

Airline Business Model Framework

Unveiling the next
generation of airlines



Lufthansa Consulting



University of St.Gallen

Center for Aviation and Space Competence

Lufthansa Consulting and the Center for Aviation and Space Competence St.Gallen unveil a new view on the global airline landscape using the Airline Business Model Framework

In recent years, the air travel industry has seen a tremendous shift towards hybrid airline business models, driven by the convergence of full-service carriers (FSCs) and low-cost carriers (LCCs).

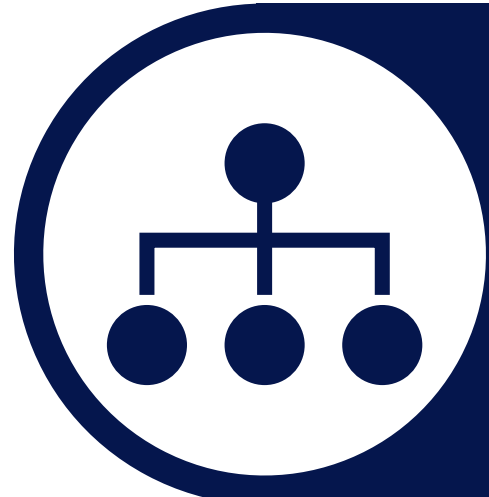
Obsolescence of existing business models

The classification of airline business models has been limited to the predominant typology of full-service-carriers and low-cost-carriers as well as leisure carriers and regional carriers.

Lufthansa Consulting and the Center for Aviation and Space Competence at the University of St.Gallen are convinced that this outdated typology of passenger airline business models requires a fundamental revision to reflect current market conditions and trends.

A new approach to airline business models

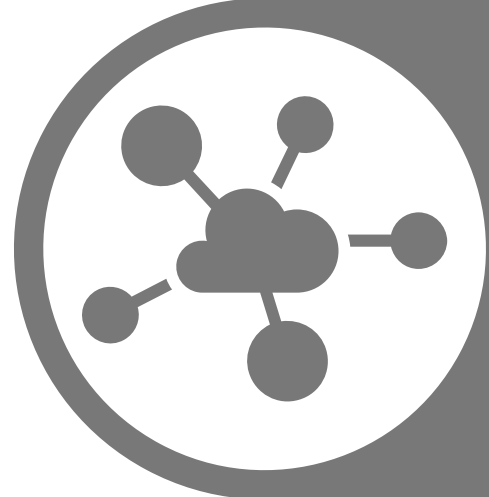
The Airline Business Model Framework is a new approach that reflects all components to capture, analyze, compare and design airline business models comprehensively. This allows a new definition of the airline landscape and lays the foundation for anticipating future market trends.



