

Competition from the Gulf and Turkey

The way it affects the Dutch
aviation sector

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Airneth

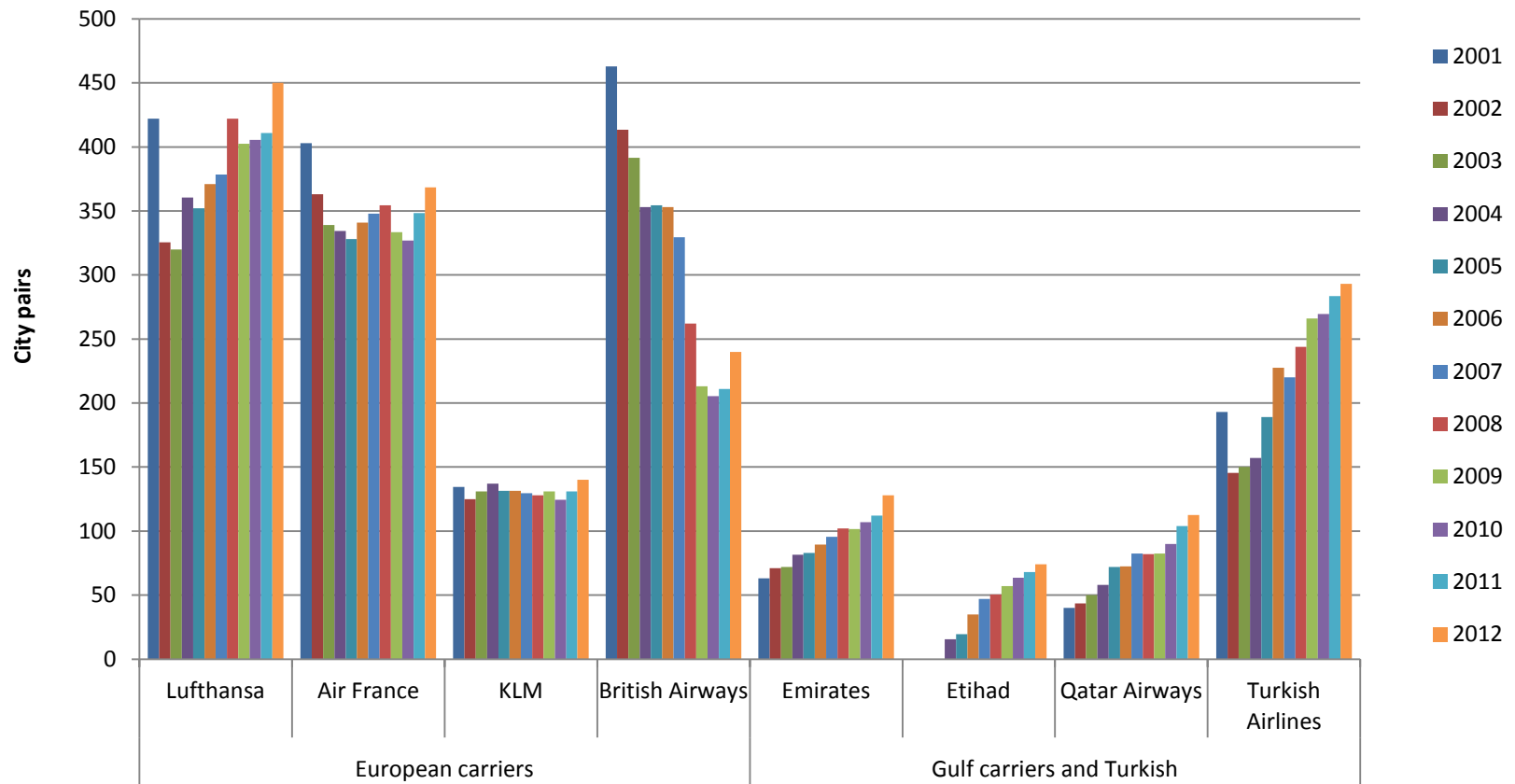
17 October 2012

Outline

- Growth of the aviation networks in the Gulf and Turkey
- Competition from the Gulf and Turkey
- Conclusions

Expanding networks

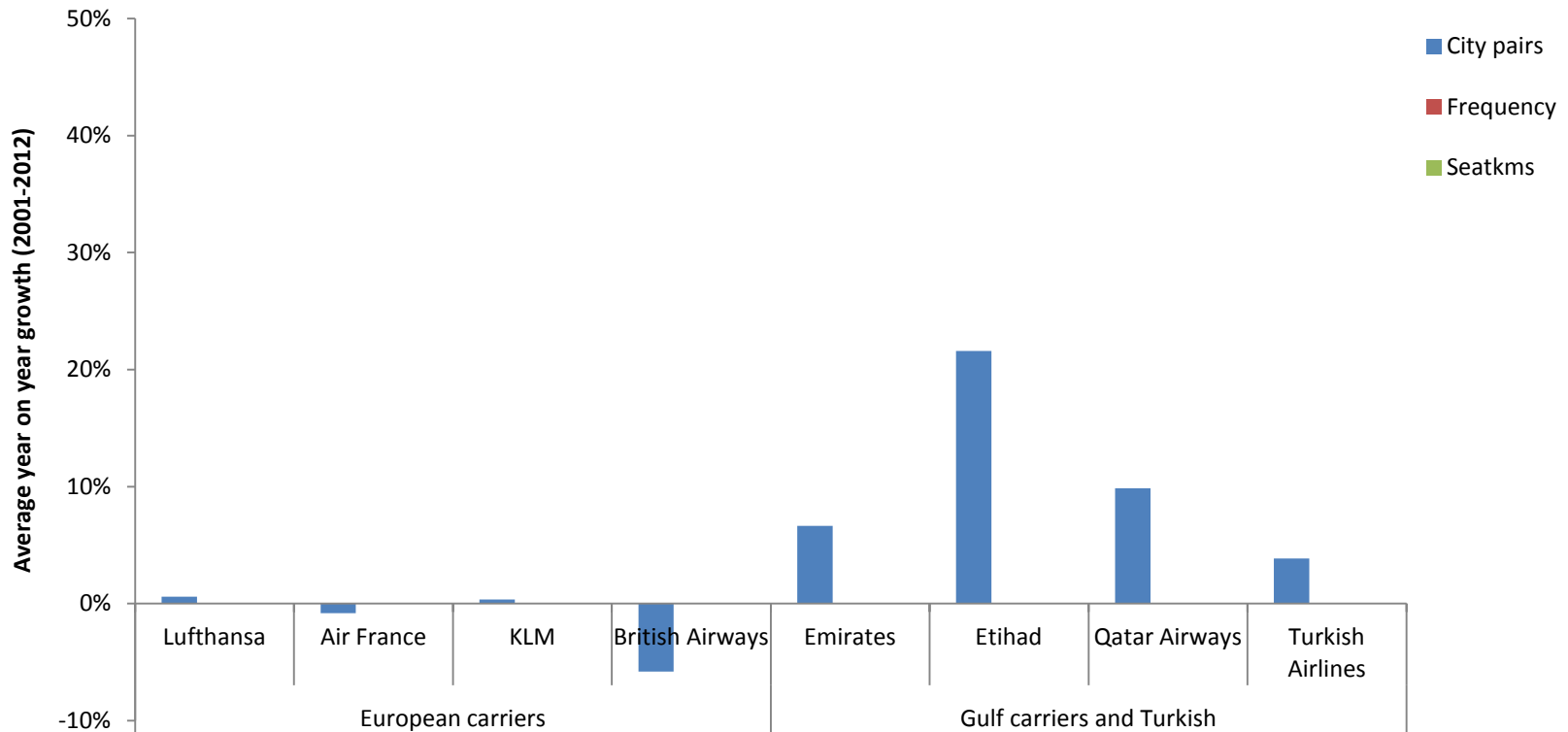
- Continuous growth of city pairs offered by Gulf carriers/ Turkish



Source: OAG, 2001-2012

Expanding networks

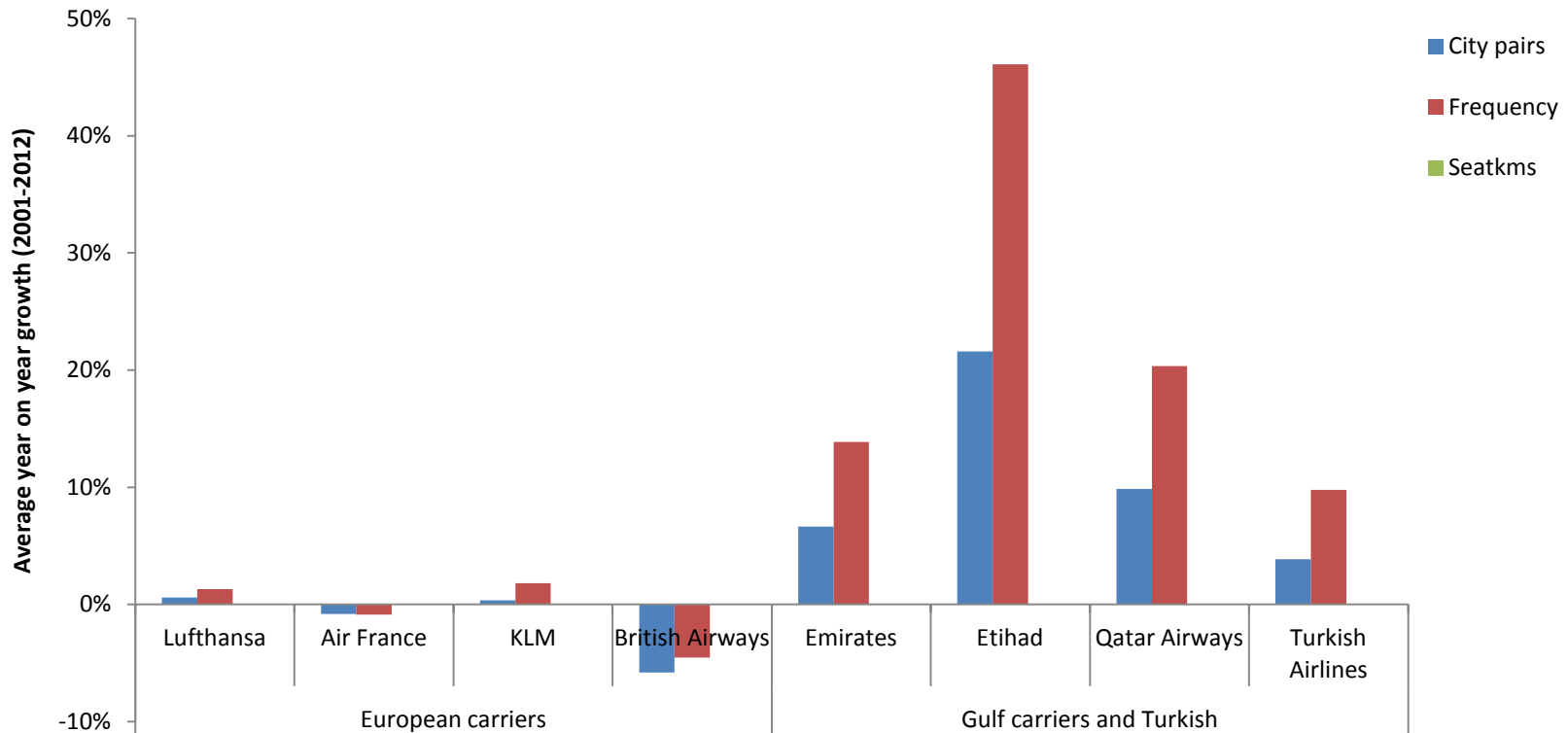
➤ Year-on-year growth outpaces that of traditional carriers



