



**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
POSTGRADUATE STUDIES DEPARTMENT OF MARKETING**

**The Effect of Brand Equity on Customers Preference:  
*An Empirical Study of Ethiopian Airlines***

**By Meron Negash  
GSD/ 1034/08**

**28<sup>th</sup> November 2018  
Addis Ababa, Ethiopia**

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**GSD/ 1034/08**

**Advisor Mulugeta G/Medhin (PhD)**

**The thesis Submitted to Addis Ababa University, School of commerce in  
Partial Fulfillment for the Award of the Degree of Master of Arts in  
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## **ABSTRACT**

*The study aimed to empirically investigate the effect of brand equity on customer preference in the case of Ethiopian Airlines within Addis Ababa. This study attempt to address research questions or problems that the central issue of airlines industry is the issue of building its brand awareness, brand association, brand loyalty and perceived quality. It adopts quantitative method, descriptive and explanatory research design to answer the research questions. Accordingly 340 close ended questionnaires were distributed to customers of Ethiopian Airlines who in Addis Ababa through systematic sampling technique and distributed questioner using convenient sampling technique. Out of this, 323 questioners were used for analysis.*

*The questionnaires were analyzed using SPSS version 20. Pearson Correlation were used to establish the relationship between the independent and dependent constructs of the research. The findings revealed that the four independent variables (i.e. Brand awareness, perceived Quality Brand loyalty, Brand Association) are statistically important determinants of customer preference in the Airlines industry. A conclusion was drawn to the effect that since factor influencing customer preference have been established, airlines should note these and emphasize them in their marketing strategy.*

**Keywords:** *Customer Preference, Brand awareness, perceived Quality Brand loyalty, Brand Association.*

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# Chapter One

## Introduction

### 1.1 Background of the Study

Brand equity refers to the incremental utility or value added to a product from its brand name. It is often believed to contribute to a company's long-term profitability. This study looks at relationships between airline brand equity, brand preference, and purchase intentions for air passengers, and at the potential effects of brand equity using a sample of Ethiopian air passengers taking international flights.

The most important valuable assets for brand to be taken as a top priority of a cross road section of an organization is the growing realization that one of the most valuable assets that firms have is the intangible assets that is their brands. The concept of branding and identity is to create a look and feel immediately identifiable and recognizable in the marketplace. Good branding can increase the value of the product and the company itself. A company's identity in the marketplace can easily make or break its profitability as a whole. Well-executed branding helps create customer loyalty by reinforcing the purchase of merchandise in the consumer's mind.

Brand equity is the value of the brand in the marketplace. A brand with high equity means that the brand has the ability to create some sort of positive differential response in the marketplace. This can mean that the brand is easily recognizable when encountered in advertising or in any place.

Brand preferences have long been explained using traditional models, which largely focus on consumers' cognitive judgement of brand attributes on a rational basis. However, the shift to experiential marketing, the cornerstone of branding, has expanded the role of the brand from a bundle of attributes to experiences. It also considers both the rational and irrational aspects of consumer behavior (Schmitt, 1999 Schmitt, B. (1999)

In addition, technological advances have increased the similarities between brands and product commoditization. Therefore, consumers find it difficult to differentiate between brands on functional attributes alone (Petruzzellis, 2010 Petruzzellis, L. (2010).

Moreover, psychologists view preference as a learning construct and define experience and information processing as the two main sources of consumer preference learning (Amir & Levav, 2008 Amir, O., &

Levav, J. (2008). ; Howard, J. A., & Sheth, J. N. (1969) suggest that brand preference refers to consumers' predisposition towards certain brands that summarize their cognitive information processing towards brand stimuli. As a direct source of consumer preferences, it is suggested that experience promotes better memory with vivid and concrete information (Paivio, 1971). Schwarz indicates that consumers rely on their experiences as trusted sources of information, to judge between alternatives and make choices. Consumers prefer brands that provide a meaningful experience (Goode, Dahl, & Moreau, 2010)

The main objective of this study is to empirically test a conceptual model of customer brand equity. This study attempts to verify the determinants of brand equity of services based on consumers' perception of Ethiopian Airlines Services. The conceptual framework of this study is based on customer-based brand equity which includes brand awareness, perceived quality, brand associations and brand loyalty.

## **1.2 Aviation in Ethiopia**

The Ethiopian airlines was established on 1945, is one of the world's and Africa's oldest airlines, with over sixty years of existence (Iches et.al 2005). On April 08, 1946, the airline started operation by making its first domestic flight to Gondar and in 1951 international flight to Cairo (Saunders 1971). This makes the airline to take the pioneer position in African air transport industry (Bahru 1988).

In a thesis entitled African Air Transport in the 21st Century: a case study of a contrasting experience of Nigeria and Kenya, describes Ethiopia as a country which has a successful air transport experience and in the detail analysis Ethiopian Airlines is recognized as a successful airline (Fatokun 2005). Similarly, in a thesis entitled as The Economic Effects of Progressive Air Transport Liberalization in Africa: The Case of City-Pair Routes to/from Addis Ababa, Ethiopian Airlines is considered as a successful African flag carrier airline (Megersa 2007).

Its hub and headquarters are at Bole International Airport in Addis Ababa, from where it serves a network of 125 passenger destinations 20 of them domestic and 44 freighter destinations. The airline has secondary hubs in Togo and Malawi. Ethiopian flies to more destinations in Africa than any other carrier. It is one of the fastest-growing companies in the industry and is the largest on the African continent

### 1.3 Statement of the Problem

In the scope of 21st century, branding managements' importance is an incrementally increasing subject for companies, marketing academicians and researchers. Although their importance of this subject is not controversial, existing researches on the brand equity of airline industries are unsatisfactory and require more studies (Chen and Tseng 2010; Chen and Chang 2008)

The driving forces of the airline industry have fashioned itself into competitive environment between and amongst the business models amidst a constantly falling airfare for the services rendered. The objective of loyalty is explained by the attitudinal commitment of customers towards single brand loyalty (Dough Grisaffe, 2001; Valchos & Lin, 2014; M.Mellens, 1996) which is reinforced by the behavioral demonstration of purchase and repurchase of products from the same brand. This is the ultimate return on customer loyalty for an airline. However, empirical evidence from variety of industries shows that customers are polygamous. They are loyal to a portfolio of brands in a product category and few customers are monogamous (100% loyal).

Ethiopian Airlines has profited \$232 million in a year 2017 and highly contributed to the economy of the country. The service sector is an important component of any country's economy. It makes a direct and significant contribution to GDP, job creation and provides crucial inputs for the rest of the economy, thus having a significant effect on the overall investment climate, growth and development (Massimiliano et al. 2008).

The Ethiopian Airlines carryout targeted marketing campaigns and provide economic rewards to registered loyal members to induce loyalty to their brand. Airlines measure the response to the campaigns based on the amount or number of actions the loyal customer has taken in the direction of the campaign using various electronic tools. However, airlines do not measure the degree of attitudinal commitment loyal customers have towards the brand with demonstrated purchase behavior.

This triggered the researcher to undertake this study on Ethiopian Airlines to assess the degree of customer loyalty built by the many efforts of the airline marketing programs in building brand equity of the airline. The main purpose of this article is to illustrate the relationship between brand equity and brand preference and consumer's intention to purchase. The study also seeks to understand how we can create a successful brand by understanding the consumer behaviour in the competitive market today.

## **1.4 Research Question**

The researcher analyzed previous related articles in the area of the research topic and responded to the following main research questions.

What is the effect of brand equity on customer preference in Ethiopian Airlines?

Sub-Research Questions: -

1. To what extent brand awareness affects customer's preference of Ethiopian Airlines?
2. How does perceived quality influence customer preference of Ethiopian Airlines?
3. In what ways does brand association affect customer preference of Ethiopian Airlines?
4. How does brand loyalty influence customer preference of Ethiopian Airlines?

## **1.5 Research Objectives**

### **General Objective**

The purpose of this study is to examine the possible relationship between brand equity and customer preference in the case of Ethiopian Airlines. Logical reasoning behind the study hypothesizes that is it because customers are satisfied by the service, the more they prefer the Ethiopian Airlines brand.

### **Specific Objective**

This study has the following specific research objectives:-

- To investigate the effect of brand awareness on the customer loyalty in the case of Ethiopian Airlines.
- To analyze the effect of perceived quality on the customer preference of Ethiopian Airlines.
- To examine the effect of brand association on the customer preference in the case of Ethiopian Airlines.
- To evaluate the effect of brand loyalty on Ethiopian Airlines.

## **1.6 Significance of the Study**

The benefit of this study is to provide an empirical examination of the effect of brand equity on customer preference to Ethiopian Airlines. It also contributes to a better understanding of the loyal customers that airlines invest to attract and retain loyal customers.

## **1.7 Scope of the Study**

The research has focused on international flight passengers and who travels outside of Ethiopia at least one times through Ethiopian Airlines by using convenience sampling method that the researcher believes the sample will be representative of the population.

The scope of the study focused on customers of whose choice of airline is Ethiopian Airlines and degree to which their loyalty is affected by the factors of brand awareness, perceived quality, brand loyalty and brand associations. The study took place in Addis Ababa, Ethiopia.

## **1.8 Limitation of the Study**

The survey will be conducted both online and using hard copy of the questionnaire in English language by taking into consideration that people who are travelling overseas have one common language mostly English.

## **1.9 Definition of Terms**

Brand -Unique design, sign, symbol, words, or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors. Over time, this image becomes associated with a level of credibility, quality, and satisfaction in the consumer's mind (positioning). Brands help harried consumers in crowded and complex marketplace, by standing for certain benefits and value. Legal name for a brand is trademark and, when it identifies or represents a firm, it is called a brand name. Brand meanings create value for the firm and its customers by helping to process/retrieve information, differentiate the brand, create positive attitudes or feelings, and provide a reason to buy that product or service (Aaker, 1991).

Branding - The process involved in creating a unique name and image for a product in the consumers' mind, mainly through advertising campaigns with a consistent theme. Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers.

Brand Equity - A brand's power derived from the goodwill and name recognition that it has earned overtime, which translates into higher sales volume and higher profit margins against competing brands. According to Aaker (1991) brand equity is "...a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtracts from the value provided by a product or service to a firm and/or to that firm's customers".

Customer Loyalty - Likelihood of previous customers to continue to buy from a specific organization. Great attention is given to marketing and customer service to retain current customers by increasing their customer loyalty. Organizations employ loyalty programs which reward customers for repeat business.

## **1.10 Organization of the Study**

The study is organized under five chapters. The first chapter is the introductory part which bears with Background of the study, Statement of the problem, Research Questions, Objective of the study, Significance of the Study, Scope of the Study and Limitation of the Study. The second chapter deals with review of related literature and formulation of a model. The third chapter presents the research methodology part discussing the research design, sampling design, method of data collection, and source of data and method of data analysis. The fourth chapter deals with the data presentation of the respondents wherein the data gathered is analyzed and interpreted. Finally, the last chapter attempts to summarize the findings; conclude and recommend based on the findings.

# **Chapter Two**

## **Literature Review**

### **2.1 Theoretical Review**

#### **2.11 Branding**

The scale of adoption of branding has been breath-taking. An activity that for three-quarters of the 20th century was mainly confined to consumer goods and services now features in industrial and business-to-business sectors, the public and voluntary sectors, utilities and non-governmental organizations. Within the consumer sector, the development of technology has added thousands of new products and services: computer games, laptops, mobile telephones, the Internet and the countless services it distributes.

In parallel, we have seen the emergence of two new practices in branding: the application of branding techniques to corporations, and the internalization of brands and their management, particularly within services businesses where the employee is pivotal in delivering customer satisfaction.

The visual distinctiveness of a brand may be a combination of any of the following: name, letters, numbers, a symbol, a signature, a shape, a slogan, a colour, a particular typeface. But the name is the most important element of the brand as its use in language provides a universal reference point. Brands rely for their visual distinctiveness on the harmonious combination of these elements and the consistency with which this is maintained.

The 1980s marked a turning point in the conception of brands (Kapferer 2008). It is defined as a name, term, sign, symbol, or design or a combination of these, that identify the products or services of one seller or group of sellers and to differentiate them from those of competitor (Kotler and Armstrong 2012).

The value to businesses of owning strong brands is incontestable. Brands that keep their promise attract loyal buyers who will return to them at regular intervals. The benefit to the brand owner is that forecasting cash flows becomes easier, and it becomes possible to plan and manage the development of the business

with greater confidence. Thus brands, with their ability to secure income, can be classed as productive assets in exactly the same way as any other, more traditional assets of a business (plant, equipment, cash, investment and so on).

## **2.12 Branding in Services**

According to Yoo and Donthu (2001), brand image can influence a company's future profits and long-term cash flow, a consumer's willingness to pay premium prices, merger and acquisition decision making, stock prices, sustainable competitive advantage, and marketing success. Three main aspects of brand equity are usually considered: i.e. the financial perspective, the customer-based perspective, and the combined perspective (Keller, 1993). Here we focus on the customer-based perspective (Morgan, 2000). The operationalization of customer-based brand equity can be divided into consumer perception (e.g. brand awareness, brand associations, perceived quality) and customer behavior (e.g. brand loyalty, willingness to pay a high price). Cobb- Walgren et al. (1993) develop a framework for studying various antecedents and consequences of brand equity from the customer perspective and suggest that consumers' brand perceptions contribute to the meaning or value of a brand. Brand equity then influences consumer preferences and purchase intentions, and ultimately brand choice. Hence, the causal relationship is identified: brand equity) preferences) purchase intentions.

In addition, branded service firms outperform non-branded properties on performance indicators. Such linkages have been empirically validated by Kim and Kim (2005), who establish a positive relationship between brand success (i.e., brand equity) and performance in the service sector.

Branding a service can help consumers by helping to assure them of a uniform level of service quality (Berry 2000). It also aids the service provider by elevating the service above the commodity level to differentiate the service relative to competing brands. Bharadwaj et al. (1993) have also argued that branding may be more important for services than goods due to the complexity faced by consumers in the purchase of services.

## 2.13 Customer Based Brand Equity

The concept of brand equity began to be used widely in the 1980s by advertising practitioners and was then popularized by David A. Aaker through his bestselling book on the subject – “Managing Brand Equity” (1991).

Brand equity is the difference between a brand’s assets and brand’s liabilities. Brand assets are a function of *reputation, quality, relevance, and loyalty*. The concept is well illustrated with the help of the attached figure. Brand liabilities are incurred by brands because of failures and questionable business practices that may increase costs and liabilities. The larger the ratio of brand assets to brand liabilities, the greater is the brand equity.

Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset. Brand equity can include: the monetary value or the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product; the intangible value associated with the product that cannot be accounted for by price or features; and the perceived quality attributed to the product independent of its physical features. A brand is nearly worthless unless it enjoys some equity in the marketplace. Without brand equity, you simply have a commodity product

Brand Equity is the measurable value derived from marketing and other strategic and management efforts attributable to a brand.

Brand Equity enables buying decisions , builds customer loyalty , builds and protects market share, helps command higher prices, assists business expansion, more trade support, and increases market value but there is a flip side, a neglected brand erodes value. Customer based brand equity is the differential effect that brand knowledge has on consumer response to the marketing of the brand.

A brand has positive customer based brand equity (CBBE) when consumer react more favorably to an offering and its marketing. A brand has negative CBBE when consumer react less favorably to an offering and its marketing when the brand is identified than when it is not.

"The challenge for marketers in building a strong brand is ensuring that customers have the right type of experiences with products and services and their accompanying marketing programs so that the desired

thoughts, feeling, images beliefs, perceptions, options, and so on become linked to the brand. " Kevin Lane Keller

The evolution of information and communication technologies caused a diversity of customer needs and desires to surface. Those needs and desires by the customers are leading, even forcing, companies to create various competitive strategies. Effective competitive strategies have to be sustainable. A basic way of sustainable competitiveness is understanding the meaning of a brand in terms of customer perspective which defined as customer based brand equity (Taskin and Akat 2010).

Brand equity has been defined in a variety of ways (Keller 1993). Some authors define brand equity as the value added by the brand to the product (Aaker 1991; Kamakura and Russell 1993; Farquhar 1989). There have been two general motivations for studying brand equity. One is a financially based motivation to estimate the value of a brand more precisely for accounting purposes. A second reason for studying brand equity arises from a strategy based to improve marketing productivity (Keller 1993). Customer based brand equity is defined as the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller 1993). Also according to Keller (1993) brand knowledge is defined in terms of two components, brand awareness and brand image. Brand awareness relates to brand recall and recognition performance by consumers. Brand image refers to the impression by brand associations in the customers' mind. Then the concept of consumer based brand equity is considered in more detail by discussion of how it can be built, measured and managed. Aaker (1991; 2001) identified the conceptual dimensions of the brand equity as brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand assets such as patents, trademarks and channel relationships. The aforementioned four dimensions of brand equity represent consumer perceptions and reactions to the brand, while propriety brand assets are not pertinent to consumer based brand equity (Aaker 1996; Christodoulides and Chernatony 2010).

There are two well-established models of brand equity that rely in various ways on consumer psychology principles. Keller (1993, 1998) has approached brand equity from somewhat more of a consumer behaviour perspective. He defines 'customer-based brand equity' as the differential effect that brand knowledge has on the consumer or customer response to the marketing of that brand. According to this model, a brand is said to have positive customer based brand equity when customers react more favourably to a product and the way it is marketed when the brand is identified, as compared to when it is not (e.g., when it is attributed to a fictitiously named or unnamed version of the product). Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds

some strong, favourable, and unique brand associations in memory. Keller views brand building in terms of a series of logical steps: establishing the proper.

Aaker has approached brand equity largely from a managerial and corporate strategy perspective but with a consumer behaviour underpinning. He defines brand equity as a set of four categories of brand assets (or liabilities) linked to a brand's name or symbol that add to (or subtract from) the value provided by a product or service to a firm and/or to that firm's customers:

These study uses Aaker's Model for the reason that the elements used in these model are essential factors in determining customer loyalty in brand equity.

*David A. Aaker* considers that brand equity is “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm/or to that firm's customers”. Although the assets and liabilities on which brand equity is based will differ from context to context, they can be usefully grouped into five categories: brand loyalty, brand name awareness, perceived brand quality, brand associations, and other proprietary brand assets. Aaker's concept is summarized in Figure 1, the figure illustrating how each brand equity asset/liability generates value for the customer or the firm in a variety of ways.

**Brand loyalty** generates value by reducing marketing costs and leveraging trade. Loyal customers expect the brand to be always available and entice others advising them to use it. Retaining existing customers is much less costly than attracting new ones and even if there are low switching costs there is a significant inertia among customers. It is also difficult for competitors to communicate to satisfied brand users because they have little motivation to learn about alternatives. Therefore competitors may be discouraged from spending resources to attract satisfied and loyal customers and even if they do so, there is plenty of time to respond accordingly to that action.

Two approaches to the study of brand loyalty have dominated marketing literature. The first, a behavioural approach to brand loyalty, views consistent purchasing of one brand over time as an indication of brand loyalty. Behavioural measures have defined loyalty by the sequence of purchases and/or the proportion of purchases. Repeat purchasing behaviour is assumed to reflect reinforcement and a strong stimulus-to-

response link. But, such loyalty may lack commitment to the brand and reflect repeat buying based on inertia. The second, a cognitive approach to brand loyalty, underlines that behaviour alone does not reflect brand loyalty. Loyalty implies a commitment to a brand that may not be reflected by just measuring continuous behaviour. A family may buy a particular brand because it is the lowest-priced brand on the market. A slight increase in price may cause the family to shift to another brand. In this case, continuous purchasing does not reflect reinforcement or loyalty. The stimulus (product) and reward links are not strong. We can conclude that some of the apparent limitations of the strictly behavioural approach in measuring brand loyalty are overcome when loyalty includes both attitudes and behaviour. (Assael 1992, 87–89; Samuelsen – Sanvik 1997, 1123–1128)

Brand loyalty, which can reflect a range from the habitual buyer to the satisfied buyer to those that like the brand to the truly committed – generates value mainly by reducing marketing costs: retaining existing customers is much less costly than attracting new ones. It is also difficult for competitors to communicate to satisfied brand users because they have little motivation to learn about alternatives. The burden on the competitor brand is substantial. A common mistake is to grow sales by enticing new customers to the brand while neglecting existing ones. Loyal customers, in some cases, can also entice others by using the product or advising others to use it. (Aaker 1992, 30)

Brand loyalty is a complex phenomenon. At least seven different types of brand loyalty can be distinguished. In emotional loyalty, unique, memorable, reinforcing experiences create a strong emotional bond with a brand. Positive word-of-mouth is likely to be very high. In identity loyalty, the brand is used as an expression of self, to bolster self-esteem and manage impressions. Branding prospects into related product categories are good. In differentiated loyalty, brand loyalty is based on perceived superior features and attributes. Here, demonstrations and trials are very important tools of marketing tactics. In contract loyalty, a consumer believes that continued loyalty earns him or her special treatment, but a competitor can question whether the consumer's trust is being exploited. In switching cost loyalty, a consumer is loyal because the effort involved in considering alternatives and adapting to a new alternative is not worth the expected return. Sometimes, the consumer may even be dissatisfied but will remain loyal because a competitor is perceived to be same. Competitors can undermine loyalty by making it easy to switch through, e.g., product design, training and terms. In familiarity loyalty, brand loyalty is the result of top-

of-mind brand awareness. This kind of loyalty is defended and attacked by constant, attention arising advertising that builds top-of-mind brand awareness. Finally, in convenience loyalty, brand loyalty is based on buying convenience. This type of loyalty may be attacked by the expansion of a competitor into convenience channels. It can be concluded that some types of loyalties are relatively easy to change because the habit is only superficial, sustained by buying convenience or the fact that the brand is the first to occur to mind. (Dickson 1994, 100–101)

Brand awareness, even at the recognition level, can provide the brand with a sense of the familiar and a signal of substance and commitment. Brand awareness consists of brand recognition and brand recall. A brand that is familiar is probably reliable and of reasonable quality. Awareness at the recall level further affects choice by influencing what brands get considered and selected as the brand must first enter the consideration set before being on the purchase list. It relates to the consumers' ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type of probe as a cue. In other words, brand recall requires that consumers can correctly generate the brand from memory.

Brand recall is based on unaided recall, which is a substantially more difficult task than recognition. Brand recognition requires that consumers correctly discriminate the brand as having been seen or heard previously. Brand recognition is the minimal level of brand awareness. It is based upon an aided recall test. Brand recognition is particularly important when a buyer chooses a brand at the point of purchase. Brand awareness involves a continuum ranging from an uncertain feeling that the brand is recognised to a belief that it is the only one in the product category. (Aaker 1991, 61–62)

The relative importance of brand recognition and recall depends on the extent to which consumers make decisions in the store versus outside the store. Brand recognition may be more important to the extent that product decisions are made in the store. (Keller 1993, 3; Keller 1998, 87–92)

Brand awareness plays an important role in consumer decision making for three major reasons. First, it is important that consumers think of the brand when they think about the product category. Raising brand awareness increases the likelihood that the brand will be a member of the consideration set. Second, brand awareness can affect decisions about a brand in the consideration set. For example, some consumers have been shown to adopt a decision rule to buy only familiar, well-established brands. In low involvement decision settings, a minimum level of brand awareness may be sufficient for product choice, even in the absence of a well-formed attitude. Finally, brand awareness affects consumer decision making by influencing the formation and strength of brand associations in the brand image. (Keller 1993, 3)

Perceived quality provides a reason to buy. A brand will have associated with it a perception of overall quality not necessarily based on a knowledge of detailed specifications. The quality associated with a brand can also be a strong factor of differentiation and positioning. Perceived quality cannot necessarily be objectively determined, because perceived quality itself is a summary construct. (Aaker 1991, 85–86)

In many contexts, the perceived quality of a brand provides a pivotal reason to buy. It is influencing which brands are included and excluded from the consideration set and which brand is to be selected. A principal positioning characteristic of a brand is its location within the dimension of perceived quality. A perceived quality advantage provides the option of charging a premium price. The price premium can increase profits and/or provide resources with which to reinvest in the brand. Perceived quality can also be meaningful to retailers, distributors and other channel members and thus aid in gaining distribution. Channel members are motivated to carry brands that are well regarded. In addition, the perceived quality can be exploited by introducing brand extensions, using the brand name to enter new product categories. A strong brand with respect to perceived quality will be able to extend further, and will find a higher success probability than a weak brand. (Aaker 1991, 86–88)

Building a strong durable brand implies nevertheless an above average quality positioning or at least a minimum perceived quality when considering brands positioned as low market competitors. Perceived quality can also attract channel member interest, allow extensions and support a higher price that provides resources to reinvest in the brand.

Brand associations may refer to persons, a “use context”, a life style or a personality or a mental linkage to the brand. All of these may change the use experience and help process and retrieve information in a specific manner. Two identical products may create a different effect in using only because their brand’s associations differ. Associations can be critical factors in differentiating and positioning, creating a reason to buy to those potential customers who are looking for specific associated physical or emotional features. If a brand is well positioned upon a key product attribute the attempt of a frontal assault by claiming superiority via that dimension will be a credibility failure, thus an association being a barrier to competitors. A strong association may be also the basis of a brand extension providing significant competitive advantage in the targeted area. The associations that a well-established brand name provides can influence purchase behaviour and affect user satisfaction. Even when the associations are not important

to brand choices, they can reassure, reducing the incentive to try other brands. (Aaker 1991, 272; Aaker 1992, 31) Several Additional distinctions can be made within these types according to the qualitative nature of the association. Illustrates the main types of brand associations. (Dickson 1994, 310–311; Keller 1993, 4; Keller 1998, 93–102)

The first types of brand associations are brand attributes. Attributes are those descriptive features that characterise a product or service. Attributes can be distinguished according to how directly they relate to product or service performance. Along these lines, attributes can be classified into product-related and non-product-related attributes. (Keller 1993, 4) Product-related attributes are defined as the ingredients necessary for performing the primary product or service function sought by consumers. Hence, they relate to a product's physical composition or a service's requirements. Product-related attributes determine the nature and level of product performance. Product-related attributes can be further distinguished according to essential ingredients and optional features, either necessary for a product to work, or allowing for customisation and more versatile, personalised usage. (Keller 1998, 93–99)

Non-product-related attributes are defined as external aspects of the product or service that relate to its purchase or consumption. Non-product-related attributes may affect the purchase or consumption processes but do not directly affect the product performance. The four main types of non-product-related attributes are price information, packaging or product appearance information, user imagery i.e., what kind of a person uses the product or service, and usage imagery i.e., where and in which situations the product or service is used. The price of the product or service is considered a non-product-related attribute because it represents a necessary step in the purchase process but is not intrinsic related to the product performance or service function. Price is a particularly important attribute, because consumers often have strong beliefs about the price and quality. In most cases, packaging does not directly relate to the necessary ingredients for product performance. User and usage imagery attributes can be formed directly from a consumer's own experiences and contact with brand users or indirectly through the depiction of the target market as communicated, e.g., in brand advertising. Associations of a typical brand user may be based on, e.g., demographic factors or psychographic factors. Association of a typical usage situation may be based on the time of day, week, or year, the location (inside or outside the home), or the type of activity (formal or informal), among other aspects. (Keller 1993, 4)

The second types of brand associations are brand benefits. Benefits are the personal value and meaning that consumers attach to the product or service. Benefits can be further distinguished into three categories

according to the underlying motivations to which they relate: functional benefits, experiential benefits, and symbolic benefits. Functional benefits are the more intrinsic advantages of product or service consumption and usually correspond to the product-related attributes. These benefits often are linked to fairly basic motivations, such as physiological and safety needs, and may involve a desire for problem removal or avoidance. Experiential benefits relate to what is felt when the product or service is used and they usually also correspond to both product-related attributes as well as non-product-related attributes such as usage imagery. These benefits satisfy experiential needs such as sensory pleasure, variety, and cognitive stimulation. Symbolic benefits are the more extrinsic advantages of product or service consumption. They usually correspond to non-product-related attributes and relate to underlying needs for social approval or personal expression. Symbolic benefits are especially relevant for socially visible products. Thus, consumers may value the prestige, exclusivity, or fashionability of a brand because of how it relates to their self-concepts. (Keller 1993, 4; Keller 1998, 99–100)

The third and most abstract types of brand associations are brand attitudes. Brand attitudes are defined in terms of consumers' overall evaluations of a brand. Brand attitudes are important because they often form the basis for actions and behaviour that consumers take with the brand (e.g., brand choice) Consumers' brand attitudes generally depend on specific considerations concerning the attributes and benefits of the brand. It is important to note that brand attitudes can be formed on the basis of benefits about product-related attributes and functional benefits and/or beliefs about non-product-related attributes and symbolic and experiential benefits. (Keller 1993, 4–5; Keller 1998, 100–102)

Considering Aaker's model, strong *interrelationships* occur among the dimensions of brand equity. The last four brand equity dimensions can enhance brand loyalty, providing reason to buy and affecting use satisfaction. Even when they are not pivotal to brand choice, they can reassure, reducing the incentive to try others. Therefore, brand loyalty is both one of the dimensions of brand equity and is affected by brand equity and the other assets that generate equity.

