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국제학석사학위논문

A Competitive Analysis of Ryanair in the
Long-Haul Airline Industry

장거리 항공산업에서의 라이언에어 경쟁력 분석

February 2017

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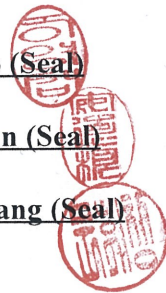
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Abstract

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The increase in the route intensity causes a limit in growth for low-cost airlines in the EU short-haul market. In the recent years, low-cost airlines increased their route distance and several of them started to look at the long-haul market. However, the long-haul market is filled with full-service carriers and it is unknown whether a low-cost airline would be competitive enough to succeed in this market. This dissertation researched the differences between the low-cost carrier and full-service carrier, the differences in their own respective markets, the “short-” and the “long-haul”, followed by a thorough analysis on who is in the long-haul and case studies on previous long-haul low-cost carriers. After an overview on Ryanair, Michael Porter’s “Generics Strategies” was used to establish a clear view on the strategies of the competitors and their respective strengths in the long-haul. The “ABCD model” of Moon Hwuy-Chang gave insight on the competitiveness of Ryanair. If Ryanair can sell tickets for a substantial lower price, Ryanair can achieve a competitive position in the long-haul. But to be truly successful

Ryanair will need to work on its social relationships, and its ability to respond to market changes.

**Keywords: Ryanair; Low-cost carrier; Long-haul; Airline industry;
Competitiveness; ABCD-model; Generic Strategies**

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국문 초록

경로 강도가 높아질수록 저가 항공사들은 EU 단거리 시장에서 성장 한계점에 부딪히고 있다. 최근 몇년에 저가 항공사들은 경로 거리를 증가하며 몇몇 항공사들은 장거리 시장을 바라보기 시작했다. 그러나 대형 항공사들이 장거리 시장을 점유하고있으며 저가 항공사가 이 시장에서 성공할 수 있는 경쟁력이 있는지가 문제점이다. 본 논문은 저가 항공사들과 대형 항공사들의 차이점, 즉 단거리와 장거리의 차이점을 연구하며, 철저한 분석을 통해 어떤 항공사가 장거리 시장에서 활동하고있고 저가 장거리 항공사들에 관한 사례 연구를 살펴보겠다. Ryanair 을 개략적으로 살펴본 후 Michael Porter 의 “Generic Strategies”를 사용하여 Ryanair 의 경쟁자들의 전략과 경쟁자들이 장거리 시장에서 보여준 장점들을 명확하게 볼 수 있었다. 또한 문휘창의 “ABCD 모델”이 Ryanair 의 경쟁력을 보여주었다. Ryanair 가 상당히 낮은 가격의 항공권을 판매할 때 장거리 시장에서 경쟁력있는 위치를 차지할 수 있다는 것을 볼 수 있었다. 그러나 Ryanair 가 정말로 성공하고싶다면 사회적 관계를 키워야하며 시장 변화에 대한 반응 능력 향상에 힘써야 할 것이다.

주제어: 라이언에어; 저가 항공사; 장거리; 항공 산업; 경쟁력; ABCD 모델; 제네릭 전략

학생 번호: 2015-25048

Abbreviations & Explanations

LCC	Low Cost Carrier
FSC	Full Service Carrier
VFR	Visiting Friends and Relatives
Short-haul	Flights shorter than 6 hours
Long-haul	Flights longer than 6 hours
Point-to-Point system	Transport system whereby vehicle travels directly to a destination rather than go to a hub.
Code sharing	Aviation business agreement where two or more airlines share a flight. Cooperating airlines synchronize their schedules and coordinate luggage handling.
Frequent Flyer Program (FFP)	Loyalty program by airlines, customers can save points which they can change for discounts on flights or hotels.

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I Introduction

Over the last decade the global airline industry grew rapidly with the revenue doubling, from US \$369 billion to \$746 billion between 2004 and 2014 (Hilz, 2015). The growth of revenue has been mainly driven by LCCs with their market share of 25% worldwide and although the amount of revenue is impressive, it must be kept in mind that the profit margins are thin with a value chain that has many players e.g., airports, airplane manufacturers, travel agents, and service companies (Hilz, 2015). The chain that maybe struggles the most are the airlines, the industry is often unstable and unpredictable, forcing airlines to come up with new flexible strategies and being able to respond fast to external changes such as security concerns, environmental events and having to deal with an ongoing price pressure from consumers (Leick, 2009).

The LCC concept started originally in the USA as a result of the increase in demand for air travel, the deregulation of the market followed by an increase in the competitiveness (Lück, 2013) (Leick, 2009). The European short-haul market, which was second to follow, is the most successful one with the highest number of low-cost passengers. The number of flights increased by 80% between 1990 and 2014 and it is expected it will keep growing between 2014 and 2053 with another 45% (EuroControl, 2016). The European low-cost short-haul market, has to deal with a high number of competitors, this resulted in route density problems and pushed airlines to decrease their flight frequency and to increase their average route distance (de Wit, 2012). As can be seen on

figure 3 there is between 2001-2010 an increase of 40% of the average route distance of European LCC. When low-cost airlines increase their average route distance far enough it will get them in a new market called the long-haul market. The basic difference between short-haul and long-haul is the amount of flight hours, this may seem like a minor difference, however the viability of long-haul low-cost service is still very uncertain (Weber, 2013) (Williams, 2015) (Morrell, 2009). There have been airlines who tried to enter this market but failed, e.g. are: the Laker Airways with their “Skytrain” and the LCC Oasis Hong Kong Airlines (Williams, 2015). However, nowadays there are also a couple promising success stories, AirAsia with AirAsiaX and Norwegian Air with their recent Norwegian Air Shuttle (Weber, 2013) (Leader, 2015).

Ryanair is known for its ability to excel in the low-cost model and would therefore have a better chance to succeed in the long-haul compared to other LCCs (de Wit, 2012). At the moment of writing it is unknown in how far the strengths of Ryanair are actually sustained when Ryanair would move to the long-haul industry and whether it would be possible for Ryanair to achieve a competitive position in the long-haul industry. With the use of both Porter’s Generic Strategies theory and Hwy-Chang Moon’s ABCD theory this research will reach a better understanding of the market and the competitiveness of Ryanair as never before.

My aim for this dissertation research is to determine whether the most popular European low-cost carrier Ryanair, is competitive enough to withstand the competition in the long-haul industry. To identify whether Ryanair could achieve a competitive position in the long-haul industry, I will look at existing examples of carriers with the same model as Ryanair and the ones with the different one, the differences between the short-haul and the long-haul, the necessary changes to be made by Ryanair and whether this is achievable, and Ryanair's competitiveness in the long-haul industry. Questions such as, "who are the competitors in the long-haul industry?", "which competences do you need to be successful in the long-haul industry?", and "would Ryanair be able to achieve a competitive position in the long-haul market?" will be answered in this research.

This research starts with a thorough research about the existing literature, the criticism and limitations of the researched literature followed by a review of the applied theories. The next chapter explains the differences between the two types of carriers, the complications of moving a carrier's business to the long-haul market and lastly who are the potential competitors of Ryanair and from who Ryanair could learn from. After, the firm Ryanair will be introduced, and then both models will be applied to give new insight on the possibility of Ryanair in the long-haul market. And lastly based on all previous researched data a conclusion will follow and give insight on the competitive position of Ryanair in the long-haul position.

II Analytical Framework

2-1 Literature Review

The following section will consider the existing studies and highlight the most important studies on the subject whether Ryanair can be viable in the long-haul. The section followed will show the criticism and limitations of the current researched and show the need of a new research with both Porter's Generic Strategies model and Moon's ABCD model. Followed by an explanation how both theories can give us a better understanding of the market and the competitiveness of Ryanair in the long-haul.

2-1-1 Existing Studies

There has been a lot of attention from both scholars and from the business sector about whether the low-cost carrier in the long-haul is viable. They give important insights about the differences between the two markets and what might be possible for the average low cost carrier. In this section the most important researches will be shown.

Perry and Williams (2015) researched the viability of the long-haul LCC, they were able to give a clear overview of the main differences between the two markets and concluded that due to the change of better access to existing carriers, new routes linking major cities in developing economies and new better fuel-efficient aircrafts make long-haul low-cost service viable. Morrell (2009) made a thorough research with including short examples

of previous LCC in the long-haul, a clear explanation of the differences between the two markets and the disadvantages for the LCC and even including revenue business models between the two very different carriers, the LCC and the FSC. Morrell (2009) came also up with good suggestions to increase the potential success rate of the LCC in the long-haul by flying shorter long-haul and focusing on the VFR segment. De Wit and Zuidberg (2012) researched the trends of the LCC, they were the first researchers to note the increase of the flight distance and their move towards the long-haul market. De Wit and Zuidberg (2012) also noted several strengths of Ryanair and how the trends influenced their frequencies and routes. And pointed out that due to Ryanair's ability to excel in the low-cost model it would result in a better chance to succeed in the long-haul industry compared to other low-cost carriers (de Wit 2012). The journal for Airline CEOs, Airline Leader (2015) researched several previous cases of the long-haul LCCs, analyzing their common errors and successes. With the help of this research it created a clear understanding of the potential traps in the long-haul for LCCs. The research of Graham et al. (2006) included very good implications to be made by the LCC when moving to the long-haul industry, making similar point as Morrell (2009) about the potential of the VFR market and included important points about the minimum expectations of long-haul passengers. Wensveen and Leick (2009) made a clear understanding of the unique business model of a long-haul LCC while giving 10 most common mistakes made by previous LCCs.

