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## **Reasons for changes of passenger perceptions of low cost carriers identified on social media – a case study on Jetstar Airways – A literature review**

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**Abstract.** Low-cost carriers have been operating since early 1990's and the reputation of these low-cost carriers have been a questionable one. This literature review looks to understand the marriage between low-cost carrier Jetstar and social media/IT and how this is connected to understand customer perceptions of low-cost carrier Jetstar that operates within New Zealand. Jetstar operates around the world, but for the purpose of this literature review, we will be looking at perceptions based on Jetstar flying around New Zealand. This research uncovers what customers comment about low-cost carriers like Jetstar and how airline companies are alert about the comments made on their social media platforms. These comments are often based on many different factors which the literature review looks at e.g. perceptions based on inflight experience, perceptions based on events, perceptions based on the purpose of travel, and choices in the way of business for organisations. It is hoped that this literature review would benefit the airline to understand the stance of customers who choose to fly with Jetstar and the reason for their choices.

**Keywords.** Jetstar, low-cost carriers, social media, perceptions

### **1. Introduction**

Low-cost carriers have been around since well before the 1990s. Low-cost carriers are airlines that fly routes that are cheaper to fly or fly on a price that's more affordable. Low-cost carriers often do not offer what full-service airlines do. For example, blankets, pillows, or even meals are not provided on some flights. The operational attributes of the low-cost carrier model are not just limited to things like blankets and pillows, but also towards the structure of the internal airline, e.g. the leasing of aircrafts instead of buying newer aircrafts, operating out of secondary hubs, keeping operational costs down by not serving full meals on certain sectors, and having faster turnaround times by doing a swift clean performed by flight attendants (Yilmaz, 2017). This is because low-cost carriers try to reduce the amount of money they would spend on the "frills" and just focus on making the price of the seats more affordable for customers who have never flown because of expensive airfares. The perceptions of people are always changing, and this can be due to a number of things that occur in their lives, the economy, and their country of residence.

Over the last 35 years, the airline industry has gone through an expansion that has been somewhat successful compared to other transport industries. The technological advancement

rate has been significant. It means that prices for these services have dropped, and with this drop in price, the demand to fly has increased rapidly. Airlines all over have had the opportunity to partake in their own competition, giving customers choice when they choose to fly. This is the only industry that can take the blow of competition and stay alive in such a competitive market, largely because of its unique business structure. It just will not be the same for any other transport industry. The airline industry has, however, only been slightly profitable (Doganis, 2005). From the mid 1900s to the beginning of the new millennium, the aviation industry encountered one of the biggest booms in its history. There were worldwide increases in GDP and this led to a healthy growth for airlines of around 4-6 percent per year. Unfortunately, this did not last in the years to come, especially in the years 2000, 2001 and 2003, with the airline industry facing the harshest time ever in 2004. Major airlines did manage to benefit from new computer technology programmes, which helped forecast demand in terms of seats supplied in the network. During this time, low-cost carriers could generate profits by providing a no-frills and cost-effective service based on a point-to-point network business model in contrast with full-service airlines (Cento, 2009).

### *1.1. Low-cost carriers in USA*

Low-cost carriers brought about changes in the bilateral air service agreements that became obligatory in World War II, constraining airlines' services to be available only for defence, safety, and strategic reasons. The US "open skies" agreement was created after the US started to slacken rules regarding air travel, particularly with the Airline Deregulation Act 1978. Southwest Airlines is recognised as the most successful low-cost airline (Taumoepeau, Towner, & Losekoot, 2017). Southwest Airlines was created in 1967 and is considered one of the largest of its time and one of the pioneers of low-cost airlines (Gross, Lück, & Schroder, 2013).

