INCREASING ROLE OF LOW-COST CARRIERS IN AVIATION AS A PREREQUISITE FOR THE ENTRANCE OF NEW PLAYERS

by

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

LCC – Low-cost carrier

ICAO – International Civil Aviation Organization

IATA – International Air Transport Association

SAAU – State Aviation Administration of Ukraine

MIU – Ministry of Infrastructure of Ukraine

PESTLE – Political Economic Social Technical Legal Environmental

UIA – Ukrainian International Airlines

CHAPTER 1. EXECUTIVE SUMMARY

Performed market analysis of specific segment of airlines industry is focused on the determination of the fundamental prerequisites and key features of low-cost carriers' development as an attractive to customers mode of transportation. Moreover, we analyzed the current market situation in Ukraine and considered the potential of Ukrainian low-cost carrier SkyUp Airlines to grow and expand further its operations with recommendations on further possible activities that might be launched in the future.

First of all, in this analysis we defined the term low cost carrier that is "an air carrier that has relatively low-cost structure in comparison with other comparable carriers and offers low fares and rates."

Having analyzed statistics, other research papers and available data we found out that the share of low-cost airlines in the whole airlines market is growing dramatically up to almost 30% in 2018 (on the global scale). The same trend is observed on Ukrainian market, current share of low-cost carriers is much bigger than years before (15% in 2018 in comparison to 9% in 2017). We noticed that this market is very interesting to study and perfect to dive deeper in its exploration and analysis.

To find out all the barriers and influencing factors that constitute business environment of the country we prepared PESTLE analysis. It covers different aspects (political, economic, social, technical, legal and environmental) affecting current business ecosystem in which companies execute their operations.

Another important point to focus on is the maximum possible number of passengers carried by air transport in Ukraine. This number is calculated by the sum of traffic capacities of major airports operating in Ukraine on the regular basis. We decided to take the major 7 international airports that cover most of the flights from/to Ukraine, (both domestic and international). These are KBP, IEV, LWO, ODS, HRK and others.

After analyzing the current status of infrastructure that allows airline companies to execute their business operations, we are moving to the next important stage of the analysis - types of airlines & flights and major players. We defined that there are such types of carriers as regular flights airlines, low-cost carriers and charter flights airlines.

More detailed overview of other than low-cost airlines is provided further in this paper. Regarding the top players on low-cost airlines segment we determined that Wizz Air, Ryanair, Vueling Airlines, Pegasus Airlines, Ernest Airlines, Sky Up Airlines, Fly Dubai and Air Arabia are the biggest players (only Ryanair and Wizz Air together have 65% share of the segment).

On the next stages, we are moving to the smaller level-level of particular low-cost carrier SkyUp Airlines. To determine the position of this player in the market SWOT analysis was developed to receive the opportunity to determine all the advantages and disadvantages of current business activities of this carrier. More detailed overview is provided further in this paper. Based on positive and negative sides of current business model of Sky Up, main conclusions and recommendations were developed.

CHAPTER 2. INDUSTRY ANALYSIS AND RESULTS

2.1. Introduction

In this intensive and restless life full of numerous events, meetings and travels one of the most significant places is taken by the means of transportation. According to US National Safety Council, the fastest and the safest mode of transportation is the air transport (odds of dying as a plane passenger is at 1 in 205,522 that compares with odds of 1 in 202 for a car crash). With the acceleration of the pace of people's lives the demand for services of commercial airlines which provide transportation services is also growing at very high speed as well as the profits of such companies.

But, in tremendous global commercial airlines industry, the rising and quite big part is occupied by the segment called low cost airlines market. At the world scale, the share of low-cost carriers in the entire aviation industry in 2018 was estimated at the level of 30% [9]. And this number is likely to grow further.

Such tendency is observed all over the world: on the American continents, in Asia and, particularly, in Europe which is the largest low-cost carrier market. Share of low-cost segment on European airlines market is estimated at the level of 36% in 2018. Low cost airlines are developing very rapidly in Ukraine nowadays as well with market share increase from 9% in 2017 up to ca. 15% in 2018). That is why the potential growth of this market segment in Ukraine should be studied deeply in order to define all the advantages and disadvantages which new companies can face up to while considering the entering this sort of business activity.

