

# Fundamentals of Management in Airlines

## Part: Business Models in Airlines

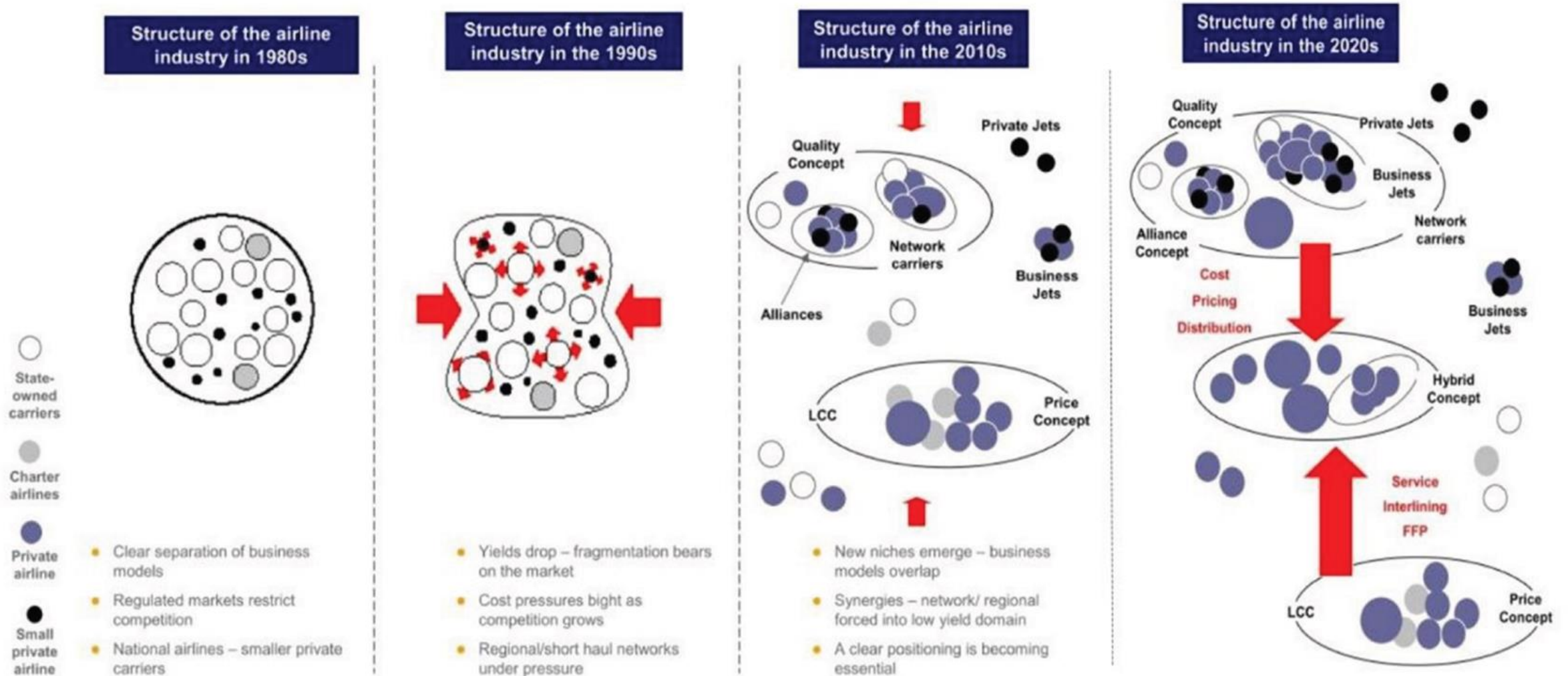
**Khalilallah Memarzadeh (Mohammad Memar)**



# Introduction

- Every airline has its own unique business model, just like us humans.
- Each airline has to discover its own genome and is recognized by its distinctive personality.
- Business models are described based on a series of criteria to be understandable for learning and to inspire other airlines.
- Each airline should be able to apply those general principles according to its own internal characteristics and environmental situation based on its own requirements, rather than blindly imitating them.
- All airlines constantly develop, operate and refine (sometimes redefine) their business models.

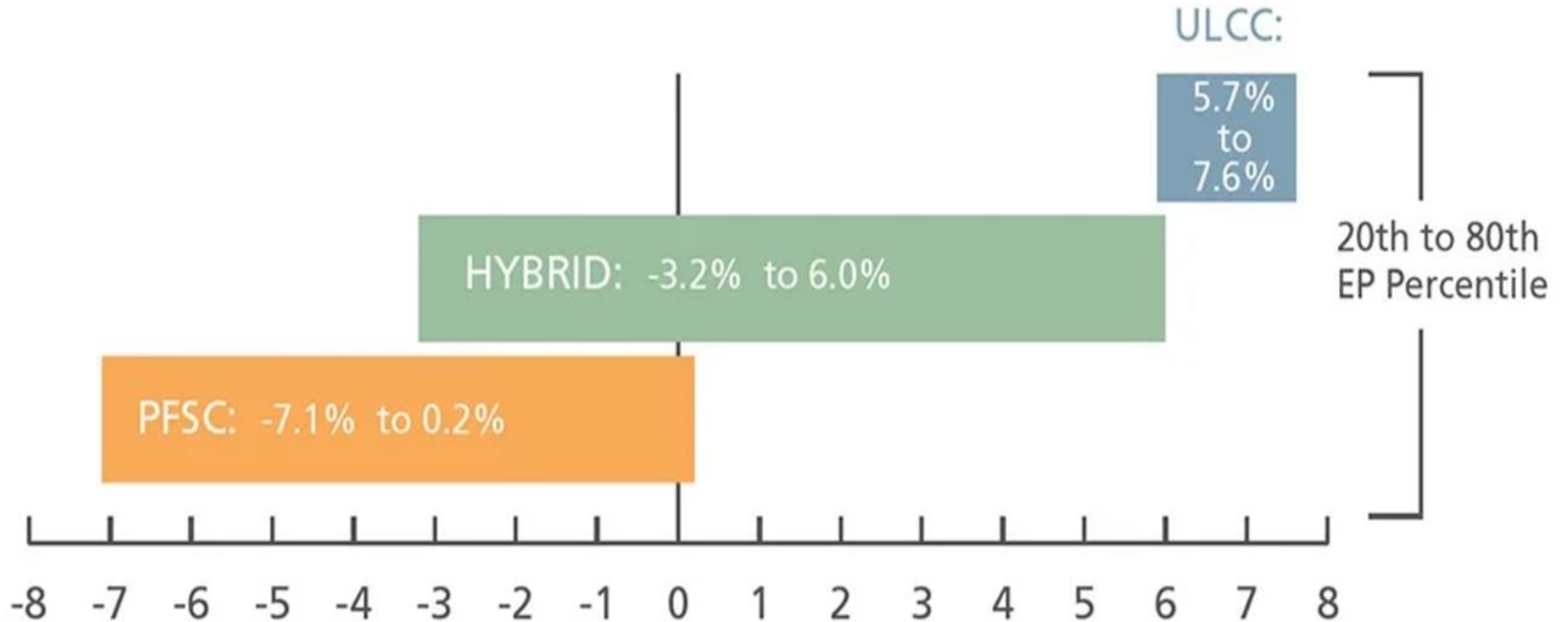
# The Historical Trend of Airline Business Models



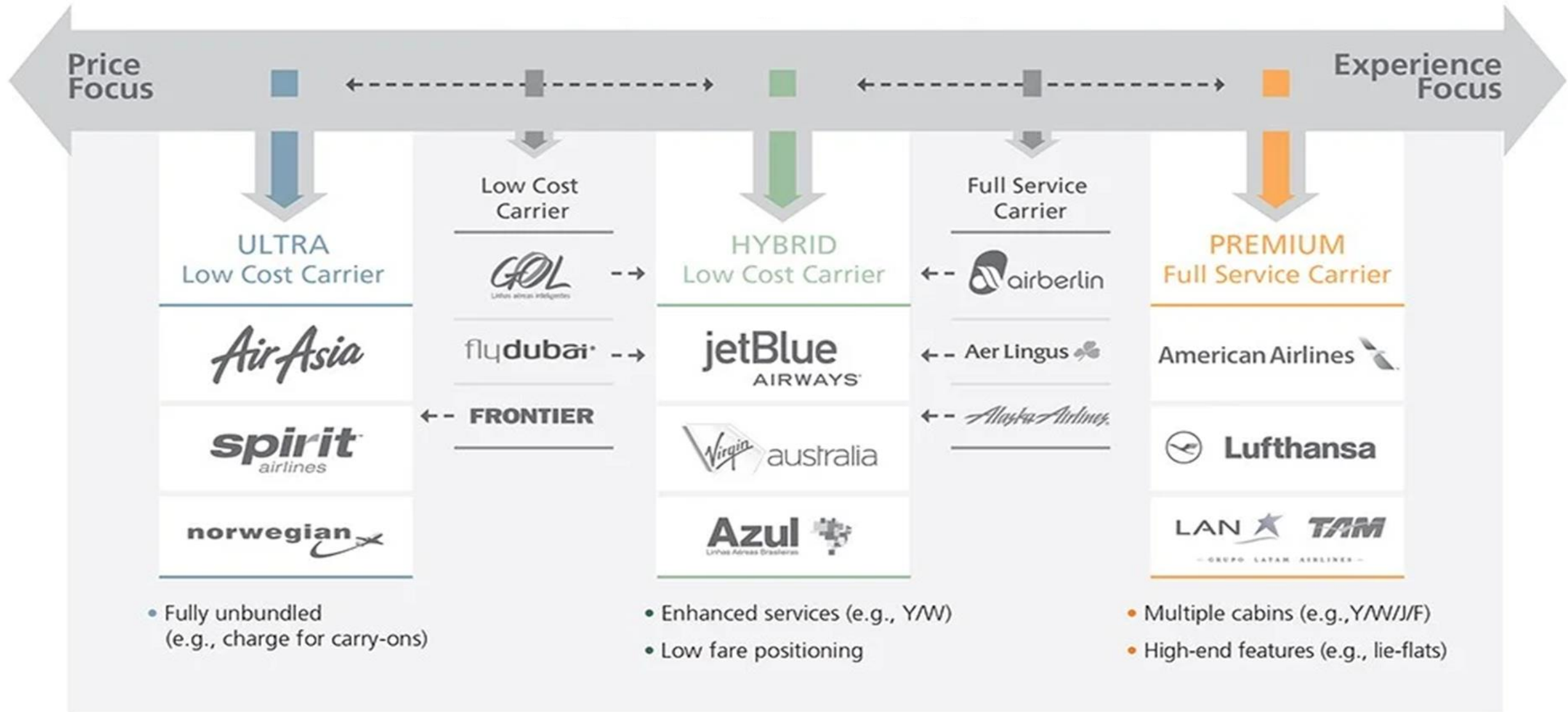
# Simplified representation of the Indigo business model



# Economic Profit Airline Business Model



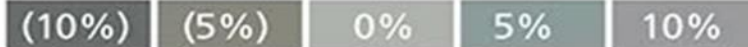
# Three Primary Airline Business Models Direction



# Regional Airline Business Model Outlook

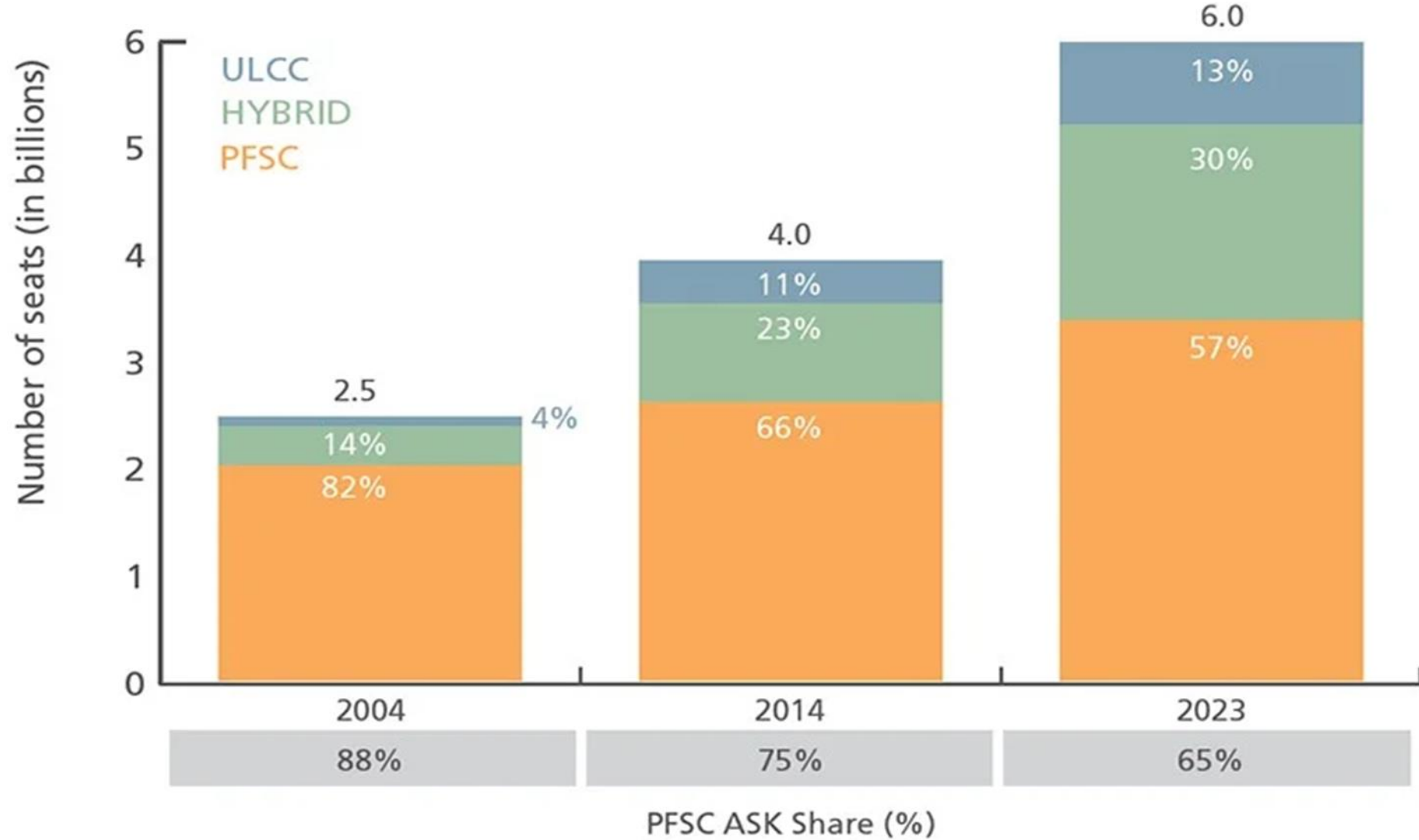
REGION	ULCC	HYBRID	PFSC
AFRICA	3%	12%	85%
ASIA	7%	17%	75%
AUSTRALASIA	18%	23%	58%
EUROPE	25%	20%	56%
LATIN AMERICA	0%	42%	58%
MIDDLE EAST	1%	19%	80%
NORTH AMERICA	4%	31%	65%

