

DESIGNING PATTERN FOR SUITABLE FARE RATES OF LOW-COST AIRLINES

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ABSTRACT

At the turn of this century, humans have to travel for various purposes such as for business reason, visiting their relatives or visiting tourist attractions etc. Nevertheless, humans still have limited travel options – by land, by boat and by air. Since travel has evolved with new technology and the economic are continuously recessive, aviation businesses become more competitive as it has to adapt to the economic conditions. Aviation businesses decide to lower their fare rates and categorize passenger seats into three classes - first class, business class, and economy class to provide more travel options. Due to the economic slowdown, while humans have more travel options, they prefer to choose a friendly-budget option instead of the exceptional service one. Accordingly, low-cost airlines have arisen and became an affordable option of traveling. However, low-cost airlines must persist on safety first and provide a smooth and convenient service. In addition, the average flight time of low-cost airlines should be approximately 3-4 hours in according with affordable fare rate especially for loyal and regular passengers.

Low-cost airlines, therefore, are established to support passenger's needs. With agreed and accepted services, passengers would prefer to choose low-cost airlines. For this reason, low-cost airlines have increasingly grown. Thus, some airlines have to adjust themselves to support passengers' needs. For example, Nok air and Nok Scoot which are subsidiary companies of Thai Airways.

Moreover, the existing low-cost airlines, for instance, Thai Air Asia and Thai Lion Air, are now hastening to add new aircrafts to expand their services. Some of them offer a special promotion and inexpensive fare rates to attract more passengers and to dominate the aviation market. Low-cost airline business, then, becomes even more competitive. The researcher, nonetheless, considers that even if the airlines lower their fare rates, the fare rates are still not suitable for the services that passengers receive and this is the main reason for this research.

Keywords Low Cost Airlines, Fare Rate, Reasonable Price

INTRODUCTION

Since the researcher is in a field of aviation for a long time, therefore, the researcher found that the fare rates of the current low-cost airlines are not worthwhile and suitable for the service. Moreover, some airlines take advantage of passengers who have limited travel option by disregarding passengers' benefits. This situation prevents passengers from paying fare rates which are suitable for the service.

In the aviation business, lowering fare rates and offering suitable fare rates would attract more passengers and reduce 5-10 percent of empty seats on flights. As each airline has its own fixed cost, it is better to have full passengers on board in order to raise airlines' profit. In

addition, offering suitable fare rates would be in compliance with the business's good governance.

In terms of passengers' benefit, they would acquire lower fare rates or the same fare rates with more suitable services. For those passengers who do not acquire a suitable service, they should obtain a reduction of fare rates in return. This would attract more passengers to use the airlines' services again and bring more indirect revenue to the airlines.

The main factors in the research are as follows;

1. Flight Delay
2. Carry-on luggage and checked luggage
3. Passenger Seat
4. Damaged Luggage

The minor factors in the research are as follows;

1. In-flight Amenities
2. Entertainment Devices
3. Aircraft Parking

The researcher views that both main and minor factors are equally important for the average needs of passengers. The aviation business should consider those major and minor factors in the research even if they might slightly lose their revenue at first. Consequently, the airlines would have more passengers and create a suitable fare rate for passengers in a long term.

Research Objectives

1. To study low-cost airlines' fare rates categorized by factors and rules from the past to the present.
2. To study suitable fare rates of low-cost airlines.
3. To create mathematical formats illustrating suitable fare rates of low-cost airlines.

LITERATURE REVIEW

Needs or Satisfaction of Need by Maslow Principle: A motivational theory in psychology comprising a five-tier model of human needs.

1. Physiological needs: these are biological requirements for human survival e.g. shelter, food, clothing, medicine.
2. Safety needs: insurance for human safety e.g. wealth and accommodation.

3. Love and belongingness needs: the third level involves feelings of belongingness, receiving and giving love.

4. Esteem Needs: the need for social respect or reputation.

5. Self-actualization needs: this level is achieving one's full potential including creative activities e.g. collecting items, cars, houses or stamps.

Manish Saini, a scholar, describes that human needs are not always in hierarchical levels and human needs depend on personal requirement.

Rudy Singh Motivation Class XII: attractiveness of satisfactory encourages human to make stability and environment based on his own need.

Satisfaction theory is fundamental need or satisfactory based on Maslow's principle which stimulates human. This is because each human has his own personal requirement and human agrees to finance for his satisfactory.

Demand and supply or cost of production theory is a theory that explains that the first initiator in the market rather gets the best price. When there is an imitation or a competitor, the price will be lower until it meets an equilibrium price. It is normally considered that the price would get higher when there is less producer in the marketing cycle.

Sam Seiden, a scholar, explains that supply and demand is an indicator accepted by the market at the particular age and time.

Brondon Wondell, a scholar, describes that finding high-quality turning points is one of the market mechanisms which create human satisfactory.

