Analysis Of Libyan Airline Strategy For International Network Development

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Abstract: This study was aimed to describe the implementation of strategic alliances in airline companies in Libya. The biggest airline companies in Libya have applied strategy alliances in their operation and network development. To compete in the global market, airline industry must create partnership with other companies. The partners of the alliances include not only airline industries around the world but also non-airline industries as the suppliers, consumers and complementors. The airline partners include Tunisair, EgyptAir, Royal Jordanian Airlines, Qatar Airways, Etihad Airways, Air Malta, Alitalia, Lufthansa, Austrian Airlines, British Airways, and KLM. On the other hand, the non-airline alliance involve corporate travel departments, tour operators, online and traditional meeting-management firms, meeting/event planners, Internet search engines, Internet service providers, mobile phone, media, travel guide/book and map companies, financial institutions and credit card firms, retail locations and software suppliers. In the implementation of the strategy alliance in airline companies in Libya, there are three initial steps done by the alliance companies. These three steps include: (1) aligning corporate and strategic alliance objectives; (2) developing appropriate sets of critical success factors against which to evaluate potential alliance activities; and (3) mapping potential partner industries, industry-segments and firms. The implementation of alliance strategy in airlines in Libya has benefit in several points within the alliances themselves. The strategy alliances help in 1) improving pricing, 2) reducing costs, 3) increasing customer willingness to pay and 4) reducing industry rivalry.

Keywords: strategy alliance, airline industry, alliance benefit, network development

I. Introduction

Strategic alliance study has received much attention by scholars during the last twenty years, and extensive inquiries have been conducted. Strategic alliance is viewed as the existence of premeditated association, aiming at specific and individually forecasted yields to increase and strengthen business and markets, between two or more parties. This mutual understanding of individual organizations is perceived to lead them to their anticipated growth and operational excellence through achievements of their respective goals. Alliances are a form of cooperative partnerships and must not be misunderstood as mergers or acquisitions (Elmuti and Kathawala, 2001). According to Atkinson (2001), global alliances have become an important component of the strategies of a growing number of international airlines, accounting for 55% of the world’s international air traffic. The alliances are widely seen as an interim solution to widespread industry consolidation. They have formed due to a regulatory environment that rarely permits cross-border mergers between airlines. Atkinson (2001) added that foreign ownership restrictions often stipulate that a majority of voting stock and key management positions be held by citizens of that country. A primary reason for foreign ownership restrictions is the fact that airlines have historically been considered critical to a country’s national security. Commercial aircraft are often conscripted during times of war. Another reason is protectionism. Labor unions see foreign competition as a threat to job security. Alliances therefore offer an alternative for airlines to achieve some of the same advantages of mergers.

Airline industry is also determined by the political situation in a country. Related to that, the current general situation in Libya is affected by unrest resulting in a slow-moving political development, which is unpredictable due to tribal groupings with contrasting interests and the fact that several groupings still possess arms in the aftermath of the revolution leading to the fall of Qadhafi in October 2011 that ended his Jamahiriya regime (Asnaes, 2013). The uprisings started in the eastern part of the country in the city of Benghazi in the wake of the Arab Spring uprisings in Tunisia and Egypt and developed into a civil war caused by, i.e. years’ corruption and uncontrollable informal structures and high unemployment and decreasing living standards (Asnaes, 2013). When Qadhafi was removed from power most structures and institutions in the Jamahiriya collapsed as these were built around his personal directives and by his system of patronage. In contrast to Tunisia and Egypt, Libya had no system of political alliances, no network of economic associations and no national organizations, but on the other hand, Libya was rich in oil resources (Anderson 2011). Additionally, the absence of the government in the country caused the internal conflicts among the people which results in the...
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emerging of wars in certain areas such as Tripoli, Benghazi, Misurata, Sirt, and many other smaller cities. The war has brought severe impact on the economic and political condition in the country.

