

ALLIANCES OF EUROPEAN AIRLINES ARE BECOMING A NECESSITY



The consolidation pressure in Europe's aviation continues to strongly increase. According to Aviation Radar 2013 released by Roland Berger Strategy Consultants, 68 percent of European aviation managers assess the current economic situation negatively and are accordingly a downward trend in their industry.

62 top leaders of 42 European passenger and cargo airlines as well as airports were surveyed for the Aviation Radar study. "A strong north-south division becomes apparent thereby, as well as in other economic sectors. **What's clear is that all airlines and airports have to overcome great challenges and that the structural transformation will continue,**" said Roland Falb from Roland Berger Strategy Consultants.

The survey participants agree that the competition in the sector is becoming harder. 80 percent of the airlines and 96 percent of the airport top managers are expecting an accelerated consolidation or the bankruptcy of the weak competitors according to the survey. Small airlines are hardly capable of surviving on their own. Aviation alliances, cost-cutting and product innovations for segmentations towards the competition will therefore become more important in the future.

Despite the current difficult economic situation, the surveyed managers "basically have a positive attitude because the aviation is developing upwards due to the advancing globalization". 88 percent of the airline or airport managers are expecting a further expansion of the Asian and Arabic airlines in Europe. In addition to this, 64 or 79 percent are assuming a further advance of the low cost carriers.

More than half of the surveyed consider the increasing oil prices an additional obstacle; approximately two-thirds consider the increasing legal obligations such as the ban on night flights as an additional obstacle.

"The small airlines in Europe are not capable of surviving," said Falb, who, for that reason, sees "new opportunities" for the Austrian Airlines (AUA). "It has followed a consistent redevelopment path with steep cuts and can profit from the large network density in the Lufthansa network."

According to the survey, airlines are forced to reduce the costs and offer new product services for segmentation in the competition due to the downfall of the ticket prices. In addition to this, the price sensitivity for additional services which have to be paid extra, such as food, lounges or special seats are lower. The collaboration will become closer with essential partners such as suppliers or airports.

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