A STUDY OF LOW COST AIRLINES AND THE INFLUENCES OF IMPORTANT MARKET FACTORS

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Abstract- The purposes of this research were to study the behavior of passengers who frequently flew with low cost airlines and to study market factors which could influence the decision making of customers to patronage low cost airlines in Thailand. This paper was a mixed research of both the qualitative and quantitative technique. A total of 15 key informants were interviewed by using an in-depth interview. Also, a total of 400 low cost airlines’ passengers were interviewed via questionnaire. The findings revealed that respondents were male and female at a similar proportion with the majority having an undergraduate degree, working for private company, and had income in the range of 20,000 -30,000 baht per month. The main decision to choose low-cost airlines was low price in which customers could purchase online. In addition, the findings also revealed that the first three market factors influencing the decision of the respondents to patronage low-cost airlines were low price, channel of buying ticket, and promotion factor.

Keywords- Low cost, Airlines, Marker Factors.

I. INTRODUCTION

For the last decade, the tourism industry had been affected positively by the increasing demand in low cost airlines which offer the lower price in domestic routes and short international routes. Low cost airlines have changed the Thai airline industry for the last two decades. Even though low-cost airlines provide their service in the domestic market more than international market, the level of competition has increased with the number of low cost airlines. The first question comes to mind, what exactly is a low cost carrier? The low cost carrier can be defined as follows: no free food, drink, music or movies on the plan, no VIP lounge at the airport, one price with limited baggage, no refund, the use of electronic ticket, short haul with point to point traffic, no connecting flights, and the use of mainly secondary airports [1]. In other words, the low cost carrier focuses on low cost strategy by managing cost effectively and efficiency in order to pass the low cost to the passengers. The growth of low cost airlines in Thailand and other ASEAN members has shown that they can successfully compete with full service airlines, especially in the area where demand is highly price sensitive. During an economic downturn or recession, consumers have a tendency to be price sensitive and there is an increasing demand for low cost airlines. Moreover, if the price gap between low cost airline and full service airline is widened, then there is an increasing demand for low cost airlines. On the other hand, if the price gap between the low cost airline and full service airline is narrowed, then there is a decrease in demand for low cost airline. However, low price alone is not enough, customer satisfaction is vital for the long-term success which comes from high customer loyalty. In fact, satisfaction is a necessary factor but not sufficient condition for loyalty [2]. Low cost airlines have become a very popular choice for domestic passengers in Thailand due to the extremely low price and convenient channel of obtaining a ticket. The lack of some services does not deter customers from patronage low cost airline at all. This research paper was aimed to study the behavior of low cost passengers to see how and why they prefer to use low cost airlines, and to study the market factors which influence their decision in choosing to use the service of low cost airlines. The market factors included product, price, channel of distribution, promotion, people, process, physical environment, product and quality. Therefore, it was important to study both behavior of the passengers who frequently patronage low cost airlines and to study important market factors influencing their decision to patronage low cost airlines. It is hoped that the finding of this study will contribute to the airline and service literatures.

II. REVIEW OF LITERATURE

In order to understand the service industry, it is important to understand what consumers in general think, behave, and consume. Consumer behavior can be defined as the behavior to make a decision about buying and using the products or services which include the before and after buying decision. The behavior often includes activities and buying process such as where to buy, when to buy, and how much to buy [3]. Serirat, et. al. suggested the proper way to analyze consumer behavior is by using 6 W questions and 1 H question [4]. These important market questions can also be explained by using the market concept of Philip Kotler [5]. The first W question is who is in the target market? This question asks about the demographics of target customer. The second W question is what does consumer buy? This question asks about the objective or the purpose of buying the particular
product. The fourth W question is who participates in the buying? This question asks about the role of people around the consumer who might have any influence on the decision of buying. The fifth W question is when does the consumer buy? This question asks about timing and occasion of buying the particular product. The sixth W question is where does the consumer buy? This question asks about the distribution channel of where the consumer can get the product or service. The H question is how does the consumer buy? This question asks about the process of buying the product.

The consumer behavior model is based on the factors that can create stimulus and to make the consumer respond by making a purchasing decision. The market factors used in this research paper include product, price, Place or channel of distribution, promotion, people or staff, process, physical environment, and product and quality. In other words, the 4Ps of classic marketing was fully utilized in this study.

