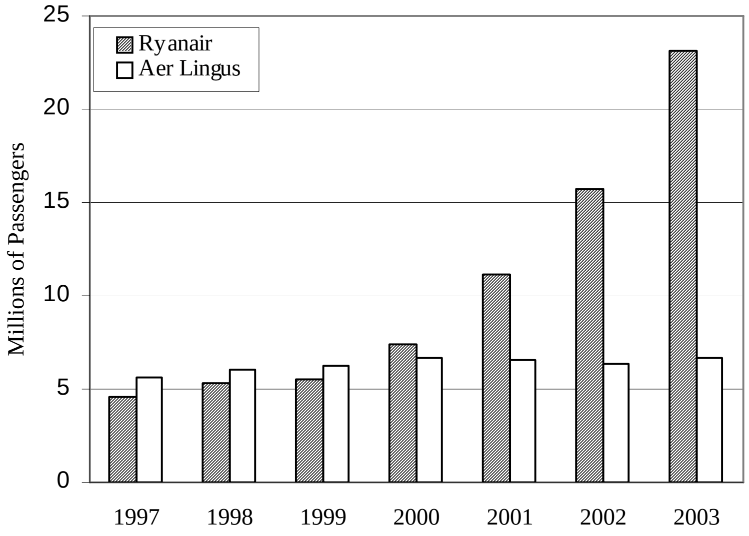
O'Connell, J.F. and Williams, G. 2005. Passengers' perceptions of low cost airlines and full service carriers: a case study involving Ryanair, Aer Lingus, Air Asia and Malaysia Airlines. Journal of air transport management, 11(4), pages 259-272.
Elsevier, ISSN 0969-6997, DOI 10.1016/j.jairtraman.2005.01.007

Figure 1a. Passengers carried on Aer Lingus and Ryanair




Source: Air Transport Intelligence and analysis from company reports

Figure 1b. Cost per ASK for Aer Lingus and Ryanair

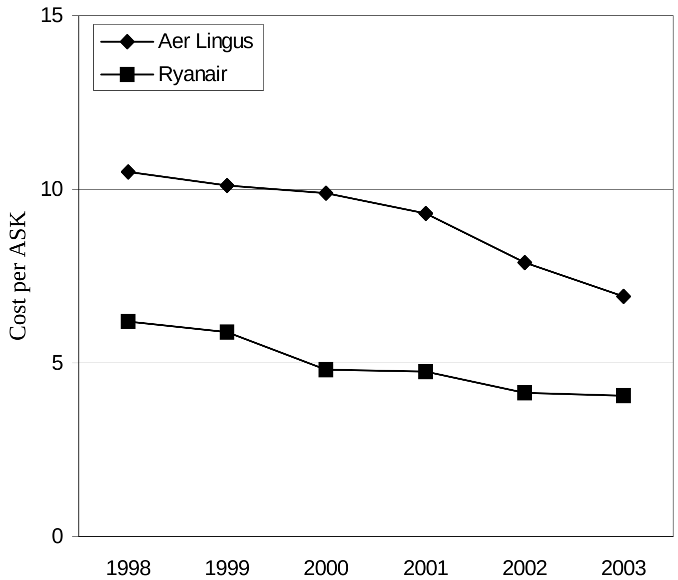
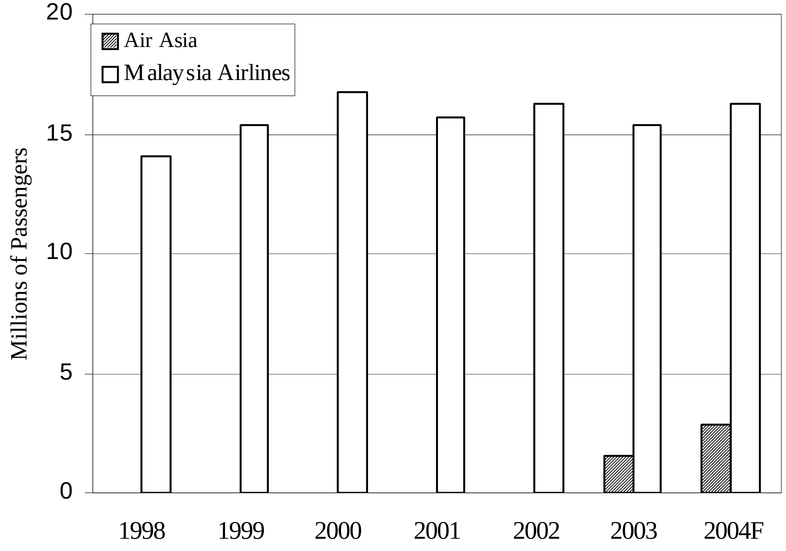
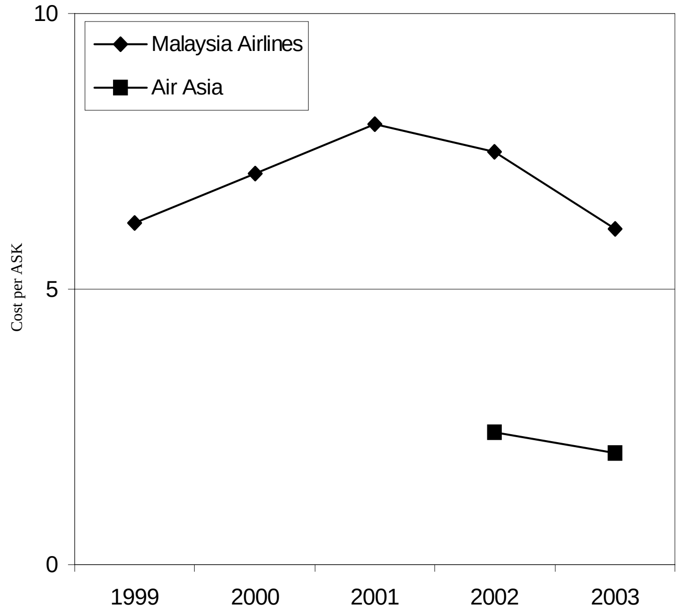


