



THE FUTURE OF SAS

Simon Christiansen
Master Thesis

MSc Economics and Business Administration (MIB)
Copenhagen Business School – May 2017

Number of Characters 181,979
Supervisor: Juliana Hsuan

EXECUTIVE SUMMARY

Scandinavian Airlines (SAS) was founded in 1946 as a joint venture between Denmark, Norway, and Sweden. SAS AB (the parent company) is today listed on the Swedish stock exchange, and the ownership is divided between institutional and private investors. The three governments jointly own 42.7 percent of the shares, whilst the rest are freely traded. This unique ownership structure, part state owned, and part privately owned, makes for an interesting case.

The purpose of this master thesis is to assess and evaluate the current state of SAS, as well as to assess the future of the company. The thesis consists of three main parts, company overview, strategic, financial, and operational analysis, and scenarios of the future. First, the company overview gives the give the reader a descriptive overview of SAS' history, business strategy, and competitors. Secondly, the strategic, financial, and operational analysis, involves an extensive examination of SAS at a macro-environmental, micro-environmental, and company level. Thirdly, the scenarios of the future utilize information and key findings from the two previous parts in order to conduct four distinct scenarios of the future of SAS, before arriving at the most likely scenario.

The strategic analysis is relevant because SAS is operating in a harsh market, where external factors heavily affect the airline industry, and where SAS is opposed by fierce competition from the low-cost carriers, with a competitive landscape being characterized as driven by ticket prices. A somewhat biased SAS, along with customers' lack of loyalty in the industry contributes to the harsh environment, where one needs to fight for every percentage of market share. Furthermore, SAS' costs are amongst the highest in the industry, which has limited SAS' manoeuvre room to turn the company around. Costs have over the course of time been reduced multiple times, in order to catch up on competition. The two recent strategies, 4 Excellence and 4 Excellence Next Generation, with divestment and layoffs as mean to accomplish it, has given SAS room to make a more long-term strategy instead of only short-term cost cuttings.

SAS' declining financial results during the last decade, has been anything but a source of pride, but SAS can now present indications of a better future. In spite of these indicators, SAS still needs to optimize its processes and operations, in order to become a profitable airline.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

The following acronyms and abbreviations are used and applied in this master thesis.

ABA	AB Aerotransport, SAS' Swedish parent company
ARN	IATA code, Stockholm-Arlanda Airport
ASK	Available seat kilometre
ATK	Available tonne kilometre
Austrian	Austrian Airlines
BMD	Business model design
BMI	Business model innovation
BMR	Business model reconfiguration
BOS	IATA code, Boston Logan International Airport
CASK	Cost per available seat kilometre
CATK	Cost per available tonne kilometre
CPH	IATA code, Copenhagen Airport
DB	The German rail operator, Deutsche Bahn
DDL	Det Danske Luftfartsselskab, SAS' Danish mother company
DNL	Det Norske Luftfartsselskap, SAS' Norwegian mother company
DSB	The Danish rail operator, Danske Statsbaner
EBIT	Earnings before interest and tax
EBT	Earnings before tax
EQA	European Quality Alliance
EWB	IATA code, Newark Liberty International Airport, New York
HGK	IATA code, Hong Kong International Airport
IAD	IATA code, Washington Dulles International Airport
IAG	International Airlines Groups
IATA	International Air Transport Association

LAX	IATA code, Los Angeles International Airport
LCC	Low-cost carrier
LHR	IATA code, London Heathrow International Airport
MIA	IATA code, Miami International Airport
MFC	Multi-flag carrier
NOK	Norwegian Krone
Norwegian	Norwegian Air Shuttle ASA
NRT	IATA code, Tokyo Narita International Airport
NSB	The Norwegian rail operator, Norges Statsbaner
ORD	IATA code, Chicago O'Hare International Airport
OSL	IATA code, Oslo Gardermoen Airport
PAX	Amount of passengers
PEK	IATA code, Beijing Capital Airport
PVG	IATA code, Shanghai Pudong International Airport
RASK	Revenue per available seat kilometre
RPK	Revenue passenger kilometre
SAS AB	The parent company of SAS
SAS	The entire SAS Group
Swiss	Swiss International Airlines
SEK	Swedish Krona
SJ	The Swedish rail operator, Svenska Järnvägar
SFO	IATA code, San Francisco International Airport
USD	US Dollar
USD/bbl	US Dollar per barrel

FIGURES, TABLES AND APPENDICES

FIGURES

Figure 1.1	Structure of the master thesis
Figure 4.1	Share of capacity 2016
Figure 4.2	Share of departures 2016
Figure 4.3	Ownership structure of SAS
Figure 7.1	Jet fuel and crude oil price (USD/bbl)
Figure 7.2	Passengers by seat class
Figure 7.3	Premium as % of total
Figure 7.4	SAS' and Norwegian's load factor
Figure 7.5	Operating revenue and operating expenses
Figure 7.6	EBT margins (%)
Figure 7.7	Current ratio and equity ratio
Figure 7.8	Industry CASK per ASK, 2012
Figure 8.1	Determinants of airline costs

TABLES

Table 4.1	SAS' CEOs
Table 4.2	SAS' strategy (2001-)
Table 4.3	SAS' share of capacity in the Scandinavian market
Table 4.4	Norwegians airline fleet 2015
Table 4.5	Porter's Generic Strategies
Table 6.1	Number of employees and labour productivity 2016
Table 6.2	Norwegian's labour productivity 2016
Table 7.1	Peer group summary

Table 7.2	Key financial figures, 2007-2016
Table 7.3	Operating expense ratio
Table 7.4	Operational comparison between SAS and Norwegian
Table 7.5	CASK per ASK, 2005-1016
Table 7.6	SWOT summary
Table 8.1	SAS' intercontinental frequencies (per week)

APPENDICES

Appendix 1	SAS' Timeline
Appendix 2	E-mail correspondence with Björn Tibell
Appendix 3	Interview with Björn Tibell (Interview guide)
Appendix 4	Interview with Björn Tibell
Appendix 5	E-mail correspondence with Anna Nielsen
Appendix 6	E-mail correspondence with Alexandra Hove
Appendix 7	Interview with Alexandra Hove (Interview guide)
Appendix 8	Interview with Alexandra Hove
Appendix 9	E-mail correspondence with Jacob Pedersen
Appendix 10	Interview with Jacob Pedersen (Interview guide)
Appendix 11	Interview with Jacob Pedersen
Appendix 12	USD/bbl of crude oil
Appendix 13	Gross domestic product (GDP)
Appendix 14	Development in energy intensity
Appendix 15	SAS' financial and operational data
Appendix 16	Norwegian's financial and operational data
Appendix 17	NOK to SEK
Appendix 18	USD to SEK

Appendix 19	Fuel burn and CASK for Airbus A321
Appendix 20	Most important factors in choices of airline for business trips, 2007
Appendix 21	Difference in service offerings between SAS and Norwegian
Appendix 22	Key product features affecting travel decisions and choice of airline
Appendix 23	SAS' intercontinental financial and operational data

GLOSSARY OF COMMON AIR TRANSPORT TERMS (DOGANIS, 2010, PP. 326-328)

Aircraft kilometres are the distances flown by aircraft. An aircraft's total flying is obtained by multiplying the number of flights performed on each flight stage by the stage distance.

Aircraft productivity is calculated by multiplying an aircraft's average block speed by its maximum payload in tones to arrive at the ton km per hour. Or, one multiplies block speed by seat capacity to produce seat km per hour.

Aircraft utilization is the average number of block hours that each aircraft is in use. This is generally measured on a daily or annual basis.

Available seat kilometres (ASKs) are obtained by multiplying the number of seats available for sale on each flight by the stage distance flown.

Available ton kilometres (ATKs) are obtained by multiplying the number of tones of capacity available for carriage of passengers and cargo on each sector of a flight by the stage distance.

Average aircraft capacity is obtained by dividing an airline's total available ton kilometres (ATKs) by aircraft kilometres flown.

Average stage length is obtained by dividing an airline's total aircraft kilometres flown in a year by number of aircraft departures; it is the weighted average of stage/sector lengths flown by an airline.

Block time (hours) is the time for each flight stage or sector, measured from when the aircraft leaves the airport gate or stand (chocks off) to when it arrives on the gate or stand at the destination airport (chocks on). It can also be calculated from the moment an aircraft moves under its own power until it comes to rest at its destination.

Break-even load factor (per cent) is the load factor required at a given average fare or yield to generate total revenue which equals operating costs. Can be calculated for a flight or a series of flights.

Break of gauge is used in air services agreements to allow an airline, which has traffic rights from its own country (A) to country (B) and then fifth freedom rights onto country C, to operate one type of aircraft from A to B and then a different type (usually smaller) from B to C and beyond. This

normally involves basing aircraft and crews in country B. United Airlines and American operated such break of gauge flights from London to European points until the mid-1990s.

Cabin crew refers to stewards and stewardesses.

Code sharing is when two or more airlines each use their own flight codes or share a common code on flights operated by one of them. Combination carrier is an airline that transports both passengers and cargo, usually on the same aircraft.

Flight or cockpit crew refers to the pilot, co-pilot and flight engineer (if any).

Franchising involves an agreement between a large airline (the franchisor) and a smaller airline (franchisee) under which the latter operates a number of or all its services on behalf of the franchisor, usually with the latter's aircraft colour scheme, uniforms and product features.

Freight ton kilometres (FTKs) are obtained by multiplying the tons of freight uplifted by the sector distances over which they have been flown. They are a measure of an airline's cargo traffic.

Freight yields are obtained by dividing total revenue from scheduled freight by the freight ton kilometres (FTKs) produced (often expressed in US cents per FTK).

Grandfather rights is the convention by which airlines retain the right to use a particular take-off and landing slot times at an airport because they have done so previously, and continuously.

Integrators are air freight companies offering door-to-door express and small shipment services including surface collection and delivery. FedEx, DHL and UPS are the largest.

Interlining is the acceptance by one airline of travel documents issued by another airline for carriage on the services of the first airline. An interline passenger is one using a through fare for a journey involving two or more separate airlines.

Online passenger is one who transfers from one flight to another but on the same airline.

Operating costs per ATK is a measure obtained by dividing total operating costs by total ATKs. Operating costs exclude interest payments, taxes and extraordinary items. They can also be measured per RTK.

Operating ratio is the operating revenue expressed as a part of operating costs. Sometimes referred to as the revex ratio.

Passenger kilometres or Revenue passenger kilometres (RPKs) are obtained by multiplying the number of fare-paying passengers on each flight stage by flight stage distance. They are a measure of an airline's passenger traffic.

Passenger load factor (per cent) is passenger-kilometres (RPKs) expressed as a percentage of available seat kilometres (ASKs) (on a single sector, this is simplified to the number of passengers carried as a percentage of seats available for sale).

Revenue ton kilometres (RTKs) measure the output actually sold. They are obtained by multiplying the total number of tons of passengers and cargo carried on each flight stage by flight stage distance.

(Revenue passenger km are normally converted to revenue ton km on a standard basis of 90 kg average weight, including free and excess baggage, although this has been increased recently by some airlines, e.g. British Airways have increased the average weight from 90 kg to 95 kg, as a result of a CAA directive.)

Scheduled passenger yields are the average revenue per passenger kilometre and is obtained by dividing the total passenger revenue by the total passenger kilometres. This can be done by flight route or for the network.

Seat factor or passenger load factor on a single sector is obtained by expressing the passengers carried as a percentage of the seats available for sale; on a network of routes it is obtained by expressing the total passenger km (RPKs) as a percentage of the total seat km available (ASKs).

Seat pitch is the standard way of measuring seat density on an aircraft. It is the distance between the back of one seat and the same point on the back of the seat in front.

Slot at an airport is the right to operate one take-off or landing at that airport within a fixed time period.

Stage or sector distance should be the air route or flying distance between two airports. In practice, many airlines use the great circle distance which is shorter.

Transfer passenger is one who changes planes en-route at an intermediate airport.

Transit passenger is one who continues on the same aircraft after an intermediate stop on a multi-sector flight.

Weight load factor measures the proportion of available capacity actually sold. It is the revenue ton kilometres performed expressed as a percentage of available ton kilometres (also called overall load factor).

Wet lease usually involves the leasing of aircraft with flight crews, and possibly cabin crews and maintenance support as well. A dry lease involves just the aircraft without any additional support.

Wide-bodied aircrafts are civil aircrafts which have two passenger aisles (Boeing 767); narrow-bodied aircrafts, such as the Airbus A320, have only one aisle.

Yield is the average revenue collected per passenger-kilometre or ton-km of freight carried. Passenger yield is calculated by dividing the total passenger revenue on a flight by the passenger-kilometres generated by that flight. It is a measure of the weighted average fare paid.

TABLE OF CONTENT

1.0 INTRODUCTION	5
1.1 RESEARCH QUESTION.....	7
1.2 DELIMITATIONS	7
1.3 PROJECT STRUCTURE.....	8
2.0 LITERATURE REVIEW.....	9
2.1 BUSINESS MODELS.....	9
2.2 PESTEL AND PORTER'S FIVE FORCES	13
2.3 VRIO FRAMEWORK.....	14
2.4 FINANCIAL AND OPERATIONAL MEASURES.....	15
2.5 SWOT ANALYSIS	17
3.0 METHODOLOGY.....	17
3.1 RESEARCH STRATEGY	17
3.2 CHOICE OF METHODS	18
3.2.1 CASE STUDY AND CHOICE OF CASE COMPANY	19
3.2.2 COLLECTION OF EMPIRICAL DATA	19
3.2.3 INTERDISCIPLINARUTY STRENGTHS AND WEAKNESSES	22
3.3 QUALITY OF DATA.....	22
4.0 CASE COMPANY: SAS	23
4.1 SAS' STRATEGY	25
4.2 SAS' MARKETS	27
4.3 SAS' MANAGEMENT, OWNERSHIP AND OPERATIONAL STRUCTURE	28
4.4 SAS' PEER GROUP	29
5.0 EMPIRICAL RESULTS.....	31
5.1 INTERVIEW RESULTS.....	32
6.0 SAS' LEGACY.....	35
6.1 SUB CONCLUSION.....	39

7.0 STRATEGIC, FINANCIAL AND OPERATIONAL ANALYSIS.....	39
7.1 PESTEL.....	40
7.1.1 POLITICAL FACTORS	40
7.1.2 ECONOMIC FACTORS	41
7.1.3 SOCIOCULTURAL FACTORS	42
7.1.4 TECHNOLOGICAL FACTORS	43
7.1.5 ENVIRONMENTAL FACTORS	44
7.1.6 LEGAL FACTORS	45
7.1.7 CONCLUSION ON PESTEL.....	45
7.2 PORTER'S FIVE FORCES.....	45
7.2.1 INDUSTRY RIVALRY	46
7.2.2 THREAT OF NEW ENTRANTS	47
7.2.3 BARGAINING POWER OF CUSTOMERS	48
7.2.4 THREAT OF SUBSTITUTES.....	50
7.2.5 BARGAINING POWER OF SUPPLIERS	50
7.2.6 CONCLUSION ON PORTER'S FIVE FORCES.....	52
7.3 INTERNAL ANALYSIS.....	52
7.3.1 THE BRAND	52
7.3.2 STAR ALLIANCE.....	53
7.3.3 SLOT ALLOCATION AND ROUTE MAP	54
7.3.4 THE STAFF	55
7.3.5 EUROBONUS	56
7.3.6 CONCLUSION ON THE INTERNAL ANALYSIS	56
7.4 FINANCIAL AND OPERATIONAL ANALYSIS	56
7.4.1 FINANCIAL PERFORMANCE.....	57
7.4.2 OPERATIONAL PERFORMANCE.....	61
7.4.3 CONCLUSION ON THE FINANCIAL AND OPERATIONAL ANALYSIS	63
7.5 SUB CONCLUSION.....	64
8.0 THE FUTURE OF SAS	65

8.1 SCENARIOS OF THE FUTURE	65
8.1.1 SAS SUCCEEDS AND REMAINS INDEPENDENT	66
8.1.2 MERGER AND ACQUISITION	69
8.1.3. INTERCONTINENTAL EXPANSION	70
8.1.4 RECIEVERSHIP, LIQUIDATION, AND BANKRUPTCY	74
8.2 THE MOST LIKELY SCENARIO	76
8.3 SUB CONCLUSION	80
9.0 CONCLUSION	81
9.1 LIMITATIONS	84
9.2 OUTLOOK AND POTENTIAL AREAS OF FURTHER RESEARCH	84
10.0 REFERENCES	85
10.1 ACADEMIC ARTICLES	85
10.2 ARTICLES (NON-WEB)	87
10.3 ARTICLES (WEB)	88
10.4 BOOKS	91
10.5 COURSE MATERIAL AND LECTURE NOTES	94
10.6 E-MAILS	94
10.7 INTERVIEWS	94
10.8 TELEPHONE	94
10.9 WEBSITES	95
11.0 APPENDICES	101

1.0 INTRODUCTION

A historical perspective on the development models of the civil aviation industry reveals that the most common feature of the industry was the manifestation of “flying the flag” (Lyth, 1990), also known as legacy carriers (Robinson, Lück & Smith, 2013), where countries’ designated airline operated on its behalf and represent that nation. This often meant that the nation played an essential role in building and developing the airline. Later, during the twentieth century came the rise of “multi-flag companies” (MFCs) among civil aviation airlines (Barrett, 1969). MFCs are firms that are jointly owned and operated by two or more nations. The emergence of the MFCs over the course of the twentieth century exemplifies the making of the global civil aviation industry, which was heavily influenced by state subsidiaries, regulations, management, and the joint ownership of airlines.

Solid earnings were during the more monopolistic eras, obtained due to the highly-regulated industry. Licences were needed in order to operate routes and SAS had beneficial exclusive licences to serve lucrative destinations. As a result of this, SAS was successful and profitable. The legislative forms that took place from the early 1990ies to 2007 meant that independent companies were allowed to operate in other countries within the EU and US. This resulted in increased competition to the legacy carriers and the MFCs from the low-cost carriers (LCCs) (Robinson, Lück & Smith, 2013).

LCCs tend to have a better cost-structure than the legacy carrier and MFCs, as well as innovations and cost reductions that have made it possible to offer lower airfares. In short, new and attractive opportunities for travel became a reality. Weak margins and strong rivalry however resulted in many of the LCCs going bankrupt during the 1990ies. Because of this, there are today fewer, but stronger and more competitive LCCs, which have resulted in increased competition to the legacy carriers and the MFCs – in Europe such as Ryan Air, EasyJet, and in particular for SAS; Norwegian Air Shuttle ASA (Norwegian).

Whenever there is a downturn in the economy, such as the recent financial crisis, one of the first industries to be hit is the civil aviation industry. The volatility in the industry is extreme and highly sensitive to economic trends, coupled with a fierce competition, the aviation civil industry is one of the toughest around. As a result of this, several airlines, including many of the legacy carriers and MFCs, have in the past few years gone under for competition and gone bankrupt. Despite the departure of airlines, very few of the legacy carriers and MFCs have survived in the face of turbulence

in the business environment. SAS remains the only long-time surviving and important MFC (referred to as legacy carrier) in the civil aviation industry.

But staying in competition has not been an easy task for SAS. In recent years, SAS has experienced severe financial problems and has SAS been on the verge of bankruptcy. Had it not been for the restructuring deals the company negotiated in late 2012, the company would simply not exist today. However, restructurings, optimizing efficiency, and cost cuttings are not something new to the top management at SAS. Over a period of ten years SAS has had six cut cutting programs and laid off more than 20,000 employees (Kristiansen, 2015). Given the almost decade long financial troubles SAS has found itself in, one could question whether such an airline should still be allowed to continuously be on life support.

Two facts support the life support of SAS. The first one being the fact that the airline employs more than 10,000 people, and the second one being the fact that it is a MFC (owned by Denmark, Norway, and Sweden), where unlike most companies, almost half of the shareholders are to be found among national governments of the Scandinavian countries. The fact that SAS has received government-support confirms this. An interesting observation is that LCCs have survived without taxpayers' money. Thus, LCCs are perhaps better equipped to succeed in this industry than SAS is.

Having so many widespread stakeholders, entire societies would be impacted if SAS was allowed to go bankrupt, meaning that the unemployment rate would increase in all three countries. This means that the interest from multiple shareholders is to keep SAS flying high, though not for any price. The state owners of SAS have declared that they would like a buyer for their shares (Fehrm, 2016). Especially the Norwegian government has expressed this desire, as they are more in favour of Norwegian Air Shuttle ASA. The German legacy carrier Lufthansa, who has acquired Swiss International Airlines (Swiss) and Austrian Airlines (Austrian) (Lufthansa Group, 2017), nearly acquired SAS in 2008 (Fehrm, 2016).

Airline mergers is a trend in the industry for many of the former legacy carriers, examples of this being Lufthansa, Brussels Airlines, Swiss, and Austrian, United Airlines and Continental Airlines, and American Airlines and US Airways (Martin, 2016). It is necessary that the airline has a stable ground base, based on good market position, and an efficient operation in order to be a part of a merger or acquisition on good terms. While the question of ownership does not affect SAS in the short- or medium-term, SAS must act as if the healthy SAS of the future is the healthy SAS of today.

1.1 RESEARCH QUESTION

The objective of this master thesis is to analyse SAS' competitiveness and strategic position in the market. More specifically, it will focus on SAS and its legacy in order to analyse how the restructuring of SAS that has been going on during the last decade was managed, with a heightened focus from 2012 till today, and discuss and conclude whether this was enough for SAS in order to stay ahead of competition or if more initiatives/cost-cutting programs are needed. Therefore, the main research question is:

How did SAS manage the restructuring process and did this prepare SAS for future competition?

The main question will serve as the underlying catalyst throughout the thesis. In order to get a holistic view of SAS' positioning, the internal and external factors as well as their competitiveness will need to be further explored and analysed. This leads to the following four sub-questions:

How can SAS leverage its legacy?

What is the current strategic position of SAS and how is this compared to the market?

Which internal and external factors influence this?

How can SAS stay competitive, and what are the future opportunities?

1.2 DELIMITATIONS

During the research, several limitations have been encountered, which will be addressed in this section. First, the main focus will be on the Nordic market, but it will take the European and international market into account. Furthermore, the focus is on SAS' passenger traffic, which is by far the biggest stream of revenue, which excludes divisions like cargo, ground services, etc. However, when analysing e.g. employee productivity, innovations, and outsourcing, it do take all the activities of SAS AB (the parent company) (SAS) into account. Besides this, it is difficult to analyse and benchmark products in this industry, since the price and conditions of the products are highly influenced by data, time, duration, destinations, reservation systems, etc. Thus, the common theme of the strategic analysis will be profitability and the factors that affect the profitability.

Given the dynamic nature of the environment, and the fact that SAS is a public limited company, has been an issue when gathering data. The methodology section will elaborate this issue further.

The applied theoretical perspectives have limitations. This will be explicitly stated in the section about the theoretical framework. Additionally, the target group of this thesis is scholars of business and economics on Master's level or equivalent. Therefore, the basic theories and notions will not be explicitly derived unless else is stated or if the author feels a certain need to do so.

1.3 PROJECT STRUCTURE

This master thesis is divided into six overall parts, which are now briefly presented in order to give the readers an easy overview. It starts with an introduction of the topic and why it is considered relevant. The problem statement is presented as well as the delimitations to this project. Next, the theoretical framework will present the theories, with its similarities and differences, used for this master thesis.

The master thesis continues with the methodology section which aiming to at informing readers of the scientific approach chosen, and it elaborates on the data-collection methods used to obtain information for this master thesis followed by an introduction to the case company chosen. The next part of the thesis is the main part. This part consists of various analysis applied, leveraging on among other things the knowledge gained from the previous sections, to build up and deepen the level of analysis and thereby the discussion even further. The knowledge gained in this section is briefly summed up by looking at the strengths, weaknesses, opportunities and threats, followed by an analysis upon the future of SAS.

A conclusion summarizes the most important findings of the master thesis in order to answer the problem statement. The master thesis ends with a discussion about the limitations of the research and comes up with potential areas for further research. Figure 1.1 provides an overview of the overall structure of this master thesis.

Figure 1.1: Structure of the master thesis

Source: Own creation

2.0 LITERATURE REVIEW

The purpose of this section is to present the theoretical framework of reference of this master thesis. Existing literature relevant for the subject will be discussed, with emphasis on the most relevant and important findings. It is to be noted that the theoretical framework is not a comprehensive review of the theory in question, but a critical presentation with emphasis on the parts of the theory that are relevant to the problem statement.

2.1 BUSINESS MODELS

Business models have become an increasingly important unit of the analysis in innovation studies. Within this field, a consensus is emerging that the role of the business model in fostering innovation is twofold (Massa & Tucci, 2013). First, allowing managers and entrepreneurs to connect innovation products and technologies to a realized output in a market, the business model represents an important driver for innovation. Secondly, the business model may also be a source of innovation in itself.

Foss and Saebi (2015) argue that much of the attraction to the construction of business model lies in the holistic approach, meaning that business models are sometimes characterized as mental constructs that define the structure of the interlocking activities associated with key strategic choices. There are various definitions of business models and business model innovation, which will be analysed with regards to SAS later in this master thesis. But Pedersen and Sornn-Friese (2015) state that: “*business model innovations consist of three elements: the value proposition for customers, the needed activities, and the profits gained from engaging in these activities*”.

Disruption of innovation or increased pressures from one’s competitor’s forces incumbent to question the validity of their existing business models and to renew themselves (Leckner, 2007; Osterwalder & Pigneur, 2010). Teece (2010, P. 172: Foss and Saebi, 2015) argue that the:” *...essence of a business model is defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit*”. In fact, every organization: “*... either explicitly or implicitly employs a particular business model...*” (Teece, 2010, P. 172) and innovation can stem from innovating on the business model (Osterwalder & Pigneur, 2010).

The relevant strategic choices relate to the fundamental value proposition of the company, the markets and the market segment that it addresses, the structure of the value chain required to realize the relevant value proposition, and the mechanisms of value capture that the company deploys (Foss & Saebi, 2015). It represents a conceptualization of the pattern of transactional links between the company and its exchange partners (Zott and Amit, 2008). An innovative business model can either create a new market, or allow a company to create and exploit new opportunities in existing markets (Amit & Zott, 2012).

Innovating at the business model level by creating, implementing, and validating a new business model, can be a possibility for incumbents to stay competitive when facing disruptive innovation or fierce competition. Kaplan (2012) points out the importance of business model innovation (hence referred to as BMI) under these circumstances and suggests that firms should consider BMI as equally vital to product innovation. Companies often make substantial efforts to innovate their processes and products to achieve revenue growth and to maintain or improve profit margins (Amit & Zott, 2012). However, innovation to improve processes and products are often relatively expensive and time-consuming, and an innovation often requires a considerable upfront investment in everything from research and development to specialized resources, new plants and equipment, and even new business units.

Johnson et al. (2008) argue that the importance of both product and process innovation depends on the phase of the industry lifecycle – in mature market such as the one SAS is operating in, process innovation is considered more valuable. Despite its recognized importance, however, it is discovered that only a very small portion of the major innovations during the past decade has been business model related (Johnson et al., 2008). Companies need to develop the capability to innovate their business models, as well as their ideas and technologies (Chesbrough, 2010). BMI can allow managers to resolve the apparent trade-off between innovation costs and benefits by addressing how they do business, e.g. by involving partners in new value-creating activity systems. A scaled-down simplified representation of a business model allows for graphical representations that simplify cognition and offer the possibility of virtually experimenting with BMI (Osterwalder & Pigneur, 2010).

Kaplan (2012) presents two phenomena to change in business models that may in turn lead to BMI: business model design (BMD) and business model reconfiguration (BMR). Amit and Zott (2012) argue that BMI can occur in a number of ways. In order for design or reconfiguration leading to BMI, the output of those activities shall be characterized by some level of novelty and uniqueness. One is to add novel activities or content, by linking activities in novel ways using the structure of the company, and a the third is by changing one or more parties that perform any of the activities using governance. Gambardella and McGrahan (2010) support Amit and Zott (2012), stating that BMI occurs when a company adopts a novel approach to commercializing its underlying assets.

The BMI process varies depending on whether a business model is already in place or does not exist. BMD refers to entrepreneurial activities of creating, implementing, and validating the design of a novel business model in newly formed organizations. New organizations face significant technological uncertainty, lack of legitimacy and resources, and liability of newness (Kaplan, 2012). On the other hand, BMR assumes the existing or former business model. The process requires managers to reformulate organizational resources and acquire new ones to execute the change. The managers in incumbent firms generally face various challenges in their existing business model which may not be an issue for new companies (Kaplan, 2012). In order to understand which product or service that might become commercially successful requires sociological and marketing insights, experimentation with users, and the ability to match needs with technological solutions.

Giesen et al. (2007) have proposed that BMI in incumbent firms can be classified into three groups. First, industry model innovation, which consists of innovating the industry value chain, by e.g.

moving into new industries or redefining existing industries. Secondly, revenue model innovation, which represents innovation in the way revenue is generated, e.g. through reconfiguration of the product-service value mix. Thirdly, enterprise model innovation, which is by changing the role a company plays in the value chain, which can involve e.g. changes in extended enterprises and networks. In earlier work, Amit and Zott (2012) identified four interlinked value drivers of business model innovation: novelty, lock-in, complementarities, and efficiency. The presence of each of the four value drivers enhances the value creation potential of a business model.

All organizations in an industry may recognize the need for engaging in BMI simultaneously, but they may not be equally good at implementing BMIs (Foss & Saebi, 2015). Chesbrough (2007) argues that BMI may involve more important strategic implications than other forms of innovation, in that a better business model will beat a better idea or technology. A new BMI involves a process of searching, learning, and experimenting – usually with relative uncertainties regarding performance prospects. Foss and Saebi (2015), however, argue that a new business model is not a planned thing that is fully rational *ex ante*, but something that emerges in an extended design process.

To become business model innovators, companies need to create processes for making innovation and improvements (Mitchell & Coles, 2003). Stiglitz and Foss (2015) argue, that successful BMI requires a concentrated and collaborative effort of top management, whose leadership involvement needs to match the type of BMI envisioned, and the ability to make the employees of the company to have the same vision. To overcome the rigidity that accompanies established business models, companies must be made more agile, which can be achieved by developing three meta-capabilities: strategic sensitivity, leadership unity, and resource flexibility (Doz & Kosonen, 2010).

Chesbrough (2010) identifies two types of barriers to BMR – and possibly BMI – in existing firms. First, structural barriers exist in terms of conflicts between existing assets and the renewed business model. In order to successfully implement a BMR, companies must adapt their current structure, units, and process. The procedure of actually doing so can turn out to be extremely problematic or next to impossible, depending on different levels of resources and routine rigidity inherent to focal organization (Gilbert, 2005). Secondly, cognitive barriers are displayed by the inability of managers, who have been closely operating within their existing business model, to recognize opportunities or value potential too far outside the current business model (Chesbrough, 2010; Mintzberg, 1998). A critical challenge for managers is to understand when new business models are needed (Johnson, 2017). In this scenario, Mintzberg (1998) argues that the ability to overcome cognitive barriers is

expressed through the level of routine rigidity in the organization. Thus, it can be concluded that while established firms have certain advantages due to their accumulated knowledge, the same is also one of the main aspects – if not the main aspect – that makes BMR in incumbent firms so challenging (Gilbert, 2005).

2.2 PESTEL AND PORTER'S FIVE FORCES

The importance of understanding the business environment is twofold. The business environment can be divided into the competitive environment, including the organization, its immediate competitors, and customers, and macro-environment, the wider social, political, and economic setting in which the organization operate (Fosgaard, 2014). Competition between companies to serve consumers is the very essence of modern, market-led economies (Hooley, Piercy & Nicoulaud, 2012). There is a number of tools for understanding the competitive environment in which companies operate, recognising the opportunities and the threats they present.

Many important changes are taking place in the environment in which companies operate, and some important ones are taking into account by the PESTEL analysis. The PESTEL analysis (Hooley, Percy & Nicoulaud, 2012) is a further development of the classic PEST analysis, originally looking at the political, economic, sociocultural, and technological factors. The extended version also includes environmental factors and legal aspects. The PESTEL analysis is better suited for analysing the complexity of the modern-day business environment, since the environmental and legal aspects have a bigger influence today than when the PEST analysis was introduced. However, the PESTEL analysis can never be a comprehensive list.

Following the environmental impact analysis will be an analysis of the competitiveness of the airline industry using Porters Five Forces model of industry competition. Five main forces shape competition at the level of strategic business units and a systematic analysis of each in turn can provide one with the key to competitiveness in the industry. The profitability of a given organization is correlated by the five forces of the industry, hence the higher intensity in each force, the lower potential for industry profitability (Heracleous, Wirtz, & Pangarkar, 2009). But has to be noted that Porter's Five Forces have to be applied at the most appropriate level, meaning not necessarily the whole industry, which is something that will be elaborated upon later. It is also important to note the importance of complementary products and services when using Porter's Five Forces.

The end goal of using both the PESTEL analysis and Porters Five Forces is to discover which variables are depressing profitability, and which of these variables can be changed by individual or collective strategies.

2.3 VRIO FRAMEWORK

In opposition to the other strategic theories, e.g. the ones above, the Resource Based View (Barney, 1991) acknowledges that a company's resource and capabilities are the main foundation for a sustained competitive advantage. Resources refer to an organization assets and can be divided into fixed, intangible, and human. Capabilities are an organizations ability to coordinate and leverage the resources in the best possible way (Collins & Montgomery, 2008). According to Barney (1991), there are four attributes that an organization must fulfil to become a source of sustained competitive advantage, namely: being valuable, being rare, being costly to imitate, and being organized to capture value.

First, the Resource Based View assume that the skills, capabilities, and other resource that firms possess differ from one company to another. Secondly, the Resource Based View assume that resources are not mobile and do not move from company to company, at least not short-term. Thirdly, the Resource Based View views distinctive competence based on unique and valuable resources and capabilities as the driver of competitive advantage. Strategy is therefore not about imitating the strategies of the most successful firms – it is about identifying unique strengths and exploiting differences (Barney, 1991).

Resources are not sufficient to achieve competitive advantage – it is the application and capabilities of the resource that creates value. A resource or capability not being valuable gives a competitive disadvantage, a resource or capability not being rare gives a competitive parity, a resource or capability not being costly to imitate gives a temporary competitive advantage, and so does a resource or capability not being organized to capture value too gives temporary competitive advantage. *“A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors” (Barney, 1991).*

Barney's VRIO framework will be applied to understand the internal environment in SAS. This internal analysis will focus on the non-financial value drivers, which can be directly influenced by an organization. The VRIO framework focuses on an organization resources and capabilities (Barney,

1991). A resource or capability being valuable, rare, costly to imitate, and organized to capture value gives a sustained competitive advantage. *“A firm is said to have sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy”* (Barney, 1991).

The Resource Based View does not say much about the application of resources, it is recognized that merely possessing the resources and capabilities is not sufficient: it is only by being able to deploy the resources and capabilities identified in the VRIO framework that a sustained competitive advantage can be attained and rents can be generated. How and whether such a competitive advantage can be seized by firms and turned into profits is left unspecified. Some argue that rents follow automatically (Peteraf & Barney, 2003), others argue that the Resource Based View is formulated to explain why firms will generate rent – and not how (Wernerfelt, 2016).

2.4 FINANCIAL AND OPERATIONAL MEASURES

The purpose of the financial analysis is to establish a knowledge and understanding of SAS' annual reports as well as to serve as basis for comparison and understanding what has been going on at SAS from 1991 to 2016. Manipulation of bottom-line results can be conducted fully within the law. *“Assessment of the true profit performance on an airline therefore requires close scrutiny of the audited financial reports”* (Banfe, 1992, P. 169). The purpose of this financial analysis is not to go in depth with all the financial numbers, but to calculate some of the main financial measures (Banfe, 1992) as well as to understand an airlines operation.

A positive EBT margin means that the organization has a profit before tax for the year, whereas a negative EBT margin signifies a loss before tax for the year. The operating expense ratio sets total operating expense up against total operating revenues. If the value is less than 1 total operating expenses exceed total operating revenue. It is important to note, that the operating expense ratio does not take financial costs or gains into account, which differentiates it from the EBT margin.

$$EBT \text{ margin } \% = \frac{\text{Earnings before tax}}{\text{Total revenue}} \times 100$$

$$\text{Operating expense ratio} = \frac{\text{Total operating expenses}}{\text{Total revenue}}$$

Two measures have been selected and calculated in order to measure the solvency and liquidity of SAS: the current ratio and equity ratio. The current ratio shows how the company is positioned in terms of short-term liquidity, or in other words its ability to convert current assets into cash and reduce current liabilities (Norton & Porter, 2013). A high current ratio indicates a strong short-term liquidity, while a low current ratio means weak short-term liquidity. The equity ratio shows the long-term solvency of a company, or in other words the company's ability to repay long-term creditors.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Equity ratio} = \frac{\text{Total equity}}{\text{Total assets}}$$

Operations and process management are the activity of managing the resources and processes that produce product of service (Slack et al., 2015). ASK, available seat kilometre, (million) represents total passenger production capacity. RPK, revenue passenger kilometre, (million) represents how many seat kilometres the airline actually sold. Load factor represents the RPK as a percentage of ASK.

$$\text{ASK} = \text{Number of seats} \times \text{kilometres travelled}$$

$$\text{RPK} = \text{Number of passengers} \times \text{kilometres travelled}$$

$$\text{Load factor \%} = \frac{\text{ASK}}{\text{RPK}} \times 100$$

Yield represents how much an airline makes per kilometre on each seat. Yield management aims to allocate capacity to the right customer at the right time, and thus maximize profits (Robinson, Lück & Smith, 2013).

$$\text{Yield} = \frac{\text{Operating revenue}}{\text{RPK}}$$

Contrary to yield, RASK, revenue per available seat kilometre – representing the unit revenue – incorporates the load factor which makes it a more appropriate measurement for comparing airlines across different markets and business models. CASK, cost per available seat kilometre – representing an airlines unit cost. The aim is, by comparing RASK and CASK, to measure the profitability of the business segment involving the transportation of passengers. The difference between RASK and CASK amounts to the profit per produced seat kilometre. It should be noted that since ASK is larger than RPK, yield has a higher value than RASK.

$$RASK = \frac{\text{Total revenue}}{ASK}$$

$$CASK = \frac{\text{Operating expenses}}{ASK}$$

2.5 SWOT ANALYSIS

The purpose of the SWOT analysis is twofold. First, it seeks to identify the most significant factors, both internal and external, affecting the company and its markets. It provides a quick, executive summary of the key issues. Second, however, by looking at where strengths and weaknesses align with opportunities and threats can help strategy formulation. Identification of SWOTs is essential because it can enlighten later steps in planning to reach certain strategic goals. The company can begin where its strengths might be best deployed, both offensively and defensively, as well as where its weaknesses leave it vulnerable to market change or competitor action (Abya, et al., 2015).

What is in this master thesis presented in the SWOT summary is to be considered as a summary, rather than a SWOT analysis, hence the term SWOT summary. The SWOT analysis will here be conducted in order to summarize the findings from the PESTEL analysis, Porters Five Forces model, the VRIO framework, the financial analysis, and the operational analysis. This SWOT model will focus on the internal strengths and weaknesses and the external opportunities and threats that SAS is opposed to.

3.0 METHODOLOGY

This section will explain the scientific viewpoints of the study and the methodology used to answer the problem statement. In that way, the readers will gain an understanding of the methodological perspectives used in relation to this study, as well as get an understanding of the advantages and limitations of the research methods applied for this master thesis.

3.1 RESEARCH STRATEGY

Developing a research strategy involves decisions taken on a number of aspects of the research process, namely the development of the product stages, information-gathering techniques, approach to data analysis, budget, and timetable (Veal, 2011, P. 76).

The product stage can be split into several sub-categories. Among others, it includes the primary and secondary data-gathering processes as well as the development of the ideas for the final project. The information-gathering process includes numerous things to consider. While the information is likely to have been gathered before this point already, the information gathering process is about judging the various techniques and sources of information found in order to use only the most relevant ones. The approach to the data-analysis process consists of the details of analysis methods, which are appropriate, and the possibility for the various data-collection techniques are discussed. Finally, the budget and timetable decision processes include key aspects as the budget and time constraints of the project. External decision makers have set the time constraint of this project, but the remaining four processes are discussed below, starting with an overview of the structure of this master thesis.

3.2 CHOICE OF METHODS

The methodical choices taken in connection with this master thesis are going to be explained using The Research Onion (Saunders & Tosey, 2013). The Research Onion consists of decisions, which help the researcher determine the right decisions in regard to choosing methods.

The first subject, that the researcher has to decide upon, is the overall research philosophy. Johnson & Clark (2006) argue that one needs to be aware of the philosophical commitment because it affects the research strategy, since it has significant impact on the understanding of the project as well as the investigation process. It is here argued why pragmatism philosophy is the one that is used in the project. In the pragmatism philosophy, the ontology used is external with multiple views chosen to enable the best answer of the research question. Furthermore, the participants' opinions play an important role in the research leading the researcher to adopt a subjective and objective view in the axiology (Saunders, Lewis & Thornhill, 2009).

The second subject, that the researcher has to decide upon, is the research approach. Due to the fact that both quantitative and qualitative data are going to be used in this project, it may be argued that a mix of inductive and deductive approaches is used. Inductive because of the collection of qualitative data. Deductive because the project is moving from theory to reality with the need of explaining casual relationships between variables using qualitative data with the necessity to select samples of sufficient size in order to generalize conclusions (Saunders, Lewis & Thornhill, 2006).

In the following section, the research strategy, time horizon, and the data collection methods and its

limitations will be discussed. First, the choice of case study and company will be justified and why SAS is a relevant case to consider will be discussed. Second, the empirical data collection process will be examined and the reasons behind the choice of interviews discussed. Subsequently, the interdisciplinarity of the master thesis will be considered. The third subject, that the researcher has to decide upon is the research strategy. Case studies are particularly well-suited to new research areas or research areas for which existing theory seems inadequate. Yin (2003; Saunders, 2009) highlight, that the boundaries between the phenomenon being studied and the context within which it is being studied are not very clearly evident. A typical case study consists of one case which can for example circle around an organization, person, etc. Such a case study usually involves multiples sources of evidence, focusing on context, process, and discovering rather than proof, variables, and results (Saunders, 2009). Since the master thesis is not conducted to state absolute truths, a case study design is best suitable as the research question is both of descriptive and explorative kind.

3.2.1 CASE STUDY AND CHOICE OF CASE COMPANY

The travel and hospitality industries are amongst the most vulnerable to global or local shocks. This means contingencies, cash reserves, and hedging of major risks such as oil prices. But most of all it means agile and bold leadership who thinks ahead, with more than one strategy – depending on how events unfold (Dixon, 2017). The choice of case company, SAS, which roots back to 1946, and has been dominating the Scandinavian airline industry until the deregulation during the 1990ies and the early 2000s. But the organization has been running a management strategy that was to some extent cognitively biased for a long period (Mintzberg, 1998), which is why the organization has been in trouble for more than a decade. Hence, the organization has a long history in aviation, an established position, but a non-active approach to change, which is threatening the SAS' position. Geographically, the Scandinavian market is very interesting as it has had much government intervention, including many routes that are only operated because of government support. Additionally, it is a changing market in terms of operators.

3.2.2 COLLECTION OF EMPIRICAL DATA

The fourth and fifth subjects, that the researcher has to decide upon, are the time horizon and the choices of methods to use. The study is going to be a cross-sectional study of SAS, leveraging on both quantitative and qualitative empirical data. A mixed method will be used for this master thesis,

meaning a combination of the fact that both quantitative and qualitative data are gathered from financial reports, as well as qualitative data gathered from the interviews. When the research is a case study, it is useful to use triangulation in order to access the case study from different angles, which will help the researcher to gather more insight and knowledge.

Normally, one uses the quantitative methods to back up the qualitative methods or the other way around. But in this master thesis, they are going to be used to gain knowledge in an area from both the users (e.g. stakeholders) and the SAS' perspective. By combining quantitative and qualitative methods, one can offset the weaknesses in one by the strengths in the other as well as providing a widespread evidence. The quantitative and qualitative data will later be used in order to evaluate the future and the optimization upon the subject.

