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Master Thesis:

**»Marketing Strategies for the Development of Wind Jet:
Investments on Intercontinental Routes.«**

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1. PREFACE

This thesis is an important and last step in my academic career. It therefore represents a crowning achievement of a formal path which started 19 years ago with my first elementary school lesson.

It is then not strange if, in order to write this work, all the concern, dedication, efforts, difficult and sleepless times experienced in my educational life have been once again retraced in a more mature way.

In this context, the theme of my thesis suits perfectly with the course of my academic career. In fact Low Cost Carriers have been the essential means that allowed me to participate to the Erasmus project in Cologne, to arrive here in Hamburg, to attend the master course on Information Sciences & Management at the HAW, and finally, not sever the ties with my family, friends and country.

But not only that: holidays, adventures, beautiful moments and the perception of Europe as a whole would not have been completely mine without Low Cost Airlines, which made it possible for me as a student to make new friends with the concrete hope to visit each other again soon.

Beyond this, the trust and hope in the improvement of the Italian economic situation and the desire to host in my country a Low Cost Airline that can compete with the major no-frills carriers of Europe motivates me to both approach to work and development of strategies for a future success.

For the research and bibliography of the thesis I mainly retrieved online articles and electronic documents: this should be not evaluated as a lack of efforts but rather as a collateral effect of a very dynamic topic referring to a foreigner nation. Resources on Low Cost flights and changes on market trends must be continuously updated in order to report trustworthy and accurate information.

I must be grateful to several people who made the opportunity of pursuing this topic possible. A particular thank is due to my first supervisor, Prof. Dr. Ulrich Hofmann who, though the coming retirement, accepted to advise me during this turbulent period. His support and help have been fundamental for the positive outcome of my work. A second thanks goes to my co-supervisor, Prof. Dr. Hardy Gundlach, and to the international ambitions of his seminars, which elevated the aspiration of the topics treated, as well as to his qualification and willingness in evaluating texts in English.

On the personal side, my family and girlfriend have provided me with ever-growing support during the writing of this thesis. With almost daily calls and long speeches about my work, my family provided me motivation as well as economic support to undertake this topic and reach the promise of my potential. At the same time my girlfriend, who has been

taking an active role in drafting the paper, has been carefully but continuously helping me finding the right focus and daily inspiration for my thesis.

A further appreciation goes to my fellow students Sina Schönefuss and Stanislaw Schmidt, who among others helped my complete integration in a new country and in a previously unknown educational system, and to Vinita, my really careful and patient proof-reader.

My last dedication goes to my passion, boxing, and to my two clubs, BSV19 Hamburg and Boxe Santarcangelo, which during this period helped me through hard trainings and harder fights, the necessary discipline and right determination to pursue and achieve my goals.

2. ABSTRACT

The principal aim of this paper is to individuate a strategy for a promising Low Cost Carrier (LCC) to compete with international prominent airlines and to gain a better position in the market. The thesis also addresses questions regarding which the most valid national competitor in the LCC Italian market is and its current position towards the best-practice competitors. In the conclusion, the individuation of strength and weakness points of the strategy as well as estimations on its practical use are described in detail.

The work begins by focussing on the Low Cost Airlines (LCAs) market, and develops from a general overview to regional specificities. In particular, the situation of the European and Italian areas is important as a basis to form further strategies. Concerning the Italian situation, a key role is taken by Wind Jet plc, a recently launched airline, which is ranked as third national Low Cost Carrier.

The position of the company towards the competitors is revealed by a benchmarking analysis, supported by the consulting of three relevant web portal (Airlinequality.com¹, Qviaggi.it², Ciao³.it): a specific table points out the features of Wind Jet compared to the best practice examples. As a result of this, Wind Jet obtains a firm leadership among the national LCCs companies, but is still far from competing with the major international Low Cost Airlines.

The benchmarking table introduces a SWOT analysis, which translates into strategies the strengths, weaknesses, opportunities and threats of Wind Jet plc. As a result of the SWOT, a particular strategy has been determined for a further development of the airline: the establishing of intercontinental low cost routes. This opportunity is broken down in order to individuate the positive (strengths) and negative (weaknesses) implications and group them in a SW analysis. At the same time, key choices and options for the company will be

¹ Cf. AIRQUALITY 2010

² Cf. QVIAGGI 2010

³ Cf. CIAO! 2010

explained with a thorough description of the decisional steps for the realization of the strategy.

The workability of the innovative Intercontinental strategy has been evaluated through flights portals as Expedia.com⁴ and Kayak.com⁵, and singled out in a three-days schedule plan from the Pisa San Giusto and Turin Caselle airports to New York – Newark and Toronto Pearson.

3. INTRODUCTION

In the first section of the work, it has been presented an overview of the low cost companies field. Features, characteristics and historical development of this business field lead to a successive and more specific market analysis. In these paragraphs in fact common methods of marketing, advertising and usual no frills policies of LCAs have been described, with the purpose to offer a better understanding of this business. In addition to this, a particularly deep analysis is oriented on safety and procedures through which Low Cost Airlines can save on costs.

After this preamble, the general situation of the world air passenger transportation is described; tendencies in each IATA geographical area is pointed out and a specific focus on the European market outlines the internal trend in each EU country. Furthermore, the particular market situation in Italy is illustrated and the underlying potentiality of the country is discussed.

In the following paragraphs, the more positive and dynamic aspects of the Low Cost Carriers market is described in comparison with Regular Airlines and charter flights: this analysis shows the current superior position of the no frills companies, which are growing rapidly also in Italy.

The successful and newborn national LCC Wind Jet, because of its positive growth trends and its considerable market position, has been chosen as the subject of analysis. Different features of the airline, as well as of its network and fleet have been reported in order to give a detailed overview of the company under different vantage points.

With the aim to evaluate the main market competitors of the Wind Jet, the situation of the Italian LCCs market has been presented. Hence, best-practice examples of airlines are introduced and a benchmarking analysis on the product as well as on internal and financial factors has been outlined. This method has revealed the weakness and strength points of Wind Jet, and has related them with the skills of the best-practice airlines.

⁴ Cf. EXPEDIA 2010

⁵ Cf. KAYAK 2010

Successively strengths, weaknesses opportunities and threads resulting from the benchmarking, through first a SWOT analysis, lead to different strategies for the company development. Among the consequent results from the SWOT, the most innovative and interesting one has been selected and evaluated through the SW method, where positive and negative implications have been reviewed.

Lastly the decisional criteria and key options for the realization of the strategy have been explained. A final evaluation including practical suggestions for Wind Jet's strategy is described in detail: essential measures, options and factors are mentioned in this last section.

4. LOW COST CARRIERS

First, the adjective "low cost" and the more general "low cost strategy", regardless in which context used, refer to the tactic:

[...]under which a firm offers a relatively low price to stimulate demand and gain market share. It is one of three generic marketing strategies (see differentiation strategy and focus strategy for the other two) that can be adopted by any firm, and is usually employed where the product has few or no competitive advantage or where economies of scale are achievable with higher production volumes. Also called low price strategy⁶.

The low cost strategy pertains then a wide range of goods and services: hotels, mobile phones, travel agencies, furniture, et cetera.

In each of them this concept acquires however slightly different meanings: "*applying these concepts to air transport, a low cost airline in the classic and original sense of the term is a provider of a basic product. This is also captured by the term no frills airline*"⁷.

Since 1971, Southwest, a United States company which was fallen on serious economical troubles, decided to structure a scheduling plan based on three airplanes, but operating in place of four. This solution required a machine to stop for just ten minutes in an airport before preparing taking off for another flight⁸.

⁶ BUSINESSDICTIONARY 2010

⁷ BJELICIC 2007, p.12

⁸ Cf. SARTAIN 2007, p.12

The ten minute *turnaround*, the procedure of refueling and check of the aircraft within the landing and a new take-off, and the *fuel hedging*, the pre-agreed pricing of the fuel⁹, marked the beginning of the Low Cost Carriers philosophy. Since then in fact, different approaches to the improvement of costs and efficiency in the air transport industry have been attempted.

This development has been allowed by deregulation, a political and economical process which guaranteed a larger freedom in business to companies in each market sector¹⁰.

Deregulation of skies started in different countries at different times: in the United States, at the beginning of the seventies, in the United Kingdom and Ireland, at the end of the seventies, mainly thanks to Margaret Thatcher, and only later in Europe, with the first steps of the European Union in 1992¹¹. Thanks to this economical and political process, the new business model of the Low Cost Airlines implements new solutions, procedures and enhancements in the whole air transportation world.

4.1. Security

First, it is important to underline that Low Cost Airlines are legally obliged to follow the same safety precautions and standards as Regular Airlines: the reduction of costs and the saving policies implemented do not concern this field.

Simon Calder, a worldwide expert in air safety and security claimed, after conducting rigorous survey, that he has not "*been able to detect any correlation between low-cost carriers and enhanced risks*"¹².

In fact Regular Carriers have often higher standards than those required in Europe (EASA)¹³ or United States (NTSB)¹⁴, but this does not mean that the lower measures taken by Low Cost Carriers involve more risks on their flights.

For example, although "*According to an analysis by the European Cockpit Association (ECA), LCA pilots fly 25% more per year than their colleagues of the established airlines, while earning 25% less*"¹⁵, Low Cost Airlines do have a different but still completely legal policy on this and other duties and tasks.

⁹ Cf. CORLEY 2008, pp. 28 ff.

¹⁰ Cf. SMITH/COX 2010

¹¹ Cf. ROSE/SEELY/BARRET 2006, pp. 86 ff.

¹² CALDER 2005

¹³ Cf. EASA 2010

¹⁴ Cf. NTSB 2010

¹⁵ GEEST 2006, p. 57

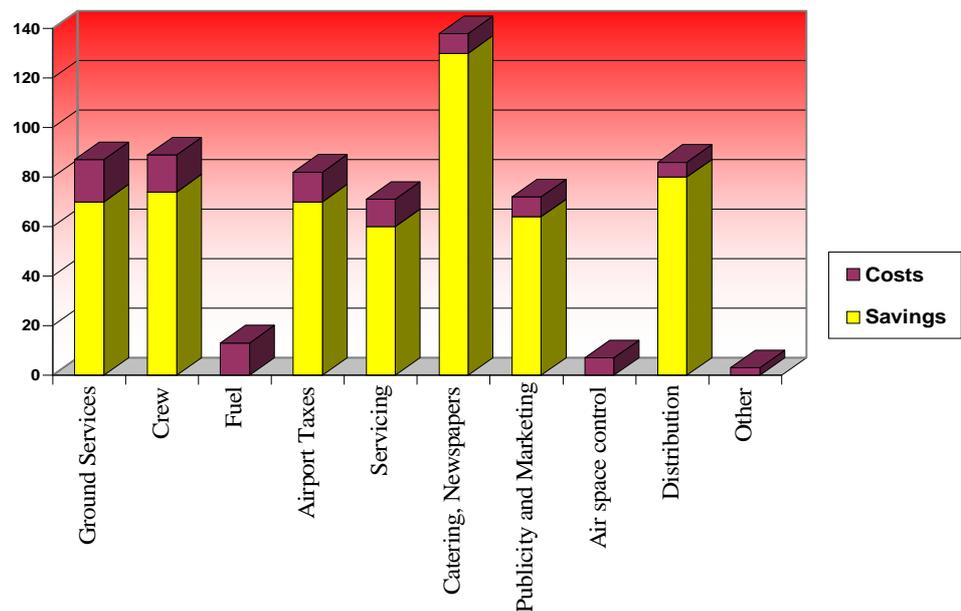
Studies show also how Low Cost Carriers invest on an as recent fleets as network carriers¹⁶, and that passengers consider LCC security standards very high (26%) or high (66%)¹⁷.

4.2. Cost Advantages

Low Cost Carriers save averagely 41% more on costs than Regular Airlines¹⁸. This result is achieved thanks to the following measures: maximal efficiency, re-organization of the company structure, enhanced transparency, simplification as well as accessibility in every branch and finally concentration of competences combined with outsourcing of secondary tasks. This innovative concept of airline business has generated the plentiful savings showed in the graph.1 for this sector.

4.3. Low Cost Airlines Savings

As pointed out in the graph. 1, low cost companies are able to save consistently on almost each field of airline activities.



Graph. 1 – Low Cost Carriers Savings¹⁹

¹⁶ Cf. SCHWEINSCHWALLER 2002, p. 34 ff.

¹⁷ Cf. WACHOWIAK/SCHRÖDER 2003, p. 4

¹⁸ Cf. DOGANIS 2001, pp. 150ff.

¹⁹ Cf. MACHATSCHKE 2003, p. 120

Minimal bureaucracy, reduction of on-board personnel, use of peripheral airports, online check-in and booking, no frills and essential comfort are just some of the solutions and strategies currently used by Low Cost Airlines.

As it will be explained in the next sections, particular tools and measures employed by Low Cost Carriers concern usually these three fields: supplying, process management and marketing. Pertaining tactics and methods to each area will be discussed then in the next section.

4.4. Suppliers and Material

In this field, Low Cost Airlines have developed strategies and policies which have completely changed the air transport market. As already mentioned, airports' lower taxes have modified the timing and scheduling of many airline companies, while systematically decreasing the price of the tickets.

Furthermore changes in aircrafts and crew engagement strategies have also enhanced the savings of a LCA: many of them bought in fact airplanes directly after 11th September 2001, when a lot of machines were put on the market because of a deep crisis of the business. Nowadays, many companies have decided to lease airplanes or to acquire used ones, saving a big slice of their capitals. In addition to it, a wide-spread trend is to rent from more experienced companies on-board as well as on- round personnel, saving on the costs of their background courses and hiring them only temporarily.

Using standard uniforms and material from a single manufacturer, LCAs have an economic advantage by comparison with Regular Carriers as well. Furthermore the outsourcing of technical services generates the double positive effect of the specialist skills support together with the efficiency on capitals management: cleaning, repairing, control, distribution and catering service does not belong anymore to LCAs intern duties²⁰.

Online check-in operations, transactions, ticket booking and flight information are mostly available online for LCCs: thus the reduction of personal service becomes a large source of savings. A recent solution of further income is the offer of catering service not inclusive in the ticket, realized by selling food and drinks separately to each passenger: the only blind spot for LCCs is the minimal possibility of reductions on fuel price²¹.

²⁰ Cf. DOGANIS 2001, p. 215

²¹ Cf. BLEY/BUERMANN 2007, p. 55

4.5. Process Management

Flight scheduling and personnel management are very important activities for each airline company. The task of the flight scheduling: "[...]consists in determining a reliable flight schedule between different destinations and in defining the partial routes from an origin to a destination²²".

In order to achieve this, and select the airports of origin and destination, various parameters must be considered:

- The social situation and the geographical position of the airports, on which depend the number of passengers for each flight as well as the amount of taxes for the company.

Usually LCAs prefer airports with very low taxes, although they locate often in geographical sites neither central nor metropolitan: this is a compensation which allows the ticket prices to stay low. The very inexpensive tickets guarantee thus averagely good performances in terms of occupied seats per flight.

- Their internal structure, on which lean organization problems, management of space and resources, up-keeping of the aircrafts and additional necessities of the airlines.

For the reason that selected airports are often faraway from cities and often utilized by only a few international companies, many structural problems are at least infrequent: spaces, garages, car parks and slots for aircrafts are usually well-available.

- The internal competition on similar routes with other LCCs.

Nevertheless, thanks to the great number of secondary airports and to the low number of airlines in each one, the routes are hardly similar or in competition with each other within the same structure.

- The various legal aspects as the permissions to require, national and international regulations, and legislative problems more in general.

Legal issues often occur and are not always easy to solve. Some nations for instance use identification documents which are not accepted by other airline companies, generating juridical issues. In other cases, safety measures and standards are not equivalent across countries (e.g. the case of Europe and North Africa or Asia) and discrepancies might be caused.

²² STRAUß 2001, p. 30

Part of the process management regards also the personnel. In LCAs in fact, because of online procedures, outsourcing of various activities as well as reduction of the on-board and on-ground staff to the minimum, the employment of personnel has drastically decreased.

For example, Ryanair declared in 2001 that the company had a ratio of one employee each 6.000 passengers, while Regular Carriers companies have on average one employee per 850 passengers²³.

In addition to this, the standard low cost policy is, in each business sector, to guarantee the minimum of the regulation standard in order to save on costs. That means, in the LCCs' context, to demand the on-board and on-ground crew extra-long work shift, with averagely lower recover and pause time for the personnel as well as for pilots.

The same policy is also adopted then for the flights scheduling: a continuous use of machines, associated with a high percentage of passengers per flight, increases at most the company's income. Because of that, the stop of aircrafts in the airport before taking over for the next flight are as short as possible (depending on the country and on the airport), and flights are thus made as frequent as it could be²⁴.

4.6. Marketing Mix

Given that low pricing is the principal policy of low cost companies, each element of the marketing mix, such as pricing, product, communication and distribution, is oriented to pursue this heading.

The price policy is the fundamental element of this scheme, and because of that LCAs have developed specific strategies in order to maximize their revenues (yield management).

LCCs' first step is to subdivide the machine in different price areas. The first part of the tickets cause a loss to the company, which sells them at a minimal price: the remaining part is used instead to cover up the losses generated and let the company gain on flights.

The low cost percentage (loss) of seats varies from airline to airline: in Ryanair for example, the quote range stays between 10% and 70%, depending on the route, the season and the time of the flight²⁵.

Ticket costs in LCCs is thus a mere question of timing in booking. In fact, there is no distinction in tickets' pricing (i.e. first class, economy class, etc.) apart from the date of purchase: each ticket is bound daily to a specific price.

²³ Cf. HARTUNG 2001, p. 76

²⁴ Cf. GROB/SCHRÖDER 2007, pp. 42-43

²⁵ Cf. RAMM 2002, p. 10

Nevertheless LCAs include also in the online booking process facultative options as reimbursement, insurance, extra – fees for heavy luggage, reservations for affiliated hotels, etc. The high revenues from these services are also a consistent way for the company to increase their income.

Given that LCC flights offer a service that, apart from price differences, is only slightly different among the various LCAs, secondary services and standard comforts become very important for the marketing strategy.

For example the density of seats, the services offered during the flight (e.g. assistance and leisure), the model of aircrafts used, the location of the airports and the punctuality of the scheduling plan are particulars which mostly distinguish one company from another.

The ratio price/product (service) is particularly important in order to transmit the corporate identity of the company to the potential customers: because of that, some LCAs (e.g. Germanwings) are progressively moving from the no frills philosophy to a few or full frills one, while Aer Lingus, in order to compete with Ryanair, is progressively moving from a Full Frills Airline standard to a few frills/low-frills model²⁶.

Distribution policy of LCAs is supported mainly by computer reservation systems (CRS), which guarantees no further costs for the airlines (no intermediary agencies) and all the print costs of the tickets are chargeable on the user.

Furthermore, the use of credit cards-only simplifies the payment system: LCAs no longer need to differentiate among different payment methods and lean agencies in outsourcing for counter and payment operations²⁷.

In the LCAs, communication is mainly focused in spreading news about the low-priced tickets sold by the company and destinations served: much effort is then made to publish the offers by daily newspapers (69% of the total advertisement of the LCAs)²⁸. In order to advertise their routes, only net costs are often mentioned, thus excluding taxes and extra payments for the purpose of easily attracting new customers.

Finally, a recent strategy of LCAs has been to use the airplane surface for advertising (especially the own) companies or products, with the scope to call intensively other passengers' attention.

²⁶ Cf. BJELICIC 2007, p. 13

²⁷ Cf. POMPL 2002a, p. 120

²⁸ Cf. TRAVEL TRIBUNE, p. 10

5. CURRENT MARKETING SITUATION

The marketing situation analysis for the selected Low Cost Carrier, Wind Jet plc, starts from the evaluation of the global air transportation business. In fact this situation is the very background for the development of Wind Jet products: a deep review of their characteristics constitutes the second paragraph of the chapter, offering a more precise profile of the company.

Eventually, the position and profit trend of the company in the market, followed by a competitors analysis, points out its current characteristics and features, in order to introduce finally a prognosis under a brand-related perspective.

5.1. Market Description of Airline Companies

This section first outlines the general market situation, and then particular trends detected in the Low Cost Carriers segment of industry. After a description of the general scenario, the geographical IATA areas are compared among each others: increases as well as decreases in the market growth are provided for each different zone. A particular focus is then put on the Italian national airlines and the passengers transport in Italy; lastly, annual growth percentages of the Low Cost Carriers in Europe and Italy are provided and subsequently described.

