



Understanding first-class passengers' luxury value perceptions in the US airline industry

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ABSTRACT

This study explored the importance of luxury value in the context of first-class flights. More specifically, it was proposed the role of luxury value in the formation of outcome variables. In addition, the moderating role of alternative attractiveness was suggested during the theory-building process. Lastly, this study tried to investigate significant differences in luxury value based on first-class passengers' demographic characteristics. Data were collected from 201 first-class passengers in the United States. The results indicated that three dimensions of luxury value (i.e. functional, individual, and social values) have a positive influence on first-class attachment, which in turn positively affects both willingness to pay a price premium and word-of-mouth. In addition, alternative attractiveness plays an important moderating role in the relationship between first-class attachment and word-of-mouth. Lastly, there were significant differences in luxury value according to demographic characteristics such as gender, age, education, income level, and occupation.

1. Introduction

The airline industry is one of the important industries affecting economic growth in the United States. According to Federal Aviation Administration (2018), the U.S. airline industry generated an operating profit of about \$ 21.6 billion in 2017. The agency also reported that the number of passengers using the plane in 2017 is about 231 millions, and in 2026, 321 millions are expected to use the plane. In addition, there are 1,500 airports in the United States, accounting for one-third of the world's total number of airports (Statista, 2017).

According to Deloitte (Deloitte, 2017), sales of luxury goods are growing at more than 6% per year. The company also predicted that sales of luxury goods in the tourism sector would continue to grow. The term luxury originated from the Latin word 'luxus' (Mootee, 2004), which means products of a very high standard, so luxury goods are generally very expensive (Shukla & Purani, 2012). Consumers believe that purchasing luxury goods makes themselves special because such goods have diverse values that distinguish them from other goods (Tynan et al., 2010; Vigneron & Johnson, 2004). More importantly, such luxury values play a crucial role in the formation of consumer behavioral intentions (Choo et al., 2012; Hennigs et al., 2012). For this reason, previous researchers have studied the concept of luxury value in various industries (Dubois et al., 2005; Hyun & Han, 2015; Vigneron & Johnson, 2004; Wiedmann et al., 2007; Wiedmann et al., 2009).

First-class flights are no exception to the importance of luxury value. First-class flights are known as the most representative of luxury travel because they are at least five times more expensive than economy class and offers the best service to passengers (Kim et al., 2016b; Moniter, 2011; Mouawad, 2012). As most first-class passengers are wealthy, they are inclined to desire special services unlike ordinary services that general customers receive (Hwang & Hyun, 2017a). That is, one of the most important motivations for taking first-class flights is to receive special benefits in exchange for the high cost that differentiate it from other classes such as economy and business classes (Hwang & Hyun, 2017b). Recently, first-class flights have been under threat from the growth of other services (e.g. premium economy, business class, and a private jet) (Skift, 2017; The High Life, 2017). However, few studies have investigated explains why passengers desire to take first-class flights. Most previous studies related to first-class passengers focused on their tendency such as need for uniqueness (Hwang & Hyun, 2017a) and perceptions of luxury goods (Hwang & Hyun, 2017b). Although there are some studies on the perceived value of standard-class passengers in the airline industry (e.g. (Chen, 2008; Hapsari et al., 2016; Kim, 2015)), applying their findings to first-class passengers is not suitable.

Therefore, this study tried to fill the gaps outlined above by investigating luxury value in the context of first-class flights for the first time. More specifically, the research objectives are to (1) examine the

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differences in luxury value based on first-class passengers' demographic characteristics and (2) develop a theoretical model in order to find the role of luxury value in the formation of its outcome variables including product attachment, willingness to pay a price premium, and word-of-mouth with the moderating role of alternative attractiveness. The aviation industry plays an important role in the development of the tourism industry (Zajac, 2016). For example, the aviation industry contributes around \$ 892 billion annually to world GDP, supporting about 36 million jobs in the tourism industry (Aviationbenefit, 2018). In addition, as the number of tourists who take airplanes for overseas travel is increasing, airlines are considered an important outbound tourists' selection criteria (Chua et al., 2017; Wang et al., 2000; Wong & Kwong, 2004). Thus, identifying luxury value in the context of first-class flights would be meaningful to the tourism industry. This study is structured as follows: (1) the literature on concepts is reviewed, (2) the methodology part is explained, (3) hypotheses are developed, (4) the results of data analysis are described, and (5) theoretical and managerial implications are discussed.

2. Literature review

2.1. Luxury value

It is difficult to clearly define the concept of luxury value because it has various meanings such as expensive price, superior quality, exclusivity, and rarity (Nia & Lynne Zaichkowsky, 2000; Vigneron & Johnson, 2004). That is, it is not easy to measure luxury value using a one-dimensional construct, so previous studies tried to conceptualize luxury value using a multi-dimensional construct (e.g. Choo et al., 2012; (Stokburger-Sauer & Teichmann, 2013; Vigneron & Johnson, 2004; Wiedmann et al., 2009)). They suggested the following four theoretical sub-dimensions of luxury value either individually or collectively: (1) financial value, (2) functional value, (3) individual value, and (4) social value.