Figure 2a. Passengers carried on Malaysia Airlines and Air Asia




Source: Analysis from company reports

Figure 2b. Cost per ASK for Malaysia Airlines and Air Asia



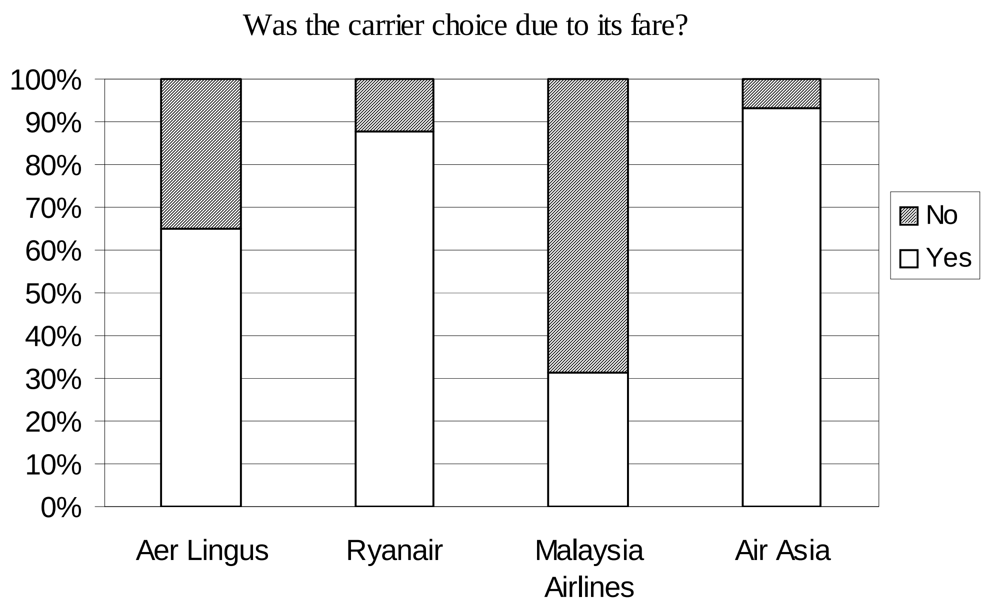



Fig. 3. Was the carrier selected solely due to its fare?

