IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON CUSTOMER LOYALTY THE CASE OF ETHIOPIAN AIRLINES

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DEPARTMENT OF MARKETING MANAGEMENT POST GRADUATE PROGRAM

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Addis Ababa

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THE CASE OF ETHIOPIAN AIRLINES

A Thesis submitted to the School of Graduate Studies of Addis Ababa University in partial fulfillment of the requirements of the Master of Arts degree in Marketing Management

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DECLARATION

I hereby declare that this submission is my own work. To the best of my knowledge and belief, it contains no material previously published or written by another person, except where due acknowledgment has been made in the text.

Candidate's Name	Signature	Date
Eskedar Tamrat		

Advisor’s Approval

This Thesis has been submitted for examination with my approval as a University advisor.

Dr. Birhanu Denu		
Advisor’s Name	Signature	Date

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ACKNOWLEDGEMENTS

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LIST OF ACRONYMS AND ABBREVIATIONS

CRM	Customer Relation Management
RM	Relationship Marketing
SRLC	Satisfaction –Retention-Loyalty-Chain
FFPs	Airline Frequent Flier Programs
VIF	Variance Inflation Factor

ABSTRACT

It can be witnessed from past few years' media reports of airline performance that airlines are finding it difficult to remain profitable in the industry. Among many other factors, the major reason for the economic downturn in the industry is stiff completion due to the increase in oil price, political and economic instabilities in different parts of the world, and disease outbreaks. This situation requires airlines to come up with a marketing strategy that is customer focused and suitable to build long term relationship with their customers thereby improving the loyalty of their customers.

This paper aims at looking at the impact of customer relationship management efforts on customer loyalty to see if efforts on building long turn relationship with customers impacts or contributes to customers' loyalty.

Descriptive study is conducted on Ethiopian airlines using a structured and detailed questionnaire distributed to the Airlines' Loyalty program members.

Results of the statistical analysis revealed that customer loyalty is indeed impacted by such factors of customer relationship management like Trust, Communication, Conflict Handling, and Competence. Though these factors impact loyalty at different degrees, it is recommended that improving the long term relationship with customer will positively impact customers' loyalty.

Keywords: Customer Relationship Management, Trust, Commitment, Communication, Conflict Handling, Competence, Customer Loyalty, CRM

CHAPTER ONE:
INTRODUCTION

1.1 Background/Rationale of the Study

Airlines today are finding it hard to remain profitable and enjoy ease of daily business as they used to some years back regardless of their size, nature and the region that they are operating in. Declan Boland, Doug Morrison and Sean O'Neill have mentioned on their article entitled "The future of CRM in the airline industry: A new paradigm" that the airline industry has reached a crossroads.

This is primarily due to the sensitive nature of the airline industry to political, economic and social happenings all over the world. For example, the recent global economic crisis has hit a number of airlines so hard that they have liquidated. Declan Boland, Doug Morrison and Sean O'Neill have also mentioned that the effects of the worldwide economic slump and the aftermath of September 11th attacks have severely impacted airline economics and viability.

The political crises in the Middle East is another recent incident that has resulted in a sudden and sharp price increase in oil prices and that made it very difficult for airlines to operate and stand the competition.

We can also look at the effect of the recent 'Ebola' virus outbreak in central and West Africa. It is causing damage on airline business especially on African Airlines as the Europeans' and Americans' happened to be reluctant on their travel plans to Africa and are cancelling their flights to Africa for they think that the whole of Africa has the virus and they may get infected.

A survey based on feedback from more than 500 safari operators conducted by African booking company "Safaribookings.com" found that as of late September 2014, more than half of the safari operators reported a 20 to 70% decline in bookings. (CNN, October 21, 2014)

The ever increasing competition caused by the decline in traffic and introduction of low-cost carriers in the industry is also another prominent reason for difficult business environment in the industry.

Technological advancement has contributed a great deal in empowering customers by equipping them with the information they want at their fingertips. It is now possible to compare the price, flight time, aircraft type, etc of flights of different airlines in few clicks on a computer. This has given travelers the liberty to demand better services, reduced prices from airlines as well as easily shift to competitors.

In a highly dynamic and competitive market environment of airline industry, a close review of long term customer relationship management and loyalty is paramount to study. It is important to have continual assessment of customer satisfaction as well as behavior in terms of building long term relationship to assess their loyalty to a certain company.

1.2 Statement of the Problem

In this stiff situation, there is a slight room for airlines to differentiate their products and win the competition in the industry. Thus they are forced to shift their focus towards building a long term relationship with their customers in an attempt to win their trust, loyalty and continued business.

Airlines should understand what customer expectations are to ensure that they provide quality service. Failure to meet customer expectations on any one of the many service delivery processes could lead to a service failure which, in turn, will influence customers' satisfaction.

A clear and positive relationship exists between CRM and customer satisfaction, (Yao &Khong, 2011). CRM application leads organization towards greater knowledge of customers, and this customer knowledge and integration has a mediating role between CRM practices and customer

satisfaction. Effective CRM practices have a positive impact on customer satisfaction, (Mithas et al, 2005)

It is very important for airlines to keep customers to stay with them because acquiring new customers costs more than satisfying and retaining current customers and Customers' profitability tends to increase over the life of a retained customer as they buy more as their trust increases.

This paper tries to look at the impact and importance of customer relationship management in bringing about customer loyalty to the airline.

1.3 Research Question

This study address the following questions.

1. What are the different Customer Relationship Management virtues in Ethiopian Airline?
2. What is the level of Customer Loyalty in Ethiopian Airlines?
3. Is their significant relationship between customer relationship management components (trust, commitment, communication, conflict handling and competence) and customer loyalty?

1.4 Objective of the Study

1.4.1 Main objective

The main objective of this study is to find out if customer relationship management factors have relationship with customer loyalty.

1.4.2 Specific objectives

The research has the following specific objectives:

- To find out the virtue of CRM applicable for Ethiopian Airlines.
- To show Ethiopia airline customers' loyalty level.
- To find out the relationship of trust and customer loyalty.
- To find out the relationship of commitment and customer loyalty.
- To find out the relationship of communication and customer loyalty.
- To find out the relationship of conflict handling and customer loyalty.
- To find out the relationship of competence and customer loyalty.

1.5 Scope of the Research

This study has focused on Ethiopian Airlines International Passengers. This research focuses mainly on customer relationship management and customer loyalty. Customer relationship management virtues being the independent variables and customer loyalty the dependent variable.

1.6 Definition of Terms

Customer Relation Management (CRM) can be defined as the establishment and maintenance of long-term relationships between an organization and its customers (Torres & Kline, 2006:293; Reinartz & Kumar, 2003:77; Christopher, Payne & Ballantyne, 2002:4). CRM is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability (Kottler– pp. 304 – 305).

Relational exchange relationships emerge when organizations and their customers develop interactive, mutually beneficial, long-term relationships (Xu et al., 2006:82; Venetis & Ghauri, 2004:1579).

Customer satisfaction refers to customers' evaluation of a service in terms of whether the service has met or exceeded their needs and expectations (Zeithaml et al., 2009:104; Hoffman et al., 2005:329). McDougall and Levesque (2000:393) state that customer satisfaction should be viewed as customers' overall evaluation of the service provider. This view of customer satisfaction is especially applicable to the airline industry, due to the many activities involved in the service delivery process. For example, airline passengers would probably rate their satisfaction with an airline by considering the airline's ground staff and cabin crews on their courteousness, helpfulness and competence; sufficient and efficient check-in services; waiting lounges; keeping to departure and arrival times; quality food and beverages served during the flight; in-flight entertainment and online services offered.

Customers' Loyalty refers to customers' commitment to repeat past purchases of a preferred service over time (Peelen, 2005:32), even if other more convenient or suitable alternatives exist (McMullan & Gilmore, 2003:231).

According to Heskett et al. (1994), satisfaction –retention-loyalty-chain (SRLC) is key concept that needs to be understood due to it's link to Customer Relationship Management and, in turn, profitability.

Customer retention is the strategic objective of striving to maintain long term relationships with customers. Customer retention is the mirror image of customer defection. A high retention rate is equivalent to a low defection rate. (Ahmad, R. & Buttle, F. ,2001).

1.7 Limitation of the Study

Since it is restricted to gain access to all the airlines' loyalty program members, the study have been administered around ShebaMiles lounge areas and in the Loyalty Operations office of the airline.

1.8 Significance of the Study

The study of relationship management is relevant to organizations specially airlines. By taking steps to implement a truly consumer-focused approach to relationship management, an airline will be better positioned to acquire, develop and retain high-value customers. In the end, an airline's CRM program becomes a means for achieving both short term operational efficiency and long-term relationship management and growth.