Source: OAG, 2001-2012

Increasing frequencies

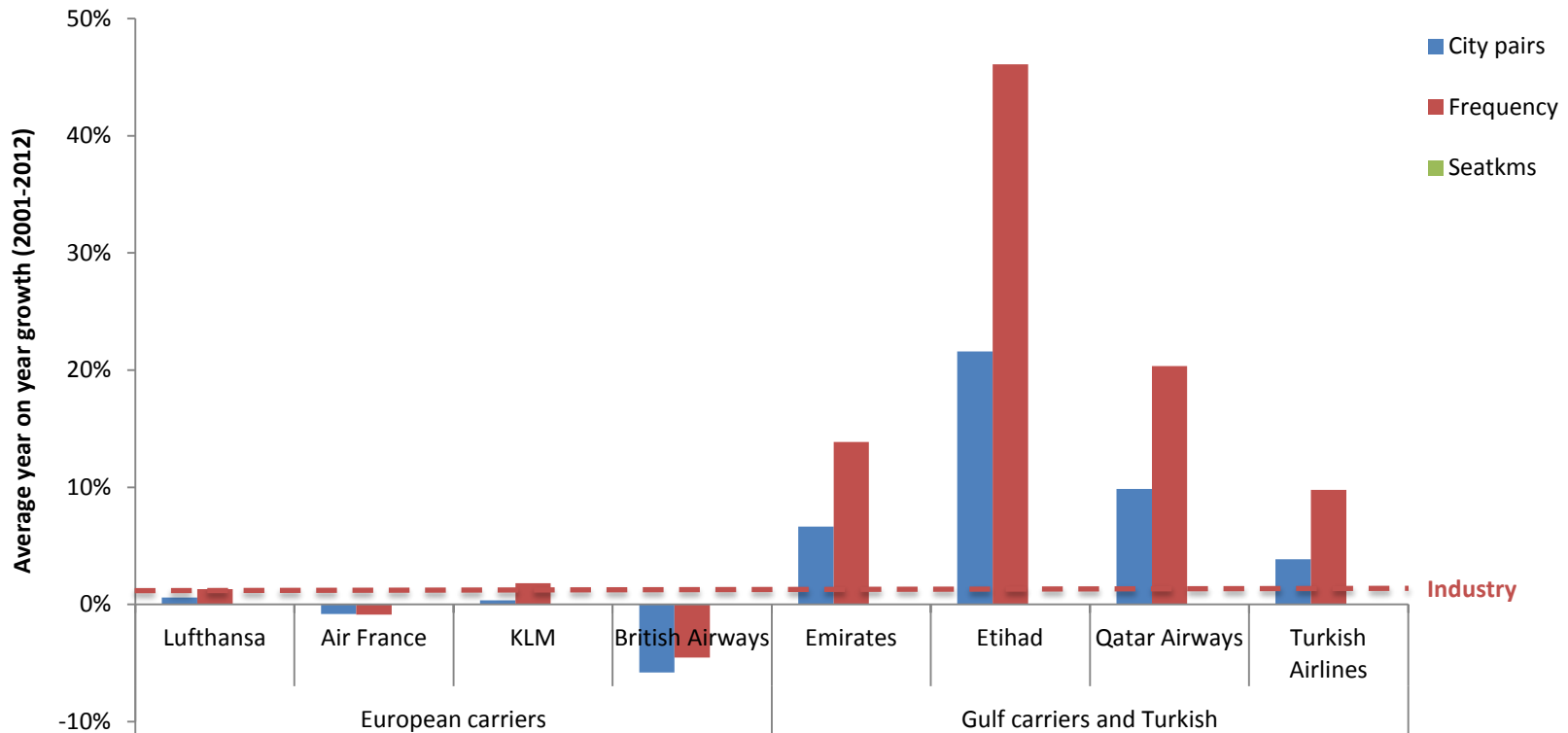
➤ Frequency increases add further to capacity offered



Source: OAG, 2001-2012

Increasing frequencies

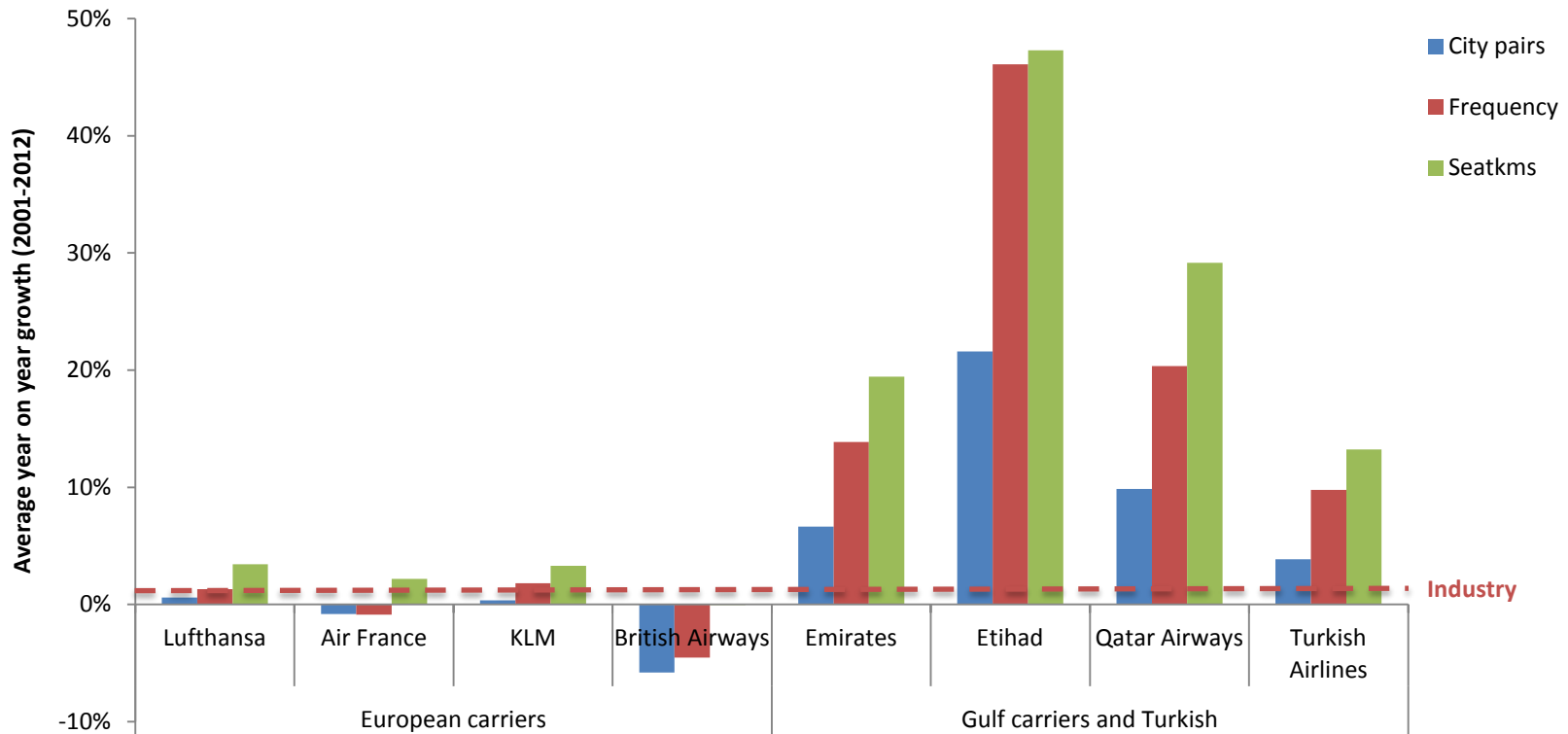
➤ Frequency increases add further to capacity offered



Source: OAG, 2001-2012

Increasing aircraft size

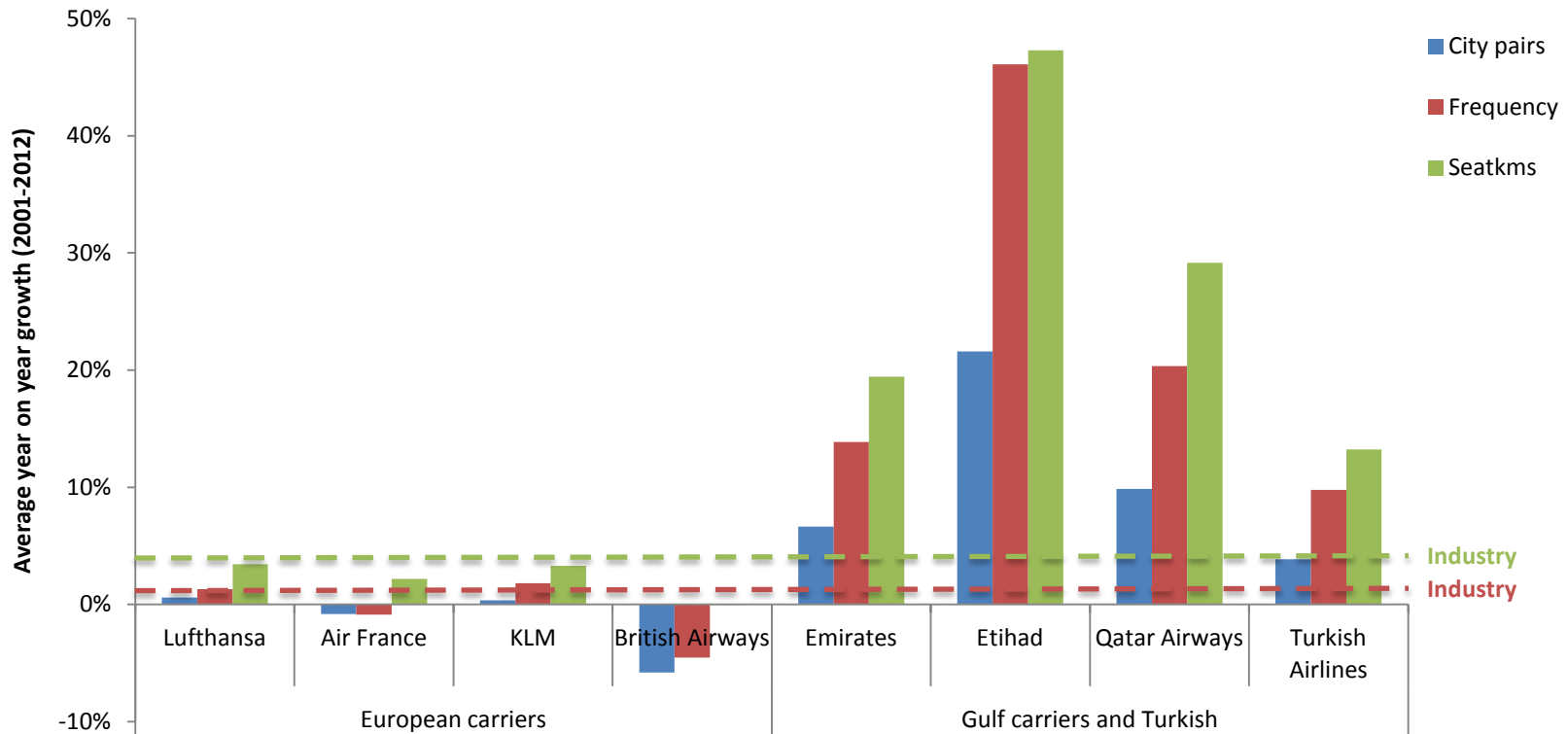
- Capacity is further increased by operating larger aircraft



