

航空業在觀光行銷內涵中之飛行常客計畫 ---以台灣地區之航空公司為例

Frequent Flyer Programmers within the Context of Tourism Marketing-----An Investigation into the Taiwan Airline Industry

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摘 要

本研究目的首在清楚了解觀光行銷之一般原則, 次則探討台灣航空業現行採用之觀光行銷方式(模式)之效果。研究方式是透過文獻回顧及相關業者問卷調查, 訪查所得資料用於全盤了解航空公司行銷利器之飛行常客計畫在觀光事業行銷內涵之概念。在討論部分, 一些影響計畫成敗之

因子有來自於航空公司及乘客之觀點, 常客計畫中策略聯盟合作夥伴公司之角色也有深入分析。結果顯示: “飛行常客計畫”(FFPs)之重要性在於其為有效行銷工具, 對航空公司及其計畫中合作夥伴之財務執行皆有正面意義。而這項廣為航空公司採用之行銷技術目前觀光業界已有人開始探討其行銷管理之特性, 重點課題在如何進一步拓展利用這項計畫。

關鍵詞:促銷計畫、行銷、乘客服務

ABSTRACT

This study was undertaken to firstly provide a better understanding of the general principles of tourism marketing and secondly to examine the effectiveness of the current approaches to marketing in the tourism sector using the airline industry in Taiwan as a model. A common marketing

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technique widely adopted in the airline industry-Frequent Flyer Programmers (FFPs) have been investigated to explore the characteristics of marketing management in the tourism field, with a particular focus on issues related to the extensive utilization of FFPs by the airline industry.

The fundamental rationale for utilizing the concept of FFPs as a major marketing technique has been examined and identified through an extensive literature review and surveys conducted with various tourism agencies in Taiwan. A questionnaire specifically developed for this study has been employed to gather data along with interviews with selected executives of airlines and their partners. The data gathered have been analyzed to provide a comprehensive understanding of the concept of FFPs within the context of marketing in the tourism field. The factors affecting the success and/or failure of the FFPs from the viewpoints of both carriers as well as the passengers, the role of FFP partners, economic implications of the FFPs and the role of technology for effective implementation of FFPs are discussed.

The results clearly indicate the importance of FFPs as an effective marketing technique in the airline industry with positive implications for the financial performance of the carriers involved and their partners.

Key Words: *promotional program , marketing , passenger services*

1. Introduction

In recent years, despite the fact that tourism has received recognition of its economic significance from both the public and private sectors, many academics are still struggling with its credibility as a discipline. As Gunn (1994:5) states, "because of the great diversity of the many elements that make up tourism, problems are not solved by only one research method". Hence, the multi-disciplinary approach has been suggested by academics for tourism studies (Cooper et al., 1993 & 1994; Jafari, 1990 cited from Cooper et al., 1994; Ritchie and Goeldner, 1994 eds.).

A major consequence of this phenomenon is that many principles, techniques and methods drawn from other disciplines are widely used in tourism and travel research, while the understanding of the tourism field is still premature. However, as Witt and Moutinho (1995:5) observe "the recent explorations have contributed to the understanding of tourism, but often at the expense of isolating it from the structures which support and the conditions which encourage it". Their point is consistent with what Cooper et al.(1994:199) claim, that "tourism as a subject is worthy of study in its

own right". Research findings flyer programmers (FFPs) by many researchers are good examples that illustrate the above assertion.

Tourism-related research, as Seaton and Bennett (1996:110) indicate, "should also be acknowledged as important at the academic level in shedding valuable light on the development of tourism on a global basis and bringing together the many different strands which comprise the tourism industry". Based on the above statement, this study argues that FFPs are instances of tourism knowledge have been overlooked in previous investigations.

Previous research into FFPs has mostly focused on evaluating their effectiveness in a marketing context. Many studies have investigated the impact of FFPs on travelers' flight choices (Nako, 1993; Stephenson and Fox, 1987; Toh and Hu, 1988 & 1990; Vives Rodriguez, 1997). Despite the fact that many, if not all, of the major airlines offer FFPs, many researchers doubt their effectiveness (Beaver, 1995&1996; Mason and Barker, 1996; Gilbert and Karabeyekian, 1995; Kearney, 1989; Verchere, 1993). Moreover, some researchers argue that the adoption of FFPs as a marketing strategy has forced airlines to be on an expensive bandwagon which is very difficult to get off (Beaver, 1995&1996; Gilbert and Karabeyekian, 1995; Kearney, 1989; Sweny,1984; Stephenson and Fox,1987; Verchere,1993).

In spite of the drawbacks revealed from the empirical studies, FFPs continue to spread throughout the airline industry. According to Go and Mak (1995), the Asian airlines which have performed better and been more profitable than their counterparts in North America and Europe, have more recently initiated their own FFPs. Negative findings from research, appear to have had no significant impact on airlines' decisions. The continuing prosperity of FFPs appears to contradict the results of research recommendations, thus, generating an interesting question as to why, despite research results, the airline industry is still offering FFPs.

A great number of studies on FFPs have focused on either predicting /forecasting the effects on brand-loyalty and customer retention, or on relationship that exist between the factors that impact on travelers' choices (i.e. travelers' behavior, attribute, and demographic characteristics, etc). Very little attempt has been made to exploit the application of FFPs as a major strategy within the context of current tourism market trends. As a result, some of the previous studies have been found unrepresentative and lack empirical support.

This study aims to explore how FFPs have become an integral part of airline marketing, and to examine the reasons why airlines have been using FFPs despite

research results that indicate their ineffectiveness.

The main objective of the study is to provide a rational explanation for the existence of FFPs in spite of the rather negative results so far obtained from research. Due to time and resource constraints, only FFPs offered by the Taiwan airline industry have been studied. However, it is believed that the result will reflect industry trends.

More specifically, the objectives of the study are to:

1. Identify the principles of tourism marketing that influence FFPs;
2. Determine the unique characteristics of marketing in the tourism sector and decide if a different approach to marketing is required in the tourism field;
3. Illustrate the role of FFPs using the airline industry in Taiwan as a case study;
4. Determine the advantages/disadvantages of FFPs as a marketing technique in the airline industry;
5. Identify the current and future challenges for FFPs;
6. Test hypotheses related to FFPs to investigate their applicability within the theoretical framework of marketing in the tourism sector;
7. Provide recommendations for the formation of an effective marketing strategy in the tourism sector; and
8. Identify the variables that affecting/challenging the existence of FFPs for future study.

2. Proposed Study Approach and Methodology

2.1 Study Approach

This study uses previous FFP-related research as a base and, by utilizing an explanatory and exploratory research approach, further investigates the concept of FFPs.

The purpose of the explanatory study is to (1) explain the forces (i.e. events, policies and airlines' beliefs and attitudes) that cause the existence of FFPs, and (2) identify how to these forces interact resulting in the adoption of FFPs by the airline industry (Marshall and Rossman, 1995), to achieve objectives 1, 2, and partially 3.