Decreased business model share (2023)











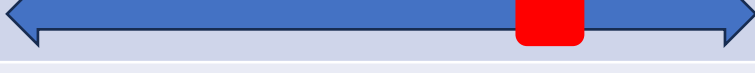
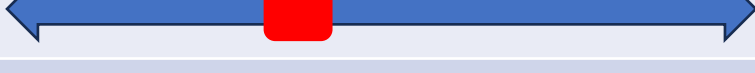
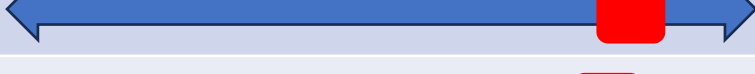

Increased business model share (2023)

# Top 150 Airline capacity by Business Model

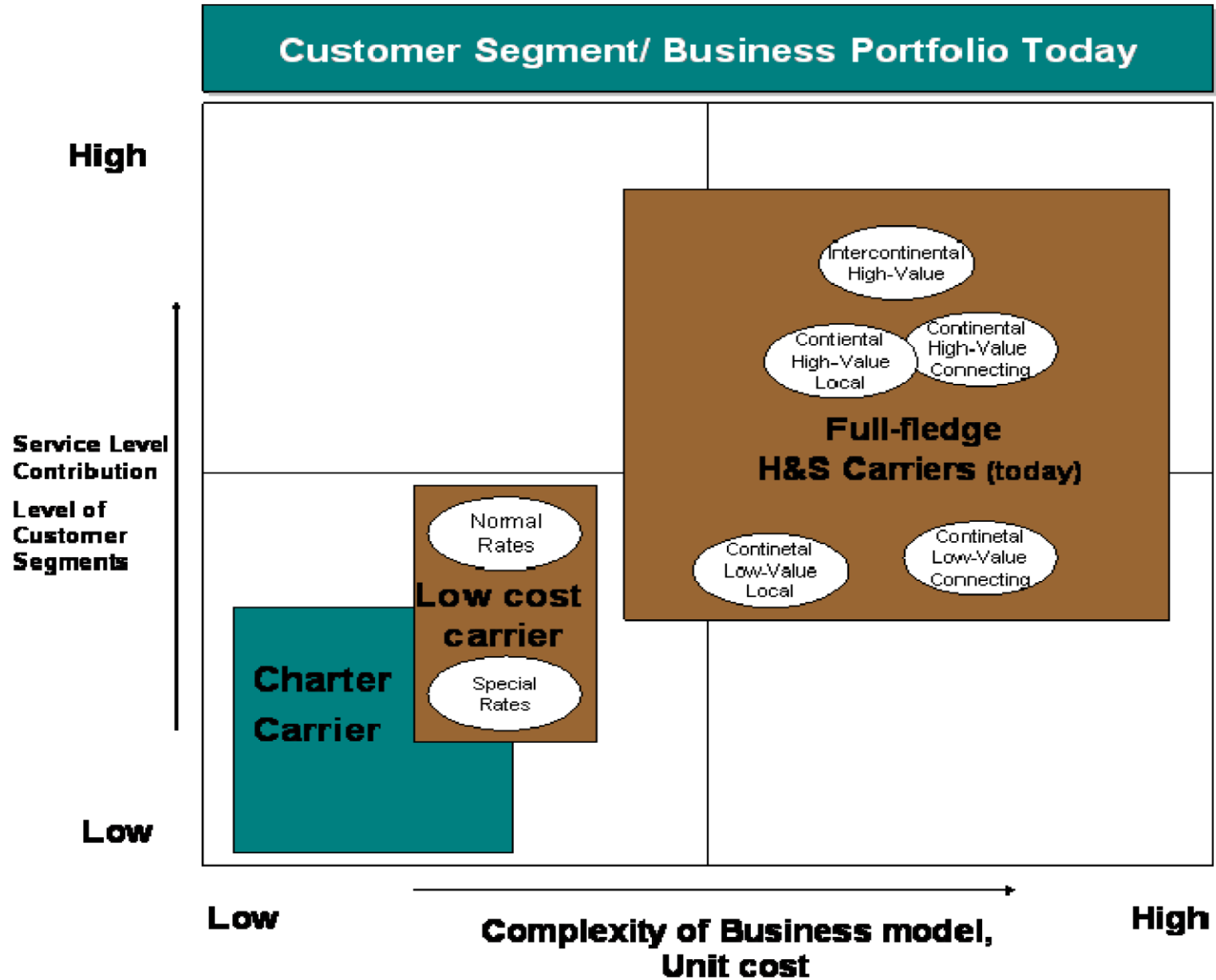




# The generic framework of airline business model

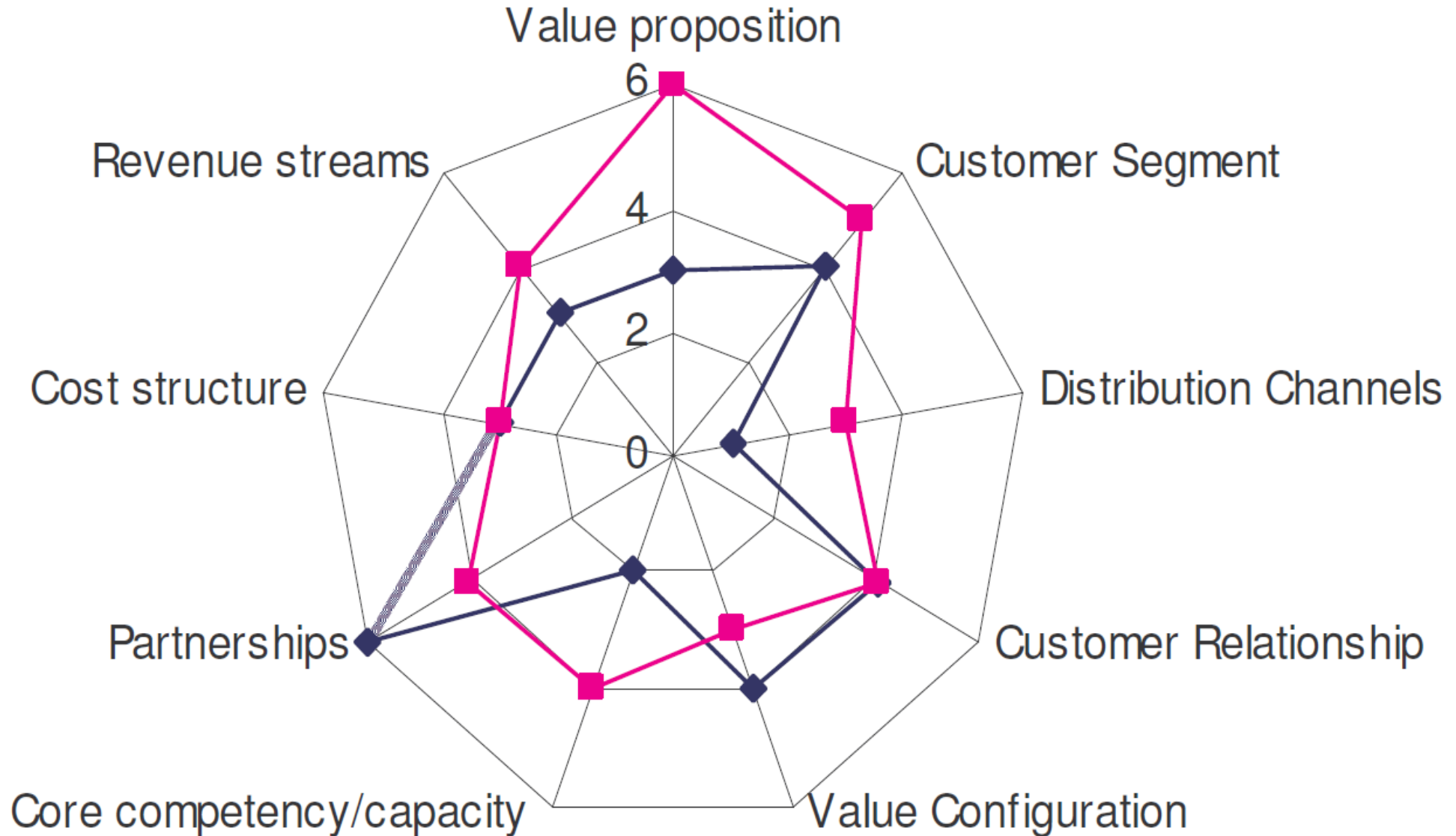
Why	Cost Structure	Lean		Fat
	Revenue Stream	Limited		Diversified
	Value Proposition	Price		Quality
How	Network	Point-to-Point		Hub-and-Spoke
	Fleet	Homogeneous		Smart
	Partnerships	Self ownership		Fractional ownership
Who	Customer Segment	Niched markets		Mass markets
	Distribution Channels	B2C		B2B
	Sale Policy	Demand side		Supply side
What	Core Capabilities	Centralized		Decentralized
	Customer Relationship	Direct		Indirect
	Service Level	Base		Superior