Source: OAG, 2001-2012

Increasing aircraft size

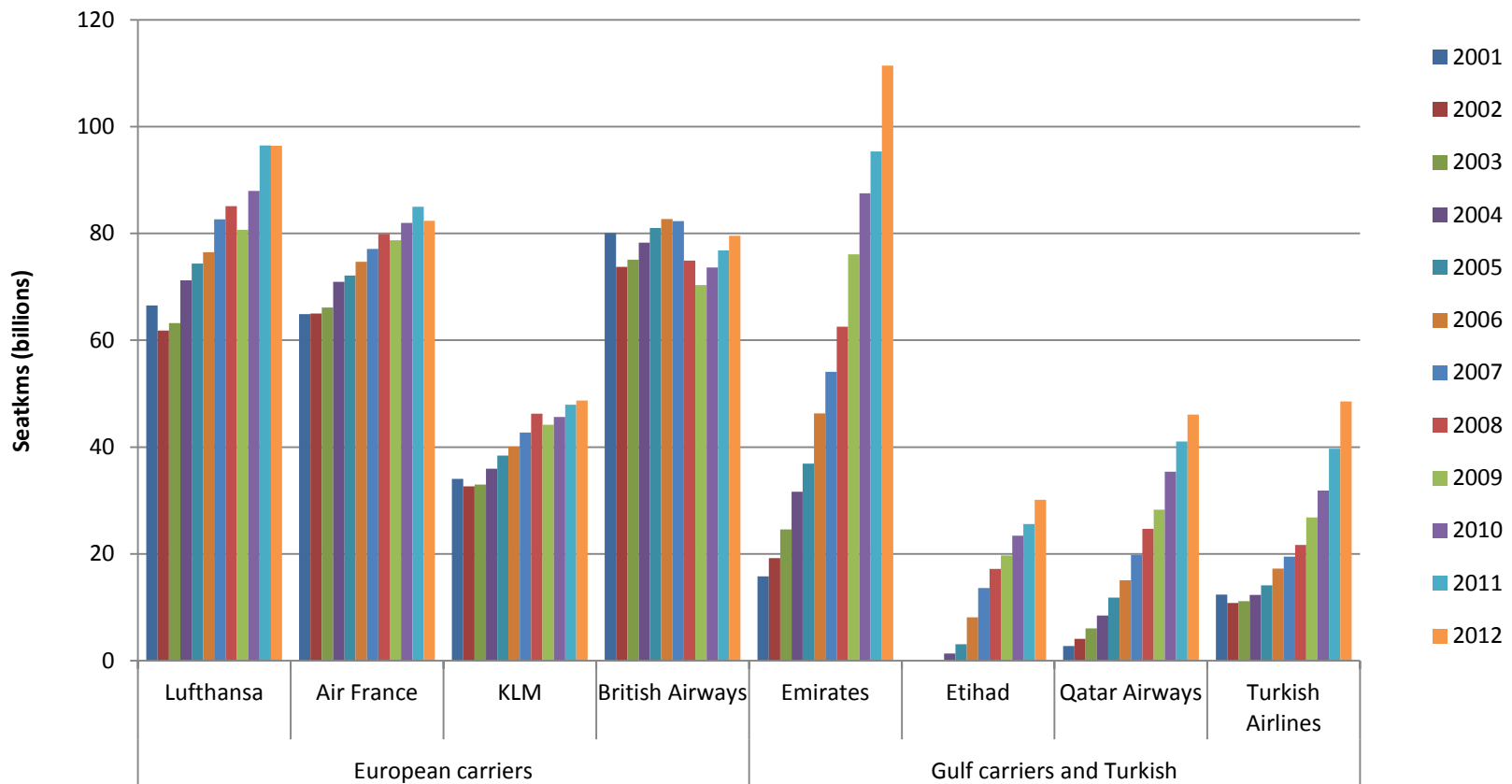
- Capacity is further increased by operating larger aircraft



Source: OAG, 2001-2012

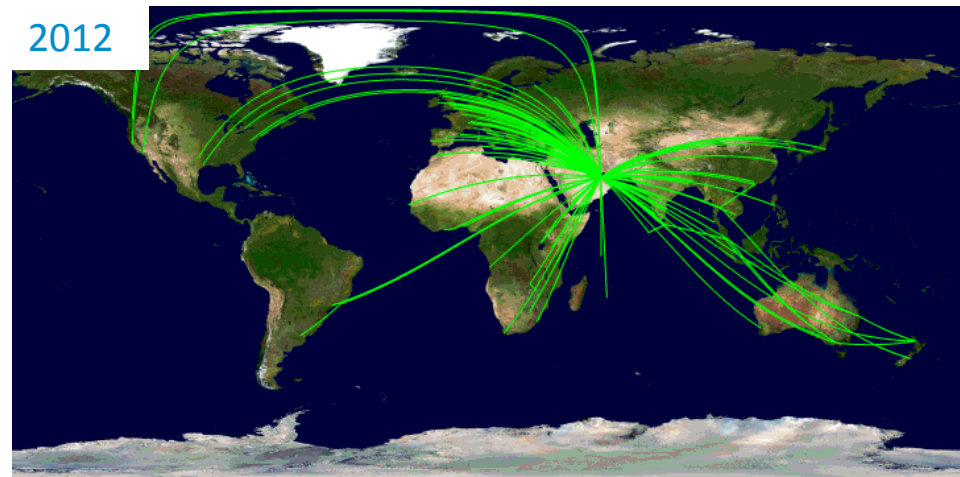
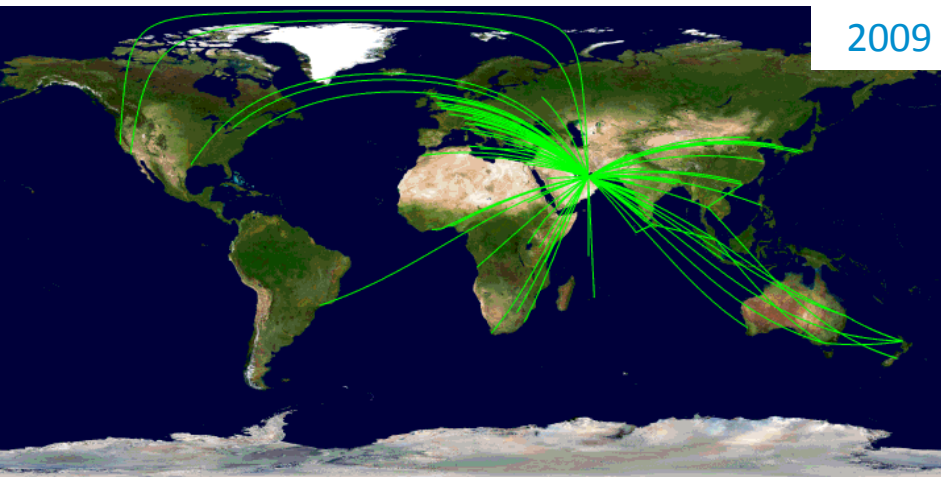
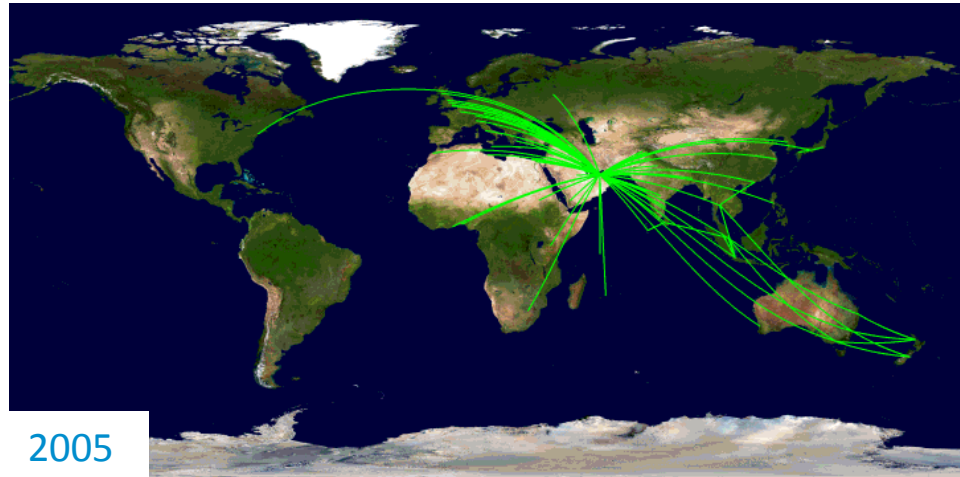
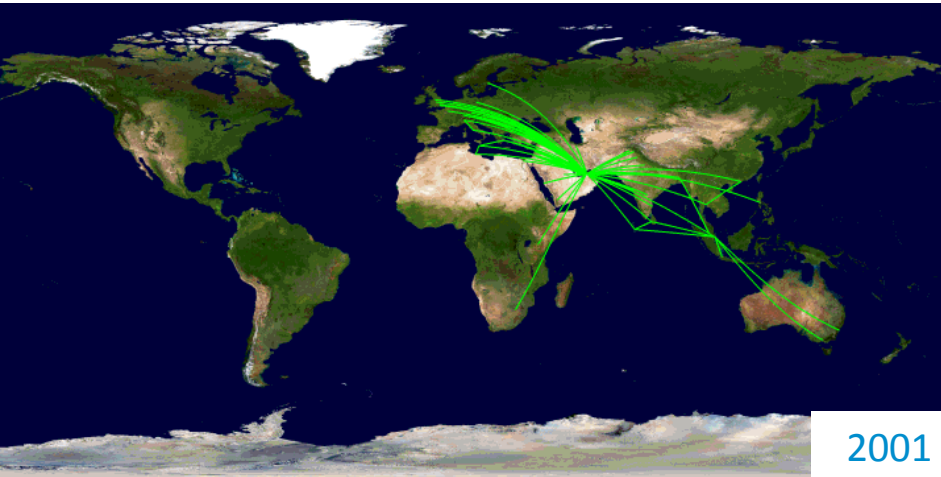
Accelerating growth in terms of ASK's

