



**The Effect of Customer Loyalty Dimensions on
Customer Satisfaction: The Case of Gold and Silver**

Members of Ethiopian Airlines

Addis Ababa University

College Of Business and Economics

School Of Commerce

Department Of Marketing Management

Graduate Program Unit

BY

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June, 2017

Addis Ababa, Ethiopia

**The Effect of Customer Loyalty Dimensions on
Customer Satisfaction: The Case of Gold and Silver
Members of Ethiopian Airlines**

**Addis Ababa University College of Business and Economics
School of Commerce Marketing Management Graduate Program
Unit**

**A Thesis Submitted To the School Of Graduate Studies of
Addis Ababa University School of Commerce in Partial
Fulfillment for the Award of Masters of Arts degree in
Marketing Management**

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DECLARATION

I Mahilet Fantahun, hereby declare that the thesis entitled “The Effect of Customer Loyalty Dimensions on Customer Satisfaction: The Case of Gold and Silver Members of Ethiopian Airlines” is my original work and submitted by me for the award of the Degree of Master of Marketing Management of Addis Ababa University at Addis Ababa and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution. The sources of material used for the study have been appropriately acknowledged.

Mahilet Fantahun

Date: June, 2017

Certification

This is to certify that Mrs. Mahilet Fantahun has properly completed her research work entitled “The Effect of Customer Loyalty Dimensions on Customer Satisfaction: The Case of Gold and Silver Members of Ethiopian Airlines” under my supervision. In my opinion, her project work is appropriate to be submitted as a partial fulfillment requirement for the award of Degree in Masters of Marketing Management.

Dr. Mulugeta Gebremedhin

Project Advisor

Signature and Date

Acronyms

ET: Ethiopian Airlines

CRM: Customer Relationship Management

FFP: Frequent Flyer Program

CBBQ: Customer Based Brand Quality

ANOVA: Analysis of Variance

SPSS: Statistical Package for Social Studies

VIF: Variance Inflation Factor

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ABSTRACT

The main purpose of this study was to examine the effect of customer loyalty dimensions (trust, commitment, communication and conflict handling) on customer satisfaction of Gold and Silver members of Ethiopian Airlines. A sample of 395 international passengers of Ethiopian Airlines departing from Bole International Airport, Addis Ababa were selected by convenience sampling method and data was collected through questionnaire. The collected data were analyzed using SPSS 17.0 software. The finding implies that, respondents generally have a positive perception about Ethiopian Airlines. The correlation analysis shows that all dimensions of customer loyalty; trust, commitment, communication and conflict handling are positively related with each other and also with customer satisfaction of Gold and Silver members of Ethiopian Airlines. However, the regression analysis shows that trust has the greatest influence on customer satisfaction followed by commitment and conflict handling respectively. Communication is the only variable with negative beta coefficient.

It is reasonable to conclude, on this evidence, that customer satisfaction can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflicts efficiently.

Key words: Customer Satisfaction, Customer Loyalty, Trust, Commitment, Conflict handling, Communication,

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CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study, statement of the problem, research questions, objective of the study, significance of the study, scope of study, limitations of the study, organization of the research report and definitions of key terms.

1.1 Background of the Study

Customer satisfaction is defined as a customers' overall evaluation of the performance of an offering to date. (Johnson and Fornell 1991) This overall satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories (Fornell 1992). As an overall evaluation that is built up over time, satisfaction typically mediates the effects of product quality, service quality, and price or payment equity on loyalty (Bolton and Lemon 1999; Fornell, Johnson, Anderson, Cha, Bryant, 1996). It also contains a significant affective component, which is created through repeated product or service usage (Oliver, 1999). In a service context, overall satisfaction is similar to overall evaluations of service quality. Compared with more episode-based or transaction-specific measures of performance, overall evaluations are more likely to influence the customer behaviors that help a firm, such as positive word of mouth and repurchase (Boulding et al. 1993).

Customer loyalty is the most important factor in businesses today. Not only will it bring repeat business, but also translate to more opportunities via word of mouth as well as brand improvement for those little setbacks that occur every now and again.

One of the most common definitions of customer loyalty is the one offered by Jacoby and Chestnut (1978) who see this phenomenon as a behavioral result of consumers' preferences for a specific brand from a set of similar ones. Loyalty is a commitment to continue to make business with a company on the long term, is a state of mind, a set of attitudes, beliefs or desires (Zineldin, 2006).

Retaining customers is more profitable for a company than acquiring new ones as the cost of retaining existing customers is far less than the cost of acquiring others (Reichheld and Sasser, 1990). Retaining customers not only helps in reducing marketing expenses (Duffy, 2003), it also helps in improving business through increased customer purchases - cross-buying and up-buying (Reinchheld, 1996). Existing customers have also been found willing to buy things at a premium (Reichheld and Sasser,

1990). Customer retention is therefore, an attractive proposition; however, retaining customers may be easier said than done. Given the benefits of retaining customers, companies may be seen using various customer retention tools, like e-mail promotions, loyalty programs etc. for maintaining existing customers.

Loyalty programs that were introduced with an intention of rewarding customers for their continued patronage and purchase over time (Kumar and Reinartz, 2008), help in reducing customer switching by forming exit barriers (Nunes and Dreze, 2006). These programs have been found to induce resistance to competitors' promotions, help in the spread of positive word of mouth, and thereby encourage customers to join the program (Uncles, Dowling and Hammond, 2003). Furthermore, loyalty programs that are designed with a long term focus may also improve customer loyalty by strengthening customer-firm relational bonds (Ou, Shih, Chen and Wang, 2011).

Several studies developed trust, commitment, conflict handling and communication effectiveness as building blocks of customer loyalty (Anabila, 2012; Ndubisi 2005; Parvatiyar and Sheth, 2000 ;Morgan and Hunt, 1994:). This study focused on these variables as loyalty dimensions from customers' perspective and their effect on customer satisfaction by taking case study of Ethiopian airlines Gold and Silver members.

Airline Loyalty Programs

The frequent flyer program was established in the American Airlines company in 1981 for the first time. Today, it is a program that is being applied by many airway companies (Klophaus, 2005). The program used in the American Airways promoted several types of rewards to the people using the same airway company all the times. The basic purpose of the program was to encourage the people to use the same airway company when they travel and to travel more often (Strom, 1999).

FFPs may seem that they were thought for every passenger; however they actually targeted the business travelers who fly very often. The rewards offered under the frequent flyer program are different than the ones distributed by the other sectors. Bonuses of the FFPs have multiple reward aspects. They might be benefited into two different ways. Firstly they could be used for the free flights, hotel accommodations, car rentals and financial assistance. Secondly, these rewards can be used to receive exclusive services by the passengers. For instance, faster check-in process at the airport, admitting the luggage under the special security till they get loaded to the plane, superior reservation service, selecting your own seat (Martin, Carlos, Roman, Espino, 2008; European Competition Authorities, 2005; Strom, 1999).

In the FFPs, members can earn scores for each of their flights. The members are awarded these scores based on the length of the flight. As the flight range increases, they earn bigger scores. The purposes of the FFPs are to make the customers loyal toward the company and to prevent the customers flying with competitor airway companies. Airway companies go cooperation with hotels, car rental companies, banks and fuel stations. Moreover, airway businesses pioneered to those sectors to establish their own loyalty programs (Martin et al, 2008; European Competition Authorities, 2005; Strom, 1999).

1.2 Background of the Organization

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

Operating at the forefront of technology, the airline has also become one of Ethiopia's major industries and a veritable institution in Africa. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian currently serves more than 91 international and 20 domestic destinations operating the newest and youngest fleets (Ethiopian airlines official website).

Vision

*To become the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused passenger and cargo transport, aviation training, flight catering, MRO and ground services by 2025.

Mission

*To become the leading Aviation group in Africa by providing safe and reliable passenger and cargo air transport, Aviation Training, Flight Catering, MRO and Ground Services whose quality and price "value proposition" is always better than its competitors,

*To ensure being an airline of choice to its customers, employer of choice to its employees and an investment of choice to its owner,

*To contribute positively to socio economic development of Ethiopia in particular and the countries to which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity.

Values

*As an airline, safety is our first priority,

*Ethiopian is a high performance and learning organization with continuous improvements, innovation and knowledge-sharing. We accept change for the growth opportunity it brings and always seek for and apply the best ideas regardless of their source,

*We recognize and reward employees for their performance and demonstrate integrity, respect to others, candor and team work,

*Act in an open fashion and be result-oriented, creative and innovative, Adopt Zero tolerance to indifference, inefficiency and bureaucracy,

*Encourage 360° free flow and sharing of information,

*Treat our customers the same way we would like to be treated and always look for ways to make it easier for customers to do business with us,

*We are an equal opportunity employer

(Ethiopian Airlines official Website)

Overview of Ethiopian Airlines Frequent Flyer Program

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

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

ShebaMiles is designed in such a way that the more one fly, the more the benefits he/she receive and it has a world of opportunity to earn miles from scheduled international and domestic Ethiopian Airlines passenger flights, from star alliance member carriers on international and domestic flights, from rent a car mileage, from staying at service partner hotels and from shopping. Sheba Miles makes possible for members to redeem or spend miles for award tickets or upgrades on international and domestic Ethiopian Airlines passenger flights and on any star alliance member carriers international or domestic flights (Ethiopian Airlines Internal Portal page, 2016).

Sheba Miles Membership and Tier Evaluation

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

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

Therefore, members who have qualified for Blue tier should accumulate more status miles in the same year to qualify for silver status. These same silver members should add more status miles on the miles that has qualified them as Silver member in order to progress to a Gold membership status. Hence, a member should accumulate status miles that are required to progress from Blue to Silver and Gold within one calendar year (Ethiopian Airlines Internal Portal page, 2016).

1.3 Statement of the Problem

In an atmosphere of intense competition, it is very risky for a company not to be customer oriented; rather companies need to deliver services of very good quality that generates highly satisfied and loyal customers. Relationship between a customer and an organization will be strengthened with higher customer satisfaction (Jayaraman & Shankar, 2011).

To be successful, organizations must look into the needs and wants of their customers. That is the reason why many researchers and academicians have continuously emphasized on the importance of customer satisfaction, loyalty and retention. Customer satisfaction is important because many researches have shown that customer satisfaction has a positive effect on an organization's profitability. Due to this, the consequences of customer satisfaction and dissatisfaction must be considered. There is also a positive connection between customer satisfaction, loyalty and retention. Therefore, customer satisfaction, loyalty and retention are all very important for an organization to be successful. (Harkiranpal, 2006)

There are many studies conducted regarding Customer loyalty and satisfaction:

A study was conducted by Yonas (2014) on "The impact of relationship marketing and service quality on customer loyalty and trust: a case study of Ethiopian airlines" with a main purpose to examine the impact of relationship marketing dimensions (trust, commitment, communication and conflict handling) on customer loyalty and also to examine the effect of service quality factors (functional and technical quality) on trust.. The four variables namely commitment, conflict handling, trust and communication aggregately explained or affect 43% of variance on customer loyalty in descending order. Moreover, they are significantly related to one another and contribute differentially to customer loyalty. Only Communication has insignificantly predicted customer loyalty.

