IBN HALDUN UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF AIR TRANSPORT MANAGEMENT

MASTER THESIS

KEY SUCCESS FACTORS OF AIRLINE-WITHIN-AIRLINE MODEL: A QUALITATIVE STUDY USING THE EXAMPLES OF QANTAS, SINGAPORE, AND LUFTHANSA AIRLINES

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THESIS SUPERVISOR
ASST. PROF. SÜMEYYE KUŞAKCI

ISTANBUL, 2022

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by
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A thesis submitted to the School of Graduate Studies in partial fulfillment of the requirements for the degree of Master of Science in Air Transport Management

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APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Air Transportation Management.

Thesis Jury Members

Title - Name Surname	Opinion	Signature
_____	_____	_____
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_____	_____	_____

This is to confirm that this thesis complies with all the standards set by the School of Graduate Studies of Ibn Haldun University.

Date of Submission Seal/Signature

ACADEMIC HONESTY ATTESTATION

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name Surname: Nur AKBIYIK ÇETİN
Signature:

ÖZ

HAVA YOLU İÇERİSİNDE HAVA YOLU İŞ MODELİNİN BAŞARI FAKTÖRLERİ: QANTAS, SİNGAPUR, LUFTHANSA HAVA YOLLARI ÖRNEKLERİNİ İNCELEYEREK NİTEL BİR ÇALIŞMA

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Temmuz 2022, 82 sayfa

Hava yolu içerisinde hava yolu iş modeli, havacılıkta ortaya çıkan yeni bir stratejik uygulama olarak literatüre geçmiştir. Bayrak taşıyıcı hava yolları, agresif rekabet koşulları, değişen pazar şartları, maliyetiyetin düşürülmesi, farklı yolcu segmentlerinin ihtiyaçlarına ve taleplerine uygun ürün sunulabilmesi, etkin ve etkili bir filo, uçuş ağı ve insan kaynakları politikaları izlenebilmesi amaçları ile düşük ücretli hava yolları ile rekabet edebilecek kimlikte markalar ile pazarda var olmaya başlamıştır. Dünyada uygulanan örnekleri içerisinde en uzun süreli olan Qatar Hava yolları, bir çok marka ile etkili bir performans sergileyen Singapur Hava yolları ve Avrupa'da bir çok alt marka ile operasyonlarını yürüten Lufthansa Hava yolları incelenmiştir. Başarılı örnekler yanında varolup şimdi sonlandırılmış bir çok örnek de vardır. Bu bağlamda, bu iş modelinin sürdürülebilir ve başarılı olabilmesi için hangi faktörler söz konusudur sorusuna cevap arayarak, bir prospektüs niteliğinde olabilmesi hedeflenen başarı formülü yorumlanmıştır. Bu iş modeli, operasyonel ve yönetim açısından oldukça zorlukları olan bir iş modeli olmakla beraber; belirlenen kriterler özelinde oldukça başarılı sonuçlar elde edilebilmektedir. Yönetim anlayışındaki özerklik, bağımlı olduğu hava yolundan bağımsız bir uçuş ağı sunulması, ticari ve pazarlama stratejilerinin marka ile uyumlu olması, yolcuların talep ve ihtiyaçlarına uygun ürünler sunulması, düşük maliyetli hava yolları ile yürütülen derin rekabetin sonuçlarına uygun fiyatlandırma ve dolululuk oranları ile elde edilen daha iyi performans, sendika

kısıtlarının ortaya çıkardığı sonuçların üstesinden gelinmesi, esneklik ve çevik aksiyonlar ile değişime uyum sağlanması, dijitalleşme, insan kaynakları politikalarının sahibi olan hava yolundan farklı şekilde yürütülmesi, maliyet avantajı sağlayacak tasarruf alanlarının değerlendirilmesi gibi konular bu başarı kriterleri içerisinde ele alınmaktadır. Özellikle sahibi olan hava yolu grubu ile markaların karışmasını ifade eden kanibalizasyon ve rekabet etkisi, bu iş modelinin başarısız olmasının en temel sebepleri olarak gösterilmektedir.

Anahtar Kelimeler: Düşük Maliyetli Havayolu, Düşük Maliyet Liderliği, Full Servis Havayolu, Havayolu içerisinde Havayolu, Kanibalizasyon, Temel Başarı Faktörleri

ABSTRACT

KEY SUCCES FACTORS OF AIRLINE-WITHIN-AIRLINE MODEL: A QUALITATIVE STUDY USING THE EXAMPLES OF QANTAS, SINGAPORE, AND LUFTHANSA AIRLINES

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Aviation has improved in all its dimensions with existing and new airline companies, and the growing competition has led airline companies to develop new strategies. The aviation industry has increasing potential in the LCC business model which is increasing the utilization of selected strategic decisions and threatening the sustainability of a number of legacy airlines. The AWA strategy is efficient as a useful strategic management tool for airlines to compete with LCCs and also to provide additional flexibility during dynamic changes and industry fluctuations. The response of legacy airlines to LCC challenges in the aviation industry is to create an AWA. This research has analyzed the success factors of this strategy, especially for a multi-brand strategy. The AWA strategy should be well-defined for group as a whole and also each brand under the same family. For this reason, the AWA model is a strategic response by FSCs to compete with LCCs. The AWA model enables FSCs to pursue a cost leadership or focus strategy by operating a portfolio of airlines in various market segments. After creating new AWA under the same group, it has been harder to manage dual- or multi-branding and also efficiency in terms of finance and productivity. For this reason, dynamic KPIs detection which are suitable with selected strategies and analysis management are critical for a success formula. Autonomy, network structure, commercial and marketing strategies, product and services, cost efficiency, revenue opportunities, flexibility, agile management, digitalization, human resources policies,

union restrictions can be defined as success factors of the AWA strategy. On the other hand, cannibalization and competition can be named as the main reasons for the failure of this business model.

Keywords: Airline-within-Airline, Cannibalization, Cost-Leadership, Full-Service Carrier, Key Success Factors, Low-Cost Airline

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A debt of gratitude is also owed to the AnadoluJet family and the Turkish Airlines Family. It would not be possible to finalize this study without my work experience in aviation and directly in a living AWA case study.

Last but not least, I would like to express my affection to my family members, from the beginning of my study, my 23 family.

I wish this study will help aviation community to understand AWA strategy better.

Nur AKBIYIK ÇETİN
ISTANBUL, 2022

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LIST OF SYMBOLS AND ABBREVIATIONS

ASK	Available Seat Kilometer
AWA	Airline within Airline
CASK	Cost Available Seat Kilometer
FSC	Full Service Carrier
IATA	Internal Aviation Association
ICAO	The Internal Civil Aviation Organization
KPI	Key Performance Indicator
LCC	Low Cost Airlines
LF	Load Factor
LH	Lufthansa Airlines
PFSC	Premium Full-Service Carrier
RASK	Revenue per Seat Available Kilometer
RPK	Revenue Passenger Kilometer
RY	Revenue Yield
SIA	Singapore Airlines
SS	Seat Sold
ULCC	Ultra Low-Cost Airlines
USA	United States of America

CHAPTER I

INTRODUCTION

The first airline that successfully runs a mainline carrier and a separate, low-fare airline-within-an-airline should win the Nobel Prize in economics.

CEO British Airways, Rod Eddington, 2004

The aviation industry contains other airline-related businesses, especially airlines that offer air transport services for passengers and also for other third parties (as business partners). The air transport services are supplied especially for cargo and passengers in the aviation industry. The aviation industry has critical roles in supporting the economics of the world and in influencing dynamically in the sociopolitical development of many countries. The number of air transportation networks in the world has been developing daily; as a result, the aviation industry is persistently improving. Moreover, improvements and growths in aviation directly affect other related sectors. Accordingly, the development of air transportation and the aviation industry have become leading indicators of global development.

The main reasons for the growth trend in aviation could be explained as follows:

- First, the positioning of civil aviation as the most valuable transportation option has been regarded as a success sign.
- Second, the risk of making the world more globally connected appeared as a critical issue in aviation after the corona pandemic. Therefore, airlines need to define their strategies carefully to be more sustainable for the future.

There are two key roles of airline business. The first one is about historical pattern of airline transportation: The world has been drowned by air with air routes. And also, air traffic has been increasing regularly. As an example, the air traffic has been doubled every 15 years since 1972 According to Airbus's analysis. (Wensveen, 2011, p. 509) Historically, 1945's air transportation passenger number was around 9 million which was calculated less than one half of 1 percent of the world's total population

number for 1945. According to ICAO, 4,5 billion passengers traveled in 2019 which is calculated around %58 of the total world population.

The second is about aviation's key role in the future: According to many aviation reports before COVID-19 was about development %5 per each year (Senguttuvan, 2006, p. 166). However, COVID-19 has changed forecasted pattern for future trends in aviation. Especially two years 2020 and 2021 were milestones to establish new strategies for airlines. Cargo potential has been increased over the forecasted values in aviation during COVID-19. Consequently, the future started with 2022 has been the new era for airlines which has aims to success.

As a summary of the two key roles: The aviation industry will continue to develop and change rapidly, so it is crucial to evaluate the opportunities and challenges. On the other hand, the world's aviation industry has been changing by the recent developments in air transportation in terms of trends, forecasts, organizational and management issues, technology, and infrastructure.

The answer to the question ‘what is strategy’ in aviation has frequently changed over the years. Even today, there is no concrete definition of strategy in aviation. Theoretically the common purpose of strategy is to provide a long-term management approach to markets and industries. Based on this, strategy has been analyzed together with strategic management, competition, and competition strategies. As stated in Cam's Airline Transport and Competition Strategies book, the liberalization movement in the USA, the turning point of the airline industry, and the siege strategy behind it coincide with each other. Concepts such as competition, competition strategies, and airline business models have emerged in air transportation and spread all over the world in the aviation sector. Several external and internal KPIs affect the competition in aviation. Despite all these factors, aviation has improved in all its dimensions with existing and new airline companies, and the growing competition has led airline companies to develop new strategies (Çam, 2017, pp. 57-77).

According to IATA (2018), drivers of change in the airline industry could be listed in the following table:

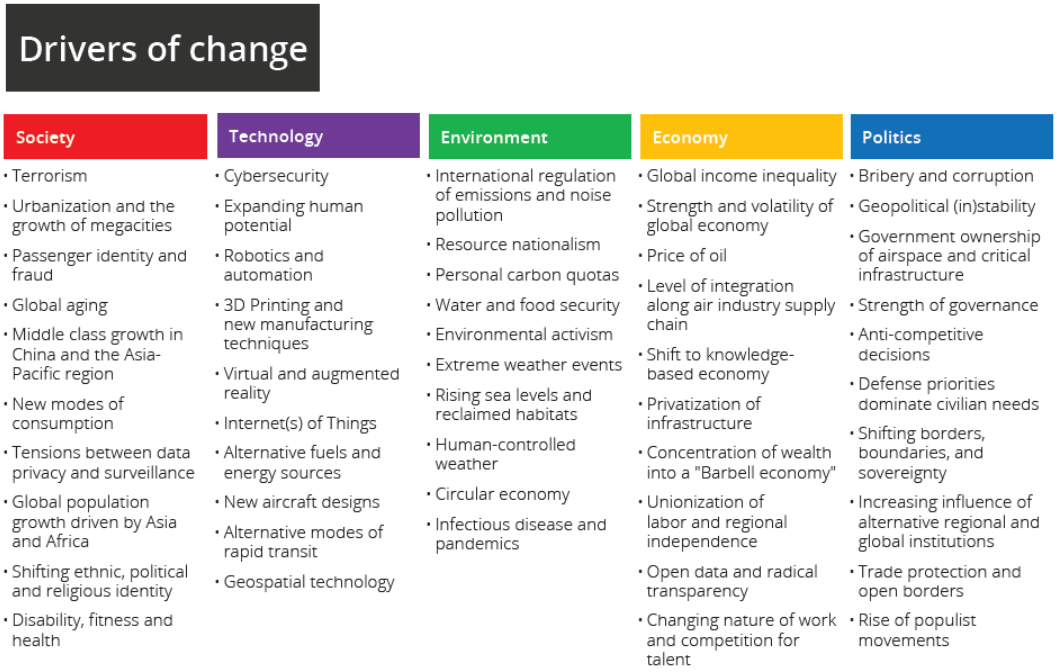


Figure 1.1. 50 Drivers of Change for the Airline Industry (IATA, 2018, p. 6)

Competition has been not only a strategic term for airlines but also an inevitable challenge in the aviation industry. Taking the strategic mission and challenge of competition into consideration, the optimal suitable business model for an airline aiming for higher and sustainable profit is always open to endless discussions. Therefore, the air transportation industry has become dynamically changing and developing due to different business models' evolution and their effects on competition and profitability.

Successful airlines which maximize their revenue, minimize their cost and become sustainable define their potential in the aviation industry as critical for future projection. The aviation industry has been evaluated during this period. The COVID-19 pandemic has influenced on the aviation industry by many challenges. Aviation has opportunities around the increasing passenger (Pax) number trend and developing market focus in the sector along with its investments and aviation policies all around the world, even as there are risks and challenges for the aviation industry. Aviation is the only business authorized to apply sanctions by conducting civil aviation activities in our country according to international rules and standards to ensure its sustainable growth.

The COVID-19 pandemic shows us the importance of flexible and sustainable strategies to be followed by the airline industry. Taking both opportunities and challenges in the aviation industry into consideration, the main significant challenge is to cope with demand and supply in markets. The balance of demand and supply brings another critical question to the forefront: how will the fast-growing trend in aviation affect profitability and economic sustainability for airlines and the future of aviation? The answer is related to cost-effectiveness, market share, and competition.

According to the 2021 IATA annual report (IATA, 2021), the COVID-19 pandemic has influenced two main markets: travel (domestic and international) and cargo.

- The domestic travel market has also been strongly influenced by pandemic conditions. New normal conditions in each country and the global/national economic situation are the main factors in domestic market development. In addition, local passengers, reservation curves, competition conditions, and frequencies in regional markets are crucial factors.
- The international travel market has been influenced by international restrictions that have changed demand and travel conditions. As a result, the new international travel demand is very low and still restricted. Changes in international travel were pointed out by IATA as seen below (IATA, 2021):

Figure 1.2. Travel Market 2020 Snapshot (IATA, 2022)

- Cargo gained value during the pandemic. However, after the pandemic, that changed direction proportionally. IATA comments on the trend of cargo business as shown in the following figure (IATA, 2021, p. 15):

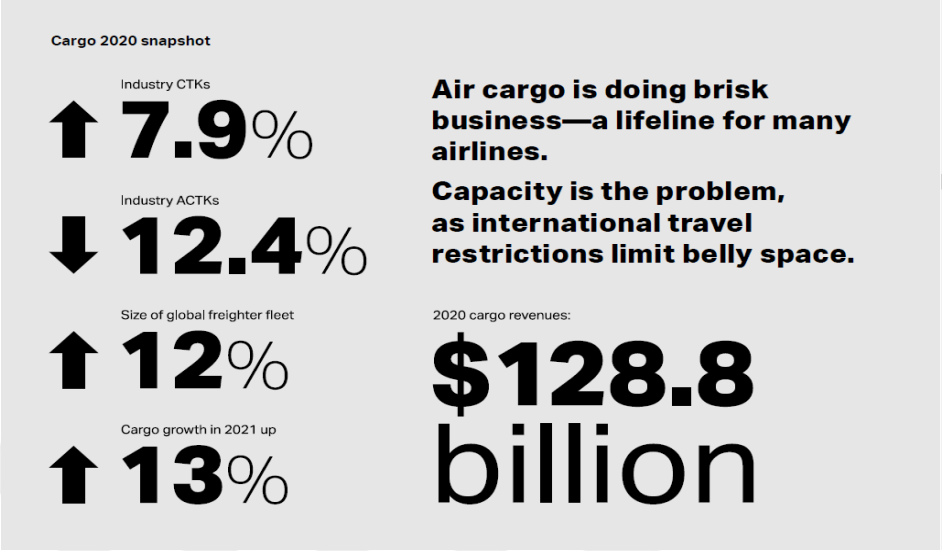


Figure 1.3. Cargo 2020 Snapshot (IATA, 2022)

The airline industry has experienced many major changes, such as changing and evaluating business models, crises, and economic and sociopolitical problems. The main drivers for the following years are most probably flexible changes, innovation, and technologies. Moreover, the COVID-19 pandemic should be accepted as a primary driver in the near future. Consequently, aviation demand will be increasing in the following five years. Table 1.1 shows predicted numbers of passengers in different refions for the coming years.

The Airline-within-Airline (AWA) model emerged as an alternative strategy in the 2000s due to this dynamic development of the aviation industry. There have been successful examples of AWA, while there were many unsuccessful examples in aviation history because there are many difficulties inside the AWA model itself to be solved between parent and AWA airline under the same family. It is necessary to understand key factors which provide successful long-term strategies for an AWA, not only for all brand families but also for the sub-brands, and to reposition both airline brands strategically. This research formulated a success formula that is important for a successful AWA.

