

# Turbulens og strategi i luftfartsbranchen med fokus på SAS og Air France/KLM

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## **Working Paper No. 4 April 2006**



### **Airways 06:**

- **Turbulens og strategi i luftfartsbranchen med fokus på SAS og Air France/KLM**
- **Fra LCC til FSC: Forretningsmodellernes nuancer og deres indflydelse på profitabiliteten**

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## Forord

I April 2006 afholdte Center for Tourism and Culture Management på Copenhagen Business School en conference med titlen "Airways 06". Artikler samt præsentationer fra konferencen findes på hjemmesiden [www.cbs.dk/tcm](http://www.cbs.dk/tcm).

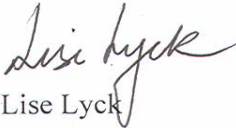
Efter konferencen er der blevet udtrykt ønske om, at nogle artikler kom til at foreligge i en trykt version. Der drejer sig om artiklerne: "Airline Profitability: Business Model Nuances and Financial Impact" af Kristian Hvass, og "Turbulens og strategi i luftfartsbranchen med fokus på SAS og Air France/KLM" af Lise Lyck, hvilke ligger til grund for nærværende publikation.

Kristian Hvass er Ph.d.-studerende på Center for Tourism and Culture Management med speciale i luftfart. Han opholder sig i efteråret 2006 på University of California, og er også ansat i SAS.

Lise Lyck er centerleder på Center for Tourism and Culture Management på Copenhagen Business School, og er vejleder for Kristian Hvass.

Det er hensigten at afholde en Airways 07 i marts 2007. Dette vil blive annonceret på TCM's hjemmeside, [www.cbs.dk/tcm](http://www.cbs.dk/tcm).

Centerleder

  
Lise Lyck

## **Airline Profitability: Business Model Nuances and Financial Impact**

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**Abstract:** Business model development at low-cost and full-service airlines throughout the years has led to a departure from the original models. The low-cost model is shifting up-market to capture higher yield traffic, while the full-service model is adopting low-cost model elements to achieve optimization. This paper determines how the degree of adherence to either original model impacts the profit level of low-cost carriers and full-service carriers. The methodology studies 26 North American and European airlines, 12 low-cost and 14 full-service, and evaluates each polarized group's 2004 product and operational features against the original models. Evaluation occurs on an ordinal scale and is derived from secondary data sources to present the level of transition from the original model. Analyses results show that profit levels are directly correlated to adherence to the original model, at both extremes, while those carriers diverging most from the traditional models experience lower profit levels.

**Keywords:** Business models; low-cost carriers; airlines; industrial classification; strategic options

### **1. Introduction**

Airline profitability fluctuation is partly attributed to a carrier's selected business model. Various incumbent airlines are attempting to integrate some characteristics from successful lower cost models, while some low-cost airlines are competing for market share via differentiation. The majority of research has focused on the effectiveness of one model versus another, namely low-cost carriers (LCCs) compared to incumbent full-service carriers (FSCs) (Calder, 2002; Franke, 2004; Lawton, 2002; Vlaar et al., 2005). However, the literature is prone to classify two rigid typologies,

LCCs and FSCs or some similar nomenclature, and force an airline into one of the two categories. This type of stringent classification fails to highlight business model nuances that airlines have chosen in an attempt to compete successfully. Alamdari and Fagan (2005) address this by quantifying LCCs' deviation from the original business model. However, there is a research gap as FSCs' model adaptations and profitability impact have been neglected. This paper addresses the gap by comparing the 2004 models of 26 (12 LCCs and 14 FSCs) North American and European airlines with the two traditional models found in the classical bi-typology regime. The results show that there is a large deviation from the traditional models, especially among LCCs, and that there is a positive correlation between the degree of model adherence and profitability.

For clarity this paper is divided into six sections. To ensure an initial broad understanding among readers business model, LCC, and FSC definitions are presented. An explanation of the aspects measured and the methodology chosen follows. The analyses and results from the LCC study group are presented first, followed by the FSC carriers' analyses results. Next, how the analyses results impact the profitability of an airlines' chosen model is presented. Finally, closing remarks and implications are presented and discussed.

## **2. Background**

A company's strategy is reflected and implemented in its business model. While strategy mirrors a company's overall long-term direction, the business model is the short-term strategic actualization in how its products and/or services are brought to market. A business model takes into consideration a company's resources, activities, and customer offering (Afuah, 2004; Hedman & Kalling, 2003). The concept is commonly linked with the influx of e-business (Afuah & Tucci, 2001; Timmer, 1998; Weill & Vitale, 2001), however as Magretta (2002) explains, every company needs a good business model, which, in essence, is a narrative of how it serves its customers and earns money. Within the airline industry it has been a common belief that there are two main business models among scheduled passenger airlines: a low-cost carrier model and a full-service carrier model. These taxonomies have common synonyms. LCCs are also referred to as no-frills airlines, value-for-money airlines, or point-to-point carriers (Calder, 2002; Cassani & Kemp, 2003; Lawton, 2002; Lee & Luengo-Prado, 2004; O'Connell & Williams, 2005). Its opposite partner is the FSC, also

coined a traditional carrier, incumbent, a hub-and-spoke airline, a network carrier, or a flag carrier. To provide uniformity this article will utilize the terms low-cost carrier and full-service carrier.

The LCC business model is described as an operation that:

- Offers short-haul routes
- Operates a single-aircraft type
- Offers high-density seating
- Operates from secondary airports as much as possible
- Achieves a high frequency
- Sells 100% of tickets through call-centers and websites and is ticket-less
- Offers buy-on-board catering and generates additional revenue through secondary sources
- Offers unrestricted, point-to-point fare structures
- Avoids transfer traffic
- Outsources functions when possible

Southwest Airlines in the United States is accredited with creating the world's first low-cost carrier in 1971, which soon blossomed and has achieved an impressive customer satisfaction and financial record since its founding. The airline has since been a guide for aspiring LCCs throughout the world, such as Ryanair and easyJet in Europe, WestJet and JetBlue in North America, Gol in South America, and Air Asia and Tiger Airways in Asia (Thomas, 2005).

At the other end of the spectrum is the full-service carrier model that is the remnant from days of regulated markets and monopolies. The FSC business model typically consists of:

- Regional, short, and long-haul routes
- A fleet to meet a regional, short, and long-haul network
- 2-class seating: first and economy
- Operates from primary airports
- The highest frequency allowable with a connection-driven network
- Third party and own distribution channels
- Complimentary on-board amenities
- Restricted and discounted, through-fare structures
- Online and interlining connections
- Functions completed in-house when possible



This model grew under protection of a state regulated market umbrella. However, deregulation removed the protective covering and allowed LCCs to flourish. Since 2004 LCCs have captured 24% of the domestic available seat kilometers (ASK) in North America, 36% in Canada, and 19% in the intra-European market (Cassotis, 2005; Newman, Duxbury, & Peng, 2005).

Competition within the marketplace is growing fiercer. Currently, LCCs must not only compete with FSCs but also the plethora of other airlines mimicking the Southwest model. To achieve differentiating competitive advantages LCCs have been adapting the business model to attract new customers and segments and to generate additional revenue from those flying (Thomas, 2005). FSCs though are not to be disregarded as these airlines are reacting by also adapting their models, sometimes by incorporating LCC characteristics. It is these business model adaptations that make the current dual airline categorization inadequate and complicate profitability expectations.

### *2.1 Methodology*

Business models consist of three broad elements: resources, activities, and a customer offering (Hedman & Kalling, 2003). 15 airline business model characteristics (13 for FSC) are measured among the chosen study group carriers which address one or more of the business model elements. The business model characteristics analyzed include:

Product features -

Network and tickets: charter, connections, through-fares, and trip restrictions

Service: in-flight service, in-flight classes, reward amenities, seat assignments, and airport selection

Distribution: distribution, customer segmentation, and alliances

Operational features -

Fleet, aircraft utilization, and stage length

Each characteristic is evenly weighted and given a score relative to the similarity with the original LCC and FSC business model as discussed earlier. An identical characteristic is given a score of 2; a similar characteristic is scored with a 1; an entirely different characteristic scores 0. The maximum score an LCC can achieve is 30 ( $15 \times 2 = 30$ ) while an FSC can achieve a maximum of 26 ( $13 \times 2 = 26$ ). The variance between the number of FSCs characteristics measured is due to omission of two characteristics because of the lack of differentiation. The total scores for all carriers are indexed to 100 and a carrier with a full adherence will achieve this maximum score. The

quantification of an airline's business model enables the visualization of strategic reflection and implementation and measured deviation from the original model.

### **3. Low-Cost Carrier Business Model**

#### *3.1 Product Features*

*Networks and ticketing.* The route network is the foundation upon which an airline is built, and is the essential core of the service offered. LCCs typically offer only scheduled service and no connections, through-fares, or trip restrictions, however model variance occurs. North American LCCs focus solely on scheduled traffic<sup>1</sup>, with the exception of WestJet. In Europe Air Berlin and Sterling aggressively seek charter contracts, unlike the other LCC study group airlines. One explanation may be the limited utilization of charter services among U.S. travelers, while Canadian and European travelers are more accustomed to the travel form. On-line and inter-line connection possibilities are built into some LCC networks, such as Southwest, Frontier, America West, Air Berlin, and Sterling. Southwest offers both on- and inter-lining with partner ATA, while Frontier has built up long-term partnerships with smaller feeder airlines. JetBlue and WestJet have created focus cities on both sides of the continent and offer on-lining. The U.S. domestic market is the largest in the world and as LCC networks expand it may be beneficial to offer on-lining and inter-lining capabilities to more easily shift traffic within the network. Air Berlin and Sterling offer on-line and inter-line capabilities with their partner airlines, while Aer Lingus is the only self-proclaimed LCC in a global alliance.

The majority of LCCs offer some form of discount for connecting and traveling onward through out the network, with the exception of Ryanair, easyJet, and Aer Lingus. Such restrictive policies are reflective of attempts at pure point-to-point networks that are not conducive of promoting transfer traffic. A policy of through-fares may be indicative of a network capitalizing on transfer traffic, even among LCCs. Trip restrictions are ticket policies that restrict travel flexibility, and many travelers envision unrestricted and ease of travel with LCCs. However, many carriers incorporate varying degrees of restrictions, although the round-trip restriction has been eliminated. The older North American LCCs have retained tickets restrictions, which are not reflected among the new

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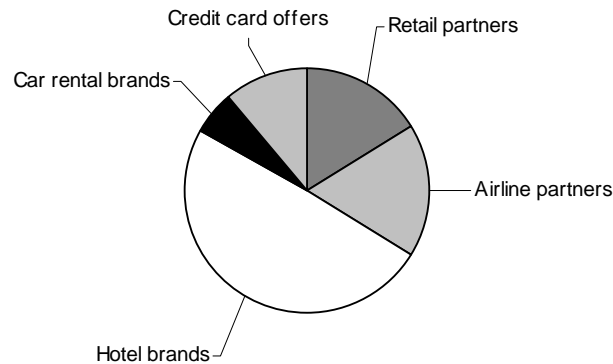
<sup>1</sup> The occasional charter flights, for example sports team charters, are not considered a model deviation; rather long-term charter contracts, commonly with tour operators, are model deviations.