Findings from a study made by Sofia (2015) on "The influence of customer loyalty program on customer purchase behavior: The case of Ethiopian airlines" focused on obtaining a deep understanding of the impact of customer loyalty programs on customer purchasing behavior, show that there is significant evidence of the effect of all loyalty programs on the customer purchasing behavior. The major influential factors are free ticket and priority service. Based on the findings, the researcher concluded that even if the loyalty program has significant and positive influence on the purchasing behavior of the customers, the customers of Ethiopian airlines are facing problems on the application of their privileges due to inconsistency, un-coordination and rigid rewarding system of the airline. For the identified problems the

researcher recommended that the airline should conduct continuous assessment on the effectiveness of the FFP and the expectations of its passengers.

Another study conducted by Samrawit (2014) on “Evaluation of Perceived Benefits of Loyalty Program and their Influence on Satisfaction with The Program: The Case Study of Ethiopian Airlines” focused on evaluation of perceived benefits of frequent flyer program and their influence on member’s satisfaction, delivered through the perspectives of both silver and gold tier member passengers of Ethiopian airlines. According to the findings of the study, the analysis result of member’s perception indicates that among the three perceived benefit dimensions, Acknowledgement which incorporates recognition and social benefits shows the highest mean score followed by convenience and Exploration. The study has also found out that Gold members give the same weight for the perceived benefit dimension of Exploration as does Silver members but different weight was given for Acknowledgement and Convenience dimensions of perceived benefits. The Pearson correlation result indicates that all perceived benefit dimensions were significantly and positively correlated with satisfaction of members with the program. Generally, Acknowledgement dimension has shown a statistically significant contribution on member’s satisfaction, Exploration demonstrates the second highest positive relationship, and convenience reveals the least result of relationship with satisfaction of members with the program.

A study conducted by Grant (2014) on “Factors Influencing Customer Loyalty: Implications for Strategic Customer Relationship Management in Kenya Airways” found that all the technical quality dimensions significantly influence customer loyalty on Kenya Airways international flights departing from Kenya. By order of importance, reliability of the airline topped the list, followed by timeliness, security, convenience, cost of air fare, comfort and flexibility. In terms of functional quality, with the exception of reservation services, all the other dimensions of functional quality potentially negatively influenced customer loyalty. Low levels of internal customer satisfaction potentially affected the quality of services offered to external customers thereby negatively impacting customer loyalty.

As to the best knowledge of the researcher, from the empirical evidences mentioned above, it is apparent that there are no studies conducted on customer loyalty in relation to customer satisfaction in Ethiopian Airlines Gold and Silver Member passengers. As these loyal customers contribute highly to the revenue generation of the airline, knowing which specific dimension of customer loyalty (trust, commitment, conflict handling, communication) to focus on is felt important as it can be used in the future development of long term as well as short term strategies in order to attain its objective and there by generate significant profit as it will benefit from overall competitive advantage over the competition.

1.4 Research Questions

This research tries to address the under mentioned main and sub-research questions:

Main Research Question:

-How does customer loyalty dimensions influence customers' satisfaction of Ethiopian Airlines?

Sub-Research Questions:

-How does trust affect the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines?

-Does commitment affect the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines?

-How does communication affect customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines?

-Does conflict handling affect the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines?

-Does an interrelationship exist among dimensions of customer loyalty of Ethiopian Airlines?

-Among the four dimensions which one contributes more to customer satisfaction in the case of Ethiopian Airlines?

1.5 Research Objectives

1.5.1 General Objective

The aim of the study is to determine the degree to which dimensions of customer loyalty affects customers' satisfaction level of Gold and Silver member passengers of Ethiopian Airlines.

1.5.2 Specific Objective

-To examine whether trust affects customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines.

-To investigate whether commitment affects customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines.

-To determine whether communication affects customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines.

-To examine whether conflict handling affects customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines.

- To examine whether an interrelationship exists among dimensions of customer loyalty of Ethiopian Airlines.

- To identify the major influence imposer on customer satisfaction among the four dimensions of customer loyalty.

1.6 Significance of the Study

In today's fierce competition of airline industry where Ethiopian airlines considers provision of loyalty program to the customer is a key to survival, findings from this study will provide the airline a valuable insight in ways of enhancing loyalty and relationship satisfaction of members in order to attain its 2025 vision.

It can also be a stepping stone and a reference for further studies that can be done on customer loyalty dimensions of Ethiopian Airlines.

1.7 Scope of the Study

Geographical Scope

The study is done on both local and transit passengers who can be found at Addis Ababa Bole international airport waiting for their flights. It does not include passengers from domestic terminal. From the total members of the program, the study mainly focused only on passengers who are on the higher level/status of membership (Gold and Silver member passengers) of Ethiopian Airlines, as the study is to assess the effect of customer loyalty dimensions on their satisfaction level.

Ethiopian Airlines has a frequent flyer program partnership agreement with over 27 airlines where members have the privilege to earn and redeem miles whenever they use the services of these partners. But this research does not include Star alliance member passengers as different privileges are availed for these passengers than Sheba miles member passengers.

Methodological Scope

There are three different research methods which are qualitative, quantitative and mixed. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2005). In order to achieve the objectives of this study, the research followed a quantitative research method which deals with use of statistical tools and numbers to address the previously mentioned research questions. Only quantitative method was used to collect the data from respondents through questionnaire.

Conceptual Scope

The study is limited to the approach developed by Anabila et al, 2012; Ndubisi 2005; Parvatiyar and Sheth, 2000; Morgan and Hunt, 1994 which regards trust, communication, commitment and conflict handling as variables that affect customer satisfaction level of Ethiopian Airlines Gold and Silver members. Other variables and models which are specific to Airline industry are not included in the study.

1.8 Limitation of the Study

The study only focuses on Gold and Silver member passengers, thus, with all its inherent limitations the study applies convenience sampling technique. Since the sample is not chosen at random, the inherent bias in convenience sampling means that the sample is unlikely to be representative of the population being studied. This undermines the ability of the research to make generalizations from the sample to the population being studied. Due to these limitations, this research can be used as a stepping stone for enhancing customer satisfaction by working on customer loyalty dimensions rather than making generalizability of the customers' perception.

Moreover, the result may not be generalized to industry level as this is a particular case of Ethiopian airlines only.

1.9 Definition of Terms

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

CRM: is an acronym for Customer Relationship Management and is defined by Kim and Woo, 2008 as "The strategic use of information, process, technology, and people to manage the customer relationship with the company across the whole customer life cycle".

Loyalty Program: is a rewards program offered by a company to customers who frequently make purchases. A loyalty program may give a customer advanced access to new products, special sales coupons or free merchandise. Customers typically register their personal information with the company and are given a unique identifier, such as a numerical ID or membership card, and use that identifier when making a purchase. (Investopedia, 2016)

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

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

Star Alliance: is one of the world's largest global airline alliances with 27 member airlines. It has two-tier rewards program, Silver and Gold, with incentives including priority boarding and upgrades.

1.10 Organization of the Study

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

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter reviews literature related to the subject of study. The researcher tackled the theoretical as well as the empirical review of literature. A summary of identification of the research gap is given. The chapter also includes a conceptual framework for the study.

2.1 Theoretical Literature Review

2.1.1 Relationship between CRM and Customer Loyalty

Many authors investigate the relationship between CRM and customer loyalty and reached on different findings. Most of them like Kelley, Gilbert, Mannicom, (2003); Ndubisi, (2007); Ndubisi and Chan, (2005) support the relationship between CRM and loyalty and state that satisfaction, trust, and commitment are outcomes of implementing CRM. These three factors are the precursors of loyalty (Chumpitaz & Paparoidamis, 2007; Mittal & Kamakura, 2001). Some other authors propose that the determinants of relationship management are trust (Morgan and Hunt, 1994; Veloutsou, Saren, Tzokas, 2002), commitment, conflict handling (Dwyer, Schurr, Oh, 1987; Ndubisi and Chan, 2005) and communication (Ndubisi and Chan, 2005; Morgan and Hunt, 1994; Crosby, 1990).

Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building loyal relationships. It has been revealed that different age groups, social classes, genders and people with different educational backgrounds may differ in forms of consumer loyalty (Duffy, 2003). It is contrasted by another group of researchers that external factors such as the defensive marketing tactics of competitors, and the activities of supply chain members, could also be explored to assess their effect on the structural relationship between service quality, relationship quality and customer loyalty (Singh and Waddell, 2004).

Kracklaue, Mills and Seifert (2004) are convinced that customer loyalty should be viewed as a combination of customer satisfaction and customer trust. Furthermore, the researchers developed the model of persistent and long-term customer loyalty, which is determined by such factors as short-term

loyalty and commitment. Hence, the role of satisfaction, trust and commitment is emphasized by Kracklauer et al. 2004. Stone, Woodcock, and Machtynger (2000) agrees that commitment and customer satisfaction prove to be important determinants of customer loyalty.

2.1.2 Customer Satisfaction and Customer Loyalty

2.1.2.1 Customer Satisfaction

According to Berman and Evans (2010), customer satisfaction occurs when customers expectation have been met or exceeded by the firm in terms of value and customer service provided. Customer service needs to be integrated with the overall value provided by the product or services to satisfy the customers' requirement. Retaining customers and building customer relationship on a long lasting base can be very challenging for many organizations. Therefore measuring customer satisfaction is very important in building and developing CRM strategies. Oztaysi, Sezgin and Ozok (2011) describes that in order to develop CRM strategies, first of all, companies should assess their customers satisfaction level and this helps in developing effective relationships with customers. It is clear that a customer who has been loyal to the organization or a brand will have high amount of satisfaction from their purchases over time. Therefore the higher the amount of satisfaction organization or a brand provides, the larger the number of loyal customers it will have.

According to Roberts-Lombard (2009), customer satisfaction is defined as the degree to which a business product or service performance that meets the expectation of customers. When the firm's product or service performance matches or exceeds the expectations, then the customer is satisfied or delighted, if not then the customer is dissatisfied. There are different factors that influence customer satisfaction such as expectations, perceived service and perceived quality (Hu, Kandampully and Juwaheer, 2009). Expectations influence the total satisfaction when the customer evaluates a product or service performance. Satisfaction is customers' emotional response when evaluating the difference between expectation of the service and the perception of actual performance. This perception of performance is obtained through physical interaction with the organization and the product and services of the organization (Salami, 2005). The customer first forms an expectation based on their needs, values, past experiences about product/service and the perceived value is evaluated through recent service experiences such as perceived product quality and perceived service quality. There is direct relationship between perceived service quality and satisfaction. (Balaji, 2009)

2.1.2.2 Customer Loyalty

Customer loyalty is defined as “a constant and positive attitude towards an object such as brand or an organization” (Szczepanska & Gawron, 2011). It is also “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future” (Oliver, 1999). A loyal customer is someone who has a positive attitude towards the organization, repeatedly purchases from it and intentionally recommends it to others through positive word-of-mouth. (Du Toit, 2012).

Baloglu (2002), points out that marketers should first determine the nature of their customers’ loyalty before they can develop real loyalty. Loyalty can be of a behavioral and attitudinal nature. Behavioral loyalty is associated with the actual conduct or behavior of consumers (Peppers, 2009), for example, their patronage behavior reflected in the frequency of revisits to the organization and the amount of money and time spent during each visit (Baloglu, 2002).

