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Title of the presentation

Who flies with low-cost airlines? A revealed preference approach

Abstract (400-500 words)

During the last ten years, the activity of low cost carriers (LCCs) has dramatically increased. The last annual report on the airline market provided by the European Commission show that LCC segment has been the driver of growth across markets. In figures, on domestic routes, LCCs hold 26% of the market share in 2012 (starting from 13% in 2005), but the greatest growth has involved European routes, with LCCs' market share increasing from 28% in 2005 to 57% in 2012. This growth has partly occurred at the expenses of traditional carriers but, on the other side, the supply of LCCs has also stimulated new demand for air travel.

It seems, indeed, that in Europe a growing share of passengers is choosing to fly with LCCs. A common wisdom is that people flying with LCCs are the most price sensitive airline passengers. It follows that LCCs' passengers are budget constraint travellers or those people travelling mainly for leisure and tourism motivations. Despite these claims may be true, there are no empirical study, to the best of our knowledge, having the goal of testing whether, how, and to what extent, the socio-economic characteristics of passengers affect the choice of flying with a LCC or a traditional company. This paper is a step towards filling this gap.

In order to analyse the choices made by individuals regarding the airline company to fly we adopt the revealed preferences (RP) approach since we want to document and understand the actual behaviour of travellers. A critique to RP approach is that people are required to recall their purchasing choices. However, for this study this issue is very limited or even absent since the administration of questionnaires by trained staff has occurred in the airport to passengers waiting to be embarked.

The questionnaire includes questions designed to gather information about the airline company chosen by passengers, among the available alternative on each route. Moreover, passengers surveyed have been asked to respond to questions about their socio-economic characteristics (such as gender, age, country/city of residence, education level, annual income, occupation, etc.), and to questions about the travel (such as motivations, travel mates, methods of ticket purchasing, etc).

To test the influence of socio-economic factors on the individual choice of the airline company for travelling (LCC versus traditional airlines) we employ the logit/probit estimator. In this way we obtain the predicting probability of choosing a LCC, depending on the socio-economics. Expected results would provide a picture of the passengers flying with LCC.