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# Do global airline alliances influence the passenger's purchase decision?

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A B S T R A C T

This study examines the influences of airline global alliances on the purchase intention of international air passengers in Taiwan. The findings indicate positive relationships between global airline alliances, brand equity, brand preference and purchase intention with a moderation effect of involvement impacting on the relationship between global airline alliances and brand equity, and the relationship between brand preferences and purchase intention. In particular, for highly involved passengers, the effect of global airline alliances on brand equity, and brand preference on purchase intention, is significant.



## 1. Introduction

As operating in the commercial airline industry becomes increasingly more challenging, more airlines have sought to join one of the three existing global strategic alliance networks; oneworld, Star Alliance, and SkyTeam (Tugores-García, 2012). These networks provide their members with a rich international route portfolio that would be difficult to be reached through organic growth at a marginal cost. In the past two decades, a number of researchers have studied issues concerning airline alliance membership and the potential benefits (Oum and Park, 1997; Li, 2000; Gudmundsson and Rhoades, 2001; Oum and Zhang, 2001; Fan et al., 2001; Kleymann, 2005; Iatrou and Alamdari, 2005; Czipura and Jolly, 2007; Goetz and Shapiro, 2012; Steven and Merklein, 2013; Casanueva et al., 2013; Wu and Lee, 2014).

Since one of the most important roles of airline alliances is to provide values to their consumers (Kleymann and Seristö, 2004), it is crucial to investigate how consumers perceive such values of airline alliances. Studies suggest that the consumer's perceptions of the benefits offered by global airline alliances remain uncertain and are often neglected (Weber, 2003). Some scholars have considered the consumer's perception of airline alliances benefits and loyalty programs (Goh and Uncles, 2003). Weber (2005) looked at the consumer perceptions of airline alliance service performance, and failure and recovery issues. Tsantoulis and Palmer (2008) and Tiernan et al. (2008) examined airline alliance quality convergence and performance levels while Janawade (2013) investigated the attributes of consumer perceived value of airline alliances and the services that influence consumers. However of all these studies on the consumer's perception of airline alliances benefits, very few have examined the issue in terms of branding.

As the diversity of airline services and the level of competition in the airline industry increases, consumers can switch among airlines more easily now compared to the past. Airlines that respond sluggishly to the changes will certainly suffer the consequences. In such situations, having solid brand management strategies is becoming more and more important (Budiarti et al., 2013). Kalligiannis (2009) investigated the impacts of the individual brands of airlines that participate in global alliances and their alliance brands and reported inconsistencies in the findings regarding branding issues. Apart from this study, brand research in the airline industry is surprisingly understudied (Chen and Chang, 2008; Uslu et al., 2013). Given the increasing importance of these topics, airline alliance brand equity and the relationship with brand preference and intention to purchase from the perspective of consumers deserves more thorough investigations (Kalligiannis et al., 2006).

As suggested by Mittal (1995), product involvement refers to the perceived importance of a specific product or service based on consumer requirements, values and interests. The consumer's levels of involvement can vary depending on product or service categories (Bloch and Richins, 1983). Involvement with a product has been hypothesized to lead to a greater perception of attribute differences, perception of product importance and greater

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commitment to brand choice (VonRiesen and Herndon, 2011). Passengers with different degrees of involvement usually perceive values for airline alliances differently (Janawade, 2013).

In Taiwan, two Taiwanese leading airlines – China Airlines and EVA Air – recently refreshed their brand image through joining SkyTeam and Star Alliance, respectively. After joining the alliances, both airlines enjoyed a boost in passenger volume and annual revenue. Based on the above discussions, this study looks at the relationships between global airline alliances, brand equity, brand preference and purchase intention of passengers. The potential moderating effects of involvement are also studied using a sample of Taiwanese passengers who traveled on international flights.

## 2. Conceptual background

This study first defines and operationalizes global airline alliances and then empirically validates their impacts on brand equity, brand preference and purchase intention from the passenger's perspective. The literature review and hypotheses are presented below.

### 2.1. Airline alliances

Joining a strategic global airline alliance has increasingly become a common strategy that an airline can adopt to enhance its competitiveness and its customers satisfaction, especially in an era characterized by blurring industry boundaries, fast-changing technologies and global integration (Liou et al., 2011). Global airline alliances are different from co-branding alliances, involving the creation of a new long-term master brand, such as SkyTeam, oneworld, and Star Alliance, which is supported by the endorsement of the participants' brands in terms of operations, technical elements and marketing components (Weber, 2003). Due to the nature of the strategic alliance, which requires all entities to share their resources and collaborate closely with each other, it is reasonable to question how the spillover effects can influence consumers' evaluations of both other brands in the alliance and within the alliance itself.

