

Determinants of Choosing an Airline by a Traveller -An Analysis from New Zealand Perspective

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Tourism industry has been growing rapidly over the last two decades. The increasing tourist number is impacting the tourism industry, travel agents and the airline industry directly. The airline industry is an essential element in tourism field, and it plays a critical role. Due to the advances in aviation technology, more and more people have been encouraged to travel by air so that the airline industry benefits from it. This paper aims to find out the important determinants that have influence on travellers to choosing a particular airline. Data from primary and secondary sources have been used for this paper. A field survey was conducted for primary data in which a sample of 45 respondents was interviewed. Study findings indicate that the factors such as standard of products and services; prices and flight schedules are the most important determinants which influence people on choosing an airline. The airlines need to improve their business through improving the products and services they offered, the cost reductions and the networks/routes they flew in order to attract new customers and keep their existing customers, thus achieve the long-term sustainability.

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The airline industry is a complex industry, and it plays an important role in tourism field. It is an industry of contradictions. On the one hand, it is limited and constrained by complexity. On the other hand, it is an industry characterized by rapid change, innovation and new technology [Doganis, 2006. P.1]. Due to the advances in aviation technology over the past 20 years, the air travel became economical, quick and relatively safe and comfortable. Therefore, more and more people have been encouraged to travel by air. However, the first five years of the current century have not been a happy time for the world's airline businesses.

A cyclical downturn, which began to be felt by some airlines in year 2000, had become a crisis by year 2001. Many airlines lost hundreds of millions of US dollars during this period of time. Furthermore, a series of external events such as the September 11th, the invasion of Iraq in 2003, the SARS epidemic, and the increased fuel prices, which turned this cyclical downturn into the longest and deepest crisis the airline industry has ever faced.

There are many issues that might have influence on travellers' decision to choosing a particular airline. Some of them are such as the cost of travel, availability of flight, comfort, etc. The important of these determinants also varies from traveller to traveller. For example, flight schedule is more important for a business person than of a general traveller.

The main purpose of this paper is to analyse the determinants that influence travellers to choose a particular airline, thus the airline business operators can have a better understanding of people's different preferences, needs and wants. However, this paper concentrates only to identifying the important determinants which have influenced travellers on choosing a particular airline rather than ranking the determinants and also ranking of different airlines.

The paper consists of seven sections. In next section, the paper will state the significance of the study based on existing literature. The method of conducting the study has been discussed in the methodology section. Analysis and discussion has been presented in the findings section. Some recommendations have been indicated in conclusion section followed by the indication of possible issues of interest that might be examined in future.

Background

Tourism industry is perhaps the fastest growing industry in the world. In New Zealand, according to the Statistics New Zealand, in the year to June, New Zealand residents left on 1.92 million trips which an increase of 36,600 or 2 per cent on the previous year. Half the increase was in trips to Australia, with an increase of 10,000 or 12 per cent, and there were also more trips to Britain, the Cook Islands, Samoa and Canada.

The America's Cup yachting regatta in Valencia saw trips to Spain increase from 600 in June 2006 to 1200 in June this year. Cheaper airfares and increased competition between airlines flying to Pacific Islands resulted in more departures to a number of Pacific Island countries. Most of the increased in trips by New Zealand residents was for the purpose of visiting friends and relatives. There were also more trips for business, holiday and conference. Trips for education fell by 2 per cent compared with the same time in 2006 [Outbound Travel, 2007].

On the other hand, for the year ended June, 2.46 million visitors arrived in New Zealand which an increase of 80,200 or 3 per cent on the previous year. Visitors from Australia

were up 39,000 or 4 per cent; those from China were up 19,600 or 20 per cent. Visitor arrivals for June were up 5600 or 4 per cent, to 145,000 on the same month in 2006 [June Saw Record Numbers Taking Holidays Abroad, 2007]. These statistics indicate that both New Zealand inbound and outbound trips have increased compared with last year.

