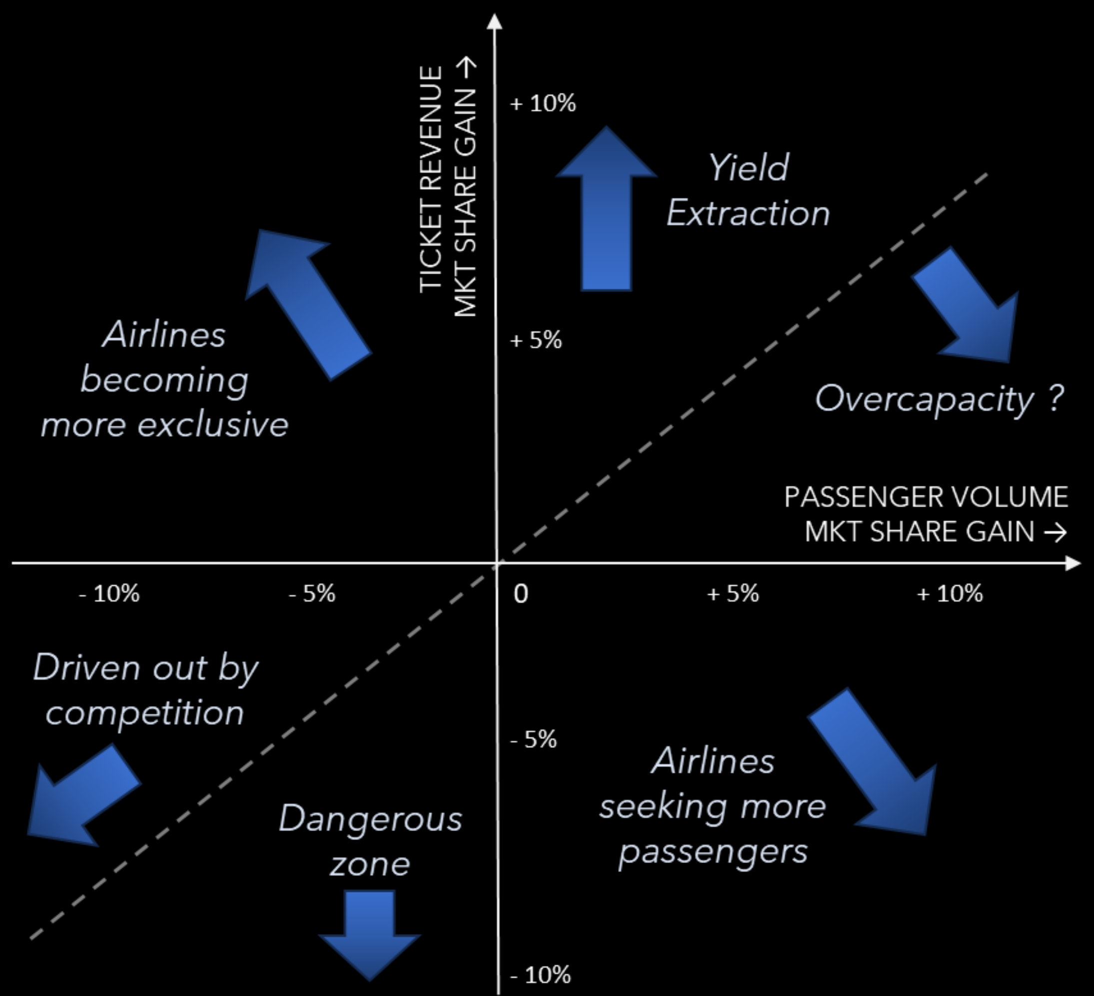
Market Share Evolution Analysis

Many airlines currently celebrate revenue growth and increased passenger volume. They also emphasize metrics such as brand recognition, customer loyalty, cost efficiency, and, of course, profitability in their communications.

But is this enough to ensure sustained competitiveness and growth in the long run?

Like any business, the ultimate objective is to maintain or enhance a strong competitive positioning.
A key metric for evaluating performance in this regard is the evolution of an airline's passenger and revenue market share over time.



Market Share Evolution Matrix

In a previous analysis, we examined airlines' network strategies post-COVID, detailing how each carrier allocated capacity across their networks. Despite robust current demand, it's clear that airlines won't return to their pre-crisis market shares, and capacity augmentation isn't the sole influencing factor.

Furthermore, in a previous study, we explored the ticket pricing strategies of each airline, revealing that Low-Cost Carriers (LCCs) emerged as the primary beneficiaries of the observed general ticket price increase over recent years.

This analysis seeks to evaluate whether the additional capacity and ticket pricing strategies of different airlines have positively impacted their market shares in terms of passengers and revenue. Our examination of major global airlines' networks indicates that studying the 20 largest routes effectively reflects broader trends across their entire networks. While our initial focus is on a 12-month trend, this analysis can be extended over a longer period.

By delving deeper into various markets, this analysis aims to identify the winners and losers in the post-COVID landscape reshuffle.

A Stress Test for airBaltic?

The European low-cost market remains highly dynamic, as highlighted in our previous analysis where not every airline has adopted the same network strategy.

