

TOURIST PROFILE IN THE LOW-COST CARRIER ERA: BETWEEN BUDGET AND SMART TRAVEL

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Abstract

The airline industry has influenced over the years the tourism industry directly and indirectly. First of all, the evolution of the airline industry has contributed to the development of international tourism, offering access to far away and isolated destinations. At the same time, new forms of tourism have appeared as a consequence of the developments in the airline sector: short haul city tourism, visiting friends and relatives, stopover tourism.

Over the years, the airline industry has also influenced the tourism industry indirectly, by changing the profile and the travelling habits of the modern traveler.

This article investigates the way the airline industry has shaped the profile of a modern traveler, in search for affordability, convenience, flexibility.

For this research, an analysis of secondary data has been done (scientific journals, publications), as well as primary data collection through a questionnaire distributed online.

The research has revealed that the modern tourist is independent, with access to information and empowered, preferring to create his own tailor-made package. In search for affordable fares, he is also looking for value for money and flexibility in his purchases. In this context the whole tourism system has to become creative, in order to find the best ways to address his needs.

Keywords

Tourist, low-cost, smart travel, airlines

JEL Classification

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Introduction

Over the last years, the profile of the modern traveler has been shaped by different factors which are interconnected: the evolution of technology, the progress of the airline industry and the development of the tourism industry.

The Open Skies Policy which led to the development of air travel for masses and made holiday packages popular, the liberalization of air travel and the rise of low-cost airlines which encouraged tourists to travel independently, the general trend of moving towards the online environment all represent factors which contributed to the emergence of a new tourist profile, with specific characteristics (Aluculesei & Nistoreanu, 2016).

The paper focuses on identifying the way the tourist profile has changed over the years and the main objectives of the paper are:

- Establishing the impact of the developments of the airline industry on the typology of the modern traveler
- Identifying the opportunities and challenges that these changes bring to the actors from the airline and tourism sectors

In order to achieve these objectives, secondary data from various scientific publications and journals has been analyzed and a quantitative research has been conducted, using online questionnaires.

Traveler trends throughout the evolution of airline business models

In order to understand the modern tourist, it is important to identify the evolution of his profile simultaneously to the progress of the airline industry.

The introduction of commercial jets contributed to the growth of international tourism (May & Hill, 2002, Stoenescu, 2017), making it possible for travelers to reach destinations which were difficult to access previously using other forms of transportation. Moreover, the Open Skies policy contributed to the development of air travel for masses, through the liberalization of charter flights, making package holidays popular and leading to the emergence of popular tourist destinations. At this stage, the tourism product is defined by a mass traveler, empowered tour operators and airlines promoting their services as part of already established holiday packages.

A consequence of the liberalization of the airline industry and the evolution of technology has been the emergence of low-cost airlines which have made air travel affordable and accessible to the more people, contributing also to the development of new forms of tourism: short haul city tourism (Olipra, 2012, Stoenescu, 2017), “residential and second home tourism” or “visiting friends and relatives” (Wittmer, 2006, Stoenescu, 2017).

An important feature of low-cost carriers is the use of secondary/regional airports (Dobruszkes et al., 2017; Stoenescu & Gheorghe, 2017), instead of major hubs, in order to reduce the costs and avoid airport congestion. In this context, low-cost carriers contributed to the development of new routes (Stoenescu & Gheorghe, 2017; Dobruszkes 2013; Suau-Sanchez & Burghouwt, 2011), increased the competition between airlines, created new tourist destinations and brought changes in the way people travelled (Gabor, 2010; Stoenescu & Gheorghe, 2017). Beside the low fares, there are also other reasons why passengers prefer low-cost airlines, such as: avoiding the airport congestion or long waiting times and long walking at hub airports (Barrett, 2004; De Wit & Zuidberg, 2012; Stoenescu & Gheorghe, 2017).

