

CHAPTER II

LITERATURE REVIEW

The study of customers' adoption process of low cost airlines is related with many fields: marketing strategy, the business model of low cost airlines, and the adoption process. In this chapter, the researcher will review the following concepts and theories as follows:

1. Low cost airlines
2. Low cost airlines as innovators
3. Marketing strategy
4. Marketing communication

Low-cost Airlines

1. Definition

The Wikipedia encyclopedia (2005) defines a low cost airline as an organization that provides aviation services to passengers and/or cargo, and offers low fares but eliminates most traditional passenger services. Karivate (2004, unpagged) also defined low-cost carriers as airlines that operate a point to point network, pay employees below the industry average wage, and offer no frills service. Leartvinam (2004, unpagged) also defined the low-cost airline as the service provider that is based on the low fare of the product - less than 20-50% of full service airlines. Main operating functions of low-cost airlines may be seen by looking at Southwest Airlines. Finally, the concept of low-cost airlines has spreaded to other parts of the world such as Europe, Australia, and Southeast Asia.

Positioning Magazine (2005) explains the difference between low cost and low fare. Low cost airlines mean airlines that do not serve any free snacks or drinks such as AirAsia, Tiger Airways, and Nok Air. Low fare airlines are defined as the economic airlines with the same service as standard airlines that try to reduce other costs, so they will provide a low price for customers, e.g. Value Air, and One Two Go. The differences between low cost and low fare airlines are service and price.

Furthermore, the concept of low cost airlines was defined by the airlines' network, which can be:

1.1 Hub and spoke networks are large networks with many destinations but with a main center sometimes with destinations over 1,500 kilometers away, for example, Thai Airways, Singapore Airlines, etc.

1.2 Point to point network usually is used by airlines that have destinations not over 1,500 kilometers away.

The above concept of low cost airlines networks includes two types. This explains that the typical of airlines were defined by network and distance. In this research, the researcher collects information of low cost airlines in Thailand.

2. The low-cost airlines based in Thailand

The reviews of low cost airlines, which are operating in Thailand, are used to explain the feature of business model and operating process. This includes: airlines' background, airlines marketing and etc. The list of low cost airlines in Thailand is as follows;

One Two Go (Orient Thai)

One-Two-Go by Orient Thai is one of many budget airlines in Thailand. Its commitment is to offer the simplest fares, with free snacks and soft-drinks still served on board and simple fare rules. The route networks of One-two-Go are Chiang Mai, Chiang Rai, Phuket, Hat Yai and Suratthani. Moreover, the airline provides the charter flights to many destinations.

One-Two-Go was established on 3rd December, 2003. The board directors of the airline consist of Udom Tantiprasongchai and Nida Tantiprasongchai while the Chairman of the Advisory Board is Kajit Habanananda who has extensive experience with low cost airlines.

AirAsia (Thai AirAsia)

AirAsia was established on 8th December 2001, the main stakeholder companies are Asia Aviation Co. Ltd. and AirAsia Berhad. AirAsia is the first low-cost airline of Southeast Asia. It was originally founded in Malaysia and later moved to Thailand because Bangkok is the center of traveling in Southeast Asia. In 2005, Thai AirAsia sold the stock from Shin cooperation of Thailand to Temasek Holding of Singapore. However, it is operated by Asia Aviation. The CEO of Thai AirAsia, Mr.

Tassapon -Bijleveld, used the slogan “Now everyone can fly” to promote the image of the airline. Referring to the growth of Thai AirAsia; there are more than 2,800,000 clients since January 20, 2005 (AirAsia, 2005). It has expanded destinations to 8 countries: Thailand, Macau, Philippines, Indonesia, Cambodia, Singapore, Vietnam and Malaysia.

Tiger Airways

Tiger Airways addresses the needs of travelers looking for a reliable low fare carrier to serve the Asia Pacific Region, and has responded to the tremendous growth of air travel and the rise of budget travel in the region. This airline is based at Singapore's Changi International Airport. The budget terminal provides for only Tiger Airway passengers. The main purposes of Tiger Airways are lowest fare, safety and reliability and convenient point-to-point air travel to Asian destinations.

Tiger Air was established in December 2003, Tiger Airways took to the air on 15th September, 2004 with the inauguration of service between Changi International Airport and Bangkok International Airport in Thailand. Now the airline serves ten cities around Asia with a fleet of four Airbus A320 aircrafts.

Nok Air (Sky Air)

Nok Air is a new low-cost airline registered under Sky Asia Co., Ltd. The airline is a joint venture between public and private investors. Nok is Thai for “bird.” The main purpose of Nok Air is friendly service meeting the needs and demands of passengers. The second purpose is offering flight service as customers wants and the last commitment is safety.

In terms of flight operations, Nok Air flies to all parts of Thailand, from Bangkok to Chiang Mai, Udon Thani, Hat Yai, Phuket and Nakhon Si Thammarat and to a new route between Chiang Mai - Udon Thani.

Due to the price of the air tickets, competition is high in the low cost airline industry. The airlines launch strategies and seek new targets. For example, the strategy of Nok aims at those passengers who have never flown before. At the same time, they offer the chance for passengers, who are already enthusiastic travelers, the opportunity to travel even more often. For these reasons, Nok Air hopes to be the choice for customers whenever they travel.

Look at the overall business profile of low cost airlines in Thailand; it can be assumed that there is increasing competition in airline industry. However, low cost airlines have to identify the situation or the marketing environmental that defends their growth. The environmental business situation includes economic, social, and other sectors.

3. The situation of low cost airlines

Marketing environment factors are events completely under the direct control of the marketing manager. Morrison (2002, unpagged) suggests the external environment factors stop the way business done. There are six marketing environments as follows;

- 3.1 Competition
- 3.2 Legislation and regulation
- 3.3 Economic environment
- 3.4 Technology
- 3.5 Social and culture environment
- 3.6 Organizational objective and resources.

Furthermore, PESTE is a word use to analyze environment of the business industry. PESTE analysis identifies both internal and external factors. The factors that affect the business are: Political, Economic, Social, Technological, and Environmental factors.

The situation in Thailand may hinder business growth for many reasons: the fuel crisis, the SARS crisis, and the Asian economic crisis. This may affect the customers or passengers in making a decision to travel. It affects low cost airlines too. Therefore, PESTE analysis helps to identify all factors that possibly affect low cost airlines in Thailand.

Political Factors

Political factors are one external factor that directly affects low cost airlines. For example, deregulation will control which airlines can fly with the same aspects of pricing policy. For example the aviation industry of Thailand is allowing for the expensive of new low cost airlines. There are mostly privately-held airlines. The people have alternative airlines to fly as they want. In the past, there was only one

airline; that is Thai Airways. Therefore, open sky policy affects low cost airlines industry and its freedom to operate.

Referring to the competition of airlines industry in Thailand, the low cost airlines are the important key to compete with full standard airlines. This can see from the competitive price of the ticket and advertising in the newspaper, television and radio. This conflict between standard and low cost airlines may further increase in future (e.g. pricing war between low cost airlines and full standard airlines). Therefore, the government policy directly affects to the full standard airlines.

