Introduction to Airline Business

Content

After this lesson, you'll gain an understanding of the following

- Introduction to Air Transport
- What is an airline?
- The different airline types

Air Transportation

- **What is Air Transport?**
- The movement of passengers and cargo by flying machines such as airplanes and helicopters.
  - Primary means of common-carrier traveling.
  - Provides a communication or medical link, which is sometimes vital, between the different groups of people being served.


AirCare


5H - PAE

Air Transportation

- Air transport is an important enabler to achieving economic growth and development.

Facilitates integration into the global economy

Provides vital connectivity on a national, regional, and international scale.

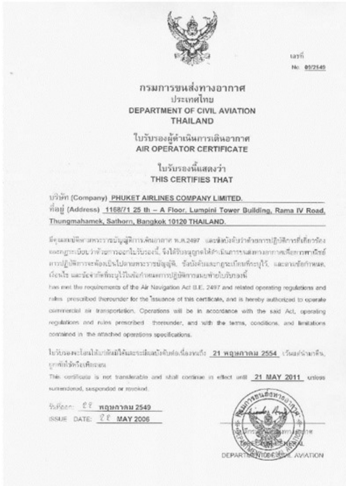
What is an airline ?

Definition:

- An airline is a company that provides air transportation services for passengers and or freight.
- A commercial enterprise that provides air transport services.

What is an airline?

- The airline company is issued with an operating certificate known as AOC (Air Operator Certificate) by the local government for authorisation for commercial carriage.



เลขที่
No. 09/2549

กรมการขนส่งทางอากาศ
ประเทศไทย
DEPARTMENT OF CIVIL AVIATION
THAILAND

ใบรับรองผู้ดำเนินการเดินอากาศ
AIR OPERATOR CERTIFICATE

ใบรับรองนี้แสดงว่า
THIS CERTIFIES THAT

บริษัท (Company) PHUKET AIRLINES COMPANY LIMITED.
ที่อยู่ (Address) 1168/71 25 th – A Floor, Lumpini Tower Building, Rama IV Road, Thungmahamek, Sathorn, Bangkok 10120 THAILAND.

has met the requirements of the Air Navigation Act B.E. 2497 and related operating regulations and rules prescribed thereunder for the issuance of this certificate, and is hereby authorized to operate commercial air transportation. Operations will be in accordance with the said Act, operating regulations and rules prescribed thereunder, and with the terms, conditions, and limitations contained in the attached operations specifications.

21 พฤษภาคม 2554

This certificate is not transferable and shall continue in effect until 21 MAY 2011 unless surrendered, suspended or revoked.

วันที่ออก: 22 พฤษภาคม 2549
ISSUE DATE: 22 MAY 2006

DEPARTMENT OF CIVIL AVIATION

AIR OPERATOR CERTIFICATE

REPUBLIC OF THE PHILIPPINES

MIA Rd. corner Ninoy Aquino Ave, Pasay City Metro Manila, Philippines 1300

ISSUING AUTHORITY:
CIVIL AVIATION AUTHORITY OF THE PHILIPPINES

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AOC#: 2014059

Expiry Date: 03 JULY 2016

OPERATOR NAME:
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This certifies that ZENITH AIR INC. is authorized to perform commercial air operations, as defined in the attached Operations Specifications, in accordance with the Operations Manual and Part 9 of the Philippines Civil Aviation Regulations, series of 2011.

Date of Issue: 04 JULY 2014

LT GEN WILLIAM K HOTCHKISS III AFP (Ret)
Director General

What is an airline ?

- Airlines vary from those companies with a single airplane carrying mail or cargo to full-service international airlines who are operating hundreds of airplanes.

