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Prof. Dr. Dr. h.c. Werner Delfmann

Sascha Albers, Caroline Heuermann, Benjamin Koch

International Market Entry Strategies of EU and Asia-Pacific Low Fare Airlines

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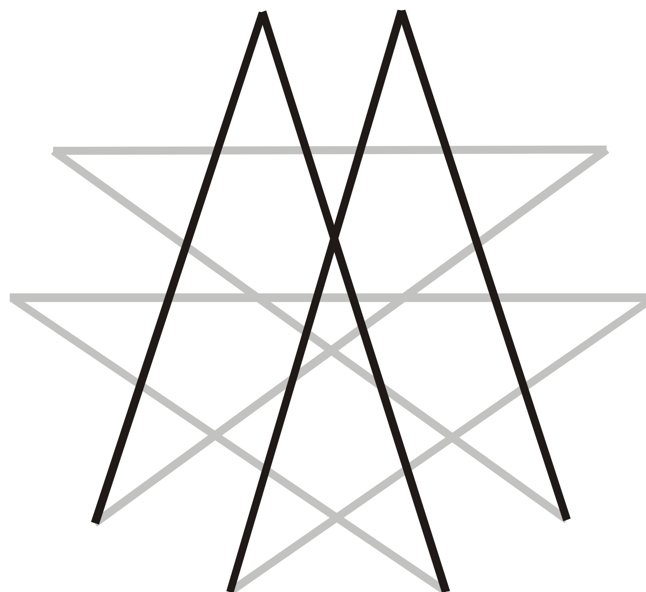

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Authors/Autoren

Dr. Sascha Albers
University of Cologne
Dept. of Business Policy & Logistics
Albertus Magnus Platz, 50923 Köln, Germany
Tel. +49 221 470-6193, Fax -5007
E-mail: albers@wiso.uni-koeln.de

Dr. Caroline Heuermann
TUI Deutschland GmbH
Karl-Wiechert-Allee 23
30625 Hannover, Germany
Tel. +49 511 567-2133, Fax -932133
E-mail: caroline.heuermann@tui.de

Dr. Benjamin Koch
Deutsche Lufthansa AG
von-Gablenz-Str. 2-6
50679 Köln, Germany
Tel. +49 69 696 – 35714, Fax – 98 35714
E-mail: benjamin.koch@dlh.de

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Bezugsadresse
Universität zu Köln
Seminar für Allgemeine Betriebswirtschaftslehre,
Unternehmensführung und Logistik
Albertus-Magnus-Platz
D-50923 Köln
Tel.: +49 (0)221 470 4316
Fax.: +49 (0)221 470 5007
E-Mail: spl@wiso.uni-koeln.de

INTERNATIONAL MARKET ENTRY STRATEGIES OF EU AND ASIA-PACIFIC LOW FARE AIRLINES[1]

Abstract: We employ Dunning's eclectic paradigm (OLI) to shed light onto low fare airlines' (LFA) internationalization strategies. In addition to 31 European LFA, we also analyze the internationalization strategies of 41 LFA in the Asia-Pacific region. The results indicate that in Europe rather homogenous groups of LFA emerge with regard to their internationalization strategies and that capital and ownership structure as well as relative timing seems to be especially closely related to their entry modal choice. Even though the Asia-Pacific airlines operate under a significantly less liberal regulatory regime, their internationalization strategies resemble those of their European counterparts. We formulate propositions for future research and discuss inferences for the use of the OLI paradigm in further studies of airline internationalization.

Keywords: Low Cost Carrier, Europe, Asia- Pacific, Internationalization, Strategy, Eclectic Paradigm

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[1] An abridged version of this paper is forthcoming in the *Journal of Air Transport Management*; a previous version was presented at the 12th World Conference of the Air Transport Research Society (ATRS) in Athens, Greece, in 2008.

INTRODUCTION

Low fare airlines (LFA) have been one of the major industry innovations and phenomena in Europe in the early 2000s.[2] Inspired by their US American counterparts, LFA continue to proliferate in Europe and Asia-Pacific, the two most rapidly developing LFA markets world-wide. On their expansion paths, many of these airlines grow beyond their home markets and internationalize their operations. In Europe, out of 31 LFA operational in November 2007 all carriers except one offer services beyond national borders, in Asia and the Pacific 21 out of 41 LFA operated in markets other than their home territory. Whereas many of these LFA simply offer international flight connections and thereby service international markets through export, other airlines cooperate with or acquire foreign carriers and maintain one ore more bases on foreign soil. Traditional market entry literature has long focused on the multinational *industrial* corporation (Melin, 1992; Vermeulen & Barkema, 2002), even though service firms and their internationalization strategies have gained increasing attention recently (Reihlen & Rohde, 2006; Roberts, 1999). Founded guidelines for LFA in choosing an appropriate mode of entry become increasingly critical, yet are still lacking.

With this paper we aim to further our understanding of the internationalization strategies LFA pursue. More specifically, we seek to understand and explain the market entry modes LFA have at their disposal as well as factors that affect their choice among these entry modes. Our analysis is guided by Dunning's eclectic OLI paradigm (e.g. Dunning, 1993) which is increasingly accepted as the standard theory in international business. We eventually arrive at a grounded model of LFA internationalization and draw conclusions for LFA internationalization strategies in general. Finally, inferences for the use of the OLI paradigm in further studies of airline internationalization are outlined.

We specifically focus our analysis on LFA rather than network carriers (NWC) due to several reasons. First, different from NWC, LFA exclusively operate in widely deregulated markets such as the US (domestic), the EU, Oceania and, partially, in Southeast Asia. We therefore assume that LFA internationalization choices are made under greater managerial discretion and are hence guided more by efficiency considerations compared to their global NWC rivals. Second, we focus *exclusively* on LFA and do not include NWC in our analysis since LFA and NWC operate their networks in a different logic, setting their internationalization decisions apart from hub-and-spoke oriented NWC: LFA provide point-

[2] Even though a clear cut definition of low fare airlines (or low cost carriers) is hard to come by, they can be generally described as airlines that follow a strategy based on the simplicity of product and delivery process design, i.e. these airlines generally offer low fares in exchange for excluding many traditional passenger services (Gillen & Morrison, 2003; Lawton, 2002).

to-point services, implying that their internationalization objectives are not dominated by traffic feed but rather by accessing a yet "untouched" local passenger potential. Whenever a LFA establishes a new base, its local/regional passenger potential must appear attractive and sustainable for operating from this base.

THEORETICAL FRAMEWORK

Internationalization

Internationalization as the process of increasing involvement in productive activities outside the country of incorporation (Andersen, 1997; Dunning, 1981a) involves two key decisions: *market selection* and *market entry mode*. Accordingly, the choice of entry mode has been labeled as one of the most critical choices a company faces in its internationalization process (Hill, Hwang, & Kim, 1990). Entry modes are usually conceptualized along a continuum from the export of goods or services, contractual and equity-based forms of cooperation with organizations in the host country, to fully owned subsidiaries.

Advantage class	Explanation	Specific forms of advantage (examples)
O (ownership)	Extent and nature of technological, managerial, financial, and marketing advantages vis à vis indigenous firms	*Property right and/or intangible asset advantages* Product features and innovations (e.g. reliability, price), production management, organizational and marketing systems, innovatory capacity, non-codifiable knowledge, human capital experience, marketing (e.g. brand image), finance, know how. *Advantages of common governance over de novo firms* Established position of the firm, economies of scope, economies of scale and specialization (e.g. quantity discount, bargaining power, better resource capacity and usage, raising finance on favorable terms), favored access to inputs or markets, exclusive access to resources of parent company at marginal cost.
L (location)	Combining O advantages with immobile factor endowments in foreign or host country (reflects location-specific advantages of foreign countries)	Spatial distribution of resource endowments and markets (size and character of the market, availability of key resources), input prices, quality, and productivity, investment incentives and disincentives, infrastructure provisions (commercial, legal, educational, transport, communication), psychic distance (language, culture, etc.), economies of centralization (R&D, marketing), economic system and policies of government (institutional framework for resource allocation).
I (internalization)	Advantage of internal coordination and control as well as advantage of combination with other assets owned by multinational enterprises (MNE)	*Transaction costs* Avoidance of search and negotiating costs, avoid costs of enforcing property rights, buyer uncertainty reduction, control supplies and conditions of sale of inputs, control market outlets, enable practices such as cross-subsidization, predatory pricing, etc. *Avoid or exploit government intervention*

Table 1: The eclectic paradigm of international production (adapted from Dunning, 1989)

Among the considerable number of theories and theoretical frameworks to explain market entry forms of international companies (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), Dunning's eclectic paradigm is arguably today's most influential (e.g. Cantwell & Narula, 2001; Madhok & Phene, 2001) and forms the basis for our analysis. Dunning contends that firms choose to internationalize because they can leverage a combination of three sets of advantages: *Ownership*, *location*, and *internalization* advantages (OLI), as outlined in Table 1.

