

Connectivity

PRESENTED TO:
**Inter-American Congress of
Ministers of Tourism**

PRESENTED BY:
Ricondo & Associates, Inc.

PRESENTED ON:
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Discussion Topics

- Defining connectivity
 - What does connectivity mean?
 - Different connectivity models
- Connectivity in Caribbean region
 - Airlines and connectivity options
 - Barriers and challenges to connectivity
- How to improve connectivity
 - Strategies to improve air service

Defining Connectivity

Defining Connectivity

- Merriam-Webster definition:
 - the quality, state, or capability of being connective or connected
- The International Civil Aviation Organization (ICAO) definition:
 - Connectivity is an indicator of a network's concentration and its ability to move passengers from their origin to their destination seamlessly
- Air connectivity is usually measured by the following metrics:
 - Frequency, seat capacity, fares, schedules, itinerary duration, number of destinations, airline concentration
 - These factors are influenced by overall passenger demand, local economic factors, business and leisure links, awareness/attractiveness, passenger profiles (business, leisure, VFR), etc.

Connectivity Models

▪ Traditional Hub and Spoke Model

- Emirates, American, Copa
- Designed for connections
- Costly to operate
- Serves many O&D markets

▪ Hybrid Model

- Southwest, JetBlue
- Focus cities designed for connections
- Will overly focus cities for larger O&D markets

▪ Point to Point Network

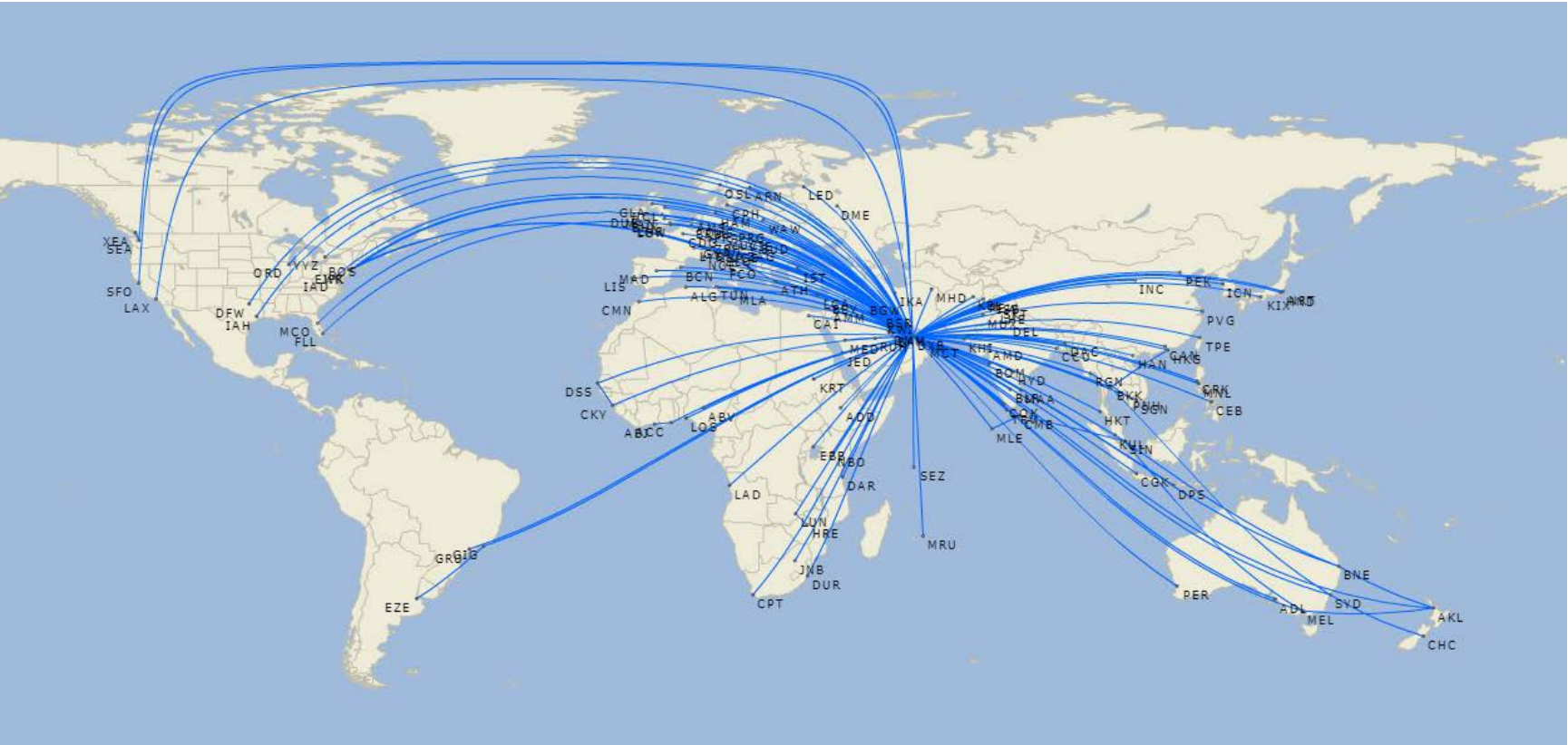
- Allegiant, Ryanair
- Eliminates connections
- Reduces elapsed time
- Serves primarily local passengers