2-1-2 Criticism and Limitations of the Existing Studies

There has been a wide range of scholars who researched the viability of the LCC in the long-haul, however some of these researches are contradicting each other. Other researches are outdated or missing important influencing variables such as, “competitiveness of the LCC and the FSC”, “the differences between the two very different markets” and often a clear conclusion of what is necessary to be successful in the long-haul market. Also, the strengths and weaknesses of the LCC have often been generalised and the researched case studies are not comprehensive.

Perry and Williams (2015) research ended up rather being simplistic, naming only the highlights of the differences between the two markets which resulted that the authors could not make a proper conclusion on how the LCC should overcome the market change and how big the chance was of success. Morrell (2009) wrote maybe one of the best researches on the LCC in the long-haul, his thorough research shed many lights on important factors of this research. However, what the problem was with this research is that it was outdated and proven wrong on some of the factors with the new case of Norwegian Air Shuttle. Morrell’s (2009) expected air-hours that could be achieved by a LCC was much lower than what is shown in practice by Norwegian Air. Also, their expected LCC cost advantage of 20% in the long-haul differs compared to the other researchers such as Binggeli and Weber (2013) with their estimation of 13%. Even though De Wit and Zuidberg (2012) were aware of the superior strengths of Ryanair

they have not researched what would Ryanair's potential be in the long-haul. The research is more focused on the trends of the LCC than the challenges of their future (long-haul) market. The journal for Airline CEOs, *Airline Leader* (2015) tried to give clear guidelines to make a LCC work in the long-haul after they concluded that LCC long-haul is viable, however they concluded their research with that there is no concrete template for success which makes it hard to believe if a LCC is competitive enough in the long-haul. This was also the case with the research of Wensveen and Leick (2009), the competitiveness between the FSC and LCC has not been fully enclosed with only a few simplistic statements made about it.

Binggeli and Weber (2013) were the first one to state that their expectations of the long-haul LCC was very low and almost non-existent. This contradicts with the other researches such as Morrell (2009), Perry and Williams (2009). Not to argue that their results are completely inclusive, however they fail to realize the disadvantages mentioned are not the case for every LCC and in particular compared to Ryanair. Also, they fail to make an understanding between the different branding strategies followed by carriers, they generalize it as if all carriers only focus on the price of their tickets and are not taken the differentiated services into account. Francis (2006) concluded that for carrier to be successful in a new area it is important to be the first carrier so with the help of the first-mover advantage it becomes possible to reach competitive advantage. Francis however fails to realize that the lessons learned from previous competitors can be a

strength to a follower. Moon (2016) stated that the case with first-mover advantage is only effective when this happens in industries of low levels of competitions and long product lifecycles. This is however not the case in the airline industry. Moon (2016) raises another important point that learning from previous cases and imitating could still result in lower prices than the original competitor when the firm can use their other strengths as a synergy. Graham et al. (2006) raised good implications for LCC in the long-haul however case studies were not included at therefore it can be questioned in how far their implications fit a LCC. The influence of competitors and their strengths and therefor threats to the LCC were also not included in the research.

At the moment of writing it is unknown in how far the strengths of Ryanair are actually sustained when Ryanair would move to the long-haul industry and whether it would be possible for Ryanair to achieve a competitive position in the long-haul industry. A lot of the above researches are missing important points and none of them has all important variables included such as, “competitiveness of the LCC and the FSC”, “the differences between the two very different markets” and often a clear conclusion of what is necessary to be successful in the long-haul market is missing. With new cases finding their way to success such as AirAsiaX and Norwegian Air Shuttle it is important to reanalyse the viability of the long-haul LCC. Competitive advantages by combining learning and innovation together, working towards a strong and precise value chain and the strength of a strong human resources relations has not been considered by the

previous researches. Therefore, with applying new research methods such as Porter's Generic Strategies and Moon's ABCD model it would become possible to take all specific strengths of the case study, Ryanair into account, have a clear understanding about the necessary skills and their potential in the long-haul market will result in comprehensive analysis of how competitive Ryanair would be in the long-haul market.

2-1-3 Review on Competitiveness

Over the last decades researchers used different tools to analyse the position of the firm in a certain market, or the firm's position compared to another firm. It started based on an industry-structure view, emphasizing on how the industry structure influence the firm performance (Moon, 2013). Which would mean that the result of the firm's performance is mostly decided by the industry structure which implied that the competences of the firm were not important. This was compensated by the followed resource-based view, and based to this view the firm's capabilities and resources could result in a better position than competitors (Moon, 2013). Porter focused in his book *Competitive Advantage* (1985) on the activity-based view which keeps into account the activities of a firm are what generate cost and value for the customer. Porter introduces the importance of the firm's value chain and Moon (2016) expanded this thought with arguing that when the firm is able to respond fast to the markets demand and with precision in the value chain, a firm can reach competitive advantage. Porter (1985) believes that when a firm is able to achieve one of the lowest sell price and is an above-

average performer it can achieve a competitive position in that industry by using the strategy cost leadership. This would be great since Ryanair follows the cost leadership strategy and is expected to be capable of an above-average performance. Moon (2016) argue that when a firm is able to respond fast to the markets demand and with precision in the value chain, a firm can reach competitive advantage which is another possible strength for Ryanair. Competitive position can be analysed on different criteria such as, brand recognitions, sales, and market share, however in the case of this dissertation research it is used as the ability to be profitable.

2-2 Theories

In this dissertation research two theories will be used, these are: Porter's Generic Strategies and Moon's ABCD theory. In the following section the reasons for choosing both theories will be explained. Both theories will be used together however they do not replace each other instead they complement each other and give us an optimal understanding of the long-haul market and Ryanair's competitiveness. The section will start with the theoretical background of Porter's Generic Strategies model followed by Moon's ABCD model.

2-2-1 Generic Strategies

This section will be used to explain the theoretical background of the Porter's Generic Strategies theory and how applying this theory result in a better understanding and research of Ryanair's competitiveness in the long-haul. Dr. Porter's generic strategies theory gives insight how a firm can create and sustain a competitive advantage (Porter, 1985). Compared to other theories, the generic strategies theory builds a bridge between strategy formulation and implementation (Porter, 1985). The generic strategies is based on three approaches to create competitive advantage. Each of these strategies involves a different route towards achieving competitive advantage.

Cost Leadership

With the Cost Leadership strategy, the firm concentrates on becoming the leader in terms of cost (Porter, 1985). When going for this strategy the firm needs to exploit all sources of cost advantages (Porter, 1985). When choosing this strategy however the firm must cut the cost continuously to protect it from other competitors who can copy your cost reduction strategy (MindTools, 2016).

Differentiation

The Differentiation strategy aims on uniquely positions itself in the eyes of the customers (Porter, 1985). This can be achieved in various ways such as offering different features, quality or brand image (MindTools, 2016).

Focus

When using the Focus strategy, the company selects a segments or group of segments and serves them to the exclusion of others (Porter, 1985). Even if the firm does not possess a competitive advantage compared to others by focusing on one segment and optimizing its strategy for the target segment it achieves a competitive advantage (Porter, 1985). The strategy knows two variants, “cost focus”, where the firms aims for a cost advantage in its target segment and “differentiation focus”, the firm aims for differentiation in its target segment (Porter, 1985). When performed well the strategy

would result in a strong brand loyalty amongst their customers and harder for competitors to copy (Mindtools, 2016).

2-2-2 ABCD model

This section will be used to explain the theoretical background of the Moon's ABCD theory and how applying this model result in a better understanding and research of Ryanair's competitiveness in the long-haul. To analyze the competitive advantages of Ryanair, the ABCD theory of scholar Moon, Hwy Chang will be used. The ABCD model is a recent created model what is helpful to create competitive advantages for all kinds of variable such as people, firms and governments ABCD model compensates the limitations of earlier models, it became possible to have a better understanding of the "how" questions, how should firms operate to reach competitive advantage. With the use of this model it results in a better understanding of the performance of Ryanair. With the help of the ABCD theory we will be able to identify and create Ryanair's competitive advantages in comparison to other competitors. The ABCD theory exists of four factors, "agility", "benchmarking", "convergence" and "dedication". Each of these factors is followed by two sub-factors.

Agility

The first factor can be explained as the ability to move quickly. To sustain a position as market leader it is not enough to just have a competitive product, a firm needs to be able

to respond swift to business environment changes (Moon, 2016). When researching this factor, we take the following two sub-factors into account, “speed” and “precision”. With markets being more dynamic than ever and a trend of decreased lifecycle of products and technologies it is important for a firm to be able to respond fast to changes. However, to ensure quality and customer’s satisfaction there is a need for precision that limits any imperfections in the value chain.

Benchmarking

Often the factor benchmarking is understood as a practice of imitating the market leader however Moon (2016) creates a different understanding by defining it as a learning process and incorporating elements of innovation. It is important to abide by the three I’s: imitate (learn), improve, and innovate (Moon, 2016). To analyse the benchmarking factor, two sub-factors will be analysed, “learning” and “best practice”. Learn from past experiences or by observing others while incorporating the company's unique strengths to the imitation to transcend the original benchmark (Moon, 2016).

Convergence

Competitive advantage comes from the synergy of all firm’s activities (Moon, 2016). It is harder for competitors to copy competitive advantages coming from a firm’s entire system (Moon, 2016). Therefore, the two sub-factors, “mixing” and “synergy-creation” make such a good combination because first it looks at how the firm can differentiate itself followed by the creation of synergy. It is impossible to differentiate while the

synergy is non-existent. It is important to look for ingredients when used together result in an effective harmony (Moon, 2016).