➤ Emirates 4th largest airline in terms of ASK's, behind DL UA AA

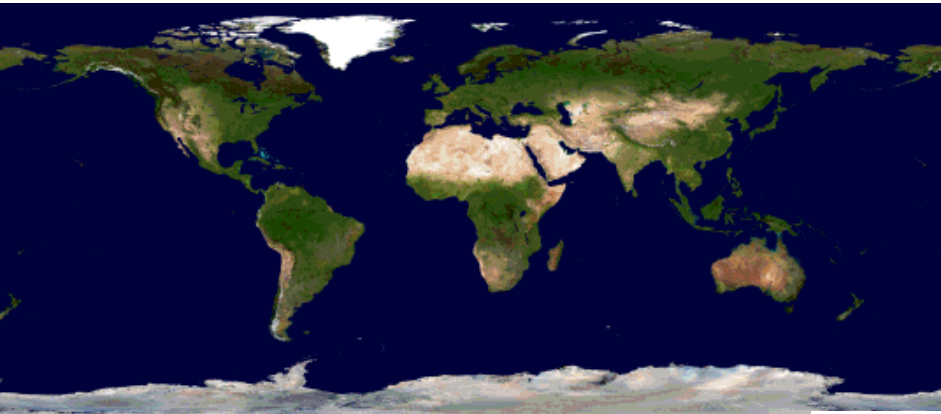


Source: OAG, 2001-2012

The Emirates network



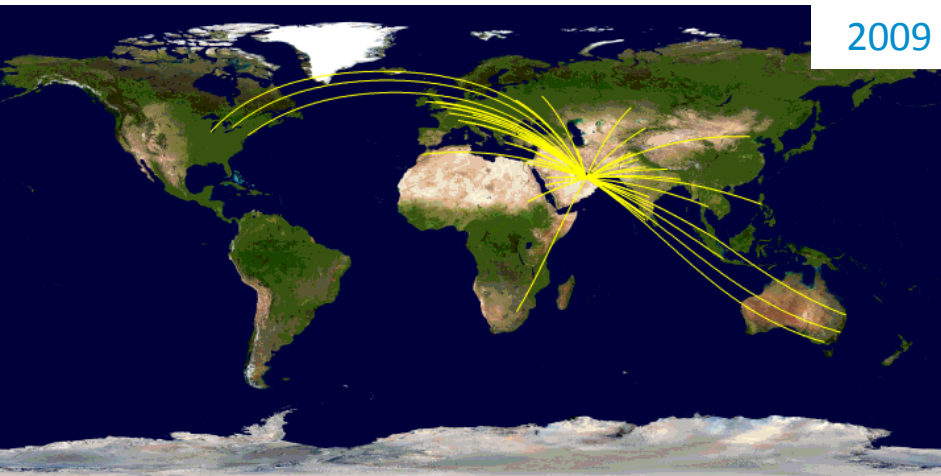
The Etihad network



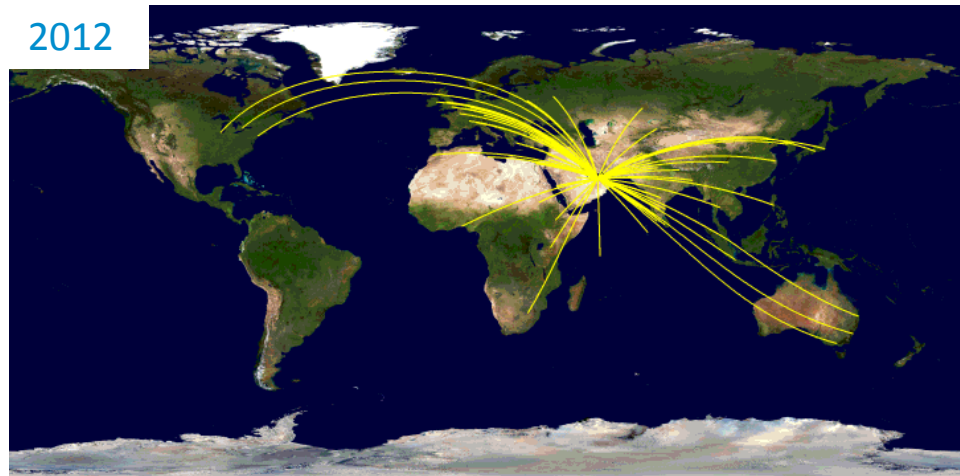
2001



2005

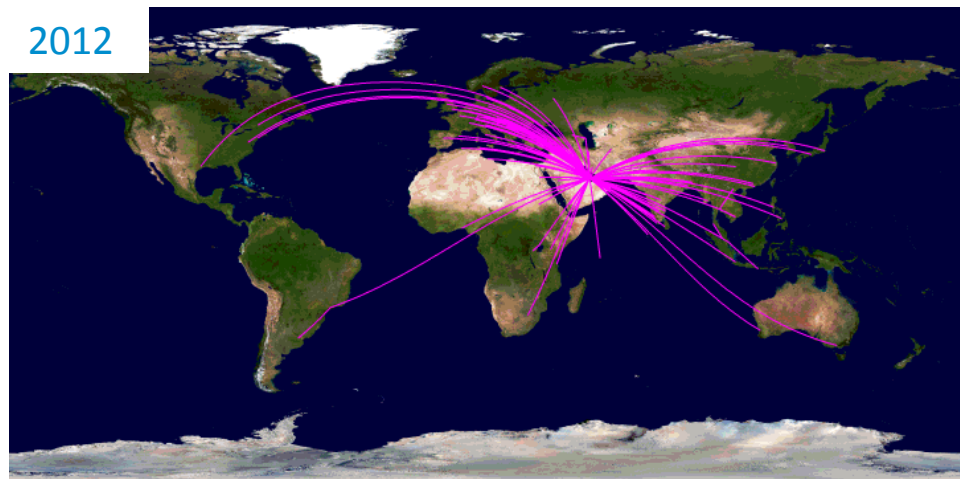
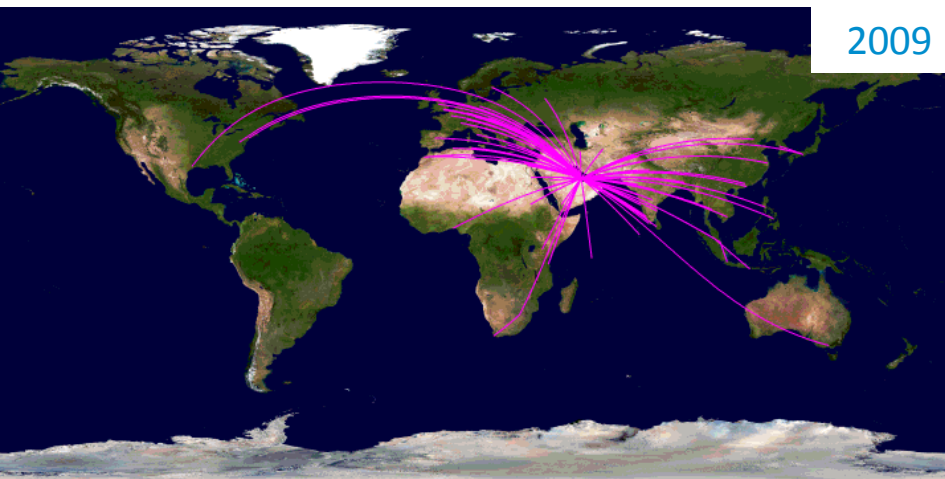
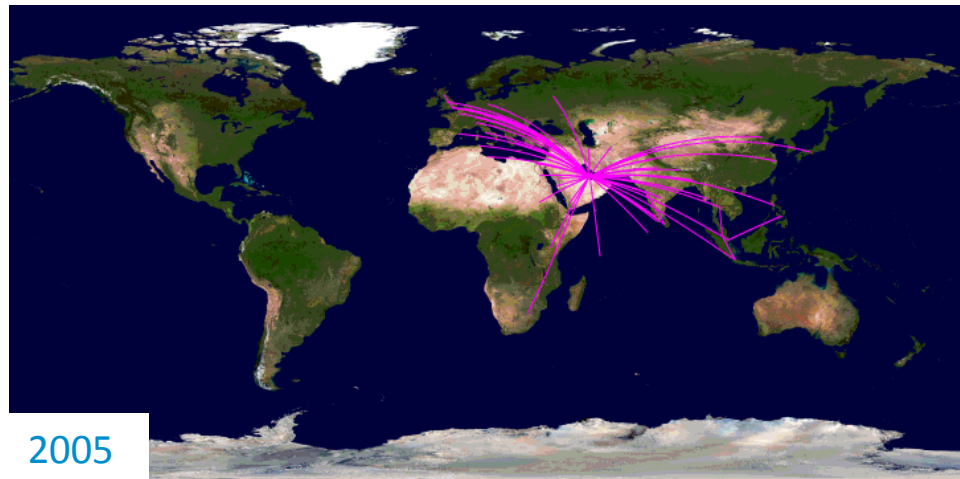
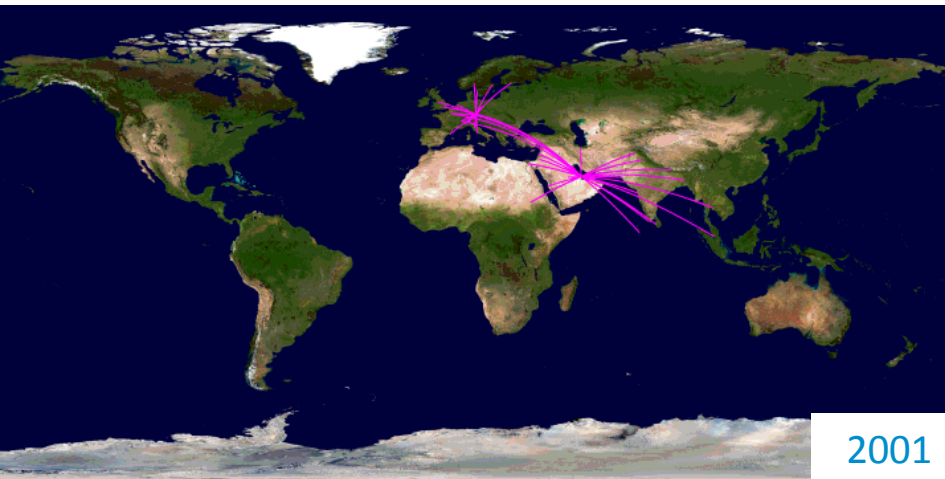