One
comprehensive
framework



~75%
of global airline
revenue represented



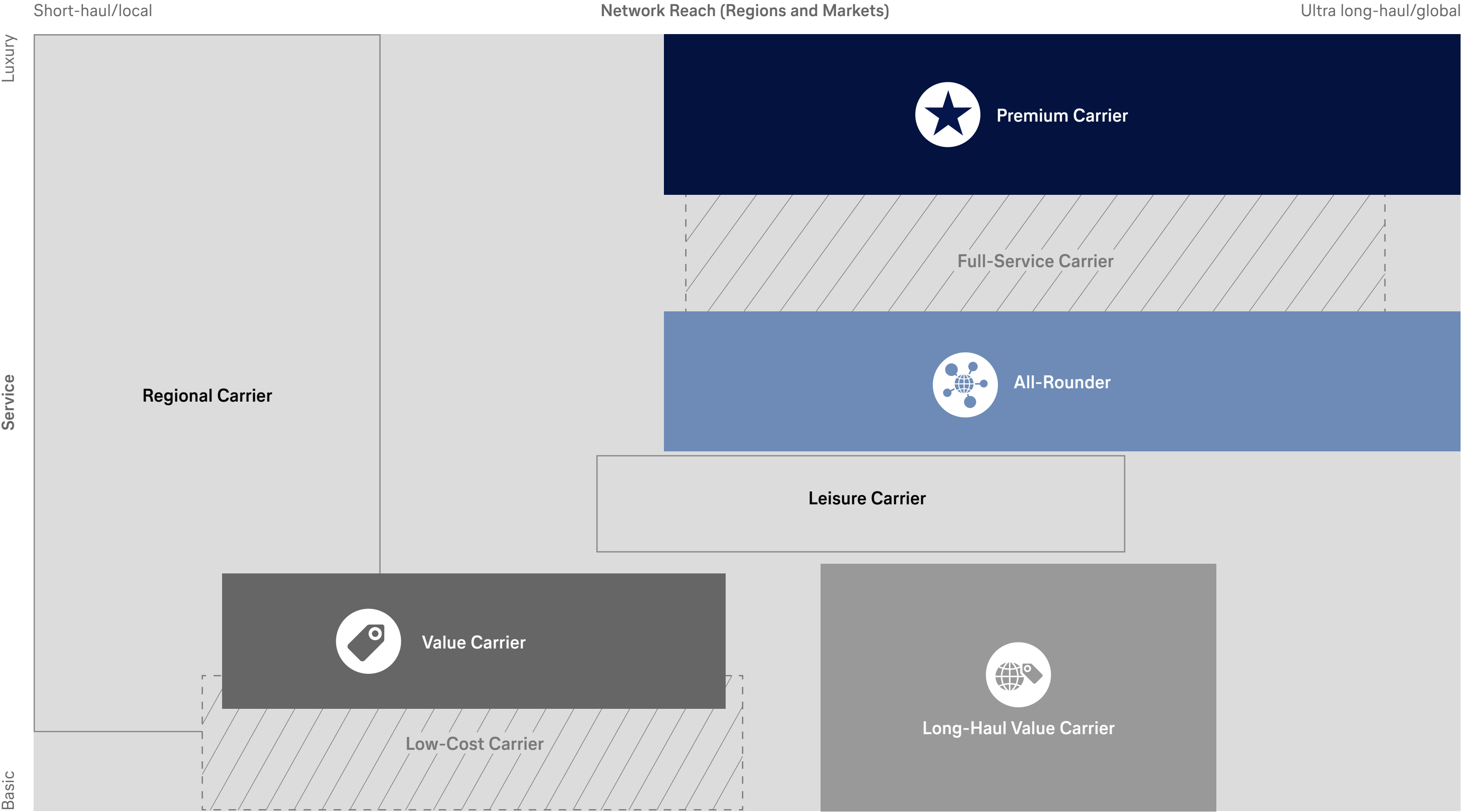
>110
airlines in database



63
countries on
all continents


Our in-depth analysis of the airline landscape has revealed four next-generation airline business models considering network reach and service

Airline business model typology




Wetlease, ACMI, business jet, and cargo business models excluded


Next-generation airline business models




The **Premium Carrier** distinguishes itself from other carriers by consistently providing a premium, or even luxury, service in all travel classes and route lengths.



The **All-Rounder** is characterized by a divergence in the offered services. Long-haul flights continue to receive an elevated level of service, while short-haul routes feature a simpler product and service offering.

