Strategic alliance and loyalty marketing: Do partnerships affect loyalty customers?

Myongjee Yoo

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STRATEGIC ALLIANCE AND LOYALTY MARKETING:
DO PARTNERSHIPS AFFECT LOYALTY CUSTOMERS?

by

Myongjee Yoo

Bachelor of Tourism
Bachelor of Arts
Kyunghae University, Seoul
2003

A thesis submitted in partial fulfillment
of the requirements for the

Master of Science Degree in Hotel Administration
William F. Harrah College of Hotel

Graduate College
University of Nevada, Las Vegas
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Examination Committee Chair

Dean of the Graduate College
ABSTRACT

Strategic alliance and Loyalty Marketing: Do partnerships affect loyalty customers?
by

Myongjee Yoo

Dr. Billy Bai, Examination Committee Chair
Associate Professor of Hotel Management
University of Nevada, Las Vegas

The most essential theory of loyalty marketing is that a small increase in loyal customers can bring a significant increase in profitability to a business. Recently, businesses around various industries have turned single-brand loyalty programs into corporate-wide loyalty programs across different brands (Capizzi, Fergusin & Cuthbertson, 2004). For example, hotel loyalty programs are partnering with other companies such as, airlines, rental cars, restaurants, and even credit card companies and they are offering customers more opportunity to earn points and benefits. Consumers are now able to shop within a broader portfolio of brands with a wider range of choices. Such coalition loyalty programs are giving consumers variety and convenience (Spethmann, 2005).

For this reason, it becomes essential for hospitality professionals to explore the concepts that underlie in strategic alliances of loyalty programs to assess business strategies as a source of competitive advantage to improve and sustain customer loyalty which will eventually bring growth to a company. Having such a numerous number of selections of hotel brands at the present time, are customers loyal to a hotel because of
their preference in a specific brand or are they loyal because of the additional benefits they can receive from partnering companies? In other words, does strategic alliance create value and increase customer satisfaction which leads to customer loyalty? The purpose of this paper is to determine the strategic alliance impact on loyalty customers.

The literature review is separated to two different sections. The first section describes the definition of loyalty, the purpose of loyalty programs, and the factors that affect loyalty customers. It gives an overall understanding about loyalty marketing. The second section describes the definition of strategic alliance, purpose of strategic alliances, and the development of strategic alliances in the hospitality industry. Overall, findings of the two sections of the literature review could suggest a positive relationship between strategic alliance and customer loyalty. One of the sources that customers find value in are from beneficial factors and coalition models of loyalty programs of marketing strategies that are developed with such attempts. Unfortunately, no published research in the hotel industry has stated the specific question of whether strategic alliances of loyalty programs increase customer loyalty or not. For this reason, this study aims to find out the relation and hypotheses were advanced.

Finally, this study designed a questionnaire and conducted a survey and performed regression analysis to test the hypotheses. This study tried to examine how customers perceive the value creation factors initiated by hotels in relation with partnerships to measure the strategic alliance impact. In order to measure customer loyalty this study chose the following indicators: repeat purchase intention, propensity of brand-switching, retention, preference, sense of loyalty (positive word-of-mouth), and satisfaction. Overall, the study attempted to design the questionnaire by approaching the
benefits of strategic alliance offered by the coalition model of loyalty programs and relate them with loyalty decisions. Three properties of certain nation brand chain hotel property located on the Las Vegas strip agreed to offer their assistance through data collection. The sample of the study was those customers who were engaged in the hotels’ affiliated loyalty program.

In conclusion, results of this study indicate that there is a positive relation between strategic alliance and customer loyalty somehow, but it turned out to be it was not the very key factor that effects customers’ loyalty decisions. The study accurately points out that value creation factors from strategic alliance is only one element in decisions of loyal customers. Furthermore, managerial implications, limitations, and recommendations were proposed.
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CHAPTER I

INTRODUCTION

Loyalty programs have now become so common in the hospitality industry that it is almost too hard to find a business that does not occupy such a program. It is known that loyal customers make more purchase than non-loyal customers do, and they are less likely to switch to a competitor brand just because of price and other special promotions (Shoemaker & Lewis, 1999). The most essential theory of loyalty marketing is that a small increase in loyal customers can bring a significant increase in profitability to a business. Reichheld and Sasser (1990) found that a 5% increase in customer retention resulted up to a 125% increase in profits in nine service industry groups they studied. Moreover, the Harvard Business Review discovered that a company can double its profits by retaining just 5% more of its customers (Maxted, 2005).

In the changing global environment of nowadays, it is not too much to say that all business firms are looking for innovative ways to increase customer loyalty, because customer loyalty has a very powerful impact on firms’ performance and it is considered as a major source of competitive advantages (Lam, Shanker, Erramilli, & Murthy, 2004; Zeithmal, 2000). Enhanced customer loyalty of a firm increases revenue, reduces customer acquisition costs, lower costs of serving repeat purchasers, and ultimately leads to greater profitability (Lam et al., 2004; Reichheld & Sasser, 1990).

However, shoppers are faced with overabundance of brands and it shows that
loyalty is on the decrease today. The average consumer is now only 75% to 80% as loyal (Maxted, 2005). In confront to the challenge of increasing customer loyalty, marketers are trying to differentiate their products and services by cultivating long-term relationships with their customers and therefore loyalty programs are showing to have certain trends these days. To begin with, loyalty programs exist almost everywhere nowadays: hotels, airlines, restaurants, rental cars, retail stores, and even grocery stores. The basic concept that underlies in these loyalty programs is that customers can earn and redeem points based on their purchase amount. By the end of 2000, COLLOQUY estimated a total of 937 million members, an average of more than four programs per adult, with the market potential of US $1.8 billion. It was estimated that the number of people who will be engaged into a loyalty program would increase to 1.1 billion by the end of 2003 (Capizzi, Ferguson, & Cuthbertson, 2003).

The problem of ubiquity exists not only in the proliferation of loyalty programs, but also in the perceived resemblance of the reward offerings in many programs. Customers may not find a particular loyalty program attractive if the redemption choices are uninspiring or similar to other loyalty programs. Loyalty programs are now aiming for experiential or aspirational offers in order to retain their customers from competing proposals. Rewards and redemption choices are becoming more unique, value-added, compelling, and desirable. Loyalty marketers are recognizing the fact that soft benefits based on emotion rather than logical needs are much more likely to lock their customers in. They don’t want these rewards just to be a benefit. They want them to become opportunities of a lifetime for their customers (Capizzi et al., 2003). Researchers claim that loyalty is built through a positive differentiation that is usually obtained by
providing superior customer service (Javalgi & Moberg, 1997). This positive differentiation can be noted as value creation. Value creation strategies increase the long-term value of the relationship between a service firm and the customer by offering customized service and greater benefits and it may very well be necessary to influence customer satisfaction and their switching loyalty decisions (Shoemaker & Lewis, 1990).

Loyalty marketers are not just collecting customer data, but they are also analyzing their customer behavior in order to have a better understanding and to make improvements. They want to know what types of rewards the customers are redeeming, what kinds of partner offers appeal to customers, and even the customers’ lifestyle or preference. Knowing their customers intimately can provide a logical, commercial framework within operating a loyalty program, and therefore can be expected to bring a better chance of success (Capizzi et al., 2003).

Overall, one of the most dominant trends of loyalty programs these days is the coalition model. Companies in different businesses are bonding together in order to share the branding, operational costs, marketing expenses, data, and customers. These multi-merchant loyalty coalition programs offer strong benefits to attract more customers by creating value (Capizzi et al., 2003). Recently, businesses around various industries have turned single-brand loyalty programs into corporate-wide loyalty programs across different brands in order to acquire the high external service (Spethmann, 2005).

For example, hotels are partnering with other airlines, rental cars, restaurants, and even credit card companies and offering loyalty customers more opportunity to earn points and benefits. One of the world’s most recognized hotel rewards program, the
Marriott Rewards, has partnerships with Boston Coach, Chase, Hertz, Skymall, Air Canada, British Airways, American Airlines, and numerous other airline companies. Members of the Marriott rewards can also earn additional points via the Marriott rewards visa card issued by Bank One (Marriott International Inc., n.d.).

Another example of this type of loyalty program in the hotel industry is the Hilton HHonors offered by Hilton. Hilton HHonors have more than 55 partnering airline companies and members can earn both points and miles at the same time based on their purchase. Hilton also partners with various companies such as Avis car rental, Thrifty car rental, People PC Online, Earth link, T-mobile, USA TODAY, The Wall Street Journal, ebay, Amtrak, and so on. Moreover, even members from other countries such as Japan, Sweden, and U.K. can earn additional points through credit cards issued by American Express or Citi bank (Hilton Hospitality, Inc., n.d.).

Consumers are now able to shop within a broader portfolio of brands with a wider range of choices. Such coalition models of loyalty programs are giving consumers variety and convenience (Kanter, 1994). They are also increasing velocity by partnering with a number of different companies, thereby quickly awarding members by giving them the chance to earn more points. Hotels are continuously enhancing the infrastructure and spreading the cost across partnering companies instead of building their own systems. Hotel managers claim that they can be more responsive to their customers by adding partners (Spethmann, 2005). Chief executive officers of many business firms are dynamically turning to external relationships such as strategic partnership, as a way to grow their production and maximize their shareholder value because offering strategic alliance significantly gives greater control of the customer

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Customer loyalty programs are modeled on the frequent flyer program that was first introduced by the airline industry. These marketing schemes are supposedly the most common and simple form to explain the coalition model of loyalty programs. Star Alliance brought together 16 of the world’s finest airlines under one network; They are Air Canada, Air New Zealand, ANA, Asiana Airlines, Austrian, bmi, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Singapore Airlines, Spanair, TAP, Thai Airways International, United, US Airways and VARIG. It offers flexibility, access to 795 airports in 139 countries, and the possibility to earn and redeem miles on any member airline (Star Alliance, n.d.). Once again, this proposal from airline companies enable to add more value by offering more external service and increase customer satisfaction, which eventually leads to customer loyalty (Javalgi & Moberg 1997).

Consider the American Express Membership Miles network. Including the United States, the program has produced a bank of billions of redeemable points across 19 international markets by partnerships such as restaurants, auto companies, and shopping malls. American Express has proposed a great deal of valuable offers for its cardholders and also created value for its partners at the same time. In addition, partners of American Express can have access to customer data which enables them to identify valuable customers and provide differentiated service to increase loyalty, and they can benefit from the network’s flexibility. When a partner cannot afford to have too many points redeemed for rebates because it is engaged in a highly cyclical industry, American Express Membership Miles has the flexibility to guide customers toward the product that will create the greatest value at any given time (O’Brein & Jones, 1995).
Another excellent example is the MGM Mirage Players Club. The MGM Mirage Players Club is a loyalty program particularly for the casino players at the seven MGM Mirage properties. It is strictly separated with the hotel section. MGM Mirage relaunched its loyalty program in summer 2003, by consolidating 17 loyalty programs and 16 databases to benefit all seven casino properties on the Las Vegas strip. Even though there was a lot of overlap when it united the casinos’ databases, it boosted the velocity and reduced costs in the end. Cross-property play has grown 40% since the re-launch of Players Club, and now it has nine million members who earn hotel rooms, food, entertainment tickets and retail goods by gaming. When customers are rewarded across all partnering brands of a company, they are in fact cross-shopping their portfolio and not their competitors. Those loyalty programs spread across several brands make corporates more feasible but still have control in the house (Levey, 2005; Spethmann, 2005).

Purpose of the Study

It becomes essential for hospitality professionals to explore the concepts that underlie in strategic alliances of loyalty programs to assess business strategies as a source of competitive advantage to improve and sustain customer loyalty which will eventually bring growth to a company. Having such a numerous number of selections of hotel brands at the present time, are customers loyal to a hotel because of their preference in a specific brand or are they loyal because of the additional benefits they can receive from partnering companies? In other words, does value creation from strategic alliance increase customer loyalty? The purpose of this paper is to determine
the strategic alliance effect on loyalty customers. While there has been substantial attention on research about each strategic alliance and loyalty marketing separately, there are limited studies that conceptualize and measure the effect of strategic alliance on customer loyalty. In fact, this is the first empirical study that attempts to find out the correlation between strategic alliance and loyalty programs in the hotel industry. Therefore, this study will add to the limited, but growing body of related empirical research. Moreover, once the research discovers whether strategic alliance will affect customer loyalty, industry executives would be alerted to develop practical business strategies and thus, afforded an opportunity of profitability.