LCC entrants such as JetBlue and WestJet. Southwest airlines, for example, offers 7 different ticket options, each with various restrictions<sup>2</sup>. In contrast, all European LCCs have eliminated trip restrictions from their ticket classes, adhering more closely to the original business model. The networks and tickets of LCCs vary greatly, and some geographical segmentation is apparent, which may be related to historical travel preferences, time since founding, and varying geographical size.

*Services.* The in-flight experience among LCCs has been greatly adapted over the years. It is not all LCCs that offer a single-class with high-density seating and economy class service. Some new entrants have been able to incorporate hi-tech offerings for their passengers, which in some cases is a better product than full-service carriers' (Thomas, 2005). America West, Air Tran, and Spirit are the only LCCs in the study group that have elected to create a first class section in their aircraft, while the remaining airlines continue to adhere to the traditional single-class arrangement. The in-flight service found among LCCs varies from spartan to more accommodating offerings. All North American LCCs continue to offer complimentary snacks and beverages, while JetBlue, Air Tran, and WestJet have installed either live television or satellite radio, offering more entertainment selections than FSCs. Among European LCCs it is only Air Berlin who stands out by offering complimentary snacks and beverages, while remaining competitors follow the original LCC model. Carriers, such as Ryanair and easyJet, have found that considerable ancillary revenues can be earned during the travel experience, with Ryanair reporting ancillary sales accounting for 15% of total revenues and raising £4.95 per passenger in 2005 (Shifrin, 2006; Thomas, 2005). Reward amenities typically appear in the form of frequent flyer programs and lounge access, and the catalyst is the business traveler. As some LCCs shift focus towards higher yield passengers, amenities become a competitive parameter, which was a driver for Southwest's frequent flyer program in 1987 (Lockwood, 2006). North American LCCs clearly distinguish themselves by all offering a frequent flyer program, with America West also offering lounge access. In Europe easyJet offers lounge access at numerous locations for a fee, while Air Berlin and Aer Lingus are the only European study group LCCs with a frequent flyer program. However, such programs may potentially be sources of significant revenue. This occurs through collaborative partner activities, evident among all of the analyzed LCCs. Figure 1 depicts the distribution of partners in the world's top 20 LCC frequent flyer programs (Sorensen, 2005).

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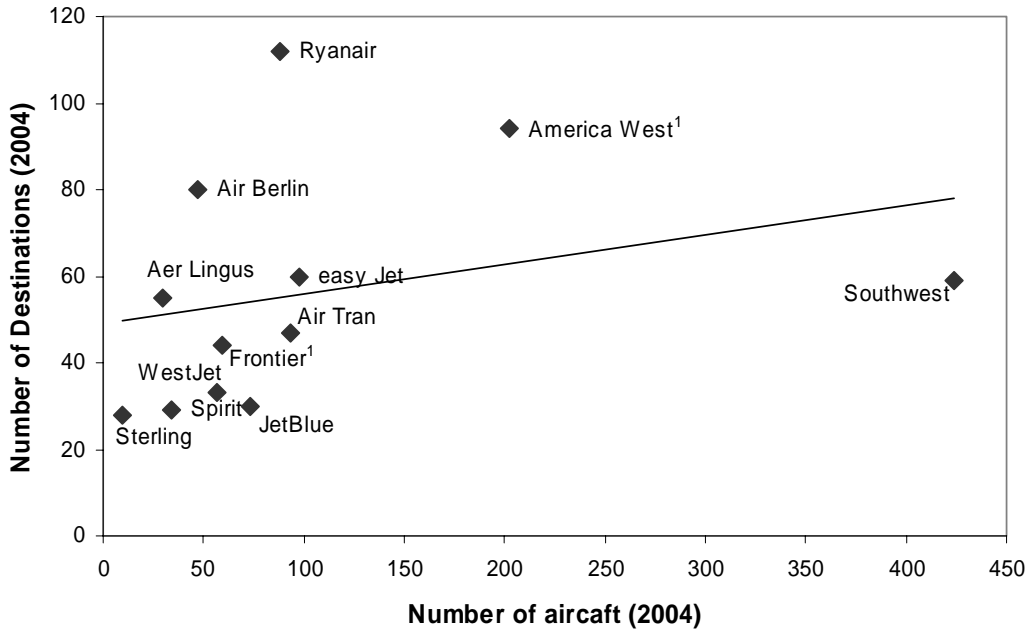
<sup>2</sup> Conditions from March 2006



**Figure 1:** Share of FFP partners by category for the world's top 20 LCCs (2004) (Sorensen, 2005)

Partnerships with co-branded credit cards are a source of significant additional revenues, with some programs reportedly contributing nearly US\$ 1 billion in revenues, and nearly all LCCs offer credit card options related to their programs. The only requirement that all LCCs have for their programs is that they be simple and not a cost burden, although it should not be ignored that revenue generation and increased yields are potential positive effects (Thompson, 2006). Seat allocation is an area of differing opinion among LCCs. Southwest follows the free-seating concept, which contributes to a quick turn-around facilitating greater aircraft efficiency. However, JetBlue has opted for traditional assigned seating, which may appeal to families or those traveling in groups. The remaining North American LCCs offer some form of seat requests or assigned seating. In contrast, many European LCCs have realized revenue gains from fee-generated assigned seating. Air Berlin takes a fee for those travelers not members of their frequent flyer program, while Ryanair planned to introduce similar features but decided against (Anonymous, 2006). The original LCC model calls for service to secondary airports, however not all adhere to this practice. All North American LCCs serve a mix of primary and secondary airports, and nearly all carriers have established a hub at a primary airport, for example Southwest's Las Vegas (LAS) or Frontier's Denver (DEN) hub, while servicing both primary and secondary destinations. JetBlue has successfully built hubs at two locations on both coasts of the U.S., with New York (JFK) as a primary location, the other being Los Angeles (LGB). In Europe it is Ryanair who follows the LCC model most stringently, with majority of service to secondary locations, while easyJet has built a model that serves many primary airports throughout mainland Europe. The LCC model calls for

high frequency operations to maximize utilization of assets, however as Figure 2 shows, variance is to be found.



**Figure 2:** Number of aircraft versus number of destinations plot (2004)  
<sup>1</sup>: includes figures from regional partners

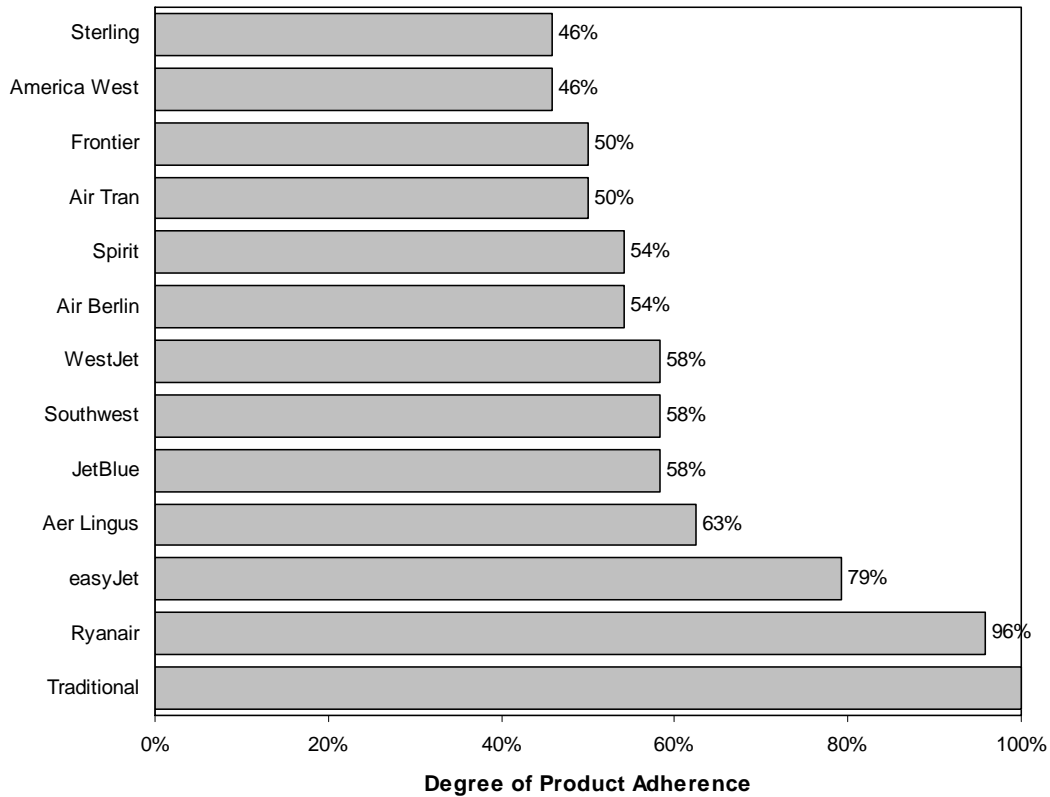
It is possible to distinguish a geographic split with North American LCCs flying a greater number of frequencies per destination compared to European LCCs. easyJet flies to 59 destinations and Southwest to 60; however the Texan LCC has a fleet that is four times larger. Southwest clearly stands out as the LCC that focuses on increasing frequencies to its destinations rather than increasing solely the number of destinations, reflected by the statement that Southwest's entrance to Denver might be the only new destination added to the network in 2006 (Field, 2006). The LCC fleet in the U.S. is 1 000 aircraft for a population of 300 million, while in Europe the LCC fleet is 400 for a population of 400 million (Avery, 2005). With U.S. LCC fleet order books not fulfilled the market does not seem saturated; the same can be deduced for the EU market. However, shorter distances, lack of visiting-friends-and-relatives market (VFR), and high-speed trains may detract from the EU market size (Avery, 2005).

*Distribution.* Distribution is a key focus area for all airlines as the costs associated with selling airline service can be a large portion of total costs. The original LCC model called for direct sales, but still utilized agents due to technological constraints. However, the Internet opened up a realm of possibilities and all airlines, LCC and FSC alike, focus on driving increasing sales via own channels. However, some LCCs continue to use traditional channels. With the exceptions of Southwest and JetBlue all North American LCCs are found in traditional global distribution systems (GDSs). However, many LCCs, both North American and European, have allowed GDSs to access fares via a technological link in a move to capture more business travelers (Jonas, 2004). As some LCCs begin to target more business travelers it may be necessary to explore alternative sales channels, as many corporate buyers are reluctant to lose price comparison ability. To attract a larger share of business travelers to an LCC it may be necessary to externally segment customer groups, such as all North American LCCs have done through Southwest's SWABiz or JetBlue's CompanyBlue, for example. Such programs may not offer ticket discounts, but create travel statistics and information for facilitating corporate travel management. Among the European study group it is only easyJet that utilizes a clear and distinct tactic to entice the business traveler. Just as with LCC frequent flyer programs it is essential that the administration of such a program does not complicate the business model, nor create a large cost penalty.

