PESTLE Analysis (Part-B)

Consider the second factor, namely economics. If politics guides the industry then economics rules it. The peaks and troughs of economic cycles can significantly impact the airline industry's performance. For example, revenue passenger miles, a key success measure of the industry, can be mapped to many economic indicators, such as disposable incomes of consumers and businesses profitability. Other economic factors include GDP growth, interest rates, exchange rates, inflation, credit availability, capital market efficiency, monetary and fiscal policies of the government, foreign exchange fluctuations, stock market volatility, employment levels and wage rates, and so on. The third set of factors relates to the social and cultural context of the industry. This may include demographic factors such as population growth rates, age distribution, education and career trends, attitude towards work and savings or investments, religious beliefs, cultural and social conventions etc.

In emerging economy such as India, the changing role of women in the workforce will also play a role in influencing industry performance. Let's consider one of these, namely, age distribution. A study by the Boston consulting group on the impact of changing age structures on the airline industry avers that the millennial generation will drive the growth of the travel industry in the next 5 to 10 years as they enter their most productive years. Compare that with the travel habits of the baby boomers, those born in the 40s to 60s, or GenX, those born in mid-60s and late 70s. The contribution of both of these segments to airline industry traffic will gradually decline. The differences don't end here. Even the culinary and technology preferences differ. For example, millennials are more likely to prefer organic or exotic food, are tech-savvy and prefer touchscreen technologies. They are avid users of social media and more likely to use such media to evaluate services as well as broadcast the experiences as compared to baby boomers like me. The airline industry must factor these considerations when planning for expansions or new product offerings. The fourth set of factors that can alter an industry and by implication a firm's competitive possession is technology. The last two decades have seen the emergence of a host of new technologies, such as information and communication technologies, bio and nano technologies, artificial intelligence, additive manufacturing technologies and so on. Technologies will restructure or disrupt existing industries by complementing or at times even replacing existing technologies. Other sub factors include the rate of technological change, diffusion levels, maturity and complexity of the technology, product and process, R&D spending etc.

Technology can also impact by way of process innovations, producing the cost of production, or by bringing in new efficiencies. In the case of airlines, one factor which significantly influences the industry's profitability was the emergence of computer-based reservation systems and improved yield management algorithms. Other factors that influence airline industry include advanced aircraft technologies, information and communication technology that may reduce the need for airline travel, and technology that may help mitigate environmental impacts of the industry, such as biofuels or technologies which help address the security challenges that airlines now face.