



**EVALUATION OF PERCEIVED BENEFITS OF LOYALTY PROGRAM
AND THEIR INFLUENCE ON SATISFACTION WITH THE PROGRAM**

(THE CASE STUDY OF ETHIOPIAN AIRLINES)

*A thesis submitted to the school of Graduate Studies of Addis Ababa
University in partial fulfillment of the requirements for Degree of
Master of Arts in Marketing Management*

By: Samrawit Giragn
ID No-GSE0822/04

Advisor:

Dr. Getie Andualem

Addis Ababa

June, 2014

ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MARKETING MANAGEMENT PROGRAM

**EVALUATION OF PERCEIVED BENEFITS OF LOYALTY PROGRAM AND
THEIR INFLUENCE ON SATISFACTION WITH THE PROGRAM**

BY: SAMRAWIT GIRAGN

Approved by Board of Examiners

Thesis Advisor

Internal Examiner

External Examiner

Signature

Signature

Signature

DECLARATION

I declare that the research entitled with “*Evaluation of perceived benefits of loyalty program and their influence on satisfaction with the program*” is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the research have been duly acknowledged.

Samrawit Giragn Hassen

(The Researcher)

Signature

Date:

LETTER OF CERTIFICATION

This is to certify that Samrawit Giragn Hassen has carried out her thesis on the topic entitled “*Evaluation of perceived benefits of loyalty program and their influence on satisfaction with the program/*”. This work is original in nature and is suitable for submission for the award of Masters of Marketing Management.

Dr. Getie Andualem
(Thesis Advisor)

TABLE OF CONTENTS	PAGES
Acknowledgements.....	iv
Acronyms.....	v
List of Tables.....	vi
List of figures.....	vii
Abstract.....	ix

CHAPTER ONE- INTRODUCTION

1.1 Background of the study.....	1
1.2 Statement of the problem.....	2
1.3 Research questions.....	3
1.4 Research hypothesis.....	3
1.5 Objectives of the study.....	4
1.6 Scope of the study	4
1.7 Definition of terms.....	5
1.8 Significance of the study.....	5
1.9 Limitation of the study.....	6
1.10 Organization of the study	6

CHAPTER TWO-LITERATURE REVIEW

2.1 Overview of loyalty programs.....	7
2.2 Definition of customer loyalty and loyalty program.....	8
2.3 Benefits of maintaining customer loyalty.....	10
2.4 Perceived benefits of loyalty.....	13
2.5 FFP and factors affecting FFP.....	15

2.6	Satisfaction and its relationship with loyalty program.....	17
2.7	An overview of Ethiopian Airlines loyalty program.....	18
2.8	ShebaMiles membership and tier evaluation.....	19
2.9	conceptual framework of the study.....	20

CHAPTER THREE- RESEARCH DESIGN & METHODOLOGY

3.1	Research design & approach.....	22
3.2	Population and sampling technique.....	23
3.3	Source of data.....	24
3.4	Methods of data collection.....	24
3.5	Methods of data analysis.....	25
3.6	Instrument Validity & Reliability.....	25

CHAPTER FOUR-DATA ANALYSIS & INTERPRETATION

4.1	Sample profile.....	26
4.2	Descriptive statistics.....	28
4.3	Testing normality of the distribution.....	29
4.4	Validity & Reliability tests.....	31
4.5	The first hypothesis testing (H1).....	35
4.6	Independent sample t-test.....	36
4.7	The second hypothesis testing (H2-H5).....	38
4.8	Correlation matrix.....	39
4.9	Linear regression.....	42
4.10	ANOVA Test.....	43

CHAPTER FIVE-FINDINGS, CONCLUSIONS & RECOMMENDATION

5.1 Summary.....	52
5.2 Conclusions.....	56
5.3 Recommendations.....	58
Reference.....	60
Annex.....	65

ACKNOWLEDGMENTS

I Praise God for his mercy and love. He gave me all the courage and stamina in pursuing to finalize this thesis. I wish to express my sincere gratitude to my thesis advisor, Dr. Getie Andualem, for his excellent professional guidance, a friendly approach as well as support to make this study real.

I would also like to thank my mother and father for their heartily pray and moral encouragement on the whole process of my study. My husband, Elias Kassa, should receive a great recognition for his support and encouragement.

Finally, I would also like to thank my staffs and friends who assist me in providing insightful ideas in all matters throughout my study.

ACRONYMS

ET: Ethiopian Airlines

FFP: Frequent Flyer Program

CRM: Customer Relationship Management

LIST OF TABLES	PAGES
Table 1: sample size.....	23
Table 2: Demographic Backgrounds.....	27
Table 3: Descriptive Statistics of perceived benefit dimensions.....	28
Table 4: Test of internal constancy reliability of the three perceived benefit dimensions...34	34
Table 5: Group Statistics of perceived benefit dimensions.....	35
Table 6: Independent Samples Test of Perceived Benefit Dimensions.....	36
Table 7: Correlations between Perceived Benefit dimensions and satisfactions.....	39
Table 8: Model Summary for the test of linear regression coefficient.....	42
Table 9: ANOVA test for the regression analysis of perceived benefit dimensions and satisfaction.....	43
Table 10: Coefficients for testing the correlation between the perceived benefit dimensions and satisfaction.....	45
Table 11: stepwise regression for testing the Excluded Variables.....	47
Table 12: Collinearity Diagnostics.	49
Table 13: Case wise Diagnostics for testing a standardized residual.....	50
Table 14 Tests of Normality for Acknowledgment perceived benefit dimension.....	69
Table 15 Tests of Normality for Acknowledgment perceived benefit dimension using the grouping variables of Silver and Gold members.....	69
Table 16 Tests of Normality for Convenience perceived benefit dimension.....	71
Table 17 Tests of Normality for Convenience perceived benefit dimension using the grouping variables of Silver and Gold members.....	71
Table 18: Tests of Normality for Exploration perceived benefit dimension.....	73

Table 19: Tests of Normality for Exploration perceived benefit dimension using the grouping variables of Silver and Gold members.....	74
Table 20 Tests of Normality for Satisfaction perceived benefit dimension.....	75
Table 21 Tests of Normality for Satisfaction perceived benefit dimension using the grouping variables of Silver and Gold members.....	76
Table 22 Test of internal consistency reliability for Acknowledgment	78
Table 23 Test of internal consistency reliability for Convenience	79
Table 24 Test of internal consistency reliability for Exploration.....	80

LIST OF FIGURES	PAGES
Figure1, conceptual framework of the study.....	21
Figure 2: Homoscedasticity test of satisfaction with Acknowledgment dimension.....	29
Figure 3: Testing normality using Histogram for acknowledgement.....	70
Figure 4: Normal Q-Q Plot for Acknowledgment perceived benefit dimension.....	70
Figure 5: Testing normality using Histogram for convenience.....	72
Figure 6: Normal Q-Q Plot for Convenience perceived benefit dimension.....	73
Figure 7: Testing normality using Histogram for exploration.....	74
Figure 8: Normal Q-Q Plot for Exploration perceived benefit dimension.....	75
Figure 9: Testing normality using Histogram for satisfaction.....	76
Figure 10: Normal Q-Q Plot for satisfaction.....	77
Figure 11: Testing for Homoscedasticity of satisfaction with Convenience dimension.....	81
Figure 12: Testing for Homoscedasticity of satisfaction with Exploration dimension.....	82

ABSTARCT

The purpose of this study was to evaluate perceived benefits of frequent flyer program and their influence on member's satisfaction, delivered through the perspectives of both silver and gold tier member passengers of Ethiopian airlines. To this effect, the study has used the scale developed by Nic S Terblanche, 2005 on the three dimensions of perceived benefits namely Acknowledgement, Convenience and Exploration to measure member's perception towards the frequent flyer program of Ethiopian Airlines, ShebaMiles. Total samples of 380 respondents were selected with a probabilistic simple random sampling technique. According to the findings of the study, the analysis result of member's perception indicates that among the three perceived benefit dimensions, Acknowledgement which incorporates recognition and social benefits shows the highest mean score followed by convenience and Exploration. The study has also found out that Gold members give the same weight for the perceived benefit dimension of Exploration as does Silver members but different weight was given for Acknowledgement and Convenience dimensions of perceived benefits. The Pearson correlation result indicates that all perceived benefit dimensions were significantly and positively correlated with satisfaction of members with the program. Generally, Acknowledgement dimension has shown a statistically significant contribution on member's satisfaction, Exploration demonstrates the second highest positive relationship, and convenience reveals the least result of relationship with satisfaction of members with the program.

Hence, the airline is better to strengthen the handling of the Sheba miles members with respect to the reduction of decision-making anxiety and ease of use of the loyalty program also should get much attention next to acknowledgment. The Sheba mile programs needs to allow to members to visit and experience exceptional places which they would not have experienced and thereby makes them to have the exposure of new things as the exploration attribute have a positive correlation with the satisfaction of members with the program. Moreover several issue associated with the limitation inherent in this study requires further research consideration. For instance, the interactions between perceived benefits and the other variables such as Word-of-mouth and the significance of monetary versus nonmonetary benefits of loyalty programs could provide valuable insight for future research.

Key words: Perceived benefit, frequent flyer program, members' satisfaction, Airline

CHAPTER ONE

INTRODUCTION

This chapter deals with the background of the study, problem statement, research questions, objectives, hypothesis, definition of terms, significance and limitation of the study.

1.1 Background of the study

The airline businesses are in the process of moving into a more competitive atmosphere with a wide variety of flight services. Such competitive market conditions place airlines under great pressure to deliver quality service. Besides, the increased sophistication and demands from customer and magnificent new technological developments are some of the pressures firms experience and which necessitate new ways to differentiate themselves from others. In such highly competitive market, services provided in many industries have discovered the importance of customer retention. These attempts have ranged from a focus on service delivery to loyalty scheme, all with varying degree of success (Egan, 1999, saponen, 1996; Sasser, 1990; Dabhalkjer et al, 1996). Customer loyalty program to most executive in the form of frequent flyer miles, have become ubiquitous. Typically airline customers enrolled in the program accumulate miles (kilometer,) corresponding to the distance flown in that airline or its partners.

Ethiopian airlines have made its destination to 79 countries with its increasing number of 63 airplanes. This airline is the first and the third airline that owns Boeing 787 in Africa and in the World, respectively. With this all achievement, the airline has obtained many awards and recognition for its service excellence. Hence, in its struggle to attract and retain more customers, the airline has employed a wide array of strategy. Although price is the primary weapon of choice, airline relies that competing solely on price is a no-win proposition (Tseng et al, 2008). Yet, the challenges from Middle East and Europe airlines have become more intense. Accordingly, the airline has started its frequent flyer loyalty program named “ShebaMiles” having three tiers of Blue, Silver and Gold. This loyalty program is a structured marketing effort which reward and encourage loyal behavior and behavior which is hopefully of benefit to the

airline. But, the effectiveness of loyalty behavior should be evaluated in terms of the type of behavioral change they aim to bring about (Byron et al, 1997).

For this, perceived benefits may explain why customers take part in loyalty programs, in that these benefits motivate loyalty and strengthen the relationship with the firm (Bolton, Lemon, and Verhoef, 2004). Consequently, if customers perceive high or more benefit from participating in a program, marketing investment might be efficient or even become much gain. In this case, evaluating how members perceive loyalty programs and which advantage they may derive from their participation (Kivetz et al, 2002) will be open to the airline to be addressed. Because, if customers perceive little or no benefit from participating in a program, marketing investment might be inefficient or even become lost (De Wulf et al, 2001). Therefore, perceived benefits may explain why customers take part in loyalty program in that these benefits motivate loyalty and strengthen the relationship with the firm (Bolton et al, 2004).

In light of the above fact and argument, it is firmly believed that the success in the future will rest on loyalty program among the measures taken on the satisfaction and thereby retention of customers. Therefore, the ability to measure the perceived benefit offers an opportunity for researchers to study the behavioral impact of loyalty program (Aida, 2008). The purpose of this study is to evaluate the frequent flyer program offered by Ethiopian airlines with regard to the perceived benefit. It also tries to investigate its influence on members' satisfaction with the program in Ethiopian airlines.

1.2 Statement of the problem

Deregulation and liberalization in the airline industry transformed the industry into fastest growing and competitive market. These factors create a new management challenge for airlines. Hence, the airline is forced to develop a differentiated strategy in order to find a new basis for competition. In this case, there are a number of ways in which distinctive competition position can be developed and maintained. Among these, customer retention has grown in importance for most airlines as it has been acknowledged that customer retention has a bearing on profitability over the long term. Customer satisfaction is the key factor in determining the success of an

organization in customer relationships; hence it is very important to determine if and to what extent the perceived benefits of loyalty programs are related to it. In an atmosphere of intense competition, it is very risky for a company not to be customer oriented; rather companies need to deliver services of very good quality that generates highly satisfied and loyal customers. Relationship between a customer and an organization will be strengthened with higher customer satisfaction (Jayaraman & Shankar, 2011). Hence, this paper tries to evaluate the perceived benefits of FFP and their influence on member's satisfaction with the program in both perspectives of Gold and Silver frequent flyer program member passengers.

1.3 Research Questions

- What is Gold & Silver tier level members of ShebaMiles perception and extent of difference or similarity towards each perceived benefit dimensions?
- Are the dimensions of perceived benefits of frequent flyer program related to satisfaction with the program?
- Do the perceived benefit dimensions have influence on members' satisfaction with the program?
- Which perceived benefit dimension is the most dominant for satisfaction with the program?

1.4 Research Hypothesis

H1o: Gold member passengers give different weight to the perceived benefit dimensions than the silver member passengers.

H2o: The Acknowledgment dimension is not positively correlated with satisfaction.

H3o: The Convenience dimension is not positively correlated with satisfaction.

H4o: The Exploration dimension is not positively correlated with satisfaction.

H5o: The perceived benefit dimensions don't have impact on member's satisfaction with the program.

1.5 Objectives of the study

1.5.1 General Objectives

The general objective of the study is to evaluate the perceived benefit of frequent flyer program and its influence on members satisfaction with the program that are delivered through the perspective of both Silver and Gold member passengers of Ethiopian airlines.

1.5.2 Specific Objectives

The specific objectives of this study are:

- To observe member passengers perception towards ShebaMiles on each dimensions of perceived benefits.
- To evaluate whether Gold and Silver tier members give different or same perception towards the frequent flyer program on each perceived benefit dimensions.
- To examine whether the perceived benefit dimensions are related to satisfaction with the program.
- To examine whether the perceived benefit dimensions have influence on satisfaction with the program.
- To ascertain which aspect of perceived benefit dimension have significant effect on satisfaction of member passengers with the program.

1.6 Scope of the research

Currently, Ethiopian Airlines has more than 840,000 ShebaMiles member passengers and a complete evaluation and judgment on level of loyalty program and customer satisfaction requires a wider investigation. Hence, it is necessary to limit the scope to a manageable size due to research cost, time and accessibility. Therefore, this study is limited on members with tier levels of Gold and Silver which only focuses on perceived benefit of the mentioned loyalty program.

1.7 Definition of Terms

Operational Definitions:

Acknowledgment: attend to the airline's recognition and preferential treatment of a member.

Customer loyalty: is defined as a customer's repeated same-brand purchase within a given category, based on a favorable attitude toward and preference for the specific brand due to the incentive of loyalty program.

Customer Satisfaction: Customer level of approval when comparing a product's perceived performance with his or her expectations.

Convenience: refers to the ease with which a member is able to reduce choice, save time and effort.

Exploration: to discover and try new products sold by company.

Frequent flyer program (FFP): is a loyalty program offered by many airlines. Typically, airline customers enrolled in the program accumulate frequent-flyer miles (kilometers, points, segments) corresponding to the distance flown on that airline or its partners.

