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The relationship between air travel behaviour and the key life stages of having children and entering retirement

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ABSTRACT

The airline industry sets fares in the knowledge that market segments behave differently in response to pricing changes. Traditional market segments, typically split into business and leisure travellers, can be developed further through the examination of the influence that life stage exerts upon air travel choices, particularly for leisure trips. Life stage can be defined as a specific, optional event. The two key life stages of having children and entering retirement are examined in this paper in relation to individual air travel behaviour, in order to determine the primary characteristics of the associated market segments. The paper is based on a series of household air travel surveys and focus groups. Findings show the distinct characteristics of family air travel, such as higher air fare sensitivity, as well as in-group variations due to factors such as the age of the child (or children). Retirement is also shown to impact upon air travel, affecting individuals in different ways. Some in retirement take advantage of greater time availability and fly more frequently; others will cut back, say due to health problems. Aviation industry implications, both in terms of surface access to airports and regional airport provision, are also presented.

1. Introduction

There has been a historic growth in demand for air travel (Department for Transport, 2011a) assisted by the liberalisation of the European aviation market, which has encouraged greater activity from regional airports and facilitated the introduction of low-cost carriers (Graham, 1998; Burghouwt et al., 2003). This has contributed to the annual passenger growth rates from regional airports of 5%, exceeding the 4.1% increase from London airports over the time period from 1980 to 2006 (Civil Aviation Authority, 2007). Whilst such demand has responded to specific events such as terrorists attacks, air fare changes (e.g. increases in oil prices) and economic downturn there continues to be a predicted growth in demand (Department for Transport, 2011a), this is despite restrictions to the expansion of airports both in London and the regions (Department for Transport, 2011b). However, some market segments are more responsive than others in responding to the changes in the aviation market and indeed approaches to curb such demand.

There has long been a distinction made between a business air travel segment and leisure air travel segment which can be further split into holidays and visiting friends and relatives (e.g. Doganis, 2002). However, travel motivations could be more complex, relating to aspects such as location of friends and relatives, social commitments, flexibility of travel, and preferences for a particular mode and/or carrier (e.g. Larsen et al., 2007). Blurring of the distinction between business and leisure travel also occurs when, for instance a business traveller extends the trip to enjoy leisure time at the destination. Furthermore, pressure upon natural resources and the impact of travel on the environment could potentially influence travel choices. This highlights that air travel choices may not solely be influenced by a single trip purpose but that there are wider influences.

An under-researched element with respect to air travel behaviour is the influence of life stage, despite clear differentiation in, for example, tourism destination preferences (Davison and Ryley 2010). Therefore, the aim of the paper is to determine the primary characteristics of air travel market segments that concern the key life stages of having children and entering retirement. This is in response to the need to understand more fully the types of individuals who constitute the large increase in demand for air travel and conversely those who do not fly, in order to formulate recommendations for the aviation industry.

This is of benefit to a range of stakeholders from the international to the local level. With an emphasis on the commercial interests, at the international and national level airlines and other travel operators endeavour to maximise revenue by responding to the market's, or a market segment's willingness to pay; and at the regional and local level airport managers face a difficult task with regards to reconciling the congestion and environmental pressures to reduce private vehicle trips with the substantial commercial pressures associated with car parking revenues (Budd et al., 2011).

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Considering UK political influence over the last 10 years, national policy initially encouraged expanding the capacity of regional airports (Department for Transport, 2003) but more recently national policy has increased the emphasis on making the most of existing capacity, driven by the local and international impacts of air travel and also the economic recession (Department for Transport, 2011b). At a local level such developments are contentious despite airports making efforts to mitigate such impacts through, for example, a surface access strategy encouraging use of collective forms of transport to get to the airport. Considering the global impacts, sustained growth in air travel presents challenges in meeting the targets of the Climate Change Bill (United Kingdom Parliament, 2008).

2. Segmentation

"Market segmentation is the division of a market into different groups of customers with distinctly similar needs and product/service requirements" (Baines et al. 2010); it has therefore been an approach adopted by businesses in order to target the market and place products in order to maximise revenue streams. Following deregulation of the market product differentiation by the airline industry has resulted in three business models each designed to target specific market segments. In terms of operation, full service carriers will generally operate a 'hub and spoke' network from the main airport in major cities, low cost carriers provide 'point-to-point' services expanding to the regional and sometimes secondary airports and charter carriers also primarily focus on regional airports (Cento, 2009). Considering the attractiveness of each of these business models to the traditional air travel market segments, flights sold as part of package are targeted solely at the leisure holiday-maker segment. Full service products are further differentiated (e.g. business and economy class) in order to maximise revenue, balancing the less price sensitive but less flexible business segment with the more price sensitive but more flexible leisure market. In comparison to full service carriers, low cost carriers, use a less sophisticated approach to revenue management centred round cheap initial fares with add-ons, where passengers pay extra for services such as airport check in (Cento, 2009). Originally low cost carriers were identified as stimulating demand from the leisure travel segment (Graham 2006), however Mason (2005) has also identified an increasing number of business travellers opting to use low cost carriers. Thus low cost carriers compete with the traditional roles of charter carriers and full service carriers for short to medium haul trips.