### *1.2 Low-cost carriers in Europe*

After North America, Europe was the next continent to have been overpowered by the low-cost carrier market. The aviation industry in Europe provides 4.2 million jobs, and produces revenue of US\$331 billion. The number of passengers from all 27 states of the EU equals 751 million. In Western and Central Europe, the vibrant growth recorded by low-cost carriers has been made achievable through European air traffic liberalisation (Conrady, 2016). Airlines in Europe were affected by the traumatic events of September 11 in 2001, and traffic in many key market areas was distorted. Airlines like Sabena and Swissair filed for bankruptcy, and most European scheduled airlines recorded losses. Only large low-cost carriers like Ryanair and easyJet could survive (Mason & Alamdari, 2007). The successful low-cost carrier business model that was developed by Southwest Airlines in the US began to spread, and made its way into the Asian market; first in Southeast Asia, then in China, and next into India. Low-cost airlines have grown dramatically over the last few decades. In the UK, air travel is forecasted to rise to 400 million by 2020 and 500 million passengers by 2030 (Ryley, Davison, Bristow, & Pridmore, 2010). Low-cost carriers like Ryan air and easyJet have had the opportunity made available through European liberalisation to expand on a massive scale and establish bases in other parts of Europe, outside of their home territories of UK and Ireland. In 2011, Ryanair had 27 bases, including UK, Ireland, Germany, Belgium, Sweden, Italy, France and Spain (Conrady, 2016).

### *1.3 Low-cost carriers in Asia*

Not so long ago, the skies in Asia were occupied only by recognised carriers like Singapore Airline, Garuda Indonesia, Malaysian Airlines and Thai Airways. Government

protection of these airlines meant they could dominate the domestic market with ease. For example, Thai Airways was for some time the only airline in Thailand that you could fly with domestically. Then in 1997, when the economic crisis hit Asia, full-service carriers were hit hard. The number of visitors flying in and out of the continent dropped significantly. Several airlines were grounded or had to change their business model. Deregulation made way for airlines to create low-cost carriers so that people could afford to fly. These included Tiger Air, Adam Air, and Asia X to name a few (Damuri & Anas, 2005). Since then, the low-cost carrier model has been considered strong competition to the full-service model (Chiou & Chen, 2010). The model has grown significantly. Currently the biggest low-cost carrier in Southeast Asia is AirAsia and Indonesia's Lion Air (Bland, 2014). By 2026, Lion Air will have 600 new aircrafts and will be the largest fleet of aircraft buyers for Boeing and Airbus. Air Asia is another airline that is growing rapidly. Air Asia currently has 60% of Malaysia's domestic market and 40% of its international market. However, it is slowly growing out of Malaysia into India and other Asian countries. Singapore and Philippines have established a good hold on the domestic and international market with low-cost carriers. Cebu Pacific is already known as an established brand, with over 50 flights from its home base. It is also currently considering flying long-haul to destinations like Australia. Low-cost carriers now offer an alternative to business customers, as airlines now also offer business class seats for a lower cost than full-service airlines. However, this does not mean that low-cost carriers are cheaper (ADVITO, 2017). The top ten low-cost carriers in the world in 2018 saw 5 airlines that were based in Asia – Scoot, Indigo, Air Asia, Jetstar Airways and Air Asia X (Whitehead, 2018) were voted on their popularity as good airlines.

#### *1.4 Low-cost airlines in the Pacific*

Low-cost carriers have been a major contributor to tourism development in the Pacific Island countries. The first low-cost carrier to fly to a Pacific Island destination from New Zealand was Kiwi International, which began flying to Tonga and Samoa in 1994. The airline ceased to exist in 1996, folding due to financial reasons. Air New Zealand's low-cost carrier Freedom Air was the reason for the demise of Kiwi International and later merged fully with Air New Zealand in 2008. Jetstar started flying to Fiji from Sydney, attracting a huge Australian market to Fiji, and finally Pacific Blue, owned by Virgin, decided to join the group and started to fly to Vanuatu, Fiji, Cook Islands, Samoa, and Tonga. Both Pacific Blue (now Virgin Australia) and Jetstar are good examples of successful airlines-within-airlines (Taumoepeau, 2016).

Jetstar has been operating in New Zealand since 2009. This research aims to uncover customer perceptions of the airline as they are seen on social media. The research aims to discover why customers started to dislike Jetstar, and if social media was the platform where such dislike occurred firsthand.