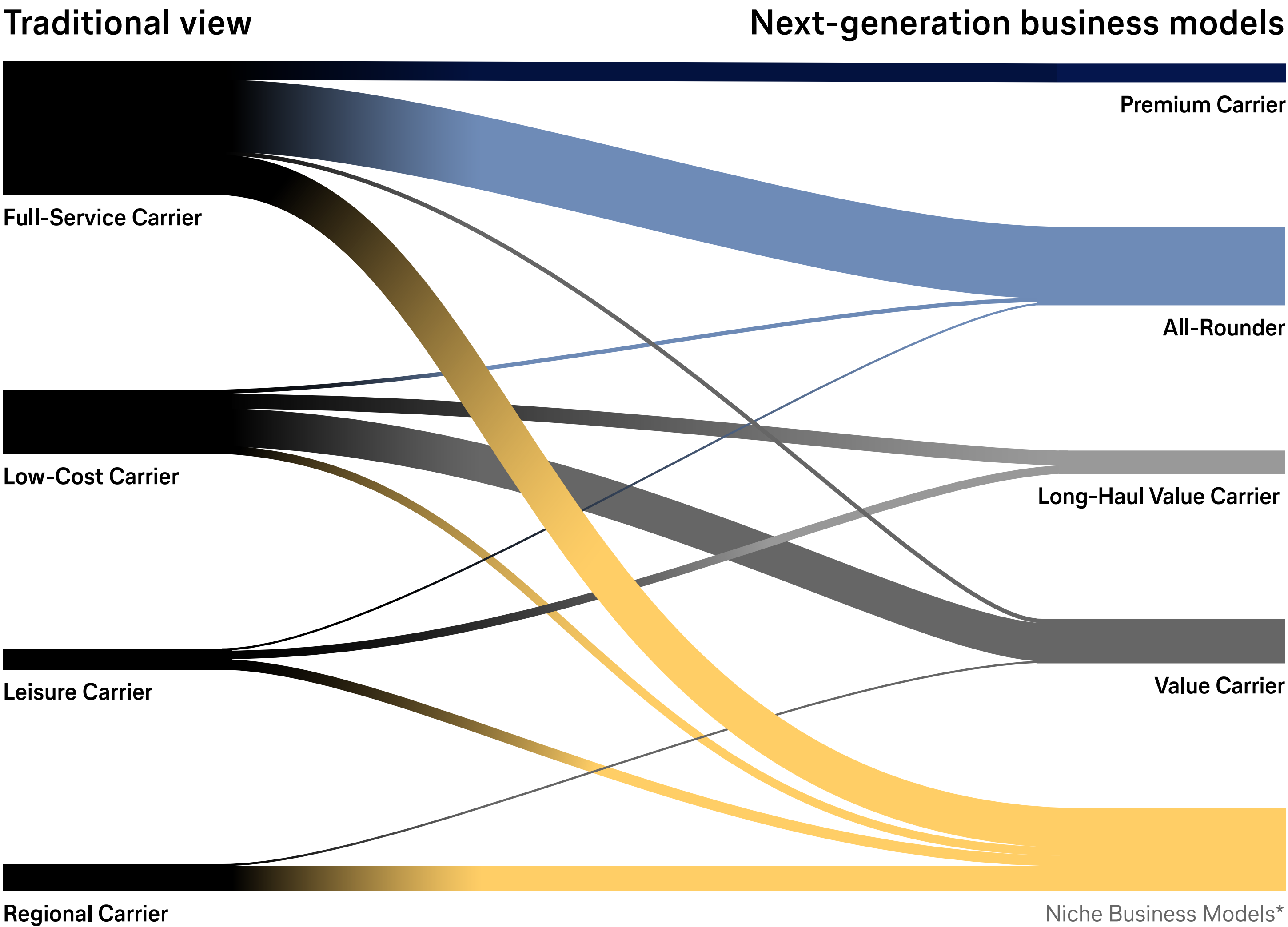


The **Long-Haul Value Carrier** applies the low-cost model to the long-haul market, converging towards the characteristics of the All-Rounder by offering multiple travel classes.