In the same way, perceived quality could be influenced by awareness (a visible name is likely to be well made), by associations (a visible spokesperson would only endorse a quality product) and by loyalty (a loyal customer would not like a poor product). In some circumstances it might be useful to explicitly include brand equity dimensions as outputs of brand equity as well as inputs.

Aaker's brand equity model lists three ways of how brand assets create *value for the customer*. Firstly, brand equity can help a customer interpret, process, store, and retrieve a huge quantity of information about

products and brands. Secondly, it can affect the customer's confidence in the purchase decision; a customer will usually be more

Comfortable with the brand that was last used, is considered to have high quality, or is familiar. Finally, perceived quality and brand associations provide value to the customer by enhancing the customer's satisfaction.

Brand equity provides value to the customer in at least three ways. (Aaker 1992, 31) First, brand equity assets can help a customer interpret, process, store and retrieve a huge quantity of information about products and brands. Second, the assets can also affect the customer's confidence in the purchase decision, a customer will usually be more comfortable with the brand that was last used, is considered to have high quality, or is familiar. The third way that brand equity assets, particularly perceived quality and brand associations, provide the customer with value is by increasing the customer's satisfaction when the individual uses the product.

Brand equity provides value to the firm in at least six ways. (Aaker 1992, 31–32) First, brand equity can enhance the efficiency and effectiveness of marketing programs. Second, brand awareness, perceived quality, and brand associations can strengthen brand loyalty by increasing customer satisfaction and providing reasons to buy the product. Third, brand equity will usually provide higher margins for products by permitting premium pricing and reducing reliance on promotions. In many contexts, the elements of brand equity serve to support premium pricing or to resist price erosion. In addition, a brand with a disadvantage in brand equity will often have to invest more in promotional activity just to maintain its position in the distribution channel.

Fourth, brand equity can provide a platform for growth by brand extensions. Fifth, brand equity can provide leverage in the distribution channel as well. Finally, brand equity assets provide a firm with a significant advantage: a barrier that may prevent customers from switching to a competitor.

## 2.14 Customer Loyalty

Oliver (1999,33) defines loyalty as "a deeply held commitment to rebuild and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviours. "Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and re-patronage. Although customer satisfaction is a crucial part of a business, satisfaction alone cannot take a business to a top level.

Customer Loyalty as defined by Khan and Khan (2006) reads "... exists when a person regularly patronizes a particular (store or non-store) that he or she knows, likes and trusts". Zeithaml et al. (1996) opine that a loyal customer will result in repeat purchase; increase in purchase value and volume over time and in spreading positive word of mouth (WOM) which in turn will bring newer customers to the business.

Customer satisfaction produces a positive financial result, especially in regular purchases. Today's unforgiving market where creating and maintaining customer loyalty is more complex than it used to be in the past years. This is because of technological breakthrough and widespread of the internet uses. Loyalty building requires the company to focus the value of its product and services and to show that it is interested to fulfil the desire or build the relationship with customers (Griffin 2002.)

A relationship with a customer is equally important in customer loyalty and this requires that company work in a broader context that extends beyond itself, as no company can be world class at everything (McDonlad & Keen 2000). Gremler and Brown (1999) divided customer loyalty into three different categories that include behavior loyalty, intentional loyalty, and emotional loyalty. Behavior loyalty is repeating purchasing behavior while intentional loyalty is the possible buying intention. Emotional loyalty, however, is achieved when a customer feels that a brand corresponds with their value, ideas, and passion.

Finding the loyal customer is not accessible even the customers seem to be satisfied with the products and the services. In fact, the behavior and attitude of the customers towards the particular goods and services matters the most. If the behavior of the customers is positive to the service holder, then those customers are said as a loyal customer (Abdullah 2012.) There are two types of customer loyalty based on behavioral and emotional loyalty on the goods and services. Behavioral loyalty refers to frequent shopping in a particular retailer and emotional loyalty refers to the customers' concern towards certain retailer on the basis of past buying experience and attitude. In this both behavioral and emotional loyalty model, increased

satisfaction should increase customer loyalty. When customers are not satisfied, customers have the option to express the complaints going to the competitor. But, the study has shown that 60-80% of the customers are satisfied and very satisfied on the survey just prior to the defection. Therefore, there should also be other factors besides satisfaction that have a certain impact on customer loyalty (Reichheld & Scheffer 2000.)

## **2.2 Empirical Review**

In the business world today, one of the main concerns of marketing managers is searching for ways to increase sales and profitability products. Successful brands try to establish a sense of trust because creating strong ties to the customer is one of the main bases of trade (Jing et al., 2015).

One of the most common strategies to achieve this goal is to understand the relationship between consumer behavior and brand and brand equity, because the brand equity is often an indication of its quality which affects the choice of consumers. In recent studies, the importance of emotional relationship between the customer and the brand has been approved (Gianfranco Walsh et al., 2015), and these studies strongly emphasize that the brand equity is not only achieved by the goods and services, but also by interactions between buyers and sellers (Ballantyne, Varey, 2006; Grönroos, 2011; Payne et al., 2008; Jing et al., 2015).

It seems that brand equity from the perspective of consumer is an appropriate start to assess product equity which contains a lot of interrelated dimensions such as brand awareness, brand quality, brand association and brand loyalty (Jing et al., 2015). This relationship includes mutual exchanges between the brand and consumers by a duplicate set of actions that has many advantages for both sides (Huang, Kandampully, 2012). The goal of any brand is to attract and retain customers to ensure the success of the brand and the product (Zavattaro et al., 2015) and it is observed that consumers are looking for brands that have specific features (Garsvaite, Caruana, 2014; Londoño et al., 2016). Brand equity is a powerful tool to improve marketing productivity (Cai et al., 2014) and evaluating brand equity is an effective way to measure customers' satisfaction and brand performance by marketing managers (So, King, 2010; Sung Ho et al., 2015).

Aaker's brand equity and brand equity from a consumer perspective of Claire type. Aaker was the first person who has studied the concept of brand equity. According to Aaker, brand equity consists of four

dimensions: brand loyalty, brand awareness, perceived quality and brand association (Zhuowei, Liping,2015).

Brand equity is one of the main topics in marketing in recent years (Saydan, 2013). The literature on brand equity divides into studies from two different views: financial perspective and customer-based perspective (Keller, 1993; Chaudhuri, 1995; Chang et al., 2008). From the financial perspective, brand equity can be viewed as the financial asset value created for the business by brands (Lassar et al., 1995; Chang & Liu, 2009). Simon and Sullivan (1993, p. 29) defined brand equity as “the incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products”. From the customer-based perspective (also known as customer-based brand equity), brand equity is founded on the evaluation of consumer response to a business by brand name (Chang & Liu, 2009) and is considered as the value added to a product or service by a particular brand name (Chaudhuri, 1995). Aaker (1991, p. 15) defined brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service to a firm and/or to firm’s customers”. According to Keller (1993, p. 2), brand equity can be defined as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. Comparing brand equity based on the financial perspective with customer-based perspective, brand equity based on customers is more supported by many scholars. If the brand does not have meaning to the customer, there are no other definitions, which are truly meaningful (Cobb-Walgren et al., 1995).

Aaker (1991) separated it into five dimensions: perceived quality, brand loyalty, brand awareness, brand association, and other proprietary brand assets. The last component is usually ignored in marketing research because customers are not directly related to it (Saydan, 2013). Lassar et al. (1995) proposed to performance-giving, perceived value, image, trustworthiness and a feeling of commitment. Agarwal and Rao (1996) grouped it into two classes: overall quality and choice intention. Berry (2000) considered brand awareness and brand meaning as the main dimensions of brand equity.

Comparing these researchers, it is apparent that these dimensions of brand equity are quite similar to one that was proposed by Aaker (1991) such as brand association, brand awareness, brand loyalty, and perceived quality (Chang & Liu, 2009). In addition, Aaker's model is the most cited and empirically tested in many previous research papers (Tong & Hawley, 2009). Hence, dimensional model constructed by Aaker (1991) will be applied in this study.

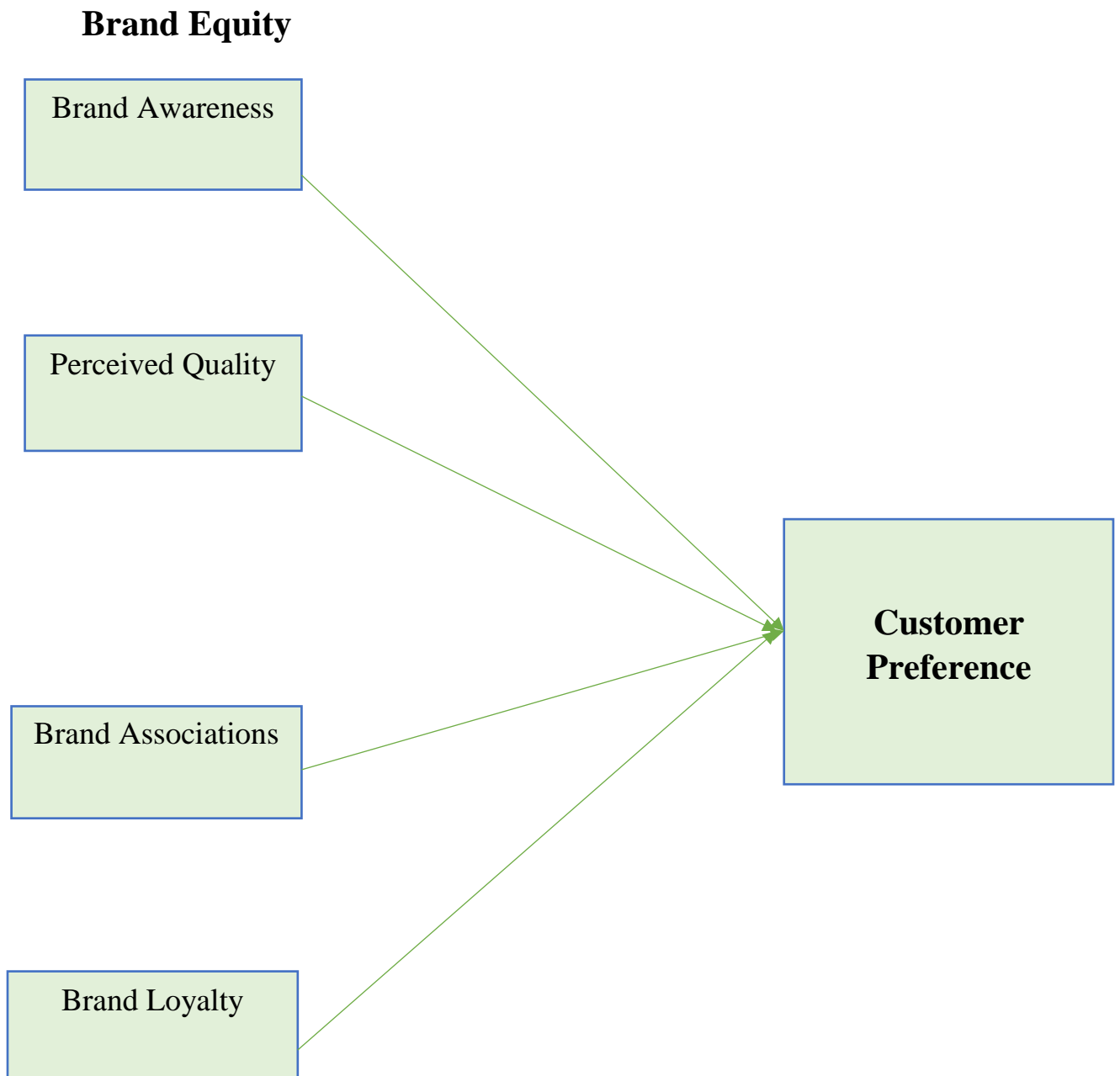
Keller (1993) emphasizes consumer responses (brand responses) as one of the main consumer-related dimensions of brand equity. This study mentions two aspects of consumer responses, which are brand preference and purchase intention. These are proposed by many previous researchers (e.g., Chen & Chang, 2008; Chang & Liu, 2009; Tolba & Hassan, 2009; Moradi & Zarei, 2011).

Brand preference is the bias a consumer shows when choosing a specific brand among alternatives based on the benefit or value it provides (Chang & Liu, 2009). Brand preference is measured by the degree to which a person views a focal brand as preferable to a referent brand (Tolba & Hassan, 2009).

Purchase intention is considered as a subjective inclination toward a product and can be an important index to predict consumer behavior (Fishbein & Ajzen, 1975). It refers to the customers' ability to repurchase the brand in the future (Cronin et al., 2000; Tolba & Hassan, 2009).

## 2.3 Conceptual Framework

Accordingly. The research framework is formed as shown below:-



*Figure 1 Aaker's Brand Equity Model 2*

*Source: 2 David A. Aaker, op quoted, pg.17, adapted*

### **2.31 Brand awareness**

Customers' way of speaking about a brand indicates the brand awareness (Zavattaro, 2015). According to Claire, brand awareness affects the consumer behavior towards the marketing of that product. Brand awareness occurs when the consumer has a deep and specific image of the product in mind (Zhuowei, Liping, 2015). Customers achieve brand knowledge through direct experiences such as use of the product or service, and indirect experiences such as advertising and marketing (Luaet al., 2015).

Brand awareness involves brand recognition and brand recall. Often not enough attention is paid to the value of brand awareness. Awareness can lead to familiarity, and it is seen that people like the familiar. Brand Awareness is the extent to which a brand is known among the public, which can be measured by the following parameters:

- Familiarity and likeability
- Anchor to which associations can be attached
- Commitment to a brand
- Brand to be considered during the purchasing process

**Therefore, Hypotheses 1:** Brand Awareness has a positive and significant effect on customer preference of Ethiopian Airlines.

### **2.32 Perceived quality**

Perceived quality relates to a consumer's opinion on the extent to which a particular product will be able to meet his / her expectations. Perceived quality has a massive effect on profitability and influences brand associations.

It includes the customers' judgment of the advantage, excellence, credibility and a brand difference compared to other competing brands. Perceived quality not only affects other aspects of the brand, but also has impact on the classification of the product from the customer's perspective (Aaker, Joachimsthaler, 2000). Once customers trust a brand, they prefer that particular brand among a wide range of products even if the price is higher than competitors' products (He, Wang, 2014).