According to the IATA²⁹, the world's most important air company association, which represents 93% of all the international traffic³⁰, 2010 was to be a productive year in terms of passengers transport and commercial business.

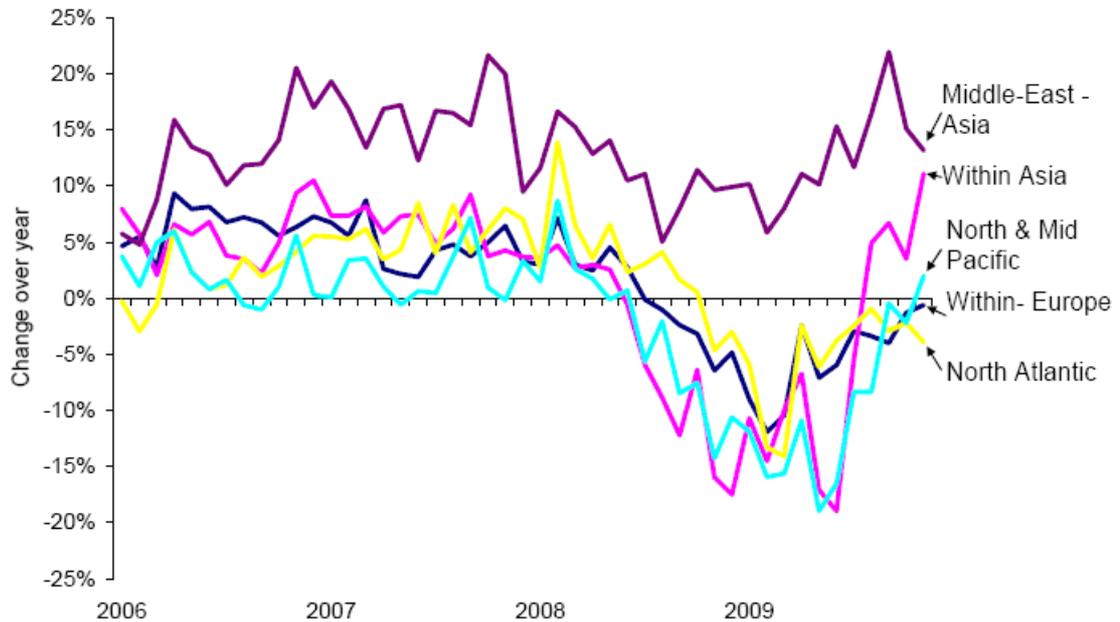
Bettering all predictions made during 2009, the lowest point for the market since the terroristic attacks of 2001, the global trend registered an augmentation that led towards a reduction of the losses by half of their expectation (2.8 billion Euros instead of 5.6)³¹.

The interesting revelation of these data is that the increment of the market is extremely different from region to region, as pointed out in the graph. 2.

²⁹ Cf. FINFACTS 2010

³⁰ Cf. DAILY NEWS & ECONOMIC REVIEWS 2010

³¹ Cf. IATA: MIGLIORANO LE STIME 2010 2010, p.1



Graph.2 – Growth in Passenger Numbers by Market 2006 - 2009³²

As pointed out by the growth trends, new market areas enhance their importance through a more relevant resumption. For instance two emerging areas, South East Asia – Pacific Islands and South America, increased their market of 5.6% and 11% respectively, in the first part of the 2010. By contrast, North America and Europe, traditional market leaders, gained only the 3.1% and 2.1%, respectively.

This tendency becomes more general and noticeable if we observe the enhancement of passengers per market area for the last four years. Europe and North America appear saturated markets which do not have the expansion power and the development resources of other economic areas.

5.1.1. The general Italian Situation

In this context, the Italian passengers’ situation deserves a more in – depth analysis.

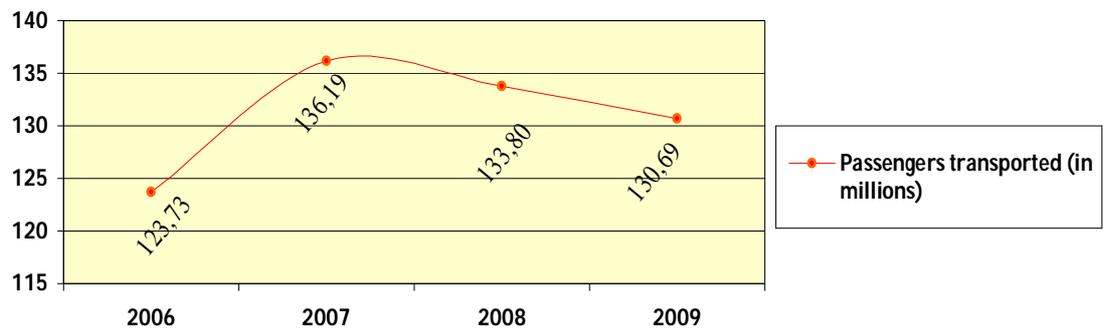
Since a half year after the terroristic attacks in 2001, the number of passengers travelling through Italian airports has started to increase constantly.

³² Ibi, p.2

New external factors, such as the introduction of the new common European coin and the establishment of low cost routes, have played a fundamental role in the growth of the passengers volume until the first semester of 2007.

Similar to other countries, since the summer 2007 passenger numbers have diminished drastically up to now: the 136.1 million passengers of 2007 have decreased up to 130.6 millions at the end of 2009.

The crisis period for the market of the last four years has been well pictured out in the graph. 3.



Graph. 3 – Passengers transported in Italian Skies 2006 - 2009³³

Although in the first trimester of 2010 there was an increase in the number of passengers, compared to the first trimester of the previous year (+7.5%), it appears consistent that the goal of 200 million passengers in a year, claimed by the president of the ENAC (Italian Civil Aviation Authority) association, seems still far away from a reality³⁴.

Furthermore, observing this situation from an economic, social and statistic point of view, these data suggest that the Italian population has a low predisposition to use air transports.

In fact by counting the Italian population at the end of December 2009, that is approximately 60.350 million³⁵ inhabitants, it is simple to calculate the result of the ratio between population and passengers: it is barely two travels per year for each person.

In addition to this, since the GDP per person in Italy was, at the end of the 2009, twelfth in Europe, corresponding to annually 35,390€per person, it is relevant to underline how little Italian citizens invest on air transport, especially if compared with their annual GDP.

³³ Cf. DEMO ISTAT 2010

³⁴ Cf. COTTONE 2010

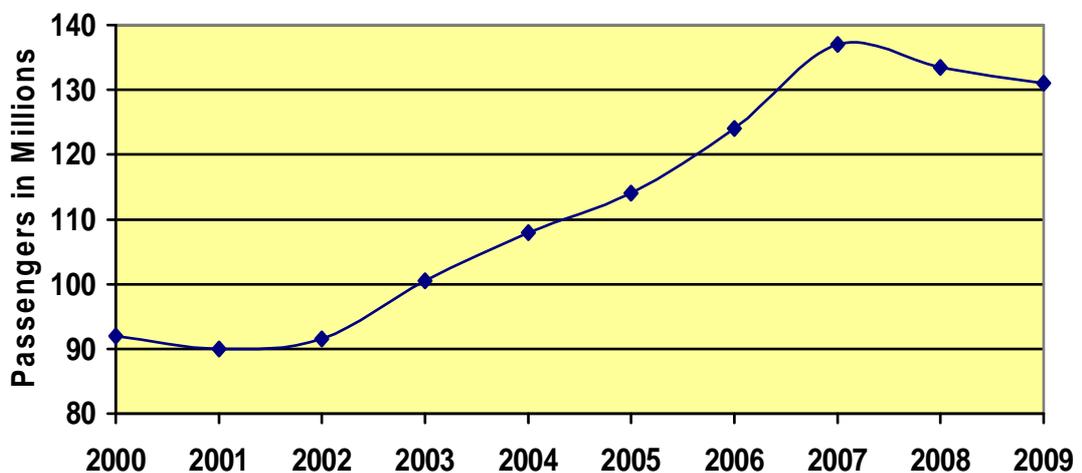
³⁵ Cf. Ibidem

Spain and United Kingdom, two European countries which have a GDP per inhabitant very similar to Italy (31,946€ and 35,334€ respectively³⁶) and similar populations (40.525 and 61.113 million respectively³⁷), do have a higher rate of passengers transported per year: the United Kingdom sustains approximately 220 million passengers per year, about four journeys each inhabitant per year (a favorable background to this is anyway the UK geographical position), while Spain has 161 million, which means four passengers per inhabitant as well³⁸. This means that the value in each of these countries is about the double as in Italy.

Of course it could be argued that not all the transported passengers are national citizens and that multiple factors influence the transport of air passengers such as the already mentioned geographical position, the logistics, the availability of other means of transport, the functionality of the airports and the operational status of the national airline companies.

Nevertheless it is meaningful to underline that Italy has an high potential in developing its national and international air passengers market: this capability is confirmed by the growing numbers on the totality of the Italian airports.

As showed in graph. 4 and graph. 3, since 2007 a negative trend curve delineates the passengers transportation: from relatively high peaks the situation is progressively decreasing. Nevertheless, this general condition is affecting differently Low Cost Carriers, Regular Carriers and Charter Airlines, which present very different market trends, as outlined in the next sections.



Graph. 4 – Passengers on Italian Airports 2000 - 2009³⁹

³⁶ Cf. EXCHANGE RATE ARCHIVE 2010

³⁷ Cf. INTERNATIONAL DATABASE 2010

³⁸ Cf. OVERVIEW OF AIR PASSENGER TRANSPORT 2010

³⁹ Cf. DATI DI TRAFFICO DEGLI SCALI 2010 2010, p.77

As yet analyzed, the air transport of passengers in Italy is, if compared to other analogous European countries, still in development: hence the current situation requires certainly new forms of incentive to air transfers.

Under these circumstances, the scenery is open to new solutions which can improve the market and the predisposition of the population to air transports. Low cost flights have partially accomplished this function in the last years, increasing the number of passengers and flights in the country; nevertheless a new source of innovation is currently needed⁴⁰.

5.1.2. *Low-Cost Airlines in Europe and Italy*

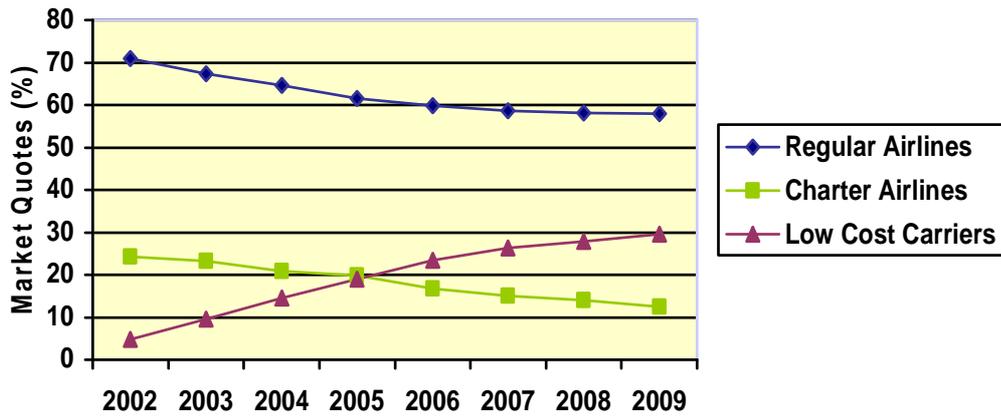
The years 2008 and 2009 have been deeply affected by the financial crisis in each market segment, including the air passenger transport. However in this business sector a relevant exception has been the Low Cost Carriers' market, which in 2008 as well as in 2009 could contain the losses and even register a slightly positive trend curve. Moreover, the minimal growth of 2008 and 2009 helped Low Cost Carriers' market gaining percent advantage towards other competitor in the air transport market, as pointed out in the graph. 5. In 2009 for instance, while at net level Regular Airlines registered a loss of 8.4 billion dollars, Low Cost Carriers earned instead net 1 billion dollars.

The positive reaction to the crisis is underlined by the fact that only two of the top twenty European Low Cost Carriers registered losses in the financial year 2009, compared to an air transportation market in high decrease⁴¹.

During the last twenty years Low Cost Airlines showed a progressive and constant growth in the general amount of flights. This situation is well-reported by graph. 5, which points out the trend curves which have guaranteed in 2010 to LCCs aircrafts the 29.6% of all the passenger flights in Europe. LCCs gained in fact on both Regular Airlines as well as Charter Airlines, which registered a relative decrease in their shares.

⁴⁰ Cf. AIR TRANSPORT STATISTICS 2010

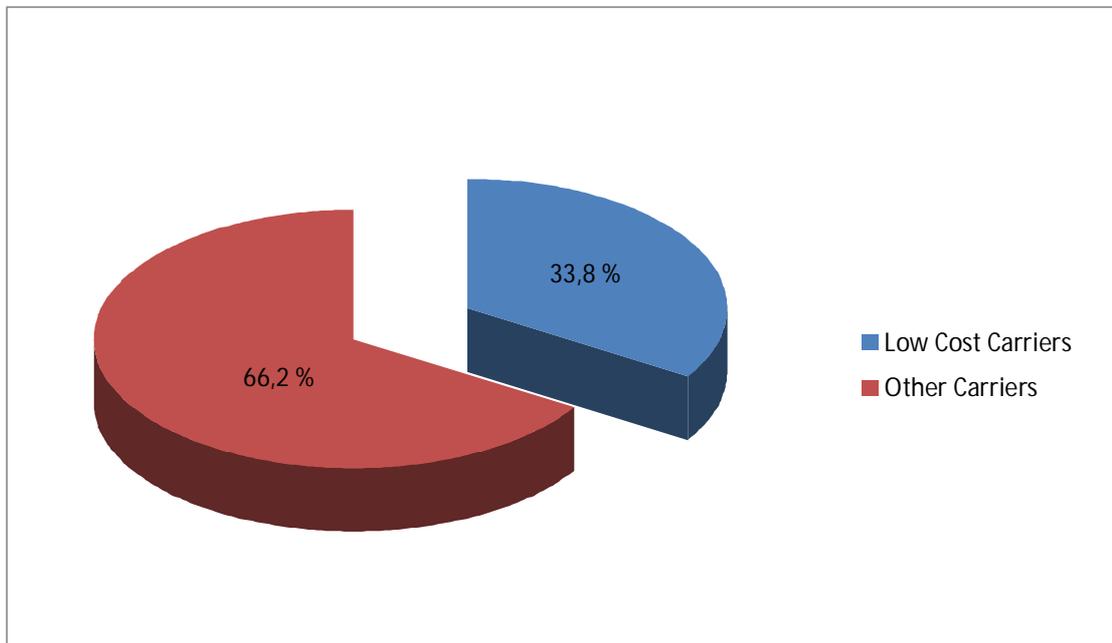
⁴¹ Cf. DUNN 2005



Graph. 5 – European Trends in Air Mobility 2002 - 2009⁴²

In the LCCs market, Italy has a very respectable ranking position: third in Europe for airports, gateways and seats, and second among all countries for number of routes dedicated⁴³.

The already positive European situation appears also more favorable in Italy, where Low Cost Carriers have an even better position compared to other air transports categories, as well-showed in the graph. 6.

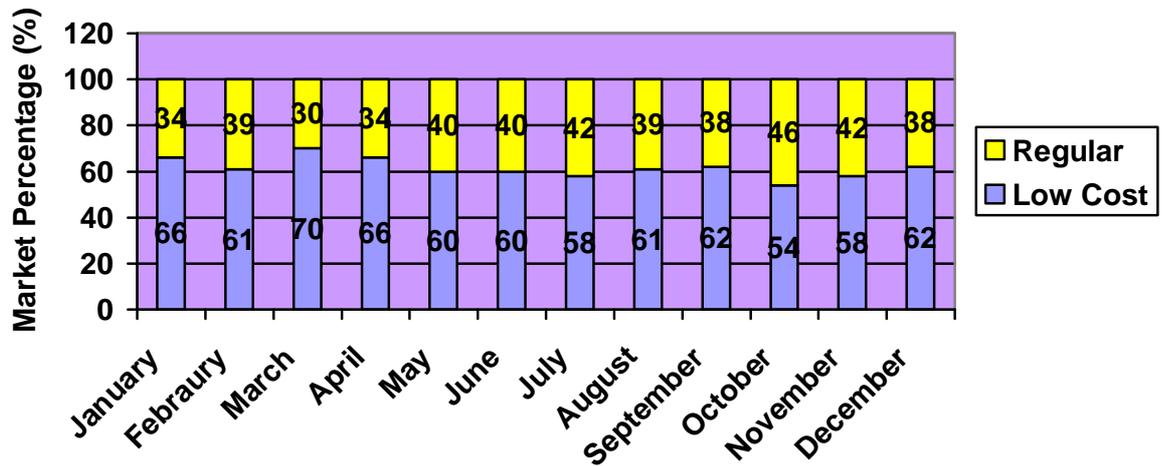


Graph. 6 – Italian Air Passengers Market 2009⁴⁴

⁴² Cf. LOW COST MONITOR 1/2010 2010, p.14

⁴³ Cf. Ibi, p.15

In conclusion, although Italy is not a country with high predisposition to civil flights, and that Italian people statistically prefer other means of transport than airplanes to travel, Low Cost Carriers gain a great importance in the underdeveloped air traffic of the country. This is certified also by the report regarding the activity of Internet booking for Low Cost and Regular Carrier companies during the year 2009, which is showed in the graph. 7.



Graph. 7 – Internet Booking for Airline Companies in Italy during 2009⁴⁵

This situation is a perfect launching pad for new ideas and projects aimed to increase air transport in Italy and innovation in the Low Cost Carriers segment.

5.2. Product Review

In this paragraph the history, the growth, the activities and products of Wind Jet plc are described. The choice of selecting Wind Jet as a reference point for the strategies successively developed in the thesis is here explained and supported by economic and contextual arguments. The positive market increase of the last years for Wind Jet routes is here pointed out through the systematic use of graphs and structured data. Following a first general overview, the Boston Matrix – Product Life Cycle method pictures out the market situation of the company products.

5.2.1. Portfolio

Wind Jet plc is a Low Cost and Charter Airline funded in 2003 by Antonio Pulvirenti, a southern Italian businessman. The company started its business with a fleet of only three

⁴⁴ Cf. DATI DI TRAFFICO DEGLI SCALI ITALIANI 2009 2010, p.53

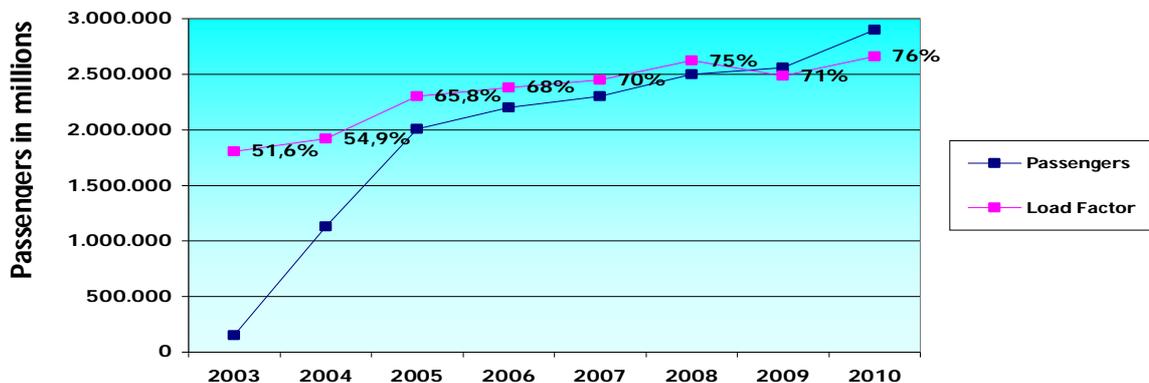
⁴⁵ Cf. ANDAMENTO PRENOTAZIONI 2010

Airbuses A320 (used for merely internal routes), but just one year after its launch had already transported one million passengers. Expanding then its fleet to ten Airbuses, Wind Jet S.p.A. decided in 2006 to open new routes, in particular to Russia and France, strategic hubs for tourism and business.

The crisis of 2008 and 2009 has not deterred its success: the number of passengers increased up to 2.5 million per year, and the company inaugurated new planes (13 in total) and a operative basis in northern Italy (Forli)⁴⁶.

Nowadays the company offers 34 different routes with destinations in 13 different Italian airports, and 21 more across Europe. Wind Jet operates, unique among LCCs, also the second and third most booked route in Italy Rome – Catania and Rome – Palermo⁴⁷. The company also offers a charter service to many Mediterranean countries in Europe, Asia and North Africa⁴⁸: the acclaim of being the most dynamic and expanding company in the national air transport segment, and one of the most promising in Europe, is therefore deserved.

