Turkey and Turkish Airlines: Facing challenges of competitiveness

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Turkey, located at crossroads between Europe, Asia and the Middle East (see Exhibit 1), was among the world's 20 largest economies with a population nearing 80 million and purchasing power parity (PPP) adjusted gross domestic product (GDP) of 1.9 billion USD in 2016[1]. However, the real GDP growth per annum slowed down from 6.1% in 2015 to 3.2% in 2016, and the Turkish Lira devaluated by more than 40% from July 2016 to December 2017. There was also a significant decrease in inward foreign direct investments (FDIs) (see Exhibit 2), and the inflation was rising to double digits. The failed coup attempt on July 15, 2016, acts of terrorism since July 2015, killing many innocent civilians in the country, and the shooting of a Russian warplane on November 24, 2015, leading nearly to the freezing of economic relations between Russia and Turkey challenged Turkey's competitiveness. The most serious impact was on the tourism sector, and Turkish Airlines, the flag carrier of Turkey, got its share. The airline has been growing during the last 15 years to become the number one airline covering more destinations worldwide than any other airline (49 cities inside Turkey and 250 cities abroad)[2], and Skytrax, an international air transport rating organization, has been awarding it as the best airline in Europe for six consecutive years since 2011[3]. In 2016, however, Turkish Airlines needed to ground 30 aircraft and reported an operating loss of 130 million USD (compared to a profit of 1,076 million USD in 2015)[4]. How will Turkey and Turkish Airlines recover to maintain their competitiveness?

Turkey's economic development

The Republic of Turkey was established on October 29, 1923 following the break-up of the Ottoman Empire after World War I. It was a late industrializing country, and the state has been the main actor in the industrialization process in the early days[5]. Indeed, tracing its roots back to the Ottoman Empire, Turkey had a patrimonial "fatherly" state tradition: a powerful state with centralized responsibilities for policy formulation and implementation. Import substitution was the main economic strategy in the 1930s, and until the 1950s the state gave the private sector freedom only to the extent that they acted in line with public interests defined by the state[6]. Transition from a single-party rule to parliamentary democracy created a pro-business environment in the 1950s in that the state liberalized foreign trade and supported the emergence of a private sector[7]. The private sector was involved primarily in the final production of consumer goods while state economic enterprises continued to undertake the production of intermediate and capital goods, areas that required high investments. Having taken the Western World as a role model, Turkey made its first membership application to the European Community in 1959.

The state continued to pursue import-substituting industrialization as its main economic strategy in the 1960s and the 1970s, but the 1980s marked a significant turning point for the Turkish economy. A new export-oriented economic strategy was introduced, and the state provided incentives and loans (via Turk Eximbank) to increase exports and attract inward FDIs[8]. Thanks to this new strategy, the export/import ratio increased from 37% in 1980 to 64% in 1992; during the same period the share of manufacturing goods in exports increased from 36% to 83% while the share of agricultural products decreased from 59% to 15%. The majority of the exports was to the European Economic Community and to the Middle East, consisting primarily of labour-intensive goods not requiring high level of skills[9]. Inward FDIs also gained momentum through joint ventures between multinational companies and leading Turkish business groups. As a result, Turkish business groups improved their production technologies, developed their marketing and management skills, and expanded the product line of their exports. They understood the importance of quality and brand image in order to obtain competitive advantage in international markets. The Istanbul Stock Exchange Market opened its doors in 1986, enabling the spread of proprietary ownership among small investors, and the law allowing the convertibility of the Turkish currency to foreign currencies accelerated capital inflows into the country. Customs Union between the European Union (EU) and Turkey came into force in 1996, and the EU declared Turkey as a potential candidate for full membership at the Helsinki summit in 1999. These developments increased the trade between Turkey and the EU significantly, accompanied with inward FDIs especially in the automotive industry. While exports to the EU increased from 12.5 billion USD in 1996 to 59.5 billion USD in 2012, imports from the EU increased from 24.3 billion USD to 87.4 billion USD during the same period[10].