Alliances among LCCs are a recent trend that does not follow the original model. The structure of cooperation ranges from codeshare agreements, close agreements with similar-sized carriers, or tie-ups with smaller, feeder airlines (Howe, 2006; Jones, 2006). America West had codeshare agreements with such airlines as Royal Jordanian and Hawaiian, while Southwest has a close cooperation with ATA, which provides Pacific-island flights for the LCC, and Frontier utilizes feeder carriers to its Denver hub. In Europe, Aer Lingus stands out as being a member of the Oneworld alliance, a relic from its days as an FSC, while Sterling codeshares with a select few other LCCs. These alliances allow the carriers to expand their networks without expensive investments and allow for greater utilization of resources.

*Product Adherence.* The scoring of LCCs on product characteristics shows that the North American market tends to attempt a differentiation strategy, while the relatively young European market remains more true to the original LCC model. Air Berlin and Sterling are more product differentiated than their European competitors, which represents not only their strategic focus, but

may also reflect their long organizational history. These two LCCs are more mature within the study group from the European continent, and have been through many organizational and strategic changes through the years. Figure 3 summarizes the ranking of LCCs.



**Figure 3:** Level of LCC product adherence to the original business model (2004)

### 3.2 Operational Features

An airline’s operational characteristics are influential on the overall cost perspective. Operational characteristics measure how well an airline utilizes its fleet, including average daily aircraft utilization and average stage length.

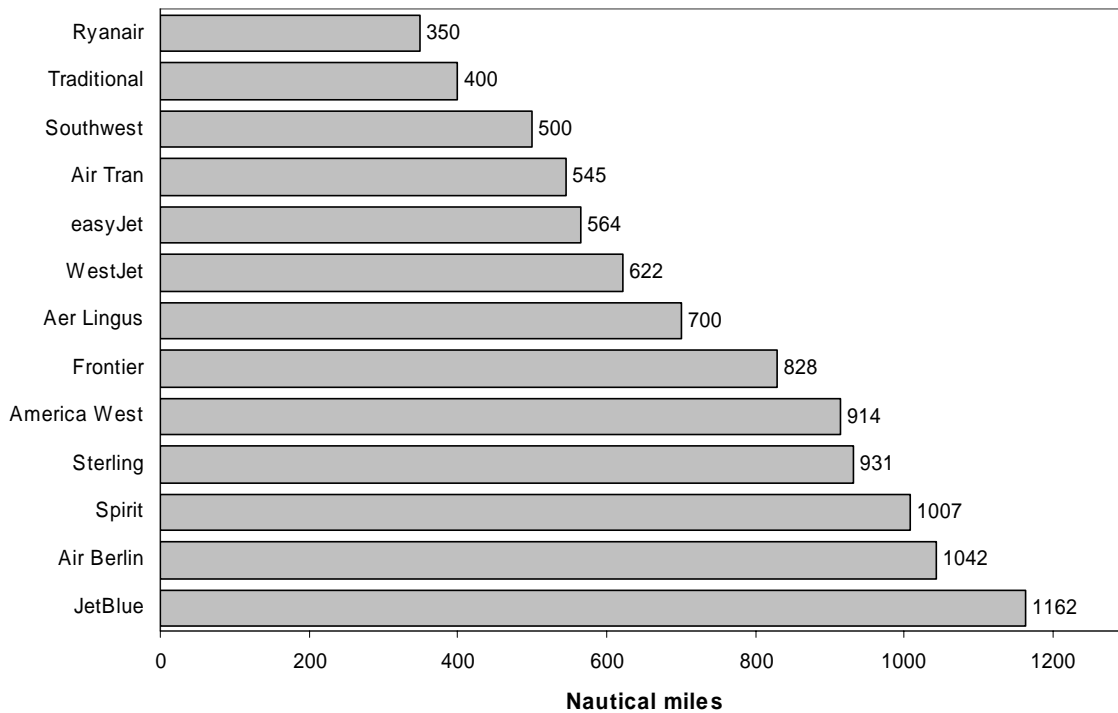
*Fleet.* The LCC model calls for a single aircraft type fleet, which lowers both operational and administrative costs (Calder, 2002). Aircraft and crew can be utilized most effectively, maintenance simplified, and purchasing economies of scale achieved. However, not all LCCs adhere to this mantra. JetBlue has blatantly deviated from the traditional model by purchasing the Embraer 190 to

complement their Airbus fleet. The airline intends to use the smaller Embraer on routes that do not justify the larger Airbus, and therefore capture higher yield passengers. America West has a mixed fleet of long- and short-haul aircraft from both Boeing and Airbus. In Europe, easyJet has a mixed fleet of Boeing 737 and Airbus 319, which may be a conscious decision to not become dependent upon one manufacturer. Subsequent aircraft acquisition costs can be negotiated lower as easyJet has aircraft alternatives.

*Aircraft Utilization.* A key indicator of efficient use of aircraft is the average daily block hour measurement. This measurement indicates an average of how many hours a day an aircraft in an airline's fleet is in operation. The highest performer is JetBlue with its fleet operating more than 13 hours a day, partly reflective of the carrier's trans-continental U.S. flights (Seabury Airline Planning Group, 2006). The majority of all the studied LCCs have double-digit utilization rates, with the exception of Spirit, WestJet, and Sterling. Influential elements in average block hour utilization include stage length operations, airport selection, turn-around procedures, and scheduling parameters. Secondary airports tend to allow faster inbound, turn-around, and outbound times, while how an LCC chooses to schedule its flights has a utilization impact.

*Stage length.* Short routes are the mainstay of the original LCC model. Originally Southwest averaged stage lengths of 400 nautical miles (NM) (Alamdari & Fagan, 2005). The majority of LCCs fly a majority of short-haul routes; however JetBlue's relatively high number trans-continental flights raise the carrier's average stage length to nearly three times more than the traditional model. Figure 4 depicts the average stage lengths of the LCC study group.

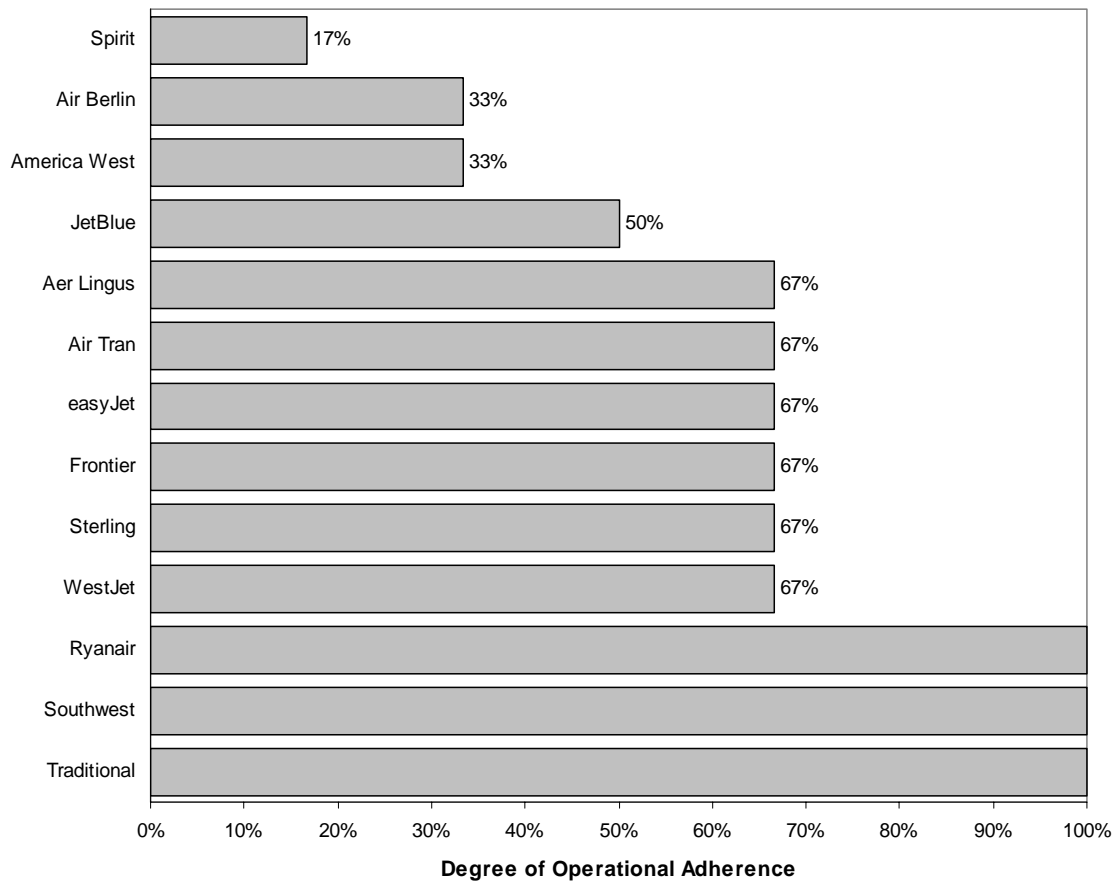




**Figure 4:** Average stage lengths of LCC study group (2004) (Seabury Airline Planning Group, 2006)

It is not possible to discern any geographical segmentation; however it is apparent that many LCCs are beginning to operate routes with longer stage lengths. Southwest, JetBlue, and WestJet all operate trans-continental flights. Ryanair has an average stage length that is lower than the original model, although some operations exceed 1000 NM (Seabury Airline Planning Group, 2006).

*Operational Adherence.* The operational analyses shows that North American LCCs tend to have a greater deviation from the original model, summarized in Figure 5; three out of four carriers with 50% or less adherence are U.S. LCCs. This deviation stems primarily from differentiated fleets and above-average stage lengths. The majority of study group carriers have a relatively high adherence level at 67%. Deviation is mainly attributed to below-average block hour utilization and above-average stage lengths. Southwest, and its imitator, Ryanair, have a 100% operational adherence.

