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IDENTIFYING CHARACTERISTICS OF AIRLINE FREQUENT-FLIERS IN AUSTRALIA: IMPLICATIONS FOR MARKET SEGMENTATION, TARGET MARKETING, AND PRODUCT DIFFERENTIATION

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ABSTRACT

This paper examines the frequent-flier membership profiles of airline travelers in Australia, their demographic characteristics, behavioral discriminants, and attitudinal differences using standard statistical techniques and stepwise canonical multiple discriminant analysis, and then advances the implications for market segmentation, targeting, and product differentiation. It concludes by noting that the same methodology can be used for many service-oriented industries characterized by strong customer loyalty engendered by repeat patronage reward programs.

INTRODUCTION

When American Airlines first launched its AAdvantage Frequent-Flier Program in May 1981, patterning it after the Green Stamps idea, it soon became the biggest and most successful marketing tool in the airline industry, replacing toasters as the most sought after reward. Members of frequent-flier programs earn points when they fly on the sponsoring airline and its affiliates, when they rent cars or stay at hotels owned by its designated partners, or when they use

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airline-affiliated credit cards or other services. They can then cash in their earned points mostly for free flights or upgrades. The airlines, on the other hand, can cultivate new business, enjoy repeat patronage through progressively attractive awards given directly to the fliers, deter emerging airlines from entering established markets, and compile the demographic profiles and travel characteristics of their members through sign-up procedures and computerized flight log-ins.

Today, both of the two largest airlines operating domestic routes in Australia (Qantas/Australian and Ansett) have their own frequent-flier programs that are growing very rapidly. In fact, a Qantas spokesperson was quoted as saying, "The program is growing like a wildfire… not only do you have to manage the program, but you have to manage the *growth* of the program itself".[1] *The modus operandi* of frequent-flier programs has been outlined (Toh & Hu 1988), their impact on airline operations examined (Hu, Toh, & Strand 1988), the problem of abuses documented (Toh, Fleenor, & Arnesen,1993; Arnesen, Fleenor, & Toh, 1997), their impact on corporations and the concomitant corporate responses analyzed (Stephenson & Fox, 1987/1992), and the profiles of frequent-flier program members described for the United States (Toh & Hu, 1990) and in Australia (Browne, Toh, & Hu, 1995; Ford, 1993). This study uses standard statistical techniques and stepwise canonical multiple discriminant analysis to identify characteristics of airline frequent-fliers in Australia, and then examines the implications for market segmentation, target marketing, and product differentiation.

SURVEY DESIGN

We conducted a survey of airline passengers at Sydney Airport over a period of seven consecutive days, covering each day of the week at different times to neutralize daily variations in passenger profiles. Also, on the recommendation of the Airport Duty Manager, our field workers spent equal amounts of time at the departing Qantas/Australian, Ansett, and international terminals to reflect his best estimate of the traffic breakdown. Departing airline passengers were asked to respond to a two-page form consisting of 24 questions. We were fortunate in achieving an 85 percent response rate among those approached, resulting in a total of 377 completed and usable questionnaires filled out by Australian residents.

Frequent-flier Program Membership Profile

Altogether, 25 percent of the respondents identified themselves as members of frequent-flier programs, representing 3.65 million out of the 14.6 million air travelers in Australia who fly each year.[2] Among the frequent-fliers, 75 percent considered themselves as primarily business travelers, whereas only 25 percent flew primarily for pleasure. As 48 percent of all travelers considered themselves as primarily business travelers, this means that among them, 39 percent were

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members of frequent-flier programs. Conversely, as 52 percent of all air travelers flew primarily for pleasure, this means that among them, only 12 percent were program members.[3] For the moment, note that the proportion of frequent-fliers are more than three times higher among business travelers than among pleasure travelers.

Demographic Profile of Frequent-fliers

Demographic differences between members and nonmembers of frequent-flier programs were significant. In total, 74 percent of all members were men, whereas only 26 percent of all members were women, with the male/female ratio of members at 2.85 compared with only 1.35 for nonmembers, suggesting that men are vastly over-represented among frequent-fliers. In terms of income, 47 percent of the members earn more than A$60,000 a year, compared with only 17 percent for the nonmembers. The observation that a larger proportion of the members are wealthy can in turn be partly explained by the fact that, whereas 74 percent of the members are above 30 years of age, only 59 percent of the non-members belong to this mature group.