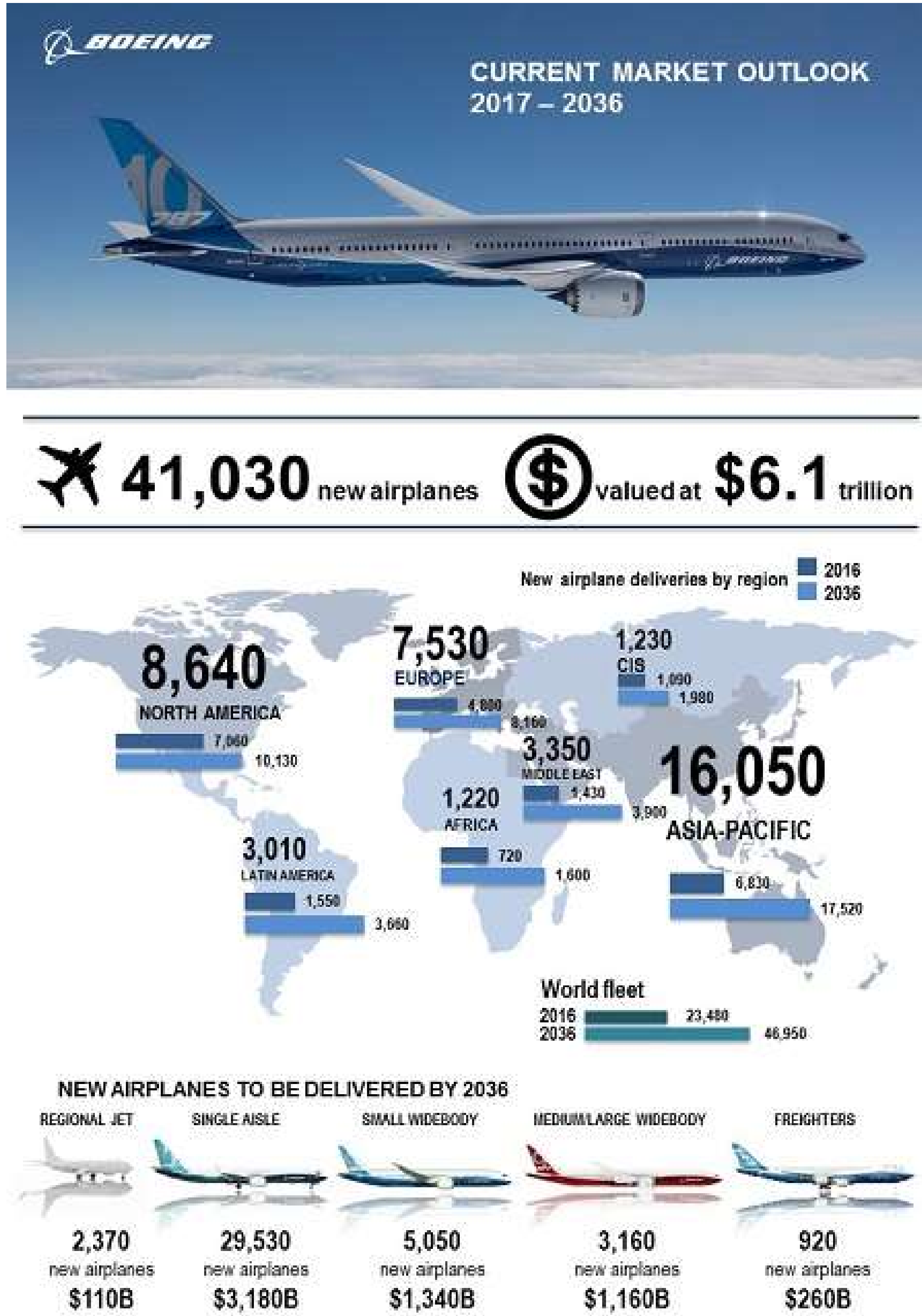
- Airlines may operate equipment with aircraft, business jet, helicopters, or hot air balloon and may be combine equipment.

What is
an airline
?

What is an airline?

- Airline industry is of enormous economic importance to national economies and global commerce.
- Airline industry has played an important role in today’s international trade both in the manufacturing industry and tourism industry.

Boeing current market outlook 2017-2036



Airline category

- Airlines may be divided into different categories by different methodology

Service locations
Schedule
Service Level

Airline Category Service locations

- Airline services can be segments as

Domestic

Provide air transportation services within a country

Operates only domestic flights - departure and the arrival take place in the same country.