Low-cost carriers (LCC) are a new type of companies (to some extent) that differ from conventional airlines in a way they offer passengers much lower level of airfare. These airlines either do not include additional fees into the ticket price and make them optional (whereas traditional carriers include) or provide their services not in capital cities, but in the secondary airports which charge lower fees and are cheaper to use.

2.2 Political, Economic, Social, Technical, Legal, Environmental analysis (PESTLE)

Before analyzing the particular market of low-cost airlines, the all segments of the market should be considered. According to the statistics of State Aviation Administration of Ukraine more than 20.5 million passengers were carried by all types of commercial airlines from/to Ukrainian airports in 2018, that is 24.5% higher than in previous year. [15]

This market gains momentum because of the driving forces of the whole economy, as it recovers after deep recession times. However, there are groups of external factors that affect the market conjuncture and each company, in particular. PESTLE analysis is one of the common ways to discover and define these influencing factors in order to understand what should be taken into consideration in this business research and analysis. To receive broad and comprehensive overview of the business activities at first, the whole "ecosystem" in which operations are performed should be considered from the perspective of different dimensions or enablers like legal jurisdiction, economic welfare, social and political situation etc.

Political and Legal Factors. Unpredicted development of the next political events in the future, volatility and insecurity of legal framework in Ukraine are one of the most influential factors that negatively affect companies' decision making in terms of the Ukrainian business environment entry on the whole. It also increases uncertainty whether a new company will invest into the establishment of a new player on the market or not and leads to the increase of risks related to doing business, in general. Such political caution/danger could be seen in low cost airlines market as well. Insecurity, ongoing war in the East of Ukraine, which could be a big prerequisite for war and military situation, political instability and constantly changing legislation in this field are among the biggest negative pressures.

Low-cost carriers could be affected also by the complaints from consumers as the quality of services is quite low. This might result in the suspension or termination of low-cost carriers' licenses.

Economic Factors. The airline industry follows ups and downs of the entire economy and is strongly affected by economic cycles. When economy of the whole country goes deeply in recession the main driving sectors will follow this trend too. That means that the overall activity of population goes down, people cut their holiday expenses. The deeper is a slump, the higher the unemployment is, i.e. lots of people lose their jobs and therefore their purchasing power decreases. So, the demand for leisure and business trips drops.

Here we should also indicate that tax policy in Ukraine has an impact on companies operating within industry. High tax rates mean lower profits for airline carriers, that subsequently decrease the attractiveness of the Ukrainian market for new players and increase the probability of receiving low profits for existing companies.

Another economic factor is the level of fuel prices that comprises the largest part of low-cost carrier ticket price. The volatility of prices on the energy market is another economic issue affecting the situation on the aviation market. The higher the price for fuel is, the higher the ticket prices are, and this leads to the drop in demand from population.

One of the most important factors in terms of the costs side of such type of companies is the level of airports fees. As the policy of different airports toward charging of low-cost carriers changes frequently, low-cost airlines should arrange their operations from airports with lower level of fees.

Social and Demographic Factors. This group of factors deals with the consumers' side of market conjuncture. People's purchasing capacity is the main revenue driver for airline companies. The higher wages in a country are, the higher incomes people receive, the more they will spend on holidays and on the air tickets, in particular (and vice versa). Consumers' attitude, tastes, preferences, they all affect the business model and pattern of operations of air transport carriers. That is why companies should always observe the trends of consumers behavior and satisfy their needs, therefore, maximize their profits. At the same time there is an adverse impact on aviation. It can be either terrorist attacks or outbreak of severe diseases epidemic.

Technological Factors. Innovations take the leading position in the process of development of any type of business activity. So does the technological and scientific progress in airline industry. Technology has boosted the airline companies to new level of services. Innovations allow passengers to make phone calls, use wi-fi during flights, as well as improve their safety and comfort. Scientific studies in the sphere of air transport construction with innovative approaches make air travel even safer and cheaper. Airline carriers use online applications and social networks as well to ease the way of booking tickets for their clients.

The concept of "no-frills" carriers implies that tickets can be booked and bought only online via Internet and applications. That is why the development of technologies is among the most significant targets that the new generation of air transport companies should seek to.

Ecological Factors. Nowadays, when the world is full of concern about the ecological state of global environment, every region, country and company try to save our planet from terrible pollution. Airline companies can make such a contribution by reducing the emissions, by implementing eco-friendly fuel types and by using efficient aircrafts (i.e. usage of natural resources that are not finite).

