



Research on the Competitive Strategies of Full-Service Airlines and Low-Cost Airlines

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Abstract

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<p>Against the backdrop of the recovery of global air passenger demand in the post-pandemic era, this paper focuses on the differences in competitive strategies between low-cost airlines (LCC) and full-service airlines (FSC). By combining the SWOT analysis method and Porter Five Forces model, it systematically analyzes the internal and external competitive environments and strategic advantages and disadvantages of the two types of airlines. The research finds that full-service airlines dominate the high-end market relying on brand reputation, quality service and the advantages of air alliances, but they face the challenges of high operating costs and short-haul customer churn. Low-cost airlines take the cost leadership strategy as the core, seizing the price-sensitive market through a single aircraft model, extreme cost reduction and flexible pricing. However, they are limited by the singularity of services and insufficient brand influence. Case analyses (Spring Airlines VS China Eastern Airlines, Ryanair VS Lufthansa) further reveal the differentiated competitive paths of the two types of airlines in terms of pricing strategies, route layouts and service models. Based on this, it is suggested that full-service airlines optimize their cost structure, strengthen high-end services and digital transformation, while low-cost airlines need to balance cost advantages and service improvements, and expand into emerging markets. This research provides theoretical references for the aviation industry to optimize resource allocation and formulate differentiated competitive strategies. Meanwhile, it points out the research directions that can deepen the impact of digital technologies, sustainable aviation and changes in consumer behavior on competitive strategies in the future.</p>
Key words Full-service airlines, Low-cost airlines, Competitive strategies, SWOT analysis, Porter Five Forces model, Cost leadership strategy, Differentiation strategy

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1 Introduction

This chapter expounds the trend of global air passenger volume growth in the post-pandemic era and points out the competitive differences between full-service airlines and low-cost airlines. The purpose is to compare and analyze the competitive strategies of the two types of airlines through SWOT and Porter Five Forces model, and optimize their resource allocation and market layout. The research significance includes promoting industry innovation, enhancing the efficiency of consumers' choices, and facilitating the rationalization of the market structure. The current research status shows that scholars at home and abroad mostly focus on a single type of airline. However, this paper emphasizes comparative studies to fill the gap in the analysis of strategic differences.

1.1 Research Background

With the advent of the post-pandemic era, according to data from IATA, global air passenger traffic is on the rise, and the flow from the Asia-Pacific region to all major markets continues to grow at a rapid pace(IATA 2025,1-3)This indicates that the demand in the global air passenger transport market is large. The aviation industry is crucial for both the transportation of people and goods. At present, the main types of airlines are divided into full-service airlines and low-cost airlines. The competitive strategies of the two in market competition are completely different. Two types of airlines are engaged in fierce competition in the market.

1.2 Research Objectives

This article will study the competitive strategies of the currently prominent domestic and foreign low-cost airlines and full-service airlines at home and abroad. The SWOT analysis method is utilized to compare the problems and advantages existing in the competitive strategies of low-cost airlines and full-service airlines, and to analyze their current problems. The Porter Five Forces model is utilized to analyze the competitive environment of full-service airlines and low-cost airlines, fully considering the factors influencing the competitive strategies of the two types of airlines. Combined with the current air transport market, optimize the competitive strategies of the two types of airlines and put forward suggestions for differentiated competition, so as to enhance the competitiveness and operational efficiency of the two types of airlines.

1.3 Research Significance

With the increasing demand for air travel among people, the competitive strategies of airlines need to confront a more volatile market. Airlines need to optimize resource allocation through competitive strategies to help them rationally allocate resources such as funds, human resources

and aircraft. By studying the competitive strategies of low-cost airlines and full-service airlines, the advantages of the two types of airlines themselves and the gaps with their competitors are identified, thereby optimizing in aspects such as service quality, price, routes, and layout. Studying the competitive strategies of airlines can also help consumers better choose the type of airline and find the type of airline that meets consumers' expectations. Research on the competitive strategies of airlines can also promote the progress of the industry, encourage airlines to continuously innovate services and technologies, optimize the market structure, enable the air transport market to allocate resources more rationally, avoid market monopolies, and allow competitive small airlines to survive in the vast air transport market through their own services or regional advantages, making the aviation market structure healthier.

This paper studies the competitive strategies of low-cost airlines and full-service airlines, compares the competitiveness of the two types of airlines, helps consumers better choose airlines that meet their expectations, optimizes the competitive strategies of the two types of airlines, and has certain practical significance for improving their competitiveness and building a healthier aviation market.

1.4 Research Status

At present, many studies at home and abroad on low-cost airlines and full-service airlines mostly analyze the two types of airlines separately. There are relatively few studies comparing the differences in competitive strategies between low-cost airlines and full-service airlines. This article not only studies the competitive strategies of the two types of airlines, It also compares the differences in competitive strategies and key competitive points between low-cost airlines and full-service airlines, which plays a positive role in enhancing the competitiveness of airlines and building a healthier air transport market.

1.4.1 Domestic Research Status

After consulting a large amount of domestic research materials and conducting an analysis, the current research situation in China is as follows:

Cost leadership, differentiation and focus strategies can help enhance the competitiveness of airlines. Future innovation in the aviation industry and market demand analysis are the keys to the successful implementation of these strategies(Xu Yang et al 2022).

The operating costs of low-cost airlines are divided into fixed costs and variable costs. Fixed costs mainly include aircraft purchase and maintenance, labor costs, etc., accounting for about 50% to 60% of the total cost. Variable costs mainly include aviation fuel costs, airport take-off and landing fees, etc. Among them, aircraft ownership cost, maintenance and repair cost, aviation fuel cost,

airport cost and labor cost account for the largest proportion in the total cost and are the key to cost control (Chunmei Chen 2011).

Low-cost airlines need to optimize their strategies to cope with competition, solve problems such as cost control and service quality, and enhance their competitiveness through differentiation. In the future, they need to further analyze and enrich their financial management, etc. (Biping Wang 2021)

It is believed that full-service airlines have development prospects but also have advantages and disadvantages. Differentiated competition strategies should be implemented and measures such as optimizing route layout, providing differentiated operation and management, distinctive services, fleet types, information construction and brand marketing should be taken to achieve the path and optimize organizational structure and performance management, strengthen human resource management, establish a financial management mechanism, build an information planning system, and improve the brand operation system as safeguard measures (Tianchen Li 2020).

Full-service airlines are facing challenges and need to adjust their strategies to respond to the competition of low-cost airlines from multiple aspects such as cost, efficiency, revenue sources, strengthening cooperation, and operating low-cost sub-brands (Lu Dai 2019).

The current situation and deficiencies of Spring Airlines' marketing were studied and analyzed. An evaluation system was constructed and strategies such as improving products, prices and promotions, communication of channels and services, personnel, and tangible displays were proposed to provide references for low-cost airlines (Zhaoxin Wang 2018).

Based on the research of strategic cost management on the competitive strategy of low-cost airlines in China, it is concluded that low-cost airlines should optimize their competitive strategies in aspects such as improving safety investment, optimizing route networks, enhancing basic services, expanding ancillary income, and deepening lean management (Cong Huang 2017).

1.4.2 Current Research Status Abroad

Through in-depth research on the competitive strategies of foreign airlines, the summary is as follows:

Exploring how competition affects the strategies and service quality of airlines, the impact of competition on all strategic decisions of airlines is significant, as an increase in competition may lower prices and thereby enhance consumer welfare. Research indicates that competition among low-cost airlines may lead to a decline in punctuality rates (Ricard Gil, Myongjin Kim 2021, 102-142).

Analyze the competitive relationship between full-service airlines and low-cost airlines, especially when full-service airlines influence the ticket prices of low-cost airlines through price reduction strategies. The service gap between full-service airlines and low-cost airlines is gradually narrowing, but full-service airlines are still regarded as superior to low-cost airlines in terms of service quality(Avogadro et al 2021,20-27).

