



STAR ALLIANCE

Collaborating in the 2020s





# Star Alliance

- A strategic alliance of airlines from various countries
- Formed in 1997 as an alliance between Lufthansa, United Airlines, Air Canada, Thai Airways, and SAS.
- Fly to 1,300 destinations in 195 countries

# Star Alliance Members

 <b>AEGEAN</b>	 <b>AIR CANADA</b>	 <b>AIR CHINA</b>	 <b>AIR INDIA</b>
<b>AIR NEW ZEALAND</b> 	<b>ANA</b> 	<b>ASIANA AIRLINES</b> 	<b>Austrian</b> 
<b>Avianca</b> 	 <b>brussels airlines</b>	<b>CopaAirlines</b> 	 <b>CROATIA AIRLINES</b>
<b>EGYPTAIR</b> 	<b>Ethiopian</b> የኢትዮጵያ 	<b>EVA AIR</b> 	<b>LOT</b> <b>POLISH AIRLINES</b>
 <b>Lufthansa</b>	<b>SAS</b>	<b>深圳航空</b>  <small>Shenzhen Airlines</small>	<b>SINGAPORE AIRLINES</b> 
 <b>SOUTH AFRICAN AIRWAYS</b>	 <b>SWISS</b>	<b>TAP</b> <b>AIR PORTUGAL</b>	 <b>THAI</b>
 <b>TURKISH AIRLINES</b>	<b>UNITED</b> 		

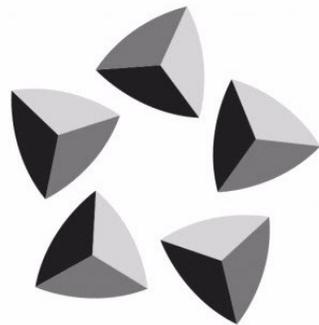
# Strategic Alliances to Avoid Anti-trust Laws

- Mergers between large airlines were often banned because this would lead to one company controlling too much of the market (anti-trust regulations)
- Partnership and alliances, however, were allowed



# Airline Alliances

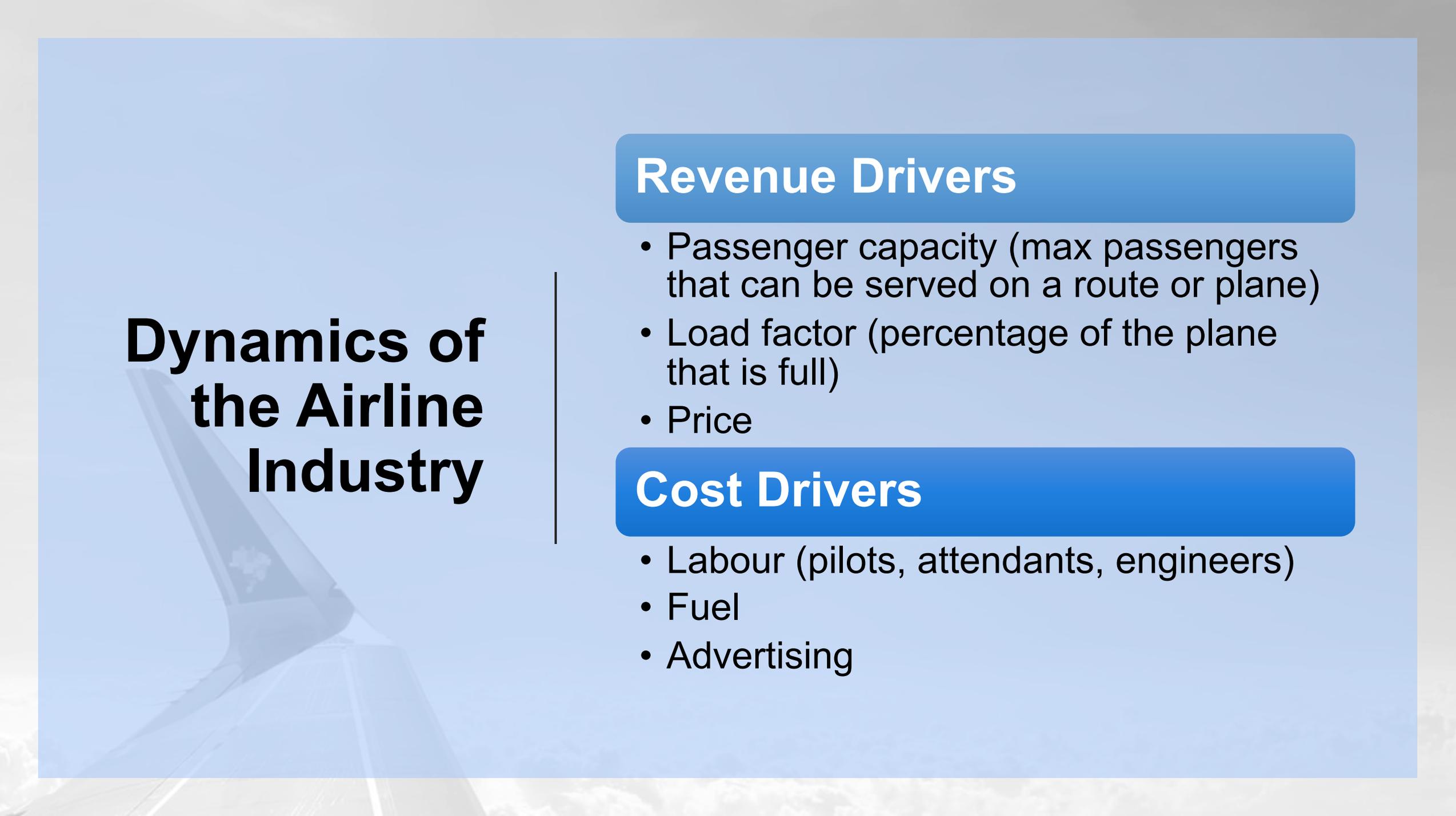
- **Star Alliance** is the largest airline alliance in the world
- The two other major alliances are:
  - **SkyTeam** (founded by Delta, KLM, and Air France)
  - **OneWorld** (founded by American Airlines and British Airways)
- 58% of the airline industry's capacity comes from airlines in these three groups