Here are some insights into the evolution of the market shares of European low-cost airlines:

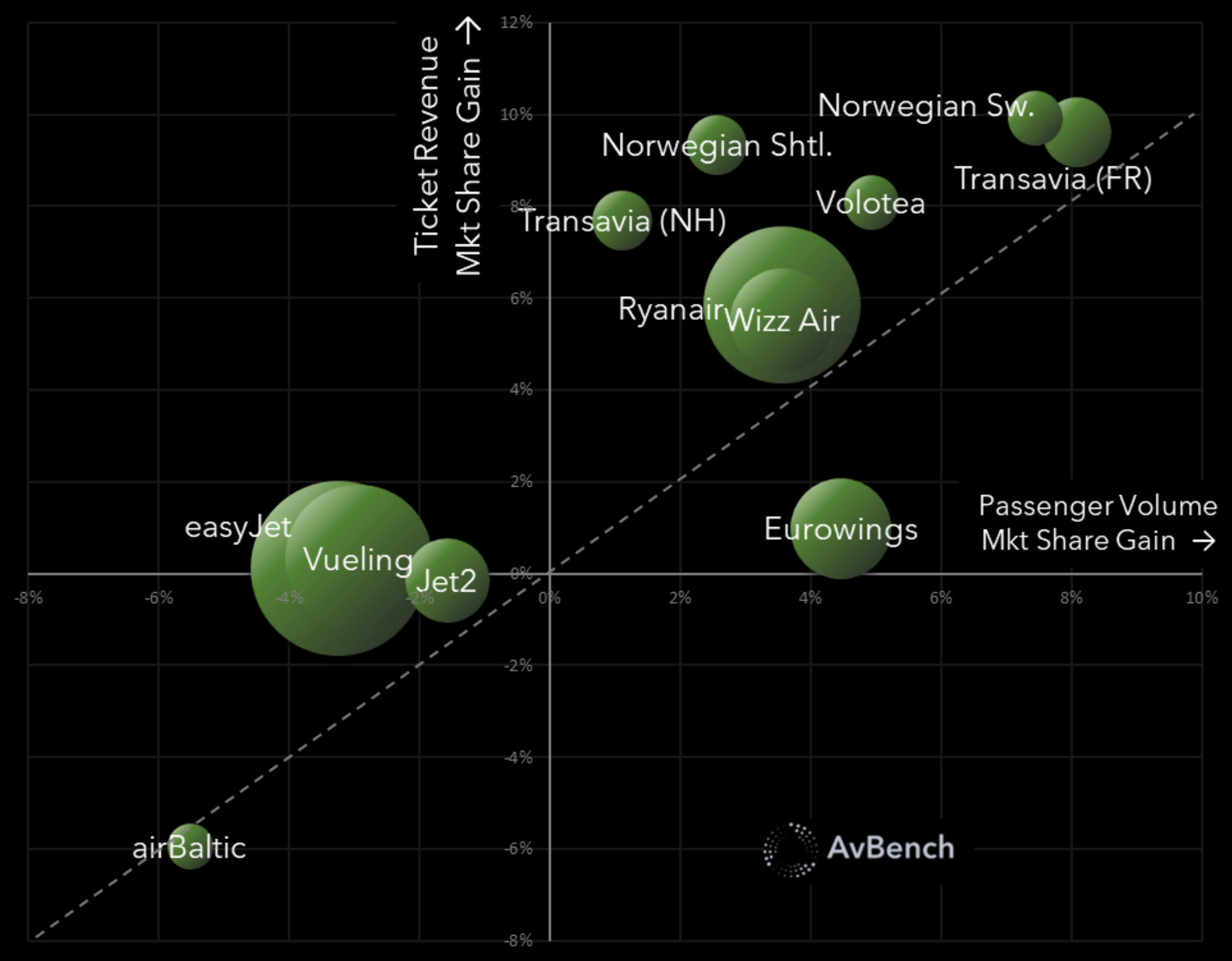
- easyJet & Vueling: While these airlines experienced favorable market share gains in the months following the COVID crisis, recent results suggest a contrasting trend. The more restrained increase in capacity may have contributed to both airlines losing passengers to competitors. Nevertheless, they continue to maintain their positions at the revenue level by offering higher fares than other low-cost and ULCCs in Europe.

- Ryanair, Wizz Air (considering the entire group, not just W6 as presented in our previous analysis), Transavia France, Volotea: The significant capacity increase, coupled with rising ticket prices, is proving beneficial for these low-cost carriers. They are gaining both passenger and revenue market share in recent months.

- Eurowings: Despite a more conservative approach to capacity, Eurowings has set itself apart through a unique ticket pricing strategy. While it may not have fully capitalized on the recent surge in prices, this approach has enabled it to attract passengers away from competitors.

- airBaltic: Similar to many other airlines, airBaltic can celebrate the growth in passenger volume and revenue in 2023 compared to 2022. However, in relative terms, performance could have been even more favorable. The PW engine crisis likely played a role, and operational challenges may impact passenger loyalty. Network adjustments might contribute to underwhelming results, but these issues could be transient. 2024 will serve as a significant stress test for airBaltic, having reached a critical size, and its performance will be interesting to follow.

European Low-Cost Carriers



12-Month Market Share Evolution

Performances of the top 20 largest revenue-generating routes for each airline, calculated as a weighted average from July 2022 to June 2023.

Size of the bubbles proportional to the ticket revenue generated by each airline.

Wizz Air = Wizz Air (W6) + Wizz Air UK (W9) + Wizz Air Malta (W4) + Wizz Air Abu Dhabi (5W)

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European Majors

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Shifting tides in European airline market shares.

In our previous analysis, we highlighted the market share gains by several European low-cost airlines, both in revenue and passenger volume. This shift implies that other airlines have faced losses…

- British Airways & KLM Royal Dutch Airlines: Positioned as the European airlines with the highest fare structures, primarily serving business customers, B.A. and KLM are currently making revenue concessions to maintain their market shares in passenger volume.

- Air France: Experiencing a more moderate increase in capacity and diverting some customers to its Transavia subsidiaries, Air France witnesses a decline in passenger market share but maintains its revenue position, suggesting a strategic focus on upgrading its offering.

- Lufthansa: Adopting a strategy opposite to Air France, Lufthansa has made slight concessions on revenues in recent months to expand its passenger base.

- Austrian Airlines, Aer Lingus, Iberia: These three European network carriers have undergone significant capacity increases since COVID, strategically positioning themselves to attract more passengers. Notably, despite a substantial hike in ticket prices [link in comments], Iberia still offers lower fares than its counterparts. This unique positioning explains its market share performance : there should be room for further growth without concerns of overcapacity.