The Turkish economy has been a hyper-inflationary economy in the 1990s, characterized by high levels of inflation and interest rates. The continuing need for public finance, triggered by trade deficits and investments for growth, led to increases in interest rates and the inflow of short-term foreign capital. This made the Turkish economy very vulnerable to crises. The economy survived two financial crises, one in spring 1994 and the other in February 2001, resulting in severe devaluations of the Turkish Lira. In the early 2000s the government took serious measures to reform the banking system, tightened the state budget to cut deficits, and shifted to market-oriented floating currency exchange rates in order to improve the country's resilience to possible future crises. The Turkish economy experienced high levels of real GDP growth in the 2000s and 2010s, except for an interruption in 2009 following the 2008 global financial crisis. Low interest rates in the USA and the EU contributed to the Turkish economy, as they did to all emerging markets in the world, with high levels of capital inflow. A strong Euro and a weak USD during the 2000s was also in favour of Turkey, which exported mainly to the EU and paid for its main import items (e.g., oil and gas) in USD. Thanks to the reforms and the favourable developments, inflation rates decreased to single digits (see Exhibit 2).

Turkey had a favorable geographic location, lying at crossroads between Europe, Asia and the Middle East. Three sides of the country were surrounded by seas, making access to world markets easy. The landscape was mountainous, and climate conditions were not favorable in Eastern Turkey, which limited the development of infrastructure there. As a result, there was a significant gap in the development of the regions in the west and the east, leading to migrations of people from the east to the west. Istanbul, the largest city with a population of about 15 million, accounted for about 25% of Turkey's GDP. The country was located on major tectonic faults; as such, it was vulnerable to potentially destructive earthquakes. The earthquake on August 17, 1999 in the Marmara region killed more than 17,000 and destroyed many buildings, roads and other infrastructure. Turkey was rich in some minerals like iron, copper, and borate, but it was highly dependent on foreign energy sources of oil and gas (accounting for 24% of all imports). Western Turkey, the Middle Anatolia region and the Southeast Anatolia region had fertile land and favorable climate for agriculture, and the Mediterranean Sea and Aegean Sea coastlines offered excellent opportunities for tourism. Having been host to many civilizations in history also contributed to Turkey's position as the world's 6th most-visited tourism destination. 69.5% of households had access to the internet, and 18% of the population aged 25-64 have completed tertiary education. Gross domestic spending on R&D was 15.7 billion USD, nearly 0.8% of GDP, and the country had 3.6 full-time equivalent researchers per thousand employees. The youth less than 15 years of age accounted for about 24% of the whole population. Unemployment was about 10.8%, and the labor-force participation rate was 51% (see Exhibit 2 for Turkey's key indicators).

Turkey's leading sectors were textile and apparel, automotive, tourism, construction, retail, energy, transportation and logistics, banking, electronics, agriculture, and entertainment. In Europe Turkey was number one in cement exports, TV production, textile manufacturing, fertilizers, and commercial vehicle production. Turkey's exports of goods and services totaled 187.9 billion USD in 2016, and the main export markets were Germany, United Kingdom, Italy, Iraq and USA[11]. A number of Turkish conglomerate business groups such as Koc Holding, Sabanci Holding, Bilkent Holding, Dogus Holding, Yildiz Holding, Oyak Holding, Zorlu Holding and Dogan Holding employed many thousands and operated in multiple business areas. However, small and medium-sized enterprises accounted for about 77.3% of the employment. Turkey had a free economy with high level of competition in many sectors together with the existence of an unrecorded economy, and state involvement continued in critical sectors such as the energy sector. Although Turkey was not rich in oil and gas, it has recently become an energy corridor between sources in the Persian Gulf and the Caspian Sea regions and markets in Europe by constructing major pipelines that trespassed Anatolia.

The airline industry in a nutshell

The airline industry had a strong position in travelling, and it had few substitutes especially in international routes[12]. It comprised of passenger transport (accounting for ca. 91% of the industry's revenues) and freight transport (accounting for ca. 9% of the revenues)[13]. The development of air transport has been significant in the 2000s following deregulation and liberalization in the industry. The number of unique city-pairs has doubled from about 10,000 in 1995 to 20,000 in 2017, and total revenues have increased to 709 billion USD[14]. While traditional/legacy airlines made up 77% of the industry's revenues in 2016, charter airlines for leisure purposes occupied 20%, and low cost airlines captured 3% of all revenues[15]. Airlines have traditionally been under pressure from aircraft manufacturers Airbus and Boeing as well as from strong trade unions behind pilots and crew. The airline industry was also highly vulnerable to changes in general economic conditions, especially in fuel prices, and to the possibility of terrorism. Furthermore, thanks to increased search possibilities in the internet, passengers could easily compare ticket prices for their travel destinations. With more international travel and the entry of new airlines, competition has increased significantly, pushing airlines to look for innovative solutions and new revenue streams[16]. While on board duty-free sales was losing its attraction, thanks to advances in technology airlines have been shifting their strategies to digital retailing, which included real-time data driven merchandising in partnership with players from travel or other industries, on board broadband connectivity, full ownership of distribution channels, and dynamic pricing based on changing consumer profiles[17]. One response to high competition was the formation of strategic alliances between airlines. These differed in nature and scope, but it was common to have a deeper alliance that involved co-operation in all dimensions of the airline business. Benefits of these alliances included cost savings and the extended and shared flight network between the airlines. The three biggest strategic alliances were

