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## Making the Up-Grade: CONSIDERATIONS FOR FBO FACILITY UPDATES

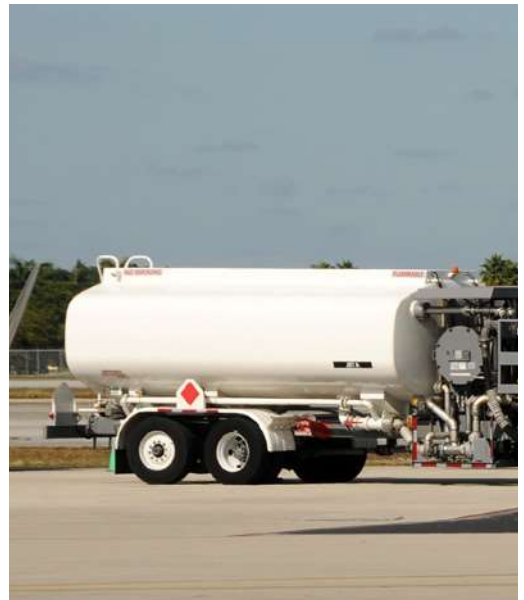
*Consider potential ROI on all aspects of renovations to make the best impression at your FBO.*

**THERE'S AN inside joke in the construction industry surrounding the word "building." Unlike most -ing words in the English language which connote an ongoing action — such as running — the word building is unique. As the joke goes, once a building is complete, why isn't it then called a built? Because, it's never really done. Homeowners know this to be true. One is constantly upgrading, renovating, modernizing, and etcetera. For despite how they may appear to the eye, buildings are anything but static structures.**

The same is true of FBO buildings. Changes in technology, customer needs, competition and the regulatory environment means FBOs too, must constantly evolve. For an FBO owner then, what considerations should be made before undertaking a facility upgrade or update? For the purposes of this article, we'll limit our discussion to only those facility updates or upgrades that are voluntary — not those mandated because of a new concession agreement with an airport that requires a commensurate investment in leasehold

improvements. As a result, we can focus on the truly important — the why — behind the upgrade, update or remodel.

Rare is the FBO manager who has received a customer complaint regarding their FBO facility itself—most complaints in any customer service industry focus on customer service or price. While customers may be unimpressed by an FBO's facility or consider it sub-par by some their standard, few will actually voice a complaint about the edifice itself. Instead, they'll vote with their feet and the FBO just won't see that customer very much anymore — if at all. Likewise, the most impressive FBO facility in the country can be undone by poor customer service. Don't believe me? Pick the nicest FBO in the country in terms of facilities and staff it with apathetic, untrained and disenfranchised employees, then watch what happens to that FBO's market share. Similarly — and within reason — even the most



austere FBO can command market share because of their people.

Hence, an FBO facility should be viewed as only part of a value equation for a customer, which in mathematics is referred to as a linear balance equation. This is to say several variables inform value to a customer, and if out of alignment in any one variable, a customer will perceive the imbalance in the equation. While this may seem like a complex theorem when presented this way, it isn't when we consider the variables. If value is the sum of the experience divided by the price paid, the experience at an FBO includes customer service, amenities, the facility itself, and a host of other benefits a customer may enjoy.

With this formula in hand, it

### ABOUT THE AUTHOR



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becomes easy to determine where to deploy limited capital when considering an FBO facility upgrade: Wherever the greatest Return on Investment (ROI) is for the perceived value of the upgrade

By contrast, the high traffic, visible areas of an FBO facility will have the greatest ROI to a customer and care should be taken to deploy those funds accordingly. These areas include, but

undertaking a facility upgrade that has little or nothing to do with the passenger experience. For example, installing LEDs or other high efficiency lighting in hangars and parking lots can significantly reduce the cost of electricity, altering the bottom line for an FBO. An upgraded Line Service Office also goes far to improve employee morale and working conditions for an FBO's most valuable assets — its employees. Such capital expenditures should also be considered and undertaken by FBOs. The only caution in this category of facility upgrade is that a customer will likely not notice the improvement nor care, and that's perfectly acceptable.

Understanding this difference, however, is key. While a lobby renovation may offer an opportunity to later incrementally raise prices and recover some of the cost of the upgrade from the customer, if customers don't directly benefit from the upgrade, such as a renovated employee area, the cost of the upgrade is difficult to recover later. And on that subject, if a price increase is to be implemented in concert with a facility upgrade to a passenger area, that increase should follow — and never lead the upgrade.

Finally, in planned FBO facility renovations that run into the thousands, share that vision for the renovation with the governing authority of the airport, the benefits it brings to the FBO and airport as gateway to the community and — long before construction commences — request additional term to your FBO's lease to assist in amortizing that expense. The additional 5-10 years that may be granted to a lease term may be the difference between undertaking the facility renovation, or choosing to apply yet another coat of paint. ▽



itself. Note that we added the word “perceived” in front of value this time. That's important because customers — not the FBO owner — are the arbiters of what is a valued upgrade to the facility versus what is not.

Imagine your FBO has \$25,000 to make an update to your passenger areas and you choose to upgrade an existing conference room with the latest state-of-the-art technology, allowing your customers to seamlessly connect with their colleagues around the world. The use of the conference room, like many of the FBO amenities, are complimentary — there for the enjoyment of the patrons. Yet, if the conference room is a seldom used amenity or squirreled away down a hallway and not in plain sight to every customer, the update has little ROI.

are not limited to restrooms, lobby areas, entry and exit doors to and from the ramp and the street side, exterior building cladding and landscaping, and odd though the last one may seem — vehicle gate areas. Vehicle gates, really? Except for the occasional need to use a restroom upon landing, the passengers — those individuals riding in the back of the airplane who either own the aircraft or chartered it — likely may never actually use the FBO facility at all. Their only experience will be entering and exiting the FBO's ramp in a personal vehicle or chauffeured transportation. Thus, their perception of value will be only what they see as they enter and exit the ramp through the gate.

Certainly, there is a different ROI equation for an FBO when