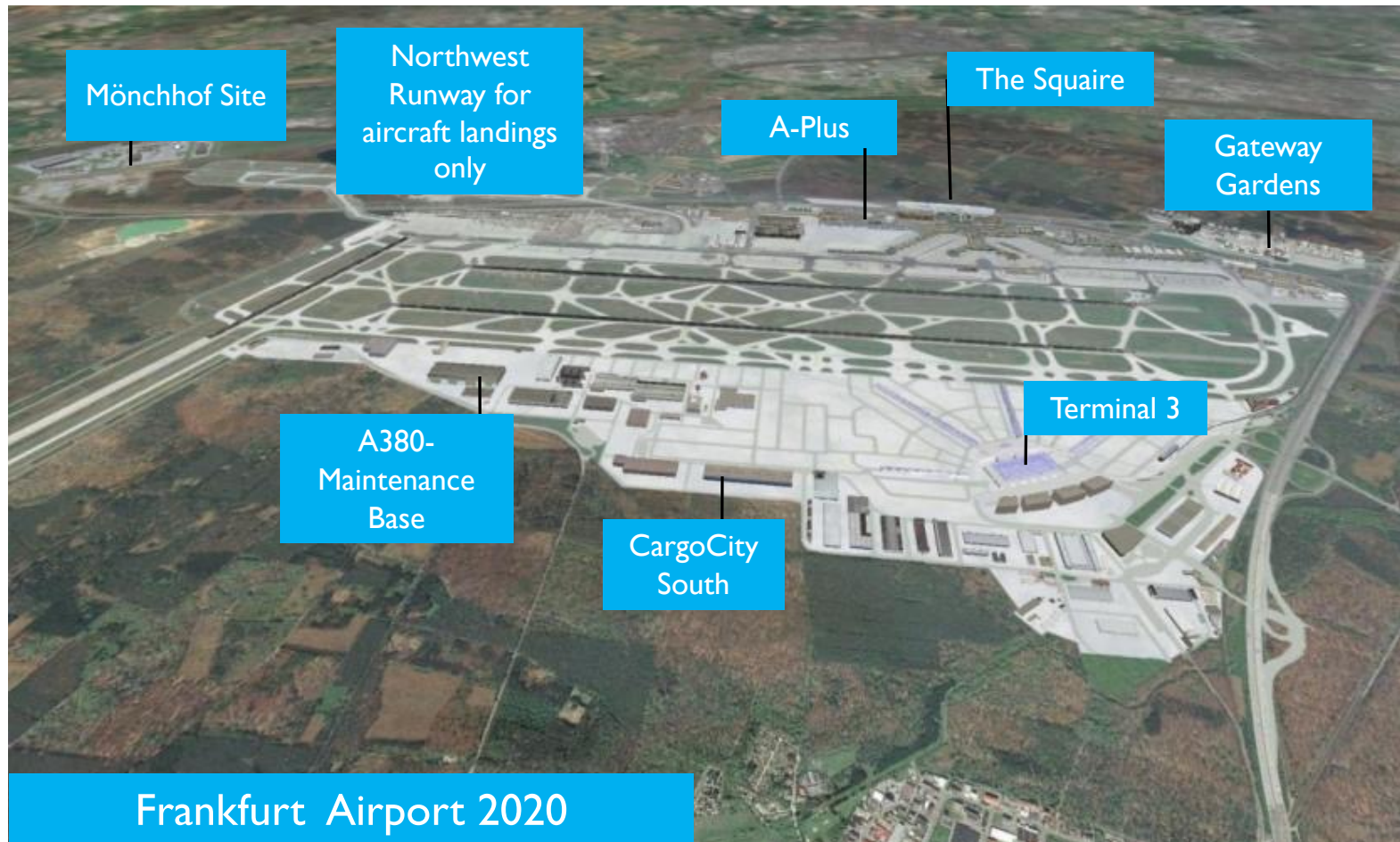
Our new mission statement



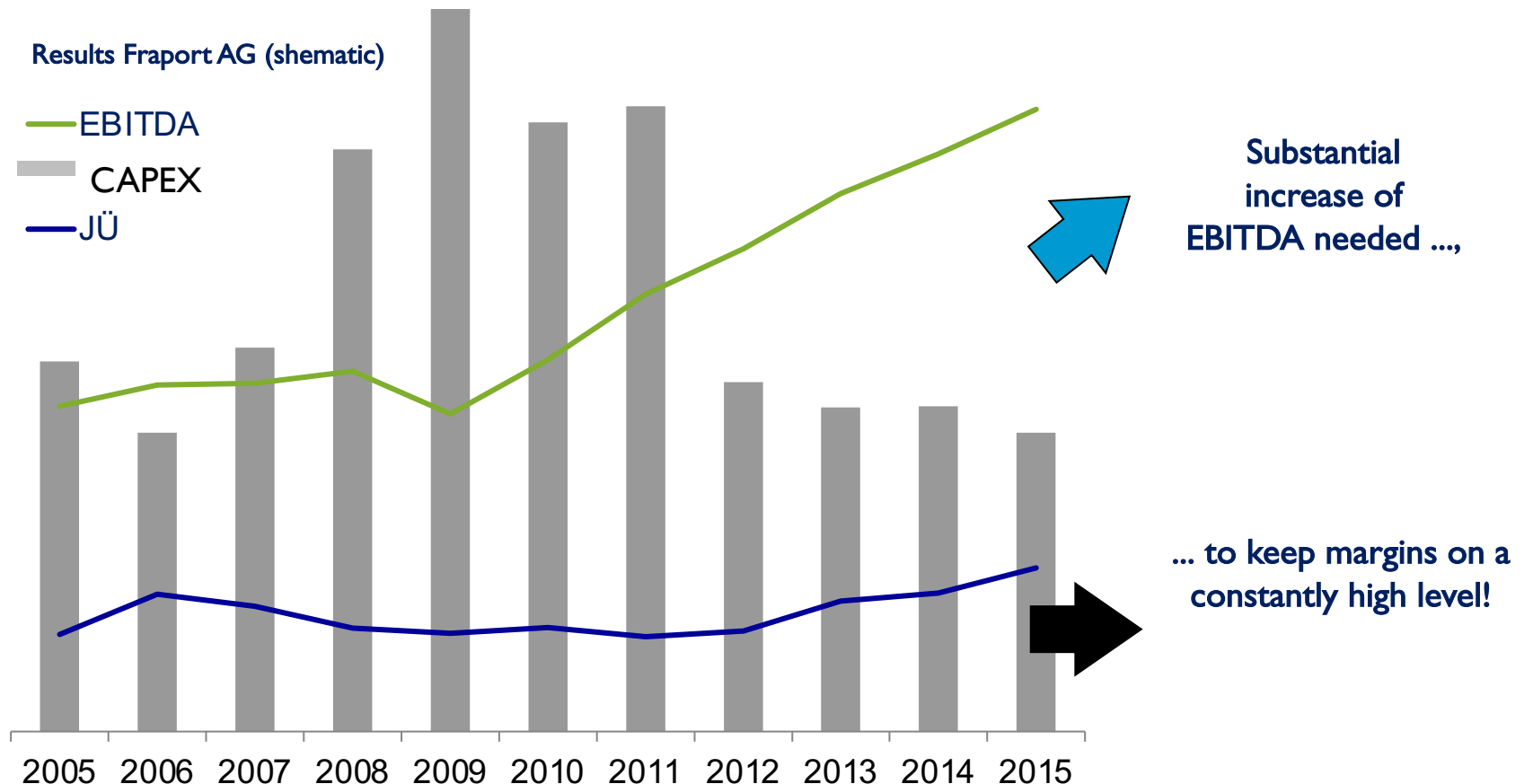
Our Mission Statement places the customers – and the people ensuring their comfort and well-being – at the heart of our activities

				<h3>Unsere Aufgabe</h3> <p>Für unsere Kunden betreiben wir weltweit erfolgreich Flughäfen und bieten dazugehörige Dienstleistungen an. Wir schaffen die Voraussetzung für internationale Vernetzung, wirtschaftliche Entwicklung und Wohlstand.</p> <p>Dabei wollen wir:</p> <ul style="list-style-type: none"> • das Mobilitätsbedürfnis der Wirtschaft und Gesellschaft bedienen, • unseren Partnern eine Plattform für ihre Geschäftsmodelle bieten, • Wirtschaftskraft und Jobmotor in den jeweiligen Regionen sein, • attraktiver Arbeitgeber und verantwortungsvoller Partner sein. 	
<h3>Unsere Werte</h3> <p>Kompetenz Zuverlässigkeit Einsatz</p>	<h3>Unsere Vision</h3> <p>Fraport – von Frankfurt in die Welt.</p>		<h3>Unsere Werte</h3> <p>Kompetenz Zuverlässigkeit Einsatz</p>		
	<p><i>Wir sind Europas bester Flughafenbetreiber und setzen weltweit Standards.</i></p>	<h3>Unsere Werte</h3> <p>Vertrauen Offenheit Mut</p>		<h3>Unsere Ziele</h3> <p>Wir wachsen in Frankfurt und international. Wir sind ein serviceorientierter Flughafenbetreiber und richten unsere Prozesse auf unsere Kunden aus.</p> <p>Wir handeln mit dem Blick auf das gesamte Unternehmen. Durch optimale Zusammenarbeit im Konzern behaupten wir uns im Wettbewerb und sind wirtschaftlich erfolgreich.</p> <p>Wir sind eine lernende Organisation und orientieren uns dabei am Markt.</p> <p>Wir gehen fair und anerkennend miteinander, mit unseren Partnern und unseren Nachbarn um.</p>	<h3>Unsere Werte</h3> <p>Vertrauen Offenheit Mut</p>
					

