THE IMPACT OF RELATIONSHIP MARKETING AND SERVICE QUALITY ON CUSTOMER LOYALTY AND TRUST :A CASE STUDY OF ETHIOPIAN AIRLINES

By

Yonnas Tsegaye W/Mariam

Addis Ababa University School of Commerce

Marketing Management Post Graduate Program

May 2014

Addis Ababa, Ethiopia

THE IMPACT OF RELATIONSHIP MARKETING AND SERVICE QUALITY ON CUSTOMER LOYALTY AND TRUST: A CASE STUDY OF ETHIOPIAN AIRLINES

A Thesis Submitted to Department of Marketing Management, for the Partial Fulfillment of the Requirement for the Award of Masters of Arts Degree in Marketing Management

By
Yonnas Tsegaye W/Mariam

Addis Ababa University School of Commerce
Marketing Management Post Graduate Program

Research Advisor: Temesgen Belayneh (PhD)

May 2014
Addis Ababa, Ethiopia

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

MARKETING MANAGEMENT POST GRADUATE PROGRAM

THE IMPACT OF RELATIONSHIP MARKETING AND SERVICE QUALITY ON CUSTOMER LOYALTY AND TRUST: A CASE STUDY OF ETHIOPIAN AIRLINES

Approved by Board of Examiners

Advisor	***Signature***
Internal Examiner	***Signature***
External Examiner	***Signature***

DECLARATION

I Yonnas Tsegaye, hereby declare that the thesis entitled **"The impact of relationship marketing and service quality on customer loyalty and trust: The case study of Ethioian airlines "** is my original work and submitted by me for the award of the Degree of Master of Marketing Management of Addis Ababa University at Addis Ababa and and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

Yonnas Tsegaye	____________________	MAY 2014
Student	Signature	Date

Email- yoizil_men@yahoo.com
Phone number +251913465798/+251920222843

Contents Page

APPENDIX

ACKNOWLEDGEMENTS

First and foremost, I would like to express my gratitude to Almighty God for helping me in every moment, and without him I will never think of doing and accomplishing my course and this research successfully. Also I would like to express my deepest gratitude to my advisor Dr.Temesgen Belayneh for his constructive and invaluable comments starting from the very beginning to throughout the preparation of this thesis unless it may be difficult to hold this shape.

In addition, I would like to say simply thank you for my friend Ato Yomiyu Daba because I have no words to express for his overall support.

Additionally, I would like to appreciate my beloved family and friends who have constantly been encouraging and supporting me throughout in my Academic development.

The last but not the least appreciation and thank goes to my classmates for their kindness and work colleague.

Thank you all!

List of Tables page

List of Figures

Acronyms and Abbreviations

RM –Relationship Marketing

ET- Ethiopian Airlines

PAX- Passengers

FFP-Frequent Flyer Program

MRO-Maintenance and Repair

CL-Customer Loyalty

IATA- International Air Transport Association

ABSTRACT

The main purpose of this study was to examine the impact of relationship marketing dimensions (trust, commitment, communication and conflict handling) on customer loyalty and also to examine the effect of service quality factors (functional and technical quality) on one of the RM dimension i.e trust. The researcher employed a questionnaire adopted from previous studies and relevant literature. Multiple regression analysis assessed the impact on customer loyalty of four key constructs of relationship marketing and the impact of service quality factors (technical and functional quality) on trust. The researcher gathers data from 269 respondents from different ticket offices especially at Hilton hotel and cafes inside the terminal; the sampling method applied was convenient sampling. The data analysis was conducted through statistical techniques such as descriptive statistics, bivariate correlations and multiple linear regressions by using SPSS. The four variables namely commitment, conflict handling, trust and communication aggregately explained or affect 43% of variance on customer loyalty in descending order. Moreover, they are significantly related to one another and contribute differentially to customer loyalty. Only Communication has insignificantly predicted customer loyalty. Both technical and functional service quality have significant and positive influence on trustworthiness of an airline. Commitment is the most important predictor of customer loyalty followed by conflict handling and trust. This shows that an airline have to be committed enough to have customer loyalty and also need to focus it on its core services to gain its customer trust. It is reasonable to conclude, on this evidence, that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently. This study may be affected by a limitation because it couldn't involve PAXs of other airlines; however the model allows the study to be a base for future research.

Key words: Relationship Marketing, Customer Loyalty, Trust, Commitment, Conflict handling, Communication, Technical and Functional service quality

CHAPTER ONE

INTRODUCTION

This chapter aims to indentify the research problem, research questions and objectives for carrying out the study. The chapter begins with introductory background information about relationship marketing, followed by statement of the problem, research question, objective of the study and research hypotheses will continue respectively. Operational definition, Significance of the study, Delimitation, limitation and Ethical consideration and organization of the study will end the chapter.

1.1 Background of the study

There is undoubtedly a growing interest in the subject of relationship marketing. The strong rivalry characterizing today's business environment has resulted to the building of stronger firm-customer relationships. Webster (1992) noted that the phenomenon described by this concept is strongly supported by on-going trends in modern business. Ndubisi (2004) reported that more and more firms are capitalizing on strong firm customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards (Rapp and Collins, 1990) which benefit both the firm and the customer.

The most basic definitions point of relationship marketing as attracting and keeping customers in the long term. The aim is to convert buyer behavior and status from fleeting casual encounter, through marketing interventions, to committed relationships (Varey, 2002). Relationship marketing advocates contend that marketing can no longer only be about developing, selling and delivering products, where the emphasis was directed towards getting customers rather than keeping them. It is progressively more concerned with the development and maintenance of mutually satisfying relationships with customers (Buttle, 1996), and holds the promise of keeping customers loyal (Gummesson, 1994; Bulger, 1999). This pursuit is characterized by the quest to both fully understand and anticipate the customers' needs, in a bid to develop long lasting and mutually profitable relationships (Earp et al., 1999). A two-way or dialogue marketing communications approach is needed to support the establishment, maintenance and enhancement of an interactions process if relationship marketing is to be successful (Sheth and Parvatiyar, 2000).

Moreover, because of limited research, many issues remain unclear about the firm-customer relationship quality. For example, since quality firm-customer relationship offers many benefits to the organization, what are some of the key dimensions of relationship quality that services organizations should direct their efforts? Do trust, commitment, communication, and conflict handling which primarily underpin the relationship marketing strategy and reflect customers' perceptions of the actions and words of the organization contribute to enhanced relationship quality? If they do, is there any significant difference in their level of contributions? For example, do trust, commitment, communication and conflict handling contribute equally or differentially to relationship quality? Answers to these questions are relevant in designing and delivering airline service strategies, tactics, and training programmers' that would enable employees and managers to function effectively as relationship builders, nurturers, managers, and custodians in service settings, as well as contribute significantly to extant literature in the area.

Customer retention is economically more advantageous than constantly seeking new customers (Verhoef, 2003; Reichheld and Sasser, 1990). Similarly, developing and maintaining long-term customer relationships is critical to business performance as success is often determined by the firm's ability to grow and maintain a loyal customer base (Verhoef, 2003; Bove and Johnson, 2000). Relationship marketing, therefore, is emphasised as a strategy that has the potential to induce success.

The concept of relationship marketing has attracted much attention (e.g. Verhoef, 2003; Morgan and Hunt, 1994) as it encapsulates a longer-term approach to marketing (Berry, 1983). As this approach focuses on the lifetime value of the customer rather than the value of a single transaction, the orientation of relationship marketing is on obtaining a share of the customer, not a share of the market (Peppers and Rogers, 1994). The underlying assumption being that establishing and maintaining relationships with customers will foster customer retention (Gwinner et al., 1998), customer share development (Verhoef, 2003), and increased profit and recovery should a problem occur (Barnes, 1997; Jensen, 1997; Riley and Chernatony, 1997). Relationship marketing, therefore, has become increasingly important as a business strategy (Verhoef, 2003; Gro¨nroos, 1990).

The new paradigm has several debating studies and still now there is no conceptually agreed definition and boundary about relationship marketing (Paravatiyar et al, 2000). The traditional marketing advocate the marketing mix principles and the quest for market share dominance through mass marketing techniques and focus on new customer acquisition. This approach has guided managers for decades implementing their marketing strategies. Several studies developed the trust, commitment, conflict handling and communication effectiveness as building blocks of relationship marketing (Anabila et al, 2012; Ndubisi 2005; Parvatiyar and Sheth,2000;Morgan and Hunt, 1994;). This study focused on these variables as a relationship marketing dimensions from customers' perspective and their effect on customer loyalty by taking case study of Ethiopian airlines.

Background of the company

Ethiopian Airlines (ET) is the flag carrier of Ethiopia. During the past sixty five plus years, Ethiopian has become one of the continent's leading carriers, unrivalled in Africa for efficiency and operational success, turning profits for almost all the years of its existence.

Operating at the forefront of technology, the airline has also become one of Ethiopia's major industries and a veritable institution in Africa. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian currently serves 80 international destinations operating the newest and youngest fleets. The airline was founded on December 21,1945 and it starts operation on April 08,1946.

These are the special feature of the airlines.

Cloud nine: Combined service of First and Business Classes, Cloud Nine has the space, comfort and a style of service that makes flying with Ethiopian a pleasure all the time.

Economy class: Passengers are offered 12 audio channels with access to a video library of more than seven titles.

Frequent flyer program: Sheba Miles is Ethiopian's Frequent Flyer Program. As a member of Sheba Miles, members accumulate miles which will entitle them to award tickets, award upgrades, access to executive lounges, additional free baggage allowance and many other privileges. The more they fly the higher the benefits. Since December 2011, Sheba Miles has a frequent flyer program partnership agreement with over 27 airlines including all the Star Alliance member airlines and over 10 non-airline partners (hotels, restaurants, shopping centers etc…) where members have the privilege to earn and redeem miles whenever they use the services of these partners.

Passenger Airport Terminal: The Addis Ababa Bole international Airport is the major hub for Ethiopian Airlines and one of the largest airports in Africa. The ultra-modern airport terminal was inaugurated on January 21, 2003. This spacious terminal handles all international flights with its 21st century facilities.

Addis Airport is the busiest airport in East Africa with a capacity of providing a world class passenger and cargo services to more than 6.5 million international and domestic passengers each year.

Services to: 80 International and 17 Domestic destinations

1.2 Statement of the problem

Running airlines profitable has always been a great challenge (Doganis 2006). In addition to intense competition diminishing airline's profit, airlines are exposed to market volatility, legal regulations restricting operation, and a disadvantageous cost structure with high fixed costs (Delfmann, 2005, P.12; Shaw, 2007, p.54). The strong rivalry characterizing today's airlines environment has resulted to the building of stronger firms customer relationships. Ndubsi (2004) reported that more and more firms are capitalizing on stronger firm customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. The marketing literature has theorized key viruses that underpin relation marketing, such as trust (Morgan and Hunt; 1994; veloutsou et.al, 2002) commitment (Grossman, 1998; Chan and Ndubisi, 2004), conflict handling (Dwyer et al, 1987; Ndubisi and chan, 2005), and communication (Ndubisi and chan, 2005). These four underpinnings of relationship marketing are directly linked to and are capable of predicating customer loyalty.

Another important factor to considers is service quality, an important strategic retailing weapon, particularly in developing defensive marketing strategies (Fisk et al., 1993), delivering superior quality to customers is central to the formation of customer loyalty (Zenithal, 1996): therefore; the competitive advantage of service organization is essentially determined by its ability to expand and maintain a large and loyal customer base. Gronroos (1984) suggest that service quality issues can be split into technical quality (what is done) and functional quality (how it done) and also he future declares that the quality of service is dependent on two variable; expected service and perceived service, and that any pervious experiences with a service influence the expectation of a consumer, what as the perceived services is the result of a consumer's perception of the service itself.

Similarly, Dabhokar et al. (2000) suggest that a consumer tends to evaluate different dimension related to service and eventually, they may form a separate overall evaluation of service quality. The dimension of service quality then serves as antecedents to an overall evaluating of service quality, which in turn influences the strength of their customer relationship, and subsequently, their behavioral intentions subsequently, enhanced service quality is essential to the formation of strong customer relationship.

Despite the fact many research are done on the impact of different variable of relationship marketing or customer loyalty in many developing & other countries, to the best of the researchers knowledge there is no published research work on the factors affecting customer loyalty on the airline industry of Ethiopia. Even relationship marketing means different things indifferent cultures and industry there is a need to examine these different variables of relationship marketing as well as their level of contribution to customers' loyalty or relationship strength.

1.3 Research Questions

Based on the problem mentioned the study attempts to get answer for the following questions:

1. What aspect of service quality and how service quality influence trust?

1.1 What kind of technical quality does a customer perceived greatly to build a strong trust in a relationship?

1.2 What kind of functional quality does a customer perceived greatly to build a strong trust in a relationship?

2. Does organizations communication and conflict handling way have an effect on customer loyalty?

3. Do trust, commitment which reflects customers' perception of the action of a service provider contributes to enhanced relationship (customer loyalty)?

4. Does the level of contribution among the different construct of Relationship marketing differs?

1.4 Objectives of the study

1.4.1 General Objective

The general objective of this study is to examine the impact of relationship marketing dimensions on customer loyalty and the impact of service quality on trust.

1.4.2 Specific objective

- To measure the association between relationship marketing dimension and customer loyalty.
- To find out the most influential relationship marketing dimension which have strongest effect on customers loyalty
- To examine the effect of service quality factors on trust.

1.5 Research Hypotheses

Ho: Trust has an insignificant and negative effect on customer loyalty.

H1: Trust has a significant and positive effect on customer loyalty.

HO: Commitment has an insignificant and negative effect on customer loyalty.

H1: Commitment has a significant and positive effect on customer loyalty.

HO: Communication has an insignificant and negative effect on customer loyalty.

H1: Communication has a significant and positive effect on customer loyalty.