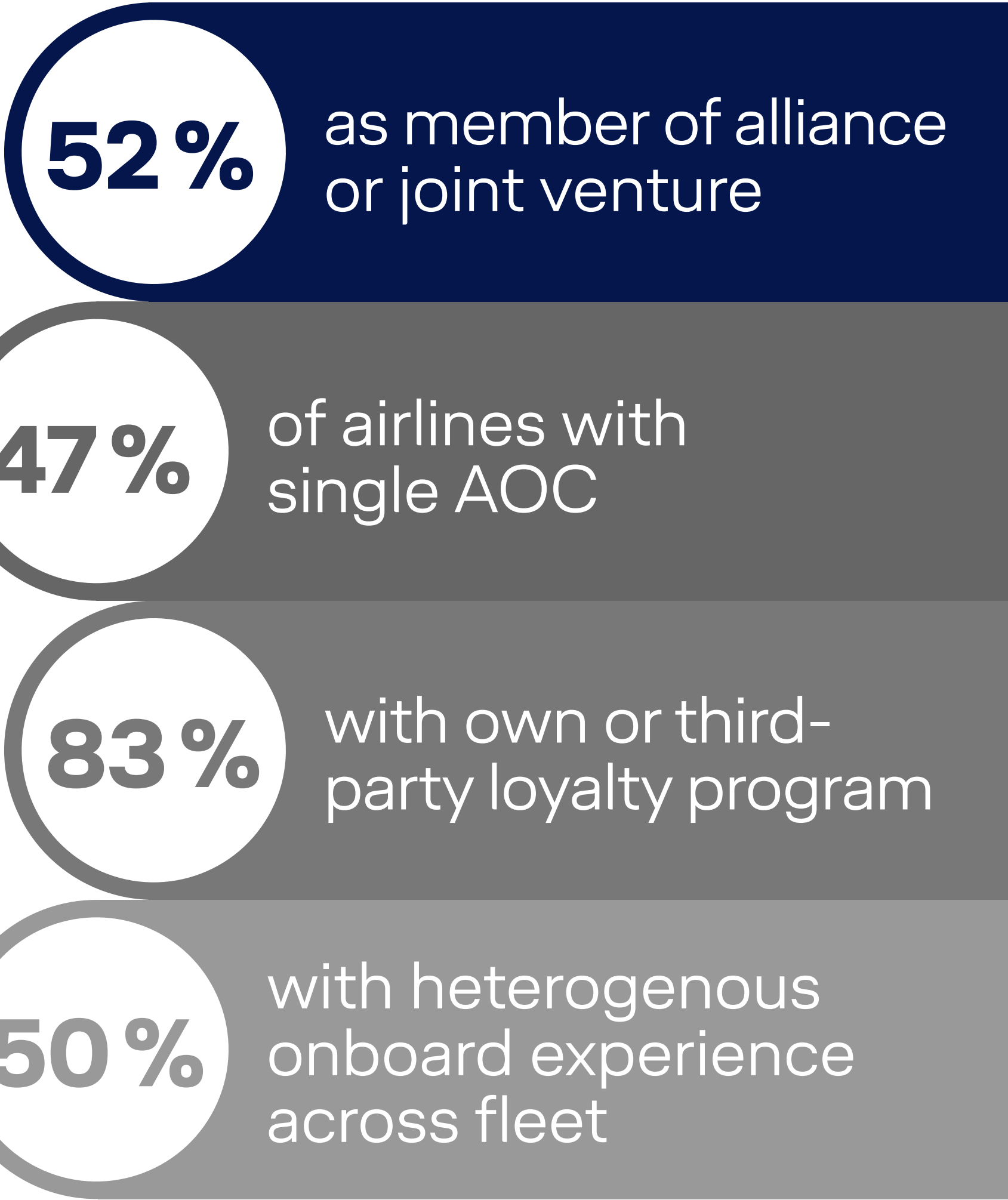
The **Value Carrier** is a direct evolution of the low-cost carrier. The main distinctions are a slightly higher service level, the reliance on an omnichannel distribution system and the presence of an own loyalty program.

The strong shift towards next-generation business models is evident in our global airline sample, accompanied by the growing importance of overarching trends

