

Marketing of FSNC and LCCs

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Discussion

“There is no difference when it comes to the marketing of FSNCs and LCCs...”



Interestingly, the former Head of Brands at BA is quoted to have said:

“There always has been a mystique and a romance about aviation, but in terms of the principles involved of satisfying your customer there's no difference between selling airlines seats and chocolate bars.”

Full Service Network Carriers



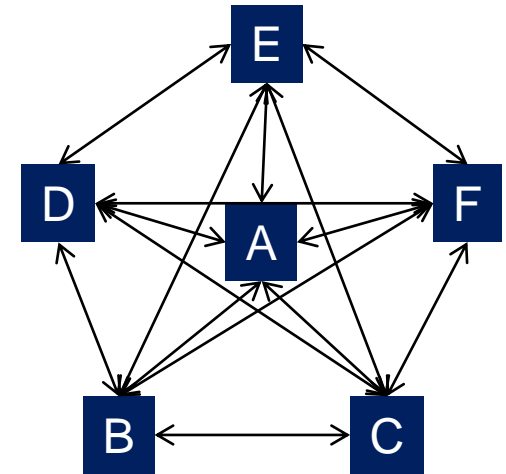
Full Service Network Carriers

- Full Service
 - Traditionally bundled offerings, e.g.
 - Inflight service
 - Hold baggage included
 - Different services classes
 - Business class (incl. lounge access, etc.)
 - Long and/or short-haul operations
 - Global airlines?

Full Service Network Carriers

- Network
 - Hub & Spoke network
 - Pax through their hubs to serve more city pairs
 - Dependent on feeder services to fill seats on particularly long-haul flights
 - Role of regional airlines
 - Size vs frequency
 - E.g. A380 vs B787

Point-to-Point



Hub-and-Spoke

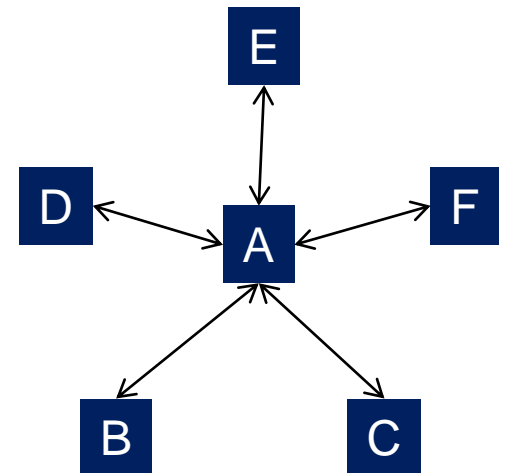
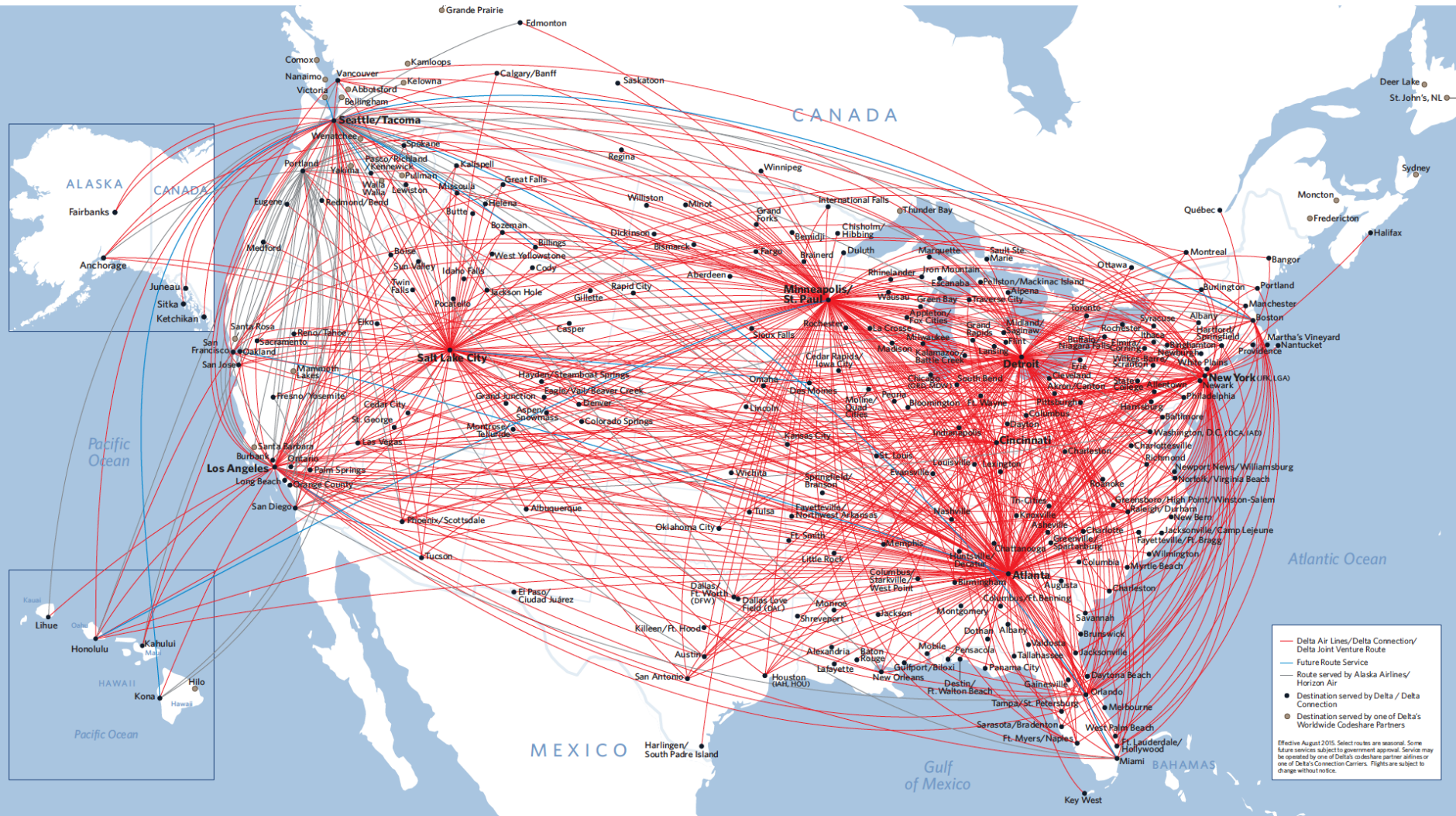


