

Chapter 8

STRATEGIC MANAGEMENT OF AIR TRANSPORTATION IN TERMS OF MARKET SHARE OF COMPANIES IN TURKEY

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INTRODUCTION

In the pre-liberalization period, airline companies had to operate under strict regulations. The civil aviation authorities of the countries kept the market entry and exit, pricing decisions of airline companies, capacity increases and mergers among themselves under control. These regulations have caused airline transportation to take on a structure away from competition and the airline companies, which cannot make their own decisions effectively, cannot provide an effective service in the market. Competition is getting fiercer through globalization nowadays. As a result, it becomes very difficult to gain and maintain a competitive advantage. In recent years, many new developments have emerged in the field of management and organization in order to maintain this superiority, and new concepts, techniques and approaches have been mentioned. In general, these approaches provide competitive advantage through performance enhancement and cost reduction and contribute to maintain this superiority. There are also those who approach the subject more critically and state that these new management approaches do not have a “new” aspect other than the partially different applications and re-interpretation of existing theories (Yalcinkaya and Adiller, 2011).

After the World War II, significant developments were observed in the Turkish aviation sector through emphasis regarding the construction of new airports and modern aircraft production. Korul and Küçükönel (2003) stated that with the entry into force of the Civil Aviation Law in 1983, an important step was taken in the liberalization of the air transport sector. With this law, private airline companies were allowed to be established and operated in the

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country, thus the airline industry entered a significant development process. In the period that started with the new law, significant increases occurred in the seat capacities and market shares of private sector airline companies. Currently, 14 airlines operate in our country, one of which is state owned. Airline passenger and freight transportation is increasing rapidly in Turkey. THY is the only airline company with the largest and widespread international network in the country. Majority of the private aviation firms have entered to market in consequence of the liberalization experienced in the sector in recent years. The largest private aviation firms that able to compete with THY in the regional market are Pegasus and Atlas Jet. The market shares of those companies are proportional to the number of airplane.

The terminology of strategic management is a concept that has entered the business literature since 1980. This concept is derived from the combination of the words strategy and management. Strategic management is concerned with planning, implementing and controlling the results of strategies. Strategic management is the sum of the processes that involve making the necessary research and evaluation for the planning of strategies, taking measures within the organization for the implementation of these plans, checking the compliance of the strategies with the objectives and concerning the upper level of the enterprise. Strategic management is the process of making decisions about the future state of an enterprise and implementing these decisions (Byars, 1987, p. 17).

Strategic management basically has three stages. The first stage is strategic planning. The second phase is policy-making and appropriate structure research efforts. It is in question that the planned strategies are adopted by the middle and lower level. Studies are carried out by these levels to establish the policies to be followed in practice and to establish the most appropriate organizational structure. The third and final stage is comparison and control. Mostly, studies are carried out to compare and control the compliance of the policies created and the organizational structure to be established with the business objectives. Strategic management in businesses is the most current issue of recent years. First of all, it forms the basis for the management of businesses. In addition, strategic management provides a stream of analytical concepts, philosophies and models, organizational tools, and a variety of techniques to avoid succumbing to the business battlefield. In addition, businesses can coordinate their short-term goals and objectives in the long-term. World businesses are also in strategic changes that affect each other. Thus, companies sustain the essential activities

within a whole system. It consists of all nested systems. Here are the roles and/ or roles played by each unit in this system. In this direction, strategic management creates opportunities for businesses to adapt to the environment and the system. Strategic management in businesses is the event of adapting to problems (Eren, 1990, p. 15).

LITERATURE REVIEW

As a result of the rapidly increasing liberalization in the aviation sector since 2003, scheduled airline passenger transportation, which was previously a monopoly, has now reached an oligopolistic structure. When the companies operating within the current structure are considered, it is seen that two largest companies are Turkish Airlines and Pegasus when the fleet size, seat capacity, total flight distance reached, and the shares of passengers carried, domestic and international passengers are examined. Although they are different in terms of the business models and competitive strategies they apply, the market share, number of destinations and turnover of both companies are increasing year by year. In terms of general competitive strategies, Turkish Airlines is on its way to becoming a global brand by emphasizing superior quality and service features in service with its differentiation strategy, while Pegasus develops by offering the most economical ticket prices and operational efficiency with its low-cost strategy. Porter (1996) stated that innovation, which is seen as the main component of entrepreneurship, is the most important way of gaining and maintaining sustainable competitive advantage for an organization. It is a common feature of both companies in terms of competition that they choose them as a tool.

