

Sustainability and Growth of Low Cost Airlines: An Industry Analysis in Global Perspective

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The main objective of the study is to predict the sustainability of low cost airlines and to identify the future growth options. For the purpose of this research, a “split halves” technique of piloting was considered, whereby two small groups of respondents were asked to fill in the questionnaires and their results were compared in order to ensure if the questions were understood by them in the same manner. Eight in depth interviews were conducted both face to face and over telephone. Customer service analysis also was conducted through survey from the customers at London Stansted and Gatwick Airports traveling to numerous destinations on low cost carriers. As a large number of data has been collected through interview and questionnaire survey, data are also analyzed on a deductive manner based upon the importance and significance of achieving the research objectives. Low Cost Carriers (LCC) have developed their value chain and strategies with a focus on cost reduction in comparison to network carriers who also focused on excellent customer service. Industry specialists and consumers both believe that LCC have benefited the industry by providing low fares and made air travel affordable. However both set of respondents also agree on the need for focus on Client Relationship Management (CRM) as a means for being sustainable. Industry specialists believe that LCC should revolve around the LCC basic model rather than a complete transformation into Full Service Carrier (FCC). LCC need to select a need based outsourcing to reduce their unnecessary operational costs. The research concludes with recommendation that LCC’s should formulate cost differentiation strategy for future growth and sustainability.

Keywords: low cost carriers, tourism, global competitiveness, airlines industry and sustainability

Introduction

Air transport has always been considered as a very special sector in the international context. It facilitates global economic and social growth, international and domestic tourism, world trade growth (Hardy, 2009). It has been a dominant factor in the process of globalization. In 2008, US\$ 535 billion was generated compared to US\$ 307 in 2001 (Forston, 2008). This growth has been attributed to globalization of the industry driven by market deregulation and open skies agreement. Deregulation nurtured the growth of Low Cost Carriers (LCC) in the domestic market (Hannon, 2009). In reaction to Lufthansa’s, “*there’s no better way to fly*”, Southwest reacted, “*Stop Searching, Start Travelling*” (Lufthansa AG, 2009) (Database of Airline Advertising Slogans, 2009). The percentage change for FSC’s is based on Revenue Passenger Kilometer (RPK) for 2008 over 2007 and for LCC’s is based on passenger numbers for 2008 over 2007.

In 2008, top 75 LCC’s carried 579.5 million passengers and witnessed a growth in the passenger traffic of 9% as compared to 2007 (Mitchell and Mills, 2009). Today, LCC’s share the same skies and issues as legacy carriers. Having reached the maturity in their life cycle, LCC’s has a list of setbacks to scare away any new entrant in the industry. An analysis of the industry, its strengths and weakness, its opportunities and threats is fundamental to understand as to what the future holds for LCC’s.

Hence, the main objective of this study is to predict the sustainability of low cost airlines and to identify the future growth options for Low Cost Carriers. Specifically, this study will also identify the success, failure and survival factors in the low cost airlines industry and the extent to which these would enable them to weather the ongoing recession.

Research Methodology

This research project is an ‘Evaluative Research’ which helps in the process of assessment of the success and failure of the management plans and policies (Veal, 2006). This was achieved by the

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adoption of both primary and secondary research techniques. Primary research techniques include surveys and interviews of the industry specialists and customers; whereas the secondary research includes the literature review, industry reports and explorative case studies. Eight in depth interviews were conducted both face to face and over telephone between May 2009 and January 2010 from the managers who work in different low cost airlines in Europe, Middle East and India. For the purpose of this research, a “split halves” technique of piloting (Walliman, 2005) was considered, whereby two small groups of respondents were asked to fill in the questionnaires and their results were compared in order to ensure if the questions were understood by them in the same manner. This technique was very helpful, as it enabled to clarify some concepts and gaining valuable feedback on the data yielding capability of the questionnaires. Customer service analysis was also conducted through survey from the customers at London Stansted and Gatwick Airports traveling to numerous destinations on low cost carriers both in summer (June and July) and Christmas (December) times of 2009. 200 questionnaires were distributed to the respondents, but 165 questionnaires were properly filled up by the respondents which were used for further data analysis. University students living at London and travel frequently on low cost airlines were also included on this survey. 78% of the respondents were European, and 28% were from Asia particularly from Bangladesh, India, Nepal and Malaysia, and they are in between 22 to 35 years old. Reasons for selection of the sample size and the mode of communication in order to generate responses on the individual customer profile. As a large number of data has been collected through interview and questionnaire survey, data are also analyzed on a deductive manner based upon the importance and significance of achieving the research objectives. At the end, some recommendations and suggestions are given for further sustainability and growth of LCC.

