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КОНКУРЕНТНІ СТРАТЕГІЇ НА МІЖНАРОДНИХ РИНКАХ ПОСЛУГ: НА ПРИКЛАДІ ГАЛУЗІ ПАСАЖИРСЬКИХ АВІАПЕРЕВЕЗЕНЬ

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COMPETITIVE STRATEGIES IN INTERNATIONAL SERVICE MARKETS: EVIDENCE FROM THE PASSENGER AIR TRANSPORT INDUSTRY

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Анотація. *У статті проведено комплексне дослідження процесів впровадження та адаптації загальних стратегій конкуренції Майкла Портера в умовах міжнародних ринків послуг на прикладі глобальної галузі пасажирських авіаперевезень. У той час як фундаментальні стратегічні моделі розроблялися переважно для виробничих секторів та матеріальних продуктів, дане дослідження аналізує, як ключові принципи лідерства за витратами та диференціації трансформуються під впливом унікальних характеристик послуг – а саме нематеріальності, нерозривності, неоднорідності та неможливості збереження (модель IHIP). Робота заповнює існуючу наукову прогалину, досліджуючи вплив специфічних галузевих операційних обмежень та просторових вимірів на сталість конкурентних переваг у нестабільному глобальному середовищі. Використовуючи метод якісного порівняльного аналізу кейсів (case study), у роботі представлено поглиблений аналіз стратегічних конфігурацій, обраних двома провідними європейськими лідерами галузі: Ryanair, що є еталоном лоукост-перевізника (LCC) з фокусом на лідерство за витратами через операційну ефективність, та Lufthansa Group, мережевого перевізника з повним спектром послуг (FSNC), який реалізує складну стратегію диференціації на основі багатобрендової архітектури та участі у глобальних авіаційних альянсах. Методологія дослідження передбачає систематичну оцінку вторинних даних, включаючи річні звіти, галузеву аналітику та стратегічні показники ефективності, для зіставлення ланцюжків вартості цих організацій з їхніми стратегічними цілями. Емпіричні результати демонструють, що успішне стратегічне позиціонування в авіаційному секторі не є результатом поодинокого тактичного вибору, а залежить від цілісного узгодження дизайну маршрутної мережі (point-to-point проти hub-and-spoke), модульності послуг (анбандлінг) та сучасних цифрових систем управління доходами. Зокрема, аналіз Ryanair підтверджує, що лідерство за витратами забезпечується екстремальною стандартизацією флоту, використанням вторинної інфраструктури та систематичним виокремленням додаткових послуг. Навпаки, приклад Lufthansa Group ілюструє, що сучасна диференціація досягається через широту мережі, глобальну зв'язність завдяки членству в Star Alliance та активне використання цифрових екосистем для підвищення лояльності клієнтів. Крім того, у статті виявлено стратегічний парадокс: стрімка цифровізація, посилюючи прозорість цін, одночасно стає потужним інструментом для глибокої диференціації через персоналізацію клієнтського досвіду та предиктивну аналітику даних. Теоретична цінність роботи полягає в інтеграції просторових та реляційних аспектів – таких як динаміка авіаційних альянсів та конфігурації маршрутних мереж – у класичну структуру загальних стратегій. З управлінської точки зору результати підкреслюють критичну важливість внутрішньої стратегічної узгодженості та відповідності ресурсів стратегії (resource-strategy fit) для уникнення ризикованої позиції «stuck-in-the-middle». Зроблено висновок, що в умовах стирання меж між моделями LCC та FSNC, здатність підтримувати чіткий технологічно підкріплений стратегічний архетип залишається визначальним чинником довгострокової фінансової стійкості на міжнародних ринках послуг.*

Ключові слова: *конкурентна стратегія, міжнародні ринки послуг, авіаційна галузь, лідерство за витратами, диференціація, Ryanair, Lufthansa Group, конфігурація мережі, розмежування послуг.*

