IBN HALDUN UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMANT OF AIR TRANSPORT MANAGEMENT

MASTER THESIS

THE INFLUENCE OF REDEMPTION CONTROLLING POLICIES OF FREQUENT FLYER PROGRAMS ON CONSUMERS' ATTITUDINAL LOYALTY

ABDULLAH ARİF UYSAL

THESIS SUPERVISOR: PROF. EKREM TATOĞLU

ISTANBUL, 2021

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by

ABDULLAH ARİF UYSAL

A thesis submitted to the School of Graduate Studies in partial fulfillment of the requirements for the degree of Master of Science in Air Transport Management

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APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Air Transport Management.

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This is to confirm that this thesis complies with all the standards set by the School of Graduate Studies of Ibn Haldun University.

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I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name Surname: Abdullah Arif Uysal

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ÖZ

SIK SIK UÇUŞ PROGRAMLARININ ÖDÜL KULLANIM KONTROL POLİTİKALARININ TÜKETİCİLERİN TUTUMSAL SADAKATI ÜZERİNDEKİ ETKİSİ

Yazar: Uysal, Abdullah Arif
Hava Taşımacılığı Yönetimi Yüksek Lisans Programı
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Ocak 2021, 28 sayfa

Müşteriler, etkili bir rekabet yolu olan sadakat ödül programları ile ödüllendirilmek isterler. İlginç bir şekilde, havayolu endüstrisinde, ödül kullanımları araştırmalardan sınırlı ilgi görüyor. Kanıtlar çok sayıda sık uçan yolcu programı tekliflerine rağmen ödül kullanım kontol politikaları nedeniyle müşterilerin sadakat programlarını yavaş yavaş bıraktıklarını gösteriyor. Bu çalışma, bir havayolu sık uçan yolcu programının farklı kullanım kontrol politikalarının müşterilerin tutumsal sadakatini nasıl etkilediğini bulmayı amaçlamaktadır. FFP'lerin ekonomik fayda ile ilgili kullanım kontrol politikalarını üç ana alana ayırdık; maliyet kontrol politikaları (CCP), birikimli kontrol politikaları (ACP) ve koruyucu kontrol politikaları (PCP). Temel bulgularımız, tutumsal bağlılığı artırmak için firmaların hem CCP hem de PCP ile memnun müşterileri tutmaları gerektiğini göstermektedir; oysa ACP, etkisi tutumsal bağlılığa olumsuz olduğu için dikkatli davranılmalıdır. Ayrıca, betimsel analiz, bazı alt kontrol politikalarının algılanan memnuniyetinin, seyahat amacı türü ve üye seviyesine göre önemli ölçüde değiştiğini göstermektedir.

Anahtar Kelimeler: Tutumsal Sadakat, Ekonomik Fayda, Sık Uçan Yolcu Programı, Algılanan Memnuniyet, Kullanım Kontrol Politikası

ABSTRACT

THE INFLUENCE OF REDEMPTION CONTROLLING POLICIES OF FREQUENT FLYER PROGRAMS ON CONSUMERS' ATTITUDINAL LOYALTY

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Customers want to be compensated with loyalty benefit programs, which are an effective competitive way to attract and maintain them. Interestingly, in airline industry, reward redemptions receive limited attention from studies. Evidence indicates that customers are gradually quitting them because of controlling redemption policies, despite massive frequent flyer program offerings. This study aims to explore how differently redemption controlling policies of an airline frequent flyer program impact costumers' attitudinal loyalty. We divided FFPs' economic benefit related redemption controlling policies to three main areas; cost controlling policies (CCP), accumulative controlling policies (ACP) and protective controlling policies (PCP). Our core findings indicate that to increase attitudinal loyalt firms should keep satisfied customers with both CCP and PCP; whereas, ACP should be treat carefully since its influence founded negative to attitudinal loyalty. Furthermore, descriptive analysis show that perceived satisfaction of the some sub controlling policies significantly vary accross the travel purpose type and membersip level.

Keywords: Attitudinal loyalty, Economic benefits, Frequent flyer program, Perceived satisfaction, Redemption controlling policy

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Abdullah Arif Uysal

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER I

INTRODUCTION

Nearly every airline companies established own flyer services to improve customer satisfaction following the airlines' loyalty programming in the beginning of the 1980's. Via range incentive to income incentive, via airline operations to alliance arrangements that coexist with airline operations and co-operate, frequent flyer programs of airlines have experienced many phases of progressive changes in the last four decades. FFPs have become an efficient revenue generation mechanism that generates stellar revenue output, particularly for airlines with a full service network, which is becoming an important differentiator compared to the business model of low-cost carriers. As the trade relationship among airlines and their clients has become increasingly diverse, flyer services have become an increasingly common feature in many regions. Researchers across the globe have paid close attention to this profitable sector in appreciation of the success of frequent flyer programs.

Loyalty programs provide numerous advantages for maintaining and increasing client bases, including frequent flyer programs. Five forms of perceived benefits of loyalty programs are described by (Mimouni-Chaabane & Volle, 2010): financial savings, exploratory, entertaining, recognizing and social savings. The five factors provide different effects on passenger satisfaction, program loyalty and the overall value in relationships. Effective LPs represent the investments of companies in the long run partnerships with their own business partners (DeWulf et al., 2001) and increase the main proposals of the companies (Bolton, Kannan, & Bramlett, 2000; Liu, 2007). Companies may increase the buying utility of customers through LPs by offering value-added features such as economic benefits, a feeling of affiliation (Rosenbaum, Ostrom, & Kuntze, 2005). The success of a loyalty program depends on the appreciation of its benefits or benefits by the consumer (Melancon, Noble, & Noble, 2010; Mimouni-Chaabane & Volle, 2010). Because of the economic benefits they receive, customers prefer to continue to adhere to loyalty programs (Peterson, 1973).