Movements and Regulations in the Airline Industry

The airlines industry has been subject to a number of legislations and regulations. Wensveen (2007) emphasizes on the establishment of IATA in 1965 and deregulation in this process. Deregulation being the most prominent one, was introduced to provide an international market for all the airlines, as that would help in global development, enable the customers to choose from a wide range of options and also increased efficiency as non performers will not be fit enough to survive on the global level (Dunn, 2009;

Iatrou and Oretti, 2007). Deregulation on the domestic front helped the LCC's to emerge and prosper. The low cost revolution pioneered in the USA by Southwest and in Europe by Ryanair showed growth consistently. LCC's struggled to gain grounds in other parts owing to regulated markets, rising fuel cost, reducing passenger load factors, slow paced regional economic growth, lack of ability to create a distinctive competitive image, bankruptcy, reducing profit margins (Hardy, 2009). With initial hiccups airlines then started to grow, Virgin Blue in Australia, Gol in Brazil, Tiger Air in Singapore and Air Asia in Malaysia (Alloway, 2008). In the mean while, Europe was already saturated with number of LCC's, the number of passengers travelling on LCC's increased from 3 million in 1994 to 100 million passengers in 2004 (Doganis, 2006). LCC's in Europe exceed by 50% of the market share on some intra European routes, as compared to 8% by Asian LCC's on some Intra Asia routes (Benson, 2008). LCC carried more than 1/3 of the schedule passengers (Airbus, 2009). This growth is also a clear symptom about the price conscious customer's willingness to travel in a LCC over the legacy carriers. With low costs and profitable returns, these LCC's have forced the legacy carriers to rethink their pricing, positioning and distribution strategies.

Low Cost Airline Industry Data Findings and Analysis

In order to generate a firsthand feedback on the low cost airlines industry and the strategies adopted by the several companies in the industry, detailed questionnaire and unstructured interviews were used. 350 Questionnaires were distributed to several industry specialists as mentioned in the research methodology. However only 165 respondents replied back leading to a response rate of 47.14%. This research also intended to obtain the views and opinions of aviation industry professionals' worldwide specialists to arrive at an unbiased conclusion.

Description of low cost carriers

Initially, respondents were asked to describe the low cost airline industry in one of the mentioned options they most agreed to. An equal ranking to all the options were expected in the beginning; however the questionnaire revealed a different rating. 51.6%, 50% 53.1% 56.3% and 37.5 % of the respondents described them as cheap, value for money, economical, affordable, for masses and not for classes respectively. This is consistent with the theory, whereby low cost airlines tend to keep their

costs low and economical due to their value chain advantages and target the mass population using a broad cost based approach (Mitchell and Mills, 2009).

However 30.2% of the respondents contradict and disagree on the fact that low cost airlines are low in quality. In fact such a technique is used by several airlines to differentiate them from the other leading competitors. As mentioned by Ramchander Bishnoi, *“Kingfisher Red- low cost carrier a subsidiary of Kingfisher Airlines in spite of being a low cost carrier tries to provide quality service as compared to its competitors like Spicejet and Indigo on the same routes in order to attract more customers”*.

Strategies to survive in the current recession in order to grow in the future

The respondents were asked to share their opinion on which would be the most effective way for the low cost airlines to survive in times of such global recession. Of the total respondents, 57.1% stated that low cost airlines should stick to their low cost model with a focus on ancillary revenue. In light of this, Woodburn (2008) mentions how a customer who initially brought 01 pence ticket and ended up paying £61.84 for the same ticket.

According to Pran Dasan, Manager at Kuwait Airways and Diego Giannone, Strategic Planning Analysts at Alitalia, *“Ancillary revenue account for 20% of the airlines revenue and is expected to rise, so airlines should continue to focus to ensure revenue growth, in fact airlines should look for new areas for generating additional ancillary revenue”*

This clearly indicates the relevance of focusing on ancillary revenue maximization. However, 42.9% of respondents considered an extension of the target market to include corporate travelers as an effective option. It is equally important to consider the fact, that in order to attract this segment, low cost airlines need to re-think on their Customer Relationship Management (CRM) strategies. This is also emphasized by 40.5% of the respondents who considered CRM as an effective technique. In agreement to this, Sarah Lee, a freelancer states *“LCCs need to focus most on customers. Too many now focus on under-cutting service and quality and seeking increased revenue from ancillary products. Ultimately the customer is king and they will eventually vote with their feet (choosing another airline when they feel they are not getting the service they deserve). If certain LCC’s are not careful they could cause the low cost bubble to burst as a time will come when passengers start to seek quality over low cost points and the low service that comes with them”*.