Формул: 0, рис.: 1, табл.: 2, бібл.: 27

Abstract. *This article examines the complex implementation and adaptation of Michael Porter's generic competitive strategies within the context of international service markets, utilizing the global passenger airline industry as a primary illustrative case study. While foundational strategy frameworks were originally developed with a focus on* *manufacturing sectors and tangible products, this research explores how the core pillars of cost leadership and differentiation are fundamentally redefined when applied to the unique characteristics of services – specifically intangibility, inseparability, heterogeneity, and perishability (the IHIP model). The study addresses a critical research gap by analyzing how service-specific operational constraints and spatial dimensions influence the sustainability of competitive advantage in a volatile global environment. Using a rigorous qualitative comparative case study approach, the paper provides an in-depth analysis of the strategic configurations adopted by two prominent European industry leaders: Ryanair, representing a prototypical low-cost carrier (LCC) strictly focused on cost leadership through operational efficiency, and Lufthansa Group, a premier full-service network carrier (FSNC) pursuing a sophisticated differentiation strategy based on a multi-brand architecture and global alliance participation. The methodology involves a systematic evaluation of secondary data, including annual reports, industry analytics, and strategic performance indicators, to map these organizations' value chains against their stated strategic objectives. The empirical findings reveal that successful strategic positioning in the international airline sector is not a result of a single tactical choice but depends on the holistic alignment of network design, service modularity (unbundling), and advanced digital revenue management systems. Specifically, the analysis of Ryanair demonstrates that cost leadership is sustained through extreme standardization, the use of secondary infrastructure, and the systematic unbundling of ancillary services. Conversely, the Lufthansa Group case illustrates that differentiation in the modern era is achieved through network breadth, global connectivity via the Star Alliance, and the leveraging of digital ecosystems to enhance customer loyalty. Furthermore, the study demonstrates a significant strategic paradox: while rapid digitalization intensifies price transparency and commoditization, it simultaneously serves as a powerful enabler for sophisticated differentiation through personalized customer experiences and predictive data analytics. Theoretically, the paper contributes to the field of strategic management by integrating spatial and relational dimensions – such as hub-and-spoke vs. point-to-point configurations and airline alliance dynamics – into the classical generic strategies framework. From a managerial perspective, the results underscore the vital importance of internal strategic consistency and "resource-strategy fit" to avoid the precarious "stuck-in-the-middle" positions. The article concludes that as the boundaries between LCC and FSNC models continue to blur, the ability to maintain a clear and technologically-supported strategic archetype remains the primary determinant of long-term financial sustainability in international service markets.*

Keywords: *Competitive strategy, International service markets, airline industry, cost leadership, differentiation, Ryanair, Lufthansa Group, network configuration, service unbundling.*

Formulas: 0, fig.: 1, tab.: 1, bibl.: 27

Problem Statement. Globalisation and digitalisation have profoundly reshaped competitive strategies in service industries, with international air transport serving as a paradigmatic case of a globalized, regulated, and hyper-competitive market (Wood, 2009). However, foundational frameworks like Porter's generic strategies were primarily designed for manufacturing. In the airline industry, these models face limitations due to service-specific attributes – intangibility, inseparability, and perishability. The central challenge involves maintaining a defensible position when value is derived from complex network configurations rather than physical outputs. As full-service and low-cost carriers converge, the risk of a "stuck-in-the-middle" position becomes a critical strategic concern.

Furthermore, digitalisation introduces a paradox: while it intensifies price transparency, it also enables deep differentiation through personalized experiences. A notable research gap exists in how spatial and relational dimensions – such as hub-and-spoke designs, alliances, and service modularity – modify classical strategic logics. Therefore, it is essential to analyze how service firms synchronize internal operations with these complexities to sustain competitive advantage. Current research (Porter, 1985; Francis et al., 2007; Wittman & Belobaba, 2018) remains rooted in generic frameworks, yet contemporary analyses (Luo, 2024; Henault, 2023) suggest that modern advantage depends on integrating value chains with global digital ecosystems.