1.9 Organization of the Study

The study is organized into five major chapters. The first chapter is dedicated to an introductory part composed of background of the study, research problem and questions. The second chapter presents the literature reviewed. In the third chapter the research methodology that include research design, population and samples of the study, data collection and analysis tools is presented. The fourth chapter covers the data analysis and presentation part. The last chapter is dedicated to the research finding and conclusion part.

CHAPTER TWO:
LITERATURE REVIEW

2.1 Background

Focusing on retaining existing customers is a marketing concept that is popular in this day and age as retaining existing customer's costs relatively less than acquiring new ones. Building long term relationship with customers is believed to be one mechanism that organizations use to retain their customers with them.

This part of the paper tries to cover the works of various scholars on the idea that customer relationship management is related and is important factor in building customer loyalty.

2.2 Customer Relationship Management

Organizations can reap numerous benefits from building relationships with customers (Hansemark & Albinsson, 2004:41; Keith et al., 2004:24-25; Venetis & Ghauri, 2004:1578), including: increasing customer satisfaction as customers' perceptions of the value they receive increase;

- Lower marketing costs; customers are more likely to support the organization in the future as their satisfaction increases;
- Increased effectiveness because of knowledge of the customer; increased customer dependence on the organization;
- Increased customer retention rates, and ultimately
- Higher profits.

Benefits to customers include the following:

- Customers may feel more valuable if the organization recognizes them and addresses them by name;
- Customers may have a decrease in risk (e.g. physical, social, financial or psychological risk) associated with dealing with the organization;
- Customers may experience higher status by being associated with an organization;
- Personalization of products or services offered; and
- Customers may perceive greater satisfaction with the organization (Buttle, 2004:26-27; Keith et al., 2004:24-25; Venetis & Ghauri, 2004:1578).

2.3 Relationship Marketing

Relationship marketing activities refers to activities that are aimed at developing and managing trusting and long-term relationships with larger customers. Relation marketing (RM), most often, is defined as, the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers to create value for customers and profit for organizations by a serious of relational exchanges that have both a history and a future.

In relationship marketing, customer profile, buying patterns, and history of contacts are maintained in a sales database, and an account executive is assigned to one or more major customers to fulfill their needs and maintain the relationship.

It is a marketing philosophy where by a firm gives equal or greater emphasis to the maintenance and strengthening of its relationships with its existing customers as it does to the necessary search for new customers. Throughout the 1950's and 1960's, a marketer came to be seen as a mixer of the 4P's: Product, Price, Place and Promotion. The 4P's- frame work also known as transaction marketing which was to dominate marketing for the next many years (Lindgreen, 2004).

2.3.1 Customer Relationship Management (CRM) in the Airline Context

Customer relationship management (CRM) is a disciplined application of customer information to build customer focused business culture. Though there are commercial software that support CRM strategy, CRM is not a technology by itself. Rather it is a corporate level strategy which focuses on creating and maintaining lasting relationship with its customers. To be effective, the CRM process needs to be well integrated across different units of the organization like marketing, Sales, and customer service.

As stated on the journal of the 4th International Management Conference of the University of Technology in Tehran, the general CRM Structure for scheduled airline can be summarized as shown on the figure below.

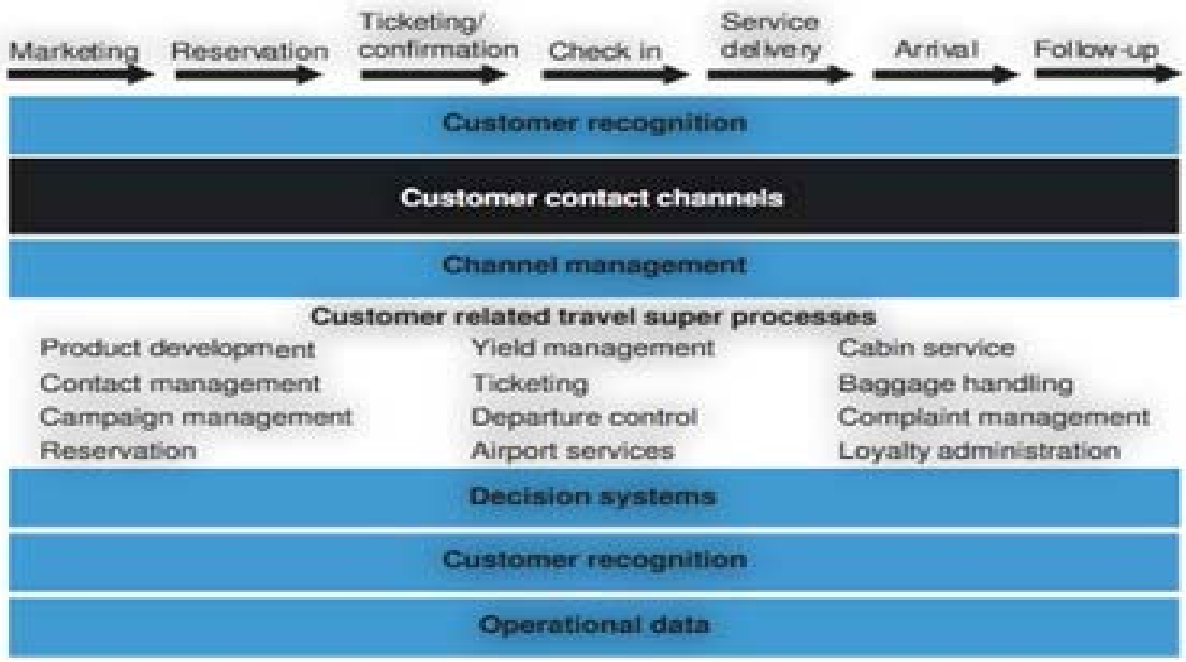

Figure 1: General CRM Structure of Scheduled Airline

Ehsan Ahadmotlaghi and Dr. prafulla Pawar mentioned a comprehensive list of benefits that an airline can get out of CRM initiatives on their paper entitled "Analysis of CRM Programs

Practiced by Passengers' Airline Industry of India and its impact on Customer Satisfaction and Loyalty". These are:

- Improving sales force efficiency and effectiveness (Croteau and Li, 2003; Jones,Brown, Zoltners, and Weitz, 2005; Jones, Stevens, and Chonko , 2005; Jones, Sundaram and Chin,2002; Leight and Taner , 2004; Rivers and Dart, 1999; Sabri , 2003),
- Reducing cost to serve (Buttle, 2004 ; Zikmund, McLeod, and Gilbert,2003),
- Increasing customer satisfaction and loyalty (Buttle, 2004; Parvatiyar and Sheth, 2000-2001, Verhoef, 2003; Zikmund, McLeod, and Gilbert, 2003),
- Increasing data sharing across selling organization(Chen and Popovich, 2003; Rigby and Ledingham, 2004),
- Improving customer service (Chen and Popovich, 2003),
- Improving cross selling and up selling(Chen and Popovich, 2003; Parvatiyar and Sheth, 2000, 2001),
- Improving customer segmentation and targeting (Chen and Popovich, 2003; Parvatiyar and Sheth, 2000, 2001; Reinartz, Krafft and Hoyer, 2004 ; Tanner, Ahearne, Leigh, Mason, and Moncrief, 2005),
- Enabling better personalization of marketing efforts (Chen and Popovich , 2003; Croteau and Li, 2003; Jones,Brown, Zoltners, and Weitz , 2005; Sabri, 2003; Sheth, Sisodia and Sharma, 2000; Thomas, Reinarts and Kumar , 2004; Zikmund, McLeod, and Gilbert, 2003),
- Improving ability to find, obtain and keep customers and enhances ability to create long-term partnership (Jones, Stevens, and Chonko, 2005; Jones,Brown, Zoltners, and Weitz , 2005; Tanner, Ahearne, Leigh, Mason, and Moncrief, 2005; Winer, 2001),
- Improving product differentiation (Park and Kim, 2003),

- Enhancing product development (Sabri, 2003),
- Enabling companies to win-back lost customers (Thomas, Blattberg, and Fox, 2004; Rigby and Ledingham , 2004),
- Improves retention efforts (Rigby and Ledingham, 2004; Zikmund, McLeod, and Gilbert, 2003).

2.4 Airline Frequent Flier Programs (FFPs)

Airline Frequent Flier Programs (FFPs) were introduced around three decades back by American Airlines in an attempt to reward repeat customers and build brand loyalty. Since prior efforts were primarily focused only on attracting new customers, this was considered to be a novel approach to Customer Relationship Management and marketing. Since then, CRM, is considered to be a crucial component of an airline's business environment.