STAR ALLIANCE



# Dynamics of the Airline Industry



## Revenue Drivers

- Passenger capacity (max passengers that can be served on a route or plane)
- Load factor (percentage of the plane that is full)
- Price

## Cost Drivers

- Labour (pilots, attendants, engineers)
- Fuel
- Advertising

# Network Optimization – Hub & Spoke

A major benefit of alliances is it facilitates the hub-and-spoke model allowing for travel to smaller regional cities not normally covered by a single airline





# Passenger Benefits

---

Airport gates of alliance partners are often near one another to facilitate transfers

---

Missed connections due to delays are monitored and rebooked as necessary

---

Checked-in luggage through to final destination (no need to pick up bags during layovers)



# Loyalty Programs

- Customers benefit from being able to use their frequent flyer miles (loyalty program points) on any airline within the alliance.
- They can also earn points from any member of the network and easily convert between airlines.
- Access to airport lounges of other airline partners



# Corporate Client Benefits

---

Discounts for corporate bookings across all partner airlines

Easier bookings for major conventions and events for attendees



# Internal Benefits

Common training programs with industry best practices

Common standards for things like maintenance, customer service, and branding

Association with the *Star Alliance* brand which improves credibility and perception of quality

Combine large aircraft purchases to get better deals

# Codesharing

- Allowed airlines in the network to sell seats on flights from other airlines using their own flight code
- Gives airlines access to routes that they do not fly on their own to increase their reach and revenues

New York, NY to London, United Kingdom  
Wednesday, June 30, 2021 to Thursday, July 1, 2021

Flight	Depart	Arrive	Tr
 <del>6925</del> American Airlines Operated by British Airways	6:30 PM JFK	6:30 AM LHR	7h



## Challenges: Industry Consolidation

Due to airlines frequently acquiring other airlines, some routes in the network would become increasingly redundant (served by multiple airlines)



## **Challenges: Moving away from Hub-and-Spoke**

- Passengers increasingly want direct flights (point-to-point). Layovers were time consuming and posed health and safety concerns following the COVID-19 pandemic
- Increasing range of newer aircraft means longer distances are possible eliminating the need for layovers

# Challenges: Alliance Dynamics

- The common branding meant if one airline suffered negative brand reputation or lower quality, it affected other airlines in the group by association
- Smaller airlines in the group had less power than the large, founding airlines

