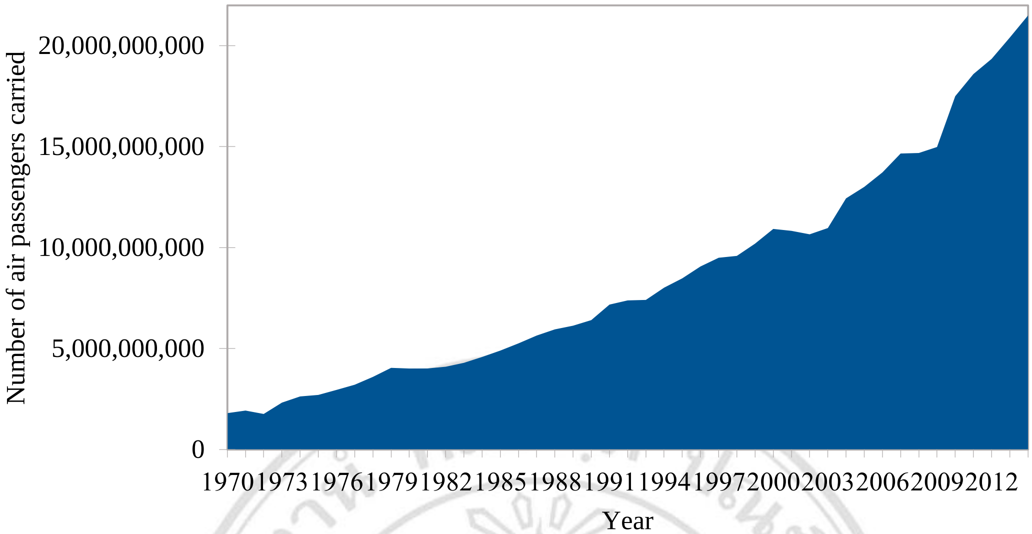
CHAPTER 1

Introduction

1. Principle and Rational

1.1. Principle and Rational of the Study

The first commercial airline flight was in 1914, carrying a passenger from Tampa to St Petersburg, in Florida, the United States (Oxford Economics, 2014). A century later, the network of commercial airline flights covers the planet through nearly 50,000 routes (Oxford Economics, 2014). The number of air passengers also have increased (see figure 1.1). This figure includes both domestic and international air passengers, covering all regions from 1970 to 2014. The number of air passengers increased by 1,089 percent, from 1.8 billion in 1970 to 21.4 billion in 2014. Also, by 2030, air passengers are expected to number over 65.3 billion (ICAO, 2014). Evidently, traveling by airplane has been the favorite transportation for several decades. The growth of air travel creates new opportunity to connect the world intimately and boost the number of travelers.