However, Szczepańska and Gawron (2011) emphasize that behavioral loyalty goes beyond patronage behavior; it also refers to customers’ susceptibility to offers from competitors and their willingness to advertise the organization through word-of-mouth communication. Attitudinal loyalty refers to a customers’ emotional attachment to a particular provider or brand, that is, the customers’ liking the partnership with the organization and/or feeling a sense of belonging to the organization (Financial Times Lexicon, 2012). Attitudinal loyalty is typically influenced by trust and switching costs. Trust comprises aspects such as honesty, reliability, competence, and consumer orientation, while switching costs include the time and effort incurred when moving to a different provider. (Baloglu, 2002)

2.1.3 Dimensions of Customer Loyalty Influencing Customer Satisfaction

Trust, commitment, communication, and conflict handling are dimensions of customer loyalty that could affect customer satisfaction.

2.1.3.1 Customer Trust and Customer Loyalty

Trust has been defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpandé and Zaltman , 1993). A betrayal of this trust by the supplier or service provider could lead to defection. Other authors have defined trust in terms of opportunistic behavior (Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby, Evans,

Cowles, 1990), actions with positive outcomes (Anderson and Narus, 1984) and making and keeping promises (Bitner, 1995).

As cited by Yonas (2014), Calonius, 1988 emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the market place to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and Sasser, 1990), besides fanning the fire of trust. Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). Gronroos (1990) believed that the resources of the seller–personnel, technology and systems have to be used in such a manner that the customers’ trust in them, and thereby in the firm itself, is maintained and strengthened.

Three common components of trust emerge from an examination of the literature (Sako, 1992; Mayer, Davis, Schoorman, 1995; Sirdeshmukh, Singh, Sabol, 2002)

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

(2) An integrity component – whether the partner will adhere to written or verbal promises (Nicholson, Compeau, Sethi, 2001).

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

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

behavior from one partner to place the other partner's interest ahead of his or her own interest (Sako, 1992).

An airline brand's trustworthiness refers to airline customers' appraisal of whether the brand can be trusted. To be perceived as trustworthy, the brand must be reliable, credible, and demonstrate a high degree of integrity (Moorman et al., 1992; Morgan & Hunt, 1994; Bitner, 1995). Berry (1995) further argues that for trust in a brand to develop, it has to communicate openly, honestly, and frequently with its customers. Several research studies have emphasized trust as an important foundation for relationship marketing (e.g., Crosby et al., 1990; Parasuraman et al., 1991 in: Berry, 1995; Morgan & Hunt, 1994).

While Chaudhuri and Holbrook (2001) have demonstrated that brand trust is directly related to purchase and attitudinal loyalty, Hennig-Thurau, Gwinner, & Gremler, (2002) suggest that more recent empirical findings (e.g. Grayson & Ambler, 1999) question the direct influence of trust on loyalty. Even if there is no clear understanding of the relationship between trust and customer loyalty, Hess and Story (1995) propose that any personal relationship, whether interpersonal or between a person and a brand, is built on trust. Trust is especially critical for the establishment of service-based relationships because of the intangibility of services. Customers' appraisal of a brand's trustworthiness is an important prerequisite for trust to develop.

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

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

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

Promises made by the brand are used in the decision making process rather than basing the decision on further information.

2.1.3.2 Commitment and Customer Loyalty

It was suggested by many scholars that there is no difference between commitment and loyalty (Hennig, Thorsten, 2004). However, the majority of researchers rejected this idea and suggested that these two constructs are related but different and that commitment is an antecedent to loyalty (Morgan and Hunt, 1994).

Commitment, by definition of Berry, Leonard and Parasuraman (1991) is a vital part of successful relationship, which is going to lead to loyalty. Although loyalty simply was considered as repeat purchase at the beginning, researchers in the field realized that repurchase alone is not sufficient evidence of loyalty (Newman, 2001). According to Bettencourt (1997), commitment has a strong positive effect on loyalty.

As Day (1969) showed, repurchasing goods can be derived from spurious loyalty. In conclusion, it was suggested that loyalty should be conceived as the commitment to the producer stimulated by certain positive attitudes because commitment indicates the motivation to maintain a relationship, while customer turnover among committed customers decreases (Gounaris, 2005). Research of Ulaga and Eggert (2006) showed a significant and positive association between commitment and customer loyalty.

Similarly, commitment was shown as an antecedent to loyalty by Shabbir, Palihawadana and Thwaites (2007). Commitment has been considered as one of the key factors affecting customer loyalty that played as a central role in B2B environment (Rauyruen and Miller, 2007). In addition, commitment has played as a mediating role with antecedents in order that leads to customer loyalty in relationship marketing (Hennig et al., 2004, Morgan and Hunt, 1994). Positive intentions to maintain and strengthen a business relationship are created by commitment, thus customer loyalty is positively influenced by commitment (Cater, 2010).

The various types of commitment have implications for how one relates to the customers in view of the different motives for their commitment. Commitment is thought to embrace a temporal dimension; highlighting the fact, that commitment means something over the long term (Becker, 1960). Therefore, one may expect a positive effect of both affective and calculative commitment on relationship length. It appears that little or no research has been done on the effect of commitment on service usage (Bolton,

Lemon, and Verhoef, 2008). It is believed that service usage behavior is mainly driven by the utility provided by the usage of the service. Calculative commitment, derived from economic motives is likely to be more important than affective commitment in influencing service usage, as consumers consider costs and benefits of the service (Bolton, et al., 2008). Based on previous studies there is a strong association between commitment and customer loyalty also, presence of a positive and direct impact of customer loyalty on B2B context by commitment was identified.

Initially, most researchers defined commitment similarly to Moorman, Zaltman, and Deshpandé (1993) as “an enduring desire to maintain a valued relationship”, and measured it as a global construct. However, in more recent studies several researchers (Sharma, Young, and Wilkinson, 2006) conceptualize commitment with up to four components, namely affective, positive calculative, negative calculative, and normative commitment. Affective commitment reflects Bagozzi's (1975) “social man”. This “emotional, social sentiment” (Gilliland and Bello, 2002) pertains to attachment that is due to liking and identification (Geyskens, Jan-Benedict, Steenkamp, Lisa and Nirmalya, 1996).

According to Sharma Young, L. and Wilkinson (2006), affective commitment includes “a desire to develop and strengthen a relationship with another person or group because of familiarity, friendship, and personal confidence built through interpersonal interaction over time”. Affective commitment originates from identification, common values, attachment, involvement and similarity (Bansal, Irving, and Taylor, 2004). In addition, affectively committed customers continue the relationship because they like their suppliers and enjoy working with them (Fullerton, 2005). Affective commitment therefore stems from a general positive feeling towards the relationship partner (Konovsky and Cropanzano, 1991). Customers with strong affective commitment will stay in the relationship because they want to, based on their positive affect toward the supplier (Kumar et al., 1995).

On the other hand, calculative commitment reflects Bagozzi's (1975) “economic man” and relates to a “rational, economic calculation” (Gilliland and Bello, 2002). Kumar, Scheer and Steenkamp (1995) described this commitment as an attachment for instrumental reasons. Such commitment represents some kind of constraining force that binds the customer to its supplier out of need (Bansal et al., 2004). While affective commitment represents a positive motivation, calculative commitment chiefly represents a negative motivation for continuing the relationship (de Ruyter, Moorman, and Lemmink, 2001). Recently, however, Sharma et al., (2006) propose that calculative commitment can be negative (locked-in commitment) or positive (value-based commitment). Locked-in commitment refers to staying in the relationship due to a perceived lack of alternative suppliers or perceived switching costs, whereas value-

based commitment involves the rational calculation of benefits arising from continuing the relationship (Sharma et al., 2006). While customers with strong locked-in commitment stay in the relationship because they perceive they need to (Kumar et al., 1995), customers with strong value-based commitment continue their relationship because they benefit from staying in the relationship.

In addition to affective and both calculative components of commitment, some researchers (Sharma et al., 2006) also discuss a fourth component, that is normative commitment, and describe it as an attachment due to felt obligations (Bansal et al., 2004). In brief, if a customer is affectively committed to a supplier, they are likely to buy additional services from that supplier in preference to their competitors. However, since calculative commitment is based on economic considerations, a customer with calculative commitment will not necessarily purchase additional services. Berry and Parasuraman (1991) maintain that mutual commitment is the base on which relationships develop. One common theme that emerges from the various literatures is that: parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves and they endeavor to develop and maintain relationships.

2.1.3.3 Communication and Customer Loyalty

Morgan and Hunt (1994) proposed that communication was an antecedent of trust, along with shared values and lack of opportunistic behavior. By communication, we refer to written communications such as personalized letters, direct mail, Web site interactions, other machine-mediated interactions, and e-mail, as well as in-person communication with service personnel⁹ before, during, and after service transactions. In these communications, “good” is defined as helpful, positive, timely, useful, easy, and pleasant. The service provider, in short, provides information in such a way that the customer personally benefits with a minimum of effort necessary to decode the communication and determine its utility. Such communication is often personalized or delivered in a person-to-person format. In general, good communication should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty. Communication refers to the ability to provide timely and trustworthy information.

Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Morgan and Hunt (1994) suggested that an easy flow of communication is an important characteristic of a strong relationship. Moorman et al. (1993) state that timely communication fosters trust by assisting in resolving disputes and aligning perceptions and expectations. Communication in relationship marketing means keeping in touch with valued customers, providing

timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

2.1.3.4 Conflict Handling and Customer Loyalty

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

Many researchers report that service quality objectives and performance in the passenger airline industry typically take the form of airline on-time arrivals and departures, problem free baggage and no cancelled flights (Folkes, Valerie, Susan and John, 1987, Bitner, Mary, Bernard and Mary, 1990). Bolton and Lemon (1999) identified three dimensions of customers' complaint behavior in the airline industry. The three complaint dimensions appear to reflect distinct ways in which the customer interacts with the airline service providers. The first dimension involves "operational problems" such as flight cancellations and delays, over-sales, and problems arising during the standard service contact (flight). The second dimension reflects "marketing problems" such as information on fares and advertising. These problems concern facilitating services and generally occur prior to the flight. The third dimension reflects "special situation problems": which concern services in non-standard service contacts, such as denial of credit and availability of tour packages. Transportation service includes the collection of both core and peripheral transportation flight itself. Peripheral services involve supportive and facilitative services such as ticketing and baggage handling, or availability of executive conference rooms; while core services consist

of the basic transportation flight itself (Folkes and Kolestky 1987, Bitner et al 1990, Gronroos 1990, Zeithaml et al. 1990, Morash and Ozment 1994).

2.2 Empirical review

This section presents an overview of prior empirical researches on customer satisfaction and customer loyalty dimensions.

2.2.1 Studies Related to Customer Satisfaction and Loyalty

In the study by Pi and Huang (2011), a self-administered questionnaire was used to collect data from 200 passengers in CKS airport in Taiwan to identify the effect of satisfaction on customer loyalty. Multiple regression analysis showed that satisfaction has positive and significant effect on the customer loyalty.

Moghadam, Tabriz, Khorshidi, and Menhaj (2014) has investigated the impact of satisfaction on customer loyalty by distributing self-administered questionnaires to 500 passengers in Mehrabad and Imam Khomeini airport (Iran). Structural equation modeling showed that satisfaction has positive but insignificant relationship with customer loyalty.

Amin, Leila, and Zahra (2014) had distributed self-administered questionnaires to customers in private banks in Iran. Pearson correlation analysis in SPSS software was conducted in this study. Result proved that satisfaction has positive and significant relationships with customer loyalty.