Regional

Provide air transportation service within the continent.

Serve the intra-continental sector

International

Provide air transportation services across continents and countries.

Departure and the arrival take place in different countries and inter-continent.

Alert: US & Australia's definition

Regional airlines are airlines that operate regional aircraft to provide passenger air service to communities without sufficient demand to

Airline category Schedule

- An airline may be operated as

Scheduled services

Operates regularly and planned schedule.

The general public can obtain tickets directly from the airline or travel agents.

Charters

A charter airline also referred to as an air taxi, operates aircraft on a charter basis

Airline Category Schedule

THAI

Thai Airways International operated scheduled flights to 84 destinations in 37 countries, using a fleet of over 90 aircraft.

miami air INTERNATIONAL

Miami Air International was charter airline based in Miami-Dad County, Florida. The airline operated worldwide passenger charter flights for diverse groups including cruise operators, professional sports teams and, the United States military.

Airline category
Service Level

- An airline may be classified based on the services offered as

Full Services

Low Cost

Airline category? Service level

Full Service - also known as full service network carriers (FSNC), traditional airlines, major airlines

Charge higher ticket prices	Amenities charge included in the fare	Distribute their tickets in many channels
Multiple aircraft types	Two, three or four classes of service	Airport facilities
Inflight facilities and amenities	Hub and spoke operations	Short, medium and long haul routes

Airline category? Service level

Low Cost Airlines – also known as 'no frill' airlines

Lower ticket price

Customers pay for the services and amenities they demanded.

No in-flight entertainment

Focus on internet sales

Heavy advertisements

Single aircraft type (Narrow body aircraft)

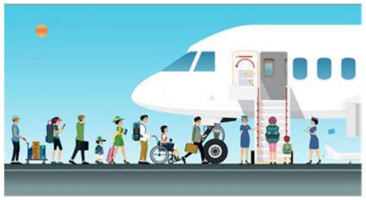
A single class of services

Serving secondary airport

Point to Point

Domestic short-to medium-haul routes

Quick turnaround








WHY CHOOSE ANY ONE OF THE TWO?

In either case, your safety as a passenger isn't compromised, though the smart thing to do is have travel insurance, just in case. But why choose either?

Low cost carriers usually offer discounts, though in the event of cancellations, you may be stranded for much longer, and may have to board at early hours or very late (commonly called red-eye) flights

Due to the rising costs, many legacy carriers have cut full meals out in favor of offering snacks and drinks for purchase during flights. A main takeaway from full-service carriers is that in case of flight cancellations,

Airline business model

- Airlines can be categorised as adopting one of seven basic types of business models.

- Full-service network (or legacy) carriers (FSNCs),
- Low cost carriers (LCCs)
- Hybrid Carriers
- Charter Airlines
- Regional Airlines
- Specialist Airlines
- Cargo Airlines

Airline business model

- Full service network carriers (FSNCs)
  - The world’s major FSNCs, including British Airways, Lufthansa, and KLM, were originally established as state-owned ‘flag carriers’ with extensive global networks.
  - Over time, they have developed partnerships with other operators and have adapted their business model in response to a changing competitive environment.

Airline business model

- Full-service network carriers (FSNCs) characteristics

Fully or partially owned by the government	Hub and spoke operations	Primary airports
Network	Multi aircraft types (Wide and narrow body aircrafts)	Interline agreement
Alliances and codeshare	Yield Management	

Case Study

- Founded in 1920 as the Queensland and Northern Territories Aerial Services Ltd, Qantas has grown to become Australia's largest domestic and international airline. The Group has two complementary airline brands – the premium full service brand Qantas and low cost Jetstar.

- Qantas operates a mixed fleet of narrow and wide-body Airbus and Boeing aircraft, including the A380. As a member of Oneworld and its alliances with Emirates, China Eastern and American Airlines, Qantas links over 1,200 destinations in more than 150 countries. In 2018, Qantas carried 22 million domestic and 8 million international passengers on almost 5,000 weekly flights. In 2018, Qantas inaugurated a new service from Perth to London with a B787–9 aircraft. This was the first non-stop direct flight between Australia and Europe.