The increasing of low cost airlines, as O' Connell and Ionides reported about the low cost airlines carriers operating in Asia Pacific rim (see Table 1). It means there increased the low cost airlines industry in Thailand within 2 years (e.g. Nok air, AirAsia, Tiger airways and other). Therefore, the government announced the policy to support them such as the open sky policy, the advertising control, etc. However, there are some complaints forms the customers regarding their services. The sample case between government, low cost airlines and customer can find in the newspaper's articles. For example, the customers complain that the airlines' advertising is not true. The government has to check after about the policy about the advertisement. Therefore, the government is the key important to support both passengers and low cost airlines industry. In conclusion, the situations of low cost airlines in Thailand dramatically increase due to Thailand government policy.

Economic Factors

The economic factors affect directly the demand of customers to travel. Therefore, it can be said that the customers may save money in traveling. This can be seen in the Asian fuel crisis, a major obstruction of low cost airlines because 35% of cost in the aviation industry is fuel. Therefore, the increase of fuel impacts directly the prices of tickets, so the passengers may not choose to fly. In practice, the airlines added a fuel surcharge in ticket prices. Moreover, the low cost airlines ask the passenger to pay for fuel surcharge. This is the extra charge that everyone has to pay. This is upon the destination, e.g. domestic is about 500 Baht per sector. Finally, the prices of low cost airlines may not be as cheap as they expected.

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Marketing Science Institute reports the fuel crisis affects customers' decision making. Approximately 21% of the 8,155 consumers surveyed said they have decreased vacation travel plan and 25.2% said they dine out less frequently as a result of gas prices. This means gas price also delayed major purchases. Marketing management magazine found 64% of consumers saying they held off on purchases such as cars and furniture due to higher gas prices (Marketing management magazine, 2005, p.4).

The situation of fuels crisis, it affected to purchase power of customers because the fuel is the cost of every product (e.g. machine fuels, transportation, etc.). After this situation is expanding, it is related with the inflation rate, and purchasing power of the customers, especially for traveling and holiday trip. The passengers may consider staying at home rather than going outside. In conclusion, the airlines got the direct effect from this situation.

SARS affects foreigners flying with low cost airlines as well. For example, Vietnam is the protected area for SARS. Therefore, tourists may avoid traveling to Vietnam. This situation unavoidably affects low cost airlines that have new destinations in Vietnam.

Social Factors

The social factors are one of many reasons that affect low cost airlines. They included, for example, an individual's new experiences, the new target market, and change of people's perception.

The low cost airlines give new experiences to tourists. Most tourists in Thailand never travel by air. Therefore, it offers new experience and creates new trends to travel by air. Finally, people may change their habit to travel by air.

Furthermore, the changing of women's role in workplace is one of many factors. Women will return to work after childbirth, and expect to build a career alongside with the male colleagues. The women often travel more for their career. Finally, this is a positive factor low cost airline because they are the new target market.

According to the perception of people, they may think that if they pay more money then they get better services. So most people supports to pay more money to get high quality of product. Therefore, most people may not be satisfied with low

cost airlines regarding the product perception. Finally, it is a hard work of low cost airlines to change the perception of people.

The perception of the people in term of the traditional value may affect the passengers' idea. It means that they will perceive the product information from their relatives or friends. After that they will get some advice about what they will purchase. Therefore, this is one reason for the passengers or customers to purchase the product or service.

Technological factors

Internet is affecting airlines business because it can be a new distribution tool. Airlines use the Internet to access their customers; moreover, the customers also book the air tickets online. Furthermore, the Internet is a free channel, so businesses use it to present the product and send information to their customers. Examples of successful online companies are E-bay.com and Amazon.com. In terms of low cost airlines, they use the Internet as the major channel to meet their target market. Finally, the Internet is becoming a significant technology in the new age of airline competition.

The overall review about the low cost airlines and marketing environment is related. In this research, the researcher will use the theory of innovation to analyze the low cost airlines business. This aims to identify the communication between airlines as an innovation and the passengers.

Low Cost Airlines as Innovation

Roger (1995, p.11) defined innovation as ideas, practices, or objects perceived as new by an individual or other unit of adoption. Mostly innovation ideas are related with technology or machines industries that support the users as more convenience or easier in use. The innovation idea of hospitality business is also the same since low cost airlines aim to use innovation as a different pattern of competitive strategy.

The low cost airlines are defined as innovators in service because this is the new business model. The main purpose is an alternative choice for the low pay persons to travel by air. The basic idea is to offer the lowest price by reducing costs. After that, airlines get feedback from the customers or the passengers. They will improve the service later.

A study of low cost airlines innovation is more interesting because third kind of service did not exist before. Finally, the researcher chooses to study the customer adoption process regarding the low cost airlines.

1. The Adoption Process of Low cost Airlines

Low cost airlines have been in existence since 2001. It is now well-known in Thailand; therefore, this study selects the concept of adoption process to identify customer behaviors in flying with low cost airlines.

Roger (1995, p.5) defined a different concept of product innovation and general communication. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Communication is a process which participants create and share information with one another in order to reach a mutual understanding.

Diffusion is a way to communicate with the customer about the new idea. The customer may feel uncertainty and social change to try new products, while communication is a way to promote and distribute information. Therefore, the author restricts the term “diffusion” which is a communication method to promote new product to customer. Moreover, diffusion always works with innovation.

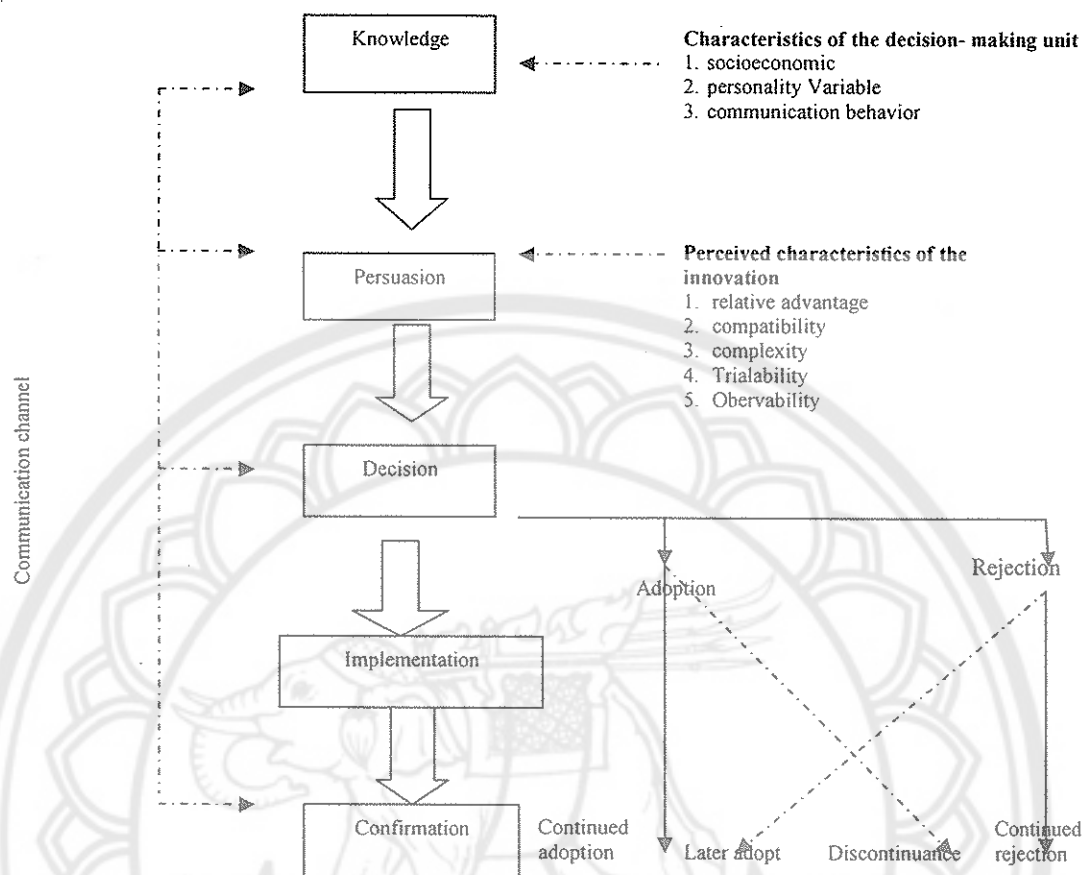


Figure 3 A Model of Stage in The Innovation-Decision Process

Source Adapted from Roger E., 1995, p. 163.