1.8 Significance of the study

In today's fierce competition of airline industry where Ethiopian airlines considers provision of loyalty program to the customer is a key to survival, findings from this study will provide the airline a valuable insight in ways of enhancing loyalty and relationship satisfaction of members. In addition to this, this paper is informative to add up to the existing knowledge as it raises different issues related to the relation between the two stages i.e. loyalty program perceived benefit dimension and members satisfaction with the program in Ethiopian airlines.

Last but not least, the output of this study may serve as a base for further investigation in the area.

1.9 Limitation of the study

The research assesses loyalty program of Ethiopian airlines by using the perceived benefit dimension only from the two tier members. The research has limitations on the following points:

- The time frame is very limited which restricts an in-depth treatment of the research topic which could have been done by increasing the number of sample.
- There is a limitation of resources especially with respect to finance.

1.10 Organization of the study

This research report consists of five chapters and other sections, namely, the list of reference and appendixes. The first chapter which has already been discussed provides the introduction of the research topic. The research is carried out with the assessment of the theoretical function and relevant literature in chapter two and the suitable methodology utilized to answer the research question will be discussed in chapter three. Data analysis and interpretation of the research result found by using the appropriate instrument for the methodology selected will be dealt in chapter four. The final chapter five will cover the discussion of results, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview of Loyalty programs

Considering the highly competitive landscape, airlines need to undertake great efforts to retain their profitable customers. Shaw suggests that relationship marketing i.e., putting equal or greater emphasis on the maintenance and strengthening of relationships with existing customers than on the acquisition of new customers, is an effective concept to be pursued in order to retain customers. Loyalty programs that center on passengers whose air travel demands are generally less price elastic and expected to be so in the long-term, constitute an important customer relationship management tool (Liu et al., 2009)

Academic marketing literature increasingly concentrates on customer relationship, a focus that is also apparent in marketing practice and significant investment in customer relationship management system (Gupta, et. al, 2004; Kumer, et. al., 2002). In this regard, loyalty scheme offers various rewards with the overall objective of lengthening customer relationship and stimulating purchase behavior. Therefore, they generally base the reward on cumulative buying and thereby institute switching cost. Today business management for many sectors have built their own customer loyalty program so as to create and increase the level of customer loyalty. The application of this program to the airway company occurs under the name of “frequent flyer program” (FFP). For this, airway Companies are targeting customers by means of the developed FFP system.

The concept of customer loyalty is not at all a new concept in the market; it was since from so many centuries, The ancient Roman Empire had often used the loyalty of their army even Napoleon Bonaparte, the most feared French commander of the early nineteenth century, achieved extraordinary results through the unrelenting loyalty of the soldiers under his command. Coming to the technical, civilized world of 21st century, marketers trying to capture

market share with the help of a loyal customer base, Customer loyalty has been universally recognized as a valuable asset in competitive markets (Srivastva, Shervani & Fahey, 2000).

Importance to creating a loyal customer arises from that it costs more to create a new customer than to retain an existing one. For example, the cost of creating a new customer is five times more than that of retaining an existing customer (Reichheld, 1996). Research suggests that a loyal customer buys more than a new customer does as a firm introduces new products and upgrades existing products. It also costs less to serve loyal customers than new customers because the company knows a lot about them and how to get in touch with them. Besides, a loyal customer is fewer prices sensitive and refers the company's products to other people (Kotler, 1999). As the competition in most sections grows tighter both the importance of, and challenges in, keeping the customers loyal increases. Loyal customers not only increase the value of the business, but they also enable it to maintain costs lower than those associated with attracting new customers (Barroso Cartro and Martin Armario, 1999). Hence, with these values, the loyalty program has become as one of the impertinent of marketing relationship.

The development of customer loyalty has become the important focus for marketing strategy in recent years due to the benefits associated with retaining existing customers (Gwinneretal, 1998; Hagen-Danbury et al., 2001). The past decade has seen that many firms adopted a customer focus approach through a formal program of customer relationship management (e.g. Brown 2000; Kala K. et al., 1999; Peppers et al., 1997). Recent advances in information technology have provided the tools for marketing managers to create a new generation of customer relationship management tactics. Such tactic that thousands of firms have considered, and which many have adopted, is to establish a customer loyalty program. Therefore, the study should begin with the emphasis of its meaning from different perspectives. Yet, the meaning of loyalty program has been confused with customer loyalty by many practitioners.

2.2 Definition of customer loyalty and Loyalty Program

There is no common consensus about the loyalty conception in the literature as several definitions about the concept of loyalty by the various academics. Among Some definitions of customer loyalty, the first one is that Customer loyalty is “a promise given sincerely for

purchasing the same product or service in the future by the consumer who already preferred the mentioned product or service” (Oliver, 1999). Whereas, according to Lee and Cunningham (2001), customer loyalty is “a tendency to be a customer of current suppliers depending on their previous experiences and expectations for the future”.

However, in the intervening years the concept has come to mean very different things to different researchers, and as a result it is measured in many ways as confirmed by Jacoby and Chestnut. Yet, a number of attempts have been made to bring order to the problem of definition and measurement (Dick et. al, 1994). Broadly, the researcher conclude that there are three ways to think about loyalty which includes loyalty mainly expressed in terms of revealed behavior, loyalty as primarily an attitude, and loyalty as a composite measure.

On the other hand, in line with the previous research (sharp and sharp 1997); we define a loyalty program as an integrated system of individualized marketing action which aims to make customer more loyal by developing personalized relationship with them and reinforcing their behavior. Loyalty scheme offer various rewards with the overall objective of lengthening customer relationship and simulating purchase behavior. Whereas, psychological, sociological and relational drives also may enhance customer trust in and affective commitment to the firm (Morgan and hunt 1994), and loyalty program may induce feeling of pride about having “won” something to pay a normal price (Kevete et al., 2002).

When we come to the meaning of customer loyalty, we have also many definitions. Yet each of these fails to realize runs hand-in-hand with emotions. Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product and services. Hence, customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you over more customers. If any of the above is the case, loyalty can be defined as customer continuing to believe that one organization product or services offer remain their best option.

In general, the two concept i.e. customer loyalty and loyalty program are different but the latter is the antecedent of the former one with a strong relationship depend on the sector, firms, product/services and customer. The most comprehensive definition of customer loyalty and loyalty program is forwarded by different author. Oliver (1999) states that loyalty is: “a deeply held commitment to rebury or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”. Figure1. Demonstrate a dynamic model of customer loyalty which explains both behavioral and attitudinal construct of customer loyalty.

2.3 Benefits of maintaining customer loyalty

The adaption of customer loyalty program among companies has increased over the last couple of years, and the customers have become the focus of attention. As the result, it is more economical for a company to keep customer loyal than if the company has to replace them (Marken, 2001). Kumar and Shah (2004) states that companies that gain loyal customer receive different type of benefit, including economic and non economic and relational benefit for the customer and the company.

A. Economic and non-economic

The end goal of companies marketing effort is to generate profit. From the relationship marketing's prospective; a successful company is according to Ahmed and Butta (2001) a company “Which manage to turn their customer into clients and from prospective in to partners”. The most common argument for customer retention is that it is less costly to retain customer than to acquire new customer. The economic benefit of retaining customer includes various benefits. The fist one is bringing saving on customer's acquisition or replacement costs. Secondly, guarantees of base profits as existing customers are likely to have a minimum spend per period. Thirdly, growth in per-customer revenue as, over a period of time, existing customer are likely to earn more, have more varied needs and spend more. Fourth, a reduction on relative operating costs as the firm can spread the cost over many more customers and over a longer period of time. Fifth, free of charge referrals of new customers from existing customer, which

would otherwise be costly in terms of commission or introductory fees. And, finally, price premium as existing customers do not usually wait for promotion or price reduction before deciding to purchase. Whereas, the non-economic benefit consists of for example feedback about the product or service from the existing customer who works together with supplier to add value to the product by improving its functional features. (Ahmed et al., 2001)

B. Relational benefit for the company

The business strategy of retaining customer by making them brand loyal is done because it is more profitable to retain existing customer than to attract new customer. Customer loyalty leads to improve business due to effect of the loyal customer. A loyal customer provides a communication route for strengthen the brand image, make it difficult for competitors to entice customer and allows setting higher price. Another factor that loyal customer generate is a decrease in marketing costs since the loyal customer have knowledge about the company, their standpoint and know the quality of their products (Marzo-Navaro et al., 2004)

The same author further states that no customer can be made brand loyal if they are not satisfied, when drives the companies to improve customer satisfaction. The concept of loyalty can be interpreted in two ways; affective loyalty and behavior loyalty. Affective loyalty has a positive attitude toward a brand or a company, which is generated through an internal evaluation process, while the behavior loyalty reflects the degree of purchase repetition that an individual makes. There are also other determents than satisfaction to create loyalty for example; brand capital and management of communication with the customer. This indicates that satisfaction is a feeling that generates a higher rate of customer retention and wider spread positive word of month. In order to make customer brand loyal the companies must act both effective and affective in their relationship to create both social and personal bonds with their customers. These bonds along with the financial bonds are the most significant elements for achieving brand loyalty. (Marzo-Navarro et al., 2004)

Further, Uncle, Dowling and Hammond (2003) states that loyalty programs can increase the brand loyalty through a decrease in price sensitivity and decrease in customer desire to consider other brand alternative. It is shown that customer loyalty program generate in higher profit since

loyal customer buy more frequently and buy more product. This is a highly significant factor for companies since most companies are profit-seeking. In this case, loyalty program can also encourage a positive word of mouth, attract more customers and increase the number of purchase. According to Yi and Jeon (2003) loyalty program are profitable because the cost of serving existing customer is less than attracting new ones. He further states that loyal customer is fewer prices sensitive and usually spends more money with the company. But, such relational benefit is not only limited for the company, rather it includes for customer. Yet, the perceived importance of the interaction between healthy-living behavior and travel also implies that certain habits and practices of individuals may correspond to certain benefits and expectations that are both valued and obtained from travel experiences and at the destination site.

C. Relational Benefit for the customer

Marz-Navarro, pedraja-Iglesia and Riviera-torr(2004) states that to be able to maintain a relationship, promises must be kept in order to expand the relationship and new promise must be established as long as the pervious has been kept. The benefit of a stable relationship that a customer can obtain are for example, an increase in confidence, reduction of risk, economic advantage ,increase and simplification of efficiency in the decision process. These benefits are determined by the established relationship and can be divided into two primary categories; functional benefits and social benefits. The functional benefits include time saving, convenience, making the best purchase decision etc. and the latter benefit time include how pleasant and comfortable the relationship is, customers themselves will reduce the problem associated with the purchase choice and thereby improve the efficiency of the decision-making process. Yet, the benefits remains depend on the perceptions of the customer. Customer perceived value is the differences between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. In turn, customer-perceived value results from an evaluation of the relative rewards and sacrifices associated with the offering.

2.4 Perceived Benefits of Loyalty

The relationship perception concerns the perceived value of the relationship; defined as the subjective evaluation of the offering of the supplies during the relationship (Zethamal et al, 1997) and, the perceived quality of the relationship itself. The latter is often measured with commitment. The first academic article that made an effort to develop a scale for economic and further benefits customers perceive when they take part in loyalty programs was published in 2010 by Mimouni-Chaabane “et al.” This scale measured the benefits customers perceive as members of loyalty programs .Mimouni-Chaabane “et al.” (2010) state that an assessment of extant research divulge that the benefits customers get from enrolling in loyalty programs consist of utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment), and symbolic benefits (recognition and social benefits)

A. Utilitarian benefits

Utilitarian benefits, which are primarily instrumental, functional, and cognitive, provide consumer value by offering a means to some end. For example, people shop to accomplish the task of acquiring some object, among other reasons (Babin, Darden, and Griffin, 1994). Utilitarian benefits relate to basic motivations such as safety needs and usually correspond to a product’s tangible attributes. Just as they might assess shopping or service encounters, customers judge the outcome of belonging to marketing programs according to the utilitarian value, which depends on how well the program accomplishes the intended task.

In loyalty programs, utilitarian value derives in part from financial advantages (Bolton et al., 2004; Johnson, 1999). Further, Peterson (1995) suggests that saving money provides the major motivation for joining frequent flyer programs and book clubs. In this case the first one is the monetary savings developed from cash-back offers and coupons that participants accumulate while regularly buying the same brand or shopping with the same retailer. Whereas, Convenience benefits lead to utilitarian value as well and encourage people to enroll in loyalty programs. Hence, Sheth and Parvatiyar (1995) claim that to minimize the difficulty of choosing among alternatives, consumers develop enduring relationships with firms. Further, the items for

the convenience dimension are based on the work of Seiders “et al.” (2007) and Colwell “et al.” (2008) and adjusted for the airline milieu. The dimensions and items of the perceived benefits of a loyalty program scale for an airline. In general, customers may appreciate loyalty programs because the programs help consumers automate their decision-making process and avoid complex evaluations of available alternatives (Berry, 1995; Bolton et al., 2000). Moreover, loyalty programs can also reduce consumer search and decision costs through value-added services such as exclusive reservations, easy payment desks, priority checks-in, and so forth. Therefore, consumers enjoy greater shopping convenience and can save time.

B. Hedonic benefits

The second benefit of loyalty program is hedonic benefit. This value derives from non-instrumental, experiential, emotional, and personally gratifying benefits (Hirschman and Holbrook, 1982) and may be associated with shopping, the use of media, and increased behavioral loyalty (Arnold et.al, 2003). Hedonic benefits may be relevant for loyalty programs through two dimensions: exploration and entertainment. For instance, trying new or innovative products, satisfying curiosity about events and promotional offers, or seeking information to keep up with new trends represent among the exploratory behaviors (Arnold et al., 2003) that consumer magazines or direct mail, for example, can fulfill. Moreover, programs also enable customers to enjoy unique experiences that they would not have undertaken otherwise, because many organizations offer pleasure-providing incentives, such as getting to drive a Jaguar for a day or attending an opera. In addition, because activities can be intrinsically appealing (Hirschman and Holbrook, 1982; Tauber, 1972), a loyalty program can provide joy and be an end in itself. In this case, Johnson (1999) argues that loyalty programs attract consumers because of the pleasure associated with collecting and redeeming points. In this scenario, customers act like players and experience a feeling of entertainment

C. Symbolic benefits

The last one is symbolic benefit and it represent the extrinsic advantages that products or services provide in relation to needs for personal expression, self-esteem, and social approval (Keller, 1993), result from intangible and often non product related attributes. Because they build customer knowledge, loyalty programs offer an opportunity to differentiate and discriminate among customers who likely perceive customized offers as a sign of respect or distinctiveness (Gordon et al., 1998). Consumers consequently may experience recognition benefits; they may feel like the firm and frontline personnel treat them better than they would treat nonmembers of the program (Beatty et al., 1996). Hence, loyalty programs further focus on not merely the product but also the experience of ownership and consumption (McAlexander, Schouten, and Koenig, 2002). Consequently, the programs enhance perceptions of social benefits (Libermann, 1999), such that members consider themselves part of an exclusive group of privileged customers, identify with that group, and share values associated with the brand (Muniz and O'Guin, 2001).

In general, a loyalty program can be just as important for a company as any increase in sales due to customers spending to earn reward points. In return their spending patterns, members of a loyalty program receive rewards in proportion to their spending. However, the effect of loyalty program structure on consumers' perceived status varied systematically across industry and individuals. For instance, in the airline industry, the program is higher in perceived exclusivity. For this, incentives to fly with an airline and is the most popular and successful marketing strategy devised to build customer loyalty and sell the high priced seats. In this case, the frequent flyer program is major loyalty program used by most airline firms.

2.5 Frequent Flyer program and factors affecting FFP.

Loyalty programs are structured marketing efforts which reward, and therefore encourage loyal behavior, which is hopefully of benefit to the firm" (Sharp and Sharp 1997 pp 474).. Sharp and Sharp (1997) mentioned that loyalty programs, which provide customers with loyalty incentives,

are back in the marketing spotlight. The airlines' frequent flyer schemes were amongst the first in this new wave of very large-scale consumer oriented programs. It is one such innovation introduced to induce and capture loyalty of travelers. FFPs offer free travel and upgrades a incentives to fly with an airline and is the most popular and successful marketing strategy devised to build customer loyalty and sell the high priced seats.