Finally, when nonmembers were asked for the *primary* reason they did not belong to frequent-flier programs, 95 percent said they made too few trips. The results of statistical tests suggest that nonmembers who claim they fly too infrequently to justify joining, do indeed fly less frequently ($p = 0$), usually travel for pleasure ($p = 0.002$), and tend to be poorer ($p = 0$).

Behavioral Discriminants of Frequent-fliers

Discriminant analysis was used to distinguish between members and non-members. The predictor variables that provided the greatest group separation were regarded as significant descriptor variables associated with each market segment. Throughout, stepwise canonical multiple discriminant analysis was used with SAS default values of $\alpha = 0.15$ to enter and stay in the discriminant function, based on a training sample of $n = 165$. Note that a holdout sample of $n = 159$ was reserved for validating the discriminant function, necessary because the classification matrices are compiled on the analysis data used to compute the discriminant function, creating an upward bias on the hit ratio of correct classifications of the criterion variable (Hair, Anderson, & Tatham, 1987).

Behavioral characteristics (decision criteria) were then measured by asking respondents to rate, on a five-point scale (where 1 = very important and 5 = not at all important), the following variables in choosing an airline:

X_1 = Convenience of schedules
X_2 = Cabin service
X_3 = Meal quality
X_4 = On-time departure and arrival
X_5 = Frequent-flier programs

X_6 = Low or discount fares
X_7 = Recommendation's of a travel agent
X_8 = Recommendation's of a corporate travel planner

To correctly interpret the standardized canonical multiple discriminant coefficients, note that for the two-group multiple discriminant function members = 1 and nonmembers = 2.

Results from the stepwise canonical multiple discriminant analyses based on the training sample with membership category as the criterion variable and the eight behavioral characteristics as the predictor variables are shown in Table 1.

Table 1
Multiple Discriminant Analysis on Behavioral Characteristics: Membership Status

Step	*Variable Entered*	*Stand. Disc. Coef.*	*Partial R2*	*F-stat*	*p-value*
1	X_5 (Frequent-flier program)	1.06	1.04	26.57	0.0001
2	X_3 (Meal quality)	-0.45	0.12	21.90	0.0001
3	X_7 (Agent recommendation)	-0.41	0.05	7.78	0.0059
4	X_2 (Cabin service)	-0.35	0.03	4.17	0.0429

Wilk's Lambda = 0.70, p = 0.0001
Averaged squared canonical correlation = 0.30
Members' group centroid = -1.09
Nonmembers' group centroid = 0.40
Hit ratio = 123/165 = 75 percent
Proportional chance criterion = $(0.27)^2 + (0.73)^2$ = 61 percent

At the 15 percent level of significance, the following behavioral characteristics were found to discriminate between members and nonmembers, in descending order of the partial coefficients of determination (partial R^2): frequent-flier programs (X_5), meal quality (X_3), agent recommendation (X_7) and cabin service (X_2). These four significant predictor variables generated an average squared canonical correlation of 30 percent within the multiple discriminant function, which was very significant (Wilk's Lambda = 0.70, p = 0.0001). Furthermore, the hit ratio (measuring the proportion of members and nonmembers correctly classified) was 75 percent, comparing favorably with the proportional chance criterion (representing the prediction one would expect with pure chance) of 61 percent. More impressively, when the multiple discriminant function was applied to the holdback sample, the hit ratio was 96 percent.

Given a critical cutting score of zero (since the canonical multiple discriminant function coefficients were all standardized), and a coding protocol where members = 1 and nonmembers = 2, all negative standardized coefficients are directly associated with membership (group centroid = -1.09) while all positive standardized coefficients are associated with nonmembership (group centroid = 0.40). But since the scale is reversed (where 1 = very important and 5 = not at all important), compared with nonmembers, members are more likely to consider frequent-flier programs as more important, and regard meal quality, agent

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recommendation, and cabin service as less important in choosing an airline. The reverse is concomitantly true for nonmembers.

Note that low or discount fares (X_6) were left out of the multiple discriminant function because of some multicollinearity ($R^2 = 0.23$) with agent recommendation (X_7). However, by itself, a two independent samples t-test showed that for low or discount fares, the difference in the importance rating between the means for members (2.44) and for nonmembers (1.74) is significant at $p = 0.0024$, suggesting that compared with members, nonmembers place importance on low or discount fares.

Furthermore, compared with nonmembers, members of frequent-flier programs tend on average to travel twice as often (10 trips versus five trips per year). A comparison of the frequency distributions for members and nonmembers shows that whereas 70 percent of members travel alone, the corresponding figure for nonmembers is 60 percent, again reflecting the fact that frequent-fliers are usually business travelers on work related travel. This notion is supported by the observation that 68 percent of the members were traveling on tickets paid for by corporations or the government, versus only 42 percent for nonmembers.