Naureen and Sahiwal (2013) also prove that satisfaction has positive and significant relationship with customer loyalty in banking sector of Pakistan by using chi-square analysis in SPSS-16. Self-administered questionnaire were distributed to 200 customers from the different bank in Pakistan.

Liu, Guo, and Lee (2011) had distributed self-administered questionnaires to 440 students who were using mobile phone in University in Taiwan. Structural equation modeling (SEM) showed that satisfaction has positive and significant influence on customer loyalty.

2.2.2 Studies Related to Commitment and Customer Loyalty

Moghadam, Tabriz, Khorshidi, and Menhaj (2014) had investigated the impact of commitment on customer loyalty by distributing self-administered questionnaires to 500 passengers at Mehrabad and Imam Khomeini airport. Structural equation modeling analyzed that commitment affect the customer loyalty in the passengers significantly.

Vuuren, Roberts-Lombard, and Tonder (2012) also found that commitment has impact on customer loyalty in optometric business. 357 patients who had visited the industry at least twice within the past six years were asked to complete the self-administered questionnaire. Results from multiple regressions showed that commitment has positive and significant relationship with customer loyalty.

Mahajar and Yunus (2010) examined the impact of commitment on customer loyalty by selecting 160 customers from Jusco Store and Tesco superstore in Klang, Malaysia to do survey using self-administered questionnaire. Result from multiple regressions showed that commitment is positively related to customer loyalty.

Rafiq, Fulford, and Lu (2013) determined the relationship of commitment in customer loyalty in Internet retailing. Web-based survey of 491 Internet grocery shoppers was conducted using self-administered questionnaires. Structural equation model test showed that commitment has a strong and positive impact on customer loyalty.

2.2.3 Studies Related to Trust and Customer Loyalty

Liang (2008) investigated the impact of trust on customer loyalty towards U.S. hotel Industry. Email questionnaire was used and only 308 emails have been collected from customers who are the members of “Leading hotel of the world” in the United States. Multiple Regression Statistical method revealed that customers with higher level of trust over service provider will lead to longer customers’ loyalty. It was confirmed that trust is positively and significantly associated with customer loyalty.

Madjid (2013), distributed 150 questionnaires to Bank Raykat customers in Indonesia in order to examine the impact of trust on customer loyalty. Structural Equation Modeling of Partial Least Square showed that customers trust has positive and significant impact on customers' loyalty.

Kishada and Wahad (2013) investigated whether trust is significant in influencing customer loyalty in Malaysia Islamic Banking. 250 Islamic bank customers in Malaysia have filled the self-reported questionnaires. Multiple regression analysis was used and the result showed that trust has positive and significant influence towards customer loyalty.

Pratminingsih, Lipuringtyas, and Rimenta (2013) have investigated whether trust is significant in influencing customer loyalty towards online shopping industry. Structured questionnaires were distributed to 300 students from Indonesia who had experiences online purchasing. Multiple regression analysis showed that trust positively and significantly affected the customer loyalty.

Deng, Lu, Wei, and Zhang (2010) conducted a study to determine the effect of trust in affecting the customer loyalty in mobile instant message (MIM) service at China. 514 mobile users who had used MIM service responded in email questionnaire. Structural equation modeling (SEM) was used and result has shown there is a positive and significant relationship between trust and customer loyalty.

2.2.4 Studies Related to Conflict Handling and Customer Loyalty

A study conducted by Ndubasi, Naresh K. Malhotra and Gina Miller (2013) draws on conflict management literature to examine service recovery by service organizations and its effect on the important marketing outcomes of customer perceptions of service quality (satisfaction, trust, attribution/praise, and value) which influences customer retention rate (loyalty) and thus firm profitability. Data from 412 banking customers are first employed to test the study's model, and the results are subsequently cross-validated using a sample of 421 health-care customers. In services marked by moderate to low customer contact (i.e., task oriented) such as banking, effective conflict management tends to increase customer satisfaction, trust, and perceived customer value. It also has a positive effect on customer loyalty, even if mediated by the above three variables. However, in high contact service contexts (i.e., personal oriented) like health care; conflict management seems to have relatively weak direct and indirect effects on customer loyalty. This study aimed to contribute to theory by situating conflict management at the crux of the service failure/recovery relationship quality debate and underlining its relevance for a range of desired outcomes namely, customer satisfaction, customer trust, customer value attribution or customer praise, and customer loyalty.

2.2.5 Local studies on Customer Loyalty

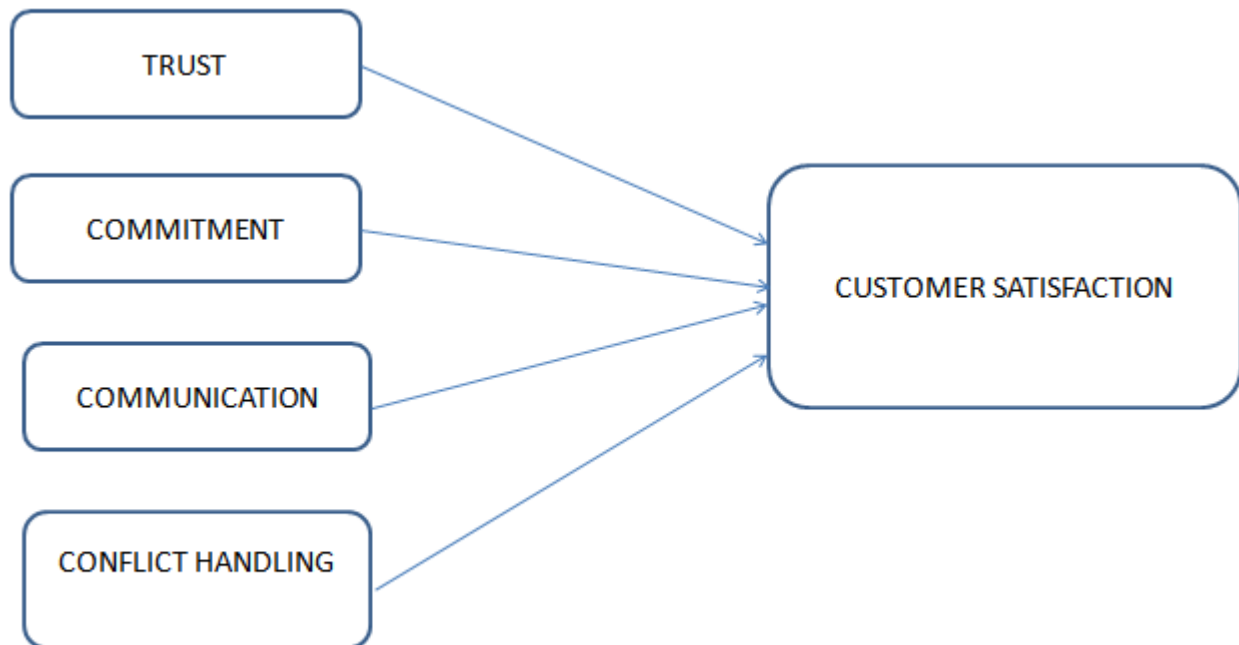
A study made by Mulugeta, 2015 examined determinants of customer retention in Small scale commercial banks in Addis Ababa. Six specific objectives were developed related to independent variables: quality of the products provided by banks, information technology, and corporate image, pricing of bank products as well as services and customer satisfaction. The variables' relationships were established through explanatory studies under positivism paradigm. The study adopted convenience sampling technique. Out of seven variables tested it is found that tangibility, responsiveness, Information technology and customer satisfaction has significant effect on customer retention. As the finding shows that majority of customers are comfortable with the banks to remain the future customer and customer satisfaction has significant effect on customer retention. Therefore, the researcher recommend banks should have to work hard to satisfy their customers to sustain their strength and try to improve it to delight customers.

A study made by Yonas T, 2014 examined the impact of relationship marketing dimensions (trust, commitment, communication and conflict handling) on customer loyalty and also to examine the effect of service quality factors (functional and technical quality) on one of the Relationship Management dimension i.e trust. Multiple regression analysis assessed the impact on customer loyalty of four key constructs of relationship marketing and the impact of service quality factors (technical and functional quality) on trust. The sampling method applied was convenient sampling. The data analysis was conducted through statistical techniques such as descriptive statistics, bivariate correlations and multiple linear regressions by using SPSS. The four variables namely commitment, conflict handling, trust and communication aggregately explained or affect 43% of variance on customer loyalty in descending order. Moreover, they are significantly related to one another and contribute differentially to customer loyalty. Only Communication has insignificantly predicted customer loyalty. Both technical and functional service quality have significant and positive influence on trustworthiness of an airline. Commitment is the most important predictor of customer loyalty followed by conflict handling and trust.

2.3 Conceptual Framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. In the framework, customer loyalty is set as independent variable which includes trust, commitment, communication and conflict handling dimensions. Customer satisfaction is set as the dependent variable for this study.

Figure 2.1



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

Therefore, based on the conceptual framework and literature presented above, the following hypotheses are proposed:

H1: Trust has a significant positive effect on the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines

H2: Commitment has a significant positive effect on the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines

H3: Communication has a significant positive effect on the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines

H4: Conflict handling has a significant positive effect on the customer satisfaction level of Shebamiles Gold and Silver member passengers of Ethiopian Airlines

2.4 Summary

In this section both related theoretical and empirical literatures were reviewed. Conceptual framework was also developed and accordingly four hypotheses were developed regarding the four dimensions of customer loyalty and customer satisfaction. The research methodology employed in this study will be discussed in the next chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

The aim of this section is to highlight the overall methodological considerations of the thesis.

The methodology section is divided into six sub-sections. The first section outlines the general research design which the paper relies on. The second section encompasses a discussion of the actual research approach applied throughout the thesis. The following third section elaborates on the population and sampling techniques determined for the research. The fourth section outlines the source and type of data. Section five and six respectively constitute the data collection procedure and ethical consideration. Finally, the seventh section elaborates description of the data analysis method.

3.1 Research Design

In order to achieve the objectives of this study, the research followed a quantitative research method which deals with use of statistical tools and numbers to address the previously mentioned research questions and deductive approach is applied to develop hypotheses based on what is theoretically known about the research constructs. Quantitative research method is the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2005). It involves studies that make use of statistical analyses, theories and hypotheses to obtain their endings (Marczyk, DeMatteo, and Festinger, 2005). By using a quantitative method, the researcher sought data gathered from the questionnaires, which are statistically analyzed to produce a quantified result. And by using deductive approach, the study measures satisfaction based on specific dimensions which are trust, commitment, communication and conflict handling.

3.2 Research Approach

Descriptive and explanatory research approaches are be employed in this study.. In this study, customer satisfaction measured by Gold and Silver member passengers of Ethiopian Airlines is the dependent variable and on the other hand, the independent variable is customer loyalty along with its dimensions including trust, commitment, communication and conflict handling. Explanatory research approach tries to explain the relationship between and among the research variables. Using explanatory research approach, the research explained the relationship between and among the variables.

3.3 Population, Sampling Technique and Sample Size

3.3.1 Target Population

The population taken for sampling is limited to Gold and Silver tier frequent flyer members which includes local and transit passengers who are waiting for their flights at Addis Ababa Bole International Airport. As it's difficult to include all member passengers and also as the privileges of member passengers differs from level to level, the higher the level the better the privileges, the study mainly focus only on Gold and Silver member passengers waiting for their international flights, which accounted a total of 37,117 Gold and Silver member passengers (Ethiopian Airlines internal report, 2016) as a total population for the study.

