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Consumers' Behavioral Intentions towards low-cost airlines: the case of consumers in Greece

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Abstract:

Low Cost Carriers (LCCs) are currently experiencing significant growth by developing a highly competitive business model based on low cost resulting from the use of secondary airports and standardized fleets, as well as the provision of relatively shorter routes. The most important reason for the consumers to choose these companies is the low price of the tickets, without overlooking factors such as the quality of service, the availability of itineraries to the desired destinations and the range of the network served. These factors shape the perceived quality and satisfaction of the consumers, who adopt attitudes toward LCCs that are translated into behavioral intentions and actual purchasing behaviors, as the Theory of Planned Behavior (TPB) suggests. The aim of this paper is to investigate consumer intentions in Greece towards LCCs based on the TPB, while taking into account the reasons for selecting these companies and the factors shaping consumer satisfaction. The survey involved 154 consumers in Greece who were asked to fill out a specially designed questionnaire of 37 objective questions. According to the research results, the main reason for choosing LCCs was the low cost of tickets, but the availability of airline connections to the desired destinations and the perceived quality were also important reasons.

Keywords: Low Cost Carriers (LCCs); airlines; travelers; business models; behavioral intention

Introduction

During the last decades, low-cost airlines (Low-Cost Carriers - LCCs), experience a big development, based on a unique business model that relies on cost advantages and the provision of lower-range air transport services and lower pricing (Schlumberger & Weisskopf, 2014) and is directly related to passenger's satisfaction (Saha, 2009). In contrast with full-service companies, these companies charge a low price for the tickets on offer, make use of secondary airports, use a standardized aircraft fleet and serve shorter distances, thus having access to important competitive advantages (Olischer & Dörrenbächer, 2013). LCCs are currently experiencing a big development both universally and in the European area, a space for which it is estimated that more than 500,000 airlines were offered to low-cost companies in 2018, displaying an increase of 7.4% from the past year and of 124% since 2009 and now exceeding the capacity of half a million seats (Akguc et al, 2018). An equivalent development is recorded in the case of Greece (Aerostat, 2018).

In this context, consumer behavior towards low-cost airlines has become an issue of particular research interest during recent years. Numerous studies have reviewed various manifestations of consumer behavior in this market, such as the reasons for selecting LCCs over FSCs (O'Connell & Williams, 2005), the perceived quality (Chiou & Chen, 2010), the motivations for their use in the context of travel (Atalik & Ozel, 2007), the purchasing intentions, and decisions (Castillo-Manzano & Marchena-Gómez, 2010), customer loyalty (Mikulić & Prebežac, 2011), and satisfaction (Harun et al, 2018). Moreover, a theoretical background that has been utilized for the investigation of consumer behavior towards LCCs is that of the Theory of Planned Behavior (TPB), according to which consumers' attitudes towards these companies, which are also influenced by social factors, lead to the adoption of positive behavioral intentions, which subsequently are translated into actual buying behaviors (Buaphiban & Truong, 2018).

This article aims to investigate the behavior of consumers in Greece towards low-cost airlines, taking into account their demographic profile and the factors that form their attitudes, intentions and buying behaviors. In this context, the study examines the power of TPB in the LCCs market, as well as the degree of customer satisfaction with their service and transportation by these companies.

2. Literature review

2.1. Types of companies and business models

Regarding the definition of these companies, there is not a widely accepted definition yet, however, most of them concentrate on the low-cost element, as a point of differentiation from full-service companies (Holloway, 2008). For example, according to Alderighi et al. (2012), an LCC company is defined as an aircraft carrier that differentiates in the market through the low prices of its air tickets. Of course, these companies, in addition to the low cost, hold various additional characteristics, on the basis of which they can be classified. Among the various classifications that have been proposed in the relevant bibliography, one of the most popular is that of Schlumberger & Weisskopf (2014), under whom LCC companies are divided into three wider categories on the basis of the applied business model:

