School of Social Sciences

Master in Business Administration (MBA)

Postgraduate Dissertation

A financial analysis between full-service and low-cost airlines

Which model is more profitable

Anastasia Kounatidou

Supervisor: Michail Pazarskis

Patras, Greece, February 2026

A financial analysis between full-service and low-cost airlines

Which model is more profitable

Anastasia Kounatidou

Supervising Committee

Supervisor:

Michail Pazarskis

Professor

Department of Economics

International Hellenic University

Co-Supervisor:

Emmanouil Dedoulis

Professor

Department of Business Administration

Athens University of Economics and Business

Patras, Greece, February 2026

Abstract

This dissertation presents a comparative financial analysis of two commercial aviation models, a traditional approach of the full-service carrier and one more model the low-cost carrier model.

For this study two leading European representees of each model has been chosen to be examinate, British airways (IAG) for the full-carrier and Ryanair for the low-cost carrier. The primary scope of this dissertation is to determine which of the two business models are more profitable under European market, focusing on flexibility in crisis situations, such as the covid-19, as the research analyses data from 2018 to 2024.

The analysis focuses on key financial metrics while also considering the broader economic and industry context including fuel prices, all of which significantly influence airline revenues and costs.

A quantitative comparative case study methodology is adopted. This dissertation analyses financial statements, annual reports and industry data that for the period 2018–2024. Using standard performance indicators including operating margin, net margin, RASK and CASK, return on assets and return on equity are used to evaluate performance.

This study aims to benefit industry stakeholders and researchers by providing knowledge of how different airline business models perform under varying economic conditions and during crisis situations

Keywords

Financial performance, airlines, full-service model, low-cost model

Σχολή Κοινωνικών Επιστημών

Πρόγραμμα Μεταπτυχιακών Σπουδών στην Διοίκηση Επιχειρήσεων (MBA)

Διπλωματική Εργασία

Οικονομικη αναλυση παραδοσιακων και χαμηλου κοστους αεροπορικων εταιριων. Ποιο μοντελο ειναι πιο αποδοτικο.

Αναστασια Κουνατίδου

Επιβλέπων καθηγητής Α΄ : Παζάρσκης Μιχαήλ

Επιβλέπων καθηγητής Β΄ : Δεδουλης Εμμανουηλ

Πάτρα, Ελλάδα, Φεβρουαριος 2026

Περίληψη

Η παρούσα διπλωματική εργασία εξετάζει συγκριτικά τη χρηματοοικονομική απόδοση δύο κυρίαρχων επιχειρηματικών μοντέλων στον κλάδο της εμπορικής αεροπορίας: του παραδοσιακού μοντέλου πλήρους εξυπηρέτησης (full-service carrier) και του μοντέλου χαμηλού κόστους (low-cost carrier).

Για τους σκοπούς της μελέτης επιλέγονται δύο ευρωπαϊκές αεροπορικές εταιρείες που αποτελούν χαρακτηριστικά παραδείγματα των δύο προσεγγίσεων, η British Airways ως εκπρόσωπος του παραδοσιακού μοντέλου και η Ryanair ως εκπρόσωπος του μοντέλου χαμηλού κόστους.

Βασικός στόχος της έρευνας είναι η διερεύνηση του κατά πόσο ένα από τα δύο επιχειρηματικά μοντέλα παρουσιάζει υψηλότερη κερδοφορία και αποδοτικότητα υπό τις σύγχρονες ευρωπαϊκές συνθήκες αγοράς. Η ανάλυση επικεντρώνεται σε βασικούς χρηματοοικονομικούς δείκτες, ενώ παράλληλα λαμβάνει υπόψη το ευρύτερο οικονομικό και κλαδικό περιβάλλον που επηρεάζει τη λειτουργία και την απόδοση των αεροπορικών εταιρειών.

Η μεθοδολογία που ακολουθείται είναι ποσοτική και συγκριτική, με βάση στοιχεία από δημοσιευμένες και οικονομικές καταστάσεις για συγκεκριμένη χρονική περίοδο (2018-2014). Χρησιμοποιούνται δείκτες κερδοφορίας και αποδοτικότητας, ενώ πραγματοποιείται ανάλυση των τάσεων πριν, κατά τη διάρκεια και μετά την περίοδο της πανδημίας.

Η έρευνα αποσκοπεί στην κατανόηση του επιχειρηματικού μοντέλου που εμφανίζει μεγαλύτερη χρηματοοικονομική ανθεκτικότητα και βιωσιμότητα, συμβάλλοντας τόσο στη θεωρητική συζήτηση όσο και στη λήψη τεκμηριωμένων στρατηγικών αποφάσεων στον κλάδο της αεροπορίας.

Λέξεις – Κλειδιά

Χρηματοοικονομικη αναλυση στην αεροπορία , Παραδοσιακο και χαμηλου κοστους μοντελο

Table of Contents

1 1. Introduction

1.1 Background and context

The last decades the commercia airline industry is facing many challenges that influence their profits. These challenges including the operating costs such as fuel, parts, airport charges.

Also, the demand of the travelling has been increased, as a result the companies are coming with strategies to be profitable while making the travelling by airplane accessible, so the low-cost model appears and reshape the industry. Making traveling by airplane more accessible.

The traditional airlines servicing with higher fares by providing amenities that LLC model finds not necessary and typified by operators that priorities simplicity, fleet commonality, high utilisation and unbundled ancillary revenue (Doganis, 2019; Belobaba, Odoni & Barnhart, 2009).

FSCs typically generate higher yields on long-haul and business travel segments through differentiated products, loyalty programmes and corporate contracts. However, they also face higher unit costs arising from mixed fleets, legacy employment terms and operation from congested hub airports (Belobaba et al., 2009).

LCCs, according to Francis et all (2006) achieve slower cost per available seat-kilometer (CASK) through single-type fleets, point-to-point networks, rapid turnarounds and intensive ancillary monetization; however, they tend to capture lower yields per passenger and are sensitive to discretionary leisure demand

For the above a question raised whether which of the two models is more profitable? The question is not simple and has influenced academics and business stakeholders. Reviewing profitability is a complicated matter that be influenced from many rates and perspectives such as the net margin, the operating margin, the return on assets returns on equity and further ratios such as RASK and CASK.

At this dissertation the comparison is between two very well-known companies for each model Ryanair for the Low-cost carrier model and British Airways for the Full servicer carrier model.

1.2 Importance of the research

For the purpose of this thesis the two companies have been chooses is the Ryanair for the low-cost carrier model and British airways for the Full-Service Carrier model, the two companies are well established and well-known airlines that represent each model.

Both carriers are European facilitating comparative interpretation of financial outcomes under similar regulatory and demand conditions Last but not least both British Airways and Ryanair are publishing their financial data and operating metrics a criterion that helped this study with the collection of the financial data.

The academic and practical relevance of this comparison is substantial. Past research has consistently shown LCCs to be more cost-efficient on short-haul routes (DEA/SFA studies and accounting ratio comparisons), while FSCs are argued to extract higher yields on premium and long-haul segments (Belobaba et al., 2009; Oum, Park & Zhang, 2004).

A rigorous, contemporary, case-based financial comparison contributes to this literature by triangulating accounting ratios (operating margin, net margin, ROA), industry unit metrics (RASK, CASK,) and contextual analysis over a multi-year period that includes pre- and post-pandemic dynamics.

1.3 Research aim and objectives

This thesis has as primary aim to examine which airline model is more profitable, the Full-service carrier or the low-cost carrier. Fr this purpose a comparative financial analysis will take place. This thesis has four objectives:

- To review financial and operational data for the of 2018 to 2024 for British Airways and Ryanair.
- To compare financial profitability rations of the two companies but also industry profitability measurements. Operating margin, net margin, ROA, ROE, RASK and CASK.
- To observe industry's financial differences considering strategy, such as fleet composition, hub constraints, labor relations and pandemic impacts.
- To evaluate the implications of the findings for airline strategy for stakeholders and future research on airline business models.

1.4 Research questions

The primary research question of this thesis is: Which airline business model, the tradition full-service (represent by British Airways) or the low-cost (represented by Ryanair), is more profitable when supporting by standard financial and unit metrics for the period of 2018-2024.

To support the primary research question, additional questions have been raised.

- By observing the industry economic units RASK and CASK what is the difference between British Airways and Ryanair and how influence the profitability?
- What role do ancillary revenues and yield composition play in explaining revenue differences?
- How market conditions, such as COVID, fuel price, are impacted the profitability and resilience of the two models?
- What are the limitations of financial-ratio comparisons in attributing profitability to business model?

1.5 Scope and limitations

This thesis has limitations that should be considered. The research only focusses on the comparative analysis of two cases, British Airways and Ryanair and not attempt to generalize the entire airline industry. The thesis covers a specific time from 2018-2024 which has influenced the industry due to pandemic COVID-2019. The analysis focuses on secondary audit financial and operational data and not interviews of questionaries taken place. The study acknowledges limitations in cross-company comparability—British Airways' results are reported within the IAG group and accounting standard changes (e.g., IFRS 16) affect comparability across years. These issues are addressed through careful harmonization, the use of adjusted metrics where appropriate and sensitivity analyses (Saunders, Lewis & Thornhill, 2019). All the above could be considered for further research and analysis of the subject.

1.6 Contribution to knowledge

This thesis contributes to both academic and commercial perspectives.

Academically, it offers a contemporary, case-based research that analyses accounting ratios with industry unit metrics and contextual event analysis, responding to calls in the literature

for multi-method evidence on airline profitability (Doganis, 2019; O'Connell & Williams, 2016).

For a commercial and industrial perspective, the airline stakeholders and investors can be benefited from this thesis as with the results they can investigate the market in emergency situations as well as set up strategies that that can support profitability and making decision that effect their profit. The focus on resilience to shocks in market emergency also has policy relevance for regulators and governments considering support or contingency frameworks for essential air services.

1.7 Thesis Structure

This thesis is divided into five chapters:

Chapter 1- Introduction, contains a description of the topic, a brief outline, objectives, research questions and limitations

Chapter 2- Literature review, is the chapter that examinates equivalent overview of previous works relevant to the topic, also introduced the reader to the industry models

Chapter 3- Methodology, presenting the research philosophy, the approach that this thesis is following the case studies and the data that will be used

Chapter 4- Results and Discussion, provide the analysis of the data, representing by table and graphs and analysing the findings

Chapter 5- Conclusions and Limitations and Further research is the final chapter and includes a conclusion summarizing by answering the research question and objectives while also presenting the limitation of this research and recommend avenues for further research.