Star Alliance, Oneworld and Skyteam: these included from 13 (Oneworld) to 28 (Star Alliance) airlines, and together they reached over a thousand destinations that were scattered across the globe (see Exhibit 3)[18].

Asia Pacific was the leading region with a 33.6% share of the global air traffic in 2016, followed by Europe (26.1%), North America (22.8%), Middle East (10.7%), Latin America (4.5%), and Africa (2.2%)[19] (see Exhibit 4). Airlines have achieved a load factor (capacity utilization rate) of 80.4%, which was a profitable level taking into account the breakeven load factor of 61%[20]. The industry's average earnings before interest and taxes (EBIT) was 9.2%, but the profitability varied significantly across regions (see Exhibits 5 and 6). Although in recent years average profitability has been increasing thanks to lower fuel prices, especially low cost airlines were challenging traditional/legacy carriers by offering lower prices in exchange for fewer passenger comforts[21]. See Exhibit 7 for the largest airlines in the world and Exhibit 8 for the best airlines in the world, a ranking voted by the passengers themselves.

Turkish Airlines and competition

Turkish Airlines was the flag carrier of Turkey. It was established in 1933 under the supervision of the ministry of national defense, and it operated with five planes. In 1945, the number of destinations increased from the original three to 19, and the size of the fleet increased to 52. The airline flew its first international flight in 1947 and joined International Air Transport Association (IATA) in 1956[22]. The first transatlantic flights and flights to the Far East began in 1985[23], and the airline also introduced for the first time first class services in flights to London and Jeddah, which were later included to other flights[24]. Online check-in processes and electronic ticketing were adopted in 2003, and the airline joined the Star Alliance in 2008[25]. Turkish Airlines has been one of the world's fastest growing airlines in the 2000s in that it became the airline that flew to the most countries in 2016 (119 countries including 250 international destinations). The airline had 338 aircrafts, and with a fleet age average of 6.9 years, it had the fourth youngest fleet in Europe[26]. To match the demand for growth, the third airport in Istanbul, to be the world's largest airport, was under construction. After operations will start on October 29, 2018, Istanbul will become a significant aviation hub in the world. The airline was awarded by Skytrax to be the "Best Airline in Europe" for six consecutive years since 2011, and it was the only 4-star airline in Europe, which was ranked in all categories[27]. In 2016, it was also the seventh best airline in the world (see Exhibit 8), and these achievements were also reflected in its financials during the 2010s, except for 2016 (see Exhibit 9).

According to Temel Kotil, the ex-CEO, Turkish Airlines outshined in the industry with its top of the line service especially in the economy class taking a customer-centric approach, and they benefited from the geographical position of Turkey[28]. Thanks to this location advantage, Turkish Airlines could pursue a hub-and-spoke strategy and attract many transfer passengers. Istanbul's location provided a unique advantage since most of the destinations in Europe, Middle East, and CIS countries could be reached with three to four hour flights, which was the most cost efficient for airlines. It was also optimal for passengers. A passenger from Stockholm to Dubai would prefer Turkish Airlines if there was no direct flight because it offered two short flights via Istanbul instead of for example Lufthansa, which offered one shorter flight and one longer flight via Germany. Turkish Airlines has achieved additional cost efficiency by purchasing always the same type of aircrafts, namely Airbus 330 and Boeing 777, during years after the global economic crisis in 2008 when aircraft prices were low[29]. Turkish Airlines had further cost advantages against most European traditional/legacy carriers since it was able to recruit young qualified personnel at lower costs thanks to Turkey's young population and lower labor costs. The fact that all aviation staff, including pilots, belonged to just one labor union in Turkey also helped to keep personnel costs low. The strong Euro has also been in favor of Turkish Airlines, since 40% of the revenues was in Euros[30]. During the 2010s, the airline decided to differentiate itself from competition by increasing spending on marketing and improving their on-flight services from which other airlines were cutting. Turkish Airlines invested in its catering services by offering two menus and unlimited alcohol consumption for economy passengers in even its shortest European flights. In the European flights, economy passengers would also enjoy personalized entertainment, which most European airlines offered only in long hauls. For its marketing and brand development Turkish Airlines signed sponsorships with famous sports teams, such as Barcelona and Manchester United, and celebrities like Kobe Bryant and Lionel Messi. It has also been the main sponsor of Turkish Airlines EuroLeague, the top team level basketball championship in Europe.