In less than seven years, the young company overcame all other Italian Low Cost Carriers, and in 2009 was positioned directly after Alitalia for market share among national companies⁴⁹. The strong basis and growth of the company has been demonstrated particularly during the difficult years 2008 and 2009: while the crisis brought the segment down to -2.3%, Wind Jet registered a +2.3%. As showed in graph. 7, during the period 2007-2010 Wind Jet has increased the number of flights by 25%, while it is foreseen that in 2010 there will be a +3% increment on the air transport operated.



Graph. 8 – Wind Jet Flights per Year 2003 – 2010 ⁵⁰

⁴⁶ Cf. DEDONI 2010

⁴⁷ Cf. DATI DI TRAFFICO DEGLI SCALI ITALIANI 2009 2010, p.39

⁴⁸ Cf. WIND JET SUMMER 2010 2010, p.2

⁴⁹ Cf. VERGINE 2010

⁵⁰ Cf. WIND JET SUMMER 2010 2010, p.9

Transported passengers are currently heading to the 3,000,000 units, while the load factor, which measures the ratio between the passengers transported per kilometer and the seats available per kilometer⁵¹, after a short decrease in 2009, has now reached the averagely 75% of the plane load capability: this is a high-performing result if we compare it to the one of other airlines across the world, during the same period.

5.2.2. Product Life Circle

The method of the Product Life Circle analysis (Boston Matrix) is very helpful in order to analyze the general trend and position of Wind Jet products/services in the Low Cost Carriers industry. Although recently founded, Wind Jet plc had such an intense increase in passenger transport and traffic, that the company had to quickly abandon the usual first steps of a newborn airline, to begin a more solid and mature business.

In the Boston Matrix of graph. 8, the position of Wind Jet products, which correspond in this case to the different routes offered, is mostly situated either in the "star" or in the "cash cows" panel. True is in fact that, after becoming the largest Italian Low Cost Carrier in 2007, Wind Jet did not flatter its trend and, thanks to its high performances, had become the largest Italian Low Cost Carrier company⁵² and the 13th in the whole low cost European market⁵³ in 2009.

This does not mean that no "problem child" or "dog" panel route is retained from the company, but that in a basically dynamic market as LCCs transport, the policy of a growing and successful company is to let flights either quickly become stars or to replace them by more promising ones.

Launching seasonally several routes, the company capitalizes on market opportunities and enhances its growth trends thanks to the new flights proposed, which help Wind Jet in gaining new passengers. The innovative routes are the next star products of the company and need further investments for their establishment: contracts and agreements with secondary airports and local up-keeping companies, additional aircrafts and personnel engagement are only some of the most common procedures required. The new flights from Pisa to St. Petersburg and Moscow, launched in spring of 2010, are examples of market opportunities of which Wind Jet plc took advantage, establishing the first solid low cost network from Italy to Russia⁵⁴.

⁵¹ Cf. DIZIONARIO ECONOMIA 2010

⁵² Cf. WIND JET RAFFORZA LA SUA BASE DI FORLÌ 2010

⁵³ Cf. LOW COST MONITOR 1/2010 2010, p. 15

⁵⁴ Cf. WIND JET 2010

In order to feed star products, the theory suggests continuous investments⁵⁵: this happens in particular for companies that offer a service. In fact the firm needs to continue positioning at the top of the panel, and have a large market slice as well as a strong growth, if the aim is to preserve its trend curve. In order to do this and still generate a large income, monetary investments are then strictly required.

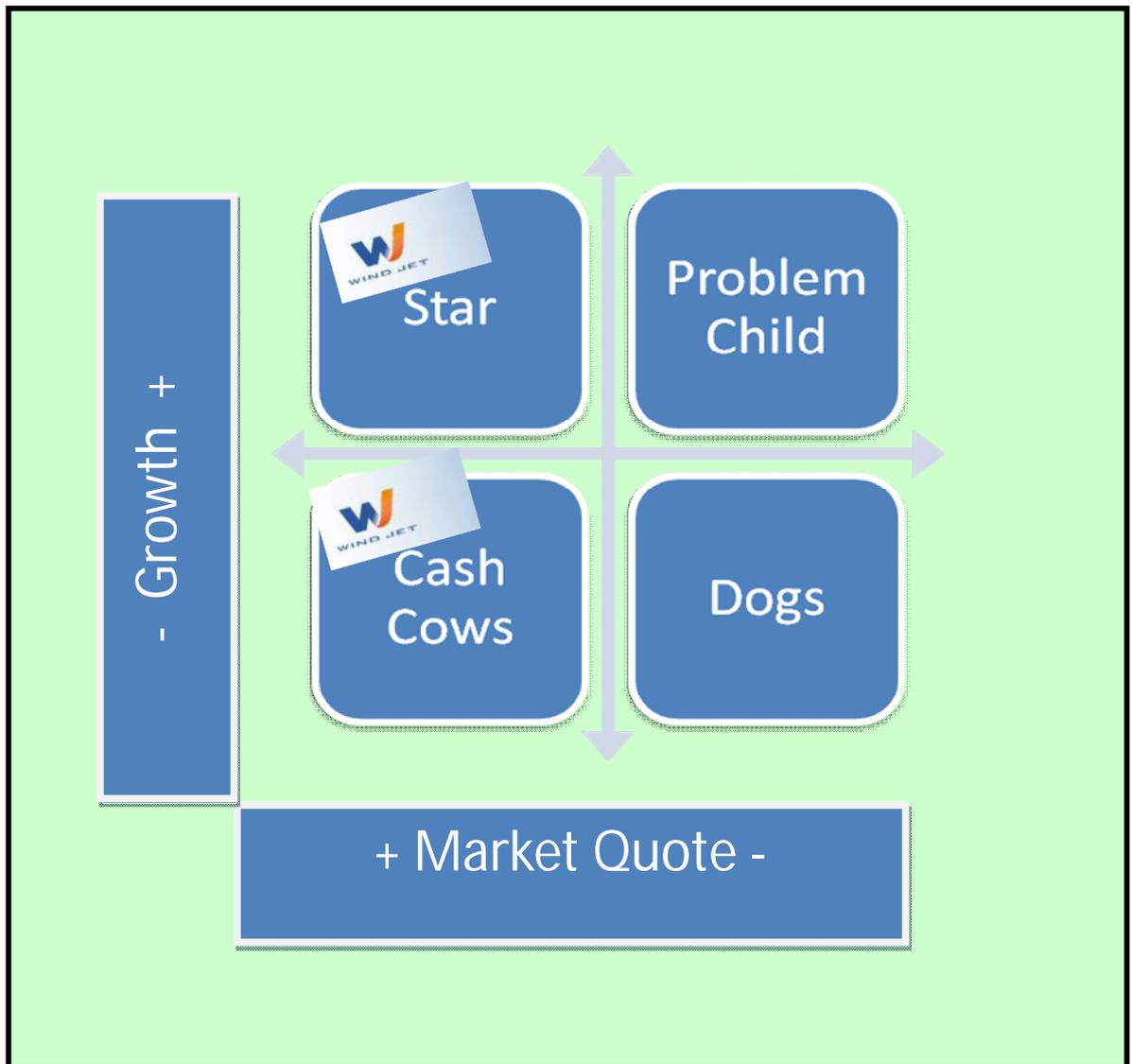
For supporting star flights, Wind Jet plc needs also cash cows routes, that is flights which are still very required, have a relative wide market share but aren't in a growth phase anymore. These routes guarantee the necessary income to sustain the star projects, and allows the company to be funded by relatively constant and safe capitals. A perfect example of this type of routes scheduled by Wind Jet plc are Catania Fontanarossa – Milan, which operates six daily flights, two towards each of the Milan largest airports, and Catania Fontanarossa – Rome Fiumicino, one of the first route established by the company, which counts currently four daily flights⁵⁶.

Star products selves, though particularly brilliant and long lasting, after the growth cycle, start to decrease their positive trend curve, but still maintaining a big share of market: they will become eventually cash cows. Since the European low cost network hardly allows a much higher number of companies and routes, a big issue will be in the future the migration of each successful route to the cash cow panel: this will be an unavoidable consequence of the market saturation.

Thus the only chance for Wind Jet products/routes to longer reach the star positions comes by introducing innovative changes in the service and goods sold or to expand the market self, reaching then new customers and so enhancing its potential.

⁵⁵ Cf. BOSTON-MATRIX 2010

⁵⁶ Cf. WIND JET 2010



Graph. 9 – Wind Jet Boston Matrix

Alternative strategies are thus required in order to determine a protraction of the star positions of the products: the central issue remains how to avoid, in the next years, the progressive saturation of the continental market. It begins then for Wind Jet a phase where ideas, strategic planning and market analysis shall contribute again to the development of new fundamental resources for the company.

5.3. Competition Review

The Low Cost Carriers' business sector is definitely a very unstable one. Prices and tariffs drop lower and lower and new investments are continuously required, as well as new

sponsoring and marketing strategies. The main LCC companies retain the almost totality of the market while many minor companies sprout and fail with high frequency.

As already mentioned, in the Italian market there are only a few companies which are considered important across Europe. In fact the only relevant national Low Cost Airlines are, exception made for Wind Jet, Air Italy plc, Air One (Alitalia – Compagnia Aerea Italiana plc) and Blu-Express (Blu Panorama plc).

Air Italy and Blu-Express have both a small market share, and were launched recently in 2005. They are currently trying, with moderate success, to plan and manage national routes all over the peninsula (Blu-Express operates in the summer too with eight international routes to Spain, Greece, Turkey and France, and in the winter with two routes to Turkey and France)⁵⁷.

Because of their little experience in the low cost market and their rather national approach, they cannot take the role of Wind Jet competitors. Furthermore, analyzing investments and available capitals, it is not possible to formulate any positive trend curve for the future.

Air One is instead a very important national airline. Air One has been for long time, since 1983, a Regular Airline: one of Italy's largest and most powerful competitor of Alitalia. In fact it had been for two decades the second biggest national carrier, until December 2008, when the Alitalia group (where the 25% of the quotes is detained by KLM – Air France) acquired Air One and privatized totally the former stock company.

After two years of reprogramming and differentiation, Air One started its new cycle on 28th March 2010, when it attempted the role of *Smart Carrier* (the definition is given by Alitalia for the new and low cost oriented role taken by the company inside the Alitalia group). The service provided is similar to the one of a Low Cost Carrier, thus taking over routes and tariffs that are complementary to the Alitalia network.

Nevertheless, Air One is not a direct competitor of Wind Jet. The first reason why it is neither possible nor useful to compare the two companies is rather obvious: it's much too early to draw conclusions about the new business and growth skills of Air One.

Air One is in fact recently active again, and has operated flights since not even a year: passenger transport and load factor trend curves for example are not yet available for a statistical overview. The proneness of the company is anyway not international: the routes covered by Air One are in fact mainly in Italy (they connect nine Italian airports and five international ones in the Mediterranean region) and they all start from Milan – Malpensa.

Another obstacle for a direct competition is that the company is property of Alitalia. This means that for Air One is impossible to challenge the mother company and establish then

⁵⁷ Cf. COMPAGNIE AEREE LOW COST 2010

innovative routes, exception made for these that have been allowed. Hence the dependency is structural and is not helpful for Air One's growth which would have had, thanks to a much longer experience in the business than new generation Low Cost Carriers, good opportunities of development.

In conclusion, Wind Jet direct competitors in the Italian market remain, for economical resources, market strategies and fleet potential, only the two largest international Low Cost Carriers companies: EasyJet and Ryanair. Although much more experienced and active in the international field, in the national market they shall compete with the Sicilian airline, which is placed directly after them on the national ranking list as third LCC for market share⁵⁸.

5.3.1. Competitor Analysis

The challenge of Wind Jet involves directly the second and the third Low Cost Carriers in the world: Ryanair and EasyJet. Because of their deep involvement in the national market they are best practice examples and competitors of Wind Jet at the same time. Due to international experience and a leading position in Europe – as well as in the whole world – they could influence and dominate the Italian air passengers traffic. In order to explain and understand successful strategies and strong points of the two companies, it is necessary to analyse both in detail, underlining their most relevant features.

5.3.1.1. EasyJet

EasyJet is a Low Cost Airline based in London Gatwick and launched in 1995. Currently EasyJet offers more than 500 routes, which makes it the second largest Low Cost Airline in Europe⁵⁹. Being specialized in international flights, EasyJet grew by concentrating its routes on holiday locations and, different from other LCC companies, supported its flights with a network of central, well known and fully accessible airports⁶⁰. Environmental sustainability and efficiency in scheduling have also been well-known benchmarks for the company.

EasyJet has been in the Italian market since early 1998 with four international routes. Today EasyJet is the second company in Italy for market quotes and the third carrier in the whole world for number of international passengers carried, around 45,2 million in 2009^{61,62}. A part

⁵⁸ Cf. Chapter 5.2.2, p.21

⁵⁹ Cf. LOW COST MONITOR 1/2010 2010, p. 15

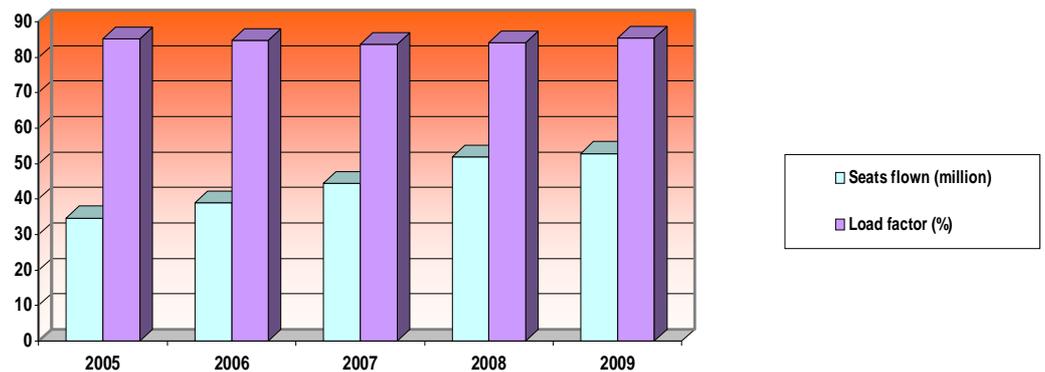
⁶⁰ Cf. EASYJET RAFFORZA LA SUA PRESENZA 2010

⁶¹ Cf. EASYJET – ANNUAL REPORT 2010, p.3

⁶² Cf. EASYJET AIRLINE DETAILS 2010

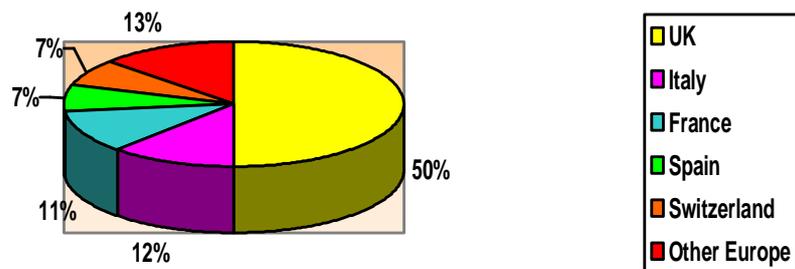
of its large success is also due to Italy: Milan – Malpensa is, because of its strategic importance, the second official base for EasyJet, directly after London Gatwick.

Despite of the financial crisis, 2009 was a particularly positive year for EasyJet. The seats flown have grown to over 52 million and at the same time the load factor had also been increased, as pointed out in the graph. 10.



Graph. 10 – Efficiency and Capacity of EasyJet 2005 - 2009⁶³

As already mentioned, in these last positive years the influence of the Italian market has been decisive for the global trend curve of the company. The number of transported Italian passengers as well as the growth of national EasyJet bases have contributed to its proficient situation. As illustrated in the graph. 11, the slice of Italian passengers reached the 12% of the total UE amount, while the Italian EasyJet bases grew by 77,6% with more passengers, as showed in the graph. 12.

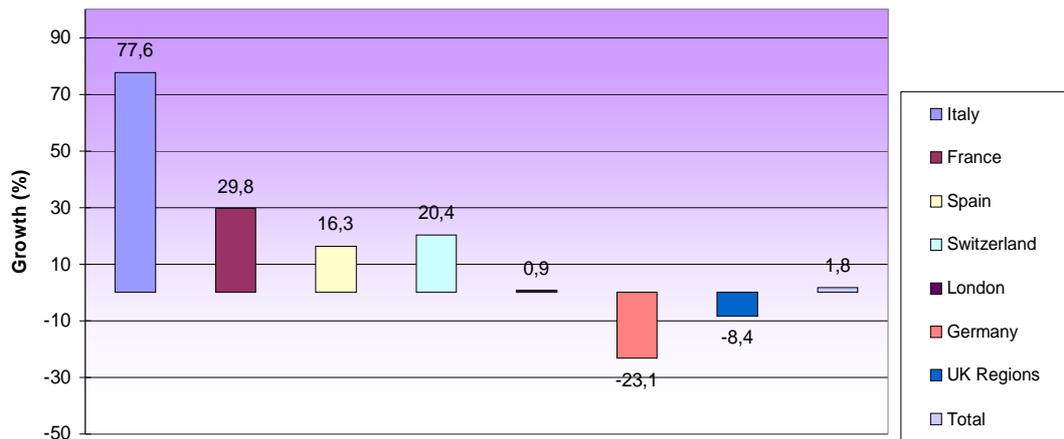


Graph. 11 – Nationality of Passengers by EasyJet in 2009⁶⁴

⁶³ Cf. EASYJET – ANNUAL REPORT 2010, p.4

⁶⁴ Cf. EASYJET – ANNUAL REPORT 2010, p.5

Furthermore, in these last years EasyJet intensified its marketing strategies in Italy. After launching 14 new routes in the whole country for the summer 2010 (and planning four new ones for the autumn), it started a social network campaign named “I love Italia”⁶⁵ in order to involve Facebook’s users in developing and completing EasyJet information and suggestions about Italy and its sightseeing, creating an active community which supports the company.



Graph. 12 – Growth (%) of EasyJet Airport Bases in 2009⁶⁶

In conclusion, all the measures and initiatives taken by the company in Italy seems to underline the key importance of this market for EasyJet's future.

5.3.1.2. Ryanair

Ryanair is the second Low Cost Carrier in the world. Founded in 1985, its important role has been to bring Europe to the American South West Airline model, based on the no frills standard for cheap flights and routes. This new conception competed directly with Regular Airlines and, since 2005, attributed to Ryanair the leadership in the continent of the international passengers transport. Currently it is the biggest Low Cost Carrier and the third airline for transported passengers, in Europe⁶⁷.

The use of smaller and decentralized airports, the lack of free supplementary services, the implementation of online booking and online check-in and a passenger oriented price policy are just some of the innovation brought to Europe by Ryanair. The philosophy of the

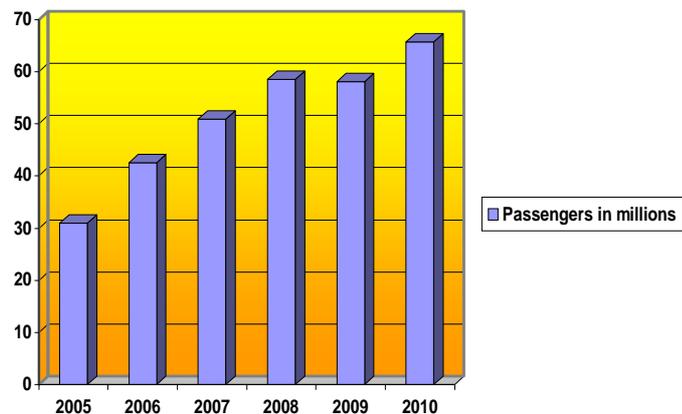
⁶⁵ Cf. EASYJET I LOVE ITALIA 2010

⁶⁶ Cf. EASYJET – ANNUAL REPORT 2010, p.5

⁶⁷ Cf. HISTORY OF RYANAIR 2010

brand is to offer nothing but the essential in every field: this concept has then been adopted by several other Low Cost Carriers all over the world, and brought the company to fly 66.5 million passengers only in 2009, as showed in the graph. 13.

Ryanair has been, thanks also to the Alitalia crisis, the second company in Italy in 2009: the quote of national market hold from the Irish company has been in fact of about 18%⁶⁸. The favorable position has been the result of an investment policy in the country, in conjunction with the financial crisis, which together brought the Italian passengers to enhance Low Cost Carriers bookings.



