

# POST-COVID-19 BEHAVIOR CHANGE IN PURCHASE OF AIR TICKETS

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## 1 INTRODUCTION

COVID-19 is a crisis like few we have experienced before. Some compare the current pandemic to the Spanish Flu of 1918. However, in those days, the world was not as connected as it is now, and the economy was not as dependent then on global connectivity. Tourism has grown from being a marginal niche industry to one of the main industries worldwide, accounting for about 10% of global GDP (Statista, 2020). One of the activities of the tourism industry that has suffered the COVID-19 consequences the most has been air travel, which has seen a reduction of up to 90% in the number of daily flights (Eurocontrol, 2020). This has caused massive losses for airlines (International Civil Aviation Organization, 2020). To make things worse, while returning to normality in many tourist activities will probably be relatively simple, this will likely not be the case for air travel. Several changes in safety policies including sanitary measures, boarding procedures, and the imposition of physical distancing, among other things, have been proposed. These measures could have a significant and continuing impact on airline operations and could change the dynamics of the industry moving forward.

Furthermore, while other sectors in the travel and tourism industry have historically been profitable, the airline industry has generally been only marginally profitable at best (Doganis, 2006). Several reasons can help to explain why airline business models are so fragile. One possible explanation is that many factors impact the industry (Shaw, 2016), including external factors such as fears surrounding terrorism and political instability, rising fuel costs, climate change and Internet and videoconferencing as well as internal factors such as deregulation, labor costs, fierce competition and low-cost carriers.

In this sense, until now, tourists have booked and paid in advance for many of the services necessary for their trips (e.g., airline tickets, hotel rooms, tours and other activities). However, politicians, health experts, scientists, health organizations and media have repeated that COVID-19 is not going to disappear completely and that other pandemics may arise in the near future. As a result, in the future, tourists might be more reluctant to book travel far in advance of their travel dates. In other words, travelers' attitudes about their airline ticket purchasing behaviors may change. However, airlines' business models (especially those of low-cost airlines) and revenue management strategies require that a certain percentage of users buy their tickets well in advance of their travel dates (e.g. 50% buying at least 2 months in advance of their departure date). For most airlines, the load factor (the proportion of seats output that are sold) has to be above 70 percent for the flight to be profitable (Florida Panhandle, 2020). If traveler behavior changes and travelers begin buying their tickets at a later stage of trip planning, this could have a significant impact on airlines' accounts and on the point in time in which it will be clear if a flight is going to be profitable or not.

Last, during the current COVID-19 crisis, several surveys regarding air travel have already been conducted. For example, one such survey completed in May 2020 by the Spanish company Reclamador (SmartTravelNews, 2020) focused on travelers who had previously had at least one negative experience with a flight during their lifetime. The study found that 57.8% of respondents prefer to be reimbursed; 3% consider a voucher to be used on a future flight an acceptable option; and 37.7% would like to be able to choose between both.

## 2 METHOD

In order to test whether travelers plan to delay the purchase of their holiday air tickets, we launched an online survey. First, we asked participants when they had purchased their air tickets in relation to their flight date in the last three to five years and when they expected to buy air tickets in the future once the situation returns to normality. Second, based on a 1 to 7 Likert scale, we asked individuals to state their agreement with possible solutions to the aftermath of the COVID-19 crisis related to the cancelation of air tickets, with government bail-outs for airlines, and with whether they understood that airlines were reluctant to reimburse customers for cancelled flights given the financial tensions airlines were facing. Last, we asked respondents about the uncertainty they thought will exist once the situation returned to normality, how they valued the behavior of airlines during the crisis, and how they valued the behavior of the government during the crisis regarding the management of airlines and the reimbursement of cancelled tickets.

The population of the study comprised individuals who were residents in Spain and have usually flown during their main holiday trips in the past few years. We followed a non-probabilistic convenience sampling procedure. Data were collected in June 2020 during which time Spain was returning to normality after the COVID-19 pandemic. We received 724 responses, out of which 96 were discarded for various reasons. Therefore, the final sample comprised 638 responses.

## 3 RESULTS

In order to analyze whether or not users will change their purchasing behavior after the current health crisis is over, we compared the timeline in which users purchased their airline tickets in the past three to five years with the same respondents' anticipated purchasing habits in the coming years once the situation returns to normality. Table 1 presents the comparison of past and anticipated future purchasing behaviors. The difference between the two behaviors were significant ( $\chi^2 = 473.53, p=0.00$ ).