Data analysis of the airport industry in the United States supports these assumptions, indicating that in the current highly competitive environment, airport managers should pay more attention to strategic positioning in order to enhance profitability. It emphasizes the significance of the competitive strategy choices of full-service airlines for financial performance in the context of the rise of low-cost airlines, and provides practical insights for airport managers (Tavalaei M.et al 2019,444-455).

Passengers are influenced by a variety of cognitive and emotional factors when choosing an airline, including ticket prices, flight times, safety records and service quality, etc. In addition, social influences such as brand reputation and word-of-mouth recommendations also significantly affect passengers' choices. It was emphasized that airlines need to optimize the supply side in the competition to meet passenger demands9(Xiaoqian Suna et al 2019).

In recent years, competition among enterprises has shifted from "business-to-business" to "group-to-group" competition, especially in the aviation industry, where the formation of strategic alliances has become particularly frequent. It is emphasized that if airlines fail to participate in international alliances, they will face isolation and competitive disadvantages. Participating in international alliances is regarded as an important competitive strategy, which can help airlines achieve brand differentiation in front of low-cost airlines and enhance customer satisfaction(Gang-Hoon Seo.2020,139-145).

Analyze the strategic capabilities of full-service airlines when competing with low-cost airlines. The article adopts a two-stage methodology. Firstly, it assesses the strategies that airlines consider important in competing with low-cost airlines. Secondly, it evaluates the difficulties encountered in implementing these strategies. This paper discusses how Asian full-service airlines identify and respond to the challenges of low-cost airlines, as well as the various difficulties they face when implementing competitive strategies (Pearson et al 2015,1-10).

Taking full-service airlines and low-cost airlines in the Turkish aviation market as examples, the competitive situation between the two was analyzed. It is pointed out that Turkish Airlines, a full-service airline, offers comprehensive services, including long-haul flights and high-quality passenger services, while Pergasus Airlines, a low-cost airline, mainly attracts price-sensitive

passengers by reducing operating costs and providing low-priced tickets. The service contents, operation models, cost structures and other aspects of the two airlines were compared (CA. Zafer AcarSelçuk Karabulak 2015,642-651).

2 Competitive strategy

This chapter defines the core concepts of competitive strategies and proposes four major types based on Porter theory.

2.1 Concepts

Competitive strategy refers to a part of an enterprise's strategy. Under the constraints of the overall enterprise strategy, it guides and manages the plans and actions of specific strategic business units. The core issue that an enterprise's competitive strategy aims to address is how to establish and maintain a specific position of the enterprise's products in the market by determining the relationship among customer demands, competitors' products and the enterprise's own products.

The competitive strategy of airlines refers to a series of planning methods and action combinations adopted by airlines in order to gain a competitive advantage in the air transportation market.

2.2 Types

Michael Porter proposed three general competitive strategies, including the total cost leadership strategy, the differentiation strategy, and the target concentration strategy. Understanding the concepts of the three strategies can help us analyze the main directions of the competitive strategies of full-service airlines and low-cost airlines. Influenced by the digitalization and information explosion era, concepts that are not formal in Michael Porter classic competitive strategy theory have emerged, such as the attention strategy, which is also a frequently used auxiliary strategy in the competitive strategies of airlines.

2.2.1 Total cost leadership strategy

The cost leadership strategy is one of the three general competitive strategies proposed by Michael Porter. It is of vital importance in the air transportation industry. Its core is to become the producer with the lowest cost in the industry by continuously reducing costs. Overall, this is also the core type of competitive strategy for low-cost airlines, which uses price advantages to attract customers and squeeze the profit margins of competitors. To cut costs, airlines have adopted a series of measures, including optimizing flight schedules, reducing aircraft dwell time, enhancing staff efficiency, conserving energy, reducing maintenance expenses, and making rational purchases.

2.2.2 Differentiation strategy

Differentiation strategy is another general competitive strategy proposed by Michael Porter. The core of differentiation strategy is to form a competitive advantage by providing unique products, services or brand value to meet consumers' personalized needs. Differentiation does not pursue low prices, but rather acquires premiums through "irreplaceability" to enhance customer loyalty. Differentiation strategy is the core type of competitive strategy for full-service airlines. The differentiated competition strategy is mainly aimed at enhancing customer stickiness, establishing customers' dependence on airlines and reducing their focus on prices. The enhancement of dependence can reduce customer churn.

2.2.3 Target concentration strategy

The goal concentration strategy, also known as the concentration strategy, is one of Michael Porter three general competitive strategies. The core of the target concentration strategy is to focus on a specific niche market or customer group, and establish a local competitive advantage by meeting the unique needs of that market. The competitiveness of the target concentration strategy stems from "precise matching" rather than "comprehensive coverage", which applies to some small and medium-sized airlines. Selecting specific groups of people in the market for service, usually, their market share is small but the target concentration strategy can help them gain a firm foothold under the shadow of other major airlines.

2.2.4 Attention strategy

Attention strategy is not a formal concept in Michael Porter classic competitive strategy theory. In the current era of digitalization and information explosion, enterprises have gradually evolved competitive strategies centered on "seizing customers' minds and attention" in order to compete for customers' attention and enhance brand influence. The attention strategy is currently the main competitive strategy in the transportation market of domestic airlines. The attention strategy enhances market position through market segmentation and hub strategies. Market segmentation positioning is the key to the attention strategy. Airlines provide customized services by analyzing market demands. Furthermore, the attention strategy does not exist independently. It is more like an auxiliary competitive strategy. Attention needs to be used in combination with the three general competitive strategies mentioned earlier.

3 Theoretical Tools

Two major theoretical tools will be adopted: Porter Five Forces Model and SWOT analysis method. Porter Five Forces Model helps analyze the competitive structure of an industry, covering the bargaining power of existing competitors, potential entrants, substitutes, suppliers and purchasers. The SWOT analysis method assesses the internal and external strengths and weaknesses, opportunities and threats of the two types of airlines, providing a systematic framework for strategy optimization.

3.1 Porter Five Forces Model

The Porter Five Forces Model is a strategic analysis tool proposed by Michael Porter, a professor at Harvard Business School, in 1979, used to assess the competitive structure and profitability of an industry. This model analyzes five key forces, which are: the competition from existing competitors in the industry, the threat from potential entrants, the threat from substitutes, the bargaining power of suppliers, and the bargaining power of buyers. This helps enterprises identify opportunities and threats in the industry and formulate effective competitive strategies (Michael Porter 2006,120-121)

