

Sensitivity of Pricing Strategies and Non-Price Competition of Airline Industry in Promoting Tourism in Sri Lanka (With Special Reference to Inbound Tourist Promotion in Sri Lanka)

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Abstract

Price is one of the vital components of a marketing mix which generate revenue for any business organization in the world. It is identified that there is a significant relationship between pricing strategies and buying behavior of consumers. Pricing and non-price competition strategies help stakeholders to achieve their short term and long term corporate objectives. Non price competition strategies have a different format of attraction air travel passengers. The study focuses to examine the impact of the non-price competition strategies whilst selecting IATA registered travel agents as the population of the study. A considerable sample proportion was taken (sample of 85 Travel agents) out of it (Sample proportion of 73%) to evaluate the results of the survey to examine whether there is an impact of pricing and non-pricing strategies of airline industry in promoting tourism in Sri Lanka. This paper focuses sensitivity of various types of pricing strategies and non-price competition of airline industry with special reference to inbound tourist promotion in Sri Lanka.

The study found that there is a strong relationship and association between a limited numbers of pricing strategies such as Price Predatory, Price limiting which are being operated in the airline industry. The study further found that some non-price strategies are also has a strong relationship and significant impact on the tourism industry. The findings of the study would help to formulate new strategies and policies to attract more inbound tourists to Sri Lanka.

Key Words : IATA Registered Travel Agents, Price competition, Non Price competition.

1.0 Introduction

Tourism is one of the world's oldest and fastest growing industries. Tourism generate more revenue sources, one of the major sources of income is foreign exchange earnings. Reduce unemployment is another vital factor for many developing countries. Tourism is the second largest growing business area after information technology in the global economy. Tourism is vital to the well-being of many developing countries especially in the sub continent of Asia, It is because of the income generated by the consumption of goods and services by tourists, the taxes levied on businesses in the tourism industry and the opportunity for employment and economic advancement by working in the industry.

With reference to the annual report World Tourism Organization (WTO) 2015, Travel and Tourism generated US\$7.6 trillion (10% of global GDP) and 277 million jobs (1 in 11 jobs) for the global economy in 2014. Recent years (2010 to 2015) have shown Travel and Tourism Trade growing at a faster rate than the other significant sectors such as automotive, financial services and health care.

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Table : 01 – Global Growth in Tourism Industry

Region	2013	2014	2015	% Change		
				13/12	14/13	15/14
Africa	54.7	56.0	53.0	4.4	0.3	-3.3
Americas	168.1	180.6	191.0	3.1	8.4	4.9
Asia & Pacific	249.8	263.0	277.0	6.9	5.8	4.8
Europe	566.3	588.4	609.0	4.8	2.4	5.0
Middle East	48.2	50.3	54.0	-2.9	6.7	3.1
World	1,087	1,138	1,184	4.6	4.2	4.4

Source – World Tourism Organization

Annual report - 2014

1.1 An overview of Travel and Tourism Industry in Sri Lanka.

With reference to the geographical position of the country, Sri Lanka has attracted foreign visitors from the ancient times. There are many books restate that Sri Lanka has a long history in the tourism and hospitality management. Specially, British administrators have been written many books based on the different aspects of tourism and cultural values of the Island. Sri Lanka is situated in a primary and strategically important location in the world air and sea lanes to attract many tourists around the world.

Sri Lanka has had much turbulence in tourism trade in the past few decades with long standing civil war and shown a positive sign after eradicating domestic terrorism and the ethnic conflict in 2009.

According to the report of “Sri Lankan tourism Industry” Anjanaand Jayakodi ,(2011) highlights that Sri Lanka witnessed a strong upsurge in tourism after the end of the civil war in 2009. Tourism, which forms 0.6% of the total GDP of the country, was one of the fastest growing sectors in the economy, growing by 39.8% in 2010 over 2009.