The extent to which a brand is considered to provide good quality products can be measured on the basis of the following criteria:

- Availability in different sales channels (are your products widely available?)
- The number of line/ brand extensions
- Level of differentiation / position in relation to competitor brands
- Price
- The quality offered by the product/ brand is a reason to buy it

**Therefore Hypotheses**, perceived quality has a positive and significant effect on customer preference of Ethiopian Airlines.

### **2.33 Brand associations**

Brand association is something that provides meaning to a brand. Associations are key to any brand, as brand managers/leaders it is our task to determine what associations should be developed and created. What associations do we want to adopt? Associations include: User imagery, product attributes, organisational associations, brand personality as well as symbols.

The value of a brand is often based on associations to which it is linked. Associations such as the name of Ronald McDonald can create a positive attitude or feeling about the brand that has been attributed to. Association of areas of application such as aspirin and heart attack can be a reason to purchase which eventually attracts customers. Strong association could be a basis to expand the brand (Aaker, Joachimsthaler,2000). Brand equity refers to the rational assessment of brand customers and can be a measuring tool for consumers' attitude toward the brand (Lin, 2015). In recent years, writers like Ailawadi, Lehmann, Neslin (2003), Tong & Hawley (2009) argue that the brand equity is measured based on the consumers' perspective (de Oliveira et al., 2015).

Associations triggered by a brand can be assessed on the basis of the five following indicators:

- The extent to which a brand name is able to 'retrieve' associations from the consumer's brain
- The extent to which association contribute to brand differentiation in relation to the competition
- The extent to which brand associations play a role in the buying process
- The extent to which brand associations create positive attitudes / feelings
- The number of brand extensions in the market

**Therefore hypotheses 3**, brand association has a positive and significant effect on customer preference of Ethiopian Airlines.

### **2.34 Brand loyalty**

Studies show that brand loyalty creates a sense of attachment between the customer and the brand manufacturers (Pedeliento et al., 2015). Brand loyalty depends on the consumers' brand recognition, and brand awareness and its image are important factors in the brand loyalty (Lua et al., 2015). In each brand, the purpose is to attract and retain loyal customers to ensure the success of the brand and the product (Zavattaro et al., 2015). Two dimensions are considered for brand loyalty: emotional and practical dimensions. Emotional loyalty represents the consumer's preference and willingness to a particular brand where the actual purchase behavior is not occurred yet. While practical loyalty represents the actual behavior of consumer's purchase of a particular brand (Lin , 2015).

The heart of a brand's value. The goal should be to strengthen the size and intensity of loyalty segments. Aaker states, "A brand with a small but intensely loyal customer base can have significant equity."

The extent to which people are loyal to a brand is expressed in the following factors:

- Reduced marketing costs (Hanging on to loyal customers is cheaper than charming potential new customers)
- Attract new customers – current customers can help boost name awareness and bring in new customers
- Trade leverage – loyal customers represent a stable source of revenue for the distributive trade
- Time to respond to competitor threats – loyal customers that are not quick to jump to another brand give a company more time to respond to competitive threats

Therefore hypotheses 4 brand Loyalty has a positive and significant effect on customer preference of Ethiopian Airlines.

## 2.36 Customer Preference

Brand preferences have long been explained using traditional models, which largely focus on consumers' cognitive judgement of brand attributes on a rational basis. However, the shift to experiential marketing, the cornerstone of branding, has expanded the role of the brand from a bundle of attributes to experiences. It also considers both the rational and irrational aspects of consumer behaviour (Schmitt, 1999, 2009). In addition, technological advances have increased the similarities between brands and product commoditisation. Therefore, consumers find it difficult to differentiate between brands on functional attributes alone (Petruzzellis, 2010; Temporal & Lee, 2000). Instead, they seek the brand that creates an experience; that intrigues them in a sensorial, emotional and creative way.

It has been found by researchers that a satisfied customer tends to be loyal. That customer remains loyal to an organization as long as she or he feels that the organization gives him or her better services or products as compared to another organization. In the business context, loyalty is the customer's commitment to do business with a particular organization which effects in repeat purchases of goods and services of that organization. It also results in recommending the goods and services to friends and associates (Bose & Rao 2011).

Based on literature reviews, Grønholdt & Martensen (2006) included Customer loyalty/retention, in their shortlist of the most vital market performance measure. It is also the top 10 most valuable market performance measures according to Davidson (1999) and one of the 15 most commonly used measures according to Ambler and Puntoni (2003). Brand equity leads to customer loyalty which develops long-term and profitable relationship (Chen & Myagmarsuren 2011).

# **Chapter Three**

## **Research Methodology**

### **3.1 Description of the Study**

In this chapter, the research design, area of the study, population, sample of the population, sampling technique, and instrument for data collection, validity and reliability, administration of the instrument and method of the data analysis will be discussed.

### **3.2 Research Approach**

In terms of the data usage, research designs are divided into qualitative, quantitative and mixed research design.

Quantitative research design use the data express in terms of numbers and used closed ended questions and Quantitative research design is an approach for testing objective theories by examining the relationship among variables, testing hypothesis but qualitative research design use the data in word rather than express in number and use open ended questioners. In addition to this quantitative research design are important to show the regression correlations, but qualitative research design is only for describe the variables of the study (Creswell (2014)). Because of the closed and very structured type of questions quantitative research is better suited for theory testing (Sobh & Perry 2006). This study used quantitative approaches methods to test the relationships among different variables and to test the hypothesis to show the correlation of the variables

### **3.3 Research Design**

There are four types of research design these are exploratory, explanatory, descriptive, and emancipatory (Creswell 2009) of which this research is explanatory type. This research used explanatory research method as it seeks to explain the relationship between the variables under consideration also to help us in understanding the problem more efficiently. Explanatory research will also allow this research to provide the deep insight into a specific more opportunity for the research to study and question news things. The research is also descriptive as it describes respondents and their perception on variables identified.

Explanatory research needs to be conducted first and then use that collection of information which is required for descriptive research. This study in general aimed to analyze the effect of brand equity in customer loyalty of Ethiopian Airlines.

### **3.4 Research Strategies**

The research is a cross-sectional, as the perception, attitude and practice of travelers have been studied taking a cross-section of the phenomenon at a given time. In order to achieve the objectives, a quantitative method is used to obtain relevant information. The main aim of quantitative approach considered in this research is to test pre-determined hypothesis and produce generalizable results. According to Babbie (1989:237), surveys are appropriate for descriptive, explanatory and exploratory purposes.

Moreover, since the issue of branding and brand equity is assessed in few literatures in the country and the objective of this research is to consolidate the existing information on the area, the research is descriptive in its type.

The two main research strategies to use when collecting and analyzing empirical evidences in quantitative approach are experiment and survey research methods (cross-sectional or longitudinal) of which cross-sectional Survey method was deployed in this study.

*Survey research* provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. It includes cross-sectional, with the data collected at one point in time and longitudinal, with data collected over time studies using questionnaires or structured interviews for data collection, with the intent of generalizing from a sample to a population (Creswell 2009).

Surveys are strongest for researches that measure variables and also it can measure many variables, often with multiple indicators, at one time and tests several hypotheses in a single study (Neuman 2006).

## **3.5 Population and Sample**

### **3.5.1 Target Population**

A population is the group of units about which the researcher wants to make judgments. These units can be groups of individuals, customers, companies, or products (Mooi and Sarstedt 2011). Target population of this study are passengers of Ethiopian Airlines that use the airlines at least once. The respondents will be selected based on non-probability sampling method of availability method.

### **3.5.2 Sampling Techniques**

Sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample the researcher may fairly generalize the study results back to the population from which they were chosen (Trochim 2000).

The most important aspect of sampling is that the sample selected is representative of the population. With representative it means that the characteristics of the sample closely match those of the population (Mooi and Sarstedt 2011). The two broad categories of sampling techniques are probability sampling and non-probability sampling where this research will use non probability sampling. On probability sampling is a sampling technique in which the researcher selects samples based on the subjective judgment of the researcher rather than random selection.

In non-probability sampling, not all members of the population have a chance of participating in the study unlike probability sampling, where each member of the population has a known chance of being selected. Non-probability sampling is used in studies where it is not possible to draw random probability sampling due to time or cost considerations.

Non-probability sampling is a less stringent method, this sampling method depends heavily on the expertise of the researchers. Non-probability sampling is carried out by methods of observation and is widely used in qualitative research.

There are three types systematic, convenience, and judgmental sampling methods where this research will use convenience sampling method. Convenience Sampling (also called availability sampling) is a non-probability/non-random sampling technique used to create sample as per ease of access, readiness to be a part of the sample, availability at a given time slot or any other practical specifications of a particular element.

Researchers use sampling techniques in situations where there are large populations to be tested as, in most cases, testing the entire population is practically impossible. Convenience sampling is the most commonly used sampling technique as it's extremely prompt, uncomplicated, economical and also, members are readily approachable to be a part of the sample. It is used in situations where the principal research has been done without any supplementary inputs. There are no criteria that need to be considered to be a part of this sample and due to which it becomes extremely simplified to include elements in this sample. Every element of the population is eligible to be a part of this sample and is dependent on the proximity to the researcher to get included in the sample.

### 3.5.3 Sample Size

The sample size of this study would be calculated using the following formula that developed by kohtari (2004). Since, the use of this formula is applicable when the population is unknown and large.

$$n = \frac{z^2 \cdot p \cdot q}{e^2}$$

Where, n= sample size.

z= standard variant at the given confidence level.

p=proportion of success.

q= Proportion of failure.

e= acceptable errors.

|   |
|---|
| $n = \frac{1.96 \times 1.96 \times 0.5(1-0.5)}{0.05 \times 0.05} = 384$ |
|---|

Therefore, based on the above formula an estimation of the expected proportion of success must also be considered (Kothari, 2004). In this case, a more conservative proportion of success ( $p$ ) which is 50% will select together with a level of confidence of 95% ( $z$ ), a sampling error not greater than 5% ( $e$ ). This result a sample size of 384 people for the study.

### **3.6 Data Sources and Types**

To conduct this research, information obtained from both primary and secondary data sources were used. Primary data was collected from a total of 323 selected customers of the Ethiopian Airlines through structured questioner.

Secondary data was also be collected from Ethiopian Airlines as well as from written materials like: academic books, journals, magazines, research papers, internet resources for literature review.

### **3.7 Validity and Reliability**

#### **3.7.1 Validity**

Validity is describing the degree to which a research measures what it intends to measure. It concerned with whether the findings are realty to what they appear to be about. The researcher is try to keep the validity of the study by avoid double negative questions, avoid ambiguity about causal direction and telling the purpose of the study to the respondent (cresswall, 2008).

Internal validity is how the findings of the research match the reality and as the researcher measure the finding that are aimed to measure the reality in quantitative researches an ongoing process, it always changes due to the fact that what is being studied is how people perceived the brand. So, internal validity measure whether the finding is non- spurious or not. Therefore the finding in this study is strongly supported by the result in the context and the general theory in the field.

External validity is refers whether the observed association can generalized from the sample to the population. This study addresses external validity through taking representative sample and can generalize to all customers of Ethiopian Airlines.

### 3.7.2 Reliability

Reliability is refers to the consistency of a measure. A test is considered reliable if we get the same result repeatedly. In order to be reliable, the researcher use different mechanisms to avoid treats of reliability. Therefore, in this study, the researcher would use mechanisms like minimize participants' errors when filing questioners, minimize participants' bias and avoid researcher's errors. Reliability of the questionnaire items would be review by Cronbach Alpha test. If the Cronbach-Alpha coefficient is greater than or equal to 0.70 the study is reliable.

So, Reliability of the question was evaluated and the result (Cronbach's Alpha) was used to test the reliability of the materials used in this research. Therefore the below table implies that the item were reliable and understandable to the respondent.

The overall reliability of this study variables are larger than 0.70 (the standard limit). Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when to have multiple questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable. In my study using questionnaire survey, I have four variables Nunnally (1978) recommends a minimum level of 0.7. Cronbach alpha values are dependent on the number of items in the scale. Discovering statistics using SPSS (3rd ed.) Cronbach's Alpha is a commonly employed index of test reliability.

|                                | Measurement Scale | Cronbach – Alpha | No. of Items |
|--------------------------------|-------------------|------------------|--------------|
| <b>Independent Variability</b> | Brand Awareness   | .723             | 4            |
|                                | Perceived Quality | .890             | 4            |
|                                | Brand Association | .823             | 4            |
|                                | Brand Loyalty     | .842             | 4            |
|                                | Brand Equity      | .842             | 4            |
| <b>Dependent Variable</b>      | Brand Preference  | .878             | 4            |
| <b>Total</b>                   |                   | .899             | 6            |

*Table 3.7.2 Reliability*  
*Source: Own Survey, 2018*

### **3.8 Ethical Consideration**

The participation of human respondents, specifically passengers, certain ethical issues like consent and confidentiality were considered. Important details of the study including its aim and purpose will be available to respondents for them to be able to understand the importance of their role in the completion of the research. The confidentiality of the participants was also ensured by not disclosing their names or personal information in the research. Only relevant details will be revealed. Finally, ethical consideration of proper and due referencing and acknowledgement will also made during the entire research process.

### **3.9 Data Analysis**

The primary data that was collected through questionnaire was sorted and screened for any errors and then processed using statistical software SPSS version 20. SPSS is a computer package specializing in quantitative data analysis and it is widely used by market researchers. It is powerful, able to deal with large datasets, and relatively easy to use (Mooi and Sarstedt 2011).

# **Chapter Four**

## **Finding and Discussion**

### **4.1 Chapter Overview and Introduction**

The preceding chapter determined the way a researcher used to conduct an empirical analysis and discussion. After collecting data by the questionnaire, this chapter presents quantitative statistics in order to analyze data and test hypotheses. Specifically, this chapter is composed of discussions on the data collected using questionnaire. The main topics in the discussion includes pilot testing, descriptive analysis, correlation analysis, regression analysis, and discusses about findings of empirical results.

### **4.2 Survey Response Rate and Reliability Test**

The 323 questionnaires were administered in the second and third weeks of the month of September 2018 and most of the customers were contacted at their working place and Addis Ababa International Airport. However, a total of 340 questionnaires were collected, of which 17 were incomplete. Thus, 323 questionnaires were found to be usable and ready for analysis, which is 95 % response rate.