# The different airline business models to their complexity and service level



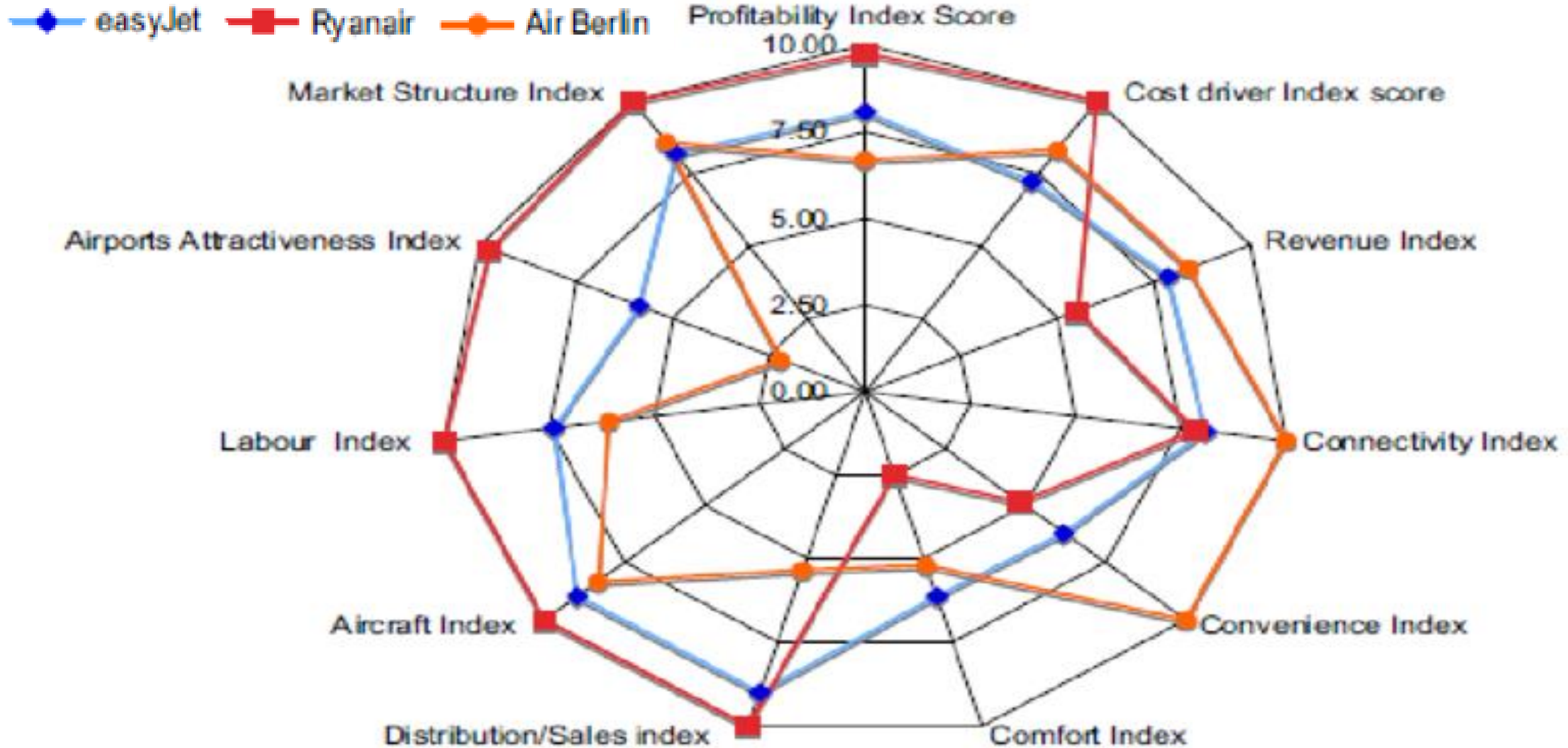
**Airline Business Models-MEMAR**

# Business Model feature differences along Airline Value Chain

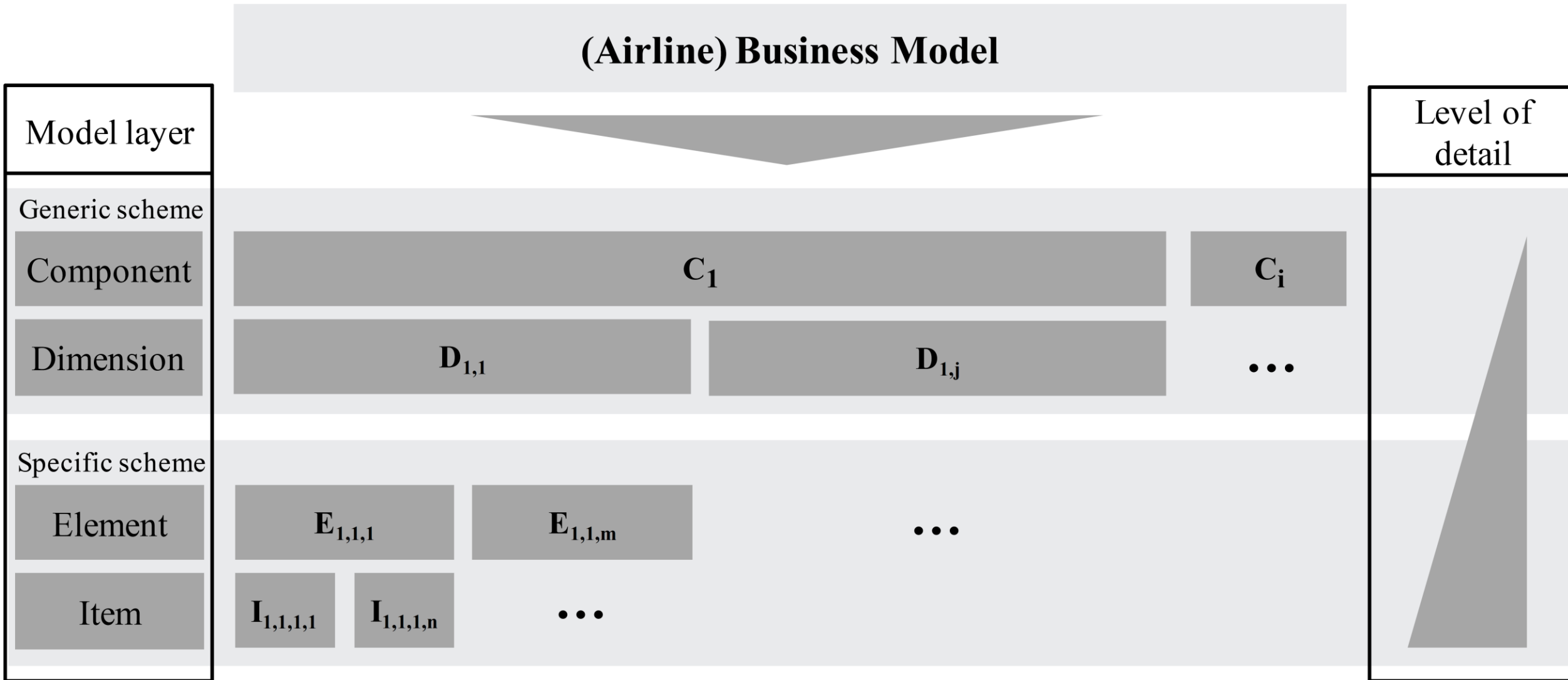


**Airline Business Models-MEMAR**

# Business Model feature differences along Airline Value Chain



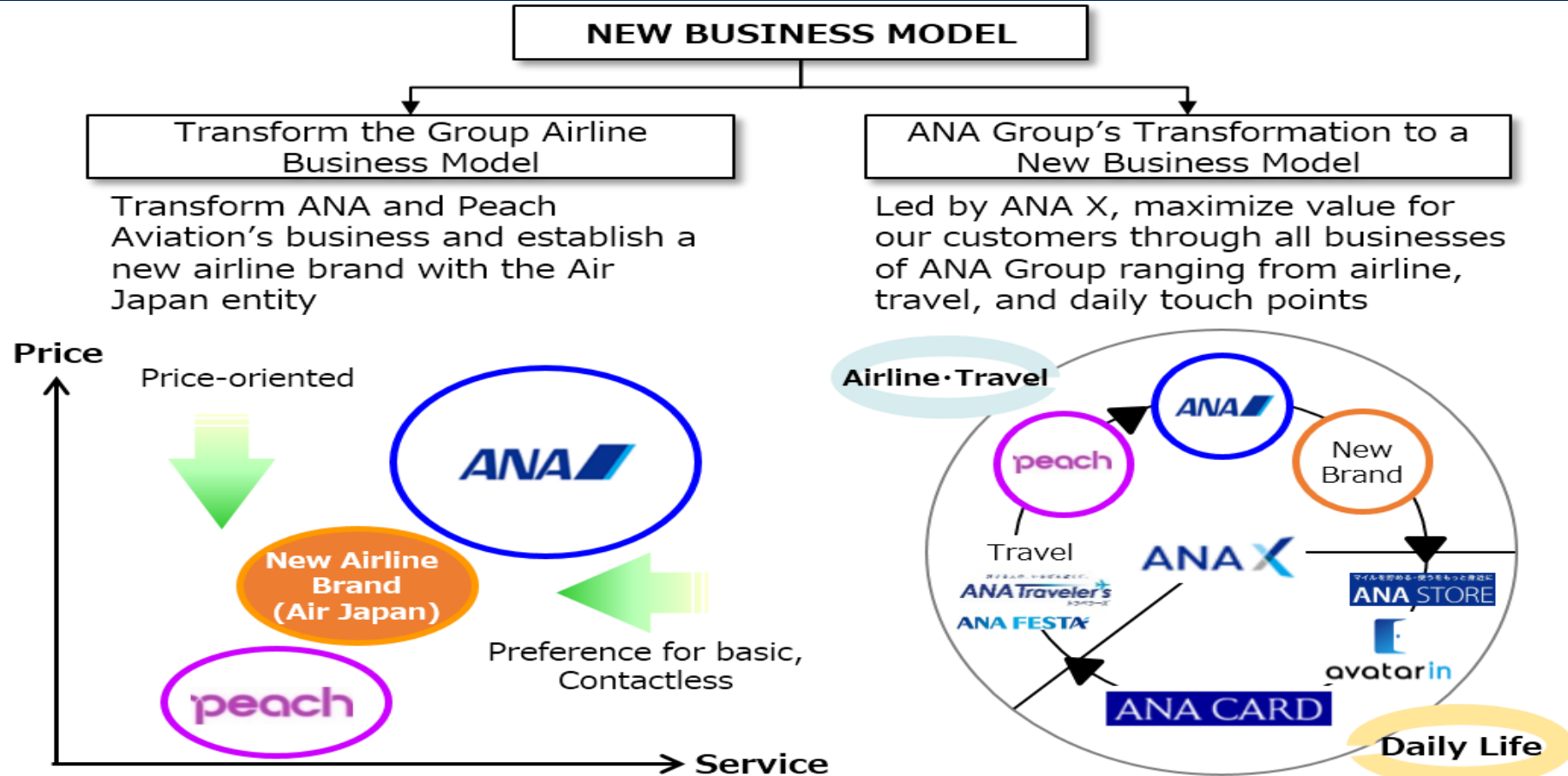
# Principal airline business model framework in math models



# Proposed airline business model framework in math models

Components	Corporate core logic		Configuration of value chain activities			Assets	
Dimensions	Internal policy choices	External value network	Inbound	Production	Marketing	Tangible	Intangible
Elements	<ul style="list-style-type: none"> <li>▪ Business policy</li> <li>▪ Labor policy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Target product-market combination</li> <li>▪ Interorganizational relations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procurement design</li> <li>▪ A/C sourcing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Route network</li> <li>▪ Cabin product</li> <li>▪ Ground product</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distribution</li> <li>▪ Fare structure</li> <li>▪ Bundling concept</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fleet structure</li> <li>▪ Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Human capital</li> <li>▪ Property rights</li> </ul>
Items	I(1.1.1.1).....I(k.l.m.n)						

