THE IMPORTANCE OF FREQUENT FLYER PROGRAMMES IN AIRLINE SELECTION:

A SURVEY OF CORPORATE TRAVEL MANAGEMENT

IN LARGE-SIZED CORPORATIONS IN SOUTH AFRICA

by

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DECLARATION

I, Lesley Wieme declare that the dissertation which I hereby submit for the degree Magister Commercii in Tourism Management at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at this or any other tertiary institution, and that all reference material contained therein has been duly acknowledged.

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ABSTRACT

In many organisations, air travel is an essential part of conducting business in order to meet company objectives and goals. The selection of a preferred airline is a complex undertaking. Corporations may obtain discounts based on expenditure commitments; the airline may have a frequent flyer programme; or a low cost carrier may offer a better alternative to full service carriers.

The literature on corporate travel is fairly limited with determinants determining the selection of airlines having been studied from other perspectives such as the business traveller, thus, this study should make a significant contribution to this field by generating new information on corporate travel and in particular corporate air travel decisions. The literature review provides a demarcation of the broad concepts of the buying approach towards corporate air travel. Also discussed is the relationship between the key role players in airline selection: the corporate traveller; the travel management company; and the airline. Various determinants of airline selection by corporations are identified and the role of frequent flyer programmes is analysed. Furthermore, the move towards low-cost airlines as a preferred choice for corporate travel is investigated.

The empirical phase of the research study focussed on identifying the determinants of airline selection by large-sized corporations in South Africa; the relative importance of frequent flyer programmes; and the move towards low-cost airlines as a preferred choice for corporate travel. The target population was sampled using a non-probability convenience sampling approach with a newly designed quantitative, ex post facto web-based questionnaire, distributed via e-mail to the target population. Exploratory factor analysis was done to identify whether an underlying structure of airline selection determinants exists from which the relative importance of frequent flyer programmes could be assessed. From the results, a model of corporate airline selection determinants was derived. Then, the model was compared to the conceptual model formulated from the literature survey. A number of important selection determinants were identified, and it became evident that frequent flyer programmes are, generally, not considered a decisive determinant in the selection of a preferred airline by corporations. However, the influence of low-cost airlines was shown to be considerable, in line with the endeavour to save on air travel expenses within a corporate air travel management programme. The findings should

assist both corporations and airlines with the design of their air travel buying approaches and marketing strategies respectively.

Keywords: *Corporate travel, airline selection determinants, frequent flyer programmes, survey, large-sized corporations, South Africa*

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GLOSSARY

This study involves a number of key concepts, namely: *business travel, corporate travel, corporate travel manager, corporate travel management, frequent flyer programme, low-cost airline,* and *travel management company.* The definitions used for the purposes of this study are presented below.

Business travel – A trip that is undertaken where the main purpose is to conduct commercial or formal transactions or activities that are related to a job (e.g., visiting a client, signing deals or negotiating a contract).

Corporate travel – A segment of the business travel market that can be described as travel undertaken by the employees of a particular corporation that has a considerable travel volume and where travel arrangements are generally consolidated into a centralised function.

Corporate travel manager – A stakeholder in corporate air travel buying whose role is to ensure the most effective means of corporate travel at the greatest economic advantage for the organisation, while at the same time taking the safety, comfort and convenience of the corporate traveller into account

Corporate travel management – Managing corporate travel refers to the maximisation of travel services by a corporation to its employees and the minimisation of the cost of providing those services.

Frequent flyer programme – These programmes are targeted at high-mileage travellers and provide rewards for the frequent usage of an airline with the purpose of building preference for one brand over another.

Low-cost carrier – An airline business model that possesses traditionally less "frills" and lower unit costs - enabling them to offer cheaper airfares - as compared to legacy or full service airlines. However, the lines between low-cost and legacy airlines have become blurred in recent years.

Travel Management Company – A travel agency specialising in business travel services that provide corporations with both online and offline reservation fulfilment, access to data and reporting, traveller tracking, consulting, benchmarking, and negotiation. The intermediary is often involved in the corporate selection of a preferred airline and may be responsible for the management of frequent flyer miles.

The following recognised abbreviations are used in the body text of this study:

Table 1.1: Abbreviation used in this document

Abbreviation	Meaning
ACTE	Association of Corporate Travel Executives
AMEX	American Express
CSR	corporate social responsibility
CWT	Carlson Wagonlit Travel
FFP	frequent flyer programme
FSC	full-service carrier
HRG	Hogg Robinson Group
IATA	International Air Transport Association
ITM	Institute of Travel and Meetings
JSE	Johannesburg Stock Exchange
LCC	low-cost carrier
NBTA	National Business Travel Association
TMC	travel management company
UNWTO	United Nations World Tourism Organisation

CHAPTER 1: BACKGROUND TO THE STUDY

1.1   INTRODUCTION

Business travel has become one of the most complex industries in the world, whilst also being a highly lucrative market segment of the wider tourism industry (Cranfield University, 2002; Frequent Flier, 2009). This study focuses on one particular segment of the business travel market: corporate travel. Corporate travel is, "that segment of business travel that can be described as travel undertaken by the employees of a particular corporation that has a considerable travel volume" (Lubbe, 2003b:304). Globally, academically-based research in the field of corporate travel has been conducted by academics such as Bell and Morey (1995), Mason (2000; 2001; 2002; 2006) and in South Africa, by Douglas and Lubbe (2006; 2009).

In many corporations, travel and entertainment expenses represent one of the largest *controllable* costs after labour (American Express, 2007; Lubbe, 2003; Mason, 2002; Moline, 2005; NBTA, 2007) and, within those expenses, air travel, generally, constitutes the largest cost. Air travel is an essential part of conducting business for meeting company objectives and goals, and can be considered the principal form of transportation for business travel (Sheehan, 2003). Airline expenditure is one of the areas of a corporation's travel expenditure that requires effective management as it constitutes most of the travel expenses incurred (Business Traveller, 2008; Crane, 2001; Cranfield University, 2002; PhoCusWright, 2006). To control this travel expenditure, travel management programmes, which include a well-designed travel policy, are put in place by corporations (Carlson Wagonlit, 2008). In managing expenditure a corporation may choose to have preferred supplier agreements with airlines based on the volume of air travel placed with the airline. The selection of an airline as a preferred supplier involves many considerations for a corporation, with price generally driving the decision on which airlines to use. The rise of low cost carriers (LCCs) may well be related to price in the selection of a preferred supplier, whilst a further consideration is whether the airline has a frequent flyer programme (FFP) that could benefit the corporation and/or its travelling employees.

A growing number of cost-conscious corporations are opting for LCCs over the traditional airlines, since cutting costs from a corporation's travel programme remains one of the key priorities of a corporate travel management programme (AirPlus, 2009:13; Barclaycard Business, 2008a:6). Whilst smaller corporations may mandate the lowest available airfare in their travel policy, larger companies may opt instead to negotiate with an airline with the view of obtaining a corporate discount, and thus select a preferred supplier. One of the most recent studies undertaken to investigate how South African business travellers select between full-service airlines and LCCs was carried out by Fourie and Lubbe (2006). Similar studies, with the aim of distinguishing between the market segment of business travellers using the low-cost entrants and those using the full-service carriers, were conducted in the United Kingdom (Mason, 2000, 2001) and Brazil (Evangelho, Huse & Linhares, 2005). This study further investigates the selection of LCCs by corporations for business travel purposes.

Business travel remains vital to the airline industry, as it is a market segment from which they can make large profits (Mason, 2002:48). Seizing the opportunity, airlines started to invest in initiatives such as FFPs. The main purpose of FFPs is to secure the patronage and loyalty of travellers (Harris & Uncles, 2007:297-298). Unfortunately, FFPs may also be recognised as a reason why corporations experience extra travel expenses. Corporate travellers often ignore their company's air travel policy, in favour of airline FFPs of which they are members, despite the airline not being a preferred supplier (Arnesen, Fleenor & Toh, 1997:47-48; Cohen, 2006; Evangelho *et al.*, 2005:105; Jenkins, 1993:101; Lubbe, 2003b:317; Stephenson & Fox, 1987:10; Whyte, 2002:20). This may give rise to a conflict of interest in travel management because the objectives of the corporate traveller, the corporation and the airline differ.

FFPs have been addressed in numerous academic articles which have covered topics such as attitudes of frequent flyers (Stephenson, 1987; Whyte, 2002); ethical considerations involved in FFPs (Arnesen *et al.*, 1997); and corporate strategies to control frequent flyer abuses (Stephenson & Fox, 1992). However, none of these studies focused specifically on the role and importance of FFPs in the selection of a preferred airline by corporations.

This study will focus on the determinants used by corporate travel managers to select airlines as preferred suppliers, the influence of LCCs, and the importance of FFPs in the selection process.

1.2   PROBLEM STATEMENT

Three issues, which support the focus of this study, are covered.

The first is the determinants used by corporations for selecting preferred airlines. On this issue some gaps in previous research have been identified which serve as a motivation for this study. Most previous research on airline selection determinants used business travellers, rather than corporate travel buyers or managers, as a source of information (Evangelho *et al.*, 2005; Fourie & Lubbe, 2006; Mason, 2001; Proussaloglou & Koppelman, 1999). In investigating a corporation's choice of airline it seems more appropriate to survey the corporate travel manager instead of the corporate traveller, since the autonomy that business travellers have enjoyed over the past few years regarding the purchase of air travel may have decreased, as in-house travel management becomes more important (Lubbe, 2000:190; Mason & Gray, 1996:205). In addition, corporate travel policies have become a lot more stringent (Mason, 2002:57). Whyte (2002:32) suggests that the corporate environment is an area where more in-depth investigation should be done, specifically to obtain a greater understanding of the process of selecting a preferred airline, and also the redemption and use of the rewards obtained in using FFPs for business-related travel. The second area under investigation, and the main goal of the study, is the importance of FFPs in corporate airline selection. As mentioned in the previous section, the potential for conflict of interest may exist between airlines, corporations and travellers in the choice of an airline where FFPs are involved. Firstly, a conflict of interest may arise between the business traveller wishing to earn frequent flyer points for personal use, and the corporate travel manager who aims to reduce the air travel costs of the corporation by using the benefits of the FFP for future business travel trips. Because of this, non-compliance with the travel policy may occur (Mason & Gray, 1999:847).

Secondly, conflict of interest may arise between the airline and the corporation. FFPs seem to be very influential in business travellers' airline choice often to the detriment of the corporation that is responsible for paying the airplane ticket (Mason & Gray, 1996:202). While FFPs were once designed merely for the benefit of the business traveller, Stephenson and Fox (1987:17) believe that it may become more difficult for airlines to deny frequent flyer benefits to corporations as they are, in actual fact, their true customers. This indicates that FFPs may be perceived as less of a problem to corporations than before. Very little, if any, research has been undertaken on the issue of the level of importance of FFPs in the selection of airlines and the impact of FFPs on travel policy compliance. Mason and Gray (1996:205) propose that more research should be done on whether airlines should continue to target their FFPs at the business traveller, or focus on benefiting the organisations in the form of providing corporate frequent flyer bonuses. This study seeks to address the problem of how corporations in South Africa deal with FFPs as a determinant in the selection of a preferred airline.

The third area under investigation is the decision by corporations on using LCCs and their influence on airline selection. While there is some evidence that the use of LCCs for business travel purposes has emerged because of rigorous corporate travel policies (Evangelho *et al.*, 2005; Mason, 2000, 2002, 2006), very little, if any, research has been done on the importance of LCCs as preferred suppliers in the South African context. Moreover, FFPs, as a tool to market LCCs to business travellers, have also been raised in previous research (Klophaus, 2005; Mason, 2001). Therefore, the importance of frequent flyer programmes in selecting both FSAs and LCCs as preferred airlines will be discussed.

1.3   PURPOSE STATEMENT

The previous section identified some of the complexities of airline selection, highlighting the need for a deeper understanding of the determinants that drive the selection process. To summarise, three areas are investigated in this study: Firstly, the determinants used in the selection of a preferred airline for large-sized corporations in South Africa; secondly, the influence of FFPs on the purchase decisions of corporate travel managers in terms of airline selection; and thirdly, the move towards selecting LCCs for corporate travel.

1.4   RESEARCH OBJECTIVES

The study will be guided by the following specific research objectives:

- To clarify the relationship between the airline, the corporation, its corporate travellers and the Travel Management Company.

- To identify the determinants of airline selection by large-sized corporations in South Africa.

- To determine the relative importance of FFPs as a determinant in the selection of a preferred airline by large-sized corporations in South Africa.

- To assess the influence of FFPs in traveller non-compliance with the corporate travel policy.

- To investigate the move towards LCCs as a preferred choice for corporate travel.

The first objective can be achieved through a survey of past and current literature on the topic. The second and the fifth objectives can be achieved through both the literature and empirical research while the remaining objectives can be achieved through empirical research, more specifically a survey amongst a sample of corporations with managed travel programmes in South Africa.

The next section provides a short discussion on how the empirical research will be undertaken.

1.5   METHODOLOGY

The strategy of inquiry[1] that is used for this study is a quantitative research approach similar to a number of studies, identified above, which have assessed the value placed on various airline selection determinants by asking respondents to rate these determinants. Since no qualitative research is undertaken, the study generates quantitative data. This means that the study is designed for breadth rather than depth and can thus be considered a statistical study. An ex post facto, self-applied, web-based questionnaire,

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[1] Research method

based on the type of measurement instruments used in previous studies, as well as information derived from the literature survey, is used to garner information. The questionnaire is distributed through e-mail to the target population. Large-sized corporations located in South Africa serve as the units of analysis in this study as the aim is to draw conclusions based on decisions made by management on criteria used to select preferred airlines, the importance of FFPs in their selection of a preferred airline as well as their use of LCCs. Since corporate travel managers are, generally, tasked to manage all travel and negotiations relating to preferred suppliers, they serve as the sampling units or respondents. The target population is sampled using a non-probability convenience sampling approach (known as *haphazard* and *accidental* sampling). The units of analysis are sampled based on South African Airways' database of corporate clients and other sources[2] and the convenient sample process is continued until a pre-set sample size is reached. The remaining respondents are identified by using the register of all listed JSE (Johannesburg Stock Exchange) operating companies at the end of 2009.

In order to meet the objectives of the study satisfactorily, data analysis consists of different techniques including frequency analysis, measures of central tendency and dispersion, cross-tabulation and chi-square tests as well as exploratory factor analysis.

The relationship between the airline, the corporation, its corporate travellers and the Travel Management Company is clarified by undertaking a literature survey. While a survey of literature provides an indication of ***criteria that may play a role in the selection of a preferred airline by corporations***, the results of the empirical research allow for a ranking of the airline selection criteria, and the identification of any significant relationships between the sets of selection criteria. The results also show whether there is a ***move towards low-cost airlines as a preferred choice for corporate travel*** as well as ***the relative importance of FFPs as a determinant in the selection of a preferred airline*** and ***the influence of FFPs in traveller non-compliance with the corporate travel policy.***

It was decided to undertake an exploratory factor analysis to identify if an underlying structure may exist in the set of selected variables. The factor analysis will allow allocation

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[2] Johannesburg Stock Exchange

of determinants into groups (factors) to assess the importance of groups or factors in airline selection. Based on the factors identified, a final tested model of corporate airline selection determinants is developed. This model is compared with the conceptual model which is developed through the literature survey. The factor analysis is an ideal technique to gain a deeper understanding of the underlying factors or groups that underpin the choice of a preferred airline by corporations. This also allows greater provision of information as to why FFPs can be deemed an important or unimportant determinant in air travel purchasing by large corporations.

1.6   IMPORTANCE AND BENEFITS OF THE STUDY

While a number of studies have been conducted on airline selection criteria used by both business and leisure travellers, as well as the move towards LCCs by business travellers, this will be the first study of its kind to focus on the relative importance of FFPs in the selection of an airline; particularly by large-sized corporations as part of their travel management programme.

The selection criteria of business travellers may be different from those of the corporate travel manager since, as mentioned in the previous sections, their interests and objectives may differ and even be conflicting. In this study, corporate travel managers will be surveyed in terms of the criteria they use to select airlines as preferred suppliers. They are in the position to provide information on the company's airline selection strategy, and whether FFPs play a role. Moreover, they should be able to provide insight into travellers' compliance rates with their corporation's air travel policy as large-sized corporations are more likely to have travel policies (Mason & Gray, 1999:856). An understanding of travel policy compliance rates is important because corporations consolidate their travel with a preferred airline and negotiate possible discounts with that supplier based on a certain expenditure commitment. If the corporation does not manage to reach the target volume or expenditure that was agreed on in the negotiated contract with the preferred airline, owing to business travellers deciding not to comply with the policy, then the corporation will not enjoy reduced fares (Mason, 2002:53). Conflicting values and goals between corporate travel management and business travellers can reflect in travel policy compliance or non-

compliance (Lubbe, 2003b:307). Consequently, some conclusions may be derived from the study as to whether a corporation is using an effective airline selection strategy.

From a theoretical perspective, the study aims to gain a better understanding of a corporation's choice determinants in air travel. Since the literature on corporate travel is still fairly limited, this study should make a significant contribution to this field by generating new information on corporate travel and, in particular, corporate air travel decisions. From a practical point of view, the findings should assist airlines with their marketing strategies, as this study should provide greater insight into corporations' air travel demands. The results of this study could also be used in understanding and managing customer relations between an airline and a corporation and/or the corporate traveller. Since this study aims to determine the best strategy for airline selection, corporations might be willing to use the results as a guideline to formulating their own strategy. This may mean a change in their own airline selection strategy once a better understanding is gained of the role of their FFPs in corporate decisions on airlines as preferred suppliers. This is important since some debate is taking place on the importance of FFPs within the changing airline environment (Cranfield University, 2002).

1.7   DELIMITATIONS

The study will focus on one segment of the business travel market, specifically corporate or managed travel. The overall purpose of this research is to investigate the relative importance of FFPs in the selection of a preferred airline by large-sized corporations located in South Africa, whilst, at the same time, investigating selection criteria and the use of low-cost airlines. The reason for the selection of large corporations is that small and medium-sized corporations usually have a lower travel budget that often falls into the category of 'unmanaged' travel. Consequently, these kinds of corporations may rather opt for the lowest possible airfare, and are less likely to consider a preferred supplier. Large-sized corporations that manage their business travel are more likely to consider a preferred supplier. In other words, only corporations that 'manage' their business travel will be considered as possible units of analysis. For these reasons, large-sized corporations[3]

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[3] These corporations are not necessarily large in terms of company size (e.g., number of employees) or annual turnover but refer to corporations with a substantial travel budget of over R3 million.

in South Africa with a travel expenditure of more than R3 million per annum will be surveyed. The research will focus on how corporate travel managers select a preferred airline for their corporation and not on the corporate traveller as the pre-eminent concerns of these travellers may be their own convenience and esteem while they are travelling, and not necessarily the cost involved to the organisation.

1.8 ASSUMPTIONS

An assumption is "a condition that is taken for granted, without which the research project would be pointless" (Leedy & Ormrod, 2005:5). The following basic assumptions underlie the research study.

Firstly, it is assumed that large corporations engage in some form of business travel. It is furthermore assumed that selection of an airline as a preferred supplier is a recognisable practice within business travel.

Secondly, it is assumed that corporate travel managers are aware of the corporation's airline selection strategies. It is assumed that they can identify the elements that are of importance when selecting a preferred airline, and that these employees have the ability to understand and truthfully complete a questionnaire without the help of the researcher.

The final assumption is that the data collected from the questionnaire on the elements that play a role and, in particular, the importance of FFPs in corporate airline selection, will provide some insight into airline selection strategy. From the results it should be possible to deduce whether FFPs play an important role in the selection of a preferred airline, or whether other determinants may be deemed more important.

1.9   LAYOUT OF THE STUDY

For an adequate coverage of the topic under discussion and to meet the objectives identified, this study is structured as follows:

- Chapter one presents the research problem and specifies the research objectives. The boundaries of the study are delimited; the assumptions on which the study is based, provided; and the importance and benefits of the study, discussed.

- Chapter two provides a background of the corporate travel industry; corporate travel management; a corporate purchasing approach; the different players involved in the selection of a preferred airline; and the place of the air travel policy in the travel management programme.

- Chapter three discusses air travel procurement from an airline perspective. The emergence of low-cost airlines is discussed and the various airline selection criteria identified. Thereafter, FFPs as a criterion in the selection of a corporate preferred airline are comprehensively covered. To conclude this chapter, a conceptual model of corporate airline selection criteria consolidates the literature survey to serve as a framework for the empirical research.

- Chapter four describes the research methodology selected to answer the main research question, which can be stated as follows: what is the relative importance of FFPs in the selection of a preferred airline by South African corporations?

- Chapter five presents the results of the empirical research.

- A summary of the results, the researcher's recommendations, the limitations of the study, and directions for future research are presented in chapter six.

1.10   CONCLUSION

In this chapter, the gaps in the research on airline selection by corporations have been highlighted, and certain concepts relevant to the problem of the importance of FFPs in the choice of a preferred airline were introduced and briefly defined. The research objectives were specified and the proposed methodology briefly presented. The study was delimited and benefits that could accrue from the results highlighted.

The next chapter will present the literature relevant to the selection of a preferred carrier from a corporation's perspective with a view to providing sufficient background to this particular industry to address the research objectives.

CHAPTER 2: AIR TRAVEL PROCUREMENT - THE CORPORATE PERSPECTIVE

2.1 INTRODUCTION

The previous chapter presented the research problem and specified the research objectives. The boundaries of the study were delimited; the assumptions on which the study is based were provided; and the importance and benefits of the study discussed. Chapter two highlights corporate travel as a sub-section of the business travel market and provides a background of the corporate travel industry. The corporate purchasing approach and the role of corporate travel management in the selection of an airline are explained, after which the role and the place of the air travel policy in corporate travel management are discussed. Chapter two also clarifies the relationship between the internal (inside the corporation) key role players in corporate airline selection, namely the corporation and the corporate traveller, as well as the external (outside the corporation) key role players, the corporate travel management company and the airline.

2.2 BUSINESS TRAVEL

People are motivated to travel for different reasons. They either travel for (1) leisure, holiday and recreation purposes, (2) to visit friends and relatives (VFR), for health and religious-purposes, or for (3) business and professional purposes (UNWTO, 2008:2). Business travellers, generally known to be more frequent travellers than non-business travellers, can be further sub-divided into people travelling for federal, state or private business (Dresner, 2006:30). This study focuses on travel for private business purposes as the target group is corporations, and not governmental institutions.

People have been travelling for work purposes for many centuries. In the last fifty years this type of travel has grown considerably (Swarbrooke & Horner, 2001:20), and in the future, people will continue travelling to find work, find new markets, negotiate deals, and to build better relationships despite better telecommunications. The imperatives of business development and globalisation drive business travel, despite rising prices. The

sustained increase in business travel is matched with a growth in corporations' travel expenses (Barclaycard Business, 2008a:2).

Business travel is affected by economic cycles. According to the United Nations World Tourism Organisation (UNWTO) (2008:2), business travel in 2007 accounted for about 15% (138 million) of all international tourist arrivals (over 900 million), compared to 16% in 2006. In 2009, business travel decreased by a further 7% compared to 2008 (Taylor, 2009). However, despite these cyclical decreases, over the long-term business travel has increased, and this market segment represents the core of the tourism market for many leading destinations (Swarbrooke & Horner, 2001:3). In South Africa, more specifically, around 40% of the total travel market can be considered to be business- or corporate-related (Lubbe, 2003b:305). Statistics are not readily available on the economic value and size of the business travel market in South Africa and no distinction is made between individual business travellers and corporate travellers in the available statistics. However, studies in other parts of the world have succeeded in assessing the size and economic value of the corporate travel market in particular and this is referred to in the next section.

Despite the difficulties experienced over finding credible statistics, it is evident that business travel makes a significant contribution to the South African tourism sector. Even though the length of stay of business travellers is shorter than that of a leisure traveller (South African Tourism, 2007:15-16), business travel involves a higher level of per person spending than any other type of tourism (International Trade Centre, n.d.:1; Swarbrooke & Horner, 2001). According to den Hartigh (2009), business travellers spend, on average, three times more than leisure travellers in South Africa, and the average amount spent per business traveller rose from R760 per day in 2007 to R1 200 per day in 2008. The National Business Travel Association (NBTA) (2007), states that, currently, global business travel expenditures could amount to US $650 billion per annum, and are expected to exceed US $986 billion a year by 2013.

The business travel market can be divided into managed and unmanaged travel. Corporate travel is generally 'managed' travel while unmanaged business travel is generally undertaken by small business employees or independent business travellers. This study focuses on the corporate travel sector which is introduced in the next section.

2.3   CORPORATE TRAVEL

2.3.1   <u>The corporate travel market</u>

The difference between independent business travel and corporate travel lies in the way that travel arrangements are managed. Corporations whose corporate travellers make a considerable number of business trips, usually have a corporate travel management programme and use the services of one or more contracted travel management companies (TMCs) to handle all their travel requirements. Independent business travellers, similar to leisure travellers, may make their travel arrangements through a retail travel agency (Lubbe, 2003a:305).

That the corporate travel industry represents one of the most valuable segments for many travel suppliers is illustrated in Figure 2.1, which depicts the size of the European corporate travel market, in terms of corporate travel expenditure. In 2008, a total of US $98.1 billion were spent on corporate travel in Europe. In 2006, PhoCusWright predicted that corporate travel expenditure will have increased by 3.7% from 2007 to 2008 and they expected the market to grow by 11% by 2011 (PhoCusWright, 2006:13).

Figure 2.1: European corporate travel market (2005-2008)
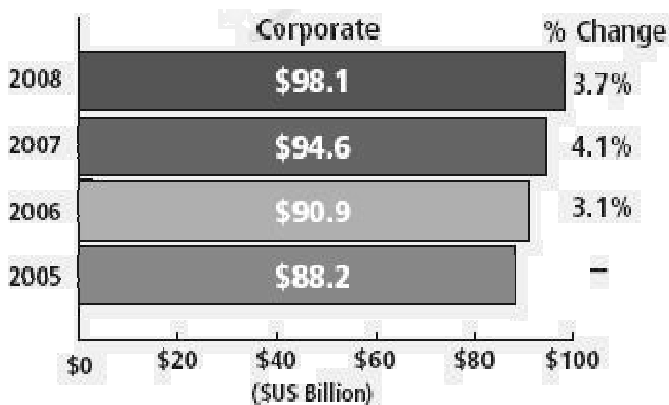
<u>Source</u>: PhoCusWright (2006:13).

In Europe, the average corporation's travel expenditure can range from EUR 79 000 to EUR 3 million (BizTech, 2008:1). In South Africa, large-sized corporations usually have a travel budget that ranges between R5 million and R300 million per annum (Lubbe,

2003b:304). This is substantiated by BizTech (2008:1), stating that the average member corporation of the Institute of Travel and Meetings Southern Africa (ITMSA) spends anything from less than R1 million to over R450 million per annum on travel expenses.

Air travel is an essential part of conducting business for corporations in order to meet company objectives and goals, with the result that business travellers often consider the aeroplane as an extension of their office. Corporate travel and entertainment expenditure for large-sized corporations represents, after labour, one of the largest *controllable* costs for any corporation, with airline expenditure being the biggest portion (American Express, 2007c; Business Traveller Africa, 2008; Crane, 2001; Cranfield University, 2002; International Trade Centre, n.d.). More specifically, up to 80% of a corporation's travel and entertainment budget could be used for airline expenditure (Lubbe, 2003b:308), which makes the selection of an airline an important decision. In Europe, airline expenditure dominates corporate travel expenditure representing 59% of the travel budget (PhoCusWright, 2006:16). Therefore, air travel expenditure receives the greatest attention from most corporate travel managers with their main aim being to reduce air travel expenditure (Cranfield University, 2002). It is important that a corporation prevents its travellers from choosing air travel options that may be beneficial to the traveller, but not to the corporation as a whole. Equally important is that managers consistently find the best air travel deals for the corporation. A corporate deal with an airline may be based on an expenditure commitment which should be delivered by the corporation in order to receive discounts. The corporate buying approach to air travel procurement is explained in the following section.

2.3.2   The corporate approach to air travel procurement

The way business travel is bought depends on the size of the corporation (Swarbrooke & Horner, 2001:39). While smaller corporations generally mandate the lowest available airfare in their travel policy, larger companies prefer negotiating a discount for travel with a particular airline. This view is substantiated by the Barclaycard Business study (2008a:14) which shows that corporations with more than 1000 employees are more likely to have preferred airlines. A number of ways exist for corporations to secure savings on air travel: consolidating the volume of air travel through a single supplier; point of origin pricing;

supporting airline alliances, managing travel data in support of preferred suppliers; and increased travel policy compliance by travellers. The ensuing discussion provides more detail on each of these methods of securing savings on air travel.

The consolidation of air ticket bookings provides one opportunity for corporations to save money on air travel. Travel managers look at consolidating as much volume as possible with a single supplier to leverage the best discount-for-volume fares. A corporation needs to attain a certain number of airline bookings in a given period of time to earn the discount (Cranfield University, 2002:10; Mason, 2002:53). A corporation's purchasing strategy may also be based on route concentration – meaning that a corporation has a significant volume on a particular route or routes. These deals often apply for two or three years and discounts can range from 8% to 28% (Business Traveller Africa, 2008:14). Corporations place, on average, more than half of their expenditure with their largest supplier, with a third of their expenditure covered by route deals (Cranfield University, 2002). In order to ensure that corporate travellers are indeed taking advantage of a preferred deal, it is of importance that airline deals are applied across all booking mechanisms such as GDSs and online booking tools. Crane (2001) emphasises that splitting travel among more than one vendor (airline) makes consolidating travel requirements, and planning for the next year, difficult.

Another way of obtaining discounts from airlines is point of origin (PoO) pricing. Point of origin (PoO) pricing allows corporations to extend the coverage of their preferred carrier agreements and enjoy discounts on flights that originate outside a traveller's ticketing location. An example would be a corporation that has offices in Cape Town and London and has negotiated discounts on this route. Previously, only travellers booking in South Africa and the United Kingdom would have had access to those discounts, while the corporation's U.S.-based travellers would not, despite using the route frequently. Because of the point of origin pricing agreement, travellers based in other markets can now take advantage of the corporate discounted fare. Although some corporations manage to apply PoO negotiations on all routes, PoO agreements usually only apply to a few major routes used by a corporation. The negotiated fares are extended to a limited number of ticketing locations. The reason why discounts are most often applied selectively to the Point of origin (PoO) pricing, instead of available to all the travellers of a corporation, is that fares

must be loaded into the corporation's Global Distribution System[4] (GDS), such as Galileo and Amadeus, in each country covered by the agreement which is a time-consuming, challenging and costly process for the airlines (CWT Vision, 2008:31).

One further way for travel managers to optimise their air travel expenditure is through the use of airline alliances. Airline alliances are defined by Holtz (2007:2) as "long term voluntary contracts between a minimum of two independent companies. They are founded to create mutual benefits to the partners which, by this means, attempt to increase their competitiveness and/or their market power. Alliance partners coordinate their strategies and behaviour without a major share in each other." Greater savings and simplified processes are possible when corporations have the appropriate profile and know-how to negotiate effectively with alliances. When a corporation has a traffic pattern that matches that of the alliance network; a consolidated travel programme; and a preferred supplier sourcing strategy, the corporation is most likely to benefit from an alliance agreement. Mason (2002:67) agrees that large corporations are likely to stay with one airline alliance in order to negotiate global deals, as alliance groups grow to offer airlines global coverage of travel requirements.

Gathering travel data and information is essential for corporations to know where and how often employees are travelling and allows an understanding of what this costs the corporation. This information is also used to support corporate travellers in using selected suppliers (Douglas, 2005:60). The use of travel data on previously made business trips is recognised as a way to increase negotiating power with airlines and to control air travel expenditure. Obtaining reliable travel data has been recognised as the second most important objective of corporate travel management after the control of travel expenditure (Douglas, 2005:110; Lubbe, 2003b:318). Reliable data is crucial to any negotiations as it creates the ability to openly discuss the data and the corporation's needs with the intended airline. Corporations that capture data effectively may be able to cut costs by up to 24% in negotiations with suppliers (Crane, 2001).

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[4] Worldwide computerised reservation network used as a single point of access for reserving airline seats, hotel rooms, rental cars, and other travel related items by travel agents, online reservation sites, and large corporations.

Savings in travel expenditure can also be generated by focusing on traveller behaviour. Mason (2005:23) points out that airfares remain fairly low until the final two weeks before a flight. Thus, one of the key opportunities for optimising airline expenditure is for travellers to book at least 14 days ahead of departure. Tickets purchased two weeks in advance, on some routes, can be 50% cheaper than a ticket purchased three days or less before the date of departure, Purchasing tickets with restrictions (i.e., non-refundable or changeable with penalties) – including those offered by preferred airlines – two weeks in advance may also offer benefits, even if a penalty for cancellation or change is incurred. According to Mason (2006:93), the reason for this is that corporations cancel only 20% to 35% of tickets, less than is generally believed. There will, of course, be times when travellers will book air travel just prior to departure for some emergency trips. However, for most other trips, travellers may know many weeks in advance what their travel needs will be. Such trips have been increasingly booked beforehand to take advantage of lower fares (Cranfield University, 2002:7). IATA's corporate air travel survey (2007:14) indicated that 57% of American respondents, and 65% of European respondents, have only used their fully flexible ticket occasionally.

Although corporations that favour preferred airlines have succeeded in reducing their air travel expenditure, in today's economic climate, negotiating deals with airlines may not always be in a corporation's best interests. A flexible purchasing strategy (i.e., lowest logical fare approach) may make better economic sense, although this view has been challenged (Carlson Wagonlit, 2008:14). Given the complexities of negotiating deals with airlines as preferred suppliers based on volume, routes or alliance agreements and the availability of lowest fares via LCCs, a 'one-size-fits-all' approach in terms of suitability of strategic airline deals to the air travel purchasing strategy of corporations clearly does not exist (Cranfield University, 2002:1, 9). A tailored approach based on a corporation's needs would seem to be more favourable.

Buying air travel forms only part of the total travel management programme of a corporation (albeit it is an important one) and the corporate buying approach on air travel must support the objectives of the entire programme. An effective travel management programme consists of four pillars: (1) the management of travel data and information, the importance of which was mentioned in the preceding discussion; (2) the management of

the travel expenditure process, which will not be discussed as it falls outside the scope of the study; (3) the management of the travel management company (and other travel suppliers) which will be discussed as part of section 2.4; and (4) the management of the travel policy, which is the subject of the next section.

2.3.3 <u>The role of the travel policy</u>

The travel policy can be defined as a document in which the basic regulations and guidelines are described regarding a company's purchase of travel. It is particularly important in effectively managing and controlling travellers' use of preferred airlines. The major purpose of the travel policy is to keep the cost of corporate travel within predictable and realistic parameters and, by extension, to save the corporation money. A secondary purpose is to allow travellers to understand exactly what the limitations are in terms of choices and alternatives (Wint & Avish, 2003). The travel policy generally consists of a number of categories: general travel procedures and guidelines; and then more specific guidelines for accommodation, air travel, car rental, other transportation, meals, entertainment, payment methods, documentation, expense reporting and the distribution of the policy (Jenkins, 1993). The importance of a travel policy can, generally speaking, be viewed in terms of its placement in the corporation and its level of control.

Depending on the placement and structure of the travel management department or programme within a corporation, a travel policy may be under the supervision of various management positions such as human resources managers, finance managers, administration teams or other managers who have the responsibility for setting and monitoring the travel policy (Barclaycard Business, 2008b:1). The focus of each of these managers may differ in terms of the priorities set in the policy, where for the financial manager expenditure control may be first priority whilst for the human resources manager traveller comfort, security and motivation may take precedence.

According to Evangelho *et al.* (2005:102), Mason (2001) and Mason and Gray (1999:856), a positive correlation exists between a corporation's size and the existence of a well-

defined corporate travel policy. This is supported by IATA[5] (2007:17), which found in their study that 86% of corporations with over 1 000 employees have a travel policy. The study also found that corporations in the mining, oil or gas, public, administration or defence industries are more inclined to have corporate travel policies than those from the trade (wholesale or retail), and real estate or rental industries. Corporations using full-service airlines also indicated a greater propensity to have corporate travel policies than users of low-cost carriers (LCCs).