Although the low-cost carrier business model was initially rejected by the flag carriers, they latterly accepted that this situation gained a serious structure as the low-cost carrier business model acquired a significant market share and continued its sustainability. Low-cost carriers have aimed to provide only seat rental services to passengers by removing many of the services offered in the aircraft that constitute a cost item (Ian et al., 2006).

Oum et al. (2005) continued to examine the Chicago market. The data set, in which the time interval was extended to include the years 1981-1988, and the total market share of American Airlines and United Airlines exceeds 90%, covers flights between Chicago and 20 cities. As a result of the analysis, the

hypothesis that the airlines always behave in the same manner was rejected, and it was concluded that the behavior of the companies changed according to the lines. Accordingly, while the Bertrand model stands out on the lines where holiday travel is made, the cartel behavior was observed on the short lines, but it was found that the Cournot model was more common in most of the lines.

Oligopoly Status of Domestic Air Transport Market in International Literature

In the international literature, there are studies examining which oligopoly model the market is suitable for. Brander and Zhang (1990) examined the duopoly domestic markets in the USA. The selected dataset includes 33 city pairs based in Chicago in the third quarter of 1985, where the combined market share of American Airlines and United Airlines exceeds 75%. With the empirical analysis, the hypotheses including the cartel and Bertrand models were rejected and it was concluded that the Cournot model was more plausible. Given that the Cartel and Bertrand models are considered by most economists to be extreme market behavior, it is not surprising to conclude the Cournot model. Brander and Zhang (1993) discussed the Chicago-based flights of American Airlines and United Airlines, used the data set in between 1984-1988. The authors argue that price and quantity behavior is not consistently appropriate for any of the Bertrand, Cournot, and Chamberlin models, with firms applying different policies in different time periods. Fageda (2006) stated that the results found in the literature generally point to the Cournot model, examined the Spanish domestic market in between 2001-2002. Iberia has a monopoly on nearly half of the 100 lines in Spain, which had the largest domestic market in the EU at that time. On other lines served by Spanair and/or Air Europa, Iberia's market share varies between 50% and 90%. The author has said that low density lines can be considered as natural monopoly. Fageda (2006) also expressed that the competition in domestic routes in Spain is lower than in the Cournot model, which is likely due to capacity constraints, namely airport dominance resulting from the airlines' acquired slot rights. In the case of external capacity constraints or a natural price leader in the market, the emergence of a less competitive situation than the Cournot equilibrium can be found in other studies in the literature.

WAYS OF COMPANIES TO INCREASE THEIR MARKET SHARE

Today, the nature of the transportation service offered in air transportation has also begun to change. There is an intense competition in air transport, which has ceased to be a luxury means of transport through use of civil aviation by different social segments. Businesses have to increase their profitability and maintain their market share with frequent flyer programs, big ticket campaigns and promotions. For this reason, a service approach that can meet different expectations and needs in air transportation is adopted and studies are carried out to increase the quality of service continuously. In general, besides these features, there are some characteristic features of air transport. With these features, air transportation differs from other types of transportation (Gerede, 2015, p. 4). The services provided by the airline companies in the service process differ from each other. The basis of this difference is the system created by businesses with different market shares and customer target groups to compete. In addition, the air transportation process, its fields of activity, duties and responsibilities have been determined in accordance with the principles and rules accepted by the international aviation authorities (Okumuş and Asil, 2007, p. 23-24).

