

**Julia Teigeler**

# Arabic Airlines in the European Market. Strategies, Consequences and International Market Changes and Challenges

**Master's Thesis**

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Studienzentrum Essen

# **MASTER THESIS**

Zur Erlangung des Grades eines

Master of Business Administration (MBA)

über das Thema

**Arabic Airlines in the European Market – Strategies, Consequences  
and International Market Changes and Challenges**

von

Julia Teigeler

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## **Executive summary**

In this master thesis, the subject "Arabic Airlines in the European Market - Strategies, Consequences and International Market Changes and Challenges" is accurately represented and analyzed by the author, whereby different methods are used.

The aim of this work is to show the extent to which Arab companies have changed the European airline market in recent years, including what opportunities, possibilities and risks that arise for European and Arab companies. For this purpose, the ten largest companies in the European and Arab market are briefly presented and compared with all key business data. In the Arab market, this includes Qatar Airways, Emirates, Etihad Airways, Oman Air, and Saudi Arabic airlines, Gulf Air, Royal Jordanian Airlines, Fly Dubai, Air Arabia and Middle East Airlines. In the European market, the following companies are considered in more detail: Turkish Airlines, Lufthansa, Swiss Int'l Air Lines, British Airways, Austrian Airlines, Air France, Aegean Airlines, KLM, Virgin Atlantic and Finnair. With the help of Porter's five forces, first the Arabic airlines are analyzed, being closely examined in the following areas: threat of new entrants, threat of substitute products or services, bargaining power of customers, bargaining power of suppliers and intensity of competitive rivalry. Subsequently, the European market is analyzed based upon globalization drivers developed by George Yip. The distinction is made based upon the following points: market drivers, cost drivers, government drivers and competitive drivers.

The results of these investigations highlight that the Arab companies are still very young on the market, only existing on the market for a maximum of a few decades. By contrast, European companies have already been present on the market for much longer. However, the Arabian airlines have very quickly gained enormous market power and large market shares, backed by the vast financial reserves of state-owned enterprises. These companies not only have the financial background that reflects a great advantage over all other international airlines, but also other important advantages that favor a growth in the market. The airlines do not have to pay any taxes or other charges in their home countries and they face no restrictions regarding air traffic; moreover, there are no bans on night flights or similar, while the airlines' aircraft are located on the newest and

best state of the art technology and have the newest, largest and most modern hubs worldwide.

Strategically seen, the European companies are focusing more on price and have succeeded in winning customers in the past few years in a major price war. By contrast, the Arabian airlines rely upon good service and luxury above the clouds at an acceptable yet not excessive price. Many European companies operate with the service department continuing to build more seats in the aircraft, whereby the lowest class passengers can fly with few personnel at low prices. Here, the Arabian airlines behave the exact opposite and thus gain many new customers. It should be emphasized that these airlines have specialized in long-haul flights and they usually handle short-haul flights with their own subsidiaries.

Overall, it can be said that the Arabian companies will retain exactly the same strategy that they are carrying out at present. Furthermore, the company's strategy should also affect new markets to gain market share. Here, some typical changes should - if necessary - be introduced to the strategy, whereby the basic idea should be pursued further due to past successes. By contrast, European companies need to back up their existing market share in the international long-distance business, change their current price war strategy and adopt a different approach.

Here, the companies should be based upon the strategy of the Arabic airlines and it will find a Confirmation Code to the company middle. Only recovered in this way in the past, lost market share could be won back once more. Admission and thereby incurred market changes in the international airline market can be seen as an opportunity for European companies to change and thus win old and new customers.



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