Loyalty programs have been defined in various ways by different researchers. Liu (2007) defines loyalty program as a program run by the marketer that allows consumers to accumulate free rewards as incentives for making repeat purchases with a firm. Such a program is not beneficial to the consumer for a single purchase as it aims achieving loyalty over time. Dowling and Uncles (1997), stated that loyalty programs are important in enhancement of the overall value of the product or service as they motivate loyal buyers to make their next purchases.

Rapid changes are taking place in the business environment. The competitive advantage that organizations achieved due to product differentiation no longer holds good due to creation of similar looking and performing products (Sunny Bose,2011). On the other hand, with the advent of the internet, consumers now have a wide choice of air carriers. Since airlines have trouble distinguishing them, the business has become commoditized, and profits are difficult to obtain David Wessels (2006). Loyalty programs that center on passengers whose air travel demands are generally less price elastic (e.g. business travelers) and expected to be so in the long term, constitute an important customer relationship management tool (Liu & Yang, 2009, P. 104). Bob e Hayes (2011) described that Business growth depends on improving customer loyalty behavior.

Companies with higher customer loyalty usually experience faster business growth than companies with lower customer loyalty.

Loyalty among customers can be considered to be susceptible as customers tend to shift products and services on their perception of getting better value, convenience or quality elsewhere. It is therefore, of crucial importance to a marketer to ensure the minimization of customer shift. Shawen (2007) on the other hand stipulated that airlines' Frequent Flyer Programs are at the heart of marketing in the airline industry. Indeed, it is much easier to isolate the airlines which do not have a program rather than those that do. Carriers are faced with the challenges of keeping their programs competitive in an increasingly mature and saturated marketplace.

2.4.1 The Influence of Customer Satisfaction on Commitment and Customer Loyalty

Customer satisfaction is a judgment of the service brand's capability to provide "a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment" (Oliver, 1997, p. 13). Customers are satisfied if the performance meets or exceeds their expectations prior to consumption. Likewise, they are dissatisfied if the brand does not meet their expectations. According to Garbarino & Johnson, 1999, customer satisfaction is considered as one of the most important factors contributing for customer loyalty. If customers evaluate the brand as being one that meets and even exceeds their expectation, it is presumed they are satisfied with the brand. Once they are satisfied with the brand, they will prefer it for their subsequent travel.

Customer satisfaction is further assumed to positively influence customers' commitment to their relationship with the airline brand. A high level of satisfaction resulting from the interaction with the airline brand provides repeated positive reinforcement, thereby creating positive emotional commitment bonds with the brand (Hennig-Thurau & Klee, 1997, p. 753).

2.4.2 The Influence of Relationship Commitment on Customer Loyalty

Customer commitment relates to a customer's desire and motivation to continue a valued relationship with the brand in the future (Grönroos, 2007, p. 41). It is seen as a focal relationship construct that precedes customers' relational behaviors such as repurchase or positive word of mouth communications (Garbarino & Johnson, 1999). Referring to Kim (2008) and Punniyamoorthy and Raj (2002, p. 224), commitment can be considered a necessity for the evolvement of true brand loyalty.

According to Zenithal & Bitner (2004, p.175-80), there are four level of relationship strategies that should be used to build relationship and tie customers closer to the firm. While the most successful retention strategies are built on the foundations of quality service, market segmentation, and monitoring of changing relationship needs overtime (Leonard berry and A. Parasuraman (2004, p. 136-42), the framework suggests that relationship marketing can occur at different levels and that each successive levels of strategy results in ties that bind the customer a little closer to the firm. The four levels are as follows:

2.4.2.1 Level 1-Financial bond

The customer is tied to the firm primarily through financial incentives- lower prices for greater volume of purchase or lower prices for customers who have been with the firm a long time. Rewarding through Frequent flyer programs, bundling and cross-selling of services like FFP used for rental, credit card usage and other services which are may not be related to air transport, assurance of most stable price, and others can be considered .

2.4.2.2 Level 2- Social Bonds

Customers are viewed as "clients," not nameless faces, and become individuals whose needs and wants the firm seeks to understand. Continuous relationships with customers, personal relationship with employees of a company, social bonds among customers and others can be considered as important elements to build long term relationship and brand loyalty.

Social bonds alone may not tie the customers permanently to the firm, but they are much more difficult for competitors to imitate than are price incentives. In the absence of strong reason to shift to other provider, interpersonal bonds can encourage customers to stay in a relationship. In combination with financial incentives social bonding strategies may be very effective.

2.4.2.3 Level 3-Customization Bonds

Two commonly used terms fit within the customization bonds approach: Mass customization and Customer intimacy. Both of these strategies suggest that customer loyalty can be encouraged through intimate knowledge of individual customers and through the development of "one-to-one" solutions that fit the individual customers' needs. Mass customization has been defined as "the use of flexible processes and organizational structure to produce varied and often individually customized products and services at the price of standardized, mass-produced alternatives.

2.4.2.4 Level 4-Structural bonds

Structural bonds are the most difficult to imitate and involve structural as well as financial, social, and customization bonds between the customer and the firm. Structural bonds are created by providing services to the client that are frequently designed right into the service delivery system for the client. Often structural bonds are created by providing customized services to the client that are technology based and make the customer more productive.

2.5 Empirical Literature Review

Most papers see customer relationship as important contributor towards customer satisfaction where by satisfaction resulting in customer retention/loyalty. Customer satisfaction is indicated to be very important for customer retention and relationship formulation. The more related customers are with organizations they tend to be more satisfied with their product or service and chose to remain loyal to that organization.

In a research paper by Ehsan Ahadmotlaghi and Dr. Prafulla Pawar entitled "Analysis of CRM Program Practiced by Passengers' Airline Industry of India and Its Impact on Customer Satisfaction and loyalty", the writers have tried to identify main CRM factors that influence customer satisfaction on loyalty and tried to analyze the relationship between these factors and two parameters of satisfaction and loyalty.

They conducted the test on 900 passenger of the airline collecting the data through questioner and concluded that application of CRM program in passenger's airline industry affects customer satisfaction and directly influences satisfaction level among customers. And CRM causes higher loyalty of passengers and makes barrier in front of customer switch. Customization of service, communicational efforts by the airline having trust in the airline, commitment of airline to promised service offer and better service quality are main factors influencing customer satisfaction and loyalty.

This conclusion supports the Hypothesis that CRM practice of airlines has impact on customer loyalty.

Similarly, on their master's thesis aimed at studying the impact of Customer Relationship Marketing practices and systems on customer retention effort, Arezu Ghavami and Alireza Olyaei (2006) have concluded that CRM is a modern marketing tool practiced by companies of different size to win the competitive business environment. The challenge is not only on acquiring new customers but also on holding existing customer. Arezu and Alireza have concluded that the ultimate goal or happy ending of CRM should be long term retention of customers.

On the other hand Pierre Mostert and Christine De Meyer have considered building customer relationship as retention strategy. They have conducted their study in the context of passenger airline industry. The objective of the study was to investigate the effect of airline's strategy of building relationship with customers on customer satisfaction, loyalty, and ultimately on customer retention. They collected the data through questioners on a non-probability convenience sampling method from 324 passengers flying with the various domestic airlines. The questions raised on the paper were:

- Customers with whom the airline has built relationship are more satisfied with the airlines service?
- Customers who are satisfied with the airlines service tend to be loyal to the airline?
- Customers who have formed relationship with the airline are more loyal to the airline?

The findings of this study indicated that customers who formed relationship with domestic airlines were more loyal towards the airline. And thus the writers recommend that organizations competing in South African service sector and specifically the domestic airline industry make special efforts to build relationship with existing customers rather than to continually try to acquire new customers. Thus the strategy of building customer relationship could result in a higher probability of success by increasing customer satisfaction, customer loyalty and ultimately customer retention.

All the quoted studies on the impact of customer relationship management on customer loyalty/retention have concluded that relationship building with customers is important factor for retaining one's customers. Whether used as strategy or not, it is indicated that organizations who have built relationships with their customers and have managed that well are more successful in their attempt of retaining their customers.

Mohammad Taleghani , Shahram Gilaninia and Seyyed Javad Mousavian, have mentioned some of the key relationship marketing virtues based on their literature review as identified by various scholars. The stated virtues are:

- *Trust* (Macintosh and Lockshin,1997; Sirdeshmukh et al, 2002; Veloutsou et al., 2002; Knemeyer et al., 2003; Beetles and Harris, 2010),
- *Commitment* (Morgan and Hunt, 1994; Beetles and Harris, 2010),
- *Competence* (Smith and Barclay, 1997; Metawa and Almossawi, 1998; Hunt et al, 2006),
- *Equity* (Kavali et al, 1999),
- *B*enevolence (Ndubisi and Wah, 2005),

- *Empathy* (Ndubisi, 2004),
- *Conflict handling* (Ndubisi and Madu, 2009; Gilaninia et al, 2011), and
- *Communication* (Morgan and Hunt, 1994; Ndubisi and Wah,2005; Knemeyer and Murphy, 2005; Tian et al., 2008.

