

## VALUE CREATION AND AIR TRAVELLER PATRONAGE OF INDIGENOUS AIRLINES IN NIGERIA

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### ABSTRACT

The extant empirical study intended at examining the extent to which value creation influences air traveller's patronage of Nigerian local airlines. Perceptibly, some Nigerian indigenous airlines have been experiencing low movement of air passengers. Relying on a Social Systems Theory which encourages social interactions within the organisation, and to a great extent resulting to value creation, the researcher expected that value creation attracts patronage of these airlines which fly locally in Nigeria. To achieve this objective, a cross sectional survey research design was adopted with questionnaire as the data collection instrument. 4 hypotheses were formulated and tested using Spearman's Rank Order Correlation statistical tool aided by Statistical Package for Social Sciences (SPSS) at 1% significant level. From the findings, the study shows statistically strong and positive relationship between value creation and air traveller patronage of those airlines plying locally in Nigeria. This paper hence, concludes that dimensions of value creation are associated to the variables used in measuring patronage. Consequently, the study recommends among others that Nigerian local airlines that aim at improving air travellers' patronage should ensure that value created and added to services rendered to air travellers are consistent and given the utmost attention for the sustainability of the firm.

**Keywords:** Air Traveller, Brand Preference, Indigenous Airlines, Patronage, Service Innovation, Value Creation.

### INTRODUCTION

Globalization is made effortlessly possible with the assistance of quicker means of conveyance especially air transport. Air travellers who patronise this means of transportation are provided with air services. Air transport facilitates world trade, international investment, and economic growth as it is categorized as being domestic, regional and international; this means of transport operates scheduled and chartered services (Air Transport Association of America-ATAA, 2010). Aviation industry has unprecedentedly contributed to the world economic development with United States (US) having more than 15% of its contributions, to US Gross Domestic Product-GDP (International Air Transport Association, 2011). A statistical record of India shows a total contribution of US \$448.40 million in Foreign Direct Investment (FDI) in the aviation industry between 2000 and 2012 with the projection that the FDI was likely to increase to US \$1,478.44 million by 2020 (International Air Transport Association, 2011 & United States, Department of Industrial Policy and Promotion, 2013). Some African countries are also beneficiaries. It is estimated that 6.7 million African consumers who not only work, but patronise the aviation industry generate \$10 billion of African's Gross Domestic Product-GDP (Guardian, 2013). Nevertheless, the situation appears to be quite different in airlines

operating in Nigerian domestic routes where improving sustainable consumer patronage is a problematic one (Ameh, 2014). However, the Nigerian Aviation Industry has experienced significant growth over the last decade, and air travel has become an increasingly popular choice for many in the country. For instance, in 2010, aviation contributed about 0.4% to overall GDP in Nigeria, but this is low in comparison to developed countries such as Spain, Canada and other African countries such as South Africa and Kenya (Oxford Economics: Economic Benefits from Air Transport in Nigeria, 2012). Nigeria is one of the largest markets in the West African regions, yet this country is still struggling with how to increase the market share record in aviation industry as observed by Nair, (2012) and Ezekiel, (2013). As opined by Eze (2016), Nigerian aviation industry is struggling with the problem of not creating and adding value to those services offered to air travellers.

It is confirmed that there has been low movement of air passengers of some airlines operating in Nigerian domestic routes (News Agency of Nigeria-NAN, 2014). This might be as a result of airline staff not being innovative with respect to the services and products offered to users of those airlines plying locally in Nigeria. Service innovation is a new method used in improving airline services and redesigning the aircrafts in order to enhance value for consumers (Urabe, 1988; Klomp & Leeuwen, 1999; Dogbe, 2011). The low patronage from air passengers might also be ascribed to airline staff not showing airline users the required compassion that can attract significant positive results. Compassion is seen as empathy, which involves placing oneself in some others' situations (Bill, 1981 and Parasuraman, Ziethaml & Berry, 1988). Airline consumers who are dissatisfied with the levels of services and as value not being created and added (poor

services) by airline operators have resulted in low patronage.