Companies select various models and attributes of their systems to take advantage of the benefits provided by LPs. Especially when companies as airlines report revenue damage related to their rewards programs, it is necessary to know rewards programs and redemption policies, and accept that the redemption policies are stricter to handle such losses. The nature of LPs is multilayered, containing multiple aspects, such as the magnitude of benefit, financial benefit and policies for redemption. The empirical research shows that both positive and negative effects can be had by LPs that reward redemption. They can be regarded negatively by clients (Dorotic, Verhoef, Fok, & Bijmolt, 2014), can contribute to consumer satisfaction being decreased (Stauss, Schmidt, & Schoeler, 2005), and can therefore be harmful to profits (Noble, Esmark, & Noble, 2014). Such empirical findings include an analytical analysis that the effects of such restrictions on redemption policies are established. To our knowledge, despite the widespread use of both restricted and unrestricted LPs in practice, such research that clarify different aspects of redemption poclies has not been done yet.

Appropriately, we are looking through this research at investigating the link between attitude loyalty, combined with program loyalty, and brand loyalty for better understanding of redeeming control policies of FFP economic benefits by indicates the perceived satisfaction that consumer gets via FFP redeeming policies. We even look at the controlling policies in terms of perceived satisfaciton of travel purpose and customer’s degree of membership. We build a conceptual design that classify the redemption policies of FFPs. Our model is aligned with three important subject: cost control, accumulation control and protective control. Data of a typical turkish demographic in the aviation industry were evaluated in the study design. Turkish airlines' Miles and Smiles, the largest independent FFP in Turkish aviation industry, have received the correspondents.

CHAPTER II

LITERATURE REVIEW

We have collected most of the related literature and summerized according to subject wich mainly related to our study. General information about frequent flyer programs, redemption policies and their place in FFPs, economic benefits of loyalty programs in airline industry, attidudinal loyaty and sub cathegories, perceived satisfaction will be subject to following sections. Lastly, hypoteses and conceptual model will be asserted.

2.1. Frequent Flyer Programs and Redemption Policies

Studies have been conducted on how airline Frequent Flyer Programs, which is one of the the most common loyalty program in the literature, have become an important marketing tool for airlines since the late 19th century and have transformed over time (de Boer & Gudmundsson, 2012; Mason & Barker, 1996). Airlines, which initially targeted more frequent flyers, have discovered great potential by launching programs designed to include less frequent flyers (de Boer & Gudmundsson, 2012). As the success story of the frequent flyer program continued, the speed of accumulating miles had become mulitples the airline's seat supplying speed (de Boer & Gudmundsson, 2012; Mason & Barker, 1996). Some airways have found out the significant capability and been capable of manipulate the programs' levers of profitability themselves. The preliminary disparities of the early models (promoting miles at industrial charges however accruing handiest a fragment of the value this is concerned to run an application sustainably) were rectified and paved the manner for long- time period development. As airways identified the ability of the programs, they found out the want to increase this system mechanics and control structure (de Boer & Gudmundsson, 2012).

Scheme layout can also additionally have an effect on redemption motivations (O'Brien L, Jones C., 1995). Issues which include ease of use, information of the

scheme, velocity of factors accumulation, and the probability of attainment of preferred rewards might appear possibly to effect motivations to take part and to redeem. Maximum human beings do now no longer apprehend the complexities of factors accumulation and redemption (Sharp & Sharp, 1997). The perception that controlling policies definitely have an impact on consumers' dedication stages in effortful packages in a few situations (Noble et al., 2014). Tricky redemption policies, consisting of blackout dates and expiry dates, similarly forged doubts at the application of monetary benefit (Noble & Phillips, 2004). LPs with restricted redemption forces clients to build up rewards and to put off redemption at a certain occasion (Bazargan, Karray, & Zolfaghari, 2018). The shape of the award and advantage device differs from airline to airline because of the distinction in traits of the goal group (Chin, 2002). The ease of redemption and award are different critical elements, but are generally disregarded by flyers in the course of miles. The use of frequent flyer points will have a significant impact (Gao, 2020). The boilerplate barriers and restrictions in frequent flyer programs' membership terms and situations function to constrain consumers' ability to gain award tickets (Olazábal, Marmorstein, & Sarel, 2014) . Airlines need to recognize passengers' expectancies of FFPs to expand a beneficial loyalty programs (Park, 2010). Since little known about FFPs' redemption controlling policies, we developed a model to classify the redemption policies of FFPs as cost control, accumulation control and protective control.

2.2. Frequent Flyer Programs and Economic Benefits

The rewards associated with flight are always the first category rewards to be earned with miles from frequent flyers. Membership holders use the appropriate number of miles to alter flight tickets controlled by means of the airline or the associated airlines' websites (Gao, 2020). FFP individuals pay for the provider and acquire accumulated factors to be redeemed for capacity free journeys or upgrades. The higher airfare fee will bring about extra journey awards being earned inside a shorter length oftime and for this reason ensuing in a decrease fee according to flight (Chin, 2002).

Frequent flyer program benefits: Frequent flyers may also change their accumulated mileage for lots benefits which include free ticket, upgrade, discounts, or maybe non-journey associated products. They also are eligible for lots intangible services, which

include priority in reservations, check-in, boarding, security line, and luggage handling, and can be allowed to carry more (Sevic, 2001). Again upgrade, free ticket, VIP lounge, priority reservation, mileage earned from airline partners, and priority boarding have been the six most essential frequent flyer program benefits (Hsieh, 2007). FFPs are mainly centered at the ones passengers who travel frequently with the aid of using rewarding them with upgrades from tourist to business , free tickets, priority check-ins and waiting lists status, extra bags allowances and business lounges access. Failing to accumulate enough "miles" manner those benefits are denied (Martín, Román, & Espino, 2011).

