



Analysis of Marketing Strategies for Low Cost Airlines

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Abstract. The global aviation industry has entered a new stage of rapid recovery and prosperity since the haze of the COVID-19 epidemic has gradually dissipated and significant prevention and control results have been achieved. The complex business operation mode and strategy of this industry have not only attracted widespread attention and in-depth exploration from industry professionals, but also stimulated strong interest and exploration enthusiasm among academic researchers. In recent years, low-cost airlines (LCCs) have emerged as a rising force in the aviation market. Compared with traditional airlines, LCCs have simplified their service content and passenger experience, but have demonstrated stronger market competitiveness through their unique business models. Especially its flexible and versatile route strategy has played a key role in improving performance, opening up new perspectives for academic research. This article will focus on the two core strategies for low-cost airlines to increase profits - cost reduction and revenue growth, and deeply analyze the logic and operational wisdom behind them.

Keywords: Market Strategy; Airlines; Low Cost.

1 Introduction

In recent year, especially after the COVID-19 epidemic, Airline companies is developing continuously and rapidly. As a result, the reasearch of the operation stratageies is proceeding by many scholars. and many new methods of operating are now been invented to increase the profit for airlines companies. There are many types of the airlines company. Some airlines is called “Full-Service Carrier”, which provide full service, including meals, water, free checked baggage, spacious seats and better service, such as British Airways and Emirates. Most of Airlines can be classified as this type. The other Airlines can be classified as low-cost carriers (LCCs), which first appears in 1971 in US and it become more common in these years [1]. They often do not provide meals, water, checked baggage for free, travellers need to pay for them. There seats is often crowded, and they do not provide extra service. To conclude, the ticket of these airlines only includes a seat, but do not include other services. Some famous low-cost carriers includes Ryan Air in europe, Southwest Airlines in US, Air Asia in Sousteast Asia. Low-cost carriers often have better performance. For instance, The net profit of Ryan air is 159 million dollor [2]. It is deserve to do some research to know that why these

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type of airlines often get high profit and give some advices for other airlines companies. This study will focus on the the reason why this low-cost carriers often get high profit. This research aim to make summary of reasons, includes howcan they reduse there cost and how can they increase there revenue. To reach this goal, this research will use several methods, which includes searching for relevant artical, making summary and numeral anaylasis for informations. This research will give airlines some advices on how to increase their profit, not only for full-service carriers, but also for full-service carriers as they can change their operate stratages and better meet the need of the market, which will increase their performance. The artical below will first provide review for the artical, and then introduce how can low-cost carriers decrease their cost and increase their revenue respectively, and finally give some advices on how can airlines, including both low-cost carriers and full-service carriers increase their performance.

2 Ways that Low-cost Carriers Used to Decrease Their Cost

The main reason that low-cost carriers can increse their profit is that they decrease their cost per travellers. This includes many ways. Firstly, the longth and width of economic class seats of low-cost carriers is often small. For instance, both Ryanair and American Airlines have B737-max, and both of them are used to fly short-range flight route. According to Aerolopa, for economic class, the sit pitch for Ryan air is between 28 inch to 29 inch ad for American Airlines, the sit pitch is 30 inch and the back of the seats can be adjusted [3]. The seat map is shown in figure 1. In this case, in same place, low-cost airlines like Ryanair can place more economic-class seats, which means their cost per seat will

Another way they used to decrease their cost is not to provide free water, meals and other goods provided during the flight. China Eastern Airlines is a full service airlines. According to the financial statement of China Eastern airlines, in 2024, the cost of water, meals and other goods is 3,161,000,000 [6]. As a result, reducing these cost can significantly reduce the whole cost. Besides, low-cost airlines always try to reduce the cost of using airports, they always use the airport that is always far away from the city, which always have low cost [7]. For instance, in Tokyo, there are limit amount of flight operated by low-cost carriers in Tokyo Henda Airport, which is near the city centre of Tokyo, they only have flight in the mid-night or morning. In contrast, in Narita Airport, there is a terminal which is for low-cost carriers and a large amount of low-cost carriers' flights are in this airport. In London, low-cost carriers, such as Easyjet and Ryanair do not use London Heathrow Airport, which is the main airport in London and is relatively close to the city centre, they use Gatwick Airport, Luton Airport and Stansted Airport, which is far from the city center. Besides, the utilization rate of low-cost carriers aircraft is higher than full service airlines. For instance, spring airlines is a low-cost carrier, China Eastern airlines is a full service airlines, and they are both located in Shanghai. Between 2020 and 2022, the average utilization rate of spring airlines is higher than china eastern airlines tor 2.1 hours per day [8]. Low-cost carriers often use same type of aircrafts or use planes that is manufactured by same manufacturer. For instance, Ryanair, Southwest only use B737 family and Easyjet, Spring Airlines only

