SENSITIVITY OF NON-PRICING STRATEGIES OF AIRLINE INDUSTRY IN PROMOTING TOURISM IN SRI LANKA (WITH SPECIAL REFERENCE TO INBOUND TOURIST PROMOTION IN SRI LANKA)

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Abstract

The pricing strategies were the strategies that encompassed in order to improve the economic stage in the business cycle. The non-pricing strategy occurred when the organization decided to distinguish its products from their competitor products in order to make the quality of service to the services. Pricing and non-price competition strategies help stakeholders to achieve their short term and long term corporate objectives. Airline industry is no alien to the pricing and non-price competition strategies since they play a pivotal role in the airline industry to promote its products and services to attract more passengers towards to the respective body.

Non price competition strategies have a different format of attraction air travel passengers. Non-price characteristics, which may include convenience of flight schedules, frequent flyer programs, the quality of in-flight service and bundle promotions seem to be much more important in explaining passengers' choice behavior. As such, the results have implications for the focus of antitrust policies in the airline industry when assessing the impact of mergers, alliances, or collaborations other business decisions of airlines.

Therefore, it is equally important to understand and examine the non-price competition strategies, since it generates a lot of fringe benefits that have directly catering to the consumer's desires. The study focuses to examine the sensitivity 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 IATA registered Travel agents out of total 117 IATA registered travel agents. A sample proportion of 73% was taken from the population to evaluate the results of the study to examine whether there is an impact on non-pricing strategies of airline industry in promoting tourism in Sri Lanka.

This paper focuses sensitivity of various types of and non-price competition of airline industry with special reference to inbound tourist promotion in Sri Lankan. The study found that some non-price strategies are also has a strong relationship and significant impact on the tourism industry. Further found that there is a strong relationship and association between tourist arrival and non-price competition strategies. The findings of the study would help to formulate new strategies and polices to attract more inbound tourists to Sri Lanka.

Keywords: IATA Registered Travel Agents, Airline Industry, Price competition, Non Price competition.

1. 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 content 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.

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

2. 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" Anjana and Jayakodi, (2011) highlights that Sri Lanka witnessed a strong upsurge in tourism after the end of the civil war in 2009. As a whole, the official tourist receipts for 2016 were estimated to be Rs. 512,293 million as compared to Rs. 405,492 million in 2015 representing an increase of 26 per cent. In terms of US Dollars, the total tourist receipts were estimated at US$ 3,518.5 million, as against US$ 2,980.6 for the previous year, showing an increase of 18 per cent. The per capita tourist receipts increased up to US$ 1,715.6 recording an increase of 3.5 per cent compared to US$ 1,657.4 in 2015.

According to the annual report of central bank 2016, it further emphasis the following economic aspects of travel and tourist industry in Sri Lanka, tourism in Sri Lanka has surged to a new limit of over 2 million (2,050,832) arrivals in 2016, which is an increase of 14.0 per cent over last year's 1,798,380 arrivals the foreign exchange earnings increased by 18.05 per cent from Rs. 405,492 million (US 2,980.6 million) in 2015 to Rs. 512,293 million (US $ 3,518.5 million) in 2016. Foreign Exchange (FE) Receipts per tourist per day recorded an increase of US $ 4.1, from US$ 164.1 to US$ 168.2 in 2016. In 2016, the tourism sector continued to perform well and was able to retain its rank in the third level as one of the main sources of Foreign Exchange Earners of the national economy. Foreign Remittances (Rs. 1,054.48 billion) and Textiles and Garments (Rs.710.76 billion) were the first two highest sources of foreign exchange. The portion of tourism's contribution to total FE earnings in 2016 amounted to 14.2 per cent.

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 more than 2miilion arrivals in 2016, transcending all time high hits in the history(as per the figure 01).

Figure: 01 Number of tourists arrivals from 2006-2016

Source: World Bank – Tradeingeconomics.com - Report 2016.