Five of the virtues listed above (trust, commitment, communication, conflict handling and competence) will be used to see the impact of Customer Relationship Management on Customer Loyalty. These five virtues are chosen for this study as they are found to be highly applicable to the airline industry and are mentioned repeatedly on most of relationship and loyalty related studies like studies.

2.6 Research Conceptual Model

The model of Ndubisi & Wah (2005) have been used in this study to analyze the effect of customer relationship management on customer loyalty.

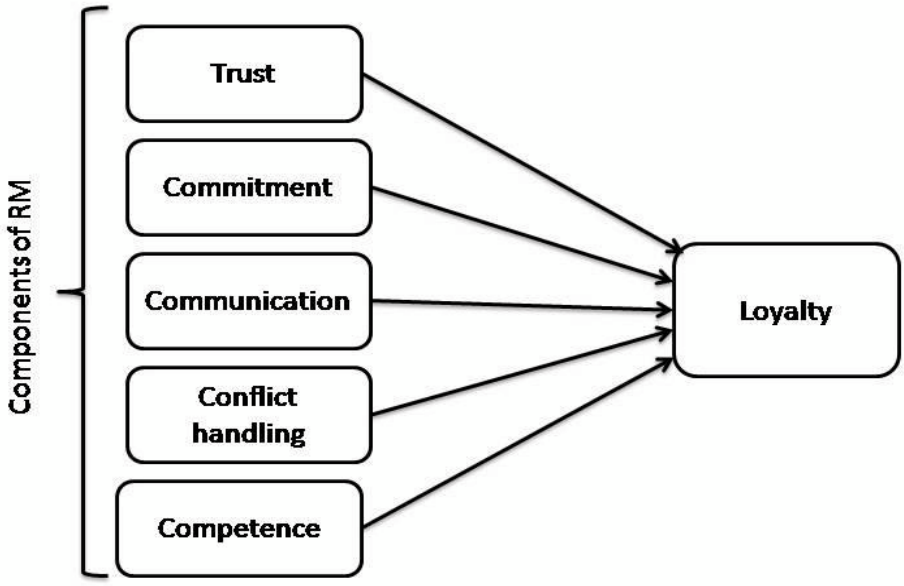

Figure 2 Conceptual Model

Source: Ndubisi and Wah (2005)

Mahshid Tofigh, Hossein Salimian, and Mahmood Nasrollahi have defined the components of Relationship management as given on below table:

Table 1: Definition of Relationship Marketing components

CRM components	Definition	Researchers
Trust	Trust is your tendency towards a transaction company which you trust. Trust has been defined as one of the aspects of a business relationship which is the level at which each party feels that he can trust the promises of the other. High level of customer trust in the service provider leads to long term and more constant relationships. Trust has been defined as understanding the good reputation, credibility and support provided by the other party. In fact, the success of a relationship to a large extent depends on the amount of trust between the customer and the service provider.	Moorman et al., (1992)
Commitment	Commitment is the constant tendency to maintain a valuable Relationship. Commitment is one of the significant variables for understanding marketing strength, and also a useful tool for measuring the probability of loyalty and predicting customer's future purchases.	Moorman et al., (1992)

	Higher tendency towards cooperation, meeting the needs of the other party, solving problems mutually and sharing information suggest that business parties are committed to one another.	Vasudevan et al., (2006)
Communication	Communication, especially timely communication, means helping to resolve the disputes and aligning the conceptions and expectations in order to enhance mutual trust in a relationship.	Sin et al. (2002)
	Regarding the relationship between the customer and the provider, communication means providing information that is trustable.	Ndubisi (2007)
Conflict handling	Conflict handling refers to the ability to minimize the negative and obvious consequences of potential conflicts, of course prior to their leading to any problems. Conflict in relationships is predictable and its consequence is wrong conceptions of the parties about their aims and roles in the relationship.	Dwyer et al., (1987)
	Conflict handling is the ability of the provider to avoid potential conflicts, resolving potential conflicts before they become problematic and finding solutions when problems are raised.	Aydin et al., (2005)
Competence	Competence has been defined by perceptions of customers on the amount of skills, abilities and	Smith and Barclay

	knowledge needed by the opposite party to effective function/service.	(1996).

Source: Compiled from listed authors

2.7 Hypotheses

Based on the conceptual model described above, the following alternative hypotheses are formulated:

H1: There is a significant positive relationship between trust and customer loyalty.

H2: There is a significant positive relationship between commitment and customer loyalty.

H3: There is a significant positive relationship between communication and customer loyalty.

H4: There is a significant positive relationship between conflict handling and customer loyalty.

H5: There is a significant positive relationship between competence and customer loyalty.

CHAPTER THREE:
RESEARCH DESIGN AND METHODOLOGY

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3.1 Research Design

The research design used in this research is descriptive research. The objective of the study is to examine if customer relationship management affects customer loyalty in international passenger airline - Ethiopian Airlines. The researcher reviewed different literatures on customer loyalty, Customer relationship management, service marketing, and Airline Marketing. A structured and detailed questionnaire is distributed to the Airlines' Loyalty program members (customers that are enrolled in the Loyalty program of the Airline and having different membership status (Gold, Silver, Blue, No tier). The questioner was developed in English language as the primary communication language of the Airline with it's Loyalty program members is English. The questionnaire was partially adopted with minor customization from previous research done by Ndobisi & Wah (2005).

3.2 Population and Sampling Techniques

The population of the study is those airline passengers that are already enrolled in the Airlines' frequent flyer program called ShebaMiles. The Airline currently has about 1,000,000 members enrolled in its frequent flyer program.

A non-probability convenient sampling was used as it is found to be practical to collect data from members who visited ShebaMiles office and Airport lounge over the data collection period. A total of 700 questionnaires are distributed over three weeks' time. The survey is conducted during working hours in the Sheba Miles office at customer support desk and at the ShebaMiles lounge of the Airline.

3.3 Source and Tools /Instruments of Data Collection

A self-Administered closed-ended questionnaire is developed because through questionnaire the collection of large and standardized data is possible. The 700 Questionnaires are administered face to face for those passengers who visited the Loyalty operations office and the Sheba Miles lounge of the Airline within the three weeks' time. Out of the total sample, 599 responses were secured with a response rate of 85.5%.

The questioner has four background check questions and 23 seven point likert Scale ((1for strongly disagree and 7 for strongly agree),) standardized questions.

(1) The first section of the questionnaire is used to gather data about the respondents background information labeled as Personal Information in four questions.

(2) The second part is used to evaluate the fundamental variables of relationship marketing (Trust, Commitment, Competence, Communication, and Conflict Handling). Moreover respondents will be asked to rate their level of loyalty in using the airline service.

3.4 Validity and Reliability

Content Validity: Ndobisi & Wah (2005) standard questionnaire was used with minor adjustment. Each attribute was derived from relevant literature to ensure the validity of the questionnaire.

Reliability: - A pilot test was used on 50 international passengers who are members of the Airlines' Loyalty program to measure the reliability and consistency of the responses by customers. Cronbach's alpha was used to measure the reliability and internal consistency. The results showed that the alpha coefficients are all above 0.7 which is acceptable value used by Nunnally (1987) as an indicator of reliability.

Construct	Items	Cronbach's Alpha	Internal Consistency
Total Items	20	0.77	Good
Trust	5	0.793	Good
Commitment	4	0.857	Good
Communication	3	0.776	Good
Conflict handling	2	0.701	Good
Competence	3	0.710	Good
Loyalty	3	0.787	Good

Table 2: Cronbach's alpha of Constructs

3.5 Procedure of Data Collection

Three steps are taken to conduct the survey

Step1: - The researcher selected respondents (Passengers) based on convenient sampling while they visited the Loyalty Operations office and ShebaMiles lounge of the Airline.

Step2: - The Questionnaire is distributed and respondents are communicated the purpose of the questionnaire.

Step3:- Finally questionnaires are collected

3.6 Methods of Data Analysis

After the data is collected through structured questionnaire, computation and analysis is done by using SPSS (Statistic Package for Social Science) software. Descriptive statistics Mean Score, Standard Deviation and inferential statistics like Correlation test using Pearson's correlation and Multiple Regression analysis are used in order to address the initial research question of the study.