The sixth subject, that the researcher must decide upon, is the techniques and procedures, which include the data collection. Obtaining data can involve one or a number of data collection techniques such as: questionnaires, interviews, observations, secondary data, etc. The selection of techniques used to obtain the data, along with the procedures to analyse the data, represent the final decision regarding the overall research design. It is the researcher's elements of design along with his understanding of associated decisions in relation to the outer layers that provide the context and boundaries regarding the data-collection techniques and analysis procedures selected.

Both primary and secondary data have been chosen for this master thesis. One could solely have used existing literature, but that would not bring up any new knowledge upon this area. Therefore, the secondary data obtained from past research and articles have been used to gather insight into the existing knowledge upon the subject, while primary data and secondary financial data have been used to gather new knowledge upon the specific case study of SAS.

Qualitative empirical data have been collected and analysed to best answer the research question. More specifically the data were gathered through semi-structured interviews with the Head of Investor Relations at SAS, one of the two Passenger Sales Representatives at Singapore Airlines in Copenhagen, and the Head of Equity Research at Sydbank. The semi-structured interview method has been chosen, as it can help researchers gain access to in-depth information about a subject (Saunders, Lewis & Thornhill, 2007).

Interviews enable research to be clarified as they provide the opportunity to exchange in-depth

interviews and get access to exceptional observations from each interviewee in question. It was through these procedures, that it was possible to provide the master thesis with empirical data that have exclusively been shared to this master thesis. To access how SAS dealt with the increased competition from different angles, getting both internal and external perspectives, was favoured. This allowed for the construction of a more holistic picture of the organization, as several viewpoints were included.

Semi-structured interviews give the interviewer the option to ask follow-up questions, and allows the informant to pick up new leads during the interview (Saunders, Lewis & Thornhill, 2007). While a set of questions was formulated prior to the interviews, deviation from the interview guides was allowed in order to pick up on topics the interviewees found interesting, as well as ask unscripted follow-up questions on matters that were not clear. This approach leads to a flexible discussion with the interviewees on various matters that were found interesting and relevant to consider for this master thesis.

First, Björn Tibell (Tibell, 2017), Head of Investor Relations at SAS was interviewed (Appendix 2,3, and 4). Attempts to get in touch with employees holding various positions at SAS was attempted multiple times, but as it can be seen in the e-mail correspondence with Anna Nielsen (Appendix 5), the response was that Björn Tibell should be contacted. Secondly, Alexandra Hove (Hove, 2017), Passenger Sales representative at Singapore Airlines in Copenhagen was interviewed (Appendix 6, 7, and 8). Singapore Airlines has a joint-venture with SAS, and Alexandra Hove has therefore been working closely together with SAS for the last four years. Lastly, Jacob Pedersen (Pedersen, 2017), Aktieanalysechef (Head of Equity Research) at Sydbank was interviewed (Appendix 9, 10, and 11). Jacob Pedersen has been quoted in multiple newspaper articles regarding SAS and the airline industry in general because of his very in-depth knowledge within this field (Ritzau (b), 2017 & Chor, 2017).

During the research process, interviews – both at explorative phase, to understand the relationship between the variables, and confirmatory phase, to test the relationships between the variables were conducted (Saunders, Lewis & Thornhill, 2007). The aim during the explorative phase was to get a deeper insight into the general background of the industry and the organization, as well as to test and eventually validate the key themes and direction of this master thesis. In this phase, the interview with Hove (2017) was conducted to get a better outside understanding of SAS as an organization, the main challenges and changes that it has gone through, the industry, and interesting details worth considering when deciding on the direction of this master thesis.

Later in the process, the interviews were used in the confirmatory stage to investigate if the research has captured all the important factors needed for answering the research question. It was during this stage that the interviews with Tibell (2017) and Pedersen (2017) were conducted in order to obtain answers within the defined research. All interviews were conducted in Copenhagen, as Hove has an office at Copenhagen Airport, and the other two interviews were conducted over the telephone.

The outcome of the interviews can therefore be considered as not only yielding data about the organization and its problems needed for the master thesis, but also as the basis of the refinement of the problem formulation.

3.2.3 *INTERDISCIPLINARUTY STRENGTHS AND WEAKNESSES*

The master thesis research issues comply with the required interdisciplinary nature as it is firmly related in the fields of business models, organization, and strategy. As stated in the project guidelines, the master thesis must relate to, and expand upon the courses within the Master's program: Management of Innovation and Business Development at Copenhagen Business School. Considering the research issues and the theories used, the project is closely correlated to Innovation and Knowledge. Many of the topics and theories stem from this particular course, and ultimately researching further than what was included in Innovation and Knowledge curriculum by comprising new territory and theories within the field of business models. Secondly, Strategy and Market Development are also closely related as the strategic implications and use of them stem from some of the theories covered in the course. Lastly, the theories and views from Operations and Process Management are also closely related in order to explore within the field of airline operations. The qualitative data collection speaks to the nature of the Master's program – most, if not all the courses have focused on a qualitative and analytical approaches.

3.3 *QUALITY OF DATA*

Quality criteria are used to evaluate the quality of a research, and high scientific quality means that the assessment is credible. Two types of quality criteria are often used – validity and reliability (Veal, 2011, P. 46).

The validity of a study is important as it concerns whether the information represented in the research truly reflects the phenomena, which the researcher claims. The internal validity of this research is

reasoned to be high, as it is believed, that by carefully constructing the interviews, validity has been accomplished. The external validity is argued being high as well, due to the fact that the interviews conducted for this master thesis with participants who have excessive knowledge and interest in SAS and how SAS is doing.

Reliability is to what extend another research would come up with the same results, if the research was repeated at a later point in time or with another sample of subjects (Veal, 1992, P. 46). Reliability is more applicable to quantitative data, since the measurements are difficult in qualitative research. The knowledge in e.g. interviews is constructed in the interaction between two parties who influence each other, making it difficult to obtain the same results if another interviewer performed the interview. If the research had used focus group interviews, the reliability could have been heightened even further. The researcher could have been more professional, by distancing himself during the interviews, and reported from the perspective of the subjects. This could have minimized the potential errors and biased data in the study. It is nonetheless argued, that the reliability of this master thesis is high.

In regard to the secondary data collection from the annual statements, flaws were sought to be evaded by not having any mistakes in the financial and operational measurements used. The processing of the data from annual reports was done carefully, trying not to get any false results. A critical approach was taken concerning the secondary data in order to secure that the sources were accurate and reliable.

Academic literature can be considered reliable sources when the author is known, and the publisher acts as a check. Websites were used when the sender was clear, and emphasis was put on using websites that are widely recognized and regularly updated. Due to these standards, it is argued that the reliability and credibility are high.

4.0 CASE COMPANY: SAS

The history of SAS dates back to 1946 where Det Danske Luftfartsselskab (DDL), Det Norske Luftfartsselskab (DNL) and AB Aerotransport (ABA) jointly created SAS, with the purpose of flying intercontinental routes out of Scandinavia (Horn & Willumsen, 2006). Table 4.1 presents the different CEOs at SAS and their first major tasks.

Table 4.1: SAS' CEOs

CEO	Period	First major task
Per A. Norlin	1946-1948	Establish transcontinental routes
Per M. Backe	1949-1951	Establish transcontinental routes
Per A. Norlin	1951-1954	SAS to be profitable
Henning Throne-Holst	1955-1957	SAS to be profitable
Åke Rusck	1958-1961	New planes
Curt Nicolin	1961-1962	Save the company from an emerging crisis
Karl Nilsson	1962-1969	Keep SAS running as a profitable airline
Knut Hagrup	1969-1978	Save the company from an emerging crisis
Carl-Olov Munkberg	1978-1981	Make SAS more market oriented
Jan Carlzon	1981-1993	Improve the reputation of SAS
Jan Reinås (konst.)	1993-1994	Initiate a major turnaround plan
Jan Stenberg	1994-2000	We need to do everything better every day
Jørgen Lindegaard	2000-2006	Lower the costs
Gunnar Reitan (konst.)	2006-2007	Lower the costs
Mats Jansson	2007-2010	Lower the costs
Rickard Gustafson	2011-	Turn the company around

Source: Horn & Willumsen (2006), Björneild (2011) & Ritzau (2012)

The major task of the first CEOs was to establish transcontinental routes that the collaboration of the Scandinavian nations desired, and then they could worry about the airline becoming profitable, once they had established the airline on the market. SAS grew and expanded into new markets from 1960ies to the 1980ies. SAS opened its first hotel – SAS Royal Copenhagen in 1960, and has since continued expanding the hotel chain into many other countries. Scandinavian Airline System won the price for the “most precise aviation company” in 1982 and for “airline of the year in 1984 (Horn & Willumsen, 2006). SAS has since the beginning been one of the founders of many airlines, and SAS has consequently expanded into new markets.

Jan Carlzon was appointed CEO of SAS in 1981 and held this position for 12 consecutive years. SAS had at the time that Carlzon was appointed CEO lost its passenger focus, meaning that the reputation of the airline had rapidly decreased – which explains his first major task presented in Table 3.1 (Björneild, 2011). He introduced the strategy “The Businessman’s Airline” which focused on the businessman, characterized by his willingness to pay a higher price, leading to a higher revenue per available seat kilometre. It was furthermore under the management of Carlzon that the payroll expenses increased to a level quite high, which gave him the nickname “The World’s Best Carlzon” and “The World’s Most Expensive Carlzon” (Horn & Willumsen, 2006).

SAS operated in a monopoly at the time, which meant that rising expenses were covered by raising the price of flying, assuming that customers would fly SAS no matter what. This laid ground for the SAS that we have known for so many years – characterized by good service and a continuing battle with high fixed costs.

From 1992 and onwards SAS has been in a more turbulent period than during the golden years operating a monopoly. Aviation was deregulated during the 1990ies, meaning that everyone could now open and operate routes almost wherever they desired – contrasting to a limited number of operators. Even though Carlzon tried multiple times to establish one major European airline – uniting SAS, KLM, Austrian & Swissair (The Alcazar Project), he had to face that this was not going to a success due to disagreements between KLM and Swissair. SAS reported major losses in 1993, and Jan Reinås was to be the replacement of Jan Carlzon. Reinås took seat in 1993 and got the task to build a leaner SAS and focus more on key activities of the group – namely aviation. However, as Jan Stenberg was appointed CEO in 1994, he focused on Total Quality Management instead

Under the management of Stenberg 1,600 people were hired in 1996 and 1,450 more in 1997, which lead to a yet again more cost-intensive SAS (Horn & Willumsen, 2006). The period was also characterized by SAS entering into new markets by acquiring Air Botnia (1998), becoming majority shareholders in Widerøe (1999), and majority shareholder in multiple other airlines. However, other areas of the business, such as the majority holding in Intercontinental Hotels Group, were divested.

4.1 SAS' STRATEGY

Shifting management, strategies and cost-cutting plans continued well into the new millennium (Appendix 1). SAS needed to do something after the 9/11 attacks in order to stay in businesses and continue being competitive, as demand had gone down and competition from LCC's had rapidly increased (Tibell, 2017). The Nordic market went really fast after the Norwegian's entry in 2003. Table 4.2, gives an overview of the strategies that SAS has been through during the last 16 years. Another strategy will come in 2017, but its content has not been presented at the time of the writing.

Table 4.2 SAS' strategy (2001-)

Year	Strategy	Cost reduction
2001		SEK 575 million
2002	Rosa	SEK 12.7 billion
2005	Turnaround 2005	SEK 14.2 billion
2007	Strategy 2011	SEK 2.8 billion
2008	Core SAS	SEK 4.0 billion
2011	4Excellence	SEK 5.0 billion
2012	4Excellence Next Generation	SEK 2.6 billion
2017		SEK 1.5 billion

Source: Appendix 1

“Turnaround 2005”, which “Rosa” was a part of aimed at improving the competitiveness and profitability of SAS. The program was rather ambitious and was designed to make reductions of SEK 14 billion within 2005. The cost cutting plan was first fully implemented in 2005 and the total reduction turned to be SEK 14.2 billion, (Horn & Willumsen, 2006). “Turnaround 2005” also meant reducing the amount of full time employees with approximately 5,500, hence increasing employee productivity.

2006 was kicked off with the introduction of a new a new cost costing plan, that was to be implemented in 2007 called “Strategy 2011”. “Strategy 2011” had a clear focus on the customers and the employees, aiming to increase the focus on its key competences, namely aviation. The overall goal of “Strategy 2011” was to ensure a 20% increase in passengers by 2011 (Bjørneild, 2011). “Strategy 2011” had by 2007 reduced costs of SEK 2.8 billion.

However, “Strategy 2011” was not sufficient enough due to changed market conditions – mainly caused by the financial crisis. SAS’ management wanted a simpler structure, where companies that were outside the Nordic market – that was not considered as part of SAS’ core business - were to be divested or outsourced (Bjørneild, 2011). “Core SAS” focused on: the Nordic market, business travellers, cost reductions, streamlining the organization, and strengthening the capital structure. “Core SAS” was fully effective by 2011, but had already by the end of the financial year 2008 reduced costs of SEK 4 billion.

The plan in 2001, “Rosa”, and “Turnaround 2005” were both initiated under the management of Jørgen Lindegaard. “Strategy 2011” and “Core SAS” were both initiated under the management of Mats Jansson. Jansson left his position which meant that SAS had to get a new CEO and another cost cutting plan, since the previous five ones were not enough to help the organization survive – even

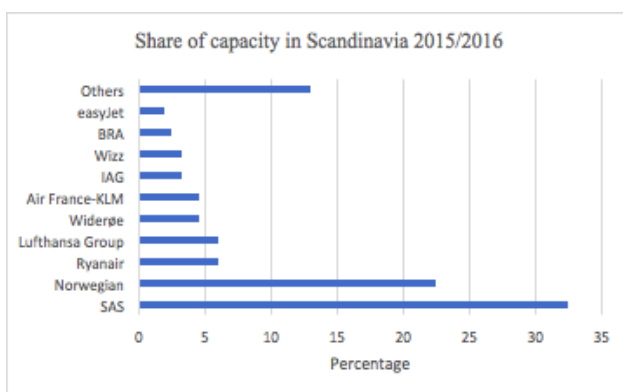
though SAS had improved profitability and effectiveness (Bjørneild, 2011). “4Excellence” was initiated in 2011.

It came to a point in 2012 where SAS was bleeding heavily – being on the verge of bankruptcy. A new cost cutting program had to be launched with immediate effect. “4Excellence Next Generation” is the newest and therefore present strategy of SAS, which will be further assessed later.

4.2 SAS' MARKETS

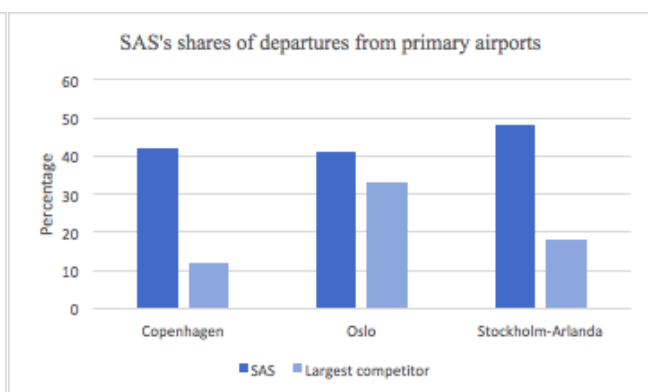
SAS' main markets have always been the Nordic countries, consisting of Denmark, Norway, Sweden and Finland, with hubs in Copenhagen, Oslo, and Stockholm. The value of the Scandinavian air travel market is according to Tibell (2017) SEK 100 billion. It is visible in Figure 4.1 that SAS has the biggest share of capacity of the airlines operating in Scandinavia. It is furthermore visible in Figure 4.2 that SAS is the biggest operator at its three main hubs based on the share of departures, but that Norwegian carries almost as many passengers as SAS out of Oslo in 2016. There is fierce competition between the airlines, and this is going to increase since Norwegian is expanding its operations out of Copenhagen starting at the spring program of 2017 (Ritzau Finans (a), 2017).

Figure 4.1 Share of capacity 2016



Source: SAS Group (a) (2017: 2016, P. 12)

Figure 4.2 Share of departures 2016



Source: SAS Group (a) (2017: 2016, P. 12)

During the history, SAS has bought and expanded new routes and markets. However, Core SAS had one objective: to focus the attention on the home market (Bjørneild, 2011). This process is known as de-diversifying, a quite normal phenomenon during hard financial times, where a company has difficulties generating profit, and therefore re-start focusing on what they do best. The fact that Norwegian is now flying more passengers is threatening what SAS does best. One can only image

what Figure 4.1 and Figure 4.2 will look like by the end of 2017 now that Norwegian continues its aggressive approach.

The Herfindahl-Hirschman Index (HHI) is applied to get a numerical version of rivalry in terms of industry structure and competitor concentration. The extreme monopolistic market structure has a HHI = 10.000, whereas perfect competition has a value close to 0 (Investopedia, 2017). The mathematical formula looks like this: $HHI = s_1^2 + s_2^2 + s_3^2 + \dots + s_n^2$. These are the various airlines operating in Scandinavia obtained from Figure 3.1. The result is $HHI = 1904$. The HHI value is argued to decrease even further, as existing carriers are expanding its operations in Scandinavia and new carriers are coming, meaning that the market will have even fiercer competition.

SAS' market share in the Nordic market was in 2016 almost 33%, but had in 2012 been down at 28% coming from 35% in 2008 and 51% in 2007. Table 4.3, which is presented below, shows SAS' market share over the last 10 years. However, as the total airline industry has been growing, and still is expected to grow, the value of market share may still be growing – even though SAS' market share may decrease.

Table 4.3 SAS' Share of Capacity in the Scandinavian market

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Share	51%	35%	32%	21%	25%	28%	31%	35%	35%	33%

Source: SAS Group (a) (2017)

Concerning the competitive scope, SAS serves a broad customer segment. With regards to its new price oriented concept one can argue that SAS' targets are on a wide range of different customers. SAS does not only focus on business travellers anymore, but also leisure travellers and price sensitive customers, e.g. youth (under 26). Additionally, one can interpret that the price concept is a differentiation strategy, since many different tickets are offered differing in price and level of service. SAS is therefore, using Porter's (1985) generic strategies, argued pursuing a broad target differentiation strategy (See Table 4.5), on a niche market (Tibell, 2017).

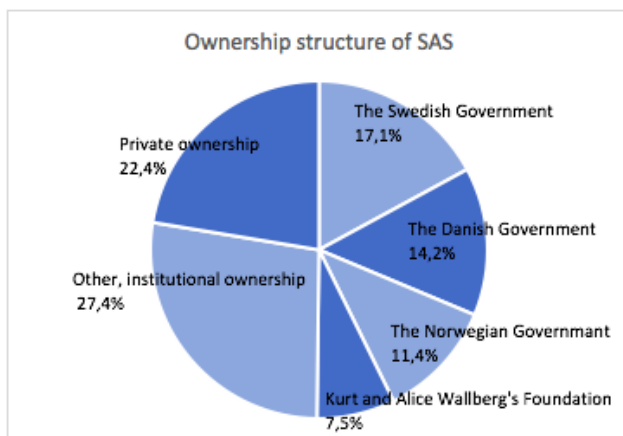
4.3 SAS' MANAGEMENT, OWNERSHIP AND OPERATIONAL STRUCTURE

Rickard Gustafson is, as visible in Table 4.1, the current CEO of SAS. Rickard Gustafson is a Graduate Engineer with extensive international experience – mainly with focus on the Nordic Countries. He has held various executive positions in GE Capital, and he was the CEO of Codan from

2006 to 2011 (SAS Group (a), 2010). Rickard Gustafson had no experience of running an airline when he took place as the CEO, but he had vast experience from successful companies in the financial world.

SAS was when founded fully Government owned. The Danish Government and Norwegian government owned 2/7 (28,57%) each, and the Swedish Government 3/7 (42,86%) of SAS. The governments have never directly owned SAS, but they own the mother companies of SAS – respectively: DDL, DNL, and ABA. The governments have since, as it can be seen in Figure 4.3 sold out of the shares.

Figure 4.3 Ownership structure of SAS



Source: SAS Group (a) (2017)

On multiple occasions the three governments have wanted to sell SAS to another airline, but they have also on multiple occasions just wanted to sell some of their shares. The Norwegian and Swedish governments together sold around 19 million shares in the Fall of 2016 – equivalent to about 5,8% of the shares in SAS (Ritzau, 2016).

AT the moment, the Danish government does not want to sell any of the shares that it holds in

SAS, because SAS is in a good period now and results have been improved (Ritzau, 2016). SAS, as it is visible in Appendix 1, has had partial or full ownerships in many airlines and hotels throughout time. Today, SAS only consists of Scandinavian Airlines. Blue1 was sold and Cimber acquired as a part of “4Excellence Next Generation” that was meant to streamline SAS. Cimber has since been sold to Cityjet (Appendix 1). SAS now leases Blue1 and Cimber aircrafts and crew from Cityjet as well as Widerøe aircrafts and crew from another lessor (Appendix 1).

4.4 SAS' PEER GROUP

This section serves the purpose of presenting a relevant peer group that can act as a benchmark in the strategic and financial analysis of SAS. In an ideal world, the peer group should consist of companies that are comparable to SAS in all areas of the business, which of course is not possible, as some might pursue the strategy as a LCC, and other as hub-and-spoke carriers (Robinson, Lück & Smith, 2013,

P. 101, Figure 4.7). Further, there may be differences in strategy, internal processes, capital structure, etc., which undoubtedly will noise when comparing.

As presented in Figure 4.1, SAS' biggest peers in the Scandinavian countries are Norwegian, Ryanair, and the Lufthansa Group, as they have the biggest market shares. SAS has made clear that the Scandinavian market will continue being the focus area. This focus is why companies outside the Scandinavian countries have not been considered as useful peers. Norwegian is though the only of SAS' peers is going to be benchmarked towards in this analysis.

Norwegian Air Shuttle rose from the ashes of Busy Bee, a small Norwegian airline, in 1993 (Dane, 2017). Norwegian operated domestic routes in Norway for SAS from 1993 until 2002 where SAS terminated the contract. It was at the termination of the contract that Bjørn Kjos (the CEO of Norwegian) and his friends decided to go head-to-head with the legacy carriers (Sane, 2017). Norwegian's strategy is to operate as a LCC, offering discount tickets to passengers wherever there is a market, which are both leisure and business travellers. The home market for Norwegian is Europe, with much of its routes located in the Nordic Countries. Norwegian operated 447 routes to 138 destinations spread over Europe, North Africa, Middle East, Thailand, and USA in 2015 (Norwegian Air Shuttle ASA, 2017). Table 4.4, presented below, displays Norwegian's past, present (2015) and expected airline fleet.

Table 4.4 Norwegians airline fleet 2015

	2012	2013	2014	2015	2016	2017	2018
Owned	28	36	48	54	62	109	133
Leased	40	49	47	45	55	46	44
Total	68	85	95	99	117	155	177

Source: Norwegian Air Shuttle ASA (a) (2017)

Norwegian has high aircraft usage and frequency, ticketless and automated check-in systems, point-to-point connections, online distribution, a high degree of fleet commonality, and passengers have to pay for amenities. These are all characteristics of a LLC. However, Norwegian does have some features that are considered to belong to the legacy model, namely: operating out of primary airports and Norwegian has its own frequent flyer program. Despite these legacy carrier characteristics, Norwegian is, using Porter's Generic Strategies (Table 4.5), argued to pursue a broad target low cost strategy.

Table 4.5 Porter's Generic Strategies

	Low cost	Differentiation
Broad target	Cost leadership <i>Norwegian</i>	Differentiation <i>SAS</i>
Narrow target	Cost focus	Differentiation focus

Source: Own creation

Norwegian is one of the fastest growing and most innovative airlines. Norwegian and its subsidiaries from the Norwegian Group have 5,796 employees, at 19 locations in nine countries on three different continents (Norwegian Air Shuttle ASA (a), 2017). Norwegian flew 29.3 million passengers in 2016 with a load factor 87.7%.

Norwegian's exponential expansion has lead them to fly more passengers than SAS in the period from January 2016 to January 2017: SAS flew 29.5 million passengers while Norwegian flew 29.7 million (Ritzau (c), 2017). This overtaking is possible as Norwegian is not only focused on one market, and Norwegian does not have three governments in the back of its mind. SAS is still the biggest airline on the Scandinavian market, but Norwegian is by far its biggest competitor.

5.0 EMPIRICAL RESULTS

The purpose of this section is to present the empirical results from the three conducted interviews. The findings from the interviews are important to access in order to gain an outside view of SAS in order to see the opinions of some of its shareholders, and an inside view of SAS in order to see what SAS itself is doing and how SAS sees the future, both of which will be used later in the analysis.

The e-mail correspondence with Hove (2017), seen in Appendix 6, shows that getting in contact with Hove was easy, but that it has been somewhat harder after the interview to get information from Hove regarding her partner working at SAS. The e-mail correspondence with Nielsen (2017), seen in Appendix 5, along with the e-mail correspondence with Tibell (2017), seen in Appendix 2, confirm how difficult it has been to get a contact at SAS. Several numbers, including the number to the Head of Innovation and the Head of Global Operations, were given when calling SAS' switchboard back in November, but getting in contact with them never succeeded though having called multiple times. It was, as it can be seen in the e-mail correspondence with Pedersen (2017) in Appendix 9, Pedersen who suggested writing an e-mail to Tibell.

5.1 INTERVIEW RESULTS

As visible in the interview guides in Appendix 3, 6, and 10, not all of the interviews were upon the same subjects. The interview guide, seen in Appendix 3, for the interview with Tibell (2017), seen in Appendix 4, and the interview guide, seen in Appendix 10, for the interview with Pedersen (2017), seen in Appendix 11, were somewhat upon the same subjects lit from an inside and an outside perspective. The interview guide, seen in Appendix 7, for the interview with Hove (2017), seen in Appendix 8, shows that this interview focused more on the airline industry in general, the conditions that Singapore Airlines has benefitted from, and if it is possible to “replicate” certain parts of Singapore Airlines and let it operate as efficient elsewhere in another airline.

Both Tibell (2017), Hove (2017) and Pedersen (2017) state that earning money in the airline industry today is hard. However, they do think of different reasons to why it is so hard, which can be split into bargaining power of suppliers and bargaining power of buyers. Pedersen states, that the suppliers of the airline industry, more specifically the aircraft manufactures, consist of what looks like an oligopoly, with Airbus from Toulouse, France and Boeing From Seattle, USA, and then some small ones. Furthermore, Pedersen states, that the airports, who are an essential part of the value chain, have the position of being small de facto monopolies. This is due to the fact that competition in the airline industry is very high, because it is so easy to get more passengers. An airline does not even have to own its aircrafts, it can lease them. Lastly, in regard to competition, Pedersen states that it is the traditional legacy carries who are struggling the most due to their organizational structures and the long period that it takes for them to change their behaviour.

Tibell (2017) argues that airlines are the last part in the value chain when flying somewhere. There are many upstream suppliers who take major cuts of the amount that the consumers pay when going somewhere. Tibell argues that the bargaining power of the many suppliers that an airline has as well as the bargaining power that the consumers have in terms of transparency are the two main reasons why it is so hard to make money in the airline industry. Further, Tibell states that the industry has changed a lot in recent years, which has greatly benefitted the consumers.

Hove (2017) too argues, that the airline industry is very different from just one year ago, and it is constantly changing. Many “new” carries have seen the light of day, giving the existing carriers tough competition. Hove states that Singapore Airlines has not traditionally had a big marketing budget, but Singapore Airlines has been “forced” to increase its marketing budget, because carriers from the

Arabic World are pressuring Singapore Airlines. Hove states that airlines today have to work harder to earn their money compared to what they have been used to – competition has increased, and many airlines are fighting to keep up their profit.

Tibell (2017), Hove (2017) and Pedersen (2017) all underline the importance of loyalty programmes in the airline industry. All three argue that it is something that keeps consumers at one airline, creating some kind of loyalty to an airline. Furthermore, Hove states, that the industry today is much more about relations than what it used to be. Hove stresses the importance of relations with the travel agents, who are the ones who can affect the customer to choose e.g. Singapore Airlines over another airline. Hove elaborates on relations, stating that the B2B relations is just as, or may be even more important than the B2C relations, because keeping good relations to the brokers of airline tickets for the various companies mean increased revenue. It is therefore very important to nurse one's relations.

Hove (2017) states that Singapore Airlines has had a unique product all the way from the founding of Singapore Airlines in 1972, and it has managed to keep its product unique. Hove states that she thinks that SAS had a unique product – and that SAS still could have, but that some changes are needed in order to get the product to be unique once again. Pedersen (2017) too thinks that SAS has a unique product. There is no other carrier in Scandinavia who can offer the same as SAS (Tibell, 2017), but SAS needs to find a way to profit from this unique product (Pedersen, 2017).

Pedersen (2017) states, that he is sure that SAS is changing as fast as the organizational structure can allow it to, but that SAS may have realized too late, that the industry was changing, and that legacy carriers should see the LCC's as competitors, and not give them the blind spot. SAS has been forced to enforce a number of cost-cutting programmes to cope with competition, and it is not yet over (Tibell, 2017).

Tibell (2017) states that changes at SAS have come at a pace that the organization allows it to. Tibell argues that SAS has not given any parts of the industry a blind spot, but SAS may have been too slow when changing. Changes have happened over a period of 16 years, and Tibell argues that SAS has come a long way. Tibell acknowledges that changing an old and complex organization takes time, and that he would have liked it to go faster. The shareholders of SAS, and therefore too the governments, deem SAS to increase the return on investment, and have therefore enforced and supported changes at SAS (Tibell).

Both Hove (2017) Pedersen (2017) argue that the many labour unions at SAS have much power, which has slowed down the pace of the change process at SAS. SAS consists of many different groups of employees, and therefore many different labour unions. Tibell (2017) states that, SAS has many labour unions, but controlling them, not giving them what they want, has been a task that a few of the SAS CEOs could master. Furthermore, Tibell argues that “managing” the unions have become easier since 2001, where SAS “realized” that it was in trouble.

Hove (2017) speaks of the difference in culture at SAS and at Singapore Airlines. The employees at Singapore Airlines consider working for Singapore Airlines as something very prestigious, which gives a positive effect on the passengers travelling with Singapore Airlines. Consumers know what to expect of the brand and the crew working at Singapore Airlines, due to the very good reputation of the airline. Furthermore, Hove states that the very intensive employee selection and training processes help to develop the right crew – it is a heavy investment, but it pays off in the end. Hove acknowledges the fact that the employees at SAS and the employees at Singapore Airlines get two very different salaries, and Singapore Airlines can therefore afford a higher on-board employee to consumer ratio.

Both Hove (2017) and Pedersen (2017) mention that a way to expand one’s intercontinental route map could be to leverage joint-ventures, like SAS today has a joint-venture with Singapore Airlines on the route between Copenhagen and Singapore. Pedersen states that SAS has not had the geographical location in order to gather enough consumers to have an intercontinental route map comparable to Lufthansa’s or British Airway’s. An increased use of joint-ventures or other forms of collaborations could according to both Hove and Pedersen be a way of coping with competition, increasing one’s revenue, while sharing the operating costs with another airline. Not only would this expand the route map of SAS, it would also decrease global competition because only one instead of two airlines has to operate on the route, but both airlines make revenue from it.

Tibell (2017) states that one should not undermine the Scandinavian market. The Scandinavian air travel market has a value of SEK 100 billion, and that Scandinavians fly 4-5 times per year compared to 2-3 times a year for people living in Central Europe. Furthermore, Tibell states that getting around in Scandinavia, epically in Norway and Sweden is simply more efficient and easier by plane compared to any other means of transportation. This is why 55% of SAS’ passengers fly intra-Scandinavia (Tibell, 2017). Tibell does not argue that SAS should not expand the intercontinental route map, but he stresses the importance of the value of the intra-Scandinavian flights.

Pedersen (2017) as well as Hove (2017) also talk of the future of SAS, apart from using collaborations. They both agree upon the fact that SAS is trying to change, but that more is needed. Hove speaks about SAS being acquired by another airline, preferably by one that is not a direct competitor to SAS, e.g. Cathay Pacific. For that to happen Pedersen talks about administrative lay-offs in order to leverage the potential that SAS already holds. Tibell (2017) and Pedersen mention a merger, but believes that SAS continuing on its own is currently the most likely scenario.

SAS, in form of their loyalty program, EuroBonus, holds a massive amount of data. Pedersen (2017) is sure that there are companies, e.g. hotels, car rentals or others, that would pay a significant amount of money in order to gain access to this data. Tibell (2017) states that SAS is already collaborating with several partners, and that this aspect of the business has a large potential with very promising growth rates. EuroBonus does not contain information regarding what kind of work its members do, but Pedersen argues that this kind of information would increase the value of EuroBonus even further. Were SAS to exploit the potential of this kind of big data, then SAS could also make an increased use of tailored marketing, e.g. by using algorithms leveraging upon all of the data that SAS possess, which according to Hove (2017) is what an airline should master, as this increases the revenue and hence affects the bottom-line. Pedersen is sure that SAS already makes use of tailored marketing, but he still argues that there is room for improvement.

6.0 SAS' LEGACY

The purpose of this section is to analyse the process of change that SAS began in 2012, when it was on the verge of bankruptcy. This section will analyse the reconfiguration of the business model happening in November 2012, taken the culture of SAS, the prestige of working at SAS, and its ownership into account – here bundled under what is going to be referred to as the legacy of SAS.

The aim of the of “4Exellence” and “4Excellence Next Generation” was to reduce the number of staff from 15,000 to 9,000 by divestments of its subsidiaries, outsourcing SAS Ground Handling, reduce the number of administrative positions, and centralize the company. One of the major differences in the legal structure in 2012 and today is the fact that SAS Denmark A/S, SAS Norge A/S, SAS Sweden A/S, and SAS international are not run like four different companies with four different offices with many administrative functions belonging to each company. SAS, as part of “4Excellence Next Generation”, gathered the administration in Stockholm, running SAS’ as one organization

(Consortium). This lowered the fixed assets in terms of buildings, liabilities in terms of debt, and the payroll expense, while increasing the labour productivity of SAS. One direct consequence of being over-politicised and over-unionised is that distressed state airlines are also over-staffed (Doganis, 2010). The negotiations with the labour unions were imperative for SAS to succeed in order to finalize the deal with the banks and its investors, so that the credit could be prolonged until March 31st 2015 (SAS Group (a), 2017). Table 6.1 presents the number of employees and the labour productivity (operating revenue divided by number of employees) of SAS.

Table 6.1 Number of employees and labour productivity 2016

	2001	2002	2005	2007	2008	2011	2012	2016
Number of employees	31,035	35,506	32,263	21,898	24,635	15,185	14,897	10,710
Labour productivity	1,83	1,67	1,71	2.31	2.16	2.73	2.42	3.68

Source: SAS Group (a) (2017)

Unions' role as monopoly cartels explains their opposition to changes and competition. A cartel can charge higher prices as long as it remains a monopoly. If consumers can buy elsewhere, an organization must cut its prices or go out of business (Sherk, 2009). In order for the organization to compete with its competitors, SAS was forced to reduce payroll and associated costs and employee benefits to the same level as dictated by the market – which increases labour productivity. Layoffs at most union firms occur on the basis of seniority: newer hires lose their jobs before workers with more tenure lose theirs. Usually, unions negotiate contracts that allow firms to layoff newer hires and keep expensive senior members (Sherk, 2009). Layoffs not happening on the basis of seniority could arguably have helped changing SAS' organizational culture, which is something that will be further discussed later.

Due to poor financial results in the airline industry and high level of competition in the market, airlines are under considerable pressure to reduce costs and improve productivity. With little room for immediate improvement in load factor and little scope to pass unit cost increases, costs must be reduced on the short-term in order to improve profit margins (Eaton, 2001). SAS has found that they must offer substantially the same quality of service in a more efficient manner. Airlines are in the service industry, where staff related costs are a major expense item. The strong trade unions coupled with the rise in the cost of living are threats to SAS' survival. SAS has undertaken staff reduction

programs on a large scale, and are now more than ever taking steps to increase productivity by means of automation, introduction of more effective work methods and investment in management's attention. Eaton (2001, P. 119) states that: *"In the case of state-owned airlines, such efficiency programmes may be impeded by a moral obligation to may policymakers"*.

It has arguably always been a part of SAS, that the employees, especially the cabin crews and pilots, had strong labour unions that could negotiate agreements on what they wanted (Horn & Willumsen, 2006). No CEO of SAS have ever had the courage to stand up against these unions, by: lowering the employee benefits and the general level of salary at the same time. It has for many years been a prestige to work at SAS (Bjørneild, 2011). The benefits and the general level of salary just rose and rose as more and more people flew around the world (Horn & Willumsen, 2006).

SAS' labour productivity was in 1991 as low as 0,83 (SAS Group (a), 2017) – it has to be taken into consideration, that this was before the industry deregulations in the 1990ies, though. SAS' labour productivity has, as presented in Table 5.1, risen to 3,68 in 2016. The labour productivity level rose to above one in 1993, to above two in 2006, and to above three in 2014. This, compared to the labour productivity of Norwegian presented in Table 6.2, shows that SAS has for many years continued on its legacy and pride. Still, it has to be taken into account, that Norwegian as a LCC was founded almost ten years after the industry deregulations, and has therefore always been focused on keeping the labour productivity high in order to keep the unit cost low.

Table 6.2 Norwegian's labour productivity 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Labour productivity	3.83	3.06	3.82	3.25	3.38	3.73	3.82	3.55	3.93	4.70	4.41

Source: Norwegian Air Shuttle ASA (a) (2017)

The fact that SAS was founded state owned has given SAS this Scandinavian identity, and it has arguable for many years been the opinion of the three governments, that having SAS is something that we must hold on to – regardless of the costs (Horn & Willumsen, 2006). Governments' interference to meet short-term political objectives is well illustrated by the case of SAS. SAS finds itself under political pressure to add more flights on certain routes because demand is not being met, even though each additional flight increases the overall losses. They are deemed to be necessary by the governments concerned, to achieve certain domestic, social, or economic objectives or, in case of

foreign routes, show the flag.

It is difficult for airlines to achieve and maintain leadership in markets with rapidly changing consumer fancies and innovative competition. Airlines weave themselves ever more deeply into reacting to preserve market share (Banfe, 1991). This type of managerial style always has given unforeseeable and possibly dangerous results. In early stages, it may pass unnoticed, but it can become uncertain, inefficient, and if wrong very costly.

It can be argued, using Appendix 1 and Table 4.2, SAS has tried to cut the costs and reduce the number of employees multiple times. 2012 was the first time in the history of SAS that the employees and their unions did not get what they demanded. The situation of SAS is argued to have affected the employees and their unions, but regardless of that, this was one of the first times that they came back from a negotiation not getting what they desired.

The crises that was about to escalate in 2012 and the negotiations that followed in order to turn SAS around showed that Rickard Gustafson is a tough negotiator (Gustafson, 2015). This is argued being the reason why the unions did not encourage its members to go on strike when Gustafson in February 2017 announced that SAS is going to open crew bases in England and Spain – flying under Irish flags, in order to lower the unit cost even further (Lars Sandahl: de Vries, 2017). SAS is adapting to the present industry, because Gustafson knows that SAS needs to change its mind-set in order to stay competitive.

The golden and glamorous days of the airline industry have changed, SAS has been faced with high competition and increased focus on profitable without state funds. SAS could in 2012, and to some extent today, be argued to have symptoms of “*Distressed State Airline Syndrome*” (Doganis, 2010, P. 235). SAS arguably has 12 out of the 17 symptoms that Doganis presents, e.g. frequent management changes, delay innovation and change, too many aircraft types, fear of making decisions, culture not customer-oriented, etc. (2010, P. 235).

“The biggest barrier to deregulation or, more accurately, open competition, in the European Union is the idea that every member state has to have its own airline. The preconception that flying is glamorous or prestigious can again be questioned if air travel is so popular that airlines are just glorified bus companies” (Eaton, 2001, P.23). The governments’ attitude towards providing SAS with the necessary financial aids in order to stay in business has changed “*SAS skal kunne operere*

kommercielt, hvis virksomheden skal have en fremtid” (Kristian Jensen: Korsgaard, 2017-03-01). This means that SAS needs to change or adapt its business model, there included its mind-set, in order to stay competitive. Many governments have through the course of history perceived their flag carriers as “... representatives of their power and structure on world scale; others freely negotiate away airline competitive advantages in the country’s larger interests” (Banfe, 1991, P. 43).

6.1 SUB CONCLUSION

A stressed financial situation at SAS pushed the organization to bring about a comprehensive austerity and deep cuts in payroll expenses, as a short-term reaction to the red figures on the bottom line. The aim was to reduce the number of staff in the form of divestment of its subsidiaries and outsourcing of other branches. The negotiations in November 2012 were very dramatic. In order for SAS to compete with its competitors, SAS was forced to have payroll expenses as well as employee terms and benefits at the same level as the market dictates. Consumers are not willing to pay high prices on airfares for minimal benefits, so SAS had no choice but to reduce their costs, streamline the organization, and become more productive.

With the new strategy, SAS had the expectation to increase loyalty amongst its customers. Furthermore, SAS wanted to achieve increased flexibility, less complexity, and increase the variable costs (proportionally) with regards to the fixed costs. SAS is trying to break with its old legacy, which has in some periods turned a blind spot towards increasing competition, thereby relying on the fact that consumers would still choose SAS. The glamour and prestige that has for many decades been a part of the job when working at SAS has decreased as working hours has gone up and salary has gone down. Chaining SAS’ legacy is not an easy target, and it does not happen overnight.

7.0 STRATEGIC, FINANCIAL AND OPERATIONAL ANALYSIS

The following section will analyse and discuss the competitive situation of SAS by looking at both the external and internal factors using the PESTEL analysis, Porters Five Forces model, and the VRIO framework. The value of the product/service to the customer, the intensity of competition, and the bargaining power of the industry members are the determinants of industry profitability, which is why this strategic analysis is quite extensive.

A financial and operational analysis will be conducted in order to identify SAS' financial value drivers in order to assess the potential of future earnings. The financial and operational analysis are based on SAS' financial statements from 1991 to 2016. A SWOT summary will at the end summarize the most relevant factors found in the internal and external, financial, and non-financial analysis.

7.1 PESTEL

SAS is operating worldwide, but its majority shareholders are placed in the Scandinavian countries. Although the majority shareholders are placed in Scandinavia, it is still argued that SAS is a truly global company. Though the main sources of earnings derive from the Scandinavian market, SAS is still heavily affected by the global business environment and the developments on the global market. This analysis of the macroeconomic factors enables for an outline of the value drivers and constraints of the airline industry, which ultimately affects SAS' current and future profitability.

7.1.1 POLITICAL FACTORS

Political intervention has the potential to create unrest in the aviation industry, as it was the case after 9/11. Higher level of operational regulations has also been introduced. An increase in the fuel prices, caused by an increase in demand, cost of getting the oil, or as an effect by a tax introduced by a government, affects the operating costs of an airline significantly. This was the case in early 2007 and later in 2012 where a special oil tariff was introduced by the airlines to cover for the high oil price (Notaras, 2010).

The impact of "the open skies" philosophy, that followed the deregulations happening during the 1990ies, has promoted the industry in terms of entry, even though several constraints remain in terms of continued protectionism and red tape in several countries (Heracleous, Wirtz, & Pangarkar, 2009). The industry has evolved from the traditional state-owned flag carriers to a more dynamic and free market industry. The changes have come into effect by a number of deregulations put in place by the United States of America and the European Union, in which some of the most important ones became effective in 1997. In addition, the airlines were allowed to compete on routes, frequencies, prices, and service levels without any political intervention. There is however still a need to negotiate bilateral air service agreements, as well as a significant infrastructure constraints in terms of availability of landing slots and airport passenger capacity.

Many industry executives regard the continued high levels of regulation in the airline industry as counter-productive. Chew Choon Seng, former CEO of Singapore Airlines, states, that: *“Battered by forces and events. In part outside the airlines’ control but also in part self-inflicted the industry collectively and cumulatively has achieved the dubious feat of losing more money than it has ever made”* (Heracleous, Wirtz, & Pangarkar, 2009). This along with the fact that governments around the world still hold shares in legacy carriers increases the likelihood of hurting the airline even further due to the politics in the airlines’ decisions. This may be a substantial hinder for the airline if not properly managed (Hove, 2017).