2 Literature review

2.1 Airline Business Models

2.1.1 Full- Service Model

As a full-service carrier defines an airline structure that focuses on a hub. It emphasized broad connectivity and offers integrated services (Doganis, 2006; Belobaba, Odoni & Barnhart, 2009).

In addition, frequent flights and are benefited by the hub model allow teg airline to manage the demand from many origins to a variety of destinations with fewer routes, increasing the network structure enables higher capacity I the airplanes while providing convenient connections all around the world (O'Connell & Williams, 2011).

Full-service carrier model aims to a full flight experience for the passengers to advance from a variety of cabin classes, economy, and business first. Providing complimentary services such as meals during the flight, additional and check in baggage and other amenities such as business lounges and flexible tickers which attract premium clients (Dresner & Tretheway, 1992; O'Connell & Williams, 2011).

Another advantage of the full- service model is the alliances between airlines that form a ground of airlines working together for connectivity and making use of each other aircrafts and facilities.

On the other hand, the full- service model is having disadvantages. Legacy costs structures that including labour agreements, benefits, pension obligations and trade units. As well as high maintenance costs of the hubs and the desirable location (Doganis, 2006; Belobaba, Odoni & Barnhart, 2009). Moreover, according to Wenseveen,2016 delays at a hub tend to cascade across the network affecting many connecting passengers and lead to recovery costs (Trasberg, V. 2025).

Successful FSCs focus on route network optimization, ancillary revenue growth and refined customer satisfaction. Their strategy including selectively unbundling services on short haul routes, creating lower cost subsidiaries while negotiating corporate contracts to defend market share (Belobaba, Odoni & Barnhart, 2009; Dresner & Tretheway, 1992).

In addition, The partnerships (alliances, joint ventures) remains critical to maintain profitability while preserving the connectivity and service levels that define the FSC value proposition (Kimes, 1989; IATA, 2018).

2.1.2 Low-Cost Service Model

The Low-cot carrier (LCC) model focuses on providing competitive ticket fares; to achieve this strategy it is built their operating with simplicity and efficiency. There are additional amenities provided to the passengers and the whole model is based on providing the passengers with the basics in the initial price, while any extra service charges as additional cost.

The operation model emphasizes a point-to-point network which allows for shortening turnaround times, reducing connection complexity and at the same time increasing aircraft utilization.

The fleet of LCC is usually apart of one aircraft family, for example single type of narrow-body jets, which is a strategy to reduce both direct and indirect cost by simplifying pilots' and floor engineering training, logistics and parts inventory. Quick turnarounds at often-secondary or less-congested airports further enhance utilization, allowing a single aircraft to fly more sectors per day.

Employees benefits and workload differ to those of the full-services model by relying in multitasking and lean administrative structures, the LCC is saving costs of the labor. At the same time the disciplined cost control at airports creates ground for supporting owner fares.

Revenue strategy has evolved from simply low-ticket prices to a two-pronged approach: attract high volumes with low base fares and capture ancillary revenue through unbundled services. Fees for checked baggage, seat selection, priority boarding, onboard food and drink, change fees and even in-flight entertainment generate substantial ancillary income. For many modern LCCs, ancillary revenues represent a significant and growing share of total revenues by allowing the carrier to keep headline fares low while preserving overall profitability.

The revenue strategy is based on providing low-fare tickets that appeal to the costumers however they will pay for any unbundled services such checked-in baggage, flexible tickets and meals on board. For many modern LCCs, ancillary revenues represent a significant and

growing share of total revenues by allowing the carrier to keep headline fares low while preserving overall profitability.

Low-cost carrier model disadvantaged by heavy reliance on ancillary fees can provoke customer dissatisfaction while exposure to fuel price volatility and intense competition on short-haul city pairs can compress margins. Another challenge of LCC is the capacity of the model for long-haul services the economics of long sectors, crew costs, stage-length inefficiencies, and the need for widebodies.

The model thrives into the short haul so many FSC airlines adapted the model for their short haul something that make that increase the competition. At the same time LCCs adapt and hybridize, some introduce a limited premium product, create short-haul subsidiaries within FSC groups or form partnerships to extend network reach.

2.1.3 A comparison of full-service model and Low-cost carrier

The two models are different in many points that are misty connecting with costs saving. services provided and reputation (Trasberg, V. 2025). For example, the Full-service carriers are operating from a hub than the Low-cost Carriers pursue a point-to point model all ow them for cost savings.

The customer services massively differ as the LLC provided just the ride far and any addition amenities in extra, FSC provide additional amenities for the passengers.

The FSC companies are advance of a variety in their fleet which with the alliances can reach more destinations and having more routes at the other hand LCC are usually having less assets and smaller fleet. Table 1 below summarizing the differences of the two models

Table 1 Comparison of FSC - LCC

	Full-Service Network Carrier (FSC)	Low-Cost Carrier (LCC)
Network Structure	Hub and spoke	Point to point
Fleet Strategy	Mixed Fleet	Single family, narrowbody preference
Product offering	Multiple cabins, bundle services	Single class, unbundled ancillaries

Revenue Drivers	Fares, premium cabins, cargo, loyalty patterns	Low fares, ancillary fees (bags, seat, food)
Pricing/ Revenue	Yield management, fare classes	Dynamic pricing, focus on loading
Distribution	Global GDS, alliances corporate contracts	Direct sales, low distribution costs
Cost Base	Higher- Labor, airports, pensions etc	Lower- simplified ops, secondary airports
Operational Complexity	High – connecting flights, traffic risks	Lower- simpler ops, secondary airports
Customer segment	Business and Leisure, premium travelers	Price sensitive leisure, some business segments
Resilience to disruption	Vulnerable to hub cascade effects	More resilient on point to point routes
Growth- scalability	Leverage alliances, long haul expansion	Rapid short haul growth
Typical examples	British airways, Lufthansa, Air France, KLM	Ryanair, EasyJet, Wizz air

2.2 Previous research of the subject

The question of whether the low-cost carrier of the full-service carriers are more profitable has been researched in various situations. In addition, they took in account the differences in network mix, fleet composition, market structure and cost exposure. The main theoretical drivers in this literature are cost structure and scale economy, where LCCs tend to have an advantage on short-haul volume routes, versus network externalities and premium yields, which favour FSCs on long-haul and corporate traffic (Belobaba, Odoni & Barnhart, 2009). Revenue management and loyalty economics also form a core theoretical strand. The RASK for full-service carriers can be positive affected by the corporate alliances and from the fist and business class tickets, on the other hand low-cost carriers rely in high loading (Belobaba et al., 2009). In addition, another theoretical consideration includes the flexibility to shares

and institutional factors such as slot scarcity at major hubs and airport incentive schemes, which materially affect competitive advantage (Graham, 2013; IATA, 2020).

2.2.1 **Methodologies of previous research**

Airline industry is a high demanding industry that can take part of profitability, the variety in service, the type of aircraft is used, the strategic choose of the destinations and operating and maintenance the carrier.

Traveling has changed over the centuries and in the latest years airplane travel has been more approachable to people. The low-cost carrier provided fair fairs.

That's a subject that has affect the researchers and there many studies that examines if the classic full service carrier model of the low cost carrier model is more profitable.

In order to analysis that there are a variety approaches that the researches have been taken, the most common are discussed below.

First the comparison by using profitability and ration for analyzing the efficiency . The net margin, the operating margin the return on assets and RASK and CASK are the most popular, according the Doganis (2019) these metrics are used because they are intuitive and directly comparable across carriers when consistently defined. A downturn of this methodology however is the complication of the comparison that could be from group reporting.

Another often used methodology that has been used by the researcher is the use of panel data regressions that measures the carrier's profitability and margins by using carrier's specifications, market controls such a the GDP growth and fuel prices, network measures as ASK, and other fixed effects for overlooked elements. This methodology can measure is the Low cost carrier model is profitable and cost efficiency however the results ae limited to the period of the date and how well the fleet and operated (O'Connell & Williams, 2016).

The review of the efficiency frontier is another method that has been used from researchers to demonstrate performance usually with non- parametric data envelopment (DEA) and parametric stochastic frontier analysis (SFA). The results shows low cost carriers are more efficiency in terms of profitability in short hauls but the results are depending on the selected inputs and outputs and how there are used(Oum, Park & Zhang, 2004)

There is one more methodology that used in the bibliography, however has been used for identify more casual effect such as the impact the low cost carrier had in yield by entering

the market, for these events studies has use quasi-experimental designs and they are limited to their conclusions and require careful specification and control.

As the above methodologies are using through the years, at the most recent years there are studies that are connecting the carrier model to the efficiency of lease or purchase an aircraft and fleet (Trasberg,V.2025) and how this decision can influence the performance of the carrier. According to Trasberg (2015) even when by using lease provides flexibility and rapid expansion without high cost the studied show that the business model plays a very important role with low cost carriers to focus more to the lease and full service carrier to own their fleet.

2.2.2 Main findings from previous researches

Following up the methodologies of the previous researches the main findings of them will be presented in this subchapter.

The results shows that a low cost carrier model achieving lower CASK on the short haul flights and this is because of the single aircraft fleets than reduce operational costs the higher seat density and faster turnarounds (Doganis 2019; Francis, 2006). On the other hand, full service carriers achieving higher RASK dure to international network, alliances and a variety of services provided (Belobaba et al,2009; Doganis,2019).

In terms of profitability the findings are mixed. Low cost carrier often achieving better operating margin due to lower breakeven points but full service carrier style allows for higher ticket prices. In terms of resilience and flexibility low cost carrier model shows that recovering faster from crisis, the opposite to full service carrier model that the high operating costs and asset do not allow it to be so flexible. However the full service model attract more premium customers and focus on holiday and business travelling (IATA,2020; CAPA,2021).

In terms of profitability and lease, research shows that its not only o factor that influence it and strategic decision should be taken in mind to decide it , however low cost carrier tend to lease their fleet more often to the full service carriers. (Tasberg V, 2025)

3 Methodology

3.1 Structure of the research

This study is using a pragmatic research approach, that means that the methods and tools are used are the most suitable to answer the research question(Creswell & Plano Clark, 2018) whish is'' Which model , the full service carrier or the low cost carrier is more profitable?. The question itself measurable and can be answer with logical approach. The approach used for this study allow for a quantitate financial analysis in combination of literature review that allow the practical analysis of the study(Johnson & Onwuegbuzie, 2004).

3.1.1 Thesis design and data selection

This thesis's methodology is a secondary research that collecting data for well know available sources for each carrier, the source are the annual financial and operational metrics that are available for the public, the period that examine is from 2018 to 2024, a good amount of year in order to review the preformation before a critical global event, how they are affect during the pandemic and how they recovered. The analysis of the metrics are mainly quantitative supporting with other industry information.