Graph. 13 – Ryanair Passengers transported 2005 – 2010⁶⁹

During 2010 a problematic situation befell the company, which has been accused of not complying with Italian laws. Ryanair, for safety reasons, decided not to apply the article 35 decree 445/2000 of the president of the Italian Republic, which allows passengers to travel with other authorized personal documents, and not merely with passports or identity cards⁷⁰.

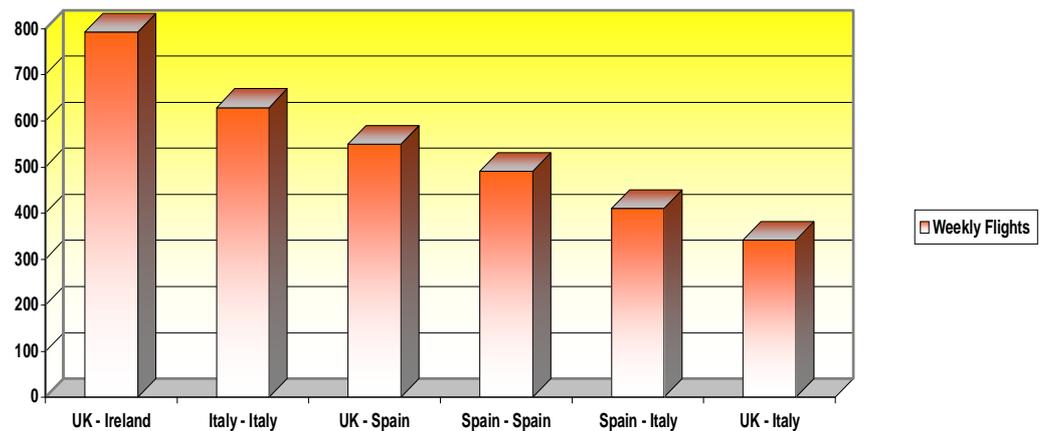
At the end, a compromise was reached, and the Italian market still remained one of the most important for the company, as elucidated in graph. 13: among the first six routes for weekly flights amount operated by the airline, flights to or from Italy occupy even three ranking positions⁷¹.

⁶⁸ Cf. VERGINE 2010

⁶⁹ Cf. RYANAIR HISTORY 2010

⁷⁰ Cf. INFORMATIVA PASSEGGERI RYANAIR 2010

⁷¹ Cf. HISTORY OF RYANAIR 2010



Graph. 14 – Most popular weekly Flights for Ryanair⁷²

Furthermore, in 2010, with the inauguration of five new routes from Milan, Turin and Treviso, Michael O’Leary, the management director of Ryanair, challenged Alitalia as leading company of the country: with 295 routes from and to Italy Ryanair hopes to overcome the national company and fill up the hole let in the market by its crisis, through a particular attention to the national routes.

The Ryanair strategy in Italy bases on the direct opposition to Alitalia by constantly reducing prices and providing a functional, non- bureaucratic, strike-free service. In order to support its operations, the company decided to assign for the whole spring 2010 one million minimal priced seats⁷³.

5.3.2. Wind Jet Benchmarking: Ryanair and EasyJet

Ryanair and EasyJet are far more experienced and internationally structured companies than Wind Jet. Though its positive trend and successful Market strategies, Wind Jet is a newcomer in the Low Cost Carriers market. Internal policies, marketing planning and routes offer of the two companies are more advanced and sophisticated than those of the Italian companies.

A direct comparison among the three companies, their strategies and their different features would surely support Wind Jet in underlining its weak points and refinement sources for the future. At the same time the detection of its strengths and good performance sources would help the Italian company to reinforce its stability on these fields.

⁷² Cf. RYANAIR’S TOP 12 COUNTRY PAIRS 2010

⁷³ Cf. OBIETTIVO RYANAIR, BATTERE ALITALIA 2010

Using the model of the benchmarking analysis, strengths and weaknesses of the airline will be compared through a quantitative method, in order to return definite and comparable values for each feature evaluated. The business of the companies has been subdivided into different categories, which have been then separately considered.

The comparison table has been produced by combining two different ones⁷⁴⁷⁵, used from authors in order to classify and evaluate the quality of airlines. The table has been divided in three main categories, which group together all the structural activities of Low Cost Carriers: product, finance and internal factors. After having compared each category, an evaluation analysis will outline each single characteristic. The scale of the table represents the score and skills showed by the company in this particular sector: the values proposed are 1 – very low, 2 – low, 3 – medium, 4 – high, 5 – very high, with a minimal unit of 0.5 points.

Results obtained in the financial area of the table have been considered proportionally to the business size of the company. Finally, the benchmarking process refers only to the national market, the real competition field of the three companies, and not to the international scenario.

Table I - Benchmarking Table

		Airlines Rating		
		<i>Ryanair</i>	<i>EasyJet</i>	<i>Wind Jet</i>
Product	<i>Fleet</i>	Very High	High	Low
	<i>Passengers transported</i>	Very High	High	Low
	<i>Load Factor</i>	High-Very High	Very High	Medium-High
	<i>Leisure and Assets</i>	Very Low	Low	Low-Very Low
	<i>Price of the Tickets</i>	Very High	High	High
	<i>Fees</i>	Very Low	Medium-High	Medium
	<i>Bases and Routes total</i>	Very High	High	Medium
	<i>Customer Satisfaction –</i>	Medium	Medium	Medium-Low

⁷⁴ Cf. TSAUR/CHANG/YEN 2002, p.113

⁷⁵ Cf. LIANG/CHOU/CHUANG 2010, p.3

	<i>Service Evaluation</i>			
	<i>Routes to and from Italy</i>	Very High	High	Medium
	<i>Flights to and from Italy</i>	High	Medium-High	Medium-Low
Finance	<i>Current Assets</i>	Very High	Low	Medium-Low
	<i>Total Revenues</i>	High	Very High	Low
	<i>Market Share in Italy</i>	High	Medium	Low
	<i>Expenses/Costs</i>	High	Very Low	Low
	<i>Labour/Employees</i>	Very High	Medium	Medium-Low
	<i>Operating Profits b. T.</i>	Very High	Medium-Low	Low
Internal Factors	<i>Consulting and Supporting</i>	Low	Medium	Very Low
	<i>Ability in creating new Passengers</i>	Very High	Very High	Very High
	<i>Ability of developing Processes and Services</i>	Very high	High	Medium
	<i>Online Presence</i>	Low	Medium-High	High
	<i>Advertising Strategies</i>	Low	High	Medium
	<i>Communication</i>	Medium	High-Very High	Very Low
	<i>Corporate Identity</i>	Medium	High	Low
	<i>Transparency</i>	Low	Medium-High	Medium-Low

5.3.2.1. Product

Fleet: Evaluations about aircrafts base on the statistics of the Swiss aviation site CH-Airline.ch⁷⁶. Ryanair and EasyJet have both a modern and large fleet, whose structure can be modified on routes and scheduling by necessity. Ryanair in fact owns 248 Boeings 737 – 800 and EasyJet 176 planes in total: 137 Airbuses A319-100, 24 Airbuses A320-200, 4 Airbuses A 321-200, 8 Boeings 737-700 and 3 Boeings 757-200.

⁷⁶ Cf. CH AVIATION AIRCRAFT 2010

On the contrary, Wind Jet's fleet does not have a sufficient amount of aircrafts with a view to a possible expansion or an increase of routes: the company owns only 12 planes, which are 5 Airbuses A319-100 and 7 Airbuses A320-200.

Passengers transported: In order to maintain the quality and trustworthiness of data, only information from official resources will be reported in this section.

Ryanair : 65.6 million people (31 March 2010)⁷⁷

EasyJet : 45.2 million people (30 September 2009)⁷⁸

Wind Jet : 2.9 million people (1 March 2010)⁷⁹

Load Factor: As already mentioned, the load factor, the ratio among the passengers transported per kilometre and the seats capacity of the fleet is one of the most important values for an airline's report, because it indicates its transport efficiency (in terms of resources, equipment, etc.).

Ryanair : 82% (31 March 2010)⁸⁰

EasyJet : 85% (31 March 2010)⁸¹

Wind Jet: 76% (1 March 2010)⁸²

Leisure and Assets: Referring to leisure, Low Cost Airlines are obviously disadvantaged by comparison with Regular Airlines. The low price of the ticket is often bounded with minimal leisure during the flight. Still, there are remarkable differences among operating LCAs.

The evaluation about Ryanair leisure is very low: the core of the company's policy is the offer the lowest price by reducing and saving any frills possible. Decentralization of airports, great limitations for dimensions and weight of the hand baggage (10 Kg maximal

⁷⁷ Cf. RYANAIR RESULTS 2010 2010, p.1

⁷⁸ Cf. EASYJET – ANNUAL REPORT 2010, p.3

⁷⁹ Cf. WIND JET SUMMER 2010 2010, p.9

⁸⁰ Cf. RYANAIR RESULTS 2010 2010, p.10

⁸¹ Cf. EASYJET HALF YEAR RESULTS 2010 2010, p.3

⁸² Cf. WIND JET SUMMER 2010 2010, p.9

weight hand baggage, 55 x 40 x 20 cm) as well as very scarce comfort of seats⁸³ (length, width, adjustability, personal space) are well-know characteristics of the airline⁸⁴.

If compared with Ryanair, EasyJet's leisure and comfort for passengers appear to be slightly better. In fact, airports utilized by the company are mainly central and close to the metropolitan regions, while the airline requires no limits for hand baggage weight and allows higher measures for hand baggage (56x45x25cm)⁸⁵, together with the offer of more comfortable seats⁸⁶.

Wind Jet is instead far more similar to Ryanair than EasyJet in this respect. Conditions and comfort during the flight are in fact very low (10 kg is the maximal weight of hand baggage, 55x35x25 the measures and they offer often old and small seats) although the airports used are more central than in Ryanair's case.⁸⁷

Price of the Tickets: Low Cost Airlines are, by definition, basing their service on a very convincing policy. The price of the flight is, though without frills, what guarantees the success to this branch of the air passengers transport. In order to compare the cost of the tickets, it has been decided to analyse the prices of a single flight of the same route during an entire month, and to evaluate the average expense. The route which has been selected, the only covered by all the three companies, is the Milan – Palermo one. Although the Milan airports in which the companies operate are different (Milan Linate – Wind Jet, Milan Malpensa – EasyJet, Milan Orio al Serio – Ryanair), the target group and passengers are about from the same geographical area.

Analysing on Thursday 15th July 2010 the prices for booking a single flight to Palermo on each day of the entire month of August, the mathematical average of the costs of the tickets correspond to 85.33€ for EasyJet, the exact same amount for Wind Jet, and 8.13€ average less for Ryanair – 77.19€

Particularly interesting is the complete coincidence between the EasyJet's and Wind Jet's average price, a situation which can stimulate further analyses. In this context nevertheless, prices offered by the two companies are differently distributed: whereas Wind Jet has its highest tariff of 180.87 Euros on 1st of August and its lowest of 33.87 Euros (i.e. amongst others on 26th of August), EasyJet offers 173.99€ as highest on 7th of August and 20.99€ as minimal amongst others on 31st August. Summing up, EasyJet price strategy is to group together some very economical tickets, offering also some non- competitive ones, while

⁸³ Cf. SEATGURU 2010

⁸⁴ Cf. RYANAIR – TERMS AND CONDITIONS 2010

⁸⁵ Cf. EASYJET – TERMS AND CONDITIONS 2010

⁸⁶ Cf. SEATGURU 2010

⁸⁷ Cf. WIND JET – TERMS AND CONDITIONS 2010

Wind Jet prefers to flatter the discrepancies on its prices. Ryanair's average price for tickets is instead 77.19€, and confirms Ryanair as the most convenient airline. The company, similarly to EasyJet, have a consistent difference in ticket prices and offers also many undervalued tickets, which reach the modest price of 20.91€ as minimum (i.e. amongst others on 23rd of August).

Nevertheless, it is important to know that airport taxes paid by Ryanair are lower if compared with these of the other two companies, merely because of the unfavourable position of the airport used to serve Milan (which is in Orio al Serio, Bergamo).

Fees: Ryanair's fees are clearly the highest of the three companies. Furthermore, it is very difficult to access refunds by Ryanair: the company decided to subscribe the minimal UE directive 261/2004⁸⁸, which guarantees a complete reimbursement only in case of external causes to the delay or cancellation of the flight. At the same time, Ryanair let passengers pay 15€ for a 15 Kg baggage⁸⁹ (20€ in July and August), 20€ for each exceeding kilogram, 40€ for each musical or sports equipment and finally 35€ for scheduling modification of the ticket, while 100€ for a change of nominative.

Check-in fee is 5€ if made online, while 40€ at the airport. All prices increase by 10%-50% if the acquisitions or modifications are made through call-centres or directly at the airport desk. Costs of the insurance for the selected route (Milan – Palermo) are of 16.50€⁹⁰. On the whole, Ryanair charges are evaluated high and so, their score on the table is very low.

EasyJet fees are instead lighter than those of the Irish company. Refunds are also allowed mainly for the cases described in the UE directive 261/2004⁹¹, but under certain conditions as extraordinary cancellation (familiar mourning), a reimbursement is possible. Costs for baggage are lower by EasyJet: 11€ for a 20kg baggage and 12€ for each extra kilo⁹². Musical equipment, under certain restrictions (30x117x38 cm), can be transported without any fee on the plane, while sports equipment costs 35€ for each piece of it. Routes modification as well as each additional change on the ticket will cost only 30€, inclusive for nominative; furthermore there is no extra-fee for the check-in operation if made at the airport.

Generally speaking, a lower amount of services cost extra-fees if required to the call centres/at the company's desk instead of online; however where a difference is made, price variations are still high, but not excessive. Costs of the insurance for the selected route is

⁸⁸ Cf. REGOLAMENTO UE 261/2004 2010

⁸⁹ Cf. RYANAIR – TERMS AND CONDITIONS 2010

⁹⁰ Cf. RYANAIR TABLE OF FEES 2010

⁹¹ Cf. REGOLAMENTO UE 261/2004 2010, p.5

⁹² Cf. EASYJET – BAGGAGE 2010

just 9.99€⁹³. EasyJet fees are then, on the whole, quite indulgent and so evaluated at a medium-high level.

Wind Jet's reimbursement policy is also minimal and in complete agreement with the European rights of the passenger⁹⁵. The price for baggage is very cheap if compared to the other airlines: up to 20kg for 7€, and 10€ fee for each kilogram extra. Furthermore, routes to France and Russia do not have to pay these costs, and baggage can be transported for free. For sports equipment and musical instruments the tariff is 30€, with some incremental charges for particular ones. Modifications on ticket details will be paid 30€, while changes on the nominative will be paid 40€. Check-in costs 3€ extra if made online, but entails no-fee if made through the Wind Jet's desk at the airport. There are not many extra or optional services offered online by the company, nevertheless the only possibility of selecting most of them is through a specific request to the call-centre service⁹⁶. Costs of the insurance for the selected route is 15.60€. In conclusion Wind Jet offers price advantages in several fields and, although requiring call-centres to select several options, for the average user, fees paid reach a medium level.

Bases and Routes total :

Ryanair : 1.100+ Routes, 115 Airports, 43 Bases (31 March 2010)⁹⁷

EasyJet : 400+ Routes, 114 Airports, 20 Bases (31 March 2010)⁹⁸

Wind Jet : 86 Routes, 36 Airports, 3 Bases (1 March 2010)⁹⁹

Customer Satisfaction – Service Evaluation: In order to compare the customer satisfaction for the different companies, three Internet portals of airlines ratings and reviewing have been consulted.

The first two airline communities selected are the Italian Qviaggi.it¹⁰⁰ and Ciao!.it¹⁰¹. The reason why such web pages have been involved in the customer satisfaction analysis is the particular importance which takes the Italian market in this competition. The third

⁹³ Cf. EASYJET – TERMS AND CONDITIONS 2010

⁹⁴ Cf. EASYJET – REGULATIONS 2010

⁹⁵ Cf. REGOLAMENTO UE 261/2004 2010

⁹⁶ Cf. WIND JET – TERMS AND CONDITIONS 2010

⁹⁷ Cf. RYANAIR – QUARTER 1 RESULTS 2010, p. 6

⁹⁸ Cf. EASYJET - ANNUAL REPORT 2010, pp. 4-5

⁹⁹ Cf. WIND JET – DESTINAZIONI 2010

¹⁰⁰ Cf. QVIAGGI 2010

¹⁰¹ Cf. CIAO! 2010

evaluated website is a British portal, which avails one of the most popular and precise airline rating system: Airlinequality.com¹⁰². The average score of the three websites is reported on the table as evaluation.

Ryanair average result is 3/5. Evaluations and judgements of Qviaggi.it, Ciao!.it and Airlinequality.com are similar in this case: as main provider of the no frills concept, many passengers like it and many other detest it. Although general ratings have been on a medium level (Airlinequality.com = 2/5, Qviaggi.it = 3/5 and Ciao!.it = 4/5), if we analyse single comments and reviews, we encounter few average ratings, whereas many are either extremely positive or extremely negative. The cause of such opposite evaluations appears to be the price and efficiency, on the positive ratings' side, set against the additional and unexpected fees, the total lack of comfort, the distance to the airports, the difficulties of reimbursements and the low flexibility of the company on the other side.

EasyJet obtains eventually the same general evaluation as Ryanair, 3/5. EasyJet becomes in fact a moderate rating from the three web sites: Airlinequality.com decides for 3/5, Ciao!.it for 3.5/5 and Qviaggi.it for 2.5/5. As for Ryanair, reviews and evaluation are quite varied and with several peaks. Usual problems of the users with the company are the no frills flights, the lack of personnel and the internal disorganization of the company, which appears not to be completely trustful in several situations; furthermore, extra-services for catering seem not to be excellent. Among the positive characteristics of the company there is a modern fleet, manner of the personnel, refunds by cancellations and delays, interesting routes and no weight limits for hand baggage as well as use of central and accessible airports.

Wind Jet becomes the lowest rating among the three companies (2.5/5), with the evaluations of Qviaggi.it = 2, Ciao!.it = 2.5 and Airlinequality.com = 3. Judgements of users are, generally speaking, not very positive for this company, which does not become many high ratings. Behaviour of the on-ground and on-board personnel, difficulties in contacting call centres for information and services, low level of partner companies (hotels, taxi agencies, etc.), delays on scheduling and cleanliness conditions of the planes are the most evident weaknesses of the company. Strengths are instead: transparency of the ticket booking operations (the value displayed is directly the total amount, inclusive of extra payments and taxes), very convenient prices, possibility of call centres and airport desks for procedures without any extra fee, baggage transport moderate costs and tolerant regulation as well as innovative and interesting routes proposed.

Routes to and from Italy: In this section the routes offered from each of the three companies have been analysed and observed during the period of July 2010, with special

¹⁰²Cf. AIRQUALITY 2010

attention paid to the Italian network. Because LCAs propose also alternative targets and secondary airports, the number of destinations are usually higher than for Regular Carriers.

Ryanair routes – from or to Italy – have bases on the 23 airports of Alghero, Ancona, Bari, Bergamo, Bologna, Brescia, Brindisi, Cagliari, Cuneo, Genova, Lamezia Terme, Palermo, Parma, Perugia, Pescara, Pisa, Rimini, Rome – Ciampino, Turin, Trapani, Trieste, Venice – Treviso, Verona. The 323 available routes connect, thanks to the large network of the company, all the major Italian cities to the whole of Europe. Ryanair's bases are often in secondary airports, and they usually link areas which would not be otherwise served by other international airline companies. The result is a wide proposal of non-conventional routes, which are peripheral to main cities, but nearer to alternative metropolitan areas¹⁰³.

EasyJet routes from and to Italy are instead 108. Italian cities which are served by this airline are Bari, Brindisi, Cagliari, Catania, Lamezia Terme, Milan (Linate and Malpensa), Naples, Palermo, Pisa, Rome (Ciampino and Fiumicino) Turin and Venice. Hence, the total amount of Italian bases for the company is 14. EasyJet flights link the largest airports of different areas, and are thus very comfortable in order to reach main and capital cities. Furthermore, being that the airports very close to the metropolitan areas, they do not often need coach services to be reached¹⁰⁴.

Wind Jet operates in 14 different Italian airports: Bergamo, Catania, Forlí, Lampedusa, Milan (Linate and Malpensa), Olbia, Palermo, Parma, Pisa, Rome Fiumicino, Turin, Venice, Verona. The complete number of routes from and to Italy is 53. The strategy of Wind Jet is wide-ranging: in some cases (i.e. Rome – Fiumicino, Milan – Malpensa, etc.) larger and central airports are preferred, in others (Forlí, Pisa, Parma) smaller and peripheral airports are used¹⁰⁵.