- ITA Airways: Starting operations in 2020 after the discontinuation of Alitalia, ITA is evidently gaining market share. Its growth outpaces that of larger airlines due to its smaller size.

Middle Eastern airlines, who will emerge as the regional leader in 10 years: Emirates, Qatar, or Turkish?

Middle Eastern airlines have to navigate through various activities and factors that demand a significant amount of attention. The local market is exceptionally dynamic, marked by a growing number of conventions and sporting events. Geographically, the region holds a central position in numerous major flows, contributing to its strategic importance. Moreover, the global geopolitical landscape, notably the ongoing war in Ukraine, has implications for specific traffic flows, potentially prompting a swift redistribution of cards in this complex scenario.

As expected, Emirates often sets the tempo in the Middle East, given its size and its hub in Dubai, making it a central player in the market. There are today four major airlines around it, each with distinct dynamics:

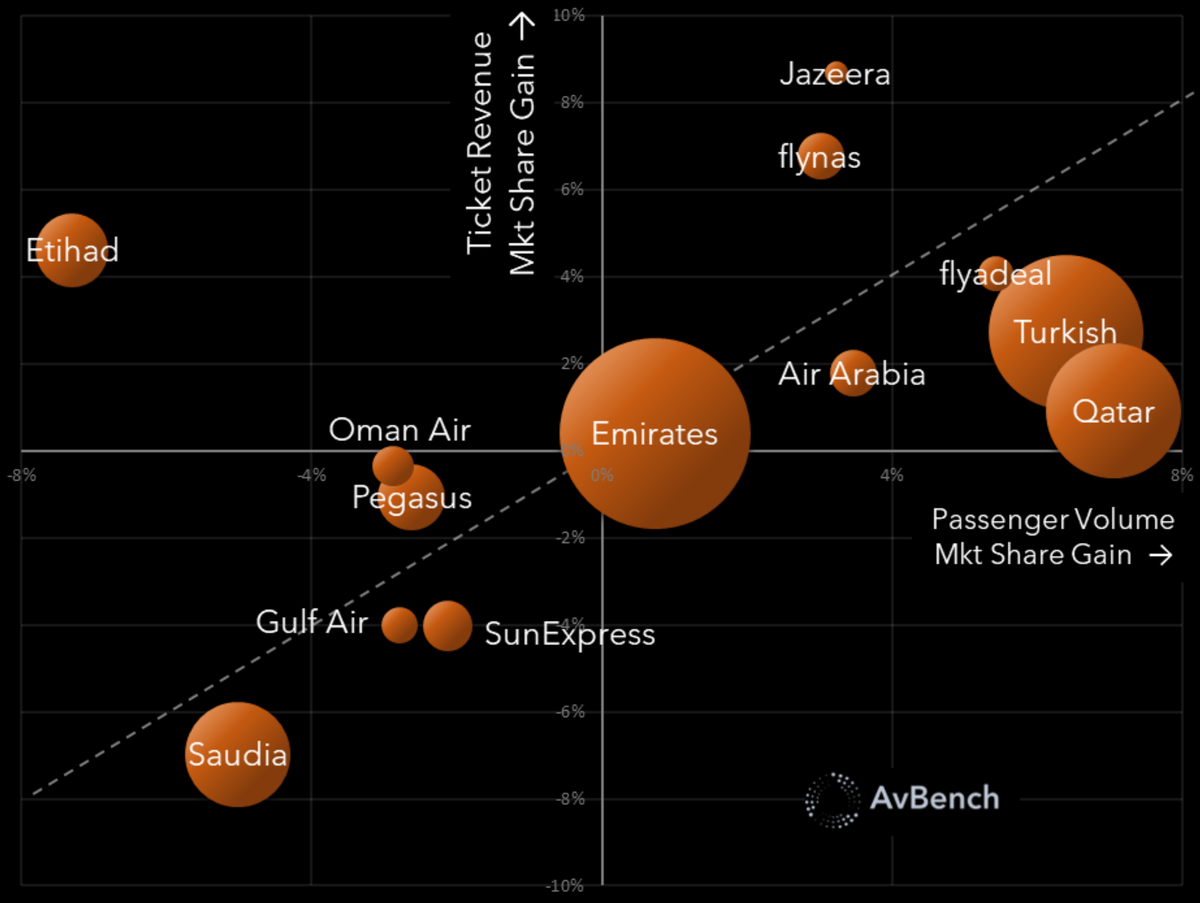
- Etihad: After undergoing a challenging restructuring, Etihad currently lacks the necessary capacity to recover the passenger volume it could hope for. However, recent market share trends in terms of revenue indicate a willingness to move upmarket.

- Qatar: In contrast to Etihad, and as highlighted in our previous analysis, Qatar has been the quickest to increase capacity since the COVID pandemic. Unsurprisingly, it is gaining the most passengers among its competitors. However, there is a potential risk of overcapacity.

- Turkish: Geographically very well-positioned to serve Europe or the Indian subcontinent with its narrowbody fleet and North America, Africa, or Asia with its widebody aircraft, Turkish Airlines has the means to reshape the landscape in the region. Without delving into details, Turkish's mix of narrowbody and widebody fleet could be inherently more competitive than Emirates' all-widebody approach. While Turkish has made significant efforts in recent years to enhance its brand image and improve revenues, it is once again very aggressive in increasing its passenger volume.

- Saudia. Saudia is contributing to the complexity of the situation by launching flyadeal, its low-cost subsidiary, to compete with flynas in a highly dynamic domestic market. This move, intended to counter a competitor, is inevitably impacting Saudia's own market share.