Implementing investments: We are developing Frankfurt Airport into an attractive airport city



Improving Profitability Challenge 2011ff: Substantial increase of EBITDA is needed to finance CAPEX



Increasing Customer Satisfaction

Customer Service Campaign “Great to have you here”

Friendly
Attention



Quick and
Comfortable Travel



Shopping
and Experience



Pleasant
Surroundings



Great to have
you here!



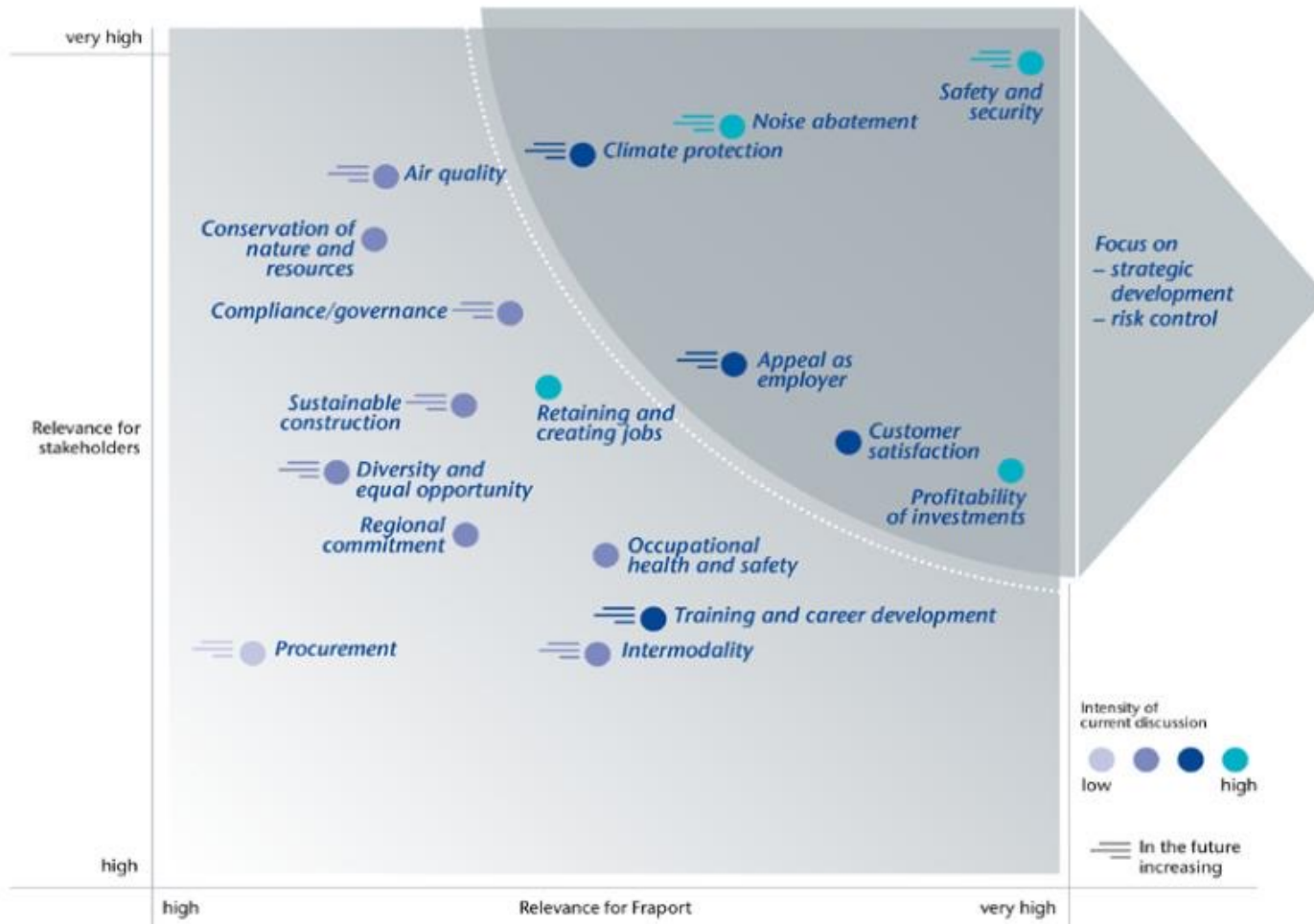
Goal:

≥ 80% of customers
are overall satisfied with FRA
by 2015*

→ Special focus lies on transfer
passengers!

