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Asked about

What is inflation doing to the parking industry, Dr Friesen?

We asked Dr Mark Friesen about the profitability of car parks in the current inflationary phase. In the interview, the pricing and mobility expert also provided information on what car park operators can do in the current situation to optimise their revenues.

How do you assess the current situation for the parking industry, Dr Friesen?

Parking management is fundamentally a crisis-proof and high-margin business model, but is currently at a tipping point due to external factors. On the revenue side, we are experiencing slowly returning frequencies in the car parks after the Corona crisis. Especially in the downtown and shopping areas, occupancy was quite

decent again in the first quarter of 2023. The off-street sector is also benefiting from the reduction of on-street parking in many cities.

Sounds quite good at first. So you see the problems more on the cost side?

Yes, and operators are stressed by inflation in several ways. Through higher operating costs – electricity has become more expen-

sive, wages have risen, through leases that are linked to consumer prices via index rents, and through higher interest rates that make refinancing through loans more expensive.

In summary?

A classic business challenge: the revenue side has remained relatively constant, with rising costs that can hardly be influenced.



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What can operators do?

In my opinion, the only way out is to work on the revenue side.

What options are there?

To optimise prices, occupancy and dwell times, operators should first analyse transaction data to better understand their customers' usage patterns.

You are an advocate of dynamic pricing. Should operators go for it now?

Large operators in particular have now proven that demand-oriented pricing also works in the parking sector. This does not mean a clumsy increase in parking fees, but intelligent pricing. The goal is to control and better distribute demand.

How do you find the optimal price?

This is referred to as revenue management and means the simultaneous control of prices and capacities. In order to unfold the full potential of revenue management, comprehen-

sive reporting and monitoring of transaction data helps. Ideally, you should even hire a revenue manager for this purpose.

Rather illusory for smaller operators, isn't it?

Not necessarily – at least someone should be involved in data analysis or take advantage of external support – and have an ear to the market: Despite all analytics, the exchange with the staff on site and their gut feeling should not be underestimated. I recommend everyone to actually walk the respective property themselves to develop a feeling for it.

So it doesn't have to be the latest specialist software?

Even the best BI (Business Intelligence) dashboard or, in the future, AI will not replace a human being. Parking is a local business and the parking process will remain physical in the future.

Which brings us to the customers...

... and the central question: Where does the customer decide to head for a particular car park? Signage is an important topic, as are parking guidance systems and apps. But opening hours, cooperation with retailers or discount campaigns can also positively influence customer decisions.

Do customers stay with their parking location once they have chosen it?

In our projects, we repeatedly find that car park customers are very loyal. Basically, location and accessibility are the most important decision-making factors, and comfort and price play a subordinate role. Most customers don't even know the price.

What about additional services around the car park?

I am still quite hesitant about new business and, above all, revenue models for parking. In other words, topics like parcel stations, bicycle parking or delivery services. Especially since such "mobility hub" services do not work at every location.

And the charging of electric cars?

That depends on the future expectations and the business model of a car park opera-

tor. Most of them look for partners and concentrate on their core business. Apart from the service idea, it is about getting frequency into the car park. The topic will gain importance in the future and become a hygiene factor for customers.

So business with short-stay parkers brings the most?

Yes, and there is definitely still room for improvement in the utilisation of car parks. To optimise this, a basic understanding of parking and usage behaviour is necessary – keyword: revenue management. In our projects we notice again and again what differentiation of performance and prices can achieve. You have more options than you think, it's a bouquet of measures that leads to success.

Where are the differences in European comparison?

UK, the Netherlands and Scandinavia are further along in their openness to new technologies, which is also noticeable in parking. But this is now coming more and more in other European countries as well. Dynamic pricing is rather difficult in some countries like France. In Germany, on the other hand, there are more possibilities. Basically, however, the trends in Europe are very similar. ■

Personal

Dr Mark Friesen is the founder and Managing Partner of

QUINTA Consulting, a consultancy specialising in pricing in the mobility sector. For more than ten years, QUINTA Consulting has been advising operators, cities/municipalities, investors, insurance companies and funds on the commercial, digital and operational optimisation of parking space.