This thesis is classified as a comparative study and supporting by comparative analysis and literature review. The above are appropriate for this thesis as the research question is measurable enable verification (Belobaba et al., 2009;).

3.1.2 Thesis financial metrics

Industry rations and unit metric has been used in this study in order to review profitability and efficiency. The rations selected are the operating margin which measure the performance before tax, the net margin which presenting the margin after taxes as divided the net profit with the revenue. Return on equity (ROE), return on Assets (ROA) and two industry rations the RAKS which is the revenue per available seat-km and the CASK which define the cost per available seta-km which according to Doganis (2019) is the standard measure of the unit cost.

3.2 The sample

At this study the two airlines carriers that have been choose as sample are British Airways for the full service model and Ryanair for the low cost carrier model. Both of the them are large well-known organization in aviation industry. Based in Europe and their financial

statements are public listed. British Airways is having London Heathrow as a hub, in part of alliances and large group IAG and provides all the traditional services to their costumers. Ryanair is a well know budget airline in the European market, operating point to point to European airports and is having a standard fleet.

British Airways

British Airways (BA) is one of the most known airlines in Europe that operates many decades and makes them the perfect example for the full-service carrier model. London Heathrow airport is their base with the terminal 5 to be exclusively theirs. In terms of services they provide lounges, all types of cabins fist, business, economy plus and economy and to serves any type of travellers(Belobaba,Odoni&Barnhart,2009). They attract business and repeated costumers via their loyalty programme and they are part of the One world programme as well as they are park of alliances and a large European group IAG that allow the group to be exposed in a variety of assets and benefits . (Oum, Park & Zhang, 2011).

Operating primarily from congested Heathrow gives British Airways valuable pricing power on scarce direct connections, but it also creates high airport charges, slot constraints and reduced scheduling flexibility that raise operating complexity (Graham, 2013; UK Civil Aviation Authority,2021).

Their fleet includes a variety of aircrafts, servicing the short and long-haul flights, from large widebodies for the oversees network to narrow bodies for the short distance in addition they are having cargos. This variety offers choices from the costumers but also increasing operating costs such training and maintenance (Trasberg V. 2025)

British airways benefits of historical events as it's the UKs flag carrier and the national airline this give them a extra boost at their reputation and also it's a historic employers with legacy labour agreements and being part of the British culture (Francis et al., 2006; IAG, 2022).

For 2011 British airways is part of IAG group as a carriers synergy into European market (IAG,2011;Belobaba,Odoni&Barnhart,2009).

Like other global airlines, British Airways faced severe demand shocks during the COVID-19 pandemic and subsequently implemented capacity reductions, cost restructurings and liquidity measures under IAG oversight (IAG, 2020–2022; CAPA Centre for Aviation, 2021).

British Airways' primary strategic assets are its mixed fleet, Heathrow slot portfolio, strong brand and commercial partnerships, which together underpin its price-differentiated proposition and bargaining power in procurement.(Graham,2013;IAG,2022).Current strategic priorities emphasise cost-base rationalisation and labour agreements, premium cabin product refreshes to sustain yields, development of ancillary revenue streams and dynamic pricing, and network optimisation to balance Heathrow constraints with growth opportunities at otherairportsandthroughpartners(CAPACentreforAviation,2021). As a case study, British Airways illustrates how a legacy FSC reconciles premium positioning with competitive pressure from LCCs and hybrids while leveraging loyalty, alliance and group structures to preserve competitive advantage (Doganis, 2010).

Ryanair

Ryanair is widely recognised as the archetypal European low-cost carrier, built around a relentless focus on operational efficiency, very low base fares and aggressive ancillary revenue generation(Barbot,2008;Doganis,2010).

Since its strategic transformation in the 1990s, Ryanair adopted a business model explicitly designed to minimise unit costs and maximise aircraft utilisation, allowing rapid network expansion across both secondary and primary airports and changing the dynamics of short-haul air travel in Europe (Francis et al., 2006; Albers & Rundshagen, 2011). According to Barbot (2008) operating costs such as overheads and airport fees are significant reducing with company's strategy to focus on fast turnarounds, point to point routes, flights to seconder airports and small selection of aircrafts.

Business model and commercial levers Ryanair's model centres on delivering the lowest attainable base fare while deliberately monetising add-on services to lift overall yield (Barbot,2008).

Key operational enablers include fleet commonality—principally the Boeing 737 family—which simplifies pilot training, maintenance and spares logistics and reduces direct and indirect costs(Doganis,2010;Albers&Rundshagen,2011).

High-density seating configurations and extremely fast turnarounds at often-secondary or less-congested airports underpin high daily utilisation rates and more sectors per aircraft per day(Francisetal.,2006;Barbot,2008).

The point-to-point network avoids the scheduling complexity and connection risk of hub-and-spoke systems, which simplifies operations and reduces ground handling and transfer costs (Albers & Rundshagen, 2011).

On the commercial side, Ryanair pioneered an unbundled product proposition in Europe in which passengers pay separately for checked baggage, allocated seating, priority boarding, in-flight retail and other ancillary services, making ancillary revenues a deliberate and material component of total revenue (Barbot, 2008; Francis et al., 2006). This ancillary focus allows very low headline fares to stimulate price-sensitive demand while preserving overall profitability, though it has also generated periodic customer satisfaction and reputation issues that the airline manages through pricing and communications (O'Connell & Williams, 2005; Barbot, 2008).

Ryanair doesn't work with third parties in order to book tickets with them, they are having their own direct sales via their website or mobile application where the customers can book direct. This practice is reducing the commissioning payment while at the same time allowing the company to control their sales (Doganis, 2010; Francis et al.,2006).

3.3 SWOT Analysis

SWOT analysis is a tool has been widely for industry and academics in order to define a strategy by analysing the internal and external advantages and disadvantages of a concept, project or organisation (Pickton & Wright, 1998; Panagiotou, 2003). It's a very easy tool to use and this fact make it even more popular, SWOT comes from Strengths Weaknesses Opportunities and Threats, the first two are internal factors and the second two external but all influence the situation. Using the SWOT gives to the stakeholder the information of where the company has advantages, disadvantages but also their position into the market and trends. This give to the reader the opportunity to understand carriers positions to the market before reviewing the detailed empirical evidence. Mapping strengths against external threats or weaknesses against opportunities often reveals tensions or gaps that become precise research questions or hypotheses. In this way, SWOT not only summarizes your findings but actively shapes the direction of your investigation and the scope of your literature review (Helms & Nixon, 2010).

British Airways

Strengths:

Global brand with strong legacy reputation in the aviation industry.

Connecting to large global airports from based airport Heathrow London

Part of IAG and alliances that provide financial backing and synergies

Diversity in services (long haul, short haul, cargo etc)

Loyalty programme that support repeated costumers

Weaknesses:

High operating cost due to labor, hub airport, fleet

Service and operational disruptions such as strikes, IT outages that affect reputation

Needs of fleet and services upgrade constantly to keep up the competition

Complexity in the organizations structure and legacy contracts that increasing rigidity.

Opportunities:

New fleet can provide more fuel efficient solution that reduce costs and emissions

Leisure and premium leisure market has been increased after the pandemic.

Expanded partnerships and alliances.

Demand for sustainability, opportunity to lease sustainable aviation fuel and carbon-reduction

Threats:

High competition from luxury airlines, other legacy airlines and low cost carriers to short hauls.

Fuel price volatility and currency fluctuation impacting margins

Geopolitical events, such 12as wars pandemics that drastically reduces travel demand.

Ryanair

Strengths:

Low-cost business model with strong cost discipline and high ancillary revenue.

Extensive European network and fleet with high utilisation.

Brand recognition in Europe as leading low cost carrier

Efficient point to point operations and use of secondary airports lowering the airport charges.

Robust revenue management and direct sales via website and app that reducing distribution costs.

Weaknesses:

Limited appear to premium costumers

Heavy reliance on ancillary fees can generate customer dissatisfaction

Concentration in Europe expose the airline to region specific demand

Less developed in long haul and no offering of premium services

Opportunities

Opportunity for growing under served regional markets and smaller airports across Europe

Expansion in ancillary services and partnerships

Renewal of fleet for less fuel consuming aircrafts and low emission suitable fleet that reduce costs and promote sustainability

Threats:

Low cost carrier model increasing so higher competition

Fuel prices increasing especially with political situation such war

Travel reducing demand due to issues what as pandemics, wars etc.

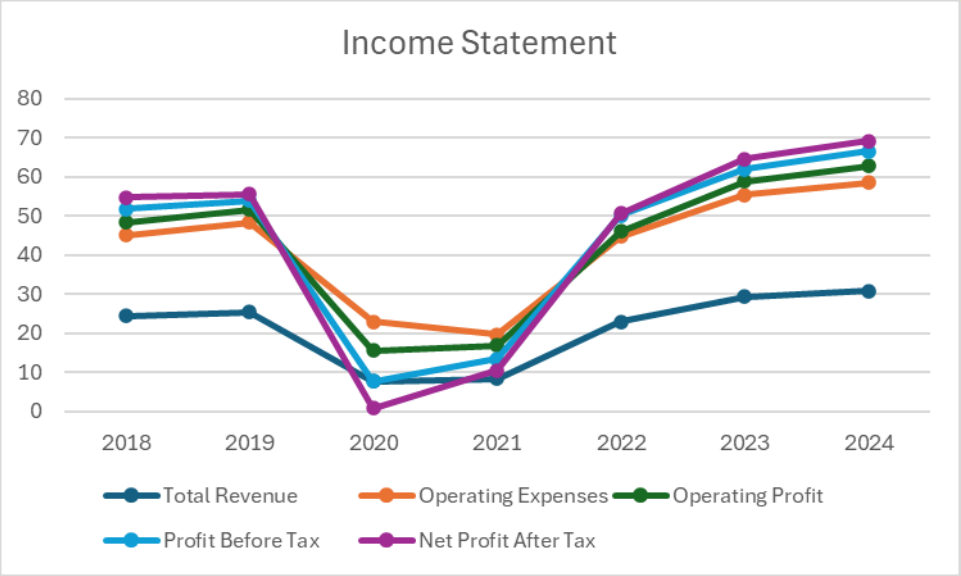
4 Results and discussion

4.1 Income statement

British Airways Below will be reviewed the revue performance which is a critical indicator of the airlines profitability because it reflects both passenger volumes and yield management capability.