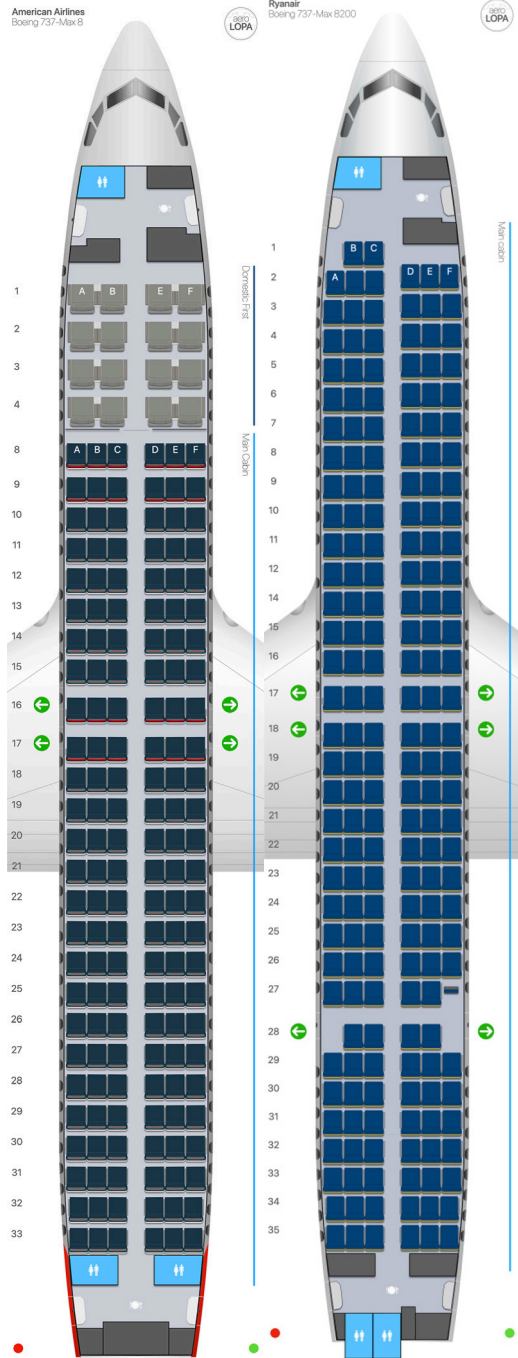


Fig. 1. The comparison of B737-MAX8 seat distribution of Ryanair and American Airlines [4][5]

use A320 family. Air Asia group also operate long rough flight, so apart from narrow body aircraft, they also need wide body aircraft. They only have A320 family for narrow body airport and A330-300 for narrow body aircraft. When an airline company only have one type of aircraft, their maintenance costs and training costs will all reduced due to economics of scale [9]. Therefore, the cost of fuels occupies a large part of whole cost, when other condition remain unchange and the weight of plane is lower, the usage of fuel will be lower. Because of this, low-cost carriers always use lightweight seats to reduce the total weight of their plane, and they seldom install inflight entertainment system, one reason is that the weight of this system is high and result in a higher use of fuel. These methods can significantly decrease the use of fuel and decrease this type of cost. Also, low-cost carriers try to reduce their cost in many other aspects. For instance, Ryanair do not allowed their passengers to check in in the court, which can reduce their cost of renting courts from airport and hiring employees in the court. And in China, Airlines company often cooperate with China Aviation Information System, and this system collect 3% ticket fare as agency fee [10]. In order to reduce this cost, Spring Airlines do not use their system, so they do not need to pay this 3% cost of selling ticket and reduce their total cost.

3 Ways that Low-cost Carriers Used to Increase Their Revenue

Apart of increasing their cost, low-cost carriers also try to increase their revenue. At the same price, low cost airlines always have lower ticket fare, but they increase their revenue through other ways. Firstly, they always charge fees for services that is free for full service airlines. Passengers can not take big luggages into the aircraft cabin. If passengers still take them into the cabin, they have to pay fine for this. For instance, if passengers bring extra size luggage into the cabin of Spring Airlines China domestic flight, they need to pay 300RMB as fine [11]. But the ticket of low-cost carriers often do not include carried luggage, as a result, passengers need to buy carried luggage, which will also increase their revenue. Selling water and meals on the flight is also a way that low-cost carriers used to increase their revenue. During the flight, the only seller of water and meals is the airlines company, which means they are just like a monopolist on the plane, in order to maximize their revenue of selling water and meals, low-cost carriers can set a price which is much higher than its marginal cost and they will get higher revenue. There are also other ways to increase their revenue. Firstly, low-cost carriers always fulfill the cabin, including the seat back, luggage rack with advertisement, and they will receive advertising fees. Besides, low-cost carriers always sell goods during flight, there often a cabin crew who use broadcast to introduce their goods sold during flight. This is a free advertisement for their goods. For instance, in 2018, The revenue of selling goods in the flight of Lucky Air, which is a low cost airlines bases in Yunnan, China, occupies 5-7 percent of whole revenue [12]. Furthermore, because the ticket of low-cost carriers' often do not include free carried luggage, less passengers will check their luggage, which means there are more places for the company to use in other ways. For instance, they can cooperate with express company and use those place to ship express delivery and increase their revenue. Despite the

price low-cost carriers flight is lower than other flights, the revenue from selling tickets is still occupies big part of whole revenue, that's because low-cost carriers often have high load factor. For instance, between 2019 and 2023, except 2021 which is affected by Covid-19, Ryanair have average more than 80% load factor [13], and the load factor between 2019 and 2023 are all significantly higher than average of all other airlines companies [14], which is shown in figure 2. The high load factor ensure that they can get high revenue from selling tickets despite the price of single ticket is low.

