

ANTECEDENTS INFLUENCING THE ACCOMPLISHMENT OF LOW-COST AIRLINE MANAGEMENT DURING COVID-19 PANDEMIC IN THAILAND

Nisara Paethrangsi, Suan Sunandha Rajabhat University
Tawee Jamjumrus, Suan Sunandha Rajabhat University
Ananta Rusmee, Suan Sunandha Rajabhat University

ABSTRACT

Thai low-cost airline business is facing pressure under the COVID-19 pandemic, and causing flights ban and reduction. This problem is challenging the survival of aviation industry in the kingdom. The objectives of this research were to: (1) study level of success in low-cost airline management during the COVID-19 pandemic; (2) study the management leadership, external factors, marketing strategies, and internal factors influencing the accomplishment of low-cost airlines; (3) develop a model contributes success and sustainable competitive advantage to low-cost airlines. This research employed mixed methods mainly based on quantitative technique and confirmed with qualitative technique. For the quantitative study part, the sample consisted of the managements, experts, supervisors, operation personnel and relevant authorities. Estimating sample size based on 20 times of the twenty observed variables. A sample of 400 people was drawn using a stratified method. Data were collected with questionnaires and were analyzed using a structural equation model. For the qualitative research part, conducted in-depth interviews with sixteen key informants including, the managements, managerial level employees in airlines and regulatory agencies. The research results indicated that; (1) the level of success in low-cost airline management during the COVID-19 pandemic, the management leadership, external factors, marketing strategies and internal factors were the highest levels. (2) The overall impact factors influenced on carrier's accomplishment were determined respectively, external factor was the greatest influence. Internal factor was the second in sequence of four, followed by the factors of management leadership and marketing strategy; and (3) the model contributes low-cost airline accomplishment was a quadrilateral chart consisting of external factor as the base. Internal factor and management leadership are in the middle as intervening variables, and marketing strategies play important roles in enhancing success and sustainably competitive advantage. The accomplishment of Thai low-cost airline during the COVID-19 pandemic relates to customer relationship management, profitability, internal control and periodic evaluation. Government aid to airlines such as fund finding or low-interest loans and fees reducing, taxes and fuel subsidies are urgently needed. Additionally, airline operations must comply with safety standards, maintain a punctual itinerary, hire skilled personnel to facilitate customers, etc. The results of this research will benefit low-cost airlines and agencies involved in the aviation industry to develop and support the airlines to get through the crisis caused by the coronavirus pandemic, which directly linked to the sustainable economic growth of Thailand.

Keywords: Antecedent, Low-Cost Airline, Thailand during COVID-19 Pandemic

INTRODUCTION

The role of airlines and being the hub of Thai aviation in Asia is an important to nation economic. In 2019, the Department of Civil Aviation reported that there are 679 registered aircraft in the country, with a total of 165 million passengers on domestic and international routes, divided into 89 million international passengers/ year and 76 million domestic passengers/ year, with approximately 1.43 million flights. There are 67 domestic routes and 382 international routes. In early years, the global growth of low- cost airlines accelerated change in the airline industry with its model that focused only on low operating costs, strong relations with customers by onset flights booking *via* their own website (Nawal, 2017; Tomovic, 2020). The low-cost airlines in Thailand disrupted other modes of transportation because of its convenience and low fares. Thailand plan to invest in many transportation projects, which will develop the country into a major logistics hub in the ASEAN community. The nation infrastructure policy aims to upgrade its land, water, and air transportation systems. The expansion of Suvarnabhumi international airport (Phase II) and the renovation of U-Tapao international airport and Don Mueang airport are building economic connectivity which benefits ASEAN member states and global countries (NESDC, 2020; Kankaew, 2020). Suvarnabhumi airport is expected to be a hub to facilitate link between investors, business travellers, tourists and governments. Therefore, the air connectivity in the nation should be developed. The low-cost airlines in Thailand play a vital role in facilitating economic growth and provide the domestic and region transportation network with convenience and reasonably prices offered, so it becomes essential for both business passengers (BSS) and Visit Friends and Relatives' passengers (VFR) (Charernnit & Kankaew, 2020; ATAG, 2020).

ICAO forecasts for 2020 showed that the overall number of seats of airlines worldwide decreased by 51%, the number of passengers de-creased by approximately 2,891 to 2,894 million people and has total \$391 billion from operations. Number of passengers, both domestic and international flights decreased 60% (ICAO, 2020). In Thailand, the number of passengers in the first half of 2020 had 33.86 million passengers, which was 59.5% decrease from the previous year. East Asia countries such as China, South Korea and Japan have imposed restrictions on travel in and out of the country, causing airlines to reduce international flights. And in March 2020, the pandemic intensified, causing many countries to impose restrictions on international travel. In addition, stricter international passenger screening measures. In 2020, the number of international passengers dropped 99.4%, and 90.2% for domestic, because of the severe spread of the coronavirus pandemic worldwide (CAAT, 2020).