Climate conditions are also considered to be significant influential factors on airline industry. Because of thunderstorms, snowfalls and other meteorological disasters air transport carriers suffer losses as their operations are suspended by abovementioned factors. [2]

2.2. Industry overview. Low-cost carrier's business model

As we mentioned before, LCC constitute the big part of the whole aviation industry (30% at the global scale). Along with this type of carriers, regular flight airlines, charter flights carriers are another group of players which operate within the same market conditions and compete in the same economic environment in Ukraine.

Regular flights – flights that are performed in accordance with ordinary schedule of airlines. It is a quite common type of air service. Tickets for such flights can be bought or booked in airline offices, in special agencies or via online on company's website. On Ukrainian market, the largest part of these flights belongs to Ukrainian International Airlines (UIA). This carrier operates as a monopolist and its share on the market of commercial flights constitutes almost 40% according to the avianews.com data.

It covers almost all the directions over the world and consistently expands its flight geography. The leading position in regular flights segment is taken by such airlines as Wind Rose, Azur Air Ukraine and Yan Air as well. These companies constitute approximately half of the entire supply of regular flights. Another half is occupied by foreign carriers, among which are Turkish Airlines, Belavia, Qatar Airways, Air France, KLM, LOT, British Airways and Lufthansa.

These conventional carriers provide wide range of different tariffs. Among the advantages of regular flight airlines are: available flight routes to any destination as long as an airport is there, high quality services, suitable timetable for departure/arrival of passengers and operations within the main airports. But all these pluses lead to the main disadvantage – high ticket price.

Another market segment within the whole industry can be described as charter flights. This type of flights are non-regular flights and this market segment is estimated to be close to 19% of the whole aviation market [15]. An airline, specializing in charter travels performs the same flight from a large city to a resort city and usually at a inconvenient time, cause others, more suitable, time slots are given to regular flight airlines. In most cases, tickets for such flights can be bought from tour agencies, which organize holiday tour and buy out all the tickets for charter flights. The biggest companies, which provide services in this market segment include Wind Rose, Bravo Airways, Azur Air Ukraine, Ukrainian International Airlines, SkyUp and others.

However, the highest growth rate resembles relatively newly appeared market segment of low-cost air travel. Under International Civil Aviation Organization (ICAO) definition, low cost carrier is "an air carrier that has relatively low-cost structure in comparison with other comparable carriers and offers low fares and rates. Such an airline may be independent, the division or subsidiary of a major network airline or, in some cases, the ex-charter." [3] These companies are also called no-frills, discount or low-fared airlines.

Low cost airline business model can be defined as the following:

- There is no separation of classes on board, the distance between rows is narrower, that allows to place for more passengers. Food, luggage and seat choice are additionally charged.

- Low cost companies are usually focused on the short and medium route distances, on average 1500 kilometers. Also, this type of airlines tries to minimize waiting time (downtime) in the parking lot.

- In terms of this business model only unified type of aircrafts with identical class of service is used.

- As traditionally ticket price includes airport fee, low-cost carriers prefer to deal with secondary airports, where these fees are much lower, but they are much more inconvenient to get in there.

- Last but not the least principle is reduction of plane's take-off weight. This approach implies low amount of luggage on the board to decrease fuel consumption.

Ukrainian low-cost carriers' market has changed significantly in recent times. During the last few years, large European-based players entered this market segment, and therefore, it confirms the increasing attractiveness of Ukrainian aviation business environment.

2.3. Top competitors

The importance and relevance of this type of commercial flights should be explained also from the point of increasing customers' demand for travel services. As this kind of air transport implies lower ticket prices (in comparison to conventional airlines) provided for Ukrainian citizens, this consequently increases the number of people, who can afford travels by air. Accordingly, the demand for LCC services increases dramatically. Open skies enable new low-cost carriers to operate on Ukrainian market which is one shot deal because it nudges the development of the whole transportation area and allows to satisfy an ever-increasing demand for air travel services.

