

Frequent-Flier Programs as a Determinant in the Selection of Preferred Airlines by Corporations

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Abstract

Frequent-flier programs (FFPs) are used by airlines to generate loyalty and attract new customers. Research has shown that these programs significantly affect travelers' choice of airlines. In the managed travel environment where corporations select preferred airlines based on various determinants, it remains unclear whether these programs play a role in the selection process. A conceptual model of factors influencing corporate airline selection was formulated, positioning FFPs as one of the variables that may play a role. Exploratory factor analysis was done to test the conceptual model with the results showing that FFPs form part of business travelers' needs. Based on the results the conceptual model could be adjusted to provide the main factors and their related variables that influence corporate travel managers in selecting preferred airlines. It became evident that, within the boundaries of the study, frequent-flier programs were, in relation to other variables, generally not considered as important in the selection of a preferred airline by corporations.

Keywords

Corporate travel, airline selection criteria, frequent-flier programs, South Africa

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Introduction

The selection of an airline as a preferred supplier of a corporation involves many considerations, with price generally being viewed as one of the most important criteria in such selection. Most previous research in the business-travel environment has highlighted criteria that are important in airline selection from a business traveler's perspective (Fourie and Lubbe 2006; Harris and Uncles 1999; Hlekane 2009; Huse and Evangelho 2007; Leng Ong and Tan 2010), but far fewer studies focus on the criteria that are important to corporations. Some studies that have investigated airline selection criteria from a corporate management perspective are those of Douglas (2008), Mason and Gray (1999), and Pachon, Erkoç, and Iakovou (2007). The important criteria for corporations have generally been recognized as the cost to corporation, ease of booking, and airline performance in terms of safety, frequencies, routes, and various aspects of service quality, which encompasses the needs of the travelers themselves. The impact of loyalty or frequent-flier programs (FFPs) has been addressed from a number of perspectives such as the attitudes of frequent fliers (Stephenson and Fox 1987; Whyte 2002), ethical considerations involved in FFPs (Arnesen, Fleenor, and Toh 1997), and corporate strategies to control frequent-flier abuses (Stephenson and Fox 1992). Nevertheless, very little research has been conducted into their importance as a criterion for selecting a preferred airline from a corporate perspective.

The increasingly complex nature of the benefits of FFPs as well as their influence on the travel behavior of business travelers raises the question of whether corporations take them into account in the selection of preferred airlines. The purpose of this article is to determine the role of FFPs, and whether FFPs can be viewed as one of the selection criteria used when corporations choose preferred airlines for their corporate travel management program. The article begins by presenting an overview of existing theory on criteria used by corporations to select a preferred airline supplier, and whether FFPs play a role in this selection process. A conceptual model is drawn from the criteria identified in the literature and the role of FFPs in airline selection by a corporation. Thereafter, an explanation of the methodology, sampling technique, and data analysis used to test the conceptual model is provided. The results are then interpreted and the conceptual model of those factors determining airline selection is adjusted. The article concludes with some recommendations on managerial action.

Airline Selection Criteria

While air travel is regarded as a derived demand for an organization (it is not an objective in itself), it is an essential part of conducting business to meet

company objectives and goals, and can be considered the principal form of transportation for business travel (Sheehan 2003). Air travel generally constitutes most of the business travel expenses and as such requires effective management (Crane 2001; Cranfield University 2002; PhocusWright 2006). One of the approaches used in business-travel management is to have preferred supplier agreements with airlines based on the volume of air travel placed with the airlines. These supplier agreements are managed through the travel-management program, which includes a well-designed travel policy put in place by corporations (Carlson Wagonlit Travel 2006). Selecting an airline as a preferred supplier involves many considerations for a corporation, with cost generally driving the decision. A number of studies highlight determinants that are important in airline selection, both from a corporate management (Douglas 2008; Mason and Gray 1999; Pachon, Erkoc, and Iakovou 2007), and business traveler perspective (Fourie and Lubbe 2006; Harris and Uncles 1999; Hlekane 2009; Huse and Evangelho 2007; Leng Ong and Tan 2010). These studies show that a corporation takes a number of factors into account when selecting a preferred airline that reflect two main and interrelated streams of interest. The first are those factors that serve the corporation's needs (for example, the cost for the corporate travel and the ease with which travel arrangements can be made), and the second are factors that serve the interest of the traveler while traveling on behalf of the corporation (for example, comfort, convenience, and service quality). The traveler does not select the airline but has the ability to influence the process of selection. The model depicted in figure 1 shows determinants of airline selection used by both corporations and business travelers.

