

## How Should Airlines Structure A Comparison Of Low Cost

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**ABSTRACT:** The successful emergence of the Low Cost Carriers (LCCs) represents one of the most important structural developments in the U.S. airline industry after it was deregulated in 1978. With a more efficient cost structure and a different business strategy, in 2006 the LCCs served 32.9% of all domestic origin and destination passengers and about 75% of all domestic passengers had access to LCC service. Moreover, Southwest Airlines, the pioneer of the Low Cost business model is currently the largest U.S. carrier in terms of passengers. It should be of no surprise then that the impact of LCCs on airfares and airline markets in general has attracted a lot of attention from economists, policy makers and the general public. In this dissertation I will address several limitations of the previous literature on the topic of the impact of LCCs on airfares.

Handbook of Low Cost Airlines Strategies, Business Processes and Market Environment Erich Schmidt Verlag GmbH & Co KG Customer Care Systems of Low Cost Airlines. An Analysis of Ryanair GRIN Verlag

Now in its Eighth Edition, Air Transportation: A Management Perspective by John Wensveen is a proven textbook that offers a comprehensive introduction to the theory and practice of air transportation management.

The world's commercial aviation industry comprises a complex and highly diverse range of businesses with different forms of governance, ownership, management structure and organisational philosophies. The essays in this Volume address issues of market structure, focusing particularly on changes in the aviation industry that have resulted from policies of deregulation, as well as revenue, cost and pricing, airline mergers and acquisitions and the reasons for and characteristics of global airline alliances. One of the most significant developments in aviation business strategy over the last four decades has been the emergence and expansion of low cost carriers and the implications that this business model has had for the sector in terms of competition, route offering, service innovation and profitability. Central to these discussions are issues of cost and the need to manage yields. This raises the issue of pricing, elasticity, and price discrimination, all of which are of relevance to passenger airlines, air cargo operators and airports. Policies of air service deregulation and liberalisation have fundamentally changed the market structure of airlines and airports. As a result of new airlines entering the market place, many incumbent carriers sought to protect and grow their market share by reconfiguring their network into a hub and spoke operation and merging with, or acquiring their competitors. Another strategy airlines can use to increase their network presence, market power, and obtain enhanced economies of scale and scope is to enter into a strategic alliance with another carrier. Membership of an alliance enables a firm to access new markets that would previously have been difficult and/or expensive to operate into and help to overcome (at least in part) ownership restrictions, a lack of traffic rights to a particular country and markets with limited demand. Deregulation and liberalisation have also changed the competitive nature of the airline market and led to a change in the ownership and control of airports and airlines with many moving from the public to the private sector. The increasingly competitive and contestable market, combined with commercial imperatives to generate a return on investment, means that airlines and airports are incentivised to grow their business through marketing and enhanced customer loyalty. Airlines helped to pioneer the development of customer loyalty schemes and the resulting frequent flyer programmes have become a standard aspect of many full service airline operators' product offerings. However, increased competition and business model innovation have prompted a reconfiguration of these schemes with some low cost operators now incorporating elements of frequent flyer schemes.

Now in its Seventh Edition, Air Transportation: A Management Perspective by John Wensveen is a proven textbook that offers a comprehensive introduction to the theory and practice of air transportation management. The Seventh Edition brings the text right up to date. In addition to explaining the fundamentals, it now takes the reader to the leading edge of the discipline, using past and present trends to forecast future challenges the industry may face and encouraging the reader to really think about the decisions a manager implements.

This book identifies the premises and prerequisites of the low-cost carriers (LCC) model, and assesses whether it could be successful in less-developed countries, in particular in Sub-Saharan Africa. Specific attention is given to the impact of LCCs on traffic stimulation through lower fares, competition, and fare levels in the market.

Master's Thesis from the year 2004 in the subject Business economics - Business Management, Corporate Governance, grade: 1,7 (A-), University of Applied Sciences Essen (IOM Frankfurt), 35 entries in the bibliography, language: English, abstract: The 'No Frills' Airline concept is not a phenomenon of the last couple of years in the Airline industry even if the recent development of these carriers in Europe might lead to this conclusion. The first Airline operating under the 'No Frills' concept started in the beginning of the 1970ies in the USA and it took quite a while until this concept was followed by Airlines in Europe, South America and Asia/Pacific. There were a lot of 'No Frills' Airlines coming and going again in the last 33 years. To start an Airline and define it as a 'No Frills' carrier seems to be not enough to be successful in the market for a lot of years. Only a very restricted number of these Airlines were successful and profitable for years. The question is why. What are the reasons why some 'No Frills' Airlines are surviving and others do not. This is one of the questions which will be answered in this paper. The low cost and low price strategy which is the basis for the 'No Frills' concept in the Airline Industry is a business concept which was described by Porter as one of the basic strategies a company can follow. This strategy was followed by a lot of companies in other industries like ALDI, IKEA and Toyota. These companies followed successfully the cost leadership strategy but adopted also other strategic goals to their business concept like quality and corporate culture items. The cost leadership strategy is nothing new but how can it be reached and maintained in the Airline industry? What are the prerequisites and the required activities to be successful in this industry with this concept? In this paper answers to these questions will be given.