2.1.1. Financial value

Financial value is considered a key dimension of luxury value and refers to the value for the price the consumer paid to obtain the product (Wiedmann et al., 2009; Zeithaml, 1988). It is widely known that financial value is a critical factor in the evaluation of product quality (Mastrobuoni et al., 2014; Rao & Monroe, 1989). For example, if a certain product is expensive, consumers think the quality of the product is great. In addition, it is significant to distinguish between objective price and perceived price because financial value is more likely to be included in the latter. The objective price is the price at which the product is sold (Jacoby & Olson, 1977), while the perceived price is the price that the customer perceives the actual price of the product subjectively (Zeithaml, 1988). Thus, even though the objective price is the same for all consumers, perceived price is determined differently according to consumer characteristics.

2.1.2. Functional value

Functional value is the most fundamental value among the various values delivered to customers (Berry et al., 2002; Ryu et al., 2016) and it is related to the core benefit and basic utilities that derives from a product (e.g. usability and quality) (Sheth et al., 1991). Core benefits are formed when products are well designed to function in specific situations (Wiedmann et al., 2009). That is, consumers perceive the core benefit when the characteristic of the product solves the consumers' needs under a certain circumstance. In general, consumers prefer to purchase luxury products due to their excellent quality (Choo et al., 2012). Luxury products are produced in small quantities, not in mass production, so consumers believe that luxury products ensure high quality (Dubois & Laurent, 1994; Dubois & Laurent, 1996; Verhallen & Robben, 1994). In addition, the smaller number of products help to enhance uniqueness, further differentiating the product from others

(Alden et al., 1999; Vigneron & Johnson, 1999; Vigneron & Johnson, 2004).

2.1.3. Individual value

Individual value represents the degree of emotional self-satisfaction gained by owning luxury goods (Wiedmann et al., 2009). Unlike social value, individual value is for measuring the inner side of the consumer, not the external side (Jamal & Goode, 2003; Mehta, 1999). Individual value is theoretically supported by self-congruity theory, suggesting that consumers prefer to purchase a certain product when they perceive the congruity between self-concept and product image (Sirgy, 1982; Sirgy, 1985; Sirgy, 1986). Ekinci, Sirakaya-Turk, and Preciado (Ekinci et al., 2013) also argued that when traveler choices are significantly related to his/her own self-image. That is, consumers purchase luxury products because they hope to match a luxury product image with an individual's self-concept (Liu et al., 2012; Sirgy & Su, 2000). Even more important is the fact that such matching enhances intrinsic enjoyment including sensory pleasure and gratification (Vigneron & Johnson, 2004), so individual value is formed by subjective intangible benefits acquired from the purchase of luxury products (Dubois & Laurent, 1994; Sheth et al., 1991).

2.1.4. Social value

Consumers purchase luxury goods because of the enhancement of social value (Wiedmann et al., 2009). Social value is defined as "the utility derived from the product's ability to enhance social self-concept" ((Sweeney & Soutar, 2001), p. 211). Consumers tend to be concerned about other people when purchasing luxury products because they want to be recognized by others (Dubois & Czellar, 2002; Vigneron & Johnson, 1999; Vigneron & Johnson, 2004). In other words, purchasing luxury products is significantly related to the reference group (Wiedmann et al., 2009). For this reason, even though consumers are satisfied with functional value of products, if the products insufficiently display their social status, they are less likely to purchase the products (Pitta & Prevel Katsanis, 1995; Steenkamp et al., 2003). Similarly, Correia, Kozak, and Reis (Correia et al., 2016) also suggested that social value is a critical factor in choosing a tourist destination. First-class passengers are no exception to this argument because they pay a lot of money to maintain and increase their social status (Hwang & Hyun, 2017a).

2.2. Product attachment

Product attachment refers to the emotional relationship or bond between a customer and a particular product (Park et al., 2010). The theoretical basis for product attachment is attachment theory. This theory originated from the field of psychology and suggested that humans tend to establish psychological ties with a certain person or thing in times of trouble and then they comfort themselves with such a person or thing (Bartholomew & Horowitz, 1991). For instance, when people have a hard time at work, they want to be comforted by their family or friends.

Earlier research has tried to apply the attachment theory to consumer behaviors (e.g. Hwang et al., 2016; Hyun & Kim, 2014; Muggel et al., 2010; Normark & Mankila, 2013; Pedeliento et al., 2016; Schifferstein & Zwartkruis-Pelgrim, 2008)), suggesting that when customers have high levels of product attachment, they are more likely to use and recommend the product. For example, Hyun and Kim (Hyun & Kim, 2014) examined the effect of emotional attachment to service providers on enhancement, cooperation, and advocacy using 379 restaurant customers. The data analysis results indicated that emotional attachment to service providers plays a critical role in the formation of enhancement, cooperation, and advocacy. In addition, Pedeliento et al. (Pedeliento et al., 2016) collected data from 317 owner-operators of heavy trucks in order to explore how product attachment helps to form its outcome variables. Their results indicated that product attachment

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