* Satisfied customers: Customers who evaluated their overall satisfaction with the grades 1 or 2
(on a scale 1-6, 1 being the best grade); Fraport's passenger survey

Ensuring Sustainability - Materiality Matrix



Taking Advantage of Growth Opportunities

Strong Traffic development



Retailing



Extension of External activities



Development Airport City

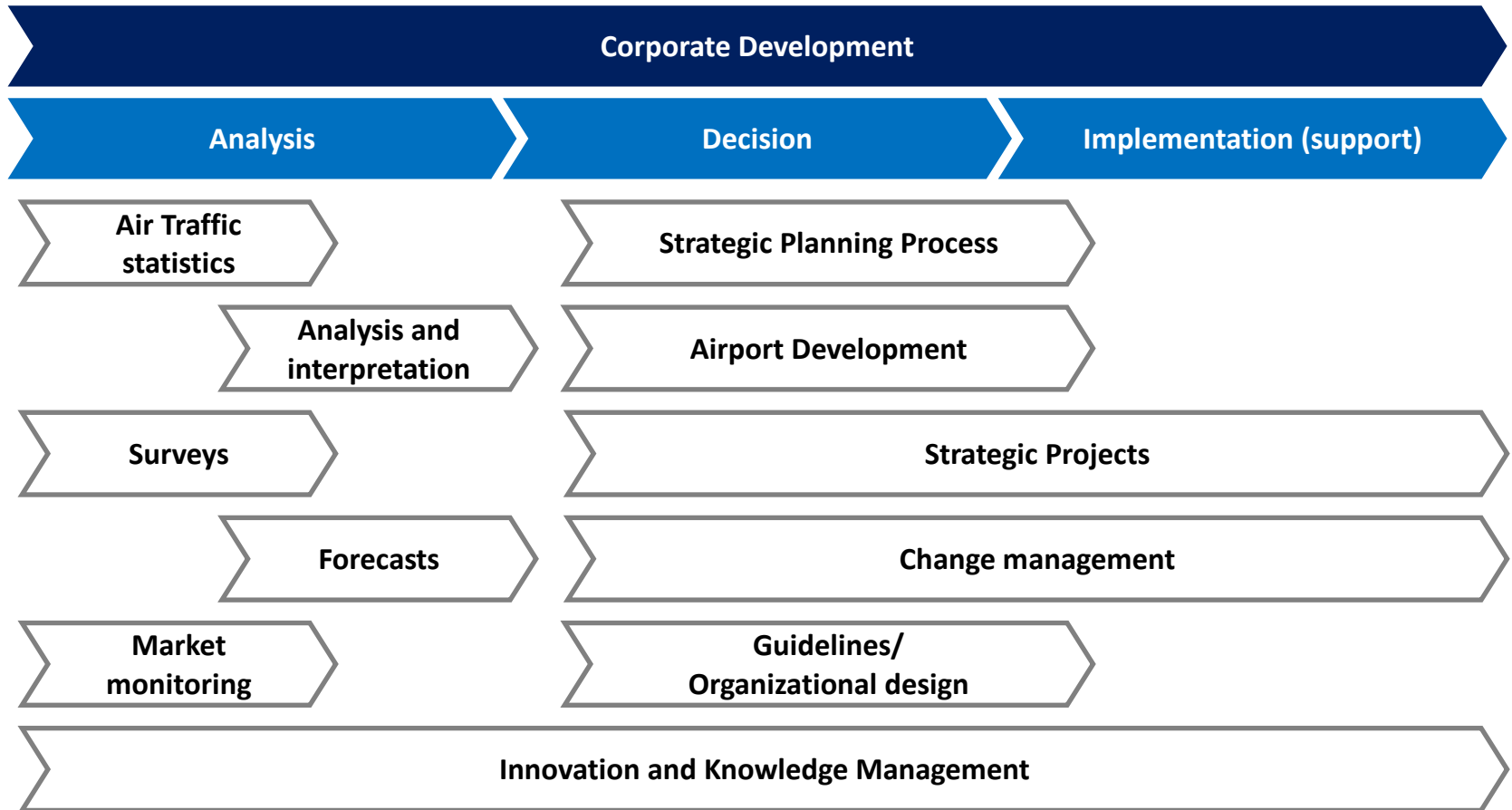
Central Division Corporate Development

Mission:

The central division Corporate Development is responsible together with the executives for the successful strategic positioning and further development of the Fraport-Group.

