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The performance of marketing alliances between the tourism industry and credit card issuing banks in Taiwan

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Abstract

The purposes of this study are to assess the performance of marketing alliances between the tourism industry and credit card issuing banks, and to identify the factors affecting the performance of such alliances. The questionnaires, which addressed the attributes of the company, alliance partner selection and motivational factors and the performance of the alliances, were designed to collect data from the managers of four different business sections within the tourism industry: hotels, restaurants, travel agencies, and entertainment establishments. The findings showed that 'partners having excellent resources' and 'the potential for a mutually beneficial relationship' are the two major criteria used in selecting the cooperative partners. These two criteria are also significant predictors of alliance performance. 'Diversifying promotion channels and reducing cost', 'intensifying position and enhancing image', and 'increasing business achievement' are the major alliance motives of companies within the tourism industry. They also have positive effects on alliance performance. The type of business and the number of allied banks also affect the performance of the alliance.

Keywords: Alliance performance; Alliance motives; Partner selection; Tourism industry

1. Introduction

There has been explosive growth in various forms of interfirm strategic alliances in recent decades. Strategic business alliances are described as a form of coalition between two or more separate business entities working together to achieve mutual objectives (Horton, 1992). Since the use of credit cards is very popular, many businesses operating inside the leisure industry make efforts to establish marketing alliances with banks in order to expand promotional channels and to gain a competitive advantage.

Banks make contracts with different types of businesses to promote credit card use and to increase consumer satisfaction. Under this alliance a business can benefit from the bank as well, through the advertising and/or promotional activities of the bank.

A company can strengthen its competitive advantage and increase its market share by forming a strategic alliance (Harrigan, 1988). However, the cooperation does not always bring about the expected results. Hamill and Young (1990) have pointed out that the failure of such an alliance would not only have an adverse effect on an organization's financial performance in the short term but also threaten the organization's international competitive position in the long term. There have been many studies which have been devoted to evaluating alliance performance in other industries, such as technology and manufacturing. Contrarily, few have focused on the tourism industry. The purposes of this study are to assess the performance of marketing alliances between the tourism industry and credit card issuing banks, and to identify the underlying factors that would affect the performance of the alliances.

2. Perceived performance of alliances

One of the key features in alliance success is the presence of constant evaluation and monitoring of the alliance (Segil, 1998). Without a specific set of

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evaluation criteria tailored to the objectives of the relationship, it is not possible to provide information regarding the success of the relationship.

Over the past few decades, the operationalization of alliance performance has proved difficult (Geringer & Hebert, 1989, 1991). A large number of criteria have been used to assess performance (Chowdhury, 1992). In summarizing prior empirical research, Geringer and Hebert (1991) point out that earlier studies relied on a variety of financial indicators, such as profitability, growth and cost position (Tomlinson, 1970; Lecraw, 1983). Other studies have used objective measures of performance such as survival of the alliance (Franko, 1971; Stopford & Wells, 1972; Killing, 1983; Geringer, 1990), its duration (Harrigan, 1986), and instability (Franko, 1971; Gomes-Cassaras, 1987; Harrigan, 1987). On the other hand, some researchers suggested that alliance performance should be assessed by all partners' subjective assessment of their alliances instead. However, Killing (1982) found that both subjective measures of a joint venture's performance for alliances as well as measures of performance on longevity provided the same results. Moreover, the objective measure, such as profitability, etc., was difficult to track (Bucklin & Sengupta, 1993) and usually is sensitive in nature for many organizations to reveal to researchers and outsiders. Therefore, for the current study, the subjective measure for alliance performance—a partner's perceived effectiveness of alliance—was used, instead of an objective measure of performance. Bucklin and Sengupta (1993), Ruekert and Walker (1987), Van De Yen (1976) and Van De Ven and Ferry (1980) have also used this measure of performance in previous studies.

As to the differences on resources and motives, the enterprises in question assess alliance performance in different ways. It is difficult to measure the performances with a single indicator. Shamdasani and Sheth (1995) found that managers make judgments about their marketing alliances on the basis of their satisfaction to date and their expectation of continuity of cooperation. Some researchers chose total satisfaction of alliance, goal achievement, and profit satisfaction to evaluate alliance performance (Geringer & Hebert, 1991; Lee, Chao, & Lin, 2000). In this study, total satisfaction, profit satisfaction, goal achievement as well as willingness of continuation were used to measure alliance performance.

In principle, performance evaluation should incorporate multiple viewpoints. In empirical work, Beamish and Banks (1987) have measured alliance performance by managerial assessment where only when both partners were satisfied was the venture considered successful. In contrast, Anderson (1990) argued that alliances should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the partners. Therefore, this study mainly stood on the tourism industry's point of view to evaluate the alliance performance.

3. Factors of alliance performance

Alliance performance is usually affected by the attributes of the company, the environment of the industry, and the cooperation experience of the alliance members (Harrigan, 1988; Day & Klein, 1987). The alliance motives and the criteria of the partner selection also influence the performance (Geringer, 1991; Wang, 1995; Dacin, Hitt, & Levitas, 1997; Allen, 1998).

3.1. Company attributes

A company's attributes can obviously affect the performance of alliance (Harrigan, 1988; Somnath, Pradyot, & Sanjit, 1998). Luo (1997) found different business or investment strategy variables have varying influences on heterogeneous dimensions of venture performance.

Lee, Chao, and Lin (2000) used the business scale, such as history, capital, number of employees, and sales volume as the key factors. Luo (1997) found that the venture size is to have a positive effect on alliance performance because greater size implies an ability to benefit more from economies of scale and scope as well as investing in advanced equipment and technology. Hall and Weiss (1967) also found that a greater amount of assets leads to higher profitability. Regarding the tourism industry, larger chain stores have more operating capital and resources available for marketing than smaller individual stores. Therefore, the activities of an alliance could differ with the size of the participating entities (Crossley & Jamieson, 1997).

Cooperation experience is another key element affecting alliance performance. Experience can engender trust among partners which in turn can limit the transaction costs associated with future alliances (Glaister & Buckley, 1999). Medina-Munoz and Garcia-Falcon (2000) found that overall success was influenced positively by coordination. This means that the coordination experience could affect performance of alliance.

3.2. Motives of alliance

Day and Klein (1987) pointed out that the motives for cooperation among enterprises are developed with consideration for industry structures and the competitive advantage to be gained. For example, Fang and Chiang (2001) found the different information enterprises have obviously different alliance motives. Since the resources and characteristics of the companies are