Low cost airlines became a “stimulus to independent travel” (UNWTO, 2012), giving tourists the possibility to book their flights separately, instead of purchasing a holiday package. The following changes could be observed during this stage:

- Air travel turned into an affordable way of travelling and became a part of most persons’ lives
- As new forms of tourism developed (city tourism, second home or visiting friends and relatives), travelers started to travel more frequently and in different other places than established tourist destinations
- Travelers got control of the products purchased, having the possibility to choose and buy themselves separately parts of the holiday package

Another characteristic of low-cost airlines is the use of alternative marketing and distribution channels, by-passing intermediaries and having lower input prices (Morrell, 2008; Stoenescu & Gheorghe, 2017). While traditional airlines mostly use Global Distribution Systems in order to sell their tickets through travel agencies or tour operators,

low-cost carriers were among the first to start the trend of online distribution, allowing them to reduce costs (UNWTO, 2012).

In this context, passengers have gained power, having the possibility to book themselves part of the former packages. At the same time, intermediaries were forced to reinvent themselves, which led among others, to the development of OTAs. Moreover, given the success scored by low-cost airlines and the high number of passengers choosing to book flights on their website, tourism companies have started to see the advantages to use them as marketing and selling channels (UNWTO, 2016; Stoenescu, 2017). In this respect, Jianbin et al. (2017) agree that, nowadays, air transport becomes a “popular commodity marketing widely accepted”.

Nowadays, the airline websites offer more than just flights, therefore, passengers have the possibility to add rent-a-car, transfers or hotel bookings once they book their flight, which also brings advantages for airlines.

In order to keep the fares low, airlines began to focus on increasing their revenue from non-aviation related activities. In this context, fare unbundling and diversifying the ancillaries were part of the strategies used by low-cost airlines and implemented nowadays also by traditional carriers (O’Connell & Warnock-Smith, 2013), as part of a hybridization process. Focusing on generating additional revenue, airlines started to diversify their ancillary products, starting with introducing charges for services previously included in the ticket fare (Brueckner et al., 2015) such as checked baggage, pre-assigned seats; inflight entertainment, priority boarding, food and beverage, Wi-Fi internet access (Warnock-Smith et al., 2017), to hotel bookings or other tourism products.

From this angle, passengers have the possibility to purchase different tourist products directly from the airline website, once they book their flight. Moreover, airlines have started to use “dynamic packaging” (Papatheodorou, 2014; Stoenescu, 2017), a concept allowing passengers to combine individual components such as flight, hotel, car hire (Papatheodorou, 2014) in tailor-made packages (O’Connell & Bouquet, 2014, O’Connell & Williams, 2014) available on a common platform, updated in real time and requiring no more than one payment (Warnock-Smith et al., 2017).

In this context, low-cost airlines are becoming “the new breed of tour operators for the future” (UNWTO, 2012).

With access to real time inventories of tourism products on the airline website, as well as an increasing number of online travel agencies, the modern passenger is empowered, having more flexibility when creating his desired package and having all products available in the same place.

Although initially it was considered that low-cost carriers were “market makers” (Gillen & Morrison, 2003; Stoenescu & Gheorghe, 2017), addressing a market which was not properly supported before (Olipra, 2012; Stoenescu & Gheorghe, 2017), they also managed to attract market share from incumbent airlines (CAA, 2005 (in Morrell, 2008); Stoenescu & Gheorghe, 2017) and other transport modes, by lowering fares (De Wit & Zuidberg, 2012; Stoenescu & Gheorghe, 2017).

At this moment, all segments and passenger categories are targeted by low-cost airlines, starting with “young globe-trotters” (Shaw & Thomas, 2006; Stoenescu & Gheorghe, 2017), to business travelers (Dobruszkes, 2013; Stoenescu & Gheorghe, 2017), with different expectations each (Martinez-Garcia & Royo-Vela, 2010; Stoenescu & Gheorghe, 2017).

In order to address all these expectations, many low-cost airlines have upgraded their products (De Wit & Zuitberg, 2015; Stoenescu & Gheorghe, 2017) improving the brand perception and changing the passenger experience, while traditional airlines started to unbundle their products, in an attempt to attract a new market looking for lower fares.

For this reason, the differences between low-cost airlines and traditional airlines tend to become blurry, borrowing characteristics from each other and determining a new breed:

hybrid airlines. Nowadays, passengers can find affordable tickets both with low-cost and traditional airlines and can use their website to find the lowest fare, add additional complementary products and customize their trip.