RESEARCH OBJECTIVE

1. To study level of success of low-cost airline management during the COVID-19 pandemic, the management leadership, external factors, marketing strategies, and internal factors.
2. To study the management leadership, external factors, marketing strategies, and internal factors influencing the accomplishment of low-cost airline management.
3. To develop a model contributes success and sustainable competitive advantage to low-cost airline management.

RESEARCH METHODOLOGY

1. Researcher used a mixed research methodology combining quantitative and qualitative methods. Theories and notions about the accomplishment of low - cost airline management in Thailand comprises the management leadership, internal factors inside the organization, external factors, and marketing strategy.
2. Population, samples and key informants. (1) Population and samples in this research are the airline management, managers, operation personnel, and the relevant authorities. Provide the size of population by using Lindeman, Merenda & Gold (1980); Weiss (1972) formulas which determine the size of samples according to the ratio between sample units and parameters or variables as one

parameter employing 10-20 samples. From a research conceptual framework, there were 20 observed variables and the sample size was determined based on 20 times of these, as 400 samples. (2) In-depth interviews were performed with 16 key informants.

3. Research tools, for the quantitative research part, questionnaire was used and divided into 6 parts consisting of personal information, the accomplishment of low-cost airline management, the management leadership, internal factors inside the organization, external factors, and marketing strategy. The validity of questionnaire was inspected by adviser and then present to 5 experts to check content validity, a vivid language, a covering of structure, and a relation between question and research objective. IOC (Index of Item- Objective Congruence) technique was used. Try out with 35 samples of population relating to real samples to analyzed using Cronbach α reliability coefficient resulting 0.955.
4. Data collection by employed questionnaire to collect data from 400 airline personnel, authorities' experts and officers, employees in airlines relevant companies, and significant data from 16 key informants.
5. Data analysis was a descriptive analysis by percent applying, standard deviation, and mean. The data then were analyzed with a Structural Equation Model (SEM). For the qualitative analysis part, in-depth interviews were performed with 16 key informants to affirm the quantitative results.

RESULTS

Objective 1: The level of success in low-cost airline management during the COVID-19 pandemic as shown in table 1.

Variable	Mean	S.D.	Significant level	Rank
Management leadership (MNL D)	4.51	0.56	Highest	1
Internal factor (INFC)	4.49	0.54	Highest	2
Accomplishment of low-cost airline management (ALCM)	4.38	0.58	Highest	3
Marketing strategy (MKST)	4.35	0.57	Highest	4
External factor (EXFC)	4.26	0.63	Highest	5

Table 1 illustrates the management leadership is the top rank averaging 4.51 S.D. is 0.56. When consider each indicator, it shows that all indicators are in the strong significant level which are 1) the management's vision (4.59), 2) team development (4.55) 3) good relationship with others (4.47), and 4) service innovations (4.44).

Internal factor is in the highest significant level (4.49), S.D. is 0.54. When consider each indicator discover all indicators are in the highest significant which are information technology using (4.60), culture and operations (4.52). Followed by communication and image of organization (4.44), and employees' compensation and motivation (4.41).

Accomplishment of low-cost airline management, it is also in the highest significant (4.38), S.D. is 0.58. The most significant indicator in this category is customer relationship management (4.46). Follow by profit earning (4.34), and internal control (4.42). The evaluation is perceived as the last one in this group, with averaging 4.28.

Similarly, the marketing strategy is in the highest significant level (4.35), S.D. is 0.57, the indicator in this category is products (4.55), followed by distribution (4.35), promotion (4.33), and price strategy (4.18) respectively.

External factor is in the highest significant level (4.26), S.D. is 0.63. The greatest significant indicator in this category is domestic and international environment (4.41), follow by regulations and authorities (4.34) follow by fund and debt (4.23), and the last indicator in this factor is the competition of other transportation (4.06).

Objective 2: Results revealed that the relation and effect of the management leadership, internal factor, external factor, and marketing strategy, affect the accomplishment of low- cost airline management. As data analysis, to examine the relations of variables in the proposed model showed that all variables have passed the criterion such as $\chi^2/df=1.21$, GFI=0.99, AGFI=0.95, CFI=1.00, SRMR=0.012, RMSEA=0.020 (see figure 1).