According to Jenkins (1993), one of three types of policies is used by corporations: low-, medium-, or high-control. Whether the traveller may choose an airline or must fly a specific preferred airline will, thus, depend on the policy's level of control. Generally, corporations have become more strict and sophisticated in the construction of their travel policies. Selective criteria seem to be used increasingly, such as the level of management to justify the class of travel, or length of journey (Alamdari & Burrell, 2000:13; Gilbert & Morris, 1995:19). As stated by Huse and Evangelho (2007:261), "there is a substantial heterogeneity among corporations and managerial/non-managerial positions." Corporate hierarchical bias in travel policies is still common for both short and especially long haul flights (Mason, 2002:47). This can be substantiated by the results of a study conducted by Barclaycard Business (2008a:6-7), which found that more than half (58%) of the corporations surveyed allow certain employees to travel business class. Twenty-seven percent of the corporations permit senior employees to travel business class on all flights, while 31% allow all employees to travel business class on long haul flights. With respect to the length of journey, according to the results of the IATA corporate air travel survey (IATA, 2007:19), five hours was the threshold for being allowed to fly business class.

It is generally considered impossible to operate an effective travel programme and negotiate optimum airline deals without a travel policy (AirPlus, 2009:14). The air travel policy guides the traveller in selecting an airline. As far back as 1993, Jenkins said that air travel policy criteria should include the following:

- Stipulations as to whether the lowest fare routings and reservations should be encouraged or are compulsory.

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[5] IATA represents some 230 airlines comprising 93% of scheduled international air traffic. The group is headquartered in Montreal, Quebec, Canada.

- Explanations of the allowed class of service according to hierarchical levels.

- Stipulations as to the maximum number of executives allowed per aeroplane.

- Determination of the policy on enrolment in FFPs; whether the corporation allows personal use of points accrued by the business traveller; the policy on confiscating rewards; or some mixed sharing arrangement between the traveller and the corporation of points accrued.

- Explanations of when the corporate charter airplane may be used.

- Listings of preferred airlines.

- Other matters such as procedures in case of lost tickets and travel insurance.

Despite the fact that many corporations do have a travel policy in place, the level of adherence to the policy is likely to vary considerably. The results of Mason's study (2002:54) illustrate that while corporate travel managers see travel policies as rules, business travellers perceive travel policies as mere guidelines. It is, therefore, important to outline the importance of a travel policy and the corporation's expectations from the outset. These expectations can only be achieved by creating a comprehensive, well-formulated travel and entertainment policy forming the foundation of an effective travel management programme (Douglas & Lubbe, 2009:97). Travel planning and policy frame-working should be done in direct consultation with the business travellers – a phenomenon described as the 'rise of passenger power'. By implementing a self-policing and visible-to-all policy, companies may turn in significant savings (Business Traveller Africa, 2008:18). Corporations are seeking ways to encourage their employees to comply with the travel policy because policy compliance is a way to reduce air travel expenditure (Alamdari & Mason, 2006:128).

2.3.4   <u>The importance of traveller compliance</u>

Compliance is defined by American Express (2007a:6) as "the act or process of complying with a desire, demand or proposal; conformity in fulfilling official requirements." Booking according to the travel policy is also termed 'in-policy travel' (PhoCusWright, 2006:5).

The drive shown by corporations towards increasing the use of preferred airlines is one of the most important focuses of compliance efforts. The cost of air travel may play a considerable role in a corporation's efforts to encourage travellers to select a preferred airline. Compliance can also be supported by utilising online booking engines that guide travellers to select preferred supplier options consonant with the travel policy (Business Traveller, 2008:52). Greater high-level executive involvement in policy implementation is also an important determinant in increasing traveller compliance (American Express, 2007:4).

Lubbe (2003b:316) found that airline expenditure, after meals and entertainment expenditure, is one of the areas where the level of non-compliance is the highest. One of the reasons for this was shown to be the travellers' preference for using airlines on which they can accrue frequent flyer miles. The results of a study undertaken by Douglas (2005:113) affirm this and indicate that personal frequent flyer cards held by travellers – after last-minute bookings – is the most popular reason for non-compliance with the travel policy. According to Lubbe (2000:210), the travel policy should specify whether the corporate traveller will be allowed to retain the frequent traveller benefits or whether the benefits will be the property of the corporation. The decision on the allocation of frequent flyer points could have a significant influence on policy compliance.

Certain corporations provide incentives to encourage and reward employees who book air travel in accordance with the air travel policy, such as offering financial incentives to employees who fly economy class (i.e., coach class) even when business class is permitted (American Express, 2007:2; Travelfli, 2008). Some corporations also encourage different departments to compete to deliver the greatest savings, with senior-level recognition as the reward, whilst others offer prizes, such as gift cards, to the business unit with the highest levels of compliance. This demonstrates that companywide recognition is a key component of influencing traveller behaviour and a powerful motivator for employees. This, it appears to be injudicious to dis-incentivise travellers from using preferred airlines (Cohen, 2006).

Another way to encourage travellers to make bookings consonant with the corporate travel policy is to institute a 'penalty' system whereby if the traveller booked a flight of $900 and

the corporation has a negotiated rate with the airline that is $800, the traveller will not be reimbursed for the difference (Mason, 2002:59; Stellin, 2008).

The abovementioned opportunities for savings related to the selection of a preferred airline must be clearly covered in the corporation's travel policy. The corporate travel policy should be consistently enforced and must be reviewed on a regular basis. In IATA's corporate air travel survey (2007:22) it has been reported that most corporations with an established procedure for reviewing their corporate travel policy, commonly review the travel policy annually. Internal communication is essential for corporations to emphasise the benefits of compliance. This is illustrated by a study conducted by ACTE and KDS (2007:3): virtually every travel manager (95%) reported that their corporation had a travel policy in place, only 88% of the corporate travellers seemed to be aware of it.

The procurement of air travel is, generally, not the task of the travel manager alone but is an interrelated process that involves the airline, the traveller, the corporation, and the travel management company (TMC).

2.4   STAKEHOLDERS IN THE PROCUREMENT OF AIR TRAVEL

Mason and Gray (1999) identified three stakeholders in the procurement of air travel: the traveller, the corporation, and the TMC. In fact, the airline, as the supplier of air travel, can be regarded as the fourth critical stakeholder. In addition to the corporate travel manager (section 2.4.1.2), a corporation may make use of the services of a TMC with the aim of easing air travel purchasing. The corporation and the corporate travellers can be regarded as the internal stakeholders while the TMC and the airline can be classified as the external stakeholders in corporate airline selection. Transparent and successful relationships should be created between these key players in order to minimise existing value conflicts between the respective stakeholders (Douglas, 2005:18). Each of the four stakeholders, working closely together to deliver the most appropriate air travel services to a corporation, will be discussed in more detail in the ensuing sections.

2.4.1   <u>The corporation</u>

According to Harris and Uncles (2007:297), airline choice is more complex than choices made for urban transportation or packaged goods. With so many employees travelling, travel planning requires skilled management and corporate influence[6] in the decisions around air purchase plays a significant role (Mason, 2002:50). Depending on the size of the organisation, corporations may establish special departments to centralise and manage their travel budgets and this is, generally, named the Corporate Travel Department. This section will specifically turn its attention to the corporate travel department and the corporate travel manager as important stakeholders in a corporation's air travel buying process.

2.4.1.1   *Corporate travel department*

The corporate travel department oversees the complete travel programme, making the air travel arrangements, among other functions. The department can be considered the centre through which travel requirements are channelled. Air travel is typically the largest travel and entertainment expense. This explains why air travel arrangements are also the most often performed function within the corporate travel department. Continuously monitoring air travel expenditure remains vital for driving tangible savings. Other functions of the corporate travel department include advising the corporation on handling travel expense allocations and expense levels; preparing travel budgets; and reporting financial data (Lubbe, 2000:200).

There is not always a separate department for travel purchasing and because the purpose of a corporate travel management programme is to manage travel expenditure (and curb unnecessary expenditure), corporate travel purchasing is often situated in the finance or purchasing divisions of corporations (Mason & Gray, 1996:202; NBTA, 2007). According to the results of Douglas' study (2005:106), in South Africa, amongst 63 corporations, travel management is centralised under the following specific departments: procurement (39%); finance (24%); separate department (29%).

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[6] The corporation has a say in the decision of air travel buying.

Some corporations have responded to the increasingly complex contract negotiations by placing travel under the direction of the procurement department. The corporate travel department is generally headed by the corporate travel manager.

2.4.1.2   The corporate travel manager

The responsibilities of today's corporate travel manager typically include negotiating with travel vendors such as airlines, hotels, car rental companies, chauffeured transportation, credit card companies and TMCs (Moline, 2005; NBTA, 2007). The travel manager is also involved in formulating the travel policy, distributing it to all corporate travellers and controlling compliance. Although the travel manager is involved in acquiring the best available travel arrangements for the corporate travellers, he/she is not responsible for making bookings or performing duties in the secretarial spheres (Lubbe, 2000). Table 2.1 illustrates the top four areas of a travel manager's job in South Africa (Lubbe in Douglas, 2005:25).

Table 2.1: The top four areas of a travel manager's job responsibilities in South Africa

Areas of job responsibility	Percentage
Negotiations with suppliers and travel agencies	94
Monitoring the travel policy	89
Managing and coordinating the in-house travel agency	78
Developing the travel policy	73

Source: Lubbe in Douglas (2005:25).

A travel manager can spend a considerable amount of time negotiating airline fares and services (Lubbe, 2000:204). As depicted in Figure 2.2, obtaining best deals from the airlines is indeed the top key issue in business travel management (Cranfield University, 2002:4).

Figure 2.2: Key issues in business travel management

Key issues in Business Travel Management
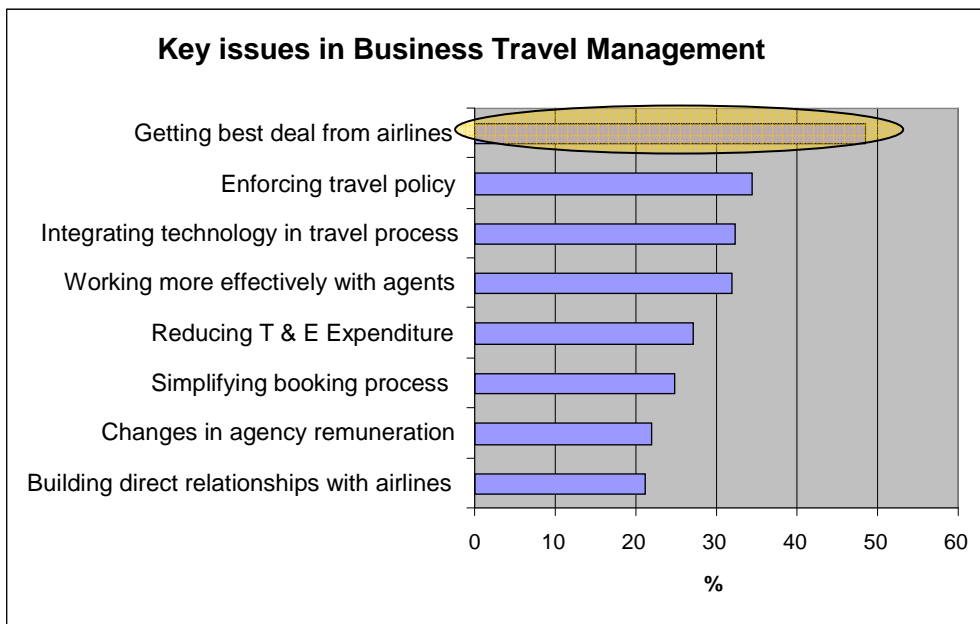
<u>Source</u>: Cranfield University (2002:4).

This section focussed on the corporation and the role of corporate travel management with specific reference to the procurement and management of air travel expenditure. The corporate travel manager (section 2.4.1.2) should not only take the expectations of the corporation into consideration in view of selecting a preferred airline, but also the needs of the corporate traveller.

2.4.2   Corporate travellers

In this section the emphasis is placed on the relationship between the corporate traveller and the airline. A number of areas determine this relationship: the travellers' characteristics and needs; the corporation as the buyer of the air travel product; and the conflicting objectives of the corporation and the traveller.

2.4.2.1   Characteristics of the corporate traveller

Understanding the corporate travellers' characteristics and needs is important as they have an influence on a corporation's implementation of its airline selection strategy and policy compliance. Corporate travellers typically take short, frequent trips, and travel arrangements are usually made at short notice; meaning that they seek flexibility in their

travel arrangements (Douglas, 2005). Hence, the importance of the frequency of an airline's flights as this provides flexibility when travelling (Alamdari & Burrell, 2000:13; Dresner, 2006:29). Unlike the leisure traveller, the business traveller tends to place a higher value on time. As a result, airlines operating in business markets are expected to offer higher frequencies than airlines operating in leisure markets. Given their high valuation of travel time, business passengers may be less inclined than leisure passengers to stay over at a destination on a Saturday night to obtain lower fares - which is the so-called Sunday rule (Suzuki, 2003:292). Business travellers also expect preferential treatment from airlines and prefer to be at home during weekends. Airlines thus experience high demand before and after weekends. Also related to the value business travellers place on time is their preference for shorter airport access times (Dresner, 2006:28-29).

Furthermore, business travellers perceive service quality as being more important than price, as they are more experienced and demanding. The characteristics of airlines, such as punctuality and business lounges also affect business travellers (Huse & Evangelho, 2007:261). According to the results of Huse and Evangelho's study (2007:262), VIP/Business lounges and the quality of in-flight services are considered equally important airline selection determinants by business travellers. According to the results of a study conducted amongst European frequent business flyers[7] by Harris Interactive (2005:3), the key drivers that may have an impact on the overall satisfaction of a business traveller are the following: (1) quality of service from cabin crew, (2) attitude/friendliness of cabin crew and (3) the punctuality of arrival. Other drivers that may have an impact on a business traveller's overall satisfaction are (in order of importance): efficiency of check-in/boarding staff; speed/quality of complaint handling; value for money; attitude/friendliness of check-in/boarding staff; quality of food and beverages on board; aeroplane cleanliness; and ability to keep a passenger informed in the case of delays.

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[7] Business travellers that have made a minimum of six international round trips within Europe over the last year.

2.4.2.2 The corporate traveller's role in the selection of an airline

Despite the fact that the corporation, together with the TMC, negotiates preferred airline agreements, it is often the corporate traveller who makes the final selection on which airline to fly (Douglas, 2008; Lubbe, 2003b:305). Douglas (2008) states that the situation is complicated, as business travellers esteem themselves as experts in making travel arrangements. Harris and Uncles (2007:304, 308) have made a distinction between price- and non-price sensitive flyers. However, generally, business travellers are reasonably insensitive to airline fares. Cost is a low consideration for business travellers because the cost of the air ticket is not paid by him/herself but by his/her corporation. In this respect, Swarbrooke and Horner (2001:22-23) point out that a clear distinction must be made between the customer and the consumer in business travel and, more specifically, corporate travel. In corporate travel the customer is the corporation or employer who authorises the decisions on how the employees will travel. The customer (the corporation) usually pays the bill for the travel undertaken by the employee. The consumer on the other hand, is the employee who actually travels and consumes or experiences business travel and tourism services, without paying for these services.

A distinction should also be made between business travellers who have complete control, partial control, and no control over airline choice. Some business travellers make their own airline bookings, some corporations advise a secretary, while others must abide by rigorous corporate travel policies. Once again, this may depend on the country or region where the corporation is located. For instance, in southern Europe, it is more common for travel to be arranged by assistants or secretaries, rather than the business travellers themselves (PhoCusWright, 2006:6).

Both organisational and personal motives influence the flight selection of a business traveller, hence air business travel can be perceived as a *hybrid* market, featuring both elements of consumer and organisational markets. Based on organisational motives, a business traveller may want (Mason & Gray, 1999:846):

- to arrive at the destination in good time, to meet business objectives;

- to be able to work on the flight if necessary;

- short check-in times so that working time can be maximised at the destination, especially for one-day trips.

Also personal wants that do not relate to business objectives may be important to the business traveller, such as (Mason & Gray, 1999:846):

- a high quality in-flight service;

- having a perceived status (e.g., through use of first/business class);

- a certain amount of leg room;

- earning points on his/her personal frequent flyer programme;

- free newspaper, drinks;

- buying duty free goods.

Self-esteem is an area that represents business travellers who are mostly concerned with their self-image and how they are perceived by others. This concept can be classified under the heading of 'personal wants' by the business traveller. Prestige, status, reputation, recognition, and importance could thus also play a role in the selection of an airline by business travellers (Gilbert & Morris, 1995:20).

While the pre-eminent concerns of business travellers are their own convenience and esteem while they are travelling, some corporations (e.g., Moog[8]) urge their employees to use the services of the travel department in view of cost containment (Stellin, 2008). The findings of a study conducted by Mason (2002:54) demonstrate that the number of business travellers that are *no* longer involved in selecting a travel supplier rose by 12% as opposed to a study undertaken in 1999. Once again, the increased awareness of travel and entertainment expenses may result in conflict particularly between the person responsible for managing the expenditure and the person who actually travels (Mason & Gray, 1999:847). Since corporate travellers are getting less control over their personal wants when travelling for business purposes due to their corporation's cost cutting, their satisfaction level may be affected. Despite this, it is important for an organisation to reinforce to its employees that they are being valued, that their work is esteemed, and,

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[8] An aerospace manufacturer in New York

above all, it is vital that their accomplishments are recognised and rewarded (Gilbert & Morris, 1995:23-24).

However, while a closer control over the spending of their employees on business trips takes place, an increasing number of corporations recognise the importance of balancing cost cutting, productivity and the well-being and comfort of their travellers simultaneously (Moline, 2005). Taking the employee's quality of life[9] into consideration is important because it may have a direct impact on the bottom line of the employer through productivity, loyalty, turnover, absenteeism, and health-care costs (Long, Clark, Schiffman & McMellon, 2003:422). The selection of a preferred airline should, therefore, be made within each individual corporation by a collaborative group taking cognisance of the needs of the individual traveller and the dynamics of a particular trip (Menkes, 2008).

In most cases, travellers' main concern is their own convenience and esteem while they are travelling, in some instances the mindset of travellers has changed. Two examples of this are the so-called 'visual guilt' and 'travel guilt'. Visual guilt means that business travellers who have full access to information about flight availability and ticket fares through online distribution channels opt for flight tickets at a lower fare and at a less convenient time with the aim to save his/her employer money (PhoCusWright, 2006:11). This has been confirmed by a study conducted by Unisys, which demonstrates that when using online booking and travel management tools, business travellers usually become more price conscious. Online bookings can offer savings of 10% to 35% on air travel expenditure (Crane, 2001).

Similar to 'visual guilt', is the term 'travel-guilt', raised in a study by ACTE and KDS (2007:7). It means that business travellers may feel guilty about travelling because of the negative impact it has on the environment. With reference to travel's consequences for the environment, travel managers believe that 'travel-guilt' may influence the decisions of individual business travellers. Consequently, business travellers may opt for an airline that produces less carbon-emissions.

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[9] The term "quality of life" is used to evaluate the general well-being of the individual.

The internal stakeholders in corporate airline selection have been discussed. In the following sections, the attention will be turned to the external stakeholders. In addition to the corporate travel manager (section 2.4.1.2), a corporation may make use of the services of a TMC with the aim of easing air travel purchasing.

2.4.3 The travel management company

Independent business travellers, especially those with complex itineraries, have found that a knowledgeable travel agent may be their best resource for better ticket pricing, less hassle and better air travel planning. For larger business travel accounts these travel agents take on a travel management role, and are referred to as TMCs, providing services such as consultancy, travel bookings, traveller tracking, data and negotiation assistance and policy advice (Alamdari, 2002:343; Botha, Fairer-Wessels & Lubbe, 2006:20). A mega-TMC is a travel management company that operates as a global organisation, processing millions of transactions a year for thousands of clients. Currently, the four mega travel management companies globally are American Express Business Travel; BCD Travel; Carlson Wagonlit Travel; and Hogg Robinson Group (HRG) (BTN, 2008:4). While various forms of TMCs (e.g., satellite branches & online booking tools[10]) exist, in-house travel management is the most popular way to deal with business travel (Lubbe, 2003a:109; Mason & Gray, 1996:205). An in-house travel agency is a TMC that is located on the premises of a corporate client to manage the travel arrangements of that client exclusively. It might be a completely separate entity or a branch of an existing agency (Lubbe, 2000:180). While large Internet Travel Management Corporations (ITMCs) are increasingly gaining power in attracting the corporate travel market (Alamdari & Mason, 2006:123), the level of corporate online adoption may differ greatly depending on the region where the corporation is located. It should be stressed that each country is unique due to business ethos, economic, technological, cultural, purchasing, and travel behavioural aspects. That regions function differently is confirmed by the fact that a higher level of corporate online adoption was encountered in northern Europe[11] whereas

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[10] e.g., Expedia, Travelocity, Orbitz
[11] Includes the U.K., Germany, Belgium, Luxembourg, the Netherlands and Scandinavia

Southern European countries[12] place a high value on high-touch and thus prefer to discuss options with traditional TMCs.

The way in which TMCs earn revenue has forced them to look at the travel purchaser (the corporation) as their clients instead of being agents of the airlines (Mason, 2002:53). TMCs may earn their revenue in two ways; a fee paid by the corporation, and/or a fee paid by the airline. While TMC remuneration used to be a commission fee-based on the cost of total air travel expenditure, today, corporations are more inclined to pay TMCs a management fee[13] for their provided services (Alamdari, 2002:340-343; Alamdari & Mason, 2006:123). TMC's pricing now depends on the needs[14] of the corporation. Also the TMC's remuneration from the airlines has undergone a transformation due to the measures taken by the airlines to keep down their costs. Airlines have reduced fees to TMCs and increased direct selling through the Internet (Cranfield University, 2002:3). Disintermediation is important for the airline due to the ever-increasing distribution costs,[15] meaning that airlines are consequently seeking to create a more direct relationship with their customers. In many European and US countries, they have either reduced TMC commissions to a very low level or removed them completely (Alamdari, 2002:341; Buhalis, 2004:820).

While the effectiveness of the TMC, generally, depends on the corporation's travel habits, many corporations consider TMCs to be the most effective way of managing travel (Alamdari & Mason, 2006:125). While pricing can no longer be the sole driver to win a corporation's business, a perception exists that TMCs with excellent IT facilities will benefit. This competitive differentiation will be determined by connectivity, speed, quality, innovation and the level of added value[16] to customers in corporate air travel purchasing (PhoCusWright, 2006:4). Alamdari and Mason (2006:132) believe that TMCs gain trust with their customers (the corporations) by ensuring that their content, such as fares options, is reliable. They play an important role in assisting corporations with saving money in their air travel programme by consistently ensuring that the guidelines in the travel policy are respected.

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[12] Includes Spain, Italy and France
[13] Agency fee, transaction fee
[14] e.g., the more flight segments that need to be booked, the higher the management fee
[15] Indirect channels are backed up by Global Distribution Systems (GDSs)
[16] Consulting services

2.4.4   <u>The airline</u>

Those travelling for business purposes require a set of services, including accommodation, food service, and transport. The airline is a very important supplier as it transports business travellers to their destinations and back (Davidson & Cope, 2003). The perception that the business traveller is the core market for most airlines is underpinned by researchers such as Harris and Uncles (2007:307) and Swarbrooke and Horner (2001). It is thus important for airlines to understand the desires of business flyers but, even more so, the corporations' expectations, since the corporations are, in fact, their true customers. Apart from airlines seeking to build a relationship with the corporate traveller, they want to elicit corporate accounts that, in turn, may determine the airline choice of the corporate traveller.

Many corporations are tied to an airline through corporate buying arrangements. These arrangements have created a 'relationship triangle'; that is to say the individual relationship between the corporate traveller and the airline tends to be influenced by the corporate arrangement. For example, nearly half of the business travellers surveyed in a study by Whyte, mentioned that they do not have the freedom to choose their airline because of the corporate travel policy (Whyte, 2002:23). The results of a study undertaken by Gilbert and Morris (1995:19) support this statement, as the guidelines of corporate air travel policy have effectively removed a high proportion of travellers' choice of an airline. Generally speaking, through the policy guidelines the airline is assured of a predetermined volume of bookings per year when dealing with a corporation as a client. A set of discounts offered by the airline to the customer (corporation) for each net[17] defines a contract between the airline and the corporate customer.

The following incentives could be offered by airlines in view of winning a corporation's business (Pachon *et al.*, 2007:428):

- Front-end fare discounts (discounts offered at the booking time)
- Back-end fare discounts (discount offered at the end of contract's life) providing the customer attained the target volume
- Additional benefits (e.g., upgrades, limousines, VIP lounges)

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[17] Combination of cabin, fare class and route

Menkes (2008) cautions corporations against airlines that may compel them to provide confidential data in return for quoting a price. The confidential data enables the airlines to ascertain how much business the corporation is giving their competition and these kinds of practices artificially stimulate the demand and influence the selection process.

In order to gain and keep the corporation as a client, it is important that an airline proposes a deal that satisfies both its own targets and objectives and those of the corporation. An airline has the ability to establish a competitive advantage by satisfying present and future needs of customers. In view of creating superior value, a detailed understanding of the customer's complete needs and expectations is required (Aksoy *et al.*, 2003:350; Pachon *et al.*, 2007:428).

In spite of offering discounts, airlines still find it difficult to convince corporate travellers to book on the preferred airline when a competitor offers an equal or superior product at an equal or lower price. This may be attributed to some of the challenges that airline account managers face, including the lack of data visibility on past business trips needed for making insightful decisions, and the lack of decision support systems that would enable them to assess multiple negotiation strategies in a short period of time (Pachon *et al.*, 2007:428). In order to support corporate contract dealing, Pachon *et al.* (2007:428) maintain that in the airline industry, more emphasis should be placed on the integration of the decision support systems. Such integrated systems should address the following business opportunities:

- The understanding of the value of each customer's business to the airline.
- The increase of contract compliance to drive more predictable revenue.
- The improvement of the margins through decision support at the stage of contract design.

New relationships created between the airline and the TMC rest on the following understanding: airlines have chosen to sell products through their own direct channels (e.g., airline website) while TMCs are using their expertise in order to sell products that are considered difficult to sell (Alamdari & Mason, 2006:126). Following the agreement of a contract, the performance of the deal should be monitored by the airline's sales team which comprehends measuring the compliance of the contract against the targets and

objectives and whether the contract is under- or over-performing. A contract between the airline and the corporation is usually adjusted and renewed per annum (Pachon *et al.*, 2007:426-428).

2.5   SUMMARY

This chapter focussed on air travel procurement from the perspective of the corporation, explaining the ways in which corporations can obtain discounts and savings on air travel and highlighting the role of the travel policy and the importance of traveller compliance with the corporation's air travel policy. A discussion on the corporate travel programme and the stakeholders involved in air travel procurement was provided. These include the corporation via the corporate travel department and travel manager; the travellers themselves and their needs; the role of the travel management company; and finally, the airline as the supplier of air travel. It could be established that both corporations and business travellers influence the choice of airline which eventually determines the complex nature of corporate air travel procurement. While overlapping in places, a clear line can be drawn between the airline selection criteria dictated by corporations and business travellers. While the criteria behind a corporation's airline selection are mainly driven by price and supported by business needs, a business traveller attaches more value to criteria from which they can derive personal benefits. In addition to the price determinant, which gains the upper hand in the selection of an airline of choice by corporations, the wellbeing of its employees travelling for business is also taken into consideration. This can be translated into determinants that can be classified as airline performance, which includes details such as convenience of schedules; frequency of flights; direct service; and on-time performance. In addition to airline performance, environmental issues and safety may play a role in the purchase decision. Determinants from which the business traveller derives benefits may include airport lounges, comfort, in-flight amenities, and FFPs. A more in-depth overview of the criteria identified will be given in the ensuing chapter.

Chapter three expands on the subject of air travel purchasing from an airline's perspective. It commences with a brief outline on the importance of business travel to the airline industry. This is followed by an overview of the structure of this industry which leads to a discussion on the move towards low cost airlines by business travellers. The lucrative

nature of the corporate travel market has forced the airlines to meet the needs of the corporations, as well as the corporate travellers, since both influence the choice of airline. Determinants that are important in corporate airline selection, both from a corporation and business traveller perspective are comprehensively described. One of the determinants perceived to be important by business travellers in the selection of an airline is frequent flyer programmes. As highlighted in section 2.3.4, frequent flyer programmes may create conflicts between stakeholders as they lead to non-compliance with the travel policy. Chapter three provides clarification on the importance of this determinant in corporate airline selection and, more specifically, whether these programmes still merely benefit the traveller or also the corporation. Finally, a conceptual model is presented which draws together the identified corporate airline selection determinants in the literature survey.

CHAPTER 3: AIR TRAVEL PROCUREMENT - THE AIRLINE PERSPECTIVE

3.1 INTRODUCTION

The previous chapter covered air travel purchasing from a corporate point of view, highlighting the importance of the corporation's travel policy and traveller compliance and identified the stakeholders involved. Chapter three views this topic from an airline's perspective, commencing with a brief outline on the importance of business travel to the airline industry and the basic structure of the airline industry. This leads into a discussion on the move towards the use of low cost carriers (LCCs) by business travellers. Determinants that are important in corporate airline selection, both from the perspectives of corporations and business travellers are then comprehensively described.

One of the determinants that plays a significant role in the selection of a preferred airline is the provision of frequent flyer programmes. As highlighted in section 2.3.4, frequent flyer programmes may create conflicts between stakeholders as they lead to non-compliance with the travel policy. Chapter three provides clarification on the importance of this determinant in corporate airline selection and, more specifically, whether these programmes currently still mainly benefit the traveller or whether they hold advantages for the corporation as well.

Finally, a conceptual model is presented which draws together the identified corporate airline selection determinants discussed in the literature survey, highlighting the relative importance of frequent flyer programmes in corporate airline selection.

3.2 OVERVIEW OF THE AIRLINE INDUSTRY

3.2.1 The importance of business travel to the airline industry

Air travel continues to be the preferred method of travel among business travellers with around three-quarters of business people travelling by air (Long, Clark, Schiffman &

McMellon, 2003:421). The proportion of business travel within Europe may be as high as two-thirds of all passenger travel (Cranfield University, 2002:1) and in the United States of America, about half of all domestic travel is business related (Mason & Gray, 1996:197). The airlines rely heavily on business travellers as they tend to pay higher prices for their air tickets than leisure travellers (Swarbrooke & Horner, 2001:267), with business class tickets being, on average, twice as expensive as full economy tickets and about three times more expensive than discounted economy tickets (Cranfield University, 2002:17). This is due to business travellers having a preference for flying first or business class, as they demand high quality service. Despite the fact that first- and business-class travellers account for 7% to 10% of global airline travel, they usually account for up to 30% of airlines' passenger revenue (Alamdari & Burrell, 2000:4). More recently, business travellers have also, generally, preferred the flexibility of full economy tickets.

3.2.2 **The structure of the airline industry**

In order to clarify the structure of the airline industry within a corporate travel context, a distinction between domestic and international flights is first made since the importance of each individual determinant impacting airline selection, such as direct service, in-flight amenities, and overall comfort, may increase or diminish depending on the length of the trip. Then an explanation of the difference between full-service and low-cost carriers is given, which is followed by a concise description of the South African airline environment on which this study is focussed.

Domestic travel involves travel within a country's own borders and may vary greatly in length depending on the size of the country. International travel involves a crossing of national borders. While Mason (2002:51) defined a long haul flight as a flight of longer than three hours, it should be pointed out that every airline has its own definition of short and long-haul flights. The length of a flight is important for corporations to manage air travel as it generally serves as a threshold for authorisation for their employees to fly premium class[18]. While a small but significant proportion of business travellers use small business aeroplanes[19], commercial scheduled airlines, at major airports, serve the bulk of business

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[18] First and business class
[19] Also called business aviation

travel. Commercial scheduled airlines can be subdivided into full-service and low-cost airlines. These two airline business models, with contrasting operating structures, both serve short- and long-haul routes (Ong & Tan, 2010:212).

Full-service airlines offer a wide range of service offerings and one of these is the provision of different classes of travel: first, business, premium economy and economy class. Business class services were developed by airlines in the 1970s and, while not exclusively for this business passengers, the service meets the needs of this extremely important market segment. Later on, airlines started to provide a range of services on the ground for business travellers (Swarbrooke & Horner, 2001:267). According to Swarbrooke and Horner (2001:267), the following may be included in the business travel product: advance seat selection; extra luggage allowance; complimentary amenity kits; dedicated check-in desks; priority boarding; higher quality cabin décor; improved in-flight entertainment; in-flight at-seat telephones; higher quality food and drink; priority luggage collection at the destinations; seats with extra seat pitch[20], width and angle of recline[21]; separate cabin; FFPs; use of a special lounge with newspapers, television, computer access, and complimentary refreshments.

LCCs are defined by Klophaus (2005:348) as, "airlines that offer passenger transportation according to a simple business model that combines point-to-point traffic with low fares and eliminates all unnecessary services." This airline business model is based on the principle of dense routes and a high frequency of service (Ssamula, 2009). No frills airlines can afford to offer some very low fares by embracing a low cost strategy and such commercial and operational strategies differ from those of network airlines. Low cost carriers tend to focus on short-haul routes and operate using only one type of aircraft to reduce maintenance costs and maximise crew flexibility. The aircraft are operated at a utilisation level[22] higher than that of network airlines. This is achieved by a combination of strategies, such as using the quieter, peripheral[23] airports; not carrying cargo; and having no on-board catering, which allows for a quick turnaround time. The reason why secondary airports are used is because they usually charge airlines less for using their services.

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[20] Generally double the legroom of an economy class seat
[21] 50 to 70cm extra width
[22] On average two hours per day more than a network airline
[23] Located on the outskirts of a city

Furthermore, since these airports are less busy, taxiing time is reduced, and delays owing to congestion are fewer (Mason, 2000:107-108).

Since the empirical study is undertaken in a South African context, it is important to briefly describe the role of FSCs and LCCs in this country's airline environment. International routes to and from South Africa are currently dominated by South African Airways (Pirie, 2006:12). Many other international airlines such as Air France, British Airways, Cathay Pacific, KLM, Lufthansa, Swiss Air and Virgin Atlantic operate scheduled flights to and from southern Africa. South African Airways also dominate the domestic market, but smaller airlines, such as British Airways/Comair, compete for a share of the local market, together with the three low-cost carriers: 1Time, Kulula, and Mango. The subcontinent is served by regional airlines such as Air Botswana, Air Zimbabwe, Namibia Airlines, and Royal Swazi Air (Botha, Fairer-Wessels & Lubbe, 2006:10). Johannesburg O.R. Tambo International serves as the primary airport for domestic and international travel to/from South Africa and can be considered the busiest airport in Africa (Pirie, 2006:12), processing a total of 18.5 million passengers in 2009 (ACSA, 2010).

3.2.3 The diminishing popularity of premium class travel amongst business travellers

Despite the fact that business travellers are usually perceived as premium class travellers, airlines have seen the number of business travellers using premium class travel decline significantly. Firstly, the travel managers' overriding need to reduce air travel expenditure within a corporate travel management programme may be a reason for downgrading travellers from premium class (Alamdari & Mason, 2006:125; Mason, 2005:20). A corporation may regulate the class of travel more heavily than the choice of airline as differences between ticket class prices are often much more significant than those between airlines in the same ticket class (Mason, 2002:55). In Mason's study (2005:55), almost 90% of travel managers declared that their corporation had written policies with respect to class of travel, while merely 53% had written restrictions concerning airline choice. The class of travel is important to business travellers, and limitations in this regard within the travel policy will affect the in-flight comfort of the traveller, as well as their ability

to speedily accumulate frequent flyer rewards through a preferred airline frequent flyer programme (Mason, 2002:55).

Secondly, the demand for premium traffic by business travellers is sensitive to the performance of the macro economy (Morrison & Winston, 2005:1). This is illustrated by the downward trend in the contribution to revenue made by these cabins which started in 2000 and worsened due to the economic recession. As depicted in Figure 3.1 below, up until May 2009 premium travel had been in decline for a year. Compared with May 2008, revenue from premium seats fell around 40% due to a decrease in the number of passengers flying on premium tickets (IATA, 2009). No distinction has been made in Figure 3.1 between first and business class by IATA. However, according to Lufthansa, the economic crisis has had less impact on the decline in first class as opposed to business class (Van Bergen, 2009). Economy travel has been declining at a slower rate than premium travel and, in fact, has appeared to improve slightly during the first half of 2009 (see Figure 3.1).