Illustration of hub-and-spoke network: Delta Airlines



Full Service Network Carriers

- Formerly referred to as “**Flag Carriers**” – still appropriate?
 - Who is the UK’s “Flag Carrier”?
- Sometimes referred to “**Legacy Carriers**”
 - Their “legacy” (though some changes over the years):
 - Unionised staff (particularly US and Europe)
 - High overheads
 - Little efficiency
 - Political interference



Low Cost Carriers



Since deregulation, low cost airlines have...

- Changed the way people think of air travel
- Changed how airlines construct their business model
- Removed unnecessary costs and encouraged customers to pay extra for non-flight items and frills
 - No different classes
 - Unbundling of service
 - E.g. in-flight catering, lounges, FFPs
- Improved utilisation of assets
 - E.g. more seats, short turnarounds
- Recognised potential of internet for direct distribution

Traditional Short-Haul Low Cost Airline Strategy

- **Simplicity**

- Low fares to stimulate demand
- No unnecessary costs e.g. meals
- Direct distribution
- Outsourcing of non-core functions to lowest cost provider

- **Point to point**

- No interlining or connections
- No through check-in or baggage
- Uncongested (often secondary) airports

- **High Utilisation**

- Higher aircraft utilisation with common fleet
- Higher seat density
- High load factors
- Unit cost savings in labour productivity

BUT is this still true...



Marketing Developments of FSNCs

- Hybrid business models
 - FSNC adopting LCC strategies
 - E.g. hand luggage only fares, paid catering

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- Coffee and tea are always free with SAS.
- If you travel in **SAS Plus**, enjoy a complimentary meal. We offer breakfast if you depart before 9am and the opportunity to enjoy warm and cold offerings from our menu the rest of the day, including alcoholic beverages.
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Outbound flight Change
Heathrow (London) - Amsterdam
Friday 12 Feb 2016

Use Avios to save up to £50 in Economy
Offers may vary by travel class

These are the lowest single adult prices including taxes, fees and carrier charges.

Previous Week ☒ Also change my inbound dates Next Week

Tue	Wed	Thu	Fri	Sat	Sun	Mon
09 Feb	10 Feb	11 Feb	12 Feb	13 Feb	14 Feb	15 Feb
from £39	from £39	from £39	from £39	from £39	from £39	from £39

Departs LHR Arrives AMS Flight Operator

Departs	Arrives	Flight Operator	Economy
06:50 12 Feb	09:15 12 Feb	British Airways BA0428 Economy	Lowest £39

About Economy

- Complimentary onboard food and bar service
- Contoured leather seat

Hand baggage only

- Allocated seats or pay to choose anytime
- No checked baggage allowance

With checked bag

- Choose seats for free at check-in
- 1 x 23kg checked baggage allowance plus hand baggage

More Details > More Details >

Marketing Developments of LCCs

- Hybrid business models
 - LCCs adopting FSNC strategies
 - “Business fares” (e.g. fast track boarding and security)
 - ... and “Business Class Seats)