Related to that, at the beginning of December 2014, the European Commission announced that any airline operating within, and belonging to, geographic border of Libya is no longer permitted to use the airspace of EU. According to the European Commission for Transport, Civil Aviation Authority of Libya is no longer capable of enforcing the international aviation safety standards. After incurring massive damage at the hands of militants and air force, the last international airport situated in Tripoli was closed down last July. However, it was expected that the ban not to be permanent and the EU intended to help Libya’s aviation sector. On the other hand, the main interest is insuring the safety of passengers under current circumstances (European Commission for Transport, 2014). This has influenced the airline industry in the country.

The carriers in Libya have focused their efforts on service and developing their transfer hub strategies (MacDonald, 2011). The reliance on equality of treatment through bilateral process to feed traffic via hubs is fundamental to the business models; these carriers are not the first to recognize and exploit this apparent “loop hole” in the process. Long haul air services to/from Libya were initially developed by the need for aircraft en-route from Europe to the Far East and Australia to have to stop for fuel due to aircraft performance and payload/range restrictions. There have been a number of historic hubs / transit points that had developed as a consequence of aircraft range capabilities. It is also important to recognize that air transport is not a totally free market. Whilst safety oversight and performance remains paramount and covered by international regulation, economic regulation by governments as to who can fly where, when and with what capacity is still prevalent internationally. Moreover, Airline and airport strategic thinking, vision and direction are offering a single minded vision and determination. Much of the funding of the airlines and associated airport infrastructure is via the State and the true cost of capital and associated interest rates remain unknown. With the sanctions and bans from the US and European Commission, together with the strong missions of the airline industry itself, a new strategy has to be applied to help solving the problem. Thus, alliance strategic in aviation is very important as airline industry covers partnership among nations.

Obviously, a numerous papers investigating the impacts of airline industry’s structure on its economic performance have been published (e.g. Micco and Serebrisky, 2006; Albers et al., 2005; Brueckner, 2001; Oum et al. 2000). These studies illustrate that air services liberalization is a major concern because the airline framework can have important effects on fares, profits, consumer welfare and labor and non-labor mobility.

Unlike other regional countries there are no papers or studies available to predict the impact of alliance strategy in Libyan airline industry. In this context, this paper studies the impact of airline alliance strategy on the airline international network development in Libya. Therefore, this paper studies the impact of airline alliance strategy on the company development in Libya. Due to this fact, this final report is conducted to describe how the alliance strategy applied in the airline industry in Libyan help to develop network globally, especially at the airline business as the international network based companies.

Problem Statement

At the beginning of December 2014, the European Commission announced that any airline operating within, and belonging to, geographic border of Libya is no longer permitted to use the airspace of EU. According to the European Commission for Transport, Civil Aviation Authority of Libya is no longer capable of enforcing the international aviation safety standards. After incurring massive damage at the hands of militants and air force, the last international airport situated in Tripoli was closed down last July. However, it was expected that the ban not to be permanent and the EU intended to help Libya’s aviation sector. Furthermore, the main interest is insuring the safety of passengers under current circumstances (European Commission for Transport, 2014). The ban list contains seven Libyan airlines including Air Libya, Libyan Airlines, and Afriqiyah Airways. The ban has threatened the airline industry Libya. With the ban from European commission, the airline industry in Libya experienced decreasing numbers of passengers and flight routes. It would be worse if the investors could no longer travel to Libya. The problems are continuing and creating new problems for the countries. This would reduce the country revenue and decrease the export of crude oil which is the main commodity of the country. Moreover, air power was central to and essential for success in Libya. Highly capable air assets enabled the anti-regime ground forces to overcome an opponent that otherwise greatly outmatched them. This includes the airline development in the country. The banning of airline may effect on the air power of the country.

Due to those problems, the alliances will bring the stability on the airline industry. Thus, the implementation of the alliance strategy will determine the success or failure of the airline industries in Libya. As it is assumed that, the better implementation of Alliance strategy in the airline industry will better help the establishment of the company and retain the international partnership between Libya and other countries. Therefore, alliance strategy in airlines is important to Libya as it is the way to build again the trust from EU and
world airline industries. Thus, this study will investigate the condition of alliance strategy implemented in airline companies in Libya. The report will be developed from these following problems:

1. How is the passenger number trend in airline industry in Libya?
2. Which countries do the airline industries in Libya have partnership with?
3. How do Libyan airline companies implement strategic alliance in their business development and expansion?
4. What are the implications of the strategic alliance on airline industry policy in Libya?
5. What are the impacts of the implementation of the alliance strategy on airline industry in Libya?
6. What are the advantages of the implementation of airline alliance strategy to the country international network development?

