



# **FUTURE OF AIR TRAVEL INDUSTRY: RELATION OF GROWTH AND CONSUMER SATISFACTION**

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## **ABSTRACT**

*The present research paper investigates the airline industry's present and future states in relation to growth and consumer satisfaction. The approach of investigation is secondary data analysis. The sample of the data is collected from various sources from official websites to books and scholarly journals. The U.S. and European airlines are included in the data for analysis because of their history and expansion globally. It was found in the research that both the U.S. and European major airlines have constantly reported either losses or marginal profits in recent history. However, on the other hand, low-cost carriers have mushroomed in both the markets because of their effective marketing strategies. However, it must be noted that major airlines' as well as low-cost carriers' future is unpredictable and many see both of them in danger because of increasing oil prices. Overall, the growth chances for low-cost carriers are much higher in both U.S. and European air travel markets and beyond like Africa, Asia Pacific, and Middle East. It is the major airlines from both the settings that are seen to be facing critical challenges in the recent future. For which supply and demand is one single area that must be taken into serious consideration by these airlines because it is this area that has been historically overlooked by major airlines.*

## **1. INTRODUCTION**

Air travel industry has been in the news frequently for a number of reasons. There have been talks about the feasibility of low-cost carriers with the present marketing strategies that they employ. On the other hand, the future of major airlines worldwide is seen in danger by a number of analysts, researchers, media personnel, and so on. With all this, customer satisfaction and changing attitude is yet another area that catches the common eye for solid reasons. Researchers and commentators of American business area sometimes raged by the dissatisfaction with which American business treats the customers. In this regard, Maier states that "Keeping the customer satisfied no longer is the mantra of American businesses, as studies show a steady decline in customer satisfaction that is projected to continue" (2002, p. 20). Whenever it comes to airline industry of the U.S. and Europe, it is no way possible to overlook the impeding effects that the terrorist attacks of 9/11 have had on the industry. Although some suggest that this event has been disaster for the airline industry of U.S. and Europe, others believe that it is only a feigning point that the airline managers take to hide their inefficiency. For instance, Whalen (2004) does not believe it is about the terrorists attack, but that the present situation of airline industry is the U.S. is the result of "decades-old legal and labor laws, and the U.S. bankruptcy code [which are] at the core of what is wrong with the airline industry" (p. 33). It is these important issues that the present research study seeks to explore the future feasibility of low-cost carriers in the United States of America, Europe in particular and in the entire world in general. The present research also examines the future existence of major airlines from these two physical settings. It is in the United States of America that the history of pioneering work of low-cost airlines can be traced back.

Airlines and Pacific Southwest Airlines. Initially, the idea was to offer ticket prices which could be as attractive as those of the train and lower than the prices offered by other airlines. The major breakthrough in this tradition is stated to become a possibility because of the 1978 Aircraft Deregulation Act; this Act liberated flight routes within the U.S. and flight prices were brought down. A similar trend can be seen in the European airline industry. It was made possible by the liberation of airline market in the EU. Contrary to the past when "Air traffic was so far controlled by bilateral agreements" it was not "legally permitted that airlines from other countries offer connections between two countries which are both not their home country" (Uherek 2006). Ever since, the low-cost airlines have mushroomed in different countries of the world like the UK and South East Asia. There are different types of services packages provided by



different airlines for competitive advantage. Today's major lowcost airline such as Easyjet, Ryanair, and Virgin America acknowledge their inspiration coming from earlier models of Southwest Airlines (Budget Airline Guide 2007). It was the time when luxury and extra service items were identified as the cost-saving strategies for customers to save their money. Henceforth, extra costs were cut in this period of time which makes the 90s a truly low-cost airline market start and so it soon became a global trend. Low-cost airlines also introduced an entirely different air travel experience for their customers as they "served to create a whole new market of customers". It was this pressure that traditional airlines came up with their own version of low-cost, no-frill airline offers to get advantage of the new customer market. The human traffic increased manifold as customers could now enjoy traveling abroad only because they had to spend less money on air travel (Destination Guide 2009).