#### *1.5 Jetstar*

Jetstar is a low-cost airline that is wholly owned by the national carrier of Australia, Qantas, whose headquarters are in Melbourne. It was created in 2003 by Qantas to compete with then-low-cost carrier Virgin Blue. Jetstar now operates a large and extensive network around the Pacific and Asia, being the world's largest long-haul low-cost carrier (CAPA, 2017). Their fleet consists of Airbus A320, A321, Boeing 787 and Bombardier Q300 in all of their networks (Jetstar Airways, n.d.). Jetstar shares the same frequent flyer programme as Qantas, giving passengers for Qantas the chance to gain Qantas Frequent Flyer Points (QFFP) flying domestically and internationally in New Zealand and Australia (CAPA, 2017). In 2005, Jetstar

started to operate trans-Tasman flights to Christchurch from Sydney, then in 2009 started to fly domestically in New Zealand. Jetstar now has a fleet of Bombardier Q300 aircraft that services the airline's regional routes in New Zealand. Due to the pull-out of the national carrier from certain regional routes, the airline decided to create a shake-down after passengers complained that the national carrier was too expensive to fly on within New Zealand. Jetstar is positive that they will create healthy competition and they hope to see fares drop at least 40% in regional services following the similar drop that occurred when Jetstar began operating in 2009 (Bradley, 2015). Jetstar has also taken the opportunity to fill in the gap that was created by airlines exiting routes out of New Zealand ports. In 2014, Air New Zealand and Virgin both announced that they were ending their summer Sydney and Melbourne direct flights to Dunedin. Jetstar was responsible for introducing 16,000 more seats for flights to Queenstown, as well. Jetstar was also responsible for being part of the team that introduced night flying into Queenstown (Fox, 2014). In 2013, Jetstar celebrated its 1 millionth passenger to Queenstown out of the 5 million passengers it flew around New Zealand since it started flying here in 2009. Jetstar has serviced 35% of passenger traffic into Queenstown and it boosted its services to 30 weekly domestic services (Beech, 2013). Most low-cost carriers get a bad reputation when it comes to safety but there are other low cost carriers that rank higher. In 2018, Jetstar was named one of the safest top 10 low-cost carriers in the world, along with other airlines like Westjet and Thomas Cook (Browning, 2018). Jetstar has just recently added a new Pacific Island destination (the Cook Islands) to the selection of destinations they service. This has been very good for them and follows on from their success with four regional destinations around New Zealand (Jetstar Airways, 2015).

Since its operations in New Zealand began, Jetstar has worked hard online on social media to attract a different demographic. Social media became a large part of Jetstar's promotion after Jetstar experimented with social media marketing when it first started its operations in New Zealand (Jetstar, 2011). In March 2011, Jetstar announced a colossal budget that was going to go solely to their social media marketing channels (Jetstar, 2011). This move was special because Jetstar realised the significance of using social media as a marketing tool to reach audiences that they wouldn't have otherwise.

## **2. Social Media**

The term "social media" first started to define certain similar features of web-based media and technology platforms that were emerging. People know social media as online platforms like Facebook and Instagram; however, the term social media draws attention to a broader picture in everyday communication (Meikle, 2016). Not all "contemporary internet phenomena" is considered social media. Applications that can be downloaded on smart phones are also not all considered as social media, as most lack the element of public and personal communication. Some applications like Candy Crush may have an online "life" where you can connect with friends and "move up" on the ranking charts, and also rely on a database to work with, but it lacks the vital two-way communication that Facebook, Twitter or other social media apps have. Meikle (2016), defines social media as "a networked database that combines public with personal communication".

Social media like Facebook is a communication tool that began first with an image attached to a post, and also attracts a number of people to a user's personal network. In fact, each individual forms a part of other networks and interacts with them too. It allows individuals to communicate by creating their own relationships, connections, friends or colleagues with whom they can communicate and share things. It is also a place where communication can bring together the personal and the public in one spot. It is a place where people can "say or make

things; share those things with others; and to have that saying, making or sharing made visible to others” (Meikle, 2016).