**Objective Of The Study**

Since the purpose of this study is to investigate the general description of the alliance strategy on international network development on Libyan airline companies, the specific objective of this study is to describe about how the need and implementation of alliance strategy in airline companies in Libya, especially to develop international networking. The aim of this study is to find out the answers of the above mentions problems, as follows:

1. To discover the passenger number trend of airline industry in Libya.
2. To find out the partnering countries of Libyan airline alliances.
3. To discover the implementation of the strategic alliance in Libyan airline companies.
4. To find out the implications of the strategic alliance on airline industry policy in Libya.
5. To reveal the outcome of the implementation of the alliance strategy on airline industry in Libya.
6. To analyze the advantages of the implementation of airline alliance strategy to the country international network development.

**Significance Of The Study**

It is essential to clarify that successful implementation of this report will offer a quality platform for the success of Libyan Airline Companies. Essentially, this study will play a huge role in supporting not only airline alliances but also competency of companies in the global network development. The main contribution of this study will be the utilization of Airline Alliance as the strategy to develop networking in Libyan airline companies. Besides, this report will act as an imperative reference material for improving the approaches applied by Libyan airline companies in adopting the ever advancing innovations. Moreover, empirical findings of this study will help managers apply alliance strategy as network development system to support decision-making processes, with the final aim to reach new levels of efficiency and effectiveness in satisfying external and internal customers.

**II. Literature Review**

**Airline Industry:** A majority of network airlines have come to rely on partnerships with other carriers to extend their networks. Relatively few pairs of cities have enough customer traffic to sustain the need for a daily flight. Carriers therefore seek commercial partners that can help them provide greater network coverage and increased service options (US DOT-EU report, p. 4). These can be bilateral relationships, between two partners, or multilateral alliances amongst a larger grouping of partners. The level of partnerships varies.

International commercial flight routes are well established. Modifying flight procedures can reduce safety margins, burn fuel and may be unnecessary. The International Commission Aviation Organization coordinates international efforts and requires national civil aviation authorities to be responsible for reviewing the threat level in their state. Reliable, actionable intelligence and threat analysis is critical to identify potential conflict hotspots before they emerge as a credible threat. Aviation security programs should be adjusted according to risk assessments, including regular liaison between regulators and airlines to develop risk mitigation measures. Airlines should also consider the voluntary sharing of intelligence. Thus, the international efforts can be in the form of alliance strategy among airline companies worldwide.

**Global Alliance:** A number of competing and large strategic alliances have appeared at the global scene. Each alliance is made of a number of major airlines that cover, through larger networks, different geographical areas. These air carriers were thus able to combine networks and extend their reach to most parts of the world. Alone, they managed to cover more than 50 per cent of the world scheduled passenger traffic. Among these alliances are: a) Star Alliance, established in 1997 and considered the largest; b) OneWorld, established in 1999; and c) SkyTeam2, established in 2000. There are also bilateral alliances between airlines whereby codes are shared and tickets are interchangeably sold. IATA statistics indicate that more than 80 per cent of air traffic across the
Atlantic and the Pacific is covered by these alliances, and little less than that between Europe and Asia. Global alliances are implemented in the airline industry.

2.1. Airline Industry In Libya

Ther Libya is facing an explosive growth in vehicle ownership and utilization, which leads to traffic accidents, congestion and pollution. Therefore, Miskeen, Alhodairi, & O. K. Rahmat (2013) argued that government policy encourages people, to use safer mode of intercity transportation. However, most of the Libyans prefer to use private vehicles due to the bad quality of services offered by public transports. In this regard, intercity transport operators, especially airlines are forced to emphasize to monitor and improve the services provided.