Attitudinal Differences

Attitudinal characteristics were measured by asking respondents to rate, on a five-point scale (where 1 = agree strongly and 5 = disagree strongly) five different statements concerning frequent-flier programs. Results of two independent samples t-tests on attitudinal differences by membership category are shown in Table 2.

Results from Table 2 show that compared with nonmembers, members are more likely to agree that frequent-flier programs influence the choice of an airline, are less deterred by taxes, are more likely to believe in concentrating on one program to get best results, and are less afraid that the frequent-flier program will go bankrupt.

Furthermore, when respondents were asked how important frequent-flier programs would be in choosing an airline if the bonuses were considered free employee benefits versus if they were company property, a match paired t-test indicated a very significant difference in attitude ($p = 0.0001$) under the separate ownership scenarios. The *difference* in the ratings given by each respondent to the importance of the programs under the two ownership scenarios was then treated as a dependent variable in a multiple regression model. Treating members and nonmembers as a dummy independent variable, the *difference* in ratings was significantly larger for the members than for the nonmembers ($p = 0.70$), indicating, not surprisingly, that compared with nonmembers, members place greater importance on the *individual* ownership of travel bonuses.

When the importance of frequent-flier benefits owned by a corporation was treated as a dependent variable in a multiple regression framework, the partial regression coefficients for taxes, convenience of schedules, and the quality of

Table 2
Attiduninal Differences Between Members and Nonmembers
(Average Agreement Ratings)

Attitude	*Members*	*Nonmembers Variances Based on F-tests at* $\alpha = 0.05$	*Assumption on Group*	*p-value*
X_A = Membership in a mileage program often influences my choice of an airline.	1.95	2.47	Equal	0.0056
X_B = If I had known my prizes might be taxed, I wouldn't have joined the program.	2.79	2.49	Equal	0.1134
X_C = It is wisest to belong to all the different programs to get maximum flight flexibility.	3.00	3.00	Equal	1.0000
X_D = Concentration on one program yields the best results.	2.17	2.51	Equal	0.0500
X_E = I am afraid that the frequent-flier program I am enrolled in will go bankrupt.	3.77	3.23	Unequal	0.0125

meals were all negative ($p = 0.10$, $p = 0.70$, $p = 0.24$, respectively), suggesting the self-serving attitude that those who worry most about taxes, convenience of schedules, and meal quality are the very ones who are least interested in accruing benefits for their corporations.

Market Segmentation And Targeting

One of the most important objectives of market segmentation and target marketing is to increase efficiency by focusing marketing effort toward the target segment in a manner consistent with its associated characteristics (Boote, 1981). The twin ideas of market segmentation and target marketing require an adjustment of marketing effort to cater to differences in consumer characteristics and needs, resulting in a differentiation of product or service so that they are perceived by the consumer to differ from the competition (Dickson & Ginter, 1987). This presupposes the possibility of "actionability" (Wind, 1978), which in our study relates to an airline's ability to tailor its marketing mix to its target market's characteristics. The marketing process is therefore threefold: (a) divide the market into homogeneous and distinct segments, (b) select the target market according to appropriate criteria, (c) design the appropriate marketing mix of the right product, place, promotion, and price conforming to the target segment's demographic, behavioral, and attitudinal characteristics.

For purposes of market segmentation and targeting, we recognize two categories of air carriers in Australia. The following are categorized as large carriers characterized by interconnected national route networks: Qantas/Australian

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with approximately 44 percent of the domestic air travel market, Ansett with 36 percent, and Air New Zealand that after November 1993 could operate domestic services in Australia under the terms of the Closer Economic Relationship Agreement creating a Single Aviation Market. The small airlines consist of the regional and commuter airlines that often feed into the trunk networks plus new upstarts such as the now-defunct Compass.

The large airlines should target the frequent-flier segment of the market for the following reasons. First, it is a substantial and *growing* market. As we have shown, one-quarter (3.6 million) of all air travelers in Australia (14.6 million) belong to *at least* one frequent-flier program with some (24 percent) belonging to more than one to get maximum flight flexibility without sacrificing travel bonus points. Second, since they have been shown to exhibit distinct or significantly different demographic, behavioral, and attitudinal characteristics, they can be reached and attracted through a carefully conceived promotional campaign and appropriate product differentiation. Third, frequent-flier members are an attractive market segment in that generally they are heavy users of air travel services, fly all year round on business, and often fly on premium or full fare tickets. Fourth, frequent-flier programs allow the sponsoring airlines to compile and track the demographic profile and travel patterns of their members through sign-up procedures and computerized log-ins, providing useful longitudinal information over time.

