

Abstract

The study is aimed at analysing airline alliances and their effect on the airlines. The effects of alliances on the factors critical to the choice of airline were ambiguous. An alliance's effect on convenience, schedules, levels of service, reliability and other critical issues depends on the strategic decisions taken by the alliance partners. The only critical factor that is affected positively by the alliance almost without exception is the Frequent Flyer Programme that gains momentum with increased route network density. The business strategy of airlines forming collaborative alliances with each other to extend market reach, control costs and to limit competition is now the defining characteristic of the global air transport sector.

Airline alliances are now such a central part of strategy and are so much more effective today, that they will continue to play a vital role in the industry. As most initial mistakes have been moved out, the airlines may now enter a period of consolidation during which they concentrate on fully developing their existing pacts, reducing the rate at which alliances are struck and broken, and bringing some welcome stability to what has been at times an unruly scramble for partners. The best efforts of the regulators will force some concessions on the airlines, but not ready enough to make the alliance strategy unpalatable; it has become essential to airline operations.