- (1) the "Purist" model, which is represented by Ryanair and is based on a structure of the least possible cost through the use of a single aircraft, the abolition of all the free services through the flight, the use of secondary airports, the direct sales, the electronic tickets, the short-haul flights from point to point in dense markets without interconnection or intermediate transport, the simple network structure, the absence of long-haul flights, the single cabin layout, and the optimization in the usage of the fleet. Other companies that implement this model with some modifications include EasyJet, Spirit Airlines, AirAsia, VivaAerobus (Mexico) and Peach Aviation (Japan).
- (2) the Southwest model, which is a low cost, however, not as strict as the previous. In this case, the companies offer some additional services during the flight (e.g. water, soft drinks), do not charge extra for the luggage, have a more comfortable cabin layout and do connecting flights. Airlines that have adopted this model include Air Arabia, Vueling, Nokair, Spicejet and Gol Airlines.
- (3) The JetBlue model, which significantly differs from the "Purist" model, since it is based on the provision of several additional services and the use of differentiated fleets and networks which include main airports. This model also uses nodes for the provision of indirect connections and more complex fare structures. Among the companies that follow are Virgin Australia, Jazeera, WestJet and Jetstar.

The business model adopted by LCC airlines is based, as might be expected, on the low cost, having some unique features. The most important of these are the following:

(1) basic air transport services offer and an additional charge for the complementary (e.g. luggage transportation, catering services during the flight), (2) short-distance and point-to-point routes instead of connecting flight model (hub-and-spoke) of full-service companies, (3) mainly use of secondary airports that have lower fees, (4) higher utilization of aircraft with shorter stand-by and return times, (5) homogeneity of the fleet aiming at reducing maintenance costs, increasing flexibility on flights as well as the ability to transport crew to similar aircraft models, (6) in terms of consumption, usage of modern and efficient fleet fuel aiming to reduce the related costs of transportation, maintenance, and compliance with safety-related legislation, (7) high-density cabin layout, by using only a single class to maximize aircraft capacity, (8) direct ticket selling via the internet without intermediaries (e.g. travel agencies), (9) optimal staff utilization through a higher ratio of passengers per employee, and (10) lower salary costs for staff (Alamdari & Fagan, 2005; Campisi et al., 2010; Olischer & Dörrenbächer, 2013; Schlumberger & Weisskopf, 2014). As for the prices, which are an essential feature of the business model of these companies, as found in a recent survey of 20 companies operating at 192 airports worldwide, LCCs offer, on average, 33% lower prices compared to FSCs, a rate that can even exceed 50%, particularly given that their customers usually buy tickets a long time before the flight (Akguc et al., 2018).

The above list of key features of the business model that is followed by low-cost airlines varies from company to company. Apart from this, considerable deviations from this model have occurred over time, as markets mature and, consequently, the corresponding business practices are adjusted accordingly. For example, while most LCC companies mostly used secondary or regional airports in previous years, now more and more have also a presence at major airports around the world (Dobruszkes et al., 2017).

At the same time, more and more hybrid models are emerging, and full-service companies are adopting specific features of low-cost companies, such as a charge for luggage or flight services. (Schlumberger & Weisskopf, 2014). Particularly in the US but also in Europe, various LCC companies are modernizing or modifying their business models as the market matures and competition is intensifying, while at the same time fuel prices rise, environmental legislation toughens and, in the aviation market, new powerful alliances and cooperation networks are being

created (Akguc et al., 2018). Therefore, several LCC companies are now implementing a hybrid business model, the focus of which shifts to new opportunities in the higher-performance market.

Additionally, there has been a convergence in costs between LCC and FSC over the past few years, showing that, for low-cost companies, this competitive advantage is likely to be lost in the next period. Of course, it should be noted that this convergence is higher in markets outside Europe (Asia, USA), since in Europe the presence of some extremely low-cost companies, with Ryanair being the most characteristic example, makes price competition particularly acute for the entire aviation industry (Soyk et al, 2017).

In any case and since the competitiveness and long-term viability of these companies rely on low cost, this advantage is not always easy to maintain. (KPMG, 2013). It has been surely argued that further reduction of the cost gap between them and full-service airlines is a particularly difficult task and, therefore, they should now develop more effective marketing strategies to attract more consumers so that they become viable. (Budd et al, 2014).

2.2. Theory of Planned Behavior (TPB) and consumer variables in the case of airlines

This study examines consumers' intentions towards low-cost airlines based on the Theory of Planned Behavior (TPB), which is a powerful and broadly accepted theoretical model in marketing and specifically in research concerning the understanding of consumer attitudes and decisions.