CHAPTER FOUR:
RESULTS AND DISCUSSION

4.1 Description of Data

The demographic data collected shows that majority of the respondents happen to be male constituting 75% of the data collected. Almost 62% of them are between the age of 20 and 40 years traveling mostly for business reasons. 75.7% of the female respondents are between 41-60 years of age. Majority of the female respondents travel for Leisure purposes. Only 32% of them travel for business reasons. The below tables (table1 and table2) summarize the demographic composition of the respondents.

Age of Respondent	Gender of Respondents					
	Male		Female		Total	
	Count	Percentage	Count	Percentage	Count	Percentage
Below 20	0	.0%	0	.0%	0	.0%
20-40	274	61.9%	28	18.9%	302	51.3%
41-60	157	34.1%	114	75.7%	271	44.3%
61 and above	18	4%	8	5.4%	26	4.3%
Total	449	100%	150	100.0%	599	100.0%

Table 3: Age and Gender of respondents

Source: Questionnaire (2015)

Travel Reason	Gender of Respondents			
	Male		Female	
	Count	Column N %	Count	Column N %
Business	374	83.2%	48	32.0%
Leisure	75	16.8%	102	68.0%

Table 4: Respondents reason for travel

Source: Questionnaire (2015)

Regarding the tier status composition, 14% of the respondents are Gold loyalty members of the airline, while silver status respondents' account for 45%, Blue 25% and the remaining 15% are only on the welcome membership stage where no tier is applied by the airlines loyalty program definition.

On the other hand, the mean value of each of the customer Relationship Management attributes is: Trust = 6.02, commitment = 5.22, communication, = 5.61, competences = 5.64 and conflict handling= 5.96. The mean for the dependent variable (loyalty) was 6.01.

All mean values are greater than a threshold (5.00). Thus, the relationship marketing and customer loyalty in the airline can be said to be good; meaning on average, respondents somehow agree that the airline's relationship management efforts are good.

	Mean	Std. Deviation	N
Loyalty	6.0159	.72185	599
Trust	6.0240	.58984	599
Commitment	5.2212	.93301	599
Competence	5.6171	.82304	599
Communication	5.6444	.72622	599
Conflict Handling	5.9683	.65819	599

Table 5: Descriptive Statistics

Source: Questionnaire (2015)

4.2 Test of Assumptions

4.2.1 Linear Relationship

Customer loyalty is assumed to be linearly related with customer relationship management; meaning the dependent variable customer loyalty is assumed to be impacted with changes in customer relationship management (the independent variables). The below scatter plot show that there is linear relationship between the variables.

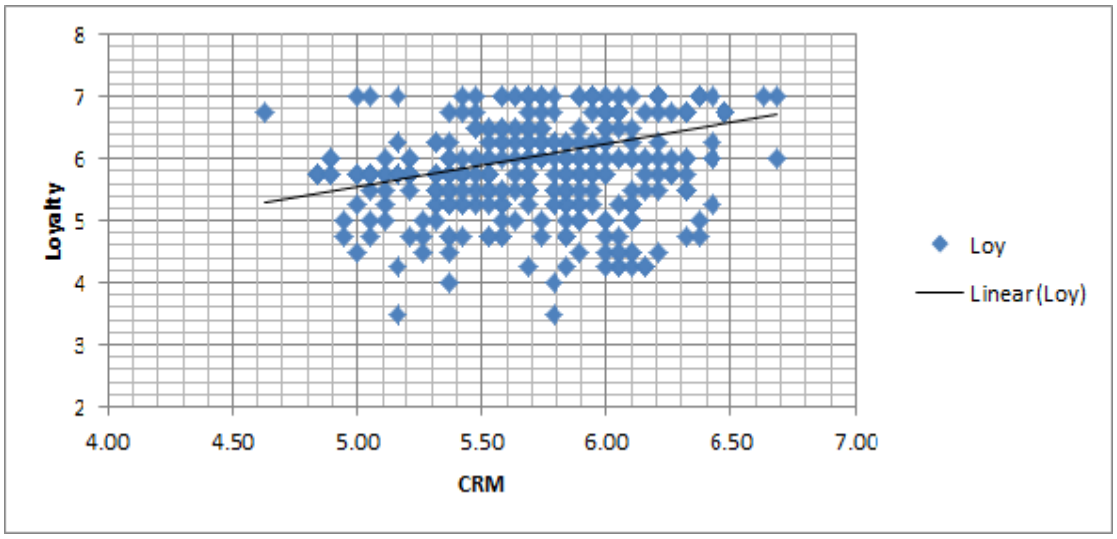

Figure 3: Scatter Chart

Source: Questionnaire (2015)

4.2.2 No or Little Multicollinearity

Multicollinearity is tested in this study using the **variance inflation factor** (**VIF**) which quantifies the severity of multicollinearity in regression analysis. Various recommendations for acceptable levels of VIF have been published on various studies (a value of 10 by Hair, Anderson, Tatham, & Black, 1995; Kennedy, 1992; Marquardt, 1970; Neter, Wasserman, & Kutner, 1989, a value of 5 by Rogerson, 2001 and even 4 by Pan & Jackson, 2008). The Collinearity Statistics for all variables in this study is 2.0 confirming that the study is free from multicollinearity issue.

4.2.3 No Auto-correlation

To determine the autocorrelation between observations Durbin – Watson test was used. The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation. (Durbin, J.; Watson, G. S. (1950). With Durbin Watson value of 1.993, which is very close to 2, it can be confirmed that the assumption of independent error has almost certainly been met.

4.3 Hypothesis Testing

According to the research method, the Pearson Correlation Coefficient is used to test the hypotheses.

There are five hypotheses that aim to see if there is relationship between the five factors of Customer Relationship Management (Trust, Commitment, Communication, Conflict Handling, and Competence) and customer loyalty. The Sig result of each hypothesis test is less than 0.05 thus each test can be confirmed. The tests are summarized as follows:

Hypotheses	Pearson .C.C	Sig	Result
H1: There is a significant positive relationship between trust and customer loyalty.	0.448	0.000	Confirmed
H2: There is a significant positive relationship between commitment and customer loyalty.	0.288	0.000	Confirmed
H3: There is a significant positive relationship between communication and customer loyalty.	0.425	0.000	Confirmed
H4: There is a significant positive relationship between conflict handling and customer loyalty.	0.163	0.000	Confirmed
H5: There is a significant positive relationship between Competence and customer loyalty.	0.353	0.000	Confirmed

Table 6: ***Result of Pearson correlation test***
Source: Questionnaire (2015)

- *First Hypothesis*: According to the results of the Pearson correlation test, the research hypothesis is confirmed at person Correlation coefficient of 0.448 and thus, there is relation between trust and customer loyalty.

- *Second hypothesis*: According to the results of the Pearson correlation test, the research hypothesis is confirmed at person Correlation coefficient of 0.288 and thus, there is relation between commitment and customer loyalty.

- Third hypothesis: According to the results of the Pearson correlation test, the research hypothesis is confirmed at person Correlation coefficient of 0.42 and thus, there is relation between communication and customer loyalty.

- *Fourth hypothesis*: According to the results of the Pearson correlation test, the research hypothesis is confirmed at person Correlation coefficient of 0.163 and thus, there is relation between conflict handling and customer loyalty.

- *Fifth hypothesis*: According to the results of the Pearson correlation test, the research hypothesis is confirmed at person Correlation coefficient of 0.353 and thus, there is relation between competence and customer loyalty.

The overall confirmation based on the statistics is that there is positive relation between customer relationship management and customer loyalty as the mean of the five Customer Relationship Management factors relates with the mean of Loyalty at 0.474 correlation coefficient.

		Loyalty	CRM
Loyalty	Pearson Correlation	1	.474**
	Sig. (2-tailed)		.000
	N	599	599
CRM	Pearson Correlation	.474**	1
	Sig. (2-tailed)	.000	
	N	599	599

**. Correlation is significant at the 0.01 level (2-tailed).

Table 7: ***Pearson correlation result of mean CRM and mean of Loyalty***

Source: Questionnaire (2015).

4.4 Results of Multiple Regressions Coefficient

Based on the results of the Multiple Regression Analysis, one of the variables (commitment) is dropped as the statistics shows it does not have significant impact on the model in predicting loyalty as it's t-value is -1.832, and p-value is 0.06 which is greater than 0.5. The last model (model 4) is used for this analysis as it includes most of the independent variables that have a significant contribution to the model.