Visitors from Asia continued to be the main source of Tourism to Sri Lanka in the year 2016 accounting for 45.1 per cent of the total share. Similarly, the number of arrivals from Western Europe continued to be the second source of tourism with a share of 31.4 percent. Similar to as previous years, India emerged as the leading producer of tourism to Sri Lanka amounting to 356,729 arrivals, accounting for 17.4 per cent of the total traffic. China progressed to the second place with 271,577 arrivals and a growth of 26.4 % while UK moved down to third position (188,159) with 16.3 percentage change in 2016. The average duration of stay is 10.2 nights as compared to 10.1 nights in the previous year of 2016.

Figure: 02 Tourist arrival by type of carrier 2016
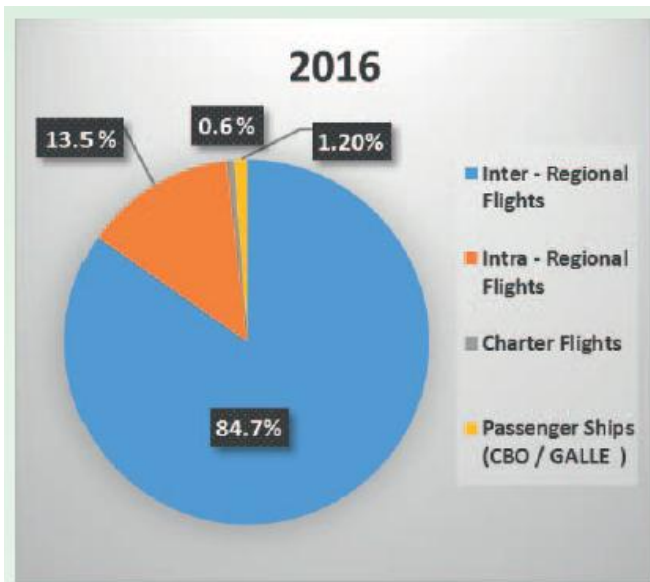
Source: Sri Lanka Tourism Development Authority - Annual Report 2016.

3. 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;

3.1 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 hock 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 customer's 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.

4. 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 non-pricing strategies. Following figure further elaborates the conceptual frame work of this study. Identifying the significance of the sensitivity of 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 dependent 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 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 dependent and independent variables to measure the output.

Figure : 03 Conceptual frame work- Variables arrangement
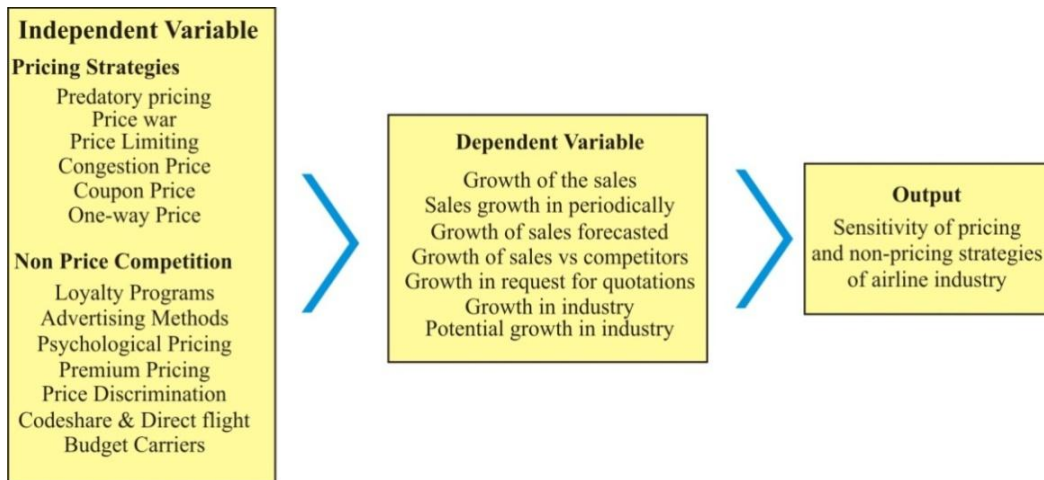
4.1 Sampling Method

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 as 117 travel agents out 805 travel agents who have registered and obtained the license of International Air Transportation Association (IATA).
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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 dependent variable to measure the significance of it. For example questions like **"Do airlines promote Mileage schemes, Do airline promote loyalty schemes and the airline has a sound loyalty programme to recognize you as a frequent customer"** are meant that the airline could set the non-price competition strategies like loyalty programs to attract more customers to the respective airline. 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 non price competition of airline industry together with demographic information provided by the respondents, important facts were taken to analyze the impact of various 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.