# Transformation business model in airlines after the Corona crisis



**Transform to build resilience toward any future global risks and position the company toward future growth**

**Airline Business Models-MEMAR**

# Transformation business model in airlines after the Corona crisis

**International Routes**

Short-distance

Medium-distance

Long-distance

Business



Full Service Carrier (FSC)  
Premium airline brand

**peach**  
Low-Cost Carrier  
(simple, short-distance, single class)

**New brand**  
Low-Cost Carrier  
(simple, 2 class on B787)  
Asian growth markets

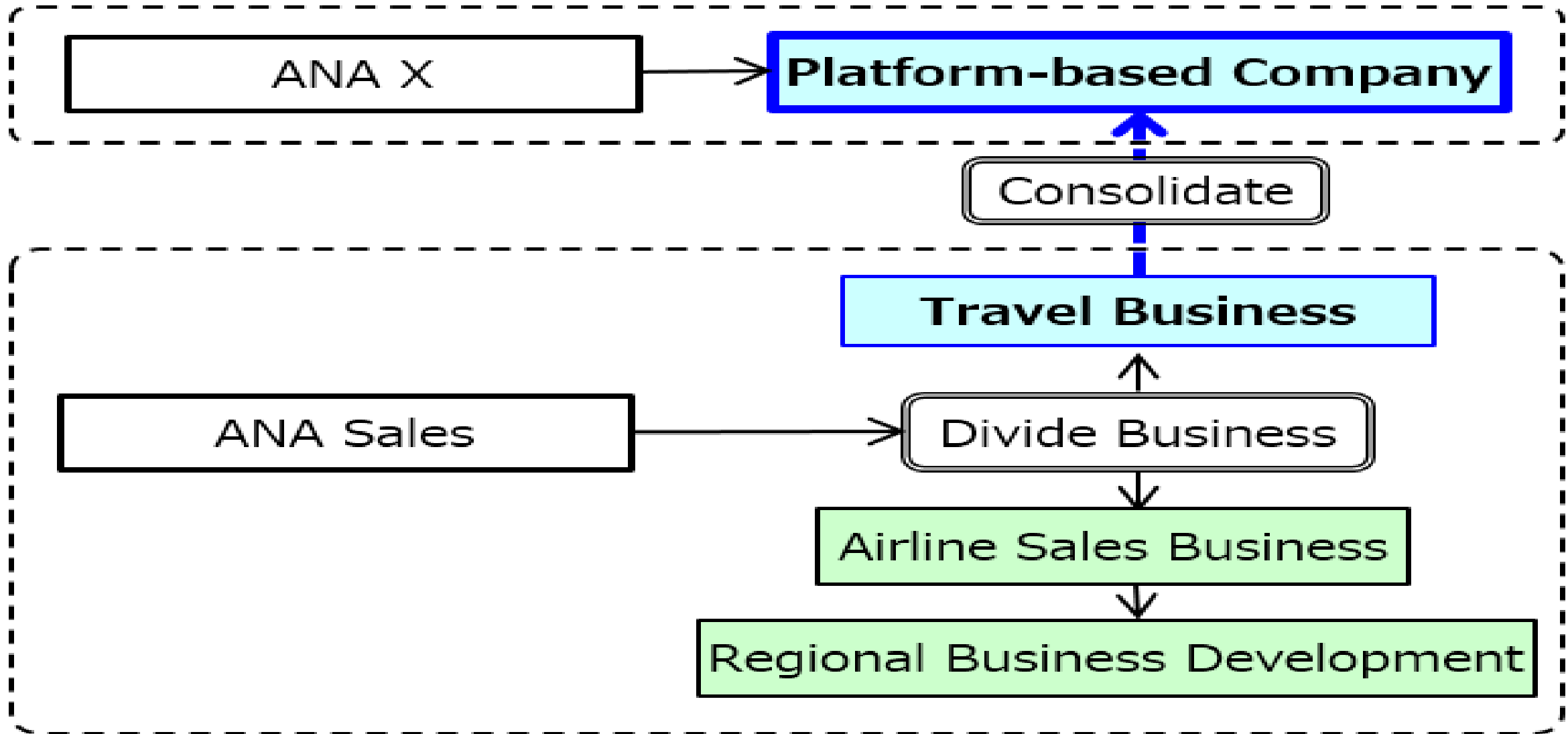
Leisure





# Transformation business model in airlines after the Corona crisis



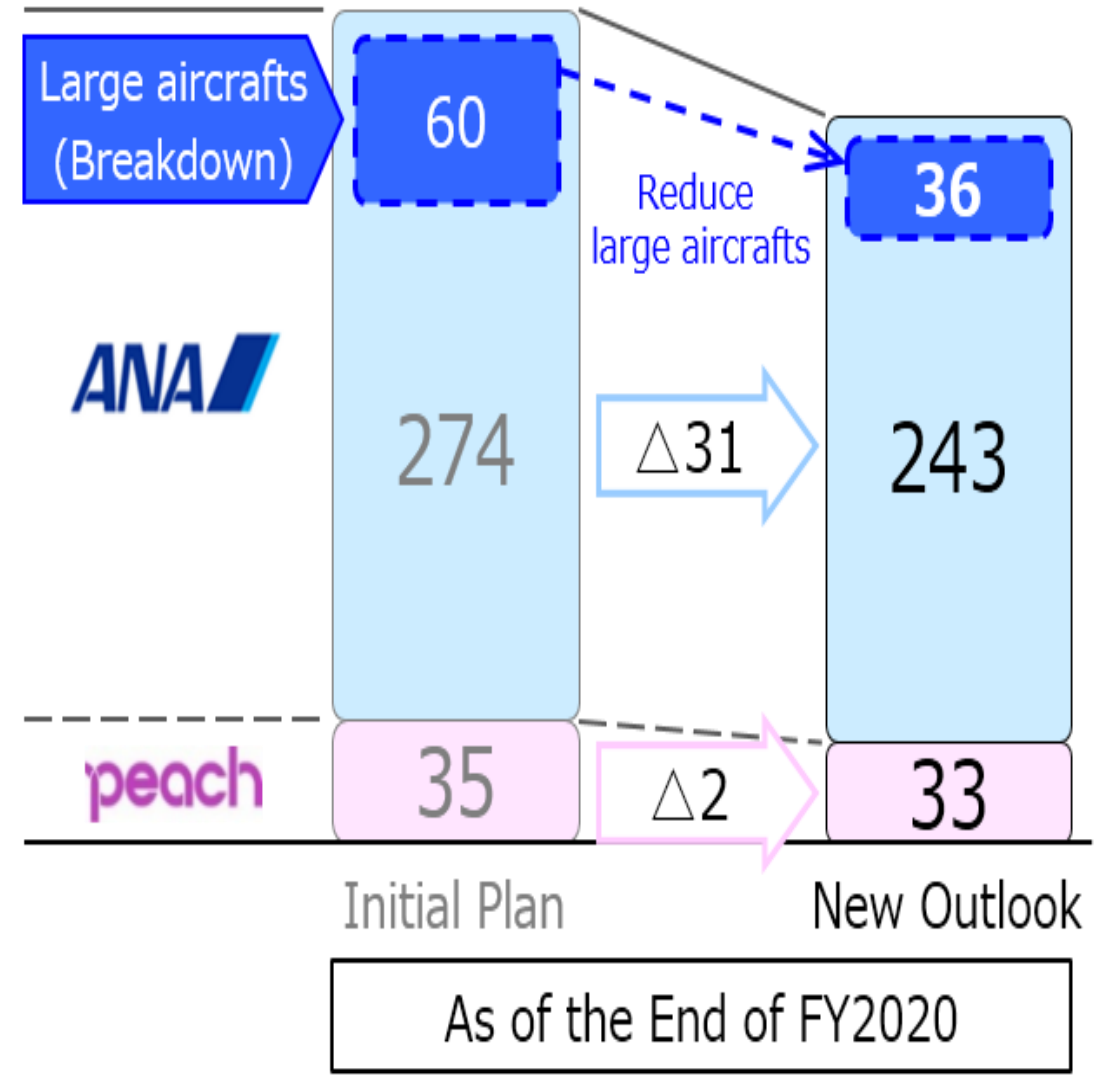
# Transformation business model in airlines after the Corona crisis



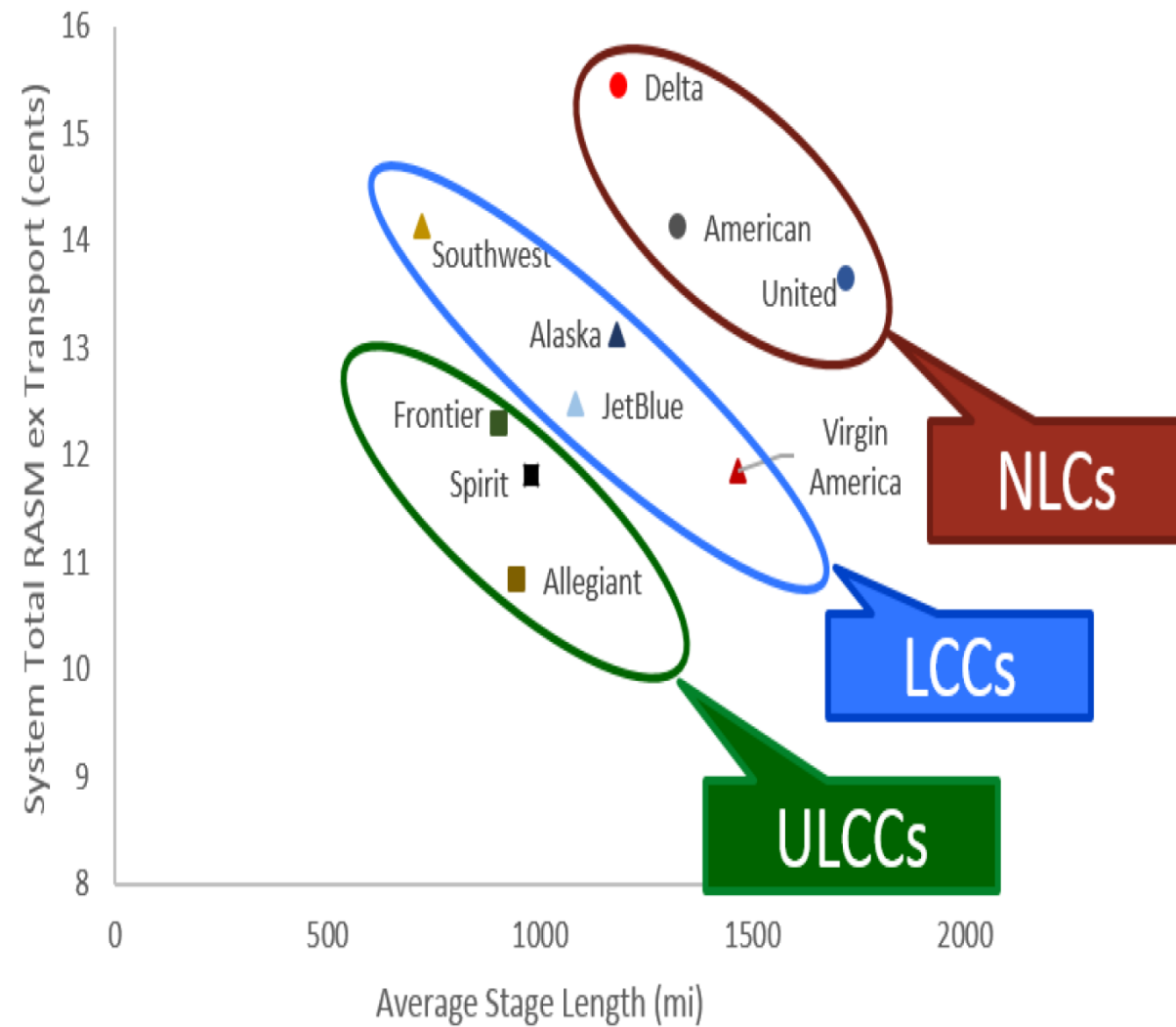
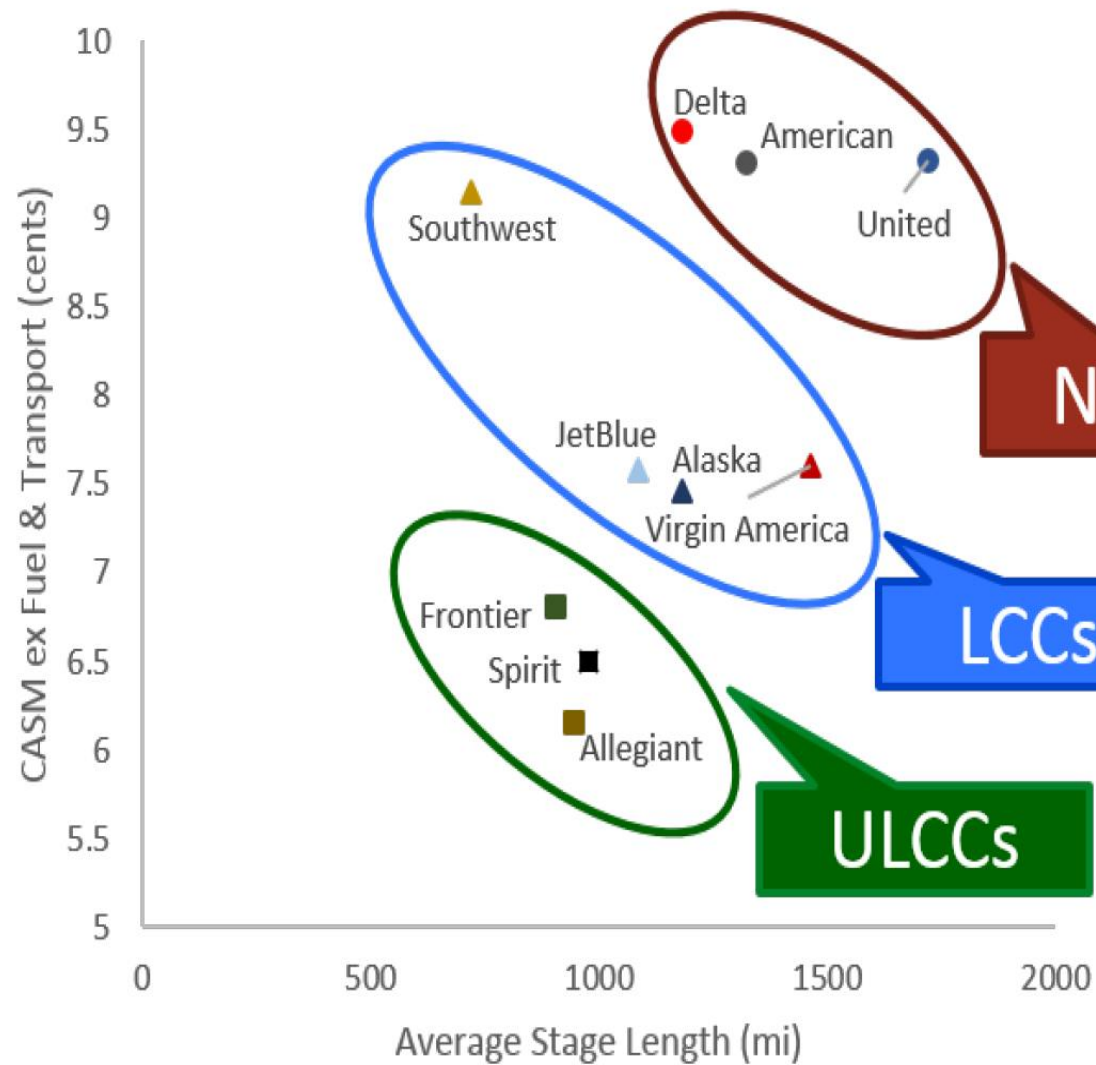
# Transformation business model in airlines after the Corona crisis

	Initial Plan	Revision	Difference
	Addition +16 → +13	+13	△3
	Retirement △7 → △35	△35	<u>△28</u>
	<b>Total</b> +9 → △22	△22	△31
	Total +2 → ±0	±0	△2

Number of Aircrafts **276**  
 (ANA Group total)  
 (△33 aircrafts compared to initial plan)



# CASM VS RASM in Airline Business Models



# The airline business model in Traditional versus Integrated air cargo chain

## Traditional Air Transport Chain

Initial leg  
(land)

Main leg  
(air)

Final leg  
(land)