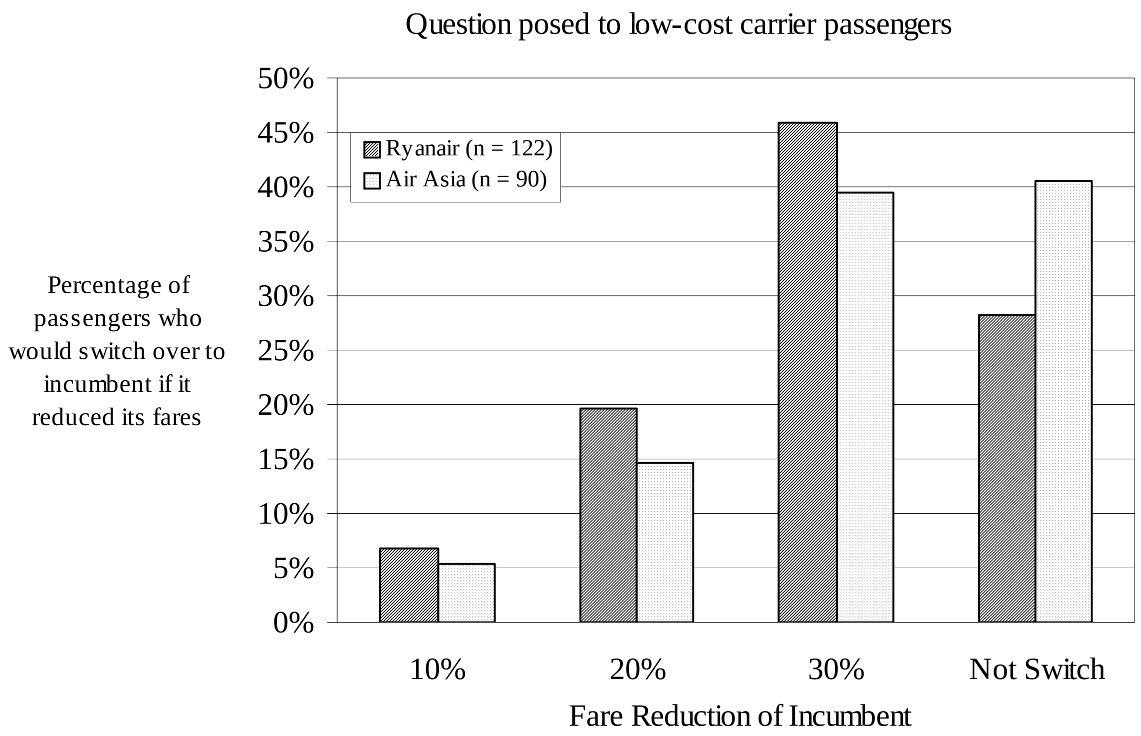



Figure 4. Fare sensitivity of low cost airline passengers

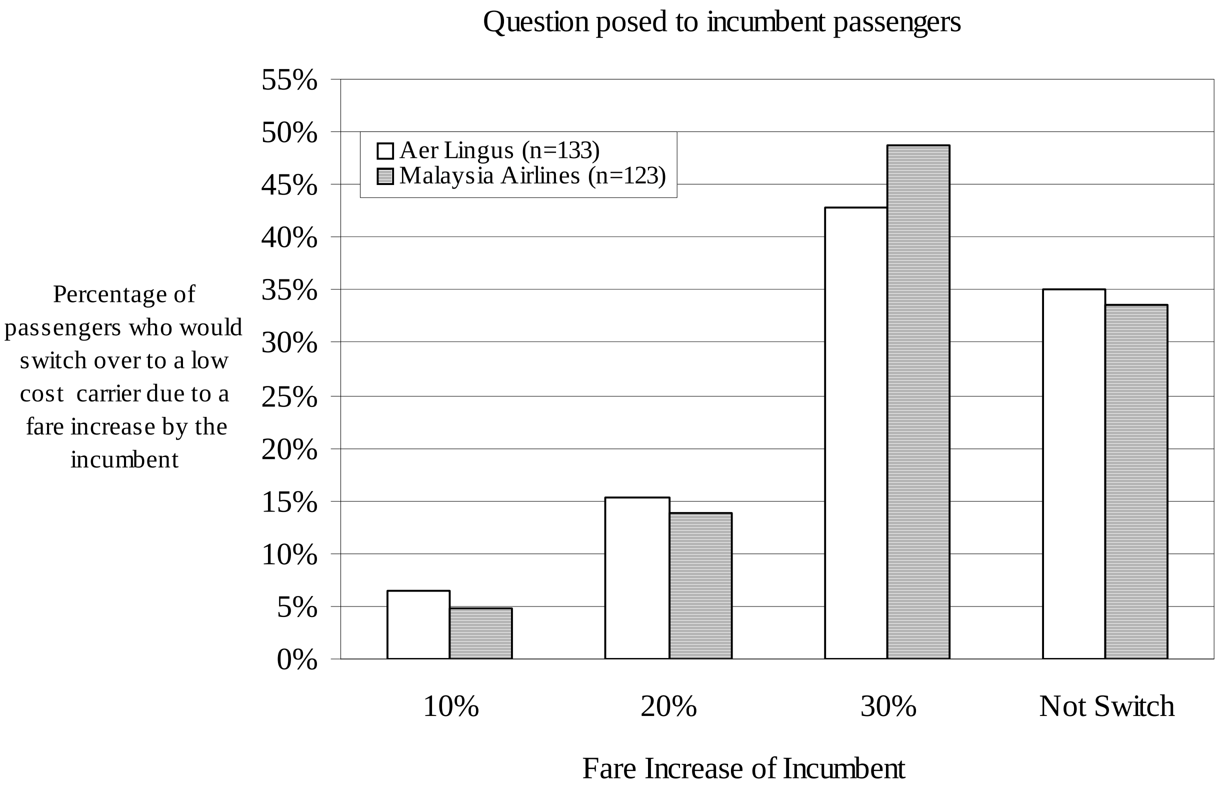