5. Level of Non-Pricing Strategies

The second section (Part B) of the questionnaire referred to the various types of non-pricing strategies that have been executed in the airline industry. In the part B of the questionnaire, Loyalty schemes, Rebates, Budget carriers, bundle pricing and ground handling service of airlines are being tested to evaluate the sensitivity of the pricing strategies.

Table: 02 Statistics – Non Price Competition Strategies

Statistics

		C.S.	Loyalty	P.D.	B.C.	P.P.	Rebates	Pr.P.	Advertising	G.H.	Policy	B.P.	D.F.
N	Valid	85	85	85	85	85	85	85	85	85	85	85	85
	Missing	0	0	0	0	0	0	0	0	0	0	0	0
Mean		3.0118	3.7647	3.9882	3.7412	4.2118	3.1765	2.9000	2.9333	4.0353	4.3294	2.9176	3.9059
Std. Deviation		.32711	.60383	.54542	.74247	.59949	.53844	.41404	.53896	.64452	.67943	.46832	.70074
Skewness		.238	-.390	-1.361	.102	-.112	.128	.005	-.446	-.032	-.519	-.285	.132
Std. Error of Skewness		.261	.261	.261	.261	.261	.261	.261	.261	.261	.261	.261	.261
Kurtosis		6.896	1.268	5.577	-.562	-.399	.116	-.847	-.082	-.529	-.749	1.530	-.925
Std. Error of Kurtosis		.517	.517	.517	.517	.517	.517	.517	.517	.517	.517	.517	.517

Source : Survey Data

C.S. - Code share Flights	P.D. – Price discrimination
B.C. – Budget careers	P.P. – Psychological price
P.P. - Premium price	G.H. –Ground handling
B.P. –Bundle pricing	D.F. –Direct flight

With reference to the provided answers by the respondents, the above table depicts the level of the mean value of loyalty schemes and psychological pricing strategy, were recorded 3.7647 and 4.2118 respectively. Whereas price discrimination and operating direct flight and budget carriers were recorded as 3.9882, 3.9059 and 3.7412 respectively. Operating code share flights and airline rebates have taken the mean value of 3.0118 and 3.1765, which is a more moderate value and this strategy is directing to get the attention of the respondents as mean valve is close to 3.5. On the other hand Bundle pricing, Advertising and Premium pricing strategies mean value were taken as 2.9176, 2.933 and 2.900 which are quite a low and weak figures.

With reference to the provided answers by the respondents, it is easy to identify how much, each strategy differs from the mean value. Operating budget carriers has recorded the highest variation as 0.74247 and the lowest was recorded as 0.32711 which is the operating code share flights. The standard deviation of   operating direct flight and ground handling service were taken as 0.70074 and 0.64452 respectively.

Also loyalty schemes and psychological pricing strategies value were taken as 0.60383 and 0.59949.The implementing polices strategy was taken as 0.67943 which is further deviated from the mean value.

The standard deviation of price discrimination and rebates strategies' value were taken as 0.54542 and 0.53844 respectively. Whereas buddle pricing and premium pricing strategies standard deviation value were taken as a moderate value. That is 0.46832 and 0.41404. The Skewness of the non-price competition strategies, are Loyalty schemes, Advertising, Psychological, Bundle pricing, ground handling and price discrimination strategies have a negative skewed distribution. Whereas premium price, budget carriers, direct flight, offering rebates of the airlines have a positive Skewness. Skewness refers to the asymmetry of the distribution, such that a symmetrical distribution exhibits no skewness. In a symmetrical distribution the mean, median, and mode all fall at the same point, Skewness measures this extent of asymmetry. If the data is positively skewed then it will have a much longer right tail than the left tail. In this case, mean and median will be greater than mode. In most of the cases, mean will be greater than median

5.1 Impact of the Sensitivity of the Non-pricing Strategies in Airline Industry in Promoting Tourism in Sri Lanka

The researcher addresses the objectives of this study using the correlation and the regression analysis to measure the sensitivity of the strategies. The correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel, a negative correlation indicates the extent to which a particular variable increases as the other variable decreases. 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 Loyalty schemes, Rebates, Budget carriers, bundle pricing and ground handling service the relationship between a dependent variable and one or more with independent variables. Each strategy tasted against the dependent variable such as sales and using SPSS software two tail Anova test done to identify the level of significance of each strategy to measure the sensitivity to the dependent variable.