The below table shows the results of Multiple Regression Coefficients of each model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.448	.201	.199	.64589	
2	.544	.296	.294	.60659	
3	.566	.320	.317	.59662	
4	**.570**	**.325**	**.321**	**.59494**	**1.993**

Table 8: **Results of Multiple Regressions Coefficient for each Model**

Source: Questionnaire (2015).

The model can be said that it can give a good generalization about the population as the difference between R Square and the Adjusted R Square is only 0.004.

4.5 Relationship between Customer Relationship Management Components and Customer Loyalty

Model		B	Std. Error	Beta	t	Sig (p-Value)	VIF
4	(Constant)	0.985	0.315		3.127	0.002	
	Trust (x1)	0.4	0.044	0.327	9.179	0.000	1.118
	Competence (X2)	0.207	0.035	0.236	5.972	0.000	1.38
	Conflict Handling (X3)	0.176	0.041	0.161	4.304	0.000	1.227
	Communication (x4)	0.071	0.034	0.078	2.088	0.037	1.219

***Table 9*: Relationship between RM components and customer loyalty**

Source: Questionnaire (2015)

Stepwise Multiple Regression method is used to model the relationship between customer relationship management and customer loyalty. The following model is developed representing X1 for variable 'Trust', X2 for Variable 'Competence', X3 for variable 'Conflict Handling', X4 for 'Communication', and Y for 'Loyalty'.

Y= 0.985+0.4X1+0.207X2+0.176X3+0.071X4

Based on the regression equation, a one unit change in trust brings about 0.4 units of change on customer loyalty holding the other variables constant while a one unite change in competence and conflict handling brings about 0.207 and 0.176 unites of change in customer loyalty respectively.

The statistical results also show that Trust has the maximum impact towards loyalty with Beta of 0.327 while Communication has the minimum impact with Beta of 0.078.

4.6 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
4	Regression	101.349	4	25.337	71.583	.000[d]
	Residual	210.250	594	.354		
	Total	311.599	598			

Table 10: ***Analysis of Variance***

Source: Questionnaire (2015)

F ratio is the test statistic used to decide whether the model as a whole has statistically significant predictive capability, considering the number of variables needed to achieve it. With F value of 71.583, it can be said that 71.58% improvement in predicting the outcome can be achieved by fitting the model.

According to the above table, we can see that the Mean Square of Regressions is more than Mean Square of Residual and the sig = 0.000 <0.05. Thus for this research Regressions is significant at a confidence level of 95%.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

5.1 Conclusions

It is found out that there are different customer relationship virtues identified by a number of scholars on various studies. However, this paper has used five qualities (trust, communication, competence conflict handling and commitment) to measure customer relationship as they are reflected on most studies and are found to be applicable for the airline Industry.

Though one of the customer relationship factors (commitment) is dropped during the statistical analysis, looking at the results of Person correlation, it can safely be concluded that all of the remaining four variables (trust, communication, competence and conflict handling) have a positive impact on customer loyalty. Results of regression test show that 32.5% of the changes in the dependent variable is accounted by changes in the independent variables.

From the descriptive statistics of loyalty mean of 6.0, it can be concluded that the airlines' loyalty program members consider themselves as loyal to the airline; that is; they say positive things about the airline, recommend it to others and choose it for all their air travel plans.

5.2 Recommendation

Based on the observations and conclusions made, it is recommended that Airlines should struggle to gain as much knowledge as possible to understand the real needs of customers and fulfill them for creating longer relationships and making them loyal.

As the study shows that customers value trust more than the other relationship qualities to be loyal to the airline, the airline should work hard towards building the trust and confidence of it's customers by keeping promises and fulfilling obligations to customers, and showing respect to them. It is also recommended that as the other qualities also have impact on customer loyalty, it is recommended that the airline be focused on:

- Building competent and confident staff who can professionally deliver service,
- Providing timely, trustworthy, and accurate information to customers, and
- Avoids possible conflicts and solve manifested conflicts before they create problem by openly discussing solutions.

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Appendix A: Survey Questioner

Addis Ababa University School of Commerce

Department of Marketing Management Questionnaire

Dear Survey Respondent,

I am conducting a research in partial fulfillment of the requirements for Masters Degree in Marketing Management.

This study will be using five of the virtues listed below (trust, commitment, communication, conflict handling and competence) to see the effect of relationship management factors on customer Loyalty.

Therefore, this is to kindly request you to take some of your time and fill the questionnaire.

Your responses are only meant for academic purpose and will be kept confidential. The questionnaire will take about 5 minutes.

Thank you! 

I) Background information

1) What gender are you?

A. Male

B. Female

2) How old are you?

A. Below 20

B. 20-40

C. 41-60

D. 61 or above

3) What is your primary reason for air travel?

A. Business

B. Leisure

4) what is your tier status of Ethiopian Sheba Miles loyalty program?

A. Gold

B. Silver

C. Blue

D. No tier

II. Please select the box that describes your evaluation of the airline.								
		Strongly disagree	**Disagree**	**Somewhat disagree**	**Neither agree nor disagree**	**Somewhat**	**Agree**	**Strongly Agree**
A.	**Trust**							
1)	The airline's promises are reliable	1	2	3	4	5	6	7
2)	The airline is consistent in providing quality service	1	2	3	4	5	6	7
3)	Employees of the airline show respect to customers	1	2	3	4	5	6	7
4)	The airline fulfills its obligations to customers	1	2	3	4	5	6	7
5)	I have confidence in the airline's services	1	2	3	4	5	6	7

B.	Commitment							
		Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly Agree
6)	The airline makes adjustments to suit my needs	1	2	3	4	5	6	7
7)	The airline offers personalized services to meet customer need	1	2	3	4	5	6	7
8)	The airline is flexible when it's services are changed	1	2	3	4	5	6	7
9)	The airline is flexible in serving my needs	1	2	3	4	5	6	7
C.	**Competence**							
10)	The airline staff deliver the service in such a way that it proves their competencies	1	2	3	4	5	6	7
11)	The airline's staff appears knowledgeable & confident in communicating information	1	2	3	4	5	6	7
12)	The airline's staff cope successfully with unexpected events	1	2	3	4	5	6	7
D	**Communication**							
13)	The airline provides timely and trust worthy information;	1	2	3	4	5	6	7
14)	The airline provides information when there is new airline service;	1	2	3	4	5	6	7
15)	The airline makes and fulfills promises;	1	2	3	4	5	6	7
16)	Information provided by the airline is always accurate.	1	2	3	4	5	6	7
E.	**Conflict handling**							
17)	The airline tries to avoid potential conflict;	1	2	3	4	5	6	7
18)	The airline tries to solve manifested conflicts before they create problems;	1	2	3	4	5	6	7
19)	The airline has the ability to openly discuss solutions when problems arise.	1	2	3	4	5	6	7
F.	**Level of Loyalty to the airline**							
20)	I will say positive things about the airline to others	1	2	3	4	5	6	7
21)	I will recommend the airline to others	1	2	3	4	5	6	7
22)	I will choose the airline whenever I think of flying	1	2	3	4	5	6	7
23)	I will consider myself to be loyal for the airline.	1	2	3	4	5	6	7

Appendix B: SPSS Results

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.793	5

```
RELIABILITY
  /VARIABLES=Commitment1 Commitment2 Commitment3 Commitment4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

Notes

Output Created		22-May-2015 08:55:02
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Commitment1 Commitment2 Commitment3 Commitment4 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.015

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.857	4

```
RELIABILITY
  /VARIABLES=Competence1 Competence2 Competence3
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

Notes

Output Created		22-May-2015 08:55:19
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Competence1 Competence2 Competence3 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA.
Resources	Processor Time	00 00:00:00.016
	Elapsed Time	00 00:00:00.003

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.776	3

```
RELIABILITY
  /VARIABLES=Communication1 Communication2 Communication3 Communication4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

Notes

Output Created		22-May-2015 08:55:33
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Communication1 Communication2 Communication3 Communication4 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.014

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure

Reliability

Output Created		22-May-2015 08:56:19
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Communication1 Communication2 Communication3 Communication4 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV /SUMMARY=TOTAL.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.020

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.622	.642	4

Item Statistics

	Mean	Std. Deviation	N
Communication1	5.43	1.213	599
Communication2	5.73	1.076	599
Communication3	5.77	1.001	599
Communication4	5.65	.933	599

Inter-Item Correlation Matrix

	Communication1	Communication2	Communication3	Communication4
Communication1	1.000	.148	-.110	.513
Communication2	.148	1.000	.531	.426
Communication3	-.110	.531	1.000	.351
Communication4	.513	.426	.351	1.000

Inter-Item Covariance Matrix

	Communication1	Communication2	Communication3	Communication4
Communication1	1.473	.193	-.134	.581
Communication2	.193	1.158	.572	.428
Communication3	-.134	.572	1.002	.328
Communication4	.581	.428	.328	.871

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Communication1	17.15	5.686	.221	.363	.701
Communication2	16.85	4.895	.501	.353	.475
Communication3	16.80	5.903	.315	.392	.610
Communication4	16.93	4.895	.647	.454	.387

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22.58	8.438	2.905	4

