

## IDENTIFYING LUXURY VALUE MAXIMIZING FIRST CLASS AIRLINE PASSENGERS' SELF ENHANCEMENT

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### Abstract

The purpose of this study is to investigate critical factors of luxury value in inducing self enhancement of first class passengers and to explore the relationships among first class passengers' self enhancement, first class loyalty and willingness to pay more. The main survey was randomly distributed to individuals who had experienced first class services during their flights from any airline companies by an online market research company in U.S. Based on the data collected from 205 first class passengers, descriptive data analysis using SPSS was conducted and AMOS was used to test the hypotheses. The results demonstrate that all factors of luxury value, namely financial value, functional value, individual value, and social value, have significant influence on first class passengers' self enhancement. In addition, first class passengers' self enhancement has a substantial influence on first class loyalty and willingness to pay more. The results of this study contribute insights into the effect of each component of luxury value on first class loyalty and willingness to pay more mediated by self enhancement of first class passengers.

**Keywords:** Luxury Value, Self Enhancement, Loyalty, Willingness to Pay More, First Class Airline

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### 1. Introduction

As the global luxury market is growing dynamically, understanding luxury consumers has been placed great emphasis on (Wiedmann, Hennigs & Siebels, 2009), such as the reason why consumers purchase luxury goods, what customers believe luxury is, and how their luxury value perception influences the purchasing behavior.

These days, since the competition in airline industry is fierce, airline companies make efforts to develop effective strategies (An & Noh, 2009). In addition, in order to increase travelers' value on their luxurious and comfortable travels, all of the major airline companies promote first or business class flight as unique marketing strategies, providing with exclusive in-flight and ground services and facilities to passengers (Beaverstock et al., 2009; Ahn, Kim & Hyun, 2015).

In this study, the objective is to identify the critical luxury value perceptions by luxury consumers maximizing their self enhancement. Moreover, this study aims to examine whether luxury consumers' self enhancement influence loyalty to the luxury product and willingness to pay more in the airline industry. It offers the evidence of the relationship among luxury value, self enhancement, loyalty, and consumers' willingness to pay premium and extends a body of luxury consumption literature in the domain of airline industry using empirical research.

### 2. Literature review

#### Luxury value

Consumer value in many marketing studies has been focused on product's quality and price (Ruiz, Castro & Armario, 2007). However, according to existing researches focusing on

luxury consumer behavior (e.g., Leibenstein, 1950; Mason, 1992; Dubois & Laurent, 1994; Vigneron & Johnson, 1999, 2004), luxury consumers' value perception encompasses interpersonal factors (e.g., snobbery and conspicuousness), personal factor (e.g., hedonism and perfectionism) and situational factor (e.g., economic and social perception).

Although individual's consumption of luxury goods involves buying an item with high price to improve one's ego and purchasing a good which represents value to not only the individual, but also other people (Eastman, Goldsmith & Flynn, 1999; Wiedmann et al., 2009), social dimension of luxury value perceptions has been spotlighted (Shukla & Purani, 2012). Vigneron and Johnson (2004) suggested five-dimensional framework of luxury-seeking consumer, which includes five key factors of luxury concept: personal perceptions (hedonism and extended self) and non-personal perceptions (conspicuousness, uniqueness and perceived product quality). Wiedmann, Hennigs and Siebels (2007) developed the model to understand the individual's consumption motives and value perceptions of luxury goods, and proposed four dimensions of luxury value perceptions, namely, financial, functional, individual, and social values.

*Financial value* is defined as the value that consumers have to sacrifice to get a product, which is related to monetary factor (Ahtola, 1984; Monroe & Krishnan, 1985; Chapman, 1986; Mazumdar, 1986). *Functional value* focuses on core benefit, desired function and utilities of a product, such as quality, usability and durability (Sheth, Newman & Gross, 1991). *Individual value* is related to personal issues and personal orientation (e.g., materialism, hedonism, and self-identity) (Hirschman & Holbrook, 1982; Richins & Dawson, 1992; Bao, Zhou & Su 2003; Vigneron & Johnson, 2004; Liao & Wang 2009). *Social value* is concerned with the extent to which a item that individual purchases is recognized within their own social group (e.g., conspicuous value and prestige value) (Tynan et al., 2010).

### **Self enhancement**

Self-enhancement is defined as "values related to power, wealth, authority and influence over others." (Urien & Kilbourne, 2011, p. 74) This concept focuses on enhancing one's self, thus individuals self-enhanced perceive they are at the center among other people. According to Kilbourne, Grunhagen and Foley's (2005) study, self-enhancing individuals are more materialistic than people who are not self-enhanced.

