APPENDIX I (only online version)

Ryanair and Aer Lingus Business Models

As far as the airline transport service is concerned, we have to consider two very different type of business model that differentiate significantly airlines. On the one hand, we have the so called *"hub & spoke"* system which is characterised by the fact that airlines tend to have a network structure whose aim is to feed the more possible their principal airport which is commonly referred to as *hub*. This model is typically related with a "full service" model of the airline, i.e. a model offering an extended range of services both on board and at the airports. This is the case, for instance, of Lufthansa offering differentiated options for tickets, typically proposing discounts on return tickets, reserved lounges at airports, baggage included in the ticket and changing possibilities without incurring in any other and/or very low costs. It usually is the case, moreover, that these airlines offer their services from primary easy-to-reach airports. On the other hand, we have the *"point-to-point"* system according to which airlines are interested to maximize separately each route. This is typically the case of low cost "no-frills" model of airline such as Ryanair. This kind of model normally does not entail any differentiation on the ticket offer and/or discounts on return tickets. Passengers doing a round trip with the same airline are simply considered different consumers on both route independently. Any kind of services on board is usually offered and, on average, any additional service is provided but under an extra payment.

As far as the latter model is concerned, a clear example of it is provided by Ryanair airline. Indeed, this company has started its operations under the "no-frills" scheme and is totally focused on each single route maximization[1]. In most of the cases, connecting passengers with stop-flights at some different airports from the one of destination are forced to exit the airport and, then, enter again as any other passenger starting his flight from the intermediate airport.

Concerning, instead, Aer Lingus business model it is worth noticing how it has changed throughout the last fifteen years. It has, indeed, started a new low-cost reorganization since 2001 following the verification of the change that new low-cost carriers had created with an irreversible downward shift in the prices. Especially, Aer Lingus structured itself as a low-cost carrier for as many features as possible but it maintained some difference such as primary airports and connectivity in order to discriminate itself from its main competitor Ryanair. Aer Lingus model ended up to collapse into a value hybrid model exchanged in the Dublin and London Stock Exchanges since 2006.

[1] Only in the very recent period it seems that Ryanair is slightly changing its business model: in June 2017 it started connecting flights routes for the first time at Orio al Serio Airport. It is currently providing 25 connecting routes but the number has been announced to increase until 300 new routes.