From the perspective of SAS, “the open skies” policy has had an unfortunate side effect, as airlines did not require independent bilateral agreements to fly to other countries anymore. The increase in competitive pressure for SAS, that has caused everyone to be able to fly around, has lead SAS to a position where they had to compete along with other airlines. The deregulations do, accessed on the bright side, enable SAS to engage in new activities with the purpose of growing the business if SAS manages to seize the opportunities.

7.1.2 ECONOMIC FACTORS

A large portion of the industry involves operating across borders, which means that economic conditions of the world other than of the domestic market also affece performance. The world economy is mature, but there is high growth in emerging economies. Even in the areas of high growth, however, where air travel is also growing fast, the profitability of the airline industry is weak or negative.

The airline industry is particularly vulnerable to external economic factors because the industry heavily depends on a wide range of other industries and support. As discussed in the previous section, the price of oil – a key input for airlines – has been volatile on a steep upwards trend from 1974 till 2008. The price of oil (USD per barrel, USD/bbl) has decreased since then, but it is still significantly higher than in 1974, placing severe pressure on profitability (See Appendix 12). Figure 7.1 gives an overview of the jet fuel and crude oil price from February 2010 till February 2017.

Figure 7.1 Jet fuel and crude oil price (USD/bbl)

Source: IATA (a) (2017)

A positive aspect of the airline industry is the rising real income and higher levels of disposable income that can be spent on air travel. Appendix 13 presents the overall GDP for Denmark, Norway, Sweden and other countries in the Nordic region compared to the European Union. The development in GDP on SAS' home markets can be best described as stagnant during the last 5 years. All three Scandinavian countries did suffer a decline in GDP following the financial crisis but has since grown to pre-crisis level. GDP have from 1970 till 2011 grown from index 100 till index 350, and world trade from index 100 till index 1,100 (Heshmati & Kim, 2016, P. 4). World scheduled revenue passenger kilometres (RPK) have in the same period grown from index 100 to index 1,000 (Heshmati & Kim, 2016, P. 4). A conclusion that can be made, based on Appendix 13, is that GDP growth in the Nordic countries follow a steady linear growth – with some fluctuations after the financial crisis.

7.1.3 SOCIOCULTURAL FACTORS

It is widely expected that the airline industry will see a growth in the numbers of passengers in the coming years. The International Air Transport Association (IATA) expects 7.2 billion passengers in 2035, a near doubling of the 3.8 billion air travellers in 2016 (IATA (b), 2017). Alexandre de Juniac, CEO of IATA states that: *“People want to fly. Demand for air travel over the next two decades is set to double. Enabling nations to trade, explore, and share the benefits of innovation and economic prosperity makes our world a better place”* (IATA (b), 2017).

The forecast confirms that the biggest driver of demand will be the Asia-Pacific region. It is expected to be the source of more than half of the new passengers over the next 20 years. China will displace USA as the world's largest aviation market (measured on traffic from and within the country)

somewhere in the middle of the 2020ies (IATA (b), 2017). India will displace the UK from the third place around the same time, and Indonesia enters the top ten instead of Italy. It is without a doubt that growth will increasingly be driven by the developing markets. The Nordic region will not be left behind, as an increase in demand is also expected – though not at the same rate as in the Asia-Pacific region.

Further, IATA (b) (2017) expects high growth rates in leisure travel, which can explain the article stating that SAS and Norwegian are changing place, meaning that Norwegian is increasing its focus on business travellers while SAS is increasing its focus on leisure travellers (Ritzau Finans, 2016). Even though growth is expected, the forecasts do not mean all good things. Most of an airline's profit stems from the sale of premium seats, due to the higher margin. Travellers, business, and leisure, are opting towards lower cost flights going for the economy seats instead of the business and first class seats, as consumers are becoming more conscious about the costs. Figure 7.2 shows the development of international air passengers by seat class and Figure 7.3 the premium passengers as % of total.

Figure 7.2 Passengers by seat class



Source: IATA (2015)

Figure 7.3 Premium as % of total



Source: IATA (2015)

Though the number of premium passengers is rising, the percentage as total is decreasing. This can also explain the re-design of SAS' long-haul business and economy class, which was undertaken during 2015 (SAS (a), 2017).

7.1.4 TECHNOLOGICAL FACTORS

The impact of the internet has been tremendous on the airline industry. One of its greatest effects is to offer transparency of options to passengers and to reduce search costs. Given that the air fare is a

key attribute to purchase decisions, combined with the transparency of information have led to pricing pressure for airlines with a consequent reduction in yields. Contrasting to this, an airline's effective use of the internet is an opportunity to improve quality of the service offered, e.g. online ticket sales or on-line check-in leading to a standardized service offering, while at the same time reduce supplier costs.

Other technological advances include new aircraft designs which enable longer range travels, as well as high capacity and efficiency in terms of passenger numbers, which lower the cost per available seat kilometre (CASK) while increasing the revenue pr. available seat kilometre (RASK).

7.1.5 ENVIRONMENTAL FACTORS

The aviation industry is not only highly sensitive to terror, but also to natural disasters and extreme weather. There has in the recent years been episodes like the volcanic ashes in the sky paralysing the European air traffic for several days, and severe snow storms resulting in significant delays and cancellations. Both of these events caused the aviation industry billions due to delays and compensations to consumers. These are just two examples of the fact that there are some factors that are out of control of the airlines and there are not a lot that one can do to change these.

An alternative to conventional fossil fuels, e.g. biofuel, is expected to be the next big thing in aviation industry. It would greatly reduce the carbon footprint being sent out in the atmosphere. Appendix 14 presents the energy intensity measured in mega jules per passenger kilometre (MJ/pKm) from various aircrafts produced since 1955. SAS is currently replacing their old Airbus319-320-321s with new Airbus A320s while introducing the Airbus350. Both of which have a lower energy intensity than the old models. Several factors contribute to the improvements in energy efficiency of aircraft in recent decades, such as: improvements in engine fuel per unit of thrust (70%), aerodynamic improvements (25%), and other factors such as economics of scale of larger aircrafts (5%).

Environmental factors have the possibility to greatly impact the earnings of an airline. There are ongoing discussions about the pollution and noise factors that could be subject to further taxation by the government institutions.

7.1.6 LEGAL FACTORS

Some of the legal factors have already been discussed in the previous sections. There are though still some issues worth paying attention to, one of which is the unions. When SAS undertook the restructuring in 2012 in order to survive, it was primarily by a reduction in employee wages and pensions. SAS was held hostage by the employee unions in the negotiation process, but SAS managed to successfully make deals with its banks and creditors.

Any new piece of legislation imposed will greatly affect the aviation industry, and it is bound to have a significant impact on SAS. There is little to be done to legislations that affects the profitability in a negative manner, but one can try lobbying in the hope of changing the minds of the governments institutions.

7.1.7 CONCLUSION ON PESTEL

This macroeconomic analysis shows that there are factors that are significant and it is clear that there are not any new developments around the corner that can improve SAS' situation and hence position a significant extent. The macroeconomic conditions are to some extent still affected by the financial crisis, which do have a significant impact on consumer spending patterns, as the general trend is going for more cost-efficient seats rather than premium class with higher comfort.

Even though, technology is vastly improving which can help in the production of more fuel-efficient aircrafts as well as lower the unit cost and standardize the service experience. Renewing one's aircraft fleet, though, requires a lot of money, and it looks like SAS has found room renew the fleet.

The future is not all that dark, as the reports from IATA indicate high growth in the coming 20 years. Though the most significant growth rates are expected in the Asia-Pacific region, growth rates are still expected in Europe and Scandinavia. It is therefore important that SAS is up for the competition in order to seize the moment staying competitive.

7.2 PORTER'S FIVE FORCES

While the PESTEL analysis outlines the macroeconomic factors affecting the performance of SAS, Porters Five Forces analyses the competitive situation and intensity and thus the attractiveness of the airline industry and the forces affecting the strategic decisions made by SAS. SAS is an organization

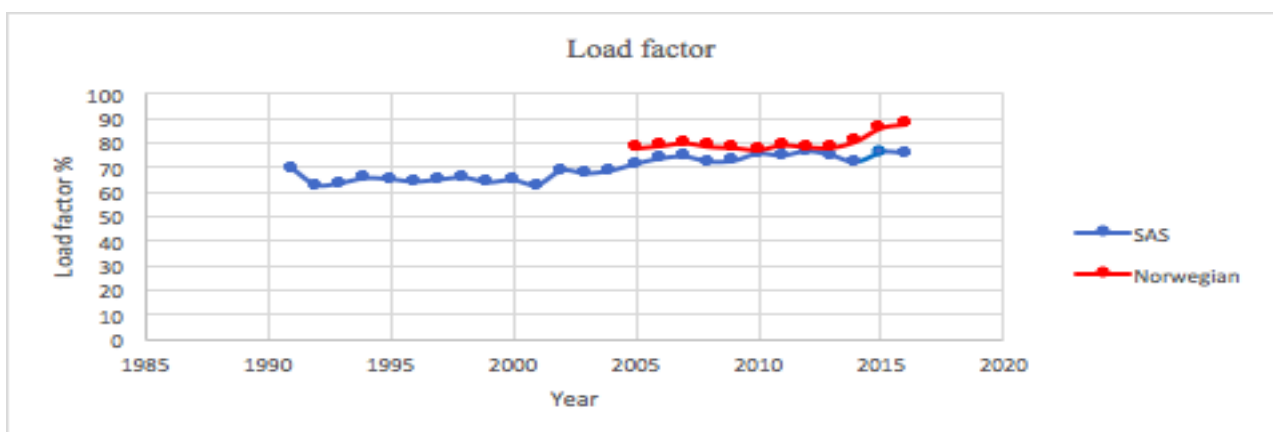
rooted in Scandinavia with most of its routes within Europe. Therefore, the scope of Porter's Five Forces is the airline industry in Europe.

7.2.1 INDUSTRY RIVALRY

The level of competitive rivalry in the airline industry is intense in most markets. It may though be lower in markets that are protected because of entry regulations, or on routes where the level of demand is unattractive, but given the deregulation and increasing demand, this situation is harder to find (Heracleous, Wirtz, & Pangarkar, 2009). The major costs for airline are fuel, labour, and operating costs (IATA, 2012). Fuel constitutes around 25-35% of the total operating costs of an airline. Any political, social, or economic instability in the oil-producing nations cause the price to rise, which adversely and significantly affects the profitability of airlines. Labour is another major cost for the airline industry and cabin crews capture a substantial portion of the value created in the industry. It should be noted that most countries deregulated airline wage costs and left it in the hands of airlines' management, in order to protect the national airlines.

Several factors inherent in the industry contribute to the high intensity of rivalry. First, it is a fragmented industry suffering from overcapacity, where approximately 20% of the seats on an average are empty (Figure 7.4). Given the perishability of the product, over-capacity places severe pressure on yields.

Figure 7.4 SAS' and Norwegian's load factor



Source: Norwegian Air Shuttle ASA (a) (2017) & SAS Group (a) (2017)

Secondly, it is an industry with high fixed costs and specialized assets. This means that the sunk costs (past costs) for airlines are high, which increase the cost of industry exit (Pearce, 2013, P. 20). With

high barriers to exit, firms tend to fight it out over-capacity persists, rather than leave the industry and return capacity to more sustainable levels.

Thirdly, it is difficult to differentiate the offering in airlines, and in most cases, the offering is commoditised. When offerings are commoditised, prices become an important determinant of buying behaviour, encouraging airlines to compete on price rather than on an added value basis such as innovation or level of service. In recent years, the breakthrough of LCCs has lead SAS opposed to new rivals and fierce competition on its home market. LCCs have grown much faster than legacy carriers, while having a higher load factor (See Figure 7.4), shorter sector lengths, as well as higher margins compared to legacy carriers (See Figure 7.7).

Fourthly, there are low switching costs for customers. As long as an airline goes to the destination one wants to go to, and offer the cheapest prices, customers are usually happy to switch – unless they are business travellers, whose demand have been more price-elastic. For business travellers one of the most important things is the frequency of schedule. Alliances like Star Alliance (which SAS is a member of) or Oneworld alliance introduce a low level of switching costs within the alliance for customers who want to collect miles, but still not sufficient to create real and influential switching costs for most customers (Heracleous, Wirtz, & Pangarkar, 2009).

Finally, the transparency of information levels the playing field for customers in terms of information availability and the low cost of access to information in terms of time and money, while shifting the power to consumers in terms of encouraging airlines to lower their fares to match the fares that competitors offer. This raises the need for airlines to monitor competitive offerings and respond accordingly. Based on all the factors discussed above, one can rightfully state, that the level of rivalry within the industry is intense, and that it does not bode well for profitability.

7.2.2 THREAT OF NEW ENTRANTS

The threat of new entrants is moderate on a global level, but it differs depending on the specific market of examination. Markets with high level of growth arguably incur a higher threat of new entrants, and mature markets such as the US and Europe arguably incur a lower level of threat. Having argued that, even a single new entrant can have significant impact on price and profitability levels in a specific market. Broadly speaking, deregulation tends relatively easy access to most inputs – here again depending on the specific inputs and specific market. High growth on emerging markets and

relatively low switching costs for consumers mean that it is possible to say that there are no high barriers to entry in most markets, if the cash and regulatory licences are in place. The effect of this is that capacity closely matches or excess demand.

There are high costs associated with the aviation industry as the capital requirements in order to purchase flights, slots, landing rights and all flight related operation costs are significant – and most of them sunk costs. There are mainly three barriers of entry in the EU, namely: airport slots, government support, and bonus programs. Airport slots in larger European airports provide a great value for the airlines, as there is only a limited amount available. The existing airlines at a given airport have a competitive advantage, as they can automatically renew their slots for a new season once they have acquired the slot in the first place. The result of this is that the established airlines occupy most of the attractive slots, so that new entrants will have to buy unattractive slots or seek new alternative airports in the same city or region.

Bonus programs provide another challenge for new entrants as they reward frequent fliers with multiple advantages. It creates an incentive for the customer to stay loyal with a certain airline in a certain alliance. However, as previously discussed, this is not sufficient to create real and influential switching costs for more customers, meaning that this barrier of entry is not the most significant one.

7.2.3 BARGAINING POWER OF CUSTOMERS

According to Porter (2008), bargaining power is strong when there are few consumers making large purchases, consumers switch suppliers often and easily, products from different vendors are not differentiated, and buyers are price sensitive. Airline passengers do share some of these characteristics, as it is easy to switch suppliers, the vast majority of the consumers are price sensitive and the products offered have a high degree of similarity. These are all factors that have previously been accessed.

Very generally speaking, consumers in the aviation industry can be divided into private and business consumers, as each segment has its own differentiating characteristics. Private consumers, who tend to fly domestically or on vacation, do not seek an exceptional level of service quality, as the price is often the highest priority. Business travellers have, only, to some degree, been pressured not to choose the most expensive flights, as they focus on employee and travel expenses have increased in most businesses (Hove, 2017). This separation of customers also depends on the region of analysis, since

price is still not the main focus when travelling in all regions.

Doganis (2002, P. 204) found, that the price elasticity of business travellers is -0.8 (almost inelastic) but the price elasticity of leisure travellers is -2.0. This means that for one percent increase in the fare, the airline will lose 0.8% of the market for business travellers, and thus a 10% increase in the fare results in an 8% loss of business travellers. Furthermore, it means that for every 10% fare increase for leisure travellers, the airline will lose 20% of the leisure travellers. The patterns of leisure travellers, and the fact legacy carrier like SAS cannot beat LCC on their own field (Horn & Willumsen, 2006), has meant that SAS has lost market share to the LCC's.

The fuel efficiency gains of the new aircrafts achieved over the past 40 years contributed to the pattern of real travel cost and real unit operating cost to decline. Aircrafts have 20-30 years of an economic life cycle; thus, it takes time for newly launched efficient models to have an evident effect on fleet efficiency (IATA, 2013). However, the extent of fuel efficiency improvement in the past 40 years closely mirrors the improvement in unit costs and the fall in actual cost of cargo shipping. These cost improvements supported by the upgraded technology expand the consumers' surplus by charging lower fares and freight rates (IATA, 2013). These productivity gains have been driven by restructuring and improved business models adopted by the airlines.

Consumers have experienced a large increase in economic benefits due to the halving of the real price of air transport (Heshmati & Kim, 2016). Furthermore, as not all that is being produced is being consumed, there would be either a high degree of wastage or stocks of finished goods would pile up (Cowie, 2012). In contrast to tangible products, airline capacity not sold cannot be stored. This brings up a number of challenges for the pricing of each seat sold (Robinson, Lück & Smith, 2013). In order to gain the highest possible profits, selling capacity alone is not enough, resulting in a higher consumer surplus. There is as expected a positive trend in fuel efficiency and a negative trend in fares and fatal accidents, which benefits the consumer even further (Rasmussen, 2017).

Retail customers do not have high switching costs between companies, meaning that they will switch if they are not satisfied by their current provider. Often, there will be at least two providers to choose among. As Hove (2017) stated, relations with the travel agents – both relational and providing them with incentives to sell one's tickets – have increased, and it is something that Singapore Airlines really focuses on. Retail consumers are assumed to have a moderate bargaining power, as airlines cannot sell all of its seats via their own website, and therefore need other ticket sellers, e.g. retail customers,

to sell the remaining tickets. Hove (2017) states that one should not underestimate the power that the retail sellers hold towards the consumer, as they are the ones that can influence the consumer when buying tickets.

7.2.4 THREAT OF SUBSTITUTES

The threat of substitutes is most likely the only bright spot for the industry out of the five forces. There is low propensity to substitute, given that for most routes the substitutes' cost/benefit ratio is weak compared with air travel. Air travel is mostly a more efficient way of travelling, but there are also factors to be considered when choosing the means of transportation. One of these is the environmental factor, as discussed in the PESTEL analysis. The focus on carbon footprints can lead to consumers choosing more environmentally friendly means of transportation.

However, it is not only other types of transportation that can pose a threat to legacy carriers such as SAS. The evolution of technology along with the economy in recent years have made it not only a possibility for business travellers, but also a highly viable solution to stay put and take their meetings through the use of tele- and video conference facilities. This is mainly due to the increase in broadband speed as well as the widespread access and lower prices of telecommunication including the equipment.

Information and communication technologies can substitute for some business travel, but they are an imperfect substitute since trust between parties is harder to develop unless there is some form of direct interaction. Further, the desire to get to know other cultures and to be in other places reduce the plausibility of substitutes such as information and communication technologies – it is not the same to watch the jungle on television as to actually travel to the jungle. In sum, the threat of substitutes in general is argued being low – depending on the purpose and the destination.

7.2.5 BARGAINING POWER OF SUPPLIERS

The threat of suppliers in terms of their availability to squeeze airlines for higher prices or a lower quality of supplied goods is medium high, depending on which supplier is examined. The main airports are key suppliers, which, given the level of excess demand and limited supply, have a high level of bargaining power to set prices for the service they provide. SAS is trying to get the prices that Copenhagen Airport is charging for its service lowered, because they think that the prices are unreasonably high (Redaktionen, 2017). Copenhagen Airport, on the other hand, compares the prices

charged with their competing airports, and therefore states that the prices charged are not too high (Ritzau (d), 2017). This is a clear example of the bargaining power that the airports have towards the airlines.

Pilot and crew unions, in general, have medium to high power for most airlines, because they are not easy to replace; if they go on strike, the effect on airlines' bottom line will be dramatic. Like any other industry, payroll is the largest expense, particularly in Northern Europe where salaries are among the highest in the world. This, along with the significant downturns in the airline industry, explains the many cost-cutting programs that are being executed everywhere. The power that the labour unions hold at SAS is abnormal, as they hold a significantly higher bargaining power than most other airline unions (Horn & Willumsen, 2006). So far, SAS has managed to convince its unions for the various cost-cutting programs that has taken place over the last 16 years (See Table 4.2), but it has not been without significant drama and strikes costing the airline.

Aircraft manufactures, Boeing and Airbus being the two majors, have medium power. In addition to their almost duopoly, their order books are currently full so there is a waiting period for few years for an airline before an order is fulfilled (Heracleous, Wirtz, & Pangarkar, 2009, P. 47). Airlines have bargaining power against airplane manufactures only if it is a launch customer for a new model, or if an airline places a larger order. Although there are relatively few suppliers, one must acknowledge the fact that the suppliers are also highly dependent on commercial airlines. Though Boeing also manufactures e.g. air fighters, some 50% of their revenue comes from the commercial aircrafts (Boeing, 2017).

SAS has over the recent years, and still does, harmonized its fleet, due to the lower operating and maintenance costs, given that they will need to train its staff on less aircraft types. There is a continuous demand for new and more fuel-efficient airplanes within the industry. This along with the relatively few suppliers mean that it is an expense for an airline to switch to another aircraft manufacturer as spare parts and knowledge of the new aircrafts would need to be updated. The aircraft manufactures are also working closely together with the various airlines to customize their aircrafts, meaning that incentives to switch to another aircraft manufacturer is kept at a minimum – thereby giving the aircraft manufacturers a medium-high bargaining power.

7.2.6 CONCLUSION ON PORTERS FIVE FORCES

In summary, the only bright spot for the airline industry is the low threat from substitutes, which is not enough to migrate the intensity of the other four forces. The airline industry experiences intense rivalry and the high bargaining power of buyers. Several suppliers can squeeze most airlines, and even though broadly speaking the threat of new entrants is medium, there still is a potential for new entrants, which will create even more over-capacity and reduce yields even further.

If the Five Forces analysis and the PESTEL analysis conducted above is considered, do one gets a clear picture that the airline industry has never covered its real cost of capital, and it performs so poorly relatively to other industries. Warren Buffet states, that: *"... the airline business ... has eaten up capital over the past century like almost no other business because people seem to keep coming back to it and putting fresh money in. You've got huge fixed costs, you've got strong labour unions, and you've got commodity pricing. That is not a great recipe for success"* (Heracleous, Wirtz, & Pangarkar, 2009, P. 47, P. 48).

7.3 INTERNAL ANALYSIS

A number of resources have been identified as having the potential to fulfil the criterias of the VRIO framework. The resources will be analysed and discussed in the following section to assess if they do in fact provide SAS with a sustained competitive advantage. The resources that are going to be assessed are: the brand, Star Alliance, route map and slot allocations, the staff, and EuroBonus.

7.3.1 THE BRAND

There is a saying, that: *"With one's reputation, one is always as one has combed. All the effort or lack of it affects one's brand position both in the outside world and internally"* (Horn & Willumsen, 2006, P. 133). The SAS brand is a strong well-known brand, not only in Scandinavia, but also in Europe and to some extent worldwide. The Scandinavian heritage shines through the company's brand and values. SAS' biggest asset is its brand, which at the same time represents SAS' biggest value. The brand is for the consumers a clear promise of: human values, honesty and reliability, modern, and innovative – values that are all associated with "It's Scandinavian" (Horn & Willumsen, 2006).

It has been seen before that a company in crisis, that successfully fights back, can come on the other

side of the crisis with a strengthened brand. SAS is one of the strongest and best-known brands in Scandinavia (SAS Group (a), 2017). SAS is preferred by approximately 35% of the frequent travellers on its home-market at the end of 2016, while Norwegian is preferred by approximately 20% of the frequent travellers (SAS Group (a), 2017: 2017, P. 28)

SAS has many satisfied customers, but it cannot be denied that some customers have bad associations with the company and its brand. This can originate from a bad travel experience, the negative press that SAS has had, or from the fact that SAS is now going to copy some of the principles from Ryanair's business model. It is hard for cases like these not to affect the perception of the brand for some people in a negative direction.

The SAS brand has without doubt lost some of its previous strength. SAS can no longer live a high life based on the success from the past. It is therefore argued that the brand is less popular than it used to be. SAS' ground-breaking activities, that took place during the first years in the history of SAS, are no longer enough to give SAS the exceptional positioning that it used to have in its glory days. It must though be noted that a brand takes time to build. The SAS brand does create value to the company, it is rare, and it is hard to imitate. The brand does in conclusion provide the company with a sustained competitive advantage, since it is also organized to capture value.

7.3.2 STAR ALLIANCE

As it can be seen in Appendix 1, SAS was one of the founding members of Star Alliance. The membership allows SAS to offer its consumers the possibility of travelling around the globe and reach destinations much further away than SAS' own route map. Star Alliance consists of 27 airlines, with approximately 21,050 daily flights to 1,167 airports spread over 181 different countries, which makes Star Alliance the biggest airline alliance (Star Alliance, 2017).

Beside the extended route network, other advantages of being in an alliance are cost reductions in operational facilities and staff, e.g. ground handling, check-in, boarding, and computer systems. If utilized in the right way, alliances enable negotiations regarding volume discounts from suppliers, shared maintenance costs, etc.

On the other hand, it requires a lot of work to keep the good relations and cooperation in an alliance, which result in a time-consuming process. Further, if not all partners in the alliance are as motivated

in order to share experiences and participate in the collaboration then it can result in problems for the members. Being in an alliance means that the airlines must operate on changed conditions, due to the significant changes in competition. Alliance members are primarily competing against airlines outside the alliance, but the airlines in the alliance are, though still considered as competitors. This kind of collaboration while at the same time being competitors is hence going to be referred to as coopetition.

More and more airlines are entering an alliance, but being in an alliance must, in regards to the airlines not being in an alliance, be considered as a very valuable resource for SAS. SAS does not have to have many intercontinental routes, due to their membership in Star Alliance (Hove, 2017). The fact that more and more airlines are entering into an alliance makes the resource only of temporary competitive value. However, it can be argued that the fact that Star Alliance is the largest alliance gives its members more benefits than members of another alliance.

7.3.3 SLOT ALLOCATION AND ROUTE MAP

The “use or lose it” rule (the grandfather rights) was introduced by the EU in 1993, and was in 2004 and 2007 modified (European Commission, 2017). The rule means that an airline must use 80% of its allocated slots in European airports, or risk losing them in the years follow. New improvements to the rule are under scrutiny suggesting that airlines can e.g. trade slots.

Since the introduction of the rule SAS has fulfilled it, which has allowed SAS to gain access to attractive slots across major European airports and thus be able to enjoy the competitive advantage over its competitors – especially the LCCs. There are a finite number of slots, meaning that the resource is difficult to imitate and there is no doubt that having attractive airport slots add value for an airline. The only way to expand the number of slots is to expand the capacity at the given airport, which may not be possible at all airports due to the physical constraints. Having the right slots is therefore argued to give SAS a sustained competitive advantage.

The fact that SAS is a member of Star Alliance, and that SAS meets the requirements of the “use it or lose it” rule give SAS a very comprehensive route network. Through the number of destinations that SAS serves directly has decreased from 2012 to 2015, it is now relatively steady to 2016 (See Appendix 15). SAS has in the first months of 2017 opened routes to new destinations, and that trend is expected to continue. In collaboration with its alliance partners SAS can offer routes to more than

1,100 airports around the world, which does act as a valuable resource for SAS.

7.3.4 THE STAFF

Employees are the frontline of every service company, because they are the ones that the consumers meet, are the ones who are representing the company to the consumers (Fitzsimmons & Fitzsimmons, 2011). Employees are the cornerstone of every successful service firm. Employees therefore need to be hired for their attitude and trained for the skills that they will need to do their jobs. “*Remember that you can’t train “nice”*” (Grubbs, 2005, P. 20). “4Excellence Next Generation” acknowledges not only consumers, but also employees under “People excellence” (Cision, 2017).

This shows SAS’ commitment to achieve a high level of service at the airports as well as on-board the aircrafts. This has resulted in the staff building resources that are to help SAS deliver a high level of service. The employee satisfaction surveys dropped during the near bankruptcy in 2012, but it is yet again rising (SAS Group (a), 2017). In the near future, SAS will experience a generation change, as 70% of the pilots are to retire within the coming five years, which means that SAS will need to recruit 700-800 new pilots. The recruitment and replacement process will provide SAS with a challenge.

The current payroll at SAS is amongst the highest compared to its competitors – even though it was reduced in 2012. SAS’ experienced pilots and cabin crews are a valuable resource to the company, though not a unique or difficult to imitate by competitors. One can argue that employees, added the low employee satisfaction, cannot be considered to give SAS a sustained competitive advantage.

In addition, as stated by Hove (2017), there is a significant difference in the perception of cabin crews from SAS and e.g. Singapore Airlines, Emirates, and Thai. The payroll expenses are though lower in the Asia-Pacific region, meaning that the number of employees per consumer is higher. Furthermore, the average age of the crew at SAS is significantly higher. It is assumed that by the higher age, employees get more “used to” their jobs, and are therefore not necessarily so passionate about their jobs anymore. As previously stated, the employees are the frontline staff at a service organization. It is therefore argued, that the crews of e.g. Singapore Airlines, are of significantly higher value to Singapore Airlines than the crew of SAS is to SAS. This is backed up by Hove’s (2017) note, that the training period of employees at Singapore Airlines is significantly longer and harder than the one that the new crews of SAS receives.

7.3.5 EUROBONUS

SAS EuroBonus rewards its customers with faster check-in, access to airport lounges, ticket upgrades, and free amenities on selected flights. Bonus points can be earned by purchasing tickets from SAS or any of the Star Alliance members as well as by using it for selected stores, hotels or car rental services. SAS EuroBonus had 4.7 million members at the end of 2016 (SAS Group (a), 2017).

The purpose of SAS EuroBonus is to have customers develop a sense of loyalty to the brand by offering benefits, which they would otherwise not have had if they had used different alliances each time. Loyalty programs may create some sort of loyalty, but as previously argued, loyalty programs are still not sufficient to create real and influential switching costs for more customers (Heracleous, Wirtz, & Pangarkar, 2009). Pedersen (2017) states, that one of SAS' advantages lies in their EuroBonus program, but the information that it contains (big data) can be expanded and exploited in a new manner (Offutt, 2013). The information that SAS EuroBonus contains is a valuable resource, but the bonus program itself is not rare or difficult to imitate, hence not giving SAS a sustained competitive advantage.

7.3.6 CONCLUSION ON THE INTERNAL ANALYSIS

It has been assessed that the brand and slot allocation and route map are resources that meet all the criteria of the VRIO framework, thus providing SAS with a sustained competitive advantage. There are a number of other resources and capabilities, e.g. technology, management, innovation, ownership structure, that could have been assessed, but it is the general opinion that those are not unique to SAS. It thus needs to be noted that SAS is not particular bad in utilizing those resources and capabilities, but they do not fulfil the criteria to provide the necessary advantages over SAS' competitors.

7.4 FINANCIAL AND OPERATIONAL ANALYSIS

The conducted analysis of the previous sections, where the macro –and micro-environment for SAS were analysed using the PESTEL analysis, Porters Five Forces model, and the VRIO framework, gave an overview of the challenges that SAS are faced by. The purpose of this section is to analyse several key financial figures for SAS and its main competitor Norwegian in order to get a better understanding of which direction SAS is moving, and how SAS performs. Table 7.1 gives an overview of the two companies using SAS and Norwegian data from the fiscal year 2016.

Table 7.1 Peer group summary

	Main market	Business model	Passengers (million)	Fleet size	Employees
SAS	Scandinavia	Legacy	29,449	156	10,710
Norwegian	Norway and following demand	LCC	29,300	118	5,796

Source: Norwegian Air Shuttle ASA (a) (2017) & SAS Group (a) (2017)

When measuring airline performance, the main emphasis is often put on analysing the operational metrics such as: load factor, ASK, RPK, yield, CASK, RASK, and employee productivity, while performance in terms of profitability and liquidity have a tendency to be given a lower priority (Bazargan, 2004). Yet, it is important to measure a company's ability to make profits, its short-term liquidity, and long-term solvency, to be able to understand the factors that directly influence a company's survival (Banfe, 1991), hence an analysis of the financial performance and the operational performance.

7.4.1 FINANCIAL PERFORMANCE

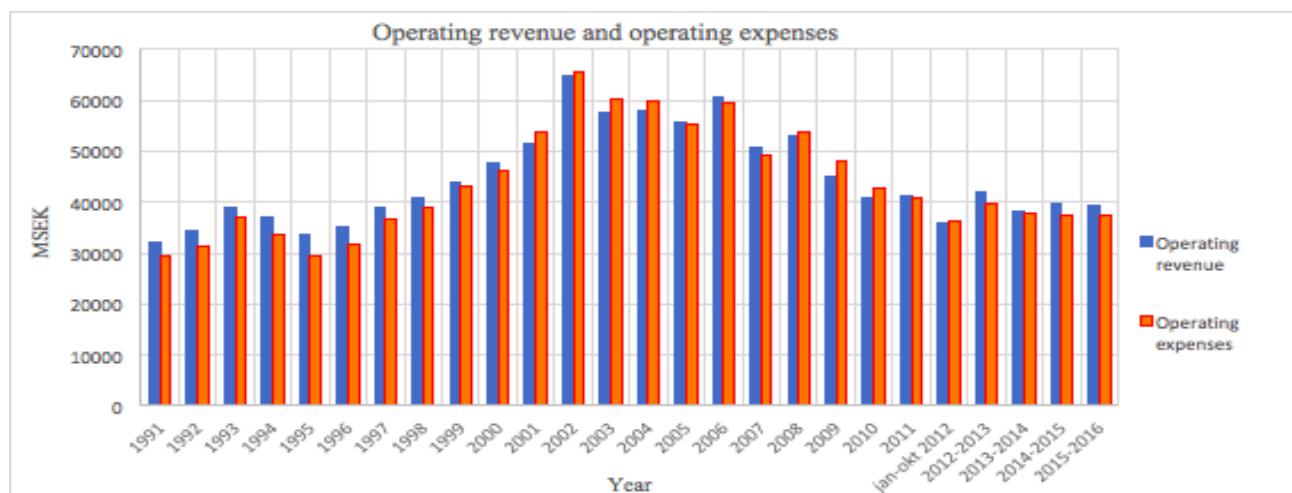
SAS has had troubled financial times over the past years, but it now looks like SAS is effectively executing "4Excellence Next Generation", that will turn losses into profits. As it can be seen in Table 7.2, results in terms of earnings before tax (EBT) and earnings before interest and tax (EBIT) have been fairly volatile from 2007 till 2016. The numbers were volatile in the beginning of the 1990ies when the industry was deregulated, but stable from 1994 till 2001. The numbers were then volatile from 2001 till 2004, where they then became stable until 2007.

Table 7.2 Key financial figures, 2007-2016

MSEK	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenue (MSEK)	39459	39650	38006	42182	35986	41412	40723	44918	53195	50598
Change (%)	-0,48	4,33	-9,90	17,22	-13,10	1,69	-9,34	-15,56	5,13	
Operating expenses (MSEK)	37567	37425	37853	39586	36272	40766	42665	48000	53960	49305
Change (%)	0,38	-1,13	-4,38	9,14	-11,02	-4,45	-11,11	-11,05	9,44	
EBIT	1892	2225	153	1381	-286	646	-1942	-3082	-765	1305
EBT	1432	1417	-918	433	-1245	-1629	-3060	-3423	-1044	1052
Operating expense ratio	0,95	0,94	1,00	0,94	1,01	0,98	1,05	1,07	1,01	
EBT margin	3,63	3,57	-2,42	1,03	-3,46	-3,93	-7,51	-7,62	-1,96	-2,08
Equity ratio	0,19	0,21	0,17	0,12	0,3	0,32	0,35	0,27	0,17	
Current ratio	0,78	0,86	0,79	0,61	0,52	0,72	0,83	0,71	2,40	
Passengers (000)	29449	28884	29408	30436	25916	28990	27096	26967	30296	31381
Change (%)	1,96	-1,78	-3,38	17,44	-10,60	6,99	0,48	-10,99	-3,46	

Source: SAS Group (a) (2017)

From Table 7.2, it is clear that both operating revenue and operating expenses have decreased at a high rate from 2007 to 2016. This is argued being an effect of the many strategies that SAS has been through. Figure 7.5 presents operating revenue and operating expenses (million Swedish Krona) from 1991 till 2016. It is by using Figure 7.5 and Table 4.2 visible that the decrease in operating revenue and operating expenses are closely connected to the strategies/cost-cutting programmes introduced.

Figure 7.5 Operating revenue and operating expenses

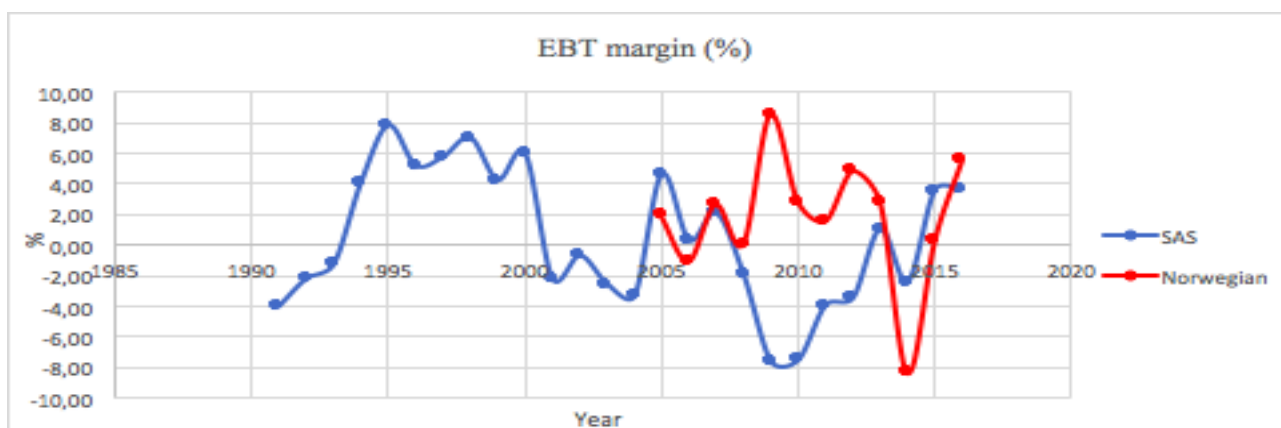
Source: SAS Group (a) (2017)

SAS came out of its first quarter from November 2016 till January 2017 with an operating revenue of 8,957 MSEK (8,275 MSEK in Q1 2016) and an operating expense of 9534 MSEK (8,461 MSEK in Q1 2016) (SAS Group (d), 2017). It was expected by the analysts that SAS came out of Q1 with a EBT of -628 MSEK, but the number was actually -697 MSEK (Dahl, 2017). SAS in Q1 2016 has an EBT of -309 MSEK, so it is not unusual that SAS has a loss in Q1, and it was already clear in the

annual report from 2016, that SAS was going to have a loss in Q1 2017. The substantial loss in Q1 2017 is an effect of the lower yield, which is something that is going to be assessed later, and higher fuel costs. Rickard Gustafson announced, due to this more than doubled loss in Q1 2017 compared to Q1 2016, further cost-cuttings with an expected saving of SEK 1.5 billion from 2017 till 2019 (Dahl, 2017).

Profitability ratios are applied in order to evaluate management's ability to monitor and control costs and earn a profit on the resources owned by the company. First, the EBT margin will be measured (Figure 7.6). Secondly, the operating expense ratio will be measured (Table 7.4). Norwegian's financial results (Appendix 16), have in order to ease the comparison between SAS and Norwegian, been converted in to SEK instead of NOK. Appendix 17 shows the conversion rate used.

Figure 7.6 EBT margins (%)



Source: Norwegian Air Shuttle ASA (a) (2017) & SAS Group (a) (2017)

Based on Figure 7.6, it is fair to say that Norwegian is generally more profitable than SAS in terms of the EBT margin. The reason why Norwegian's EBT margins is negative in 2006 and in 2014 is due to Norwegian purchasing new aircrafts. SAS' EBT margin was off course from 2001 till 2004, from the financial crisis till 2012, and lastly in 2014. SAS' EBT margin was in Q1 2017 7,78%. SAS' nine-year average EBT margin is -2.08%, whereas Norwegian's nine-year average EBT margin is 2.05%. It is from Table 7.3 clear that SAS has generally improved, and as a matter of fact has a better operating expense ratio than Norwegian.

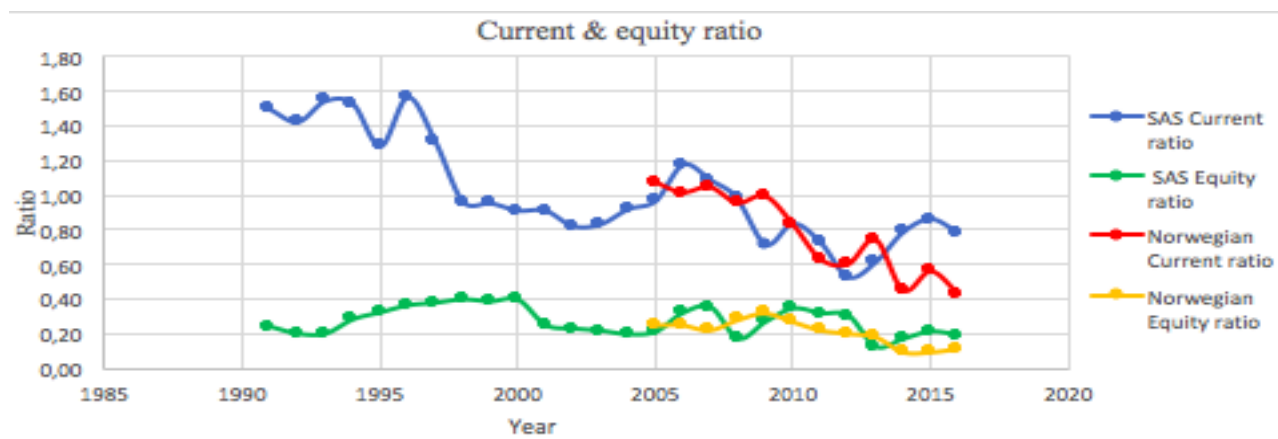
Table 7.3 Operating expense ratio

	2016	2015	2014	2013	2012	2011	2010	2009	2008	Average
SAS	0,95	0,94	1,00	0,94	1,01	0,98	1,05	1,07	1,01	0,99
Norwegian	0,93	0,98	1,07	0,94	0,97	0,96	0,98	0,92	1,05	0,98

Source: Norwegian Air Shuttle ASA (a) (2017) & SAS Group (a) (2017)

Liquidity performance measures are vital and fundamental for the general business assessment. An assessment of liquidity and access to finance becomes increasingly prominent on airline management's agenda in periods of distress. Liquidity should therefore not be undermined as it is essential when determining the basic survivability as well the aircraft financing abilities of the airline. Figure 7.7 presents the development in SAS' current and equity ratio from 1991 till 2016 and Norwegian's current and equity ratio from 2005 till 2016.

Figure 7.7 Current ratio and equity ratio



Source: Norwegian Air Shuttle ASA (a) (2017) & SAS Group (a) (2017)

SAS' current ratio has decreased significantly, indicating that SAS' short-term liquidity has decreased significantly. SAS' current ratio was in Q1 2017 0,66 being 0,12 lower than for 2016. Norwegian's current ratio has in 2016 yet again decreased a bit after increasing in 2015. SAS' equity ratio is somewhat more constant between 0.2 and 0.4, and by the end of Q1 2017 0,20, while Norwegian's equity ratio has been somewhat lower between 0,09 and 0,32. The current ratio is, short-term, greatly affected if a large aircraft lease or purchase takes place, as these transactions affect the current liabilities in a company's balance sheet.

The airline industry is, as previously argued, debt intensive compared to other industries, mainly due to the large amount of debt incurred in the financing of aircrafts. Therefore, it is often seen that airlines have substantially lower current and equity ratios than companies from other industries. Furthermore, IASB's accounting standard is from January 1st 2019 going to be changed, meaning that companies operating and financial leasing agreements now have to take it into the balance sheet (FSR – Danske Revisorer, 2017). Leased airplanes are now going to be regarded as an asset as well, and the payments a liability. This will greatly affect the balance sheets; thus, the current ratio and equity ratio will be substantially lower for companies having a large number of leasing agreements, e.g. Norwegian.

7.4.2 OPERATIONAL PERFORMANCE

Table 7.4, presented below, gives an overview of SAS' and Norwegian's ASK (million), RPK (million), yield, RASK, and CASK from 2005 to Q1 2017.