Flights to and from Italy: In this sector, the routes to and from Italy have been analysed through the frequency of weekly flights hosted. Obviously structure of airports, period of the year and prices determine the amount of flights, which has been reported during July 2010. For the reason that LCC companies plan a maximal capitalization of their aircrafts, the flight frequency will be on average higher than for Regular Airlines.

Ryanair leads in this field a varied policy. In fact the company decided to schedule up to three flights a day for the most popular routes (i.e. Milan Orio al Serio – London Stansted, Milan Orio al Serio – Barcellona Girona, etc.) while the frequency decreases down to only two flights a week for some peripheral airports (i.e. Brindisi – Eindhoven, Alghero – Billund)¹⁰⁶.

¹⁰³ Cf. RYANAIR 2010

¹⁰⁴ Cf. EASYJET 2010

¹⁰⁵ Cf. WIND JET 2010

¹⁰⁶ Cf. RYANAIR 2010

EasyJet offers on the other hand fewer flights than Ryanair: although an exception is made from the route Milan Malpensa – London Gatwick (that is the most popular route, which links the two principal hubs of the company four times a day), for highly preferred routes as Milan Malpensa – Paris Charles de Gaulle or Rome Fiumicino – Barcelona the company offers daily only two flights. As already seen on Ryanair flights-plan, non- popular routes as Cagliari – Basel or Brindisi – Geneva have only two flights per week available¹⁰⁷.

Wind Jet offers a maximum of two flights a day between its hubs Forlì – Catania and four a day from the two central airports of Milan to Catania (that is two from Linate and two from Malpensa), while between the peripheral airports, i.e. Marseille – Palermo or Nantes – Palermo, there is only one flight a week at disposal¹⁰⁸.

5.3.2.2. Finance

Current Assets (millions):

Evaluated in proportion to the total Revenues (%).

Ryanair : 1,513.8 €⁰⁹ (31 March 2010) – 50.7%

EasyJet : 408.3 €¹⁰ (31 March 2010) ¹¹¹ – 12.76%

Wind Jet : 34.8 €¹² (31 December 2008) – 14.9%

Total Revenues (millions):

Ryanair : 2,988 €¹³ (31 March 2009 – 31 March 2010)

EasyJet : 3,200.73 €¹⁴ (30 September 2008 – 30 September 2009)¹¹⁵

Wind Jet : 223.33 €¹⁶ (01 Januar 2008 – 31 December 2008)

Market Share in Italy :

¹⁰⁷ Cf. EASYJET 2010

¹⁰⁸ Cf. WIND JET 2010

¹⁰⁹ Cf. RYANAIR RESULTS 2010 2010, p.4

¹¹⁰ Converted £ -> € on 23rd July 2010, 1 € = 0.834717.

¹¹¹ Cf. EASYJET HALF-YEAR- RESULTS 2010, pp. 14-15

¹¹² Cf. CATANIA UNIVERSITY 2010, p.1

¹¹³ Cf. RYANAIR RESULTS 2010 2010, p.1

¹¹⁴ Converted £ -> € on 23rd July 2010, 1 € = 0.834717.

¹¹⁵ Cf. EASYJET – RESULTS UNTIL SEPTEMBER 2009 2010, p.23

¹¹⁶ Cf. CATANIA UNIVERSITY 2010, p.1

Ryanair : 18.20 %¹¹⁷

EasyJet : 10.50%¹¹⁸

Wind Jet : 1.97%¹¹⁹

Expenses/Costs (millions)¹²⁰: Evaluated in proportion to the total Revenues (%).

Ryanair : 2,633.6 €²¹ (31 March 2009 – 31 March 2010) – 88.1%

EasyJet : 3,103.68 €²² (30 September 2008 – 30 September 2009)¹²³ – 97%

Wind Jet : 208.94 €²⁴ (01 Januar 2008 – 31 December 2008) – 93.6%

Labour/Employees: Labour and Employees evaluation concerns **the ratio** between the financial size of the company and the employees working. Airlines where automatic management systems as well as interactive online resources are implemented, avail themselves of various services without requiring a large amount of personnel.

Ryanair: 7,168 (23 July 2010)¹²⁵

EasyJet: 6,666 (30 September 2009)¹²⁶

Wind Jet: 500 (1 March 2010)¹²⁷

Operating Profits (Loss) before Taxes (millions): Evaluated in proportion to the Costs (%).

Ryanair : 341.0 €(31 March 2009 – 31 March 2010)¹²⁸ – 12.9%

¹¹⁷ Cf. VERGINE 2010

¹¹⁸ Cf. Ibidem

¹¹⁹ Cf. WIND JET SUMMER 2010 2010, p.9

¹²⁰ Costs and Expenses to obtain the Operating Profit.

¹²¹ Cf. RYANAIR RESULTS 2010 2010, p.5

¹²² Converted £ -> € on 23rd July 2010, 1 € = 0.834717

¹²³ Cf. EASYJET – RESULTS UNTIL SEPTEMBER 2009 2010, p. 14, 23

¹²⁴ Cf. CATANIA UNIVERSITY 2010, p. 1

¹²⁵ Cf. RYANAIR – VISUAL FINANCIAL 2010

¹²⁶ Cf. EASYJET – ANNUAL REPORT 2010, p. 33

¹²⁷ Cf. WIND JET SUMMER 2010 2010, p. 4

¹²⁸ Cf. RYANAIR RESULTS 2010 2010, p. 5

EasyJet : 54.7 €²⁹(30 September 2008 – 30 September 2009)¹³⁰ – 1.76%

Wind Jet : 1.91 €³¹ (01 January 2008 – 31 December 2008) – 0.9%

5.3.2.3. Internal Factors

Consulting and Supporting: This field refers to all facilities, communication lines and help of which the passengers can make use for problems and support, e.g. modification of tickets or simple questions about the flights. In order to perform this evaluation, user communities of air passengers and companies' home pages have been retrieved and analysed. In fact several messages and opinions posted in the Internet portals Qviaggi.it¹³² and Ciao!.it¹³³ have been carefully organized in order to structure a precise rating.

The website of Ryanair contains a very clear explanation for each process and service available for the flights. Various problems and questions are grouped by topic and each one of them has been clearly answered by the company. Tables and summaries let different paragraphs being clearer understood by readers.

Ryanair's call-centres are long open (09:00 – 19:00 CET Mon-Sat, 09:00 – 17:00 CET on Sunday) and are differentiated on two different priority status. The low priority call centres cost in Italy 0.24€ per call + 0.96€ per minute while the high priority ones cost 0.12€ + 1.20€ per minute¹³⁴.

Assistance and information for customers is possible through the link to the email address given by the confirmation of booking. No free and direct passengers support will be shared by the Ryanair website to the users, before this moment.

User's opinions of Ryanair's support and consulting system is mainly not positive: although the preparation and the informative skills of the on-board and on-ground personnel is admired and well-accepted, the call centre function is often seen as a very expensive and low-efficient service. In fact, the low-priority call centre frequently does not answer to the calls, and all modifications to the ticket through this service will be very expensive to the customer. At the same time, the organisation of the website, although very aged, is functional to help users' usual troubles.

¹²⁹ Converted £ -> € on 23rd July 2010, 1 £ = 0.834717.

¹³⁰ Cf. EASYJET – RESULTS UNTIL SEPTEMBER 2009 2010, pp. 24-25

¹³¹ Cf. CATANIA UNIVERSITY 2010 , p.1

¹³² Cf. QVIAGGI 2010

¹³³ Cf. CIAO! 2010

¹³⁴ Cf. RYANAIR 2010

EasyJet is, even more than Ryanair, structured through the website design to help and support its customers. Small and internally-run surveys will check the efficiency of the answers given in the FAQ, while an entire amount of recent publication and constantly updated data show the detailed profile of this company. Email addresses for support are openly posted and each detail of the flight operations is well-described.

Call centres of EasyJet are open, i.e. in summer 2010 for Italy (timetables are different for each country), every day from 09.00 until 05.00 CET, and the cost of a call is 0.30€ pro minute¹³⁵.

In airline forums, EasyJet consulting and support services has been evaluated as averagely good: call centres are economical and functional, and its webpage is informative. At the same time, ground-personnel have not been evaluated as fine and the air staff is often not able to inform the passengers in languages other than English.

Wind Jet FAQ service is not as detailed as those of Ryanair and EasyJet. Furthermore, terms and conditions for booking a ticket are not clearly exposed and are written in a small font: the user is not enticed to read them. Information in the website is not detailed, and the structure and organization links of the company end with an email address, without any proper explanation. Small forms provided by the website are the only way to contact the company about flight information via Internet.

Call centres costs are also very expensive: 0.12€ + 0.96€ per minute. The timetable is nevertheless relatively good: Mon-Fri 08.00 – 21.00, Sat 09.00 – 20.00 CET¹³⁶.

Users' opinions about Wind Jet's information and consulting system is very poor: many customers did not receive adequate support concerning delays, cancellations and similar issues from the personnel on-ground. At the same time the very expensive call-centres often do not answers within a reasonable time to phone calls, which are long queuing in the waiting list, while emails sent to the company mostly do not receive any answer.

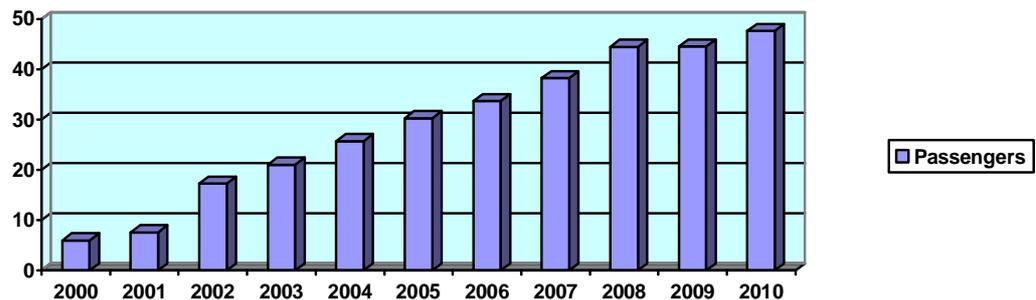
Ability in creating new Passengers: As showed in the following graphic, though the economic crisis Ryanair maintained a constant growth in passengers transport: the increase

¹³⁵ Cf. EASYJET 2010

¹³⁶ Cf. WIND JET 2010

appears to be higher and higher year after year, as underlined in the graph. 13. On the whole 69.23 millions passengers have been transported until June 2010¹³⁷.

Also EasyJet has showed, as Ryanair, a high growth ratio on the number of passengers transported. As pointed out in the graph 15, in the last 12 months about 47.63 million people have flown with the company, and the number is increasing regularly since the foundation of the company.



Graph. 15 – EasyJet transported Passengers 2000 - 2010^{138 139}

Like both other companies, Wind Jet grew constantly over the last ten years. As pointed out in the graph. 8, the amount of the passengers transported in the last twelve months is about 2.9 millions.

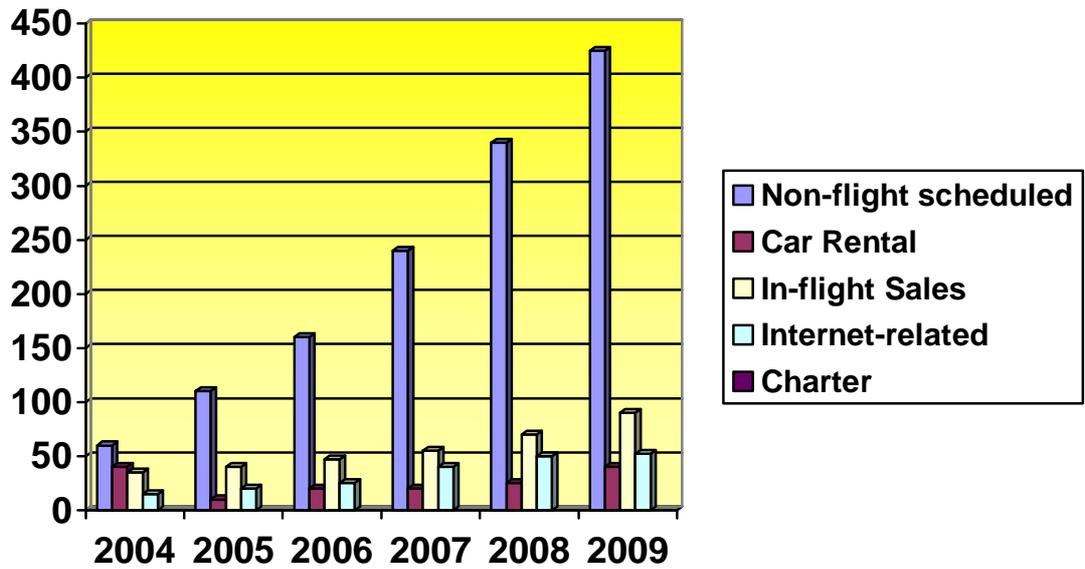
In conclusion, as shown in the graphs and confirmed by data, the low cost market is still generally expanding, in such a way that allows an increase of passengers for all the three companies.

Ability of developing Processes and Services: Ryanair, following the no frills philosophy, anticipated and caused huge transformations in the airline industry of the whole Europe: many companies tried to follow Ryanair in this new field, while other tried to contrast this process. Although Ryanair models itself after South West Airline, its strength has been to readapt its concept for the European customers. Ryanair adopted, first, ancillary revenues as source of alternative income, which have been then increasing steadily, as showed in the graph. 14.

¹³⁷ Cf. RYANAIR HISTORY 2010

¹³⁸ Cf. EASYJET – PASSENGER STATISTICS 2010

¹³⁹ Cf. EASYJET TRAFFIC 2010



Graph. 16 - Ancillary Revenues for Ryanair 2004-2009 (in millions)¹⁴⁰

The distribution of travel related services through the Internet (with local partners for hotels, insurances, coach – service to the airport, etc.) as well as merchandising, distribution during the flight of catalogues, food and beverage, continuous repetition of advertisements from the cabin and percent of sales income distributed to the crew are some innovative factors of the Ryanair’s selling policy¹⁴¹. A list of these secondary activities of the company is provided by the *table II* here below.

*Table II – Ryanair ancillary Revenues*¹⁴²

Travel Related Services	<ul style="list-style-type: none"> • Activity Packages • Airport Lounges • Airport Motor Coach Transfers • Airport Parking • Car Rental • Hostel Booking • Hotel Booking
------------------------------------	---

¹⁴⁰ Cf. RYANAIR – ANCILLARY REVENUE AS A BUSINESS STRATEGY 2010

¹⁴¹ Cf. RYANAIR – THE GODFATHER OF ANCILLARY REVENUE 2010

¹⁴² Cf. Ibi, p.4

	<ul style="list-style-type: none"> • PortAventura Resorts, Theme Park and Hotels • Stansted Express Train • Tours and Activities
Consumer Services	<ul style="list-style-type: none"> • Foreign Currency Exchange • Home Insurance • Life Assurance • Overseas Property, Vacation Home Sales • Ryanair Mastercard • Travel Insurance
Entertainment	<ul style="list-style-type: none"> • Online Gaming • Scratch and Win Cards to buy • Tickets for Theatre, Concerts and Sports
Retail	<ul style="list-style-type: none"> • Buy as You Fly Online Catalogue
Paid Advertising	<ul style="list-style-type: none"> • Destination Advertising • Travel Guides

In addition, other on-board services such as priority boarding, larger seats for comfort, tariffs for newborn babies – under two years – have also been launched in Europe by Ryanair in the last decade. For 2010, there are two novelties foreseen: 1€ fee for toilets on board and low cost standing seats (for less than one hour flights, paying a ticket of only 4€)¹⁴³.

Ryanair has been for a long time leader in the European low cost market, and this position has been protracted year after year. EasyJet has often adopted similar policies to Ryanair, but as follower in the business, this company has been certainly less innovative.

Nevertheless, some services have been first launched from the English company, as special tariffs for airport lounges, also because operating in larger airports than Ryanair¹⁴⁴. The company also decided first to enter social networks with groups dedicated¹⁴⁵ (i.e. “I love

¹⁴³ Cf. MASSEY 2010

¹⁴⁴ Cf. EASYJET 2010

¹⁴⁵ Cf. EASYJET I LOVE ITALIA 2010

Italia”), in order to provide further information to travellers who are flying to a specific destination. EasyJet also offers a facilities search-engine which links hotels, camping places, auto rental and service related to a precise route or geographical area.

Wind Jet has adopted too the strategy of ancillary revenues and the inclusion in the business of partnerships with whom to increase revenues reciprocally: nevertheless outsourced services are till now covering only cars, hotels, parking areas and taxies¹⁴⁶; anyway sales policies and extra-payment services during the flights are similar to the one proposed by Ryanair and EasyJet.

Online Presence: The no frills philosophy of Ryanair is well-spread and diffused in each field of the company’s activity. The webpage of Ryanair perfectly embodies this Low Cost Carriers’ attitude: the layout is old and not updated, information and links are overwhelming, usability is very low¹⁴⁷. The user is asked here to notice and find, in the chaotic amount of links and advertisements, important fields in order to complete the booking process. The information given about the company is not clearly differentiated from that about business partners (taxi companies, hotel booking, etc.). However the webpage is daily updated and the information contained is recent. In order to save costs on personnel, Ryanair encourages customers to use as much as possible online procedures as web check-in, feedbacks, booking and tickets’ modification¹⁴⁸.

EasyJet webpage’s layout and functionalities are also not really recent, but the first impression of the user is better than in Ryanair’s case. Advertisements are also quite a lot but the overview is clear and orientating in the website is pretty easy. A distinction among pointless or redundant information and essential steps for the booking process is made clear: through different images and lay-out, services operated by partners or by EasyJet are well-recognizable. The content of the website is furthermore updated and information is refreshed daily. EasyJet promotes a policy of computerizing the user too: this would also help in saving part of EasyJet capitals directed to personnel¹⁴⁹.

Wind Jet website’s lay-out is simple but efficient and pleasant: the user can easily orientate in the portal. In fact the not excessive advertisement and the simplicity of the structure guarantees a successful exploration by the user. The horizontal menus of the webpage, for

¹⁴⁶ Cf. WIND JET – PARTNERS 2010

¹⁴⁷ Cf. HERAGHTY 2010

¹⁴⁸ Cf. RYANAIR 2010

¹⁴⁹ Cf. EASYJET 2010

example, does not overlay other information or partner companies links. The booking process in this site is easier than for the other two companies and the customer is automatically informed about the total price of the booking (and not only on partial costs). Partner and advertisement links are well divided from the main informative content, and each field of the menu is properly structured in a functional way. Although many services are still usually managed by call centres, the check-in online is here possible and a FAQ area as well as a small communication channel between the user and the company are provided¹⁵⁰.

Advertising Strategies: Advertisement is one of the most productive and important business sectors for Ryanair, which sells a large part of its airplanes surface and interiors to advertising companies: even the sick bags for passengers are often covered by advertising images. During the flights, the cabin crew plays for the whole duration commercials and purchase proposals on the loudspeakers, while magazines provided by the company on the back of the seats are full of advertisements¹⁵¹. On the webpage not only e-banners of Ryanair itself but also links to partner agencies and companies are published: as a consequence customers are overwhelmed by advertisements. Ryanair also realizes its own commercials and advertisement campaigns, and has recently established a partnership with one of the largest advertisement agencies of the world, WebAds¹⁵².

EasyJet is, Ryanair alike, very focussed on advertisement activities. Not only magazines and selling products are advertised in their planes: EasyJet sponsors also its own website on the fuselage external of each airplane. The attention of EasyJet is in fact not only focussed on selling of its own space to other business activities: the airline designs many placards to expose on big cities or nearby metro stations too¹⁵³.

Advertisement on EasyJet website refers, in the main pages, merely to services offered from the company itself. Its own ads as well as those proposed from external companies are well structured, not overwhelming and still acceptable for the usability of the pages. EasyJet currently has a partnership in advertising and communication strategies in Italy with the important agency AIDA Ltd¹⁵⁴.

¹⁵⁰ Cf. WIND JET -- PARTNERS 2010

¹⁵¹ Cf. RYANAIR – THE GODFATHER OF ANCILLARY REVENUE 2010, p. 6

¹⁵² Cf. RYANAIR – NEWS RELEASE 2010

¹⁵³ Cf. PUBBLICITÀ EASYJET A TORINO 2010

¹⁵⁴ Cf. AIDAPARTNERS 2010

Wind Jet sells actively advertisement space on its planes, flights and magazines but, being the air company not as well-known as the others two, most of the offered space is still advertisement – free or occupied just by own campaigns. The company's offers for ads and commercials are managed from its partner ZigZag Ltd¹⁵⁵. As already mentioned, advertisements and banners are not numerous on the airline's website and are not overwhelming the user; moreover most of them are sponsored by the company self.

