

The airline industry pre and post 9 11

[Business](#), [Industries](#)



Analyze the attractiveness of the airline industry pre 9/11. How attractive was the industry before 9/11? Was it profitable? Was there growth? Was there strong competition or not? If so, in what sectors? PESTEL Analysis of the Airline Industry Pre 9/11

Political Government support for national carriers Oohnson, Gerry. 2011, pg51) Security Controls Oohnson, Gerry. 2011, pg51) Investment support Restrictions on migration Oohnson, Gerry. 2011, pg51) Deregulations (try to cut down airfare prices) Economic National growth rates Oohnson, Gerry. 2011, pg51)

Fuel prices Oohnson, Gerry. 2011, pg51) High costs associated with the Full Service Carrier business model of markets Increasing world trade and investment Social Rise in travel by elderly Student international study exchanges Changing life styles Increase in the number of educated people Globalization Technological Fuel-efficient engines and airframes Security check technologies Teleconferencing for business Consolidation Alternative fuels Environmental Air pollution controls Noise pollution controls Energy consumption controls Land for growing airports Legal Employee work hours

Liberalization Restrictions on mergers Preferential airport rights for some carriers Porter's five forces analysis for pre 9/11 Threat of Entry High regulations Capital intensive Requires high level of experience and knowledge It has a high barrier entry Monopoly in some cities' airports The Threat of Substitutes Busses, ships, rail industry In Europe, Russia rail is the preferred transportation mode In US rail and road are the mode of transportation for goods Prices are regularly low comparing to airfares in Europe for within Europe and Russia Ships are being used or transportation

of goods in bulk to continents But for individual transportation for long distances mostly airlines are preferred. The Power of Buyers Almost 50% increase within a decade, due to increase in the number of retirees. Also rise in the world GDP. Increasing number of airline companies gives more choice to select from to the buyers. Customer loyalty highly depended on airfares. Price sensitive. So bargaining power of the buyer is high. Technological innovations give advantages to business travelers (skype, conference calls... etc) The Power of Suppliers Pilot's unions, " there is no good alternative to a well-trained pilot in the cockpit".

The supply is mainly being done by Boeing and Airbus, Aramco, Gazprom All of the suppliers have high power. (Fuel, maintenance, labor). Competitive Rivalry Low margin cost (1-2% net profit) Increase in the number of airlines High costs High exit barrier As per the case study" analysts were predicting that the US airline industry would lose some \$. 5bn because of the slowing economy combined with a large decline in business travel. " So the decrease and losses were already happening, due to technological, mismanagement and economic reasons. 9/1 1 may have given good reasons for mistakes. 2 Analyze the attractiveness post The decrease hit the bottom with the terrorist attacks. People preferred other ways to travel.

PESTEL Analysis of the Airline Industry Post 9/1 1 Government support for national carriers (bailout money \$4bn) Tax break for the next five years (national carriers) Security Controls increased (3 hours early check in) Lay offs Cost increase due to security increase Supplier's suppliers were affected Probable increase in the demand for metal detectors and security items Increase in the insurance cost Increase in the airfare but after 2007 airlines

are raising against each other, prices are going down Fear against flights No trust to security Choice towards road, rail, or teleconferencing. Need for advanced security check, secure stronger technologies including navigational equipment. Teleconferencing for business Stronger rules over employees Tighter regulations Increase in the consumer rights and protection* 3. How might airlines better plan for disruptive events such as 9/11?

They could have done scenario planning and train the employees according to the worst case scenario. Shell was the only company during the crisis which survived because they had the scenario before and when they started to feel the crisis they reacted before it reached at the door. Airline industry can do the same thing, and train their employees. Government can do trainings at the school or public places for worst case scenarios. Airplane suppliers can produce safer doors for the cockpit. And security companies should not just hire normal people they should have people from the army or police departments at the airports who are well trained.

<http://dollarsandsense.org/archives/2002/0502ward.html>

<http://www.citethisforme.com/topic-ideas/business-marketing/Qantas%20management-9357129>

<https://assignbuster.com/the-airline-industry-pre-and-post-911/>