

# **AIRLINE RECESSION**

Sacha's study of the recession in airlines can be used to establish strategies in overcoming the crisis faced by the airlines. The author mainly emphasizes on such strategies which proved as a magical remedy for most of the airlines around the globe. The research will answer the following questions:

- What is the recession?
- How Ireland airline cope with the recession during the 1980s?
- What were the strategies adopted by the Japanese airline to deal with their challenging times?

## **Recession:**

Recession is just another word used for crisis or simply a challenging time faced in economic activity. It depends on the management that how clever will they gonna behave in a current situation and how will they implement strategies to survive the crisis. McNamee believed that strategies and tactics are essential elements for a successful business. The present time is a great example of it because of the global pandemic every industry is affected.

## **The Dark History of Ireland Economy:**

Ireland was facing the most crucial time of its history in the 1980s. The recession rose the unemployment rate from 7% in 1979 to 17% in 1986. The economic crisis will leave an impact on the country's economy and as a consequence, the country will have to suffer unemployment.

During the economic crisis of 1980, Ireland's GDP rate was 63%. The country was depending on foreign items. More than 70% of the products that were being manufacturing within the country were exported. In the following year, foreign investment declined and because consumers didn't have their disposable income, the domestic demand decreased. As a result, many companies adopted the one common survival strategy, they just reduced their workforce. Ireland's national debt rose from £12 million in 1981 to £30 million in 1987 according to the National Management Treasury Agency,2010.

After all the economic tragedies, things took a great turn and in 1995 Ireland was recognized as one of the wealthiest European countries. All the things were back to normal, the more people got employment and the Gross Domestic Product rate increased at a faster pace. This rapid growth remained until 2007 and economists called this period 'The Celtic Tiger' referring to the booming economy of Ireland.

### **The Impact of Recession on Irish Airlines:**

Aer Lingus is one of the oldest Irelands airlines which was established in April 1936 in Dublin. Their main objective was to be the first- choice airline reliably serving business and leisure passengers on all of its selected destinations.

In the mid-1970s, Aer Lingus consolidated with Aerlinte Eireann but all the operations were performing under the supervision of Aer Lingus. When the airline industry boomed in Ireland, Aer Lingus decided to grow their business on a large scale. In 1981, the company had to close the offices which were situated in New York and the United Kingdom due to the loss of £11 million.

In 1993 when the situation was worse, the company decided to adopt some strategies for survival. They introduced the plan named “***Strategy for Future***”. The Irish government fully supported the plan by giving a budget of £175 Million in capital over three years. The strategy worked great for Aer Lingus and they were performing very well in the airline industry.

Aer Lingus got a competition in 1985 when Ryanair (an independent airline with low fare cost) launched. Ryanair’s strategy “*low fares/no-frills*” worked like a magic for them and they rapidly had beaten the Aer Lingus in the airline industry.

During the early days of Ryanair, the company experienced failure because of poor cost management. A new team of employees was brought in to revive the company. Ryanair was relaunched and from then they decide to implement the low-cost strategy. The Irish newspaper on the 6th of July of 2009 reported that the CEO of Ryanair offered free flights to passengers who were willing to stand up during flights of less than 90 minutes. That was just a business strategy adopted by Mr. O Leary (the CEO of Ryanair) to promote their airline.

### **Japan’s Economic Condition In the 1990s:**

No doubt Japan is one of the developed countries in the present time but in the past, the country was not that much developed as it is today. In the early days of 1990, things were not good for Japan. Stock exchange prices went down and real estate prices fell. According to some reports, the annual rates of Japan in 1997 were 1.8%, -3% in 1999, and -0.6% in 2000.

Japan decided to reconstruct the financial sector to cope with the recession. The Bank of Japan decreased the loan rate to 0% which made the exports competitively priced. This also affected the GDP rate of Japan and from then Japan is considered a well-developed country.

### **The Impact Of 1990's Recession on Japanese Airlines:**

Japanese Airlines (JAL) was considered the largest airline in Japan and Asia. From the business point of view, the airline was performing very well in the early days. JAL set the international airline standard which was followed by the other Asian airlines.

The recession of 1990 left a bad impact on JAL and the company had to suffer a loss of \$100 million. JAL deal with the crisis by implementing the clever strategy. They hired the Thai air hostesses which were paid less than a quarter of the salary paid to Japanese staff.

In 1995 JAL made a marketing alliance with American Airlines. According to the agreement JAL flights from Japan to the US will use both JAL and AA flight numbers, this gave an advantage to both the companies in a way of providing long routes and also a wide choice of departure and arrival times. In 1996, “**the Advance Purchase Discount Goku 28**” system was introduced, under this system who will buy the ticket up to 28 days prior to departure will have to give a low price than **JAL Goku**. This was just their marketing strategy which work and they began to generate new ideas to boost sales. Because of all these strategies, they were back in business and the company started to grow strong from 1999 till the date.