

- Consumers prefer large network airlines due to the ease of obtaining information on schedules and fares.

### **Cargo**

- Cargo is segmented into two distinct markets: air freight and air express.
- Air freight consists of large items which generally tend to be sensitive to airline cargo prices. Shippers of air freight generally expect delivery within 24-48 hours. This segment is best accommodated by cargo belly space in passenger aircraft. The incremental cargo revenues are very attractive to passenger carriers.
- There is a small service sensitive air freight market requiring dedicated (and expensive) cargo-only aircraft.
- Air express consists of small packages which are highly service sensitive. The high willingness to pay for the service combined with low weight provide economic justification for dedicated overnight cargo aircraft. A single nation-wide hub and spoke network works well for such cargo operations.

### **F. Airline Pricing**

Airline pricing practices are driven by

- The costs of providing airline services;