HO: Conflict handling has an insignificant and negative effect on customer loyalty.

H1: Conflict handling has a significant and positive effect on customer loyalty.

HO: Technical quality has an insignificant and negative effect on trust.

H1: Technical quality has a significant and positive effect on trust.

HO: Functional quality has an insignificant and negative effect on trust.

H1: Functional quality has a significant and positive effect on trust.

1.6 Operational Definitions

- **Long haul service**: Airline service for of long range with no stops over or minimum stops. It is a service given across continents.
- **Short haul service**: Airlines service for domestic flights and short range flights.
- **Frequent flyer program**: It is a loyalty program offered by airlines. Typically, airline customers enrolled in the program accumulate miles (kilometers, points, segments) corresponding to the distance and service class flown on the airline or its partners. Acquired miles can be redeemed for free air travel; for other goods and services; for travel class upgrades; airport lounge access; priority bookings and the like.
- **In flight entertainment**: In flight entertainment includes movies, music, and other entertainment facilities available while on board.

- **Level of loyalty**: - passengers engagement towards the airline; their priority while they think of flying; their willingness to recommend to others to use the airline.

1.7 Significance of the study

Generally, the study will be expected to serve the following importance:

- This study also expected to explain the most important building block of relationship marketing and in turn will help marketing managers of ET to device strategies to build a long term relationship with their customers and practitioners provide better service for their profitable customers.
- This study wills also benefits other practitioners to serve as a reference for further study.

1.8 Delimitation/Scope of the study

The study will focus only on determinants of customer loyalty in international passenger airline. This paper will conduct the survey on Ethiopian airline passengers who passes through Addis Ababa international bole airport. Because of time and money constraint, those passengers who are not flying to/from Ethiopia will not be included in the survey. The survey also didn’t include Labor passengers on the sample.

1.9 Limitation of the study

As stated earlier relationship marketing is a recent innovation in marketing field and its lacks a substantial research agreement which clearly states the constructs of RM. As other fields like earlier times, RM lacks consensus on its constructs. However, several studies are conducted on trust, commitment, conflict handling, communication, relationship quality, service quality. So, due to data constraints and manageability of the study, the study is delimited to the following two dimensions.

- The result may not be generalized to industry level as this is a particular case of Ethiopian airline only. And sample should be taken from other airlines operating in the market like Lufthansa airways, Emirates, Yemenia, Flydubai, Qatar airway, Kenya airways.

- Further study should have to be done on other determinants of airline passenger customer loyalty. Some of the unemployed dimensions that were mentioned by respondent literally are ticket price, availability of competitor especially in domestic flights and others.

1.10 Ethical considerations

Ethics is defined by Webster's dictionary as a conformance to the standard of conducts of a given profession or group. Ethics is the moral distinction between right and wrong, and what is unethical may not necessarily be illegal (Bhattacherjee, 2012).

In this study, some of the expected tenets of ethical behavior that are widely accepted within the scientific community were followed. Those included:

1) Voluntary participation and harmlessness: the voluntary participation of respondents was done to obtain data and also data collected will not harm the personal relationship of the customer with the airlines.
2) Anonymity and confidentiality

Anonymity implies that the research or reader of the final research report or paper cannot identify a given response with a specific respondents (Bhattacherjee, 2012). To follow anonymity and confidentiality ethics of the research, the researcher Cleary informed respondents in written form no need to write their names.

3) Disclosure: information's like who is conducting and for what purpose was clearly disclosed for the respondents both on the cover page of the questionnaire and orally before filling the questionnaire.

1.11 Organization of the study

The research contains five chapters. The first chapter is the introductory part which contains background of the study, objectives, hypothesis, definition of key terms, significance of the study, scope of the study and ethical considerations. The second chapter reviews some literature on relationship marketing and its underpinnings and customer loyalty. The third chapter is dealing with the methodology including the sampling size and sampling technique, source of data and procedures of data collection and techniques of data analysis of the study. The fourth chapter deals with data analysis and interpretation and the last chapter includes pertinent summary, conclusions, recommendation and suggested direction for future researches.

.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The second chapter of the study will present literatures of the study area and provide a theoretical framework of the study. The chapter begins with literatures about the evolution and domain of relationship marketing followed by its benefits. Then it compare transactional and relationship marketing, followed by general information about the airlines industry and customer loyalty in the airline industry. Lastly, it discussed about the influence of relationship marketing constructs on customer loyalty which leads to the conceptual frame work of the study.

2.1 Relationship marketing

2.1.1 Evolution of Relationship Marketing

Relationship marketing has emerged in response to the new claims of the environment which include blurring boundaries between markets or industries, an increasing fragmentation of markets (Shani and Chalasani, 1992), shorter product life cycles, rapid changing customer buying patterns and more knowledgeable and sophisticated customers (Shapiro, 1991; Webster, 1993). In this higher market and competitive turbulence in general (Joshi, 1993) long-term relationships with customers are seen as a prerequisite for competitive advantages of a company (Webster, 1992).

The relationship marketing perspective is based on the notion that on top of the value of products and/ or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider (Gro¨nroos, 2000b; compare also Ravald and Gro¨nroos, 1996). An on-going relationship may, for example, offer the customer security, a feeling of control and a sense of trust, minimized purchasing risks, and in the final analysis reduced costs of being a customer.

In a conference paper on service marketing, Berry (1983) first introduced the term relationship marketing, and a few years later Jackson (1985) used it in a business-tobusiness context. However, the phenomenon itself – a relationship approach to taking care of interactions with customers – is as old as the history of trade and commerce. The importance of relationships with customers was given less attention following the industrial revolution, when the middleman was introduced in the distribution chain (Sheth and Parvatiyar, 1995a). Even before the 1980s, Arndt (1979) observed a tendency of doing business in the form of long-term relationships, which he labeled domesticated markets". He concluded that "both business markets and consumer markets benefit from attention to conditions that foster relational bonds leading to reliable repeat business" (Arndt, 1979, p. 72). A few years later, Levitt (1983a, p. 111) used a marriage analogy in noting that "the sale merely consummates the courtship . . . how good the marriage is depends on how well the relationship is managed by the seller".

2.1.2 Domain of Relationship Marketing

The new strategic focus on customer relationships by its proponents is seen at the same time as the foundation for the development of relationship marketing as a new marketing concept (Ellis *et al.*, 1993; Webster 1993). The core idea of the new concept can be expressed as a shift from the "tell us what color you want" school to a "let's figure out together whether and how color matters to your larger goal" marketing philosophy (McKenna, 1991). The idea of customer satisfaction is hence complemented by the comprehensive integration of the customer into an interactive value-generating process, based on interdependence and reciprocity.

A shift of focus in marketing decision making from the transaction toward a process where a relationship is built and maintained has important effects on central marketing areas, such as organization, planning, organizational development and the measurement of success in the marketplace (Gro¨nroos, 1999; Brodie et al., 1997). As this process becomes as important for the customer as the outcomes, for example, in the form of goods and equipment, the nature of the product concept changes. The product as the outcome of a production process is basically a transaction-oriented construct. In a relationship perspective physical goods and equipment (products) become a part of the process together with other element such as a host of services. In the best case these services enhance the value of the products as with just-in-time deliveries, prompt service and maintenance and customer-oriented and timely service recovery. In the worst case, for example with delays in deliveries, or unsuccessful maintenance and unclear documentation about the use of equipment that has been bought, they damage or altogether destroy their value.

Customers do not only look for goods or services, they demand a much more holistic offering including everything from information about how to best and safest use a product to delivering, installing, repairing, maintaining and updating solutions they have bought. And they demand all this, and much more, in a friendly, trustworthy and timely manner. Moreover, the core product is less seldom than the elements surrounding the core the reason for dissatisfaction. As Webster (1994, p. 13) exemplifies, "the automobile purchaser is unhappy with the car because of lousy service from the dealer; the insurance customer has problems with the agent, not with the policy". What Levitt (1983b, pp. 9-10) concluded already in the early 1980s about what should accompany the sale of the mere product, "having been offered these extras, the customer finds them beneficial and therefore prefers to doing business with the company that supplies them", is very much true today. By and large customers are more sophisticated and better informed than ever and therefore more demanding. Moreover, the increasing global competition offers customers more alternatives than ever before.

Since relationship marketing includes all activities directed towards the establishment, development and maintenance of exchange relationships (Morgan and Hunt, 1994), the activities of a relational strategy should comprise the next objectives: attraction (creating relationships); loyalty (developing relationships); and interaction (maintaining relationships).

Attraction of consumers: The main way to initiate relationships in consumer markets is to engender trust and confidence (Morgan and Hunt, 1994). The firm can generate trust by means of signals sent to the market: warranty, reputation, service quality (investments on quality and technology) or advertising and promotions (San Martı´n et al., 2003).

Customer loyalty: As Buttle (1996) suggests, commitment to customers and service quality enhance satisfaction, which leads to close and successful relationships. If we admit that it is more profitable holding on to existing customers than winning new customers (Berry, 1995; Vavra, 1995), the firm will try to achieve the satisfaction of their existing customers providing them incentives such as discounts, free products or fidelity cards. These loyalty programs are structured marketing efforts, which reward, and therefore encourage, loyal behavior. Concretely, Sharp and Sharp (1997) state that loyalty program customers should show changes in repeat-purchase loyalty which are not evident amongst non-program members: decreased switching to non-program brands, increased repeat-purchase rates, increased used frequency or greater propensity to be exclusively loyal.

Interaction: The interaction manifests itself in activities such as contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customerizng services. Many companies perceive that the best initial approach toward relationship marketing is investing in complaint handling procedures to demonstrate commitment to customer (Tax et al., 1998). Satisfaction with complaint handling has a direct impact on trust and commitment and can override the initial negative experience if handled to the customer's satisfaction or delight.

2.1.3 Benefits of Relationship Marketing

In their "commitment-trust" theory of relationship marketing, Morgan and Hunt (1994) identify "relationship benefits" as a key antecedent for the kind of relationship commitment that characterizes consumers who engage in relational exchange. Furthermore, consumers desire relationship partners that they can trust. They do so because a trusted partner reduces the risks associated with relational exchange, because trust is associated with a partner's reliability, integrity, and competence. Finally, Morgan and Hunt propose that consumers are motivated to engage in relational exchanges with partners with whom they share values. That is, they seek firms that agree with them as to what is important vs unimportant, right vs wrong, appropriate vs inappropriate, proper vs improper, and significant vs insignificant. For example, some consumers will engage in relational exchanges only with those firms that they deem to be socially responsible.

- A second benefit of relationship as proposed by Sheth and Parvatiyar (1995, p. 256):That consumers engage relational market behavior to achieve greater efficiency in their decision making, to reduce the task of information processing, to achieve more cognitive consistency in their decisions, and to reduce the perceived risks associated with future choices.Note that Sheth and Parbvatiyar focus on relational exchange as achieving “greater efficiency.” Consistent with the Howard and Sheth (1969) theory of buyer behavior, relational exchanges reduce the costs involved in consumer search, as in “routinized response behavior.” Also, their focus on reducing perceived risk is consistent with the view that consumers look for trustworthy partners with whom to engage in relational exchange.
- A third, Bagozzi (1995, p. 273) maintains that: The most common and determinative motive for entering a marketing relationship is that consumers see the relationship as a means for fulfillment of a goal to which one had earlier, and perhaps tentatively, committed. That is, people have goals to acquire a product or use a service, and a relationship then becomes instrumental in goal achievement. In his view, relationship marketing should more thoroughly investigate consumers’ goals. In particular, Bagozzi stresses that, for many consumers, “moral obligation” and “moral virtues” play an important part in motivating relational exchange. That is, similar to the view that “shared values” (Morgan and Hunt, 1994) are important considerations, consumers’ sense of morality informs choices of relational exchange.

- Fourth, Vargo and Lusch (2004, p. 15) evaluate marketing’s evolving “dominant logic.” In this logic, the “focus is shifting away from tangibles and toward intangibles, such as skills, information, and knowledge, and toward interactivity and connectivity and ongoing relationships.” As to why consumers engage in relational exchanges with firms, the evolving, dominant logic “implies that the goal is to customize offerings, to recognize that the consumer is always a co producer, and to strive to maximize consumer involvement in the customization to better fit his or her needs” (Vargo and Lusch, 2004, p. 12). Therefore, the answer of Vargo and Lusch, as to why consumers engage in relational exchange, is that relational exchange contributes to the production of goods and services that are customized to consumers' individual needs, wants, tastes, and preferences.

In summary, (Shelby D. Hunt and Dennis B. Arnett, 2006) relationship marketing theory maintains that consumers enter into relational exchanges with firms when they believe that the benefits derived from such relational exchanges exceed the costs. The benefits include:

- The belief that a particular partner can be trusted to reliably, competently, and non-opportunistically provide quality market offerings;
- The partnering firm shares values with the consumer;
- The customer experiences decreases in search costs;
- The customer perceives that the risk associated with the market offering is lessened;
- the exchange is consistent with moral obligation; and
- The exchange allows for customization that results in better satisfying the customer's needs, wants, tastes, and preferences.

The costs include:

- The premature exclusion of market offerings from other firms that might potentially be superior;
- The monetary and time costs of co-production;
- The decreased prices that might result from accepting standardized market offerings; and
- The increased potential vulnerability of the consumer to the partner's opportunistic behavior.

2.1.4 Transactional vs Relationship Marketing

Ahmed and Buttle(2001) stated that the traditional approach, on one hand, generally tends to emphasize acquiring new customers and increasing market t share, partitioning merging heterogeneous customers into homogeneous segment and using brand to promote products and attract new customers . They also claimed that the firms advocating the traditional marketing approach have failed to realize the potential benefit of keeping existing customers. RM, on the other hand, generally tends to emphasize keeping existing customer, increasing share of customers' spends and maintaining long-term relationship with individuals.