Depending on the specific configuration of the advantages for each firm, it will select a different mode of entry (see Table 2). An ownership advantage is a presupposition for the firm's internationalization. If this ownership advantage is better exploited internally or cannot be transferred on a contractual basis, the firm will choose either a foreign direct investment or an export strategy. If a location advantage in the foreign market exists, a direct investment in that market is favorable (Dunning, 1981b).

		Advantages		
		Ownership	Internalization	Location
Entry mode	Foreign direct investment	Yes	Yes	Yes
	Export	Yes	Yes	No
	Contractual resource transfer	Yes	No	No

Table 2: Alternative entry modes and OLI advantages (adapted from Dunning, 1981b)

International airlines

Through internationalization, carriers link their home country to other nations, employing different entry modes. In offering international flights, an airline adopts an *export* strategy, serving foreign markets from its home base(s), whereas *cooperative modes* involve code-sharing and block-space agreements, usually combined with cross-marketing arrangements. These types of cooperation are functional on a purely *contractual* basis, but are occasionally supported by *equity participation* by one airline in the other. The higher the equity share by the acquiring airline, the more control rights can be exercised over the partner. The extreme case is the full acquisition, gaining full control of the partner's operations and thus its market(s). Another means to fully control an international market is to directly set up an own *subsidiary*, as a legally, organizationally, and to varying degrees operationally separated unit from the parent company. Alternatively, an *own base* can be set up by the airline within its own organizational and legal confines. An overview of airline internationalization strategies is provided in Table 3.

Entry mode (general)	Entry mode (airline)	Example/s
Export	Export	NWC: LH736 FRA-NGO, UA825 IAD-GRU LFA: FR372 STN-BIQ, BD105 LHR-AMS
Cooperation (contractual resource transfer)	Marketing alliance (referrals)	NWC: Lufthansa-Thai Airways LFA: Germanwings-Centralwings
	Code-sharing	NWC: LH9714/TG921 FRA-BKK LFA: FR372 STN-BIQ, BD105 LHR-AMS
Foreign direct investment	Joint venture	NWC: Sun Express (LH, TK) LFA: Air Asia – Thai Air Asia
	Minority equity participation	NWC: British Airways – Iberia LFA: Air Berlin – Niki
	Acquisition of foreign airline	NWC: Lufthansa – Swiss LFA: Ryanair - Buzz
	Establish national subsidiary	NWC: British Airways – Deutsche BA LFA: SkyEurope – SkyEurope Hungary
	Establish own base	NWC: Iberia (MIA) LFA: Easyjet (AMS, PAR), Ryanair (BRU, HHN)

Table 3: General and airline-specific market entry modes

The market entry modes do not vary relative to the strategy (LFA/NWC) an airline adopts – all options are *in principle* open to all airlines. However, the motivation of LFA to internationalize their operations is fundamentally different from that of NWC and this different motivation is reflected in the modes LFA refer to when internationalizing their operations. Due to their concentration on point-to-point services, LFA aim to satisfy local/regional demand for a certain O&D pair. Their passengers stem exclusively from the local market, the actual catchment area varying in size by the attractiveness of the fare they are able to offer. With this fare they mostly generate new traffic and partially deviate traffic from other carriers servicing similar routes (Heuermann, 2007; Lawton, 2002). LFA internationalization is thus a process of catering for discrete, disjunctive regional markets, i.e. markets which are basically unrelated which contrasts to the highly interdependent and complex route networks NWC operate.

OLI advantages for low fare airlines

Since we root our analysis in Dunning's OLI paradigm, we assume that differences in airlines' internationalization strategies stem from the variation in their specific OLI advantage configurations. In order to explore how these variations impact airlines' internationalization decisions, segment-specific ownership, location, and internalization advantages have to be identified.

Ownership advantages

Ownership advantages are specific tangible or intangible assets that constitute a competitive advantage for the firm. Besides the ownership advantages which lie in the internationalization per se (i.e. the diversification of risk and greater market transparency), airlines are sensible to ownership advantages related to their (1) reputation, (2) economies of size, (3) capital and ownership structure, and their (4) leadership.

Reputation "boils down to in how others perceive the firm and respond to it" (Williams, Schnake, & Fredenberger, 2005, p. 187). If the airline product is perceived as safe and reliable, but nevertheless low priced, positive responses by consumers will almost be certain. In all three categories, LFA enjoy a favorable reputation (Lawton, 2002). However, early movers in the LFA business benefit from their longer standing in the market and the associated accumulation of credibility. Even more, the pioneers among LFA benefited from the revolutionary character of their product, generating considerable discussions as to how the low fares they offered can support sustainable operations and safe and reliable service (e.g. Bennett, 2003; Binggeli & Pompeo, 2002; Doganis, 2001). Several of these newcomers of the time stimulated the public's curiosity by engaging into unconventional marketing methods and aggressive advertising and pricing, yielding repercussions with regard to media coverage. This helped to further advertise their brand name and simultaneously provided nearly costless information to the public as to the qualities of these new price leaders. Studies and reports about the initially skeptically received newcomers indicated that punctuality and reliability of LFA service actually exceeded that of NWC (e.g. Knorr & Arndt, 2002), allowing for a positive brand image and recognition to appear. Naturally, the pioneers of the market were always used as examples and test candidates pushing their names and reputations as pioneers of the LFA business. However, airlines which were established later were able to benefit from positive externalities of these pioneers, since not only the firm or brand image carried a positive and uncertainty reducing connotation, but the generic label of LFA or "low cost carrier" per se.

Along with their trajectory and establishing reputation, *economies of size* provide competitive advantage for LFA as well, yet play a different role for LFA compared to NWC (Auerbach & Delfmann, 2005). Economies of traffic density which are a major competitive factor for NWC and a consequence of their hub-and-spoke configured networks are basically irrelevant for LFA. With regard to economies of scope, however, the difference all but vanishes since LFA are also able to benefit from decreasing unit costs, especially for marketing as the number of destinations served (i.e. number of products) increases (Hanlon,

1999). Of considerable importance in the airline industry is the increasing negotiating power vis-à-vis suppliers that comes with increasing size, most notably towards aircraft manufacturers and airports, for achieving favorable conditions in purchasing.

A further form of ownership advantage for LFA can be seen in their *capital and ownership structures*. Autonomous, publicly listed companies, which benefit from direct access to the capital market and thus possess considerable leverage in their financing decisions in the capital-intensive airline industry, co-exist with LFA which are founded as parts of larger airline groups. Whereas the stock-listed airlines are non-group associated and usually faster in decision-making – inter alia, they do not have to take the interests of their mother companies into account – the latter compete with other business units for financing and capital investments (Kley, 2000). On the other hand, and depending on the degree of integration within their company group, LFA as subsidiaries of larger airline groupings are in a situation to benefit from their mother companies bargaining power and resources at marginal costs. Quite different from a variety of other industries, however, the spillover effects of the mother company's brand name and market strength are limited and potentially contradictory for these affiliated LFA. On the one hand, the mother company's safety record and reputation can be beneficial upon inauguration. On the other hand, as has been reported from the US market, the association with a traditional NWC can even be seen in negative terms when associated with high prices and mediocre service (Morrell, 2005). A third alternative of ownership structures is represented by private investors. In this case, the airline is incorporated but not publicly listed, with its shares spread over a mostly limited number of private partners or investors. Here, ownership advantages lie in the ability to conceal competitively relevant company information and strategic plans as publication requirements for these companies are usually marginal.

A final ownership advantage which typically emerges in young and dynamic phases of an industry life cycle is attached to the specific *leaders* of some companies. In the LFA business, at least three airlines possess charismatic and entrepreneurial leader figures at their helm which drive the rapid growth of their airlines and thus also play a significant role in their internationalization process. The presence of such potent leadership as CEOs of a company therefore is a competitively relevant asset and can constitute an ownership advantage for the airline.