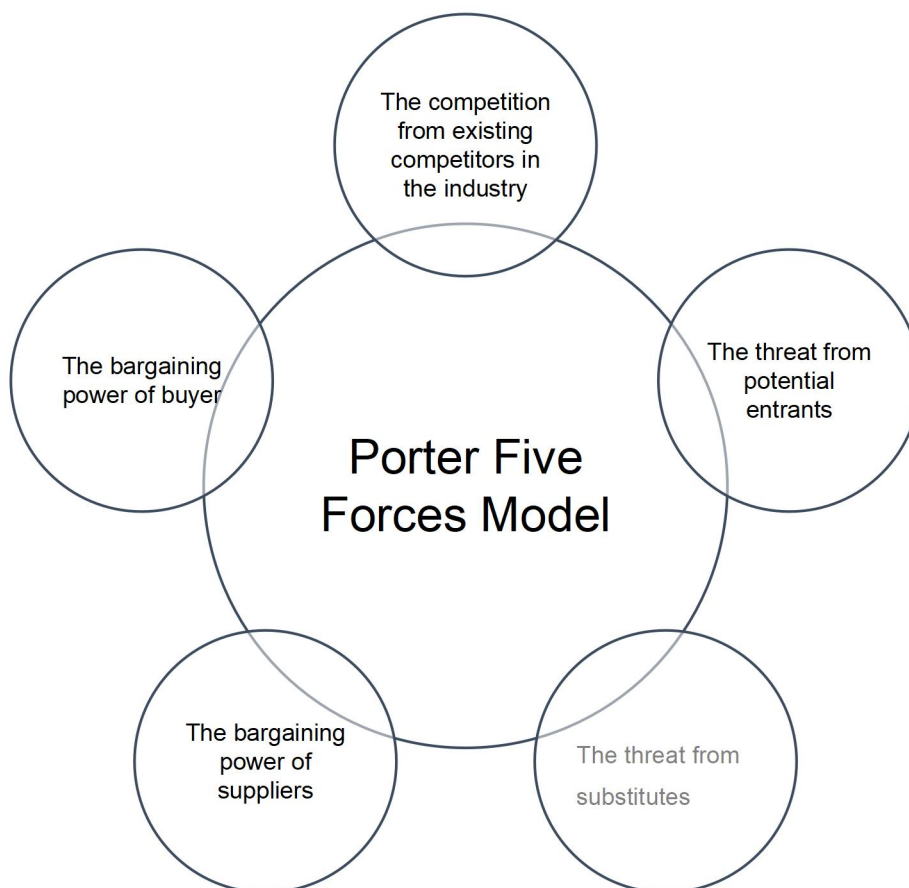


Figure 1 Porter Five Forces Analysis Model

3.2 SWOT Analysis Method

SWOT analysis is a widely used tool in strategic management and business decision-making to systematically assess the internal and external environment of an organization, project or individual. SWOT is composed of the first letters of four key elements: Strengths, Weaknesses, Opportunities and Threats. Enterprises can consider their own strengths and weaknesses through SWOT analysis, discover the opportunities and threats existing in the current enterprise, and help the enterprise have a clear direction in formulating competitive strategies. The SWOT analysis method can enable organizations or individuals to understand the current situation more systematically. Make more scientific decisions.

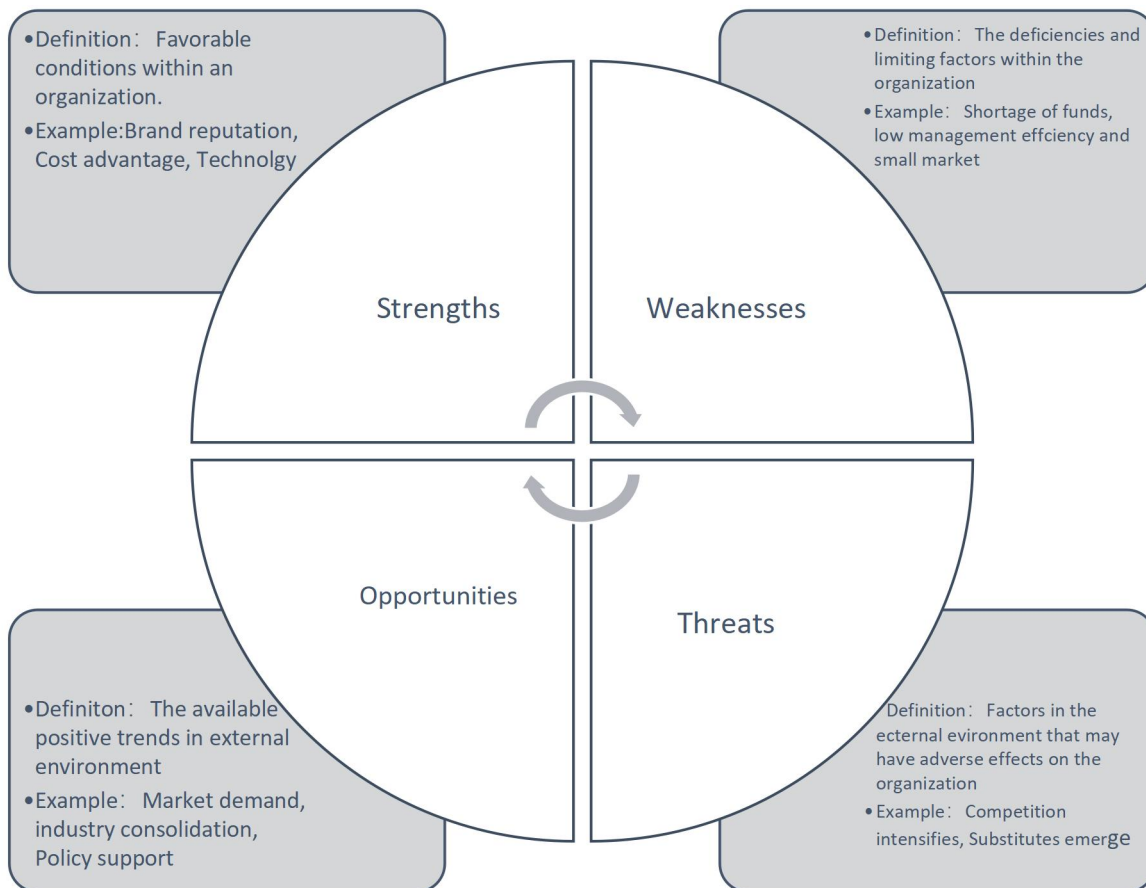


Figure 2 SWOT Analysis Model

4 Analysis of Competitive Strategies of Full-Service Airlines

The competitive strategies of full-service airlines are analyzed using Porter Five Forces Model and the SWOT model. Through the analysis of Porter Five Forces model, it is found that full-service airlines are threatened by high-speed rail substitution for short-haul flights and are squeezed by low-cost airlines for long-haul flights. Suppliers have high bargaining power, while customers have differentiated bargaining power.

Through SWOT analysis, it is known that full-service airlines have advantages such as brand reputation, service quality and alliance network, while also including disadvantages such as high operating costs and weak short-haul competitiveness. Full-service airlines can seek opportunities through the recovery of international travel and the expansion of emerging markets, while being cautious of threats such as price wars among low-cost airlines, economic downturns and geopolitical risks.

4.1 Analysis based on Porter Five Forces Model

The Porter Five Forces Model reveals the competitive environment and challenges faced by full-service airlines by analyzing five key competitive forces within the industry. The following is a detailed analysis from five dimensions.

4.1.1 Competition among existing competitors within the industry

At present, the competition within the industry is extremely fierce. Besides the intense competition among full-service airlines, they also compete in terms of popular routes, prices, service quality, brand image and other aspects. At the same time, they also have to face the price competition from low-cost airlines with even lower prices. Low-cost airlines divert economy class passengers with extremely low prices, which has caused a certain squeeze on the market share of full-service airlines. According to the data of various low-cost airlines in the first half of 2024, it can be seen that the passenger load factor of low-cost airlines is higher than the overall level of the industry. The passenger transport volume of large low-cost airlines amounts to tens of millions.

Table 1 Statistics of Flight Transportation Volume of Various low-cost Airlines in China in the First Half of 2024

	Flight hours (ten thousand hours)	Passenger transport volume (Ten thousand person- times)	Passenger load factor (PLF)

Spring Airlines	20.95	1390.5	91.3%
Xiangpeng Airlines	8.749	576.73	87.7%
Juneyao Airlines	17.52	1026.59	84.5%
China's civil aviation industry	532.14	35000	82.2%

Data source: Annual reports of various companies for the first half of 2024

Low-cost airlines, as strong competitors of full-service airlines, usually improve the daily utilization rate of aircraft by optimizing flight schedules. For instance, the flight hours of Spring Airlines in the first half of 2024 reached 209,500 hours. According to the annual report of Spring Airlines, the average daily utilization rate of aircraft in the first half of 2024 was 9.28 hours, significantly higher than the industry average, which maximized the operational revenue of aircraft within a unit of time.

In addition, Spring Airlines has transported a total of 13.9053 million passengers, an increase of 27.59% year-on-year. The overall passenger load factor was 91.31%, up by 3.36 percentage points compared with the same period in 2023. Xiangpeng Airlines transported 5.6923 million passengers, an increase of 15% year-on-year. The average passenger load factor reached 87.68%, an increase of 3 percentage points year-on-year. Juneyao Airlines transported 10.2659 million passengers, an increase of 21.09% compared with the same period in 2023. The passenger load factor increased by 2.13% compared with the same period in 2023, reaching 82.92%. The three typical low-cost airlines have seen significant growth in both passenger transport volume and passenger load factor compared to the same period last year. It can be seen from this that passengers' willingness to choose low-cost airlines is on the rise, which will further seize the market share of full-service airlines.