In Turkey Turkish Airlines dominated total value sales of airlines in 2017 with a share of 71.1%, followed by Turkish low cost airlines Pegasus (12.5%), Atlasjet (6.4%) and Onur Airlines (3.5%)[31]. These local competitors were also much smaller in capacity compared to Turkish Airlines in that Pegasus had 82 aircrafts, Atlasjet had 27 aircrafts, and Onur Airlines had 24 aircrafts. Turkish Airlines had less than 2% of the highly fragmented global airline industry, but it targeted 5-6% with its ambitious growth strategy[32]. To achieve this goal it would face serious competition from traditional/legacy carriers like American Airlines, Emirates, Lufthansa and Singapore Airlines as well as low cost airlines such as Ryanair.

American Airlines was the fourth largest player in the global airline industry in 2017 with a 4.8% value share behind Delta Air Lines (8.0%), United (5.2%) and Lufthansa (4.8%)[33]. Being a member of the oneworld alliance, it had a strong position in the U.S. market (comprising 80% of its total revenues) and the Latin American market, but it was being challenged by low cost airlines recently in these markets. As a result, looking forward to boost revenues in international markets, the airline planned further alliances with China Southern, Japan Airlines and Qantas to extend its networks in Asia Pacific[34]. In August 2017 the airline announced that it would shift its main international hub in the USA from the JFK airport in New York to Philadelphia while continuing to modernize the fleet[35]. It also launched new products and services such as basic economy fares to compete against low cost airlines as well as flagship first check-in, flagship lounge, and flagship first dining targeting luxury business travelers[36].

Based in Dubai, United Arab Emirates, Emirates was the leading airline in the Middle East and the seventh largest global player with a world value share of 3.1%[37]. It had a strong brand positioning offering utmost comfort and personalized customer experiences to all customer segments. The airline had a strong presence in the Middle East and Africa, notable market shares in Australasia (3%) and North America (1%), but only marginal shares in Western Europe and Asia Pacific[38]. Emirates aimed to expand further in South East Asia, and it has been investing in digital services to offer more personalized services to customers (e.g., mobile booking with 50 different possible payment methods and free Wi-Fi on board).

Member of the Star Alliance, Lufthansa, the German national airline, was the third largest player in the global airline industry in 2017 with a 4.8% value share. Operating from nine main hubs, Lufthansa Group owned a balanced diversified portfolio of airlines including traditional/legacy airlines Lufthansa, Swiss, and Austrian Airlines, as well as low cost airlines SunExpress and Eurowings[39]. Benefiting from dominating the strong home country market, the group was the market leader in Europe. It was also strong to some extent in Asia Pacific and Eastern Europe but much weaker in North America and Latin America[40].

Singapore Airlines, a member of the Star Alliance with a global value share of 0.5%, covered 131 destination in 35 countries in 2017 with a fleet of 180 aircrafts[41]. Similar to Lufthansa Group, it had a balanced diversified portfolio of airlines including traditional/legacy airlines Singapore Airlines (targeting the high-end and luxury segments), SilkAir (targeting the mid-range segment), and Virgin Australia (targeting the high-end segment) as well as low cost airlines Scoot, NokScoot, and Vistara. Singapore Airlines had a strong brand image as a luxury airline offering a unique business class, excellent customer service and an attractive loyalty programme[42]. The main markets of Singapore Airlines were in Australasia and Asia Pacific, and the airline had a small presence in Western Europe.