According to Alamdari and Mason (2006), an important consideration for corporations in selecting preferred suppliers is the *ease of booking* with corporations wishing 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. The *cost of air travel* to a corporation has been shown to be one of the most important drivers of selection with the cost being determined by the discounts negotiated, the use of low-cost carrier airfares, and the flexibility of air tickets purchased. Corporations negotiate discounts based on spending commitments by consolidating the volume of air travel. In addition to the negotiated discounts and in an attempt to further confine corporate air travel expenditure, corporations are increasingly making use of low-cost carriers (Dresner 2006). Low-cost carriers were previously inflexible when it came to changing air tickets but because business

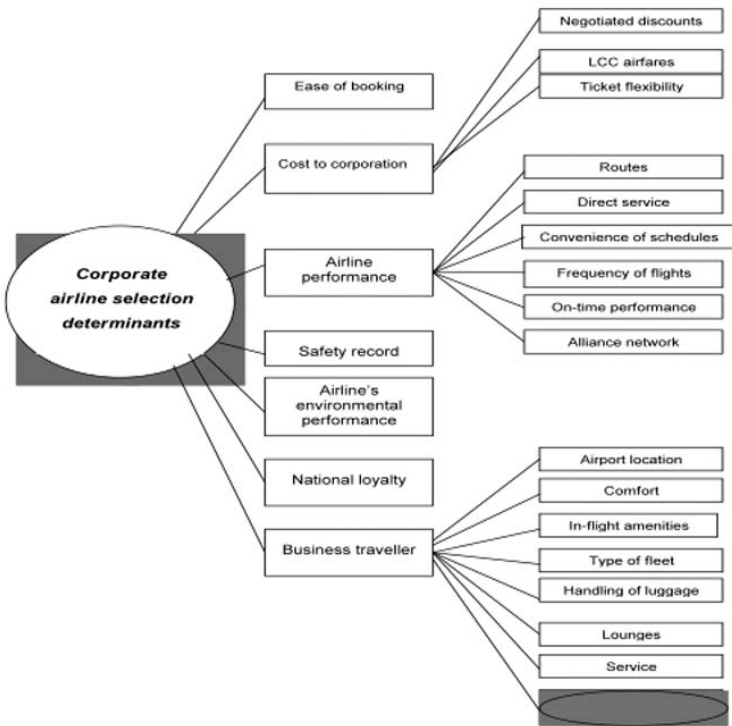


Figure 1 A Conceptual Model of Determinants Used in a Corporation's Selection of a Preferred Airline

travelers regularly need to change their flights due to last-minute changes to their business schedules despite the cost, ticket flexibility is regarded as an important consideration in the selection of a preferred airline (Mason 2006). When seeking to curb travel expenditure, the cost of air travel is clearly important, but more important is the ability of an airline to support the objectives of the corporation when its employees need to undertake business travel. In this respect an *airline's performance* is considered and measured in terms of its network of routes, the convenience of its schedule, the frequency of flights, its on-time performance, and the performance of its alliance partners. This means that the selected airline may not necessarily offer the cheapest flight, but rather the fastest and most convenient route, preferably direct flights, which is what business travelers generally want (Harris and Uncles 1999). A study of business travelers by Uncles and Hammond (in Harris and Uncles 1999) showed that *direct flights* is one of four determinants that are considered to be of utmost importance, the

others being a good safety record, reliable/consistent service, and a modern fleet. Also related to the performance of an airline is the convenience of its schedules where the time of outward and return flights has been shown to be more important for business travelers than for other travelers when selecting an airline (Ali 2007).

A further aspect of an airline's performance is the frequency of its flights. A higher frequency of flights creates less inconvenience for the business traveler in cases where he or she might have missed a flight since the time lapse between the original missed flight and the next available would not be too great. The performance of an airline with regards to its record of punctuality (on-time performance) also plays an important role in the selection of an airline (Harris and Uncles 2007). The alliances of which the airline is a member might also influence the airline's overall performance. Business travelers 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 that provide greater benefits (Mason 2002). The *safety record* of an airline is an important consideration for corporations with their policies on the "duty of care" for their travelers. Thus, ensuring the safety record of an airline is considered in order to reduce the risks inherent in travel (ACTE 2009).