Figure 3.1: Passenger traffic growth by ticket type
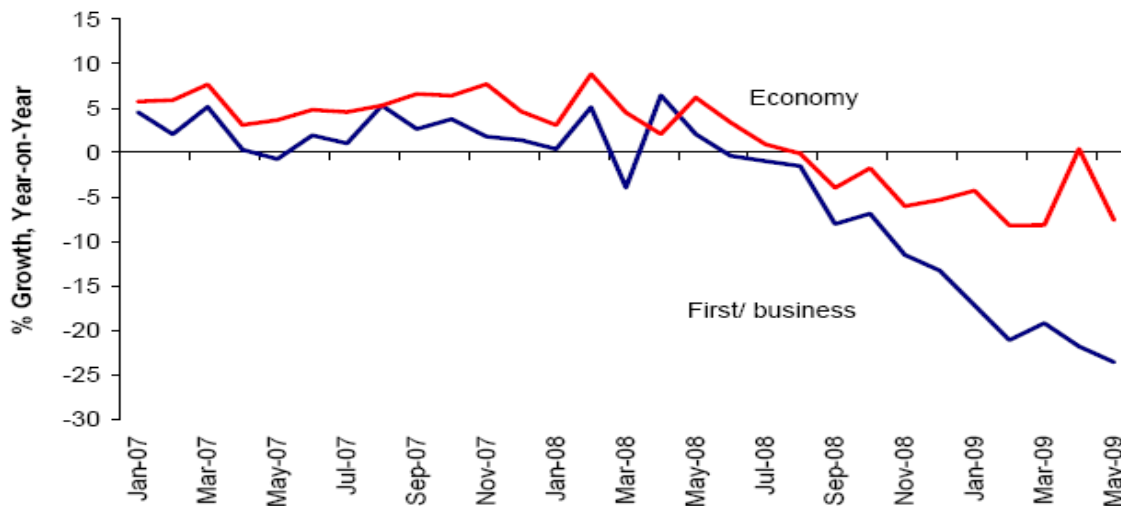
Source: IATA premium traffic monitor May 2009 (2009:1).

British Airways subdivided the use of premium cabins further into long- and short-haul flights (Figure 3.2 below). As depicted in the figure below, over a period of about 15 years, the use of business class by business travellers for long haul flights has dropped less significantly for long haul flights (10%) than for short haul flights (20%).

Figure 3.2: Percentage of business travellers to/from UK using premium cabins (all airlines)
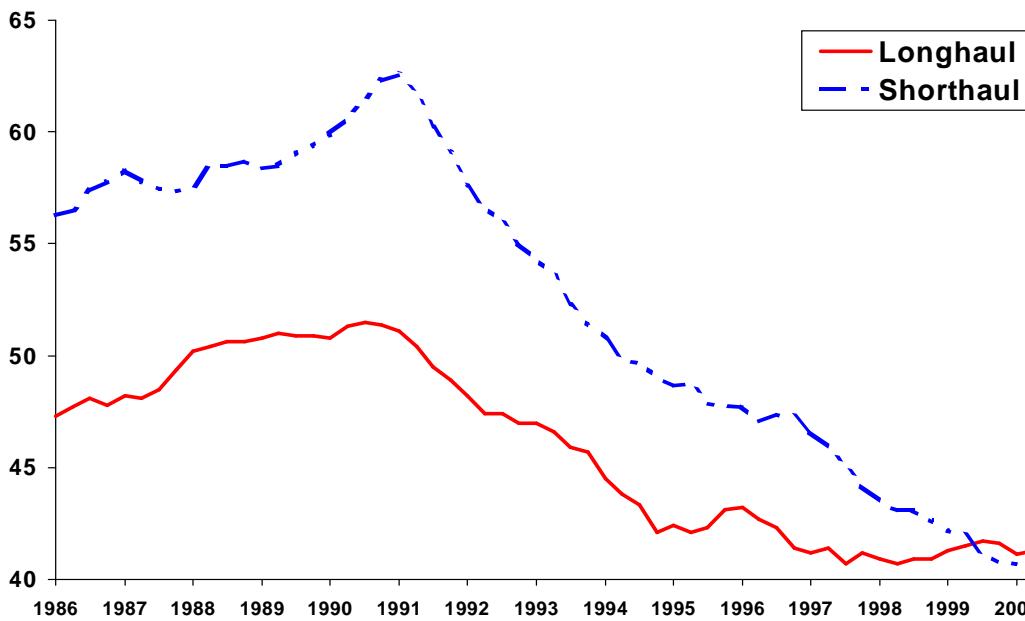
Source: British Airways in Cranfield University (2002:6).

As can be seen from Figure 3.3 below, premium economy has made inroads into the business travel market as some travel managers perceive this cabin as a substitute for business class (Stellin, 2008). Premium economy class can be defined as "a middle-market product in a mid-price range which generally offers what it says: a premium economy-class experience" (Business Traveller Africa, 2009b:16). While premium economy can be deemed more popular than first and business class in the UK, all in all, standard economy is the most popular class despite the heavy investment of some airlines in premium economy products (Barclaycard Business, 2008a:9). In markets such as Germany, Scandinavia and the U.K., the majority of business travellers are flying economy class not only for domestic flights but also for intra-Europe[24] travel (PhoCusWright, 2006:16). Figure 3.3 depicts the results of a survey of more than 3 000 UK business travellers. It shows that more than half of the respondents claimed that they are most likely to book economy class when travelling for business, which means that the popularity of economy seats for business travel purposes has increased compared to the previous year (2006) where 46% asserted the same. The same study revealed that 11% of the respondents considered business class as their main class of travel in 2007, as opposed to 41% in 2001 (Barclaycard Business, 2008a:5).

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[24] Flights within the European continent

Figure 3.3: Passenger class which is travelled most often on business trips – UK
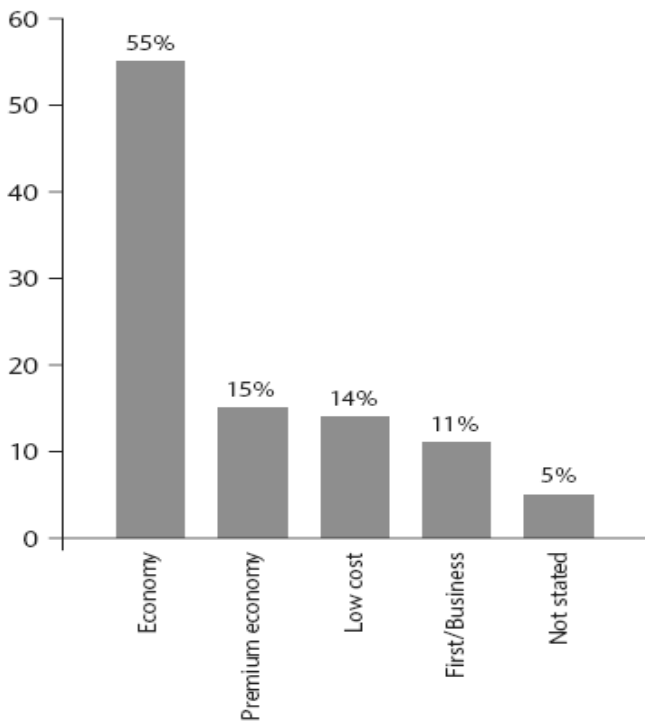
As shown below in Figure 3.4, the most significant declines in premium traffic are on routes within Europe, within the Far East, and the United States of America (IATA, 2009:2).

Figure 3.4: Traffic growth by route – Jan to May 2009
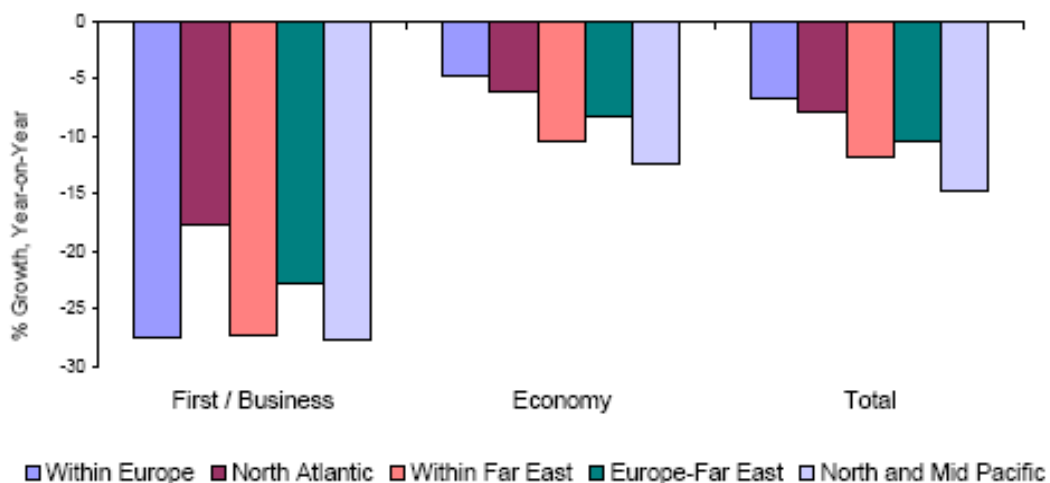
Even though expectations are that the popularity of premium travel will return after the global recession, the fact that premium class business travellers disappeared in the first place is most worrisome for airlines, according to business travel expert, Joe Brancatelli (2009). He says that every economic downturn has led to a permanent decline in the number of premium flyers. Many airlines removed their first class cabins after external shocks to the industry such as the first Gulf War and, following the terrorist attacks of 9 September 2001 in the U.S., still more premium flyers disappeared. Airlines responded by switching to smaller airplanes, reducing the size of premium class cabins internationally, and eliminating first class seating on certain routes. Mason (2005:25) believes that while it is likely that some business travellers will return to business class travel as soon as the global Gross Domestic Product (GDP) rises, any return will not be to the same levels as during the early 1990s, considering the behaviour and culture of the market.

According to the results of Mason's study (2005:22), four out of five respondents feel that business class did not offer value for money for short haul travel, with one of the key reasons being the emergence of low cost carriers.

3.2.3.1 *The popularity of low-cost travel amongst business travellers*

LCCs, pioneered in the US by Southwest Airlines, emerged as a by-product of the deregulation of the air transport sector in the 1970s (Evangelho, Huse & Linhares, 2005:99). This new business model was established to compete with flag- and network-airlines. Despite the initial focus of the LCCs on leisure travellers, recent evidence suggests the capture of significant numbers of business travellers, particularly as far as short haul flights are concerned (Alamdari & Mason, 2006:125; Evangelho *et al.*, 2005:99; Fourie & Lubbe, 2006:98; Mason, 2001:104). This trend is evident throughout the world. Already in 2001, the IATA corporate air travel survey reported that one third of all business travellers had used a no frills carrier mainly for cost containment purposes, enforced by corporate air travel policies (Asiatraveltips, 2002). A survey by corporate travel services company HRG (2007) amongst 250 000 business travellers demonstrated that flights on budget carriers accounted for 12% of the UK business travel market in 2007 and Go (British Airways' low-cost carrier) even claimed that up to 40% of its passengers were

travelling on business (Mason, 2001:103). Business travellers in Latin America appear to be the most frequent users of LCCs with 28% of them asserting they use low-cost carriers for more than 60% of their business trips (CWT Vision, 2006:4). In Brazil, depending on the route, between 40% and 80% of LCC passengers are travelling for business purposes (Evangelho *et al.*, 2005:99-100). BTN (2009a:2) reported that some companies in South Africa have also managed to move significant proportions of their domestic travel to LCCs.

Figure 3.5 shows the corporate migration to low cost carriers for short haul flights in the UK (Cranfield University, 2002:8).

Figure 3.5: Corporate migration to low cost carriers for short-haul trips
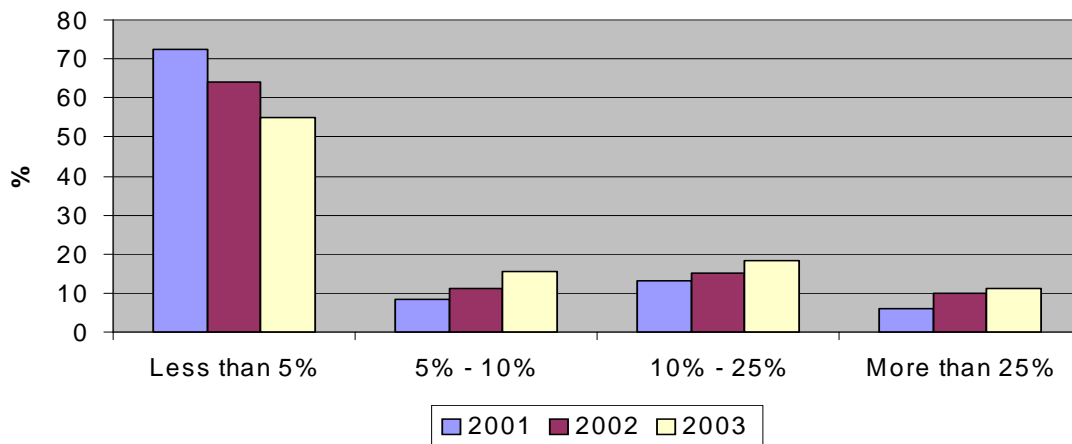
Source: Cranfield University (2002:8).

The popularity of low-cost travel for business purposes seems to depend on the size of the corporation. According to Evangelho *et al.* (2005:102), the corporate profile of low cost carriers has a greater frequency of employees working for small corporations than those using FSCs. For example, in Brazil larger corporations choose FSCs in preference to LCCs. Of all the corporations using the Brazilian low cost carrier, Gol, 70% have less than 100 employees, while about 72% of the travellers who worked for corporations with 100 or more employees were using FSCs. LCCs can be considered an alternative for small corporations with minimum expense policies. According to Evangelho *et al.* (2005:99) and Mason (2001:103), the preference for traditional airlines is predominantly a matter of the corporate culture of larger corporations.

While LCCs have been an appealing option for business travellers, some disadvantages can be highlighted.

3.2.3.2 *Disadvantages of low-cost carriers*

As noted in previous sections, a standard low cost model is usually characterised by peripheral airports (Evangelho *et al.*, 2005:100). However, this depends on the country in question. In the UK, LCCs fly to secondary airports, while in Brazil and South Africa major airports are mainly used (Fourie & Lubbe, 2006:98) - the exception being Lanseria Airport, as used by Kulula. The use of peripheral airports[25] can be regarded as one of the constraints that reduces the potential usage of LCCs for the majority of corporations as such airports can be up to two hours removed from major city centres. Of course, on the other hand, for corporations with offices near an airport with LCC flights, LCCs can offer cost cutting opportunities.

The fact that LCCs make use of limited distribution channels (the Internet or call-centres) and that their booking methods require the use of online payments may justify the reason for their limited use by some corporations (Alamdari, 2002:345; Alamdari & Mason, 2006:125; Fourie & Lubbe, 2006:99). In South Africa the method of payment may present a problem to large corporations where the potential for fraud seems to increase if credit cards are used to buy air tickets online (Cochrane & Mackenzie, 2004). The fact that these airlines tend not to be distributed through the traditional global distribution systems (GDSs) may discourage the use of LCCs since, according to Alamdari and Mason (2006:125), it may require a more complex administration process, ultimately making LCCs more costly (as integrating the LCC bookings into the corporate travel management programme can be a difficult undertaking).

The lack of ticket flexibility originally limited the uptake of LCCs but this has now been greatly reduced for some of the LCCs. In response to the ticket flexibility offered by FSCs, an alternative method of providing ticket flexibility to travellers on a pay-as-you-go-basis has been introduced by no frills carriers: passengers pay the difference between the

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[25] e.g., Beauvais in France or Charleroi in Belgium

original airfare ticket and the current fare available for the flight that the traveller wishes to change to, as well as an administration fee (Mason, 2006:93). However, this may still represent a disadvantage to business travellers.

While business travel sales teams of some LCCs approach corporations with the aim to arrange negotiated route deals, low cost carriers need to overcome two obstacles to achieve significant sales in this market. Firstly, many corporations have major deals with large network airlines which can supply the majority of its travel needs on a global basis. By entering a route deal with a LCC, a corporation may end up with too many negotiated deals with other airlines since the coverage of routes of one single LCC is limited. This is linked to the fact that the routes serviced by LCCs merely account for on average 8% of the total travel volume in Europe. Corporations often overestimate the savings potential for their *total* air travel budget but there is a need to evaluate possible savings on a *route by route basis* (Carlson Wagonlit, 2003:1-2). Secondly, the majority of corporations extensively use business travel agents (travel management companies) while most low cost carriers focus on direct sales to consumers and thus have an uncomfortable relationship[26] with agents (Haji-Ioannou in Mason, 2001:104). The corporation and LCC need to establish an effective distribution method in order to process bookings in the event of a route deal being agreed on (Mason, 2001:104).

In order to protect their corporate market revenue, full services carriers have reacted to the emergence of low-cost carriers in the corporate travel market.

3.2.3.3   The reaction of full service airlines to the growth of low-cost carriers in the business travel market

While LCCs have opened the market to a new group of price-conscious business travellers, traffic has been drawn away from FSCs as business travellers attribute less value to the frills of traditional airlines. Traditional FSCs have been losing significant market share to LCCs in the business travel market, especially the UK and other European markets (Cranfield University, 2002:8). LCCs have forced FSCs to redefine business travel

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[26]   LCCs sell flight tickets directly to its customers (e.g., through the Internet) instead of using an intermediary (travel agency). Consequently, the travel agency does not gain a commission.

and the reaction of the major FSCs has started to reflect the impact of LCCs (PhoCusWright, 2006:6). Two parallel strategies have been embraced by FSCs.

Firstly, they have focused on the quality of their service, as they do not want to skimp on this element. Secondly, they have adopted strategic cost cutting policies so that their own low fares can be offered in competition to those of LCCs. Some examples of strategic cost cutting used by FSCs in order to structure their fare offering in line with LCCs are where unprofitable routes, jobs and capacity have been cut (Cranfield University, 2002:8). More specifically, FSCs started to change their pricing structure in the markets where they compete with low cost carriers (Carlson Wagonlit, 2003:2) by:

- offering lower fares on their websites;

- offering point to point, one way fares on domestic and intra-European routes; and

- eliminating minimum stay and advance booking requirement conditions.

Some FSCs have even countered by establishing their own LCCs such as Air Canada that operates Zip (Evangelho *et al.*, 2005:99). In South Africa, British Airways/Comair established Kulula, whilst South African Airways established Mango as their low cost options.

Such practices increasingly blur the distinction between FSCs and LCCs.

3.2.4   <u>Concluding remarks on the discussion of the airline industry</u>

The overview of the airline industry provided some background on the importance of business and corporate travel to airlines and some of the changes that have taken place in this particular market. These changes have included the downgrading of the class of travel by business travellers from first to business and from business to economy over the last few years, which has emphasised the importance of price as a determinant in airline selection. The importance of price was again illustrated in the discussion on the emergence of low cost airlines as an option for the business travel market, particularly on the short haul routes. The reaction of full service carriers to regain lost market share by offering lower fares and increasing their service offerings to corporations and business

travellers further illustrates the importance of meeting the needs of corporations and business travellers. In the next section, the discussion centres around what airlines specifically offer corporations and business travellers in order to meet their needs and, in so doing, become preferred suppliers to corporations and airlines of choice for travellers.

3.3 WHAT AIRLINES OFFER CORPORATIONS AND BUSINESS TRAVELLERS

A number of studies have highlighted determinants that are important in airline selection, both from a corporation (Douglas, 2008; Mason & Gray, 1999; Pachon, Erkoc & Iakovou, 2007) and business traveller perspective (Fourie & Lubbe, 2006; Harris & Uncles, 1999; Hlekane, 2009; Huse & Evangelho, 2007; Leng Ong & Tan, 2010). The lucrative nature of the corporate travel market has forced airlines to meet the needs of corporations as well as those of business travellers since both influence the choice of airline; the corporation through the corporate air travel policy, and travellers through their particular needs when travelling on business.

3.3.1 Determinants that impact airline choice for the corporation

3.3.1.1 Ease of booking

Technology plays an essential role in sourcing the best air deals for corporations and advances in online technology have allowed access to a wider range of fares and a more effective fare comparison (Cranfield University, 2002:13). However, the greater choice of booking channels has increased the complexity in decision-making for travel managers (Cranfield University, 2002:9; PhoCusWright, 2006:4). According to Alamdari and Mason (2006:125), corporations would like all service providers to be accessible through one purchase point, and wish to reduce the number of intermediaries (booking channels) they use.

Airlines retailing fares through a specific distribution channel may be able to influence the likelihood of their being chosen as a preferred airline. Conversely, where fares are not retailed via a specific channel, it creates more problems for the business travel managers. This is because of the difficulty in obtaining the correct airfare information as well as a loss

of valuable time. While the barrier regarding the limited use of distribution channels by LCCs has been recognised, this issue has now been reduced to some extent for some LCCs. Corporations have been looking for an aggregator (e.g., a TMC or ITMC) to provide an appropriate method by which LCC flight options can be offered, alongside those of traditional airlines. GDS companies have introduced a module for distributing LCCs at a lower fee to the airline. In the UK for instance, BMIBaby, negotiated a GDS agreement with Galileo to receive more agent bookings (Cranfield University, 2002:6, 8). Equally, Carlson Wagonlit Travel has equipped its reservation centres with search and booking technologies, enabling their travel consultants to include LCCs in the complete set of services offered to their customers in a cost effective way (Cranfield University, 2002:8).

3.3.1.2   Cost to corporation

a.   Negotiated discounts

The previous sections have highlighted the role of price in airline selection with section 2.3.2 explaining the number of ways that exist for corporations to secure savings on air travel. Corporations negotiate discounts based on spending commitments by consolidating the volume of air travel through: a single supplier; point of origin pricing; supporting airline alliances; managing travel data in support of preferred suppliers; and increased travel policy compliance by travellers.

b.   LCC airfares

In order to confine corporate air travel expenditure, which has proven to be one of the major concerns in corporate travel management programmes, corporations can make use of LCC airfares in addition to negotiated corporate deals. Company policies towards lower fare products have had an impact on traveller behaviour. The traditional view of business travellers being 'price-elastic' has been challenged, given their increased downgrading behaviour towards the use of premium cabins and their increasing use of low-cost airfares, as illustrated in section 3.2.3 (Cranfield University, 2002:2; Dresner, 2006:28). Lately, the recent 'price-inelastic' behaviour of the business traveller has been particularly apparent in

the short haul market with the advent of LCCs (Cranfield University, 2002:2; Mason, 2001:103; Morrison & Winston, 2005:2).

Hence, the question that corporate travel managers are increasingly faced with is: "how much money can LCCs save the corporation?" There is a growing pressure from senior management to include LCCs in the corporate air travel policy and even some pressure from business travellers, reflecting the employees' new sense of responsibly about the cost of their business travel (Carlson Wagonlit, 2006).

In the United States, LCCs have grown at several times the rate of legacy airlines[27] and have attempted to expand their share in business markets. Corporate airline deals were, generally, only possible with major FSCs, with LCCs primarily utilised through spot-buys[28]. However, corporations have started to include LCCs in their supplier portfolios, and a growing number of corporations are considering LCCs as secondary preferred airlines. Business travellers expect in the few next years to see more LCCs in operation and fewer FSCs (Carlson Wagonlit, 2006:4).

Despite this, there are some problems associated with corporations' use of LCC fares and other lowest fare options. Corporations are taking advantage of fares within and outwith GDSs to reduce their airline expenditure. Savings *per ticket* of between 10% and 70% can be made when making use of promotional fares, restricted low fares from FSCs, and fares offered by LCCs. While travel managers should be looking to take advantage of "lowest logical" fares from FSCs and LCCs, they may be concerned about how to manage their expenditure when using the different channels required to obtain these fares, and also the possible additional costs associated with the more complex management processes required. Furthermore, multiple pricing models constantly require to be up-to-date on the latest distribution system trends in order to maximise value (Alamdari & Mason, 2006:125). Carlson Wagonlit (2008:16) reported that a sound balance between negotiated airfares and other available options must be found, meaning that upfront savings should not come at the expense of volume.

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[27] Airlines that existed before the deregulation of the airline industry (before 1978)
[28] The market price of a commodity. In other words, the price that is quoted if you want to buy any commodity today.

c.   Ticket flexibility

Since business travellers regularly need to change their flight tickets due to last-minute changes of their business schedules, ticket flexibility is regarded as an important determinant in the selection of a preferred airline. However, Mason (2006) suggests that business travellers do not need to change their tickets as often as is perceived and when they do, LCCs may offer a more cost efficient method of providing ticket flexibility on a pay-as-you-go basis, as discussed in section 3.2.4 (Mason, 2006).

3.3.1.3   Airline performance

a.   Routes

When seeking to curb travel expenditure, clearly, the price of air travel is important. However, some corporations prefer to put the traveller's time and energy first. This means that the selected airline does not, necessarily, offer the cheapest flight, but rather the fastest and most convenient route. Thus, the time spent out of the office by the traveller is used optimally (Harris & Uncles, 1999). The results of IATA's corporate air travel survey (2007) showed that, after frequent flyer programmes, an airline's route network is the second most important criterion that determines airline choice by business travellers. This is substantiated by a study conducted by Barclaycard Business (2008a:8), stating that routes (63%) and cost (53%) are important motivators for selecting a particular airline.

The deregulation and liberation in both the US domestic market and the EU region have given airlines the opportunity to compete on more routes leading to lower fares (Mason, 2005:21). The global business travel market is, consequently, faced with an increased choice of airlines and range of prices (Mason & Gray, 1996:197). Route selection is driven by the nature of the business, the number of employees, the financial status of the corporation, and the number of their subsidiaries (Pachon *et al.*, 2007:429). In a study conducted by ACTE and KDS (2007:5), the corporate travel manager of an African corporation explained that they were sometimes restricted with regards to the choice of an airline as they have a lot of travel into the African continent, where the number of airlines

across routes is restricted. An airline's coverage of routes thus plays a role in the selection of a preferred airline by corporations.

b.   Direct service

Another corporate airline selection determinant is the provision of direct service. A longitudinal study of frequent-flying business airline travellers has shown that direct flights is one of four determinants that are considered to be of utmost importance followed by a good safety record, reliable/consistent service, and a modern fleet (Uncles & Hammond in Harris & Uncles, 1999).

c.   Convenience of schedules

Timing of outward and return flights is more important for business travellers than for other travellers in the selection of an airline (Ali, 2007:2; Mason & Gray, 1996:199). The findings of a study undertaken by Carlson Wagonlit (2008:14) demonstrate that, while 31% of travellers are expected to always choose the cheapest flight available, 21% of surveyed corporations encourage employees to book the most convenient option for travel. By quoting a simple travel policy of a large corporation in the US: "We are frugal with money, but please do not arrive tired for a meeting with one of our customers" (BTN, 2009b:9). Harris and Uncles (1999) acknowledge that schedule convenience is one of the crucial drivers of choice among business airline travellers.

d.   Frequency of flights

Since business travellers attach a great importance to time, airlines operating in business markets are expected to offer higher frequencies than airlines operating in leisure markets (Bieger & Wittmer, 2006:45). A higher frequency of flights creates less hassle for the business traveller in cases where he/she might have missed a flight since the time lap between the original missed flight and the next available would not be too great. This is in the *corporate interest* as the likelihood that the business traveller would arrive late or miss a business opportunity decreases considerably. Unfortunately, in order to regain profitability, some airlines have started to implement strategies such as reducing capacity

by reducing flight frequencies and aborted flights to certain destinations (Procurement Travel, 2009).

e.   *On-time performance*

Without reservation, the performance of an airline with regards to punctuality plays an important role in the selection of an airline (Harris & Uncles, 2007:307). Hlekane (2009) carried out research amongst business travellers in South Africa to assess the value that customers attach to airline services. The results revealed that the attribute "on-time performance" was ranked first. This is not surprising, as business travellers are usually required to be at certain places at specific times. This is in the *corporate interest* as arriving late at meetings is considered unprofessional and can harm or destroy business relationships.

f.   *Alliance network*

The current global airline groupings are Oneworld, Skyteam and Star Alliance. These groups represent 19 of the world's 20 biggest airlines, accounting for about 80% of the world airline capacity (Airline Alliances, 2009). Business travellers may derive benefits from airline alliances such as: the seamless service and travel between a larger number of city pairs; the use of joint lounges; reduction in travel times; and the coordination of FFPs, providing greater benefits. Travel between larger numbers of city pairs is possible as the majority of airline alliances are route based. Park (in Morrish & Hamilton, 2002:401) identified two main types of alliances: complementary and parallel airline alliances. The main distinction is that parallel alliance routes overlap while complementary alliances have non-overlapping routes. Alliances may pose a hierarchical choice problem to travel managers: the choice of one alliance over another (e.g., Skyteam over Star Alliance) and the choice of a particular airline across or within alliances (e.g., South African Airways over KLM) (Agusdinata & de Klein, 2002:206).

Tiernan, Rhoades, and Waguespack (2008:99) argue that, when considering alliance options, passengers would be concerned about expanded route network options and access to additional frequent flyer miles. They believe that service quality is the

predominant determinant for passengers when choosing to travel with an alliance member. Furthermore, in Mason's study (2002:60), 55% of travel managers thought that their business travellers could benefit from airline alliances as they commence to deliver improvements in services. As a result, many airlines find that being a member of an international alliance is a way of distinguishing themselves from LCC rivals in terms of the quality of service offered. According to the results of IATA's corporate air travel survey, Europeans were the most loyal business travellers towards airline alliances; 33% of them would try to "find a more appropriate flight with an airline within the same alliance" (IATA, 2007:14). A substandard experience with one airline may however result in a negative evaluation of the other partners within the same alliance (Long *et al.*, 2003:431; Tiernan, Rhoades & Waguespack, 2008:99).

3.3.1.4   *Safety record*

The Duty of Care requires that everything 'reasonably practicable' be done to protect the health, safety, and well-being of others. Duty of Care legislation does not only require employers to be responsible for the health and safety of its employees whilst at their place of work, but also while being on a business trip. Duty of Care starts with planning and preparing staff for their trips. Corporations should attempt to reduce the risks of travel by assessing the possible threats and risks (Centre for Continuing Education, 2007). Considering the safety record of an airline may reduce the risks inherent in travel.

Traveller safety and security remains a major area of concern for corporations, something that was highlighted in a study by ACTE (2009) where employee security was rated as a priority for corporations in 2008. Clearly, the safety record of airlines may play a role in the selection of a preferred supplier. IATA member airlines have delivered impressive results in terms of safety. While one accident for every 1.2 million flights was recorded in 2008 across the industry. In 2009, IATA members seem to have delivered a better performance, with one accident for every 1.9 million flights. However, the accident rate in the African region, while not involving any IATA members, was 2.5 times the world average. While some progress has been observed compared to previous years, there is still some room for improvement. This may lead to non-IATA African airlines being less popular amongst

corporations. Safety and environmental awareness, to be discussed next, are equally important determinants in the current airline industry (DefenceWeb, 2009).

3.3.1.5 *Airline's environmental performance*

Business travel is critical for many corporations and clearly brings economic benefits. Nonetheless, as a substantial proportion of all air travel, business travel is a significant contributor to aviation climate impacts (Manchester Metropolitan University [29], 2008). It has been demonstrated that corporate travel departments are increasingly tasked with reporting on travel-related carbon emissions to senior management and, consequently, they are becoming creative in terms of finding ways to encourage their travellers to reduce their business travel (Stellin, 2008). Some of them are considering using carbon emissions data as a way to make business travellers aware that responsible travel is vital to the sustainability of the planet (Business Traveller Africa, 2009a:6). A study undertaken by the Association of Corporate Travel Executives (ACTE) and KDS (2007) revealed a 15% increase, globally, in eco-friendly travel management behaviour compared to the previous year (2006). European companies (42%) as opposed to US companies (35%) appear to be more concerned about the impact of travel on the environment. In this study, respondents said that when booking a business trip their choices of transportation were influenced by the corporation's travel policy, giving preference to suppliers possessing a CSR (Corporate Social Responsibility) charter (ACTE & KDS, 2007). The need of corporations for greener airline options is illustrated by a travel manager, working in Africa for a corporation with more than 10 000 employees, who stated the following: "we certainly aim to use airlines that are more focused on reducing carbon emissions" (ACTE & KDS, 2007:5). An example of a South African company integrating CSR policies into their business operations is Nedbank. According to Howard Stephens, Nedbank's Central Purchasing Officer, their travel policy was amended to incorporate important aspects such as environmental issues (BTN, 2009b:11).

In order to meet the needs of these changing travel patterns of corporate travellers, airlines have started to improve their environmental policies accordingly. In Tsai and Hsu's

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[29] A one-stop-shop providing impartial world-class academic expertise on the environmental issues facing aviation to the wider aviation sector, Government, NGOs and society as a whole.

(2008:188) view, CSR programmes are becoming focal points in the business strategies of airlines, given the rising concerns about the environmental impacts of air transport, and fuel efficiency forms, a crucial element of these programmes (Tsai & Hsu, 2008:188).

On the other hand, green travel choices may often conflict with the greater urge to cut costs under current economic conditions. For instance, European corporations may opt to make use of high speed rail services. These produce lower emissions but are often more costly than a low-cost flight. As paying a premium is hard to justify at the moment, green business travel may become less of a priority for corporations. It can be concluded that green travel choices remain scarce at this stage due to the above discussed determinants but the longer term looks more promising, once the economy permits (ACTE & KDS, 2007).

3.3.1.6 National loyalty

The results of a study conducted by Bruning (1997:67) amongst Canadian travellers have demonstrated that the determinant "national airline" is second only to price in terms of relative importance in the airline choice decision. Also Aksoy, Atilgan and Akinci (2003:347) asserted that national loyalty plays a key role in selecting an airline. It can be inferred that patriotic corporations are more likely to opt for a flag airline[30] as a preferred supplier.

While most of the abovementioned criteria can be considered important to both the corporation and the business traveller, the next section specifically sheds light on the criteria deemed important by the business traveller in the choice of an airline.

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[30] The main national airline of a country

3.3.2 Determinants that impact airline choice for the business traveller

a. Airport location

Strongly related to the value business travellers place on time, is their preference for shorter airport access times (Dresner, 2006:28-29; Mason & Gray, 1996:199). A study by Barclaycard Business (2008b:5) shows that despite the increase in low-cost carriers' market share, a number of corporations permit their employees to book flights based on convenience, rather than cost – explaining why British Airways and BMI remain popular. British Airways appears to be popular amongst both smaller and larger sized corporations in the UK as it flies to central airports in each city, rather than to secondary airports[31] which is the case for some low-cost carriers.

b. Comfort

While closer control over the spending of their employees on business trips takes place, an increasing number of corporations recognise the importance of *balancing* cost cutting, productivity and the well-being and comfort of their travellers simultaneously (Moline, 2005). It has been established that the business traveller does not only have an industrial (e.g., on-time attendance at meetings) stake in the purchase, but also a personal one which includes comfort onboard a flight (Mason & Gray, 1999:850). Such onboard comfort may refer, among other things, to the seat pitch and width. This may impact how well the business traveller will be rested when arriving at the point of destination and, in turn, determine whether he/she will be able to properly fulfil the required duties.

c. In-flight amenities

Lounges, and the quality of in-flight services, are considered to be equally important airline selection determinants by business travellers, according to Huse and Evangelho (2007:261). According to Carlson Wagonlit (2006:14), some decline in in-flight amenities has been experienced and business travellers may have to reconcile themselves with the fact that airline food and beverage service will continue to be limited in the future. This is

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[31] Airports based on the outskirts of a city

particularly true for airlines experiencing financial instability and labour issues, which force them to subsequently offer a poorer quality or range of services and amenities.

d.   Type of fleet

Due to the rising awareness of the need to consider the environment in the business travel industry, airlines operating a modern fleet of aircraft may derive a considerable advantage over airlines using older airplanes. Comair, for instance, has recently upgraded its fleet to deploy more fuel efficient aircraft. IATA chief executive, Giovanni Bisignani, stipulates that fuel efficiency measures would cut emissions by 1.8%, resulting in a total reduction of 10 million tons of CO_2 in 2009 (ACTE & KDS, 2007:5). Whilst an airline's modern and fuel efficient aircraft fleet will have a less severe impact on the environment, it will, simultaneously, have a positive influence on the comfort of the traveller as the infrastructure inside the cabin will been modernised and improved.

e.   Handling of luggage

A survey of Australian airline travellers, 44% of who were frequent-fliers and 93% of who were members of a special frequent-flier programme has demonstrated that reliable luggage handling is one of the four most important determinants for business travellers when selecting an airline. This is logical, as lost luggage would turn into significant time loss, negatively affecting the performance of the business traveller during the mission. Time spent on dealing with the airline to solve the problem of lost luggage could have been better invested in work-related activities (Uncles & Dowling in Harris & Uncles, 1999).

f.   Lounges

Business travellers can be considered as experienced and demanding. They expect some business travel exclusivity and added value, of which lounges are a prime example (Mason & Gray, 1996:199). Huse and Evangelho (2007:261) state that business travellers are affected by an airline's characteristics such as availability of business lounges and punctuality. The presence of lounges at the airport may determine whether a business

traveller arrives relaxed at the point of destination, whilst also allowing the business traveller to make optimal use of his/her time while on the go.

g. *Service*

Harris and Uncles (1999) describe service quality as an "entry requirement" in corporate airline selection. This is mirrored by Huse and Evangelho's (2007:261) opinion, stating that business travellers perceive service quality as more important than price. However some external influences have had an impact on the current provision of service by airlines. The cost of air travel to airlines has continued to rise as a result of pricing pressures such as fuel costs, improvements in airline inventory, pricing technology, capacity constraint, demand for long-haul, and increasing surcharges (American Express, 2007b:2). In order to regain profitability, airlines have started to add new or higher fees for what used to be standard services such as checked luggage, seat selection, changing reservations and many other customer service items. Also, as mentioned in the previous section, airlines experiencing financial instability and labour issues subsequently offer fewer services and amenities. In the near future, reductions of flight crew-size are also expected (Procurement Travel, 2009). The less glamorous services being offered by the airlines may negatively affect the attractiveness of business travel to the employees of a corporation.

h. *Frequent flyer programmes*

The consensus among Arnesen, Fleenor and Toh (1997:49), Evangelho *et al.* (2005), Mason (2000:109), Nako (1992), Proussaloglou and Koppelman (1999) and Suzuki (2003) is that FFPs seem to have a significant influence over the business travellers' airline choices. Their success is reflected by the fact that about 43% of all business travellers are members of a FFP (Long *et al.*, 2003:422). Research by the International Air Transport Association (IATA) (2009), which represents 230 airlines worldwide, shows that one in four business class passengers cite FFPs as the main decision-making determinant when they select an airline.

