

I've been working with Mexican carriers recently and considering that one of the top priorities for RIC is to expand air service to grow into a medium-sized airport, I wanted to highlight a potential seasonal opportunity with VivaAerobus (IATA code VB). I have put together a brief market analysis below, comparing the similarities between the VB seasonal CVG-CUN service and how a similar service could be replicated from RIC.

Please see the analysis and accompanying data below.

Current Market Demand and Potential for Stimulation

CVG-CUN Route Data:

Total Passengers (One-Way, Q1 and Q2 2024): 23,000

Direct Passengers: 13,000

Indirect (Connecting) Passengers: 10,000

Load Factor: 65%

RIC-CUN Route Data:

Total Passengers (One-Way, Q1 and Q2 2024): 8,000

Direct Passengers: 0 (All passengers currently connect through other airports)

Analysis and Opportunity

Comparative Demand: The CVG-CUN route has demonstrated significant demand, with 23,000 one-way passengers over six months. Of these, 71% of the direct traffic is carried by low-cost carriers (LCCs) such as Frontier (F9) and VivaAerobus (VB), highlighting a clear market preference for affordable, direct services. The RIC-CUN market, with 8,000 passengers traveling indirectly, shows potential for a similar outcome with direct service.

Load Factor Insights: The current load factor for the CVG-CUN route is around 65% for Q1 and Q2 of 2024. While this is below the optimal level for LCCs, it reflects a willingness by these carriers to invest in the route and allow time for it to mature. This resilience demonstrates a strategic commitment to maintaining service, even in the face of a less-than-ideal load factor, indicating a longer-term view of market development and passenger growth potential.

Potential for Market Stimulation: The RIC-CUN market is currently underserved with no direct service, creating an opportunity to stimulate demand through convenience and competitive pricing. With direct service, a significant portion of the 8,000 existing connecting passengers could be converted to direct passengers, as observed with CVG-CUN, while also potentially stimulating new demand.

Supporting Points for Direct Service Development

Alignment with LCC Success and Strategy: LCCs like Frontier and VivaAerobus have a proven track record on the CVG-CUN route, even with a moderate load factor. Their commitment to sustaining routes over multiple seasons, rather than withdrawing after a single down year, indicates a strategic focus on building market presence and loyalty over time. This approach would likely be replicated with the RIC-CUN route, providing confidence in the route's viability and growth potential.

Growth and Affluence in the Richmond Area: Richmond's growing population and increasing affluence suggest a rising demand for leisure travel. As more affluent residents move to the area, the propensity for discretionary travel, particularly to popular vacation destinations like Cancún, increases. A direct service by a low-cost carrier could capture this demand by offering a convenient and affordable travel option.

Potential Increase in Direct Passengers: By mirroring the direct-to-indirect conversion rates seen on the CVG-CUN route, it is reasonable to expect that a new RIC-CUN direct service could convert 40-60% of the existing connecting traffic to direct passengers. This would result in approximately 3,200 to 4,800 passengers opting for direct service.

Stimulated Demand Estimate: Introducing a direct service typically stimulates new demand due to increased convenience and reduced travel time. A conservative estimate of a 20-30% increase in demand could add another 1,600 to 2,400 passengers, potentially bringing the total market for direct service to around 9,600 to 11,200 passengers over six months.

Low-Risk Entry with Growth Potential: Starting with a weekly flight would allow VivaAerobus to test market response with limited exposure. Should the route perform well, there is an opportunity to increase frequency and capture additional market share, building on the foundation laid by the initial service.

Recommendation

Launching a direct RIC-CUN service with VivaAerobus has significant potential, especially considering the success and strategies observed on the CVG-CUN route. Carriers want to replicate success from other markets. The willingness of low-cost carriers to maintain service despite moderate load factors underscores a strategic approach to long-term market development, which is well-suited for the growing Richmond market. The combination of existing demand, the potential for market stimulation, and a commitment to route development by LCCs makes RIC-CUN a promising route for VivaAerobus. Starting with a weekly service provides a cost-effective entry point with substantial growth potential, positioning VivaAerobus to capture and expand this market over time.

O&D pax CVG-CUN one way Q1-Q2 2024

Origin Airport	Destination Airport	Indirect Est. Pax	Direct Est. Pax	Total Est. Pax	Total Market Share (%)
CVG	CUN	9,704	13,827	23,531	100

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Direct Carriers CVG-CUN market share is 76% served by low cost carriers for Q1-Q2 2024.

Carrier	Total Est. Pax	Total Market Share (%)
F9	7,599	55
VB	2,938	21
DL	1,750	13
AA	1,541	11

RIC-CUN all indirect traffic:

Origin Airport	Destination Airport	Indirect Est. Pax	Direct Est. Pax	Total Est. Pax	Total Market Share (%)
RIC	CUN	7,651	0	7,651	100

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RIC-CUN Market Share Top 4, all mainly or mid sized carriers, no low cost offering in the market

Via Carrier	Total Est. Pax	Total Market Share (%)
AA	3,144	41
DL	1,786	23
B6	1,168	15
UA	1,127	15

I hope this brief analysis proves insightful and useful.

-Seth C. Bailey