Shipper

Forwarder

Airline

Forwarder

Addressee

Shipper

Integrator

Addressee

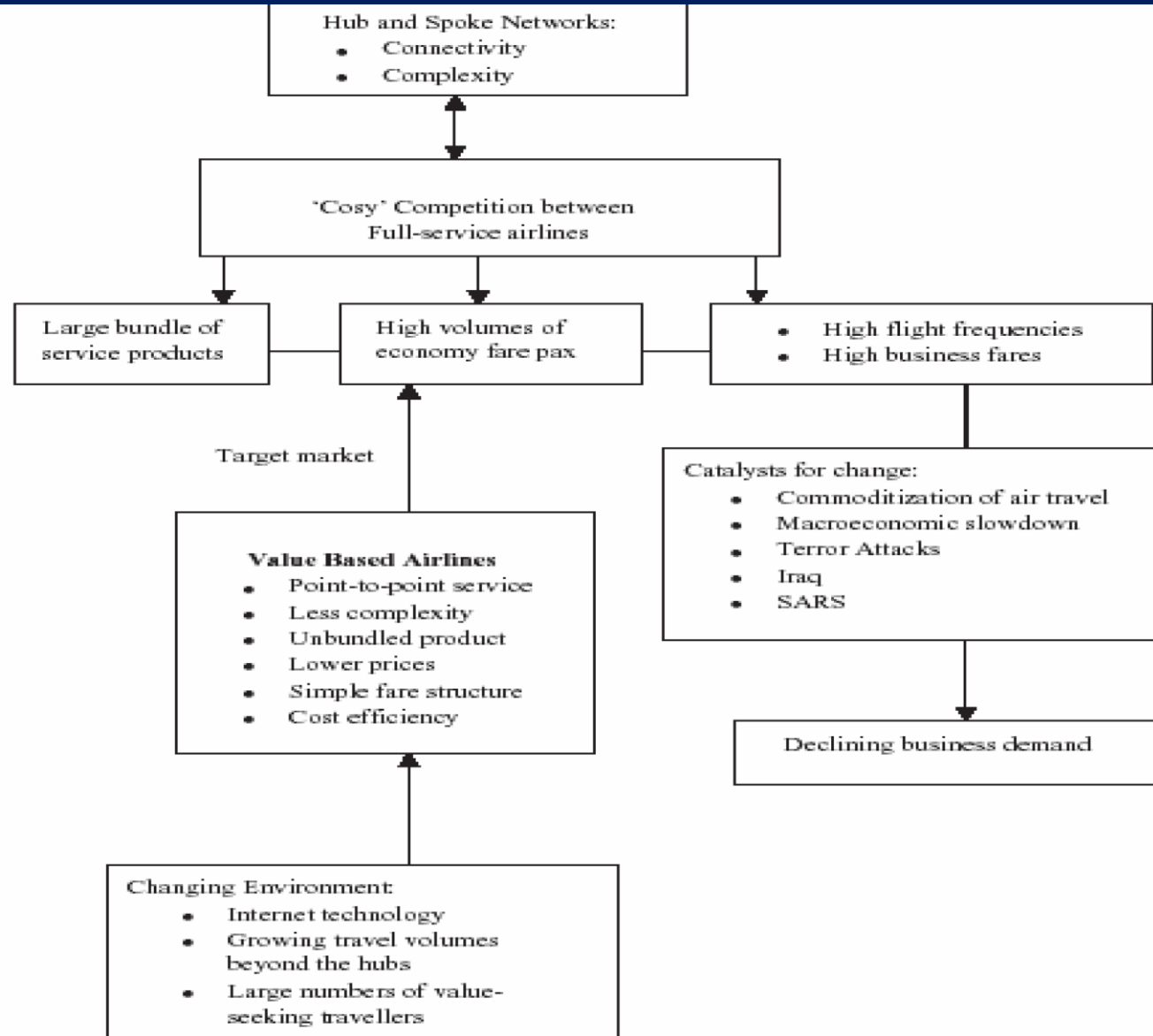
Initial leg  
(land)

Main leg  
(air)

Final leg  
(land)

## Integrated Air Transport Chain

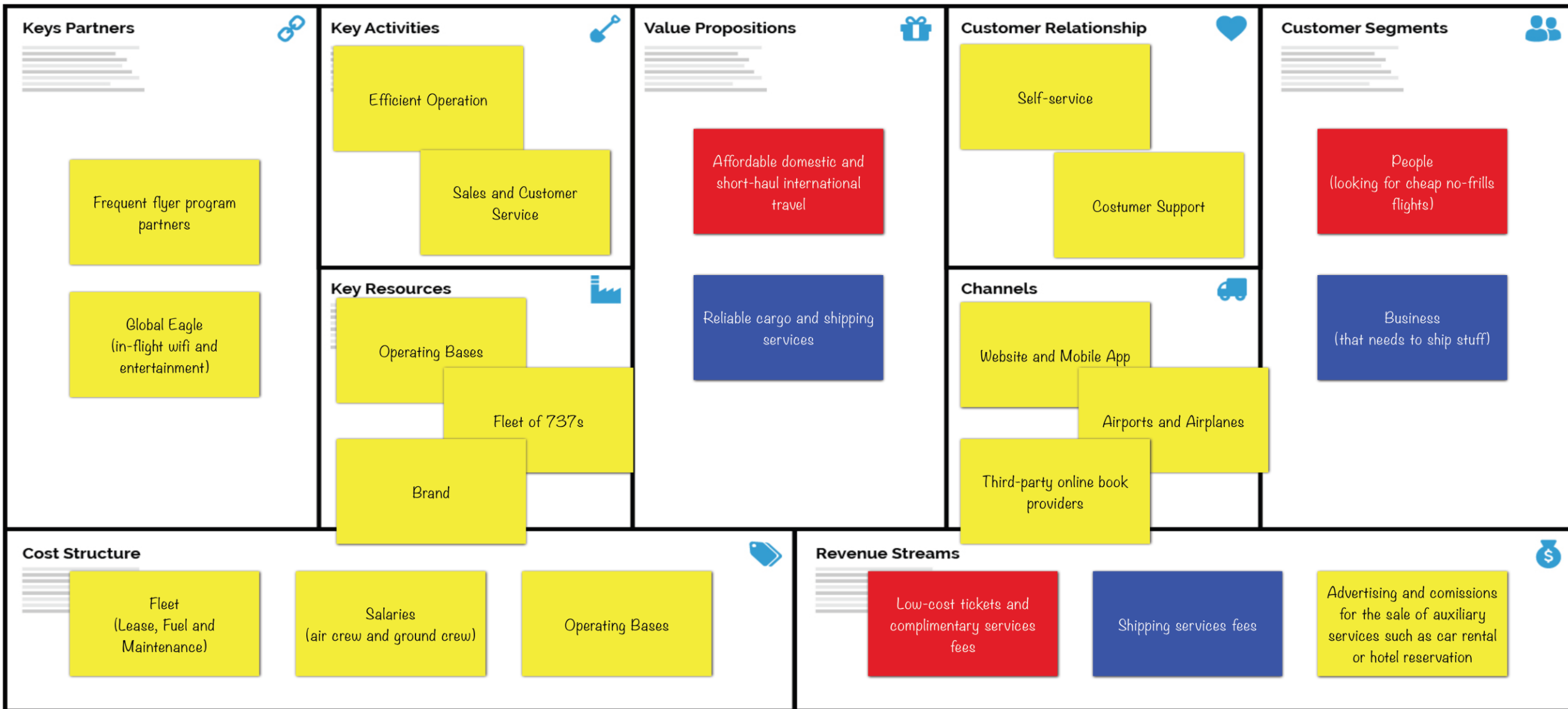
# System thinking for mapping the airline business model and drivers



# The Business Model Canvas – SAMPLE: SOUTHWEST

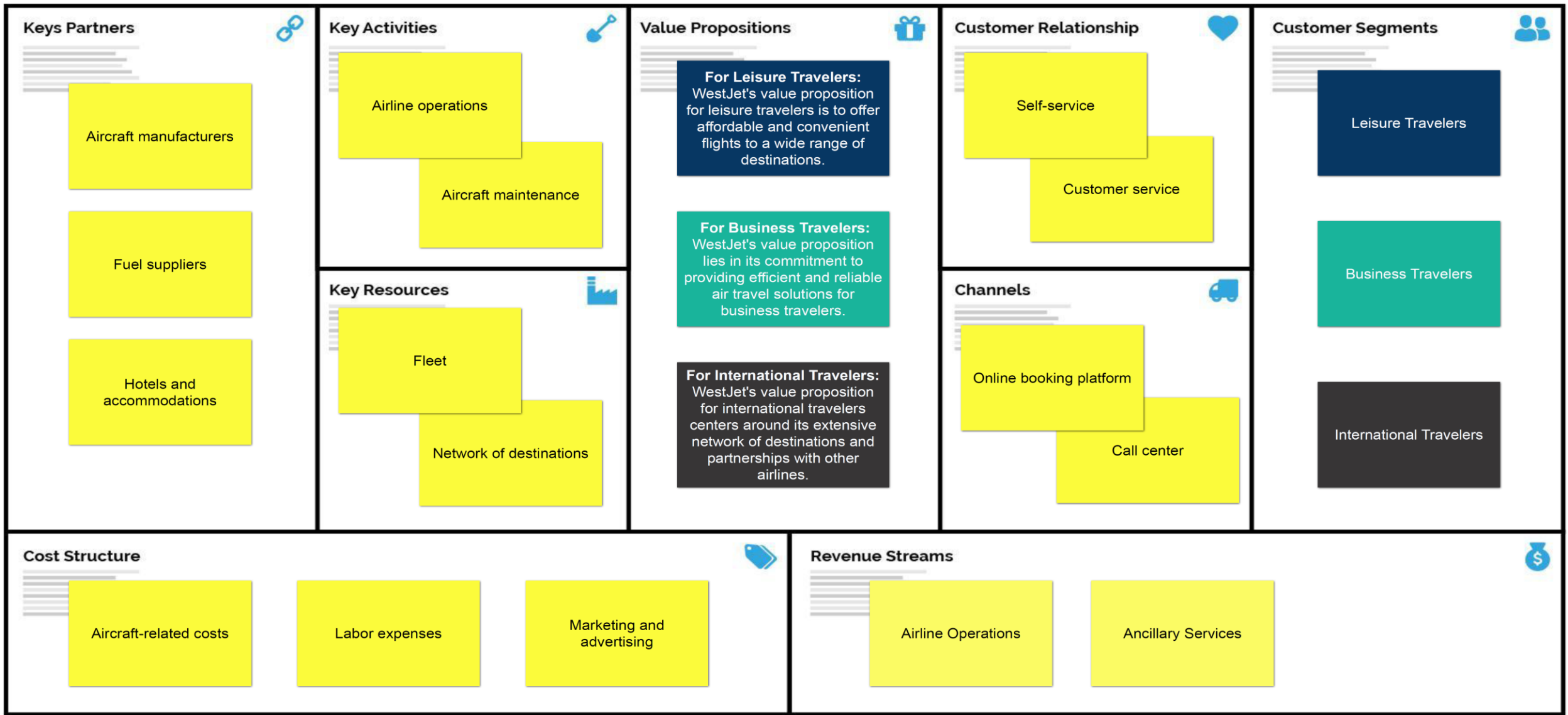
<p><i>Key Partners</i></p> <ul style="list-style-type: none"> <li>• Cheap Airports as “Hubs”</li> <li>• Car Rental Companies</li> <li>• Hotels</li> <li>• Insurance</li> <li>• Web Search Engines – (e.g., Kayak, Expedia)</li> </ul>	<p><i>Key Activities</i></p> <ul style="list-style-type: none"> <li>• Fly and Maintain Fleet of Planes</li> <li>• Book Flights; Process Payments</li> <li>• Hire and train Staff</li> <li>• Market</li> </ul>	<p><i>Value Proposition</i></p> <ul style="list-style-type: none"> <li>• Cheap Flights</li> <li>• No Frills</li> </ul>	<p><i>Customer Relationships</i></p> <ul style="list-style-type: none"> <li>• <u>Web</u>: automated searches; Impersonal</li> <li>• <u>Counter and in-Flight</u>: Friendly, can-do attitude</li> </ul>	<p><i>Customer Segments</i></p> <ul style="list-style-type: none"> <li>• Travelers on a Budget</li> </ul>
	<p><i>Key Resources</i></p> <ul style="list-style-type: none"> <li>• Single Aircraft Model (e.g., 737’s)</li> <li>• Branding</li> <li>• Large Inventory of Aircraft Model Parts</li> <li>• Maintenance staff knowledgeable about Aircraft Model</li> <li>• Enthusiastic, Friendly customer-facing staff</li> </ul>		<p><i>Channels</i></p> <ul style="list-style-type: none"> <li>• Call Centers</li> <li>• Web</li> <li>• In-person (Counter &amp; In-flight)</li> </ul>	
<p><i>Cost Structure</i></p> <ul style="list-style-type: none"> <li>• Purchase Planes and Equipment</li> <li>• Maintenance</li> <li>• Labor Costs/Staff Training Costs</li> <li>• Airport Fees</li> <li>• Call Centers</li> <li>• Insurance</li> <li>• Marketing Costs</li> </ul>			<p><i>Revenue Streams</i></p> <ul style="list-style-type: none"> <li>• Airline Tickets</li> <li>• Fees for Extra Services: e.g., Early Loading, Meals</li> </ul>	