Global Airlines: Competition in a Transnational Industry presents an overview of the changing scene in air transport covering current issues such as security, no frills airlines, 'open skies' agreements, the outcome of the recent downturn in economic activity and the emergence of transnational airlines, and takes a forward looking view of these challenges for the industry. Since the publication of the second edition in 1999 major changes have occurred in the industry. The 'rules of the game' in air transport are now beginning to change; and it is time to take the story forward. This third edition contains nine new chapters and tackles the following issues amongst others: \* Security: The tragic events of 11 September 2001, followed by the war in Iraq, and the resultant heightened tensions over security and passenger safety. \* Financial instability: the cyclical downturn in economic activity has led some airlines to the verge of bankruptcy. Even some large well-established carriers are not immune from this. How can the

industry look to survive? \* Attaining global reach: implications of transborder mergers, open skies agreements and the transatlantic Common Aviation area. Can full globalisation ever be reached? \* Low-cost carriers and e-commerce: as both increase, how much the industry re-structure and deal with issues associated with increased passenger traffic and decreased labour requirements? \* Airport capacity: Air traffic is estimated to grow at a long-term average annual rate of 5 per cent per annum. But many airports in many parts of the world are already reaching their capacity limits. How can this be overcome and are the environmental implications? Using up to date data and case studies from major international airlines such as United Airlines, British Airways, and Qantas amongst many others, Global Airlines provides a comprehensive insight into today's global airline industry.

Bachelor Thesis from the year 2013 in the subject Business economics - Marketing, Corporate Communication, CRM, Market Research, Social Media, grade: 1,3, University of Mannheim (Fakultät für Rechtswissenschaft und Volkswirtschaftslehre, Abteilung Volkswirtschaftslehre), language: English, abstract: The entry of low-cost carriers (LCCs) in the early 1990ies revolutionized the European airline industry. Before the LCCs entered the European short-haul market, incumbent full service carriers (FSCs) were able to operate relatively unhindered. Supported by many deregulations, LCCs set their focus on a cost base as low as possible, so they were able to offer fares tremendously lower than incumbent players. Even though they took some market share from the FSCs, the main success was based on the ability to reach new customer segments. Passengers, previously travelling by car or long-distance busses, took advantage of newly affordable airline fares and were willing to incur limited comfort. Now, around 20 years after the first entry of European LCCs, the short-haul market is not expected to continue growing significantly. Hence, if the LCCs want to continue their expansion, they need a 'new market', and it seems just like a question of time until they add long-haul routes to their route network. Nevertheless, the long- and short-haul market are comparable just to a limited amount. As we will see in the following analyses and discussions, several specific characteristics require fundamental changes in the current LCC business model, which is optimized for short-haul operations. The focus point of this thesis is the development of an auspicious entry mode, based on theoretical economic frameworks. In comparison to the short-haul market, competitive interactions between incumbent FSCs and entering LCCs are expected to be much more intense on long-haul routes. This is based on the fact that LCCs will not be able to sustain their high cost advantages also on long-haul routes. For long-haul flights it is also not possible to reduce provided comfort and additional services in such a way the LCCs currently do on their short-haul operations. Hence, on long-haul routes, entering LCCs and incumbent FSCs will be active much more in the same market than they currently do, which implies a much higher degree of competition. This provides several points of contact for game theoretical considerations, as we will see in the following chapters.