Ryanair, based in Dublin, Ireland was the leading low cost airline in Europe with a global value share of 1.2% and a modern fleet of 400 aircrafts in 2017[43]. The airline's main market was in Western Europe, but its market in Eastern Europe was also growing at a high rate. Key competitors were other low cost airlines such as easyJet and Wizz Air. Rigorous cost control has been at the heart of Ryanair's business model, and the airline has been using prescriptive analytics models in its operational system, website and app in order to analyze consumer information in real time and offer personalized travel options instantly[44]. Ryanair announced that it aimed to become the Amazon of the airline industry by pursuing a retail strategy, and to achieve that it has been selling tickets to other airlines including connecting flights, offering one-click shopping and multiple shipping options for customers, and promoting its holiday booking options[45].

Challenges facing Turkey and Turkish Airlines

On November 24, 2015 Turkish F-16 fighter jets shot down a Russian warplane, which had strayed into Turkey's airspace, after a series of warnings. This event increased tensions between Turkey and Russia. As a result, Natalie Tours, a large Russian travel agency, suspended holiday sales to Turkey, and Russian citizens were advised not to go on a holiday there. This was a big hit for Turkish tourism since in 2014 Russian tourists accounted for 12% of all tourists in the country[46]. Russia also suspended the visa-free travel regime for Turkish citizens. Employers in Russia were not allowed to hire Turkish citizens, and all charter flights from Russia to Turkey were banned[47]. Tensions heightened once again when the Russian ambassador to Turkey was assassinated in Ankara on December 19, 2016.

A bomb explosion killed 33 people in the town of Suruc, located in Southeast Turkey, on July 20, 2015. Since then Turkey has suffered over 30 terrorist attacks, including major bombings in Istanbul and Ankara, which targeted in some cases also foreign tourists[48]. These acts of terrorism had unfortunate effects on Turkey's tourism sector.

Another challenge for Turkey was the traffic of immigrants, running away from the continuing wars in Syria and Iraq. According to United Nations estimates, there were about 1.7 million refugees from Syria as of March 2015: this cost the Turkish state more than 5 billion USD, of which the international community covered only 3%[49]. EU politicians who were concerned about the chaotic migration of these refugees to their countries closed a deal with Turkey in 2016. According to this deal, Syrian refugees in Greek islands would return to Turkey, and in return, the EU would take the same number of refugees from camps in Turkey. In compensation for controlling the refugee traffic from Turkey to the EU more tightly, Turkey demanded loosening visa restrictions for Turkish citizens to EU countries and the restarting of EU membership talks in five chapters[50]. Following the failed coup attempt on July 15, 2016, the Turkish government declared extraordinary situation (OHAL in Turkish) for a period of three months starting on July 21, 2016, and this has been renewed five times until the end of 2017. Under OHAL the Council of Ministers had the right to issue legislation without the need for approval at the Parliament. EU politicians, however, saw OHAL in Turkey problematic from the perspective of democracy, hindering Turkey's accession to the EU. In addition, political tensions between Turkey and the EU heightened in 2017, due to interventions by Dutch and German officials to Turkish government's referendum propagandas targeting Turkish citizens in Holland and Germany.

Turkey's historically good relations with its NATO ally, the USA, was also in jeopardy in 2017 for various reasons. Firstly, in the war against ISIS, the USA was supporting in northern Iraq and Syria the Kurdish groups PYD and YPG, which the Turkish government considered as terrorist groups. Secondly, a court action was in process in the USA, whereby Mehmet Hakan Atilla, a Turkish banker, was accused of violating sanctions against Iran and money laundering. Raza Zarrab, a Turkish-Iranian gold trader, witnessed in the court to have bribed a Turkish minister to facilitate illegal gold transactions between Turkey and Iran, violating international sanctions[51].

A further challenge for the Turkish economy was the rising interest rates in the USA. The US Federal Reserve (FED) started to increase the interest rates since December 2015, which have been historically low. This has created pressures for the outflow of funds from emerging economies, including Turkey. As the FED announced plans to increase the interest rates more in 2018, Turkey would face the challenge of possible further capital outflows. The Turkish Lira was devaluating, and the inflation was on the rise to double digits.

Turkish Airlines registered for the first time in many years an operating loss in 2016 (see Exhibit 9) as it was not able to adapt its cost structure fast to the sudden decrease in revenues. While flying to more countries in the world than any other airline and targeting to make Istanbul a global aviation hub, Turkish Airlines got caught unprepared for the unexpected developments.

Given the developments inside and outside Turkey, what should the Turkish government do to restore the country's competitiveness? Respectively, how should the management of Turkish Airlines respond to the developments to achieve its target of 5-6% global value share?