Location advantages

Dunning (1993) identifies two major groups of location advantages for service firms: (1) the extent to which the service offered is tradable and (2) the regulatory environment of host

countries. With regard to the tradeability, airline services are bound to their production equipment and link (mostly international) locations. However, airline operations depend on the availability of specialized infrastructure, such as *airports* in attractive catchment areas. With the airports in primary cities charging expensive fees due to (or despite of) their congestion, secondary airports which live up to technical, geographical, and financial requirements of LFA have to be sought. With regard to the *regulatory environment*, airlines have ever since been of special interest to governmental regulation efforts. However, LFA are empirically observable only in geographical areas and trade blocks which exhibit a liberal international regulatory regime, allowing market entries and wide autonomy in routing and pricing.

Due to the location bound character of services, market size and prospect ranges among the most important factors influencing location decision of service companies (Dunning, 1993, p. 260f.) and hence, for LFA as.well For LFA, this *attractiveness of the market*, however, is not necessarily determined by the national market, but by the size of the catchment area around the base it intends to establish. Related to the national economy (of which the catchment area forms a part), a sufficient income level (GDP) is needed to allow for a substantial demand in terms of time and household income to support and sustain leisure traffic.

On the regional level, highly attractive markets tend to be targeted for by more than one player. If a market is yet untapped, especially by low fare *competitors,* the gains to be reaped by an early mover tend to be substantial.

Internalization advantages

In general, Dunning (1993, p. 269) ascribes a transaction cost advantage of internal governance over using the market for services: In addition to the problems of tradeability associated with most services, this superiority is due to (a) higher levels of idiosyncracy of the services offered, (b) a greater variability and thus a greater risk of quality differentials of the human element enclosed in any service offering, (c) the role of tacit knowledge and the risk of replication if codified and exchanged over the market, and (d) the superior exploitability of price discrimination through hierarchies.

Among these advantages of internalization, the factors of *quality control* and hence the ability to reduce customer uncertainty in the service offered is one of the most important advantages (and relates to the ownership advantage of reputation and brand image). This advantage can hardly be externalized via the market. However, a variety of alliance arrangements exists which allow this ownership advantage to be exploited in varying degrees

of internalization, e.g. through franchising agreements. A related internalization advantage lies in the area of *process control* and harmonization which is especially important for LFA. The design and implementation of operational processes which gear their efficiency – such as the quick turnaround time for aircraft – is not only more effectively realized through internal (hierarchical) organization. Knowledge about critical and idiosyncratic process elements are also better protected against appropriation.

A further notable internalization advantage is the possibility to employ *price discrimination practices* and e.g. engage into predatory pricing. This option reflects the higher degree of autonomy, speed of decision making and flexibility, which is a defining characteristic of hierarchical governance in case of bilaterally dependent trajectories of transaction partners (Albers, 2005; Williamson, 1991).[3] In the dynamic and complex airline market with its characteristic variety of intra- and intermodal competitors, constantly adjusting fares as response to fluctuating demands and the quest to optimize revenues and costs by various means, inter alia even by cancelling services, inaugurating new routes or redeploying assets at comparably short notice, LFA are prone to leverage this kind of speed and flexibility-related internalization advantage as far as possible. Table 4 summarizes LFA specific OLI advantages.

Ownership advantages	**Location advantages**	**Internalization advantages**
Reputation Economies of size Capital and ownership structure Leadership	Liberal regulatory environment Airport and infrastructure availability Attractiveness of market Competitors	Quality and process control Adaptability

Table 4: LFA specific OLI advantages

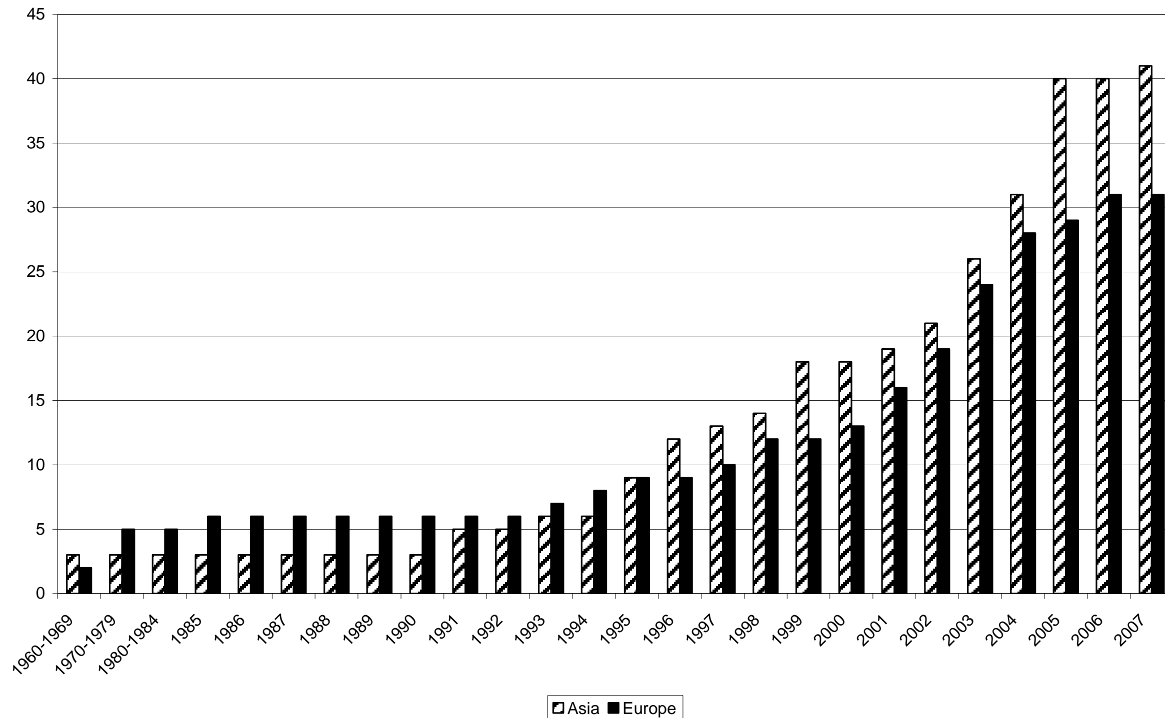
[3] Williamson (1991) addresses this as superior cooperative adaptability (“adaptability (C)”) of hierarchy, i.e. the faster adaptability in case concerted action of the transaction partners is required as a response to external disturbances. This compares to a higher adaptability of the individual actor (“adaptability (A)”) in case individual action is required and an intermediate degree of adaptability on both dimensions of alliance arrangements as forms of partial internalization.

EMPIRICAL STUDY OF LFA INTERNATIONALIZATION

Data

We analyzed LFA in Europe and Asia-Pacific with regard to the extent and mode of their international operations. Due to varying definitions and the accordingly wide variations of whether a certain airline is counted as an LFA, we employed a multi-step screening process to select the airlines for this study. Our initial data source were the published flight schedules of airlines in the main traffic areas Europe and Asia-Pacific in week 46 in 2007. The Official Airline Guide (OAG) meanwhile marks low fare and network carriers in Europe – the so marked LFA formed our initial pool of European low fare airlines. This selection of LFA was subsequently checked by referring to the airlines' websites and expert interviews to confirm or disregard an airline classification as a LFA. For Asia, OAG does not yet include a LFA marker, we therefore based our classification exclusively on website presentations and expert opinions. For the so selected carriers (42 Asia-Pacific, 31 Europe), the OAG schedule data was used to identify international routes (export) as well as airlines' national and international bases. For the other entry modes we conducted a full text search of Airline Business magazine for the name of the carrier and the terms "marketing alliance", "referrals", "joint venture", "minority equity participation", "national subsidiary", and "acquisition" in title and article texts. Data on capital and ownership structure as well as subsidiaries and year of foundation of the airlines comes from ATI and the airlines' websites.

Based on the information obtained, we then compiled our data by summarizing all internationalization developments shown by the selected LFA until the end of the year 2007, generating a first overview on the internationalization strategies in the European and Asia-Pacific LFA markets. Figure 1 illustrates the development in the European and Asia-Pacific LFA market by summarizing the number of carriers which entered the market.