In the post-pandemic era, the economy is in a recovery stage, the world pattern is turbulent, geopolitical risks are increasing, and the consumption willingness of the aviation consumer group is gradually changing. The consumption desire of the consumer group has not yet returned to the state before the epidemic. Some groups are more inclined to low-cost airlines with low prices. This requires full-service airlines to integrate resources by leveraging their own advantages and consolidate their competitiveness.

4.1.2 The threat of potential entrants

The aviation industry is a capital-intensive sector. Affected by factors such as economic scale, brand recognition, operational qualifications, and route resources, purchasing aircraft, building infrastructure, and establishing route networks require huge capital investment, which constitutes a relatively high economic barrier. The brand reputation of full-service airlines requires a long period of accumulation and it is difficult to gain the trust of the consumer group in the short term. Furthermore, both China and other countries have strict aviation safety supervision. It is difficult for the government to obtain the operating license for airlines. Furthermore, industry entrants have very limited access to airspace resources. So it is difficult to enter this industry, but the threat to those who sneak in is relatively small.

4.1.3 The threat of substitutes

From the perspective of short distances, full-service airlines do not have an advantage in terms of price compared with transportation methods such as trains and high-speed rail. For short trips, the speed of high-speed rail has fully met the short-distance demands, and its punctuality and comfort have surpassed those of aviation to a certain extent. This makes high-speed rail the first choice for many passengers on short trips. For short trips, the possibility of choosing full-service airlines is relatively small, so to a certain extent, it poses little threat to full-service airlines.

From a long-distance perspective, low-cost airlines are the best alternatives to full-service airlines. Low-cost airlines have the same long-haul timeliness as full-service airlines. In addition, low-cost airlines have a price advantage. Its low ticket prices attract many price-sensitive passengers with low service demands, which will directly lead to the loss of economy class customers of full-service airlines.

4.1.4 The bargaining power of suppliers

In terms of aircraft manufacturing, the bargaining power of suppliers of full-service airlines is higher than that of low-cost airlines. Full-service airlines need to purchase aircraft of different models. Today, the global mainline aircraft market is monopolized by two oligarchs - Boeing and Airbus, and airlines have limited choices.



Figure 2 The two major aircraft manufacturers in the world

From the perspective of aviation fuel suppliers, the bargaining power of full-service airlines is lower than that of low-cost airlines. The price of aviation fuel is affected by the fluctuations in the international crude oil market. Aviation fuel has the attribute of a bulk commodity, and the bargaining power of airlines is limited.

Week ending 18 Apr 2025	Share in Global Index	Weekly Average Price			Index Value (Year 2000 = 100)	Weekly Average Price versus		
		cts/gal	\$/bbl	\$/ft		prior week's average	prior month's average	prior year's average
Jet fuel price	100%	202.11	84.89	670.36	232.0	2.4%	-4.5%	-14.3%
Asia & Oceania	22%	190.59	80.05	632.38	228.7	3.3%	-6.7%	-16.5%
Europe & CIS	28%	202.01	84.84	669.41	228.6	3.8%	-5.6%	-15.5%
Middle East	5%	184.61	77.54	612.51	231.5	3.2%	-6.5%	-18.7%
North America	39%	210.90	88.58	699.76	235.5	1.0%	-2.0%	-11.5%
Latin & Central America	4%	205.28	86.22	681.11	238.8	0.8%	-5.9%	-16.8%
Africa*	2%	199.07	83.61	659.96	82.8	3.6%	-6.1%	-17.2%
Oil Price (Dated Brent)			67.34			3.0%	-7.3%	-16.6%
Crack Spread			17.55			0.2%	7.8%	-4.1%

*The Africa index was launched on 2 January 2025, carved out from the Middle East and Africa index. Because of its newness, its values are indexed to its 2024 annual average value, unlike the other regional indices, which are indexed to their respective average annual values in 2000.

Figure 3 Analysis of Fuel Prices

Week ending	Index Value (Year 2000 = 100)	Weekly Average Price \$/bbl	Change vs prior week	Weekly Average Crack Spread \$/bbl
18 Apr 2025	232.0	84.89	2.4%	17.55
11 Apr 2025	226.7	82.91	-9.1%	17.52
4 Apr 2025	249.2	91.18	-0.2%	16.64
28 Mar 2025	249.7	91.35	3.0%	17.07
21 Mar 2025	242.4	88.68	2.3%	16.56

Figure 4 Recent Development of aviation kerosene prices

Data source: IATA official website

According to the picture, we can see that the global average price of aviation kerosene rose by 2.4% compared with the previous week to \$84.89 per barrel. It can be seen that aviation fuel

fluctuates continuously within just one week, and it can be inferred that the price of aviation fuel is unstable. It is very susceptible to various influences.

In terms of aviation parts and maintenance services, the bargaining power of full-service airlines is very high and higher than that of low-cost airlines. Full-service airlines have a wide variety of aircraft models and need to purchase a wide range of aircraft components. Core components such as engines are monopolized by a few oligopolistic companies. Repairing these components requires original factory certification, and there is a lack of alternative options. This limits the bargaining power of full-service airlines in terms of parts and maintenance services.

4.1.5 The bargaining power of the purchaser

The customer base of full-service airlines mainly consists of ordinary passengers and business travelers. With the transparency of information, passengers can easily obtain the ticket prices of major airlines.

Ordinary passengers are highly sensitive to prices and have low demands for services. They often choose airlines with the best cost performance. Compared with low-cost airlines, full-service airlines do not have an advantage in terms of price. It is very likely to lead to the loss of this part of ordinary passengers.

Business travelers are less sensitive to prices. They pay more attention to the punctuality rate of flights, service facilities and membership benefits, etc. These are the advantages of full-service airlines. However, if the service quality declines and fails to meet the service requirements of business travelers, it will also reduce customers' loyalty to full-service airlines, leading passengers to possibly turn to other competitors.

4.2 Analysis based on the SWOT model

The SWOT model provides a structured framework for optimizing the competitive strategies of full-service airlines by systematically evaluating their internal strengths and weaknesses, as well as external opportunities and threats. The following is a detailed analysis from four dimensions.

4.2.1 The advantages of full-service airlines

The advantages of full-service airlines include brand image. Most full-service airlines have built up their reputation through long-term operation and large-scale market investment. They often have a large number of loyal long-term customers. Full-service airlines have established a high brand awareness and a good reputation image in the minds of customers. This not only enables them to have long-term and stable old customers, but also allows them to attract new customers through

their high popularity. Full-service airlines usually establish membership systems, such as mileage accumulation and membership levels, to enhance customer loyalty and help them stabilize long-term customers at the same time.

Secondly, good service is also an advantage of full-service airlines. Service quality is a key predictor of enterprise success based on service orientation. Service quality refers to the gap between consumers' initial expectations of service and the actual realization of service (Rajesh Rajaguru 2016, 115-122). Full-service airlines have excellent airport facilities, more spacious and comfortable cabin seats, and high-quality in-flight meals. For customers with service demands, full-service airlines can offer more comprehensive and high-quality services. Enable customers to enjoy themselves well even during their flight journey.

Most full-service airlines will also join airline alliances. Alliance members can benefit from economies of scale and density effects: without increasing aircraft investment, alliance members can expand their route networks and offer customers a wider range of frequencies on selected routes (Lordan, Oriol et al 2015, 587-595). Airline alliances can enhance the stability of the route network, have a wider coverage, and offer passengers more choices in their travel destinations.