Exhibit 1. The map of Turkey and its neighbors

Source: Harvard University Center for Geographic Analysis

Exhibit 2. Turkey’s key indicators

	2011	2012	2013	2014	2015	2016
GDP (billion USD)	832.6	874.0	950.6	934.2	859.4	857.8
GDP per capita (USD)	11,683	12,052	12,866	13,312	13,895	14,071
PPP adjusted GDP per capita (USD)	19,517	20,549	22,314	23,236	24,324	24,807
Real GDP growth (%)	11.1	4.8	8.5	5.2	6.1	3.2
Government debt (% of GDP)	43.9	41.2	34.5	33.4	27.4	na
Exports (billion USD)	183.3	205.1	210.0	220.8	198.9	187.8
Imports (billion USD)	252.2	247.9	266.2	257.6	222.8	213.2
Inward FDI stocks (billion USD)	136.6	190.1	151.2	182.1	150.5	135.6
Outward FDI stocks (billion USD)	27.7	30.9	33.3	39.5	35.6	38.5
Inflation rate (%)	6.5	8.9	7.5	8.9	7.7	7.8
Households with access to internet (%)	na	47.2	49.1	60.2	69.5	na
Tertiary attainment in population aged 25-64 (%)	14	15	16	17	18	19
Unemployment (%)	8.8	8.2	8.7	9.9	10.2	10.8
Gross domestic expenditure on R&D (billion USD)	11.2	12.2	13.1	14.4	15.7	na
Researchers per thousand employed	3.0	3.3	3.5	3.5	3.6	na

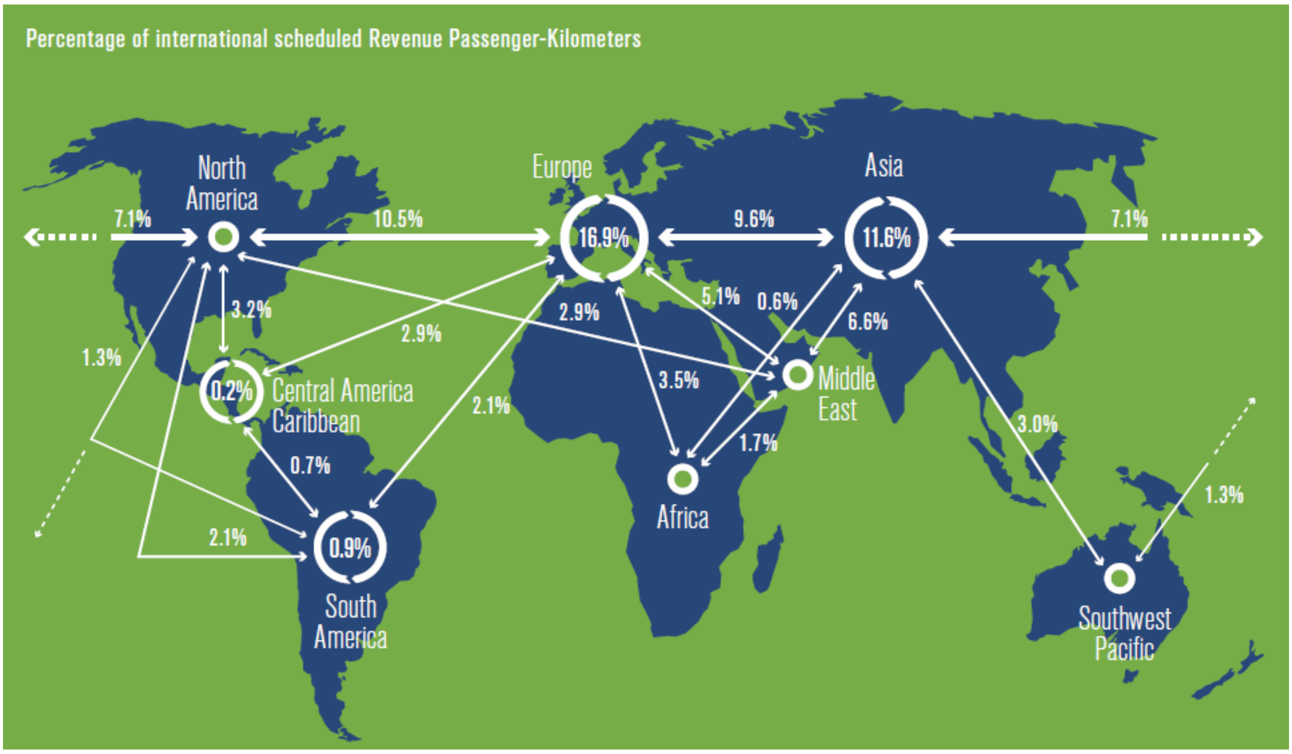
Source: Organisation for Economic Co-operation and Development (OECD); na: not available