Generally, low-cost carriers prefer to use secondary airports rather than primary airports called central. While this provides the advantage of paying lower airport tax, it also provides flexibility in determining ticket prices. Changes experienced in this way have revealed a new phenomenon in the Asian continent and the European continent. Air transportation has started to appeal to almost every segment, rather than just a certain income level. Of course, this situation was not mature enough at first, but today the market share of low-cost carriers has reached a significant level. Especially in Europe, Ryanair and Air Lingus have managed to increase the passenger potential they carried between 1997 and 2003 and have reached a competitive power in the global sense. With the decrease in unit costs, they have managed to have a say in the low wage competition. In the Irish market, Ryanair has made it a stark example of this business model. While Ryanair had the capacity to carry 0.7 million passengers in 1991, Air Lingus managed to carry 3.7 million passengers. At first, Air Lingus had 70% of the market on Dublin-London and Cork flights, but later, when Ryanair entered the market, it managed to turn this ratio in its favor (Barrett, 1999).

From 1990 to the beginning of the 2000s, Ryanair managed to grow every year on an annual basis, and this rate increased to 30.5% in 2000. This company carried 40 million passengers in 2002, making it the low-cost company carrying the highest number of passengers in Europe. In March 2004, it crowned this success with 51 Boeing 737-800 series. In 2016, Ryanair carried 117 million passengers, making it the airline with the highest number of passengers in Europe. First of all, they preferred to use one type of aircraft, which is called a single type of fleet structure, thus reducing aircraft maintenance cost rates and reducing personnel training fees. Secondly, point-to-point transportation is adopted. While national carriers use the hub and spoke model, this is not the case with low-cost carriers. The biggest advantage of point-to-point transportation is the prevention of time loss. In other modes of transportation, passengers may miss their connections, causing delays and loss of income. In addition, since they use short-time ground time, airline companies can also gain advantage in the area taxes they have paid. Third, low-cost carriers do not give their workers any union rights. The fact that unionized employees have more rights than non-unionized employees and that their working hours must comply with a certain standardization creates extra costs for low-cost carriers. Accordingly, low-cost carriers are protected from the restrictions of union rights by employing their employees in the time zone and time interval they want according to their operational intensity. Low-cost carriers try to shorten the distance between seats by placing more seats in the aircraft. Thus, it is aimed to increase the number of passengers and to increase the occupancy rates. In this way, profitability is ensured by increasing the amount of income per seat (Yılmaz, 2017).

A Strategic Look at the Low-Cost Carrier Business Model

Civilian airline companies have demonstrated a significant development depending on technological developments. Efficiency is significant factor in airline companies that provide fast, reliable and comfortable travel opportunities. While the development of aircraft and liberalization and the provision of services to new segments of society increased the market share, competition increased with the continuous decrease in ticket prices and the entry of low-cost airlines into the sector. Besides all these, transportation must be standardized and the efficiency of transportation services must be improved, while the air pollution must be reduced or prevented as well (Yazıcı, 2022).

It carries out marketing activities in line with its short and medium-term sales targets, with the coordination of marketing and sales agencies, direct ticket sales, ticket promotions and campaigns in airline companies. In these activities, targets are carried out in accordance with the brand image, market share and marketing strategy of each airline company. The departments, which can also be named as the trade department, carry out these activities to increase the number of passengers, as well as to find cargo suitable for aircraft capacities. In the marketing and sales departments, new promotion activities and product development are also carried out in accordance with the market share, and it takes part in practices such as coordinating campaigns in line through passenger expectations, organizing frequent flyer programs and developing new services, ticket sales, revenue management (Kiracı et al., 2017).

AnadoluJet, which is a sub-brand of Turkish Airlines and implements the low-cost air transportation business model, can be described as an affiliated low-cost carrier (Tasci and Yalcinkaya, 2015, p. 36). The concept of affiliate low-cost carrier is used to describe sub-brands that traditional carriers have created in-house to compete with low-cost carriers. Affiliated low-cost air carrier brands such as Song (Delta Airlines), Metrojet (US Airways), and Shuttle (United Airlines) that have implemented this business model and were created by traditional carriers operating in the United States to combat the low-cost strategy implemented by Southwest airlines have failed. However, this business model is still implemented by traditional carriers in Europe. Examples of applications in Europe are Eurowings Airlines, a sub-brand of Lufthansa Airlines, and Transavia Airlines, a sub-brand of AirFrance Airlines.