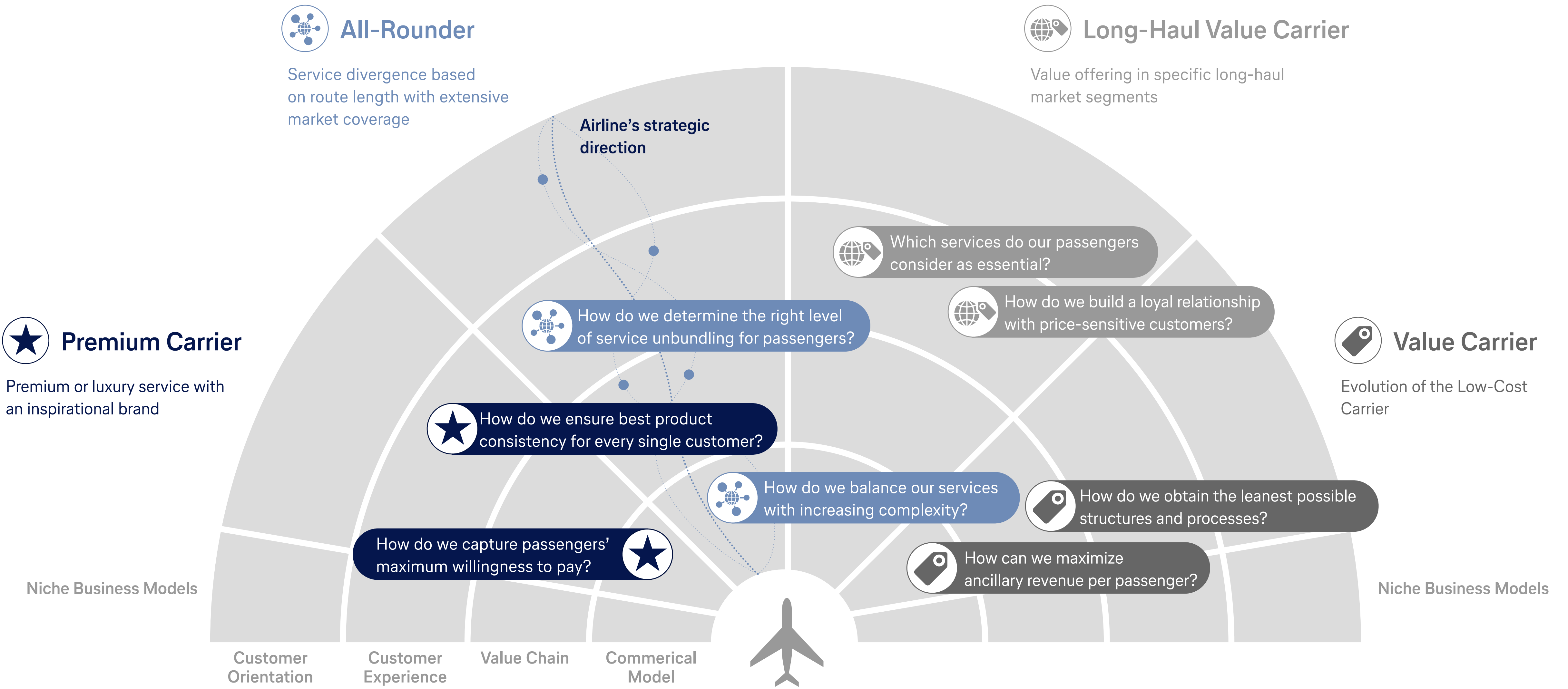


*Including traditional Full-Service Carrier and Low-Cost Carrier as well as Leisure Carrier and Regional Carrier