It is at the same time “sensor in the market” and “driver of changes” for all strategic relevant topics.

Corporate Development



Fraport has a clear strategic planning process

Clear cut between long-term strategic planning and short-term operational planning

- Strategic Planning (10 years): Development and freezing of mid- and long-term goals
- Operational Planning (2 years): Base for financial controlling

Stronger Focus on top-down-approach

- 1. Step: Configuration of investments, freezing of strategic and financial goals are used as presetting for the strategic planning
- 2. Step: Approved strategic plan is used as a presetting for the operational planning of the business units

Stronger linkage between strategic projects and strategic planning

- Concrete strategic projects are the base of the strategic plan
- A central Project Controlling is established, monitoring the numerous strategic projects

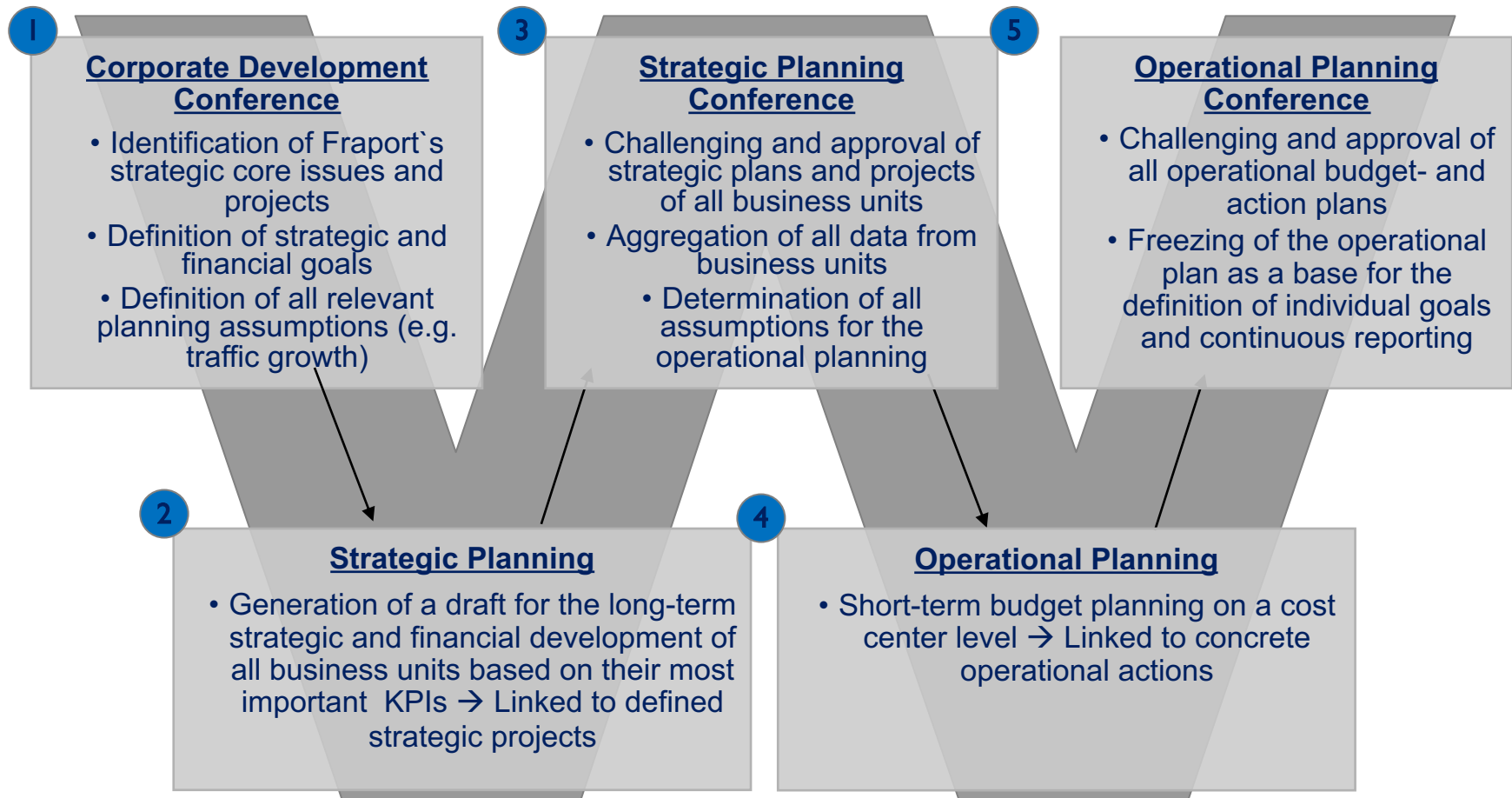
Stronger focus on business units rather than on company segments

