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# Airline-within-Airline business model and strategy: case study of Qantas Group

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*Dr. Iryna Heiets*

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# Panel Discussion.

## Academic



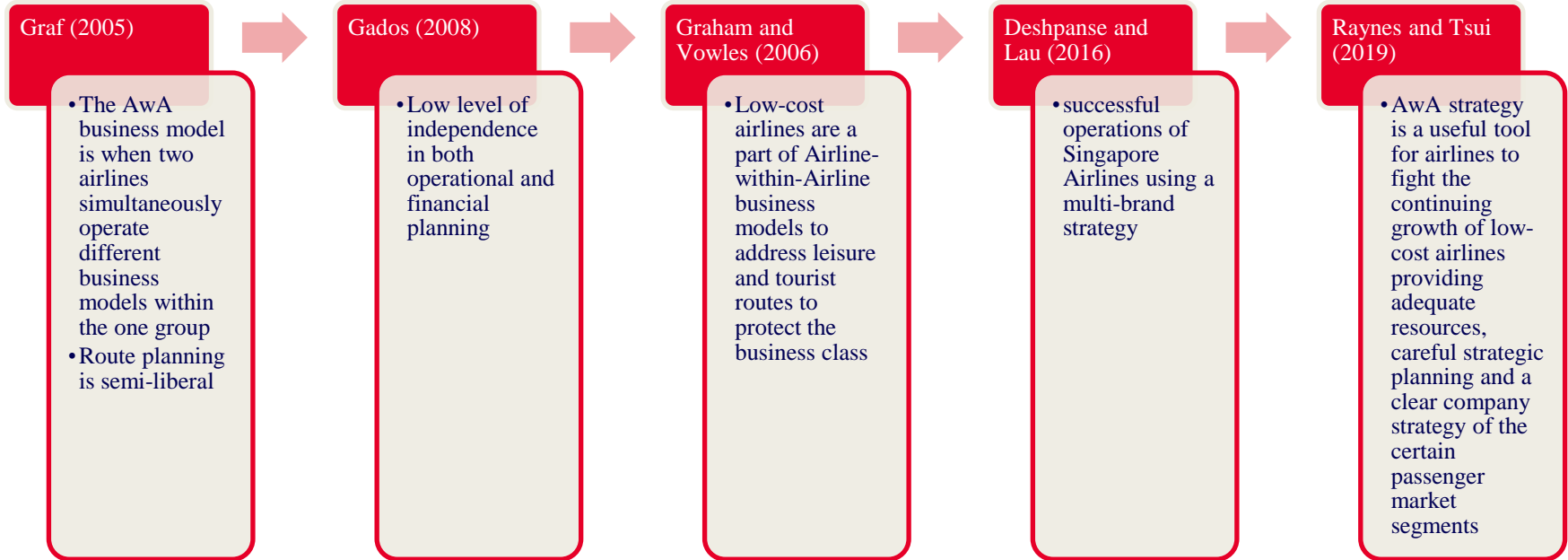
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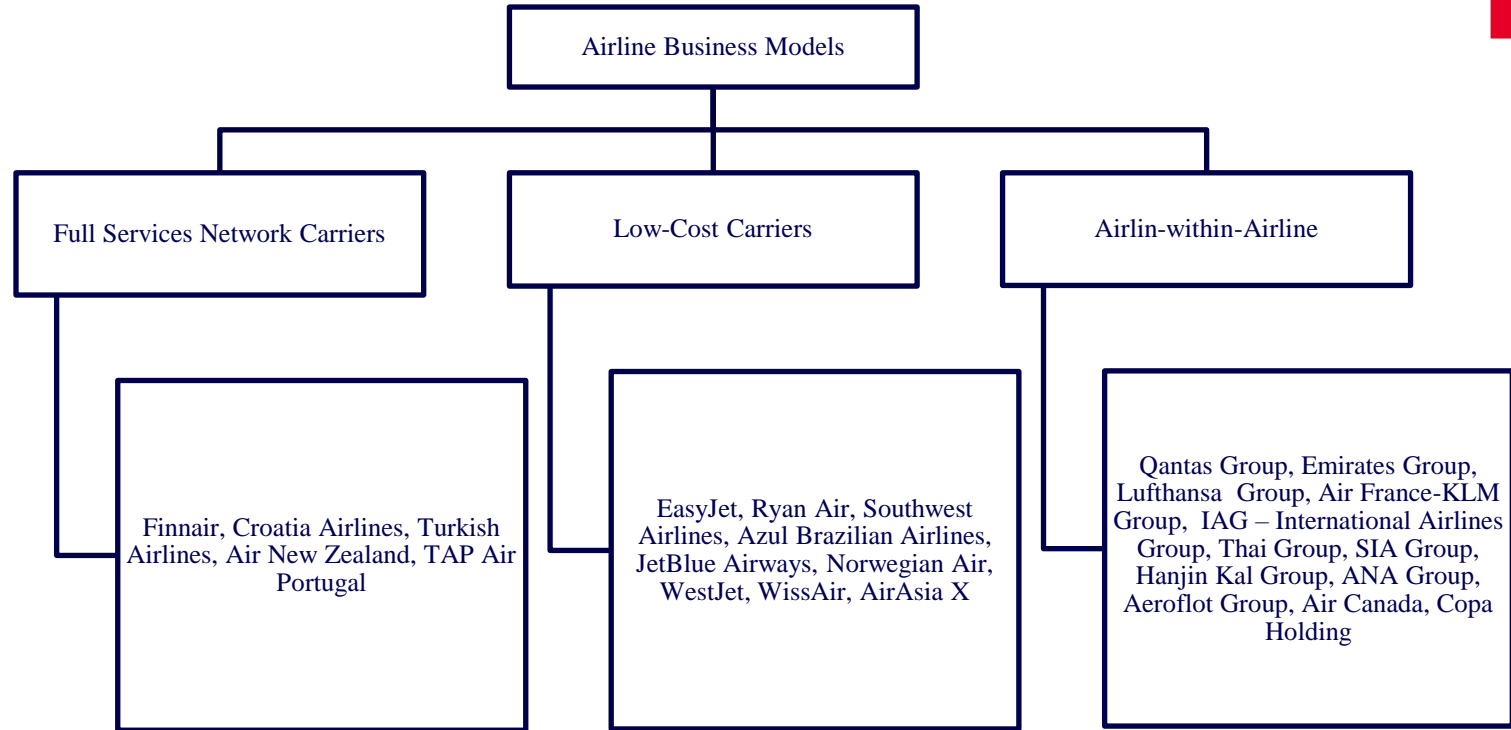
*Post-Doc researcher at University of Montpellier  
(France, 2015-2016)*