The small airlines with limited network structures cannot have viable or attractive frequent-flier programs, since we have shown that members show a strong preference for concentrating on one bonus program rather than belonging to all of them (see Table 2). The dismal experience of Compass Airlines is particularly instructive in this respect. Soon after airline deregulation in October 1990, Compass was launched in December of the same year. With a substantial cost advantage over Australian and Ansett,[4] it was able to offer economy fares 20 percent below the unrestricted fares of Australian and Ansett so that by September 1991, Compass had captured more than 20 percent of the share of the markets in which it competed.[5]

In the absence of U.S. style hub-and-spoke systems providing dominance in scheduling and interconnections, the two domestic incumbents struck back in the same manner in which the major airlines in the United States have attempted to keep the new low-cost, no-frills, smaller airlines from entering the established markets - launch or improve frequent-flier programs to retain customer loyalty.[6] Partly because of this, Compass went bankrupt in December 1991, was resuscitated in August 1992, launched its own limited frequent-flier program, and went bankrupt again soon after. It is clear that the only way the small airlines can operate successful bonus programs is to link with the large airlines as participating affiliates, an arrangement that will be resisted by the large airlines on their established routes. Therefore, it is probably incumbent upon the small airlines to target the nonmember segment of the airline market and differentiate their product accordingly.

Product Differentiation

Once the target market has been identified, the marketing mix must be customized to conform to the characteristics of the chosen segment so that the product offering is perceived by the consumer to be different from and superior to the competition. Frequent-fliers (the target segment of the large airlines) tend to be older, higher income, *business people* who fly regularly all year round on premium or full fares at corporate expense. Compared with nonmembers, members place more importance on frequent-flier programs in choosing an airline, and believe in concentrating on one (the importance rating is positively and significantly correlated with the need to concentrate on one bonus program with $r = 0.17$ and $p = 0.06$). It has also been shown that members will play the frequent-flier game only if the travel bonuses accrue to them individually rather than to the corporations paying for the tickets.

Given these demographic, behavioral, and attitudinal correlates, it is important that the large airlines have the most attractive frequent-flier programs to generate business and retain brand loyalty. The effectiveness of these programs as a marketing tool in Australia is underscored by the fact that soon after the merger of the Qantas and Australian frequent-flier programs, business travelers preferred Australian to Ansett by 46 percent to 38 percent, reversing the previous preference pattern.[7] To overcome the disadvantage of size and lack of an international route network, Ansett has affiliated itself with many international carriers, including heavyweights such as United and Singapore Airlines. It is also imperative that the large airlines in Australia continue not to allow corporations to join their programs[8] to prevent them from using the travel awards for future business travel, because members have indicated that they consider the *individual* ownership of the awards as very important.

In operating these frequent-flier programs, it should be noted that airlines in Australia have almost solely targeted frequent business travelers who account for more than 64 percent of all domestic travel[9] by charging an initial fee instead of following the example of airlines in the United States that enticed new members with bonus points, and by severely restricting the shelf life of the points and the travel awards. Furthermore, to reward repeat frequent-fliers who make frequent short trips on popular short hauls such as Melbourne–Sydney, Qantas/Australian has 10 bands or redemption zones (specifying the number of earned points needed for free travel) while Ansett has four, whereas in the continental United States there is only one.

Note that in Australia, unlike in the United States, frequent-flier benefits are taxable under Tax Ruling TR93/02 effective July 1, 1992. Under this ruling, even if the travel awards are earned through privately funded trips, they are taxable if transferred to other family members.[10] Qantas/Australian has wisely responded by creating the Personal Flight Rewards Division where frequent-flier program members can choose to sign a document agreeing that their points will be redeemed only for their exclusive use.