This is also indicated by the 33.3% of the respondents who consider outsourcing as an effective tool. However, 5 of the respondents believe, outsourcing would be more beneficial to airlines if: a) A need based outsourcing is adopted rather than a paid service, as this will help airlines to reduce costs in times of low demand; b) Outsourcing is continued with structured contracts with several suppliers, it will enable them make the most of it from the contracts.

Changes to the LCC model to attract new customers and aid sustainability

On questioning the respondents about the low cost models and changes to the models, 51.2% of the respondents believe LCC’s should continue with their low cost model but with attractive cheap fares and maximising consumer touch points. These respondents believe that such a change could benefit in more than one ways. Such as a) Help the LCC’s to maximise its customer base; b) Demand pricing in comparison to uniform pricing would help the LCC’s and the customers gain in times of high demand and low demand; c) Facilitates ease of purchase and accessibility to the consumers; d) Help the LCC’s to communicate to its customers quickly and effectively. Such a set up of mass consumer touch points however, would be very contrary to the low cost’s direct business model and add up to the costs thereby increasing these operating cost and accordingly the fares. Respondents accounting to 46.3% of the total believe that lean and mean approach to staffing would be an effective strategy. Such an approach would enable the airlines to cut down its cost and thereby pass on the low cost to the customers.

On the contrary, two of the respondents also believe that such an approach would only place more pressure on the staff to perform better. This would affect the employee’s performance leading to lower productivity and falling profits. 34.1% of the respondents believe that low cost long haul with low cost model. This is a very effective strategy and would be profitable only if the LCC’s focus is on high density routes to maximize returns and with a careful selection and implementation process. In response, 39% of the respondents did agree with Delfmann et al, (2005) studies on low cost airlines, whereby airlines would lose their competitive advantage, add up to their costs and would be unable to switch to a FSC model and should continue to operate with their original business model and restrain from moving into full service airlines sector. Respondents suggest that the current scenario where many FSC’s in the first place are degrading their own

models to compete with low cost airlines and setting up their own low cost subsidiaries, a move towards a complete transformation would be the least effective change in the business model to ensure sustainability.

Ensure repeat business

Retaining old customers is as important as attracting new customers towards the company's services (Westcott, 2005). Respondents were asked to mention three ways in which they believe low cost airlines could retain their customers and ensure repeat business. Respondents wanted LCC's to provide these services mentioned herewith in order of importance – 1) good customer service through a wide range of operations; 2) low and Competitive pricing; 3) on time performance and wider networks; 4) loyalty Programs; 5) increase frequency; 6) provision of attractive offers and deals. These points indicate that LCC's should focus on meeting the Industry Success and Survival factors. A small number of respondents suggested an option to consider alliance with network carriers. Therefore, the domestic front LCC's could target international customers for the country, who want to travel on domestic routes of the same country at low costs. This point was also agreed by Gaurav Agrawal, who stated that Mango – LCC subsidiary of South African Airways would fly South African Airways passengers into remote domestic cities where South African Airways does not fly to.

Breakdown of ancillary revenue's contribution to revenue and profitability

53.7% of the respondents suggest that the LCC's should focus on hotels and car rentals and 43.9% on city breaks to generate more ancillary revenue. 41.5% respondents have considered advertising on exterior and interior of fuselage as an effective means of enabling LCC's to earn additional revenue. Taking into consideration the LCC model, 41.5% of the respondents feel for LCC's business model which is purely a no frills services ala carte services such as baggage charges, charges for online credit card transactions would act as a good source of additional income. 39.1% have suggested onboard entertainment and merchandise.

Market and environmental factors affecting sustainability

Respondents were asked to rate environmental factors and also mention the rationale behind such a rating. 63.4% of the total respondents mentioned availability of the capital and overcapacity in short

haul routes as the factors having the most powerful impact on sustainability. With regards to overcapacity, it is believed to be a factor as it tends to increase price war and competition thereby leading to losses of all the players involved. Availability of easy access to capital could be a problem in a highly capital intensive industry- airline industry, especially in times of financial crunch. Rising oil prices was considered having a powerful impact by 61.0% of the respondents. Respondents believe oil price hikes reduces the ability of the low cost airlines to differentiate on the cost front.