TPB is a behavioral theory developed by Ajzen (1991) that interprets the behavioral intentions of people as a result of their attitudes based on various sociological and anthropological approaches, essentially explaining the human action. According to this theory, the attitudes of people form their behavioral intentions, which, in turn, are translated into actual behaviors (Ajzen, 2005). Consequently, the basis of TPB is the interaction between these three entities.

The Theory of Planned Behavior is a descriptive model for interpreting consumer buying behavior, which provides a strong base for the investigation of the relationships that develop between attitudes, intentions and actual behaviors. Still, it is not sufficient to use exclusively descriptive models for a deeper understanding of the more specific factors that influence consumer behavior in various situations and specialized markets, such as that of airlines (Buaphiban & Truong, 2017). Therefore, the relevant research should take into account the specific context in which the

purchasing decisions are taken, through the expansion of the theoretical framework of TPB, with the addition of extra specific variables that apply to any situation (Ajzen, 2005).

In this light, there is a reference below to the most significant factors that influence consumer behavior in the airline market, which also constitute the criteria for their satisfaction, as they compose as a whole the perceived quality of airline services (Huang, 2009).

Price is a key criterion for buying behavior in the airline market, a finding of particular importance to this research since the LCCs business model is essentially based on the low cost of tickets. In a theoretical economic study, Jou et al. (2008) showed that price constitutes one of the most significant determinants of choosing an airline, a conclusion that has been confirmed by relevant empirical researches. Dolnicar et al. (2011) found that, in the air transport market, the cost of tickets is the second strongest predictive variable of purchasing intentions after the perceived quality, in fact, price becomes an interpretive factor of the customer loyalty.

The perceived quality of air services is also an important determinant of consumer behavior and a criterion of satisfaction or dissatisfaction. Of course, it should be noted that quality in air transport services is a multidimensional entity that involves variables such as the on-time departures and arrivals, ground services (check-in, luggage handling, boarding and disembarking) and services during the flight (food and drink, comfort of seats, staff behavior) (Jou et al., 2008).

For example, in Huang's (2009) research, responsiveness, in the sense of effective service regarding the coverage of passenger requests before and during the flight, was brought out to be a major factor of perceived quality, while compliance with the schedules as regards boarding, disembarking and flight duration, was found to be an equally important variable in air services, concerning flight services (menu, comfort, friendly behavior of cabin staff).

Safety, which is an objective measure that reflects the number of accidents in an airline at a given time, is also a dominant factor in the formation of consumer attitudes toward airlines (Barros et al., 2010).

At the same time, safety is directly linked to the reputation of an airline, especially in countries with more stringent regulatory frameworks (Graham & Bansal, 2007). However, the issue of safety has not been examined in a sufficient number of studies conducted on consumer behavioral

intentions in this market, while there are indications that objective and perceived safety by the passengers do not always coincide. For example, it was found in a study by Oyewole et al. (2007), that consumers often rate specific airlines as less secure than they actually are according to their respective historical performance.

Airline connections availability and itineraries are also key factors in the satisfaction and selection of airlines. As Hess & Polak (2006) explain, the selection of an airline to make a trip is a two-stage problem, where, in the first stage the consumer first chooses the route he wants to take (departure and destination airport) and, in the second stage, he chooses the airline that is more satisfying to his needs and expectations based on the available itineraries on that route.

The reputation of an airline, as it is perceived by consumers based on various criteria (e.g. general operation, size and years of operation, accident record, financial performance, network range, number of customers served), influences the corresponding attitudes and buying intentions to a significant degree (Graham & Bansal, 2007).

In fact, the higher the perceived reputation of a company, the higher the willingness to pay an additional amount to purchase a ticket (Graham & Bansal, 2007). In another study by Dolnicar et al (2011), it was found that the reputation of an airline, as perceived by the consumer on the basis of his social reference framework (e.g. family, friends, colleagues) constitutes a dominant predictive factor of customer loyalty and repeatability in purchasing tickets from the same airline.

