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COVID-19 IMPACT ON THE AIRPORTS' AND THEIR HOME CARRIERS' MARKETING STRATEGY

ВПЛИВ COVID-19 НА МАРКЕТИНГОВУ СТРАТЕГІЮ АЕРОПОРТІВ ТА ЇХ БАЗОВИХ ПЕРЕВІЗНИКІВ

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The article is dedicated to the impact of the crisis caused by the COVID-19 pandemic on the aviation industry and the measures taken by the governments, airports and home carriers to overcome the consequences of the said crisis. Government actions and state aid programs for airports and airlines are reviewed. Practical examples of government aid to airports and airlines are provided. It is also reviewed how these actions affected the performance of the largest European hub airports, namely – London (Heathrow), Istanbul, Paris (Charles de Gaulle), Amsterdam and Madrid. Threats and opportunities for both European airports and airlines are analyzed with the focus on the perspectives of London (Heathrow) airport. The operation of the mentioned airports was analyzed according to the following indicators - the recovery of passenger traffic (2023/2022 and 2023/2019), connectivity, GDP indicators of the countries where the mentioned airports are located. Information on the home carriers of the airports, i.e., the share of the airline's passengers in the total number of passengers handled by the airport, financial indicators of the airlines, plans for the development of the fleet and route network is provided. Recommendations on cooperation between airports and their base airlines are provided.

Keywords: COVID-19 crisis, state assistance, airport, hub, airline, marketing strategy.

Стаття присвячена впливу кризи, спричиненої пандемією COVID-19, на авіаційну галузь та заходам, вжитим урядами, аеропортами та базовими перевізниками для подолання наслідків зазначеної кризи. Пандемія COVID-19 та економічна криза, що слідувала за нею, вкрай негативно вплинули на всі галузі світової економіки та на авіаційний сектор зокрема. Обмежувальні заходи, введені урядами, часом аж до повної заборони польотів, а також відмінності в регулятивних обмеженнях різних країн стали причиною негативних тенденцій в авіаційному секторі. Розглянуто дії урядів та програми державної допомоги для аеропортів та авіакомпаній. Наведено практичні приклади державної допомоги аеропортам та авіакомпаніям. Також розглянуто, як вказані дії вплинули на результати діяльності найбільших Європейських аеропортів хабів, а саме – Лондон (Хітроу), Стамбул, Париж (Шарль де Голль), Амстердам і Мадрид. Проаналізовано також загрози та можливості як для європейських аеропортів, так і для авіакомпаній з акцентом на перспективи лондонського аеропорту Хітроу. Діяльність вказаних аеропортів проаналізовано за наступними показниками – відновлення пасажиропотоку (2023/2022 та 2023/2019), кількість маршрутів, показники ВВП країн, де розміщенні зазначені аеропорти. Надано інформацію щодо базових авіакомпаній вказаних аеропортів – частку пасажирів авіакомпанії у загальній кількості обслугованих аеропортом пасажирів, фінансові показники авіакомпаній, плани щодо розвитку флоту та маршрутної мережі. Надано рекомендації щодо співпраці між аеропортами та їх базовими авіакомпаніями. Європейські аеропорти мають впроваджувати стратегію співпраці з авіакомпаніями для відкриття нових маршрутів/ринків і покращення сполучення. Європейським хабам необхідно враховувати плани розвитку базових перевізників, проводити консультації з перевізниками, враховувати комерційну та маркетингову політику конкурентів і вносити зміни до поточних програм стимулювання відповідно до вимог ринку.

Ключові слова: коронокриза, державна підтримка, аеропорт, хаб, авіакомпанія, маркетингова стратегія.

Problem statement. The COVID-19 pandemic caused the deepest and the most significant crisis in the history of the civil aviation. In the first quarter of 2020, after the introduction of government restrictions on air travel, the situation in the aviation industry became critical. Even after the lifting of all the restrictions, the aviation industry still did not recover to the level of the year 2019.

Governments, aviation authorities, airports and airlines have been making every effort in order to bring the industry to the indicators of the year 2019. In certain cases, the airports and the airlines have to update their marketing strategy to keep up with the new challenges.