Seminar paper from the year 2016 in the subject Business economics - Marketing, Corporate Communication, CRM, Market Research, Social Media, grade: 1,0, Plekhanov Russian University of Economics, course: International Marketing, language: English, abstract: The purpose of this paper is to show how a low cost airline can implement a customer care system into its organizational structure to increase its customer satisfaction. The current paper observes the customer service of the chosen company, which operates in the aviation business sector. As an example I have chosen Ryanair as a low cost airline. In this paper I will at first address the chosen sector and give a brief overview over its specifications. For this I will also differentiate the low cost airlines from the full service airlines to point out the primary strategic thoughts on how to achieve customer satisfaction. Secondly I will briefly describe the low class airline of choice. In this part I will concentrate on a short overview over the airlines organizational structure and financial standing to later determine whether and if where to import a customer care system or new parts of the system, which are currently missing. Thirdly I will make a step by step analyses of the company's current customer care system in regards to its impact on the customer satisfaction. For this I will concentrate on the customer care principles as bespoken in the lectures as well as the customer satisfaction model. I will at last make a conclusion, what the low class airline can do to improve its customer care and how certain elements can be implemented in the company's organizational structure. Furthermore, current literature can be found online which observes customer satisfaction in the airline industry.

Airlines willing to develop insight from foresight relating to the expected 'step phase changes' will eventually improve their margins. In *Flying Ahead of the Airplane*, Nawal Taneja analyzes global changes and thought-provoking scenarios to help airline executives adjust and adapt to the chaotic world.

In recent years the airline industry has experienced severe volatility in earnings, with airlines recording periods of substantial profits that are closely followed by periods of financial distress. This trend has continued into the new millennium, with numerous examples of airlines across the globe entering bankruptcy protection or liquidating. The text provides an introduction to both the basics of finance and the particular intricacies of airline finance where there can be significant fluctuations in both revenues and costs. This new edition also includes: capital budgeting management of current assets financial risk analysis fuel hedging aircraft leasing This textbook contains chapters that cover unique aspects of the aviation financial decision-making process. These include a rigorous and structured presentation of the buy versus lease decision that is prevalent in the industry, a valuation process for aviation assets, the recent trend toward privatization and the difficulty inherent in the valuation of a publicly-owned or semi-publicly owned asset. The *Foundations of Airline Finance*, now in its second edition, is an introductory text that can be used either as a general financial text or in a specialized class that deals with aviation finance in particular.

Essay from the year 2007 in the subject Business economics - General, grade: 1,0, Edinburgh Napier University, course: Economics of Business Strategy, 38 entries in the bibliography, language: English, abstract: Since the world's first airline company has been established (German Airship Transport Corporation in 1909), especially the new style of low-cost airlines increased the competition on the market for commercial flights. Towards the end of the century low-cost airlines offered first no-frills products at a low price. The concept originated in the U.S., before it spread to Europe in the early 1990's and subsequently to the rest of the world (Chan 2000). One main reason for the accelerated increase of low-cost flights can be seen in the EU enlargement, where open skies arrangements were extended. As a result low-cost routes were established by existing and new operators. The main characteristic of this new strategic orientation was the lower operating cost structure than this of the traditional market participants. The traditional airline

industry had to face an essential change in the market, with an increase of competition and new business models. Focusing on Europe, there were only a few low-cost airlines before the year of 2000. However, today about 60 low-cost carriers moved mainstream in Europe with a total market share of 24%, whereas in Germany 23 low-cost airlines operate (Berster 2007)... ..To evaluate the specific strategy of Germanwings it is necessary to set limits to the field of study. After introducing the company itself, the strategic position will be evaluated by focusing on Germany. Thus, Germanwings will be compared to the operators acting in this country. Therefore, it is useful to introduce a strategic mapping and the analysis of price practices focusing on Germanwings. Furthermore, important individual measures of the company will be explained which soften the impact of the above mentioned external influencing factors (PEST-analysis). Finally, some up-to-date measures of the company will conclude its strategic orientation.

The topic of business models in the commercial aviation industry has been researched by many scholars. They have revealed a phenomenon called "convergence of models": the business model of low-cost carriers goes towards full-service and the business model of full-service carriers goes towards low-cost. Using this phenomenon as a starting point, this thesis aims to rethink the way business models are perceived. From an airline-centered reflection, the goal is to develop a new terminology that is customer-centric. The ultimate target is to reduce the confusion of travelers flying on a given airline. To reach this result, the four generally accepted business models - low-cost, full-service, regional and leisure - are being broken down into components and patterns, resulting in a skeleton called "Airline Business Model Framework". This framework is used for the analysis of 40+ carriers in the perspective of building new strategies and develop a new terminology for the dominant business models. Based on many criteria, the author proposes four new terms for business models: "No-frills carriers", "Unbundlers", "Boutique carriers" and "Connectors". The differentiation between the models focuses on the service level provided to passengers, and not only on the structure of the airline itself. Successfully tested with the analysis of more than 130 airlines, the new terminology is a tool to better describe and differentiate airlines in the strong competitive landscape of the airline industry in this 21st century.