Some low-cost airlines have taken flexibility even further; for example, Wizzair has added a Fare Lock option, giving passengers the possibility to reserve fares for up to 48 hours or Flexible Travel Partner, introducing a feature where passengers can buy up to three tickets without giving the passenger details from the beginning.

Research Methodology

To endorse the theory part of the research, a primary data collection has been conducted, through questionnaires available online between the 9th of April 2018 and the 14th of April 2018. The study is international oriented. The survey has 12 questions which were shared via email and posted on social media and a total number of 148 responses have been collected.

The aim of this research is to identify the factors influencing the modern travelers' decision to purchase a tourism product and his travel habits.

In the questionnaire, economic and socio-demographic information such as gender, age, income has been asked.

Out of the 148 answers, 53.7% were women and 46.3% men. 37.8% of them are between 25 and 30 years old, 29.7% between 18 and 24 years old, 24.3% between 31 and 45 years old, 7.4% were over 46 and 1 response was considered irrelevant. Among them, a high percentage (56.5%) have a monthly income between 501 and 2000 EUR, 29.3% lower than 500 EUR and 14.3% over 2001 EUR.

Results and discussions

The results of the research show that the respondents are both frequent and occasional travelers, most of them travelling for holidays less than two times per year (45.9%), followed by those who spend their holidays three or four times each year (33.1%) (fig.no.1).

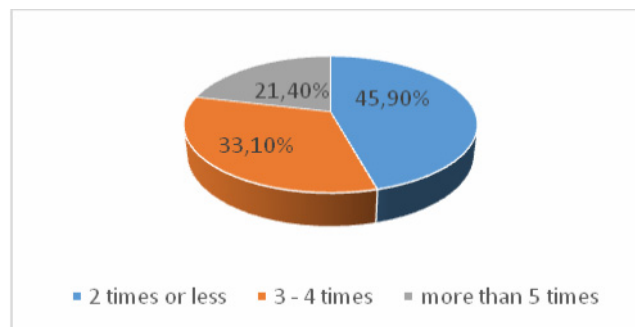


Fig. no. 1. How often do you travel abroad (holiday purposes) each year?

In order to establish how the income influences the number of times a person travels for holiday purposes each year, the results have been filtered, compared and the results indicate that 67.4% of the respondents with income under 500 EUR/month travel less than 2 time per year for holiday purposes (fig.no.2).



Fig. no. 2. Number of travels per year depending on the income category

For the category of income 501 – 2000 EUR, 42% of the respondents admit travelling less than 2 times per year for holidays and 38.5% of them allocate 3 or 4 holidays per year. When analyzing the “over 2001 EUR” category, it can be noticed that only 19% of the respondents travel less than 2 times per year, 42.8% 3-4 times and 38.2% over 5 times (fig.no.2). It can be seen that the increase of income determines people to allocate more holidays every year.

Regarding the predominant mean of transportation used, it can be noticed that most of the respondents selected low-cost airlines (61.9%) representing 58,1% from the category of income “Less than 500 EUR/month”, 63,8% from the category “Between 501 and 2000 EUR/month” and 61,9% of those having a higher than 2001 EUR/month income (fig.no.3).

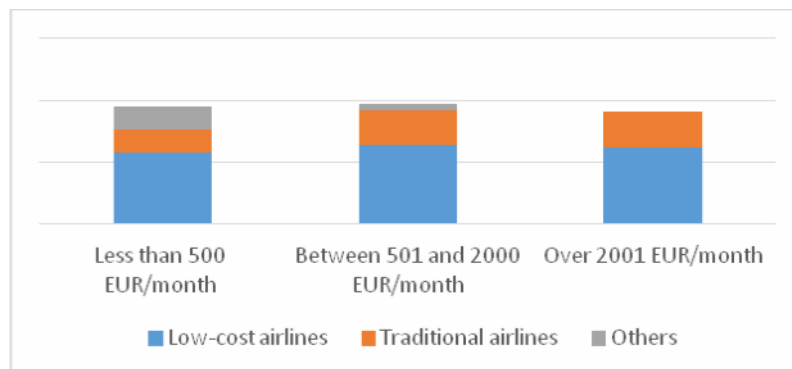


Fig. no. 3. Preferred transportation mode

This confirms the fact that low-cost airlines are preferred by all income categories and some of the reasons are:

- Time efficiency: low-cost airlines mostly have point-to-point flights bypassing hubs that passengers would have to transit. At the same time, by operating mostly on smaller regional or secondary airports, passengers avoid airport congestion.
- Location: in some cases, low-cost airlines operate on secondary or regional airports, making it easier for passengers to access different places which are not major tourist destinations.
- Wide network: nowadays, low-cost airlines operate many flights inside Europe, in some cases, having more than one flight per day.
- Affordability: as low-cost airlines became popular, people got used to affordable air travel and prefer not to overspend on the airplane ticket. Moreover, as the differences

between traditional and low-cost airlines started to blur, passengers who normally would fly with traditional carriers may switch to low-cost ones for some flights.

Regarding the channel used for searching and booking the flight ticket, most of the respondents (55.4%) admit preferring to use online booking platforms. These platforms are easy for booking, combining point-to-point flights or creating packages such as (Flight+hotel+car). Moreover, travelers also have the possibility to search flights depending on their budget and select the flight date with the lowest fare. A high percentage of the respondents (31.8%) chose the airline website for booking their ticket, which can be explained by the popularity of low-cost airlines, which sell their tickets on their website, in order to bypass intermediaries and avoid additional costs. This strategy has in fact been adopted also by traditional airlines, which started to find ways to attract their customers online, trying to eliminate 3rd party sellers, either by offering special discounts online or by introducing GDS fees, as the Lufthansa Group did.

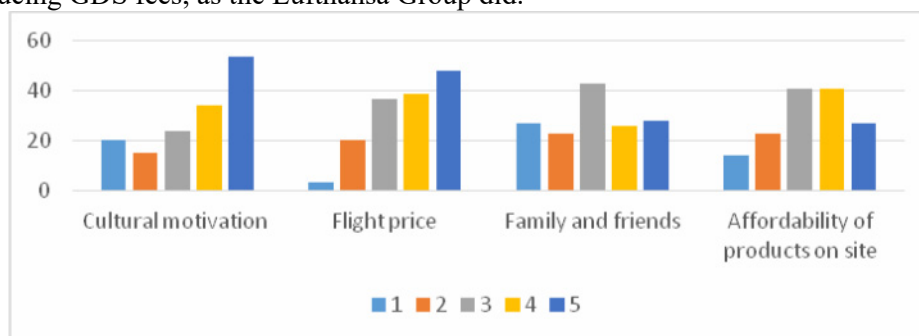


Fig. no. 4. How important are the following factors in your decision to choose a specific destination for your trip? (1- not important, 5- very important)

It can be seen that travelers' decision to choose a specific destination for their trip is connected mostly with their cultural motivation and the affordability of the flight ticket (fig.no.4). By comparing the respondents' answers with their income category, the flight price seems to be an important factor in most of the cases. For the category under 500 EUR/month, 62.7% of the respondents answered 4 or 5 when asked to rate the importance of the flight price, for the category 501 – 2000 EUR, 57.8% and over 2001 EUR, 57.14%. Moreover, when asked if they would choose a secondary city for their trip, instead of a major tourist destination, if prices are lower, the majority (73.8%) admitted that they would be willing to do that.

Most of the respondents chose online booking platforms as the main channel used when booking accommodation and travel agencies as the least used. This can be explained by the fact that nowadays, people have the possibility to purchase the tourism products separately and look for the lowest fares, option available on booking platforms.

Travel agencies, popular previously for booking holiday packages would need to reinvent themselves, in order to respond to the needs of the modern traveler, looking for flexibility and affordability.

