

ANALYST COMMENT



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High fuel prices and overcapacity strike again as WOW Air is added to the long list of recent airline closures, says GlobalData

Following the news that WOW Air has ceased operations after failed negotiations to save it, leaving thousands of passengers stranded, Ralph Hollister, Associate Travel & Tourism Analyst at GlobalData, a leading data and analytics company, offers his view:

“The closures of smaller sized airlines such as WOW Air come as little surprise. Even major airlines such as Ryanair with significantly higher profit margins are suffering with the issues at the root of these closures – high fuel prices and overcapacity.

“With finances having already been in decline for a number of months, WOW had to reduce its fleet from 24 to 11, along with reducing the number of destinations available to customers.

“Overcapacity is a factor which can be managed unlike fuel costs, but timeliness is critical and WOW acted too late.

“Smaller airlines need to be more sensitive to changes in the market. Being one step ahead in terms of potential future decreases in demand for specific routes will enable airlines to decrease flight frequency proactively.

“This will decrease the amount of empty seats and most importantly, keep them afloat in a highly competitive industry.”

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