Definition of Terms

The following terms are defined as they are used in this research study.

Definitions of terms were obtained from a web based dictionary (http://www.dictionary.com), web based glossary (http://www.investorwords), and a web based encyclopedia (http://en.wikipedia.org).

Affinity card: Credit card sponsored by an organization, such as a university or business, that receives part of the card user's fees (Lexico Publishing Group, 2005).

Brand-switching: The process of transferring an investment from one trademark or distinctive name identifying a product or a manufacturer to another (Wikimedia Foundation, 2003).

Coalition: An alliance, especially a temporary one, of people, factions, parties, or nations (Lexico Publishing Group, 2005).
Check cashing: The tendering of a draft instrument in return for U.S. legal tender (cash) as opposed to the tendering of a draft instrument in fulfillment of a financial obligation (WebFinance Inc., 1996).

Frequent Flyer program: A Frequent Flyer Program is a service offered by many airlines to reward customer loyalty. Typically, airline customers enrolled in the program accrue points corresponding to the distance flown on that airline. Accrued points (also known as frequent flyer miles) can be redeemed for free air travel and other products or services, as well as allowing passengers to have increased benefits - such as airport lounge access, or priority bookings (Wikimedia Foundation, 2003).

Loyalty: A feeling or attitude of devoted attachment and affection (Lexico Publishing Group, 2005).

Loyalty Program: A program designed to lower the turnover among users of a product or service by rewarding a customer with incentives or other benefits for remaining a customer (WebFinance Inc., 1996).

Partnership: A relationship between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal (Lexico Publishing Group, 2005).

Strategic alliance: An agreement between two or more individuals or entities stating that the involved parties will act in a certain way in order to achieve a common goal. Strategic alliances usually make sense when the parties involved have complementary strengths.

Sweepstakes: Lottery in which the participants' contributions form a fund that is awarded as a prize to one or several winners (Lexico Publishing Group, 2005).
Ubiquity: Existence or apparent existence everywhere at the same time; omnipresence: “the repetitiveness, the selfsameness, and the ubiquity of modern mass culture” (Lexico Publishing Group, 2005).

Upgrade: To exchange a possession for one of greater value or quality; trade up (Lexico Publishing Group, 2005).
CHAPTER II

LITERATURE REVIEW

Introduction

The objective of this literature review is to better understand the concepts underlying loyalty marketing and strategic alliance. The literature review is separated to two different sections. The first section describes what loyalty marketing is and why it is important. It gives an overall understanding about loyalty marketing. The second section describes what strategic alliance is and how it is combined with loyalty marketing.

Loyalty Marketing

What is loyalty?

The ultimate goal of hospitality marketers was to create as many new customers as possible in the past. Hospitality businesses would always put great effort to satisfy the guests while they were on the property but they would look for ways to bring more customers at the same time. However, managers realized that just by searching for new customers is not enough for today’s aggressive market. That is how loyalty marketing, not only in the hospitality industry but also in the whole business market, emerged as being necessary and ideal. Loyalty marketing has become a key factor for success in the service industry over the past years. In such a highly competitive market, service providers in many industries have discovered the importance of customer retention.
(Shoemaker & Lewis, 1999). They recognize the fact that keeping their customers is just as important as creating them. It is demonstrated in the study of Reichheld (1993) that, MBNA credit card, a loyalty leader, raised its profits by 60% by the fifth year by a 5% increase in customer retention. State Farm Insurance, another head company of customer loyalty, made substantial benefits for the company by making only a small increase in customer retention too.

Many researchers attempted to clarify it as given the interest in customer loyalty. "Loyalty is the likelihood of a customer’s returning to a hotel and that person’s willingness to behave as a partner to the organization" (Shoemaker & Lewis, 1999, p.349). Petrick (2004) explained that while repeat visitation or repeat purchase infer loyalty, it is well perceived that true loyalty is a two dimensional concept including both a psychological attachment and emotional commitment. Other researchers describe loyalty as the extent to which a customer patronizes the service provider and desires to continue an ongoing relationship with that service provider and also explained that loyalty has been understood to be reflected by repeat purchase behavior and the expression of a favorable attitude toward that behavior (McAlexander, Kim, & Roberts, 2003).

Numerous studies emphasize the value of repeat patronage of customers to be significant. Existing patrons tend to visit the property more frequently and as the number of visits increase, their purchase amount may increases over time as well. They also bring in new customers through positive word-of-mouth which can sometimes save a huge amount of the expenses for advertising (Haywood, 1988). Likewise, Petrick (2004) argued that repeat customers are more than just a secure source economically, but they
can also be information channels that casually create a linkage to their friends, relatives, colleagues, and other probable travelers to a property or destination. Thus, repeat patrons may provide a potential advertising of word-of-mouth for free and may be less expensive to uphold as a clientele base. Further, it is six times more expensive to plan marketing strategies to attract new customers than it is to retain existing customers.

Bowen and Chen (2001) refers that there are three distinctive approaches to measure loyalty in general though it is difficult to define customer loyalty in one specific way: behavioral measurements; attitudinal measurements; and composite measurements. The behavioral measurement implies repetitious purchase behavior that is consistent. Attitudinal measurements are considered as the sense of loyalty (e.g., having favorable attitude toward a hotel brand or recommending the hotel positively to others), engagement, and allegiance. Composite measurements of loyalty combine both the behavioral measurement and the attitudinal measurement. It approaches to measure loyalty by indicators such as customers’ preference of product, frequency of purchase, recency of purchase, total amount of purchase, and propensity of switching brands. Other researchers suggest repeat purchase, preference, commitment, retention, and allegiance as major loyalty indicators (Rundle-Thiele & Mackay, 2001).

Leaders and managers in the industry know when customer loyalty increases, profits increase as well by instinct. They also know that they can acquire customer loyalty by serving superior value continuously. When a firm attains high customer loyalty the economic benefits become considerably high because market share and revenue go up, and the cost of obtaining and serving customers actually go down. This could possibly clarify the differences in profitability among other competitors. That may
be why many businesses offer loyalty programs to their customers although not every one of them achieve a meaningful and measurable improvement. The key point to earn and sustain outstanding customer loyalty is to understand what exactly the customers' wants and needs are and design and manage this self-reinforcing system (Reichheld, 1993).

Baloglu (2002) described that there are four different levels of loyalty: high (true) loyalty, latent loyalty, spurious loyalty, and low (or no) loyalty. High (true) loyalty customers tend to have a very strong attitudinal attachment and high repeat patronage. They almost always buy a product at a particular company or brand because they have strong preference over that product and are least vulnerable to the offerings of other competitor brands. High (true) loyalty customers tend to remain loyal over time. Latent loyalty customers have a strong attitudinal attachment but their repeat patronage is low. These customers favor a particular brand but the low repeat patronage may occur because of several reasons such as price, accessibility, or distribution.

On the other hand, spurious loyalty customers have a high repeat patronage but they are not strongly attached to the brand. The high repeat patronage may be explained by such reasons as financial incentives, lack of alternatives, or the customer's individual situation. Although these customers make frequent purchases, they may even dislike the brand. The consumers may only be loyal temporarily and they are likely to be very open to competing offers. Finally, low (or no) loyalty customers have weak attitudinal attachment and also have low repeat patronage. They neither have any feelings for a particular brand nor make any purchases. Spurious and low (or no) loyalty customers are the most unstable customers who can easily response to other benefits or offers from
competitor brands but then again, they also have the most potential to become high (true) or latent loyalty customers depending on what tactics companies use. For that reason, it is these two levels, spurious and low (or no), of loyalty customers that businesses additionally want to attract to their product and try to lock them in as high(true) or latent loyalty customers.

**The purpose of loyalty programs**

Business managers in the hospitality industry idealize repeat patronage as an obvious outcome of their marketing and operational activities (Haywood, 1988). Hence, they have been consistently trying to develop marketing strategies and tactics to attract customers and keep them. The currently existing loyalty programs were modeled on the frequent flyer programs that were first introduced in the airline industry in the 1980s (O’Malley, 1998). Frequent flyer programs are a club concept with passenger rewards for loyalty and these schemes again are linked to the Southwest Airline’s ‘sweetheart stamps’ in the 1970s. United Airlines first developed a frequent flyer program in the name of ‘AAAdvantage Program’ in 1981, targeting the high-mileage travelers by offering rewards of frequency of usage with the attempt to build preference for their brand over another (Gilbert, 1996). Thereafter, other airline companies quickly copied the program and hospitality industries also found out that it is as important to retain their current customers as to search for new customers and started to implement similar methods (O’Malley, 1998).

Customer loyalty has become even more important over the recent years because most hotel industry segments are mature and competition is so strong.
Therefore, loyalty programs in the hospitality industry have been continuously developed over the last 20 years. These protocols are becoming easier for consumers to use and technology has made it feasible to make continual enhancements. Bolton, Kannen, and Bramlett (2000) explained that the goal of implementing such loyalty programs “is to establish a higher level of customer retention in profitable segments by providing increased satisfaction and value to certain customers” (p. 95).

There are many reasons why businesses start loyalty programs as said by Dick Dunn of Carlson Marketing as cited in the study of Shoemaker and Lewis (1999):

- Businesses want to protect market share from competitors, steal high value customers from competitors, retain and grow high value customers, upgrade value customer “look a likes” (that is, reward non-high value customers who have similar characteristics as your best customers so they will become better customers), retain a “core group” of moderate value customers, and create “opportunity cost” for using a competitor. (p. 346)
- O’Malley (1998) claimed that there are four major objectives of loyalty programs. The first objective is to simply reward loyal customers. Consumers are motivated to join in such schemes just because they like to get something out of nothing. Rewards are provided through a combination of discounts and other types of rewards. The next objective is to generate information. Companies can improve targeting and create offers by knowing who their customers are and knowing their purchase pattern. Another objective is to manipulate consumer behavior. Businesses encourage customers to try new products, pay premium prices, or increase multi-pack purchase by offering...
incentives and rewards. Finally, loyalty programs are developed as a defensive measure to combat a competing scheme. Some companies develop loyalty programs just because other competitors are, thus end up aiming for only short-term results.

The fundamental idea of loyalty programs is to encourage customers’ purchase by rewarding them and providing targets at which various benefits can be achieved (O’Malley, 1998). Rewards can and do build customer loyalty and since most companies appreciate how valuable that loyalty can be in the long run, they are finding ways various ways to reward their customers through loyalty programs. Some businesspeople make it a point to get to know their most valuable customers in person and often reward them with special service and attention. They know that delivering enhanced value to profitable customers can turn them into loyal customers and those loyal customers become even more profitable over time. A well designed loyalty program can target the right customer segments which are most valuable and, simultaneously, it can save the company money by discouraging those customers who are not as valuable (O’Brien & Jones, 1995). If a loyalty program is designed and implemented in a proper form, not as a short-term promotional device, they “can accelerate the loyalty cycle, encouraging first or second year customers to behave like a company’s most profitable tenth year customers” (O’Brien & Jones, 1995, p. 75).

Factors that affect loyalty customers

According to Baloglu (2002), there are two major variables that assess customer loyalty: behavioral variables and attitudinal variables. Examples of behavioral variables are the proportion of visit, time spent in a hotel property, cooperation, and word-of-
mouth recommendations. Proportion of visit is the ratio of the number of visits which measures the repeat patronage. Time spent in a hotel property is also important because the amount of money spent in a hotel usually increase with the time spent in the property. Cooperation indicates a customer's willingness to help the company. Word-of-mouth recommendations include making positive comments to fellow family and friends, business referrals, and promoting the company.

The most significant examples of attitudinal variables are trust and emotional attachment or commitment. Previous researches cited that emotional attachment to a product or a brand is the key component in developing customer loyalty. Emotional attachment or commitment could be defined as liking the company or the brand, enjoying the stay at that particular property, and having a sense of belonging to the company. On the other hand, trust has been considered as another key factor in building customer loyalty. Morgan and Hunt (1994) proposed commitment and trust as major constructs of relationship marketing. Bowen and Shoemaker (2003) also argued that building trust and commitment is the solution to develop loyalty.

Similar to Baloglu's study, Dick and Basu (1994) proposed that there are relative attitudes that affect the repeat patronage of loyal customers. They described relative attitudes into three categories: cognitive- those related to informational determinants towards a brand, affective- those related to feelings towards a brand, and conative- those related with behavioral characters towards a brand. Nonetheless they explained nonrelative attitudes such as situational factors or subjective norms influence repeat patronage as well. Situational factors indicate “actual or perceived opportunity for engaging in attitude-consistent behavior (e.g., in the case of stockouts of preferred
brands), incentives for brand switching through reduced prices (i.e., deals) of competing brands, and effective in-store promotions that might increase the salience of a competing brand over one normally preferred by the consumer (i.e., by impacting on the evoked set in a decision environment)"(Dick & Basu, 1994, p. 105).