### *2.1 Social Media and Airlines*

Social media is growing daily, and it has some advantages for airlines. On social media sites, 50% of word-of-mouth comments are positive about airlines and 10% are negative. The number of people using social media is likely to rise in the future, so a well-planned presence on the internet is important (Dijkmans, Kerkhof, & Beukeboom, 2014). Social media presence is now stronger than ever, and people enjoy spending a lot of time on social media, especially in getting a sense of belonging from people from the internet (Brait, 2016). For an airline, a good presence is important because customers are now technology-savvy and can show their desire for a product with an emoji. A global survey with 28,000 respondents showed that only 46% of participants trusted traditional ways of advertising, 92% trusted word-of-mouth advertising and reviews, and 70% trusted online reviews (Nielsen, 2012). Facebook and Twitter comments are also considered word-of-mouth and this definitely takes most of the comments from customers. This is called eWOM (electronic word of mouth) (Gruen, Osmonbekov, & Czaplewski, 2006). With the current technology, airlines’ approach to catch up to the market has to be very fast. Social media is now a way of life because it connects people together who have common interests. On social media people are able to express their opinions to the public, and participate with any audience from any where in the world. Social media allows “anyone to be a publisher and anyone to be a critic” (Georgetown University, 2010 as cited in Sawyer, 2011). The internet is a great tool for communicating with prospective customers and allows the airline to demonstrate their abilities through the internet via social media. Many companies have changed their approach to communication. Airline companies are now communicating on social media sites like Facebook and Twitter for discussions about their products and services (Dijkmans, et. al 2015). Almost every company has a strong online presence in at least one social media site, where 82% of airlines have an official Twitter account and 74% have an official Facebook profile (Burson-Marsteller, 2012). Airlines have to compete with the market somehow, and the use of social media seems the most likely way of doing it (Fernando, Saad, & Haron, 2012). Fernando et. al (2012) agree and state that employees and customers both have the chance to interact with companies using the companies’ web blogs and social media sites. Airlines have to keep a corporate reputation to make themselves look good in front of stakeholders, and a way they do this is by having an online presence on social media (Dijkmans et. al, 2014). This process can be defined as “the process of positioning, monitoring, measuring, talking and listening as the organisation engages in a transparent and ethical dialogue with its various online stakeholders” (Jones, Temperley & Lima, 2009).

### *2.2 Information Technology and Airlines*

Low-cost carriers offer cheaper prices and more frequency, which means people can fly more often for much cheaper than full-service airlines (Taumoepeau, Towner, & Losekoot, 2017). The aviation and travel industries use a wide range of ICT systems that help them with bookings and other procedures at the airport to make everything easier. The airline industry has a particular dependency on technology for their operational and strategic management. Airlines were early adopters of technology compared to other travel and tourism businesses (Buhalis, 2004). Low-cost carriers are heavily dependent on technology, and when technology fails, the airlines can suffer a great deal. For example, in 2009, Jetstar New Zealand and Australia suffered an outage in the system. The outage was the reason the airline was 90 mins late thereafter, with the whole day’s flights being disrupted (Jetstar Airways, 2009). Information

technology does have a positive impact for airlines as well. Technology generates some fundamental changes in nature and the application of technology in businesses around the world (Buhalis, 2004). The whole online system allows easier access for other stakeholders and a user-friendly approach to the employees of the organisation. In order to perform tasks online, airlines use a wide range of systems to coordinate their activities (Buhalis, 2004). Social media has changed how people interact with other people, making technology very important for interaction (Hanna, Rohm, & Crittenden, 2011).

### *2.3 Social media and millennials*

Airlines now have a strong online presence that attracts a vast number of millennials as well, especially on low-cost carriers. Students are the second biggest market for low-cost carriers. Even though parents often pay for the trips, the idea to travel on low-cost carriers often comes from the students (O'Connell & Williams, 2005). More young minds are entering business, and particularly airlines, so low-cost carriers are now nurturing and training the younger generation to bring an innovative spirit and creativity to help make the organisation achieve its best (Fernando, Saad, & Haron, 2012).

