



*AN ORGANIZATIONAL ANALYSIS*

**GE4016 – STRATEGIC MANAGEMENT**

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### **INFORMATION COLLECTION**

The majority of reference material for this paper was collected from the 2006 NAS Pensacola Air Show After-Action Report and via corporate websites and publications written about the Air Show Network. Additionally, input was received via telephone and email interviews with company representatives and air show industry leaders.

## **A HIGH-CLASS CARNIVAL**

An air show is a sporting event, whereby flying performers showcase thrilling aerobatics and a wide assortment of aircraft and aviation-related exhibits for spectators. Most air shows are commercial in nature, seeking income from patrons and corporate sponsors. In general, due to regulations, air shows at military bases are free, while air shows at civilian airports charge an admission or “parking” fee. A large number of national companies, such as Red Bull, Oracle, Red Baron Pizza, as well as a fleet of military recruiting services find the air show venues to be a unique opportunity for public relations, marketing, advertising, and brand promotions.

The first air show was held in 1909 in Frankfurt, Germany. Prior to World War II air shows consisted primarily of long distance aircraft races, lasting many days and encompassing thousands of miles.<sup>1</sup> Today, air shows primarily feature aerial demos of short duration from world renowned aviators and modern military aircraft, in addition to a variety of other aeronautical attractions such as wing-walking, skydiving, radio-controlled aircraft, simulated helicopter rescues, fantastic pyrotechnic battle simulations, aircraft tours (static displays), and displays by several aeronautics related corporations. Larger shows include seminars by influential people in aviation, as well as a large area with booths where aircraft, aircraft parts, aircraft services, and aircraft memorabilia are traded.

According to the International Council of Air Shows (ICAS), about 26 million people in North America attend over 400 air shows each year, making it the second most popular spectator sport in America. During the past decade, air shows drew nearly twice

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<sup>1</sup> Wikipedia contributors. (2006). Air Shows. Retrieved December 10, 2006 from <http://en.wikipedia.org/wiki/airshows>

the attendance figures of NFL football! Air shows deliver significant and measurable results for anyone interested in reaching one of the most attractive demographic audiences available.<sup>2</sup>

## Household Income Profile

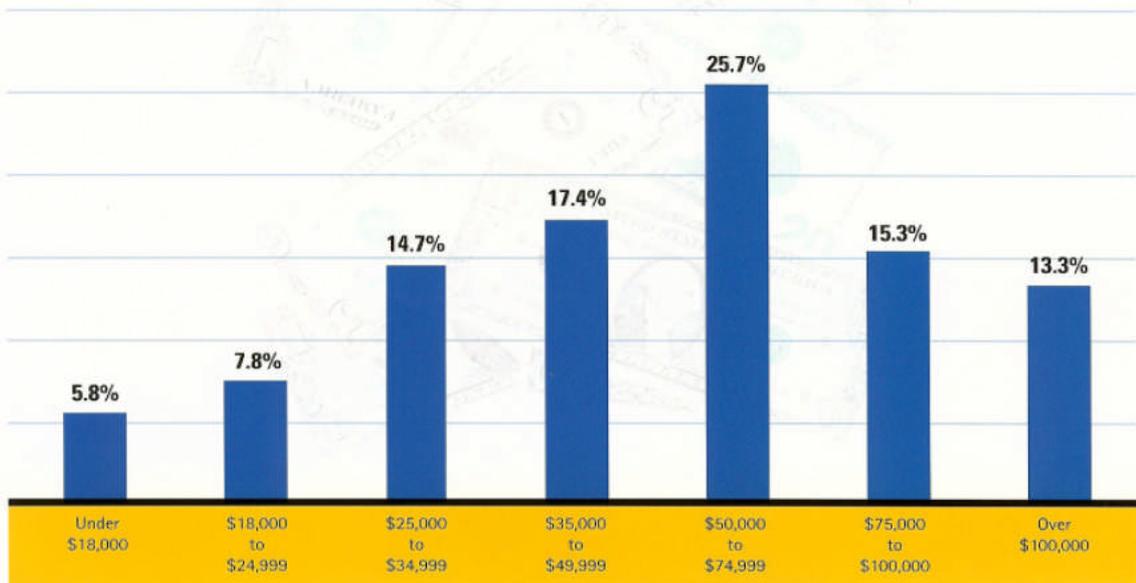


FIGURE 1

As figure 1 illustrates, the air show spectator base represents a relatively affluent cross-section of North America, with 54.3% of survey respondents reporting an income in excess of \$50,000. In 2006, the Oshkosh air show had 10,000 aircraft, 2,500 aircraft displays, 800 exhibits and over 500 forums and workshops. The attendance for the week-long air show in Oshkosh was close to a million visitors.<sup>3</sup> Even a relatively smaller show, such as the 2006 Blue Angels Homecoming Air Show at NAS Pensacola received attendance levels over 275,000 visitors, incorporating over 100 aircraft, and national sponsorship by companies such as Geico, Home Depot, FEDEX, and Delta Airlines.