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(Ukraine, 2006-2014)*

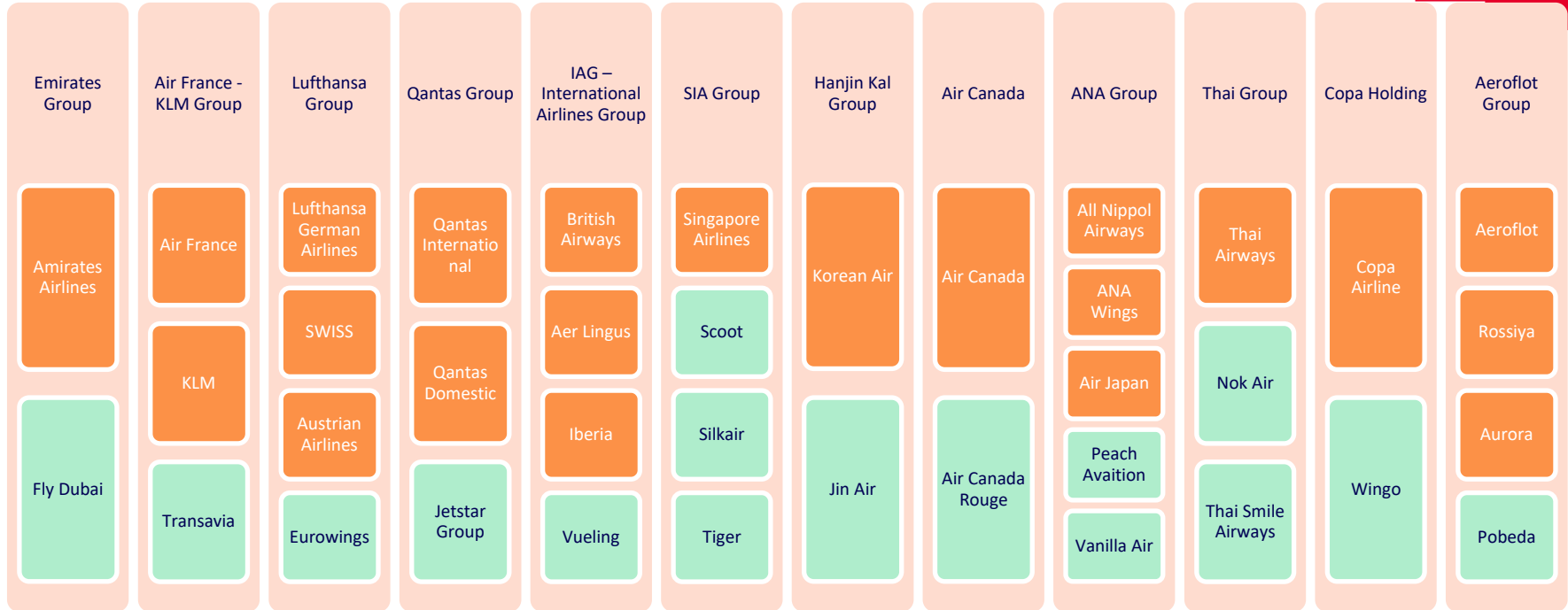
# Airline-within-Airline



# Airline Business Models



# Business-Models Airlines within Airlines



# Airline groups includes FSNCs and LCCs

Airlines Group	FSNCs Parent airlines	Country	Year of establish	LCCs Subsidiaries	Year of establish
IAG – International Airlines Group	British Airways	United Kingdom	1974	Vueling	2004
	Aer Lingus	Ireland	1936		
	Iberia	Spain	1927		
Aeroflot Group	Aeroflot	Russia Federation	1923	Pobeda	2014
	Rossiya		1932		
	Aurora		2013		
Air Canada	Air Canada	Canada	1937	Air Canada Rouge	2012
Air France-KLM Group	Air France	France	1933	Transavia France	2006
	KLM Royal Dutch Airlines	Netherlands	1919		
ANA Group	All Nippon Airways	Japan	1952	Peach Aviation	2011
	ANA Wings		2010	Vanilla Air	2013
	Air Japan		1990		
Copa Holding	Copa Airlines	Panama	1944	Wingo	2016
Emirates Group	Emirates Airlines	UAE	1985	FlyDubai	2008
Hanjin Kal Group	Korean Air	South Korea	1969	Jin Air	2008
Lufthansa Group	Lufthansa German Airlines	Germany	1953	Eurowings	1990
	SWISS	Switzerland	2002		
	Austrian Airlines	Austria	1957		
Qantas Group	Qantas (International and Domestic)	Australia/New Zealand	1920	Jetstar	2003
SIA Group	Singapore Airlines	Singapore	1947	Scot	2011
				Silkair	1989
				Tiger	2003
Thai Group	Thai Airways	Thailand	1960	Nok Air	2004
				Thai Smile Airways	2011

# Qantas Airways

The Qantas Group includes Qantas Airways which operates as a full-service carrier, and JetStar Airways which presents a low-cost model



Qantas Airways is one of the oldest and most recommended flagship carriers in the world. It was founded in 1920 in Queensland, Australia and since then it continuously grown and reached new heights with every passing day

The carrier and its partners fly to 53 domestic and 46 international destinations spanning six continents. Air carrier is recognized as the world's leading long-distance airline and one of the strongest and most successful brands in Australia



