

Ezine Article: The current state of the airline industry

One of the key inventions, which have played a major deciding factor in the way people live and experience the world around them has been the airplane. While in the past, air travel was reserved for the business passenger, over time, a steady growth in carriers and a more affordable fare has allowed the common man to achieve what once was unthinkable- travel great distances at an affordable price.

The last few decades have seen a rapid round of restructuring; starting with deregulation introduced to the US in the 70's, and later adopted by European carriers. What this effectively meant was that the government had no more say in the way airlines operated, and it fell to the private sector to regulate their carriers. Privatization also brought with it the entry of low cost carriers to level the playing field.

The industry has always existed in an intensely competitive mode and consequently, what occurs in one region effects the entire global market. Profitability has always been tied in to economic growth and trade. Situations such as the Gulf War in the 1990's and following that, SARS, the 9/11 and other terrorist acts, led the industry to experience its first ever drop in passenger numbers in a decade and lose billions of dollars.

Since then, the airlines have realized a need to take drastic steps to ensure their survival. Many have tried to cut costs and reduce load factors. Some have begun to enter into Alliances, code sharing and equity transfers. The entry of low cost carriers has further given the existing domestic carriers and larger airlines an incentive to step up their customer service in order to boost flagging revenues. This in turn has given rise to ticketless travel, onboard interactive entertainment systems etc.

However, this last year has proved that airlines need to change their tactics once again if they are to keep pace with the current situation. Since the start of 2008, over 25 airlines have declared bankruptcy, citing rising fuel costs and global economic recession as the two most important reasons; and leaving thousands of passengers frustrated and struggling to recompense their losses.

Fuel costs contribute one of the largest expenses a carrier faces, while a drop in premium traffic spells almost certain death to the carrier. Even carriers which do not cater to the business traveller as their prime target must have a certain number of them to maintain their revenue figures.

So, given the current situation, what does the future of the industry look like?

Big changes will continue to be the order of the day. While the industry is global in scope, there is no single airline that can cover all routes and Alliances and code-sharing will continue to grow. Those who join such alliances can be guaranteed a better position as being a member lowers the individual airline's costs and allows them to share in the R&D of its sister carriers.

Additionally, airlines will need to rethink their cost strategies. For example, while in the past, airlines have tagged on the cost of a number of expenses, including fuel prices and airport fees to the passenger; the passengers themselves are growing more discerning and the carrier may not be in a position to pass on all of these costs anymore. Other strategies airlines will adopt include: meeting interest payments so as not to go into debt and analyzing interest fees to avail of better rates; purchasing fuel contracts to lock in lower prices and relooking at destination, routes and hub fees, to maximize fuel loads and minimize airport fees. In addition, salaries of employees play a large role and traditional carriers always paid their executives top dollar. By contrast, low cost carriers have recognized adopting industry-standard salaries and a way to sell ancillary services to its passengers, while keeping fares down and maintaining their profit shares.

European markets have understood these strategies and hence the rise in low cost carriers all across Europe. Now, it's the American markets turn to follow. Low cost carriers may well be the future of the industry and will continue to grow and come out tops through the sheer fact that the prices they offer, continue to be affordable.

And as for passengers; they will continue to have to wait out this period and hope the industry gets back the stability it's been promising, before making any financial decisions that could cost them dearly. For those who have been affected by a carrier going bankrupt, and have their numerous questions unanswered, sites like [xxxxx](#) provide a complete understanding of how to deal with their particular situation. Daniel Smith's ebook 'Airline Failure and Beyond' offers a comprehensive look at the current state of the airline industry and what passengers touched by bankruptcy can do to recoup their losses.

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