Air carriers

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Air carriers compete through costleadership, differentiation and horizontal integration. Adoption of deregulation policies around the world led to opportunities for entry of new players. However, since existing large air carriers have decades of first mover advantage, the air transportation industry became segmented into two general groups, the traditional carriers comprised of flag and luxury air carriers and low-cost carriers differentiation by price and cost structures.

Competition occurred on two levels, between traditional and low-cost carriers and among the air carriers belonging to these segments. Traditional airlines commonly compete based on differentiation of service quality, brand equity, and provision of additional value to consumers. Low-cost airlines compete based on cost leadership by developing pricing policies and cost structures that allow the provision of basic services at the lowest possible price. (Costa et al., 2002)

Although, low cost carriers targeted a specific market, the low cost market, this meant a pull from the existing market of traditional airlines because of an alternative low cost option.

Traditional airlines responded to this by engaging in horizontal integration by buying out low cost airlines as well as engaging in strategic alliance and consolidation strategies ranging from intensive ‘ hub and spoke’ networks and code sharing to mergers and acquisitions intended to fill in the service gaps of low cost airlines and keep their market.

These constitute exclusionary practices by exploiting industry practices such as overcapacity to dominate national routes and make it difficult for new entrants to use the same routes that goes against the competitive expectations from deregulation.

Anti-trust regulations emerged in many jurisdictions to monitor and regulate practices that end up stifling competition. Monopolistic or quasi-monopolistic alliances and consolidation are subject to regulation necessary to ensure competition that balances the interests of various stakeholders. (Kleymann & Seristo, 2004)

This led to the implementation of competitive strategies maximizing options within regulatory limits.

How does the speed in air carriers impact inventory levels of firms using air transportation? and how the speed advantage relates to the choice of modes when choosing between air carriage and other modes of freight and passenger transport?

The speed of air carriers impacts inventory levels of business firms using air transportation services because air carriers become a party in the logistics and supply chain partners of business firms (Thompson & Strickland, 2003).

The air transportation industry plays a key role in many industries such as manufacturing and retail serving international markets and thetourism industrythat all rely on the service quality and speed of air carriers to meet consumer expectations.

In the case of manufacturing and retail companies, one goal is to maintain a fast rate of inventory turnover, which means product delivery to consumers the soonest possible time after production leaving only sufficient inventory in the warehouse to meet sudden upward shifts in demand and minimizing unnecessary costs.

A fast inventory turnover then translates to growth in sales and profit and even a sustainable market. (Baldwin et al., 2000) However, to ensure a fast inventory turnover, the air carriers engaged by business firms should be fast enough to meet the period of delivery to all its consumers around the world.

As such, speed advantages in an important consideration in the decision of business firms in preferring a mode of transportation to another. With advancements intechnologyin other modes of transportation, air, land and sea transportation have become substitutes. Bullet trains can offer comparative speeds as air carriers and sea vessels have always been the traditional mode of transportation.

Air carriers need to differentiate its transportation services relative to the other modes of transportation gain a competitive advantage and influence the decision of passengers and cargo owners to prefer air carriers.

Since speed is a factor for passengers and cargo owners, this should be cultivated by air carriers as an advantage by developing aviation technology, maintaining their air carriers regularly, continuing training of staff, and coordinating with air transportation authorities and airports to support its speed advantage. (Doganis, 2001)

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