Communication: Announcements, communications and press releases are regularly updated on the Ryanair's website. Users are then well informed about the organization, the components, the history and each important field of the Ryanair's public domain. Contents of the site are complete, well subdivided and presented in a structured way, although they are not easily reachable from the user because of the scarce pages overview and bad layout.

Furthermore there isn't, on the website, any main channel where to publish important news: users should find the predisposed area in order to discover problems, delays or flight cancellations¹⁵⁶. As already mentioned, call-centres and information services of Ryanair are not often available^{157 158} and waiting times are extremely long.

EasyJet communication channels are, generally speaking, quite good. The establishment of social network's groups, diffused advertisements and the press releases about EasyJet's fair and more advanced environmental activity (related to the reduction of CO₂) helps the company to communicate more intensively with young target groups. Information in the website is furthermore very well detailed and presented, and it is easily reachable from each single area of the website.

EasyJet disposes of a main channel on its web portal where important and urgent information regarding all passengers are posted: in this way, users are immediately informed of cancellations and important delays. Structure, departments, fleet history and financial information about the company are also supplied, while all the content is regularly updated¹⁵⁹. EasyJet call-centres are often available and contacted with pleasure by the users^{160 161}, mainly because of their convenient cost on calls.

¹⁵⁵ Cf. WIND JET - CONTACTS 2010

¹⁵⁶ Cf. RYANAIR 2010

¹⁵⁷ Cf. QVIAGGI 2010

¹⁵⁸ Cf. CIAO.IT – COMPAGNIE AEREE 2010

¹⁵⁹ Cf. EASYJET 2010

¹⁶⁰ Cf. QVIAGGI 2010

¹⁶¹ Cf. CIAO.IT – COMPAGNIE AEREE 2010

Referring to Wind Jet, the general overview of the website is very clear and the pieces of information are reachable, but they are not recently updated¹⁶²; notifications about the company's policy, its financial status, its organization, emergencies indications or urgent issues are completely unavailable¹⁶³. Furthermore the call-centre, which is particularly expensive, often does not answer to phone calls at all. Requests by email, in particular if not made by customers of the company, are often ignored by each department^{164 165}.

Corporate Identity: Corporate identity refers to the image and impressions that a LCAs convey through their way of branding. The evaluation made in this paragraph is based on that of the two airline communities Ciao!.it¹⁶⁶ and Qviaggi.it¹⁶⁷.

Ryanair's identity is strong as leader of LCAs and cheapest airline in Europe. Users are mainly aware of the scarce behaviour of the company about cancellations and delays but its pricing policy still has a great impact on users. Aggressiveness with advertisements and extra fees is also commonly recognized, although some passengers are not disturbed by this. Thanks to its well known policies about capitals saving and low-pricing, the company puts doubts on passengers about the safety and efficiency of the airplanes, although statistics show its complete trustworthiness¹⁶⁸.

EasyJet has the role among users of main alternative to Ryanair. In fact the company, which came chronologically afterwards in the market, is identified as the ever follower, which attributes her more sympathy but, at the same time, assigns to Ryanair the undisputed leadership. A consequence of this is that its policies on advertisements, extra-fees and cost savings are not judged so severely as by the Irish company, although in some areas the strategies of the two companies can be very similar.

Wind Jet, competing with international LCAs on its own nation soil, feels the effects of a too strong, prepared and skilled competition. Even Italian passengers are suspicious of this company which is charged with the troubles of disorganization, bureaucratic slowness and

¹⁶² Last press release on 1208/2010: 1607/2007

¹⁶³ Cf. WIND JET – PRESS ROOM 2010

¹⁶⁴ Cf. QVIAGGI 2010

¹⁶⁵ Cf. CIAO.IT – COMPAGNIE AEREE 2010

¹⁶⁶ Cf. Ibidem

¹⁶⁷ Cf. QVIAGGI 2010

¹⁶⁸ Cf. AIRLINE ACCIDENT RATES 2010

bad functionality of others Italian businesses, which however Wind Jet only partially shows. Nevertheless, it’s observed with admiration from passengers the direct competition launched by the company to such well-known European LCAs.

Transparency: Low Cost Carriers typically allow to passengers, through the exercise of ancillary activities, to buy further services or goods paying extra money. Also call-centres and help desktops at the airport are overcharged and entail extra-fees for the users: the transparency of the prices together with the absence of deceptive information and intentions is a very important condition for the reliability of an airline.

Ryanair does specifically and explicitly warn users from deceptions and encourage them to utilize only online procedures for their purchases¹⁶⁹. Nevertheless, the company overflows the passengers with superfluous information and confounds them with an advertisements overload. The possibility to commit errors while using Ryanair’s website is consistent. Mistakes and imprecision let typically charge high fees because the company often uses inaccuracy of users in order to earn conspicuous extra-money^{170 171}.

EasyJet is more transparent than Ryanair under several points of view: extra-fees are high, but not as much, and EasyJet’s overcharges from online procedures¹⁷² to the corresponding in airports or call centres are not as high. Furthermore information is organized in a structured way for the users and there are less possibilities of making mistakes (although costs of flights are not displayed complete but only in a partial form). Problems encountered by users with this company have been often concerning reimbursements and cancellations: similar issues happen anyway very often with each LCA^{173 174}.

Wind Jet’s online website structure is disposed and organized, so that the user can find all the important elements without mistakes. Furthermore, the price details are always showed complete of each extra payment¹⁷⁵. Problems with Wind Jet are normally related to the booking system, which sometimes fails the requested operations, and to the on-ground

¹⁶⁹ Cf. RYANAIR 2010

¹⁷⁰ Cf. CIAO.IT – COMPAGNIE AEREE 2010

¹⁷¹ Cf. QVIAGGI 2010

¹⁷² Cf. EASYJET 2010

¹⁷³ Cf. CIAO.IT – COMPAGNIE AEREE 2010

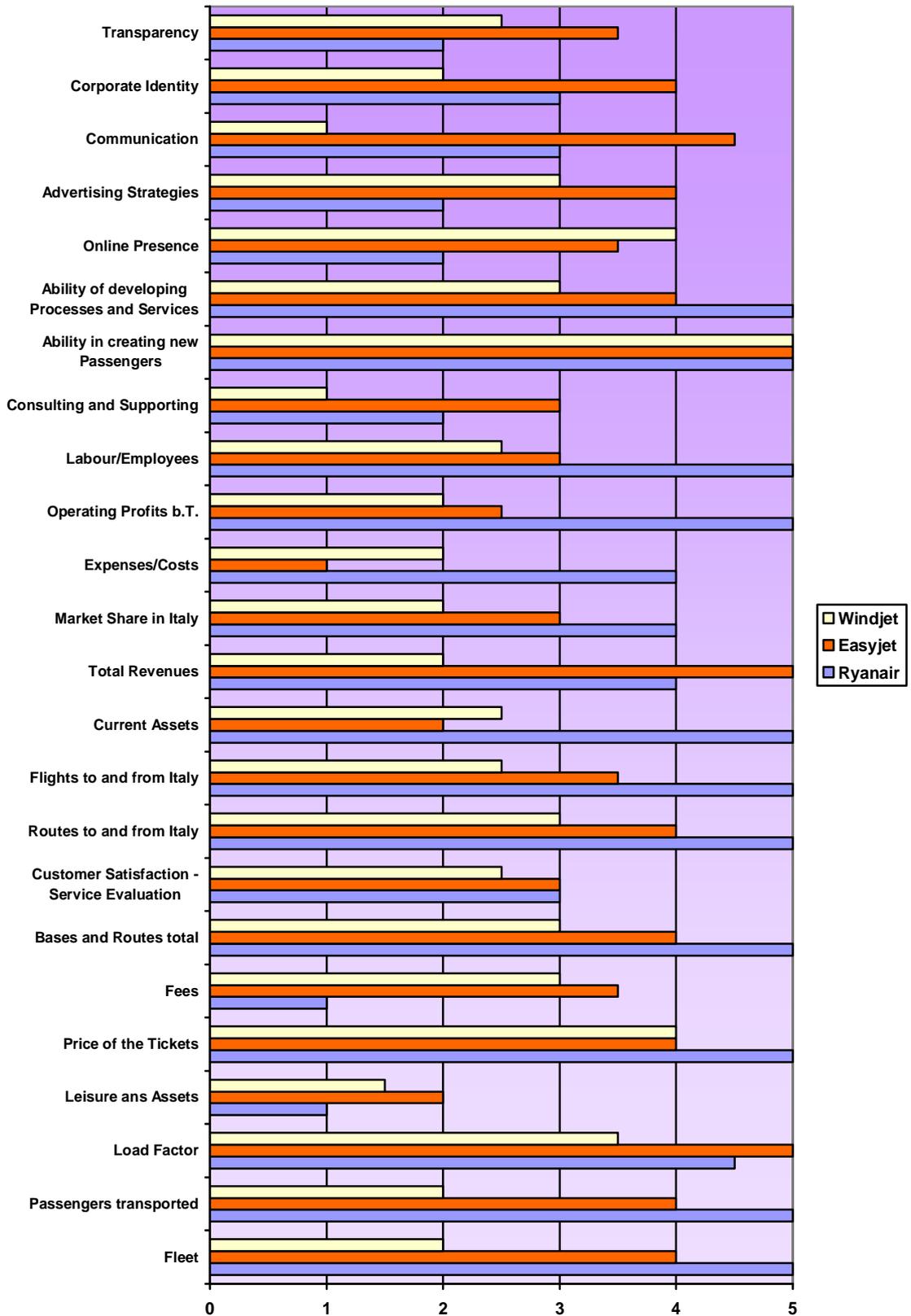
¹⁷⁴ Cf. QVIAGGI 2010

¹⁷⁵ Cf. WIND JET – PRESS ROOM 2010

personnel, that is not available at the help desk of airports until the boarding process starts: for this reason it is very difficult to receive direct support. Call-centres are hardly available and, although extra fees are not very expensive, it is possible to have troubles during some Wind Jet procedures without the possibility to be supported by the company self^{176 177}.

¹⁷⁶ Cf. CIAO.IT – COMPAGNIE AEREE 2010

¹⁷⁷ Cf. QVIAGGI 2010



Graph. 17 – Benchmarking Trend

5.4. Prognosis for the Future of Wind Jet (Brand related)

With the support of the benchmarking graphic and table, which show strengths and weaknesses of the three companies, picturing out their trend curves, it is possible to investigate deeply into the current situation of Wind Jet, its lacks and opportunities for the future.

The deepest weaknesses of the company are in *Consulting and Supporting*, *Leisure and Assets* and *Communication* fields.

The lacks in these business fields are not equally important to the company: for its future the first problem for the airline will be to detect where to focus its attention and resources. For example, *Leisure and Assets* is a category in which many LCAs obtain scarce or very low results; this problem is anyway not essential, if the passengers has many other experiences with LCCs or is particularly satisfied from service and prices.

Furthermore the no frills philosophy, which focuses on saving money of the company on any leisure, in order to offer cheaper flights, has been for many airlines (Ryanair included) an enormous source of incomes and new passengers. In addition to this, *Consulting and Supporting* and *Communication* are more important topic for airline companies: Low Cost Carriers cannot renounce to improve them.

Although Low Cost Carriers companies do not mostly dispose of a high budget for bettering these two fields, they actually play a key role for gaining new passengers and increasing their own market share. Consulting and supporting passengers that, in particular elder target groups (who do not averagely have great informatics skills) as well as people who are not used to fly, strongly need a support in each phase of a flight and its preparation, is a very central issue.

In fact proposing Wind Jet high prices for call-centres, few personnel available, and disorganized or incomplete information on the Internet, these target groups would probably be disappointed, and so the reliability of the company would sink.

The field of communication should be also improved by the airline: informing about prices, routes, services offered, corporation structure, history and identity is absolutely important for a recent airline company. Potential passengers should be aware of the proposals of the company and reassured of its seriousness, before booking any service.

On the other hand, investing capitals on the *Consulting and Supporting* and *Communication* fields would increase the prices of the tickets: an economic analysis of opportunities and risks related to this decision should then be carefully planned.

Not only weak but also strong points have been underlined in the benchmarking analysis, such as the very accessible prices or the transparency of the internet portal, from which the company should profit for improving its market share. This could be realized, for example, through the advertising of the very economical prices together with the usability and transparency of the website: this would consolidate the marketing campaign as well as the corporate identity.

As pointed out in the graphics and described in the table, Wind Jet is competing with two airlines which have an high trend curve in benchmarking and which, because of their capabilities, structure and capitals, are in several fields more prepared than Wind Jet. However this scenario seems unavoidable: years of operative flights, international experience and popularity among passengers are essential factors which support constantly these companies in their business.

The analysis shows, though their current favourable position, future opportunities for Wind Jet: Ryanair and EasyJet can be challenged on their own weaknesses and doing this, the Italian airline would differentiate from them and increase its customers catchment area. Particular weaknesses of Ryanair are the *Trasparency*, the *Advertising Strategy*, the *Online Presence* as well as the *Leisure and Assets* and the *Consulting and Supporting* fields. EasyJet has instead only a particular lack in *Leisure and Assets*; nevertheless other features of the company are often only average: as a consequence of it the non- extraordinary high skills of the airline allow Wind Jet to narrow the gap in the future.

In conclusion, as next steps Wind Jet should try to compete directly with each one of the companies through ad-hoc strategies: differentiation and improvement of the deficient fields are essential approaches to make it possible. Focussing capitals and investments on this, the company can reinforce its position in the national market and eventually enlarge its own share.

6. SWOT ANALYSIS & THE INTERCONTINENTAL ROUTES STRATEGY

The SWOT analysis is a perfect instrument for associating the current position of the company (internal factors – strengths and weaknesses) with its possible evolutions and developments (external factors – chances and threats). Consequently, from the match of the different factors, strategies for the future of the company will arise. In fact, the method of the SWOT analysis is described as: “[...] a comprehensive, internal analysis instrument to process company internal and external information, able to deliver a significant added value to a company’s strategic development”¹⁷⁸.

¹⁷⁸ BÖHM 2009, p. 1

In the following table possible strategies for Wind Jet will be developed in each business sector.

Table III – SWOT Analysis

SWOT-Analysis
WIND JET plc

Opportunities	Threats
1 Expansion of the LCCs Market in Europe	6 Competition with better equipped companies
2 Further opportunities in the Italian Market	7 Progressive saturation of the European/Italian LCCs market
3 Favourable juridical and political situation in extra-EU countries (e.g. Russia, North Africa, etc.)	8 Higher future prices for raw material (e.g. fuel, steel, etc.), fees and extra costs
4 Lower future prices for raw material (e.g. fuel, steel, etc.), fees and extra costs	9 Unfavourable juridical and political situation in extra-EU countries (e.g. Russia, North Africa, etc.)
5 Stable leading position among the Italian LCAs	10 Development of alternative infrastructures and transport means (i.e. highways, high-Speed train networks)

Strengths	Strategies	Strategies
<p>A Good online presence: clear structure, functionality and overview of the website</p> <p>B Generally high load factor (ratio between routes flown and passengers per seats employed); high capitalisation of the routes managed</p> <p>C Average low prices for tickets sold</p> <p>D Ability and skill in creating new passengers</p> <p>E Positive and stable financial activity of Wind Jet plc as well as Finaria plc (mother group)</p>	<p>A1 Regular updating and meticulous translation of the website, price and offers conversion into different currencies, necessary information for tourists about the destination countries.</p> <p>B2 New investments on particularly high load factor routes and plans of further routes from/to strategic geographical locations.</p> <p>E3 New investments and proposition of new routes also for extra-EU countries all over the world, where the political and juridical situation allows it. Accurate planning on convenience and financial returns.</p> <p>D4 Through lower costs on materials, accurate analysis of possible new routes in Italy and lacks in the LCCs networks (of Wind Jet as well as of other airlines). Enforcement of promising areas (especially on flights frequency) and stipulation of new contracts with further airports. Advertise planning for new target groups as teenagers, immigrants and elder people, through new mottos and media campaigns (i.e. higher presence in social communities, ethnic forums, and</p>	<p>B8 Investments on routes with particularly high load factor (i.e. higher fly frequency), contract stipulation to nearby alternative local airports.</p> <p>D6 Measures and strategies to exploit competitor lacks: proposition of unusual and less expensive routes, taking advantage from the knowledge of the territory and from the possible fidelity of the Italian customers.</p> <p>A10 Through the advertisements and the optimisation of the web-platform as well as of its functionality, win the competition of less organised, non- online structured means of transport and their web portals.</p> <p>E9 Accurate and conspicuous investments on EU internal areas, economical robustness use for expansion policies on non- saturated EU markets (i.e. Eastern Europe)</p> <p>C7 Enhancement of market presence through low prices offers and promotions. Comparative advertisements could be useful for routes and flights where the company is more convenient than the competitors.</p>

	<p>postal advertising).</p> <p>C5 Advertising, communication and general information about Wind Jet particular low pricing policy, comparative advertisement for strategic routes (where convenient), retrace the Ryanair example for what concerns winning the competition through low pricing.</p>	
Weaknesses	Strategies	Strategies
<p>F Corporate identity perception very low among Italian passengers</p> <p>G Scarce and disorganized communication with the passengers and potential passengers</p> <p>H Lacks and deficiency in customers consulting and supporting</p> <p>I Particularly low leisure and comfort assets standard on board</p> <p>J Not differentiated and relatively small fleet; little amount of passengers yearly transported</p>	<p>I3 In prevision of further routes and possible expansion in extra-European countries, assets and leisure should be reasonably enhanced, with particular regards to the standards and assets of long-range flights: e.g. higher distance between seats, softer material, greater width of the seats, etc.</p> <p>F1 Well-planned and consistent investments on different fields (i.e. service, equipment, personnel, fleet, etc.) for a specific campaign with new routes from Italy to several European airports.</p> <p>H2 Enlargement and acquisition of capacious call-centres, reductions on call costs, institution of updating courses and employment of more personnel for service points and information desks in the airports.</p>	<p>F7 Through communication and advertising of the positive results obtained in 2008-2009 (e.g. for passengers transported, quote of the market, etc.), gaining new chances of increment though the unfavourable situation.</p> <p>G10 New advertising campaigns on special offers of particularly interesting routes and promotions, with comparative prices and travel durations regarding other means of transport. Addition in the advertising of a dedicated phone line number for questions and explanations about the promotions.</p> <p>H9 Efficiency tests and renovation of the consulting team, in order to enhance the quality of the service and increase the image and corporate identity among European passengers.</p>

	<p>J4 Investments on a new fleet with short-range, medium-range and long-range aircrafts. More differentiation and wider possibility of new routes.</p> <p>G5 Further channels (e.g. social platforms, website areas, larger and more efficient call centres, etc.) of communication with passengers, advertising and marketing strategies for promoting the important role of Wind Jet among the Italian LCAs.</p>	<p>I6 Comfort, assets renovation and investments on better passenger leisure in order to face the competition of no frills companies, especially for long-range routes.</p> <p>J8 Constitution of a larger fleet, with various and more modern airplanes containing more passengers; accurate resources-planning in order to obtain a lower consumption of carburant.</p>
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Strategies deduced in the SWOT analysis vary, as already mentioned, from the application fields to the resources implied, and offer thus different perspectives and approaches on all company issues. The factors that determine the choice of a particular strategy concern consequently its potential effects on the company's market and growth, its workability and all the main and side effects.

In order to introduce the selected strategy for Wind Jet plc, it is necessary to remind that the deregulation policy on air transportation of passengers has settled favourable conditions for Low Cost Airlines in several countries across the world.

Up to now low cost routes have been mainly regarding countries of a same geographical area (North America, Europe, Asia, etc.), but this new diffused juridical scenario originates a very central question: Is it possible to establish Intercontinental routes for Low Cost Airlines?

In fact, as mentioned in the strategy E3 of the Wind Jet SWOT analysis, this solution, which implies stable and solid finances of the company (and thus its possibility to convey conspicuous investments) for a large and ambitious project, could guarantee high returns, as the leadership of a brand new market and a very favourable position against the competitors.

Although promotions for Intercontinental routes have been often proposed by Regular Carriers (with low prices and particular sales) and Low Fare Carriers (as Air Berlin - LTU

and Qatar Airways), that is airlines which propose remarkably lower prices than regular carriers, real Intercontinental low cost routes have been very few until now; moreover none of these companies has tried this in the Italian market yet (as later explained, Air Italy and AirOne few frills flights do not concern this business).

