

Analysis of the structure of scheduled airline services in Central European countries

Part two

Marek Serafin

In this section, we will discuss the situation on smaller markets within the Central and Eastern European region. Additionally, we will conduct a comprehensive summary, focusing on the conclusions that can be drawn from the perspective of PLL LOT and the main Warsaw airport, which serves as its base and hub.

Bulgaria

Table 1. Major low-cost airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Wizz Air	2,478.0	130.6	38.01	+6.37
Ryanair	1,905.0	183.6	29.78	+12.48
¼ of Air Bulgaria offering	156.4	61.6	2.40	-1.84
easyJet	152.6	118.7	2.34	+0.20
Eurowings	116.8	1,061.8	1.79	+1.77
Jet2com	88.2	82.1	1.35	-0.44
Norwegian	78.6	65.5	1.20	-0.80
Total low-cost airlines	4,996.0	127.1	76.63	+11.09

Source: Author's analysis based on data from the OAG Flight Database & Statistics

Note:

- In the comparison, we include 25% of the offering of Air Bulgaria, which operates mainly on holiday routes and sells a significant portion of its seats in charter format.
- In Summer 2019, many small airlines, mainly from Russia and Ukraine, were in operation, but they do not have offerings this year. Some of them were low-cost airlines.

Table 2. Major network airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
The Lufthansa Group	691.6	85.2	10.59	-2.95
Turkish Airlines	292.0	112.1	4.47	+0.13
LOT	91.6	92.9	1.40	-0.24
The IAG Group	85.0	102.2	1.30	-0.09
The Emirates Group	42.8	119.6	0.66	+0.06
Qatar	31.6	32.6	0.48	-1.14
The AF/KL Group	4.9	10.0	-	-0.82
Network leaders	1,239.5	86.3	18.98	-4.97

Source: Author's analysis based on data from the OAG Flight Database & Statistics

Comment:

- Similar to most small and medium-sized markets, this one is heavily consolidated, especially in the network airline traffic segment. The Lufthansa Group significantly dominates here, with Turkish Airlines complementing its offering for travel to Asia, the Middle East, and Africa.
- Among low-cost airlines, Wizz Air and Ryanair hold remarkably strong positions. It's worth noting that Ryanair is rapidly catching up with the Hungarian leader.
- The Bulgarian market felt the impact of the loss of holiday traffic from Russia and Ukraine, but thanks to the two low-cost airlines, the gap was filled with additional traffic from Western and Central Europe.

Albania

Table 3. Major low-cost airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Wizz Air	3,037.6	2,154.3	57.67	+51.96
Albawings	461.0	168.5	8.75	-2.33
Air Albania	343.4	713.6	6.52	+3.90
easyJet	75.4	-	1.43	+1.43
Eurowings	37.6	211.2	0.71	+0.39
Total low-cost airlines	4,169.0	249.5	79.17	+11.52

Source: Author's analysis based on data from the OAG Flight Database & Statistics

Note:

- In Summer 2019, smaller low-cost airlines like Blue Panorama and Ernest Airline had a significant market share.

Table 4. Major network airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
The Lufthansa Group	452.8	194.3	8.60	-0.83
Alitalia	121.0	59.3	2.20	-5.77
IAG/BA	100.8	147.3	1.91	-0.86
LOT	61.0	-	1.16	+1.16
The Emirates Group	36.6	-	0.70	+0.70
Network leaders	772.2	152.8	14.66	-5.80

Source: Author's analysis based on data from the OAG Flight Database & Statistics

Comment:

- Albania remains a niche market, yet with enormous potential for holiday and tourism traffic. This was demonstrated by Wizz Air's substantial investment in its offering, capitalising on the absence of Ryanair.
- The Lufthansa Group, complemented by BA, practically covers the entire global offerings for network and transit traffic. It might be of an interest that the British Airlines operates from the remarkably costly LHR airport. Apparently, it still has some available slots, which it fully utilises especially on these routes.
- Alongside Slovakia, this is the only market in the region where Turkish Airlines is not present. The Turkish low-cost airline Pegasus operates to the inexpensive Istanbul airport, SAW.