Dedication

The last factor “dedication” is maybe the most important factor since it reinforces the other previous factors and sub-factors. The factor “dedication” concentrates on the firm’s commitment towards an optimal goal. Dedicated employees that are more engaged and dedicated will provide the firm a competitive advantage that is hard to copy by competitors (Moon, 2016). The two sub-factors, “diligence” and “goal orientation” are important to achieve since together they result in an increased efficiency and lead to better performances.

What is make the ABCD model a great tool is that it optimized model incorporates emerging theories and this is lacking in the current researches on the LCC in the long-haul. The following table gives an overview of the differences of the established theories and the emerged theories that are considered with the factors and sub-factors of the ABCD model.

Table 1: Distinction and comprehensiveness of the ABCD model

	Established theories	Emerging Theories
<u>Agility</u>		
Speed	Early mover advantage	Fast process or catch-up advantage (economies of speed)
Precision	Automation (from labor-intensive to capital-intensive)	Process techniques with human touch (e.g., JIT, TQM, 6 sigma)
<u>Benchmarking</u>		
Imitation	Resource-based view of the firm	Absorptive capacity (economies of learning)
Best practice	Innovation, breakthrough technology	Global/local standard, incremental innovation (e.g., Kaizan, creative imitation)
<u>Convergence</u>		
Mixing	Specialization capability (economies of scale)	Combinative capability (economies of diversity)
Synergy-creation	Related diversification (economies of scope)	Related and unrelated diversification (e.g., Chaebol smartphone)
<u>Dedication</u>		
Diligence	Inspiration	Perspiration (economies of diligence)
Goal-orientation	Unique positioning	Continued growth after catch-up (e.g., constructed crisis, extra commitment)

* Created by Moon, Hwy Chang, page 111 (2016)

After discussing the limitations of the current research, it shows the need for a new research with the use of unapplied models that can give a better insight in the differences of competitors in the long-haul and a new perspective on the Ryanair's competitiveness. The models of Porter and Moon are excellent models that would supply the need and also have not been used before in the research of this topic. The use of the models would expand the current research and answer the question "how competitive is Ryanair in the long-haul?". The long-haul has always been ruled by the FSCs, and to get a clear understanding what the difference is between Ryanair, a LCC and a successful FSC in the long-haul, there now follows an analysis of the differences between the LCC and the FSC.

III Airline Industry

3-1 LCC VS FSC

Researchers such as Binggeli and Weber (2013) believes that only a FSC can be viable in the long-haul market, therefore to get a clear view on the differences between the LCC and the FSC is necessary. After establishing a good understanding of the differences the research will be go in depth to what happens to the advantages of the LCC in the long-haul.

When LCCs entered the short-haul market they were able to steal away the customers of the FSC with ease. Ryanair with the most outstanding track record in the European short-haul market, found its own way to the top by successfully applying the LCC concept. Firstly, what makes a carrier a LCC depends on whether the carrier applied the typical low-cost cost advantages (Lück, 2013). LCCs have cost advantage of around 40-60% compared to FSC in the short-haul (Morrell, 2009) (Leick, 2009). The tight scheduling is one of the most influencing factor of this big cost difference. The punctuality of the LCC is averagely 79.2% on time versus 77.6% punctuality of a FSC. Additionally, the rotation time is higher than that of a FSC, for the LCC they are able to reach a turnaround of 4.5 whereas FSC are only able to use their planes 3.8 times a day. This causes the LCCs to be in the air for 11.3 hours per day and for the FSCs 9.06 hours a day

(AirlineProfiler, 2016). To get a clear view of all factors of the cost advantage an overview can be found in the following table.

Table 2: Differences between the LCC and the FSC in the short-haul

Factors	LCC	FSC
Turnaround	Fast: <ul style="list-style-type: none"> • Secondary airports • Minimum cleaning • No cargo/food/seat assignment 	Slow: <ul style="list-style-type: none"> • Premium airports • Aircraft service • Cargo/food/seat assignment
Frills	No frills: <ul style="list-style-type: none"> • Paid seat assignment • Paid meals • Paid luggage • Paid in-flight entertainment 	Frills: <ul style="list-style-type: none"> • Free seat assignment • Free meals • Free luggage • Free in-flight entertainment
Class	<ul style="list-style-type: none"> • Economy 	<ul style="list-style-type: none"> • Economy • Business • First
Airport	<ul style="list-style-type: none"> • Secondary airports • Point-to-point 	<ul style="list-style-type: none"> • Premium airports • Hub-and-spoke airport
Cost	<ul style="list-style-type: none"> • Fuel cost are lower • One type plane→ higher labor and aircraft productivity 	<ul style="list-style-type: none"> • Fuel cost are higher • Different types of planes→ lower labor and aircraft productivity
Crew	Cheap: <ul style="list-style-type: none"> • Higher productivity • Lower number of crew • Minimum experienced personnel • No labor party (Ryanair) 	Expensive: <ul style="list-style-type: none"> • Lower productivity • Higher number of crew • Experienced personnel • Labor party present
Cargo revenue	No	Yes
Frequent Flyer program	No	Yes

*Author's own creation

The above research is the base for the rest of the research since it gives a clear explanation what the LCC concept is all about. It shows a full overview of the differences between the LCC and FSC which is in many researches is lacking. What it does not show yet is what would happen to the characteristics of the LCC in the long-haul market, this will be the next step. The following section includes an analysis of the potential consequences on the characteristics of the LCC in the long-haul and of the necessary changes to be made to become viable in the long-haul market.

3-2 Low-cost in Long-Haul

Ryanair like many other LCCs started with a focus on the short-haul market because in the past it was necessary to fly short-haul since it provided the cost advantages that were necessary to make the concept work (Lück, 2013). However today the day there are new aircrafts which are more fuel-efficient, there is better access to existing carrier networks for connecting flights, and with new fast-growing economies it opens new routes to major cities which increases the chances making long-haul low-cost service viable (Williams, 2015). But reaching cost advantages in the long-haul is much harder and result in lower cost advantages for the LCC. Morrell (2009) expects that LCCs will just have a cost advantage of 20%. Binggeli and Weber (2013) expect it to be even lower around 13%. The difference compared to the short-haul cost advantage (40-60%) can be explained since certain previous mentioned cost advantages cannot be achieved in the long-haul. To be able to give a well argued conclusion whether Ryanair can be viable in the long-haul it is important to understand what happens to the Ryanair's LCC characteristics in the long-haul. Which of Ryanair's strengths will diminish and which one will remain the same. Additionally, Ryanair's potential necessary changes to be made to become profitable in the long-haul will be researched. Now follows a research about what happens to the LCC cost advantages in the long-haul.

Turnaround

The factor fast turnaround of LCCs is based on several sub factors such as not having to concern themselves with food or cargo but also getting the minimal amount luggage on and off the plane is faster than FSCs (Morrell, 2009). But it is expected that passengers will take more luggage on their long-haul flight, there will have to be more meals on board so there is a longer ground time necessary to reload, clean and refuelling the aircraft (Morrell, 2009). LCCs fly to secondary airports which are less busy, so the process of landing and being back in the air is faster compared to premium airports (Morrell, 2009) (Lück, 2013). The secondary airport strategy encounters problems on the long-haul. Firstly, because the aircraft is longer in the air the advantages from lower user charges and lack of airport congestion diminish (Graham Francis, 2006). Secondly, many of the secondary airport's runways are not long enough to accept intercontinental flights and they might be too remote to reach the minimum amount of demand (Graham Francis, 2006). Because of the fast turnaround of LCCs, the aircraft can be used for more rotations, the aircraft and crew are being fully utilized though this is not the case in the long-haul where the turnaround will be similar to the FSC in the long-haul (Morrell, 2009) (Lück, 2013).

Frills

As many know when flying with a LCC for any requested service there is an extra cost, even if these services would be for free when flying with a FSC (Morrell, 2009). The

revenue coming from frills is the key pillar of the low-cost model (Lück, 2013). Ryanair received an additional revenue of €663 million from frills; Southwest Airlines came second with €323 million and Air Asia third with €230 million (Lück, 2013). However, Graham et al. (2006) believes that the longer the flight the more frills are required, whether this is paid or not it will require more alley space and result in an increase of the complications for loading catering and cleaning the aircraft.

Cargo Revenue

Where LCCs make money on frills, FSCs make money by carrying cargo on their flights. For example Virgin Atlantic carrying cargo resulted in a revenue of £ 170 million in 2006/2007 with an operating profit of only £ 15 million (Morrell, 2009). The cargo revenues could be achieved by any LCC as long as they are willing to sacrifice their turnaround time. Since the cost of flying long-haul is higher it could be a good way to compensate this (Williams, 2015). What a LCC should keep in mind when asking for a charge for luggage it would have to high enough to surpass the revenue for cargo to displace it (Morrell, 2009). Graham et al. (2006) believes that on the long-haul, cargo is too significant to ignore, especially when the aircraft has a large belly hold capacity.

Point-to-point system

In the short-haul LCCs use a point-to-point system which helps them to get the maximum amount of revenue per aircraft by keeping it more often in the sky (Morrell, 2009). In

the long-haul the point-to-point system will run into difficulties because of the time zones, night curfews and the time necessary to fly (Morrell, 2009). The longer the flight distance, the bigger the airports need to be to compensate for maintaining the route density (de Wit, 2012). The hub-and-spoke system is more crucial in the long-haul market compared to the short-haul (Graham Francis, 2006). Therefore, in the long-haul, point-to-point operation without connecting traffic seems to be a risky option as business model (de Wit, 2012). If LCCs decide to change to a hub and spoke system, the consequence will be a decrease of rotations.