The following table shows the statistical values of non-financial factors of the various non-pricing strategies.

Table -03 Statistics - Non-financial factors (Non-price competition strategies)

Non-Financial Factors		Sales				
Code share	Pearson Correlation	.202	Policy	Pearson Correlation	.540**
	Sig. (2-tailed)	.064		Sig. (2-tailed)	.000
	N	85		N	85
Loyalty	Pearson Correlation	.608**	Bundle pricing	Pearson Correlation	-.569**
	Sig. (2-tailed)	.000		Sig. (2-tailed)	.000
	N	85		N	85
Price discrimination	Pearson Correlation	.250*	Direct flight	Pearson Correlation	.545**
	Sig. (2-tailed)	.021		Sig. (2-tailed)	.000
	N	85		N	85
Budget careers	Pearson Correlation	-.263*			
	Sig. (2-tailed)	.015			
	N	85			
Psychological price	Pearson Correlation	.415**			
	Sig. (2-tailed)	.000			
	N	85			
Rebates	Pearson Correlation	.139			
	Sig. (2-tailed)	.204			
	N	85			
Premium price	Pearson Correlation	.366**			
	Sig. (2-tailed)	.001			
	N	85			
Advertising	Pearson Correlation	.577**			
	Sig. (2-tailed)	.000			
	N	85			
Ground handling	Pearson Correlation	.620**			
	Sig. (2-tailed)	.000			
	N	85			

Source: Research Data

With reference to the table: 03, the significance of loyalty strategy rate is 0.00. That means, it is prudent enough to understand that there is a strong association between sales and the price loyalty scheme strategy. It is further underscored that the Karl Pearson correlation value was taken as 0.608. That means there is a strong positive association with the dependent variables of this study.

Similarly, the significance of importance of ground handling value is 0.00. It is also prudent enough to understand that there is a strong association between sales and the prominence of ground handling. It is further underscored that the Karl Pearson correlation value was recorded as 0.620. That means there is a strong positive association with the dependent variables of the study.

This is followed by the strategy of Advertising and Operating direct flights to Sri Lanka. It has a positive correlation valve of 0.577 and 0.545 respectively. The levels of the significance of both methods were recorded as 0.00. That means there is a strong positive correlation between the sales and the non-price competition methods.

Not only that, the with reference to implementation a free sky policy strategy in Sri Lanka, many respondents believe that there is a strong effect on sales by implementing a free sky policy in Sri Lanka. It is further underscored with the denoted values. The level of the significant is 0.00 and there is a positive correlation of 0.540 at the 05% significance level. Therefore majority of the respondents believe that there should be a free sky policy to promote tourism in Sri Lanka.

On the other hand psychological price, premium price, airlines rebates, code share flights and price discrimination among competitive airlines have a weak positive correlation. The correlation followed with the respective values as 0.415, 0.366, 0.139, 0.202 and 0.250. Not only that the level of significance of the above strategies are also above 0.05.It indicates that the above strategies or policies of airlines do not affect the much in promoting tourism in Sri Lanka.

Similarly it opens lots of avenue to create the competition among airlines to implement these strategies to promote more passengers to Sri Lanka.

