

# THE IMPACT OF STRATEGIC ALLIANCES ON REWARD PROGRAMS AND BRAND LOYALTY

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## ABSTRACT

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. Over the past decade, businesses in various industries have turned single-brand loyalty programs into corporate-wide loyalty programs across different brands. More recently, loyalty programs have been forming alliances with many seemingly non-related brands, reaching far beyond the core of their product when forming alliances in a competitive attempt to create more value for the customer, thereby having a positive impact on loyalty. For example, Delta Airline's SkyMiles loyalty program has alliances with organizations ranging from credit card and mortgage companies to online shopping portals, car rental companies and hotels. In fact, SkyMiles' relationship with Starwood Hotel's loyalty program (Starwood Preferred Guest) has gone as far as extending upgrades and other benefits to elite members of each other's program with crossover benefits. All of this "friendship building" seems like a good thing to do, but is it effective in doing what these program were meant to do – positively impact loyalty? If so, which type of loyalty and is it toward the loyalty program or the brand itself? Until now no study has examined the effect of strategic alliances on customer loyalty in the hospitality industry. The purpose of the study is to examine the effect of strategic alliances on customer loyalty in the hospitality industry, specifically with hotel loyalty programs. It will contribute to the existing literature on customer loyalty as well as provide valuable implications for industry. Results of the study are expected to indicate a positive relationship between strategic alliances and customer loyalty towards both the reward program representing the brand, and the brand itself. Furthermore, the study will evaluate the anticipated relationship between program loyalty and brand loyalty.

The measurement instrument and hypotheses were developed based on the relevant literature, focusing on: strategic alliances, value creation, satisfaction, and loyalty. Data was collected via a third party online research panel. Targeted participants (N=500) are active members of hotel loyalty programs who utilize benefits offered by corporate partners of the program. Data analysis will be conducted utilizing Structural Equation Modeling (SEM).

The following hypotheses will be evaluated in this study:

H1: Strategic alliances will positively impact value creation.

H2: Value creation will positively impact loyalty program member satisfaction.

H3: Member satisfaction will positively impact loyalty toward reward programs.

H4: Member satisfaction will positively impact loyalty towards hotel brands represented by the loyalty program.

H5: Reward program loyalty will positively impact loyalty towards hotel brands represented by the loyalty program.