An exploratory study is carried out to (1) investigate reasons for the extensive utilization of FFPs, (2) identify important variables linked to the successful management of FFPs, and (3) test hypotheses generated from the explanatory study.

The study is limited to one country - Taiwan, in the Republic of China - and thus, has a different focus from previous studies conducted in the USA and/or UK. The significance of the Taiwan market, as Moutinho (1995, in Witt and Moutinho, eds.)

identifies, is that it is a deregulated market where the competition for market share is fierce, but that also offers more opportunities to carriers.

The research data for the study were obtained from several sources, ranging from literature review, telephone and questionnaire surveys, to in-depth interviews. The secondary data gathered from FFP-related research constructed the questionnaire design and interviews. Delphi method and case discussion were employed in the analysis of primary data. The methodologies employed in the study are shown in Table 1.

2.2 Methodology

As a result, to fulfill the goals and objectives, data for the study was obtained in four phases as follows:

Phase 1: Literature review;

Phase 2: Existing information/secondary data;

Phase 3: Delphi method: telephone and questionnaire surveys; and

Phase 4: Case study: in-depth interviews.

Table 1 Research methodologies

Research approach	Date source	Sample frame /Respondents	survey instruments	Analysis
Explanatory	Secondary data		Reviewing literature	
Exploratory two methods	Primary data	Carriers operating in the Taiwan market/ Marketing executive or equivalent	Telephone and questionnaire survey	Frequency Mean score Delphi method
		Carriers aggressively promoting FFPs and their FFP partners/ Marketing executive or equivalent	In-depth interview	Case discussion

Source: Research development

Most importantly, the operational definitions were sought out in the meeting. As Pizam (1994:94) suggests, "once the review of the relevant research literature has been completed, the next logical step in the design of research projects is to develop and define concepts, variables, and hypotheses". The operational definitions enable researchers to identify the presence or absence of a given concept in a person, group, or event/program (Pizam, 1994; Yin, 1993). The basic components of tourism marketing concepts were identified from a literature review. From airline Marketing Executive's viewpoint, FFPs are defined as:

- An influential factor affecting the traveling public's flight choices,
- A scheme which rewards loyal customers,
- A promotion technique which encourages repeat purchase, and
- An easy access/means to enter the foreign market(s).

The process of reviewing the existing literature provides basis for the research, identifies the existing concepts/ideas on the topic, as well as the principles of tourism marketing (Veal, 1997:43).

Initially, the study intended to follow Beaver's (1996) methodology - Delphi method of research - employed in an extensive survey into the views of the world's major airline. However, it was not possible to implement the complete process of the Delphi method, due to the time and budget constraints. Questionnaire design followed the framework of literature review and covered the following points:

- (1)Contribution of the FFP member database to the marketing;
- (2)The role of FFPs in the airline marketing management;
- (3)Contribution of FFPs to sales volume;
- (4)Effects of FFPs on the traveling public's expectations and airlines 'responses to customers' requirements;
- (5)Management of the FFPs to minimize their negative impacts.

A low response rate could negatively impact the study, so several precautions were taken against the most notorious problem of mail (fax) surveys (Palmer, 1996; Veal, 1997), including:

- (1)A covering letter written in a humble accent was provided with simple and clear instructions;
- (2)A recommendation letter was also included from the research supervisor to support the survey;
- (3)A copy of the analysis results was promised to increase interest of the participants;
- (4)A question asking if the name of the respondent's company could be mentioned in the final report was included to increase the receptivity as well as the willingness of responding.

3. Literature Review

3.1 Introduction

This chapter is divided into 4 sections. Following the Introduction (3.1), 3.2

presents a critical review of tourism marketing theories, to explain and clarify the theoretical foundation of tourism marketing strategies. 3.3 deals with the previous FFPs-related research, to better understand the conceptual framework of FFPs, and thus, help generate hypotheses those which are presented in 3.4 (pizam, 1994). The topics covered in the literature review are shown in Table 2.

Table 2. Topics in literature review

Section 1:

Tourism Marketing: Environment, Concept, and Issues

- * The Characteristics of Tourism Marketing Environment
 - * The Development of Tourism Marketing Concept
 - * Evolutionary Era of Tourism Marketing
 - * Current Market Trends in the Airline Industry
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Section 2:

The Application of Frequent Flyer Programmers in a Marketing Context

- * Review of Frequent Flyer Programmers
 - * Relationship Marketing: Framework/Rationale for Frequent Flyer Programmers as a Technique
 - * Database Marketing: Control and Efficiency
 - * Mega-marketing: Strategic Approach of Frequent Flyer Programmers for Competitive Advantage
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3.2 Tourism Marketing: Environment, Concepts, and Issues

3.2.1 The Characteristics of Tourism Marketing Environment

The marketing environment, according to Jobber (1995:120), is where "the actors and forces that affect a company's capability to operate effectively in providing products and services to its customers". However, tourism businesses are intrinsically complex and fragmented to the extent that, as Mill and Morrison (1992:xiii) put it, "tourism is a difficult phenomenon to describe". Consequently, organizations/sectors within the tourism business often fail to identify significant changes in the environment (Haywood, 1990).

The characteristics of tourism marketing environment can be summarized as follows:

- * The tourism marketing environment embraces tourist-generating and receiving areas, as well as the transit area.
- * The organizations/sectors that operate within tourism environment are

interrelated and inter-dependent.

* The volatility of tourist demand reflects the cultural, political, economic, social and technological forces that affect the tourism business.

* Tourism services and/or products are an amalgamation from individual producers totally or partly involved in satisfying tourists' wants and needs.

3.2.2 The Development of Tourism Marketing Concepts

Academics often suggest that the meaning conveyed by each different marketing definition is substantially the same (e.g. Holloway and Plant, 1992; Shaw, 1985). Basic marketing theory is concerned with output from satisfied customers through appropriate management process (Kotler, 1994). The World Tourism Organization (WTO) suggests a systematic process of marketing management for tourism sectors in line with a set of tools to produce optimum revenue. The WTO defines marketing as "a management philosophy which, in light of tourist demand, makes it possible through research, forecasting, and selection to place tourism products on the market most in line with the organization's purpose for the greatest benefit".

By emphasizing services as a core product of tourism (Table 3), some refer to tourism marketing based on the principles of services marketing (e.g. Horner and Swarbrooke, 1996; Morrison 1989; Seaton and Bennett, 1996). For example, Morrison (1989:41) indicates that "... unique marketing approaches are required in the services industry, of which hospitality and travel is just one element".

3.2.3 Evolutionary Era of Tourism Marketing

As noted in the previous sections, the marketing discipline and its concepts need to be reviewed for their applicability to the tourism sector. However, as Middleton (1994:xi) states, "it is certainly too much to claim that a theory of travel and tourism marketing exists". Elsewhere the tourism marketing related texts have shown strong reliance on the existing marketing theories. Although the marketing concept could be seen as a guiding philosophy, Haywood (1990:205) suggested that "fundamental changes will have to be made in how we think and act about tourism."