Figure :4 Scatter plot diagram – Financial factors (Non- Price Competition strategies)
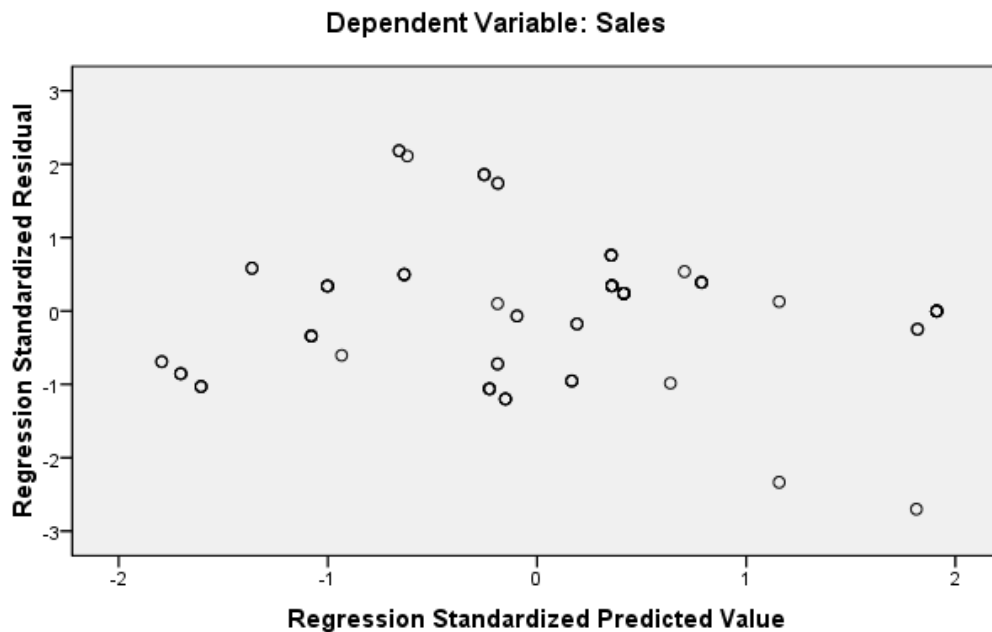
Source : Survey data

Moreover, (reference to the table) the non-price competition methods of bundle pricing and using budget carriers have a negative correlation.

The correlation values were recorded as – 0.569 and -0.263 respectively. But the level of significance is less than 0.05. Thant means there is an association between these strategies with the sales but not much of significant connection to generate inbound tourists to Sri Lanka. This is mainly because many passengers are aiming to use decent flights with sophisticated facilities for their journeys.

Not only was that, offering bundle price also affected negatively. That may be because of the income level, exact desire of the journey and may be the social status of the tourists as they do not consider much on additional promotions when the, select their journey in to Sri Lanka.

5.2 Effect of Non- financial Factors (Non-price Competition strategies) of Airlines.

It is important to examine the effect of non-financial factors (non-price competition strategies) to observe whether there is an effect on sales. As stated in the pricing strategies, researcher use regression model to measure the effect on it.

Table :4 Regression - model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.890[a]	.792	.758	.30452	1.804

Source: Research data

With reference to the above table- 4, in the regression model summary, the multiple correlation value (R Value) is 0.890. That means above mention non-financial factors (non-price competition strategies) such as Loyalty schemes, Advertising, Psychological, Premium promotion pricing, Bundle pricing, airline Rebates, Code share, Budget carriers, ground handling, price discrimination and direct flight strategies are strongly affected to the dependent variables (Sales) of the study. In brief, these airline non-pricing strategies are highly effect in sales of travel agents and it is equally important strategy in promoting tourism in Sri Lanka.

Furthermore, the R^2 value was illustrated as 0.792 in the above table. This means 79.2% of non-financial factors (non-price competition strategies) are covered in this model. Therefore the above regression model is nicely fitted as the R^2 value is more than 0.6, 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 non-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 non-pricing strategies with the sales.

Table: 5 **Model summary non pricing strategies**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.890[a]	.792	.758	.30452	1.804

Also with reference to the table: 5 (Model summary), Durbin-Watson value recorded as 1.804 in the non-financial factors. (Non-price competition strategies) That means it is further stated that there is no serial correlation problem in this study.

