

УДК 061.25(045)

**HRYCHKOIEDOVA M.,**PhD, Associate Professor of the Department  
of Air Transport Economics  
National Aviation University**SYDORENKO K.**PhD, Associate Professor of the Department  
of International Economic Relations and Business  
National Aviation University

### WORLD EXPERIENCE INTEGRATING INTERNATIONAL AIRPORTS TO GLOBAL AVIATION ALLIANCES

**Annotation.** *The purpose of the article is to investigate the impact of global aviation alliances on the activities of international airports, as well as identify the prospects for consolidation of airport business within aviation alliances. The world experience of functioning of airport alliances is investigated. The reasons for the creation of strategic alliances in the airport sector, factors that contribute to the integration of the airport business, as well as the benefits of the alliance members are identified.*

**Key words:** *airport, consolidation, strategic alliance, airport business, airport competitiveness.*

**Гричкєдова М.В.,** к.є.н., доцент кафедри економіки повітряного транспорту Національного авіаційного університету

**Сидоренко К.В.,** к.є.н., доцент кафедри міжнародних економічних відносин і бізнесу Національного авіаційного університету

### СВІТОВИЙ ДОСВІД ІНТЕГРАЦІЇ МІЖНАРОДНИХ АЕРОПОРТІВ У ГЛОБАЛЬНІ АВІАЦІЙНІ АЛЬЯНСИ

**Анотація.** *Метою статті є дослідження впливу глобальних авіаційних альянсів на діяльність міжнародних аеропортів, а також визначення перспектив консолідації аеропортового бізнесу у межах авіаційних альянсів. Досліджено світовий досвід функціонування аеропортових альянсів. Визначено причини створення стратегічних альянсів в аеропортовому секторі, фактори, які сприяють інтеграції аеропортового бізнесу, а також виокремлено переваги, які отримують учасники альянсу.*

**Ключові слова:** *аеропорт, консолідація, стратегічний альянс, аеропортовий бізнес, конкурентоспроможність аеропорту.*

**Гричкєдова М.В.,** к.э.н., доцент кафедры экономики воздушного транспорта Национального авиационного университета

**Сидоренко Е.В.,** к.э.н., доцент кафедры международных экономических отношений и бизнеса Национального авиационного университета

### МИРОВОЙ ОПЫТ ИНТЕГРАЦИИ МЕЖДУНАРОДНЫХ АЭРОПОРТОВ В ГЛОБАЛЬНЫЕ АВИАЦИОННЫЕ АЛЬЯНСЫ

**Аннотация.** *Целью статьи является исследование влияния глобальных авиационных альянсов на деятельность международных аэропортов, а также определение перспектив консолидации аэропортового бизнеса в рамках авиационных альянсов. Исследован мировой опыт функционирования аэропортовых альянсов. Определены причины создания стратегических альянсов в аэропортовом секторе, факторы, способствующие интеграции аэропортового бизнеса, а также выделены преимущества, которые получают участники альянса.*

**Ключевые слова:** *аэропорт, консолидация, стратегический альянс, аэропортовый бизнес, конкурентоспособность аэропорта.*

**Introduction.** Today aviation is one of the main providers of globalization of the world economy, increasing the dynamism of the development of international trade relations and migration processes. The

role, scale and importance of key international airports around the world has changed. Corporate and economic transformation in the airport business is underway to create and maintain competitive advantages and provide comprehensive air transportation services. Corporate and economic transformations in the airport business are underway to create and maintain competitive advantages and provide comprehensive air transportation services. In particular, the global trend is to increase consolidation in the aviation sector – creating strategic alliances with both airlines and airports. In such circumstances, it is critically important to research the successful world practice and to implement in Ukraine's economy effective tools and mechanisms for including domestic international airports in global value chains and global production networks.