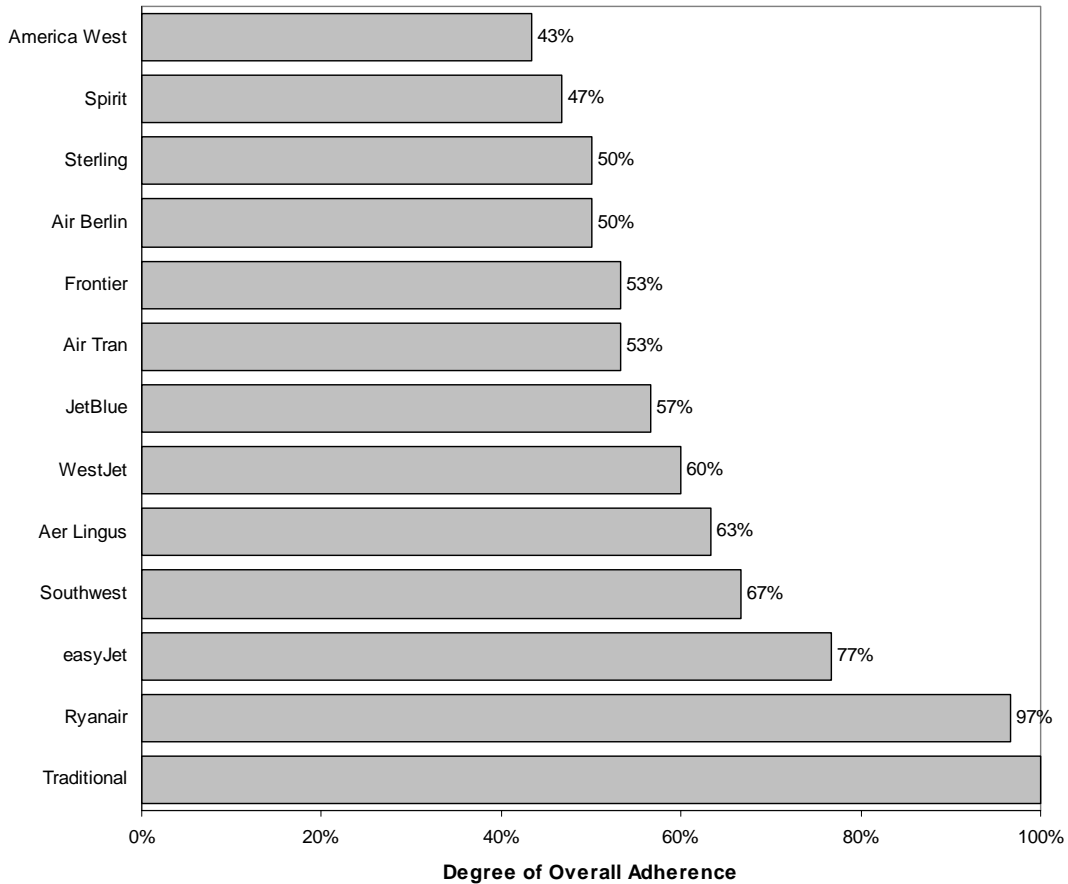


**Figure 5:** Level of LCC operational adherence to the original business model (2004)

### 3.3 Overall Adherence to the LCC Model

The results of the analysis shows that North American LCCs tend to have the greatest deviation from the traditional model founded in 1971, while European carriers tend to have a higher degree of model adherence. The exceptions to this are Air Berlin, Sterling, and Southwest. Southwest achieves a 67% overall adherence level, the highest among North American LCCs, which is indicative of the airline recognizing the strengths of its business model. Southwest’s deviation is mainly attributed to its network and distribution model variance, while operationally it has the highest level of adherence.. Ryanair has the highest level of overall business model adherence with 97%. America West has the greatest deviation with 43%, impacted greatly by its network, reward amenities, distribution, and fleet characteristics. While some FSCs implement selected LCC characteristics, Aer Lingus has transformed itself from an FSC to an LCC and implemented

substantial elements of the low-cost model (Harrington, Lawton, & Rajwani, 2005). It achieves an overall adherence of 63% by incorporating many LCC network and service characteristics. Figure 6 depicts the level of overall adherence to the LCC model.



**Figure 6:** Level of LCC overall adherence to the original business model (2004)

#### 4. Full-Service Carrier Business Model

The two-typology air carrier description found in the leading literature may prove to be a simplified explanation of reality. The analysis of North American and European low-cost carriers has shown that there is a high degree of model variance among LCCs. The following section is a presentation of the model variances apparent among North American and European full-service carriers. The methodology is identical, although there are 14 carriers in the study group (6 North American and 8 European) and two characteristics have been omitted (seat assignments and airport location) from the FSC analysis as all carriers would provide identical results.

#### *4.1 Product Features*

*Networks and ticketing.* Some FSCs have envious networks that span the globe emanating from fortress hubs. To bring traffic into these networks all FSCs have connection possibilities, both on-line and inter-line. Transfer traffic is a vital element to ensure adequate load factors and finances to operate some routes in an FSC network. To make on-lining and inter-lining attractive the majority of airlines offer through-fares, with the exception of Air Canada, SN Brussels, and BMI. Trip restrictions were historically implemented by carriers to maximize revenue, however many LCCs have capitalized on this policy by emphasizing ease of travel. Some airlines have responded by easing restrictions, most notably Air Canada. The North American carrier offers today one-way fares with five fare options incorporating graduated levels of restrictions. The risk of implementing a one-way concept is revenue dilution, which can be mitigated by passenger volume increases. To complement scheduled operations many airlines enter into charter contracts. The only North American carrier to focus on charter flights is Air Canada, which is representative of the low penetration of charter flights in the U.S. Some European FSCs, however, pursue charter contracts, such as SAS, Finnair, Austrian, SN Brussels, and BMI.

Current FSC network and ticket characteristics are similar to the original model, especially within the US market, while Air Canada's restructuring enabled a significant model transformation. The European market is more diverse and characterized by models with a high adherence level to the original model, although slight nuances are discernable. BMI and SN Brussels are two carriers that are challenging this notion currently.

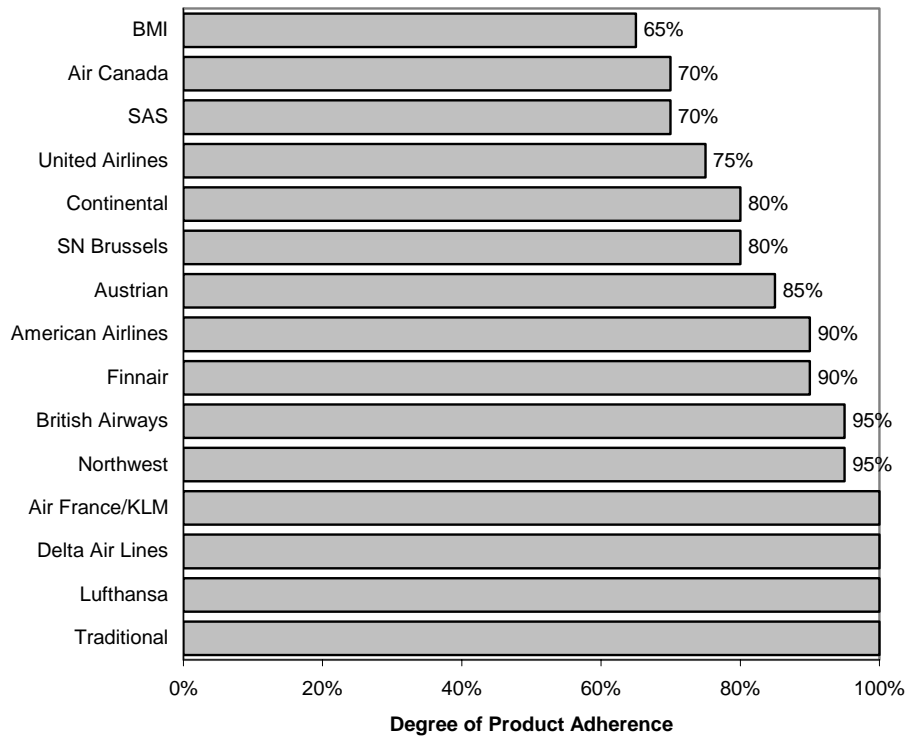
*Services.* Service levels at FSCs have changed drastically over the past few years and was one cost area that was easily targeted following the industry downturn. While all carriers in the study group continue to offer frequent-flyer programs and lounges, the in-flight experience varies. Many North American FSCs have implemented fee-driven meal service, similar to LCCs, however first and business class passengers continue to be catered. However, North American carriers still offer complimentary non-alcoholic beverages and American Airlines' contrary test phase did not generate acceptable responses (Alexander, 2005). Many carriers are exploring service co-branding opportunities, for example, Air Canada and United Airlines to expand their offering and customer recognition. The majority of European FSCs continue to offer complimentary meal service, with the

exception of SAS, Austrian, and BMI. The majority of FSCs offer a two-class service, business and economy; however some carriers have expanded their offering. with United Airlines and SAS both operating a three-class cabin in an attempt to generate higher yields.

*Distribution.* All FSCs continue to utilize GDSs, however the airlines actively push on-line distribution, especially through their own channels due to lower costs. In addition, the traditional commissions that independent travel agents received from FSCs to reward sales have been eliminated by many airlines. Customer segmentation allows carriers to focus sales activities and high-yield business traffic is a prime target group. The traditional FSC model calls for dual segmentation, however many smaller business customers are ineligible. United Airlines offers high-yield passengers unique solutions aimed specifically at large or small corporate customers, while Air Canada has elected to implement a corporate program similar to those found among North American LCCs. Among European FSCs the trend is to follow the traditional business model and have two distinct customer segmentations. Nearly all the FSCs are primary, contributing members of the three global alliances, except SN Brussels that has elected not to join.

*Product Adherence.* The degree of product adherence among North American and European FSCs is quite high, 60% of the study group has an product adherence degree of 90% or greater, as shown in Figure 7. Air France/KLM, Delta, and Lufthansa have strict model adherence, while BMI has the lowest model following with 55%. Through-fares, trip restrictions, and inflight service are those model characteristics that influence model variance the greatest. There is no apparent geographical segmentation as found among the LCC study group, which may be explained by the low representation numbers among North American FSCs, the need for differentiation among the high number of European FSCs, and the history of FSCs as a country's designated airline.