According to Miskeen, Alhodairi, & O. K. Rahmat (2013), intercity transportation in Libya has been dominated by automobiles since the 1960s, however, air service is ranks second, and is turning out t be a significant aspect in the frontiers, where the traffic is heavy enough to require frequent service (Ministry of Transportation in Libya, 2012). Presently, there are three competing airlines in the domestic market of Libya such as: the Libyan Airlines, Afriqiyah Airways and Buraq Air provide international and domestic services. Libyan Airlines, formerly known as Libyan Arab Airlines over several decades, is the country's flag carrier (The Tripoli Herald, 2013).

2.2. Benefits Of Airline Alliance Strategy For Company Improvement:

Data Strategic alliances are created to gain many benefits for the corporation and for many different purposes. The highest numbers of alliances formed are mainly for the joint sales and marketing activities. Research and development strategies are the main reasons for forming an alliance (Vaidya, 2013 and Todeva& David, 2006). Some of the benefits, according to Zamir et al (2014), include the company income and profit improvement, security certainty, and goal achievement.

1- Company Income and Profit Improvement

Alliances decrease the manufacturing costs, other costs and risks of the project, product or services by sharing between the alliance partners. Moreover, they allow firms to gain efficiency by achieving economies of scales and vertical integration. With alliances, resources are increased in strategic alliances as the all partners of alliance provide resources. Therefore, the firms that have less resources of any kind they create strategic alliances. Small firms often lack in research and development resources for which they create alliances.

Security Certainty

Home market competitive position is protected by alliances. Entering international markets may affect domestic market but in international market, organization force foreign competitors at home divert their resources away from expansion which protects the home market. Besides, due to alliances potential, rivals also cooperate which helps to decrease internal and external uncertainties in environment. Finally, strategic alliances reduce the risk of future competition by entering into an alliance with another organization and it shows many future opportunities as well.

Goal Achievement

Alliances in business help to gain access to intangible assets like brand name and expertise. In addition, they broaden product line, services processes and fill product line gaps in the current products. High cost and lack of technology may force a firm to seek a foreign partner to fill their product lines. Moreover, strategic alliances can be formed as a single alliance between two companies and as a multi firm alliance involving more than two companies. A company can be engaged in more than one alliance as the same time to gain benefits in different dimensions of its respective business operations and to focus objectively on current and potential markets. Progressing in strategic alliance, a company can develop and maintain a portfolio of alliances to gain competitive edge, access potential skills and resources, share expensive facilities like research labs, start state of the art joint manufacturing and/or distributions and enter new markets, and even though to avert threats and weaknesses into opportunities.

Company Development

Strategic alliances allow companies to enter new markets and to attract many potential customers which expand their market share. Organizations working in stagnant industries enter alliances to grow its presence in emerging industries. Basically, strategic alliance is created to gain new skills and knowledge. Gaining knowledge is one of the most important factors in creating alliances. Partners in an alliance learn from each other’s skills, expertise, technology and technical standards. Furthermore, alliances help to improve performance, productive capacity and existing market product and services by joint manufacturing and developing product jointly. As they are also made by following industry trends, they are beneficial to attain

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competitive advantages and increase international network. With high technology and developed knowledge, airline companies can easily move into the phase of international development.

2.3. Research Setting:

The investigation is primarily based on the principles of descriptive qualitative research. The analysis and report writing were done at Brawijaya University, Malang, Indonesia. This study is aimed to find out information about alliance strategy used in airline companies in Libya as to reveal the problems in adopting the system and the benefits for the companies. The duration of the study is four months, from middle of October 2015 to the beginning of January 2016. The data of this study include the information about alliance strategy for international network development applied in airline companies in Libya. The type of data used in this study is secondary data, which are obtained directly from data sources including documents that have been collected, such as articles, official websites, statistics and global reporting, and organizational structures. data was collected through documentation gathering from the internet and requesting the data from the related company. To obtain comprehensive information, the researcher made some field notes of the documentations. Analysis of data involves examining, sorting, categorizing, evaluating, comparing, synthesizing and contemplating the coded data, as well as reviewing the raw and recorded data, according to Lawrence and Neumann (1997:402). Data processing allows the researcher to generalize the findings from the sample used in the research to the larger population in which the researcher is interested. The processing and consolidation of data will be done in this research to achieve the aim of the study.

