

White Paper



## Are self-connections ready to enter the mainstream?

By Kata Cserep, ICF

Today, more passengers are self-connecting between unaligned airlines—also known as “virtual interlining”—than ever before.

Airports at the forefront of this trend are already seeing the benefits, measured in passenger and network reach terms. With a thoughtful approach and understanding of what (and who) is driving the self-connecting trend, executives can influence their share of this rapidly growing segment and boost their air service development in the process.

## What is different?

[I've argued that](#), much like the way low-cost carriers (LCCs) have transformed the point-to-point market, self-connections have the potential to transform the transfer market. We expect the concept to enter the mainstream before long.

LCCs with a pure point-to-point model have always carried some connecting passengers: traditionally, they've been adventurous travelers who learned that buying two or more separate tickets can open better or cheaper itineraries than those published by airlines.

But LCCs are now also attracting connecting passengers intentionally, which seems to be at odds with their traditional ethos of simplicity. Why? Simply put, the lowest hanging fruit has been picked. The new markets created and stimulated by low fares and very simple products are nearing saturation, and LCCs are seeking new ways to compete and to keep growing, while retaining their cost advantages.

Over the last 20 years, the LCC model has evolved to include flexible fares, allocated seating, loyalty schemes, holidays, serving primary airports, code-sharing, and other features more commonly associated with full-service carriers. This is simply a natural next step in the evolution of their business model.

Today, LCCs are looking for the next source of incremental revenue, in which the ingredients for large scale self-connections might finally be in place:

- Technology
- Large scale
- Primary airports
- Long-haul LCCs

Airlines have the network reach; airports are often willing and supportive partners. Technology makes it simple for the passenger; distribution channels are raising awareness.

## Where is the opportunity for airports?

As one of the first to pioneer this concept, airports found an innovative way to mimic a traditional hub for the benefit of both passengers and airlines. In 2017, we [projected options](#) for possible development models. As predicted, airlines are now taking a more active role by offering and protecting connections.

Does this mean that there is no longer a role for the airport? Not quite.

Gatwick in London is perhaps the best-known example, offering its own branded hosted connection service, [Gatwick Connects](#), as well as booking and connection protection service. As a result, it is experiencing tangible traffic growth benefits from being at the vanguard of this trend.

Milan, Venice, Singapore Changi and Kuala Lumpur are also notable, where the airport plays an active role in either building connections or facilitating connections as they happen. Several other airports are also developing services tailored to their own airline and passenger mix; we expect more to be launched in the near future.

And if one considers the most important reason for self-connections from an airport's perspective—to grow its network—then moving early should lead to a sustainable advantage. Hubs have the power to attract airlines and passengers, which is why traditional airlines and airports are built around them.

However, many traditional hubs are becoming congested, often expensive for some business models, and often dominated by one airline or alliance. As a competitive response to these established hubs, virtual hubs now offer an alternative for both airlines and passengers.

If airports push ahead in facilitating and promoting self-connections—and can translate this into new destinations (short-haul or long-haul)—then each new point on their network will enable more connections and attract more airlines.

## Who are the other key players?

### Airlines

As recently as two years ago, most LCCs were indifferent or dismissive of connections, citing the perceived risks and complexities associated with connecting to flights either within their own network or to other airlines'. Then Ryanair announced that it would start offering connections at a number of European airports – while partnering with Air Europa and offering connections to the carrier's long-haul services.

easyJet launched Worldwide, offering single transaction bookings and protected connections to long-haul destinations on partner airlines, using a distribution platform developed by Dohop. Passengers are charged a fee for the service, which covers the costs of protection for misconnected flights or baggage and processing.

Not surprisingly, Gatwick was a launch airport, and easyJet uses the Gatwick Connects service to deliver the passenger experience at the airport. Milan was the other launch airport, with Berlin Tegel, Amsterdam Schiphol, Venice Marco Polo, Paris Charles de Gaulle and Orly, Edinburgh and Inverness announced shortly thereafter.

ICF understands that in Asia, a number of low cost airlines are developing comparable offerings which are expected to launch in the near future.

Norwegian offers [connections on its own metal](#) over its Scandinavian and UK hubs, and also generates a significant proportion of self-connecting bookings, particularly in the transatlantic market. U.S. airports where Norwegian has entered in recent years (Boston Logan, Fort Lauderdale-Hollywood International, Denver International, and Los Angeles International for example), have been some of the main centers of self-connecting passengers, as well as Gatwick, which is the airline's largest UK base.