There are five types of rewards program perceived usefulness: economic benefits, discovery, entertainment, awareness and social advantages. The five elements have a clear impact on the satisfaction and commitment to the program of passengers and on their perceived support for relationships (Gao, Carrigg, Lewinski, Polderman, & Tkalcevic, 2018). Cash saving that is the same in every company is the economic benefits (Noble et al., 2014). Economic rewards result in continuance commitment due to the fact program members worry the loss of rewards (Melancon et al., 2010). Perceived benefits or rewards are the important thing drivers of loyalty programs in that the rewards domesticate consumer loyalty and long- time period relationship with the loyalty program provider (Bolton, Lemon, & Verhoef, 2004). Delivering economic services to customers is costly. Therefore, program managers must take into account economic benefits as a protective relational strategy (Lee, Tsang, & Pan, 2015). Airline frequent flyer programs usually develop economic rewards in the form of a frequency program, in which program members accumulate miles to redeem for a reward in which consumer finds actual financial benefit or cost saving.

2.3. Attitudinal Loyalty

LP membership attitudinal loyalty may be oriented towards the program or the brand (Taylor & Neslin, 2005). The loyalties of the programme, driven primarily by program benefits, refers to the favorable position of a customer towards the LP (Evanschitzky et al., 2012; Yi & Jeon, 2003). A psychological engagement between the consumer and the company is brand or firm loyalty (Yi & Jeon, 2003). Positive affirmation of cus-tomers' purchasing behaviors, according to the behavioral learning hypothesis,

includes program incentives that condition them for continued LP use (Ivan & Filho, 2001). However, those dedicated consumers do not establish a profitable partnership with the company naturally (Roehm, Pullins, & Roehm, 2002). If incentives to the program do not strengthen the customer interaction with brands, their sales probably derive from their participation in the program. In such cases, customer satisfaction is focused on the program instead of the company (Roehm et al., 2002). (Rothschild & Gaidis, 1981; Uncles, Dowling, & Hammond, 2003) claim that enticing benefits in the program lead consumers to create program partnerships instead of the brand, however when the gain factor is eliminated the positive outcomes of LP disappear.

The psychological impact on customers of LPs applies to the cognitive behaviour. This cognitive behaviour is forced by benefits for example luxury gifts, activities for members only, and access to privileges because consumers are thankful for special care (Liu, 2007). Rather than allowing the program to assign these provisions to the brand, consumers should maximize their commitment to the brand and build their relationship with it, thus driving their loyalty to the brand instead of the program (Bitner, Gwinner, & Gremler, 1998). The psychological nature of a customer is reflected by both program and brand loyalty, yet the loyalty to brands is more durable and less competitive. In order to minimize consumer defection, brand loyalty could be more efficient (Tanford, 2013), to encourage customers to pay price premiums, to spend more purse shares, and to make more returns to the company (Evanschitzky et al., 2012). In contrast, loyalty to program is created by the benefits of the program and thus constitutes some kind of "deal loyalty" (Yi & Jeon, 2003). In this context, program loyalty is lower, since they appear to adjust as soon as consumers view the a competing program as more tempting. Further research is needed by (Dorotic, Bijmolt, & Verhoef, 2012) to explore the variables that generate loyalty to the brand, as well as to the program.

2.4. Perceived Satisfaction

Perceived value is "the general evaluation of a product's utility based on the experiences of what is received and what is given" (Zeithaml, 1988). In this relationship with the brand, it is the gain and expense equation that the consumer determines. Research reveals that customers prefer to associate greater value with the

benefits they earn and aim to optimize the value provided by the loyalty program, rather than the product itself (Hsee, Yu, Zhang, & Zhang, 2003). Loyalty programs affect the perceived value of services and affect customer retention (Sunny Hu, Huang, & Chen, 2010).

(Yi & Jeon, 2003) say that the loyalty of programs is primarily economic in nature. Previous research have shown that benefits for loyalty programs improve the value of the company in terms of economic benefits (Berry, 1995; Evanschitzky et al., 2012). Loyal members of the program are motivated by the accumulation of economic benefits or benefits from the loyalty program (Yi & Jeon, 2003). In this study, we concentrate on perceived satisfaction in the sense of the loyalty program as the key influential measure.

2.5. Conceptual Model and Hypotesis Development

H1: Perceived satisfaction of CCP is positively related to the attitudinal loyalty (AL) of a frequent flyer program.
H2: Perceived satisfaction of ACP is positively related to the attitudinal loyalty (AL) of a frequent flyer program.
H3: Perceived satisfaction of PCP is positively related to the attitudinal loyalty (AL) of a frequent flyer program.

