Chapter 52
Loyalty Programme and Meta–Services:
Insights from the Case of Airline Alliances

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ABSTRACT

This research focuses on the customers' perception of loyalty programme offered by networked service providers such as airline alliances. The authors call such services meta-services. Their main hypothesis is that after experiencing meta-services delivered by meta-service providers, consumers synthesise a part of their perceptions in terms of the perceived benefits of the loyalty programme. This assessment will influence the perceived value, satisfaction, and at last behavioural intentions. The authors' point of view is to highlight the determinants of this assessment, including the quality of the proposed services and rewards. A quantitative survey was conducted in an airline alliance context. A structural equation model is tested in order to verify if the hypotheses are acceptable. It also shows how passengers build their global evaluation of a frequent flyer program and how far it influences their future behaviour towards the alliance members.

INTRODUCTION

In the last few decades, service industries have witnessed a phenomenal change in their business activities and their operations. Traditionally, most businesses offered their core and supplementary services through their own internal operations and their own service staff (Lovelock, 1999). Progressively some

supplementary services were either sourced or outsourced to other companies as observed by Hotabe and Murray (2001). Nowadays numerous services are being delivered through a network of service providers (Gummesson, 2008). Such networks were identified as service systems (Maglio & Spohrer, 2008; Vargo et al., 2008), service eco-systems (Vargo & Lusch, 2010) or service constellations (Van Riel et al., 2013). Meta-services (Janwade et al., 2015) refer to a further degree of integration that occurs when a tight cooperation between the networked service firms is set up in order to deliver the services in a satisfactory way. Meta-services management necessitates a federated structure and a proper inter-firm or supra-firm governance system, which is often the case with inter-firm alliance agreements.

This new way of servicing customers enhances the competitiveness of partner firms and also reduces the complexity of the choice for the buyer. However, even when operational issues are managed in a satisfactory way, some marketing issues may arise simply because several providers are mixed together into an integrated offer. All intervening providers are not equally visible by the customer, either when the choice is made, or when the service is delivered. Branding and pricing policies may also differ significantly from a partner firm to another. Conflicts are so generated between promises, expectations and service experience. Therefore a customer may well be confused when she/he tries to assess the service obtained. Some spill-over effects between partner firms are likely to occur (Bourdeau et al., 2007). Such issues may be of paramount importance because, for services, the post experience evaluation by the customer acts as the main driver of further behaviour and repeated buying.

Tying tighter relationships with customers seems to be an appropriate answer to such issues. Relationships between customers and service providers are essential not only for value co-creation but also for growth and development of companies. Over the last two decades, marketing studies have regularly (Grönroos, 2000; Gummesson, 2008; Vargo & Lusch, 2010) put the emphasis on relationship management. However, relationship management studies have been usually limited to dyadic relationship perspectives. As pointed out by Gummesson (2002) implications in wider service networks remain less studied. Among the numerous customer relationship practices, loyalty programmes have been extensively developed and their usefulness or efficiency discussed, although scarcely in a meta-service context. We focus here on two questions: can a federated structure be considered by customers as the main organiser of a service delivery (Janawade et al., 2015) and therefore become the central player when coordinating loyalty programmes? Are loyalty programmes an efficient mean for keeping frequent buyers as loyal patrons when meta-services are in concern?

The empirical field of this study is the global airline alliances and the frequent flyers using them repeatedly for long haul trips all around the world. In the airline industry, the loyalty programmes are popularly known as "frequent flyer programmes", and commonly abbreviated as FFP (Shaw, 2011). A gradual shift can be observed from stand-alone loyalty programmes to a networked loyalty programme. This is particularly the case within the three global airline alliances, which provide a growing share of long haul international flights (Wang, 2014). In airline alliance networks, an alliance member manages its own loyalty programme, but it has also to assist the loyalty programmes of its alliance partners (Goh & Uncles, 2003; Weber, 2005). Each partner company defines its own frequent flyer programme. However the alliance negotiates the respective values of the partners' loyalty programmes in order to offer to alliance passengers a kind of exchange rate and the possibility to switch air-miles from a company to another. Such a system enhances significantly the benefits a customer can draw from a loyalty programme. The passenger's intentions to buy again are shifted, at least partly, from the company to the alliance. The impact on her/his commitment to a brand is affected in a similar way.

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