### *2.4 Comments on Social Media*

Social media is very important to airlines. It helps them to stay connected with customers online, and it gives customers a platform to share their views on what the airline has to offer, or if they have any concerns that the airline could help with. This is something every airline wants to avoid because negative comments can diminish the reputation of an airline and make it harder for them to get customers. However, some negative social media comments heighten consumers' brand evaluations (Van Noort & Willemsen, 2011). Positive comments about airlines are important as well. Positive reputation for companies can nurture customer loyalty and customer retention (Nguyen & Leblanc, 2001) and help a company to entice more customers to use their products (Gardberg & Fombrum, 2002), so receiving positive comments is vital. Airlines have to stay ahead and answer any concerns customers may have. For low-cost carriers, it can be very difficult to re-gain the trust of the people who fly with them. Once customers experience bad service, they tend to become very vocal about it and will share their comments on social media for people to see. Other people who are on social media will believe that the service a particular customer received was accurate, because as mentioned earlier, according to the global survey, 92% of customers believe online reports over traditional forms of comment. An online community who participates on the airlines' social media sites regularly are valuable for the company. Companies are more likely to share positive and entertaining news via a social media platform and followers of it are more likely to see it than non-followers. The impact is not only measured by the ability to influence the company's reputation but also by the number of people the social media sites reach. The number of people social media posts can reach depends on how much time a person spends on a device (Dijkmans et. al, 2014). The amount of time a person spends on their social media accounts nowadays is a lot. If we were to go back in time when mobile phones did not have the ability to provide the internet that well, we would see that people were hardly ever on their social media accounts. Phones were not as "smart" and computers not as advanced. However, everyone now has a smartphone and you can do just as much on a phone now as you would on a computer.

### *2.5. Jetstar*

Jetstar has had a lot of developments in the ICT field and social media that have changed how passengers fly.

In 2009, Jetstar started the new self-checking technology that made a huge difference in their New Zealand operations. The new technology saved a lot of time and made boarding easier and more efficient (Jetstar Airways, 2009). In 2010, Jetstar undertook a large-scale shift of their marketing strategy to social media, dedicating 40% of the budget to social media marketing. In doing this, Jetstar became the first major brand to shift from the traditional newspaper marketing. Jetstar stated that traditional ways of advertising were more expensive, and Jetstar was essentially an online retailer so it made sense to make the move, since it connected Jetstar customers directly to the company (Burrowes, 2010). Jetstar increased its capacity by 48% in Indonesia by utilising its online travel sites. The online presence has benefitted Indonesians too as they become more technology-savvy. Direct online bookings have accounted for 60-70% of Jetstar's business in Indonesia (Hudoyo, 2013). In 2018, Jetstar moved a step further than any other airline had to date, and provided "Jess," an online chatbot on Facebook messenger to help with customer queries. Jetstar states that two thirds of their customers are using Facebook so it seemed like the likely choice for them to choose Facebook to start with the chatbot. The online chatbot is great way to help customers with small issues so staff at Jetstar can focus on larger and more complex enquires. The chatbot has also reduced the amount of phone calls Jetstar is receiving (Jetstar Airways, 2018).

### **3 Perceptions of low-cost carriers**

Some customers enjoy being on a low-cost carrier, while others don't enjoy it as much. Low-cost carriers are very important to the economy, and also good for locals, as they provide choice for customers. Research conducted in Thailand suggests that low-cost carriers have the potential to thrive. Research shows that low-cost carriers can even compete with full-service airlines, especially where the demand is highly price-sensitive (Kuosuwan, 2015). Kuosuwan (2015) states that during times of recession and economic downfall, customers prefer to fly with low-cost carriers, provided that the gap in price between low-cost carriers and full-service airlines is widened. If the price gap is narrowed, people will not really consider flying with a low-cost carrier because for a few extra dollars they can fly with a full-service airline with everything included. In some areas, low-cost carriers are the reason tourists have started to fly to these areas. Low-cost carriers have also increased the number of people who return repeatedly to destinations – for example, Pacific Islanders living outside their home countries (Taumoepeau et. al, 2017). However, Kuosuwan (2015) argues that low fares are not the only aspect that keep the customers loyal to the airline.

#### *3.1 Perceptions based on age*

Customer service is also vital for the airline, which Kuosuwan (2015) believes comes from high customer loyalty. According to Kuosuwan's (2015) report, 44% of respondents preferred low-cost carriers based on the price, and the age range of people who travelled a lot on low-cost carriers were between 20-30 year olds. Younger students travel for all sorts of reasons, some of which include training, jobs, and university. The findings were also similar in another survey conducted as part of research by O'Connell and Williams (2005), where a high proportion of travellers on low-cost carriers were under the age of 24. Eighty seven percent of passengers travelled for non-business reasons that included visiting friends/family, and these were from universities and institutes. These trips were paid for by the parents of the students. The numbers changed drastically when passengers between 25-58 years of age were questioned; they all indicated their loyalty to full-service airlines. The change in statistics was obvious because full-service airlines offer a bit more in terms of comfort, which is what the age group of 25-58 generally want. Low-cost carriers prefer a younger, internet-able clientele or people