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While going for the premium or full-fare frequent-flier business market, it is imperative that the large airlines in Australia do not suffer the same problems that plague the airlines in the United States over promoting their frequent-flier programs. The large airlines in Australia have wisely avoided the problem of owing excessively large amounts of points or unused travel awards on their balance sheets by declaring that points will expire unless redeemed within two years, and by making travel awards good for only one year. Furthermore, members can nominate only five family members within the Family Flight Rewards Division redemption group so travel awards have limited transferability, and certainly cannot be sold to coupon brokers, a practice that was rampant in the United States. To further reduce yield dilution or displacement of premium fares, the large airlines in Australia have wisely placed many time and place restrictions on flight upgrades. They also do not allow free travel during peak hour travel to avoid displacing paying passengers. In this regard, the large airlines in Australia have done a much better job of yield management than their American counterparts (Toh, Browne, & Hu, 1996).

In targeting the repeat premium or full-fare business travel market consisting of high income frequent-fliers, the fare elasticities of demand can be expected to be relatively low. Although to our knowledge no measurements have been made on Australian routes, based on a sample of 200 intra-U.S. routes, Oum, Gillen, & Nobel (1986) discovered that the fare elasticities of demand for first class service is between –0.60 and –0.80. Significantly, they noted that the fare inelastic demand conforms with the observation that a majority of the first class passengers are business travelers flying on corporate accounts. Given these empirical findings, it is likely that business travelers who travel at corporate expense have inelastic demands for air travel. Working on Cascade Airways data, Toh, Kelly, & Hu (1986) have shown that in all six flight sectors investigated, the optimal fares were invariantly inversely related to the point elasticities. Thus the large airlines going for the frequent business fliers should keep fares relatively high.

When asked to rank the eight factors that affect airline service, frequent fliers indicated that on-time performance and convenience of schedules were the most important. Thus it is essential that the large airlines match their higher fares with schedule convenience achieved by offering more flights on smaller aircraft as was successfully implemented by Pacific Southwest Airlines (Toh & Higgins, 1985), and improve their on-time performance so essential to the business traveler.

Finally, compared with nonmembers, frequent-flier program members (the target market) are more concerned with collecting bonus points and maximizing them by concentrating on one program. But members are less concerned with cabin service, meal quality, and the recommendation of travel agents (see Table 1). Thus, the implication on promotional strategy is that the large airlines should emphasize superior frequent-flier programs and the large number of flights they offer for schedule flexibility, so that members can fly at convenient times on the

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same airline to quickly accumulate enough points for travel awards. In this regard, note that, whereas members in the United States belong to an average of 4.0 programs, in Australia the figure is only 1.28, and only 24 percent of the members are enrolled in multiple programs.

The small airlines in Australia should not try to compete with Qantas/ Australian and Ansett[11] for the established frequent business travel market, as the dismal experience of the twice bankrupt Compass Airlines demonstrates. As long as the above-mentioned domestic incumbents are in healthy competition with one another on the established routes, the government will not intervene, a de facto continuation of the Two Airline Policy.[12] But the Australian aviation market is very concentrated with 80 percent of the airline passengers flying in the top 20 markets (Grimm & Milloy, 1993) located mostly in the southeastern corner of the continent where the established incumbents are entrenched. This leaves the small airlines with three alternatives. They can target the other 20 percent of the market where the large airlines have not established a dominant presence (for example providing nonstop service between Alice Springs and Darwin), offer commuter services feeding into the larger airlines' route networks and affiliate with their frequent-flier programs as subsidiaries, or compete with the established incumbents for the nonbusiness travel market offering cheap no-frills airline service.

Should the small airlines target the infrequent fliers traveling mainly for pleasure, and how should the product offering be differentiated? To be sure, the small airlines cannot compete with the large airlines based on superior service. Not only do the large airlines have greater flight frequency and bigger and better frequent-flier programs, many frequent-fliers belong to Qantas/Australian's Flight Deck and Ansett's Golden Wing, paying up to A$200 for what have been described as two of the best lounge clubs in the world. But deregulation since October 1990 allows the small airlines to compete on the basis of fares.

In this regard, recall that non-frequent-fliers are generally younger and poorer and usually fly for pleasure. They are more likely to choose an airline based on price. To capture this segment of the market, the small airlines should offer lower discounted fares to attract the economy minded pleasure travelers. This is because Oum, Gillen, & Noble (1986) found that the fare elasticities of demand for discounted tickets range from –1.50 to –2.00 while Straszheim (1978) reported a figure of –2.74 for the discounted fares on the North Atlantic route.