**Analysis of recent researches and publications.** The peculiarities of the formation and operation of global alliances in the aviation sector are the subject of research by many scientists from around the world: Barnhart C., Belobaba P., Burghouwt G., Button K., Chuzhykov V., Doganis R., Forsyth P., Fowler P., Harig G., Hazel R., Kramer L., Mykhalchenko I., Niemeier H.-M., Odoni A., Orlova T., Poltoratska O., Rus G., Ureksoy M., Vega H., Winston C., Wolf H., Yaroshevich N. et al. Today, however, the issues of interaction and development of airport sector actors within global alliances remain under-researched and developed. In particular, the causes and factors contributing to the integration of the airport business need further clarification.

**Setting objectives.** The purpose of the article is to investigate the impact of global aviation alliances on the activities of international airports, as well as identify the prospects for consolidation of airport business within aviation alliances.

**Research results.** Strategic alliances are agreements between companies on strategic cooperation. The alliance means joint research, technology sharing, capacity sharing, promotion of each other's products, or joint efforts to produce components or produce finished products [1, p. 79]. From a strategic point of view, the main motive for forming an alliance is to obtain and maintain competitive advantages for participating companies. For companies of the same industry, but located in different countries, strategic alliances are a means of competition in the global market, while maintaining their independence.

Companies enter into alliances for several strategically important reasons. The most important of them are [2, p. 235]:

- 1) achieving economies of scale on production and / or marketing;
- 2) filling in gaps in engineering and manufacturing knowledge;
- 3) gaining market access.

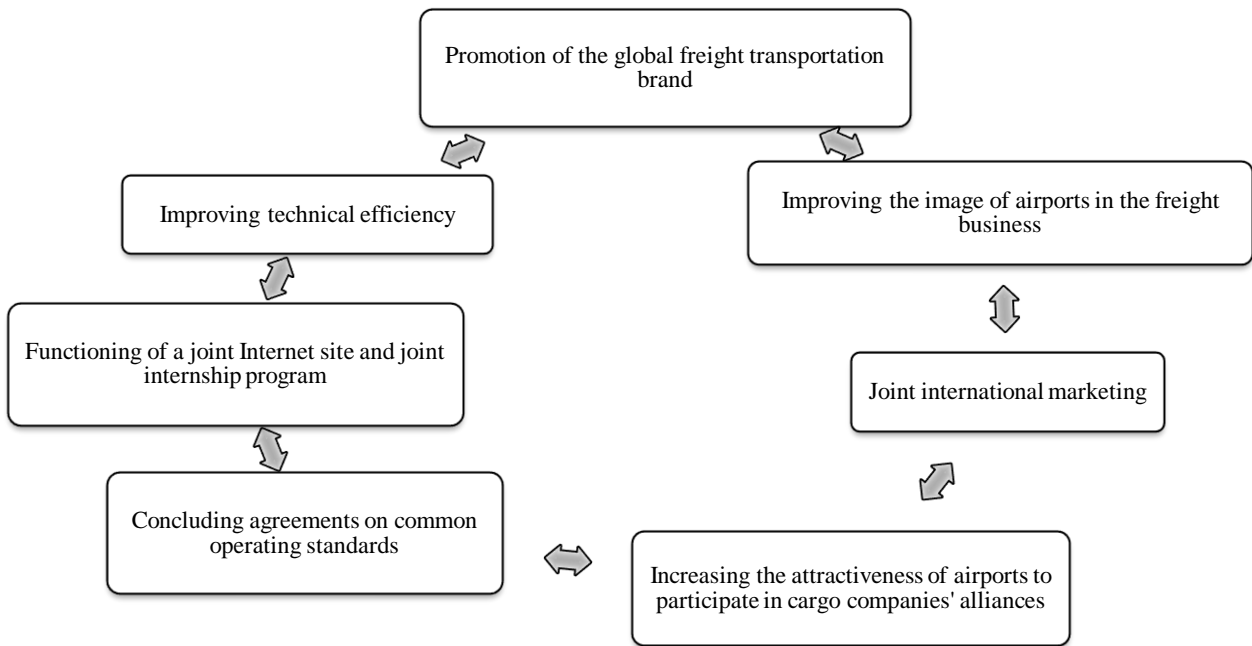
With regard to the aviation services sector, according to a number of specialists, international cooperation and consolidation is actively used both between airlines and between airports.