Analysis of Recent Research and Publications. The theoretical foundation for analyzing competitive advantage in the airline sector remains rooted in the generic strategies framework established by Porter (1985), which emphasizes the choice between cost leadership and differentiation. Recent academic discourse, notably by Francis et al. (2007) and O'Connell & Williams (2005), has expanded this logic to the specificities of aviation, focusing on the evolution of low-cost carriers (LCCs) and full-service network carriers (FSNCs). In the Ukrainian scientific context, the strategic dimensions of aviation management are explored by Smerichevskyi and Hura (2021), who analyze the systemic economic dynamics of air transport, and Kharazishvili et al. (2022), who propose strategic scenarios for sustainable development and recovery within the safety dimension. Empirical evidence from Wittman & Belobaba (2018) and Akram & Hanif (2021) highlights an increasing strategic convergence between these models, while industry-specific analyses by Luo (2024) and MatrixBCG (n.d.) explore the complexities of multi-brand positioning and global alliances. Furthermore, current research by Henault (2023) and Lokalise (2023) underscores the transformative impact of digitalization on service delivery, suggesting that modern competitive advantage is determined by the ability to synchronize internal value chains with global digital ecosystems and sophisticated revenue management systems.

Formulation of the article's objectives. The aim of this article is to analyse how firms in international service markets design and implement competitive strategies, using the international passenger airline industry as an illustrative case. The study focuses on two leading European players that represent contrasting strategic archetypes: Ryanair, a prototypical low-cost carrier pursuing cost leadership, and Lufthansa Group, a full-service network carrier pursuing differentiation and a multi-brand strategy.

To achieve this goal, the study employs a qualitative comparative case study approach, which is appropriate for capturing complex strategic configurations and context-dependent mechanisms. The methodological framework is based on a systematic evaluation of secondary data, including annual reports, investor presentations, and industry analytics. The analysis utilizes Porter’s value chain model and the IHIP service characteristics framework to map how operational configurations align with strategic objectives. Within this framework, the article addresses three specific research questions:

-How are generic competitive strategies adapted to the specific characteristics of international service markets?

-How do low-cost and full-service airlines configure their competitive strategies in terms of network design, service offering and revenue model?

-What are the theoretical and managerial implications of these strategic configurations for competing in international service markets?

Presentation of the main research material. Porter’s generic strategies framework identifies three primary ways for firms to achieve a defensible competitive position: cost leadership, differentiation and focus (either cost focus or differentiation focus). A firm pursuing cost leadership aims to become the lowest-cost producer in its industry, allowing it to offer lower prices or achieve above-average margins at prevailing prices. A differentiation strategy, by contrast, seeks to offer products or services that are perceived as unique in ways that are valued by customers, enabling the firm to command a premium price. The application of Porter’s framework to international service markets requires accounting for the IHIP model (intangibility, inseparability, heterogeneity, and perishability), as these characteristics fundamentally redefine how competitive advantage is sustained (Akram, 2021; Henault, 2023). Digitalisation has transformed many international service industries by enabling online booking, price comparison, customer reviews and dynamic pricing. For airlines, online travel agencies, metasearch engines and direct online channels have increased price transparency and intensified competition. (Lokalise, 2023; Camphouse, 2022; Henault, 2023). At the same time, digital tools allow for more sophisticated revenue management, personalisation and ancillary services, which can support both cost leadership (through more efficient yield management) and differentiation (through personalised offers and loyalty programmes).

Industry context: international passenger airline market. The international passenger airline industry is one of the most globalised service sectors, with carriers operating extensive networks across continents and competing for both leisure and business travellers. The market is structured around several strategic groups: full-service network carriers (FSNCs), low-cost carriers (LCCs), regional airlines and long-haul specialists. (Ranganathan, 2018; Wood, 2009). According to Smerichevskyi and Hura (2021), the systemic economic dynamics of this sector are increasingly shaped by institutional regulatory mechanisms that aim to balance market efficiency with national transport security. Full-service network carriers typically operate hub-and-spoke systems that connect numerous origin–destination pairs through central hubs, offering multiple service classes and comprehensive connectivity. Low-cost carriers, by contrast, emphasise point-to-point routes, simplified service offerings and high aircraft utilisation. Global airline alliances – Star Alliance, oneworld and SkyTeam – have emerged as key strategic mechanisms for full-service carriers to extend their reach and coordinate schedules (Wood, 2009). These alliances allow carriers to operate extensive virtual networks, effectively responding to the competitive pressure exerted by the expansion of low-cost models (LIGS University, 2022; Ranganathan, 2018).