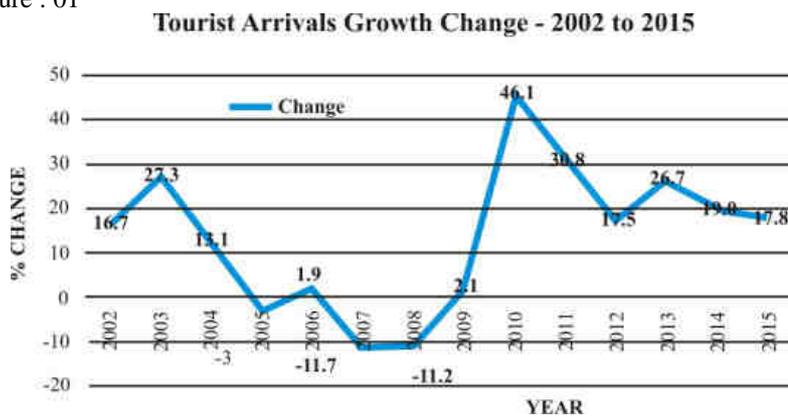
According to the annual report of central bank 2015, it further emphasis the following economic aspects of travel and tourist industry in Sri Lanka,

- The Tourist arrivals recorded 1.798 million, almost achieving the revised target of 1.8 million arrivals set for the year.
- The highest growth of 67.6 percent to 214,783 of tourist arrivals was recorded from China, followed by both Netherlands and Denmark, recording a growth of 35.3 per cent, to 32,742 and 15,203 arrivals, respectively.
- The foreign exchange earnings increased by 27.72 per cent from Rs. 317,479 million (US \$2,431.1 million) in 2014 to Rs. 405,492 million (US \$ 2,980.6 million) in 2015.
- Foreign Exchange (FE) Receipts per tourist per day recorded an increase of US \$ 3.3, from US\$160.8 to US\$ 164.1 in 2015.

The report further highlights a positive economic trend. Similarly according to the annual statistical report of Sri Lanka Tourism Development Authority 2015, reiterates that,

- Sri Lanka Tourism has surged to a new high record of 1,798,380 arrivals in 2015, transcending all time high hits in the history which is an increase of 17.8 percent over the records of 2014 (as per the figure 01).

Figure : 01

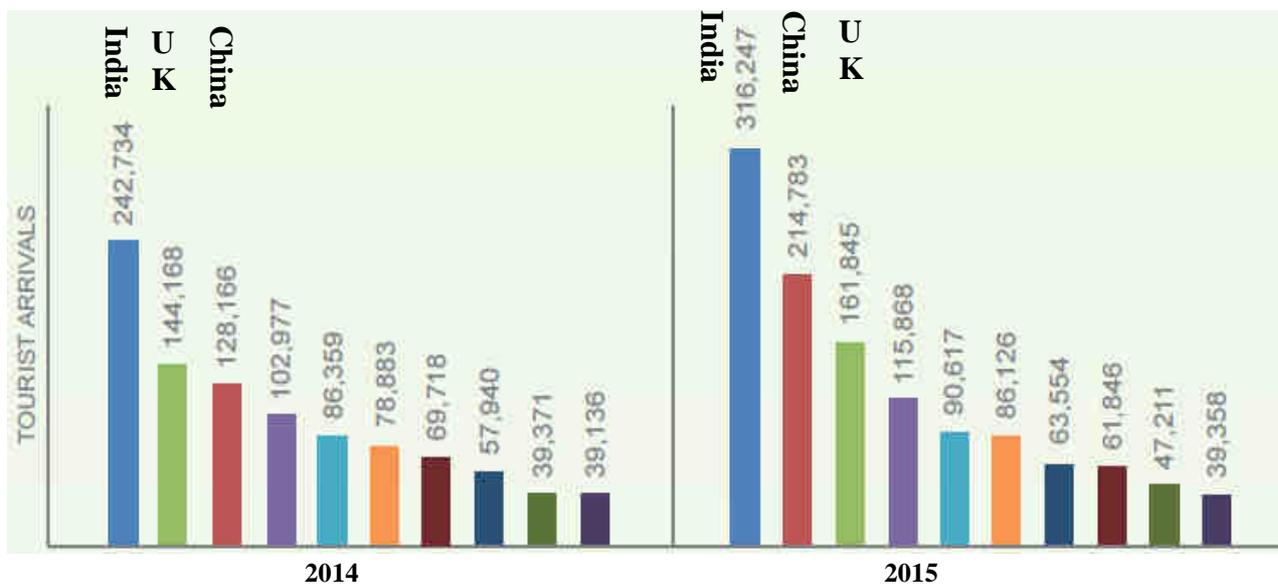


Source : Srilanka Tourism Development Authority - Annual Report 2015.