After coding and entry of data into SPSS version 20, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra & Birks (2007), reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS version 20 and all of the scales used for this study were found to be reliable as their respective alpha values were higher than 0.6, and for most closer to 1. Therefore the total Cronbach - alpha result of this study is 0.899.

### 4.3. Demographic and Social Characteristics of the Respondents

#### Respondents Distribution by Sex, Age and Nationality

|                             |                            | Male  |       | Female |       | Total |       |
|-----------------------------|----------------------------|-------|-------|--------|-------|-------|-------|
|                             |                            | n     | %     | n      | %     | n     | %     |
| Age                         | 18-30                      | 69    | 32.7  | 40     | 36.7  | 112   | 34.7  |
|                             | 31-43                      | 87    | 41.2  | 35     | 32.1  | 122   | 37.8  |
|                             | 44-55                      | 52    | 24.6  | 25     | 22.9  | 77    | 23.8  |
|                             | 56+                        | 3     | 1.4   | 9      | 8.3   | 12    | 3.7   |
|                             | Total                      | 211   | 100   | 109    | 100   | 323   | 100   |
| Nationality                 | Ethiopia                   | 141   | 66.8  | 81     | 74.3  | 225   | 69.7  |
|                             | Kenya                      | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | Malawi                     | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | Uganda                     | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | Sweden                     | 0     | 0.0   | 7      | 6.4   | 7     | 2.2   |
|                             | French                     | 0     | 0.0   | 7      | 6.4   | 7     | 2.2   |
|                             | Tanzania                   | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | Nigeria                    | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | Burundi                    | 7     | 3.3   | 0      | 0.0   | 7     | 2.2   |
|                             | India                      | 14    | 6.6   | 0      | 0.0   | 14    | 4.3   |
|                             | USA                        | 14    | 6.6   | 14     | 12.8  | 28    | 8.7   |
| Total                       | 211                        | 100.0 | 109   | 100.0  | 323   | 100.0 |       |
| Occupation                  | International Organization | 108   | 51    | 65     | 58.0  | 173   | 53.6  |
|                             | Government Office          | 42    | 20    | 28     | 25.0  | 70    | 21.7  |
|                             | Private Company            | 54    | 26    | 19     | 17.0  | 73    | 22.6  |
|                             | Others                     | 7     | 3     | 0      | 0.0   | 7     | 2.2   |
|                             | Total                      | 211   | 100   | 112    | 100.0 | 323   | 100.0 |
| Travel Frequency before now | None                       | 42    | 20.2  | 15     | 13.4  | 57    | 17.8  |
|                             | 1-5                        | 65    | 31.3  | 33     | 29.5  | 98    | 30.6  |
|                             | 6-10                       | 47    | 22.6  | 26     | 23.2  | 73    | 22.8  |
|                             | 11-15                      | 17    | 8.2   | 6      | 5.4   | 23    | 7.2   |
|                             | 16-20                      | 0     | 0.0   | 9      | 8.0   | 9     | 2.8   |
|                             | 21-25                      | 6     | 2.9   | 3      | 2.7   | 9     | 2.8   |
|                             | 26-30                      | 0     | 0.0   | 7      | 6.3   | 7     | 2.2   |
|                             | 31+                        | 31    | 14.9  | 13     | 11.6  | 44    | 13.8  |
|                             | Total                      | 208   | 100.0 | 112    | 100.0 | 320   | 100.0 |

II Table 4.3.2 Respondents Distribution

Source: Own Survey, 2018

**Nationality:** As it is likely to be the number of Ethiopian travellers was highest and it was as high as 225 on the day this survey was carried out. The number of travellers from USA and India was on this day was as high as 28 and 14 respectively. It must be a coincidence that the sample survey data contains the same seven travellers from Kenya, Malawi, Uganda, India, Sweden, French, Tanzania, Nigeria and Burundi. As Addis Ababa is the main hub to Ethiopian Airlines, passengers who resides in here have more probability of taking Ethiopian Airlines than those who are transiting from other countries.

**Age- Sex Distribution of the respondents:** All participants in the study were older than 18 years of age. Out of total valid 323 most of the respondents are age fall in the age group between 31 and 43, which is 37.8 %. The age between 18 and 30 years old were ranking second who took about 34.7% followed by respondents who were with age range of 44 and 55 which is 23.8 % and the last age group was above 56 who were about 3.7 %. This indicates that young travellers are the prominent travellers of Ethiopian Airlines. Respondents from 323, 211 (65.3 %) were male and the 109 respondents or 33.7 % were female. This indicates that most of samples included in the study are male.

**Occupation:** From the valid 323 respondents 173 respondents are working in international organization which is 53.6 %, respondents who are working in private companies are 73 or 22.6 % and respondents working in government institutions are 70 which is 21.7 %. Respondents who are engaged in other working environment are 7 out of 323 is 2.2%. This implies that people who are working in international organization have more travel experience with Ethiopian Airlines because of their nature of work.

**Travel Frequency:** About 30.6% or 98 respondents out of 323 have travelled abroad minimum one or and maximum five times. Respondents who have travelled between six to ten times abroad are 22.6% or 73 people out of 323 respondents. And the respondents who have travelled abroad more than 31 times are 13.8 % which is 44 respondents out of 323.

#### **4.4 Perception of respondents on factors of their Preference to Ethiopian Airlines**

Before analyzing the relationship between the respondent's perception (level of agreement) on factors (awareness of the respondents about, quality, association, loyalty and equity of the Ethiopian airlines) and their preference to the airline, reliability test on each factor and the dependent variable (preference to Ethiopian Airlines) was carried out as it is discussed in the 2<sup>nd</sup> section in this chapter.

#### 4.4.1 Perception of respondents on Ethiopian Airlines Brand Awareness

Respondent's level of agreement on items measuring familiarity or awareness of the Ethiopian airlines was summarized as it is shown in table 4.4.1 below. About 75%, 72% and 60% of the respondents have strongly agreed that they are familiar to the Ethiopian Airlines, and that the Ethiopian Airlines is a recognized brand. Respondents also shown that they recognize the Ethiopian Airlines logo. In the level of agreement ranging from 1 (strongly agree) to 5 (strongly disagree), the mean level of respondent's agreement on familiarity, recognition, knowledge of the logo and characteristics has been found to be 1.3, 1.4, 1.7 and 1.6 respectively. About 48% of the respondents have strongly agreed that the customers are familiar or aware of the Ethiopian Airlines. Among the four items measuring "Awareness/familiarity of the Ethiopian Airlines", the responses are most consistent on the item "Characteristics" while it is the least on whether the Ethiopian Airlines is recognized brand.

|                        | Strongly Agree |      | Agree |      | Neutral |      | Disagree |     | Strongly Disagree |     | Mean | S     | CV (%) |
|------------------------|----------------|------|-------|------|---------|------|----------|-----|-------------------|-----|------|-------|--------|
|                        | n              | %    | n     | %    | n       | %    | n        | %   | n                 | %   |      |       |        |
| Familiarity            | 241            | 74.6 | 67    | 20.7 | 9       | 2.8  | 3        | 0.9 | 3                 | 0.9 | 1.33 | 0.667 | 50.2   |
| Recognition            | 232            | 71.8 | 55    | 17.0 | 23      | 7.1  | 10       | 3.1 | 3                 | 0.9 | 1.44 | 0.830 | 57.5   |
| Characteristics        | 150            | 46.4 | 121   | 37.5 | 46      | 14.2 | 6        | 1.9 | 0                 | 0.0 | 1.72 | .776  | 45.2   |
| Knowledge of the logo  | 194            | 60.1 | 89    | 27.6 | 24      | 7.4  | 16       | 5.0 | 0                 | 0.0 | 1.57 | 0.832 | 52.9   |
| <b>Brand Awareness</b> | 154            | 47.7 | 153   | 47.4 | 10      | 3.1  | 6        | 1.9 | 0                 | 0.0 | 1.59 | .645  | 40.5   |

III Table 4.4.1 Perception of respondents on Ethiopian Airlines Brand Awareness

Source: own survey, 2018

#### 4.4.2 Perception of respondents on Ethiopian Airlines Perceived Quality

The level of agreement of respondents on items measuring of Excellent Quality Service, good choice of Airlines, trusted quality service and Ethiopian Airlines as a symbol of quality was summarized as it is shown in table 4.4.2 below. About 48%, 33%, 28% and 27% of the respondents have agreed on that they are familiar to the Ethiopian Airlines, that the Ethiopian Airlines is a symbol of quality. Respondents also shown that they recognize the Ethiopian Airlines logo. In the level of agreement ranging from 1 (strongly agree) to 5 (strongly disagree), the mean level of respondent’s agreement on good choice of Airlines, trusted quality, Ethiopian Airlines as a symbol of quality and excellent quality service found to be 0.9, 2.4, 2.5 and 2.3 respectively. About 40% of the respondents have agreed that Ethiopian Airlines trusted excellent quality. Among the four items measuring “Excellent Quality Service”, the responses are most consistent on the item “Ethiopian Airlines as Symbol of Quality” while it is the least.

|                           | Strongly Agree |      | Agree |      | Neutral |      | Disagree |      | Strongly Disagree |     | Mean | S     | CV (%) |
|---------------------------|----------------|------|-------|------|---------|------|----------|------|-------------------|-----|------|-------|--------|
|                           | n              | %    | n     | %    | N       | %    | n        | %    | n                 | %   |      |       |        |
| Excellent Quality Service | 56             | 17.3 | 155   | 48.0 | 72      | 22.3 | 37       | 11.5 | 3                 | 0.9 | 2.31 | 2.245 | 97.3   |
| Good Choice               | 91             | 28.3 | 106   | 32.9 | 83      | 25.8 | 39       | 12.1 | 3                 | 0.9 | 2.25 | 1.026 | 111.5  |
| Trust Quality             | 75             | 23.2 | 90    | 27.9 | 105     | 32.5 | 50       | 15.5 | 3                 | 0.9 | 2.43 | 1.038 | 42.7   |
| Symbol of Quality         | 71             | 22.0 | 88    | 27.2 | 108     | 33.4 | 42       | 13.0 | 14                | 4.3 | 2.50 | 1.102 | 44.0   |
| <b>Perceived Quality</b>  | 47             | 14.6 | 128   | 39.6 | 102     | 31.6 | 43       | 13.3 | 3                 | 0.9 | 2.46 | .930  | 37.7   |

IV Table 4.4.2 Perception of respondents about perceived quality of the Ethiopian Airlines  
Source: own survey, 2018

### 4.4.3 Perception of respondents on Ethiopian Airlines Brand Association

The level of agreement of respondents on items measuring of Ethiopian Airlines’ can be quickly recalled by the logo, has personality, unique brand image and has positive image was summarized as it is shown in table 4.4.3 below. About 42%, 33%, 30% and 25% of the respondents have strongly agreed on that they are can quickly recall the logo and they also think that it has its own personality. As most of the respondents are Ethiopians and Ethiopian Airlines is a flag carrier Airlines, the flag itself has its own in creating the association with them. In the level of agreement ranging from 1 (strongly agree) to 5 (strongly disagree), the mean level of respondent’s agreement on Ethiopian Airlines’ can be quickly recalled by the logo, has personality, unique brand image and has positive image found to be 1.8, 2.4, 2.0 and 2.7 respectively. About 37.5% of the respondents have agreed that Ethiopian Airlines has its own personality and can be recalled easily. Among the four items measuring “Quickly recall the logo”, the responses are most consistent on the item “Ethiopian Airlines positive image” while it is the least.

|                          | Strongly Agree |      | Agree |      | Neutral |      | Disagree |      | Strongly Disagree |      | Mean | S     | CV (%) |
|--------------------------|----------------|------|-------|------|---------|------|----------|------|-------------------|------|------|-------|--------|
|                          | n              | %    | n     | %    | n       | %    | n        | %    | n                 | %    |      |       |        |
| Positive Image           | 81             | 25.3 | 50    | 15.6 | 88      | 27.5 | 58       | 18.1 | 43                | 13.4 | 2.79 | 1.359 | 48.8   |
| Unique Brand Image       | 99             | 30.7 | 145   | 44.9 | 55      | 17.0 | 18       | 5.6  | 6                 | 1.9  | 2.03 | 0.932 | 45.9   |
| Has Personality          | 108            | 33.4 | 69    | 21.4 | 77      | 23.8 | 35       | 10.8 | 34                | 10.5 | 2.44 | 1.330 | 54.6   |
| Quickly Recall the logo  | 136            | 42.1 | 101   | 31.3 | 74      | 22.9 | 12       | 3.7  | 0                 | 0.0  | 1.88 | 0.887 | 47.1   |
| <b>Brand Association</b> | 45             | 13.9 | 121   | 37.5 | 128     | 39.6 | 29       | 9.0  | 0                 | 0.0  | 2.44 | .840  | 34.5   |

V Table 4.4.3 Perception of respondents about brand Association of the Ethiopian Airlines  
Source: Own Survey, 2018

### 4.4.4 Perception of respondents on Ethiopian Airlines Brand Loyalty

Respondents level of agreement on items measuring of ‘loyalty to Ethiopian Airlines, recommend Ethiopian Airlines to others, Ethiopian Airlines is my first Choice and Keep on traveling with Ethiopian

Airlines’ was summarized as it is shown in table 4.4.4 below. About 42%, 33%, 30% and 24% of the respondents have strongly agreed on that they are loyal to Ethiopian Airlines and keep on traveling with Ethiopian airlines also recommends it to other as the best experience. In the level of agreement ranging from 1 (strongly agree) to 5 (strongly disagree), the mean level of respondent’s agreement on ‘loyalty to Ethiopian Airlines, recommend Ethiopian Airlines to others, Ethiopian Airlines is my first Choice and Keep on traveling with Ethiopian Airlines found to be 1.8, 2.4, 2.0 and 2.8 respectively. About 40 % of the respondents have agreed that they are loyal to Ethiopian Airlines. Among the four items measuring “keep on traveling with Ethiopian Airlines”, the responses are most consistent and on the item “loyal to Ethiopian Airlines brand even if the price is higher than the competitor” while it is the least. It is obvious that people tend to buy the less costly especially if they are paying themselves even for an organization it is usually made by comparing prices to make a good use of the money.