(Air Transport Management, 2nd Edition, 20200403, p. 135)

Airline business model

- Low cost carriers (LCCs)
  - LCCs, or no-frills budget airlines, have become an established model of operation in domestic and regional markets worldwide as a result of deregulation and liberalisation of the airline sector owing to ease of market entry and selecting routes with market potential.
  - LCCs apply a simple, streamlined business model where the control of costs is all important. While there are many common features of a LCC, the sector is not homogeneous, and differences occur between carriers according to location and the state of the market.

Airline business model

- Low cost carriers (LCCs) characteristics

Narrow body aircraft B737/A320	11+ hours utilisation per aircraft per day	Short-haul operations (1-3 hours flight time)	Fast turnarounds.
Point-to-point services	Secondary regional airports.	No transfers or interlining.	One-class all-economy configuration
Predominantly leisure travellers and less time-sensitive travellers.	Simple fare structures.	Independent	Pay lower wages and try to avoid collective union bargaining.

Case Study

- Easyjet was founded in 1995 as a private limited company owned by Easy Group and it's also listed on the London Stock Exchange. The airline operates on a low cost budget, flying more than 15 million people a year and offers services for leisure and business passengers and it flies to 100 top European routes.

Airline business model

- Ultra low cost carriers (ULCC) (Europe/North America)
  - Some LCCs, notably Hungary’s Wizz Air and US Spirit Airlines are termed ultra-low-cost carriers (ULCCs), which means they have unbundled the product to its fundamentals even further from the LCCs.
  - Passengers pay for any extra product or service they require

Airline business model

- Ultra low cost carriers(ULCC) characteristics

Minimal inclusions in the fare and a greater number of add-on fees.

- Boarding card issue fee
- Check in fee
- Card payment fee

The seat that does not recline

No seat pocket

Case Study

- Spirit describes itself as an “ultra-low-cost-carrier”, and specifically targets price conscious customers with low fares and a “no frills” flying experience. It is committed to being the lowest-cost airline to be recognized as the low fare leader in the markets they serve.

- Moreover, rather than offer its customers a bundled price that airlines traditionally use to cover the cost of non-essential services beyond the base fare (e.g. checked luggage, advance seat assignments, refreshments, staff assistance at check-in), Spirit unbundles these options and gives its customers the option to pay for them individually.

Airlines characteristic comparison

Full-service network carriers (FSNCs)	Low cost carriers (LCCs)	Ultra low cost carriers(ULCC)

• Fully or partially owned by government
• Hub and spoke operations
• Primary airports
• Network operations
• Multi aircraft types (Wide and narrow body aircrafts)
• Interline agreement
• Alliances and codeshare
	• Narrow body aircraft B737/A320
	• 11+ hours utilisation per aircraft per day
	• Short-haul operations (1-3 hours flight time)
	• Fast turnarounds.
	• Point-to-point services
	• Secondary regional airports.
	• No transfers or interlining.
	• One-class all-economy configuration
	• Predominantly leisure travellers and less time-sensitive travellers.
	• Simple fare structures.
	• Independent
	• Pay lower wages and try to avoid collective union bargaining.
		• Minimal inclusions in the fare and a greater number of add-on fees.
		  • Boarding card issue fee
		  • Check in fee
		  • Card payment fee
		• Seat that does not recline
		• No seat pocket

Airline business model

- Regional airlines (Europe/North America/Australia), also known as the commuters
  - A regional airline operates short-haul low-density routes often to where the major carrier chooses not to fly.
  - Form an important link to remote destinations which are difficult, expensive and/or time-consuming to access by surface transport modes
  - Regional airlines can be
    - Independent (such as Eastern Airways in the UK)
    - Government owned (such as Aurigny of Guernsey in the Channel Islands)
    - Franchises