Table 1.1. Passenger Numbers Expectations (IATA, 2022)

Passenger Numbers Share of 2019	2021	2022	2023	2024	2025
Industry-wide	**47%**	**83%**	**94%**	**103%**	**111%**
International	27%	69%	82%	92%	101%
Domestic	**61%**	**93%**	**103%**	**111%**	**118%**
Asia Pacific	40%	68%	84%	97%	109%
Europe	**40%**	**86%**	**96%**	**105%**	**111%**
North America	56%	94%	102%	107%	112%
Africa	**46%**	**76%**	**85%**	**93%**	**101%**
Middle East	42%	81%	90%	98%	105%
South America	**51%**	**88%**	**97%**	**103%**	**108%**
Central America	72%	96%	102%	109%	115%
Caribbean	**44%**	**72%**	**82%**	**92%**	**101%**

1.1. Aim of the Research

The aim of this research is to investigate success factors for the AWA model in the aviation industry in terms of a methodological view. The research will be quantitative, measuring the positioning of the case airlines and their subsidiaries based on management strategies and strategic plans. This comparative case study employs content analysis from annual reports published for the whole brand family in each financial year. In the annual reports, there are also some details about all sub-brands: FSC, AWA, brand group, sub brands, and related strategies. The research questions were sampled from annual reports, websites, and interviews, which are the basis to formulate a success formula for the factors of the AWA model. The results will be displayed in Excel, which helps analyze the samples and produce the results.

Sources for this research include the main related studies reviewed based on the keywords of the AWA concept and model in the aviation industry, especially about competition between LCC and FSC, the multi-brand strategy, and cannibalization. Articles, book chapters, and other publications about the AWA model were also researched. Academic studies were combined with case studies of airlines operating the AWA model successfully in the Asia Pacific & Europe regions. The research is also reviewed by analyzing about failed AWA examples in the USA region.

The airlines reviewed for this study is those which are owned by a main airline such as Singapore Airlines and Scoot under one case study, Qantas Airlines and Jetstar under another case study, and Lufthansa Airlines, Austrian Airlines, Swiss and Eurowings under the last case study. Behind the content analysis of these successful examples, the other examples help to understand some strategies better of the AWA model. Some of them include: Sunexpress and Turkish Airlines & Lufthansa Airlines, Anadolujet & Turkish Airlines, Buta & Azerbaijan Airways; Ted & United Airlines, and Song & Delta Airlines.

One of the successful airlines is Qantas Group for the AWA case study: A successful AWA case is Jetstar, was founded in 2003 as the low-cost subsidiary brand under the Qantas Group Family. Another successful airline is Singapore Airlines Group: First AWA example of the Singapore Airlines Group was Tigerair and obtained Tigerair for the low-cost short-haul operations in 2010 and turned a completely admitted in 2016. And in 2012, Singapore Airlines Group created Scoot for a low-cost medium to long-haul option. These AWA examples present the availability for affordable prices especially for low to middle budget passengers in aviation(Merket and Pearson, 2014). From this point view, the Singapore Airlines Group and Qantas Group have experienced an incremental competitive advantage. The described competition strategy about AWA model has gained especially more efficiency during periods of economic uncertainty and lower demand (Raynes & Tsui, 2019, p. 150)

In USA region, Delta Airlines, Continental Airlines, US Airways, United Airlines created also their AWA brands which were unsuccessful example. The main reasons for applying AWA strategy for US Airlines were cannibalization, false competition management between main and AWA airline, fleet management, a lack of strategic management strategies (Morrell, 2005).

1.2. Research Questions

The reasons and effects of the AWA model which have been implemented in the aviation industry are differentiated according to airline’s preferences and business models, which can be called business strategies, to be more successful. In summary, airlines want to gain an advantage with different strategies against their competition

suitable for their business models. From this point of view, to formulate the key success factors for an AWA model, the main research question is: **Is it possible to generate a success formula for an AWA model?**

There are also other related questions to reveal the key success factors of an AWA model:

- What are the driving factors that cause an AWA to survive and prosper?
- What are the factors that make an AWA inefficient?
- Is it possible to generate a success formula for the AWA model?

What are the driving factors that cause an AWA to survive and prosper?

The AWA model is performed for more than 20 of the world's leading airlines. The 58% of the world's AWA examples are applied in the Asia-Pacific region (Pearson and Merkert, 2014). The competition is the fundamental influence about the success of the AWA model.

The AWA model supplies airlines with a start action to compete with LCCs when they have some advantage in reduced labor costs because the labor cost is one of the main costs KPIs for airlines. The selected network strategy is critical for high utilization in production. For example, the complex network structure with the hub-and-spoke system effects less efficiency without declaring adequate worth and quality of product. The main expected strategy behind branding is the balance between the business and cost for the main airline and subsidiary AWA. (Graham& Vowles, 2006, p.110).

Market segmentation is vital for AWA strategy. When there are two targeted market segmentations within the same airline, there could be some problems because of cannibalization. Branding, LF, and yield dilution are essential terms in market segmentation within the same group. When there is strong competition on a leisure route, this results in a lower yield for the same demand. Therefore, the AWA strategy can be successful for carriers such as Singapore Airlines, Qantas Airlines, Lufthansa Airlines, which has specific strategies for suitable market conditions. Additionally, the AWA strategy can be successful in the related markets to apply for a short-term. These two conditions give the AWA strategy more success; however, labor and union conditions should also help to develop a strategy in the market with lower cost and also better applicable conditions (Graham& Vowles, 2006, pp.123-124).

What are the factors that make an AWA inefficient?

There should be a balance between an AWA's yields and LF with their parent airlines. There are four significant key factors that cause failure or success of an AWA model (Whyte&Lohmann, 2014, p.142):

- Unclear and undefined strategies and the need for decisive leadership.
- Late market entrance and the need to achieve market dominance.
- Excessive management control and insufficient dissimilarity from the parent airline.
- Higher costs and less efficiency vis-a-vis LCCs.

Conversely, there are several airlines, examples as including some of the largest airlines: British Airways, American Airlines, Air France. They have refused to have their LCC brand as AWA model. They did not aim to gain advantages by reducing costs or managing competition with LCCs. They aimed to perform better to have less costs by increasing yields in a network operation. For this reason, some legacy airline has not attracted to found an AWA strategy. On the other hand, several legacy airlines aimed to reach lower cost performance by competing with LCCs in sharing markets. One of the examples is Iberia Airlines. They experienced difficulties with low-cost entry within the Spanish market and start to brand a low-cost airline within IAG group. They owned their AWA model which is named Vueling to compete with not only LCCs but also with many charter airlines and has advantage to be a lower cost base than other European major airlines (Airline Business, 2005). The other example is Zip Airline which is created an AWA model by Air Canada in 2002. After 2 years, The Zip Airlines reached the aimed cost reductions in 2 years. In 2004, Air Canada scheduled all routes from Zip Airlines. This is an example of transformation process between AWA model and parent airline to achieve planned strategic results. There are also side effects of AWA strategy which can be defined as cannibalization in the sharing areas between subsidiary and main carrier and as the downgrading of the parent airline's product. (Graham& Vowles, 2006, pp.106-107).

Is it possible to generate a success formula for the AWA model?

A success formula can be resulted from valuable aviation knowledge and experience, cautiously prepared strategic projection to create an AWA by an airline group or by an owner airline. The successful examples for an AWA model have been operated by the Lufthansa Group, the Qantas Group, the Turkish Airlines Group and the Singapore Airlines Group. Their main purposes have been to guarantee a clear defined market strategy, to build a complimentary strategic network structure not to be compete with the parent airline, to manage independently and to utilize two branding simultaneously and strategically to avoid brand confusion for both markets and passengers. They aimed not to have unsuccessful results likely the US legacy airlines (e.g., Continental Airlines, Delta Airlines, United Airlines and US Airways). US airlines performed their AWA models till the early 2000s from the 1990s. Accordingly, these examples have been proposed to be more agile and dynamic to their low-cost competitors. The Qantas Group and the Singapore Airlines Group manage to capitalize their challenging market selection strategically to save more profit and to perform more sustainable. Furthermore, the high level of independency will play an orienting role in the AWA's success formula in this research (Raynes & Tsui, 2019, p. 163).

A success formula will be clarified as to how the AWA model can succeed by using data via content analysis of long-term survival, especially before the COVID-19 period between 2016 and 2019, and after the pandemic term. The results also cover already analyzed factors of unsuccessful and successful examples in the aviation industry. The current and former market circumstances suggest that convergence towards the LCC model may be associated with higher chances of long-term survival.

1.3. Contribution

This research shows the reactions of macro and micro economics worldwide on airlines' business models. AWA strategies are a reaction to having a flexible response to dynamic changes in aviation. Many airlines applied this strategy to their group strategies. In most examples, airlines decide to divert their group efficiency by applying the AWA business model to newly founded airlines. In some examples, airlines convert their strategies inside their group management by having an already branded airline. Both examples show that AWA strategies present specific and

successful reasons for group management. These reasons should create a success formula for the followers of this strategic response in aviation. To compensate the costs, differentiate segmentation, apply efficient branding strategies, gain the highest yield of each passenger segment, have customer satisfaction and loyalty, and use fleet and human sources efficiently, companies must have the right strategies.

The worldwide crisis, increasing competition, and cost problems in recent years have forced airline companies to find solutions to try and minimize the results of these problems. Flexible dynamic management is a strategic term for airlines during agile management. When airlines do not transform their strategies to dynamic drivers in aviation, long-term efficiency problems, yield/cost imbalance, and passenger attractivity might be difficult. Transformation of strategies by each created brand according to dynamic drivers results in airlines' successful balance sheet.

In summary, this research conduces to the literature about the aviation industry to understand the AWA model better. Significantly, it emphasizes the necessities for the AWA strategy to be successful. On the other hand, it highlights the common critical characteristics to fail of the AWA management under the same group. Additionally, it makes clear to sabotage a procedure for the parent airline and their subsidiary as an AWA model.

1.4. Design of the Study

The research is structured as follows: Synthesizing an AWA strategy requires identifying key components of success that define an airline relative to marketing, organizational architecture, fleet, and network. In order to understand key success factors for airlines, all research questions were obligatory to proceed. This research was divided into six main parts: introduction, theoretical framework, literature review, explanation of content analysis methodology, and finding results with related discussions.

The first chapter explains the research subject and the aim of the study in the first part. Then the main research questions and related sub-research questions about the AWA

model are summarized. After that, the contribution of the research is explained, and the research design is summarized.

The second chapter contains a literature review and theoretical framework to analyze airline business models and the AWA model. First, general airline business models are explained as terminology. Then the historical journey is explained, and various airline business models are researched. After the first part, the AWA part will be analyzed deeply. The theoretical framework of the historical and strategical background help formulate AWA strategies' success factors.
The third chapter is about selected airlines. The case studied airlines were analyzed thoroughly in existing academic researches and annual reports, and the whole research is summarized as a general identity. In the whole research, the literature review is also complemented by publications from the dual and multi-branding due to their confusing management strategies about these selected airlines: Singapore Airlines Group, Qantas Airlines Group, and Lufthansa Airlines Group.

The fourth chapter explains the methodology. It focuses on content analysis and detecting key success factors from existing literature. Therefore, annual reports, websites, and social media were the main sources analyzed. Defining factors were related to the annual reports' KPI. There were some critical KPIs correlated to each other: ASK, LF, RASK, CASK, number of flight numbers, and passenger numbers. The questions were about signals of success factors in KPIs in annual reports.

The fifth part discusses the findings and results. This chapter compares and contrasts the three airline groups, recognizes the key performance indicators about the successful AWA examples, and shows the described reasons why their AWA failed. Management strategy is one of the most important key success factors as are loyalty and the human factor. Tactics in marketing and commercial strategies is another success factor for an AWA. KPIs were related to the main success factors according to existing research.

The last part is a discussion and conclusion. This chapter offers remarks which formulate the core success factors of an AWA strategy. There are also expectations for further studies and practical implications. This part was to bring the impact of this research of the AWA model on aviation to be implemented as a business model and could also be a key success formula.

CHAPTER II

THEORETICAL FRAMEWORK AND LITERATURE VIEW

The aviation industry includes traditional business models: One of them is Low-cost-airline (LCC) and the other one is Full-service-carrier (FSC). After a general interpretation of airline business models in aviation, there are also different strategies related to business models in aviation, which will be summarized in this chapter. After that, there will be a special focus on the new interpretation of business models as an Airline within Airline (AWA).

2.1. Airline Business Models

Air transport management is determined by airlines to provide transport services to both Cargo and passengers as described in the introduction. Their duty is to carry freight and passengers from an origin to another destination by operating a fleet of aircraft. The key issue to describe the airline business model is the network an airline offers. The network structure and routes selected are essential to describe airline business models. Another key issue to describe the airline business model is cost. The major operating cost of airlines is fuel expenses. The destinations, connections services, flight frequencies, travel time offered and network structure are also related to the cost of operations. These products are presented essential also for passengers. The ways of airline provided services to the passengers and also the ways of the establishment of the network structure are described by airline business models in literature. The main goal of this thesis is to explain business model components of how airlines describe their business models. Two important parts were examined in this research: Firstly, business model concept is analyzed and secondly, business model elements are discussed. There are four main components: 1) The segmentation of the market and passengers; 2) The value proposition; 3) The value chai as the framework for examining the strengths and weaknesses; 4) The profitability. According to these

components, many accurate definitions can differ for the regions and different categories can be grouped for the airlines.

2.1.1. Definition: Airline Business Models

Air Transport growth for passenger has been increasing considerable every year. Competition is also strong, which encourages a high level of service quality and provides challenging market conditions for airlines. Around this colorful picture, the future of aviation is an open-ended discussion, which is affected by economic, technological, and innovative developments, not only in the airline industry but also in other industries. The evolution of the airline business model is the key idea of this discussion with a key question on how airline companies' business models will look in the future. More specifically, the analysis of the dynamism and changes of business models and the creation of new models like AWA is directly located at the center of this open-ended discussion on aviation. Therefore, the airline business models and strategic direction are analyzed first in this chapter to evaluate the success factors for an AWA strategy as a changing interpretation of the airline business model.

Generally, each trade has a unique concept under the same academic definition. Some sources define airline business models as a process involving a value presentation of the business model concept with regard to the value chain approach. On the other hand, some sources define the business model as company stories that answer questions such as how the business makes a profit (Taşçı & Yalçınkaya, 2015). Airlines have been operating for many years with defined and similar business models. Aviation has experienced rapid changes and very intense competition with new airline entries. These new interpretations in both the sectoral context and especially the traditional airline business model have started to lose their sustainability economically (Hansson, Ringbeck, & Franke, 2003). Therefore, business models should not be static concepts (de Wit & Zuidberg, 2012, p. 17).

After a detailed review of the literature, there is one common picture about airline business models to underline: There is not any unique classification in airline business models in the academic sources. Additionally, there is not any unique terminology in the naming of airline business models in literature (Mutlu & Ermeç Sertoğlu, p. 530).

Each airline can be defined by many different business models in terms of the business set-up of each airline (Şengür & Kuyucak Şengür, 2012, p. 2). For example, regarding Koch's definition, airline business models in airline passenger transportation are classified into five categories as regional, charter, low-cost and business aviation (air taxi) (Koch, 2010, p. 154). According to McKnight, the airline business models are divided into regional airlines, low-cost and full-service airlines (McKnight, 2010, p. 46). The full-service carrier or the flag carrier is called also in the literature as the network carrier (McKnight, 2010).

Table 2.1. Business Model Comparison (Nair, Palacious, & Ruiz, 2011, p. 51)

Business Model	**Network/Hub Airlines**	**Regional Airlines**	**Low-Cost Carriers**	**Charter Airlines**
Success Factors	Extensive market coverage/market share and gworth (due to network effects) Alliances Ability to adopt good and homogeneous processess and quality	Serving niches Flexible cooperation with alliances Cost efficiency Domination of regional markets	Simple processes Cost efficienct Strong traffic flows	Tour operation relation Integration Cost effectiveness integrated capacity management
Driving factors at the moment	Search for markets and market share	Search for niches	Driven by search for routes with self-generating, strong traffic flows	Driven by tour operators interest in markets and integration of the value chain
Perspectiveof business model	Consolidation, division of markets leads to a reduction of services to peripheral destionations Consentration on best-paying Segments Better fit of capabililtes wellpaying segments (smaller planes, more frequency)	Concentration of business to Closer cooperaion with alliances		

In a nutshell, airlines business models can be traditionally separated into three main types: Regional, National and International.

2.1.2. Historical Journey of Airline Business Models

Changes for the 21st century have carried the business models of airlines far beyond the "*low-cost carrier - full-service* carrier" distinction. Four main business model distinctions are found in the literature, as well as airlines' self-definition. These are charter carriers, low-cost carriers, regional carriers and network carriers (Samunderu, 2020, p. 161). There are two basic business model approaches in the existing literature. The first is traditional airlines with a network structure, and the second is low-cost airlines. According to another interpretation, network airlines that try to carry out many activities within their own structure, and aviation business groups that involve separate businesses that carry out activities related to virtual airlines that carry out many activities other than core activities describe different business models (Doganis, 2001). Gados&Gillen(2008) differentiated the airlines into different concepts: as low-cost carriers for short routes, as full-service carries that offer full service to a wide geographic region, as no-cost carriers focusing on low-cost traffic on longer routes, and the regional carriers. They stated that there might be overly focused feeder airlines that feed the full-service carriers, and overlapping with their traffic and development depends on these carriers. They also named the concept of "airline-within-airline" as a mixed business model, which expresses that full-service carriers found their own low-cost sub brands in response to low-cost airlines to compete, which they also call sustainable airline strategies. The airline business model distinction is made by the differences in which components or features are not revealed in the literature except for a few airline examples related to the business models. This thesis proposed to reveal the basic components of airline business models and to uncover the airline business models in the literature and both in practice (Şengür & Kuyucak Şengür, 2012, pp. 2-3).