In Ukraine, the list of the biggest LCC players that compete with each other includes:

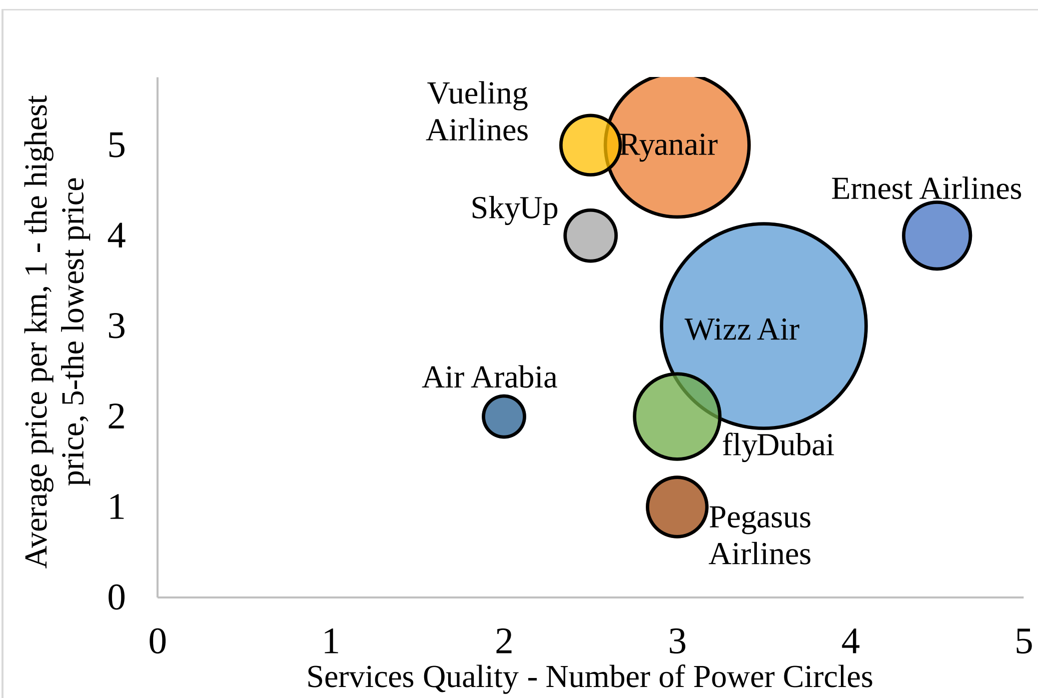
- Wizz Air – Hungarian low-cost airline with its head office in Budapest;
- Vueling Airlines – Spanish airline based at Barcelona;
- SkyUp – Ukrainian charter and low-cost airline;
- Ryanair – Irish low-cost airline headquartered in Dublin;

- Pegasus Airlines – Turkish low-cost airline headquartered in Istanbul;
- Ernest Airlines – Italian low-cost airline headquartered in Milan;
- Fly Dubai – government-owned low-cost airline headquartered in Dubai;
- Air Arabia – Emirati low-cost airline with its head office in Sharjah.

Top competitors which cover the majority of destinations in Europe are Wizz Air and Ryanair. Their common share on Ukrainian market exceeds 65%, that confirms the fact that they are the strongest competitors of this niche. The former share is occupied by other LCC which commonly specialize on certain determined routes.

Strategic group mapping resembles the situation and competition among close competitors. The two factors taken into consideration are average price per km and services quality based on the rating provided by skytraxratings.com.

Figure 1. Strategic group mapping among low-cost carriers in Ukraine.



As we can see from Figure 1 among all these airlines Ukrainian carrier SkyUp is very close to biggest players in terms of average price and service quality and might be a candidate to compete with strong European companies.

2.4. Infrastructure system

Business activities of air transport companies will be not possible without appropriate infrastructure system. Development of Ukrainian infrastructure, especially, air transport sphere is one of the most important issues the government should address. Indeed, the position of aviation infrastructure demonstrates country's attitude and plans for future of air travel services.

Due to the large territories and the advancement of big cities, there are more than 5 large infrastructure units – airports, which provide airline carriers the necessary conditions for their business operations in Ukraine. An airport is commonly characterized by such measures as traffic capacity and runways. Here is the list of existing and acting airports used for commercial transportation in Ukraine. (see Table 1)

All these airports serve range of airlines, charging different fees according to the level of runway and class of services, that is provided at certain airport. Low cost carriers as well as other type of carriers agree with airport representatives on fee rates. The bigger is an airport, the higher servicing quality is, the higher will be airport fee. This fee also depends on the type of aircrafts company uses, that is why low-cost carriers prefer to exploit unified type of planes. The type of an aircraft is also important from the point of length and conditions of runway. So, we can conclude, that the main principle of low-cost carriers' operations is: flying from/to secondary airports, which charge low fees using single type of aircrafts.