An area that is receiving increasing attention is an airline's environmental policy. A study undertaken by the Association of Corporate Travel Executives (ACTE) and KDS (2007) revealed a 15 percent global increase in ecofriendly travel management behavior compared to the previous year (2006), indicating that an airline's *environmental performance* is becoming increasingly important to corporations in their selection of preferred suppliers. In order to meet the needs of these changing travel patterns of corporate travelers, airlines have started to improve their environmental policies accordingly.

Finally, Aksoy, Atilgan, and Akinci (2003) asserted that *national loyalty* plays a key role in selecting an airline. It can be inferred that, where airlines are regarded as the "flag" carrier, government and other corporations may be more likely to opt for the national carrier as a preferred supplier.

The *needs of the travelers* are an important consideration when corporations select preferred suppliers since the travelers are undertaking trips to serve corporate goals. Studies done over time by various researchers, such as Dresner (2006) and Mason and Gray (1996), consistently show that, apart from those mentioned previously, other more specific criteria such as location of the nearest airport and access to airport lounges, on-board comfort,

in-flight amenities, and type of aircraft are important to travelers. Airport location is strongly related to the value business travelers place on time, hence their preference for shorter airport-access times. Comfort on board a flight (Mason and Gray 1999) can be viewed as a personal need; that is, if the traveler has a comfortable flight, it allows for him or her to arrive as a refreshed traveler on time at a meeting. The quality of in-flight services and amenities (Huse and Evangelho 2007) and airport lounges are considered to be equally important airline selection determinants by business travelers. Business travelers expect some exclusivity and added value, of which lounges are a prime example (Mason and Gray 1996).

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 (ACTE and KDS 2007). While 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 traveler as the infrastructure inside the cabin will be modernized and improved. Reliable luggage handling is one of the most important determinants for business travelers when selecting an airline. Lost or damaged luggage would turn into significant time loss, negatively affecting the performance of the business traveler during the business mission (Uncles and Dowling, in Harris and Uncles 1999).

Service quality has been described as an "entry requirement" in corporate airline selection by Harris and Uncles (1999) and this is mirrored by Huse and Evangelho (2007) who state that business travelers perceive service quality as more important than price. Finally, previous studies have shown that FFPs are so important to business travelers that, given the choice, they would select airlines based on the benefits earned through these programs (Arnesen, Fleenor, and Toh 1997; Evangelho, Huse, and Linhares 2005; Nako 1992; Proussaloglou and Koppelman 1999; Suzuki 2003). However, the importance of FFPs to corporations when selecting preferred suppliers is still unclear and the results of this study should provide some indication in this area.

Frequent-Flier Programs as a Determinant in Corporate Airline Selection

The consensus among Arnesen, Fleenor, and Toh (1997), Evangelho, Huse, and Linhares (2005), Mason (2000), Nako (1992), Proussaloglou and Koppelman (1999), and Suzuki (2003) is that FFPs seem to have a significant influence on the business travelers' airline choices. Their success is

reflected by the fact that approximately 43 percent of all business travelers are members of an FFP (Long et al. 2003). Research by the International Air Transport Association (IATA) (2009) showed that one in four business-class passengers cite FFPs as their main decision-making determinant when they select an airline. While the importance of FFPs in corporate airline selection is still unclear, their role in corporate travel management has evolved with a shift from a traveler-driven to a purchasing manager-driven environment. The travel manager has gained more autonomy in the selection of an airline than the business traveler. This is due to the increased power that the procurement professional acquired in developing rigid travel policies (Gilbert 1996; Mason 2002) that incorporated strategies for the use of benefits derived from FFPs. As far back as 1996, Mason and Gray (1996) suggested that it would be feasible for airlines to create corporate FFPs aimed at rewarding the corporation rather than the traveler and, alternatively, that airlines offer different programs enabling corporations to earn points relative to travel miles in addition to the personal frequent-flier rewards given to the employees who are actually traveling. Corporations may also take advantage of a corporate air alliance agreement. Tiernan, Rhoades, and Waguespack (2008) found that, for many airlines, being a member of an international alliance has become a key component of their business strategy. Airlines alliances allow customers to garner points from any alliance partner and spend them on the program of their choice (Long et al. 2003; Oracle 2008).