Until the late 1970s, there was not much difference in business models among airline companies worldwide. Except for the ones in the USA, companies that are state-owned continued their activities in parallel with the foreign policy and economic power of the countries they belong to. Deregulation in the US domestic airlines in 1978 was a breaking point in the history of the sector. The trend of liberalization spreading from the USA affected Europe first and then regions such as Southeast Asia, South America, and Australia. As a result, airlines operating comfortably between high protection

walls prior to liberalization have felt the need to use many other vehicles in the face of increasing competition.

Catering and entertainment systems offered to passengers during the flight, seat comfort, the technical features of the aircraft, the geographical location of the airport used as a hub, the flight frequency, the number of flights, and, of course, the price, have come to the forefront as important elements of the competition among airlines. Efficient competitive advantage due to different business strategies, utilized fleet management, profitable network management with routes and frequency, revenue management have been evaluated aviation industry after the liberalization across the world. Especially the competition has been stronger between FSC and LCCs through 2000s.This dynamic competition has been presented valuable results to evaluate the efficient business models in aviation.

The low-cost carrier revolution, which was experienced all over the world especially in the 2000s, carried the airline industry to a completely different point. The 2010s witnessed that the business model as low-cost airlines gradually approached natural borders, and that full-service carriers, or legacy airlines, transformed their business models and brought themselves into harsh competitive conditions.

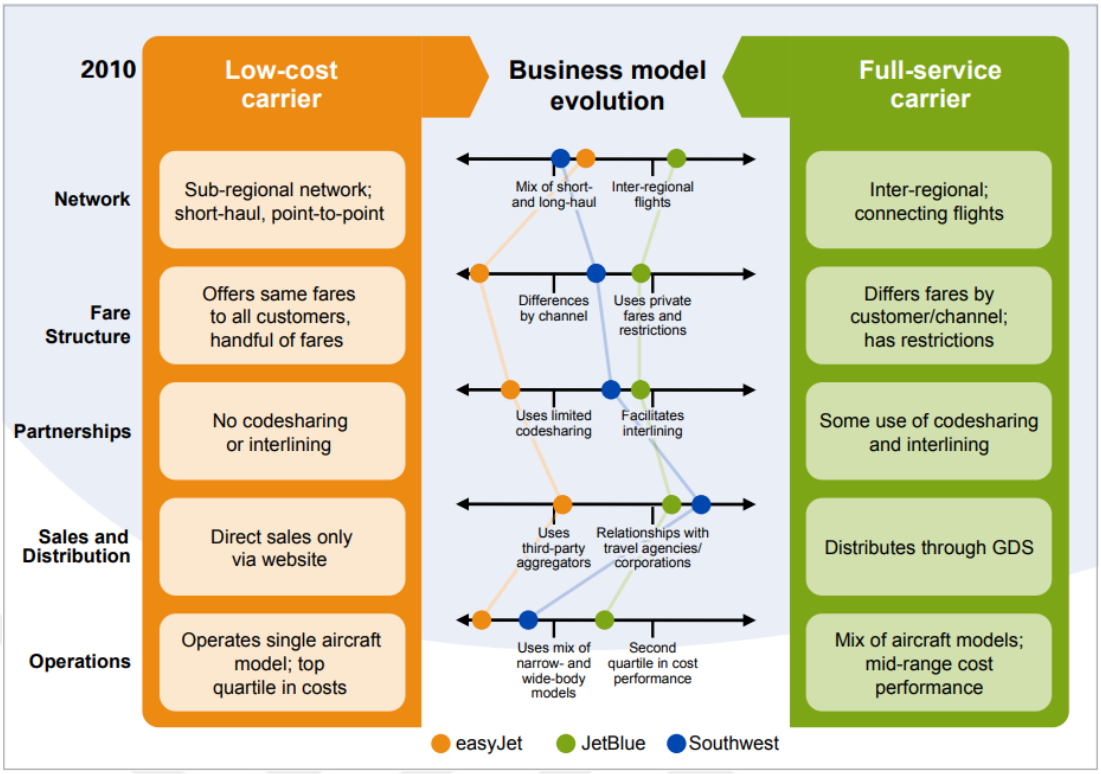


Figure 2.1. Characteristics of Hybrid Business Models from 2008 to 2010 (Sabre Airline Solutions, p. 3)

2.1.3. Variety of Airline Business Models

It is expected that similar strategies will be followed by airlines that offer premium services in other parts of the world. As a result, it is anticipated that the airline sector will have a much more colorful appearance than it does now. For example, many American airlines have developed separate approaches to long-range flights in the US domestic market rather than sticking to a single business model. The way to deal with low-cost carriers at short range without giving up the experience-oriented approach at long range is through here.

In addition, many airlines offering mainly intangible products (Zeithaml, Bitner & Gramler, 2010, p.5) have the characteristics of a service enterprise with many features. Therefore, perception and quality of service in the airline industry, where competition is intense and measuring expectations are becoming more important today. Meeting customers' expectations is an increasingly vital issue emerging for airlines that want to get and/or increase their market shares. In addition, providing high-quality services has also become an important marketing imperative due to intense rivalship in the

aviation industry (Ostrowski, O'Brien & Gordon, 1993). Today, airline companies has been classified into five categories, one end being 'price-oriented' and the other end 'experience-oriented':

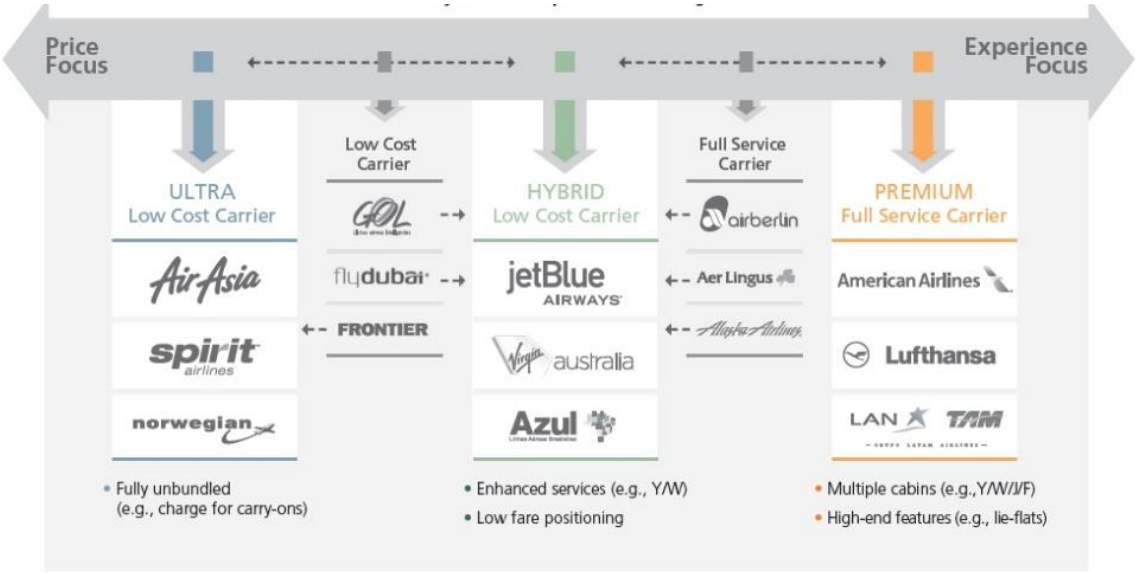


Figure 2.2. The Primary Models Shape Airline's Strategic Direction (L.E.K.Consulting, 2014, p. 1)

Three main business models in Figure 2.2 shows the transformation of airline business models:

- The customer value consideration and providing branding are the main concerns of the leading business models.
- The main purpose of ULCCs is to stimulate incremental demand with aggressive low fares. They concentrate on the motto: 'Now Everyone Can Fly.'
- The center of hybrid business models is the service orientation with value attraction. They concentrate on the motto: 'You Above All.'
- The aim of PFSC is to make the whole passenger experience to be concerned with complete system. Their motto can be coded as "A Great Way to Fly".
- The long term competition management is needed either to operate as a traditional LCC or to perform as a legacy airline in a strategic planned way.
- To be adapted to the new conditions of aviation, the hybrid airlines should be renovated themselves.

The airline business model can be summarized as below (Nergiz, 2014):

- Ultra-Low-Cost Airlines: Some airlines such as Norwegian Airlines, Spirit Airlines and Air Asia have unbundled all aircraft travel services, that is, disassembled. Such companies charge an additional fee even for hand luggage.
- Low-Cost Carriers: Those who follow the standard low-cost carrier business model, such as GOL, Fly Dubai, and Frontier.
- Hybrid (Hybrid) Low-Cost Carriers: Those who combine the low-cost business model with high service quality, such as JetBlue, Virgin Australia, and Azul.
- Full-Service Carriers: Some are low-cost carrier origin companies such as Air Berlin and Alaska Airlines, while others are flag carrier origin companies such as Aerlingus. Companies in this category are generally closer to the hybrid low-cost business model.
- Premium Full-Service Carriers: Airlines such as Turkish Airlines, Emirates, and Lufthansa with products and services targeted for maximum flight experience.

It was not easy for the flag carriers to keep up with the changes in the sector because of stable strategies regarding a regulated management style. Capturing the spirit of the time by transforming structures, their business and corporate structure should be adapted into new forms from the perspective of profitability, competition, and capacity increase. For example, ultra-low-cost carriers, which are at the leading position in profitability, have continued to increase their market shares over the years. However, it can be accepted that the most robust image on this scheme is the hybrid model, not only for short-haul, but also for long-hauls, attracting attention to increased profitability and utilization. The new interpretation of hybrid models is also related to AWA strategies. The global dynamic changes reveal not only not tactical opportunities for a short-term period but also critical strategic questions for long term periods. The strongest challenge is to achieve their best efficient business model for airlines.

2.2. Airline within Airline Strategy

Today's passengers (customers) show different demand pattern for airlines. The changing demand curve orients airlines to convert their business model into a more efficient and dynamic model to follow different strategies. The first strategy is to

address targeted segmentations with an evaluated business model as AWA while currently operating its original business model. The FSC airlines re-examine core values and offerings with new strategies to increase sales and develop market share. The airlines reinforce their sustainable revenues in changing markets by transforming their business model into a dynamic business concept. In airline management and airline management literature, it is called the Airline within Airline (AWA) model depending on the different business models resulting from this strategy. This model is called either a model or a strategy, which is formulated as 'Airline within Airline' for airlines that is also a substantial opportunity to enhance the demand potential and an airline's profitability in developing markets.

Airlines are looking for development and innovation processes in their business models as an FSC to attract incremental passengers, to manage competition, to map their strategies for more utilization, to improve their economic model and business plan, and to adapt themselves into changing market conditions in a rapidly changing aviation world. The actual motivation for these airlines nowadays is the answer to the question: What is the most efficient procedure of rivalships between an LCC and an FSC? One of the answers is the evolution of a hybrid form stated in the first paragraph: The Airline within Airline model. The adaptation process for an FSC as an AWA needs a good implementation plan and a strategic management perspective to be transformed successfully. Airlines that develop a sophisticated strategic plan for an AWA model promote a long-term vision and gain a significant advantage in working in a profitable world for their business plan. The following questions should be answered for the implementation process:

- Does the AWA strategy present a solution for long-term or short-term?
- Does the AWA's network structure operate long-haul, medium-haul and short-haul?
- Which markets are the operation areas for an AWA?
- What is the customer segmentation and targets for an AWA?
- What are the pricing strategies and infrastructure for an AWA?
- How can the product of an AWA be defined?
- How is the SWOT analysis to differentiate the owner airline from similar competitors?

- What is the labor structure for an AWA?
- What is the relationship between the owner carrier and the AWA?

Especially unit cost differences between LCCs and FSCs will be highlighted. Either FCCs or LCCs can unbundle aviation products and offer only seats with low fares. A low-fare seat does not mean low-cost or that it is not required to be more profitable to present lower prices. The LCCs has many alternatives behind a low-cost structure and profitability. The business model selection has some clarifications about cost and revenue structure at the same time. FSCs compete with the LCC-rivals by reducing costs, by adopting their business model into low-cost characteristics, advancing partnerships with LCCs and establishing or by obtaining a low-cost subsidiary. However, the LCC market share continues to increase. Consequently, some FSCs operate or create a subsidiary carrier - mostly LCCs - to protect or develop market share and to manage strong competition with rival LCCs. The emergence of LCCs is one of the transformed examples of business models in aviation. This includes a discussion about either operating themselves or branding subsidiaries. The most successful strategy in the aviation industry can evolve to another strategic decision because of updated needs and changes because the aviation industry has been reshaped by macro and micro global economic factors, like digitalization, liberalization, increasing demand to travel, efficiency in fuel consumption, agreements with LCCs, human sources policies, unions, regulation and deregulations (Whyte&Lohmann, 2014, p.141). Whyte and Lohmann stated the positioning of LCC in the aviation sector very well in their article.

There are five important specifications to give the growth opportunities for LCC airlines: (CAPA, 2005)

- Changing market conditions and oriented opportunities;
- Official announced government tourism policies to increase tourism potential;
- Developments in demographics and economics;
- Dynamic interpretation of network structure;
- Opportunities to operate from smaller airports (Whyte & Lohmann, 2015, p. 141).

The entrance of the first LCC into the airline industry has been affected by the strategies of the FSC from the early 1970s. The LCC has been changing market structure and strategies in aviation. Therefore, it has been more important to follow sustainable management strategies over a mixed-market structure between LCCs and FSCs for airlines. Discussion between LCCs and AWAs is explained in the literature very often. Product, the density of fleet, one type of fleet, and efficient crew and human source policy is important for an LCC. On the other hand, customer satisfaction and cost policy are important for an FSC. FSCs try to survive long-term and be efficient on the financial sheets. Therefore, they need to create an AWA under their main brand. After the 1980s, this response of an FSC was a common solution to competing with LCCs. Many FSCs were unsuccessful after creating AWAs by not focusing on their long-term efficiency.

In summary, the AWA model has been developed due to this inescapable evolution and dilemma of FSCs to manage competition and achieve their goals in different areas of aviation. The AWA model emerged as a concept for aviation in the 2000s, but it started to operate in 2005. It is necessary to create an independent brand for the sub-brand of the brand owned and reposition both airline brands strategically (İnan, 2017, p. 293).

According to research literature, there are important advantages of the AWA model:

- Advanced and complex business strategies can be implemented in market segmentation by enabling key carriers to reduce price and service quality so that they can compete with LCCs.
- Market entry conditions can be created to surpass the LCC rivals from entering the market of the main carrier. The AWA model can go outside of the management culture and enable the operation of LCCs. In order to reduce the reaction of the unions, it may be important to prevent the main carrier from reacting directly to the competitive means.
- The concept of AWA requires the main carrier and sub-carrier to be positioned in different directions in the strategic area. The main carrier and the sub-carriers should set different business strategies and goals in terms of financial, operational, and service areas and develop applications to achieve these goals (Berrittella & Luigi, 2009, pp. 249-250). The marketing and management

strategies of the main carrier and the strategies to be created for the LCC must be strictly separated.

- The main carrier requires the price component to be upgraded while keeping the service quality component at the highest level. In the competition understanding of LCCs, some elements of service quality are waived in order to decrease the price from the competition components (Graf, 2005, pp. 313-314). The main carrier should follow a correct competition policy first, and its primary goal should be to highlight the sub-brand. Even if the sub-brand is in decline in terms of profitability, the plans made at the strategic level should be continued, and the profitability targets in their strategies should be left to the next periods.
- Secondary airports should be preferred in airport pairs where the sub-carrier will operate, and the FSC will operate. This strategy brings cost and efficiency for segmentation because the sub-carrier can differentiate its market and segment passengers, and also this does not lead to cannibalization.

The air transportation industry has become increasingly more intense due to different business models' evaluations and their effects on competition and profitability. For example, the emergence of LCCs is a main reason for evaluating business models in aviation. Consequently, some FSCs operate or create a subsidiary carrier - which is primarily low-cost - to protect or develop market share to manage intense competition with rival low-cost carriers. The AWA model has been utilized in different areas of the globe as airlines have to reinvent themselves to keep up with the competition. There are successful examples in literature; on the other hand, there are several unsuccessful examples in history. Especially, the COVID-19 crisis has strongly affected aviation. The future trends for any airline are unpredictable. Many carriers have limited their operation, and some of them have shut down. The main questions of this research are what the management strategies of an FSC and its subsidiary carriers are and what the success factors of managing a subsidiary carrier are. Therefore, to answer these research questions in this study, especially the question of '*'what are the key success factors of the AWA model''* will be meaningful to understand future trends in aviation, although there are considerable limitations to finalize this thesis during such a crisis time in aviation.