Latvia

Table 5. Major low-cost airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Ryanair	941.4	143.1	17.88	+6.92
Norwegian	231.6	97.4	4.40	+0.44
Wizz Air	158.8	36.4	3.02	-4.25
Transavia	31.0	-	0.59	+0.59
Total low-cost airlines	1,511.0	111.8	28.69	+6.16

Source: Author's analysis based on data from the OAG Flight Database & Statistics

Table 6. Major network airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Air Baltic	3,286.0	86.0	62.40	-1.25
The Lufthansa Group	136.0	89.9	2.58	+0.06
Finnair	114.0	121.3	2.16	+0.59
Turkish Airlines	92.8	122.8	1.76	+0.50
LOT	79.0	77.0	1.50	-0.21
Network leaders	3,593.8	87.4	70.41	-0.30

Source: Author’s analysis based on data from the OAG Flight Database & Statistics

Comment:

- Latvia is an interesting and unique market. Despite its small population and the absence of major tourist attractions, it holds a high position in the regional ranking. This is largely due to the long-standing, consistent strategy of Air Baltic (BT) and the excellent cooperation with Riga Airport. Its market share is remarkably high, incomparably higher than LOT’s in Poland. Air Baltic is a hybrid airline, combining elements of a low-cost and network airline. It has turned Riga into a local main hub for three Baltic countries and a budget hub for Scandinavia and Finland. It operates only one type of aircraft, the very modern and cost-effective A220.
- Ryanair dominates among low-cost airlines, with its main competitor in the market being BT.
- Only Lufthansa from the global groups is present, but its market share is exceptionally low.
- Finnair has increased its offering to four flights per day as part of its strategy to increase activity in Europe. It was due to the collapse of its main market, Europe – Asia, after the closure of the trans-Siberian route.
- As in almost every other region, Turkish is expanding its offering, utilising the same assets as in other countries in the region. The considerable distance from the hub in Istanbul doesn’t seem to pose a problem.
- Before the pandemic outbreak, LOT was very active in the Baltic countries. It even acquired a small local airline in Estonia. Currently, in an effort to improve the profitability of its network, it minimises its offering here. It now offers two flights per day here. Prior to the pandemic, it offered three flight and additionally utilised two BT flights for transit traffic. This cooperation was covered by a code-share agreement with LOT.
- It’s hard to believe, but SAS is entirely absent as it withdrew completely from the market. Even before the pandemic, its offering had been minimal as it couldn’t compete with BT.

Lithuania

Table 7. Largest low-cost airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Ryanair	1,587.0	116.9	41.32	+9.90
Wizz Air	650.2	66.3	16.93	-5.76
Norwegian	113.5	120.0	2.95	+0.17
Total low-cost airlines	2,365.0	96.3	61.57	+4.68

Source: Own elaboration based on data downloaded from booking systems

Table 8. Largest network airlines

Airline/Group	Summer 2023	Index to Summer 2019	Share in the total market (%)	Change in share (pp)
Air Baltic	613.0	134.3	15.96	+5.39
The Lufthansa Group	228.4	79.9	5.95	-0.67
LOT	207.0	72.4	5.39	-2.44
SAS	184.0	84.0	4.79	-0.28
Turkish Airlines	130.0	171.1	3.38	+1.62
Finnair	112.8	101.1	2.94	+0.36
Network leaders	1,475.2	99.2	38.41	+3.98

Source: Own elaboration based on data downloaded from booking systems

Comment:

- Here we can see the significance of hosting even a medium-sized airline on the market. Latvia has considerably lower population than Lithuania, yet the offerings are much richer there. It's worth noting that Air Baltic has established its second mini-hub here with several European connections available. It expands its offering by capitalising on limited activity of its competitors.
- The LH Group, as on most markets in the region, is reducing its offering while trying to optimise the profitability of routes. The limited demand from high-paying traffic is crucial here. Unlike Riga, Lufthansa, Austrian and Swiss, offer connection to Vilnius.
- LOT operates similarly to its main competitor. However, it offers up to five flights a day, which gives it a very rich transit offering. Of course, the geography is favourable to the Polish airline due to the proximity to its hub.
- Turkish Airlines is swimming against the current in Lithuania as well. Even through this example, we can see how active it would be in Poland if not for the restrictions resulting from the "antiquated" bilateral agreement giving LOT the ability to freely limit the offering of the Turkish airline.
- Ryanair has already gained a significant advantage over its Hungarian competitor. In the summer of 2019, it was relatively small. Just like in Poland and in many other regional markets, these two giants have gained a dominant position.

Table 9. Competitive situation and structure of the six smallest markets

Market	Low-cost airlines				Network airlines			
	Offering and share		Leaders and share		Offering and share		Leaders and share	
Macedonia	1,540.0	76.40	W6	63.14	515.2	21.12	LH THY	8.90 7.83
Bosnia and Herzegovina	1,340.0	63.10	W6 FR	30.07 13.76	777.6	36.64	THY LH	13.76 12.54
Estonia	493.4	24.90	FR	15.06	1470.8	73.65	BT LH AY LO	33.67 13.14 11.42 6.75
Montenegro	662.0	33.90	W6 FR	14.23 10.75	356.0	18.23	LH THY	9.07 6.82
Slovakia	1,144.0	-	FR W6	70.60 15.27	106.0	8.07	LH LO	5.86 2.21
Slovenia	231.0	24.91	HV U2	6.58 6.19	608.6	-	LH THY	29.45 14.63

Source: Own elaboration based on data downloaded from booking systems

Explanation of abbreviations: W6 – Wizz Air, FR – Ryanair, HV – Transavia, U2 – easyJet, LH – The Lufthansa Group, THY – Turkish Airlines, BT – Air Baltic, AY – Finnair, LO – LOT.

In all tables, Summer 2023 season offerings are expressed in thousands of seats, and the percentage is represented in shares.

Comment:

- In this table, we demonstrate the structure of these smaller markets, specifically the share held by low-cost versus network airlines. In the “Leaders” columns, we first display the largest network airline in the given market, followed by its market share. Similarly, for network airlines, we show their market share and identify the largest among them.
- Turkish Airlines is a very important player among network airlines in Macedonia. This is facilitated by the proximity of the airport in Istanbul as well as cultural and religious considerations.
- Air Baltic has one of its three bases located in Tallinn. Thanks to this, it has a very large market share there.
- JAT (17.92%) and the local airline Air Montenegro (19.25%) hold a significant market share in Montenegro.
- The bankruptcy of a local airline – Adria – caused huge changes on the Slovenian market. A significant part of the traffic began to be operated by the Zagreb airport.
- LOT is present on the markets, but only in Slovenia does it have a significant share – 5.74%. In Macedonia, it’s only 1.8%, and in Bosnia and Herzegovina – 1.26%.
- Bratislava and a significant part of the Slovak market are operated by the Vienna airport.

Summary

Data on the offerings of scheduled airline services in the Summer 2023 Season show that the demand for passenger transport in the Central European region has returned to pre-pandemic levels. In this regard, it is in a much better situation than the Western European market.

According to the forecast of ACI-Europe, an organisation bringing together all major European airports, in Summer 2023, traffic at these airports will be over 7% lower than in 2019. This also includes charter airlines.

According to the IATA data, the offerings of all scheduled European airlines in March 2023 were 7.4% lower than in March 2019. The fact that IATA provides offerings in seat-kilometres means that the length of flights has significant importance. Meanwhile, long-haul routes between Europe and Asia are still in a deep crisis. These are very long routes. However, this does not change the fact that demand in Western Europe is only approaching the pre-pandemic levels.