Despite such great findings, a problem underlies in this conception that whether loyalty is an attitudinal or behavioral measure. “Used loosely, as it usually is, the term ‘loyalty’ conjures up various notions of affection, fidelity or commitment” (McGoldrick & Andre, 1997, p. 74). This has led to the use of customer satisfaction as a proxy measure of loyalty because it has been assumed that when a consumer is satisfied with a product it is likely that it will increase the number of purchase and buying intentions in a positive way (O’Malley, 1998).

Many studies accentuated the importance of satisfaction in customer loyalty. McAlexander et al (2003) emphasized the need to provide and improve customer satisfaction to achieve loyalty. They concluded that the management of satisfaction is most useful for developing loyalty among customers that are not persuaded toward establishing enduring relationships with a certain brand. Lam, Shanker, Erramilli, and Murthy (2004) also contended customer satisfaction as one of the potential antecedents in building customer loyalty. Customer satisfaction influences variables that are indicators of customer loyalty or orientation toward a long-term relationship. It is said that customers who are satisfied toward a service provider can be motivated to patronize that service provider again and recommend other customers to the provider. They also suggested that there are increasing returns to scale in the relationship between customer satisfaction and customer loyalty. Bolton and Lemon (1999) showed that customers’
repeat patronage depended on their previous satisfaction levels, assessment of payment levels, and prices. Customer loyalty and customer satisfaction is not the same.

“Customer satisfaction measures how well a customer’s expectations are met by a given transaction, while customer loyalty measures how likely a customer is to repurchase and engage in partnership activities” (Shoemaker & Lewis, 1999, p. 352). Although satisfaction might not be sufficient, it becomes a necessary factor in building customer loyalty (Shoemaker & Lewis, 1999).

Back to the factors that affect loyalty customers, Shoemaker and Lewis (1999) suggested the Loyalty Triangle, a framework which creates long-term loyalty. The Loyalty Triangle proposes companies to execute all the functions described on each side of the triangle equally well in order to build customer loyalty. The functions described are process, database management/communication, and value creation. The process indicates how the service works and it involves all activities from both the customer and the service provider’s viewpoint. For the customer, the process involves all the behaviors that start from when they purchase the service to the time when they leave the service property. Even the interactions with the employees of the service company are a part of the process. For the service company, the process involves the service operation’s design, employee recruitment and training, and the collection of customers’ information to know them better and provide advanced service.

The database management / communication function focuses on how the service provider communicates with its customers. It is essential because it is the foundation of personnel marketing. A firm can keep good track of customers’ favor, preference, and needs and therefore provide customized service to their guests through a well designed
database. Such activities include database marketing, newsletters, and general advertising.

Finally, there are two components for value creation: value-added and value-recovery. Value-added strategies focus on the long-term value of the relationship between the customer and the service firm, while value-recovery strategies focus on the service delivery occurring in specific transactions. These two strategies are designed particularly to improve customer perceptions of the rewards and costs associated with service transactions and therefore increase customer satisfaction. Customers can earn additional rewards that accumulate for future transactions so long as they keep their relationship with the brand from value-added strategies. For example, hotel customers can acquire benefits such as upgrades, priority check-ins, and late check-outs. Cross promotions with complementary services with airlines and rental cars are also available. Generally, value-added strategies increase the rewards related with the current relationship, and value-recovery strategies reduce or remove the costs associated with service failure.

In general, there are six types of sources of value-added or value-recovery strategies: financial (e.g., discounts, saving money on future transactions, bonus points); temporal (e.g., priority check-in, rooms assigned); functional (e.g., check cashing, website); experiential (e.g., upgrades); emotional (e.g., recognition); and social (e.g., interpersonal linkage with service provider). The arrangements of value-added and value-recovery strategies may be one of the key factors that influence customers’ loyalty decisions. Therefore, service providers have to be extra careful in choosing the suitable features for their strategies (Shoemaker & Lewis, 1999).
Studies propose that customers are sensitive to the quality of such strategies (Dowling & Uncles, 1997). Others advise that customers are tempted to the choice of the rewards and the degree of flexibility in redemption format, in addition to the perceived likelihood of attaining the rewards. This emphasis is cited in the study of Shoemaker and Lewis (1999) from one of the interviews that Dubé and Shoemaker (1999) conducted from a hotel loyalty program manager: “If the goal, i.e., a free hotel room or a free airline flight, is unobtainable then the customer will find no value. That is why we have formed alliances with airlines, credit card companies, and rental car companies. It is all about giving customers many chances to earn points or miles” (p. 361). Moreover, the program’s ease of use, the immediacy of the reward’s availability is critical as well (Shoemaker & Lewis, 1999).

There is an assumption that loyalty programs provide customers with benefits which represent value, and it is because of this value that loyalty programs can encourage customer loyalty (O’Malley, 2000). Although it is extremely difficult to measure the extent of value, O’Brien and Jones (1995) identified the key elements which determine the value of loyalty programs. The elements include cash value (how much the reward represents as a proportion of spend), choice of redemption options, aspirational value (how much the customer wants the reward), relevance (the extent to which rewards are achievable), and convenience (ease of participation in the scheme).

Lee and Cunningham (2001) conducted a research on identifying the potential determinants of customer loyalty. They set the degree of loyalty as the dependent variable and nine other independent variables to find out whether they affect customer loyalty or not. The nine independent variables include: overall service quality, service
cost, service time, difficulty of assessing service performance, service provider's specific knowledge about customers, information search cost, perceived risk, substitutability of the service provider, and geographical proximity to the service provider. The results of the research supported overall service quality, service provider's specific knowledge about customers, information search cost, substitutability of the service provider, and geographical proximity to the service provider, indicating that such variables were significant factors. The results of this study also indicate that substitutability of the service provider is one of the factors that loyalty customers are influenced of. The study defines substitutability "as the extent to which the service activities the current service provider performs are available from alternative sources" (Lee & Cunningham, 2001, p. 117).

Potential customers are from all around the world. Therefore it is natural for them to all have different tastes and preferences and it is impossible to find out one common factor that affects customer loyalty. Although the previous findings that are listed above do not insist on the exact same concept, the fundamental idea of all the previous findings is that beneficial factors or advantages are determinants that create value for customers and it is this value creation that increase customer satisfaction which also eventually increases customer loyalty. Keaveney (1995) classified that customers switch service providers for reasons such as pricing, inconvenience, core service encounters, competition, and ethical problems. Hence, if customers had an alternative for inconvenience they will be less likely to switch service providers. In addition, if competitors offer inferior benefits for competition, it is less likely that customers will switch brands. Bolton et al. (2000) argued that "customers with noncomparable service
experiences (e.g., exposure to unique company specific service experiences) will incorporate these experiences into their repatronage decisions” (p. 99). This suggestion also implies that creating value by proposing noncomparable service experiences can increase customer loyalty.

There is somehow a correlation that beneficial factors or advantages affect customer loyalty positively and service firms are practically trying to develop strategies to fulfill the wants and needs of their customers. There are many ways that service providers can develop new schemes and create value by presenting beneficial factors and forming alliances with other companies in various industries in becoming one common method. It becomes an absolute necessity to understand the concepts of strategic alliance and the relation between customer loyalty.

Strategic Alliance

What is strategic alliance?  

The popularity of strategic alliance is growing very fast not only in the hospitality industry but in the whole business industry. Companies among different industries are gathering together to maximize their profit potential. Some alliances only last as long as it takes for a company to step out in the new market, while others last as long as the preface for merger. No matter how long strategic alliances last between different companies, they are evolving progressively in their possibilities. It has now become common among businesses that finding the right partner is a key corporate asset. Strategic alliances could be a company’s collaborative advantage, as it gives companies a significant competitive opportunity (Kanter, 1994). Firms have realized that
resources that create value are becoming short in supply, and have used diverse schemes to address this issue. Those firms that have tried to address this issue by collaborative ventures found out that entering into alliance networks with competitors, suppliers, and businesses in other industries can become an opportunity for building strengths (Chathoth & Olsen, 2003).

Alliances are relationships between two or more independent parties that agree to cooperate but still maintain their own identities (Dev & Klein, 1993). Alliances are also known as partnerships and vary in the form that they take and they can fall into different categories such as operational, relationship, and strategic (Kaplan & Hurd, 2002). Although the types of alliance might differ, the basic concepts which underly within alliances are the same in that companies collaborate together to cooperate and fulfill their individual needs. Generally, operational alliances are accomplished when partners depend on each other to improve operating capabilities and relationship alliances are served to alleviate risk, allowing companies to spread out into new markets (Kaplan & Hurd, 2002). Finally, strategic alliances help create new value and this is the type of partnership that will be specifically discussed in this study.

To be more definite, strategic alliance can be defined as “voluntary arrangements between firms involving exchange, sharing, or codevelopment of products, technologies, or services” (Gulati, 1998, p. 293). Mohr and Spekman (1994) classified partnerships as “purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefit, and acknowledge a high level of mutual independence” (p. 135). Other researchers define strategic alliances as “collaborative efforts between two or more firms in which the firms pool their resources in an effort to
achieve mutually compatible goals that they could not achieve easily alone” (Lambe, Spekman, & Hunt, 1995, p. 141). Resources here mean any tangible or intangible entities available to the firm that enable it to produce competence and compete in its marketplace (Hunt & Morgan, 1995).

Every firm has a mixture of resources that are unique at least in some ways and these resources cannot be easily bought and sold in the marketplace. In other words, firm resources are notably heterogeneous and imperfectly mobile. Barney (1991) stated that when heterogeneous resources are valuable, rare, durable, and inimitable companies are able to attain competitive advantages because it will produce products with higher value for its customers than its competitors. Valuable resources enable companies to create superior customer value with lower costs. Rare resources are important because only few companies have them, and durable resources keep their value over time. Lastly, inimitable resources are which others cannot duplicate readily. Therefore, companies develop strategic alliances to achieve the resources needed to increase and sustain competitive advantage (Lambe et al., 2002). That is, strategic alliances can be regarded as a potential source of value creation as partnering firms use each other’s strengths to boost market opportunities (Chathoth & Olsen, 2003).

Various types of relationships can be categorized as strategic alliances when affiliations between companies are collaborative. Manufacturer-supplier partnerships, strategic purchasing arrangements, joint ventures, outsourcing, technology licensing agreements, and diverse forms of research and development consortia are all different types of strategic alliances (Morgan & Hunt, 1994).

In more detail, strategic alliances may perform on the basis of rather formal or
informal agreements or both simultaneously between two or more companies and can be
classified into equity and non-equity alliances (Chathoth & Olsen, 2003). Informal
partnerships, also described as tactical partnerships, exist to increase marketing benefits
and there usually is no major commitment. It is a looser form of collaboration. Code­
sharing and feed agreements between airline companies are a few examples (Bennett,
1997). Formal partnerships "tend to be longer where commitment is sometimes
demonstrated by way of equity stakes either on an exchange or single carrier basis”
(Bennett, 1997, p.214). Within the airline industry, formal partnerships include improved
connections, wider choice of routes, mutual relations on frequent flyer programs/loyalty
programs, shared airport facilities, freight coordination and marketing agreements.
Although informal partnerships may exist alone in order to gain benefits of loose
collaboration inside certain businesses, to a larger extent, formal partnerships
incorporates the main features of informal/tactical partnerships (Bennett, 1997).

Equity strategic alliances are agreements where the subject of either the
creation of a new firm or one firm acquiring equity in the others is engaged. In contrast,
non-equity strategic alliances do not involve such equity matters between two or more
firms to cooperate in some way. A joint venture is a type of equity alliance where two or
more parties collaborate to create a newly incorporated company and each having an
equity position. Joint venture parties actively take part in the decision making activities.
The alliance entity ranges from joint ventures to collaborations depending on how the
participating parties find to manage the network relationship between them. Forms of
partnership, network arrangement, licensing, or franchising are types of non-equity
strategic alliances. Collaboration is a type of non-equity alliance. Collaborations are
proper when task uncertainty lies in between the partnering companies of a cooperative venture. There are no discrete boundaries between the collaborating companies. It is notable that partnering companies in collaboration are based on trust (Chathoth & Olsen, 2003).