In fact, FFPs were rated as the main decision-making determinant in a survey of world-wide business travellers (OAG, 1996). The opinions of business travellers regarding

frequent flyer programmes may depend on their residential region. Business travellers from Africa and the Middle East rate frequent flyer programmes as a determinant influencing the choice of airline higher in importance than the Americas, Asia Pacific and Europe (IATA, 2007:19). However, according to Long *et al.* (2003:430), frequent business travellers are loyal to the FFP and its associated benefits and not necessarily to the airline itself. Business travellers are thus encouraged to choose the best programmes, regardless of the airlines. Such behaviour is termed spurious loyalty, meaning that the members of these programmes would be tied to the rewards rather than to the brand, i.e. the airline (Whyte, 2002:19-20, 33). Spurious loyalty may also occur should the business traveller continue to travel with the airline merely because it is listed as the preferred airline in the company policy. Whyte further explains that polygamous behaviour is another reason why airlines do not achieve brand loyalty. This means that frequent flyers, on average, join three to four schemes, although they may concentrate on one scheme to build sufficient miles (Whyte, 2002:19). The use of personal frequent flyer cards held by business travellers has been found to be one of the most popular reasons for non-compliance with the corporate air travel policy (Douglas, 2005:113).

While it has been found that FFPs are an important determinant of airline choice for travellers themselves, the question arises as to whether these programmes play a role in a corporation's selection of a preferred supplier. The benefits to travellers in using FFPs are clear but the impact of these programmes on corporations is more difficult to ascertain. Since one of the most important objectives of the study is to determine the importance of FFPs in corporate airline selection, the role that FFPs play in corporate airline selection will be extensively discussed in the following section.

3.4   THE IMPACT OF FREQUENT FLYER PROGRAMMES ON CORPORATE AIRLINE SELECTION

This section commences with a description of what FFPs are and how they were developed. This is followed by a description of FFPs from which corporations may derive benefits. Thereafter, possible problems related to the integration of FFPs into corporate air travel management programmes are discussed. A discussion on frequent flyer programmes offered by low-cost carriers will conclude this section.

3.4.1 The development and functioning of frequent flyer programmes

Frequent Flyer Programmes are aimed at inducing traveller loyalty and are often referred to as airline loyalty programmes and / or mileage programmes (Long *et al.*, 2003:422; Proussaloglou & Koppelman, 1999:193). While programmes may vary somewhat, FFPs generally offer a "world of benefits for frequent and loyal travellers," such as lounge passes, free upgrades, free flights and other services (TIR, 2009:21). Their aim is to build preference for one brand (airline) over another (Clements, Ross & Basso, 2009). According to Klophaus (2005:348) these reward systems should make demand less price-elastic. They are also one of the most successful marketing tools in the airline industry (Driver, 1999:138; Stephenson & Fox, 1987). Frequent flyer programmes were introduced by traditional scheduled FSCs with the view of differentiating business class products from leisure-oriented economy tickets (Mason, 2000:110). American Airways launched the first FFP: "AAdvantage Programme" in 1981 and, at present, FFPs are virtually universal among the world's major airlines (Clements *et al.*, 2009; Harris & Uncles, 2007:298).

In a typical FFP, the gathering of points depends upon the number of miles travellers have accumulated by flying with a certain airline. Points are also based on the class of travel flown by the customer, that is to say, more points are usually earned on business and first class seats (Arnesen *et al.*, 1997:47). As such, it has been recognised by Driver (1999:139) and Tretheway and Levine (in Clements *et al.*, 2009) that airlines with greater route networks may be at a competitive advantage. The reason is that such airlines are able to offer more destinations to the members of their frequent flyer programme which increases the value of their miles. Different types of programmes, with many variations, are found amongst airlines, too numerous to discuss, but a good example of what these programmes offer is found in the USA.

In the USA, three basic types of frequent flyer programmes exist (Suzuki, 2003:290). The most popular programme is the *standard scheme,* which gives one free round-trip to any destination within the US and Alaska for a particular amount of accumulated frequent flyer miles. The second type of programme is the *non-mileage scheme,* in which free tickets are rewarded to passengers based on the number of flown trips, rather than the amount of flown miles. The third type of frequent flyer programme is the *discount scheme,* which

provides reward tickets to travellers by the amount of accumulated miles. However, the amount of required miles is lower for shorter free flights than for longer free flights. The standard programme may be most popular with travellers with high average trip miles[32], whereas the non-mileage programme may be most popular with travellers with low average trip miles. While adequate evidence exists of the importance of FFPs in the selection of an airline by business travellers, the level of importance that corporations attach to FFPs as a selection criterion for a preferred airline remains unclear.

3.4.2 Corporate frequent flyer programmes

3.4.2.1 Why corporations could be encouraged to make use of corporate frequent flyer programmes

A shift from a traveller-driven to a purchasing-manager-driven environment - where the travel manager gains more autonomy in the selection of an airline than the business traveller - has been observed. This is due to the increased power that the procurement professional acquired in developing rigid travel policies (Gilbert, 1996:580; Mason, 2002:54). It is believed that there is feasibility for airlines to create corporate frequent flyer programmes, aiming to reward the corporation rather than the traveller (Mason & Gray, 1996:203). Stephenson and Fox (1987:17) believe that for airlines to deny frequent flyer benefits to corporations will become more difficult. Airlines may offer different programmes that enable corporations to earn points in proportion to travel miles in addition to the personal frequent flyer rewards given to the employees that are actually travelling. Air France KLM has recognised the importance of the corporate market and has developed a package specifically for this market, as well as continuing their product for the individual (business traveller) (TNW, 2009:17). Corporate contracts with Air France KLM are negotiated with a corporation that has minimum required flown travel revenue (Kalyan, 2009). The FFP, 'FlyingBlue' is, in this case, only based on individual miles that can be used in conjunction with the contract (Kalyan, 2009). An alternative to this option is the corporate programme, called 'BlueBiz', aimed at small businesses where the corporation is able to earn points and accumulate sufficient tickets to obtain a free ticket. The latter programme allows business travellers to earn miles on FlyingBlue as a member and earn

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[32] Flown miles per trip

points towards the corporation. To illustrate the aforementioned, an overview of the corporate frequent flyer accounts used by the University of Wisconsin in the United States has been given in Appendix A. Corporate-employee joint reward programmes in which business travel benefits both the corporation and the business traveller gives corporations greater incentives to encourage employees to patronise a certain airline rather than a competing carrier (Oracle, 2008:8), and may lead to a reduction in the traveller's decision-making power (Mason & Gray, 1996:203).

In addition to the corporate frequent flyer agreements between airlines and corporations, corporations may take advantage of a corporate air alliance agreement. For many airlines being a member of an international alliance has become a key component of their business strategy (Tiernan *et al.*, 2008:99). Airlines started to form partnerships with others, allowing customers to garner points from any alliance partner and spend them on the programme of their choice (Long *et al.*, 2003:431; Oracle, 2008:2). Global corporations can now become a member of SkyTeam (and its complete airline network) on condition that the corporation spends at least USD $15 million for flights on Skyteam partners per annum (Leeflang, 2010). Since alliances have wider route coverage than a single airline, it is easier for frequent travellers to earn points. SAA's Voyager miles can also be garnered on Star Alliance Partner, Lufthansa, which offers its own programme named Miles and More. All this may result in increased customer loyalty to an alliance and less switching behaviour. Even so, the prestige associated with achieving elite status may diminish as frequent business travellers have the ability to consolidate their mileage within one alliance and accrue points more easily.

Further to the corporate FFPs from which corporations may derive benefits, corporations may also take advantage of their business travellers' individual miles through confiscation. An example of this strategy, used to control air travel expenses, is the frequent-flyer-mileage-redemption strategy. The mileage redemption strategy reduces air travel expenses by using frequent flyer miles accrued by employees during business travel for their future business trips (Suzuki & Walter, 2001:397). Business travellers may be motivated to allow their corporation to confiscate their frequent flyer points through such incentives. Having the corporations pay the traveller a reimbursement, plus a premium, for using miles on a really expensive airfare. This is not common practice in the UK, but it is

common for corporations in Scandinavia to confiscate their employees' mileage. Similarly, according to the national association for travel managers of Germany, one-third of members use mileage for corporation purposes. Of the corporations that currently permit travellers to use their miles for personal use, one-third claimed to have this under review (Cohen, 2006). It should, however, be emphasised that such decisions may vary considerably depending on the country where the corporation is based.

3.4.2.2 *Why corporations could be discouraged to make use of corporate frequent flyer programmes*

Some corporations are discouraged from confiscating the frequent flyer miles of their employees out of fear that the business travellers would react negatively, and the policy would become counterproductive (Cohen, 2006; Travelfli, 2008). Long *et al.* (2003:430) point out that by revoking some of the negative features of frequent business travel, FFPs may contribute positively to frequent business travellers' quality of life and lifestyles. If FFPs contribute to their employees' quality of life, this may be a justification for giving them some freedom in the selection of an airline and not require them to surrender their frequent flyer miles to the corporation when travelling for business purposes (Long *et al.*, 2003:422).

While some airlines perceive frequent flyer miles earned by the employees as personal property owned by that traveller, some other airlines offer programmes to corporations where the traveller will earn the miles, and the corporation would earn points based on the amount of money spent with the airline – as with the 'BlueBiz' option offered by Air France KLM. If this option is chosen, the corporation would not be allowed to have any negotiated saving contract in place with the airline. This is also applicable to British Airways' corporate frequent flyer programme "On Business"; only corporations that do not have a corporate contract with British Airways are eligible for On Business membership (British Airways, 2009). Thus, airlines only allow corporations to be a member of a corporate frequent flyer programme when using published fares. The implication of cancelling the savings contract (in order to make use of the corporate frequent flyer programme) would result in potential loss (in some cases up to USD $7 million), so choosing to take part in the corporate frequent flyer programme would turn out to be less lucrative (Government of Oregon,

2006:1). The next section examines the difficulties related to the management of frequent flyer miles to corporations.

3.4.3 <u>Redemption and management of frequent flyer miles</u>

In general, the redemption of miles seems to be a real challenge and can be considered as one of the drawbacks of FFPs, possibly influencing the corporation's selection of a preferred airline (Whyte, 2002:24). Studies have shown that customers seem unable to obtain upgrades or suitable free tickets, using their miles, even while booking months in advance (TIR, 2009:21).

With regard to the availability of seats for reward flight purposes, as a general rule, 5% of an airline's seats are allocated to FFP members using reward tickets depending on the load determinants and capacity (Whyte, 2002:19). However, the principle of seat availability overlooks demand patterns such as preferred destinations and desired times, which often leads to discontent among customers unable to use their miles when they wish (Clements *et al.*, 2009). Frequent flyer member groups in the USA are striving to have airlines make public the flights and number of seats available for members desiring to redeem their miles (Whyte, 2002:19). When trying to book they discover that, in order to guarantee a flight, more miles are required. Fees are also charged in the event of changes needing to be made and airlines seem to frequently make a major issue out of a situation where changes have to be applied to flights booked with miles (TNW, 2009:16). Clearly, then, the practicality of converting employee mileage into business flights may be a deterrent. A corporation needs to set up systems to enrol travellers into frequent flyer programmes and travellers have to sign consent forms in order to allow the mileage to be tracked and confiscated. Considering that airlines only make a limited number of seats available per flight for mileage redemption purposes, the returns for the effort involved may be disappointing.

Strongly related to the abovementioned issue of redemption is the question of whether the travel agent or the traveller should deal with frequent flyer programmes. Travel agents are often reluctant to deal with frequent flyer programmes. As discussed, depending on the programme, the redemption of free flights can be difficult which can cause frustration

amongst business travellers. If the travel agent does not manage to book a suitable flight for the business traveller using miles, the travel agent may be accused of 'not having tried hard enough' (TNW, 2009:16). Furthermore, the redemption of reward tickets can be very time-consuming since there is a lack of availability. Also time-consuming is applying changes to free tickets, as such modifications are as difficult to effect as the initial booking. Taking these issues into consideration, it seems logical that some agents are reluctant to be involved in dealing with frequent flyer programmes. In addition, it is commonly believed that travel agents merely have a basic understanding of frequent flyer programmes. However, the travel agents that are willing to deal with these marketing tools expect to be adequately remunerated for their services (TNW, 2009:16).

This section has illustrated that the management of frequent flyer programme transactions may pose problems to the relationship between the stakeholders involved in corporate airline selection. The following section will continue to focus on possible conflicts between the airline, the corporation, and the corporate traveller with respect to frequent flyer programmes.

3.4.4   <u>Non-compliance with the travel policy due to frequent flyer programmes</u>

The potential for a conflict of interest with regard to FFPs may exist between corporations and travellers in the choice of a preferred airline. Firstly, there may be conflict between the business traveller wishing to earn frequent flyer points and the corporate travel manager who aspires to reduce the air travel costs (Mason & Gray, 1999:847-849; Swarbrooke & Horner, 2001:274). The business traveller prefers to use the frequent flyer benefits for personal use, for instance, to take his family on holiday. The attitude of employees towards corporate travel may have an impact on whether they comply or not with the travel policy. While many frequent business travellers enjoy the novelty and independence of this lifestyle, others view being away from home and office as detrimental to their quality of life. Some negative aspects may include missing out on informal social interaction in the home office, difficulties in maintaining personal relationships, loneliness while on the road, boredom and increased stress (Business Travel Net, 2007:1-2; Long *et al.*, 2003:421). Furthermore, business travel is considered by some business travellers as a demanding activity because of the time and energy required as well as the need to stay productive

while on the road. Because of this, the business traveller perceives the free miles as a compensation for the lost weekends spent on corporate travel (Arnesen *et al.*, 1997:50; Cohen, 2006).

Many corporations cannot effectively control their travel policies due to the distortion of a corporation's travel policy guidelines by the business traveller. This distortion can create a corporate antagonism towards FFPs (Gilbert, 1996:580). The conflict of interest between the corporation and the traveller is described by Clements *et al.* (2009) as follows: FFPs exploit an *"agency relationship"* between the corporation who pays for the airline ticket and the employee who selects the airline and garners the FFP benefits. Business travellers are induced to select higher airfares and possibly even take unnecessary (or less convenient and / or lengthy) flights paid for by their employer with the view of acquiring a small personal benefit in the form of programme miles. Sequentially, this leads to employee time lost (Gilbert, 1996:580). According to corporate travel managers, the most exorbitant abuses of frequent flyer programmes are made by high-level executives (Arnesen *et al.*, 1997:54). Such a trend is frustrating for corporation travel managers who negotiate airline deals based on the consensus of delivering a bulk number of travel bookings with one or more airlines (Gilbert, 1996:580). It should be pointed out that the level of non-compliance with the travel policy due to the abuse of frequent flyer programmes may depend on the type of business traveller. Mason and Gray (1996:202) identified three types of business travellers namely the (1) schedule driven segment, (2) the corporate cog segment and (3) the informed budgeter segment. The corporate cogs are known as travellers who value frequent flyer programmes highly; this segment displays elements of self-interest which often conflicts with the interests of the corporation (Mason & Gray, 1996:202, 1999:846). For example, 54% of this segment considered price as the single most important product element for their corporation, while merely 5% of the segment considered it personally important. This segment predominantly looks for benefits that accrue to themselves, and display a lack of interest in matters that affect their corporation. Compared with the two other segments, they also have the least favourable opinion regarding their corporation's travel policy and seem to be less involved in the air purchase decision. Moreover, it is a market segment with a social classification[33] that is not as high as those in other segments. According to the results of Mason and Gray's (1996:202) study, members of

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[33] For instance refers to the income level

this segment tend to work for corporations that allocate the airline seat class depending on the traveller's corporate hierarchical level and would also be employed by bureaucratic, cost conscious corporations. Mason and Gray (1996:203-204) assert that such a corporate culture creates employees who look for areas within their work regime that benefit themselves, most likely at the cost of their corporation. Hence, the name 'corporate cogs' as they seem to act as cogs in the workings of their corporation.

As a result of these abuses, a significant proportion of corporate travel managers reported that FFPs had resulted in corporations having to pay higher fares than necessary as well as paying for unnecessary air travel (Clements *et al.*, 2009). According to Stephenson and Fox (1992), FFPs could cost a corporation an additional 7-9% of their total annual travel expenditure. This is supported by the results of Lubbe's (2003b:316-317) study where more than half (54%) of the corporations indicated the use of personal FFPs as a reason for non-compliance of the travel policy. Furthermore, an ITM buyer survey showed that 92% of respondents claimed that frequent flyer programmes caused non-compliance with the corporate travel policy (Cohen, 2006).

When low cost carriers emerged, their overriding aim was to cut out all "frills" that contributed to high airfares, and as such, LCCs originally did not offer FFPs. However as competition increased LCCs started to look at value-added services such as FFPs. This may be one of the reasons for the interest in low-cost air transport by business travellers.

3.4.5   Low-cost carriers and frequent flyer programmes

Traditionally, LCCs have been advertised as airlines without frills such as airport lounges, in-flight meals, or FFPs, all of which are normally associated with legacy airlines (Driver, 1999:137). The growing focus on business travellers and increased competition amongst LCCs has led LCCs to test new models, including forming alliances, operating long-haul routes, and offering more products and services. As such, some LCCs are reducing their "no frills" personalities and are adding amenities such as FFPs as they perceive them as a value-added service, aimed at attracting and stimulating re-patronage from price-sensitive business travellers (Klophaus, 2005:348-349, 352). There is one exception to this rule: Ryanair – regarded as the extremist amongst the LCCs, as it employs a rigorous cost

management policy (DailyMail, 2009). An example of an airline that endeavours to add some amenities is Valujet[34]. This airline introduced a frequent flyer programme in line with other LCCs on the basis of number of trips rather than miles flown (Driver, 1999:137).

In the United States, virtually all large LCCs now offer free travel benefits and, in Europe, the list of large LCCs includes ten that offer FFPs[35] (IdeaWorks, 2006:3). In South Africa, Kulula, one of the budget carriers in the market, was prompted by strong competition to introduce marketing initiatives such as 'kulula Moolah miles' (TIR, 2008:22). LCCs in Asia and the South Pacific offer the highest level of activity with FFPs[36] while less marketing activity has been shown in other regions of the world where the phenomenon of LCCs is in its infancy.

IdeaWorks (2006:3) has reported that LCCs that have added FFPs probably evaluated the "three Cs" of loyalty marketing, namely Change, Competition and Cash.

- Human behaviour is *changed* by points-earning programmes.

- *Competitors* already have FFPs, or may consider launching them.

- FFPs can generate substantial *cash*.

The FFPs offered by LCCs can be characterised as 'FFPs light' in distinguishing them from sophisticated programmes such as Lufthansa's Miles and More. The reason is the less complicated and cheaper structure that is used by LCCs (Klophaus, 2005:351) as depicted in Table 3.1 below. Table 3.1 compares the key features of the 'FFP classic' used by major airlines and 'FFP light' used by LCCs.

Table 3.1: Comparison of key features: 'FFP classic' versus 'FFP light'

Features	FFP classic	FFP light
Currency	Reward and status miles Calculated by the distance of the flight, class-of-service bonus, etc.	Credits 1 flight = 1 credit

[34] Valujet currently operates as AirTran Airways, after a series of safety problems and fatal crashes.
[35] Germanwings, Hapag-Lloyd & Virgin Express – to name but a few
[36] Air Sahara & Virgin Blue Airlines

Features	FFP classic	FFP light
Validity of miles or credits	3 years as standard expiry period among European network airlines	No expiry provided credits are earned or redeemed at least once within a specified time period (e.g., 3 years)
Reward choices	Many Value of reward generally increases non-linearly with the number of miles required	Free flights only Specific number of credits = 1 free flight
Status customers	Yes Attract business travellers	No To avoid multiple booking and handling processes
Partners	Many (airlines, hotels, car rentals, credit card companies, other)	Selected

Source: Klophaus (2005:352).

As depicted in Table 3.1, the length of validity of collected 'FFP light' miles may differentiate from the FFP classic miles because the smaller route networks of LCCs rarely allow connections to major airlines, and they are not integrated in airline alliances. Hence, LCCs may be unable to offer a reasonable set of options to garner and redeem miles or credits which is a feature that is valued by travellers. Therefore, LCCs may be better off not to opt for a short expiration period but rather offer expiration periods of three years (or no expiration period at all) while some legacy airlines limit the validity period to 12 months. The lack of partners and limited passenger numbers may be a reason why some LCCs do not offer FFPs yet (Klophaus, 2005:350-351). The use of FFPs by certain LCCs leads to the possibility that this airline business model has captured a greater interest from business travellers with regards to airline selection. On the other hand, the results of a study conducted by Evangelho *et al.* (2005:104) indicate that Brazilians who fly FSCs attach a greater degree of importance to the FFPs than those who travel low-cost.

3.5 A CONCEPTUAL MODEL OF CORPORATE AIRLINE SELECTION DETERMINANTS

A conceptual model of corporate airline selection determinants, as presented in Figure 3.6, draws together the literature survey and highlights what is to be tested in the empirical study.

Figure 3.6: A conceptual model of airline selection determinants used in the selection of a preferred airline by corporations
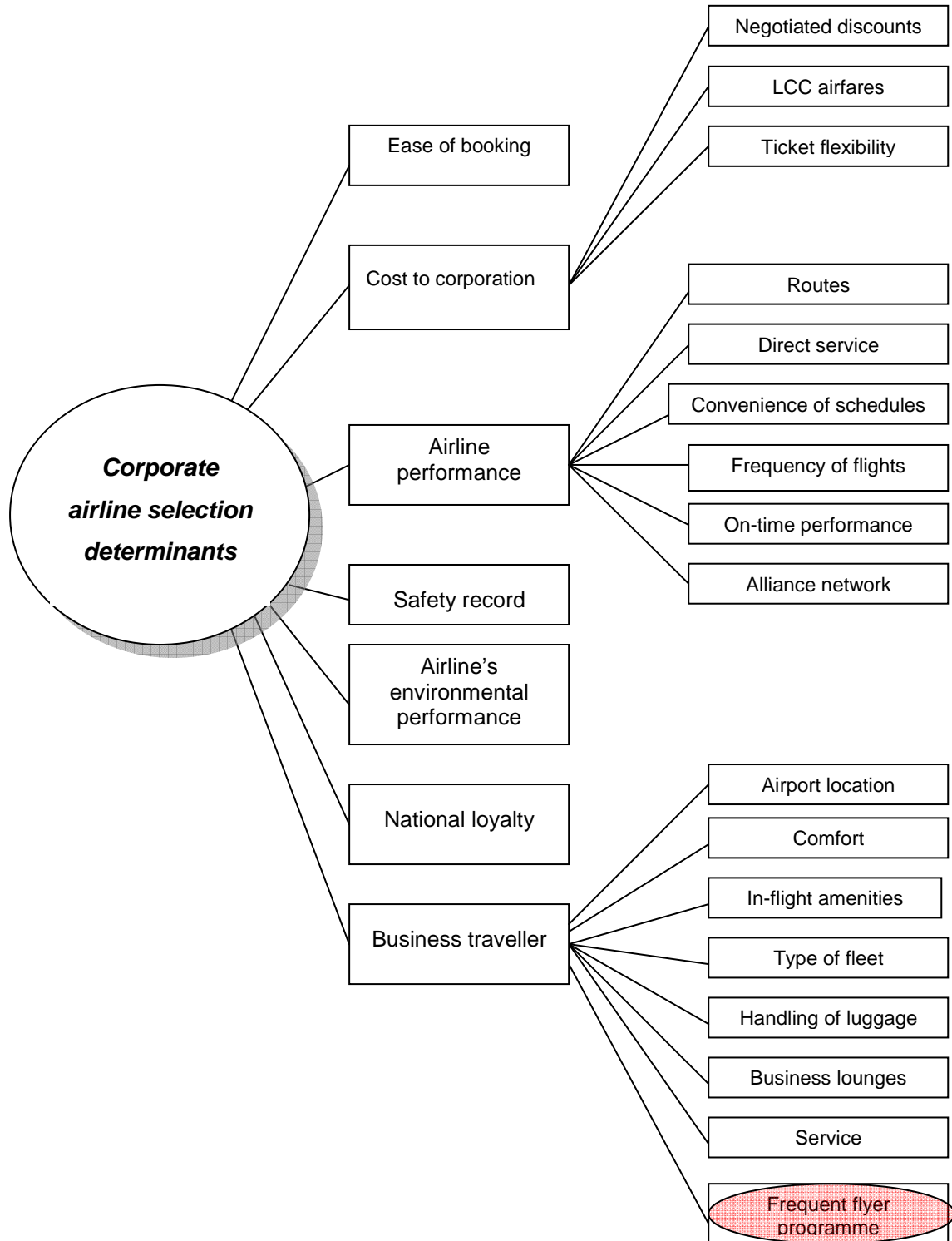
3.6 CONCLUSION

In order to ensure optimal cost savings in the travel management programme, corporate airline selection requires a tailored approach. A balance should be found between corporate airline deals and other available options; in particular lowest possible fares offered by low-cost airlines.

Airline negotiations are based on various selection criteria. The importance of each of these criteria is decided by two main streams of interest which are interrelated. The first main stream identified is criteria which support the *corporation's needs.* A second stream identified is criteria that are in the *corporate traveller's interest*. While the autonomy that corporate travel managers enjoy in the selection of a preferred airline has increased, as established by stricter travel policies, the needs of the corporate traveller should still be respected to ensure that they would not turn out to be counterproductive. While some airlines have recognised the need of corporations to derive benefits from frequent flyer programmes, the management of corporate frequent flyer programmes and the confiscation of business travellers' miles have proven to be difficult and complex. Frequent flyer programmes seem to be in conflict with the efficient and more in particular effective management to corporate air travel.

The discussion on corporate air travel buying both from a corporation and an airline's perspective has laid the foundation for the empirical research which aims to demonstrate the importance of all the corporate airline selection criteria identified in the literature survey. Also the increased use of low-cost airlines in South African corporate air travel management programmes will be investigated, and more particularly the relative importance of frequent flyer programmes in the selection of an airline of choice by large-sized corporations. The presentation of the empirical results is preceded by a discussion of the adopted methodology which follows in the next chapter.

CHAPTER 4: METHODOLOGY

4.1   INTRODUCTION

This section provides a description of the research design, beginning with the strategy of inquiry, and then continues with a classification of the study's overall research design. The sampling technique and size is discussed in some detail in order to explain the motivation behind the selected sample units and the limitations relating to sample size and the goal set. The data collection and statistical methods used to analyse the data are explained. Finally, the quality and rigour of the applied research methodology, as well as the research ethics are discussed.

4.2   DESCRIPTION OF INQUIRY STRATEGY AND BROAD RESEARCH DESIGN

4.2.1   Strategy of inquiry

The strategy of inquiry is known as the research methodology, research approach, research strategy or general research design. Strategies of inquiry (or methods of research approach) are often categorised as qualitative, quantitative, or mixed (Cooper & Schindler, 2006:244). The appropriate strategy of inquiry for this study is quantitative, which is a numbers-based research discipline. This is appropriate as the aim is to assess the behaviour of corporate travel managers when selecting a corporate-preferred airline. More specifically, it allows the researcher to statistically measure the extent to which each corporate airline selection determinant plays a role in the selection of a preferred airline. In other words, a quantitative research approach, using primary data, allows the researcher to measure trends in airline selection behaviour within the South African corporate environment.

Primary data can be obtained mainly through two techniques, namely observation and communication. Behaviour, conditions, events, people, or processes can be *observed* or can be *communicated* from people about various topics (Cooper & Schindler, 2006:244). The communication approach involves interviewing or surveying people and recording

their responses for analysis. In this study, data on corporate airline selection determinants and the role of low-cost airlines in airline selection was obtained from respondents through a *communication* technique. A highly structured survey, conducted without a human interviewer present and containing mostly closed-ended questions and a limited number of open-ended questions, was used to garner information.

Survey research is empirical in nature and aims at collecting primary data that is numeric. One of the aims of this survey was to observe a trend in corporate airline selection by large-sized corporations located in South Africa. Another purpose of the survey was to extrapolate comparable data across subsets of the chosen sample so that similarities and differences could be found. In this study, corporations with different levels (amounts) of total annual travel expenditure are used as a subset to extrapolate differences in selecting preferred suppliers that may occur, based on the travel expenditure of a corporation. The study is descriptive in nature and attempts to describe relationships between the variables studied. More specifically, it attempts to describe the relationships between FFPs and other elements that influence the selection of a preferred airline by large-sized South African corporations. Another relationship studied is the role of LCCs within corporate airline selection.

One of the great advantages of a survey is its versatile nature. By questioning individuals, abstract[37] information of all types can be gathered. As an electronic survey was used an expanded geographic coverage could be achieved cost-effectively and in a relatively short period of time. Another advantage of the survey method, recognised by Mouton (2001:153), is the potential to generalise to large populations if appropriate sampling has been implemented. If rich data is sought, surveys are not generally suitable since they generate a lack of depth which leads to criticisms of 'surface level' analysis. However, should it be necessary, surface level analysis could be largely overcome through the application of some open-ended questions that exhort respondents to elaborate on certain issues. In this study, a limited number of open-ended questions were used in order to obtain richer data regarding why FFPs are perceived as being important or unimportant in corporate airline selection. This data would provide some background information as to why FFPs are perceived as important or unimportant in the corporate airline selection

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[37] theoretical

process. Open-ended questions allow respondents to give answers in their own way, or their own 'voice'. Furthermore, survey data can be context and sample specific. In this study, the empirical data only pertains to the sampled large corporations based in South Africa.

4.2.2   A classification of the study's overall research design

The following are appropriate descriptors that best reflect the core characteristics of the empirical phase of the study:

- *Empirical research* – The study can be classified as an empirical study because primary data was garnered through a web-based questionnaire (Appendix B) and analysed via statistical methods.

- *Basic research* – The main purpose of this basic research was to understand processes and their outcomes, rather than directly solving a "real-life" organisational problem or to directly inform managerial decision-making (Saunders, Lewis & Thornhill, 2007:8; University of Pretoria, 2009:3). The purpose of basic research is to make a valuable contribution to the incremental expansion of academic knowledge on a particular topic, and is predominantly undertaken in universities with the key consumer being the academic community (Saunders *et al.*, 2007:592). This research was undertaken for academic purposes, purely to understand the importance of FFPs in the selection of a preferred airline by large-sized corporations in South Africa. The results will not directly inform managerial decision-making but may, to some extent, provide some insight into airline selection behaviour within a corporate South African environment.

- *Descriptive research* – "A study is descriptive if the research is aimed at finding out *who, what, where,* or *how much*" (Cooper & Schindler, 2006:141). This study pursued the aims of identifying the determinants that play a role in airline selection; determining the importance of FFPs in the selection process of a preferred airline by large-sized corporations in South Africa; and assessing the role that low cost carriers play in the selection of a preferred airline. Descriptive research usually involves the use of large-sample surveys resulting in quantitative data (Saunders *et al.*, 2007:138), which is also the case in this study (109 self-administered web-based questionnaires were gathered). Consequently, it involves the statistical analysis of

quantitative data (Leedy & Ormrod, 2005:179). A descriptive study cannot definitively test cause-effect relationships, hence that was not the aim of this study.

- *Cross-sectional research* – This study can be described as cross-sectional research because each participant was surveyed only once and the data collected represents a snap shot at one point in time, whereas longitudinal research occurs where repeated surveying happens over an extended period of time to track changes over time (Cooper & Schindler, 2006:141). The purpose of this study was not to track changes over time in corporate airline selection behaviour. A strategy often employed by cross-sectional studies is the survey strategy which was used in this study (Saunders *et al.*, 2007:246).

- *Primary data* – Primary (new) data, as collected in this study, is data which is garnered specifically for the research project being undertaken (Saunders *et al.*, 2007:246, 607).

- *Quantitative data* – Quantitative data refers to numerical data (Leedy & Ormrod, 2005:96). In general, quantitative research is used to answer questions about relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. In this study, the purpose is to explain the role of airline selection determinants (phenomena) in the selection of an airline of choice by large-sized corporations in a South African environment. This approach is also known as the *experimental, traditional* or *positivist* approach (Leedy & Ormrod, 2005:94). According to Leedy and Ormrod (2005:95), the purpose of quantitative research is to establish, confirm, or validate relationships, as well as to develop generalisations that contribute to theory. In this study, the purpose is to contribute to the theory on airline selection criteria by further investigating how corporations select preferred airlines and, more specifically, the role of frequent flyer programmes and low-cost carriers therein. The data collection technique that was used in this study was a web-based survey which generated numerical data.

Table 4.1 provides a summary of the broad research design followed, as suggested by Cooper and Schindler (2006:139). These descriptors are in addition to the overall research design presented above, so that as many variations as possible are considered.

Table 4.1: Descriptors of the research design

Descriptor	Option	Motivation
Degree of crystallisation	Formal study	The study was conducted as a formal study, because it started with a research question and involved precise procedures and data source specification (Cooper & Schindler, 2006:140). In this study, the empirical research was preceded by an overview of existent literature on the topic under discussion. The overview of the literature was concluded with the building of a conceptual model of determinants that could play a role in corporate airline selection.
Method of data collection	Communication study	The researcher questioned the respondents and collected their responses by impersonal means (questionnaire) (Cooper & Schindler, 2006:140).
Researcher control of variables	Ex post facto	The researcher had no control over the variables in the sense of being able to manipulate them and was only able to report on what the responses to set questions were (Cooper & Schindler, 2006:141).
Topical scope	Statistical study	This study was designed for breadth rather than depth. The study attempted to capture the traits of a population by making inferences from the characteristics of a sample (Cooper & Schindler, 2006:142).
Research environment	Field setting	The study occurred under actual environmental conditions, and not under manipulated conditions (Cooper & Schindler, 2006:142). Large-sized South African corporations represented this environment.

Source: Adapted from Cooper and Schindler (2006:139).

4.3   SAMPLING

4.3.1   Target population

Large-sized corporations located in South Africa served as the units of analysis, as the aim was to draw conclusions about decisions made by them on issues relating to determinants that impact the choice of a corporate preferred airline and the importance of FFPs and LCCs therein. Corporate travel managers, or the person responsible for the procurement of travel in a given company, were deemed suitably qualified and experienced in corporate travel management to provide relevant and valid answers to the questions in the survey. Their suitability was established based on the position they held and through the invitation letter which indicated that the questionnaire was addressed to the person responsible for the procurement of travel.