2.2.1. AWA and Porter's Generic Strategies

AWA strategically is a business model that has been frequently discussed in the literature (Gillen&Gados, 2008; Graf, 2005; Graham&Voeles, 2006; Morrell, 2005). The AWA model is presented descriptively also as a strategy in the context of examples in the world, and the success factors revealed in this study. The scope of the AWA model, considered a new business model in the airline sector. This scope defines to establish a subsidiary brand with different business model by a FSC, legacy airlines, network airlines and/or traditional airlines because of targeted purposes. The new business model of subsidiaries are called as the airline-within-airline model. The performance of the AWA business models are investigated highly concentrated. Especially, the AWA are founded as a strategic action to deal with intense competition between LCC and FSCs in sharing markets. (Taşçı & Yalçınkaya, 2015, p. 177).

A theoretical background regarding famous strategic management thinker Michael E. Porter about current and future competition strategies can produce an AWA model. Supply and demand differentiation, market selection focus, cost efficiency and revenue opportunities draw borders around competition by an AWA model.

Porter believes that thinking strategically does not mean striving or competing to be the best, but he admits that competing to be unique is a good strategy. Not all strategies win, as strategy is more complicated than it appears. Companies must have a clear understanding of strategy in order to be able to generate real value (Pratap, 2017).

From the fundamental point view, the basic definition of the strategy should be identified into two components: Firstly, the goal to achieve and secondly, the way to reach to this goal. The completed explanation is depended upon positive results of competition: price differentiation and cost leadership (Tanwar, 2013, p. 1).

Porter explained very comprehensive strategies in his book 'Competitive Advantage: Creating and Sustaining Superior Performance' (Porter, 1985). There are basic strategies in aviation industry: Market selection (special offer and niche markets), efficient cost leadership (density, no frills), Needs and preferences of demands (special services and products). Each airlines should have basic three options to success

and compete in a specific market according to Porter's Generic Strategies model: Cost Leadership, Cost Differentiation and Cost Focus.

Cost leadership, differentiation, and focus are three strategic factors for airline businesses according to 'Porter's generic strategy matrix' (Pretorius, 2008). Competition tactics and strategy, and targeted results are the main concerns of not only for AWA model but also for other airline business models (Akan,Allen,Helms,&Sprallys, 2006; Bordean, Borza, Nistos&Mitra,2010, p.174). The balance between market and demand defines an airline's competitive advantage strategy, which is defined by airline management according to Porter's model. (Omwoyo, 2016, p. 1).

AWA airlines are the companies that are followers of the cost leadership strategy that Porter established, and that has been established by the airline companies that follow differentiation from Porter's strategies (Taşçı & Yalçınkaya, 2015, p. 180).

The explanation below helps to make a strong infrastructure to compare this research between two companies in terms of success factors for applying AWA strategies into their business models. Regarding Porter's generic strategies theory, it can be understood that expectation about service quality of LCCs and FSCs are not differentiate statistically and there is no pattern to distinguish both. On the other hand, expectations will be affected by high prices and customer's service quality understanding. Additionally, there is defined differentiation between LCCs passenger and FSCs passenger: While LCCs' passengers care on prices, full-service airlines' customers care on their past experience. Six important business strategies to manage competition with LCC rivals can be explained according to comprehensive strategies by Porter:

- **A low-cost strategy** requires to manage competition in balance with revenue and cost structure.
- **A cost leadership strategy** demands cost saving possibilities in related KPIs within suitable business model.
- **A differentiation strategy** produces the most suitable production both for passengers and also for airline. This strategy effect on passenger behavior and

also on airline profitability in terms of demand curve influences and also produce higher value.

- **A distribution strategy** holds the most suitable scope in selected business model.
- **A focus strategy** is especially for small business models in aviation industry to prioritize one specific strategy than other strategies to bring out a differentiated product at different business model as AWA.
- **A combination strategy** performs together with supply(product) and demand(targeted market segmentation) side. (Tanwar, 2013, p. 17).

2.2.2. Journey of the AWA model: Historical and Strategic Background

FSCs must compete with LCCs by using AWA strategies because of product catalog, high density, fleet management, human sources management, network structure, and marketing and branding strategies. They struggle to manage dynamic changes in these related areas with low-cost airline changes in the aviation sector. This strategy was applied especially during the 1980s and particularly the 1990s (Raynes & Tsui, 2019, p. 150).

In many examples, FSCs could not manage their AWA model efficiently, and they failed. In these examples, a newly created airline was not prepared in terms of human sources, infrastructure, needs, products, targeted markets to implement AWA s and operate efficiently. US Airways, Continental Airlines, United Airlines, Delta Airlines which are examples of US network airlines, managed their created AWAs to perform failed at the end. The essential reasons for failing were deficiency of clear definition and orientation of management for critical areas, cannibalization in the sharing markets, insufficient fleet management, a lack of vision and strategic direction from Management (Morrell, 2005).

According to academic research, there are few long-surviving examples of an AWA model. The first one from these successful examples is the Qantas Group and their subsidiary LCC brand Jetstar as AWA model. The second example is the Singapore Airlines Group. They had several subsidiary experiences as AWA during the history. First, they obtained Tigerair for low-cost, short-haul operations as their first AWA

model in 2006, and then owned Tigerair as a wholly owned subsidiary in 2016 and merged with Scoot in 2017. They established Scoot for low-cost medium to long-haul option as their second AWA model in 2010. Both examples attract different passenger segmentation due to dual branding in AWA and FSC business models at the same time.

The failures of AWA models are usually because of a management lack of dual branding of a parent airline. The main factors of management's lack of dual branding are strategic incongruity, cannibalization effect for sharing markets, and duplication of resources. The main problem, especially in the USA, is not to manage two brands without confusing multi-branding strategy and cannibalization (Gillen& Gados, 2008).

To understand the historical development of the AWA model, Pearson and Merkert's article was a good source. The average lifelong of shown examples was around 4,48 years. The average ownership rate of AWAs is 97,03% belongs to the parent airline. (Pearson & Merkert, 2014, p. 22).

Table 2.2. Past AWAs (Pearson & Merkert, 2014)

Country	Airline	Airline ownership		Start Date	End Date
USA	Continental Line	100%	by Continental Line	1993	1995
USA	Delta Express	100%	by Delta Express	1996	2002
USA	MetroJet	100%	by US Airways	1998	2002
USA	Shuttle by United	100%	by United	1994	2002
USA	Song	100%	by Delta	2003	2006
USA	TED	100%	by United	2004	2009
Canada	Tango	100%	by Air Canada	2001	2003
Canada	Zip	100%	by Air Canada	2002	2004
Mexico	MexicanaClick	100%	by Mexicana[1]	2005	2010
UK	Buzz	100%	by KLM	2000	2004
UK	GoFly (Go)	100%	by British Airways[2]	1998	2003
UK	MyTravelLite	100%	by MyTravel	2002	2003
UK	Thomsonfly	100%	by Thompson[3]	2005	2008
UK	bmibaby	100%	by IAG	2002	2012
Sweden	Snowflake	100%	by SAS	2002	2004
Finland	FlyNordic	100%	by Finnair	2004[4]	2008

[1] Started as Click and then became MexicanaClick when it WAS 100% owned by Mexicana.

[2] Orijinally.

[3] Was certainly partially a LCC, with this operation at 4 UK airports (Bournemouth,Coventry, Cardiff, and Doncaster).

[4] When renamed FlyNordic.

Table 2.2. (cont.)

Germany	HLX	100%	by Hapag-Lloyd	2002	2007
Netherlands	Basic Air	100%	by Transavia	2000	2005
Netherlands	V-Bird	100%	by DutchBird	2003	2004
Poland	Centralwings	100%	by LOT	2004	2009
Spain	Clickair	20%	by Iberia[5]	2006	2009
Italy	Volareweb	100%	by Aliatilia	2008	2009
Morocco	Atlas Blue	100%	by Royal Air Maroc(RAM)	2004	2009
Morocco	Jet4you	100%	by TUI	2006	2012
India	JetLite	100%	by Jet Airways	2007[6]	2012
Thailand	One-two-GO	100%	by Orient Thai	2003	2009
New Zealand	Freedom Air	100%	by Air New Zeeland	1995	2008

According to the article, 22.2% means that six airlines were from the USA which launched first the LCC subsidiaries as their AWA business model airlines in the world. This examples from US region showed the long life of AWA business model in the history has been survived more than 30 years in the aviation industry. This strategy started within the USA because of regulated domestic routes before the LCCs dominated aviation. On the other hand, Europe, with 48.1% meaning 13 airlines which were merged into other subsidiaries or into the parent airlines between 2002 and 2005 because of deregulation of the aviation industry in Europe. In the Asia-Pacific region, there were few AWAs due to a concept familiar to airlines. Airlines need to reduce their operational costs; on the other hand, they need to increase their financial performance long-term.

Table 2.3. History of AWAs (Pearson & Merkert, 2014)

Country	Airline	Airline ownership	Start date	Yield	Yield of parent	Load factor	Load factor of parent
Germany	Germanwings	100% by Lufthansa	2002	$0,14	$0,22	78,2%	77,2%
Belgium	Jetairfly[a]	100% by TUI	2005	n.a.	n.a.	n.a.	n.a.
Netherlands	Transavia	100% by KLM	2003[b]	$0.087[c]	$0.144[c]	81,7%	84,4%
France	Transavia	60% by Air France	2007	$0.085[c]	$0.103[c]	86,2%	80,4%

[5] Despite its low ownership, Iberia appeared an influential party.

[6] JetLite merged into the Jet Konnect brand.

Table 2.3. (cont.)

Czech Republic	SmartWings	100% by Travel Service	2004	n.a.	n.a.	79,8%	82,7%
Spain	Iberia Express	100% by IAG[d]	2012	n.a.	$0.125[e]	80,0%	81,3%
Spain	Vueling	46% by Iberia	2004	$0,11	$0.125[e]	75,6%	81,3%
Italy	Air One	100% by Alitalia	2010[f]	$0,10	$0,14	65,3%	71,3%
Italy	Blu-Express	100% by Blue Panorama	2005	$0.125[e]	$0.085[e]	58.8%[e]	74.9%[e]
Turkey	AnadoluJet	100% by Turkish	2008	$0,10	$0,10	76,7%	72,6%
South Africa	Kulula	90% by Comair	2001	n.a.	n.a.	76.0%[e]	79.0%[e]
South Africa	Mango	100% by South African	2006	$0.060[e]	$0.104[e]	85.0%[e]	69.3%[e]
India	Air India Express	100% by Air India	2005	$0.055[g]	$0.121[g]	69,7%	64.9%[e]
India	Jet Konnect	100% by Jet Airways[h]	2009	<$0.08	$0,09	78,0%	78.6%[e]
India	Kingfisher Red[i]	100% by Kingfisher	2008	<$0.10	$0,11	76,0%	79,0%
Thailand	Nok Air	49% by Thai Airways	2006[j]	$0,05	$0,09	78.0%[k]	73,1%
Malaysia	Firefly	100% by Malaysia Airlines	2007	n.a.	$0,09	70.0%[l]	75,0%
Singapore	Jetstar Asia	49% by Qantas	2004	$0.047[e]	$0,09	77,0%	80,1%
Singapore	Tiger	100% by Tiger Airways Hold.[m]	2004	$0.057[e]	$0.090[e]	86.0%[e]	78.5%[e]
Singapore	Scoot	100% by Singapore Airlines	2012	n.a.	$0.090[e]	n.a.	77,4%
Vietnam	Jetstar Pacific	70% by Vietnam Airlines[n]	2008	n.a.	$0.099[e]	91.0%[e]	77.2%[e]
Indonesia	Citilink	100% by Garuda Indonesia	2008	$0,06	$0,12	76,1%	75,2%
Philippines	AirPhil Express	100% by Philippines Airlines	2010	n.a.	$0,09	74,0%	76,7%
South Korea	Air Busan	46% by Asiana	2008	n.a.	$0.103[e]	76,0%	76,9%

Table 2.3. (cont.)

South Korea	Jin Air	100% by Korean Air	2006	$0.086[e]	n.a.	70,0%	76,9%
Japan	Air Japan	100% by All Nippon	2003	n.a.	$0,18	n.a.	65,8%
Japan	JAL Express	100% by Japan Airlines	1998	n.a.	$0,27	82.9%[o]	68,9%
Japan	Peach	39% by All Nippon	2012	$0.103[p]	$0,18	83.0%[q]	65,8%
Japan	Jetstar	42% by All Nippon[r]	2012	n.a	$0,18	86.0%[s]	65,8%
Australia/NZ	Jetstar	100% by Qantas	2003	$0,11	$0,11	78,0%	80,1%

a Merged with Morocco-based Jet4You in March 2012. Jetairfly exists as a LCC at Brussels/Charleroi and to/from Morocco. Other than that the rest is charter-based.

b When KLM acquired 100%.

c 2009.

d Comparison made with Iberia.

e 2010.

f The year in which it became Alitalia's low-cost subsidiary.

g 2008.

h Merged with Jet Airways' other AWA, JetLite.

i Previously called Air Deccan.

j The year in which it rebranded as it now is.

k 2011.

l Based on 1Q, 2011.

m Which is 32.84% owned by Singapore Airlines.

n And 30% by Qantas.

o Based on August 2011.

p Based on MarcheJune 2012.

q Based on March 2012.

r And 42% by Jetstar (Australia).

s Based on July 2012.

Figure 2.4 presents the history of AWA business model with 31 airlines as AWA performing during 2014 when Pearson and Merkert wrote their study. Most network airlines, except Jetairfly, SmartWings, and Blu- Express, were on the list to create AWA models: European (31 airlines (32.3%)), African and Middle Eastern (3 airlines (9.7%)), and Asian-Pacific (18 airlines (58.1%)).

The ownership rate is a critical key factor to perform dual branding successfully which deals with the owner airline and the subsidiary as AWA model. According to Pearson and Merkert's research, the lowest percentage rate (83,05%) of ownership belongs to the Asian-Pacific region. There were some matters about the ownership in the history: The airlines in the Asia-Pacific region created their subsidiary AWA models especially due to intense competition within their region. For this reason, there were several complications between two brands over the management decisions and strategies. The

significant experiences were realized especially around their start dates in 2007 and the most wide start-up examples in 2012 because of the widen borders in this region and the ownership regulation.

There are no presently operating AWAs because of LCC business model in some regions of world, such as in America. There are especially no vital AWA examples in South and North America and besides there are several failure examples of AWA models. The difficulties to manage the financial performance of dual/multi branding oriented the airlines away of operating an AWA model in US regions. According to Pearson and Merkert, especially network carriers suffer from inefficient commercial opportunity while performing their efforts for multi-branding. Therefore, when a new branding is targeted, there is a need to decrease of the cost structure.

Main specific goals to creating an AWA from past examples:

- to decrease costs over their parent airline,
- to increase aircraft and staff productivity,
- to manage human resources efficiently with lower salaries and no union,
- to sell ancillary revenues,
- to have less distribution costs.

Why they failed is another important issue; most examples could not manage their cost and efficiency simultaneously. They could not manage the effects of cannibalization between two brands. On the other hand, they had difficulty competing. They were also against union resistance so as not to have high utilization. The restrictions and regulations were consequences of the union resistance. Many USA AWAs could not target the right segmentation and increase yields. The relationship between leg room and relatively high density produced is a key advantage for LCCs. When they could not manage effective strategies against high density and low cost on their fleet, they had difficulties because of higher CASK and seat cost. More than one aircraft type, suitable fleet management to the business model (the already used aircrafts from their owner airline are not efficient for an AWA model) were also success factors for past AWAs. The network structure and presented connections were strategic decision for a successful AWA. Additionally, when there is an intense competition with an existing

LCCs, AWAs need to have higher unit revenue to manage competition. When the willingness to pay for passengers is lower than the competitive prices of AWA, this will affect also on load factors. The expected load factors are not been reached with the presented prices in competitive markets, the results end unsuccessful performance of AWAs. This explanation shows the historical journey of failures in AWAs example. The failed AWAs had also difficulties because of brand management that produced brand confusion, poor product quality, and human resources problems. They had problems because of the multi branding, cannibalization and dilution between brands, performing dependency areas from the parent airlines (especially commercial and financial independency of AWA model). The failure of the AWAs in the past was because of their complex and inapplicable strategy. Primarily this complexity about competition management originated in an unexpected disadvantage not to be unsuccessful. (Pearson & Merkert, 2014).

CHAPTER III

AIRLINES SELECTED FOR THE STUDY

3.1. Singapore Airlines

The flag carrier of Singapore is Singapore Airlines (SQ). Skytrax ranked SQ as the world's best airline four times. It has been ranking also the Travel & Leisure's best airline for more than 20 years (Times, 2018).

Table 3.1. SQ Information Summary Table (FY2019/20)

IATA	ICAO	Callsign
SQ	SIA	SINGAPORE
Founded		1 May 1947; as Malayan Airways
Commenced operations		1 October 1972
Hubs		Changi Airport
Subsidiaries		Scoot
		SIA Engineering Company
		Singapore Airlines Cargo
		Vistara (49%)
Fleet size		196
Destinations		136
Headquarters		Singapore
Revenue		$15.97 billion
Operating profit		$59.1 million
Employees		27.619
Website		singaporeair.com

SQ has been one of the internationally recognized airlines among the world's famous airlines. Their network expands 136 market routes over 90 cities in more than 40 countries according to FY 2019/20. SIA operates the most modern aircrafts with the

world's largest fleet with Boeing 747-400s. Their network size and commercial success for their customers are the main focus issues.