"TRB's Airport Cooperative Research Program (ACRP) Synthesis 47: Repairing and Maintaining Airport Parking Structures While in Use provides information on developing and implementing successful maintenance and repair strategies for in-use airport parking structures that involve the least impact on the airport patrons, revenue stream, and facility operations"-- Publisher's description.

Now in its sixth edition, Air Transportation by John Wensveen is a proven textbook that offers a comprehensive introduction to the theory and practice of air transportation management. In addition to explaining the fundamentals, this book now takes the reader to the leading edge of the discipline, using past and present trends to forecast future challenges the industry may face and encouraging the reader to really think about the decisions a manager implements. The Sixth Edition contains updated material on airline passenger marketing, labor relations, financing and heightened security precautions. Arranged in sharply focused parts and accessible sections, the exposition is clear and reader-friendly. Air Transportation is suitable for almost all aviation programs that feature business and management, modular courses and distance learning programmes, or for self-directed study and continuing personal professional development.

The airline industry is in a state of radical restructuring as its markets and key stakeholders (customers, airline labour and management groups, governments, and the financial community) adjust to the new aviation realities. Airline executives can be forgiven for being overwhelmed by technology proliferation, zestful new paradigm airlines, September 2001, business cycles, Iraq, SARS, and animal diseases. The leadership challenge for all carriers is now to select and execute appropriate business models, thinking both 'inside' and 'outside' the 'box', to turn conventional wisdom upside down to achieve dramatic increases in productivity. Some legacy carriers still need to create an effective strategy for much larger cycles that encompass major discontinuities. Burdened by past decisions, they are forced to fight with one hand tied behind their back to 'convert volume to value', to survive and prosper. Some new airlines have been at the forefront of shaping change, developing a vision of the mass-market, assessing the customer value of their core processes, and using a 'back-to-basics' business approach. Both groups should take a sideways glance at what works in other industries and implement those insights into actions. Some examples featured in this book include: " Wal-Mart's virtually real time inventory system; " Target's business model based around a unique customer experience; " Dell Computers' business model based around direct sales and mass customization; " Unilever's organizational structure around value creation and value delivery departments; " Shell International's development of scenarios of alternate futures; " Harrah's Entertainment's use of information technology to recognize and reward valuable customers; " The Warehouse's communication system with its suppliers to produce efficiency at both ends for the common benefit of the customer; " Nissan's cross-functional teams; " DoCoMo's management of human passion in customers; " Nike's innovation resulting in 'industry-transforming' products; " Toyota's 'Construction of Cost Competitiveness for the 21st Century'. Written by an experienced airline business strategist and international in scope, this wide-ranging book identifies challenges and problems, presents comprehensive analyses and suggests some solutions. Key features include: " a comparison with 14 other business sectors (unique amongst aviation books); " examples of airlines who have changed their business models; " a detailed study of branding, including mistakes and critical success factors; " how to manage risk by transforming supplier relationships; " plausible scenarios for the future to prepare for major transformation; " the emerging role of passenger management systems to identify, serve, and retain high value passengers. The author identifies the new realities and the obstacles to change, the need to revitalize product development and renew the customer experience. He deals with public policy and the need to revise supplier relationships, especially with aircraft maintenance providers, and looks at successes and failures in other industries. This is rounded off with a clarion call to governments, labour unions, airports, manufacturers, suppliers and above all airline management, to shake off the past, and to address the challenges and opportunities. His approach is to provide impartial analysis and pragmatic insights into vital enablers of change, potential business models, execution strategy, ways to make stakeholders more influential, wisdom from other businesses, and to present scenarios to make busy executives stop and think. The readership includes the broadest cross-section of practitioners in the global airline and related industries, as well as those affected by the industry and seeking a deeper understanding of it. This includes including airlines, government civil aviation departments, the aviation divisions of the financial community (investment banks and leasing companies), aircraft manufacturers and their suppliers, airports, information technology companies, as well as customers and other stakeholders.