The business model of low-cost airlines has some common features found in all low-cost airlines on a relative degree. These features include sale of ticket over the Internet; one passenger class; using cheaper and less congested airports; short-time traveling causing faster turnouts; multi-skilled employees; single aircraft types to save maintenance cost. It is with these features, with others, the low-cost airlines have created a new, more attractive airline market (Ramchandani 2008). Although initially, these airlines were in competition with national airlines, it is now a very different game. With their profits currently mounting high, low-cost airlines are making of newer market strategies to grab even more profits. For instance, it is their cheaper-than-a-taxi fare offer that helped sustain the market after 9/11 (Robinson 2002). Today, with uncertain economic conditions, it is the lowcost airlines that have sustained the consumer confidence. It is estimated that in the coming ten years, the low-cost air travel would continue to grow to heightened horizons, henceforth, there is more and more investment coming to the domain of this specific type of airline industry (Business Service 2004). The Graphs below show the route-wise and seat-wise growth of low-cost airlines (oag.com 2009).

According to the BAA Issue Brief (2006), the low-cost transport market is expected to grow enormously in the years to come. The past growth figures tell the story. In Europe alone, the number of passengers has grown dramatically from 8 million in 1998 to 59 million as recorded in 2005. The major point of this growth is said to provide the opportunity for air travel to those passengers who could not afford to fly by air if it were not the low-cost airlines. At present there are more than 50 airlines spread across Europe which offer low-cost deal to their customer one way or another. The major airlines are easyjet, Ryanair, FlyBe, Jet2, Flyglobespan, and Monarch. Another important feature positively contributing to the growth of the low-cost airlines, according to the BAA Brief (2006) is that these airlines do not offer "the historical costs and debts of traditional airlines, and so can generate profits on smaller marines" (p. 1). This is the very reason that made these airlines stand upright in the times of turmoil such as Iraq Was, 9/11, oil price hikes, etc. A number of benefit not only attract the cost-conscious passenger to these airlines worldwide, but it is also becoming a reliable means of air travel by business traveler as these airlines are much better in terms of punctuality. Hence, it sees a growing interest in air travel by business travelers. Although aviation safety charges are the same for low-cost carriers, they have an edge over traditional airlines since they have modern fleet hence per passenger emissions and burning of fuel is better than traditional models or as good as them. It is also said that through low-cost carriers services in countries like Britain, there can be seen a positive cultural and social change as more and more people get to travel around the region seeing new places, meeting their loves ones, all in a manner in which their economics is not hurt (BAA Issue Brief 2006).

A similar case of growth in the farther region of the world, Africa, is also on the scene. Low-cost airlines in Africa are booming by the day. The story of expansion here is different from that of in the Middle East. Africa is the region that finds challenges like higher fuel bills; however, at present the low-cost airline industry is still growing which continues into 2008. The company has also signed agreements with other companies to ensure future growth in the region (Africa's low-cost airlines 2008, p. 50). India is another country that has welcomes the trend of low-cost airlines not only for its travelers around the country but also for the tourists that are coming into the country in larger proportions by the day. More important to note is that because of the success of low-cost airlines in India, foreign investors have shown great interest in making investment in this business of the country which straightforwardly suggests that in the days to come, India will see both a stronger low-cost airline industry and an economically stable network of different low-cost airlines (Kuldeep 2009). Getting into the detail of customer satisfaction with airlines in general, Tews (2009) a very recent survey conducted by J. D. Power & Associates in 2009 on customers' satisfaction with North American airlines reveals that among traditional airlines Alaska Airlines was scored highest regarding customer satisfaction. The important areas in which this airline was ranked highest are better reservation experience for the customer, better experience for the check-in process, and also better services available while customers are boarding and departing from



the planes. ACSI (2009) reports that many airlines that have had issues in passenger services have improved considerably.

Baker (2006) states that for European lowcost airlines the model of U.S. airline is a bit too far-fetched. It is due to certain regional conditions and regulations imposed by the authorities. Henceforth, the author notes that quite a few airlines that started purely as low-cost carriers are now looking for other ways, connecting to other routes and carrying some frills. Latrou and Oretti (2007) very rightly suggest that up to now low-cost airlines have come into play by posing serious threats to pre-regulation flag and legacy airlines of Europe and the U.S. This is because of their effective market-focused approach to business. Their penetration to all three major air travel markets of the globe further suggests that their effectiveness is worth-watching. Their growth has also falsified the theory that they would not be able to attract time-sensitive travelers. The proof is that their market figures as recorded between 1999 and 2004 (from 4% to 10% respectively) is expected to reach to 20-25% by the year 2010 hence confirming their place as the furious players in the European markets and not in the U.S. because the market in U.S. has saturated now. Pearlstein from Washington Post (2008) has yet another analysis to talk about the future growth of these low-cost carriers. According to the author, the picture is very bleak and would hold drastic consequences not only for the low-cost airlines but also for the U.S. economy in particular.