In this context, it might be concluded that the formulation of effective tourism marketing strategies is concerned with the following:

Customer orientation,

Recognition of the characteristics of tourism offerings,

Recognition of interdependent relationship in the tourism system, and

Adapting to market trends.

In this study, the airline industry is used as a model to determine the unique

characteristics of marketing in the tourism sector.

3.2.4 Current Market Trends in the Airline Industry

Furthermore, the demand for air travel has also determined the market structure. Tretheway (1990) indicated that consumers prefer large airlines over small ones for three reasons: information costs, higher quality service, and frequent flyer programs. Hence, marketing strategy, as Collison and Boberg (1991) claim, has become a direct determinant of an airline's success or failure.

It was observed that (Maldutis, 1987, cited from Hudman and Hawkins, 1989:246), "within the liberalization movement, the globalization of airlines is also taking place. Joint marketing relationships and eventually dual designations portend the much stronger financial relationships that will emerge".

Much research has documented that FFPs represent a form of globalization (Gilbert and Karabeyekian, 1995; Mowlana and Smith, 1993; Stone et al., 1997). Closer inspection by Mak and Go (1995), Stone et al. (1997), and Westlake (1998) reveals that FFPs are the drivers facilitating airlines' cooperation to cope with the challenges of global competition. The wide implementation of FFPs by carriers is examined in the following section within a marketing context.

3.3 The Application of Frequent Flyer Programs in a Marketing Context

3.3.1 Review of Frequent Flyer Programs

As Collison and Boberg (1991:182) observe: "The increased competition fostered by airline deregulation also greatly expanded the importance of promotion. One of the most successful promotional tools in the history of the travel industry is the frequent flyer programs developed by many airlines". Research attributes the advent of FFPs to the Green Stamps concept (e.g. Beaver, 1995 & 1996; Ford 1993; Nako, 1993; Stephenson and Fox, 1987; Toh and Hu 1988). Some studies document that the concept of FFPs was originally drawn from the hotel industry (e.g. Mason and Barker, 1996). Stone et al. (1996) using Southern Airlines' "Sweetheart Stamps" program that was in effect in the early 1970s, also illustrate the rewarding loyalty is not a new concept for the airline industry. American Airlines, on the basis of the ownership of reservation system, was the first to launch a recognizable FFP in 1981, and so set the "antidote to discounting" (Stone et al., 1996:134).

Many recent studies document that frequent flyer miles rarely act as a primary lure for choosing one carrier over another. (e. g. Mason and Barker, 1996; Jameson, 1995; Mill and Morrison, 1992; Nako, 1993; Stone et al., 1996;

Vives Rodriguez, 1997). The incentive packages are fairly uniform among the major carriers. FFPs encourage loyal passengers' patronage and reward them on the miles flown¹². Most airlines also offer several levels of participation, and the level is determined by the miles flown¹³ (Jameson, 1995; Stone et al., 1996).

Table 3. The underlying principles of services marketing

Principle	Explanation	Implications
Intangibility	Unlike products, services are mainly intangible by nature. It is impossible for the consumer to touch, smell, feel or hear the service offering in the same way as they can test a product.	Tourism marketers tend to "tangibility" the tourism offering in brochures and videos – visual displays of the real thing.
Perishable	It is not possible to store services. An unoccupied seat on a train or bed in a guest house is lost forever unlike a product which can be stockpiled until demand rises once more.	The management task emphasizes managing demand and capacity to a degree of fine tuning. For example, airlines offer standby fares to those willing to fill unexpected empty seats at short notice.
Heterogeneity	It is difficult for service marketers to standardize service provision given the close contact between staff and consumers. Performance varies regardless of processes designed to minimize this factor.	Tourism marketers design processes to minimize differences in service encounters and provision between different shifts. At a hotel, for example, provision of uniforms and of similar physical surroundings illustrates evidence of standard of service.
Inseparability	The service provision and consumption occur at the same time and both provider and consumer interact in the process of delivery. This obviously is why standardization of service is so difficult as consumer involvement is high.	Marketers attempt to devise delivery systems which ease interaction and invest in campaigns to educate staff and consumers as to how to get the best from the interaction. Training in hotels emphasizes how staff can manage the interaction.
Lack of ownership	The consumer does not take title of goods as in product marketing. The bring back memories and feelings from a holiday.	The marketer emphasizes pictorial reference and souvenirs to reinforce image of holiday experience.

Source: Lumdson (1997)

This partially resulted from international interaction: “tourism integrates itself into the complex world of global economic and trade relations. As the occurs, the dependencies as well as interdependencies of tourism *vis ‘a vis* other economic and financial sectors become more pronounced” (Mowlana and Smith, 1993:20). Airlines currently include more partners in their FFPs than ever. The extensive partnerships exist not only among the airline industry itself, but also correlate with other travel or non-travel related goods and services providers.

3.3.2 Relationship Marketing: Framework/Rationale for FFPs as a Technique

The concept of FFPs is considered to be an excellent example of relationship marketing to build customer loyalty (Palmer and Mayer, 1996; Vives Rodriguez, 1997). Although research has shown that FFPs serve as an influential factor to the traveling public in selecting a carrier¹⁹, the benefits of running such a scheme have been debatable because of the enormous operating costs involved. Nevertheless, it is a well-know fact that companies which maintain and develop a loyal customer base increase their profits, as indicated by Zeithaml and Bitner (1996). These benefits typically include

- Increasing purchases,
- Lower costs,
- Free advertising through world of mouth,
- Employee retention, and
- Lifetime value of a customer.

3.3.3 Database Marketing: Control and Efficiency

In short, in the airline industry, database marketing allows personalized treatment and the launch of initiatives; that is , the technology enables carriers to have a closer relationship with their customers and reward their loyalty (cooper et al., 1993; Robinson and Kearney, 1994). In addition, a database tool such as yield management is used to effectively respond to varying elasticity, passenger income differences, and market changes. Etc., thus manipulating demand in the most effective way (cooper et al., 1993; Davis, 1994, Hamzaee and Vasigh, 1997: Robbins and Kearney, 1994). Consequently, a combination of technological tools, CRSs, FFPs, and yield management systems has spurred carriers to become more efficient in marketing efforts (Robbins and Kearney, 1994).

3.3.4 Mega-marketing: Strategic Approach of Frequent Flyer Programs for Competitive Advantage

A mega-marketing approach to seek market entry into blocked markets was introduced in Pepsi-Cola's case study by Kotler (1986). Pepsi-Cola was facing political and public opinion against its entry into the Indian market. As Kotler (1994:289) explains, "it is one thing to want to do business in a particular market or country and another to be allowed in one reasonable terms, the problem of entering blocked markets calls for a mega-marketing approach, defined as *the strategic coordination of economic, psychological, political, and public-relations skills to gain the cooperation of a number of parties in order to enter and/or operate in a given market*". At present, FFPs are playing a strategic role as they accelerate coordination among airlines.