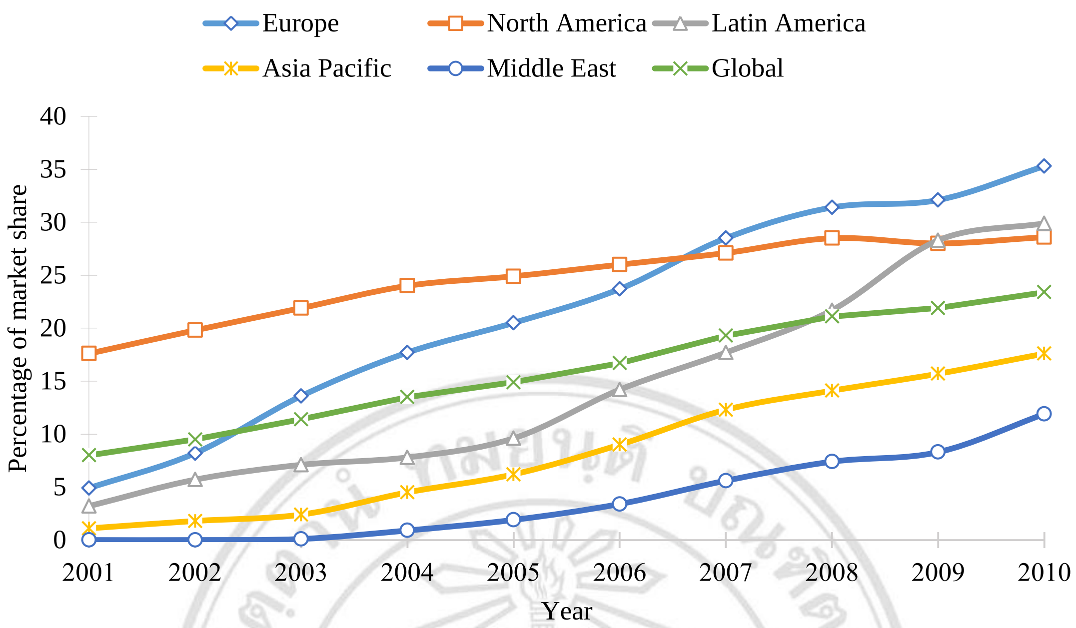


Source: International Civil Aviation Organization and Staff Estimates (2014)

Figure 1.1: Air passengers carried including domestics and international passengers, 1970-2014

The aviation industry was dramatically transformed in the early 1970s when the first low-cost carrier, Southwest Airlines, entered the market (Oxford Economics, 2014). This airline modified the air business model, and became the model of the low-cost airline for new entrants such as Ryan air and EasyJet, in 1985 and 1995 respectively (ICAO, 2009). The reasons that make low-cost airline attractive to customers are many. For example, full-service carriers eliminated in-flight services such as free meals and free seat reservation (Doganis, 2001). Using mostly a single type of aircraft, low-cost airlines can increase their purchasing power from airplane producers (IATA, 2001). Also, they avoid sales and reservation systems via travel agency (Campisi, Costa, & Mancuso, 2010). For all these reasons, low-cost airlines have reduced their operation costs, resulting in decreasing airfares. Most passengers prefer the lower fares and reasonable service, so the number of air passenger on this type of airline has increased (Boeing, 2004).

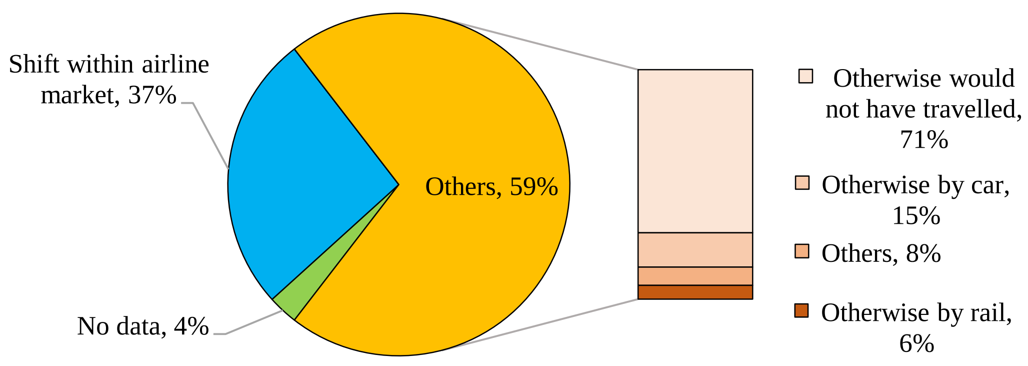
Figure 1.2 shows the growth of low-cost airlines. The market share of low-cost carriers from global and all regions had grown noticeably. The global share increased to almost 20 percent from 8.0 percent of market share in 2001 to 23.4 percent of market share in 2010.



Source: Centre for Asia Pacific Aviation, based on Official Airlines Guide data (October 2010, as cited in McDonald, 2011)

Figure 1.2: The market share of low-cost airlines based on global and regionals, 2001-2010

According to Skeels (2005), low-cost carriers regenerated a new demand in air travel market, as shown in Figure 1.3. 59 percentage of air travel demand was by new customers. Also, 71 percent of new demand was from passengers who would not normally have travelled by airplane. The emergence of low-cost carriers has made air travel increasingly attractive.