### Online Travel Agents (OTAs)

[Kiwi.com](#) is the best-known player in the self-connection space. From an airport perspective, Kiwi's role can be complementary or potentially competing, depending on whether the airport offers its own self-connect solution.

This relatively recent addition (founded in 2012 under the Skypicker name) to the OTA space has a niche in virtual interlining, which comprises around 70% of their bookings. Like other OTAs, Kiwi.com offers a full suite of flights and gets both direct and referred bookings from the metasearch sites, building bespoke itineraries that connect low-cost airlines to each other or to full-service carriers.

In 2017, Kiwi.com partnered with [Amadeus](#) to increase its search capacity and further enhance its user experience and market footprint. Its largest origin market for bookings is North America, with most connections over European airports on carriers such as those above, as well as Wizzair and AirAsia. Kiwi.com's fee is bundled with the fare, and absolves both airlines and airports of any liability related to a missed connection. It is not surprising that Kiwi has seen rapid growth, and now has over 2,000 employees.

### Travel Search Engines

[Dohop](#) has provided travel search capabilities since 2005, and was one of the first to incorporate self-connection itineraries into their offering. The model combines the content of all carriers and searches for the cheapest combination of airlines and OTAs that would otherwise not feature together.

More recently, Dohop has led the development of B2B platforms for airlines and airports, having developed their first self-connect airport platform in conjunction with Gatwick. They also power easyJet's Worldwide platform. This technology has improved at a rapid pace as their distribution reach has widened alongside greater uptake from carriers seeking to bring self-connect into the mainstream.

[Skyscanner](#), one of the most recognisable brands in flight search, has over 40 million visitors each month – and is still growing at over 40% a year according to the company's figures. It caters to the full spectrum of flight search and distribution. Travelers find virtual interline itineraries provided by OTAs or airlines, as well as so-called "Skyscanner Mashups," which are true self-connections in the sense that the passenger is not offered a bundle but rather knowingly books two tickets and makes their own connection (without misconnect protection).



Alongside Skyscanner, self-connection options also appear on Kayak and Google Flights, both relying on content from aggregator OTAs, airports and airlines.

**SUMMARY OF KEY PLAYERS**

Type	Example	Year self-connection started	Growth trends
Airline	easyJet	2017	In relative infancy, rapid growth from small base, other airlines launching or evaluating
Airport	Gatwick	2014	Small number of established players, some experiencing very rapid growth; numerous, more passive participants
OTA	Kiwi.com	2012	150% growth in 2017, similar expected in 2018
Search	Dohop	2005	300% growth in self-connect bookings 2017; increasingly working with airlines
	Skyscanner	2001	Self-connect remains a niche within search but partners are using insights from search data to uncover unmet market opportunities

**So how big is this market today?**

Our latest estimates indicate approximately 70 million passengers a year—an increase of 27% compared to 2017, and equivalent to 10% of all transfer passengers worldwide.

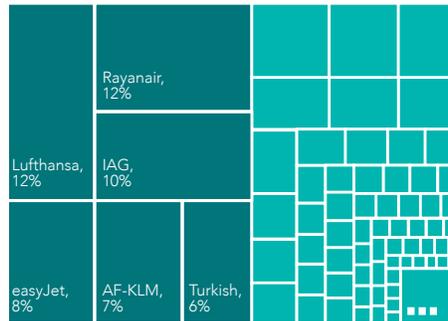
These estimates are based on several data points, including airport surveys, metasearch data, as well as ICF’s self-connection sizing tool, which models all feasible and likely traditional and self-connecting itineraries.

Despite the self-connect market’s rapid growth, it remains a niche traffic segment. Data from Kiwi.com suggests a growth in their passengers of over 100% in just one year, with similar growth expected in the near future. As the concept gains popularity among passengers and airlines, and different regions of the world adapt the model to align with demand preferences, a global figure of 100 million or more passengers per year (in airport terminal passenger terms) becomes a realistic figure.

Geographically, Europe and Asia have a higher share of self-connect, with the U.S. still largely in wait-and-see mode. This is not surprising, since the U.S market is much more consolidated than other world regions—the top six airlines have a 91% capacity share—and all airlines, including LCCs like Southwest and jetBlue, rely heavily on connections within their own network.