3.3.2 Sampling Technique

Since there is no sample frame which consists of the list of every passenger, simple random sampling cannot be used in this study. Therefore, with all its inherent limitations, convenience sampling technique will be used. A convenient sample consists of subjects included in the study because they happen to be in the right place at the right time (Polit and Hungler, 1993). Convenient sampling is selected as the total study population members are easily found at the Gold and Silver lounges waiting for their flights.

The questionnaires were distributed in the Gold and Silver lounges. When passengers enter the lounges, they show their Shebamiles Gold/Silver membership cards to the assigned staff. The questionnaire was distributed to the passengers at that moment so that guests (non-members) invited by the members are not wrongly asked to fill the questionnaire.

3.3.3 Sample Size

Coming to the appropriate number of participants, identifying a sufficient sample size is important. Large sample sizes are desirable as they are more representative of the population and inversely proportional to sampling error. But in this study due to time and financial constraint, 395 sample size is selected as shown below. To determine the sample size of the study, Solvin's formula which is formulated by Michael Solvin in 1960 is used by assuming a 95 percent confidence level and $P = 0.05$ are assumed as follows;

$$n = \frac{N}{1 + N(e)^2}$$

n = sample size

N= total population size which is 37,117

e= the level of acceptable error with confidence level of 95%, which is 0.05 $n = \frac{37117}{(1 + \frac{37117(0.05)^2}{n})}$

n =395

From a total population of 37,117, a convenient sample of 395 member passengers was selected.

From the total population Gold accounts for 24% while the rest 76% of the population are Silver.

Table 3.1 Statistical presentation of Population

Customer	Total	Percentage	Sample
Gold	9024	24%	95
Silver members	28093	76%	300
Total	37117	100%	395

3.4 Data Source and Type

3.4.1 Primary Sources

According to Malhotra (2005), primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Even if obtaining can be expensive and time consuming, primary data, being the most significant were gathered through structured questionnaires.

3.5 Data collection Instrument and procedures

3.5.1 Questionnaire Design

Questionnaires are extremely flexible and can be used to gather information on almost any topic involving large or small numbers of people (Catherine, 2007). The most common type of questionnaire involves closed or open ended questions. There are advantages and disadvantages associated with each type of questionnaires. Open ended questions give a greater insight and understanding of the topic researched but may be difficult to classify and quantify and must be carefully interpreted. Fixed choice questions are easy to classify and quantify, require less time, effort and ingenuity to answer but do not allow the respondents to qualify, develop or clarify their answers (Catherine, 2007).

Questionnaire survey technique is used in this research to collect data. The questionnaires employ the typical form of fixed response alternative questions that require the respondent to select from a predetermined set of answers to every question. This survey approach is selected because it is simple for administration and for data consistency.

The questionnaire for this research consists of items for measuring the dimensions of customer loyalty, customer satisfaction and demographic questions concerning the age, gender, nationality and travel history of the respondents and a cover letter. The cover letter addresses the importance of this research to gain the respondents' attention and cooperation. Questions were developed on a five point Likert scale (1 = strongly disagree to 5 = strongly agree).

3.5.2 Data Collection Procedure

According to Zikmund (2003), a pre testing study provides an opportunity for the researcher to determine whether the respondents have any difficulty understanding the questionnaire.

There are different types of validity including face validity, criterion validity and construct validity (Zikmund, 2003). The questions were formulated in simple language for clarity and ease of understanding. Clear instructions were also given to the subjects. Respondents were also requested not to write their names on the questionnaires to ensure confidentiality.

Prior to the actual distribution of the questionnaire, in order to confirm construct validity, Pilot test was conducted on few selected international passengers. Face validity was also ensured by some staff member of Ethiopian Airlines and based on their feedback on the comprehensibility of the questions and constructs, amendments were made into the wording and the layout of the questionnaire.

3.6 Reliability and Validity of the study

3.6.1 Reliability

Reliability analysis measures how consistent results are yielded over time and across situations. Cronbach's alpha, a statistical test used to examine the internal consistency of the attributes, was determined for each dimension. This statistical test shows how strongly the attributes are related to each other and to the composite score. The composite score for each section of the questionnaire was obtained by summing the scores of individual statements. According to Sekaran (2009), reliabilities less than 0.6 are considered to be poor, those in the 0.7 range, acceptable, and those over 0.8 good. The closer the reliability coefficient gets to 1.0, the better. According to Hendrickson, Anthony, Patti & Timothy (1993), the alpha of a scale should be greater than .700 for items to be used together as a scale.

To minimize the non-response rate 420 questionnaires were distributed even though the actual sample size is only 395. The specified number of questionnaires were distributed on both the day and night operation of the airline.

3.6.2 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested. (Kothari, 2004)

There are different types of validity including face validity, criterion validity and construct validity (Zikmund, 2003). In order to ensure the quality, the research design content and construct validity of the research were checked.

For this research face validity was confirmed by Ethiopian Airlines employees working at Shebamiles and Customer care department. Employees at the Shebamiles office have indepth knowledge about loyal passengers and staff at the customer care department which deals with handling of loyal passengers are highly exposed to the subject passengers.

Construct validity was evaluated by the pilot study conducted before the actual distribution of the questionnaire.

3.7 Ethical Consideration

The study was conducted by obtaining permission from the management of Ethiopian Airlines who is responsible on the matter. Before completing the questionnaire, subjects' consent was obtained and they were briefed about the use and contents of the questionnaire.

As quoted by Grant Ochieng' Onayango (2014), Burns and Grove (1993) define informed consent as the prospective subject's agreement to participate voluntarily in a study, which is reached after assimilation of essential information about the study. The participants were given the right to voluntarily consent or decline to participate.

3.8 Data Analysis

Data analysis is simply the process of organizing and summarizing a mass of raw data into meaningful form (Healey, 2011). Quantitative techniques were used for this purpose. This entails the generation of data that are numerical, or transforming what is observed, reported or recorded into quantifiable units (Denscombe, 2003).

The information that was obtained from the respondents by distributing questionnaire was analyzed by using SPSS 17.0 software package.

Descriptive statistics (frequency statistics) was applied to interpret the demographic variables of the respondents and mean as well as percentage scores of the measured dimensions.

Pearson correlation analysis was conducted to test the relationship between Customer satisfaction and the dimensions customer loyalty as there are more than two variables.

Multiple linear Regression analysis was used to test the proposed hypothesis and to examine the most dominant factor influencing customer satisfaction. The acceptability of the model was confirmed by Anova analysis.

One way ANOVA is a general method for studying sampled data relationships. The method enables the difference between two or more sample means to be analyzed, achieved by subdividing the total sum of squares. One Way ANOVA is employed in this study in order to investigate if there exists a difference in customer's satisfaction based on dimensions of customer loyalty across demographic categories.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Introduction

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

Data screening is the process of inspecting data for errors and correcting them prior to doing data analysis. The screening may involve checking raw data, identifying outliers and dealing with missing data (Business dictionary). Prior to data analysis, data screening and cleaning was conducted by the researcher. From the total of 420 questionnaires distributed only 395 were collected, the remaining 25 of them are either not returned or not correctly filled. Therefore, 395 were effectively used for analysis that indicates 94% response rate. The information obtained from the respondents is summarized by using SPSS version 17.0. The summarized data is then analyzed by applying descriptive analysis method, reliability measurement, correlation analysis, regression analysis followed by explanations.

4.1 Reliability Test

Cronbach's alpha is a coefficient (a number between 0 and 1) that is used to rate the internal consistency (homogeneity) or the correlation of the items in a test. Cronbach's alpha will generally increase as the inter correlations among test items increase, and is thus known as an internal consistency estimate of reliability of test scores.

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

Table 4.1 Measure of Internal Consistency Cronbach's alpha

Factors	Cronbach's Alpha	No of Items
Communication	0.819 (Good)	3
Trust	0.861 (Good)	5
Commitment	0.915 (Excellent)	5
Conflict Handling	0.856 (Good)	4
Customer Satisfaction	0.787 (Acceptable)	2
Overall Reliability	0.956	19

Source: *Own Survey Questionnaire, 2017*

Based on the above table, the value of Cronbach's Alpha ranges from 0.787-0.915. Therefore it can be inferred that all measures of dimensions of customer loyalty are internally consistent with overall reliability of 0.956 based on the 19 items used to construct the questionnaire.

4.2. Demographic Background of Respondents

The demographic backgrounds of the sample respondents in seven parameters are presented on table 4.2 and figure 4.1 below.

Out of the total respondents 16.5 % were female and 83.5 % are male. Of all the respondents 55.4% of them fall in the age range of 41-60 followed by age range of 20-40 accounting for 43.8% and 0.8% passengers who are above 60 years of age. The majority of passengers who participated in the survey (55.4%) are those passengers between 41 to 60 years of age.

Regarding the number of years as a premium passenger of Ethiopian Airlines, the majority of respondents used the airline one to five years 212 (53.7%) followed by five to ten years which accounts for 102 (25.8%), and the minority of the respondents used Ethiopian Airlines more than ten years 81 (20.5%).

Taking into account respondents tier level, Shebamiles Gold member passengers account for 232 (58.7%) of the total respondents, while Shebamiles Silver members account for 163 (41.3%).

Generally passengers travel for either business or leisure, or both business and leisure. With respect to the information regarding to traveling reason, 340 (86.1%) claimed that they primarily travelled for business while 55 (13.9%) stated that their primary reason for travelling was leisure.

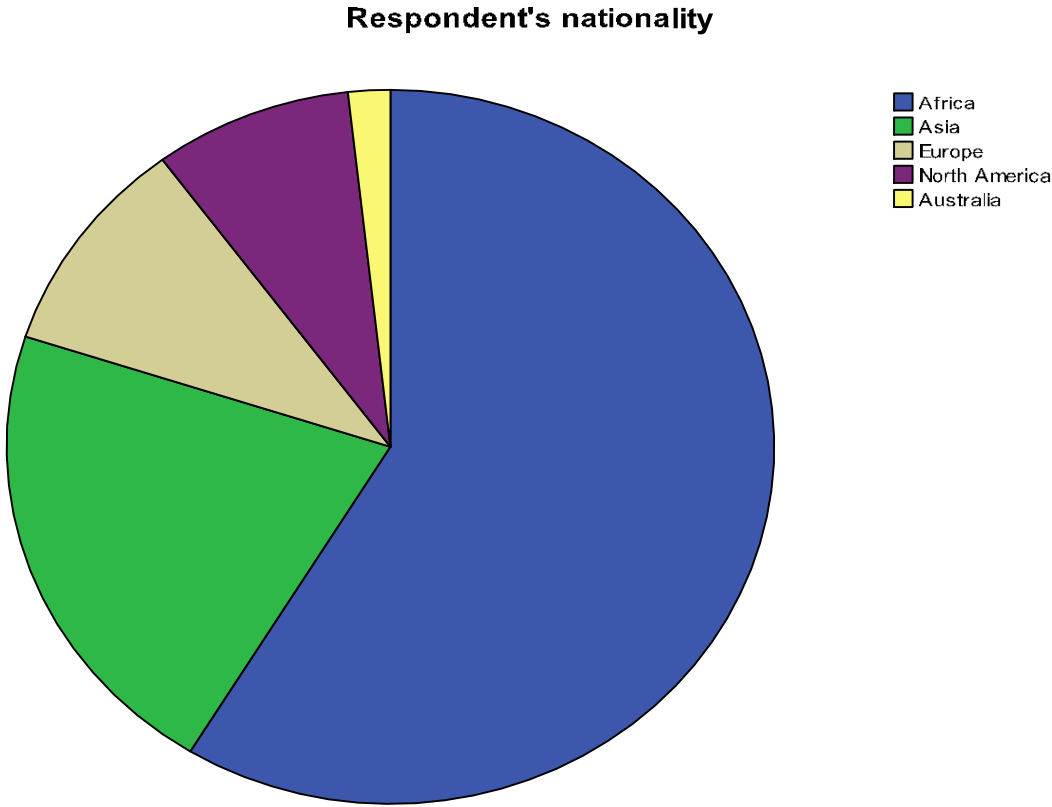
Passengers who participated in the survey have engaged in different professional and non professional jobs. Majority of the respondents 191 (48.4%). were professional or run privately owned business. Company employees and government employees constitute 168 (42.5%) and 21 (5.3%) respectively. Trainees account for 15 (3.8%) of the respondents.

