CONTENTS

List of abbreviations ix

O1 The scope of the airline industry 1

The profit cyclicality of the airline industry 5
Growth and changes in the global airline industry 20
Industry consolidation 23
Global air cargo traffic patterns 27
Integrators 29
Performance measures in the airline industry 32
Conclusion 37
References 37

O2 Growth and change in the airline industry: Air transport liberalization 42

Air transport liberalization 42

Deregulation and impact on airline structures 49

Liberalization effect 52

European aviation market 54

US aviation market 56

Africa aviation market 57

Asia aviation market 59

Deregulation effects 62

The low-cost carrier impact 64

Air transport after deregulation and the progress of airline alliance formation 69

References 71

03 The airline alliances 76

The growth of airline partnerships 76
Resource-based view rationale of strategic alliances 102
Social aspect of cooperation 107
Transaction cost benefits of strategic alliance formation 109
Issues in alliance performance measurement 110
References 112

O4 Airline industry analysis: A structure-conductperformance perspective 121

Introduction 121

Global airline market 122

Commercial aerospace 124

State-owned airlines 126

The low-cost revolution 126

Slot allocation 128

The concept of slot trade 132

Airline fuel hedging 135

Capital Asset Pricing Model (CAPM) 138

Global energy market 141

Hedging instruments: a theoretical perspective 146

The effects of currency exchange rates 149

Regression analysis 152

Conclusion 153

References 153

O5 Airline competing business models 156

Defining a business model 156

Characteristics of the airline business model 158

Major airline business models 160

Shifts in competition dynamics in the airline industry 179

FSNC response to LCC entry 181

Convergence of business models 188

Business model evolution 191

Current business model configuration 193

Measuring airline performance 197

Appendix 206

References 207

O6 Airline competition dynamics 214

Contestable markets 216

Multimarket contact and intensity of competition 219

Competition scope 227

Incumbent response to entry 228

The future shape of the industry and potential developments 236

Sustainability of the LCC business model 238

References 241

07 Measuring airline performance 245

Core competencies 245

Core rigidities 248

Dynamic capabilities 250

Organizational ambidexterity 252

Measuring airline performance 254

Revenue and pricing management 256

Capacity forecasting 267

Dynamic risk assessment 271

Testing airline capacity performance 281

Appendix 295

References 295

O8 Strategic groups in the airline industry 299

Background theory of strategic groups 299

Density of ties within strategic groups 302

The role of entry barriers, mobility barriers and exit barriers 307

Intrafirm rivalry 310

Spheres of influence 311

Measures to test firm performance across strategic groups 313

Statistical methods to measure airline performance 318

Structural equation procedures 320

Heteroscedasticity 320

Using dummy variables to measure performance 321

Industry concentration ratio 322

References 325

O9 The future outlook of air transport 328

Introduction 328

Global economic crisis 328

The future shape of the industry and potential developments 330

Shifting business models 330

Creating a hybrid business model 331

Adapting to change 332

Restructuring the network 333

The future of Africa's aviation industry 335

Key trends transforming the global air transport industry

landscape 344

Impact of LCCs on airports 355 Airport revenue model 356 Future prospects for the airline industry 358 References 359

10 Conclusion 361

Index 365