



## The effects of experience in the A380 duty free showcase on customer behaviors



Ji-Hyeon Park <sup>a</sup>, Jin-Woo Park <sup>b,\*</sup>

<sup>a</sup> Dept. of Airline & Tourism Management, Youngsan University, Haeundae Campus 612-743, 142 Bansongsongsunhwan-ro, Haeundae-gu, Busan, South Korea

<sup>b</sup> Department of Business Administration, Korea Aerospace University, 200-1, Hwajeon-dong, Deokyang-gu, Goyang-city, Gyeonggi-do, 421-791, South Korea

### ARTICLE INFO

#### Article history:

Received 15 September 2014

Received in revised form

17 April 2015

Accepted 26 May 2015

Available online 5 June 2015

#### Keywords:

Experiential marketing

Emotional response

Impulse buying intention

Word-of-mouth intention

### ABSTRACT

This study analyzes, from an experiential marketing perspective, the showcasing of duty-free products onboard the A380 aircraft, a service area that Korean Air introduced for the first time in the industry. Through the analysis the study seeks to identify the effects that customers' experience of the duty free showcase area has on their emotional response, impulse buying intention and word-of-mouth intention. For this testing, structural equation modeling was applied to data collected from passengers who had used the duty free exhibition space on Korean Air's A380. The results revealed that FEEL and ACT marketing experience in the duty free area were each found to have a positive effect on emotional response, and this factor was found to have a positive effect on impulse buying intention and word-of-mouth intention.

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### 1. Introduction

The financial crisis in 2008 had a negative impact on consumer spending. Many companies, in an effort to encourage more spending, offered special experiences to customers to shorten the distance between the consumer and the brand. They also offered experience marketing which helped with careful purchasing consideration. At first experience marketing was used mostly for tangible products such as automobiles, cosmetics or electronic goods, but now it is being extended to airlines, medical services and consulting services. As for the airline industry, a number of major airlines have adopted the next generation aircraft, the A380, which is often referred to as the 'hotel in the sky'. The aircraft can come installed with shower rooms, changing rooms, washrooms with windows and cocktail bars, offering a totally new air travel experience. To further enhance this experience, Korean Air has installed an area to showcase duty free products allowing customers to test the products firsthand. This service, the first of its kind in the industry, eliminates the inconvenience of having to purchase goods without having tested them.

Research on experience marketing has been carried out in various fields, but so far there are no apparent examples in the airline industry or in the duty free market. Moreover, most of the studies have been focused on brand assets such as experience marketing and attitude towards the brand, preference for the brand, brand loyalty and brand image. None of the previous studies have focused on the relationship between variables (such as impulse buying behavior) that can be seen as the direct result of experience marketing. To fill this gap in research this study analyzes, from an experience marketing point of view, the showcase space of duty free products recently introduced by Korean Air. This paper aims at improving understanding of passengers' buying behavior of duty free products by proposing and testing a more comprehensive conceptual model that considers FEEL marketing experience, SENSE marketing experience, THINK marketing experience, ACT marketing experience, impulse buying intention and word-of-mouth intention simultaneously.

This paper is organized as follows. A review of the literature related to experience marketing, emotional response, impulse buying intention and word-of-mouth intention, and the development of the research model and related hypotheses are discussed in Section Two. The research methodology is described in Section Three while the results from the data analysis are discussed in Section Four. Conclusions are discussed in Section Five followed by

\* Corresponding author.

E-mail addresses: [happytoscana@ysu.ac.kr](mailto:happytoscana@ysu.ac.kr) (J.-H. Park), [jwpark@kau.ac.kr](mailto:jwpark@kau.ac.kr) (J.-W. Park).

managerial implications from major findings given in Section Six.

## 2. Theoretical background

### 2.1. Experience marketing in the duty free showcase space on board the A380

Experience refers to the response to stimuli. Stimuli can be offered through marketing efforts both before and after the purchase. Pine and Gilmore (1998) considered such experience as a product in itself. They argued that in order to prevent products from being overly commercialized and to create profit, they need to be packaged as an 'experience'. Rather than being a completely new concept, experience marketing is a logical categorization of various existing marketing strategies taken as one concept or experience. Such experience marketing can be used to improve a brand's image or differentiate products, or to encourage the purchase or re-purchase of products. It has become a key aspect that determines the success of a firm in an era of experience economies with fierce competition (Schmitt, 1999).

Duty free shopping is arguably one of the most enjoyable activities of passengers when they travel, and as such, the sale of duty free items plays an important role in generating profits for airlines (Crawford and Melewar, 2003). In fact, as a way to increase profitability, the importance of in-flight duty free sales is continuously on the increase (Liou, 2011). Since in-flight duty free items can be sold by flight attendants without any additional workforce, they are bound to have higher profit margins. In general, the profit margins for in-flight duty free items are about 30–40% (Jeong, 2004). As the importance of selling duty free items on board grows, much effort is being made to boost sales. (Huang and Kuai, 2006).