# Jetstar

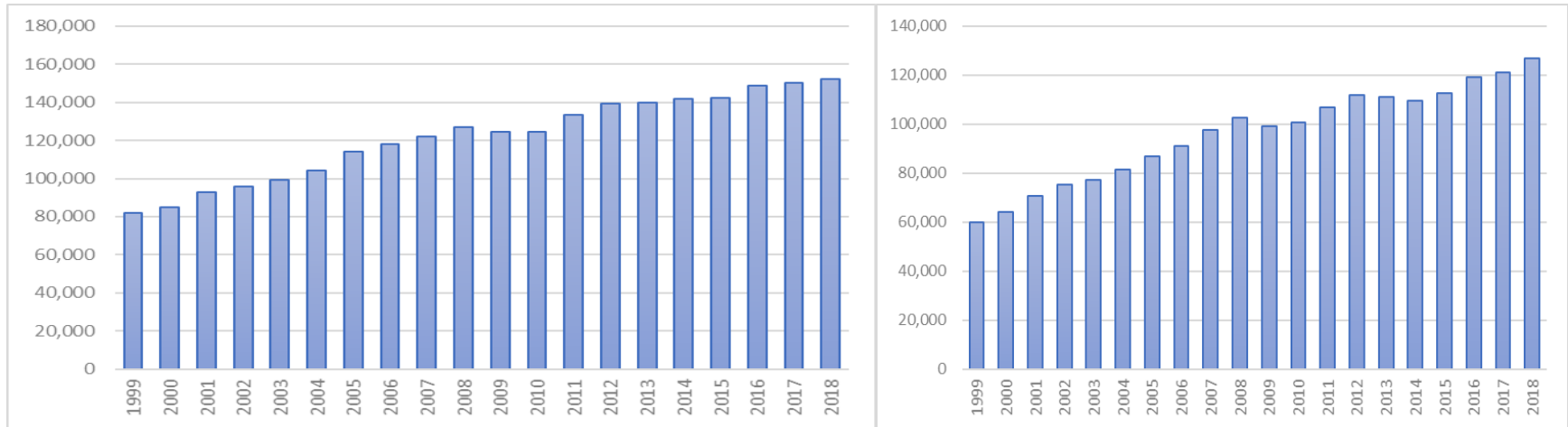
JetStar is an Australian low-cost carrier which was established in 2003 as a wholly owned subsidiary of Qantas Group



It offers low air fares and operates in the regional and international market with a total fleet of 77 aircraft. Jetstar continued to deliver on its promise of low fares, with 24 million people carried domestically in 2018.

# Airline's KPI

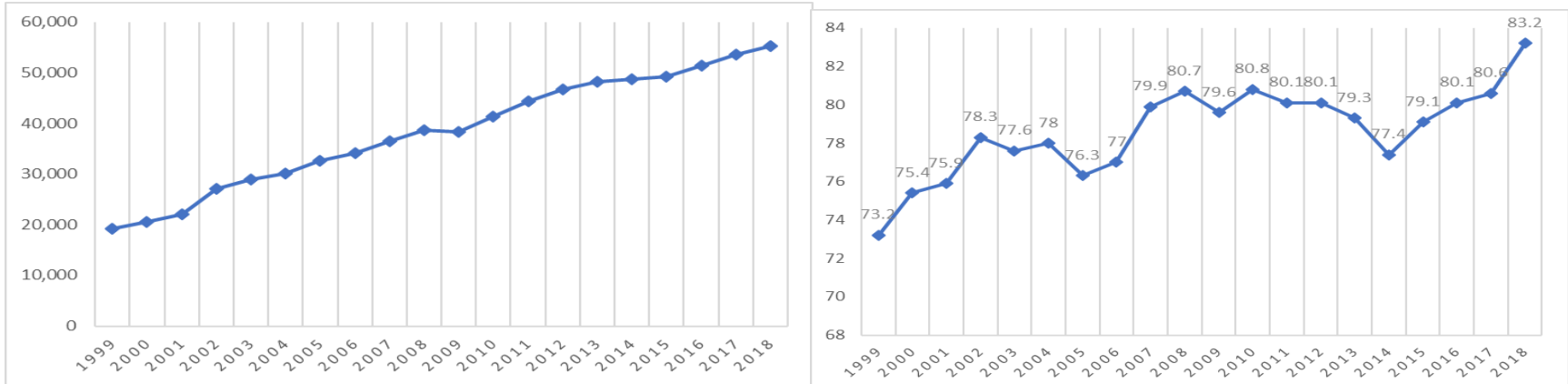
Group capacity increased by 1.4%, while demand increased by 4.7%, resulting in a 2.6% point increase in revenue seat factor



(a) ASK in Qantas Group (in million); (b) RPK in Qantas Group (in million)

# Airline's revenue

Unit revenue increased by 3.9% in 2017/18 with an increase of 3.5% in the first half compared to the first half of 2016/17. The Group's total unit cost increased by 2.7 % including the impact of higher fuel prices and costs associated with increased revenue



(a) The number of passengers carried ('000 passengers) and (b) Revenue Seat Factor in Qantas Group from 1999 to 2018 (%)

# BKG Matrix for Qantas Group



The domestic market is the Qantas Cash Cow as it increases profit at 4% in 2019. Opposite the domestic market, Qantas international routes are Qantas's question marks because the revenue is significantly lower on international routes than on domestic. Star is presented by JetStar