2009

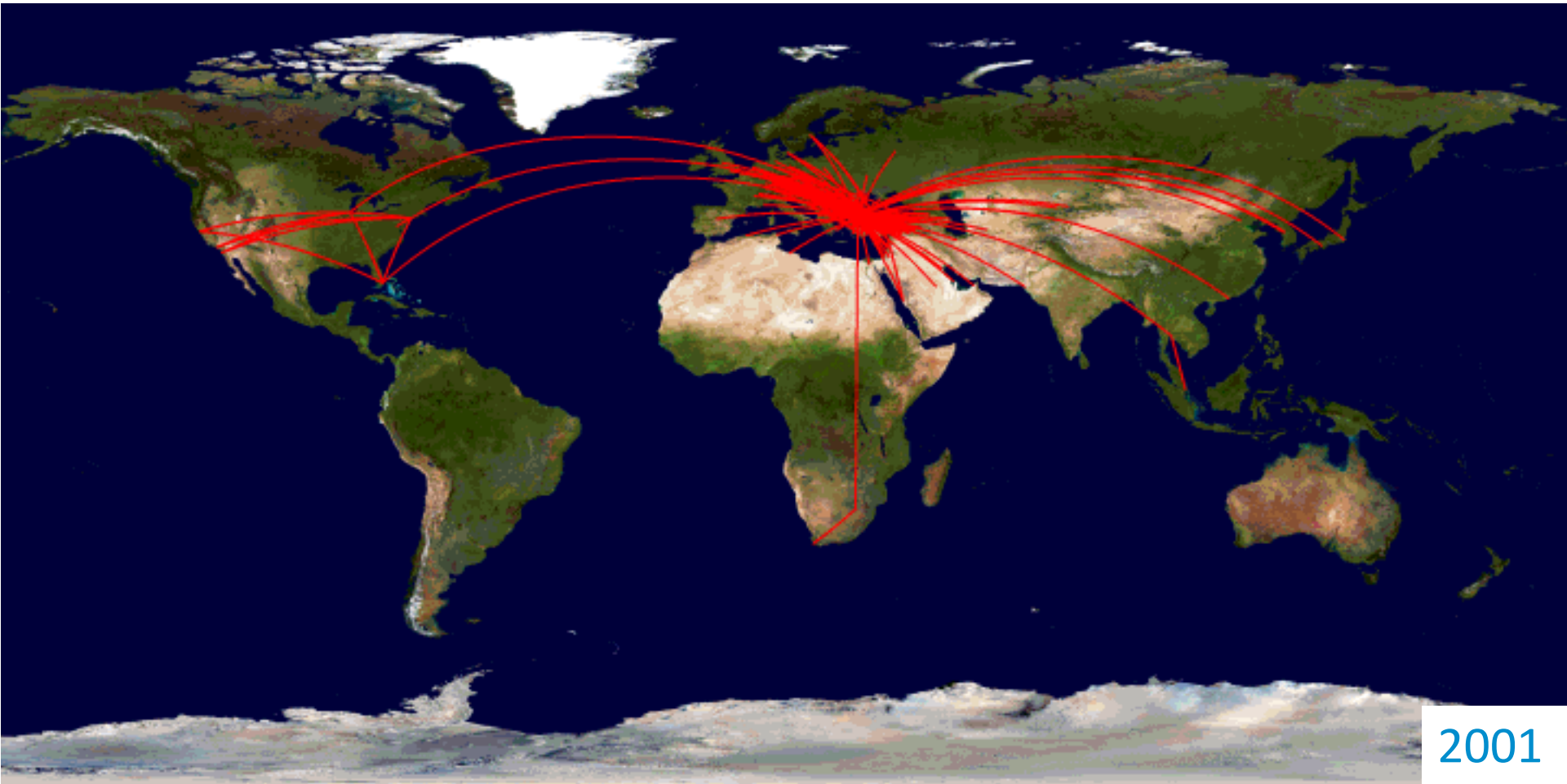


2012

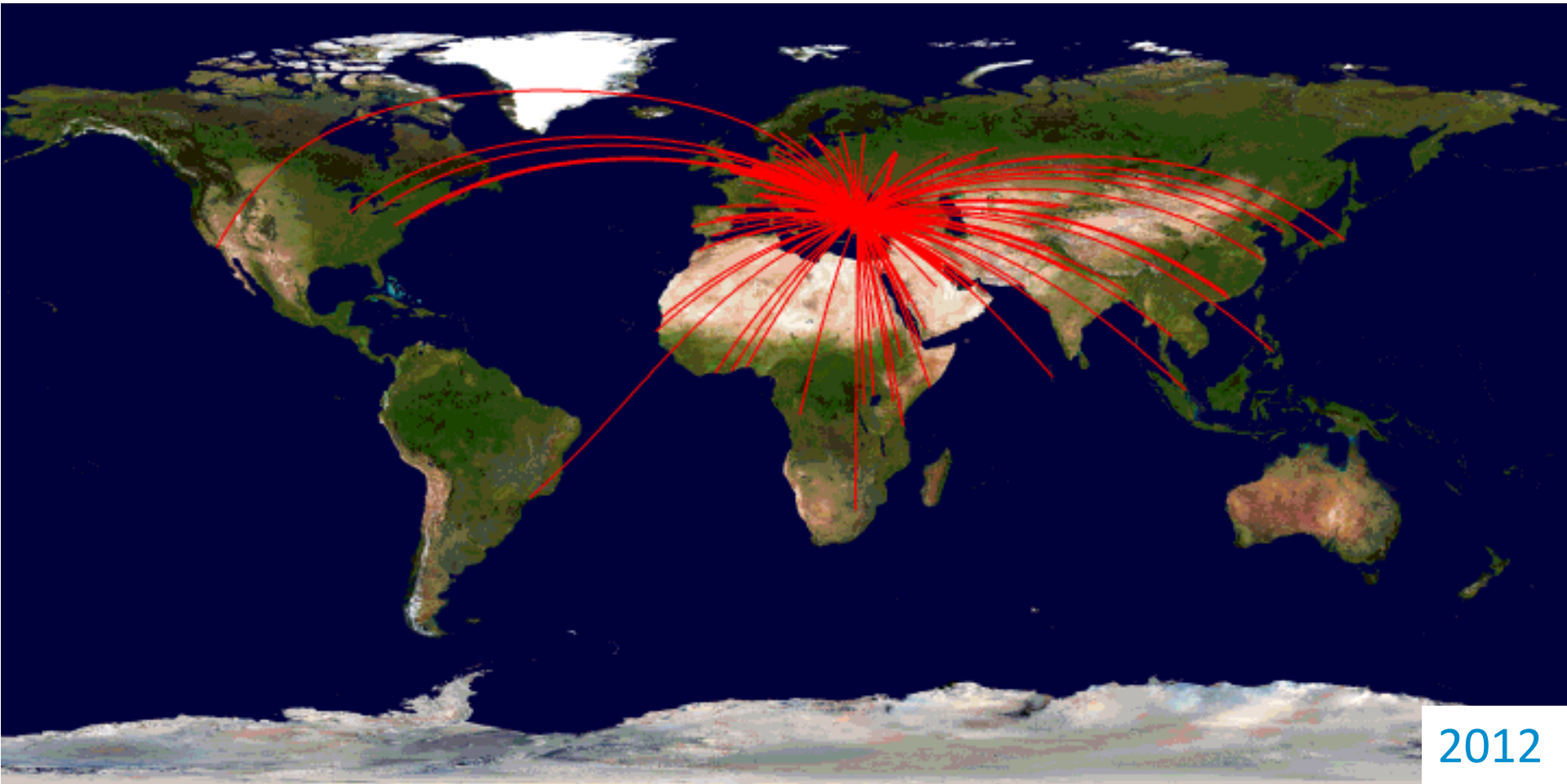
The Qatar network



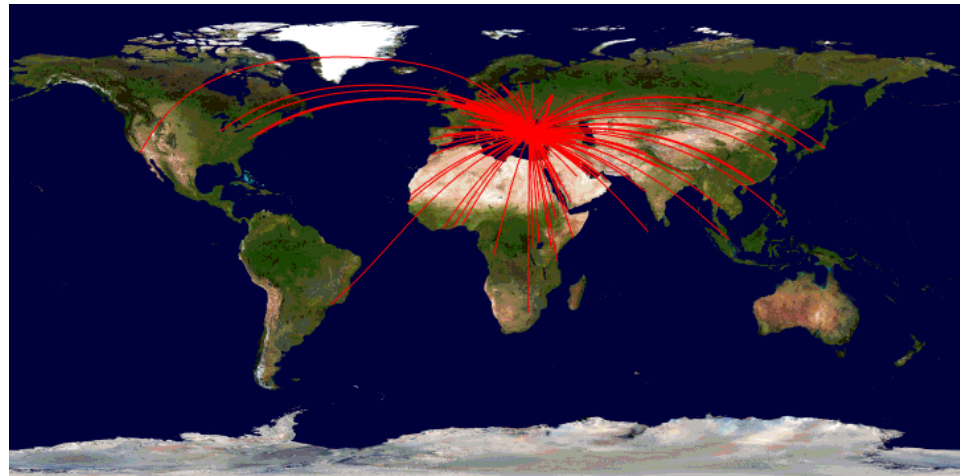
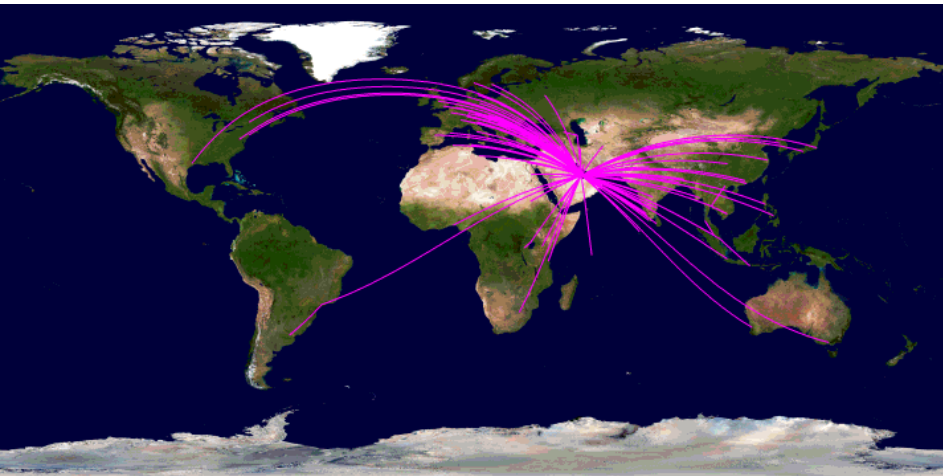
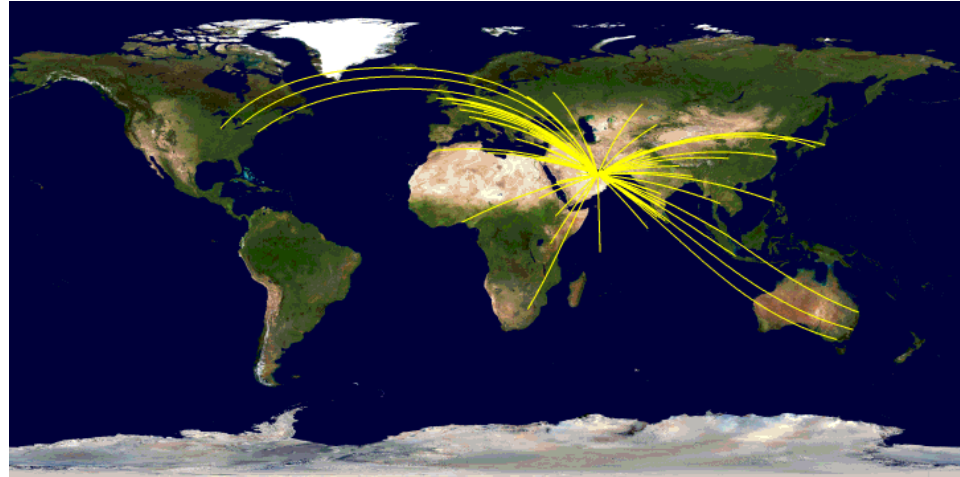
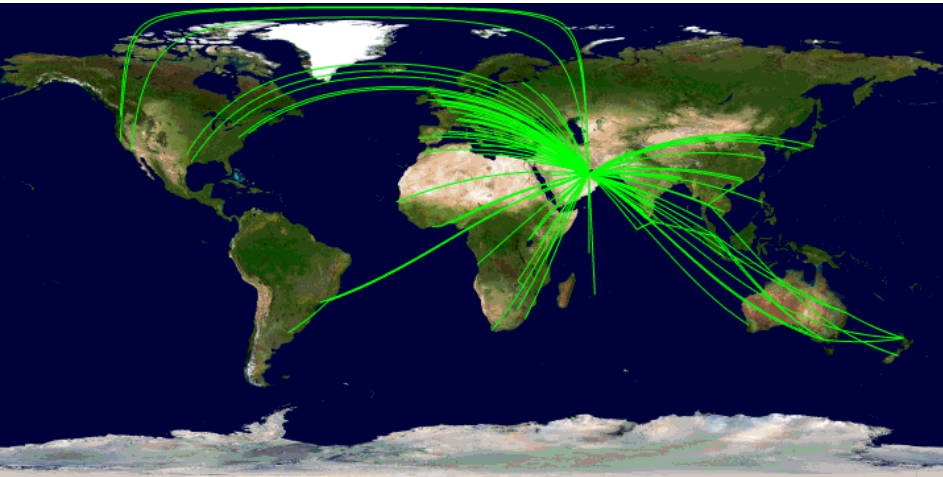
The Turkish Airlines network