III. Findings And Discussion

3.1 Brief Description Of Airline Industry In Libya:

The airline industry in Libya comprises seven air carriers, including passengers and cargos. According to Civil Aviation Authorities of Member States of the European Union (2015), these carriers involve Afriqiyah Airways, Libyan Airlines, Buraq Air, Air Libya, Ghadames Air Transport, Global aviation and Services, and Petro Air.

Due to the political situation in Libya, Libya’s aviation industry had little hope, even before the NATO air strikes, the United Nations sanctions and the European Union ban. According to CAPA (2012), the country placed little focus on its airlines and airports, while countries in the nearby Middle East flourished and started to develop some of the largest hubs in the world. Libya was left behind, and when major unrest broke out in Feb-2011, the industry’s problems widened significantly.

However, since 2012 Libya has begun to start the process of rebuilding an airline industry. International airlines have resumed services. Furthermore, investment companies are showing interest in re-launching airport renovation projects and the country’s two national carriers have re-launched operations and are set to resume talks on their merger, and tourism operators are becoming optimistic about future bookings (CAPA, 2012).

3.2 Passenger Number Trend In Airline Industry In Libya And Its Implication On The Policy:

According to CAPA (2012), Libya’s international traffic levels fell by more than one million passengers in 2011 compared to 2010. Over a six-year period, international traffic levels have been increasing while domestic levels have remained reasonably steady, with the highest traffic levels reached in 2006 and 2007. Libya’s international traffic has been hindered by various sanctions throughout 2011. The 2011 civil war has brought dramatic effects on the country, not to mention the airline companies. The Libya total domestic and international seats from 2005 to 2011 are presented in the tables below.

| Table 1 Libya Total Domestic Seat from 2005 to 2011 |
| Year | Number of Passengers |
| 2005 | 1,049,020 |
| 2006 | 1,376,455 |
| 2007 | 1,377,010 |
| 2008 | 1,186,455 |
| 2009 | 1,057,450 |
| 2010 | 1,184,320 |
| 2011 | 976,573 |

| Table 2 Libya Total International Seat from 2005 to 2011 |
| Year | Number of Passengers |
| 2005 | 2,914,650 |
| 2006 | 2,995,675 |
| 2007 | 3,459,026 |
| 2008 | 4,090,655 |
Obviously, due to the decrease in the number of domestic and international passengers to and from Libya, the government has set policies dealing with the aviation industry. According to CAPA (2012), the resumption of air services after the civil war was deemed hasty by some, and created concerns over safety and security. Pilots, cabin crew and aviation officials in Libya were concerned based on the National Transitional Council (NTC). It was considered as endangering lives by resuming air service too quickly, as well as jeopardising Libya’s commercial advantage by giving foreign carriers privileged access. On the other hand, after the end of regime, a small influx of international carriers announced their intentions to resume operations immediately. Included in these airlines were EU carriers bmi and Lufthansa (CAPA, 2012). They join other airlines that had already announced plans to resume services, and a handful of carriers that had been operating since before the liberation (CAPA, 2012). The list of international carriers returning to Libya is listed in the table 2.

Besides, the Libya partnership with Middle East makes the airline industry in the country significantly important. These include Qatar, Jordan, Turkey, Tunisia, Egypt, and United Arab Emirate. The Libya to Middle East capacity by carrier is shown in the table below.

<table>
<thead>
<tr>
<th>Month</th>
<th>Royal Jordanian Airlines</th>
<th>Libyan Airways</th>
<th>Etihad Airways</th>
<th>Qatar Airways</th>
<th>Afriqiyah Airways</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2011</td>
<td>473</td>
<td>-</td>
<td>-</td>
<td>627</td>
<td>-</td>
</tr>
<tr>
<td>January 2012</td>
<td>1,905</td>
<td>510</td>
<td>785</td>
<td>633</td>
<td>-</td>
</tr>
<tr>
<td>April 2012</td>
<td>1,905</td>
<td>1905</td>
<td>785</td>
<td>635</td>
<td>-</td>
</tr>
<tr>
<td>July 2012</td>
<td>1,380</td>
<td>820</td>
<td>785</td>
<td>635</td>
<td>639</td>
</tr>
<tr>
<td>October 2012</td>
<td>2,000</td>
<td>825</td>
<td>785</td>
<td>631</td>
<td>625</td>
</tr>
<tr>
<td>January 2013</td>
<td>1,350</td>
<td>1,250</td>
<td>785</td>
<td>628</td>
<td>625</td>
</tr>
<tr>
<td>April 2013</td>
<td>1,489</td>
<td>1,250</td>
<td>785</td>
<td>625</td>
<td>625</td>
</tr>
</tbody>
</table>