Table 7.4 Operational comparison between SAS and Norwegian

Year	SAS					Norwegian				
	ASK	RPK	Yield	RASK	CASK	ASK	RPK	Yield	RASK	CASK
2005	62,445	44,566	1.25	0.89	0.89	3,464	2,703	0.63	0.49	0.48
2006	63,555	46,770	1.30	0.96	0.94	5,371	4,223	0.61	0.48	0.48
2007	44,433	33,082	1.53	1.14	1.10	7,561	6,059	0.60	0.48	0.47
2008	45,764	33,097	1.61	1.16	1.18	11,530	9,074	0.59	0.46	0.49
2009	39,934	29,025	1.55	1.12	1.20	13,555	10,620	0.57	0.44	0.41
2010	38,851	29,391	1.39	1.05	1.10	17,804	13,774	0.52	0.41	0.40
2011	40,953	30,668	1.35	1.01	1.00	21,958	17,421	0.52	0.41	0.40
2012	36,126	27,702	1.30	1.00	1.00	25,920	20,353	0.54	0.43	0.41
2013	44,629	33,451	1.26	0.95	0.89	34,318	26,881	0.52	0.41	0.38
2014	48,158	34,714	1.09	0.79	0.79	46,479	37,615	0.48	0.39	0.41
2015	44,289	33,781	1.17	0.90	0.85	49,028	42,282	0.51	0.44	0.43
2016	48,620	36,940	1.07	0.81	0.77	57,910	50,798	0.50	0.44	0.41
Q1 2017	11,154	8,104	1.11	0.80	0.85	14,649	12,368	0.31	0.26	

Source: Norwegian Air Shuttle ASA (a) (2017), Norwegian Air Shuttle ASA (b) (2017), SAS Group (a) (2017) & SAS Group (d) (2017)

Norwegian is, in terms of ASK, now bigger than SAS, and Norwegian is continuing its growth by expanding their fleet and their route map – and thereby their ASK even further (Table 3.4). SAS' ASK have on the other hand decreased to 2015 but then increased in 2016, resulting in a decrease of 28% from 2005 until 2015. The decrease of SAS' ASK can be explained by the strategies presented in Table 4.2, where one of the objects was to divest non-core activities and subsidiaries. ASK increased in Q1 2017 by 11.20 % compared to Q1 2016.

SAS has had a decrease in RPK as well, but RPK is though closer to ASK in 2016 than it was in 2005. This can be explained by the 4.61% increase in load factor during the same period (Figure 6.7). SAS' load factor was in 2016 76.27% compared to an industry average load factor of 80.4% (IATA, 2016). RPK increased in Q1 2017 by 18.2% compared to Q1 2016, and this tendency seems to continue as SAS' RPK (not included the charter traffic) increased 9.7 in March 2017 compared to March 2016. This sounds great, but ASK increased 12.2% in March 2017 compared to March 2016, meaning that the load factor decreased in March 2017 compared to March 2016 (Ritzau Finans (b), 2017). Norwegian has had a remarkable increase in RPK in 2016 that was larger than the increase in

ASK during this period, resulting in the load factor rising by 1.5% (See Figure 7.7).

Though the load factor is an important measure in determining an airlines' effectiveness, it does not reveal information concerning the price of the tickets or the revenue generated. Therefore, yield needs to be examined, hence compare the companies' traffic revenue per RPK flown. During the entire period, SAS has had a significantly higher yield than Norwegian, thus indicating that SAS has charged higher prices. Nevertheless, SAS' yield has decreased 16,8% which indicates that SAS has been faced by fierce competition, but yield increased in Q1 2017 compared to 2016. Norwegian's yield has decreased 26% in the period, which could indicate that Norwegian has experienced fierce competition from other LCC's like EasyJet and Ryanair, and it decreased even further in Q1 2017. Although airline yield is a common measure in the industry, it clearly has its limitations as comparing yields across markets and airlines could vary significantly by flight length.

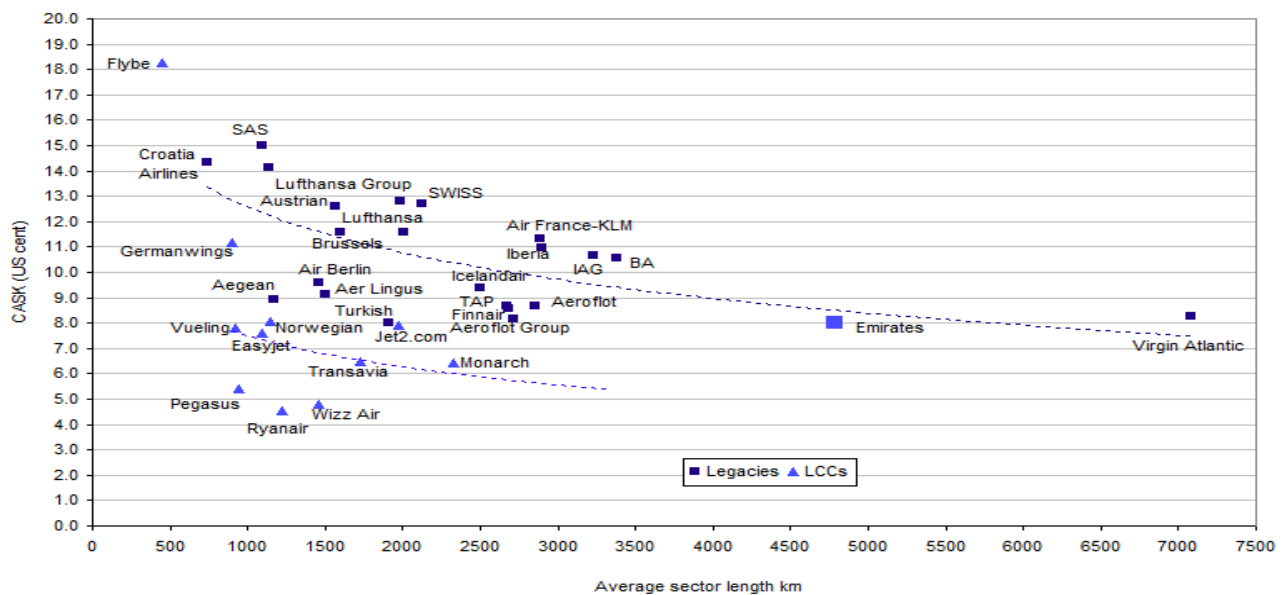
RASK was for SAS lower than CASK from 2008 to 2010, but has otherwise been equal to or higher than CASK. SAS' RASK was in Q1 2017 lower than CASK. CASK has for SAS been higher than RASK for scheduled traffic in Q1 for many years, so it is not something new, but the difference is higher than usual. RASK was for Norwegian lower than CASK in 2008 and 2014, but has otherwise been equal to or higher than CASK. Norwegian's CASK is not given for the Q1 2017, but RASK is for Q1 2017 significantly lower than RASK in 2016. But RASK is significantly lower than CASK, due to the fact that Norwegian had a SEK 1.54 billion loss for Q1 2017 compared to SEK 825 million loss in Q1 2016 (Ritzau (f), 2017)

The development of SAS' CASK per ASK from 2005 to 2016 is presented in Table 7.5. CASK per ASK increased until 2008 but it since 2008 been reduced SAS has, as it was also presented in Table 6.5 reduced the cost per available kilometre with 46% while the average sector length of passengers carried has increased. Appendix 18 presents the exchange rate between USD and SEK used to calculate SAS' CASK in USD. The difference between a legacy carrier and an LCC, when comparing CASK and the average sector length, is illustrated in Figure 7.8. Figure 7.8 also presents what has previously been found, namely that SAS' CASK is too high compared to its competitors.

Table 7.5 CASK per ASK, 2005-2016

	2005	2006	2007	2008	2009	2010	2011	jan-okt 2012	2012-2013	2013-2014	2014-2015	2015-2016
Average passenger distance, total (km)	1086	1084	1054	1070	1076	1085	1058	1069	1099	1180	1170	1252
CASK (USD)	11,87	12,70	16,41	17,92	15,73	15,25	15,34	14,83	13,63	11,47	10,13	9,05

Source: SAS Group (a) 2017

Figure 7.8 Industry CASK per ASK, 2012

Source: CAPA Centre for aviation (2012)

7.4.3 CONCLUSION ON THE FINANCIAL AND OPERATIONAL ANALYSIS

The figures, tables, and trends presented in the financial and operational analysis speak for themselves and give a picture of SAS in continued financial difficulties, even though there have been some improvements in costs. On the worrying side, the revenue has seen a steep decline with operating revenue multiple times being negative, the current and equity ratio is all times low, and operating margin is still low. For the last couple of years, the measures applied have showed a positive trend, right until Q1 2017. As Rickard Gustafson (De Vries & Winkler, 2017) puts it: “*Vi er tvunget til at hale ind på konkurrenterne*”, meaning that SAS will once again have to cut costs in order to catch up with its competitors.

It appears that SAS is experiencing pressure on the ticket prices. While the load factor has increased, it does not help anything but the market shares, if the tickets have been sold at a discount. The revenue from passenger seat kilometres and average seat kilometre number supports the fact that SAS has trouble at generating the needed earnings to turn the company around once and for all. It can be noted that the bottom line for many of the years in the last 16 years has been red, and no matter how one looks at it, that is not a sign of a healthy business.

7.5 SUB CONCLUSION

This brief section aims at consolidating all the key business insights discovered in the various parts of the strategic and financial analysis. Moreover, to get a holistic view of SAS and the industry that SAS operates within, the factors found most relevant have been categorized in a SWOT summary (Table 7.6).

Table 7.6 SWOT summary

Strengths, Weaknesses, Opportunities, and Threats	
Strengths	Weaknesses
SAS Brand, airport slots, Star Alliance, extensive route map, renewal of the fleet, cleared most of the subsidiaries, increasing load factor, high punctuality	Strong labour unions, government intervention, older fleet (high fuel consumption), modest liquidity, high CASK, imitable competitive advantage, frequent cost-cuttings, low solvency, negative results
Opportunities	Threats
Government support, 4Excellence Next Generation, passenger growth, GDP, new fleet, outsourcing, technology, IATA predictions	High jet-fuel prices, terrorism, new and stronger competitors, alternative transportation, environmental pressure, new and tougher legislations, new and stronger competitors

Source: Own creation

It is clear from Table 7.6 that the threats outweigh the rest and the opportunities upsets are plentiful. It was in the operational analysis discovered, that SAS does not have an efficient cost structure, and thus operates with a high CASK, but SAS has increasing load factors and employee productivity. At the same time, the majority of SAS' competitive advantages are imitable, and the company has cost structure that is poorer than the ones of SAS' competitors. The weaknesses are in general related to the poor financial performance of the past. The strengths of SAS are to be found in SAS' core products and SAS' longevity to build up market share, routes, brand, and favourable advantages compared to the newest competitors in the market. The opportunities are only possible through an effective execution of "4Excellence Next Generation".

As identified in the PESTEL analysis and Porters Five Forces, the airline industry is very cyclical in nature, and it is argued that timing and awareness are crucial when making important decisions. It is argued that the industry cycle represents both opportunities and threats. The threats are all external

factors where SAS has little or no influence, thus many of them can change the industry picture. SAS may have little or no influence on new and stronger competitors, but SAS can prepare for the future, by not giving it a blind spot (Horn & Willumsen, 2006).

8.0 THE FUTURE OF SAS

Horn & Willumsen (2006) state that SAS' real problems were that SAS had: unresolved visions, no long-term strategy and no plan for implementation, lack of market adjustment, and a gorge between top management and the unions (Thomsen, 2012). Horn & Willumsen (2006, P. 64) even state, that: "*Man kan I høj grad diskutere selskabets eksistensberettigelse*", meaning they in 2006 questioned SAS' right to continue its operations. Pedersen (2017) states that SAS has a unique product, which mean that SAS shall continue its operations. According to Pedersen (2017), SAS' major problem is, that they need to find a way to turn this unique product into higher revenue and in the end profit.

Forecasts try to avoid uncertainty by staking out one path that is considered most likely to occur, whereas scenarios embrace uncertainty. Moreover, scenarios challenge conventional wisdom by helping to prepare a set of multiple paths towards alternative probable futures. By presenting fundamentally different outlooks about the future, scenarios work as an early warning system, which might help SAS to position its strategy and act accordingly if the scenarios become a reality.

8.1 SCENARIOS OF THE FUTURE

The four scenarios are: SAS succeeds and remain independent, merger or acquisition, intercontinental expansion, and liquidation and re-formation of a new airline. It is argued that SAS should always pursue a strategy of differentiation instead of one of cost leadership (Table 4.5), since SAS has higher costs structures than its competitors (Figure 7.9). Thus, differentiation and innovative product development, as a way of competing, will be kept in mind throughout this section as a common denominator.

8.1.1 SAS SUCCEEDS AND REMAINS INDEPENDENT

An expansion in the Scandinavian market is challenging due to several factors, some of them being: mature macroeconomic factors, higher CASK than Norwegian and other LCC's, and unprofitable destinations due to political interference. Furthermore, short distances lead to a higher fuel burn as well as CASK for e.g. an Airbus A321 (Appendix 19), which is one of the aircrafts that SAS is using for its operations out of Copenhagen. An essential part of "Turnaround 2005" was to evaluate every route in order to see if it was profitable or not. So, it is assumed that SAS has outweighed the high CASK of a "short" flight between e.g. Copenhagen and Stockholm (548Km) (Air miles calculator, 2017), with an even higher RASK.

Porter (1985, P. 12) states, that: *"Achieving competitive advantages requires a firm to make a choice... Being "all things to all people" is a recipe for strategy mediocrity and below-average performance, because it often means that a firm has no competitive advantage at all"*. Yet, the ability to master the paradox and balance contradictory competencies and positions is becoming increasingly necessary, because of the simultaneous quality and cost pressures in the airline industry and the advancement of technology that challenge and/or reshape existing business models. *"The ability to resolve paradoxical tensions in a manner that does not compromise either pole of the paradox can be a path to competitive advantage"* (Heracleous & Wirtz, 2014, P. 108).

Singapore Airlines is an example of mastering the paradox having leveraged elements of both differentiation and cost leadership strategies (Heracleous, Wirtz, & Pangarkar, 2009). SAS could develop its resources and capabilities accessed in the VRIO framework, or reduce the inefficient ones, perhaps by outsourcing parts of the value chain. Examples of outsourcing could be to outsource its revenue accounting work, IT infrastructure functions, ticketing and payroll processing, crew planning, or inflight retail, as it has already been done with the catering, SAS Flight Academy, its call centre, and as it was tried to with the ground handling (Fagbladet 3F).

Ground handling was partially outsourced to Swissport, but the deal was cancelled due to major delays in ground handling. SAS' attempt to outsource its ground handling is an example of the fact that there are also risks when outsourcing due to lack of control, principal-agent problems, spill-over effects, and internal knowledge creation. According to CESUR (2008), legacy carriers have a 7% higher expenditure on station costs and outsourced handling. Furthermore, CESUR (2008) argues that legacy carriers have a 2% higher expenditure on maintenance of multiple aircrafts. This means

that reducing the station costs and outsourcing handling and maintenance would decrease some of the expenditures that SAS has.

SAS is argued to be a service oriented business, but one can argue that SAS has been, as Porter (1985, P. 16) would put it: “*Stuck in the middle*”, due to the fact that SAS has been pursuing elements of different generic strategies but has somewhat failed to achieve any of them. SAS has been pursuing a broad differentiation strategy while also pursuing elements of a low-cost strategy, e.g. SAS Snowflake, which have resulted in a loss of focus. Service orientation does not mean elaborate services, rather than customer focus (Nair, Palacios & Tafur, 2011). The service should be in line with customer needs and perceptions (Wegner, Budde & tranter, 2012).

It is important to make the distinction between those airlines to whom service is part of the overall offer and those whom do service is the offer. Airlines have focussed on product development efforts like the latest flight entertainment systems or new kind of seats – and at the same time ignoring the fact that customers are more concerned about the service oriented aspects of their travel which are more intangible (See Appendix 20). One can argue, that either an airline shall pursue a low-cost strategy or a differentiation strategy for a start (Fosgaard, 2014). The airline must be able to master that strategy before pursuing to master the paradox.

Hove (2017) states that Singapore Airlines takes service oriented factors into consideration, where every major issue, question or decision can be considered through the prism of its commitment to provide world-class customer service, which is according to Nair, Palacios & Tafur (2011) why Singapore Airlines excel in their business performance. Though many of the strategies/cost-cutting programmes have emphasized on “Core SAS”, it is argued that SAS could be even further focused on its core. And as Pedersen (2017) sees it, there is still room for layoffs of some of the administrative functions that does not directly affect the service experience when flying with SAS. Smaller administration and fewer staff/offices are according to CESUR (2008) 3% more for a legacy carrier compared to a LCC.

Were some of the administrative functions to be lain off, then the operating expenses would decrease, meaning that the profit margin would increase. This would, if SAS keeps improving its load factor, result in a decreased CASK and a stable or increased RASK, which at the end of the day means a higher profit margin. Since flying may be seen as a homogeneous service, it is argued that SAS could or should enhance product development on the services and complementarities in order to further

enhance differentiation. It is important to remember, that enhancing differentiation is not equal to increasing CASK. Appendix 21 shows the differences in selected service offerings when flying SAS and Norwegian short- and long-haul.

Examples on differentiation using complementarities could be to integrate taxi services to airports or by collaborating with taxi companies in e.g. Oslo, Stockholm, Copenhagen, and London, and earn EuroBonus points while using the taxi. Another idea could come from Lufthansa's collaboration with the German rail operator DB (Lufthansa, 2017). SAS could collaborate with DSB (The Danish rail operator), SJ (The Swedish rail operator), and NSB (The Norwegian rail operator), which would make it more convenient for travellers when going to and from the airports within Scandinavia.

For a long time, SAS has had a low level of innovation. SAS used to be one of the most innovative airlines. Airlines are now installing Wifi on-board their aircrafts, so that passengers can do whatever they desire when flying. It may not be all passengers that use this service, but it may be something that passengers take into consideration when evaluating the fare for an airline ticket. SAS installed Wifi on its aircrafts when renovating its long-haul aircrafts during 2015 (SAS (e), 2017). Wifi is only available for business class passengers on long-haul flight – not on short-haul flight and not for everyone. Installing Wifi may cost SAS money, but it is argued to have a benefit.

Another “service” could be to exploit EuroBonus even further (Pedersen, 2017). SAS could gain more knowledge about their loyalty members in order to make a more direct and personalized marketing, which could be a new stream of revenue. SAS could get a partner revenue when offering certain offers from its partners to its loyalty members when making use of the offers. Pedersen (2017) argues that the potential of EuroBonus is great and that the data that EuroBonus contains could be of relevance and of interest to other businesses.

Banfe (1991) argues that there are three major competitive variables, being: schedule, routes, and pricing, and that variables like: equipment, frequency, service, convenience, loyalty, and perception are only minor variables. Banfe (1991) is right, even though his book is 25 years old, but the minor variables have according to Pedersen (2017) got a bigger influence today.

These examples mentioned above are just some of the ways in which SAS can decrease CASK while keeping RASK steady or even increasing RASK. SAS is trying to change, and Pedersen (2017) argues that SAS is adapting to the new market conditions as fast as the company allows. But one can easily

argue, that SAS started its adaptation or BMR too late and SAS has therefore spent the last 16 years trying to catch up with the market. Appendix 22 displays key features affecting travel decisions and choice of airline – but also operating costs, most of them have already been assessed.

8.1.2 MERGER AND ACQUISITION

A possible scenario for SAS could be a merger or an acquisition (M&A). Benefits of M&As may include easier access to capital, economies of scale, increased efficiency, access to complementary resources, and industry consolidation leading to less airline operators. Pedersen (2017) argues that the benefits of M&As are many, which is why there are many examples of M&As in the industry today – some already mentioned in the introduction. Another example of an acquisition could be Etihad Airways, an Arabic carrier, acquiring 29.2% of the shares in Airberlin in 2012 (Airberlin, 2017), and 49% of the shares in Alitalia in 2014 (Polite, 2017), both European carriers, benefitting from expanded operations, flight scheduling, better economic base, procurement, maintenance, ground handling, and training.

Before the acquisition by Etihad Airways, both Airberlin and Alitalia had financial difficulties. SAS too had financial difficulties when negotiating with The Lufthansa Group regarding a potential M&A (Appendix 1), but The Lufthansa Group said no due to SAS' unstable cost structure (Bjørneild, 2011). Lufthansa stated in 2010, that they, as a result of financial crisis, did not have the financial resources needed to acquire SAS (Berlingske Business, 2010). One could argue, that if SAS had made use of the Swiss or Austrian way (both of which are explained later), then The Lufthansa Group, International Airlines Group (IAG) (IAG, 2017), or any carrier, would find a M&A more interesting. Hove (2017) argues that a M&A with Lufthansa Group is not the best choice, and that SAS should look for carriers that it is not competing with (Hove 2017), like Etihad Airways did with Airberlin and Alitalia.

Etihad Airways' strategy of global expansion is based on buying minority shares in often struggling airlines to drive traffic to its Abu Dhabi hub (Polite, 2017). *“Etihad's explanation for what went wrong at Alitalia mirror the Italian airline's: the turnaround was proceeding well until a string of terrorist attacks dented appetite for air travel last year”* (Polite, 2017). Additionally, Alitalia's high cost base simply could not compete with the growing penetration of LCCs in the short and medium haul European market.

If Lufthansa chose to enhance its Nordic focus, an increased collaboration with SAS, e.g. by using a M&A, might be beneficial, since SAS has the Nordic know-how along with a high Nordic market share. SAS' brand may also be of relevance and interest to the Lufthansa Group to develop further. Additionally, EuroBonus has a large, and important customer base (Pedersen, 2017), which Lufthansa might like to get access to and/or incorporate into their own loyalty program Miles & More (Miles & More, 2017).

Another opportunity is to integrate SAS into Lufthansa's hub-to-hub strategy. SAS could maintain its Nordic focus and Lufthansa could develop its intercontinental routes. An acquisition of SAS will most likely lead to a hub-to-hub strategy where Lufthansa's focus may lie on Copenhagen. Though this scenario may be the easiest, it would be like "giving away" market share to Norwegian or another carrier operating in the Nordic market. Lufthansa's acquisition of Swiss and Austrian has led to increased one-hub focus of Zürich and Vienna. One can see the result of a one-hub focus in Geneva, where EasyJet has expanded its operations significantly after Swiss's one-hub focus on Zürich. It is therefore argued, that the one-hub strategy is not one that should be pursued in the Nordic market.

It is based on the fact that Etihad Airways is now struggling with two airlines in financial difficulties, as well as the fact that the price of oil has decreased – and projected to decrease even further, meaning less income to the oil producing Emirate of Abu Dhabi – argued that Etihad Airways acquiring SAS is not likely to happen in the near future. A potential M&A of SAS by The Lufthansa Group still seems years away – but it is in the end argued, that Lufthansa acquiring SAS could potentially happen.

8.1.3. INTERCONTINENTAL EXPANSION

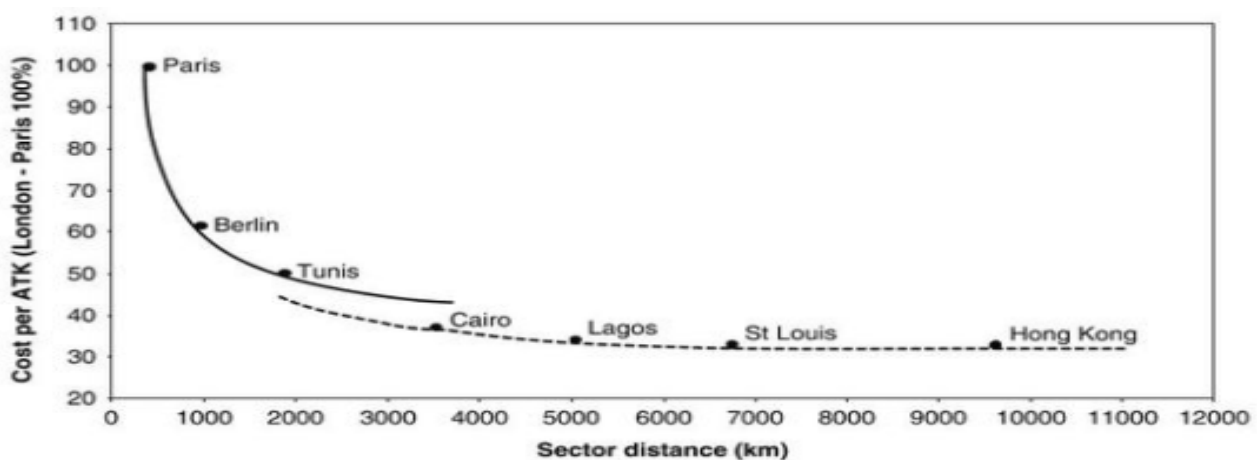
Pursuing this strategy was not possible in 2012 when SAS was close to bankruptcy. Though the numbers given by the SAS Group (a) (2017) are not sufficient enough to state something concrete regarding the intercontinental flights in 2012, one can still see a significant decrease in passenger revenue and operating revenue. SAS has many years of experience in services to North America where a service over the North Pole to New York was launched in 1957 (Appendix 1). Moreover, destinations such as New York, Seattle, San Francisco, Los Angeles, and Beijing are locations where airlines could potentially achieve higher margins than on e.g. the very competitive European market. When trying to back this up by financial data, one can look at the years 2005, 2006, and 2008 where all the necessary data is available (Appendix 23). When comparing RASK and CASK from the intercontinental flight with RASK and CASK from every SAS operation (Appendix 15), one can see

that the difference in RASK and CASK is positive for the intercontinental flights, whereas the overall margin is lower or even negative.

Even though the staff to customer ratio is not as high as with other airlines, and the stewardesses may be slightly older, the brand arguably still generates a feeling of something familiar. The brand, the culture, and national value are somewhat of a competitive value, since they are arguably not a feeling that Scandinavian travellers have to many other airlines. Even though Hove (2017) argues that expanding the number of intercontinental services is not something that SAS should necessarily do, it could increase the SAS' rank on The World's Top 100 Airlines (Skytax, 2016). SAS is arguably not as known worldwide as SAS is in Scandinavia, which is something that could be improved by spreading out the intercontinental route map (Pedersen, 2017).

Lastly, intercontinental flights are also more lucrative than short-haul services regarding fuel costs. Figure 8.1 illustrates the cost per ATK (available tonne kilometre – both passengers and cargo) for a short-haul service from London to various cities in Europe, and a long-haul service to various destinations worldwide, where the CATK (cost per available tonne kilometre) decreases exponentially. But it has to be noted that the example is using an A340 with around 300 seats, and that SAS' A340's operates with 245 seats (SAS (d), 2017), meaning that the CATK is slightly higher for SAS than in the example. Short-haul flights operated by an A320 (which is a part of SAS' fleet) flying 2,000 km has higher CATK than an A340 (which is also a part of SAS' fleet) flying 2,000 km (Figure 8.1). The whole point of a legacy carrier is to bring passengers to hubs, and then connect them to other destinations, meaning that the short-haul flights are essential to support this business model.

Figure 8.1 Determinants of airline costs



Source: Doganis (2010, P. 114)

The intercontinental market is primarily dominated by major network carriers and their respective alliances. It is as an effect of this a market where costs are “allowed” to be a bit higher due to the previous non-presence of the LCCs. Norwegian and other LCC have though opened intercontinental flights, which challenges status quo for many legacy carriers (Pedersen, 2017). Norwegian opened its first intercontinental route in 2011, and as of 2017 operates routes to 19 intercontinental destinations (Virtual Norwegian, 2017), some of them to the same airports as SAS or some cheaper airports close to airport that SAS operates to, e.g. Oakland and San Francisco.

As previously noted, IATA (b) (2017) expects major passenger growth in the years to come, most of it coming from the Asia-Pacific region. First, the Asian economies along with the BRIC-countries could provide opportunities for SAS, and according to Pedersen (2017) it should be something that SAS’ management should consider. Secondly, the distance to Asia is shorter via Scandinavia compared to routes via the continent or the Arabic nations (Pedersen, 2017), which explains Finnair’s Asian focus. Thirdly, Russia only allows one airline per country to fly in its aerospace, which closes out eventual Norwegian operations over Russia (Pedersen, 2017). Norwegian wants to operate routes to the North-Asian region, and therefore Norwegian is lobbying for a renegotiation of the deal – but it has not worked out so far, which gives SAS an advantage (Reuters, 2017). It could though, from the meeting between the CEO of Norwegian, Bjørn Kjos, and the Danish Minister of Transportation, Ole Birk Olesen, seem like Denmark will try to re-negotiate with Russia (Nielsen, 2017). Norwegian promises 10 new routes to Asia from Copenhagen if Norwegian is allowed to fly over Russia.

Apart from an increased Asian focus, SAS could also focus more on the North American destinations. One can argue that SAS has already done so, when looking at Table 8.1. SAS opened routes to Los Angeles, Miami and Hong Kong in 2016 while increasing its frequency to New York, San Francisco, Chicago and Shanghai (SAS Group, 2015). SAS, as of 2016 operates 97 intercontinental departures per week, of which 25 were added in 2016, to 11 destinations (See glossary of acronyms and abbreviations for IATA airport codes), plus the 5 weekly departures to Singapore operated by Singapore Airlines due to the joint-venture. Joint-ventures are co-operations between two parties to their mutual benefit (Robinson, Lück & Smith, 2013).

Table 8.1 SAS' intercontinental frequencies (per week)

	LAX	SFO	MIA	ORD	IAD	EWR	BOS	HGK	PVG	PEK	NRT
CPH		7	3	7	5	12	7		7	7	7
ARN	7			7		7		5			
OSL			4			7					

Source: SAS (c) (2017)

Destinations like Mumbai, Manila, Ho Chi Minh City, Colombo, and Delhi are potentially suited for SAS (Copenhagen Airport, 2015; Anna.Aero 2017), since the passenger demand is relatively high from Copenhagen and Oslo and there is no existing operator on the routes to these destinations from any of SAS' main airports. Other possibilities could be Beirut, Seoul, Houston, Seattle, or Johannesburg, to which there are no existing operator from any of SAS' main airports.

SAS could utilize cheaper foreign staff by employing Americans or Asians, like SAS is arguably going to employ non-Scandinavians now that some of the aircrafts in Europe are going to fly under an Irish flag with bases in England and Spain. The unions do, as previously noted, not like this move out, but it is arguably something that the Asian passengers would like due to the improved language and cultural conditions, though there are already Asian staff on-board the services to Asia. This would also lower the average salaries that cabin attendants get at SAS. Doganis (2010, Table 16, P. 100) presents the salaries for crews in various airlines in 2006, where it is visible that the average salary for SAS crews is relatively high. The salaries are higher in the Scandinavian region on average due to e.g. the cost of living, but the salaries of SAS crews are really high (Pedersen, 2017). SAS (b) (2017: 2016, P. 22) presents the salaries, and it is here visible that they have been cut by 16% for pilots and 21% for cabin crews from 2012 to 2016.

Another way of lowering costs and improving efficiency could be by increased collaborations with other airlines Hove (2017). Singapore Airlines' and SAS' joint venture on the route between Copenhagen and Singapore is a good example of increased collaboration. Collaborations could be made with Asiana to Seoul (Pedersen, 2017), with South African Airways to Johannesburg, or with United to Houston, all of which are Star Alliance partners. If SAS does not have what it takes to open and operate new intercontinental routes on its own, there are other ways to expand SAS' intercontinental route map.

There are naturally downsides of an intercontinental expansion, such as volatility and capital requirements. First, SAS may possess knowledge regarding intercontinental flights, but it is not necessarily core SAS. Secondly, SAS may have a strong brand in Scandinavia, but as Hove (2017) and Pedersen (2017) argue, not in the rest of the world. The value that SAS has towards foreigners is, as an effect of this low, as especially Americans tend to be more patriotic and therefore prefer to fly with American carriers. Thirdly, to open a large number of intercontinental routes like the bigger legacy carriers in Europe has not been feasible, due to SAS' geographic location (Pedersen, 2017). Fourthly, though the time of the journey to Asia may be longer with an Arabic carrier, Arabic carries have still managed to offer routes to Asia at a low price, meaning that they managed to catch a lot of consumers going to Asia (Hove, 2017).

Lastly, one major concern regarding an intercontinental expansion is also if SAS possesses the cost-structure, financial muscles, and internal resources and capabilities that is required in the global market – now more than ever due to the LCC's intercontinental operations, and as an effect of this even further pressure on RASK and CASK.

8.1.4 RECEIVERSHIP, LIQUIDATION, AND BANKRUPTCY

A company is insolvent if it either does not have enough assets to cover its debts, or if it is unable to pay its debts as they fall due (Association of Business Recovery Professionals, 2008). Once a company has become insolvent, several courses of action are open, sometimes resulting in a return to solvency. An insolvent company goes into administration, administrative receivership, or liquidation.

Liquidation is interpreted as the worst-case scenario for SAS and its stakeholders. Other airlines would take over SAS' assets, e.g. aircrafts, staff, etc. However, aircrafts may be unattractive due to the high age of them and staff may be too expensive causing a huge fall in value. Other airlines could also reduce the widespread route map and thereby focus on the most profitable destinations. An industry without SAS would arguably lead to a lower quality in the Scandinavian infrastructure and a short-term lower degree of competition in the region.

Liquidation requires, that the company is declared insolvent (ATP, 2017) and cannot pay its debt on time and if the payment difficulties are not temporary (Danmarks Domstole, 2017). A current ratio below one indicates financial short-term issues. Cimber Sterling had a current ratio of 0.46 in 2010, where SAS and Norwegian in comparison had a current ratio of 0.71 and 0.99 (Upsido WordPress,

2009), in fact SAS has since 2008 had a current ratio below one. Cimber Sterling furthermore had a high financial leverage. Norwegian too had and still has a high financial leverage, but they do in comparison to Cumber Sterling make a profit.

The industry has seen different examples of how legacy carriers filed for liquidation or used some form of this. Swissair filed for liquidation in 2001, and thereafter some operations were overtaken by Crossair, another subsidiary with lower costs (Osborne, 2001). Crossair took over some of the aircrafts, and some of the staff, but only enough to keep the most profitable/important routes open. Crossair was later privatized and renamed Swiss International Airlines (Swiss), and then acquired by The Lufthansa Group. Swiss has since 2001 yet again expanded its route map and incorporated some of the “famous” Swissair elements of glamour, but now at a more moderate level.

Another form of corporate restructuring, using forms of liquidations, has happened at Austrian Airlines (Austrian) (Hofmann, 2015). Austrian was having financial difficulties too, so the organization moved most of its asset, e.g. all aircrafts except one as well as all of their employees, over to their subsidiary, Tyrolean Airways, in order to achieve lower costs. The now somewhat smaller Austrian then filed for liquidation. Tyrolean Airways set on a major corporate reconstruction, before moving the aircrafts and the employees back into the very reformed and privatized new Austrian (Hofmann, 2015). Austrian was later, like Swiss, acquired by the Lufthansa Group. One can argue that liquidation could have been an option for SAS. SAS would have lost a great number of employees as an effect of the Swiss way – which makes the Swiss way the least desired one. The Austrian way is therefore the most desired one, were SAS to use liquidation.

SAS AB is however not a Danish registered company, like Cimber Sterling was, meaning that the exact same rules do not apply. A Swedish registered company’s directors or any creditor can apply the Swedish court for a rescue and insolvency (receivership) (Körling & Winge, 2012). The process concludes when the company is successfully reorganized or when the administrator decides that there is no prospect of success, after which bankruptcy usually follows.

The US Chapter 13 for Bankruptcy (United States Courts, 2017), which generally provides for reorganization, usually involving a corporation or partnership, is more extensive than a Swedish receivership. A Chapter 13 debtor usually proposes a plan of recognition to keep the company alive and pay creditors over time. Chapter 13 is the most extensive form of bankruptcies, where the court can legally demand overly expensive deals, e.g. long-term leasing agreements, to be changed or cancelled

in order to reorganize the company (Gambrell & Associates, 2017). The goal of filing for Chapter 13 bankruptcy protection, versus Chapter 7 bankruptcy (often referred to as liquidation), is to become profitable. Creditors in a Chapter 13 have an incentive to work with the debtor and make compromises, since they would not get better in terms of a Chapter 7 action (FindLaw, 2017).

Receivership, reorganization, along with a privatization of SAS would arguably had helped SAS, due to the decreased amount of politics in every decision made, the changed corporate culture, the better agreements, and an increased amount of innovation (Rangan, 2012). But, the fact that SAS is 42.7% owned by three different governments means that filing for liquidation has never been a “real” option.

8.2 THE MOST LIKELY SCENARIO

It is claimed that SAS’ market position is diffuse and difficult to assess, as they have a lack of focus. Low fares, business class, flexibility, high frequency, hassle-free flying, EuroBonus, Star Alliance, different ticket classes are only some of the examples that may lead the assessment of SAS’ real market position in different directions.

SAS has increased its focus on the somewhat mature Scandinavian market. Moreover, business travellers are SAS’ most profitable segment, a segment where preferences, e.g. price sensitivity have changed short-haul services. Additionally, SAS aims at providing lower fares in order to be competitive on the Scandinavian market, which, as argued, has very tough market conditions with a large presence of the LCCs. It is yet again argued, that SAS is “stuck-in-the-middle”, and have been so since the introduction of SAS Snowflake in 2003 (Horn & Willumsen, 2006). SAS has ever since tried to compete being two things at once – and has, compared to Singapore Airlines, not fully succeeded being any of them.

It can be derived from the essence of “Core SAS”, presented in 2008, that the strategy of SAS has mixed objectives: cost-savings, low fares, and a focus on differentiation on SAS’ home market, as well as a clear decline in route map. “Core SAS” only had a short-term horizon, and it is therefore argued that “Cores SAS” was more a cost-cutting programme rather than a corporate strategy. “4Excellence” and “4Excellence Next Generation” had some aspects of a long-term plan, but the main focus was on the short-term cost-cuttings. All three plans had to have a focus on cost-cuttings, since SAS was in difficulties at all three points in time, but one cannot neglect the long-term focus, meaning what is going to happen after the cost-cuttings.

All three strategies included different stages of cost reductions, in order to reach the incremental cost-cutting plan. This means that the plans can be seen as modular programs, where the importance of the links between the different stages are emphasized. This is a quite static and old-fashioned way of strategizing, or planning, as strict planning may not facilitate learning and innovation, which may be challenging in the long-term. The strategic plan must also contain contingency alternatives, just in case (Mintzberg, 1998).

Strategic planning is perceived differently by various airlines. The most pragmatic strategic plan is often twisted. It has not changed and it will not. Biases around strategies are impacted by manager's personal beliefs, corporate culture, and intuitive convictions. The rational structure recognizes all of the forces in the environment today and yesterday. The irrational factors are paradigms of management's aberrations of yesterday (Banfe, 1991). Although a strategic plan may be intended to be an affirmation of reasonable goals, the higher the planners are on the hierarchical ladder the more influential the bias.

"A famous general observed that a long-range plan is a strategy for winning a war while a short-term plan describes the tactics needed to win a battle" (Banfe, 1991, P. 155). SAS has definitely needed to win several short-term battles, and it still does, but there is also a war to be won. The fact that SAS is now going to move crew and aircrafts to non-Scandinavian bases, along with the fact that Rickard Gustafson stated *"Vi er tvunget til at hale inf på konkurrenter"* (De Vries & Winkler, 2017), show aspects of long-term planning and not just short-term cost-cuttings. The fact that SAS is going to have further cost-reductions (SAS Group (d), 2017) shows that SAS is still using short-term planning – and SAS rightfully still has to, but a more long-sighted plan is now coming, meaning that there is a chance that SAS can avoid future immediate cost-cutting programs.

On the other hand, it can also be argued that SAS has had a long-term plan all along, but one big plan would cause too many clashes between SAS and its many different shareholders (De Vries (a), 2017). It was therefore executed by introducing smaller bits and pieces over time, meaning that the chance of achieving the overall goal would be higher than if the plan was executed all at once (De Vries (b), 2017). This would make sense, since Pedersen (2017) was certain that changes at SAS were executed as quickly as SAS as a company could handle these changes. Pedersen (2017) though agreed upon the fact that the process might have been too long, setting SAS back in terms of competition.

A setback in the long-term plan is the fact that SAS is, yet again, found guilty in cartel, and has got a

EUR 70 million fine, equivalent to approximately or SEK 668 million (Ritzau (e), 2017). SAS was found guilty in cartel in 2010 for the period between December 1999 and February 2006, but found innocent in 2015 (Ritzau, 2015), but found guilty later. The SEK 668 million is money that too have to be found, in addition to the cost-cuttings that are going to come. SAS sold two of its slots at London Heathrow (LHR), which cashed in USD 75 million, equivalent to SEK 670 million, which is enough to cover the cartel fine (Ritzau Finans (c), 2017).

Jacob Pedersen (Ritzau Finans (c), 2017) calculated that the value of the remaining 17 slots that SAS holds at LHR would have an estimate value of USD 640 million, equivalent to SEK 5.7 billion, equivalent to a third of SAS' market capitalization. Jacob Pedersen argues (Ritzau Finans (c), 2017), as he too did in the interview (Pedersen, 2017), that a bigger sell-out of slots at different main airports is not the way forward, because holding the right slots at the right airports is one of the aspects that differentiates SAS from its Scandinavian competitors.

Though it is not the only factor in play when determining the future of SAS, the board of directors, influenced by the governments, has set SAS' hedging on the oil price to a coverage of 40-80%, whereas Norwegian's, due to the fact that it is a private held company, can have a hedging on the oil price from 0 to 100% (Thielst, 2017). This means that the management at SAS needs to be extremely good at predicting oil price 18 months ahead, or else it will greatly affect the bottom line, since oil covers 17% of SAS' total expenses in 2016, where employee salaries is the biggest expense being 24.1% (Thielst, 2017). One can based on the Figure "Sådan afdækker SAS og Norwegian brændstof" made by Kairos Commodities (Thielst, 2017) state that the high hedging on the oil price set by the board of directors is currently a disadvantage for SAS, even though the hedging is only at 41% at the moment (Thielst, 2017). It can on the other hand be dangerous not to hedge, depending on how the price of oil actually develops.

Distressed airlines, like SAS, offer relatively poor service quality, both in the air and on the ground – hence being "stuck in the middle" (Figure 4.5). This is usually due to a combination of factors, both cultural and institutional, such as the inability to replace inadequate staff, poor management and strong unions (Doganis, 2010). SAS' unions may be unwilling to replace outdated work rules processes in order to improve customer service. It may be a function of the total absence of a service culture within the airline. While some may be outstanding, too many state employees are not customer-oriented. *"There are no relationships more important than those with customers"* (Grubbs, 2005, P. 20). They appear unable to appreciate that by providing a superior and friendly service to

their customers they, can help their airline's financial well-being. But SAS' management is at fault since it has been too slow to adopt new ideas and new practices.

This, along with other factors found in this thesis, is often result in partial or majority state-owned airlines suffering the distressed syndrome and therefore tend to lose market share (see Figure 4.1). However, not all state-owned airlines (partly or 100%) suffer from distressed airline syndrome, e.g. Singapore Airlines and Aer Lingus.

SAS' many unions have for too many years, as both Hove (2017) and Pedersen (2017) agree upon, had too much power at SAS – giving their members too many benefits. Unions give benefits to the employees – which is a good thing, but more employee benefits, means less room for investment and make unionized firms like SAS less competitive, and they gradually shrink (Sherk, 2009). Although it may not be the most likely scenario for SAS, employee benefits should once again be negotiated, because it will arguably benefit SAS significantly.

The three Scandinavian governments have correctly identified privatization as being one way of tackling the symptoms of the distressed state airline. Privatization is also expected to lead to a more commercially-oriented culture within SAS, and to a more efficient management free of government constraints, although Tibell (2017) does not see partial governmental ownership as a hindering. This along with the fact that many of SAS' cabin crews and pilots are retiring within the coming years is argued to have a positive effect on a more customer-oriented culture. This is due to the fact that a fundamental prerequisite of successful privatization is a change of culture and expectations at all levels. Success or failure, employment or unemployment will depend on the joint efforts of employees and management. They must see themselves as partners, not opponents. *“Rather than being a megacorporation with thousands of employees”* (Grubbs, 2005, P. 13). SAS needs to be a family with many members.