Airlines pioneered a new era in the travel industry when they created frequent-flier programs in the 1980s. Decades later, these programs have grown in size and complexity and are ubiquitous throughout airline, hotel, and travel retailer segments. Today, more than a billion people are enrolled in what now are referred to as loyalty programs. As loyalty programs have become commonplace, airlines have struggled to differentiate their offerings from the offerings of other companies. Many have formed partnerships with other airlines—the One World and Star alliances, for example—that allow customers to collect points from any alliance partner and spend them on the program of their choice. Airlines have also developed extensive networks through cross-industry partnerships that enable travelers to collect airline points for hotel stays or from using jointly branded credit cards with banks. Additionally, airlines have created multitiered loyalty programs to provide different rewards as well as incentives for customers to upgrade to the next tier.

FFPs are designed to achieve a high degree of brand loyalty particularly among business travelers, attract primary demand, effectively discourage new carrier competition, and give airlines direct and efficient communication links with their best individual customers (Brancatelli, 1986; Stephenson & Fox, 1987). The growth in air passengers will depend on the state of the global economy, population growth and the increase in income and wealth of individuals. Airline marketing officials claim that FFPs boost the carrier's business by 20 to 35 percent (Stephenson & Fox). However, traffic volumes can only increase across the board if total airline industry business traffic increases. Since corporate air travel is a derived demand business, it is highly improbable that FFPs will stimulate 20 to 35 percent growth. This is only possible if business travelers made billions of dollars worth of unnecessary air travel.

Since we already know about how the frequent flyer program works, it is also important for us to know which factor affect the successful of a loyalty program. There are a number of factors that affect the effectiveness of the frequent flyer program. Among these, the first one network coverage of air service provided. Here, a business traveler will find it easier to accumulate FFP mileage if an airline covers most of his business destinations or has good coverage through alliances and partnerships with other airlines. The second factor could be airline's market shares. In this case, Nako (1990) decomposed the effects of FFPs into an airline specific effect (which is measured by a membership variable, whose coefficients are positive and significant) and a hub effect (interactive term). The effectiveness of FFP is enhanced with the rise in the airline's presence in the city in which the participating members resides.

The third one is, duration and distance of flights. The effectiveness of FFP increases with total travel time since travel time is positively correlated with the amount of mileage credit that may be earned on a specific trip. The positive sign of the coefficient of the interaction between fares and FFP membership provides some evidence that FFP members are less fare sensitive than non-FFP members. And, the last one is characteristics of individual FFPs.

The last factor is more related to the characteristics of the airline's services affect the effectiveness of its FFPs. However, FFPs are packaged differently. The success of FFP grows in line with the number of members it can attract. It is not the absolute benefits but the relative gains compared to that of the other carriers that matter to individual travelers. In designing the awards scheme, one has to keep in mind the targeted group. The structure of the award and benefit system differs from airline to airline due to the difference in characteristics of the target group.

2.6 Satisfaction and its relationship with loyalty program

Customer Satisfaction reflects the degree to one believe that an experience evokes positive feelings. Therefore, satisfaction is an overall affective response due to use of product or service. Satisfactions can be seen as customer's fulfillment response. It is based on customer's judgment about a product or service feature, or the product or services itself, it provides a pleasurable level

of consumption related fulfillment. Furthermore, satisfaction is customer's evaluation of a product or service in terms of whether that product or service has met customer's needs and expectation, Perceived Value and Satisfaction. Whereas, customer Loyalty can be defined as an increasing of service quality consistently in the future, thus causing repetitive same brand purchases despite situational influences and marketing efforts having the potential to cause switching behavior. Yet, the level of satisfaction depends on perceptions of the customer toward the services or the program offered. Because, the effect of perceived value on program intention is completely mediated to customer satisfaction.

Customer Loyalty can be defined as a increasing of service quality consistently in the future, thus causing repetitive same brand purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. Perceived Value Customer perceived value is the differences between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Perceived value is the ratio of benefits received from providers relative to the costs sacrificed by customers. In essence, it is a variable that reflects the net utility derived from a provider. Customer satisfaction, meanwhile, is defined as an overall positive or negative feeling about the net value of services received from a supplier (Woodruff, 1997). He also argues that perceived value represents customer cognition of the nature of relational exchanges with their suppliers, and satisfaction reflects customers' overall feeling derived from the perceived value.

2.7 Overview of Ethiopian Airline's loyalty program

Ethiopian Airline's frequent flyer program is named as Sheba Miles .It started operation in 1999 .This program is unique partly due to Ethiopian's unrivalled coverage of the African continent. Those flying within Africa or to any of ET's growing number of destinations across Middle East, Europe, Asia and the USA will accumulate miles quickly and will soon be enjoying the privileges of membership. The miles earned will entitle passengers to award tickets, upgrades; check in priority, executive lounge privileges, priority baggage handling, special baggage allowances and many more benefits.

The numbers of destinations extend to over 1000 cities worldwide through the star alliance membership of Ethiopian Airlines and the Sheba Miles FFP. Over 27 carriers in all seven continents of the world recognize Sheba Miles membership card in earning miles and redeeming award tickets on their flights. Alongside this, members will also benefit from priority check in, priority boarding, special baggage allowance, priority baggage handling, worldwide airport lounges and much more at their airports.

ShebaMiles is designed in such a way that the more one fly, the more the benefits he/she receive and it has a world of opportunity to earn miles from scheduled international and domestic Ethiopian Airlines passenger flights, from star alliance member carriers on international and domestic flights, from rent a car mileage, from staying at service partner hotels and from shopping. Sheba Miles makes possible for members to redeem or spend miles for award tickets or upgrades on international and domestic Ethiopian Airlines passenger flights and on any star alliance member carriers international or domestic flights.

2.8 Sheba Miles membership and Tier Evaluation

Membership is open to all individuals all over the world. Membership is possible with the applications that can be mailed to the address on the back of the form and electronic forms available with reservations and ticket agents or self application via the airlines website www.ethiopianairlines.com. Upon completion of the application, registration is confirmed with a temporary membership card number. And, this temporary membership card has full name and Sheba Miles account number that enables an individual to register in order to accrue miles with Sheba Miles. However, when membership account is created, correct information should be provided on all required data. For this, it is important that full name is as per name on passport, mailing address is correct to receive membership package and email address is correct to generate new password or receive notifications.

Regarding the member's status, Sheba miles offers various membership tiers that match the number of miles or the frequency of travel an individual collects from flying within one calendar year. Here, the status miles or segments determine the member's tier level. Miles earned from flight activity on Ethiopian and partner airlines within one European calendar (Jan to Dec) are

considered towards status miles. However, bonus miles are not considered towards status miles except business class bonus miles earned from Ethiopian operated flights.

On the other hand, essentially there are three levels with increasing privileges and a member progresses from Blue to Silver, and Silver to Gold. The sum of status miles or the number of qualifying sectors flown annually determines a membership status to a certain tier. The more a member flies in one calendar year, the easier it gets. A member is automatically entitled to a wide range of extra benefits and privileges as soon as sufficiently enough status miles are accrued in a member account. The membership includes three categories namely Sheba Miles Blue, Silver and Gold membership. Here, the more a member flies, the easier it gets. Once they qualify for silver or gold tier membership, they will be able to start enjoying the tier benefits across the star alliance member carriers within 2-4 weeks of their qualification.

Whereas, regarding the tire evaluation, a members' status is determined by the sum of status miles earned or the number of qualifying sectors flown during one calendar year. The current status of a member is a result of the number of status miles accrued or number of qualifying flights in the last calendar year. Membership status cannot be determined by adding up status mile of one or more calendar year. Sufficient status miles or number of qualifying flights earned within the current calendar year can advance a member tier to the next higher tier for the remainder of the month in the current year and the following year.

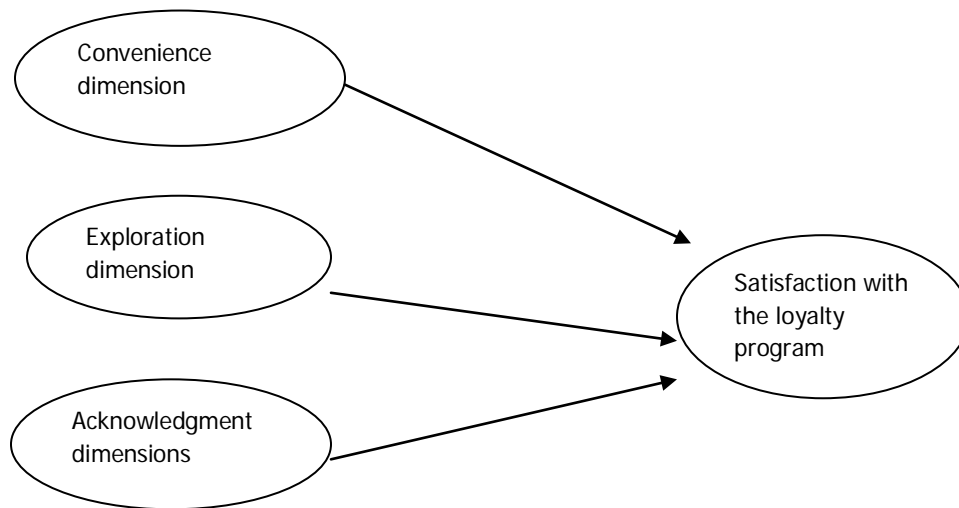
Therefore, members who have qualified for Blue tier should accumulate more status miles in the same year to qualify for silver status. These same silver members should add more status miles on the miles that has qualified them as Silver member in order to progress to a Gold membership status. Hence, a member should accumulate status miles that are required to progress from Blue to Silver and Gold within one calendar year.

2.9 Conceptual Framework

From review of related literature and studies, the researcher tries to framework a theoretical scheme from research problem. The scheme is a tentative explanation or theoretical explanation of the phenomena on problem. Forgas et al (2010) argued that perceived value directly

influences customer loyalty. Since perceived value is an important factor that influences passenger's choice, the role and the effect of this factor should be investigated more in the context of airline industry. Furthermore, according to Yi and Jeon (2003), the value derived from participating in a loyalty program should influence loyalty to the program positively. In line with the same author's research, the results show that perceived benefits relate to loyalty behavior. The refined Yi and Jeon (2003) model also suggests that the value derived from participating in a loyalty program positively influences satisfaction levels. Whereas De Wulf et al. (2001) also confirm that the three dimensions of perceived benefits should positively influence the perceived relationship. There is also empirical evidence that customer-perceived value has a positive effect on customer satisfaction with a supplier (E.W. Anderson et. al., 2000). Based on the literature review, we have generated four hypotheses associated with the model. These hypotheses focus on the interrelationships among customer satisfaction and perceived benefit with the loyalty program. Therefore the conceptual framework guiding this study is presented in figure.

Conceptual Framework of the study



Sources: (The Perceived Benefits of a Frequent Flyer Program: Scale Development, Nic S Terblanch)

CHAPTER THREE

RESEARCH DESIGN & METHODOLOGY

This chapter discusses in detail the research design & approach, population & sampling techniques, source of data, data collection method, method of data analysis and instrument validity and reliability.

3.1 Research Design and Approach

An explanatory or causal research design and a quantitative research approach were used in conducting the present study. The research design strategy originates from the research problem. The research used a structured questionnaire in order to gather primary data. This method involves collection of data from a sizable population. The survey is designed to be as short as possible while still getting maximum response from respondents. Thus the research is explanatory or causal study.

The purpose of this research is to correlate the dimensions of perceived benefit, loyalty program and customer satisfaction with the score on responses to the 16-items instruments for evaluating the loyalty program through passenger perception and relationship satisfaction. On the other hand, perceived benefit of loyalty program is operationalized by using Nic S “et al “(2010) identified 16 items under three dimensions, (i.e. convenience, exploration, and Acknowledgment) and three items are used to address relationship satisfaction. Applying a study through survey research, and using method of questionnaire, this study tries to adopt a quantitative approach to evaluate the perceived benefit of loyalty program and thereby members satisfaction with the program. By using a quantitative method, the researcher seeks data, which will be statistically analyzed to produce a quantified result. This study therefore employs a quantitative research approach.

3.2 Population and sampling techniques

3.2.1 Population of the study

Ethiopian Airlines ShebaMiles members with tier levels of Gold and Silver were the population of this study. The population is the totality of entities in which the researcher is interested in i.e. the collection of individual, objects or events about which the researcher wants to make inference (Diamantopoulos et.al, 2006). The population taken for sampling was limited to Gold and Silver tier frequent flyer members due to time, resource and financial constraints.

3.2.2 Sampling Technique

Coming to the appropriate number of participants, identifying a sufficient sample size is important. Large sample sizes are desirable as they are more representative of the population and inversely proportional to sampling error. A sample size of 384 respondents was selected with a probabilistic sampling and member passengers were picked using systematic random sampling technique computed by the below formula by which each group's sample size is based on their proportion to the total population as presented below:

$$S.S = \frac{Z \text{ score} * (S.D) * (1-S.D)}{(\text{Margin of error})^2} = \frac{(1.96)^2 * 0.5 * 0.5}{(0.05)^2} = 384$$

Table 1: Sample size

Categories of FFP members	Population	Proportion	Sample size
Gold tier members	8,654	24%	92
Silber tier members	27,023	76%	292
Total	35,677	100%	384

For the application of systematic random sampling, the researcher has organized the name list of each Sheba miles members from each of the two tiers using excel program of the computer. Thus, in a systematic sampling only the first unit is selected randomly and the remaining unit of the sample is selected at a skip interval .Based on this assumption, the 95th member from each stratum (tiers) was selected.

$$\text{Skip interval} = \frac{\text{population}}{\text{Sample size}}$$

Data for the study is collected by distributing questionnaire to respondents through web-based self-administered questionnaires to be sent to the selected members by email. The questionnaires were accompanied by a letter of which briefly attend to the purpose of the study in which members will be requested and encouraged to participate in the study.

3.3 Source of data

Both primary and secondary data were applied to obtain relevant information as an input for this study. Regarding the secondary data, the airline's loyalty program guide and others are collected by reviewing the internal newsletter, aviation report and magazine, article, books and other pertaining documents.

3.4 Methods of data collection

A structured questionnaire using a 5 points Likert scale starting from 1=strongly disagree to 5=strongly agree was distributed via email to the respective selected members to collect relevant data from sample respondents. Besides, the researcher has tried to further brief some respondents via email. In general, web-based questionnaire has been distributed to members of Gold and Silver customers and a reminder email has been conducted to provide feedback and obtain clarification of information.

3.5 Method of Data Analysis

The data analysis technique employed involves organizing the details about the case, categorizing the data into meaningful themes, looking for and identifying pattern. This is followed by making logical and finally reaching at conclusion by evaluating the implication of the data which supports the research proportions.

Descriptive and inferential statistics are used to analyze the data obtained from the participants. The perceived benefit of loyalty program is measured using the 16-items of the five points Likert scale where 1 represent strongly disagree and 5 strongly agree for representing the perceived benefit elements which includes three dimensions, namely acknowledgement, convenience and exploration.

The data of the questionnaires is put in an electronic spreadsheet to organize data and for further analysis of results. Statistical analysis is conducted using SPSS software. Further analysis of the result and assessment enables to identify the opportunities of improvement in the services provided. Thus the T-test and a multiple regression analysis are applied for testing the hypothesis.

3.6 Instrument Validity & Reliability

Normality tests have been conducted to check the validity of the study and it was found to be valid, holds good instrument/construct validity.