- Strategic discussion and financial strategic planning is done on the level of business units
- Presentation of each business units strategic plan in front of the board by the respective head of the business unit → higher level of commitment and responsibility for the heads of the business units

Reduction of planning efforts

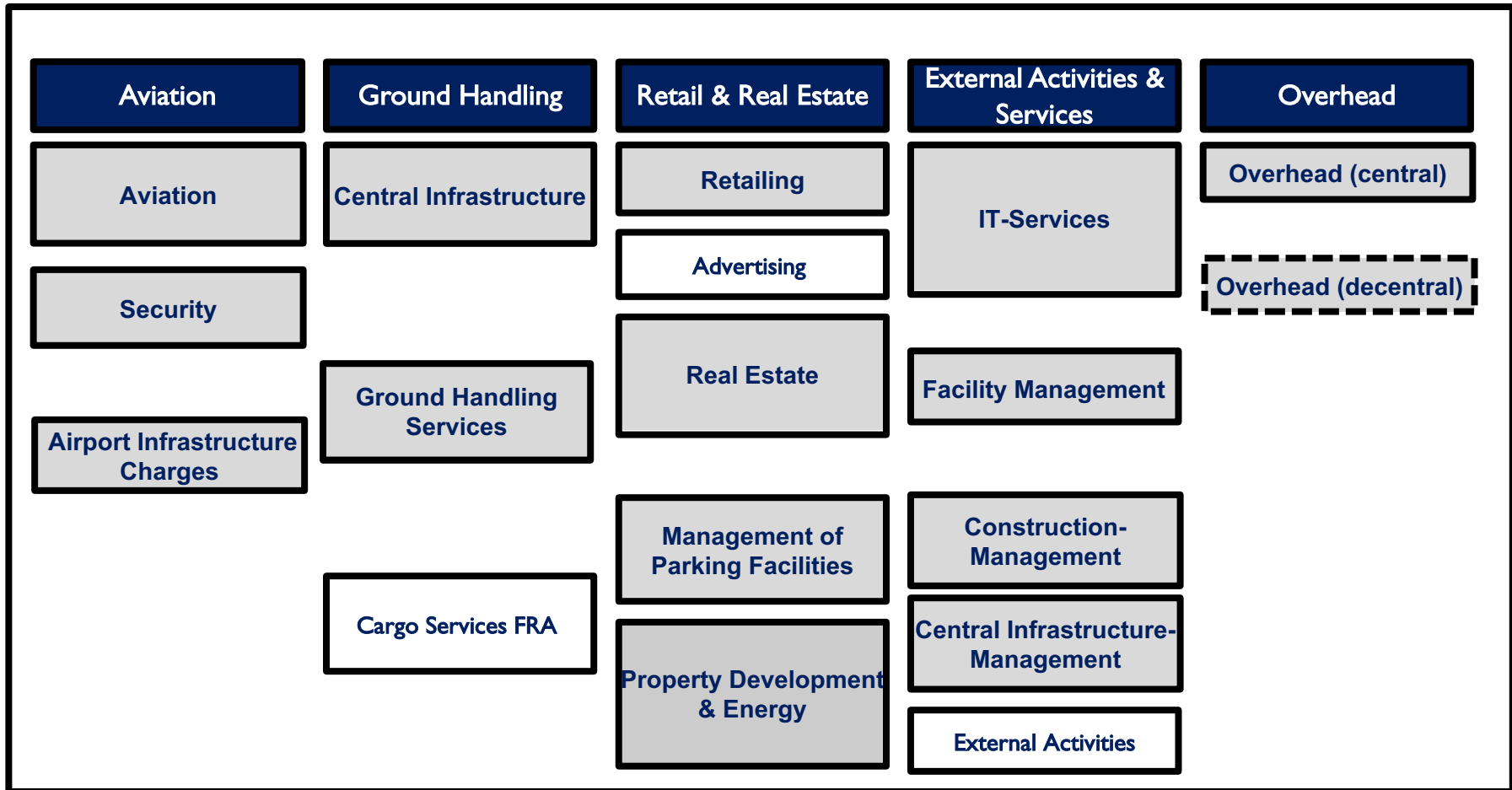
- Less detailed strategic plan
- More structured and standardized strategic planning process