In addition to the above, some other factors affect consumer behavioral intentions in the commercial airline market. One of these is the loyalty programs for frequent passengers, which offer various benefits such as free tickets, seat upgrade and free access to the airport lounges (Carlsson & Lofgren, 2006). These programs are often a factor in choosing an airline while they have been associated with increased customer loyalty, given the cost of switching to a competitive provider. (Dolnicar et al, 2011). It should be noted, as might be expected, that low-cost airlines do not usually offer such programs, which may involve higher costs and are not aligned with their business model (Vidovic et al, 2013).

In a study by Vlachos & Lin (2014), it was found that the business-class customer loyalty depends, apart from the corporate reputation and service during the flight, on the type of the aircraft used

by the airline, while a study by Wang et al. (2011) revealed that the interior decoration of the aircraft impacts on the perceived quality of the passengers significantly.

Harun et al. (2018) found, in a sample of 270 customers using low-cost airlines, that their satisfaction depends on three key variables, the staff behavior (ground and cabin), the comfort inside the aircraft and the amenities offered during the flight, while Ariffin et al. (2010) highlighted service and physical features as important factors of satisfaction (response to passenger requests, seat comfort, communication in unusual situations during the flight, courtesy and staff appearance, professionalism in luggage handling, and flexibility when buying tickets. Finally, Tanomsin & Chen (2018) found that the satisfaction of the passengers of LCCs depends on the responsiveness of the latter to their requests, the assurance of their safe transport through time scheduling, the staff empathy, and the ticket costs, with the most satisfied customers expressing higher levels of loyalty

3. Methodology

The research tool is a questionnaire consisting of 37 objective questions, which are divided into four sub-categories.

The first section contains 7 questions concerning the demographic characteristics of the consumers (gender, age, education level, occupation, monthly income, marital status, preference for airline type).

The second section includes 4 questions about specific manifestations of consumer behavior regarding air travel with low-cost airlines (travel frequency, travel reasons, airline selection reasons, destinations).

The third section consists of 15 objective sentences, in which the respondents are asked to state their degree of agreement on a 5-point Likert scale (1 = I completely agree, 2 = I agree, 3 = I do not agree or disagree, 4 = I disagree, 5 = I completely disagree. These 15 objectives refer to consumer attitudes towards the low-cost airlines (e.g. "I have good opinion for low-cost airlines"), to social norms (e.g. "I fly with low-cost airlines because my friends-family suggest it to me"), to the perceived behavioral control (e.g. "I do not encounter difficulties when buying tickets from low-cost airlines", to buying intention (e.g. "My intention to buy tickets from low-cost airlines is high"), and to buying behavior (e.g. "I am a frequent passenger of low-cost airlines").

The fourth and final section of the questionnaire consists of 11 objectives, based on which consumer satisfaction with low-cost airlines is evaluated on a 5-point Likert scale (1 = not at all, 2 = a little, 3 = moderate, 4 = very, 5 = extremely).

The questionnaire was sent to the survey participants via e-mail and was returned completed in the same way (online research). The sampling method followed is that of convenience or availability, according to which each member of a population has the same probability of participating in the sample of a relevant study. The sample consists of 154 consumers in Greece, with the main exclusion criterion, consumers who have never traveled with low-cost airlines.

For the statistical processing of the data collected with the questionnaire, the study used the statistical package SPSS 20.0, and exploited the methods of descriptive and inductive statistics and more specifically, the mean, the standard deviation, frequency distribution tables, the t-test for independent samples, the One-Way ANOVA test, Pearson's correlation coefficient r and the regression analysis with the OLS method. For all the cases of statistical tests, $p = 0.05$ is used minimum significance level.

4. Results

Switching to the results regarding the questions about the perceptions of the behavioral intentions of the respondents towards the low-cost airlines, the method of Factor Analysis is used to group the corresponding data. As observed, 5 factors arise that represent 82.82% of the overall explained variation and which are the following:

1. Loyalty to low-cost airlines (Cronbach's Alpha: 0,862)
2. Air services personalization level (Cronbach's Alpha: 0,888)
3. Positive intentions towards low-cost airlines (Cronbach's Alpha: 0,796)
4. Environmental influence on using low-cost airlines (Cronbach's Alpha: 0,731)
5. Positive perception of low cost airlines (Cronbach's Alpha: 0,816)

Regarding the presented loyalty level of the respondents to the low-cost airlines, with the average score of the corresponding factor being 3.25, it is observed to be of a moderate level (T.A.=0,96).