Below Figure 3.1. shows all the SIA Group subsidiaries in 2016. Under the same group, there were two brands to operate premium services to long-haul and short-haul destinations as SIA and SilkAir. Additional two other brands Scoot and Tigerair performed as low-cost services to long-haul and short-haul destinations. Tigerair transferred their operations to Scoot on 25 July 2017. Additionally, SilkAir merged also operations into the parent company SIA by the end of 2021. After mergers under the SQ Group there are two brandings in 2022: Singapore Airlines and Scoot.

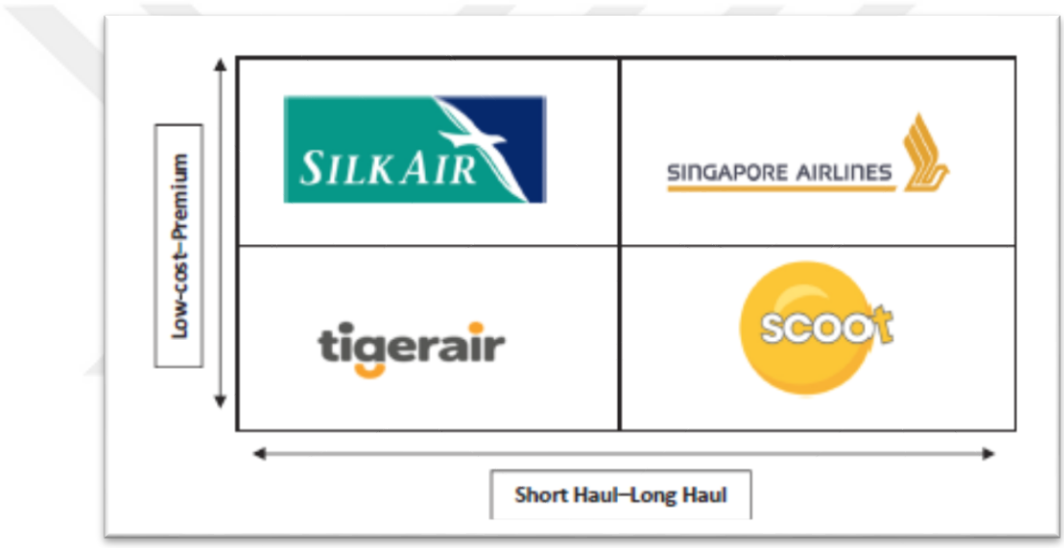
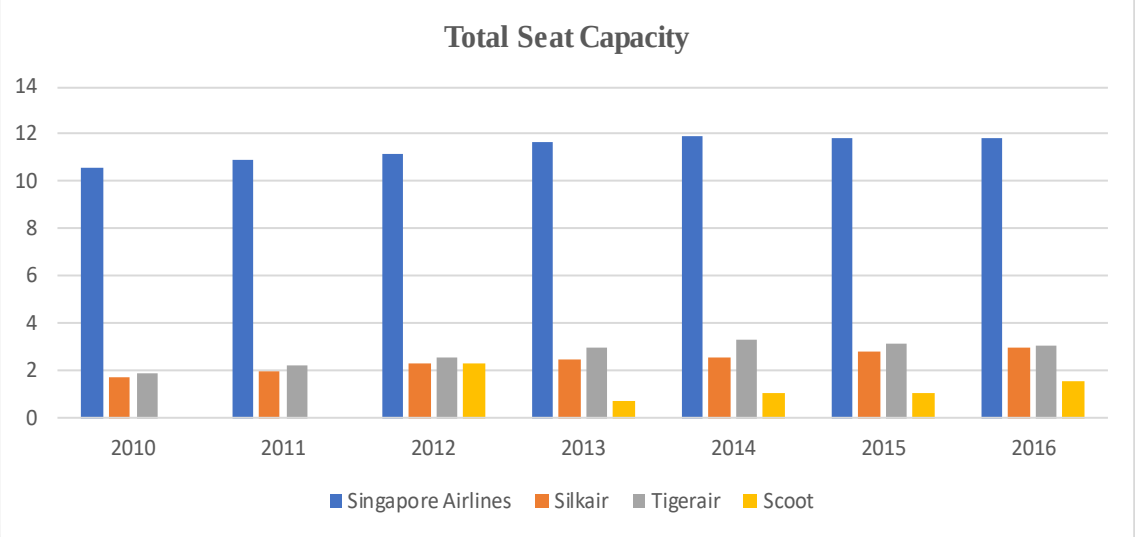


Figure 3.1. Singapore Airlines Group Matrix 2016 (Raynes & Tsui, 2019, p. 154)

The historical development of each brand under the SQ Group in terms of seat capacity was shown on the below table for the period of 2010–2016. SQ and Scoot trends were on the increasing trend, however Tiger and SilkAir were more stabilized during years. For this reason, the merger decision of Tiger and Silkair have been produced as a response to perform better.

Table 3.2. Seat Capacity of the Singapore Airlines Group (Raynes & Tsui, 2019, p. 154)



Airlines	Seats	2010	2011	2012	2013	2014	2015	2016
Singapore Airlines	**First Class**	0,16	0,15	0,16	0,14	0,13	0,13	0,13
	Business Class	1,29	1,39	1,54	1,59	1,52	1,53	1,59
	Economy Class	9,17	9,38	9,49	9,95	10,24	10,18	10,15
Silkair	**First Class**	-	-	-	-	-	-	-
	Business Class	0,19	0,17	0,17	0,22	0,2	0,21	0,22
	Economy Class	1,52	1,81	2,15	2,24	2,37	2,57	2,77
Tigerair	**First Class**	-	-	-	-	-	-	-
	Business Class	-	-	-	-	-	-	-
	Economy Class	1,88	2,24	2,54	3,01	3,28	3,11	3,06
Scoot	**First Class**	-	-	-	-	-	-	-
	Business Class	-	-	0,02	0,05	0,08	0,09	0,13
	Economy Class	-	-	2,25	0,64	0,94	0,98	1,46

All Seat figures abore are presented in millions. All flights above are international services.

Source: Official Airline Guide(2017)

SILKAIR:

- In 2015: Launched as a regional operating subsidiary of the SQ Group.
- Business Model: The premium regional airline model as an AWA airline of SIA Group.
- Fleet: 27 narrow-body, dual-class, Airbus A319 and A320 aircrafts (FY 2017/18)
- Segmentation: Leisure passengers and markets.
- Network Structure: 25 destinations within a six-hour circle of Singapore (FY 2019/20)

- Strategic Management: Some routes were shifted from Singapore to SilkAir because of changing market demands. This strategy brought significant success in these markets of the AWA strategy in terms of profitability, increasing demand, and changing needs.
- In 2021: SilkAir had merged operations and integrated into its owner airline SIA.

TIGERAIR:

- In 2014: Launched as a subsidiary of the SQ Group.
- Business Model: The Low-cost business model.
- Fleet: 23 aircrafts included Airbus A319 and A320 and Boeing 737s. (FY 2016/17)
- Strategic Management: Tigerair was operating selected routes where the existing Singapore Airlines and SilkAir products would not be suitable.
- In 2017: TigerAir merged operations into Scoot.

SCOOT:

- In 2012: Launched as a subsidiary of the SQ Group.
- Business Model: Medium to long-haul, low-cost flights to destinations where the existing Singapore Airlines and SilkAir products would not be suitable or where the market was large enough to support a carrier at either end of the price spectrum.
- Segmentation: Low-cost markets within a six- to eight-hour flight.
- Fleet: 47 aircrafts, second-hand Boeing 777 aircraft leased from Singapore Airlines, and later transitioned to an all-new Boeing 787 aircraft.
- Strategic Management: The operations and key decisions of Scoot has been managed completely independently from Singapore Airlines (Singapore Airlines, 2011).

3.2. Qantas Airways

The flag carrier of Australia is Qantas Airways (QF). QF has been the largest airline by fleet size. It was founded in 1920 and it has been the world's third-oldest airline.

Table 3.3. Qantas Group Information Summary Table (FY 2019)

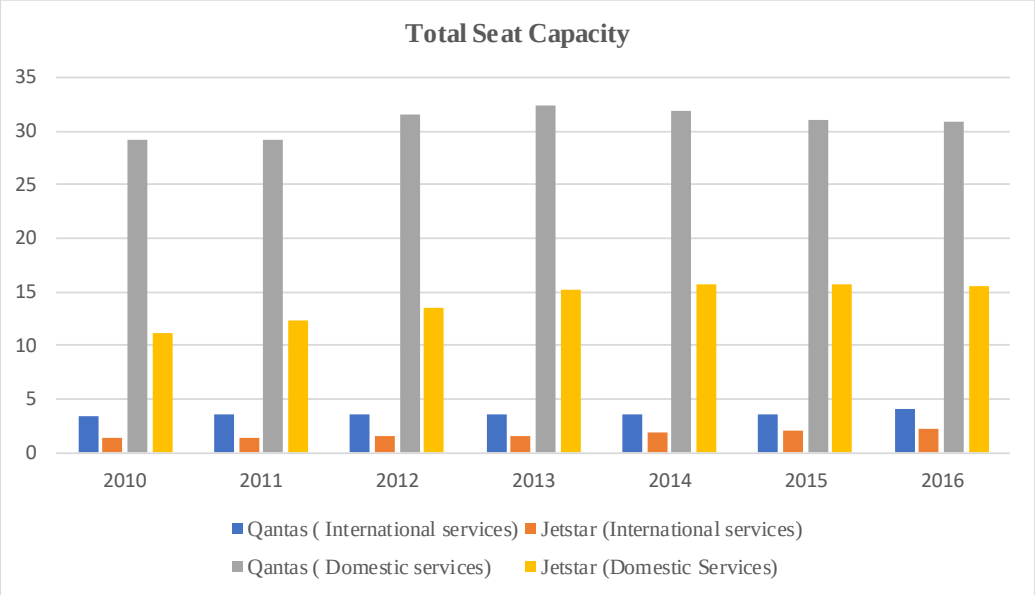
IATA	ICAO	Callsign
QF	QFA	QANTAS
Founded		16 November 1920
		Winton, Queensland, Australia
Commenced operations		March 1921
Hubs		Brisbane Airport
		Melbourne Airport
		Sydney Airport
Secondary hubs		Adelaide Airport
		Perth Airport
Subsidiaries		QantasLink
		Jetstar
		Qantas Freight
		Qantas Holidays
		Express Ground Handling
		Qantas Ground Services
Fleet size		126
Destinations		85
Headquarters		Mascot, New South Wales, Australia
Revenue		$17.96 billion
Operating income		$1.64 billion
Employees		30.179
Website		qantas.com

QF operates efficiently in a wide international network. There are also subsidiaries which operate in domestic routes within Australia. Especially Jetstar as their AWA subsidiary as the low-cost carrier founded to compete in the low-cost markets in 2004. While Jetstar performs with in domestic network within New Zealand and Australia, it operates also international routes from Australia.

Figure 3.2. Qantas Brand Matrix (Raynes & Tsui, 2019, p. 158)

The historical development of each brand under the QF Group in terms of seat capacity was shown on the below table for the period of 2010–2016. Brands in domestic markets as Qantas (Domestic) and Jetstar (Domestic) were not on an increasing curve. However, Qantas (International) and Jetstar (International) were increasing along the years.

Table 3.4. Seat Capacity of Qantas Group (Raynes & Tsui, 2019, p. 158)



Airlines	Seats	2010	2011	2012	2013	2014	2015	2016
Qantas (International services)	First Class	0,06	0,07	0,06	0,03	0,03	0,02	0,03
	Business Class	0,38	0,4	0,42	0,42	0,41	0,42	0,45
	Economy Class	3,05	3,12	3,08	3,19	3,16	3,21	3,55
Jetstar (International services)	First Class	-	-	-	-	-	-	-
	Business Class	0,08	0,09	0,1	0,1	0,09	0,07	0,08
	Economy Class	1,28	1,38	1,46	1,48	1,75	1,95	2,12
Qantas (Domestic services)	First Class	-	0,01	0,01	-	-	-	-
	Business Class	1,64	1,8	1,8	2,16	2,01	1,82	1,76
	Economy Class	27,48	27,43	29,66	30,25	29,82	29,24	29,08
Jetstar (Domestic Services)	First Class	-	-	-	-	-	-	-
	Business Class	0,03	0,03	0,04	0,03	0,02	0,01	0,01
	Economy Class	11,14	12,37	13,42	15,12	15,64	15,67	15,6

All Seat figures abore are presented in millions.
Source: Official Airline Guide(2017)

3.3. Lufthansa Airlines

The flag carrier of Germany is the Deutsche Lufthansa AG company which is called Lufthansa Airlines (LH). LH Group operates one of the largest airline fleets in the world.

Table 3.5. Lufthansa Airlines Group Information Summary Table (FY 2019)

IATA	ICAO	Callsign
LH	DLH	LUFTHANSA
Founded		6 January 1953
Commenced operations		1 April 1955
Hubs		Frankfurt
		Munich
Subsidiaries		Austrian Airlines
		Brussels Airlines
		Eurowings
		Lufthansa Cargo
		Swiss International Air Lines
		AeroLogic (50%)
		SunExpress (50%)
Fleet size		763
Destinations		318
Headquarters		Cologne, Germany
Revenue		€ 36,42 billion
Operating profit		€1,24 billion
Employees		137.784
Website		lufthansa.com

There are several airline subsidiaries under the LH group:

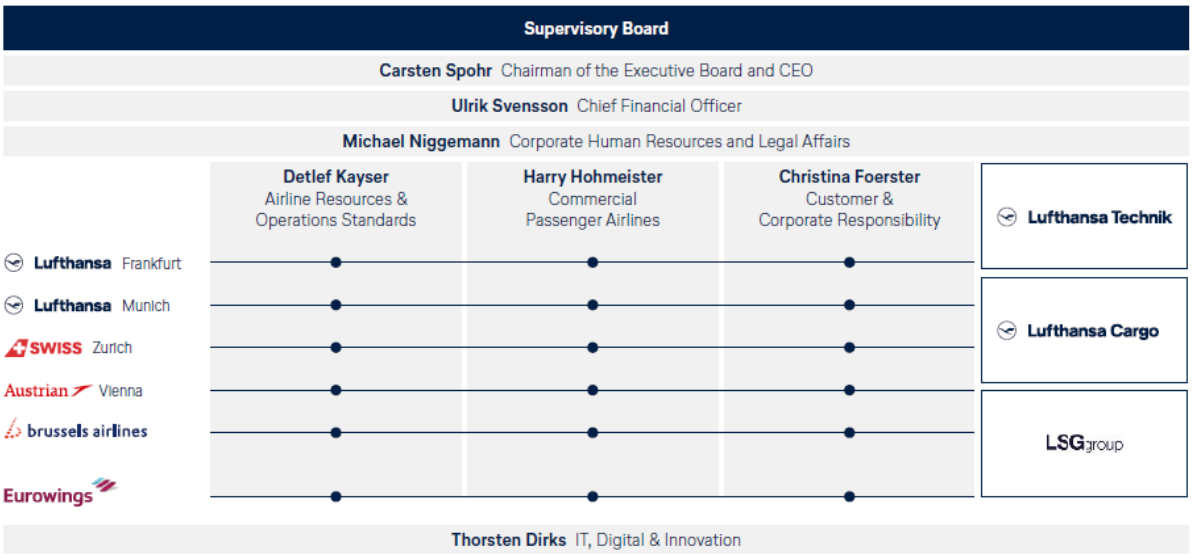


Figure 3.3. Lufthansa Group Structure (FY 2019)

There are subsidiaries as Austrian Airlines, Brussels Airlines, Eurowings, Deutsche Lufthansa AG and Swiss International Air Lines which carry passengers. There are also other aviation-related subsidiaries under LH group such as LSG Sky Chefs, Lufthansa Technik.

The summary of the subsidiaries under LH group:

- There are two brands under Lufthansa German Airlines: The first brand is Lufthansa Regional which has two sub brands: Lufthansa CityLine as German regional airline and Air Dolomiti as an Italian regional airline. The second brand is Eurowings Discover German which operates as a regional feeder carrier within a long- and medium-haul network. Its segmentation can be defined as leisure.
- There are four sub brands under Network Airlines within LH Group: The first brand is Lufthansa Airlines as the flag carrier of Germany. The second brand is Austrian Airlines as the national carrier of Austria which based at Vienna International Airport. The third brand is Swiss International Air Lines which based at Zurich Airport as the national airline of Switzerland. The fourth brand is Edelweiss Air which is the Swiss leisure carrier. The fifth brand is Brussels Airlines as the flag carrier of Belgium which based at Brussels Airport.
- There are two brands under the Eurowings Group which operates as low-cost or hybrid point-to-point airlines. Eurowings operates as a German low-cost airline. Eurowings Europe operates as a low-cost airline registered in Austria.
- There is also a cargo brand under LH Group which operates as a German cargo airline, formerly German Cargo.