III. METHODOLOGY

The focus of this study need to understand how and what consumers think, behave, and consume. The study of market factors influencing the decision of passengers in patronage of low cost airlines was based on both qualitative and quantitative methods. An in-depth interview was utilized for the qualitative method. A total of 15 key informants were selected from managers, staff, sales and marketing persons and flight attendants who worked with three popular low cost airlines: Thai-Air Asia, Nok Air, and Tiger Air. The key informants were selected based on three questions: 1) Can you communicate by using Thai? 2) Can you have at least one hour to answer the questions? and 3) Are you currently working the low cost airline? Moreover, the questions for an in-depth interview were set up in two areas. First area of questions was about what are the main reasons for customers to choose to fly low cost airlines? Second area of questions was about how each market factor influence the decision to fly low cost airlines?

Since the population of passengers of low cost airlines was unknown, this research paper utilized the sampling method of Taro Yamane (1967) to obtain 400 samples [6]. The data was collected at Don Muang and Suvanabhumi international airport. The questionnaire utilized in the study comprised three main parts. The first part of questionnaire included the questions of demographic such as gender, age, education, income, and occupation. The second part of questionnaire included the questions such as how often they use the low cost airline, when do they often fly, and etc. The third part of the questionnaire included the influence of the market factors to their decision to fly low cost airlines. Moreover, to get a good standard of validity and reliability, the questionnaire had been read and commented by three experts in the field of airline and business research. Moreover, 30 pilots were done to make certain that the questions had been tested until it passed at least 0.7 of Cronbach alpha. Eight market factors that can influence the purchasing behavior of customers and results in their value perception of low cost airlines are illustrated in Fig. 1.

IV. FINDINGS

From the data analysis, the finding disclosed that male and female respondents were at the same proportion, between 20 - 30 years of age. Most were single. The majority earned undergraduate degree as the highest level of education. Most of them have an income per month between 20,001 - 30,000 Baht per month. The majority prefer to buy round-trip ticket by internet which has an open date. The majority also prefer to travel in small group of 2-3 members of close friend or family members. The frequency of traveling by using low cost airline was 2-3 times a year. The respondents’ attitudes towards the marketing factors indicated high level in the area of price. The findings also revealed that the main decision for the respondents to choose low cost airlines was low price in which customers could purchase online by themselves. Also, the findings indicated that the first three market factors influencing the decision of the respondents to patronage low-cost airlines were low price, channel of buying ticket, and the availability of promotion. These are important factors.
The findings from Table 1 revealed that low price is the most important reason for individuals to choose to travel with low-cost airlines. An individual or “Me” is the most important person to make a decision to fly with a low-cost airline. However, the day of traveling between weekday and weekend does not make any difference.

The findings from Table 3, from the qualitative technique via an in-depth interview, revealed the first three main market factors as follow: price, place, and promotion. This information represents the opinion of 15 key informants which had been selected from many people who were working in the field of low-cost airline. It was found that the top three market factors from the quantitative technique and top three market factors from the qualitative technique were the same factors. Therefore, low price is the most important market factor implies the majority of low-cost airline customers are price sensitive.

V. RECOMMENDATION

The recommendation from this study can be summed up as follows. Since the three most important factors are price, place, and promotion in both the qualitative and quantitative study, there should be a strategic marketing plan developed from this finding. For example, the advertising and promotion should focus on the low price, extra discount, and the easiness of buying the low-cost airline fare online. The low cost demand comes from mainly the low price. Therefore, there should be a cut on unnecessary costs. Moreover, since up to 72 percent of the respondents are in the age between 21-40 years old, there should be a marketing campaign directly on this target group. There should be a marketing network with other products and service such as hotel, tour agency, spa, and etc., to allow customers to gain more value of fare to exploit the customers cost sensitive priority.

VI. FUTURE STUDIES

Every research had its limitation. One of the limitations of this research paper came from the sampling technique. Since there was an unknown population, many techniques could be utilized to obtain better samples. Therefore, in order to get more specific results, the future research should survey a variety of low-cost customers based on their provinces of residence to obtain representative opinions from a variety of provinces in Thailand. Then, the findings may be able to generalize to find more specific answer to devise a proper marketing plan. In addition, future research should use a proportion and random sampling technique with a diverse group of low-cost customers. Moreover, future studies should use small group interviews to investigate the reasons behind their choices to currently patronage low-cost airlines in Thailand.

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A Study of Low Cost Airlines and The Influences of Important Market Factors

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REFERENCES


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