# The Business Model Canvas – SAMPLE: SOUTHWEST

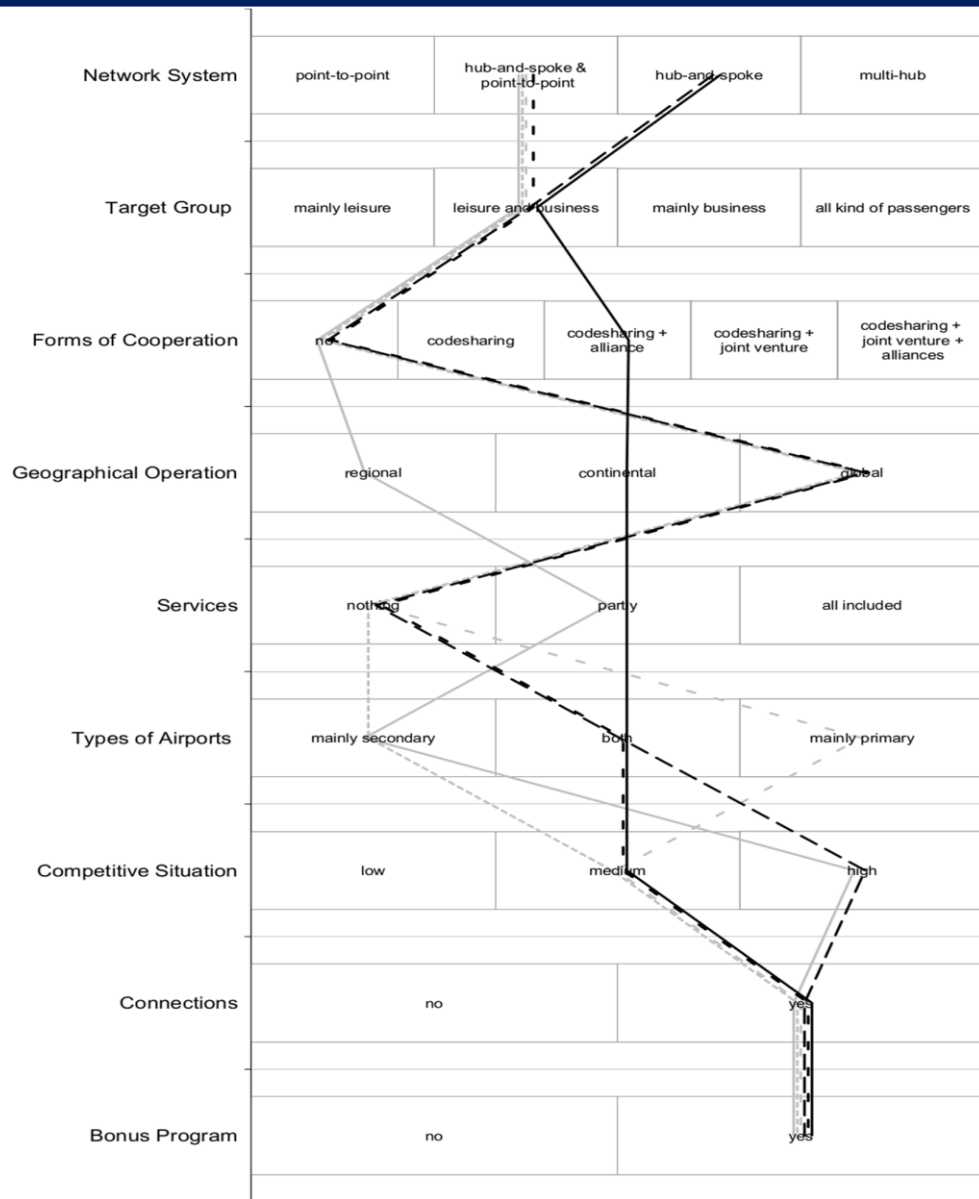




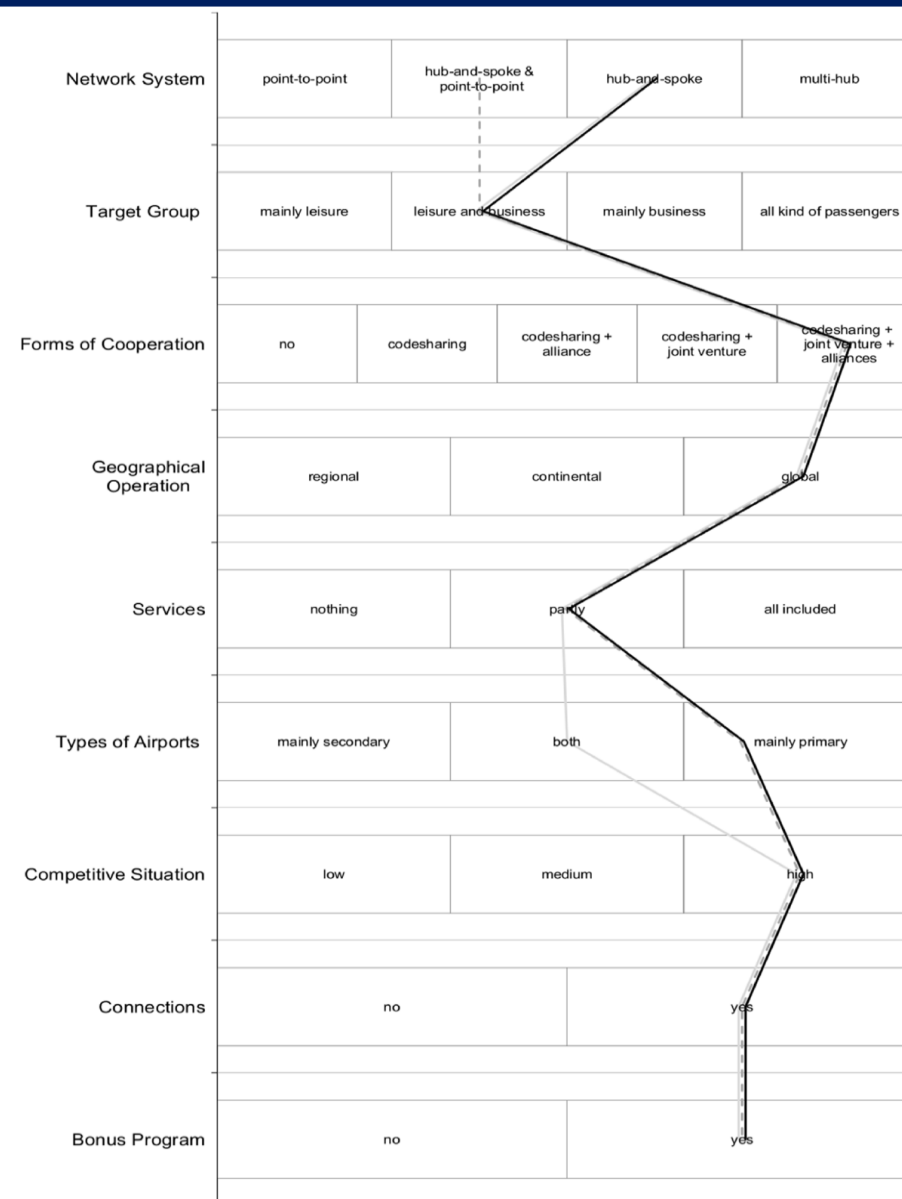
# The Business Model Canvas – SAMPLE: WESTJET



# Clustering in Airline Business Models



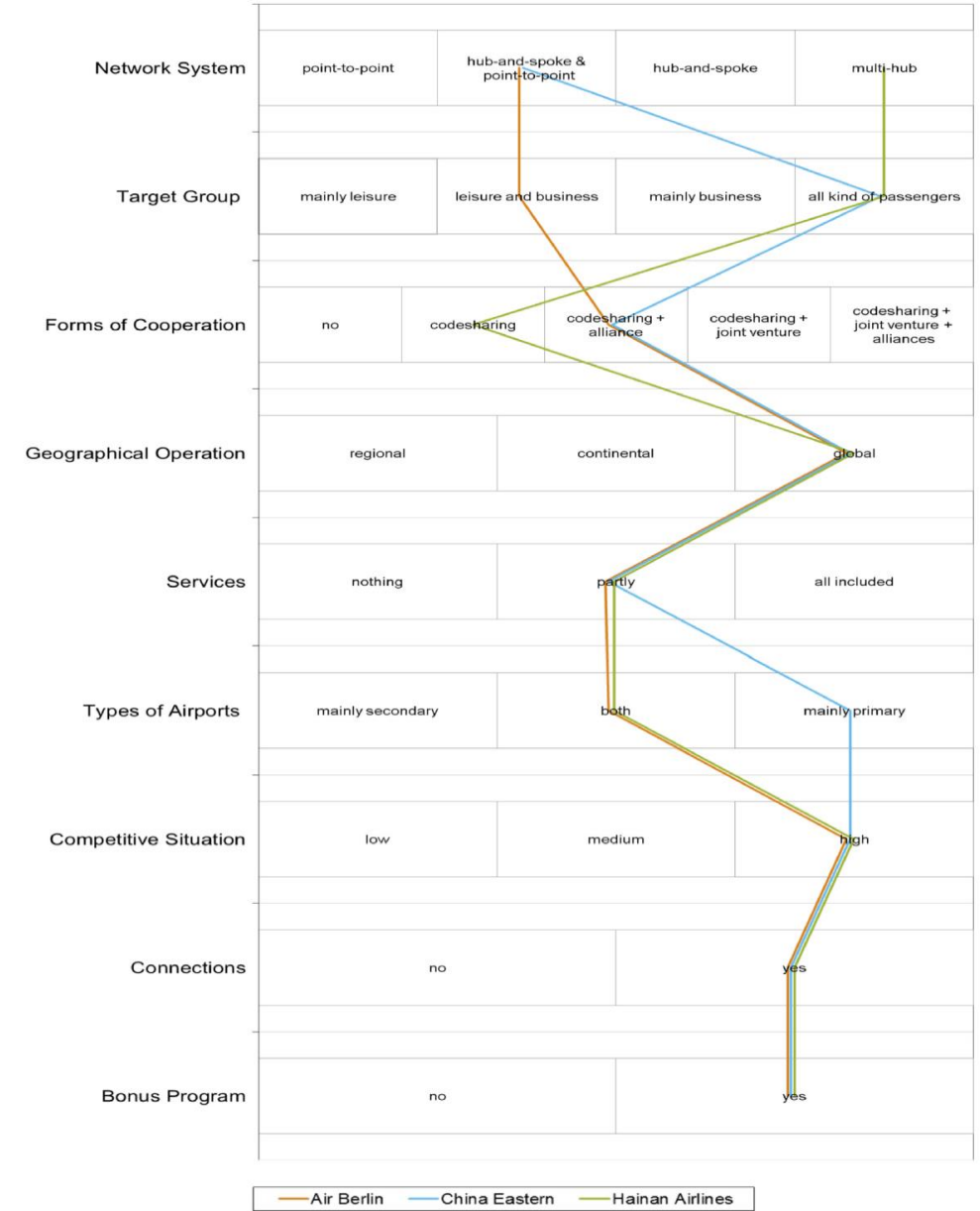
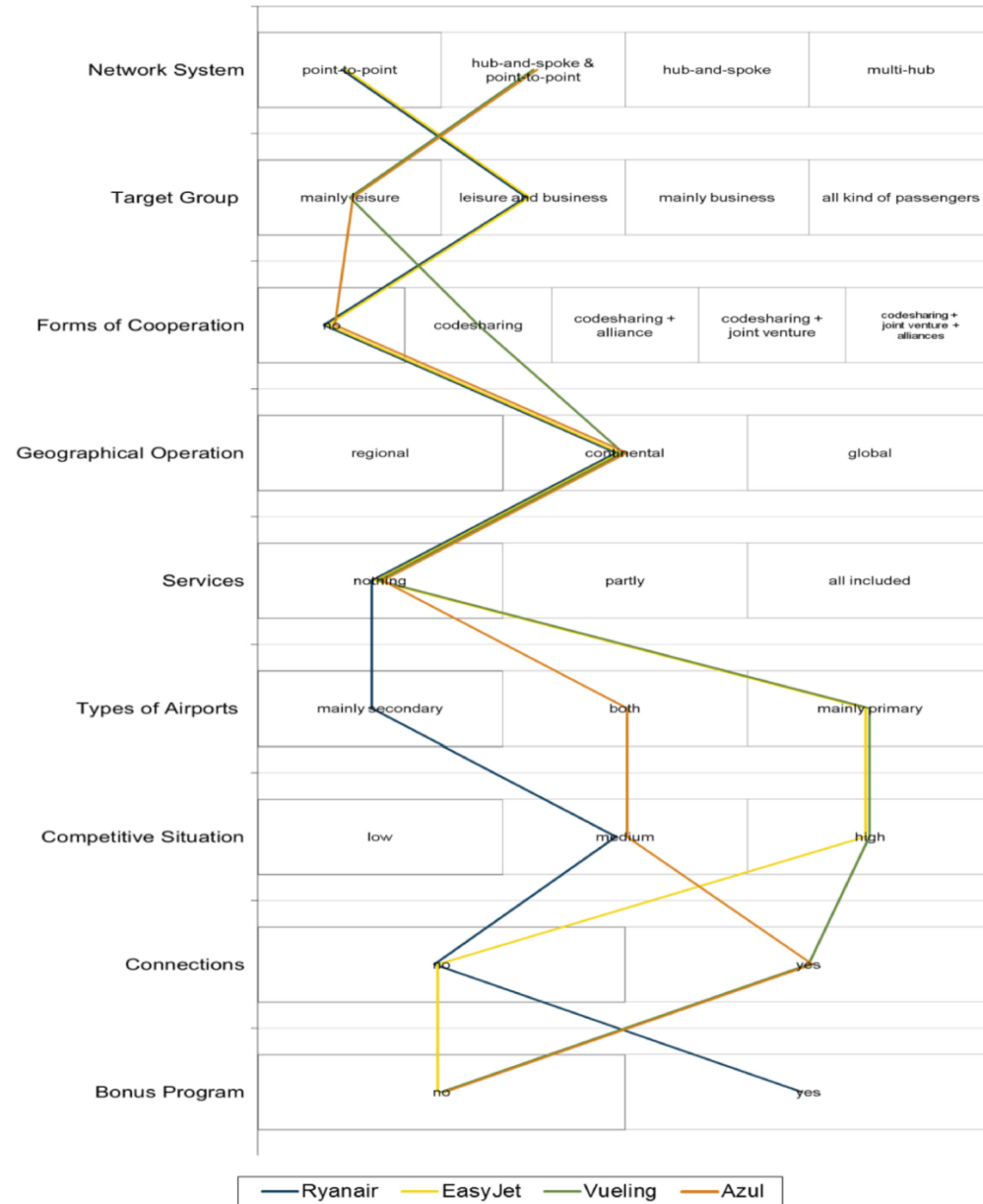
— Southwest    - - - Air Asia    - - Aer Lingus    - - Scoot    - - Jetstar    — Cebu Pacific



