

THE OPERATING EFFECTIVENESS OF AIR CARRIERS IN STAR ALLIANCE GROUPING

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Diploma work processes information and data available on the alliance groupings of Star Alliance carriers. Introduction describes the basic characteristics of the global alliance cooperation, defines the principles of alliance cooperation. Also in introduction is included process of decision on accession to alliance and a brief description of each alliance associations. The core of the thesis is genesis of alliance grouping Star Alliance, along with an overview of the carriers in the association and a brief informative description. The work also includes a comparison of this group with other global groups. Another theme of this thesis is to evaluate the effectiveness of selected carriers in the alliance grouping Star Alliance.

K e y w o r d s: Star Alliance, One World, Sky Team, air carrier, air carrier effectiveness,

1 INTRODUCTION

At the current rate of globalization and the trend continued its escalation to offer services on a global basis is becoming increasingly urgent and necessary to gain a significant position in the market of air transportation. In response to these progresses major carriers have created a global group, enabling them to significantly expand its coverage to a level that would not be possible without the cooperation achieved. The diploma thesis summarizes the essential aspects of alliance cooperation, focus on achieving individual performance alliance of associations and to evaluate the effectiveness of selected operations of air carriers' association alliance Star Alliance.

The work consists of four chapters. The first chapter describes cooperation of the global alliance. It's the history, types of carriers entering and decision to enter into an alliance. Another part is focused on specific grouping of air carriers Star Alliance. Chapter includes the history of the alliance, activities of the association and an overview of current and future of air carriers. The essence of the next chapter is to present and compare the competing groupings of air carriers. Treatise contains similarly structured description of the history and development, also an overview of member airlines, affiliates, and also potential future members of the Skyteam and Oneworld groupings. It also highlights the differences between alliances in measurable criteria to interpret the breadth of alliances. The penultimate clause solves the effectiveness of chosen alliance air carriers, their history and their range of activity

in the global aviation market. Selected carriers operate on different continents and are important components of the local air traffic.

The final chapter explains the basic differences between the three global alliances, points to the differences found between them. Then evaluate the work already done, make recommendations and proposals that could positively affect the future operation of the airline carriers.

2 GLOBAL ALLIANCE COOPERATIONS

Alliance carriers are currently among one of the largest and very popular form of globalization of the supply and delivery of air transport services between the greater numbers of airlines. The advent of liberalization and deregulation of global air traffic and the resulting changes in the law gave rise to international alliances. The essence of global alliances is that they provide a link carrier, where each of the participating carriers offer its services in the world or region in which the carrier operates, and they are interlinked.

History of the alliance dates back to early 90th years, which created a variety of theories, that in five to ten years, all airlines that did not belong to the alliance communities are not capable of competition and they will disappear from market.

Realistic assessment of opportunities and position of the airline company, are factors that makes result in a decision of alliance cooperation. Participation in any of alliances does not guarantee

improved results. It should be borne in mind that the existence of alliances does not guarantee the emergence of new demand; rather it is to gain a greater share of the initial demand for long-distance transport through better deals and lower costs than competitors.

The choice of which alliance to join is for its importance a part of a strategic business decision. In the area of alliance cooperation, each airline has a few basic options by which they decide whether or not to enter into alliance associations. Nowadays, three alliance groupings operate in the market of air transport Star Alliance, SkyTeam and Oneworld.

3 ESTABLISHMENT AND DEVELOPMENT OF STAR ALLIANCE

Star Alliance is the world's first and largest airline alliance. Founded in 1997, its name and emblem represent the five members of the founding airlines, Air Canada, Lufthansa, Scandinavian Airlines System, Thai Airways International and United Airlines. Star Alliance has since grown considerably and now has 26 full members, and in the course of 2012 to expand the alliance further four aircraft carriers. Star Alliance is based in Frankfurt, Germany. The alliance was a landmark in the history of the airlines, if only because of its size. This prompted the creation of rival alliances, notably SkyTeam and Oneworld.

The Alliance has developed a so-called. Regional concept in 2004, which helps Star Alliance penetrate individual markets with the participation of smaller regional carriers. However, the regional Star Alliance member must be sponsored by one of the existing full member of Star Alliance. During its existence, the alliance has developed the concept of "Move under One Roof", whose principle is to merge all of member companies to the premises of one terminal. The main thrust of the concept considerably is to speed up the connection between flights, which could cut shipping time in half.

The Alliance currently brings together 26 international carriers such as Lufthansa, Air China, Lufthansa, Turkish Airlines, ANA and Air New Zealand. With the cooperation of all the operators

alliance annual transports more than 653 million passengers with a fleet of 4,386 aircraft to 189 countries worldwide. Aviation undergoing continuous development and the need to improve and expand their services, all of the main carriers of Star Alliance must adapt to this trend and the, under the flag of the alliance, expanding its aircraft fleet and new destinations added to flight plans. Brief description of Alliance presents the reader with its origin, history, loyalty programs and briefly describes each member of the major international carriers.