Table 2 BA Income Statement

	2018	2019	2020	2021	2022	2023	2024
Total Revenue	24.41	25.51	7.81	8.46	23.07	29.45	30.86
Operating Expenses	20.73	22.89	15.23	11.22	21.81	25.95	27.66
Operating Profit	3.23	3.25	-7.43	-2.77	1.25	3.51	4.29
Profit Before Tax	3.49	2.28	-7.81	-3.51	4.15	3.06	3.77
Net Profit After Tax	3.01	1.72	-6.92	-2.93	0.43	2.65	2.67



At the table 3 we can observe British Airways' income stamen from 2108 to 20224. With the first glance at the graph we see the large drop in 2020 and 2021, something very expected are the aviation industry had massive impact of the pandemic(Gillen, 2021). With the global travel restrictions the commercial flights stopped completely the lost in every aspect of the income statement is expecting. This drop reduced the operating leverage end put pressure in the margins.

During these years while revenue declined the operating costs remain at the same level or reduced slowly this demonstrating the full service carrier model which having many fixed costs such as the fleet size, fee for airports maintenance in assets and employees, something that make the model less flexible as the costs can easily reduce if there is a need and this

had as result an important operating lost which reflect the vulnerability of the full service model in the sudden demand shocks.

The profit before tax support further the fact that the full service carrier model is not flexible. With the pandemic the IAG group (British Airways) in order to preserve liquidly took loans (IAG,2020),so the interest had negative effect between the operating profit and profit before tax which demonstrate an impact in the overall profitability.

According to Doganis (2019) the use of the borrowing and dept is common strategy for the airlines that are capital-intensive, and they usually use it for fleet expansion, but the he revenue collapses the high leverage causes high losses. So the profit before tax from 2020 and 2021 is a result of not operational performance but also increase of financial risk.

The net income in during the two years of the crise was very negative because of the reduction on earnings and stakeholder equity, very common result as during crisis periods organizations offer record tax credits because of the deferred tax assets. The net income decline had further financial effects that requests capital raising measurements

In the stable market conditions times however British airways had a very promising income statement, in 2018 and 2019 the operational margin were strong something that shows that the market demand under normal conditions. Also, after the pandemic from 2022 the income statement of British Airways started to recover and the financial performance improved, after the travelling demand came back and the company can operate again. The improved load factors increase the operating margins and the positive net income was a result of both market demands and financial costs stability.

So the recover time shows that that the there is a demand on the international travel that can bring income to the airlines however extreme situation such as covid 19 can create very positive effects to the full service carrier model mostly because of the fixed costs that is not easy to eliminate. The airlines that adopt a full service carrier model should be carefully review the risks of such as situations that the internation travel not allow even if its an extreme situation could be very negative effect to the margins.

The full service carrier model representing by British airways for the years 2018 to 2024 shows that a string revenue can be achieved during normal market conditions that can vary with some issues and risks. However in extreme crisis the model can be proved very inflexible, causing large losses in profits and shares. The strategy with the financial leverage is bringing profit during the growth periods but loss in crises times.

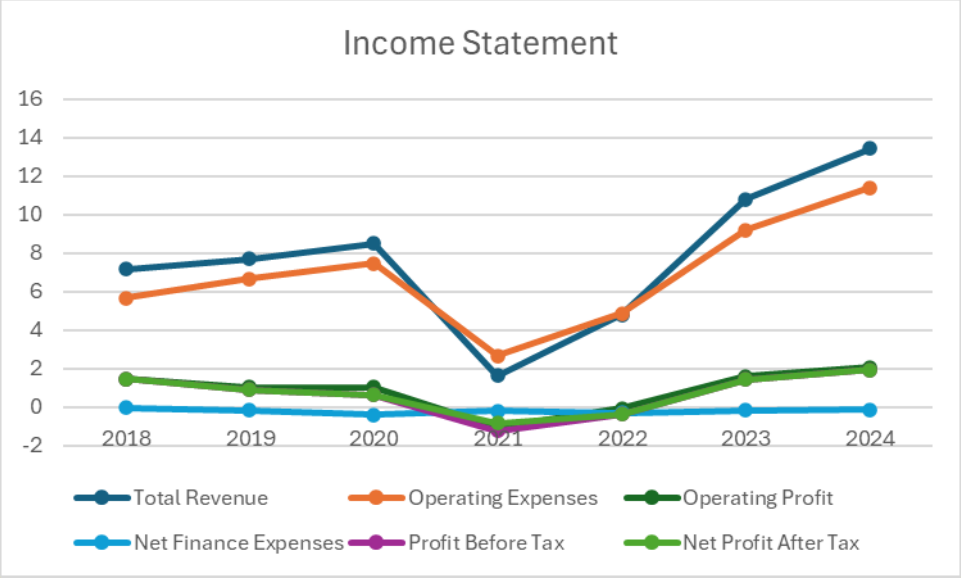
Ryanair

At the table 4 we can observe Ryanair's income statement over the period 2018–2024.

With a first glance we can see the that low cost carrier model is more efficient in comparison to full service carrier that has been checked above.

Table 3 Ryanair Income Statement

	2018	2019	2020	2021	2022	2023	2024
Total Revenue	7.15	7.7	8.49	1.64	4.8	10.78	13.44
Operating Expenses	5.67	6.66	7.45	2.66	4.85	9.19	11.38
Operating Profit	1.48	1.04	1.04	-1.02	-0.05	1.59	2.06
Net Finance Expenses	-0.03	-0.15	-0.39	-0.2	-0.31	-0.16	-0.14
Profit Before Tax	1.45	0.89	0.65	-1.22	-0.36	1.43	1.92
Net Profit After Tax	1.45	0.89	0.65	-0.82	-0.36	1.43	1.92



The stable market period before the crisis of covid the company a good revenue that had a increasing flow, something that was effect of the capacity expansion, utilization and effective cost management and leadership (Ryanair, 2019; 2020

However during the pandemic, the whole aviation industry had been demanded. The travel restrictions were one of the reasons however as Ryanair was operating in intercontinental network when the restrictions easy allow the company to provide services and having some revenue.

After this time and from 2022 the renew starting to increase and grow, by 2024 the revenue had been increased significant. Something that shows that the low cost model can be efficient and flexible in recovery after demanding times, this is an alignment with the

literature that shows that the less operating costs of the model is less risky to the crisis times and also recovering easier.

In terms of operating profit Ryanair reported operating loss in 2021 however in comparison to British Airways it was significant lower, which again shows that the low cost model is working better to the full service during hard times,

On 2023 and 2024 the operating profit increased significantly something that again rely to the model and how resilient it is.

The differences between operating loss and pre tax loss is not as large something that indicate that Ryanair did rely on debt during the time of crisis in addition to the full service model.

The quick return to profitability after the pandemic shows that low cost carrier model is efficiency and reliable in stable market conditions too.

In a glance, the short haul flights that the company operate helped to recover faster as the restriction in travel easy. The operating cost and the simple structure model enabling to keep the lost smaller that the full carrier model, further that that the financial leverage limiting the losses. At last but not least the low cost carrier model shows a strong recovery margin.

Comparison of the two models

The Income statements of the two models above presenting a good analysis of how the two models reacting in stable times, during a not stable condition and how well they are recovering.

In a stable condition before the crisis both companies had a good position in the market with stable or increasing figures, so at this occasion we cant really observe difference in the models

During covid-19 with the restriction of the travelling both companies' revenue declined, however the low cost model shows a better resilience during this time, the fact that the expenses and the operational costs are lower in comparison to the full service model kept them in a better position.

After the pandemic again the low cost carrier model recovered and growth faster aching good figures that demonstrate the ability of the model to grow and provide revenue

The analysis indicates that business model structure plays a critical role in determining profitability stability and crisis resilience within the European airline industry with the low cost model to shows greater resilience and flexibility.

4.2 Financial Analysis with Profitability ratios

At this subchapter we will examine the financial profitability of the two companies by using financial ratios. Fo this purpose will be use data financial statements for annual report from 2018 to 2024 from the of British Airways through its parent company International Consolidated Airlines Group (IAG) and Ryanair Holdings plc, which reports consolidated financial statements at group level.

The financial ratios will be examined in this subchapter are the operating and net margin, the return in assets (ROA) and return on equity (ROE).

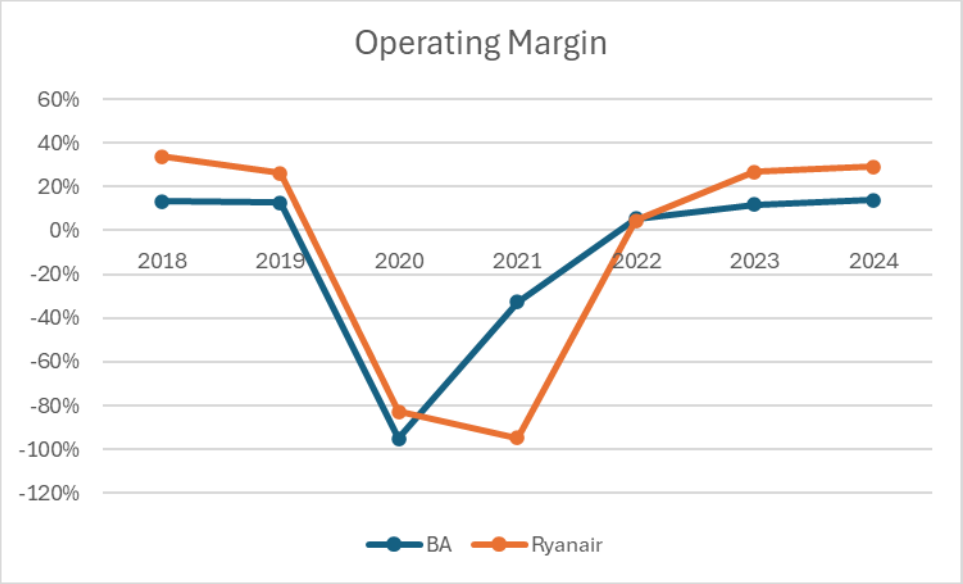
The combination of profitability and leverage indicators allows for a comparison of a variety of aspect between a full-service network carrier (IAG/British Airways) and a low-cost carrier (Ryanair).This framework is consistent with established airline financial analysis literature (Doganis, 2019; Gillen, 2021).

4.2.1 **Operating Margin**

Operating margin plays significant role in the review of profitability, as is the figure that presenting the amount of revenue without the operating cost but before tax and interest.