There are though a couple of factors hindering a successful privatization process. First of all, as previously stated, Kristian Jensen, hence the Danish government, does not intend to sell its shares at SAS. Second of all, as too previously stated, there is a gorge between SAS' management and SAS' employees. This means that seeing each other as partners instead of opponents is miles away. These two factors hinder a successful privatization, even though it is argued that a privatization will improve SAS' business model and thereby increase the competitiveness of SAS.

The future of SAS is not solely a question of ownership, but to a question of revenue management. Revenue management has become increasingly complex and fierce competitive in past few decades. *“The growth of the network airline and the drop in the cost of computing have brought revenue management to a whole new sophisticated level”* (Robert W. Mann: CNN, 2017). Gustafson’s strategies show not only short-term strategies, but also aspects of long-term strategies, both of which revenue management have to be an important part of.

Stuart Barwood (CNN, 2017) states, that *“Airlines can make a number of reasonable assumptions about the profile of traffic on a certain route and then adjust their prices accordingly”*. If an airline assumes that leisure passengers will tend to book relatively early, it may be tempted to start pricing seats on that route relatively high – and then adjust them according to the market response. Meanwhile, on a typical business route, the airline may start with low prices to fill minimum capacity, then raise prices steeply for business travellers that nook at last minute. *“In fact, those last-minute high—value passengers are so precious that some airlines go the extra mile to make room for them”* (CNN, 2017).

Airlines want to know their customers so well, so they are trying to offer fully personalized pricing. Loyalty programs, registered users, and cookie tracking can give airlines some valuable clues, but when an airline has gathered a lot of data about its passengers, most still might not be putting it to profitable use. While airlines may have good reasons not to overcharge their best customers, they also have to careful not to undercharge the other classes of client.

Henrik Christiansen (Rebensdorff, 2017) argue, that *“Med algoritmer kan man komme tættere på borgere og give dem noget bedre og mere målrettede ydelser”*, meaning that algorithms can be used to a larger extent that they are, in order to help an airline, optimize its revenue management even further. Large amounts of data have already been gathered, it just need to be properly leveraged. This would increase RPK, load factor, yield, and RASK – and potentially lower CASK, due to the minimized amount of man hours, that is currently needed in an airlines revenue management department.

8.3 SUB CONCLUSION

Four potential future scenarios for SAS, ranging quite broad into various directions have been assessed. Although a M&A could potentially be very beneficial for SAS and its high unit costs due

to the economies of scale in a M&A, it is argued not to be a realistic option right here and now. Lufthansa has troubles integrating its acquired companies into the group while also pursuing a LCC adventure. Air France-KLM is having even more troubles, and therefore not an option. IAG is the only big legacy carrier group that is performing well in Europe, but Scandinavia does not seem well-linked to their current strategy. A potential could be a non-European carrier, but it is argued that SAS should bring down its CASK before other carriers would seriously consider a M&A with SAS.

Another scenario that was assessed was the use of liquidation. Starting “All over” with a new and highly reconfigured organization could have been an option back in November 2012. It is however argued that the social and political interests in SAS are too high for this to be a realistic scenario.

SAS remaining independent with an increased use of intercontinental routes is argued to be the most likely scenario. A combination of new focus and partnership on the intercontinental routes is a realistic outcome here, since an expansion on the intercontinental market involves significant capital requirements (e.g. fleet-expansion). Arguments include that this at the moment is a mean for differentiation from LCCs, and it was speculated upon routes, which could result in a SAS with a niche-route network. Further strategies/cost-cutting programs are needed to reform the organization in order to reach a surplus. SAS leveraging the potentials that it has in the form of big data along with the fact that many of its employees are going to retire within the coming years are both argued to be benefits for SAS.

9.0 CONCLUSION

The thesis aims to conduct a strategic analysis with a historical non-financial and financial perspective of SAS, in order to assess where SAS' could and should go in the future. The purpose of this assessment is to give an overview of the airline industry, focusing on Scandinavia, to give support to potential investors and strategists in their decision making as well as to assess the future scenarios of SAS. In order to do so, the following research question was asked as a central part of the problem statement: *How did SAS manage the restructuring process and did this prepare SAS for future competition?*

SAS is what can be defined as a structural and systematic important on its home market, being Denmark, Norway, and Sweden, as SAS connects the people in the three countries with destinations

all over the globe as well as acting as a gateway for the outside world. There is no doubt that the infrastructural importance of SAS is crucial to the three countries. Were SAS to go bankrupt, then it would have had a very negative affect on the inhabitants within the three countries.

Several factors significantly influence SAS' behaviour and manoeuvre room at the macro and industry level, as was summarized in the SWOT analysis. The PESTEL and Porter's Five Forces analysis revealed that SAS is particularly exposed to economic factors, as the entire industry is still to some extent affected by the financial crisis, with the industry being characterized by declining earnings and high fixed operating costs for especially the legacy carriers, as well as the consumer's decreased lack of willingness to buy the premium products of which SAS historically has earned a lot of money from.

There were, however, some positives, such as the technological advancements with more fuel-efficient planes, which should lower the operating costs of a fleet, as SAS in the process of replacing the fleet. IATA's forecast for passenger growth was another positive, as the industry organization is expecting to see double-digit growth numbers within the next decade.

The airline industry is characterized by an intense competition. There is a lack of loyalty amongst the consumers and they are not reluctant to change suppliers to meet their need of lower prices. Consumers have a variety of substitute products to choose from, which are more prevalent over shorter distances. Business consumers have the added flexibility that technology provides, as they can attend meetings over i.e. teleconference facilities. Finally, the bargaining power of the suppliers can also be argued to very very high. All of these factors are characteristics of an industry with low profitability for most airlines. The LCC's have played a significant part in the development of the industry, as their focus on lower prices and lower fixed costs has enabled them to capture great market shares from the traditional legacy carriers like SAS, which is also why they are better off financially. Ultimately, they have forced legacy carriers to rethink their strategy.

A number of factors cause the financial woes SAS has experienced in the last more than a decade. The financial crisis resulted in the consumers opting for cheaper seats, rather than the more comfortable but more expensive ones. Increased competition from the LCC's such as Norwegian, EasyJet, and Ryanair has eaten into SAS' market shares, and SAS has found it difficult to change the operating structure, and reduce the operating costs. In fact, SAS' unit cost is among the highest in the industry, with the main driver behind being the payroll expenses. Related to the payroll, the

recognized financial result is affected by the incorporation of their pension commitments as well as other employee benefits.

The profitability of SAS has been negative for many years and the financial and operational analysis only revealed small signs of improvement. The growth of revenue has been negative over a longer period, but then positive for a few years. And recent interim reports and traffic numbers illustrate that SAS is still having a hard time handling its finances and its operations, which yet again causes red numbers at the bottom line.

The internal analysis identified four resources and capabilities that provide SAS with a competitive advantage. The four resources and capabilities are: the brand, the grandfather rights, the route-map, and the potential of the data that EuroBonus holds. These four resources and capabilities are what SAS should build upon in order to turn SAS into a profitable business.

Based on the strategic analysis, the financial analysis, the operational analysis, and assumptions on the future, four likely scenarios were developed, analysed, and discussed upon, regarding the future of SAS. It was though argued that none of the four “extreme” scenarios were the most likely to happen, but that the most likely future scenario consisted on aspects from the four different scenarios.

It was found that using some form of liquidation is not an option anymore, and it was never a real option, meaning that the political and social interests in SAS are too big for a scenario like that. A M&A is argued not to happen within the coming years due to the troubles that SAS still have, as well as the conditions of the analysed potentials airline groups for a M&A.

The most likely scenario consisted of an expansion of the intercontinental route-map. A combination of a new focus and partnership is a realistic outcome here, since the expansion of the intercontinental route-map will involve significant capital requirements, e.g. fleet expansion, which SAS is in the process of doing. Arguments include that these are means of differentiation from the LCCs, and speculations were made upon which routes could result in SAS with a niche route-map. Along with further needed cost-savings for SAS to become more competitive and perhaps reach a surplus this is the most likely scenario. Years with cost-cuttings may have reduced employees’ motivation, company revenue and capacity levels. In short, it is argued that future investments along with cost-cuttings are needed to enable future growth. Furthermore, it is argued that the fact that many of SAS’ employees

are retiring within the coming years, will mean that new and likely more motivated employees may be a helping hand for SAS to regain a more customer oriented service culture.

9.1 LIMITATIONS

It is argued, that one will have to do a cost-benefit analysis in order to figure out if there is any real hard number of financial support to the future of SAS. It is argued that there is a positive relationship between further cost-saving, increased customer-oriented service culture, and an increased focus on the intercontinental route-map, but there is no hard number valuation behind the argued most likely future scenario.

Furthermore, the fact that SAS is publicly listed on the stock exchange gives both benefits and limitations when researching SAS. A limitation is the limited access to financial numbers that the market does not know, which could potentially change the market value of SAS.

9.2 OUTLOOK AND POTENTIAL AREAS OF FURTHER RESEARCH

Surveying one's users (customers and consumers) is highly important. It can be argued that surveying one's non-users is equally important. The first part of the further research will focus on SAS's non-users, in order to make SAS' strategy more customer oriented while still sticking to the essential of its business model. Quantitative data in the form e.g. surveys as well as qualitative data in the form of e.g. focus group interview of SAS' users and non-users will provide the reason why they do not use SAS. The first reasons that comes to mind is price and route-map. But are there any other reasons?

The second part of the research will then compare the data gathered from the first part, and the future scenarios found in this master thesis with an economic valuation of the different perspectives. This would provide SAS with an economic valuation and forecast, which would take the organization as it is now, what customers want, and the range of SAS' reconfiguration rate into account, which would off-set the limitations for this master thesis.

10.0 REFERENCES

10.1 ACADEMIC ARTICLES

- Abya, H., et al., 2015. Strategic planning for tourism industry using SWOT and QSPM. *Management Science Letters*, 5, Pp. 295-300
- Amit, R. & Zott, C. 2012. Creating Value Through Business Model Innovation. *MITSloan Management Review* 53 (3), Pp. 40-49
- Barney, J., 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17 (1), Pp. 99-120
- Barrett, D. M., 1969. Multi-flag airlines: A new breed in world business. *Columbia Journal of World Business*, 4 no. 2, Pp. 7-14
- CESUR, 2008. The Consequence of the Growing European Low-cost Airline Sector. *Transport and Tourism*, Pp. 1-56
- Chesbrough, H. W. (2007). Business Model Innovation: It's Not Just About Technology Anymore. *Strategy and Leadership*, 35, Pp. 12–17
- Chesbrough, H., 2010. Business Model Innovation: Opportunities and Barriers. *Long Range Planning*, 43, Pp. 354-363
- Collins, D. J. & Montgomery, C. A., 2008. Competing on Resources. *Harvard Business Review*, July-August, Pp. 140-150
- Doz, Y., and Kosenen, M., 2010. Embedding Strategic Agility: A Leadership Agenda for Accelerating Business Model Renewal. *Long Range Planning*, 43, Pp. 370–82
- Gambardella, A. & McGahan, A. (2010). Business-Model Innovation: General Purpose Technologies and their Implications for Industry Structure. *Long Range Planning* 43 (2-3), Pp. 262-271
- Giesen, E., et al., 2007. Three Ways to Successfully Innovate your Business Model. *Strategy and Leadership*, 35, Pp. 27–33.

- Gilbert, C., 2005. Unbundling the Structure of Inertia: Resource Versus Routine Rigidity. *Academy of Management Journal*, 48 (5), Pp. 741-763
- Heracleous, L. & Wirtz, J., 2014. Singapore Airlines: Achieving Sustainable Advantage Through Mastering Paradox. *The Journal of Applied Behavioural Science*, 50 (2), PP. 150-170
- Johnson et al., 2008. Reinventing Your Business Model. *Harvard Business Review*, 86 (12), Pp. 57-68
- Lyth, P. J., 1990. Multiplicity of Instruments: The 1946 Decision to Create a Separate British European Airline and its Effects on Airline Productivity. *Journal of Transport and History*, 11 no.2, Pp. 1-17
- Mitchell, D., and Coles, C., 2003. The Ultimate Competitive Advantage of Continuing Business Model Innovation. *Journal of Business Strategy*, 24, Pp. 15–21
- Nair, S., Palacios, M. & Tafur, J., 2011 Flexibility in airline business models with core competencies as an indicator. Air Transport Research Conference, 29/06/2011-02/07/2011, Pp. 201-216
- Peteraf, M. A. & Barney, J. B., 2003. Unraveling The Resource-Based Tangle. *Managerial and Decision Economics*, 24, Pp. 309-323
- Porter, M. E., 2008. The Five Competitive Forces that Shape Strategy. *Harvard Business Review*, Pp. 79-93
- Saunders, M., Tosey., P., 2013. The Layers of Research Design. *Research*. Winter 2012/2013, Pp. 58-59
- Teece, D. J., 2010. Business Models, Business Strategy and Innovation. *Long Range Business Planning*, 43, Pp. 172-194
- Wegner, M., Budde, F. & Tranter, P., 2012. Surviving the squeeze: Winning Strategies for a Changing Airline Industry. *The Boston Consulting Group*, Pp. 1-18
- Zott, C. & Amit, R. 2008. The Fit Between Product Market Strategy and Business Model: Implications for Firm Performance. *Strategic Management Journal* 29 (1), Pp. 1-26

10.2 ARTICLES (NON-WEB)

- Chor, J., 2017. Økonomisk storsats bag forrygende Norwegian-success. *Berlingske*, 17 February. Business, 2, Pp. 10-11
- Dane, B., 2017. Luftens Bulldozer. *Euroman*, May 2017, Nr. 282, Business, Pp. 32-34
- De Vries, S. (a), 2017. SAS åbner op for flere fly uden for Norden. *Børsen*, 2 February. Virksomheder, Pp. 6-7
- De Vries, S. (b), 2017. SAS bevæger sig frem på listesko. *Børsen*, 2 February. Virksomheder, P. 7
- De Vries, S. & Winkler, M., 2017. SAS-topchef: Vi er tvunget til at hale ind på konkurrenter. *Børsen*, 9 March. Virksomheder, P. 9
- Korsgaard, M., 2017. Vinger suser væk fra Skandinavien: SAS vil lette fra Spanien og London under irsk flag. *Berlingske*, 2 February. Business, 2, Pp. 8-9
- Polite, J., 2017. Bankruptcy looms after Alitalia's painful decent. *Financial Times*, 3 May, Companies, P. 13
- Rasmussen, J. E., 2017. Luftfartens forvandling har fået billetpriserne til at rasle ned. *Morgenavisen Jyllands Posten*, 15 April. Erhverv, Perspektiv, Pp. 6-7
- Rebendsdorff, J., 2017. Algoritmerne kommer! *Berlingske*, 2 May. Perspektiv, Pp. 18-20
- Ritzau (b), 2017. Verdens længste flyrute krydser 10 tidszoner. *Metroexpress*, 6 February. Penge, P. 14
- Ritzau Finans, 2016. SAS og Norwegian bytter roller. *Børsen*, 30 December. Markeder Udland, P. 38
- Ritzau Finans (a), 2017. Norwegian opruster i Kastrup. *Børsen*, 15 February. Markeder Udland, P.26
- Ritzau Finans (b), 2017. Passagertrafik i SAS steg i marts. *Børsen*, 10 April. Virksomheder, P. 6
- Ritzau Finans (c), 2017. SAS-salg kaster lys over værdier. *Børsen*, 29 March. Markeder Indland, P. 22

Thielst, G. H., 2017. Råvareanalytiker: Derfor vil jeg som investor holde mig væk fra SAS. *Børsen*, 18 April. Penge, Pp. 8-9

10.3 ARTICLES (WEB)

Berlingske Business, 2010. Lufthansa skal lokkes til SAS-køb. *Berlingske Business*, [Online], 10 June. Available at: <http://www.business.dk/transport/lufthansa-skal-lokkes-til-sas-koeb> [Accessed 20 March 2017]

CNN, 2017. Airline pricing secrets: How carriers come up with fares. *CNN*, [Online], 19 March. Available at: <http://edition.cnn.com/2016/09/16/aviation/airline-pricing-secrets/> [Accessed 9 May 2017]

Dagenborg, J., 2017. Norwegian Air seeks to fly Siberian corridor in eastward push. *Reuters*, [Online], 8 February. Available at: <http://www.reuters.com/article/uk-norwegianair-russia-idUKKBN15O2JO> [Accessed 19 March 2017]

Dahl, R. M., 2017. SAS/Q1: Varsler besparelser efter mere end fordoblet underskud I Q1. *Euroinvest*, [Online], 8 March. Available at <https://www.euroinvestor.dk/nyheder/2017/03/08/sas-q1-varsler-besparelser-efter-mere-end-fordoblet-underskud-i-q1/13548774> [Accessed 9 March 2017]

Dixon, P., 2017. Future of Aviation Industry – Radical Change. *Media*, [Online], 16 February. Available at: <http://www.globalchange.com/future-of-aviation-industry-radical-change.htm> [Accessed 16 February, 2017]

Fagbladet 3F, 2015. SAS dropper salg af handlingselskab. *Fagbladet 3F*, [Online], 18 June. Available at: <https://www.fagbladet3f.dk/nyheder/e44d4908292840aab9f1f80cdcc07b1d-20150618-sas-dropper-salg-af-handlingselskab> [Accessed 21 March 2017]

Flensburg, T. 2015. Tidslinje: SAS kriser. *Politiken*, [Online], 16 December. Available at: <http://politiken.dk/oekonomi/virksomheder/article5602974.ece> [Accessed 12 January 2017]

Gustafson, R. 2015, Like konkurransevilkår i moderne luftfart. *Luftfartstilsynet.no*, [Online], 29 January. Available at: http://www.luftfartstilsynet.no/incoming/Like_konkurransevilkår_i_moderne_luftfart_Gustafson.pdf

[f/BINARY/Like%20konkurrensevilkår%20i%20moderne%20luftfart_Gustafson.pdf](#) [Accessed 26 October 2016]

Hofmann, K., 2015. Interview – Jaan Albrecht, Austrian Airlines CEO. ATW Air Transport World. [Online], Available at: <http://atwonline.com/interviews-video-print/interview-jaan-albrecht-austrian-airlines-ceo> [Accessed 20 March 2017]

Kristensen, C. L. 2016. Fakta: Seks spareplaner og 20.000 færre ansatte. *Politiken*, [Online], 3 March. Available at: <http://politiken.dk/oekonomi/ECE2570979/fakta-seks-spareplaner-og-20000-faerre-ansatte/> [Accessed 26 October, 2016]

Martin, H. 2016. A key step in the merger between American Airlines and US Airways is scheduled for Saturday. *Los Angeles Times*, [online], 30 September. Available at: <http://www.latimes.com/business/la-fi-travel-briefcase-merger-20161001-snap-story.html> [Accessed 10 January 2017]

Nielsen, M., 2017. Norwegian træt af omvej forbi Rusland: Afskaf den, så åbner vi 10 nye ruter. *TV2 Nyhederne*, [Online] 24 April. Available at: <http://nyheder.tv2.dk/business/2017-04-24-norwegian-traet-af-omvej-forbi-rusland-afskaf-den-saa-aabner-vi-10-nye-ruter> [Accessed 25 April 2017]

Notaras, M. 2010. Oil Price Rises as Airline Fails. *Our World, United Nations University*, [Online], 25 January. Available at: <https://ourworld.unu.edu/en/oil-price-rises-as-airline-fails> [Accessed 6 March 2017]

Osborne, A., 2001. Swissair files for bankruptcy. *The Telegraph*, [Online], 2 October. Available at: <http://www.telegraph.co.uk/finance/2735944/Swissair-files-for-bankruptcy.html> [Accessed 20 March 2017]

Pierce, B. 2013. Profitability and the Air Transport Value Chain. *IATA Economics Briefing No 10*, [Online], June. Available at: <http://www.iata.org/whatwedo/Documents/economics/profitability-and-the-air-transport-value%20chain.pdf> [Accessed 27 October, 2016]

Rangan, C., 2012. Why SAS will go bankrupt (Most probably). *Engage Innovate WordPress*, [Online], 11 November. Available at: <https://engageinnovate.wordpress.com/2012/11/11/why-sas-will-go-bankrupt-most-probably/> [Accessed 10 December 2016]

Redaktionen, 2017. SAS klager og kræver milliarder fra Københavns Lufthavn. *TV2 Nyhederne*, [Online], 20 February. Available at: <http://nyheder.tv2.dk/business/2017-02-20-sas-klager-og-kræver-milliarder-fra-koebenhavns-lufthavn> [Accessed 21 February 2017]

Ritzau. 2012. Her er SAS' historie gennem mere end 65 år. *TV2 Nyhederne* [Online], 18 November. Available at: <http://nyheder.tv2.dk/article.php/id-60321719%3Aher-er-sas-historie-gennem> [Accessed 12 January 2017]

Ritzau, 2015. SAS slipper for kartelbøde på en halv milliard kroner. *Politiken* [Online], 16 December. Available at: <http://politiken.dk/oekonomi/virksomheder/art5602952/SAS-slipper-for-kartelbøde-på-en-halv-milliard-kroner> [Accessed 31 March 2017]

Ritzau, 2016. Sverige og Norge sælger ud af SAS-aktier. *Berlingske*, [Online], 12 October. Available at: <http://www.business.dk/transport/sverige-og-norge-sælger-ud-af-sas-aktier> [Accessed 21 February 2017]

Ritzau (a). 2017. SAS sælger Cimber Air. *TV2 Nyhederne*, [Online], 24 January. Available at: <http://nyheder.tv2.dk/business/2017-01-24-sas-sælger-cimber-air> [Accessed 24 January 2017]

Ritzau (c). 2017. Norwegian flyver nu flere passagerer end SAS. *TV2 Nyhederne*, [Online], 7 February. Available at: <http://nyheder.tv2.dk/business/2017-02-07-norwegian-flyver-nu-flere-passagerer-end-sas> [Accessed 21 February 2017]

Ritzau (d), 2017. Københavns Lufthavne beskylder SAS for enorm regnefejl. *TV2 Nyhederne*, [Online], 27 February. Available at: <http://nyheder.tv2.dk/business/2017-02-27-kobenhavns-lufthavne-beskylder-sas-for-enorm-regnefejl> [Accessed 28 February 2017]

Ritzau (e), 2017. SAS idømt kartelbøde på 70 millioner euro. *DR Nyheder*, [Online], 17 March. Available at: <http://www.dr.dk/nyheder/penge/sas-idoemt-kartelboede-paa-70-millioner-euro> [Accessed 31 March 2017]

Ritzau (f), 2017. Norwegian får milliardunderskud I første kvartal. *TV2 Nyhederne*, [Online], 27 April. Available at: <http://nyheder.tv2.dk/business/2017-04-27-norwegian-far-milliardunderskud-i-forste-kvartal> [Accessed 27 April 2017]

Sherk, J., 2009. What Unions Do: How Labour Unions Affect Jobs and the Economy. *The Heritage*

Foundation, [Online], 21 May. Available at: <http://www.heritage.org/jobs-and-labor/report/what-unions-do-how-labor-unions-affect-jobs-and-the-economy> [Accessed 11 April 2017]

Thomsen, P. H., 2012. Lad ikke SAS gå konkurs, *Politiken* [Online], 13 November. Available at: <http://politiken.dk/debat/profiler/hummelgaard/art5417185/Lad-ikke-SAS-gå-konkurs> [Accessed 12 March 2017]

Upsido WordPress, 2009. Cimber Sterlings børsnotering er en katastrofe – kære investor MAYDAY MAYDAY. *Upsido WordPress*, [Online], 21 December. Available at: <https://upsido.wordpress.com/2009/12/21/cimber-sterlings-børsnotering-er-en-katastrofe-kære-investor-mayday-mayday/> [Accessed 20 March 2017]

10.4 BOOKS

Banfe, C. F., 1991. *Airline Management*. 1st edition. Englewood Cliffs: Prentice-Hall, Inc.

Bazargan, M., 2004. *Airline Operations and Scheduling*. 1st edition. Hampshire: Ashgate Publishing Limited

Bjørneild, R., 2011. *SAS – kunsten at sænke et flyselskab*. Translated edition. Translated by Rosenberg, A. Copenhagen: Lindhardt og Ringhof A/S

Cowie, J., 2010. *The Economics of Transport – A Theoretical and applied perspective*. 1st edition. Oxon: Routledge

Doganis, R., 2002. *Flying Off Course: The Economics of International Airlines*. 3rd edition [e-book] London: Routeledge. Available at: https://books.google.dk/books?id=eR5unZWjOEUC&pg=PR3&hl=da&source=gbs_selected_pages&cad=2#v=onepage&q&f=false

Doganis, R., 2010. *Flying Off Course: Airline Economics and Marketing*. 4th edition. London: Routeledge

Eaton, J., 2001. *Globalization and Human Resource Management in the Airline Industry*. 2nd edition. Hants: Ashgate Publishing Ltd

Fitzsimmons, J. A. & Fitzsimmons, M. J., 2011. *Service Management: Operations, Strategy, Information Technology*. 7th edition. Singapore: McGraw-Hill

Foss, N.J. & Saebi, T. 2015. Business Models and Business Model Innovation – Bringing Organization into the Discussion. **In:** Foss, N.J. & Saebi, T, eds. 2015. *Business Model Innovation – the organizational dimension*. Oxford: Oxford University Press. C Pp. 1-23

Grubbs, L., 2005. *Lessons in Loyalty: How Southwest Airlines does it – An insider's view*. 1st edition. Dallas: CornerStone Leadership Institute

Heracleous, L., Wirtz, J., & Pangarkar, N., 2009. *Flying high in a competitive industry: Secrets of the world's leading airline*. Revised edition. Singapore: McGraw-Hill Education

Heshmati, A. & Kim, J., 2016. *Efficiency and Competitiveness of International Airlines*. 1st edition. Singapore: Springer Science+Business Media Singapore

Horn, P. & Willumsen, J. W., 2006. *SAS – når tiden er vigtigst*. 1st edition. Copenhagen: Børsens Forlag

Hooley, G., Percy, N. F., & Nicoulaud, B., 2012. *Marketing Strategy & Competitive positioning*. 5th edition. Essex: Pearson Education Limited

Johnson, M. W. (2010). *Seizing the White Space: Business Model Innovation for Growth and Renewal*. 1st edition. Boston: Harvard Business Press.

Johnson, P. & Clark, M., eds., 2006. *Mapping the Terrain: An Overview of Business and Management Research Methodologies*. 5th edition. Essex: Pearson Education Limited

Kaplan, P. D., 2012. *Frontiers of Modern Asset Allocation*. 1st edition1 [e-book] Hoboken: John Wiley & Sons, Inc. Available at: <http://ebookcentral.proquest.com.esc-web.lib.cbs.dk/lib/kbhnhh-ebooks/reader.action?docID=817453> [Accessed 20 February 2017]

Massa, L. & Tucci, C. L. 2013. Business Model Innovation **In:** Dogson, M., Gann, D. M. & Phillips, N., eds. 2014. *The Oxford Handbook of Innovation Management*. Oxford: Oxford University Press. Chapter 2

Mintzberg, H., 1998. *Strategy Safari – A Guided Tour through the Wilds of Strategic Management*. 1st edition. New York: The Free Press

Norton, C. L. & Porter, G. A., 2013. *Introduction to Financial Accounting*. International edition. China: Cengage Learning Inc.

Offutt, B., 2013. *Travel Innovation & Technology Trends: 2013 and Beyond*. 1st edition. [e-book] PhoCusWright Inc.: New York. Available at: <http://www.phocuswright.com/Travel-Research/Consumer-Trends/Travel-Innovation-and-Technology-Trends-2013-and-Beyond> [Accessed 18 February 2015]

Osterwalder, A. & Pigneur, Y., 2010. *Business Model Generation*. 1st edition. [e-book] Hoboken: John Wiley & Sons, Inc. Available at: <http://lib.myilibrary.com.esc-web.lib.cbs.dk/Open.aspx?id=275629> [Accessed 20 February 2017]

Pedersen, T. & Sornn-Friese, H. 2015. A Business Model Innovation by an Incumbent Late Mover – Containerization in Maersk Line. **In:** Foss, N.J. & Saebi, T, eds. 2015. *Business Model Innovation – the organizational dimension*. Oxford: Oxford University Press. Pp. 145-168

Porter, M. E., 1985. *Competitive advantage: Creating and sustaining superior performance*. 1st edition. New York: The Free Press

Robinson, P., Lück, M. & Smith, S. L. J., 2013. *Tourism*. International edition. Oxfordshire: CABI

Slack et al., 2015. *Operations and Process Management*. 4th edition. Edinburg: Pearson Education Limited

Stieglitz, N. & Foss, N. J. 2015. Business Model Innovation – The Role of Leadership. **In:** Foss, N.J. & Saebi, T, eds. 2015. *Business Model Innovation – the organizational dimension*. Oxford: Oxford University Press. Pp. 104-122

Veal A. J. 2011. *Research methods for leisure and tourism: a practical guide*. 4th edition. Essex: Pearson Education Limited

Saunders, M., Lewis, P. & Thornhill, A, 2007. *Research Methods for Business Students*. 5th edition. [e-book] Essex: Pearson Education Limited. Available through: Dawsonera <https://www->

dawsonera-com.esc-web.lib.cbs.dk:8443/readonline/9781408212653 [Accessed 18 February 2017]

Wernerfelt, B., 2016. *Adaptation, specialization, and the theory of the firm: Foundations of the resource-based view*. 1st edition. Cambridge: Cambridge University Press

10.5 COURSE MATERIAL AND LECTURE NOTES

Fosgaard, M. R., 2014. External analysis. *BSEMO1370U Strategic Management in a Service Perspective*. Copenhagen Business School. Available at:

[Accessed 7 February, 2014]

10.6 E-MAILS

Anna, N., 2017. *Master Thesis*. [E-mail] Message to S. Christiansen

. Sent Friday 17 March 2017: 11:20. Available:

[Accessed 17 March 2017]

10.7 INTERVIEWS

Alexandra, H., 2017. Interview with Alexandra Hove. Interviewed by Simon Christiansen.

[Interview], Copenhagen, 1 February, 10:00

Björn, T., 2017. Interview with Björn Tibell. Interviewed by Simon Christiansen. [Telephone interview], Copenhagen, 12 April, 10:00

Jacob, P., 2017. Interview with Jacob Pedersen. Interviewed by Simon Christiansen. [Telephone interview], Copenhagen, 16 March, 16:10

10.8 TELEPHONE

Head of Global Operations, 2017. *Trying to get in contact with SAS*. SAS [telephone call]. Call to: Head of Global Operations at SAS [27 November 2016]. Personal communication

Head of Innovation, 2017. *Trying to get in contact with SAS*. SAS [telephone call]. Call to: SAS Head of Innovation at SAS: [27 November 2016]. Personal communication

SAS Switchboard, 2017. *Trying to get in contact with SAS*. SAS [telephone call]. Call to: SAS Switchboard [REDACTED] [26 November 2016]. Personal communication

10.9 WEBSITES

Airberlin, 2017. *Strategic partnership with Etihad Airways*. [Online], Available at: <http://ir.airberlin.com/en/ir/Equity-Story/Strategic-partnership-with-Etihad-Airways> [Accessed 20 March 2017]

Air miles calculator. 2017. *Distance from Copenhagen Kastrup Airport (CPH) to Stockholm-Arlanda Airport (ARN)*. [Online], Available at: <http://www.airmilescalculator.com/distance/cph-to-arn/> [Accessed 21 March 2017]

Anna.Aero, 2017. *Oslo Airport (OSL/ENGM)*. [Online], Available at: <http://www.therouteshop.com/profiles/oslo-airport/> [Accessed 16 March 2017]

Association of Business Recovery Professionals, 2008. *Understanding Insolvency*. [Online], Available at: https://www.r3.org.uk/media/documents/publications/public/Understanding_insolvency_-_October_2008.pdf [Accessed May 9 2017]

ATP, 2017. *LG*. [Online], Available at: <https://www.atp.dk/atp-som-administrator/pension-og-sikring/lg> [Accessed 20 March, 2017]

Boeing, 2017. *Investors*. [Online], Available at: <http://investors.boeing.com/investors/overview/default.aspx> [Accessed 8 May 2017]

CAPA centre for aviation, 2012. *Traffic and capacity*. [Online], Available at: <https://centreforaviation.com/profiles/hot-issues/traffic-and-capacity> [Accessed 14 March 2017]

Cision, 2017. *Hovedtræk i 4Excellence Next Generation*. [Online], Available at <http://feed.ne.cision.com/wpyfs/00/00/00/00/00/1C/42/78/wkr0010.pdf> [Accessed 21 February 2017]

Copenhagen Airport, 2017. *Top 15 unserved intercontinental routes*. [Online], Available at: <https://www.cph.dk/en/cph-business/aviation/route-development/route-network/intercontinental->

[routes/](#) [Accessed 16 March 2017]

Danmarks Domstole, 2017. *Konkurs*. [Online], Available at:

<http://www.domstol.dk/saadangoerdu/erhverv/konkurs/Pages/default.aspx> [Accessed 20 March 2017]

European Commission, 2017. *Mobility and Transport*. [Online], Available at:

http://ec.europa.eu/transport/modes/air/airports/slots_en [Accessed 7 March 2017]

FindLaw, 2017. Chapter 11 Bankruptcy. [Online], Available at:

<http://bankruptcy.findlaw.com/chapter-13/chapter-11-bankruptcy.html> [Accessed 9 May 2017]

FSR – Danske Revisorer, 2017. *Ny regnskabsstandard om leasing er udsendt*. [Online], Available at

http://www.fsr.dk/Faglige_informationer/Regnskaber/Standarder%20og%20vejledninger/Standarder_faglig%20viden/Ny%20regnskabsstandard%20om%20leasing%20er%20udsendt [Accessed 8 March 2017]

Gambrell & Associates, 2017. *Difference between Chapters 7, 11, 12, and 13*. [Online], Available at: <http://www.ms-bankruptcy.com/bankruptcy-info/differences> [Accessed 10 May 2017]

IAG, 2017. *About us*. [Online], Available at:

<http://www.iairgroup.com/phoenix.zhtml?c=240949&p=aboutoverview> [Accessed 27 April 2017]

IATA, 2012. *2012 Annual Review*. [Online], Available at:

<http://www.iata.org/about/Documents/annual-review-2012.pdf> [Accessed 27 October 2016]

IATA, 2013. *Profitability and the air transport value chain*. [Online], Available at:

<http://www.iata.org/whatwedo/Documents/economics/profitability-and-the-air-transport-value%20chain.pdf> [Accessed 27 October 2016]

IATA, 2015. *Premium Traffic Monitor November 2015*. [Online], Available at:

<http://www.iata.org/whatwedo/Documents/economics/premium-monitor-nov15.pdf> [Accessed 6 March 2017]

IATA, 2016. Summary of passenger and freight traffic. [Online], Available at:

http://www.iata.org/docx/WATS_2016-infographic.pdf [Accessed 27 October 2016]

IATA (a), 2017. *Jet Fuel Price Development*. [Online], Available at:

<http://www.iata.org/publications/economics/fuel-monitor/Pages/price-development.aspx> [Accessed 6 March 2017]

IATA (b), 2017. *IATA Forecasts Passenger Demand to Double Over 20 Years*. [Online], Available at: <http://www.iata.org/pressroom/pr/Pages/2016-10-18-02.aspx> [Accessed 6 March 2017]

Investopedia, 2017. *Herfindahl-Hirschman Index (HHI)*. [Online], Available at:

<http://www.investopedia.com/terms/h/hhi.asp> [Accessed 5 April 2017]

Körling, N. & Winge, M., 2012. Restructuring and insolvency in Sweden: overview. [Online],

Available at: [https://uk.practicallaw.thomsonreuters.com/3-501-](https://uk.practicallaw.thomsonreuters.com/3-501-9187?_lrTS=20170509093706730&transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

[9187?_lrTS=20170509093706730&transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/3-501-9187?_lrTS=20170509093706730&transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1) [Accessed 9 May 2017]

Lufthansa, 2017. *Rail&Fly in Kooperation mit Lufthansa Express*. [Online], Available at:

<http://www.lufthansa.com/de/de/Lufthansa-Express-Rail-Fly> [Accessed 21 March 2017]

Lufthansa Group, 2017. *Lufthansa Group*. [online], Available at:

<https://www.lufthansagroup.com/en/company.html> [Accessed 10 January 2017]

Miles& More, 2017. *Miles & More*. [Online], Available at: [https://www.miles-and-](https://www.miles-and-more.com/online/portal/mam/de/homepage?l=en)

[more.com/online/portal/mam/de/homepage?l=en](https://www.miles-and-more.com/online/portal/mam/de/homepage?l=en) [Accessed 20 March 2017]

Nordic Co-operation, 2017. *Gross domestic product (GDP)*. [Online], Available at:

<http://www.norden.org/en/nordic-council-of-ministers/ministers-for-co-operation-mr-sam/sustainable-development/indicators-for-sustainable-development-1/the-nordic-welfare-model/gross-domestic-product-gdp> [Accessed 6 March 2017]

Norges Bank, 2017. *Valutakurs for Svenske Kroner (SEK)*. [Online], Available at

<http://www.norges-bank.no/Statistikk/Valutakurser/valuta/SEK/> [Accessed 23 February 2017]

Norwegian, 2017. *Our ticket types*. [Online], Available at

<https://www.norwegian.com/uk/booking/booking-information/ticket-types/> [Accessed 23 February 2017]

2017]

Norwegian Air Shuttle ASA (a), 2017. *Annual reports: 2002-2015*. [Online], Available at: <https://www.norwegian.com/dk/om-os/company/investor-relations/reports-and-presentations/annual-reports/> [Accessed 15 February 2017]

Norwegian Air Shuttle ASA (b), 2017. Monthly traffic figures. [Online], Available at: <https://www.norwegian.com/dk/om-os/company/investor-relations/reports-and-presentations/monthly-traffic-figures/> [Accessed April 18 2017]

SAS (a), 2017. New cabin on intercontinental routes. [Online], Available at: <https://www.flysas.com/en/travel-info/onboard/intercontinental-flights/new-cabin/> [Accessed 31 March 2017]

SAS (b), 2017. *Vores rejseklasser, der passer dig*. [Online], Available at <https://www.sas.dk/flyv-med-os/rejseklasser/> [Accessed 23 February 2017]

SAS (c), 2017. *Oplev verden med SAS*. [Online], Available at: <https://www.sas.dk/rejsemaal/> [Accessed 15 March 2017]

SAS (d), 2017. *Flyv med os – Bliv fortrolig med vores fly*. [Online], Available at: <https://www.sas.dk/flyv-med-os/vores-fly/> [Accessed 16 March 2017]

SAS (e), 2017. *SAS Business*. [Online], Available at: <https://www.flysas.com/en/travel-info/onboard/intercontinental-flights/sas-business/> [Accessed 21 March 2017]

SAS Group, 2007. *SAS Group sells SAS Flight Academy to STAR Capital Partners*. [Online], Available at: <http://www.sasgroup.net/en/sas-group-sells-sas-flight-academy-to-star-capital-partners/> [Accessed 21 March 2017]

SAS Group, 2010. *Press releases: Rickard Gustafson new President and CEO of SAS*. [Online], Available at: <http://www.sasgroup.net/en/rickard-gustafson-new-president-and-ceo-of-sas-3/> [Accessed 10 January 2017]

SAS Group, 2015. *SAS expands with new direct routes to USA*. [Online], Available at: <http://www.sasgroup.net/en/sas-expands-with-new-direct-routes-to-usa-2/> [Accessed 15 march 2017]

SAS Group (a), 2017. *Annual Reports: 1992-2016*. [Online], Available at <http://www.sasgroup.net/en/category/investor-relations/financial-reports/annual-reports/> [Accessed 9 February 2017]

SAS Group (b), 2017. Legal structure. [Online], Available at: <http://www.sasgroup.net/en/legal-structure/> [Accessed 7 April 2017]

SAS Group (c), 2017. *Press releases*. [Online], Available at <http://www.sasgroup.net/en/category/newsroom/press-releases/> [Accessed 18 January 2017]

SAS Group (d), 2017. *SAS Interim Report November 2016 – January 2017*. [Online], Available at: <http://www.sasgroup.net/en/sas-interim-report-november-2016-january-2017/> [Accessed 9 March 2017]

Skytrax, 2016. *The World's Top 100 Airlines*. [Online], Available at: http://www.worldairlineawards.com/awards/world_airline_rating.html [Accessed 16 March 2017]

Star Alliance, 2017. *Home*. [Online], Available at: <http://www.staralliance.com/en/home> [Accessed 7 March 2017]

Sveriges Riksbank, 2017. *Search interest & exchange rates*. [Online], Available at: <http://www.riksbank.se/en/Interest-and-exchange-rates/search-interest-rates-exchange-rates/?g130-SEKUSDPMI=on&from=1997-01-01&to=2017-03-14&f=Year&cAverage=Average&s=Comma#search> [Accessed 14 March 2017]

The Geography of Transport Systems, 2015. *Trends in Fuel Efficiency, Selected Passenger Jet Planes*. [Online], Available at: <https://people.hofstra.edu/geotrans/eng/ch3en/conc3en/aircraftenergyefficiency.html> [Accessed 6 March 2016]

Trading Economics, 2017. *Crude oil*. [Online], Available at <http://www.tradingeconomics.com/commodity/crude-oil> [Accessed 6 March 2017]

United States Governments, 2017. *Chapter 11 – Bankruptcy Basics*. [Online], Available at: <http://www.uscourts.gov/services-forms/bankruptcy/bankruptcy-basics/chapter-11-bankruptcy-basics> [Accessed May 9 2017]

Virtual Norwegian, 2017. *Route map*. [Online], Available at: <https://www.virtualnorwegian.net/destinations/> [Accessed 16 March 2017]

11.0 APPENDICES

APPENDIX 1 SAS' TIMELINE

Year	Event
1918	Det Danske Luftfartsselskab A/S (DDL), SAS' Danish parent company of SAS is established
1924	AB Aerotransport (ABA), SAS' Swedish parent company is established
1927	Det Norske Luftfartsselskap A/S (DNL), SAS' Norwegian parent company is established
1946	DDL, DNL, and ABA establishes SAS. The first intercontinental route is opened
1951	DDL, DNL, and ABA merges and becomes SAS
1954	SAS is the World's first airline to fly over the North pole
1957	SAS is the first airline to offer "served globally" over the North pole
1959	The first jet plane is delivered
1960	SAS opens its first hotel, SAS Royal Hotel Copenhagen SAS is one of the establishers of Grøndlandsfly (later Air Greenland)
1965	SAS is the first one to introduce an electronic reservation system
1981	SAS EuroClass is introduced on the European routes
1982	SAS is for the first time the most punctual airline in Europe
1984	SAS is rewarded "Airline of the Year" for 1983 by Air Transport World's
1986	Spanair is founded
1989	The European Quality Alliance (EQA) is founded by SAS, Finnair, Swissair, and Austrian Airlines (trying to become one airline)
1990	Disagreements in EQA leads to its termination The Alcazar negotiations start (uniting SAS, Swissair, KLM, and Austrian Airlines)
1993	The Alcazar project is terminated SAS reports major losses Focus operations – SAS Service Partner, SAS Leisure Group, and Diners Club Nordic are sold
1994	Parts of Cimber Air, Widerøe, Air Botnia (later Blue 1) are acquired
1996	SAS celebrates its 50 th jubilee – the name of SAS
1997	SAS is one of the founding five of Star Alliance (SAS, Lufthansa, Swissair, Thai Airways, and Air Canada)
1998	Air Botnia is fully owned by SAS SAS buys another 26% of the shares in Cimber Air
1999	The SAS becomes majority shareholder in Widerøe
2001	A united SAS stock is introduced, and The SAS Group is listed on the stock exchange in Stockholm A SEK 575 million cost-cutting plan is introduced
2002	The SEK 12.7 billion cost-cutting program "Rosa" is introduced
2003	SAS buys 49% of the stock in Estonian Air SAS sells most of its shares in Cimber Air
2004	ABA is replaced by Scandinavian Airlines Sweden, DNL is replaced by Scandinavian Airlines Norway, and DDL is replaced by Scandinavian Airlines Denmark

	SAS introduces a three-class cabin system (under great resistance from its Star Alliance partners)
2005	SAS' big SEK 14.2 billion cost cutting program "Turnaround 2005" is finalized
2007	The SEK 2.8 billion cost-cutting program "Strategy 2011" is introduced
2008	The SEK 4 billion cost-cutting program "Core SAS" is introduced SAS desires to sell its share in Air Greenland, but there are no buyers Lufthansa and SAS negotiates on Lufthansa acquiring SAS. Negotiations are terminated
2009	Spanair is sold
2010	SAS sells its share in many airlines, here amongst Estonian Air
2011	The SEK 5 billion cost-cutting program "4Excellence" is introduced
2012	The SEK 2.6 billion cost-cutting program "4Excellence Next Generation" is introduced Blue 1 is incorporated into SAS' own operations
2013	SAS negotiates with Lufthansa, Continental, Air Canada, etc. regarding entrance into the Atlantic++ joint-venture. These negotiations are however not successful 80 % of the stocks in Widerøe are sold
2014	A SEK 2.1 billion cost-cutting program is introduced SAS acquires Cimber
2015	SAS establishes Red1, a subsidiary with less employee benefits Blue 1 is sold to Cityjet. SAS leases planes from Cityjet SAS wants to sell Cimber. The plan is to lease the planes instead of owing them SAS presents an annual statement with earnings of nearly SEK 1 billion before taxes
2016	SAS, once again, wants to sell its shares in Air Greenland SAS is looking for different options to handle todays/future competition
2017	SAS sells Cimber Air to Cityjet. The 11 Cimber owned CJR-900 is sold to Falko Regional Aircraft Limited SAS opens crew bases in England and Spain flying under Irish flag SAS presents a worse than expected interim report for Q1 2017 SAS will introduce a new strategy/cost cutting programme

Sources: Björneild (2011), Flensburg (2015), Horn & Willumsen (2006), Kristiansen (2016), Korsgaard (2017), Ritzau (a) (2017) & SAS Group (c) (2017)

APPENDIX 2 E-MAIL CORRESPONDANCE WITH BJÖRN TIBELL

Låt oss säga kl 10.00 om det passar dig?