Figure 5 The world's three major airline alliances

4.2.2 The disadvantages of full-service airlines

Full-service airlines have high operating costs due to their excellent service quality. Moreover, there are a wide variety of service items, including aircraft facilities, in-flight catering, luggage check-in, and the increase in the number of staff. This will result in much higher operating costs than low-cost airlines.

Full-service airlines are at a disadvantage in the competition of short-haul travel. Customers of short-haul travel are usually more sensitive to price than to service demand. This will lead to the loss of short-haul customers for full-service airlines. The current economic environment is in a downturn stage, with a decrease in business travelers and high-end tourism. This will affect the main revenue of full-service airlines to decline.

Due to the fact that full-service airlines cover a large number of destinations and have a vast route network, not only domestic flights to foreign countries but also a significant proportion of domestic flights to foreign countries, this will lead to an increase in the management difficulty and cost of full-service airlines.

4.2.3 Opportunities for full-service airlines

On December 17, 2024, the National Immigration Administration of China announced that as of now, the stay time for visa-free transit foreigners in the country will be extended from the original 72 hours and 144 hours to 240 hours (10 days). A total of 21 new ports will be added to 60 ports for visa-free transit personnel to enter and exit the country. Foreigners who enjoy visa-free transit can travel across provinces within the areas where they are allowed to stay and move around in 24 provinces (autonomous regions and municipalities). This marks the recovery of international travel and the increase in demand for long-haul routes. The demand for services in long-haul travel has risen. Full-service airlines with extensive route networks and good service quality are better positioned to undertake long-haul travel.

In addition, the development of emerging markets, such as the economic growth in the Asia-Pacific and Middle East regions and the aviation industry in Africa, is still in its infancy. Full-service airlines, relying on their extensive route networks and airline alliance organizations, can assist full-service airlines in entering emerging markets, further expanding their international route networks, increasing their share in the international aviation market, and strengthening cooperation among full-service airlines in various regions.

4.2.4 The threat of full-service airlines

The greatest competitive threat to full-service airlines is low-cost airlines. Especially in short-haul travel, price-sensitive customers have almost been lost. Low-cost airlines have encroached on the market share of full-service airlines by taking advantage of their low prices.

Currently, the economy is in a downturn stage, and the demand for high-end travel is limited, which will lead to a reduction in the revenue of full-service companies. In addition, full-service airlines mostly conduct international long-distance transportation. Currently, geopolitical risks are increasing, international tensions, terrorism and other threats are affecting the safety of international routes. This requires full-service airlines to devote more energy to focusing on route risks, which will lead to an increase in costs and human resources.

5 Analysis of Competitive Strategies of Low-Cost Airlines

The competitive strategies of low-cost airlines are analyzed using Porter Five Forces Model and the SWOT model. According to the analysis of Porter Five Forces Model, low-cost airlines are significantly threatened by high-speed rail substitution in short-haul flights. The bargaining power of suppliers is generally high due to the purchase of single models and futures hedging. Customers are highly sensitive to prices but have low loyalty.

Through SWOT analysis, low-cost airlines have advantages such as cost leadership and strong price competitiveness, while at the same time having disadvantages such as single service and weak brand influence. Low-cost airlines have many opportunities in terms of the potential of emerging markets and the integration of the tourism industry. Meanwhile, there are threats such as the squeeze from full-service airlines, fluctuations in oil prices and intensified competition.

5.1 Analysis based on Porter Five Forces Model

Porter Five Forces Model reveals the competitive environment faced by low-cost airlines and the core driving forces behind their strategic choices. The following is a detailed analysis from five dimensions.

5.1.1 Competition among existing competitors within the industry

Because low-cost airlines take providing low-priced air tickets as their core competitiveness, price wars among major low-cost airlines occur frequently. Low-cost airlines need to attract more customers in the market competition by offering extremely low ticket prices. This has prompted low-cost airlines to carry out various promotional activities. For instance, low-cost airlines such as Spring Airlines and Juneyao Airlines have set up holiday special offers and time-limited flash sales to reduce ticket prices to 10% or even 50% off. These promotional activities are all means of price wars. It has intensified the price competition among major low-cost airlines.

Furthermore, there is the competition with full-service airlines. The rise of low-cost airlines has to some extent squeezed out the share of full-service airlines. To deal with low-cost airlines, full-service airlines will also offer discounted air tickets to attract price-sensitive customers. Meanwhile, they will draw on the service models of low-cost airlines. For instance, Scoot, a subsidiary of Singapore Airlines, is a type of low-cost airline backed by full-service airlines and has more route network resources and customer resources than traditional low-cost airlines. It is a strong competitor to traditional low-cost airlines.

5.1.2 The threat of potential entrants

The threat of potential entrants is relatively low. The entry threshold for the aviation industry is relatively high, requiring a huge amount of capital investment for purchasing aircraft equipment, building aircraft infrastructure, and obtaining operational qualifications, etc. The industry has very high requirements both in terms of funds and resources.

However, the threat posed by potential entrants of low-cost airlines is higher than that of full-service airlines. Low-cost airlines can avoid first-tier cities with mature aviation industries and enter second - and third-tier cities more easily. However, most second - and third-tier cities already have regional low-cost airlines of a certain scale, such as Xiangpeng Airlines in Yunnan Province, China, Ryanair and EasyJet in Europe. Potential entrants need some time to form a cost advantage.

5.1.3 The threat of substitutes

From the perspective of short distances, transportation modes such as high-speed rail, highways and passenger transport pose a threat to low-cost airlines. Among them, high-speed rail will become the main alternative. According to the chart below, the operating mileage of high-speed railways in China is constantly increasing every year. It can be seen that the choice of high-speed railways by Chinese tourists is showing a positive trend. According to the mileage of high-speed rail operations in Europe in 2023, high-speed rail is also a popular mode of transportation in this region.

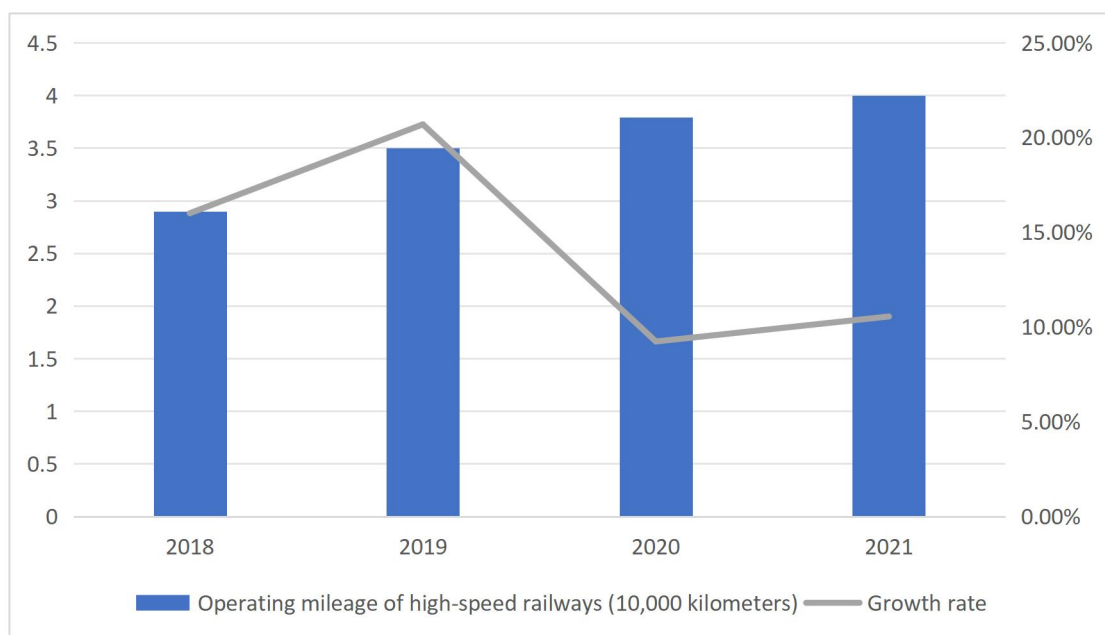


Figure 6 Operating Mileage and Growth Rate of China's High-Speed Railways from 2018 to 2022