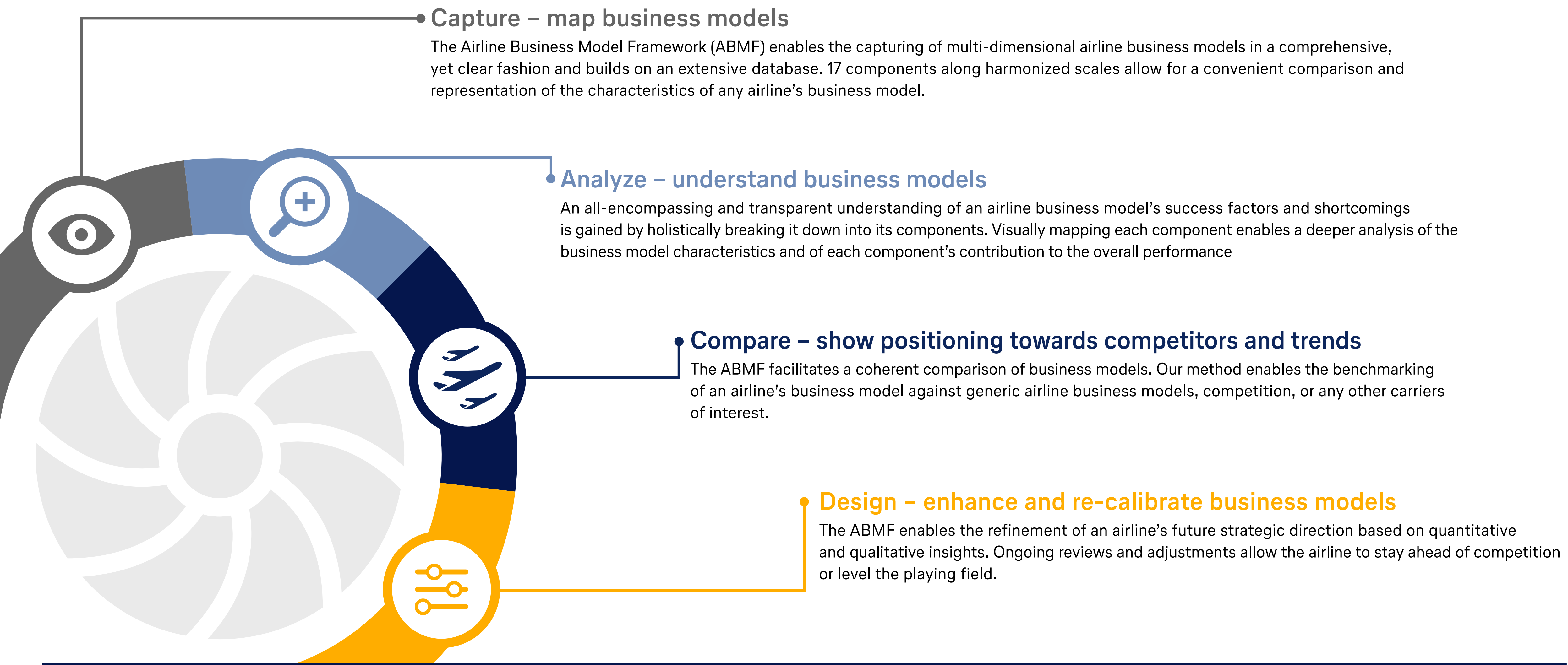
Overarching trends



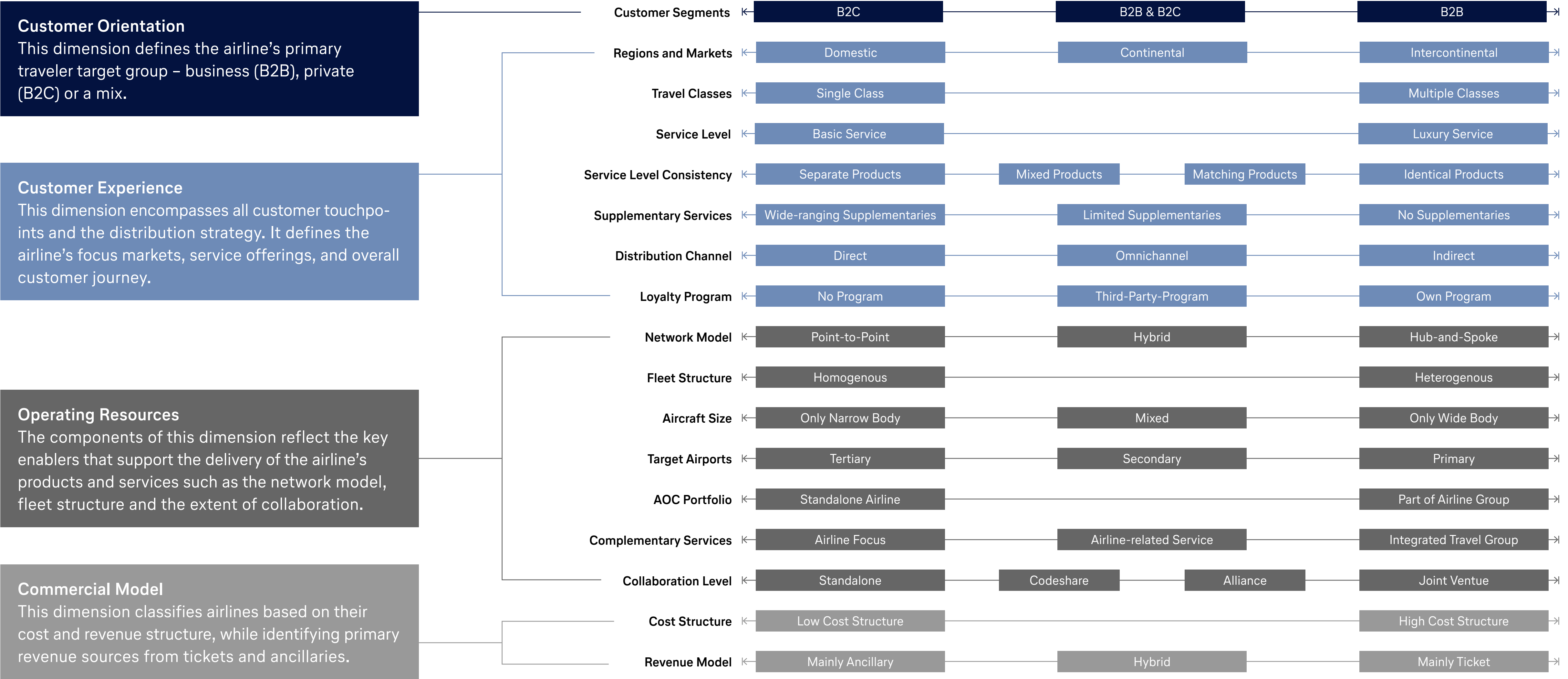
Airlines need to position themselves more clearly than ever before in today's market environment to ensure their long-term success