METHODOLOGY

The research methodology used in the study. (Describe research methodology, a population of the study, a sample of population, a method of data collection and a method of data analysis)

- **Research Methodology** : The researcher conducted both quantitative and qualitative research (Mixed Research Method) to study ‘Designing Pattern for Suitable Fare Rates of Low-cost Airlines’. The detailed information is as follows;

- **Population of the study**

- **Quantitative Research**: the target for this research defined to include more than 100,000 passengers from all low-cost airlines within 6 months. The sample of population, therefore, is 400 passengers from an accessible population and 20 low-cost airlines’ staffs who are responsible for designing fare rates. The total sample of population is 420 people. The sample of population, however, might lead to 5% of deviation. (Sirawit Kulrojanapat 2008 (2551): page 161)

- **Qualitative research**: a population of the study is 20 executives/supervisors from all low-cost airlines.

- **Sample of population**: Passengers who often use low-cost airlines from 1-3 times per month to at least once per month.

- **Method of data collection**: the researcher chose both qualitative and quantitative method to collect data.

- **Quantitative research** : collected data from 20 passengers/day for 20 days within 6 months.

- **Qualitative research** : conducted an in-depth interview with the airlines’ supervisors from all low-cost airlines.

- **Method of data analysis**

Quantitative research : data collected from the field were analyzed by calculating into statistics, average, standard deviation, mathematical format, and multiple linear regression

- **Qualitative research** : content analysis.

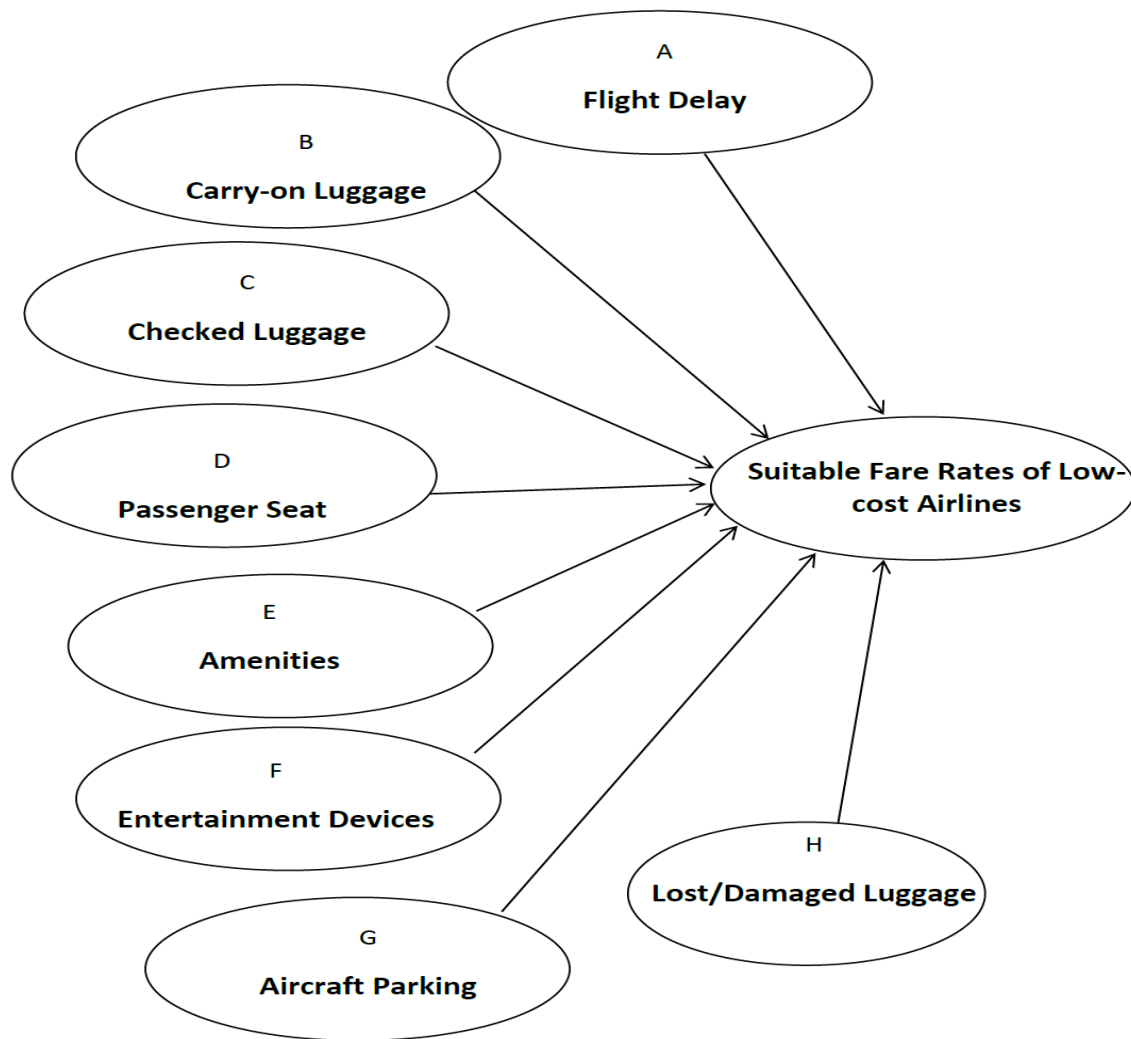


Figure 1 Conceptual Framework

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