

The American Renaissance?

By Jeremy Clark

For what seems like decades now, the airline industry in the United States has languished in misery and debt. Since the early 1970's they have struggled under the combined burdens of out dated infrastructure, old fashioned business models, fuel crises, terrorist attacks, medical pandemics, hurricanes and all manner of employee action. Many have fallen along the way; Eastern and PanAm in 1991, Braniff in 1982, TWA in 2001 are part of a long list of dead or absorbed famous names now consigned to history. The survivors have struggled into the second decade of the 21st century battered, but not beaten. The mergers and consolidations continue with Delta/Northwest, United/Continental and most recently American/US Airways.

As if all these problems were not enough, the rise of quality airlines in other markets especially from South East Asia and the Middle East combined with consolidating and improved European airlines have further pressured the US carriers in the international markets. And the misery doesn't stop there; Memphis, a Delta hub for many years is to close. Asked whether other Delta hubs are likely to be cut, Anthony Black, Snr Media Spokesman for Delta said, "Delta continually reviews the viability of all markets and there are no other significant changes planned at this time." A.P. But given that "When it bought Northwest in 2008, Delta executives said repeatedly that no hubs would be closed because of the merger", we can probably expect more. Fox News

Other airports have suffered the loss of hub status over the past decade. St. Louis was TWA's base and when American bought TWA out of bankruptcy it had more than 500 daily flights there. By 2009 that was down to 36. Terminals at Pittsburgh were abandoned after US Airways began winding down its hub there in the mid-2000s. The consolidation of United and Continental has also seen reductions in flights from both Chicago and Houston.

However, there is good news on the horizon and we may be on the cusp of a real renaissance in this, the world's largest market. Latest reports from IATA reveal that U.S. airlines are poised to go on an international offensive following these mergers and job cuts that have delivered leaner companies better able to compete with rivals from Asia and the Middle East.

Many are restoring routes in highly competitive international markets and new routes are being forged. Routes lost in the cutbacks are reappearing for example

Delta are resuming flights to Malaga and Pisa from New York, whilst American are operating new routes from Dallas to Seoul and New York to Dublin.

At the recent meeting in Cape Town of the world's carriers, IATA's CEO Tony Tyler made the point that carriers based in the world's biggest travel market are ready to grab market share and make up for lost time in ordering more fuel-efficient aircraft to trim costs. "We're going to see more competition now internationally as the U.S. carriers operate from a stronger base. It's been very, very tough and there really isn't anything that they haven't learned about how to operate efficiently and how to add value to their product." Bloomberg.

But these guys are going to have to step up their game considerably if they are serious about taking on the likes of Emirates, Singapore Airlines, Cathay Pacific and Qatar in head to heads. For these airlines, service and onboard experience has been at the forefront of their success. They market it well and generally deliver on the message. The American carriers have not only got to convince passengers that they can match these service levels but also deliver. All the features that succumbed to the accountant's knives during the hard times are now becoming important tools in winning back passengers.

It's a tough call. For years US airlines have rightly earned themselves the worst ratings for passenger experience especially in the mass economy markets. US domestic travel was a byword for misery but that might now be beginning to change.

Improvements to Inflight Entertainment and seating have been at the forefront of changes the carriers are making. Alaska Airlines most recently announced major upgrades to its services from later this year. Joe Sprague, Alaska Airlines' VP of marketing says new aircraft seats featuring personal space-enhancing design with power outlets will be installed. They are also nearing a decision on enhanced IFE systems allowing customers to watch programming streamed to any Wi-Fi-enabled device. Alaska's \$100m upgrade to their B737-800,-900 fleet is to be completed, by the end of 2014. Businessstraveller.com

American Airlines has rearranged its economy seating on wide-body aircraft to accommodate an improved sort of "Premium Economy" with more legroom and service. More and more are introducing Wi-Fi options and improved IFE. Foodservice, which probably suffered the biggest cuts in the past, is beginning to make a resurgence as US airlines realize that this too has to improve if they are to take on the best of the rest. The advent of Buy On Board took a while to become accepted and for the quality to improve but for many competing foreign airlines this will never be an option. For the legacy carriers B.O.B. is restricted to the domestic market. On intercontinental flights where competition is toughest the renaissance is in full swing. Better menus, complimentary wine and beer choices and new equipment is making appearances.

AMR has reinvented American Airlines following the US Airways merger with new livery, new Business Class seats and changes to the foodservice with new entrees and the return of the much loved Ice Cream Sundae cart.

The Premium Economy concept, largely ignored by US carriers, is making appearances. These are good revenue earning seats so United has introduced United's Economy Plus, and American has selection of more spacious seats for full fare and top-tier Frequent Flyer passengers.

The Economy cabin cannot be overlooked as demonstrated by Oman Air recently winning the World Travel Award in Dubai for its economy cabin. More choice in travel options and better service in all classes is the only way the US airlines will tackle the juggernaut from the East.

This is starting to show as United is to expand its service from a 2 class to a 3 class into some European locations later in 2013 and as fleets are upgraded, we will see much emphasis on the passenger experience in the marketing of these airlines.

The recovery in the US is reflected in these fleet upgrades. Traditionally, the world's biggest market for airliners has lagged behind, for example of the 57 B787 Dreamliners delivered as of May this year, only 6 are to a US carriers and no A380s have been delivered at all.

American carriers believe the Super Jumbo is unsuited to the market. However Asian and European carriers use it to the U.S. successfully with Lufthansa and Air France. British Airways will begin A380 operations to Los Angeles in October. But the Dreamliners are coming, with 47 ordered to American Airlines and over 50 to United.

Generally the signs are good. Investment seems to be strong and an awareness of the importance that passenger experience and foodservice plays in a highly competitive market is clearly having an effect. This is good news for all of us in the supporting businesses so let us hope that this is a renaissance that lasts.

END