Table 2.1 Difference between transactional and relationship marketing

Transactional Marketing	Relationship Marketing
✓ Focus on volume ✓ Emphasizes product feature ✓ Short timescale ✓ Little emphasis on customer service ✓ Moderate customer contact ✓ Primarily concern with product quality	✓ Focus o profitable retention ✓ Emphasize on customer value ✓ Long term time scale ✓ High customer service emphasis ✓ High customer contact ✓ Concern with relationship quality

Source: Ballantyne D. et.al (2002)

More briefly, Hennig-Thurau and Hasen(2003)cited the difference of transactional and relationship marketing as follows.

Table 2.2 Difference between transactional and relationship marketing

Key differences between the concept of relationship marketing and transactional marketing		
Criterion	*Relationship marketing*	*Transactional marketing*
Primary object	Relationship single	Transaction
General approach	Interaction related	Action-oriented
Perspective	Evolutionary-Dynamic	Static
Basic orientation	Implementation oriented	Decision oriented
Long-term vs. short term	Generally takes long term perspective	Generally takes short-term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customer
Focus in decision process	All phases focus on post-sales decisions and actions	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing customer base	Monitoring market share
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	Primarily concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employee for business success	High	Low
Production focus	Mass Customization	Mass Production

Henning-Thurau and Hasen(2003)

2.2 The airlines industry

Nowadays the airline industry is characterized by heavy regulations which limit airlines' room for maneuvering and accessing global markets compared to other industries which have paved ways for companies to transform into global players. This has prevented airlines from becoming truly global businesses by impeding cross border merger and acquisition activities (Hanlon, 2007). To overcome the restrictions imposed by this nationality rule, airlines formed global alliances as a means to secure some of the benefits of a larger size and scope offer. Three major alliances namely Star Alliance, One world and Sky Team now dominate the competitive landscape (Doganis, 2006). Airlines furthermore have to cope with marginal profitability (Hanlon, 2007).

Therefore the delivery of high-quality service becomes a marketing requirement among air carriers as a result of competitive pressure (Ostrowski et al., 1993). Moreover airline passengers can experience many service encounters with front-line employees as well as in-flight attendants, this is called "moment of truth". Passengers may judge or evaluate airline service quality through a comparison between their experiences and expectations over a number of quality attributes (Gro¨nroos, 2000).

The aviation sector has become the most important segment in the economic development of a nation. It plays a vital role in moving people or products from one place to another, be it domestic or international, especially when the distances involved are far. In a highly competitive environment the provision of high quality services to passengers is the core competitive advantage for an airline's profitability and sustained growth. Since the air transportation market has become more challenging, many airlines have turned to focus on airline service quality to increase service satisfaction since service quality conditions influences a firm's competitive advantage by retaining customer patronage and with this comes market share (Archana and Subha, 2012). Therefore delivering quality airline services to passengers is essential for airline survival, since passengers are becoming increasingly sensitive to quality.

Key business models in the airline industry

In general, four fairly generic business models can be identified in the airline industry: (1)Network airlines, (2) low-cost airlines, (3) charter airlines, and (4) regional airlines (Bieger & Agosti, 2005, p. 50). Since network airlines and low-cost carriers represent the dominant business models in the international airline industry, only these two models will be further elaborated on. Network carriers are - first and foremost - characterized by an extensive international route network with a complex hub-and-spoke system that includes short- and long-haul connections (e.g. Doganis, 2006, p. 149; Franke, 2004, p. 15; Tiernan et al., 2008, p. 214). In most cases, network carriers evolved from formerly state-owned flag carriers. Traditionally, have pursued a full service differentiation strategy. Different seating classes and corresponding pre-flight, in-flight, and post-flight services function as a means for differentiation and further facilitate the targeting of multiple customer segments (Pompl et al., 2003, p. 6; Tiernan et al., 2008, p. 214). Offering loyalty schemes such as frequent flyer programs and belonging to one of the three major airline alliances (Star Alliance, oneworld, and SkyTeam) complement network carriers' differentiation strategy (cf. Tiernan et al., 2008, p. 214). Yet network carriers' profitability on short-haul operations has been heavily undermined by the expansion of low-cost carriers and their impact on pricing. Airline business experts (e.g. Mason & Alamdari, 2007, p. 306;4 Doganis, 2006, p. 266) argue that the future business model of major network carriers will be based on an extensive long-haul network backed by alliances to provide a global spread, and supported by a short-haul and domestic network reduced significantly in size and importance. In contrast to network carriers' business model, which is based on service differentiation, low-cost carriers pursue a strategy of cost leadership. The traditional low cost model concentrates on maximum aircraft utilization, the operation of a single aircraft type only, and keeping to short turnaround times at secondary or less congested airports with lower fees (e.g. Bieger & Agosti, 2005, p. 53; Doganis, 2006, pp. 147; Hanlon, 2007, pp. 58).

An overview of the most important operation and product features distinguishing low-cost carriers from network carriers is provided in Table 2.3

Table 2.3: Comparison of low-cost carriers vs. network carriers

Operation	Low cost carrier	Network carrier
Airport	Secondary, less congested (by and large) 15-20 minute turnarounds	Primary (hubs) Higher turnaround times due to congestion and labor regulations
Aircraft	Single aircraft type (e.g. Boeing 737, Airbus A320) High utilization (over 11 hours/day	Multiple aircraft types Moderate utilization
Distribution	Mostly direct via Internet booking	Travel agents Internet Call center
Fare	Low Simple structure	Complex structure
In flight	Single class No seat assignment Pay for amenities, onboard selling	Multiple class Seat assignment Complimentary amenities In-flight entertainment
FFP	No (by and large)	Yes
Connection	Point-to-point No interlining No baggage transfer	Hub-and-spoke Interlining Code share, global alliance
Target group	Leisure, price sensitive business travelers	Leisure and business

Owing to their significantly lower cost base, low-cost carriers are able to offer point-to-point services at substantially lower fares than network carriers. This introduction of low-fare services on European routes has brought about an increase in leisure travel, a higher traffic volume, and a loss of market shares for both network carriers and charter airlines (Mason, 2005; Lufthansa Consulting, 2008, p. 22). Initially targeting leisure travelers, recent studies indicate that low-cost carriers have been successful in increasing their number of business travelers in Europe as well (Mason & Alamdari, 2007, p. 302). Though Europe experienced a virtual low-cost boom in 2002/2003 with over a dozen new airlines entering the market (Doganis, 2006, p. 161), several of them had to pull out of the market soon thereafter, since they could not operate profitably or were taken over by competitors (Anonymous, 2006, p. 19). Thus far, it seems that the low-cost carrier business model is only successful on short haul routes.

Though several carriers have tried to adopt the low-cost business model to long haul international routes, such attempts have to date been unsuccessful (cf. Simon, 2008).

Customer segmentation

Airline customers can essentially be divided into business and leisure travelers. While there may be some exceptions to these two dimensions (e.g. pilgrimage, medical transport) most of the trips taken by airline passengers fit into one of these two categories (Shaw, 2007, p. 24). Business travelers have long been the most important customer segment for airlines due to their relative price inelasticity (Hanlon, 2007, p. 35). While business travelers in the past gave emphasis to flexibility and service over price and, therefore, generally purchased first and business class tickets, a large proportion of this customer segment seems to now be giving preference to price over service, and seems willing to sacrifice flexibility and frills in return for lower fares (Mason & Alamdari, 2007, p. 302).

Air travel demand in the leisure travel segment is primarily influenced by ticket price, travelers' disposable income, and their available free time (Graham, 2006, p. 16), where the amount of disposable income is principally determined by economic wealth. In recent years, the leisure travel market has grown more rapidly than the business travel market (Hanlon, 2007, p. 35; Dresner, 2006, p. 30). Hanlon (2007, p. 35)estimates that the current breakdown of the worldwide demand for air travel between leisure and business lies at approximately 80/20.

2.3 Customer loyalty

Customer loyalty can be defined as a customer's likelihood to choose a particular brand with reference to his or her past purchases. This behavioral definition of loyalty captures the outcomes of both attitudinal commitment and habitual buying. The term 'customer loyalty' is used to emphasize that loyalty is a characteristic of customers, rather than characteristics of brands (Zhang, Dixit & Friedmann, 2010:128). Effective relationship-building strategies are vital in fostering customer loyalty within a business (Rootman, 2006:36).

Loyalty is paramount for long-term success in the optometric services industry. The globalization of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product, price and qualities (Kuusik, 2007:5). Rootman (2006:2) supports this view and cautions that fierce competition and ever-changing market conditions are forcing service businesses to adapt their business strategies. All industries are becoming more customer-orientated rather than product-orientated (Nyadzayo, 2010:19). This is the same in the optometry industry (Joubert, 2009:7).

Creating satisfied customers is critical in fostering customer retention (Marandi & Harris, 2010:147-149; Gil, Hudson & Quintana, 2006:47). However, satisfaction alone cannot be used as a measure to assess loyalty within the optometric industry. According to Kuusik (2007:11), customers who are satisfied defect to other providers of service more often than not, and much more needs to be done to establish customer loyalty than just a focus on customer satisfaction. Dillehay (2004:1) confirms this view and notes that customers within the optical industry specifically defect easily to other providers. His investigation has shown that 85% of customers who defect to other service providers were satisfied with the service received just before defecting.

2.3.1 Loyalty in the airlines industry

Like tourism, the measurement of loyalty in an airline context is quite difficult, since the purchase is a rare purchase (Oppermann, 1999). It does not occur on a continuous basis but rather infrequently (Jago and Shaw, 1998). It can also be covert behavior as reflected in intention to revisit in the future (Jones and Sasser, 1995). In addition, the process of repetitive purchase might be due to convenience, habits or no alternatives (Bei and Chiao, 2001). However, Hennig-Thurau and colleagues (2002) state that loyalty is more than a repetitive purchase but it is also related to appreciation and commitment. Empirical studies supported that loyal customers are most likely to publicize the company and its products through positive word of mouth and through a desire to maintain that relationship (Hennig-Thurau et al., 2002). Moreover, loyalty also refers to committed behavior that is manifested by propensity to participate in a particular recreation service and recommendation to others (Oppermann, 2000). Consistently, this notion is supported by Jones and Sasser (1995) who argued that intent to repurchase is a very strong indicator of future behavior.

2.4 Dimensions of Relationship marketing influencing customer loyalty

Trust, commitment, communication, and conflict handling are relevant factors that could affect customer loyalty.

2.4.1 TRUST

Trust has been defined as ". . . a willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1993). A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term as the belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behaviour (Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), actions with positive outcomes (Anderson and Narus, 1984) and making and keeping promises (Bitner, 1995).

Calonius (1988) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and Sasser, 1990), besides fanning the fire of trust. Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). Gro¨nroos (1990) believed that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in them, and thereby in the firm itself, is maintained and strengthened.

Three common components of trust emerge from an examination of the literature (Sako, 1992; Mayer et al., 1995; Sirdeshmukh et al., 2002):

(1) A credibility component – whether the partner has the capability and expertise to undertake the purpose of the partnership (Ganesan, 1994);

(2) An integrity component – whether the partner will adhere to written or verbal promises (Nicholson et al., 2001); and

(3) A benevolence component – whether the partner will be accommodating and act with equity when new conditions relating to the relationship arise (Ganesan, 1994).

Sako (1992) identified these components of trust as competency trust, contractual trust and goodwill trust. Competency trust refers to the expectation that a partner can at a set level. It is defined as "that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain"(Mayer et al., 1995, p. 717). Contractual trust refers to each partner adhering to specific written or oral agreements. Further, contractual trust is shown when partners uphold an ethical standard, namely that of keeping promises (Sako, 1992). Goodwill trust refers to a willingness to do more than is formally expected. Consequently, goodwill trust grows when a partner commits to be responsive to certain requests outside the norm (Sako, 1992; Sirdeshmukh et al., 2002). Moreover, goodwill trust can be defined as a behavior from one partner to place the other partner's interest ahead of his or her own interest (Sako, 1992).

An airline brand's trustworthiness refers to airline customers' appraisal of whether the brand can be trusted. To be perceived as trustworthy, the brand must be reliable, credible, and demonstrate a high degree of integrity (cf. Moorman et al., 1992; Morgan & Hunt, 1994; Bitner, 1995). Berry (1995, p. 242) further argues that for trust in a brand to develop, it has to communicate openly, honestly, and frequently with its customers. Several research studies have emphasized trust as an important foundation for relationship marketing (e.g., Crosby et al., 1990; Parasuraman et al., 1991 in: Berry, 1995, p. 242; Morgan & Hunt, 1994). While Chaudhuri and Holbrook (2001, p. 91) have demonstrated that brand trust is directly related to both purchase and attitudinal loyalty, Hennig-Thurau et al. (2002, p. 232) suggest that more recent empirical findings (e.g. Grayson & Ambler, 1999) question the direct influence of trust on loyalty. Even if there is no clear understanding of the relationship between trust and customer loyalty, Hess and Story (1995, p. 315) propose that any personal relationship, whether interpersonal or between a person and a brand, is built on trust. Trust is especially critical for the establishment of service-based relationships because of the intangibility of services. Customers' appraisal of a brand's trustworthiness is an important prerequisite for trust to develop.

Here, the focus is on trustworthiness as a brand performance characteristic, while trust is the resulting willingness to rely on the brand in which the customer has confidence. Trust is the belief, sentiment, or expectation of a brand's trustworthiness (cf. Moorman et al., 1992,p. 215). A brand is perceived as trustworthy if customers believe in the brand's good intentions in the relationship (cf. Berry, 1995, p. 242).

As described above, trustworthiness develops when the customer has confidence in the brand's actions and its capability to keep its promises. These positive attitudes and expectations lead to a decrease in uncertainty and a feeling of safety and comfort in the relationship with the brand. Therefore, it is proposed that a brand's trustworthiness has a positive influence on psychological benefits.