Strategic planning process



Process links long-term strategic planning and short-term operational planning

Corporate Planning is based on Business unit level

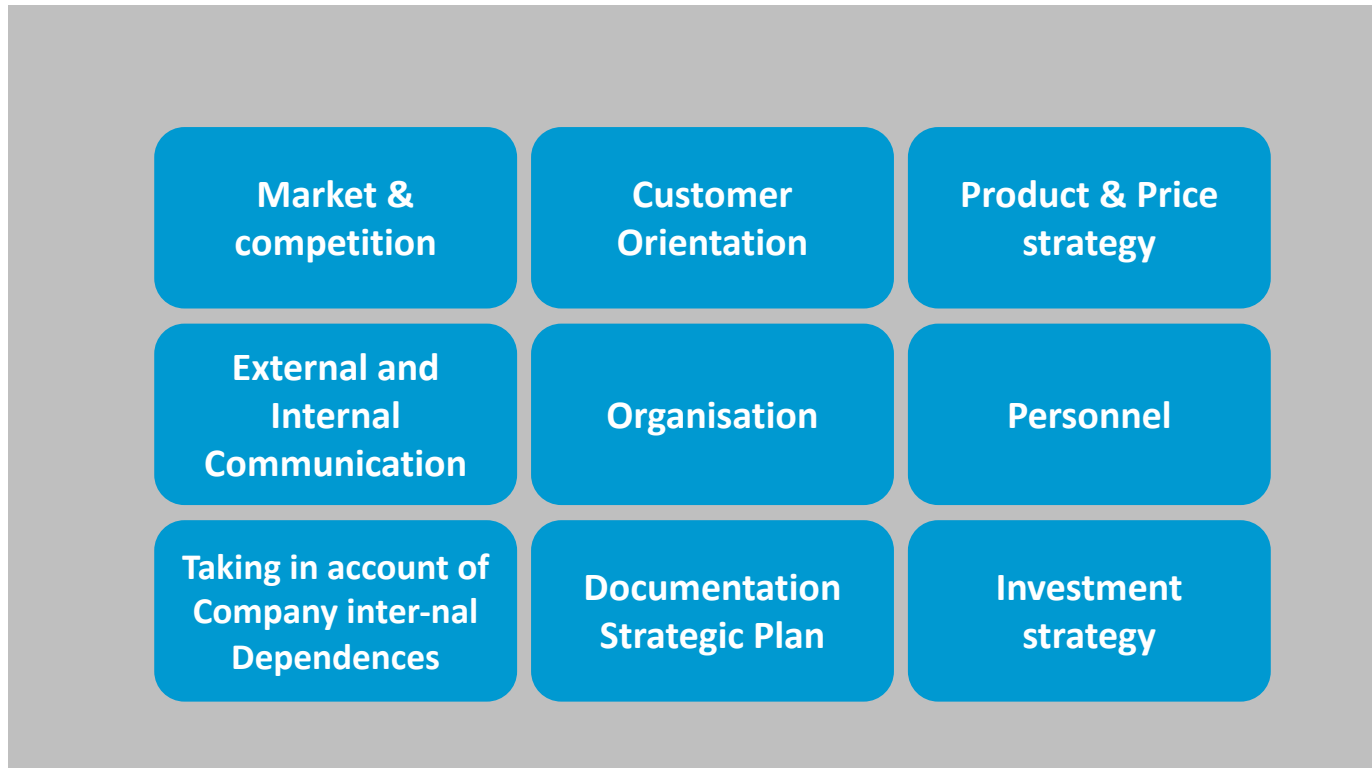


Strategic “Fitness Check” optimizes planning quality on corporate and unit level

- **Ensuring the uniform high level** of the strategic plannings of all business units
- **Formal standardization** of the documentation of the strategic orientation of the business units
- **Increasing transparency** of the strategic planning of the business units along unified criteria
- **Identification of optimization areas** and necessities for support of the business units
- **Test of the compatibility of the business units specific strategic plannings with the company strategy**

Strategic “Fitness Check”

Themes considered



For every theme appraisal criteria are defined to validate the strategic planning of the business units

Example: Strategic top projects at Fraport

Operational Excellence

Prepare all business units at Frankfurt Airport and all the other companies and state authorities working at the airport (i.e. airlines, police, catering companies, ...) for the expected traffic rise after entry into service of the new runway and the additional terminal capacity