Cooper et al. (1993:187) identify the main reasons for strategic alliance, including: the competition for terminal space and slots, the need for extensive networks worldwide, the necessity for economies of scale in airline operation, and the control of the new distribution channels (CRS).

In other words, more activities or processes complement each other to the extent that their combined effect is greater than the "sum of the parts" (Johnson and Scholes, 1996).

3.4 Development of Research Hypotheses

Pervious FFP-related research provides only a gross indication of how attractive FFP schemes have been. Very little emphasis has been given to the efficiency of FFPs from the managerial viewpoint. Nonetheless, those findings are replicated in this study, and provide the basis for the generation of the following five hypotheses.

Drawing on the literature reviewed in 3.3, the ultimate effects of FFPs depend on their flexibility and adaptability to market changes. Hence, Hypothesis 1 is set out to examine whether the FFPs achieve partnership – one of the principles of hospitality and travel marketing identified by Morrison (1989). Relative to the studies of WALTHER (1986, IN McIntosh and Goeldner) and Kotler (1994) mentioned in 3.3.4, Hypothesis 2 is to explore the implicit effects of FFPs.

H1: FFPs facilitate cross-sector co-operation, which benefits affiliated partners involved in reaching valuable market segment(s).

H2: The implementation of FFP strategy can compensate the deficiencies of service frequencies and/or non-direct routes to induce passengers using connecting flights.

There are currently over 80 FFPs with approximately 120 million members (Stone et al., 1997), which implies that FFPs have significant effects on stimulating more seat sales and/or encouraging repeat purchases. Thus, Hypothesis 3:

H3: There is a significant relationship between the employment of FFP strategy and the airline load factor.

At one extreme, business travelers are drawing increasing attention to high expenditure and more stable consumption of travel services (Mill and Morrison, 1992). Similarly, earlier studies indicate that FFPs have become an essential package to business travelers (e.g. Mason and Barker, 1996). This implies that the load factor has increased which is good for the airline industry, but with lower yield due to the discount fares (Gee et al., 1997:315). However, there is also the view that most effective way of raising the load factor, according to Sawers's (1989) investigation of US airlines, is to carry a mix of business and pleasure travelers. Therefore, Hypothesis 4 and 5 are:

H4: The negative impact of awards-lower profit margin-offered to FFP members could be minimized by technological techniques (e.g. CRSs, yield management system)

H5: While information management is well-developed in the airline industry, FFPs intend to attract more potential customers rather than narrowly focusing on business travelers.

These hypotheses have been tested with the data collected in this study using the Taiwan airline industry as a model.

4. Data Presentation and Analysis

4.1 Introduction

One common feature of the carriers involved in the survey is that their performance is reasonably well, with high load factors in excess of 65 percent. Thus, their opinions on FFPs proved to be valuable, as they were able to exercise the marketing concept rather successfully. The profile of the respondent companies is given in Table 4. None of these airlines' response is individually identified as per their request.

Table 4. Respondent company profiles

Company	International	Domestic	Total
Origin of company			
Taiwan ROC	1	1	2
Asia-pacific region	4	0	4
North America	2	0	2
FFP status			8
Launch own program	6	1	7

Do not have a program	1	0	1
			8

Note: 1. In international category, there is 1 host carrier.

2. Taiwan Civil Aeronautics Administration (TAA) categorized the carriers operating in Taiwan into international, area, and domestic groups. However, TAA's statistics cover international and domestic categories. Area category as an overlap was included in international and domestic statistics, respectively. This study followed the approach of TAA.

4.2 The Multiple Effects of Frequent Flyer Programs

The role of FFPs in a contemporary airline marketing management can be observed from the types of marketing techniques and target markets that the respondents identified. The results which are presented in Table 5, are consistent with Seaton (1995:379, in Witt and Moutinho, eds.), who states "promotion has to work harder in tourism than in most other kinds of marketing". Carriers extensively employ promotion techniques to stimulate demand, followed by branding and packing/product marketing techniques that could be seen as an attempt to forge relationships with customers

Hence, it is not surprising that, respondents in the survey reported that major marketing techniques are frequently involved with FFPs. As can be seen in table 6, carriers' marketing approach generally includes co-operation with other sectors (39.4 percent). Looking specifically at FFP-related techniques, a good portion of

marketing techniques has been linked with FFPs (42.2 percent). Most significantly, co-operative approach (mean=3.92) appears to have better effects on increasing sales volume than marketing own product(s) individually (Table 6).

Table 5. Categories distribution of marketing techniques employed in 1997

Marketing techniques	Count	Pat of cases	Pat of responses
Promotions/themes	11	137.5%	33.3%
Branding	6	75.0%	18.2%
Packaging/product marketing	5	62.5%	15.2%
Channels of distribution	4	50.0%	12.1%
New product policy	2	25.0%	6.1%
Advertising	2	25.0%	6.1%
Exhibitions	2	25.0%	6.1%

Public relations	1	12.5%	3.0%
Total	33	412.5%	100.0%

Note: The categories of marketing techniques are adapted from Jefferson and Lickorish (1998,pp.139-152)

Table 6 Marketing approach categories

Marketing approach	percentage	Significance of Effects (mean)	Std dev
Individual	60.6%	3.11	1.15
FFP-related		9.1%	
Non- FFP-related		51.5%	
Co-operative	39.4%	3.92	0.62
FFP-related		33.3%	
Non- FFP-related		6.1%	
	100.0%	100.0%	

Reflecting the extensive involvement of FFPs in co-operative marketing, Table 7 demonstrates that partners for co-operative marketing in the airline industry are typically airlines themselves, followed by hotels, intermediates and credit card firms. In this regard, it should be noted that according to one respondent, through the formation of an alliance, they were able to very significantly increase their sales simply by targeting FFP members of their airline partners.

Table 7 Frequency distribution of carriers' marketing partners

Co-operator	Airline	Hotel	Intermediate	Credit card Firm	Public sector	Tele-communication
Percentage	25.0%	18.8%	18.8%	18.8%	12.5%	6.3%

Table 8 illustrates that carriers tend to use homogeneous (i.e. business/pleasure) and clustered approach (i.e. package/group) to segment the market (Kotler, 1994), with primary focus on the business segment.

Reflecting on the respondents' approach, carriers appear to reach their target markets through intermediates as can be seen in Figure 1.

The mean scores presented in Figure 1 indicate the strong reliance on the travel agents (mean of POS=4.75). Mass advertising in newspapers (mean=4.38) and magazines (mean=4.25) are two popular means; television advertisement (mean=2.13) is not favored by carriers at all. Figure 1 also indicates that carriers exploit the vast

amount of information they have about their members. To reach target markets, the company newsletters/periodicals (mean=4.00) and direct mail (mean=3.38) have been ranked as forth and sixth popular means, respectively.