Essentially, an airline alliance is an agreement between two or more airlines to cooperate on a substantial level. An airline alliance provides a network of connectivity and convenience for international passengers. It also provides convenient marketing branding to facilitate travelers making inter-airline codeshare connections between countries. Meanwhile, alliances allow the airlines to extend their networks and increase the number of accessible destinations. One itinerary may consist of several flight legs, each of which may be operated by different airlines (Çetiner and Kimms, 2012). Finally, this branding goes so far as it even includes unified aircraft liveries among member airlines. According to Tiernan et al. (2008), membership of an international alliance has become a key component of the business strategy of many airlines, and a means of differentiating member airlines from low-cost competitors in terms of the quality of service provided. Today, the airline industry is dominated by three main international alliance networks – oneworld, SkyTeam and Star Alliance (Table 1). The three networks accounted for some 77% of the world airline capacity (ASKs) in 2013.

Benefits of global airline alliances for airlines can consist of an extended network through code sharing agreements and cost reduction from sharing of the facilities, e.g., sales offices, maintenance facilities, catering or computer systems and operational staff (for example ground handling personnel). Joining an airline alliance also enables the airlines to exploit economies of scale, enhancing their bargaining power with investments and purchases. Button et al. (1998) suggested a number of possible reasons for alliance formation. These are cost savings, market penetration and retention, financial injections, infrastructure constraints, and circumventing institutional constraints and market stability. They argued that joining an airline alliance allows major carriers to spread their brand name and generate revenues on thin routes without a commitment of major capital investments. Furthermore, an alliance may also involve a series of joint agreements relating to sales and marketing; purchasing and insurance; catering; ground handling; and aircraft maintenance.

**Table 1**
Market data for the largest airline alliances 2013.

| Attributes | Alliance | | |
|---|---|---|---|
| | Star Alliance[a] | SkyTeam[b] | oneworld[c] |
| | 28 Members | 19 Members | 13 Members |
| | Founded 1997 | Founded 2000 | Founded 1999 |
| Passengers (million) | 727 | 569 | 475 |
| Countries | 195 | 178 | 151 |
| Destinations | 1328 | 1024 | 981 |
| Fleet size | 4701 | 4328 | 3283 |
| Revenue (billion US$) | 198.98 | 124.33 | 117.09 |
| Daily departures | More than 21,900 | 15,189 | 14,244 |
| Lounges | More than 1000 | 530 | 603 |

[a] Star Alliance (2013).
[b] Sky Team (2013).
[c] Oneworld (2013).

Oum et al. (2004) reported that horizontal alliances make a significant contribution to productivity gains, while finding no overall significant and positive impact on profitability. Hsu and Shih (2008) found that alliances effectively improve accessibility from high–medium traffic airports to low traffic airports, and particularly the shortest paths between origin–destination pairs will involve more transfers but less travel time after an alliance is formed. Since all the effects of the mergers and alliance consolidation can be anticompetitive, Brueckner and Pels (2005) suggested that alliances can harm consumers while reducing overall social surplus from an airline industry's perspective.

For travelers, the benefits of flying with an airline that joins a global airline alliance include lower ticket prices due to the airline's lower operational costs, more travel flexibility in terms of destinations and flight schedules, shorter travel times as a result of optimized transfers, a wider range of airport lounges shared among airline alliance members and faster mileage rewards by earning miles for a single account on several different carriers (IATA, 2013). Goh and Uncles (2003) found that, through using the services from an airline that joins global airline alliance, travelers get greater network access; seamless travel; transferable priority status; extended lounge access; and enhanced frequent-flier program (FFP). Weber (2005) suggested that convenience is the main factor contributing to traveler perceptions of the importance of airline alliance benefits rather than the ability to earn frequent flyer points and an expanded route network. Janawade (2013) found that the co-operative, collaborative, interactive, reciprocal and coherent services influence the consumers' perceived value of airline alliances. López-Bonilla and López-Bonilla (2013) investigated differentiation strategies with global airline alliances from the consumer's perspective and suggested the differences among the three global airline alliances in terms of their consumers' perceived value, which sequentially affect consumers' attitudes toward choice of airline.

Despite the aforementioned studies, there are relatively few studies of global airline alliances incorporating performance outcomes. Moreover, studies of global airline alliances have been focused mainly on strategic and operational issues pertinent to the