Journal of Air Transport Management 55 (2016) 245–254

Contents lists available at ScienceDirect

Journal of Air Transport Management

journal homepage: www.elsevier.com/locate/jairtraman

Airline co-branded credit cards—An application of the theory of planned behavior

Stephen W. Wang [a,*], Maxwell K. Hsu [b]

[a] National Taiwan Ocean University, Department of Shipping and Transportation Management, 2Pei-Ning Road, Keelung, 20224, Taiwan, ROC
[b] Department of Marketing, College of Business and Economics, University of Wisconsin-Whitewater, Whitewater, WI, USA

A R T I C L E I N F O

Article history:
Received 27 December 2015
Received in revised form
27 May 2016
Accepted 20 June 2016

Keywords:
Airline co-branded credit cards
TPB
Intention

A B S T R A C T

A customer with an airline co-branded credit card could enjoy not only the benefits of a traditional bank-issued credit card but also additional privileges such as access to the airline membership club lounges in airports. Based on data collected from Taiwan, this study investigated the key antecedents of customers' behavioral intentions in using/adopting an airline co-branded credit card within the Theory of Planned Behavior (TPB) framework. Empirical findings demonstrate that consumers' perceived benefits of airline co-branded credit cards, attitude toward airline co-branded credit cards, subjective norms and perceived behavioral control are all positively and significantly correlated. Meanwhile, consumers' perceived benefits of airline co-branded credit cards could be further categorized into generic, core, expected, and augmented benefits. Empirical findings suggest that the airlines should invest in the airline co-branded credit cards campaign to enhance consumers' value perception of the co-branded cards and attract cardholders' frequent usage. The airlines should also inform their current and potential customers the main reasons and/or added benefits (e.g., no foreign transaction fee) why air travelers should use the co-branded credit cards to purchase air transport services in order to further penetrate the target market and generate fruitful profits.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

The airline industry grows rapidly but suffers from intrinsically low-profit margins (Hanlon, 1999; IATA, 2014) and high volatility of returns (Tugores-García, 2012). Koch's 80/20 principle (1998) suggests that twenty percent of the most profitable customers account for eighty percent of the sales revenue in many businesses. The 80/20 principle could be used to explain why companies keenly attempt to identify their most profitable customers, and maintain long term relationships with them through strategic co-branding programs. Examples in the airline industry include airline alliances, celebrity-featuring aircraft livery, celebrity endorsements, co-branded credit cards, and so on.

Despite the terminological similarity, global airline alliances are different from co-branding alliances (Blackett and Boad, 1999), which involves the creation of a new long-term master brand, such as SkyTeam, Oneworld, and Star Alliance. More specifically, co-branding alliances are supported by the endorsement of the participants' brands in the areas of operations, technical aspects, and marketing activities (Weber, 2003; Wang, 2014). For example, celebrity-featuring aircraft livery promotes the perceived value of the airline with a unique painting style to decorate the aircraft, enabling certain airlines to differentiate its aircraft from its competitors (Wang and Waros, 2015a,b). Additionally, celebrity endorsements attract customers by conveying perceived attractiveness, truthworthiness, and expertise from the celebrity endorsers to the airline (Basusta, 2009; Qantas, 2014; Virgin Atlantic, 2013; Air New Zealand, 2013; Emirates Airline, 2014; Ricki, 2013). Notably, airline co-branded credit cards[1] are often linked to the airline's frequent flyer programs with the intention to expand market share by pushing member-earned miles for eligible spending on the card, eventually providing privileges that extend beyond travel.

Membership cards are designed to offer comprehensive customer service but offer no financial transaction functions (Liu et al., 2012). In contrast, airline co-branded credit cards are

* Corresponding author.
E-mail address: stephen@mail.ntou.edu.tw (S.W. Wang).

[1] Airline co-branded credit cards typically carry the brand of the airline or FFP in addition to the credit card or bank brand (Boer and Gudmundsson, 2012).

http://dx.doi.org/10.1016/j.jairtraman.2016.06.007
0969-6997/© 2016 Elsevier Ltd. All rights reserved.

typically co-issued by a commercial bank and an airline, and this type of credit cards could offer unique frequent passenger rewards such as upgrades from coach to business class, free tickets, priority check-ins, baggage allowances, and access to business lounges in certain airports (Martín et al., 2011). Similar to the partnership between airlines and banks, other partners in frequent flyer programs (FFPs) include rental car enterprises and hotel corporations, to less conventional participants, such as food retailers and restaurants. Brand identifiers on credit cards, such as logos and color schemes, allow such cards to be easily identified.

A good stock of literature on this subject signifies that co-branding is a wonderful strategy as it facilitates an associate brand to gain promotion synergies (Samu et al., 1999), as well as customer feelings toward parent brands. Literature suggests that the co-branding strategy is adopted when a new brand is to be launched in the competitive market; a weak brand is present in the existing market, or establishing the brand image. According to Akram et al. (2014), co-branding not only builds a better brand but also tarnishes the existing brand equity. Therefore, selection of an appropriate partner jacks up the brand equity of each partner.