According to the 2019 annual report published by LH Group, there are efficient strategies or managing an airline group and subsidiaries as AWAs:

- The management strategy targets the increasing sustainability of the company value.
- The company value is increased also by the financial strategies.
- The core airline business is strengthened.
- The leading position as a European airline group is strengthened in aviation industry.

- The market leadership in home markets is expanded more profitable.
- Especially network airlines are improved product quality and provided cost-efficiency.
- Sustainable value generation is accepted in the company.
- The corporation activities are expanded for LH Group.
- The growth opportunities are held.
- To develop premium positioning, to reduce cost and to increase profitability are very important. Additionally, related areas like digitalization, agile management, consolidation is offered further opportunities.
- Digitalization is developed.
- Flexibility and related changes are managed in agile environment of aviation industry.
- The consolidation continues to develop in the aviation industry.
- There is a balanced investment to modernize the fleet.
- Structured risk management minimizes finance risks.
- Diverse forms of funding ensure liquidity.
- There is a strategy to decrease number of aircraft models and standardize fleet structure as simple.
- Route network is expanded and optimized.
- Leisure travel will be expanded.
- Human source is a key success factor. Employees will be managed effectively under the LH Group.
- Wage structures will be developed.

CHAPTER IV

METHODOLOGY

In this chapter, comprehensive information regarding the methodology of the thesis is stated. First, the design of the study is described, and the research method, which is a qualitative analysis of the content, is indicated. Second, the sampling procedure is introduced from an analyzing view of annual reports, websites, and related sources. Finally, at the end of the research, the results of this analysis are summarized as key success factors of an AWA model. As in the introduction part to be summarized, the goal of this thesis is to examine key success factors for AWA business models in the aviation industry from a methodological view.

Research from over 60 articles, discussions, and case studies about LCCs and AWA models have been expanded for an efficient overview of the topic. More than 120 pieces of literature were directly used for this thesis. Additionally, more than 50 literature pieces were also reviewed to formulate the key success factors of the AWA model. Airlines' annual reports were also used primarily. Some of annual reports are not on the bibliography list because of rash review only to be used an aviation understanding the context. The used literature consists of journal articles, aviation books, and other related aviation publications like financial statements, websites, and investor publications. Twenty-six annual reports from airlines are indicated in the bibliography. To enhance the implementation of content analysis methodology in this context was a critical and complex process because of the pandemic disease in the aviation sector. It was essential to select a period without significant gapping outliers in 2019. This process elaborates a theory based on findings from different sources, which can be trusted and achievable in a pandemic world. In order to have an apparent success for airlines as AWA model applicants, selected sources were translated into a success formula and elaborated utilizing the above-mentioned research questions. This chapter provides a systematical overview of the methodology, using methods and techniques behind the research area.

4.1. Research Method

This research aims to define success criteria for AWAs while analyzing past, present, proposed and only announced AWA model airlines. For this research aim, airline data, especially from annual reports and existing literature have been the main sources of this research.

A special feature of this research topic was the need to produce a key success formula that can explain important strategies for a successful AWA model by a comparative study in a limited examination world in the aviation sector. Therefore, various checklists were prepared to find the correct methodology and to build the right structure on key issues and strategies that needed to be analyzed. At the end of the literature review, theoretical, commercial, and strategical (management issues) categories were decided to analyze in a mix-method research by quantitative (KPIs analysis) and qualititative (content analysis) sources. Content analysis was selected in two ways: a product and organizational architecture (POA) approach helps to relate and classify key success factors of AWA models. Benefiting indices to create a benchmark of similar business strategies helps to formulate real success definitions of this business model. According to Mason and Marrison, this method demonstrates how different business models adopted by airlines contribute to their relative profitability (Mason, Marrison: 2019, p.1). Their article compares KPIs from some AWAs having airlines. The essence of qualititative research is to identify the characteristics and structure of topics and events examined in their actual context, especially after the corona crisis period difficulties in aviation. The characteristics are brought together to form a theory or a conceptual model as a key success formula in this research. The findings were not only definitions for AWA model airlines but also some critical analysis about their 'success' in order to provide a summary.

Airline annual reports provide essential sources to analyze both of main airlines and their subsidiaries. The most valuable data source for needed KPIs can only be produced from primary data. Annual reports as primary data explain yield and load factor information for airlines during years. The comparison of yields and load factors of the owner airlines and the subsidiary AWA carriers. This comparison helps to point out

whether any important correlations exist.[7] When an AWA is not a separate company, it has restricted limitations for this research. When an AWA is not a separate company, this research focuses on how to define a main airline's AWA in their annual report and publications or are there any related KPIs with which to analyze their performance.

4.2. What is Content Analysis?

Content analysis is defined as a qualitative method to present a macro-level architecture of an organization and/or to analyze the index of the sources, products, and brands. This method is mostly used in social or management sciences. The content analysis presents a systematical methodology which gives the opportunity to solve the data and trends about researches. Content analysis is not called as an observation method, however it produces relationships and codes by detailed examination of context.. The qualitative data to numbers and also terms are suitable to analyze and to categorize by content analysis methodology. This method enables the standards, comparisons, and data to be translated into different language which is symbolized with relationships, clustering and classifications. On the other hand, it presents many additional features. Content analysis has features such as the objective, economic, systematic, generality, and numeric or graphical needs. Therefore, content analysis in this research is selected to identify key success factors for the AWA model.
According to Marsh and White (Marsh & White, 2006), content analysis is an efficient method of research that can be applied to many problems in the study of information,

[7] This research was committed two qualitative methodologies which is called content analysis of primary literature about AWA and also a correlated KPIs analysis of three selected airlines operating AWA strategies. The existing literature was reviewed based on keywords. The case Studies of AWA models are limited with three airlines group: The Singapore Airlines Group (Singapore Airlines, SilkAir,TigerAir and Scoot), the Qantas Group (Qantas and Jetstar) and the Lufthansa Group (Lufthansa Airlines, Austrian Airlines, Swiss, Eurowings). The period is limited also between 2015 and 2019. There are several limitations regarding the research methodologie about AWA model. The main problem was data about AWA models under one Group. The parent airline explained yearly main KPIs for the total group, but not for all AWA airlines under the same family. Therefore, only for 2019, founded KPIS were analyzed to understand better the success factors.

either as a method by itself or in association with other methods. Moreover, content analysis can be conducted both quantitatively as well as qualitatively. On another note, content analysis is quantitave, objective, and systematic (Berelson, 1952). Quantitative content analysis is described as a systematic technique, which can be reproduced by using some relevancy techniques to classify KPIs, to draw an architecture, and to analyze relationships that have the same components (Riffe, Lacy, & Fico, 2005).

The content analysis method has numerous benefits when only qualitative sources are available. All researches are classified verbally or in writing in accordance with the specific problem and purpose. All collected data are generalized and conceptualized. The resulting data allows the theme to be determined; this system, which is among the widely used methods, helps to prevent the state and movements in the society from being affected in any way. As a result of these analyses, different techniques such as category analysis, evaluative analysis, or frequency analysis are reached. Within the scope of this research about the implementation of content analysis, by analyzing annual reports, websites, social media, and some articles, the product of a key success formula is aimed to contribute to this research by completing the content analysis application in a very practical way.

In order to apply content analysis, there is a need to create the resulting formula. We can obtain some of the features of the content and the results of the communication effects based on examples. Content analysis techniques are as follows (İçerikly, 2020):

- Frequency Control or Trend Analysis
- Category Analysis
- Strategy Analysis
- Analysis in Relationships

The main goal of the content analysis methodology is to reply the research questions systematically and objectively. The aim of this research is to discuss key success factors for the AWA model in the aviation industry, specifically for two main airlines and their subsidiaries within the context of their annual reports for three years and also their websites.

Categorizing the content within the framework of certain categories is the main idea of the methodology. The code according to their categories was produced according to research questions about topic. Main and sub-categories corresponding to cover the news is its main subject. Depending on our research questions and the depth of our research, each theme can be a separate main category. For effective content, it is important to ask the targeted key questions. The basic questions in this research was aimed to find answers about what is necessary for the success of the AWA model, how and by what process.

4.3. The Sampling Procedure

This research was addressed two qualitative methodologies: One of them is called content analysis of primary literature about AWA business model. The other method is a correlated KPIs analysis of three selected airlines group and their AWA strategies. The existing literature was reviewed based on keywords: Airline-within-airline business model and strategy., competition, LCC, FSC and airline business models. The case studies of AWA models are limited with three airlines group: The Singapore Airlines Group (Singapore Airlines, SilkAir, Tigerair and Scoot), the Qantas Group (Qantas and Jetstar) and the Lufthansa Group (Lufthansa Airlines, Austrian Airlines, Swiss, Eurowings). The period is limited also between 2015 and 2019. There are several limitations regarding the research methodology about AWA model. The main problem was data about AWA models under one Group. The parent airline explained yearly main KPIs for the total group, but not for all AWA airlines under the same family. Therefore, only for 2019, founded KPIS were analyzed to understand better the success factors.

The primary research method is qualitative, measuring the case airlines' positioning and their subsidiaries based on management strategies and strategic plans. This comparative case study engages by content analysis methods. The collected data were from annual reports, websites, and interviews, academic literature, articles from newspapers, journals and web sources, aviation publications which are the basis for formulating a success formula for the factors of the AWA model. The results were produced by the content analysis method. Key factors were coded in selected sources to produce the success formula for the AWA model.

The key success formula will be clarified as to how the AWA model can be successful by using data via content analysis of two selected airlines between 2015 and 2019. Because of the pandemic situation in aviation, "outliers" after 2019 can be accepted in qualitative research. Therefore, the aviation industry will be normalized at least after five years. The results also cover already analyzed factors of unsuccessful and successful examples in the aviation industry. The current and former market circumstances suggest that convergence towards the LCC model may be associated with higher chances of long-term survival. Therefore, in this research, the annual reports of the companies that are among the top 60 examples were examined by the content analysis method. In this thesis , it is seen that the companies in question mostly specify the sub-brands and their independence in their annual reports, followed by their websites, respectively.

A traditional method via Excel helps to analyze the data and to produce the results. The aim of the thesis is to determine key success factors of the AWA model. To achieve this purpose, content analysis was used as the primary research method.

The defining sampling produced outputs of 'content analysis methodology' about the AWA model in aviation. First, some general definitions of AWA models were coded from existing academic sources. The basics of the AWA model based on theoretical assumptions were also defined according to annual reports. Basic strategies and definitions give an overview, which is relevant to understand which theories play important roles in the AWA model. Secondly, after primary lines of insights, the performance indicators were analyzed to understand the success of the sampling in the financial area. Thirdly, strategies over the numbers from annual reports were differentiated according to the content analysis method to be able to go into depth to define success for this model. Websites and social media actions helped to provide answers for closed and open research questions to produce a success formula. Finally, a success formula was aimed to provide for the construction of an AWA model in the aviation industry, whether positive or negative. It is introduced as an analysis of annual reports, websites, and related sources.

According to a Pearson and Merkert article, initial results indicate that AWAs have limited success, with 27 failures of an identified 67, although only three in the Asia-

Pacific. Of those presently operating, 58,1% are from the Asia-Pacific with this containing 40,0% of the proposed and announced carriers. Insufficient competition management with competitive fares, capacity and cost management, autonomy of AWA model from the parent airline, management and control matters, strategic timing of the entrance into the markets provide success for AWA (Pearson, Merkert, 2014).

After detecting important terms, KPI analysis is another method to point to success factors. The AWA failures and successes are analyzed according to the quantitave data implementation. The airlines' annual reports present a five-year trend with some variables: Available Seat-Kilometers (ASK), Passenger Load Factor (LF) (%), Revenue Seat-Kilometers (RPKs), Total Revenue (USD), Total Expenditure (USD), Yields (in USD cent), Unit Revenue (RASK), Unit Cost (CASK), Passengers (thousands), Total Aircraft, Number of Destinations, Average Number of Employees). These variables were measured the success factors of the airline group and AWA model. Additionally, for 2019, all group airlines differentiate specific features for all group members. Thus, the conceptual KPIs analysis under the same parent family identifies which brand creates the most significant value in their family for which KPIs. This analysis presents comparisons between brands with successful strategies and aims. This business model analysis employs product and cost KPIs, to calculate success factors about products and cost structure. The successful performance of AWA examples is explained with the correlations and relationships between KPIs.

CHAPTER V

FINDINGS & RESULTS

The Qantas Group, the Singapore Airlines Group and the Lufthansa Group manage multi branding which is operated simultaneously. Especially the Singapore Airlines Group and the Qantas Group are successful examples of AWAs from an academic view. In the existing literature, there is a lack of information about Lufthansa's AWA strategy. However, in recent years, the Lufthansa Group managed three brands under the same family. Therefore, this research presents several relationships between AWA and success in terms of KPIs management which is good and attractive in the annual reports of the Lufthansa Group. On the other hand, there are some unsuccessful brands which were ended during the time like TigerAir and SilkAir under Singapore Airlines. These examples show an understanding of success factors for an AWA strategy. The results for a success formula for an AWA strategy are not only from successful examples but also from ended examples and also from existing researches. There is an increasing operational flexibility for products and services in individual market segmentation of AWA model. (Raynes & Tsui, 2019, p. 151).

It is important to understand why many airlines failed while applying AWA strategies. The common reason for failures of AWA business model is the challenge of multi branding concept under the group simultaneously. When there is a gap of two brand management between strategies of subsidiaries and the parent airline, it can be resulted with cannibalization, strategic incongruity and misuse of resources (Mason & Milne, 1994). There are different passenger segmentation according to the business models. Therefore, when airlines aim to gain other different segmentations (potential incremental demand), they attract other segmentation contributes with price and products. They prefer to create a new brand in a different business model to compete with existing rivals. This segmentation issue can be a critical manner to prevent cannibalization between the AWA airline and the owner company. This can be also confusing for passengers(Morrell, 2005).

5.1. Data Analysis: Key Factors for Success

This research examines the success factors of AWA models. Therefore, KPIs to analyze financial results, network management, strategic management, marketing and resources management, and differences between parent airlines and AWAs are important to understand. Data collection was problematic because of having no details of financial and traffic information available for AWA airlines under the same family each year. For this reason, websites, online index of social media, and existing academic literature in most cases, are helpful for detecting success factors. In addition, each brand/AWA has specific features on particular strategies.

KPIs were found for three main airlines groups between 2016 and 2019. After analyzing specific success factors, the only detail found KPIs under the same family were used for 2019. Which KPIs were analyzed according to annual reports?

- Total Revenue
- Available Seat-Kilometers (ASK)
- Revenue Seat-Kilometers (RPKs)
- Yields (in USD cents)
- Unit Revenue (RASK)
- Unit Cost (CASK)
- Passengers (thousands)
- Passenger Load Factor (LF) (%)
- Total Aircraft
- Fleet Age
- Operating Margin
- Number of Destinations
- Average Number of Employees

Total Revenue, Yield, Unit Revenue, Unit Cost, Passenger Number, ASK, RPSs, and LF helped to understand the financial success of each group and brand. The competition of AWA and LCC in the targeted markets reduce yields as expected because of competition conditions and reactions. On the other hand, when the targeted market distance is shorter, the load factors can be higher. This probability effects on

successful and long-term strategies of the AWA strategy. Additionally, there are some relativeness to analyze AWA deeper:

- The relationship between total number of aircraft, aircraft type and age, CASK, RASK, ASK, PAX number, and number of destinations also helped to understand the network strategy and cost management strategies.
- The average number of employees, fleet, and network issues with cost logic showed the human management strategies which agreed with existing literature.
- Additional relationships between all aspects and sources showed the importance between a parent company and an AWA model. This is a critical comment for success.
- Tactics, marketing, and commercial strategies from websites and social media content analysis also showed the importance of a successful AWA model because of targeted segmentation.

5.2. Key Success Factors of AWA

5.2.1. Management Strategy: Positioning Between Parent Company and AWA Company

Dual- or multi-branding is hard to manage under the same family in aviation because of financial, products and services, and resources management. The managing of dual or multi brands under the same group are challenging for airlines. The optimal result for covering challenges of dual-/ multi-brand management is to create an entirely separate organization. This independent AWA company is an entirely separate organization with minimal connections to its owner airline while all brands operate under the family group. The AWA model arranges a suitable and effective method to attract different market segmentations (Gillen&Gados,2008). This positioning under the same family as an AWA provide to the airline group addressing different segmentations, attracting more passengers, growing customer satisfaction, improving revenue potential and arranging cost efficiency. AWA management strategy is dynamic and open to develop due to new circumstances in the aviation world. Below

there are specific management strategies that are important in order to have success in an AWA model.

An unsuccessful AWA model could include dependency challenges between AWA and the owner company, network structure, cannibalization between two brands under the same group, challenged of multi branding management, consequences of fleet management in terms of aircraft type, human sources management and union limitations.

5.2.2. Network, Fleet, and Segmentation Management

What is the key factor to successfully positioning a parent company and an AWA company? Independence is a key success factor. When each brand has the strategic decisions and actions according to already described targets under the group, this management independence brings success for the airline group as a whole.