- Due to the rise of the arrivals, tourism was able to upgrade its rank to the third level as the largest source of Foreign Exchange Earner of the national economy in 2015. Those that ranked above tourism were Foreign Remittances Rs.948.95 billion, Textiles and Garments Rs.654.79 billion. The portion of tourism's contribution to total Foreign exchange earnings in 2015 amounted to 12.4% .
- The average spending by a tourist per day increased to US dollars 164.1 in 2015, from US dollars 160.8 in 2014.
- The foreign exchange earnings increased by 27.72 per cent from Rs. 317,479 million (US \$2,431.1 million) in 2014 to Rs. 405,492 million (US \$ 2,980.6 million) in 2015.
- Foreign Exchange (FE) Receipts per tourist per day recorded an increase of US \$ 3.3, from US\$160.8 to US\$ 164.1 in 2015.
- Asia emerged as the main source of Tourism to Sri Lanka in year 2015 accounting 45.7 percent of the total share. Western Europe was the second source of tourism with a share of 30.7 percent.
- The average period of stay of a tourist was recorded at 10.1 days in 2015.
- As previous years, India emerged as the leading producer of tourism to Sri Lanka amounting 316,247 arrivals, accounting for 17.6 percent of the total traffic. China progressed to second place with a rapid growth in tourist arrivals while UK moved down to 3rd position in 2015 from the second place in 2014 (as per the figure 02).

Tourist arrivals by top ten markets 2014 and 2015
 (According to the country of residence)

Figure : 02

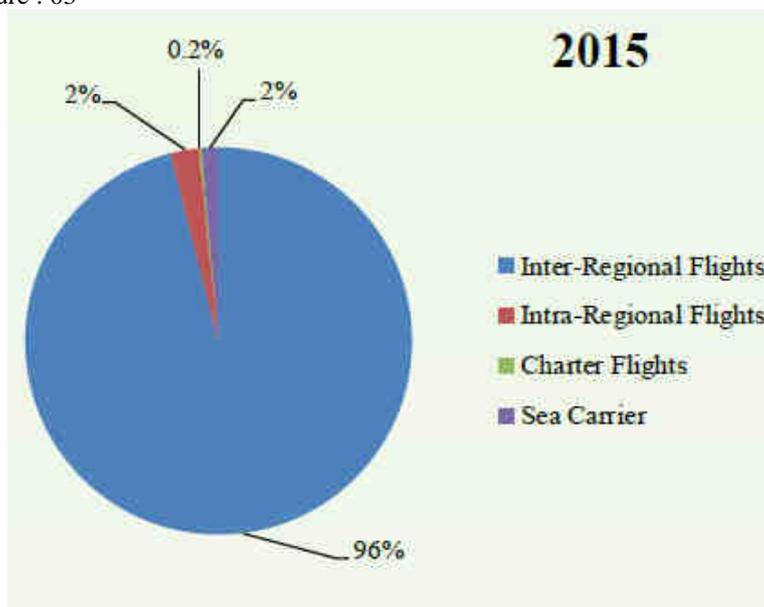


Source : Srilanka Tourism Development Authority - Annual Report 2015.

- In 2015, there is 4% growth regional airlines inbound passenger traffic in comparison to 2014. It was recorded 92% passengers have been used by the regional flights and 96% in 2015 (as per the figure 02). Therefore inter regional flights have a significant role in developing passengers in to Colombo. Also the records indicated 66.6% inbound passengers are visiting the country for the purpose of pleasure and to spend the holiday. (As per the figure 03.)

Tourist arrival by type of carrier 2014 and 2015

Figure : 03



Source :Srilanka Tourism Development Authority - Annual Report 2015.

1.2 An overview of pricing strategies and non-price competition in global airline industry.

Price is one of the vital components of a marketing mix of any company. Price always generates revenue for the company. Pricing decisions impact the consumer's buying decisions as customers are very much on alert in terms of price changes of the rivals. Pricing strategies of large firms are somewhat different from small medium scale industries as time to time large scale and multinational companies change their strategies in order to grab the customers and increased the market share by implementing some unethical marketing strategies.

Decades ago, when the world aviation industry was deregulated, price in those markets then were considered homogeneous which meant that all ticket prices for the same route were assumed to have the same price. However, ticket prices became highly diverse on any given route as many airlines had different pricing strategies anticipating implications that were very different to their competitors.

Airline pricing strategies is quite hard on the industry. Usually many pricing strategies are being practically used in the airline industry.

One of the most obvious effects of the liberalization of the airline industry has been the decrease in airfares due to increased competition Goetz and Vowels, (2009). In this regard, the relationship between airfares and competition has received a great deal of attention on air transportation industry.