Crew

The cost for crew are often much lower for the LCCs compared to the FSC's in both short-haul and long-haul market. LCCs often hire minimum experienced personnel for a lower salary, also a lower number of crew is available on flights, and there is a higher pressure for productivity. When flying short-haul, the crew stays over at the airport, however when flying long-haul there would be a need to arrange accommodation for the crew which result in an extra cost (Morrell, 2009) (Graham Francis, 2006). However, it is expected that the cost of crew would be the biggest advantage for the LCC in the long-haul (Morrell, 2009) (Graham Francis, 2006).

Regulatory barriers

When it comes to regulatory barriers such as carbon discharge, market access and foreign ownership, Graham et al. (2006) expresses their concerns. Low-cost airlines have mainly

concentrated on the short-haul operations, partly due to the complex regulations in long-haul industry (Graham Francis, 2006). Short-haul flights are also more influenced than long-haul flights by changes in security screening that have been increased since 9-11 and the cost changes of automobile travel (Elking, 2014). Bilateral agreements limit the markets for new-entrant low-cost airlines, for example some regulation requires the carrier to fly from their home-country (Graham Francis, 2006). There are also inequalities between countries, airlines from the US have been granted full cabotage rights within the EU, however this is not vice versa since European airlines have not the same right in the U.S. (Chen, 2015)(Morandi, 2014). What could solve the problem is securing a strategic alliance which would help airlines to overcome regulatory constraints (Chen, 2015) (Doernhoefer, 2011). However, in 2011 only one of the three LCC was part of some kind of alliance with code-sharing agreement, it is typical for successful LCC to grow independently (Chen, 2015) (Morandi, 2014). Code-sharing would help to control the competition and improves the capacity on thin routes.

Even though we previously mentioned that having low cost for crew would be the biggest advantage for LCC it can have it downsides as well. Norwegian air with their Norwegian Air Shuttle received fierce legal opposition of the U.S. pilots union, US carriers and even president-candidate Hilary Clinton stated that the carrier is using unfair competition with their labor practices and their Irish registration (Jones, 2014) (Zanona, 2016). Regardless of the strong opposition, Norwegian Air received approval of the U.S.

Department of Transportation (DOT), after the DOT could not find any legal basis that the carrier violated labor laws (Martin, 2016).

Consumer

When analysing the low-cost consumer, it becomes clear that the passenger has many associated traits to the smart shopper consumer (Lück, 2013). Often the passenger does not buy the cheap ticket out of necessity, with their education and income level being above average, but choosing the lower priced tickets gives the consumer the ability to fly more frequent (Lück, 2013). FSCs often offer three passenger classes in their airplane: economic-, business-, and first class, they use a pricing strategy where they sell highly discounted economy seats to fill the available seats after the premium cost by the business- and first class passenger are covered (Leick, 2009). The revenue coming from the premium cabins compensate the overall part of cost (Leick, 2009). Linda Perry and Charles Williams (2015) expect that the all-economy configuration on short- haul flights requires a different approach on the long-haul route. Wensveen and Leick (2009) believe that to be successful, a LCC must maximize all available space with profitable, premium seating for a fair price. This would mean that when a LCC moves to the long-haul market they must remodel their aircrafts or buy new ones and aim for revenues of higher passenger classes and in some cases, higher seat density. The problem is that one of the strengths of the LCC is that they have one type of airplane which keeps the cost of buying low, since they are often bought in bulk. And the one airplane type policy result also in

a high labor and aircraft productivity since crew has a high competence with the type. In the short-haul the second most popular European LCC easyJet has a passenger load factor of 85% (Morrell, 2009). The AEA (Association of European Airlines) members had an average load factor in the long-haul of 82% (Morrell, 2009). This load factors is already high and it is not expected a LCC could surpass this (Morrell, 2009) (Graham Francis, 2006).

Another difference between the two markets is in the demand of the business traveller. When the LCC took over the short-haul market they were able to attract the business traveller regardless they were not offering a Frequent Flyer Program (FFP), however it is unlikely that this will be the case in the long-haul industry (Graham Francis, 2006). Business travellers often have been a member for a longer time with their favourite FSC's so for them to forego this benefit is small. LCCs must judge if losing their business travellers is acceptable or they should start an attractive frequent flyer program as well.

Based on the above researched there can be concluded that the LCC is in a delicate position in the long-haul with many changes necessary to be made. It is interesting to see that many scholars have different perspectives on this subject. Where some scholars fail to establish a clear understanding on the demands of the consumer, other scholars such as Graham Francis (2006) compensate the lack of this important variable. Many

researches including Graham Francis (2006) have not analysed their recommendations based on case studies and therefore it is possible that in these there is missing information on the potential of the LCC in the long-haul. To compensate this lack of information the research on the competitors and case studies has been split in two. First follows an analysis of the current competitors in the long-haul so a clear view on who is in the long-haul is created. Followed by analysis of previous cases of the long-haul LCC, this way there is a full perspective created of who is in the market, who was in the market and why did they or did they not succeed.

3-3 Competitors

3-3-1 Current Competitors

To get a clear view of who are Ryanair's competitors, first an analysis of the top 5 most popular routes from Europe to outside Europe will be executed followed by an analysis of the "previous" LCC in the long-haul. There has been looked at the top 5 routes based on the data of Eurostat (Eurostat, 2010). The top 5 most popular routes were examined on who operate on the routes, and who are the cheapest carriers. The routes were analysed based on a departure of 4th of January 2017 and a return date on 27th of January 2017 (analysed on 09-26-2016). The carriers who operate on these routes were then compared to the list of Gross and Lück: List of Currently Operating Low Cost Airlines (2013).

Table 3: Top 5 routes from EU to outside EU with the top 3 cheapest airlines

Airport 1	Airport 2	Passengers	Airlines (top 3 cheapest)
London Heathrow	New York John F Kennedy	2,551,276	<ul style="list-style-type: none"> • Brussels Airlines (€460-1stop) • Virgin Atlantic (€461-direct) • Swiss (€461-1stop)
London Heathrow	Dubai Intl	1,974,098	<ul style="list-style-type: none"> • Gulf Air (€368-1stop) • Swiss (€369-1stop) • KLM (€392-1stop)
London Heathrow	Hong Kong Chep Lap Kok	1,801,520	<ul style="list-style-type: none"> • Cathay Pacific (€466-direct) • China Southern (€ 532-2 stops) • Air China (€541-1 stop)
London Heathrow	Singapore Changi	1,507,032	<ul style="list-style-type: none"> • Turkish Airlines (€492-1 stop) • Vietnam Airlines (€528-1stop) • Jet Airways (€553-1 stop)
London Heathrow	Los Angeles Intl	1,419,144	<ul style="list-style-type: none"> • Virgin Atlantic (€548-1 stop) • Air New Zealand (€609-direct) • British Airways (€630-1 stop)

*Authors' own creation, see for complete list of carriers: Appendices table 4

Out of this research the following can be concluded, from the 53 carriers operating on these routes, only 2 were on the list of Gross and Lück: Air Lingus and Air Berlin. However, Air Lingus only operates as a LCC in the short-haul and operates as a FSC in the long-haul (Lück, 2013). Air Berlin cannot be fully seen as a LCC either, their long-haul routes are operated by charter airlines (Lück, 2013). So ultimately there is no LCC present on the top 5 routes from EU. This confirms as well with what Linda Perry and Charles Williams (2015) stated that 97% seats on long-haul flights in the researched period of a year until June 2015 was with a FSC, the remaining 3% was being transported by a LCC. When looked at the top 3 cheapest carriers for each route, only Virgin Atlantic is present multiple times. London Heathrow is an important and popular departure location. There is an average of 25,6 carriers on each route and each carrier is present on 2.4 routes.

3-3-2 Case Studies in the Long-Haul

By understanding the common errors in airline industry, it is necessary to understand the challenges faced by LCC in the long-haul market (Leick, 2009). But the question: “why do some LCCs succeed and why do some fail?”, has not been answered till today because it is hard to make definitive statements. First of all unless a carrier is prepared to invest for the long duration, there is a narrow window for errors (Leader, 2015). The first example happened in 1977 with the “Skytrain” of the Laker Airways shows that (Williams, 2015). The skytrain was in the first year a success however Laker Airways

declared bankruptcy in 1982 after the expenses including acquisition of new aircraft fleet exceeded the revenues (Williams, 2015). However, Morrell (2009) believes that the economic downturn in the early 1980's, the strong competition and the rapid depreciation of its home country currency were the reasons for its downturn. Wensveen and Leick (2009) believed that the main reason why the skytrain failed was because it was out-priced by the competition. Then there is the Oasis Hong Kong Airlines in the 2000's who only existed for 18 months (Morrell, 2009). Oasis Hong Kong disappointing returns caused a shareholder funding disagreement and was forced to exit (Leader, 2015).