Table 1. List of airports in Ukraine

Airport name	IATA Code	Traffic capacity, passengers/hour	Length of runway, meters
Boryspil International Airport	KBP	3900	3500 4000
Kyiv International Airport (Zhuliany)	IEV	800	2310
Lviv Danylo Halytskyi International Airport	LWO	520	3305
Odessa International Airport	ODS	400	2800
Kharkiv International Airport	HRK	900	2500
Zaporizhia International Airport	OZH	400	2500
Dnipropetrovsk International Airport	DNK	700	2850

Source: table is constructed based on the information taken from airport characteristic section on airport websites.

2.5. Main destinations. Price levels.

Compliance with these principles allows low-cost airlines to follow their business model and set such low tariffs as they do. In order to determine existing price level on this market segment, top competitors and their main flight directions were considered. This analysis is based on the data taken from the database of flightradar24.com.

As it can be seen from the Table 2, the main players which cover most geographical destinations in Europe are Wizz Air and Ryanair. But, Ukrainian low-cost carrier SkyUp is just starting to take off in order to occupy significant market share and compete with top level low-cost companies.

Table 2. Main destinations of low-cost carriers, operating in Ukraine

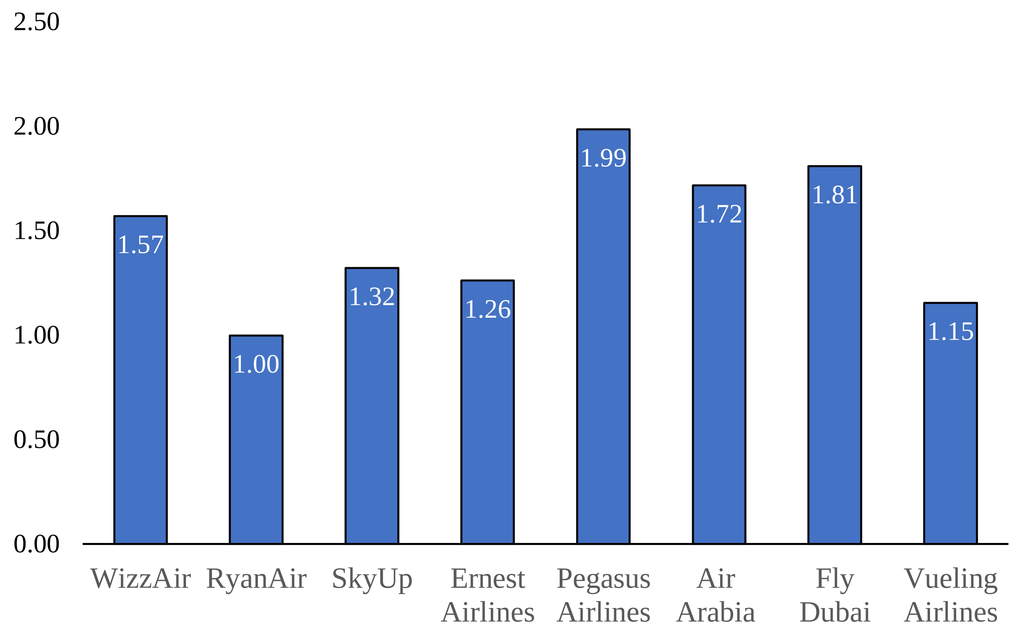
Low-cost carrier	From/to, Ukrainian Airport	Main destinations
Wizz Air	IEV	Warsaw, Vienna, Berlin, Budapest, Lisbon, Wroclaw, Krakow, Bratislava, Hamburg, Larnaca, Copenhagen, Athens, Riga, Vilnius
Ryanair	KBP	Barcelona, Paphos, Sofia, Athens, Vilnius, Krakow, Wroclaw, Warsaw, Bratislava, Stockholm, London, Manchester, Berlin, Dublin
Air Arabia	KBP	Sharjah
Fly Dubai	KBP	Dubai
Pegasus Airlines	IEV, LWO, OZH	Ankara, Izmir, Istanbul
Vueling Airlines	IEV	Barcelona
SkyUp	IEV	Larnaca, Tbilisi, Naples, Barcelona
Ernest Airlines	IEV	Bologna, Genoa, Milan, Naples, Rome