It turns out that, while the majority of the respondents are frequent customers of low-cost airlines and these are often, and to a fairly large extent, their first selection, they will not continue buying tickets from low-cost airlines in the future at a high degree.

Regarding the level of personalization of the air services presented by the respondents, it turns out to be quite high (M.O.=3,47, T.A.=0,84), as most of them answer that it is up to them to choose the types of tickets they want to buy. The degree of the agreement of the participants in the survey concerning their feeling that the choice of an airline to travel is under their complete control is slightly lower.

Subsequently, it is presented that the degree of the respondents' positive intentions towards low-cost airlines is relatively high (M.O.=3,44, T.A.=0,68). The degree to which the participants in the research encounter difficulties in buying tickets from low-cost airlines is low, while the intention of the respondents to buy tickets from low-cost airlines is relatively enlarged, with the latter considering these companies as a good alternative to a moderate degree.

The degree to which the respondents' friendly environment travels with low-cost airlines is high, while the degree to which the research participants feel more confident with the services of a low-cost airline because they are used by their friends and family environment is lower. The extent to which the respondents use these companies because their friends and relatives suggest it is average and the overall impact of the environment of the sample on using low-cost airlines is relatively high (M.O.=3,34, T.A.=0,64).

Concluding the citation of the results on the behavioral perceptions of the respondents towards the low-cost airlines, and with regard to the level of their positive perceptions, this is judged to be mediocre (M.O.=2,42, T.A.=0,94). The overall view of the participants in the research for low-cost airlines is generally mediocre, while the degree to which they have good opinions for low-cost airlines is relatively low

Subsequently, it is observed through the corresponding Factor Analysis that 2 dimensions of the satisfaction of the respondents by the low-cost airlines arise, which clarify the 77.19% of the variation, and these are:

1. Satisfaction with primary services (Cronbach's Alpha: 0,904)

2. Satisfaction with secondary services (Cronbach's Alpha: 0,853)

Regarding the degree of satisfaction of the individuals in the sample with the primary services of low-cost airlines, it turns out that this is quite high (M.O.=3,60, T.A.=0,72). As a matter of fact, the respondents are extremely satisfied with the price of the tickets and their purchasing procedures and very satisfied with the frequency of the itineraries. The level of satisfaction of the sample with the ratio between price and quality and with the safety of the services of low-cost airlines is slightly lower, while the satisfaction with the quality of the overall services provided is moderate.

At the same time, the level of satisfaction of the respondents with the secondary services offered by low-cost airlines is proportional (M.O.=3,61, T.A.=0,78). The participants in the survey are very satisfied with the air connections offered (domestic and international) as well as the service they receive outside and inside the aircraft, with the satisfaction of the complementary services being lower.

As shown by the correlation of factors concerning behavioral perceptions of the respondents towards low-cost airlines, the corresponding coefficients are generally positive and statistically significant ($p < 0.001$ in each case). Therefore, the level of loyalty, positive intentions, and perception towards low-cost airlines, but also the level of personalization of air services and the impact of the environment on the use of low-cost air services are linearly correlated with each other, presenting a two-way relation of the average rates of the study factors.

		Low cost airline loyalty	Air services personalization level	Positive intentions towards low-cost airlines	Environmental influence on using low-cost airlines	Positive perception of low cost airlines
Low cost airline loyalty	r	1				
	p					
Air services personalization level	r	0,772	1			
	p	0,000				
Positive intentions towards low-cost airlines	r	0,726	0,785	1		
	p	0,000	0,000			
Environmental influence on using low-cost airlines	r	0,550	0,645	0,708	1	
	p	0,000	0,000	0,000		
Positive perception of low cost airlines	r	0,403	0,296	0,507	0,356	1
	p	0,000	0,000	0,000	0,000	

Table 1: Pearson's correlations matrix of respondents' behavioral perceptions towards low-cost airlines.

Subsequently, as presented in the table above, the correlation between the satisfaction of respondents with the primary and secondary services of low-cost airlines is positive and statistically significant ($r=0,832$, $p<0,001$). Therefore, the individuals who recognize high-level satisfaction with the primary services of low-cost airlines, also present high-level satisfaction with their secondary services and conversely.