A more genuine approach is in terms of the airline industry presuming the passenger is willing to pay for the ticket or not at the aimed price. It is quite certain when ticket prices are requested. Gallego and Ryzin,(1994) employ the intensity control theory,(controlling the demand intensity through price changes) to observe that dynamic pricing suits in an imperfect competition situation. Feng and Xiao,(2000) emphasize that this problem for the perspective of switching a pre-determined finite set of prices at a calculated time leverages on remaining time and stock.

Feng and Xiao,(2000) extend the theory to reversible price changes rather than dynamically changing prices to maximize revenue some authors suggest that a different level should be maintained for customers who are willing to pay high. Seasonal pricing is a tool for charging higher prices at times of bigger demand when

capacity constraints cause high marginal costs. In the aviation industry, changes in capacity utilization in different days or different flights generate differences in the seat cost on flights.

During the peak period, most of the aircraft are in the air and expected shadow costs of capacity will be higher Borenstein and Rose,(1994). Due to capacity constraints during periods with increased demand, if airline wants to increase revenue it must shift some demand from high demanded flights to flights with low demand. For instance, implementation of advance purchase rule can be a strategy for maximizing revenue for airline, which has to face capacity constraints in periods with high demand. Carrier should predict carefully the peak seasons and offer discounted tickets for flights out of this period. Some of the practical pricing strategies and non-price competition in the airline industry are as follows,

1.3 Non Price competition

In the non-price competition of airline industry, mainly focus on marketing methods, according to the views of McConnell, B.(2002). Says, non-price competition is a marketing strategy "in which airlines try to distinguish its product or service from competing products on the basis of attributes furthermore airlines launch advertising, launch massive promotions, offer premium promotion, bundle pricing methods which means airlines offer additional benefits with the booking of the ticket such as offering window seat, providing liqueur etc. Not only that, providing online booking, allow extra weight to carry baggage's, inflight entertainments, fine dining, comfortable seats, special attention to the patients or handicap passengers, baggage check out service, providing internet, email facilities and providing direct flights could be more competitive advantage when comparing to the other competitive carriers. On the other hand airlines tend to promote loyalty schemes to attract the customers. For an example British airways (BA) launch a loyalty programme "**British airways executive club**" which provides the service to its customers such as priority on waitlists, Access to business class lounges, priority boarding, extra baggage allowance, Fast track at security lanes, Access to first class priority check-in, access to first class lounges and many more.

Whereas Cathay Pacific airways (CX) promotes mileage loyalty programme known as "**Marco Polo Club**" to identify frequent customers and provide a better service and various benefits for them. One of the best airlines in the world is Singapore airlines. Singapore airline (SQ) also promote loyalty programme known as "**Kris Flyer**" to attract the customers and identify the frequent flyers and provide a better service than an ad hoc flyer.

Sri Lankan airline (UL) also promotes "**Fly Smile**" loyalty Programme to attract the customer by providing fringe benefits somewhat similar to British airways. Hence many airlines trying to diversify their international routes with different non-price competitions to gain the market share to maximize the revenue. Launching non-price competition is a purely a marketing strategy. The psychological impact on these strategies affect customers' selections, where they tend to purchase more or attract more passengers towards to the designed fringe benefits programmes by many airlines in the world. Therefore it is much important to identify whether there is sensitivity on pricing strategies and non-price competition in airline industry to promote inbound tourists in Sri Lanka.

Measuring the impact of the sensitivity of strategies will lead to identify the pros and cons of the industry, as Sri Lankan economy is heavily depend on tourism industry, as thousands of employees are deployed in the industry and lots of indirect benefits have been generated around the corner. Moreover Sri Lanka is known as one of the best tourist attraction island in the world because it has some divergent features which no other country could compete with them.