Korean Air operates a display area for duty free items on board its A380 aircraft, which is the first of its kind among all airlines around the world. Since Korean Air introduced the A380 in June 2011, they have displayed various duty free products including over 60 types of alcoholic products, perfume and accessories. In the past, when purchasing duty free products onboard, passengers had to deal with the inconvenience of resorting to a catalog rather than seeing or testing the product in person. The in-flight duty free section eliminates such inconvenience and offers entertainment in the form of shopping in the sky. The duty free showcase space is where customers, products and brands intersect and thus can be a place that can offer a comprehensive experience to customers. The showcase space in itself stimulates the curiosity of customers, leading to a cognitive experience. Advertising monitors are also used to draw the attention of passengers, leading them to a sensory experience. Quality service from flight attendants allows passengers to experience convenient shopping and an emotional experience, as well as a behavioral experience triggered by the various products on display. The in-flight showcase space uses various experience-providing tools such as advertisements, posters, spatial environment and human factors to provide enjoyment in not only travel but also in shopping.

In a shopping situation, the consumer marketing experiences is composed of five categories; SENSE marketing, FEEL marketing, THINK marketing, ACT marketing and RELATE marketing (Schmitt, 1999). With regards to the RELATE marketing experience, this duty free showcase space is onboard an aircraft and therefore can only be experienced during a flight, and thus does not fit well with the concept of relational experience where a continuous relationship with the customer is important. Therefore, in this study, the experience within the duty free space was divided into four categories: SENSE, FEEL, THINK, and ACT marketing experiences. The SENSE marketing experience refers to the visual experience in the atmosphere of the display area (display, lighting, layout of

products), or products (the product themselves, advertisements, posters) and interaction with the flight attendants. The FEEL marketing experience refers to the special feeling suggested by the products, the flight attendants or the atmosphere of the showcase space. The THINK marketing experience refers to the positive perception of the space by customers through feelings of surprise, curiosity or interest. The ACT marketing experience refers to the behavior that is input during shopping (experience of the showcase space, experience of the sample, information gained from the sales person about the product).

First, the showcase offers SENSE marketing in that over 60 types of cosmetic products, alcoholic products, perfume and accessories are displayed under soft lighting with nine monitors in the center of the showcase space continuously streaming relevant product advertisements to visually stimulate the passengers. Second, FEEL marketing is employed through the advertisement of 'dream shopping' enjoyed in the sky, stimulating the emotion of passengers who get a positive feeling through the friendly services offered by specially trained flight attendants. Third, THINK marketing is used in the in-flight duty free showcase space. As the first such type of space introduced on an A380, it stimulates the curiosity of passengers and various new products draw their interest. The flight attendants manning the showcase space can quench this curiosity of passengers. Fourth, ACT marketing is used by allowing customers to sample products and purchase them whenever they like. Specially trained flight attendants also help passengers experience products.

Behavioral psychologists argue that stimuli within a physical environment not only trigger a cognitive response but also an emotional response and an emotional response has a significant effect on consumer behavior. The relationship between experiential marketing, emotional response and consumer behavior has been studied by many scholars. Gardner (1985) argued that consumer emotions experienced within a store differed depending on the physical environment of the store. In particular, the lighting, sound, temperature, interior decoration and diversity in the store affect preferences for the store. Huh (2005) noted that the sensory experience within a store affects positive emotions and positive emotions have a positive effect on attitudes towards the store and the brand, which, in turn have a positive effect on the tendency to purchase. Park and Bae (2006) argued that the sensory experience within a store has a significant effect on positive emotions which then strongly affect satisfaction and attitude. Tsaour et al. (2007) argued that experience of FEEL marketing has a positive effect on emotional values. Hwang and Choi (2008) argued that SENSE marketing experience had a negative effect on enjoyment and governance dimensions, while THINK marketing and ACT marketing experience had a positive effect on enjoyment, change of feeling, and governance dimensions. They also found that the emotions felt by participants through direct experience had a positive effect on their tendency to re-visit, spread word-of-mouth and preference. Yoon and Lee (2012) argued that experiences of FEEL and RELATE marketing had effects on enjoyment.

### 2.2. Emotional response

Emotions during shopping refer to the feelings felt while the consumer does their shopping. Therefore, in this study, emotional responses can be defined as positive emotions triggered by SENSE, FEEL, THINK and ACT marketing experiences in the showcase area. Customer response to marketing stimuli should be seen from an emotional perspective rather than a cognitive perspective and consumer's purchasing behavior should be seen as affected by emotions rather than logical thinking. In particular, numerous studies have shown that emotional factors of the consumer affect

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