```
RELIABILITY
  /VARIABLES=ConfHandling1 ConfHandling2 ConfHandling3
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR COV
  /SUMMARY=TOTAL.
```

Reliability

Notes

Output Created		22-May-2015 08:57:11
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=ConfHandling1 ConfHandling2 ConfHandling3 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV /SUMMARY=TOTAL.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.004

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items

.710	.704	3

Item Statistics

	Mean	Std. Deviation	N
ConfHandling1	6.21	.812	599
ConfHandling2	5.97	.788	599
ConfHandling3	5.73	.879	599

Inter-Item Correlation Matrix

	ConfHandling1	ConfHandling2	ConfHandling3
ConfHandling1	1.000	.165	.584
ConfHandling2	.165	1.000	.579
ConfHandling3	.584	.579	1.000

Inter-Item Covariance Matrix

	ConfHandling1	ConfHandling2	ConfHandling3
ConfHandling1	.659	.106	.417
ConfHandling2	.106	.621	.401
ConfHandling3	.417	.401	.772

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
ConfHandling1	11.70	2.194	.434	.387	.730
ConfHandling2	11.94	2.265	.427	.380	.736
ConfHandling3	12.17	1.492	.762	.581	.283

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
17.90	3.899	1.975	3

```
RELIABILITY
  /VARIABLES=Loyalty1 Loyalty2 Loyalty3 Loyalty4
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR COV
  /SUMMARY=TOTAL.
```

Reliability

Notes

Output Created		22-May-2015 08:57:38
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Loyalty1 Loyalty2 Loyalty3 Loyalty4 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV /SUMMARY=TOTAL.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.019

Scale: ALL VARIABLE

Case Processing Summary

		N	%
Cases	Valid	599	100.0
	Excluded[a]	0	.0
	Total	599	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.785	.787	4

Item Statistics

	Mean	Std. Deviation	N
Loyalty1	6.01	.796	599
Loyalty2	5.95	1.071	599
Loyalty3	5.88	.992	599
Loyalty4	6.22	.815	599

Inter-Item Correlation Matrix

	Loyalty1	Loyalty2	Loyalty3	Loyalty4
Loyalty1	1.000	.693	.332	.305
Loyalty2	.693	1.000	.472	.477
Loyalty3	.332	.472	1.000	.598
Loyalty4	.305	.477	.598	1.000

Inter-Item Covariance Matrix

	Loyalty1	Loyalty2	Loyalty3	Loyalty4
Loyalty1	.634	.591	.262	.198
Loyalty2	.591	1.148	.502	.416
Loyalty3	.262	.502	.985	.484
Loyalty4	.198	.416	.484	.664

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Loyalty1	18.05	5.601	.558	.481	.751
Loyalty2	18.12	4.170	.690	.573	.679
Loyalty3	18.18	4.856	.571	.404	.745
Loyalty4	17.84	5.477	.576	.408	.742

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
24.06	8.337	2.887	4

```
RELIABILITY
  /VARIABLES=Competence1 Competence2 Competence3
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE CORR COV
  /SUMMARY=TOTAL.
```

Reliability

Notes

Output Created		22-May-2015 08:58:17
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Input	Active Dataset	DataSet3
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	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=Competence1 Competence2 Competence3 /SCALE('ALL VARIABLES') ALL /MODEL=ALPHA /STATISTICS=DESCRIPTIVE SCALE CORR COV /SUMMARY=TOTAL.
Resources	Processor Time	00 00:00:00.000
	Elapsed Time	00 00:00:00.003

Regression

Notes

Output Created		22-May-2015 09:00:32
Comments		
Input	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA COLLIN TOL ZPP /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Loy /METHOD=STEPWISE Trust Commitment Competence Communication ConfHandling RM /RESIDUALS DURBIN.
Resources	Processor Time	00 00:00:00.031
	Elapsed Time	00 00:00:00.036
	Memory Required	7360 bytes
	Additional Memory Required for Residual Plots	0 bytes

Descriptive Statistics

	Mean	Std. Deviation	N
Loy Trust	6.0159	.72185	599
Commitment	6.0240	.58984	599
Competence	5.2212	.93301	599
Communication	5.6171	.82304	599
ConfHandling	5.6444	.72622	599
RM	5.9683	.65819	599
	5.6950	.52051	599

Correlations

		Loy	Trust	Commitment	Competence
Pearson Correlation	Loy Trust	1.000	.448	.288	.425
	Commitment	.448	1.000	.290	.289
	Competence	.288	.290	1.000	.555
	Communication	.425	.289	.555	1.000
	ConfHandling	.163	.004	.378	.355
	RM	.353	.241	.477	.393
		.474	.484	.826	.779
Sig. (1-tailed)	Loy Trust	.	.000	.000	.000
	Commitment	.000	.	.000	.000
	Competence	.000	.000	.	.000
	Communication	.000	.000	.000	.
	ConfHandling	.000	.461	.000	.000
	RM	.000	.000	.000	.000
		.000	.000	.000	.000
N	Loy Trust	599	599	599	599
	Commitment	599	599	599	599
	Competence	599	599	599	599
	Communication	599	599	599	599
	ConfHandling	599	599	599	599
	RM	599	599	599	599
		599	599	599	599

Correlations

		Communication	ConfHandling	RM
Pearson Correlation	Loy Trust	.163	.353	.474
	Commitment	.004	.241	.484
	Competence	.378	.477	.826
	Communication	.355	.393	.779
	ConfHandling	1.000	.341	.614
	RM	.341	1.000	.698
		.614	.698	1.000
Sig. (1-tailed)	Loy Trust	.000	.000	.000
	Commitment	.461	.000	.000
	Competence	.000	.000	.000
	Communication	.000	.000	.000
	ConfHandling	.	.000	.000
	RM	.000	.	.000
		.000	.000	.
N	Loy Trust	599	599	599
	Commitment	599	599	599
	Competence	599	599	599
	Communication	599	599	599
	ConfHandling	599	599	599
	RM	599	599	599
		599	599	599

Correlations

		Communication	ConfHandling
Loy	Pearson Correlation	.163**	.353**
	Sig. (2-tailed)	.000	.000
	N	599	599
Trust	Pearson Correlation	.004	.241**
	Sig. (2-tailed)	.922	.000
	N	599	599
Commitment	Pearson Correlation	.378**	.477**
	Sig. (2-tailed)	.000	.000
	N	599	599
Competence	Pearson Correlation	.355**	.393**
	Sig. (2-tailed)	.000	.000
	N	599	599
Communication	Pearson Correlation	1	.341**
	Sig. (2-tailed)		.000
	N	599	599
ConfHandling	Pearson Correlation	.341**	1
	Sig. (2-tailed)	.000	
	N	599	599

**. Correlation is significant at the 0.01 level (2-tailed).