Table 4.2 Survey Respondents Profile

	Frequency	Valid Percent
Male	330	83.5
Female	65	16.5
Below 20	0	0
20-40	173	43.8
41-60	219	55.4
Above 60	3	.8
1-5years	212	53.7
5-10years	102	25.8
More than 10years	81	20.5
Gold	232	58.7
Silver	163	41.3
Business	340	86.1
Leisure	55	13.9
Student	0	0
Trainee	15	3.8
Company employee	168	42.5
Government employee	21	5.3
Professional/private	191	48.4
Housewife/husband	0	0

Source: Own Survey Questionnaire, 2017

Figure 4.1 Pie-Chart Representations of Percentage of passengers from different continents.



Source: Own Survey Questionnaire, 2017

As figure 4.2 shows, out of the total 395 respondents, more than half 232 (58.7%) of them were from Africa, 84 (21.3%) were from Asia, 39 (9.9%) were from Europe, 33 (8.4%) were from North America and the rest 7 (1.8%) were from Australia respectively.

4.3 Impact of Demographic Variables on Customer Satisfaction

In this section an attempt was made to investigate if there exists a difference in customer's satisfaction based on dimensions of customer loyalty across demographic categories. One way ANOVA is used for analysis. Analysis of variance (ANOVA) is a general method for studying sampled data relationships. The method enables the difference between two or more sample means to be analyzed, achieved by subdividing the total sum of squares. In statistics, one way analysis of variance (ANOVA) is a technique used to compare means of two or more samples (using the F distribution).

Table 4.3 ANOVA between Respondents Gender in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	.543	1	.543	.885	.348
	Within Groups	241.054	393	.613		
	Total	241.596	394			
Commitment	Between Groups	8.086	1	8.086	9.398	.002
	Within Groups	338.142	393	.860		
	Total	346.227	394			
Conflict handling	Between Groups	.262	1	.262	.328	.567
	Within Groups	314.708	393	.801		
	Total	314.971	394			
Communication	Between Groups	8.127	1	8.127	11.626	.001
	Within Groups	274.721	393	.699		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

One way ANOVA tests whether the means of all groups are the same, consequently, as table 4.3 illustrates the significance levels for Trust and Conflict handling dimensions lies above 0.05, depicting there is no significant difference between male and female passengers perception on these dimensions. However, responses towards Commitment and Communication show that respondents have a different perception depending on their sex with a significance level of 0.002 and 0.001 respectively.

Table 4.4 ANOVA between Respondents Age in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	1.447	2	.723	1.181	.308
	Within Groups	240.150	392	.613		
	Total	241.596	394			
Commitment	Between Groups	2.463	2	1.232	1.404	.247
	Within Groups	343.764	392	.877		
	Total	346.227	394			
Conflict handling	Between Groups	1.934	2	.967	1.211	.299
	Within Groups	313.036	392	.799		
	Total	314.971	394			
Communication	Between Groups	1.392	2	.696	.969	.380
	Within Groups	281.456	392	.718		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on table 4.4, there is no significant perception difference between different age groups on all dimensions of customer loyalty.

Table 4.5 ANOVA between Respondents Current Status in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	11.673	3	3.891	6.617	.000
	Within Groups	229.924	391	.588		
	Total	241.596	394			
Commitment	Between Groups	44.373	3	14.791	19.159	.000
	Within Groups	301.854	391	.772		
	Total	346.227	394			
Conflict handling	Between Groups	8.871	3	2.957	3.777	.011
	Within Groups	306.100	391	.783		
	Total	314.971	394			
Communication	Between Groups	46.176	3	15.392	25.429	.000
	Within Groups	236.672	391	.605		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on Table 4.5, responses towards all the dimensions show that respondents have a different perception depending on their current status as $P < 0.05$ for all dimensions.

Table 4.6 ANOVA between Number of Years as a premium passenger in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	17.996	2	8.998	15.774	.000
	Within Groups	223.601	392	.570		
	Total	241.596	394			
Commitment	Between Groups	14.238	2	7.119	8.406	.000
	Within Groups	331.989	392	.847		
	Total	346.227	394			
Conflict handling	Between Groups	24.062	2	12.031	16.212	.000
	Within Groups	290.909	392	.742		
	Total	314.971	394			
Communication	Between Groups	13.601	2	6.801	9.901	.000
	Within Groups	269.246	392	.687		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on Table 4.6, responses towards all the dimensions show that respondents have a different perception depending on their number of years as a premium passenger as $P < 0.05$ for all dimensions.

Table 4.7 ANOVA between Purpose of Travel in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	1.167	1	1.167	1.908	.168
	Within Groups	240.429	393	.612		
	Total	241.596	394			
Commitment	Between Groups	1.760	1	1.760	2.008	.157
	Within Groups	344.467	393	.877		
	Total	346.227	394			
Conflict handling	Between Groups	.020	1	.020	.024	.876
	Within Groups	314.951	393	.801		
	Total	314.971	394			
Communication	Between Groups	4.526	1	4.526	6.390	.012
	Within Groups	278.322	393	.708		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on Table 4.7, responses towards Trust, Commitment and Conflict handling dimensions have no significant difference in perception depending on purpose of travel of the respondent as $P > 0.05$. However significance level of communication is 0.012 implying that perception of communication differs based on purpose of travel of respondents.

Table 4.8 ANOVA between Tier Level of passengers in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	13.439	1	13.439	23.149	.000
	Within Groups	228.157	393	.581		
	Total	241.596	394			
Commitment	Between Groups	35.973	1	35.973	45.567	.000
	Within Groups	310.255	393	.789		
	Total	346.227	394			
Conflict handling	Between Groups	43.930	1	43.930	63.696	.000
	Within Groups	271.041	393	.690		
	Total	314.971	394			
Communication	Between Groups	5.134	1	5.134	7.266	.007
	Within Groups	277.713	393	.707		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on Table 4.8 above, Gold and Silver member passengers responses towards all the dimensions are different as $P < 0.05$ for all dimensions.

Table 4.9 ANOVA between Respondents origin in Each Dimension of Customer Loyalty

		Sum of Squares	df	Mean Square	F	Sig.
Trust	Between Groups	5.402	4	1.351	2.230	.065
	Within Groups	236.194	390	.606		
	Total	241.596	394			
Commitment	Between Groups	31.283	4	7.821	9.684	.000
	Within Groups	314.945	390	.808		
	Total	346.227	394			
Conflict handling	Between Groups	4.047	4	1.012	1.269	.282
	Within Groups	310.924	390	.797		
	Total	314.971	394			
Communication	Between Groups	15.019	4	3.755	5.468	.000
	Within Groups	267.829	390	.687		
	Total	282.848	394			

Source: Own Survey Questionnaire, 2017

As depicted on Table 4.9, responses towards Trust, and Conflict handling dimensions have no significant difference in perception depending on origin of respondents as $P > 0.05$. However significance level of commitment and communication is < 0.05 implying that perception differs based on respondents origin.

4.4 Descriptive statistics

In order to compare the respondents' satisfaction, descriptive statistics of mean and standard deviation was used. The mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. The higher the mean the more the respondents agree with the statement. While the lower the mean the more the respondents disagree with the statement. In addition, standard deviation shows the variability of an observed response.

Table 4.10 Descriptive Statistics for Customer Satisfaction

	N	Minimum	Maximum	Mean	Std. Deviation
The airline services always meet my expectations	395	1	5	3.61	.929
I am delighted with the services provided by the airline	395	1	5	3.68	.948
Valid N (listwise)	395				

Source: Own Survey Questionnaire, 2017

Table 4.10 above shows that the minimum and maximum responses of passengers are 1 and 5 respectively. On average, passengers are delighted with services provided by Ethiopian Airlines, while they have a diverse opinion about the statement based on the standard deviation score of 0.948.

Table 4.11 Descriptive Statistics for Trust

	N	Minimum	Maximum	Mean	Std. Deviation
The airline can be relied onto keeping its promises	395	2	5	3.78	.933
I feel safe when I fly with this airline	395	1	5	4.01	1.008
The airline fulfills its obligations to the customers	395	1	5	3.75	.899
I have confidence in the airline's service	395	1	5	3.69	1.055
I consider the airline staffs are concerned for my wellbeing.	395	1	5	3.79	.990
Valid N (listwise)	395				

Source: Own Survey Questionnaire, 2017

Table 4.11 above shows that the minimum and maximum responses of passengers are 1 and 5 respectively, except construct one with a minimum value of 2 indicating that none of the respondents strongly disagreed on the question. On average, passengers feel safe when they fly with Ethiopian Airlines, while they have a diverse opinion about the statement “I have confidence in the airline’s service” based on the standard deviation score.

Table 4.12 Descriptive Statistics for Commitment

	N	Minimum	Maximum	Mean	Std. Deviation
I continue to deal with the airline because I genuinely enjoy my travel with them.	395	1	5	3.75	1.031
The airline is flexible when serving my needs	395	1	5	3.57	.933
The airline offers personalized services to meet customers' needs	395	1	5	3.35	1.002
The Frequent flyer program(Sheba miles) makes me attached to this airlines	395	1	5	3.79	1.159
I feel emotionally attached to this airline	395	1	5	3.29	1.269
Valid N (listwise)	395				

Source: Own Survey Questionnaire, 2017

Table 4.12 above shows that the minimum and maximum responses of passengers are 1 and 5 respectively. On average, Ethiopian Airlines Frequent Flyer Program (Shebamiles) makes the respondents attached to the airline. The respondents have a diverse response on the question “I feel emotionally attached to the airline” as the standard deviation score is relatively higher than the others.

Table 4.13 Descriptive Statistics on Conflict Handling

	N	Minimum	Maximum	Mean	Std. Deviation
The airline has the ability to openly discuss solution when problems arise	395	1	5	3.28	1.043
The airline tries to solve manifest conflicts before they create problem	395	1	5	3.35	1.021
The Airline is concerned about responding to customer complaints	395	1	5	3.23	1.019
The airline has Sincere interest in solving problems (flight cancellations, delays, etc)	395	1	5	3.24	1.190
Valid N (listwise)	395				

Source: Survey Questionnaire, 2017

Table 4.13 above shows that the minimum and maximum responses of passengers are 1 and 5 respectively. On average respondents agree that Ethiopian Airlines tries to solve manifest conflicts before they create problems. The respondents have a diverse response on the question “The airline has sincere interest in solving problems” as the standard deviation score is relatively higher than the others.