However, as one respondent suggested rising oil prices could not be manipulated by any of the players, hence an option would be look for new routes and at low cost fares. One of the respondents suggested use of an alternative fuel, which will help in reduce the pollution and thereby the environmental impacts. On an average 54% of the respondents considered lack of basic airport infrastructure, political interference and lack of awareness of the LCC model as the main factors affecting growth and sustainability.

For instance in Bangladesh and India, respondents consider lack of basic airport infrastructure to have a powerful impact because of the lack of availability of space in the urban areas due to industrial and residential growth. So LCC tend to move to rural areas, whereby there is a shortage of easily accessibility which in the end affects the connectivity factor most commonly related to airlines. Respondents from Europe believe that several airports currently in poor state, if developed and used by LCC's could be a means of re establishing them as important business centers. E.g.: Hahn airport at Frankfurt and Charleroi at Brussels. Political interference as per respondents would be a problem when government begins to favors one national carrier more than the other airlines and political policies restricting entry in a new route or targeting a new market (Taneja, 1989). Respondents see alliance and mergers by network carriers as an opportunity for LCC's. This creates an opportunity as it would increase competition in the international arena and not domestic front- whereby LCC's operate on a large scale.

Trend analysis

Respondents were asked to list down three important trends in the LCC industry and how are they affecting the industry? All the 165 respondents suggested several trends in terms of costing, model evolution and competition in the market. Cost has been defined as the major trends in uncontrolled speculation in oil market, development of price sensitivity amongst the

customer in the market, regulation cost, suppliers cost, airport cost and other hidden costs that drive for higher cost structure of the airlines (Wensveen, 2007). Evolution of the model refers that LCC model extension on long haul routes with and/or without meeting passenger requirements and maximum focus on ancillary revenues leads to the invention of new ancillaries, such an increased focus is driving customers to FSC (Woodburn, 2008). LCC is also facing higher competition, as there are numbers of players in the market in a price war, at the same time fastest train in Europe is the biggest competitor (Dunn, 2009). Respondents overall felt that the industry is matured and the need arises for a selection of smart networks by LCC.

As the current industry trends will have an impact on the future, respondents (both passengers and industry specialists) listed several trends which would be affecting the industry in ten years time. These are – a) Power transfer to consumers through the invention of several distribution channels; b) Hike in Oil and Fuel prices; c) Demand of High levels of Customer Service; d) Chances of a recession thereby leading to dynamic economic changes; e) Competition from rail in Europe by 2012 leading to less demand; f) Overcapacity in routes leading to saturation; g) Competition with big airlines on the international routes for airlines on the long haul routes; h) Closure of certain LCC’s due to several reasons mentioned throughout the literature review

for e.g.: high operating costs, lack of government support; i) Low cost alliances and further evolution of the business model to cater to customer needs; j) Alliances amongst the big carriers leading to less players and creating more opportunities for LCC; k) Lack of ability to sustain the low cost advantage; l) Environmental impacts leading to protests from green activists; m) Tourism traffic trends affecting demand for air travel for e.g.: Virtual tourism; n) Elimination of the line of distinctiveness between LCC and FSC, a form of convergence; o) Dominance by several leaders driving the small players out of the market; p) Increased protests from green activists leading to adoption of environmentally safe, new technology and fuel efficient aircrafts; q) Falling yields; r) Increased competition; s) Ability to motivate and maximise employee productivity with low salaries; t) FSC transformation into LCC; u) Changing consumer behavior; v) Falling supply of capital, cabin crew and adequate infrastructure; w) Ability to maintain competitively low cost structure; x) Use of wider body aircrafts for LCC once demand builds up.

Reasons for selection of LCC’s: Customer satisfaction analysis

Respondents were asked to list down the various reasons why they chose a particular low cost carrier in comparison to another.