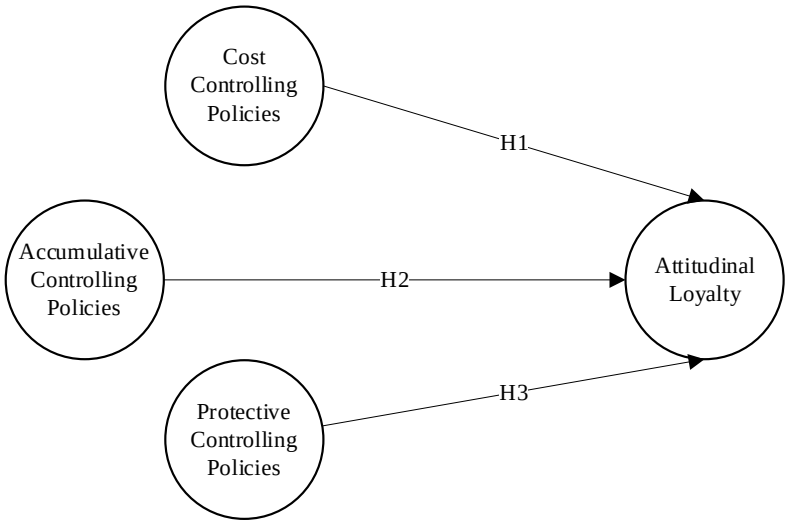


Figure 2.1. Research Framework

CHAPTER III

METHODOLOGY

3.1. Sample and Data Collection

To collect data for this research, a survey technique was used. This technique is helpful in checking hypotheses, explaining the population, building models of studies, and making assumptions studies statements. In the questionnaire, attitudinal loyalty measurement items were adapted from published literature. From the previous literature, other measurement items were derived and discussions were mainly based entirely on semi-established interviews with brand experts. Improving and validating the survey consisted of several measures. In the primary stage, with the assistance of four airline experts and academics, the first designed measurement items were checked to ensure content material validity in terms of understandability, transparency, and responsiveness. In the second phase, appropriate adjustments to the measurement items have been made and the updated survey is re-checked with the assistance of the equal specialists and academics previously interviewed. Small changes have been made to the survey following their feedback. In this step, we used this organization's survey responses extensively as a pilot to observe and pre-examine the survey items for reliability and validity of development.

The questionnaire changed into shaped via way of means of important parts: The first part consisted of demographic questions designed to solicit data about age, gender, education degree, annual income, employment status, travel purpose, number of flights in 12 months each domestic and international, FFP membership level and FFP membership holding time. As an online survey tool, Survey monkey were used to collect surveys. Over all 258 questionnaires had been gathered between September 2020 and December 2020. Two hundred three out of those 258 questionnaires had been taken into consideration as valid. The summary of demographic of the contributors is

given in Table 3.1 the second part consisted of the items measurement attitudinal loyalty and perceived satisfaction.

Table 3.1. Characteristics of the Sample

	n	**%**		**n**	**%**
Gender			*Travel purpose*		
Male	106	52.2	Business travel	75	36.9
Female	97	47.8	VFR-Leaisure	128	63.1
Age			*Frequency of flight (international)*		
39 and below	101	49.8	0-3 times	117	57.6
40 and more	102	50.2	4-10 times	62	30.5
			11 and more times	24	11.8
The highest levet of education			*Frequency of flight (domestic)*		
High scholl	19	9.4	0-3 times	97	47.8
Bachelor degree	111	54.7	4-10 times	79	38.9
Master degree	73	36.0	11 and more times	27	13.3
Monthly income			*M&S membership level*		
0-5.999 ₺	40	19.7	Classic	138	68.0
6.000-14.999 ₺	100	49.3	Classic Plus	29	14.3
15.000 ₺ and more	63	31.0	Elite and Elite Plus	36	17.7
Employment Status			*M&S holding time*		
Full time	140	69.0	0-4 years	84	41.4
Part time	8	3.9	5-9 years	51	25.1
Self employed	31	15.3	10 years and more	68	33.5
Retired	13	6.4			
Unemployed	11	5.4			
Total	203	100.0		203	100.0

3.2. Measurement of Variables

This study used perception measures to assess each variable. The variables in our study were extracted from previous research and measured on 5-point Likert scales (1 =

"very dissatisfied" to 5 = "very satisfied" and 1 = "strongly disagree" to 5 = "strongly agree").

Independent variable: Since the construct of redemption controlling policies wasn't described by any existing literature, we developed consisting of 16 items, including three sub-dimensions: cost control policies (CCP), cumulative control policies (ACP), protection control policies (PCP).

Dependent variable: attitıdinal loyalty (AL) was used because the dependent variable and denoted via way of means of dimensions: program loyalty (PL) and brand loyalty (BL). Both PL and BL were adapted from in advance studies (Berry, 1995; Evanschitzky et al., 2012; Zeithaml, 1988). However, both PL and BL indivudially was not the focus of this study.

CHAPTER IV

RESULTS

4.1. Data Analysis

The hypotheses have been examined with the aid of using specific analysis. On first, an exploratory factor analysis (EFA) with varimax rotation was carried out to specify fundamental proportions of redemption controlling policies' characteristic structure. Second, investigating the perceived satisfaction of the redemption controlling policies by the characteristics of the sample, have been consequently examined with the aid of using implementing sample t-tests and ANOVA in SPSS 20. Third, for the other hypotheses, we followed the PLS-SEM method (Kock, 2014, 2011) the use of SmartPLS. The PLS-SEM is a variance-based approach, and in current years, it is broadly used for path-analytical models (Kock, 2019). In our study, PLS-SEM is the most appropriate tool to observe the predictive power of redemprtion controlling policies. These stages are mentioned withinside the following sections.