▪ Alliances and Partnerships

- oneworld, SkyTeam, Star Alliance, Interline and Codeshare
- Sales, Ticketing and Baggage agreements
- Seamless experience to travelers
- Increases connection options

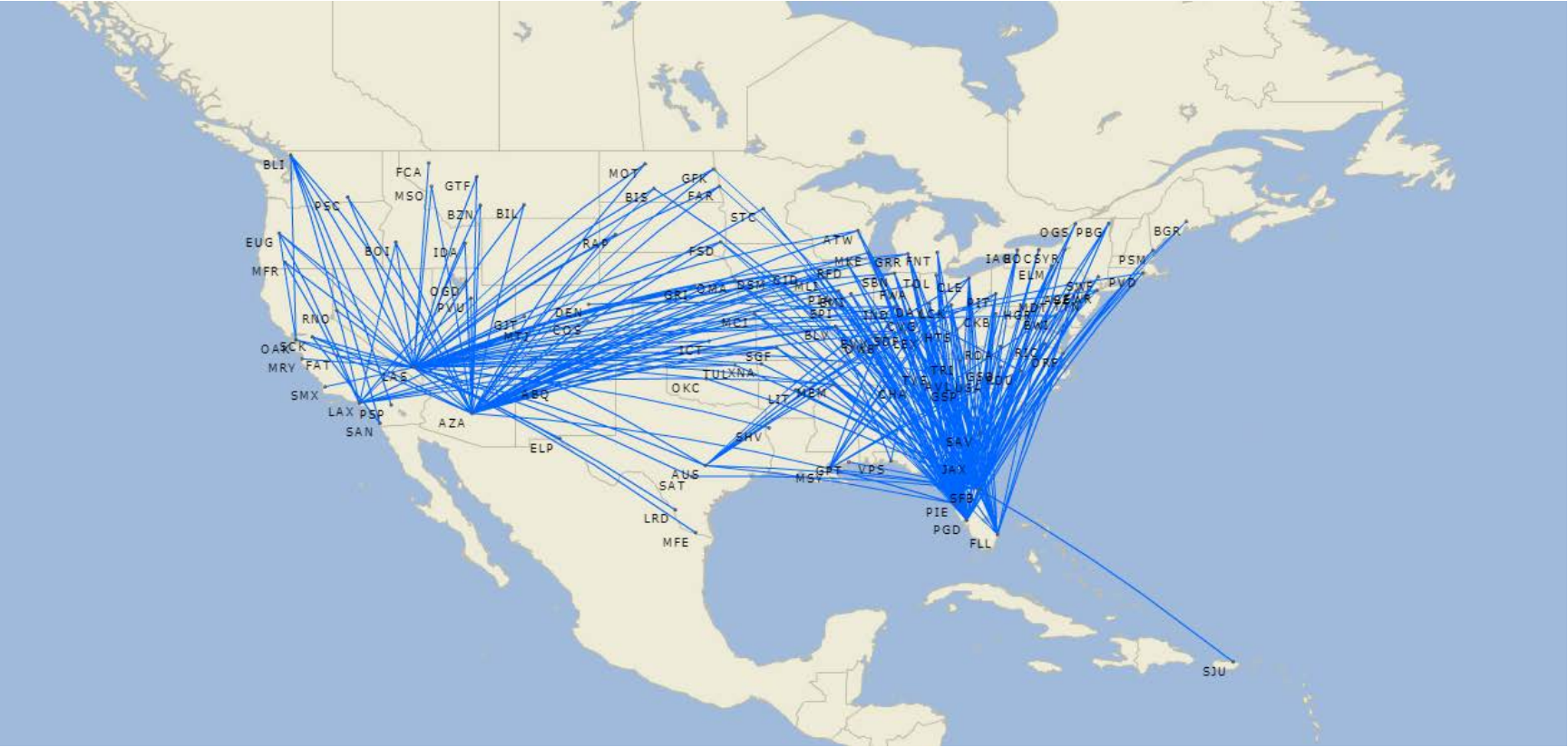
Hub Model – Emirates

Emirates DXB Hub
March 2018



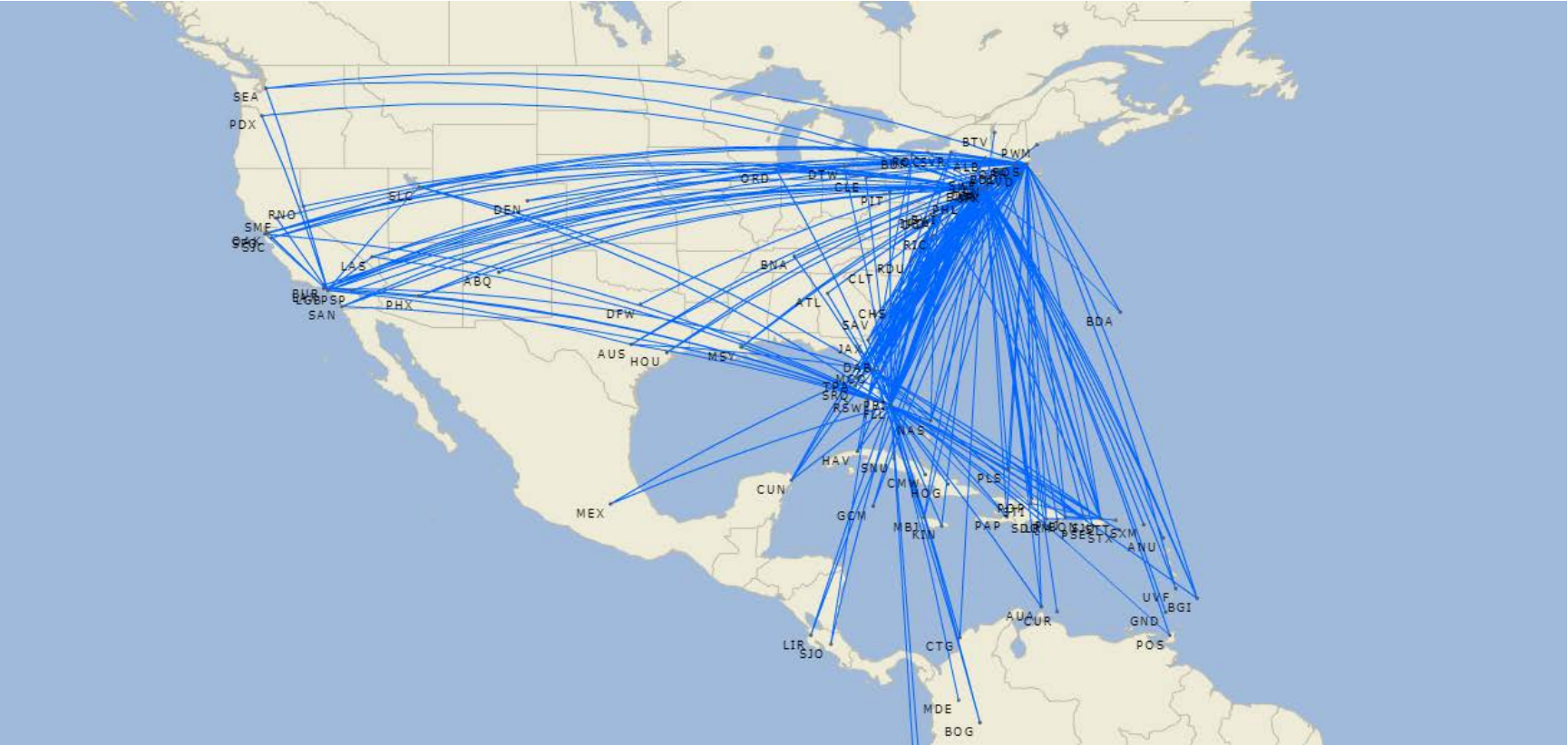
Point to Point Model - Allegiant

Allegiant Airlines Network
March 2018

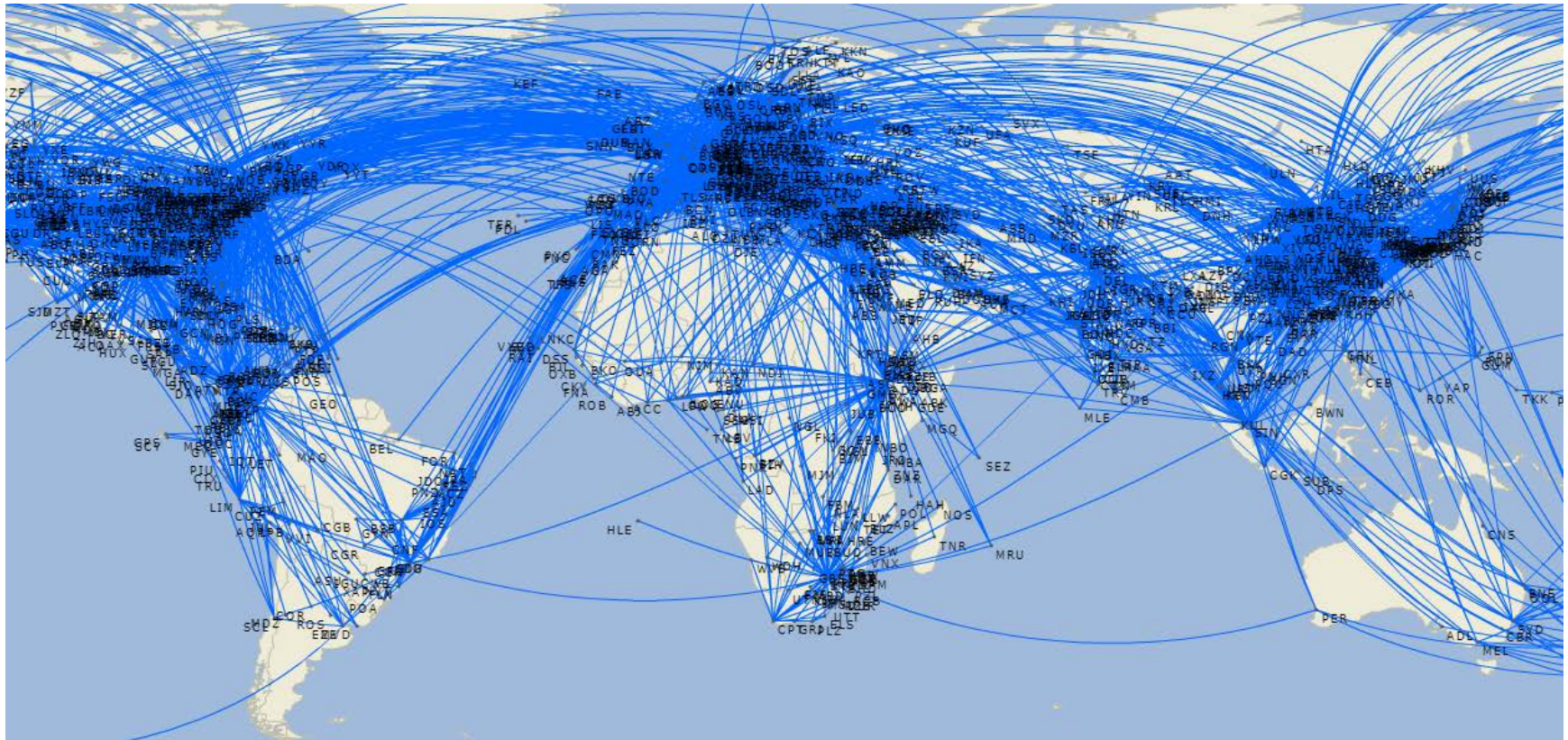
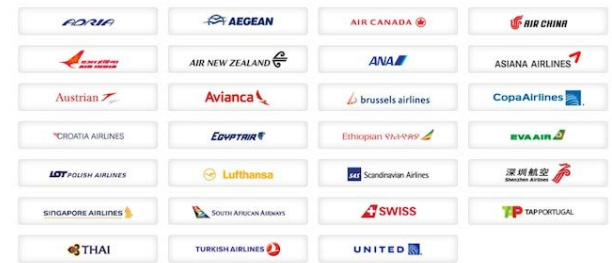


Hybrid Model - JetBlue

JetBlue Network
March 2018



Global Alliance – Star Alliance



Why is connectivity important?

- Consumers are primarily focused on:
 - Schedule
 - Price
 - Distance/Elapsed Time
 - Service
- Destinations generate economic growth from improved connectivity through:
 - Increased visitation (tourism and VFR demand)
 - Increased business investment and business travel

