

Infoarena, Zagreb, 9. November 2011

Airline Business Models: Cooperation – Consolidation – Integration?

Panel 2

Dr. Andreas Wittmer

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Content

- What are business models?
- Development of airline business models
- Cooperation – Consolidation - Intergration

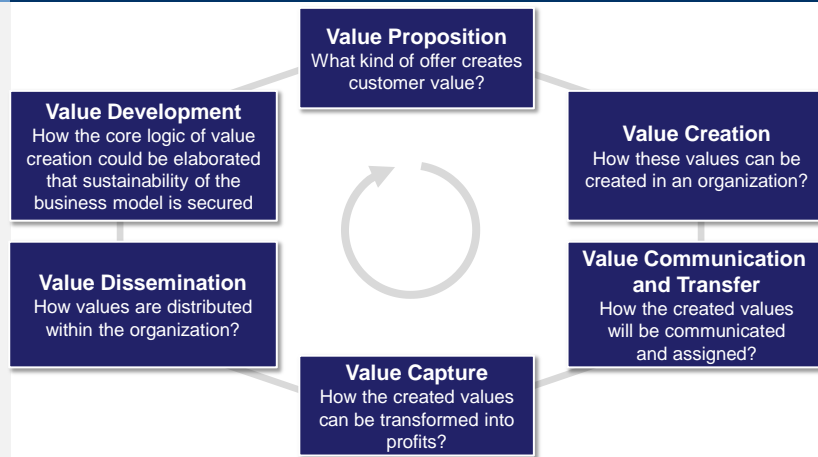
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The Concept of Value-Based Business Models



A business model describes the logic of how an organization creates value!



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Quelle: Bieger & Reinhold(2011)



Putting business models in place

**Normative
Company
Policy**

Legitimation of company

Development of vision, mission statement, code of ethics, etc.

Strategy

Creation and maintenance of a sustainable success

Development of strategies (company, business segment, competition)

**Business
Model**

Creation and skimming of value

Development of value mechanisms

**Operative
Planning**

Operative process control and securing financial liquidity

Development of budgets, processes and structures



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Quelle: Bieger & Reinhold (2011)

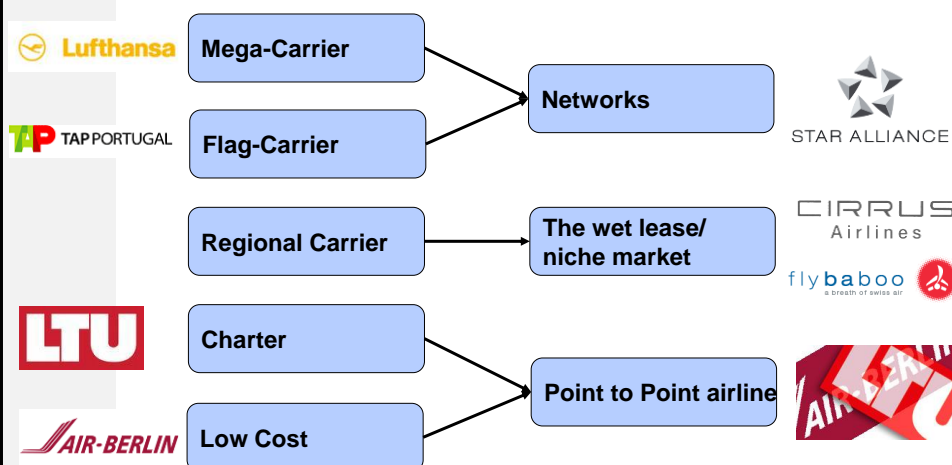


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Airline Business Models



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Sucess factors

Network/Hub Airlines	Wet Lease (Regional carriers)	Point to Point: Low Cost	Point to Point: Charter Airlines
<ul style="list-style-type: none"> - Extensive market coverage and growth due to network effects - Alliances - Ability to adopt homogeneous processes and quality 	<ul style="list-style-type: none"> - Niche destinations - Flexible cooperation in alliances - Cost efficiency - Dominance on regional markets 	<ul style="list-style-type: none"> - Easy processes - Cost efficiency - High flow of traffic 	<ul style="list-style-type: none"> - Relation to/integration in tour operators - Cost efficiency - Integrated management of capacity