In addition to the corporate FFPs from which corporations may derive benefits, corporations may also take advantage of their business travelers' individual miles through confiscation. An example of this strategy, used to control air-travel expenses, is the frequent-flier mileage-redemption strategy. The mileage-redemption strategy reduces air-travel expenses by using frequent-flier miles accrued by employees during business travel for their future business trips (Suzuki and Walter 2001). Business travelers may be motivated to allow their corporation to confiscate their frequent-flier points through incentives such as having the corporations pay the traveler a reimbursement, plus a premium, for using miles on a really expensive airfare. Some corporations are discouraged from confiscating the frequent-flier miles of their employees out of fear that the business travelers would react negatively, and the policy would become counterproductive (Cohen 2006; Travelfli 2008). Long et al. (2003) point out that having some of the negative features of frequent business travel revoked, FFPs may contribute positively to frequent business travelers' 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-flier miles to the corporation when traveling for business purposes (Long et al. 2003). While some airlines perceive frequent-flier miles earned by the employees as personal property owned by that traveler, some other airlines offer programs to corporations where the traveler will earn the miles and the corporation will earn points based on the amount of money spent with the airline.

In general, the redemption of miles seems to be a real challenge and can be considered one of the drawbacks of FFPs, possibly influencing the corporation's selection of a preferred airline (Whyte 2002). The benefits (and some disadvantages) to travelers in using FFPs are clear but the impact of these programs on corporations and their subsequent selection of preferred suppliers is more difficult to ascertain. This gap provides the motivation for this study to determine the importance of FFPs in corporate airline selection. The approach taken in the methodology is to first confirm the determinants, as identified in the literature and presented in figure 1, that influence corporations in selecting preferred airlines. The second area under investigation is to determine the relationship of FFPs to other determinants and its relative importance in the selection of preferred airlines by corporations.

Methodology

The purpose of an exploratory factor analysis is to examine the correlations among variables and to identify clusters of interrelated variables that reflect underlying themes within the data. The main goals of factor analysis are reducing the data and detecting patterns in latent variables or possibly even discovering new concepts. The identified groupings of determinants (factors) driving corporate airline selection should provide an indication of the extent to which the corporation's and the business traveler's needs influence the selection of a corporate-preferred airline. It will provide more detailed information regarding interrelated determinants that are important to each of these stakeholders. Thus, the technique allows a grouping of airline determinants that, as a group rather than individual, may influence the selection of preferred airlines. It will position FFPs in relation to other determinants and indicate that the group of determinants may be more influential than the single determinant.

In selecting the sample, a purposive convenience sampling approach was used to obtain suitably qualified respondents in organizations who

worked with corporate travel management programs. The sample was made up of corporations listed on the South African Airways' (SAA) database of corporate clients and the 2009 register of all listed Johannesburg Stock Exchange (JSE) companies. The list from SAA contained 50 names and the remaining 350 companies were gathered from the JSE list, bringing the total of 400 companies after duplication of names was removed. 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 that indicated that the questionnaire was addressed to the person responsible for the procurement of travel.

An ex post facto, self-administered, Web-based questionnaire was developed and distributed via e-mail to the samples. In total, 109 usable responses were gathered, resulting in a 27 percent response rate. This response rate was considered acceptable, considering that the survey was addressed to corporations, which are generally difficult to access. The results covered two areas of investigation: to identify the determinants used by corporations to select preferred airlines, and to test the relative importance of FFPs in the selection of a preferred airline. Data were analyzed using frequency analysis and measures of central tendency and dispersion to determine the importance as rated by the respondents of the determinants in selecting preferred airlines. Exploratory factor analysis was done to identify interrelated variables (determinants of airline selection) that could substantiate or adjust the underlying factors conceptually identified in figure 1.

Results

Descriptive Statistics

Twenty-four percent (24%) of corporations surveyed had a total annual travel expenditure of less than R3 million, 53 percent between R3 million and R50 million, and the remaining corporations (23%) had a total annual travel expenditure of over R50 million. In identifying the number of preferred airlines among corporations in South Africa, it could be established that "one preferred airline" was the most-frequent answer provided (36%). It also appears to be common for corporations in South Africa to have two (18%) or three (18%) preferred airlines. The remaining 25 percent of respondents

indicated that they have four or more preferred airlines. According to 57 percent of corporate travel managers surveyed, it is unimportant for their corporation to join an FFP, while for 42 percent it is important. When respondents were asked to supply reasons for joining an FFP, almost equal numbers of respondents reported benefits to the company and traveler in terms of incentives provided. Those that considered it unimportant listed the following reasons: it is difficult to administer an FFP, it merely benefits the traveler and not the company, and it is difficult to administer cost containment. When asked to whom the frequent-flier miles accrued in the company, 75 percent of corporations reported that personal use of miles by the business traveler was permitted. Seven percent claimed to have confiscated the miles from their employees while another 11 percent mentioned that some mixed sharing agreement applied and the remaining 7 percent said that some other arrangement applied.