who use the internet to buy their tickets. This helps the airline to cut costs on ticketing staff and allows customers to access seat availability in real time (Warner, 2002). A survey in 2018 concluded that 70% of passengers who fly to the Cook Islands on Jetstar made their own travel arrangements, whereas 50% who travelled on Air New Zealand chose travel agents to make their bookings for them (Kumar, 2018). These 70% of passengers are the technology-savvy group who mostly use the internet to buy their tickets (Kumar, 2018). These are the groups that low-cost carriers like Jetstar want to focus more on. In 2017, Jetstar was the first airline to introduce Afterpay for Australian customers flying domestically. Customers were able to buy their tickets in small installments until their date of departure. Afterpay is only available on domestic fares between \$200 and \$1,000; however, Jetstar plans to use Afterpay for international fares as well (McMah, 2017). Since 23% of passengers on Jetstar are between the age of 18-29 and generally don't have much money (Kumar, 2018), Afterpay would be a great way to target these customers who don't have the money to pay for their fares now, but want to take advantage of the low fares available immediately.

### *3.2 Perceptions based on price*

Low-cost carriers are now offering options to people wanting to travel, and bringing change to the way people fly to their destinations. People are focused on what they could get out of the airline regardless of the price. Bieger and Whittmer (2006) explain that customer value is no longer dependent on the quality of the transport but on price. Mason (2001) also agrees that price has become the most important factor in choosing a low-cost carrier.

Price promotion is an effective way to lure more customers and would also be beneficial to people who have never thought about flying as an option for travel. Customers do not always perceive price promotion as a good deal as many are more focused on what they can receive from the price they have paid. If the service is greater than the price paid, the customers are generally happier, but if the service is lower than the price paid, then the customer is not satisfied (Al-Sabbahy, Ekinchi, & Riley, 2004). Low-cost airlines carry a negative connotation of being low-level and "cheap", terms which make people think negatively about them. Consumers have largely benefitted from the rise of the low-cost sector in terms of more competition within airlines, more destinations that came about with airline competitions, greater frequencies, and a greater diversity of fares (The Impact of Low Cost Carriers in Europe, 2003).

Price is the sole element out of other seven elements that produces revenue and it directly influences customer satisfaction (Varki & Colgate, 2001). Beiger & Wittmer (2006) agree that customer values centre more on low air fares and no longer stress the quality of the transport. This could be detrimental for full-service airlines; however, the above is a subjective view on airline choice.

### *3.3 Is customer loyalty important for airlines?*

Most customers are loyal if they are satisfied with the company's service quality, and this is often driven by loyalty programmes (Ajibola, Prince, & Lenee, 2014). The true value of status comes from the type of traveller you are or how much money you earn. A survey conducted by Simon Milne from the New Zealand Tourism Research Institute shows that customers with a household income lower than \$150,000 choose to fly with Jetstar and customers with a household income higher than \$150,000 choose to fly with Air New Zealand (Kumar, 2018). Light travellers do not worry about loyalty, and go with any airline that fits their price range. Casual or average fliers are also more about "more bang for your buck" as they are after the best deal when flying, so a loyalty programme is not suited. A "road warrior" is someone who spends most of their time travelling, and benefits from a loyalty programme.

These travellers will maintain their status with their preferred airline (Jet, 2017). For example, an Air New Zealand customer who has a gold membership may not want to fly with Jetstar because of their status. The customer would remain loyal with Air New Zealand. This customer would likely be a business customer because business customers are more inclined to stay loyal to their airline of choice unless they have a dire need to use another airline (Dolnicar, Grabler, Grün, & Kulnig, 2011). This leads to another postulated argument that customers often have regarding a product which is expensive or cheap. Studies indicate that a high price coded as “expensive” denotes “high quality” (Chang & Wildt, 1994). However, there is limited evidence on what a customer thinks about a product if the price is low. A misconception of low-cost carriers being of low quality and poor service has been debated by Franke (2004) who states that low-cost carriers are more focused, reliable, and convenient.

