

JetBlue Industry Analysis

The airline industry is a profitable industry in the U.S. although it took a hit after 9/11. Airlines can generate a profit by transporting either passengers or cargo. After the recovery period after 9/11, which took years, and the slight impediment after the 2008 recession, the industry began resuming its position as one of the most developed and successful industries. The strengths and opportunities in this industry outweigh the weaknesses and threats, which suggests positive outcomes for airline companies in the future.

There are many strengths to the airline industry that make it so successful. One of these strengths is that consumer spending has increased since the 2008 recession, so more people can afford to travel (Brennan). Since more people are traveling and oil prices are decreasing, many airline companies have the flexibility to raise their rates without losing revenue. Another strength is that airlines have software now that can assist them in filling as many seats as possible (Brennan). By flying at maximum capacity for each flight, airlines can maximize profits. In addition, they have new yield-management software, which can predict the demand for certain flights (Brennan). Airlines can use this software to price the flights as high as possible according to the demand the software predicts. Another new form of technology that benefits the airline industry is that airlines have the capability to figure out how to cut routes to make their flights as direct as possible (Brennan). This allows them to save on fuel costs, thus increasing profit. Furthermore, airline travel is much faster than other forms of transportation (Brennan). With the U.S. being so large, it is much more efficient for consumers to choose airline travel as their

form of travel. Finally, airlines are now offering more route options for consumers, so people are more inclined to travel by plane (Brennan).

While there are many positive aspects for being involved in the airline industry, there are also some weaknesses that hinder profit. For instance, airlines have increased the prices of their add-ons to combat lost revenues from the 2008 recession (Brennan). This discourages some consumers from purchasing these add-ons, such as checking in an additional bag. It might come to that extreme point where consumers with a lot of luggage may choose a different travel option if the cost of getting to their destinations are more significant to them than the time they will arrive at their destinations. Airlines are also trying to save by reducing meal options and other in-flight services (Brennan). This could have a similar effect where consumers may choose other travel options if they're unsatisfied with any particular airline's service. Another weakness is that airlines' employees are expected to drop at an annual rate of 0.3% (Brennan). This could have numerous effects, such as a longer wait at any point in the airport terminal or consumers feeling like there's not enough assistance to get them through the process of airline travel. In addition, the airline industry is a mature industry (Brennan). In other words, there is very little room for growth or entrance into the industry if the company is not already established. The only advancement would be by out-competing current competitors. Lastly, the development for aircraft machinery is declining (Brennan). This also supports the notion that the airline industry is mostly set, so there could be a lack of growth in the future.

Although there are suggestions that the airline industry has already reached full potential, there are many factors that relate to how airline companies could actually

prosper further. One opportunity that airline industries have is that companies are merging (Brennan). This reduces the amount of competition and allows companies to maintain their low prices without risking profits. Another opportunity researchers observed was that major airlines suffered heavy losses during the 2008 recession, except for Southwest Airlines and JetBlue (Brennan). Both of these airlines do not have a charge for the first checked in bag, so this could indicate that this benefit for consumers could maintain customer loyalty even during tough times. Furthermore, researchers noticed success in the corporate world correlates with more flights purchased by business customers (Brennan). Since corporate profit is expected to increase in 2015, it is likely that more flights will be purchased by businessmen and businesswomen (Brennan). Similar to that prediction, researchers have found that consumers' income correlates with the amount of tickets being purchased (Brennan). Like corporate profit, consumers' income is also expected to increase in 2015, which suggests that more tickets will be purchased and airlines will increase their profits (Brennan). More people are expected to travel to the U.S. as well (Brennan). This could indicate positive results for the industry, because then there is a larger market. In addition, people in remote locations fly out of necessity (Brennan). The demand in this specific segment of the industry's target market suggests potential profits in the future. Finally, researchers have predicted that the industry is expected to increase at a 1.5% rate to \$154 billion over the next five years (Brennan).

Though the airline industry appears to be prospering, there are also many factors that could threaten this industry. For example, the aggressive price competition in this industry could eventually lead to some airline companies not even being able to compete

without losing profits (Brennan). Another threat is that this industry is extremely dependent on oil prices, and they tend to fluctuate often and rarely remain steady (Brennan). One sharp increase could cost an airline company significant profit. The increasing freight rates could also cost some companies profit if the rates are high enough that businesses choose to ship through other means (Brennan). In addition, although corporate profit is expected to increase, indicating more businessmen and businesswomen will be traveling, many corporate people prefer video conferencing as opposed to traveling (Brennan). Finally, after 9/11, people were afraid to travel by plane (Brennan). Even after this subsided, many people are still genuinely afraid of flying. If another terrorist attack of this magnitude occurs, this could have disastrous results for this industry.

Overall, the airline industry is in a promising place with the strengths and opportunities outweighing the weaknesses and threats. Those weaknesses and threats, however, should not be taken lightly, since one significant factor could lead airline companies to bankruptcy. Researchers have predicted positive results for the airline industry in the future though. Therefore, the airline industry will most likely stay profitable for existing airline companies.

Works Cited

Brennan, Andy. "Domestic Airlines in the US." *IBIS World*. IBIS World, Dec. 2014.

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