The study focuses on two leading European airline groups that represent contrasting yet influential strategic archetypes in the international market: Ryanair as a low-cost carrier and Lufthansa Group as a full-service network carrier with a multi-brand strategy. (MatrixBCG, 2023) ; SWOT Analysis Example, 2023; Luo, 2024).

The logical link between service characteristics and the resulting strategic configurations is visualized in the conceptual framework (see Figure 1).

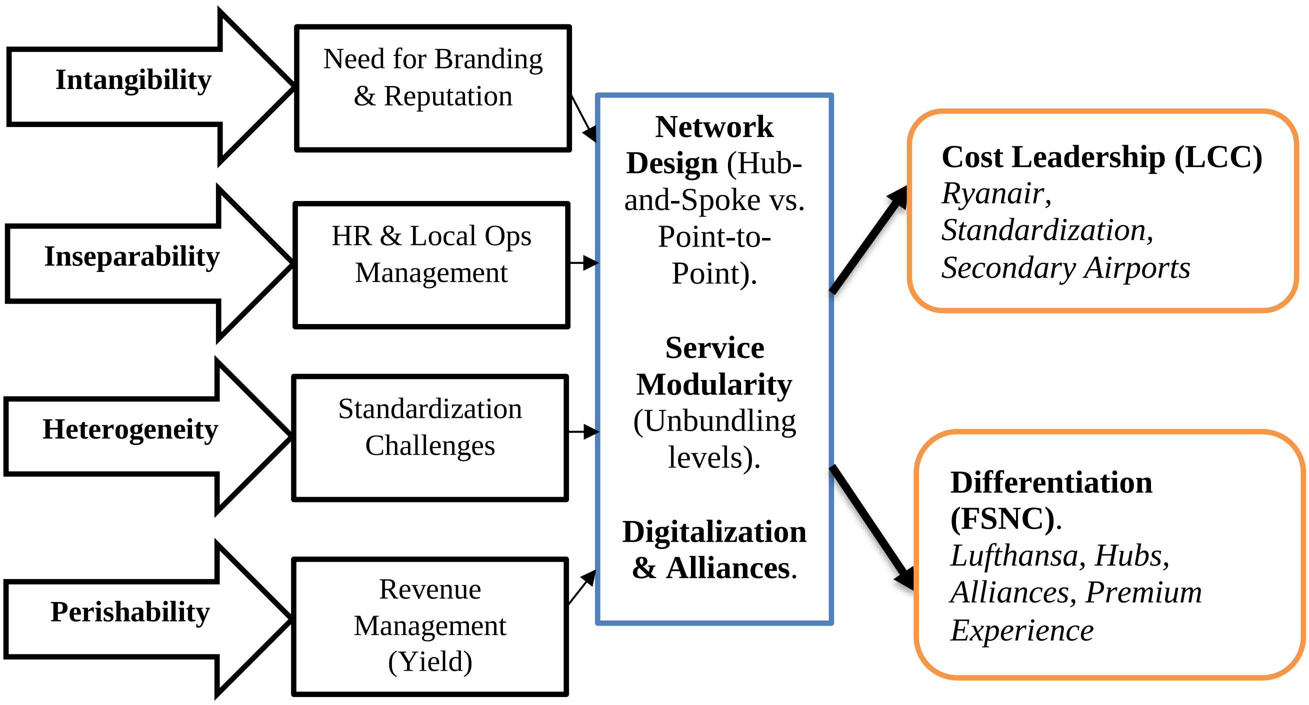

Figure 1. Conceptual framework: the impact of service characteristics on strategic positioning in the international airline industry
Compiled by the author