Major institutional, regulatory, and structural changes have occurred in international air transport during the past two decades. Many countries have deregulated their domestic airline industries and open skies continental blocs have formed in Europe and North America A movement is now underway to create a liberalized continental bloc in Australasia. International air transport has been substantially liberalized due to the diminishing role of IATA as an industry cartel, and via a series of liberalized bilateral agreements signed between many countries, including the u.s. and UK Increased liberalization and continentalization have induced major airlines to create global service networks through inter-carrier alliances. And all these changes are intensifying competition between major carriers in both domestic and

international markets. The increased competition and economic recession in the early 1990s led many airlines to massive financial losses, forcing them to undertake major restructuring to improve efficiency and reduce costs. Although it is important for an airline to map out proper strategies in the globalizing airline industry, the ultimate ability of a carrier to survive and prosper in increasingly competitive markets greatly depends on its productivity and cost competitiveness.

This round table proceedings examines whether and how airports should be regulated to contain market power. It determines which approaches are likely to work best and also assesses strategies for managing greenhouse gas emissions including the alternative of high-speed rail.

Prior to liberalization, there was little scope for predatory behaviour in the aviation market. However, following deregulation, new entrants sought to compete with entrenched incumbents. Low-cost carriers (LCCs) gained significant market share, which in turn provoked many different kinds of defensive response. Having put pressure on established carriers, low-cost airlines are themselves feeling the pressure of competition from new operators. While it is normal and natural for airlines to react to competition - modifying their services, the ways in which they offer them and their prices - when does aggressive commercial behaviour go too far and become predation? This book considers what exactly is meant by 'predation' in the aviation environment, and explores the strategies LCCs adopt in order to gain market share, as well as the strategies of the established airlines in response to competition from new entrants to the market. It also addresses the key question of what competition policy should do to ensure intensive competition. Competition versus Predation in Aviation Markets brings together contributions from around the world, from airlines, government agencies, leading academics and consultants, providing a wealth of perspectives on a business practice crucial to airline survival.

The purpose of this dissertation is to assess whether the consumers are receiving a greater range and more frequent airline services since the U.S. airline industry was deregulated. Are the consumers better off since deregulation? Are the airlines providing more and better services? The questions mentioned above are examined and answered in this dissertation and based on the literature available and on numerous reports and published papers, many conclusions are drawn. These conclusions can help the readers in both comprehending the complicated issue of airline deregulation and assessing whether consumers are better off since deregulation. Initially an analysis of the airline deregulation is carried out based on the literature available. Information is provided regarding when did it happen and why did it happen. Moreover a comparison of the pre and post-deregulation era is conducted. Information is also provided about the airline deregulation effects on the U.S. airline industry's structure and competition. Strategic alliances which constitute a consequence of the airline deregulation effects are also examined. After the description of both the effects of airline deregulation and strategic alliances is carried out, an analysis of them is initiated. The analysis is aiming at proving whether airline deregulation has increased the range and frequency of airline services. For this analysis, the information presented before is used and it is analysed via the use of certain management models. Through a thorough research and study on the above issues, it has become apparent to me that the opinions about the range and frequency of services offered to the customers before and after deregulation are contradictory. The conclusions that I have made are based on my own perception on those issues and are a result of an objective analysis of contradicting theories and opinions. The airline deregulation issue is very opportune in the U.S. because the airline industry is currently undergoing through a very crucial stage. Many are those who praise the airline deregulation decision, taken in the late 1970s but many are those who recollect the days of the pre-deregulation period. My own ideas are expressed through out this thesis in a way that they allow the reader to form his/her own opinion on the issue.

Committee Serial No. 22. pt.1/v.1: Includes CAB report "Transcontinental Coach-Type Service Case," Nov. 7, 1951 (p. 421-515). pt.1/v. 2: Includes S. Rpt. 82-540 "Report on Role of Irregular Airlines in U.S. Air Transportation Industry," July 10, 1951 (p. 851-941). pt.2/v.1: Includes FCC Order No. 37, docket No. 5060 "Report on Chain Broadcasting," May, 1941 (p. 3533-3690) and FCC "Sixth Report and Order," Apr. 14, 1925 (p. 3785-3956). pt. 2/v. 2: Includes discussion of television industry impact on songwriter royalties. Hearings were held in NYC. pt. 2/v.3: Includes Columbia Broadcasting System report "Network Practices," June 1956 (p. 5099-5245); and Cravath, Swaine, and Moore report "Opinion of Counsel and Memorandum Concerning the Applicability of the Antitrust Laws to the Television Broadcast Activities of Columbia Broadcasting System, Inc.," June 4, 1956 (p. 5313-5406); and Columbia Broadcasting System report "Analysis of Senator John W. Bricker's Report Entitled "The Network Monopoly,"" June 1956 (p. 5407-5486).

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