Reliability was computed using Cronbach's alpha for each of the perceived benefit dimensions and found to be much higher than the acceptable cut-off point of 0.70. Hence, we can say that the model used in the study is reliable.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter deals with the study's results and discussions

4.1 Sample Profile

The demographic backgrounds of the sample respondents in four parameters are presented in the tables below to understand the profiles of customers i.e. age, gender, nationality, Sheba miles membership tier levels, loyalty periods and class of airline service used .Table 2 describes the customer profile and the type of customers who are members of Sheba miles. Based on the data presented about the 289 respondents of the airline customers, It is evident that the percentage of male and female respondents are 60 % and 40 %, respectively, which shows the male dominancy of the members of Sheba miles. All the respondents fall in different age groups and 17% of the respondents fell in the age range of less than 30 and 47.8% fall in the range of 30-45, whereas, the remaining percentage of the respondents i.e. 35.3% fell in the age group of more than 45.

Taking into account the nationality of the respondents, Non-Ethiopians dominate the sample. The Non-Ethiopian nationality has shown more preference for the program than the Ethiopian group (62.3% and 37.7% respectively); while majority of members have reached to the level of silver (72.3 %). The gold members accounts for 27.7%. Out of the total respondents, most of them have more than three years of loyalty membership while 14% of them become less than one year of membership. On the other hand, most of these respondents use the economy class service and takes 62% of the total representative. But the remaining 38% of them use business class service.

Table 2 Demographic Backgrounds					
	Description	Frequency	Percent	Valid percent	Cumulative percent
Sex of respondents	Male	173	59.9	59.9	59.9
	Female	116	40.1	40.1	100
	Total	289	100	100	
Age of respondents	<30	49	17	17	17
	30-45	138	47.7	47.7	64.7
	> 45	102	35.3	35.3	100
	Total	289	100	100	
Nationality of Respondents	Ethiopian	109	37.7	37.7	37.7
	Non-Ethiopian	180	62.3	62.3	100
	Total	289	100	100	
Sheba miles tier Levels	Gold	80	27.7	27.7	27.7
	Silver	209	72.3	72.3	100
	Total	289	100	100	
Loyalty period	<1year	42	14.5	14.5	14.5
	2-3 years	118	40.8	40.8	55.4
	>3years	129	44.6	44.6	100
	Total	289	100	100	
Class of airlines mostly used	Business class	111	38.4	38.4	38.4
	Economy class	178	61.6	61.6	100
	Total	289	100	100	

4.2 Descriptive Statistics

The output provides tabulated frequency distributions of each variable. These tables list each score and the number of times that it is found within the data set.

Table 3 : Descriptive Statistics of perceived benefit dimensions

Dimensions	N	Minimum	Maximum	Mean	Std. Deviation
Acknowledgment	289	2.00	5.00	3.6866	.81167
Convenience	289	1.00	5.00	2.7797	1.09092
Exploration	289	1.00	5.00	2.3022	.78432
Satisfaction	289	1.00	5.00	3.2399	1.17528
Valid N (list wise)	289				

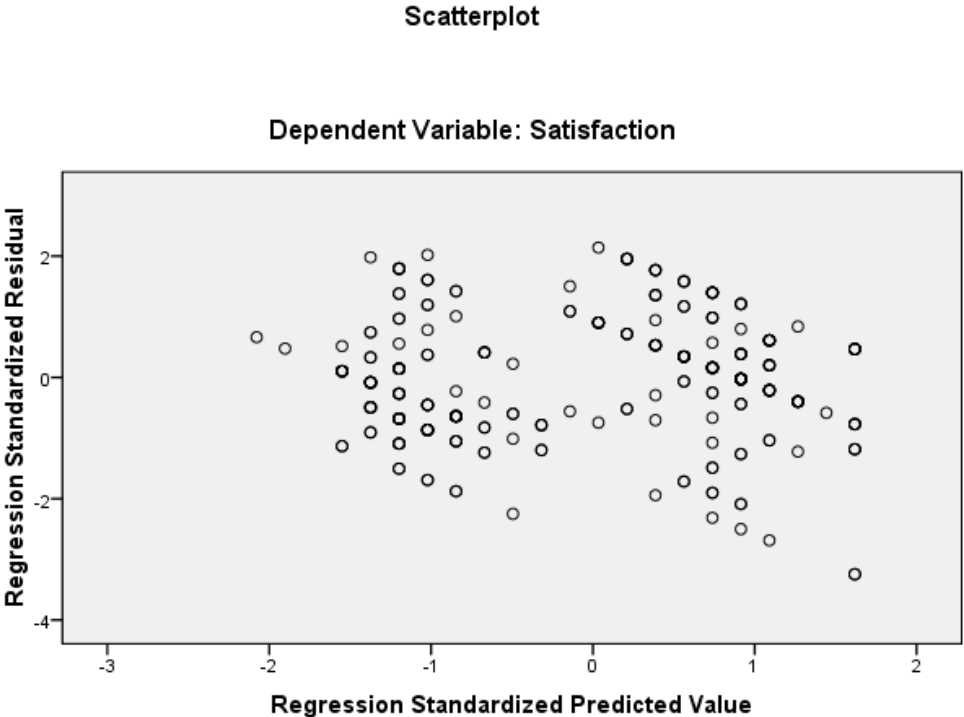
As presented in the above table, Acknowledgment ranges from 2 to 5 with the mean of 3.68 and standard deviation of 0.81. Convenience ranges from 1 to 5 and the mean and standard deviation is 2.77 and 1.09, respectively. For exploration, mean and standard deviation is 2.30 and 0.78, respectively with the minimum and maximum value range from 1.00 to 4.67. Beside this, the minimum and maximum value for satisfaction is 1 to 5 and the mean and standard deviation is 3.23 and 1.17, respectively. The standard deviation is therefore a measure of how well the mean represents the data. Whereas, small standard deviation means (relative to the value of the mean itself) indicates that the data points are close to the mean. In this case, larger standard deviation (relative to the mean) indicates that the data points are distant from the mean (i.e. the mean is not an accurate representative of the data) (Andy, 2010). Similarly, high standard deviation means that the data are wide spread, which means that customers give variety of opinion and the low

deviation means that customers express close opinion. Therefore from the above table we can learn that customers seem to express a close opinion and the mean is a good fit of the data.

4.3 Testing the normality of the distribution

A. Testing for Homoscedasticity of satisfaction with the perceived benefit dimension

Figure 1: Testing for Homoscedasticity of satisfaction with Acknowledgment dimension



Using the plots of ZRESID against ZPRED, the researcher tried to check whether the graph looks like a random array of dots evenly dispersed around zero because the Testing for Homoscedasticity lies with an assumption in regression analysis that the residuals at each level of the predictor variable(s) have similar variances. This is to mean that at each point along any predictor variable, the spread of residuals should be fairly constant.

In figure 1, 10 & 11, it shows that each of the three perceived benefit dimension against the predictor variable of satisfaction. The plot in the same figure of the annexed plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicative of a situation in which the assumption of linearity and homoscedasticity have been met in whole the three variables against satisfaction.

B. Skewness and the kurtosis Test

To check that a distribution of scores is normal, we need to look at the values of kurtosis and skewness. Both of which have an associated standard error. The values of skewness and kurtosis should be zero in a normal distribution. Positive values of skewness indicate a pile-up of scores on the left of the distribution, whereas negative value indicates a flat distribution. The further the value is from zero, the more likely it is that the data are not normally distributed. Both of which have an associated standard error. However, the actual value of skewness and kurtosis are not, in themselves, informative. Instead, we need to take the value and convert it to a z-score. . The z-score is simply a score from a distribution that has a mean of 0 and a standard deviation of 1. The reason for converting scores to a z-score is because it is a way of standardizing them.

We can convert these values to z-scores by dividing by their standard errors. As presented in the appendix table, for instance, for the acknowledgment perceived benefit dimension of the gold member' scores, the z-scores of skewness are -1.66, while for silver members is 0.595. Therefore, it is pretty clear then that the numeracy scores are positively skewed for the latter members, indicating a pile-up of scores on the left of the distribution. The z-score of skewness of the other variables are presented in the appendix of the paper.

C. Kolmogorov-Smirnov and Shapiro-Wilk test

The Kolmogorov-Smirnov and Shapiro-Wilk tests do compare the scores in the sample to a normally distributed set of scores with the same mean standard deviation. If the test is non-significant ($p > 0.05$) it tells us that the distribution of the sample is not significantly different from a normal distribution (i.e. it is probably normal) If, however, the test is significant ($P < 0.05$) then the distribution in question is significantly different from a normal distribution (i.e. it is non-normal). In the case of my study as presented in the annexed table 14, 15, 17 & 18, the p

value of each variable is almost zero and less than 0.05 and the distribution are slightly different from normal distribution as presented in the appendix table. However, they have their limitation because with large sample sizes it is very easy to get significant result from small deviation from normality, and so a significant test doesn't necessarily tell us whether the deviation from normality is enough to bias any statically procedures that we apply to the data.

D.Q-Q chart plots

The normal Q-Q chart plots the values you would expect to get if the distribution were normal (expected values) against the values actually seen in the data set (observed values). The expected values are a straight diagonal line, whereas the observed values are plotted as individual points. If the data are normally distributed, then the observed values (the dots on the chart) should fall exactly along the straight line (meaning that the observed values are the same as you would expect to get from a normally distributed data set). Any deviation of the dots from the line represents a deviation from normality. So the Q-Q plot of the all variable considered in this study looks like a straight line with a wiggly snake wrapped around it then we have little deviation from normality as clearly presented in the figure 2,4 6 & 8 annexed at the end of the paper.

4.4 Validity and Reliability tests

It is important to make sure that the instrument that we develop to measure particular concept is indeed accurately measuring the variable and then in fact, we are actually measuring the concept that we set out to measure. In this case, the use of better instrument will ensure more accuracy in result, which in turn will enhance the scientific quality of the research. Hence in some way we need to assess the 'Goodness' of the measure developed, that is , we need to reasonably be sure that the instrument we use in our research do indeed measure the variable they are supposed to and that they measure them accurately. For this, the researcher have applied two elements of measurement i.e. validity and reliability.

Hair et al (2007) mentioned (cited from Kazi, 2010) the definition of validity as the degree to which measure accurately represent that it is supposed to; validity is concerned with how well the concept is defined by the measure (Kazi, 2010) regarding the content validity as defined by Fujun et al (2007) as the assessment of the correspondence between the individual items and

concept. Therefore the content validity for this study is addressed through the review of literature and adapting instrument used in the previous research.

The reliability of measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across the various items in the instrument. In other words, the reliability of measure is independent of the stability and consistency with which the instrument measures the concept and helps to assess the 'goodness' of a measure. On the other hand, reliability just means that a scale should consistently reflect the construct it is measuring. The current study uses multiple items in its construct except customer satisfaction. Hence the internal consistency method should be applied in the current study. The internal consistency of measure is indicative of the homogeneity of the items in the measure that tap the construct. In other words, the items should 'hang together as a set' and be capable of independently measuring the same concept so that the respondent attach same the overall meaning to each of the items. These can be examined if the items and the subject of items in the measuring instrument are correlated highly. Hair et al (2007) as cited from Kazi, (2010) pointed out that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated. In this case, the most popular test of internal consistency reliability is the Cronbach's coefficient alpha, which is used for multipoint scale item, and the higher the coefficient, the better the measure instrument (Andy, 2010), If the Cronbach alpha is closed to one, the higher the internal consistency reliability.

On the other hand, Funji et al (2007) mentioned (cited from Kazi, 2010) that the Cronbach alpha with acceptable cut off point 0.70 demonstrate that all are internally consistent. Whereas, The refined Yi and Jeon (2003) model suggests that the value derived from participating in a loyalty program positively influences satisfaction levels and De Wulf et al. (2001) also confirms that these three dimensions of perceived benefits should then positively influence the loyalty to the program.

Moreover the output result of the basic reliability analysis shall be conducted for any subscale of the total items. The values in the column labeled corrected item-Total correlation are the correlation between each item and the total score from the questionnaire. In a reliability scale all items should correlate with the total. So we are looking from item that don't correlate with the

overall score from our scale: if any of these values are less than about 0.30 (depends slightly on our sample size- with bigger sample it means that a particular coefficient are acceptable), Then we have got problems because it means that a particular item does not correlate very well with the scale overall, In this case, items with low correlation may have to be dropped (Andy, 2010). For these data, all data have item-total correlation for above 0.3, which is encouraging and confirm the reliability.

On the other hand , the value in the column labeled Alpha if item deleted are the values of the overall α if that item isn't included in the calculation. As such they reflect the change in Cronbach's α that would be seen if a particular item were deleted. What we are actually looking for is value of α greater than the overall α . If we think about it, if the deletion of an item increase Cronbach's α then this means that the deletion of that item improves reliability. Therefore any items that result in substantially greater value of α than the overall α may need to be deleted from the scale to improve its reliability. Perhaps most importantly, the value of alpha at the very bottom is Cronbach's α . We are looking for value in the magnitude of 0.7 to 0.8 (or there about) bearing in mind what we have already noted about effects from the number of items. In this case α is slightly above 0.8 and is certainly in the region indicated by Kline, as cited by Andy (2010), so this probably indicates good reliability.

As cited by Funji et al. (2007) that the Cronbach's alpha with acceptable cut off point 0.70 demonstrates that all attributes are internally consistent (Kazi, 2010). Any items that result in substantially greater values of α than the overall α may need to be deleted from the scale to improve its reliability. In the case of this study, none of the items here would substantially affect reliability if they were deleted. Therefore, for the three perceived benefit dimensions of loyalty program and for each items of these subscales are conducted and presented as follows:

Table 4: Test of internal constancy reliability of the three perceived benefit dimensions

Dimensions	Cases Valid number	Cases Valid percentage	Cases Excluded Number	Cases Excluded percentage	Total Cases Number	Total Cases percentage	N of Items	Cronbach's Alpha
Acknowledgment	289	100	0	0	289	100	7	0.942
Convenience	289	100	0	0	289	100	3	0.848
Exploration	289	100	0	0	289	100	3	0.889

When we look the Acknowledgment dimension of statistics (items 1, 2, 3,4,5,6 and 7) under table 20, the SPSS output α shows the output from the analysis. The values in the column labeled corrected item-Total correlation are again all above 0.3, which is good. The values in the column labeled Alpha if item Deleted are the values of the overall α is 0.761, and none of the item here would increase the reliability if they were deleted. This indicates that all items are positively contributed to the overall reliability. The overall α is also excellent (0.894) because it is above 0.7, and indicated good reliability.

Moving swiftly on to the convenience subscale (items 8, 9 and 10) is the output from the analysis in the annex table (table 21) .The value in the column labeled Correlated item-total correlation (table) are again all above 0.3 which is good, and the value in the column labeled alpha if item deleted indicate that none of the items here would increase the reliability if they were deleted because all values in this column are less than the overall reliability of 0.848 Hence, the overall α Is more than 0.8 which indicates good reliability.

When we move on to do the exploration dimension of statistics (items 1, 2, and 3) in the annexed table 22, the SPSS output α shows the output from the analysis. The value in the column labeled corrected item-Total Correlation is again all above 0.3, which is good. The values in the column labeled Alpha if item deleted are the values of the overall α . if that item isn't included in the calculation. The overall α is 0.889 and none of the item here would increase the reliability if they were deleted. This indicates that all items do positively contribute to the overall reliability. The overall α is also excellent (0. 889) because It is above 0.7, and indicates good reliability.

4.3 The first Hypothesis testing (H1)

Taking the first research objective: "are there any differences between the level of perceived benefit of Sheba miles program by silver and gold members of Ethiopian airlines?" the first hypothesis will examine the level of weight given for the perceived benefit dimension among the Silver members & Gold members of Ethiopian airlines Sheba miles. The hypothesis is presented as follows:

H1o: Silver tier Sheba miles members give different weight for the perceived benefit dimensions than Gold members.

For this hypothesis, this study tried to use the t-test using the SPSS software. Because, the independent t-test is used in situations in which there are two experimental conditions and different participant have been used in each condition.