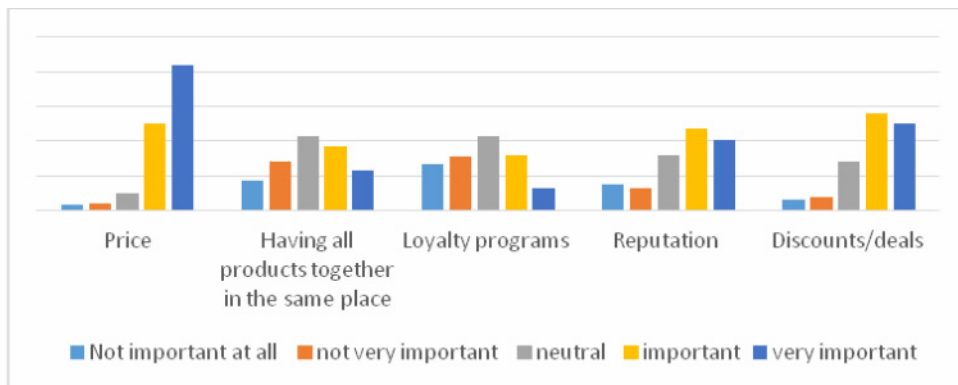


Fig. no. 5. Are these factors important when choosing a specific channel to purchase tourism products?

When asked which factors are important when choosing a channel to buy tourism products, most of the respondents considered price very important. Out of the total number of respondents, 54.7% consider price important and very important, 25.6% having all the products together, 21.62% agree that loyalty programs are very important also, 33.1% the reputation and 45.94% having discounts and special deals (fig.no.5). From this angle, it is clear that nowadays, the traveler is oriented towards the lowest price available but he is also interested in getting special deals and value for money.

More than half of the respondents (59%) prefer buying tourist products separately depending on the lowest price available. This is a direct influence of the „low-cost airlines trend”, empowering travelers to purchase tourist products individually, which gives them the possibility to benefit of lower fares and flexibility. 30% of the respondents also like to use one single platform integrating different tourist products but offering them the flexibility to tailor it depending on their needs, unlike traditional holiday packages. Nowadays, many booking platforms offer this possibility and airlines have also started to make it on their website through „dynamic packaging”.

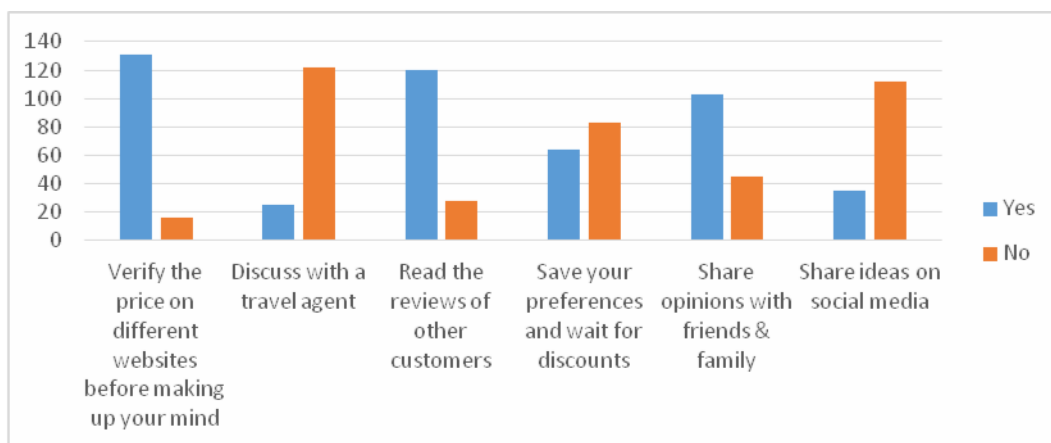


Fig. no. 6. Before booking a tourism product, do you usually:

Before purchasing a travel product, the respondents indicated that they compare prices on different websites and also read the reviews of other customers, which confirms that they are not only looking for the lowest prices but also for value for money (fig.no.6).

Conclusions

In an era where the low-cost airlines influenced considerably the evolution of the tourism industry, the profile of the modern traveler has also changed. He gained the power that initially was in the hands of tour operators and nowadays, the tourism companies have to adjust to these changes in order to survive. The modern traveler has access to information, is constantly surfing internet and looking for the lowest prices and best deals. But this doesn't mean that he is settling for less: he is also a „smart” tourist, looking for value in his purchases, flexibility and convenience that most of traditional travel agencies fail to deliver nowadays.

As the industry changes and airlines are taking the role of tour operators and together with online booking platforms are delivering to modern passengers convenience and flexibility, traditional travel agencies would have to become creative and reinvent themselves in order to strive.

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