In addition to its low-cost strategy, Pegasus airlines implement frequent flyer programs developed by traditional airlines to compete with low-cost airlines. In this context, passengers can register with their mobile phone numbers, spend from Pegasus and its business partners, online check-in transactions, car rentals, hotel reservations, etc. It has a “Frequent Flyer Program” where they earn “flight points” from transactions and can use these points to buy tickets, treats, area tax or baggage allowance on flights (Sarilgan, 2019, p. 53).

Onur Air established in 1992 with three aircraft and focused on the tourism sector as a result of the agreement it made with TenTour in 1994. The company, which had to shrink as a result of the economic crisis in 1998, started to make a profit with the changes in the management approach and managed

to continue its growth until today. Within the scope of these changes, the methods of hiring crew and employing flight personnel in foreign companies were implemented. While emphasizing service quality and flight safety in its mission, Onur Air has determined its vision as “to provide reliable, timely and reasonably priced flights that emphasize service quality and customer satisfaction” (OnurAir, 2021).

Onur Air has a total of 33 aircraft, consisting of Airbus A330, A321 and A320. Focusing on the tourism sector, Onur Air has scheduled flights to 35 countries and 80 destinations, most of which are in Europe, from Bodrum, Dalaman, Antalya, Izmir and Istanbul (OnurAir, 2021). It also offers OnurExtra program for frequent flyers. With this program, passengers can earn points and privileges from their travels and travel more economically and comfortably (OnurAir, 2021).

Organization Orientation

Kotler express that “An organization should complete the requirement of buyer and provide they obtain the goods and services rewards desired where and when would like to at an acceptable price. Further an organization should design a strategy that will build profitable relationships with target customers as well” (Kotler, 2009, p. 42).

Firstly, it is so significant to outline that a firm should have a well-defined target market to be able to identify their client’s necessities and to produce a good or a service which is capable of satisfying the demands of the people. In addition, it is so crucial to focus on what client necessities and to concentrate on developing a long-term relationship with them to obtain profits and market share in an organization as well. A company should always continue research to obtain competitive advantage (Fahy and Jobber, 2019, p. 7).

There are five types of organization orientation from the point of marketing concept that a firm could implement:

Production Concept: It concentrates on developing an innovative good that are available at market and highly affordable and works on their distribution efficiency. This contributes the firm in order to build client’s relationship and satisfactions (Kotler 2009: 42).

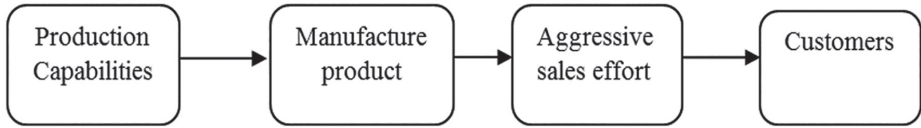


Figure 1. Production Orientation (Fahy and Jobber, 2019, p. 9)

Product Concept: Holds that the goods which have the most innovative features and also have the best quality will be preferred by the clients; this being the reason why a firm should invest in continuous product developments (Kotler, 2012, p. 15).

Selling Concept: Holds that a firm should aggressively promote its product concentrate on large-scale selling and promotion (Kotler, 2012, p. 15).

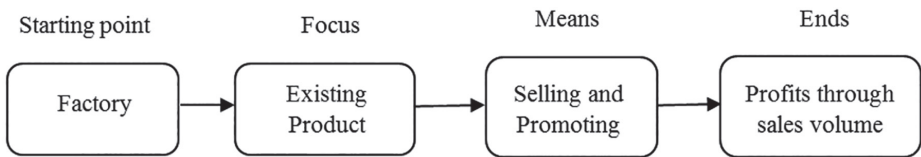


Figure 2. The Selling Concept (Kotler, 2012, p. 43)

Marketing Concept: is that a firm gets close to its clients to comprehend their necessities and problem and serve customer better than the rivals (Kotler, 2012, p. 15).