Year	European and *Asian* airlines
1960-1969	Thomsonfly (re-branded 2004), *Skywest Airlines,* Transavia.com (re-named 1986), *Mandala Airlines, Bangkok Airways (re-named 1986)*
1970-1979	TUIfly (re-branded 2007), Air Berlin (re-launched 1992), Flybe (re-launched 2002)
1985	Ryanair
1991	*JetLite (re-launched in 2007), Pacific Airlines (re-branded in 2007)*
1993	Norwegian Air Shuttle, *Air Asia (re-launched in 2001)*
1994	Sterling (re-launch 2000)
1995	Easyjet, *Air Philippines, Cebu Pacific Air, Freedom Air*
1996	*Asian Spirit, Hokkaido Air System, Skymark Airlines*
1997	Volareweb.com, *JAL Express*
1998	Blue 1, Easyjet Switzerland, *Siem Reap Airways International (re-named in 2000)*
1999	*Ibex Airlines, Indonesia Air Asia (re-launched in 2004), Lion Airlines, Virgin Blue*
2000	Flynordic
2001	Helvetic Airways, Intersky, Sky Europe, *Citilink*
2002	BMI Baby, Germanwings, Flyglobespan, *Regional Express, Star Flyer*
2003	Iceland Express, Jet2.com, NIKI, Windjet, Wizz Air, *Adam Air, Air Deccan, One-Two-Go Airlines, Thai Air Asia, Tiger Airways*
2004	Centralwings, Myair.com, Smart Wings, Vueling Airlines, *Jetstar Airways, Jetstar Asia, Nok Air, Pacific Blue, ValuAir*
2005	Air Italy, *Air India, Go India, Indigo Air, Jeju Airlines, Oasis Hong Kong Airlines, Paramount Airways, Polynesian Blue, Spicejet, Spring Airlines*
2006	Clickair, SkyExpress
2007	Flyyeti

Figure 1: Carriers included in the study and year of foundation

Overview of the European LFA market

Tracking back the LFA's respective strategies and developments to the year they started their operations not only allows for identifying the originally followed strategy of the carriers selected, but also alterations in their strategies. Especially the traditional, old European carriers show a background in the charter and tourism market and only later targeted the

emerging low cost market environment. About one fifth of our carriers (a total of 6) were founded before 1985, many of them originally or temporarily were charter carriers, focussing on operating services for tour operators. For example, Air Berlin was founded at that time for the tourism market segment.

In the course of the following 15 years, until 2000, the nowadays two dominant European LFA, Ryanair and Easyjet, entered the market. While Ryanair was founded in 1985, Easyjet started operations in two steps: first in Switzerland (carrying a different name), later in the UK. Air Berlin changed ownership in 1992 and gradually changed its strategy from pure charter to targeting the LFA market segment.

Finally, during the period 2000-2006 an increasing number of carriers started operations, all catering for the low fare segment. Single cases of re-branding or re-launching (namely Flybe, Thomsonfly, and Sterling) occurred, also reflecting shifts in the respective carriers' change of strategy towards a targeted participation in the LFA market.

With regard to market entries, the occurrence of new competitors had a supporting effect on the internationalization of LFA in Europe. We found that the number of international market entries rose significantly when new carriers entered the market. In the beginning of the "low cost boom" (until 2002), setting up own international bases was the exclusive strategy followed – pursued by Ryanair and Easyjet. Both carriers appeared to aim for stronger positions on the continent before newly arising competitors would take over those positions. The only international basis of an LFA within Europe operational previous to this period was Air Berlin's Mallorca hub – which nevertheless had already been a means to increase efficiency in their charter operations.

Over time, the heterogeneity of employed market entry strategies increased. New carriers brought along a growing number of partnerships, complementing the ever-larger number of international bases. Whereas up to 2002 not a single cooperation-based market entry occurred, this number jumped to 13 alliances in 2007. The absolute number of international bases established by European LFA, as well as the number of partnerships established, are summarized in Figure 2.

On the level of the individual carriers, we find that European LFA fall into three larger groups in which one mode of entry dominates, plus one "mixed group", as depicted in Table 5. Export, obviously, is used by nearly all carriers (30), i.e. all carriers service destinations outside their country of incorporation. However, about one third (11) exclusively rely on export, including many younger airlines: Blue 1, Clickair, Windjet. In contrast, foreign direct investments are only rarely pursued: LFA obviously only seldom establish own subsidiaries

and joint ventures in other countries. Only Air Italy refers to the option of establishing a national subsidiary.

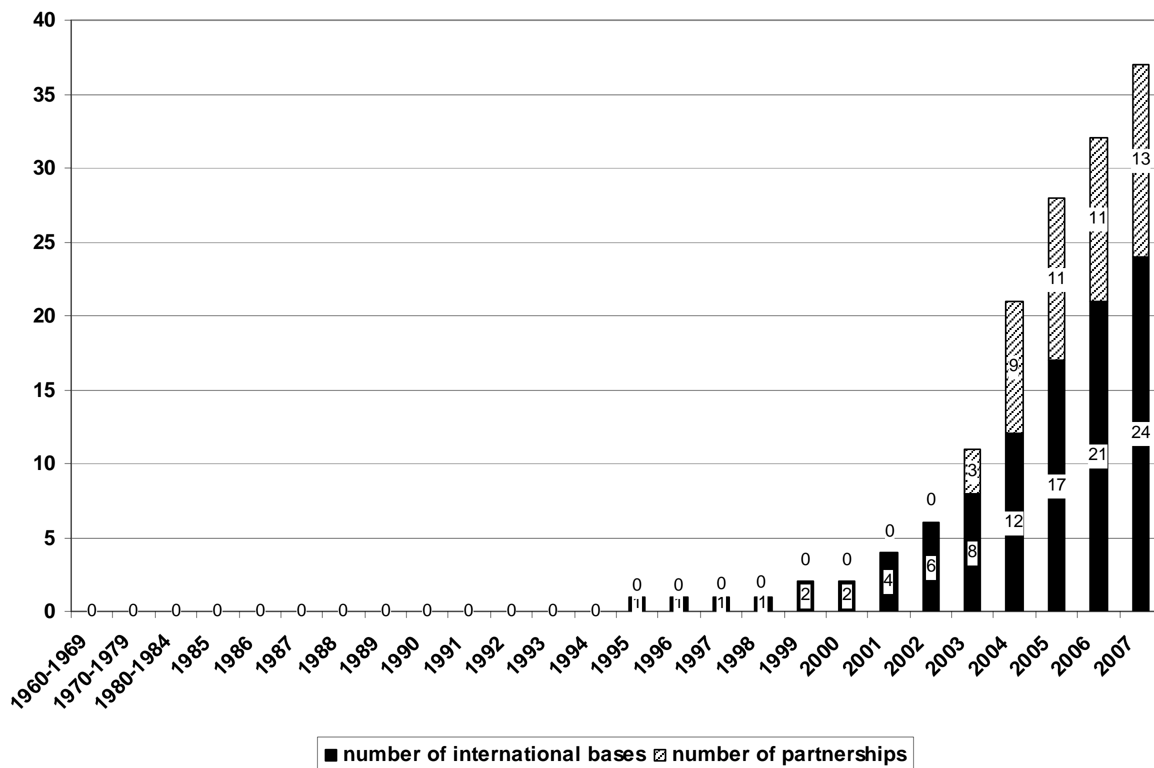


Figure 2: Split between market entries by international bases and partnerships (Europe)

The second homogenous group comprises 6 airlines which internationalize through contractual cooperation (in addition to exporting on selected routes). The alliances these airlines form mainly comprise cross-marketing and code-share agreements with international partner airlines. The majority (4 airlines) of these airlines are affiliated to, or even subsidiaries of, larger tourism companies or airline groups with a contender in the NWC arena. Mostly, these airline groups gravitate around former flag carriers, such as Lufthansa or LOT Polish Airlines, or major second players in their home markets, e.g. BMI. With all airlines in this group founded only after 2000, they are followers, trying to participate in a growing market. By setting up alliances, these LFA use the opportunity to access markets quickly and grow internationally. Alliancing is a considerably less capital intensive and risk laden strategy to expand and allows these LFA to tap into markets yet untouched by their (originally) first moving competitors.