Table 4.14 Descriptive Statistics for Communication

	N	Minimum	Maximum	Mean	Std. Deviation
Information provided by the airlines is always accurate	395	2	5	3.67	.919
The airline provides information when there is new service that appeals to me	395	1	5	3.46	1.074
The airline provides timely and trustworthy information	395	1	5	3.71	.969
Valid N (listwise)	395				

Source: Survey Questionnaire, 2017

Table 4.14 above shows that the minimum and maximum responses of passengers are 1 and 5 respectively, except construct one with a minimum value of 2 indicating that none of the respondents strongly disagree on the question. On average respondents agree that Ethiopian Airlines provides timely and trustworthy information. The respondents have a diverse response on the question “The airline provides information when there is new service that appeal to me” as the standard deviation score is relatively higher than the others.

Table 4.15 Descriptive Statistics for all variables

	N	Minimum	Maximum	Mean	Std. Deviation
Trust	395	1.60	5.00	3.8030	.78306
Commitment	395	1.40	5.00	3.5504	.93742
Conflict handling	395	1.50	5.00	3.2734	.89410
Communication	395	1.67	5.00	3.6127	.84728
Satisfaction	395	1.50	5.00	3.6468	.85122
Valid N (listwise)	395				

As indicated on table 4.15, high Standard Deviation is scored for commitment among all the dimensions implying, the data is wide spread, respondents have relatively diverse opinion on the other hand, the low standard deviation scored by trust meaning, respondents have relatively matching responses. On the other hand the entire mean score for the constructs are above 3 which communicate respondents show somehow an agreement to the questions raised during the survey.

4.5 Correlation Analysis

A correlation analysis was performed to investigate whether there is association between the dimensions of customer loyalty and customer satisfaction of Ethiopian Airlines, besides; significance levels of the association were computed. A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1, Field (2005).

Table 4.16 Pearson correlation coefficient of the four variables (Trust, Commitment, Communication and Conflict Handling) and customer satisfaction.

		Trust	Commitment	Conflict handling	Communication	Customer Satisfaction
Trust	Pearson Correlation	1	.746**	.791**	.664**	.794**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	395	395	395	395	395
Commitment	Pearson Correlation	.746**	1	.716**	.748**	.730**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	395	395	395	395	395
Conflict handling	Pearson Correlation	.791**	.716**	1	.684**	.690**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	395	395	395	395	395
Communication	Pearson Correlation	.664**	.748**	.684**	1	.556**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	395	395	395	395	395
Customer Satisfaction	Pearson Correlation	.794**	.730**	.690**	.556**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	395	395	395	395	395

Table 4.16 Pearson correlation coefficient of the four variables (Trust, Commitment, Communication and Conflict Handling) and customer satisfaction.

		Trust	Commitment	Conflict handling	Communication	Customer Satisfaction
Trust	Pearson Correlation	1	.746**	.791**	.664**	.794**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	395	395	395	395	395
Commitment	Pearson Correlation	.746**	1	.716**	.748**	.730**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	395	395	395	395	395
Conflict handling	Pearson Correlation	.791**	.716**	1	.684**	.690**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	395	395	395	395	395
Communication	Pearson Correlation	.664**	.748**	.684**	1	.556**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	395	395	395	395	395
Customer Satisfaction	Pearson Correlation	.794**	.730**	.690**	.556**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	395	395	395	395	395

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

As indicated by table 4.16 above,

Trust versus customer satisfaction

There is a strong positive significant relationship between trust and customer satisfaction, where ($r = 0.794$, $p = .000 < 0.01$). This implies that a high degree of trust on the airline will most likely guarantee a high degree of customer satisfaction.

Commitment versus customer satisfaction

There is a strong positive significant relationship between commitment and customer satisfaction, where ($r = 0.730$, $p = .000 < 0.01$). This implies that a high degree of commitment will most likely guarantee a high degree of customer satisfaction.

Communication versus customer satisfaction

There is a strong positive significant correlation between communication and customer satisfaction where ($r = 0.556$, $p = .000 < 0.01$). This implies that a high degree of communication will most likely guarantee a high degree of customer satisfaction.

Conflict handling versus customer satisfaction

There here is a strong positive significant correlation between conflict handling and customer satisfaction where ($r = 0.690$, $p = .000 < 0.01$). This implies that a high degree of conflict handling will most likely guarantee a high degree of customer satisfaction.

Trust versus commitment

There is a strong positive significant relationship between Trust and Commitment where ($r = 0.746$, $p = .000 < 0.01$),

Trust versus conflict handling

There is a strong positive significant correlation between Trust and Conflict handling where ($r = 0.791$, $p = .000 < 0.01$),

Trust versus communication

There is a strong positive significant correlation between Trust and communication where ($r = 0.664$, $p = .000 < 0.01$),

Commitment and conflict handling

There is a strong positive significant correlation between Commitment and Conflict handling where ($r=0.716$, $p=.000 < 0.01$),

Commitment and Communication

There is a strong positive significant correlation between Commitment and Communication where ($r=0.748$, $p=.000 < 0.01$),

Conflict handling and Communication

There is a strong positive significant correlation between Conflict handling and Communication where ($r=0.684$, $p=.000 < 0.01$).

Based on the above table, the coefficients show that the four factors measuring customer loyalty were all positively related with customer satisfaction within the range of 0.556 to 0.794, all were significant at $p < 0.000$ level.

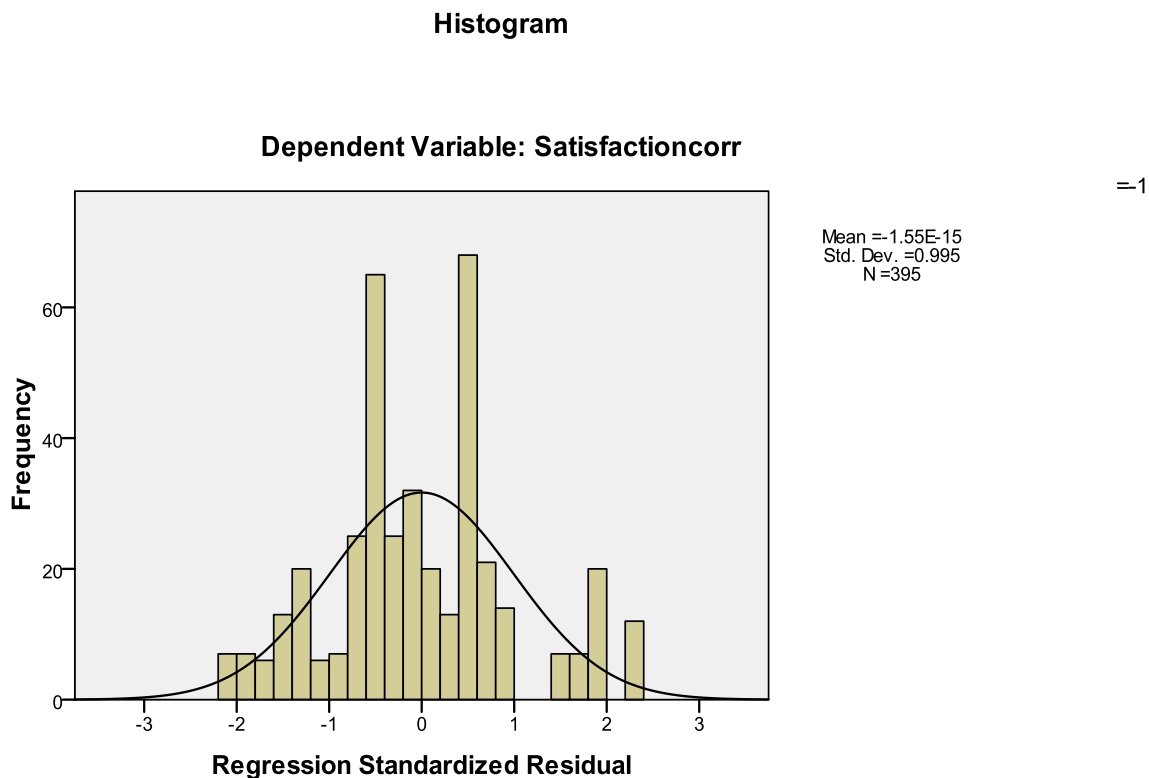
As a result a conclusion can be derived that Ethiopian Airlines customer loyalty dimensions are inter related with each other and all the dimensions are positively related to customer satisfaction of Ethiopian Airlines Gold and Silver member passengers.

4.6 Test for Linear Regression Model Assumptions

4.6.1 Normality Assumption

One of the assumptions for linear regression model is normality of the data should be tested before running the regression analysis because multiple regression requires that the independent variables in the analysis be normally distributed. According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell-shaped and thus this study implemented graphical methods to test the normality of data. From figure 4.2 below, it can be noted that the distribution is normal curve, demonstrating that data witnesses to the normality assumption.

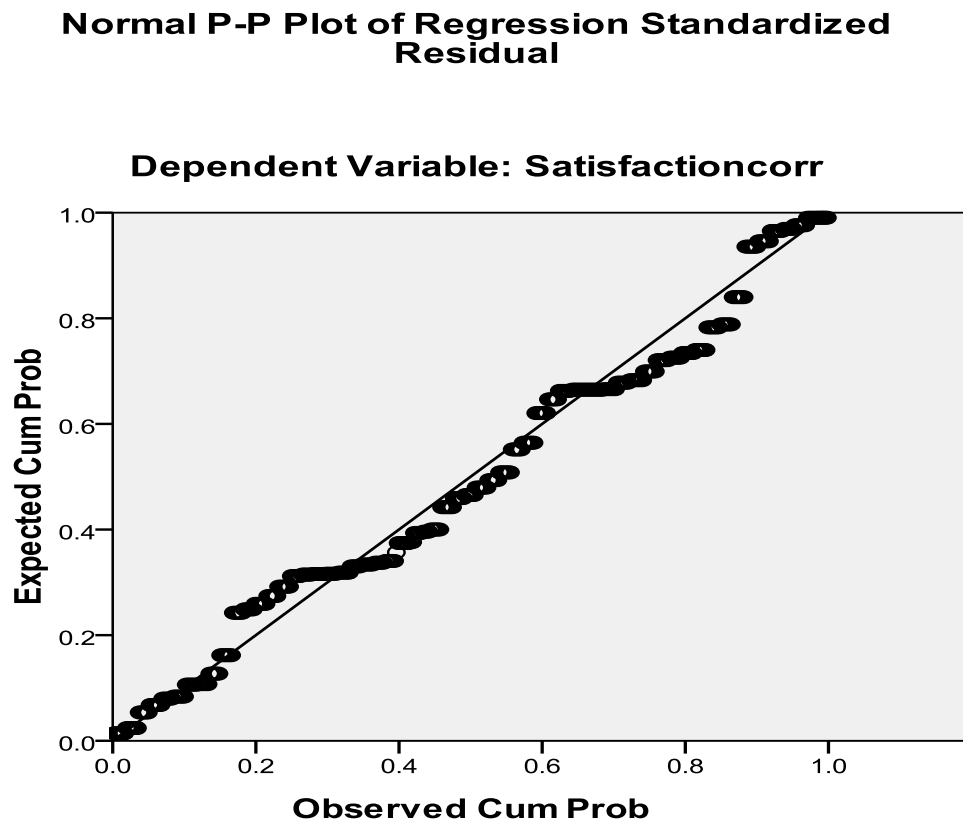
Figure 4.2 Histogram



Source: Researcher's survey result SPSS (2017)

The above figure signifies that normality assumption holds as the histogram is bell-shaped and the residuals are normally distributed around its mean of zero. Besides, the normal probability plots were used to test the normality assumptions as shown on the figure 4.3 below.