4 COMPARISONS OF ALLIANCE GROUPINGS

In addition to Star Alliance in the market there are other two alliance carriers and so Sky Team, with a base in the World Trade Center at Schiphol Airport in Amsterdam, Schiphol Airport in Haarlemmermeer and One World, based in New York City, USA.

Sky Team Alliance was founded in 2000 and currently brings together 15 international carriers from four continents of the world, for example Aeroflot, CSA, Delta Airlines, or KLM. Today, the Alliance operates more than 14,000 daily flights with a combined fleet of 3,542 aircraft.

In 1999, the American Airlines, British Airways, Canadian Airlines, Cathay Pacific and Qantas founded Oneworld alliance, and currently has 13 aircraft carriers, which include Japan Airlines, Malév, Qantas and Mexicana. Currently, the alliance made more than 9,300 flights a day and carries more than 335 million passengers using the combined fleet making up more than 2,400 aircraft.

Star Alliance currently covers 16.43% of the air transport market, which exceeds the 12.57% of One World and 9.57% of Sky Team, of which discusses the following graphical representation (Fig.1).

From the above data it is possible to consider that the alliance still have the opportunity to expand their area of operation by adding other member companies and improve the number of served

countries and the number of passengers carried, which has a direct impact on sales growth alliance.

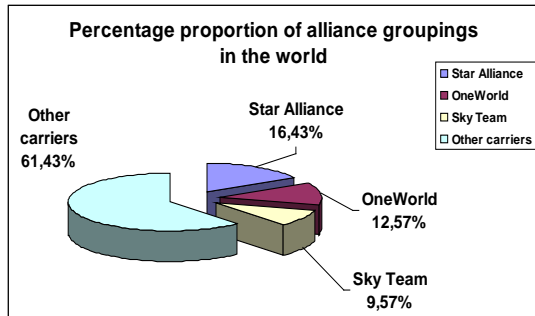


Fig. 1: Proportion of alliances of the air transport market

Star Alliance is in the forefront against other alliance associations, not only by the aviation market, but also in the number of transported passengers, operated countries and destinations, aircraft fleet size or number of employees.

5 EFFECTIVENES OF AIR CARRIERS IN STAR ALLIANCE GROUPING

The next chapter focuses on the effectiveness of selected carriers of alliance grouping in terms of action on the continents with the highest frequency of air traffic, namely Europe, America and Asia.

To reflect the efficiency of air carriers are compared capacitive same size companies of the already mentioned different continents. Comparisons to the airlines Air Canada and Air China, Lufthansa and U.S. Airways.

Airlines Air Canada and Air China are about the same, whether its aircraft fleet capacity, the number of passengers or number of destinations served. Despite these facts are noticeable differences between the companies and especially the diversity of destinations offered. Air Canada offers its passengers many national connections, but also international, both within the continent and in the southern part of North America and its major metropolitan areas or major cities in Europe and East Asia. Of course, with increasing demand services, the company had to adapt to the demands of passengers for the implementation of direct links into attractive

destinations such as Hawaii or Rio de Janeiro. Air China, however, focused the bulk of their flights to domestic destinations, respectively, in Asia, and only a few destinations internationally oriented, such as the states of North America or in the major capitals of Europe. Despite such differences between the companies, both companies are at the top of the strongest carriers in the alliance but also in the world and an annual transport of about the same number of passengers. Each company must adapt to current market requirements, and modify the routes and flight frequencies themselves. From a demographic point of view, it can be assumed that in the distant future, both companies will increase the number of passengers and will be forced to increase the frequency of flights to various destinations and also extend the range of destinations.

Lufthansa, as a founding member of Star Alliance, is one of the world's largest carriers and air carriers in terms of passengers and aircraft fleet operating in Europe. Every day the company made more than 1,900 flights a year and carries more than 58.5 million passengers in any of 211 destinations offered with the 411-member aircraft fleet, on average 8.5 years old. Most of the flights are oriented to European destinations, whether it's an important destination in terms of network traffic or holiday stays. It also offers transcontinental flights to eastern North America, Africa and Asia.

By contrast, U.S. Airways, as well as the name implies, is one of the major carriers of the American continent, whose fleet of 640 aircraft annually transports more than 66 million passengers to 208 destinations. Daily dispatch a company of more than 3,200 flights. The company carried out transporting mainly for domestic flights, North and Central America, and also provides transportation to major European cities and holidaymakers often popular destination Hawaii. Both companies are dominant in the air transport market, but each on a different continent. Despite the considerable difference in the size of aircraft fleets by U.S. Airways carries only about 8 million more passengers than Lufthansa, which covers a wider portfolio of destinations than U.S. Airways.

6 COMPARISON AND RECCOMENDATIONS

Star Alliance, based in Frankfurt, founded in 1997 in order to create a grouping of carriers to simplify and speed up passenger and broadening the scope of individual members. The Alliance currently has 26 full members, and in the near future, the Alliance will grow by a further 4 members. Annually, members of the alliance transported more than 650 million passengers. Alliance carriers themselves have concluded among themselves code share contracts whose principle is to identify a code of two or more airlines, which allows extending the range of destinations and reducing business risk. Star Alliance currently covers more than 16% of the global aviation market. This percentage is increasing annually and retaining new members, this tendency still remains. The Alliance has a fleet of more than 4,300 aircraft to operate flights to 189 countries worldwide and 1,290 destinations.