### **Loyalty**

Loyalty refers to "a form of repeat purchasing of a particular product or service over time" (Homburg & Giering, 2001, p. 46) in early loyalty studies. However, scholars (e.g., Day, 1969; Jacoby, 1971) suggested attitudinal dimension of loyalty be included in addition to behavior-based loyalty. From a firm's point of view, it is essential to create and maintain customer's loyalty for the firm's business success. Once customer loyalty is formed to a particular product of a firm, the firm can obtain continuous profit, reduce cost for operating and marketing activities, and, more importantly increase price more easily (Tepeci, 1999).

### **Willingness to pay more**

The willingness to pay more refers to "the amount a customer is willing to pay for his/her preferred brand over comparable/lesser brands of the same package size/quantity" (Netemeyer et al., 2004, p.210). The concept of willingness to pay a price premium is the strongest component indicating brand loyalty (Aaker, 1996). A large number of scholars (e.g., Kirmani & Zeithaml, 1993; Sethuraman & Cole, 1997) have shed light on that perceived good quality of the product or high value for the cost are strong antecedent of the willingness to pay more.

### 3. Methodology

#### Proposed Model

A review of the current literature revealed 6 theoretical hypotheses. Combining the proposed hypotheses, a conceptual model was designed, as shown in Figure 1.

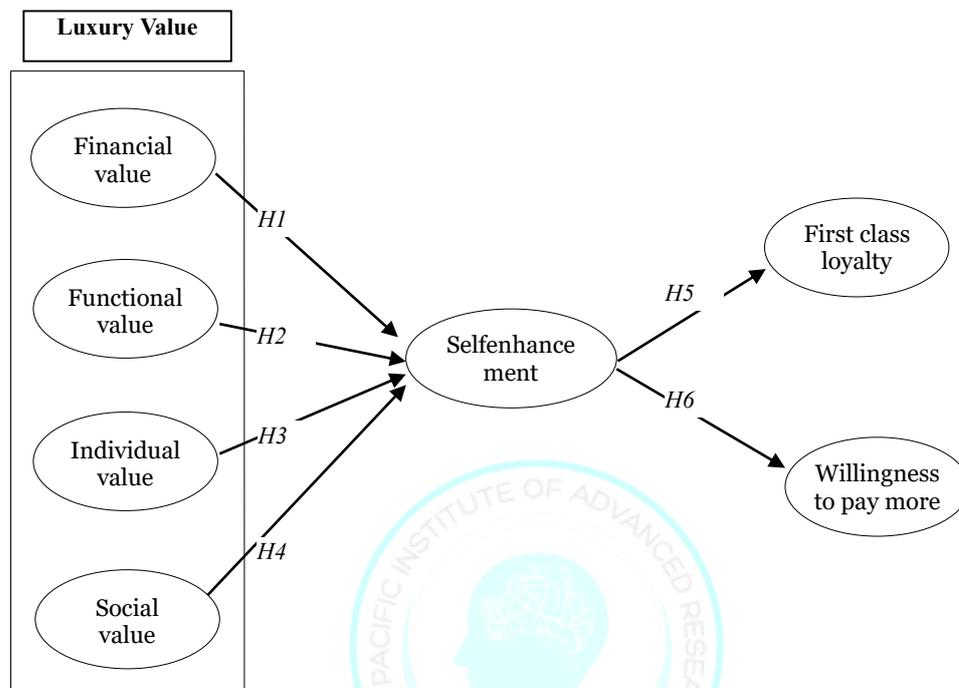


Figure 1: Proposed conceptual model

H1: Financial value of first class airline passengers has a positive effect on self enhancement

H2: Functional value of first class airline passengers has a positive effect on self enhancement

H3: Individual value of first class airline passengers has a positive effect on self enhancement

H4: Social value of first class airline passengers has a positive effect on self enhancement

H5: Passengers' self enhancement developed by using first class airline has a positive effect on first class loyalty

H6: Passengers' self enhancement developed by using first class airline has a positive effect on willingness to pay more

#### 4. Measures

To test the conceptual framework proposed in this study, valid and reliable measurements were adopted based on previous studies. Luxury value were measured using 17 items from Hennings et al. (2012) and Wiedmann et al. (2009), which includes four dimensions: 1) four measurements of financial value, 2) four measurements of financial value, 3) five items of individual value, and 4) four items of social value. The measures for self enhancement developed by Schultz and Zelezny (1998) were adopted, which includes two sub-dimensions: 1) four items of power, 2) four items of achievement. To measure first class loyalty, four items employed by Hennig-Thurau, Gwinner and Gremler (2002) and Zeithaml et al. (1996) were used. Willingness to pay more measures was adapted from Han et al. (2009) and Zeithaml et al. (1996). All items were measured using 5-point Likert scale from 1=strongly

disagree to 5=strongly agree.