Airline business model

- Regional airlines characteristic

- Niche operators
- Flying secondary routes
- Providing the ‘spokes’ to/from a main hub.
- Tender for routes and be awarded a government contract
- Subsidy to provide an air service to a more remote location

Case Study

- Founded on a mesa in New Mexico in 1982 and headquartered in Phoenix since 1998, Mesa Airlines provides regional air service for American Airlines under the American Eagle banner and for United Airlines under the United Express brand. Mesa operates 145 aircraft with approximately 610 daily departures as commercial air service to 110 cities in 38 states, the District of Columbia, Canada, Mexico, Cuba, and the Bahamas. The Company's agreements with its partners are among the longest in the regional industry with American Airlines and United Airlines.

[redacted]

Airline business model

- Charter Airlines
  - Charter airlines originated in Europe
  - Operate on a demand-driven basis,
    - specialising in special interest groups and tours
    - other purposes
      - North American Airlines, the company that provided a Boeing 767 for Barack Obama’s 2008 presidential campaign and used to ferry U.S. soldiers around the world.

Airline business model

- Charter Airlines characteristics

Part of an inclusive tour.

Charterer may purchase an entire flight's seat

Less-congested secondary or regional airports

Subject to seasonal demand.

Charter airlines may lease their aircraft to foreign operators during leaner months of the year.

Many have also unbundled some of their products to compete with the LCCs.

TUI

Case Study

- TUI Airways Limited is the world's largest charter airline, offering scheduled and charter flights from the United Kingdom and the Republic of Ireland to destinations in Europe, Africa, Asia and North America. Most scheduled flights operated by TUI Airways are on behalf of tour operators with a fleet of 58 aircrafts.

Airline business model

- Hybrid Airlines
  - ‘One-size-fits-all’ business model combining several different business models.
  - A crossover between an LCC and a network airline that, in addition to offering lower fares, blends low-cost traits with those of traditional FSNCs.

Airline business model

- Hybrid Airlines characteristics

Low-cost business strategy but provides some upscale or full-service features.	Two cabin services	Long/Short haul operations.
GDS distribution	Heavy advertisement	Interline agreements
	Quick turnaround	

Case Study

- AirAsia X Berhad (AirAsia X) is a leading long-haul, low-cost airline operating primarily in the Asia-Pacific region. The airline operates flights that have more than 4 hours flying time, which is also termed as long haul flights. AirAsia X utilises aircraft with single class cabin but with premium and economy class seating. AirAsiaX operates Airbus A330 which has a seating capacity of 377 passengers.

[redacted]

Airline business model

Specialist Airlines

- Specialist operators undertake low density but vital services, such as flights flown as part of Public Service Obligation (PSO) routes to/from remote airfields.
- Specialist operators often use particular aircraft (including helicopters) that can operate from short and/or unprepared runways
- In Australia that takes engineers, technicians and other mine workers from the nearest airport to the mining site.

Airline business model

- Specialist Airlines
  - For specific purposes transport

- Agriculture
- Construction
- Photography
- Surveying
- Observation and patrol
- Aerial advertisement
- Tourist flights

[redacted]

Airline business model

- Cargo Airlines
  - Mainly dedicated to the transport of cargo by air.
  - Some cargo airlines are divisions or subsidiaries of larger passenger airlines.

All cargo aircrafts

Specialised Shipment

Cargo Terminal Operation

Hub and Spoke

Scheduled/Charter

FedEx

Case Study

A cargo airline based in Memphis, Tennessee, United States. In 2017, it was the world's largest airline in terms of freight tons flown and the world's ninth largest in terms of fleet size.


FedEx
Memphis, USA

Airline business model

- The carrier-within-a carrier (CWC)
  - The ‘airline within an airline’ model had an original objective and strategy to create a subsidiary airline akin to a low cost “no frills” budget airline to both defend market share from rival LCCs and to counter new LCC start-ups.

Case Study – Jetstar

- Qantas launched Jetstar in May 2004, in response to Virgin commencing operations in Australia in August 2001. Jetstar has grown to account for 9 per cent of all departing passengers from Australia and is a major profit contributor to Qantas.

Airline business model