Figure 5. Fare sensitivity of incumbent airline passengers

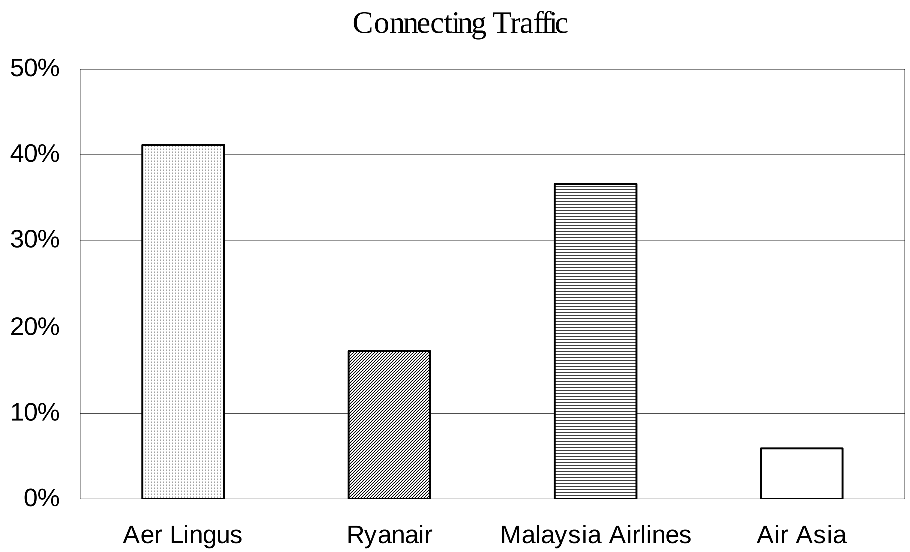
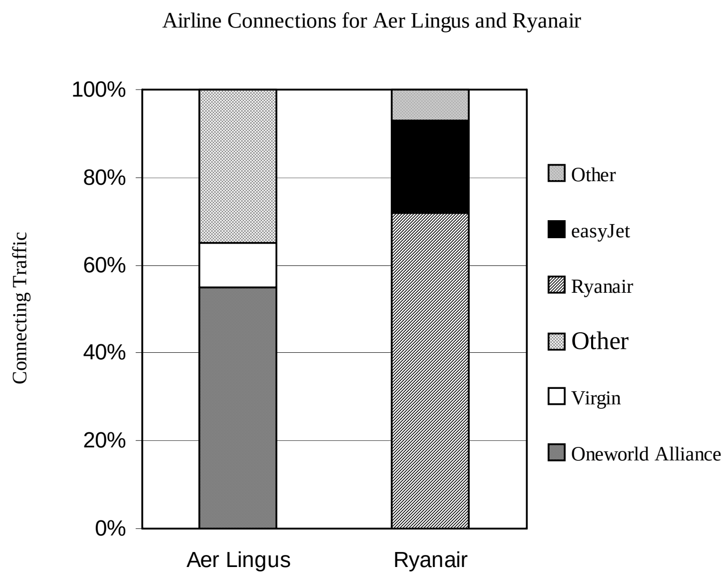