Investigating the impact of the respondents' gender and age on their perceptions and attitudes towards low-cost airlines, initially based on the corresponding t-tests for independent samples, it turns out that men compared to women are significantly more affected than women by their environment regarding the use of low-cost airlines on their part ($p=0,013$). In contrast, women, compared to men, have higher levels of positive attitudes about low-cost airlines ($p < 0.001$), while, according to the respective tests of One-Way ANOVA, statistically significant differences of the average scores of the factors of the behavioral perceptions of the respondents towards the low-cost airlines based on their age ($p > 0.05$ in each case), do not appear.

At the same time, it is observed that men present significantly higher satisfaction with the secondary services offered by low-cost airlines ($p = 0.016$), while no statistically significant difference is observed in the average scores of the satisfaction factors based on the age of the survey participants.

5. Discussion

These findings are absolutely in line with those of previous studies, according to which the most important motivation for choosing LCCs over FSCs is the low price of the tickets (Davison & Ryley, 2010; Diggins, 2010; Chiou & Chen, 2010; Chan, 2014; Rajaguru, 2016). However, apart from the cost, other factors play a significant role, including the availability of itineraries from and to the desired destinations, the acceptable perceived quality of the service, and the convenience to the scheduling of the flights (Fourie & Lubbe, 2006; Hess & Polak, 2006; Atalik & Ozel, 2007; Ong & Tan, 2010; Castillo-Manzano & Marchena-Comez, 2010), as confirmed by the findings of this study.

Regarding the formation of consumer' behavioral intentions, the strength of the Theory of Planned Behavior (TPB) is confirmed in this research, as it was found that positive attitudes of consumers,

which are significantly influenced by environmental-social variables, affect the purchasing intentions and the final market behavior. (Ajzen, 2005; Bigne et. al, 2010; Pratkanis, 2014).

Regarding the satisfaction of the consumers with LCCs, it was documented in the present research that it ranges at relatively high levels, as has also been found in a study by Baker (2013) for similar companies in the US.

An important finding of the research concerns the positive correlation between specific dimensions of consumer behavior and satisfaction since it was found that high customer satisfaction marks increased loyalty, positive perceptions of LCCs, and positive buying intentions. Certainly, it has previously been ascertained that the high level of satisfaction with low-cost airlines is associated with various positive dimensions of consumer behavior, such as the repeated purchases (Bigne et. al, 2010; Kim & Lee, 2011; Curry & Gao, 2012), the loyalty (Saha & Theingi, 2009; Forgas et al, 2010), the intention to use the respective services (Yang et al, 2012; Lin & Huang, 2015) and the positive word-of-mouth spread of the latter (Buaphiban & Truong, 2017).

Finally, concerning the socio-demographic profile of the Greek consumers who use LCCs and its effects on various dimensions of consumer behavior, it was found in the present study that consumers of low-cost airlines are not significantly differentiated in terms of gender, age and level of education, however, on the basis, of income criteria, they mostly belong to the middle class.

This finding can be attributed to the LCCs business model, which is based on the offer of low-price tickets and, consequently, these companies are mainly aimed at customers who want to save costs in their air transport (Alamdari & Fagan, 2005; Campisi et al., 2010; Olischer & Dörrenbächer, 2013; Schlumberger & Weisskopf, 2014), remarking, however, that the available data on the LCCs' public profile is limited as well as conflicting (Castillo-Manzano & Marchena-Gomez, 2010; Kuljanin & Kalic, 2015; Lu, 2017). As for the impacts of various demographic variables on consumer behavior, it was found in the study that these are limited, with gender appearing as the only factor that exerts influence on consumers' perceptions of LCCs..

In conclusion, the further development and strengthening of the competitiveness of low-cost airlines in Greece and internationally depends directly on the quality improvement of the services provided to the consumers, who form their behavior based on a variety of factors apart from the cost.

The direct correlation between buying intentions and satisfaction indicates the need to focus on several variables that interpret and affect the perceived quality. Therefore, the modification of the existing LCCs business model seems to be an indicated solution for their sustainable development, which is actually in favor of the final consumer, who can nowadays be transferred easily, more and at a lower cost.

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