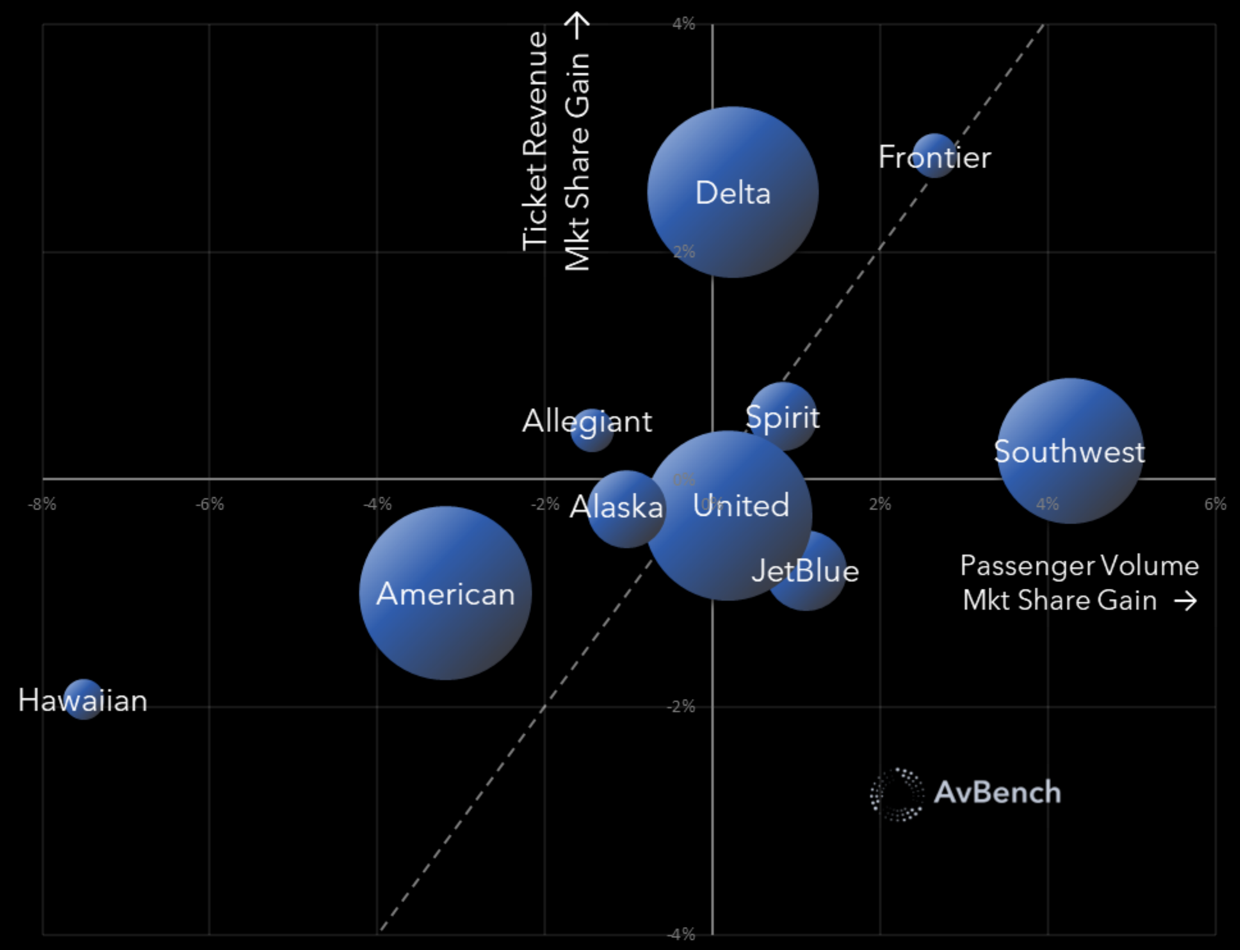
Middle-East



12-Month Market Share Evolution

As for the low-cost airlines in the region, flydubai is the most aggressive one, and its data is not included in this graph to maintain clarity. It has achieved a remarkable 17% increase in both passenger market share and income over the past 12 months. It will also be interesting to follow the performance of Turkish's low-cost carrier Ajet (formerly AnadoluJet) and its market share evolution against Pegasus and SunExpress (50% owned by Turkish), two low-cost carriers losing ground to competition.

U.S. Market



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In a capacity shortage situation, implementing fare increases can be tempting but may prove to be a risky strategy.

The U.S. market swiftly rebounded from the COVID crisis, with airlines capitalizing on a robust domestic comeback. However, market share gains reveal the market's maturity, with entrenched positions for each airline.

Among the Majors, United redeployed capacity more rapidly than Delta and American. This performance likely contributed to United's ability to maintain market share, both in terms of revenue and passenger volume. In contrast, American, facing a capacity lag, implemented higher fare increases than Delta, as observed in our previous ticket pricing strategy analysis.
Consequently, American lost revenue market share, likely to Delta, and also experienced a decline in passengers who couldn't afford the new ticket prices (and probably shifted to LCCs like JetBlue or Southwest), impacting American’s passenger market share performance.

Among the low-cost carriers, Frontier and Spirit have rapidly increased their capacity. However, Spirit implemented a much higher fare increase (~27% for Spirit vs ~11% for Frontier). While these two ULCCs were initially in the same fare bracket, this is no longer the case. The impact on their respective market shares is clear: Frontier's more cautious approach to ticket price increases has paid off, resulting in better outcomes compared to Spirit.

Southwest increased its capacity at a higher rate than the Majors, leading to a substantial increase in passenger market share. Despite implementing significant fare increases, Southwest's ticket prices remained well below those of the Majors. Consequently, Southwest experienced a neutral evolution in revenue market share.

Additionally, Hawaiian continues to face challenges due to Southwest's presence in its inter-island operations. Allegiant seems to be enhancing its offerings, even if it means losing some passengers. And the price gap between JetBlue and American is widening, potentially explaining JetBlue's increase in passengers but decrease in revenue market share.

Southeast Asia: Which airline will emerge on top in 2024 following a crisis that reshaped the competitive landscape?