Source: European Low Fares Airline Association, 2004

Figure 1.3: The share of new demand structure for low-cost airline

The low-cost carrier in Thailand was officially established in December 2003. The growth of low-cost airlines arriving and departing in Thailand has hugely increased over the past ten years. As shown in figure 1.1, the total number of air passengers increased by more than 1,000 percent, from 2.6 million in 2004 to 35.1 million in 2014 (Airports of Thailand, 2014). International travellers flying with low-cost airlines increased 2,839 percent, from 0.3 million in 2004 to 11.2 million in 2014 (Airports of Thailand, 2014). According to World Tourism Organization (2014), international visitors generated the revenues to get the top 10 ranking in international tourism receipts in 2013. The increase in the number of foreign visitors increased revenues to Thailand. Also, the operation of new entrants and the expansion of frequencies and routes from many low-cost airlines will attract more international passengers traveling to Thailand, especially leisure travelers. Most low-cost carrier passengers were from leisure travelers (Graham, 2006).

Table 1.1: Number of low-cost airline passengers by arriving and departing in Thailand, 2004-2014

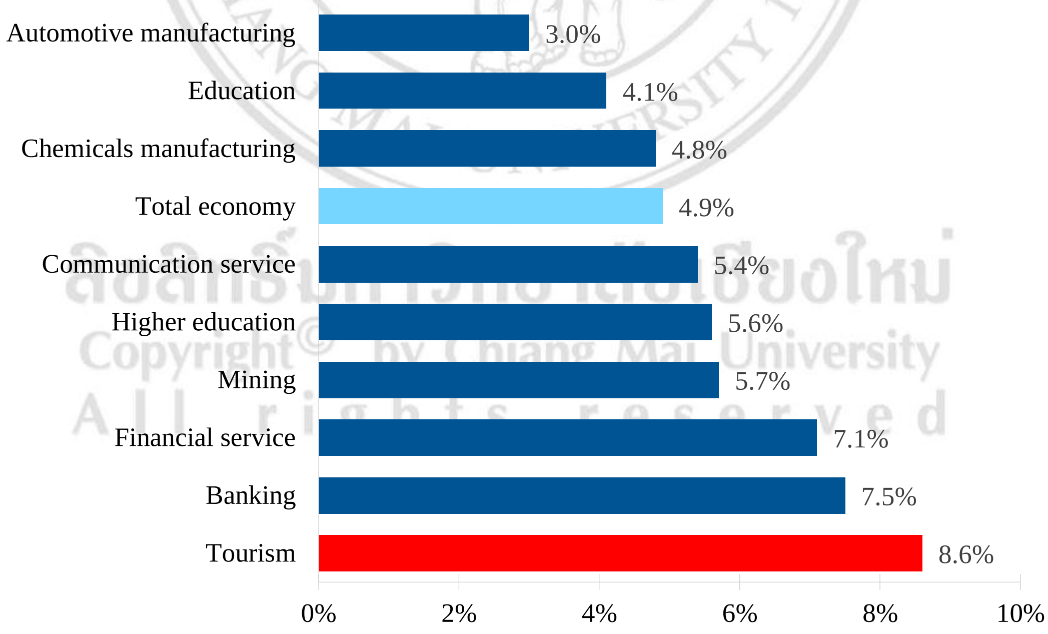
Fiscal Year	Number of Passengers		
	Domestic	International	Total
2004	2,275,630	383,024	2,658,654
2005	5,473,932	1,558,367	7,032,299
2006	6,972,576	2,176,170	9,148,746
2007	9,110,947	2,939,751	12,050,698
2008	9,018,026	3,420,318	12,438,344
2009	6,720,368	3,385,029	10,105,397
2010	9,792,165	4,881,929	14,674,094
2011	12,142,563	5,964,529	18,107,092
2012	14,350,912	7,538,462	22,889,374
2013	16,013,528	8,994,933	25,008,461
2014	11,256,374	11,256,374	35,419,291

Source: Airports of Thailand, 2014

The tourism sector is one of the leading sources of revenue in Thailand. It has been directly boosting the Thai economy, notably from the receipts from international tourist arrivals. Most visitors have been traveling by airplane. Therefore it is anticipated that the emergence and the growth of low-cost carriers will increase the number tourists.