4.3.2   Sampling method

Since the research questions and objectives of this study did not require generalisations in terms of the characteristics of the population, but rather the opinions of suitably qualified respondents in organisations with corporate travel management expenditure, the use of a non-probability sampling technique was deemed appropriate (Mouton, 2001:153). Convenience sampling involves haphazardly selecting those cases that are easiest to obtain for the required sample, and is known as an unrestricted way of sampling (Cooper & Schindler, 2006:422). In non-probability sampling it cannot be guaranteed that each element of the population would be represented in the population. The sample was made up of corporations listed on the South African Airways' database of corporate clients which consisted of 50 large-sized corporations located in South Africa. Since this list was rather limited and insufficient to obtain an adequate number of responses (for analysis purposes), the convenience sampling process was continued by using the 2009 register of all listed JSE[38] (Johannesburg Stock Exchange) companies until a list of 400 corporations, representing potential respondents, was compiled. A list of 400 potential respondents was deemed essential as a low response rate was expected considering the target population was corporations (which are considered difficult to access). As the JSE list represents large-capital companies in South Africa, it was reasonable to assume that the majority had a travel budget in place. Convenience sampling also presented the most cost-effective and easiest way to conduct sampling technique (Cooper & Schindler, 2006:423).

4.3.3   Sample size

The population can never be reflected by the sample size, but the size of the sample should fit in with the study's requirements.

As the research questions and objectives of this study required statistical estimation, it was of vital importance to reach a minimum sample size. Considering the need to run a factor analysis (in order to answer certain research questions), a minimum of 100 responses had to be obtained. An appropriate sample size is important as it interacts with the level of

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[38]   The Johannesburg Stock Exchange lists more than 400 companies and has market capitalization of over $182 billion, making it the largest exchange in Africa and among the top ten largest in the world.

confidence in the data obtained. Stated differently, the larger the sample, the smaller the margin of error and the greater the estimate precision. For a factor analysis particularly, a correlation coefficient becomes an adequate estimator of the population correlation coefficient when sample sizes reach this level. In other words, the use of larger sample sizes tends to provide results so that sample factor loadings are more precise estimates of population loadings and are also more stable, or less variable, across repeated sampling. It is true to say that, up to a point, the margin of error due to sampling decreases as sample size increases. Furthermore, the use of a non-probability convenience sampling technique has had an impact on the required sample size. Taking into account all the above elements, a target of 100 responses was deemed reasonable and attainable. An appropriate sample size also ensured that sufficient data was available on the topic under discussion, otherwise no objective conclusion could be drawn from the empirical results. In total, 109 usable responses were collected.

The process of obtaining the minimum number and trying to increase the response rate is discussed under section 4.4.3.2. Once a realistic and workable sample was drawn from the population, attention moved to appropriate data collection methods in terms of survey research.

4.4   DATA COLLECTION

4.4.1   Data collection method

According to Saunders *et al.* (2007:356), an appropriate collection method for descriptive research is a questionnaire. As this study is descriptive in nature, a questionnaire was used as the survey instrument. Saunders *et al.* (2007:354) defined a questionnaire as, "a general term to include all techniques of data collection in which each person is asked to respond to the same set of questions in a pre-determined order." More specifically, an Internet mediated questionnaire was chosen as the data collection method as it provided an efficient way of collecting responses from a fairly large sample where each person was asked to respond to the same set of questions allowing for quantitative data analysis. An Internet mediated questionnaire was the most ideal option to reach such a substantial number of corporate travel managers in an effective and efficient manner in an acceptable

time frame. Furthermore, if worded correctly, questionnaires usually require less skill and sensitivity to administer than semi-structured or in-depth interviews (Saunders *et al.*, 2007:355). However, Saunders *et al.* (2007:355) cautioned that producing a questionnaire might be difficult. Therefore, it was ensured that the precise data, required to answer the study's research questions and achieve the objectives, was collected. This is of importance, as it is unlikely that the researcher will have more than one opportunity to collect the data.

Table 4.2 provides, as presented by Saunders *et al.* (2007:358), an overview of the main attributes of Internet-mediated questionnaires.

Table 4.2: Main attributes of Internet-mediated questionnaires

Attribute	Internet-mediated
Population's characteristics for which suitable	Computer-literature individuals who can be contacted by e-mail or the Internet
Confidence that right person has responded	High if using e-mail
Likelihood of contamination or distortion of respondent's answer	Low
Size of sample	Large, can be geographically dispersed
Likely response rate	Variable. 30% reasonable within organisations/via intranet, 11% or lower using Internet
Feasible length of questionnaire	Conflicting advice; however, fewer 'screens' probably better
Suitable types of questions	Closed questions but not too complex, complicated sequencing fine if uses IT, must be of interest to respondent
Time taken to complete collection	2-6 weeks from distribution (dependent on number of follow-ups)
Main financial resource implications	Web page design, although automated expert systems offered online and by software providers are reducing this dramatically
Role of the interviewer/field worker	None
Data input	Usually automated

Source: Saunders *et al.* (2007:358).

4.4.2   <u>Measurement</u>

The first area under investigation is the determinants used by corporations for selecting preferred airlines. The second, and the main goal of the study, is to measure the importance of FFPs in the selection of a preferred airline by large-sized corporations based in South Africa. The third area under investigation is the decision by corporations regarding the use of LCCs and their influence on airline selection. No intention existed to replicate or to compare the findings of the study with another study so a newly designed questionnaire was developed. Closed-ended questions were used. These question types are known as forced-choice questions and provide a number of alternative answers from which the respondent (i.e., corporate travel manager) is instructed to choose. As closed questions require minimal writing, this kind of question is usually faster and easier to answer and since the alternative answers have been predetermined, responses are easier to compare. The scale of measurement dictates the statistical procedures that can be used in processing the data (Leedy & Ormrod, 2005:25). Six types of closed ended questions have been identified by Saunders *et al.* (2007:368), namely category, list, ranking, quantity, grid, and rating. The four-point Likert-style rating scales were used to collect opinion data on the respondents' view of corporate airline selection determinants. In the Likert-style rating scale the respondent was requested to indicate how strongly he or she agreed with a statement related to the determinants that are used to select a preferred airline by a corporation (i.e., 'strongly disagree', 'disagree', 'agree', or 'strongly agree'). An 'I do not know option' was not included in order to force the respondent to provide a response. The respondents were also requested to indicate whether a certain type of frequent flyer reward is perceived as important or unimportant to the company (i.e., 'unimportant', 'not that important', 'important', or 'very important'). Since a series of statements were used throughout the questionnaire, the same order of response categories was kept to avoid confusing the respondents (Saunders *et al.*, 2007:372). Open-ended questions allow respondents to provide answers in their own manner and are generally considered to be time-consuming to code (Saunders *et al.*, 2007:368). However, as the length of the questionnaire permitted, use was made of a few open-ended questions to exhort respondents to provide more in-depth answers to a previous question. This was done, for instance, to find out why the respondent (i.e. person responsible for the procurement of corporate travel) found it important or unimportant to join a frequent flyer

programme in a corporate air travel procurement environment. In other words, some open-ended questions were utilised to provide the respondent with the opportunity to be more specific and detailed on the answers given. These type of questions also allowed the respondent to rate any additional corporate airline selection determinants or types of rewards should it not be listed in the original questionnaire.

4.4.3 Pre-testing

The aim of a pre-test is to refine the questionnaire so that respondents experience no problem in answering the questions. The questionnaire was pre-tested (pilot tested) to ensure that the population studied perceived the language and wording in the questionnaire correctly. The pre-test provided the researcher with some assessment of the validity of the questions and the likely reliability of the data that would be collected (Saunders *et al.*, 2007:386).

The pre-test questionnaire was sent to 10 corporate travel managers to test the face validity. Face validity indicates whether, at face value, the questions appear to be measuring what they are supposed to measure.

As a self-administered questionnaire was used in this study, it has been suggested by Bell in Saunders *et al.* (2007:387) to give the respondents of the pre-test an additional short questionnaire to obtain any further information about problems. The following question areas were included in the short questionnaire to identify possible problems:

- Whether the instructions were clear

- Which, if any, questions were unclear or ambiguous

- Which, if any, of the questions the respondent felt uneasy about answering

- Whether, in their opinion, there were any major topic omissions

- How long the questionnaire took to complete

- Whether the layout was clear and attractive

- Any other comments.

The only aspect of the questionnaire that was reconsidered was the order of the questions as it seemed that the long Likert-style rating scale already discouraged the respondents at an early stage from continuing to answer the questionnaire. For this reason, this question was placed more towards the end of the questionnaire.

4.4.3.1 *Advantages and disadvantages of a self-administered survey computer-delivered via Internet*

A quantitative, ex post facto, web-based questionnaire was developed on the application SurveyMonkey, which is an online survey software and questionnaire tool. The questionnaire was distributed via e-mail on the 17th of November 2009, aiming to reach the person responsible for the procurement of travel in each corporation. Since the web-based approach was adopted, general operating guidelines, or *netiquette* had to be observed (Saunders *et al.*, 2007:192, 390). What follows highlights how the study kept to the rules of netiquette, including those related to not sending junk e-mails. The e-mail invitation (Appendix C) served as a cover letter and included the link to the web-based questionnaire, the content of which was carefully considered. The cover letter indicated how long the questionnaire would take to complete and highlighted the closing date for responses which was 9th of February 2010 (the festive season was taken into account). While deadline dates do not increase response rates they do encourage participants to respond sooner. According to Saunders *et al.* (2007:358), two to six weeks time should be allowed in order to complete the data collection process. In this study, the respondents were given seven weeks to complete the web-based questionnaire from the date of distribution. The questionnaire can be considered a self-administered questionnaire to be completed by the corporate travel managers (respondents). SurveyMonkey's system ensured that a data file was generated saving data automatically as a respondent completed the questionnaire. Furthermore, the web-based software prevented multiple responses from the same respondent (Surveymonkey, 2008), while ensuring that their responses remained anonymous.

Table 4.3 summarises the advantages and disadvantages of a self-administered survey computer-delivered via the Internet.

Table 4.3: Advantages and disadvantages of a self-administered survey computer-delivered via Internet

Advantages	Disadvantages
Allows contact with otherwise inaccessible participants	Low response rate in some modes
Incentives may be used to increase response rate	Anxiety among some participants
Often lowest cost option	Directions/software instruction needed for progression through the instrument
Fast access to the computer-literate	Computer security
Visuals may be used	Accurate mailing lists required

<u>Source</u> Cooper & Schindler (2006:253).

Anxiety among participants was kept to a minimum as the purpose of the study was carefully explained in the invitation e-mail as well as in the web-based informed consent form. Furthermore, it was explicitly mentioned in the informed consent form that the responses would remain anonymous and that all answers would be treated as strictly confidential. Instructions were carefully given at the beginning of every question to ensure that respondents could easily progress through the web-based questionnaire. As suggested by Saunders *et al.* (2007:390), e-mail attachments were avoided as these could contain viruses. Therefore, the letter of informed consent (Appendix D) providing information on the study was included on the first page of the web-based questionnaire instead of as a letter attached to the e-mail. This sort of initiative was taken to ensure the computer security of the respondents. Fifty accurate mailing addresses were obtained from South African Airways which represented their corporate client database. The remaining corporate travel managers' mailing addresses were obtained through contacting the corporations directly, via their general e-mail address or telephonically, requesting the contact details of the corporation's travel manager. Those corporations from which no reply was received, were requested to direct the invitation e-mail to the appropriate person to allow them to partake in the survey. As highlighted in Table 4.3, one of the biggest disadvantages of web-based questionnaires is the low expected response rate. The following section discusses the measures that were taken to overcome this disadvantage.

4.4.3.2   *Increasing the response rate*

A total number of 109 responses were received. One of the drawbacks of questionnaires is the low response rate, particularly internet-mediated questionnaires which have a likely response rate of 11% or less (Saunders *et al.,* 2007:358). In an attempt to overcome this obstacle, some guidelines were applied, as suggested by Saunders *et al.* (2007:390). A well-designed questionnaire was created as the design and the structure could affect the response rate. To begin with, much attention was given to the cover letter sent via e-mail which was personalised by addressing the letter to each individual by name. The letter of informed consent (Appendix D) providing information on the study was included on the first page of the web-based questionnaire instead of as a letter attached to the e-mail.

In the design of the actual questionnaire, a number of aspects were taken into account. First, the order and the flow of the questions were considered. As suggested by Saunders *et al.* (2007:379), questions that were clearly relevant to the stated purpose of the questionnaire were placed at the inception of the survey. Moreover, questions were grouped into obvious sections that made sense to the respondent by starting each section on a new page:

1.   Letter of informed consent
2.   Questions related to the importance of FFPs in corporate airline selection
3.   Questions to rate the importance of determinants that may play a role in the selection process for domestic and international business travel
4.   Questions with reference to the corporate air travel policy
5.   Questions related to the use of LCCs for business travel purposes

Thus, the web-based questionnaire consisted of five pages. More complex questions, such as rating scales, were purposefully placed towards the middle of the questionnaire, as by this stage most respondents should have been able to answer the survey with confidence, and would not yet have become bored or tired. Sociological-demographic questions can be considered as classification questions. They cover variables that allow participants' answers to be grouped so that patterns are revealed and can be studied. Cooper and Schindler (2006:363) argue that demographic questions should appear at the end of a survey (except for those used as screens or filters, in other words questions that determine

whether a participant has the necessary level of knowledge to participate). Demographic questions posed at the beginning of a questionnaire may discourage participants, as they can refuse to answer specific questions, promoting early discontinuation of participation. The reason is that demographic questions are generally considered as sensitive to the respondent. The survey contained one demographic question related to the total annual travel expenditure of the surveyed corporations. Since the question on travel expenditure could have been regarded by the participant as a sensitive question, the question was posed at the end of the questionnaire.

Secondly, the layout is important, as respondents may be encouraged to complete a questionnaire through an attractive layout (Saunders *et al.*, 2007:380). Therefore, style templates for type fonts, colours and page layout provided by SurveyMonkey were used to produce a professional-looking questionnaire. At the top of the web-based questionnaire the logos of South African Airways and the University of Pretoria were displayed. South African Airways' cooperation in the study was also highlighted in the cover letter. The logo of South African Airways should have encouraged corporate travel managers who are corporate clients of South African Airways to respond to the questionnaire, since they already have a trusted relationship with this airline. Also related to the layout of the survey, is the length. According to deVaus, in Saunders *et al.* (2007:380), a widespread view exists that longer questionnaires reduce response rates relative to shorter questionnaires, therefore the questionnaire was kept as brief as possible.

With regard to the timing of sending out the questionnaire, the e-mail was sent to the recipients when they were likely to be receptive. As suggested by Saunders *et al.* (2007:390) and SurveyMonkey (2008), one should avoid sending the questionnaire on a Friday, Saturday or Sunday when the audience is that of working professionals, as is the case with corporate travel managers. Mondays should also be avoided as many respondents have to start their week, get up to date with their e-mails and clean out their in-boxes. It has also been pointed out by Saunders *et al.* (2007:390) that a day surrounding a major public holiday such as Christmas has proven to be a poor time for distributing a questionnaire. Therefore, the questionnaire was distributed on Tuesday 27th of November 2009, well before the festive season.

A first follow-up e-mail was sent one week after distributing the initial questionnaire. The reminder email thanked early respondents and reminded recipients to complete the questionnaire, as suggested by Leedy and Ormrod (2005:194-195) and Saunders *et al.* (2007:390). A second reminder was sent to people who had not replied after two weeks. This reminder included a reworded covering letter (Appendix E) further emphasising the importance of completing the survey as well as the benefits the respondents may gain indirectly. Each reminder included a link to the questionnaire in the event the original e-mail may not have been saved by the recipient. A third reminder was used as time allowed it and, in particular, because of the low response rate after the first two reminders. The time of distribution and the potential threat that existed that the survey could be reported as spam – because of the link that was included in the invitation e-mail - may justify the low response at the early stages of data collection. Finally, telephone calls were made to exhort non-respondents to complete the questionnaire. These repeated efforts resulted in a response of 118 questionnaires, with 9 being incomplete (and so unusable), which represents a response rate of 27%.

4.5   DATA ANALYSIS

4.5.1   Preparing and inputting data

Following the capturing of the data, the output file was converted to Excel Spreadsheets. Thereafter data was coded, an important step in preparing and inputting data for statistical analysis. Closed-ended questions as well as open-ended questions were coded in order to categorise responses which allowed a quantification of the responses. This allowed for a graphical representation of the results, presented in chapter five. Besides the coding of closed- and open-ended questions, a *missing data* code was used in the statistical computer package, SAS, to indicate why data is missing. Also time was spent on detecting and correcting errors.

The measuring instrument that was designed for the study produced quantitative data. Data had to be processed and analysed to make the raw quantitative data more meaningful. The process used in this study consisted of different techniques including frequency analysis, measures of central tendency and dispersion, cross-tabulation, and

factor analysis. The analysis of the data was performed with the assistance of the Department of Statistics at the University of Pretoria, who advised on the various techniques, taking into consideration the nature of the data collected and relevant, particular limitations. The techniques used in this study are described comprehensively, following guidelines from two main literature sources: Cooper and Schindler (2006) as well as Saunders *et al.* (2007).

4.5.2   **Frequency analysis**

A simple device adopted for arraying data is a frequency table. A frequency table arrays data by assigned numerical value, with columns for percentages; percentages adjusted for missing values; and cumulative percentages (Cooper & Schindler, 2006:374; Saunders *et al.*, 2007:423). A frequency distribution is the simplest way of summarising data for individual variables so that specific values can be read (Saunders *et al.*, 2007:423). This technique provided data on the ranking of airlines as preferred suppliers by large-sized corporations in South Africa. It further provided an indication of the role of frequent flyer programmes and LCCs within corporate airline selection. Also, the influence that frequent flyer programmes have on business travellers' non-compliance with the travel policy could be highlighted.

4.5.3   **Measures of central tendency and dispersion**

Measures of central tendency such as the mode, the median, and the mean are important to determine the level of importance of each determinant in the choice of a corporate preferred airline. The mean is the average score, the mode is the value that occurs most frequently and the median is the middle value after the data has been ranked (Saunders *et al.*, 2007:437). The average score given to each corporate airline selection determinant allowed a ranking of the determinants.

Measures of dispersion or variability indicate the degree to which the scores are spread out. The standard deviation describes the extent to which data values differ from the mean. The range states the difference between the largest and lowest scores from a

distribution of values. The variance is the square of the standard deviation (Saunders *et al.*, 2007:437-439).

4.5.4   Cross-tabulation

A first step for identifying relationships between variables is cross-tabulation. This technique is used for comparing data from two or more categorical variables such as the annual travel expenditure of a corporation and the importance of LCC airfares. Cross-tabulation uses tables having rows and columns that correspond to the levels or code values of each variable's categories. Each cell contains a count of the cases of the joint classification and also the row, columns and total percentages (Cooper & Schindler, 2006:482-483). Chi-square tests can determine how closely observed frequencies or probabilities match expected frequencies or probabilities (Saunders *et al.*, 2007:444). By means of chi-square tests, six cross-tabulations proved to be statistically significant; these will be shown in the next chapter. Only the cross-tabulations proven to be statistically significant are presented in chapter five.

4.5.5   Factor Analysis

The purpose of factor analysis is to examine the correlations among a number of variables and identify clusters of highly interrelated variables that reflect underlying themes or *factors* within the data (Leedy & Ormrod, 2005:274). Cooper and Schindler (2006:592) explain that the main goals of the factor analysis are data reduction, detecting patterns in latent variables, and discovering new concepts (Cooper & Schindler, 2006:592). The identified groupings of determinants (factors) driving corporate airline selection will provide an indication of the extent to which the corporation and the business traveller have autonomy in the selection of a corporate preferred airline. Furthermore, it will provide more detailed information regarding factors that are important to each of these stakeholders, when considering a corporate airline of choice. Thus, the technique allows a grouping of airline determinants that, as a group, may influence the selection of preferred airlines. Also perhaps it could be suggested that where FFPs belong to a certain grouping of other determinants (factors), the group of determinants may be more influential than the single determinants. Two types of factor analysis exist: exploratory and confirmatory. Since there

was no prior theory related to the study's topic, and factor loadings were used to intuit the factor structure of the data, exploratory factor analysis was the most appropriate analysis technique for this study. Stated differently, the factor loadings of each of the airline selection determinants will determine under which factor they can be classified. There is no way to calculate the meanings of a factor. In actual fact, the interpretation of a factor loading is a subjective determination of the researcher and, therefore, a factor analysis is largely used for exploration.

Interpreting unrotated factor loadings[39] is difficult and they are usually not informative. The reason is that estimated loadings from a factor analysis model can give a large weight on several factors for some of the measured variables, making it difficult to interpret what those factors represent. One way to obtain more interpretable results is to *rotate* the solution. The goal of rotation is to obtain a simpler factor loading pattern that is easier to interpret than the original factor pattern. It is important to find some pattern in which factor one would be heavily loaded on some variables (certain airline selection determinants) and factor two on determinants. Two different types of rotation exist; orthogonal and oblique rotation. When the factors are intentionally rotated to result in no correlation between the factors in the final solution, this procedure is termed orthogonal. Instead, an oblique rotation (non-orthogonal) was done in order to reveal the degree of correlation that existed naturally as it produces a better estimate of the true factors and a better simple structure than an orthogonal rotation (Cooper & Schindler, 2006:592).

Next follows a discussion of the techniques used to demonstrate the reliability and validity of the study. Sources of possible bias or errors are discussed.

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[39] Unrotated factors successively define the most general patterns of relationship in the data. Not so with the rotated factors. They delineate the distinct clusters of relationships.

4.6 ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR OF THE RESEARCH DESIGN

4.6.1 <u>Bias and errors</u>

Bias has been defined by Leedy and Ormrod (2005:208) as any influence or condition that may distort data and, unfortunately, all communication research has some error. The main sources of errors that have been cited by Mouton (2001:153) are questionnaire errors, sampling errors, high non-response, respondent effects, data capturing error, and inappropriate selection of statistical techniques. Observation studies have a low level of control, while surveys have a medium level of control, meaning that the responses can be manipulated to a certain extent through the use of certain questions that 'steer' the research. While non-probability convenience sampling is widely used, Saunders *et al.* (2007:234) state that this sampling technique is prone to bias and errors that are beyond the control of the researcher. This is due to the cases that appear in the sample merely because of the ease of obtaining them. Both reliability and validity, discussed below, reflect the degree to which errors may occur in the measurements (Leedy & Ormrod, 2005:29).

4.6.2 <u>Validity</u>

Leedy and Ormrod (2005:28) define validity as the extent to which the instrument measures what it is supposed to measure. According to Cooper and Schindler (2006:318), two major forms of validity exist: external and internal validity. External validity is the extent to which the inferences drawn can be generalised to other contexts (Leedy & Ormrod, 2005:99). No inferences can be generalised to the wider population as no random sampling was adopted. Some trends, however, might be shown. With respect to internal validity, this study has been evaluated in terms of content validity. Content validity refers to the extent to which the measurement device - the questionnaire's measurement questions – provides sufficient coverage of the investigative questions (Cooper & Schindler, 2006:318-319; Saunders *et al.*, 2007:366). To ensure content validity, the questionnaire was specifically developed using established theory and careful definition of the research problem. Content validity was also tested through prior discussion with the supervisor and

co-supervisor of the researcher, and also Ms. Allie, the Senior Manager of Product Development at South African Airways. Finally, content validity was tested through the conducting of the pre-test of the questionnaire. With the assistance of the aforementioned persons it could be assessed whether each measurement question in the questionnaire was 'essential', 'useful but not essential', or 'not necessary'. As discussed in section 4.4.3.2, much attention was paid to the design of the questions, the structure of the questionnaire, and the rigour of the pre-test. Clear wording of questions using terms that are likely to be familiar and understood by respondents was used. Foddy (in Saunders *et al.*, 2007:366) emphasises that, "the question must be understood by the respondent in the way intended by the researcher and the answer given by the respondent must be understood by the researcher the way intended by the respondent."

4.6.3 <u>Reliability</u>

A measure is reliable to the degree that it provides consistent results. Phrased differently, reliability is concerned with the precision and accuracy of a measurement procedure. Reliability is not considered an adequate condition for validity but it is a necessary contributor to validity (Cooper & Schindler, 2006:318, 321). Cooper and Schindler (2006:321) are of the opinion that reliability is less valuable than validity but is considered much easier to assess. The sampling method, namely convenience sampling, used in this study, provides the least reliable design (Cooper & Schindler, 2006:423). In this study, internet-mediated questionnaires were used in order to make sure that the appropriate person (i.e., corporate travel manager) answered the questions. According to Saunders *et al.* (2007:357), internet-mediated questionnaires offer great control because most users read and respond to their own e-mail at their personal computer. However, since the JSE list of corporations did not provide the e-mail address of the corporate travel manager, e-mails had to be sent to the secretary of the corporation who, thereafter, had to route the e-mail to the appropriate participant. Because of this, the possibility existed that the manager's assistant or someone else could complete the questionnaire. However, to overcome this obstacle, a request via e-mail was sent to the secretaries of all the sampled corporations to route the e-mail to the person in charge of the procurement of travel in their company. Unfortunately, it could not be verified whether they attended to this request.

In terms of the measurement instrument, reliability was achieved through proper questionnaire construction allowing respondents to understand the question as it was intended. Respondents to self-administered questionnaires are unlikely to answer questions to please the researcher or because it is believed that certain responses are more socially desirable, especially when the respondents have the assurance of anonymity and individual responses remain confidential. Internal consistency was measured using the Cronbach's alpha. Internal consistency is a measure based on the correlations between different items on the same test. It measures whether several items that propose to measure the same general construct produce similar scores. A commonly-accepted rule of thumb is that an alpha of 0.6-0.7 indicates acceptable reliability, and 0.8 or higher indicates good reliability. The Cronbach's alpha values for the measurement instrument indicated an acceptable match among variables within one factor, whereas some other values indicated a good match. The Cronbach's alpha scores are presented under section 5.3.

Ethical problems are often faced by researchers with regard to consent, access and privacy (Saunders *et al.*, 2007:178). These issues are discussed in the next section.

4.7   RESEARCH ETHICS

Saunders *et al.* (2007:178) defined research ethics as issues relating to the formulation of a research topic; research design; access to respondents; collecting and analysing the data; and the reporting of the research findings in a moral and responsible manner. Access and ethics are considered critical aspects for conducting research (Saunders *et al.*, 2007:195). For this study, ethical considerations included gaining permission from South African Airways to distribute the questionnaire to its corporate clients, the informed consent from a survey respondent, an ethical approach to data collection, data analysis, and reporting of the results.

Saunders *et al.* (2007:178) discuss the issue of access to respondents in terms of permission from the corporation to be studied, relationship with the gatekeeper and pressure to participate on an individual level. For this study, permission was granted by South African Airways to use their list of top-50 corporate clients (Appendix F contains the

letter of permission). Respondents needed to be given the opportunity to respond without any coercion or pressure placed on them and, therefore, they were required to give their informed consent before completing the questionnaire. Since the participants completed a web-based questionnaire the informed consent form was adapted to suit this format. The respondents had the option to either agree or disagree with a disclaimer at the start of the online questionnaire. The respondents had to indicate whether the informed consent form was read and understood, and whether they were aware of their rights with regard to the research. They also agreed that the information recorded would be used for academic purposes and acknowledged that they were under no obligation to participate in the study. The online consent form is enclosed as Appendix D.

In terms of the reporting of the results, ethical considerations encompass confidentiality and selectivity when analysing data. As recommended by Saunders *et al.* (2007:192), objectivity was maintained during the analysis stage to ensure that the data collected was not misrepresented. To ensure an honest representation of the obtained data all complete responses were used during the analysis of the data. Furthermore, no reference was made to individuals or corporations when reporting on the findings.

The Research Ethics Committee of the Faculty of Economic and Management Sciences at the University of Pretoria, evaluated the ethical standard of this research study and granted permission for the research to be conducted. The letter which provides ethical clearance by the Faculty of Economic and Management Sciences' Research Ethics Committee is enclosed as Appendix G.

4.8 CONCLUSION

This chapter discussed the research methodology of the study. Attention was given to the research process itself which can be classified as a quantitative approach. A non-probability sampling technique, namely convenience sampling, was used in this study to achieve the desired objectives and answer the research questions. A web-based questionnaire served as the study's survey instrument, which was sent to the target population: those employees responsible for the procurement of travel in large-sized corporations in South Africa. Since it is so deeply rooted in numbers and statistics,

quantitative research has the ability to effectively translate data into easily quantifiable charts and graphs. These will be presented in the following chapter.

CHAPTER 5: FINDINGS

5.1 INTRODUCTION

After a discussion on the methodology used, this chapter presents the findings from the empirical research.

The chapter begins by presenting the descriptive statistics or frequencies in the order in which the questionnaire was structured. This provides an indication of the relative importance of a frequent flyer programme (FFP) as a determinant in the selection of a corporate preferred airline. Certain cross tabulations were done to establish relationships between variables. For the sake of brevity, only the results that proved significant according to the Chi-square test are presented. These results address the objectives that relate to the influence of FFPs in traveller non-compliance with the travel policy and the move towards LCCs as a preferred choice for corporate travel. Finally, the results from the factor analysis are presented, showing the different streams (underlying factors) driving the selection of an airline of choice. While the objective to clarify the relationship between the airline, the corporation, its corporate travellers and the Travel Management Company was addressed in the literature survey, the results of the factor analysis also provide clarification in this regard.

5.2 DESCRIPTIVE STATISTICS

The questionnaire was successfully sent to the e-mail addresses of 400 corporations based in South Africa. One hundred and eighteen responses were received, with 9 being incomplete (and so unusable), which represents a response rate of 27%. This response rate is considered acceptable, considering that the survey was addressed to corporations. The results are based on 109 self-administered web-based questionnaires (n=109[40]). Corporate travel managers served as the sources of data (i.e., sampling units), while inferences were drawn from the corporations for which they work (i.e., units of analysis).

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[40] The number of values in the set of data

All the relevant data obtained from the questionnaire, sent out to the corporate travel managers, is included and discussed in this chapter.

In order to provide a graphical representation of the data, information from frequency tables was presented with the aid of pie charts and bar graphs. A pie chart is divided into proportional segments according to the share each value has of the total value (Saunders *et al.*, 2007:427). In a bar chart, the heights or length of each bar represents the frequency of occurrence (Saunders *et al.*, 2007:423). A multiple bar chart (also known as a *compound bar chart*) allows easy comparison between adjacent bars. This sort of graph was used for Question Eight in order to compare the level of importance for each airline selection determinant between international and domestic business travel (Saunders *et al.*, 2007:430). Open-ended questions were coded in order to categorise responses. This allowed a quantification of the open-ended responses. Consequently, a graphical representation of the open-ended results could be provided.

The results presented coincide with the sections as organised in the web-based questionnaire. The questionnaire was organised as follows: the first page related to the informed consent; whether the company engages in negotiations (Question 1) with a particular airline; and inquired about the preferred airline(s) in question (Question 2). The second section dealt specifically with the matter of FFPs in corporate airline selection (Questions 3 to 11). The third page of the questionnaire allowed the respondents to rate each determinant that may play a role in corporate airline selection in terms of level of importance (Question 8.1 to 8.22). This question was subdivided into domestic and international air travel. The fourth page dealt with the issue of non-compliance with the travel policy due to the abuse of FFPs by employees (Questions 9 to 11). The last and fifth page assessed matters concerning the popularity of low-cost airlines amongst corporations (Questions 12 to 14). This page also contained a demographic question, which pertained to the total annual travel expenditure of the corporations (Question 15). The questionnaire's results will be presented in the same order as presented above.

Corporations and preferred airlines

Question 1:	*Do you engage in negotiations to select a preferred airline?*

As shown in Figure 5.1 below, the majority (74%) of 109 corporate travel managers indicated that the corporation with whom they are employed does engage in some form in negotiations in selecting a preferred airline. The remaining 26% declared not to do so.

Figure 5.1: Percentage of corporations that engage in negotiations to select a preferred airline (n=109)
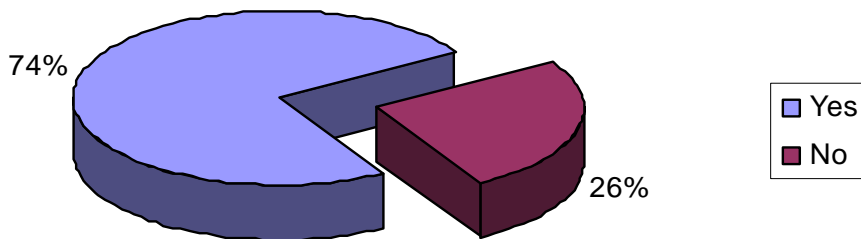
Cross tabulation was used for comparing the size of the corporation (i.e., total annual travel expenditure) with whether they engage in negotiations to select a preferred airline. While Figure 5.2 provides a graphic representation of the results attained, the original statistical results are portrayed in Table 5.1. From the cross tabulation (as shown in Figure 5.2), it could be derived that the higher the annual travel expenditure of the corporation, the more likely the corporation is to engage in negotiations with a preferred airline.

The converse is true for corporations with lower annual travel expenditure. These corporations are less inclined to engage in negotiations with the airlines. This supports the proposition that corporations with greater annual travel expenditure tend to negotiate with suppliers compared to corporations with lower annual travel expenditure.

Table 5.1: Original statistical results of cross-tabulation

Annual travel expenditure of the company	Do you engage in negotiations to select a corporate preferred airline?				
	No	**Yes**	**Total**		
< R3 million	14	12	26		Frequency
	6,6789	19,321			Expected
	12,84	11,01	23,85		Percent
	53,85	**46,15**			Row percent
	50	14,81			Column percent
R3 - R50 million	13	45	58		
	14,899	43,101			
	11,93	41,28	53,21		
	22,41	**77,59**			
	46,43	55,56			
> R50 million	1	24	25		
	6,422	18,578			
	0,92	22,02	22,94		
	4	**96**			
	3,57	29,63			
Total	28	81	109		
	25,69	74,31	100		

Figure 5.2: Cross tabulation of corporate engagement to select a preferred airline with total annual travel expenditure
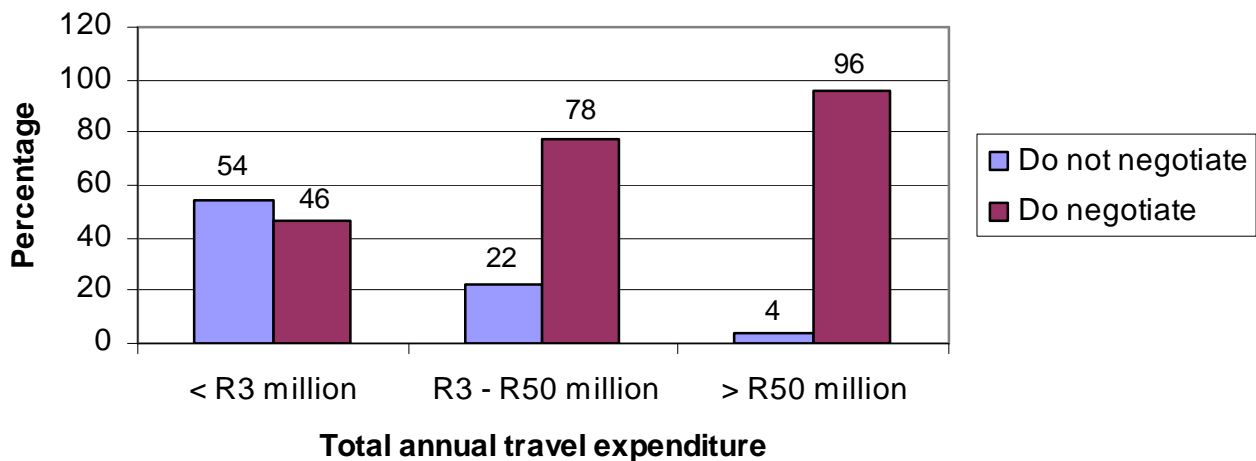
A Chi-square test established that the test statistics for the two variables presented in Figure 5.2 have a p-value of less than 0.0002[41], meaning that they are deemed statistically significant. A significant relationship between the two variables exists.

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[41] If it is ≤ 0.05 the sample results are deemed statistically significant. The lower the value, the stronger the significance.