2.0 Research Model

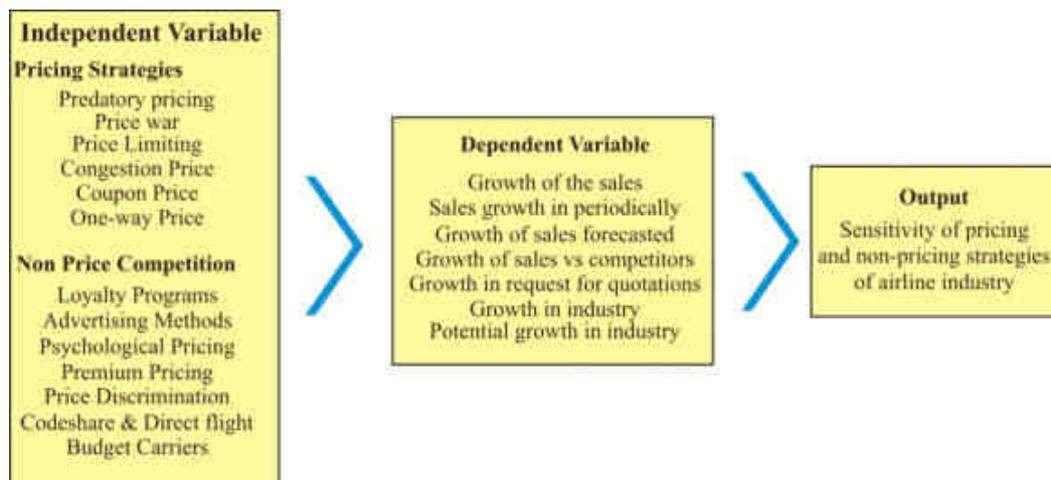
Research model or in other words, the conceptual framework is the researcher understands of how the particular independent variables are connecting with the dependent variables in study.

Thus, the clear understanding of independent variables and dependent variables are much more important in terms of measuring the sensitivity of pricing and non pricing strategies. Following figure further elaborates the conceptual frame work of this study.

Identifying the significance of the sensitivity of pricing and non pricing strategies, companies will be able to determine their revenue fraction and their profit proportion. Hence the researcher identified growth of sales and its trend, forecast of sales and growth of industry as dependant variables based on a well structured questionnaire based on a likert scale method by scaling down from 5 to 1 and from strongly agree to strongly

disagree. On the other hand researcher identified pricing strategies such as price predatory, price war, price limiting, congestion price, coupon price and network price and etc. as independent variables alias financial factors. Not only that non pricing strategies such as loyalty programs, advertising promotions etc, as the independent variable alias non financial factors to measure the sensitivity of each strategy to determine their impact to the institutions or to the industry. Figure 05 further illustrate the clear path and the arrangements of the dependant and independent variables to measure the output.

Figure : 04



2.1 Sampling Method

There are many sampling methods that may be utilized in quantitative and qualitative studies making it important to select the most appropriate method to ensure statistical accuracy and validity Pedhazur & Pedhazur Schmelkin,(1991).

The concern population is selected for the study based on travel agents who registered in Sri Lankan Tourist board. Currently there are 805 registered traveling agents. The exact study population was selected out 805 travel agents who have registered and obtained the license of International Air Transportation Association (IATA). Which will be further condensed to 117 travel agents. In this particular research, Out of the entire population of 117 travel agents, a proportion of 73% taken as a sample which is 85 travel agents. The size of the sample was taken according to the standard sampling table which illustrates the confidence level as 1.96 and margin of error as 5 percent.

Selecting a sample of 85 out of 117 travel agents is somewhat close to a census study because data is gathered from majority of the members of the population. It was segregated in to two main sub groups to ease the data collection. The first subgroup is the travel agents who locate within the extent of the city of Colombo 01 to 05 and rest is considered as the second sub group. Data was collected through a well-structured questionnaire to represent the above conceptual frame work. Each strategy was tested with the dependant variable to measure the significance of it. For example questions like “Do airlines often undercut price of the ticket and do airlines sell tickets at a price below its market rate” are meant the airline could set the price below the level of where marginal revenue is equal to marginal cost alias the strategy of price predatory. According to the responses of the selected travel agents it is pretty much easy to understand whether the strategy has made a significant impact on the sales of the company or has made any influence to the entire industry.

Data was gathered using direct interview method deploying some trained research assistants. The methodology of the study is ensured that the collected data is reliable and the data analysis is coherent and meets the study objective of to evaluate the sensitivity of pricing strategies.

The results from the survey of pricing strategies and non-price competition of airline industry together with demographic information provided by the respondents, important facts were taken to analyze the impact of various pricing and non-pricing strategies that have been implemented by the number of airlines in the world. The conceptual relationship frame work of this study has been discussed in relation to the success of the sales growth of each travel agent, industry growth and the potential growth of the industry. This study has presented

the methodology which includes the background of the research design, sampling method, data collection method, data analysis and the limitations of the research.