Capacity development

Enlarging the terminal capacity at Frankfurt Airport to cope with the expected additional traffic (i.e. construction of Terminal 3)

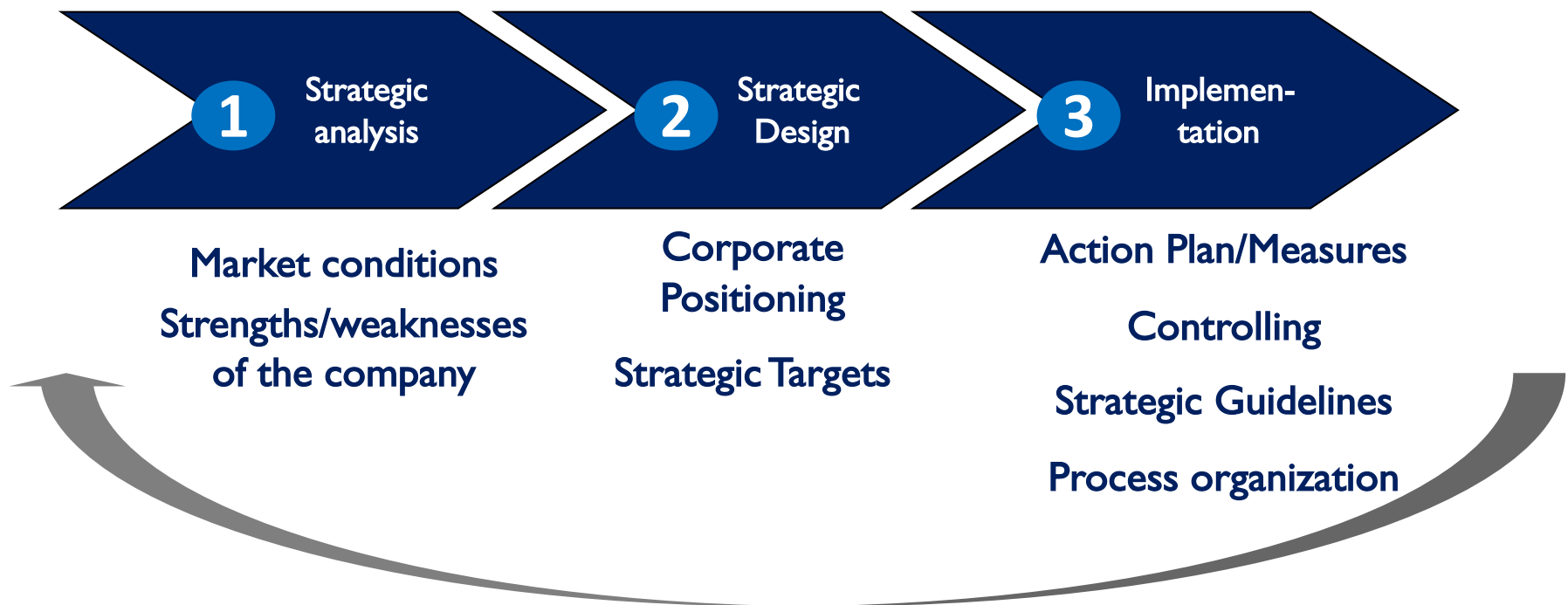
Personnel strategy

Preparing Fraport for the personnel developments of the coming years (i.e. rise of personnel demand, consequences of the demographic evolution in Germany, ...)

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4	• Eight practice-based strategic tools to manage the process
5	• Strategic development for airports: What are the differences to other companies?
6	• “Real-life example”: Fraport AG
7	• Exercise

Strategic Exercise Airport

Remember: The Strategic Process



Exercise in working groups

1

**Strategic
analysis**

1. SWOT Analysis

Write down specific strengths, weaknesses, market opportunities and threats for the airport

2

**Strategic
Design**

2. Mission Statement

Exemplify in short sentences

- a) A Business mission (what are we doing today?)
- b) A Corporate Vision (future image of our business) for the Airport

3

**Implemen-
tation**

3. Strategic Targets

Write down examples of possible strategic targets for the airport

4. Strategic Measures

Discuss/write down possible strategic measures to be integrated in an future action plan (3-5 years) for the Airport

Results of your exercise working activities

- Presentation of the results of each group by a selected group member (max. 10 min.)
- Discussion and Conclusions (Plenum)
- Follow up in the further practical parts of the training program

Thanks for your attention!

Any more questions?