A four-point Likert scale was used to collect respondents' view on corporate airline selection determinants for both international and domestic travel. A scale was used for the purpose of determining the significance ("significance" here refers to the wording in the question) of selection criteria to the respondents, one of which was FFPs. The scale ranged from 1 (disagree) to 4 (agree). The modes and medians were calculated, as appropriate for ordinal data. However, due to many ties, the arithmetic means were also calculated to rank the items. The mean score was used to establish the significance of each of the determinants. These results are shown in figure 2. In order of significance the results show that routes, safety record, and convenience of schedules played the most significant 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. As can be seen in figure 2, there are two conspicuous differences in the significance of determinants between international and domestic business travel. Respondents have clearly indicated that the frequency of flights and low airfares were considerably more significant determinants for domestic business travel than for international travel when selecting a preferred airline. More significance was 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 significance is attached to these determinants for international than for domestic business travel. In answering the main

objective of this study, it can be concluded that FFPs were not considered a significant determinant in the selection of a preferred airline by corporations. A slight difference could be found between international travel and domestic travel with regards to FFPs. For international business-travel purposes, loyalty programs were considered as playing a slightly more significant role in the selection of a preferred airline when compared to domestic business-travel purposes (figure 2).

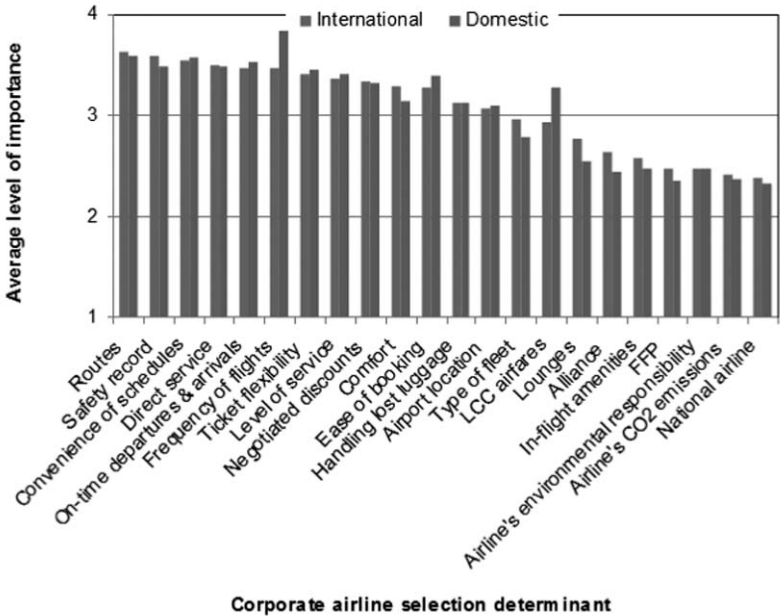


Figure 2 Importance of Corporate Airline Selection Determinants (n = 109)

The mean values were calculated to determine the top five airline selection determinants for domestic and international business air travel. Of the 22 determinants that respondents were requested to rate, FFPs was positioned 19th for international travel, and 21st for domestic travel.

Exploratory Factor Analysis

An exploratory factor analysis was undertaken to identify if an underlying structure exists in the set of selected variables. The factor loadings of each of the airline selection determinants verified the factor under

which each one should be classified. A distinction between domestic and international flights was required since the importance of some individual determinants impacting airline selection may increase or diminish depending on the length of the trip (more than four hours is considered a long trip, and from South Africa this would constitute an international trip). Under the international business-travel category, variables were grouped into four factors, based on the eigenvalues and studied literature. Cronbach's alpha coefficient was employed to measure the internal consistency and reliability of variables within factors and ranged between 0.641 and 0.876 (see tables 1–2). This range indicates a relatively acceptable match among variables within one factor, considering the small sample achieved with respect to a factor analysis. Twenty-two variables were grouped into four factors, based on factor loadings. The highest factor loading (highlighted in bold) determined which factor a particular airline selection criteria belonged to. Two determinants that were originally identified in the literature review,