## **LITERATURE REVIEW**

### **Theoretical Foundations**

Social network theory is said to be a structured and persistent sets of autonomous players whose cooperation is based on implicit and open-ended contracts (Faulner & De Rond, 2001 in Ahiauzu, 2007). These researchers further said that contracts are socially rather than legally binding. The general statement of social network theory is, therefore, founded on the principle of social interaction and vividly claims to be concerned with relationships between interacting entities. The emphasis here is the importance of networking or linkages among a defined set of persons within the organisation. The social interactions among organisational members are, therefore, parts of the pillars on which survival of the organisation is rested on. On the whole, the social interactions which go on within the organisation to a great extent contribute to value creation that can impact on customer patronage. For example, in a service organisation, services and division of labour among the employees within the organisation can result to an increase in service efficiency. To this efficiency or value in their services offered, customers perceive worth, thereby impacting on patronage. It is suggested that when there is an established good relationship among the company employees and the management, this can reflect in employees relationship with customers and services rendered to these customers, thereby, influencing patronage. In addition, Social network theory has reshaped management theory and practice (Carson, Gilmore, & Rocks, 2004).

## **CONCEPTUAL REVIEW**

### **Consumer Patronage**

A consumer is referred to that person who is willing and able to purchase products or

services from a company or an outlet in order to satisfy personal needs and desires (Nicosia 1996 cited in Ekereke, 2003). Individual consumers have different impulses, tastes and preferences for buying certain goods and services. Consumers partake nearly in all the depletion of goods and services provided (Anwuri, 2016). Patronage is identified as the impulse desire and consideration within the consumer which induces the purchase of goods and services from certain outlets or company (Kacen & Lee, 2002). Consumer patronage is said to be the end result of consumer's perception of value which is received in the relationship (Valdani, 2009). In the present paper, the researcher yields to the fact that patronage is when an air traveller determines to often fly with an identified airline where the perceived needs and desires are sufficiently met by the airline operators. Air travellers are more concerned with just-in-time (JIT) or prompt services and other physical facilities. These facilities include booking of flights, obtaining of tickets, departure and arrival time, usage of modern technologies such as aircraft, control system and maximum attention given to airline users by the staff of a particular airline.

Scholars such as Dabholkar, Thorphy & Rentz (1996); Zeithaml, Berry & Parasuraman (1996) used referral to measure patronage, while Springer (2004) measured consumer patronage using distance. Nevertheless, the present study measured consumer patronage using brand preference and repeat purchase. Reham (2011) agrees that brand preference is an essential step in understanding consumer's choice. This understanding of such preference dynamics puts an airline operator in a good edge to have better understanding of the choice of consumers. Brand preference dynamics help the firms to identify loyal customers, the brand strength as well as some marketing tactics that are successful (Fishbein, 1965). Repeat purchase is when a consumer

buys the same brand which replaces the earlier purchase (East, 1997). In this current study, the researcher submits that repeat purchase is a situation where an air traveller on a regular basis travels with a particular airline within a stipulated time period.

### **Value Creation**

Value is the ratio of input against output. Air travellers patronise airlines based on the perceived value created in services offered to these air travellers. Value creation as observed by O'malley (1998) entails provision of products and services that are consistently useful to consumers. Value creation takes place when an airline offers such services as meals, provision of rest rooms, entertainment, video, music, and other useful information (Trimble Jr., 2005; Priem, 2007; and International Air Transport Association, 2010). Airline managers can also provide such products as modern aircrafts, modern control system, security gadgets, and other modern facilities like toilets and internet/information centres as opined by Charles (2010). Among other reasons, air travellers patronise air transport for its speed, prestige, and adequate leg space (International Air Transport Association, 2010). In the present study, value creation is also described in terms of safety, timely departures and arrivals, and sustenance of the aviation industry (Porter, 1986).

