

## **Frequent-Flyer Program: The Connection between Commercial Partners and Spin-off**

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**Abstract :** In this paper, we build a theoretical model to investigate the relationship between two recent trends in airline frequent-flyer programs (FFPs): the adoption of the "coalition" business model with other commercial partners, and the separation from airlines' operations. We show that commercial partners benefit from teaming up with FFP, while increasing the number of commercial partners will increase the total profit; it reduces the average profit of the parties involved. Furthermore, we show that the number of commercial partners of an FFP is negatively related with the benefit to keep the FFP in-house.

**Keywords :** frequent flyer program, coalition, commercial partners, spin-off

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