|                           | Strongly Agree |      | Agree |      | Neutral |      | Disagree |      | Strongly Disagree |      | Mean | S     | CV (%) |
|---------------------------|----------------|------|-------|------|---------|------|----------|------|-------------------|------|------|-------|--------|
|                           | n              | %    | n     | %    | n       | %    | n        | %    | n                 | %    |      |       |        |
| Loyal to ET               | 76             | 23.8 | 48    | 15.0 | 89      | 27.8 | 60       | 18.8 | 47                | 14.7 | 2.86 | 1.364 | 47.8   |
| Recommend ET to others    | 99             | 30.7 | 145   | 44.9 | 55      | 17.0 | 18       | 5.6  | 6                 | 1.9  | 2.03 | 0.932 | 45.9   |
| ET is my first Choice     | 108            | 33.4 | 69    | 21.4 | 77      | 23.8 | 35       | 10.8 | 34                | 10.5 | 2.44 | 1.330 | 54.6   |
| Keep on traveling with ET | 136            | 42.1 | 101   | 31.3 | 74      | 22.9 | 12       | 3.7  | 0                 | 0.0  | 1.88 | 0.887 | 47.1   |
| <b>Brand Loyalty</b>      | 65             | 20.1 | 128   | 39.6 | 74      | 22.9 | 50       | 15.5 | 6                 | 1.9  | 2.39 | 1.032 | 43.1   |

VI Table 4.4.4: Perception of respondents about Brand Loyalty of the Ethiopian Airlines  
Source: Own Survey, 2018

#### 4.4.5 Perception of respondents on the Preference of Ethiopian Airlines

The level of agreement of respondents on items measuring of Ethiopian Airlines ‘Acceptable standard quality, preferred traveling with Ethiopian Airlines, Ethiopian Airlines has consistent Quality, and it all meeting my requirements’ was summarized as it is shown in table 4.4.5 below. About 50%, 36%, 35% and 30% of the respondents respectively have agreed on that they prefer Ethiopian Airlines comparing to other competing

Airlines. In the level of agreement ranging from 1 (strongly agree) to 5 (strongly disagree), the mean level of respondent's agreement on Ethiopian Airlines' can be quickly recalled by the logo, has personality, unique brand image and has positive image found to be 2.2, 2.1, 2.4 and 2.7 respectively. About 40.6% of the respondents have agreed that they prefer Ethiopian Airlines. Among the four items measuring "Acceptable Standard quality", responses are most consistent on the item and "It meets all my requirements" while it is the least.

|                                     | Strongly Agree |      | Agree |      | Neutral |      | Disagree |      | Strongly Disagree |     | Mean | S     | CV (%) |
|-------------------------------------|----------------|------|-------|------|---------|------|----------|------|-------------------|-----|------|-------|--------|
|                                     | n              | %    | n     | %    | n       | %    | n        | %    | n                 | %   |      |       |        |
| <b>Prefer ET to travel</b>          | 112            | 34.7 | 117   | 36.2 | 44      | 13.6 | 40       | 12.4 | 10                | 3.1 | 2.13 | 1.115 | 52.4   |
| <b>ET has consistent Quality</b>    | 64             | 19.8 | 115   | 35.6 | 82      | 25.4 | 53       | 16.4 | 9                 | 2.8 | 2.47 | 1.070 | 43.3   |
| <b>Acceptable standard quality</b>  | 67             | 20.7 | 161   | 49.8 | 60      | 18.6 | 32       | 9.9  | 3                 | 0.9 | 2.20 | .913  | 41.4   |
| <b>It meets all my requirements</b> | 45             | 13.9 | 98    | 30.3 | 106     | 32.8 | 49       | 15.2 | 25                | 7.7 | 2.72 | 1.118 | 41.0   |
| <b>Customer Preference</b>          | 39             | 12.1 | 131   | 40.6 | 98      | 30.3 | 52       | 16.1 | 3                 | 0.9 | 2.53 | .933  | 36.8   |

VII Table 4.4.5: Perception of respondents about their Preference to the Ethiopian Airlines  
Source: Own Source, 2018

## 4.5 Mean Degree of agreement on preference to Ethiopian Airlines

Mean level of agreement (perception of respondents about the ET) measuring whether or not customers are aware of the ET, the ET has good quality or good image, the ET is a smarter choice, or customers are loyal to the ET was compared by nationality, sex, age, occupation and travel frequency of the respondents. This is actually to see which factors (nationality, sex, age, occupation, travel frequency) lead to varied responses on awareness, quality, good image, association and preference to the ET.

### 4.5.1 Mean Degree of Agreement of Different Nationalities

The mean level of agreement varies from 1 (Strongly agree) to 5 (strongly disagree). On average travelers from all sample countries agreed (1.5) that they are aware of the ET. From the mean level of agreement

on awareness, travelers from African countries strongly agreed (1.2) that they are aware of (familiar) to Ethiopian Airlines while travelers from India and Sweden agrees (2.3) that they are just aware to some features of ET. Looked at the mean level of agreement on whether the respondents prefer to travel by Ethiopian Airlines, the Ethiopians, Americans, and travelers from African agrees (2.2 – 2.5) agrees they prefer to travel with Ethiopian Airlines. While travelers from Sweden are just neutral the Indians don't agree that they prefer the ET. The mean level of agreement on all items characterizing the ET by travelers from different countries has been found to be significantly different from each other actually to the error level less than 5%.

|                            | Nationality |     |                   |     |       |     |        |     |      |     |       |     | Test statistics |       |
|----------------------------|-------------|-----|-------------------|-----|-------|-----|--------|-----|------|-----|-------|-----|-----------------|-------|
|                            | Ethiopia    |     | African Countries |     | India |     | Sweden |     | USA  |     | Total |     | F               | sig.  |
|                            | Mean        | s   | Mean              | S   | Mean  | s   | Mean   | s   | Mean | s   | Mean  | s   |                 |       |
| <b>Brand Awareness</b>     | 1.5         | 0.6 | 1.2               | 0.4 | 2.3   | 0.0 | 2.3    | 0.8 | 1.3  | 0.3 | 1.5   | 0.6 | 17.6            | 0.001 |
| <b>Perceived Quality</b>   | 2.3         | 0.8 | 2.4               | 0.9 | 4.3   | 0.0 | 3.1    | 0.4 | 1.8  | 0.5 | 2.4   | 0.9 | 27.4            | 0.001 |
| <b>Brand Association</b>   | 2.2         | 0.8 | 2.3               | 0.7 | 3.4   | 0.3 | 2.9    | 0.6 | 2.4  | 0.9 | 2.3   | 0.8 | 11.5            | 0.001 |
| <b>Brand Loyalty</b>       | 2.1         | 0.9 | 2.4               | 0.9 | 4.0   | 0.0 | 3.3    | 0.5 | 2.3  | 0.8 | 2.3   | 0.9 | 21.3            | 0.001 |
| <b>Brand Equity</b>        | 2.1         | 0.9 | 2.8               | 0.8 | 2.8   | 0.0 | 3.4    | 0.4 | 2.1  | 0.7 | 2.3   | 0.9 | 15.6            | 0.001 |
| <b>Customer Preference</b> | 2.2         | 0.9 | 2.5               | 0.8 | 3.8   | 0.0 | 3.1    | 0.6 | 2.4  | 0.6 | 2.4   | 0.9 | 14.9            | 0.001 |

VIII Table 4.5.1 Mean comparison of travelers of different nationalities  
Source: Own Source, 2018

#### 4.5.2 Mean Degree of Agreement of Different Sex

The mean level of agreement on whether Ethiopian Airline is familiar or not by female and male respondents have been found to be 1.49 and 1.52 (between strong agreement and just agreement) respectively. Though not significant to the error level of 5% or less, female travelers are likely to know/be familiar to the ET better than male travelers. The mean level of agreement of Female

travelers to prefer Ethiopian airline is about 2 (just agree) and that of males is 2.5 which close to 3 (neutral) which are significantly different from each other to the error level less than 1%.

| Group Statistics           |      |      |        |      |                 |       |
|----------------------------|------|------|--------|------|-----------------|-------|
|                            | Sex  |      |        |      | Test statistics |       |
|                            | Male |      | Female |      | t               | sig.  |
|                            | Mean | s    | Mean   | s    |                 |       |
| <b>Brand Awareness</b>     | 1.52 | 0.63 | 1.49   | 0.54 | 0.413           | 0.680 |
| <b>Perceived Quality</b>   | 2.52 | 0.88 | 2.10   | 0.92 | 3.944           | 0.000 |
| <b>Brand Association</b>   | 2.36 | 0.84 | 2.15   | 0.75 | 2.152           | 0.032 |
| <b>Brand Loyalty</b>       | 2.42 | 0.94 | 2.09   | 0.91 | 3.004           | 0.003 |
| <b>Brand Equity</b>        | 2.41 | 0.84 | 1.96   | 0.88 | 44.52           | 0.000 |
| <b>Customer Preference</b> | 2.51 | 0.85 | 2.12   | 0.96 | 3.67            | 0.000 |

IX Table 4 5..2 Mean comparison of Males and females  
Source: Own Survey, 2018

#### 4.5.3 Mean Degree of Agreement of Different Age Groups

The mean level of agreement varies from 1 (Strongly agree) to 5 (strongly disagree). On average respondents (1.5) are familiar of Ethiopian Airlines. From the mean level of agreement travelers between the age of 31-43 (1.5) and 44-55 (1.3) are highly aware of Ethiopian Airlines. In the same age rank this travelers has less response in the quality service of ET and that they are loyal to the airlines if there is a less costly service from the competitor brand.

|                          | Age   |     |       |     |       |     |      |     |       |     | Test statistics |       |
|--------------------------|-------|-----|-------|-----|-------|-----|------|-----|-------|-----|-----------------|-------|
|                          | 18-30 |     | 31-43 |     | 44-55 |     | 56+  |     | Total |     | F               | sig.  |
|                          | Mean  | S   | Mean  | s   | Mean  | s   | Mean | s   | Mean  | s   |                 |       |
| <b>Brand Awareness</b>   | 1.7   | 0.7 | 1.5   | 0.6 | 1.3   | 0.3 | 1.0  | 0.0 | 1.5   | 0.6 | 10.38           | 0.001 |
| <b>Perceived Quality</b> | 2.5   | 1.1 | 2.6   | 0.8 | 2.1   | 0.6 | 1.4  | 0.4 | 2.4   | 0.9 | 10.65           | 0.001 |

|                            |     |     |     |     |     |     |     |     |     |     |       |       |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|-------|
| <b>Brand Association</b>   | 2.5 | 0.8 | 2.3 | 0.8 | 2.1 | 0.8 | 1.4 | 0.5 | 2.3 | 0.8 | 8.078 | 0.001 |
| <b>Brand Loyalty</b>       | 2.6 | 0.9 | 2.3 | 0.9 | 2.1 | 0.9 | 1.3 | 0.3 | 2.3 | 0.9 | 9.491 | 0.001 |
| <b>Brand Equity</b>        | 2.2 | 0.7 | 2.4 | 0.9 | 2.1 | 0.9 | 1.5 | 0.5 | 2.3 | 0.9 | 5.304 | 0.001 |
| <b>Customer Preference</b> | 2.4 | 0.9 | 2.5 | 0.9 | 2.3 | 0.8 | 1.4 | 0.2 | 2.4 | 0.9 | 7.215 | 0.001 |

X Table 4.5.4 Mean comparison of Travelers of Different Age Group  
Source: Own Survey, 2018

#### 4.5.4 Mean Degree of Agreement of Different Occupation

On Average respondents who work in international organization (1.4) and government offices (1.5) are familiar with the brand of Ethiopian Airlines. It means that the level agreement of respondents from government offices believes that Ethiopian Airlines has a quality service (1.7) compare to the respondents who works for international organization (2.4) and same goes to the preference of Ethiopian Airlines government office workers prefer to go with Ethiopian Airlines (1.7) compare to the International Organization (2.3)

|                   | Occupation                 |        |                   |        |                 |         |        |         |        |        |
|-------------------|----------------------------|--------|-------------------|--------|-----------------|---------|--------|---------|--------|--------|
|                   | International Organization |        | Government Office |        | Private Company |         | Others |         | Total  |        |
|                   | Mean                       | s      | Mean              | s      | Mean            | s       | Mean   | s       | Mean   | s      |
| Brand Awareness   | 1.4552                     | .50630 | 1.5214            | .67532 | 1.6986          | .70336  | 1.0000 | 0.00000 | 1.5147 | .60051 |
| Perceived Quality | 2.4687                     | .84063 | 1.7429            | .60638 | 2.7808          | 1.02989 | 2.0000 | 0.00000 | 2.3718 | .90852 |
| Brand Association | 2.1922                     | .82405 | 2.1357            | .68940 | 2.7568          | .67182  | 1.0000 | 0.00000 | 2.2817 | .81322 |
| Brand Loyalty     | 2.2616                     | .96818 | 1.8821            | .67125 | 2.8904          | .80254  | 1.2500 | 0.00000 | 2.2995 | .93969 |

|                     |        |        |        |        |        |        |        |         |        |        |
|---------------------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|
| Brand Equity        | 2.3815 | .97556 | 1.8500 | .65025 | 2.4897 | .58695 | 1.0000 | 0.00000 | 2.2608 | .87576 |
| Customer Preference | 2.3699 | .92941 | 1.7821 | .53825 | 3.0445 | .69515 | 1.7500 | 0.00000 | 2.3816 | .90445 |

XI Table 4.5.5 Mean comparison of travelers of different Occupation  
Source: Own Survey, 2018

#### 4.5.5 Mean Degree of Agreement with Different Travel Frequency

The mean level of agreement varies from 1 (Strongly agree) to 5 (strongly disagree). On average travelers from who have few and many travel experiences (1.3) that they are aware of the ET. From the mean level of agreement on awareness, travelers who have travel experience more than 30 times has unsatisfactory response on the quality service of Ethiopian Airlines (2.7) compared to those who traveled 11-20 times (1.5).

|                            | Frequency of Travel Abroad |     |              |     |               |     |               |     |            |     | Test statistics |       |
|----------------------------|----------------------------|-----|--------------|-----|---------------|-----|---------------|-----|------------|-----|-----------------|-------|
|                            | None                       |     | 1 - 10 times |     | 11 - 20 times |     | 21 - 30 times |     | > 30 times |     | F               | sig.  |
|                            | Mean                       | s   | Mean         | s   | Mean          | s   | Mean          | s   | Mean       | S   |                 |       |
| <b>Brand Awareness</b>     | 1.5                        | 0.5 | 1.6          | 0.6 | 1.2           | 0.3 | 1.9           | 1.0 | 1.3        | 0.4 | 6.387           | 0.001 |
| <b>Perceived Quality</b>   | 2.4                        | 0.7 | 2.4          | 1.0 | 1.5           | 0.5 | 3.0           | 0.8 | 2.7        | 0.7 | 11.04           | 0.001 |
| <b>Brand Association</b>   | 2.4                        | 0.6 | 2.3          | 0.8 | 1.5           | 0.5 | 2.4           | 0.9 | 2.6        | 0.7 | 10.92           | 0.001 |
| <b>Brand Loyalty</b>       | 2.4                        | 0.7 | 2.3          | 1.0 | 1.4           | 0.4 | 2.7           | 1.1 | 2.7        | 0.9 | 12.32           | 0.001 |
| <b>Brand Equity</b>        | 2.2                        | 0.7 | 2.2          | 0.8 | 1.6           | 0.9 | 2.8           | 1.1 | 2.8        | 0.9 | 10.49           | 0.001 |
| <b>Customer Preference</b> | 2.3                        | 0.7 | 2.4          | 1.0 | 1.5           | 0.4 | 3.0           | 0.7 | 2.8        | 0.8 | 13.11           | 0.001 |