Despite the major benefits to aforesaid segregated sectors, there are limitations of this study. This study was aimed to examine the sensitivity of pricing and non-price competition strategies of airline industry with special reference to the inbound tourist promotion in Sri Lanka. The implied limitation is to condense the study to inbound tourist whereas there are many aspects in tourism industry.

The first and foremost is that the selected size of the sample is confined to 85 travel agents are being considered out of the 117 IATA registered travelling agents, the population consists only 117 numbers, selecting a sample of 85 would be inadequate, thus collected data may not be reflect the entire industry vision, therefore, there are chances that the study may be inaccurate, consisting false information based on the respondent opinions.

The study also excludes some of the major elements, such as; views of inbound tourists, views of general public followed by one of the major factors is views from airlines as well. This study only focuses on the inbound tourist industry of Sri Lanka, therefore study does not focus on the airline strategies, individual air routes, International and domestic carriers and public, that the effects to them due to use of these pricing and non-pricing strategies used up by the airline industry in promoting tourism. So, this study is limited to some crucial points which are to be discussed.

The sample used by this study is a non-probability sample and the proportion is selected as a purposive sample. Sample proportion is assumed as 73% from the population which may not reflect the majority of the proportion of the population.

2.2 Effects of pricing strategies of airlines.

It is important to examine the effects of financial factors (pricing strategies) to observe whether there is an effect on sales. Researcher use regression model to measure the effect on it. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, such as the relationship between a dependent variable and one or more with independent variables.

Table 02: Model Summary – Anova Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.861 ^a	.742	.719	.32824	2.183

Source : Survey Data

With reference to the above table -02, in the regression model summary, the multiple correlation value (R Value) is 0.861. That means above mention financial factors (Pricing strategies) such as Price predatory, Price War, Price Limiting, and congestion price etc., are strongly affected to the dependent variables (Sales) of the study. In a nut and shell these airline pricing strategies are highly effect on Sri Lankan tourism industry when promoting inbound tourists in Sri Lanka.

Furthermore, the R^2 value was illustrated as 0.742 in the above table. This means 74.2% of financial factors (various types of pricing strategies) are covered in this model. Therefore the above regression model is nicely fitted as the R^2 value is more than 0.6, Adjusted R^2 value is 0.719. further, it could be explained in conjunction with beta value. Beta (β) works only when the R^2 is between 0.8 to 01. That signifies the coefficient of correlation between the pricing strategies and the sales are much strong, therefore it is another fact to prove that this model is nicely fitted and there is a strong effect on various pricing strategies with the sales.

Table 03: Model summary pricing strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.861 ^a	.742	.719	.32824	2.183

Source : Survey Data

Also with reference to the Durbin-Watson value in the table: 03 (Model summary), Durbin-Watson value recorded as 2.183 in the financial factors. (Pricing strategies) That means there is no serial correlation problem in this study.

Serial correlation problem is, the relationship between a given variable and itself over various time intervals. Durbin-Watson value must be in 1.5 - 2.5. That means there is no contradiction of correlation among each error term of the selected variables. Therefore the accuracy of the predicted values is extremely high.

Table 04: Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.870	7	3.410	31.650	.000 ^a
	Residual	8.296	77	.108		
	Total	32.165	84			

Source : Survey Data

With reference to the table: 04, as per the given values in the ANOVA table, it is pretty much clear that the ANOVA table is significant as the value denoted in the table is 0.00. The output of the ANOVA analysis, determine whether there is statistically significant difference between the pricing strategies and sales. The significance value is 0.00 (i.e., $p = 0.00$), which is below 0.05. Therefore this model is jointly significant. It is further underscored that this model is excellent and the chosen variables are nicely match with the dependent variables. Consequently it is required to examine the individual effect of the variable. With reference to the table 04, the strategy of price predatory and price limiting are significant. Thus the individual pricing strategies are positively affected to the sales. In brief, airline pricing strategies are affecting strongly to promote tourism in Sri Lanka. Thus the governing body of tourism needs to mull over about these strategies as they are so much important to drag the tourists in to Sri Lanka.