According to Roger (1995, upaged), the innovation-decision process is the process through which an individual (or other decision-making unit) passes 1) from the first knowledge of an innovation, 2) to forming an attitude toward the innovation, 3) to a decision to adopt or reject, 4) implanting the information and use the new service, and 5) to confirmation of this decision. This process consists of a series of actions and choices over time through which an individual evaluates a new idea and decides whether or not to incorporate the innovation ongoing practice (see figure 3).

1.1 Knowledge occurs when an individual (or other decision-making unit) is exposed to an innovation's existence and gains some understanding of how it functions.

1.2 Persuasion occurs when an individual (or some other decision-making unit) forms a favorable or unfavorable attitude toward the innovation.

1.3 Decision occurs when an individual (or some other decision-making unit) engages in activities that lead to a choice to adopt or reject the innovation.

1.4 implementation occurs when the individual (or some other decision-making unit) puts an innovation into use

1.5 Confirmation occurs when an individual (or some other decision-making unit) seeks reinforcement of an innovation-decision already made, or reverses a previous decision to adopt or reject the innovation if exposed to conflicting messages about the innovation.

The stages of the innovation diffusion process are an important process of distribution because it informs the information-seeking and information processing activities where an individual is motivated to reduce uncertainty about the advantages and disadvantages of the innovation. In addition, the five stages of the innovation-decision process help one to understand the role of different communication channels. According to Roger (1995, pp.194-199) there are different channels and messages that are sent to customers in different stages. It means the channels and messages that are sent to the customers are different.

Mass media channels are radio, television, newspapers, and so on, that enable a source of one or a few individuals to reach an audience of many. Mass media can: 1) reach a large audience rapidly, 2) create knowledge and spread information, and 3) lead to changes in weakly held attitudes. In contrast, an interpersonal channel involves a face to face exchange between two or more individuals.

Roger (1995, p.2003) explains the difference among five stages of innovation decision process. The mass media channels are relatively more important at the knowledge stage and interpersonal channels are relatively more important at the persuasion stage. Therefore, the trial is an important stage for customers to perceive information and make decision in purchases.

2. Trial as a distinctive stage

Trial is the degree to which an innovation may be experimented with on a limited basis. It is the stage that is important to the customer decision to accept the new idea or new services. There are many theories that explain the trial as a distinctive

stage (e.g. Antil, 1998; and Bitner et al., 2002). They argue that trial is a viable distinctive state as the customer will evaluate after trials.

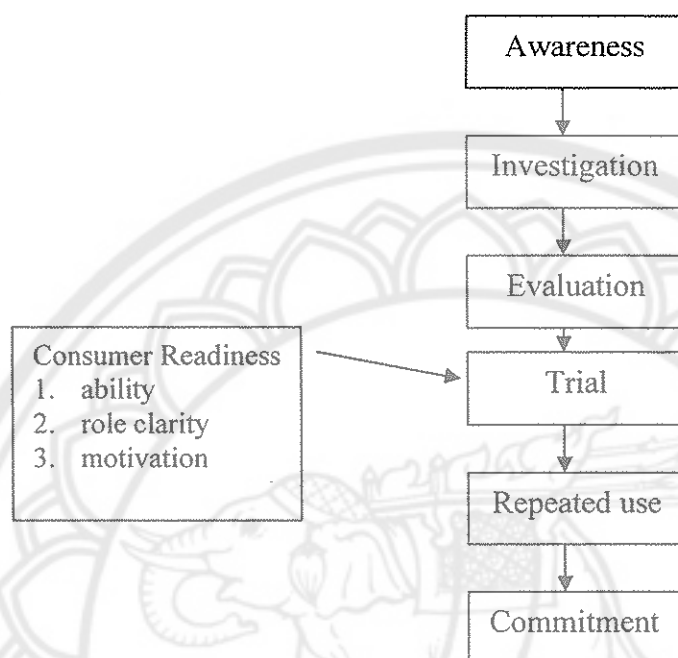


Figure 4 Model of Low-Cost Airlines Adoption

Source Adapted from Bitner, Ostrom and Meuter (2002, unpagged).

Figure 4 illustrates getting customers to try a new airlines service for the first time is a critical issue. The research results provide support for each of six stages in the adoption process. First, customers must be aware that airline service exists. They are then likely to collect additional information about new types of airlines service that may become the basis for evaluative judgment. If the low-cost airline service is judged to be appealing, then it is more likely that the customer will try the airline services. In turn, initial use of the airline service may lead to repeated use and commitment, depending on how the customer reacts to the trial experience. Customer readiness is composed of ability (perceived capability to performing the behavior); role clarity (knowing what to do); and motivation (perceiving a benefit to performing the behavior).

Trial is considered as a distinct stage not only because of its prior evaluation (e.g. customer readiness), but an experience-based evaluation and its impact on decision (see figure 3). Antil (1988, unpagged) puts an emphasis on the evaluation after the trial and states that a consumer does not move directly from service trial to adoption. His proposed adding “consequences” and “confirmation” between a trial and an adoption/rejection decision, which puts an emphasis on experienced-based evaluation prior to the decision.

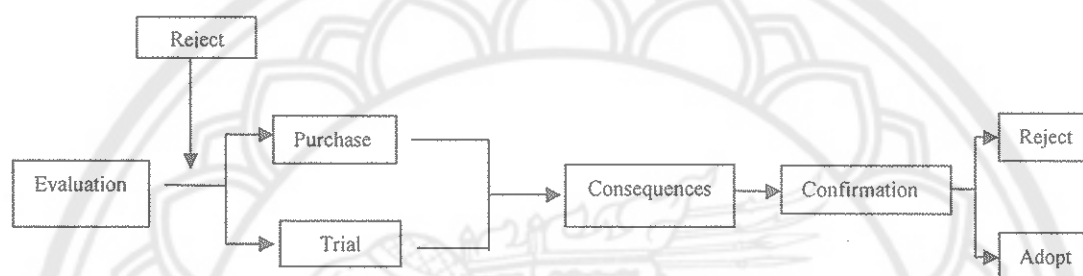


Figure 5 Modifications to Trial-Adoption Process

Source Antil, 1988, unpagged

3. A model of Innovation Resistance

Ram (1988, unpagged) argues that the vast of literature on innovation has been based on the premise that all innovations are good for the customer and are surefire improvements over existing product substitutes, which is probably a “pro-innovation bias.” Innovations are not definitely a good replacement. To identify the factors that cause resistance in order to modify or redesign innovation and thus enhance adoption is critically important.