The major reason for this setback, according to Pearlstein, does not lie merely in the rising prices of air fuel; actually the entire situation is much too worse. According to this analyst, the lowcost airline industry has been in the business by making use of strategies which are effective for short-term rather than long-run existence. Recent surveys about consumer satisfaction with major U.S. airlines have been conducted which can give us useful insight in order to arrive at a well-rounded analysis for this research paper. According to CBC Associated Press (2009) JD Power survey on major and low-cost carriers, in 2009, reported the overall satisfaction of the passengers with airline has improved 3.2 per cent earlier in this year. Another survey conducted by Travel Industry Association in 2008, comparing air travel quality and customer satisfaction with that of 2006, revealed that in 2008 the airline performance in terms of customer satisfaction was on the continuous declines every since 2002. The most critical aspect of this finding was that the business traveler within the United States, which counts for around 22% in the market, is highly affected which has a return effect on business planning and scheduling of the U.S. industry.

## 2. RESEARCH METHODOLOGY

The present research study takes as its research methodology or research design the analysis and synthesis of secondary sources of data and information due to the nature of the present study as discussed above. There are quite a few ways through which both the quantitative and qualitative research researcher can be conducted. As of today, there are a number of research methods and designs which are approved by a number of social scientists and business research scholars. Major stress from these scholars lie on the feasibility and effectiveness of the research conducted and the suitability of research design with the research by keeping in view the practical limitation present to a researcher. In this regard, Berg (1989) inform us that to conduct a research study, the primary or starting point of the research is to rationally decide its design; after the decision of the design is made, the most fitting technique for data collection and its analysis should be decided. Henceforth, following Berg, it is feasible to note that there are numerous techniques available at the discretion of the research to choose from, by watching out the most appropriate data collection and analysis technique. Henceforth, the research methodology can be as different from each other as "case study, literature review, natural experiment, participant observation, interviews based, and secondary analysis of data or combination of these". Therefore, for the present research study, it was decided, by keeping in view the time constraints and practical limitations, that the analysis and synthesis of secondary data would be the most appropriate research design. If the method of analysis and synthesis of secondary data is critically examined, it will come to our understanding that this research technique is most suitable to have an insight into the present body of literature and statistics available on air travel industry in the U.S. and Europe. Moreover, with regard to the future of air travel and consumer behavior, it was also decided that this methodology could yield important insights from other issues which might not catch the eye of general analysts or reader. Moreover, thorough analysis a huge number of secondary sources and their synthesis will enable the research to review the issue from a fresh start; it was also decided that this methodology would yield important insights about major areas from around the world: say, growth of low-cost carrier around the globe and challenges present to them. As literature review is the major organ for the present research study, it was decided that this chapter would be thematically organized.



The analysis of research and its synthesis would be done with focus flowing from specific to more specific information and areas of research. Henceforth, the research reviews the present state of air travel in the two regions and then moves on to point out the certain problem present in the regions. Now if we examine this research strategy, the present research finds it plausible to observe that within the research design of secondary data analysis, the present research approach becomes a mixed-method approach. It is stated by keeping in view the nature of the secondary sources that the present research incorporates in the paper. The sources are acquired from a number of different sources such as scholarly journals, books, research websites, recent and very latest surveys, the analyses of these surveys, official aviation websites, and websites of a number of airlines spreading over the entire globe and so on.

### **3. DISCUSSION**

At this point in time, the present researcher believes it feasible to make critical commentary by analyzing the above presented data and highlighting its important findings in this section. First of all, the above-conducted research suggests that throughout the history of airline industry, either in the U.S. or Europe, it is the common word of researchers and analysts to state that this one industry is so fragile that it is way too difficult to make solid predictions about its future feasibility whether it is the low-cost carriers or the major airlines. Henceforth, the present researcher found this uncertainty in almost all the sources reviews critically to incorporate in this research. The talk about the future of low-cost carrier, for instance, divides into two groups.

believes that the future for this kind of airlines is fruitful and that in the immediate future (as far as 2015) this kind of air travel will prosper because of their better marketing strategies, highly satisfactory customer services, and most of all, because of their more economic air ticket pricing. On the other hand, some view that in the coming future only four to five low-cost carriers will survive because of two major reasons. One, the U.S. and European markets are moving toward a point of saturation; two, jet fuel price in the future will hit high causing a number of low-cost airlines to be grounded. With these two views in place, the present writer finds it important to mention that although jet fuel prices do count toward the future survival of low-cost carrier, it is hard to believe that only a few will survive the wave. This observation is made through the data analyzed in this paper.

