

LOW COST CARRIERS' TRANSFORMATION



Low cost carriers have become an important part of the airline industry since its emergence in the USA in the early 1990s. They have spread to the whole world and have gained significant popularity among the budget leisure travelers. Nevertheless, the world is a dynamic place and business practices change quite quickly these days. According to a Sabre Airline Solutions survey only some 41 per cent of those carriers who consider themselves low cost carriers (LCCs) do really apply the pure LCCs policy.

A "true" LCC uses only one type of aircraft, offers minimal services and equipment. Low cost carriers also have unreserved seating, which motivates passengers to board early and quickly. They tend to use cheaper, less congested secondary airports and practice point-to-point transit as well as direct flights. All the practices are aimed to lower the cost.

These days, however, a number of LCCs wants to differentiate. The result of these tendencies is the emergence of so called "hybrid" carrier. This new king of carriers mixes LCCs' features with those of full-service carriers. In a struggle for more customers the LCCs start to use full-service carriers practices like: using more than one type of aircraft, the use of the Global Distribution System, offering multiple fares as well as multiple classes of service. The airlines do the changes to remain competitive. In 2007 the "hybrid" airlines carried 64 per cent of all passengers in the broader LCC segment. They need to expand their market and so they have targeted the business traveler, who naturally requires higher standards of services than a budget leisure tourist.

The new hybrid carriers also invest into sophisticated revenue management tools and techniques, which is another aspect that differentiates them from the "classical" LCCs. The number of these hybrids is growing. Among the well known ones are e.g. easyJet, Germanwings, JetBlue or Jetstar. The more or less "true" LCCs are e.g. Ryanair and Tiger Airways.

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