New directions for airlines’ cooperation

EU-Russia Air Transport Conference: New horizons

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Market trends

Code-sharing, cooperations, global alliances

Partner models in airline groups

Contact
Market trends cause stress of competition

Market trends
- Customer mobility rises
- Corporates act increasingly global
- Customer awareness for price and service grows
- Brand loyalty shrinks

Competition trends
- Globalisation of airline industry
- More and more cooperations
- Niche carrier and Low Cost carrier grow
- Deregulation intensifies competition
- Marketing and sales models are being rebuild

Strategic Success Factors

Customer focus

Partner become important to serve markets

Revenue strategies secure survival
Alliances and Cooperation Management
Benefit or Plague?

- Skyteam or Oneworld or Star Alliance or bilateral cooperation or code-share, which way is best?
- How do alliances or cooperations work?
- Is your company fit and attractive to join an alliance or partner up?
- How to check the strategic, cultural and fundamental fit suitable for your airline?
- How to manage the cooperation?

LAN Chief Executive Enrique Cueto: "...Being part of oneworld for the past decade has brought both LAN and our customers huge advantages, in particular by being part of a truly global network served by partners with the same belief in high quality standards...."
Pillars of group & partner management
The equilibrium of basement, pillars and roof provides success

Cooperation
Cooperation between partners is in all models superior to competition. Synergies provide contribution margin.

People
Acceptance Management:
• Coaching of Managers
• Inspiring of employees

Processes
Wet-lease model:
• Work division = economies of scale and purchase power
• Complexity reduction
  fleet commonality, home base concept, operator pureness

Tools
Wet-lease model:
• ACMIO logic
• Target costing
• Incentive scheme

Autonomous subsidiary or wet-lease partner (partner management with central corporate steering)

Other airline groups have learned their lessons well: There is no ideal way.

Example Lufthansa: In 2004 the formation of the enhanced wet-lease model Lufthansa Regional with central control has provided a contribution margin of EUR >100m.

In contrary, autonomous Swiss is one of the most successful global airlines, though cooperation with Lufthansa is immense.
Reduced drag in a „crane flight formation“