Table 8 Categories distribution of market segmentation approach

Segmentation approach	Count	Pct of cases	Pct of responses
Homogeneous segmentation			
Business traveler	5	62.5%	23.8%
Pleasure traveler (FIT)	4	50.0%	19.0%
Cluster ed Segmentation			
Group traveler	4	50.0%	19.0%
Package traveler	2	25.0%	9.5%
Frequency/Income segmentation			
Frequent traveler	2	25.0%	9.5%
High Yield traveler	2	25.0%	9.5%
Distribution channel segmentation			
Travel agent (GIT)	2	25.0%	9.5%
Total	21	262.5%	100.0%

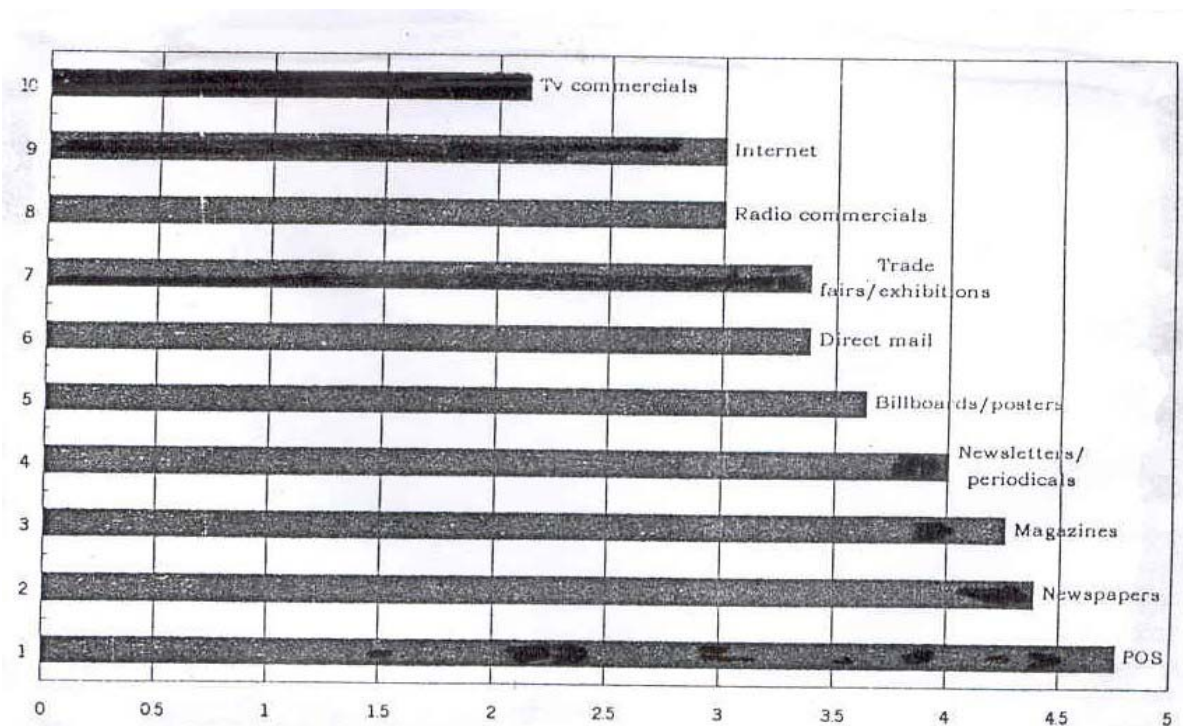


Figure 1. Methods of reaching target markets

Despite the fact partnerships allow carriers to provide a wider range of services (i.e. route coverage, frequency), many studies indicate that the formation of alliances enable the creation of cynical cartels (French, 1997). French (1997:81) observes that alliances that do little to benefit the customers can be strongly opposed with the argument that they have vastly extended passenger choice. The results shown in Tables 9, 10, and 11, imply that airfares are raised as more airlines co-operate than compete.

Table 9. Factors that affect the choice of travelers

Influential Factor	very significant	quite significant	significant	not very significant	very insignificant	mean score	Std Dev
Airfares	75.0%	25.0%	0.0%	0.0%	0.0%	4.75	0.46
Schedule/network	62.5%	25.0%	12.0%	0.0%	0.0%	4.50	0.76
Punctuality	37.5%	50.0%	12.5%	0.0%	0.0%	4.25	0.71
Membership	37.5%	37.5%	25.0%	0.0%	0.0%	4.13	0.83
Reputation	25.0%	37.5%	25.5%	12.5%	0.0%	3.75	1.04
Standard of service	0.0%	75.0%	12.5%	12.5%	0.0%	3.63	0.74
Comfort during the trip	0.0%	62.5%	25.0%	12.5%	0.0%	3.50	0.76

Results clearly indicate that airfares, followed by schedule/network and punctuality are the most significant factors in influencing passengers in selecting their airlines (Table 9).

Nonetheless, as can be seen from Table 10, carriers appear to built brand loyalty buy creating good images, upgrading their standard of services and increasing their FFP member bases; but are reluctant to get involved in price wars. The product differentiation does not appear to have a significant role as it has been ranked last by respondents.

Moreover, despite the fact that airfare has traditionally been identified as the most influential factor in passenger' choice, the results (Table 11) indicate that route development (mean = 4.62) is the most import determinant on a carrier's success, followed by market demand (mean = 4.38). In Table 11, airfare (mean=4.25) has been identified as less significant than the former two factors. Also, the respondents show more confidence in capacity allocation (mean = 3.75). Additionally, one respondent emphasize the role of the quality of service is being "quite significant".

The above results suggest that network building could be sufficient for commercial

success. Thus, it is not surprising to find that the respondents also indicate the alliance options as being essential to their operations (Table 12). Table 12 also indicates that carriers enter into partnerships largely for technical and/or marketing agreements, particularly in the form of code sharing FFPs, and schedule coordination.

Table 10. The importance of actions taken to meet travelers' needs

Influential Factor	very important	quite important	important	not very important	not important at all	mean score	Std Dev
Emphasis on creating good Images	50.0%	37.5%	12.5%	0.0%	0.0%	4.38	0.74
Upgrade the standard of service	50.0%	12.5%	37.5%	0.0%	0.0%	4.13	0.99
Increase member base	37.5%	25.0%	37.5%	0.0%	0.0%	4.00	0.93
offer more competitive price	12.5%	62.5%	25.0%	0.0%	0.0%	3.88	0.64
expand service frequencies/routes	37.5%	0.0%	62.5%	0.0%	0.0%	3.75	1.04
differentiate product(s)	25.0%	37.5%	12.5%	25.0%	0.0%	3.63	1.19

Table 11 Factors affecting load factor

Influential Factor	very significant	quite significant	significant	not very significant	very insignificant	mean score	Std Dev
Monopoly of routes	62.5%	37.5%	0.0%	0.0%	0.0%	4.62	0.52%
Market Demand	62.5%	12.5%	25.0%	0.0%	0.0%	4.38	0.92%
Air fare	37.5%	50.0%	12.5%	0.0%	0.0%	4.25	0.71%
Capacity	12.5%	62.5%	12.5%	12.5%	0.0%	3.75	0.89%

Note: The determinants, which affecting carriers' load factors, used in the question were adapted from Sawers' study (1987) on the US air market.