<sup>2</sup> ICAS 2004 Demographics survey, obtained from Hugh Oldham on December 14, 2006. Data collected by Performance Research Inc., of Newport, Rhode Island.

<sup>3</sup> Ibid.

With a handful of exceptions, the air show season starts in March-April and ends in October-November. The following year's air show schedule is defined during the end of the preceding year.

The lineup of pilots and aircraft to be in attendance at each air show is tentatively determined around February and March. During the months that follow, air show coordinators work frantically inviting and organizing show performers, sponsors, and of course, vendors.



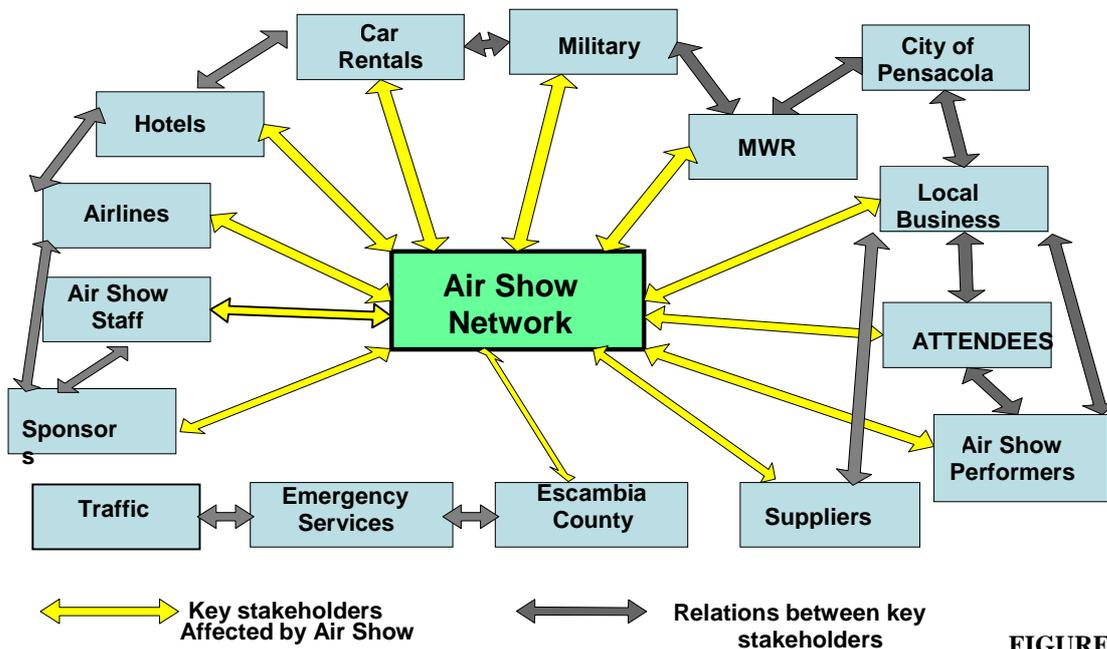
**2005 Blue Angels Homecoming Air Show, NAS Pensacola, FL**

**THE AIR SHOW NETWORK**

*“There used to be an old saying in the Industry; To make \$1,000,000 in the Air Show business, you started with \$2,000,000 and when you got back down to \$1,000,000 you quit.”*  
 - Captain Russ Lambert (Ret.), USN<sup>4</sup>

Umbrella Entertainment Group evolved from a local ice cream distribution company in 1983. Gaining marketing knowledge by distributing ice cream at fairs and other events, the founder decided to enter a more profitable, expanding “arena,” the air show circuit. The Air Show Network, a subdivision of Umbrella Entertainment Group, was formed to provide event management services to the air show industry.<sup>5</sup>

**STAKEHOLDERS**



**FIGURE 2**

Figure 2 illustrates the Air Show Network’s key stakeholders 2006 NAS Pensacola Air Show.

<sup>4</sup> Interview conducted with Captain Russ Lambert, USN (Ret.) and Vice-President with The Air Show Network on December 12, 2006.