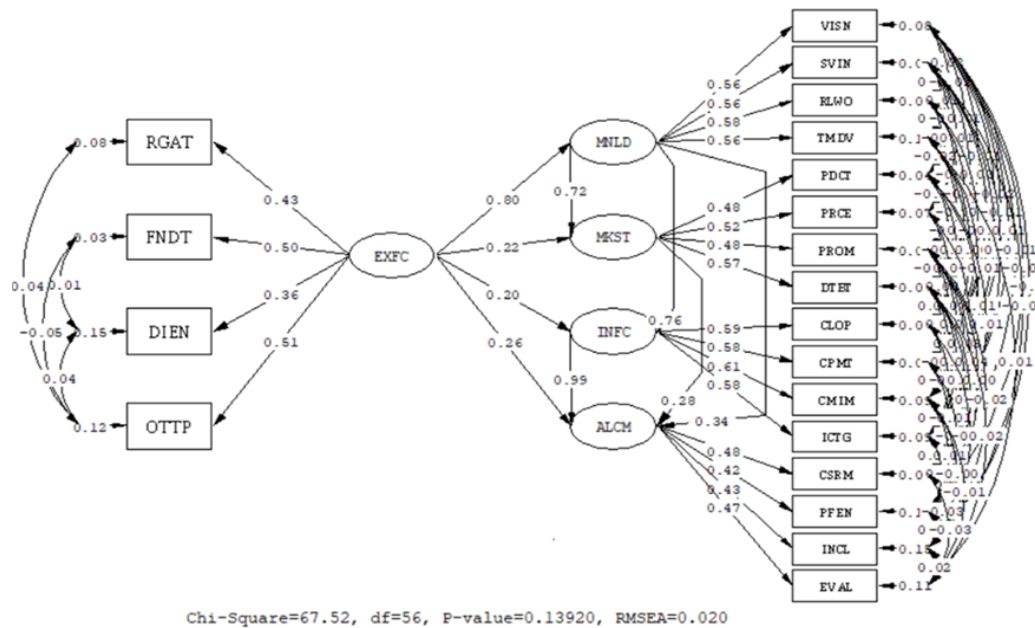


FIGURE 1
THE RELATION AND EFFECT OF THE MANAGEMENT LEADERSHIP, INTERNAL FACTOR, EXTERNAL FACTOR, AND MARKETING STRATEGY, WITH THE ACCOMPLISHMENT OF LOW- COST AIRLINE MANAGEMENT AFTER AN ADJUSTMENT OF MODEL

Table 2 RESULTS OF DIRECT AND INDIRECT EFFECT FROM BETA AND GAMMA, AND EMPIRICAL VARIABLE FROM LAMBDA Y, LAMBDA X, AND ERROR				
Dependent/Independent Variables	MNLD	MKST	INFC	ALCM
	TE IE DE	TE IE DE	TE IE DE	TE IE DE
EXFC	0.80* - 0.80* (0.05) (0.05)	0.79** 0.57** 0.22** (0.04) (0.05) (0.04)	0.81** 0.61** 0.20** (0.04) (0.05) (0.04)	0.99** 0.73** 0.26** (0.04) (0.06) (0.04)
MNLD	-	0.72** - 0.72** (0.05) (0.05)	0.76** - 0.76** (0.05) (0.05)	0.98** 0.96** 0.02** (0.06) (0.14) (0.06)
MKST	-	-	-	0.28** - 0.28** (0.08) (0.08)
INFC	-	-	-	0.99** - 0.99** (0.12) - (0.12)
Statistic Chi-Square=67.52, df=56, P-value=0.13920, RMSEA=0.020				
R ²	0.63	0.63	0.87	0.88
Note; number in parentheses is standard variable, **p<0.01, *p<0.05 TE= Total Effect, IE= Indirect Effect, DE= Direct Effect.				

Table 2 presents factors having the greatest effects to the Accomplishment of Low-Cost Airline Management (ALCM) respectively, they are: 1) External Factor (EXFC) (0.99),

2) Internal Factor (INFC) (0.99), 3) management leadership (MNLD) (0.98), and 4) Market Strategy (MKST) (0.28), the researcher found that:

External factor has a direct and indirect effect to the accomplishment of low-cost airline management=0.26, 0.73, and overall effect=0.99.

Internal factor has a direct and indirect effect to the accomplishment of low-cost airline management=0.99, no indirect effect, and overall effect=0.99.

Management leadership has a direct and indirect effect to the accomplishment of low-cost airline management=0.02, 0.96, and overall effect=0.98.

Market strategy has a direct effect to the accomplishment of low-cost airline management=0.28 with no indirect effect.

Objective 3: The low-cost airline management accomplishment model comprises external factor as the fundamental. Internal factor and management leadership are in the middle as intervening variables, and marketing strategies play important roles in supporting accomplishment of the airline management (see figure 2).