The third group (own bases) contains one of the two major European LFA, Ryanair. This airline company hitherto internationalized exclusively by setting up own international bases, i.e. chose the most internalized mode of market entry. It is among the oldest European LFA and started early to establish international bases. It therefore not only represents – along

with Easyjet – the first mover in founding and growing European LFA, but also in extending its services beyond its home market. On an external dimension, Ryanair was able to build a strong reputation, while internally it was able to develop experience and expertise in all aspects of airline management. Ryanair is partially stock-listed, partially held by financially strong private investors, and is not part of a larger, or even NWC-based, airline group. The same features perfectly apply to Easyjet, whose predominant internationalization strategy is the establishment of own bases as well, but which has to be assigned to the "mixed group" (see below) as it additionally set up a national subsidiary (Easyjet Switzerland) and therefore combined three market entry modes. A second set of airlines completes this third internationalization cluster. Even though not among the carriers with the longest history, Wizz Air, Myair, Smartwings can all be considered as second movers (all founded in 2003 or 2004) from a European perspective, but are first movers in Eastern Europe. They aggressively expanded in their home countries and internationally in founding own bases in neighboring countries. The same applies for Vueling (founded 2004), which is the first mover in its Spanish home market. These airlines have in common that they have been founded by local private entrepreneurs, backed by strong financial investors. A basic fundamental of their strategies is consequently the intention to establish "better, second choices" as alternatives to the traditional flag carriers. Since this leads to strong competition in mostly relatively small markets, crossing the border to neighboring countries has in most cases been an attempt to increase the own home market up to a solid business base. TUIfly is the outsider in this group, since it is part of travel giant TUI. Untypical for airlines that are parts of larger groups, TUIfly established an own base in Basel, Switzerland.

In addition to Easyjet, four LFA do not fit perfectly within one of the homogenous groups: Air Berlin, SkyEurope, Sterling and Norwegian use a combination of market entry modes. Air Berlin set up own bases in London and Palma de Mallorca, but also maintains an equity-based alliance with Austrian carrier Niki.[4] SkyEurope (founded in 2001) internationalized primarily by setting up own international bases, but recently concluded a code-sharing agreement with Danish LFA Sterling. Sterling uses cooperation agreements with Norwegian Air Shuttle and SkyEurope in addition to establishing own bases and Norwegian Air Shuttle expanded its international operations by acquiring FlyNordic in 2007.

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[4] Air Berlin acquired 24% in Niki.

Market entry mode	Frequency (No. of airlines)	Airlines
No internationalization	1	Sky Express
Only export	11	Blue 1, Clickair, Flyglobespan, *Flynordic, Iceland Express, Helvetic Airways, Jet2.com, Thomsonfly, Transavia.com, Volare S.p.A., Windjet
Contractual cooperation (combined with export)	6	BMI Baby, Centralwings, Flybe, Germanwings, Intersky, Niki
Joint venture/minority equity/national subsidiary (combined with export)	1	Air Italy[5]
Set up own base (combined with export)	7	*Easyjet Switzerland, Myair.com, Ryanair, Smart Wings, TUIfly, Vueling Airlines, Wizz Air
Multiple	5	Air Berlin (export + own bases + minority equity alliance with Niki) Easyjet (export + national subsidiary + own bases) Norwegian Air Shuttle (export + code-sharing with Sterling + acquisition of Flynordic) Sky Europe (export + code-sharing with Sterling + own bases) Sterling (export + code-sharing with Norwegian Air Shuttle and Sky Europe + own bases)

Table 5: Market entry modes across European LFA (* denote subsidiaries)

Over time, a shift in the carriers' strategies can be observed. The prominence of contractual alliances which is observable until 2005 has diminished. Instead, during the last two years, more and more airlines set up own international bases. Until 2005, the internationalization by means of own bases was a nearly exclusive feature of the European pioneers Ryanair and Easyjet. These younger airlines internationalized through export in the first step, but in the second step, rather than employing contractual agreements directly, established own international bases.

Overview of the Asia-Pacific LFA market

Whereas the European Union represents a single economic area and aviation market in which neither foreign ownership restrictions nor limitations in traffic rights (incl. cabotage) persist, the Asia-Pacific region is still more regulated. Only Australia and New Zealand agreed on open skies between their countries and exhibit a comparable regulatory freedom to Europe. In Asia, however, every airline is solely subject to the national regulative framework of its country of incorporation, also implying e.g. the need for traffic rights as prerequisite for flying to neighboring or other foreign countries. The traditional structure of bilateral air traffic

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[5] Air Italy represents a special case as the airline it acquired, Euromediterranean Airlines, is located in Egypt and therefore, strictly speaking, outside our European focus.

agreements defines the limits of the airlines' developments. Since bilateral agreements are always linked to the nationality of airlines applying to operate under these treaties, limitations on investing in foreign airlines are still in place as well. Exceeding those general regulations, additional laws and rules have implications on the internationalization of airlines. Furthermore, most bilateral agreements assign traffic rights only to designated carriers, usually the flag carrier. Thus, new entrants typically have to fight for traffic rights not only with the target country, but with the flag carriers as well.

Given this situation and these implications, any internationalization of Asian carriers faces more complex hurdles than those of their European peers and, naturally, limits the comparability of European to Asia-Pacific LFA and their internationalization strategies. It is therefore even more surprising that within this much stronger regulatory cage, Asia-Pacific LFA exhibit similarities regarding their internationalization to the European carriers. Hence, even though a direct comparison is not valid due to the different regulatory settings, a cautious and selective approach in identifying parallels provides valuable insights into LFA strategies. Analogous to the previous EU section, we subsequently present the results of the LFA internationalization analysis for the Asia-Pacific region.

Even though the original founding dates of several LFA in Asia lie in the 1960s and 1970s, these airlines were only later re-branded or re-founded as LFA (like Ryanair and Air Berlin in Europe). The beginning of the LFA business in South East Asia can hence be traced back to the years around 2000, when several airlines targeting at the low fare segment were founded and Malaysia's Air Asia was re-launched as an explicit LFA. Today, Air Asia still represents Malaysia's single and one of South East Asia's predominant LFA, operating from its home base Kuala Lumpur as well as other national bases. Several airlines formed in Indonesia and the Philippines between 1995-1999 started to offer low fare services within their national boundaries, but also (partially) to and from their neighboring countries: Lion Air and Indonesia Air Asia (both Indonesia), the latter being re-launched 2004 and partly held by Malaysia's Air Asia, as well as Air Philippines, South East Asian Airlines, and Asian Spirit (all Philippines). Paralleling this development, Bangkok Airways, one of the more traditional Asian airlines, more and more focused on the low fare segment, too. In Oceania, the oldest LFA market players Freedom Air, a now defunct subsidiary of New Zealand's national carrier, and Virgin Blue were founded in 1995 and 1999, respectively. Moreover, the Japanese low fare market gained momentum 1996-1999 with the incorporation of Hokkaido International Airlines, JAL Express, and Ibex, among others.

Between 2002-2007, the formation of numerous airlines intensified the Asia-Pacific low fare business, enlarging the LFA network all over the region: Jetstar Australia, initially offering low fare flights within Oceania, and several other carriers promoting Singapore as important low fare base (Jetstar Singapore, Tiger Airways, and Valuair) entered the market in 2003 and 2004. During the last years, newly founded airlines further promoted the LFA business in different Asian regions, the most remarkable and dynamic of which is surely India, where 6 LFA were established between 2003-2007, namely Air Deccan, Air India Express, Go Air, Indigo Air, Jet Lite, and Paramount Airways.

With regard to international market entries and on the individual carrier level, again three main groups and one mixed group can be differentiated, as shown in Table 6. Here, the Asia-Pacific market reveals one striking feature: Half of the LFA (20) do not yet offer any international services at all, i.e. not even via export. Many of the more recently founded LFA, including the majority or even all of the Indian, the Japanese, and the Philippine carriers fall into this group.

Furthermore, a second group of carriers exclusively relies on export as the predominant internationalization strategy. These carriers amount to 14 in our sample, which corresponds to three quarters of the internationalized carriers. In this group, LFA having different national backgrounds can be found, indicating that the individual countries' regulatory framework sets limitations on internationalization, but that a possibility of internationalization still exists. Interestingly, a considerable part (5) of the airlines belonging to this group represent subsidiaries of other carriers. This hints to the fact that carriers which are backed by longer established and financially more powerful airlines can internationalize more easily and effectively, as is the case with Indonesia and Thai Air Asia.