Since Oasis Hong Kong times have changed and over the past decade short-haul LCC have evolved. They started to do code sharing and accepting passenger from other carriers. Carriers such as JetBlue and WestJet, who do not have long-haul operations, are benefitting from passengers from FSC who fly from international to domestic (Leader, 2015). Other carriers such as AirAsiaX and Scoot are franchises that took the middle way and became network carriers on a low-cost chassis (Leader, 2015). Air Asia has a lot of similarities with Ryanair which is not surprising since it is managed by an ex-Ryanair director (O'connell, 2005). AirAsiaX is different from the regular LCC because it uses a hub in Kuala Lumpur instead of the point-to-point system (Morrell, 2009). Other differences compared to a common LCC is that AirAisaX also has assigned seating and two classes (Morrell, 2009). One of the strengths of AirAsiaX is that they benefit from the short- and medium-haul feed from their parent airline: AirAsia

(Williams, 2015). AirAsia is known for taking market share by entering new markets first and taking control of existing and emerging leisure routes (Weber, 2013). However, AirAsiaX does not have error-free history either. In 2009 it started offering flights from Kuala Lumpur to London, however due to the high cost of fuel and in possession of the wrong aircraft for this kind of venture, AirAsiaX was forced to stop this route (Gulliver, 2014). Nowadays AirAsiaX is flying with an A330, which is known for being one of the lowest fuel per block, hour and seat and is flying on routes with a minimum amount of competitors (Williams, 2015). AirAsiaX is expected to fly one day again to London when they receive more of their ordered A330s (Topham, 2014). Cebu Pacific is a LCC in Philippines that offer long-haul flights, Gulliver (2014) believe this is only possible because their passengers are mostly migrant workers for whom the cost is a very critical factor in their booking process.

The European low-cost airline Norwegian air was recently able to get their foot between the door in the Trans-Atlantic market by offering low-fare, no-frills service on their flights (Mouawad, 2016). Europe's third-biggest LCC, Norwegian air recently decided to expand its U.S. presence by adding three new trans-Atlantic routes to Paris indicating their success in the long-haul market (Mutzabaugh, 2016)(Wild, 2014). Norwegian found possible loopholes by basing their company in Ireland so they can make use of the lenient employment laws (Zhang, 2016). Norwegian air shuttle is focusing on large catchment areas such as Bangkok and American cities and choose to fly from Gatwick,

the airport who was eager enough to escape Heathrow's dominance (Topham, 2014). Norwegian Air also found a way to keep their new fleet of B787 around 17-18 hours per day in the air (Israel, 2015). The CEO believes that air travel should be affordable and at same time to mean high quality (Zhang, 2016). What makes the case of Norwegian Air interesting is that they are expanding rapidly and starting more and more flights between smaller cities in the US to unserved cities in Northern Europe which would contradict the argument that it is necessary for a LCC to fly with a hub system in the long-haul (Zhang, 2016). It has not been long since Norwegian Air started their long-haul flights, so it may be too early to be optimistic to conclude that it is really working and viable to fly long-haul (Wild, 2014).

By doing this research new information has been added to the current researches. Now there can be concluded that aside from the taxes the problems that were encountered by the long-haul LCC was also the high fuel costs, airlines will need the revenue of business-class to compensate this or increase the seat density. However if the passenger is not a migrant worker it is the question whether this would be accepted (Gulliver, 2014). Norwegian Air had a lucky fall in oil prices in the summer which helped a lot their start in the long-haul (Wild, 2014). AirAsia and Scoot are at the moment flying averagely up to 6.5 hours, however it is argued that the optimal flight duration should not exceed 7 hours (Israel, 2015). Also these LCCs are not focusing on the high-end business travellers since they are aware that these customers are already

captured by the FSCs (Zhang, 2016). The right next step would be to analyse the airline and case study Ryanair and see in how far Ryanair differs from these previous cases.

IV Ryanair

In 1985 an Irish airline called Ryanair was established, it started off as a full-service airline, with two passenger classes between Ireland and the UK but due to turbulence and bad management it made high losses (O'Higgins, 2007). Today the day, they operate in the short-haul market, with point-to-point routes between Ireland, the UK, Continental Europe, and Morocco. They are called Europe's favourite airline, and with over 1,300 scheduled short-haul flights per day serving 155 locations in 33 countries it is understandable why (Ryanair, 2016). Ryanair also achieved a top position worldwide in the case of international passengers carried they are number 1 in the world with 86,300,000 passengers followed by easyJet with 56,312,000 passengers the third carrier on the list is the FSC Lufthansa had almost half of Ryanair with 48,244,000 passengers carried in 2015 (IATA, 2016).

Ryanair is a pioneer when it comes to the low-cost business model, rivals such as easyJet have adopted similar models but Ryanair's tight cost control make them number 1 worldwide (Lück, 2013) (MarketLine 2012). Ryanair is often the example for many LCCs, with AirAsia in particular (Lawton, 2005). This is no surprise since one of their main directors, Conor McCarthy is former executive manager of Ryanair (Govindasamy, 2009).

Ryanair has the lowest unit costs of any airline in the world, whether measured by cost per available kilometre (CASK), cost per seat, or cost per passenger (CAPA, 2014). What makes Ryanair's tight cost control different than any other LCC in the world is based on several factors. The first one is that Ryanair sell all their tickets directly through their website and by telephone it resulted that 99% bookings are made through their website which means lower cost than those who sell through agency and have to pay commission fee to them (TTD, 2003). Ryanair takes the secondary airport stricter than any other airline with only one exception Madrid (de Wit, 2012). Ryanair uses a point-to-point system and is therefore able to avoid competition, avoid costs of connecting passengers and result in an attractive factor for customers since they can choose for direct flights (MarketLine, 2012). Around 80% of Ryanair routes are not contested by other airlines and the total number of routes increased, even though these are thin routes (de Wit, 2012).

Ryanair has built a strong long term relationship with Boeing, always placing big orders and therefor receiving discounts (CAPA, 2014). Other ways that Ryanair keep their cost down go into the slightest details, for example no sick bags are distributed except on request, there is no in-flight entertainment, customers cannot choose seats so it makes the booking process easy and cheap (MarketLine, 2012). Ryanair is not negatively influenced by labor unions since these do not exist, staff need to pay for their own uniforms and the amount of staff present on airports and on flights is lower compared to

its competitors (TTD, 2003). Ryanair tries to keep everything in-house from marketing department to human resources which result in lower organizational costs (MarketLine, 2012). The biggest influencer on the price of tickets is the fuel cost. It is experiencing an upward trend and since it accounts for 39% of Ryanair's operating cost it is exposing a threat on Ryanair's low-cost model (MarketLine, 2012). Ryanair's management team has track record of excellence, they were able to hedge to 90% on fuel cost, also they had the confidence to keep their airplanes on the ground during times of low demands these decisions are seen as some bold ones however they paid off (Marketline, 2012).

Ryanair's revenue shows an increasing pace, from 2500 million in 2007 to 5000 million dollars in 2011. And even showed an increase of net income of 521.1 million for FY 2011 which is a 22.7% growth compared to the year before (CAPA, 2014). Ryanair makes profit by aside from selling tickets, profit on frills and through partners. Ryanair has the biggest amount of frills income of the world with €663 million compared to second place Southwest Airlines who had less than half and stood third place worldwide when it came to profit margin (Lück, 2013). Ryanair receives commission from partners such as Booking.com (online accommodation website) and Hertz (car rental company) (de Wit, 2012) (MarketLine, 2012). Ryanair made many provocative announcement in the past which resulted to be marketing stunts. They convinced the media and the world that Ryanair was considering to eliminate the co-pilot, standing room on the plane so it would be able to fly more people and to charge passengers for using the on-board

bathroom (Harbison, 2014). Several years ago, Ryanair produced calendars with their personnel as models with all the profits going to charity, after a brand make-over with a more family friendly character, the calendar was stopped in 2014 (Magrath, 2014).

What makes Ryanair such an interesting case is that they have a very clear branding which does not promise the customers anything but they were still able to achieve high popularity. Their branding message could be described as: “This is a cheap airline, expect nothing else.” (Serusi, 2014). Ryanair sell their tickets for so cheap that their customers are not expecting anything from Ryanair. Thomas (2015) points out that adoration does not have to be the ultimate goal of a company since it does not automatically lead to a healthy bottom line. Ultimately Ryanair achieved a positive brand experience by under-promising, Ryanair can over-deliver, that they will offer you a flight ticket for a cheap price that they will bring you on time to one of their many locations (Serusi, 2014). This is also to see back in the customer service rankings, Ryanair has a higher customer satisfaction than the FSC British Airways, due to their better punctuality, environmental protection, number of lost bags, and the number of complaints received (MarketLine, 2012). But Ryanair’s not customer caring image caught on to them in 2013 and they had a poor performance in a range of polls, surveys and awards, the shareholders of Ryanair became concerned with the image of Ryanair that they decided to work on their customer service (Economist, 2013). They improved their website so it would be possible to make a booking with fewer clicks; made a new mobile app;

relaxation of baggage restriction and decrease of charges of printing boarding passes at airports and changing bookings (CAPA, 2014). Another great new one-of-a kind initiative of Ryanair is their Business Plus package. The package offers a range of different benefits for a single fee e.g., booking flexibility, fast lane security, reserved seating and a checked bag (CAPA, 2014).

With all the above factors, it gets Ryanair to not just belong in the top of Europe but also worldwide. Regardless that Ryanair has had to deal with its first loss due to soaring fuel prices and decreased demand in 2009, Ryanair bounced back and in FY2011 achieved a growth rate of 25.1% to €3,629.5 million (MarketLine, 2012). In the same year Ryanair became the world's most popular airline when they carried 72.1 million international passengers (CAPA, 2014). Ryanair had a passenger increase of 13.5% while the general industry growth was lower with 8.4%, Ryanair was able to not just outperform the industry when it came to profit grow but also in customers volume (MarketLine, 2012).