There are many KPIs-related areas that should be managed independently under the same family. One of them is the network structure. In AWA's history, there are many examples where US AWAs often conflicted to complement the network structure of the owner carrier. From ideological view, the reason of launching and performing an AWA carrier in the USA was to develop niche market potentials, not to compete aggressively with LCCs and not to have challenges with cannibalization. However, there was the matter of cannibalization in the case of failed example of the AWA of United Airlines: Ted. The rival of Ted was Frontier Airlines as the primary LCC airlines. United Airlines created Ted to compete with Frontier Airlines. The second example was the second AWA airline 'Song' created by Delta Airlines. Song performed between New York and Florida. During these operations, the main Hub of the owner airline was Atlanta which there was no cannibalization effect between Song and Delta. Song was competing more successfully with JetBlue which was the existing LCC in this network (Gillen&Gados, 2008).

Another KPI is fleet. The management of fleet was an important management matter which threated the success of an AWA performance in the US regions. There were two aspects about fleet management: Fleet choice and also utilization. Several airlines as

AWA carriers operated the handed down aircraft or the second-hand aircrafts from their owner carriers. Some other examples operated modern flights. The strategic issue about the fleet was the performance and utilization issue when the fleet is older age. When the flights were older, they could not take advantages with efficiency in terms of cost, fuel and utilization. On the other hand, there is a need about LCC airlines which there is a strategic need to modernize and to density the fleet. The reasons behind the LCC usage was to reduce seat costs and to increase seat capacity in the same flight by density while managing strong low-cost competition (Morrell, 2005).

The last important one is segmentation. The AWA model and parent company should define their strategies for the future to be able to achieve demanded results. Singapore Airlines is one of the successful examples of AWA strategy:

The Singapore Airlines Group had difficulties due to operation, strong competition, and some macro problems. However, the most significant challenges not only for the whole group but also Singapore Airlines was from aggressive competition from LCCs in Southeast Asia. This competition area of the Singapore Group is challenging itself because their competitors each have their valuable geographic positioning. They operates within eight hours of flight duration of a very widen population of the World (Raynes & Tsui, 2019, p. 153).

Product and service management for all airlines in the Singapore Airlines Group has been the most significant solution for this strong competition. Singapore Airlines competed with this challenge for the parent airline itself by enhancing service and product quality, serving Premium economy, special programs for Boeing 777 aircraft, providing on board WI-FI to this (Singapore Airlines, 2015).

Figure 5.1. SQ Group Portfolio (FY 2018/19, p.3)

Each brand has a unique target under the same family, and the whole Group manages their AWA dynamically. The Singapore Group has merged their Group into two brands, Singapore Airlines and Scoot from Scoot, SilkAir, Singapore Airlines and TigerAir (after the second half of 2019). This strategy is a quick response which is also an AWA success factor. Singapore Airlines announced this strategic decision as a new positioning because of new needs. The Singapore Airlines Group purposed to simplify the model by merging TigerAir into Scoot and SilkAir into Singapore Airlines . They wanted to keep the Singapore Airlines Group with two main brands with Singapore Airlines and Scoot and to cover all segments with these two brands and compete and make more profit (Balakrishnan, 2019). Figures 5.2 and 5.3 are from the annual report of 2019. TigerAir has been merged to Scoot and is not on the list; however, SilkAir is also on the table. In 2021, SilkAir merged to Singapore Airlines. Actually, in 2022, there are two brands in the same group simultaneously, and Scoot is the AWA strategy of Singapore Airlines.

Figure 5.2. Strategy Portfolio (FY2018/19, p.13)

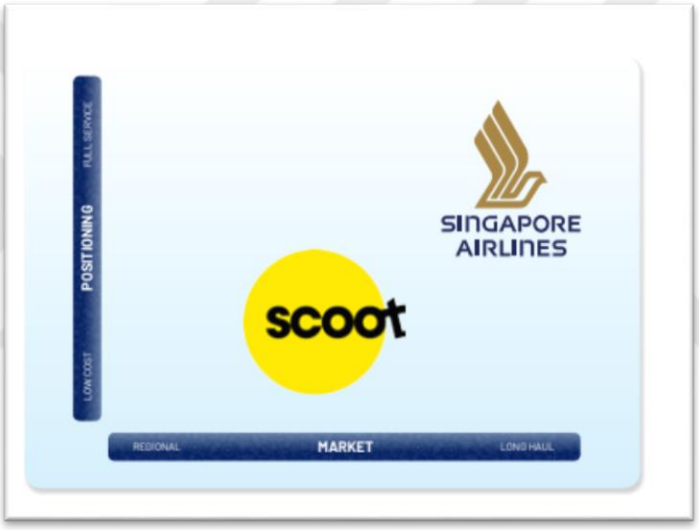


Figure 5.3. Strategy Portfolio (FY2018/19, p.14)

5.2.3. Human Resources Management

This qualitative result has come from statements from annual reports and existing literature. Suitable to the positioning of AWA fleet choices and network description, cabin and crew management is a key issue to be managed effectively. On the other hand, employee quality and employee cost (also unit cost) are key success factors in the human resources management area. Long-term policies and suitable rules which are developing and making commercial decisions easier, are crucial for an AWA model.

Union limitations were also one of the major issues for AWA's success. The flexibility and independency as possible were the essential factors to perform a successful AWA. Failed American airlines AWA examples show restrictions by unions as one of the primary reasons to their failures. The failure of Shuttle airline which was the AWA carrier of United Airlines was shown as the unions restriction in the literature. Because union restrictions effect on the utilization of an aircraft. From this point view, the number of aircraft which Shuttle could operate was influenced by union restrictions. Another example was about Metrojet which was the AWA airline of US Airways. Similarly, to Shuttle, Metrojet should restricted block flying hours into 25% because of union restrictions. This restriction reduced Metrojet's utilization rate and competitive actions (Gillen&Gados, 2008).

The Tables below show the balance between passenger numbers, ASK and RASK, and relative employee numbers. When the human resources do not support the aiming product strategy, this will be an issue for a failed AWA. The success starts at the production level.

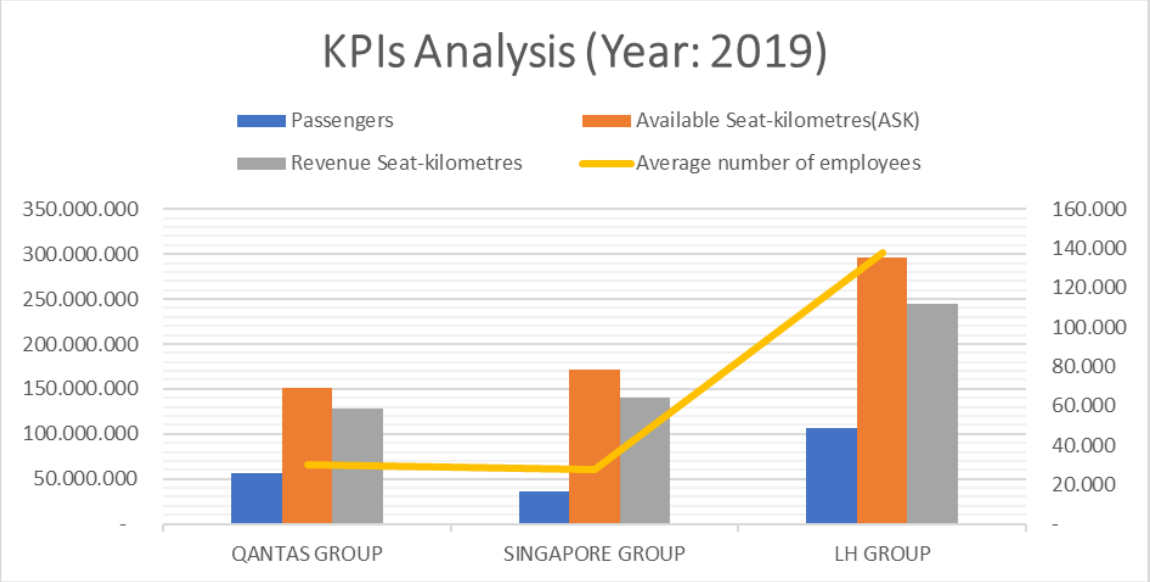


Figure 5.4. KPIS Analysis 2019

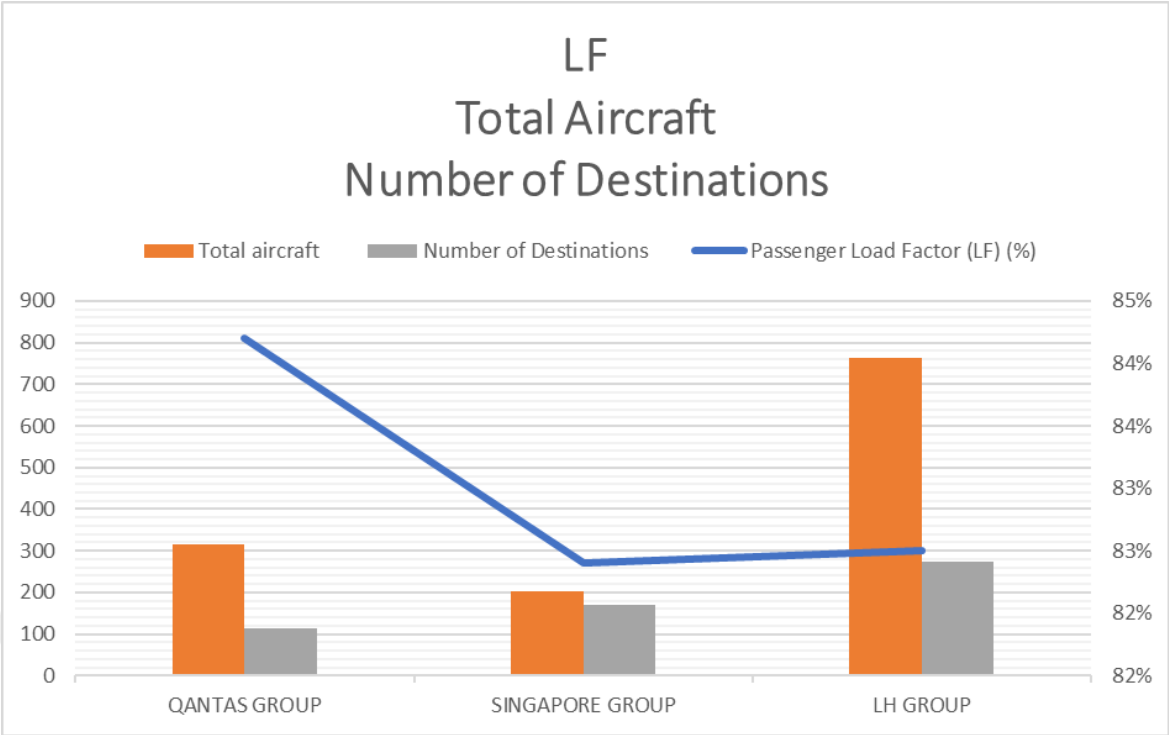


Figure 5.5. LF, Aircraft and Number of Destinations Analysis 2019

5.2.4. Dynamic KPIs Detection and Analysis Management

Dynamic aviation industry circumstances require airlines to be innovative and evaluate their strategies to remain competitive, effective, and successful. In recent years, the airline industry has been challenged by occurrences from within the industry, such as economic challenges, digitalization, and new trends of technologies, as well as from unexpected occurrences (e.g. pandemics, rules and restrictions, environmental changes, security, safety issues).

For the three still existing AWA group airlines' annual reports, the content analysis presents the understanding of which KPIs are developing while other related KPIs remain stable or are regressing. Table 11 below by content analysis from annual reports formulates the dynamic management for strategies for AWA and the whole group, which is essential to being successful.

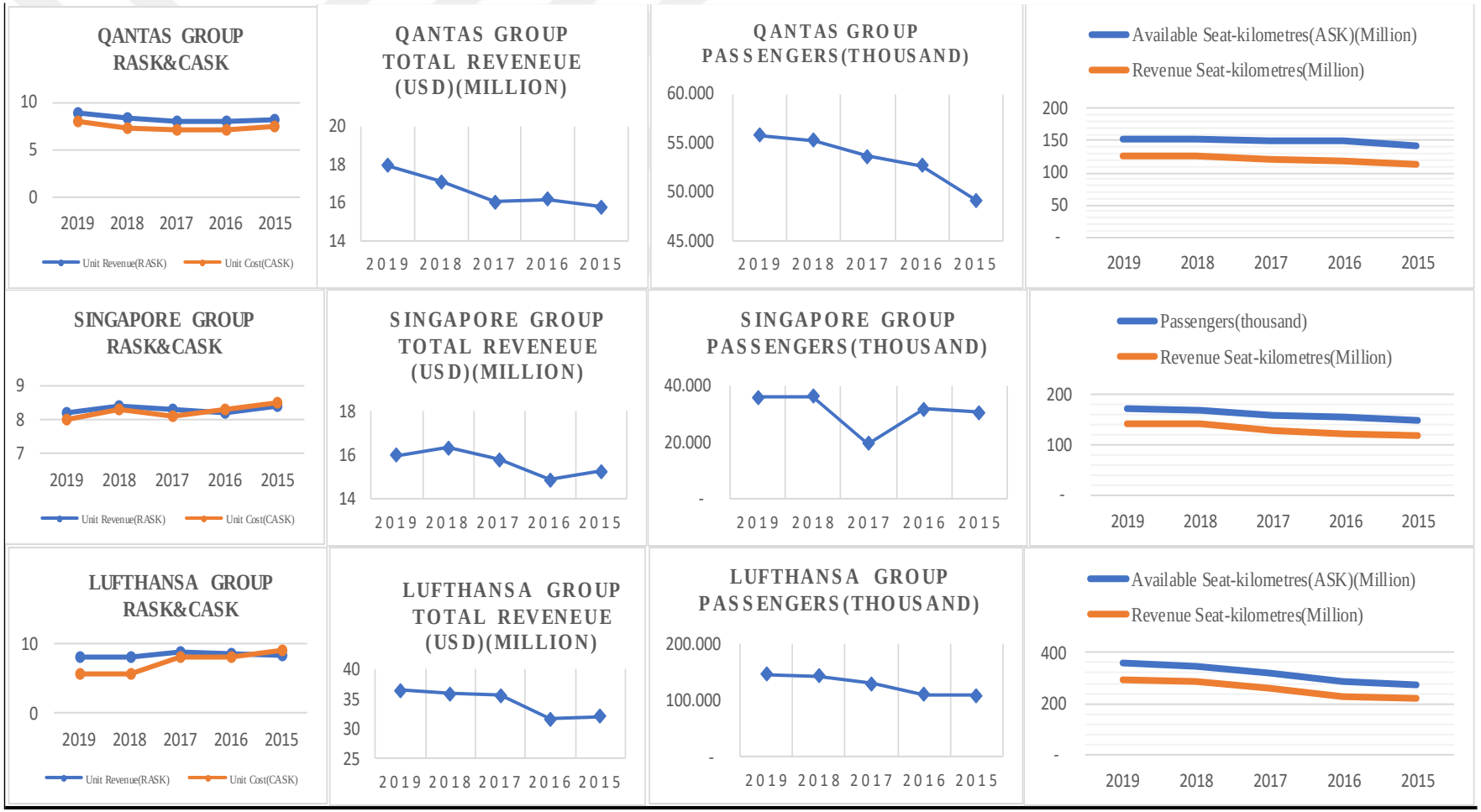


Figure 5.6. Content Analysis from Annual Reports Between 2019-2015

For this reason, the AWA model is a strategic response by FSCs to compete with LCCs. In addition, the AWA model enables FSCs to pursue a cost leadership or focus strategy by operating a portfolio of airlines in various market segments (Graham & Voeles, 2006(Volume 26:1)). After creating a new AWA under the same group, it has been harder to manage dual- or multi-branding and also efficiency in terms of finance and productivity. For this reason, dynamic KPIs detection suitable for selected strategies and analysis management are critical for a success formula.

Figure 5.7. Objective: Customers, Shareholders, Employees (LH, 2019, p.17)

In the LG annual report, there are critical KPIs to detect to describe strategies:

- Business Strategies and Group Activities
- Goals and Strategies

- Fleet and Route Network
- Employees
- Macroeconomic Situations
- Sector Developments
- Course of Business
- Earnings, Assets, Financial Position
- Target Achievement

AWA enabled LCCs to grow rapidly and operate flexibly and dynamically, taking the network airlines by surprise and forcing them into action. According to LHG KPIs between 2015-2019, a trend has been influenced by a main group when targeted results were not reached on the balance sheet. KPIs detection and dynamic performance management offer an opportunity to update their process and products at the right time when it is the best efficiency point to catch success. Like in Lufthansa 2018's Annual Report, dynamic KPIs analysis and performance management is essential. It gives clues to airlines to reach these targets successfully.