Fig. 6. Percentage of connecting traffic



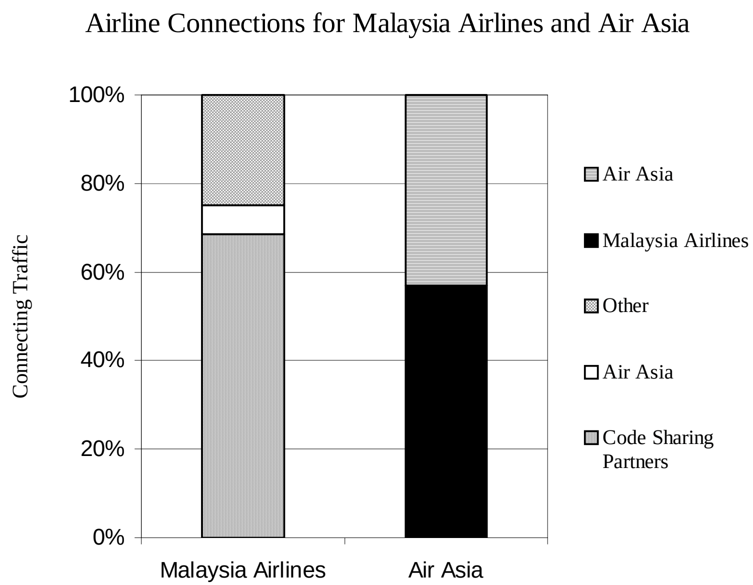
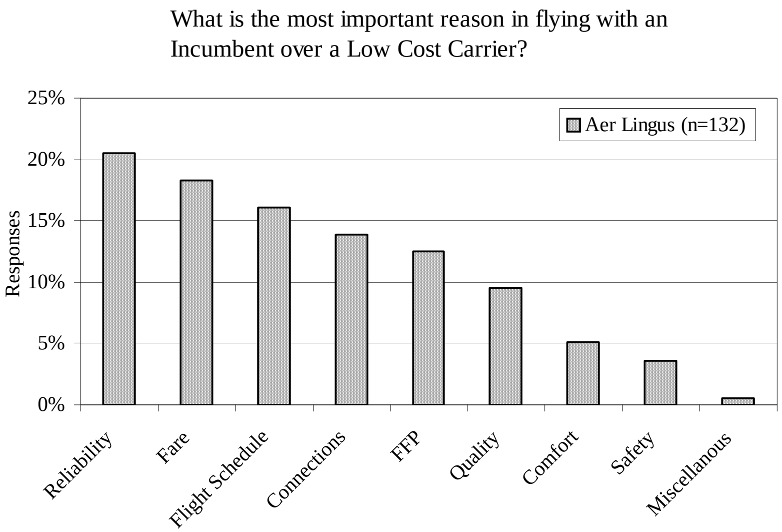