Analysis of recent research and publications. The position and role of marketing strategy are highlighted in the works of such classics as M. Parkin [1], F. Kotler [2], and M. Porter [3]. At the same time, the most important aspects of marketing strategy, including the methods of strategic management, drew the interest of Ukrainian researchers – I. Reshetnikova, S. Smerichevskyi [4], N. Tarnavska [5]. The works of K. Sydorenko, F. Ismailzade [6] and Yu. Orlovska [7] are dedicated to the specific features of the airports' competitiveness.

При цьому, в якості статистичної бази були використані такі дослідження Air Transport Bureau International Civil Aviation Organization (ICAO) [8], Airport Council International (Europe) monthly report [9], ACI EUROPE Airport Industry Connectivity Report [10], International Monetary Fund, World Economic Outlook (Oct 2023) [11] and the Internet Open sources (Airports' & Airlines' web-sites) [12].

Unfortunately, we have to note the almost complete lack of scientific works on overcoming the corona crisis by aviation companies due to the relatively short period of time that has passed since the crisis.

Formulation of the purpose of the article. The purpose of the article is to provide a practical insight of the COVID-19 impact on the airports' and their home carriers' marketing strategy.

Presentation of the basic material of the study. We live in a world that seems to be rife with crisis. Crisis in the past, crisis and war now, crisis and global recession in the future. Therefore, the business sustainability depends on the ability to respond to crisis phenomena and ensure rapid transformation of the company's marketing strategy.

The COVID-19 pandemic followed by the economic crisis affected all sectors of the global economy and have had a significant impact on the aviation sector.

A number of restrictive measures, sometimes up to a complete ban on flights, a drop in the level of solvency, as well as differences in regulatory restrictions of different countries of the world caused negative trends in of aviation sector.

Fig. 1 shows the dynamics of passenger traffic evolution under the influence of the COVID-19 pandemic.

The given statistical data prove that World passenger traffic collapses with unprecedented decline in history. At the same time, in order to overcome the negative consequences of the pandemic, the governments of most countries took urgent measures to support the aviation industry.

The key issue for overcoming the crisis, and, in fact, for the survival of the industry and the further formation of the marketing policy of airports and their home airlines, became the issue of the implementation of airport and airline support programs by the governments.

From March-April 2020, the governments have already implemented programs to assist the aviation industry of their countries. A brief overview of the main areas of assistance in foreign countries:

– deferral of taxes, fees, dividends, etc. for enterprises in the industry – implemented in all countries;

– provision of state guarantees for commercial loans and assistance in obtaining commercial loans (implemented in northern Europe);

– direct financial assistance to airports (to solve current financial problems and lending to airlines) – already provided to several thousand airports in the US and Europe, ranging from 20 thousand dollars (small regional airports) to 300 million dollars (large hubs);

– direct financial assistance to airlines or interest-free loans from the Government – already provided to a large number of European airlines, ranging from $ 250 million to $ 4 billion to support national airlines;

– other measures: from compensation of salaries of employees by the state funds of social insurance (almost everywhere) to compulsory reduction of cost of aviation fuel (in separate countries); return of dividends for the previous year (in countries where the state withdrew dividends).

Following the announcement of a flexible interpretation of EU state aid rules to support national support measures for critical sectors,