According to Ram (1988, unpagged) model innovation resistance is viewed as dependent on two sets of factors: perceived innovation characteristics and previous innovative experience (see figure 5). A customer is exposed to an innovation through direct contact with innovation and through one and more of several circulation mechanisms. If the customer perceives a high degree of change in using the innovation, then he/she has resistance to it. If the innovation encounters customer resistance, then it needs to be modified by the firm to suit customer needs and reduce the resistance.

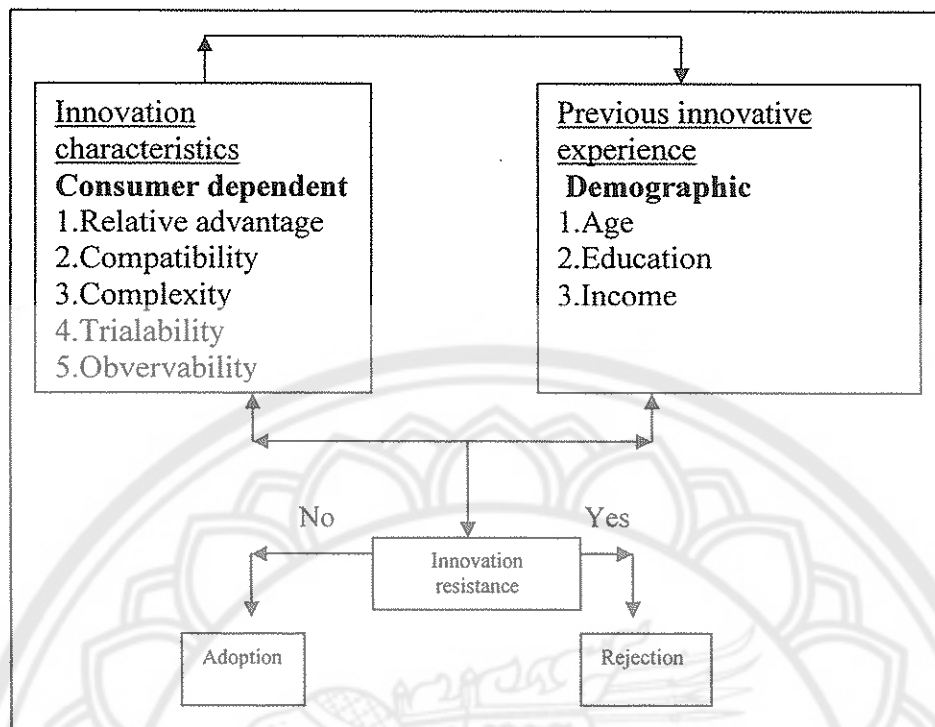


Figure 6 Adapted from A model of Innovation Resistance

Source Ram 1988, unpagged

The above figure identifies the key factors of resistance to adopt the new services. The characteristic of innovation include relative advantage, compatibility, complexity, trialability, and observability relative affect directly the customer in adoption. For example, if low cost airlines provide the advantages to the traveling of passenger they may travel by low cost airlines rather than full standard airlines. Also, the previous innovation experience is a resistance factor because it is the information for customers before test or purchase the service.

Along with studying about customer's adoption process, it is essential to understand the characteristics of innovators. It put direct impact in the customer decision to adopt new services.

4. The characteristics of innovation

Roger (1995, unpagged) identifies five characteristics of innovation as consisting of relative advantage, comparability, trialability, obervability, and complexity. In addition, a large number of studies have also added the concept of perceived risk to the five original components.

The first four characteristics are positively related to adoption of an innovation and the remaining that is complexity, are negatively related (Jo Black, 2001, unpagged).

Relative Advantage

Relative advantage is the degree to which an innovation is perceived as being better than idea it supersedes. The degree of relative advantage is often expressed as economic profitability, social prestige, or other benefits. The nature of the innovation determines what specific type of relative advantage is important to adopters, although the characteristics of the potential adopters also affect which sub-dimensions of relative advantages, but on its advantages as perceived by the individual. The proposition is that the greater an innovation's perceived relative advantage, the more rapidly it will be adopted.

Compatibility

Compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences and needs of potential adopters. An idea that is more compatible is less uncertain to the potential adopters, and fits more closely with the individual's life situation. An innovation that is more compatible with culture values, previous adopted ideas, and personally felt needs, will be rapidly adopted.

Trialability

Trialability is the degree to which an innovation may be experimented with on a limited basis. New ideas that can be tried on the installment plan are generally adopted more rapidly than innovations that are not divisible. Relatively earlier adopters of an innovation perceive trialability as more important than do later adopters. More innovative individuals have no precedent to follow when they adopt, whereas later adopters are surrounded by peers who have already adopted innovation. Generally, the easier an innovation is to sample, the more rapidly it will be adopted.

Observability

Observability is the degree to which the results of an innovation are visible to others. The results of some ideas are easily observed and communicated to others, whereas some innovations are difficult to observe. In summary, the easier an innovation is to observe, the more rapid it will be adopted.

Complexity

Complexity refers to the degree of perceived difficulty in understanding and using the innovation. Any new idea may be classified on the complexity-simplicity continuum, but it is also a perceived attribute by potential adopters. Some may previously have extensive experience in terms of a specific innovation whereas others do not. Thus, if an innovation is perceived more difficult to use, the less rapidly it will be adopted. Existing research indicates that the complexity of innovations is more highly related (negatively) to the rate of adoption than any other characteristics of innovation except relative advantage.

In addition, the customer characteristics are important information to identify the adopter characteristics. This information helps to understand the adopter characteristics.

5. Adopter Categories

Roger (1995, p. 254) describes each individual adopter in the adoption system into five categories on the basis of normal distribution. Figure 7 identifies the adopter categories based on the innovativeness (see figure 7).

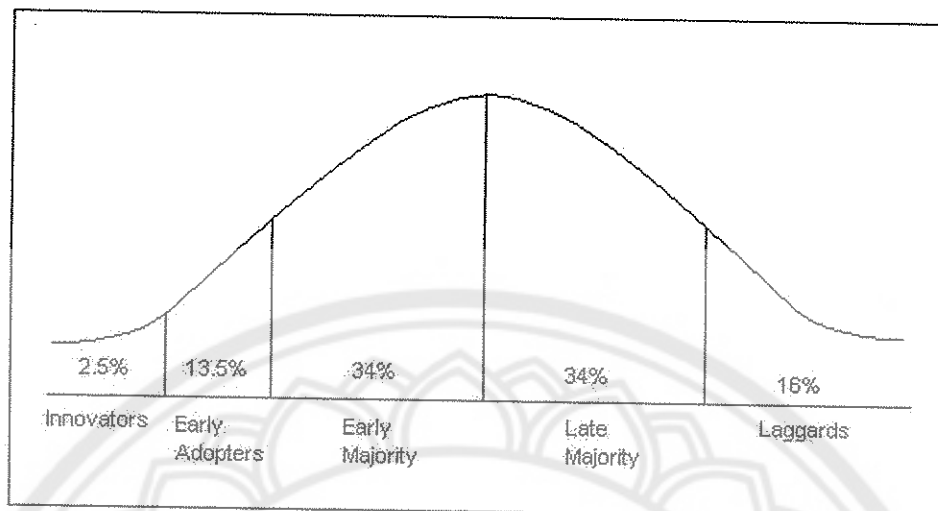


Figure 7 Adopter Categorization on the Basis of Innovativeness

Innovators:

Innovators refer to individuals who pursue innovation aggressively. They are not usually many in any given market context. Being an innovator has several essentials. The ability to understand and apply complex technical knowledge is also needed. The innovator must be able to cope with a high degree of uncertainty about an innovation at the time of adoption. While an innovator may not be respected by the other members of the local system, the innovator plays an important role in the diffusion process: launching the new idea in the system by importing the innovation from outside the system's boundaries. Thus, the innovator plays a gatekeeping role in the flow of new ideas into the system.