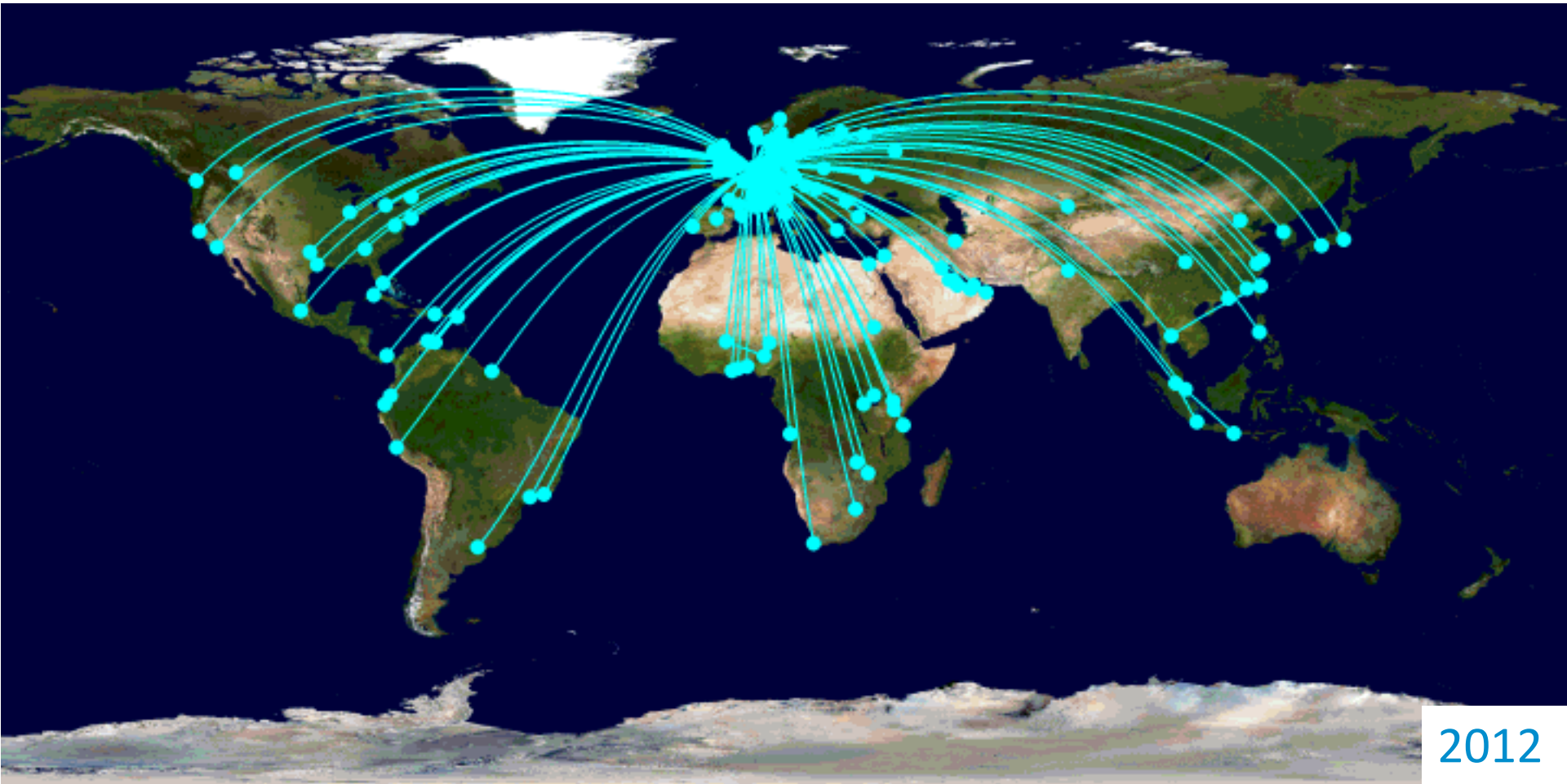
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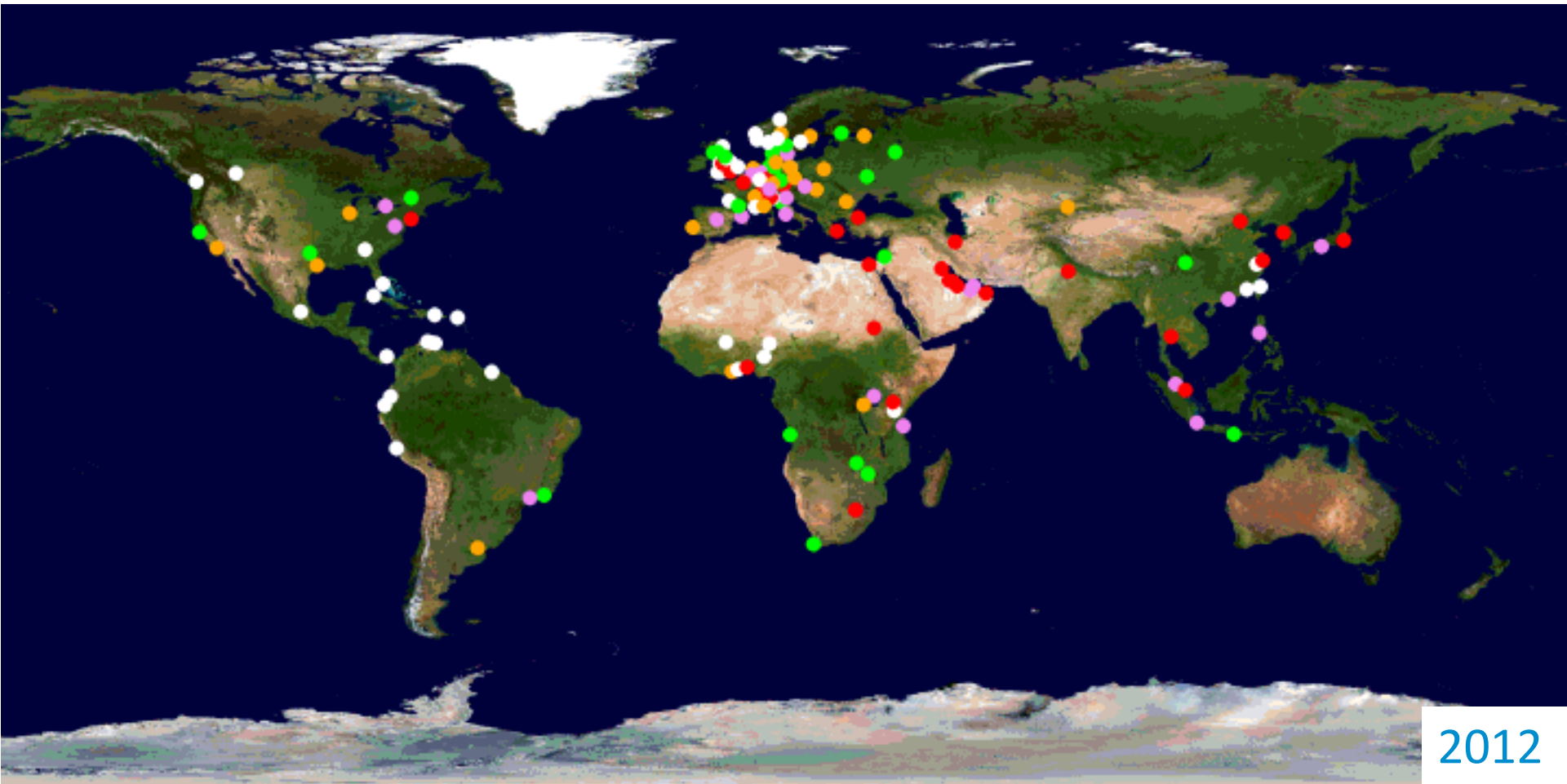
Global networks



The KLM network



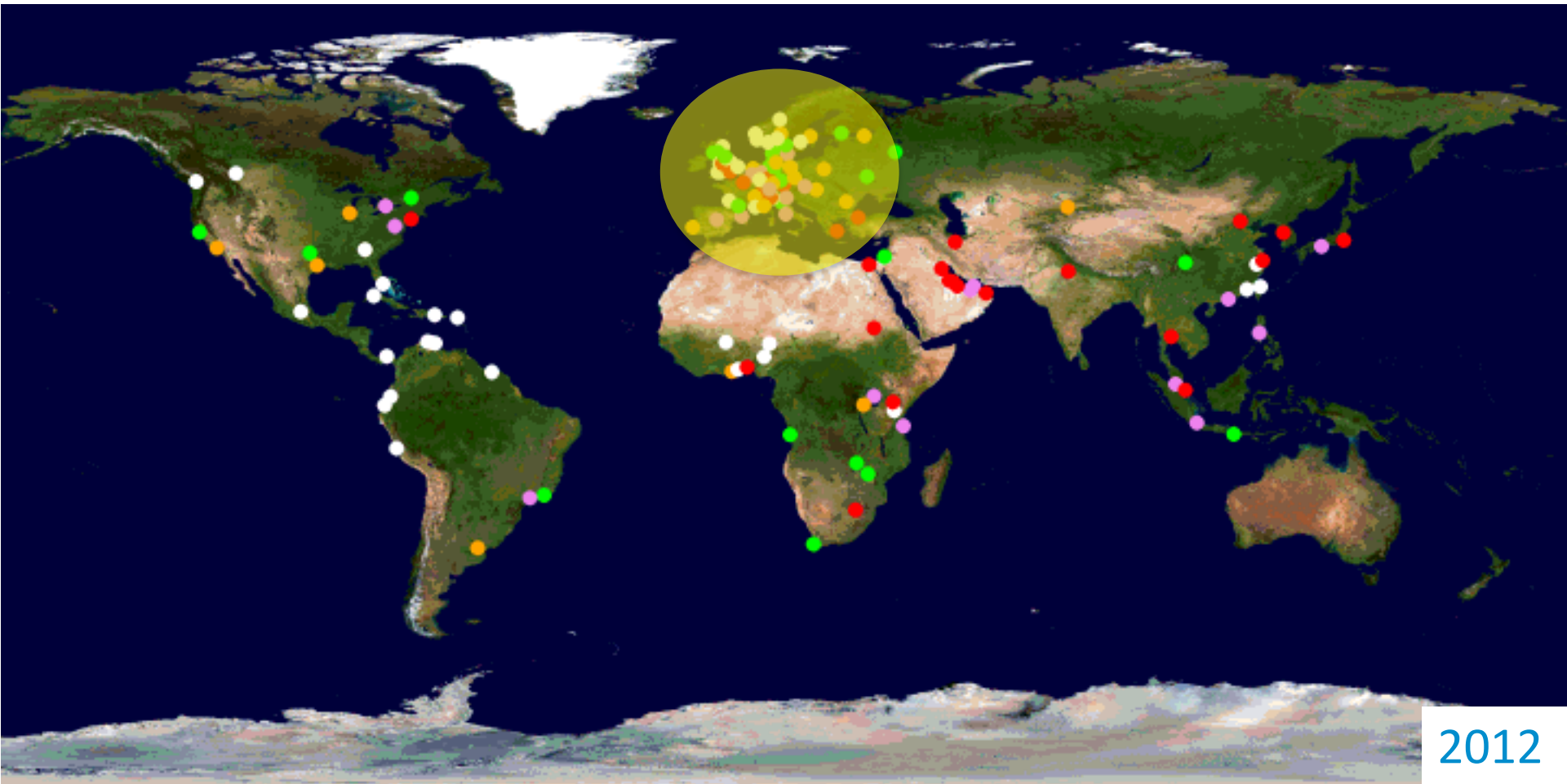
Overlap with KLM network



2012

Destination offered by: 0 carriers (white); 1 carrier (green); 2 carriers (orange); 3 carriers (violet); 4 carriers (red)