Table 5 : **Group Statistics of perceived benefit dimensions**

	Tier level	N	Mean	Std. Deviation	Std. Error Mean
Acknowledgment	Gold	80	4.0179	.71424	.07985
	Silver	209	3.5598	.81246	.05620
Convenience	Gold	80	3.0917	1.12631	.12592
	Silver	209	2.6603	1.05559	.07302
Exploration	Gold	80	2.1875	.84999	.09503
	Silver	209	2.3461	.75521	.05224

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2- tailed)	Mean Differenc e	Std. Error Differenc e	95% CI	
									Lower	Upper
Acknowledgment	Equal variances assumed	19.145	.000	4.429	287	.000	.45805	.10342	.25449	.66161
	Equal variances not assumed			4.691	161.58 0	.000	.45805	.09765	.26522	.65088
Convenience	Equal variances assumed	1.166	.281	3.051	287	.002	.43138	.14140	.15307	.70969
	Equal variances not assumed			2.964	135.24 6	.004	.43138	.14556	.14351	.71925
Exploration	Equal variances assumed	.420	.517	-1.542	287	.124	-.15859	.10287	-.36107	.04388
	Equal variances not assumed			-1.462	129.46 7	.146	-.15859	.10844	-.37314	.05596

Table 6: Independent Samples Test of Perceived Benefit Dimensions

The output from the independent t-test contains only two tables. The first table (SPSS output on group statistics) provides summary statistics for the two experimental conditions. From this table, we can see that both group i.e. Silver and gold have 80 and 209 participants, respectively. The silver members toward the acknowledgment perceived benefit dimension have a mean perception of 3.5598, with a standard deviation of 0.839. Moreover, the standard error of this group (the standard deviation of the sampling distribution) is 0.8125. Whereas, the gold members has a mean and standard deviation of 4.0179 and 0.7142, with standard error mean of 0.073. On the other hand, the two group shows a smaller score in exploration among the three perceived benefit dimensions, the tables tells us that the average convenience perception level in participant who were considered as a silver was 2.66, with the standard deviation of 1.05, and a standard error of 0.073. Similarly, the gold score a mean perception and standard deviation of 3.09 and 1.13, respectively, with a standard error mean of 0.13.

The second table of the output contains the main test statistics. The first thing to notice is that there are two rows containing values for the test statistics: one row is labeled Equal variances assumed, while the other is labeled Equal variances not assumed. We could just look at the values of the variances and see whether they are similar, and fortunately, there is a test that can be performed to see whether the variances are different enough to cause concern. Levene's test is similar to a t-test in that it tests the hypothesis that the variances in the two group are equal (i.e. the difference between the variances is zero). Therefore, if Levene's test is significant at $p \leq 0.05$, then we can conclude that the null hypothesis is incorrect and that the variances are significantly different. Therefore, the assumption of homogeneity of variances has been violated. If however, Levene's test is non-significant (i.e. > 0.05) then we must accept the null hypothesis that the difference between the variances is zero meaning the variances are roughly equal and the assumption is tenable. For these data, the convenience and exploration dimension's, Levene's test is non-significant as the 'p' value is 0.281 and 0.517, respectively and, which are greater than 0.05, and so we should read the test statistics in the row labeled *Equal variances assumed*. However, for the remaining acknowledgment dimensions, the Levene's test value is less than 0.05 and the test statistics to be read from the row labeled *Equal variances not assumed*.

Therefore, based on this assumptions, we can move on to look at the t-test itself. Actually, the SPSS produces the exact significant value of t, and we are interested in whether this value is less than or greater than 0.05. In this case the two –tailed value of p for the convenience dimension is 0.02, which is less than 0.05, and so we can conclude that there is significant difference between the means of these two samples (silver and gold member). Hence, from this we can infer that the convenience dimension of the perceived benefit is not equally perceived by gold members as they are done by the silver members. Thus, in terms of convenience dimension of perceived benefit, the first hypothesis is substantiated. Whereas, the t value for the other exploration dimensions of perceived benefit, the p value greater than 0.05 and can be concluded that there is no significant difference between the mean of the two samples. On the other hand, the p value of acknowledgment dimension is less than 0.05 and it indicates as perceived benefit there is significant difference between the mean of these two samples. Therefore, the conclusion will be a silver member does give the same weigh for the perceived benefit of exploration dimensions with gold members. Thus, the null hypothesis with respect to these two dimensions is not substantiated.

4.4 The Second Hypothesis testing (H2-H5)

Recalling the other research objective:"which aspect of perceived benefit dimension has significant impact on satisfaction of member passengers with the program?" the remaining three hypotheses will examine the correlation between the perceived benefit attributes/dimensions and customer satisfactions of the Sheba miles program in Ethiopian Airlines.

First, Table 5 tells us the mean and standard deviation of each variable in our data set, so we see that the average satisfaction level of the respondent is 3.24 and the overall perceived benefit of acknowledgment is more than 3.5 and for convenience and exploration is more than 2.3 for the three dimensions.

Table 7 : Correlations between Perceived Benefit dimensions and satisfactions

		Acknowledgme nt	Convenienc e	Exploratio n	Satisfaction
Acknowledgme nt	Pearson Correlation	1	.550**	.268**	.727**
	Sig. (1-tailed)		.000	.000	.000
	N	289	289	289	289
Convenience	Pearson Correlation	.550**	1	.129*	.566**
	Sig. (1-tailed)	.000		.014	.000
	N	289	289	289	289
Exploration	Pearson Correlation	.268**	.129*	1	.113*
	Sig. (1-tailed)	.000	.014		.028
	N	289	289	289	289
Satisfaction	Pearson Correlation	.727**	.566**	.113*	1
	Sig. (1-tailed)	.000	.000	.028	
	N	289	289	289	289

As cited by Andy F. (2010), Pearson's correlations require only that data are interval for it to be an accurate measure of the linear relationship between two variables. The correlation matrix is extremely useful for getting a rough idea of the relationships between predictors and the outcome, and for a preliminary look for multi-collinearity. However, if we want to establish whether the correlation coefficient is significant, then more assumptions are required: for the test statistic to be valid data have to be normally distributed. As presented in the above table, the SPSS output provides correlation coefficients for the three variables. Each correlation coefficient with both the significance value of the correlation and the sample size (N) on which it is based, are displayed. The output shows that each variable is perfectly correlated with itself (obviously) and so $r=1$ along the diagonal of the table. As per the source of the same author, usually, social scientists accept any probability value below 0.05 as being statically meaningful and so any probability value below 0.05 is regarded as indicative of genuine effect. A correlation coefficient is a very useful way to summarize the relationship between two variables with a single number that falls between -1 and +1 (Welkowitz et al., 2006).and as cited by Morgan et al. (2004) that -1 (a perfect negative correlation), 0.0. (No correlation) and +1 (a perfect positive correlation)(kazi, 2010)

Under this part three hypotheses are tested using the sample data collected and the result obtained from the output of the SPSS program. The details of each hypothesis and their test interpretation will be presented as follows:

Hypothesis № 2:

H2o: The convenience dimension of perceived benefit is not positively correlated with satisfaction of member passengers with the program.

In table 17, it can be seen that the correlation (r) of convenience is 0.56 and the significant level is 0.05 ($p < 0.05$). The table shows that the p-value is 0.000, which is less than 0.05. We, therefore, reject the null hypothesis, and concluded that there is a medium positive ($r= 0.56$) relationship between convenience dimension of perceived benefit and satisfaction of members with the program.

Hypothesis № 3:

H3o: The exploration dimension of perceived benefit is not positively correlated with the satisfaction of member passenger with the program.

Table 17 shows that the correlation (r) is 0.113 for exploration and the p -value is 0.028, which is less than the significant level (0.05). Therefore, the null hypothesis is rejected and concluded, that exploration dimension of perceived benefit and satisfaction of members with the program is positively related in the Sheba mile of Ethiopian airlines.

Hypothesis № 4:

H4o: The acknowledgment dimension of perceived benefit is not positively correlated with Satisfaction of member passenger with the program.

As per the table presented above, the strongest predictor of the customer satisfaction is acknowledgement. The result indicates that the correlation of acknowledgment is 0.727 and the p -value is 0.000, which is less than 0.05. therefore, the null hypothesis is rejected and concluded that there is a large positive correlation between acknowledgment and satisfaction of members with the program of Sheba miles in Ethiopian Airlines.

Hypothesis № 5:

H5a: The perceived benefit dimensions doesn't influence satisfaction with the program

In the below table8, using the linear regression coefficient of R and the corresponding R^2 , we can assess how well the model fits the data in this study. Multiple R is the correlation between the observed value of y and the value of y predicted by the multiple regression models. Therefore large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. But, it can vary between -1 and 1 and A positive value indicates that as the predictor variable increases so does the likelihood of the event occurring. A negative value implies that as the predictor variable increase, the likelihood of the outcome occurring decreases. If a variable has a small value of R then it contributes only a small amount to the model. It follows that the resulting R^2 can be interpreted in the same way as simple regression: It is the amount of variation in the outcome variable that is accounted for by the model. With this

assumption, the summary table presented above provides the value of R and R^2 for the model that has been derived. For these data, R has different value for each predictor and, these values represent the multiple correlations between overall satisfaction and the three perceived benefit dimensions (Acknowledgment, convenience and exploration)., In this case, the value of R^2 for acknowledgment is 0.529, which tells us that acknowledgment perceived benefit dimension can account for 52.9% of the variation in the satisfaction, whereas the convenience and exploration dimension accounts for 3.9% and 0.7% respectively.

Table 8: Model Summary for the test of linear regression coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.727 ^a	.529	.527	.80842	.529	321.705	1	287	.000
2	.754 ^b	.568	.565	.77478	.040	26.457	1	286	.000
3	.758 ^c	.575	.570	.77027	.007	4.360	1	285	.038

a. Predictors: (Constant),

Acknowledgment

b. Predictors: (Constant), Acknowledgment,

Convenience

c. Predictors: (Constant), Acknowledgment, Convenience,

Exploration

d. Dependent Variable: Satisfaction

Table 9 : ANOVA test for the regression analysis of perceived benefit dimensions and satisfaction

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	210.246	1	210.246	321.705	.000 ^a
	Residual	187.565	287	.654		
	Total	397.811	288			
2	Regression	226.128	2	113.064	188.349	.000 ^b
	Residual	171.683	286	.600		
	Total	397.811	288			
3	Regression	228.715	3	76.238	128.495	.000 ^c
	Residual	169.096	285	.593		
	Total	397.811	288			

a. Predictors: (Constant), Acknowledgment

b. Predictors: (Constant), Acknowledgment, Convenience

c. Predictors: (Constant), Acknowledgment, Convenience, Exploration

The above table indicates the output report on an analysis of variance (ANOVA). The summary table shows the various sums of squares and the degrees of freedom associated with each dimensions. The most important part of the table is the F-ratio, and the associated significance value of the F-ratio. Hence, for these data, the F ratio of the overall acknowledgment dimension is 321.70, which is significant at p less than 0.001(because the value in the column labeled sig. is less than 0.001). And the same is true for the other dimensions. The table show that the F-ratio of 128.49 of the three dimensions as a whole is significant at the 0.0001 level. This result tells us that there is less than a 0.1% chance that an F-ratio this large would happen by chance alone. Therefore, we conclude that our regression model results in significantly better prediction of the customer satisfaction if we used the mean value of satisfaction of members with program. In short, the regression model overall predicts overall satisfaction of member with program significantly well and the result mean is that 57.5% of the variance (R^2) in satisfaction has been significantly explained by the three independent perceived benefit dimensions.

Table 10: Coefficients for testing the correlation between the perceived benefit dimensions and satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.641	.222		-2.893	.004					
	Acknowledgment	1.053	.059	.727	17.936	.000	.727	.727	.727	1.000	1.000
2	(Constant)	-.655	.212		-3.087	.002					
	Acknowledgment	.862	.067	.596	12.809	.000	.727	.604	.498	.698	1.433
	Convenience	.258	.050	.239	5.144	.000	.566	.291	.200	.698	1.433
3	(Constant)	0.212	.288		-3.697	.000					
	Acknowledgment	.897	.069	.619	13.010	.000	.727	.610	.502	.658	1.519
	Convenience	.255	.050	.237	5.125	.000	.566	.290	.198	.698	1.433
	Exploration	.125	.060	.084	2.088	.038	-.113	.123	.081	.928	1.078

a. Dependent Variable:

Satisfaction

The SPSS output in the above table 10 provides details of the model parameters (the beta values) and the significance of these values. So from the table, we can say that b_0 is 0.212 and this can be interpreted as meaning that when no consideration is given for the three perceived benefit dimensions (when $X=0$), the model predicts that 0.212 satisfaction of members with program will be resulted. The other value is the slope of the regression line, b represents the change in the outcome resulting from a unit change in the predictor and that if a predictor is having a significant impact on our ability to predict the outcome. And, then this b should be different from 0 (and big relative to its standard error). As a general rule, if this observed significance is less than 0.05, then social scientists agree that the result reflect a genuine effect (Andy, 2010). Therefore, if our predictor variable is increased by one unit (if the perceived benefit of acknowledgment dimension is increased by 1), then our model predicts that 0.619 extra satisfaction will be resulted. In general the table titled coefficient helps us to see which among the three independent variables influences most the variance in satisfaction of members with the program (i.e. the most important). If we look at the column Beta under standardized coefficient, we see that the highest number in the beta is 0.619 for acknowledgment.

The details of the three perceived benefit dimensions showed a significant effect on satisfaction of members with the program in order of importance as follows:

"Exploration"	($\beta = 0.084$)
"Convenience"	($\beta = 0.237$)
"Acknowledgment"	($\beta = 0.619$)

Table 11 : stepwise regression for testing the Excluded Variables

Model	Beta In	T	Sig.	Partial Correlation	Collinearity Statistics			
					Tolerance	VIF	Minimum Tolerance	
1	Convenience	.239 ^a	5.144	.000	.291	.698	1.433	.698
	Exploration	.088 ^a	2.115	.035	.124	.928	1.077	.928
2	Exploration	.084 ^b	2.088	.038	.123	.928	1.078	.658

a. Predictors in the Model: (Constant), Acknowledgment

b. Predictors in the Model: (Constant), Acknowledgment, Convenience

c. Dependent Variable: Satisfaction

The SPSS provides a summary of the variables that have not yet been entered into the model. In a hierarchical model, this summary has details of the variables that have been specified to be entered in subsequent steps, and in stepwise regression that contains summaries of the variables of the excluded variable for the first stage of the hierarchy. In stepwise regression, SPSS should enter the predictor with the highest t-statistic and will continue entering predictors until there are none left with t-statistics that have significance values less than 0.05. The partial correlation also provides some indication as to what contribution (if any) an excluded predictor would make if it were entered into the model. Therefore, for this data, the value of t-test shows less than 0.05 and it indicates as they should be entered in the stepwise regression. Because, the table shows that the contribution of this variables they were entered into the model. For instance, the excluded variable of the overall Convenience contribution would be 29.18% if it would be entered in the model and the same thing for the other variable with various amount of contribution as presented in the above table.

Table 12 : Collinearity Diagnostics^a.