In addition, the trustworthiness of a brand as perceived by the customer reduces concerns of opportunistic behavior in the case of unforeseen events (Bendapudi & Berry, 1997, p. 20).If airline customers consider their preferred airline brand to be reliable and to demonstrate integrity in every situation, they can take quicker decisions on which airline to choose and thereby save time while feeling confident about their decision. Promises made by the brand are used in the decision-making process rather than basing the decision on further information.

2.4.2 COMMITMENT

Commitment is one of the important variables for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) argued that commitment is the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behaviour (Becker, 1960). Sociologists use commitment as a descriptive concept to mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define commitment in terms of decisions or cognitions that fix or bind an individual to a behavioural disposition (Kiesler, 1971). In marketing, Moorman et al. (1992) defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

Commitment can be described as customers' long-term orientation toward the relationship with the brand that is grounded in both emotional bonds (Moorman et al., 1992) and the customer's conviction that maintaining the relationship in the future will yield higher net benefits than if the relationship is terminated (Geyskens et al., 1996; Söllner, 1994 in: Hennig-Thurau et al., 2002, p. 232). Understanding loyalty as the attitudes and behaviors in response to commitment (Han et al., 2008, p. 24), it can be assumed that a customer's commitment to the relationship with the brand positively influences loyalty. Referring to Kim et al. (2008) and Punniyamoorthy and Raj (2002, p. 224), commitment can even be considered a necessity for the evolvement of true brand loyalty.

Considering this highly competitive landscape, airlines need to undertake great efforts to retain their profitable customers. Shaw (2007, p. 241) 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 (e.g. business travelers) (Hanlon, 2007, p. 85) and expected to be so in the long-term, constitute an important customer relationship management tool (Liu & Yang, 2009, p. 104). Liu and Yang (2009, p. 94) define loyalty programs as "long-term-oriented programs that allow consumers to accumulate some form of program currency, which can be redeemed later for free rewards." Frequent flyer programs (FFPs) represent loyalty programs typical of the airline industry. Consumers accumulate frequent flyer points for each purchased flight, with the number of points awarded usually equaling the distance of the flight (Lederman, 2007, p. 1137). These accumulated points can eventually be redeemed for rewards, the most common of which is a free flight or a free upgrade with the given airline or one of its alliance partners (IATA, 2007, p. 73; Lederman, 2007, p. 1137; Carlsson & Löfgren, 2006, p. 1470). Due to the award scheme's nonlinear design, customers have even more incentives to stick to one particular airline (Carlsson & Löfgren, 2006, p. 1470). Furthermore, airlines seek to make their competitors appear more expensive by emphasizing the opportunity costs of forgone loyalty rewards (Palmer, 2005, p. 161). Hence, frequent flyer programs constitute an important economic switching barrier (Hanlon, 2007, p. 85; Dowling & Uncles, 1997). Serious doubts, however, have been raised about the success of frequent flyer programs and their contribution to true customer loyalty. Dowling and Uncles (1997), for example, claim that customers end up associating their loyalty to a particular rewards program rather than to the actual airline brand. Furthermore, Doganis (2006, p. 277) argues that frequent flyers, who often are high-yield passengers, tend to be members of several airlines' FFPs. Accordingly, FFPs' relevance in terms of securing customer loyalty for a particular airline is diminishing. A recent study conducted by Liu and Yang (2009) analyzed the success of competing loyalty programs in the airline industry and found that loyalty programs did not always lead to beneficial outcomes, and that only airlines with high market shares enjoyed sales increases on account of their loyalty programs.

Committed relationship partners are unlikely to switch even if a competing supplier outperforms the incumbent's value offer. Consequently, a high level of commitment helps to stabilize the relationship. Morgan and Hunt (1994, p. 23) summaries their literature review on the commitment constructs as follows:

A common theme emerges from the various literatures on relationships: parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships.

2.4.3 COMMUNICATION

Morgan and Hunt (1994), proposed that communication was an antecedent of trust, along with shared values and lack of opportunistic behavior. By communication, we refer to written communications such as personalized letters, direct mail, Web site interactions, other machine-mediated interactions, and e-mail, as well as in-person communication with service personnel before, during, and after service transactions. In these communications, “good” is defined as helpful, positive, timely, useful, easy, and pleasant. The service provider, in short, provides information in such a way that the customer personally benefits with a minimum of effort necessary to decode the communication and determine its utility. Such communication is often personalized or delivered in a person-to-person format. In general, good communication should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty. Therefore direct impacts from communication on trust, satisfaction and loyalty were considered.

Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Morgan and Hunt (1994) suggested that an easy flow of communication is an important characteristic of a strong relationship. Moorman *et al*. (1993) state that timely communication fosters trust by assisting in resolving disputes and aligning perceptions and expectations. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator’s task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

2.4.4 CONFLICT HANDLING

Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, "exit" or "voice". Rusbult et al. (1988) concluded that the likelihood of these behaviours in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the customer's investment in the relationship, and an evaluation of the alternatives available. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict well will also directly influence customer loyalty.

Many researchers report that service quality objectives and performance in the passenger airline industry typically take the form of airline on-time arrivals and departures, problem free baggage and no cancelled flights (Folkes et al. 1987, Bitner et al. 1990). Bolton et al. (1989) explained that common complaints directed at airlines today are mostly related to baggage handling, delayed flights, missed connections, reservation handling, over-sales, problems with refunds and endless lines at airport ticket counters or gate areas. Moreover, Bolton et al. (1989) identified three dimensions of customers' complaint behaviour in the airline industry. The three complaint dimensions appear to reflect distinct ways in which the customer interacts with the airline service providers. The first dimension involves "operational problems" such as flight cancellations and delays, over-sales, and problems arising during the standard service contact (flight). The second dimension reflects "marketing problems" such as information on fares and advertising. These problems concern facilitating services and generally occur prior to the flight. The third dimension reflects "special situation problems": which concern services in non standard service contacts, such as denial of credit and availability of tour packages. Transportation service includes the collection of both core and peripheral transportation flight itself. Peripheral services involve supportive and facilitative services such as ticketing and baggage handling, or availability of executive conference rooms; while core services consist of the basic transportation flight itself (Folkes and Kolestky 1987, Bitner et al 1990, Gronroos 1990, Zeithaml et al. 1990, Morash and Ozment 1994).

Table (2.4) shows examples of different variables representing the total Transportation services.

A**- Airline core service flows:** I- Passenger Services- services associated with in-flight passenger comfort, convenience, and safety (flight attendants, meals, etc.) 2- Flight Services- services associated with the in-flight operations of aircraft (e. g. pilots). 3- Maintenance Services-services associated with the maintenance of flight-status aircraft
B- Airline Peripheral Service Flows: I- Ground Support- services associated with baggage handling, aircraft servicing, and traffic control. 2- General Administrative Support- financial and accounting activities, legal services, Purchasing, and other general administration.
C- Airline Communication Flows: 1- Airline public relations, promotion, advertising, and selling.
D- Airline Capacity Utilization: 1- Load Factors- percentage of seats flown which are filled (i. e., capacity utilization and passenger congestion) 2- Passenger Enplanements-total number of passengers flown (i. e., system utilization and passenger congestion

Source: U. S. Department of transportation, Air Carrier Financial Statistics (December,1990).

Long-term relationships just do not happen by chance – they are cultivated and grounded firmly in an organization's approach to service and value, which are enhanced by an effective service recovery system. Service recovery is concerned with the process of addressing service failures. Specifically, this entails service recovery with the productive handling of complaints and includes all actions taken by a service provider in order to resolve a customer's problem (Gro¨nroos, 1990). Without complaints, organizations may remain oblivious to significant problems – the chance of appeasing unhappy customers evaporates. Arguably, the greatest barrier to effective service recovery and the potential of organizational learning in this context is the fact that only between 5 and 10 per cent of dissatisfied customers actually complain formally following a service failure (Ennew and Schoefer, 2003; Tax and Brown, 1998). Nevertheless, what constitutes an effective service recovery is subject to debate. Bell and Zemke (1987), for example, propose five ingredients for recovery.

(1)An apology: A first person apology rather than a corporate level apology (and one that also acknowledges that a failure has occurred).

(2) An urgent reinstatement: Speed of action coupled with a ‘‘gallant attempt’’ to put things right even if it is not possible to correct the situation.

(3)Empathy: A sincere expression of feeling for the customer’s plight and particular circumstances.

(4)Symbolic atonement: A form of compensation that might include not charging for the service or offering future services free or discounted.

(5)Follow-up activities: An after-recovery call to ascertain if the consumer is satisfied with the recovery process to date.

Any successful recovery will have a positive influence on post-recovery satisfaction levels, future purchasing intention (Spreng et al., 1995), customer perceptions of fairness (Goodwin and Ross, 1992; Smith et al., 1999) and customer loyalty towards the organization (Levesque and McDougall, 2000; Webster and Sundaram, 1998). There is also evidence in the literature to suggest that the following simple and generic guidelines are highly effective in the successful resolution of complaints (cf. Lovelock et al., 2001). Briefly, these guidelines include

- Acting expediently to resolve the issue.
- Acknowledging that mistakes were made without being defensive.
- Demonstrating that you understand the problem from the customer’s point of view.
- Not arguing with customers.
- Acknowledging the feelings of customers.
- Giving customers the benefit of the doubt.

- Clarifying the steps need to solve the problem.
- Keeping customers informed of the process/progress.
- Considering the possibility of compensation.
- Persevering in order to regain the goodwill of customers (McCole, 2004).

2.5 Factors of service quality that affect trust

Service quality comprises two fundamental components – technical quality (the core service or "what" is delivered) and functional quality ("how" the service is delivered) (Grönroos, 1983; Parasuraman *et al*., 1985). In our conceptual model (Figure 1) trust is positioned as a mediating variable, i.e. mediating the relationships between technical and functional quality, and customer loyalty.

2.5.1 Technical quality

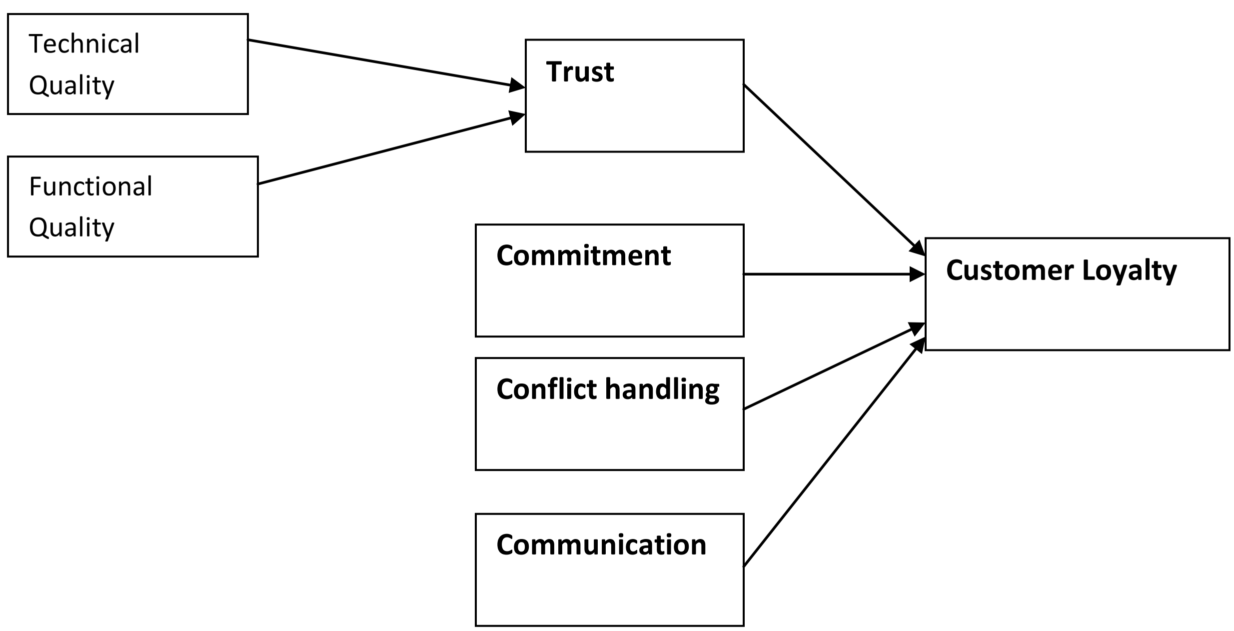
Technical quality relates to actual outcomes or the core service (Lovelock, 1996) as perceived by the customer. These relates to the more tangible aspects involved in the service package. For example, the hotel customers will expect a comfortable room to rest, the restaurant customer will expect a meal to eat. The technical outcome of a service experience is what the customer received as a result of his or her interaction with a service firm. In this study, technical quality refers to the ability of the airlines to transport the passengers by delivering the core services like baggage handling, check-in, reservation etc.

2.5.2 Functional quality

Functional quality the second fundamental dimension of service quality, functional quality, is concerned not with "what" is delivered, but rather processes of "how" the core or technical service is delivered. Grönroos (1978) asserts that functional quality is concerned with the interaction between the provider and recipient of service and is assessed in a highly subjective manner. It is viewed as critical to client perceptions of overall service quality, especially since many service firms find it difficult to differentiate themselves on their core service alone. Or as Leonard Berry so succinctly put it: "The five dollar bills the customer gets from the teller are the same; what is different is the tellers". Furthermore, as the core service sooner or later becomes a commodity as

Competition increases and the industry matures, it is the functional quality dimensions that become increasingly important as a means of creating a sustainable competitive advantage. In personal financial planning services, functional quality is conceptualized as the responsive, courteous, caring and professional behavior displayed by an adviser during the many "moments of truth" in the course of creation and delivery of the core service. It is concerned with the courtesy and friendliness shown to the client, making efforts towards understanding his/her circumstances, displaying empathy, and giving prompt service, responding to queries and complaints in a responsible, courteous and timely manner.