This innovative strategy is the answer to an emerging target group, which would be thus able to book routes to other continents in a very economical way: mainly young people, as new business men, young travellers, students, immigrants and also employees, which would completely renounce the comfort in order to save on the flight tickets. This strategy differs from the charter business since there is a continuous supply of flights which allows passengers to take this service forth and back within a few days, as everyone who is not interested in a long sojourn would do.

In order to understand and to formulate a complete strategy which would include all the factors and conditions for the success and economical return of such an operation, three case studies will be presented in the next section: Jet2.com, Ryanair Transatlantic and Zoom Airline.

Being the results achieved from the companies on low cost intercontinental routes establishment very dissimilar, the three analyses are going to help in recognising positive and negative elements for the Wind Jet's strategy realization.

6.1. Case Studies: Experiences of other Companies

In the whole world, only a small number of companies states to operate Intercontinental low cost flights from/to Europe (in this area have to be included Turkey, Morocco and Tunisia because countries of the European sub-region in the IATA Area II of the world, while Israel and Egypt are still to be considered not part of the long range flights for the reason of their geographical proximity to the European region¹⁷⁹). Companies which declare to have established such long-haul flights are currently American Airlines, Air Asia, Air Transat, Air Arabia, Air Europa, Air Italy, Meridiana Fly, Qatar Airways, Oasis, Martinair, Aer Lingus, Air Berlin, Arkefly, Condor, Distal, Jet2.com, China Airlines, S7 Airlines, Spanair, US Airways, All Nippon Airways and Finnair^{180 181}.

Nevertheless these carriers, which states publically to operate in the Low Cost Business, often offer very competitive prices but are seldom to be considered real Low Cost Airlines. Most of the companies indeed, instead of no frills policies and very low pricing, are rather oriented to few frills (low fare) strategies (i.e. Aer Lingus, American Airlines, Air Italy,

¹⁷⁹ Cf. IATA AREAS 2010

¹⁸⁰ Cf. VOLI LOW COST OLTREOCEANO 2010

¹⁸¹ Cf. COMPAGNIE AEREE LOW COST 2010

etc.), because of the long duration of the flights. This compromise increases the cost of the ticket of some hundred Euros in return for a slightly better comfort for passengers.

Prices for intercontinental routes are thus low but still not comparable to pure low cost prices, which are averagely three or four times lower (i.e. Air Asia, Jet2.com, Zoom, etc.).

In the following table, a short evaluation of the above-quoted companies is proposed in order to understand, from price and service offered, whether they are to be positioned in the No Frills/ Low Cost category or in other business fields.

Table IV – Low Priced Companies offering Intercontinental Flights

AIRLINE	JUDGMENT	PRICES and SERVICE
<i>Aer Lingus</i>	Low prices from Europe to US, due to high rivalry with Ryanair.	Low Fare/ Low Cost
<i>Air Arabia</i>	Intercontinental flights mostly through several changes and stops. Prices are mostly convenient and sometimes really low cost.	Low Fare/ Low Cost
<i>Air Asia</i>	Almost daily from London Stansted to Asia and Oceania, really convenient prices.	Low Fare/ Low Cost
<i>Air Berlin</i>	Competitive but not minimal prices from Europe to America and Asia.	Low Fare
<i>Air Europa</i>	Intercontinental flights from Europe to Africa and America, for some dates very modest prices.	Regular Carrier
<i>Air Italy</i>	Specialized in Italy – Brazil flights, low prices offered, but always with taxes excluded.	Low Fare/ Charter

<i>Air Transat</i>	The only Few Frills Carrier connecting Italy to Canada	Charter/ Low fare
<i>All Nippon Airways</i>	Ticket prices similar to the Regular Carriers' ones.	Regular Carrier
<i>American Airlines</i>	Averagely high prices, some really competitive offers for particular days.	Regular Carrier
<i>Arkefly</i>	More convenient for intra-European flights than for Intercontinental ones.	Low Fare/Charter
<i>China Airlines</i>	The company carries to many different destinations in the whole Asia, however prices are still not very low.	Regular Carrier
<i>Condor</i>	Cheap intercontinental flights to America, though not properly low cost.	Low Fare
<i>Distal</i>	Few Frills Airline for holidays, from Italy to exotic destinations.	Low Fare
<i>Finnair</i>	Regular Carrier with particularly interesting offers from Finland.	Regular Carrier/ Low Fare
<i>Jet2.com</i>	Not many offers but real Low Cost Carrier.	Low Cost
<i>Martinair</i>	Interesting prices for routes from Europe to America	Low Fare/ Charter/ Cargo
<i>Meridiana Fly</i>	Interesting offers to Africa, Caribbean and Asia. Prices are, nevertheless, not comparable to the low cost level	Low Fare
<i>Qatar Airways</i>	Economical flights to many destinations in Asia, America, Africa and	Regular Carrier

	Europe. Regular Carrier with convenient flights.	
<i>S7 Airlines</i>	Interesting routes and cheap flights from Germany to the former URSS countries. Very economical tickets but not real low cost prices.	Regular Carrier/ Low Fare
<i>Spanair</i>	Cheap flights only inside Spain and Europe. Intercontinental flights particularly expensive.	Regular Carrier/ Low Fare
<i>US Airways</i>	Many destinations to Europe with particularly cheap offers.	Regular Carrier/ Low Fare

As the table pointed out, there only really few airlines which propose constantly real low cost Intercontinental flights. This current deficiency is also caused by former failures of companies which have abandoned their intentions: a lesson can be taught from these negative attempts.

In the case studies below are deeply analyzed principal factors, weaknesses and successes of the most meaningful Intercontinental low cost experiences: Jet2.com, a Low Cost Carrier which operates between Europe and the US, Ryanair, the most popular European Low Cost Carrier which has planned several times to establish transatlantic flights, and Zoom Airlines, a Low Cost Airline which, for a six year period, managed to offer a cheap link between North America and Europe.

6.1.1. Case I: Jet2.com

Jet2.com is a low cost airline of the United Kingdom which, being operative for more than thirty years with the name of Channel Express, is one of the most experienced in this business field.

Through the acquirement in 2005 and 2006 of ten Boeings 757-200, aircrafts which are able to cover medium-long haul flights, the company could start, since

November/December 2008, four direct flights a year from Leeds Bradford to Newark Liberty International Airport¹⁸².

Thanks to the success of this route, in November/December 2010 a flight from Newcastle airport to Newark Liberty International Airport was also implemented.

Differently from most of the low fare companies headed to the US, which propose also a business class with several comforts, and where the cost of the flight in economy class amounts at least at 350€ average per person, the service of Jet2.com has real low cost prices. Indeed, on 9th of December 2010, a flight from Leeds Bradford to New York (Newark) costs precisely 183.11€(checked on 13th of October 2010)^{183 184}.

From the yearly recurrence of the flights, we understand that the no frills approach has been successful, but some doubts concerning their poor frequency remain. In fact, although the routes take place regularly each winter, their availability reaches only four flights a year.

The reason of this could be only surmised, since the company does not release any information about its decision. It is probable that economical returns could be granted at this time only by an almost complete and filled-up aircraft.

Thus the strategic selected period could perfectly adapt to this priority and guarantees a conspicuous passengers flow. In fact, two flights from Newcastle and two flights from Leeds during the Christmas shopping period are a good chance for European (and also American) passengers to book a very cheap flight to another continent, with very little risk for the company.

Hypothesis on the factors which could endanger the higher frequency of the flights and so the economic returns are: the high current cost of the fuel, the high competition and lack of passengers necessary to fly a full-booked aircraft, and the fees on extra services which, as extra-baggage and larger seats, in a long range flight could be indispensable.

6.1.2. Case II: Ryanair Transatlantic

At the very beginning of year 2008, according to the newspaper Britain News of the World and to the Ryanair's chief O'Leary, new flights from the airports of London Stansted and Dublin to New York, Miami, Los Angeles, San Francisco and Boston would have been launched during that year.

The project included a very expensive business class service on the aircrafts, while the economy class would have cost only about 10€ Unfortunately, because of the economic

¹⁸² Cf. JET2.COM – ABOUT US 2010

¹⁸³ Converted on 13/10/10

¹⁸⁴ Cf. JET2.COM – DESTINATIONS 2010

crisis and further factors, which are analysed in the conclusion of this section, this goal could have not been reached¹⁸⁵.

This Intercontinental attempt was not the only one in the history of Ryanair: just one year before the interview, O'Leary was planning a fleet of about 50 Airbuses and Boeings for long-range routes in order to link European airports with those in the US.

His primary project was to establish a separate airline which would have been not subsidized by Ryanair plc funds and thus less jeopardising for the mother company. The idea O'Leary proposed would have concerned in fact the foundation of a new sibling company, entirely financially independent from the first one¹⁸⁶.

Although he did not keep his promises, intention and purposes of Ryanair's chief on this topic remained coherent up to the present. In fact during 2010 he announced that the company would newly attempt to engage in an intercontinental project, with tickets assumed to cost about 15€, fees on the use of the toilets and on each additional service (baggage included)¹⁸⁷.

Problems that have been threatening Ryanair's intentions up to now, causing unsuccessful experiences, have been the cost of a new long-haul fleet and the increments on fuel prices for the upcoming years, at least according to the newspaper The Telegraph¹⁸⁸.

Another urgent problem to solve for Ryanair is the legal prohibition to establish US internal routes (called *cabotage*), which cannot be assigned to any European company and that should be then managed by other low fare partners inside the American territory (e.g. on the flight London St. – Los Angeles, London St. – New York Newark can be operated by Ryanair, and New York Newark – Los Angeles should be flown by US partner airlines). Under these circumstances, the designed co-operator of Ryanair for the US internal routes, Skybus, went recently bankrupt¹⁸⁹. As a consequence, a stable agreement with other airlines on this matter should be then subscribed before entering the market with transatlantic routes.

¹⁸⁵ Cf. ASSOCIATED PRESS 2010

¹⁸⁶ Cf. OLORENSCHAW/STURCKE 2010

¹⁸⁷ Cf. CHARMICHAEL 2010

¹⁸⁸ Cf. MILLWARD 2010

¹⁸⁹ Cf. SCINTA 2010

6.1.3. Case III: Zoom Airlines

Zoom Airlines Inc. was for six years, until its bankruptcy in 2008, a Canadian low cost company which has been operating, among others, intercontinental flights to South America and Europe.

The innovative idea of the company was to exclude third parties from the booking process, saving the cost on intermediaries in order to sink the price of the tickets.

Using two Boeings 757-200 and three Boeings 767-300, the company was able to connect weekly Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Ottawa Montreal and Halifax to Barbados, Glasgow, Paris, Grenada, London Gatwick, Manchester, Cardiff and Belfast. The company also operated extra-Canadian low cost flights as, for example, the route between New York JFK and London Gatwick (together with several other routes from US cities to Europe).

The average price of the tickets in 2008, as the company was incurring financial problems, was \$129CAN each way from UK and Paris to Toronto and Montreal, while the London – New York JFK route ticket cost about 225\$CAN¹⁹⁰.

Suddenly in 2008, as the financial crisis broke out in almost every business sector, Zoom Airlines became one of the first victims of this world-wide spread economic situation. In fact, as declared by Hugh Boyle, Zoom executive chairman, the company's recent:

Trading position is a direct consequence of the horrendous increase in the price of aviation fuel and the economic climate. The rise in the price of fuel resulted in a US\$50 million increase in our operating costs during the last year alone and that coupled with the general economic downturn has led to difficulties which are being felt throughout the industry¹⁹¹.

In the final analysis it seems that the general scenario of the economy had a large influence on the business trend of the company: it allowed Zoom to be a successful and innovative airline for a long period, but took it down when the financial situation radically changed.

6.2. Strengths and Weaknesses of the Strategy

As already mentioned, the main strategy of Few Frills-Low Fare Carriers is not to sell very economical tickets, but to offer non-expensive flights (around 350€averagely from Europe to U.S.) together with some comforts, in order to compete directly with regular carriers.

¹⁹⁰ Cf. WAYBACK MACHINE 2010

¹⁹¹ AIRLINE ADMITS FINANCIAL PROBLEMS 2010

This mentioned policy rises another central question for the thesis: Since Ryanair offers flights on sale across the whole Europe at about 30€, why is it not possible to buy an intercontinental ticket to the US East Coast for just two or three times this price (about 80-90€), which corresponds to the further distance and fuel use? Which factors complicate and raise the costs? And, most important of all, can they be avoided?

This main issue will lead us into the SW analysis of the strategy and to the formulation of a practical solution. In the strengths and weaknesses analysis in fact, all the advantages and disadvantages which the strategy entails will be outlined.

The peculiarity of this method is that it underlines the unavoidable differences existing between a LCC's route inside a continent and an Intercontinental flight: the following features are thus automatically involved in the strategy matter, and the company should than prepare either to face or to take benefit out of them.

6.2.1. Strengths

Strengths of the strategy are the main arguments for the company to realize it. In this paragraph, traditional strengths and opportunities are grouped together in order to have a clearer perspective of the strong points of this project.

- The company through the realization of international routes from Europe to other continents would establish a monopole of passengers and revenues in a market segment where this concept has been for a long time recognized as impractical.
- The routes establishment will cause free advertisement for the company, which would receive fame and attention for its new project.
- New target groups are going to enjoy the Intercontinental flights: involvement of passengers in this market which choose or can afford exclusively low cost tickets.
- Lots of passengers of other European countries would prefer the low cost Wind Jet Intercontinental flights to those of Regular Carriers and use then Italy as a hub for the long-haul routes.
- The new horizon of extra-continental destinations would expand an almost saturated European market.
- Through the returns on the monopole of low cost Intercontinental flights, the financial situation of Wind Jet plc could be bettered and this would originate new investments (e.g. on the fleet, personnel, advertising, etc.)

- It will be given to the Wind Jet the chance of becoming one of the most important and well-known Low Cost Carrier in the world – so reinforcing the direct competition (inside Italy as well as in Europe) to Ryanair and EasyJet.

6.2.2. Weaknesses

Similarly to strengths and opportunities, it is important to analyze the blind spots of the strategy that, as for every innovative proposition, are very insidious for the company. Because of the importance for Wind Jet of detecting and understanding these weak points, each of them will be described in detail.

- The highest risk of the Intercontinental routes project is to cause the financial failure of the company which, by not covering up all investments made for their establishment (e.g. new fleet, crews, etc.), could be involved in debt or bankruptcy.
- The plan could become a negative advertisement for the company in case of unsuccessful operations: this means a long-run jeopardized reputation.
- The refusal by passengers to acquire long-range flight tickets without frills and minimal low-comfort standards would trigger a large reduction of the target group.
- The effects of the strategy will be the high costs for transport of baggage and non-applicability of common low cost restrictions (e.g. since long range flights require on average heavier baggage, the same regulation as the current in Europe is improper for Intercontinental flights).
- Very different laws, mores and business attitudes of faraway countries require adaptations and changes: they are going to have an important and maybe critical role for the company self (e.g. deregulation, safety rules, security on board, etc.) as well as for the passengers (e.g. currency change, language spoken, assistance support, etc.).
- More dependence will be established to the world's political, economic, geographic and social flows as well as to reciprocal relationships among countries.
- Acquisition or lease of a larger and more powerful fleet would need more fuel supplies as well as human and material resources.
- Employment of new crews and pilots with license for long-range airplanes and different scheduling plans for the whole personnel, mainly due to larger intervals between flights, will be necessary. Furthermore longer up-keeping controls and turnaround times for the fleet shall be provided by the company.

In this context, it is important to underline that aircrafts for long-haul flights require longer turnaround times than medium-range carriers: in Europe low costs airplanes have a turnaround time of about 30', while for intercontinental flights it would take almost 80' to accomplish this phase. In this procedure are to be included also the embark and disembark operations of passengers and baggage (which are averagely more numerous than in European flights), the inspections and checks, the cleaning of the airplane, the refuelling and the goods supplies. In the case of Intercontinental flights, it will be also impossible to load the plane with the back-flight fuel in advance, which is a common procedures among European Low Costs Carriers. The longer the turnaround is, the lower is the availability of the machine and so the revenues for the company.

6.2.3. Critical Points and Key Decisions

Differently from the previous strength and weakness points, which come along with the strategy realization, critical points are all factors which could be planned, strived, avoided or modified by the company decision plan.

Possible options need to be analyzed and then carefully weighted in order to choose the right solutions in several fields as the destination of the flights, the choice of the airport, the selection of the fuel suppliers and all the other necessary services.

The planning of Intercontinental low cost flights is, as already mentioned, a very high-profit and high-risky strategy: the proposition to enter an almost-unexplored territory would imply large financial and economic investments (the amount of them depends on many factors as the number and types of routes, the advertisement campaign costs, etc.).

The opportunities are, nevertheless, enormous: as a provider of a new service, Wind Jet could plan and realize agreements for innovative routes, competing with no other companies, in a situation of temporary monopole.

Handling with overshadowing advantages as well as huge dangers for the airline, all steps of the strategy realization and of the action plan should be accurately outlined after a deep analysis of factors, values, conditions and background of the strategy.

In fact, firstly, it is important to observe the condition of the market, that is where and when such an operation could be more effective. Knowing for example that after years of crisis the market is newly raising and investments could be planned out again is a favorable starting point for this new project.

The global 1.6% growth in revenues registered in the air transport of passenger in 2010 is mainly a consequence of the Asia-Pacific (3.7%), South America (4.1%) and North

America (1.9%) increments: these prosperous conditions favor new prospects for routes establishments and investments on these areas¹⁹².

Nevertheless, not only this factor is important: it is crucial also to observe the situation of Regular Carriers and the flow of daily flights from Europe/Italy to other continents. In fact, where the market is more proficient and flights are more frequent, there is a larger availability of customers which could be oriented to try out new low cost services for the same destinations.

Furthermore, a social analysis should be performed in order to individuate an appropriate target group for low cost Intercontinental flights. This operation is a fundamental procedure and must consider potential customers who would be strongly interested in savings on ticket prices, in exchange for a strong reduction of comfort and leisure on-board. At the same time, the target group should be offering, as far as it can be predicted, a continuous and durative passengers supply, which is the essential condition for a daily routes offer.

In order to guarantee a low cost connection with other continents, a certain deregulation has to be allowed in the air transport market of several countries: it should be permitted a complete competition among all airlines, stimulating companies in selling very low priced tickets (i.e. through convenient agreements with airports, resources, personnel, material, supplies, etc.).

In addition to the economic policy of the selected countries, other factors could interfere with the efficiency of the new routes. In fact, particularly in underdeveloped countries, sudden changes in political, economical and social spheres could change previous agreements and permissions, establishing new scenarios with which the company would have to cope.

Another issue which should be evaluated in the strategy planning concerns the choice of the airports (which should avail themselves of Intercontinental landing strips, site in a favorable geographical position, have an optimal transportation service of passengers to the nearest city, etc.), local partners (necessary for supplies, servicing and repair for example) and logistics centers at disposal (e.g. hangars, desks for information and boarding operations, etc.).

What is particularly important then for Wind Jet is that the airports shouldn't demand any strict slot-time limit, in order to allow possible delays on landings and departures, which are frequent for LCAs. The structures should also guarantee an adequate support for the planes and for their upkeep, request low taxes (essential condition in order to offer low priced tickets) and rise no competition among airlines (no routes interference should be caused).

¹⁹² Cf. IATA: MIGLIORANO LE STIME 2010 2010, p.1

Last, infrastructures which serve the airports are also very important for a proper choice: passengers who choose a low cost flight should also cheaply reach their main city of interest; else their low cost ticket would be compensated by other secondary costs.

7. CONCLUSION

A theoretical approach is a very important method for a company to evaluate its own strategy and draw each important step to its realization.

Furthermore, an analysis of the internal and external factors involved is fundamental in order to reach a more precise perspective on a multiplicity of topics, as the conditions of the air transport market, the actual costs of resources and supplies as well as the peculiarities of the own target group.

Nevertheless, a more practical and operative plan should not be neglected: in the next section it will be presented and analyzed a concrete solution for the strategy.

7.1. Concrete Solution

Since a practical result is the very aim and scope of the whole theoretical bases, a realization plan shall convey all the parameters, patterns and measures mentioned.

Each potential project would underscore some characteristics, factors or needs more intensively than others: a choice is thus considered functional if it fits with a large number of elements to find a proper adaptation to the reality. For example, a long-haul Intercontinental flight could be directed to different destinations, and many of those would have particularly solid reasons to be considered as the best solution.