3.3 Partnership Countries Of Libya In Airline Alliance Business:
In alliance strategy implementation, the airlines in Libya have been conducting partnerships with several countries in alliance strategy. The partners of the alliances include not only airline industries around the world but also non-airline industries as the suppliers, consumers and complementors. The Libyan airlines join alliances with other airlines within the country and outside the country such as those of Europe, Middle East, Asia, Africa, and Australia. Initially, based on the data on CAPA (2015), the Middle East partners have reluctant at first to re-launch their services in Libya. However, they started to operate in Libya. Based on CAPA (2015), Tunisair launched Djerba-Tripoli services in May-2012 and increased its Tunis-Tripoli frequency from 14 to 17 times weekly. It currently operates twice daily to Tripoli and 10 weekly frequencies to Benghazi. Also, EgyptAir operates daily Cairo-Tripoli and Benghazi. From the east, Royal Jordanian Airlines operates a daily A321 service between Amman and Tripoli and three-times weekly to Amman-Benghazi and once weekly Amman-Misurata. Qatar Airways currently operates to Libya’s northeastern Mediterranean port city of Benghazi three times weekly direct from Doha and daily to Tripoli via Alexandria using A320 aircraft. Etihad Airways has the Abu Dhabi-Tripoli route to itself with a three-time weekly service. Moreover, alliances with some European countries result in the following services. Air Malta too has steadily rebuilt its capacity to Libya. It competes with Libyan Airlines on the Malta-Tripoli route and operates on its own to Benghazi, providing 311 seats a week. Italian flag carrier, Alitalia, currently operates daily Rome Fiumicino-Tripoli services double daily from Apr-2013, operated by a mix of Embraer E-175 equipment and MD-80 aircraft offering a total of 1,764 seats a week, up from 1,148 at the same time in 2012, according to Innovata (2015).In addition, Lufthansa increased Frankfurt-Tripoli capacity in Apr-2012 to a daily service from three times weekly offering after it re-launched the route in Feb-2012, using A320 aircraft. Austrian Airlines resumed five times weekly Vienna-Tripoli service in June using Fokker F100 equipment, while British Airways returned in May-2012 with a three times weekly service connecting London-Heathrow and Tripoli. KLM in Apr-2012 called-off its planned daily Amsterdam-Tripoli service scheduled to start for 28-Oct-2012 after earlier delaying a Mar-2012 start (CAPA, 2015). Below are the routes of the two biggest airlines in Libya, Libyan Airlines and Afriqiyah Airlines.

3.4 Implementation Of The Strategy Alliance In Libyan Airline Companies:
The Strategic alliance formations develop and maintain sustainable competitive advantages to the companies involved in the alliance. Any collaboration begins with the need to analyze potential partners and the aspects of the strategy, as realizing the potential benefits of an alliance will depend on the selection of...
appropriate partners. Obviously, the alliance companies in Libya have learned that a soft evaluation places an alliance in a precarious position from the start (Harbison and Pekar, 2000). In the implementation of the strategy alliance in airline companies in Libya, there are three initial steps done by the alliance companies. These three steps include: (1) aligning corporate and strategic alliance objectives; (2) developing appropriate sets of critical success factors against which to evaluate potential alliance activities; and (3) mapping potential partner industries, industry-segments and firms.

3.5 The Impacts Of The Implementation Of The Alliance Strategy On Airline Industry In Libya:

The implementation of alliance strategy in airlines in Libya has benefit in several points within the alliances themselves. It explains how airlines can utilize alliances to increase profits. According to Atkinson (2001), the strategy alliances help in 1) improving pricing, 2) reducing costs, 3) increasing customer willingness to pay and 4) reducing industry rivalry.