In exploring the impact according to the socio-demographics of the market the Civil Aviation Authority (2006) suggested that, whilst the effect of 'no-frills' on an airline, has a limited effect upon passenger traffic, it does impact upon the types of segments who travel with the leisure market being dominant. In terms of income levels, figures demonstrate that low cost carriers have encouraged middle income groups to travel more frequently, while individuals in the lower income groups are making up a smaller proportion of passengers, when 2005 data is compared with 1996 data, from the main London airports.

Going beyond the business sector, there is political interest in segmentation as a method to target strategy initiatives. This has focused upon reducing consumption, and resultant environmental impacts; segments are based upon a range of environmentally motivated or 'green' behaviours and attitudes, for example Energy Saving Trust (2007), the Department for the Environment, Food and Rural Affairs (2008), and Ipsos MORI (2007). Ipsos MORI's segments considered socio-demographics and air travel behaviour; segment receptiveness to policy approaches, such as information provision, leading by example, government regulation and increases in total flight cost (fares or taxes) were also examined. Segments ranged from the 'Ultra Greens' to the 'Disengaged'. Convergently the 'Ultra Greens' were classed as frequent flyers, who regularly use low cost airlines to fly for short breaks, whereas the 'Disengaged' were not really frequent flyers, demonstrating the inconsistency between attitudinal stance and action, particularly when it comes to air travel. More recently, Thornton et al. (2011) defined nine population segments examining personal travel behaviour.

Academically an early example, applying more complex segmentation to transport applications, is Anable (2005), in which the most car dependent, and conversely most environmentally focused segments, were determined using cluster analysis. A more recent surface transport study, focusing on those most likely to purchase alternative fuel vehicles within the UK city of Birmingham (Campbell et al., 2012), determined socio-demographic characteristics (age, income, car ownership and education) and spatial locations (those living in wards further from the centre to the north east of the city) using segmentation. Other approaches are also used, including the Dolnicar et al. (in press) proposed 'Grevillea Model' to examine how holidays influenced quality of life, where a segment, equating to 10% of the population, was identified as 'crisis proof' given the importance of holidays to their wellbeing, which is particularly pertinent in the current economic situation.

2.1. Life stage and travel choice

Population segments can be linked to life stage and life cycle events. A life stage can be defined as a specific, optional event such as learning to drive, moving home, moving job or having children. Life stage is distinct from life cycle, a natural event that affects an individual as he or she gets older, progressing from a child to an adult and then to a senior citizen. An individual's attitude and travel behaviour can change in response to life stage and life cycle events.

Segmentation emphasises that both the life stage of having children and that of retirement have a clear influence upon travel demand. Ryley (2006) identified households in Edinburgh with the greatest propensity to use non-motorised travel modes (walking and cycling), and the results showed links to the life stages of having children and entering retirement. From the ten clusters identified, both retired segments and the high earners without children were shown to be largely car dependent, having a low propensity to use non-motorised forms of transport. Conversely, those in between jobs, students and part timers without children have a high propensity to use non-motorised forms of transport. Within this classification, 'high earners with children' were confirmed as the population segment containing the highest proportion of individuals driving to the workplace and households with children were most likely amongst the population to own but not use bicycles.

Relating life stage segmentation to travel and tourism, Mintel (1999) highlighted the desire to stay closer to home with younger children and the role of tour operators for teenagers within the life stage of having a family Thornton et al. (2011) identified the more frequent flyers, as those who also travelled often by car, in particular the 'educated suburban families'. The demand of the retired population is shown to be particularly diverse, with some fitting the role of 'empty nesters' with a high demand to holiday and others either wanting to fulfil lifelong travel dreams or to stay at home. Jang and Ham (2009) discussed the role of both mindset and mobility in influencing this, with baby boomers travelling more frequently than older 'seniors', yet spending less when identifying the senior group as an area of growth for the tourist market. Research also highlighted that unmarried seniors are less likely to go on holiday than their married counterparts, which is also supported by Hong et al. (2005).

Related to these life stage findings, a UK case study examining motivations to travel, Graham (2006), identified the need for the