4.2



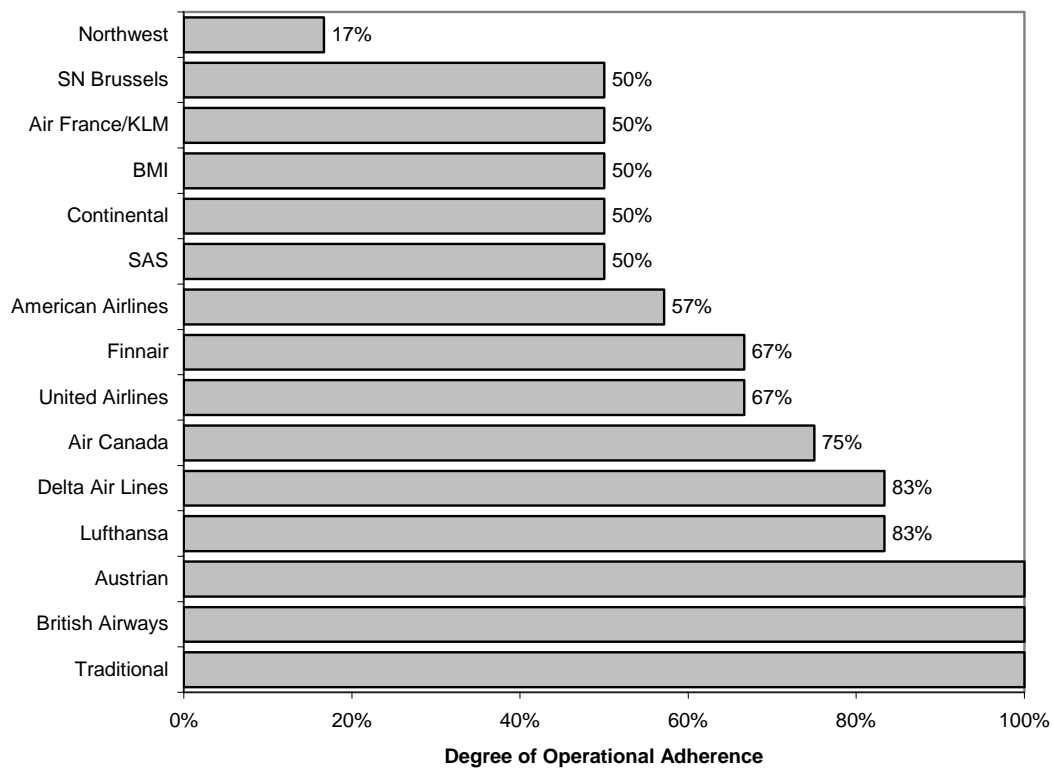
**Figure 7:** Level of FSC product adherence to the original business model (2004)  
*Operational Features*

*Fleet.* The traditional FSC fleet commonly consisted of aircraft for fulfilling three roles: regional, short-haul, and long-haul service. However, this trait is not as common today. Many FSCs, especially in North America, outsource their regional flying and focus on major, trans-continental, and international routes. In 2004 Delta Air Lines had 30 short-haul Dornier aircraft in their fleet during the timeframe of the analysis, while Air Canada has 60 Embraer aircraft on order (World fleet summary.2005). The situation in Europe differs because many FSCs continue to have short-haul aircraft in their fleets. However, British Airways has effectively utilized the franchising concept to outsource regional flying to partners while using the British Airways brand.

*Aircraft Utilization.* High aircraft utilization is the goal of any airline, however FSCs have an added challenge with a connection-driven network and hub coordination is necessary. The average block-hour for FSCs and their entire system is nine hours per day. Most FSCs are operating near this utilization figure, although long, international stage-lengths distort this figure somewhat.

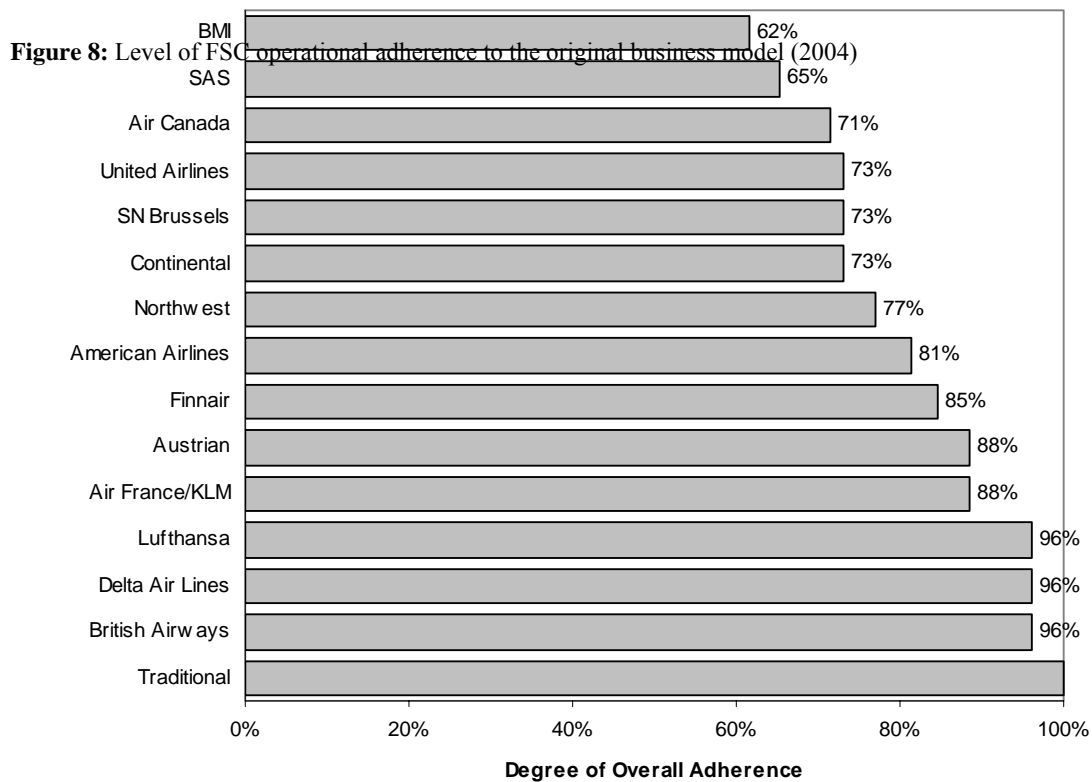
*Stage Length.* The average stage length for a European FSC is roughly twice that of an LCC, and the average stage length for the North American study group is approximately 1000 NM (Association of European Airlines, 2006). This stems partly from the geographical differences found between the two continents. While North American carriers have multiple hubs that are utilized to effectively cover nearly the entire country, European FSCs are generally limited to a single hub that covers their home country. This results in few intra-European long-stage routes.

*Operational Adherence.* Adherence overall to operational characteristics of the traditional FSC model vary greatly between the carriers. Northwest deviates from the pure traditional model by 83%, which is greatly driven by the carrier's low block hour and stage lengths, in addition to, its fleet characteristics. Austrian and British Airways, however, achieve a 100% operational adherence



to the FSC model. The reason for this clear distinction, either geographical or size, can be seen in the results, while stage length and block hours are the main drivers behind the deviation from the traditional FSC model. Figure 8 summarizes the results of the level of operational adherence to the traditional FSC model.

*Overall Adherence to the FSC Model.* Overall adherence to the traditional FSC model varies from a relatively low level of adherence to nearly full adherence. However, the majority of carriers do achieve an adherence of 80% or greater. There are two main elements that detract from full compliance with the traditional model: in-flight service and operational characteristics. The level of in-flight service among FSCs has undergone a drastic change from the complimentary, and sometimes exquisite, service to a fee-based service, commonly applicable to domestic or short-haul flights. North American carriers continue to offer complimentary non-alcoholic beverages, while some European FSCs are able to charge for all offerings. Operational characteristics vary among the FSC study group, especially regarding block hour usage and stage lengths. The lowest level of overall adherence is 54% from BMI. BMI has adopted many traits of LCCs, such as removing restrictions and limiting through-fares. The results of the FSC level of adherence are presented in Figure 9 below.



**Figure 9:** Level of FSC overall adherence to the original business model (2004)



## **5. Model Adherence and Profitability Impact**

Profitability is a relationship between internal and external factors, and the business model that a carrier elects to utilize. The analyses have shown that the current airline classification of low-cost carriers and full-service carriers may be too rigid, and does not accurately describe the business model and its nuances of the carrier study group. This section will analyze the level of relation between a chosen model and its impact on profitability. Analyzing 2004 operating revenue and expenses, as well as, operating margin enable performance measurement among the two study groups (The world's top 10 low-cost carriers 2004.2005; The world's top 25 airlines 2004.2005; World airline financial results 2004.2005). Operating margin measures the proportion of remaining operational revenue after paying operational expenses. This section is structured with an analysis of the LCC study group followed by the FSC airlines.

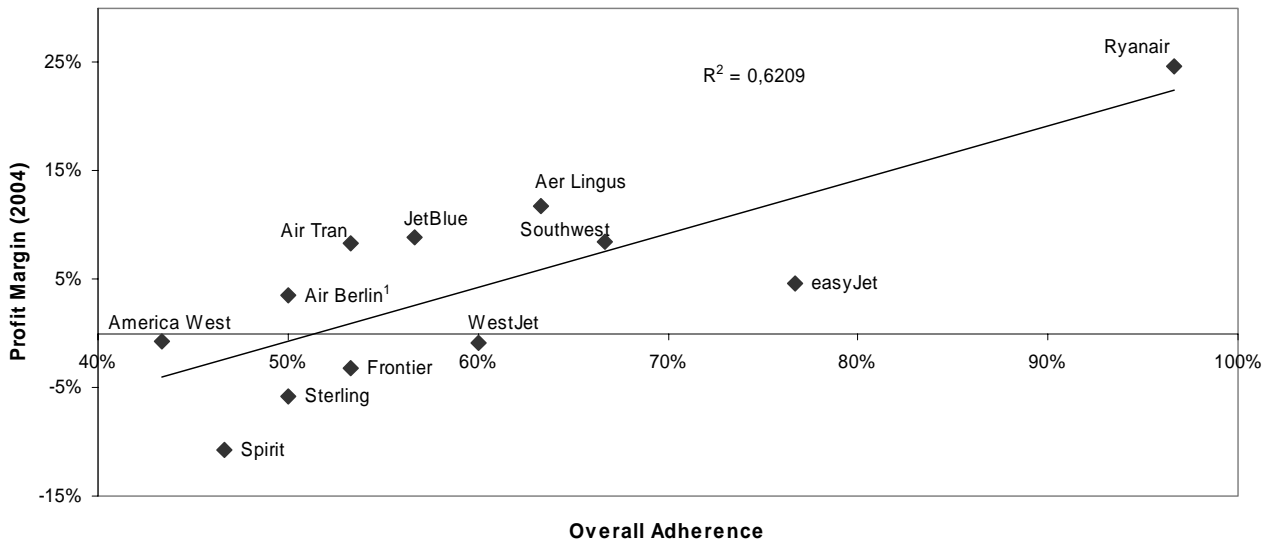
### *5.1 LCC Profitability*

The LCC market has not been immune from such market forces as increasing competition, high fuel prices, and a challenging yield environment. Five LCC carriers of the study group posted negative operating profits, however, as a whole, the group had an average profit margin several points better than the FSC study group (The world's top 10 low-cost carriers 2004.2005; The world's top 25 airlines 2004.2005; World airline financial results 2004.2005).

The results show that there is a positive relationship between an LCC's level of adherence to the original model with the carrier's operating margin. A linear regression of the two variables, LCC level of model adherence and operating margin, produce a regression coefficient<sup>3</sup> of  $r^2=0.6209$ . Figure 10 visually plots the two variables accompanied by a trend line.

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<sup>3</sup> A linear regression coefficient, also known as  $r^2$ , shows the level of correlation between two variables. A maximum coefficient of 1,  $r^2=1$ , indicates a perfect correlation between the variables, while the minimum achievable coefficient of 0,  $r^2=0$ , indicates no distinguishable correlation.