Table 1. Changes in advanced purchase behavior

Type of advanced purchase	Last 3-5 years	In the future, once returned to normality
Less than one week	6 (0.94%)	8 (1.25%)
Between one week and one month	71 (11.13%)	165 (25.86%)
One to three months	275 (43.10%)	280 (43.89%)
More than three months	219 (34.33%)	104 (16.30%)
No fixed pattern	67 (10.50%)	50 (7.84%)
Will not be flying		31 (4.86%)
<b>Total</b>	<b>638 (100%)</b>	<b>638 (100%)</b>

In order to better understand these changes in behavior, we grouped each of the 638 responses with the following results: 344 (53.9%) travelers stated that they would continue to buy in the same time frame (or, if they did not have a pattern, they would continue to not have one); 181 (28.4%) stated that they would buy closer to the departure date than in previous years; 31 (4.9%) stated that their holidays in the next few years would not include air

travel, even if in previous years it had; 24 (3.8) stated that they would buy earlier; 34 (5.3%) did not have a pattern in previous years but stated that they would adhere to a certain pattern in the coming years; and 24 (3.8%) stated that they had a pattern in previous years, but they did not foresee one in the coming years.

Regarding the questions that investigate possible solutions to the issue of flights cancellations and government bail-outs of airlines, the highest agreement was with the request for a regulation that compels airlines to immediately reimburse customers who have bought tickets in advance (mean=5.80, SD=1.63). Respondents also agreed with the option of a voucher for future flights when dealing with non-refundable fares (mean=4.51, SD=2.07). The agreement with the practice of bailing out airlines by governments was medium (mean=4.03, SD=2.00).

Regarding uncertainty, respondents agreed that uncertainty will be the norm in the next years, due to economic and sanitary reasons (mean=5.24, SD=1.27). They also agreed with the fact that governments should have adopted a more proactive role in relation to airlines and pending flights and tickets that had already been purchased (mean=5.30, SD=1.65). However, they were not especially critical with the actuation of airline companies (mean=4.56, SD=1.61).

#### 4 DISCUSSION AND CONCLUSION

Travelers foresee buying their tickets closer to their departure date in the future. Around 28% of respondents stated that they plan to buy their tickets closer to their departure date, and another 4% stated that they will probably avoid flights altogether for their next holiday. Thus, the behavior of approximately one-third of customers could change after the COVID-19 crisis, mostly due to the way that that situation has been managed and the high uncertainty that travelers foresee for the next future. The impact of this change in behavior on airlines' financial accounts could be massive.

Although we thought that the current sanitary crisis would cause everyone to delay purchasing airline tickets, there was a small percentage (3.5%) in our sample that stated their intention to buy earlier, mainly as a result of economic reasons related to their uncertain working conditions in the future.

It is quite significant that of all of the questions in our survey that involved solutions to flight cancellations due to the COVID-19 crisis, the one that got the highest level of agreement addressed the need for regulations that compel airlines to refund money to customers for cancelled flights. Interestingly enough, this regulation already exists in Europe: when a flight is cancelled, airlines must reimburse the customer in a maximum of seven days (European Union, n.d.). However, as in most cases when it comes to laws, it is not clear what customers should do if a company does not fulfil this requirement. Airlines have been subject to tremendous financial stress, but so have customers. Many customers who had purchased their tickets in advance (34.3% of our sample) had done so more than three months in advance. We can assume that many of these customers purchased tickets within this timeframe in order to benefit from lower prices.

Although this research has been focused on the case of airline tickets, we believe that our results will be applicable to the purchase of other tourist services, such as accommodation, tours and activities, and transfers. Every major subsector of the travel industry has been and will be affected by the pandemic (Sharma & Nicolau, 2020).

The role of governments seems to be especially important on how the situation unfolds. Governments can act in order to generate confidence among customers. Doing so could partly mitigate this change in consumer behavior. Given most airlines' current business models and the thin margins on which these companies operate, a change in behavior like the one outlined in this research could have a significant impact on their viability. This research adds to the

existing body of knowledge dealing with post-COVID-19 travel behavior changes (Li et al., 2020).

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