Table 1/Rotated Factor Loadings for International Business Air Travel

Corporate Airline Selection Determinants	Factor 1: Traveler-related	Factor 2: Company-related	Factor 3: Secondary determinants	Factor 4: Environment-related
In-flight amenities	0,415	-0,180	0,153	0,148
Safety	0,434	0,169	-0,050	0,000
Luggage	0,668	-0,068	0,159	-0,033
On-time performance	0,409	0,265	0,285	0,060
Service	0,652	0,186	-0,013	-0,065
Comfort	0,776	0,015	-0,170	-0,002
Lounges	0,333	0,146	-0,055	0,304
Convenience of schedules	-0,014	0,772	0,098	0,006
Routes	-0,118	0,795	0,006	-0,019
Direct service	0,206	0,539	-0,128	0,085
Ticket flexibility	0,263	0,380	0,316	0,065
Negotiated discounts	0,132	0,330	0,254	-0,067
Frequency of flights	0,089	0,460	0,512	0,034
Airport location	0,247	0,040	0,644	-0,031

Corporate Airline Selection Determinants	Factor 1: Traveler-related	Factor 2: Company-related	Factor 3: Secondary determinants	Factor 4: Environment-related	
LCC airfares	-0,169	0,051	0,375	0,145	
Ease of booking	0,082	0,067	0,593	-0,005	
Alliance	0,073	-0,001	0,383	0,255	
Environmental responsibility	0,103	-0,125	0,303	0,705	
Fleet	0,172	0,223	-0,397	0,390	
CO ₂ emissions	-0,140	-0,006	-0,008	0,879	
Eigen value	2,089	1,887	1,579	1,268	
Data variance explained	25%	8%	7%	6%	45%
Cronbach Coef-ficient Alpha	0,775	0,759	0,655	0,641	
Standard deviation	0,428	0,443	0,470	0,586	

Table 2/Rotated Factor Loading for Domestic Business Air Travel

Corporate Airline Selection Determinants	Factor 1: Company-related	Factor 2: Traveler-related	Factor 3: Environment-related
Convenience of schedules	0,659	0,053	0,076
Routes	0,677	0,045	-0,023
Direct service	0,361	0,242	-0,039
LCC airfares	0,397	-0,081	0,040
Ticket flexibility	0,713	-0,043	0,061
Negotiated discounts	0,577	-0,100	-0,044
Frequency of flights	0,293	0,025	-0,070
Airport location	0,354	0,138	-0,016
On-time performance	0,614	0,116	-0,027
Ease of booking	0,484	-0,036	0,130
Fleet	0,020	0,399	0,311
Lounges	-0,022	0,583	0,249
FFP	0,058	0,414	0,202
Comfort	0,004	0,770	-0,291
Service	0,280	0,554	-0,164
Alliance	0,079	0,421	0,099
In-flight	-0,099	0,537	0,106

Corporate Airline Selection Determinants	Factor 1: Company-related	Factor 2: Traveler-related	Factor 3: Environment-related	
Luggage	0,021	0,501	0,037	
Environmental responsibility	0,167	0,109	0,747	
CO ₂ emissions	-0,037	0,084	0,959	
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	

namely “national airline” and “frequent-flier program,” were omitted because of their low factor loadings.

As can be seen from table 1, the first underlying structure reflected airline selection determinants that were important to the business traveler. These determinants included comfort, handling of luggage, service, safety, in-flight amenities, on-time performance, and lounges. A second underlying structure reflected airline selection determinants that were considered “important to the company,” including routes, convenience of schedules, direct service, ticket flexibility, and negotiated discounts. The third underlying structure identified was labeled “secondary determinants” (a grouping of determinants that was perceived less important in corporate airline selection for international business travel). These determinants included airport location, ease of booking, frequency of flights, alliance, and low airfares. “Environment-related airline selection determinants” were grouped into factor 4, namely CO₂ emissions, environmental responsibility, and the aircraft fleet of an airline. These determinants are clearly the four driving elements behind the selection of an airline by corporations for international travel. Based on the results of the factor analysis, the conceptual model as shown in figure 1 (above) was adjusted. Figure 3 shows the criteria used for selecting a preferred airline for *international business travel*.

