

V.L. Sibruk PhD
(National Aviation University, Ukraine)

Analysis of the interdependent influence between air travel demand and tourist demand

The theses attempt to analyze the existing relationship between the demand for passenger air travel and the demand for services of the tourism industry. The need for further research is reasoned.

In modern conditions, the demand for passenger air travel is closely related to the demand for services in the tourism industry. In general, the demand for air travel can be segmented according to the principle of purpose into two types: business trips and leisure trips.

The demand for business travel is usually more resilient to the influence of the external environment factors and is characterized by lower elasticity than the demand for tourist travel. Certainly, the elasticity of demand for a business trip directly depends on many factors such as the level of business activity in a particular region, the duration of the trip, the regularity of flights, the availability of the necessary infrastructure, the ability to use another type of transport, and so on.

Demand for leisure travel is much more flexible, since consumers can plan a trip in advance, they can choose more profitable airline offers, choose other types of transport, change their departure dates or cancel a planned trip altogether. Often a tourist trip is planned in accordance with the possibilities of using the offers of air carriers, and the purchase of air tickets with the conditions of tourist recreation. Since the cost of air travel and the cost of leisure usually have the greatest influence on the decision to purchase, this process should be considered as a whole. Thus, the demand for passenger air travel largely depends on the supply of the tourism industry and vice versa.

Let's consider the existing factors of the relationship between the industries in the context of modern conditions for the development of these types of businesses.

The development of the demand for tourism services in modern society is promoted by a deep-rooted paradigm that relies on the thesis of the need for human travel in order to realize its place in the world and achieve happiness. The modern consumer highly appreciates the need to visit other countries and the total number of tourist travels in the world is steadily growing every year. According to a UNWTO study - World Tourism Barometer, the number of international tourists trips the year before last has grown by 7% worldwide. Such dynamics, which have been tracked since 2010, has accelerated to a large extent, showing the greatest results in the last year [1].

One of the important factors influencing the development of both types of business is globalization. All over the world, the processes of liberalization of borders are intensifying, interstate communications are being simplified, visa regulations are being abolished. The aviation industry is also involved in these

processes. Since 1992, the multilateral international agreement Open Skies has been in force, the goal of which is the liberalization of the legal rules governing air traffic, which simplifies interstate flights. At present, 34 countries are parties to the Open Skies agreement.

According to the report of the International Air Transport Association (IATA), the demand for passenger air transportation (measured in passenger per kilometers, or RPK) in the first half of 2018 increased by 6.5% compared to the same period last year, the year before growth was 7, 3%. Passenger carrying capacities of airlines (expressed in available seat per km, or ASK) increased by an average of 6.1%, and the load factor increased by 1 point. up to 82.8%. The demand for air travel is growing faster than the capacity of air carriers, and this trend is projected for 2019 [2].

The development of low-cost traffic has contributed to stimulating the demand for passenger air travel. Low-cost companies such as Ryanair, EasyJet, Norwegian, WizzAir in recent years have significantly pressed the competitive position of traditional carriers, in general, the share of low-cost carriers in the world exceeds one third of the total passenger traffic. Traditional air carriers have accepted the competition by developing special cheap fares, usually calculated on the booking of air tickets for a long future period, as well as offering charter flights to tour operators in the high season. The seasonality factor plays a significant role for both industries, as a beach leisure stimulates the order of charter flights, although the processes of globalization are gradually expanding the geography of tourism for consumers allowing them to find various types of recreation at almost any time of the year.

A factor that combines the demand for passenger air travel and tourism business are airports. In recent years, their importance both for airlines and for passengers and representatives of the tourism industry has only increased [3]. In order to increase competitiveness, airlines are simultaneously trying to save money on airport taxes and provide comfortable conditions for themselves and passengers. In order to save budget, tourists are looking for airlines not only by the cost factor of tickets, but also by the proximity of airports to final destinations. Representatives of the tourist business are interested in locating airports in the vicinity of the objects they need. Airports, in turn, compete with each other for airlines.

An important factor in the development of demand for travel and as a result of tourist air travel in recent years has become the availability of information about services and prices due to the increased presence of offers on the Internet. The consumer has the opportunity through such air ticket aggregators like Skyscanner (more than 60 million people per month), Aviasales, Tripmydream and others, as well as airline websites to get detailed information on the daily flight schedule for a long period of time (up to one year), prices, discounts, conditions and other important information. Modern technologies provide an opportunity to compare the necessary factors influencing the decision to purchase tickets, saving time and effort of potential travelers, as well as providing the opportunity to make a purchase remotely in a very short period of time.

A similar situation exists in tourism. Major tour operators such as TUI Group, Abercrombie & Kent, Nirvana Travel & Tourism, Kuoni provide online with

the necessary information about travel services, conditions and prices. Also, the demand for tourism is stimulated by proposals for the possibility of booking rooms in hotels and the private sector in almost all countries and cities of the world through services such as Booking.com, Airbnb, Trivago and others.

Since the choice of passenger flights, as well as places and conditions of tourism often occurs almost simultaneously and the cost of purchasing air tickets and places for recreation are summed up in one budget, we can assume that these two types of business are closely related to each other and can be considered products of compliments. Also, the choice of a place of recreation and tourism is often influenced by the possibility of choosing the type of transport. For continental transportation, there is a high level of competition between aviation, railway and automobile transport and, therefore, these products can also be considered as substitutes. When choosing vacation spots between continents or at a considerable distance, the value of air transport increases for tourists, which means that the price elasticity of demand decreases, but not as much as during business travel, therefore, affecting the demand for tourism services.

The analysis of the mutual relationship between the demand for passenger air travel and the demand for travel services can be carried out using a quantitative assessment. So, the Pearson pair correlation coefficient will allow to determine the strength and nature of the relationship between the prices of airline tickets in a certain direction and the cost of living in places of recreation and tourism. The coefficient of cross-elasticity of demand is also indicative, which makes it possible to estimate the magnitude of the decrease in demand for tourism services when the price of air tickets rises and vice versa.

A general analysis of the relationship showed the need for a subsequent search for approaches to the quantitative assessment of the relationship between the functioning of the aviation and tourism industries.

References

1. 2017 annual report UNWTO - [Electronic resource]. - Access mode: <https://www.e-unwto.org/doi/pdf/10.18111/9789284419807>.
2. Economic performance of the airline industry. 2018 End-year report of IATA - [Electronic resource]. - Access mode: <https://www.iata.org/publications/economics/Reports/Industry-Econ-Performance/IATA-Economic-Performance-of-the-Industry-end-year-2018-report.pdf>
3. Foregone Economic Benefits from Airport Capacity Constraints in EU 28 in 2035. Report of IATA - [Electronic resource]. - Access mode: <https://www.iata.org/publications/economics/Reports/Foregone-Econ-Benefits-EU28-infrastructure.pdf>