Data source: Statistical Bulletin on the Development of the Transportation Industry

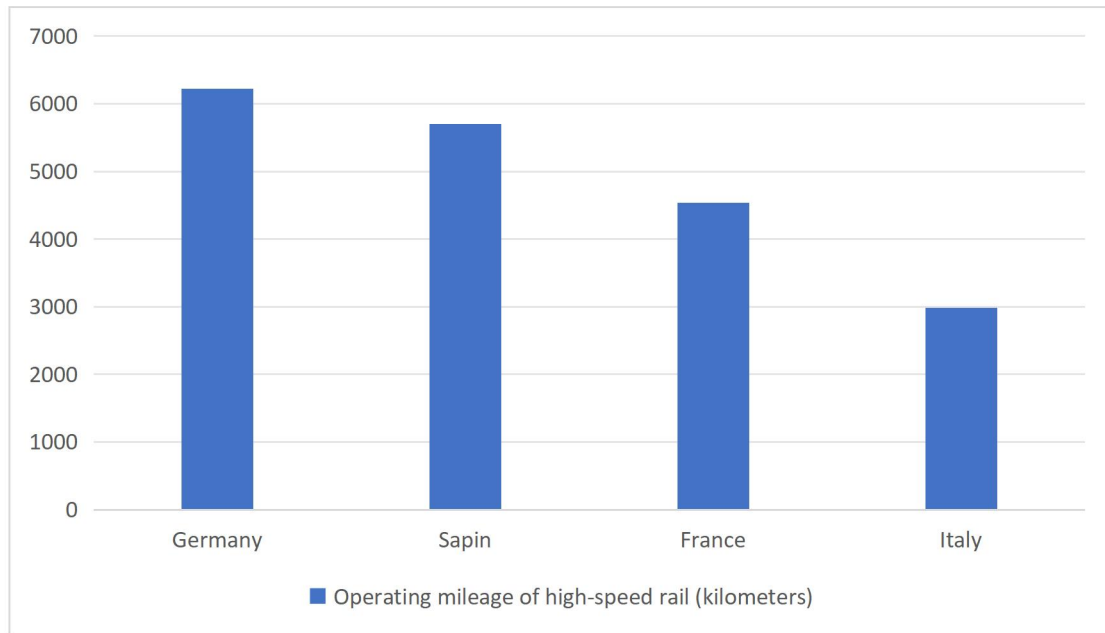


Figure 7 Operating mileage of high-speed railways in major European countries in 2023

Data source: UIC official website

High-speed rail has the characteristics of relatively low price and high punctuality. High-speed rail can fully meet the needs of customers for short trips. The rise of high-speed rail poses a greater threat to low-cost airlines that have an advantage in short distances.

In terms of long-distance travel, the alternative threat of low-cost airlines is relatively low. However, for international routes and ultra-long-haul travel, low-cost airlines do not have as many advantages as full-service airlines and are more likely to be replaced. Low cost mainly holds an advantage in the medium and short-distance market, and the threat of substitutes is relatively small.

5.1.4 The bargaining power of suppliers

From the perspective of aircraft manufacturers, low-cost airlines have less bargaining power than full-service airlines. Low-cost airlines usually pay more attention to cost control. Generally, they purchase a single aircraft model, concentrate on buying from one aircraft manufacturer, and strive for discounts through large-scale orders. Although the two major aircraft manufacturers, Boeing and Airbus, monopolize this industry. However, purchasing orders for a single aircraft model and size can help low-cost airlines choose to strive for relatively lower prices among two aircraft manufacturers. In addition, low-cost airlines will also reduce their reliance on aircraft manufacturers by introducing second-hand aircraft and leasing aircraft.

In terms of aviation fuel suppliers, low-cost airlines have higher bargaining power than full-service airlines. Aviation fuel accounts for 30% to 40% of the operating costs of low-cost airlines. Therefore, fluctuations in fuel prices have a greater impact on them. According to Figures 3 and 4 it can be known that fuel prices fluctuate frequently, which has a greater impact on the operating costs of low-cost airlines and will lead to higher bargaining power of fuel suppliers for low-cost airlines. Furthermore, low-cost airlines rely on hedging strategies and they will adopt fuel futures hedging for a long time. For example, Southwest Airlines locked in low prices through long-term fuel futures hedging. This will prevent low-cost airlines from changing the bargaining power of their suppliers.

In terms of maintenance and parts suppliers, low-cost airlines have less bargaining power than full-service airlines. Low-cost airlines generally use a single aircraft model, which makes centralized maintenance easier. The required spare parts are relatively fewer compared to full-service airlines, and the spare parts inventory is reduced. Although there are still only a few monopolistic engine suppliers. However, a single aircraft model of low-cost airlines can have greater negotiation space in terms of maintenance. Low-cost airlines can obtain better discounts through centralized procurement.

5.1.5 The bargaining power of the purchaser

When choosing an airline, consumers in the aviation market will look for one with high cost performance by comparing factors such as ticket prices and service quality of different companies. The core competitiveness of low-cost airlines lies in low ticket prices. The ticket prices of low-cost airlines are relatively low, which is highly attractive to price-sensitive passengers. However, these passengers are also more likely to switch their choices due to price changes, resulting in low loyalty among them. They may choose other airlines with lower ticket prices at any time.

5.2 Analysis based on the SWOT model

The SWOT model systematically assesses the internal capabilities and external environment of low-cost airlines, providing a basis for the optimization of their competitive strategies. The following analysis is conducted from four dimensions: advantages, disadvantages, opportunities, and threats.

5.2.1 The advantages of low-cost airlines

Low-cost airlines can quickly capture a certain market by relying on the low-cost operation model. It is also one of the three general competitive strategies proposed by Michael Porter, the cost leadership strategy. Low-cost airlines have effectively reduced operating costs by optimizing the route network, simplifying service processes, improving the utilization rate of aircraft and other means, minimizing the input of funds and human resources. In addition, low-cost airlines adopt a

single aircraft type and a single cabin class, simplify cabin services, and further reduce the maintenance costs of aircraft and the training costs of personnel.

The significant reduction in costs will give low-cost airlines a distinct price advantage. Under the same route, the ticket prices of low-cost airlines are 10% to 20% lower than those of other airlines. Such a low-price strategy will help low-cost airlines quickly capture market share and meet the relatively mass air travel demands, especially for price-sensitive customers.

5.2.2 The disadvantages of low-cost airlines

The scale of low-cost airlines is smaller compared to that of full-service airlines. Low-cost airlines are very limited both in terms of fleet size and route network coverage. Compared with full-service airlines that have a vast route network coverage and a large fleet size, they are relatively at a disadvantage. Passengers have relatively limited options for their travel destinations, making it difficult to meet their diverse travel needs.

Low-cost airlines adopt a cost leadership strategy, so they need to cut costs. This will lead to a single service product. Low-cost airlines can only offer economy class services, lacking the diversity of services and making it difficult to meet the needs of different passengers. This will lead to the loss of passengers who have certain demands for services.

Low-cost airlines usually quickly capture the market through low ticket prices rather than through the accumulation of word-of-mouth over a long period of time, so their brand influence is limited. It is relatively weak in terms of brand awareness and credibility. Passengers have less trust in them than full-service airlines. Although low-cost airlines can quickly capture the market, it is rather difficult for them to further expand their market share.

5.2.3 Opportunities for low-cost airlines

The penetration rate of low-cost airlines is low in emerging market countries and regions, such as Asia-Pacific and Africa. The penetration rate of low-cost airlines in China is only 14%. Compared with the mature markets in Europe and America, low-cost airlines still have a lot of room for development in the Chinese market. In 2004, Spring Airlines, China's first low-cost airline, was established. In recent years, low-cost airlines led by Spring Airlines have been continuously expanding their market share. Since 2023, the booming domestic tourism market has led to an increase in the demand for air transportation, which has brought more development opportunities to low-cost airlines.

