Porters five forces us airlines industry case study

Business, Industries

Porter's Five Forces

The year 2011 was another dismal one for US airlines in terms of financial performance. Despite an increase in both passenger numbers and revenues for the year, profits were down in 2010. In total, US airlines earned net profits of about $0. 4 billion, representing a net margin of less than 1%. The dire financial state of the industry was underlined by MAR (the parent of American Airlines) entering Chapter 11 bankruptcy in November 2011. This ended Mar's distinguished record of being the only one of the major legacy airlines to have avoided bankruptcy. In 2005, Delta, United, Northwest, and US Airways had all FL led for bankruptcy protection. The early months of 2012 offered little hope of improvement. Airline revenues were up by 8. 2% during the first quarter of 2012 compared to the same quarter of 2011. However, as a result of higher costs, net income was down by 73. 6%: net margins had deteriorated from -3. 2% to -5. 2%. The woes of the US airline industry during the 21st century were typically attributed to the triple-whammy of the September 11, 2001, terrorist attacks, the high price of crude oil, and the 2008 financial crash. Certainly, each of these was a powerful force in boosting costs and depressing demand. Yet, the financial problems of the US airline industry predated these events. Even during the generally prosperous sass, the US airline industry had been barely profitable. Outside the US, the state of the airline business was a little better. The DATA, the worldwide association of airlines, showed that the global airline industry had consistently failed to earn returns that covered its cost of capital Porters Five Forces.