

## Chapter 63

# Perceived Quality of an Intermediary and Its Relations with Image and Perceived Value: An Insight from the Case of Airline Alliances

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### ABSTRACT

*Whilst globalisation has offered a fertile ground for businesses to offer several services from all sides of the compass, it appears that this landscape has attracted new avenues for service provisions and transactions. All these aspects have resulted in dramatic shift in consumers' purchase decision making process. This research presents some insights of customers' perception of quality offered by intermediaries working in networked environments. The principal hypotheses are that, after experiencing services delivered by an intermediary, customers synthesise their perceptions, in terms of the quality perceived. Furthermore, this assessment will determine its image and the perceived value. A quantitative survey was conducted in an airline alliance context, to verify if the hypotheses are acceptable. A structural equation modelling tested using the PLS-SEM method demonstrates the influence of alliance wide perceived quality on airline alliances' image and perceived value.*

### INTRODUCTION

In the last few decades, services marketing audience have witnessed an evolution in marketing approaches. Literature suggests that marketing practices have observed a gradual shift from a product oriented approach (Shostack, 1977) to customer oriented approach (Sheth et al., 2000), before shifting their focus to relationship centric approach (Gronroos, 2004). However, in recent years, the focus has further expanded from dyadic relationships to a broader network centric approach (Gummesson, 2008a; 2008b). These

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sorts of engagements are observed in service systems (Maglio and Spohrer, 2008), service eco-systems (Vargo and Lusch, 2010), value networks (Lusch et al., 2010), service constellations (Van riel et al., 2013) and intermediaries (Spulber, 1996) such as logistics service providers (Hingley et al., 2015).

Whilst dynamics of contemporary business landscapes are changing, several businesses are looking for opportunities to enter international markets. Many of them employ different market entry modes such as joint ventures, subsidiaries, franchising, exports, licensing or strategic alliances (Lu and Beamish, 2006; Hill, 2015). However, some use intermediaries (Lukinskiy and Lukinskiy, 2015) for facilitating exports (Ha and Dyer, 2015), subsidiary operations (Kim et al., 2005; Suarez-Porto and Guisado-Gonzalez, 2014) and strategic alliances (Song and Regan, 2001). Albeit, employment of intermediation can be beneficial for exploiting international markets (Andersson, 2002) through a large network of logistics service providers (Rodrigue, 2012). However, the decision to employ a proper intermediation strategy in foreign markets can vary contextually. Businesses which intend to sell products through external sources may use export intermediaries (Bernard et al., 2015), whilst others use their subsidiaries as the means to promote their products globally (Suarez-Porto and Guisado-Gonzalez, 2014). However, businesses which intend to circumvent regulated markets (Varadrajan and Cunningham, 1995) and pursue cost reductions through joint service operations may choose strategic alliances (Hill, 2015) or multi-lateral strategic alliances (Gudmundsson et al., 2002).

Although, studies related to intermediaries have been conducted in several international contexts and especially in logistic operations (Rodrigue, 2012), this study will focus the discussions about intermediaries through the lenses of strategic airline alliances. Intermediation through strategic alliance offers not only a good view of the economic advantages of operating in several countries simultaneously, but it also offers a global landscape to address its complex roles in providing synergetic services to world-wide customers (Saglietto, 2009). From an economic perspective, strategic alliances can offer businesses not only an opportunity to offer enlarged services through their networks (Varadrajan, 2012), but it also helps them to develop their downstream marketing aspects such as channel management and distribution (Andersson, 2002; Varadrajan, 2012).

Despite, its popularity, developing intermediaries through strategic alliances and operationalising them simultaneously in several countries can be a daunting challenge. Firstly, from a technical perspective, providing synergetic services can hugely influence the creation of intermediaries (Saglietto, 2009), since it depends on managing the actors' capacities, resources and infrastructures (Gerlach et al., 2013). Secondly, from a functional perspective, service provision can depend not only on the inventory and capacity management, but it can also depend on the market competition (high/low) and customers' purchase frequency (repetitive/non-repetitive). Therefore, offering several services through multiple partners in several places for both repetitive and occasional purchases can be challenging (Bailey and Bakos, 1997). Finally, from a marketing perspective, as contemporary consumers are increasingly seeking convenient search criteria, reduced search time, tailor-made services, reduced delivery time, and reduced price before purchasing a product. The ability to create synergetic marketing approaches for acquiring and retaining world-wide customers can also be another daunting challenge.

Certain issues emerge and few key questions remain unaddressed, when services change hands from one provider to the other during intermediary's service provision. How do strategic airline alliances as intermediaries develop their services and manage their quality? And secondly, how are these services (information and operation) perceived by customers? All these aspects, call for new discussions for assessing perceived quality and perceived value of the services offered by strategic airline alliances. Therefore, in light of these issues, this research presents not only some insights of the complex services offered by

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