Table 12. Dichotomous distribution of strategic alliance pacts

Pact of alliance	Count	Pact of Cases	Pct of responses
Code sharing	7	87.5%	20.0%
FFP	7	87.5%	20.0%
Schedule coordination	7	87.5%	20.0%
Joint fares	6	75.0%	17.1%
Joint marketing	5	62.5%	14.3%
Equity exchange	2	25.0%	5.7%
Block booking	1	12.5%	2.9%
Joint service	0	0.0%	0.0%
Wet-leasing	0	0.0%	0.0%
Total responses	35	437.5%	100.0%

Note: 8 valid cases, including the carrier without an FFP.

Table 13 Co-joint analysis of the significance of strategic alliance pacts

Pacts included in Strategic alliances	<u>market reach</u>		<u>Eliminating competition</u>		Average Ranking	
	mean score	Std Dev	man score	Std Dev		
FFP	4.57	0.53	4.43	0.79	4.50	1
Schedule coordination	4.29	0.76	3.86	1.07	4.07	2
Code-sharing	4.29	0.49	3.71	0.76	4.00	3
Joint service	3.86	0.69	3.34	0.98	3.64	4
Joint fares	3.57	1.13	3.57	1.27	3.57	5
Joint marketing	3.57	1.62	3.14	1.46	3.36	6
Equity exchange	2.83	1.33	3.17	1.17	2.29	7
Block booking agreement	3.00	1.00	2.83	1.17	2.92	8
Wet-leasing	2.60	0.89	2.20	0.45	2.40	9

Note: 1. Of the 8 usable samples, one did rely to all these parts of question and some

respondents did not give answers to certain items. As a result, they were found missing cases in the following items: equity exchange (2 missing cases), blocking booking agreement (2 missing cases), wet leasing (3 missing cases).

2. The categories of pact were adapted from French (1997)

The features incorporated in airline alliances, usually include shared airport facilities, reciprocity on FFP, marketing agreements, improved connections, freight coordination, and package tour links (Financial Times, 1994). The rationale of alliance is to have larger presence in the global market place and to benefit from economy of scale (Cooper *et al.*, 1993; French, 1997; Tretheway, 1990; Bennett, 1996 in Seaton and Bennett). As can be seen from Table 13, in terms of market reach and eliminating competition, FFP is rated as the most effective pact (mean score = 4.50), followed by schedule coordination (mean score = 4.07) and code-sharing (mean score = 4.00).

4.3 Airlines' Attitude Towards Frequent Flyer Programs

A question developed from Abram Hawkes' measurement matrix (refer to 2.3.1) found that airlines have extremely high expectations from their FFPs; as can be seen from the relatively high mean scores give in Table 14. However, customer retention is regarded as being the primary goal of FFPs, as re-purchase intention has been rated by all of the respondents as being "very important" (mean score=5.00)

Carriers appear to recognize that earning miles is the greatest Incentive for enrollment in an FFP

(Table 15), but they seem to resist to ease the rules/conditions of their FFPs (Table 16). Instead, they seem to concentrate on increasing partners, and providing better service and wide selection of rewards to make their programs more attractive. This implies that wide disparities exist between the FFP related objectives of the carriers and customer expectations from the FFPs.

Table 14 Effects expected from FFP members

Effect expected	very important	quite important	important	not very important	not important at all	mean score	Std Dev
Re-purchase intentions	100%	0.0%	0.0%	0.0%	0.0%	5.00	0.00
Sales growth	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49
Pay above average margins	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49

航空業在觀光行銷內涵中之飛行常客計畫---以台灣地區之航空公司為例

Customer satisfaction	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49
Willingness to recommend	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49
Share of customer wallet	7.1%	42.9%	0.0%	0.0%	0.0%	4.57	0.53

Table 15 Customers' expectation from FFPs

Perceived customers' Expectation	very important	quite important	important	not very important	not important at all	mean score	Std Dev
Air miles/points	100%	0.0%	0.0%	0.0%	0.0%	5.00	0.00
Waiting-list priority	42.9%	42.9%	14.3%	0.0%	0.0%	4.29	0.76
Status of recognition	57.1%	28.6%	0.0%	14.3%	0.0%	4.29	1.11
Check-in priority	42.9%	28.6%	28.6%	0.0%	0.0%	4.14	0.90
Reservation priority	14.3%	57.1%	28.6%	0.0%	0.0%	3.86	0.69
Use of lounge	28.6%	42.9%	14.3%	14.3%	0.0%	3.86	1.07
Extra baggage allowance	0.0%	42.9%	57.1%	0.0%	0.0%	3.43	0.53
Pre-assigned seat	28.6%	28.6%	0.0%	42.9%	0.0%	3.43	1.40

Table 16. Proposed enhancements to FFPs

Possible change	very important	quite important	important	not very important	not important at all	mean score	Std Dev
Increase partners	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49
Elite-level	71.4%	28.6%	0.0%	0.0%	0.0%	4.71	0.49
Offer more award choice	42.9%	42.9%	14.3%	0.0%	0.0%	4.29	0.76
Increase earning ability	14.3%	85.7%	0.0%	0.0%	0.0%	4.14	0.38
Service support	14.3%	0.0%	57.1%	28.6%	0.0%	3.00	1.00
Ease rules and/or Conditions	14.3%	14.3%	42.9%	14.3%	14.3%	3.00	1.29

Furthermore, according to the survey results (Table 17), free tickets (mean=4.86) have been found to be the most favored form of redemption, followed by upgrades (mean=4.14). Transfer to others and free hotel accommodations are ranked equally at the third place (mean=3.29). Gifts do not appear to be desirable too FFP members as indicated by a low mean score of only 2.86.

Table 17 Favored forms of redemption by FFP members

Redemption	most Favored	very favored	fairly favored	favored	not at all	mean score	Std Dev
Free ticket	85.7%	14.3%	0.0%	0.0%	0.0%	4.86	0.38
Upgrade	28.6%	57.1%	14.3%	0.0%	0.0%	4.14	0.69
Free hotel	0.0%	28.6%	71.4%	0.0%	0.0%	3.29	0.49
Accommodation							
Transfer to others	14.3%	28.6%	42.9%	0.0%	14.3%	3.29	1.25
Gifts	0.0%	14.3%	57.1%	28.6%	0.0%	2.86	0.69

Table 18 indicates that carriers prefer to reward their loyal customers using their own products since they consider that to be the most economic way – as shown by their preference of offering free tickets and upgrades for redemption.