The route density problem in Europe shows as well consequences to Ryanair. Ryanair use relatively large aircraft types but their route frequency went down between 2001-2010 from 16.4 to 5.0 (de Wit, 2012). Ryanair CEO Michael O'Leary has also stated in the past that Ryanair would start a long-haul business when the prices for fuel efficient planes started to drop (Jones, 2014). This was stated in 2007 nevertheless there have been no signs of Ryanair preparing for the long-haul industry. What put Ryanair in a

difficult position in the long-haul market is that where other airlines are working together in airline alliances, Ryanair is standing alone. Even though these are common characteristics of LCCs, it could become a disadvantage for Ryanair (Lück, 2013). As scholars, such as Peter Morrell (2009) and De Wit and Zuidberg (2012) mention for a LCC operate in the long-haul it would be a safe and good step to work together with other airlines.

Another big influencing factor would be the decision of the United Kingdom to leave the EU. It is expected that due the exit of the UK, passengers will drop between 3-5% by 2020 (IATA, 2016). Michael O'Leary was aware of this danger and even invested with marketing campaign of €25.000 to promote British to vote on to stay part of the EU (Doyle, 2016). The UK is at the moment a member of the European Aviation Safety Agency (EASA) which recognize the worldwide norm of the safety requirements. Countries such as Norway, Iceland, Liechtenstein and Switzerland are also part of the organization but refrained of influencing EASA legal framework, it is expected this will be become the case as well for the UK (Catherine Erkelens, 2016). Depending on the terms of the exit, UK could make its own aviation agreements with other countries however this will be a timely process and with the UK Government officials being busy amending other range of agreements as well it is expected for UK to join the EU agreements (IATA, 2016). This could influence Ryanair on several ways, first the

Ryanair will lose a lot of passengers between UK and EU, and secondly their potential hub system in England like Norwegian Air executed will encounter more difficulties.

Until today a case study on Ryanair's competitiveness in the long-haul has not been published yet. But by analysing the above articles and journals, it gave insight on how Ryanair was able to achieve a top position in the EU and gives the first step towards the direction to see what happens to Ryanair when they enter the long-haul market. To reach a theoretical view, the use of the Porter's Generic Strategies theory and Moon's ABCD model will be used in the following chapter.

V Theories

Previously in chapter 2-1 it could be noted that some of the highlighted researches showed important sides of the LCC in the long-haul. However, in chapter 2-2 it showed that some of the important characteristics of the LCC, Ryanair or the differences between the short-haul and long-haul market was missing. As indicated below, none of the studies fully cover all of Ryanair's competitiveness factors. Most of the researches have a clear understanding of the differences between carriers but sometimes fail to understand to importance of the differences between carriers who are following the cost leadership, differentiation or focus strategy. It is also necessary to take all competitive factors of the ABCD model into account to fully analyze LCCs competitive position in the long-haul. Most researches concentrated on the factor "Agility" and "Convergence", however Binggeli and Weber, who believed the LCC is not viable in the long-haul, mostly focused on the strengths of LCCs with cost advantages arriving from the factor of "Agility". However, they failed to realize the increase of competitive strength coming from the other sub-factors. Interesting to see is that Benchmarking is in only some of the researches, but it should not be underestimated since learning from other competitors could increase the success rate in the long-haul tremendously. The factor dedication is in many researches undervalued, which could mean that many scholars did not reach the point of believe that the sub-factors "diligence" and "goal orientation" could help the competitiveness of LCCs or the one of Ryanair in particular enough to be researched.

Table 4: Comparison Current Research

Porter's Generic Strategies							
Studies	Cost Leadership				Differentiation	Focus	
	Moon's ABCD Model						
	A	B	C	D			
Perry and Williams (2015)			x		x	x	
Morrell (2009)	x		x		x	x	
De Wit and Zuidberg (2012)		x	x				
Airline Leader (2015)	x	x		x			
Graham et al. (2006)	x		x		x	x	
Binggeli and Weber (2013)			x		x		
Francis (2006)	x				x		

*Authors' own Creation, see for complete list of carriers Appendices table 4

5-1 Porter's Generic Strategies Theory

With the competition between FSC and LCC intensifying across the world it is important to understand not just the differences of their product but also which strategy they follow (O'connell, 2005). When understanding the competitor's strategy, a better understanding of their strengths and weaknesses and therefore the potentials and threats for Ryanair is created. To establish a clear view of the competitors strategies Porter's Generic Strategies theory will be used. First there will be looked at what kind of competitor follows which strategy, followed by how much potential the strategy has in the long-haul market and how well Ryanair would be able to compete against them.

Cost Leadership

When looking the cost leadership characteristics, we can see many of these characteristics are overlapping with the LCC's characteristics. As Porter (1985) states cost leaders typically sell standard or a no-frill product and put a lot of attention on the absolute cost advantage and full utilization of their production. This overlaps with the LCC who has a high turnaround and has a strong focus to keep their cost as low as possible. Ryanair was once a perfect case of being "stuck in the middle" between two strategies. They sold tickets for low prices while offering high service, they failed tremendously and today the day they are successful since they fully focus on one strategy, the cost leadership strategy.

Carriers who follow the cost leadership strategy are in a delicate position in the long-haul because their cost advantage is low compared to other carriers it will be around 13-20% based on both Morrell (2009) and Binggeli and Weber (2013) studies. With the biggest part of the cost advantage coming from cheaper and lower amount of personnel (Graham Francis, 2006). The question is whether or not the customer would choose a cost leadership carrier for this small price difference and settle for a lower amount of service. The same with the business passengers, although they dismissed their FFP advantages in the short-haul it is very unlikely this will happen in the long-haul which would mean that again LCC would be in a disadvantage compared FSC. Morrell (2009) believed that the amount of rotations would become similar to the FSC in the long-haul however Norwegian Air with their LCC long-haul Norwegian Air Shuttle found a way to keep their airplane between 17-18 hours in the air which is higher than that of the FSC.

When passengers fly long-haul they will bring more luggage because often they go for a longer trip this would result in more luggage to be carried on board however this would also mean that the amount of revenue coming from frills would increase simultaneously. Lück (2013) pointed out that the revenue coming from frills is the key pillar of the low-cost model and could therefore influence and compensate the risks undertaken by LCC in the long-haul. William (2015) suggest that accepting cargo on their long-haul flights would as well compensate the extra cost of flying long-haul. Gulliver (2014) believes that the revenue of the business-class is necessary to compensate the cost of the high fuel

cost or they are forced to increase their seat density. Looked at our previous case studies both AirAsiaX and Norwegian Air's Shuttle are having multiple passenger classes. In the case of Cebu Pacific airlines it is popular with a one passenger class but their passengers are mostly migrant workers for who cost is a very critical factor and are open for settling for a uncomfortable flight (Gulliver, 2014). What is the hard part is to build a sustainable competitive advantages that go beyond prices to survive in a competitive environment (Lawton, 1999) (Akamavi, 2015). As we have established it is important for a company who follows the cost leadership strategy to have value proposition that is truthful to the service they plan to give (Thomas, 2015). If they are perceived as honest and therefore positive brand perspective of the customer as it is the case with Ryanair. Paleari and Redondi (2009) researched the dynamics of pricing of various LCCs, it is interesting since the presence of competitors does not heavy impact the average price but it makes the prices to become more dynamic and with more early discounts. Ryanair for example sells their tickets for a discount price on advanced bookings on their busy routes (Paolo Malighetti, 2009). Porter (1985) believes that when a firm is able to achieve one of the lowest sell price and is an above-average performer it can achieve a competitive position in that industry by using the strategy cost leadership.

When analyzing Ryanair's position to competitors following the cost leader strategy it would mean that Ryanair would be competing own general strengths and weaknesses. However it must be kept in mind that Ryanair is superior in this strategy and it is

expected that this would be also the case in the long-haul. When the competitors in the long-haul in the top 5 routes of Europe were analysed it could be concluded that there were no carriers following the cost leadership strategy. This would mean that Ryanair could be the first LCC on these routes which would be in line with their current strategy since 80% of their routes are not contested by other competitors (de Wit, 2012).

Differentiation

Carriers using the differentiation strategy will try to get a unique perception in the mind of the customer and ask for premium price when succeeded (Porter, 1985). When looking at the characteristics of the differentiation strategy there can be concluded that FSC often use this strategy to compensate their price. They differentiate their services in several ways, they have for example original marketing stunts like the Dutch airline KLM does with their videos of a dog returning lost and found items or giving KLM houses (small traditional Delft houses filled with liquor) to high paying customers. Another example would be Virgin Air who is known to differentiate their services by their modern interior and their advanced technology on board. In general, the carriers who choose for differentiation often ask a higher price for their services in return for something special which often include a certain standard of service. Often these carriers who use differentiation work together in sky teams and use code sharing to share the cost of flying long-haul. They also use a pricing strategy where they sell business seats at a premium cost to compensate the cost and sell the economy seats for a very low price

(Leick, 2009). Code sharing and price strategies are different aspects of being successful in the long-haul. FSC found ways to attract business travellers by differentiating their FFP and building a long-term relationship. What puts the carriers who put differentiation in disadvantage compared to the carriers using the cost leadership strategy is that it is not possible for the FSC to access the low-cost business. Because each strategy requires a different set of goals, resources and strengths it will cause a company to lose control since there is a need for different managements styles (Graf, 2005) (Porter, 1985).