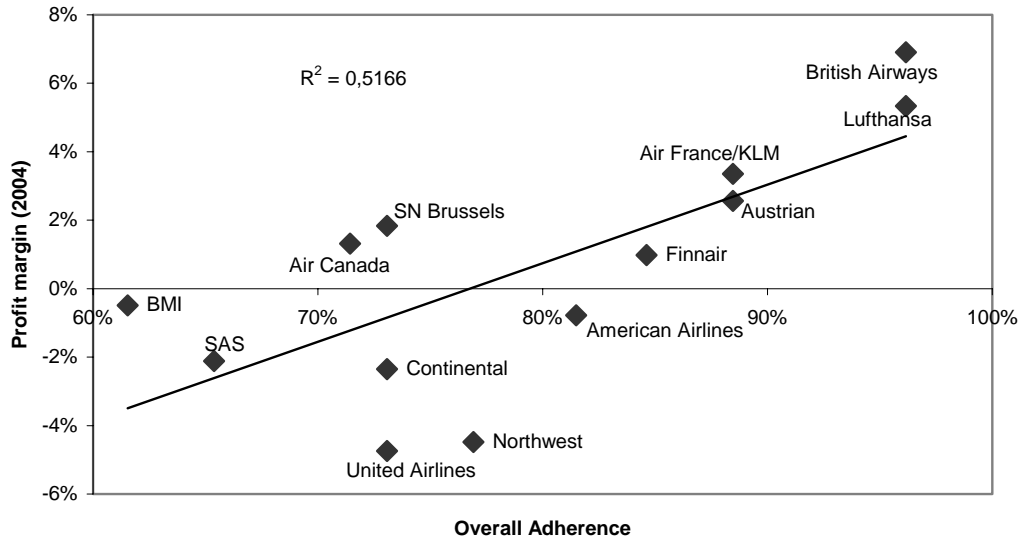
**Figure 10:** LCC correlation between overall business model adherence and operating margin (2004)  
<sup>1</sup>: estimated profit margin

In other words, Ryanair adheres to the traditional LCC model 97% and has the highest operating margin, 25%, among the LCC study group. The opposite case is Spirit, which has the second lowest level of adherence with 47% and the poorest operating margin of negative 11%. The results show that more strict adherence to the traditional LCC model result in a higher higher operating margin. The differentiation strategies LCCs choose to implement have an overall negative impact on operational margins. The further the LCC moves from the traditional model, the poorer the financial results.

### 5.2 FSC Profitability

The FSC correlation analysis ommits one carrier, Delta Air Lines. This carrier was an extreme outlier in the sample with a large negative profit margin due to extraordinary financial charges in 2004. The results also show a positive correlation between a high level of adherence to the traditional FSC model and a high operating margin. However, the regression coefficient,  $r^2=0.5166$ , is too low to state with an as high a level of confidence as with the LCC correlation that adherence to the traditional FSC model leads to a higher profit margin. However, the results do show a

discernable positive correlation between model adherence and profit margin. Figure 11 shows the plot of adherence level with profit margin.



**Figure 11:** FSC correlation between overall business model adherence and operating margin (2004)

Both British Airways and Lufthansa have the highest level of adherence, 96%, and the highest profit margins, 7% and 5% respectively. While BMI has the lowest level of adherence with 62% and a profit margin of 0%. Among the correlation study group SN Brussels has the lowest profit margin of negative 5% and the fourth lowest level of adherence to the traditional FSC model.

These results show that those FSCs that attempt to adopt some LCC characteristics may negatively impact their operational profit margins, unless they simultaneously aggressively lower their costs. Attempts to migrate from the traditional FSC model may only result in increased dilution of operating revenue. Differentiation through simplification must be accompanied by a reduction in cost per available seat kilometer.

## 6. Conclusion

The analyses results show that the stringent classification of airlines into either an LCC or FSC grouping inadequately illustrates the nuances found in current business models. Model differentiation characteristics are blurred when such simplified monikers are applied. The LCC

study group shows a high degree of differentiation, especially among North American carriers and more mature European carriers. Model variance among differentiating carriers on both continents is most discernable within the network regime, especially among connection and through-fare possibilities. North American carriers' model discrepancy is mainly attributed to their choice of service offerings and distribution tactics. Among European LCCs the impact from operational choices results in model variance. The correlation analysis has shown a positive link between original business model adherence and operational profitability. The data suggests that a sufficiently higher yield is not attainable through model variance.

Among the FSC study group there is less tendency to veer from the original business model and there is little differentiation among the study group. The little variance found among the carriers is mainly attributed to service offering differentiation. Deviation from operational characteristics, such as stage lengths and aircraft utilization figures, is the main catalysts for variance. Correlation results have shown that deviation from the original business model have a negative impact on operational financial results. More stringent adherence to the original full-service model tends to result in improved figures.

The overall study has attempted to quantify the differences found among some of North America's and Europe's largest LCCs and FSCs. The results show that applying differentiating features in an attempt to gain a competitive advantage may dilute operational performance; in other words, Porter's notion of *stuck in the middle* is highly applicable within this context (Porter, 1985). While LCCs may adjust their business models to attract higher yield passengers and FSCs alter their business models striving for simplification without lowering their yields, the opposite may be true.

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**Turbulens og strategi i luftfartsbranchen  
med fokus på  
SAS og Air France/KLM  
af  
Lise Lyck**

**Præsenteret på luftfartskonferencen, Airways 06, Copenhagen Business School,  
den 6. april 2006 i IBM auditoriet SP205, CBS, Solbjerg 3, 2000 Frederiksberg.**

**(Konferencen er arrangeret af Center for Tourism and Culture Management).**

## Turbulens og overlevelse

Hvorfor forsvinder store kendte virksomheder? Dette spørgsmål stillede Arie de Geus i 1997 i publikationen, ”The Living Company”. Baggrunden var hans påvisning af, at en tredjedel af de selskaber, der var placeret på FORTUNE 500 listen i 1970 var forsvundet fra FORTUNE 500 listen i 1983. Andre studier (eksempelvis Seifert, 2002) har påvist store fald i virksomhedernes gennemsnitlige levetid. Samme emne var også hovedtemaet i Hamal og Prahalads betydningsfulde bog fra 1994 ”Competing for the Future”.

Hovedsvaret på spørgsmålet har været, at der er for megen ”status quo management”, og at virksomhederne reagerer for sent strategisk og ledelsesmæssigt, når der opstår turbulens i en branche.

Turbulens kan være mere eller mindre omfattende, ligesom også hurtigheden i forandringen af en branches form og indhold kan variere betydeligt. De mest afgørende forandringsfaktorer, der skaber turbulens, er *deregulering* og *teknologiske ændringer*. Hertil kan komme investorskift, ændringer i forbrugerpræferencer og forbrugeradfærd mv.

Forbrugeradfærdsforandringer er ofte relativt langsomme, fordi forbrugeradfærd er baseret på vaner og demografiske faktorer, der ikke ændrer sig så hurtigt, ligesom forandringer kan kræve ny læring hos forbrugeren, og dette vil ofte tage tid.

Ved deregulering ændres den statslige regulering og evt. den internationale regulering. De eksisterende virksomheder og de nye aktører skal afdække og udforme den ny branche. Det gælder eksempelvis luftfartsbranchen.

Ved teknologiske forandringer søger de eksisterende toneangivende virksomheder ofte at holde fast i reguleringen længe efter, at teknologi og forbrugeradfærd er skiftet, hvorved de mister konkurrencekraft. De er for langsomme til at ændre strategi og ledelse og til at tilpasse værdikæder og produktionsprocesser til de ændrede brancheforhold. Det er for eksempel tilfældet med musikindustrien, hvor de store pladeselskaber klynger sig til reguleringen (rettigheder, prisfastsættelse etc.), selv om branchen er omformet og forbrugeradfærden skiftet.

Virksomheder kan være uvillige til at ville ændre strategi og ledelse, og de kan være ude af stand til at ændre eksisterende processer i tide, hvilket kan give nye aktører tid og plads til at få fodfæste og position i branchen. Udviklingen i luftfartsbranchen de senere år er et eksempel på en turbulens ledsaget af en sådan adfærd.

## Luftfartsbranchen i Europa

Luftfarten har været under kraftig statslig regulering frem til dereguleringen i USA i 1978 (the Airline Deregulation Act) og i EU ved liberaliseringer af branchen i perioden 1988 til 1997.

Trods læringsmulighederne fra den voldsomme deregulering i USA, og trods den mere gradvise deregulering i Europa, må det konstateres, at luftfartsselskaberne i Europa i meget lang tid holdt sig



til ”status quo management” og igennem lang tid ikke viste hverken villighed eller evne til forandring.

Villighed til forandring ses gennem ændret strategi og ledelse, mens evne til forandring ses gennem ændring af værdikæder, forretningsområder og produktionsprocesser.

Sheth *et al* (2006) har opstillet en model til klassificering af virksomhedernes reaktion på turbulens. Denne vises i figur 1.

Figur 1 Klassifikation af virksomheders reaktion på brancheturbulens

		Ability to change	
		Yes	No
Willingness to change	Yes	<b>Adaptive company</b>	<b>Captive company</b>
	No	<b>Arrogant company</b>	<b>Legacy company</b>

Kilde: Sheth *et al*, 2006.

Mange flyselskaber har i for lang tid været at betragte som ”legacy companies” og har herefter begyndt en forandringsproces, der i for begrænset omfang har haft tilpasning til turbulens som strategisk indhold. Ofte er tilpasningen iværksat som en blanding af ”captive companies” og ”arrogant companies” tiltag, hvor faren for at blive ”stuck in the middle”<sup>4</sup> mellem skift i strategi og ledelse på den ene side, og skift i værdikæder, produktionsprocesser og forretningsgrundlag på den anden side ikke fører til konkurrencedygtig tilpasning til branchens ny form og indhold.

For at virksomheden kan blive et ”adaptive company”, dvs., kan få en konkurrencedygtig strategisk forandringsproces gennemført, kræves:

- Ændret uortodoks tankegang med betydelig ’delearning’
- Strukturelle forandringer, rekonstruktion og identifikation af værdikæder og profitcentre
- Ændrede aflønnings- og belønningssystemer

Ledelse af gennemførelsen af en strategisk forandringsproces kræver ofte:

- Ny ledelse/bestyrelse
- Udpegning af en ”kronprins” til at forestå ændringerne i virksomheden
- ’Buy outs’

<sup>4</sup> Ikke ”stuck in the middle” i Michael Porters forstand som en blanding af generiske strategier, men som ”stuck in the middle” mellem strategi og ledelse på den ene side og implementering af forandringsprocesser på den anden side (Lise Lyck 2006).

Mere passivt kan der være tale om indgåelse i en fusion eller om virksomhedsophør.