Source: flightradar24.com

After analyzing lowest existing tariffs on major abovementioned destinations of the largest LCC operating in Ukraine, the following average prices were identified (see Figure 2). The price level for one km of a journey lies within the interval from 1 to 2 UAH. New airlines, considering the stepping in the market should strive to competitive price. SkyUp, which is one of the latest created players, establishes its price at the level of 1.32 UAH per kilometer, and therefore uses its price as a competitive advantage.

Last, but not the least point in market overview is the dynamics and potential growth. Everybody knows that as the population's purchasing capacity goes up and much more countries become available for travels (visa-free regime with EU countries), the demand for air transport services increases significantly.

Figure 2. Average price per km of flight, UAH



Source: calculations based on the information provided on low-cost companies' websites.

However, is there a limit which the demand can't step over? In this analysis, we assume, that the potential (upper limit) of passengers traffic in Ukraine can be calculated in the following way. Traffic capacities per hour of all the airports were multiplied by the total number of hours during one quarter of the year. The result showed that Ukrainian aviation infrastructure allows to transport more than 16 million persons throughout 3 months. While, according to the statistics provided by State Aviation Service, only 4.5 million people have used airline services in the first quarter of the year [15]. But, this number is growing with upward trend (21.8% greater than in the same period of previous 2018 year). Airports capacities are used only on 27%, what certainly indicates that the market has great potential to grow.

Given the data on the number of flights performed by low-cost carriers in Ukraine in the first quarter of the year and taking into consideration the average number of passengers on board the total share of largest low-cost airlines is estimated to be 20% of the whole sector of commercial aviation.

This clearly leads to the conclusion, that existing niche can be taken by new players on this market. At this stage of analysis, we assume that such player could be recently opened Ukrainian low-cost airline SkyUp. The airline may consider all the conditions and working environment of this market segment, that were disclosed above herein.

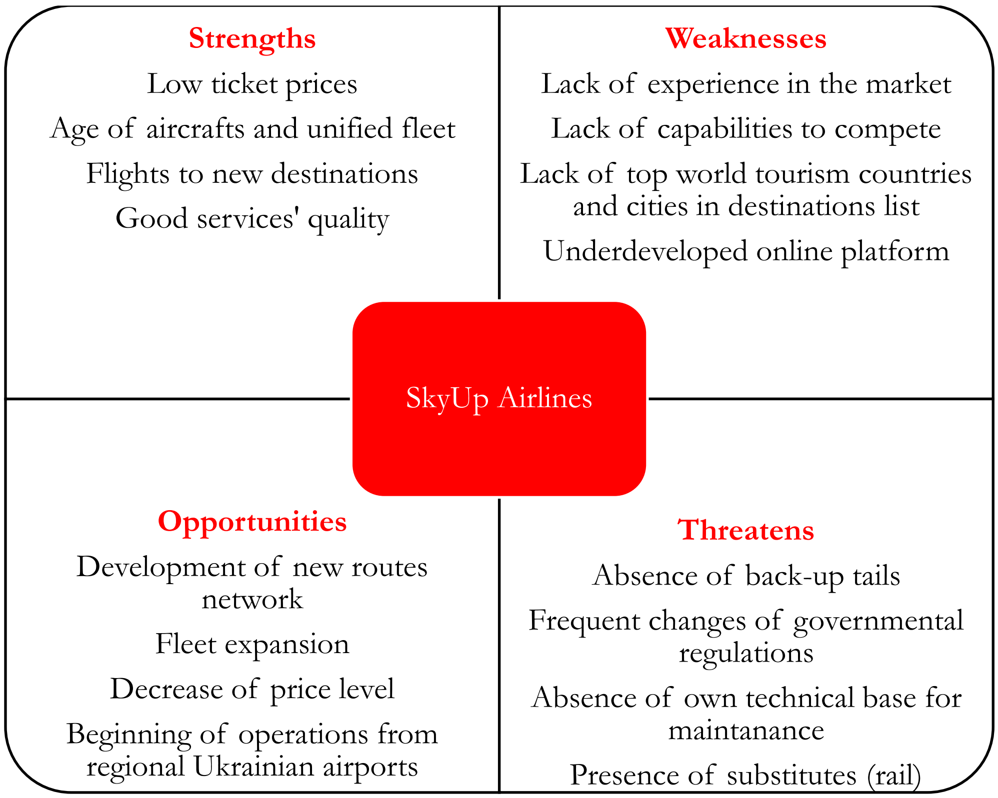
2.6. SkyUp as a new growing LCC

In order to find out more about the position and role of this carrier in the market, all its advantages and disadvantages should be studied deeply. As well as the external factors influencing strongly company's business activities. The best tool which presents company's position on the market is SWOT analysis.