Figure 2.1 Conceptual Model



Source: Adopted from Nelson Oly Ndubisi (2005) with little modification

CHAPTER THREE

METHODOLGY OF THE STUDY

INRTODUCTION

This chapter outlines the methodologies of the study and elaborates it. Its covers research approaches and design, sampling techniques, sources of data collection, procedures of data collection, reliability analysis and methods of data analysis.

3.1 Research Approach and Design

To meet the objectives described above this research, adopted a positivist research design that is used for theory (hypothesis) testing. Relevant literatures were reviewed to establish a suitable conceptual framework, including the construction of hypothesis (Sunders et al.,p-103). The study is explanatory, with its focus on testing the postulated hypotheses and examining the causal relationships between the concepts (Malhotra & Birks, 2007, p. 70; Saunders et al., 2007, p.134), to be able to infer managerial implications from the empirical results obtained.

Since the main objective of this study is to explore the underlying causal relationships between variables that result in airline customer loyalty, a deductive research approach was employed. That is, hypotheses on the causal relationships are deduced from existing knowledge (literature), subjected to empirical scrutiny (testing), and, based on the findings are either accepted or rejected (Ghauri & Grønhaug, 2005, p. 15).

Here .the goal of theory testing is not just to test a theory, but also refine, improve and possibly extend it.

3.2 Sample and sampling Techniques

Target population of this study was those travelers who have ever (at least twice) traveled with Ethiopian and that can be found at the main hub Addis Ababa. From a given finite population of 15,042 based on seat capacity per week, between 15-21December for the round trip, data was collected from 315 travelers using the sample determination method developed by Carvalho (1984), as cited by Cherinet Boke(2013), irrespective of their gender ,income, age or nationality. A non probability sampling approach was followed and convenient sampling technique was applied in order to draw sample from the population that is close to hand, readily available or convenient. At this time travelers or customer of Ethiopian Airlines who traveled before were asked to participate in the survey.

Table 3.1 Sampling determination method

	Sampling size		
Population size	Small	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

3.3 Source of data and data collection

Depending on the objective and research question of the study primary, secondary and tertiary source of data were used. Primary data was collected from customers through a structured questionnaire, with a five point likert scale. Respondents were provided with self administered questionnaires to complete. The questionnaire includes item from questionnaires used in previous research such as Ndubisi and wah (2005), Churchill and Surprenant (1982), Amy Wong (2004) for trust dimension; Morgan and Hunt (1994) for communication, commitment and conflict handling and, Neeru Sharma for functional and technical quality.

The Secondary data were collected from annual report of the organization. On the other hand, tertiary data were collected from books journals articles, full research paper, internets which discuss the theoretical framework of relationship marketing dimensions with the dependent variable customer loyalty.

Table 3.2 Summary of the questionnaire and its sources

No	Dimension	Number of items	Sources
1	Trust	6	Ndubisi and Wah,(2005) Churchill and Surprenant (1982),
2	Technical Quality	6	Anderson (2005) Ng (2011)
3	Functional Quality	4	Park (2006) Martens & Gronholdt(2004)
4	Commitment	6	Morgan & Hunt (1994) Ndubisi(2005) Long (2006)
5	Conflict handling	4	Morgan & Hunt (1994) Ndubisi(2005)
6	Communication effectiveness	3	Morgan & Hunt (1994) Ndubisi(2005)
7	Customer loyalty	4	Chang & Chen (2007)
	Total	33	

3.4 Procedure of data collection

The survey questionnaires were distributed for customers or travelers who rest or wait their flight at the café or restaurant inside the terminal, some questionnaires also be distributed for passenger who found at different ticket offices in Addis Ababa. As it mentioned earlier customer will be selected randomly using convenient sampling techniques.

As an initial screening question, travelers were asked whether they have been previously fly by Ethiopian. Consequently travelers who have previously experienced flight by Ethiopian have developed a relationship with the Airlines were asked to fill the questioners. Participation of the travelers was strictly voluntarily.

3.5 Method of data Analysis

The data was analyzed using stastical package for social science (Spss). Descriptive analysis and inferential analysis were used to analyze the data. The participant's background information was analyzed by using frequencies and percentage. Regression analysis was used to test for association (hypothesis) and identity the most important factor influencing customer loyalty.

3.6 Reliability Analysis

The internal consistency of the instrument was tested via reliability analysis. Cronbanch's coffiecient alpha is an internal consistency estimator where the value exceed 0.60 (Hair, 1995) is the lower limit of acceptability.

.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

INTRODUCTION

In this chapter, the results obtained in the study are analyzed, presented and interpreted in detail. This chapter begins by presenting reliability test, background information on the respondent statistics under demographic variables, followed by descriptive statistics, Pearson correlation matrices, multiple linear regression analysis and hypotheses testing.

4.1 Reliability Test:

The survey was conducted during one week time. From the total of 315 questionnaires distributed only 269 were collected, the remaining 46 of them are either not returned or correctly filled. Therefore, 269 were effectively used for analysis that indicates 85% response rate.

In this study Cronbanch's Alpha is used to measure the internal consistency of the items used. George and Mallery (2003), provides the following rules of thumb: >0.9-Excellent, >0.8-Good, >0.7-Acceptable, >0.6-Quesstionable, >0.5-Poor, <0.5-Unacceptable (as cited by Gleam and Rosemary,2003) and The results were shown in Table (4.1).

Table 4.1 Reliability of Questionnaire Dimensions

Factors	Cronbach's α	No ofItems
Trust	0.752(Acceptable)	6
Technical Quality	0.771(Acceptable)	6
Functional Quality	0.641(Questionable)	4
Commitment	0.745(Acceptable)	5
Conflict Handling	0.861(Good)	4
Communication	0.771(Acceptable)	3
Customer Loyalty	0.822(Good)	4

Source: Survey finding (2014)

Based on the above table the value of Cronbanch's Alpha ranges from 0.641- 0.861.

4.2 Demographic information about respondents

A total of 315 questionnaires were distributed and 269 usable questionnaires were collected. The collected data were analyzed with the statistical package for social science (SPSS version 20). The following tables present frequency statistics of demographic variables.

Of the 269 usable questionnaires returned, 209(77.7%) were found to be male passengers which overshadow the female the respondents that is 60(22.3). Looking to the age group of the respondents, two third of them are below the age of 40, indicating an overrepresentation of adult participants and only 1.9% of the total respondents are above the age of 60. The majority of the passengers who participated in the survey (66.5%) are those passengers between 20 to 40 years of age.

Table 4.2 Sex and Age Frequency:

Sex percent	Frequency	Percent	Cumulative
Male	209	77.7	77.7
Female	60	22.3	100
Age percent	**Frequency**	**Percent**	**Cumulative**
Below 20	2	7	7
20-40	179	66.5	67.3
41-60	83	30.9	98.1
Above 60	5	1.9	100

Source: Survey finding (2014)

Generally passengers travel for either business or leisure, or both business and leisure and sometimes it may be some other reasons. With respect to the information regarding to traveling reason, 42.4% claimed that they primarily travelled for business while 19.3% stated that their primary reason for air travel was leisure. Another 18.6% of the respondents were traveled for both business and leisure, while the other 19.7% travelled for some other reason like pilgrimage, medical support, learning etc. These numbers almost disprove to Hanlon's (2007, p. 35) 80/20 breakdown between leisure and business airline passengers (see Chapter 2.2). This means most of the respondents are not price sensitive, since business travelers emphasis to flexibility and service over price comparing to leisure travelers who are abide by limited income (Graham, 2006,).

Passengers participated in the survey have engaged in different professional and non professional jobs, others are housewife/husbands or some other. Majority of the respondents were professional or privately own business (117, 43.5%). There are company employees, government employees and others constitute 29.2%, 13% and 5.9%. There are also students and trainees that aggregately constitute 24 or 8.2% of respondents.

With regards to frequency of flying, about (13.8%) are flying more than once per month; (9.7%) are flying at least once a month; (20.8%) are flying at least once a quarter; (28.6%) are flying at least once every six month and (27.1%) are flying at least less once per year. This implies respondents had put on the middle ground with adequate knowledge of and experience with airline travel.

Table 4.3 Reason for travel, Occupation and Travel frequency

Reason for Travel Percent	Frequency	Percent	Cumulative
Business	114	42.4	42.4
Leisure	52	19.3	61.7
Both	50	18.6	80.3
Other	53	19.7	100
Total	269	100	

Occupation Percent	Frequency	Percent	Cumulative
Student	12	4.5	4.5
Trainee	10	3.2	8.2
Company Employee	79	29.4	37.5
Government Employee	35	13.0	50.6
Professional/Private Business	117	43.5	94.1
Other	16	5.9	100
Total	269	100	
Flying Frequency Percent	**Frequency**	**Percent**	**Cumulative**
More than once per Month	37	13.8	13.8
Once per Month	26	9.7	23.4
Once every three Month	56	20.8	44.2
Once every six Month	77	28.6	72.9
Less than once per year	73	27.1	100
Total	269	100	

Source: Survey finding (2014)

Majority of the respondents (32.1%) of the respondents were traveled to Middle East & Asia, particularly with the highest number of PAX to China, followed by Dubai, then to India. The next majority of the respondents (31.7%) were traveled to Europe, specifically to UK (London), Sweden (Stockholm), Germany (Frankfurt) and Italy (Rome) in descending order. The third continent where most of the respondents were traveled to was our continent Africa (21.7%). The last continent was America (14.5%), with almost three fourth of the respondents destination is USA.

4.3 Descriptive statistics:

The descriptive statistics of the mean scores and standard deviation of 33 attributes discussed in the subsequent seven tables in each category. The interpretation was made based on the following measurement scale intervals or range. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (Poonlar Btawee:1987) mentioned by Hailu Demissie-2013.

4.3.1 Trust

The mean rating and the standard deviation of the of respondents' evaluation of Trust factors is presented on Table 4.4. Respondents overall mean rating was 3.8. It indicates that customers' trust on the airlines is good according to (Poonlar Btawee: 1987) the mean score of 3.51-4.50. All the mean value of the respondents shows a good result. From this we can refer that ,respondents were highly confident about their safety when they use this airlines and also equally belief that employees have respect to customers followed by their overall confidence about the airline , whether the airline fulfill its obligation, and keep its promises. Lastly they were less satisfied with the airline concern of really take care of them. This shows that, the airline should strive to win customers' trust by giving and keeping promises to customers, showing concern for its passengers, fulfilling its obligations and acting to build customers' confidence in the airlines and its services. And the standard deviation lies between 0.85 to 1.1 indicates how closer or far each observation from the average.

Table 4.4 Passengers Level of Agreement of Trust Attribute

Trust Attributes	N	Mean	Std. Deviation
Keeping promises	269	3.72	1.100
Feel safe	269	4.19	.892
Confidence in the airline	269	3.90	.911
The airline fulfill its obligation to its customers	269	3.74	.929
Employees show respect to customer	269	4.20	.856
The airline really care for customers	267	3.56	.992
Grand Mean		3.8	

Source: Survey finding (2014)

4.3.2 Technical quality

The mean rating and the standard deviation of the of respondents' evaluation of Technical quality factors is presented on Table 4.5. Respondents overall mean rating was 3.52 implies that customer's attitude towards technicality of the airline service is good. And the standard deviation lies between 0.9 to 1.2.Respondents answers shows that, they were satisfied with the prompt and accurate reservation and ticketing service of the airline, check-in service and baggage handling since all the value of this attributes lies between 3.51-4.5. They had moderate attitude in-flight meal and beverage served, the facility at the airport like lounges etc and the seat comfort of the aircrafts in descending order. Overall, respondents had good view about the technical services which they received from the airline. These response clearly indicates that, the airlines was not meeting customer expectation with regard to the technical quality attribute specially the meal and beverage, facility around the airport and seat comforts.

Table 4.5 Passengers evaluation of Technical quality Attribute

Technical quality Attributes	N	Mean	Std. Deviation
Good beverage and meal	269	3.27	1.220
Effective baggage handling	269	3.62	1.025
Good check-in service	269	3.71	.972
Prompt and accurate reservation and ticketing	269	3.72	.942
High seat comfort	269	3.42	1.071
Good lounges and other facility at the airport	266	3.38	1.057
Grand Mean		3.52	

Source: Survey finding (2014)

4.3.3 Functional Quality

The mean rating and the standard deviation of the of respondents' evaluation of Functional quality factors is presented on Table 4.6. Respondents overall mean rating was 3.8 implies that customer's attitude towards functionality of the airline service is good. And the standard deviation lies between 0.8 to 1.1. Respondents imply that they were happy with the airline staff regarding their neatness and tidiness followed by the friendly behavior and language skill of the staff, then about their flight experience have meet their expectation. However, their attitude towards the in-flight entertainment is moderate since the mean value is 3.39 according to (Poonlar Btawee: 1987), which shows the airline was not performing to the standards regarding to the in–flight entertainment which is subjective to customers need.

Table 4.6 Passengers evaluation of Functional quality Attribute

	N	Mean	Std. Deviation
Good in-flight entertainment	269	3.39	1.153
Employees appears neat & tidy	269	4.23	.855
Language skill and friendliness of staff	269	4.05	.935
Expectation of flight experience	269	3.6	0.963
Grand Mean		3.8	

Source: Survey finding (2014)

4.3.4 COMMITMENT

The mean rating and the standard deviation of the of respondents' evaluation of Functional quality factors is presented on Table 4.7. Respondents overall mean rating was 3.51 implies that customer's attitude towards commitment of the airline service is good. And the standard deviation lies between 0.9 to 1.0. All the values are scattered around the grand mean 3.51. Respondents answer implies that the FFP is good enough to make them attached with the airlines and easy to redeem benefit, it also have good result in reducing customers cost of travel since the value of these attribute lies between 3.51-4.5.Howerver, regarding to personalize service and flexibility customers have an average feeling towards the airline. Committed relationship partners are unlikely to switch even if a competing supplier outperforms the incumbent's value offer. However, responses from customer side indicates that the airline was not that much engaged on services that leads to long term relationship, which in turn leads the airline to high market share (Liu and Yang 2009).By considering this the airlines should work on factors that makes a customer dedicated to continue its relationship with the airlines by being flexible, provide personalized services.