Hamel og Prahalad (1994) fandt, at ledelsens tidsanvendelse var uhensigtsmæssig og i strid med virksomhedens overordnede mål. Der blev brugt for lidt tid på fremadrettet virksomhed, og for megen tid på det bestående og på fortiden. De fandt det derfor vigtigt at sondre mellem strategisk planlægning og strategisk arkitektur og fandt, at traditionel strategisk planlægning kunne være farlig at anvende, når der var turbulens, fordi turbulens kræver brug af strategisk arkitektur. De to begreber er vist i oversigt 1 på side 5 for at vise forskellen mellem begreberne.

## Øversigt 1 Strategisk planlægning og strategisk arkitektur

	<b>Strategic Planning</b>	<b>Crafting Strategic Architecture</b>
<b>Planning goal</b>	<ul style="list-style-type: none"> <li>▪ Incremental improvement in market share and position</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rewriting industry rules and creating new competitive space</li> </ul>
<b>Planning process</b>	<ul style="list-style-type: none"> <li>▪ Formulaic and ritualistic</li> <li>▪ Existing industry and market structure as the base line</li> <li>▪ Industry structure analysis (segmentation analysis, value chain analysis, cost structure analysis, competitor benchmarking, etc.)</li> <li>▪ Tests for fit between resources and plans</li> <li>▪ Capital budgeting and allocation of resources among competing projects</li> <li>▪ Individual businesses as the unit of analysis</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exploratory and open-ended</li> <li>▪ An understanding of discontinuities and competencies as the base line</li> <li>▪ A search for new functionalities or new ways of delivering new opportunities</li> <li>▪ Development of plans for competence acquisition and migration</li> <li>▪ Development opportunity approach plans</li> <li>▪ The corporation as the unit of analysis</li> </ul>
<b>Planning resources</b>	<ul style="list-style-type: none"> <li>▪ Business unit executives</li> <li>▪ Few experts</li> <li>▪ Staff driven</li> </ul>	<ul style="list-style-type: none"> <li>▪ Many managers</li> <li>▪ The collective wisdom of the company</li> <li>▪ Line and staff driven (Hamel og Prahalad, 1994).</li> </ul>

Som en form for test af virksomhedens ansattes forståelse af de krav, som turbulens stiller til en virksomhed, præsenterede Hamel og Prahalad et spørgeskema, som kunne udfyldes før læsning af bogen ” Competing for the Future”, samt et skema med 20 spørgsmål, der kunne besvares efter læsning af bogen. Tanken hermed var at lægge op til proaktiv forandringsorienteret tænkning og adfærd. Disse to skemaer er vedhæftet i appendiks 1 til denne præsentation med henblik på egen aktiv refleksion over strategi, ledelse og gennemførelse af forandringsprocesser inden for luftfart.

## Luftfartens udvikling i de senere år

Dereguleringen af den europæiske luftfart i de seneste fem år har medført store forandringer:

- Antallet af flyafgange er i de største lufthavne i Europa samlet forøget fra 2000-2004 med:

Årstal	Antal take-off og landinger (i 1000)
2000	7937,9
2004	8548,6

Kilde: European Commission (2005).

Ovenstående tal viser en procentuel stigning på 7,7 %.

- Antallet af passagerer er i de største lufthavne i Europa samlet forøget fra 2000-2004 med:

Årstal	Antal Passagerer (i millioner)
2000	737,71
2004	766,24

Kilde: European Commission (2005).

Ovenstående tal viser en procentuel stigning på 3,87 %.

- Priserne for flyrejser er faldet voldsomt fra 2000-2005
- Nye aktører – lavprisflyselskaber – har fået solidt fodfæste. Fra en markedsandel på ca. 5 pct. i år 2000 til ca. 20 pct. i år 2005 (se tabel 2).
- Store forandringer i de traditionelle flyselskabers konkurrenceposition.

- Betydelig tilpasning til forbrugerpræferencer
  - Lavere priser
  - Flere valgmuligheder
  - Større fleksibilitet
  - Færre tidsmæssige restriktioner på ud - og hjemrejser

Tabel 1 Passagertal og markedsandele for europæiske flyselskaber

2004	Antal passagerer	Samlet markedsandel
<b>AEA selskaber</b>		
SAS	20.378.600	5,2%
KLM	20.386.200	5,2%
Air France	45.368.900	11,6%
British Airways	35.462.500	9,1%
Lufthansa	48.255.400	12,4%
SpanAir	5.644.400	1,4%
Øvrige AEA	131.516.900	33,7%
<b>AEA Total</b>	<b>307.012.900</b>	<b>78,7%</b>
<b>ELFAA selskaber</b>		
Air Berlin	13.800.000	3,5%
Ryan Air	27.500.000	7,1%
Sterling	1.800.000	0,5%
EasyJet*	24.300.000	6,2%
Øvrige ELFAA	15.500.000	4,0%
<b>ELFAA samlet</b>	<b>82.900.000</b>	<b>21,3%</b>
<b>Total</b>	<b>389.912.900</b>	<b>100%</b>

*Note: Datamateriale er indsamlet fra de to store Europæiske brancheforeninger (AEA og ELFAA) og omfatter derfor kun tal fra flyselskaber der er medlemmer af disse, og tabellen giver derfor kun et approksimativt billede af det samlede Europæiske passagertal.*

*\* Note: Easyjet er først optaget i ELFAA fra oktober 2005, så deres passagertal er fra Easyjets egen årsrapport*

Kilder: www.aea.be og www.elfaa.com og www.easyjet.com

For flyselskaberne har en tilpasning været nødvendig. Det har i næsten alle tilfælde ført til introduktion af en strategi med fokus på omkostningsreduktioner, en defensiv strategi, med det formål at standse lavprisflyselskabernes fremmarch. Strategien kan ikke siges at være vellykket, jf. tabel 2.

Tabel 2

Markedsandele for lavprisflyselskaber udregnet for ASK i procent.

2001	2002	2003	2004
6	9	12	19

Kilde: Cassotis, 2005

## **SAS og Air France/KLM og deres strategi**

Nærværende afsnit omfatter først en kort præsentation af de tre selskaber med fokus på deres identitet og udvikling. Herefter følger en analyse af deres strategivalg og konsekvenserne heraf målt på kort sigt.

### **Selskabspræsentation**

#### **SAS**

- I 1946 blev SAS dannet via en fusion mellem Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartsselskab A/S (DNL) og Svensk Interkontinental Lufttrafik AB (SILA).
- SAS blev i 1983 kåret som "Airline of the Year", og var i 1997 med til at grundlægge Star Alliance.
- SAS var først kendt for fremsynet teknik, senere for service og præcision og for business service både i lufthavne og fly, for skandinavisk venlighed og engageret personale
- SAS har i dag ca. 28.000 ansatte globalt, og havde i 2004 omkring 20,3 millioner passagerer, samt en markedsandel på 5,2 pct.
- Star alliance startede i 1992, hvor Air Canada og United Airlines dannede en alliance

- SAS blev opsplittet i tre nationale selskaber i 2004: Scandinavian Airlines Danmark, SAS Braathens, Scandinavian Airlines Sverige, og et fælles oversøisk selskab, Scandinavian Airlines International. SAS er børsnoteret i både Stockholm, Oslo og København.



## **KLM**

- I oktober 1919 blev KLM Royal Dutch Airlines dannet af Albert Plesman i Holland, og er derved det ældste flyselskab i verden, som stadig har sit oprindelige navn.
- I 1946 etablerede KLM som det første europæiske flyselskab en rute over Atlanterhavet, fra Amsterdam til New York.
- I 1989 indgik KLM en alliance med Northwest Airlines
- I 1996 opkøbte KLM Kenya Airways
- I maj 2004 blev fusionen mellem KLM og Air France en realitet.
- KLM har ca. 35.000 ansatte på verdensplan, og transporterer årligt næsten 20,4 mio. passagerer, samt mere end 600.000 tons kargo.
- KLM gruppen flyver til 128 byer i 65 lande
- I 2004/2005 havde KLM en omsætning på 91 mio. euro, samt 2004 en markedsandel på 5,2 pct.

## **Air France**

- Air France blev etableret i oktober 1933, og dets historie har været kendetegnet af adskillige milepæle.
- I 1997 fusionerede Air France med Air Inter, og i juni 2000 indgik Air France og Delta Airlines sammen med Aeroméxico og Korean Air i SkyTeam alliancen
- Air France havde i 2004 over 45 millioner passagerer, og flyver til over 200 destinationer i 90 lande
- Air France har mere end 71,000 ansatte på verdensplan
- Omsætningen for 2005 var på over 19 mia. euro, og Air France har en markedsandel på 11,6 pct.



## Strategivalg og konsekvenser

Såvel SAS som Air France og KLM kom sent i gang med deres strategiske tilpasning til den turbulens, som dereguleringen har forårsaget inden for luftfartsbranchen. Det er interessant at konstatere, at selv om selskaberne har haft fokus på lavere omkostninger, har deres strategivalg været vidt forskellige.

SAS præsenterede den ny strategi benævnt ”Turnaround 2005” i slutningen af 2002. Det centrale i strategien er en opsplitning af det hidtidige selskab i tre nationale selskaber (hhv. dansk, norsk og svensk) og med opgivelse af navnet SAS som eneste fælles identitet, samt et selskab for oversøiske flyrejser (long haul). Det vil sige en strategi, hvor grænseoverskridende ejerskab forsvinder som struktur, og hvor volumeneffekten formindskes.

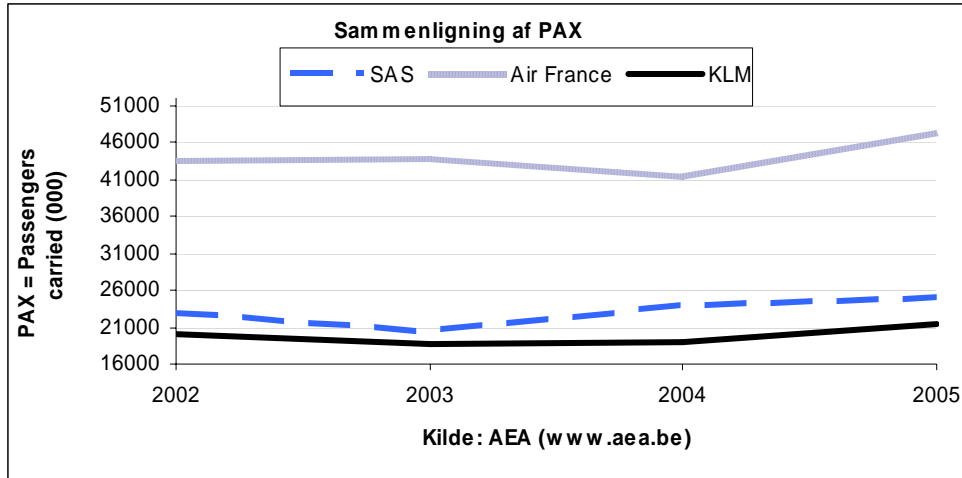
Air France og KLM valgte en helt anden strategi i form af en fusionsstrategi, med bibeholdelse af begge navne, men med Air France som ledende part. Det vil sige, at strategivalget indebærer en grænseoverskridende dimension og en forøget vægt på volumen og stordriftsfordele, der skal lede til lavere omkostninger og forøget konkurrencedygtighed.