The integration of the aviation industry with related industries such as tourism is deepening day by day. Low-cost airlines can cooperate with travel agencies, hotels and other tourism accommodation. Launch combination package products such as "air ticket + hotel" and "air ticket + tourism" to make up for the single service of low-cost airlines and meet the diversity and personalization of the journey.

5.2.4 The threat of low-cost airlines

Low-cost airlines not only face the emergence of an increasing number of low-cost airlines after the relaxation of market access thresholds, but also the competitive squeeze from full-service airlines. The market competition is becoming increasingly fierce. There is not only competition among domestic peers but also the entry of foreign low-cost airlines, making the competition for market share among low-cost airlines even more intense. Full-service airlines are competing for price-sensitive customers by launching basic economy class, while consolidating their advantages in the high-end market through frequent flyer programs, squeezing the survival space of low-cost airlines.

Aviation fuel is an important component of the operating costs of low-cost airlines. It can be clearly found according to Figures 3 and 4 that the oil price has fluctuated frequently recently and is in an upward stage. This will weaken the cost advantage of low-cost airlines and pose a threat to them.

6 Case Analysis

This chapter selects typical cases of domestic and foreign airlines, compares the differences in competitive strategies between full-service airlines and low-cost airlines, and combines Porter Five Forces Model and the SWOT analysis framework to verify the practical value of theoretical tools.

6.1 Domestic Case Analysis-Taking Spring Airlines vs China Eastern Airlines as an Example

6.1.1 Airline Profile

Spring Airlines Co., Ltd. was established in 2004 and made its maiden flight in 2005. It is one of the first private airlines in China and also the country's first low-cost airline. It was founded by Chunqiu Travel Agency, the strongest domestic travel agency in China. Its headquarters is located in Shanghai, with Shanghai Hongqiao Airport and Shanghai Pudong International Airport as its main hub bases.

Spring Airlines precisely positions itself as a low-cost business model. Unlike the three major domestic airlines, all of Spring Airlines' in-service fleets are Airbus A320 passenger aircraft, and their components are highly homogeneous, with only economy class available, focusing on cost reduction. As a low-cost airline that has put forward the slogan of "making flights affordable for everyone", Spring Airlines aims to provide passengers with "safe, economical, convenient and comfortable" air transportation services(Bowen Shi 2023,19).

China Eastern Airlines Group Co., Ltd. is one of the three major state-owned backbone air transport groups in China, with its headquarters located in Shanghai. Its predecessor can be traced back to the first flight squadron established in Shanghai in January 1957, and China Eastern Airlines was officially founded in 1988. It is the first airline in China's civil aviation to be listed in three places and belongs to a traditional full-service airline.

The carrier of services provided by China Eastern Airlines is passenger aircraft. As of December 2018, the company had a total of 692 passenger aircraft. The average age of the main aircraft models was approximately 5.7 years. With a large number of aircraft models and younger aircraft ages, it is one of the major airlines in the world with the most streamlined and efficient fleet.(Qiangqiang Li 2020,12)

6.1.2 Pricing strategy: Low-cost ultimate vs full-service stratification

Spring Airlines has long been promoting the "9/99 yuan ticket" promotion strategy, reducing costs by taking advantage of a single aircraft model and high passenger load factor. At the same time, it

has split luggage check-in, in-flight meals, and cabin selection into paid items. According to Spring Airlines' financial report for 2023, the proportion of ancillary income reached 30%. These strategies of Spring Airlines have attracted a large number of price-sensitive passengers, forcing China Eastern Airlines to introduce "basic economy class" on the same route, abolish free checked luggage, and indirectly lower prices.

In 2020, China Eastern Airlines launched the "Morning and Evening Unlimited Flight" product - priced at 3,456 yuan, allowing unlimited morning and evening flights within half a year, targeting high-frequency passengers. Meanwhile, utilize big data for dynamic pricing. However, "Fly freely" users encroachment on the seats of ordinary passengers, triggering complaints. This has led high-end business travelers to turn to other airlines due to the reduced services.

6.1.3 Network Routes: Differentiated Competition vs Hub Monopoly

Spring Airlines has avoided the first-tier hubs where full-service airlines hold an advantage and has shifted its focus to second - and third-tier hubs. In addition, Spring Airlines has launched international routes exclusively operated by low-cost airlines. International shipping routes occupying the hubs of second and third-tier cities. In 2023, Spring Airlines accounted for 65% of its flights in second - and third-tier cities. In addition, Spring Airlines avoids hub airports and opts for secondary airports to reduce takeoff and landing fees. In terms of the cost per seat, Spring Airlines is 40% lower than China Eastern Airlines.

In terms of domestic routes, China Eastern Airlines takes Shanghai Hongqiao Airport, a hub airport, as its core, increases the frequency of business express lines, and at the same time offers free ticket changes and exclusive check-in services. In terms of international routes, China Eastern Airlines integrates international routes through SkyTeam Alliance to attract international long-haul and high-end passenger groups. In 2023, the share of China Eastern Airlines at Shanghai Hongqiao Airport exceeded 50%. In contrast to Spring Airlines' international revenue being less than 15%, the proportion of international routes of China Eastern Airlines has recovered to 35% before the pandemic.

6.1.4 Service Model: Ultimate Cost Reduction vs Value-added Experience

Spring Airlines has cancelled free meals on board, adopted standing flight attendants and reduced in-flight service staff. Introduce luggage auction check-in - passengers can bid for low-price luggage allowance to save ground service costs. This has also led to complaints from passengers about hidden consumption. However, the main consumer group of Spring Airlines is young people aged 35 to 18, who have a high acceptance of independent choices.

China Eastern Airlines has launched free in-flight Wi-Fi experiences, cooperated with well-known luxury hotels for points sharing, and provided free cabin upgrade rights for frequent flyers. In 2023, the revenue contributed by high-end members of China Eastern Airlines accounted for 25%. The strengthening of value-added services by China Eastern Airlines has also increased service costs. Compared with Spring and Autumn Airlines' net profit margin of 8.2%, China Eastern Airlines' is only 2.5%.

6.2 Foreign Case Analysis - Ryanair vs Lufthansa

6.2.1 Airline Profile

Ryanair is an airline headquartered in Ireland. It was founded in 1985 by Christie Ryanair, Tony Ryanair and Liam Lonergan and is the largest low-cost airline in Europe. In its early days in 1985, it adopted the traditional full-service model. In 1986, it seized the opportunity of the EU's lifting of local air traffic control to open new routes. However, in 1990, due to accumulated losses, it began to transform, replicating the Southwest Airlines model in the United States and shifting towards a low-cost model. In Europe, Ryanair was among the first airlines to adopt the low-cost airline model (Laura Diaconu 2012,342–346).

Lufthansa was founded in 1953, with its headquarters in Cologne, Germany. Its passenger and cargo operation centers are located in Frankfurt, Germany, and Munich is also one of its important hub airports. The history of Lufthansa can be traced back to 1926, when Deutscher Aero Lloyd and Junkers Luftverkehr AG merged to form Deutsche Luft Hansa AG in Berlin, Germany. In 1933, it was renamed "Lufthansa". In 1955, after the end of World War II, Lufthansa was re-established and resumed using the name "Lufthansa AG". In 1997, he/she became a founding member of Star Alliance.

6.2.2 Price strategy: Extreme low price vs tiered premium

Ryanair is renowned for its "1-euro ticket" marketing strategy. It cuts costs by concentrating on purchasing a single aircraft model, increasing passenger load factor, and choosing secondary airports for takeoff and landing. At the same time, it charges fees such as baggage check-in fees, cabin seat selection fees, and priority boarding fees. According to Ryanair's 2023 financial report, the proportion of ancillary revenue reached 35%. Due to a large number of additional costs, consumers have complained about hidden consumption traps. However, with the advantage of low prices, Ryanair has a market share of over 20% on short-haul routes in Europe, forcing Lufthansa's low-cost brand - Eurowings to follow suit with low prices.