Table 4.7 Passengers level of Agreement with Commitment Statements

	N	Mean	Std. Deviation
Flexibility of airline in serving customer	**269**	**3.48**	**1.009**
Offers personalized services	**269**	**3.35**	**.968**
Sheba miles makes customers attached & easy to redeem	**269**	**3.62**	**1.032**
Sheba Miles reduces customers cost of travel	**269**	**3.56**	**.970**
The airline makes adjustment to suit customers need	**269**	**3.58**	**.992**
Grand Mean		**3.51**	

Source: Survey finding (2014)

4.3.5 Conflict Handling

The mean rating and the standard deviation of respondents' evaluation of Conflict Handling is presented on Table 4.8. Respondents' overall mean rating was 3.25. All the attributes under conflict handling were given an average result by the respondents. And the standard deviations were in between 1.0 and 1.1, which shows all the values are not far from the grand mean. Most customers included in the study reported their dissatisfaction with one or more issue related to handling their conflict/complaints in Ethiopian. As according to (Ozlem Atalik, 2007) loyalty of the customers can only be gained by solving their problems efficiently. Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, "exit" or "voice". Although from the respondents output we can infer that the airlines was not doing well, it needs to improve its performance.

Table 4.8 Passengers Level of Agreement with Conflict Handling Statements

	N	Mean	Std. Deviation
Ability to openly discuss solution	**266**	**3.34**	**1.071**
Solve manifested conflicts before creating a problem	**269**	**3.22**	**1.116**
Answering to customer complaints	**269**	**3.21**	**1.101**
Sincere interest in solving problems	**265**	**3.25**	**1.023**
Grand Mean		**3.25**	

Source: Survey finding (2014)

4.3.6 Communication

The mean rating and the standard deviation of respondents' evaluation of Conflict Handling is presented on Table 4.9. Respondents' overall mean rating was 3.5, which implies the communication aspect of the airlines is moderate. And the standard deviations were in between 0.8 and 1.0. Respondents were unsatisfactory (average) because of the accuracy of information provided by the airline, and they have more or less satisfied by the airline ability to inform the customer about new services that appeal to them and the airlines timing and its being trustworthiness of its information. When there is effective communication between the airlines and its customers, customers are better informed about the airline's initiatives and activities, uncertainty will reduce and relationship quality improve. However, the response clearly indicated that, the airline was not performing up to in the right way with regards communicating with the passengers.

Table 4.9 Passengers Level of Agreement with Communication Effectiveness Statements			
	N	Mean	Std. Deviation
Accurate information is provided by the airline	**269**	**3.43**	**1.051**
Information is provided when there is new service	**269**	**3.56**	**.847**
Timing and trustworthy of information	**269**	**3.53**	**.976**

Source: Survey finding (2014)

4.3.7 Customer Loyalty

The mean rating and the standard deviation of respondents' level of loyalty is presented on Table 4.10. Respondents' overall mean rating was 3.9, shows that the PAX of Ethiopian airlines evaluate their level of loyalty is good. And the standard deviations were in between 0.9 and 1.2. All the responses of customer loyalty attributes show a good result. The responses indicate that PAX will consider Ethiopian for the next few years and also they can gossip good things about the airlines. Respondents give relatively lower level of agreement when they were asked whether they consider this airline as a first choice or not and how they see themselves being loyal. It is indicated that they can say positive things about the airlines and consider it for the next few years, if they would rather consider it as a first choice or consider themselves as loyal. Hennig-Thurau and colleagues (2002) state that loyalty is more than a repetitive purchase but it is also related to appreciation and commitment. Empirical studies supported that loyal customers are most likely to publicize the company and its products through positive word of mouth and through a desire to maintain that relationship (Hennig-Thurau et al., 2002). The result of this study goes with the above argument, where customers manifest their loyalty by saying a positive words of mouth and committing themselves for the next few years. However, according to Kuusik (2007:11), customers who are satisfied defect to other providers of service more often than not, and much more needs to be done to establish customer loyalty than just a focus on customer satisfaction. This study supports the above argument where customers say positive things (i.e they are satisfied),but not looking themselves as loyal. So even if the airlines satisfied its customers, it needs to work hard in building customer loyalty.

Table 4.10 Passengers Level of Agreement with Customer Loyalty Statements			
	N	**Mean**	**Std. Deviation**
Customer consideration of this airlines as a first choice	**269**	**3.73**	**1.214**
Customers consider this airline for the next few years	**269**	**4.14**	**.989**
Customer say positive things about the airline	**269**	**4.11**	**.981**
Customer consider themselves as loyal	**269**	**3.76**	**1.101**

Source: Survey finding (2014)

4.4 Correlation Analysis

Table 4.11 shows Pearson correlation coefficient of four variables (Trust, Commitment, Communication and Conflict Handling) against customer loyalty. The result showed that Pearson correlation coefficient of the four variables Trust, Commitment, Communication and Conflict Handling is 0.428, 0.580, 0.394 and 0.543 respectively.

As per the guide line suggested by Field (2005), the strength of relationship 0.1to 0.29 shows week relationship; 0.3 to 0.49 is moderate; >0.5 shows strong relationship between the two variables. From the result shown below, there is strong relationship between the two variables (Commitment and Conflict Handling) and the dependant variable (Customer Loyalty).The other two independent variables (Trust and Communication) show, there is moderate relationship between them and Customer Loyalty. To put the data in sequential order, the highest positive correlation is found to be Level of Commitment and level of loyalty(r=0.580, P<0.01) and the lowest level of relationship is with the level of Communication(r=0.394, p<0.01). The relationship between Conflict Handling and Communication indicated the highest relationship (0.556), followed by the relationship between Commitment and Conflict Handling (0.546), Trust and Conflict Handling (.669) and the least one is relationship between Commitment and Communication (0.405).All correlation coefficients are significant on all dimension since the P< 0.01.

Table 4.11 Correlation and significance level of hypotheses							
VARIABLES		TRUST	COMMITTMENT	COMMUNICATION	CONFLICT HANDLING	CUSTOMER LOYALTY
TRUST	Pearson Correlation	1	.416**	.411**	.507**	.428**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	265	265	265	260	265
COMMITTMENT	Pearson Correlation	.416**	1	.405**	.546**	.580**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	265	269	269	262	269
COMMUNICATION	Pearson Correlation	.411**	.405**	1	.556**	.394**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	265	269	269	262	269
CONFICT HANDLING	Pearson Correlation	.507**	.546**	.556**	1	.543**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	260	262	262	262	262
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Survey finding (2014)

4.5 Multicollinearity

If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the problem of multicollinearity (Kothari,C.R. (2004). If collinearity is discovered (e.g. if correlation coefficient between variables are higher than 0.80) then one can either remove one of the variables or create a new variable that combine the previous two that were highly intercorrelated (cohen et al.,2002).

Cohen et al.(2007) cited that SPSS, one can find the multicollinearity by looking at collinearity diagnostics' in the 'Statistics' command box, and in the collinearity statistics one should look at the 'Tolerance' column on the output. Mu''ge Arslan, F. and Altuna, O.K, (2010) cited that the VIF value above 10 and a tolerance value below 0.10 pose a multicollinearity problem.

In this study, Table 4.12 and Table 4.13 shows the collinearity statistics analysis shows variance inflation factor (VIF) value ranges from 1.43-1.86 for customer loyalty dimensions and 1.54 for trust dimensions respectively. And tolerance value ranges within the value of 0.537-0.638 customer loyalty dimensions and 0.646 for trust dimensions. According to this values (both VIF and tolerance level) indicate that for this analysis there is no serious multicollinearity problem.

Table 4.12 Collinearity Statistics for customer loyalty dimensions

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	TRUST	.698	1.434
	Commitment	.686	1.458
	Conflict handling	.537	1.861
	Communication	.680	1.471
a. Dependent Variable: customer loyalty			

Source: Survey finding (2014)

Table 4.13 Collinearity Statistics for Trust dimensions

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Technical quality	.646	1.548
	Functional quality	.646	1.548
a. Dependent Variable: TRUST			

Source: Survey finding (2014)

4.6 Regression Analysis

Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the value of dependent variable, given the value of the independent (Kothari,2004). Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. Multiple linear regressions were conducted to identify the relationship and to determine the most dominant variables that influenced the customer loyalty of Ethiopian Airlines. Multiple Regression analysis is conducted to test the effect of independent variables (trust, commitment, communication and conflict handling) on customer loyalty. And the other two independent variables (technical quality and functional quality) on trustworthiness of the airline. The reason for using this multiple regression analysis was to examine the direct effect of these relationship marketing underpinnings on customer loyalty towards Ethiopian Airlines and the output was shown in the table below. In order to show the impact that each dimension has on the dependant variable, the study checked the Standardized Coefficients.

4.6.1 Regression for customer loyalty

Table 4.14 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653[a]	.426	.417	.671

a. Predictors: (Constant), Trust, Commitment, Conflict Handling and Communication

b. Dependent Variable: Customer Loyalty

Source: Survey finding (2014)

We observed in the model summary from the analysis in the above table 4.14 R (0.653[a]) indicates correlation of the four independent variables with the dependent variable customer loyalty and the weighted combination of the predictor variables (Relationship marketing dimensions) explained or affect approximately 43%(R square) of the variance of customer loyalty and the remaining percent is explain by the other dimensions. This result also indicates that there may be other variables that could have been disused by the current study in predicting customer loyalty in Ethiopian.

Table 4.15 ANOVA[a] --Independent Variables as Predictors to Customer Loyalty						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.241	4	21.310	47.297	.000[b]
	Residual	114.894	255	.451		
	Total	200.135	259			
a. Predictors: (Constant), Trust, Commitment, Conflict Handling and Communication						
b. Dependent Variable: Customer Loyalty						

Source: Survey finding (2014)

Table 4.15, the ANOVA test, it is noticed that F value of 47.297 is significant at the 0.000 level or significant at 1%. Therefore, from the result, it can be concluded that with 43 % of the variance (R-Square) in customer loyalty is significant and the model is appropriately measure the dependent variable.

Table 4.16: Estimated Regression Coefficient						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	.561	.297		1.889	.060
	TRUST	.172	.080	.123	2.158	.032
	Commitment	.470	.073	.371	6.482	.000
	Conflict handling	.242	.064	.245	3.791	.000
	Communication	.076	.064	.068	1.181	.239
a. Dependent Variable: Customer Loyalty						

Based on multiple linear regression analysis, the above table 4.16 reveals the impact of each Relationship marketing underpinnings and their significance. The impact of Commitment, Conflict Handling, Trust and Communication on customer loyalty with in Ethiopian Airlines are 0.371, 0.245, 0.123 and 0.068 respectively, in their descending order. By examining this beta weight of data analysis result the finding shown that

Commitment followed by Conflict Handling was making relatively superior contribution to predict the model. This informed us the predicted change in the dependent variable for every unit increase in that predictor. This signifies that for every additional point or value in the commitment one could predict a gain of 0.371 points on the customer loyalty provided that other variables being held constant. The smallest predictor was communication where additional point or value of it could only predict 0.068 point on the customer loyalty. Therefore, Ethiopian Airlines requires working hard to improve its communication in order to increase the level of customer loyalty. Generally, customer loyalty is primarily predicted by higher level of commitment and conflict handling, and to a lesser extent by trust and communication in Ethiopian airlines.

The researcher has discovered that the degree of customer loyalty can be determined by those identified variables. The researcher, as indicated below, developed a regression model:

Y= (B0+B1X1+B2X2+B3X3+B4X4)

CL= (0.561+0.371X1+0.245X2+0.123X3+ 0.068X4

Where Y=the degree of customer loyalty

B0=constant X1=commitment X2= conflict handling

X3= trust X4= communication

The coefficients show that customers place highest value on commitment followed by conflict handling, then on trustworthiness and lastly on communication effectiveness.

4.6.2 Regression for Trust

Table 4.17 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667[a]	.444	.440	.465
a. Predictors: (Constant), Functional quality, Technical quality				
b. Dependent Variable: TRUST				

Source: Survey finding (2014)

In the above table 4.17 coefficient of determination (Adjusted R Square) is 0.444. This value implies that 44.4% of the variance of Trust is explained by the combined effect of independent variables (i.e functional and technical quality).On the same vein, the multiple correlation coefficient (R) value is 0.667, which is the linear correlation between the observed and the model predicted value of the dependent variable.

Table 4.18 ANOVA[a] --Independent Variables as Predictors to Trust

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.858	2	22.429	103.586	.000[b]
	Residual	56.080	259	.217		
	Total	100.938	261			

a. Dependent Variable: TRUST

b. Predictors: (Constant), Functional quality, Technical quality

Source: Survey finding (2014)

As it mentioned earlier the ANOVA table tests the acceptability of the model from statistical perspective. The above Table 4.15, the ANOVA test, it is noticed that F value of 103.586 is significant at the 0.000 level or significant at 1%. Therefore, from the result, it can be concluded that with 44 % of the variance (R-Square) in trust is significant and the model is appropriately measure the latent construct.