Mvh

Björn

Mobile: [REDACTED]

Email: [REDACTED]

-----Original Message-----

From: Simon Christiansen [mailto: [REDACTED]]

Sent: den 12 april 2017 09:39

To: Tibell, Björn (STOUX)

Subject: Re: Master Thesis

Hej Björn,

Hvad tid passer dig bedst imorgen formiddag så?

Venlig hilsen

Simon

2017-04-12 9:01 GMT+02:00 < [REDACTED]>

> Vi kan ta ett samtal per telefon tänkte jag.

> Mvh

> Björn

> Mobile: [REDACTED]

> Email: [REDACTED]

> -----Original Message-----

> From: Simon Christiansen [mailto: [REDACTED]]

> Sent: den 11 april 2017 16:26

> To: Tibell, Björn (STOUX)

> Subject: Re: Master Thesis

> Hej Björn,

> Hvor lyder det fantastisk! Tænker du da in-person, eller?

> Kind regards

> Simon

>> Den 11. apr. 2017 kl. 13.09 skrev <[REDACTED]> <[REDACTED]>

>> Hej Simon,

>> Jag skulle kunna talas vid på torsdag förmiddag om det skulle passa dig exempelvis?

>> Mvh

>> Björn

>> Mobile: [REDACTED]

>> Email: [REDACTED]

>> -----Original Message-----

>> From: Simon Christiansen [mailto:[REDACTED]]

>> Sent: den 7 april 2017 11:33

>> To: Tibell, Björn (STOUX)

>> Subject: Re: Master Thesis

>> Hej Björn,

>> Jeg er ked af at jeg er lidt pushy, men jeg vil super gerne snakke med jer.

>> Jeg har en deadline på specialet der hedder 15. maj, så jeg vil meget gerne snakke med jer inden for 14 dage-3uger - hvis det er muligt.


>> Hvis ikke du har tid, så evt med en af de andre i din afdeling?

>> Og det er stadig ikke noget problem for mig at tage til Stockholm.

>> Jeg håber på, at høre fra dig snart.

>> Venlig hilsen

>> Simon Christiansen

>> 2017-03-30 8:53 GMT+02:00 Simon Christiansen <


>>> Hej Björn,

>>> Tak for det - jeg ser om jeg kan bruge det.

>>> Og jeg vil endnu en gang lige høre, om du har tid og mulighed for et interview?

>>> Venligst

>>> Simon

>>> 2017-03-26 12:22 GMT+02:00 <

>>>> Hej,

>>>> Bifogar en analys från Morgan Stanley där du kan hämta lite data som kanske kan vara relevant. Sida 34 anknyter till yelden på olika geografiska sträckor exempelvis.

>>>> Mvh

>>>> Björn

>>>> Mobile: [REDACTED]

>>>> Email: [REDACTED]

>>>> -----Original Message-----

>>>> From: Simon Christiansen [mailto:[REDACTED]]

>>>> Sent: den 23 mars 2017 13:18

>>>> To: Tibell, Björn (STOUX)

>>>> Subject: Re: Master Thesis

>>>> Hej Björn,

>>>> Jeg skriver et afsnit i min Master Thesis vedrørende de interkontinentale ruter. I den forbindelse vil jeg sammenligne RASK og CASK samt andelen af rejsende på de interkontinentale ruter med RASK, CASK og total amount of passengers for hele SAS.

>>>> Dette vil jeg så bruge til at argumentere for eller "imod" en ekspandering af interkontinentale ruter, samt sammenligne margins med hele SAS.

>>>> Som sagt tidligere, hvis der er mulighed for at få adgang til de tal alligvel, så vil min Master Thesis naturligvis være konfidentiel. Så er det kun: censor, vejleder og jeg der ser de tal, og vi må jo naturligvis ikke snakke om dem.

>>>> Yderligere, hvis du har tid og mulighed for det, ønsker jeg gerne et interview med dig vedrørende SAS' legacy og SAS' fremtid.

>>>> Jeg ser frem til at høre mere fra dig.

>>>> Med venlig hilsen

>>>> Simon

>>>> 2017-03-23 12:15 GMT+01:00 <[REDACTED]>

>>>> Hej Simon,

>>>> Jag råkar vara på ferie vilket är skälet att det tar tid för mig att svara.

>>>> Förstår jag det rätt att du önskar data på SAS interkonts ASK, RPK och antal passagerare?
Det är som du misstänker konfidentiella siffror. Vad önskar du använda de till?

>>>> Mvh

>>>> Björn

>>>> Mobile: [REDACTED]

>>>> Email: [REDACTED]

>>>> -----Original Message-----

>>>> From: Simon Christiansen [mailto:[REDACTED]]

>>>> Sent: den 22 mars 2017 10:19

>>>> To: Tibell, Björn (STOUX)

>>>> Subject: Master Thesis

>>>> Hej Björn,

>>>> Jeg ikke hvor meget dansk du forstår, så jeg skriver på engelsk.

>>>> My name is Simon Christiansen, and I'm currently doing my Master Thesis. I'm studying
Management of Innovation and Business Development, and I'm writing about the restructuring and
future of SAS.

>>>> I wrote you an e-mail last Friday. I still have the same question, plus another one.

>>>>> I have had some trouble getting ahold of someone at SAS. So, I asked Jacob Pedersen (Aktieanalysechef at Sydbank), when I had an interview with him yesterday, if he knew anyone at SAS. He mentioned you, and said that I could find your email on sasgroup.net.

>>>>> What I'm asking for is an interview. In person interview is preferred, as I think that's the kind of interview that can be most beneficial. I assume that you're working in Stockholm - coming to Stockholm is not an issue.

>>>>> I will naturally send you the interview questions, if you're able to help me.

>>>>> I have been writing with one of your colleagues: Anna Nielsen, who was in charge of Media Relations in Denmark, while Mariam Skovfoged was on holiday. But I was told, that I had to contact you for this request.

>>>>> The request that I have, is if I can get access to the numbers for the Intercontinental routes. As you can see on the attached files: I have some, but the numbers are not sufficient enough to clearly evaluate and base anything on.

>>>>> I know that there is a chance that the numbers may be confidential- and I will make my Master Thesis confidential, if I can get the numbers anyway!

>>>>> I look very much forward to hear from you.

>>>>> Best regards

>>>>> Simon

>>>>> This e-mail (including any attached documents) is proprietary and confidential and may contain legally privileged information. It is intended for the named recipient(s) only. If you are not the intended recipient, you may not review, retain, copy or distribute this message, and we kindly ask you to notify the sender by reply e-mail immediately and delete this message from your system. Thank you.

>>>>> E-mail is susceptible to unauthorised alterations which may corrupt the message of the e-mail. SAS Group only sends and receives e-mails on the basis that SAS Group is not liable for any unauthorised alterations. This e-mail (including any attached documents) is proprietary and

confidential and may contain legally privileged information. It is intended for the named recipient(s) only. If you are not the intended recipient, you may not review, retain, copy or distribute this message, and we kindly ask you to notify the sender by reply e-mail immediately and delete this message from your system. Thank you.

APPENDIX 3 INTERVIEW WITH BJÖRN TIBELL (INTERVIEW GUIDE)

Why is it so difficult to make a profit in the airline industry today?

Any cost-cutting plan = more layoffs? Or does SAS have any other options?

Why is the difference in SAS' and Norwegian's operational and financial performance so big?

Core competencies? How can SAS utilize it more optimal? Can SAS differentiate itself in any other way?

Is the process of change too long at SAS?

Both Alexandra Hove (Singapore Airlines) and Jacob Pedersen (chief of stock analysis at Sydbank) argue that the unions have too much power. Is there any way that this can be changed?

Are there advantages and disadvantages of SAS being 42,7% owned by three different nations?

- Are there too much politics in the decisions made?
- And if, how can this be changed?

How do you see SAS' options for the future in order to become more compatible? Is it enough to be the biggest airline in Scandinavia?

- On its own?
- M/A?
- Expanding the intercontinental route map?
 - o Is the segment big enough for that? Jacob Pedersen argues that it has traditionally not been
 - o Use the advantage and fly over Russia to North Asia?
 - o More joint-ventures?

- Private company?
- A fresh start, e.g. like Austrian Airlines?
- Any other option?

Anything else?

APPENDIX 4 INTERVIEW WITH BJÖRN TIBELL

Interview with Björn Tibell, Head of Investor Relations at SAS. April 13th 2017

Interviewer: Simon Christiansen (S)

Björn Tibell (B)

B: Shall we proceed?

S: Yes please.

B: In terms of the difficulties of making money in this industry – I mean there are many reasons. But one, in terms of airlines having issues, is partially because we are the last part value chain and we have suppliers such as airports – such as Copenhagen Airport, that are charging a lot of money for us to use their facilities. Secondly, being the last part in the travel chain we will combined with the very transparent prices that we have. I'm unaware of any industry – well I guess maybe retail electricity can have such transparency, but you don't many industries with such transparent price setting systems where you basically receive a very simply overview where you have different choices on your computer. You can easily just go from one to the other –the difference is just a click away basically. That means that the competition is extremely intense and the pricing systems are there. So, the transparency of prices and how easy it is to go from one airline to another is very difficult to find in other industries. I think that these are the main reasons to why airlines have issues making money, or creating value.

S: Yes. Because I talked to Jacob Pedersen, who is the chief of stock analysis at Sydbank, who is focusing on SAS. Airports, and basically also aircraft makers such as Boeing and Airbus, are mainly operating a duopoly, so they also increase the prices to a very high level, meaning that all the way from the beginning it is hard to make money in the industry.

B: Yes, they make money. Well, providers or suppliers they form the airline transportation basically. They more or less all make money.

S: Yes.

B: But you also have much more. I think that you being able to compare prices. You can compare prices easily in other industries too, but the decision and how easy it is to go from one click to book a ticket with Ryanair instead of for example SAS, British Airways, or SAS, is so easy – you just have to do it on your screen, and the prices are next to each other. Obviously going from Copenhagen to London, the underlying product is the same, it is just the service on-board and obviously, the ground handling is different, but the transparency there and how easy it is to change between an airline is actually key.

S: But Between Copenhagen and London there are various providers operating offering very different kinds of services depending on what you want to go for.

B: Yes, but the underlying product coming from Copenhagen is still the same. When you then see that it costs 50Kkr more to go with SAS then you obviously will need to know that SAS is better. Somehow SAS also has to be better. In terms of Ryanair, they fly to different airports in London, but if you happen to live closer to Stansted, then Ryanair will be better to go with. But if you compare us and British Airways, I guess then we really go to exactly the same airports and it will simply be price. Price will be very, very important to you when you make your choice.

S: Definitely. Also, the fact that you are both legacy carriers. This means that you, in some terms still offer the same services on-board the aircraft, and too in terms of ground handling. So yes, it is very difficult to choose between the two I guess.

B: And it is easy to change.

S: I read a book. And somewhere it said that loyalty programs were a way to keep customers loyal, but on the other hand one can argue that loyalty programs will only keep consumers loyal to a certain degree, because they will not be willing to stay with any airline for any price.

B: No, but I mean obviously how we work. We will be able to offer, in comparison with BA for example, we will from Copenhagen to simply offer a better product – a more attractive product, given that you will be travelling to other destinations than London. BA will be worse than us on

many of those destinations in terms of travel time. I mean if you would fly from Copenhagen to Frankfurt, then it does not make sense to go via London. We will be better than British Airways in such a situation. When you in Copenhagen sit, you choose to fly somewhere, then SAS will be the best airline in most cases. But every occasion though, and that is where we can work with EuroBonus, to make you more loyal. But in each occasion when you go to London or next time to Frankfurt, you will always have an option to go with someone else. But we then can obviously get some kind of premium, is that you will know that we have the best overall service flying with SAS. But as you say, the price always will be considered by the customer.

S: That is true. That leads me to one of my other questions: Is it enough to be the biggest or the best in Scandinavia, or do you also have to compete in like the rest of the world?

B: So that question that Jacob had indicated that something else there maybe. Well, Scandinavia is actually – I mean we are 22 million people or something like that – so from a population perspective we are not big, but when you look at Scandinavia and the amount of travelling taking place in Scandinavia, then we are much bigger in a relative wise. At least, the number of people in Scandinavia travel 4-5 times per person. If you go to central Europe, they fly about twice per year. The population is small, but people in Scandinavia fly a lot, and it is a lot driven by the geographical conditions. If you are in Norway, if you go from Oslo to Bergen, you cannot do anything but choose to fly if you make a day trip. Given that the mountains are so high, it takes 6-7 hours to go by car or by train, so your only option is flying. So therefore, the market size is relatively big in Scandinavia. The value of air travelling in Scandinavia is round 100 billion Kr. If you go down to central Europe, obviously, it would be bigger. So, I would agree with Jacob that, yes, a carrier like Lufthansa would have a bigger market to work out of, but the size of the Scandinavian market is not a disadvantage – it is bigger than you believe. Basically, you are linking your question to consolidation I think, and will SAS be able to stay alone in the future?

S: Yes.

B: What we have decided to do is obviously focusing on the Scandinavian market. We do not try to be for example Ryanair or Norwegian going everywhere basically. We have found a niche. We are a regional player. We can offer the best services form Scandinavia, and the regional market in Scandinavia. You know, 55% of our passengers they fly within Scandinavia. There will always be need for transportation within Scandinavia. Would it be better if we were part of a bigger group –

maybe yes? We would get economies of scale. Consolidation will probably happen continuously to preceding in Europe and the US. I mean, we have seen some consolidations already in Europe. The only thing that I can say, is that what is SAS is doing, is that we are working on the that we have focused on – being Scandinavia. We are trying to be as strong and efficient and competitive in that market as we can be, to be able to take actively part in any form of consolidation in the future from basically a strong position rather than a weak position. I think it is probably like that SAS will one day be part of a bigger group, or some kind of merge – or be acquired, I do not know.

S: That is kind of what I argue in my thesis as well. I argue that at some point it may be like that a merger or acquisition will happen, but it is not to happen within the near future.

B: It could happen tomorrow, too. If you look at the players out in Europe that are big: Lufthansa has lots of challenges itself, Air France/KLM have bigger challenges even, I think. The strongest group is IAG, so BA, Iberia, and Vueling, and now also Aer Lingus. Obviously, they have financial strengths. But whether they are interested in us is another question. But also, how strategically right is Scandinavia for them? They corporate a bit with Finnair. So yes, you may be right with your conclusion. But you also get surprised sometimes by developments that you cannot foresee.

S: But I did look at, because I got the idea about a merger or acquisition from two books that I read about SAS. There it was also stated that a merger and acquisition was previously tried out – you negotiated with Lufthansa, but those negotiations were terminated. Lufthansa has now acquired Swiss and Austrian and they are having troubles fully integrating them into the Lufthansa Group, which is why I argue that it is not to happen from Lufthansa within the next years.

B: No I mean Lufthansa is obviously perusing their Eurowing strategy with now basically creating their own LCC. They are big, the Lufthansa Group, but I mean on the other hand, from a valuation perspective, I guess that we would be around a tenth of their size. But they have lot of challenges around and within their own group. I guess that you have a point there. But it also depends on what happens with SAS, and how well we will be performing in the coming years.

S: Yes, I know. When they acquired Austrian they had basically switched all the employees of Austrian into Tyrolean and then back into Austrian operating on a more profitable basis, and Swiss just gone bankrupt starting a new company when they acquired them. That is also why I argue that

SAS should probably be more profitable before Lufthansa would consider it. There are some issues that SAS needs to figure out, before Lufthansa would seriously consider it.

B: It is very difficult for me to comment on that – it is Lufthansa. But obviously, Lufthansa acquired both Swissair and Austrian when it was basically fail in fail. My recollection of Austrian was that Austrian was too in very big difficulties – they were very weak, but that they had completed lots of efficiency measures internally, so there was an opportunity that they could see that they could improve their profitability. SAS has achieved a lot actually during the last ten years in terms of improving its efficiency, but we obviously still have more to do. But we are expensive. A tenth is maybe not so much, but we are a big organization to acquire, complex, operating in three countries, which would take a lot of attention.

S: That leads us to another question. The partial governmental ownership – the three governments owning 42.7%. Does that come with disadvantages and advantages? I would argue that something's would be very influence by the politics of the three nations.

B: I would say in relation to that, no. There is an expectation somehow, that the prime ministers in the three countries would have some kind of hotline to the CEO's office – and that is certainly not the case. The government owners, they actually behave, in terms of steering the company, like another other private shareholder. That means that they participate at the AGM, they are involved in obviously electing the board members, but that is as close at the hotline gets. So, in terms of how we would prioritize the business, how we would organize the business, manage our internal resources, whether we would close down maintenance in one country or not, that is completely outside the governments' control. Their control is only noticeable at the AGM, when they elect the board members. And also if we completed some right issue, like six seven years ago. They obviously decided to participate then. But it is up to the CEO, or basically the management of SAS. When we closed down the maintenance facility in Stavanger for example – I think we did that ten years ago – that caused a lot of stir in Norway, and how can SAS shut down such a maintenance facility. But we still did that, it was the management of SAS that did that – it had nothing to do with the governments. They owners want that we make more money – they have a return requirement that they want us to perform on, and we should optimize the business as well as we can.

S: So, you are saying that whenever SAS decided to move bases to other countries than Scandinavia, and during the hard processes in November 2012, the governments did not have a saying?

B: No. They were part of a private precordium that said that for SAS to renew to credit facility, that we needed to renew, they would guarantee that facility, the banks and the governments were one part. That group of capital providers, or guarantors, they required SAS to agree with the flying crew on new terms that were more efficient. They indirectly supported that, the governments obviously.

S: In terms of crews and their unions, they have historically been very tough to negotiate with, and they have historically gone on strikes if they did not get what they wanted. Richard Gustafson is arguably the first CEO who has now taken up the really tough battle not giving them what they want.

B: I think that even Lindegaard, and Jansson all managed the unions to concede a lot. I think that it has been a change in terms of strikes since more or less 2001 when SAS started to run into financial difficulties. We had a strike in 2007 I remember in Sweden – the cabin crews did strike.

S: Wasn't there one recently in Denmark – like five years ago or something?

B: We had one in 2014 – cabin crew – that was an illegal one, and they didn't perceive anything. We have not had many strikes in a way for a few years – they have ben strikes – I am not saying that we have not had strikes. But they have not been as often as maybe the perception is – that SAS is always affected by strikes. My point is that the owners, the control that they can have is at the AGMs. They want us to increase the return. We have performed very poorly for about – almost forever you can say – but it has been very difficult within the last 15 years. The owners want us to improve the profitability, and it is up to the management to optimize the operation the operation of SAS, and obviously, the profitability. In terms of unions, they are though still very strong, but I would say that they are very strong if you go to Lufthansa as well – they have had seven strike or so during the last two years.

S: Yes, they have had quite a lot of them.

B: Yes. So I would rather say that this is maybe something that I forgot to mention why this industry has issues making money. It is because groups, labour groups basically, within an airline

can make the airline stand still very, very quickly. It does not have to be the pilots or the cabin crew that go out on strike. The technicians can strike, the ground handling people can strike. Finnair was affected a couple of weeks ago from their ground handling – who was not even their own ground handling people striking – it was the airports ground handling people striking, and that caused Finnair to cancel a high number of flights within Europe. The labour groups can make operations stand still. And given that we are dependent on so many labour groups, that makes it very challenging when a labour group decides to for example stop working.

S: It is also one of the most labour intensive industries. Jacob said, that you have an extraordinary product for Scandinavia, the only difficulty is how you are going to make on it. He mentions something like Big Data – selling out your data that you have achieved from the EuroBonus programme, there are maybe companies that maybe interested in those? Is that legal? And have you ever considered that?

B: I do not know exactly what he means by that. What we can do, we have access to very interesting data, with obviously, very interesting individuals, that make EuroBonus and SAS a very attractive partner for other companies basically, retail companies. They can see that if they can offer, I mean the traditional things. Let us say COOP, the grocery shop, if they see value in offering their customers EuroBonus points if they go and buy at the supermarket. They believe that they will have more customers coming to their supermarket than their competitors through them offering SAS EuroBonus points if you go and buy at COOP supermarket. We are actually getting partner revenues you can say, that is a segment in our PNL that has a promising growth – where we see a significant potential. I guess that where Jacob is coming from on our extraordinary position in Scandinavia. We have obviously a very strong brand, and we have a very strong loyalty programme that we can capitalize on, and which I guess is what Jacob also means. We can capitalize on that through finding new cooperations with partners which would be good for both partners - or for both parties.

S: I know that you are already doing that, but have you thought of expanding that opportunity – well of course you have.

B: I will just give you one example. In March, we for example got four new stores in Sweden that are connected to EuroBonus program now. So, when you go and shop in those stores, then you will get the EuroBonus points. I do not know if that was just in the beginning, but we have significant

opportunities there, I think. I have worked out of Australia for eight years, and I have seen how Qantas, the national carrier, has expended their loyalty program with a high number of partners, and how you then can get frequent flyers points. And we are basically doing the same here in Scandinavia. I think that we may be a little bit behind than down there in Australia, but we are obviously still there. Certainly, the leading loyalty programme is Scandinavia in terms of how many partners we already have.

S: I have one final question for you – and it may be a bit provocative. Is the process of change at SAS takes too long, and has SAS' management been too slow at realizing how tough competition has been when looking at it historically?

B: I think that management has been – most of the time – very realistic about the competition and what we need to do. We have always known – the numbers are very easy to look up – that we have higher unit cost than our competitors. But I think that management has been very aware of the challenges that SAS has had – and still has. Have we been too slow? Yes, but when a ship turns around it takes some time to turn it into another direction. Yes, we have been too slow. But I think that we are certainly aware of what we need to do. The problem is tough to really implement all the changes and do all the things that are necessary. Given that we have a legacy, that we have steering around takes some time, and that is something that we worked on, since basically LCC really started to make progress from 2003 – maybe – 2001. I think that this would be my answer. We are too slow, but what we have achieved is also a lot. What I am trying to convey, is that it is a bit frustrating that we would like to do it faster, but you have also to be realistic. Changing in a company that is 70 years old takes time – it has to take some time.

S: What I also state in my report, is that changes have come over time, and Jacob stated that changes at SAS have come at the pace that it is possible, too. For instance, in 2012, negotiating with the unions, and now moving out bases to other nations. Changes are coming, but you cannot change it all at once.

B: No, unfortunately not. It would be so much better.

S: Yes, it really would. I think that this was it from my part.

B: So, I do not know how you are going to use this – obviously, you are going to use it for your thesis. I would be good, if you maybe check with me in relation to if there are any uncertainties – I

mean it is easy to misunderstand and sometimes also to convey the message correctly. So yes, if you have any question marks, just send me an e-mail or give me a call.

S: I also have the possibility to make my thesis confidential. Is that anything that you would be interested in – taken this interview in perspective?

B: No I do not think that I have said anything that is confidential here, so I am okay with that. One thing that I would appreciate – I know that Jacob and I we basically have the same views – I would prefer that you obviously, did not try to make some kind of conflict between me and Jacob – that it would come through somehow that we disagree with each other. I know that we never to that basically.

S: No, you have more or less the same perspective.

B: Then it would be basically more standing.

S: Yes, I will make sure of that.

B: Well, good luck with your writing and guess examination eventually.

S: Thank you. And have a great Easter.

B: yes, you too. Bye.

S: Bye.

APPENDIX 5 E-MAIL CORRESPONDANCE WITH ANNA NIELSEN

Hej Simon,

Det er nok Björn Tibell du skal have fat i får diverse tal. Han kender til tal og samtidig hvilke vi kan oplyse.

/Anna

Anna Vibeke Nielsen

Product PR Manager

SAS Communications



SAS

Scandinavian Airlines System

Dept: CPHDP-M

DK - 2770 Kastrup

Visit: Amager Strandvej 392

flysas.com, Facebook, Twitter, Youtube

-----Original Message-----

From: Simon Christiansen [mailto: [REDACTED]]

Sent: 17. marts 2017 11:21

To: Nielsen, Anna (CPHDP-M)

Subject: Master Theses

Hej Anna,

Jeg skrev en mail til Mariam, og fik det her svar tilbage:

Thanks for your e-mail.

I'm on vacation and have limited access to my e-mail. I will be back monday the 20th of March. If you are a journalist please call +453232

3135 or you can write Anna Nielsen on [REDACTED] or [REDACTED]

Best regards

Mariam

Jeg er ikke en journalist, men jeg søger jo adgang til nogen tal. Her er hvad jeg skrev til Mariam:

Mit navn er Simon Christiansen. Jeg læser MSc. Management of Innovation and Business

Development ved CBS, og er i den forbindelse igang med mit speciale omhandlende SAS og dets fremtid.

Jeg havde igår et interview med Jacob Pedersen, Aktieanalysechef hos Sydbank, omhandlende SAS og SAS' muligheder. Jeg spurgte ham om kendte nogen fra SAS, og han nævnte Björn (Head of Investor Relations). Jeg fandt hans e-mail på sasgroup.net, hvor jeg også fandt din email.

Jeg er igang med flere ting. Men hvad jeg vil høre dig om, er om der er mulighed for at få flere tal for de interkontinentale ruter. De vedhæftede billeder viser, hvad jeg har kunne finde i de forskellige årsrapporter - men tallene er noget mangelfulde. Hvis tallene er konfidentielle, kan jeg sagtens lave min Master Thesis konfidentiel.

Men det ville virkelig hjælpe mig, hvis jeg kunne få adgang til de tal!

Jeg håber du kan hjælpe mig, og jeg ser frem til at høre fra dig.

Med venlig hilsen

Simon

This e-mail (including any attached documents) is proprietary and confidential and may contain legally privileged information. It is intended for the named recipient(s) only. If you are not the intended recipient, you may not review, retain, copy or distribute this message, and we kindly ask you to notify the sender by reply e-mail immediately and delete this message from your system.

Thank you.

E-mail is susceptible to unauthorised alterations which may corrupt the message of the e-mail. SAS Group only sends and receives e-mails on the basis that SAS Group is not liable for any unauthorised alterations.

APPENDIX 6 E-MAIL CORRESPONDANCE WITH ALEXANDRA HOVE

Hej Simon,

Beklager mit sene svar, har været i udlandet og er først kommet til bunds i mine mails.

Jeg har endnu ikke hørt fra min kontakt hos SAS - rykker ham lige.

Mange hilsener

Alexandra

From: Simon Christiansen <[REDACTED]>

To: Alexandra Hove <[REDACTED]>

Date: 01-03-2017 13:20

Subject: Re: Accepted: Speciale møde: Singapore Airlines

Hej Alexandra,

Jeg vil bare lige høre dig, hvordan det går med den kontakt der?

Mange hilsener

Simon

2017-02-09 11:13 GMT+01:00 Simon Christiansen <[REDACTED]>

Hej Alexandra,

Det er skam intet problem.

Det spørgsmål vi snakkede om - hvor du sagde, at det ville du sende var: Hvad er Singapore Airlines Strategi, og hvilke core competencies støtter denne?

Det tænker jeg passer godt til det du har sendt, så der var vel ikke mere der.

Mange tak for din videre hjælp også! Jeg håber, at det kan lykkes.

Mange hilsener

Simon

2017-02-08 12:27 GMT+01:00 Alexandra Hove <[REDACTED]>

Hej Simon,

Beklager mit sene svar.

Jeg er glad for at høre, at du kunne bruge min hjælp.

Mind mig lige om, hvilke emner du mangler udover det vedhæftet dokument.

Jeg har emailt min kontakt fra SAS og vender tilbage så snart jeg får OK på at videregive email adressen.

Mange hilsener

Alexandra

From: Simon Christiansen <[REDACTED]>

To: Alexandra Hove <[REDACTED]>

Date: 06-02-2017 14:54

Subject: Re: Accepted: Speciale møde: Singapore Airlines

Hej Alexandra,

Endnu en gang; mange tak for mødet i onsdags. det hjalp mig virkelig.

Jeg vil blive virkelig glad for, hvis du sendte mig det materiale du snakkede om - kan også komme forbi og hente det. Jeg skal alligevel ud i lufthavnen på onsdag - så hvis jeres kontor ligger derude, så kan jeg komme forbi onsdag?

Yderligere vil jeg blive helt vildt glad for, hvis du ville høre ham/hende eller dem du kender i SAS, om der er mulighed for, at jeg kan snakke med dem – evt. om jeg må få deres e-mail, så jeg selv kan skrive til dem?

Vedhæftet er interviewet fra i onsdags. Du skal ikke tage dig af de highlightede passager.

Med venlig hilsen

Simon

2017-02-01 10:11 GMT+01:00 Alexandra Hove <[REDACTED]>

> Hej Simon,

> Beklager sad i møde - er på vej.

> Sent from my iPhone

> On 1 Feb 2017, at 10.09, Simon Christiansen <[REDACTED]>

> wrote:

> Hej Alexandra

> Jeg ved ikke om du har mailen med. Men jeg sidder ovenpå?

> Kind regards

> Simon

Hej Simon,

Lad os sige onsdag kl.10:00 - jeg giver en kaffe på Far's dreng: Ny Adelgade 2, København K.

Sender mig gerne en kalender invite.

Mange hilsener

Alexandra Hove

Passenger Sales Representative DK

Tel.: +45 3311 0011 Direct: +45 2271 1573

Email: Alexandra_hove@singaporeair.com.sg



From: Simon Christiansen <[REDACTED]>

To: Alexandra Hove <[REDACTED]>

Date: 30-01-2017 14:08

Subject: Re: Speciale

Hej Alexandra,

Jeg vil ikke tage al jeres tid. Det at i spørger er virkelig fantastisk dog! Men jeg tænker dog umildbart, at en af jer i en time eller halvanden, hvis muligt, burde kunne gøre det.

Mange hilsener

Simon

2017-01-30 10:43 GMT+01:00 Alexandra Hove <[REDACTED]>

Hej Simon,

Hvor lang tid skal vi sætte af og ønsker du at tale med os begge eller separat?

Mange hilsener

Alexandra Hove

Passenger Sales Representative DK

Tel.: +45 3311 0011 Direct: +45 2271 1573

Email: Alexandra_hove@singaporeair.com.sg

SINGAPORE AIRLINES



From: Simon Christiansen <[REDACTED]>

To: Alexandra Hove <[REDACTED]>

Date: 30-01-2017 08:37

Subject: Re: Speciale

Hej Alexandra,

Jeg er hjemme fra ferie nu. Jeg er fleksibel med tid i denne uge frem til torsdag ved en to-tiden. Og så er jeg fleksibel med tid i næste uge igen fra mandag ved frokost af. Hvordan passer det jer?

Mange hilsner

Simon

2017-01-23 16:17 GMT+01:00 Alexandra Hove <[REDACTED]>

Hej Simon,

Send mig en mail når du er retur, så finder vi en dato.

Go' ferie.

Mange hilsener

Alexandra Hove

Passenger Sales Representative DK

Tel.: +45 3311 0011 Direct: +45 2271 1573

Email: Alexandra_hove@singaporeair.com.sg

SINGAPORE AIRLINES



From: Simon Christiansen <[REDACTED]>

To: Alexandra Hove <[REDACTED]>

Date: 21-01-2017 06:34

Subject: Re: Speciale

Hej Alexandra,

Hvor fantastisk! :-)

Det er meget sødt af jer! Det forholder sig dog sådan, at jeg er på skiferie fra i dag af og en uge frem. Er der nogen mulighed for, at i kan ugen efter?

Kind regards

Simon

Den 20. jan. 2017 kl. 14.08 skrev Alexandra Hove <[REDACTED]>

Hej Simon,

Jeg kan skam godt huske dig.

Min kollega Per og jeg har tid d. 27/01, 30/01 eftermiddag og 31/01.

Sig gerne til, hvor lang tid du har brug for at afsætte og hvorvidt du gerne vil tale med os begge separat?

Ser frem til at høre fra dig.

Mange hilsener

Alexandra

From: Simon Christiansen <[REDACTED]>

To: [REDACTED]

Date: 17-01-2017 08:20

Subject: Speciale

Hej Alexandra

Jeg ved ikke om det kan huske det, men vi skrev sammen i november angående mit speciale. Mit navn er Simon Christiansen.

I november sagde du, at vi godt kunne have en snak om den generelle industri, og måske også tale lidt om Singapore Airlines - dog ikke nogen dybere snak om Singapore Airlines, da der er en del der er konfidentielt?

Yderligere sagde du, at det ikke kunne før jul og nytår. Det er vi jo kommet over nu, og nu er vi vel generelt set inde i en mere stille periode. Derfor tænkte jeg, om vi kunne finde en dag til et møde og en snak?

Jeg glæder mig til at høre fra dig.

Med venlig hilsen

Simon

APPENDIX 7 INTERVIEW WITH ALEXANDRA HOVE (INTERVIEW GUIDE)

Kan du kort beskrive luftfartsindustrien?

Hvorfor er det så besværligt at tjene penge i luftfartsindustrien i dag?

Hvad er Singapore Airlines Strategi, og hvilke core competencies støtter denne?

Hvordan bliver denne strategi ført ud i livet? Og hvilke ting er involveret i denne proces?

I hvor høj grad er der alignment mellem Singapore Airlines' strategi, core competencies og selve organisationen?

Hvad vil du mene Singapore Airlines' fordel er?

Hvordan kan man fastholde denne fordel?

Vil du mene der er forskel på at være et være i flyselskab baseret i Singapore og på at et flyselskab baseret i Skandinavien?

Vil du mene at Singapore Airlines ville være lige så "dygtige", hvis selskabet havde haft base i Skandinavien? Eller er Singapore Airlines succesfulde grundet deres location i Sangapore?

Vil du mene at et flyselskab som SAS vil kunne opnå samme succes? Eller skal der i Skandinavien/Europa findes nye/alternative måder at tjene penge på i luftfartsindustrien?

APPENDIX 8 INTERVIEW WITH ALEXANDRA HOVE

Interview with Alexandra Hove, Passenger Sales Representative Denmark. February 1st 2017

Interviewer: Simon Christiansen (S)

Alexandra Hove (A)

S: Vil du kort give en beskrivelse af industrien (ed. luftfartsindustrien) i dag? Industrien i dag er jo påvirket af Low Cost Carriers og folk der ikke vil betale særlig meget. Men så har man Singapore Airlines som har premium.

A: Altså jeg vil sige, at for et år siden var industrien som en hel meget anderledes end den er i dag. Singapore Airlines formår at skabe et produkt, og et dyrt produkt koster også premium pris. Det har vi formået at opretholde i mange år, men efterhånden som vi har fået flere konkurrenter fra ”ørkenen” af, blandt andet Qatar og Emirates har været en stor del af det, så har vi også måttet lave flere kampagner. Singapore Airlines går ikke ind for kampagner. Vi har en fast lav pris på mindre bookingklasser eller også så har vi vores premium klasser. Men efter som vi har de her kampagner, som vi kører fordi vi jo er i priskrig konstant – vi har haft tre kampagner over tre måneder nu, og det har gjort det rigtig svært og kunne stå ved sit brand. Vi kan ikke påvirke vores kunder som vi kunne en gang, for kunderne går jo efter prisen. Vi har derfor skullet arbejde hårdere, end vi har gjort før. Det handler rigtig meget om relationer nu – om at skabe en god dialog med de kunder vi har, lave nogle gode kontrakter med dem og lave nogle gode aftaler, så man får loyale kunder. Men det er rigtig svært i dag med loyalitet.

S: Ja for man skal jo op og tage pris premium for loyalitet. Man kan flyve tur/retur til London for DKK 146 – altså bare for et eksempel, men man kan samtidig også købe en SAS billet til DKK 1200: Hvordan skaber man loyalitet på den måde, når kunderne kan købe til en pris på ikke særlig meget i forhold til den dyre?

A: Man skal have nogle rigtig gode sælgere ved rejsebureauerne. Nu snakker jeg mest B2B markedet – vi kan ikke rigtig indflyde B2C markedet.

S: Nej, nej overhoved ikke.

A: Men vi kan indflyde B2B markedet. Og den måde vi indflyder B2B markedet bedst muligt på, det er ved først og fremmest at skabe nogle rigtig gode relationer, lave nogle bårder aftaler med dem, lave en ordning hvor de måske kan få nogle billetter eller en kickback kan det også være. Så er det egentlig op til sælgeren at kunne sælge de her billetter som en pakkeløsning. Når man sælger en pakkeløsning med et hotel, så gemmer man også prisen for flybilletten. Jo mere loyale agenter man har, jo mere får man solgt. Agenten, en sælger, er altid god til at fortælle, hvordan det her skal pakkes ind. Skal du vente 3 timer i Dubai over natten? – gider du det? Vil du ikke hellere flyve en lang strækning, der hedder 11 timer, og så derfra kun to timer videre til Bali for eksempel. Alt efter hvordan man plejer sine kunder.

S: Så det du siger er, at i samarbejder mere med rejsebureauerne end andre måske gør. For i dag er rejsebureauernes andel af selve markedet – markedsandelen – altså det de får ud af det, er jo noget mindre, fordi at folk bare køber det hele online. Men I samarbejder stadig i høj grad med rejsebureauerne for ligesom at fastholde det?

A: Ja lige præcis. Alle airlines de samarbejder meget tæt med rejsebureauerne, fordi de er de eneste vi kan indflyde. De er de eneste, som kan gå ind og pushe på digitale medier, nyhedsbreve og snakke med deres kunder i telefonen. De er de eneste, der kan formidle den her kontakt til de her direkte kunder. Det kan vi ikke. Vi kan ikke gøre det på vores hjemmeside på samme måde, for der har vi for stor konkurrence. Så ja, agenterne har en kæmpe indflydelse på markedet. Og virksomheder fylder jo også meget. Erhvervsrejsende der rejser; der har man jo også erhvervs rejsebureauer, og man har såfremt også virksomheder at tage ud at snakke med og lave nogle gode aftaler med dem, for at lave et loyalitetsprogram. Heldigvis er Singapore Airlines brandet så stærkt, så at virksomheder ønsker at rejse Singapore Airlines. De har ikke lyst til at spille deres tid ude i lufthavnen. De skal den direkte vej – og koste hvad det vil. Dem har vi helt klart en fordel ved.

S: Hvor meget påvirker det nu til dags at Singapore Airlines har vundet SkyAwards 5 Star Airline flere gange?

A: Altså det påvirker da markedet, helt klart. Men det er et prissensitivt markedet, vi er i, så selvfølgelig er det fedt at kunne sige, at man er en award winning airline, men det er Emirates også – og det er Qatar også. De har et virkelig fedt produkt, så det er svært at konkurrere med airlines som jo er af den samme prisklasse og den samme kvalitet som Singapore Airlines. Jeg tror mere, at det påvirker folk i Asien, end det gør i Europa. Asiater er meget mere loyale over for deres airlines end vi er i Europa.

S: Hvilket vi kommer tilbage til senere – det her med forskellen på at være i Skandinavien og i Asien. Grunden, til det er så besværligt at tjene penge i industrien i dag, er simpelthen fordi, at folk er så prissensitive, og der er enorm høj konkurrence i forhold til, hvad der var tidligere.

A: Ja. Jeg vil også sige, at brændstoftillægget gør også en stor del. Du skal tænke på, at i Emiraterne for eksempel, de har jo meget nemmere brændstof tilgængeligt, end vi har end vi har i Singapore, for vi kan ikke tænde og slukke for olien, som vi gerne vil. Billetten i dag, selve prisen for en billet koster måske 40% af hvad det koster, hvorefter de resterende 60% det faktisk er brændstoftillæg. Hvis man tager brændstoftillægget af, så koster det DKK 1500 – det starter vores pris på (red. for en tur til Australien), men fordi at her med brændstoftillægget koster omkring DKK 3000, så har du allerede DKK 4500. De priser man ser nogle gange på markedet kan være så billige, fordi vi ikke har den samme oliepris, som de har.

S: Okay, det var jeg faktisk ikke klar over, at det var at brændstoftillægget og dermed forskellen var på.

A: Det er sjældent at man regulerer oliepriserne for luftfarten. Det kører jo op og ned alt efter udbud og efterspørgsel, men der er det, at Emiraterne måske er lidt heldigere, fordi at de selv står for det marked (ed. oliemarkedet).

S: Selvom Emiratet Dubai, hvor Emirates jo har hjemme, ikke har noget olie – men at det er nabostaten Qatar.

A: Men ja stadigvæk. Der har de nogle rigtig gode aftaler. Og lufthavnsgebyr er næsten også lig nul – og det har vi heller ikke.

S: Da jeg fløj til Dubai, der hørte jeg et interview med CEOen for Emirates. Deres vilde ekspandering må jo også gå ud over jer?

A: Nej, egentlig ikke. Det kan godt være, at de har en A380er fra København af, men de kan jo ikke fylde 670 sæder op hver dag. Det vil sige, at det er jo rigtigt dyrt at flyve med en A380er – heldigvis for dem er det jo så ikke så dyrt. Men hvis de ikke kan fylde sæderne op, så er det jo lige meget om deres maskiner er langt større end de var før – hvis de ikke kan fylde dem op, så er der jo stadigvæk ikke mere betaling.

S: Det er jo rigtigt nok. Men dertil skal man jo så også lægge til, at for dem er det jo meget omkring prestige. Jeg læste et interview med Emiren dernede fra, og han sagde, at ligegyldigt om den kunne fyldes op, så skulle den være der – for der går prestige i det.

A: Det, tror jeg, er alt efter hvad for en kultur man har. Hvis man flyver en A380er fra Dubai til Doha, der tager halvanden time – det er jo helt absurd.

S: Fuldstændig. Og den kan de jo ikke fylde op.

A: Nej det kan de ikke. Og Qatar flyver samme rute fire gange om dagen, så det kan godt være at det er prestige, men jeg tror ikke, at det påvirker markedet sådan.

S: Så var der strategien for Singapore Airlines og deres core competencies. Den sagde du, at det vil du sende til mig?

A: Ja den sender jeg til dig, for den er strikket sammen.

S: Hvordan med at snakke om, hvordan den ført ud i livet? Det kunne du ikke snakke om? Og den med allignment kunne du heller ikke snakke om?

A: Nej. Jeg vil gerne prøve at sende noget til dig.

S: Det må du gerne.

A: Jeg ved ikke om det kan være nogenlunde det samme, men jeg kan prøve at sende det, jeg kan.

S: Og hvis der er et eller andet, hvor du tænker: at den er sådan lidt tricky, om den må vises eller ej, så skal jeg nok gøre opgaven fortrolig. Der er ingen ting – også med interviewet her hvis det er, hvis der er noget som helt, hvor du overhovedet tænker, at det bør.

A: Det er godt.