There are two very important points to make in this connection. One is that low-cost carriers are spreading the entire globe by the day. It is now in Asia Pacific, Middle East, and South Asia that this kind of economical air travel has won a due market share. The other and more important point is that it is the low-cost carriers that have given the-notso-rich to travel by air in a common way. The first reason is the most important reason that has given birth to other reasons for the future survival of the low-cost carriers. There is no doubt, according to the discretion of the present writer, that low-cost carriers have given the world an entirely new concept of air travel; as this means of air travel targets the middle class and lowermiddle class social strata, there is no point that the means of this air travel will anyhow meet a point of extinction; it is due to the fact that more and more masses will be attracted to this type of air travel. As far as high future jet fuel prices are concerned. The present researcher would like to put a question that if the ticket prices of these low-cost carriers would mount sky-high (supposedly) then what will happen to the ticket prices of the major airlines? It is very much clear that low-cost carriers would still provide economic fare prices which would be still affordable to non-elitists classes of the global society. With regard to major airlines, there is no doubt to state that poor marketing, management, and physical strategies have always shown these airlines hard times.

Hence, with all the previous problems in place, these airlines have been further pushed to the walls. However, once again, the author of this paper finds it important to comment that the aboveconducted research suggests that the future for these airlines is also very promising because of quite a few factors. One important factor in favor for their survival is that their long-haul market is not touched by the low-cost carriers which keep the ground vacant only for their play. The other, related to the first, is that they can form new coalitions and acquisitions (as is happening even at present) to compete better in the future situation. Another observation to be made in the connection of future survival of major airlines is that these airlines will have to seriously work on their management functionality by seriously focusing on supply and demand aspects of their operations. It is this single area that has not been given as much attention by these airlines as is required from them historically. As far as customer satisfaction with these airlines is concerned, this area is related to the kind of service that these two means of air travel provide to the customers. The area of customer satisfaction reveals quite a few important insights. This is possible because of the data available in this area. The present research found that the overall business performance by the airline industry as a whole has declined over the past five to six years. Either it is the services provided by low-cost carriers or the major airlines, either in the U.S. or



Europe, customers have shown higher amount of dissatisfaction in certain areas to both of these traveling means. This is also clear from the present research that the more critical areas are baggage loss, and check-in process in which most of the customers have shown higher degree of dissatisfaction. Henceforth, it is these two areas that need immediate attention by the airline industry as a whole.

#### 4. CONCLUSION

Airline industry has seen a tremendous change in trend in the 1990s when the lowcost carriers picked up pace in the market. This new type of air travel not only created a different passenger market across the U.S., Europe, and elsewhere, it also attracted the already in-line consumers like business travelers because of their attractive services and more importantly because of their much cheaper strategies to sell flight tickets. It is the low-cost carriers that hold so much promise for the future air travelers especially within a country or region. Major airlines which were already in a sinking position have been hit a bit by the entry of these democratic means of air travel. Although major airlines have their own specific market, especially the long-haul routes such as cross-border reach and intercontinental approach, there is no doubt that the local or domestic market has been and will continue to be captured by these low-cost carriers. These and other areas are to be investigated to find feasible solution so that customer loyalty can be won by the airline industry. Furthermore, it is important to bring forth that the overall dissatisfaction of the consumer is increasing by the year. This is one area that is the result of the minor areas which have not been given considerable attention in the past. It is now time that all the stakeholders of the airline industry not only from the U.S. and Europe but from all over the world sat together, not for the sake of sitting only, but to find out the practical solution for these problems. It is important if they really wish to continue to prosper. Although the future conditions for air travel are promising, there is no doubt that that if they problems faced by the consumers are also mounting by the year, the growth will see a drastic cut everywhere: be it low-cost, budget airlines or the major airlines. To the personal discretion of the present writer the solution of lower customer satisfaction lies in addressing the problem in an interactive way, that is to say, rather than asking the customers filling up survey questionnaire and the like, it is more feasible if the airlines can arrange to process customer feedback in a more expedited manner. Whatever means this procedure requires (and it will not be something from another planet), this is what can solve a number of problem then and there. Moreover, this procedure will also add to the satisfaction level of the consumers. Although some low-cost carriers have tended to change their basic no-frill strategies, if they tend to become one of the major airlines type, there is no point in not stating that they will then face the similar problems as faced by their elder brothers historically, Thus, the most important strategy by which they can win in all situations (as happened in the wake of the terrorist attacks of 9/11) is keeping their air fare as low as possible so that they continue to attract the masses to their airplanes.

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