1- Improving Pricing: The first impact of alliances on airfares is to create value by establishing better pricing for customers when two airlines partner to create an interline fare which is accomplished through the removal of double marginalization. The airlines in Libya are able to improve the pricing with the increase of the partnership with other airlines. Airlines within alliances therefore adopt cooperative pricing mechanisms that result in sharing of revenue arising from interline traffic. The carriers work together to set interline fare levels that maximize their joint profits (Zou, Oum, and Yu, 2011).

2- Reducing Cost: Alliances enable member airline to reduce costs. The reduction can be done through increasing economies of traffic density. These economies emerge when airlines are able to lower their per passenger costs by increasing the number of passengers carried on their existing network. The airlines in Libya adopt hub-and-spoke strategies in an effort to feed passengers from regional airports through their hubs. According to Brueckner& Whalen (2000), this funneling of passengers through airports raised traffic densities and enabled carriers to reduce their costs by operating larger, more efficient aircraft with increased load factors, which reduce average cost per passenger.

This phenomena is accelerated by global airline alliances. When a large group of airlines cooperate by joining their respective feeder flows, the partnerships create a larger pool of customers and cost savings are realized by carrying additional passengers on an airlines’ existing flights. The growth of alliance networks is an attempt to exploit economies of traffic density, under which the marginal cost of carrying an extra passenger on a route falls as traffic on the route rises (Brueckner& Spiller, 1994). Thus, economies of traffic density reduce costs and increase value created.

3- Increasing Customer Willingness To Pay: Alliances enable airlines to create value through increasing the ability to raise fares for business travelers. The alliances will provide services which are intended to make customer journeys that require a transfer between two airlines as seamless as possible. They typically choose the lowest available fare. However, customers that booked fares in first class and business class were often willing to pay more for flights operated by alliance partners (Zou, Oum, and Yu, 2011).

4- Reducing Industry Rivalry: A final impact of alliances on airfares is a reduction in rivalry. When airlines cooperate on routes there is less competition in the marketplace. This is particularly true when airlines operate joint businesses and align flight schedules. Antitrust immunities have converted nearly a dozen distinct competitors into three dominant entities including Star Alliance, Skyteam and OneWorld (Skyteam, 2008 and OneWorld, 2011). This concentration of supplier power reduces corporate buyers’ negotiating leverage.

3.6 The Advantages Of The Implementation Of Airline Alliance Strategy To The Country International Network Development:

Libyan airlines focus on rebuilding pre-revolution networks. Both of Libya’s state-owned carriers, Libyan Airways and Afriqiyah Airways were badly affected by the conflict which resulted in their fleets sustaining extensive damage from the fighting. CAPA (2015) mentioned that Libya has mounted a strong economic recovery, enticing international carriers to rapidly rebuild their capacity.

The airline industry is always vital for a country. Libya’s air service was restored to revive the economy. Projects are beginning to get back on their feet. In Sep-2007, the Tripoli Airport Terminal Building Construction Project had been awarded to the Odebrecht/TAV/CCC joint venture to construct two terminals with 160 check-in counters, 12 baggage handling carrousels, 32 fixed and mobile boarding bridges and 48 lifts.

The resumption of air service, and indeed of everyday life, is important to Libyans in proving to the rest of the world they can successfully overthrow a dictator and improve their country. Libyan tourism operators commonly advertise ‘Post-War Libya’ packages and are optimistic they will see demand increase as security concerns disappear.
The need to accelerate re-growth, by allowing foreign airlines to return to the market quickly, will inevitably place pressure on the national entities to mobilize quickly. This provides a dilemma for the interim authorities, who are being criticized for allowing other international airlines a head start. However, the regulators arguably have no option if they wish trade relations to recover, in order to fire up economic recovery. International capacity is still well down on pre-uprising levels, as is to be expected. If the new regime is able to establish a secure and attractive environment, there is every reason why aviation should take off. The same applies to the economy as a whole. However, it is a big ask. There is little institutional structure in place and a flush of aid will be necessary to get the country administratively on track.