Mode	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Acknowledgment	Convenience	Exploration
1	1	1.977	1.000	.01	.01		
	2	.023	9.208	.99	.99		
2	1	2.907	1.000	.01	.00	.01	
	2	.073	6.316	.20	.02	.81	
	3	.020	11.995	.79	.97	.18	
3	1	3.791	1.000	.00	.00	.01	.01
	2	.143	5.143	.00	.01	.24	.37
	3	.051	8.592	.09	.17	.67	.29
	4	.015	16.027	.90	.82	.08	.34

a

Dependent Variable: Satisfaction

The output provides some measure of whether there is collinearity in the data. Specifically, it provides the VIF (Variance inflation Factor) and tolerance statistics (with tolerance being 1 divided by the VIF) .For this, as cited by Andy, 2010, there are few guidelines from section that can be applied:

- If the largest VIF is greater than 10 then there is cause for concern (Myers, 1990; Boerman & o'Connell,1990)

- If the average VIF is substantially greater than 1 the regression may be biased (Bowerman & O'Connell, 1990)
- Tolerance below 0.1 indicates a serious problem
- Tolerance below 0.2 indicates a potential problem (Menard, 1999)

For the current model the VIF values are all well below 10 and the tolerance statistics all well above 0.2; therefore, we can safely conclude that there is no collinearity within our data. The average VIF for the two variables in the model one is 1.255 which is not substantially greater than 1 and this confirms that collinearity is not a problem for this model. The output also produces a table of eigenvalues of the scaled and variance proportions and in this case we are looking for large variance proportions on the same small eigenvalues. Based on this, this model shows that each predictor has most of its variance loading onto a different dimension i.e. Overall acknowledgement dimension has 99% of the variance proportion 2, overall convenience dimension has 81% of the variance proportions 2 and exploration dimension has 34% of the variance proportions 4,

Table 13 : Case wise Diagnostics for testing a standardized residual

Case Number	Std. Residual	Satisfaction	Predicted Value	Residual
116	3.000	5.00	2.6889	2.31113
162	-3.162	2.00	4.4358	-2.43584

a. Dependent Variable: Satisfaction

SPSS produces a summary table that examined for extreme cases. SPSS output in the above table shows any cases that have a standardized residual less than -3 or greater than 3. As per Andy, in an ordinary sample we would expect 95% of cases to have standardized residuals within about ± 2 . We have a respondent of 289, so it is reasonable to expect about 29 cases (5%) to have standardized residuals outside of these limits. From output, we can see that we have 2 cases

(0.006%) that are outside of the limits. therefore, our sample is within 1% of what we would expect. In addition, 99% of cases should lie within ± 2.5 and so we would expect only 1% of cases to lie outside of these limits. From the cases listed in the above table, it is clear that two cases (1%) lie outside of the limits (cases 116 and 162). Therefore, our sample appears to confirm to what we would expect for a fairly accurate model. These diagnostics give us no real cause for concern except that case 20 and 82 have a standardized residual equal 3 and less than -3, which are probably large enough for us to investigate these cases further. But the number of item is too small to cause for concern as to the accuracy of the model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

This chapter deals with the summary from the findings of this study, conclusions drawn and possible recommendations by the researcher

5.1 Summary

In the airline industry, frequent flyer programs have become one of the most commonly used marketing tools for retaining customers and stimulating product or service usage. Despite their growing popularity, little is known about the factors that influence customer's perceptions and responses to such programs (Kivetz & Simonson, 2002). Instead, they raise many questions related to the characteristics of the required efforts, the rewards offered and the factors influencing the likelihood of reaching the reward (O'Malley, 1998).

Perceived benefits may explain why customers take part in loyalty programs, in that these benefits motivate loyalty and strengthen the relationship with the firm (Bolton, et al, 2004). Therefore the scale that measures the main benefits customers perceive when they participate in loyalty programs helps contribute to a better understanding of customers' reactions to loyalty programs. In this case, earlier studies established that customers are mainly attracted to loyalty programs because of the economic benefits offered by loyalty programs (Peterson, 1995). However, today some loyalty programs offer status and hedonic related benefits such as priority check-in, preferred seating and preferential treatment offered by airlines.

As per N.C.S and Russel P I, the instrument to measure members' perceived benefits of a loyalty program for an airline consists of three dimensions, namely: Acknowledgement, Convenience and Exploration. In general, these dimensions differ considerably from those of the "generic" study on loyalty program benefits by Mimouni-Chaabane "et al." (2010). Convenience (not featuring in the Mimouni-Chaabane "et al." study) is the reduction of decision-making anxiety and ease of use of the loyalty program. Predictably, acknowledgement is the most prominent dimension as it is the most visible recognition that an airline customer receives the measurement of the independent variable will be the frequent flyer program. And this frequent flier program is operationalized using Nic et al.'s (2011) three dimensions (Acknowledgement, Convenience and

Exploration). Whereas, the measurement of the dependent variable will be member's perceived benefits and Members satisfaction with the program and it is operationalized by three-item measures

The design and management of FFP is as such that members' see themselves as being part of an exclusive group of privileged customers, who can associate with an exclusive group and who share values intrinsic to the brand (Muniz and O'Guinn, 2001). Loyalty programs of airlines as a rule consist of rewarding the most.

As mean of any study represent a summary of data observed, the standard deviation also measures how well the mean represent the data in that specific study; small standard deviation (relative to the value of the mean itself) indicates that the data points are close to the mean. In this case, larger standard deviation (relative to the mean) indicates that the data points are distant from the mean (i.e. the mean is not an accurate representative of the data). In this case, the result of the study reveals that the perceived benefit of members with respect to the exploration and Convenience shows a mean of less than three (i.e. neither disagree nor agree).

The current study also uses the three dimension instrument to measure the perceived benefit of ShebaMiles program of Ethiopian airlines. And then, this study uses the same instrument model to determine the relative importance of each of the perceived benefit attributes which influence satisfaction of members with the Sheba miles program. Based on the finding, in the case of the first hypotheses test, for the convenience dimension is 0.02, which is less than 0.05, and so we can conclude that there is significant difference between the means of these two samples (silver and gold member). Hence, from this we can infer that the convenience dimension of the perceived benefit is not made equally perceived by gold members as they are done by the silver members. Therefore, in terms of convenience dimension of perceived benefit, the first hypothesis is substantiated. Where the t value for the other exploration dimension of perceived benefit, the p value greater than 0.05 and can be concluded that there is no significant difference between the mean of the two samples. Similarly, the p value of acknowledgment dimension is less than 0.05 and it indicates as that there is significant difference between the mean of these two samples. Therefore, the conclusion will be different weight is given for acknowledgement dimension Thus, the null hypothesis with respect to these two dimensions is not substantiated.

Concerning the other hypothesis, the test finding confirms that all the perceived benefit dimensions are positively correlated with satisfaction of members with the program. Acknowledgment shows the highest positive correlation with satisfaction of members with the program and exploration demonstrates the second highest positive correlation of satisfaction of members with the program whereas, convenience reveals the least result of correlation with the satisfactions of members with the program. The detail of the finding in this regard is presented as follows:

Acknowledgment

Loyalty programs permit firms (from the knowledge of customer preferences and other information collected) to discover those customers who are likely to perceive tailor-made offers as a sign of appreciation or uniqueness (Gordon “et al.” 1998). Members of loyalty programs typically experience acknowledgment/recognition benefits because the firm and frontline personnel take better care of them and spend more time on them than non-members (Beatty “et al.” 1996; Csikszentmihalyi, 2000). The current study confirms that there is a large positive correlation between acknowledgment and satisfaction of members with the program of ShebaMiles in Ethiopian Airlines.

Exploration

The significance of hedonic benefits for loyalty programs is found in the exploration and entertainment benefits. For this, Hirshman and Holbrook (1982) state that hedonic value is derived from non-instrumental, experiential, emotional, and personally gratifying benefits. This study also shows that the exploration and satisfaction of members with the program of Sheba miles is positively correlated. Hence, the Sheba miles programs allow customers to visit and experience exceptional places which they would not have experienced otherwise, because these programs make it possible for them to have different product.

Convenience

Convenience benefits are further sources of utilitarian value and consumers form enduring relationships with firms to decrease the effort of deciding on among options (Sheth and Parvatiyar, 1995). According to this study, there is a positive relationship between convenience and satisfaction of members with the ShebaMiles program. A great value of this ShebaMiles program for members in Ethiopian airlines is that the programs help consumers to abridge their decision-making process and steer away from complicated assessments of alternative options as the same is confirmed by Bolton “et al.” (2000). This Frequent flyer programs of Ethiopian airlines reduce consumer search and decision pains by way of value-added benefits such as seat reservations, extra baggage allowances and priority check-ins. Such benefits offer consumers more convenience and saving of time.

5.2 Conclusions

The main objective of this study is to assess perceived benefit of FFP and its impact on member's satisfaction with the program in Ethiopian airlines. Hence the study sought to identify the most important attributes in airline frequent flyer program, which may be used to review characteristics of the airlines loyalty program by members' experience. For this, the first specific objective of the study was to evaluate the perceived benefit of members with Sheba miles loyalty program and to uncover whether these relationship exhibit similar pattern between silver tier and Gold tier members. Accordingly, the study found out that the acknowledgement and convenience dimensions of the perceived benefit are not made equally perceived by gold members as they are done by the silver members but for the other dimension, same weight is given for the perceived benefit of exploration dimensions with both gold and silver tier member passengers.

It is important that program tiers in loyalty programs are important, but rather than basing them merely on the different level (such as silver, gold and platinum), tiers should be based on the kind of behaviors that the airline customer's exhibit. In this case, the result of the study reveals that the perceived benefit of members with respect to the exploration and Convenience shows a mean of less than three (i.e. neither disagree nor agree) and we can conclude that both groups (Silver and Gold) in Sheba miles have shown lesser perception of benefit with the program.

The other specific objective of the study was determining the nature of relationship between perceived benefit of loyalty program and members satisfaction with the program, and ascertain that which aspect of the dimension have significant impact on satisfaction of members with the program alongside of the identification and ranking of the perceptions of members toward the dimensions of perceived benefit. This study also finds that the entire perceived benefit dimensions are positively correlated with members' satisfaction with the program. Acknowledgment shows the highest positive correlation with satisfaction of members with the program and exploration demonstrates the second highest positive correlation with satisfaction of members with the program, whereas convenience reveals the least result of correlation with satisfaction of members. The result indicates that members of ShebaMiles place more emphasis on acknowledgment i.e. the airline's recognition and preferential treatment of passengers.

The result of positive correlation from acknowledgment dimension implies as this attribute increases from the loyalty program providers of Ethiopian airlines, the satisfactions of members with the program also increases. The same is true for the other two attributes with less degree relative to acknowledgment. And, this proves that the research result pointed out by Yi and Jeon (2003) the value derived from participating in a loyalty program positively influences satisfaction levels. Hence, the result also agrees with the finding of Beatty “et al.” (1996) and Csikszentmihalyi, (2000) who find that Members of loyalty programs typically experience acknowledgment/recognition benefits because the firm and frontline personnel take better care of them and spend more time on them than non-members. Because, members’ see themselves as being part of an exclusive group of privileged customers, who can associate with an exclusive group and who share values intrinsic to the brand (Muniz and O’Guinn, 2001). Besides, the reduction of decision-making anxiety and ease of use of the loyalty program also should get much attention next to acknowledgment. The ShebaMiles program needs to allow members to visit and experience exceptional places which they would not have experienced and thereby makes them to have the exposure of new things as the exploration attribute have a positive correlation with satisfaction of members with the program.

5.3 Recommendations

This study has shown the relationship between the perceived benefit dimensions and satisfaction of members with the ShebaMiles program of Ethiopian airlines. Moreover, the study confirms that the three dimensions, namely: Acknowledgement, Convenience and Exploration are a suitable instrument to measure members' perceived benefit of ShebaMiles program for Ethiopian airlines. This study also reveals that the perceived benefits are positively correlated with the ShebaMiles program and are diverse and relate to multiple consumer motivations (utilitarian, hedonic, and symbolic),

In the current study, among the three perceived benefit dimensions, acknowledgment shows the highest positive correlation with satisfaction of members with the Sheba miles program. Accordingly, this study ascertains that acknowledgement is the most prominent dimension as it is the most visible recognition that an airline customer receives. The core concept of acknowledgment refers to attending to the airline's recognition and preferential treatment of a member. The study based on the three dimensions of perceived benefits therefore can help segment customers, then identify and track those who are most likely to respond to different benefit dimensions. The scale can also direct differentiated communications, according to the benefits a particular segment value the most.

Based on the results of this study, the researcher has recommended the following to the airline.

- Ethiopian Airlines should give strong emphasis to both monetary and nonmonetary incentives and integrate functional as well as pleasure-providing features into its ShebaMiles loyalty program.
- Ethiopian Airlines should promote these benefits as reasons for enrolling in the program. For example, highlighting the reward structure, the ease of obtaining rewards and the rapidity with which customers can exchange points may be relevant to promote entertainment benefits.
- Ethiopian airlines should treat and better care to its members in a distinguished manner than non-frequent flyer customers.

- Ethiopian airlines should realize a competent advantage by emphasizing acknowledgment in the Sheba miles program along other dimensions since the members expect same from the airline.
- The lesser perception of benefit should also be addressed based on the kind of behaviors that your customer's exhibit. Based on the result observed from this study, the response in both tier levels with respect to their perceived benefit on exploration and convenience should get much attention by the airline.
- Ethiopian Airlines should make easy the computation of the frequent flyer miles and arrangement of getting the award certificate.
- Ethiopian Airlines should enable the Sheba miles members to have new product and thereby make them to try new product.

References

- Ahmad , R.,& Buttle, F.(2001). Customer retention; a potentially potent marketing management strategy. *Journal of strategic marketing* 9(1). 29-46.
- Aïda Mimouni-Chaabane, April 2008, Perceived benefits of loyalty programs:Scale development and implications for relational strategies, Pierre Volle Université Paris-Dauphine: 1-21.
- E.W. Anderson, C. Fornell, and, D.R. Lehman, 1994 “Customer satisfaction and market share, and profit-ability – findings from Sweden,” *Journal of Marketing*, Vol. 58, No. 3, pp. 53-66,.
- Arnold M.J., Reynolds K.E.2003 Hedonic shopping motivations. *Journal of Retailing* ; 79 (2):77-95
- Babin B.J., Attaway J.S. 2000 Atmospheric affect as a tool for creating value and gaining share of customer. *Journal of Business Research*; 49 (2), 91-99.
- Baron, Reuben M. and David A. Kenny (1986), “The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations,” *Journal of Personality and Social Psychology*, 51, 1173-1182.
- Berry L.L. 1995Relationship marketing of services- Growing interest, emerging perspectives.
Journal of the Academy of Marketing Science; 23 (4): 236-245
- Bolton R., Kannan P.K., Bramlett M. 2000Implications of loyalty program membership and service experiences for customer retention and value. *Journal of the Academy of Marketing Science*; 28 (1): 95-108
- Beatty S.E., Mayer M., Coleman J.E., Reynolds K.E., Lee J. 1996 Customer-sales associate retail relationships. *Journal of Retailing*; 72 (3): 223-247.
- Bowen, T. John and Chen Shiang-Lih (2001). “The Relationship between Customer Loyalty and Customer Satisfaction.” *International Journal of Contemporary Hospitality Management*, 13 (5): 213–217.