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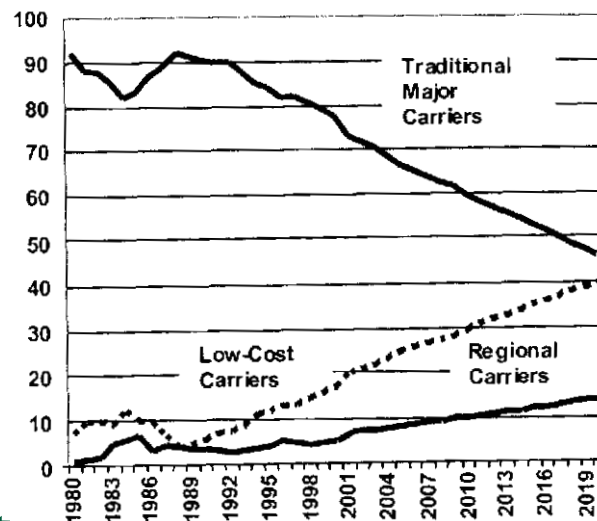
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Quelle: Bieger 2005



Development of Market Shares between the different Business Models

Market Share in %



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Source: Delfmann 2005



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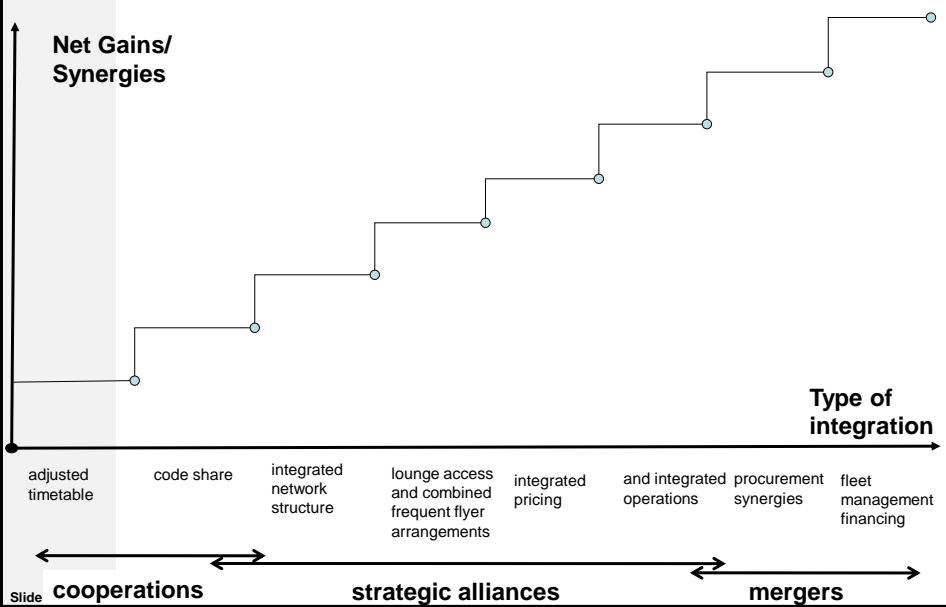
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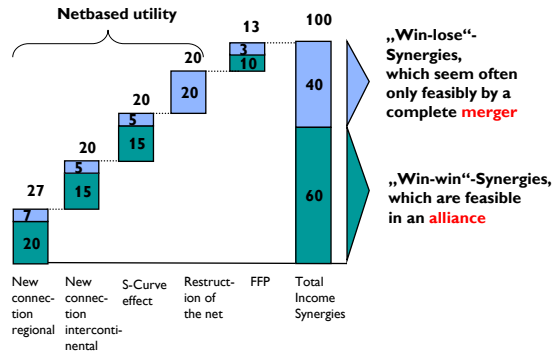