Other entry modes in addition to export, such as contractual alliances, national subsidiaries, or own bases are pursued only by a small number of carriers, which can be assigned to a third group. Jetstar Asia and Valuair have merged in 2005, but still maintain their own brand names. At the same time, they cooperate based on a code-share agreement. As also observed recently in Europe, contractual cooperation is not restricted to LFA-LFA combinations in Asia as well, but also includes LFA-NWC links, as in the case of Valuair, which has set up a code-share agreement with Qantas. Air Asia and Bangkok Airways, the most traditional and oldest of all Asia-Pacific carriers analyzed here, complement their export strategy by a FDI mode of entry, either a minority equity participation (Air Asia holds 49% stake in Thai Air Asia as well as Indonesia Air Asia) or the establishment of a national subsidiary (Bangkok Airways and Cambodian Siem Reap Airways). In comparison to Europe,

the establishment of own bases in foreign countries has not yet been widely used in Asia. Solely Jetstar Airways and Tiger Airways recently established international bases in Osaka/Japan and Manila/Philippines. For Jetstar, the own international base complements its joint venture with Valuair, Jetstar Asia, and therefore puts it into the "multiple" cluster. However, Jetstar and Tiger Airways both belong to a second but already more experienced generation of LFA in Asia, at the same time backed up by a larger airline group (Qantas and Singapore Airlines, respectively).

Market entry mode	**Frequency (No. of airlines)**	**Airlines**
No internationalization	20	Air Deccan, Air Philippines, Citilink, Flyyeti, Go India, Hokkaido International Airlines, Ibex Airlines, Indigo Air, JAL Express, Jeju Airlines, Mandala Airlines, One Two Go Airlines, Pacific Airlines, Paramount Airways, Regional Express, Skymark Airlines, Skywest Airlines, Spicejet, Spring Airlines, Star Flyer
Only export	14	Adam Air, Air India Express, Asian Spirit, Cebu Pacific Air, Freedom Air, *Indonesia Air Asia, Jet Lite, Lion Air, Nok Air, Oasis Hong Kong Airlines, *Pacific Blue, *Polynesian Blue, *Siem Reap Airways, *Thai Air Asia
Contractual cooperation (combined with export)	2	Jetstar Asia, Valuair[6]
Joint venture/minority equity/national subsidiary (combined with export)	2	Air Asia, Bangkok Airways
Set up own base (combined with export)	1	Tiger Airways
Multiple	2	Virgin Blue (export + minority equity participation + national subsidiary) Jetstar Airways (export + own base + joint venture)

Table 6: Market entry modes across Asia-Pacific LFA (* denote subsidiaries)

Overall, our findings of the Asia-Pacific LFA market in principle appear suitable to support those of the European market: More experienced and better established carriers are able to internationalize in spite of the strict regulatory frameworks. Here again, the fact that some carriers are part of a larger, financially strong airline group seems to have an enabling effect on their internationalization activities.

[6] Jetstar Asia and Valuair represent a special case in this context: The two carriers have merged in 2005, but currently continue to operate under their individual brand names while having a code-share agreement.

THE CONTRIBUTION OF THE OLI PARADIGM FOR LFA INTERNATIONALIZATION

The mode of market entry of an airline seems to be considerably related to its *ownership structure (ownership advantage)*. In our sample, independent and publicly listed companies stringently pursue the most internalized strategic options, i.e. FDI modes of market entry. They either set up own bases, form national subsidiaries or acquire international competitors – or use several of these FDI strategies. Among these airlines are pioneers of the business like Easyjet, Ryanair and Air Berlin, as well as newcomers but pioneers in their national markets like Wizz and Vueling. The financial leverage these airlines receive by stock listings therefore appears to constitute an important factor in their entry modal choice and allows these airlines to avoid contractual cooperation-based modes of entry. On a speculative note, the entrepreneurial leadership advantage in the internationalization mode appears to be of significance as well. For example, Air Berlin (Joachim Hunold), Easyjet (Stelios Haji-Ioannou) and Ryanair (Michael O'Leary) are headed by extrovert and strong leaders. Such entrepreneurial leaders typically drive a strategy which keeps as much autonomy as possible to *their* company. The same phenomenon can be observed in the Asia-Pacific region: Air Asia (Tony Fernandez) and Virgin Blue as part of the Virgin Group (Richard Branson) are presided by strong entrepreneurial leaders. On the other hand, LFA which are part of larger airline groups are more focused on cooperation-based entry strategies. These airlines are often founded (or acquired) by established NWC to cope with the new LFA challenge in their home markets and are often slower in their decision making and strategic outlook which regularly also has to be compatible with the strategies and aims of the mother company. We therefore formulate two propositions regarding ownership advantages and LFA internationalization:

> **Proposition 1:** Publicly listed, independent LFA and/or LFA which are headed by a strong entrepreneurial personality favor more internalized entry modes, i.e. FDI modes of entry.
>
> **Proposition 2:** LFA which are part of larger airline groups prefer cooperation based entry modes.

Location advantages primarily help to explain the international target markets in which companies enter. Our study supports the notion that the choice of location is mainly determined by market potential and the degree of competition/rivalry in that market. LFA basically internationalize into markets which offer substantial growth opportunities in the form of large and potent catchment areas. Following the emergence of LFA in Great Britain and Ireland, large and populated areas with a comparably high GDP per capita were among the first targets sought by the incumbents (e.g. the area around Brussels, the Rhine/Main area and North Rhine Westphalia in Germany). In addition, the number of competitors seems to be

of decisive influence of market choice. It was found that at least in the early stages of industry development LFA avoided direct route-based competition (Baker, 2004; Heuermann, 2005). A similar situation can be found in the Asia-Pacific environment. Most LFA were established in densely populated areas, providing the carriers with high potentials for air passengers. At the same time, the avoidance of direct route competition can be observed throughout the market as well – with the exception of the Asian low fare hub Singapore. Several LFA chose Singapore as their home base while even more carriers serve the city as destination, both effects leading to partly competitive route patterns. This special situation can be explained by the exceptional geographic location of Singapore as well as its economic importance for the entire region, thus not contradicting the general trends identified.

For *internalization advantages,* the critical role of quality and process control has been emphasized. FDI modes of entry, especially the installation of own bases, acquisitions and the foundation of subsidiaries represent the most internalized mode of entry. All decisions, routines and procedures relevant for control and operations are expanded or duplicated for the new international market within the same organization. The processes are kept entirely within the firm and are protected as far as possible against "dilution", i.e. quality problems and slack, by the involvement of third parties on the one hand, as well as against plagiarism by competitors which might start disguised as partner firms on the other.

However, quality control can also be assured by modes of cooperation (Stinchcombe, 1984). Especially when it comes to the setting and maintaining of standards, these are almost by definition codifiable and hence can be fully specified in a contract, rendering cooperation modes for internationalization viable – but not necessarily preferable – strategies as well. The danger of leaking know-how to potential future competitors, however, remains. This risk, specific to contractual cooperation, is partially circumvented by taking equity stakes in the partner to increase the degree of control and, especially, receive early information about its intended strategy.

An internalization advantage which is only hardly realizable through contractual modes of cooperation, however, is the adaptability advantage of hierarchies. After all, mutual adjustment processes aimed at reaching a consensus among still autonomous firms take more time than fiat-based decision processes in integrated companies. Especially when it comes to critical decisions, e.g. concerning the reaction to a pricing offensive by a competitor which affects both partners on their home markets, the limits of a cooperation strategy becomes obvious. With regard to internalization advantages we therefore state:

> **Proposition 3:** LFA generally favor fully internalized modes of foreign direct investment over cooperation strategies for market entries, ceteris paribus.

This hypothesis is further corroborated by the decrease in importance of cooperation-based strategies from 2005-2007. However, cooperation is still a relevant category with 6 (Europe) and 2 (Asia) carriers pursuing this strategy still in 2007. In these cases, the disadvantages or risks associated with FDI modes seem to offset their advantages. Besides the obvious capital intensity of acquiring equity stakes or installing new bases, *time* is a major factor in these considerations. The achievement of first mover status in a selected geographic region seems to be of considerable importance in the LFA market. A first mover advantage can, inter alia, evolve from “pre-empting rivals in the acquisition of scarce assets” (Lieberman & Montgomery, 1988, p. 44). As geographic and product characteristics space is, without doubt and especially in the LFA market, scarce, older LFA like Easyjet and Ryanair have a first mover advantage over their recently founded competitors (Doganis, 2001). The younger LFA in Eastern Europe and in Spain pursued a similar aggressive pre-emption strategy, as do selected Asia-Pacific carriers. With their ongoing internationalization, however, they accumulate further kinds of advantages as identified earlier, too, such as economies of size, further strengthening their market position and financial leverage.

