



Brand relationship between global airline alliances and their member airlines



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ABSTRACT

Brands and branding are crucial to global airline alliances in establishing competitive superiority. Although most previous studies have focused on the operational and strategic advantages of alliances, this study investigates the brand relationship between global airline alliances and their member airlines. The equity effect of alliance and member brands on passenger purchasing is also examined. A conceptual model is proposed in which member airlines dominating local markets are assumed to directly influence alliance brands, whereas brands that are unfamiliar to passengers are assumed to influence passenger brand attitude toward an alliance through a halo construct. A stratified sampling survey was conducted at Taiwan Taoyuan International Airport to collect empirical data for evaluating the proposed model. Overall, 450 respondents were included: 137 from EVA Air (Star Alliance), 138 from China Airlines (SkyTeam), and 175 from Cathay Pacific (Oneworld). Through structural equation modeling, this study showed that passengers had dissimilar perceptions about member airlines in an alliance, implying that the global airline alliance brand has not been completely integrated with its member brands. The alliance and airline brands were mutually endorsed; however, their effects on passenger purchasing were unequal. Although enhancing passenger perceived equity of individual airlines considerably changed the purchasing of airline and alliance products, improving passenger brand attitude toward an alliance substantially affected the purchasing of alliance products but not airline products. In addition, passenger purchasing behaviors among the three global airline alliances were dissimilar. Finally, according to the results, managerial implications for alliances and airlines are provided.

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1. Introduction

Global airline alliances play a major role in global aviation markets. The three airline alliances Star Alliance, SkyTeam, and Oneworld include 28, 30, and 16 member airlines, respectively (as of July 2015), which jointly provide more than half of all airline seat capacity and serve approximately 60% of international travelers. Despite their large passenger volume, global airline alliances are facing fierce competition from low-cost carriers, Gulf-based airlines, and other international airlines (OAG, 2015). This compels alliance airlines to enhance their competitiveness under agreements with alliances and other member airlines (e.g., service compatibility and information technology connectivity). In ensuring that passengers enjoy consistent services when traveling with different member airlines, these agreements may restrict the

flexibility of member airlines in devising competitive strategies. As the competition in global aviation markets becomes increasingly fierce, the alliances may be more fragile than they appear. For example, despite belonging to two alliances, American Airlines (AAL) and Korean Air announced in February 2015 that they have signed an agreement to begin code-sharing flights between Dallas/Fort Worth International Airport in the United States and Incheon International Airport in Seoul, South Korea. Such an act by member airlines would increase the motivation of alliances and their member airlines to gain or maintain competitiveness.

Brands and branding are crucial to firms in establishing competitive superiority (Keller and Lehmann, 2006); this also applies to global airline alliances and their member airlines (He and Balmer, 2006). Studies have recognized the importance of brands for airlines. For example, Chen and Chang (2008) investigated the relationships among airline brand equity, brand preference, and purchase intentions. The authors demonstrated that airline brand equity positively affected the purchase intention of passengers. In a

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follow-up study, [Chen and Tseng \(2010\)](#) found that passengers' perceived quality and brand images of airlines positively affected their loyalty to airline brands.

Unlike airline brands, alliance brands have gained limited attention. Studies on global airline alliances have mostly focused on operational (e.g., cost reduction by code-sharing) and strategic (e.g., network extension with allied airlines) advantages; however, alliance brands and their effect on passenger purchasing are rarely discussed. In investigating global airline alliance brands, [He and Balmer \(2006\)](#) qualitatively evaluated the brand and branding activities of Oneworld and suggested that the Oneworld brand was not mature but could develop into a valuable strategic resource. By using fictitious scenarios to investigate passenger responses, [Woisetschläger et al. \(2008\)](#) demonstrated that the announcement of joining or leaving an alliance altered the brand image of airlines; moreover, global airline alliance brands were affected by the entry or exit of airlines with different brand strength. [Wang \(2014\)](#) investigated the effect of being an alliance member on enhancing airline brand equity, which successively affected passenger purchase intention and crucially influenced the passengers who were highly involved in global airline alliances.

The aforementioned brief review suggests that global airline alliance brands are affected by their member brands, and, similar to individual airline brands, alliance brands affect passenger purchase intention. However, the review also indicates that global airline alliance brands and their effects have been evaluated only qualitatively ([He and Balmer, 2006](#)) or by using fictitious scenarios ([Woisetschläger et al., 2008](#)). How can global airline alliance brands and their effects be measured? What is the current status of the three global airline alliance brands? The answers to these questions are crucial to airlines in deciding whether to enter or exit an alliance ([Lazzarini, 2007](#)).

