

Effects of Strategic Alliances on Thai Leisure Travelers' Perspectives and their Choice of Airline Carrier

Abstract

Strategic alliance is a key underlying factor that impacts airline business. Earlier researches concentrated mainly on the airlines' business financial figures, while paying less attention on the consumer perspective. This study, on the other hand, seeks to find the benefits of the alliance perceived by Thai travelers and what has driven their choices of airline via survey conduction. The results show that some of leisure travelers still have misconceptions towards the purposes of airline strategic alliance. But on the other hand, leisure travelers do significantly emphasize on frequent flyer point benefits when considering their choices of airline.

Key Words: airline alliances, travelers' perspective, airline choice, airline market in Thailand

1. Introduction

Over the past two decades, the intensity of competition in the global airline industry has increased substantially as a result of deregulation and globalization. This has forced many airlines to undertake major restructuring to improve productivity and reduce costs. One of the means to do so has been the formation of strategic alliances, which allow airlines to improve revenue, reduce costs, and offer increased benefits to customers. Strategic alliances, which have increased in recent years, can be defined as alliances in which partners co-mingle their assets to pursue a single or joint set of business objectives.

Numerous studies have examined the effects of alliances on various aspects of the airline industry, such as their impact on cost reductions, market entry, market share, and profitability. Porter and Fuller (1986), for example, argued that alliances enable firms to achieve increased economies of scale and profitability through joint operations, while Oum et al. (2004) analyzed the effect of horizontal alliances on firm performance in terms of productivity and profitability. However, to date, there are few studies that examine airline strategic alliances from the perspective of customers. One exception is the study by Goh and Uncles (2003) focusing on the perception of business travelers in Australia. Their results showed that a sizeable portion of customers was unsure of the alliance benefits and those benefits did not seem as particularly important to them.

The aim of this study, inspired and enhanced from survey methodology by Goh and Uncles (2003), is to explore the impact of three major global strategic alliances' benefits - Star Alliance, Oneworld and Skyteam - on travelers' (business and leisure) perspective and their choices of carrier.