Thailand is the world's top tourism destination, ranking 10th place in 2013 with 26.5 million international tourist arrivals. Visitors generated revenues of US$ 42.1 billion which was 7th in international tourism receipts in that year (World Tourism Organization, 2014). In 2014, the tourism sector contributed 20.2 percent to the Thai GDP, a slight fall compared to 2013. However, the total contribution to the GDP is expected to rise to 23.4 percent in 2015, increasing 3.2 percent, and is forecast to reach nearly 26 percent of GDP in 2025 (World Travel & Tourism Council, 2015).

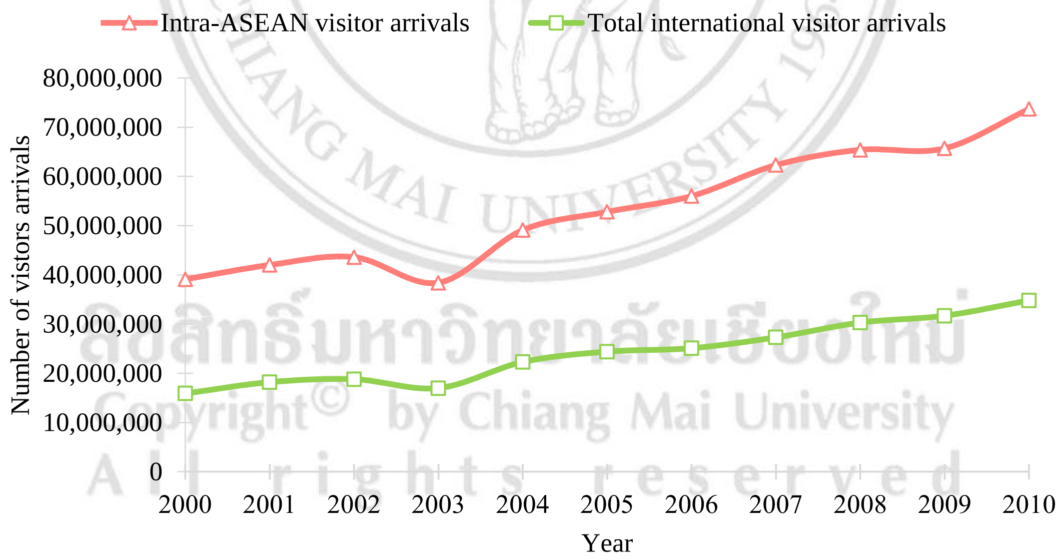
An overview of industry growth projection over the period 2013 to 2023, tourism GDP is the most significant expansion over the next decade. It is expected to expand an average of 8.6 percent each year. Meanwhile, the growth of the total economy is only growing at 4.9 per year (see Figure 1.4). Consequently, Thailand's tourism sector will have grown continually over many decades, a growth which has supported the Thai economy.



Source: World Travel & Tourism Council, 2013

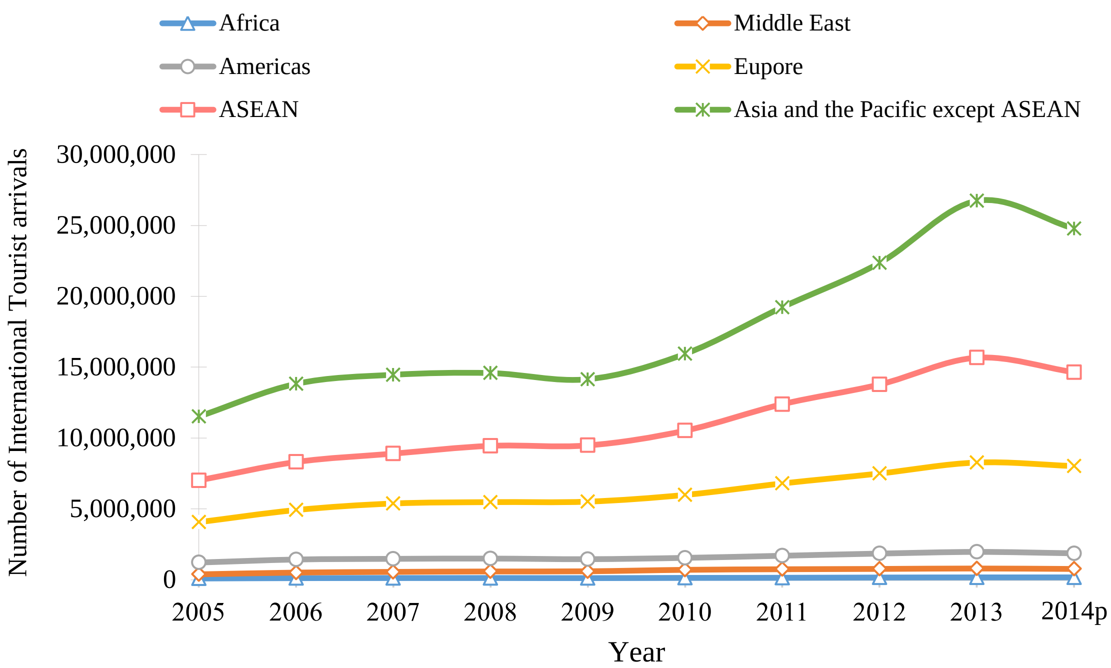
Figure 1.4: Thailand GDP projection by industry, 2013-2023