The operating margin expressed in percentage and is the operating profit divined by the total revenue. According to Doganis (2019) its very important margin in the aviation industry since the leasing and financial structures can influence the next income, thus the operating margin can provide an indication of how the airline manage the revenues relative to operating costs. It reflects pricing strength, cost control, fleet efficiency as well as network performance. Making it particularly relevant when comparing different business models such as full-service carriers (FSCs) and low-cost carriers (LCCs) (Belobaba, Odoni and Barnhart, 2009).

	2018	2019	2020	2021	2022	2023	2024
BA	13%	13%	-95%	-33%	5%	12%	14%
Ryanair	21%	14%	-12%	63%	-1%	15%	15%



For the period of of 2018–2024, British Airways (BA) and Ryanair present contrasting patterns of operational profitability, both in magnitude and stability as presenting at the table3.

The operating margin for British Airways in 2018 and 2018 was 13%, which is a good sign to assume that there is a stability to the model under stable market conditions. A 13% margin indicates effective cost management relative to revenue generation. British Airways' full-service model typically supports stronger yields which can offset its higher operating cost base.

These figures dropped dramatically in 2020 with a massive negative operational margin of -95% followed by another negative but improved figure in 2021 (-33%).

These negative figures shows us that British Airways' operational costs such as the large fleet, the hub operations the labour and all the fixed costs are making the model less flexible to adapt when the capacity declines.

From 2022 onwards, British Airways' operating performance improved significantly. Operating margin rose to 5% in 2022 and then strengthened to 12% in 2023 and 14% in 2024. The return to double digit operating margins by 2023 suggests that British Airways successfully realigned its operating cost base with revenue recovery. Its worth to mark that in 2024 the margin was slightly higher to pre-covid period.

Ryanair of the other hand, was presenting a stronger operational margin, almost double to British Airways' in 2018 which dropped in 2019 and was very close to British Airways' 13%. The high margin indicate a significant for the LLC that standardised fleet, high aircraft

utilisation, quick turnaround times and simplified service offering contribute to lower unit costs and therefore higher operating profitability (Belobaba et al., 2009).

In 2020 Ryanair's operating margin drop to negative figures, however remain significant better that British Airways. However the larger lost was in the 2021 with an significant -63%. From Ryanair and British airways figures in 2020 and 2021 it is clear that covid-19 crisis has massive impact in airlines, both companies had a lost but in a different year (this can be explained by the time of reporting the close of financial year). The less impact that Ryanair had shows the that LLC model is more flexible.

In addition from 2022 Ryanair started to recover but in 2022 had still negative figure, however from 2023 onward had fully recover and achieved higher operating margins that British Airways.

In a conclusion of reviewing the operating margin, Ryanair appears to have higher operating margin all the years reviewed in stable years, in crisis and at the recovering phase. British Airways is not far on stable years but still doesn't achieving the same margins as Ryanair. This difference can be explained due to operating cost that a full service model hold in comparison to smaller costs and thus easier to maintain and recover that the low cost carrier appearing to have.

4.2.2 Net Margin

With the operating margin which we reviewed, net margin is the other very important ratio that shows us the profitability is it presenting in percentage and calculated by the net profit divided by total revenue. The net margin shows us the finally earnings that goes to stakeholders, that means the revenue after all operating costs, expenses, lease and tax have been deducted , net margin shows not only operational efficiency but also financial structure and cost control.

The next margin according Doganis (2019) is quite important because shows us a summary of financial performance and flexibility, while RASK and CASK are very important for the aviation industry net margin combine both measures (Belobaba, Odoni & Barnhart, 2009).

Table 4 Net Margin

	2018	2019	2020	2021	2022	2023	2024
BA	12%	7%	-89%	-35%	2%	9%	9%
Ryanair	20%	12%	8%	-50%	-8%	13%	14%

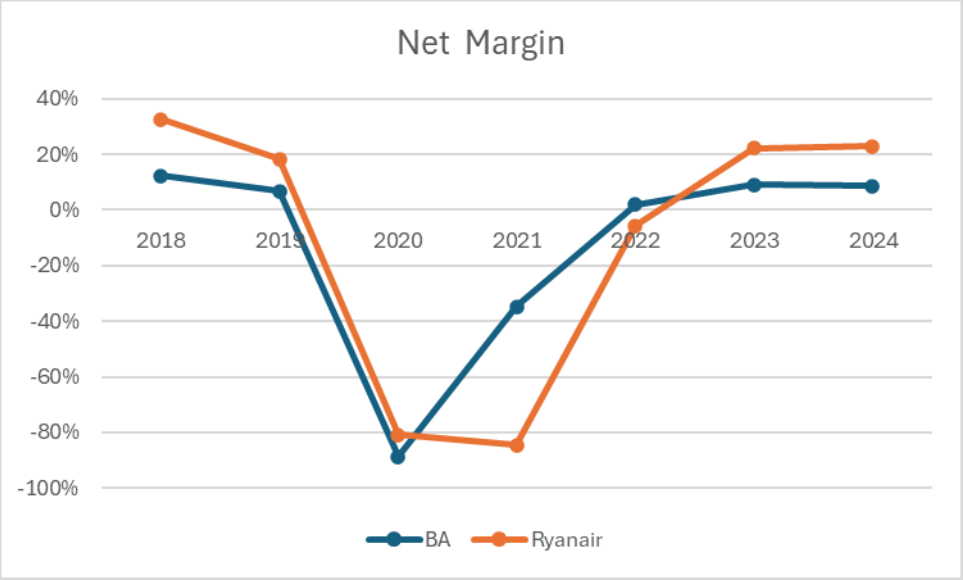


Table 05 shows the net margin for the low cost carrier model is continuously higher to the full service carrier, something that we observe with the operating margin too.

During the time of 2018 and 2019 Ryanair's net margin was double to British Airways' this confirmed the studies that shows the full service carrier model is most complex and costly (Doganis, 2019).

In 2020 and 2021 British airways had massive loss in the net margin because of the pandemic, These high negative margins shows that the revenue declines fast when the company has many fixed costs, as a result, net profit deteriorates rapidly (Belobaba et al., 2009). The scale of British Airways' negative margin in 2020 suggests that the airline's financial structure and cost base amplified the impact of revenue shocks. Although the margin improved to -35% in 2021, the company remained deeply unprofitable

From 2022 onwards, we observe an improve to the net margin, British Airways achieve positive figure and started recovering from 2% in 2022 to 9% for 2023 and 2024. Even the improvement is notable the peak of the next margin was in 2018. British Airway's net margin pattern is characterised by strong profitability in stable conditions, significant downside exposure during disruption, and gradual recovery thereafter.

Ryanair of the other hand, that in 2018 and 2019 (Pre-covid) had higher margin that British Airways, had also two years with negative margin that clearly been influenced by the pandemic, however the deeper drop was -50% in 2021 that still was better net margin to -89% of British Airways. After the crises passed Ryanair achieved higher margin than British Airways but same with British Airways the highest one was in 2018. This supports the

argument that the LCC model can deliver superior operational profitability under normal market conditions due to structural cost efficiency.

By comparing the two carriers directly we can see that in stable conditions both carrier are having good and stable margins, however Ryanair is having higher than British Airways. At the time of covid, both companies have a drop however British Airways dropped is higher and faster than Ryanair's. Both companies are recovering which is reassuring however Ryanair's recovering is faster and the met margin higher to the one that British airways achieved after 2023.

With the constantly net margin Ryanair to be higher the research is confirmed that the low cost carrier model which is operational simple will present higher revenue (Belobaba et al., 2009; Doganis, 2019). The net margin is connection if revenue and operational costs so this allow the low cost carrier model to achieve higher figures in net margin in stable but also in recovery conditions.

In terms if the net margin Ryanair and the low cost carrier model presenting higher figures, in all the years we examinate and the three phases of stable condition, crisis and recover. British airways and the full service carrier model at the other hand has solid figure sin stable conditions, extreme losses in crisis but manage to recover when crisis completes. If we demonstrate our result purply according to the net margin low cost carrier model is performing better to the full service.

4.2.3 **ROA**

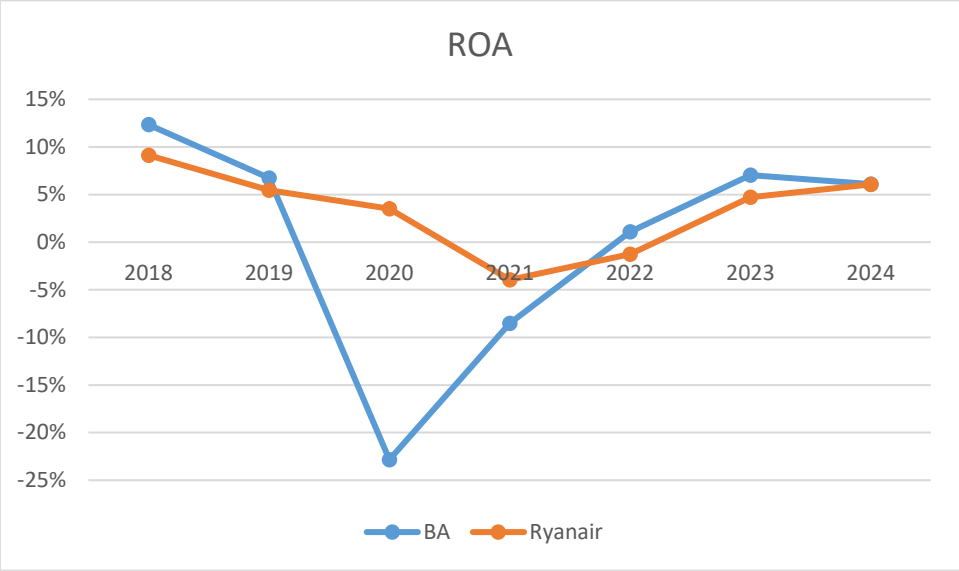
Return on Assets (ROA) is a key profitability ratio that measures how efficiently a company uses its total asset base to generate net income, it is calculated as net income divided by total assets (preferably average total assets) and expressed as a percentage.

ROA indicates how much profit is produced for each unit of assets employed. In asset-intensive industries such as aviation where aircraft maintenance infrastructure and airport slots represent significant capital investment. It reflects not only revenue performance but also asset utilisation and capital efficiency (Doganis, 2019).

When ROA is higher suggests that management is generating stronger earnings relative to the company's investment base, while a negative ROA indicates that assets are not currently producing sufficient returns.

