

Research on Airline Strategy under COVID-19: Flight Pricing and Human Resources Perspectives

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Abstract. The COVID-19 pandemic has led to a global recession in the economy. People travel less due to stricter restrictions set by governments worldwide and fewer business activities due to the spread of the disease. This means that the airlines will receive a sharp decrease in income, which is a disaster for them because the cost is inelastic. To help change the situation of the airlines, this paper presents a calibration method based on the data of Chinese airlines and international flight data. The proposed method contains three parts: long-term price strategy, including pricing setting for domestic and international flights; new ways of price discrimination and pricing differences pushing up the demands, the new policies for the flight attendants, including wearing masks and introducing policies to prevent the virus from spreading. The experimental method's result shows that COVID-19's impact on airlines can be significantly improved with an accurate way to regain customers' trust and willingness to travel by air compared to the pre-COVID method of working.

Keywords: Airline Strategy; Flight Pricing; Human Resources; COVID-19.

1. Introduction

The COVID-19 virus was first known in Wuhan, China, in December 2019 and started spreading worldwide; of its tight space, governments worldwide have sent out travel limitations to stop the disease. During the COVID-19 virus, global transportation has been severely influenced. The passengers, especially those who used to fly across several countries, travel fewer by air than ever due to stricter travel limitations and the changed way of global co-operations and business meetings. This means that the airlines' income is dropping sharply while the cost almost remains unchanged. The airliners are having a tough time. In 2020, the airline experienced a 167.9-billion-dollar loss [1]. The older airplanes like the Airbus A380 and Boeing 747 are quitting while newer, more energy-efficient planes like Airbus A350 and Boeing 787 take their place. The number of passenger flights is also cutting down to follow specific restrictions or cut down costs. While some of the cargo flights are experiencing an increase due to the rise of more needs in freights like masks. In this article, the writer will mainly discuss three questions: the factors affecting the price set during the pandemic, the changes in price strategy and personnel adjustment, and the performances of these strategies. This article will be supplemental for the theories that exist now in the academic industry and experimental structure, also providing a theory for the airlines to make decisions on gaining new ways of income, making better strategies on price discrimination, and setting different prices on domestic and international flights. It would also be a reference for airlines to hire new staff from the new students, discriminate the nationality of the staff, and even the ways to arrange the number of staff on domestic and international flights.

2. Literature review

There are several articles discussing a similar topic as this passage. Joseph Amankwah-Amoah used the method of building a conceptual framework of firms' responses. He analyzed the firms' strategic and tactical responses to the pandemic, including the changes in-flight, cancellations, seeking emergency aid and financial support, and firm closures. He demonstrates that in responding to the crisis, many airlines are striking to minimize the erosion of long-developed knowledge, market capabilities, route networks, access to airports, customer base, and relationships before COVID-19 to recover as quickly as possible [2]. Yusaf H.Akbar and Maciej Kisilowski used the method of an integrative framework to analyze airlines' nonmarket response to COVID-19 governmental policy measures by using a two-by-two matrix. They identified critical conceptual links between the industry's nonmarket response, the health impacts of a given policy measure, and its economic costs for the airlines. They think that unless financial stakes in a given policy measure are high, airlines do not risk active bargaining with governments over the content of that measure [3]. László Kökény, Zsófia Kensei, and Gábor Neszveda examined the significance of the business model of European listed airlines and used an event study on the 11 airlines to detect the negative phases in terms of cumulative average abnormal returns. They claimed that Full-service carriers performed significantly better than Low-Cost Carriers at the same time of the pandemic and declared that in addition to examining financial indicators, the enumeration of the business model in the industry could also be deciding [4]. Yazan Khalid Abed-Allah Migdadi's study adopted a quantitative methodology based on the secondary data published by the airlines related to operational and performance indicators. They claimed that four strategic alternatives are available for international airlines to adopt, while two strategic options are available for regional airlines [5].

3. Case analysis

3.1 Pricing During the Pandemic

In many firms, radical shifts in demand, supply, and costs tousel previously predictable market pricing mechanisms. The most effective organizations adjust to their consumers' immediate and changing needs while considering longer-term implications. One of the most affected industries is the airline business after the onset of the Covid-19 pandemic. The airline struggled with customer demand, supply chain, and inflation, affecting its pricing strategy. Pricing is a vital part of a firm's rapid revenue recovery approach. For the most effective pricing leaders, the critical areas to focus on entail being creative in achieving consumer necessities while conserving value [6]. Also, it is crucial to driving a robust pricing castigation in line with capitalizing boldly on competencies for the future. The income generated from airlines dropped abruptly, with costs being constant. For instance, Chinese airlines encountered undesirable and significant abrupt variations in stock charges because of the Coronavirus pandemic. However, sectoral alterations impact abrupt changes, with full-service air companies suffering from operational deviations much earlier than low-cost commercial airlines. This paper seeks to outline factors that affect pricing during the pandemic for domestic and international flights, the application of price discrimination, and the performance of the applied strategies.