As well as other companies, operating within the same business model, SkyUp Airlines provides their passengers low ticket prices. Such level of pricing can be achieved with the unified new air fleet. Airlines save money on servicing the fleet, meaning that there is no need to invest into diversified equipment and hire other qualified workforce that provide regular maintenance of unified planes. Therefore, Sky Up Airlines owns a fleet of nine aircrafts (Boeing 737-700, 737-800 and 737-900). The governance of SkyUp plans to expand its fleet up to 18 planes till year 2022.

By using all the available aircrafts company expands its geographical routes' covering. SkyUp Airlines offers journeys to Alicante, Barcelona, Batumi, Catania, Larnaca, Naples, Nice, Palma Mallorca, Rimini, Tenerife, Varna and other.

Figure 3. SWOT analysis of SkyUp Airlines



STRENGHTS

Low ticket prices. Having performed the analysis of prices among top players on this market segment we identified that SkyUp Airlines has very competitive ticket prices, falling up to 1,3 UAH per km that attracts travelers and supports company's positioning as a low-cost carrier.

Age of aircrafts and unified fleet. Since the company is a new, rapidly developing player on the market, it has quite broad fleet of new aircrafts as for the one-year-old company. What is more important is that it has "fleet family" meaning that most of the aircrafts are of the same type that allows to reduce costs on training and requalification of workers and additional costs on other types of technical maintenance.

Flights to new destinations. Low cost company SkyUp opens many new destinations for travelers from Ukraine. Such flight destinations (non-exhaustive) as Sanya, Haikou, Colombo, Kitilla, Tenerife, Kutaisi, Batumi, Salzburg, Turin are new ones, that previously either were not offered at all or offered under high unaffordable prices.

Good services' quality. Quality of services in airlines industry is determined by comfort and security of flight. The evidence of comfort level can be the distance between rows on board of in airplanes (SkyUp Airlines has much wider gap between rows than competitors). Other indicators, like security and regularity of the flights of Ukrainian low-cost carrier (SkyUp) are on the level of top airlines, as the aircrafts are new, always well-maintained and company has been already considered as one of the most punctual airlines in Ukraine in September 2019 [15].

WEAKNESSES

Lack of experience in the market. SkyUp is relatively new company, comparing to other airlines and surely it has less experience in solving of day-to-day operational problems, that is why, sometimes it loses because of its lack of operational experience and knowledge of business environment.

Lack of capabilities to compete with top market players. Also, company is only on the first stages of its development, therefore, it is difficult to compete with experienced and much bigger companies. For example, in terms of number of airplanes in a fleet, number of covered routes around the globe SkyUp is really losing to its competitors.

Lack of top world tourism countries and cities in destinations list. Despite the fact that company has very attractive list of destinations available for passengers to travel, Sky Up has not offered flights to most popular tourism countries (Rome, Milan, London, Munich, Berlin, Istanbul etc.) and cities of the world yet.

Absence of online platform for online check in. While mostly all of the airlines operating in Ukraine has their own online platform where customers can book, buy their tickets and also manage all the aspects of their booked flight (like choice of seats, luggage weight, additional services, rebooking etc.), SkyUp has only very “raw” website with online platform where potential passengers can only look for destinations and book their tickets without many other additional options that are offered by top players on the market.

Having considered the most important positive and negative sides of current business operations of SkyUp Airlines we are moving to look at the opportunities and possible threats that the company is facing.

OPPORTUNITIES

Development of new routes network. As stated earlier, SkyUp airlines needs to extend the list of available routes to cover more and more destinations around the globe to offer customers new flights.