Early adopters:

Early adopters are a more integrated part of the local system than are innovators. This adopter category, more than any other, has the greatest degree of opinion leadership in most system. The early adopter decreases uncertainty about a new idea by adopting it and then conveying a subjective evaluation of the innovation to near-peers through interpersonal networks. Early adopters drive the development of the early market.

Early majority

The early majority adopt new ideas just before the average member of a system. The early majorities interact frequently with their peers, but seldom hold position of opinion leadership in a system. The early majority are the most numerous adopters categories, and it is a unique position between the very early and the relatively late to adopt that make them an important link in the diffusion process.

Later majority

The late majorities adopt new idea just after the average members of system and are the largest group categories. They possess relatively scarce resources and most of the uncertainty about a new idea must be removed before the late majority feels that it is safe to adopt.

Laggards

Laggards are the last in a social system to adopt an innovation. Laggards tend to be suspicious of innovations and change agents. Their innovation-decision process is relatively lengthy.

However, it is essential to understand the characteristics of each adopter category. They are used to identify the low cost airlines customer characteristics regarding adopter category.

6. Characteristics of Adopter Categories

Roger (1995, unpagged) presents three main consumer characteristics that usually separate early adopters from late adopters. These can help the marketer seek to identify the segment of the market that is most likely to adopt the new product when it is first introduced.

Socio-economic characteristics and adopter categories:

Early adopters, generally, tend to have more (year of) formal education, be more literate, have higher social status, a greater degree of upward social mobility and have larger units (farms, school, companies, etc.). Age is found no different between earlier adopters and later adopters. Although wealth and innovativeness are highly related, it is hard to set a cause-and-affect relationship between there two variables.

Personality characteristics:

Early adopters are most likely to have greater empathy, be less dogmatic, have a greater ability to deal with abstractions, be more rational, more intelligent, have a more favorable attitude toward science, be less fatalistic and more ambitious (for formal education, occupations and so on). However, Roger (1995, unpagged) also pointed out that personality variables associated with innovativeness have not received full research attention, in part because of difficulties in measuring personality dimensions in field interviews. Henry (1987, p. 462) explains that adopters have two personalities. First is inner-directed where a person relies on his or her internal standards and values to guides behavior. For the other a directed person relies on the values and friends of associates. The dogmatism is related to the perception that threat and anxiety result in a closed mind toward change. In contrast the low dogmatic are more likely to accept change in a variety of situations.

Life-Style Characteristics

Henry (1987, p.463) suggests that life-style characteristics are used to identify the characteristics of innovators or adopters. For example, woman are more fashion conscious, therefore they may decide to test new products. The personal innovators were various styles, e.g. be style and appearance conscious, be socially oriented and self-confident, communicate about new products, look for products that save time and rely on the brand names.

Some studies have found that the innovators are more likely to be upscale and employed, resulting in an emphasis on time-saving products.

Communication behavior or media

Early adopters generally are more socially active, better connected, more exposed to mass media, seek information about innovation more actively, have greater knowledge of innovations and are more likely to be opinion leaders.

In addition, the demographic characteristics of adopters were explored by Mellot (1987, unpagged) who showed innovators/early adopters tend to be relatively younger, better educated and have higher income level. Some researchers have investigated demographic factors in relation to low-cost airlines service, and similar to Mellot's study which found that the young, affluent, educated are more likely to use such airline service (O'connell and William, 2004).

The media is a key in introducing a new product. The marketer has to select mass media that are most likely to reach adopters of their product. Assael (1987, p. 465) found that the innovator tends to read magazines with editorial content relevant to the product category. For example, female fashion innovators are likely to read Vogue and Cleo. While fashion for male innovators are likely to be Playboy and Equire.

Table 4 A profile on The Innovator Versus The Noninnovator (Late Adopter)

Characteristics	innovator	Noninnovator (late adopter)
Product interest	More	Less
Opinion leadership	More	Less
Personality		
Dogmatism	Open-minded	Close-minded
Social Character	Inner-directed	other-directed
Venturesomeness	More	Less
Perceive risk	Less	More
Purchase and consumption Traits		
Brand Royalty	Less	More
Usage	More	Less
Media Habits		
Total magazine exposure	More	Less
Special interest magazines	More	Less
Television	Less	More
Social Characteristics		
Social integration	More	Less
Social striving (e.g. social, physical and occupational mobility)	More	Less
Group membership	More	Less
Demographic		

Table 4 (Cont.)

Characteristics	innovator	Noninnovator (late adopter)
Age	Younger	Older
Income	More	Less
Education	More	Less
Occupational status	More	Less

Source adapted from Assale H., 1987, p. 466

Table 4 explains the summary of personality, life-style, demographics, and media characteristics of the innovators. The table illustrates a cohesive profile of the customer innovators.

7. Measuring innovativeness

Assale (1987, pp. 468-9) explains innovativeness has been measured by two criteria. The first measure is simply by time. The process is taken and those who have adopted the new product are classified as innovators. However, this is not reliable because the researcher does not know whether a so-called innovator was one of the first to adopt or not. The second criteria use to identify innovators is the number of new products adopted.

In order to study the diffusion process of low cost airlines customers. The researcher analyzes the marketing strategy of low cost airlines as pull factors that encourage users to adopt.

Marketing strategy of Low Cost Airlines

1. Marketing strategy definition

Strategy is defined as solutions of competition in an industry. Mintzberg et al. (2003, p.10) explains strategy as the pattern or integrated plan of an organization's major goals, policy, and action sequences into a cohesive whole. Patrick et al. (2001, p. 2) explains that marketing is the process of executing the conception, pricing, promotion, and distribution of ideas, goods, and service to create and exchange value, and satisfy individual and organization objectives. Kotler (2003,

p.9) suggested that marketing is a social process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others. In terms of management, marketing is the art of selling product because it is the art and science of choosing markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

The definition of marketing strategy serves as the foundation of a marketing plan. It contains a list of specific actions required to successfully implement a specific marketing strategy. For instance, the company cuts price to attract consumers.

A company uses different strategies or tactics. Those strategies serve as the fundamental underpinning of the marketing plans designed to reach goals. The marketers have to select strategies which are suitable with the company objective and product. Therefore, an organization forms the marketing policy and tactics into a cohesive whole.

The marketing strategy can be identified by particular practices. The low cost airlines' products are tickets. For example, the airlines targets are less earners so they provide the lowest price to attract them. The first successful low cost airline business was Southwest Airlines and many low cost airlines have tried to imitate this model.

The pattern of Southwest Airlines is considered the first successful low-cost airline in the world. The product consists of two main characteristics: product features and the operation features. The Business Traveler News (2003) presented a cover story about new airline models.

1.1 Independent no frills: These one-class carriers offer a basic, flight-only service either through secondary gateways or on head-to-head routes with the major and regional operators. Examples are Southwest, EasyJet, Ryanair, Go Fly, Virgin Blue and AirAsia.

1.2 No frills subsidiaries of the established airlines: The low-cost airline-within-an-airline model was introduced mostly as a competitive response to other low-cost airlines, but also provides a vehicle for major carriers to drive down their own

costs. Examples include KLM's Buzz, Bmibaby (British Midland), JAL Express and Delta Air Lines' Delta Express.