On the other hand, Dev and Klein (1993) describes there are three types of strategic alliances according to the term. There are opportunistic relationships which are short-term relationships and have limited focus. There is no commitment while each party collects some satisfaction from each other. For example, hotels have employed in limited promotions with other businesses such as cross-advertising and joint coupons. Then, there are tactical relationships which are medium-term relationships. Such relationships share to some degree but also protect themselves at the same time. They also fix a certain duration through a contract. Hotels partnering with airline companies or rental cars may fall into this category. If the relationship does not seem to be beneficial, hotels switch partners with different types of brand or business. Last, there are strategic relationships which are long-term relationships. The parties in this relationship expect continuity and commitment. The level of share is high and they propose significant opportunity for synergy effect.

*Purpose of strategic alliances*

Travel and tourism companies are competing on a global field. Furthermore, hotel companies have continued to acquire, renovate, and build new properties in order to gain greater market presence and market share. Due to such heavy competition and low profitability, strategic alliances are becoming more important especially for the
hospitality industry.

Growth is the key component to prosperity in the hotel industry. Yet, hotel companies can grow in several different ways. They can grow through internal, incremental methods, but the process in slow and requests large capital. Companies can also grow by merger and acquisition, however, it may be unwieldy. Moreover, the corporate culture might not blend well. The challenge for hotels is to come across a way to maximize market coverage, while also achieving economies of scale and scope minimizing capital investments (Dev & Klein, 1993). According to a research study, the primary factor why companies create and maintain strategic alliances would be “a shared perception of opportunity, potential impact on market values, high returns, and low exit barriers” (Newman & Chaharbaghi, 1996, p. 851). Therefore, one such method for a firm to grow is to form strategic alliances by which companies can develop relationships for each of their particular reasons. Operating independently can be more expensive, difficult, and time consuming than working collaboratively. It is possible to improve performance when one company compensates for a different company’s weaknesses (Dev & Klein, 1993).

Strategic alliances occur because they simply have to. Each party that participates in a strategic alliance has at least something to offer to another/other party(ies) and that’s what makes a striking difference. Strategic alliances also happen because they bring a focal point without stretching each party’s resources. They can be especially successful when each party who takes part in the alliance is not threatened or pressured and when they do not restrict freedom for future progresses (Newman & Chaharbaghi, 1996, p. 851).
In an extreme way, strategic alliances can be characterized to have defensive and offensive strategies. While the former puts more attention on stabilizing existing market values by mainly preserving the existing capacity and markets, the latter focuses more on destabilizing, thus creating new market values which is essential for a firm’s growth. Offensive strategies are beneficial particularly for fast-moving markets such as the hospitality industry, because they are driven both by speed and need to incorporate disparate knowledge resources to create new market values. New market values which appear as fresh products tend to have better results when they are combined with different forms of knowledge, and it is almost impossible for a single organization to obtain such forms of knowledge on its own. There are plenty of cases which mix both features of defensive and offensive strategies with some being closer to either one (Newman & Chaharbaghi, 1996).

The fundamental theory of why companies develop strategic alliances is that it will benefit the company somehow. Kalmbach and Roussel (1999) as cited in the studies of Lambe et al. (2002) indicates the following about strategic alliances:

Strategic alliances account for anywhere from 6 percent to 15 percent of the market value of the typical company...[and/are] expected to account for 16 percent to 25 percent of median company value within 5 years and, astonishingly, more than 40 percent of market value for almost one-quarter of companies. (p. 141)

Theoretically, strategic alliances allow companies to focus on their core strengths and offer a variety of stronger product lines. The benefits that strategic alliances bring may be revealed on the cost or revenue side. Strategic alliances that are
determined to reduce costs aim to boost effectiveness by improving operations. On the other hand, strategic alliances aim to increase efficiency by attracting more, higher spending customers on the revenue side. Strategic alliances are expected to become the market-expansion strategy in the hotel industry (Dev & Klein, 1993).

“Alliances give companies a way to leverage their existing skills while they quickly and flexibly access the capabilities of others” (Ernst & Halevy, 2000, p. 51). Strategic alliances usually involve less capital commitment and risk. Often alliances also become the device for companies seeking to expand sales via new distribution channels. In mature businesses, such as hotel businesses, customer acquisition costs can be especially lower for strategic alliances. In addition, prior researches show that many companies developed strategic alliances to successfully enter new geographies (Ernst & Halevy, 2000). What is more, international managers also note that strategic alliances are convincing because they are an expedient way to crack new markets, to gain skills, technology, or products, and to share fixed costs and resources (Bleeke & Ernst, 1991).

Strate and Rappole (1997) found that there are at least five reasons why companies develop strategic alliances. Strategic alliances may:

(1) Create financial benefits,
(2) Provide customers with greater value,
(3) Improve a property’s overall image,
(4) Strengthen an operation’s competitive position, and
(5) Create operational advantages. (p. 51)

Now that organizations are recognizing that their partners are reducing the risk associated with market and technology uncertainty and lessening the degree of conflict
in such a competitive industry, strategic alliances are becoming a norm. Strategic alliances are making it possible for companies to provide the necessary connectivity across complementary abilities to produce new market values without stretching each party out of its existing competencies (Newman & Chaharbaghi, 1996).

The development of strategic alliances in the hospitality industry

Strategic alliances that are formed between airline companies are one of the most common cases that can be explained. The nature of competition in the airline industry has been quite different from all the other industries from the early days. A new exciting, somewhat prestigious and potentially dangerous form of a transportation required public reassurances as to safety standards and operating procedures that governmental involvement was necessary. This particular circumstance encouraged collaborative working practices. The 1944 Chicago Convention first created the platform of airline alliances that exist today. The International Civil Aviation Organization (ICAO), a United Nations agency established in 1944, and the International Air Transport Association (IATA) established in 1945, gathered resources and information together and corresponded the regulation of the industry. Recently, collaborative arrangements have become broader in their scope and purpose, from including cross-shareholdings to marketing and technical cooperation of various kinds (Evans, 2001).

The alliance between Air Florida and British Island in 1986 was the first international alliance in the form of code sharing. United Airlines and British Airways proposed code sharing in 1987 (Oum & Park, 1997). During the period of 1990 to 1992, the world's airline industry had made losses of $11.5 billion because of such reasons as
economic recession, overcapacity, and declining load factors. For this reason airline
companies sought for ways to overcome the losses and started to partner with other
airlines. It is estimated that approximately 60% of airline alliances have been formed
since 1992, and there are more than 500 alliances across the world involving around
airlines which vary in the form from simple interline agreements to substantial equity
stakes today. The number of alliances rose strongly over the period between 1994 and
1999 from 280 to 513: the number of equity stakes decreased from 58 to 53 while the
number of non equity alliances increased from 222 to 460. The number of airline
participating in such alliances rose from 136 to 204 during the period between 1994 and
1999 (Evans, 2001).

Forms of alliances also have become more various from the first alliance form
of code sharing to coordination in ground handling, joint use of ground facilities, shared
membership for frequent flyer programs, joint operation, block space sales, coordination
of flight schedules, exchange of flight attendants, joint development of systems or
systems software, joint advertising and promotion, joint maintenance, and joint purchase
of fuel or other supplies. Types of alliance with such forms can be categorized into three
different types: Type 1 (simple route-by-route alliances); Type 2 (broad commercial
alliance); Type 3 (equity alliance). Types 2 and 3 can be considered as strategic alliances
because they oblige corporate-wide and strategic commitment to each other (Oum &
Park, 1997).

The alliance between KLM and Japan Airline signed in 1993 is an example of
Type 1 alliance. They share codes, ground facilities such as gates and lounges,
coordinate ground handling, block space sales, and share frequent flyer programs. Type
2 alliance is more advanced from Type 1 alliance and it involves connecting the partners’ networks to a considerable extent and feeding traffic to each other’s hub airports. Air Canada-Lufthansa, Air Canada-United Airlines, Continental Airlines-Alitalia, Lufthansa-United Airlines, Lufthansa-Thai Air, SAS-Lufthansa, Delta Airlines-Sabena, and Delta Airlines-Virgin Atlantic are some of the examples of Type 2 alliance. They usually cooperate through the followings: coordination of flight schedule and ground handling, block seat sale, share frequent flyer programs, code sharing, joint use of ground facilities, and joint advertising and promotion. Type 3 alliance require high level of commitment and coordination and partners cooperate in almost all areas of joint activities. British Airways-Qantas, Delta Airlines-Singapore Airlines, American Airlines-Canadian Airlines, and KLM-Northwest Airlines are some examples and KLM and Northwest Airlines even share a ‘Worldwide Reliability’ logo together (Oum & Park, 1997).

Nowadays, airline companies form strategic alliances in a broader extent, not only between different airline companies but also with other companies in different industries such as credit cards, hotels, and retail and grocery stores. For example, United airlines partners with Marriott, Hyatt, Hilton, Intercontinental and many more hotels throughout the world. Also customers can earn and redeem points through credit cards such as the Mileage Visa credit card issued by United or Diners Club. United airline also partners with Sony Style, Neiman Marcus, Hartwick and grove wine, Avis, Hertz, National Car Rental, Alamo Rent-a-Car, and various restaurants. It also has partnerships with financial services communication services such as Sprint, Nextel, and T-Mobile (United Air Lines, Inc., n.d.). Korean Air is a member of SkyTeam Alliance partners which includes Aero Mexico, Delta Airlines, Air France, Czech Airlines, Alitalia,

Likewise, hotels are increasing partnerships with different industries. Hotel restaurants have been managed as a secondary function in the hotel industry for a long time. However, hotel operators discovered a significant amount of the profit is coming from the food and beverage section and they are rethinking how to incorporate food and beverage services into the lodging facilities. Although some hotels manage to carry their own food and beverage concepts and services, many of them have not been successful because of the high cost structure. One of the methods to settle this problem, hotel operators are forming strategic alliances between well known brand name hotel and restaurant companies. Holiday Inn Hotels and Resorts partners with Damon’s, Denny’s, Ruth’s Chris Steakhouse, TGI Friday’s, Convenience Courts (Mrs. Fields, Little Caesars, Blimpies, Sara Lee, Taco John’s). Marriott partners with Ruth’s Chris Steakhouse, Studebakers, Benihana, Trader Vic’s, and Pizza Hut. Hilton partners with Ruth’s Chris Steakhouse, Trader Vic’s, Benihana, and Damon’s. Four Seasons partner with Bice Ristorante, and Radisson Hotels and Resorts partner with Carlson Hospitality (TGI Friday’s, Country Kitchens), and Damon’s. As a result, hotels are achieving a competitive edge and an increase in the overall profitability of the property. It is also
improving the customers’ perception and value (Strate & Rappole, 1997).

There are other strategic alliances with broader ranges within the hotel industry. One of the best known hotel brands, Marriott and Hilton, was discussed earlier in the paper. In addition, Starwood Hotels and Resorts partner with airline companies such as Air France, American Airlines, Asiana Airlines, British Airways, Cathay Pacific, Lufthansa, Qantas, and Singapore Airlines, financial services such as American Express, Diners Club, and Starwood Preferred Guest credit card, transportation companies such as Avis and Boston Coach, retailers such as Gap and Banana Republic, and also charities such as the UNICEF and the make-a-wish foundation (Starwood Hotels & Resorts Worldwide, Inc., n.d.).

Hospitality businesses have become aware of the fact that maintaining relationship bonds with alliance partners is as important as maintaining relationship bonds with their customers. A relationship between two companies may not be observed in the exact same way by each of the participants of the strategic alliance. From one company’s viewpoint the alliance relationship may be observed as building links with a “client” company. On the other hand, the “client” company may observe the same relationship as a strategic alliance to achieve future goals (Jarratt, 1998). All in all, if it is difficult for competitors to imitate customized service that is developed through unique interactions between a hospitality service provider and a different organization, it contributes to the value adding process and the hospitality service provider is enabled to gain sustainable competitive advantage (Varadarajan & Cunningham, 1995).
CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

Introduction

The research methodology adopted for this study is described and the research hypotheses are presented in this chapter. This chapter describes the study method, measurement method, pilot test, sample and data collection. Data entry, measurement scales, and assumptions that are needed to be checked before the performance of multiple linear regression analysis in order to analyze the data are also discussed.