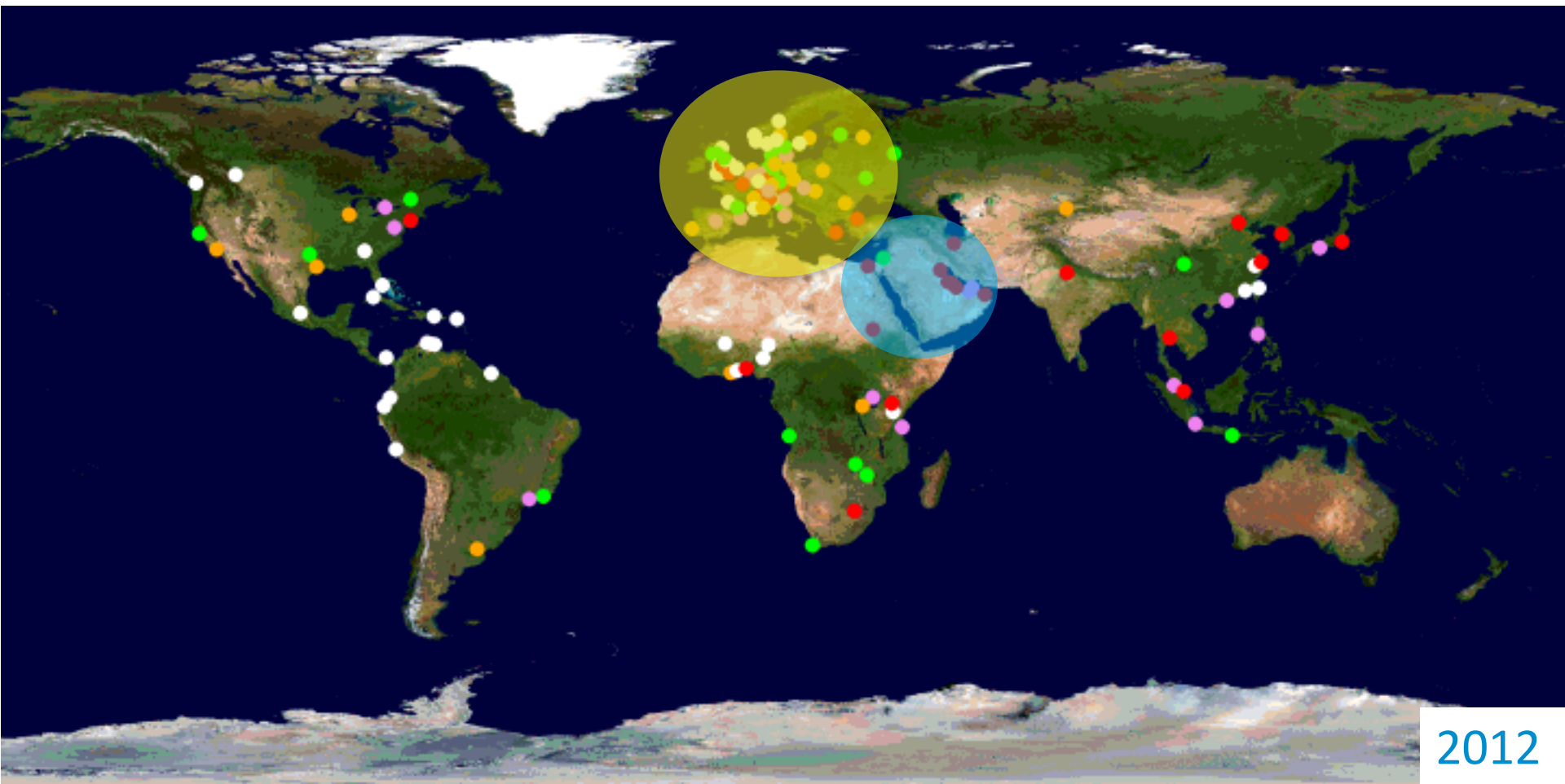
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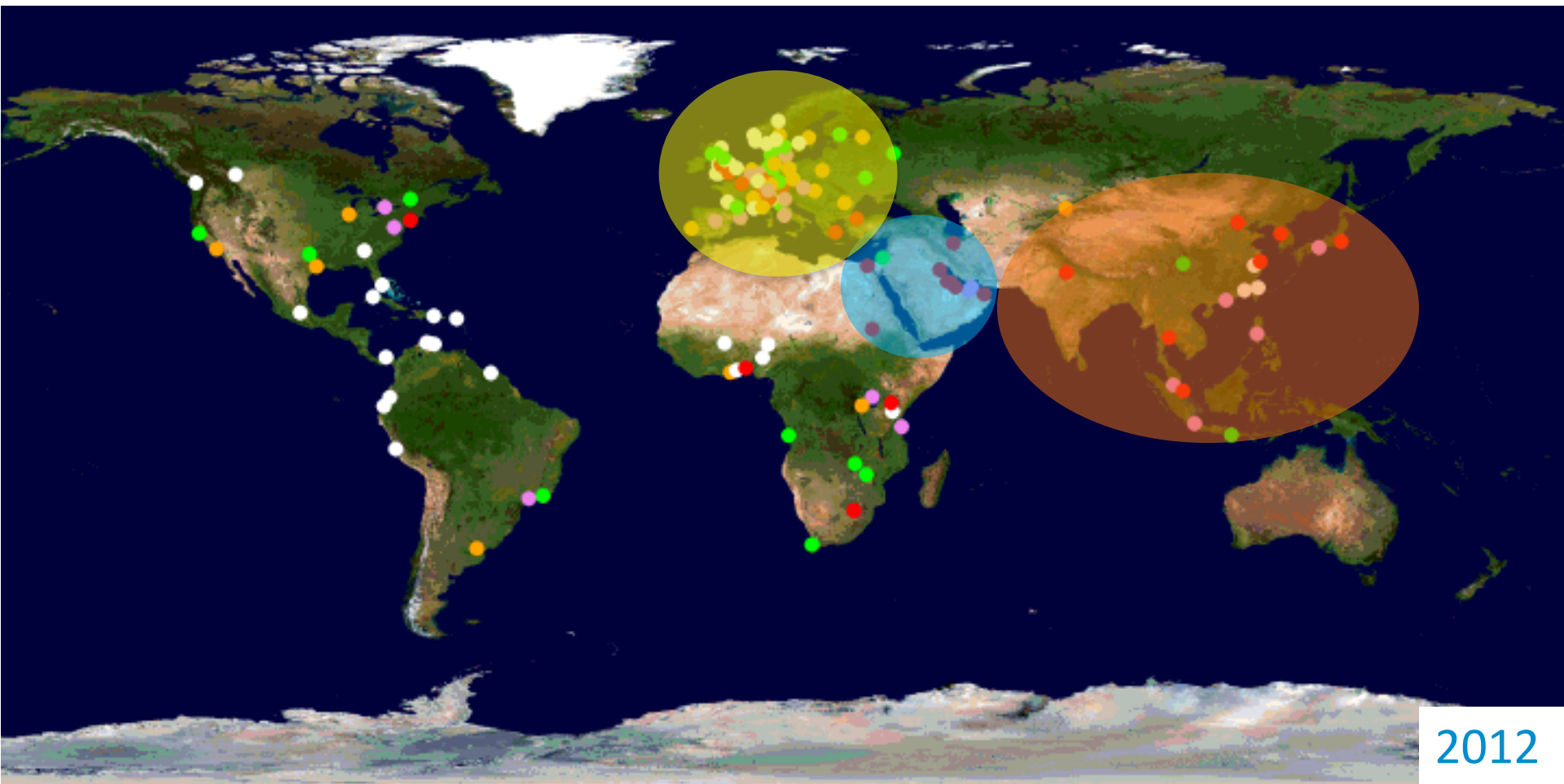
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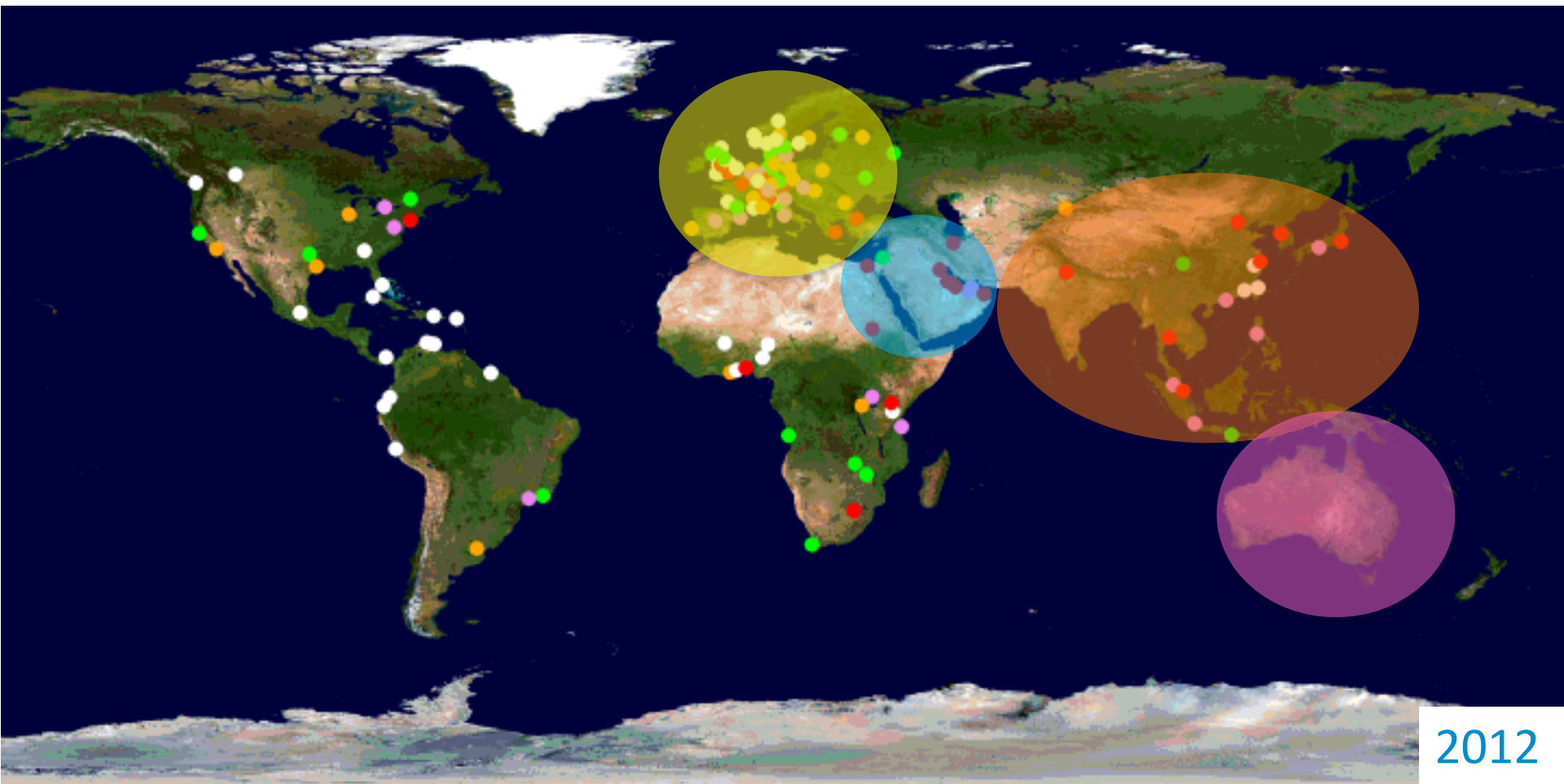
Overlap with KLM network