Fig. 7. Percentage of traffic transferring to other carriers



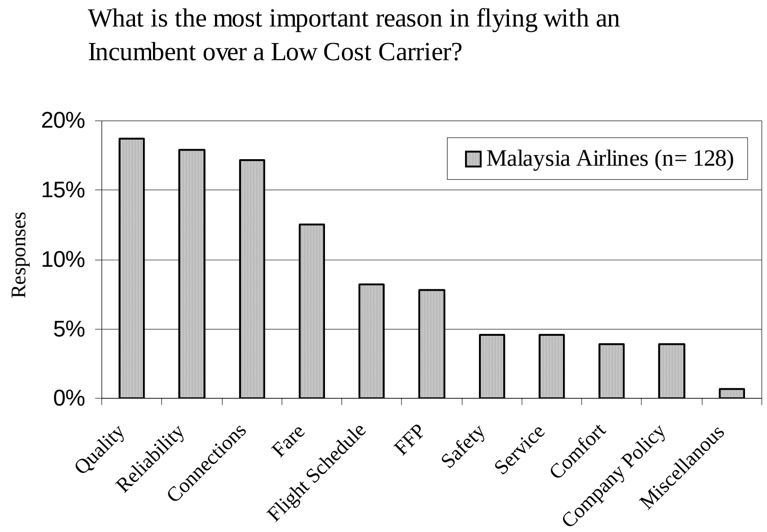
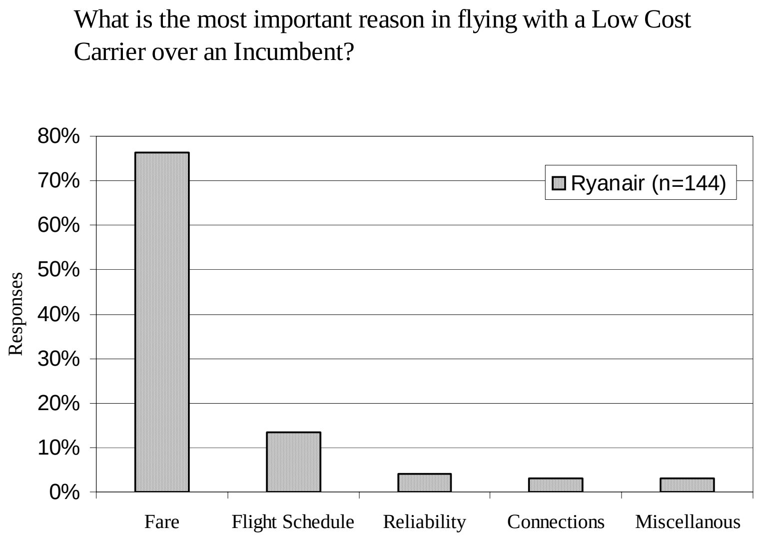




Fig. 8. Question posed to passengers to determine their most important reason for choosing an incumbent airline over a low cost carrier



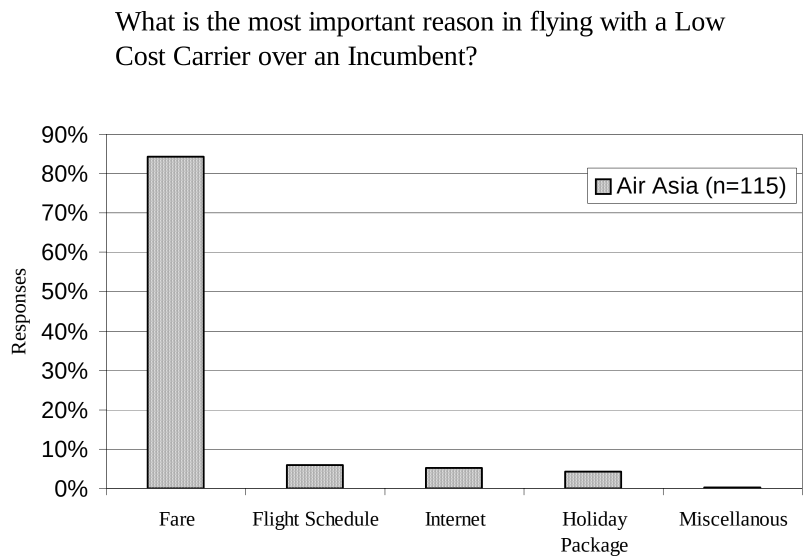




Fig. 9. Question posed to passengers to determine their most important reason for choosing a low cost carrier over an incumbent airline

**Table 1**
**Product features of low cost and full service carriers**

| Product features | Low Cost Carrier | Full Service Carrier |
|---|---|---|
| Brand | One brand: low fare | Brand Extensions: fare + service |
| Fares | Simplified: fare structure | Complex fare: structure + yield mgt |
| Distribution | Online and direct booking | Online, direct, travel agent |
| Check-in | Ticketless | Ticketless, IATA ticket contract |
| Airports | Secondary (mostly) | Primary |
| Connections | Point-to-Point | Interlining, code share, global alliances |
| Class Segmentation | One class (high density) | Two class (dilution of seating capacity) |
| Inflight | Pay for amenities | Complementary extras |
| Aircraft Utilisation | Very High | Medium to High: Union Contracts |
| Turnaround Time | 25 minute turnarounds | Low turnaround: Congestion /Labour |
| Product | One Product: low fare | Multiple integrated products |
| Ancillary Revenue | Advertising, on-board sales | Focus on the primary product |
| Aircraft | Single type: commonality | Multiple types: scheduling complexities |
| Seating | Small pitch, no assignment | Generous pitch, offers seat assignment |
| Customer Service | Generally under performs | Full service, offers reliability |
| Operational Activities | Focus on core (flying) | Extensions: e.g. maintenance, cargo |