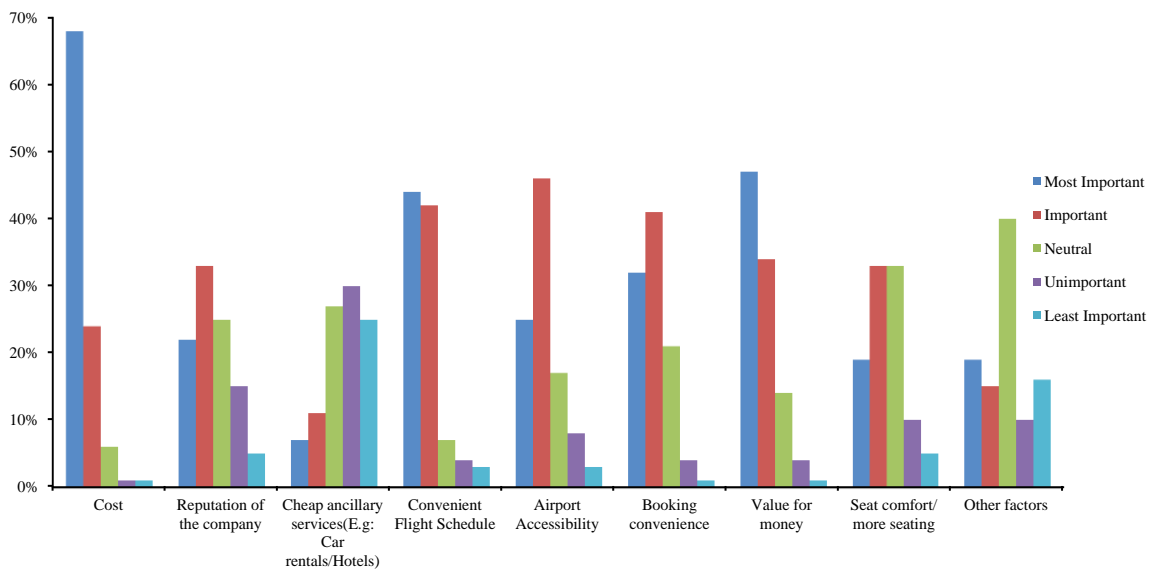


Figure 1. Reasons for choosing an LCC over another LCC.

68% of the respondents consider cost as the main reason for selecting a particular LCC followed by

value for money (47%), airport accessibility (46%), convenient flight schedules (42%), and booking

convenience (41%). Before proceeding to analyze these figures, it would be worthwhile to also consider

the reasons why customers prefer low cost carriers over other full cost carriers.

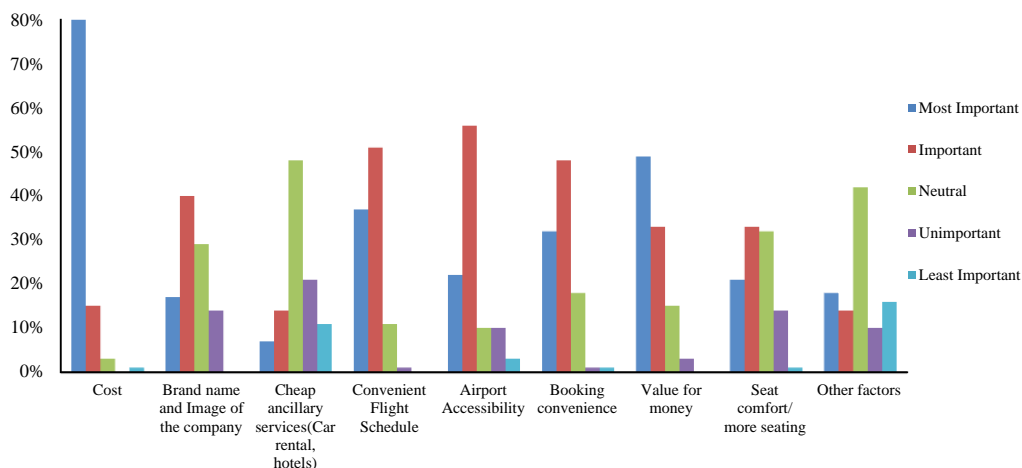


Figure 2. Reasons for choosing an LCC over another FSC.

80% of the respondents consider cost as the main reason, followed by airport accessibility (56%), convenient flight schedules (51%), and value for money (49%) over choosing another FSC. Both of the above these analyses clearly indicate that cost is the main success factor for winning customers both from other LCC's and FSC's. LCC's should continue to sustain their low cost advantage in order to keep attracting more customers.

Booking convenience percentage points towards the various considerations discussed in the earlier section, whereby LCC's need to ensure ease and comfort in booking procedures. On an average 47-49% of respondents did mention value for money as a main reason. It is equally important to consider the various perceptions of value for money as listed below by different respondents

"When I am paying for a flight ticket to Dubai at the price of a bus or coach from Mumbai to Delhi, I think I get value for my money!"