The ASEAN Economic Community (AEC), established at the end of 2015 by the Association of Southeast Asian Nation (ASEAN), aims to increase the number of visitors from within ASEAN and non-ASEAN nations. It especially promotes intra-ASEAN travel as a Single Tourism Destination to encourage ASEAN tourists traveling in their region. Also, the liberalization of air service is useful for tourists. It will increase the number of intra-ASEAN travelers as a result of increased connectivity and improved facilities. According to visitor arrivals in ASEAN from 2000 to 2010, the number of intra-ASEAN and international visitors is a rising trend. However, an increased proportion of intra-ASEAN tourist is higher than the total of international tourists. The total number of international arrivals to ASEAN rose by 33.8 percent, from 15.9 million in 2000 to 34.8 million in 2010. Intra-ASEAN visitors also increased by 88.4 percent from 39.1 million in 2000 to 73.7 million in 2010 (see figure 1.5). As shown in figure 1.6, the number of tourists from ASEAN countries to Thailand, increased from 2.9 million in 2005 to 7.3 million in 2013. In brief, Thailand is an attractive destination for ASEAN visitors.



Source: Association of Southeast Asian Nations, 2011

Figure 1.5: Intra-ASEAN visitor arrivals and total international visitor arrivals to ASEAN, 2000 to 2010



Source: Tourism Authority of Thailand (2007) & Department of Tourism (2014)

Figure 1.6: International tourist arrivals in Thailand, 2005-2014

Most previous studies researched only the tourist within Thailand, so a study on a comparison of ASEAN tourists behavior traveling to Thailand will be the useful research because the scope of the study will cover all intra ASEAN tourists. Moreover, it also indicates the difference of tourists from each of characteristics. Both the length of stay and travel expenditure are used for measuring tourism demand in intra-ASEAN tourists who are traveling to Thailand by airplane. All finding of the study can be used for defining and improving the tourism policies in Thailand, and it is the guidelines to increase the number of ASEAN tourists in Thailand.

2. Definition

2.1. A tourist is defined as a person who is traveling and living in a place that is different from his or her usual environment for not more than a year. The objectives of traveling are, for example, vacation, visiting relative and others except working.

2.2. Inbound tourism is a person who is traveling to various countries except for his/ her country of ASEAN residence.

2.3. Non low-cost airline or full-service airline is an airline that offers more expensive fares comparing with another type of airline by offering essential services such as free checked baggage and free seat reservation.

2.4. Low-cost airline is an airline that offers the low fares comparing with another type of airline by eliminating non-essential services such as free meal and free seat reservation.

3. Objective of the Study

3.1. To determine factors affecting the choice of low cost airlines and full service airlines.

3.2. To compare the behavior of ASEAN tourists, who travel by low-cost airlines and full service airlines regarding expenditure, and length of stay.

4. Advantage of the Study

4.1. Entrepreneurs can use the behavior of ASEAN tourists who are traveling to Thailand by air as a guideline to improve the operation to increase their income.

4.2. The Ministry of Tourism and Sports and Tourism Authority of Thailand can use the tourism demand in Thailand as a supporting factor to create the tourism policy.