The conceptual framework illustrates how the core characteristics of services (IHIP model) act as drivers for strategic decision-making in the airline industry. Specifically, intangibility and heterogeneity force carriers to choose between extreme service standardization (Cost Leadership) or complex brand differentiation. Meanwhile, perishability and inseparability dictate the configuration of networks and the degree of service modularity, leading to the distinct operational archetypes of Ryanair and Lufthansa Group. The framework illustrates the causal relationship between the IHIP attributes of services (Intangibility, Inseparability, Heterogeneity, and Perishability) and the strategic choices of airline carriers. The model demonstrates how these characteristics necessitate specific configurations of network design, service modularity, and digital integration, ultimately leading to the adoption of either a Cost Leadership (LCC) or a Differentiation (FSNC) strategic archetype.

Ryanair is widely recognised as a benchmark for cost leadership in European aviation, operating a large network of short-haul routes, often using secondary airports and a strictly standardised fleet. (Latticework, 2024). Lufthansa Group, by contrast, operates full-service network airlines (e.g., Lufthansa, SWISS, Austrian Airlines) and has pursued a multi-brand strategy by developing and restructuring its low-cost and point-to-point brand Eurowings.

Case analysis: Ryanair's cost leadership strategy. Ryanair has built its competitive strategy around an uncompromising pursuit of cost leadership in short-haul European markets. The airline operates a highly standardised fleet, predominantly composed of Boeing 737 aircraft, which reduces maintenance and training costs and allows for greater flexibility in aircraft deployment. High aircraft utilisation, rapid turnaround times and a dense schedule of flights contribute to spreading fixed costs over a large number of passenger kilometres. (Quartr, 2023;, Latticework, 2024).

A distinctive feature of Ryanair's strategy is its extensive use of secondary and regional airports, which typically offer lower landing fees and airport charges than major hubs. (LIGS University, 2022; Quartr, 2023). These airports are often located further from city centres, but they enable the airline to keep costs down and negotiate favourable terms by generating new traffic for underutilised infrastructure. By leveraging these cost advantages, Ryanair is able to offer very low base fares, often significantly undercutting full-service carriers and sometimes even other low-cost competitors on overlapping routes.

Ryanair's service model is built around unbundling: the basic ticket provides only transportation from point A to point B, while most additional elements –checked baggage, seat selection, priority boarding, onboard food and other extras – are sold separately. (LIGS University, 2022; Quartr, 2023), Latticework, 2024. This unbundling not only keeps the advertised fare low but also generates substantial ancillary revenues, which have become a major component of the airline's income. The ancillary revenue model allows the airline to maintain low base fares while monetising additional willingness to pay among certain customer segments. From a strategic perspective, Ryanair's cost leadership model has exerted considerable competitive pressure on rivals. Full-service carriers have been forced to reduce fares on competing routes, adjust capacity and, in some cases, withdraw from unprofitable point-to-point services. (Wood, 2009; Ranganathan, 2018). The presence of Ryanair often leads to lower average fares and stimulates demand, expanding the market by attracting price-sensitive travellers who might otherwise not fly. At the same time, the model has been criticised for its reliance on tight labour practices, strict policies on additional fees and limited service flexibility, which can negatively affect customer satisfaction in some segments.