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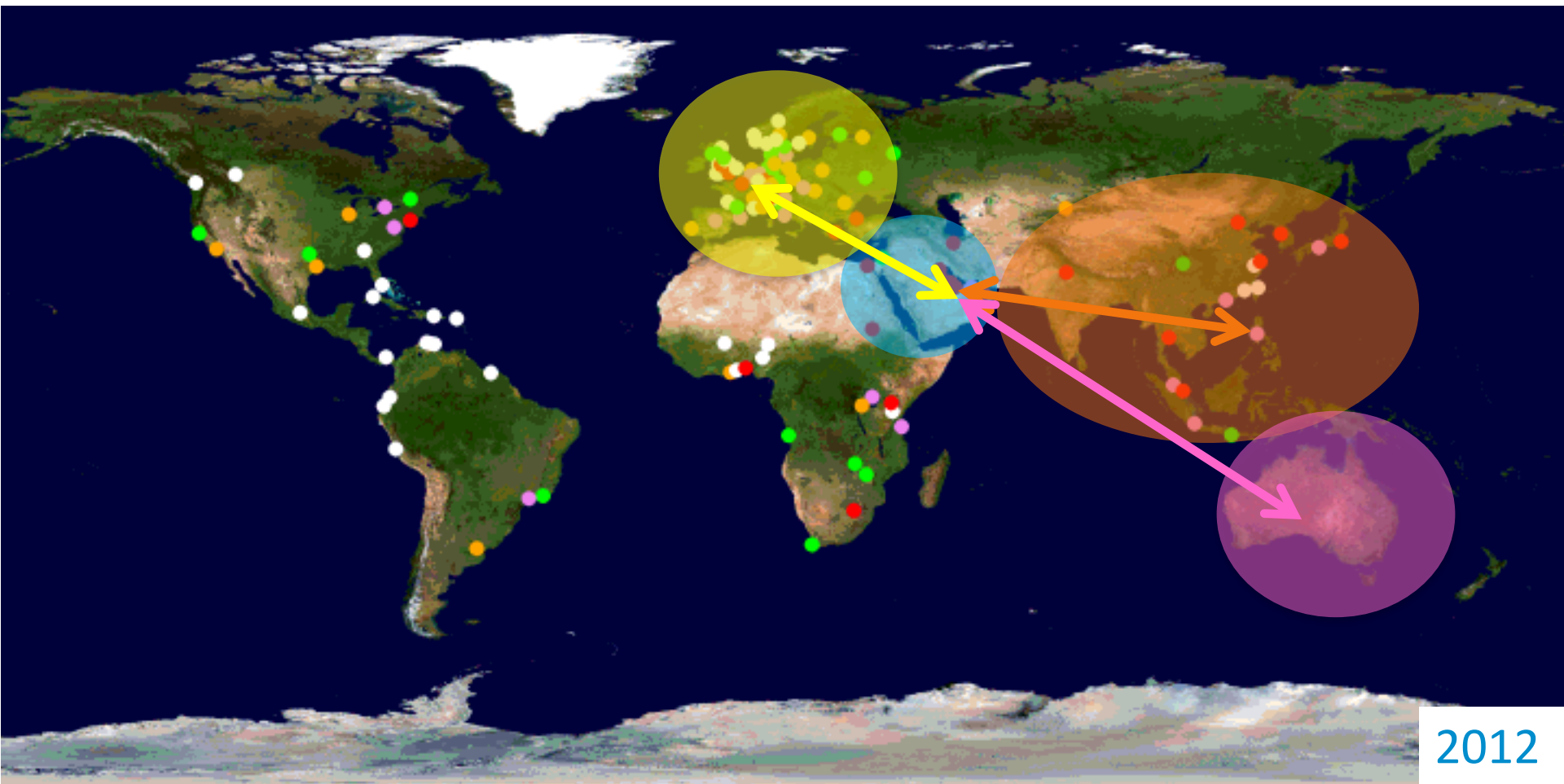
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Overlap with KLM network



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Most popular transfer points

➤ Market from Europe to the rest of the world

	Europe to						
Rank	Africa	Australia	Middle East	North America	South America	Southeast Asia	Asia (other)
1	Non-stop	SIN	Non-stop	Non-stop	Non-stop	Non-stop	Non-stop
2	CDG	DXB	IST	LHR	MAD	DXB	DXB
3	FRA	HKG	FRA	FRA	CDG	FRA	SVO
4	DXB	BKK	DOH	CDG	LIS	BKK	DOH
5	CMN	KUL	DXB	ATL	GRU	AMS	DME
6	AMS	LHR	ZRH	EWR	FRA	DOH	FRA
7	FCO	SYD	VIE	AMS	AMS	SIN	IST
8	LHR	AUH	AMS	ORD	LHR	CDG	AUH

Source: MIDT, 2010

Most popular transfer points

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Rank	Africa	Australia	Middle East	North America	South America	Southeast Asia	Asia (other)
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2	CDG	DXB	IST	LHR	MAD	DXB	DXB
3	FRA	HKG	FRA	FRA	CDG	FRA	SVO
4	DXB	BKK	DOH	CDG	LIS	BKK	DOH
5	CMN	KUL	DXB	ATL	GRU	AMS	DME
6	AMS	LHR	ZRH	EWR	FRA	DOH	FRA
7	FCO	SYD	VIE	AMS	AMS	SIN	IST
8	LHR	AUH	AMS	ORD	LHR	CDG	AUH

Source: MIDT, 2010

Competition

➤ OD-markets for KLM and partners from Amsterdam - Direct

➤ Example: Amsterdam (AMS) – Bangkok (BKK)



Source: MIDT (2010), gcmmap.com

Carrier	Stops	Share	% KLM fare
China Airlines	-	44%	-39%
Eva Airways	-	24%	-45%
KLM	-	18%	
EgyptAir	Cairo	2%	-54%
Emirates	Dubai	2%	-13%
Lufthansa	Frankfurt	1%	-23%
Other carriers	Various	1%	
Total		100%	

Competition

- OD-markets for KLM and partners from Amsterdam - Direct
 - All markets between AMS and Asia / Mid East / Australia served direct by KLM & partn.

Carrier	Market share			% KLM fare	Price leadership
	Stops				
	0	1	2		
KLM	42%	5%	0%		13%
Emirates	1%	2%	0%	-16%	0%
Turkish Airlines	0%	1%	0%	-48%	52%
STAR (ex. IST)	3%	6%	0%	-15%	4%
OneWorld	9%	5%	0%	-31%	13%
Other	21%	4%	0%	-25%	17%
Total	76%	23%	1%		100%

Source: MIDT, 2010

Competition

- Majority of the passengers (76%) choose for a direct connection
 - KLM and partners obtain relatively high market share compared to other carriers that offer direct connections (at lower fares)
- Emirates and Turkish have a relatively low market share, due to the stopover that is involved in most markets, even though:
 - 99% of the passengers have an alternative via Dubai or Istanbul
 - Turkish Airlines is price leader in most markets
- Relatively little competition from the Gulf carriers and Turkish in the OD-markets served directly from Amsterdam

Competition

- OD-markets for KLM and partners from Amsterdam - Indirect
 - All markets between AMS and Asia / Mid East / Australia served indirect by KLM & partn.

Carrier	Market share			% KLM fare	Price leadership
	Stops				
	0	1	2		
KLM	0%	27%	1%		48%
Emirates	0%	3%	1%	+18%	3%
Turkish Airlines	0%	3%	0%	-57%	3%
STAR (ex. IST)	0%	13%	1%	-11%	8%
OneWorld	4%	17%	2%	-27%	10%
Other	2%	23%	3%	-16%	27%
Total	6%	85%	8%		100%

Source: MIDT, 2010

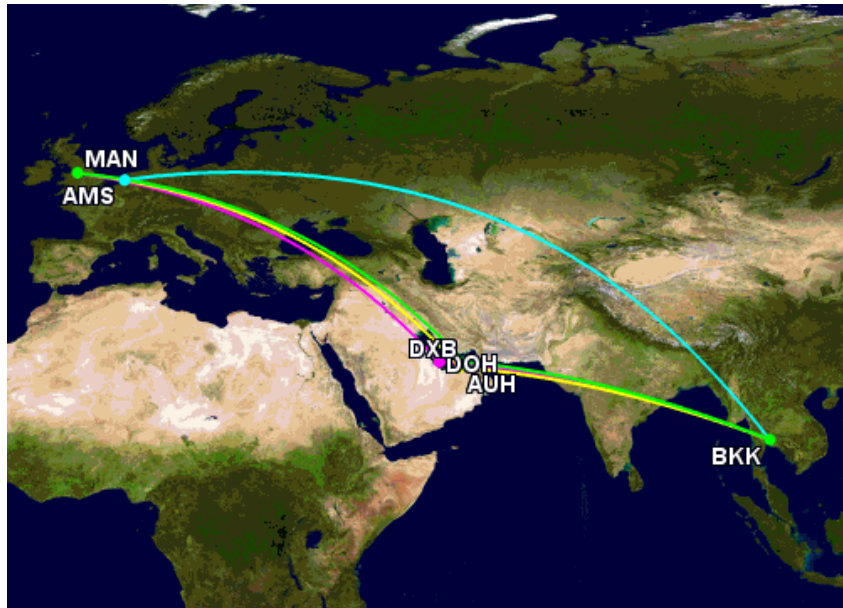
Competition

- There are few indirect markets served by KLM and partners from Amsterdam that are served direct by another carriers
 - This allows KLM and partners to obtain a reasonable market share in these markets
- KLM and partners are relatively often price leaders due to the fact that they are monopolists in many markets in Asia
 - In markets where they compete with other carriers, their prices are often higher than those of their competitors
- Relatively little competition from the Gulf carriers and Turkish in the OD-markets served indirectly from Amsterdam

Competition

➤ Transfer markets for KLM and partners via Amsterdam

➤ Example: Manchester (MAN) – Bangkok (BKK)



Source: MIDT (2010), gcmap.com

Carrier	Stops	Share	% KLM fare
Emirates	Dubai	37%	-6%
Etihad	Abu Dhabi	29%	-40%
Qatar Airways	Doha	14%	-27%
KLM	Amsterdam	5%	
British Airways	London	4%	7%
Air France	Paris	3%	-24%
Others	Various	9%	
Total		100%	

Competition

- Transfer markets for KLM and partners via Amsterdam
 - All markets between Europe and Asia / Mid East / Australia offered via Amsterdam

Carrier	Market share			% KLM fare	Price leadership
	Stops				
	0	1	2		
KLM	0%	3%	0%		18%
Emirates	5%	5%	0%	+10%	4%
Etihad	1%	2%	0%	-13%	2%
Qatar Airways	1%	3%	0%	-19%	7%
Turkish Airlines	0%	2%	0%	-27%	14%
SkyTeam (ex. AMS)	9%	5%	0%	+16%	14%
STAR (ex. IST)	13%	12%	1%	+41%	21%
OneWorld	8%	6%	1%	+24%	9%
Other	18%	4%	0%	-23%	11%
Total	54%	43%	3%		100%

Source: MIDT, 2010

Competition

- Around half of the passengers markets served via Amsterdam by KLM and partners between Europe and Asia/Mid East and Australia, travel on direct connections
- Largely competitive market
 - KLM and partners only obtain a 3% market share
 - Competition mainly comes from direct and indirect alternatives offered by the three alliances including the SkyTeam alliance, followed by the independent network carriers
- For an individual carrier Emirates obtains a relatively large market share in this enormous market!

Competition

- Special case: transfer markets offered by Gulf carriers with one stop and by KLM and partners with two stops
 - Example: Manchester (MAN) – Guangzhou (CAN)



Source: MIDT (2010), gcmmap.com

Carrier	Stops	Share
Emirates	1	64%
Etihad	1	11%
Qatar Airways	1	8%
STAR (ex. IST)	1	3%
STAR (ex. IST)	2	10%
KLM	2	2%
Turkish Airlines	2	1%
OneWorld	2	1%
Total		100%

Competition

- Gulf carriers obtain a relatively high share in these markets
- Markets are very small in number and in size
- Only 2% of the passengers that travel in transfer markets offered via Amsterdam by KLM and partners between Europe and Asia/Mid East and Australia travel in such markets

Conclusions

- Gulf carriers and Turkey steadily building their networks
 - Gulf carriers: Main focus on Middle East, Asia and Europe
 - Turkish Airlines: Strong focus on Europe
- Growth in terms of ASK's something not seen before in the past
- KLM and partners face little competition in the OD-markets served direct and indirect from Amsterdam
 - Direct: KLM and partners offer superior product, allowing them to charge higher prices. Turkish Airlines most often price leader in those markets
 - Indirect: Presence of Gulf carriers and Turkish at AMS is limited, therefore they cannot really play a large part in these markets

Conclusions

- Competition is most intense on the transfer markets offered between Europe and Asia/Mid East/Australia
 - Competition mainly comes from large alliances
 - Emirates has obtained a substantial market share
 - KLM more often price leader in those markets than Gulf carriers and Turkish Airlines
- In markets between Europe and Asia/Mid East/Australia that are offered only indirect, the Gulf carriers may be important players
 - Attracted most of the market between MAN-BKK
- Strong in connecting secondary airports with a single transfer
 - Markets limited in number and size