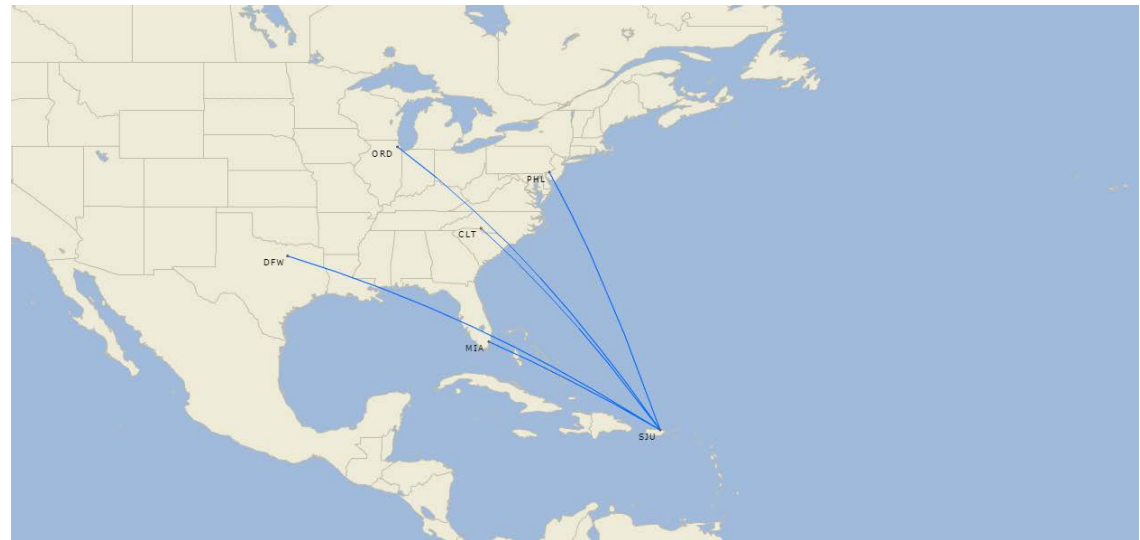
Connectivity in Caribbean Region

AA SJU Network Changes

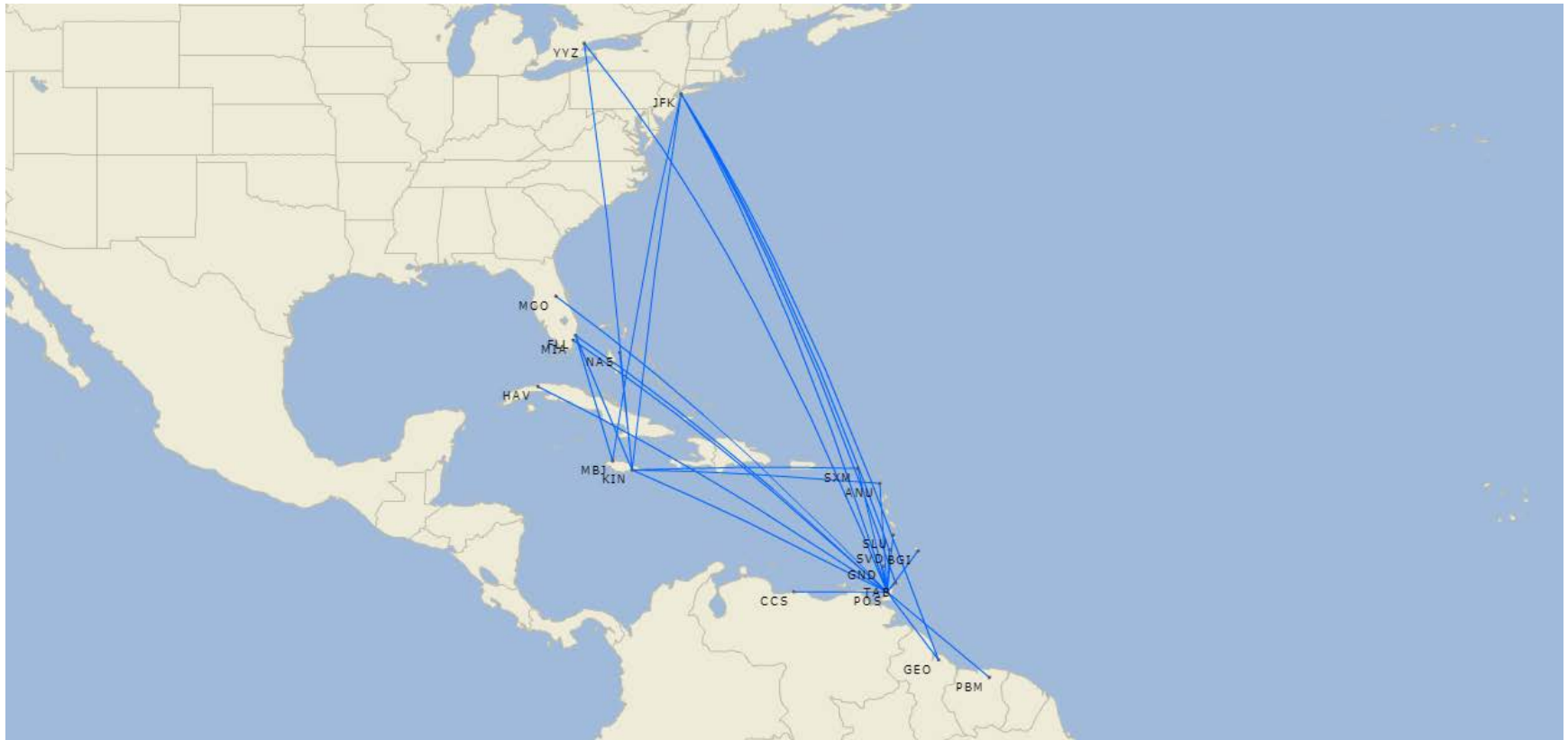


