

TOURIST EXPENDITURE ALLOCATION AND TOTAL EXPENDITURE IN LOW COST AND FULL-SERVICE CARRIERS

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Abstract

As airline users, we have noticed since some years ago that low-cost airlines (LCA) are becoming less and less low-cost-like, as well as full-service airlines are becoming less and less full-service-like. Convergence of both business models implies that differences between LCA and full-service airlines are more and more blurry and tight. This could contribute to lessen the differences observed among users of one airline type or the other.

LCA have made air travel available to all budgets and enabled tourists to spend more on at-destination expenses by reallocating their trip budget. On the other hand, interest of business scholars and managers lies not only in expenditure allocation but also in total expenditure volume. Ferrer-Rosell et al. (2016) were able to determine which variables affect trip budget allocation, total trip expenditure or both. The objective of this paper is to go further and observe if airline types have been converging regarding travellers' expenditure allocation and total expenditure. For this purpose we use repeated cross sections of the Spanish national tourist expenditure survey between 2006 and 2014. There are four possible answers to the question:

- Convergence between airline types regarding both expenditure allocation and total trip budget.
- Convergence between airline types regarding expenditure allocation but not regarding total expenditure.
- Convergence between airline types regarding total expenditure but not regarding expenditure allocation.
- No convergence at all between airline types regarding expenditure.

We use the so-called *CoDa with a total* approach, which enables researchers to analyse the relative and absolute size of budget parts together in the same statistical model, while not confounding effects involving the relative importance and effects involving volume (Ferrer-Rosell et al., 2016). The approach boils down to adding some form of total to the log-ratio coordinates. The trip budget parts used as components are transportation, accommodation & food at destination, and activities & shopping at destination.

Results show that users of both airline types converge in their allocation of the trip budget (between transportation and at-destination expenses, and within at-destination expenses), but diverge with regard to total expenditure.

References

Ferrer-Rosell, B.; Coenders, G.; Mateu-Figueras, G.; Pawlowsky-Glahn, V. (2016). Understanding Low-Cost Airline Users' Expenditure Patterns and Volume. *Tourism Economics*, 22(2), 269-291