One of the factors impelling pricing throughout the pandemic is market conditions. Due to uncertainty, the airline market in China is going through an unusual time with both demand and supply. The market conditions in China have been unfavorable due to a decrease in flights, with nations restricting the entry of Chinese airplanes into their airports. Also, the issue of competitors tends to influence pricing strategies in the airline market. Competitors who have encountered both an increase in demand and a decrease in order tend to lead the arcade [7]. Various airline companies were forced to shut down eventually in China, giving more significant power to organizations that had achieved to endure the tempest. Greater pricing power can be accomplished as firms unravel due to the inferior antagonism. Pricing supremacy is habitually an outcome of the integrity of a team to

analyze the tendencies in a market, creating a framework for success. There are also organizational factors that affect the pricing strategy. For instance, two administration levels decide the pricing policy, where one is the price range, and the top-level managers deliberate the policies. In contrast, the special price is discussed and set by the lower-level workforce.

Price discrimination is among the best pricing strategies for Chinese airlines. Price discrimination occurs as similar merchandise or amenities are sold at different prices to the same consumer or diverse consumers. For instance, digital airline ticket has increased the devotion of economists in current studies. With the advancements of big data and digital know-how, particularly in social and economic schemes, contemporary prospects for existing business approaches are evolving. Since the onset of the Covid-19 pandemic, price discrimination has been under investigation, with airlines being alleged to utilize user data to exploit consumers. Various classifications distinguish classifications of price discrimination. These include first-degree price discrimination, where the seller can set the price equivalent to the inclination to pay consumers. Second-degree price discrimination is also based on ancillary indications, as the seller lacks sufficient market data. Third-degree price discrimination is another classification that occurs when miscellaneous charges are allotted to a diverse group of customers [8]. Indirect price discrimination tactics include quantity discounts, coupons, performance-based discrimination, bundling, and non-linear pricing.

The Chinese airlines responded to pricing differences by offering tickets referred to as the cabbage process. They commenced restoring the seating capacity following drastic capacity cuts enforced after the application of the Covid-19 pandemic. These prices are favorable to the Chinese people resulting in better matter conditions. Also, they have introduced a one-way nonstop trip from Shanghai departing to Chengdu on Juneyao Airlines from as low as 13 dollars [9]. The decrease in prices by airlines has had significant results in economic progression. The Chinese airplanes neatly add over 2 million seats to programmed services, augmenting revenue generated chiefly for domestic routes. This melodramatic capacity retrieval has occasioned in low fares being made available. With the unlike outbreak timings of diverse pandemics, the fiscal impact if the Covid-19 on airlines varies. However, the pandemic has been efficiently well-ordered after the categorization of endeavors by the Chinese government in partnership with airport management. The airport management organizations have instigated critical conveyance missions, and air traffic control units are exempted from approach route and command fees. There was a reduction in international flights, promoting local travel. The most effective pricing methods entail cost-oriented and market-oriented pricing techniques. Implementing pricing strategies will reduce costs and boost profit gain within Chinese domestic and international flights is vital.

3.2 Adjustment of human resources strategy

As international expeditions approach to a nearly total halt in 2020 and 2021 due to the COVID-19 pandemic, the flight industry suffered severely, as experts claim, being the worst year in time for air travel. According to the International Air Transport Association, global passenger transportation measured in revenue had decreased by 65.9 percent, international passenger demand dropped 75.6 percent, and domestic demand fell 48.8 percent when compared to 2019. Because of covid-19, 2020 was a catastrophic year for the flight industry.

Such a big impact of covid 19 will inevitably cause a change in the flight attendant industry. A World Economic Forum report found that flight attendance workers have the highest risk of getting coronavirus (75.7 out of the average 30.2) of 966 non-health related work types examined. Attendance crew members have a higher risk of getting COVID-19 because they have to be in contact with passengers from around the world. From the nature of their work, they have to be within one meter of every passenger multiple times, and the risk of getting covid accelerates. In many cases, flight attendants are more susceptible to the virus, such as when passengers take off their masks off to eat and drink, and crew members are even at risk when trying to persuade disobedient passengers to wear masks.