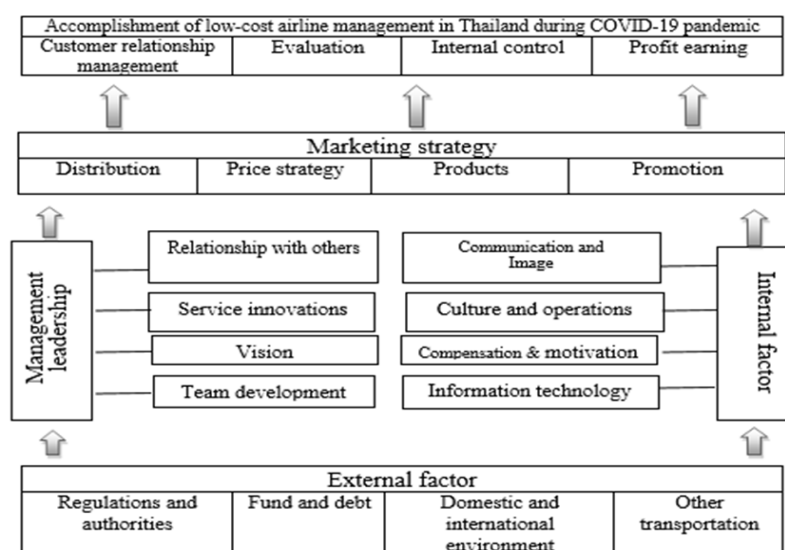


FIGURE 2
THE ACCOMPLISHMENT OF LOW-COST AIRLINE MANAGEMENT MODEL

DISCUSSION

Our analysis showed the significant antecedents affecting the accomplishment of low-cost airline management as following;

Objective 1

To study level of success of low-cost airline management during the COVID-19 pandemic, from a statistical analysis discovered that the management leadership is the top rank (4.51), where the indicators are; the managements' vision, teamwork development, good relationship with others, and service innovations. The second antecedent is the internal factor (4.49) which is included; information technology using, culture and operations, communication and image of the organization, and employee's compensation and motivation. The third factor is the Accomplishment of Low-Cost Airline Management (ALCM) (4.38), which consumes customer relationship management (4.46), internal control (4.42), profit earning (4.34), and evaluation (4.28). The marketing strategy factor is significant (4.35),

where the indicators are products, distribution, promotion and price strategy. The external factor is significant at 4.26, where the indicators are; regulations and authorities, domestic and international environment, fund and debt, which related to a business success. Any businesses that lack of accessing to capital will be less profitable (Lucha et al., 2016; Bo et al., 2017). The last indicator in this group is other transportation competition, which was perceived the least important among other indicators.

Objective 2

When combined with all latent variable, statistic showed that external factors (EXFC) had the greatest effect (0.99) with error=0.04. The internal factors (INFC) also had great effect (0.99) with error=0.12. The last two factors affecting the accomplishment are the management leadership (0.98) and marketing strategy (MKST) (0.28). When a market leader airline offers products and services at prices dramatically lower than competitors, hurting itself more than challengers. However, in the future, entering the competition is easier than previous because an aircraft rental is easy (Ekkarat & Rugphong, 2019; Kumar, 2006). Airlines should not depend on only market strategies.

Objective 3

The present model contributes sustainable competitive advantage to the low-cost airlines comprise the external factor as fundamental, internal factor and the management leadership are intervening variables. Organization culture is a vital success indicator to bring success to the company by encouraging employees to be diligent, patient, honest, and altruistic for the organization benefit (Saowalak & Nisakorn, 2016). The marketing strategies assist the accomplishment of the low-cost airline management.

CONCLUSIONS

The unexpected effects of the COVID-19 have enormously hit the airline industry in Thailand. The sharp decline in air travel demand leads to falling revenues. Low-cost airlines require implementing adapted operations management, which can reduce costs in the short term until getting the soft loan from the government. Components in external factors such as regulations and authorities, domestic and international environment, sources of funds and debts, and the other transportation competition have the highest influence on the airline performance. This study concludes that the low-cost airline's accomplishment of management during the COVID-19 crisis has to focus on four antecedents; external factor, internal factor, management leadership, and marketing strategy. Besides, the airlines require safety standard meets, maintaining a punctual itinerary, expertise personnel, and government support such as loan guarantees, reducing fuel related taxes and airport fees to maximize success.

RECOMMENDATIONS

Based on the findings, recommendations on policy are:

1. Government must urgently make people confidence in their air travel. A substantial proportion of a population needs to be vaccinated to achieve herd immunity against COVID-19. The low-cost airline should get support by the government policies such as a new suite of loans, loan guarantees, wage subsidies and lower rate of taxes and fuel.
2. For internal factor, this paper suggests for the airline adapting technology aspects to the operations and expedites communication within the organization to make everyone understand the company situation. The

management must develop operation personnel at all level to boost a spirit of service, create and transfer vision to all in order to fight with this crisis.

3. There is a research gap to the success of low-cost airline approach, which could be assessed in future research. More detailed variables and other impact factors from tourists and remote working (work from home) and the low-cost airline model that has changed according to the current new Normal situation.

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