- DeWulf, K., Odekerken-Schröder, G., Iacobucci, D., 2001. Investments in consumer relationships: A cross-country and cross-industry exploration. *Journal of Marketing* 65 (4), 33–50.
- Dick A.S. & Basu K. (1994). “Customer Loyalty: Toward an Integrated Conceptual Framework.” *Journal of the Academy of Marketing Science*, Volume 22, pp 99-113.
- Ferguson, Rick and Kelly Hlavinka (2007), *Quo Vadis: Sizing Up the U.S. Loyalty Marketing Industry*. Milford, OH:Colloquy.
- Gordon M.E., McKeage K., Fox M.A. 1998 Relationship marketing effectiveness: the role of involvement. *Psychology and Marketing*; 55 (5): 443-459.
- Gupta, S., Lehmann, D.R., Stuart, J.A., 2004. Valuing customers. *Journal of Marketing Research* 41 (1), 7–18.
- Gwinner, K.P., Gremler, D.D., Bitner, M.J. (1998), "Relational benefits in services industries: the customer's perspective", *Journal of the Academy of Marketing Science*, Vol. 26 No. 2, pp. 101-114
- Hanlon, P. (2007), *Global airlines: competition in a transnational industry*, 3rd ed., Burlington, MA: Butterworth-Heinemann.
- Hirshman E., Holbrook M. 1982 Hedonic consumption: emerging concepts methods and propositions. *Journal of Marketing* 1982; 46 (3): 92-102.
- Jacoby, J. and Kyner, D.B. (1973), Brand loyalty vs. repeat purchasing behavior. *Journal of Marketing Research*, 10, 1-9.
- Johnson K. 1999 Making loyalty program more rewarding. *Direct Marketing* ; 61 (11): 24-27
- Kotler P. (1997). *Marketing management: Analysis, Planning, Implementation and Control*. 9 Edition. Prentice Hall, New Jersey

- Kumar, V. and Shah Denish (2004). “Building and Sustaining Profitable Customer Loyalty for The 21st Century.” *Journal of Retailing*, 80 (4): 317–330.
- Libermann Y. 1999 Membership club as a tool for enhancing buyers’ patronage. *Journal of Business Research*; 45 (3): 291-297
- Liu, Y. (2007). The long-term impact of loyalty programs on consumer purchase behavior and loyalty. *Journal of Marketing*, 71(4), 19-35
- Mak, B. and Go, F. (1995), “Matching global competition”, *Tourism Management*, 16(1), 61-65
- McAlexander J.H. 2002, Schouten J.W., Koenig H.F. Building brand community. *Journal of Marketing*; 66 (1): 38-54
- Mimouni-Chaabane, A., Volle, P., 2010) Perceived benefits of loyalty programs: Scale development and implications for relational strategies. *Journal of Business Research* 63 (1), 32-37.
- Muniz A.M., O’Guinn T.C. 2001 Brand community. *Journal of Consumer Research* ; 27 (4):412-432
- Nako, Steven M. (1992), “Frequent Flyer Programs and Business Travellers: An Empirical Investigation,” *Logistics and Transportation Review*, 28 (4), 395–414
- Oliver, R. L. (1999). “Whence Consumer Loyalty?.” *Journal of Marketing*, 63 (4): 33–44
- Peterson R.A. 1995 Relationship marketing and the consumer. *Journal of the Academy of Marketing Science*; 23 (4): 278-281.
- Reichheld, F.F., Sasser, W.E., 1990. Zero defections: Quality comes to service. *Harvard Business Review* 68 (5), 105-111.
- Seiders, K., Voss, G.B., Godfrey, A.L., Grewal, D., 2007. SERVCON: development and validation of a multidimensional service convenience scale. *Journal of the Academy of Marketing Science* 35 (1), 144-156.

- Shaw, S. (2007), *Airline marketing and management*, 6th ed., Aldershot: Ashgate Publishing Ltd.
- Sharp, Byron and Anne Sharp (1997), “Loyalty Programs and Their Impact on Repeat-Purchase Loyalty Patterns,” *International Journal of Research in Marketing*, 14 (5), 473–86.
- Sheth J.N., Newman B.I., Gross B.L. Why we buy what we buy: a theory of consumption values. *Journal of Business Research* 1991; 22 (3): 159-170
- Sivadas, E., Baker-Prewitt, J.L., 2000. An examination of the relationship between service quality, customer satisfaction, and store loyalty. *International Journal of Retail & Distribution Management* 28 (2), 73-82
- Sunny, 2011 “Perceived Benefit of customer loyalty program: validating the scale in the Indian context”, *Journal of Management and Marketing*, 544.
- Srivastava, Rajendra K., Sherwani, Tassaduq A., and Fahey, L. (2000). “Market-Based Assets and Shareholder Value: A Framework for Analysis.” *Journal of Marketing*, 62 (1): 2–18
- Stephenson, F.J. and Fox, R.J. (1987). “Corporate attitude towards frequent flier Program.” *Transportation Journal*, 27.(1), 10-22.
- Swan. J.E. Trawick. IF, Silva. D.W., 1985. How industrial salespeople gain customer trust. *Ind. Marketing manager*. 14(3). 203-211
- Uncles, M.D., Dowling, G.R., Hammond, K., 2003. Customer loyalty and customer loyalty programs. *Journal of Consumer Marketing* 20 (4), 294-316..
- Woodruff,R.B.1997 Customer value: The next source of competitive advantage.*Journal of the Academy of Marketing Science*, 25, 139–153.

- Yi Y., Jeon H. 2003 Effects of loyalty programs on value perception, program loyalty, and brand loyalty. Journal of the Academy of Marketing Science; 31 (3): 229-240
- Zeithaml, Valarie, (1987)Defining and Relation Price, Perceived Quality, and Perceived Value, Report No. 87-101, Cambridge, MA: Marketing Science Institute
- <http://www.ethiopianairlines.com>
- <http:www.managementstudyguide.com>
- <http://www.oxforddictionaries.com/definition/english>

Annex one: Questionnaire

Addis Ababa University School of Commerce

This questionnaire is designed to collect data from ShebaMiles Gold and Silver members of Ethiopian airlines *on the Assessment of Perceived Benefit of Loyalty program and its impact on satisfaction with the program* for partial fulfillment of master of art in marketing management.

The purpose of this questionnaire is only to evaluate your perception towards ShebaMiles; the Frequent Flyer program of Ethiopian airlines. The response you provide will be highly valuable for the successful completion of the study. Moreover, all the answers you provide in this survey will be kept confidential and reported in a collective form. It will only be used for the academic purpose and will not identify any individual person. The questionnaire does not take you more than twenty minutes.

I would like to express my sincere appreciation in advance for taking your time to answer this questionnaire.

If you have any query, you can reach me via cell phone number of +251 911 148089

Cordially

(The Researcher)

\

PART I: GENERAL INFORMATION

Instruction: Please give your response by putting a tick mark (✓) in one of the box provided against for fixed alternative questions or fill the answer on the blank space legibly against each question.

1. Sex: Male Female

2. Age: Below 30 30-45 More than 45

3. Nationality: Ethiopian Non -Ethiopian

4. Which level of ShebaMiles member are you? Silver Gold

5. For how long have you been a member of this loyalty program?

Less than one year 2-3 years More than 3 year

6. Which class of the airline services mostly you choose to use?

Business Class Economy Class

7. Do you have any experience of other airlines' Frequent Flyer Program?

Yes No

8. If your answer is 'yes', please mention the airline?

9. Which benefit of the Frequent Flyer Program, do you like most and in your opinion what other benefit shall be added.

PART II: PERCEPTION OF CUSTOMERS TOWARDS SHEBAMILES

Instruction: Please indicate the perception that you have on the Frequent Flyer Program of Ethiopian airlines. Based on your level of perception, choose and circle one of the available option stated from 1 up to 5. “1” for strongly disagree, “2” for Disagree, “3” for neither disagree nor agree, “4” for agree, and “5” for strongly agree.

Ser No.	Statement	strongly disagree	Disagree	Neither disagree nor agree	Agree	strongly agree
Symbolic Benefit/Acknowledgment Dimensions/						
1	Ethiopian airline take better care of me than their other customers	1	2	3	4	5
2	Ethiopian airline treats me better than their other customers	1	2	3	4	5
3	Ethiopian airline treats me with more respect than non-frequent flyer customers	1	2	3	4	5
4	Ethiopian airline makes me feel that I am more distinguished than non-frequent flyer customers	1	2	3	4	5
5	Ethiopian airline makes greater efforts for frequent flyer members than for non-frequent flyer customers	1	2	3	4	5
6	Ethiopian airline offers better service to frequent flyer members than to non-frequent flyer customers	1	2	3	4	5
7	Ethiopian airline does more for frequent flyer members	1	2	3	4	5

	than for non-Frequent flyer customers					
Utilitarian Benefit/Convenience Dimensions/						
8	It is easy to have a frequent flyer award certificate issued	1	2	3	4	5
9	I can arrange for the issue of a frequent flyer award certificate at any time	1	2	3	4	5
10	It is easy to calculate the frequent flyer miles needed for travelling to a particular destination	1	2	3	4	5
Hedonic Benefit/Exploration Dimension/						
11	Ethiopian airline 's frequent flyer program make possible for me to discover new products	1	2	3	4	5
12	Ethiopian airline 's frequent flyer program enables me to discover products that I wouldn't have discovered otherwise	1	2	3	4	5
13	Ethiopian airline 's frequent flyer program makes it possible for me to try new products	1	2	3	4	5
Satisfaction with the Program						
14	As a frequent flyer member, I have a high-quality relationship with Ethiopian airline	1	2	3	4	5
15	I am happy with the efforts Ethiopian airline is making towards frequent flyer members like me	1	2	3	4	5
16	I am satisfied with the relationship I have with Ethiopian airline	1	2	3	4	5

Thank you!

Annex two: Tests of Normality for Acknowledgment perceived benefit dimension

Table 14 Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Acknowledgment	.158	289	.000	.904	289	.000

a. Lilliefors Significance Correction

Tests of Normality for Acknowledgment perceived benefit dimension

Using the grouping variables of Silver and Gold members

Table 15: Tests of Normality

	Sheba miles members level	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Acknowledgment	Gold	.153	80	.000	.898	80	.000
	Silver	.180	209	.000	.893	209	.000

a. Lilliefors Significance Correction

Figure 2: Testing normality using Histogram

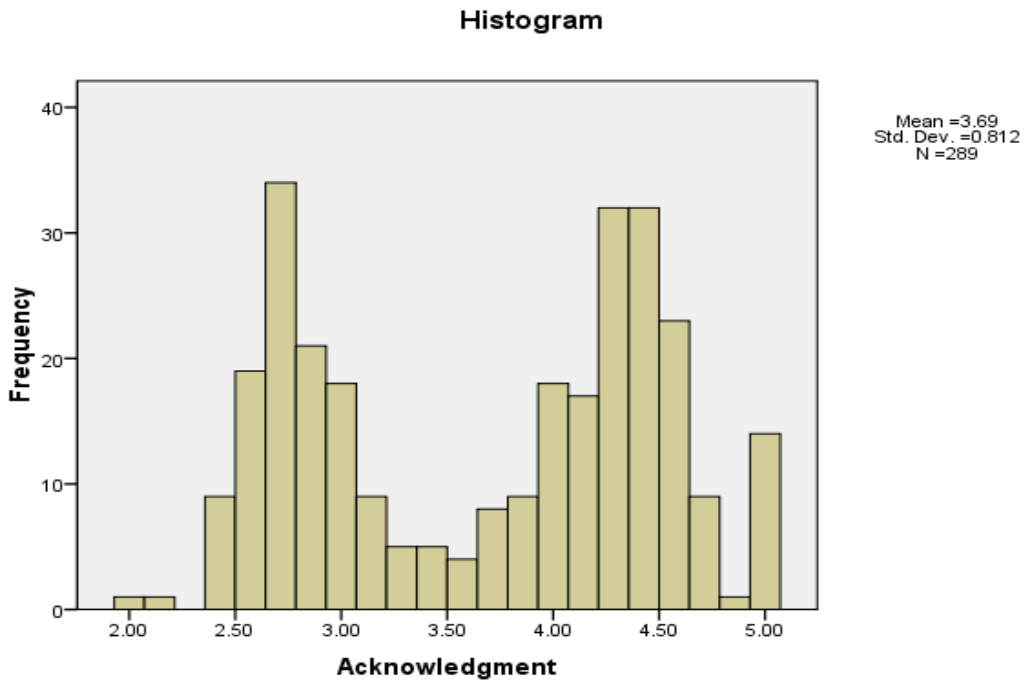
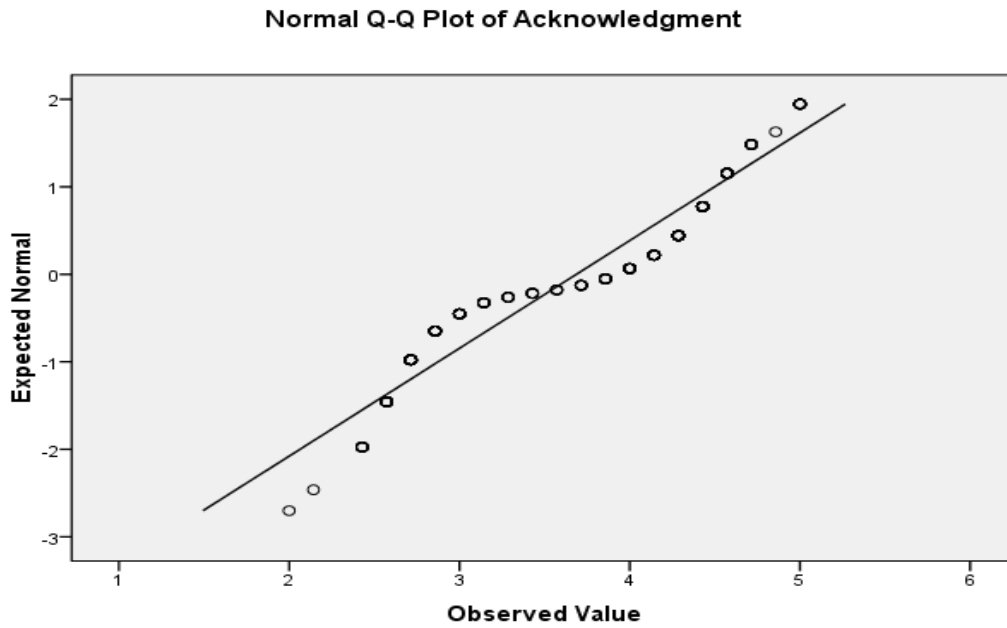


Figure 3: Normal Q-Q Plot for Acknowledgment perceived benefit dimension



Tests of Normality for Convenience perceived benefit dimension

Table 16: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Convenience	.195	289	.000	.916	289	.000

a. Lilliefors Significance Correction

Tests of Normality for Convenience perceived benefit dimension

Using the grouping variables of Silver and Gold members

Table 17: Tests of Normality

	Sheba miles members level	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Convenience	Gold	.140	80	.001	.948	80	.003
	Silver	.244	209	.000	.881	209	.000

a. Lilliefors Significance Correction

Figure 4: Testing normality using Histogram

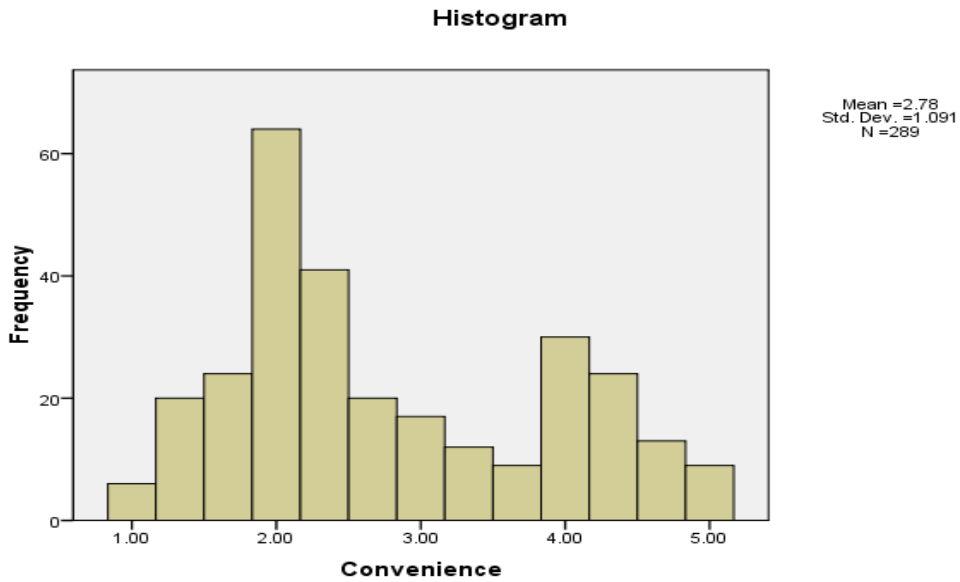
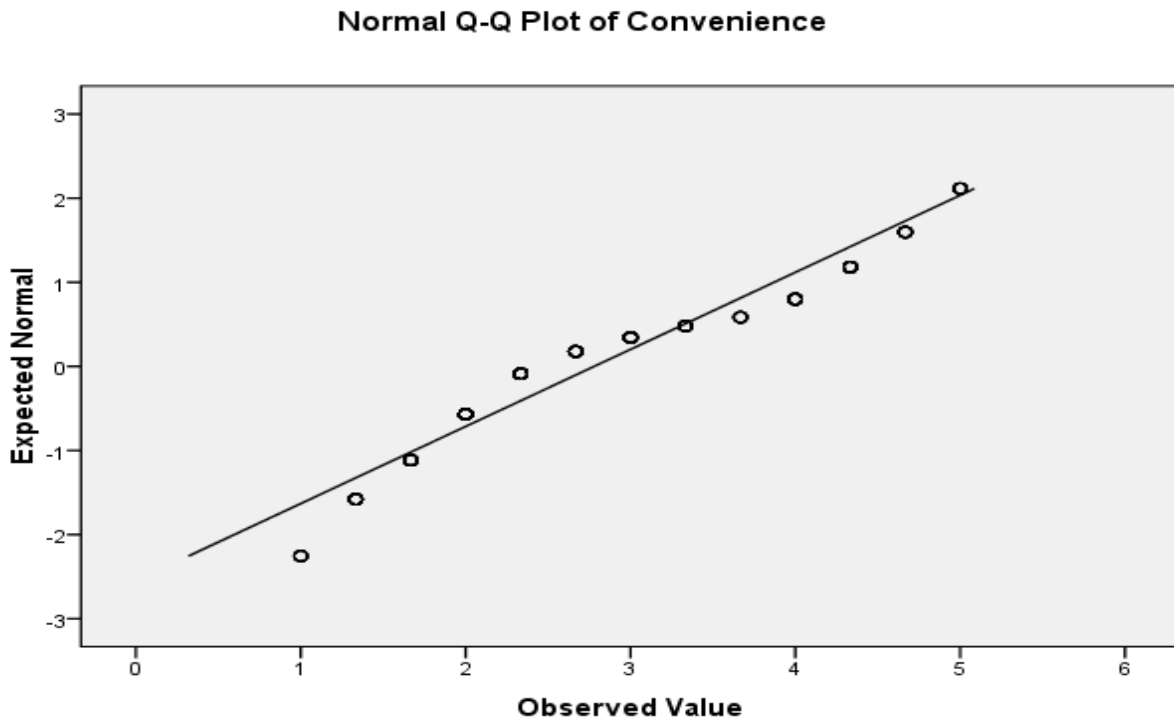


