

A concise pest analysis for airline industry

Business



Thinking about airlines, the first thought which probably comes to mind would be luxury and comfort. However, there is much more to the airline industry than just that. Yes, most of the airlines worldwide are facing a cycle of rising operating costs and declining profits and margins. Now, passengers may not be able to observe these characteristics, but after extensive research it is quite apparent the global airline industry is in disarray.

So, what factors are affecting the industry? And more importantly, how is the industry coping with them? Here is a PEST analysis for airline industry to give you a better idea.

Political

The airline industry operates in a highly regulated political environment where passengers are favored over the airlines. This is due to the fact that passenger safety is paramount and the political establishment have been made weary of the airlines and resorted towards strict regulations for their operations, due to their earlier inclinations towards monopolistic behavior. Furthermore, with there being more competition in the industry and regulations in demand, passengers are in a position where they can push for lower prices and amenities.

Economic

The 9/11 attacks left a major impact that the airline industry is yet to recover from. The prolonged recession, fluctuations in oil prices and an imminent global slowdown are other debilitating factors that are affecting the growth of the airline industry. Airlines have to cope with declining passengers, high

fuel prices, competition from low-cost airliners, labor demands and soaring operating and maintenance costs. In addition, events such as the recent Malaysian airline disappearance, is also adversely affecting the global airline industry.

Social

Over the years, the millennial generation's emergence into the consumer class has resulted in major social changes, more importantly in terms of service, where consumers have become much more demanding. Therefore, to meet the increasing demands of this segment, airlines have to stabilize their costs. Additionally, the passenger profile has changed as well with there being more economically minded passengers. When it comes to business class passengers, improved communication facilities have reduced the need to fly down for meetings.

Technological

With intense competition in the airline industry, latest technology must be adapted by airliners in order to survive in the already tough environment. Additionally, the use of latest technology in aircrafts would not only lower fuel consumption, but also the cost of airline operations and improve efficiency.

Conclusion

So, this PEST analysis for airline industry has highlighted four important factors that are affecting its external macro environment. By keeping these factors in mind, we have come to the conclusion that the increased costs of <https://assignbuster.com/a-concise-pest-analysis-for-airline-industry/>

doing business, strict rules and regulations imposed by regulators, competition from low-cost airliners, changes in passenger profile, in addition to the recent airline related deaths, all have affected the viability and profitability of the global airline industry badly. It will require a lot of patience and hard work for the industry to find its way back to the right track.

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