#### *3.4 Perceptions based on events*

The events of the 9/11 terrorist attack changed a lot of travellers’ minds about flying, and profits around the year 2001 for airlines in the North Atlantic region diminished to the point where some airlines filed for bankruptcy, like Sabena and Swissair. However, large low-cost carriers like Ryanair and easyJet showed increased traffic (Mason & Alamdari, 2007). This could possibly be because the threat was not considered high for low-cost carriers since most didn’t fly long-haul. The reason Ryanair and easyJet were able to make profits while their full-service counterparts weren’t was purely economical. The deregulation of European skies introduced by the European Union in 1987 was an opportunity for airlines like Ryanair to adopt Southwest’s low-cost airline scheme, adding technology into the mix to generate more profit for the airline while minimising time on the ground (Warner, 2002). Events cause people to make decisions that they may not have made prior to the event. Perceptions based on events are relevant to customers because customers still need to make a decision about flying with a particular airline, and if the airline is involved with a terrorist attack, it may change the customer’s inclination to fly with that particular airline.

#### *3.5 Perceptions based on in-flight experience*

Most passengers on board flights are likely nervous about their travel requirements and would turn to airline staff to answer their questions. The passengers expect the staff of airlines to know more than they do, which would create a better experience for the passenger. Kim and Lee (2009) suggest that airlines should improve the training requirements for staff in order to allow employees to answer any questions with precision. Expressing interest in and attaining the knowledge to answer passenger queries will increase passenger satisfaction. However, passenger satisfaction is subjective, and it is best clarified through the customers’ purchase purpose than through service quality (Chan, 2014). Chan (2014) disagrees, and states that customer service appears unimportant to passengers of low-cost carriers if the price is lower than the full-service airline. Neither are the service attributes or brand image important when it comes to purchasing a basic transport need from point A to point B. According to Kim and Lee (2011), low-cost airlines should not ignore service quality and should invest in their passengers’ other vital concerns, such as comfortable seats, appropriate in-flight service, and more in-flight space. The new features could mean further business and the generation of more revenue for low-cost carriers, because for more than 70% of the continental market, low-cost carriers are capable of providing 80% of the service quality compared to full-service airlines (Franke, 2004). Passengers on low-cost carriers are less likely to hold a grudge since they are satisfied with their price and product when purchasing their tickets. Yeoh & Chan (2011) discovered that

passengers on low-cost carriers tend to forgive any unpleasant experiences they might have received as they are focused on the weighting of the price compared to the benefits.

### *3.6 Expectation – Reality = Customer Satisfaction*

Passengers on low-cost carriers are less likely to complain than full-service airlines, which could be explained with the “Prospect Theory” of Kahneman & Tversky (1979). This framework is based on psychological factors affecting preference. Value from losing affects people more than value from gaining. Passengers who gain more out of their product seem to value the product less than passengers who lose out of their product. This theory could explain why passengers have a different perspective towards their preferred airline. When a passenger expects more out of a full-service airline because they have paid a certain price, they are easily dismayed because they are not satisfied. However, when a passenger expects only what they have paid for (and this is the case with low-cost carriers), they are not affected as much. Chan’s (2014) research shows that passengers on low-cost carriers are familiar with the “no-frills” concept. Many passengers of low-cost carriers set no, low, or minimum expectations, suggesting that when satisfaction increases, expectation decreases.

### *3.7 Perceptions based on preference of travel*

Passengers who travelled on low-cost carriers would prefer to travel in groups. According to Kuosuwan (2015), the majority of the passengers preferred to travel in groups of 2-3 members of close family or friends. Chan (2014) also agrees that social connectedness was the reason for customer satisfaction, and that travelling with friends and family contributed to positive purchase behaviour of low-cost carriers.

### *3.8 Change in the way of business – how it has changed flying choices?*

The key changes in demand for travellers on low-cost carriers are attributed to the increase in globalisation and freedom of movement (Mason & Alamdari, 2007). People need to get around for work and other activities and flying makes it easy and convenient. Low-cost carriers have made it easier for people to move around the world with affordable fares and with a choice of different routes or destinations that full-service airlines would choose not to fly.