1.3 Hybrid operators: These are independent or subsidiaries providing some-frills service (including access to premium facilities and frequent flyer programs) within a low-cost operating structure. Examples are Australian Airlines, SilkAir, AirOne in Italy, AirTran, Frontier Airlines and JetBlue in the US.

According to the Southwest Airlines model, there are similar Asian low cost airlines. They provide a single class and no free drink or snack. However, some airlines have adapted the model, such as Nok Air who provides a special class. It is called "Nok Plus." However, the passengers have to pay 500THB per seat for special class (manager magazine, 2005). Therefore, low cost airlines marketer need to apply their strategy to match Asian consumers' behavior.

Low cost airlines select cost leaderships as the main strategy but Kotler (1999, p. 407) explains the price is only one of many marketing tools that companies uses to achieve its marketing objectives. The price may attract consumers to purchase the product, but they also consider other factors as well, such as distribution channels, the product, and service after sale.

3. Marketing Mix

The nature of low cost airline products is similar to that of tourism products: intangibility, perishability and timeliness, seasonality, and quality control (Davidoff and Davidoff, 2000, p.23-25). Morrison (2002, p.39-40) suggested that hospitality and travel services have specific characteristics. There are eight specific differences in hospitality and travel services;

- 3.1 Shorter travel service
- 3.2 More emotional buying appeal
- 3.3 Greater importance on managing evidence
- 3.4 Greater emphasis on status and imagery
- 3.5 More variety and types of distribution channels
- 3.6 More dependent on complementary organizational
- 3.7 Easier to copy service
- 3.8 More emphasis on off-perk promotion.

These are the special features of hospitality products, so the marketer has to understand their product positioning and that of competitors. The marketing mix or 4P's is the tools to identify the product positioning in the market. This is a set of marketing tool that work together to produce a satisfied customer. The 4P's elements include product, price, distribution channel or place, and promotion. The researcher applies the 4P's elements and comes up with the following Table (see Table 5).

Table 5 4P's of Low Cost Airlines in Thailand

	Thai AirAsia	Nok Air	One-Two-Go	Tiger Airway
Product	Air Ticket	Air Ticket	Air Ticket	Air Ticket
	Package tour			Package tour
Price	Yield management	Yield	Single price	Yield
	Price of ticket	management	Price of ticket	management
	Fee & tax &	Price of ticket	Fee & tax &	Price of ticket
	Fuel surcharge	Fee & tax &	Fuel	Fee & tax & Fuel
		Fuel surcharge	surcharge	surcharge
Place/ Distribution channel	▪ Counter service	▪ 7eleven	▪ Travel	▪ Call center
	▪ Mobile shop	▪ Counter	agent	▪ Online
	(AIS)	service	▪ Online	▪ One-Two-go
	▪ Call Center	▪ Call Center	▪ Call center	ticket booth
	▪ Online	▪ Online		
Promotion	▪ Travel agent	▪ Krung Thai		
		Bank ATM		
	▪ Cutting price	▪ Cutting price	▪ Cutting	▪ Cutting price
	▪ Free ticket for anniversary		price	▪ Free ticket

The table above illustrates the marketing mix of low cost airlines. The products of airlines are similar; that is, domestic and international tickets. Moreover, some airlines provide package tours. The airline cooperates with local travel agents or hotels. The promotion of airlines includes free tickets and cutting ticket price. Finally, they was similar activities and product positioning.

In comparison between the tickets prices of low cost airlines and full standard, the low cost airlines are cheaper than full standard about 30-50% (Kongrattanasuk, 2005). However, the net prices of every airline includes: tax, surcharge and insurance. After the fuel crisis, low cost airlines raised the ticket prices about 200-350 THB per seat (Manageronline, 2005).

According Kotler (1999, p. 452), distribution channels are a set of independent organization involved in the process of marketing a product or service available to the consumer or business user. As table 2.1 illustrates, low cost airlines select the Internet or websites as their distribution channel. Other channels include call centers and travel agents. They use credit card payment or money transfer via ATM or bank, and also corporate with mini marts pay points such as 7Eleven and mobile shops.

The promotion is the tools for communicate and stimulate customers to purchase products. Low cost airlines, in this case, offer special ticket price to stimulate sales. For example, the passengers who buy ticket between 23-30 March 2006 and travel between 1 June-30 October 2006 will get a special ticket price. Moreover, airlines also offer special ticket prices to promote new destinations or new routes.

4. Branding Strategy

Low cost airlines use brand image as key strategies. For example Nok air build new image of low cost airlines by its motto as "low cost does not mean low quality." This motto helps the customers have a good attitude with the airline.

Brand royalty is the strategy of every airline. Martin Roll, (2004) said that branding in the classic sense is all about creating unique identities and positions for products and services, hence distinguishing the offerings from competitors. Kotler (2004, unpagged) also suggests brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those competitors. Moreover, Morgan, (2005,

unpaged) said that brand development and marketing effectiveness is essential for product which a high level of market acceptance especially the case with low cost carriers. It can be seen from the airlines industry that has a strong brand such as Singapore Airlines, Thai Airways, Emirate Airlines, and etc.

Furthermore, brands are equally important in business to business service market. This means the strong brand is likely to sustain the company's profits because it creates competition barriers impossible for others to copy (Adcock, 2000, p.203). The situation is similar to low cost airlines but not every airline is successful in this aspect. For example Tiger Airway or Orient Thai Airlines are promoting the branding as lowest price and try to create the strategy for quality also. The profit margin is lower than their expectation and that other airline.

Adcock (2000, p.215) suggests a good brand reputation has a positive effect on purchase loyalty. There are seven golden rules of brand development as shown in figure 5 below.

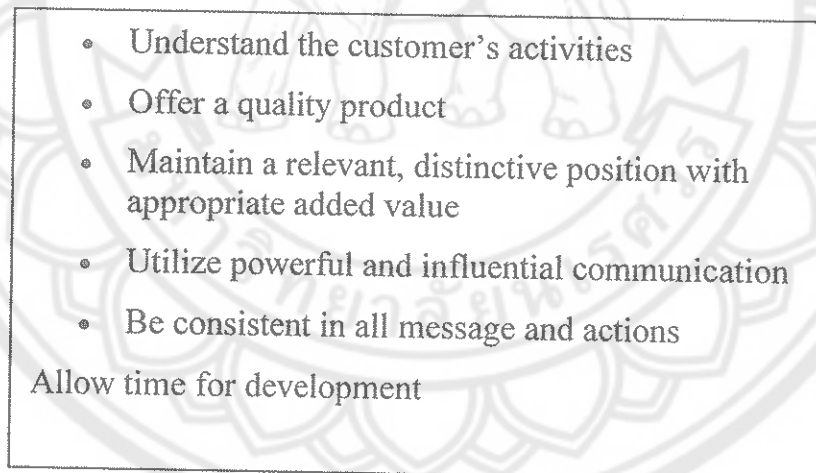
- 
- Understand the customer's activities
 - Offer a quality product
 - Maintain a relevant, distinctive position with appropriate added value
 - Utilize powerful and influential communication
 - Be consistent in all message and actions
- Allow time for development

Figure 8 Seven Golden Rules of Brand Development

Source adapted from Adcock, C. 2000, p.215

The lists of key practices are major concern of companies when they desire to build strong branding. Moreover, the key measurement of company's successful service are consisting of branding, recalling the customer (Cateora and Graham, 2005, p.363). As well, mostly tactics to build brand image of low cost airlines in Thailand is being a sponsor for events or sport games. For example, AirAsia is following this tactic. They are in partnership with Premier League Football Association (FA cup) to be a sponsor for football match in Thailand in 2005-2006. For this agreement, airlines can put their logo in the matches.