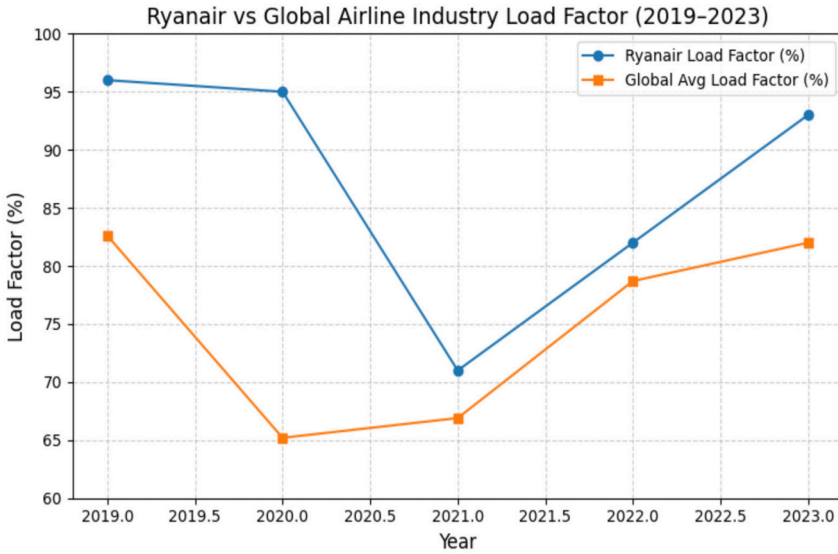


Fig. 2. Ryanair vs Global Airline Industry Load Factor (2019–2023) [13][14]

4 What Aviation Company Can Learn from Operation Strategies of Low-cost Carriers

After exploring the strategies of low-cost airlines to increase profits in the past, it is of great practical significance to further analyze how other airlines can learn from the successful experience of low-cost airlines to increase revenue. Full service airlines have always attached great importance to passengers' flying experience. In view of this, some of the strategies adopted by low-cost airlines are not applicable to full-service airlines, as these strategies conflict with the latter's brand positioning. For example, full-service airlines should not promote their products through broadcasting during flights, as this could seriously damage passengers' flying experience and disrupt their rest time. However, some practices of low-cost airlines still have reference value for full-service airlines. For example, full-service airlines may consider placing advertisements in the cabin, but it should be noted that they are not facing the entire cabin, but should choose positions that do not cause significant visual interference to passengers, such as behind seats. In addition, full-service airlines can also offer ticket options that do not require

checked baggage. In this way, airlines can plan cargo hold space more flexibly and try to add more cargo or express transportation services on flights.

5 Conclusion

This study provides an in-depth analysis of effective ways for low-cost airlines to achieve cost reduction, covering specific methods for reducing operating costs and increasing revenue.

In terms of cost control, low-cost airlines have implemented a series of refined measures. They are committed to reducing seat size, including adjusting length and width, in order to increase the number of seats that can be accommodated in the cabin. At the same time, free baggage check-in, drinking water, and in-flight meal services will no longer be provided, and these costs will be passed on to passengers. In addition, they tend to choose airports with lower costs as take-off and landing points, share fixed costs by increasing the daily utilization rate of aircraft, and uniformly use the same type of aircraft to reduce maintenance costs and crew training costs. In terms of material selection, low-cost airlines actively adopt lightweight seats to reduce fuel consumption and lower other operating costs such as airport venue rental fees and ticket handling fees.

In terms of increasing revenue, low-cost carriers generate profits by charging passengers for services that traditional airlines typically offer for free, such as carry on luggage, in-flight meals, drinking water, and blankets. In addition, they also make full use of the cabin space and heavily advertise to generate additional revenue. During the flight, low-cost airlines also engage in product sales to further expand their revenue sources. Meanwhile, they enhance employees' work enthusiasm and loyalty through internal promotion mechanisms, indirectly promoting income growth.

After revealing the strategies of low-cost carriers to increase profits, this article suggests that full-service airlines can learn from some reasonable methods to increase profits, such as moderately advertising in the cabin. This measure not only helps increase revenue, but also enhances brand exposure without significantly affecting passenger experience.

In summary, the efficient and environmentally friendly development of the aviation industry has become an important direction for future research. Only through continuous research and innovation can airlines achieve the dual goals of profit growth and environmental protection, laying a solid foundation for the sustainable development of the industry.

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