XII Table 4.4.5: Mean comparison of travelers of different travel frequencies  
Source: Own Survey 2018

## 4.6 Testing Normality, Multi collinearity and Homogeneity of the Independent variables

### 4.6.1 Multi-Collinearity Test

In order to model preference to Ethiopian Airlines as a function of the independent variables (brand awareness, perceived quality, brand association and brand loyalty), a multi-collinearity test was carried using a correlation matrix portrayed below. The table below explore that some of the pair of variables especially the relationship between each of the independent variables with the dependent variable (Brand preference) and their correlation coefficient is larger than 0.67 which shows a strong positive relationship. Many of the independent variables are significantly related to each other to the error level less than 5% but the magnitude of their relationship is less than 0.5 or gets close to 0. In the correlation matrix derived from independent variables it is observed that there is some relationship among the independent variables. However to simplify the regression model only the main effects of these independent variables (brand awareness, perceived quality, brand loyalty and association) and categorical variables (sex, age, nationality, occupation and travel frequency) was considered assuming that the interaction effect would complicate the model.

| Pairs                                    | Correlation | Sig.  |
|--|-------------|-------|
| Brand Awareness Vs. Brand Quality        | .391        | 0.035 |
| Brand Awareness & Brand's Good Image     | .350        | 0.042 |
| Brand Awareness & Brand Loyalty          | .424        | 0.028 |
| Brand Awareness & Brand's Association    | .345        | 0.054 |
| Brand's Quality & Brand's good Image     | .350        | 0.042 |
| Brand's Quality & Brand Loyalty          | .344        | 0.052 |
| Brand's Quality & Brand's Association    | .518        | 0.015 |
| Brand's Good Image & Brand Loyalty       | .572        | 0.010 |
| Brand's Good Image & Brand's Association | .578        | 0.010 |
| Brand Loyalty & Brand's Association      | .660        | 0.003 |
| Brand Awareness & Brand Preference       | .670        | 0.002 |
| Brand's Quality & Brand Preference       | .777        | 0.001 |
| Brand's Good Image & Brand preference    | .706        | 0.001 |

|  |      |       |
|--|------|-------|
| Brand Loyalty & Brand preference       | .796 | 0.001 |
| Brand's Association & Brand preference | .686 | 0.001 |

XIII Table 4.6.1: Correlation matrix among the independent variables  
Source: Own Survey, 2018

#### 4.6.2 Normality Test

Normality of the dependent and independent variables (**Brand Awareness, Perceived Quality, Brand Association, and Brand Loyalty**) and the dependent variable (**customer preference to Ethiopian Airlines**) was also carried out in order to determine the regression model that is fit for dependent variable against the independent variables. The normality of each of the variables was tested using the P-P plot and basic statistics shown below. The observed points are more or less aligned to the diagonal line indicating that the distribution of scores in the multiple linear model of customer preference against brand awareness, perceived quality, brand association, and brand loyalty is close to normal.

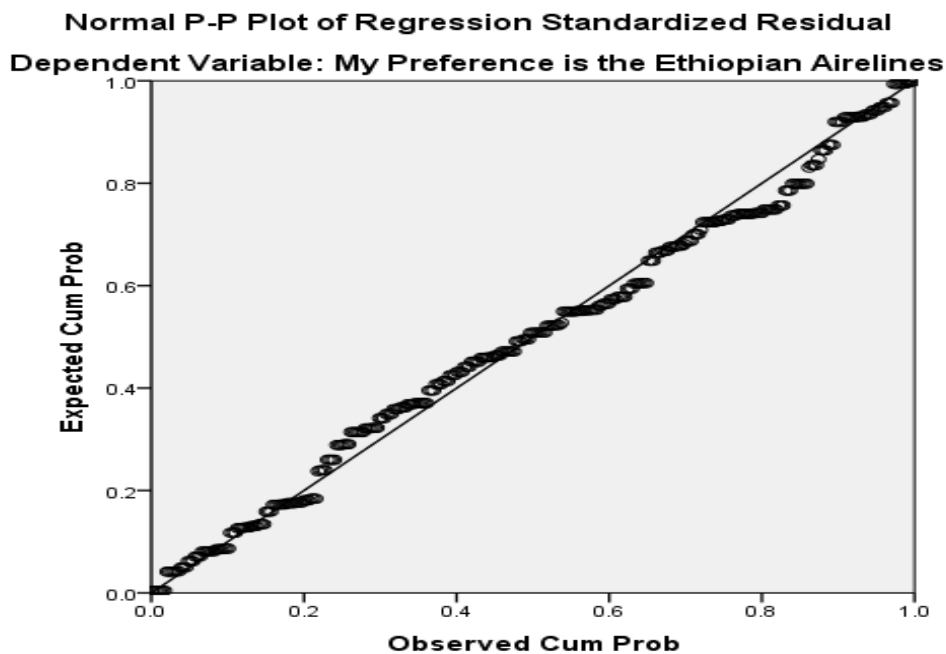


Figure 2 Figure 4.6.2 Normality Test

To numerically test whether or not each of the variables in the model (Preference to Ethiopian Airlines as a linear function of brand awareness, perceived quality, brand association, and brand loyalty) is normal or not, basic descriptive statistics (mean, median, skewness and kurtosis index) were derived and displayed below.

|               | <b>Awareness of ET</b> | <b>ET gives quality services</b> | <b>ET has good image</b> | <b>Loyalty to ET</b> | <b>ET is smarter and has preferable services</b> | <b>My Preference is ET</b> |
|---------------|------------------------|----------------------------------|--------------------------|----------------------|--|----------------------------|
| <b>N</b>      | 323                    | 323                              | 323                      | 323                  | 323  | 323                        |
| <b>Mean</b>   | 1.5147                 | 2.3718                           | 2.2817                   | 2.2995               | 2.2608   | 2.3816                     |
| <b>Median</b> | 1.5000                 | 2.2500                           | 2.2500                   | 2.0000               | 2.2500   | 2.2500                     |

XIV Table 4.6.2: Basic Descriptive Statistics Measuring Normality Source: Own Survey

The mean and median values for each variable is more or less equal and the absolute values of both skewness and kurtosis are very close to 0 indicating that the scores (level of agreement) in each of the variables is more or less normally distributed.

| <b>Statistics</b>             |              |  |   |   |  |   |  |
|-------------------------------|--------------|--|---|---|--|---|--|
|                               |              | <b>I am familiar and aware of the Ethiopian Airlines</b> | <b>Ethiopian Airline has Quality Services</b> | <b>The Ethiopian Airline has good Image</b> | <b>I am loyal to Ethiopian Airline</b> | <b>Ethiopian Airline is smarter and has preferable services</b> | <b>My Preference is the Ethiopian Airlines</b> |
| <b>N</b>                      | <b>Valid</b> | 323  | 323   | 323   | 323                                    | 323   | 323  |
| <b>Skewness</b>               |              | 0.926  | .347  | .215  | .420                                   | .043  | .448   |
| <b>Std. Error of Skewness</b> |              | .136   | .136  | .136  | .136                                   | .136  | .136   |
| <b>Kurtosis</b>               |              | 0.262  | -.541   | -.540                                       | -.695                                  | -.918   | -.531  |
| <b>Std. Error of Kurtosis</b> |              | .271   | .271  | .271  | .271                                   | .271  | .271   |

XVI Table 4.6.2: (2) Basic Descriptive Statistics Measuring Normality Source: Own Survey

Skewness and Kurtosis values of all the independent variables and the dependent variable is close to 0 indicating that the variables are more or less symmetrical and leptokurtic that is the scores in the Variables are more or less normally distributed.

### 4.6.3 Homogeneity tests

Levene test of the homogeneity of variance is used to see the homogeneity (equality of the variances of the dependent variable across all level combinations of the between-subjects factors, for between-subjects factors (sex, age, occupation, nationality)

| Levene's Test of Equality of Error Variances <sup>a</sup> |     |     |      |
|---|-----|-----|------|
| Dependent Variable: Preference to Ethiopian Airlines      |     |     |      |
| F   | df1 | df2 | Sig. |
| 2.629   | 25  | 297 | .092 |

XVI Table 4.6.4 (1) Levene's Test of Equality of Error Variances  
Source: Own Survey, 2018

The table given above tells that the variances of the dependent variable (the level of preference to the ET) across categories of sex, age, occupation, and nationality has become insignificant indicating that a multiple linear regression model can be fit for the dependent variable against independent variables containing categorical variables (sex, Age, Nationality, occupation), frequency of travel, and Perceived quality of the airline (**Brand Awareness, Perceived Quality, Brand Association, and Brand Loyalty**).

### 4.6.4 Multiple Regression Analysis

A multiple regression is the most common form of the regression analysis. As predictive analysis, multiple linear regression is used to describe data and to explain the relationship between one dependent and two or more independent variables.

Therefore, in order to determine the explanatory power of the independent variables in the variance of the dependent variable, multiple linear regression analysis was employed. In other words, multiple linear regression was conducted in order to see contribution of factors that customers perceive to be important in affecting their loyalty in Ethiopian Airlines industry, customer loyalty was used as the dependent variable while service brand equity dimensions were used as the independent variables.

In Advance to the regression analysis, the three major assumptions of variables were tested for checking errors. These are Homoscedacity, normality and multi-collinearity and all the assumptions were satisfied. Finally a multiple linear regression model was fit for the dependent variable (**Preference to the Ethiopian Airlines**) against the demographic variables (sex, Age, Nationality), frequency of travel, and Perceived quality of the airline (**Brand Awareness, Perceived Quality, Brand Association, Brand Loyalty and Brand Equity**). The over overall model has become strongly significant with  $F = 65.9$  Sig. value = 0.001, and coefficient of determination ( $R^2$ ) = 0.875. This indicates that to what extent customers prefer the Ethiopian Airlines can be predicted using this model combining demographic factors, travel frequency and perceived quality of the airline. The table below shows that all of the perceived qualities of the airline (**Brand Awareness, Perceived Quality, Brand Association, and Brand Loyalty**) have been found to significantly (to the error level  $< 5\%$ ) influence the level of preference of customers to travel with Ethiopian airlines (regardless of the varied magnitude of their effects)

Among the demographic factors the effect of sex (being male or female), age (being in 30 – 44 years old) nationality (being Ethiopian or other citizens) on their preference to the Ethiopian Airlines are found to be significant to the error level less than 5%. The level of preference to Ethiopian Airlines ranging from 1 (strong disagreement) to 5 (strong agreement) is found to increase by 0.065 times, 0.403 times, 0.228 times, and 0.107 times as the level of agreement on brand awareness, perceived quality, brand association and brand loyalty to the Ethiopian Airlines increases by one unit respectively. Even if not significant to 5% level error, in the absence of these factors the level of preference of customers to travel with Ethiopian airlines gets below zero These indicate that the Ethiopian Airlines has to work on to improve its awareness, quality of services, building its good image and customer’s loyalty to the airline so that customer’s preference to use the Ethiopian Airline increases.

| Parameter Estimates |      |            |       |      |                         |             |
|---------------------|------|------------|-------|------|-------------------------|-------------|
| Dependent Variable: |      |            |       |      |                         |             |
| Parameter           | B    | Std. Error | T     | Sig. | 95% Confidence Interval |             |
|                     |      |            |       |      | Lower Bound             | Upper Bound |
| Intercept           | .296 | .258       | 1.148 | .252 | -.212                   | .805        |
| Brand Awareness     | .065 | .045       | 1.452 | .147 | -.023                   | .153        |

|  |      |      |       |      |       |      |
|--|------|------|-------|------|-------|------|
| Perceived Quality  | .403 | .046 | 8.766 | .000 | .312  | .493 |
| Brand Association  | .228 | .060 | 3.792 | .000 | .110  | .347 |
| Brand Loyalty  | .107 | .068 | 1.580 | .115 | -.026 | .240 |
| Brand Equity   | .261 | .038 | 6.890 | .000 | .186  | .335 |
| <b>a. This parameter is set to zero because it is redundant.</b> |      |      |       |      |       |      |
| <b>a. This parameter is set to zero because it is redundant.</b> |      |      |       |      |       |      |

XVII Table xx Parametric estimates in the regression model  
Source: Own Survey, 2018

## 4.7 Discussion of the Findings

The discussion part of the analysis tried to answer four of the objectives of the study. The objective of the study is to investigate the effect of brand awareness on the customer loyalty in the case of Ethiopian Airlines, to analyze the effect of perceived quality on the customer preference of Ethiopian Airlines, to examine the effect of brand association on the customer preference in the case of Ethiopian Airlines, to evaluate the effect of brand loyalty on Ethiopian Airlines and to investigate the overall evaluation of brand equity of Ethiopia Airlines brand by the customers.

**Hypotheses 1:** Brand Awareness has a positive and significant effect on customer preference of Ethiopian Airlines.

The result of regression analysis of brand awareness has positive and significance effect on customer preference (with standardized regression coefficient or path coefficient of 0.065, p .147). This result of beta shows that the effect brand awareness on customer preference is positive and significant but not major effect. This supports the findings of previous researchers (Subhani & Osman 2013)

**Hypotheses 2:** Perceived Quality has a positive and significant effect on customer preference of Ethiopian Airlines.

There is a significant statistical positive relationship between Perceived Quality and Customer Preference. As compared to other variables perceived quality has the first strong effect on customer preference. Perceived quality affects brand loyalty (with beta coefficient or path coefficient of 0.403 at  $p < 0.001$ ).

**Hypotheses 3:** Brand Association has a positive and significant effect on customer preference of Ethiopian Airlines.

There is a significant statistical positive relationship between brand association and customer preference. Brand association affects customer preference (with standardized regression coefficient or path coefficient

of 0.228 at  $p < 0.001$ ). This result of beta shows that the effect brand association on customer preference is positive and significant.

