CFAC – The Aviation Series

Edited by Prof. Dr. Roland Müller and Dr. Andreas Wittmer

Volume 14

Julian Rossy / Andreas Wittmer / Erik Linden

Rethinking Airline Business Models



Table of content

List o	of figures	V
List o	of tables	VII
List o	of acronyms and abbreviations	IX
Abstr	-act	XI
1.	Introduction	
1.1.	Problem definition and research question	
1.2.	Methodology & approach	2
2.	Current research and theoretical background	5
2.1.	The business model triangle	5
2.2.	The components of the airline business model	7
2.3.	Special characteristics of air travel	9
3.	Airline business models	11
3.1.	Network strategies	11
3.2.	Accepted business model strategies	
3.3.	Convergence and hybridization	21
3.4.	Business model reflections	23
4.	The Airline Business Model Framework	
4.1.	Cost structure	27
4.2.	Revenue model	
4.3.	Operating space	
4.4.	Network	
4.5.	Targeted airports	
4.6.	Fleet	
4.7.	Collaboration level	
4.8.	Target customer	
4.9.	Travel class(es)	
4.10.	Loyalty	
4.11.	Distribution	
4.12.	Sale bundle	49

4.13.	Minimum service level	51
4.14.	Results	55
4.15.	Other elements	57
5.	Definition of new business models	59
5.1.	No-frills carriers	60
5.2.	The Unbundlers	64
5.3.	Boutique carriers	69
5.4.	The Connectors	74
6.	Application of the framework	79
6.1.	Decision tree and examples	79
6.2.	Link between models	80
6.3.	The goal: clear value proposition	81
6.4.	Hybrid airlines: case studies	82
6.5.	Pre-conclusion: the evolution	84
7.	Discussion and conclusion	
7.1.	Discussion	87
7.2.	Recommendations	88
7.3.	Limitations and further research	89
List o	of interviews	91
References		
Appe	ndixes	99

List of figures

Figure 1:	Construction of the book.	3
Figure 2:	The magic triangle	5
Figure 3:	A hub-and-spoke network.	11
Figure 4:	A point-to-point network	12
Figure 5:	Typology of airline business models	13
Figure 6:	The "Airline Business Model Framework"	26
Figure 7:	The patterns of the "cost structure" component.	27
Figure 8:	The pattern of the "revenue model" component	29
Figure 9:	The patterns of the "operating space" component	30
Figure 10:	The patterns of the "network" component	31
Figure 11:	The patterns of the "targeted airport" component.	34
Figure 12:	The patterns of the "fleet" component	
Figure 13:	The patterns of the "collaboration level" component	38
Figure 14:	The pattern of the "target customer" component	42
Figure 15:	The patterns of the "travel class(es)" component	43
Figure 16:	The patterns of the "loyalty" component	44
Figure 17:	The patterns of the "distribution" component.	46
Figure 18:	The patterns of the "sale bundle" component	49
Figure 19:	The patterns of the "minimum service level" component	51
Figure 20:	Three patterns of minimum service level.	51
Figure 21:	The outputs of the "Airline Business Model Framework"	55
Figure 22:	A hybrid business model	56
Figure 23:	A pure business model	56
Figure 24:	The patterns followed by a No-frills carrier.	60
Figure 25:	The patterns followed by an Unbundler.	65
Figure 26:	The patterns followed by a Boutique carrier.	70
Figure 27:	The patterns followed by a Connector	74
Figure 28:	New business models decision tree.	79

Figure 29:	Representation of the business models based on the minimum	
	service level	1
Figure 30:	Graphical representation of the evolution of business models8	5

List of tables

Table 1: Compo	nents of an airline business model	8
Table 2: Charact	teristics of a low-cost carrier	15
Table 3: Charact	teristics of a full-service carrier	17
Table 4: Charact	teristics of a regional carrier.	19
Table 5: Charact	teristics of a leisure carrier	20
Table 6: Exampl	le of a No-frills carrier: Allegiant Air	64
Table 7: Exampl	le of an Unbundler: AirAsia	69
Table 8: Exampl	le of a Boutique carrier: JetBlue	73
Table 9: Exampl	le of a Connector: Singapore Airlines	77