The Niche marketing is one of low cost airlines strategies. These strategy airlines seek new targets that are different from those of full standard airlines. For example, Nok Air focuses on the middle class people, businessmen, and tourists. The target groups have certain attitude about the relationship between price and quality. Therefore, the branding concept of Nok Air is related with their target market. The overall practices of low cost airlines aim to build a good image and reduce the negative image regarding the customers' attitude.

However, the marketing communication is the key of marketing strategy because the companies have to send the information to and contact with their clients. These principle elements include media communication and advertising on newspaper. This aims to promote and send information to customers.

Integrated Marketing Communication (IMC)

1. Marketing Communication Concept

The promotion represents various aspects of marketing communication which is the communication of information about the product with the goal to generate a positive customer response. (Internet center for management and business administration, Inc., 2005). Marketing communication (MC) is the model of media communication between the company and the customers. This is defined as coordination of a company's outgoing message between different media and the consistency of the message throughout. The marketing communication is part of marketing plan that captures and uses an extensive amount of customer information in setting and tracking marketing strategy (Ross, 2006).

Another definition of marketing communication is management concept. It is designed to make all aspects of marketing communication such as advertising, sales promotion, public relations, and direct marketing work together as a unified force, rather than permitting each to work in isolation (New York Time Company, 2006).

In terms of integrated marketing communications (IMC), it has been defended in many ways. In general idea, it assumes that "it is a new way of looking at the whole, where once we saw only parts such as advertising, public relations, sale promotion, purchasing, employee communication, and so forth, to look at it the way the consumer see it. It is a flow of information definition of indistinguishable sources." The American Association of Advertising, in addition, explain the concept of IMC as "a concept of marketing communication planning that recognizes the added value of a comprehensive plan that evaluates the strategies roles of a variety of communication disciplines, e.g. general advertising, direct response, sales promotion and public relations."

2. The Relationship between Marketing Mix (4P's) and Marketing Communication

The tools of marketers, which is introducing and promoting new products, are marketing strategy and marketing mix (4P's). Figure 9 explains clearly between marketing mix and marketing communication.

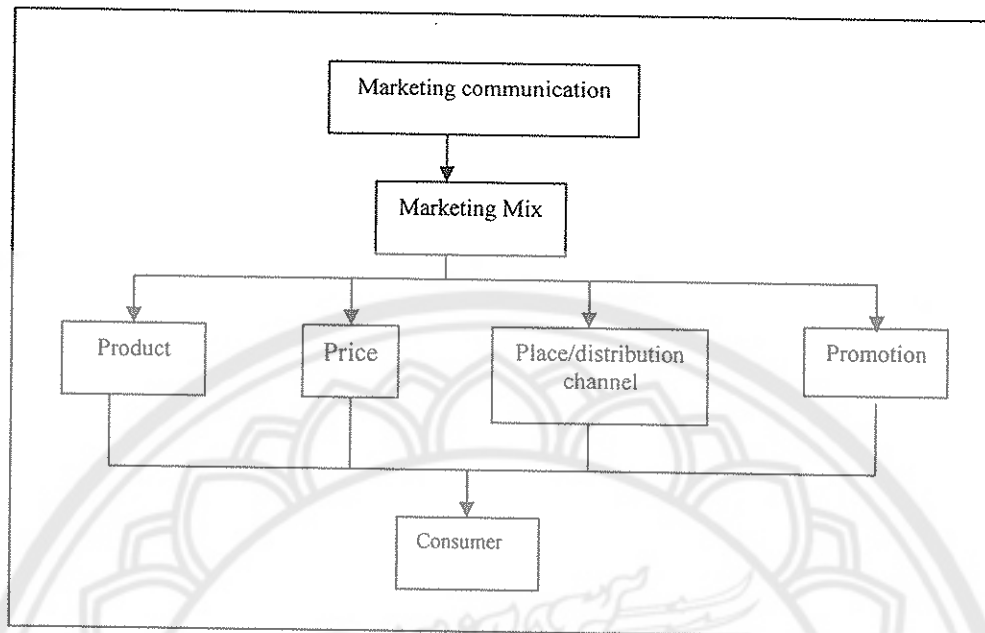


Figure 9 The Relationships Between the Variable of Marketing Mix for Marketing Communicate with Consumers

Source Jongsatitwattana, P. and et al. (2001, p.328)

The above figure illustrates the relationship between consumers and the variables of marketing mix. The marketing mix is a parameter that the marketer can control, subject to internal and external constraints of the marketing environment. They include product, price, place or distribution channel, and promotion. The last variables are promotion, which are the tools or communication channel to distribute information and persuade customers to purchase a service or product. Moreover, the promotion activities consist of advertising, direct sale, sale promotion, public relations and packaging. It is called the five promotion activity or "Promotion Mix" or "Communication Mix".

Lovelock et al. (2004, p.322) explains the significance of communication marketing for intangible product that presents the service of a company to customers to build brand awareness and control between supply and demand. This means the customers understand the nature of service or the product before use. As the result, they reduce the critical role of front line service employees. For the high-contact

services, for instance, they offer gifts premium, upgrades premium service and luxurious car service.

In conclusion, the roles of marketing communications are creating the powerful images, confidence and reassurance to the customers. In a general sense of marketing communication, it provides the information to customers about a firm and services and persuades customers regarding a specific service or product. It is the best solution to remind customers about service and product. Moreover, it stimulates them to purchase.

3. The marketing Communication and Service

Most of the marketers access to numerous forms of communication and promotion. It identifies promotion tools that marketers use. (See Figure 10).