**Table 2**
**Low Cost Carriers currently operating in the Asia-Pacific rim**

| Carrier | Base | Start Date | Fleet |
|---|---|---|---|
| Air Asia | (Malaysia) | Jan 2002 | 737-300 |
| Air Deccan | (India) | Aug 2003 | ATR-42 adding A320 |
| Air Do | (Japan) | Dec 1998 | 767-300ER |
| Cebu Pacific | (Philippines) | Mar 1996 | 757-200, DC-9 |
| Freedom Air | (New Zealand) | Dec 1995 | 737-300 |
| Jetstar | (Australia) | May 2004 | 717, A320 |
| Lion Air | (Indonesia) | Jun 2000 | MD-82/-83 |
| Nok Air | (Thailand) | Jun 2004 | 737-400 |
| One-Two-Go | (Thailand) | Dec 2003 | 757-200 |
| Pacific Blue | (New Zealand) | Jan 2004 | 737-800 |
| Singapore Air Asia | (Singapore) | tba | 737-300 |
| Skynet Asia | (Japan) | Sept 1998 | 737-400 |
| Skymark | (Japan) | Sept 1998 | 767-300ER |
| Thai Air Asia | (Thailand) | Feb 2004 | 737-300 |
| Tiger Airways | (Singapore) | July 2004 | A320 |
| Valuair | (Singapore) | May 2004 | A320 |
| Virgin Blue | (Australia) | Aug 2000 | 737-700/800 |

Source: O’Connell, J.F. and Iondes, N. (2004).

**Table 3**
**Aer Lingus's Traffic on Ireland - London Markets**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|
| Dublin-Heathrow | 986,832 | 1,063,822 | 1,282,036 | 1,174,986 | 1,207,018 | 1,274,928 |
| Dublin-Stansted | 230,393 | 299,953 | 338,237 | - | - | - |
| Dublin-Gatwick | - | - | - | n/a | 198,541 | 174,992 |
| Dublin-City | - | - | n/a | 20,887 | 168,002 | 164,486 |
| Cork-Heathrow | 314,205 | 319,335 | 371,852 | 348,190 | 380,226 | 409,232 |
| Shannon-Heathrow | 303,079 | 295,957 | 317,159 | 338,684 | 284,183 | 312,533 |

Source: Aer Lingus.

**Table 4**
**Ryanair's Traffic on Ireland-London routes**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|
| Dublin-Stansted | 766,267 | 787,724 | 786,648 | 824,672 | 854,191 | 1,048,618 |
| Dublin-Luton | 237,646 | 299,044 | 285,382 | 297,404 | 358,356 | 368,146 |
| Dublin-Gatwick | 279,910 | 293,185 | 287,567 | 283,310 | 302,779 | 322,679 |
| Cork-Stansted | 236,769 | 236,962 | 252,536 | 251,619 | 234,402 | 290,753 |
| Shannon-Stansted | - | - | - | 138,375 | 268,137 | 307,795 |

Source: Ryanair.

**Table 6**
**Company sizes of the surveyed business passengers**

| | Aer Lingus | Ryanair | Malaysia Airlines | Air Asia |
|---|---|---|---|---|
| *Company size: number of employees* | % | % | % | % |
| Self Employed | 9.6 | 32.1 | 12.3 | 67.4 |
| 1-24 | 11.3 | 26.5 | 8.2 | 20.7 |
| 25-99 | 18.3 | 24.3 | 16.1 | 11.9 |
| 100-999 | 26.2 | 17.1 | 29.2 | - |
| 1000-5000 | 29.2 | - | 23.7 | - |
| 5000 + | 5.4 | - | 10.5 | - |