Table : 6 Anova table - Non- Price Competition strategies

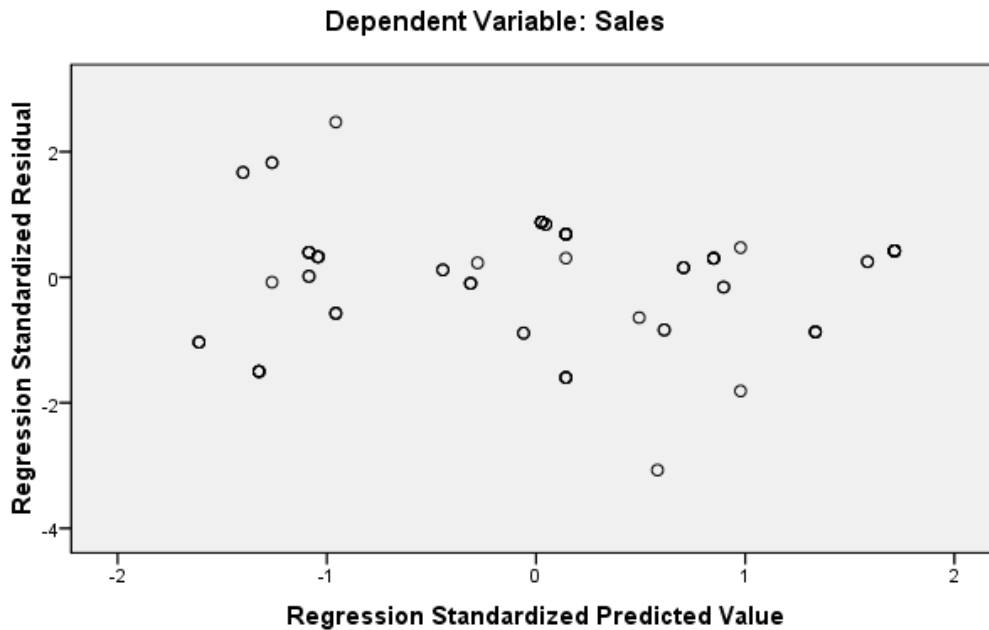| Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.489	12	2.124	22.905	.000[a]
	Residual	6.677	72	.093		
	Total	32.165	84			

Source : Research data

With reference to the above table (table: 6), as per the given values in the ANOVA table, it is pretty much clear that the ANOVA table is significant as the value detonates 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. Consequently this model is jointly significant. It is further underscored that this model is excellent. Consequently it is required to examine the individual effect of the variable. With reference to the table 06, the strategies of non-price competition such as loyalty, advertising, implementing free sky policy the service of ground handling are highly significant.

Thus the individual non price competition strategies are positively affected to the sales. Simply, airline non price strategies are affecting strongly to promote inbound tourism in Sri Lanka.

Figure :5 Scatter Plot Diagram

Source : Research data

According the above scatter diagram, (figure 5) 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 is 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.

Table -7 Coefficient non-financial factors (Pricing Strategies)

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1 (Constant)	.715	.681		1.050	.297		
Code share	-.246	.127	-.130	-1.935	.057	.638	1.567
Loyalty	.302	.156	.295	1.937	.057	.124	8.050
Price discrimination	.033	.154	.029	.215	.831	.156	6.416
Budget careers	.045	.059	.054	.762	.449	.575	1.740
Psychological price	.355	.076	.344	4.636	.000	.525	1.904
Premium price	.101	.097	.068	1.045	.300	.690	1.450
Advertising	.150	.092	.131	1.635	.106	.450	2.224
Ground handling	.188	.105	.196	1.785	.078	.239	4.176
Bundle pricing	-.371	.095	-.281	-3.893	.000	.554	1.804
Direct flight	.166	.073	.188	2.270	.026	.422	2.371

Source : Research data

According to the above table, 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 analysis. As well as the tolerance rate is more than 0.1 of each of the strategy. A tolerance interval rate is a 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. 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 05 (Non-Financial factors) β value constant variable is 0.715 whereas code share β value is -2.46, loyalty is 0.0.302 and advertising 0.150 those are statistically significant. Using the unstandardized coefficient following regression model can be constructed.

Sales = α_0+ β_1 Code Share + β_2 Loyalty + β_3 Advertising + ……………..+ ε_i

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

Sales = $0.715 - 0.246$ Code Share $+ 0.302$ Loyalty $+ 0.150$ Advertising $+ ………..+ \varepsilon_i$

5.2 Identify the outcome of the study recommendations to promote inbound tourists to 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 non pricing strategies of airline industry have a signification relationship and it has a strong association with the strategies launched by the airline. Thus, Advertising, loyalty and budget carriers have a positive affect and strong relationship with the sales. That means many of other non pricing strategies such as code share has 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 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 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.

6. 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. The 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 non-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 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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