Cooperation-based strategies offer speed of entry and therefore open up the option to pre-empt market entry or newcomers in establishing a presence in the selected market. The choice of entry mode among this set of “younger” group-connected LFA, which are themselves a reaction to changing market developments, can therefore also be explained by first mover advantages (i.e. second mover disadvantages). Less internalized entry modes of cooperation are the only viable alternative to keep up with the increasing internationalization of the first movers and to claim first mover advantages for themselves.[7] We therefore formulate:

> **Proposition 4a:** LFA employ cooperative entry modes if they can gain a first mover advantage in the target market, ceteris paribus.
>
> **Proposition 4b:** Younger LFA (followers) which need to establish an international network quickly employ cooperative entry modes, ceteris paribus.

CONCLUSION

The internationalization process of airlines in general and LFA especially is still rather unexplored terrain. In this paper, an analysis of the internationalization patterns of European LFA, complemented by an analysis of LFA in the Asia-Pacific region, was conducted. It was

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[7] There are two notable exceptions which at first sight do not fit this argument. Two younger LFA competitors SkyEurope (founded 2001) and Wizz Air (founded 2003) have set up own bases in Eastern Europe. However, the LFA competition in the Eastern European market is still in an early stage and the market entry of “seniors” from the western part of Europe not an imminent threat.

based on Dunning's OLI paradigm, which was further specified for the airline and LFA context.

From a theoretical, international management perspective, this study illustrates the explanatory potential of the OLI paradigm for the LFA sector and therefore expands the growing research on the internationalization of services. An additional, industry-specific contingency factor that influences entry modal choice and cannot be stringently assigned to one of Dunning's advantage classes emerged from this study: the timing of market entry. Thus, an essential and valuable feature of the OLI paradigm materialized in this study as well: Its multi-theoretical approach of the eclectic paradigm "permits researchers to create new determinants in order to predict entry mode" due to "its richness [...] and its creativity" (Andersen, 1997, p. 35).

For the low fare airline sector, in line with Dunning's reasoning and the specification of OLI advantages, FDI and export are by far the most important internationalization modes due to the strong presence of ownership and internalization advantages (Dunning, 1981b). Overall, the internationalization patterns reflect the individual airlines' calculus of internalization advantages, available financial resources, organizational structure – and the importance of the timing of market entry in comparison to competitors. Such first mover advantages, which also result in repercussions for ownership advantages, seem to be substantial, given the importance of cooperative internationalization modes. Hence, regularities emerge in LFA internationalization decisions which are sufficiently intriguing to inspire further, confirmatory studies. With increasing deregulation and resulting competition among airlines, international market entry and entry modal choice become increasingly critical to the growing airlines' performance and thus an increasingly important research field.

APPENDIX I: EU LFA AND THEIR MARKET ENTRY STRATEGIES

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
1	Air Berlin (Germany)	1978	100% private investors, IPO in 2006	Berlin, Nuremberg	22 destinations 14 countries	Minority equity participation: unilateral participation of 24 %, marketing agreement, code-sharing	Niki (2004)	Palma de Mallorca, Spain (destination since 1979, base later on) Zurich, Switzerland (2006)	Multiple combination: export, minority equity participation, own intl. bases
2	Air Italy (Italy)	2005	100% private investors	Milan	4 destinations 4 countries	Equity participation	75% in Euromediterranean Airlines (Egypt, 2007)		Combination: export, equity participation
3	Blue 1 (Finland)	1998	100% subsidiary of SAS	Helsinki	14 destinations 11 countries				Only export
4	BMI Baby (GB)	2002	100% subsidiary of bmi British Midland	Nottingham, Birmingham, Cardiff, Durham, Manchester	14 destinations 7 countries	Marketing alliance:	Germanwings (2004)		Combination: export, marketing alliance
5	Centralwings (Poland)	2004	100% subsidiary of LOT Polish Airlines	Warsaw	13 destinations 6 countries	Marketing alliance:	Germanwings (2005)		Combination: export, marketing alliance
6	Clickair (Spain)	2006	100% subsidiary of Iberia	Barcelona	27 destinations 15 countries				Only export

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
7	Easyjet (GB)	1995	58,6% private investors, 41,4% stock-listed	Liverpool, London, Bristol, Belfast, London, East Midlands, Newcastle	39 destinations 17 countries			Basel (2005), Geneva (1999), Berlin (2004), Dortmund (2004), Lyon (x2) (2008), Paris (x2) (2002), Milan (2006), Madrid (2006)	Combination: export, own intl. bases
8	*Easyjet Switzerland	1998	49% Easyjet, 51% private investors	Basel, Geneva	19 destinations 11 countries			Paris, Nice	Combination: export, own intl. bases
9	Flybe (GB)	1979 founded as Jersey European, re-launched as Flybe in 2002	15% subsidiary of British Airways, 85% private investors	Southampton	19 destinations 8 countries	Code-sharing: Marketing agreement: Franchise routes partnership:	Brussels Airlines (2007) Continental Airlines (2002) Air France (1996)		Combination: export, marketing alliances
10	Flyglobespan (GB)	2002	100% subsidiary of Globespan Group plc	Edinburgh, Glasgow, Aberdeen, Durham	8 destinations 5 countries				Only export
11	*Flynordic (Sweden)	2000	100% Norwegian Air Shuttle	Stockholm	3 destinations 2 countries				Only export
12	Germanwings (Germany)	2002	100% subsidiary of Eurowings	Cologne, Stuttgart, Hamburg, Berlin	31 destinations 19 countries	Marketing referral:	bmi baby (2004), Centralwings (2005) Intersky (2004)		Combination: export, marketing alliance

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
13	Iceland Express	2003	100% Iceland's NTH group	Reykjavik	5 destinations 4 countries (operates flights also on behalf of Swiss Hello)				Only export
14	Helvetic Airways (Switzerland)	2001	100% private investors	Zurich	3 destinations 2 countries				Only export
15	Intersky (Austria)	2001	100% private investors	Friedrichs-hafen (Germany, 2004)	2 destinations 1 country	Marketing referral:	Germanwings (2004)		Combination: export, marketing referral
16	Jet2.com (GB)	2003	100% Dart Group plc	Leeds, Belfast, Manchester, Newcastle, Blackpool, Edinburgh	16 destinations 11 countries				Only export
17	Myair.com (Italy)	2004	100% private investors	Milan, Venice, Bologna	9 destinations 5 countries			Bucharest (2006)	Combination: export, own intl. base
18	NIKI (Austria)	2003	76 % private investor, 24% Air Berlin	Vienna, Linz (2005)	7 destinations 5 countries	Marketing agreement, code-sharing	Air Berlin (unilateral participation of 24 % in Niki)	Palma de Mallorca, Frankfurt	Combination: Export, marketing agreement, own intl. bases
19	Norwegian Air Shuttle (Norway)	1993	5,1% subsidiary of Finnair, 94,9% private investors	Oslo	31 destinations 16 countries	Code-sharing: Acquisition:	Sterling (2004?) Flynordic (2007)	Warsaw, Stockholm	Multiple combination: export, code-sharing, acquisition

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
20	Ryanair (Ireland)	1985	58,5% stock listed, 41,5% private investors and funds	London, Dublin, Glasgow, Shannon, Liverpool, Cork, East Midlands	77 destinations 19 countries			Brussels/Charleroi (2001), Frankfurt/ Hahn (2002), Milan/ Bergamo (2003), Stockholm (2003), Gerona (2004), Rome (2004), Paris (2005), Alicante (2007), Madrid, Valencia, Marseille, Dusseldorf/ Weeze, Bremen, Pisa	Combination: export, own intl. bases
21	SkyExpress (Russia)	2006	80% private investors, 20% European Bank for Reconstruc- tion and Develop- ment	Moscow					No internationalization
22	Sky Europe (Slovakia)	2001	57,3% stock listed, 42,7% private investors and funds	Bratislava (2002)	7 destinations, 4 countries	Code- sharing:	Sterling (2005)	Vienna (2007)	Multiple combination: export, code-sharing, own intl. base
23	Smart Wings (Czech Republic)	2004	100% Czech Travel Service Airlines	Prague	5 destinations, 4 countries			Budapest	Combination: export, own intl. base