American Airlines
SJU Hub March 2011

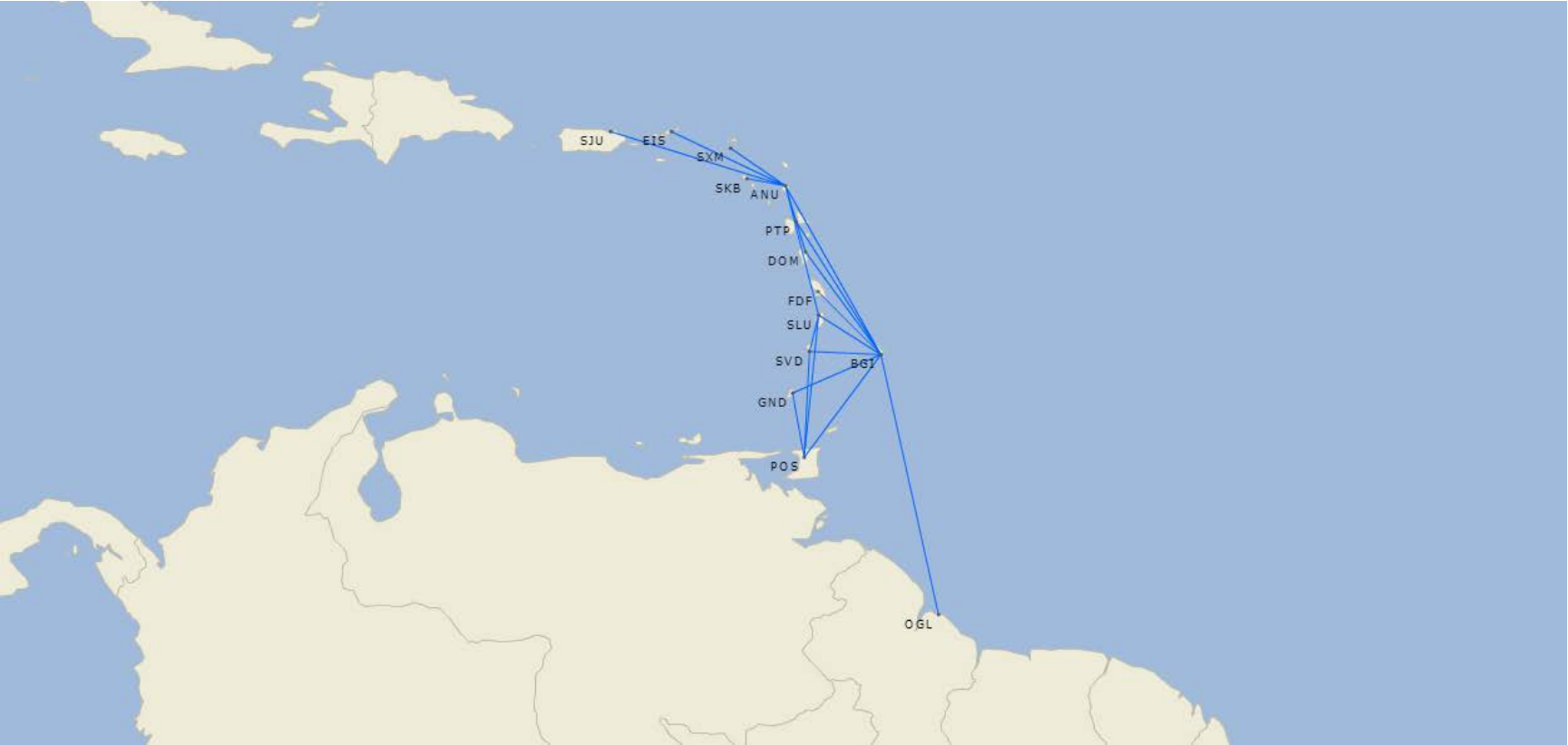
American Airlines
SJU Network March 2018