Research Hypotheses

The findings of the literature review could suggest a positive relationship between strategic alliance and customer loyalty. One of the sources that customers find value in are from beneficial factors from coalition models of loyalty programs and affiliated loyalty programs are marketing strategies developed with such attempts. Unfortunately, no published research has focused on whether strategic alliances of loyalty programs increase customer loyalty or not. For this reason, this study aims to find out the impact of strategic alliance on customer loyalty and the following hypotheses were advanced:

H1: There is a positive relation between value creation from strategic alliance and repeat purchase intention.
H2: There is a positive relation between value creation from strategic alliance and retention.

H3: There is a positive relation between value creation from strategic alliance and prevention of brand-switching.

H4: There is a positive relation between value creation from strategic alliance and preference.

H5: There is a positive relation between value creation from strategic alliance and sense of loyalty (positive word-of-mouth).

H6: There is a positive relation between value creation from strategic alliance and customer satisfaction.

Study Method

A great number of studies attempted to discover the strategic alliance performance between businesses by collecting data from sources such as company executives. Nonetheless, the main purpose of the study is to examine the strategic alliance effects on the customers' point of view as an empirical study. It would be most ideal to select the sample data as the entire population of the people who are engaged in any kind of loyalty program in the hospitality industry to find out the relationship between strategic alliance and customer loyalty. Unfortunately, it would be very difficult to identify who are engaged in loyalty programs and who are not. Thus collecting data from the entire population may seem impossible. As a result, this study limited the unit of analysis to those hotels on nation wide brand hotels that carry loyalty programs in Las Vegas and the customers who are engaged in the hotel’s loyalty program.
Consequently, the researcher was able to find three hotel properties that were willing to participate in this study. The three hotel properties were from one of the most famous hotel chain each in the mid price segmentation located nearby the Las Vegas strip.

Measurement Method and Scales

In order to test the hypotheses, this study designed and conducted a survey. The researcher tried to develop a questionnaire by examining existing studies that measured the strategic alliance performance among customers. However, there was no existing research with regard to the strategic alliance effects on customer loyalty. Due to the fact that there were only empirical studies that measured the strategic alliance performance between businesses and businesses, the study attempted to design the questionnaire by approaching the benefits of strategic alliance offered by the coalition model of loyalty programs. Since plentiful studies already proved that value creation increases customer satisfaction and customer satisfaction ultimately increases customer loyalty, this study tried to examine how customers perceive the value creation factors initiated by hotels in relation with the strategic alliance. The initial instrument was first developed after reviewing the existing literature with some modifications introduced. For instance, the questionnaire chose the six value creation factors to categorize the benefits to different sources as noted in the study by Shoemaker and Lewis (1999): financial, temporal, functional, experiential, emotional, and social. Additional examples for value creation were developed through the pilot test and extra search from various hotel loyalty programs as presented on their websites. The specific items of benefits to indicate the six
types of value creation sources are the following: financial sources (discounts, bonus points, affinity cards, and point exchange); temporal sources (priority check-in, room assigned, late check-out, room guarantee); functional sources (check cashing, reservation convenience, website effectiveness); experiential sources (sweepstakes, upgrade, immediacy of reward’s availability upon request, chances to earn points, point usage, cross shopping experience, reimbursement of service failure, complimentary access); emotional sources (track your points, recognition, welcome gift, newsletters); and social sources (interpersonal linkage with service provider, special events sponsored by the service provider).

Several units of analysis have been used in the literature review section to identify the determining indicators to measure customer loyalty. Bowen and Chen (2001) referred that there are three distinctive approaches: behavioral measurements, attitudinal measurements, and composite measurements to measure loyalty in general. Repetitious purchase behavior that is consistent, the sense of loyalty (e.g., having favorable attitude toward a hotel brand or recommending the hotel positively to others), and propensity of switching brands are examples of each category. Rundle-Thiele and Mackay (2001) suggested repeat purchase, preference, commitment, retention, and allegiance as major loyalty indicators. Lam, Shanker, Erramilli, and Murthy (2004) contended customer satisfaction as one of the potential antecedents in building customer loyalty. Overall, this study chose the following indicators to measure loyalty: repeat purchase intention, propensity of brand-switching, retention, preference, sense of loyalty (positive word-of-mouth), and satisfaction. For example, ‘To what extent do you agree that the following benefits offered by our strategic partners affect your decision in your
future stay?’ and ‘If you would stay with our loyalty program in the following year (future), to what extent do you agree that the following benefits offered by our strategic partners affect your decision?’ were included to measure the repeat purchase intention of customers. ‘To what extent do you agree that you would stay at other hotels if we did not offer the following benefits by our strategic partners?’ was included to measure the propensity of brand-switching. ‘If you stayed with our loyalty program for more than 1 year, to what extent do you agree that the following benefits offered by our strategic partners affected your decision?’ was included to measure retention. ‘To what extent do you agree that the following benefits offered by our strategic partners affect your decision in your preference of our hotel brand?’ was included to measure preference. ‘To what extent do you agree that the following benefits offered by our strategic partners affect your decision when you recommend our hotel to your friends or families?’ was included to measure the sense of loyalty. And finally, ‘Overall, to what extent were you satisfied with our service in relation to the following benefits offered by our strategic partners while staying at our hotel?’ was included to measure the customers’ satisfaction rate.

A five point likert scale, meaning 1 as “very unimportant” to 5 as “very important” was used to measure the hotel customers’ perception of the importance of benefits offered by its affiliated loyalty program. The impact of the benefits from partners on the loyalty determinants such as repeat purchase intention, propensity of brand-switching, retention, preference, sense of loyalty (positive word-of-mouth), and satisfaction was also measured using items with five point likert scale, with 1 as “strongly disagree” or “very unsatisfied” to 5 as “strongly agree” or “very satisfied”. The
last question was an open ended question to ask respondents' their opinions of the hotels' affiliated loyalty program. The final section of the questionnaire was the demographic dimension which was designed to provide the demographic profile of the respondents.

The researcher conducted a pilot test in order to establish content validity. Eighteen graduate students majoring in the hospitality administration at a major region of US and those who were also engaged in more than one loyalty program participated in the pilot test. Each participant was asked to complete the questionnaire. After analyzing the returned questionnaires, minor changes were made and some of the participants were interviewed for suggestions to improve the measurement reliability.

A self-administered survey was used to collect the human subject data. Prior to data collection, a protocol explaining the study was submitted to the Office for the Protection of Research Subjects (OPRS). Approval was granted by the OPRS to conduct research involving human subjects. The researcher also obtained permission from the hotel corporation to conduct the survey on their properties.

Sample and Data collection

The study selected the sample among customers who visited the hotel properties during October, 6, 2005 to November, 3, 2005. Four hundred copies of the final questionnaire were sent out to the three hotel properties. The hotel properties distributed the questionnaires only to the customers who were engaged in their loyalty program. In other words, all the customers who were selected to participate in this study were to some extent loyal customers to the hotel. A copy of the final questionnaire was placed in the guest’s room together with the hotel’s welcome letter in the guest’s room.
questionnaire had a cover page explaining the objectives of the survey, providing instructions, and requesting participation. Participation for the study was absolutely voluntary. Customers who did decide to participate in the study were offered additional rewards points to their loyalty program as an incentive when they handed in their completed questionnaire at check out. A total of 216 questionnaires were collected out of 400 questionnaires that were sent out to the hotel properties. Out of the 216 respondents who completed the survey, 18 were assumed invalid since they missed an excessive amount of the questions or they were problematic with biased answers. Therefore, a total of 198 participants took part in this study. Overall, the response rate was approximately 49.5%.

Data Entry

The data were entered and analyzed in SPSS version 13.0. Questions from the questionnaire were selected separately and coded specifically. Descriptive statistics for all questionnaire items and research variables were computed in order to check for missing data and errors in data entry. Data entries were then listed and checked against the original questionnaire. Once the data were entered and coded, the study checked the assumptions and performed multiple linear regression analysis to test the hypotheses at a 0.05 alpha level. Regression analysis explains if there is a relationship between two or more variables and it also clarifies whether the relationship is linear as in positive or negative.
CHAPTER IV

DATA ANALYSIS AND RESULTS

Introduction

This chapter presents the data analysis and the results of this study. The data were analyzed to identify whether there is a positive relation between strategic alliance and customer loyalty. In other words, the data were analyzed to check the strategic alliance impact on hotel loyalty customers. This chapter describes the demographic information of the participants. The results of the hypotheses tests using linear regression are also discussed.

Profile of the Participants

Approximately 60% of the customers who participated in this study stayed with the hotels’ affiliated loyalty program for more than 4 years. Among these 60% participants who had been engaged in the loyalty program, 35.9% had stayed with the program from 4 years and 1 month to 9 years, 15.2% 9 years 1 month to 15 years, and 7.5% for more than 15 years and 1 month. About 32% of the participants of this study had stayed with the loyalty program for less than 4 years (see Table 1). More than 68% of the respondents were male and approximately 31% were female (see Table 2 ).
Table 1

<table>
<thead>
<tr>
<th>Length of stay with loyalty program</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 4 years</td>
<td>63</td>
<td>31.8%</td>
</tr>
<tr>
<td>4 years 1 month - 9 years</td>
<td>71</td>
<td>35.9%</td>
</tr>
<tr>
<td>9 years 1 month - 15 years</td>
<td>30</td>
<td>15.2%</td>
</tr>
<tr>
<td>15 years 1 month - 20 years</td>
<td>8</td>
<td>4.0%</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>7</td>
<td>3.5%</td>
</tr>
<tr>
<td>Missing</td>
<td>19</td>
<td>9.6%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 2

<table>
<thead>
<tr>
<th>Gender of respondents</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>135</td>
<td>68.2%</td>
</tr>
<tr>
<td>Female</td>
<td>62</td>
<td>31.3%</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Age of the respondents was divided into six different groups. A percentage of 3.0% were included in the range of 18 to 24 years old, 12.6% were 25 to 34 years old, 34.3% were 35 to 44 years old, 28.3% were 45 to 54 years old, 17.2% were 55 to 64 years old, and 4.5% were over 65 years old (see Table 3). The marital status of the majority of the respondents was either single or married and only a few were divorced or separated. For example, 23.7% of the respondents were single and 66.7% were married.
Besides that, 7.6% of the respondents were divorced, and only 1.5% were separated (see Table 4).

**Table 3**

*Age of respondents*

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 - 24</td>
<td>6</td>
<td>3.0%</td>
</tr>
<tr>
<td>25 - 34</td>
<td>25</td>
<td>12.6%</td>
</tr>
<tr>
<td>35 - 44</td>
<td>68</td>
<td>34.3%</td>
</tr>
<tr>
<td>45 - 54</td>
<td>56</td>
<td>28.3%</td>
</tr>
<tr>
<td>55 - 64</td>
<td>34</td>
<td>17.2%</td>
</tr>
<tr>
<td>Over 65</td>
<td>9</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

**Table 4**

*Marital Status*

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>47</td>
<td>23.7%</td>
</tr>
<tr>
<td>Married</td>
<td>132</td>
<td>66.7%</td>
</tr>
<tr>
<td>Divorced</td>
<td>15</td>
<td>7.6%</td>
</tr>
<tr>
<td>Separated</td>
<td>3</td>
<td>1.5%</td>
</tr>
<tr>
<td>Missing</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Based on their nationality, respondents could be separated into two groups: the American and the non-American. Over 76% were American as depicted in Table 5. Only 17.2% were non-American from countries such as Australia, Canada, China, Japan, Mexico, Poland, and India. About 6.0% of the respondents refused to answer their nationality.