Lufthansa has introduced flexible pricing for business class. During the pandemic, it has converted some wide-body aircraft to light business class, eliminating flat seats while reducing ticket prices by 30%. In addition, use the frequent flyer program "Miles & More" to target high-net-worth clients. Lufthansa's low-cost airline subsidiary conflicts with its parent company in terms of positioning, leading to the dilution of brand value. In 2022, Ryanair's net profit margin was 15.2%, while Lufthansa's was only 1.8%.

6.2.3 Route network: Secondary airport coverage vs Hub monopoly

Ryanair bypasses mainstream hub airports and launches low-cost solo routes. This is similar to the practice of domestic low-cost airlines. Expand market share by occupying the markets and route networks of second - and third-tier cities. In 2023, Ryanair accounted for 70% of its routes to second and third-tier cities in Europe. The unit seat cost of Ryanair is 50% lower than that of Lufthansa.

Lufthansa operates in a similar way to domestic full-service airlines. Increase the frequency of the intercontinental flagship route by taking Frankfurt and Munich as the dual hubs. Optimize the route network and integrate connecting flights through Star Alliance. In 2023, Lufthansa held over 60% of the market share in Frankfurt, with long-haul route revenue accounting for 45%, while Ryanair had no intercontinental routes.

6.2.4 Service model: Minimalism vs Full-service upgrade

Ryanair has cancelled free in-flight meals and reduced the seat spacing to 28 inches. Minimize the cost of service categories to the extreme, and it is best to focus on minimalist services. In addition, Ryanair's APP mandates online check-in and charges a counter check-in fee of 15 euros, with a digital penetration rate of 90%. Ryanair was fined 5 million euros by the European Union due to the reduction of its services. However, according to a 2021 survey, 65% of Ryanair's users are aged 18 to 35, and they have a relatively high tolerance for low prices.

Lufthansa has invested 400 million euros to upgrade its business class, including the installation of flat seats and an in-flight bar. Introduce "green fares" - including carbon offset fees, with prices 5% to 10% higher. Lufthansa has comprehensively upgraded its in-flight services and improved service quality to meet higher service demands. In 2023, Lufthansa's premium passengers contributed 40% of its revenue. High-quality in-flight services have also led to an increase in fuel costs. Lufthansa's fuel costs account for 30% of its total costs. This also forced Lufthansa to reduce short-haul routes and transfer them to its subsidiary, Eurowings, for operation.

6.3 Layover Matrix

Based on the case analysis, a layover Matrix chart was drawn in combination with the full text to compare the competitive strategies of the two airlines.

Competitive elements	FSC	LCC
Core strategy	Differentiation strategy	Total cost leadership strategy
Price strategy	Tiered pricing; Dynamic pricing; Premium of high-end services	Extremely low price; Auxiliary income splitting; Promotional activities
Service mode	Free in-flight meals and spacious seats; Value-added services; Membership rights system	Minimalist service; Self-service; Service items are paid for
Route network	Monopoly of hub airports; Mainly international long-haul routes; The airline alliance integrates resources	Secondary airport coverage; Exclusive flight routes to second - and third-tier cities; Mainly short-haul/domestic routes
Cost structure	High operating costs; The proportion of fuel cost is high; High maintenance cost	Low operating cost; Fuel hedging strategy; Centralized procurement reduces maintenance costs
Customer group	Business traveler; High-end passenger	Price-sensitive passengers; Short-distance passengers
SWOT Strengths	High brand reputation; Excellent service quality; The international air route network has a wide coverage	Significant price advantage; High operational efficiency; The market response is flexible.
SWOT Weaknesses	The short-distance market has weak competitiveness; The cost pressure is high; High management complexity	Single service; Low brand loyalty; It is greatly affected by fluctuations in oil prices
Porter Five Forces Threat	The price squeeze of low-cost airlines; High-speed rail	Full-service airlines are fighting back with price cuts; High-speed rail

	substitution; Suppliers have high bargaining power	substitution; Potential entrant
Typical case	China Eastern Airlines: Hub monopoly, Business Express Line, Membership system Lufthansa: Star Alliance, Upgraded Premium Cabins	Spring Airlines: Extreme cost reduction, second - and third-tier routes Ryanair: Secondary airport coverage, 1-euro ticket
Future strategy suggestions	Optimize the cost structure; Consolidate the high-end market; Expand into emerging markets	Improve service quality; Strengthen brand building; Explore "air ticket +" cooperation

Figure 8 Layover Matrix: A Comparison of Competitive Strategies between Full-Service Airlines (FSC) and Low-Cost Airlines (LCC)

7 Conclusions and Suggestions

Two types of airlines have formed a differentiated competitive pattern. Full-service relies on brands and high-end services, while low-cost occupies the mass market with price advantages. Both sides are confronted with challenges of cost and market fluctuations.

7.1 Research conclusion

The competitive strategies of full-service airlines mainly rely on a good brand image, high-quality services and extensive route networks, maintaining their competitiveness through differentiation strategies and focusing on high-end customer groups. For instance, strategies such as joining airline alliances, offering high-end membership benefits, and enhancing service quality can be adopted to attract business travelers and high-end consumers. However, the high operating costs have put it under low-price competition pressure in the short-haul market. Meanwhile, the rise of low-cost airlines poses a serious threat to the market share of full-service airlines, especially in terms of price-sensitive customer groups. In addition, fluctuations in the economic environment and the instability of fuel prices have also increased operational risks and cost pressures.

The competitive strategies of low-cost airlines are centered on the total cost leadership strategy. They reduce costs by simplifying services, optimizing route networks, and improving aircraft utilization rates, and attract price-sensitive passengers with low-priced air tickets. Meanwhile, increase income through auxiliary income projects. However, the brand influence is relatively weak, and the service products are single, making it difficult to meet the demands of high-end customers and restricting the penetration of the high-end market. Furthermore, with the intensification of market competition and the fluctuation of fuel prices, the cost advantage of low-cost airlines may be affected to a certain extent.

The essence of the competition between full-service and low-cost airlines is a game of differentiated value propositions and cost efficiency. The two have formed a distinct differentiated competitive pattern in the air transportation market. Low-cost airlines have obvious price advantages in the short-haul and domestic route markets, while full-service airlines dominate in long-haul, international routes and high-end customer service.

7.2 Suggestions for competitive strategies

Full-service airlines need to enhance their competitiveness by optimizing the cost structure, improving service quality, expanding into emerging markets, and strengthening cooperation or differentiated competition with low-cost airlines. In addition, leveraging digital technologies to enhance operational efficiency and customer experience is also a key to its future development.

Full-service airlines can consolidate the high-end market through differentiated services and hub monopolies, but they need to balance costs and profits.

Low-cost airlines can continue to expand their market share, especially in emerging markets and developing regions. Meanwhile, low-cost airlines need to maintain their low-cost advantage, gradually improve service quality, strengthen brand building, and explore cooperation opportunities with other airlines or related industries to make up for the singularity of service products of low-cost airlines. Low-cost airlines can quickly capture the market through extreme cost control and flexible pricing strategies, but they need to be vigilant against user complaints caused by service quality.

7.3 Prospects for future research

With the continuous development of the aviation market and the diversification of consumer demands, the two types of airlines will continue to coexist and compete with each other. In the future, cooperation and alliances among airlines, digital transformation, sustainable development, etc. will become important competitive strategies and development directions. The future research directions can be explored from the following three aspects:

Explore the impact of digital technology on the competitive strategies of two types of airlines, such as dynamic pricing algorithms and intelligent airline customer service.

Study the reshaping effect of sustainable aviation on cost structure and brand image, such as green fuels, carbon offsets, etc

Analyze the long-term impact of changes in consumer behavior in the post-pandemic era on market demand, such as the reduction of business travel due to hybrid working.

Source

Air Passenger Market Analysis Traffic growth accelerates in January.

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