IV. Conclusion

Inferential The expansion of airlines into the global market place becomes a necessity not only because of the confines and limitations of their domestic markets but also the threat by foreign airline competitors. Alliance strategy is a common strategy adopted by airline companies to expand globally. The appearance and progress of global alliances as a strategy for developing airline networks and increasing revenue sources can be explained by both exogenous and endogenous drivers to the airline industry. Apart from that, most of the Libyans prefer to use private vehicles due to the bad quality of services offered by public transports. In this regard, intercity transport operators, especially airlines, are forced to emphasize to monitor and improve the services provided. Presently, there are three competing airlines in the domestic market of Libya such as: the Libyan Airlines, Afriqiyah Airways and Buraq Air provide international and domestic services. However, Libya has two major air carriers, Afriqiyah Airways and Libyan Airlines. There was a proposal of privatization and merger of the two companies. Obviously, customer satisfaction with air service quality is poor or below the satisfactory level. Policy makers and industry regulators need to be alerted with this empirical fact, and take pragmatic steps to ensure that the domestic airlines and local airports improve their efficiency and effectiveness to provide air services that meet and exceed customer needs, desires and expectations. The priority in aviation is passenger safety, which is nonnegotiable and the commissions stand ready to help the Libyan aviation sector as soon as the situation on the ground will allow for this. However, this situation is not practiced optimally. Due to the political situation in Libya, Libya’s aviation industry had little hope because of the United Nations sanctions and the European Union ban. Moreover, since 2012 Libya has begun to start the process of rebuilding an airline industry. International airlines have resumed services. On the other hand, Libya’s international traffic has been hindered by various sanctions throughout 2011.

Due to the decrease in the number of domestic and international passengers to and from Libya, the government has set policies dealing with the aviation industry. International carriers announced their intentions to resume operations in Libya immediately. Turkish Airlines was quick to resume service to Libya. As a result, this has increased the number of passengers from Libya to Turkey. Besides, the Libya partnership with Middle East makes the airline industry in the country significantly important. These include Qatar, Jordan, Turkey, Tunisia, Egypt, and United Arab Emirates. In addition, European air services started to re-launch their services in Libya in 2012. The Libyan airlines join alliances with other airlines within the country and outside the country such as those of Europe, Middle East, Asia, Africa, and Australia. Furthermore, the partners of the alliances also include non-airline industries as the suppliers, consumers and complementors. The category includes a number of very diverse industry groups, such as online and traditional meeting-management firms, meeting/event planners, Internet search engines, Internet service providers, mobile phone, media, travel guide/book and map companies, financial institutions and credit card firms, retail locations and software suppliers.

In the implementation of the strategy alliance in airline companies in Libya, there are three initial steps done by the alliance companies. These three steps include: (1) aligning corporate and strategic alliance objectives; (2) developing appropriate sets of critical success factors against which to evaluate potential alliance activities; and (3) mapping potential partner industries, industry-segments and firms.

The implementation of alliance strategy in airlines in Libya has benefit in several points within the alliances themselves. The strategy alliances help in 1) improving pricing, 2) reducing costs, 3) increasing customer willingness to pay and 4) reducing industry rivalry.

Libyan airlines focus on rebuilding pre-revolution networks. The airline industry is always vital for a country. Libya’s air service was restored to revive the economy. Projects are beginning to get back on their feet. If the new government is able to establish a secure and attractive environment, there is every reason why aviation should take off. The same applies to the economy as a whole. However, it is a big ask. There is little institutional structure in place and a flush of aid will be necessary to get the country administratively on track.

V. Recommendations

This report is limited to analyze the implementation of alliance strategy in the airline companies in Libya. However, the focus is given to the biggest airlines in Libya. Therefore, it is suggested to analyze about
the use of strategic alliances in small airline companies in Libya to gather information about the benefit of the alliance strategy to the companies and the possibility to compete with other airline companies in the country.

Besides, the data in this study do not cover the recent and newest condition of strategic alliances in the Libyan airline industry due to the limitation of the information and the political condition in the country. Moreover, the existence of war in several locations in the country makes it impossible to gain more information from the airline companies due to not updating websites. Thus, deeper investigation on the newest condition is suggested to be searched.

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References