<sup>5</sup> Ibid.

The stakeholders range from the contracting air show coordinators, whose jobs are greatly reduced from the Air Show Network taking the majority of the workload off their shoulders, to the cities and counties that profit from the increased business and resulting increased revenue.

Revenue from the food concessions and merchandise not only benefit the Air Show Network, but also come back to the contracting air show and volunteer groups via agreed upon contract percentages of sales and daily rates for volunteers. Figure 3 shows the contract percentages that NAS Pensacola Moral, Welfare and Recreation (MWR) department and contracting officials received from the Air Show Network following the 2006 air show.

<b>The Air Show Network Contract agreement totals</b>		
<b>Food/ Ice cream, Beverage to \$65,000</b>	<b>x</b>	<b>40%</b>
<b>Food/ Ice cream, Beverage over \$65,000</b>	<b>x</b>	<b>50%</b>
<b>Novelties (Blue Angel Memorabilia)</b>	<b>x</b>	<b>35%</b>
<b>Film</b>	<b>x</b>	<b>10%</b>
<b>Box Seat tickets</b>	<b>x</b>	<b>20%</b>
<b>Novelty Subcontractors</b>	<b>x</b>	<b>50%</b>
<b>Food Subcontractors</b>	<b>x</b>	<b>50%</b>
<b>Volunteers to be paid \$20 per day per person</b>	<b>Paid by MWR</b>	

**FIGURE 3<sup>6</sup>**

The contracting air show, therefore, has a vested interest in the performance and attendance numbers at the show. Suppliers are also concerned for much of the same reason. By contracting the Air Show Network, air show coordinators like Lieutenant Richard Rocha, greatly reduce time and manpower spent on finding alternative providers of supplies and vendors the Air Show Network provides; which would most likely

<sup>6</sup> Base allocation courtesy of the 2006 NAS Pensacola Air Show After-Action Report.

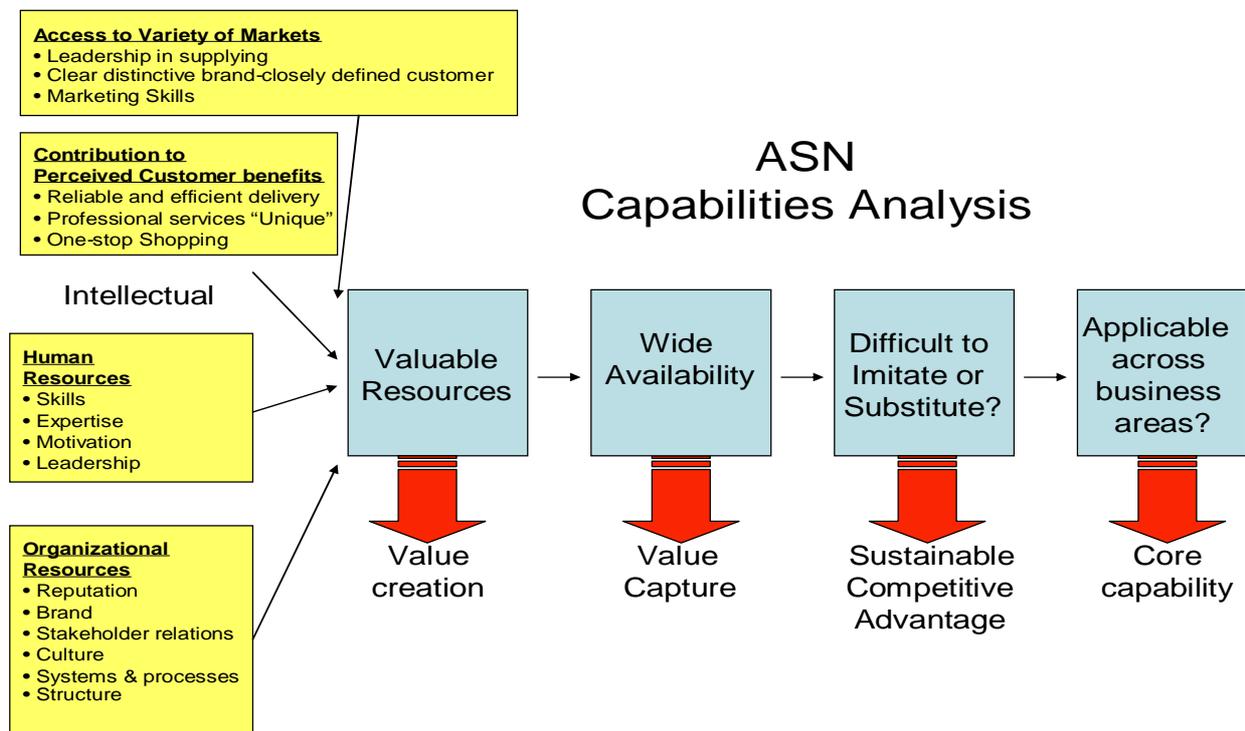
increase their costs. For military bases, keeping costs low is priority one and any money saved means that it can be applied to other areas such as hiring more performers or paying for added security.