"Value for money for me is when I get a cheap flight ticket at a convenient time to my destination"

"Reasonable price, good services with whopping baggage allowance"

Ancillary services, although a major revenue earning factor for the LCC, it is the least important factor for choosing a particular LCC. This indicates that LCC's need to market and promote their ancillary effectively and efficiently to be a captivating factor for the customers and to be able to earn additional revenue. Convenient flight schedules

were considered by 44%-51% of the respondents as a main factor. This could be seen from the fact when respondents were asked to mention their stated flight departure time and the preferred time of departure on their latest flight.

On an average, all the respondents preferred their flight timings +/-1-2 hours in comparison to the stated timings of departure. This indicates increasing frequency on certain routes could help the LCC to generate maximum yield and capacity on each flight and meet the consumer expectations. 33-40% of the respondents consider brand name and reputation of the company also before choosing a LCC. This also indicates the factor that was mentioned by our analysts as brand management as factor for ensuring repeat business. As emphasized by Westcott (2005), the reputation of a company affects the way in which its stakeholders- customers, company investors and general public perceive them. A company's brilliant innovative ideas and strategies will not fall in place without a good reputation.

75% of the respondents paid for their own travel; however 13% of the respondents traveled through the company's arrangements. This shows that there is an increasing number of corporate organizations who consider travel on LCC as a means of cost cutting for business trips and events in times of recession. A correlation with the above mentioned reasons could be found in the next question, whereby respondents were asked to agree/disagree with options closely related to their purpose of travel on LCC.

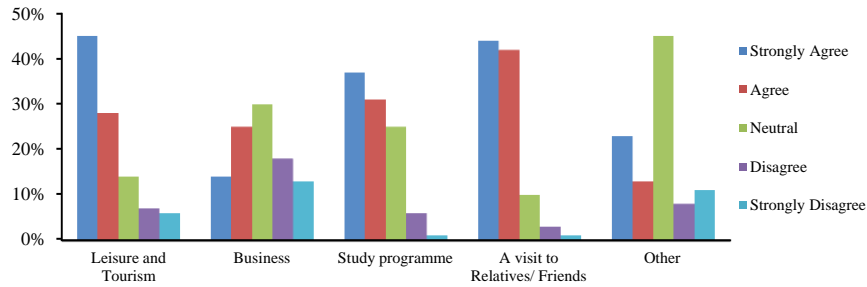


Figure 3. Purpose of travel on a LCC.

45% and 44% of the respondents prefer to travel on LCC for leisure and tourism and for visiting friends and relatives respectively. It is very important for LCC’s to retain these customers as their level of satisfaction is low (as seen in the ratings) and due to their frequent travel plans. Only 37% of the respondents travel on LCC’s for study programmes. Although no reasoning mentioned, this could be increased with the help of invention of innovative student promotions.

Only 14% of the respondents travel for business purpose on LCC. This shows the increasing number of corporate traveling on LCC’s and is in sync with the responses whereby companies pay for business trips. However this small number could also be due to the lack of response from the business clients. This research also intended to identify the cost and benefit associated with the travel on LCC’s. However such an analysis could not be performed due to the lack of ideal sampling size at the Stansted Airport. However, the analysis which covered Bangladesh, India and Europe majorly did provide some insight. All the respondents traveled on an average between 30 hrs and 2.5 hours for travel from their point of work or house to the airport for the LCC flight to

their destination. Similarly respondents travel the same amount of time for their travel from the airport to their point of destination. The respondents traveled by car, cab, tube, bus to reach the airport. The respondents in Australia spend on an average between 23.63 % and 60% of their ticket cost on transportation to and from the airport for a flight on the LCC. The respondents from India spend on an average between 6% and 30% of their ticket cost for the transportation, with majority of them falling in the range of 9-15%. Respondents from the UK and Europe spend about 13.33%-75% of their ticket cost on the transportation.

The high cost in Australia may be attributed due to availability of the numerous airports spread across the country (Iatrou and Oretti, 2007). Similarly for the European countries, however in Bangladesh and India due to the infrastructural issues, the airports are located not far from the city and the ones located amount to only a handful leading to a low cost expenditure. This leads to a further discussion. Respondents were asked if they would be motivated to travel on LCC in case of provision of the transportation to and from the airport.