Exhibit 3. The three biggest alliances and their members

Alliance	Members
Star Alliance (28 members)	Adria Airways, Aegean Airlines, Air Canada, Air China, Air India, Air New Zealand, All Nippon Airways, Asiana Airlines, Austrian Airlines, Avianca, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, SAS Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SWISS, TAP Air Portugal, Thai Airways International, Turkish Airlines, United
SkyTeam (20 members)	Aeroflot, Aerolineas Argentinas, Aeromexico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, Czech Airlines, Delta Air Lines, Garuda Indonesia, Kenya Airways, KLM Royal Dutch Airlines, Korean Air, MEA, Saudia, TAROM Romanian Air Transport, Vietnam Airlines, Xiamen Airlines
Oneworld (13 members)	American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LATAM, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian, S7 Airlines, SriLankan Airlines

Source: Star Alliance, SkyTeam, and Oneworld

Exhibit 4. Distribution of global air traffic between regions



Source: International Air Transport Association (IATA)

Exhibit 5. Economic performance of the airline industry by years (USD billion)

	2011	2012	2013	2014	2015	2016
Revenues	642	706	720	767	721	709
Fuel expenses	191	228	230	224	174	132
Non-fuel expenses	431	460	465	501	487	512
Operating profit	20	18	25	42	60	65
Operating profit margin (%)	3.1	2.6	3.5	5.4	8.3	9.2
Net profit	8	9	11	14	36	35
Net profit margin (%)	1.3	1.3	1.5	1.8	5.0	5.0

Source: IATA

Exhibit 6. Profitability (EBIT margin as % of revenues) of the airline industry by regions

	2011	2012	2013	2014	2015	2016
Global	3.1%	2.6%	3.5%	5.4%	8.3%	9.2%
North America	3.0%	3.4%	6.8%	11.0%	14.9%	14.4%
Europe	0.8%	0.7%	2.0%	2.4%	5.4%	6.2%
Asia-Pacific	6.6%	4.7%	2.9%	2.5%	8.0%	9.9%
Middle East	3.1%	3.0%	0.9%	2.3%	3.6%	2.4%
Latin America	2.0%	1.5%	2.2%	2.2%	1.6%	5.9%
Africa	0.6%	-0.4%	-0.5%	-2.5%	-4.6%	0.1%

Source: IATA

Exhibit 7. Biggest ten airlines in the world according to revenue passenger kilometers

Airline	Revenue passenger kilometers
American Airlines	320,044
Delta Airlines	308,088
United Airlines	299,080
Emirates	270,797
China Southern Airlines	205,720
Southwest Airlines	200,848
Lufthansa	149,702
British Airways	144,028
Ryanair	142,740
China Eastern Airlines	138,042

Source: IATA

Exhibit 8. Best ten airlines in the world according to Skytrax

Rank and Airline
1. Emirates
2. Qatar Airways
3. Singapore Airlines
4. Cathay Pacific
5. All Nippon Airways
6. Etihad Airways
7. Turkish Airlines
8. Eva Air
9. Qantas
10. Lufthansa

Source: Skytrax

Exhibit 9. Turkish Airlines income statements 2012-2016 (million USD)

	2012	2013	2014	2015	2016
Sales revenues	8,234	9,826	11,070	10,522	9,792
Cost of sales	6,554	8,003	9,068	8,420	8,656
Gross profit	**1,680**	**1,823**	**2,002**	**2,102**	**1,136**
General admin. expenses	187	228	273	272	315
Marketing expenses	875	1,018	1,126	1,148	1,171
Other operating income / (expenses)	309	204	182	394	220
Operating profit / (loss)	**927**	**781**	**785**	**1,076**	**(130)**
Financial income / (expenses)	(142)	(279)	261	331	71
Net profit / (loss) before tax	**785**	**502**	**1,046**	**1,407**	**(59)**

Source: Turkish Airlines

Endnotes

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