— Turkish Airways    - - Virgin Atlantic    — Iberia

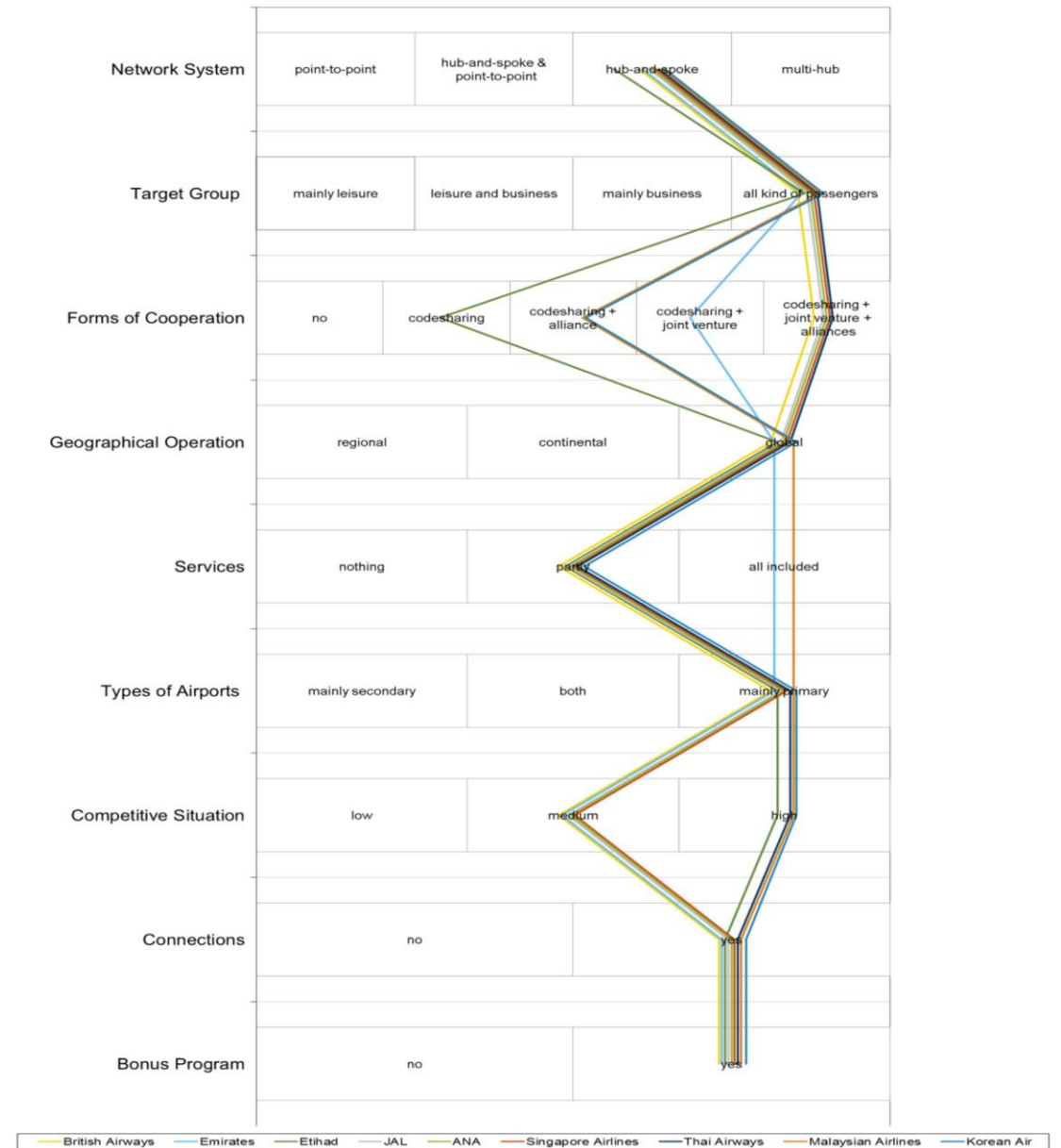
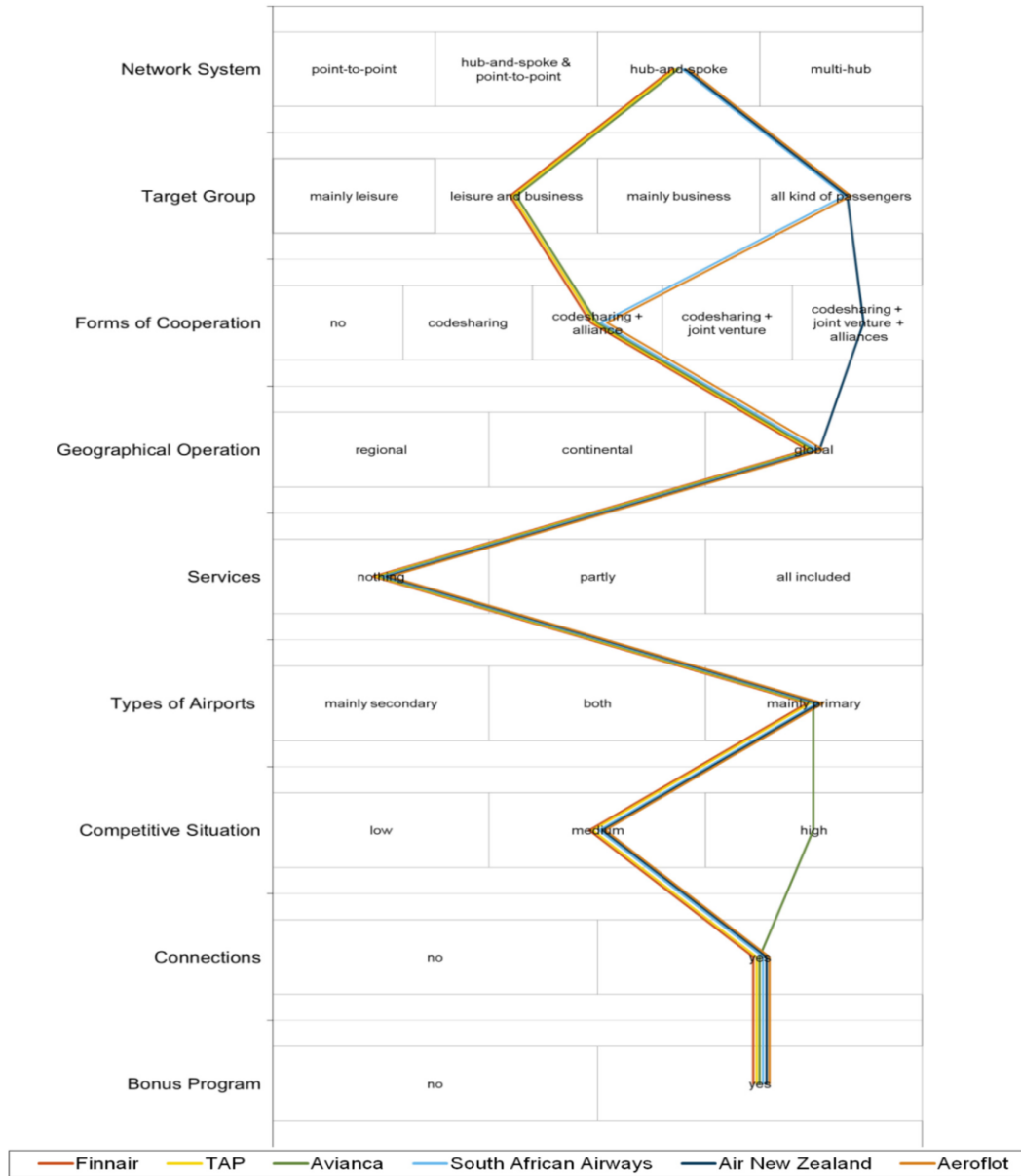
# Airline Business Models-MEMAR