## 5. Data collection

The main survey was distributed to passengers who had experienced first class services during their flights on international travel by internet research Survey Company in the U.S. A total of 205 respondents were utilized for the data analysis. To establish the purposes of this study, only passengers who had paid full price for the first class airline ticket were selected to answer the questions. To get the qualified sample, the screening questions were provided at the very beginning of the questionnaire: "Have you flown first class in the past 3 months?" (Only participants who answered "yes" were qualified) and "Did you upgrade to first class by spending your mileage points?" (Only participants who answered "no" were qualified).

The data collected from first class passengers were analyzed by SPSS 19.0 and AMOS 18. To test the conceptual model, structural equation modeling (SEM) was used. The SEM analysis consists of two main steps. In the first step, a confirmatory factor analysis was conducted to assess the uni-dimensionality of items measuring each construct. In the second step, structural model was assessed and structural relationships among constructs were tested.

## 6. Results

### *Demographic profiles*

The sample (n=205) collected from first class passengers include more males (72.7%) than females (27.3 %). The mean age of the participants was about 48.9 years old. In relation to occupation, 73.6% were company worker and 16.9% were business owners. The respondents reported that 38.5% had a yearly income \$200,000 and over. In terms of education, approximately 91.2% had at least a bachelor's degree.

### **Measurement model**

#### *Confirmatory factor analysis (CFA)*

The measurement model utilizing CFA was assessed before the structural model according to Anderson and Gerbing's (1988) recommendation. The results of CFA reveal that the overall fit indices of the measurement model was statistically adequate:  $\chi^2 = 1086.015$ ;  $\chi^2/df = 2.479$ ;  $df = 438$ ; CFI = .941, IFI = .942; TLI = .934; NFI = .906. The model showed satisfactory fit indices. The average variance extracted (AVE) value of each construct was higher than .50, confirming convergent validity (Bagozzi & Yi, 1988). In addition, the AVE value of each factor was greater than the squared correlation ( $R^2$ ) with two constructs, indicating their discriminant validity (Fornell & Larcker, 1981). The composite reliability of all constructs exceeded the cut off value of .7, indicating that all measurements were reliable (Hair et al., 2006).

### **Structural model**

In order to empirically test the five hypotheses suggested in this study, the structural model was analyzed using AMOS. The overall fit of the structural model was satisfactory ( $\chi^2 = 1160.347$ ;  $\chi^2/df = 2.596$ ;  $df = 447$ ; CFI = .935, IFI = .936; TLI = .928; NFI = .900). Hypotheses 1, 2, 3 and 4 were tested. The regression paths from financial value ( $\beta = .168, p < 0.05$ ), functional value ( $\beta = .129, p < 0.05$ ), individual value ( $\beta = .238, p < 0.05$ ) and social value ( $\beta = .510, p < 0.05$ ) to self enhancement were positive and significant. Therefore, hypothesis 1, 2, 3 and 4 were supported. In addition, hypotheses 5 and 6 were assessed. The relationship between self enhancement and first class loyalty was significant ( $\beta = .583, p < 0.05$ ), and the link between self enhancement and willingness to pay more was significant and positive ( $\beta = .408, p < 0.05$ ). These results provide support for H5 and H6, respectively.

Table 1 represents the results of SEM test.

Table 2: Results of the structural model

	Paths		Standardized estimate	t-value	Support	
H1	Financial value	→	Self enhancement	.168	2.837	Yes
H2	Functional value	→	Self enhancement	.129	2.485	Yes
H3	Individual value	→	Self enhancement	.238	3.437	Yes
H4	Social value	→	Self enhancement	.510	10.359	Yes
H5	Self enhancement	→	First class loyalty	.914	15.195	Yes
H6	Self enhancement	→	Willingness to pay more	.988	6.166	Yes

## 7. Discussions and conclusions

This study explored crucial luxury value improving first class airline passengers' self enhancement. It also examined the relationships not only between perceived self enhancement and first class loyalty but also first class passengers' self enhancement and willingness to pay more. This study provides several critical theoretical implications. First, this study proposes that self enhancement of luxury consumers is developed through luxury value perception, namely financial, functional, individual and social value, in the airline industry. Second, the luxury consumers' self enhancement improved by using first class airline has positive strong effect on not only first class loyalty but also willingness to pay premium.

The results of this study offer useful managerial implications. First, the results of this study clarify how to improve self enhancement among luxury consumers using first class airline with full fare. A key implication is that first class airline passengers are more likely to perceive self enhancement through social value. Second, more importantly, the findings of this study showed that self enhancement developed by utilizing the first class airline service makes luxury consumers form the first class loyalty and be willing to pay premium.

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