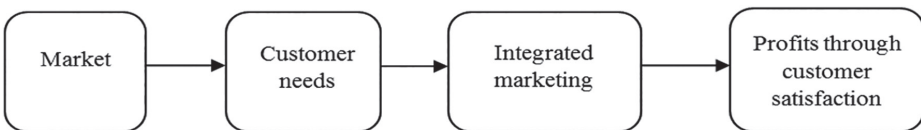


Figure 3. Marketing Orientation (Kotler, 2012, p. 43)

Societal Concept: Focus on delving value to customers in a way that maintains both consumer's and society's well-being.

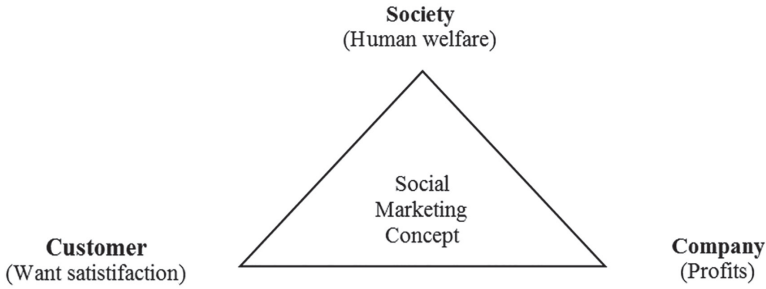


Figure 4. (Kotler, 2012, p. 44)

Turkish Airlines is a marketing orientated firm because they recognize the significance of listening to their clients this is part of their strategy to manage satisfaction. They realized the significance of quality of new services by focusing on the necessities of the clients in order to gain market share. Over the years THY has combined simplicity and great service through intelligent plans and achieved in attracting a large number of clients from different regions of the world and finally maintained long-term relationships with them.

Porter Generic Strategies

This generic strategy concept, which was stated in the 1996 by Porter, has spread all over the world (see Figure 5). Generic strategies are of great benefit in defining the simplest and broadest strategic positions for the business to achieve sustainable competitive advantage (Porter 1996, p. 11). The three strategies are demonstrated in the figure below;

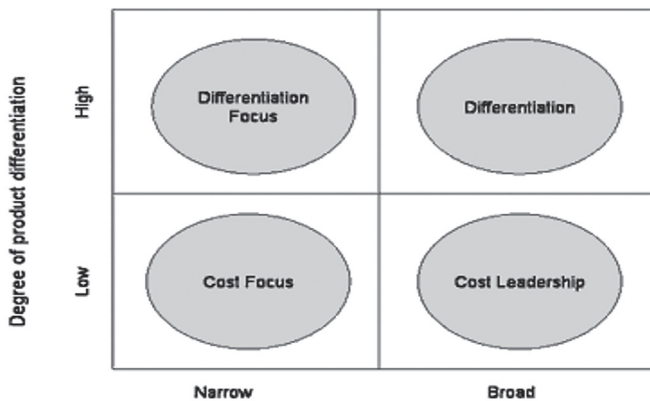


Figure 5. Porter's Generics (Porter, 1996)

Cost Leadership Strategy: Cost leadership is a strategy that can be successful when the business provides more efficient production or service than its competitors. The cost leadership strategy, which is possible with activities such as process innovations, learning curve benefits and economies of scale, is usually achieved by price control methods through low revenues. Accordingly, this strategy is often referred to as the low wage approach (Porter, 1996, p. 12).

Differentiation Strategy: Product differentiation is the second generic strategy that achieves success by creating value by being different from its competitors in the activities it performs, and by the value of the difference to be transferred. A business that implements a differentiation strategy has a unique and privileged position in the whole sector by differentiating the product or service offered (Porter, 1996, p. 12).

Differentiation Focus Strategy: The basis of this strategy is to concentrate on narrower market segments instead of following a broad-based strategy. In other words, it involves focusing on a specific area of the market and specializing in the area. A successful focus strategy depends on the market having enough growth potential. The focus strategy, unlike other strategies, targets a narrow customer group. In other words, the firm selects a particular segment of the market and directs its activities to a particular group of buyers. By adapting the low cost and differentiation strategy to a specific target, businesses turn to the targeted market and try to provide better service through the focus strategy (Porter, 1996, p. 13).