Three factors decided on such a good situation in our region:

- Demand structure. A smaller share of business travel, which is recovering rather slowly. There are many indications that the travelling is still in part being replaced by means of online communication. In the case of price-sensitive demand, aggressive actions of ultra-low-cost airlines are effective on the market. We are dealing with a feedback loop here. Wizz Air and Ryanair are investing in markets in our region knowing that they have yet untapped development potential here, and their actions stimulate demand. In many cases, especially when referring to newly opened connections, this is a completely new traffic.
- In many countries in our region, ethnic-emigration traffic is very important. This applies especially to and Romania. And this demand quickly returned to pre-pandemic levels.
- The tourist attractiveness of many countries in the region, especially those located in its south-eastern part, is significant. The success of Albania was achieved to a major extent thanks to the activity of Wizz Air.

Undoubtedly, the intense competitive between the two ultra-low-cost leaders contributes to stimulating demand.

For Wizz Air, Central Europe has fundamental and strategic significance. It must maintain a very strong market position here to have any chance of realising its plans to advance to the absolute elite of European airlines. The owners of the Group tried to acquire the second largest European low-cost airline – easyJet – but were unsuccessful. However, the huge orders for A321 neo aircraft are still relevant. The airline plans to have a fleet of five hundred aircrafts by the end of the decade. This would equal the current Ryanair's fleet. To effectively utilise such a huge fleet, the airline must be active throughout Europe and have very large shares in the most important markets. However, our region will remain particularly important for Wizz Air. Here, its brand is well known. In Western Europe, it continues to fight for it.

Ryanair is a pan-European airline, but recent decisions show that Central Europe is of special importance to it. In the summer 2023, it has increased its offering here by as much as 45% compared to 2019. On many key markets, with Poland at the forefront, it is becoming the absolute leader, clearly outpacing Wizz Air. If it weren't for Romania and Albania, the Irish airline would already have surpassed its Hungarian competitor in the region.

We will observe an interesting development in the coming seasons. Wizz Air, especially on key markets like Poland, will have to significantly increase its activity. Otherwise, it may face marginalisation.

The market structure has undergone a radical change. The share of the largest low-cost airlines has increased by over 9.5% to a level of 65.4%. This is a fundamental shift. Over the next few years, it is probable that network airlines will be able only minimally improve their situation or at least halt the process of increasing the dominance of low-cost airlines. This should occur due to the gradual normalisation in the vast Europe-Asia transport market. However, access to the trans-Siberian route for European airlines will likely remain an open question for several years. For political reasons, LOT's situation will be particularly challenging.

There has been an acceleration in market consolidation throughout the region, especially in the segment operated by low-cost airlines. We can already talk about a clear dominance of the two leaders and the marginalisation of other low-cost airlines. The share of combined offerings of Wizz Air and Ryanair in the region is nearly 61.7%, and the chances of a major reversal of this process are minimal.

There is only one leader among the network airlines – the Lufthansa Group. This is especially true when we compare transit transport capabilities. LOT's share in the offerings across the entire region is significant. It is the only medium-sized network airline with a hub here, from which it operates a fairly extensive network of direct connections.

The Lufthansa Group owes its market dominance to the proximity of its hubs and the extensive network of connections offered as part of their offering. This situation will be enduring. The claim repeated in many official government documents, that our region lacks the presence of large traditional airlines because it does not host any very large hub, stems from a misunderstanding of how network systems operate. The geographical location of the hub is crucial. We see this in many examples. Warsaw and LOT have a strong competitive position in the Baltic countries. The further south, the more limited the possibilities and offerings of the Polish airline. Vienna and Munich are more conveniently connected with the Central European markets. For Istanbul, unlike the situation in Warsaw – the further south, the stronger the position of Turkish Airlines. It's worth noting that for such important transit transport between markets in our region and Western Europe, LOT's possibilities are limited. Warsaw is located in the northeast part of the EU.

Turkish Airlines owes its strong competitive position to two elements:

- A vast network of connections in the Middle East, Asia, and Africa. It is the most extensive of all airlines on worldwide international routes.