Although the New Zealand dollar continues to hit new highs recently, tourism is largely shielded from its effects. The report, by the Ministry of Tourism New Zealand, shows the exchange rate has little impact on tourist arrivals. A one percent increase in the value of the New Zealand dollar has a barely perceptible negative effect on visitor numbers-about 0.02 percent [Tourists Keeping Coming Despite Rising Dollar, 2007. P.1]. Inbound Tour Operators Council chief executive Paul said that for most people selecting a holiday destination was not a decision based on dollars. It is really that emotive reason. If the exchange rate goes up or down, it does not necessarily deter people. Paul also said that other export industries might lose sales because of a rising exchange rate, but tourism industry would still get visitors, even if their spending was reduced [Tourists Keeping Coming Despite Rising Dollar, 2007]. The report also found that income in the tourists' home countries was a more important long-term factor in tourism growth. A one per cent rise in world income boosted tourism numbers 1.7 per cent. Tourism Minister Damien O'Connor said that even with a high exchange rate, visitor numbers, particularly from Australia and Britain, were good. With a high exchange rate, the numbers of visitors will hold up very well, but the expenditure is clearly more sensitive.

The report found that spending per visitor dropped by 0.8 per cent for each 1 per cent rise in the New Zealand dollar's value [Tourists Keeping Coming Despite Rising Dollar, 2007].

On the other hand, "the exchange rate does have a significant effect on the number of New Zealander travelling overseas for holidays. Outbound holiday travel was boosted on average by 0.87 per cent in relation to a 1 percent rise in the New Zealand dollar's value" [Tourists Keep Coming Despite Rising Dollar, 2007. P.2].

Increasing competition within the airline industry in recent years necessitated the development and maintenance of sound marketing programs involving innovative and promotional fare structures [Collier, 2003.P.145]. Therefore, airline companies spend millions on building their reputation and brand recognition and, often a sizeable chunk of

their marketing dollar on building a relationship with their customers. There are many market researches have been conducted by airline companies over the last decade in order to determine what are the most important factors that influence customers on choosing a particular airline.

A recent research has found that the two most important determinants, amongst air travellers when choosing an airline, are price (62 per cent) and schedule at (54 per cent), rather than the Frequent Flyer Program (FFP) at 21% and brand loyalty at only 13 per cent [CRMTODAY, 2007.P.1].

These results indicated that price always is a determining factor in the majority of purchase decisions. “The research used the priority pass database and over 1,300 members were questioned. Priority pass is an independent airport VIP lounge program and members get access to over 500 VIP lounges in more than 90 countries and 275 cities world-wide, regardless of which airline they are flying or their class of travel. The vast majority of members are regular business travellers” [CRMTODAY, 2007. P.1]. For business travellers, priority check-in really has become a hot topic since the introduction of more stringent security measures at airports. One of the main concerns voiced by regular business travellers is the length of check-in queues and time.

Although FFP was only the fifth most important decider, they still carried significant weight in determining which carrier to use. The research showed that the most significant benefits of the FFP was the ability to use priority check-in, and closely followed by airport lounges [CRMTODAY, 2007].

In year 2004, there was a research conducted in USA. The topic of this research was what were the sources of information that influence customers’ decision in choosing the airline. The research surveyed three groups of US residents, Russian-Americans, Hungarian-Americans and representatives of the general American urban market in order to examine their behaviour trends pertaining to travel to Eastern and Central Europe (ECE) [Research and Markets, 2007. P1]. The research showed that American customers of Eastern and Central European origin most often use their native airlines to fly to ECE destinations. Delta is the most often used airline for flights to ECE (34 per cent), Aeroflot is not far behind (26 per cent), followed by other foreign carriers such as British Airways, Lufthansa, Austrian Airlines and Finnair. The research also asked if all airlines offered

convenient flights to ECE region at the same price, then 25 per cent named Delta, 22 per cent British Airways, 20 per cent American Airlines, and only 18 per cent Aeroflot [Research and Markets, 2007]. In fact, as many as 22 per cent customers stated that they would never choose Aeroflot, if all carriers offered the same services to ECE region. Therefore, this result clearly showed that those who fly with Aeroflot- did so because of the lack of choice, and not because they were satisfied with Aeroflot.

The most recent research of the country's preferred airline has been conducted by a market research company ACNielsen in New Zealand. The survey based on a sample of 4965 respondents. Of those, 3245 had taken domestic flights in the past 12 months and 3096 had flown overseas. This survey showed that Emirates is the country's most preferred airline for international travel. More than 3000 Herald readers gave scores out of 10 across a range of categories to determine the top international airline. These included value for money, check-in procedures, in-flight service, seat comfort and so on [Dye, 2007]. The results of the survey showed that "the Dubai-based airline (Emirates), which began operating from Auckland less than four years ago, was given the top rating for its service, including value for money, comfort, food and drink, and entertainment" [Dye, 2007. P.1]. The result does not distinguish between flights in economy and business, or trans-tasman and long-haul. The research also showed that the highest single score in any category was for Emirates' in-flight entertainment. Emirates does have 600 channels of entertainment. However, Emirates only slipped up in the convenience of flights category, where it came second to Singapore Airlines. "Emirates' four flights a day from New Zealand were all evening flights which might not suit businessmen travelling to Australia and back in a day" [Dye, 2007. P.1].