4.2. Validity and Reliability

Convergent validity is the volume to which indicators of the redemption controlling policies constructs converge or proportion a excessive share of variance in common. The significance of individual factor loadings of every item was additionally investigated on this study. Exploratory factor analysis (EFA) with varimax rotation was implemented to the redemption controlling policies criteria as a way to extract the layout of the structure. Table 4.1 presentations the outcomes of EFA. As shown in Table 4.1, 16 of all three items had a load of 3 elements, the EFA of 16 controlling policy items produces 3 variables with a greater than 1 own value and explains 65.0% of the overall variance. The factors are described in the cost control policies (CCP), accumulative control policies (ACP), and protection control policies (PCP), based on the elements loaded on each of these factors. All the individual factor loadings have

been observed to be notably significant, giving assist to the convergent validity. The average variance extracted (AVE) ought to exceed the 0.5 threshold value as a rule-of-thumb (Bagozzi & Yi, 2012; Davies, Foxall, & Pallister, 2002). These values are summarized in Table 4.1 the values of AVE have been higher than the recommended value of 0.50, offering assist to the convergent validity of constructs

.

The Cronbach's alpha values for those factors showcase a satisfactory level of construct reliability, which can be nicely above the traditionally accepted value of 0.70 in research (Nunnally, 1978).

Table 4.1. Reliability of Constructs and Item Loadings

Construct	Items	Loading	AVEa	CRb	Conbach's Alpha
Cost controlling policies (CCP)			0.55	0.88	0.84
	CCP1	0.72			
	CCP2	0.73			
	CCP3	0.77			
	CCP4	0.71			
	CCP5	0.70			
	CCP6	0.55			
Accumulative controlling policies (ACP)			0.65	0.90	0.87
	ACP1	0.66			
	ACP2	0.74			
	ACP3	0.70			
	ACP4	0.70			
	ACP5	0.74			
Protective controlling policies (PCP)			0.61	0.89	0.84
	PCP1	0.76			
	PCP2	0.72			
	PCP3	0.59			
	PCP4	0.73			
	PCP5	0.75			

Notes: [a] Average variance extracted; [b] Composite reliability

In order to measure the discriminant validity, the Fornell-Larcker criterion was used (Fornell & Larcker, 1981). Correlation among the dimensions are recorded much less than the square root of AVE values for the respective dimensions, consequently this

end result establishes the discriminant validity hassle isn't always exist that's proven in Table 4.2 as a end result, all measured scales are sturdy in phrases of internal consistency (reliability), convergent validity and discriminant validity.

Table 4.2. Discriminant Validity of the Model Constructs[a]

	1	2	3	4
1. Accumulative Controlling Policy (ACP)	0.80			
2. Attitudinal Loyalty (AL)	0.23	0.81		
3. Cost Controlling Policies (CCP)	0.66	0.38	0.74	
4. Protective Controlling Policy (PCP)	0.59	0.36	0.51	0.78

[a] Italicized values on the diagonal are the square root of the AVE values.
*p<.01

4.3. Model Fit

The quality of the research model is dependent on its ability to predict endogenous structures, since PLS-SEM has no universal quality of model fit (Hair, Risher, Sarstedt, & Ringle, 2019). In our analysis Attitudinal Loyalty (AL) is dependent variable. By evaluating the coefficient of determination (R^2), cross-validated redundancy (Q^2), and the significance level of response variable, Table 4.3 indicates the predictive power of the structural model (f^2).

Table 4.3. Predictive Performance of the Model

Construct	R-square	Q^2	f^2
Attitudinal Loyalty (AL)	0.20	0.18	
Accumulative Controlling Policy (ACP)			0.02
Cost Controlling Policies (CCP)			0.08
Protective Controlling Policy (PCP)			0.06

R^2 is a measure of the model's predictive precision (Esearch & Koppius, 2011; Hair et al., 2019). 20.0 % of attitudinal loyalty variance (R^2=0.20) is explained in the model. These R^2 values suggest that predictive power is moderate to high (Henseler, Ringle, & Sinkovics, 2009).

The Q^2 coefficient shows how well the dependent variable in a model can be predicted by the independent variable and the value of Q^2 must be greater than zero (Peng & Lai, 2012; Wamba, Dubey, Gunasekaran, & Akter, 2020). The calculation of the Q^2 coefficient is based on a blindfolding technique that ignores some portion of the data matrix, estimates the model parameters and uses estimates to forecast the ignored portion (Peng & Lai, 2012). The attitudinal loyalty (AL) Q^2 values are respectively 0.18 confirming that our model has sufficient predictive relevance.

We also tested the redemption controlling policies' Cohen's f^2 value. The effect size of the predictor variables is indicated by the Cohen f^2 value (Hair et al., 2019). The effect size of the redemption controlling policies is 0.02, 0.08, and 0.06 on accumulative controlling policies (ACP), cost controlling policies (CCP) and protective controlling policy (PCP). The impact size of redemption controlling policies are therefore greater than the threshold value of zero on endogenous variables.

4.4. Descriptive Statistics

The rank order of the controlling policies for the program members based on the mean measure of the perceived satisfaction of the sixteen policies is shown in Table 4.4 the highest ranked policies are 'Special award ticket promotions' (3.25), 'Miles validity period' (3.16), 'Companion award ticket discount rate' (2.99), 'Miles required for limited award tickets' (2,97), 'Membership level validity period' (2.94), 'Miles required for cabin upgrade' (2.94). It is clear that the highest ranked policies for financial benefits are principally concerned with cost controlling policies and protective controlling policies. It is also seen that perceived satisfaction of the accumulative policies are generally placed on lower ranks.