- Lowering of the capability of European airlines to offer transit transport between Europe and Asia due to the closure of the trans-Siberian route. The Turkish airline is actively trying to capitalise on this.

The Emirates Group follows the same development strategy as Turkish Airlines to a significant extent. In its case, it's worth noting the widespread use of the quasi-low-cost airline flydubai to feed transit traffic to the Dubai hub. Emirates' capabilities are limited as it operates only with the largest wide-body aircraft – A380 and B777.

The offerings of the Air France/KLM Group on the largest markets in the northern and central parts of our region are becoming an increasingly strong competition for the Lufthansa Group's. This also applies to Poland. In this tandem, the Dutch airline is more active.

A proper understanding, not only of the current competition and market situation but, above all, of the trends of change, is necessary when making strategic decisions regarding airlines and the development of airport infrastructure.

Ryanair and Wizz Air decided on massive orders of new aircrafts. They believe that long-term trends indicate the increasing market concentration and the potential for increasing their shares in the European market.

The major network airlines are returning to pre-pandemic offerings levels faster than in Western Europe because they are convinced of our region's partially dormant potential.

Turkish Airlines has decided on a very significant expansion of its fleet, seeing that long-term trends favour strengthening its competitive position. We also see that Central Europe is starting to play an increasingly important role in its strategy. Already, the airline's position would be much stronger here if not for the limitations resulting from the highly restrictive airline agreement between Poland and Turkey. THY undoubtedly expects that in the long-term, its possibilities for expanding its offering in our country will significantly grow. This would mean a new, very formidable competitor for LOT Polish Airlines.

And finally, the Polish airline and Warsaw, as its hub.

Let's start with the positives. Even before the pandemic, LOT benefitted from the reduction in the number of network airlines in our region. Malev and Balkan disappeared, and the positions of CSA and Tarom were significantly weakened. Due to the pandemic, CSA ceased to be relevant altogether, and Tarom is no longer a match for LOT. This situation means that the Polish airline has a quasi-monopolistic position on such important routes as WAW – Prague/Budapest/Bucharest/Sofia. And some of the mentioned airlines were also quite aggressive competitors to LOT on other routes, especially these oriented on transit transport. It's also worth emphasising that LOT alone in the region still offers an extensive network of intercontinental connections.

This situation means that the Polish airline is, and has a chance to remain, an important player in the region when it comes to transit transport on selected, important markets, both medium and long-haul.

However, there is no chance of advancing to the group of pan-European and global leaders.

Three fundamental, systemic issues determine this:

- The size of the home market, which is the Warsaw agglomeration and a great part of Poland. It is much smaller than the markets of Lufthansa, Air France, British Airways, extended by the markets of airlines from the respective groups, i.e., Austria, Switzerland, Belgium, the Netherlands, Spain, Ireland, etc.
- The trend of consolidation, which, in the long-term, limits the chances of smaller airlines to increase their shares in the markets, including transit transport segment.
- The geographical location of Warsaw, which significantly reduces the possibilities of transit transport on several important markets, including, above all, intra-European and transatlantic.

It's worth explaining why the size of the home market is crucial. To significantly develop the hub in Warsaw, LOT would have to greatly expand its network of connections, including intercontinental ones. It would have to enter many new markets and major agglomerations where it has never operated before, i.e. Asia, North America, Central and South America, Africa.

With a small domestic market, for a few seasons of operation, these connections would be deeply unprofitable. LOT would try to fill their airplanes with transit traffic lured away from other airlines through an aggressive price policy. The financial losses would be enormous, and the Polish airline would have no guarantee that its struggle against much larger competitors would end in success.