**Hypotheses 4:** Brand Loyalty has a positive and significant effect on customer preference of Ethiopian Airlines.

There is a significant statistical positive relationship between brand loyalty and customer preference. Brand loyalty affects customer preference (with standardized regression coefficient or path coefficient of 0.107 at  $p < 0.115$ ). This result of beta shows that the effect brand association on customer preference is positive and significant.

| NO | Hypothesis  | Type       | Correlation |
|----|---|------------|-------------|
| 1. | Brand Awareness has a Positive and significant effect on customer preference of Ethiopian Airlines.   | Regression | .670        |
| 2. | Perceived Quality a Positive and significant effect on customer preference of Ethiopian Airlines.     | Regression | .777        |
| 3. | Brand Association has a Positive and significant effect on customer preference of Ethiopian Airlines. | Regression | .706        |
| 4. | Brand Loyalty has a Positive and significant effect on customer preference of Ethiopian Airlines.     | Regression | .796        |

*XVIII Table 4.7 Summary of hypothesis testing based on the data finding  
Source: Own Survey, 2018*

# **Chapter Five**

## **Summery and Conclusion**

### **5.1 Chapter Overview / Introduction**

This chapter presents summary, conclusion of the results, recommendations forwarded based on the analysis and basic findings on the Effect of Brand Equity on Customers Preference in the case of Ethiopian Airlines. Also in this chapter the study would answer the following research questions.

1. Does Brand Awareness affect Customer preference of Ethiopian Airlines?
2. Does Perceived quality affect Customer preference of Ethiopian Airlines?
3. Does Brand Association affect Customer preference of Ethiopian Airlines?
4. Does Brand Loyalty affect Customer preference of Ethiopian Airlines?

### **5.2 Summary of Major Findings**

The main objective of this study is to examine the possible relationship between brand equity and customer preference in the case of Ethiopian Airlines. This study used quantitative research approach and due to the purpose a descriptive and explanatory research design was used and, the target populations of the study were all customers of Ethiopian Airlines targeted in their working area and in Addis Ababa Airport. This study used primary data as source of information. Based on the research objective, English version questionnaires were prepared. 384 customers were selected using convenient sampling technique, out this 384 questionnaire 340 (88.3%) were collected while 45 of the questionnaire remained uncollected.

Moreover, from the collected questionnaire i.e. 340, 17 questionnaire were not filled properly and completely, therefore, analysis were made based on the properly completed questionnaire. i.e. (323), (95 %). The entire questionnaires were reliable and acceptable with over all Cronbach-Alpha results 0.946.

Based on result of descriptive statistics the findings, Table 4.4.1 48% of the respondents have strongly agreed that the customers are familiar or aware of the Ethiopian Airlines. Among the four items measuring “Awareness/familiarity of the Ethiopian Airlines”, the responses are most consistent and on the item “Characteristics” is the least on whether the Ethiopian Airlines is recognized brand.

The finding in Table 4.4.2 and Table 4.4.3 respectively shows that about 40% of the respondents have agreed that Ethiopian Airlines have trusted excellent quality. Among the four items measuring “Excellent Quality Service”, the responses are most consistent on the item “Ethiopian Airlines as Symbol of Quality” while it is the least and 37.5% of the respondents have agreed that Ethiopian Airlines has its own personality and can be recalled easily. Among the four items measuring “Quickly recall the logo”, the responses are most consistent on the item while “Ethiopian Airlines positive image” is the least. About 40 % of the respondents have agreed that they are loyal to Ethiopian Airlines and 40.6% of the respondents have agreed that they prefer Ethiopian Airlines. Among the four items measuring “Acceptable Standard quality”, responses are most consistent on the item and “It meets all my requirements” while it is the least.

Based on the Multi-Collinearity Test some of the pair of variables especially the relationship between each of the independent variables with the dependent variable (Brand preference) and their correlation coefficient is larger than 0.67 which shows a strong positive relationship. Many of the independent variables are significantly related to each other to the error level less than 5% but the magnitude of their relationship is less than 0.5 or gets close to 0.

On the analysis result of linear regression all of the independent variables have been found to significantly influence the level of preference of customers to travel with Ethiopian airlines. The level of preference to Ethiopian Airlines ranging from 1 (strong disagreement) to 5 (strong agreement) is found to increase by 0.449 times, 0.272 times, 0.254 times, 0.192 times and 0.127 times as the level of agreement on brand’s

quality, brand's association, brand's good image, loyalty to the brand and awareness/familiarity of the brand increases by one unit respectively.

From the finding Customer preference is affected by Brand Equity (Brand Awareness, Perceived Quality, Brand Association and Brand Loyalty) significantly and positively. i.e. Ceteris Paribus, increase in brand equity (brand awareness, perceived quality, brand association and brand loyalty) lead to an increase in customer preference by 0.065, 0.403, 0.228 and 0.107 respectively.

### **5.3 Conclusion**

Generally, Based on the finding, made both on descriptive and inferential statistics the researcher outlining the following classic conclusions

- Travelers from African countries strongly agreed that they are aware and familiar of Ethiopian Airlines and prefers to travel by ET while travelers from India and Sweden are neutral to the preference of ET.
- Female travelers are likely to know and be familiar to the Ethiopian Airlines better than male travelers and also female travelers tend to prefer traveling with Ethiopian Airlines.
- Travelers between the age of 31-43 and 44-55 are highly aware of Ethiopian Airlines. In the same age rank this travelers has less response in the quality service of ET and that they are loyal to the airlines if there is a less costly service from the competitor brand.
- Respondents who work in international organization and government offices are familiar with the brand of Ethiopian Airlines. Respondents from government offices believes that Ethiopian Airlines has a quality service compare to the respondents who works for international organization and same goes to the preference of Ethiopian Airlines government office workers prefer to travel with Ethiopian Airlines.

- Travelers who have travel experience more than 30 times has unsatisfactory response on the quality service of Ethiopian Airlines compared to those who traveled 11-20 times
- Brand Equity (Brand Awareness, Perceived Quality, Brand Association and Brand Loyalty) significantly and positively. i.e. Ceteris Paribus, increase in brand equity lead to an increase in customer preference by .065, 0.403, 0.228 and 0.107 respectively.
- The over overall model has become strongly significant with  $F = 65.9$  Sig. value = 0.001, and coefficient of determination ( $R^2$ ) = 0.875. This indicates that to what extent customers prefer the Ethiopian Airlines can be predicted using this model combining demographic factors, travel frequency and perceived quality of the airline.

#### **5.4 Recommendation**

The study suggested that brand is the most important and valuable asset to affirm next to customers. So, building strong brand name is conducive for longevity and profitability. The following point is recommended by the researcher based on the data finding from the study:

- Based on the result, Ethiopian Airlines have to put in more effort to create customer preference through factors relate to brand awareness, perceived quality, brand association and brand loyalty. For instance by providing quality service that meets or exceeds customers expectation and by assessing customer satisfaction for improvements.
- One of the way customers evaluate a service greatly depends on their experience which is important to bring out the long-term loyalty and also an influential service brand equity dimension for loyalty of travelers even to recommend for others. Thus, Ethiopian Airlines should put efforts to create memorable experience through improving factors related to the core services, and employee service deliver. For example, excellent quality service, attractive service environments, maintain high standard visual brand systems, tailor brand messages etc...

- Since company's presented brand has a significant positive impact on the Brand Awareness and Brand Association with the customers, Ethiopian Airlines should work on the aspects of the company's presented brand like building/improving good brand name, improving promotion and advertisings of the airline by assessing the customers' reaction of current promotions campaigns so that to improve their presented brand.

## **5.5 Limitations and Directions for Further Study**

Every research has certain limitations therefore it is necessary to acknowledge them before moving on to generalizations of findings.

- There is limitation with regard to scope of the study; the place in which this research has been conducted was Addis Ababa. Future researches should attempt to include customers located outside Addis Ababa to have a complete picture about the subject matter in Ethiopian context. Moreover, since the majority of the respondents were well educated and middle-aged, generalization to other groups might not be applicable.
- The research, however, has more rooms for improvement. Further research could be conducted to a different industry, expanded to other geographical area so that the result may be reflective of the actual customers' loyalty and to generate higher outcomes of the confidence level.

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# Annexes

## Annex 1

**Addis Ababa University**  
**School of Commerce**  
**Marketing Management Department**

**Dear Participants,**

This questionnaire is designed to collect primary data that supports my research on ‘**The Effect of Brand Equity on Customers Preference: *An Empirical Study of Ethiopian Airlines***’ that I am conducting as a partial fulfillment of the requirements for the degree of Master’s of Marketing Management. The main objective of this particular research project is to examine the possible relationship between brand equity and customer preference of Ethiopia Airlines.

Hence, your response to the questionnaire has paramount importance to the success of the research. The findings of the research are strictly to be used only for academic purpose authorized by the Addis Ababa University College of Commerce.

If you have any clarification or query, please contact me at Tel. 0911-615913 or e-mail [merynegash@gmail.com](mailto:merynegash@gmail.com)

If you would like a summary of my research results in soft copy, please put your email address here:- \_\_\_\_\_

**Direction: There is no need to write your name**

**Please, put a mark (✓) in the boxes of your option or highlight your selection with Yellow .**

### **Part - I: General Information**

1.1. Nationality \_\_\_\_\_

1.2. Age

18-30

31-43 year

44-55 years

above 56 years

1.3. Gender  Male

Female

1.4. Works for

International Organization

Government Office

Private Company

Other (specify) \_\_\_\_\_

Other (specify) \_\_\_\_\_

1.5. Number of times you have traveled abroad \_\_\_\_\_

**Part - II**

The statements below are designed so that they give information on which factors affect brand preference. Please use tick (✓) mark in the answer boxes or put SD, D, N, A or SA that reflect your rating.

**SD – Strongly Disagree**  
**D – Disagree**

**SA- Strongly Agree**  
**A- Agree**

**N- Neutral**

| No.      | Construct and Items   | Scale |   |   |   |    |
|----------|---|-------|---|---|---|----|
|          |   | SD    | D | N | A | SA |
| <b>1</b> | <b>Brand Awareness (BAW)</b>  |       |   |   |   |    |
| BAW1     | The Brand Ethiopian Airlines is Familiar/ known to me                               |       |   |   |   |    |
| BAW2     | I recognize the Ethiopian Airlines among other Competing Brands                     |       |   |   |   |    |
| BAW3     | Some Characteristics of Ethiopian Airlines come to my mind quickly                  |       |   |   |   |    |
| BAW4     | I Know what the Airlines logo look like   |       |   |   |   |    |
|          |   |       |   |   |   |    |
| <b>2</b> | <b>Perceived quality (PQ)</b>   |       |   |   |   |    |
| PQ1      | Ethiopian Airlines offers Excellent Quality Service                                 |       |   |   |   |    |
| PQ2      | I consider the Ethiopian Airlines a good choice for its services                    |       |   |   |   |    |
| PQ3      | I trust the quality of Ethiopian Airlines service from Others                       |       |   |   |   |    |
| PQ4      | Ethiopian Airlines is a symbol of quality   |       |   |   |   |    |
|          |   |       |   |   |   |    |
| <b>3</b> | <b>Brand Associations (BAS)</b>   |       |   |   |   |    |
| BAS1     | Ethiopian Airlines Brand has a Positive Image                                       |       |   |   |   |    |
| BAS2     | Ethiopian Airlines has a very unique brand Image compared to other competing brands |       |   |   |   |    |

|            |   |           |          |          |          |           |
|------------|---|-----------|----------|----------|----------|-----------|
| BAS3       | Ethiopian Airlines has its own personality  |           |          |          |          |           |
| BAS4       | I can quickly recall the logo of this brand   |           |          |          |          |           |
|            |   |           |          |          |          |           |
| <b>No.</b> | <b>Construct and Items</b>  | <b>SD</b> | <b>D</b> | <b>N</b> | <b>A</b> | <b>SA</b> |
| <b>4</b>   | <b>Brand loyalty (BL)</b>   |           |          |          |          |           |
| BL1        | I am Loyal to Ethiopian Airlines brand even the price is higher than the competitor                                     |           |          |          |          |           |
| BL2        | I will recommend Ethiopian Airlines to friends and family   |           |          |          |          |           |
| BL3        | When I Travel Overseas Ethiopian Airlines would be my first Choice  |           |          |          |          |           |
| BL4        | I will Keep on Traveling with Ethiopian Airlines as Long as it Provides me Satisfied Service                            |           |          |          |          |           |
|            |   |           |          |          |          |           |
| <b>5</b>   | <b>Brand Equity (BE)</b>  |           |          |          |          |           |
| BE1        | Even if another brand has the same features as Ethiopian Airlines, I would prefer Ethiopian Airlines                    |           |          |          |          |           |
| BE2        | If another Brand is not different from Ethiopian Airlines in anyway, it seems smarter to travel with Ethiopian Airlines |           |          |          |          |           |
| BE3        | If there is another brand as good as Ethiopian Airlines, I prefer to buy service from ET                                |           |          |          |          |           |
| BE4        | It makes sense to buy the service from Ethiopian Airlines instead of any other brand, even if they are the same         |           |          |          |          |           |
|            |   |           |          |          |          |           |
| <b>5</b>   | <b>Customer Preference (CP)</b>   |           |          |          |          |           |
| BP1        | I prefer traveling using Ethiopian Airlines compared to other airlines  |           |          |          |          |           |
| BP2        | I prefer traveling with Ethiopian Airlines since it has consistent quality  |           |          |          |          |           |
| BP3        | I prefer Ethiopian Airlines because it has acceptable standard quality  |           |          |          |          |           |
| BP4        | I prefer Ethiopian Airlines brand because it meets all my requirements than other Airlines                              |           |          |          |          |           |

## Annex 2

### Multiple Correspondence Analysis (MCA):

Total inertia: 3.667

Eigenvalues:

|                 | F1     | F2     | F3     | F4     | F5     | F6     | F7     | F8     | F9     | F10     |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Eigenvalue      | 0.709  | 0.703  | 0.591  | 0.398  | 0.359  | 0.273  | 0.225  | 0.201  | 0.123  | 0.084   |
| Variability (%) | 19.338 | 19.166 | 16.113 | 10.863 | 9.804  | 7.452  | 6.148  | 5.485  | 3.344  | 2.288   |
| Cumulative %    | 19.338 | 38.503 | 54.616 | 65.479 | 75.284 | 82.736 | 88.883 | 94.368 | 97.712 | 100.000 |