On the other hand, the country's national carrier Air New Zealand only came eighth out of 14 the airlines ranked. One person has written, "Air New Zealand's service is awful. They are clearly flying to make money and customer satisfaction is a low priority.

Another person said that, given the choice, she would never fly Air New Zealand, however, as a government employee, she has to fly it and does not welcome the experience" [Dye, 2007. P1]. It wasn't all bad for Air New Zealand, which scored highly in cleanliness, in-flight service and check-in procedures.

According to the results of the survey, Flight Center communications manager Melanie Pohl said that, it is surprising that Air New Zealand and Qantas rated so low in public perception as their seat pitches are often the same if not larger than other airlines who rated higher in the survey. She also said that, the low ratings for British Airways, Air Canada and Lufthansa may reflect the lack of experience Kiwis have with these airlines [Dye, 2007].

There is another recent research about airline satisfaction has conducted by CHOICE in Australia. To find out which airlines are cutting the mustard for domestic and international travel, the CHOICE invited subscribers to both CHOICE and CHOICE Online to take part in an online survey to share their opinions on the airlines they have flown with in the last three years. The CHOICE received nearly 4000 completed surveys. This research found that the Qantas was rated the least satisfactory airline for international travel and the second least satisfactory in the domestic market. The research also found that 'value for money' was a common reason for choosing both an international and a domestic airline. While 'good standard of service' was important internationally it was less of a consideration on domestic flights. As for booking, Internet bookings are very popular for domestic are travel-about 75 per cent of respondents used the net to book domestic tickets, against only 30 per cent for international flights [Airline Satisfaction, 2007].

In particular international air travel section, the research found that the most common reasons for choosing an international airline were good standard of service, frequent flyer points and value for money. The respondents were given the option to rate up to three international airlines they'd used within the previous three years. The study showed that although 38 per cent of respondents had flown recently with Qantas on an international flight, they rated it significantly lower than the average for overall satisfaction. Singapore Airlines and Emirates rated significantly higher than the average. The most common reason for choosing Singapore Airlines was the good standard of service. "We have found that the attitudes from check-in staff and cabin crew with Singapore Airlines leave Qantas way behind. They actually treat you as if you're a valued customer, especially when travelling with young children, and nothing is too much trouble", one of the respondents said [Airline Satisfaction, 2007. P.3].

The other international airlines with sufficient responses to be rated by the respondents were Air New Zealand, Malaysia Airlines, Thai Airways and Cathay Pacific. All of these airlines received satisfaction ratings around the average. The most common reason for choosing all four airlines was ‘value for money’ [Airline Satisfaction, 2007].

The results of this survey indicated that the quality of service is particularly important on long international flights. Value for money is important for both domestic and international travellers, but it is not everything.

There are also some researches have been done by some International Aviation Organizations (see Figure 1). For example, IATA has been researching business travellers’ opinions about air travel since 1989. This global survey is one of the most quoted sources of business travel information worldwide [Corporate Air Travel Survey, 2007. P.2].

In September 2006, 2,665 respondents were interviewed. 438 respondents have been selected from Americas, 1433 respondents from Europe, and 247 respondents from Africa-Middle East and 547 respondents from Asia-Pacific. The results showed that the most important factor determine airline choice for business travelers is the frequent flyer/mileage program, especially for long-haul trips. Airline route network is the second important factor. The least important factor for business travelers was friends and relatives’ recommendation, while they choose airlines [Corporate Air Travel Survey, 2007].

Overall, the literature review indicated that due to the continued increasing tourist numbers, travel agents and the airline industry would be affected directly. Many airline companies have been conducted a number of researches in order to find out the most important factor that have influenced people on choosing airlines. The research results clearly showed that price is not the only factor, especially for business travelers. If the price is reasonable, other factors such as standard of in-flight service, entertainment, airline network and so on are also can highly influence people. These factors are becoming the new trends of passengers’ preferences of selecting a carrier. The research results also clearly showed that the most satisfactory airlines such as Emirates and Singapore Airlines were both depend on their good standard services and in-flight

entertainment rather than their airfares. Therefore, while selecting a particular airline, air travellers have concerned much more than prices.