# The elements of cooperation between Qantas and JetStar as Airline-within-Airline business model

- network and scheduling decisions including routing, frequencies, aircraft types, product specifications, aircraft configurations, connection requirements and range of times for services;
- sales and market initiatives including the offering of customer rebates, incentives and discounts;
- holiday products and joint promotions;
- pricing and new fare products;
- product distribution channels;
- frequent flyer and other loyalty programs;
- in-flight products and service;
- information technology;
- fleet acquisitions and engineering services;
- customer service activities;
- sharing of experience activities and initiatives

# Elements of coordination between Qantas Airways and JetStar as the Airline-within-Airline business model

Elements of  
coordination  
between  
Qantas and  
JetStar

Network and scheduling

Pricing and distribution

Capacity (fleet acquisitions and engineering services)

# System of Shapley's axioms

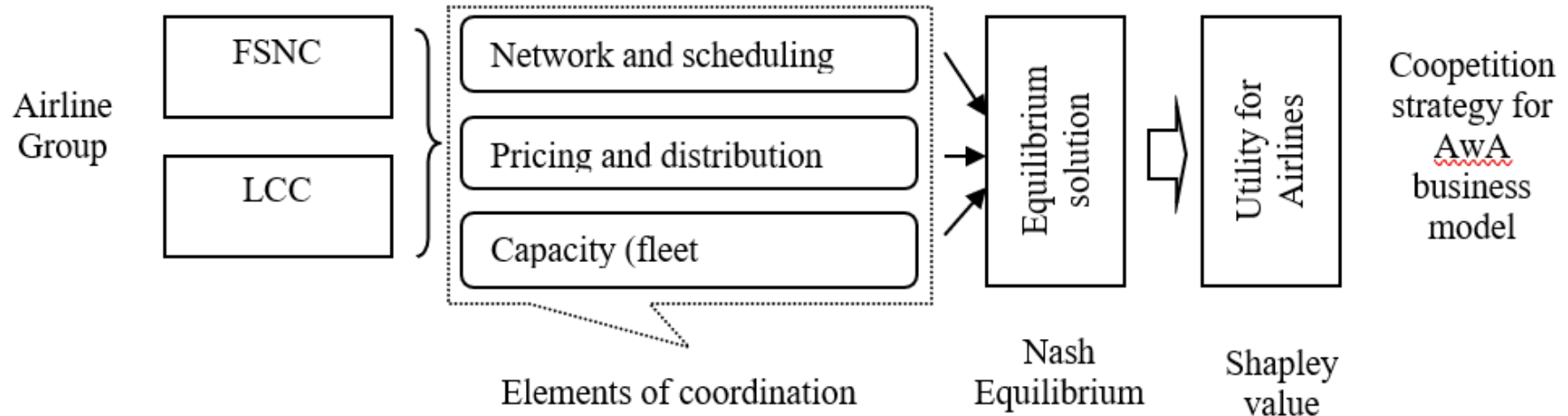
**Axiom of symmetry.**  $Sh_{\eta g}(c) = Sh_g(c)$  for an arbitrary automorphism  $\eta$  of the game  $\langle \Gamma, c \rangle$ . The automorphism of game  $\langle \Gamma, c \rangle$  defines such a permutation  $\eta$  of players  $G$  set, that  $c(\eta K) = c(K)$  for any coalition  $K \subseteq \Gamma$ . This axiom sets the same payoffs for the players joining the game symmetrically.

**Axiom of efficiency.**  $\sum_{g \in \Gamma} Sh_g(c) = c(\Gamma)$ . This axiom determines distribution of the whole amount  $c(\Gamma)$ . At the formal level, this is a condition of group rationality of the result.

**Axiom of a dummy.** If there is a player  $g_0 \in \Gamma$  for which equation  $c(K \cup \{g_0\}) = c(K)$  is present for any coalition  $K \subset \Gamma$ , then such a player is called a null player, and  $Sh_{g_0}(c) = 0$ . This axiom requires that a player who did not invest anything in the game, i.e. whose contribution to cooperativity is trivial, received nothing during the payoffs' distribution.

**Axiom of additivity.** If  $c_1$  and  $c_2$  are characteristic functions over the set  $G$ , then for the characteristic function  $c = c_1 + c_2$  there is equation  $Sh_g(c) = Sh_g(c_1) + Sh_g(c_2)$ . The fourth axiom of aggregation establishes the fact of additional payoffs for the player who participates in two games.

# The framework of optimal strategy for the AWA business model





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**Thank you!**