The same procedure was followed for *domestic business travel* with table 2 showing the results of the factor analysis. The first underlying structure identified were airline selection determinants perceived to be “important to the company,” including convenience of schedules, routes, direct services, low airfares, ticket flexibility, negotiated discounts,

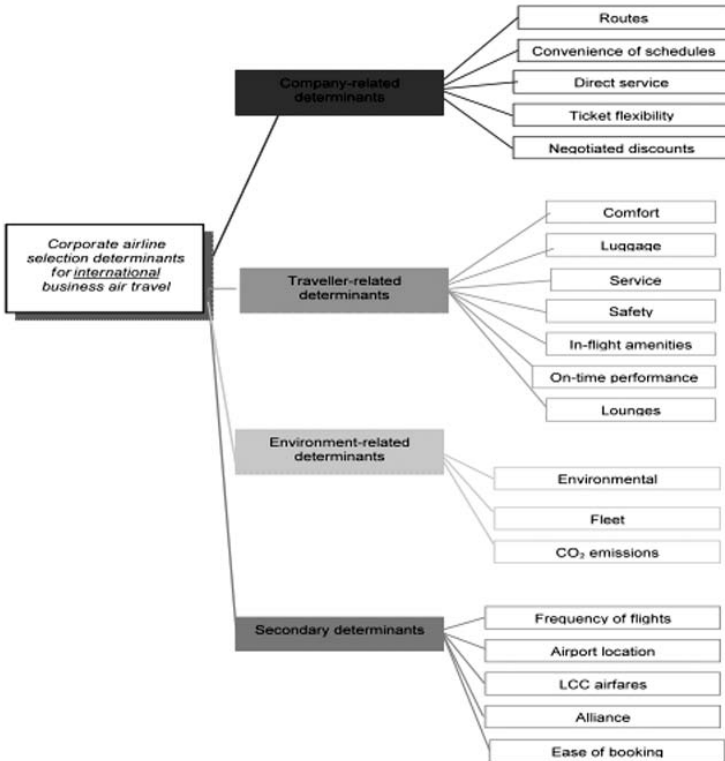


Figure 3 Corporate Airline Selection Determinants for International Business Travel

frequency of flights, airport location, on-time performance, and ease of booking. A second underlying structure identified reflected airline selection determinants that were considered “important to the business traveler,” including comfort, lounges, FFP, service, alliances, in-flight amenities, aircraft fleet, and luggage. “Environment-related determinants” represented factor 3, which included CO₂ emissions and environmental responsibility. Analogous to the results for international business travel, the factor “company-related determinants” played the most significant role in the selection of a preferred airline for domestic travel. Based on the results of the factor analysis, the conceptual model (figure 1 above) was adjusted for the selection of a preferred airline for domestic business travel (figure 4).

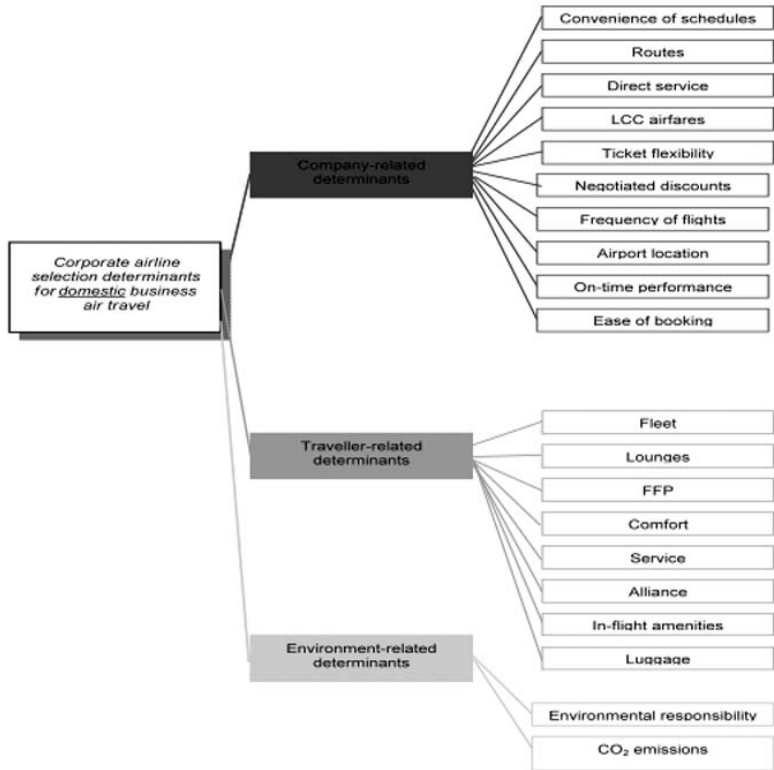


Figure 4 Corporate Airline Selection Determinants for Domestic Business Travel

Discussion

The results from the exploratory factor analysis indicated that the grouping of individual determinants clearly depends on whether an airline is chosen for *international* or *domestic* business-travel purposes. Thus the conceptual model drawn from the literature and shown in figure 1 could not apply to both international and domestic travel. The exploratory factor analysis also confirmed that determinants needed to be grouped differently to the categories selected in the conceptual model. In the conceptual model categories were presented with business-traveler needs being perceived as one of the categories. The results indicate that corporate-related and traveler-related factors can be clearly distinguished as the main factors with one or two other factors playing a role. When corporations select preferred airlines