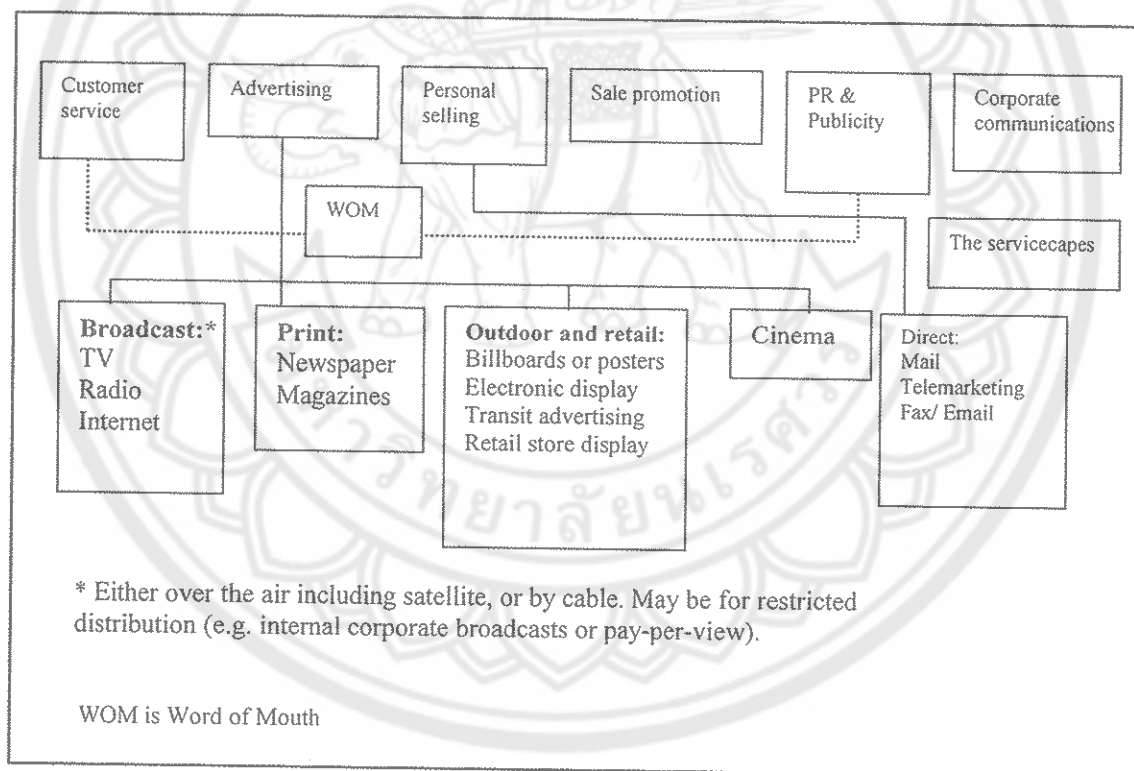


Figure 10 The Marketing Communications Mix for Service

Source Adapted form Lovelock, C. et al. 2004, p.326

The above Figure illustrates traditional marketing communication mix for services. These are patterns of communication: customer service, advertising, person selling, sale promotion, public relations, and corporate communication. For the other way to promote new product, the marketer applies advertising via four channels: broadcasts, prints, outdoor or retail shop, and cinema. The last channels of marketing communication are word of mouth and sponsor. However, word of mouth is both of advantages and disadvantages for the company because the company cannot control information sent to their customers. So the customer may misunderstand about new products or services.

Furthermore, the corporate communication involves with creating a unified and distinctive visual treatment for all the tangible elements. For instance, the McDonald's golden arches are a widely recognized as corporate symbol in the world. In contrast, the consistent corporate design for the chain also extends to certain aspects of store appearance and the design and color of employee uniform. Moreover, the sale promotions include sample product, premium gifts, coupon, and discount voucher.

4. Marketing Communication Tools

According to Smith (1998, unpagged) there are 12 different communication tools available: personal selling, advertising, sale promotion, direct marketing, public relations, sponsorship, exhibition, packaging, point-of -sale, and merchandising the Internet, word of mouth and corporate identity.

Pertrick, et al. (2001, p.5) and lovelock et al. (2004, pp.326-329) explain the action of marketing communication that gave a number of practical or organization consequences that influence or deal with communications consultant such as PR and advertising agencies and indeed the way in which communications consultant organize themselves. Marketing communications influence or persuade the customers by conveying a message. The message is directed to all targets address. The advertizing is considered a synonym of marketing communication, because it is the most visible tool of the communication. There are many tools of marketing communications as follows:

Advertising is non-personal mass communication using mass media such as TV, radio, newspaper, magazines, billboard, and etc. it is determined and paid by a clearly identify the company.

Sale promotion is sale-stimulate campaigns, such as price cuts, couponing, loyalty programs, competitions, free samples, etc.

Sponsorship implies that the sponsor provides funds, goods, service and/or know-how. The sponsor will help the organization with communications objectives such as building brand awareness or reinforcing brand or corporate image. A company can sponsor an event or organize its own events. For instance; AirAsia is a sponsor for air ticket to many TV programs.

Public relations consists of all the communications a company instigates with its audiences or stakeholders. Stakeholders are groups of individuals or organizations with whom the company wants to create goodwill.

Point of purchase communications are communications at the point of purchase or point of sale (i.e. shop). It includes several communications tools such as displays, advertising within the shop, merchandising, article in presentations, store layout, etc.

Exhibitions and trade fair, particularly in business -to- business and industrial markets, are of great importance for contacting prospects, users and purchasers.

Direct market communications are a personal and direct way to communicate with customers and potential clients or prospects. Personalized brochures and leaflets, direct mailings, telemarketing actions, direct response advertising, etc. is possible ways of using direct marketing communication.

Personal selling is the oral presentation and/or demonstration of one or more sale persons aimed at selling the products or services of a company it is a personal contact between a company representative and a prospect or client

Interactive marketing uses a new media such as the Internet and extranet and offer ways to communicate interactively with different stakeholders and, together with e-commerce, combines communicating with selling.

The action communications seek to influence and persuade consumers or target groups via image or communication themes the advertiser describes target group about products and service. It aims to improve relationship with target groups, increase customer satisfaction or reinforce brand awareness and brand preference.

Table 6 Summaries the Advantages and Disadvantages of the Leading Media.

Medium	Advantages	Disadvantages
Newspaper	Short lead time needed, flexible, good local market coverage, inexpensive	Short life, poor reproduction quality, general audience, limited creativity, heavy ad competition
Magazines and trade journal	High geographic selectivity, long life, high quality reproduction, good pass-along readership	Long lead time, poor frequency, ad clutter, expensive
Direct mail	Audience selectivity, no ad competition, personal approach, in expensive	High throwaway rate, receipt by wrong person, low credibility
Radio	Selective market, high frequency, low cost	No visual contact, customer distractions
Television	Combines sight, sound and motion, high attention, persuasive	General audience, relatively expensive, lead-time, short message
Billboards	High repeat exposure, low cost, low competition, color creative option	General audience, legal restrictions, inflexible
Telephone/business directory	Low cost, coverage of market, specialized listing	Clutter of ads, limited creativity, lead-time
Internet	High degree of selectivity, interactive	Large competition

Source Adapted from Alexander T. and Bruce D., 2004, p.230

The above table illustrates the advantages and disadvantages of leading advertising media. The marketer considers very carefully media channels to promote the product. It is important in choosing tools because they affect customers to perceive message. Moreover, they lead customer to get information and form the image of product.

The marketing communication is a strategy for the company to promote the new technology or new service. It is important to select efficient tools and evaluate the marketing tools used for new product advertising. Therefore, the company gets the benefit that they spend.

Alexander and Bruce (2003, p.231) explain the measuring effectiveness in advertising campaign, which should be measured in terms of criteria derived from the firm's overall advertising and marketing objectives, e.g. profit and feedback from customers. The efficient tools will attract customers by media advertising. After that the customers respond or give feedback by searching information or asking about products or services.

Related Research

According to literature reviews, the researcher also collects other research studies that relate with the topic. There is one research that studies about the acceptance of customers regarding the low cost airlines services.

The study of Suan Dusit poll (2003) asked people about the open sky policy and low cost airlines. It found that approximately fifty seven percent passengers, who have experience with travel by air, said that they agree to fly, while sixty- nine percent of passengers who never have experience travel by air, said that they will fly with them. The main purpose is saving the money.

In comparison about the safety policy between low cost airlines and full standard airlines, it is found that the respondents are convinced to fly with low cost airlines rather than full standard airlines. The report found that both types of passengers who have experience and without experience prefer to fly with low cost airlines. It means that the low cost airlines' safety policy is reliable.

Furthermore, approximately fifty seven percent of people said they flew with low cost airlines because it is cheap and time-saving. The other groups said that it provided new experience for people who are fewer earners (29.36%) and provided more alternative choice for traveling (13.21%). When asking about the weakness points of low cost airlines, it is found that the most of people said that quality of services are main problem (23.17%), next is safety (29.36%) and processing of service (17.47%).