# Econ 2901 Group 2

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# The decision making of people facing two types of different strategies of airline companies in Hong Kong

### Introduction

From 2013,Low-cost carrier expand quickly and stole many clients from Traditional airline. Thus, we would like to know the elasticity respectively and what factors will affect people decision when they need to book flight.



## Economic concepts

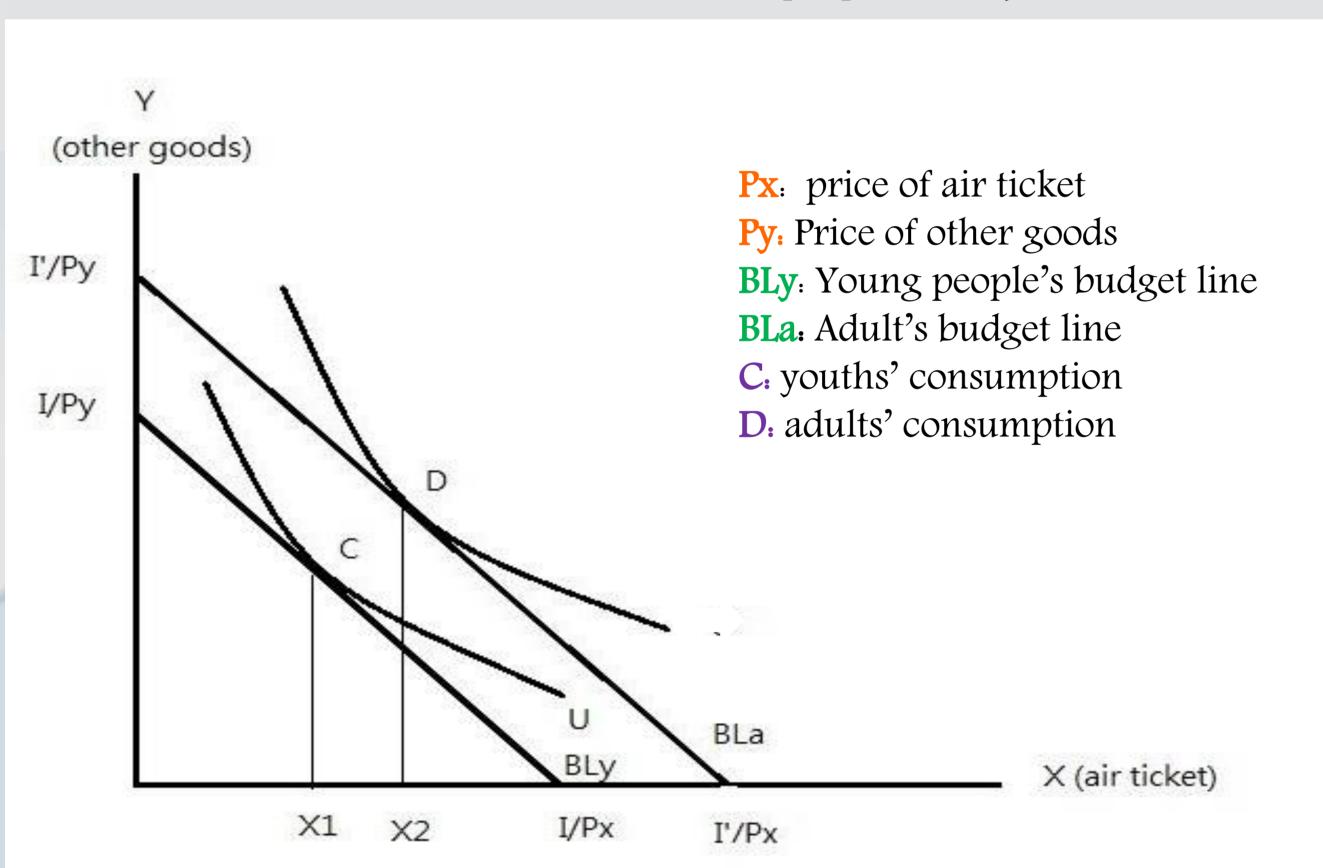
#### I. Utility

- Adults consume more than young people (i.e. x2 > x1) because of higher income
- Adults choose traditional airline while young people choose low cost carrier