for travel on *international routes*, four main factors of airline determinants could be identified. These were named company-related determinants, traveler-related determinants, secondary determinants, and environment-related determinants. When corporations select preferred airlines for travel on *domestic routes*, three main factors of airline determinants could be identified: company-related determinants, traveler-related determinants, and environment-related determinants.

The results of this study show that loyalty programs or FFPs could be omitted as a significant determinant for airline selection for international travel because of their low ranking in the frequency analysis and their low value in 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, the results from the factor analysis as well as the results from the frequency analysis provided some insights. FFPs were not part of the top-five corporate airline selection determinants for international business travel or domestic business travel. For international business travel, FFPs were positioned as the 19th most significant out of 22 determinants in the selection of an airline of choice, while for domestic business travel they were positioned as the second-least significant determinant. It can be concluded that for the selected large-sized corporations in South Africa, FFPs were not considered a significant determinant in selecting a preferred airline.

The findings highlighted three other main reasons why FFPs were considered an insignificant determinant in corporation airline selection. First, some corporations were in agreement that these airline marketing initiatives are merely to the benefit of the corporate traveler. Second, FFPs were considered an insignificant determinant as they appeared to be in conflict with a corporation's need of cost containment within the travel-management program. Third, the logistical challenge of using employee mileage for corporate purposes was perceived to be too great. As determined through the literature, there is a 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, corporations experience difficulty in trying to control the influence of these loyalty schemes on the business traveler's airline choice. A small temptation in the form of FFPs may be sufficient to persuade the business traveler to break the travel policy and, as a result, lead to conflict with a corporation's attempt to reduce air-travel expenses. Previous research has shown that personal frequent-flier cards cause noncompliance with the travel policy

(Cohen 2006; Lubbe 2003). These results are parallel in the South African corporate travel environment, as indicated by the findings of this study.

A number of managerial implications both for corporations and airlines were identified. While corporations should recognize the importance of cost cutting, the productivity, and the well-being and comfort of their travelers should be considered simultaneously. This is substantiated by the results of the factor analysis that demonstrated that the second most significant underlying factor that influences the corporate decision on airline selection is “traveler-related determinants.” Corporations should not consider FFPs as a decisive determinant in the selection of a preferred airline but as part of traveler needs. The findings of this study could be used by airlines in understanding and managing customer relations between themselves (as suppliers) and corporations and/or the corporate travelers. The factor “corporate-related determinants” were proved to be more influential in airline selection than business traveler needs. This means that the airline should recognize the importance of corporations 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 needs. Airlines should increase the opportunities for corporations and business travelers to mutually partake in beneficial redemptions of frequent-flier miles accumulated through flights.

Specific limitations following the literature review and the empirical phase of the research should be highlighted. 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. First, since South African Airways’ corporate clients’ database and the JSE-listed database were limited in number of companies, the questionnaire was sent to all companies on the lists, resulting in a nonrandom sampling method. Therefore, it cannot be said that the results of the study represent the opinion of all corporate travel managers in South Africa. Second, in 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 in 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.

The main aim of the study was to determine how important frequent-flier programs are in the selection of a preferred airline by corporations

based in South Africa. What this study shows is that determinants of airline selection depend on various factors that differ according to the nature of the travel undertaken. For example, in this study airlines selected for domestic travel and those selected for international travel are influenced by different factors and determinants. The study also shows that determinants should not be viewed in isolation but rather as part of a group (factor) that together influences airline selection. Airlines cannot rely on providing services based on simple rankings (as presented in most of previous studies on this topic) of what they believe is important to corporations. Rather, airlines should take a more holistic view of what combination of determinants needs to be in place to influence a corporate-travel manager's decision. This is an area that needs further exploring. 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 what is happening in other countries, particularly where the volume of corporate travel and air services is more intense. The role and importance of frequent-flier programs could depend on other factors that exist in different markets and which may not play a role in the South African corporate travel environment.

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