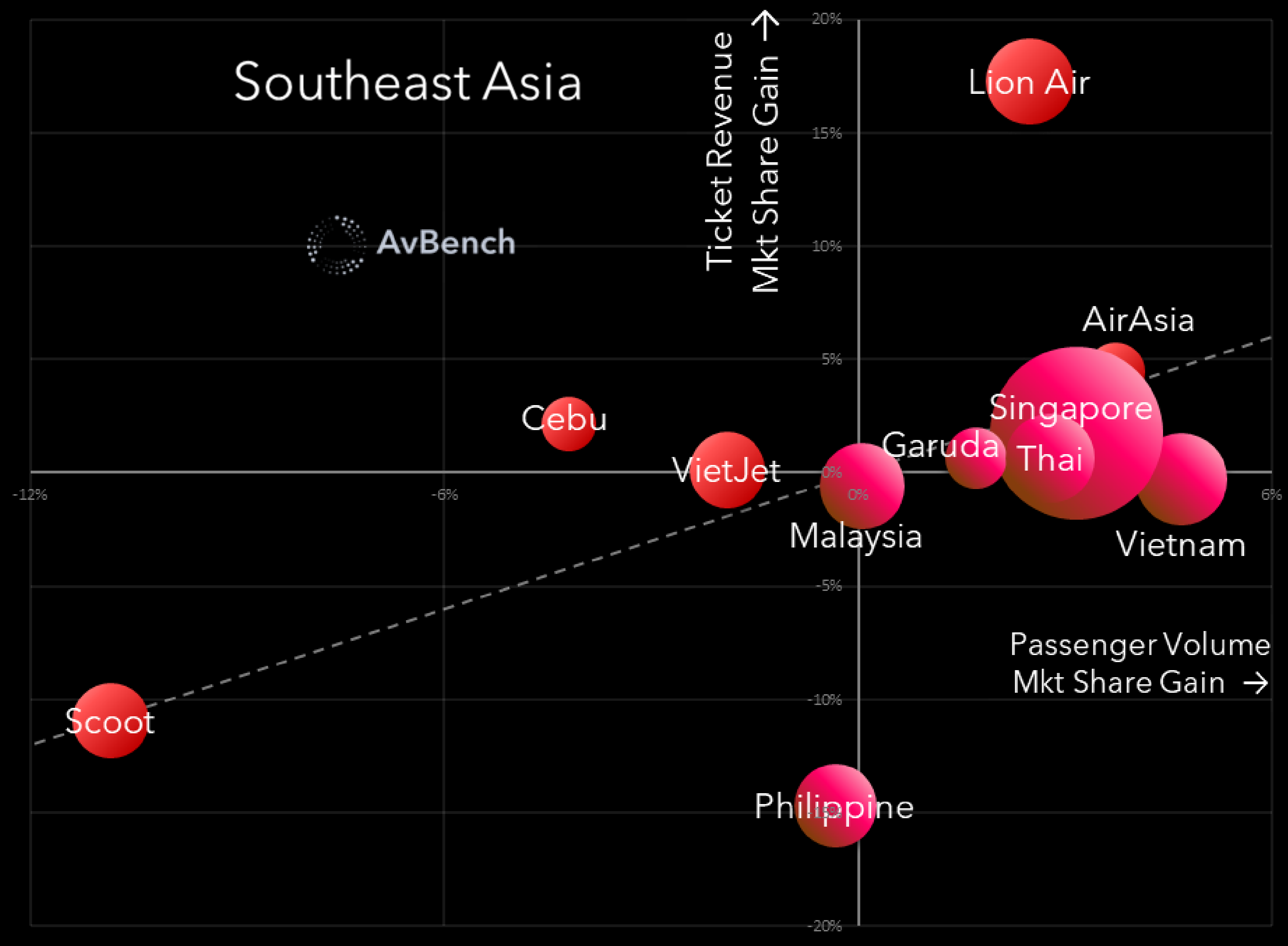
As discussed in our previous analysis on the capacities deployed by airlines in Southeast Asia, there has been a significant reshuffling in the region. To understand the impact on market shares, both in terms of passenger volume and revenue generated, it's important to consider this alongside the evolution of ticket prices during the same period.

Some airlines have a positioning that deserves some comments:

- Lion Air, specifically referring to the airline and not the entire group, has likely capitalized on this crisis to reposition itself against its competitors. Implementing a healthy fare increase has enabled them to gain revenue market share without losing passengers to their competitors.

- Cebu Pacific has implemented higher fare increases compared to other airlines in the Philippines. This strategy appears to have resulted in a loss of budget travelers, commonly referred to as backpackers, to its competitors. Conversely, Philippine Airlines may have been too conservative in adjusting its fares, potentially missing an opportunity to increase them further and maintain its revenue market share. But we can't really blame them; they emerged from Chapter 11 only a few months earlier.