Case analysis: Lufthansa Group's differentiation and multi-brand strategy. Lufthansa Group pursues a markedly different competitive strategy, centred on differentiation through network breadth, service quality and brand positioning. The group's core full-service airlines – Lufthansa, SWISS, Austrian Airlines and others – operate hub-and-spoke networks that connect numerous destinations via major hubs such as Frankfurt, Munich, Zurich and Vienna. These hubs facilitate complex itineraries, especially for intercontinental and transfer passengers, and allow the group to capture higher-yield traffic, particularly in business and premium segments. Differentiation is further supported by multi-class cabins, including premium economy, business and first class on long-haul routes, along with enhanced onboard services and airport lounges. Comprehensive loyalty programs, such as Miles & More, create additional value for frequent flyers and corporate customers by offering status benefits, mileage accumulation and redemption opportunities. Through its membership in Star Alliance, Lufthansa Group extends its virtual network via code-sharing and coordinated schedules, providing customers with broad global connectivity under a unified brand experience. (Luo, 2024, MatrixBCG, 2023; SWOT Analysis Example, 2023; PESTEL Analysis, 2023). At the same time, Lufthansa Group has recognised the need to respond to competition from low-cost carriers on short-haul and point-to-point routes. Over time, the group has experimented with various multi-brand and restructuring strategies, including the development of Germanwings and later Eurowings as lower-cost brands. Eurowings has been positioned to compete more directly with LCCs on intra-European routes, with a simplified product and more cost-efficient operations, while still benefiting from group synergies in purchasing, maintenance and fleet management. This multi-brand approach reflects an attempt to segment the market and avoid diluting the premium positioning of the core Lufthansa brand. From a competitive strategy perspective, Lufthansa Group embodies a differentiation strategy complemented by selective cost-oriented initiatives in particular segments. Its ability to offer premium services, extensive connectivity and alliance benefits allows it to maintain higher average yields than low-cost carriers, particularly on long-haul and corporate travel markets. However, the group faces ongoing challenges in aligning cost structures with competitive pressures on short-haul routes, integrating different brands and business models, and managing labour relations and regulatory constraints across multiple jurisdictions.

The comparative analysis of Ryanair and Lufthansa Group illustrates how classic generic strategies are adapted and recombined within the complex environment of international service markets. The findings suggest that a firm's success depends not merely on the choice of a strategic archetype, but on the meticulous alignment of its entire value chain with that choice. While Ryanair's strategy closely follows the logic of cost leadership, it does so by exploiting service-specific dimensions – such as unbundling and secondary infrastructure – that were not present in Porter's original manufacturing-based model. Conversely, Lufthansa Group's differentiation strategy is increasingly reliant on network connectivity and multi-brand positioning to defend its premium status against low-cost encroachment.

The distinct strategic archetypes of Ryanair and Lufthansa Group are most clearly reflected in the configuration of their respective value chains. While both carriers have heavily invested in digitalization, the strategic intent behind these technological adoptions remains fundamentally different. For Ryanair, digital tools serve as a primary lever for cost decomposition, allowing the airline to replace manual labor with automated self-service processes, thereby reinforcing its cost leadership position. In contrast, Lufthansa Group utilizes digitalization as a mechanism for value enhancement, leveraging data analytics and mobile platforms to deliver a seamless, personalized experience that justifies its premium pricing. A detailed comparison of how these firms align their primary and support activities with their chosen competitive strategies is presented in Table 1.

Table 1

Comparative analysis of value chain configurations: Ryanair vs. Lufthansa Group

Value Chain Activity	Ryanair (Cost Leadership)	Lufthansa Group (Differentiation)
Inbound & Operations	Point-to-point routes; secondary airports; high aircraft utilization; fast turnaround times (<25 min).	Hub-and-spoke system; primary global hubs; complex flight connections; multi-class cabin configurations.
Marketing & Sales	Direct online sales (90%+); dynamic pricing; aggressive unbundling and upselling of ancillary services.	Multi-channel distribution (GDS); corporate contracts; global branding; alliance-based marketing (Star Alliance).
Service & Support	Focus on self-service; standardized digital interactions; minimal frontline staff involvement.	Premium lounges; personalized in-flight service; dedicated 24/7 support for elite frequent flyers.
Technology Development	**Digitalization for Efficiency:** Automation of check-in and baggage drop to minimize labor costs and airport fees.	**Digitalization for Loyalty:** AI-driven personalization via apps; predictive analytics for Miles & More members.
Human Resource Management	High labor productivity; multi-tasking crews; flexible and cost-effective employment contracts.	Specialized training for premium service; investment in high-skilled personnel; strong emphasis on social partnership.

Source: *compiled by the author*

These configurations suggest that in international service industries, competitive advantage is increasingly determined by spatial and relational dimensions. For airlines, the choice of network design (hub-and-spoke vs. point-to-point) fundamentally shapes the cost structure and the perceived value of the service. Furthermore, the role of alliances provides full-service carriers with a "virtual scale" that allows for differentiation through global reach without the prohibitive costs of direct ownership on every route.