```
DATASET ACTIVATE DataSet1.
REGRESSION
  /DESCRIPTIVES MEAN STDDEV CORR SIG N
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA COLLIN TOL ZPP
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT AvgLoyalty
  /METHOD=BACKWARD AvgTrust AvgCommitment AvgCompetence AvgCommunication AvgConfHand
  /RESIDUALS DURBIN.
```

Regression

Notes

Output Created		22-May-2015 16:30:01
Comments		
Input	Data	C:\Users\EskedarT\Desktop\May 22Final Draft.sav
	Active Dataset	DataSet3
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	599
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any variable used.
Syntax		REGRESSION /DESCRIPTIVES MEAN STDDEV CORR SIG N /MISSING LISTWISE /STATISTICS COEFF OUTS R ANOVA COLLIN TOL CHANGE ZPP /CRITERIA=PIN(.05) POUT(.10) /NOORIGIN /DEPENDENT Loy /METHOD=STEPWISE Trust Commitment Competence ConfHandling Communication /RESIDUALS DURBIN.
Resources	Processor Time	00 00:00:00.031
	Elapsed Time	00 00:00:00.169
	Memory Required	6512 bytes
	Additional Memory Required for Residual Plots	0 bytes

[DataSet3] C:\Users\EskedarT\Desktop\May 22Final Draft.sav

Descriptive Statistics

	Mean	Std. Deviation	N
Loy	6.0159	.72185	599
Trust	6.0240	.58984	599
Commitment	5.2212	.93301	599
Competence	5.6171	.82304	599
ConfHandling	5.9683	.65819	599
Communication	5.7168	.79487	599

Correlations

		Loy	Trust	Commitment	Competence
Pearson Correlation	Loy Trust	1.000	.448	.288	.425
	Commitment	.448	1.000	.290	.289
	Competence	.288	.290	1.000	.555
	ConfHandling	.425	.289	.555	1.000
	Communication	.353	.241	.477	.393
		.275	.179	.405	.402
Sig. (1-tailed)	Loy Trust	.	.000	.000	.000
	Commitment	.000	.	.000	.000
	Competence	.000	.000	.	.000
	ConfHandling	.000	.000	.000	.
	Communication	.000	.000	.000	.000
		.000	.000	.000	.000
N	Loy Trust	599	599	599	599
	Commitment	599	599	599	599
	Competence	599	599	599	599
	ConfHandling	599	599	599	599
	Communication	599	599	599	599
		599	599	599	599

Correlations

		ConfHandling	Communication
Pearson Correlation	Loy Trust	.353	.275
	Commitment	.241	.179
	Competence	.477	.405
	ConfHandling	.393	.402
	Communication	1.000	.272
		.272	1.000
Sig. (1-tailed)	Loy Trust	.000	.000
	Commitment	.000	.000
	Competence	.000	.000
	ConfHandling	.000	.000
	Communication	.	.000
		.000	.
N	Loy Trust	599	599
	Commitment	599	599
	Competence	599	599
	ConfHandling	599	599
	Communication	599	599
		599	599

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Trust	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	Competence	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
3	ConfHandling	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
4	Communication	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Loy

Model Summary[e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.448[a]	.201	.199	.64589
2	.544[b]	.296	.294	.60659
3	.566[c]	.320	.317	.59662
4	.570[d]	.325	.321	.59494

Model Summary[e]

Model	Change Statistics					Durbin-Watson
	R Square Change	F Change	df1	df2	Sig. F Change	
1	.201	149.919	1	597	.000	
2	.095	80.864	1	596	.000	
3	.024	21.092	1	595	.000	
4	.005	4.361	1	594	.037	1.993

a. Predictors: (Constant), Trust

b. Predictors: (Constant), Trust, Competence

c. Predictors: (Constant), Trust, Competence, ConfHandling

d. Predictors: (Constant), Trust, Competence, ConfHandling, Communication

e. Dependent Variable: Loy

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.543	1	62.543	149.919	.000[a]
	Residual	249.056	597	.417		
	Total	311.599	598			
2	Regression	92.298	2	46.149	125.419	.000[b]
	Residual	219.302	596	.368		
	Total	311.599	598			
3	Regression	99.806	3	33.269	93.462	.000[c]
	Residual	211.794	595	.356		
	Total	311.599	598			
4	Regression	101.349	4	25.337	71.583	.000[d]
	Residual	210.250	594	.354		
	Total	311.599	598			

a. Predictors: (Constant), Trust

b. Predictors: (Constant), Trust, Competence

c. Predictors: (Constant), Trust, Competence, ConfHandling

d. Predictors: (Constant), Trust, Competence, ConfHandling, Communication

e. Dependent Variable: Loy

Excluded Variables[e]

Model		Beta In	t	Sig.	Partial Correlation
1	Commitment	.172[a]	4.573	.000	.184
	Competence	.323[a]	8.992	.000	.346
	ConfHandling	.261[a]	7.202	.000	.283
	Communication	.201[a]	5.546	.000	.222
2	Commitment	.008[b]	.189	.850	.008
	ConfHandling	.171[b]	4.593	.000	.185
	Communication	.098[b]	2.617	.009	.107
3	Commitment	-.059[c]	-1.366	.172	-.056
	Communication	.078[c]	2.088	.037	.085
4	Commitment	-.081[d]	-1.832	.067	-.075

Excluded Variables[e]

Model		Collinearity Statistics		
		Tolerance	VIF	Minimum Tolerance
1	Commitment	.916	1.092	.916
	Competence	.916	1.091	.916
	ConfHandling	.942	1.061	.942
	Communication	.968	1.033	.968
2	Commitment	.673	1.486	.673
	ConfHandling	.828	1.207	.806
	Communication	.834	1.199	.789
3	Commitment	.603	1.659	.603
	Communication	.821	1.219	.724
4	Commitment	.578	1.729	.578

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

b. Predictors in the Model: (Constant), Trust, Competence

c. Predictors in the Model: (Constant), Trust, Competence, ConfHandling

d. Predictors in the Model: (Constant), Trust, Competence, ConfHandling, Communication

e. Dependent Variable: Loy

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index
1	1	1.995	1.000
	2	.005	20.492
2	1	2.982	1.000
	2	.013	15.201
	3	.005	25.095
3	1	3.975	1.000
	2	.013	17.473
	3	.008	22.093
	4	.004	30.407
4	1	4.962	1.000
	2	.014	18.961
	3	.012	20.236
	4	.008	24.685
	5	.004	34.516

Collinearity Diagnostics[a]

		Variance Proportions				
Model	Dimension	(Constant)	Trust	Competence	ConfHandling	Communication
1	1	.00	.00			
	2	1.00	1.00			
2	1	.00	.00	.00		
	2	.09	.13	.99		
	3	.91	.87	.01		
3	1	.00	.00	.00	.00	
	2	.06	.09	.94	.01	
	3	.01	.33	.05	.79	
	4	.94	.57	.01	.19	
4	1	.00	.00	.00	.00	.00
	2	.05	.13	.25	.05	.41
	3	.01	.00	.68	.01	.54
	4	.00	.33	.05	.78	.00
	5	.93	.53	.02	.16	.05

a. Dependent Variable: Loy

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	5.0768	6.8165	6.0159	.41168	599
Residual	-2.42538	1.71294	.00000	.59295	599
Std. Predicted Value	-2.281	1.945	.000	1.000	599
Std. Residual	-4.077	2.879	.000	.997	599

a. Dependent Variable: Loy

```
REGRESSION
 /DESCRIPTIVES MEAN STDDEV CORR SIG N
 /MISSING LISTWISE
 /STATISTICS COEFF OUTS R ANOVA COLLIN TOL CHANGE ZPP
 /CRITERIA=PIN(.05) POUT(.10)
 /NOORIGIN
 /DEPENDENT Loy
 /METHOD=STEPWISE Trust Commitment Competence ConfHandling Communication
 /RESIDUALS DURBIN.
```

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.543	1	62.543	149.919	.000[a]
	Residual	249.056	597	.417		
	Total	311.599	598			
2	Regression	92.298	2	46.149	125.419	.000[b]
	Residual	219.302	596	.368		
	Total	311.599	598			
3	Regression	99.806	3	33.269	93.462	.000[c]
	Residual	211.794	595	.356		
	Total	311.599	598			
4	Regression	101.349	4	25.337	71.583	.000[d]
	Residual	210.250	594	.354		
	Total	311.599	598			

a. Predictors: (Constant), Trust

b. Predictors: (Constant), Trust, Competence

c. Predictors: (Constant), Trust, Competence, ConfHandling

d. Predictors: (Constant), Trust, Competence, ConfHandling, Communication

e. Dependent Variable: Loy

Coefficients[a]

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	2.713	.271
	Trust	.548	.045
2	(Constant)	1.811	.274
	Trust	.434	.044
	Competence	.283	.031
3	(Constant)	1.165	.304
	Trust	.405	.044
	Competence	.230	.033
	ConfHandling	.187	.041
4	(Constant) Trust	.985	.315
	Competence	.400	.044
	ConfHandling	.207	.035
	Communication	.176	.041
		.071	.034

Coefficients[a]

Model		Standardized Coefficients			Correlations		
		Beta	t	Sig.	Zero-order	Partial	Part
1	(Constant)		10.010	.000			
	Trust	.448	12.244	.000	.448	.448	.448
2	(Constant)		6.620	.000			
	Trust	.355	9.879	.000	.448	.375	.339
	Competence	.323	8.992	.000	.425	.346	.309
3	(Constant)		3.837	.000			
	Trust	.331	9.276	.000	.448	.355	.314
	Competence	.263	6.976	.000	.425	.275	.236
	ConfHandling	.171	4.593	.000	.353	.185	.155
4	(Constant)		3.127	.002			
	Trust	.327	9.179	.000	.448	.352	.309
	Competence	.236	5.972	.000	.425	.238	.201
	ConfHandling	.161	4.304	.000	.353	.174	.145
	Communication	.078	2.088	.037	.275	.085	.070

a. Dependent Variable: Loy