But these discounted fares must not be applied indiscriminately. To keep the full fare and discount fare markets separate within the price discrimination framework, fences in the form of travel restrictions should be imposed, including capacity control with limited availability of discounted seats on flights with high load factors, maximum and minimum stay requirements, advance purchase of tickets with cancellation penalties, departure time restrictions, standby arrangements, and no-frills service, very much like what Shuttle by United has done on the west coast of the United States. In fact, it has been

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claimed that one reason Compass went bankrupt the first time in December 1991 is that, among other things, this low-cost, no-frills carrier did not have a coherent yield management strategy (Nyathi, Hooper, & Henser, 1993). Thus, through the careful process of price discrimination and market separation, the fare-sensitive and more flexible pleasure travelers will be enticed to fly on reduced rates to fill otherwise empty seats, while businesspeople traveling on corporate expense and requiring schedule flexibility and comfort remain captive to full-fare ticketing. Those who are interested in a more thorough discussion of the price discrimination model in the airline industry should see Toh (1979).

Finally, given our survey findings, compared with the large airlines, the small airlines should spend proportionally more on sales promotion and less on advertising. The sales promotion should be targeted primarily toward travel agents upon whom non-frequent-fliers have been shown to rely. The promotional messages should emphasize low fares.

SUMMARY AND CONCLUSION

Australia is a very large country with a small population of 18 million people located mainly in concentrated pockets around the coastal fringes of the continent. This makes air travel an essential means of transportation, with 35 percent of all passenger trips over 1,000 kilometers made by air.[13] The market for air travel can be segmented into frequent-fliers and non-frequent-fliers. Given their demographic, behavioral, and attitudinal characteristics, we have suggested that large airlines with frequent services on interconnected route networks should target the frequent-flier business market with attractive travel bonus programs to cultivate new business and engender brand loyalty. The large airlines should differentiate their product by offering frequent and superior on-time service and charge relatively high fares commensurate with low price elasticities of demand associated with high income passengers and business travelers flying at corporate expense, especially on the short haul Adelaide-Melbourne-Canberra-Sydney-Brisbane business corridor.

On the other hand, the small airlines with limited route networks and small frequent-flier programs ought to target the younger, lower income, non-frequent fliers with discounted fares, coupled with heavy travel restrictions to attract the price- sensitive pleasure travelers without substantial diversion from the otherwise full-fare passengers. Also, because this target segment has been shown to rely more on travel agents, the small airlines should spend proportionally more of their promotional budget on sales promotion targeted specifically toward ticket brokers.

In conclusion, we would like to point out that our methodology for customer identification, market segmentation, target marketing, and product differentiation can be used for many service oriented industries characterized by strong customer loyalty engendered by repeat patronage reward programs. This would include the airline industry that we have examined as well as the hotel and

resorts sector. First, one may use discriminant analysis to separate, for example, the characteristics of airline frequent-flier members or hotel frequent-stayer members (see Toh, Hu, & Withiam, 1993) from the nonmembers, and then identify their demographic, behavioral, and attitudinal characteristics. Second, one then needs to select a target market in which one has a comparative advantage. Third, the product or service offering consisting of the marketing mix must then be tailored toward the differential needs of the selected target market.

ENDNOTES

1 See, Grimm & Milloy (1993). 266.

2 Licklin, L., (1994, January 11). Have points, won't travel. *The Bulletin*, 44.

3 The computations are as follows: (.75) (.25)/(.48) = .39 and (.25) (.25)/ (.52) = .12.

4 Total cost per available seat kilometer for Compass was found to be about 8 cents compared to about 14 cents for the two domestic incumbents. See BTCE, (1991). Deregulation of domestic aviation: The first year. Australian Government Publishing Service: Canberra.

5 See, Grimm & Milloy (1993). 266.

6 See, Thorpe, J. (1992, February). New times down under. *Transport World*. 97.

7 See, Ford. (1993).

8 Note that several major international airlines such as KLM, Air India, Japan Airlines, and Lufthansa have started corporate frequent-flier programs.

9 See, Ryan, K. (1989, May). Deregulation in Australia: Time travel or timed travel. *Australian Aviation*. 97.

10 For a discussion of the taxation of frequent-flier benefits, see Roberts, R. (1993, March). The importance of accounting standards in tax law. *Australian Accountant*. 57; and Lyons, M. (1993, December 3). FTB: Frequent benefits tax. Business *Review Weekly*. 74.

11 To date, Air New Zealand is not a factor, although the Closer Economic Relationship Agreement creating a Single Aviation Market gives it cabotage rights to operate domestic services within Australia.

12 For a discussion of the Two Airline Policy see Forsyth, P. (1991). The regulation and deregulation of Australia's domestic airline industry in airline deregulation: The international experiences. New York: University Press.

13 See, Ryan, K. (1989). *op. cit.*

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