From a managerial viewpoint, the findings underscore the importance of strategic clarity and internal consistency. Ryanair’s success is grounded in a coherent, tightly aligned system of activities that reinforce cost leadership; partial imitation by full-service carriers without equivalent structural changes tends to yield weaker results. Lufthansa Group’s experience shows that multi-brand strategies can help address heterogeneous market segments but also introduce organisational complexity and integration challenges. (Accelingo, 2023; Karsbergen, 2024; Wood, 2009; Ranganathan, 2018). Managers in international service firms must therefore avoid drifting into “stuck in the middle” positions, where cost and differentiation efforts are insufficient to establish a clear competitive advantage.

The cases also have implications for competition policy and regulation. The expansion of low-cost carriers has increased competitive pressure and benefited consumers through lower fares, but has also raised concerns about labour standards and environmental impacts. Full-service carriers and alliances have been scrutinised for potential market power, especially on hub-dominated routes, prompting regulators to monitor slot allocation, state aid and joint pricing practices. Policymakers must strike a balance between promoting competition, ensuring connectivity and supporting the financial sustainability of strategically important carriers.

Conclusion. This study examined the implementation of competitive strategies in the international passenger airline industry, using Porter’s generic strategies framework as a theoretical lens. Based on the comparative analysis of Ryanair and Lufthansa Group, the following conclusions can be drawn in response to the research questions:

1. Adaptation of generic strategies to international service markets. The findings demonstrate that in international service markets, generic strategies must be adapted to account for the unique characteristics of services, particularly intangibility and inseparability. Cost leadership is not merely about production efficiency but involves extreme service unbundling, high asset utilization (aircraft rotation), and the use of secondary infrastructure to minimize landing fees. Differentiation, conversely, shifts from product features to network connectivity and relationship management. In international settings, building brand trust and reputation becomes the primary lever for overcoming the "liability of foreignness."

2. Configuration of competitive strategies: LCCs vs. FSNCs. The analysis reveals two distinct strategic configurations:

–*Low-Cost Carriers (Ryanair):* configure their strategy through a point-to-point network design, a standardized fleet, and an ancillary revenue model. Their competitive advantage is rooted in a "value-for-money" proposition achieved through the decoupling of core transportation from additional services.

–*Full-Service Network Carriers (Lufthansa Group):* utilize a hub-and-spoke network to maximize connectivity and capture premium segments. Their strategy is configured through multi-class service offerings, global airline alliances (Star Alliance), and sophisticated loyalty programs. Lufthansa's use of a multi-brand strategy (Eurowings) illustrates an attempt to create a hybrid configuration to address price-sensitive segments without diluting the flagship brand's premium status.

3. Theoretical and managerial implications. Theoretically, this research suggests that classic strategy frameworks should be refined to include *spatial and relational dimensions*, such as network density and alliance participation, which are critical in global service industries. For managers, the study underscores the necessity of *strategic consistency*. Successful firms avoid being "stuck in the middle" by aligning their internal activities – from fleet management to digital customer interfaces – with their chosen strategic archetype. Digitalization acts as a double-edged sword: while it increases price transparency and competition, it also offers unprecedented opportunities for sophisticated revenue management and personalized service delivery.

Future research should expand on the findings of this study by incorporating a quantitative analysis of the long-term financial impacts of hybrid strategic configurations, particularly in the post-pandemic recovery phase. Furthermore, strategic scenarios for the sustainable development of aviation infrastructure, as explored by Kharazishvili et al. (2022), provide a critical foundation for analyzing the post-war recovery and resilience of transport systems in volatile environments. Given the increasing convergence between low-cost and full-service models, it would be valuable to investigate the role of sustainable aviation fuels (SAF) and green technologies as new dimensions of differentiation and cost management. Furthermore, subsequent studies could explore the impact of artificial intelligence and machine learning on real-time dynamic pricing and personalized customer journeys across different regional markets, providing a more granular understanding of how digitalization reshapes the global competitive landscape.

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