With 12.57% market share of air transport in the second place there is an association alliance One World, which was created in response to the creation of Star Alliance in 1999 and currently based in New York City. During 2012, the alliance intends to extend the existing 13 members of three other members. The Alliance operates more than 2,400 aircraft, which carries out regular flights to 149 countries around the world and service to over 870 destinations. Annually, the alliance carries over 335 million passengers.

Sky Team alliance is the third world, which brings together 15 international carriers. Headquarters, after the founding in 2000, is located at the Schiphol airport in Amsterdam. Annual traffic of more than 487 million passengers to 916 airports in 173 countries, it is making its 9.57% share of the global aviation market, and thus the third in comparison with the previous two alliances. The table below provides a clearer interpretation of the number of passengers for 2011 for individual alliances (Fig. 2). From the previous analysis, in which the individual comparisons of the three global alliances, we can say that the world's most prosperous alliance

association continues to be an association alliance Star Alliance.

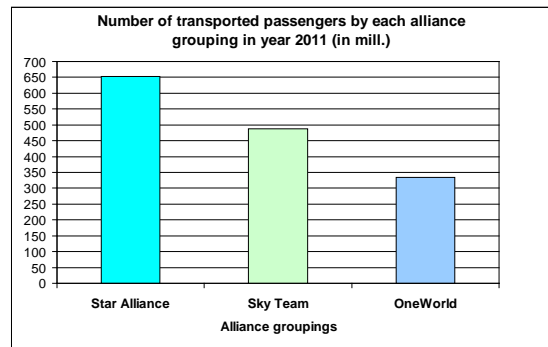


Fig. 2: Number of transported passengers

Given the association is active in aviation market for 15 years and is a pioneer in the field of alliance cooperation. The Alliance has a predominant presence in Europe, North America, mainly Africa and Asia, which took first place in the number of destinations served worldwide. Carrier's continents of South America, Australia and Oceania, and also the Middle East region is largely associated in the other alliance of two rival associations. Although the Alliance has to offer its membership and benefits associated with significantly greater number of carriers has so far not included in either of the alliances, which would dramatically increase the number of members of the alliance of associations, and the presence of yet uncaptured areas of the world such as South America, where Star Alliance has only 1% representation. Of course the alliance would have to conclude with a carrier such conditions that would not seriously did not affect the level of prices of transport and reducing the quality offered by date of travel. Although these areas are more similar to those which are due to financial indicators rather uses another type of passenger transport than air transport, the alliance has to contract with carriers, that are rather dealing with the carriage of cargo than passengers and through code share contracts extends his and also its presence in the cargo. Increase its activity as an alliance can also transpose the air carrier of another alliance, such as offering a ČSA membership, which would have won an important alliance carrier and Central Europe through its contracts and agreements concluded with non-Star Alliance carriers, increase its efficiency in Europe.

The effectiveness of air carriers in the alliance is often dependent on the economic situation of the region or area, then if the decline or increase in passenger numbers is forcing carriers to modify their specific route management, whether action by offering a bid, using the media to promotions or connection lines, which is not at the customer's favorite carrier interference. Most negative is the flight cancellation, although aimed at cost savings, but the customer, which will cover this change, can be expected to disseminate information about the carrier of the negative character.

5 CONCLUSIONS

The main objective was to bring the reader alliance grouping Star Alliance carriers, the history of its formation and operation, and not least to highlight the member carriers together in this cluster compared with competing groupings One World and Sky Team. In today's aviation market, alliance and its carriers must hold a strong position, and counter competitive attacks of other associations.

Analysis of the three global alliance groupings shows considerable differences, mainly related to the size of each of the alliance associations. Each of the alliance is focused on the area of the world in which the bulk of its scope, making each a unique alliance, mainly through its member companies. Star Alliance leadership in using the number of associate member companies, covers the greatest part of the aviation market. The Alliance offers the member a number of benefits, working with them on frequent flyer programs, which serve to attract customers, and within the joint programs of their associates as contracts and projects that serve to increase the efficiency of individual carriers, extending the scope of the market and the related increase in annual turnover of the carrier.

This thesis seeks to look at the four Alliance carriers who have a long history and are among the prominent members of the alliance. Comparing them as a pair, which are similar numbers of passengers, the fleet size and the like?

Comparison concerned mainly from the perspective of where they operate in one of the world's continents.

One of the objectives was to make recommendations to the Association of Star Alliance, as was discovered that the alliance has the opportunity to expand services on the continent and to countries where it is possible to take the lead over the other two alliance associations. By cooperating with the still-neutral carriers, the alliance would not only got a head start and at the same time the opportunity was taken to extend to other alliances, but most would be able to offer customers a wider range of destinations and increase the already large portfolio of quality services to their shippers.

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