It appears from the above discussion that previous studies focused on analyzing the determinants either from the viewpoint of regions or a particular airline where the issues of seeing the determinants from different interested group within the industry of a country has been ignored. Further, analysis of determinants from different stakeholders' perspective has been ignored. This issue is important because the cultural diversity and the nature of demand of travelers have been changing rapidly due the technological innovation and environmental changes. This paper attempts to fill the gap.

Methodology

This study has used data from both primary and secondary sources. For primary data, a sample of 45 people was selected in this study. Forty five respondents were divided equally into three categories: the frequent travellers, people who are working at travel agency, and the common people in the community. The questionnaire consists of ten questions. The first three questions in the questionnaire were aiming to gather the basic background information of the respondents. Questions such as respondents' genders, age groups and nationalities were asked in that section. The following two questions were aiming to identify how many times that the respondent travelled by air in the past 12 months, and what were their main purposes of travel. The rest of the questions were aiming to gather the factors that have influenced each respondent on selecting the airlines. Therefore, questions such as which airline/airlines have you travelled with most recently, why did you choose this particular airline, and which airline do you most want to travel with, have been asked in this section.

This study defines the traveller as a person who travels by air, and it doesn't differentiate between a tourist and a flight passenger. This is because, in many cases, a traveller might spend his/her time (resource) for tour as well as for business purposes.

Findings and analysis

In order to present the data collected from the survey clearly and logically, this paper illustrates the results in two different approaches. The first approach is to explain the results by dividing the sample of 45 respondents into three categories, which included the

frequent travelers, people who working in travel agency and the common people in local community. The second approach is to explain the results by dividing the respondents into three different ethnic groups, which included Asian group, Pacific Islands group and the New Zealand domestic Kiwi group. The paper explains the results of each category in both approaches.

For the first approach, it consists of three categories with each category of 15 respondents (see table 1). The first category is the 15 respondents who are the frequent travellers. These 15 respondents have been travelled by air at least two times in the past 12 months. The results showed that the most important factor that influenced respondents on choosing an airline is the standard of products and services (8 responses out of 15, or 53 per cent). Price is the second important factor (7 responses out of 15, or 46 per cent). Flight schedules comes the third place (3 responses out of 15, or 20 per cent). The results of national pride and family members and friends' recommendations were the same (1 responses out of 15, or 6 per cent). There were no responses of own perceptions factor. The results indicated that the most important factors for the frequent travellers are standard of products and services, price and the flight schedules, while they select an airline.

The second category is 15 respondents who are working in travel agency. The results show that the most important factor that influenced them is the standard of products and services (8 responses out of 15, or 53 per cent), followed by flight schedules (7 responses out of 15, or 46 per cent), and the price (4 responses out of 15, or 26 per cent). The factors such as national pride and family members and friends' recommendations were the same with frequent travellers.

The results indicated that for people who are working in travel agency, while they selecting airlines, the most important factor is standard of products and services, and the second important factor is flight schedules rather than price compared with the frequent travellers.

The third category is 15 respondents who are the common people in the local community. The age groups of these 15 respondents were varying from 20 or less to 61 or more. Some of them have not travelled by air in the past 12 months. However, the results showed that the most important factor that influenced them is the price (9 responses out

of 15, or 60 per cent). The second important factor is the national pride (5 responses out of 15, or 33 per cent). Flight schedules and standard of products and services were both the same (4 responses out of 15, or 26 per cent). There is only 1 response out of 15 (6 per cent) about the family members and friends' recommendations. Again, there are no responses on the factor of own perceptions. The results indicated that the most important factor for these 15 respondents is the price, and the second important factor is national pride, which is different from frequent travelers and people who are working in travel agency.

Overall, the results clearly indicate that standard of products and services are the most important factor for both frequent travelers and people who are working in travel agency. Frequent travelers are more concerned about the price while travel agency staff is more concerned about flight schedules. People in the local community are slightly different from those frequent travelers and people who are working in travel agency. Price is the most important factor for them, and they have been more concerned about national pride while selecting airlines. The factor of own perceptions has no impact on the respondents, while they are choosing airlines.

For the second approach, it consists of three ethnic groups, with each group included 15 respondents (see Figure 2). The first ethnic group is 15 respondents from Asian countries. These 15 respondents are from different countries such as China, India, Thailand and Vietnam. The results indicated that the most important factor that has influenced Asian people is the price (7 responses out of 15, or 46 per cent).