Protection of the crew is limited, and each airline has its own group of regulations considering protection, making it difficult to regulate and protect all crew members. US President Biden's new federal mask laws require masks to be worn inside public areas, which includes in airports and in the aircraft, which may even make greater uncertainty for various COVID-19 safety measures across America. Meanwhile, the crew left open explanatory guides that vary from airline to airline — and have little impact on passengers who don't follow them. In addition, COVID-related regulations remain unpredictable in terms of contact tracing, testing, and quarantine, and can have severe consequences for attendants and staff members who miss shifts after being quarantined after close contact to the virus.

In the air, it is difficult for flight attendants to deal with passengers who refuse to wear masks. One flight attendant said some passengers discriminated against or ridiculed the crew's authority. Some passengers eat and drink using loopholes in the regulations to avoid wearing masks. The passengers sipped through their nearly empty glasses throughout the flight or slowly nibbled on snacks as the crew approached. "It's not easy to be repeatedly challenged", says Payne [10]. She faces disinclined passengers who refuse to wear masks several times per week during her work shifts in the air. "I get that some people don't like wearing them. I don't like it either," she states, "but it's vitally important to keeping everyone safe and protected." "Ideally, everyone should want to wear a mask for the sake of others, if not for their well-being," declared Sharona Hoffman, a professor at Case Western Reserve University's Law-Medicine Center. She explained that airline crews have multiple ways to force people to obey, including dismissing passengers who refused to wear masks of the plane while the plane have not left the ground, and putting rule flaunts on the blacklist. Some airlines have put this into action, such as in 2020, American Airlines banned more than 1,400 passengers who violated the rule.

Considering the world's economic status, there will be a time when the air travel business tries to recover from the harm done by the coronavirus. When the air travel industry attempts to recover and demand air travel returns, there will likely be an excessive amount of demand for air travel. We may see a lot of demand from people who are eager to travel. It will take time for airlines to restore capacity, and to fill the insufficiencies, back-ups such as stops that bring aircraft back to service and hiring a lot of staff members could lead to a supply-demand deficiency. This can result in higher short-term prices for travel and cause many uncertainties for customers and businesses.

3.3 Performance evaluation

Due to the highly contagious virus, COVID-19, people worldwide are in a stressful atmosphere. Because of this virus, most people prefer to stay at home rather than go to other cities or countries for work or travel. Also, during a flight, people sit closely with each other, which means if one passenger gets COVID-19, all the passengers on this plane have a high risk of getting infected, so the government, especially the Chinese government, requires people who take the plane to do a quarantine for certain days depending on where the plane comes from after those people get off the plane. This severe difficult situation resulted in a massive decline in the demand for taking a flight due to high risks and high time costs. Under this circumstance, many airlines make decisions to change the strategy they use or the policy they have. The restriction on wearing masks is one part of these airlines' change to deal with this situation. These strict restrictions by airline companies will increase the demand for airline transportation to some extent, but not very much. These restrictions on wearing masks or something like that will give people a sense of safety and protection. Wearing masks does not mean it can prevent any disease, but it psychologically makes people feel less stressed while on a flight. To do a thing more often when it becomes much safer than before, in this case, taking a flight, is what people will always do. A human's biological instinct is to take advantage and avoid the disadvantage. However, many other factors need to be taken considered. In the United States, rather than people who worry about their safety, many people think not wearing masks is their natural right, and they protest not wearing them anywhere. These restrictions on wearing masks during the flight will leave these people out of the customer lists. This group of people will not take

any flights since they will not wear masks, and the airline companies put restrictions on wearing masks. Data reveals that in 2020, 64% of Americans believed they should not be forced to put shows on; it is their right to choose to wear or not [11]. 64% of people dislike the forced masking policy, which means people taking the flight are probably the minority of the whole population, which means the profit those airline companies can get is not very high.

4. Conclusion

Since 2020, the aviation industry has been experiencing a devastating disaster due to a new virus, COVID 19/COVID-19. This new virus is very infectious and, at first, vital. It resulted in millions of deaths worldwide and put everyone in a stressful atmosphere. In this situation, people are unwilling to go out since they do not want to get infected. As a result of this situation, the demand for taking a flight dropped dramatically. Same as demand, the supply also drops. Due to the high risk of getting infected, airlines do not want their staff to be infected; therefore, in 2020, some airlines did not offer any flights, pushing up the price of each flight. Many airlines decided to change their policy to deal with this unexpected situation.

Some airlines restricted wearing masks, tried to make people feel safer, and purchased more tickets. But this unintentionally left out some customers who think not wearing masks is their natural right. For this research, the limitation is that we do not get first-hand evidence; most of the information we get is unreliable and might be somewhat different from what happened. Nowadays, the aviation industry is recovering fast with the invention of vaccines for COVID. In the future, people might compare the differences in the profit of these airlines and their strategy to maximize their profit during these four years of “COVID year”.

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