# Clustering in Airline Business Models



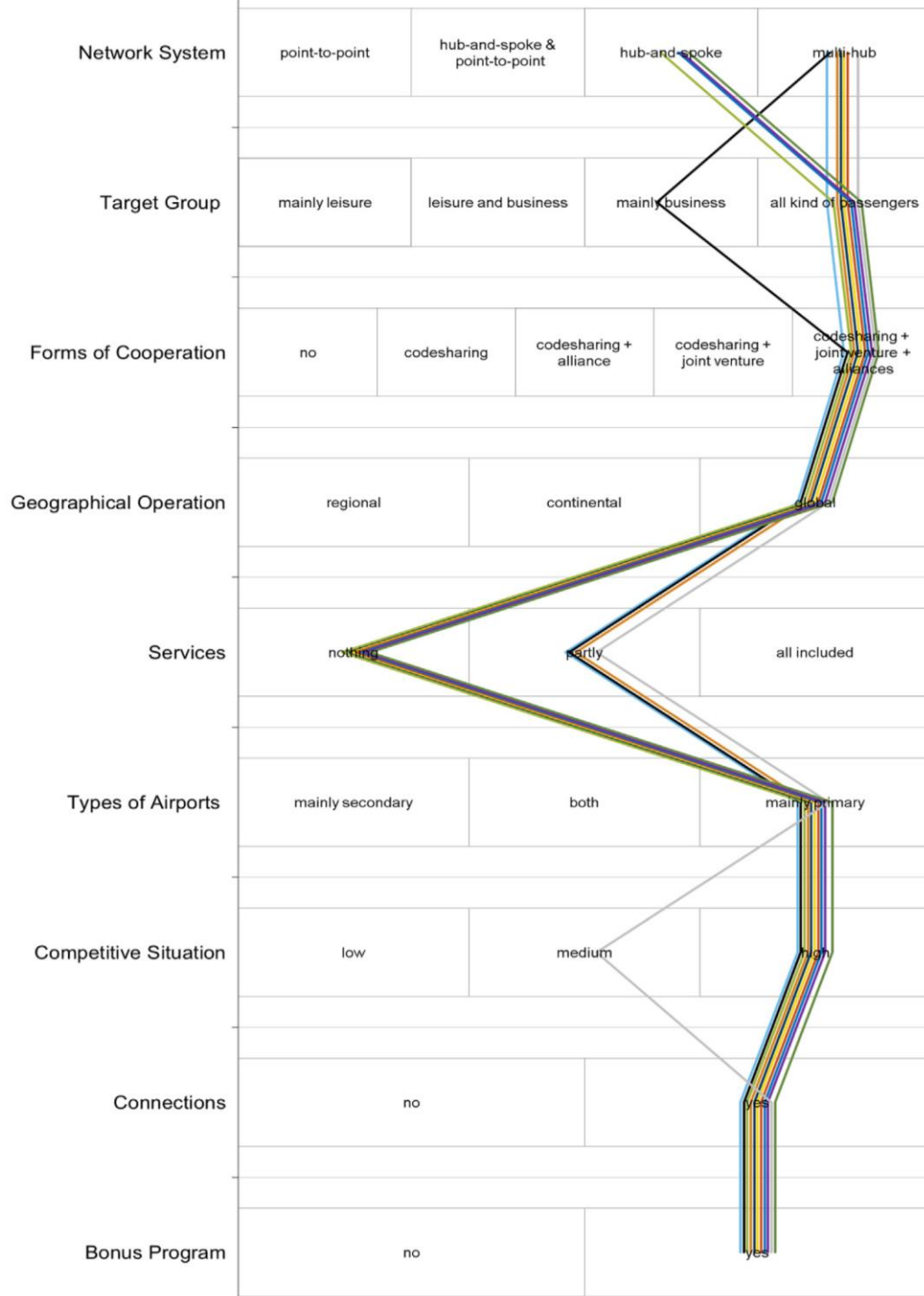
# Airline Business Models-MEMAR

# Clustering in Airline Business Models



## Airline Business Models-MEMAR

# Clustering in Airline Business Models

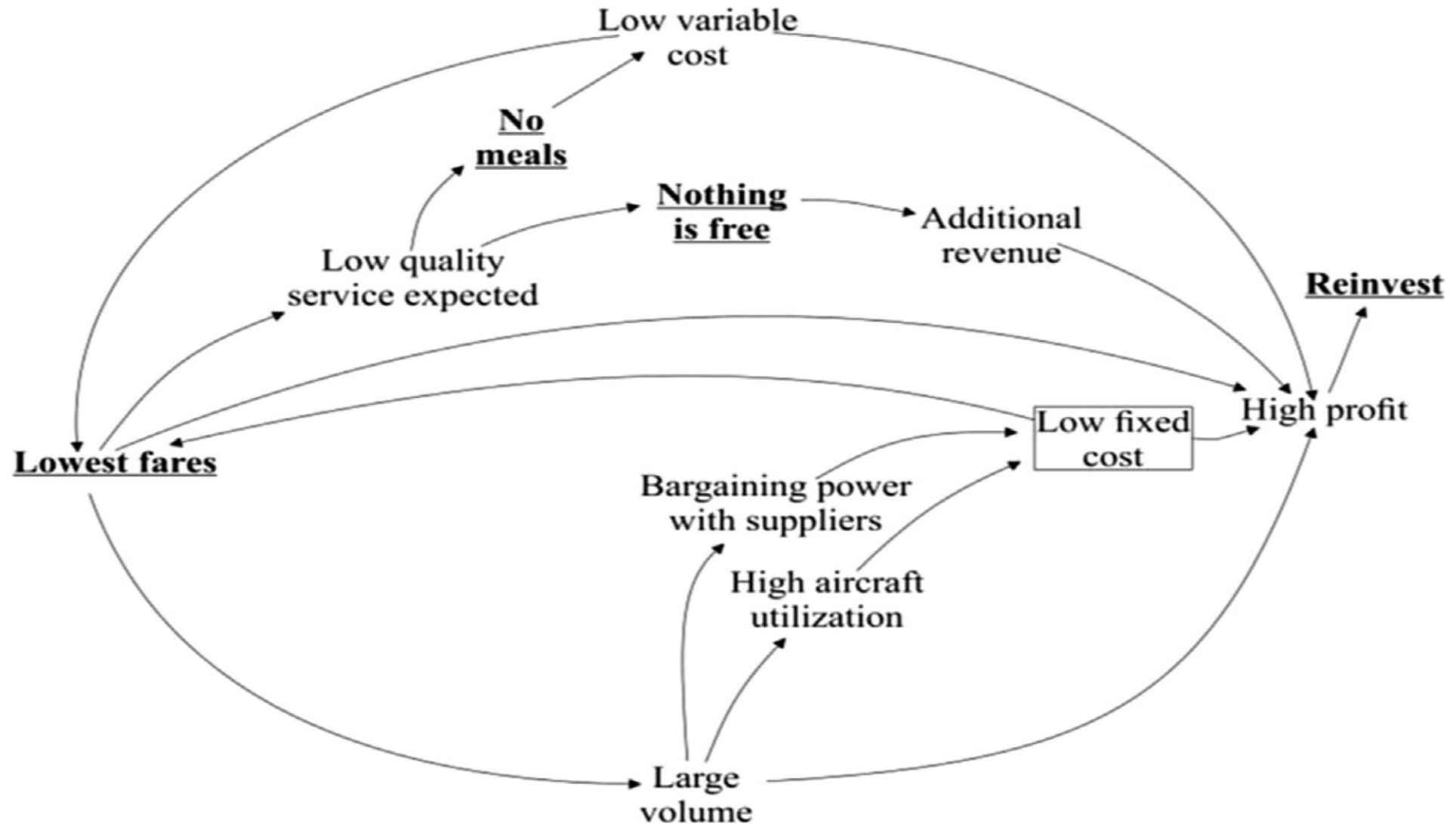


**Airline Business Models-MEMAR**

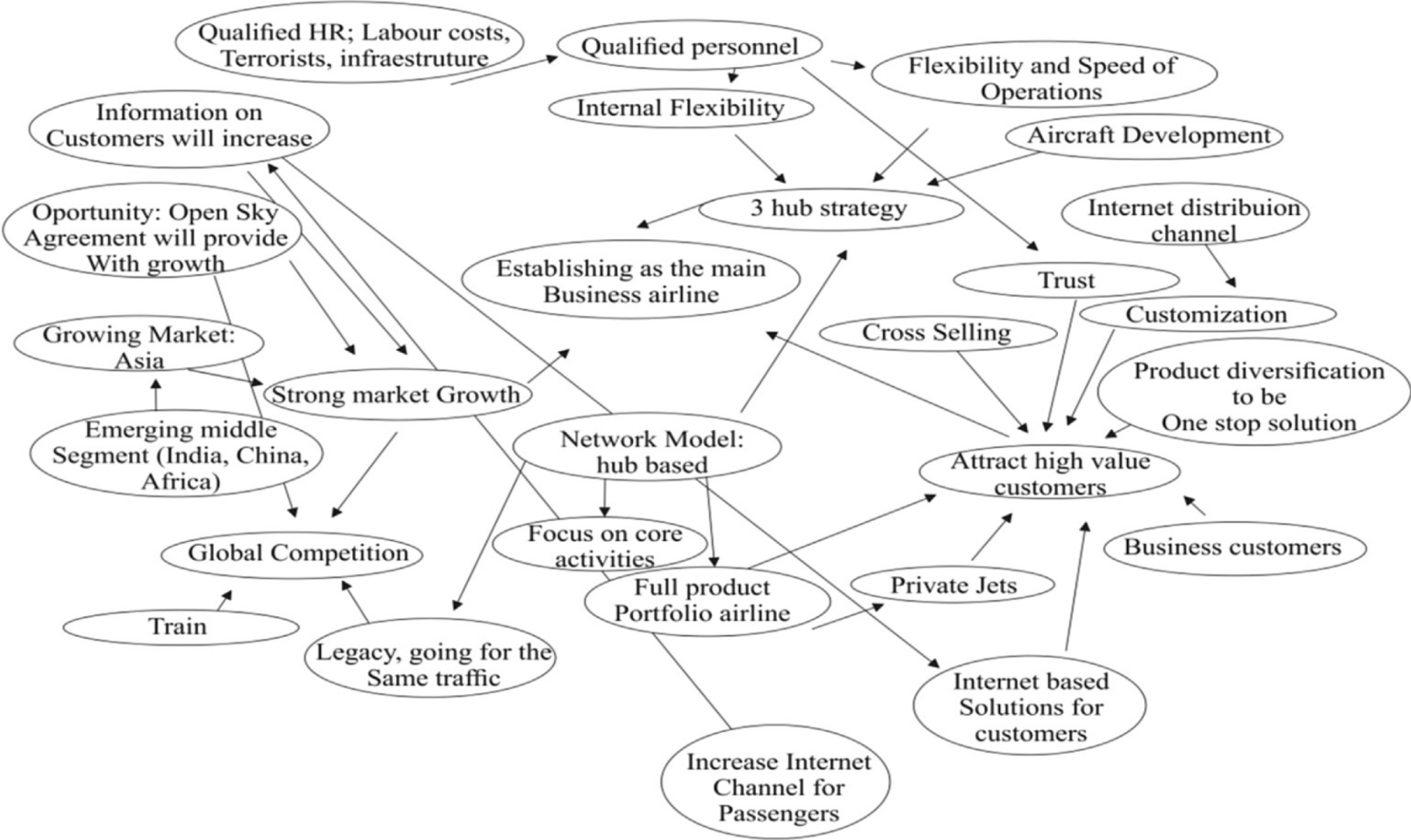
# Characteristics of future scenarios of airline business models

<b>Business models</b>	Elimination of traditional supply chains. Shipping of materials rather than finished products, with production at or near the point of use. Businesses focus on customer service.	Businesses and governments are data-driven. Holding and sharing more and more data, combined with predictive analytics and AI to forecast customer behavior. Grand challenges have evolved into precision challenges.	Companies seek to control data as the platform of choice, acting to preempt external challengers and seek a first-mover advantage over competitors.	Small, nimble companies fight to occupy niches –organizations are stripped back to bare bones as they look to become zero-waste to reduce reliance on foreign nations. Rise of the circular economy.
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# Simplified representation of the Ryanair business model

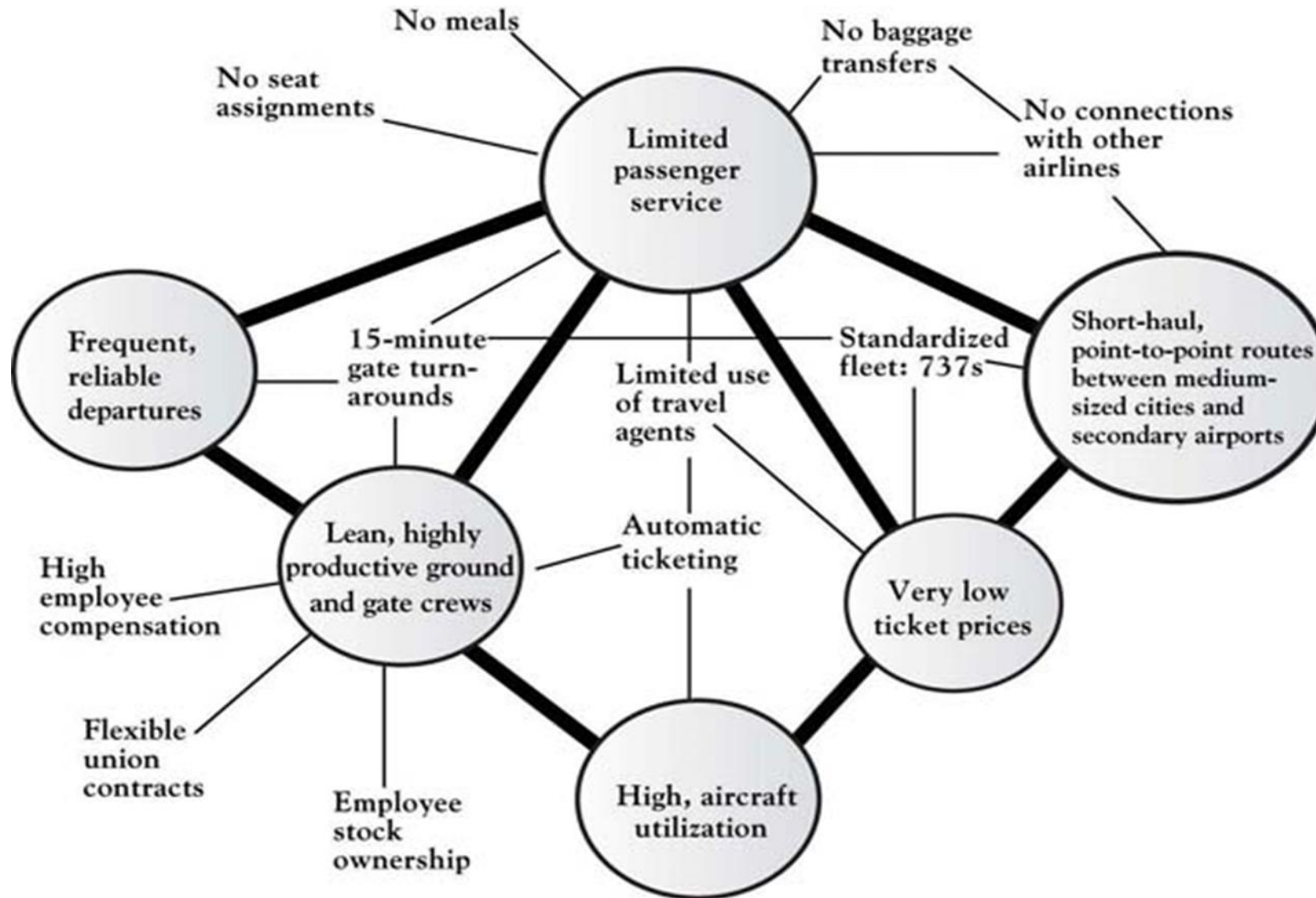


# Representation of Lufthansa's business model





# Simplified representation of the Indigo business model



**Thanks for your ATTENTION!**  
**Please ASK your questions!**

**Channel: [t.me/KhalilallahMemarzadeh](https://t.me/KhalilallahMemarzadeh)**  
**Email: [Kh.Memarzadeh@Gmail.com](mailto:Kh.Memarzadeh@Gmail.com)**

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**Every take off is optional.**  
**Every landing is mandatory.**