Reason:

people choose the airline company that provide them with the highest utility





#### II. Consumer surplus

Pricing strategy of airline companies:

Traditional airline companies Low-cost carrier companies higher price lower price

The higher WTP of consumers, the higher the price

#### III. Elasticity

(the larger proportion in income, the higher Ed)

Consumers of Traditional airline: Higher income, lower Ed Consumers of Low-cost carrier: lower income, higher Ed

### Results

# Elasticity

	Average price elasticity of demand₽
Low cost carrier (long haul)₽	3.75₽
Low cost carrier (short haul)₽	1.875₽
Low cost carrier (overall) ₽	2.8125₽
Traditional airline (long haul)₽	1.785714↩
Traditional airline (short haul)₽	3.125₽
Traditional airline (overall)₽	2.455357₽

#### Type of airline company

Ed low-cost carrier > Ed traditional airline

=>consumers of low cost carrier consumers are more price sensitive that those of traditional airline companies.

( : degree of necessity )

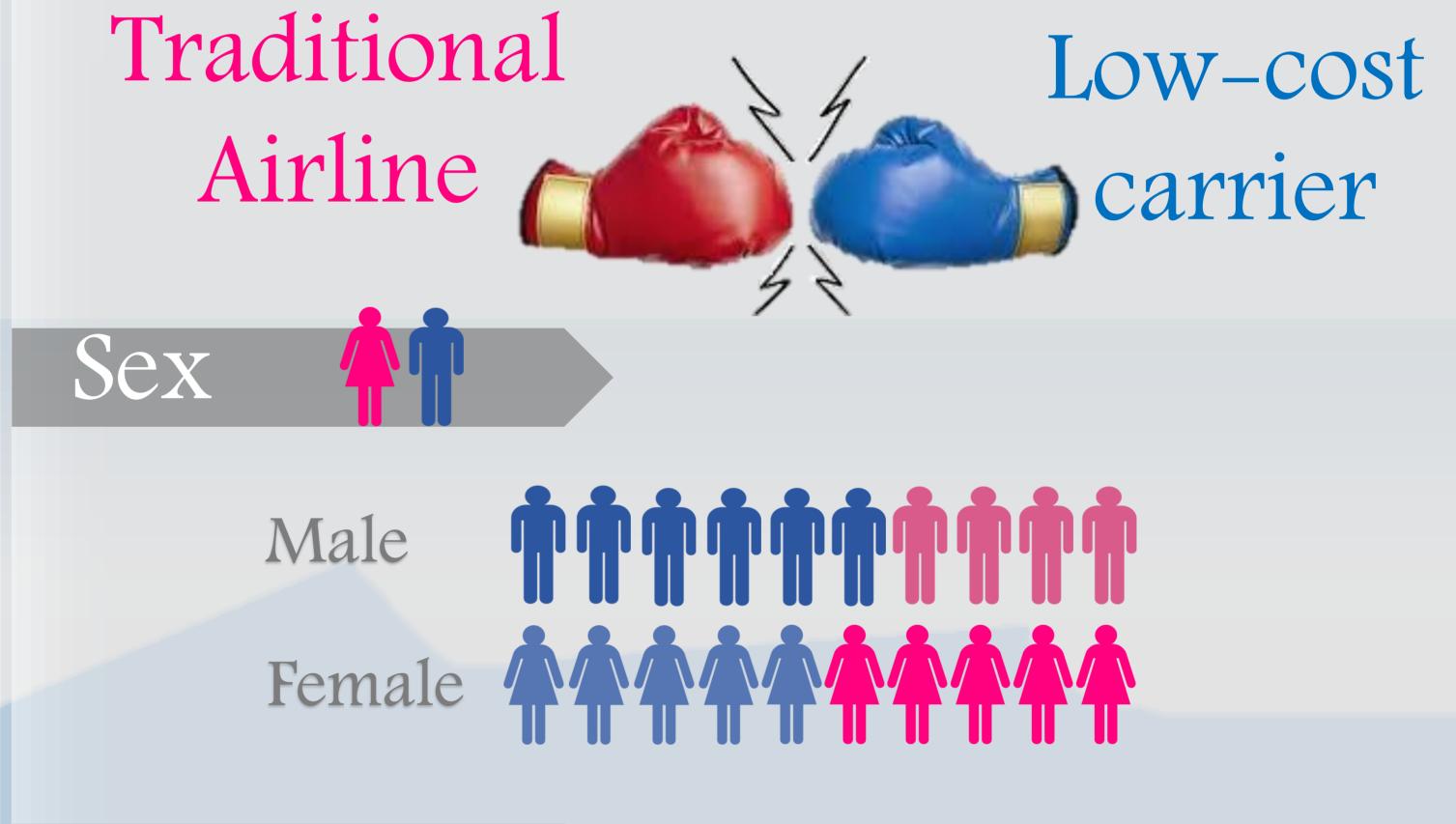
#### Travel distance

-Low-cost carrier company:

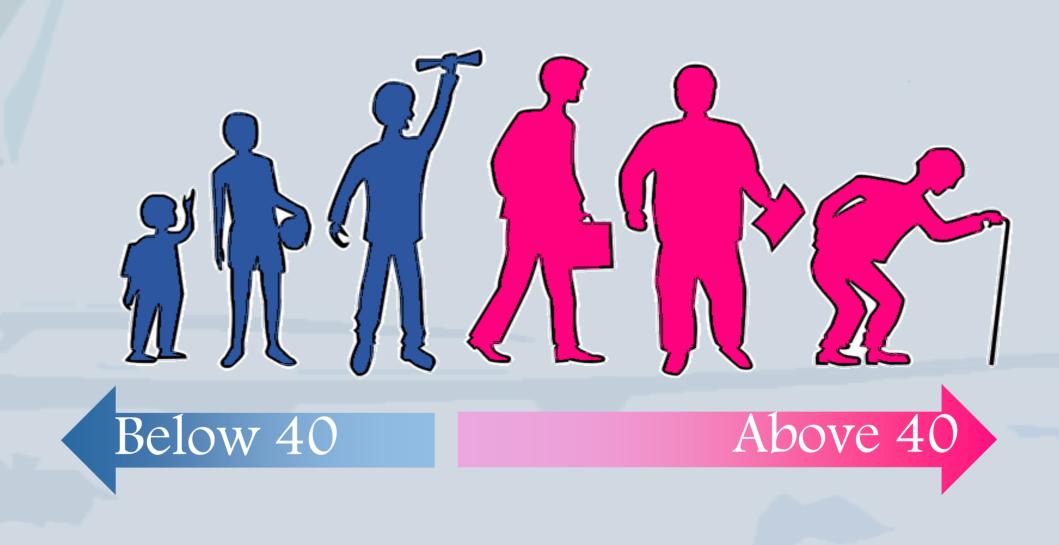
Ed long haul > Ed short haul.

Traditional airline company:

Ed long haul < Ed short haul.



# Age





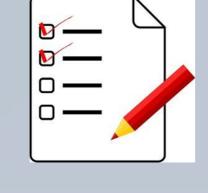




Low-cost carrier

#### Limitation

- Not easy to collect a large sample size
- Tilifi
- Rely on first hand information



#### Conclusion

- People from the same Sex, Age group or Income Group would like to have *similar* preference.
- Degree of necessity, travel distance, proportion of fight expense to income also *influence* the decision making of people

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