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
24	Sterling (Denmark)	1994, re-launch 2000	100% private investors	Copenhagen (2000), Billund (2005), Helsinki (2006)	17 destinations, 12 countries	Code-sharing: Code-sharing:	Norwegian Air Shuttle (2004) Sky Europe (2005)	Oslo (2002), Stockholm (2002)	Multiple combination: export, code-sharing, own intl. bases
25	Thomsonfly (GB)	1962, re-branded in 2004	100% subsidiary of TUI AG	Coventry (2003), Bournemouth (2005)	10 destinations, 6 countries				Only export
26	Transavia.com (Netherlands)	1966, re-named in 1986	100% subsidiary of Air France-KLM	Amsterdam	19 destinations, 7 countries				Only export
27	TUIfly (Germany)	Hapagfly: 1972, Hapag-Lloyd Express: 2002	100% subsidiary of TUI Travel plc		25 destinations, 7 countries			Basel	Combination: export, own intl. base
28	Volareweb.com (Italy)	1997	100% private investors	Milan	8 destinations, 6 countries				Only export
29	Vueling Airlines (Spain)	2004	53,3% stock traded, 46,7% private investors	Madrid, Sevilla, Barcelona	11 destinations, 6 countries			Paris (2007)	Combination: export, own intl. base
30	Windjet (Italy)	2003	100% private investors	Forli, Palermo	6 destinations, 7 countries				Only export

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) national bases		Type	Organization		
31	Wizz Air (Hungary)	2003	100% private investors	Budapest (2004)	8 destinations, 6 countries			Cluj-Napoca, Katowice (2004), Sofia, Warsaw, Gdansk, Poznan, Wroclaw, Ljubljana, Bucharest, Tirgu Mures, Frankfurt / Hahn (2005), Zagreb	Combination: export, own intl. bases

(* denote subsidiaries)

APPENDIX II: ASIA-PACIFIC LFA AND THEIR MARKET ENTRY STRATEGIES

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	**Modes 2-4**		**Own intl. bases**	
		Founded	Capital structure	(Main) National bases		Type	Organization		
1	Adam Air (Indonesia)	2003	100% private investors	Jakarta	2 destinations 2 countries				Only export
2	Air Asia (Malaysia)	1993, re-launched 2001 as LFA	43,5% stock listed, 56,5% private investors	Kuala Lumpur, Johor Bahru, Kuching, Kota Kinabalu	24 destinations 9 countries	Minority Equity Participation:	49% in Indonesia Air Asia (2004) , 49% in Thai Air Asia (2004)		Combination: export, minority equity participation
3	Air Deccan (India)	2003	46% Kingfisher Airlines, 54% private investors	Delhi, Mumbai, Bangalore, Hyderabad, Kolkata					No internationalization
4	Air India Express (India)	2005	100% subsidiary of Air India / Indian Airlines	Mumbai, Kochi, Kozhikode, Madras	13 destinations 9 countries				Only export
5	Air Philippines (Philippines)	1995	100% private investors	Cebu, Manila					No internationalization
6	Asian Spirit (Philippines)	1996	100% private investors	Cebu, Manila	3 destinations 3 countries				Only export
7	Bangkok Airways (Thailand)	1968, re-named in 1986	100% private investors	Bangkok, Chiang Mai	16 destinations 8 countries	National Subsidiary:	Siem Reap Airways, Cambodia (2000)		Combination: export, national subsidiary
8	Cebu Pacific Air (Philippines)	1995	100% private investors	Cebu, Manila	12 destinations 8 countries				Only export
9	Citilink (Indonesia)	2001	100% subsidiary of Garuda Indonesia	Jakarta					No internationalization
10	Flyyeti (Nepal)	2007	Joint Venture of Air Arabia (majority) and Yeti Airlines	Katmandu, Nepalganj					No internationalization

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) National bases		Type	Organization		
11	Freedom Air (New Zealand)	1995	100% subsidiary of Air New Zealand	Auckland, Hamilton, Dunedin	4 destinations 1 country				Only export
12	Go Air (India)	2005	100% private investors	Delhi, Mumbai, Hyderabad					No internationalization
13	Hokkaido Air System (Japan)	1996	Joint Venture of Japan Airlines (51%) and Government of Hokkaido (49%)	Tokyo					No internationalization
14	Ibex Airlines (Japan)	1999	100% private investors	Osaka					No internationalization
15	Indigo Air (India)	2005	100% private investors	Bangalore, Delhi, Kolkata, Hyderabad, Mumbai					No internationalization
16	*Indonesia Air Asia (Indonesia)	1999, re-launched in 2004	49% Air Asia, 51% private investors	Jakarta, Surabaya	1 destination 1 country				Only export
17	JAL Express (Japan)	1997	100% subsidiary of JAL	Osaka, Nagoya					No internationalization
18	Jeju Airlines (Korea)	2005	75% private investors, 25% provincial government	Jeju					No internationalization
19	JetLite (India)	1991, re-launched in 2007	100% subsidiary of Jet Airways	Delhi, Mumbai, Hyderabad	3 destinations 3 countries				Only export
20	Jetstar Airways (Australia)	2004	100% subsidiary of Qantas Airways	Sydney, Melbourne, Brisbane	10 destinations 8 countries			Osaka (Japan, 2007)	Combination: export, own intl. base
21	Jetstar Asia (Singapore)	2004	Joint Venture of JetStar Airways and ValuAir	Singapore	9 destinations 7 countries	Merger (but separate brands), code-sharing:	Valuair (2005)		Combination: export, code-sharing (merger)

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) National bases		Type	Organization		
22	Lion Airlines (Indonesia)	1999	100% private investors	Jakarta	3 destinations 2 countries				Only export
23	Mandala Airlines (Indonesia)	1967	100% private investors	Jakarta					No internationalization
24	Nok Air (Thailand)	2004	39 % Thai Airways international, 61% private investors	Bangkok	1 destination 1 country				Only export
25	Oasis Hong Kong Airlines (Hong Kong)	2005	100% private investors	Hong Kong	2 destinations 2 countries				Only export
26	One-Two-Go Airlines (Thailand)	2003	100% subsidiary of Orient Thai Airlines	Bangkok					No internationalization
27	Pacific Airlines (Viet Nam)	1991, re-branded in 2007	Qantas signed an agreement to buy 30 % of Pacific Airlines in 2007	Saigon					No internationalization
28	*Pacific Blue (New Zealand)	2004	100% subsidiary of Virgin Blue	Christchurch, Auckland	7 destinations 4 countries				Only export
29	Paramount Airways (India)	2005	100% private investors	Madras, Hyderabad					No internationalization
30	*Polynesian Blue (New Zealand)	2005	49% Virgin Blue, 49% Samoan government, 2% independent Samoan shareholder	Apia, Samoa (all flights except from and to Apia operated by Pacific Blue)	2 countries 2 destinations				Only export
31	Regional Express (Australia)	2002	100% private investors	Sydney, Melbourne, Adelaide, Brisbane					No internationalization

#	Airline	Characteristics			Internationalization mode				Remarks
					Export	Modes 2-4		Own intl. bases	
		Founded	Capital structure	(Main) National bases		Type	Organization		
32	*Siem Reap Airways International (Cambodia)	1998, renamed in 2000	100% subsidiary of Bangkok Airways	Phnom Penh	3 destinations 3 countries				Only export
33	Skymark Airlines (Japan)	1996	100% private investors	Tokyo					No internationalization
34	Skywest Airlines (Australia)	1963	100% private investors	Perth					No internationalization
35	Spicejet (India)	2005	100% private investors	Delhi, Mumbai, Hyderabad					No internationalization
36	Spring Airlines (China)	2005	100% private investors	Shanghai					No internationalization
37	Star Flyer (Japan)	2002	100% private investors	Kita Kyushu					No internationalization
38	*Thai Air Asia (Thailand)	2003	50% Asia Aviation, 49% Malaysia's Air Asia, 1% individual investor	Bangkok	9 destinations 6 countries				Only export
39	Tiger Airways (Singapore)	2003	49% Singapore Airlines, 30% private investment firms, 11% corporate investor	Singapore	17 destinations 8 countries			Manila (Philippines, 2007)	Combination: export, own intl. base
40	ValuAir (Singapore)	2004	100% private investors	Singapore	3 destinations 1 country	Code-sharing: Merger (but separate brands), code-sharing:	Qantas Jetstar Asia (2005)		Combination: export, code-sharing (merger)
41	Virgin Blue (Australia)	1999	25,26% Virgin Group, 74,74% private investors	Brisbane (1999), Melbourne, Sydney	4 destinations 4 countries	Minority equity participation: National subsidiary:	Polynesian Blue Pacific Blue		Multiple combination: export, minority equity participation, national subsidiary

(* denote subsidiaries)

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