Table 4.19: Estimated Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.555	.175		8.894	.000
	Technical quality	.469	.051	.533	9.256	.000
	Functional quality	.177	.053	.193	3.354	.001

a. Dependent Variable: TRUST

Source: Survey finding (2014)

Based on multiple linear regression analysis, the above table 4.19 reveals the impact of service factors and their significance. The impact of technical and functional quality on trustworthiness of Ethiopian Airlines are 0.533 and 0.193 respectively, in their descending order. By examining this beta weight of data analysis result the finding shown that technicality of the service had by far a higher significance in Predict the model. This signifies that for every additional point or value in the service technicality one could predict a gain of 0.533 points on the trust provided that other variables being held constant. While, every additional point on the functionality of service factor could only predict 0.123 point on the trustworthiness of the Airline. Therefore, Ethiopian Airlines requires improving functionality of service comparing to its technical services in order to increase the level of its trustworthiness.

The researcher has discovered that the degree of trustworthiness can be determined by These two identified variables. The researcher, as indicated below, developed a regression model:

Y= (B0+B1X1+B2X2)

TR= 1.555+0.533X1+0.193X2

Where Y=the degree of trust

B0=constant X1=Technical quality X2**=** Functional quality

4.7 Hypotheses Testing

There were six major hypotheses constructed in this study to answer the research question. Since Pearson correlation coefficient shows only the strength and direction of the relationship between variables, it is advisable to use regression analysis to test the influence of the independent variables on the dependent one.

Table 4.20: Summary of the Overall Outcome of the Research Hypotheses

Hypotheses	Result	Reason
Ho: Trust has an insignificant and negative effect on customer loyalty. H1: Trust has a significant and positive effect on customer loyalty.	HO: Rejected H1:Accepted	$\beta=0.123, p<0.05$
HO: Commitment has an insignificant and negative effect on customer loyalty. H1: Commitment has a significant and positive effect on customer loyalty	HO: Rejected H1:Accepted	$\beta=0.371, p<0.05$
HO: Conflict handling has an insignificant and negative effect on customer loyalty. H1: Conflict handling has a significant and positive effect on customer loyalty	HO: Rejected H1:Accepted	$\beta=0.245, p<0.05$
HO: Communication has an insignificant and negative effect on customer loyalty. H1: Communication has a significant and positive effect on customer loyalty	HO:Accepted H1:Rejected	$\beta=0.068, p>0.05$
HO: Technical quality has an insignificant and negative effect on trust. H1: Technical quality has a significant and positive effect on trust	HO: Rejected H1:Accepted	$\beta=0.533, p<0.05$
HO: Functional quality has an insignificant and negative effect on trust. H1: Functional quality has a significant and positive effect on trust.	HO: Rejected H1:Accepted	$\beta=0.193, p<0.05$

Source: Survey finding (2014)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This is the final chapter and it presents summary, conclusion and recommendation of the study. First summary of the findings, which is obtained while answering the research question, is presented, then based on the findings it reached on conclusions. Finally, based on the overall conclusions it proposed recommendation.

5.1 SUMMARY OF FINDINGS

The major findings of the study are summarized below.

- All the four constructs of relationship marketing has a significant association with customer loyalty.
- Commitment in the airline industry has a significant positive influence on customer loyalty of Ethiopian.
- Conflict handling has also a significant positive influence on customer loyalty of Ethiopian.
- Trust has been found in third place on influencing customer loyalty of Ethiopian after commitment and conflict handling.
- Communication effectiveness has a positive effect on customer loyalty; however the effect is insignificant to predict customer loyalty.
- Trustworthiness of the airline is significantly and positively influenced by the technical and functional quality of service. The former has a much superior effect on customer's trust comparing with the later.

5.2 Conclusions

As in chapter one implied, the objective of this study was to measure the association between relationship marketing constructs and find out the most influential one. Also it mentioned to compare the effect of service quality factors on improving trustworthiness of the airline.

Theoretically, the outcome of this research provides empirical evidence for the influence on customer loyalty of four underpinnings of relationship marketing: trust, commitment, communication and conflict handling. This study adds value to the literature by empirically linking a list of determinants to the dependent variable. It builds on past studies in this area, which had either investigated an incomplete list of potential underpinnings or related them to relationship quality and customer satisfaction without taking into account the ultimate goal of any service provider, which is to build loyal customers.

As for the practical implications of the study, a first conclusion is that airlines wishing to retain and develop loyal customers should be trustworthy and committed to the service ethic, should communicate timely and accurately, and must resolve conflicts in a manner that will eliminate unnecessary loss and inconvenience to customers. It has been suggested that loyal customers are valuable communicators of favorable word-of-mouth about an organization or products to which they feel loyal. As evangelists, they can attract new customers for the organization and may even increase their own consumption collectively to the benefit of its sales, revenue and profit. Loyalists can also serve as useful sources of new product ideas.

This study tries to validate that, relationship marketing underpinnings had an effect on customer loyalty of Ethiopian airlines. The Pearson correlation coefficient of the study signifies that all predictor variables and criterion variable have positive relationship with each other. Overall, commitment and conflict handling have positive and strong association with customer loyalty. While the remaining, trust and communications have positive and moderate relationship with customer loyalty.

Moreover, when the RM underpinnings are linearly regressed, they had cause and effect relationship with customer loyalty at statistically significant $P<0.01$. However, when they are regressed as multiple, communication cannot predict customer loyalty since p-value is not less than 0.05.When evaluating in general, the factors that have the greatest impact on customer loyalty are commitment and conflict handling followed by trust in descending order. Communication has a statistically insignificant but positive effect on customer loyalty. Hence, as the study shows, when building customer loyalty as a goal in an airline, commitment is an appropriate starting point, followed by good conflict resolution, trust and communication. This is an important finding for airlines that need to emphasize on the influence of RM constructs on customer loyalty. Commitment outclass above all the RM underpinnings and trust has so little direct impact on loyalty is at first surprising , although this may be an artifact of the use of the airline sector.

Service quality has a significant positive impact on trust, which is aligned with the view of Nicholson et al. (2001) that the customers' perception of service quality affects the level of trust given a service provider. However, looking at the technical and functional quality under service they have relatively a wider gap between them regarding the impact they exert on trust. The former one has relatively a substantial positive and significant impact on trust.

5.3 Recommendation

Based on the conclusion the following recommendation is forwarded.

This study suggests commitment as a critical factor in building customer loyalty, consisting of accommodating to customers' needs, tailoring products to requirements, being generally flexible and having a loyalty program in their customer relationships. Airlines should recognize the potency of service commitment in keeping loyal customers, and act accordingly. They must show genuine commitment to customer relations, not lip service.

Customers tend to be loyal to airline that handle customer complaints (which will always happen, regardless) and other conflicts satisfactorily. It is therefore important that effective conflict resolution mechanisms are not only in place but are proactive, so as to pre-empt potential sources of conflict and address them before problems become manifest. Effective reactive solutions should also be marshaled decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem as how it is handled. Airlines should be willing to discuss problems openly with their customers.

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty, in Ethiopian and elsewhere. Therefore, airlines should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transportation, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers' confidence in the airlines and its services.

Based on the study findings, the effect of airline service quality on passenger trust imply that a company with good airline services is more likely to stand out in the market place because it draws both repeat customers and trial users. Therefore airline companies should strive to be consistent with the quality of services they offer to their passengers.

.

Reference

- Amy Wong, Universitas 21 Global, Singapore, and Amrik S. Sohal Department of Management, Monash University, Caulfield East, Australia, Understanding the quality of relationships in consumer services,A study in a retail environment

- Anonymous (2006), "Easyjet and Ryanair flying high on the Southwest model: charting the ups and downs of low-cost carriers", Strategic Direction, Vol. 22 No. 6, pp. 18-21.

- Arndt, J. (1979), "Toward a Concept of Domesticated Markets", Journal of Marketing, Vol. 43 Autumn, pp. 69-75.

- Bagozzi, R.P. (1995), "Reflections on relationship marketing in consumer markets",Journal of the Academy of Marketing Science, Vol. 23 No. 1, pp. 272-7.

- Barnes, J.G. (1997), "Exploring the importance of closeness in customer relationships", American Marketing Association,Vol. 6, pp. 227-40.

- Bei, L. T. and Y. C. Chiao, 2001, „An integrated model for the effects of perceived product, perceived service quality, and perceived price fairness on consumer satisfaction and loyaltyٴ, Journal of Consumer

- Berry, L.L. (1983), "Relationship marketing", in Berry, L.L., Shostak, L.G. and Upah, G.D. (Eds), Emerging Perspectives on Services Marketing, American Marketing Association,Chicago, IL, pp. 25-8.

- Bieger, T., Agosti, S. (2005), "Business Models in the airline sector: evolution and perspectives, in:Delfmann, D., Baum, H., Auerbach, S., Albers, S. (2005), Strategic management in the aviation industry, Aldershot: Ashgate Publishing Ltd.

- Bitner, M.J. (1995), "Building service relationships: it's all about promises", Journal of the Academy of Marketing Science, Vol. 23 No. 4, pp. 246-251.

- Booms, B.H. and Bitner, M.J. (1981), "Marketing strategies and organization structures for service firms", in Donnelly, J.H. and George, W.R. (Eds), Marketing of Services, Proceedings Series, American Marketing Association,Chicago. IL.

- Bove, L.L. and Johnson, L.W. (2000), "A customer-service worker relationship model", International Journal of Service Industries Management, Vol. 11 No. 5, pp. 491-511.
- Buttle, F. (1996), Relationship Marketing, Theory and Practice, Paul Chapman Publishing, London.
- Carlsson, F., Löfgren, A (2006), "Airline choice, switching costs and frequent flyer programmes",Applied Economics, Vol. 38, pp. 1469-1475.
- Chan, K.W. and Ndubisi, N.O. (2004), "Building customer loyalty in the digital age through relationship marketing (RM) and the mediation effect of trust", Proceedings of the 5th International Conference on Operations and Quantitative Management, Seoul, SouthKorea, Korea, pp. 293-302.
- Chernit Boke,(2013)The effect of relationship marketing on customer loyalty(evidence from zemen bank)
- Collis, J., Hussey, R. (2003), Business research: a practical guide for undergraduate and postgraduate students, 2nd ed., London/Basingstoke: Palgrave Macmillan.relationships", Journal of Marketing, Vol. 51 No. 1, pp. 11-27.
- Earp, S., Harrison, T. and Hunter, A. (1999), "Relationship marketing: myth or reality?",in McLoughlin, D. and Horan, C. (Eds), Proceedings of the 15th Annual IMP Conference,UCD.
- Efrem Hailu,(2013), Factors affecting customer loyalty in banks: the case study of cooperative bank of Oromia.
- George and Mallery (2003). Business Research Methods, Oxford University Press, P19
- Ghauri, P., Grønhaug, K. (2005), Research methods in business studies: a practical guide, 3rd ed.,London: Pearson Higher Education.
- Gro¨nroos, C. (1990), "Relationship approach to marketing inservice contexts: the marketing and organizational behaviour interface", Journal of Business Research, Vol. 20,January, pp. 3-11.
- Gro¨nroos, C. (1984), "A service quality model and its marketing implications", European Journal of Marketing, Vol. 18 No. 4, pp. 36-44.
- Fisk, R.P., Brown, S.W. and Bitner, M.J. (1993), "Tracking the evolution of the services marketing literature", Journal of Retailing, Vol. 69 No. 2, pp. 61-103.
- Graham, A. (2006), "Have the major forces driving leisure airline traffic changed?", Journal of Air Transport Management, Vol. 12, pp. 14-20.

- Grönroos, C. (1978), "A service oriented approach to marketing of service", European Journal of Marketing, Vol. 12 No. 8
.
- Grossman, R.P. (1998), "Developing and managing effective consumer relationships", Journal of Product & Brand Management, Vol. 7 No. 1, pp. 27-40.

- Gummesson, E. (1994), "Broadening and specifying relationship marketing", Asia-Australia Marketing Journal, Vol. 2 No. 1, pp. 31-43

- Gundlach, G.T., Achrol, R.S. and Mentzer, J.T. (1995), "The structure of commitment in exchange", Journal of Marketing, Vol. 59 No. 1, pp. 78-93.

- Gwinner, K., Gremler, D. and Bitner, M.J. (1998), "Relational benefits in services industries: the customer'sperspective", Journal of the Academy of Marketing Science,Vol. 26 No. 2, pp. 101-14.

- Hakansson, H. Ed. (1982), International Marketing and Purchasing of Industrial Goods, Wiley, New York, NY.

- Hennig-Thurau, T., Gwinner, K., & Gremler, D. 2002, „Understanding relationship marketing outcomes‟. Journal of Service Research, vol. 4, no. 3, pp. 230-247.

- Han, X., Kwortnik, R.J., Wan, C. (2008), "Service loyalty: an integrative model and examination across service contexts", Journal of Service Research, Vol. 1 No. 1, pp. 22-42.
- Hanlon, P. (2007), Global airlines: competition in a transnational industry, 3rd ed., Burlington, MA:Butterworth-Heinemann.

- IATA (2007), "Corporate air travel survey: edition 2008", International Coviello, N.E. and Brodie, R.J. (1998), "From transaction to relationship marketing: an investigation of managerial perceptions and practices", Journal of Strategic Marketing, Vol. 6 No. 3, pp. 171-86.

- Cronbach, L.J. (1951), "Coefficient alpha and the internal structure of tests", Psychometrika,Vol. 16 No. 3, pp. 297-334.

- Dabholkar, P.A., Shepherd, D.C. and Thorpe, D.I. (2000), "A comprehensive framework for service quality: an investigation of critical conceptual and measurement issues through a longitudinal study", Journal of Retailing, Vol. 76 No. 2, pp. 139-73.

- Delfmann, D., Baum, H., Auerbach, S., Albers, S. (2005), Strategic management in the aviation industry, Aldershot: Ashgate Publishing Ltd.

- Doganis, R. (2006), The airline business, 2nd ed., Abingdon: Routledge.

- Dowling, G.R., Uncles, M. (1997), "Do customer loyalty programs really work?", Sloan Management Review, Summer 1997, pp. 71-82.