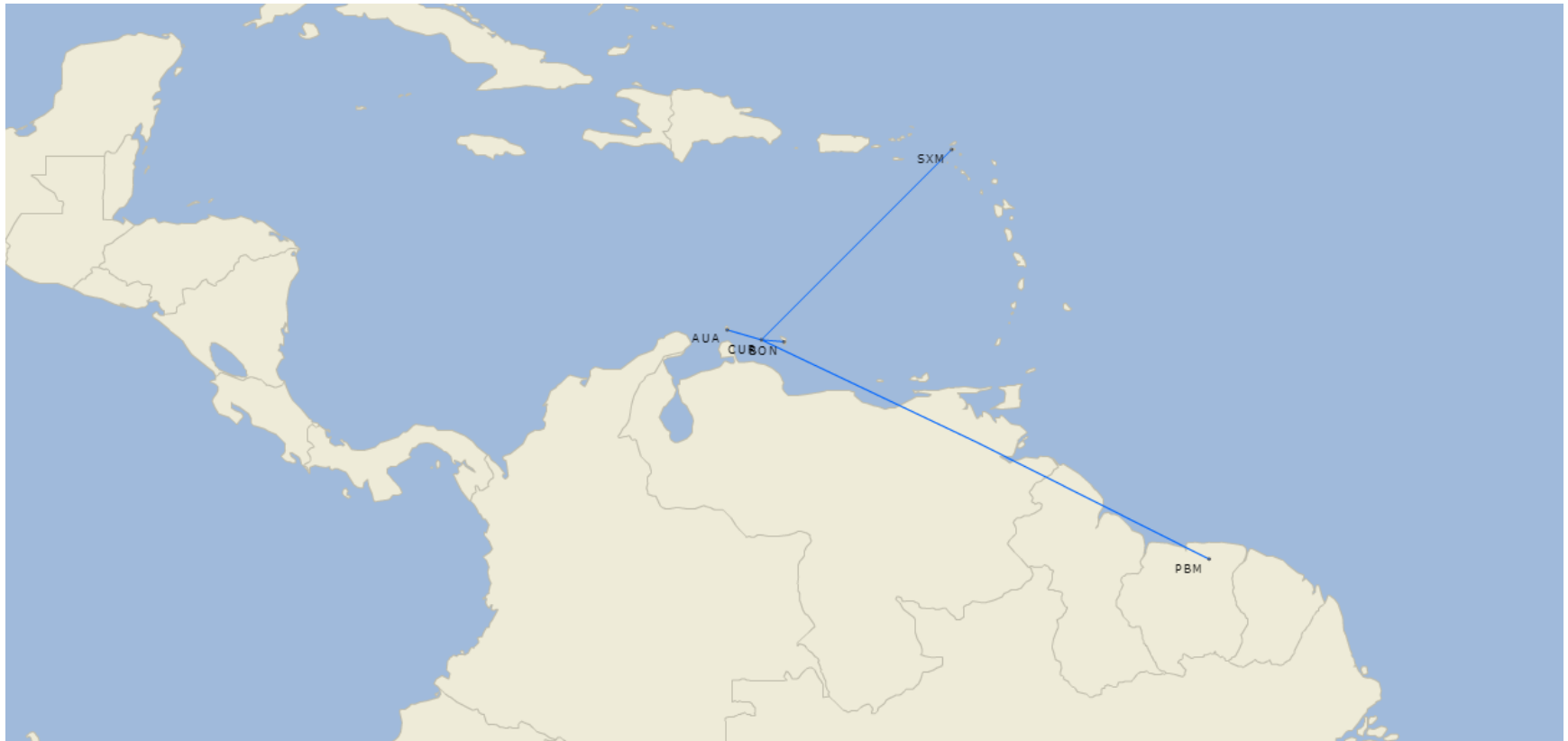
Caribbean Airways Network March 2018



LIAT Network March 2018



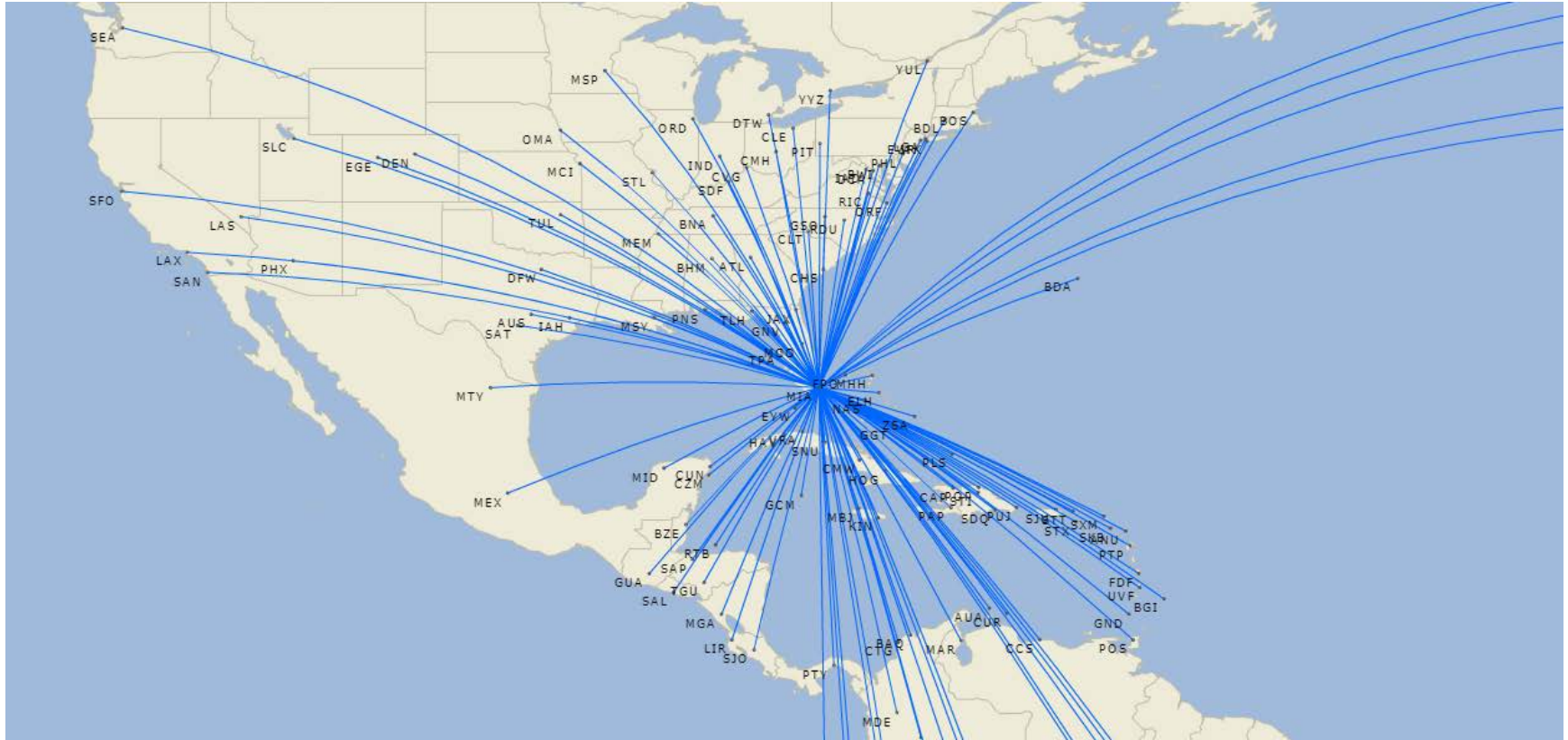
Insel Air Network March 2018



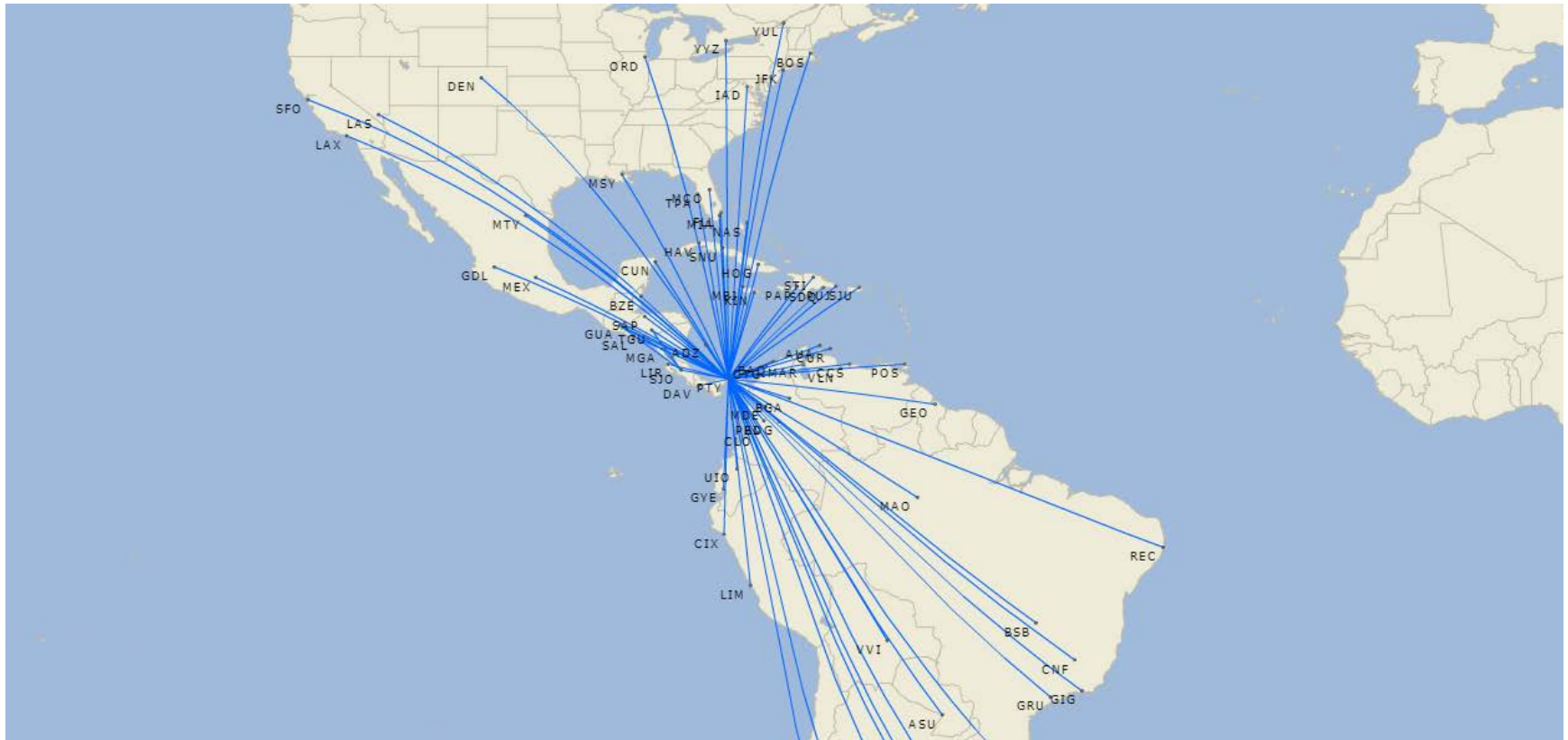
Connectivity challenges in Caribbean

- Segmented air service and schedule alignment challenges
- Smaller market sizes limits frequency and connectivity options
- Seasonal leisure demand variances
- Regional differences in demand (North America vs. Central America)
- Air Fares - taxes make up a large portion of ticket price
- Visa requirements and bilateral restrictions
- Large regional hubs compete for traffic

American Airline MIA Hub March 2018



Copa Network March 2018



How to Improve Connectivity

Drivers of air connectivity

▪ **Geography**

- Air connectivity is extremely important to countries/destinations with isolated air travel markets, particularly islands, where passengers have few travel options
- Some countries have leveraged their geography despite low volumes of local travel demand, such as Dubai and Doha

▪ **Infrastructure**

- Adequate infrastructure is paramount for increased air service
- Without adequate transportation infrastructure (airport, hotels, car rentals, etc.) air service will fail to produce adequate returns on the investment

▪ **Airline business models**

- Legacy hub and spoke models tend to provide more connectivity options, yet limited service for spokes
- Point to point models tend to focus on large local demand markets

▪ **Regulatory environment**

- Bilateral rights, visa requirements, tax policies, arrival/departure fees, and customs and immigration policies all influence air travel demand

How to improve connectivity

- Unfortunately you cannot change your geography, yet you can develop a strategic plan for improving connectivity
 - Remove or reduce regulatory and economic barriers and create regulatory and economic policies that are focused on stimulation of demand
 - Focus on ensuring adequate infrastructure to support increased service
 - Increase awareness for your destination in key strategic markets and leverage existing passenger demand (cruise passengers, data collection on entry).
 - Highlight unique qualities of the market
 - Seek appropriate air service, targeting the right airlines for the right markets at the right time

Questions