Ryanair can be the one offering cheap prices because no one expect anything more than what they pay for. However, when FSCs adopt similar prices, the carriers will receive opposition and criticism because many customers will have a higher expectation because of the name and branding, the customer does not expect a lower service just because the prices are lower (Serusi, 2014). Even in the case that a FSC start their own low cost subsidiary it will fail since there are two opposites goals being set and it shows as well in practice both KLM with Buzz and British Airways with Go failed (Pels, 2009). Ryanair in this case would need to compete with carriers who follow a different strategy than they do and already have an advantage in the long-haul. These advantages are for example a better pricing strategy, partners with whom they code-share and share cost with and on top of that they have a longer knowledge of the market. Ryanair will have a hard time competing with these carriers. They are also overabundant in the top 5 routes from Europe with an average of 25,6 carriers on each route.

Focus

With the strategy focus, companies can choose a market segment and use either cost leadership or the differentiation strategy on this segment. With the focus cost leadership, LCC would focus on a specific market segment such as backpackers or in case of focus differentiation are airlines who ask for a higher price but differentiate their services for a specific segment. There can be thought of here about private jets who targets the wealthy society. Focus strategy is expected not to be a big competitor in the long-haul market for Ryanair due to the fact that they often segment so specifically on one group of consumers they normally do not interfere with other competitors unless they go for the same segmented group. In the case of the long-haul, the carriers who use the focus strategy will just go wherever their customers go.

By applying the Generic Strategies theory of Michael Porter, a new insight on the type of competitors in the long-haul was created. This was so far missing in the current literature. With the new information, the position of Ryanair compared to competitors has been established. Ryanair who is following the cost leadership strategy will have to compete in the long-haul with mostly carriers who follow the differentiation strategy. Ryanair is in slight disadvantage due to the low difference in cost compared to differentiation carriers. To conclude in how far Ryanair is in disadvantage or whether they might have until now unknown competitiveness advantages there is a need to analyse the competitiveness of Ryanair. The best way to do this is by applying the ABCD

model of Moon, Hwy-Chang. This new model includes new emerging theories and can give an optimal view on Ryanair's competitiveness.

5-2 Moon's ABCD model

To analyze the competitive advantages of Ryanair, the ABCD model of scholar Moon, Hwy Chang will be used. The ABCD model is a recent created model what is helpful to create competitive advantages for all kinds of variable such as people, firms and governments ABCD model compensates the limitations of earlier models, it became possible to have a better understanding of the “how” questions, how should firms operate to reach competitive advantage. With the help of the ABCD theory Ryanair's competitive advantages will be identified and created. The ABCD theory exist of four factors, “agility”, “benchmarking”, “convergence” and “dedication”.

Agility

Airlines have a hard time making enough profit because the industry is often unstable and unpredictable, forcing airlines to come up with new flexible strategies and being able to respond fast to external changes such as security concerns, environmental events and having to deal with an ongoing price pressure from consumers (Hilz, 2015) (Leick, 2009). But when it comes to the speed Ryanair responds to market it is slower than most other carriers. Only after several years of poor performance in a range of polls, surveys and awards, in 2013 the shareholders of Ryanair became concerned with the not customer caring image of Ryanair that they decided to work on their customer service (Economist, 2013). After that Ryanair improved their services up to the demands of the customers with changing their website, so it would be possible to make a booking with

fewer clicks; launching a new mobile app; relaxation of baggage restriction and decrease of charges of printing boarding passes at airports and changing bookings (CAPA, 2014).

Ryanair is number one when it comes to precision control in their value chain. Ryanair however is often seen as the one who brought the concept to a higher level with their tighter cost control, surpassing many LCCs in the world (MarketLine, 2012). Ryanair has the lowest unit cost of any airline in the world (CAPA). They sell their ticket directly to their customers and because of this they do not need to pay commissions to 3rd parties, they have a very low cost expense when it comes to selling tickets (TTD, 2003). Ryanair's admirable cost advantages has been implemented to the slightest detail, such as no automatic distribution of sick bags, no-inflight entertainment and make the booking process as easy and cheap as possible (MarketLine, 2012). What makes it difficult for Ryanair any other airline is that the airline industry is known for its complicated chain with just a few airplanes manufacturers and have to depend on airports for good slots and quick service (Hilz, 2015).

Benchmarking

A great way for Ryanair to benchmark is by learning from their competitor Norwegian Air Shuttle, this carrier is flying from Europe to several long-haul destinations. What makes it so great is that Norwegian Air went through most problems that Ryanair would have undercounted if they had gone first. The biggest example of the first-mover

disadvantage would be the fierce opposition of organizations, labor unions and even president candidates against the labor practices of Norwegian Air (Jones, 2014) (Zanona, 2016). Now Norwegian Air went through to this process it can be expected that when Ryanair enter this market there will be less opposition. When comparing to current FSCs, Ryanair is in a difficult position in the long-haul market because where other carriers benefit from airline alliances, Ryanair is standing alone and bearing the cost and risks by itself. Even though this is a common characteristic of LCCs, it could become a disadvantage for Ryanair as scholars such as Morrell (2009) and De Wit and Zuidberg (2012) argue that for a LCC operate in the long-haul it would be a safe and good step to work together with other airlines. Ryanair could learn from them and consider a partnership with another airline to stand stronger in the long-haul market.

What makes Ryanair such an unique case is that they have a very clear branding which does not promise the customers anything but they still achieved high popularity. They had for example the 5th most searched website worldwide in 2003 (O'connell, 2005). Their branding message could be described as: "This is a cheap airline, expect nothing else." (Serusi, 2014). Ultimately Ryanair achieved a positive brand experience by under-promising, Ryanair is able to over deliver, that they will offer you a flight ticket for a cheap price that they will bring you on time to one of their many locations (Serusi, 2014). Ryanair is known for it many provocative marketing stunts by convincing convinced the media and the world that Ryanair was considering to eliminate the co-pilot, standing

room on the plane so it would be able to fly more people and to charge passengers for using the on-board bathroom (Harbison, 2014). Ryanair has the biggest amount of frills income of the world with €663 million compared to second place Southwest Airlines who had less than half and stood third place worldwide when it came to profit margin (Lück, 2013). All the above characteristics make Ryanair to what they are, they are unique in their marketing and as we mentioned above they show the best practice when it comes to making profit and keeping their cost low. One of the past failures of Ryanair that has the potential of becoming opportunity is the rental of handheld devices. The idea and implementation lacked precision and with only 4% penetration above the break-even, it was not viable for Ryanair to continue the service (Turner, 2005). Morrell (2009) suggested that these devices might work better in the long-haul market and this would be a great way to resolve the demand of the customer for inflight entertainment on the long-haul flights.

Convergence

Ryanair flies to secondary airports and often not congested air routes which result that 80% of Ryanair's routes are not used by other carriers (de Wit, 2012). Ryanair is able to attract customers with their point-to-point system, this way customers can fly directly to their destination (MarketLine, 2012). Another way Ryanair mixes their opportunities is by working together with partners from outside the airline industry. Ryanair works together and receive commission from partners such as Booking.com (online

accommodation booking website) and Hertz (car rental company) (de Wit, 2012) (MarketLine, 2012). Another great new one-of-a kind initiative of Ryanair is their Business Plus package. It offers a range of different features for a single fee, such as booking flexibility; fast lane security; reserved seating and a free checked bag (CAPA, 2014). This is positive choice of Ryanair since this would work very well in the long-haul with business passengers demanding FFPs in the long-haul.

The main reason for Ryanair to have the tightest cost control globally is because any activity they can do themselves they do it in-house, whether this is marketing or human resources, this resulted in a strong synergy-creation. Due to the positive financial situation of Ryanair, they are able to purchase large orders of one type of airplanes and receive high discounts (Morrell, 2009).

Dedication

Moon (2016) argued there cannot be any positive development when people are working under a tyrant or incompetent leader. In the next paragraph, there can be established that Ryanair is far off being incompetent, yet Ryanair is known for its harsh character towards its employees. Ryanair refuses to accept a labor party and even fired one of their employees when the pilot was giving out union leaflets to colleagues (Rothwell, 2011). The staff have to compensate parts of Ryanair's cost expenses, for example the personnel needs to pay for their own uniforms (TTD, 2003). Moon (2016) argues that social value

of a company can benefit a company positively however in the case of Ryanair they are treating its employees not good enough to grasp these benefits.

To let a firm grow positively a strong leadership is necessary (Moon, 2016). Ryanair's management team has track record of excellence, they were able to hedge to 90% on fuel cost, they also had the confidence to keep their airplanes on the ground during times of low demands these decisions are seen as a bold ones however they paid off (Marketline, 2012). As a result, Ryanair had a passenger increase of 13.5% while the general industry growth was lower with 8.4%, Ryanair was able to not just outperform the industry when it came to profit grow but also in customers volume (MarketLine, 2012). Ryanair is known for its continues expansion of new bases and routes, de Wit and Zuidberg (2012) believe that this is the reason what made Ryanair to what they are today. They increased their amount of routes between 2005 and 2010 from 500 to 2000 routes. Whereas competitors such as easyJet was only able to double their routes in the same time period from 500 routes to 1000 (de Wit, 2012).