Figure 5: Normal Q-Q Plot for Convenience perceived benefit dimension



Tests of Normality for Exploration perceived benefit dimension

Table 18: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Exploration	.169	289	.000	.941	289	.000

a. Lilliefors Significance Correction

Tests of Normality for Exploration perceived benefit dimension

Using the grouping variables of Silver and Gold members

Table 19 Tests of Normality

Sheba miles memb ers level	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Exploration Gold	.200	80	.000	.891	80	.000
Silver	.160	209	.000	.941	209	.000

a. Lilliefors
Significance
Correction

Figure 6: Testing normality using Histogram

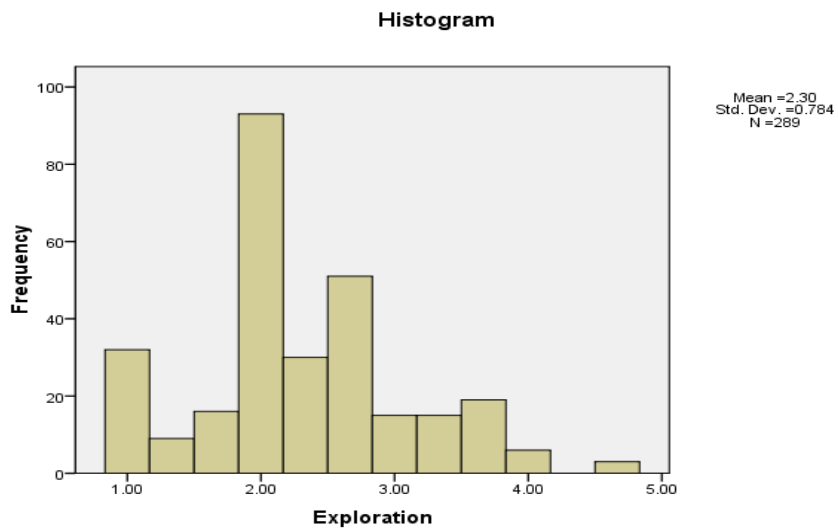
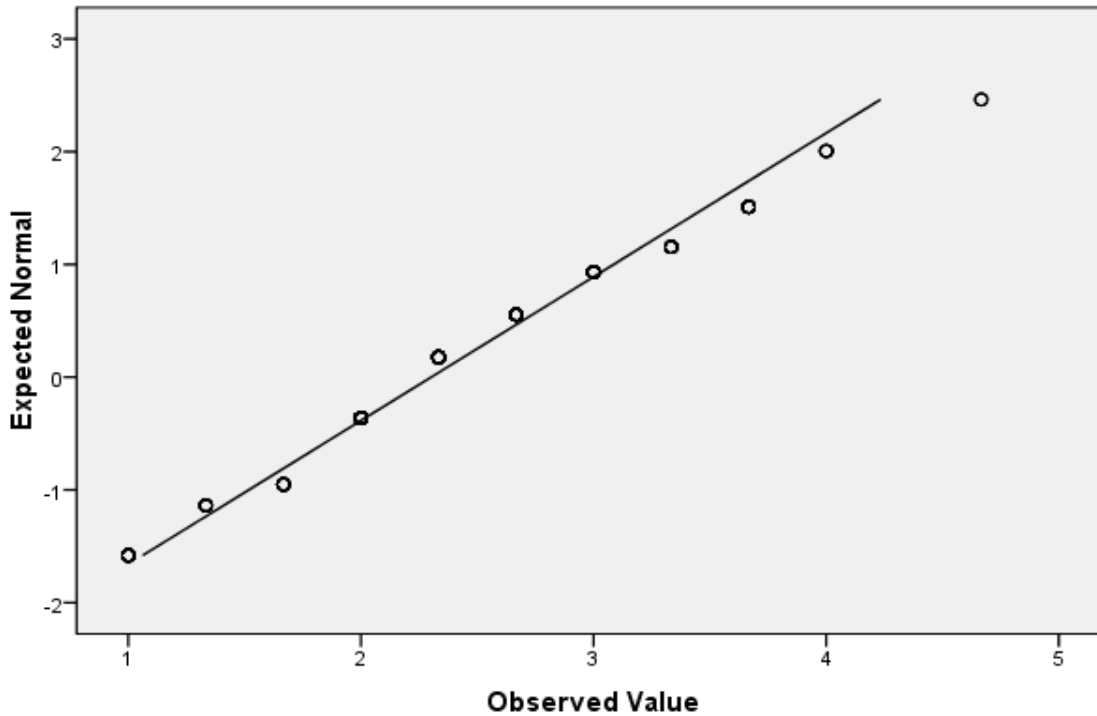


Figure 7: Normal Q-Q Plot for Exploration perceived benefit dimension

Normal Q-Q Plot of Exploration



Tests of Normality for Satisfaction perceived benefit dimension

Satisfaction

Table 20 Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Satisfaction	.198	289	.000	.916	289	.000

a. Lilliefors Significance Correction

Tests of Normality for Satisfaction perceived benefit dimension

Using the grouping variables of Silver and Gold members

Table 21 Tests of Normality

		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Satisfaction	Gold	.275	80	.000	.862	80	.000
	Silver	.164	209	.000	.925	209	.000

a. Lilliefors
Significance
Correction

Figure 8: Testing normality using Histogram

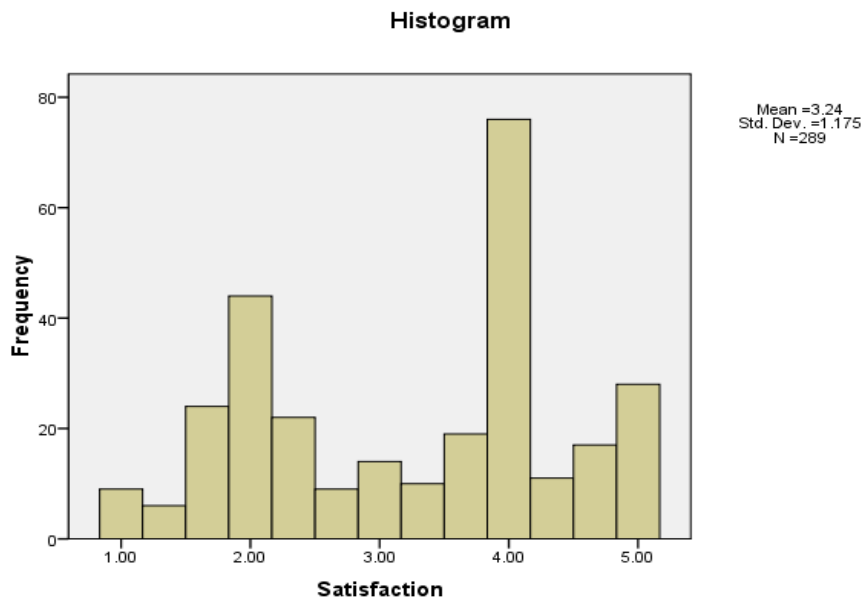
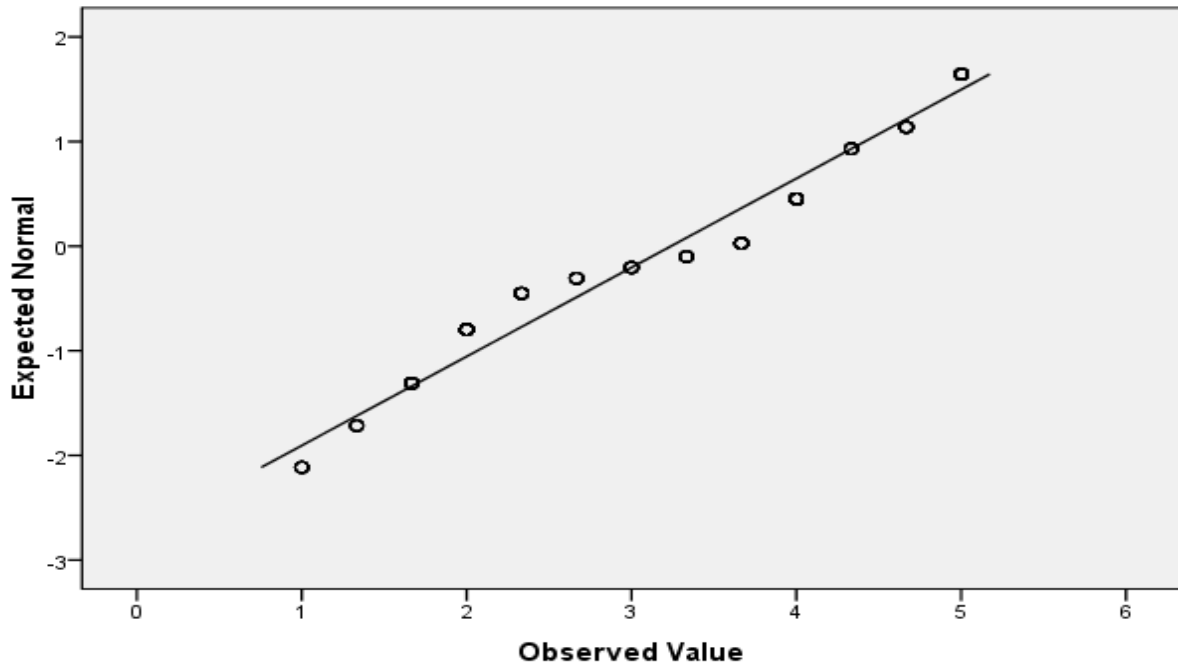


Figure 9: Normal Q-Q Plot for Exploration perceived benefit dimension

Normal Q-Q Plot of Satisfaction



Test of internal constancy reliability of the three perceived benefit dimensions

Test of internal consistency reliability for Acknowledgment

Table 22 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Ethiopian airline take care of me than their other customers	14.15	16.581	.779	.871
Ethiopian airline treats me better than their other customer	14.15	15.437	.839	.864
Ethiopian airline treats me with more respect than non-frequent flyer customers	14.27	15.281	.871	.857
Ethiopian airline makes greater efforts for frequent flyer members than for non-frequent flyer customers	14.30	15.574	.857	.826
Ethiopian airline offers better service to frequent flyer members than to non-frequent flyer customer	14.38	15.584	.868	.889

Test of internal consistency reliability for Convenience

Table 23 Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
It easy to have a frequent flyer award certificate issued	5.61	4.828	.730	.776
I can arrange for the issue of a frequent flyer award certificate at any time	5.72	4.412	.824	.677
it is easy to calculate the frequent flyer miles needed for traveling to a particular destination	5.35	6.124	.617	.818

Test of internal consistency reliability for Exploration

Table 24 : Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Ethiopian airline's frequent flyer program make possible for me to discover new products	4.26	2.597	.446	.796
Ethiopian airline's frequent flyer program enables me to discover products that i wouldn't have discovered otherwise	4.65	2.609	.600	.669
Ethiopian airline's frequent flyer program makes it possible for me to try new products	4.90	3.323	.498	.719

Figure 10: Testing for Homoscedasticity of satisfaction with Convenience dimension

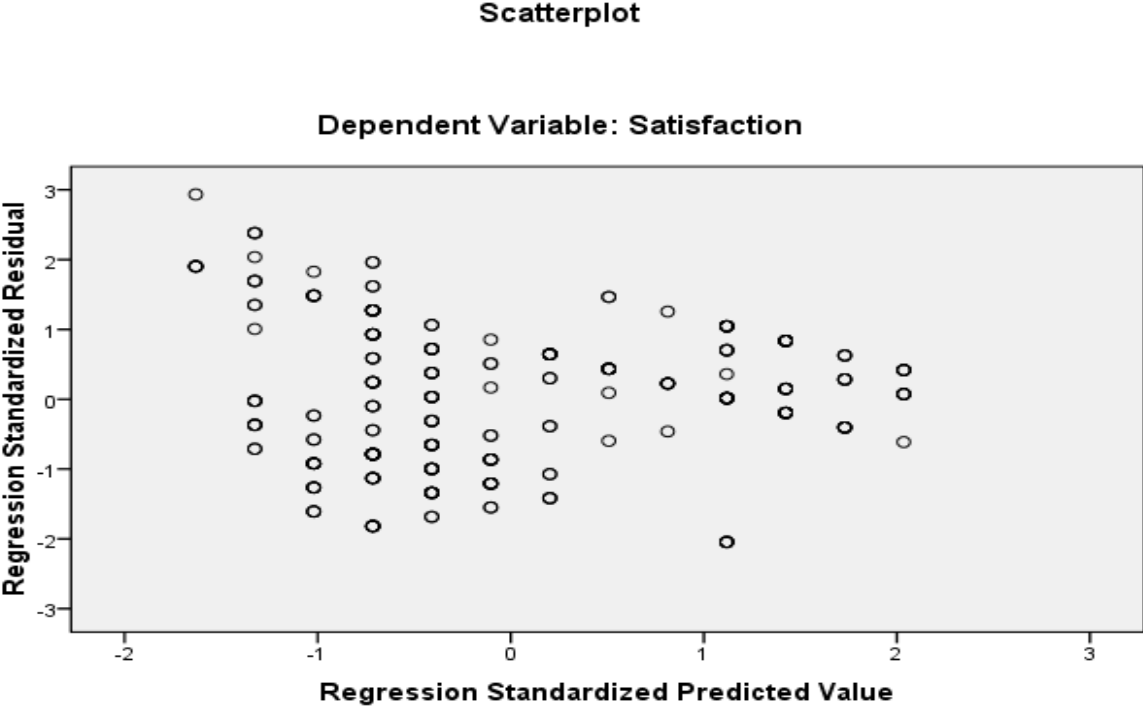


Figure 11: Testing for Homoscedasticity of satisfaction with Exploration dimension

Scatterplot

Dependent Variable: Satisfaction