Table 5 ROA

	2018	2019	2020	2021	2022	2023	2024
BA	12%	7%	-23%	-9%	1%	7%	6%
Ryanair	9%	5%	4%	-4%	-1%	5%	6%



Analysing the table 06 we observe that British Airways achieving stronger ROA in pre covid and after covid years. These results indicate that British Airways was generating relatively strong returns on its asset base under stable market conditions. As a full-service carrier operating a long-haul hub model, British Airways maintains a large and capital-intensive asset base, including large aeroplanes and substantial fixed infrastructure. Achieving double-digit ROA in such a context reflects effective utilisation of assets and solid profitability.

However during the years of crisis the negative figures indicate that the airline's assets were not generating positive returns and were producing substantial losses. This can be identified from ROA which is an indicator of the connection between net income and total assets. In the full service carrier pattern that the costs and fleets are high it is more difficult in to cut the cost when the company is in need in a crisis period. The -23% ROA in 2020 shows a large asset underutilisation and financial strain.

Ryanair in the stable period before 2020 had lower ROA in comparison to British airways but during the pandemic the decrease was most more smooth to the one that British airways had, the last drop in ROA for British airways and small for Ryanair shows us that the low

cost carrier model with the short haul flights and their reduced operational cost support better flexibility and resilience (Belobaba, Odoni and Barnhart, 2009).

Full service carrier model demonstrate better ROA during stable years however in a market crisis can drop significant more that the low cost carrier model and when recovering again can achieve better ROA, so in long terms and in a stable environment the full service carrier model is performing better. However the low cost carrier model has a more smooth flow during stable and crisis times that make is more flexible and resilience in any time even in a more risky and unstable market conditions.

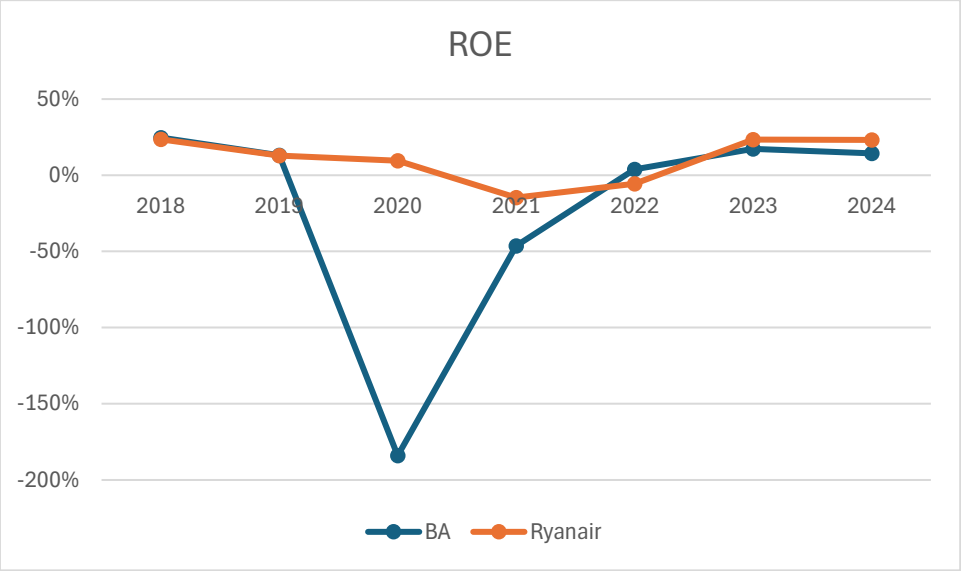
4.2.4 ROE

The ration of return on equity (ROE) is very important for aviation strategy because the airlines are focusing on equity in order to make decisions about operational and fleet expansions. ROE shows the percentage of the return on equity and its important for the shareholders, to calculate is the net income is divided but equity.

According to Doganis (2019) A high ROE shows a good management of shareholder money. However, ROE must be threated carefully, as it can be influenced by financial leverage and changes in equity levels (Belobaba, Odoni and Barnhart, 2009).

Table 6 ROE

	2018	2019	2020	2021	2022	2023	2024
BA	25%	13%	-184%	-46%	4%	17%	14%
Ryanair	24%	13%	10%	-15%	-6%	23%	23%



ROE for both model in stable was similar this fact is giving the impression that the business model doesn't make a difference to ROE. However the figures changed in 2020 and 2021 for British Airways . In 2020 ROE of -184% and -46% in 2021 were really low for British Airways. These two years that ROE was extreme negative and shows large net losses and reduced of equity. The -184% ROE in 2020 shows that losses were much larger than the remaining equity, In 2021 the large negative figure reduced to -46% but still remained negative. In connection to the carrier model we can think that the fixed costs of the full service carrier can provide high financial sensitivity.

Ryanair had significant loss on ROE during pandemic too, however we don't see the extreme negative margin that British Airways had. This provides a assurance that the low cost carrier model with the assets and operation costs in a crisis phase can be more flexible and easier to manage the risk. In 2023 and 2024 Ryanair had stronger ROE that can be realised to the less lost in pandemic.

In general it seems that British Airways come with a stronger ROE historical however the pandemic created a massive lost that partly recovered but not as fast as expected. Ryanair started with lower ROE but after the pandemic recovered faster something that shows resilience. It is interesting and suggestion for further research to review ROE for the upcoming years to see if full service model recover and being more profitable to low cost in long term.

4.3 Industry measurements

Further to the income statement and the profitability rations for this specific study specific aviation industry ration selecting in order. These two ration are estimating the operational efficiency and they are the unit revenue (RASK) and unit cost (CASK)

For previous studies the expiations is for the full service carrier model to have higher RASK which is driven by long haul flights, premium customers and the London Heathrow hub, same with the CASK which drive by complexity of operation and costs. For the low carrier model we are expecting, from previous studies, lower RASK and CASK driven by less complex structure and operating costs.

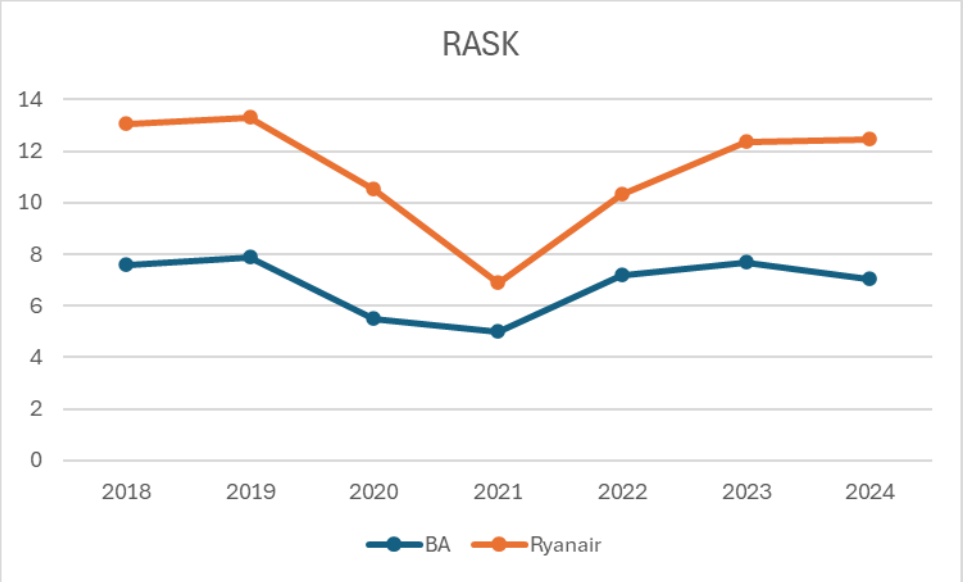
Below is the analysis of RASK and CASK for the period of 2018 to 2024 for British Airways and Ryanair.

4.3.1 **RASK**

RASK, revenue per available seat kilometre defines the ability of the airline to get renew from each seat. It very useful in strategy of the airlines because provides evidences for optimize the route and network, the market demand on quality and price power (Belobaba, Odoni and Barnhart, 2009). To estimate the RASK the total operating revenue divided by available seat km (ASK). Table 8 captures RASK from British Airways and Ryanair from 2018 to 2024. More specific British Airways RASK calculated from their PRASK in IAG leveland for Ryanair from ASK, all the presented numbers are in euro per ASK

Table 7 RASK

	2018	2019	2020	2021	2022	2023	2024
BA	7.6	7.9	5.5	5	7.2	7.69	7.05
Ryanair	5.46	5.42	5.02	1.89	3.12	4.69	5.43



British Airways is having higher RASK that Ryanair all the years we are reviewing from 2018 to 2024, something can supporting by the full service model structure, long hauls, based airport, premium ticket, all these allow for higher yield extraction per kilometer.

In the stable period British Airways had notable higher RASK to Ryanair, almost the double this is a notable amount that giving to British Airways stronger position.

During the pandemic the numbers dropped for both companies with the lowest figure of 1.82 euros to be identified by Ryanair in 2021. The figures shows that British Airways kept the structural revenue that align with the expectation of the full service carriers (Doganis,2019). For the same period Ryanair had lower RASK that was align with the low

cost carrier model, as was expected, Ryanair focusing in the load factor rather the yield maximization so the their RASK tend to be lower to the full service carrier model.

Following up, at the recovering stage, British airways recover their RAKS numbers to the pre covid time. Ryanair recovered as well however it took longer time. This identified that British airways was in stronger position and more flexible in the recovery.

With RASK as an indicator the full service carrier model holds the stronger position all the years, this is not a surprise as from literature we found that the full service model focusing on higher prices and more advanced services, in contrast the low cost carrier focusing in reducing cost in order to provide better prices.

However, even the full service model is more efference in terms of the RASK we should keep in mind that Low cost models figures are not bad, especially with the provision of services, so even the full service model in performing better in terms of RASK, other criteria and factors should be taken in consideration.

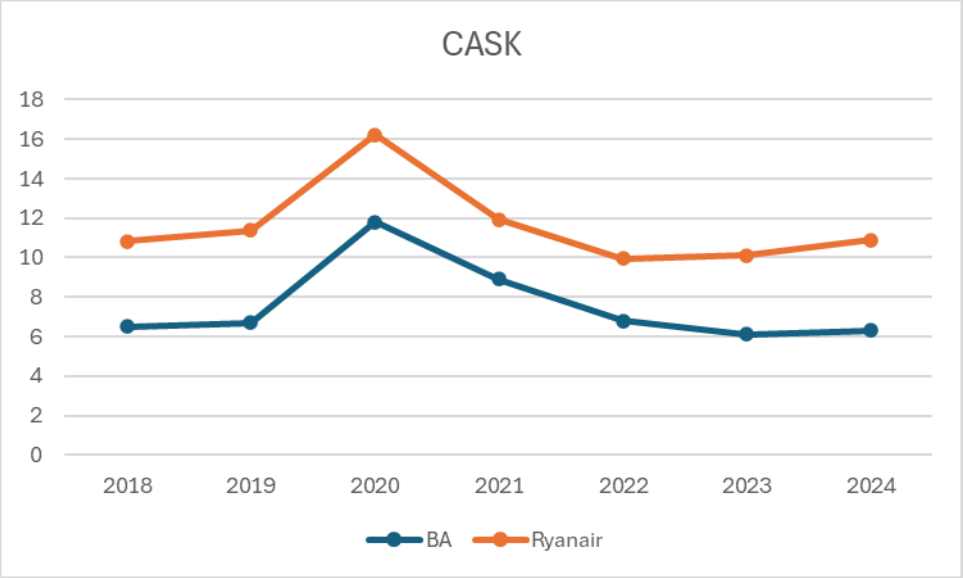
4.3.2 **CASK**

CASK, cost per available seat kilometre is another very important figure for the aviation and airline companies. To calculate it the operating costs are divided by ASK.