In the work of Haksever, Chaganti, and Cook (2004), financial, nonfinancial, and time were proposed to operationalise value creation. These scholars, Løwendahl, Revang, Fosstenløykken (2001) indicated knowledge base as a dimension of value creation. But in the present study, service innovation and compassion were used to operationalize value creation. Service innovation is seen as making of new ideas, translating of these new ideas into products/services or processes and supplying customers with useful information which lead

to making of profit (Urabe, 1988). Compassion is seen as empathy, which involves placing oneself in some others' situation (Bill, 1981; Parasuraman, Ziethaml & Berry, 1988). The present paper is of the interest to investigate if creating and adding value to services rendered to air passengers is related to patronage of Nigerian local airlines.

## **Empirical Review and Hypotheses Development**

### **Service Innovation and Consumer Patronage**

Innovation is understood to be novel ideas developed in service delivery that yields profits for businesses that are innovative in nature (Urabe, 1988). Customers are only interested to buy those brands that fill the perceptions of the customers such as Self-image and self-expression (Schiffman & Kanuk, 2000; Jamal & Goode, 2001). It is posited that image strengthens attitude of a customer toward a particular brand (Sirgy; Grewal; Mangleburg; Park; Chon; Claiborne ;Johar;& Berkman, 1997). These scholars further observed that the closer self image is to customer positive attitude toward a particular brand, the better, because the evaluation of self image yields favourable results. Brand preference is consumer's choice of a brand that is depended on the previous patronage and understanding of the same brand (Singh, Ehrenberg, & Goodhardt, 2008). It is observed that new services may be rooted in staff's talent or training and that almost all new activities in service businesses are considered as new services (Nematian, 2004, Lien, 2012). Service industry like aviation has become very competitive; hence it is imperative for airlines to work up new ways to increase consumer patronage. Airlines offering value can be observed through the provisions of amenities in their new and enticing forms such as lounges, restaurants, and personal services. As part of innovation in service industry, staff training becomes an essential tool to improveservice

quality. In their contribution, Dooley and Sullivan (2003) said that due to innovation, consumers who are satisfied with a firm's service value would have to increase their purchases because of the development of new products, services and ideas in which their wants can be satisfied. De Bruyn and Lilien (2004) posited that increase in the level of service innovation and buying again has become important phenomenon. This suggests that consumer preference for an innovation is governed by the consumer's perceived utility of the innovation. This has engaged the researcher to formulate these research hypotheses:

**Ho<sub>1</sub>:** There is no significant relationship between service innovation and brand preference in Nigerian airline indigenous routes.

**Ho<sub>2</sub>:** There is no significant relationship between service innovation and repeat purchase in Nigerian airline indigenous routes.

### **Firm's Compassion and Consumer Patronage**

One of the major principles in service industry is that consumer patronage is improved by compassion shown by the firm (Anwuri, 2016). Compassion expresses the firm's honest feelings and concerns for consumer's predicaments. This is to say that a consumer with the well-being is put at the cardinal of all that the firm does, treating all customers with respect, dignity, and compassion. It is suggested that for a company to be successful and remain in business, consumers should not be the only ones to be provided with value, but even the employees of the company (Nadeem, 2007). The airlines recognise each person with regard to his/her peculiarities and the airline providers strive to deliver the customers with the specific services, cares, and supports that the air travellers need to enjoy the trip with the airlines. The airline managers provide support; give advice and help when air travellers arrive at airports. By so doing, airline operators

demonstrate implicit trust to treat consumers with respect, compassion, and understanding in every interaction. This has necessitated the researcher to formulate these research hypotheses:

**Ho3:** There is no significant relationship between firm compassion and brand preference in Nigerian airline indigenous routes.

**Ho4:** There is no significant relationship between firm compassion and repeat purchase in Nigerian airline indigenous routes.