C18 TARGET ACHIEVEMENT 2019

	Passenger Airlines			
	Network Airlines		Eurowings	
	Forecast for 2019 [1]	Result 2019	Forecast for 2019 [1]	Result 2019
Capacity growth (ASK)	c. +4%	4%	c. +2%	-1%
Unit revenues	stable to down low single-digit	-3.1%	stable to up low single-digit	-0.4%
Unit cost	-0.5% to -1.5%	-1.0%	-7% to -9%	-3.7%
Fuel	+EUR 550m	+EUR 595m	+EUR 100m	+EUR 81m
Adjusted EBIT margin	**7.5% to 9.5%**	**7.8%**	**around 0%**	**-4.0%**

	Non-PAX							
	Logistics		MRO		Catering		Other	
	Forecast [1] for 2019	Result 2019	Forecast [1] for 2019	Result 2019	Forecast [1] for 2019	Result 2019	Forecast [1] for 2019	Result 2019
Revenue growth	up high single-digit	-9%	up mid single-digit	13%	stable	4%		
Adjusted EBIT margin	7% to 9%	0.0%	7% to 8%	7.1%	2% to 4%	3.8%		
Adjusted EBIT							-EUR 150m	-EUR 227m

	Lufthansa Group	
	Forecast for 2019 [1]	Result 2019
Revenue growth	up mid-single digit	2%
Adjusted EBIT margin	6.5% to 8.0%	5.6%

[1] As stated in the 2018 Annual Report.

Figure 5.8. Target Achievement (FY 2019)

5.2.5. Tactics in Marketing and Commercial

There are independent strategies between brands under the same family:

- While the parent airline is an FSC, an AWA could be an LCC or a hybrid airline.
- While the parent airline has traditional marketing, commercial, and management strategies, the AWA can follow dynamic, innovative strategies in these areas.
- While the parent airline has a connected and complicated network and related segmentation, the AWA can have either a point-to-point or a small hub-and-spoke network with different segmentations. This also has a risk of cannibalization between two brands. Therefore, there is a need to describe marketing and commercial strategies better.
- While the parent airline operates in long-term markets, the AWA can have short-term strategies to operate in markets in terms of profitability.
- While the parent airline prefers a seasonal and dynamic schedule, the AWA can operate only for peak preferred routes for short-term demands.
- Campaigns, marketing strategies, online channels, websites, and branding issues are also crucial for success for an AWA and the parent airline.

The efficient marketing and commercial tactics, which are described according to airline business models and details, will succeed. While an AWA model has a marketing campaign mostly on digital channels and websites/social media, which are dynamic to be applied, the parent airline has their campaign in general distribution channels, which are costlier and need to be planned for the long term.

Branding is another related issue Naming, logo, vision and mission statements, segmentation strategies, and campaign strategies are part of the branding and should be separate between the AWA and the parent airline. The branding starts with the naming in a successful AWA model. As an example, from the US AWA models, Metrojet was the first AWA model airline whose name is totally separate from its owner carrier. The independent naming prevented branding confusion. Additionally, the naming controlled the expectation of passengers about product and services from

each brand under the same group. This separate naming offered different experience for passengers behind the branding. Related with examples, there is a key success factor of branding: When there is a strategic management about a clear and different branding under the same group, this strategy prevents passengers from being confused about selecting products and services so that they know exactly what to expect.

CHAPTER VI

DISCUSSION & CONCLUSION

The aviation industry has increasing potential in the LCC business model, which is increasing the utilization of selected strategic decisions and threatening the sustainability of several legacy airlines. The AWA strategy is a useful strategic management tool for airlines to compete with LCCs and provides additional flexibility during dynamic changes and industry fluctuations. The response of legacy airlines to LCC challenges in the aviation industry is to create an AWA. This research has analyzed the success factors of this strategy, especially for a multi-brand strategy. This research uses case studies to examine the evolution of the AWA strategy at the Qantas Group, the Lufthansa Group, and the Singapore Airlines Group (between 2015 and 2019), and failed American AWA examples in order to identify how AWA strategies should be successful.

Each example has a unique explanation behind particular strategies under the AWA model. Clear and conscious defined strategies, autonomy and independency matters, fleet, network, routes choices, resources, cannibalization effect, and tactics in marketing and commercial strategies are mainly identified as a successful operation for an AWA. Failed AWA examples in the history resulted in mostly cannibalization and confusion between the AWAs and the owner carrier under the same group.

The AWA strategy should be well-defined for the group and each brand under the same family. When there is a complexity to follow up targets, it harms the performance for all and fails the AWA in the short term. SilkAir and TigerAir are examples that are the most successful. Therefore, AWAs must be performed carefully as they can duplicate the inefficiency in some areas like cost and profit. This caution analysis shines some unexpected results to be harmful for the whole group, for the all subsidiaries, reputation and also profitability. This unexpected results were also the major reasons why Northwest Airlines and American Airlines did not have their own AWA subsidiaries in the history. These carriers did not take any risks about the dilution, confusion and cannibalization between brands. (Graham& Voeles, 2006).

The airline industry can be affected by many factors which are globally defined. Aviation has been dealing with a pandemic crisis for two years. There have been many difficulties in the aviation industry for years like a petrol crisis, socio-political issues on supply and demand problems, and global factors. Both faces of a medallion can be better managed by two different strategies in airlines, which is called the AWA model.

The theoretical background of this research is explained especially according to the cost leadership strategy by famous strategic management thinker Michael E. Porter. Cost leadership, differentiation, and focus are three strategic factors for airline businesses according to 'Porter's generic strategy matrix' (Pretorius, 2008). Regarding Porter's generic strategies theory, it can be understood that expectation about service quality of LCCs and FSCs are not differentiate statistically and there is no pattern to distinguish both. On the other hand, expectations will be affected by high prices and customer's service quality understanding. Additionally, there is defined differentiation between LCCs passenger and FSCs passenger: While LCCs' passengers care on prices, full-service airlines' customers care on their past experience. Six important business strategies to manage competition with LCC rivals can be explained according to comprehensive strategies by Porter: **A low-cost strategy, A cost leadership strategy**, **A differentiation strategy**, **A distribution strategy**, **A focus strategy, A combination strategy** performs together with supply(product) and demand(targeted market segmentation) side. (Tanwar, 2013, p. 17). Supply and demand differentiation, market selection focus, cost efficiency and revenue opportunities draw borders around competition by an AWA model according to this theory.

The key success factors of AWA strategy in the airline industry are managed by a multi-brand approach. The research shows there are many failed examples among unique successful strategies for AWAs. This research contributes to the literature about aviation that is concentrating on the evolution of airline business models and the AWA strategy especially by using most recent airline studies covers the period of five years between 2015 to 2019. When airlines need to describe their strategic planning, this research will be a summarized prospectus for success. Firstly, they need to formulate an understanding model and a defined strategy to attract the targeted segmentation and markets. Secondly, they need to dominate over growing markets where LCCs are very vital and the competition is very aggressive. Thirdly, they need also to expand to new

routes by offering different products and services. Lastly, they need to adopt their technologies to innovate and monitor challenging, agile, and dynamic aviation market conditions. These dimensions will be important for airlines who want to adopt an AWA. This proves that when an AWA strategy is implemented correctly, it is a useful and competitive strategy and management tool against rival airlines, both premium and particularly low-cost. It further illustrates the common attributes that can lead to the AWA strategy failing and potentially undermining the parent airline's operations. A success formula can be formulated for airlines that want to revise their business model to an AWA strategy (Raynes & Tsui, 2019).

The success formula included stable and dynamic factors. Stable factors are decisions, aims, network structure, and fundamental criteria. Dynamic factors are number of flights, passenger numbers, financial KPIs, macro and micro economics, and marketing and commercial actions. The stable and dynamic factors come together for a successful AWA. The formula also identifies related components of product and services such as efficiency, productivity, connectivity, comfort, airports and handling services, commercial strategies, marketing tactics, distribution channels, fleet choices, aircraft density, block hours, union restrictions, and labor management.

6.1. Practical Implications

The AWA model brings several main discussion points for further studies and also practical implications:

- Dynamic management flexibility: The parent airline and the AWA under the same family should follow their targets according to their suitable strategies. This independent management brings more profit and efficiency to the whole group because different markets, different passenger segments, different costs, and revenue potential cannot be managed effectively under the same strategy when the industry needs different options from each other in the operated areas.
- Financial, operational, and product and service strategies are hard to manage for different segments when there is a lack of strategic conscience. Therefore, the targets suitable for the branding should be clearly stated for each brand under the same family. Dynamic performance analysis also needs to be converted from one strategy to the other.

- Competition is an important term for AWA'a success. The parent airline gains an advantage in competing with LCC airlines by decreasing their fares and also product standards within an AWA.
- However, this strong competition brings another aspect within the same group with cannibalization. When the segmentation and area border are common in some cases, the cannibalization discussion should be well analyzed. The AWA can differentiate the dominating markets for the parent airline. That means complex business rules, on the other hand. The parent airline should follow very well-described competition strategies. In AWA's markets, the parent airline should point out the selected brand suitable for the market. The focus on the whole group's profitability prevents cannibalization.
- An AWA should act dynamically and react differently from the parent airline within the group because the changing strategy can be transformed over time in contrast, the parent airline follows instructions to reach the targeted goals.
- The marketing and commercial strategies should be differentiated from the AWA to the parent airline within the same family. This is also a success factor.
- Human resource management should be different from the parent airline. Especially for utilization and efficiency, dynamic changes should be a part of the production. Union restrictions should not prevent this dynamic production management in terms of human resources.
- More profitable routes should be operated by the AWA while there are connected and profitable network routes for the parent airline. The flight length (short, medium or long-haul) is also a critical issue. Mostly in literature, a successful AWA which operates shorter routes should profit from expected routes. In some cases, the AWA should operate from secondary hubs to avoid cannibalization. This action can also be a success factor for an AWA.
- The fleet structure for an AWA is similar to an LCC, while there are colorful fleets in the parent airline. One type of aircraft brings cost-efficiency, also utilization, and dynamic changes. Density is another issue in this chapter. AWA model airlines should have more seats to reduce fares to be more profitable on the same flights with density.
- Sometimes, an AWA cannot be profitable for a short period of time; however, long-term strategies by segmenting the owner airline and the AWA carrier can

bring more long-term profit efficiency. This strategic management is important in order to be successful for an AWA (Gillen&Gados, 2008, pp.33-34).

- Cost management and savings are essential in the aviation industry. The AWA and the parent company should follow their own strategies.

6.2. Further Studies

In this thesis, especially the selected three airline group's data for five years were used to analyze. For further studies, there are two additional advices to examine: The first advice is about the failed examples which can be examined in details to define key success factors for an AWA model. The trends in the aviation industry has been evaluated during the crisis and periods. Therefore, the second advice for further studies is the period which can be extended after the corona period more for five years after 2019 to 2024. Additionally, the Turkish Airlines Group and the Lufthansa Group can be examined in a compared study to examine their AWA strategies.

6.3. Limitations

The scope of the study was surrounded around available announced information from airlines that operate an AWA strategy. The used data was primarily collected from annual reports between 2015-2019. The annual reports of each airline have different KPIs, and also, they do not publish the same criteria. The sharing KPIs have been manipulating by the airlines. There were some limitations through the given resources available. The brand KPIs for AWA details are not published in detail as the Group. The lack of data for AWA models is one of the hard limitations.

The other big limitation was the pandemic disease. All macro risks in the aviation industry is important to transform the commerce. Epidemics, pandemics, or other causes could cause high rates of disease in various countries, regions, or continents, which could restrict aviation trends in passenger numbers in the short, medium or long term, and also for employees in cabins and cockpits. Travel restrictions were around the world. This prevented result in operational constraints. Therefore, after the pandemic, two years have pointed to bad data in the aviation industry. 2019 was the last normal year to analyze for forecasting some criteria. For this reason, the used data to point related key success measures and ratios are especially selected in order to assess the five years trends because

of the COVID-19 pandemic. The IATA' expectation is about 4.0 billion in 2024 for passenger number (IATA, 2022).

6.4. Prologue

After the crisis, which deeply affected many sectors in the world, aviation was also affected very much by this situation. With the cessation of airline transportation for a period and then the change of passenger habits and restrictions, difficult situations started to occur. We can say that all general rules for airlines have lost their validity. Especially in this period, it should be stated that it is challenging to prepare the success prescription of a model for airlines. At the beginning of the process, the study was put into an observation mode because its effects were expected to last a short while. As the process progressed, it was decided to continue, albeit in a limited way, by changing some areas due to the increase in the effects of the corona pandemic. For this reason, the annual reports and related financial statements between 5 years before COVID-19 of the selected airline group were provided to analyze and compare the subsidiaries' and the owner carriers' performance by a quantitative analysis method.

Air transport could not effectively use the criteria and data used commercially due to the health rules and bureaucratic transport restrictions. In this case, it also applies to AWA models. When Qantas started a new trend with its passenger-free flight experience, we can say that Singapore Airlines experienced the disadvantages and advantages of managing two airlines under one body.

Their focus began to lean towards customer care, customer satisfaction, and customer loyalty in order to transform the 'customer' from an end-user to a promoter and a marketer, based on recommending the organization to others and setting their preferences on a certain organization (Waits, 2000). According to Vazquez et al. (2011), this awareness among organizations led them to take extraordinary measures to guarantee complete customer satisfaction, aligned with loyalty, for as long as they can.

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APPENDIXES

APPENDIX A

AIRLINE TERMINOLOGY AND MEASURES

ASK: Available seat km=Available seat x KM

CASK: Cost available seat km;

LF: Load Factor= (Revenue Pax x KM)/(Available Seat x KM) or =RPK/ASK

RASK: Revenue per seat available km= Revenue/ASK **or =**LF*RY

RPK : Revenued passenger kilometer=PAX x KM

RY: Revenue yield= Total PAX revenue / (PAX x KM).

SEAT FACTOR: Revenue pax / Available seat

SS: Seat sold

APPENDIX B

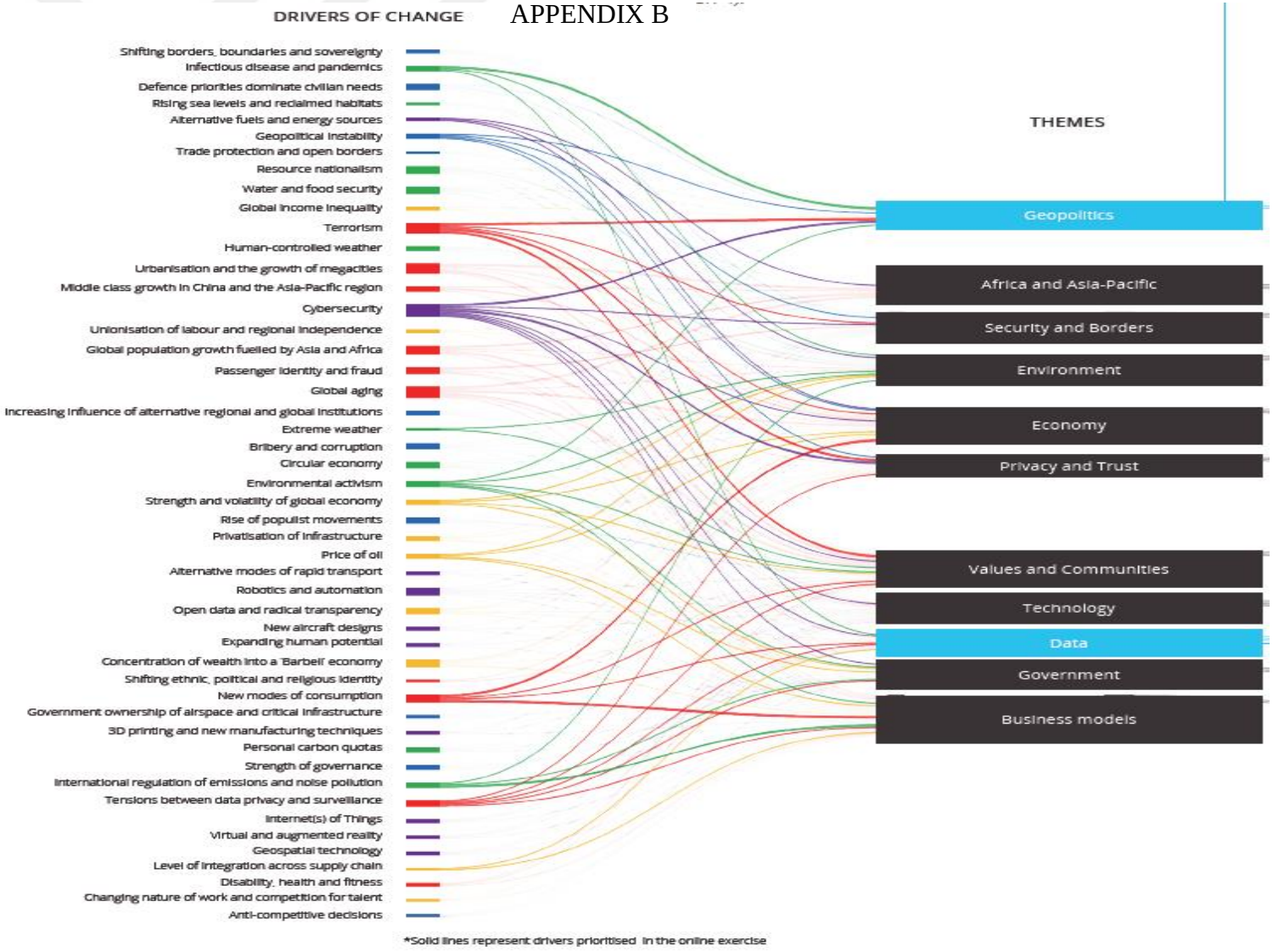

Figure B.1. Showing the Map of Drivers to Themes (IATA, 2018, p.11)

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