CASK is reflecting direct the operating model as shows if an airline can produced capacity in lower unit cost. Same with RASK at this study the CASK is presenting in euros per ASK and the period 2018-2024 for British Airways and Ryanair are presenting in table and graph below

Table 8 CASK

	2018	2019	2020	2021	2022	2023	2024
BA	6.5	6.7	11.8	8.9	6.8	6.1	6.3
Ryanair	4.33	4.69	4.41	3.02	3.15	4	4.6



Again similar to the RASK Ryanair is having lower CASK that British Airways the whole period we are reviewing, The difference is proximately 2 euros pee ASK, this difference is a very good indication of the difference in operation of the full service carrier model in comparison to the low cost carrier model.

As has been previous mentioned the full service carrier model operation cost are high due to the global connection, airports fees and organisation structures. All these are factors that increasing the cost per capacity, the low cost carrier on the other hand having less operational costs, single fleet and less complexity to their structure that allows them to be more flexible and reduce the unit costs.

During the crisis British Airway's CASK increased dramatically again same to the other margin this shows that the high fixed cost that the full service carrier is having are making the model less flexible and sensitive to the unstable market conditions. Ryanair's CASK also increased during this times but it has been remained mush lower to British Airway's something that confirms the efficiency of the low cost carrier model.

From 2022, both British Airways and Ryanair returned to the stable conditions CASK. However Ryanair had an improvement and lowest CASK to British airways.

From the comparison on the CASK we can conclude that the low cost carrier model is more efficient not only in crisis market situations but also in stable periods. This is based in the simplicity of the model that actually allows for less costs and expenses. While the full service model with higher CASK must rely on stronger yields in order to keep the profit.

Its interesting to review the CASK with the result of RASK that British airways is achieving better scores as demonstrate that the full service model leads in unit revenue while the low cost carrier model leads in unit cost efficiency. Both of the figures CASK and RASK should be taken in mind in order to summarise the profitability.

5 Conclusions

The financial analysis that took place for this thesis as well as the literature review demonstrate that the business model influences the profitability and the resilience of the organisation on crisis periods. Both of the case study companies had stable metrics before the covid 19 but also a large drop during the pandemic. However both recover after even with deferent pace. This chapter will be present these finding and also the gap in the research as well as recommendation for further research.

5.1 Overview of Research Objectives

Following up the research question of Which airline models more profitable the full service carrier of the low cost carrier , a comparative finance research with the combination of literature took place. The carriers examined were British airways via International Consolidated Airlines group and the Ryanair Holdings plc, the period that has been examinate is from 2018 to 2024, these years selecting in order to review the companies in stable period before the crisis how they were reacting during the pandemic and how fast and well recovered after. The metrics and financial rations used where ration that widely used for profitability such as the net margin, ROA, ROA but also aviation specific CASK and RASK.

Expect of the primary research question of which model the Full service Carrier or the Low cost Carrier is more profitable the research methodology set up four objective that are answering below:

1.To review financial and operational data for the of 2018 to 2024 for British Airways and Ryanair.

For this study annual reports and accounts has been used in offer to collect the financial information that were needed. They data have been collected directly for IAG website and their annual reports for British airways and from Ryanair's annual reports.

The data were covered 2018. 2019, 2020,2021,2022,2023 and 2024. They have been exported to excel file and further calculation happen in order to estimate the metrics and ratios required for this study.

2.To compare financial profitability rations of the two companies but also industry profitability measurements. Operating margin, net margin, ROA, ROE, RASK and CASK.

By collecting and analyzing the data from objective 1 further information produced, the operating margin, the net margin, return on assets, return om equity and RASK and CASK,

from the results summarizing that before covid at the years 2018 and 2019 Ryanair presented higher operating margin but lower CASK, in terms of ROE and ROA they were both in similar level with Ryanair to be higher. British airways had higher RASK something that it wasn't a surprise as was driven by long haul flights.

During the pandemic both companies presented significant lost as was expected, however Low cost carrier shows that the recovery was faster something that presents that the model is more resilience and flexible.

3. To observe industry's financial differences in light of strategy, such as fleet composition, hub constrains, labor relations and pandemic impacts.

This particular object can be very useful for strategic decisions especially with the operation of the airlines. In terms of the fleet structure Ryanair's strategy to use single aircraft type lead to lower cask in addition to British airways fleet that is having a large variety and leads to higher CASK, this alighted with previous researches that according to Doganis (2019) full service providers having increased CASK because di the complexity and fixed cost.

Another information we can get from this is about the recent research and how equivalent is the leasing of the fleet, with a single model better lease process and be achieved while at the same time the operational cost can be reduced. Risks and insurance could be part of the lease and the companies responsibility be noticeable smaller.

British Airways is advanced in RASK in comparison to Ryanair, however while travel restriction happened, due to covid at our occasion, but also could be because of war or other global political issues, the recovery has been showed that is slower to the low cost model that operates only continental thus the global issues could be not directed effecting.

The organisational matrix of the two companies is also identified different and can play signifiable role. Ryanair's employment style is more sharp with the benefits to the employees something that allow them to easier make redundances especially in crisis times, British Airways on the other side has more complex contracts with the employees and union negotiations that do not allow to cut cost fast when needed.

4.To evaluate the implications of the findings for airline strategy for stakeholders and future research on airline business models.

For airline strategic implications choosing a model is imortant decision, however airlines can choose a complication, we observe that the recent years full services carrier implemented restrictions that being more relative to low cost carrier model. The full service

carrier model provide higher reputation and attracted premium costumers but a very detailed risk analysis should be taken before any decision.

From a investment perspective continuously profitability is a key criterion especially in a macro environment having this as fact maybe the low- cost model is a preference, However other metric should be taken in account that influence this decision

5.2 Summary of Key Findings

The finding of this research are clearly demonstrate that the full service carrier model and the low cost carrier model have differences that can influence the profitability of the companies, at this occasion British Airways and Ryanair. The main differences of the two models are focusing on the structure of the organization and the way they are operating and have been analyzed in details in this thesis. The findings have been mostly analyzed in three phases the stable condition, the crisis and the recovery phase all the phases are related to covid-19 that was a significant crisis that influenced the aviation industry.

Ryanair's operational structure is advanced them with better operating margin. Ryanair use specific aircrafts types that reducing operational costs such as training and maintenance. They use rapid turnaround times and carefully choose the charges of the airports, they use secondary and flight times that are unpopular in order to reduce costs. They also strategically having a high-density seating configuration and an aggressive ancillary revenue strategy that producing lower CASK which allow for profitability in lower yields and maintain good operating margins when the average fares are low. British Airways on the other hand presenting lower operating margin which appears more sensitive to drop in premium demand. Their structure is focusing in long haul flights with reaching high demanded and well-known airports starting from Heathrow as a hub. British Airway's high RASK driven by advanced services and focusing in premium costumers, luxury holiday and business costumers.

The target market of costumers for each model varies so the revenue is coming from different type of costumers, British Airways is focusing in costumers that they are happy to pay extra cost for their ticket and having all the amenities, such the business lounges, airports that are easier to access, good availability in the time of the flight. In addition they are provided international flights that passengers can flight globally. Those costumers most of times are business costumers. British Airways also provides holiday services that the costumers can book a package with them. All the below are increasing the RASK however

requiring higher operating costs and assets that as we can see from the research can cause issues during a crisis and making the company less flexible to recover in demanding market conditions. Ryanair has adopted a completely different type of operation, focusing to travelers that the fare is the highest criterion for them , they are flexible for travelling without amenities and do not mind to compromise their convenience in order to have a better price tickets. This model even doesn't sound the best in terms of reputation allows Ryanair to have a more resilient model that having less lost in crisis times and well ass presenting resilience in recovery.

British Airways have more fixed costs a variety of airplanes, more complicate employee contracts and hub's fixed costs that limit the amount of cashflow that the company can use. Ryanair's strategy with less operation costs allows for faster reductions in costs what this needed. Revenue recover patter shows that the domestic and continental travel recovered faster to long haul flights and business travel. The above gave to low cost carrier model the advantage to recover faster and restore operating profitability.

During pandemic both companies realized that costs reductions and flexibly are very useful in order to survive. Ryanair reduced their cuts costs aggressively, made redundances to the employees, reduction on spend and renegotiations with the suppliers, their lean structure works well and allow the costs to be minimum. British airways did the necessary reduction too, agreements with employees, reduction to the cost however the assets and the type of the structure created a lost higher to Ryanair's. As a result of these factor we observe that the low cost carrier model supports cost reductions faster and more efficient.

During the normal market conditions full service carrier model and British Airways demonstrate higher RASK which confirm that the premium travelling and long haul flight services are leading to higher RASK, however this advantage in stable times can increase the costs and risks during crisis times.

Even the low cost carrier model is appearing more profitable in this study, especially with its ability to recover fast from unstable marker conditions, the full service carrier model can hold a premium position and reputation during the time.

5.3 Areas for Further Research

With the completion of this study and according to the limitation the research can be expanding in several directions to understand better the aviation business models and especially the low cost carrier and the full service carrier.

A further researcher can be take place in a different period, this researcher was focusing in a very specific period that the market condition were extreme for the aviation industry, during covid 19 all the airlines had lost no matter what model or strategy that followed, due to the travel restriction the operation stopped for awhile. So a further research can take place under normal market conditions or even risks that can be predicting such as the fuel price or less extreme political situations. Also if the period that examined is longer then the results can be more accurate in terms of performance.