Table 10. List facilitating the utilisation of the data presented and discussed in the first and second parts of the article

Country	Low-cost airlines	Network airlines	Comments
Poland	Ryanair Wizz Air Norwegian easyJet Jet2.com	LOT The Lufthansa Group The Air France Group – KLM Emirates and flydubai The IAG Group SAS – Scandinavian Airlines Turkish Airlines	Lufthansa, Swiss, Austrian, Sabena British Airways, Iberia, Aer Lingus
	Romania	Wizz Air Ryanair Eurowings Blue Air	The Lufthansa Group Tarom Turkish Airlines Air France – KLM LOT British Airways Qatar Emirates and flydubai
Hungary	Wizz Air Ryanair Eurowings easyJet Norwegian	The Lufthansa Group Air France – KLM The IAG Group Turkish Airlines LOT EK/FZ – Emirates and flydubai Qatar	Lufthansa, Swiss, Austrian, Sabena British Airways, Iberia, Aer Lingus

Country	Low-cost airlines	Network airlines	Comments
Croatia	Ryanair easyJet Eurowings Wizz Air Norwegian Jet2com Transavia Vueling Volotea	The Lufthansa Group The IAG Group The Air France Group – KLM Turkish Airlines LOT EK/FZ EK/FZ – Emirates and flydubai	Lufthansa, Swiss, Austrian, Sabena British Airways, Iberia, Aer Lingus Eurowings – owned by Lufthansa Transavia – owned by KLM Vueling – owned by IAG
Serbia	Wizz Air easyJet Eurowings Pegasus Air Montenegro Chair Airlines Ryanair Norwegian	JAT The Lufthansa Group Turkish Airlines Emirates and flydubai The Air France Group – KLM LOT Qatar	Lufthansa, Swiss, Austrian, Sabena Eurowings – owned by Lufthansa
Czechia	Ryanair Eurowings Wizz Air easyJet Transavia Vueling	The Air France Group – KLM The IAG Group Turkish Airlines Emirates and flydubai LOT Finnair Qatar	Lufthansa, Swiss, Austrian, Sabena Eurowings – owned by Lufthansa British Airways, Iberia, Aer Lingus
Bulgaria	Wizz Air Ryanair Air Bulgaria easyJet Eurowings Jet2com Norwegian	The Lufthansa Group Turkish Airlines LOT The IAG Group Emirates and flydubai Qatar The Air France Group – KLM	Lufthansa, Swiss, Austrian, Sabena Eurowings – owned by Lufthansa
Albania	Wizz Air Albawings Air Albania easyJet Eurowings	The Lufthansa Group ITA/Alitalia IAG LOT Emirates and flydubai	Lufthansa, Swiss, Austrian, Sabena ITA – successor of Alitalia British Airways, Iberia, Aer Lingus Eurowings – owned by Lufthansa
Latvia	Ryanair Norwegian Wizz Air Transavia	Air Baltic The Lufthansa Group Finnair Turkish Airlines LOT	Lufthansa, Swiss, Austrian, Sabena Transavia – owned by KLM
Lithuania	Ryanair Wizz Air Norwegian	Air Baltic The Lufthansa Group LOT SAS Turkish Airlines Finnair	Lufthansa, Swiss, Austrian, Sabena

Source: own elaboration

References

Flight Database & Statistics.

Hoszman A. (ed.), 2019, *Biznes Lotniczy*, Szkoła Główna Handlowa w Warszawie, Warszawa.

Huderek S. (ed.), 2019, *Zarządzanie rozwojem portów lotniczych*, C.H. BECK, Warszawa.

Pieręgud J. (ed.), 2015, *System transportowy Polski*, Szkoła Główna Handlowa w Warszawie, Warszawa.

Tłoczyński D., Hoszman A., Zagrajek P., 2021, *Transport lotniczy w rozwoju globalnej mobilności*, Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk.

Marek Serafin

specialist in the field of airlines operations / specjalista w zakresie działalności linii lotniczych

e-mail: m.serafin2@gmail.com



to cite:

Serafin M., 2023, *Analysis of the structure of scheduled airline services in Central European countries. Part two*, MAZOVIA Regional Studies, Special Edition 2023, Mazovian Office of Regional Planning in Warsaw, Warsaw, pp. 49–60,
<https://www.doi.org/10.21858/msr.se.2023.03>