Question 2:	*Which airline(s) is your corporation's preferred airline(s)?*

With no distinction made between domestic and international travel, as depicted in Figure 5.3 below, South African Airways was mentioned most frequently (26%) by corporations as the preferred airline, followed by British Airways (17%). The third most frequently mentioned airline mentioned as a preferred supplier by corporate travel managers, was Kulula (10%). Other airlines also mentioned were: Singapore Airlines, SA Airlink, Qatar Airways, American Airways, United Airways, Etihad, Iberia and Qantas. One corporate travel manager mentioned "members of the Skyteam Alliance" as preferred airline.

Figure 5.3: Corporation's preferred airline(s) (n=100)
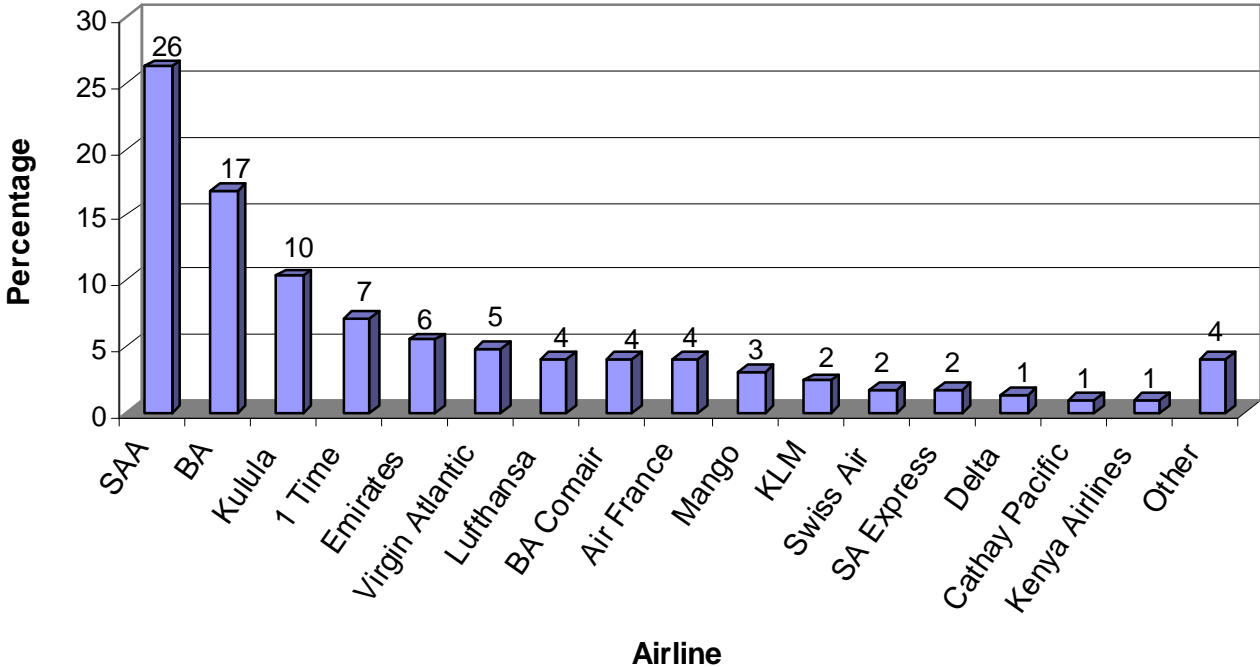
In identifying the number of preferred airlines amongst corporations in South Africa, it could be established that "one preferred airline" was the most frequent (36%) answer provided. It also appears to be common for corporations in South Africa to have two (18%) or three (18%) preferred airlines. The remaining 25% of respondents indicated that they have four or more preferred airlines, as depicted in Figure 5.4 below. The number of respondents for this question is lower than the previous one as nine respondents left this question blank. The following reasons were provided by these nine respondents for not mentioning their preferred airline. Firstly, corporate travel managers were reluctant to provide this information as they regarded such information as confidential. Secondly, it

was stated that the selection of an airline depends on the travel requirement. Thirdly, it was reported that this simply depends on which airline offers the best airfare at the time of booking. This suggests that respondents attach different meanings to the term 'preferred airline'.

Figure 5.4: Number of preferred airline(s) (n=100)
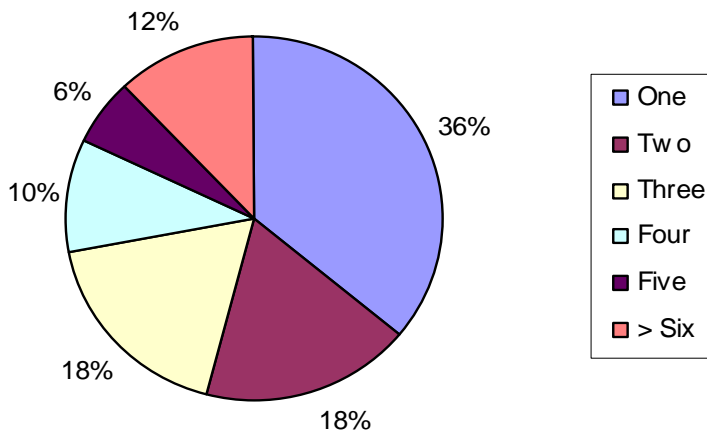
Importance of frequent flyer programmes in corporate airline selection

Question 3:	*Is it important for your corporation to join a frequent flyer programme?*

As shown in Figure 5.5 below, more than half (57%) of the corporations (as represented by the corporate travel manager) indicated that it is not important for their corporation to join a FFP. A considerable 42% claimed the opposite, while a further 1% did not offer an opinion in this regard.

Figure 5.5: Importance of joining a frequent flyer programme for corporations (n=109)
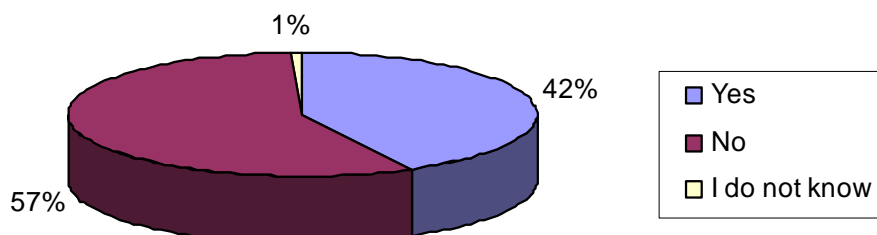
Question 4:	*Why do you think it is important or unimportant to join a FFP?*

Respondents were further asked to provide an explanation for their answer to the previous question (Question 3). Cross tabulation was used to identify a relationship between the importance corporations attach to joining a FFP and the reasons supplied for a corporation joining a FFP. Almost equal numbers of respondents reported benefits to the company and traveller incentives as the reasons why it is important for corporations to join a FFP. Reasons mentioned for why it is considered unimportant for corporations to join a FFP are that: they are difficult to administer; it merely benefits the traveller and not the company; they are difficult to control in terms of cost containment. The results were obtained through the use of an open-ended question. These results were coded in order to categorise responses which allowed a quantification of the responses. A Chi-square test established that the test statistics for the two variables have a p-value of less than 0.0001, meaning that a significant relationship between the two variables exists. Out of the 109 respondents, 17 respondents left this question blank which resulted in missing values.

As depicted in Figure 5.6 below, a result that was revealed is the following: of the 42% respondents who claimed it is important, half indicated that FFPs are considered an incentive for their employees (e.g., access to lounges, seat preference, use of miles for personal use) for travelling on business. Forty five percent of respondents believed that joining a FFP benefits the company in some manner. A remaining 5% quoted (verbatim) the following reasons for FFPs being an important/unimportant determinant:

- FFPs are perceived as "flim-flam."
- Travelling with most ease and convenience is considered more important than FFPs.
- FFPs are for individuals and will not dictate the company's strategy for supplier selection.
- Not strategic versus good costing.
- It is a by-product rather than a reason for choosing a supplier.

Figure 5.6: Reasons why a FFP is *important* in corporate airline selection (n=48)
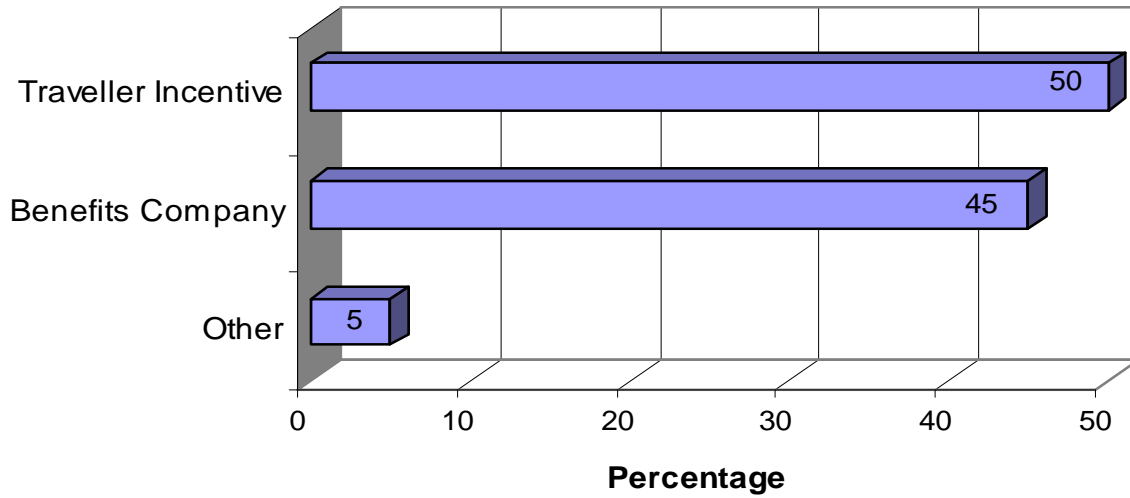
As depicted in Figure 5.7, of the 57% of corporate travel managers (representing corporations) who were of the opinion that it is unimportant to join FFPs, more than half felt that FFPs solely benefit the business traveller. Another 39% claimed that it is an unimportant determinant in airline selection, as this sort of marketing initiative is in conflict with the corporation's endeavour of cost containment. A further 9% indicated that it is regarded an unimportant element in the selection of an airline as it would be too difficult to administer.

Figure 5.7: Reasons why a FFP is *unimportant* in corporate airline selection (n=44)
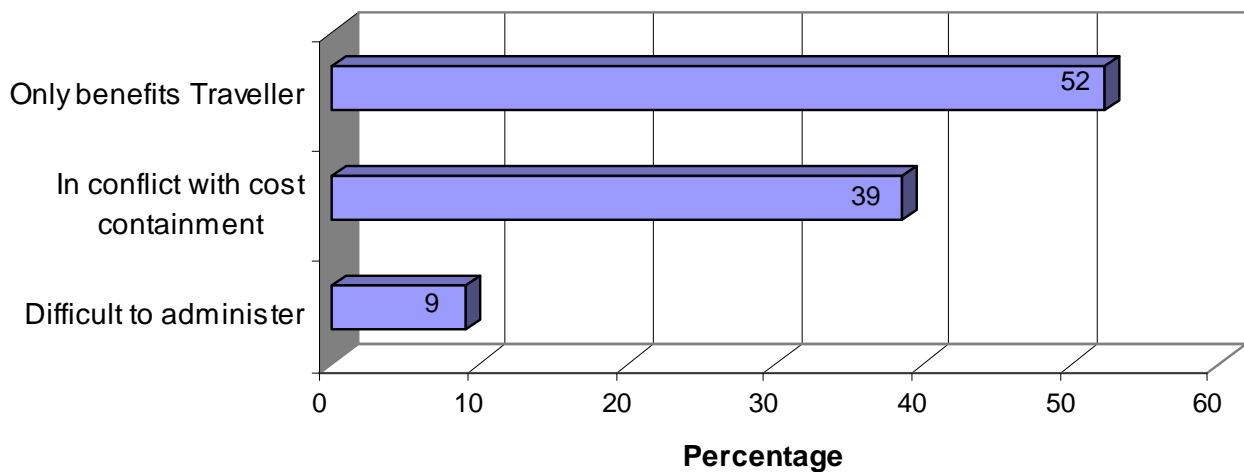
Question 5:	*Please indicate to whom the frequent flyer miles accrue in your corporation?*

Seventy five percent of corporations (as represented by their corporate travel manager) reported that personal use of miles by the business traveller is permitted (Figure 5.8). Seven percent claimed to have confiscated the miles from their employees while another 11% mentioned that some mixed sharing agreement applies. A remaining 7% said that some other arrangement applies with regard to the assignment of frequent flyer miles.

Figure 5.8: To whom do the frequent flyer miles accrue in corporations? (n=109)

Pie chart: 7%, 11%, 7%, 75%

Legend:
- Personal use by business traveller allowed
- Corporation confiscates the miles
- Some mixed sharing agreement applies
- Other
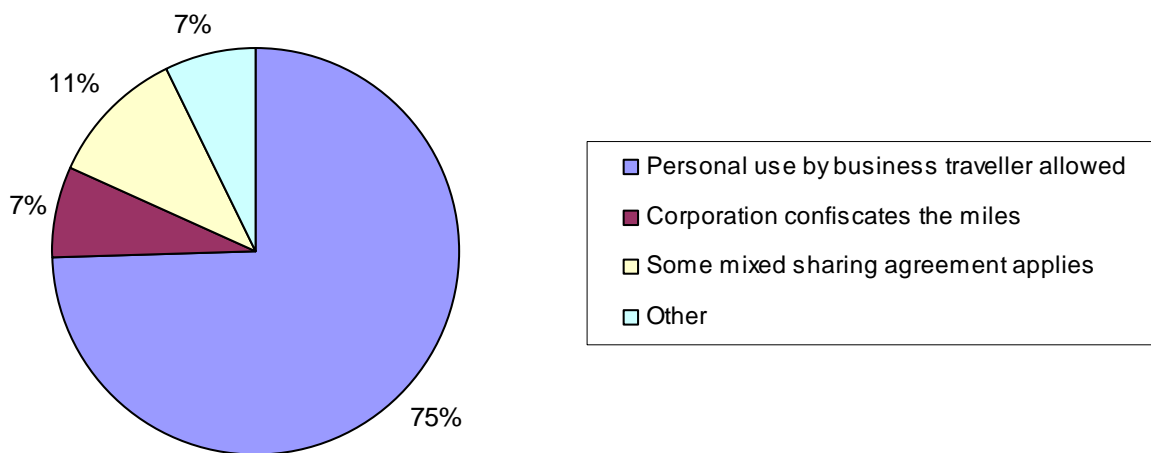
Question 6:	*Have incentives been offered to business travellers for the confiscation of their miles? (e.g., a reimbursement plus a premium for using miles on a really expensive airfare can be paid to the business traveller by the company)*

From the responses received it was evident that respondents did not understand this question, thus, no sensible deductions could be made from the obtained results with regard to whether incentives were offered to business travellers for the confiscation of their miles.

Question 7:	*Please indicate how important each type of reward in a frequent flyer programme is to the company. Choose 1 if the type of reward is 'unimportant', 2 if 'not that important', 3 if the type of reward is 'important' and 4 if it is 'very important'.*

The mean values of the preferred types of reward by corporate travel managers are recorded in Table 5.2 below. As the table divulges, corporate travel managers consider free flights, upgrades and car rental as the top-three preferred types of rewards. The results show that corporations attach the least importance to shopping and lifestyle as a type of reward. Where respondents were asked to provide any further preferred type of rewards, none of any significance was provided except for donations.

Table 5.2: Preferred type of reward by corporations (n=109)

Type of reward	Mean	Standard deviation	Median	Ranking order
Free flights	3.018	1.062	3	1
Upgrades	2.817	1.029	3	2
Car rental	2.394	1.063	2	3
Accommodation	2.312	1.069	2	4
Donations	2.073	0.940	2	5
Shopping and lifestyle	1.541	0.777	1	6

Importance of corporate airline selection determinants

| Question 8:	*The following determinant has played a significant role in the selection (negotiation process) of a preferred airline. Please indicate the extent to which you agree or disagree with the following statements Choose 1 if you 'strongly disagree' with the statement, 2 if you 'disagree' with the statement, 3 if you 'agree' with the statement and 4 if you 'strongly agree' with the statement. The following determinant has played a significant role in the selection (negotiation process) of a preferred airline.*

The mean score of each determinant was calculated based on the results (frequencies) of the rating question. The mean score could establish the relative importance of each of the determinants and, consequently, Figure 5.9 could be drawn. The figure depicts the determinants in order of importance for international travel. Compound bars were used so

that the level of importance can be compared to the importance attached to determinants for domestic travel. The results of the frequency analysis demonstrated that - in order of importance – routes; safety record; and convenience of schedules play the most significant (significance here refers to the wording in the question) role in the selection of a preferred airline for **international business travel**. As far as **domestic business travel** is concerned, the corporate airline selection determinants perceived as playing the most significant role in the selection of a preferred airline were frequency of flights; routes; and convenience of schedules. The importance that corporations attach to the performance of the airline can be clearly reflected by these airline selection determinants.

As can be seen in Figure 5.9, there are two conspicuous differences in the importance of determinants between international and domestic business travel. Respondents have clearly indicated that the frequency of flights and low airfares are considerably more important determinants for domestic business travel purposes when selecting a preferred airline than for international travel. It could also be established from the respondents' rating that more importance is attached to the ease of booking in airline selection for domestic than for international travel purposes. The converse is true for determinants such as safety record; comfort; type of fleet; lounges; alliance memberships; in-flight amenities; and FFPs. Clearly more importance is attached to these determinants for international than for domestic travel business travel, according to the respondents.

Similar to previously presented results, from the frequency analysis, and more specifically the mean scores, it could be established that FFPs are not considered a significant determinant in the selection of a preferred airline by corporations. However, a slight difference could be found between international travel and domestic travel with regards to the ranking of the FFPs. For international business travel purposes, these marketing initiatives are considered as playing a slightly more significant role in the selection of a preferred airline compared to domestic business travel purposes (Figure 5.9). In actual fact, the FFP columns are some of the lowest, indicating their unimportance in general. Where corporate travel managers were requested to provide any further corporate airline selection determinants, sale service at the point of sale and account management were mentioned.

Figure 5.9: Importance of corporate airline selection determinants (n=109)

Corporate airline selection determinant
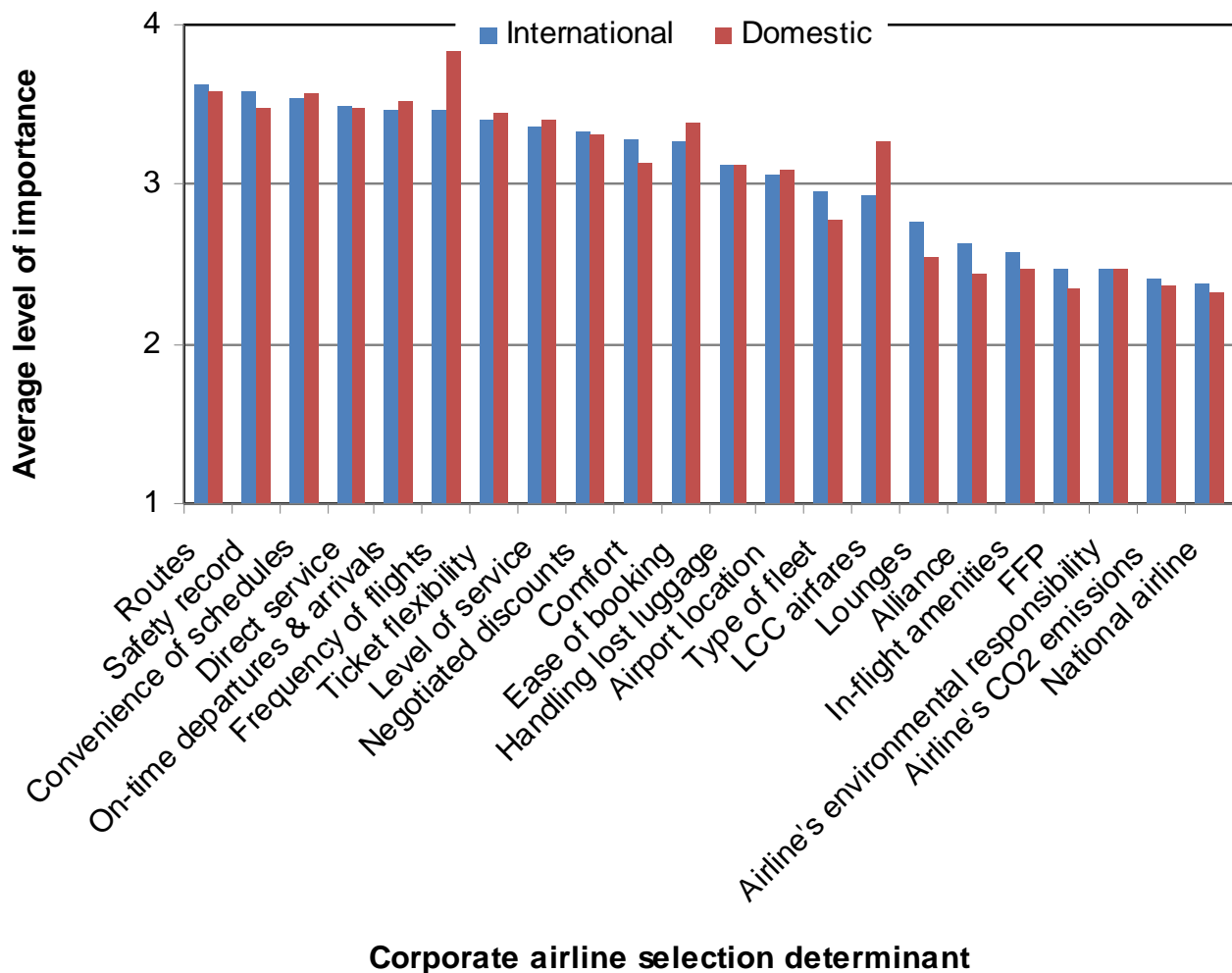
The mean values were calculated to determine the top 5 airline selection determinants that most respondents agree with for domestic and international business air travel, and are shown in Table 5.3. Of the 22 determinants that respondents were requested to rate, FFPs could be ranked as the 19th determinant playing a role in airline selection for international travel, and for domestic travel it was ranked 21st.

Table 5.3: Top 5 airline selection determinants for domestic and international business air travel (n=109)

Rank order	Top 5 airline selection determinants for "*international*" business travel	Mean score	Rank order	Top 5 airline selection determinants for "*domestic*" business travel	Mean score
1	Routes	3.6239	1	Frequency of flights	3.8349
2	Safety record	3.5871	2	Routes	3.5871

Rank order	Top 5 airline selection determinants for *"international"* business travel	Mean score	Rank order	Top 5 airline selection determinants for *"domestic"* business travel	Mean score
3	Convenience of schedules	3.5413	3	Convenience of schedules	3.5689
4	Direct service	3.4954	4	On-time departures & arrivals	3.5321
5	Frequency of flights	3.4679	5	Safety record	3.4862
19	Frequent flyer programme	2.4771	21	Frequent flyer programme	2.3578

Frequent flyer programmes and non-compliance with the travel policy

Question 9:	*Does the company you are working for have a travel policy in place?*

The presence of a travel policy is a requirement that needs to be met in order to provide an indication on the level of non-compliance due to FFPs. The results show that a travel policy is important to most of the respondents. Eighty seven percent of 109 respondents responsible for the procurement of travel in the corporation reported that they have a travel policy in place (Figure 5.10).

Figure 5.10: Presence of a corporate travel policy (n=109)

13%

87%

Yes
No
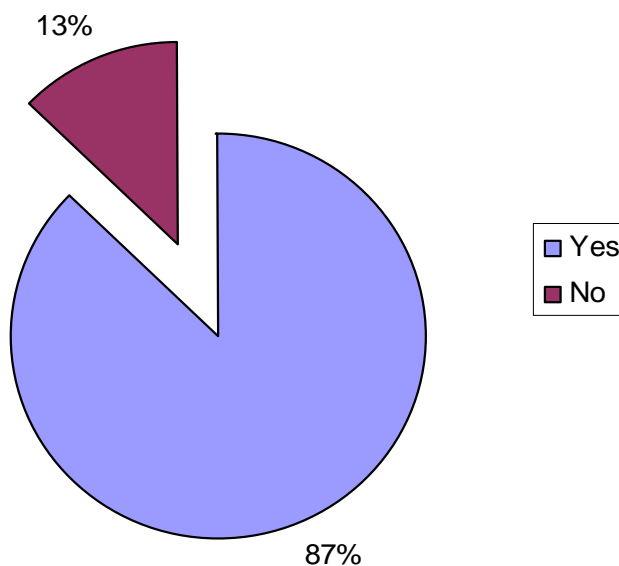
Question 10:	*Has non-compliance with the travel policy occurred due to the abuse of frequent flyer programmes?*

As shown in Figure 5.11, although 41% of corporations claimed that they had not experienced non-compliance with the travel policy due to FFPs, 37% declared the opposite. A further 9% asserted that they did not know whether non-compliance with the travel policy occurred due to the abuse of FFPs. This highlights that problems in compliance due to FFPs are recognised.

Figure 5.11: Non-compliance with the travel policy due to FFPs (n=109)
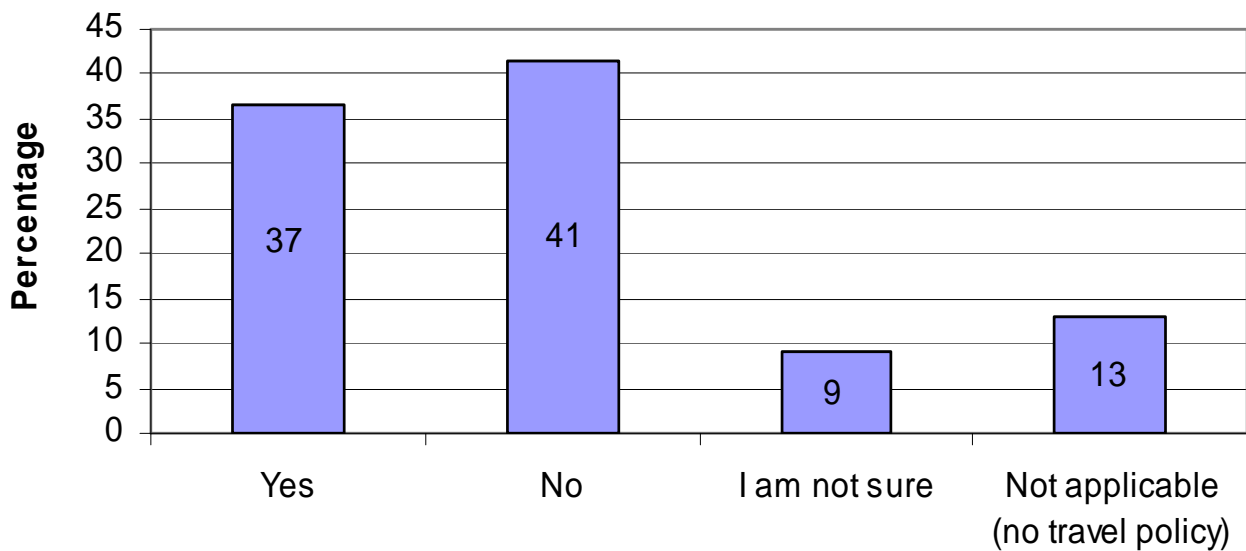
Question 11:	*Please indicate the level (low/medium/high) of non-compliance with the company's travel policy due to the abuse of frequent flyer programmes by business travellers?*

These results reflect the opinion of the 37% that claimed they experienced non-compliance with the travel policy due to FFPs. The results, as shown in Figure 5.12, indicate the following spread of non-compliance with the travel policy due to FFPs: forty-one percent of the respondents said that they noted low non-compliance (< 4%); thirty two percent medium non-compliance (5% - 15%); and fourteen percent high non-compliance (> 16%).

Figure 5.12: Level of non-compliance with the travel policy due to FFPs (n=44)
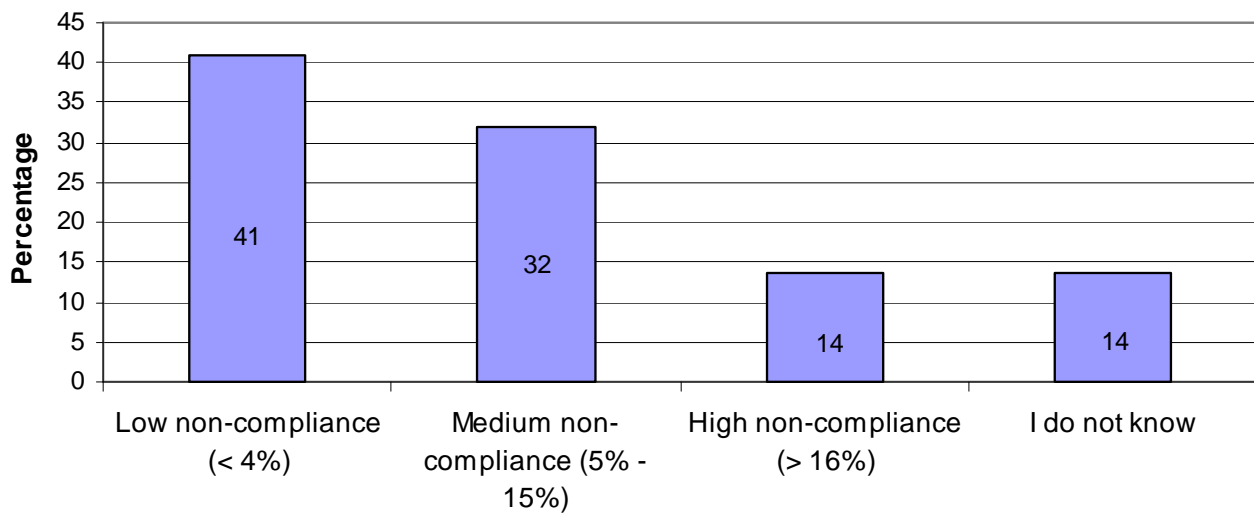
A combination of two frequency tables[42] has indicated that corporations that have observed non-compliance with the travel policy due to the abuse of FFPs tend to consider FFPs as a determinant playing a less significant role in airline selection compared to corporations that have observed less or no non-compliance with the travel policy due to FFPs (Figure 5.13). A Chi-square test has proven the relationship to be significant (p-value of 0.0457). While Figure 5.13 provides a graphic representation of the results attained, the original statistical results are portrayed in Table 5.4.

Figure 5.13: Cross tabulation of the importance to join a FFP and non-compliance with travel policy

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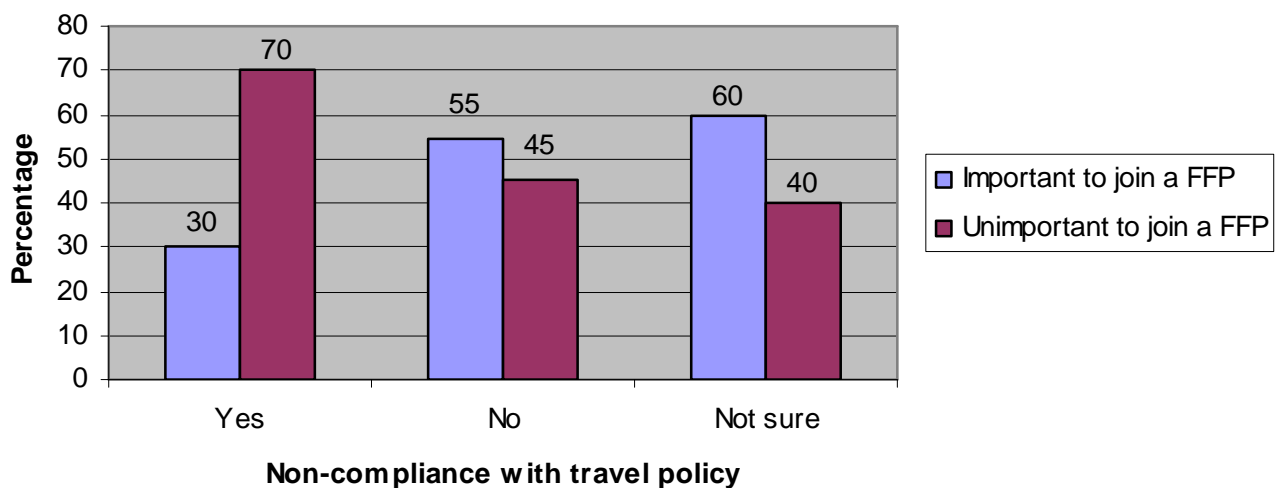
[42] Cross-tabulation

Table 5.4: Original statistical results of cross-tabulation

Has non-compliance with the travel policy occurred?	Is it important for your company to join a frequent flyer programme?				
	No	**Yes**	**Total**		
No	20	24	44	Frequency
	24,34	19,66		Expected
	21,28	25,53		Percent
	45,45	**54,55**		Row percent
	38,46	57,14		Column percent
Not sure	4	6	10	
	5,5319	4,4681		
	4,26	6,38	10,64	
	40	**60**		
	7,69	14,29		
Yes	28	12	40	
	22,128	17,872		
	29,79	12,77	42,55	
	70	**30**		
	53,85	28,57		
Total	52	42	94	
	55,32	44,68	100	

Popularity of low-cost airlines amongst corporations

Question 12:	*Has the use of low-cost airlines been considered for business travel purposes in the past?*

As shown in Figure 5.14, in determining the use of low-cost airlines in corporate travel, the results demonstrated that the majority (82%) of corporate travel managers have booked low cost airlines for their business travellers in the past. Nine percent of corporate travel managers asserted to be planning to book low-cost flights in the future, while an equal percentage claimed not to be planning to do so.

Figure 5.14: Corporations' behaviour in terms of low-cost bookings (n=109)

Bar chart showing Percentage on the y-axis (0 to 90):
- Yes, we have booked flights in the past: 82
- Yes, we are planning to do so in the future: 9
- No, we are not planning to do so in the future: 9
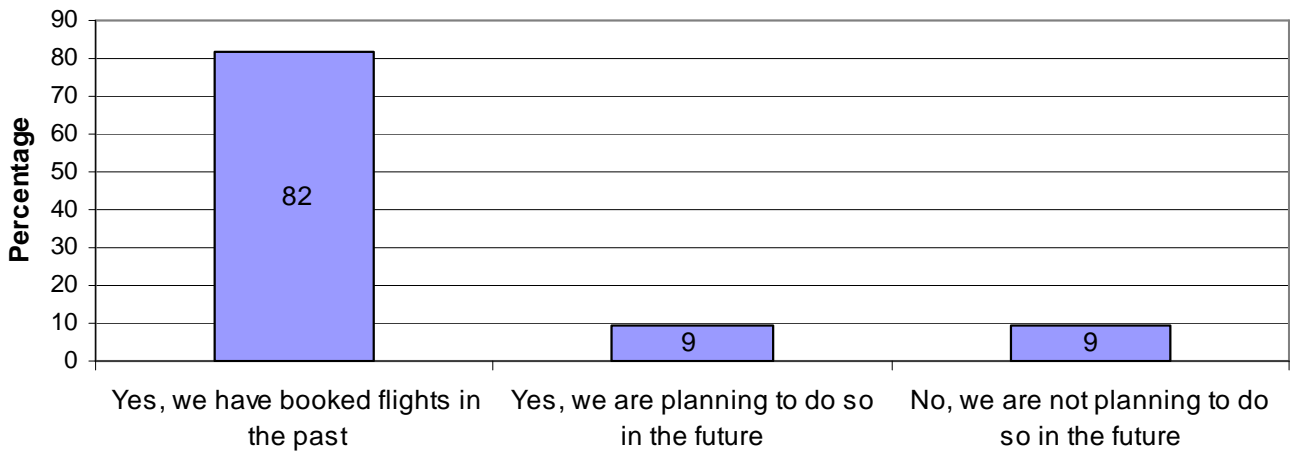
Question 13:	*Out of the total number of air travel bookings, what is the approximate percentage of low cost airline bookings?*

Question 13 pertained to the share of low-cost bookings within the total amount of air travel bookings made by corporations. No distinction was made between international and domestic business air travel. More than half of the respondents claimed to have booked a share of up to 25% of their total number of travel bookings on a low cost airline. Nineteen percent of the respondents said that the share of low-cost airline bookings accounted between 76% and 100% of their total number of travel bookings (Figure 5.15). A high share of low-cost bookings may refer to a high number of domestic and short-haul business travel undertaken by the employees of a company.