The Public Affairs Officers and Media have an additional stake; Air Show Network does a great deal of media publicity and brings in sponsorship that they have already built a business relationship with. This union brings with it not only money for the paper or news network being utilized, but the community as a whole benefits from the revenue generated from local businesses that supply the Air Show Network and provide services for spectators and works alike. For example, during the 2006 NAS Pensacola Air Show every hotel room in the city of Pensacola was sold out and over 150 rental cars were utilized by air show performers alone for the three day air exhibit.

### **AIR SHOW NETWORK'S CORE COMPETENCIES**

Through marketing ice cream at fairs and other events, the Air Show Network's founder developed a key core competence; access to a captive audience. The Air Show Network's core competency ingredients are the air show setup expertise, marketing knowledge, and sponsorship contacts.

Figure 4 provides a view of the capabilities analysis for the Air Show Network.



**FIGURE 4**

The Air Show Network captures value for clients under a differentiation strategy, utilizing time-proven marketing assets, deep rooted contacts, and exceptional service to distinguish themselves from others in the industry. It is extremely important that the local governments and air show sponsoring officials recognize the tremendous economic impact and socio-economic impact that an air show has on the community. Just like Major League Baseball, no air show event is complete without hot dogs, hamburgers, cold beverages, and the likes. Air show organizers recognize the need to have experience in the food service industry or a related retail field; concession stands are another source of profit for civilian (ticketed) shows, and the only source of income for military shows.<sup>7</sup>

To truly capture value, the Air Show Network found that they had to sell an idea of

<sup>7</sup> McCrank, Elizabeth, Fall, 2000. The Business Model of EBay.com

complete show management to both the air shows as well as to potential sponsors. As such, the Air Show Network relies heavily on its vast resources.

Resources are what a corporation uses to conduct business. Typically, resources in successful companies are not easily substitutable, somewhat rare, and difficult to imitate.<sup>8</sup> In the Air Show Network's case, its main resources are knowledge of air show marketing and concessions, contacts, solid reputation, and staging assets. While there are hundreds of concessions management companies across the country, most are regional organizations only capable of supporting a local fair or perhaps a professional sport. In contrast, the Air Show Network is the largest guest services' company in North America, possessing a 15 year working knowledge and over \$1,000,000 in state of the art equipment, ranging from tents to a fleet of semi tractor trailers.<sup>9</sup> Start-up costs in this industry, obviously, can run very high. Combining proven strategy with pleased, loyal customers from year-to-year, the Air Show Network is not easily imitated. The Air Show Network initiated this advantage by being the first air show services company and actively seeking out corporate sponsors.

Air show organizers realize that the Air Show Network dominates the market and has a better level of service, visibility, and thus profits than the smaller, more regional competitors. As the largest and most experienced company, the Air Show Network has compiled an impressive resume including some 600 air shows in 46 states and seven provinces, averaging 40 air shows per year for eight million fans.<sup>10</sup> Therefore, the Air Show Network manages an effective strategy, providing a totally "unique" product that

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<sup>8</sup> The Air Show Network website. Retrieved December 5, 2006 from [www.airshownetwork.com](http://www.airshownetwork.com)

<sup>9</sup> Interview conducted with Captain Russ Lambert, USN (Ret.) and Vice-President with The Air Show Network on December 12, 2006.