The second important factor is flight schedules (6 responses out of 15, or 40 per cent). Standard of products and services come the third place (4 responses out of 15, or 26 per cent). The factor of national pride comes the fourth (2 responses out of 15, or 13 per cent). These results indicated that for Asian people, price and the flight schedules are the most important factors that have influenced them on choosing airlines. Factors such as own perceptions and family members and friends' recommendations have no impacts for Asian people while selecting airlines.

The second ethnic group is 15 respondents from Pacific Island countries. These 15 respondents are from different Pacific Island countries such as Tonga, Fiji, Niue, Cook Islands and Samoa. The results showed that price is the most important factor for Pacific

people when they are selecting airlines (8 responses out of 15, or 53 per cent). Standard of products and services is the second important factor (7 responses out of 15, or 46 per cent). Family members and friends' recommendation is the third important factor (3 responses out of 15, or 20 per cent), followed by flight schedules and national pride. The results showed that for Pacific people, while they have concerned about price and standard of products and services, they have also concerned about their family members and friends' recommendations when choosing airlines.

The third ethnic group is the New Zealand domestic Kiwi people. 15 New Zealanders have been asked to fill out the survey. The results indicated that the most important factor for New Zealander is the standard of products and services (9 responses out of 15, or 60 per cent). Flight schedules are the second important factor (6 responses out of 15, or 40 per cent). Price is the third factor (4 responses out of 15, or 26 per cent). The results showed that for New Zealanders, while they are choosing airlines, are concerned standard of products and services as most important factor, followed by flight schedules and price. A number of people have also concerned about national pride. There is no response on family members and friends' recommendations for New Zealanders.

Overall, the results clearly indicate that Asian people and Pacific people are more concerned about price when they choosing airlines, but New Zealanders are more concerned about standard of products and services. The Pacific people also highly influenced by their family members and friends when choosing airlines. The factor of own perceptions again has no impact on these three ethnic groups of respondents.

In addition, the results also indicated an interesting point that is worthwhile to point out, which is the increasing preference of Asian people, especially the Chinese people about the selection of Air New Zealand. A number of Chinese respondents said that they would choose Air New Zealand because of its new flight networks from Auckland to Shanghai, and Auckland to Hong Kong. Other ethnic groups are more preferred with Emirates and Singapore Airlines because of the good standard of their on-board services and entertainment programs.

Conclusion

Overall, since the increasing trend of tourist numbers all over the world, and also the advances in aviation technology over the past 20 years, more and more people have been

encouraged to travel by air for their trips. However, due to a series of external events, the airline industry has been suffered at the beginning of the 21st century. Many airlines had become a crisis by year 2001. Therefore, airline companies spend millions on building their reputation and brand recognition, and often a sizeable chunk of their marketing dollar on building a relationship with their customers in order to overcome the negative impacts that resulted from the crisis. At the same time, airline companies also spend millions on doing researches about the customers' preferences of selecting airlines in order to find out which area the airline should improved to attracting more customers.

The research results clearly indicated that the most important factors were the standard of products and services, the price, and the flight schedules. Therefore, according to the results, airline companies have to focus on their products, services, airfares and networks in order to operating the business successfully and beat the competitions in the long-term.

Recommendation

According to the results of the survey, the factors such as standard of products and services, airfares and flight schedules of the airline determined customers' choices about select airlines. Therefore, as airline operators, they have to pay great attentions on these areas. There are some major strategies that airline operators should to consider with in order improving these factors.

Firstly, the airline should constantly improve every aspect of the products and services offered. For example, on long haul flights, airlines can try to differentiate their products from other competitors, such as in 1996, British Airways introduced seats that converted into fully flat beds in first class. However, on the short haul routes, airlines should seen improvements of flight frequency, check-in producers, seating density and in-flight catering as competitive tools. Airlines also have to ensure that airlines and everyone working within them and for them are customer focused. This means not only being aware, but also making sure that customers' expectations are met in a way, which encourages them to become loyal, repeat customers.

Secondly, cost reduction is a long-term necessity for airlines. The key areas of cost containment are labour, sales, ticketing and maintenance. Cost reduction must be seen as a continuous and long-term prerequisite for financial survival because customers are

highly concerned about the airfares when choosing airlines. Airlines need to reduce their costs in order to offer competitive airfares.