Table 18. Dichotomous distribution of redemption favored by carriers

Redemption	count	pct of cases	pct of responses
Free ticket	7	100.0%	41.2%
Upgrade	6	85.7%	35.3%
Free hotel	2	28.6%	11.8%

Accommodation			
Transfer to others	1	14.3%	5.9%
Gifts	1	14.3%	5.9%
Total	17	242.9%	100.0%

In summary, while programs offered by the carriers are regarded more effective than frequent guest programmes⁴ (FGPs) offered by the hotels (Mason and baker, 1996; Somerville, 1988; Vives Rodriguez, 1997), McCleary and Weaver (1991) indicate that “19 percent of the members of Hilton’s HHhonor would not have stayed at Hilton if it had not been for their FGP”. Similarly, in response to a question about the contribution of their FFP strategy on their load factor, the respondents indicated a relatively high level of contribution (mean score=3.43) as shown in Table 19

Table 19. Effect of FFPs to load factor

Very high	High	Average	Below average	Low	Mean score	Std Dev
14.3%	28.6%	42.9%	14.3%	0.0%	3.43	0.98

4.4 Issues Related to Frequent Flyer Programs

The analysis in this section is grouped into three categories to indicate the current status of FFPs and the prospects for their future development.

4.4.1 Effects (Tables 20)

FFPs primarily provide carriers with an ability to retain customers. While previous research findings indicate that FFPs no longer serve as a competitive strategy, the respondents have indicated that FFPs are rather effective to defend their market share. Also, reflecting the intensive utilization of company newsletters/periodicals and direct mails, the respondents estimated that the FFP database marketing is more effective over mass-market advertising. FFP allow targeted communications with the airlines’ proven customers, thus, reducing the need for inefficient general advertising

FFPs as a lure to influence travelers’ choices of flight are critical to the success. Nonetheless, on one hand, respondents have indicated that FFP members are generally not very sensitive to prices. On the other hand, they have also indicated that the FFPs

could not substitute schedule convenience. Thus, the effectiveness of FFPs is somewhat reduced. The idea of combining the effects of code sharing and FFPs, appears to increase the attractiveness of FFPs.

Table 20. Effects of FFPs

Statement	strongly agree	agree	no opinion	disagree	strongly disagree	mean score	Std Dev
As travelers appear to hold multiple memberships (joint more than 1 FFP), FFP dose not benefit our company in terms of customer retention.	0.0%	14.3%	28.6%	57.1%	0.0%	2.57	0.79
FFPs facilitate the market reach,especially to the foreign market entry.	14.3%	42.9%	28.6%	14.3%	0.0%	3.57	0.98
FFP database provides a more effective way of spending a marketing budget.	14.3%	28.6%	57.1%	0.0%	0.0%	3.57	0.79
We find that particular promotions for FFP members achieved good results.	42.9%	42.9%	14.3%	0.0%	0.0%	4.29	0.76
FFP members have better tolerance for inconvenient flight schedules or indirect routes.	14.3%	0.0%	28.6%	28.6%	28.6%	2.43	1.40
FFP members are in less-price ensitive category.	14.3%	42.9%	14.3%	14.3%	14.3%	3.29	1.38
FFP plays an important role for defending our market share.	42.9%	42.9%	14.3%	0.0%	0.0%	4.29	0.76

4.4.2 Cost (Table 21)

FFPs are expected to increase more booking frequencies, achieve a higher average transaction value, and retain customer loyalty, thus, positively contribute to the financial

performance of the airlines. On the other hand, the awards related to the FFPs potentially dilute the revenues and, thus, the profit.

However, the value of sophisticated technological tools (i.e. CRSs and yield management system) in relation with the FFP database needs to be taken into account in evaluation the effectiveness of FFPs. Respondents have indicated that it is possible to look at the FFPs as, not only rewarding schemes but also, through the value of their databases, as major contributors to the financial performance of their companies.

The development of information technology can be of treat use to monitor the availability of seats for FFPs-related rewards. Hence, the negatives associated with the implementation of FFPs can effectively be addressed. It is clear that FFPs are becoming increasingly profit-orientated and less to retain customers' loyalty.

Table 21 Cost issues related to FFPs

Statement	strongly agree	agree	no opinion	disagree	strongly disagree	mean score	Std Dev
The rewards offered to FFP members dilute company's profits to a certain extent.	28.6%	28.6%	14.3%	28.6%	0%	3.57	1.27
The negative impacts of FFP awards on profits could be minimized with proper capacity management.	28.6%	71.4%	0.0%	0.0%	0.0%	4.29	0.49
To prevent unredeemed miles being a burden, the rules and conditions of FFP should be stricter.	28.6%	42.9%	14.3%	14.3%	0.0%	3.87	1.07
Even if FFP stimulates enough demand, we still find it difficult to justify the costs maintaining a FFP.	0.0%	28.6%	57.1%	14.3%	0.0%	3.14	0.69
Maintaining an FFP costs enormously, and we would like to find lower cost alternatives to replace FFP.	0.0%	14.3%	28.6%	28.6%	28.6%	2.29	1.11

4.4.3 Prospect (Table 22)

Rather than viewing the concept of FFP as a means to provide short-term incentives

to encourage repeat purchases; respondents appear to view the FFPs as a means to better recognize the human dimension of their business particularly for their frequent passengers.

There is a broad agreement among the respondents that extra attention be given to their frequent passengers to ensure their satisfaction because of their high life time value. Consistent with the indication of providing elite service to FFP member, respondents also appear to be concentrating on acquiring lucrative frequent business travelers rather than just broadening their member base.

Table 22. Prospects of FFPs

Statement	strongly agree	agree	no opinion	disagree	strongly disagree	mean score	Std Dev
Our company focuses on differentiating our product rather than the quality of FFP.	14.3%	14.3%	42.9%	28.6%	0.0%	3.14	1.07
Our company pays extra attention to FFP members, to ensure their satisfaction with our service.	71.4%	14.3%	14.3%	0.0%	0.0%	4.57	0.79
FFP members have a very high lifetime value, thus we cannot afford to drop FFP.	14.3%	57.1%	14.3%	14.3%	0.0%	3.71	0.95
We would like to ensure that our members are all "true frequent flyers".	42.9%	14.3%	42.9%	0.0%	0.0%	4.00	1.00
We prefer our members to be business travelers.	28.6%	42.9%	14.3%	14.3%	0.0%	3.00	0.82
Without FFP, we still can sustain competitive advantages.	0%	28.6%	42.9%	28.6%	0.0%	3.00	0.82
We view the concept of FFP as a fundamental business philosophy rather than a tactical activity.	14.3%	42.9%	28.6%	14.3%	0.0%	3.57	0.98

Keeping in mind the limitations of the exploratory data used in this study, the findings generally contradict with the studies of Beaver (1995 & 1996), Gilbert and Karabeyekian (1995), and Stephenson and Fox (1978), who indicate that since most

airlines have an FFP and in view of the cost and difficulties associated with such programs, they no longer provide a significant competitive advantage.

Based on the survey carried out in this study – in the Taiwanese market, respondents have indicated that FFPs are essential to strengthen their competitive advantage in terms of eliminating competition and expanding market reach. However, in Taiwan, FFPs are not necessarily implemented only to better compete with other carriers, but also for the opportunities they bring for precisely targeting preferred markets and the advantages of joint-marketing with FFP partners.