Competitive Advantage












Considering the developments in civil aviation in the world and in Turkey, there is no doubt that airlines operating in Turkey need sustainable competitive advantage. When the strategic differences of Turkish airline carriers with their existing structures are observed, the “low cost” strategy has been adopted. THY, which implements full service delivery as a business model and differentiation strategy as a competitive strategy, and Pegasus Airlines, which implements low-cost service delivery as a business model and cost leadership strategy as a competitive strategy, are evaluated on the basis of market-based customer value components. The basic service quality of the two airlines varies according to the value class/packages offered to the customer. At THY, customers can choose from two groups. In Pegasus, on the other hand, they can choose service packages in four groups. When complementary and experiential services are examined, it is understood that both airlines offer similar services. However, while it is seen

that experiential services are carried out in both airlines for entertaining and informative activities that allow passengers to have a pleasant time while traveling, these services are free for THY and paid for Pegasus Airlines. It is understood that both airline companies use similar expressions such as entertainment, discover, discount and win in the integrated marketing communication messages used on the site in experiential services. Apart from this, expressions such as “comfort, comfort and free spirits” are used intensively in THY, while expressions such as “lots of points”, entertainment and winning are used intensively in Pegasus. Both airline companies have increased their market shares through these strategies.

Total Capacity of Air Transport in the World by Countries

When Table 1. is examined, it is observed that the total world air transport, excluding Russia, has an increasing trend on the basis of countries. In this context, the size of the total market stimulates companies in terms of gaining market share. In addition, Turkey has been able to find itself in the 7th place in the developing world air transport market. It is inevitable that the Turkish airline market, which has an oligopoly structure, will expand day by day with the increasing competition among companies. Especially THY and Pegasus have gained more market share because they have adopted appropriate business strategies.

Table 1. Air Transport Market Total Passengers in the World The (World Bank, 2023)

Country	Year	Most Recent Value	Trends
United States	2019	926,737.00	
China	2019	659,629.07	
Ireland	2019	170,161.85	
India	2019	167,499.12	
United Kingdom	2019	142,392.53	
Japan	2019	130,233.35	
Turkey	2019	111,131.48	
Germany	2019	109,633.75	
Russian Federation	2019	108,857.91	
Brazil	2019	102,917.55	
UAE	2019	93,995.21	

Civil Aviation Sector’s Market Share for THY, Pegasus and Other Companies

As of 03 May 2019, 10 airline companies are actively operating in Turkey (SHGM, 2019). Although the number of airline companies operating in Turkey was higher in previous years, it fell to 10 after the declaration of bankruptcy of Atlasjet (AtlasGlobal) during the Covid19 pandemic that emerged in 2019. The distribution of total aircraft belonging to aviation enterprises, operating in Turkey from 2019 to 2020 which is given in Table 2 below.

Number Of Aircraft Of Airline Companies	2019	2020
Turkish Airlines	324	341
Pegasus Airlines	84	93
Onur Air	27	23

Source: (SHGM, 2019).

Airline passenger and freight transportation is increasing rapidly in Turkey. THY is the only airline company with the largest and widespread international network in the country. As a result of the liberalization experienced in the sector in recent times, many private civil aviation firms have entered the market. Pegasus and Onur Air are the largest private airline companies that can compete with THY in the regional market. The market shares of these airlines are proportional to the number of airplane and seats.

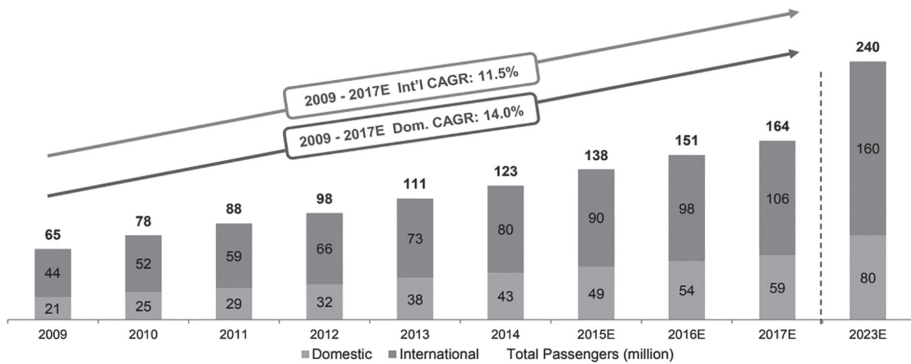


Figure 6. Aviation Market of Turkey (Turkish Airlines Report, 2023)