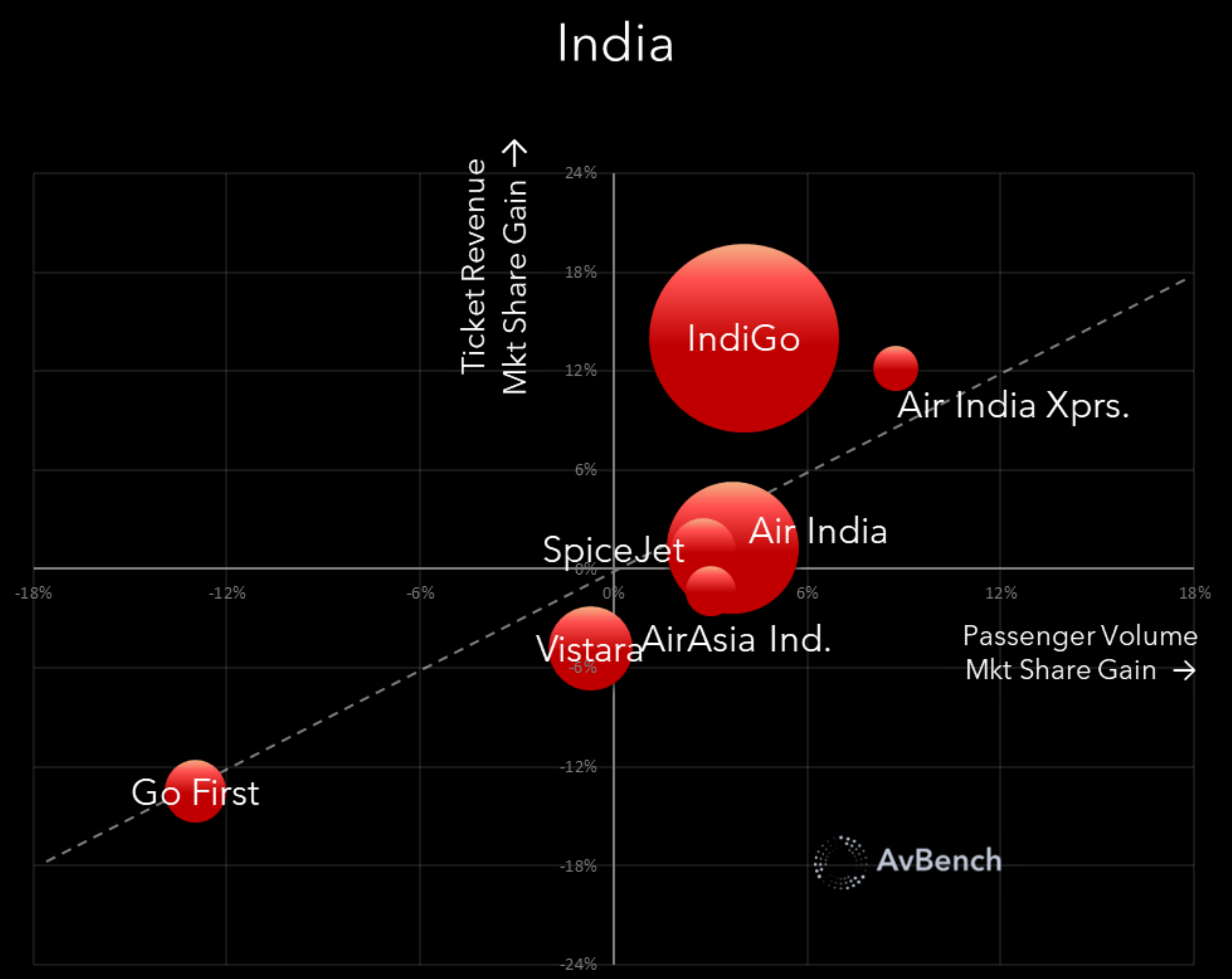
- Understanding the dynamics at VietJet is challenging due to multiple simultaneous changes. While VietJet is significantly increasing its capacity, it is also expanding into numerous new routes with its A321neo, entering highly competitive markets where it doesn't necessarily dominate in terms of passenger volume. Additionally, VietJet has raised its ticket prices more than others in the region. It will take some time to understand whether the loss of market share is associated with this more competitive network or if VietJet is facing challenges in establishing itself against Vietnam Airlines, which appears to be experiencing an opposing trend.



12-Month Market Share Evolution

- Scoot must be analyzed in conjunction with Singapore Airlines since they belong to the same group. Scoot's purpose is to provide a "low-cost" alternative to Singapore Airlines, creating challenges for their shared competitors and, more importantly, ensuring that passengers remain within the group rather than losing them to competitors. If Singapore Airlines continues to gain market share, it could be assumed that Scoot should contribute to this growth. However, this is an aspect that we will need to monitor continuously to understand its medium-term trajectory and determine if the Scoot model can stabilize.

- As for AirAsia, which suffered significant downsizing during this crisis, the recovery seems to be underway. Over this recent 12-month window, AirAsia has started to regain its market share. It is also true for the other subsidiaries of the group.



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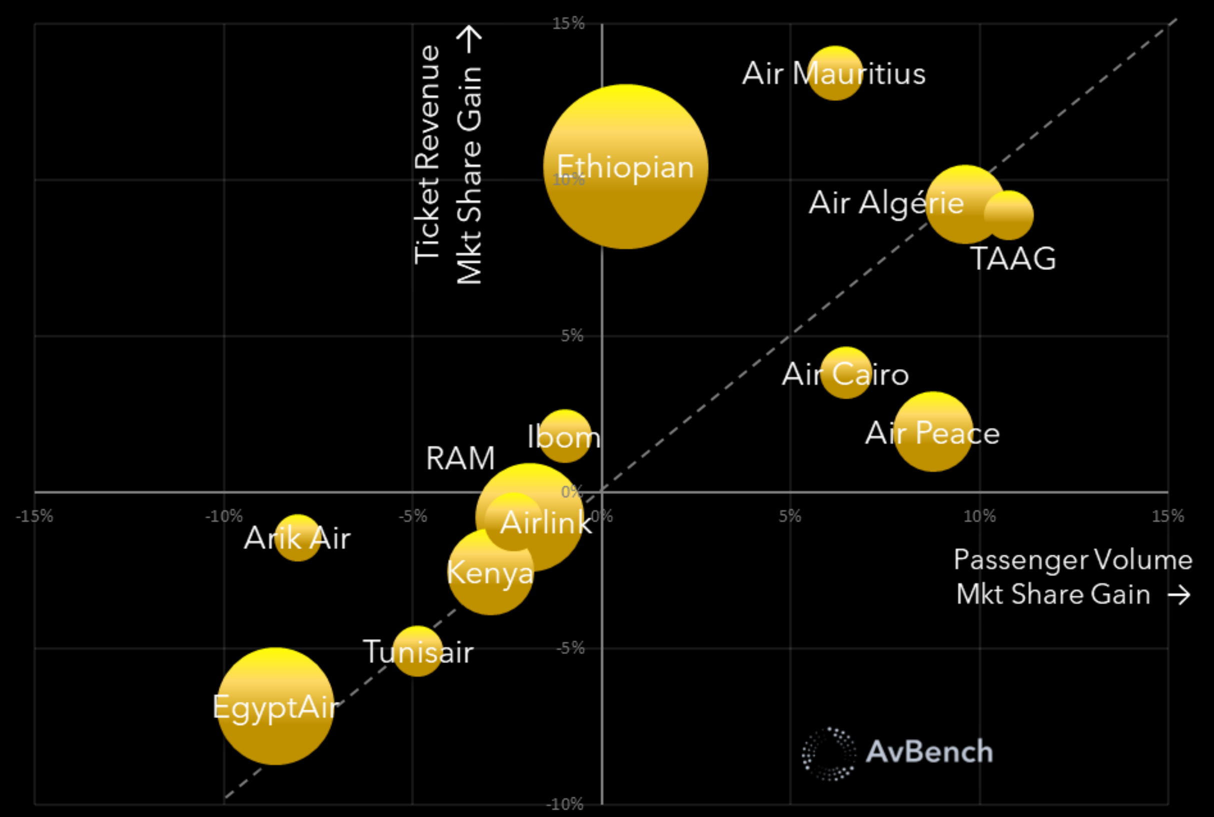
Africa