Figure 5.15: Share of LCC bookings (n=75)

Bar chart showing Percentage on the y-axis (0 to 60) vs Share of LCC bookings on the x-axis:
- 0 - 25 %: 52
- 26 - 50%: 21
- 51 - 75%: 8
- 76 - 100%: 19
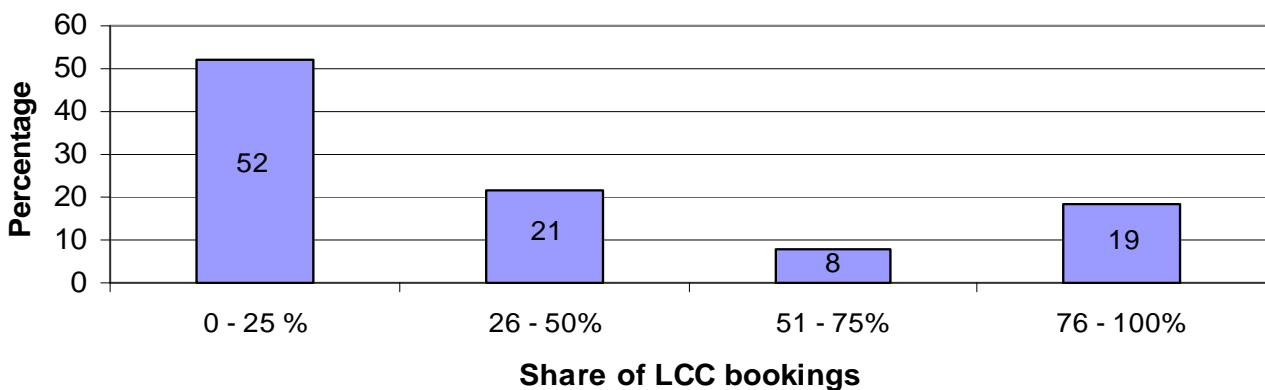
In the next cross tabulation (as depicted in Figure 5.16) it could be established that corporations with a lower total annual travel expenditure tend to view LCC airfares as playing a more significant role in the selection of a preferred airline than those with a higher expenditure. The Chi-square test yielded moderate evidence[43] (p-value of 0.0546). Initially, the respondents had the choice to rate "LCC airfares" as a determinant in corporate airline selection according to four categories ("strongly agree", "agree", "disagree", "strongly disagree"). These categories were combined into two categories (important and not important) in order to obtain higher values within each category. While Figure 5.16 provides a graphic representation of the results attained, the original statistical results are portrayed in Table 5.5.

Table 5.5: Original statistical results of cross tabulation

Annual travel expenditure	Use of LCC airfares for business travel		Total	
	Agree	**Disagree**	**Total**	
< R3 million	21	5	26	Frequency
	18,367	7,633		Expected
	19,27	4,59	23,85	Percent
	80,77	**19,23**		Row percent
	27,27	15,63		Column percent
R3 - R50 million	43	15	58	
	40,972	17,028		
	39,45	13,76	53,21	
	74,14	**25,86**		
	55,84	46,88		
> R50 million	13	12	25	
	17,661	7,3394		
	11,93	11,01	22,94	
	52	**48**		
	16,88	37,5		
Total	77	32	109	
	70,64	29,36	100	

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[43] P-value of < 0.1

Figure 5.16: Cross tabulation of a company's annual travel expenditure and use of LCC airfares for business travel
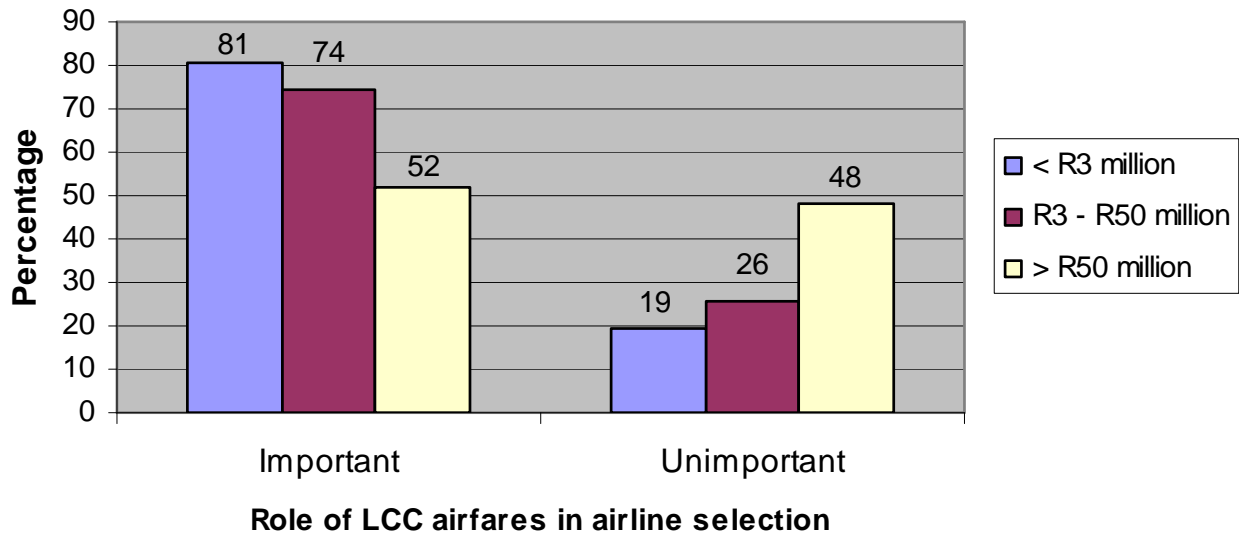
Question 14: *Would your decision to use low-cost airlines be influenced by whether the airline has a frequent flyer programme or not?*

An overwhelming number of respondents (86%) agreed that FFPs do not have an impact on the decision to book LCC tickets for their employees or not (Figure 5.17). Of the remaining respondents, 11% claimed that FFPs play a role when booking LCC travel for their employees travelling on business, and 9% said they were not sure.

Figure 5.17: Impact of FFPs on decision to book low-cost (n = 109)
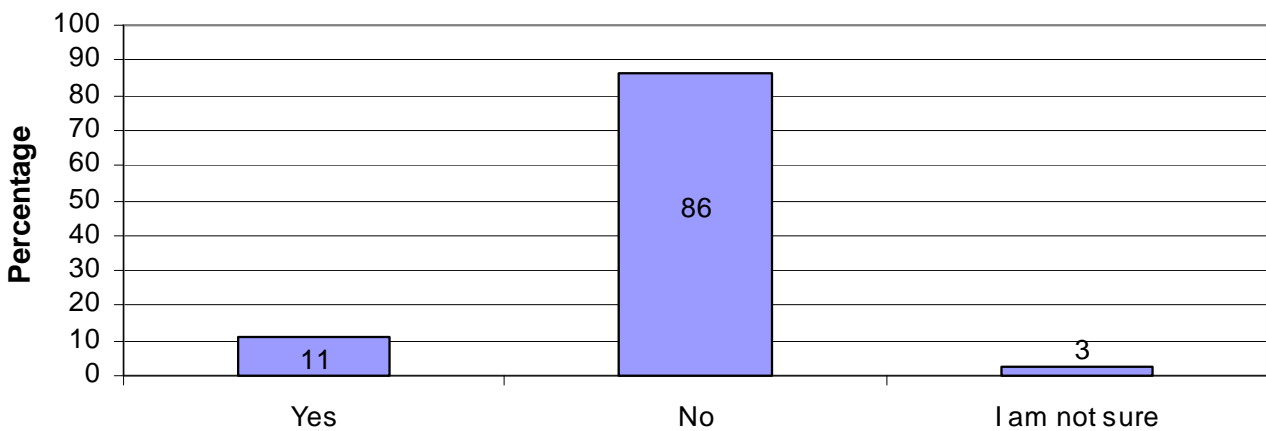
Corporate profile

Question 15:	*What is the annual travel expenditure of the corporation you are working for?*

Through the use of frequency analysis it was established that more than half (53%) of the 109 corporate travel managers surveyed were employed at corporations with a total annual travel expenditure between R3 million and R50 million. Of the remaining corporations, 24% had a total annual travel expenditure of less than R3 million, and 23% had a total annual travel expenditure of over R50 million. The question on the corporations' total annual travel expenditure was the only demographic question regarded as essential as this element of a corporation's profile may have a direct impact on the corporate airline selection behaviour. Figure 5.18 presents a graphical representation of the results.

Figure 5.18: Corporation's annual travel expenditure (n=109[44])
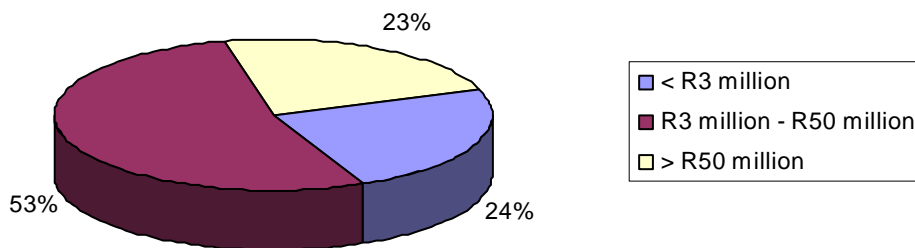
It was decided not to have this question open-ended because of its possible confidentiality, resulting in the surveyed corporate travel managers being less inclined to provide an answer. For this reason a fairly large range differential of eight categories was provided so that the corporate travel managers felt comfortable in answering the question (see Appendix B). During data analysis, some values appeared to be low in certain categories and, therefore, categories were combined to obtain higher values that eventually resulted in three categories. However, in retrospect, this question could have been better categorised. The gap between R3 million and R50 million proved a little too great for obtaining more specific results relating to size of travel budget and preferences in airlines, although this range did provide some valuable results.

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[44] Number of respondents

5.3 EXPLORATORY FACTOR ANALYSIS

The purpose of the exploratory factor analysis was to determine the underlying factors within corporate airline selection. This would provide some insight into the forces (factors/groupings of determinants) that drive corporate airline selection for domestic and international travel. The results are presented according to two categories, namely international business travel and domestic business travel. The first category to be discussed is those determinants considered important for **international business travel**.

a. International business air travel

Although the Eigenvalues initially indicated six factors, variables were rather grouped into four factors, based on studied literature and common sense. Eigenvalues are the sum of the variances of the factor values (Cooper & Schindler, 2006:590). When divided by the number of variables, an Eigenvalue yields an estimate of the amount of total variance explained by the factor. All factors with Eigenvalues less than 1 are considered insignificant and are disregarded (Hair, Anderson, Tatham & Black, 1995:377). All four factors are considered to be significant as they have Eigenvalues greater than 1.

Using the Eigenvalues for establishing a cut-off is reliable when the number of variables is between 20 and 50 (22 variables were used in this study). The Cronbach's alpha coefficient was employed to measure the internal consistency and reliability of variables within factors. The coefficients determined for the four groups were the most acceptable, indicating that it would be best to stay with four groups and their components. The Cronbach's alpha coefficients for the four factors range between 0.641 and 0.775, indicating an acceptable match among variables within one factor (Table 5.7). In the first row (namely the 'Eigenvalue' row) in Table 5.7 below, we find the variance on the new factors that were successively extracted. In the second row, these values are expressed as a percentage of the total variance. As can be derived from Table 5.7, factor one accounts for 25% of the variance, factor two for 8%, factor three for 7% and factor four for 6%.

Table 5.6, below, illustrates how the 22 variables were grouped into four factors, based on factor loadings. The loadings can be considered as the correlation coefficients. The highest factor loading (highlighted in bold) determined to which factor a particular airline selection determinants belongs. Factor loadings meet the minimal level if they are greater than 0.3; loadings of at least 0.4 are considered more important; and if the loadings are 0.5 or greater, they are considered practically significant (Hair *et al.*, 1995:385). Two determinants that were originally identified in the literature review, namely "national airline" and "frequent flyer programme", have been omitted because of their low factor loadings. In other words, in the overall situation their importance is undermined by all the other factors.

Table 5.6: Rotated factor loadings for *international* business air travel

Corporate airline selection determinants	Factor 1 Traveller-related	Factor 2 Company-related	Factor 3 Secondary determinants	Factor 4 Environment-related
Q8INT20 In-flight amenities	**0,415**	-0,180	0,153	0,148
Q8INT21 Safety	**0,434**	0,169	-0,050	0,000
Q8INT22 Luggage	**0,668**	-0,068	0,159	-0,033
Q8INT17 On-time performance	**0,409**	0,265	0,285	0,060
Q8INT13 Service	**0,652**	0,186	-0,013	-0,065
Q8INT8 Comfort	**0,776**	0,015	-0,170	-0,002
Q8INT5 Lounges	**0,333**	0,146	-0,055	0,304
Q8INT3 Convenience of schedules	-0,014	**0,772**	0,098	0,006
Q8INT4 Routes	-0,118	**0,795**	0,006	-0,019
Q8INT6 Direct service	0,206	**0,539**	-0,128	0,085
Q8INT11 Ticket flexibility	0,263	**0,380**	0,316	0,065
Q8INT14 Negotiated discounts	0,132	**0,330**	0,254	-0,067
Q8INT15 Frequency of flights	0,089	0,460	**0,512**	0,034
Q8INT16 Airport location	0,247	0,040	**0,644**	-0,031
Q8INT9 LCC airfares	-0,169	0,051	**0,375**	0,145
Q8INT18 Ease of booking	0,082	0,067	**0,593**	-0,005
Q8INT19 Alliance	0,073	-0,001	**0,383**	0,255
Q8INT10 Environmental responsibility	0,103	-0,125	0,303	**0,705**
Q8INT1 Fleet	0,172	0,223	-0,397	**0,390**
Q8INT2 CO_2 emissions	-0,140	-0,006	-0,008	**0,879**

Table 5.7: Factor matrices for *international* business air travel

Corporate airline selection determinants	Factor 1 Traveller-related	Factor 2 Company-related	Factor 3 Secondary factors	Factor 4 Environment-related	
Eigen value	2,089	1,887	1,579	1,268	
Data variance explained	25%	8%	7%	6%	45%
Cronbach Coefficient Alpha	0,775	0,759	0,655	0,641	
Standard deviation	0,428	0,443	0,470	0,586	
Weighted average importance	3,2011	3,5138	3,1115	2,5413	

As can be seen from Table 5.6, four groupings (factors) of determinants that drive corporate airline selection for **international business travel** were identified. The first underlying structure reflects airline selection determinants which are important to the business traveller. **"Traveller-related determinants"** are comfort; handling of luggage; service; safety; in-flight amenities; on-time performance; and lounges. A second underlying structure reflects airline selection determinants which are considered "**Important to the company"**. The determinants classified under this factor are routes; convenience of schedules; direct service; ticket flexibility; and negotiated discounts. The third underlying structure identified was labelled **"Secondary determinants"** (a grouping of determinants that are perceived less important in corporate airline selection for international business travel). The determinants grouped under this factor are airport location; ease of booking; frequency of flights; alliance; and low airfares. **"Environment-related airline selection determinants"** were grouped into factor four. The determinants classified under this group are CO_2 emissions; environmental responsibility; and the aircraft fleet of an airline. These are clearly the four driving elements behind the selection of an airline by corporations for international travel. It could be derived from the weighted average importance (obtained by making use of the factor loadings) that the factor "Company-related determinants" plays the most significant role in the selection of a preferred airline.

b. Domestic business air travel

Following a discussion of factors driving corporate airline selection for international travel, the second category to be discussed is the factors driving **domestic business travel**. Although the Eigenvalues in this study initially indicated seven factors, variables were rather grouped into three factors, based on studied literature and common sense. Consequently, three factors have been evaluated by the statistical analysis. The

coefficients determined for three groups were the most acceptable indicating that it would be best to stay with three groups and their components. The Cronbach's alpha coefficients for factor one and two equal 0.783 and 0.778 respectively, indicating an acceptable match among variables within one factor. Factor three equals 0.876, indicating a good match among variables within one factor (Table 5.9). In the first row (Eigenvalue) below, the variance for the new factors that were successively extracted is presented. In the second row, these values are expressed as a percent of the total variance. As can be derived from Table 5.9, factor one accounts for 13% of the variance, factor two for 18%, and factor three for 7%. If a straight factor analysis had been done, the variances would also be decreasing as the Eigenvalues were. However, in order to average out the factors (i.e., not have one which is too dominant) an oblique (i.e., non-orthogonal) rotation was undertaken. This also makes the output more understandable. In other words, the factors clearly each relate to something specific. By doing this, the variance is reassigned, which explains why the variance of the second factor is higher.

Table 5.8 below illustrates how the 22 variables were grouped into three factors, based on factor loadings. The loadings can be considered as the correlation coefficients. The highest factor loading (highlighted in bold) determined under which factor a particular airline selection determinant could be classified. Two determinants that were originally identified in the literature review, namely "national airline" and "safety record", have been omitted because of their low factor loadings. In other words, in the overall situation their importance is undermined by all the other factors.

Table 5.8: Rotated factor loading for *domestic* business air travel

Corporate airline selection determinants	Factor 1 Company-related	Factor 2 Traveller-related	Factor 3 Environment-related
Q8DOM3 Convenience of schedules	**0,659**	0,053	0,076
Q8DOM4 Routes	**0,677**	0,045	-0,023
Q8DOM6 Direct service	**0,361**	0,242	-0,039
Q8DOM9 LCC airfares	**0,397**	-0,081	0,040
Q8DOM11 Ticket flexibility	**0,713**	-0,043	0,061
Q8DOM14 Negotiated discounts	**0,577**	-0,100	-0,044
Q8DOM15 Frequency of flights	**0,293**	0,025	-0,070
Q8DOM16 Airport location	**0,354**	0,138	-0,016
Q8DOM17 On-time performance	**0,614**	0,116	-0,027

	Factor 1	Factor 2	Factor 3
Q8DOM18 Ease of booking	**0,484**	-0,036	0,130
Q8DOM1 Fleet	0,020	**0,399**	0,311
Q8DOM5 Lounges	-0,022	**0,583**	0,249
Q8DOM7 FFP	0,058	**0,414**	0,202
Q8DOM8 Comfort	0,004	**0,770**	-0,291
Q8DOM13 Service	0,280	**0,554**	-0,164
Q8DOM19 Alliance	0,079	**0,421**	0,099
Q8DOM20 In-flight	-0,099	**0,537**	0,106
Q8DOM22 Luggage	0,021	**0,501**	0,037
Q8DOM10 Environmental responsibility	0,167	0,109	**0,747**
Q8DOM2 CO_2 emissions	-0,037	0,084	**0,959**

Table 5.9: Factor matrices for *domestic* business air travel

	Factor 1	Factor 2	Factor 3	
	Company-related	Traveller-related	Environment-related	
Eigen value	5,088	2,478	1,646	
Data variance explained	13%	18%	7%	38%
Cronbach Coefficient Alpha	0,783	0,778	0,876	
Std Dev	0,356	0,472	0,704	
Weighted average importance	3,4571	2,8230	2,4152	

From the exploratory factor analysis three underlying structures that play a role in the selection of a preferred airline for **domestic business travel** were identified. The first underlying structure identified reflects airline selection determinants which are perceived to be "**Important by the company**". The determinants classified under this group are convenience of schedules; routes; direct services; low airfares; ticket flexibility; negotiated discounts; frequency of flights; airport location; on-time performance; and ease of booking. A second underlying structure identified reflects airline selection determinants which are considered "**Important to the business traveller**". **"Traveller-related determinants"** are comfort; business class lounges; FFP; service; alliances; in-flight amenities; aircraft fleet; and luggage. **"Environment-related determinants"** represent factor three. The determinants classified under this factor are CO_2 emissions and environmental responsibility. Analogous to the results for international business travel, the factor "Company-related determinants" plays the most significant role in the selection of a preferred airline for domestic travel. This was established from the weighted average importance of the factors.

5.4   CONCLUSION

This chapter has presented the results of the empirical research.

Descriptive statistics or frequencies were presented to provide an indication of the relative importance of a frequent flyer programme (FFP) as a determinant in the selection of a corporate preferred airline. Certain cross tabulations were done to establish relationships between variables. For the sake of brevity only the results that proved significant according to the Chi-square test are presented. These results addressed the objectives that relate to the influence of FFPs in traveller non-compliance with the travel policy and the move towards LCCs as a preferred choice for corporate travel. Finally the results from the factor analysis were presented, which show the different streams (underlying factors) driving the selection of an airline of choice. The factor analysis also provided some clarification with regard to the objective to explain the relationship between the airline, the corporation, its corporate travellers and the travel management company.

The interpretation of the results will be discussed in the next chapter. The next chapter will also provide a discussion on the limitations of the study; the conceptual models (for domestic and international travel) based on the findings of the empirical research will be presented; and some suggestions for future research will be highlighted.

CHAPTER 6: CONCLUSION, LIMITATIONS
AND RECOMMENDATIONS

6.1 INTRODUCTION

In the previous chapter the research results were presented. In the final chapter of this dissertation, the results are interpreted against the objectives of the study and conclusions drawn showing the links with the existing literature as described in chapters two and three. Any research project is not without its limitations. This chapter discusses the limitations within which this study was conducted and how these limitations impacted on the implementation of the study, the data analysis, the results and the conclusions drawn. The study is concluded with a discussion on some of the managerial implications of the research as well as suggestions for future research in this area.

6.2 INTERPRETATION OF THE RESULTS

6.2.1 The relationship between the airline, the corporation, its corporate travellers and the Travel Management Company

The annual travel expenditure of more than half of the respondents that participated in the web-based survey ranges between R3 million and R50 million. The percentage that have less than R3 million nearly equals the number of companies having over R50 million of travel expenditure per annum. However, in retrospect this question could have been better categorised. Therefore, a fairly large range differential of eight categories was provided so that the corporate travel managers felt comfortable in answering the question (see Appendix B). Some of these eight categories were combined in order to increase the values. The gap between R3 million and R50 million however proved a little too great for obtaining more specific results relating to size of travel budget and preferences in airlines, although this range did provide some valuable results. The majority of the surveyed respondents (corporate travel managers) claimed that the corporation with whom they are employed does engage in some form of negotiations in selecting a preferred airline. It could also be established that the level of expenditure is positively correlated with the

likelihood of engaging in negotiations with the airline. This supports the proposition (as suggested under section 2.3.2) that corporations with greater annual travel expenditure tend to negotiate with suppliers compared to corporations with lower annual travel expenditure. This is not surprising as discounts can only be obtained through expense commitments. The results of the empirical study show that, from the population selected, corporations located in South Africa have on average one to three preferred airlines. However, under section 2.3.2 Crane (2001) pointed out that dividing travel among more than one airline makes consolidating travel requirements difficult. Most of the selected companies have SAA as their first preferred supplier. The reason for this is most probably because a database of SAA's corporate clients was used. In the literature (section 3.2.2) it was pointed out that international routes to and from South Africa are currently dominated by South African Airways. This is normal as the study was undertaken in South Africa where the corporate travel market is small compared to regions such as Europe and the USA. Also interesting to note is that the third ranked preferred airline concerns a LCC (Kulula) which somehow indicates that LCCs have succeeded to penetrate the business travel market in South Africa. It was also highlighted in the literature review (section 2.2), that airlines such as Comair compete for a share of the local market, together with the three low-cost carriers. From the results it was established that both corporations and business travellers influence the choice of preferred airlines. This serves to show why corporate air travel procurement may be seen as complex and why the nature of the relationship between the airline, the corporation and the corporate travellers needs clarification. Through the above result and the results on the significance of selection determinants to both travellers and corporations (which is discussed fully in the next section) a clarification of this relationship was achieved in the empirical research. A factor analysis will also reveal which of these two stakeholders has the biggest autonomy in corporate airline selection. Although the questionnaire did not cover the specific role of travel management companies in the air travel procurement process, it was accepted that the companies all used the services of TMCs. From the literature it was established that corporations generally make an appeal to TMCs to assist them with saving money in their air travel programme by consistently ensuring that the guidelines in the travel policy are respected. Another reason for using the services of TMCs is the added value offered to customers in corporate air travel purchasing through their consulting services. The literature survey has shown that airlines attempt to build a direct relationship with their

customers (corporations). From an airline's point of view, the business travel market clearly remains vital to the airline industry as it makes up a significant portion of an airline's revenue stream (Mason, 2002:48; 2006:92; Stephenson & Fox, 1992; Swarbrooke & Horner, 2001:267).

6.2.3   Airline selection determinants

6.2.3.1   Ranking based on frequencies

The results of a rating question allowed a ranking of the airline selection determinants. The results of the frequency analysis demonstrated that – in order of agreement[45] – routes; safety record; convenience of schedules; direct service; and frequency of flights are the top-5 determinants that play the most significant (significance here refers to the wording in the question) role in the selection of a preferred airline for **international business travel**. As far as **domestic business travel** is concerned, the corporate airline selection determinants perceived as playing the most significant role in the selection of a preferred airline were frequency of flights; routes; and convenience of schedules. While previously conducted research (Douglas, 2005, 2008; Douglas & Lubbe, 2009) has emphasised the increasing importance to limit travel expenditure, this study has shown that the top-five airline selection determinants for both international and domestic travel refer to the convenience of travelling and safety. This mirrors the findings of the literature survey (section 2.4.2.2) which suggest that everything that relates to health, safety, and the well-being of employees plays an important role in corporate airline selection.

While some of these determinants overlap, the frequency analysis has demonstrated two conspicuous differences in the importance of determinants between international and domestic business travel. Respondents have clearly indicated that the frequency of flights and LCC airfares are considerably more important determinants for domestic business travel purposes when selecting a preferred airline than for international travel. It could also be established from the respondents' rating airline selection determinants that more importance is attached to the determinant "ease of booking" in airline selection for

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[45] Refers to the agreement with the following statement: The following factor has played a significant role in the selection (negotiation process) of a preferred airline.

domestic than for international travel purposes. This is logical as the barrier regarding the limited use of distribution channels by LCCs has been recognised. These results are consistent with the discussion under section 3.2.3.3 of the literature survey which highlighted that LCCs attempt to provide an appropriate method by which LCC flight options can be offered, alongside those of traditional airlines. The results of the empirical study have supported the need to retail LCC airfares via an appropriate channel. The second determinant which is perceived more important for domestic than for international travel is "LCC airfares". As suggested by Mason (2001) and Morrison and Winston (2005), the recent price-inelastic behaviour of the business traveller has been particularly evident in the short haul market with the advent of LCCs. In order to confine corporate air travel expenditure corporations can make use of LCC airfares in addition to negotiated corporate deals (a top-ten corporate airline selection determinant for international travel) that are generally merely possible with FSCs. It is reasonable that the determinants "ease of booking" and "LCC airfares" are perceived more important for domestic than for international travel as LCCs in the South African airline environment mainly operate domestic and short-haul routes.

The converse is true for determinants such as safety record; comfort; type of fleet; lounges; alliance; in-flight amenities; and FFPs. Clearly more importance is attached to these determinants for **international** than for domestic business travel, according to the respondents.

From the frequency analysis, and more specifically the mean scores, it could be established that FFPs are not considered a significant determinant in the selection of a preferred airline by corporations. A slight difference could however be found between international travel and domestic travel with regards to the ranking of the FFPs. For international business travel purposes, these marketing initiatives are considered as playing a slightly more significant role in the selection of a preferred airline compared to domestic business travel purposes (Figure 5.9). This is presumably due to the greater number of FSCs offering FFPs as compared to LCCs. Sale service at the point of sale and account management was mentioned by the corporate travel managers as other corporate airline selection determinants.

A distinction between domestic and international flights is required since the importance of some individual determinants impacting airline selection may increase or diminish depending on the length of the trip. This was not only highlighted in section 3.2.2, but these differences between domestic and international travel were also raised in the results of the frequencies. As could be derived from the literature, the needs of both the corporation and the business traveller influence the choice of airline; the corporation through the corporate air travel policy, and travellers through their specific needs when travelling on business. This was again emphasised by the results of the factor analysis, where "company-related determinants" and "traveller-related determinants" were proven to be two important underlying groups of determinants (factors) driving corporate airline selection for both international and domestic travel. Therefore, the development of two different models; one relating to international air travel; and one relating to domestic air travel was well thought out and thus differ from the conceptual model, as presented under section 3.5. The two developed models representing corporate airline selection determinants are discussed and presented in the ensuing section.

6.2.3.2 *Underlying factors in corporate airline selection*

When corporations select preferred airlines for travel on __international routes__, four main categories of airline determinants can be identified. For the purposes of this study these were entitled: **Company-related determinants; Traveller-related determinants; Secondary determinants; and Environment-related determinants**. Figure 6.1 provides a graphic representation of the four main categories. These categories are also represented in a descending order of importance to airline selection as became evident from the results. In other words company-related determinants have the largest influence in airline selection and environment-related factors the least. This could be determined based on the weighted average importance of each of the factors which was presented in section 5.3. The determinants classified under the factor "**Company-related determinants"** are routes; convenience of schedules; direct service; ticket flexibility; and negotiated discounts. Routes, convenience of schedules and direct services are all clearly linked to getting travelling employees in a timely and convenient fashion from the point of departure to the point of destination. This would probably be to maintain the productivity and minimise the time loss of the business traveller. Ticket flexibility and negotiated

discounts based on volume commitments are determinants from which specifically the corporation can derive benefits. Ticket flexibility and negotiated deals support cost containment which is the core of a corporation's travel management programme. The fact that the importance of ticket flexibility appears to be recognised by the respondents is logical taking into account the necessity to apply last-minute changes or cancellations to the business traveller's flight booking. The results of the empirical research are clearly in line with the findings of the literature survey (section 3.4.2.1) which suggest that corporations increasingly enjoy autonomy in the selection of an airline of choice. In other words, the increasing importance of cost-conscious active travel management has forced companies to increasingly take charge of their purchasing power.

"Traveller-related determinants" are comfort; handling of luggage; service; safety; in-flight amenities; on-time performance; and lounges. While these determinants are clearly to the business traveller's advantage, some (comfort, safety and on-time performance) are also deemed important to the corporation. This is due to the Duty of Care of a corporation which requires that everything 'reasonably practicable' be done to protect the health, safety, and well-being of its employees. Likewise, determinants such as the comfort onboard a flight and the on-time performance of an airline also facilitates the employee to properly fulfil the required duties imposed by the company at the point of destination. One more reason why it is important to take the traveller's feedback into consideration is because it may have a direct impact on non-compliance with the travel policy and on the bottom line of the employer through productivity, loyalty, turnover, absenteeism, and health-care costs, as highlighted in section 2.4.2.2.

The third factor that represents the corporate selection of a preferred airline for international business air travel is **"Secondary determinants"**. The determinants classified under this factor are airport location; ease of booking; frequency of flights; alliance; and LCC airfares. The reason why the airport location is regarded as a secondary determinant in corporate international air travel is because international flights operate from the main airports and these are generally well located and easily accessible. This is especially the case in South Africa where single airports serve large cities and their choices are limited in terms of airports.

Corporations generally have a preference to book flights operated by FSCs if their employees need to travel long-haul. Because of this, the determinant "ease of booking" was presumably considered a secondary determinant as FSCs generally distribute their flights via a GDS. This is a more efficient way for the TMC of obtaining information on airfares. The "frequency of flights" is perceived as a secondary determinant in corporate airline selection for **international travel** as the frequency of long-haul flights is usually very low (once or a few times a week). The converse is true for domestic and/or short-haul travel. The results also clearly indicate that whether an airline is part of an alliance has little influence on corporate airline selection. Finally, LCC were also classified by the surveyed travel managers as a secondary determinant in the selection of a preferred airline for international business travel purposes. Since these type of fares are offered by an airline business model (LCCs) which is strongly linked to domestic and short-haul flights in the corporate travel market, it is reasonable that corporations do not attach a significant importance to this determinant in the selection of a preferred airline for international business travel purposes.

The fourth driver behind the selection of a corporate preferred airline for international business air travel is **"Environment-related determinants"**. The determinants classified under this group are CO_2 emissions, environmental responsibility and the aircraft fleet of an airline. As shown in sections 3.3.1.5, eco-friendly travel management behaviour has been observed in regions such as Europe and the USA where corporations have become aware that responsible travel is vital to the sustainability of the planet. This is in line with the findings of the empirical study which was conducted within a South African corporate travel context. While the first two determinants are clearly elements that support the environmental responsibility of a corporation, also an airline's modern fleet of aircraft may have a less negative impact than the older fleet of aircraft and thus influence the purchase decision of the travel manager. In other words, the newer the aircraft fleet is of an airline, the lower the CO_2 emissions should be.

In summary, this research shows that while "company-related determinants" acts as the core factor which drives corporate airline selection, corporations also take the business traveller's feedback into consideration. While it could be derived from the results that some determinants are specifically to the corporation's or the business traveller's benefit a

number of determinants are mutually beneficial. Furthermore, it can be concluded that while corporations have shown an increasing interest in eco-friendly travel management, green travel choices may often conflict with the greater urge to cut costs under current economic conditions and are, thus far, not considered a significant determinant in corporate airline selection. Two determinants that were originally identified in the literature review, namely "national airline" and "frequent flyer programme", have been omitted because of their low factor loadings. This reveals that the relative importance of frequent flyer programmes in corporate airline selection, more specifically for international business travel, is very low.

Figure 6.1: Corporate airline selection determinants for *international* business travel
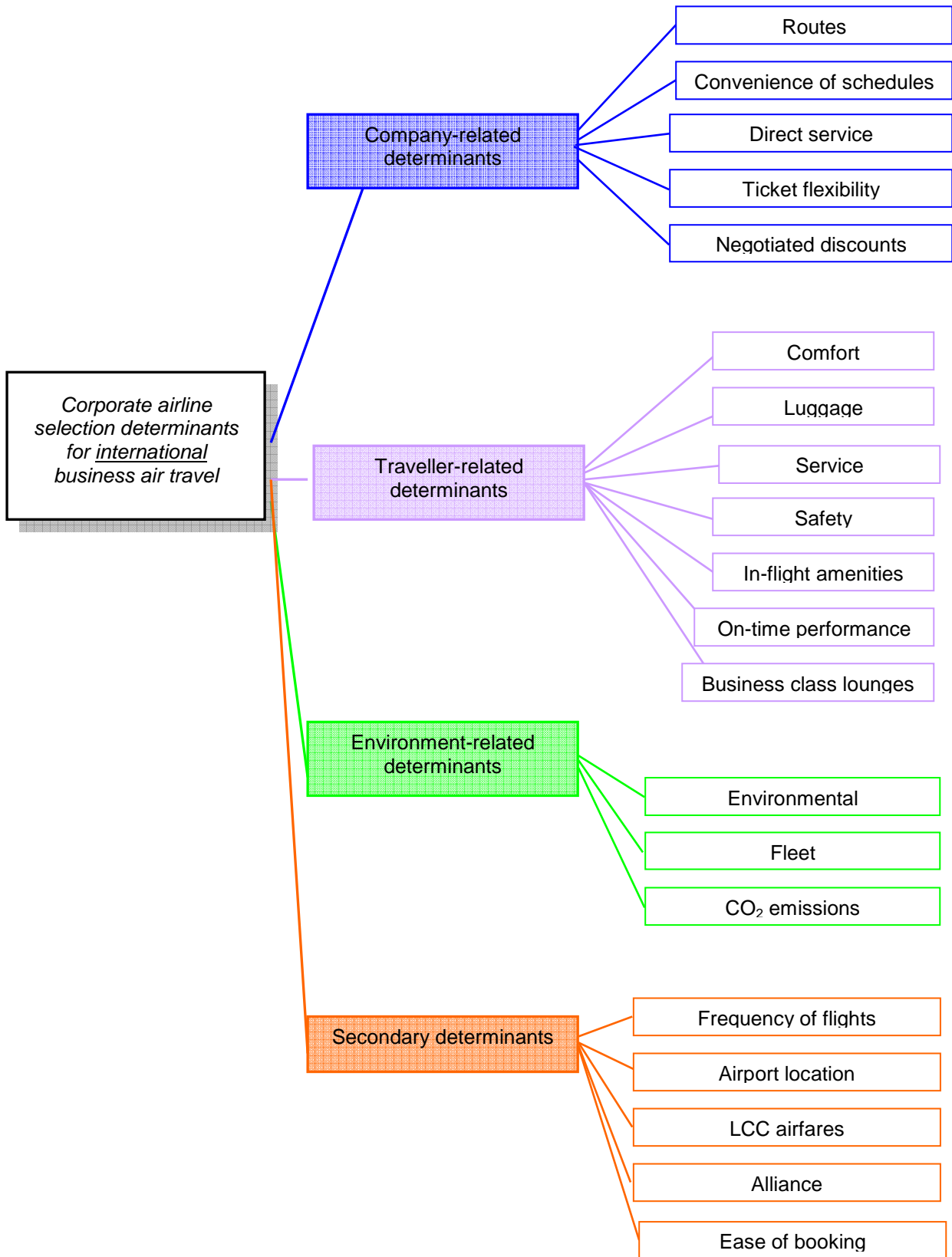
When corporations select preferred airlines for travel on **domestic routes**, three main categories of airline determinants can be identified. For the purposes of this study these were entitled: **Company-related determinants; Traveller-related determinants; and Environment-related determinants.** Figure 6.2 provides a graphic representation of the three main categories. These categories are also represented in a descending order of importance to airline selection as became evident from the results. In other words company-related determinants have the largest influence in airlines' selection and environment-related factors the least. This could be determined based on the weighted average importance of each of the factors which was presented in section 5.3. The determinants classified under the factor "**Company-related determinants**" are convenience of schedules; routes; direct service; LCC airfares; ticket flexibility; negotiated discounts; frequency of flights; airport location; on-time performance; and ease of booking. These determinants are clearly to the business traveller's advantage, some (comfort, safety and on-time performance) are also deemed important to the corporation. Analogous to the above presented model for international business travel, the factor "company-related determinants" is clearly linked to getting travelling employees in a timely and convenient fashion from the point of departure to the point of destination. Ticket flexibility and negotiated discounts based on volume commitments are determinants from which specifically the corporation can derive benefits. Ticket flexibility and negotiated deals support cost containment which is the core of a corporation's travel management programme. Ticket flexibility through confining travel expenses as flight tickets can be changed or cancelled without any fees; and negotiated deals through back-end fare discounts (i.e., discount offered at the end of contract's life based on expense commitments). The determinants classified under the factor "**Traveller-related determinants**" are fleet; lounges; FFP; comfort; service; alliance membership; in-flight amenities; and luggage. The determinants grouped under the factor **"Environment-related determinants"** are environmental responsibility; and CO_2 emissions.