The "Airline Business Model Framework" enables airlines to better understand their business model and strengthen their market positioning to achieve competitive advantage

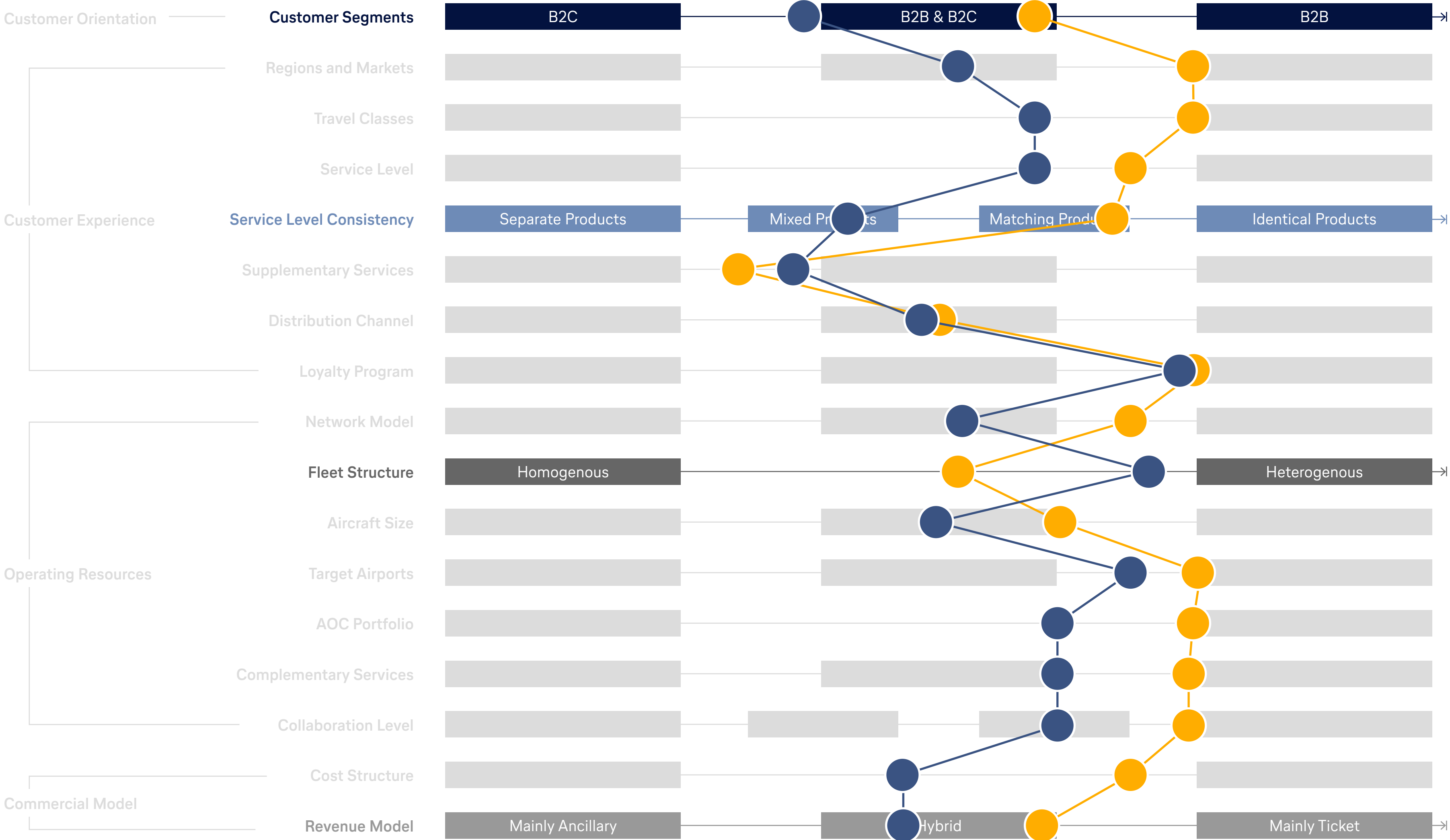


With our comprehensive model, every airline can be captured and assigned to its business model based on 17 components, grouped into four overarching dimensions



Choices on the airline’s future strategic direction will be derived from quantitative insights and benchmarking against competitors

Airline A Airline B



Airline B has a higher focus on the B2B segment in its **customer orientation**. This could present an opportunity for Airline A, which primarily focuses on the B2C segment.

Different product offerings across the fleet can lead to a mixed **customer experience**. While Airline B provides a highly consistent product, customers of Airline A may encounter different experiences based on route length.

The highly heterogenous fleet of Airline A adds complexity to operations and maintenance. Airline B benefits from a more homogenous fleet allowing it to leverage synergies in the **operating resources** while avoiding reliance on a single aircraft type.

Airline B supplements its ticket sales with ancillaries to a greater extent than Airline A. Given that ticket prices are highly competitive and often yield low margins, ancillary sales could offer a good way for Airline A to generate additional revenue as part of its **commercial model**.

Lufthansa Consulting

Lufthansa Consulting is an award-winning management consultancy with a broad range of expertise in the aviation industry. Our clients benefit from customized business solutions and our in-depth aviation knowledge of factors which are critical for success. We tailor innovative strategies and design resilient business models for managing the important challenges of the future towards sustainable market growth and profitability. Aviation is our business.



Vincent Hütte

Associate Partner

Head of Solution Group Strategy & Organization

E-Mail: vincent.huette@lhconsulting.com



Florian Erbach

Senior Consultant

Solution Group Strategy & Organization

E-Mail: florian.erbach@lhconsulting.com



Marc Gebler

Consultant

Solution Group Strategy & Organization

E-Mail: marc.gebler@lhconsulting.com

Legal Disclaimer

The content of this publication is for general information purposes only. No liability is assumed for the accuracy and completeness of the information. All copyrights and rights of use remain with Lufthansa Consulting (LCG) and the Center for Aviation and Space Competence (CFAC) at the University of St.Gallen. Reproduction, modification or utilization is not permitted without the prior written consent of LCG and the CFAC. German law applies.



Lufthansa Consulting

Center for Aviation and Space Competence

As one of Europe's leading business universities, the University of St.Gallen is globally recognized as a place for thought leadership on current economic, business and societal matters and for the development of talents able to integrate perspectives and act both entrepreneurially and responsibly. The Center for Aviation and Space Competence (CFAC-HSG) is an independent research institution focusing on the analysis and development of strategies for companies in the aviation and space industry. It aims to help the aviation and space industry in its complex interrelated and heterogeneous fields of application.



Dr. Andreas Wittmer

Managing Director

School of Management University of St.Gallen

E-Mail: andreas.wittmer@unisg.ch



University of St.Gallen

Center for Aviation and Space Competence