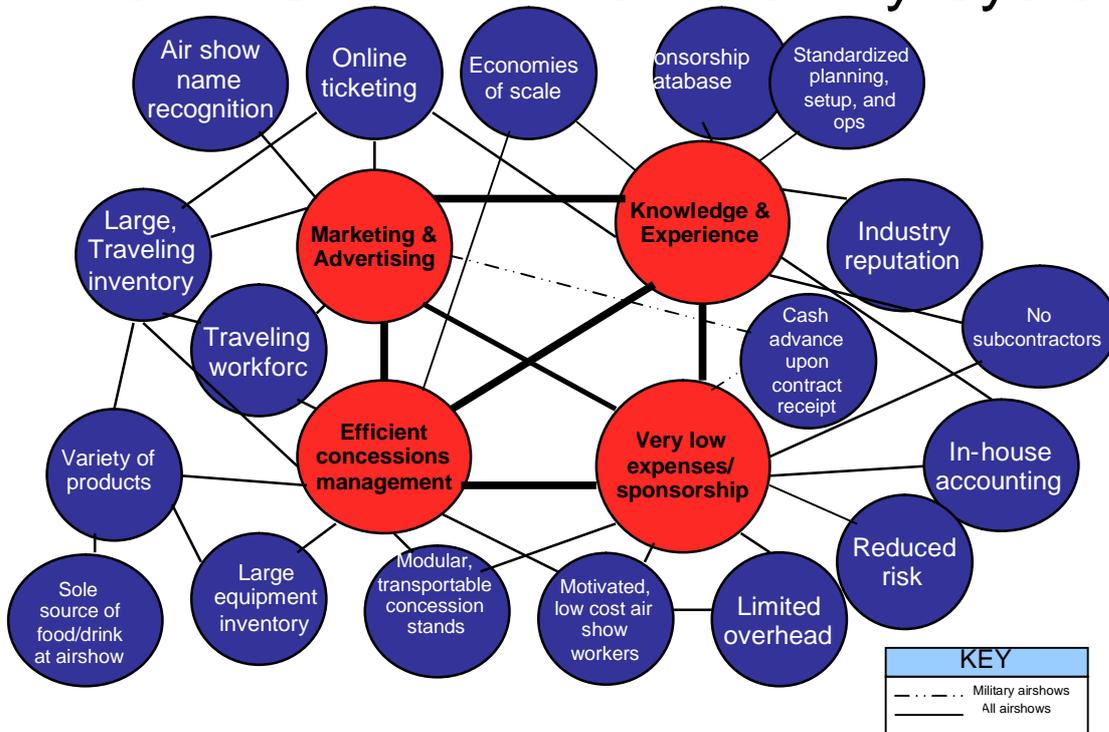
<sup>10</sup> The Air Show Network website. Retrieved December 5, 2006 from [www.airshownetwork.com](http://www.airshownetwork.com)

targets air show sponsors and entertainers looking to save time and maximize profit earning potential in each air show.

**SYNERGISTIC ACTIVITIES**

Organizational design is the result of numerous contingencies.<sup>11</sup> Strategy, environment, technology, size and culture must all be analyzed in order for the organization to design the proper fit between itself and its contingency factors.

# The Air Show Network Activity System



**FIGURE 5**

The design of the organization must be aligned with the needs of the environment as well as the strategic focus of the organization. The Air Show Network utilizes numerous practices, outlined in figure 5, that reduce overhead, strengthen corporate and

<sup>11</sup> Daft, R. L. (2003). Essentials of Organization Theory and Design. Mason Ohio: South-Western College Publishing. (p. 32).

sponsor ties, and differentiate the services they provide. To illustrate, consider the rapidly changing environment of the air show industry. The Air Show Network incorporates a flexible business structure, horizontally bound, collaborating via teams of both permanent and temporary employees. While upper level management sets the show schedules and inks the contracts, the teams hit the air show strips setting up chalets, concessions tents, and merchandising kiosks. Permanent employees provide the knowledge of running the air show and supplying the tents with foods purchased from local distributors, while motivated, temporary employees work the booths for near or even below minimum wage.\*\*\* Eliminating high training and turnover costs, in addition to insurance and retirement, this practice allows the Air Show Network to reduce the overhead that eats into revenue without cutting into the core services they offer.

\*\*\*DOD sites, such as those under contract with MWR, “employ” military volunteers. These workers serve beverages and food, and sell merchandise in order to gain a set amount for their parent command.

### **WHERE TO NEXT?**

The effectiveness of the Air Show Network is evident in both its financial success and establishment as the premier guest services corporation. The future success of the organization will be directly proportional to how well the leadership maintains the delicate fit of sponsorship, marketing, and guest services. The challenge at the Air Show Network is to continue to grow to satisfy the unique marketing and sponsorship environment, while still maintaining the exceptional level of service in the concessions industry that it was ultimately founded. Based on the Air Show Network’s expertise in marketing and its understanding of the air show industry demographics and logistics, the

company is poised to achieve its goal of linking air shows together as a major entertainment property, just as NASCAR has succeeded with auto racing.

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