**Table 7**
**Booking profiles (%)**

| | Website | Travel Agent | Call Centre | Office Booked | Family/ Friends | Purchased Today | Other Website | Statistical significance |
|---|---|---|---|---|---|---|---|---|
| Aer Lingus | 58.1 | 16.2 | 8.1 | 9.6 | 2.2 | 2.9 | 2.9 | $x^2$ = 189.66, df=6, p<0.000 |
| Ryanair | 77.9 | - | 6.3 | 11.7 | 3.4 | 0.7 | - | |
| Malaysia | - | 50.8 | 18.0 | 14.8 | 8.6 | 7.8 | - | $x^2$ = 868.53, df = 5, p<0.000 |
| Air Asia | 64.4 | 3.4 | 13.6 | 1.7 | 7.6 | 9.3 | - | |

**Table 8**
**Fares profiles of Air Asia and Malaysia Airlines surveyed passengers**

| Route | Air Asia One-Way | Air Asia Return[10] | Malaysia Airlines One Way | Malaysia Airlines Return | Difference O/W | Difference Ret |
|---|---|---|---|---|---|---|
| | Malaysian Rinngits[11] | | | | % | |
| KL-Kota Bahru | 89.99 | 179.98 | 158 | 316 | 75 | 75 |
| KL-Kota Kinabalu | 249.99 | 499.98 | 437 | 874 | 75 | 75 |
| KL-Kuching | 99.99 | 179.98 | 262 | 524 | 162 | 191 |
| KL-Labuan | 269.99 | 448.98 | 437 | 874 | 62 | 94 |
| KL-Langkawi | 129.99 | 275.98 | 205 | 410 | 58 | 48 |
| KL-Miri | 169.99 | 368.98 | 422 | 844 | 148 | 129 |
| KL-Penang | 69.99 | 139.98 | 158 | 316 | 125 | 125 |

KL is Kuala Lumpur

[10] The tax is already excluded from the fares. The average one-way tax is approximately 16 Ringgits, with the return tax approximately an additional 16 Ringgits.
[11] A Malaysian Ringgit is worth US$0.26 cents, NatWest Bank, London, May 1st, 2004.

**Table 5**
**Journey Purpose**

| | Aer Lingus | Ryanair | *Statistical significance* *SD* | *P-value*[1] | Malaysia | Air Asia | *Statistical significance* *SD* | *P Value*[1] |
|---|---|---|---|---|---|---|---|---|
| **Business** | **%** | **%** | | | **%** | **%** | | |
| **- Meeting** | **24.2** | **17.2** | *0.048* | *0.110* | **14.0** | **5.8** | *0.037* | *0.03* |
| **- Conference** | **5.9** | **6.9** | *0.029* | *0.727* | **7.0** | **0.8** | *0.024* | *0.01* |
| **- Training** | **7.3** | **4.8** | *0.028* | *0.377* | **5.4** | **1.6** | *0.023* | *0.103* |
| **- Trade Fair** | **0.0** | **0.0** | - | - | **2.3** | **0.0** | *0.013* | *0.070* |
| **- Employment** | **0.0** | **0.0** | - | - | **1.5** | **0.0** | *0.010* | *0.154* |
| **Total Business** | **37.4** | **28.9** | | | **30.2** | **8.2** | | |
| **Non-Business** | | | | | | | | |
| **- Sports** | **10.3** | **13.1** | *0.038* | *0.462* | **5.4** | **13.4** | *0.037* | *0.031* |
| **- Shopping** | **0.0** | **0.0** | - | - | **5.4** | **3.3** | *0.026* | *0.417* |
| **- VFR** | **20.5** | **27.7** | *0.050* | *0.168* | **16.9** | **23.2** | *0.050* | *0.213* |
| **- Weekend Break** | **9.5** | **12.4** | *0.037* | *0.443* | **10.9** | **12.6** | *0.041* | *0.684* |
| **- Holiday** | **14.7** | **12.4** | *0.040* | *0.575* | **10.9** | **15.1** | *0.042* | *0.328* |
| **- Studying** | **6.6** | **5.5** | *0.028* | *0.669* | **16.4** | **22.6** | *0.050* | *0.213* |
| **- Religious** | **0.0** | **0.0** | - | - | **3.9** | **1.6** | *0.020* | *0.284* |
| **Total Non-business** | **61.6** | **71.1** | | | **69.8** | **91.8** | | |
| **Total** | **100** | **100** | | | **100** | **100** | | |

[1] The p-value gives the probability that the observed differences in journey purpose is due to chance.

# Passengers’ perceptions of low cost airlines and full service carriers: a case study involving Ryanair, Aer Lingus, Air Asia and Malaysia Airlines

O'Connell, John F.

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