**INTRA-EUROPE**

**TOP 6 AIRLINES MARKET SHARE: 54%**



**INTRA-U.S.**

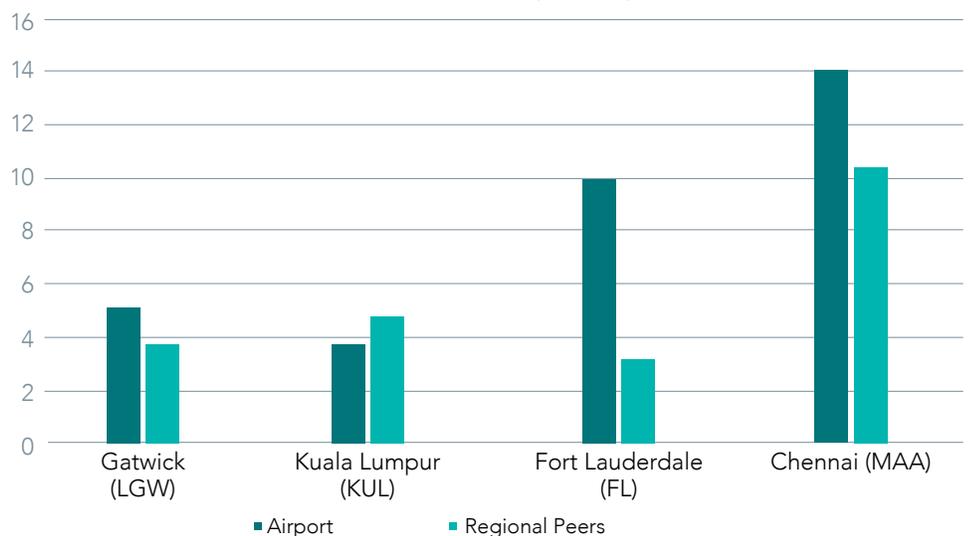
**TOP 6 AIRLINES MARKET SHARE: 91%**



According to data provided to ICF by Skyscanner, Kiwi.com, and Dohop (who are all broadly consistent in their rankings), the top airports for self-connections today include:

- Gatwick, UK – host to Gatwick Connects, easyJet Worldwide, and Norwegian’s UK hub.
- Kuala Lumpur, Malaysia – host to AirAsia and AirAsiaX, as well as Malaysian Airlines.
- Fort Lauderdale – host to Norwegian’s long-haul flight from Europe as well as jetBlue, Spirit and Southwest domestically, and to the Caribbean.
- Chennai – host to Indigo, India’s largest LCC, as well as international services from Emirates, Etihad, and SriLankan.

**LAST THREE YEARS’ CAPACITY GROWTH, CAGR, PERCENT**



Source: OAG data

Although there are many factors contributing to traffic growth, comparing these airports to their peers shows that three out of the four of them grew faster between 2015 and 2017 than their regional average, which can lend support to the idea that this incremental traffic can contribute to out-performance.





## What next?

In the coming years, we expect some (or all) of the following trends in the area of self-connections:

- More airlines doing this themselves as well as co-operating with others.
- Further changes in the distribution space. The battle for the customer continues and consolidation seems almost inevitable.
- The U.S. market will realize that this product has benefits for passengers, airlines and airports. First movers will emerge.
- Someone will crack the bags challenge and enable through-checked bags from origin to destination.
- Common standards and a common language around the concept will emerge, supporting further awareness.

These trends will continue to drive greater acceptance by airlines, travel agents, airports – and most importantly passengers.

LCCs around the world are the driving force of capacity additions, with their fleet and schedule additions far exceeding that of legacy carriers. They will help to ensure that self-connections, which typically involve at least one LCC leg, will become an even more important part of future travel patterns.

Airports that understand this shift and its implications for network development will be well-positioned to capitalize on the new opportunities.

## About the Author



**Kata Cserep** leads ICF's airports practice and regularly provides airports with longer term strategic advice relating to traffic, pricing, regulations, incentives, and transactions. She is an expert at communicating the key demand and supply issues facing airports and their implications for business planning.

She joined ICF in 2005 and has delivered a wide variety of high-value projects, including airline diagnostics and business planning, detailed market studies including socio-economics and tourism, and due diligence of airline and airport transactions.

In recent years Ms. Cserep's focus has been on the strategic aspects of airport development, including the interplay between policy, business planning, and economic development, as well as the continued evolution of the airline-airport business relationship.

Ms. Cserep has both a master's degree and a bachelor's degree in economics from the University of Cambridge, Trinity College in the United Kingdom.

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