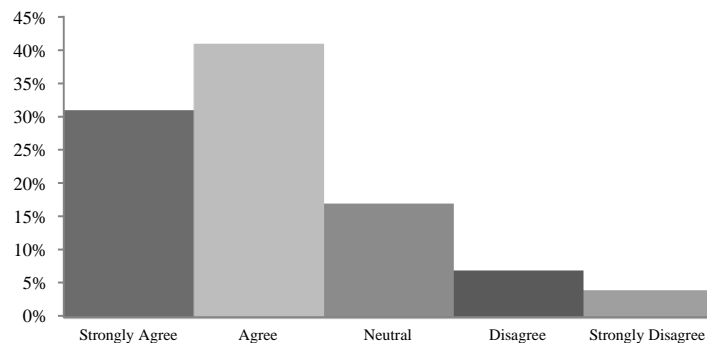


Figure 4. Positive influence of airport transfer facilities on travel with a LCC.

This is a clear opportunity for airlines to generate additional revenue through providing airport transfer services for its passengers at a reduced cost. Since the study focuses on testing the levels of satisfaction derived by traveling on LCC's, the researcher defines customer satisfaction as the different levels of service quality performances, which meet with the customers expectations. A glance at the factors responsible for travel on LCC does give us these different levels of

service quality which meet up with customer satisfaction.

Future of LCC's

Respondents were asked to describe their own perception on LCC's and if they should exist in the future.

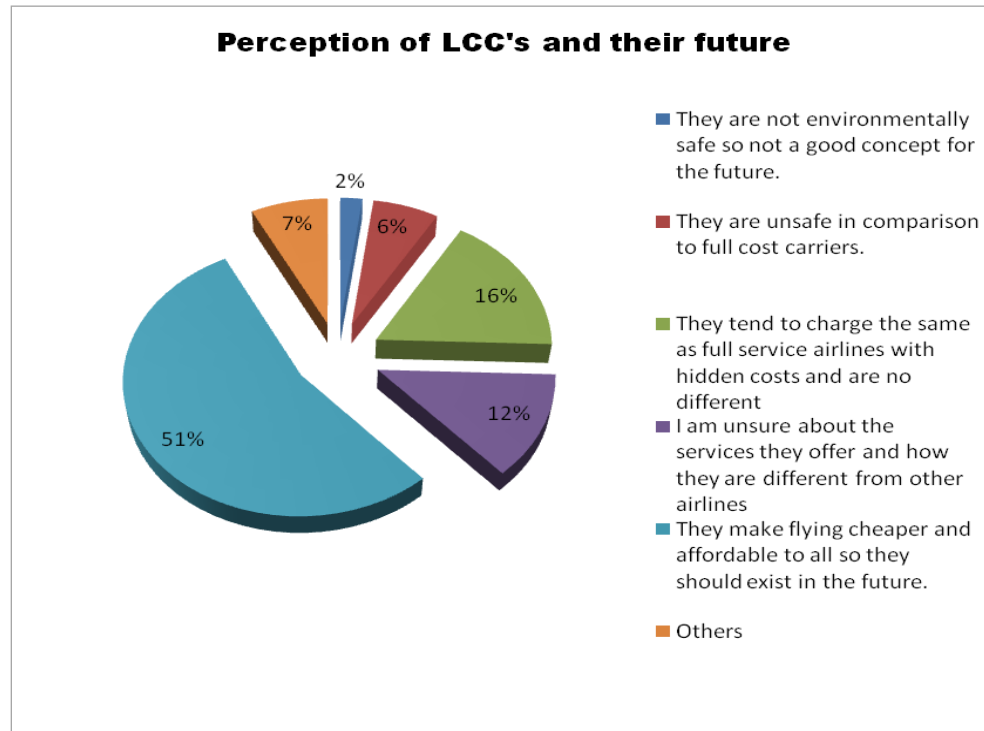


Figure 5. Customer's perception of LCC's and their future.

51% of the respondents believe LCC are a good concept and should continue to exist in the future. LCC's have a very unique business model targeted at the mass customer segment enabling travel at low cost (Hardy, 2009). 16% of the respondents believe LCC's are no different from FSC's and they charge the same. Another 12% of the respondents were not sure about the LCC's services and how different are these LCC's from FSC's.

Conclusion and Recommendations

The research data generated from industry analysts and customer survey reveals the facts that cheap fares are the main reasons for the success and survival of LCC's in comparison with other LCC's and FSC's. However, LCC's are definitely not low in quality of service. Branding and seamless customer services are important

factor for an LCC's sustainability whose main focus is on cost reduction at all times (Hardy, 2009). Focus on unbundled low cost model and need based outsourcing would be the ideal ways to overcome recession. An alliance with network carriers is beneficial to LCC's as they facilitate travel at low cost for international passengers travelling on domestic routes in all countries worldwide with a rise in market share for LCC's.