Another important factor to add to the research it would be the analysis of non- finance performance that can shows a overall of the position of each model. For example added metrics such as load factors, fleet age, costumer satisfaction reports and environment performance and provide a broader idea of the company's position in the market

A wider sample of the companies that reviewed into European but also internation market can be a subject for further research. In addition many companies have adopt a hybrid model of full service and low cost service that is interesting to review and identify in which occasion each model has been used in the same company.

Also, applying econometric techniques could provide a better understanding of statistical validation. Testing the interaction between leverage, unit costs (CASK), and profitability during demand shocks would contribute to a better understanding of financial resilience within the airline industry.

5.4 Limitations

There are limitations that are occurring in this research that influence the conclusions and the accuracy that must be acknowledged.

The period that this thesis examined is from 2018 to 2024, even a 6 years analysis is a good amount of time, a longer in period analysis could be beneficial, since can examinate how the two companies are perform in longer period and more stabilize years and according to more current market events. In a long period the reputation and other strategic criteria can be more notable. The period that this thesis review is crucial because is including the COVID- 19 pandemic that has a huge influence on the aviation industry and in travel in general however this cycle has been completed and both companies shows that are covering, Nowadays in 2026 other political events are taking place such wars in middle east and Europe that not only creating travel restriction but also controlling the fuel prices.

Another limitation of this thesis is the data used for the analysis. Even the data that used are coming from published annual reports could be absolutely comparable, one of the reasons is that the financial year of each company is different, one is the end of the years and the other March, this can explain that some of the figures especially in pandemic times that both companies had a lost appearing in a different year. The second limitation of data collection is the group performance, British airways is part of the International Airlines Group (IAG) that including other airlines who based in different countries geographically, Ryanair Holding plc is also a group however the variety is not as large as the IAG.

This thesis review as sample two carriers, even the are very well knows models for full service carrier and low cost carrier and they are totally perfect for represent each model, there are more companies that could be reviews, for example Easy jet who tend to provide some full service at the time that characterized as low cost carrier or other companies such Lufthansa that is part of star alliance but at the same time owns the low cost carrier Wizz air. The sample is limited to European market, an expansion to other continents would be interesting and add to the question of which model is more profitable.

The current research focusing in two models the full service and the low cost service, however there are not the only models in the aviation. A further research can add to the sample hybrid carriers, charter carriers, regional carriers, ultra low cost operators cargos and private jets, Some of the airlines having more that one model that its interesting to review and observe in which occasion they strategic has use to each model.

Another limitation of this study is the methodology, it primary used financial rations and analysis, which is identifies perfectly good metric however it is based only to specific measurements, other aspects could be taken in mind for a full strategy analysis such as the brand reputation, history, optimizing and other non- financial factors that can influence the long time performance of the brand

Last but not least, this thesis focus in a very intense period for the aviation the pandemic and fuel price volatility these events may give wrong impressions for profitability ratios independently of structural efficiency. So the results should be including the context of these external conditions and extrapolation to normal economic environments should be approached with caution.

References

Albers, S., & Rundshagen, V. (2011). From hub-and-spoke to point-to-point: Airline network evolution and the rise of low-cost carriers. *Journal of Air Transport Management, 17*(3), 119–126. https://www.academia.edu/42652473/Airline_Networks_A_Comparison_of_Hub_and_Spoke_and_Point_to_Point_Systems

Barbot, C. (2008). The low-cost carrier business model: What changed in the competition with the full-service carriers? *Research in Transportation Economics, 24*(1), 11–19. https://doi.org/10.1016/j.rtbm.2025.101305

Barrett, S. (2004). How do the demands for airport services differ between full service network carriers and low cost carriers? *Journal of Air Transport Management, 10*(1), 31–35. https://www.econbiz.de/Record/how-do-the-demands-for-airport-services-differ-between-full-service-carriers-and-low-cost-carriers-barrett-sean/10010682011

Belobaba, P., Odoni, A., & Barnhart, C. (Eds.). (2009). *The global airline industry*. Wiley. https://doi.org/10.1002%2F9780470744734

Borenstein, S., & Rose, N. L. (1994). Competition and price dispersion in the U.S. airline industry. *Journal of Political Economy, 102*(4), 653–683.https://www.jstor.org/stable/2138760

CAPA Centre for Aviation. (2021). *COVID-19 and the recovery of long haul network airlines: Analysis*. https://centreforaviation.com

Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.). Sage. https://reader.ebooks.com/preview?bid=95777772&t=63909084214929769 6&reqid=163067743&uid=b446f0b64315495e24b8f9c35&hash=82c745b3322c14b40b409d3d177d0cf4

Doganis, R. (2002). *Flying off course: The economics of international airlines* (3rd ed.). Routledge. https://doi.org/10.4324/9780203995266

Doganis, R. (2010). *The airline business* (2nd ed.). Routledge. https://doi.org/10.4324/9780203596807

Doganis, R. (2019). *Flying off course: Airline economics and marketing* (5th ed.). Routledge. https://doi.org/10.4324/9781315402987

Evans, N., & Lemoine, C. (2014). Frequent flyer programmes and airline profitability: A review of empirical evidence. *Journal of Air Transport Management, 34*, 56–62https://doi.org/10.1016/j.jairtraman.2011.02.008Get rights and content

Francis, G., Humphreys, I., Ison, S., & Aicken, M. (2006). Where next for low cost airlines? A spatial and temporal comparative study. *Journal of Transport Geography, 14*(2), 83–94.https://researchcommons.waikato.ac.nz/items/d0a0fcaa-496b-47d1-890c-5783d8ad7ec1

Gillen, D. (2021). The impacts of COVID-19 on the aviation sector. *Journal of Air Transport Management, 89*, Article 2020.101920 101931. https://doi.org/10.1016/j.jairtraman.2020.101920

Graham, A. (2013). *Managing airports: An international perspective* (4th ed.). Butterworth-Heinemann. https://doi.org/10.4324/9781315269047

Helms, M. M., & Nixon, J. (2010). Exploring SWOT analysis—Where are we now? *Journal of Strategy and Management, 3*(3), 215 https://www.academia.edu/16674688/Exploring_SWOT_analysis_where_are_we_now

Hughes, V. (2020). *Airline management finance: The essentials*. Routledge, London. https://doi.org/10.4324/9780429465659

International Consolidated Airlines Group (IAG). (2011). *Formation of International Consolidated Airlines Group*. https://www.iairgroup.com

International Consolidated Airlines Group (IAG). (2020–2022). *Annual reports and accounts*. https://www.iairgroup.com/en/investors/annual-report

International Consolidated Airlines Group (IAG). (2023). *Annual report and accounts 2023*. https://www.iagshareholders.com/en/annual-reports/

International Air Transport Association (IATA). (2020). *COVID-19: Outlook for air travel*. https://www.iata.org

International Air Transport Association (IATA). (2021). *Economic performance of the airline industry report*. International Air Transport Association. https://www.iata.org/en/iata-repository/publications/economic-reports/airline-industry-economic-performance---october-2021---report

International Air Transport Association. (2024). Global outlook for air transport: A world with lower oil prices? *International Air Transport Association*, Montreal, https://www.iata.org/en/iata-repository/publications/economic-reports/global-outlook-for-air-transport-december-2024/

International Civil Aviation Organization. (n.d.). *Low-cost carriers list*, Montreal, https://www.icao.int/sustainability/Documents/LCC-List.pdf

Johnson, R. B., & Onwuegbuzie, A. J. (2004). Mixed methods research: A research paradigm whose time has come. *Educational Researcher, 33*(7), 14–26.https://eric.ed.gov/?id=EJ727588

O'Connell, J. F., & Williams, G. (2005). Passengers' perceptions of low cost airlines and full service carriers: A case study involving Ryanair, Aer Lingus, Air France and KLM. *Journal of Air Transport Management, 11*(4), 259–272. https://doi.org/10.1016/j.jairtraman.2005.01.007

O'Connell, J. F., & Williams, G. (2016). *Air transport in the 21st century: Key strategic developments*. Routledge. https://doi.org/10.4324/9781315263052

Oum, T. H., Park, J. H., & Zhang, A. (2004). Airline cost structure and technical efficiency analysis using DEA and SFA. *Transport Reviews, 24*(4), 357–380. https://doi.org/10.1016/j.jairtraman.2005.01.007

Panagiotou, G. (2003). Bringing SWOT into focus. *Business Strategy Review, 14*(2), 8–10.https://www.academia.edu/10056857/Business_Strategy_Review_Bringing_SWOT_into_focus

Pazarskis, M., Kourtesi, S., Chasiotou, A., & Konstantinidis, C. (2023b). The impact of corporate mergers on Greek firms: Strategic issues and accounting effects. Review of Economics and Finance, 21(1), 1904–1910. https://doi.org/10.55365/1923.x2023.21.205

Pazarskis, M., Kourtesi, S., Konstantinidis, C., & Mavridis, M. (2023a). Tourism industry as a competitive advantage of Greece during and after the economic crisis: Financial analysis of selected hotel and shipping companies. International Journal of Management, Economics and Social Sciences, 12(1), 29-51. https://doi.org/10.32327/IJMESS/12.1.2023.2

Pazarskis, M., Kourtesi, S., & Ntagia, E. (2024). The impact of working capital on the profitability and liquidity risk of Greek companies. Risk Governance and Control: Financial Markets and Institutions, 14(3), 96–110. https://doi.org/10.22495/rgcv14i3p10

Pickton, D. W., & Wright, S. (1998). What's SWOT in strategic analysis? *Marketing Intelligence & Planning, 16*(1), 47–64. https://www.researchgate.net/publication/246915222_What's_SWOT_in_strategic_analysis

Ryanair Holdings plc. (2023). *Annual report and financial statements 2023*. https://investor.ryanair.com/

Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research methods for business students* (8th ed.). Pearson. https://elibrary.pearson.de/book/99.150005/9781292208794

Trasberg, V. (2025). Air;line performance and the leasing ratio in the context of business models. *Financial Internet Quartely,21(3).* https://www.econstor.eu/bitstream/10419/336214/1/1940299527.pdf

UK Civil Aviation Authority. (2021). *CAA UK aviation statistics*. https://www.caa.co.uk

Yin, R. K. (2018). *Case study research and applications: Design and methods* (6th ed.). Sage. https://uk.sagepub.com/en-gb/eur/case-study-research-and-applications/book250150

Author's Statement:

I hereby expressly declare that, according to the article 8 of Law 1559/1986, this dissertation is solely the product of my personal work, does not infringe any intellectual property, personality and personal data rights of third parties, does not contain works/contributions from third parties for which the permission of the authors/beneficiaries is required, is not the product of partial or total plagiarism, and that the sources used are limited to the literature references alone and meet the rules of scientific citations.