Table 05: Coefficient of financial factors (Pricing strategies)

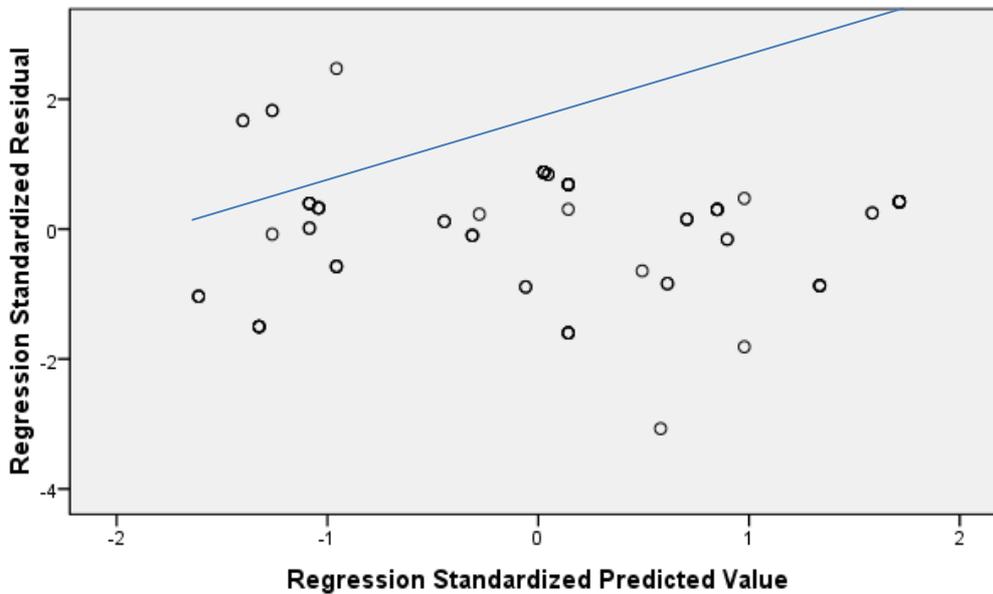
Model	Unstandardized Coefficients		Standardized Coefficients	Sig.	Collinearity Statistics	
	B	Std. Error	Beta		Tolerance	VIF
1(Constant)	.852	.563		.134		
Predatory	.471	.112	.452	.000	.290	3.452
War	.275	.124	.219	.030	.343	2.916
One way price	-.112	.082	-.096	.175	.681	1.469
Network price	-.176	.106	-.112	.100	.741	1.349
Limiting price	.329	.097	.266	.001	.547	1.827
Congestion price	-.102	.135	-.051	.452	.746	1.340
Coupon price	.059	.055	.070	.292	.760	1.315

Source : Survey data

According to the table :05, the VIF value is less than 10 of each pricing strategy. VIF value means, Variance inflation factors (VIF) measure how much the variance of the estimated regression coefficients are inflated as compared to when the predictor variables are not linearly related. VIF use to describe how much multicollinearity

is exists in a regression analysisAs well as the tolerance rate is more than 0.1 of each of the strategy.A tolerance interval rate is statistical Interval limits, within which, with some confidence level, a specified proportion of a sampled population falls. Hence the researcher has taken the level of confidence as 95% with a sample proportion of 73% is justified, since there is no multicollinearity problem in this model.

Figure :05 **Scatter Plot Diagram**



Source : Survey data

According to the above scatter diagram, (figure 05) figure illustrates the standardized residual values against standardized predicted values. By observing the above figure, it identifies that the above residuals are not in the systematic pattern. Therefore, no Heteroscedasticity problem generated in this model. Heteroscedasticity means, the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it.

Thus the variation of the residual is constant and it is identified that the model is homoscedastic. Therefore this model is exceptional and nicely suited with the variables in this study. Based on the values of table 04 (Financial factors) β value constant variable is 0.852 whereas price predatory β value is 0.471 and price war is 0.275 those are statistically significant. Using the unstandardized coefficient following regression model can be constructed.

$$y = \alpha + \beta x_i + \varepsilon_i$$

$$\text{Sales} = \alpha_0 + \beta_1 \text{Predatory} + \beta_2 \text{War} + \beta_3 \text{Limiting} + \dots + \varepsilon_i$$

Accordingly, the values of each pricing strategy could be substituted as follows.

$$\text{Sales} = 0.852 + 0.471 \text{Predatory} + 0.275 \text{War} + 0.329 \text{Limiting} + \dots + \varepsilon_i$$

According to the above regression model sales volume and its trend will be able to forecast and also will be able to identify the significance of each strategy over the dependant variable.