Today, airports are no longer a homogeneous group of public utilities, but a heterogeneous group with ownership structures, ranging from state to partial and even complete privatization, regulatory systems, ranging from cost regulation to setting marginal prices and full deregulation, with varying levels of competition from purely monopolistic to oligopolistic markets. Airports, even state-owned ones, have become more commercial and more profit-oriented. Airports are forced to seek new forms of inter-organizational cooperation in order to attract more consumers of services, improve the quality of service, and strengthen their competitive position.

Today, in the dynamic development of the world aviation market, processes of airport business integration and international airports consolidation through the formation of strategic alliances are expanding. Strategic alliances of international airports are associations of independent airports that coordinate their strategies with other airports in the alliance. Decisions within the alliance are made in a decentralized manner, ie each airport makes its own decision, but taking into account the strategies of other members of the alliance.

One of the prime examples of the airport alliance is the Galaxi International Cargo Alliance (GICA), created by Washington Dulles International Airport and Chateroux-Doels Airport in 1999. There are currently 21 airports in the alliance [5, p. 39]. The main purpose of GICA is to create an international organization of airports, united to promote and develop freight and logistics. The aim was also to create a global brand of cargo transportation, to improve the image of airports in the field of freight traffic, to promote joint marketing, to increase the attractiveness of airports to participate in freight unions, to establish common operating standards.

Alliance Concept: To create an international organization that has a common goal – to offer both existing and potential customers, such as airlines, freight forwarders and shippers, an environment that encourages the development of air freight transportations (Fig. 1).



**Fig. 1. GICA Goals**

*Source: developed by authors*

As we can see, the alliance was formed mainly to collaborate on joint marketing by creating a common brand for its member airports.

The Pantares Alliance, created in 2001 between Fraport and the Schiphol Group, represents the desire of the two companies to participate in the operational management of airport infrastructure and the exchange of know-how in this area.

In 2008, the alliance of Schiphol Group and Aeroporto De Paris airports was established. In 2014, Incheon International Airport was also involved in the alliance. The goals of the merger are as follows:

- in the aviation segment, improving competitiveness through the creation of a dual hub system and «the best-in-class» service;
- in the non-aviation sector, take advantage of best practices in retail, real estate and telecommunications.

The merger yielded revenue and synergies of EUR 71 million, a reduction in capital expenditure of EUR 18 million. Airport savings accounted for 45-50% of aviation activity, 30-35% of retail sales, and 20-25% in other activities. Alliance members provide common ground-service quality standards at various airports and pursue a single marketing strategy. Another justification is the benefits of transferring know-how within the alliance.

Although alliance members work in many ways, they can still be competitors (Table 1).

Table 1

<b>Interaction of airport companies</b>			
<b>Airport company</b>	<b>Majority interest in one airport?</b>	<b>Property of potentially competitive airports</b>	<b>Operating concessions for other airports</b>
AENA	+	+	+
Aéroports de Paris	+	+	+
Dublin Airport	-	-	-
Ferrovial \ BAA	+	+	-
Fraport	+	-	+
Hochtief	+	-	-
Infratil	+	-	-
Macquarie	+	-	-
Peel	+	+	-
Schiphol	+	+	+

Source: developed by authors on the basis of [4]

Table 1 presents a number of companies operating at several airports. This list includes most groups that operate as companies that invest and own a number of airports.