På nuværende tidspunkt er det muligt at se på de hidtidige resultater af de to strategivalg og vurdere udviklingen på kort sigt.

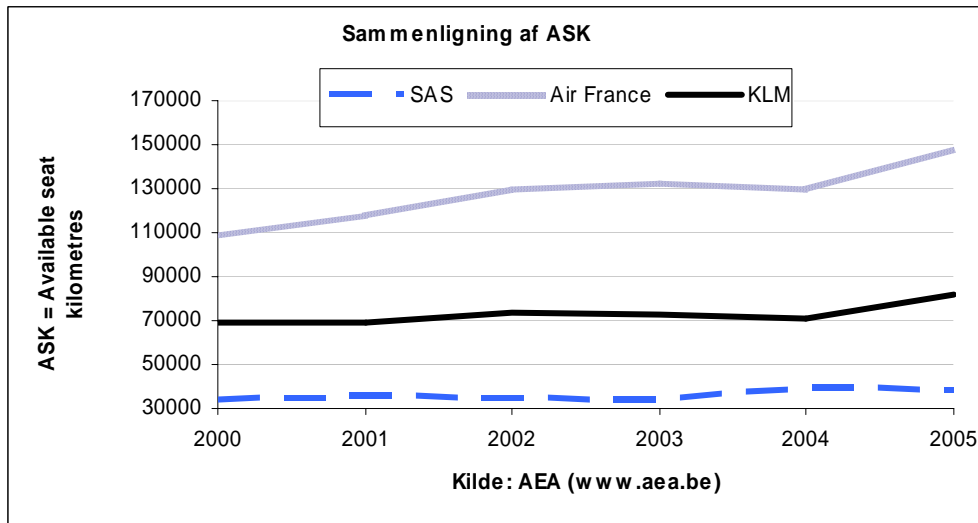
Turnaround-planen har resulteret i besparelser på over 14 milliarder svenske kroner, og har desuden resulteret i, at SAS-koncernen i 2005 fik et om end beskedent positivt regnskabsresultat på 255 millioner svenske kroner. SAS har gennemført besparelser på 30 pct. Udviklingen inden for branchen betyder, at der i 2006 er planlagt yderligere besparelser på 2 milliarder svenske kroner, der omfatter besparelse på piloter og kabinepersonale mv. SAS's strategi kan primært karakteriseres som en generisk omkostningsstrategi, der fokuserer på besparelser.

Air France/KLM strategien har været vækstorienteret, og med vægt på globalisering med et europæisk udgangspunkt.

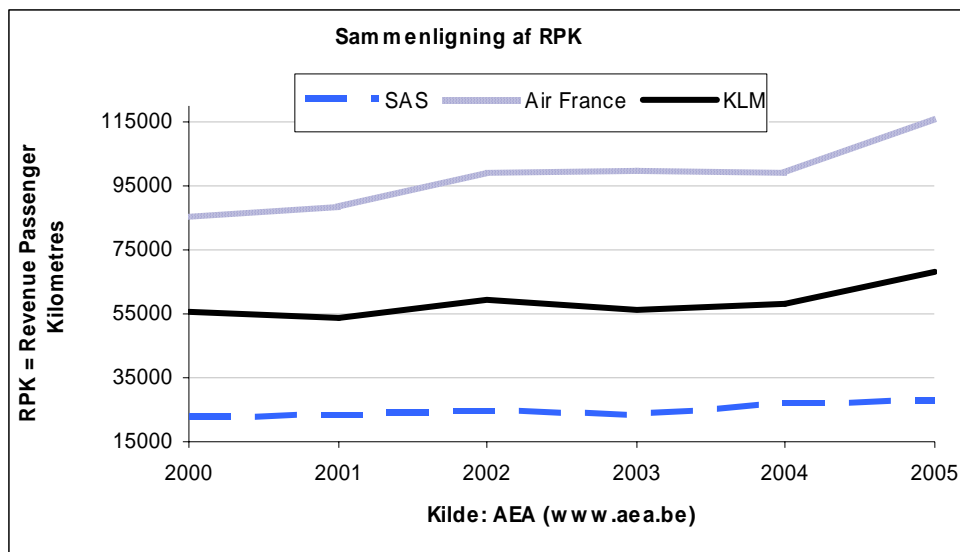
Resultaterne for selskaberne fremgår af figurerne og tabellerne vist på side 10 til 12, hvor antal passagerer (PAX), til rådighedsværende flysædekilometre (ASK) og indtjening i passagerkilometre (RPK) vises fra 2000 til 2005 for SAS, Air France og KLM.



PAX = Passengers carried (millions)				
	2002	2003	2004	2005
SAS	22,896	20,456	23,961	25,015
Air	43,421	43,490	41,239	47,142
KLM	19,956	18,719	18,997	21,510



ASK = Available seat kilometres						
	2000	2001	2002	2003	2004	2005
SAS	33.781,80	35.520,90	34.096	33.332	39.233,18	38.453,79
Air France	108.319,40	117.485,30	129.469	131.647	129.000,51	147.102,91
KLM	69.437,10	68.975,90	73.813	72.409	71.077,02	81.863,87



	RPK = Revenue Passenger Kilometres					
	2000	2001	2002	2003	2004	2005
SAS	22.647,30	22.955,60	24.170	23.020	26.826,87	27.724,24
Air France	85.119,10	88.283	98.508	99.073	98.639,70	115.879,10
KLM	55.705,60	53.758,80	59.181	56.540	58.332,75	68.322,24

Nedenstående tabel viser RPK (Revenue Passenger Kilometres) delt med ASK (Available Seat Kilometres), dvs. viser værdien af belægningsgraden for selskaberne.

	RPK / ASK					
	2000	2001	2002	2003	2004	2005
SAS	0,67	0,65	0,71	0,69	0,68	0,72
Air France	0,79	0,75	0,76	0,75	0,76	0,79
KLM	0,8	0,78	0,8	0,78	0,82	0,83

Tabellerne og figurerne viser, at Air France/KLM har opnået et relativt bedre resultat i den forløbne periode sammenlignet med SAS.

Men hensyn til image gælder, at SAS fra at være forbundet med:

- Business
- Punktlighed
- Service
- Medarbejdertilfredshed
- Kvalitet

I dag snarere er forbundet med:

- Dårlig service
- Manglende præcision

- Strejker
- Utilfredse medarbejdere

Men også med positive forandringer som:

- One way-konceptet
- Bonus Point

Med hensyn til det image, som Air France/KLM har, gælder:

- Oprindeligt to meget nationale selskaber, Air France med en Europaprofil og KLM med en oversøisk profil

I dag:

- En global europæisk profil
- Solide 'value for money' produkter
- Produkter, der er lette at købe

## Fremtiden i luftfartsbranchen

Selvom det er svært at forudsige hvad der fremover vil ske i branchen da den stadig er under udformning og rekonstruktion, skal afslutningsvist opridses nogle trends for den fortsatte udvikling. Dette sker velvidende, at branchen ikke har fundet sin endelige form og indhold.

1. Ryan Air-modellen er økonomisk effektiv, og vil blive efterlignet. Den bygger på:
  - En fuldstændig omkostningstilpasning ud fra en helhedsbetragtning
  - Vægt på tilgængelighed fra afgangdestination til ankomstdestination udover selve flytransporten, fx ved at indgå aftaler om billige togbilletter fra Stansted til London
  - En model hvor indtjening ikke er på transporten men på yderligere services, såsom tilgængelighed, og salg af enkeltprodukter. Det drejer sig om produkter, der er yderst attraktive ud fra et forbrugersynspunkt, dvs. produkter af høj kvalitet, der samtidig er billige.
  - Der er fokus på oplevelsesøkonomiske elementer, idet det ikke er kendt hvilke produkter der sælges i forvejen, og der er en betydelig variation i tilbuddene til forbrugeren i årets løb.
2. Der vil blive et differentieret udbud af forskellige fly-produkter til forbrugerne. Dette ligger helt på linie med den almindelige globaliseringsudvikling.
3. Der vil blive fokuseret på kernekonkurrencefaktorer. Nogle af de vigtigste vil blive let tilgang til billigt brændstof og energiøkonomiske fly.
4. Der vil ske yderligere fusioner

Udover disse trends vil et afgørende hovedspørgsmål blive: Hvordan åbnes konkurrencesituationen for lavprisfly på langdistanceflyvninger?

Og hvordan dereguleres, så der opstår et verdensmarked?

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## **Appendiks 1. Strategisk konkurrencedygtig tilpasning**

Hamel & Prahalad skrev i 1994 bogen ”Competing for the Future”. På side 2 i deres bog præsenteres et spørgeskema, der tænkes udfyldt før læsning af bogen (se skema 1).

På side 294 er endnu et skema med 20 spørgsmål (se skema 2), der tænkes brugt efter læsning af bogen. Formålet er en proaktiv refleksion over strategi og lederadfærd. Begge skemaer er kopieret i dette appendiks til høflig selvbetjening med henblik på udfyldelse, refleksion og diskussion efter denne konference.

Venlig hilsen

Lise Lyck

# Skema 1 – Situationsvurdering

(sæt ring om din opfattelse af den nuværende situation).

<b>How senior management’s point of view about the future stack up against that of competitors?</b>		
Conventional and Reactive	● ● ● ● ●	Distinctive and Far-sighted
<b>Which issue is absorbing more of senior management’s attention?</b>		
Reengineering Core Processes	● ● ● ● ●	Reengineering Core Strategies
<b>Within the industry, do competitors view our company as more of a rule-taker or a rule-maker?</b>		
Mostly a Rule-taker	● ● ● ● ●	Mostly a Rule-maker
<b>What are we better at, improving operational efficiency Or creating fundamentally new businesses?</b>		
Operational Efficiency	● ● ● ● ●	New Business Development
<b>What percentage of our advantage-building efforts focus on catching up with competitors versus building advantage new to the industry?</b>		
Mostly Catching up to others	● ● ● ● ●	Mostly New to the Industry
<b>To what extent has our transformation agenda been set by competitors’ actions versus being set by our own unique vision of the future?</b>		
Largely Driven by Competitors	● ● ● ● ●	Largely Driven by Our Vision
<b>To what extent am I, as a senior manager, a maintenance engineer working on the present or an architect designing the future?</b>		
Mostly an Engineer	● ● ● ● ●	Mostly an Architect
<b>Among employees, what is the balance between anxiety and hope?</b>		
Mostly Anxiety	● ● ● ● ●	Mostly Hope



location of tomorrow's opportunities?

Does the firm have a capacity for global preemption (either using its own infrastructure or piggy-backing on partners)?

Have all potential opportunities for resource leverage been fully exploited?

Are senior executives confident that they will leave a legacy to future managers and employees that exceed the legacy they themselves inherited?

Are you having fun?


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