

How did LCCs come to be, and how do their operations allow for such low costs/prices?

Questions/Key Points	Notes
<p>LCCs and ULCCs were introduced into the airline market as a result of deregulation. They contributed to even fiercer competition within the industry.</p> <p>Because legacy and LCCs operate and are structured differently, it can be quite difficult for legacies to compete with LCCs unless they drop prices.</p> <p>LCCs can make money and ensure their profits in unique and unexpected ways.</p>	<ul style="list-style-type: none"> ● In general: <ul style="list-style-type: none"> ○ https://www.jstor.org/stable/44283480 ○ Deregulation!!! Made it possible for such airlines to enter the market ○ Less regulation on routes means that a new airline can fly wherever it wants; makes the industry ultra-competitive ○ Point-to-point operations; choose the routes carefully based on demand. No need to limit themselves to a hub ○ FFPs often combat LCC models; people who are invested in a particular FFP on a legacy airline are more likely to pay extra for a flight on that airline vs a cheaper flight on another airline <ul style="list-style-type: none"> ■ People living in a hub city are more likely to be invested in a single airline. For example, in NJ, if you fly a lot out of Newark, chances are it's on United most of the time ○ Other price-sensitive travelers are more likely to jump around between airlines and choose the cheapest flight possible ○ When LCCs enter the market, legacy airlines know that it's very difficult to compete with them, so they turn their attention towards loyal customers of a single airline ○ Basic economy class also stems from LCCs; airlines need to get on the front page/top of the list on travel booking sites, so they offer basic economy fares to compete with LCC prices ○ https://www.jstor.org/stable/3088148 ○ The difference between legacy and LCC is deeply operational and organizational. Hence, United has a hard time competing with Southwest because the changes United would need to make to be competitive are difficult and infeasible. ○ https://doi.org/10.5325/transportationj.51.2.0197 ○ "Southwest effect" - all airfares drop at an airport when an LCC is introduced there ● How do they make and save money? <ul style="list-style-type: none"> ○ Charge steep prices for extras/add-ons; increase fees as travel date/time gets closer ○ Bare-bones operation ○ Operate the same type of aircraft <ul style="list-style-type: none"> ■ For example, Spirit - A320/321; Frontier A319/20/21; Southwest 737 ■ Only have to give pilots one type rating ■ Maintenance/tech ops can be universalized; technicians and mechanics only need to be trained on a single aircraft type ■ Easier equipment swaps when things are delayed or tech issues arise ○ Add more seats on the aircraft <ul style="list-style-type: none"> ■ Reduce legroom; use slimline seats (super thin material and barely any padding) ■ At what point does a cramped airline seat become a safety hazard? ● What do passengers think/experience on an LCC? <ul style="list-style-type: none"> ○ Ultimately a way to make air travel more accessible to people who might

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Whether or not an LCC flight is worth it really just depends on what your goals are and what you need. Have realistic expectations.

- not be able to fly legacy
- LCC doesn't mean poor customer experience!!
 - People love Southwest and JetBlue even though they're LCCs. JetBlue has a really good product. Southwest is known for good customer service.
- Spirit and frontier get a bad rep. Know what you're paying for and have realistic expectations (but Frontier is worse lol) [well, Spirit and Frontier are ULCCs, but the idea is similar]
- Whether or not you should fly on a ULCC depends on your situation and the type of traveler you are. If you need to bring a carry-on or check a bag or need to sit together with your family members or things of that nature. Then, expect to pay extra fees, so much so that it will probably end up costing as much as a legacy airline. But if you don't care about any of those things or are traveling light, go ahead and save some money on the ULCC

Summary

Because of deregulation, LCCs and ULCCs were able to enter the market, using unique strategies to maximize profit and minimize cost. Although the passenger experience on these airlines is notorious for being uncomfortable, it can sometimes be worth the price. Still, they ultimately make flying more even more accessible and affordable to the general public.