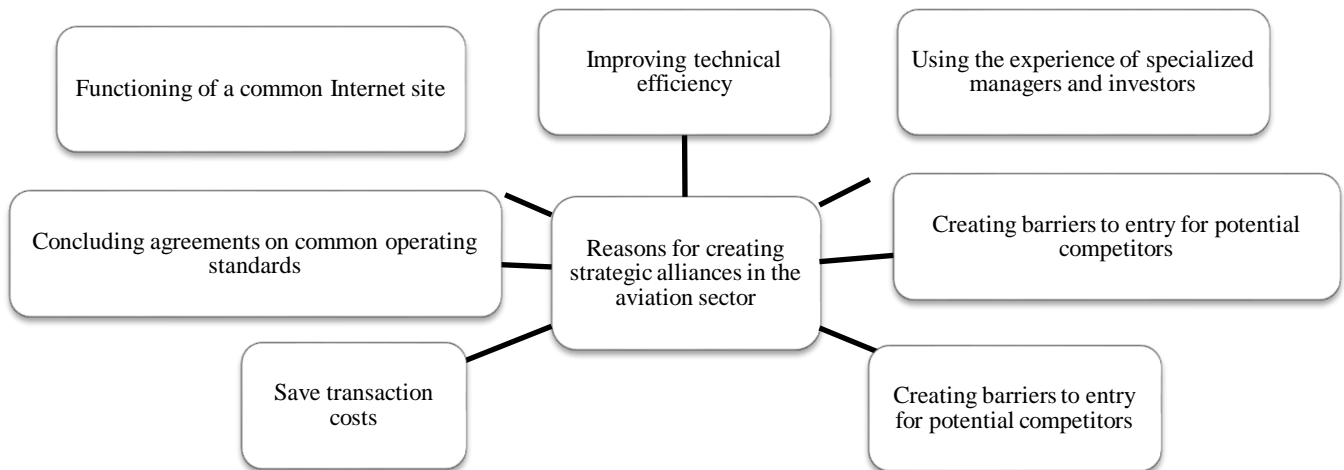
There are several different types of airport business owners:

1. The groups of airports belong to the government (ADP, AENA).
2. Airport groups are owned by private investors (Ferrovial / BAA).
3. Airport groups have mixed public-private ownership (Fraport).

The reasons for the trend of consolidation in the airport services sector may be related to the opening up of new opportunities resulting from the privatization of airports, such as generating additional profit for financial investors. Either for strategic investor reasons and / or because of the legal characteristics that shape the aviation industry.

In order to understand whether the trend of airport consolidation is merely a reflection of the search for private capital for new profit opportunities, or whether it may be driven by strategic industry considerations from investors, it would be better to turn to the aviation sector to seek consolidation justification.

At the present stage of development of the world economy, the following reasons for the creation of strategic alliances in the aviation sphere can be identified (Fig. 2).



**Fig. 2. Reasons for strategic alliances in aviation**

Source: developed by authors

Key reasons for the formation of strategic airport alliances [3]:

1. Improving technical efficiency: through joint procurement, production and / or distribution partners can generate synergies.
2. Using the experience of specialized managers and investors.
3. Creating barriers to entry for potential competitors by monopolizing contributions such as slot allocation by airports.
4. Reducing transaction costs such as joint marketing, which makes airport services more attractive to consumers.
5. Overcoming regulatory constraints that hinder new markets.

Thus, the main reasons for consolidating activities in the airport business are the ability to access infrastructure, gain management best practices, and transfer innovation. A further process of forming strategic alliances may take place in order to counteract the imperfection of the market in case of monopoly power of the merged companies.

A thorough study of the activities of global aviation alliances also highlights the following factors that contribute to the integration of the airport business:

1. Changes in the world economy. In today's globalization, countries in the world are becoming more economically dependent, causing a growing demand for air transportation worldwide.
2. Successful development of other existing alliances. Globalization has forced many countries to pursue free trade policies, pursue privatization, shape the open market, and open air policies. This has

created fierce competition in the airport sector around the world. Aviation alliances have become a necessity, giving preference to international airports.

3. Changing passenger needs, in particular increasing demand for a comprehensive standardized air transportation service.

As a result of the research, the benefits that an alliance member can obtain are systematized:

1. Increasing the competitive position of the airport in the global air transportation market.
2. Creating an worldwide known and recognizable brand.
3. Increasing the efficiency of airport resources.

**Conclusions.** To summarize, it is clear that consolidation in the airport sector occurs by groups of airports that form strategic alliances to cooperate in the provision of infrastructure services. At present, there is limited scope for entering into alliances in the field of groundhandling and non-aviation business. However, airports are joining forces at the strategic level to achieve a unified marketing strategy and create a common brand, free transfer of know-how between members of the alliance and more effectively meet the needs of airport service consumers.

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