Internalisation of net effects by airlines



Revenue side of net effects

Percentage of the total income synergies* through alliances/mergers



*) Source: estimation according to McKinsey

**) Source: Publication Airlines, CE Analyse, P/KA

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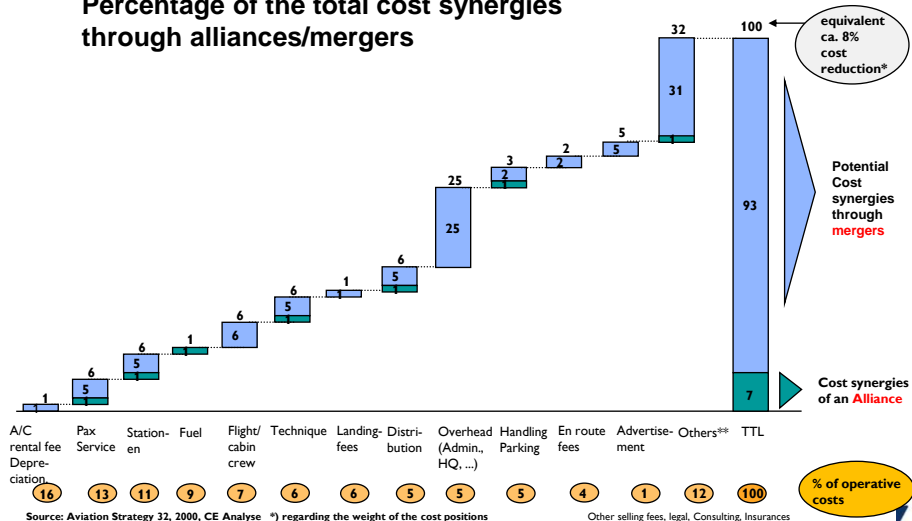
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Source: Döring 2006



Cost side of net effects

Percentage of the total cost synergies through alliances/mergers



Source: Aviation Strategy 32, 2000, CE Analyse *) regarding the weight of the cost positions

Other selling fees, legal, Consulting, Insurances

Sli

Source: Döring 2006

Example: British / Iberia – Network Fit

- Complementary transatlantic networks
 - BA currently a leading long haul North Atlantic carrier
 - Iberia currently a leading long haul South Atlantic carrier
- Highly complementary worldwide fit



Source: Presentation Merger announcement BA and Iberia, 12.11.2009

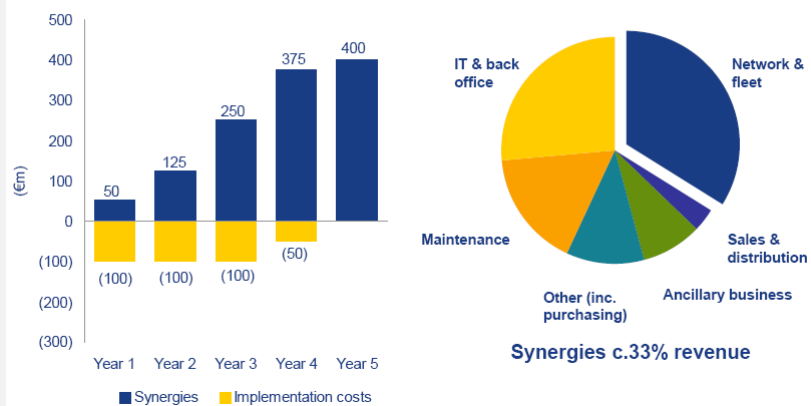
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Expected Synergies of Integration

Breakdown of synergies and expected timing



Source: Presentation Merger announcement BA and Iberia, 12.11.2009

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Conclusions

- Business Models combine the strategy with the operative planning.
- Networks are a main source for success of business models.
- Success of integration depends on network fit.
- Further integration from alliances creates significant synergies.

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Many thanks for your attention! Questions?

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