Globalisation is seen as a technological process which has led to a radical reduction in the cost of air travel because technology has helped lower resource constraints on movement (Czaika & Haas, 2014). There has also been a decline in business travel and an increase in leisure travel. The decline in business travel could be related to how businesses are conducted nowadays. Most businesses use ICT for communication purposes and for meetings, so travelling to the destinations can seem obsolete. However, there has also been a decrease in the amount of business class seats being sold with full-service airlines. Business customers are content travelling with low-cost carriers not only because of the price, but because of the fact that they offer more in the choice of destinations, since most low-cost carriers prefer to fly to secondary airport hubs compared to full-service airlines (Mason & Alamdari, 2007).

## **4. Conclusion**

Low-cost carriers offer the choice that people are often looking for. Competition is very important to keep an airline going. Customer satisfaction is also important for low-cost carriers to keep them successful (Kim & Lee, 2011). Since the emergence of low-cost carriers in 1949, they have played a vital role in the economy. Low-cost carriers have become an element of contemporary life. Full-service airlines are now trying to catch up to the way low-cost airlines operate by no longer guaranteeing a hot meal and a good baggage allowance (Ros, 2016). The

deregulation of airlines in both Europe and USA brought about a number of changes on how prices could be controlled, and this gave low-cost airlines a unique way to start their flying model. Low-cost carriers are set to rise to 400 million trips by 2020 and 500 million by 2030 (Ryley, Davison, Bristow, & Pridmore, 2010).

Social media plays a vital part in spreading word-of-mouth promotions for low-cost carriers because passengers talk about experiences, good or bad. The airlines need to have a strong online presence in order to make sure that people are connected with the airline and that the branding of the airline is visible in the wider community, regardless of passengers not caring about brand image (Chan, 2014).

Low-cost carriers have a responsibility to the passengers when it comes to safety because passengers still have to consider safety as a priority when choosing airlines. Jetstar airways has been named the fifth safest low-cost carrier, number one being Aer Lingus. Jetstar is among the first five airlines, with its competition, full-service airline at number one after Qantas as the safest full-service airline (Smith, 2017). Most importantly, passengers consider price to be the top requirement when choosing to fly with low-cost carriers, and some passengers are often seen to lower their expectations when travelling with low-cost airlines. Some passengers are willing to fly with other airlines when their demands are not met. The comments seem to suggest that some passengers are very annoyed at Jetstar because of the constant delays and cancellations and indicate that they are willing to abandon Jetstar. However, this is unlikely because of the price that Jetstar offers. Prices are the one factor that passengers are always concerned about. Price is so important for some passengers that even if the airline didn't offer the right kind of service, many passengers would still fly with Jetstar because of the price. Jetstar's main focus seems to be younger clients, because passengers on Jetstar are mostly young and prefer to make their bookings online and make their own travel arrangements (Kumar, 2018).

In Jetstar's case, passengers have been influenced in comments by other passengers on social media that can put people off flying with them. Jetstar should present a more positive image online to deflect the negative. They should do their best to answer the comments online, both to keep customers in the loop and to show a caring side to the comment readers. However, Jetstar and other low-cost carriers don't have to worry so much about passengers. Low-cost carriers are what the modern aviation world is moving towards. Low-cost carriers have changed the way people connect around the world, and with more airlines for customers to choose from, prices are competitive so customers still have a choice. Airports around the world are also starting to see the benefits of low-cost carriers and creating ports that are especially for low-cost carriers. For example, in Malaysia, Kuala Lumpur, there is a terminal mainly for low-cost carrier Air Asia, which opened in 2006 (Wonderful Malaysia, 2018), and in Osaka, Kansai, another terminal is being built to house international low-cost carriers (Best, 2016). Jetstar is doing quite well in New Zealand and will continue to do so. Jetstar started flying regionally in New Zealand and has increased the number of people using air travel. In the first six months of 2016, Jetstar had flown 1.2 million passengers. It was a first for the airline to have flown this many passengers in six months. Price is a sensitive matter for domestic travellers, and passengers took advantage of the low-cost carrier flying domestically. Jetstar reported that it earned \$452 million in 2016, almost double than what they made in 2015, bringing the total of Qantas group airlines to \$1.53 billion, a 57% increase from 2015 (Edmunds, 2016). Jetstar will continue to stay popular in the eyes of domestic travellers, but it will still get its fair share of criticism, the same as any airline will receive during its time operating.

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