Nevertheless, the right option for Intercontinental flights which gets together most of the positive arguments previously presented, is North America, and in particular the countries of United States and Canada.

It is actually true that, as it is mentioned at the beginning of this paper, Asian and South American air transportation market are currently growing much faster than the North American one, increasing respectively of 5.6% and 11% against 3.1% in the first part of 2010¹⁹³.

However, although the current enhancement of the European and North American market is much lower and the connection capacity between the two region is almost saturated, various reasons can motivate such a choice:

¹⁹³ Cf. *Ibidem*, p.3

- North America is still the world region which has the largest flights flow to and from Europe: although the Asian market is currently larger, most of the flights hosted are internal and the communication between Europe and US is still the world's most charged flow, for frequency as well as for amount of flights¹⁹⁴.

In fact, checking the routes through Expedia.it¹⁹⁵, direct flights from Milan Malpensa or Rome Fiumicino (the two main airports in Italy) to New York are much more frequent than to Shanghai or Beijing. In particular, from Milan to New York (all airports) it is possible to count, daily, seven flights. Checking in the same day, from Milan to Shanghai (all airports), there are only two flights available. New York and Shanghai have been selected as an example of large hubs which have strategic positions for flights to/from Europe.

Furthermore, using the flights search engine Kayak.com, the difference of air traffic appears even deeper. In fact, it is possible to check on the website that China has only five Intercontinental airports with direct flights to Europe: Beijing, Shanghai, Guangzhou, Chengdu and Hangzhou. This means that Shanghai is one of the very few airports which conveys such long-haul flights and that a large percent-share of passengers enter or leave China through this gateway.

Not only this: it is possible to reach directly from Europe, in the US, more than the double of airports as in the China, twelve: New York JFK, New York Newark, Houston, Los Angeles, Washington, Boston, Philadelphia, Atlanta, Charlotte, Detroit, Las Vegas and Miami. This means that the passengers avail themselves of many more gateways to enter US and that, although central, the New York airports do not convey such a great percentage of European traffic if compared to Shanghai.

Referring to the South American market instead, it must be mentioned that, although growth tendencies are particularly high in this region, the actual amount of traffic is not comparable with North America and Asia. Furthermore, by contrast to these two regions, the flights flow from Europe is mainly shuttered throughout the whole region, since there is no main hub which operates the majority of those routes. This situation complicates much all the operations in the area¹⁹⁶.

- The juridical, political and social situation in the US and in Canada is more stable, well-known and trustworthy than those in Asia and South America: the strategy would involve lower risks there. Furthermore, in North America, safety standards,

¹⁹⁴ Cf. CHENGLIANG/XIAONING 2010

¹⁹⁵ One of the most efficient online flights search engine.

¹⁹⁶ Cf. IATA: LATIN AMERICA AVIATION PRIORITIES 2010

bureaucracy acts and flight permissions are more similar to European ones: this would let the company save much time and spare troubles.

- Geographical distances allow better time management for routes directed to the East Coast of Canada and United States, if compared to other regions. In fact, checking through Expedia, from Rome Fiumicino to Toronto Pearson it takes 10 hrs. flight forth and 8.45 hrs. back, while from Milan Malpensa to New York Newark it takes only 9.10 hrs. forth and 8.20 hrs. back. Routes to Shanghai from Milan Malpensa take instead 11.20 hrs. forth and 12.45 hrs. back, while flights to South American capitals register also similar durations, i.e. the route from Paris Charles de Gaulle to Rio de Janeiro. The differences on the time table, which is quantifiable in around three hours per direction, is extremely important and allows an airplane from Europe, which is directed to North America, to operate the flight and return from US after approximately twenty hours, and so to be active on the same route directly the day after. An airplane headed to Shanghai or to a South American metropolis instead could not perform a one-day schedule, and is then forced not to fly continuously, but every two days, causing loss to the airline, offering a lower service and limiting the time-management in the journey of the passengers.

All these reasons explain the decision to orient flight operations towards North America and why it would be a tactical choice to avoid the establishment of Asian and South American routes at first. This does not mean that, once the operation has been successful, it would not be possible to try new destinations in other regions of the world; however it is currently safer to start from routes which reduce as much as possible the risks of the strategy.

Routes directed from Europe to North America are operated at present, as has already been mentioned, from Regular Carriers as well as from several Low Fare Airlines, which offer some special prices for passengers who want to save a little money, and agree to a slightly lower comfort standard. Nevertheless the position of Wind Jet could open a new scenario, where a specific group of passengers (mainly young, not well-off and with a poor interest for leisure on-board) choose to save as much as possible, without care on comfort standards. The company can then take advantage of the wide volume of flights between Europe and the US in order to single out this target group, mainly enticing passengers of Low Fare Airlines (as they share a more similar target group and offer a saving oriented service as well).

More specifically, appropriate destinations for the flights are situated on the East side of the North American region: this position allows to access with daily flights to US and Canada through main hubs as New York, Miami, Boston, etc. Among these possibilities, two airports appear to be particularly appropriate as destinations for total passengers conveyed, taxes requested and geographical advantages: New York – Newark and Toronto Pearson.

First of all, it is important to underline that the Italian communities of the two cities are among the largest in the world. In fact, Italians in New York represents the largest European minority¹⁹⁷, whereas in Toronto and in its region they are one of the six most populous¹⁹⁸. This background provides an optimal basis for establishing new routes to Italy. Furthermore, New York – Newark as well as Toronto Pearson have the function of hub for the US East Coast (New York) and for the Canadian territory (Toronto): this means that passengers coming from Europe and directed to other cities in Canada or US can land in one of these two airports in order to change flights and head to their proper destination. Hence, because of all these reasons, they appear the most reasonable airports for Wind Jet routes. New York – Newark is furthermore the only Intercontinental hub which provides principally service for Low Cost Carriers: situated in New Jersey, it guarantees to the airlines much lower taxes than those of the New York JFK.

In fact, concerning Low Cost Airlines, in order to allow them to offer low priced flights, it is very important to avoid main airports for Regular Carriers, and that in Europe too. First of all, given that Wind Jet is an Italian LCC, and having the company basis, network and structures available mostly inside the country, it can be assumed that the European bases will be Italian. It must also be mentioned that airports in Italy which have a landing strip able to service Intercontinental flights are only a few: Bologna – Guglielmo Marconi, Rome – Fiumicino, Milan – Malpensa, Venice – Marco Polo, Catania – Fontanarossa, Pisa – San Giusto, Naples – Capodichino, Palermo – Punta Raisi and Turin – Caselle. All of them, with the exception of Bologna, are equally served by Wind Jet but, because of the above-quoted reasons, it would be better to choose a secondary airport.

Considering all these factors, it is then opportune to select airports which can convey a large catchment area of passengers from different zones of Italy. The most appropriate for this scope seem to be Pisa San Giusto and Turin Caselle.

Pisa San Giusto is a large airport in middle Italy which is not well-known at all because of the proximity of other larger airports as Florence or Bologna. The airport is situated in a strategic area since it is directly accessible from the whole middle Italy by train¹⁹⁹ (which stops direct in front of the airport) and next to a main Italian highway²⁰⁰. Pisa San Giusto is furthermore favoured because of its connection with South Italy, through daily Wind Jet flights from Catania as well as Palermo.

On the North West side of Italy, geographically off-centre but still in the middle of a metropolitan region, the airport of Turin Caselle appears to be a very reasonable option. This underrated airport has a landing strip for Intercontinental flights, its position

¹⁹⁷ Cf. US CENSUS BUREAU 2010

¹⁹⁸ Cf. STATISTICS CANADA 2010

¹⁹⁹ Cf. FERROVIE DELLO STATO 2010

²⁰⁰ Cf. GOOGLE MAPS 2010

guarantees a large flow of passengers from the whole North Italy (i.e. it is only 1:30 hrs. faraway from Milan) and costs for the airlines are reduced because of the very little internal competition. Furthermore, the airport is well linked to the highways network²⁰¹ and it takes by bus from there only 40 minutes to reach the city of Turin²⁰².

The link between the two airports is also well granted through high speed train connections and a direct highway route.

Hence, from these two secondary airports can be definitely based the routes to North America. In order to take advantage of the lower costs for time slots, a solution for the company would be to let airplanes take off late in the evening from Italy and early in the morning from US, as the typical schedule of the LCCs foresees.

Because of the different passenger flow to the two North American airports then, Wind Jet can plan a scheduling pattern for the flights which would enhance the activity in the more required airport of New York – Newark.

In fact, as already mentioned, this hub houses, together with the JFK, seven flights a day from Italy (Toronto Person guests just one flight a day from Italy, which moreover represents the only direct flight to Canada²⁰³).

This pattern gives an example of a possible scheduling of the flights, considering favourable time slots, turnaround time (including baggage transportation, check, cleaning, boarding, crew and pilots change, etc.), supposed departing time of the planes (which varies from airport to airport, but approximately is 06:00-23:00) and delays.

Table V - Scheduling Flights Plan

	Scheduled flights pattern		
	First Day	Second Day	Third Day
Flight In	From: Turin Caselle (UTC+1 ~22:00) <i>Crew I</i>	From: Pisa San Giusto (UTC+1 ~22:00)	From: Turin Caselle (UTC+1 ~22:00)
	~09:10 hrs. flight	~09:25 hrs. flight	~09:35 hrs. flight

²⁰¹ Cf. Ibidem 2010

²⁰² Cf. AEROPORTO TORINO CASELLE 2010

²⁰³ Cf. EXPEDIA 2010

	To: New York – Newark (UTC+1 ~07:10, UTC-5 ~01:10)	To: New York – Newark (UTC+1 ~07:25, UTC-5 ~01:25)	To: Toronto Person (UTC+1 ~07:35, UTC-5 ~01:35)
	~290´ time for turnaround. <i>Crew II</i>	~275´ time for turnaround. <i>Crew I</i>	~265´ time for turnaround. <i>Crew III</i> (transferred)
Flight Back	From: New York – Newark (UTC+1 ~12:00, UTC-5 ~06:00)	From: New York – Newark (UTC+1 ~12:00, UTC-5 ~06:00)	From: Toronto Person (UTC+1 ~12:00, UTC-5 ~06:00)
	~08:35 hrs. flight	~08:20 hrs. flight	~08:30 hrs. flight
	To: Pisa San Giusto (UTC+1 ~20:35)	To: Turin Caselle (UTC+1 ~20:20)	To: Turin Caselle (UTC+1 ~20:30)
	~85´ time for turnaround <i>Crew III</i>	~100´ time for turnaround. <i>Crew II</i> (transferred)	~90´ time for turnaround. <i>Crew I</i>

Flights are, in a three-day cycle, two times directed to New York (from both Pisa and Milan), and once to Toronto. The crossed pattern (starting from Turin and reaching Pisa, and then vice-versa) is particularly helpful in order to avoid the internal transfer of such a long-range airplane boarding a few passengers at most between the two Italian cities.

The schedule muster does foresee longer turnaround times than usual (so establishing a buffer time for possible delays) for airport operations and, as already mentioned, proposes a very rational use of the time slots. Through these time-management policies, costs and expenses of the company could be reduced, favouring better prices and a looser regulation (i.e. concerning fees for extra weight of baggage) for passengers.

This last topic is very important for the company too: Which restrictions and limitations seem appropriate for such long-haul flights? Most of the rules and fees of intra-European flights can be actually maintained (i.e. hand-baggage extra fees, priority tickets, etc.), but

the high costs on exceeding weight limits of the baggage should be instead avoided, since they concern indifferently all the passengers who fly to Intercontinental destinations.

Particular accessories as pillows, blankets, sleeping-masks and meals should be provided under payment during the flights, together with other suitable goods (i.e. tooth brushes, hear plugs, etc.).

In the scheduling plan three crews are interchanged and can avail themselves of much longer pauses than on average for LCCs²⁰⁴. Two of the three crews furthermore must be transferred to other cities during the three-day cycle: this is necessary in order to manage the whole scheduling process with only three crew units.

Because of the specific formation required to crew and pilots to fly Intercontinental routes, together with the risks on the investments for material and resources, the most convenient option for the company is to utilize wet-leasing opportunities. This entails borrowing an airplane (which first would be sufficient in order to start the strategy operations and serve all the three-day cycle) together with crew and pilots: that saves costs on courses and updating of the personnel and reduces the possibility of losses, through the lease of an already experienced personnel. Furthermore it allows Wind Jet to protract the agreements for the staff and the aircraft only in case the project shall reveal to be successful.

Regarding the aircraft additionally, the most economical (because of the cost/capability ratio) and used plane by charter companies is the Boeing 767-300ER: this would be an optimal choice for Wind Jet. Many few frills modern companies use the A330/340-300 as well, which would also be a very good aircraft for this scope (e.g. the most used from Air Asia), but more modern and therefore more expensive²⁰⁵.

Investments are particularly required also in the marketing, advertising and communication fields: these steps, as it happened for Ryanair in the past, are fundamental in order to underline the innovation of the offer and the low prices of the tickets (also if compared with few frills companies). Although potentially counter-productive in case of a failure, communication is the principal mean to recruit passengers for such low cost Intercontinental routes.

7.2. Summary and Prognosis for the Future II (Product related)

Three central foci have been settled in the content in this paper: the context and background of the LCAs, concerning world air passengers trends and specificities of the Italian market, the structure, position and role of Wind Jet plc in the Italian scene and, finally, potentialities, advantages and workability of intercontinental low cost routes.

²⁰⁴ Cf. ENAC OPV2 2010

²⁰⁵ Cf. AEREI ECONOMICI PER LUNGHE TRATTE 2010

In the first part of the thesis, a general overview on low cost flights has been provided, analysing the structure and peculiarities of the Low Cost Carriers, distinguishing them from Regular Carriers and pointing out, through statistical and quantitative methods as well as graphics and diagrams, their trend curves and evolution in the air market.

Conclusions which are drawn from this introductory excerpt regard not only the almost continuous enhancement of LCCs in the world aviation market: it also underlines their importance in Europe (where, nevertheless, their network is approaching to a saturation due to the high number and frequency of the flights) and in Italy (where the LCCs market is expanding, steadily dominated by Ryanair and EasyJet).

The first part of the paper underlined the necessity of alternative solutions for LCCs in the Italian market too, through the consideration of the internal situation and of the margins for the future.

Under these unfavourable circumstances, the first and most promising Italian LCA, Wind Jet, has been selected as a potential market alternative to Ryanair and EasyJet. In fact, although the airline is relatively recent and counts a limited network of flights, its continuous progression in the market, its solid investment funds and its role as first national LCC attributes to Wind Jet plc bright prospects for the future.

Consequently in the second part of the paper, in order to define a profile of this company, Wind Jet plc was analysed in each different field. Thus, quantitative information as passengers and load factor trends in the last years have been presented together with the description of the fleet and the presentation of the routes offered.

The main competitors to the company are EasyJet and Ryanair, which also are the best practice example in the Low Cost Airlines' market. A detailed and structured comparison regarding the fields of product, finance and internal factors was presented: each area shows as a result gaps and similarities among the three LCCs. In this way, all the strengths of Wind Jet such as the load factor average, the online presence (reached through the high functionality of the Website), the very low prices of the tickets and the ability of creating new passengers have been discussed together with its principal weaknesses concerning the consulting and supporting, leisure and assets, communication areas.

Lacks and differences to both main companies have outlined a profile of Wind Jet: in order to make a solid competition to Ryanair and EasyJet, the company should invest in ad-hoc and specific strategies; being in fact the market almost saturated, it would be important for the Italian airline to differentiate its offers as much as possible from its competitors. The SWOT analysis proposes therefore possible strategies which, starting from the current situation, would lead the company to a better market situation, gaining points on the competitors.

Starting from this, the third part of the paper describes a single strategy based on company's strengths and opportunities. In fact the favourable extra-European political and legislative situation (opportunity) can match the prosperous financial situation of the company (strength), generating the possibility of extra-European low cost flights.

The chosen strategy, that is the establishment of Intercontinental low cost flights from Italy to various destinations around the world, is particularly innovative as well as hazardous: at the very moment no company could realize it with lasting success and this is well clarified by the three case studies proposed: Jet2.com, Ryanair and Zoom Airlines.

Previous experiences reveal successful and unsuccessful factors, and a careful analysis of these lead the company more wisely into this new project. Nevertheless, because a very low number of companies tried out this route-plan in all, lots of measures and practical issues are completely let to Wind Jet's will and criteria.

As a consequence of this, a strength- and weakness points' table (SW) and a critical points analysis of the strategy have been provided in order to evaluate unavoidable conditions as well as different options. Not only has been discussed in this section each advantage and disadvantage implied in the strategy, but also the strategic and logistic opportunities for the company are listed as optional conditions, in order to distinguish in a easier way between possible choices and unavoidable factors.

Basing on these two distinct elements, a concrete advice has been formulated. A scheduling plan which links two airports in North America, Toronto Pearson and New York – Newark, with two airports in Italy, Turin Caselle and Pisa San Giusto, has been structured.

The scheduled plan assumes the use a the Boeing 767-300ER in wet-leasing, in order to reduce the risks of the operation: three available crews and six pilots alternate in the Intercontinental flights a three-day plan; this gives the possibility to the staff of one and an half day pause, in full conformity with the ENAC regulation²⁰⁶.

The structure of the plan and the chosen destinations are the launching ramp for the air company to offer, differently from many Few Frills Airlines, real low cost tickets, applying the most of the European no frills principles to the Intercontinental flights as well. This policy, which causes a lot of risks but creates a new segment of market, concerns very popular destinations (New York and Toronto) and tries to tempt passengers disposed to renounce the comfort in order to pay very little ticket prices: main addressees of this offer are thus young students, few-days travellers, back-packers, business men as well as immigrants.

²⁰⁶ Cf. ENAC OPV2 2010

7.3. Questions still open

In the conclusion of this thesis it has been presented, based on the Wind Jet company's SWOT analysis, the Intercontinental low cost routes strategy: the measures there exposed should lead the airline to a better market position and to a stronger competitor role towards EasyJet and Ryanair on the national soil. Still, some question marks and unfocused situations suggest the need for a wider and deeper analysis of this topic.

- The first concern regards economical issues as the financial situation of the company.

Since it has been not possible to receive information directly from Wind Jet plc, it has been difficult to evaluate in detail current capitals and resources of the airline as well as margins of investment which could be dedicated to the project.

Furthermore, because of the lacking technical knowledge and specific preparation, an economic plan and a financial estimate of the total cost of such a project could have been not provided.

Such an analysis requires indeed the access to a huge amount of data as the wet-leasing and fuel costs, the crew salaries, the cleaning operations commission, the up-keeping, parking and time slots indications as well as further details for several other services. These factors should be however deeply assessed and evaluated in the long term, in order to compile a complete list of expenses which could be, in as far as possible, similar to the reality.

This situation determined also the impossibility of esteeming, in the concrete solution paragraph for example, approximate prices of the tickets which will be sold, as well as costs of extra-fees and taxes for the airports required.

- A target group analysis and an evaluation of passengers' opinion represent also important steps in determining the strategy.

Surveys about new low cost routes should be performed in airports and, through questionnaires, should be possible an identification and quantification of the target group. Furthermore an analysis of potential passengers is very important not only in order to detect the expected demand for the service, but also for exploring suggestions, preferences about destinations, demographic profile (i.e. age, employment, provenience, etc.) and opinions of possible passengers.

For example a detailed study among potential passengers should research the acceptance of extra-fees, rules and conditions already in force in European LCCs for the Intercontinental flights. Assets of the aircrafts and comfort standards should be also relevant topics on the questionnaires.

- If the strategy reveals to be successful, new Intercontinental destinations should be explored.

In case of positive feedbacks conditions, juridical issues, technical and economical problems should be analysed with the purpose to establish further Intercontinental routes. A deep analysis of the existing flights should then be accompanied to the regional market trends, in order to find other suitable destinations. Asia and South America, areas which are a constant target for Charter Airlines, seem to be the future horizons for Intercontinental low cost companies.

- Starting from the SWOT analysis, the development of new strategies for Wind Jet plc should be taken into account.

Since the SWOT analysis has conveyed a network of alternative strategies together, there are additional opportunities for Wind Jet to evaluate resources of improvement as a company and as a competitor in the market. Strategies should be first weighted up and then gathered for topics handled. Possible paths then should be selected and, if promising and feasible, studies, research and surveys should be conducted for their realization.

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Statutory Declaration

I assure that I wrote the Master Thesis paper autonomously and without external support, and that I did not use other sources, exception made for those mentioned . All the citations in form and content refer to proper indications.

Hamburg, 27/01/2011

Lorenzo Servadei