The innovative airline co-branded credit card program enables both airline companies and financial institutions to transfer positive associations of original brand names to a co-branded product (Washburn et al., 2000). The "spillover effect" from brand alliance may be influenced by consumers' prior attitudes toward each single brand (Simonin and Ruth, 1998). Chang (2009) further showed that co-branders aim to pursue three levels of co-branding including market share, brand extension, and global branding. Still, Liu et al. (2012) revealed that co-branding is a likely win-win strategy for both strategic partners whether the brand equities before the co-branding alliance were high or low. In fact, Continental Airlines and Bank of Marine Midland launched the world's first co-branded program in the USA and has become a spotlight in the bank card industry.

Despite the publication of several co-branding studies (Thompson and Strutton, 2012; Ashton, 2011; Walchli, 2007; Helmig et al., 2007; Kumar, 2005; Servais and Bengtsson, 2005), a review of the extant marketing literature reveals the existence of two main research gaps. First, the extent to which co-branded marketing really encourages the card holders to frequently use their co-branded credit cards is unknown. Second, the relative importance of key influential factors on card users' intentions to use credit cards is also unknown. As such, this study attempts to examine the impacts of co-branded marketing in the context of airline co-branded credit cards. Using consumer survey data collected in Taiwan, a major market for co-branded credit card programs, the present study addresses how perceived benefits of the airline co-branded credit cards influence consumers' attitudes toward airline co-branded credit cards, and their perceived behavioral control, and their intention to use airline co-branded credit cards.

2. Conceptual framework and hypotheses

Several scholars have addressed the benefits of airline alliances and loyalty programs. Weber (2005) examined consumers' perceptions of the services offered by airline alliances, service failures and recovery (Weber and Sparks, 2004). Tsantoulis and Palmer (2008) and Tiernan et al. (2008) studied the quality convergence and performance of airline alliances, while Janawade (2013) investigated the attributes of consumers' perceived value of international airline alliances. Interestingly, although these research studies investigate consumers' perceptions toward the benefits of airline alliances, few considered the co-branding collaboration between airlines and banks (Liu et al., 2012; Akram et al., 2014; Thompson and Strutton, 2012; Ashton, 2011). Since the most important purpose of co-branding is to provide value to the consumers of co-branding partners (Akram et al., 2014), consumers' perceived value of brand alliance must be investigated.

Given the increasing competition in the airline industry, it's easier for consumers to switch among various airline brands today than in the past (Srinivasan et al., 2002; Cui et al., 2003). Airline companies that respond sluggishly to these changes will likely suffer the unfavorable consequences, so having solid marketing management strategies are becoming more important (Budiarti et al., 2013). As such, the perceived benefits of airline co-branded credit cards, and the relationships between the perceived benefits of airline co-branded credit cards, consumer's attitude, perceived behavioral control, subjective norm and consumer's intention to use airline co-branded credit cards warrant more thorough investigations (Kalligiannis et al., 2006). This study aims to investigate the influence of airline co-branded credit card campaigns on the target customers' likely increased intentions in using the card. Built upon the renowned Theory of Planned Behavior (TPB; Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980), a theoretical model was developed in the context of co-branded airline credit cards. A consumer survey was developed and distributed to international flight passengers in the Taiwan Taoyuan Airport. This study specifically examined the effects of consumer perceived benefits of airline co-branded credit cards on their intention to use these cards (see Fig. 1) using the structural equation modeling (SEM) technique. The following sections of this paper are organized as conceptual framework and hypotheses, methodology, empirical findings and discussions, conclusion, contribution and managerial implications.

2.1. Co-branding

To gain more visible marketplace exposure, marketers often seek opportunities to co-brand with strategic partners and thereby to fend off competitive threats and to share the burdens of promotion (Liu et al., 2012). Park et al. (1996, p.453) defined co-branding as "pairing two or more brands (constituent brands) to form a separate and unique brand (composite brand)". The overall evaluation of a brand alliance may be influenced by consumers' prior attitudes toward each single brand (Simonin and Ruth, 1998). Examples of co-branding adopters include joint promotions between McDonald's and Disney and the joint advertising of the Apple Macintosh Powerbook and the movie Mission Impossible (Grossman, 1997). Finally, physical product integration may occur when one branded product is inextricably linked with the other (Rao and Ruekert, 1994), for example Ruffles potato chips and K.C. Masterpiece barbeque sauce flavoring.

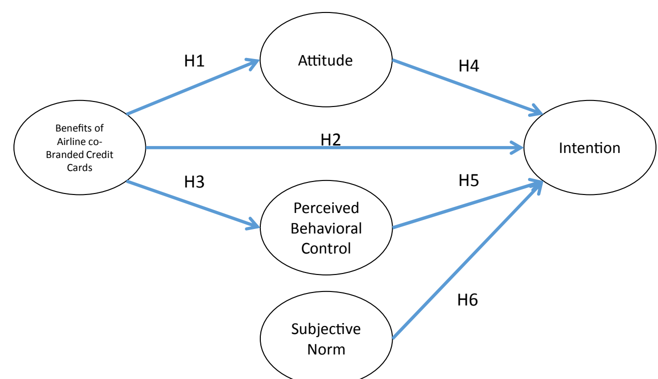

Fig. 1. Conceptual model.

Download English Version:

https://daneshyari.com/en/article/7435553

Download Persian Version:

https://daneshyari.com/article/7435553

Daneshyari.com