Table 5

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>American</td>
<td>152</td>
<td>76.8%</td>
</tr>
<tr>
<td>Non-American</td>
<td>34</td>
<td>17.2%</td>
</tr>
<tr>
<td>Missing</td>
<td>12</td>
<td>6.1%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

With regard to the highest educational degree received, none of the respondents had less than a high school degree, while 2.5% had completed high school, 5.6% had a technical or vocational school degree, 13.6% had gone to college but did not graduate, 47.5% had a college degree, and 30.8% had a graduate degree (see Table 6). More than half of the respondent's purpose of trip was because of business. As shown in Table 7, 54.0% of the participant's purpose of their trip was business, 39.4% leisure, 5.1% both business and leisure, and 1.5% was for other reasons such as weddings or visiting families.
Table 6

**Highest Education Degree**

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Completed high school</td>
<td>5</td>
<td>2.5%</td>
</tr>
<tr>
<td>Technical or vocational</td>
<td>11</td>
<td>5.6%</td>
</tr>
<tr>
<td>Some college</td>
<td>27</td>
<td>13.6%</td>
</tr>
<tr>
<td>College degree</td>
<td>94</td>
<td>47.5%</td>
</tr>
<tr>
<td>Graduate degree</td>
<td>61</td>
<td>30.8%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 7

**Purpose of Trip**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>107</td>
<td>54.0%</td>
</tr>
<tr>
<td>Leisure</td>
<td>78</td>
<td>39.4%</td>
</tr>
<tr>
<td>Both business and Leisure</td>
<td>10</td>
<td>5.1%</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Over 59% of the respondents had an approximate annual household income of over $100,000. Approximately 18% had an annual household income of over $70,000 to $99,999 and, 11% had between $50,000 and $69,999. Under 7.1% had an annual household income of less than $50,000 (see Table 8).
Table 8

Annual Household Income

<table>
<thead>
<tr>
<th>Income</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $10,000</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>$10,001 - $29,999</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td>$30,000 - $49,999</td>
<td>12</td>
<td>6.1%</td>
</tr>
<tr>
<td>$50,000 - $69,999</td>
<td>22</td>
<td>11.1%</td>
</tr>
<tr>
<td>$70,000 - $89,999</td>
<td>18</td>
<td>9.1%</td>
</tr>
<tr>
<td>$90,000 - $99,999</td>
<td>18</td>
<td>9.1%</td>
</tr>
<tr>
<td>Over $100,000</td>
<td>117</td>
<td>59.1%</td>
</tr>
<tr>
<td>Missing</td>
<td>9</td>
<td>4.5%</td>
</tr>
<tr>
<td>Total</td>
<td>198</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Data Analysis

Reliability and Validity tests

The reliability in this study was measured by the reliability analysis on SPSS 13.0. The Cronbach alpha values ranged from 0.929 to 0.938. The Cronbach alpha index ranges from 0 to 1. Higher alpha value means higher internal consistency. The generally agreed lower limit of the Cronbach’s alpha value is 0.70. All the variables had acceptable alpha values that were in fact excellent values very close to 1 (see Table 9). The factor’s content validity was established through the rigorous process of developing the questionnaire and theoretical support from the literature review.
Table 9

Reliability of Component Items

<table>
<thead>
<tr>
<th>Items</th>
<th>Chronbach's Alpha</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Source</td>
<td>.819</td>
<td>15.44</td>
<td>3.500</td>
</tr>
<tr>
<td>Temporal Source</td>
<td>.811</td>
<td>15.88</td>
<td>4.051</td>
</tr>
<tr>
<td>Functional Source</td>
<td>.811</td>
<td>9.86</td>
<td>2.787</td>
</tr>
<tr>
<td>Experiential Source</td>
<td>.809</td>
<td>25.52</td>
<td>5.461</td>
</tr>
<tr>
<td>Emotional Source</td>
<td>.802</td>
<td>13.85</td>
<td>3.357</td>
</tr>
<tr>
<td>Social Source</td>
<td>.857</td>
<td>5.95</td>
<td>2.083</td>
</tr>
</tbody>
</table>

Testing of Hypotheses

Linear regression analysis shows the relationship between a dependent variable and one independent variable. However, it often requires more than one independent variable to predict the values of a dependent variable. Therefore, this study performed a multiple linear regression analysis to test the hypotheses. This statistical technique represents two main requisites about the distribution of each variable and the association between the variables (Norusis, 2004).

Prior to performing the multiple linear regression analysis, the study first made individual composite variables for each value creation category. The items of each category were computed and transformed into a single variable by the SPSS program. It was declared in the literature review that Shoemaker and Lewis (1999) proposed that there are six types of sources of value-added or value-recovery strategies: financial, temporal, functional, experiential, emotional, and social. It was mentioned in the research methodology part that this study took these six different sources to develop the
questionnaire as well. For that reason, the study refers these particular sources in order to explain the composite variables further on. For example, value creation items of discounts, bonus points, affinity cards, and exchange points were combined into one separate variable as the financial source. Value creation items of priority check-in, late check-out, rooms assigned, and room guarantee were combined into one separate variable as the temporal source. Value creation items of check cashing, reservation convenience, and website effectiveness were combined into one separate variable as the functional source. Value creation items of sweepstakes, upgrade, immediacy of reward’s availability upon request, opportunity to earn points, point usage, cross shopping experience, and reimbursement of service failure were combined into one separate variable as the experiential source. Value creation items of track your points, recognition, welcome gifts, and newsletters were combined into one separate variable as emotional source. Finally, value creation items of interpersonal linkage with service provider and special events sponsored from service provider were combined into one separate variable as the social source.

The assumptions that were needed to be checked before performing regression analysis were the followings: normality, independence of observations, linearity, constant variance, outliers, and multicollinearity. All data were screened for outliers and scatter plots were reviewed of nonlinear distributions and relationships. Histograms and normal probability plots were examined for normal distribution in each performance as well. The independence assumption was checked to make sure that there is no relationship between the observations in the different groups and between the observations within the same group. Model summary of Durbin-Watson was checked in
each case for the independence of observations. Numbers range from 0 to 4 and if it is close to 2, it is not problematic. Linearity was checked by producing all partial plots. The constant variance was verified by checking the plots by entering standardized residual as the Y variable and standardized predicted as the X variable (Norusis, 2004). Finally, analysis of variance inflation factors (VIF) was checked for multicollinearity. All the assumptions were checked and none of them were violated.

The first hypothesis was built to examine the effect of the value creation from strategic alliance on customers' repeat purchase intention. In order to test this hypothesis, multiple linear regression analysis was run with repeat purchase intention as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.

H1: There is a positive relation between value creation from strategic alliance and repeat purchase intention.

As can be seen in Table 10, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.451. From this regression model, 20.3% of the repeat purchase intention is explained by the value creation factors. The results indicate that the model was significant (p<0.05, F = 8.121). Thus, the first hypothesis was supported that there is a positive relation between value creation from strategic alliance and repeat purchase intention.

Table 11 shows the results of each factors related to repeat purchase intention separately. Consequently, financial source (p<0.05, β = .244, t = 2.751) and temporal source (p<0.05, β = .213, t = 2.179) value creation items turned out to be significant. Therefore, results indicate that the value creation items of discounts, bonus points,
affinity cards, exchange points, priority check-in, late check-out, rooms assigned, and room guarantee were positively related to customers’ loyalty, but all the other items of functional, experiential, emotional, and social sources were found not to be significant.

Table 10

Summary of Regression Analysis (N=198)

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.451</td>
<td>0.203</td>
<td>0.178</td>
<td>6</td>
<td>8.121</td>
<td>.000*</td>
</tr>
</tbody>
</table>

Note. *p < .05.

Table 11

Significance of Regression Coefficients (N=198)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.667</td>
<td>.287</td>
</tr>
<tr>
<td>Financial</td>
<td>.057</td>
<td>.021</td>
</tr>
<tr>
<td>Temporal</td>
<td>.043</td>
<td>.020</td>
</tr>
<tr>
<td>Functional</td>
<td>.016</td>
<td>.028</td>
</tr>
<tr>
<td>Experiential</td>
<td>.005</td>
<td>.015</td>
</tr>
<tr>
<td>Emotional</td>
<td>-.003</td>
<td>.025</td>
</tr>
<tr>
<td>Social</td>
<td>.004</td>
<td>.031</td>
</tr>
</tbody>
</table>

Note. *p < .05.

The second hypothesis was built to examine the effect of the value creation from strategic alliance on customers’ intention to continue to stay with the hotels’ affiliated loyalty program. In order to test this hypothesis, multiple linear regression analysis was
performed with retention as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.

H2: There is a positive relation between value creation from strategic alliance and retention.

As can be seen in Table 12, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.456. From this regression model, 20.8% of the customers' intention to continue to stay with the hotels' affiliated loyalty program is explained by the value creation factors. The results show that the model was significant (p<0.05, F = 8.362). Thus, the second hypothesis was supported that there is a positive relation between value creation from strategic alliance and retention.

Table 13 shows the results of each factors related to retention separately. As a result, financial source was the only source that was significant (p<0.05, β = .179, t = 2.024). This indicates that the value creation items of discounts, bonus points, affinity cards, and exchange points were positively related to customers' loyalty, but all the other items of the remaining sources were found not to be significant.

Table 12

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.456</td>
<td>.208</td>
<td>.183</td>
<td>6</td>
<td>8.362</td>
<td>.000*</td>
</tr>
</tbody>
</table>

Note. *p< .05.

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### Table 13

**Significance of Regression Coefficients (N=198)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients (B)</th>
<th>Std. Error</th>
<th>Standardized Coefficients (β)</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.851</td>
<td>.262</td>
<td></td>
<td>10.889</td>
<td>.000</td>
</tr>
<tr>
<td>Financial</td>
<td>.038</td>
<td>.019</td>
<td>.179</td>
<td>2.024</td>
<td>.044*</td>
</tr>
<tr>
<td>Temporal</td>
<td>.027</td>
<td>.018</td>
<td>.147</td>
<td>1.506</td>
<td>.134</td>
</tr>
<tr>
<td>Functional</td>
<td>-.007</td>
<td>.026</td>
<td>-.026</td>
<td>-.265</td>
<td>.791</td>
</tr>
<tr>
<td>Experiential</td>
<td>.023</td>
<td>.014</td>
<td>.173</td>
<td>1.693</td>
<td>.092</td>
</tr>
<tr>
<td>Emotional</td>
<td>.016</td>
<td>.023</td>
<td>.071</td>
<td>.699</td>
<td>.485</td>
</tr>
<tr>
<td>Social</td>
<td>.000</td>
<td>.028</td>
<td>-.001</td>
<td>-.016</td>
<td>.987</td>
</tr>
</tbody>
</table>

*Note. * p < .05.

The third hypothesis was built to examine the effect of the value creation from strategic alliance on customers' propensity in switching brands. In order to test this hypothesis, multiple linear regression analysis was run with propensity of brand-switching as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.

**H3:** There is a positive relation between value creation from strategic alliance and prevention of brand-switching.

As can be seen in Table 14, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.346. From the regression model, 12.0% of the customers' propensity of brand switching is explained by the value creation factors. The results show that the model was significant (p<0.05, F = 10.065). Thus, the third hypothesis was supported that there is a positive relation
between value creation from strategic alliance and prevention of brand-switching.

Table 15 shows that none of the value creation sources appeared to be significant related to propensity of brand switching separately \((p>0.05)\). This indicates that all the value creation items of each source were not strongly influential to customers’ propensity of brand-switching.

**Table 14**

Summary of Regression Analysis

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.346</td>
<td>.120</td>
<td>.092</td>
<td>6</td>
<td>10.065</td>
<td>.000*</td>
</tr>
</tbody>
</table>

*Note. *\(p<.05\).*

**Table 15**

Significance of Regression Coefficients \((N=198)\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.993</td>
<td>.385</td>
</tr>
<tr>
<td>Financial</td>
<td>.040</td>
<td>.028</td>
</tr>
<tr>
<td>Temporal</td>
<td>.004</td>
<td>.026</td>
</tr>
<tr>
<td>Functional</td>
<td>-.030</td>
<td>.038</td>
</tr>
<tr>
<td>Experiential</td>
<td>.028</td>
<td>.020</td>
</tr>
<tr>
<td>Emotional</td>
<td>.027</td>
<td>.033</td>
</tr>
<tr>
<td>Social</td>
<td>.062</td>
<td>.042</td>
</tr>
</tbody>
</table>

*Note. *\(p<.05\).*

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The fourth hypothesis was built to examine the effect of the value creation from strategic alliance on customers' preference of the hotel brand. In order to test this hypothesis, multiple linear regression analysis was run with preference as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.

H4: There is a positive relation between value creation from strategic alliance and preference.

As can be seen in Table 16, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.330. From the regression model, 10.9% of the customers' preference of the hotel brand is explained by the value creation factors. The results indicate that the model was significant (p<0.05, F = 3.887). Thus, the fourth hypothesis was supported that there is a positive relation between value creation from strategic alliance and preference of brand.

Table 17 shows the results of each factors related to preference separately. Only the functional source appeared to be significant (p<0.05, β = .229, t = 2.237). This indicates that the value creation items of check cashing, reservation convenience, and website effectiveness were positively correlated to customers' loyalty decision in preferring a certain hotel brand. All the other items were found not to be significant.