2.3 Identify the outcome of the study and challenges of the current aviation industry in promoting tourism in Sri Lanka.

The travel and tourism industry in Sri Lanka was identified as a thrust industry capable of creating rapid economic growth. The aviation industry plays a central role in supporting tourism. In quantitative terms, a remarkable achievement has accomplished by the industry but in qualitative terms a lot remains as challenges and expectations to grow the industry.

The study has addressed a lot of avenues in travel and tourism industry. With reference to the findings of the results, it further clarify that there are some challenges still exists in the industry, following points briefly elaborate the current challenges of the industry.

- The study was able to find that the pricing strategies of airline industry have a signification relationship and it has a strong association with the strategies launched by the airline. Thus, Price predatory, Price war and price limit has a positive affect and strong relationship with the sales. That means many of other pricing strategies such as One-way price have not affected much to increase the sales of the travel agents.

Therefore it seems that there are fewer competitions among the airlines in generating volumes to Sri Lanka. This is absolutely miserable for the future of the industry.

- Many of the non-pricing strategies of airline industry have not strongly effected to grow the sales of the travel agents. The study found that airlines do not offer rebates and premium promotions. Study found that there is a negative correlation with these two strategies.

It indirectly says that airlines do not focus on promotions in terms of promoting tourism in Sri Lanka. Airlines may have taken the existing volumes without considering new promotions.

- Study further found that majority of the respondents agree with that the statutory bodies need to implement the free sky policy. Simple meaning of this is, deregulation of airline industry is highly required to promote competitiveness among airlines. Opening up air markets (allowing airlines to start services without having to go through lengthy government-to-government negotiations for every new route the airlines)
- Study found that high degree of price discrimination among airlines when it comes to decide the airfare of the route. Major airlines such as Emirates, Cathay pacific, Sri Lankan, Etihad Airways are dominating the market and controlling the monopoly status in the market. Governing body should not encourage to develop a collation or flying route monopoly as it is harmful for the industry.
- Study also found that many of the respondents agree to operate direct flights to Sri Lanka. Which they have identified it as an important factor. Some of the main routes still are on code share and transit flights operation, the prime example is from Los Angeles to Colombo and from New York to Colombo.
- Study further found that majority of the respondents agrees with that the statutory bodies need to implement the free sky policy.

Simple meaning of this is, deregulation of airline industry is highly required to promote competitiveness among airlines. Opening up air markets invite international airlines to create a business transit point of Asia.

- Study found that high degree of price discrimination among airlines when it comes to decide the airfare of the route. Major airlines such as Emirates, Cathay pacific, Sri Lankan, Etihad airways are dominating the market and controlling a monopoly status of the market (Some special routes such as Dubai to Colombo, Hong Kong to Colombo etc. Relevant Bodies should not encourage developing collation or routes monopoly as it is harmful for the industry.
- Study also found that many of the respondents agree to operate direct flights to Sri Lanka, Which they have identified it as an important factor. Some of the main routes still are on code share and in transit flights operation, the prime example is from Los Angeles to Colombo and from New York to Colombo. USA is considered one of the highest revenue generating tourists markets in Sri Lanka. Hence it is still remain as a challenge to operate a direct flight to USA. Governing bodies needs to take steps to operate direct flights those economically identified destinations.

- Study also found that there is a negative correlation and insignificant association in terms of budget carriers. Budget carriers have played a pivotal role in carrying passengers among the world. Sri Lanka generates inbound traffic mainly from India, China and United Kingdom.

It is a debatable question that how many budget carriers are operating from the aforesaid destinations. It is very few and not even 05 airlines are operating from these destination. Thus it is wide open to create a policy to allow more budget carriers to enter in to Sri Lanka.

3.0 Conclusion

It is required to fulfill the objectives of the stakeholders. Companies are geared up to deliver best possible results to retain the stakeholders within the company. Pricing and non-pricing strategies are the tools of maximizing their objectives as when revenue goes up company able to reach a considerable range of profits.

In accordance with the objectives of the study, the impact on the pricing and non-price competition of airline industries and possible side contributions were conceptually identified at the initial stage of this study, this study uses a qualitative study to gain a better insight from the respondents.

There was a significant consensus among pricing strategies, on price competitions, positively addressed for the sales revenue of IATA registered travel agents and it is accepted that the strategies not only have created an impact on individual sales but they had an impact on the entire tourism industry as well.

Hence airline pricing and non-price competition is a much wider concept which any government or competent authority needs to mull over as they play a pivotal role in promoting passengers to the attractive destination like Sri Lanka.

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