Copenhagen T2 → London (Luton)

	Fri, Aug 28	Sat, Aug 29	Sun, Aug 30	Mon, Aug 31	Tue, Sep 01	Wed, Sep 02	Thu, Sep 03
	Sold out	183. ⁹⁹ GBP	183. ⁹⁹ GBP	248. ⁹⁹ GBP	183. ⁹⁹ GBP	101. ⁹⁹ GBP	91. ⁹⁹ GBP

Monday, Aug 31 2015

Flight	Depart	Arrive	Standard Fare	Biz. Business Plus
FR7403	07:15	08:05	198. ⁹⁹ 1 left @ this fare	248. ⁹⁹ 1 left @ this fare

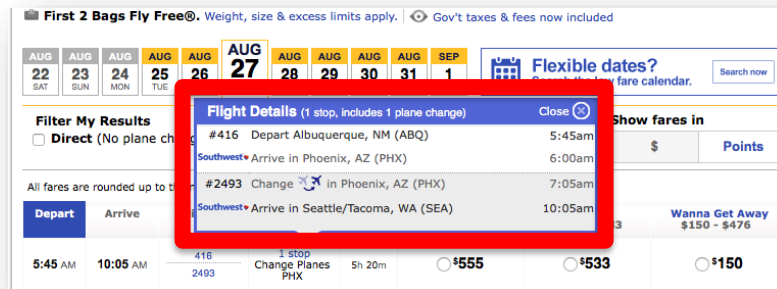
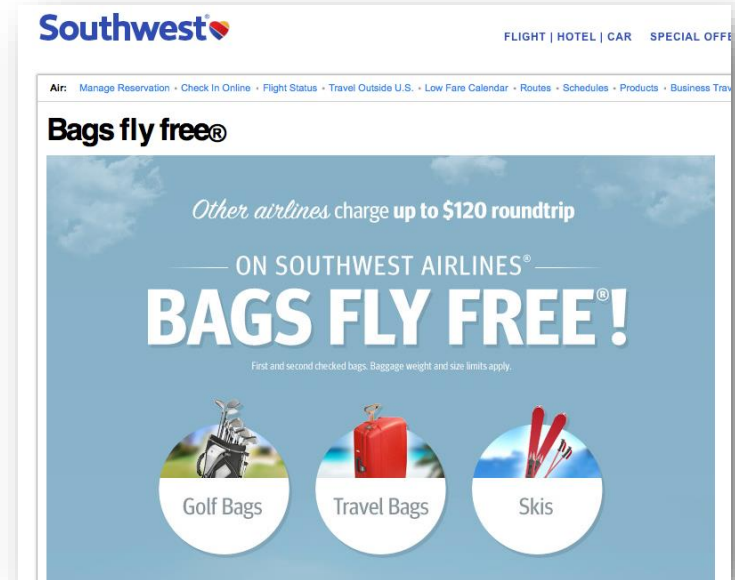
Your Business Plus fare includes:

- ✓ SMS travel itinerary
- ✓ Flexibility on ticket changes
- ✓ Free airport check-in
- ✓ 20kg checked baggage allowance
- ✓ Fast track airport security*
- ✓ Priority Boarding
- ✓ Premium seat options

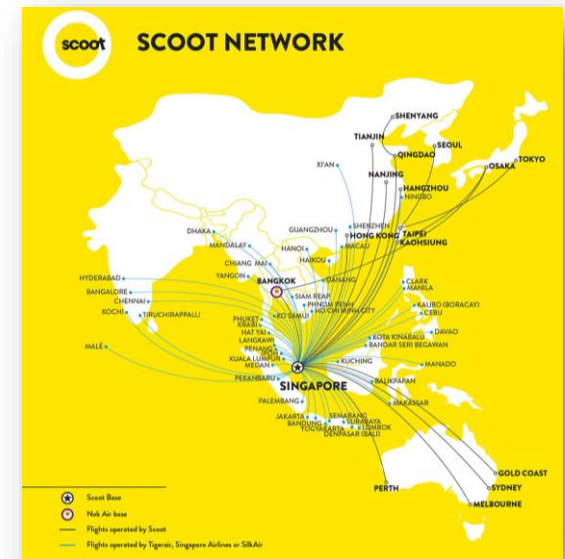
Terms and Conditions Apply*

Marketing Developments of LCCs

- Hybrid business models
 - LCCs adopting FSNC strategies
 - Hub and spoke network
 - Enhanced service offerings
 - free luggage
 - FFPs



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Conclusion

- Many FSNCs have changed their marketing mix
- Many LCCs have changed their marketing mix
- → hybridisation of business models
- Defining business models by their marketing mix is more and more difficult