Table 16

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.330</td>
<td>.109</td>
<td>.081</td>
<td>6</td>
<td>3.887</td>
<td>.001*</td>
</tr>
</tbody>
</table>

Note. *p<.05.
Table 17

Significance of Regression Coefficients (N=198)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.765</td>
<td>.392</td>
<td>7.045</td>
<td>.000</td>
</tr>
<tr>
<td>Financial</td>
<td>-.019</td>
<td>.028</td>
<td>-.687</td>
<td>.493</td>
</tr>
<tr>
<td>Temporal</td>
<td>.012</td>
<td>.027</td>
<td>.461</td>
<td>.646</td>
</tr>
<tr>
<td>Functional</td>
<td>.086</td>
<td>.038</td>
<td>.229</td>
<td>.026</td>
</tr>
<tr>
<td>Experiential</td>
<td>.004</td>
<td>.021</td>
<td>.020</td>
<td>.850</td>
</tr>
<tr>
<td>Emotional</td>
<td>.040</td>
<td>.034</td>
<td>.128</td>
<td>.238</td>
</tr>
<tr>
<td>Social</td>
<td>-.015</td>
<td>.042</td>
<td>-.363</td>
<td>.717</td>
</tr>
</tbody>
</table>

Note. *p< .05.

The fifth hypothesis was built to examine the effect of the value creation from strategic alliance on customers' sense of loyalty (positive word-of-mouth). In order to test this hypothesis, multiple linear regression analysis was run with word-of-mouth as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.

H5: There is a positive relation between value creation from strategic alliance and sense of loyalty (positive word-of-mouth).

As can be seen in Table 18, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.408. From the regression model, 16.7% of the customers’ sense of loyalty (positive word-of-mouth) was explained by the value creation factors. The results indicate that the model was significant (p<0.05, F = 6.375). Thus, the fifth hypothesis was supported that there is a
positive relation between value creation from strategic alliance and sense of loyalty (positive word-of-mouth).

Table 18
Summary of Regression Analysis

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.408</td>
<td>.167</td>
<td>.141</td>
<td>6</td>
<td>6.375</td>
<td>.000*</td>
</tr>
</tbody>
</table>

Note. *p<.05.

Table 19 shows the results of each factors related to sense of loyalty (positive word-of-mouth) separately. The significance level of financial source (p<0.05, β = .175, t = 1.933) and experiential source (p<0.05, β = .206, t = 1.964) appeared to be significant. This indicates that the value creation items of discounts, bonus points, affinity cards, exchange points, sweepstakes, upgrade, immediacy of reward’s availability upon request, opportunity to earn points, point usage, cross shopping experience, and reimbursement of service failure were positively correlated to customers’ loyalty decision, but all the other items of temporal, functional, emotional, and social source were found not to be significant.

The sixth hypothesis was built to examine the effect of the value creation from strategic alliance on customers’ extent of satisfaction. In order to test this hypothesis, multiple linear regression analysis was run with satisfaction as the dependent variable and the six composite variables that were created by combining the items into each value creation source as the independent variables.
H6: There is a positive relation between value creation from strategic alliance and customer satisfaction.

Table 19

Significance of Regression Coefficients (N=198)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.514</td>
<td>.317</td>
<td>7.925</td>
<td>.000</td>
</tr>
<tr>
<td>Financial</td>
<td>.044</td>
<td>.023</td>
<td>.175</td>
<td>1.933</td>
</tr>
<tr>
<td>Temporal</td>
<td>-.026</td>
<td>.022</td>
<td>-.120</td>
<td>-1.199</td>
</tr>
<tr>
<td>Functional</td>
<td>.034</td>
<td>.031</td>
<td>.108</td>
<td>1.090</td>
</tr>
<tr>
<td>Experiential</td>
<td>.033</td>
<td>.017</td>
<td>.206</td>
<td>1.964</td>
</tr>
<tr>
<td>Emotional</td>
<td>.029</td>
<td>.027</td>
<td>.112</td>
<td>1.071</td>
</tr>
<tr>
<td>Social</td>
<td>-.021</td>
<td>.034</td>
<td>-.050</td>
<td>-.610</td>
</tr>
</tbody>
</table>

Note. *p< .05.

As can be seen in Table 20, the absolute value of the correlation coefficient between the value creation factors and repeat purchase intention is 0.218. From the regression model, 4.8% of the customers’ extent of satisfaction is explained by the value creation factors. The sixth hypothesis was not supported (p>0.05) for this model. Table 21 also indicates that all the value creation items of each source do not influence customers’ extent of satisfaction significantly.
Table 20

Summary of Regression Analysis

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>.218</td>
<td>.048</td>
<td>.018</td>
<td>6</td>
<td>1.590</td>
<td>.152</td>
</tr>
</tbody>
</table>

Note. *p<.05.

Table 21

Significance of Regression Coefficients (N=198)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.584</td>
<td>.377</td>
</tr>
<tr>
<td>Financial</td>
<td>.039</td>
<td>.027</td>
</tr>
<tr>
<td>Temporal</td>
<td>.007</td>
<td>.026</td>
</tr>
<tr>
<td>Functional</td>
<td>.010</td>
<td>.037</td>
</tr>
<tr>
<td>Experiential</td>
<td>.018</td>
<td>.020</td>
</tr>
<tr>
<td>Emotional</td>
<td>.045</td>
<td>.032</td>
</tr>
<tr>
<td>Social</td>
<td>-.068</td>
<td>.041</td>
</tr>
</tbody>
</table>

Note. *p<.05.

Finally, the following is a descriptive statistics table that shows the mean and standard deviation value of each strategic alliance value creation item. Those value creation items with a higher mean value, usually higher than 4.00, indicate that they are perceived to be more important than those with smaller values to customers. The table can give an idea of what items can be in better use practically.
### Table 22

**Descriptive Statistics**

<table>
<thead>
<tr>
<th>Items</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts</td>
<td>3.91</td>
<td>1.136</td>
</tr>
<tr>
<td>Bonus points</td>
<td>4.17</td>
<td>1.033</td>
</tr>
<tr>
<td>Affinity cards</td>
<td>3.54</td>
<td>1.473</td>
</tr>
<tr>
<td>Exchange points</td>
<td>3.82</td>
<td>1.334</td>
</tr>
<tr>
<td>Priority check-in</td>
<td>3.95</td>
<td>1.152</td>
</tr>
<tr>
<td>Late Check-out</td>
<td>4.11</td>
<td>1.143</td>
</tr>
<tr>
<td>Rooms assigned</td>
<td>3.74</td>
<td>1.197</td>
</tr>
<tr>
<td>Room guarantee</td>
<td>4.09</td>
<td>1.139</td>
</tr>
<tr>
<td>Check cashing</td>
<td>2.37</td>
<td>1.314</td>
</tr>
<tr>
<td>Reservation convenience</td>
<td>4.05</td>
<td>1.172</td>
</tr>
<tr>
<td>Website effectiveness</td>
<td>3.44</td>
<td>1.211</td>
</tr>
<tr>
<td>Sweepstakes</td>
<td>2.18</td>
<td>1.304</td>
</tr>
<tr>
<td>Upgrade</td>
<td>4.17</td>
<td>1.158</td>
</tr>
<tr>
<td>Immediacy of reward's availability upon request</td>
<td>4.32</td>
<td>1.120</td>
</tr>
<tr>
<td>Opportunity to earn points</td>
<td>4.21</td>
<td>1.004</td>
</tr>
<tr>
<td>Point usage</td>
<td>4.12</td>
<td>1.138</td>
</tr>
<tr>
<td>Cross shopping</td>
<td>3.59</td>
<td>1.196</td>
</tr>
<tr>
<td>Reimbursement of service failure</td>
<td>3.92</td>
<td>1.321</td>
</tr>
<tr>
<td>Track your points</td>
<td>3.73</td>
<td>1.044</td>
</tr>
<tr>
<td>Recognition</td>
<td>3.61</td>
<td>1.190</td>
</tr>
<tr>
<td>Welcome gifts</td>
<td>3.50</td>
<td>1.041</td>
</tr>
<tr>
<td>Newsletters</td>
<td>3.01</td>
<td>1.088</td>
</tr>
<tr>
<td>Interpersonal linkage with service provider</td>
<td>2.88</td>
<td>1.164</td>
</tr>
<tr>
<td>Special events sponsored from service provider</td>
<td>3.08</td>
<td>1.157</td>
</tr>
</tbody>
</table>

*Note: N=198*
CHAPTER V

DISCUSSION AND IMPLICATIONS

Introduction

Major findings of this study are summarized in this chapter. The chapter includes discussion and implications made from the data analysis and results and provides possible explanations of the findings. In addition, implications for management are discussed. Finally, recommendations for future research are also provided along with the limitations of this study.

Discussion of Results

Empirical results from this study provide valuable findings for strategic alliance and loyalty programs in the hospitality industry. The results supported five out of six hypotheses that were developed in this study. The first hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers to visit the hotel property again in the future. The results for this hypothesis indicate such value creation items do have a positive relation with loyalty customers but not all items from each value creation source are crucial to the same extent. Value creation items of the financial, and temporal source were especially influential on customers’ of repeat purchase intention.
The second hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers to continue to stay with the hotels’ affiliated loyalty program in the future. The results for this hypothesis indicate that such value creation items do have a positive relation with loyalty customers but not all items from each value creation source are crucial the same extent. Value creation items of the financial source particularly seem to have a powerful effect on customers’ loyalty decision of intention to continue to stay with the hotels’ affiliated loyalty program.

The third hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers from preventing them to switch hotel brands. The result indicated that the value creation items are positively correlated to customer loyalty but all of the items did not have a significant effect.

The fourth hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers to prefer the hotel to other hotel brands. The result implies that value creation items do have a positive relation with loyalty customers but not all items are important at the same level. Functional value creation source seem to have a greater impact on customers’ preference in the hotel brand.

The fifth hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers to recommend the hotel to other people. The results for the hypothesis indicate that value creation items do have a positive relation with loyalty customers but not all items are crucial to a similar extent. Financial and experiential sources seemed to have a stronger impact on customers’ sense of loyalty (positive word-of-mouth) than other temporal, functional, emotional, or social sources.
The sixth hypothesis was concerned with determining whether the value creation items have an impact on loyalty customers to be satisfied with the hotels' loyalty program. The results of the study did not support the hypothesis.

Although it can be assumed from the results of this study that there is a positive relation between strategic alliance and customer loyalty, it is not considered as the very decisive factor for customers from being loyal to a certain hotel brand. This can also be explained by the R square value of each multiple linear regression performance. The R square of the correlation coefficient designates the proportion of the variability of the dependent variable that is explained by the regression model (Norusis, 2004). Therefore, a higher value of R square is actually preferable in terms of explaining variability. The results of the R square values of each multiple linear regression performance ranged between at lowest of 0.048 to at highest of 0.208. That means only 4.8% to 20.8% of the variability in observed strategic alliance value creation items are explained by loyalty decisions. There should be more factors that can be explained by customers' loyalty decisions. Thus, it could again be concluded that loyal customers possibly find other factors more crucial than value creation items from strategic alliance.

As it was mentioned in the literature review, previous studies proposed emotional attachment, trust, and commitment as some major features of building customer loyalty. Emotional attachment or commitment could be defined as liking the company or the brand, enjoying the stay at that particular property, and having a sense of belonging to the company (Morgan & Hunt, 1994; Bowen & Shoemaker, 2003). Other researchers, Dick and Basu (1994) proposed that there are three different patterns of relative attitudes that affect the repeat patronage of loyal customers. Relative attitudes
can include informational determinants towards a brand, feelings towards a brand, behavioral characters towards a brand. They suggested nonrelative attitudes such as situational factors or subjective norms that influence repeat patronage of loyal customers as well. Nonrelative attitudes can include incentives or effective in-store promotions for example.

Shoemaker and Lewis (1999) proposed a framework which creates long-term loyalty called the Loyalty Triangle. The Loyalty Triangle recommends companies to execute functions described as process, database management/communication, and value creation to build customer loyalty. For the customer, the process involves all the behaviors that start from when they purchase the service to the time when they leave the service property. The database management/communication function focuses on the communication between the customers and the service provider. Value creation strategies are designed predominantly to improve customer perceptions of the rewards and costs associated with service transactions to increase customer satisfaction. However, the Loyalty Triangle emphasizes to execute all the functions described on each side of the triangle equally to build customer loyalty. Therefore, the results could actually make sense in a way because this study not only just touched one of the function among the other two functions of the Loyalty Triangle but the function that was touched was also just on the strategic alliance perspective.