Some differences between the model for international business travel and domestic business travel should be highlighted. The results show that the frequency of flights has a greater influence on the selection of a preferred airline for domestic travel than for international travel. The frequency of domestic and short-haul flights is usually considerably higher than for international and long-haul flights. This is an important

requisite for the business travellers as it often occurs that he/she needs to leave early in the morning to attend a meeting and returns the same evening to his/her point of origin. Also more importance is attached to the determinant convenience of booking for domestic business travel than for international business travel. This is possibly due to the distribution of LCC airfares via the Internet. It is thus reasonable to assume that an efficient and user-friendly website may positively influence the corporate airline purchase decision. While the determinant "type of fleet" was grouped under the factor "environment-related determinants" for international airline selection (Figure 6.1), for domestic airline selection it is considered a "traveller-related determinant" (Figure 6.2). While the type of an aircraft fleet may support responsible travel (as newer aircraft are more fuel efficient), a modern type of fleet may also result in more comfort onboard a flight for the business traveller. While negotiated discounts gained the upper hand over LCC airfares in international airline selection (Figure 6.1), LCC airfares were grouped under the factor "company-related determinants" for domestic airline selection (Figure 6.2). Since LCCs are not part of a global airline alliance such as Star Alliance, it seems logical that alliances as a determinant have little influence over corporate domestic airline selection. Because of their factor loadings being extremely low, two determinants that were originally identified in the literature review, namely "national airline" and "safety record", were left out from the model of corporate airline selection determinants for domestic business travel.

Figure 6.2: Corporate airline selection determinants for *domestic* business travel
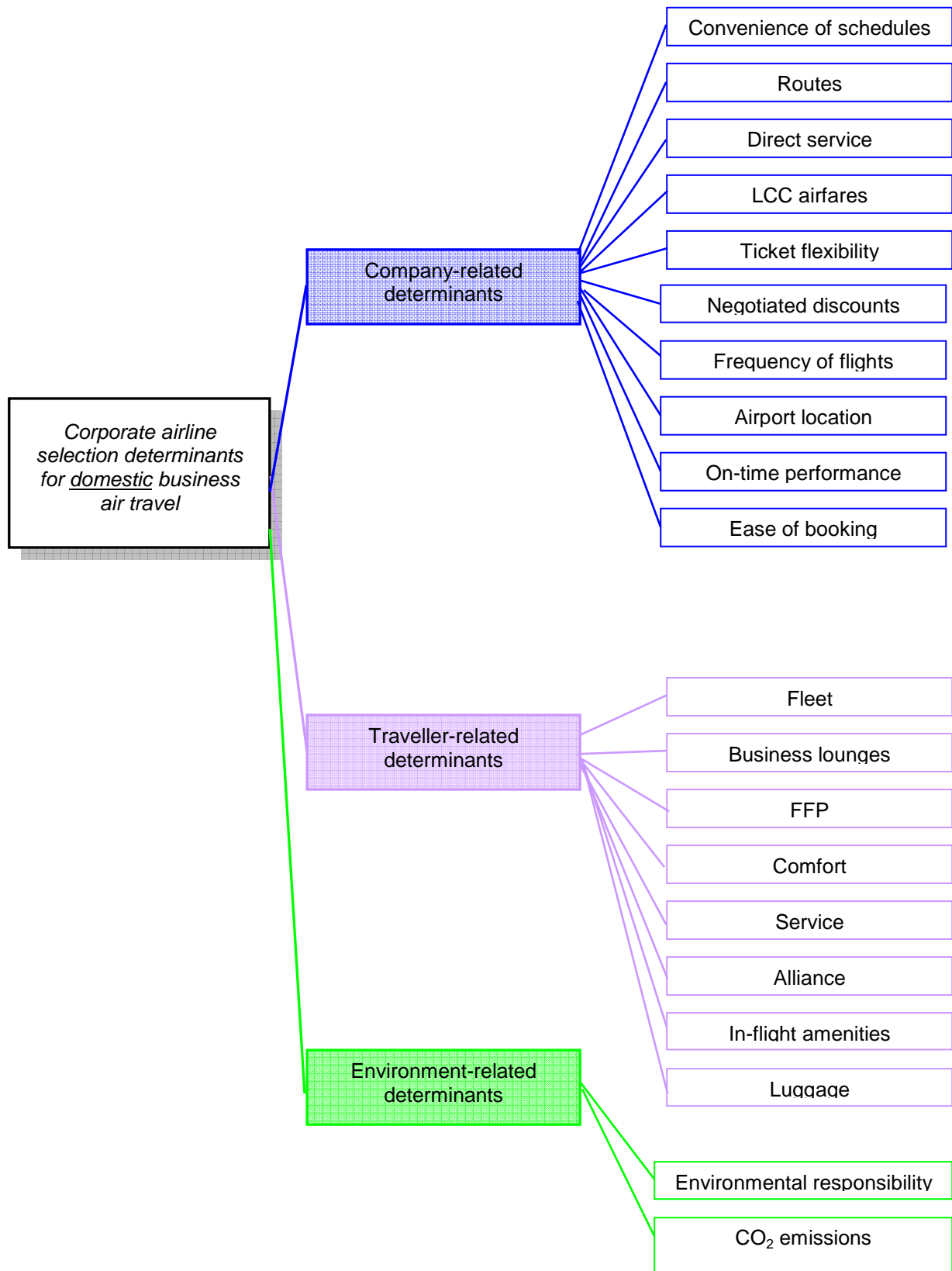
The results from the factor analysis have indicated that the grouping of individual determinants clearly depends on whether an airline is chosen for international or domestic business travel purposes. The two developed models of corporate airline selection determinants clearly differ from the conceptual model. The conceptual model grouped the individual determinants according to their "type/nature" rather than raising the underlying structures that drive corporate airline selection. The conceptual model would thus have been more appropriate for airline selection from a business traveller's perspective but it does not emphasise the important "factors" from a corporation's viewpoint.

The results of the factor analysis have clearly demonstrated that not too much stress should be placed on the different groupings of "types" of airline selection determinants but rather on the "underlying elements" driving a corporation's decision to select a preferred airline. These underlying elements have not only illustrated that, for instance, determinants related to the environment are important, but also the feedback of some stakeholders (business traveller) is important in corporate airline selection decisions. In other words, the structure of the conceptual model was presumably more appropriate for individual traveller's airline selection than for corporate airline selection which is due to the corporation's need to take all stakeholder's feedback into consideration.

6.2.4 The relative importance of FFPs as a determinant in the selection of a preferred airline by large-sized corporations in South Africa

In the discussion on the airline determinants for international travel, it was mentioned that FFPs were omitted as a significant determinant for airline selection because of their low value in the results of the factor analysis. Since the overall aim of this research was to investigate the influence of FFPs on the purchase decisions of travel managers in terms of airline selection, this result from the factor analysis as well as the results from the frequency analysis provides some insight. FFPs are not part of the top-five corporate airline selection determinants for international business travel, nor for domestic business travel. For international business travel, FFPs were ranked as the 19th most important determinant in the selection of an airline of choice, while for domestic business travel they were merely ranked as the second least important determinant. Thus, it can be concluded that FFPs are not considered as playing a significant role in selecting a preferred airline by

the selected large-sized corporations in South Africa. This, despite the fact that frequent flyer programmes have been introduced by a few airlines aimed to mutually benefit the corporation and the business traveller.

A plausible reason for this could be that the empirical research was undertaken in corporations based in South Africa and thus the scope of the empirical study was limited to corporations based in this country. More than half of the surveyed corporate travel managers claimed that joining a FFP was unimportant to the corporation. Most of the respondents appeared to have an airline as preferred supplier which does not offer a FFP directed at the corporation, including South Africa's national airline. SAA does offer a FFP named "Voyager" of which only the business traveller can take advantage. While Air France and KLM have introduced a corporate frequent flyer programme, these airlines were merely ranked ninth and eleventh as supplier of choice by the participants in the web-based survey.

The findings highlighted three other main reasons why FFPs are considered an unimportant determinant in corporation airline selection. Firstly, some corporations are in agreement that these airline marketing initiatives are merely to the benefit of the corporate traveller. Secondly, FFPs are considered an unimportant determinant as they appear to be in conflict with a corporation's need of cost containment within the travel management programme. Thirdly, the logistical challenge of using employee mileage for corporate purposes is perceived to be too great. As indicated by the answers to the open-ended questions of questionnaire, corporate travel managers rather prefer upfront discounts than long winded programmes with lengthy paper work.

Some respondents indicated some reasons why FFPs could be an important determinant within corporate air travel purchasing. They are of the opinion that it does benefit the company somehow (although no specific benefits were identified) and, secondly, that it may serve as an incentive to the business traveller. The importance of the business traveller's incentive is highlighted by the fact that 75% of the surveyed corporations allow their business travellers to use the miles which could be accrued through business travel for personal use. It can thus be argued that corporations consider the well-being and happiness of their business travellers as an important determinant. The literature (section

3.4.2.1) suggested that it is common for corporations in countries such as Germany and Scandinavia to confiscate their employees' miles[46]. Through the use of frequencies it was established that the converse is true in the South African corporate travel environment. Seven percent claimed to have confiscated the miles from their employees while another 11% mentioned that some mixed sharing agreement applies. A remaining 7% said that some other arrangement applies with regard to the assignment of frequent flyer miles.

The results further show that corporations attach the greatest importance to free flights or upgrades to a higher cabin class which results in the long-term in cost savings. These types of rewards can be used to incentivise business travellers in order to avoid them from becoming counterproductive. Shopping and lifestyle rewards are the least important type of reward. This is not surprising as they presumably do not support the goals of the corporate travel programme.

6.2.5 The influence of FFPs in traveller non-compliance with the corporate travel policy

In section 3.4.4 a discussion was presented on the controversy between airlines and corporations in terms of FFPs. Even though corporations are the airline's biggest customers and thus represent a significant source of revenue, the corporations experience difficulty in trying to control the influence of these loyalty schemes on the business traveller's airline choice. A small temptation in the form of FFPs may be sufficient to persuade the business traveller not to comply with the travel policy and as a result lead to conflict with a corporation's attempt to reduce air travel expenses. As pointed out in section 3.4.4, previous research has shown that personal frequent flyer cards cause non-compliance with the travel policy. These results are parallel in the South African corporate travel environment, as indicated by the findings of the empirical study.

In spite of the fact that corporate FFPs have been introduced by some airlines, the empirical research has established that the problem of non-compliance with the travel policy has been well recognised by corporations in South Africa. Since the majority of the

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[46] Obtained through business travel which was paid for by the company.

surveyed corporations had a travel policy in place, they were in the position to provide some indication on non-compliance with the travel policy. Thirty seven percent of the sampled corporations claimed that non-compliance with the travel policy due to FFPs had occurred. Of these 37%, 14% could be classified under high non-compliance, 32% under medium non-compliance, and 41% under low non-compliance. These results are a fair reason for concern and it is thus logical for corporations to perceive FFPs as a worrying element rather than an important one in the selection of a preferred airline. This is substantiated by the fact that FFPs is grouped under the factor "traveller-related determinants" which means that it is an important determinant to the business traveller. Through the use of a cross-tabulation, a positive correlation between business travellers' non-compliance with the travel policy due to FFPs and their unimportance as a determinant in airline selection by corporations was established.

6.2.6   The move towards LCCs as a preferred choice for corporate travel

In view of the intensity of the current recession and to support cost containment within a corporate travel management programme, corporations have started to trade down in class of travel (IATA, 2009). It was apparent throughout the study that business class no longer equates to business travel, particularly for domestic or short-haul flights. While trading down in class of travel is the first sign of the urge to reduce corporate travel expenses, also the increasing use of LCC travel by business travellers reflects the need for cost containment. The results from the empirical study demonstrated that the majority of sampled corporations have booked LCC flights for its travelling employees. Of these corporations, more than half appeared to have a share of LCC bookings that runs up to 25% of its total number of air travel bookings made. As discussed in the literature survey under section 3.2.3, this is particularly due to the good value for money that it offers. Furthermore, a cross-tabulation of the empirical results has indicated that LCCs are more successful in attracting business travellers from small and medium sized corporations. These findings are parallel with the results of the literature survey where it was argued that the preference for traditional airlines is predominantly a matter of the corporate culture of larger corporations. As suggested by the literature survey, low-cost airlines attempt to compete with other carriers by adding services traditionally associated with FSC. However, an overwhelming number of respondents agreed that FFPs (which can be considered an

added service) are no decisive element in booking LCC flights or not. An important trend identified in the literature survey is that there is an increasing blurring of the two business models as each attempt to draw the leisure and business markets.

6.3 RECOMMENDATIONS AND MANAGERIAL IMPLICATIONS

A number of managerial implications both for the corporation and the airline were identified within the analysis. These recommendations are presented next and could be used by the key stakeholders in corporate airline selection in order to improve their relationship.

a. *Recommendations for the corporation*

- While corporations should recognise the importance of cost cutting, the productivity, and the well-being and comfort of their travellers should be considered simultaneously. This is substantiated by the results of the factor analysis which demonstrated that the most important and second most important underlying factors which influence the corporate decision on airline selection are "Company-related determinants" and "Traveller-related determinants" respectively.

- Corporations should create a separate air travel policy for international and domestic flights since the importance of some individual determinants impacting corporate airline selection may increase or diminish depending on the length of the trip as affirmed by the frequency results.

- The results of the factor analysis have shown that "Environment-related determinants" have the least influence on corporate airline selection decisions. Currently, environment-related determinants should not dominate decisions with regard to corporate airline selection. The reason for this is that green travel choices often conflict with the greater urge to cut costs under current economic conditions.

- Fifty-seven percent of respondents claimed that it is unimportant to join a FFP. This is not surprising considering that 37% experienced non-compliance with the travel policy due to FFPs. A cross tabulation which was proven significant affirmed these

results. Consequently, corporations should not consider a FFP as a decisive determinant in the selection of a preferred airline.

- In order to confine corporate air travel expenditure, corporations can make use of LCC airfares in addition to negotiated corporate deals (a top-ten corporate airline selection determinant for international travel). Corporations with a high travel expenditure should however continue focusing on engaging in negotiations in order to obtain interesting discounts based on volume commitments. Most of the respondents have indicated that they have one or two preferred airlines. This should be maintained as it simplifies consolidation.

- Eighty two percent of corporations have used LCC flights for business travel purposes in the past. This share of LCC bookings can run up to 25% of their total number of flight reservations. This trend should be continued as LCC bookings can significantly reduce a company's air travel expenditure. Corporations should embrace the services of LCCs for domestic and short-haul travel in particular.

b.   *Recommendations for the airline*

- The findings of this study could be used by the airline in understanding and managing customer relations between them (as the supplier) and the corporation and/or the corporate traveller. The factor "Company-related determinants" were proved to be more influential in airline selection than business traveller needs. This means that the airline should recognise the importance to focus on the needs of the corporation as the prime key stakeholder in corporate airline selection. The airline should adapt its service offerings accordingly in order to respond to the corporation's increased autonomy in airline selection.

- The results should assist airlines with their marketing strategies as this study should provide greater insight into a corporation's air travel demands. This may assist airlines to position themselves as a corporate supplier of choice.

- FFPs were omitted as a significant determinant for airline selection because of their low value in the results of the factor analysis. In addition, FFPs are not part of the top-5 corporate airline selection determinants for international, nor for domestic business travel. Airlines operating in South Africa should thus not focus on FFPs in order to attract the corporate travel market. It should be noted that these results could have been different if airlines that offer a corporate FFP, such as Air France and KLM, were ranked higher as a supplier of choice as opposed to South African Airways that does not offer a corporate FFP.

- A positive correlation between business traveller's non-compliance with the travel policy due to FFPs and their unimportance as a determinant in airline selection by corporations was established. In addition, FFPs were grouped under the factor "Traveller-related determinants". Airlines should endeavour to make FFPs more attractive to corporations so that this determinant could be grouped under the factor "Company-related determinants".

- Airlines should increase the opportunities for corporations and business travellers to mutually partake in beneficial redemptions of frequent flyer miles. Airlines should integrate rewards such as free flights and upgrades to a higher cabin class in their corporate FFP as these were quoted as the preferred types of awards of corporations in South Africa. These types of awards benefit the corporation through cost savings in the long-term on the one hand, and the business traveller through incentives (upgrades) on the other hand. Consequently, less non-compliance with the travel policy due to FFPs should occur.

- The results of the frequency analysis have demonstrated that the logistical challenge of FFPs prevents corporations from participating in FFPs. If airlines wish to introduce a corporate FFP, the administrative procedure for corporations to partake in these loyalty programmes should be confined to a minimum.

- An overwhelming number of respondents opined that FFPs do not have an impact on the decision to book LCC tickets for their employees or not. This indicates that LCCs

should not focus on introducing FFPs as an additional service offering in order to appeal the corporate travel market.

6.4 LIMITATIONS

Specific limitations following the literature review and the empirical phase of the research should be highlighted.

Certain limitations exist in terms of generalisation to the broader population since a non-probability sampling method was used. While every attempt was made to increase the response rate, the sampling method used and the number of responses limited the study in a number of ways. Firstly, since South African Airways' corporate clients database was limited in terms of companies it included, it was necessary to select potential respondents using convenience sampling, which is a non-random sampling method. Only by means of using convenience sampling, could a reasonable number of responses be attained. This means that the results could not be generalised to all companies located in South Africa. Secondly, the number of responses allowed for certain analyses to be done but if more responses could have been attained, other results may have proven significant. Thus, only the results that were significant are discussed.

The range of companies within the travel expenditure categories were affected by the fairly large range differential that was provided. In retrospect this question could have been better categorised. The gap between R3 million and R50 million proved a little too great for obtaining more specific results relating to size of travel budget and preferences in airlines. Certainty with respect to the expenditure could have more easily determined the extent to which travel expenditure is managed.

At the data analysis phase it was evident that more demographic questions could have been included in the survey in order to group participants' answers so that patterns could be revealed and studied into more detail. For example the corporation's type of industry could have revealed whether certain sectors would have different airline selection strategies than others. Furthermore, particular types of sectors may attach more importance to a single airline selection determinant than others because of some reason.

Also the nationality a corporation possesses could have revealed interesting patterns as a UK company would presumably opt for another airline than an Australian company as different routes need to be covered.

Despite the limitations, the study provides a foundation for further studies in this area in the future.

6.5   RECOMMENDATIONS FOR FUTURE RESEARCH

The main aim of the study was to determine how important frequent flyer programmes are in the selection of a preferred airline by corporations based in South Africa. Since the study solely pertained to corporations based in South Africa, future research could be undertaken in order to compare this study's results with other countries. It would be interesting to study more closely the importance of frequent flyer programmes; whether the determinants for airline selection are different; and the popularity of low-cost airlines in other countries for corporate air travel, as this presumably will differ from the South African corporate travel environment. The number of airlines that have introduced a corporate FFP may influence the level of popularity of this determinant within a specific country. Furthermore, as dozens of LCCs operate in Europe and the USA, the popularity of these no-frills airlines may differ greatly from South Africa in such regions. Since this study was merely quantitative in nature, future qualitative research could be done as to gain more insight and depth into the topic by means of interviews with selected subject specialists. This could bring insight on how FFPs may become a more interesting determinant in airline selection to the corporation instead of being merely a disturbing element. Cross-sectional research was conducted for this study. Therefore, longitudinal research could be undertaken in order to track changes over time with regards to corporate airline selection decisions and particularly the role of FFPs therein. Furthermore, additional research is to be conducted from business traveller's perspectives. This will allow determining whether business travellers attach greater or less importance to certain airline selection determinants than corporations. This could bring insight into the issue of non-compliance with the travel policy.

6.6 CONCLUDING REMARKS

This chapter has concluded the research by discussing the results and drawing conclusions based on the results. The study achieved its initial overall aim of determining the importance of frequent flyer programmes in the selection of an airline by corporations based in South Africa, which proved, in the context of this study, not to be as important as initially thought. In this process two further aims were achieved. Firstly, the relative importance of all the corporate airline selection determinants identified was measured and, secondly, the use of LCC travel by corporations in South Africa was investigated. The results and findings should be considered taking into consideration the limitations and scope of the study. The objectives of the study were successfully achieved and the research problems addressed. This study certainly makes a contribution towards the corporate travel literature and adds value to key players' (i.e., corporations and airlines) understanding of the importance of frequent flyer programmes in corporate airline selection; the various determinants playing a role in corporate airline selection; and the use of LCC for business travel purposes.

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APPENDIX A

- Example corporate frequent flyer accounts -

University of Wisconsin Corporate Frequent Flyer Accounts

Please use the following corporate frequent flyer account numbers when booking UW business air travel. (Note: The account numbers below are automatically embedded in all reservations made using Travelport.)

American/American Eagle/TWA or Transworld Express: C527711
If booking through a travel agency. If booking direct with airline, call 800-433-1790, not the regular toll-free number, say you are a Business Extra customer, and provide them with booking code: 527711

Delta Airlines - US-762272802

Midwest Airlines - B0517
(Second digit is a zero.) [Account cannot be used for reservations made over the phone.]

Northwest Airlines - ESQYP[47]
If booking direct with airline, call 800-210-9789, not the regular toll-free number, say you are a Biz Perks customer, and provide them with booking code: ESQYP

United - 795FP
If booking direct with the airline, call 888-267-7758.

Note: You will **still** receive your miles under your personal frequent flyer account **and the UW System will earn points toward benefits which will be redistributed back to the Institutions.** When you next update your personal frequent flyer profiles, please add the above numbers.

Source: http://www.uwsa.edu/fadmin/flyer.htm

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[47] Merged with Delta Airlines

APPENDIX B

- Data collection instrument -

- **Questionnaire** -

- The importance of frequent flyer programmes in the selection of a preferred airline -

☐ By ticking the box, I agree with the enclosed informed consent form, and indicate my willingness to participate in this study.

Dear respondent

Thank you for your willingness to complete this survey. The purpose of the survey is to determine the elements that influence the selection process of a preferred airline in large-sized corporations in South Africa. More specifically, the survey aims to investigate the importance of frequent flyer programmes in the airline purchase decisions of corporate travel managers.

The survey should not take more than 5 minutes to complete. This survey is anonymous and confidential. You cannot be identified and the answers you provide will be used for research purposes only.

Please read <u>all</u> the questions and answer them by placing a cross (✗) in the appropriate block. There are no right or wrong answers.

Q1.   Do you engage in negotiations to select a corporate preferred airline?

Yes	1
No	2

If your answer is "no", please do not continue answering the questionnaire.

Q2.   Which airline (s) is/are your company's preferred airline(s)?

_____

Q3.   Is it important for your organisation to join a frequent flyer programme?

Yes	1
No	2
I do not know	3

Q4.   Please provide a reason(s) for your answer to question 4.

Q5. Please indicate to whom the frequent flyer miles accrue in your corporation? (Select only the option that your company uses most <u>frequently</u>)

Personal use by the business traveller is allowed	1
The corporation confiscates the rewards	2
Some mixed sharing agreement applies	3
The business traveller earns miles on a FFP as a member <u>and</u> earns points towards the corporation (e.g., Bluebiz by Air France KLM)	4
Other: please specify: ………………………….	5
Not applicable	6

Q6. Have incentives been offered to business travellers for the appropriation of their miles? (e.g., a reimbursement plus a premium for using miles on a really expensive airfare can be paid to the business traveller by the company)

Yes	1
No	2
I am not sure	3
Not applicable	4

Q7. Please indicate how important each type of reward in a frequent flyer programme is to the company. Choose 1 if the type of reward is 'unimportant', 2 if 'not that important', 3 if the type of reward is 'important' and 4 if it is 'very important'.

Type of reward	Unimportant	Not that important	Important	Very important
Car rental	1	2	3	4
Accommodation	1	2	3	4
Free flights	1	2	3	4
Donations (e.g., voluntary carbon offset donations)	1	2	3	4
Upgrades (e.g., from economy to business class)	1	2	3	4
Shopping & lifestyle	1	2	3	4
Other (Please specify and rate) ……………………	1	2	3	4

Q8. Please indicate the extent to which you agree or disagree with the following statements. Choose 1 if you 'strongly disagree' with the statement, 2 if you 'disagree' with the statement, 3 if you 'agree' with the statement and 4 if you 'strongly agree' with the statement.

International travel				The following determinant has played a significant role in the selection (negotiation process) of a preferred airline.	Domestic travel			
Agree			*Disagree*		*Disagree*			*Agree*
4	3	2	1	Type of fleet (e.g., more modern fleet)	1	2	3	4
4	3	2	1	Airline's CO_2 emissions	1	2	3	4
4	3	2	1	Convenience of schedules	1	2	3	4
4	3	2	1	Routes	1	2	3	4
4	3	2	1	Airport lounges	1	2	3	4
4	3	2	1	Direct service to destination	1	2	3	4
4	3	2	1	Frequent flyer programme	1	2	3	4
4	3	2	1	Overall comfort during the trip	1	2	3	4
4	3	2	1	LCC airfares	1	2	3	4
4	3	2	1	Airline's environmental responsibility perception	1	2	3	4
4	3	2	1	Ticket flexibility	1	2	3	4
4	3	2	1	Being my national airline	1	2	3	4
4	3	2	1	Overall level of service	1	2	3	4
4	3	2	1	Negotiated discounts	1	2	3	4
4	3	2	1	Frequency of flights	1	2	3	4
4	3	2	1	Airport location	1	2	3	4
4	3	2	1	On-time departures and arrivals	1	2	3	4
4	3	2	1	Convenience in making a booking (i.e., distribution channel; e.g., travel agency or the Internet)	1	2	3	4
4	3	2	1	Airline alliance	1	2	3	4
4	3	2	1	In-flight amenities	1	2	3	4
4	3	2	1	Safety record	1	2	3	4
4	3	2	1	System in handling lost luggage	1	2	3	4
4	3	2	1	Other (please specify and rate): …………………………………	1	2	3	4

Q9. Does the company you are working for have an air travel policy in place?

Yes	1
No	2

If the answer is "no", please continue answering question 12.

Q10. Has non-compliance with the travel policy occurred due to the abuse of frequent flyer programmes?

Yes	1
No	2
I am not sure	3

If the answer is "no" or "I am not sure", please continue answering question 12.

Q11. Please indicate the level (low/medium/high) of non-compliance with the company's travel policy due to the abuse of frequent flyer programmes by business travellers?

Low non-compliance (less than 4% **non**-compliance)	1
Medium non-compliance (between 5% and 15% **non-**compliance)	2
High non-compliance (more than 16% **non**-compliance)	3
I do not know	4
Not applicable	5

Q12. Has the use of low-cost airlines been considered for business travel purposes?

Yes, we have booked flights on low-cost airlines for business travel purposes in the past.	1
Yes, we are planning to do so in the future.	2
No, we are not planning to do so in the future.	3

If the answer is "no", please continue answering question 13.

Q13. Out of the total number of air travel bookings, what is the approximate percentage of low-cost airline bookings?
…………%

Q14. Would your decision to use low-cost airlines be influenced by whether the airline has a frequent flyer programme or not?

Yes	1
No	2
I am not sure	3

Q15. Please indicate the annual travel expenditure of the company you are working for.

< R 3 million	1
R 3 million – R 50 million	2
R 51 million – R 100 million	3
R 101 million – R 150 million	4
R 151 million – R 200 million	5
R 201 million – R 250 million	6
R 251 million – R 300 million	7
> R 301 million	8

Thank you for completing the questionnaire.
Your cooperation and time spent to complete this questionnaire
is highly appreciated.

APPENDIX C

- Cover letter -

Dear

On behalf of South African Airways and the University of Pretoria you, as the person who is responsible for the procurement of travel at your company, are invited to participate in a study entitled "The importance of frequent flyer programmes in the selection of an airline: a survey of corporate travel management by large-sized corporations in South Africa." The findings from your questionnaire and others will be used as the data set for a dissertation of a Masters student in Tourism Management at the University of Pretoria.

In the event you are not the person responsible for the procurement of travel in your company, please route this e-mail to the appropriate person.

For the study to achieve its purpose, your participation is essential. We would be grateful if you could spend a few minutes of your time to complete the questionnaire which can be found at http://www.surveymonkey.com/s.aspx?sm=t_2bAGTv_2bGWsqBxwc626Y5Xg_3d_3d.

For your information an introduction to the study which serves as a letter of informed consent can be found on the first page of the web-based questionnaire.

In the event you encounter any problems answering the questionnaire, please advise.

We wish to thank you for your cooperation.

Yours faithfully,
Ms. L. Wieme
Researcher

APPENDIX D

- Informed consent -

SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER

The importance of frequent flyer programmes in the selection of a preferred airline

1. Dear Respondent

You, as the corporate travel manager, are invited to participate in an academic research study conducted by Lesley Wienne, a Masters student from the Department Tourism Management at the University of Pretoria. The study is done in cooperation with South African Airways.

The purpose of the study is to build a greater understanding of the elements that influence the selection process of a preferred airline by large-sized corporations in South Africa. More specifically, the study aims to investigate the influence of frequent flyer programmes in the purchase decisions of corporate travel managers in terms of the selection of a preferred airline.

Please note the following:

This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give. Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. Please answer the questions in the electronic questionnaire as completely and honestly as possible. This should not take more than 5 minutes of your time. The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request. Please contact my supervisor, Professor B. Lubbe (Berendien.Lubbe@up.ac.za) if you have any questions or comments regarding the study.

By clicking on "I agree" you indicate that you agree with the terms set out above, and indicate your willingness to participate in this study.

○ I agree

○ I disagree

APPENDIX E

- Reminder / Reworded cover letter -

Dear [FirstName] [LastName]

You, as the person who is responsible for the procurement of travel in your company, have been recently invited on behalf of South African Airways and the University of Pretoria, to participate in a study from which the findings from your questionnaire and others will be used as the data set for a dissertation of a Masters student in Tourism Management at the University of Pretoria. Unfortunately, from the questionnaire that has reached you recently, we have had no reply.

Please allow us to list the benefits that may be gained from the study, which are twofold:
- Since the study aims at determining the best strategy for airline selection, corporations may use the results as a guideline to formulating their own strategy. This may mean a change in your own airline selection strategy once a better understanding of the role of FFPs and other selection determinants in corporate decisions on airlines as preferred suppliers is gained.
- The findings should assist airlines with marketing strategies as this study will provide a better understanding of corporations' air travel demand. This understanding could also be used in managing customer relations between the airline, the corporation and/or corporate traveller.

Once again, your participation in this study is very important to us. In any event, below you may find a copy of the original invitation. The web-based questionnaire can be found at: [SurveyLink]. We are sure that you will try to find 5 minutes in your busy schedule to help us. Please note that the closing date of the questionnaire has been placed on the 11th of December 2009.

We wish to thank you for your time and cooperation.

Yours sincerely,
Ms. Lesley Wieme
Researcher

APPENDIX F

- Letter of permission South African Airways -

SOUTH AFRICAN AIRWAYS

South African Airways
Corporate Strategy & Business
Planning
Room 113f
Airways Park
OR Tambo International
Johannesburg

Tel: 27 11 978-3103
Fax: 27 11 978-1892

Email: fatimaallie@flysaa.com

19th of November 2009

Letter of permission

To whom it may concern

I hereby give permission to Lesley Wieme (student number: 28067046), a Masters student at the University of Pretoria, to use South African Airways' list of corporate procurement managers to conduct her study entitled *"The importance of frequent flyer programmes: a survey of corporate travel management by large-sized corporations in South Africa"*.

The database of South African Airways' procurement managers must be kept confidential and it is not allowed to provide this information to third parties. The results of the study may only be used for academic purposes. No reference should be made in the article to particular organisations appearing in South African Airways' list of corporate clients.

Yours sincerely,

Ms. Fatima Allie
Senior Manager: Market Research & Business Intelligence

Directors
CA Carolus* (Chairperson), FC Smyth (Act Chief Executive), K Patel (Chief Financial Officer), TC Jantjies*, RM Loubser*, BF Mohale*, M Whitehouse*, DC Myeni*, LG Nkosi-Thomas*
*Non Executive

Ruth Kibuuka   Company Secretary

South African Airways (Proprietary) Limited   Reg. No. 1997/022444/07

A STAR ALLIANCE MEMBER

APPENDIX G

-   Research ethics approval -

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UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**FACULTY OF ECONOMIC AND
MANAGEMENT SCIENCES**

RESEARCH ETHICS COMMITTEE

Tel: +27 12 420-2306
E-mail: anske.grobler@up.ac.za

24 November 2009

Prof B Lubbe
Department of Tourism Management

Dear Professor Lubbe

Project:	*The importance of frequent flyer programmes in airline selection: a survey of corporate travel management by large-sized corporations in South Africa*
Researcher:	**L Wieme**
Supervisor:	**Prof B Lubbe**
Department:	**Tourism Management**
Reference No:	**24446280**

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences.

I have pleasure in informing you that the Committee formally approved the above study on 28 October 2009. The approval is subject to the candidate abiding by the principles and parameters set out in her application and research proposal in the actual execution of the research.

The Committee requests you to convey this approval to Ms Wieme.

We wish you success with the project.

Sincerely

PROF AF GROBLER
CHAIR: COMMITTEE FOR RESEARCH ETHICS

cc: Prof ET Heath

Members:
Prof AF Grobler (Chair);Prof HE Brand; Mr S Coetzee; Prof D Gouws (Vice Chair); Prof B Lubbe; Prof M Mabugu;
Prof M Stiglingh; Prof C Thornhill; Prof R van Eyden; Prof J van Vuuren
Ex officio members:
Chair: Research Committee; Prof SR van Jaarsveld, Faculty of Law

APPENDIX H

- Language editor letter -

1 Rashierig
Broxburn
West Lothian
EH52 6AN
Scotland UK

TO WHOM IT MAY CONCERN
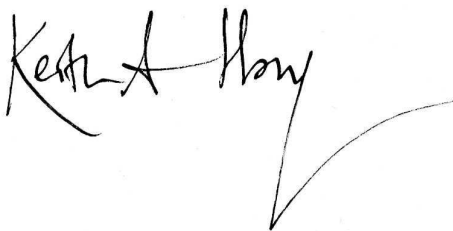
Language editor letter

This letter serves to confirm that I, Keith Archibald Hay, [SA ID number: 7202295753185], have acted as the final language editor for this Master's thesis authored by Lesley Wieme.

This has been to ensure that, where possible, punctuation, grammar and phrasing conform to the accepted language rules.

This also confirms that I possess an MA Honours degree in English Literature and History, from the University of Edinburgh, conferred in 1994.

I can be contacted either at the above address, or through email at needle.haystack@blueyonder.co.uk. Phone contact may be had on +44 1506 202124.

I would be happy to answer any queries that you have.

KEITH ARCHIBALD HAY
MA Hons (Edin)