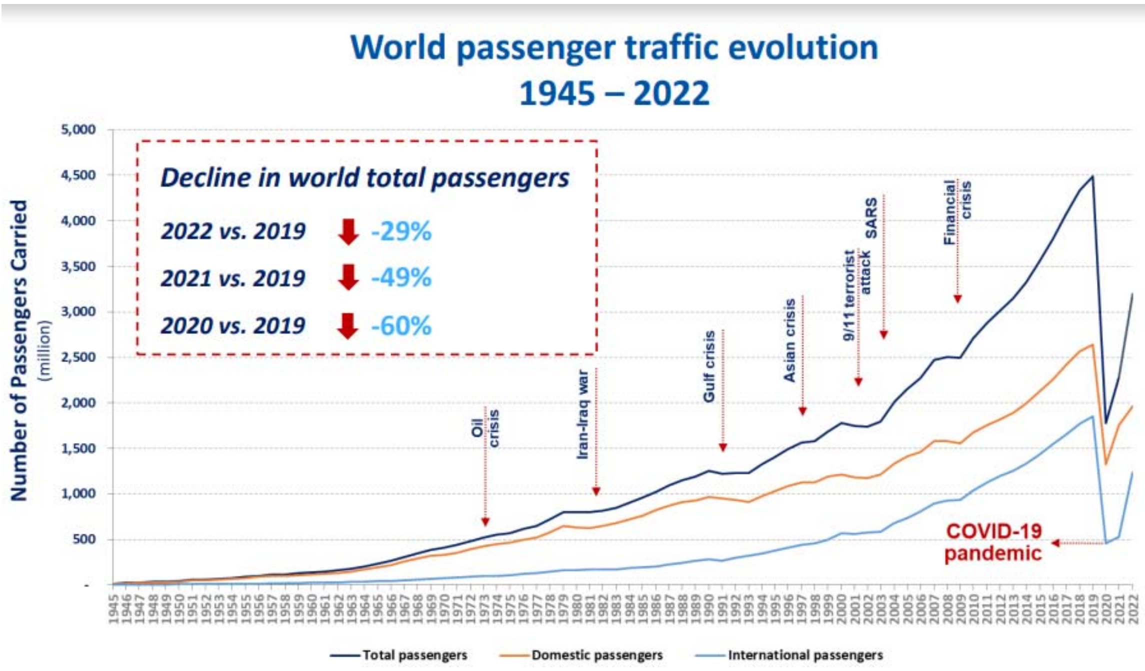

Fig. 1. Changes in passenger traffic dynamics under the impact of the COVID-19 pandemic, millions PAX

Source: Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis Economic Development of Air Transport Air Transport Bureau International Civil Aviation Organization (ICAO) Montréal, Canada 27 April 2023 [8]

the European Commission also requested member states to apply Article 107 (2) (b) TFEU, which allows them to compensate companies for damage directly caused by exceptional cases, such as COVID-19, including measures in sectors such as aviation and tourism.

Understanding the importance of supporting air carriers as drivers of airport development, the governments have ensured that aid is provided to the following air carriers.

Now let's pass to the analysis of how the efforts of governments, airports and airlines aimed at minimizing of the said consequences influenced the leading European hubs operation and their marketing strategy.

The leading European hub airports were selected for analysis: London (Heathrow), Istanbul, Paris (Charles de Gaulle), Amsterdam and Madrid. The focus is on the indicators of the London (Heathrow) airport.

The analysis will be carried out in the following areas:

1. European and Middle East Hubs:

– Threats (COVID-19 impact, competition for connectivity, economic factors);

– Opportunities.

2. Home carriers for European and Middle East Hubs: Risks and Opportunities.

Heathrow recovers very quick (+32.4% 23/22), at the same time it faces challenges to other hubs (Istanbul) which managed with crisis better (+11.4% 23/19).

Heathrow keeps the 3rd position this year moved up from 4th in pre-pandemic 2019, mainly due to transatlantic market recovery. Istanbul (+9) has come out on TOP of Ranking from 5th place.

Demand for air transport is sensitive and related to the economic development of the country. In reviewing the likely potential of the future traffic development, it is necessary to assess the forecast of the global economic prospects.

Further quick economic growth in Middle Eastern countries (Turkey) can impact on airline preferences to open/increase flights to IST, POTENTIALY diverting traffic from LHR.

European and Middle East Hubs: Opportunities:

– Low recovery of some European Hubs – great opportunity to open new routes;

– Amsterdam capacity reduction (set by Government) – possibility for growth;

– Cooperation with other hubs (esp. One world); attracting new airlines – Improves connectivity.

Table 1

Airlines State Aid

Airline	State aid	Form
Lufthansa Group	€10bn	German loans and/or equity investment
	€800m	Austrian loans & grants
	€290m	Belgian loan guarantee
	€1.4bn	Swiss loan guarantee
Air France-KLM	€4bn	French 90% loan guarantee
	€3bn	French direct loan
	€3bn	Dutch loan guarantee
	€100m	French deferral of aero charges/taxes for "French airlines"
Delta Air Lines	$4.1 bn	Direct grant
	$1.6 bn	Low-interest rate loan
American Airlines	$4.1 bn	Direct grant
	$1.7 bn	Low-interest rate loan
	$4.75 bn	Loan from the U.S. Treasury
United Airlines	$3.5 bn	Direct grant
	$1.5 bn	Low-interest rate loan
TUI Group	€1.8bn	German loan
Alitalia	€1.2bn	Italian renationalisation
	€500m	Italian C19 fund for "Italian airlines"
Iberia	€1bn	Spanish loan guarantee
SAS	€455m	Swedish loan guarantee for "Swedish airlines"
	€137m	Swedish loan guarantee
	€137m	Danish loan guarantee
	€132m	Norwegian loan guarantee
Finnair	€175m	Finnish loan guarantee
	€600m	Finnish statutory pension premium loan
Air Serbia	€60m	Loan
Condor	€550m	German loan
Virgin	€500m	UK grant
TAP	€350m	Portuguese loan guarantee
Norwegian	€265m	Norwegian loan guarantee
LOT	€250m	Polish grant / loan
Tarom	€65m	Romanian grant or loan
Blue Air	€65m	Romanian loan