Value creation strategies do play an important role in increasing the long-term value of the relationship between a service provider and the customer by offering greater benefits. It is important to influence customers' loyalty decisions. The findings of this study indicate there is a correlation between beneficial factors or advantages and
customer loyalty or service firms in one way or another. Still, value creation strategies should be implemented together with the other functions of the Loyalty Triangle framework recommended by Shoemaker and Lewis in order to make the best use of it. Not only the Loyalty Triangle functions but also the extra factors that other researchers have found are dominant in loyalty decisions such as trust and commitment.

In addition, the last question of the questionnaire asked respondents’ their opinion of the benefits related to the hotels’ affiliated loyalty program. Some of the respondents mentioned a few points as additional comments in relation to the benefits they received from the hotels’ affiliated loyalty program on the questionnaire sheet. Few of the most remarkable answers were related with the points of their rewards program. Many customers wanted to make more use of those points they earned.

In conclusion, strategic alliance has a positive impact on loyalty customers and it can be a competitive source to improve and sustain customer loyalty which could bring growth to the hotel eventually, but it does not apply alone. Thus, it should not be the only source. The results of this study accurately points out that value creation factors from strategic alliance are only one element in influencing customers’ loyalty decisions.

Implications for Management

The findings of this research study would be able to assist hospitality managers with practical ideas. The results of this study revealed that strategic alliance somehow affect loyal customers positively. Although the results of this study presume value creation items from strategic alliance are not the only conclusive factor in loyalty decisions, it can be assumed that hotels can take advantage of partnering with other
companies in some way since they have a positive relationship between each other. However, it is more important to investigate from which value creation source or item the customers most likely perceive significant to their loyalty decisions. Moreover, other definitive requisites should always be performed simultaneously.

This study allows a service provider to identify the crucial value creation items in each loyalty decision used as a variable. By focusing on those attributes on specific customers’ decision behavior, a service provider can develop practical strategies related to strategic alliance that offer attractive benefits to their customers. For instance, financial and temporal value creation items turned out to be more significant for repeat purchase intentions. Functional value creation items were more significant for preference of the hotel brand. Financial and experiential value creation items revealed to be significant for positive word-of-mouth. Therefore, hotels can build up strategies for different purposes by attracting customers with value creation items upon specific aspects.

Hotels can strengthen financial value creation items to increase the repeat purchase rate. Hotels can offer more functional value creation items to make customers prefer their hotel brand. Since the results of this study indicate that functional value creation items are significant for the preference of the brand, probably customers will like a certain hotel brand if they offer superior functional related benefits from their partnering companies which other hotels do not have. However, it is impossible for a hotel company to conclude that customer loyalty has increased by a single feature of all the various factors that affect loyalty decisions. The importance of each item varies
among different customers so it is necessary for the service providers to pay attention to all of the factors depending on their particular needs.

Since the results of the study imply that value creation from strategic alliance is only one constituent in increasing customer loyalty, hotel managers should be alerted to the fact that just by having partnerships with other numerous companies is not what their customers are really expecting for. Some hotel companies try to attract customers by just adding more partnering companies. It is not the number of companies that attract the customers. While it is necessary for hotels to continue being engaged in strategic alliance, they should choose the right partner with the right benefits. For example, table 22 from chapter four represents the mean value of the value creation items. As it was explained, items with higher mean value indicate to have more importance among customers. Managers can realize which value creation items are more attractive to customers from the table. They can make better use of them by making an effective choice. Hotel managers must understand the actual fact that value creation from strategic partners is merely one part of the incalculable factors that affect loyalty decisions.

For example, customers prefer the benefits to be available at any time with any partner with no exceptions than to have a numerous choice of partners but not being able to receive those benefits with certain standards with different brand companies. One big mistake that hotels are making is that they partner with well known brand names to attract customers but there are always restrictions for them to actually receive those benefits. Similar statements were made in academic researches that reward’s availability is critical as well as the choice (Shoemaker & Lewis, 1999) and customers are sensitive to the quality of value creation strategies of loyalty programs (Dowling & Uncles, 1997).
It is more important for the hotel to partner with companies and be able to actually give those rewards and benefits.

In order to make better use of the loyalty program that is strategically allied with other partners, it was discovered that customers are especially concerned with the points on their affiliated loyalty program. For example, some customers pointed out that they want to share the points which their family members earn from the hotels’ partnering companies. Other customers mentioned that it would be helpful if they could use their points among the partnering companies with no exceptions at all. It would be more successful if the hotel can develop the affiliated loyalty program to attract those customers with such point usage related issues.

Members of the hotel loyalty program are not able to share their points with their family members currently. On the other hand, Korean Air and Asiana Airlines allow their frequent flyer family members to use their mileage among each other as long as they provide proof that they are a family. A son or daughter can use their mother’s or father’s mileage or vise versa and fly to any city in the world. A wife or husband can also use their spouses mileage and fly to anywhere at anytime.

A spouse or the customers’ children may take advantage of the points only when that member of the program who actually earned the points accompany with them. For example, customers are earning and redeeming points not only from staying at the hotel but also the hotels’ partnering companies. Yet, a person in one family could be a member of the hotel, and another person could be a member of the hotels’ partnering company. The hotel could allow customers to use points for a minimum number of times in one calendar year which their family member had earned from other partners. Another
way is to allow the customers to use points which their family member had earned by paying only a minimum amount of additional charge. Reversely, the hotel could allow customers to add points to their loyalty program which their family members earned from other partners. The customer should be able to present proof that they are in fact a family of course. It could increase the complexity of the program but at the same time, it could eventually be a way to increase the number of more potential loyalty customers to the hotel property.

Limitations

There are limitations in the methodology for this study. First of all since the data was collected only in hotel properties that were located in Las Vegas, it might not be suitable to generalize the findings. The fact that the data originate from only three hotel properties also makes it obvious that the findings are not generalizable. In addition, the data were collected on a mid-price segmentation hotel property so the results of the study would not be generalizable to other different levels of hotels such as luxury and upscale segments.

Regression analysis does not prove cause and effect. It can explain the correlation concept but it will not be able to explain the causation concept. Regression analysis is merely a statistical method to test the tenability or probability of the theoretical hypothesis advanced in this study. Besides, as it was brought up in the discussion of results, the R square value was not high enough to exactly conclude the strategic alliance impact on loyalty customers. There are abundant factors that persuade
loyalty decisions so other factors should be considered together with this issue in further studies.

In addition, this study did not cover every aspect for measuring loyalty. Besides repeat purchase intention, retention, propensity of brand-switching, sense of loyalty (positive word-of-mouth), and satisfaction, previous researchers found other indicators to measure loyalty. The indicators that were used to develop the questionnaire are only some of them. It was argued earlier in this chapter that commitment, emotional attachment, and trust are examples of other features that affect customer loyalty. Since there are other decisive factors that affect loyalty customers, it is hard to make any kind of firm conclusions from only the results of this study.

As a final point, there are strengths and weaknesses of surveys. Surveys are a tool which asks a series of similar questions to a sample of dispersed individuals for researching a particular idea. One huge advantage of surveys is that they allow researchers to access the macro. Other strengths of surveys are that they are able to study a wide range of issues, it is relatively quick, inexpensive, and can obtain lots of information from many people. It also maximizes standardization. Although surveys have such strengths they have weaknesses as well. Designing issues and execution issues are some factors that has to be considered deeply in surveys. Furthermore, there are some biases such as nonresponse error, response bias, or extremity bias that could occur in conducting surveys (Zikmund, 2003). All in all, the results of this study were constructive to this particular hotel, and it is hoped that future work in this area will help determine the external validity of these findings.
Recommendations for Future Research

As this is the first empirical study that had attempted to find out the strategic alliance impact on customer loyalty, replication of this study would be essential to the research stream. Repeating this study with a bigger sample size would assist in establishing the external generalizability or applicability of the results. The response rate of this study was rather low. More efforts should be made to perform a representative sampling to include other hotel segments.

Furthermore, there are more indicators that can measure loyalty. In this research, only six relational predictors of loyalty were examined. Future research could incorporate additional variables such as trust, commitment, proportion of visit, or time spent at the hotel property. There are more items that can be considered as value creation items as well. Conducting a survey with additional indicators and items as variables would reveal more meaningful results. One useful and important extension of this research would be to investigate the actual items that customers want or need. The questionnaire can directly ask the customers what specific benefits they want from their affiliated loyalty program. That way, hotels will be able to select the right partner and provide greater service. Another interesting and valuable extension of this research is to develop a guide model for hotels to choose the right partner for success.

This study employed a multiple linear regression analysis to test the hypotheses. The study did not adopt ANOVA additionally in order to find substantial distinctions among the demographic groups. Any replication of this study performing ANOVA and comparing the distinctions between the groups would be meaningful. People with different gender, age, nationality, or length of stay with the program could have different
patterns, needs, and wants. Such findings can give hospitality managers a better understanding and enable them to develop practical strategies in the future. Replication of this study executing the factor analysis prior to performing the multiple linear regression analysis for the methodology in further research is another recommendation for promising results.
APPENDIX

1. What loyalty programs do you belong to?
□ Hotels  □ Casinos  □ Airlines  □ Food & Beverage  □ Retail Stores  □ None
Others (Please specify): ___________________

2. How important do you perceive the following benefits you receive from our Marriott affiliated loyalty programs? (1=Very Unimportant, 2= Unimportant, 3= Neutral, 4= Important, 5= Very Important)

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounts</td>
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<tr>
<td>Bonus points</td>
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<tr>
<td>Affinity cards (earn points for credit card spending)</td>
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<tr>
<td>Exchange points (exchange points across partnering brands/businesses)</td>
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<tr>
<td>Priority check-in</td>
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<tr>
<td>Late check-out</td>
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<tr>
<td>Rooms assigned</td>
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<tr>
<td>Room guarantee</td>
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<tr>
<td>Check cashing</td>
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<td>Reservation convenience</td>
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<td>Website effectiveness</td>
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<td>Sweepstakes</td>
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<td>Upgrade</td>
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<tr>
<td>Immediacy of reward’s availability upon request</td>
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<tr>
<td>Chance to earn points (enough chance to earn points?)</td>
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<tr>
<td>Point usage (availability of using points across different brands/businesses)</td>
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<tr>
<td>Cross shopping experience (variety of choice in partnering brands/businesses)</td>
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<tr>
<td>Reimbursement of service failure</td>
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<tr>
<td>Track your points (Statements sent on regularly base: monthly/quarterly)</td>
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<tr>
<td>Recognition</td>
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<tr>
<td>Welcome Gifts</td>
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<td>Newsletters</td>
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<tr>
<td>Interpersonal linkage with service provider</td>
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<td>Special events sponsored from service provider</td>
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</tbody>
</table>
3. To what extent do you agree that the benefits you receive from our Marriott affiliated loyalty programs affect your decisions in the following? (Please rate the following based on your perceived level of agreement)

<table>
<thead>
<tr>
<th>DECISIONS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Visit our Marriott hotels in the future</td>
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<tr>
<td>Continue to stay with our Marriott Rewards program</td>
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<tr>
<td>Prevent you from staying at hotels other than Marriott brands</td>
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<tr>
<td>Prefer our Marriott hotels to other brands</td>
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<tr>
<td>Recommend our Marriott hotels to people you know</td>
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</tbody>
</table>

4. Overall, to what extent are you satisfied with the benefits you receive from our Marriott affiliated loyalty programs?

☐ Very Dissatisfied ☐ Dissatisfied ☐ Neutral ☐ Satisfied ☐ Very Satisfied

5. How long have you been a member with our Marriott Rewards program?
Years   Months

Please share additional comments in relation to the benefits you received from our Marriott affiliated loyalty programs:

Demographics Information

6. What is your gender? ☐ Male ☐ Female

7. What is your age? ☐ 18-24 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55-64 ☐ over 65

8. What is your marital status? ☐ single ☐ married ☐ divorced ☐ separated

9. What is your nationality? _______________________

10. What is your highest educational degree received?
☐ less than high school ☐ completed high school ☐ technical or vocational school
☐ some college ☐ college degree ☐ graduate degree

11. What is your purpose of your trip? Business ☐ Leisure ☐ Other ___________

12. What is your occupation? _________________

13. What is your approximate annual household income before tax?
☐ under $10,000 ☐ $10,001 - $29,999 ☐ $30,000 - $49,999 ☐ $50,000 - $69,999
☐ $70,000 - $89,999 ☐ $90,000 - $99,999 ☐ over $100,000
REFERENCES


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Committee Member, Dr. Seyhmus Baloglu, Ph.D.
Graduate Faculty Representative, Dr. Jack Schibrowski, Ph.D.