- Dwyer, F.R., Schurr, P.H. and Oh, S. (1987), "Developing buyer-seller Air Transport Association.
- Joubert, M. 2009. Deregulation in the South African optometry industry. 2009, 1(2009):1-86.

- Jackson, B. (1985), "Build Relationships that Last", Harvard Business Review, Vol. 63, November- December, pp. 120-28.

- Jago, L.K., & Shaw, R.N. 1998, „Special events: a conceptual and definitional framework‟‟, Festival Management and Event Tourism, vol. 5, no. 1, pp. 21-32.

- Jones, T.O., & Sasser, E.W. 1995, „Why satisfied customers defect‟, Journal of Harvard Business Review, November/December, pp. 88-99.

- Kim, J., Morris, J.D., Swait, J. (2008), "Antecedents of true brand loyalty", Journal of Advertising, Vol.37 No. 2, pp. 99-117. Knox, S. (1998), "Loyalty based segmentation

- Lederman, M. (2007), "Do enhancements to loyalty programs affect demand? The impact of international frequent flyer partnerships on domestic airline demand", RAND Journal of Economics, Vol. 38 No. 4, pp. 1134-1158.

- Jensen, H.R. (1997), "Creating and maintaining sustainable relationships with customers in consumer markets", American Marketing Association, Vol. 6, pp. 219-26.

- Jones, T.O., & Sasser, E.W. 1995, „Why satisfied customers defect‟, Journal of Harvard Business Review, November/December, pp. 88-99.

- Juliet Namukasa, The influence of airline service quality on passenger satisfaction and loyalty The case of Uganda airline industry , Vol. 25 No. 5, 2013 pp. 520-532 (A7)

- Joshi, A. (1993), "Long-term Relationships, Strategic Partnerships and Networks: A Contingency Theory of Relationship Marketing," in AMA Educators' Proceedings 1993, Chicago, IL,pp. 138-9.

- Kuusik, A. 2007. "Affecting customer loyalty: do different factors have various influences in different loyalty levels?", University of Tartu – Faculty of Economics & Business Administration Working Paper Series, , no. 58, pp. 3-29.

- Levitt, T. (1983), "After the Sale Is Over…", Harvard Business Review, Vol. 61, September-October,pp. 87-93.

- Lovelock, C.H. (1996), Services Marketing (3rd ed.), Prentice-Hall, London.
- Marandi, E. & Harris, J.2010.The impact of perceived service provider empathy on customer loyalty
- Malhotra, N.K., Birks, D.F. (2007), Marketing research: an applied approach, Harlow: Prentice Hall/Financial Times.
- Mason, K.J., Alamdari, F. (2007), "EU network carriers, low cost carriers and consumer behaviour: a Delphi study of future trends", Journal of Air Transport Management, Vol. 13, pp. 299-310.
- Mattsson, L-G. (1997), "Relationship marketing and the "market-as-networks" approach: a comparative analysis of two evolving streams of research", Journal of Marketing Management, Vol. 13 No. 5, pp. 447-61.
- Moorman, C., Zaltman, G. and Deshpande´, R. (1992), "Relationships between providers and users of market research: the dynamics of trust within and between organizations", Journal of Marketing Research, Vol. 29 No. 8, pp. 314-28.Morgan, R.M., Hunt, S.D. (1994), "The commitment trust theory of relationship marketing", Journal of Marketing, Vol. 58 No. 3, pp. 20-38.
- Nelson Oly Ndubisi ,Relationship marketing and customer loyalty Monash University Malaysia, Selangor, Malaysia Marketing Intelligence & Planning Vol. 25 No. 1, 2007 pp. 98-106q Emerald Group Publishing Limited
- Neeru Sharma and Paul G. Patterson An article on The impact of communicationeffectiveness and service qualityon relationship commitment in consumer, professional services , THE JOURNAL OF SERVICES MARKETING, VOL. 13 NO. 2 1999, pp. 151-170
- Ndubisi, N.O. (2004), "Understanding the salience of cultural dimensions on relationship marketing, its underpinnings and aftermaths", Cross Cultural Management, Vol. 11 No. 3, pp. 70-89.
- Nyadzayo, M. 2010. The mediating role of customer relationship management on customer retention at selected motor vehicle dealership in the Buffalo City Municipality, University of Fort Hare, South Africa.
- Oliver, R.L. (1997), Satisfaction: A Behavioral Perspective on the Consumer, McGraw Hill, New York, NY.
- Oppermann, M. 1999, „Whence consumer loyaltỷ, Journal of Marketing, vol. 63, Special issue, pp. 33-44.
- Oppermann, M. 2000, „Tourism destination loyaltỷ, Journal of Travel Research, vol. 39, no. 1, pp. 78-84.

- Palmer, A. (2005), Principles of service marketing, 4th ed., Maidenhead: McGrawHill Education.

- Pompl, W., Schuckert, M.R., Möller, C. (2003), "Zur Differenzierung der Geschäftsmodelle imPersonenluftverkehr: die Full Service Network Carrier", Tourism Journal, retrieved Jan. 15,2009, URL: http://www.pompl.net/Pompl/Luftverkehr/Downloads/TJ_Geschaeftsmodelle.pdf.

- Punniyamoorthy, M., Raj, M.P.M. (2002), "An empirical model of brand loyalty measurement",Journal of Targeting, Measurement and Analysis for Marketing, Vol. 15 No. 4, pp. 222-233.

- Rapp, S. and Collins, T. (1990), The Great Marketing Turnaround, Prentice-Hall, EnglewoodCliffs, NJ.

- Ravald, A. and Gro¨nroos, C. (1996), "The value concept and relationship marketing", European Journal of Marketing, Vol. 30 No. 2, pp. 19-30.

- Reichheld, F. and Sasser, E. (1990), "Zero defections: quality comes to services", Harvard Business Review, September-October, pp. 105-11.

- Riley, F.D. and Chernatony, L. (1997), "The service brandand relationship marketing: state of the art perspectives", American Marketing Association, Vol. 6, pp. 227-40.

- Rootman, C. 2006. The influence of customer relationship management on the service quality of banks, Nelson Mandela Metropolitan University.

- San Martı´n, S., Gutie´rrez, J. and Camarero, C. (2003), "Firms' signals as factors that engender consumers' trust", paper presented at the 32nd EMAC Conference, University of Strathclyde, Glasgow.

- Saunders, M., Lewis, P., Thornhill, A. (2007), Research methods for business students, London:Prentice Hall.

- Simon, B. (2008), "Zoom grounds transatlantic jet fleet", Financial Times Ltd., Aug. 28, 2008,retrieved: Feb. 09, 2009

- Shani, D. and Chalasani, S. (1992), "Exploiting Niches Using Relationship Marketing", The Journal of Consumer Marketing, Vol. 9 No. 3, pp. 33-42.

- Shaw, S. (2007), Airline marketing and management, 6th ed., Aldershot: Ashgate Publishing Ltd

- Shapiro, B. (1991), "Close Encounters of the Four Kinds: Managing Customers in a Rapidly Changing Environment", in Dolan, R. (Ed.), Strategic Marketing Management, Harvard University Press, Boston, MA, pp. 429-52.

- Sharp, B. and Sharp, A. (1997), “Loyalty programs and their impact on repeat-purchase loyalty patterns”, International Journal of Research in Marketing, Vol. 14, pp. 473-86.

- Shaw, S. (2007), Airline marketing and management, 6th ed., Aldershot: Ashgate Publishing Ltd.

- Shelby D. Hunt and Dennis B. Arnett, The explanatory foundations of relationship marketing theory, Journal of Business & Industrial Marketing21/2 (2006) 72–87

- Sheth, J.N., Parvatiyar, A. (1995b), "Relationship marketing in consumer markets: antecedents and consequences", Journal of the Academy of Marketing Science, Vol. 23 No. 4, pp. 255-271.

- Sheth, J. and Parvatiyar, A. (2000), Handbook of Relationship Marketing, Sage, Thousand Oaks,CA.

- Tax, S.S., Brown, S.W. and Chandrashekaran, M. (1998),“Consumer evaluations of service complaint experiences: implication for relationship marketing”, Journal of Marketing, Vol. 62, April, pp. 60-76.

- Tiernan, S., Rhoades, D.L., Waguespack, B. Jr. (2008), "Airline service quality: exploratory analysis of consumer expectations and operational performance in the USA and EU", Managing Service Quality, Vol. 18 No. 3, pp. 212-224.

- Varey, R. (2002), Relationship Marketing, Dialogue and Networks in the E-commerce Era, Wiley, London

- Vargo, S.L., Lusch, R.F. (2004), "Evolving to a new dominant logic for marketing", Journal of Marketing, Vol. 68, pp. 1-17.

- Veloutsou, C., Saren, M. and Tzokas, N. (2002), “Relationship marketing, what if . . .?”, European Journal of Marketing, Vol. 36 No. 4, pp. 433-49.

- Webster, F.E. Jr (1992), “The changing role of marketing in the corporations”, Journal of Marketing, Vol. 56 No. 1, pp. 1-17.

- Wilson, D.T. and Jantrania, S. (1995), “Understanding the value of a relationship”, Asia-Australia Marketing Journal, Vol. 2 No. 1, pp. 55-66.

- Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996), “The behavioral consequences of service quality”, Journal of Marketing, Vol. 60 No. 2, pp. 31-46.

- Zhang, J., Bloemer, J.M.M., (2010), "The impact of value congruence on consumer-service brand relatio nships", Journal of Service Research, Vol. 11 No.2, pp. 161-178.

Addis Ababa university of School of Commerce, Master of Marketing Management

A questionnaire to be filled by passengers of Ethiopian airlines who found at the main hub Addis Ababa.

Dear sir/Madam,

My name is Yonnas Tsegaye, a postgraduate student of Addis Ababa University School of commerce. I am conducting a study about factors affecting customer loyalty in the airlines industry. Therefore, I kindly request you to take some time and respond to the entire question, honestly. I assure you that all the responses will be treated confidentially and will only be used for this study. Participation is purely voluntary and no need to write your name.

Your cooperation is very crucial for the success of this research.

I thank you in advance for offering your golden time.

Please complete the section by ticking the (X) mark in the option applicable to your statement.

Part1: General information

1. Gender Male ☐ Female ☐
2. Age below 20 ☐ 20-40 ☐ 41-60 ☐ Above 60 ☐

3. You are

Student ☐ trainee ☐ company employee ☐
Government employee ☐ Professional/private business ☐
Housewife/househusband ☐ other ☐

4. How many times you approximately have been flying with airlines in the past five years?

- More than once per month ☐
- Once per month ☐
- Once every 3 month ☐
- Once every 6 month ☐
- Less than once per year ☐

4. What is the purpose of your travel?

- Business ☐
- Leisure ☐
- Other ☐

5. Which route you are traveling or your destination?

____

Part 2. Five-point Likert scale quesstionnaie.

Please indicate the extent to which you agree or disagree with each of the following statements. Circle the number 1 to 5 that best represent your level of agreement with the statement.

1. **Strongly Disagree; 2. Disagree; 3. Neutral; 4. Agree; 5. Strongly agree**

	Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
	TRUST					
1	The airline can be relied onto keeping its promises	**5**	**4**	**3**	**2**	**1**
2	I feel safe when I with this airline	**5**	**4**	**3**	**2**	**1**
3	I have confidence in the airline service	**5**	**4**	**3**	**2**	**1**
4	The airlines fulfill its obligations to the customers	**5**	**4**	**3**	**2**	**1**
5	Employees of the airline show respect to customers	**5**	**4**	**3**	**2**	**1**
6	This airlines does really care for me	**5**	**4**	**3**	**2**	**1**
	TECHNICAL QUALITY					
1	The airline provide quality food and beverage	**5**	**4**	**3**	**2**	**1**
2	The airline have effective baggage handling	**5**	**4**	**3**	**2**	**1**
3	The check-in service of this airline is good	**5**	**4**	**3**	**2**	**1**
4	The reservation and ticketing is prompt and accurate	**5**	**4**	**3**	**2**	**1**
5	The airline offers high seat comfort	**5**	**4**	**3**	**2**	**1**

6	The lounges and other facility at the airport is good	**5**	**4**	**3**	**2**	**1**
	Functional quality					
1	Employee of the airline appear neat and tidy	**5**	**4**	**3**	**2**	**1**
2	The cabin crew and other staff of this airline is friendly and have a good language skill	**5**	**4**	**3**	**2**	**1**
3	My flight experience with this airlines has exceeded my expectation	**5**	**4**	**3**	**2**	**1**
4	The airline offers good in-flight entertainment services	**5**	**4**	**3**	**2**	**1**
	Commitment					
1	The airlines make adjustment to suit my need	5	4	3	2	1
2	The airlines is flexible when in serving my need	5	4	3	2	1
3	The airline offers personalized services to meet customers need	5	4	3	2	1
4	The Frequent flyer program(Sheba miles) makes me attached to this airlines	5	4	3	2	1
5	I feel strongly attached to this airline	5	4	3	2	1
	Conflict handling					
1	The airline has the ability to openly discuss solution when problems arise	5	4	3	2	1
2	The airlines tries to solve manifest conflicts before they create problem	5	4	3	2	1
3	The airlines is concerned about answering customer complaints	5	4	3	2	1
4	Sincere interest in solving problems(flight cancelation, baggage loss, etc)	5	4	3	2	1
	Communication effectiveness					
1	Information provided by the airlines is always accurate	5	4	3	2	1
2	The airline provides information when there is new service that appeal to me	5	4	3	2	1
3	The airline provides timely and trustworthy information	5	4	3	2	1

Customer loyalty						
1	I consider my self to be loyal to this airlines	5	4	3	2	1
2	I say positive things about the this airlines to others	5	4	3	2	1
3	**I** will consider this airlines for air transport in the next few years	**5**	**4**	**3**	**2**	**1**
4	I consider this airlines as first choice for air transport	**5**	**4**	**3**	**2**	**1**