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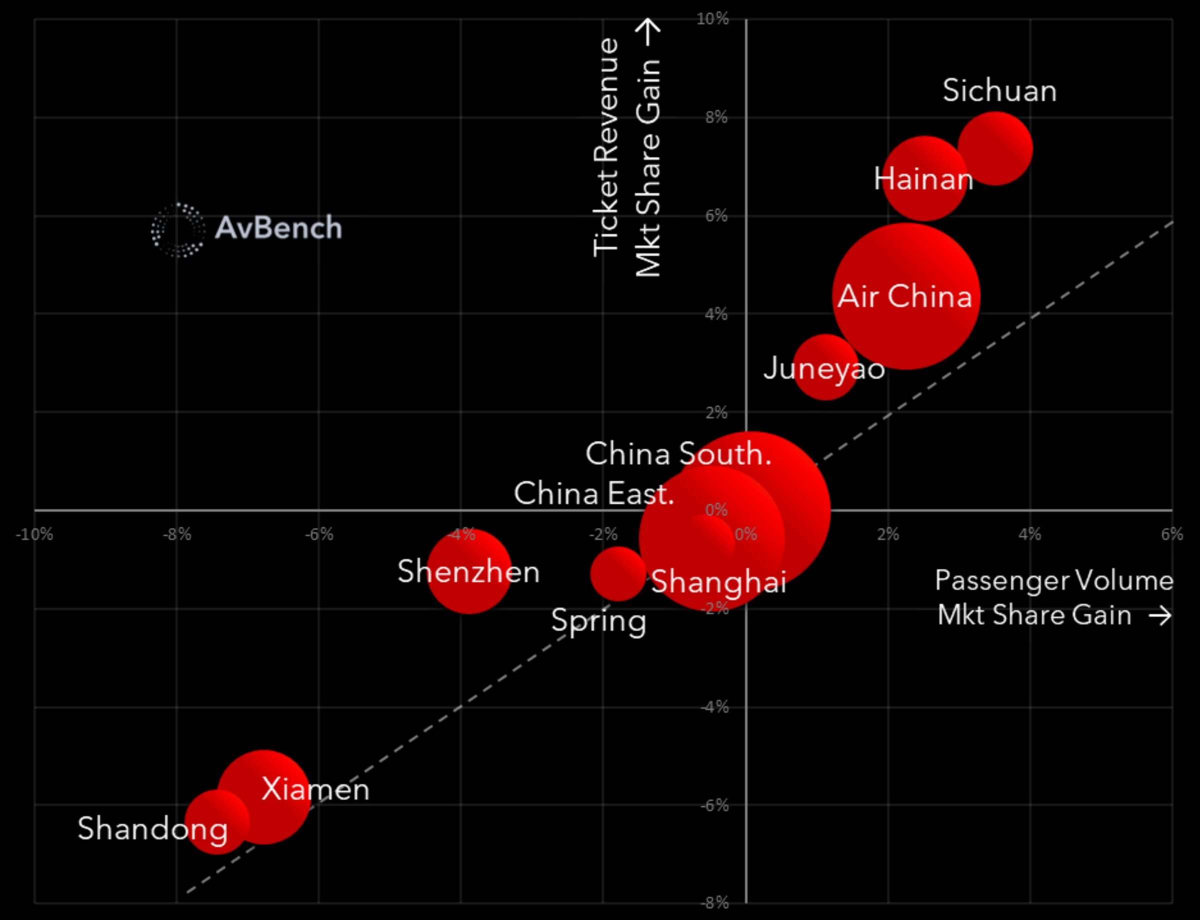
China



