

# The Impact of Airline Consolidation on Consumer Choice

GRA Report

Supported by ECTAA, EPF, ETTSA

Valencia, 2 November 2017

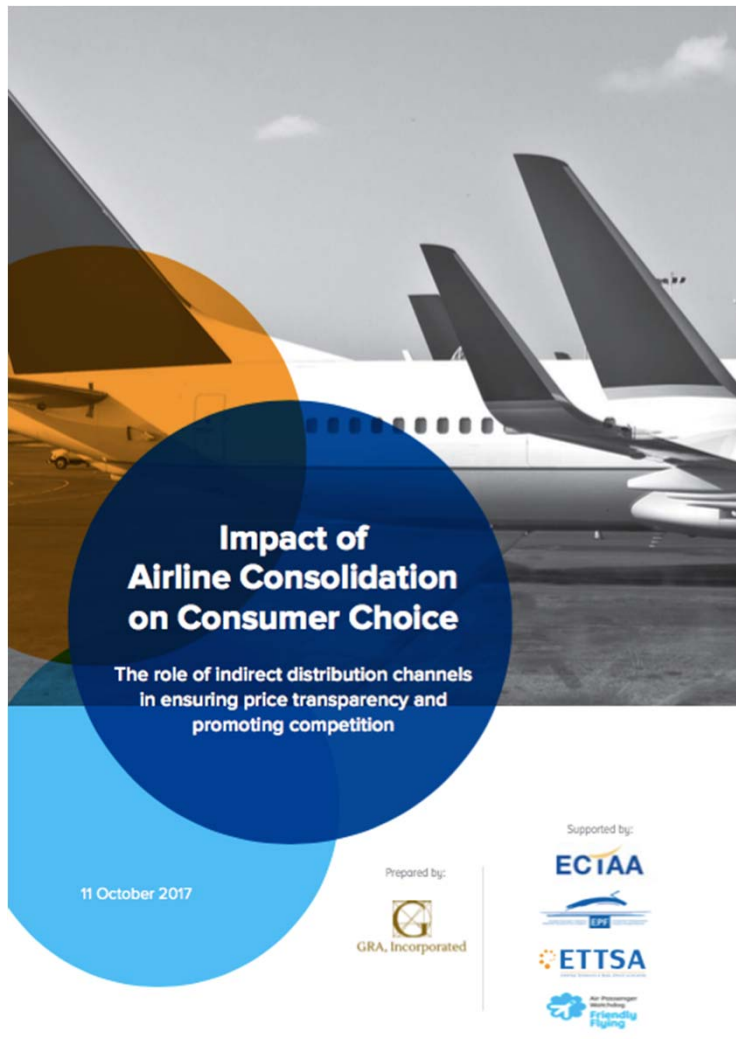


Presented by:

**Michel de Blust**, Secretary General, ECTAA

**Christoph Klenner**, Secretary General, ETTSA

# Details of the study



- Report was released on 11 October 2017.
- Conducted by GRA in the period 2016 – 2017 analysing 72 academic, scientific and industry reports (1961-2016) covering the airline industry in the US, Europe and Asia Pacific.
- Supported by ECTAA, EPF, ETTSA and Friendly Flying.

# Airline consolidation

- The last 10 years have seen **increasing airline consolidation in the EU**, by different means:
    - Airline mergers and takeovers
    - Joint ventures
    - Code share arrangements
    - Frequent flyer programmes
  - These factors have jointly contributed to a **reduction in competition** between airlines. Airlines that previously competed, no longer compete.
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# Effect of airline consolidation

The last 10 years have seen increasing airline consolidation in the EU through:



*These factors together have contributed to...*

**REDUCED COMPETITION BETWEEN AIRLINES**

Airlines deny full information to neutral channels to undermine comparison shopping



**REDUCED CONSUMER CHOICE  
HIGHER SEARCH COSTS**

Lack of competitive discipline allows the airline to charge higher fares



**HIGHER FARES FOR CONSUMERS**



# Impact on consumers



Because original airline brands have often been retained, consumers may have an **impression of choice** and competition even where none exists.

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# Conclusions

- As airlines face less competition, they **more likely deny information** to neutral distribution channels, or **impose discriminatory surcharges** on neutral travel agents, with the aim of penalizing consumers who seek transparency and undermining comparison shopping.
  - Independent distribution is **necessary for consumers to compare** travel options through neutral and transparent comparison shopping. And **comparison shopping creates a level playing field** between airlines and allows smaller airlines and new entrants to more effectively compete with larger rivals.
  - As a result, consumers face **fewer choices and higher search costs**. The lack of competitive discipline will allow the fewer airlines that are left to increase fares for consumers.
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