It appears that carriers do not want to abandon their FFPs, because they have not yet found other innovative and less costly marketing strategies to replace such programs. Currently, more emphasis is placed on offering service-related benefits to drive FFPs from the provision of discounts and free trips to deliver special personalized services and client recognition.

It is appropriate to state the views of two airline executives on FFPs to conclude the results:

Mr. Herb Kellehe, the President of Southwest Airlines, states that, “we did not want an FFP. But it came to my attention that FFPs were siphoning business travel away from us. We did it defensively, and I think if we had done that we would have been terribly disadvantaged (cited from Inside Flyer, 1998)”

Similarly, Mr. Ng Chin Hwee, the Director of Singapore Airlines in Germany, comments on the formation of strategic alliance with Lufthansa, “in addition to code-sharing, joint use of airport lounges and *integrated frequent flyer programs*, I can imagine further cooperation between the two airlines in future. This could include expanding the route network, product development, customer service, IT and cargo transportation (Lufthansa, 1998)”.

5. Principal Findings and Discussions

5.1. Implementation of Partnership

H1: FFPs facilitate cross-sector co-operations, which benefit affiliated partners involved in reaching valuable market segment(s).

The findings clearly show that FFPs are in favor of the carriers, mainly because they allow them to unite for marketing purposes while maintaining their operational and financial independence. The results indicate that FFP is a powerful tool for categorizing

customers and tailoring marketing strategies. FFP is a successful approach to segment a profitable niche as well as to secure passenger loyalty and, thus, increase business.

Furthermore, other firms to promote their products have extensively used FFPs, which is consistent with earlier findings by Mason and Barker (1996), and Collison and Boberg (1991). This approach benefits all FFP partners involved in the following two areas:

Operational costs are defrayed; and

Marketing productivity is increased because partners gear to the same target market.

However, the airlines appear to gain most of the benefits, as the affiliate partners not only defray costs but also contribute to airlines' incidental revenues. Therefore, it can be stated that the principal findings of this study supports Hypothesis 1.

H2: The implementation of FFP strategy can compensate the deficiencies of service frequencies and/or non-direct routes to induce passengers using connecting flight.

Many studies have documented that FFPs generally lose the competitive advantages because the extensive adoption by carriers (e.g. Beaver, 1995 and 1996, Gilbert and Karabeyekian, 1995). However, based on the findings of this study, this argument can be questioned on two accounts. Firstly, FFPs have evolved from loyalty schemes to serve as a means of facilitate the formation of strategic alliances. Secondly, as carriers tend to enter partnerships using FFP, the future development of FFPs seems to be unified, which is consistent with the study of Mason and Baker (1996).

The trend towards building global net works has already produced large-scale operations and marketing consortia in the airline industry (Go and Hedges, 1995 in Witt and Moutinho, eds.; Tretheway, 1990). However, this study has identified that the FFP members of the respondents participated are more concerned with schedule flexibility, and airfares. Thus Hypothesis 2 is partially supported.

5.2 The Contribution of FFP Strategy

H3: There is significant relationship between the employment of FFP strategy and the airline load factor.

From an economical viewpoint, Cairns and Galbraith (1990) argue that alliance tend to be formed only among those carriers that have a low degree of overlap in their networks". This study indicates that the application of FFPs is sought out to compensate

the insufficiency of the bilateral air agreements, and often is stressed by carriers while announcing code-sharing services. This finding does not support their statement.

FFPs are integral form of strategic alliances. Relative to the code sharing, FFP are primarily implemented to maximize the tangible benefits through an effective cooperation with the partners involved. Hypothesis 3 is positively supported by this study, as the surveys conducted have clearly indicated that the contribution of FFPs to the load factor is rather significant (mean score = 3.43)

5.3 The Benefit of Technology

H4: the negative impact of awards-lower profit margins-offered to FFP members can be minimized by using technological techniques (e.g. CRSs, yield management system)

This study has shown that carriers tend to over-estimate the downside of their FFPs. However, they also recognize the benefits of the new technology that, if used properly, can minimize the possible lost revenue by either limiting the number of seats available for FFP redemption or imposing restrictive booking conditions on the use of rewards. Thus, Hypothesis 4 is supported.

H5: While information management is well developed in the airline industry, FFPs intend to attract more customers rather than narrowly focusing an business travelers.

The findings of this study indicate that the FFPs are primarily focused on recognizing and rewarding frequent passengers and thus emphasize lucrative business travelers rather than trying to attract interest from the general public. Hypothesis 5 is rejected.

5.4 Implications on Tourism Marketing

The role of FFPs is very unique, because reciprocity on FFPs enables participants to penetrate a greater number of markets. The convergence of information and capital which is generated through FFPs provide major corporations with access to potential market in travel-related revenue (Mason and barker, 1996; Mowlana and Smith, 1993).

The tourism industry heavily relies on marketing techniques to stimulate the demand for their services (Hudman and Hawkins, 1998). The form of co-operative marketing allows organizations to defray proportionate marketing costs to gain wider recognition from the traveling public. Particularly considering that the organizations in the tourism sector are engaged in selling in the international markets (Holloway and Plant, 1992), the joint marketing approaches untie the efforts of individuals to expand

business and reach broader consumer base.

In summary, a striking feature of the tourism market is the difficulties organizations have consistently experienced in accurately segmenting their markets for the products they offer. The FFPs approach enables organizations involved in the tie-in programs to have relatively easy access to valuable market segments, and the ability to treat their partners' clients as their own. It also increases the marketing productivity by using FFP as a refined market mix.

The prosperity of FFPs will primarily depend on their impact on the passengers' flight choices. Carriers tend to implement code-sharing services by emphasizing the benefits of transferable miles to their own FFPs to their own FFP members, and thus further strengthening the price premium. It is likely that carriers could use traffic density and transferable FFP benefits to enhance their global networks.

It is evident that FFP involvement is very significant in determining choice of airline and flight. The FFPs remain a pact of alliances without being subject to government approval. The recent technological advancement, and more affiliations with other partners, offers carriers a chance to increase their own sales while defraying costs. It is clear that these programs have become essential to tourism organizations' operations.

6. Conclusions

Marketing strategies are normally planned to achieve organizational objectives and goals. Constant change and increased complexity in the tourism field have required new interdisciplinary approaches and analyses for studies of the tourism.

This study explores the concept of tourism marketing. FFPs can be seen in isolation from diverse applications of marketing theory to reach valuable market segments. As has been identified, FFPs are intimately linked to the external (adapting to market trend) as well as internal (information technology) factors that dominate the formulation of marketing strategies.

The literature review and the findings of this study clearly indicate that FFP strategy is more than loyalty-driven.

The findings of this study suggest that the concepts and principles drawn from other disciplines must be carefully examined before they are implemented in the tourism field. The characteristics of the tourism offerings have led the tourism sectors to a relationship marketing approach, with individual organization's participation into a joint-effort to promote the "partnership"

In this regard, FFPs at macro level can be viewed as an extension to the concept of relationship marketing to cover the network paradigm.

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