Table 3. Pegasus Market Share Trend in Terms of Domestic and International Scheduled Passenger Numbers between 2015 and 2021 (Pegasus, 2022)

Table 3. Pegasus Market Share Data (2015-2021)							
Pegasus Market Shore Data (2015-2021)							
	2015	2016	2017	2018	2019	2020	2021
Domestic	25.3%	29.8%	30.8%	31.5%	31.4%	37.5%	34.1%
International	9.8%	12.4%	12.4%	12.2%	12.9%	15.0%	13.0%

Table 3. and Figure 6. demonstrate that there has been a remarkable increase in the number of passengers on both national and international routes through Turkish Airlines and Pegasus due to implementing costleadership strategy. In Figure 7, despite the coronavirus pandemic disease (COVID-19) TYH ranked second in the European airline market, while Pegasus took the ninth place in 2021.



Figure 7. Air Traffic Data by EUROCONTROL (SHGM, 2021)

CONCLUSION

The empirical literature shows different findings on whether airline companies' price discrimination based on their market share and whether they do. Having a large market share brings price-setting power, while significant market share

from competitors can discourage a company from doing so. Therefore, a variable showing the ratio of the share of the company that holds the majority of a market to the total share held by other companies is used. The increase or decrease in this ratio may affect the demand. This work reveals that low-cost companies such as Pegasus Airlines play an important role in determining the structure of the market. Pegasus has increased its market share by offering uniform point-to-point travel at a lower price. Pegasus' entry into a market can have two effects: The first is the substitution effect, with consumers switching from higher-priced airlines to lower-cost airlines. The second is the complementary effect that causes the passenger numbers of both Pegasus and other airlines to increase, as consumers prefer air transportation to other modes of transportation due to the low price. Majority of researches demonstrate that airline companies make price discrimination based on their market share. It can be said that an airline that dominates a market has a high price-setting power, but at the same time, if the people of the region have the opportunity to fly from other cities, it may also be possible to have competitive conditions despite the company's high market share (close to monopoly). Congestion at airports, runway conditions, technical failures, capacity constraints, etc. caused by the delay affects demand negatively. Studies have shown that more than 70% of delays are caused by bad weather conditions. In addition, air companies become members of global airline alliances in order to streamline their network structure, increase their market share, share risk with other airlines and reduce costs. Airline companies can fly their passengers to destinations where they do not fly through global airline cooperation and other airline companies, thus obtained an uninterrupted flight network structure.

The main strategies that airline companies need to implement in order to increase their market share are;

- Participation of all cabin crew in strategic management practices success must be achieved.
- Transition to strategic management practices in airline companies and effectiveness of this approach should be ensured.
- The vision and main objectives of the business should be conveyed to all business staff and efforts should be made in this direction.
- All cabin personnel should be informed about strategic management practices.

- The cabin crew's strategic management practices will be successful. Close attention should be paid to have a high belief in it.
- If there are successes of competitors in strategic management practices, these should be appropriately adapted to the business.

Accordingly, as a result of the evaluation of the airline industry in terms of Porter's 5 Forces, it is recommended that airlines pay attention to the following items in line with industry conditions in order to gain competitive advantage.