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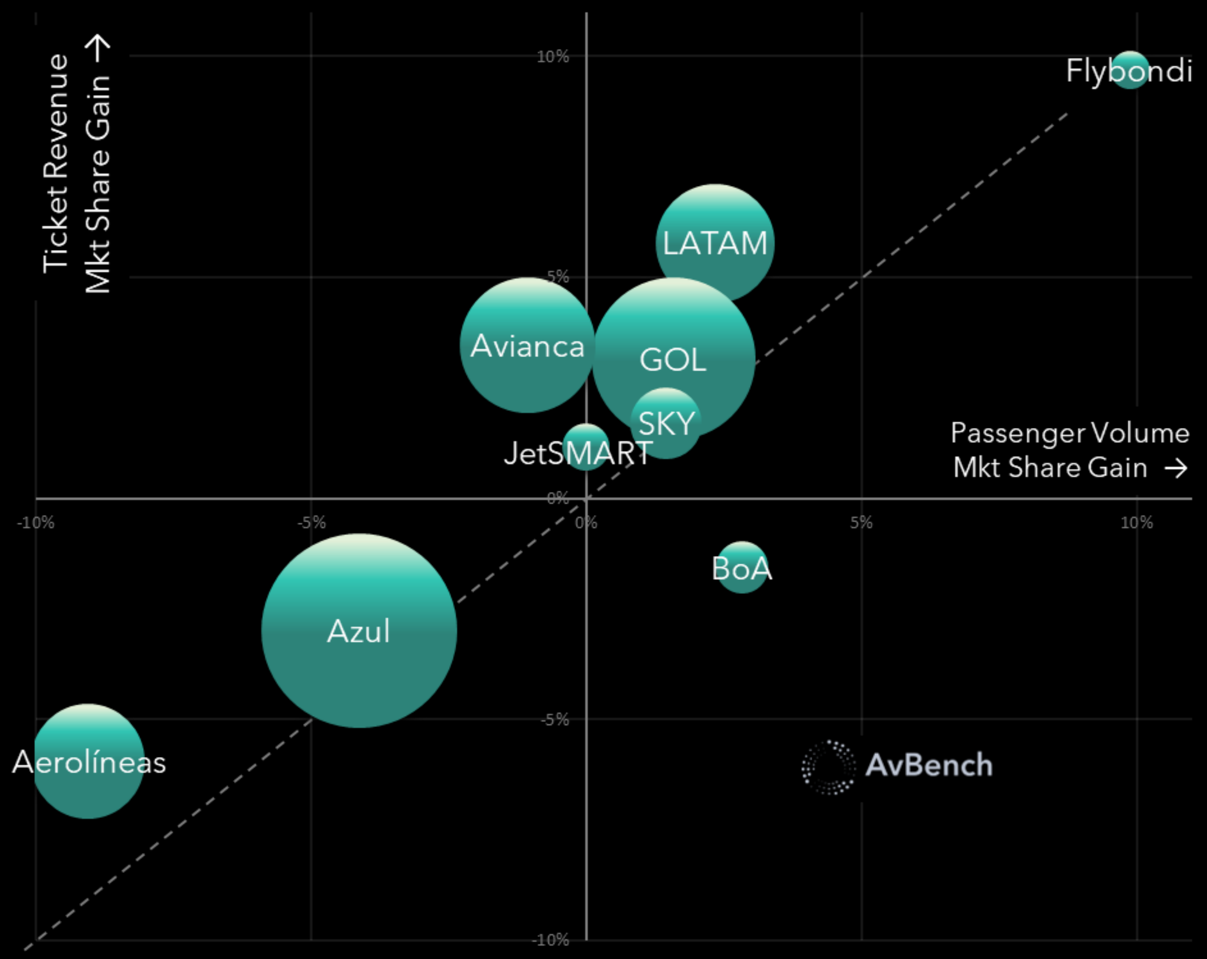
South America



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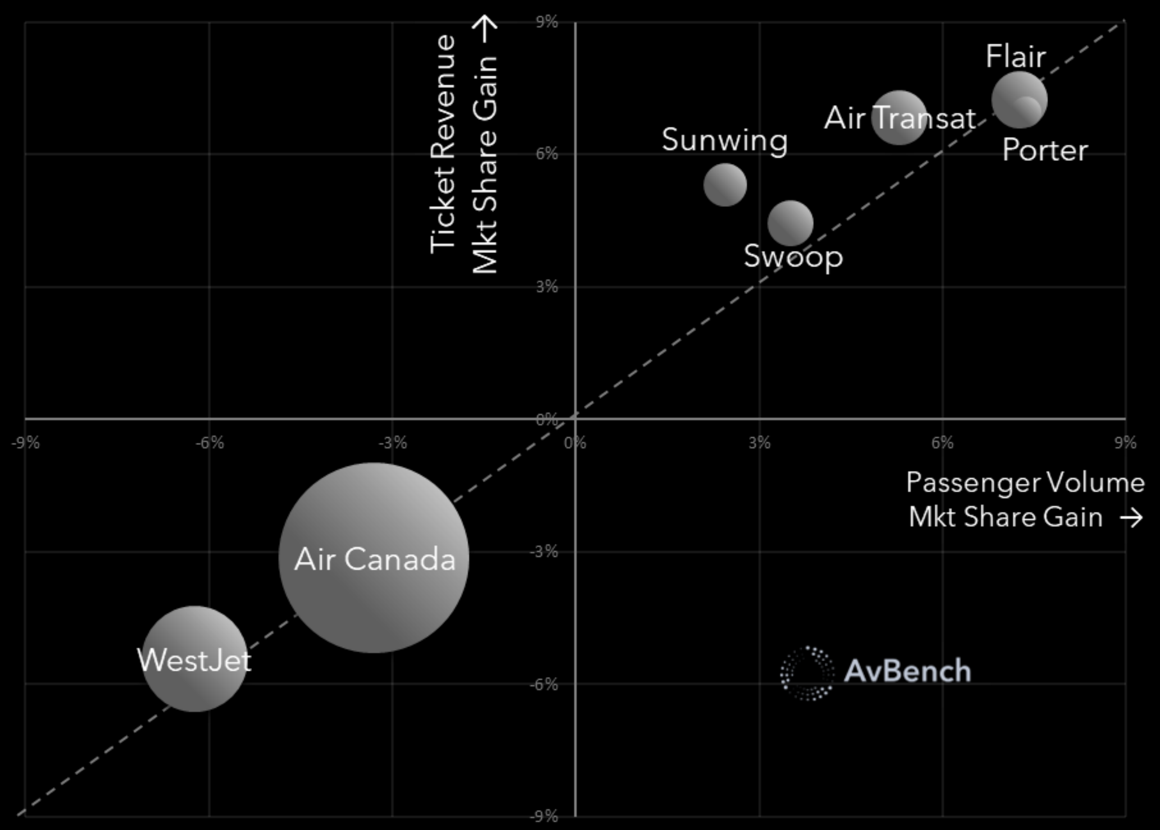
Canada



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