# COVID-19 Pandemic Impact

---

7.5 million flights were cancelled

---

64% of planes were grounded

---

Total loss of \$84 billion USD in revenue

---

Decline in passenger load

---

New health & safety costs

---

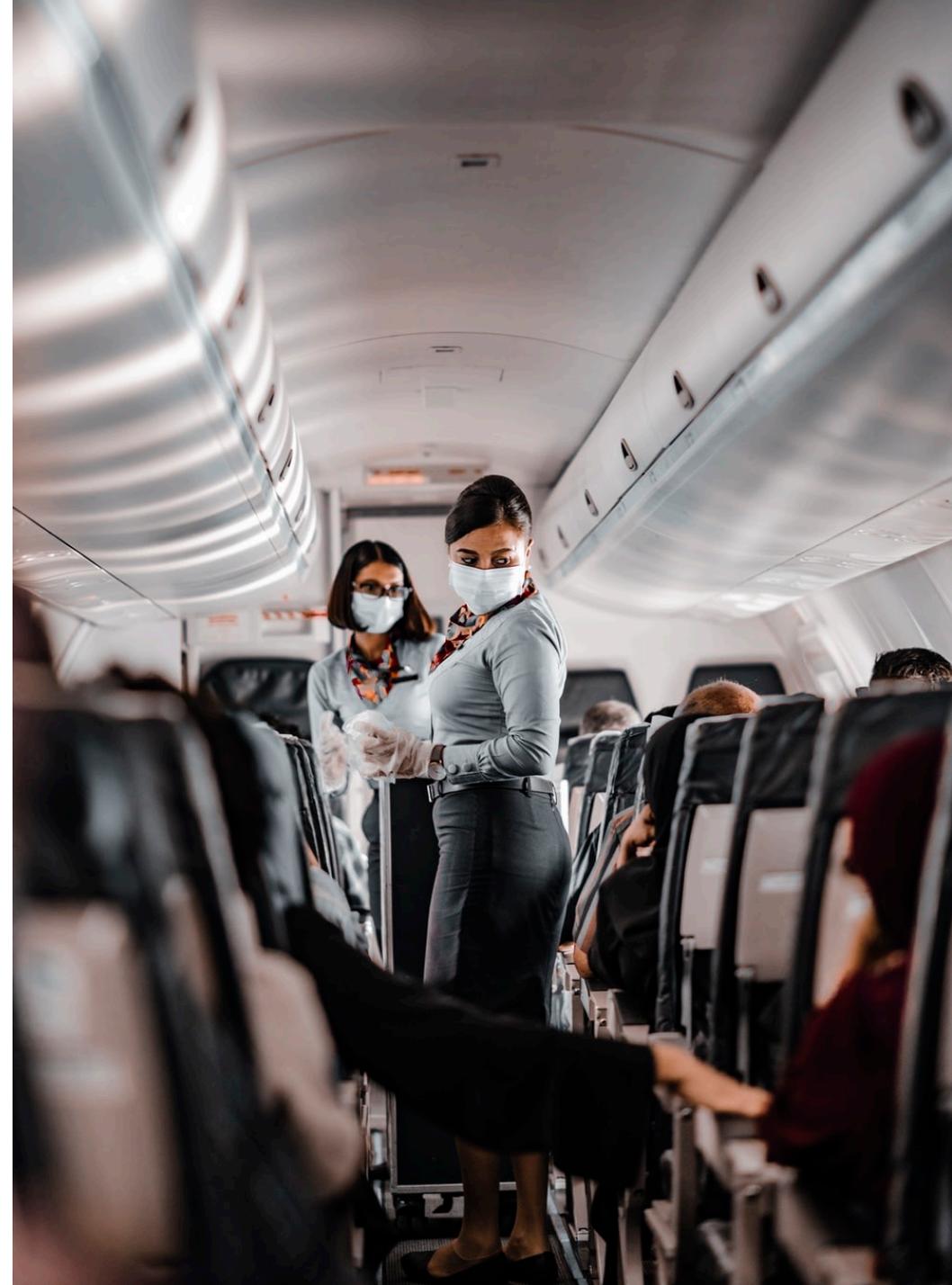
Layoffs

---

Government funding from countries to support the airlines varied

---

Different regulations in different makes it difficult to enforce Star Alliance standards universally





# COVID-19 Pandemic Impact

- As a result, Star Alliance became unable to support the airlines in the same way as pre-pandemic
- Lots of the benefits come from higher efficiency, maximizing load factor, and driving revenue – this had become impossible with the COVID-19 developments

# The Debate

Airline alliances are  
**STILL RELEVANT**  
in the 2020s

1. Star Alliance Management

2. Air Canada's Upper  
Management

3. Passengers

Airline alliances are  
**NOT RELEVANT**  
in the 2020s

4. Anti-trust Regulators

5. Air Canada's Marketing  
Team

6. Regional Airlines

# Debate Rounds

Qualify

## Debate A

1. Star Alliance  
Management  
vs.  
4. Anti-Trust Regulators

## Debate B

2. Upper Management (AC)  
vs.  
5. Marketing (AC)

## Debate C

3. Regional Airlines  
vs.  
6. Passengers

Finals

## 3-Way Debate

Debate A Winner

vs.

Debate B Winner

vs.

Debate C Winner

A man in a dark sweater and light shirt is seen from behind, speaking into a microphone and gesturing towards a large, dimly lit audience. The audience members are seated and looking towards the speaker. The overall atmosphere is that of a formal presentation or conference.

**Your time starts NOW!**

**Good luck!!**