Hubs Threats: COVID-19 impact

Rank	City	Code	2023	2023/2022	2023/2019
1	London	LHR	66,345,177	32.40%	-2.40%
2	Istanbul	IST	64,423,932	20.70%	11.40%
3	Paris	CDG	56,825,123	19.20%	-12.20%
4	Amsterdam	AMS	52,317,688	17.90%	-14.20%
5	Madrid	MAD	50,333,230	20.90%	-3.30%

Fig. 2. Passenger traffic Development (October 2023)

Source: Airport Council International (Europe) monthly report [9]

Hubs Threats: Competition for Connectivity

2019	2022	2023	Code	1000 2000 3000 4000 5000	
5	2	1	IST	4 866	+9%
2	1	2	AMS	4 497	-8%
4	3	3	LHR	4 441	-5%
3	5	5	CDG	4 259	-11%
7	6	6	MAD	3 502	-12%

Fig. 3. Direct Connectivity – TOP 5 airports in Europe by PAX YTD OCT 2023 (Ranking 2019, 2022&2023/June 2023 vs June 2019)

Source: ACI EUROPE Airport Industry Connectivity Report [10]

Hubs Threats: Economic factors

Rank by PAX (YTD OCT 23)	Airport	Country	Real GDP growth, %
1	LHR	United Kingdom	0,5
2	IST	Turkie	4,0
3	CDG	France	1,0
4	AMS	Netherlands	0,6
5	MAD	Spain	2,5

Fig. 4. Real GDP Growth, 2023

Source: International Monetary Fund, World Economic Outlook (Oct 2023) [11]

Home carriers for European and Middle East Hubs

Home Carrier	Hub code	Hub's Route dependency (share of home Carrier)	Home Carrier financial stability, profit 3Q 23, € m	Home Carrier future development	Home Carrier Alliance	Home Carrier Alliance destination served
British Airways	LHR	52%	1,75	**12** A380s, **24** 787s and **6** Boeing 777-300ERs	OneWorld	900
Turkish Airlines	IST	80%	1,66	**355** new aircraft till 2033	Star Alliance	1300
AirFrance-KLM	CDG	52%	1,34	**50** Airbus A350-900 and A350-1000 - in 2026 through to 2030	Sky Team	1100
KLM-Airfrance	AMS	60%	1,34		Sky Team	1100
Iberia	MAD	60%	1,57	**6** A350-900, **14** Airbus A321XLRs	OneWorld	900

Fig. 5 Home carriers for European and Middle East Hubs

Source: Internet Open sources (Airports' & Airlines' web-sites) [12]

Home carriers for European and Middle East Hubs: Risks and Opportunities:

– Route dependency;
– Financial stability;
– Development plans;
– Alliance opportunities.

Home carriers for European and Middle East Hubs: Risks and Opportunities.

As it was mentioned in the previous research, basically the drivers of the hub airports development are the strong home carriers, that are able to generate significant additional traffic. The hubs were developed due to the transfer flows generated by the home carriers, for example: Heathrow – British Airways, Istanbul – Turkish Airlines, Charles de Gaulle – Air France, Amsterdam – KLM, Madrid – Iberia.

In addition, it is important to note that all the indicated carriers are operating with a profit in 2023 and have ambitious plans for the development of the fleet.

Conclusion. European Hubs (including Heathrow) should view other European and Middle East Hubs as both Threats and Opportunities, implement collaborative strategy with airlines and airports in order to open new routes/markets and improve connectivity.

European Hubs must take into account the home carriers development plans, hold on-going consultations with air carriers, monitor the commercial and marketing policy of competitors and, in case of necessity, amend the current incentive programs in line with market requirements.

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