Although ancillary revenues contribute mostly to LCC's, there is a need to promote them effectively in order to ensure revenue maximization and to influence the consumer's purchase decision, as evident from the customer analysis, LCC's should also focus on identifying new sources of ancillary revenue for instance airport transfer facilities. Unpredictable market forces could not be fought with; however exemption of government regulations and political

interference could ease out the anxiety of LCC's. The research also provided insight on the low cost long haul as a profitable model. However the ideal successful model would be the low cost short haul with mass consumer touch points. Customers who travelled on LCC's ranked the LCC's a three star in terms of satisfaction indicating a low- medium level of satisfaction and travelled majorly due to the availability of cheap fares. This is in sync with the interview panellists who stated that LCC's have made travel affordable, but need to focus on CRM.

Future scenario analysis: The research also throws light on the future scenario in terms of opportunities for LCC's to grow and prosper along with some challenges.

Worldwide: Sale of mobile phones around the world is expected to rise from 3.2 billion to 5 billion in 2012 and more than 90% of passengers travel with their mobile phone (Woodburn, 2008). This indeed creates an opportunity for low cost airlines to look towards provision of mobile services- mobile check in, e ticket information etc. (Davies, 2008). Estimated Rise in World population and Economic Growth Rate would boost the travel demand factor.

Asia- Pacific: In 2002 alone there were 120 million internet users in Southeast Asia which was later expected to grow at a rate of 10% every year. This creates an opportunity for low cost carriers to widen their consumer base at a minimum increase in distribution expenses. However on the other hand, internet creates transparency, which gives powers to buyers and thereby limits the company's and the agent's power. (Delfmann et al., 2005).

In Asia Pacific, in 2008 mere 30 operators lead to a 19% increase in traffic as compared to 2007. Of this 68% of the rise in traffic was attributed to a handful of operators. This indicates the large market which still remains unestablished and provides scope for new entrants. As stated by the interviewee panelists from India, India is a sustainable market for LCC's but there is a need for efforts on communication on part of the airlines and participation from government in the form of infrastructural support.

South Africa: According to Airbus traffic forecast, South African markets would witness a positive growth; in agreement Gaurav Agrawal listed several opportunities like FIFA World Cup 2010 as the biggest opportunity for LCC's to increase their revenue and market share.

USA and Europe: This research failed to get a deeper insight in the US market, however from the analysis of the industry life cycle and the macro environment forces; it seems that USA market players need a process innovation rather than a product innovation due to its maturity stage. However European market would witness a consolidation stage with a handful of leading low cost airlines.

Recommendations

LCC's could benefit from these opportunities only if they develop their capabilities and competencies by fulfilling the future success and survival factors. This research would also recommend LCC's to follow a strategy, either *reinvigorate their low cost differentiation strategy or innovate to gain a first mover advantage*. The former recommends going back to the basic factors which have been the reason for the success. This strategy would enable the LCC's to improve their existing core competencies for example: Ryanair's core competencies lie in its ability to serve variety of destinations at low fares and with a high frequency rate. The implementation of this strategy would utilize the existing resources without any disruption to the organization structure and culture. Any further improvements due to the implementation of this strategy in terms of services could also be incorporated in the company's prevailing value chain.

The later however involves in identifying and implementing low cost trends than competitors for instance, in countries like UK where most of the students plan to pursue their studies, the number stands high, new LCC's could target them with tie-ups with universities and halls of residence for promotional offers for students from that particular university or halls of residence.

Another technique would be whereby LCC's tie-up with government agencies of least popular destinations. This would benefit the government of the country by promoting its inbound tourism and the LCC's in the way of half or a certain proportion of its operational cost borne by the government agencies if agreed by the government agencies.

Further Plan of Action

This research work intends to communicate a summary of the report and the research analysis data to all the LCC's in the world. 51% of the respondents who feel that LCC's make flying cheaper and should exist as a means of communication. This would benefit the consumers and the airlines such as a) Enable the LCC's to identify the main causes for low level of satisfaction amongst the customers worldwide; b) It would enable the LCC's, particularly in Bangladesh and India to change the mental outlook of customers for low online transactions; c) Identify the various sources of ancillary revenue for instance provision of airport transfers, as derived from the customer analysis; d) Set up innovative student promotional offers for student customers as they extensively use LCC's owing to their budget control issues.

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