Table 4.4. Relative Perceived Value of Controlling Policies

Policies	Rank	Mean	SD
Special award ticket promotions	1	3.25	.93
Miles validity period	2	3.16	1.12
Companion award ticket discount rate	3	2.99	.84
Miles required for limited award tickets	4	2.97	1.04
Membership level validity period	5	2.94	1.03
Miles required for cabin upgrade	6	2.94	1.00
Miles offered for paid tickets	7	2.88	1.08
Maximum mile purchase limit	8	2.85	.90
Mile transfer limit	9	2.82	.86
Minimum mile purchase limit	10	2.80	.97
Amount of payment required to extend the validity of miles	11	2.78	1.00
Payment amount required for migration transfer	12	2.72	.97
Requirements for maintaining membership level	13	2.71	1.01
Requirements to level up membership level	14	2.70	1.02
Payment amount required to purchase miles	15	2.68	1.01
Miles required for guaranteed award tickets	16	2.66	1.02

N = 203

The mean is the average on a scale of 1 to 5

SD = standard deviation

4.5. Hypotheses Testing

4.5.1. Travel Purpose and Redemption Controlling Policies

We assume that the perceived satisfaction of redemption controlling policies varies between the travel purpose and Table 4.5 showed that our assamption is valid. First, testing each of the three factors, Table 4.5 showned that the our assamption can be rejected only for cost controlling polcies (CCP). However, accumulative controlling policies and protective controlling policies (PCP) supported. Second, testing each of the individual policies showed that our assamption can be rejected except for the policies of miles required for cabin upgrade (p<0.1), mile transfer limit (p<0.1), minimum mile purchase limit (p<0.1), maximum mile purchase limit (p<0.1), payment required to extend the validity of miles (p<0.1), requirements for maintaining membership level (p<0.1), membership level validity period (p<0.1), where the relative importance of all seven items was found the vary between the travel purpose and mean score of perceived satisfaction was higher and significantly different for VFR-Leasure compare to business travel.

Table 4.5. Factors of Controlling Policies: Travel Purpose

Policies	Group	Mean	SD	t-value
Cost Controlling Policies (CCP)	Business travel	2.78	.76	
	VFR-Leaisure	3.04	.75	0.30
Miles offered for paid tickets	Business travel	2.68	1.08	
	VFR-Leaisure	2.99	1.06	1.76
Miles required for limited award tickets	Business travel	2.80	1.06	
	VFR-Leaisure	3.07	1.00	1.64
Miles required for guaranteed award tickets	Business travel	2.45	1.01	
	VFR-Leaisure	2.78	1.01	0.30
Miles required for cabin upgrade	Business travel	2.84	1.06	
	VFR-Leaisure	2.99	.95	4.37**
Companion award ticket discount rate	Business travel	2.89	.76	
	VFR-Leaisure	3.05	.87	2.35*
Special award ticket promotions	Business travel	3.03	.92	
	VFR-Leaisure	3.38	.90	0.99
Accumulative Controlling Policy (ACP)	Business travel	2.59	.82	
	VFR-Leaisure	2.89	.72	3.16*
Payment amount required for mile transfer	Business travel	2.52	.96	
	VFR-Leaisure	2.84	.95	0.85
Mile transfer limit	Business travel	2.69	.91	
	VFR-Leaisure	2.90	.82	5.20**
Payment amount required to purchase miles	Business travel	2.49	1.07	
	VFR-Leaisure	2.80	.96	2.04*
Minimum mile purchase limit	Business travel	2.59	1.01	
	VFR-Leaisure	2.94	.92	5.78**
Maximum mile purchase limit	Business travel	2.62	.98	
	VFR-Leaisure	2.98	.82	10.91**
Protective Controlling Policy (PCP)	Business travel	2.76	.89	
	VFR-Leaisure	2.91	.77	2.03*
Miles validity period	Business travel	3.09	1.16	
	VFR-Leaisure	3.20	1.09	0.06
Payment required to extend the validity of miles	Business travel	2.68	1.09	
	VFR-Leaisure	2.83	.94	4.78**
Requirements to level up membership level	Business travel	2.59	1.03	
	VFR-Leaisure	2.77	1.01	0.16
Requirements for maintaining membership level	Business travel	2.61	1.10	
	VFR-Leaisure	2.77	.95	4.21**
Membership level validity period	Business travel	2.84	1.11	
	VFR-Leaisure	3.00	.98	3.42**

The mean for the factors is the of the factor scores; the mean for the individual policies is the average on scale of 1 to 5.

*p<0.1; **p<0.05; ***p<0.01.

4.5.2. Membership Level and Redemption Controlling Policies

Again, we assume that the perceived satisfaction of redemption controlling policies varies between the membership level and Table 4.6 showed there was no support, with the mean of the factor scores were not significantly meaningful for all three factors. As we checked controlling policy items indivudually, three items were positioned for supporting our assamption. Miles offered for paid tickets (p<0.1), miles required for guaranteed award tickets (p<0.1), minimum mile purchase limit (p<0.1) were found the vary between the membership level and mean score of perceived satisfaction was getting lower and significantly different from classic, elite-elite plus and classic plus.

Table 4.6. Factors of Controlling Policies: Membership Level

Policies	Group	Mean	SD	F-ratio
Cost Controlling Policies (CCP)	Classic	3.02	.76	
	Classic Plus	2.76	.63	
	Elite-Elite Plus	2.79	.84	2.24
Miles offered for paid tickets	Classic	3.02	1.03	
	Classic Plus	2.44	1.02	
	Elite-Elite Plus	2.67	1.17	4.37**
Miles required for limited award tickets	Classic	2.99	1.02	
	Classic Plus	2.93	.88	
	Elite-Elite Plus	2,.92	1.20	0.10
Miles required for guaranteed award tickets	Classic	2.80	1.01	
	Classic Plus	2.34	1.01	
	Elite-Elite Plus	2.36	.99	4.43**
Miles required for cabin upgrade	Classic	3.04	.92	
	Classic Plus	2.76	.98	
	Elite-Elite Plus	2.69	1.23	2.22
Companion award ticket discount rate	Classic	3.00	.89	
	Classic Plus	2.87	.61	
	Elite-Elite Plus	3.03	.77	0.22
Special award ticket promotions	Classic	3.29	.92	
	Classic Plus	3.21	.94	
	Elite-Elite Plus	3.11	.94	0.56
Accumulative Controlling Policy (ACP)	Classic	2.85	.76	
	Classic Plus	2.65	.74	
	Elite-Elite Plus	2.59	.80	2.16