To fill the knowledge gap, this study examined the brands of the three global airline alliances and their effects on passenger purchasing. In particular, scales were proposed to measure passenger brand attitude toward global airline alliances because attitude is considered one of the most crucial antecedents of customer behavior ([Ajzen, 2005](#); [Fishbein and Ajzen, 2010](#)). The interactive brand effect between alliances and member airlines as well as its influence on passenger purchasing were investigated using empirical data collected at Taiwan Taoyuan International Airport (TTIA). The Taiwanese international aviation market was chosen because China Airlines (International Civil Aviation Organization [ICAO] code: CAL) and EVA Air (ICAO code: EVA), two Taiwanese flag carriers, joined SkyTeam and Star Alliance in 2011 and 2013, respectively. We demonstrate that from a Taiwanese passenger's perspective, global airline alliance brands are not completely integrated. Although the brands of alliances and member airlines are mutually endorsed and positively affect passenger purchasing, the brand influence of airlines on alliances is stronger than that of alliances on airlines.

The remainder of the paper is organized as follows. Section 2 presents hypotheses regarding the brands of alliances and member airlines and their effects on purchasing. Section 3 presents the methodology, including the study design, developed scales, survey and questionnaires, and analysis procedures. Sections 4 and 5 present the results and discussion, respectively. Finally, Section 6 presents the limitations and recommendations for future studies.

2. Hypotheses

2.1. Brand attitude toward global airline alliances and the halo effect

According to [Kotler et al. \(1991\)](#), a brand is “a name, term, sign,

symbol, or design, or combination of them, which is intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those competitors” (p. 442). Accordingly, the brands of global airline alliances are based not only on their names (Star Alliance, SkyTeam, and Oneworld) or symbols but also on how passengers, who are aware of the alliances, perceive these alliances. This association then changes passenger attitude toward an alliance as well as determines how passengers attach or consume the alliance products.

Although brand management in global airline alliances is as crucial as it is in other corporations and industries, brand management may be more complex in global airline alliances. First, each global airline alliance includes many airlines; in other words, the brands of global airline alliances are composed of many partner brands. This is different from most alliance brands in other industries where two or only a few numbers of brands were involved. Second, partner airlines in global airline alliances assist one another through various methods, even though the main service of transporting travelers to their destinations is executed by each member airline instead of the alliance. Although alliances offer various joint branding or cobranding activities, such as alliance frequent-flyer benefits or using the same check-in counters for code-share flights, how travelers evaluate the brand of a global airline alliance mainly depends on their travel experiences with individual airlines. Because travelers may be unfamiliar or have no experience with most member airlines, passenger evaluations of alliance brands remain unknown.

[Han \(1989\)](#) suggested that consumers may evaluate a product or service by using two approaches. When consumers are unfamiliar or have no experience with a product, they may use the image of the country of origin (COO) as a halo to infer the quality of the unknown product, and this halo directly changes consumers' beliefs about product attributes and indirectly alters their overall evaluation of products (i.e., consumer attitude toward the products). These beliefs may be positive or negative depending on how consumers judge each brand ([Janiszewski and Van Osselaer, 2000](#); [Washburn et al., 2004](#)). [Pecotich et al. \(1996\)](#) demonstrated that the COO image is appropriate for evaluating the brand images of airlines when the airline images are nationalistic. By contrast, when consumers are familiar with a product, they evaluate the product's brand by analyzing the details of product attributes; in other words, they use a summary construct effect approach. Because a global airline alliance includes both familiar and unfamiliar airline brands, both halo and summary effect types may exist, and passengers judge the alliance brand according to member brands ([Levin and Levin, 2000](#)).

On the basis of the aforementioned explanation, this study suggests that the brands of global airline alliances, from passengers' perspectives, are formed by two types of evaluations, one following a halo effect approach and the other following a summary effect approach. The evaluation following a summary effect approach includes airlines with which most passengers are familiar (referred to as locally dominant airlines), and passengers can directly examine the equity (i.e., value) of these airlines. By contrast, for airlines with which most passengers may be unfamiliar (referred to as partner airlines), passengers evaluate airline quality through a halo of the COO image, which shapes their beliefs about partner alliances. Passenger evaluations of both familiar locally dominant airlines and unfamiliar partner airlines determine their attitude toward the alliance brand. In summary, we posit the following hypotheses:

H1. Passengers' attitude toward the brand of a global airline alliance depends on their perceived brand images of member airlines. Depending on their familiarity with member airlines, passengers

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