By applying the ABCD model new insight on Ryanair's competitiveness has been created. Ryanair's agility capabilities is average, with a slow speed of catching up to the demands of the market but capable of high precision in the chain. Ryanair's benchmarking is above average. Ryanair has the advantage to learn from past mistakes of long-haul LCCs and strong current players in the long-haul market. And can combine

this with their best practices of their branding ability and strong financial position. Ryanair's convergence strength is above average as well. Their mixing capability is robust with their wide route network, partnerships with other industries and their specialised product for business travellers. Additionally, Ryanair benefit from their strong in-house synergies while doing most of their activities themselves. However, the biggest department Ryanair is lacking is in their dedication factor, this is very concerning since this is also the factor that reinforce the other factors with its strength. Ryanair does not care enough about their employees to grasp the benefit from what the social value brings. Their strong management cannot compensate this big weakness and to improve Ryanair's competitiveness it is necessary for them to greatly improve on this factor. With all sides and aspects researched it is now possible to come to a conclusion about Ryanair's competitiveness. The next chapter will answer the main question in this dissertation, "how competitive is Ryanair in the long-haul airline industry?".

VI Final Conclusion

There has been a long interest from both scholars as from the business sector about whether the LCC is viable in the long-haul. But these researches failed to incorporate all crucial information and factors of the airline industry, the LCC and Ryanair in specific. What this dissertation research adds to the existing studies is that this research incorporates all crucial information while establishing a clear overview of all the factors. By integrating the famous theory of Michael Porter's Generic Strategies, it established a clear view of the types of carries, their strategy and how to analyze their type competitiveness. And by integrating Hwy-Chang Moon's ABCD model there a further in depth on the competitiveness of Ryanair in the long-haul and enabled the possibility to analyze its full potential in the long-haul. With this research a new and complete perspective of the competitiveness of Ryanair in the long-haul was created. In this final conclusion, the answer on "how competitive is Ryanair in the long-haul industry?" will be answered.

Based on this dissertation research it can be concluded that the viability of a LCC in the long-haul depends on many factors who cannot always be influenced by the carrier itself e.g., environmental events, security concerns and valuta changes. The LCCs derive their competitive advantage from operational efficiencies however these efficiencies are in the long-haul market limited (Leick, 2009). The turnaround will take longer, airplanes will have to be remodelled or new ones have to be bought, the expenses increase with

the amount of km's, the secondary airport strategy has to be reconsidered and consumers such as business travellers will be lost unless new attractive programs are established. The LCC will make extra money due to the increase of the demand on frills and new revenue can be expected by accepting cargo. Also, there will be a cost advantage compared to FSC when it comes to the cost of crew, however this will partly decrease since the crew's productivity would be connected to the amount of plane rotation which will decrease in the long-haul (Morrell, 2009). Binggeli and Weber (2013) expect that because of the setbacks such as an increase of total costs, the time differences and flight duration the potential for offer tickets for a significantly price below the current long-haul fares and generating new markets is low and would make it unlikely for LCC to make it in the long-haul market. However, Morrell (2009) believes the real potential could be the in the shorter 'long-haul' such as London-NY (7-8 hour flight). Another possibility would be the VFR segment, it has the highest potential to generate new traffic.

The long-haul industry is filled with FSCs who follow the differentiation strategy. They were able to achieve a unique position in the consumer's mind and together with their years of experience stand stronger than a LCC who is entering the long-haul market for the first time. But the opportunities of the carriers who follow the cost leadership cannot be completely diminished. Gross and Lück (2013) believe that as long they can achieve a substantial lower price than their competitors, the LCC will find its niche and add

pressure to the FSCs. Wensveen and Leick (2009) believe the price specialists has the biggest opportunity to survive in the long-haul industry.

When looked at Ryanair's general competitiveness, it can be concluded that due to their strengths in both benchmarking and convergence Ryanair stands a strong competitive position, however to become stronger Ryanair will need to improve their agility capabilities by ensuring the quality and customer's satisfaction. But what would be even more urgent to change is their bad attitude in their dedication factor. With Ryanair's current employee relationship, they are unable to grasp of social value and the dedication of their employees which is hard to copy by competitors.

Based on the literature review and on the successes of other LCCs in the long-haul it can be argued that there is a place for Ryanair in the long-haul. Ryanair has made better successes in EU compared to Norwegian air and they have superior strengths when it comes to their precision in the value chain, financial situation, their in-house synergy and their package for business travellers. To improve the chances of Ryanair's success however it is suggested that they consider the shorter long-haul of 7-8 hour flights and continue their strategy of flying on uncontested routes. Other possibilities for Ryanair to consider is working or acquiring other LCC on the other side of destinations, to become part of alliances and to agree on code sharing with other carriers, also accepting cargo would be a good way to compensate the cost of flying long-haul.

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VIII Appendices

Figure 1: The largest LCCs in the US and Europe in 2010 (de Wit 2012)

The largest LCCs in the US and Europe in 2010.

LCCs Europe	mln ASKs	LCCs USA	mln ASKs
Ryanair	2200	Southwest	3061
EasyJet	1470	jetBlue	1001
Norwegian	353	Airtran	656
Wizz Air	306	Frontier	364
Vueling	298	Spirit	248
Germanwings	234	Virgin America	227
Blue Air	73	Allegiant Air	121
Bmibaby	70		
Air One	69		
Sky Express	41		
Total	5114		5678

Figure 2: The development of the average weekly frequency per carrier (de Wit 2012)

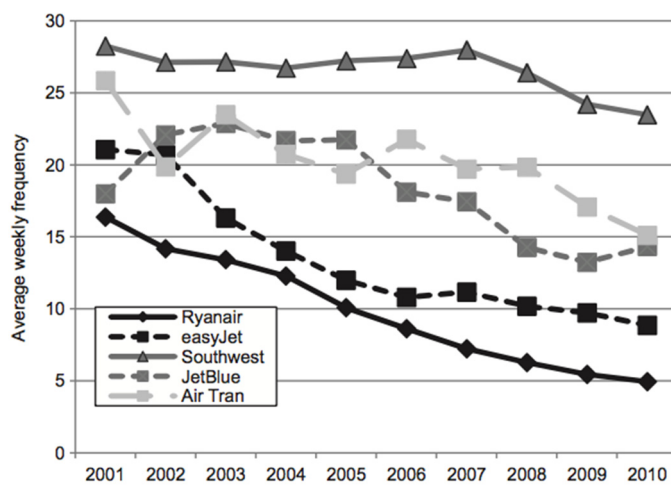


Figure 3: The development of the LCCs average route distance (de Wit 2012)

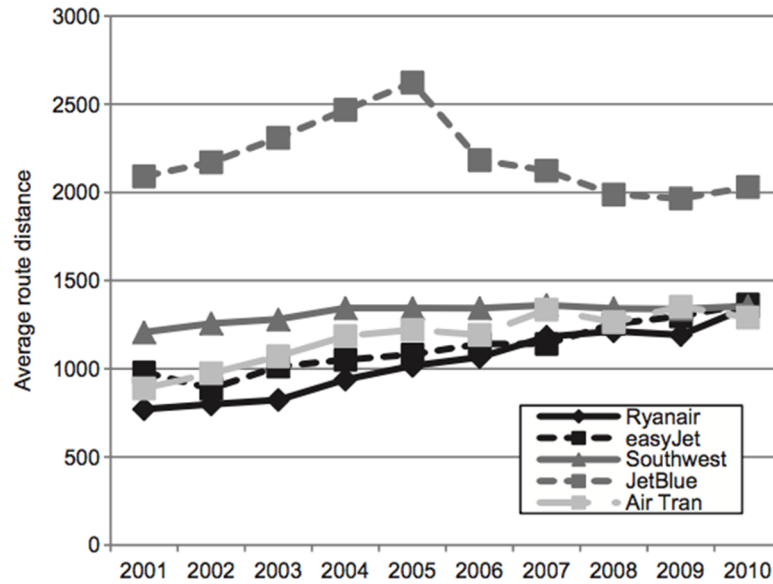


Table 5: Overview carriers top 5 routes EU-outside of EU

Airline	LHR-JFK	LHR-DXB	LHR-HKG	LHR-SIN	LHR-LAX	#
Aer Lingus*	x					1
Aeroflot	x	x	x		x	4
Air Berlin*	x		x	x		3
Air Canada					x	1
Air China		x	x	x		3
Air France	x	x	x	x	x	5
Air New Zealand					x	1

American Airlines					x	1
Austrian Airlines					x	1
Air India			x	x		2
Air Serbia	x		x			2
Alitalia	x					1
America Airlines	x		x			2
Asiana Airlines			x			1
Azerbaijan Airlines		x				1
British Airways	x	x	x	x	x	5
Brussels Airlines	x				x	2
Cathay Pacific		x	x	x		3
China Southern			x	x		2
Delta	x		x	x	x	4
Egypt Air	x	x				2
Emirates		x	x	x		3
Ethiopian Airlines		x	x			2
Etihad Airways			x	x		2
Finnair	x		x	x	x	4
Garuda			x	x		2

Gulf Air		x				1
Iberia	x				x	2
IMAN AIR		x				1
Jet Airways		x	x	x		3
Kenya Airways		x				1
KLM	x	x	x	x	x	5
Korean Air		x	x	x	x	4
LOT	x					1
Lufthansa	x	x	x	x	x	5
Malaysia Airlines			x	x		2
MEA		x				1
Philippine Airlines			x	x		2
Qantas		x		x		2
Qatar Airways		x	x	x		3
Royal Brunei		x		x		2
Royal Jordanian		x				1
SAS			x	x	x	3
Saudi		x				1
Singapore Airlines			x	x		2
SriLankan Airlines			x	x		2

Swiss	x	x	x	x	x	5
TAP Portugal	x	x				2
Thai Airways			x	x		2
Turkish Airlines	x	x	x	x	x	5
United			x	x	x	3
Vietnam Airlines			x	x		2
Virgin Atlantic	x	x	x	x	x	5
#	20	26	33	30	19	128

* Author's own creation