Table 4.6. (Continued)

Payment amount required for mile transfer	Classic	2.75	.97	
	Classic Plus	2.69	1.03	
	Elite-Elite Plus	2.61	.90	0.32
Mile transfer limit	Classic	2.88	.83	
	Classic Plus	2.86	.95	
	Elite-Elite Plus	2.55	.84	2.14
Payment amount required to purchase miles	Classic	2.75	.98	
	Classic Plus	2.51	.95	
	Elite-Elite Plus	2.58	1.15	0.83
Minimum mile purchase limit	Classic	2.95	.90	
	Classic Plus	2.34	.97	
	Elite-Elite Plus	2.64	1.07	5.57**
Maximum mile purchase limit	Classic	2.93	.86	
	Classic Plus	2.82	.84	
	Elite-Elite Plus	2.55	1.02	2.59
Protective Controlling Policy (PCP)	Classic	2.87	.82	
	Classic Plus	2.89	.59	
	Elite-Elite Plus	2.80	.93	0.10
Miles validity period	Classic	3.17	1.07	
	Classic Plus	3.27	1.13	
	Elite-Elite Plus	3.03	1.27	0.42
Payment required to extend the validity of miles	Classic	2.80	.97	
	Classic Plus	2.86	.91	
	Elite-Elite Plus	2.64	1.17	0.47
Requirements to level up membership level	Classic	2.76	1.03	
	Classic Plus	2.48	.95	
	Elite-Elite Plus	2.64	1.02	0.97
Requirements for maintaining membership level	Classic	2.74	1.03	
	Classic Plus	2.65	.77	
	Elite-Elite Plus	2.64	1.12	0.22
Membership level validity period	Classic	2.85	1.01	
	Classic Plus	3.17	.85	
	Elite-Elite Plus	3.08	1.23	1.56

The mean for the factors is the of the factor scores; the mean for the individual policies is the average on scale of 1 to 5.

*p<0.1; **p<0.05; ***p<0.01.

4.5.3. Redemption Controlling Policies and Attitudinal Loyalty

The next step was the testing of the path model described in Figure 2.1. Table 4.3 include descriptive statistics and variables correlations. Structural Equation (SEM) modeling based on variances with R ("lavaan") has been carried out to test the causal relationships of the model as shown in Figure 2.1.

First, without including the mediator, the direct relationship between the dependent and independent variables must be significant. Mediating variables were not to be used in this analysis. In Table 4.6 and Figure 4.1 direct relationships are given.

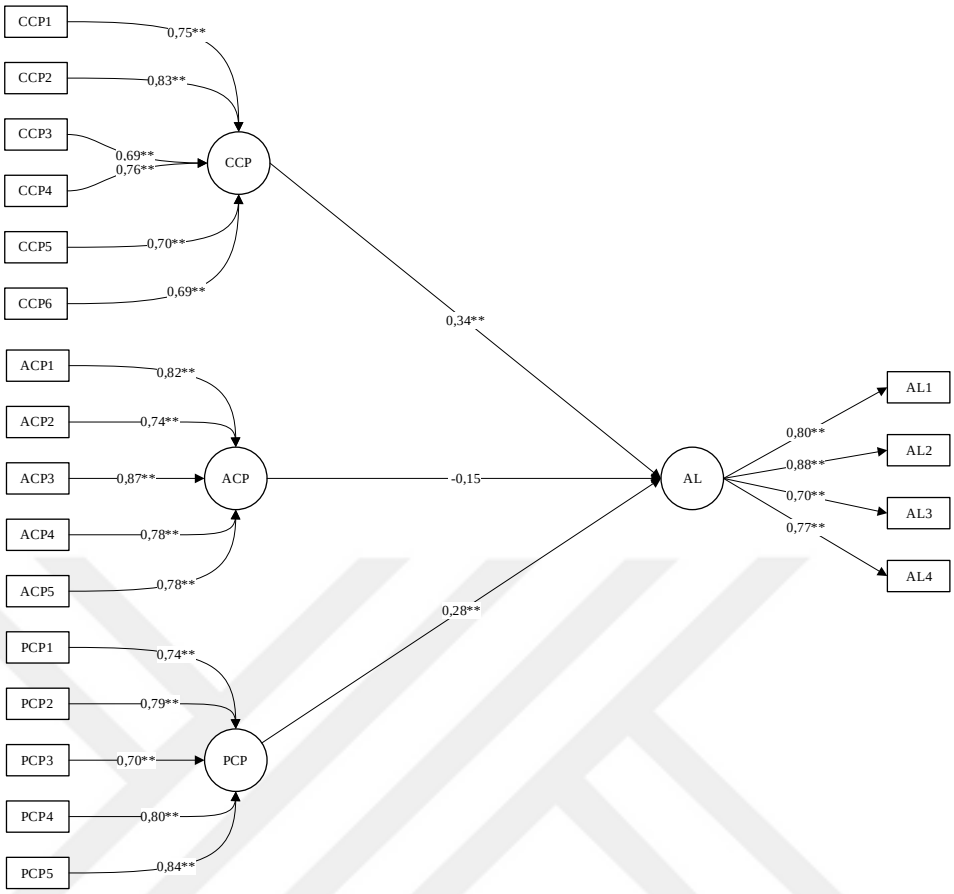
The direct relationship has become insignificant ($p>.005$) between Accumulative Controlling Policy (ACP) and Attitudinal Loyalty (AL). Cost Controlling Policies (CCP) and Protective Controlling Policy (PCP), on the other hand, have had a significant direct impact ($p<0.05$) on Attitudinal Loyalty (AL), as shown in Table 4.7. In addition, SEM research has found that Accumulative Controlling Policy (ACP) had a negative effect on Attitudinal Loyalty (AL). Even the test results show a negative effect between ACP and AL, and the results were not statistically significant. The test findings revealed that H2 was not completely rejected.