S: Super. Hvad, vil du så mene, er Singapore Airlines fordel?

A: Det er vores renommé. Det er helt klart vores renommé. Altså vi er et premium produkt – og det vil vi altid være. Folk forbinder os med et premium produkt – ikke fordi vi har vundet priser, men fordi de kender til brandet. Og jeg tror, at det betyder rigtig meget. Selvom vi jo har en ældre model fra København til Singapore, en 777-200. Det kan godt være, at den er retrofitted, men den kan slet ikke hamle op hverken Thai Airways', Emirates', Qatar's, KLM's eller vores andre flåder i Europa.

S: Ja for Emirates har jo A380 til Dubai og Thai har 777-300 og KLM har en B737 til Amsterdam og så en eller anden stor videre.

A: Ja og Qatar har Dreamlineren. Så vi kan ikke konkurrere med vores fly ud af København, og alligevel formår vi at fylde den op med en ældre model. Så det betyder også noget at vores service er så perfekt, at det kan man ikke mande op på. Man kan betale sit crew nok så meget, men du kan

ikke betale for god service – den er der bare, og det er det vi lægger mest vægt på. Det er vores service. Du kan ikke finde nogen bedre service som den ombord på Singapore Airlines ombord på noget andet airline – det er exceptionelt. Så går vi også meget op i at lave the length-to-go-to – det er vores motto. Hurtigt at differentiere sig så meget du kan, inden for de budgetter vi så har. Så har vi lavet en konkurrence med topkokke i København; blandt andet kokken fra Kip Kin, Mikkel Maarbjerger og den tredje en fra Nordsjællands Slot – en kok som lærer andre kokke at blive gourmetkokke. De havde en konkurrence, og vinderen skulle så servere maden ombord på vores fly København-Singapore i løbet af hele maj måned – både på economyclass og på businessclass. Mikkel Maarbjerger han vandt så konkurrencen, det vil sige, at der bliver serveret høj topklasse gourmet på både economy og business til ingen ekstra omkostning. Han fik selvfølgelig hans navn ud, og vi gav vores kunder en ekstra oplevelse. Sådan nogle ting prøver vi at gøre for at differentiere os selv på markedet, for vi kan ikke differentiere os selv på andet end servicen – oplevelsen af det.

S: Jeg læste nemlig også i den bog ”Flying high in a competitive industry”, at der var en dame som havde fået noget der ligner et ildebefindende – det var ikke det, men hun havde siddet og hostet. Det var på en 9 timers flyvetur fra Singapore til Brisbane. Stewardessen havde siddet hos hende 7-8 ud af de 9 timer. Efterfølgende var hun blevet hentet af hendes søn i lufthavnen. De havde så ringet til kontoret i Singapore, bedt om hotellet hvor crewet boede, og så kommet i kontakt med stewardessen personligt. Det er at gå den ekstra mile for en god oplevelse – og det kan man jo differentiere sig på.

A: Helt klart! Den havde jeg faktisk ikke hørt før.

S: Da jeg læste den, tænkte jeg: hold da op. Det de havde ringet til hende – både skrevet til organisationen, men også bare det, at de havde bedt om, hvor de boede henne, så de kunne takke hende personligt.

A: Altså jeg vil sige, at jeg har faktisk ikke oplevet noget lignende, end når man flyver med Singapore Airlines. Altså det er et fantastisk crew. De går virkelig op i at nurse en – pleje en, lige meget hvor man sidder henne – på hvilken klasse. Det er super. Det skal du prøve.

S: Det må jeg prøve. Der var faktisk til min bachelor opgave, der skrev jeg om Københavns Lufthavn Kastrup, og der havde jeg også taget Singapore Changi som et eksempel. Selvfølgelig er den meget større, og den er noget nyere, og den har en masse andre ting – som København jo overhoved ikke har, altså luksusområder og afslapningsområder. Dette gør jo, at hvis du har et lay-

over, så bliver det et meget behageligt lay-over. Jeg snakkede i den forbindelse med dem fra København, at de jo ikke har de bedste stole og det bedste internet – det må du ikke sige til nogen det her – men så bruger folk ikke penge i lufthavnen. De vil godt have forhøjet omsætning i shopping centeret, da de får procentvis af salget i butikkerne. Så hvis folk havde alt for mange steder at slappe af, så var der ikke nogen, der gik ud og shoppede. Så derfor er det et bevidst valg, at der ikke var super mange steder, og at internettet måske ikke var det bedste, fordi så var der færre som købte noget, og så blev indtjeningen mindre. Men det er jo ikke en service?

A: Okay det vidste jeg faktisk ikke. Ej hvor er det sjovt. Nej det er ikke en service. Det er jo, fordi man vil tjene penge.

S: Ja det er jo en fuldstændig privatized forretning, hvor man så bare skal tjene penge til dine investorer.

A: nej det vil jeg også sige. Men Changi lufthavn er jo også heldig, altså især fordi den ligger i Singapore, og at Duty-Free er jo en oplevelse, og folk vil gerne bruge penge i Changi Airport, fordi at man har jo en Duty-Free, som man ikke ser andre steder. Selvom alkohol og cigaretter er rigtig dyrt i Singapore og i Changi, så er det jo meget billigere end mange steder i udlandet. Men ja det er egentlig meget sjovt med CPH.

S: Jeg snakkede med en Duty Manager samt min vejleder også arbejdede for CPH, og det var simpelthen et bevidst valg, man havde taget. Men det påvirker jo bare servicen. Jeg arbejder jo ude i Taxfree Shoppen, og jeg synes, at CPH er sådan et lidt kedeligt sted, samt at der ikke er så meget differentiering i lufthavnen. Men folk er jo glade for at rejse fra CPH – og synes jo det er en fantastisk lufthavn sammenlignet med andre.

A: Altså det er jo et dyrt shopping center – altså lad os sige det på den måde. Men jeg kan nu faktisk også godt lide CPH.

S: Det er en dejligt lufthavn, men den er sådan lidt kedelig, når man kommer derude hver dag.

A: Ja det er rigtigt – men nu bliver den jo udvidet. Og den skulle blive på størrelse med Fisketorvet shopping center, så det glæder jeg mig til at se.

S: Ja det bliver spændende. Men det må jo også påvirke flyselskaberne. Der var en artikel i Berlingske, tror jeg, hvor SAS gik ud og var meget bekymret – som deres største partner, som vist har mere end 50% af passagererne, for hvordan ombygningen vil påvirkepassagererne. Er det noget, man bør være bekymret for som flyselskab?

A: Det har vi slet ikke haft oppe at vende, så det kan jeg faktisk ikke svare på.

S: De var meget bekymret, for det er jo både B'eren og C'eren der skal udbygges – og C'eren er jo udenfor Schengen.

A: Jeg læste i går SAS at har udvidet deres transittid med 10-15 minutter ekstra.

S: Ja før var den 20 minutter.

A: Og det har måske noget at gøre med, at de er nervøse for at passagererne ikke kan nå det, når lufthavnen bliver større, og der dermed også bliver flere fristelser, og at man gerne vil have den oplevelse også. Men altså Changi lufthavn, som er meget, stor har en transittid på 50 minutter, og det er lige meget hvor man lander hende. Sådan når man sit fly, og din bagage bliver også nået på 50 minutter, og man starter jo med at boarder en halv time før, så man kun reelt 20 minutter til at nå boarding, og det kan man sagtens nå. Altså det handler også om turen i lufthavnen og om logistikken, om den fungerer. Det skal være rigtigt overskueligt, hvis man skal komme fra A, til B, til C, til D.

S: Men nu snakkede vi så også om lavprisselskab, hvor man jo flyver ude fra F'eren (red. I Københavns Lufthavn). Der snakkede vi om, at det ville være meget behageligt, hvis der var gå bånd derud. Men det ville man ikke have, da det virker som om, det ikke er lavpris, hvis der er gå bånd derud. Så det var bevidst ikke sat gå bånd ud, for det skulle virke lavpris agtigt. Hvis man havde sat gå bånd derud, så kunne det virke som at man fløj med et hvilket, som helt andet flyselskab fra lufthavnen.

A: Jeg kan også godt huske den gang, at der ingen stole var derude.

S: Men er det ikke en smule underligt?

A: Det er det, men det er måske for at give et billede af at de traditionelle carriers investerer lidt mere i deres passagerer, investerer lidt mere i lufthavnen, så de vil også gerne have en fordel i forhold til Low Cost Carriersne. Men sådan er det i hvert fald ikke i Changi. Der er de alle sammen lige.

S: Men er der samme slags konkurrence fra lavprisselskaberne? Nu ved jeg godt, at Singapore Airlines har deres egne – som de delvist ejer. Men hvor stor er konkurrencen fra lavprisselskaberne?

A: Det er faktisk ikke så stor. For dem der rejser – dem der starter deres tur i her med Singapore Airlines, de ender deres tur med Singapore Airlines, eller Silk Air eller Tiger Airways. Det gør de, fordi, at de fleste vil gerne have en billet hele vejen. Har de en billet, jamen så hvis der er forsinkelser eller ændringer, så bliver de erstattet – så bliver de om booket med det samme. Køber man to billetter, for eksempel Singapore Airlines København-Singapore og så Air Asia til Bali – er der nogle forsinkelser den ene eller den anden vej, så sidder du helt fast – og så kan du ikke gøre noget. Så er det dig, der aktivt skal købe en ny billet, eller aktivt gå over til Air Asia og finde ud af, hvordan man gør det. Det er de færreste, som tager den chance og booker to forskellige billetter.

S: Men nu tænker jeg mere: hvis du starter din rejse i Singapore – hvor stor er konkurrencen fra lavprisselskaberne så?

A: Jeg har ikke så meget indflydelse derude, så det ved jeg faktisk ikke. Men nu når vi har Silk Air og Tiger – som er to lavprisselskaber. Air Asia er jo selvfølgelig rigtigt populært – det er vores EasyJet. Markedet er så stort derude, så man har jo en kundegruppe til hvert segment. Vores segment er ikke Air Asia – selv dem der rejser med Tiger Airways eller Silk Air er ikke segmentet Air Asia eller Garuda Airlines – det er bare et andet segment. Og det er vi ikke bekymret for. Jeg synes konkurrence – altså dem der så flyver på vores, de kunne ikke finde på at vælge Air Asia.

S: Også selvom om man nu flyver Tiger eller Silk Air, så ville man ikke gå over til lavprisselskaberne?

A: Der er loyaliteten jo stadigvæk. Man kan jo stadig få KrisFlyer point med Tiger eller Silk Air – og det er det man vil. Det loyalitetsprogram er meget stærkere end Air Asias eller Garudas, fordi der er flere brands under et.

S: Det gør jo også, at for eksempel med Lufthansas man jo også få for bil, flyve med andre og hoteller. Hvor meget påvirker det?

A: Der er måske overraskende nok meget høj interesse i at tjene miles. Folk flyver jo turen København-Singapore, hvis de mangler nogen points inden de skal op på Gold, eller inden de ryger ned – så tager du turen til Singapore og tilbage, bare for at kunne optjene miles.

S: Er der så mange der gør det?

A: Ja det er der – rigtig mange.

S: Så er folk jo, altså til en hvis grad loyale alligevel?

A: Altså på den måde ja. Vi er jo en del af Star Alliance, og de kan jo også bruge det med Lufthansa og SAS.

S: Ja det giver jo en masse fordele som fasttracks og lounges og hvad der ellers hører med.

A: Ja præcis, men også at du upgrades. De fleste gør det fordi de gerne vil upgrades. Der er jo ikke noget lækrere end at flyve på vores businessclass – eller SAS' businessclass, eller firstclass. Der går jo konkurrence i den – eller der går jo en hvis hobby i det. Altså er det vi tjener mest af, når det gælder miles. Det er ikke så meget fasttrack eller lounges – det er upgrades.

S: Altså hvis man jo skal gøre brug af loungen, så skal man jo komme en vis tid før i lufthavnen – hvilket jo vil sige at din rejse jo i virkeligheden bliver længere. Det har folk måske heller ikke lyst til.

A: Man er gået fra at bruge meget tid i loungen i dag. Og i København er loungen jo ikke noget særligt – heller ikke en gang den der ikke er SAS' lounge. Og Changi Airport, nej jeg vil heller ikke sige at de lounges der er noget særligt. Det er da nogle lækre lounges, men det er slet ikke noget, man vælger en flybillet på grund af. Folk har ikke tid i dag – time is money.

S: Kunne du snakke om fordelene ved Singapore Airlines

A: Ja og nej. Det bliver jo meget subjektivt. Men fordelene er jo, at vi har vores loyalitetsprogram, og at vi har København-Singapore ud i et stræk i forhold til vores konkurrenter. Singapore er jo Mærsk's HQ – det er vist lige flyttet til Hong Kong for et halvt år siden, men det var Singapore, der var deres hub. Vi har jo næsten alt shipping i Singapore. Så fordelene for virksomhederne, for vores corporate traffic, er jo helt klart at vi har den direkte rute – de skal ikke stoppe nogen steder. Og så er det jo bare, at vi har det renommé, vi har. Det er der ingen, der kan tage fra os – så længe vi bibeholder den standard, som vi yder til kunderne. Så bliver vi jo også der, hvor vi er nu.

S: Så nåede vi til forskellene mellem Skandinavien og Singapore. For i bogen, står der: at man "sagtens" kan kopiere flyselskabet og så placere det andre steder end Singapore. Det argumenterer de for, fordi at der i virkeligheden ikke er nogle af de faktorer, som flyselskabet er blevet konstrueret af, som ikke findes i Europa. I og med man så også for regeringens side har været så meget fremme i skoene, både med teknologi og alt mulig andet, som dog har påvirket til, at det er gået så godt, som det er. Men kunne man have Singapore Airlines i København, og ville det da stadig fungere lige så godt – eller i Europa for den sags skyld?

A: Altså jeg ved ikke så meget om den tekniske baggrund af det, men jeg kan sige at singaporeanerne, eller hvis du arbejder for Singapore Airlines i Singapore, så er du committed til dit arbejde. Du arbejder omkring 15 timer om dagen, du har ikke weekender – altså du er på hele tiden. Og sådan vil det ikke være i Skandinavien – det kommer du ikke at have. Vi har svært ved at indordne os efter singaporeanske regler, for vi er jo ikke på om aftenen – vi er ikke på i weekenderne. Vi har en kultur herhjemme, som er meget, anderles end den i Singapore, og derfor tror jeg ikke at det vil kunne være her, for folk vil ikke finde sig i at arbejde i tider, som de gør i Singapore. Der er altså en commitment, for det er prestigefyldt at arbejde for Singapore Airlines i Asien.

S: Singapore Airlines har jo aldrig haft et annual loss, men der var en gang under finanskrisen, hvor de havde et quarterly loss, og der skar man nogle arbejdsplader plus man bad crewet gå op i arbejdstid og en lille smule ned i løn – som de så modvilligt gjorde. Hvis så man har gjort det samme her hjemme, for eksempel med SAS, så strejker de alle.

A: Ja ja, fagforeninger og...

S: Hvis man nu siger, at de flytter en masse arbejdspladser til England, så kommer der en til, for det vil de ikke finde sig i.

A: Det er lige blevet beskæftet i dag. De får en hub i England og Irland. Så lad os nu se.

S: Jeg snakkede med min vejleder om, at det kunne man godt forestille sig – historien taget i betragtning af hvordan: piloterne, cabin-crewet og alle deres fagforeninger har strejket. De har jo 39 fagforeninger, fordi de har været så differentieret gennem tiderne – altså så bare der sker det mindste, for fagforeningerne i SAS er jo enormt stærke. Altså og bare der er sket det mindste, så har man jo flere gange gennem tiderne set dem Strejke – og så lægger de det hele ned. Det har man en gang set i Singapore, hvor ledelsen så gjorde meget for at få dem til at være glade igen. Der var en kulturmåling efterfølgende – samt før de havde skåret. Alle var glade igen efter, og alle var tilbage til at stå ved deres loyalitet – og man har jo ikke den samme loyalitet her hjemme.

A: Ledelsen skrev jo også under på, at de ville gå ned i løn – med forbehold for, at når det så gik godt igen, så vil de få løn med tilbagevirkende kraft. Og det var der jo en overensstemmelse om, og det gjorde man selvfølgelig.

S: I og med at ledelsen går ned i løn, så viser det jo en commitment fra alle sider af – det viser jo at de er et forbillede for ligesom at få det til at fungere igen. Det vil man jo heller ikke se her hjemme.

A: Og det har altså noget med kulturen at gøre – der er vi bare ikke så loyale her hjemme. For os er det selvfølgelig vigtigt at have et job – men et job er ikke alt her hjemme. Man skal også have livskvalitet – man skal være glad. Og der er singaporeanerne, glade når de har et godt job – det er jo asiatisk kultur. De lever for at arbejde – det gør vi bare ikke. Vi arbejder for at leve. Jeg tror, det er en væsentlig pointe i forskellen mellem, at det ikke vil kunne lade sig gøre at få Singapore Airlines til Danmark – eller Skandinavien for den sags skyld.

S: Vil du mene, at man måske kan ”kopiere” nogle af elementerne, og så få det til at virke. Selvfølgelig kan man ikke bare kopiere. En af grundene til, at Singapore Airlines er så gode, er, at hvis man kopierede et element, så ville det ikke være det samme. Det er jo sammenspillet mellem de forskellige elementer, der gør, at Singapore Airlines er så stærke, som de i virkeligheden er. Hvis nu man kopierede nogle af de her elementer, tror du så, at man kunne ”forbedre” andre flyselskaber i Europa?

A: Igen, jeg tror ikke, at man kan kopiere service, man kan heller ikke kopiere loyalitet, for det er to faktorer der gør Singapore Airlines så gode i dag – det er fordi vi er loyale over for vores brand, og vi giver en høj service. Nu kan du jo se, når du arbejder i lufthavnen, vores andre konkurrenter der også flyver til Asien. Vi er jo ved check-in. Normalt er det jo bare kun ground-staff, der er i lufthavnen, hvor SAS er en af dem. Vi er jo ved check-in, vi er oppe ved gaten, vi der, når flyet ankommer om morgenen, vi er nede ved bagagen. Det vil sige, at vores kunder ikke skal stå i kø nogen steder for at klage over, at bagagen ikke er kommet, eller at der er sket en fejl. Vi er first-hand kontakt. Så alt går igennem os ved hele forløbet, og det er der bare ikke mange, der gør. De vil ikke ofre de lønninger, der skal til, for at man har en til at stå dernede til at sørge for, at alle kommer godt hjem og at alle har det godt. Det er service, og det er svært at kopiere, fordi man skal finde de rigtige medarbejdere – som er svært, men også vejlede dem i hvordan man giver den her service. Vi kommer jo på rigtig mange kurser, og vi tager rigtig mange tests, for altid at opretholde det serviceniveau vi har. Vi bliver jo målt på, hvordan andre måler os – hvordan vores ansatte måler os, hvordan vores ledelse måler os. Vi bliver målt – det er både godt og skidt, at man bliver målt, men det gør også bare, at man hele tiden er obs på, at det ligger så dybt i dig, hvad du skal give til dine kunder og hvad du skal yde. Vi kan alle sammen stille fly til rådighed, vi kan alle sammen give en god pris, vi kan alle sammen transportere dig fra A til B – men det er oplevelsen, der gør, at man vælger nogle frem for andre.

S: Der står nemlig også i den bog, hvordan det foregår, når man skal rekruttere cabin crews. Først er der et gruppeinterview, så er der et andet interview, hvor man kommer til et 1-til-1 interview, og så er der endnu interview hvor man så kommer til at snakke med en General Manager. Først derefter er man klar til et fire månedernes kursus, og så har man så seks måneders prøvetid.

A: Ja det er rigtigt. I det her forløb er der hård makeup træning – de øver sig jo omkring syv timer om dagen. Singapores Airlines har jo et kæmpe træningscenter – hvor vi også er på kursus – hvor de også har cabin crew til træning. De øver sig jo syv timer om dagen I, hvordan de skal hilse på folk, når de går forbi – og bare når man skal på toilettet, hilser de på dig, spørger hvordan du har det. De skal hele tiden være på – non-stop – de skal have rollen påført sig hele tiden. Både når de har fri, og når de arbejder, og det er en fantastisk commitment. Der bliver investeret i cabin crewet, men cabin crewet skal sørge for også selv at bestille noget, for at de bliver valgt ud.

S: Det ser man jo ikke på samme måde her hjemme. Jeg overvejede på et tidspunkt gennem nogle venner at søge som cabin crew hos Norwegian. Selvfølgelig er der forskel på Norwegian og Singapore Airlines i forhold til service – i forhold til produktet.

A: Ja produktet er der.

S: Der var en screening proces, der var et interview, og så blev man valgt, og så var der fire måneders sikkerhedstræning. Men ud over det var, der jo ikke samme slags oplæring – der var jo ikke fire måneders kursus i servicen – altså sæt dig på hug og snak med kunderne. Selvfølgelig er der klart forskel på produktet man får de to forskellige steder, men der er virkelig også forskel på at gøre den ekstra ting.

A: Ja det er der – det kalder man en investering. Norwegian har måske ikke budget til at investere så meget i cabin crewet. Deres fokus ligger mere på at transportere kunderne fra A til B – og der er vi bare stoppet. Vi vil ikke bare være en transportvirksomhed, for det kan alle være. Man bliver nødt til at lægge mere vægt på, hvordan man så kommer fra A til B. Det er så noget Norwegian så ikke lægger vægt på, for de skal bare fylde deres fly op med så mange som muligt – have nogle gode fly selvfølgelig, og sikkerhed skal jo selvfølgelig være i top, men der bliver måske bare lagt, på andre ting. Man kan også se SAS, hvor der er nogle cabin crews, der har været der i 50 år – som er trætte af deres arbejde. Det kan man jo se på dem. Så snart man ved Singapore Airlines kan se, at, du ikke har den gejst, som du havde før, jamen så kommer de til HQ. Der er jo mange, som har været Head of Cabin Crew, som nu arbejder i Singapore Airlines, og hvor de har en anden rolle – men selvfølgelig ikke bliver sagt op.

S: Altså som du selv nævner, så når man flyer med SAS, så er personalet sådan 45 og 50 år – og ofte også mere. Altså gennemsnitsalderen for personalet er ret høj. For eksempel skal 60% af piloterne på pension inden for 5 år. De siger jo noget, om de folk de ligesom har.

A: Hold da op.

S: Når man så Singapore Airlines crewet gå igennem lufthavnen – de er temmelig unge i forhold til.

A: Skindet bedrager også, ikke!

S: Selvfølgelig gør det det – men de smiler, og de er glade. Men når man så ser SAS crewet gå igennem lufthavnen, går de som alle cabin crew og snakke – men de går ikke og smiler til alle andre. Men når man så ser Singapore Airlines, Emirates, Qatar og Thai, så har de en eller anden glans – de stråler.

A: Der tror jeg også, at det nogen gange har at gøre med – at i hvert fald i Asien, der er det stadigvæk prestigefyldt at være cabin crew – det er stadigvæk noget, man vægter højt, og det gør man måske ikke her hjemme i Skandinavien længere. Der er det måske så specielt længere at være cabin crew, som det har været. Så jeg tror også, det har noget at gøre, med prestige, man sætter i andre lande.

S: Jeg kender en, gennem min fars venner, som var cabin crew for SAS, som fløj. Cabin crew der havde jo indtil for ikke særlig mange år siden rigtig mange fordele, som de ikke har længere. Det gør måske også bare, at man ikke lægger samme prestige i det længere. Som du siger, den glans ved at være det, må være røget på en eller anden måde. Denne påvirker jo så nok også din lyst til at arbejde og din udstråling ved arbejdet. Hvis du nu for eksempel ser SAS, som gennem tiden har prøvet at være the Businessmans Airline, de har prøvet at have et lavprisselskab – som overhovedet ikke gik, Snowflake tror jeg, det hed. Det røg efter et halt år, fordi de kunne ikke få det til at passe ind i de normale operationer. De havde egentlig kørt det som et eksternt selskab – hvor der stadig var kæmpe stor indflydelse, fordi det var SAS fly, de brugte – som blev taget ud af ordinær drift. Logistikken kunne de så ikke få til at fungere, og de havde så heller ikke passagerer nok til det. Men hvor ser du et flyselskab som SAS på vej hen?

A: SAS skal helt sikkert fokusere på deres kernekompetencer, som er deres corporate traffic. Jeg ved, at de er i gang med at lave noget leisure PR. Jeg tror, de skal fokusere på deres kernekunder, som er deres corporates. Det er skam den eneste måde de kan komme frem på. Jeg synes, det er fedt at se, at de har lanceret deres SAS Go og deres SAS Plus – hvor man også kan købe upgrades og så

videre. Jeg synes at, SAS er blevet innovative, end de har været førhen, og det bliver de også nødt til. Nu har de fundet ud af, at der er skam konkurrence på markedet. Men jeg ved ikke, hvad der skal til, før at de kommer over den hurdle, de har kæmpet med nu. De har jo altid været store, så jeg ved faktisk ikke, hvad der skal til.

S: Sidste gang, nej det var ikke sidste gang. En af gangene havde de bedt deres investorer om at sparke penge ind i SAS. De havde så sparket 5 milliarder i projektet, plus der så yderligere var nedskæringer på 6 milliarder, så der havde de alligevel ”vundet” 11 milliarder. Altså inden for de sidste 8 år vist har der været seks spareplaner. SAS har jo alt for sent fundet ud af, at de var i krise. Da så alle lavprisselskaber kom, der anerkendte SAS ikke, at de også var deres konkurrenter. De har alt for sent opdaget, at der var konkurrence. Det, folk begyndte at ville have, var jo i virkeligheden transport, og der var SAS bare mange gange dyrere, og et produkt der i virkeligheden ikke havde bedre service.

A: Nu har de så opdateret deres produkter, og de har lavet helt nye kabiner – flotte inventarer. Altså jeg vil sige, at de er kommet med på den. Men om det er for sent...

S: Da de sidst havde krise, altså i 2012, der er var mange, blandt andet analytikere, der overvejede om det værd at lade flyselskabet gå konkurs og starte helt forfra. Men så har man jo så tre regeringer, som ejer en stor del af flyselskabet, hvor ledigheden så ville stige i de lande – hvis man gjorde det. Yderligere har man en svensk meget magtfuld Wallberg familie, som har en masse penge investeret i det – de er den største private investor, som jo heller ikke vil have en konkurs. Noget af det, der jo i virkeligheden har trukket SAS tilbage gennem mange år, er jo deres fagforeninger. Hvis man lod ”det hele falde på jorden” og startede forfra, så var ude over det problem – men det er jo heller ikke en skandinavisk måde at gøre tingene på.

A: Nej det er det slet ikke – og fagforeningerne ligger bare alt for stærkt i SAS. Jeg tror ikke, at man ville få fagforeningerne med på ideen – og lægge fagforeningerne ned. Det tror jeg simpelthen ikke på, for de har et tag i dem. En anden ting, var at en procentdel kunne blive opkøbt af et andet flyselskab – ligesom Etihad har opkøbt Alitalia – måske ikke det klogeste valg at vælge dem.

S: Nej ikke lige Alitalia.

A: Nej lige præcis. Men der kunne man så vælge, at sige at så bliver de opkøbt af et andet flyselskab. Det er dog også en nedgradering fra deres side af – og prestigen ville ryge, men så kunne det køre videre.

S: Det har jo været prøvet før. SAS har jo først prøvet sammen med Swissair, Austrian Airlines, KLM og dem selv – hvor det faktisk var tæt på at lykkes, men så genopstod problemet mellem KLM og Swissair omkring den amerikanske samarbejdspartner, og dermed røg hele aftalen. Anden gang var de ved at blive opkøbt af Lufthansa, men i ellefte time røg den handel så også på jorden.

A: Og det er svært med SAS og Lufthansa – de har mange af de samme destinationer, så de er direkte konkurrenter mod hinanden. En af dem skulle så gå ned i fleet, og det tror jeg bare ikke, at SAS ville gøre, selvom Lufthansa købte dem ud. Så et opkøb skulle i så fald være af nogen som ikke er konkurrenter – det skal være nogen, som for eksempel Cathay. De er jo allerede en samarbejdspartner med SAS fra Hong Kong af, så det kunne være en mulighed. Altså med nogen som er direkte konkurrenter med SAS, tror jeg ikke det vil kunne lykkes med.

S: Swiss og Austrian Airlines var vel i virkeligheden også direkte konkurrenter til Lufthansa, men er de det nu?

A: Ja, men alligevel. Lufthansa har de længere distancer af fly, end både Swiss og Austrian har, så nej der, jeg ikke, at der er direkte konkurrence. Lufthansa og SAS satser sindssygt stærkt på USA og satser sindssygt stærkt på Asien og har samme rutenetværk. Jeg tror bare ikke, at det vil kunne lykkes.

S: Så hvis man for eksempel kigger på andre flyselskaber i forhold til SAS, så har SAS jo procentvis ikke særlig mange oversøiske ruter – lavprisselskaberne i Europa konkurrerer jo på de korte ruter. Tror du, at det har skadet SAS, at de ikke har haft flere oversøiske ruter? Lufthansa, British Airways og de andre store har jo for eksempel en noget højere procentdel af oversøiske ruter.

A: Det er fordi at SAS har et joint-venture – blandt andet med os. Det vil sige, at alle vores oversøiske ruter til Asien, Australien og New Zealand, der får SAS en procentdel af, hvad vi tjener. Altså hvis en kunde går ind og booker en SAS billet, der hedder København-Sydney. SAS flyver ikke Sydney – det gør Singapore Airlines. Det vil sige, at vi betaler SAS nogle penge for, at den kunde har booket hos dem, men flyver hos os. Og det gør de på hele Sydøstasien, hele Australien og hele New Zealand. De behøver ikke at være synlige der, og de får stadigvæk penge, fordi de har indgået en aftale med os. Vi kan ikke komme ud til alle agenterne og kunderne i hele Skandinavien – det har vi bare ikke mulighed for. Vi har derfor lavet en kontrakt med Scandinavian Airline – som allerede har de her kunder i forvejen. Det vil de også gøre i USA – de har dog fået flere oversøiske til USA, men de vil også udnytte den samme mulighed der. Finde en god partner i USA, og så kan

kunderne her hjemme booke en billet til SAS, og så får Scandinavian Airline betaling fra det luftfartsselskab. Så man skal ikke undervurdere joint-ventures i dag, fordi det er helt klart det, som også tæller. Man behøver ikke at investere så meget i din flåde.

S: Det har jo netop været problemet med en ny flåde for Scandinavian Airline. Jeres flåde er jo mellem 58 og 77 måneder gammel, hvor SAS' flåde er noget ældre. Det tæller vel også som en del af oplevelsen, når man er ude at flyve – at din flåde er så ung?

A: Nej det tror jeg ikke. Du kan se vores her hjemme – vores fly, B777-200 er jo en af de ældste. Den skal jo pensioneres om 2 år – gerne højst om et år, fordi den er forældet – og alligevel bliver den fyldt op. Alligevel vælger folk at flyve Singapore Airlines – selvom det ikke er en A380er eller en A350, som vi lige har fået og lanceret. Folk klager over det, men det spiller ikke nogen rolle, når de booker en billet.

S: Men brændstoføkonomien ved en ældre flyver er jo noget højere end ved en nyere.

A: Altså selvom brændstoffillægget i kroner og ører er det samme, så ja. Forbruget af brændstof er helt sikkert højere. Altså de nye A350ere, vi har fået, forbrænder jo halvdelen af hvad en B777-200 gør. Men vi (ed. ruten til København) venter jo bare på, at vi skal have nye fly. Men der går rigtig meget politik i det – hvem er bedst til at lobbyere, desværre.

S: Men I var jo desværre de første til at lancere A380eren den gang, men I er jo ikke de første til at lancere A350eren nu.

A: Nej, jeg tror, det var mellem Finnair og Singapore Airlines

S: Men Finnair vandt vidst.

A: Det kan godt være, at de vandt den, men vi snakker om måneder. Ja vores den første var Amsterdam-Singapore. Men det kan godt være, at de lige var før med et par måneder, men vi har så nu flere A350ere, end Finnair har – den kommer nu i øvrigt nu også til den nye Stockholm-Singapore rute. Den (ed. A350eren) er fantastisk – den er state of the art. Hvis du godt kan lide fly – og lidt flynørd, så er det en fantastisk flyver at flyve med.

S: Men nu er jeg mere fan af Boeing.

A: Ah okay. Men du skal så lige prøve Airbus først, for lige at se hvordan en A350er er.

S: Men nu har jeg set på Dreamlineren en del gange, og jeg er ret fan af den. A350eren ligner jo sådan på mange punkter den. I og med at du har vingen samt resten af flyveren, som er mere

aerodynamisk – hvilket gør, at den kan flyve længere – hvilket B787eren jo også er. Men ud ad til ligner de jo hinanden på mange punkter.

A: Ja helt klart – udefra gør den også, da begge modeller jo er innovative modeller, hvor der er sørget for at have kunden i fokus. Jeg skal prøve Dreamlineren om en måned, når jeg flyver til Miami med Norwegian – Singapore Airlines flyver jo ikke den vej. Men at være i en A350er – man kan jo ikke høre, at du flyver – det er ligesom at køre i en Audi. Man kan ikke mærke, at man flyver. Luften bliver jo skiftet ud hvert minut, så hvis man tegn på at være syg ombord, så forsvinder det fuldstændig. Jetlag bliver mindre, fordi den luft der er, det lys der er – der er virkelig sat fokus på detaljerne for at give den bedste oplevelse.

S: Der er kunden i fokus igen.

A: Ja helt klart! Selv sæderne er jo blevet revurderet og revurderet for at de ikke skal fylde så meget, de skal være lette, de skal være behagelige, og det er helt specielt. Den skal du altså prøve – den er rigtig spændende.

S: Scandinavian Airline får den jo vist nok i '18.

A: En ting er A350eren, men det er jo også interiøret. Altså SAS' businessclass sæder er jo ikke meget længere end economyclass. Det kan godt være, at det kan lægges i full flat – men det er samme længde. Man sidder jo stadig på et sæde, hvor vores er halvandet sæde.

S: Jeg læste for eksempel i den bog, at der jo er plads til 555 ombord på A380eren, men ved Singapore Airlines havde man valgt 471.

A: Ja de havde valgt mindre, end hvad der var plads til. Det betyder så meget, hvor meget afstand der er til den ved siden af dig. Vores sæder er jo omkring 5cm bredere.

S: Så betaler man jo selvfølgelig også lidt ekstra for den, premium man så får ud af det.

A: Alt efter i hvor god tid du er på den. Altså nu kører vi jo mange kampagner, så prismæssigt er vi nede at konkurrere med Emirates og Qatar. Nu kan man sagtens komme til Sydney for DKK 6500 tur/retur.

S: Det er jo ikke galt. Jeg kiggede på den samme tur – bare i november i stedet for december, og der kunne man flyve tur/retur med Air Berlin og Etihad med DKK 6200.

A: November sammen med maj er også low-season for alle flyselskaber. Der er alle luftfartsselskaber i sparestolen, for det er lige blevet forår her hjemme – folk skal ud i haven, de

venter på industriferien kommer – så der er ikke noget aktivitet, så i de to måneder specielt ser man en masse kampagner. November jo lige før jul og efter efterårsferien. Så der er mange penge at spare.

APPENDIX 9 E-MAIL CORRESPONDANCE WITH JACOB PEDERSEN

Hej Simon

Selv tak.

Prøv Björn Tibel, han er deres Investor Relations-repræsentant. Find hans kontaktdata på sasgroup.net.

Venlig hilsen

Jacob Pedersen, CFA

Aktieanalysechef

T : [REDACTED] | [REDACTED]

Sydbank A/S

Kapitalforvaltning | Peberlyk 4 | DK-6200 Aabenraa | Sydbank A/S | CVR-nr. DK 12626509

FORTROLIGHED: Denne e-mail og evt. vedhæftede filer kan indeholde fortrolige oplysninger. Er du ikke rette modtager, bedes du venligst omgående underrette banken og derefter slette e-mailen og enhver vedhæftet fil uden at beholde en kopi og uden at videregive oplysninger om indholdet.

English version

-----Oprindelig meddelelse-----

Fra: Simon Christiansen [mailto:[REDACTED]]

Sendt: 16. marts 2017 22:20

Til: Jacob Pedersen <[REDACTED]>

Emne: Re: SAS

Hej Jacob,

Jeg vil bare endnu en gang sige tak for interviewet i dag.

Jeg glemte at spørge dig, om du kender/har en kontaktperson i SAS. At jeg har et interview med en fra SAS, er i min opgave ret essentielt.

Jeg har ikke kunne komme igennem til dem; så kender du nogen, som måske kunne hjælpe mig?

Venligst

Simon

15. marts 2017 kl. 06.53 skrev Jacob Pedersen <[\[redacted\]](#)>

- > Hej Simon
- > Det er meget fint. Vi tales ved i morgen.
- > Venlig hilsen
- > Jacob Pedersen, CFA

English version -----Oprindelig meddelelse-----

- > Fra: Simon Christiansen [mailto:[\[redacted\]](#)]
- > Sendt: 14. marts 2017 16:51
- > Til: Jacob Pedersen <[\[redacted\]](#)>
- > Emne: Re: SAS
- > Hej Jacob,
- > Her er som lovet de spørgsmål, som jeg håber at du kan give noget insight omkring:
 - > - Hvorfor er det så besværligt at tjene penge i luftfartsindustrien i dag?
 - > - Endnu en spareplan = flere fyringer? Eller har de nogen anden mulighed?
 - > - Kerneprodukt? Hvordan kan det udnyttes mere optimalt? Kan de differentiere sig på en anden måde?
 - > - Hvordan ser du SAS' muligheder for at "overleve" på længere sigt?
 - > - Selvstændigt, M/A, satse større på interkontinentale ruter, noget andet?
 - > - Andet
- > Jeg ser frem til på torsdag.
- > Venlig hilsen
- > Simon

> 10. marts 2017 kl. 10.02 skrev Jacob Pedersen <[\[redacted\]](#)>

- >> Hej Simon
- >> Det er meget fint.
- >> Venlig hilsen
- >> Jacob Pedersen

>> English version -----Oprindelig

>> meddelelse-----

>> Fra: Simon Christiansen [mailto:[\[REDACTED\]](#)]

>> Sendt: 10. marts 2017 07:59

>> Til: Jacob Pedersen <[\[REDACTED\]](#)>

>> Emne: Re: SAS

>> Hej Jacob,

>> Tak for dit svar.

>> Jeg tænker torsdag kl 16:10 så. Så kan jeg fx. tirsdag sende dig

>> noget af det jeg gerne vil høre noget om,

>> Jeg ser frem til det. Og på forhånd tak for hjælpen.

>> Venlig hilsen

>> Simon

>> 9. marts 2017 kl. 13.44 skrev Jacob Pedersen <[\[REDACTED\]](#)>

>>> Hej Simon

>>> Tak for din mail.

>>> Du er velkommen til at give mig et kald i næste uge, hvor jeg (pt.) har tid mandag, tirsdag, torsdag kl. 6.30 og 16.10 alle dage.

>>> Giv mig gerne besked om, hvornår du ønsker at lave interviewet.

>>> Venlig hilsen

>>> Jacob Pedersen

>>>English version -----Oprindelig meddelelse-----

>>> Fra: Simon Christiansen [mailto:[\[REDACTED\]](#)]

>>> Sendt: 9. marts 2017 10:47

>>> Til: Jacob Pedersen <[\[REDACTED\]](#)>

>>> Emne: SAS

>>> Hej Jacob,

>>> Mit navn er Simon Christiansen. Jeg læser MSc. Management of Innovation and Business Development ved CBS, og er i den forbindelse igang med mit speciale omhandlende SAS og dets fremtid.

>>> Jeg har en del artikler fra Børsen, hvor du er citeret i. Jeg googlede dig derfor og fandt din

emailadresse.

>>> Jeg vil høre, om jeg kan få lov til at interviewe dig vedrørende SAS og dets muligheder for fremtiden. Jeg skal selvfølgelig nok sende dig mere materiale samt information om hvad mit speciale fokusere på, hvis interviewet er en mulighed.

>>> Jeg ser frem til at høre fra dig.

>>> Med venlig hilsen

>>> Simon Christiansen

APPENDIX 10 INTERVIEW WITH JACOB PEDERSEN (INTERVIEW GUIDE)

Hvorfor er det så besværligt at tjene penge i luftfartsindustrien i dag?

Endnu en spareplan = flere fyringer? Eller har de nogen anden mulighed?

Kerneprodukt? Hvordan kan det udnyttes mere optimalt? Kan de differentiere sig på en anden måde?

Hvordan ser du SAS' muligheder for at "overleve" på længere sigt? Selvstændigt, M/A, satse større på interkontinentale ruter, noget andet?

Andet?

APPENDIX 11 INTERVIEW WITH JACOB PEDERSEN

Interview with Jacob Pedersen, Aktieanalysechef at Sydbank. March 16th 2017

Interviewer: Simon Christiansen (S)

Jacob Pedersen (J)

S: Skal vi bare starte fra toppen af? Du har dem ikke med dig vel?

J: Ja det synes jeg, at vi skal.

S: Okay. Hvorfor er det så svært at tjene penge i luftfartsindustrien i dag?

J: Ja det er det jo. Hvis det er sådan, at man kigger på de opgørelser, der bliver lavet, så bliver der jo nedbragt ekstrem stor værdi i hele værdikæden. Når man så lægger alle numrene sammen, så finder man ud af, at netto beløbet af det, det svarer faktisk meget godt til det beløb som flyselskaberne

nedbryder. Hvorfor har de så svært ved at skabe værdi? Jamen det har de blandt andet, fordi at deres leverandører – dem der producerer flyene – det foregår på sådan et oligopolitisk marked, der er to rigtig store aktører. Det har de også, fordi at lufthavnene – som også er en meget vigtig del af værdikæden – de også er nogle små de facto monopoler. Det er de, fordi at konkurrencevilkårene inden for luftfarten er ekstrem hårde, man kan jo se, hvor det er nemt at hente flere passagerer. Man behøver ikke engang eje flyene – man kan nøjes med at lease flyene. Så der er i for sig rigtig mange årsager til, at det er svært at tjene penge. En ting mere man kunne pege på ved de selskaber, der har det sværest – det er jo netværksselskaber.

S: Ja lige præcis

J: De er jo altså blevet disrupted af lavprisselskaberne hen over de sidste mange år, hvor netværksselskaberne de har været skruet sammen efter modeller, efter et marked hvor det gav mening geografisk at være relativt afgrænset – altså Lufthansa i Tyskland, SAS i Skandinavien, British Airways i Storbritannien. De har bygget deres forretning op omkring dem, der havde råd til at flyve for 15-20-30år siden – det er jo de forretningsrejsende. De skulle have masser af frekvenser, de skulle have mange destinationer, de skulle have masser af services og lounges og den slags. Og det er jo i for sig et meget fint marked, indtil lavprisselskaberne de så kom til og begyndte at trække de fritidsrejsende til. De gjorde det med lave priser – og det gjorde de altså ved at lokke de fritidsrejsende ud af netværksselskabernes fly. Lavprisselskaberne de har jo ikke nær det antal frekvenser til de destinationer, de flyver på. Men det er alligevel tilstrækkeligt til at ødelægge mulighederne for netværksselskaberne i dag. Der er mange gode både strukturelle men konkurrencemæssige årsager til, at det er svært i luftfartsindustrien at tjene penge.

S: Men kan man så ikke også argumentere for, at der er nogle af dem der så har sovet i timen for ligesom at følge med?

J: Jo, det er altså... Kig på resultaterne, så er det svært at være uenig med dig. Men der er ingen tvivl om, at de har jo gjort alt, hvad der overhovedet har været muligt for dem, i det tempo det var muligt. Det har ikke været let, når man ser på den store grad af involvering fra fagforeningerne, der traditionelt er i netværksselskaberne. Så det har været hård kost. Så jeg vil sige at: jo, selvfølgelig har de sovet i timen – de skulle have ageret meget tidligere, men det er der jo ikke nogle af netværksselskaberne, der har gjort. Det har blandt andet også noget at gøre med den modsigelse, der er fra fagforeningerne.

S: Ja præcis. Men nu når de så er havnet i den situation, hvor de nu er havnet – og de er lige kommet ud med et katastrofe regnskab igen. Er deres eneste mulighed så endnu en spareplan – eller har de andre muligheder for på kort sigt at vende det om – det har de vel ikke?