### METHODOLOGY

The present research effort sought to determine the relationship between value creation and air travellers' patronage of airlines plying in Nigerian indigenous routes. The study adopted cross-sectional survey research. Quantitative data were collected from copies of questionnaire administered to 262 respondents in Arik Airline and Med-View airline plying Nigerian local routes representing the study target population. Experts' views certified that the study measuring instrument measured what it was intended to measure. The reliability of the study instrument was ensured using Cronbach's Apha test. The quantitative data was analysed using Spearman's Rank Order Correlation technique with the aid of Statistical Package for Social Sciences (SPSS) software version 20.0.

### Hypotheses one and two: Service Innovation and Consumer Patronage

Table1: Result of hypotheses on service innovation and measures of consumer patronage using Spearman's Rank Order Correlation technique

Value Creation	Statistical Tool		Consumer Patronage	
			Brand preference	Repeat Purchase
Service Innovation	Spearman's Rank Order Correlation	Correlation coefficient	.411**	.311**
		Significant level (2tailed)	.000	.000
		Sample size (N)	262 Ho <sub>1</sub>	262 Ho <sub>2</sub>

The null hypothesis is rejected at the 1% level of significance, the results are, therefore, highly significant. The hypotheses on value creation were tested, using Spearman's Rank Order Correlation Coefficient Statistic with the aid of SPSS version 20.0. The result on the test between airline service innovation and brand preference produced a coefficient value of 0.411. This shows a relationship between airline service innovation and brand preference. In the test between airline service innovation and repeat purchase, the result is at .000 level of significance, which shows a strong relationship and statistically significant with the coefficient value of 0.311. The coefficient value shows that the result is significant at 1% having a strong association. This suggests that airline value creation has very strong relationship with repeat purchase in Nigerian indigenous airline routes. Airline service innovation and brand preference are at .000 significant levels, while airline service innovation and repeat purchase is at .000 level of significance.

Table 2 shows the result of hypotheses on firm's compassion and consumer patronage.

Table2: The result of hypotheses on firm's compassion and measures of consumer patronage

Value Creation	Statistical Tool		Consumer Patronage	
			Brand Preference	Repeat Purchase
Compassion	Spearman's Rank Order Correlation	Correlation coefficient	.312**	.212**
		Significant level (2tailed)	.000	.000
		Sample size (N)	262 Ho <sub>3</sub>	262 Ho <sub>4</sub>

The results of the hypotheses between compassion, the dimension of value creation and brand preference, the measure of consumer patronage produced 0.212 at 1% significant level. These clearly show that the association strength is strong and statistically significance.

Also, the result of Firm's compassion and repeat purchase shows a coefficient value of 0.212 at 1% level of significance. This also implies that the relationship between firm's compassion and repeat purchases is significant with strong association. Firm's compassion and repeat purchase is at .000 significant level, while firm's compassion and repeat purchase is at .000 level of significance.

### DISCUSSION OF FINDINGS

The results of the study showed that there is a significant and positive relationship between airline service innovation and brand preference (correlation coefficient = 0.517). The results also suggested that airline service innovation is positively related to repeat purchase (correlation coefficient = 0.430).

Again, results showed significant relationship between firm's compassion and brand preference (correlation coefficient = 0.312). The results also indicated that there is significant relationship between firm's compassion and repeat purchase (correlation coefficient = 0.320). In sum, the study concluded that value creation is significantly and positively related to consumer patronage.

### CONCLUSION AND RECOMMENDATIONS

The intention, which necessitated this correlational study, was to examine the relationship between value creation and air traveller patronage in Nigerian local airline industry. Findings from the study analyses show that there is relationship between the dimensions of value creation and the measures of consumer patronage. Based on these findings the study, therefore, concluded that when an airline adds and creates value to the services offered to and shows customer the required compassion, this might improve consumer patronage. Based on this conclusion, the study recommends that airlines plying in Nigerian indigenous airline route that crave to improve

patronage of air travellers should view creating value to the services rendered to customer as very imperative.

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