Test findings have also shown that Cost Control Policy (CCP) and Protective Control Policy (PCP) have a positive effect on Attitudinal Loyalty (AL). Both results were statistically important and the Cost Control Policy (CCP) had a greater positive impact than the Attitude Loyalty Protective Control Policy (AL). We can come to result that H1 and H3 were supported.

Table 4.7. Path Coefficient with Direct Effect

Path	Path co-efficient (β)	T Statistics	P Values	Significance Level
H1: CCP => AL	0.34	4.10	0.000	*
H2: ACP => AL	-0.15	1.73	0.08	NS
H3: PCP => AL	0.28	3.00	0.003	*

Note: NS = not significant.
Significance level is (*) $p < 0.10$



Note:

*p<0.05, **p<0.01

Figure 4.1. Results of PLS-SEM Analysis

CHAPTER V

DISCUSSION AND CONGLUSION

The findings increase awareness of redemption control policies in many ways in different kinds of FFP policies. Firstly, redemption research is broadened by showing that each control policy has a different impact on customers' attitudinal loyalty for economic benefit. Cost controlling policies appear to be most the influential one among all policies. For cost controlling policies if customers satisfied with the policy positively affects continuance and affective commitment. Miles required for limited award tickets is found to be the most effective one within cost controlling policies.

For protective controlling policies, results show a pattern consistent with cost controlling policies both positive and affective continuance and affective commitment where customers satisfied with the controlling policy. Even findings show a little difference between two policies, protective controlling policies are placed as the second most influential one among all policies. In sub items related to protective controlling policies, requirements for maintaining membership level and membership level validity period are found to be the most efficacious ones.

On the other hand, for accumulative controlling policies, a different but negligible influence is found. In particular, the positive Influence on commitment to continuity with satisfied controlling policies is slightly removed when it comes to controlling accumulate miles. Although pathway result is not significant, even costumers are satisfied with the policies, there may be logic behind this negative relationship between attitudinal loyalty and accumulative controlling policies. Costumers may not want to be limited once miles accumulation action is decided. Furthermore, in this negative and insignificant effects on consumers' attitudinal loyalty, payment amount required to purchase miles appears to be the most powerful one within sub items of accumulative controlling policies.

This study provides important implications for managers to evaluate redemption controlling policies and their effects on attitudinal loyalty which is also essential since combined with both program loyalty and brand loyalty. The results show that satisfied redemption controlling policies in frequent flyer programs increase costumers' attitudinal loyalty when using cost controlling policies and protective controlling policies; however, accumulative controlling policies decrease consumers' attitudinal loyalty. Practitioners must be mindful of the advantages both for consumers and companies that are maximized by the form of policy control. When an organization wants or needs to implement a control policy using FFP, cost controlling policies and protective controlling policies are best to increase consumers' attitudinal loyalty. For accumulative controlling policies, a company can see stronger effects of attitudinal loyalty with fewer constraints on the accumulation of miles.

The aim of the study illustrates the perceived level of satisfaction with the various types of policy controls on the effect of the customers' loyalty to the company that offers the loyalty and loyalty program. Redemption controlling policies differently influence policies as predicted. The proof does not support accumulative controlling policy's effect on consumers' loyalty, however the outcome support a positive effect in both cost controlling and protective controlling policies. This is the first thesis to be investigated types of FFPs' redemption controlling policies which mainly for economic benefits and their effects on attitudinal loyalty.

We recommend more research into further factors that may catalyze the path from controlling policies to attitudinal loyalty, both mediators and moderators. Additionally, the market environment of the data can be extended in terms of impact across different FFPs and regions. Additional study may also perform field tests with the use of various loyalty schemes, benefits and controlling policies to check whether the path to attitudinal loyalty differs in different contexts.

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APPENDIXES

APPENDIX A

Appendix A. Measurement Items	
Perceived satisfaction	To what extend you have been satisfied with the fallowing policies.
Cost Controlling Policies (CCP)	
	Miles offered for paid tickets
	Miles required for limited award tickets
	Miles required for guaranteed award tickets
	Miles required for cabin upgrade
	Companion award ticket discount rate
	Special award ticket promotions
Accumulative Controlling Policy (ACP)	
	Payment amount required for mile transfer
	Mile transfer limit
	Payment amount required to purchase miles
	Minimum mile purchase limit
	Maximum mile purchase limit
Protective Controlling Policy (PCP)	
	Miles validity period
	Payment required to extend the validity of miles
	Requirements to level up membership level
	Requirements for maintaining membership level
	Membership level validity period
Attitudinal loyalty	To what extent you agree with the statements in relation to your loyalty.
Program loyalty	(Evanschitzky et al., 2012)
	I buy more of/at the brand because of my membership
	I recommend the brand more to others because of my membership
Brand loyalty	(Zeithaml, 1988)
	I will recommend this brand to others
	I intend to keep buying/using this brand

Notes: All items were measured on a 5-point Likert scale

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