Finally, for airlines, large size and network spread offer strong competitive advantages. A good example that the research results have showed was Air New Zealand has flown the new networks to Shanghai and Hong Kong, which really benefited the company. These new routes have attracted more and more Chinese people to fly with Air New Zealand. Therefore, airlines need to focus on their flight schedules and networks in order to attract more customers.

Indication of future research

After the survey held for research purpose on factors that have influenced people on choosing airlines, the results indicated some possible issues of interest that might be researched in the future. The future possible research topic could focus on a particular airline such as Air New Zealand, or Emirates to find out what areas that customers satisfied with the airline, and what areas that customers do not satisfied thus the airline needs to improve them. The future possible also could focus on a particular area such as standard of products and services, or airline routes to find out which airline is doing well on it, and which airline is not doing so well thus needs to be improved.

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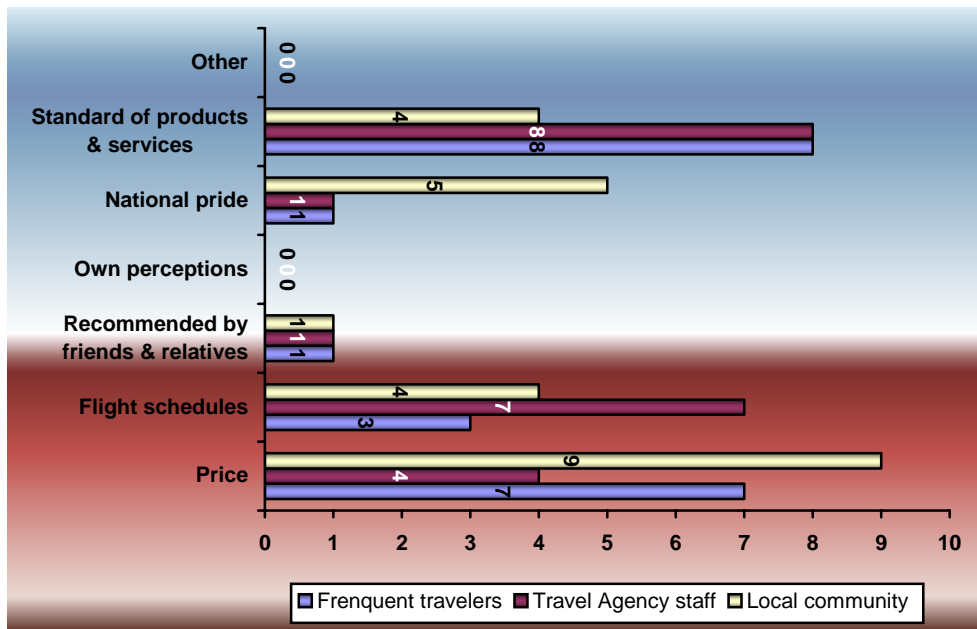
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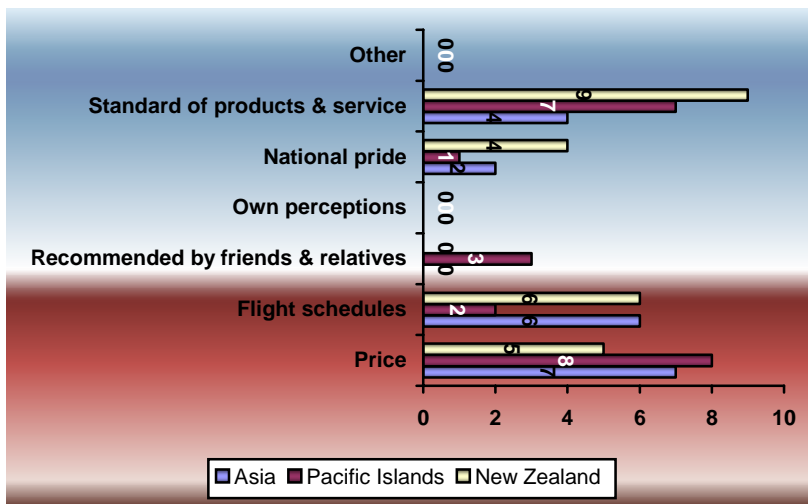
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Figure 1: Distribution of Responses according to First Approach: Frequent Travelers, Travel Agency Staff and Local Community People.



Source: Field Survey

Figure 2: Distribution of Responses according to Second Approach: Different Ethnic Group- The Asian, Pacific Islanders and New Zealand Kiwi



Source: Field Survey