Fleet expansion. Extension of travel destinations, in turn, can be achieved by the expansion of existing fleet. Greater number of aircrafts will allow to broaden business operations. In addition, company may consider purchase of wide-body aircraft to perform charter flights for long distance trips.

Decrease of price level to competitors’ price. Ukrainian low-cost carrier should seek to achieve even more competitive price levels than it already establishes. It can be reached by:

- Communicating and agreeing with airport management and specialized authorities on lower airport fees and fares on aviation security etc.;
- Operating not from most popular or major airports of the country in which these charges will be much lower initially;
- Excluding additional services from ticket price;
- Placing more seats on board of aircraft, but it will worsen customers' comfort;

- Concluding long-term contracts with fuel suppliers and therefore apply the economy of scale principle;
- Creating own technical base to reduce costs on technical servicing of aircrafts.

Beginning of operations from regional Ukrainian airports. First of all, reduction of price may be achievable by decreasing costs, for instance, costs on servicing by airports or costs arising from long downtime period. It can be achieved by flying to/from regional or "secondary" airports, that charge less fees and have suitable slots to eliminate long downtime of aircrafts.

THREATS

Absence of back-up tails. Every airlines company should have additional back-up aircrafts with the purpose of support the core fleet in case of unexpected breakage, technical fault, delay or poor weather conditions.

Frequent changes of regulations. Airlines industry is among the most volatile industries in terms of frequency of changes in regulatory framework that establishes and enables conditions of business environment for all types of specialized companies, including airlines. Such changes may include reconsideration of common tariffs and fees, charged by airports, limitation of certain routes to fly through or even development of new standard or requirements necessary to conduct business.

Absence of own technical base for maintenance. Nowadays, SU is using services provided by UIA Technics, which is a separate unit of one of its Ukrainian competitors – Ukrainian International Airlines. In case of increase of prices for their services, SkyUp Airlines will be in front of difficult decision either to find new subcontractor or to accept new conditions and therefore to increase its costs on technical maintenance.

Presence of substitutes like cars and railways. Despite the fact that SkyUp is an international carrier, it operates on domestic market as well. In this subsegment of its operations another type of competition exists, namely the competition with another mode of transportation – trains. Prices for domestic flights should be at least somehow comparable to those set by travel-by-train providers, to attract customers who will obviously prefer to fly then to travel by train (first of all due to the speed of trip, as the longest domestic flight takes 1,5 hour which is much faster than any travel by train).

CHAPTER 3. CONCLUSIONS AND RECOMMENDATIONS

Given the results of performed analysis and overview of the current state of low-cost airlines' market the following conclusions and recommendations can be made.

The role and share of low-cost carriers on the entire aviation market has grown significantly in the last few years. And this trend will continue.

Ukrainian air transport market is one of the most appropriate environments for new carriers to establish their operations, due to the increase of consumers' demand for airlines' services (citizens of Ukraine have received a great opportunity of visa-free regime which enables them to travel to Europe) and underusage of airports capacities (airports are used only at the level of 27% of their full traffic capacities and capabilities). Existing on the market niche could be occupied by new low-cost carriers, as the analysis confirms that only 27% of Ukrainian aviation infrastructure is used nowadays.

Infrastructure system in Ukraine should be used more actively, the airports should encourage foreign and domestic companies to enter Ukrainian business environment by providing low tariffs and more attractive conditions for operations.

Low-cost carriers' market is going up rapidly, more and more companies are established, ex-charter carriers convert into new low-cost airlines, therefore increasing its share and role in the whole industry "pie".

Business model of LCCs implies the use of low tariffs, unified fleet of aircrafts and implementation of business activities from/to regional (secondary) airports.

Companies, such as SkyUp Airlines can compete with the largest "monsters" by arranging flights to new geographical destinations, expanding the fleet, offering additional services to passengers, starting operations from non-capital airports of Ukraine.

SkyUp Airlines should seek to achieve competitive price levels, and this will be only possible in case of agreeing with airports on low airport fees, usage of single type of aircrafts, decreasing the downtime, and efficient schedule of flights.

SkyUp Airlines should strive to reduce the level of prices up to 1 UAH per km of flight (the lowest average price among top low-cost companies operating in Ukraine).

This kind of business activities becomes more attractive all over the world and more competitive strongly in comparison to conventional carriers nowadays. That is why, participating in such growing, developing and competitive business environment is certainly a perfect deal.

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