

Airline Expert Says It's Time for a New Era in US Air Travel, the Low-Cost Era

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For US airlines, these are desperate times. And legacy carriers are behaving like desperate creatures, slashing capacity and closing hubs. It's all in vain, says airline expert and CEO of Airsavings, Raphael Bejar. 'It's years too late and millions of dollars too short.'

Struggling to keep pace with deteriorating market conditions and bloated costs, US carriers are instituting a mix of cost-cutting and fee hikes, passing the exorbitant buck of air travel onto consumers. "I'm surprised it took this long," says Bejar, one of Europe's most outspoken proponents of the low-cost airline model, "for US legacy carriers to recognize their model is broken."

These measures may seem like sensible economic reactions -- costs go up, so do prices. But that rationale is built on a faulty premise says Bejar -- the supremacy of the legacy carrier business model. Some are even lashing out at low cost airlines, like AMR's CEO, Gerard Arpey, who says, "The industry has been hurt by some airlines growing faster than conditions warranted, that impact has worsened in light of recent economic trends and soaring fuel prices." American fliers, says Bejar, are running out of sympathy for carriers to whom they were once loyal.

Millions of Americans, however, aren't familiar with the low-cost airline culture that has been evolving across the pond for a decade. They should be says Bejar, it's time for US travelers to seek an alternative to the disastrous state of air travel options -- by demanding low-cost travel. His company develops revenue strategies for low-cost carriers with a "no-frills" approach to flying. Offer the basics -- safety and a seat at low cost -- and let the customers pay for everything else. And so far that's worked well, low-cost airlines have outgrown legacy carriers by 25% in Europe and 15-20% in the US.

As US carriers continue alienating customers with fee increases, there'll come a point when consumers snap. "How many times can airlines increase baggage fees to keep up with rising costs -- 20, 30 times? There have been 12 fee increases already this year, there'll be a backlash soon. The market here is seeking a different product than what's offered by the legacies," says Bejar. He feels American fliers are ready for a new era in air travel.

According to Bejar, US legacy carriers have ignored a key aspect of low-cost airlines' success -- ancillary revenues. Successful LCCs, like Southwest and JetBlue, have transformed no-frills air travel into a customizable experience, and have been rewarded with growth and profitability. They've been quick to respond to consumer demands for low prices, while implementing mechanisms that allow passengers to set their own priorities. They've stripped down flying to its elemental core and sold each fragment back to willing customers. Bejar's company develops solutions that allow airlines to do just that, with speed and efficiency. If legacies are to survive, they must adopt a similar strategy -- quickly.

The low-cost airline is the future, says Bejar. While it may be a shock for millions of US passengers accustomed to flying old school, and despite less aggressive growth for the rest of '08, the low-cost model, which will undoubtedly be copied by legacy carriers, is the only way forward.

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