

The emergence of low-cost carriers (LCCs) in the early-to-mid 1990s opened air travel to customers who otherwise might not have travelled by air or at all. By 2018, LCCs held 43% of the European travel market, up from 9% in 2002. In the early days, it was easy to distinguish the value proposition of LCCs from that of full-service carriers: LCCs appealed to price-conscious customers and offered a different level of service compared to full-service airlines. However, over time, the low fares of LCCs began to attract the customers of legacy airlines. Full-service airlines responded with changes to their cost structures and either re-positioned themselves as LCCs, or they pursued a hybrid strategy of maintaining frills on the legacy carrier but setting up a low-cost subsidiary airline. In 2010, long-haul (transatlantic) LCCs had emerged, including Norwegian Air Shuttle ASA and WOW Air hf. In 2018, there were 47 aircraft in Europe deployed on long-haul, low-cost routes. Due to the capital-intensive nature of the airline business, few firms earned a rate of return in excess of the cost of capital. Airlines' profitability was particularly sensitive to oil prices. Traditionally, the industry had many competitors and new entrants, a high proportion of fixed costs, and high exit barriers. Lax capacity management during upswings in the economic cycle led to cost overhangs and aggressive price competition to fill capacity in the downswings. Revenue drivers in the industry included capacity, passenger yield, load factor, additional charges and fees, and cargo. Airlines were also increasingly turning to data analytics to improve their service offerings.