J: Altså SAS' helt store mulighed, det er jo, at der er ikke nogen konkurrenter i Skandinavien, der kan levere samme produkt som SAS kan.

S: Der kan levere hvad for noget, siger du?

J: Der kan levere det samme product, som SAS kan. I form af frekvens, i form af fleksibilitet, i form af lounge adgang og i form af forskellige andre services som I særdeleshed dem, der rejser meget, de gerne vil have. Det er SAS' helt store mulighed. Det er da ikke det værste at stå i en situation, hvor du har et unikt produkt. Udfordringer for SAS det er, at man skal kunne tjene penge på det, og så skal man sikre sig, at produktet bliver ved med at være unikt – at man bliver ved med at holde sig adskilt på vigtige områder fra mange af konkurrenterne. Men det er en svær opgave. Man kan sige at i et marked, hvor der er så mange – og hvor der bare er pres på billetpriserne, der er det at arbejde mere effektivt en helt nødvendig del af hverdagen i netværksselskaber.

S: Men nu siger Rickard Gustafson, at de skal ud og spare flere penge. Mener han så, at de skal ud og fyre flere folk?

J: Det vil jeg tro, at han også gør. I regnskabet er der i hvert fald lagt op til, at det kan komme til at koste penge det her. Når det koster penge, så er det tit fordi, at man er nødt til at lave nogle aftaler med medarbejderne og at afskedige dem. Og man har også i den her omgang sagt, at man kommer til at afskedige medarbejdere – særligt inden for administration vil jeg mene, at der stadigvæk er plads.

S: Ja okay. Men i forhold til deres kerneprodukt som de nu har – du siger at de har et unikt produkt. Er der nogen måde de ligesom kan udnytte det – eller differentiere sig på en anden måde. Altså udnytte det bedre for at komme ind i konkurrence igen, for ligesom at lære at tjene penge på det?

J: Jamen du kan sige, at en af de benefits der kan hjælpe dem til det, det er jo loyalitetsprogrammet EuroBonus. SAS sidder jo på, for det der for mig at se må være den mest attraktive kundebase i hele Skandinavien. Et kundekartotek af erhvervsrejsende som flyver ofte. Det er noget for mig at se, der er det mest interessante kundekartotek i hele Skandinavien, og det skal man jo selvfølgelig udnytte i samarbejde med nye partnere til at skabe andre indtægtsstrømme, end dem SAS har i dag. Der mener jeg at man komme meget længere, end der hvor man er.

S: Hvad tænker du i form af andre indtægtsstrømme? Har du nogle eksempler sådan on top of your head?

J: Jamen jeg tænker samarbejder, der gør, at der er nogle, der vil betale for at få adgang til den kundegruppe, som SAS har i deres kundekartotek.

S: Ja okay.

J: Det kan være leverandører af hoteller, det kan være leverandører af biler og forskellige andre ting. Det kan mulig tænkende være producenter og sælgere i det nordiske område, som synes, at den gruppe mennesker kunne vi godt have noget ud af at få adgang til på en mere struktureret måde. Så er jeg ikke i tvivl om at SAS i kraft af den digitalisering, der sker i selskabet, kan få mere ud af de her kunder – i form af: hvad laver de her kunder, hvad har de af behov, hvordan kan vi bedst hjælpe dem med det? Jeg er helt overbevist om, at der ligger et potentiale. Men det er ikke sådan, at det er et man bare lige udtømmer fra den ene dag til den anden. Det kræver virkelig fintænkning, det kræver systemer som kan udnytte det der, og der er man ikke på plads endnu.

S: Nej det er vel et af de helt store problemer generelt med Big Data? Man ved ikke helt hvordan man skal forholde sig til det – og hvordan man kan bruge det på den måde.

J: Nej lige nøjagtigt. Der er man nødt til at skulle have nogle folk ind i selskabet – eller udnytte dem der er der endnu bedre, så man kan sikre sig, at det her bliver en ny indtægtskilde for SAS.

S: Ja okay. Ser du det som en mulighed for at overleve på længere sigt, eller skal der noget andet til?

J: Jeg er lige ved at sige: at en ting er ikke med det strukturelle pres, der er i den her industri. SAS står jo et svært sted i markedet. De er jo en netværksoperatør, med alle de udfordringer det giver – en netværksoperatør med hjemmebaser i de lande hvor lønningerne er absolut højest. De er en netværksoperatør i en region, hvor der indtil videre ikke har været et potentiale for at få nogle langdistance ruter i tilstrækkelig grad til, at SAS har kunnet opbygge en stor og slagkraftig langdistance forretning, som har kunnet skærme dem mod den hårde konkurrence de har på kortere og mellem distancer fra lavprisselskaber.

S: Vi er vel enige om, at hvis man så fik flere langdistance ruter – det kan godt være, at de ikke har nok til dem – men så giver det altså en højere margin, end man har ved de korte ruter?

J: Altså det har der historisk set ikke været nogen tvivl om! Men det marked begynder også at ændre sig nu. Norwegian's aktiviteter indenfor langdistance kan blive – eller er jo allerede i dag – en meget hård konkurrent for SAS.

S: Og også med alle de nye fly de har bestilt. Det bliver jo en kæmpe konkurrent for dem.

J: Ja du har mellemøst selskaberne også, som kommer med nogle slagkraftige tilbud. Det ændrer ikke på, at SAS stadigvæk med udgangspunkt i Norden har nogle områder – altså særligt den nordlige del af Asien. Den kan man faktisk flyve til mere rationelt fra Norden, end hvis det er sådan, at man skal sydover. Så der har man faktisk på en del destinationer en geografisk fordel, som det er svært at kopiere for Lufthansa og for mellemøst selskaberne. Det skal man jo selvfølgelig sikre sig, at man kan tjene penge på.

S: De er vel også de eneste. Norwegian har vel heller ikke tænkt sig at flyve til destinationer som Shanghai og Beijing? Altså jeg tænker, at det er vel mest forretningsrejsende, der flyver til Beijing og Shanghai på den måde – og så rige kinesere?

J: Nej. Jeg tror lige så meget, at det kan have noget at gøre med, at Norwegian ikke kan flyve ind over Rusland. Det ligger der ikke en aftale om – den ene aftale de Skandinaviske lande har med Rusland, den sidder SAS altså på. Det er jo en gammel, gammel aftale. Jeg er ikke i tvivl om, at Norwegian de ville øge deres aktiviteter på Asien alvorligt meget fra Norden, hvis det var sådan, at de kunne få lov til at flyve ind over Rusland også.

S: Det var jeg slet ikke klar over, at den aftale eksisterede.

J: Nej det gør den.

S: Jeg snakkede på et tidspunkt med en fra Singapore Airlines – som jo har et joint-venture med SAS på ruten til Singapore. Hun ser faktisk ikke ekspandering af de interkontinentale ruter som måske nødvendigvis vejen frem, men faktisk sådan flere joint-ventures sådan ligesom man har med Singapore Airlines. Altså for eksempel med joint-venture med Asiana til Seoul eller andre steder hen. Tror du, det er en mulighed?

J: Ja det er jeg ikke i tvivl om. Det er jo noget af det som rigtig mange af de andre store de også snakker om. De her joint-ventures, det er måden at gøre det på. I et eller andet omfang, så er det med til at stilne den konkurrence, der er, når man griber tingene an på den her måde. Der bliver færre aktører, og det giver rigtig god mening for de her selskaber.

S: Jeg havde ikke rigtigt tænkt over det før, fordi jeg havde tænkt, at SAS jo er enormt kendt herhjemme, men ikke så kendt interkontinentalt.

J: Nej lige nøjagtigt. Det er de ikke. Der mangler de noget power i forhold til Lufthansa, Air France-KLM, og hvad de ellers hedder.

S: Er det et problem for dem?

J: Umildbart vil jeg jo sige, at det kan det godt være på nogle forretningsrejsende. Men er SAS' produkt godt nok – er priserne rigtige, så er jeg heller ikke i tvivl om, at så skal kunderne nok komme. Men det er rigtigt, at fra starten af er der nogle kunder, som måske har deres aktiviteter andre steder, har deres fordelsprogrammer hos Lufthansa og nogle af de andre.

S: Ja det er jo svært at vende folk om på den måde, hvis du ligesom er bundet til dem?

J: Ja det er det.

S: Ja, men Jacob jeg tror, at det var det.

J: Okay, jamen super. Jeg håber, at det gav dig lidt indblik til, hvad der foregår – i hvert fald mit syn på hvad der foregår.

S: Det gjorde det i den grad. Så mange tak for det.

J. Super. Jamen velbekomme. Det var så lidt. Skulle du få et enkelt spørgsmål eller to hen ad vejen, så er du velkommen til at ringe.

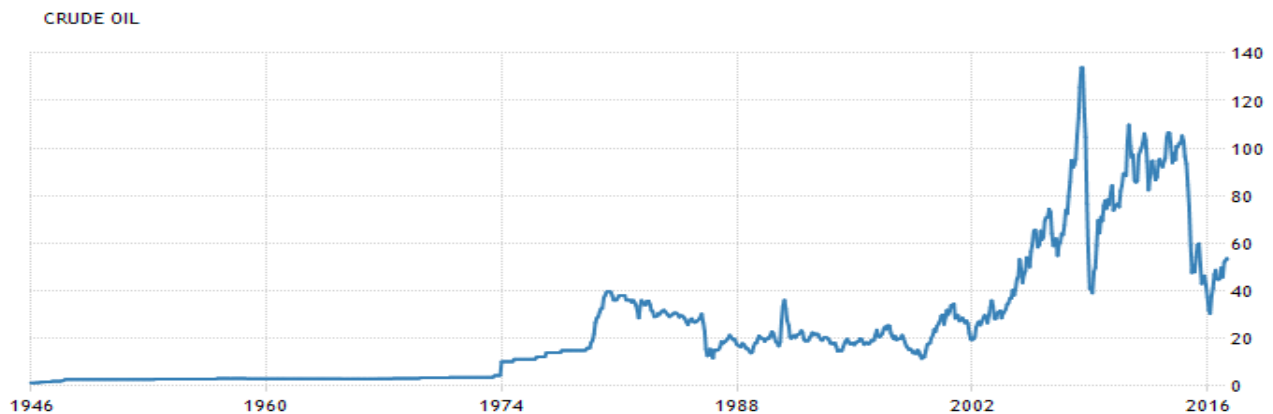
S: Jo tak skal du have. Mange tak for det – og fortsat god dag.

J: Ja, tak. Det var så lidt. Og i lige måde.

S: Hej hej.

J: Hej.

APPENDIX 12 USD/BBL OF CRUDE OIL



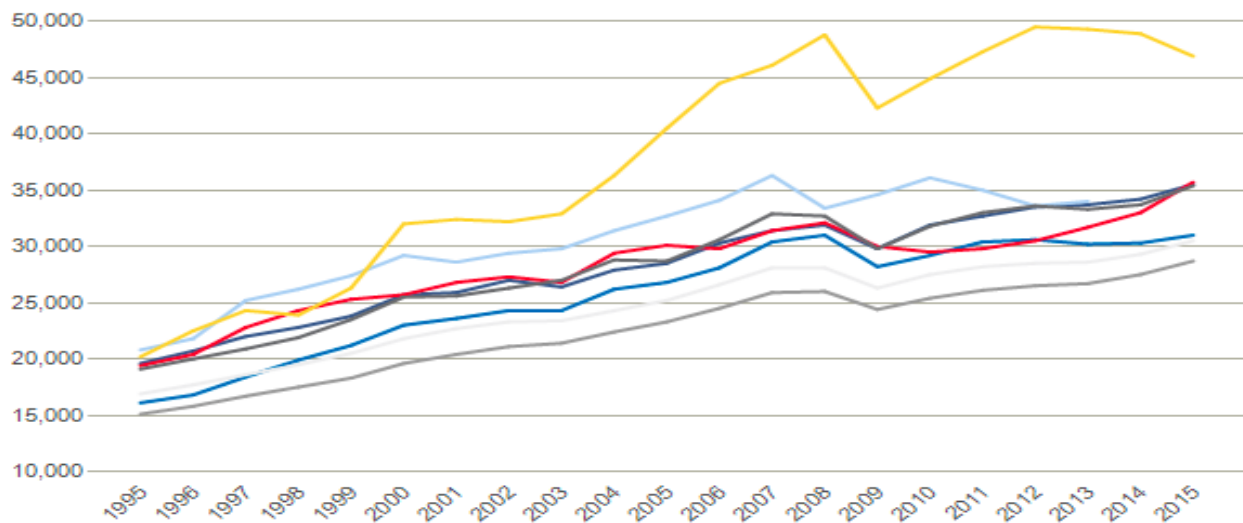
Source: Trading economics (2017)

APPENDIX 13 GROSS DOMESTIC PRODUCT (GDP)

Gross domestic product in PPS/euro

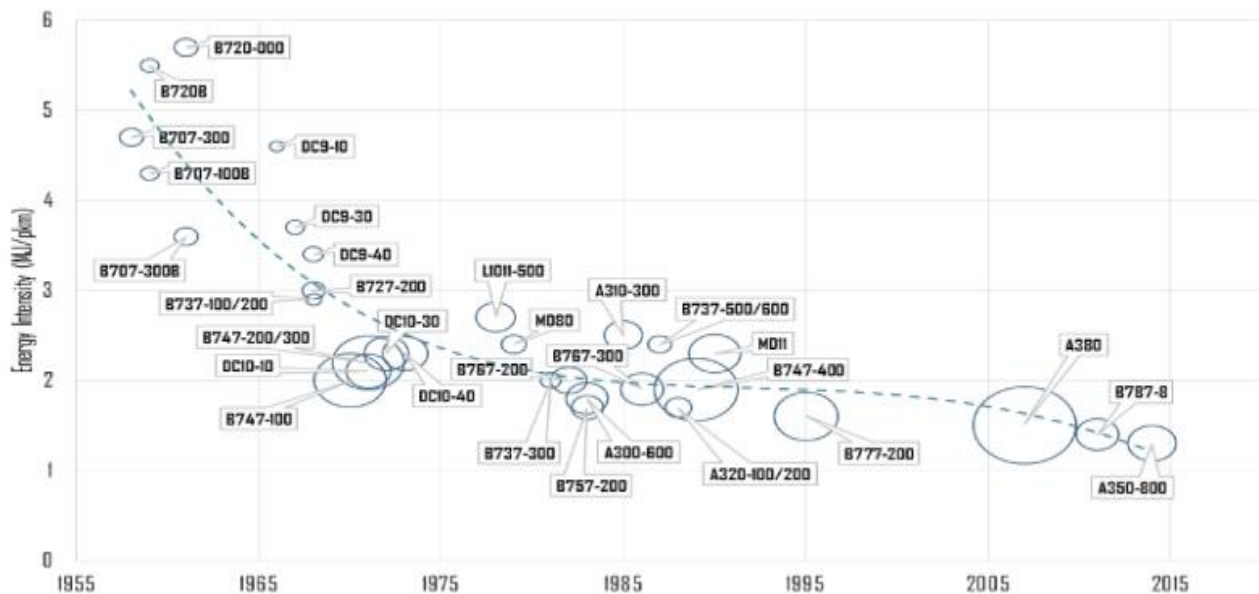
Account: PPS per person | Reporting country:

Denmark Åland Iceland Norway Sweden EA19 EU28
Finland



Source: Nordic Co-operation (2017)

APPENDIX 14 DEVELOPMENT IN ENERGY INTENSITY



Source: The geography of transport systems (2015)

APPENDIX 15 SAS' FINANCIAL AND OPERATIONAL DATA

	1991	1992	1993	1994	1995	1996	1997
Passenger traffic-related key figure							
Number of destination served, scheduled	82	98	104	102	100	101	98
Number of flights, scheduled			314940	297688	295028	309636	320410
Number of passengers, total (000)	16808	16808	18619	18823	18835	19828	20797
Number of passengers, total (000) change			1811	204	12	993	969
Number of passengers, total (000) % change			10,77	1,10	0,06	5,27	4,89
Number of passengers, scheduled (000)							
Available seat km, total (million) (ASK)	24300	26100	27800	27500	28000	30646	31333
Available seat km, scheduled (million)	26396	26396	28581	28154	28447	20646	31333
Revenue passenger km, total (million) (RPK)	15935	16382	18154	18503	18593	19630	20339
Revenue passenger km, scheduled (million)	16547	16554	18138	18466	18506	19487	20339
Load factor, total (%)	69,7	62,7	63,5	65,5	65,1	64,05	64,91
Average passenger distance, total (km)	1108	990	976	983	989	990	978
Punctuality (% within 15 minutes)	63,4	90,6	90	91,3	87,6	87,8	88
Operating revenue							
Passenger revenue (MSEK)	16277	16277	21936	23798	25547	25390	27259
Charter (MSEK)							
Other traffic revenue (MSEK)	1823	1823	1939	2322	2307	2671	3312
Other operating income (MSEK)	14186	16345	15247	10766	5965	7128	8357
Operating revenue (MSEK)	32286	34445	39122	36886	33819	35189	38928
Operating expenses							
Operating expenses (MSEK)	29569	31515	37090	33482	29302	31763	36713
Year end performance							
Operating income (EBIT) (MSEK)	821	1390	249	1391	3019	1902	2383
Income before tax (EBT) (MSEK)	-1292	-760	-492	1505	2632	1817	2231
Net income for the year (MSEK)	-1330	-871	-591	1411	2548	1776	2160

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
101	105	92	128	123	130	146	147	164	158	157
328327	343611	460496	445584	536768	502145	530597	554838	552899	423807	427201
21699	22225	25310	25103	38775	36399	38253	41033	43138	31381	30296
902	526	3085	-207	13672	-2376	1854	2780	2105	-11757	-1085
4,34	2,42	13,88	-0,82	54,46	-6,13	5,09	7,27	5,13	-27,25	-3,46
		25155	24689	32562	31005	34250	36312	38609	29164	29000
31766	33288	36334	38120	54235	54800	60173	62445	63555	44433	45764
31766	33288	24754	36765	47079	47634	51000	52755	53771	40019	41993
20883	21243	23519	23906	37237	36985	41287	44566	46770	33082	33097
20883	21243	23243	23567	30882	30403	32885	35223	38443	29365	29916
65,74	63,82	64,73	62,71	68,66	67,49	68,61	71,37	73,59	74,45	72,32
962	956	929	952	960	1016	1079	1086	1084	1054	1070
82,7	83,5	88	85,1	88,2	90,2	87,1	84,5	78,1	79,3	84,9
28240	28335	33390	36582	45778	38579	36950	39346	36740	38601	38053
								1772	1951	1663
3647	3642	3821	7290	3324	7813	7849	8627	3786	3271	3668
9059	11769	10329	7561	15804	11263	13294	7528	18479	6775	9811
40946	43746	47540	51433	64906	57655	58093	55501	60777	50598	53195
39041	43287	46249	53715	65735	60105	59794	55387	59498	49305	53960
2985	1662	3040	-1140	-543	-1699	-1833	-246	177	1044	-969
2857	1846	2829	-1140	-450	-1470	-1945	2548	177	1052	-1044
2716	1686	2135	-1064	-132	-1415	-1872	-322	4740	636	-6321

2009	2010	2011	jan-okt 2012	2012-2013	2013-2014	2014-2015	2015-2016
134	127	128	136	150	125	119	118
380470	367817	396134	338870	402460	294679	293481	297481
26967	27096	28990	25916	30436	29408	28884	29449
-3329	129	1894	-3074	4520	-1028	-524	565
-10,99	0,48	6,99	-10,60	17,44	-3,38	-1,78	1,96
24898	25228	27206	23979	28057	27061	26941	27738
39934	38851	40953	36126	44629	48158	44289	48620
35571	34660	37003	32813	40583	40971	40877	44956
29025	29391	30668	27702	33451	34714	33781	36940
25228	35711	27174	24746	29650	30686	30561	33508
72,68	75,65	74,89	76,68	74,95	72,08	76,27	75,98
1076	1085	1058	1069	1099	1180	1170	1252
90,1	86,9	88,9	89,4	86,2	88,4	97,9	83,9
32674	29939	30497	26988	31739	28710	30496	30371
2176	1933	1872	1726	2066	2108	1742	1791
2880	3436	3580	3084	3642	3082	3331	4546
7188	5415	5463	4188	4735	4106	4081	2751
44918	40723	41412	35986	42182	38006	39650	39459
48000	42665	40766	36272	39586	37853	37425	37567
-3423	-3060	646	-286	1381	153	2225	1892
-3423	-3060	-1629	-1245	433	-918	1417	1431
-2947	-2218	-1687	-985	179	-719	956	1321

Assets and liabilities	1991	1992	1993	1994	1995	1996	1997
Current assets (MSEK)	15660	16678	19291	14395	13555	15086	14629
Inventories (MSEK)	843	684	582	480	487	636	774
Fixed assets (MSEK)	24854	28790	24566	20904	19345	20784	23000
Total assets (MSEK)	40514	45468	43857	35299	32900	35870	37629
Equity (MSEK)	9639	8958	8631	9915	10588	13030	14241
Current liabilities (MSEK)	10471	11713	12485	9413	10562	9626	11179
Number of employees							
Number of employees	38940	40140	37330	28425	22731	23607	25057
Revenue-related key figure							
Passenger revenue/revenue passenger km, sch	1,02	1,02	0,83	0,78	0,72	0,77	0,75
Passenger revenue/available seat km, schedul	1,62	1,62	1,30	1,18	1,11	0,81	1,15
Other measures	1991	1992	1993	1994	1995	1996	1997
Cost per available seat kilometer (CASK)	1,22	1,21	1,33	1,22	1,05	1,04	1,17
CASK (USD)							
Revenue pr. Available seat kilometer (RASK)	1,33	1,32	1,41	1,34	1,21	1,15	1,24
Yield	2,03	2,10	2,16	1,99	1,82	1,79	1,91
Revenue pr. Employee (labour productivity)	0,83	0,86	1,05	1,30	1,49	1,49	1,55
Total revenue pr. available seat km (TRASK)	1,33	1,32	1,41	1,34	1,21	1,15	1,24
EBT margin (%)	-4,00	-2,21	-1,26	4,08	7,78	5,16	5,73
EBIT margin (%)	2,54	4,04	0,64	3,77	8,93	5,41	6,12
Current ratio	1,50	1,42	1,55	1,53	1,28	1,57	1,31
Equity ratio	0,24	0,20	0,20	0,28	0,32	0,36	0,38
Quick ratio	1,42	1,37	1,50	1,48	1,24	1,50	1,24
Fixed-asset turnover	1,30	1,20	1,59	1,76	1,75	1,69	1,69
Total asset turnover	0,80	0,76	0,89	1,04	1,03	0,98	1,03
Profit margin on sales	-0,04	-0,03	-0,02	0,04	0,08	0,05	0,06
Return on assets (ROA)	-0,03	-0,02	-0,01	0,04	0,08	0,05	0,06
Operating expense ratio	0,92	0,91	0,95	0,91	0,87	0,90	0,94

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
13960	15512	15907	20355	19965	18507	19343	21577	19975	22107	16524
958	1061	1281	1537	1410	1277	1265	1038	993	848	819
26489	28585	33420	42407	46845	42768	38269	36439	31189	26663	26840
40449	44097	49327	62762	66810	61275	57612	58016	51164	48770	43364
16110	17061	19537	15544	15188	13134	11159	12081	16366	17149	7312
14520	16286	17474	22386	24360	22286	21070	22327	16989	20347	16892
27071	28863	30939	31035	35506	34544	32481	32363	21753	21898	24635
0,74	0,75	1,44	1,55	1,48	1,27	1,12	1,12	0,96	1,31	1,27
1,12	1,17	1,35	1,00	0,97	0,81	0,72	0,75	0,68	0,96	0,91
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1,23	1,30	1,27	1,41	1,21	1,10	0,99	0,89	0,94	1,11	1,18
							11,87	12,70	16,41	17,92
1,29	1,31	1,31	1,35	1,20	1,05	0,97	0,89	0,96	1,14	1,16
1,96	2,06	2,02	2,15	1,74	1,56	1,41	1,25	1,30	1,53	1,61
1,51	1,52	1,54	1,66	1,83	1,67	1,79	1,71	2,79	2,31	2,16
1,29	1,31	1,31	1,35	1,20	1,05	0,97	0,89	0,96	1,14	1,16
6,98	4,22	5,95	-2,22	-0,69	-2,55	-3,35	4,59	0,29	2,08	-1,96
7,29	3,80	6,39	-2,22	-0,84	-2,95	-3,16	-0,44	0,29	2,06	-1,82
0,96	0,95	0,91	0,91	0,82	0,83	0,92	0,97	1,18	1,09	0,98
0,40	0,39	0,40	0,25	0,23	0,21	0,19	0,21	0,32	0,35	0,17
0,90	0,89	0,84	0,84	0,76	0,77	0,86	0,92	1,12	1,04	0,93
1,55	1,53	1,42	1,21	1,39	1,35	1,52	1,52	1,95	1,90	1,98
1,01	0,99	0,96	0,82	0,97	0,94	1,01	0,96	1,19	1,04	1,23
0,07	0,04	0,04	-0,02	0,00	-0,02	-0,03	-0,01	0,08	0,01	-0,12
0,07	0,04	0,04	-0,02	0,00	-0,02	-0,03	-0,01	0,09	0,01	-0,15
0,95	0,99	0,97	1,04	1,01	1,04	1,03	1,00	0,98	0,97	1,01

2009	2010	2011	jan-okt 2012	2012-2013	2013-2014	2014-2015	2015-2016
12859	11234	9302	7062	8213	11034	11754	12435
758	678	705	687	361	350	345	312
29636	30591	29883	29692	18600	18291	18512	19319
42495	41825	39185	36754	26813	29325	30266	31754
11389	14438	12433	11156	3226	4907	6339	6026
18037	13455	12863	13487	13404	14034	13652	15906
18786	15142	15184	14897	14127	12329	11288	10710
1,30	0,84	1,12	1,09	1,07	0,94	1,00	0,91
0,92	0,86	0,82	0,82	0,78	0,70	0,75	0,68
2009	2010	2011	jan-okt 2012	2012-2013	2013-2014	2014-2015	2015-2016
1,20	1,10	1,00	1,00	0,89	0,79	0,85	0,77
15,73	15,25	15,34	14,83	13,63	11,47	10,13	9,05
1,12	1,05	1,01	1,00	0,95	0,79	0,90	0,81
1,55	1,39	1,35	1,30	1,26	1,09	1,17	1,07
2,39	2,69	2,73	2,42	2,99	3,08	3,51	3,68
1,12	1,05	1,01	1,00	0,95	0,79	0,90	0,81
-7,62	-7,51	-3,93	-3,46	1,03	-2,42	3,57	3,63
-7,62	-7,51	1,56	-0,79	3,27	0,40	5,61	4,79
0,71	0,83	0,72	0,52	0,61	0,79	0,86	0,78
0,27	0,35	0,32	0,30	0,12	0,17	0,21	0,19
0,67	0,78	0,67	0,47	0,59	0,76	0,84	0,76
1,52	1,33	1,39	1,21	2,27	2,08	2,14	2,04
1,06	0,97	1,06	0,98	1,57	1,30	1,31	1,24
-0,07	-0,05	-0,04	-0,03	0,00	-0,02	0,02	0,03
-0,07	-0,05	-0,04	-0,03	0,01	-0,02	0,03	0,04
1,07	1,05	0,98	1,01	0,94	1,00	0,94	0,95

APPENDIX 16 NORWEGIAN'S FINANCIAL AND OPERATIONAL DATA

	2005	2006	2007	2008
Exchange rate	0,863	0,8702	0,8667	0,8548
Passenger traffic-related key figure				
Number of destination served, scheduled	36	57	70	87
Number of passengers, total (000)	3300	5100	6900	9100
Number of passengers, total (000) change		1800	1800	2200
Number of passengers, total (000) % change		54,55	35,29	31,88
Available seat km, total (million) (ASK)	3464	5371	7561	11530
Revenue passenger km, total (million) (RPK)	2703	4223	6059	9074
Load factor, total (%)	78	79	80,1	78,7
Average passenger distance, total (km)				
Punctuality (% within 15 minutes)				
Operating revenue				
Operating revenue (MSEK)	1702	2559	3663	5322
Operating expenses				
Operating expenses (MSEK)	1676	2585	3547	5611
Year end performance				
Operating income (EBIT) (MSEK)	25	-26	115	-288
Income before tax (EBT) (MSEK)	33	-27	97	4
Net income for the year (MSEK)	23	-18	73	3
Assets and liabilities				
Current assets (MSEK)	432	604	1094	1345
Total assets (MSEK)	582	923	2020	2717
Equity (MSEK)	147	226	440	767
Current liabilities (MSEK)	404	599	1054	1415

2009	2010	2011	2012	2013	2014	2015	2016
0,8223	0,8402	0,8631	0,8593	0,9022	0,9184	0,9571	0,9816
93	97	114	121	125	130	138	130
10800	13000	15700	17700	20700	24000	25800	29300
1700	2200	2700	2000	3000	3300	1800	3500
18,68	20,37	20,77	12,74	16,95	15,94	7,50	13,57
13555	17804	21958	25920	34318	46479	49028	57910
10620	13774	17421	20353	26881	37615	42282	50798
78,2	77,4	79,3	78,5	78,3	80,9	86,2	87,7
6010	7224	9090	11050	14056	17946	21526	25576
5540	7047	8731	10703	13180	19240	21193	23788
470	176	356	346	874	-1295	332	1787
512	204	143	535	394	-1494	72	1480
367	143	105	392	290	-982	235	1114

Number of employees	2005	2006	2007	2008
Number of employees	560	669	1196	1392
Other measures				
Cost per available seat kilometer (CASK)	0,48	0,48	0,47	0,49
Revenue pr. Available seat kilometer (RASK)	0,49	0,48	0,48	0,46
Yield	0,63	0,61	0,60	0,59
Revenue pr. Employee (labour productivity)	3,04	3,83	3,06	3,82
EBT margin	1,93	-1,05	2,65	0,08
Operating expense ratio	0,98	1,01	0,97	1,05
Current ratio	1,07	1,01	1,04	0,95
Equity ratio	0,25	0,25	0,22	0,28

2009	2010	2011	2012	2013	2014	2015	2016
1852	2137	2435	2890	3965	4570	4576	5796
0,41	0,40	0,40	0,41	0,38	0,41	0,43	0,41
0,44	0,41	0,41	0,43	0,41	0,39	0,44	0,44
0,57	0,52	0,52	0,54	0,52	0,48	0,51	0,50
3,25	3,38	3,73	3,82	3,55	3,93	4,70	4,41
8,52	2,83	1,58	4,84	2,80	-8,33	0,33	5,79
0,92	0,98	0,96	0,97	0,94	1,07	0,98	0,93
0,99	0,83	0,63	0,60	0,74	0,45	0,56	0,43
0,32	0,27	0,22	0,20	0,18	0,09	0,09	0,11

APPENDIX 17 NOK TO SEK

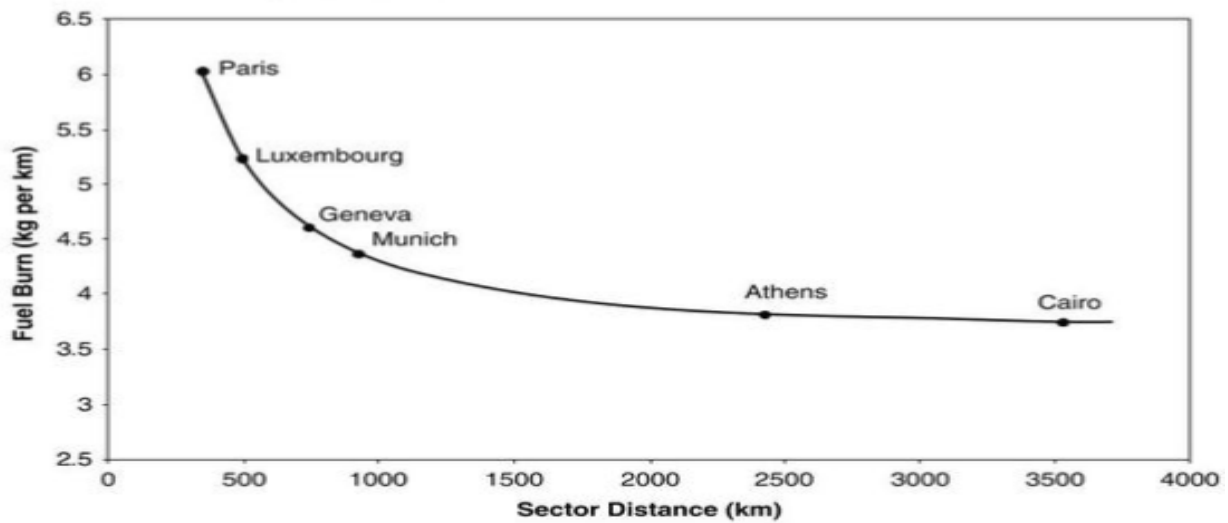
Currency	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOK	1	1	1	1	1	1	1	1	1	1	1	1
SEK	0,86	0,87	0,86	0,85	0,82	0,84	0,86	0,86	0,90	0,92	0,96	0,98

Source: Norges Bank (2017)

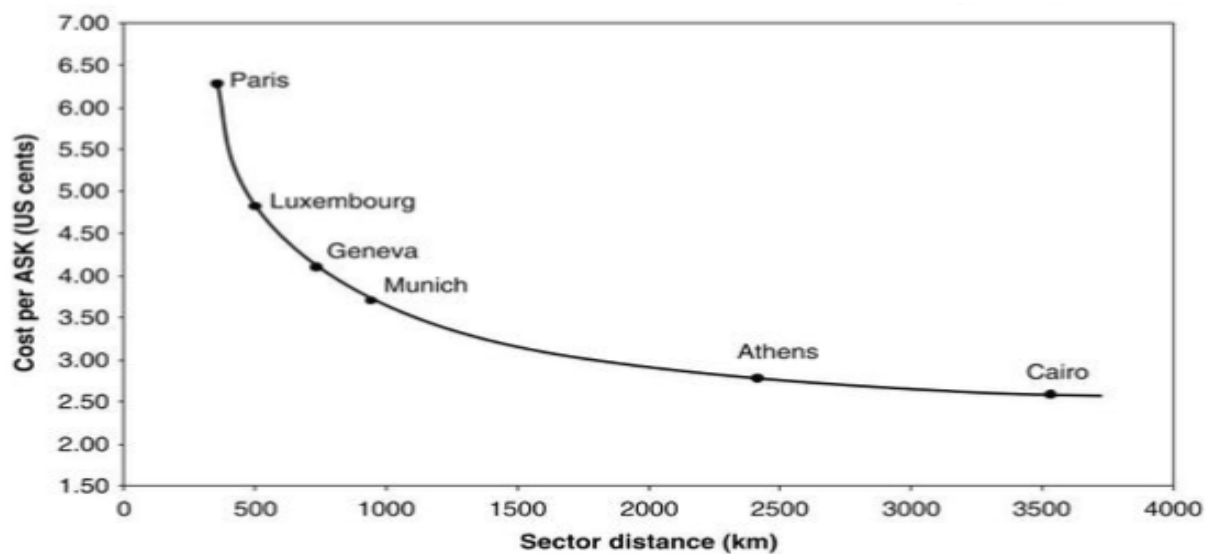
APPENDIX 18 USD TO SEK

Currency	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
USD	1	1	1	1	1	1	1	1	1	1	1	1
SEK	7,47	7,37	6,76	6,58	7,64	7,20	6,49	6,77	6,51	6,85	8,34	8,56

Source: Sveriges Riksbank (2017)

APPENDIX 19 FUEL BURN AND CASK FOR AIRBUS A321

Source: Doganis (2010, P. 112)



Source: Doganis (2010, P. 113)

APPENDIX 20 MOST IMPORTANT FACTORS IN CHOICE OF AIRLINE FOR BUSINESS TRIPS, 2007

Percentage of travellers who mentioned each factor

<i>For long-haul</i>	<i>%</i>	<i>For short-haul</i>	<i>%</i>
FF/mileage programme	51	FF/mileage programme	44
Seat comfort C	32	Most convenient dept/arr. times S	31
Non-stop flights S	30	Non-stop flights S	30
Sleeping comfort C	25	Punctuality S	28
Most convenient dept/arrivals S	25	Value for money	25
Quality of service C	24	Seat comfort C	21
Previous good experience C	22	Offered lowest fare	19
Safety standards	20	Safety standards	18
Value for money	19	Quality of service C	17
Punctuality S	18	Connection time S	16
Route network S	16	Route network S	16
Best for connections S	15	Previous good experience C	15
Airport lounges C	15	E-ticketing available	15
Airline reputation	15	Convenient airport S	15
		Best for connections S	15
Several other factors all below 15% mention.			

Source: IATA (2008c).

Notes

Respondents asked to name five most important factors so % added to more than 100.

Choice of 29 factors offered in questionnaire.

S = Schedule-based factor, C = Comfort-based factor.

Source: Doganis (2010, P. 230)

APPENDIX 21 DIFFERENCE IN SERVICE OFFERINGS BETWEEN SAS AND NORWEGIAN

SAS & Norwegian Nordic and Europe flights

Service		SAS			Norwegian	
Class	SAS Go Light	SAS Go	SAS Plus	LowFare	LowFare+	Flex
Carry-on bag	8Kg	8Kg	8Kg	10Kg	10Kg	15Kg
Check-in bag		23Kg	2 x 23Kg	Fee	20Kg	2 x 20Kg
Seat reservation	22h before departure	22h before departure	When booking	Fee	Free	Free

Ticket changes	Fee	Fee	Exchangeable and refundable	Fee	Fee	Exchangeable and refundable
Upgrades	Fee	Fee		Fee + price difference	Fee + price difference	
Food and drinks	Coffee and tea included	Coffee and tea included	Food and drinks included	Fee	Fee	Fee
On-board Wifi	Fee	Fee	Included	Free	Free	Free
Loyalty program	Eurobonus	Eurobonus	More Eurobonus	Norwegian Reward	Norwegian Reward	Norwegian Reward
Fasttrack			Access	Fee	Fee	Access
Lounge			Access			

Source: Norwegian (2017) & SAS (b) (2017)

SAS rest of the world flights

Service	SAS Go	SAS Plus	SAS Business
Carry-on bag	8Kg	2 x 8Kg	2 x 8Kg
Check-in bag	23Kg	2 x 23Kg	2 x 23Kg
Seat reservation	Before departure	When booking	When booking
Ticket changes	Fee	Exchangeable and refundable	Exchangeable and refundable
Upgrades	Fee	Fee	
Food and drinks	Food and non-alcoholic drinks included	Food and drinks included	Food and drinks included
On-board Wifi	Fee	Free	Free
Blanket and headset	Free	Free	Free
Loyalty program	EuroBonus	EuroBonus	More EuroBonus
Fasttrack		Access	Access
Lounge		Access	Access

Source: SAS (b) (2017)

Norwegian long-haul flights

Service	LowFare	LowFare+	Flex
Carry-on bag	10Kg	10Kg	15Kg
Check-in bag	Fee	20Kg	2 x 20Kg
Seat reservation	Fee	Free	Fee
Ticket changes	Fee	Fee	Exchangeable and refundable
Upgrades	Fee + price difference	Fee + price difference	Price difference
Food and drinks	Fee	Food Included	Food Included
On-board Wifi	Free	Free	Free
Blanket and headset	Fee	Fee	Fee

Loyalty program	Norwegian Reward	Norwegian Reward	Norwegian Reward
Fasttrack	Fee	Fee	Access

Source: Norwegian (2017)

Norwegian international long-haul flights (premium class)

Service	Premium	PremiumFlex
Carry-on bag	10Kg	15Kg
Check-in bag	2 x 20Kg	2 x 20Kg
Seat reservation	Free	Free
Ticket changes	Fee	Exchangeable and refundable
Upgrades	Fee + price difference	
Food and drinks	Food included	Food included
On-board Wifi	Free	Free
Blanket and headset	Free	Free
Loyalty program	Norwegian Reward	Norwegian Reward
Fasttrack	Access	Access
Lounge	Access	Access

Source: Norwegian (2017)

APPENDIX 22 KEY PRODUCT FEATURES AFFECTING TRAVEL DECISIONS AND CHOICE OF AIRLINE

1	Price	Fare levels and conditions
2	Schedule based	Points served and routings Frequency Timings Connections Punctuality
3	Comfort based	Type of aircraft Interior configuration Individual space On-board service Ground/terminal service Airline lounges In-flight entertainment (IFE)
4	Convenience	Distribution/reservations system Capacity management policy Seat availability Ability to change reservations
5	Image	Reputation for safety Branding Frequent flyer loyalty schemes Promotion and advertising Market positioning

Source: Doganis (2010, P. 228)

APPENDIX 23 SAS' INTERCONTINENTAL FINANCIAL AND OPERATIONAL DATA

Intercontinental routes	1991	1992	1993	1994	1995	1996	1997
Number of passengers (000)					1005	1055	1063
As % of total					5,34	5,32	5,11
To last year						4,98	0,76
ASK (million)			9174	9075	9140	9723	9380
As % of total			33,00	33,00	32,00	31,73	29,94
To last year				0,00	-3,03	-0,85	-5,64
RPK (million)	6441	6634	7122	7193	7112	7441	7437
As % of total		40,00	39,00	39,00	38,00	37,91	36,57
To last year		-3,00	7,00	1,00	-1,00	4,63	-0,05
Passenger revenue						3744	4232
As % of total						14,75	15,53
To last year							13,03
Operating revenue	2607	3046				3871	
As % of total	8,07	8,84				11	
To last year		16,84					
Operating expenses							
As % of total							
To last year							
Load factor	71,9	74,1	76,1	77,8	77,8	76,5	79,3
RASK							
CASK							

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1076	1128	1201	1220	1420	1403	1477	1480	1400	1300	1400
4,96	5,08	4,75	4,86	3,66	3,85	3,86	3,61	3,25	4,14	4,62
1,22	4,83	6,47	1,58	16,39	-1,20	5,27	0,20	-5,41	-7,14	7,69
9620	10088	10110	10526	11647	12634	12941	13079	12323	11658	11775
30,28	30,31	27,83	27,61	21,48	23,05	21,51	20,94	19,39	26,24	25,73
1,16	0,07	-8,18	-0,76	-22,23	7,36	-6,72	-2,61	-7,43	35,32	-1,94
7475	7625	8150	8264	9783	9708	10393	10473	10207	10779	11210
35,79	35,89	34,65	34,57	26,27	26,25	25,17	23,50	21,82	-5,60	33,87
0,51	2,01	6,89	1,40	18,38	-0,77	7,06	0,77	-2,54	5,60	4,00
4140	4212	4876	5312	5804	4979	5389	5674	6060	5914	6269
14,66	14,87	14,60	14,52	12,68	12,91	14,58	14,42	16,49	15,32	16,47
-2,17	1,74	15,76	8,94	9,26	-14,21	8,23	5,29	6,80	-2,41	6,00
			6622	7571	6759	6978	7736	7805	7625	8043
			12,88	11,66	11,72	12,01	13,94	12,84	15,07	15,12
				14,33	-10,73	3,24	10,86	0,89	-2,31	5,48
							7089	6907		7524
							12,80	11,61		13,94
								-2,57		
77,7	75,6	80,6	78,5	83,3	76,8	80,3	80,1	82,8		
			0,63	0,65	0,53	0,54	0,59	0,63	0,65	0,68
							0,54	0,56		0,64

2009	2010	2011	2012	2013	2014	2015	2016
1124	1195						
4,17	4,41						
-19,71	6,32						
9954	9724						
24,93	25,03						
-3,12	0,41						
8001	8475						
27,57	28,84						
-28,62	5,92						25,2
4866	5143	5412	5064	6042	5998	6462	7344
14,89	17,18	17,75	18,76	19,04	20,89	21,19	24,18
-22,38	5,69	5,23	-6,43	19,31	-0,73	7,74	13,65
6002	6839	7037	6405	7660	7533	8049	9075
13,36	16,79	16,99	17,80	18,16	19,82	20,30	23,00
-25,38	13,95	2,90	-8,98	19,59	-1,66	6,85	12,75
80,4	87,2				83,0		
0,60	0,70						