- **Public Practices:** Structural and financial rules for companies, existing aviation infrastructure, market entry and sharing terms/practices, line/frequency and slot allocations, transparency practices, safety/security practices, passenger rights, loan supply conditions, union practices, airport transfer, transportation arrangements, etc.
- **Airports Capacity Constraints:** New airport constructions [Istanbul Atatürk Airport's current runway acceptance capacity prevents new/additional flights to be opened, but also causes constant delays. The capacity of the single runway does not meet the demand, and there are heavy delays at Sabiha Gökçen Airport. Delays cause additional cost to airlines as well as loss of image. In this context, possible delays in ongoing investments (construction of the 3rd airport to Istanbul and the construction of the 2nd runway to Sabiha Gökçen Airport) of the airlines operating from these two airports.
- **Airport Privatizations:** pricing (In the first tenders of airports whose operating period has expired from those operated under the Build-Operate-Transfer model, and in the first tenders of newly built airports, there may be an increase in airport service fees according to the stipulated tender conditions. In particular, possible increases in passenger service fees).
- **Environmental/Technology-Based Developments:** (Additional charges for airlines in the context of environmental protection practices, the necessity of using aircraft with less fuel consumption and quieter engines in the context of new aircraft technology, etc. Issues such as restrictions and additional charges applied at European airports in particular).
- **Possible New Entrances to the Market:** (Passenger transport to and from Turkey is on a marked increase, but airline companies generally share the same market with foreign airlines and new entry possibilities as domestic and foreign airlines).

When the performances of THY and Pegasus are evaluated, it is considered that they are faced with oil prices, exchange rate risk and liquidity risk. Despite the high operational profitability and efficiency of Pegasus, THY's low level of productivity is evaluated when financial performance is considered, and a better performance level has been observed. It has been taken into account that both airline companies are sensitive to economic, social and political changes, and especially their performance levels experience periodic fluctuations as of the years of analysis. In order to increase the efficiency of airline companies, it is necessary to use factor inputs in accordance with international efficiency analyzes. Due to the intense competition in the air transport sector, operational efficiency is very important. However, in order to turn efficiency into financial performance, scientific analyzes should be made on oil prices, exchange rate risk, political events at the global and national level, and hedging tools should be evaluated after using factor inputs. Since the level of profitability in airline companies is very low, the planning of long-term investments should also be evaluated depending on these variables.

The convenient geographical location of Turkey and Istanbul, the wide distribution network that Turkish Airlines has, the fact that it is the flag carrier and that it has a young fleet are some of the strengths of Turkish Airlines. THY also has a significant cost advantage over its competitors for international flights. Among the strengths of the company are that it has ethnic international traffic, especially in Central Europe, has a strong financial position, is strong in the Turkish domestic market, has a rising market share, and has subsidiaries to disperse risk and make it difficult to enter the market.

Aviation companies operating in Turkey and penetrating a low cost policy can successfully implement basic implementation strategies such as abandoning cost-increasing activities, active use of fleet and personnel, and reducing maintenance costs by decreasing the number of aircraft types. However, there are differences in some applications due to regional and cultural structure. First of all, it is noteworthy that the number of flights outside the central airports is very limited in Turkey, which has a relatively small geographical structure. For this reason, it is seen that most of the flights organized by low-cost carriers are from central airports to regional airports. Although there is Sabiha Gökçen Airport as a secondary airport in Istanbul, the lack of secondary airports with the qualifications to operate in other major cities of country limits the fields of activity of the enterprises. In addition, although the in-cabin meal service,

which is one of the cost-increasing services, has been abandoned, it is seen that the smaller treats such as beverages, sandwiches, cakes or cookies cannot be given up in many businesses due to cultural differences. In addition, it has been seen that the frequent flyer programs developed by traditional airlines to compete with low-cost airlines are implemented by low-cost carriers available in Turkey. It is considered that this is due to the fact that traditional and low-cost carriers operating on the main lines are in competition because of insufficient secondary airports. With its geopolitical position and the opening of the Istanbul 3rd Airport, Turkey has the capacity to provide opportunities for major breakthroughs in the aviation industry and to lead to major changes in the aviation industry. In this context, it is important for low-cost aviation companies operating in Turkey to focus on providing regional services and evaluate this potential. Despite the economic crisis, aviation companies operating in Turkey have the opportunity and potential to come to the fore all over the world. The steps to be taken in this context will determine the future of the aviation industry in Turkey.

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