Figure 4.3: Normal Probability plot of Regression standardized Residual



Source: Researcher's survey result SPSS (2017)

As shown in Figure 4.3, residuals are normally distributed around its mean of zero which indicates that the data were consistent with a normal distribution assumption. The above figure 4.3 confirms the normality assumption of the data which implies that the inferences made about the population parameters from the sample statistics tend to be valid.

Normality of the data has also been tested using Skewness and Kurtosis as shown below.

Table 4.17 Skewness and Kurtosis

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Satisfaction	395	-.270	.123	-.451	.245
Trust	395	-.479	.123	.018	.245
Commitment	395	-.259	.123	-.832	.245
Communication	395	-.458	.123	-.225	.245
Conflict handling	395	.153	.123	-.429	.245
Valid N (listwise)	395				

Source: Survey result, 2017

On Table 4.17 shows all items show close to normal distribution considering the criteria proposed by George and Mallery (2010) of Skewness and Kurtosis values within an absolute value of Skewness less than two. Therefore, the data used in this study is normally distributed.

4.6.2 Multicollinearity Test Assumption

In regression, multicollinearity occurs when independent variables in the regression model are highly correlated with each other than with the dependent variable. When the independent variables in the regression model are highly correlated with one another; they are basically measuring the same thing. In other words, when two variables are highly correlated, they both communicate essentially similar information. One way to assess multicollinearity is to examine correlations among the independent variables. If a correlation matrix demonstrates correlations of 0.90 or higher among the independent variables, they may be a problem with multicollinearity. Hair et al. (2006) argued that correlation coefficient below 0.90 may not cause serious multicollinearity problem. Multicollinearity can also be detected using tolerance value and variance inflator factor (VIF) value.

As shown on table 4.18 below Multicollinearity does not exist among all the independent variables provided that the tolerance value of all the independent variables are greater than 0.1 and the VIF values of all the independent variables are less than 10.

Table 4.18: Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Commitment	.320	3.120
	Trust	.306	3.263
	Conflict handling	.321	3.118
	Communication	.393	2.545

a. Dependent Variable: Satisfaction

Source: Researcher's survey result SPSS (2017)

4.7. Regression analysis

Regressions fit a predictive model to data and use that model to predict the values of dependent variable from one or more independent variables (Kothari, 2005). Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. Multiple linear regressions were conducted to identify the relationship and to determine the most dominant variables that influenced customer satisfaction of Ethiopian Airlines Gold and Silver member passengers. Multiple Regression analysis was also conducted to test the effect of independent variables (trust, commitment, communication and conflict handling) on customer satisfaction. The result has been shown in table 4.19 below

Table 4.19 Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826 ^a	.682	.679	.48246

Predictors: (Constant), Communication, Trust, Conflict handling, Commitment

a. Dependent Variable: Satisfaction

Source: Survey Questionnaire, 2017

The R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case the coefficient of determination (R^2) is 0.682. This implies that about 68.2% of the dependent variable (customer satisfaction) can be explained by the independent variables (trust, commitment, conflict handling and communication), leaving about 31.8% to be explained by other factors.

Table 4.20 Predictors of Customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.455	.127		3.577	.000
	Trust	.581	.056	.534	10.360	.000
	Commitment	.328	.046	.361	7.157	.000
	Conflict handling	.100	.048	.105	2.074	.039
	Communication	-.140	.046	-.140	-3.065	.002

a. Dependent Variable: Customer Satisfaction

Source: Own Survey Questionnaire, 2017

The strength of each predictor (independent variable) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient. The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

The R-square value only indicates the variance in customer satisfaction of Ethiopian airlines as it is explained by the independent variables which means the result of regression for four independent variables on customer satisfaction level of Ethiopian airlines Gold and Silver member passengers are presented in table 418 and the model explains the relationship between the independent variables and the dependent variables. Model I that is obtained from the result of the regression analysis represents a multiple regression model which relates the dependent variable customer satisfaction to the four independent variables trust, commitment, conflict handling and communication.

The results of the regression analysis highlighted that not all the dimensions of customer loyalty contribute equally to customer satisfaction level of Ethiopian Airlines. The study indicated that among the four loyalty dimensions, trust is the first with the largest β value of 0.534 followed by commitment with β value of 0.361, conflict handling with β value of 0.105 and communication with β value of -0.140 respectively.

By examining this beta weight of the result, the finding shows that Trust followed by Commitment makes relatively superior contribution to predict the model. This signifies that for every additional point or value in trust and commitment, one could predict a gain of 0.534 and 0.361 points respectively on customer satisfaction provided that other variables being held constant. The smallest positive predictor was conflict handling where additional point or value of it could predict only 0.105 points on the customer satisfaction. Communication has negative beta value (-0.140) which indicates that for every additional point in communication, customer satisfaction goes down by -0.140 points.

All the four independent variables (trust, commitment, communication and conflict handling) are statistically significant and have strong positive effect on customer satisfaction of Ethiopian Airlines Gold and Silver member passengers.

Table 4.21. ANOVA Result for Regression Model

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	194.704	4	48.676	209.120	.000 ^a
	Residual	90.779	390	.233		
	Total	285.484	394			

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

b. Dependent Variable: Satisfaction

Source: Own Survey Questionnaire, 2017

The ANOVA table above shows that the F value 209.120, $p < 0.05$ is significant at 0.05 levels when the four variables are considered together. The model explains the relationship between the independent variables (trust, commitment, conflict handling and communication) and the dependent variable (customer satisfaction). This Anova table confirms the acceptability of the model.

4.8 Hypothesis Testing and Interpretation of the Results

Based on Table 4.20 above, hypotheses stated for this study in chapter two were tested in the following section.

Table 4.22 Summary of the Overall Outcome of the Research Hypothesis

Hypothesis	Result	Reason
H1: Trust has significant positive effect on customer satisfaction	Supported	$\beta = 0.534, p < 0.05$
H2: Commitment has significant positive effect on customer satisfaction	Supported	$\beta = 0.361, p < 0.05$
H3: Communication has significant positive effect on customer satisfaction	Rejected	$\beta = -0.140, p < 0.05$
H4: Conflict handling has significant positive effect on customer satisfaction	Supported	$\beta = 0.105, p < 0.05$

Source: Own Survey Questionnaire, 2017

Hypothesis 1

H1: Trust has positive and significant effect on customer satisfaction of Gold and Silver member passengers

The result of table 4.20 showed that the standardized coefficient beta and p value of trust were positive and significant (beta = 0.534), at 95% confidence level ($p < 0.05$). This result shows that a unit increase in trust will bring about 0.534 unit increase in customer satisfaction.

Therefore, the researcher accepted the hypothesis that, trust has a positive and significant effect on customer satisfaction level of Ethiopian airlines Gold and Silver member passengers.

Hypothesis 2

H2: Commitment has positive and significant effect on customer satisfaction of Gold and Silver member passengers

The result of table 4.20 showed that the standardized coefficient beta and p value of commitment were positive and significant (beta = 0.361), at 95% confidence level ($p < 0.05$). This result shows that a unit increase in commitment will bring about 0.361 unit increase in customer satisfaction.

Therefore, the researcher accepted the hypothesis that, commitment has a positive and significant effect on customer satisfaction level of Ethiopian airlines Gold and Silver member passengers.

Hypothesis 3

H3: Conflict handling has a positive and significant effect on customer satisfaction of Gold and Silver member passengers

The result of table 4.20 showed that the standardized coefficient beta and p value of conflict handling were positive and significant (beta = 0.105), at 95% confidence level ($p < 0.05$). This result shows that a unit increase in conflict handling will bring about 0.105 unit increase in customer satisfaction.

Therefore, the researcher accepted the hypothesis that, conflict handling has a positive and significant effect on customer satisfaction level of Ethiopian airlines Gold and Silver member passengers.

Hypothesis 4

H4: Communication has a positive and significant effect on customer satisfaction of Gold and Silver member passengers

The result of table 4.20 showed that the standardized coefficient beta and p value of communication were negative but significant (beta = -0.140), at 95% confidence level ($p < 0.05$). This result shows that, a unit increase in communication will bring about -0.140 unit decrease in customer satisfaction.

Therefore, the researcher rejected the hypothesis; communication has a positive and significant effect on customer satisfaction level of Ethiopian airlines Gold and Silver member passengers.

In general, as table 4.20 multiple linear regression (Beta Coefficient) analysis revealed, trust is the first most significant variable for customer satisfaction of Ethiopian Airlines Gold and Silver member passengers followed by commitment. Conflict handling is regarded as the third important dimension of customer satisfaction of Ethiopian Airlines Gold and Silver member passengers.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Introduction

This chapter winds up the study undertaken so far by giving insights summary, conclusion, and recommendation highlighting future research area.

5.1. Summary of Findings

The general objective of the study is to determine the degree to which customer loyalty of the airline affects customers' satisfaction level of Gold and Silver member passengers. On the basis of these objectives, the study considered four dimensions of customer loyalty to understand factors affecting customer satisfaction. This research also tested if there is a relationship between every dimension and customer satisfaction of Ethiopian airlines.

After the analysis of the data the following findings are identified:

- Male passenger respondents account for 83.5% of all respondents.
- More than half of the respondents have African descent.
- 55.4% of the total respondents fall in 40-60 age groups.
- Sheba miles Gold member passengers account for 58.7% of the total respondents.
- More than 80% of the respondents were travelling for business purpose
- 90% of the respondents were either company employees or run private business
- There is no significant difference between male and female passengers perception on Trust and Conflict handling dimensions. However, responses towards Commitment and Communication show that respondents have a different perception depending on the sex of the respondent.
- There is no significant perception difference between different age groups on all dimensions of customer loyalty.
- Responses towards all the dimensions show that respondents have a different perception depending on their current status.

- Responses towards all the dimensions show that respondents have a different perception depending on the number of years of the respondent as a premium passenger.
- Responses towards Trust, Commitment and Conflict handling dimensions show that respondents have no significant difference in perception depending on their purpose of travel . However perception of communication dimension differs based on purpose of travel of respondents.
- Gold and Silver member passengers responses towards all the dimensions are different
- Responses towards Trust, and Conflict handling dimensions show that respondents have no significant difference in perception depending their country of origin. However perception commitment and communication differs based on respondents origin.
- The results of the descriptive analysis shows, the mean value of all the responses of the respondents is around 3.6 manifesting the positive attitude of the customers towards Ethiopian Airlines customer satisfaction.

In the inferential statistics part the following results were achieved:

- There is a positive significant interrelationship among the four dimensions of customer loyalty.
- There is positive significant interrelationship between the four dimensions and customer satisfaction.
- There is a positive significant effect of trust as customer relationship marketing practice at Ethiopian Airlines was contributed to customer satisfaction through ensuring customer loyalty that influences customer's decision to repeatedly use the service. This finding is supported by empirical studies conducted on Customer Relationship Marketing and Customer Satisfaction (T.Velnampy & S.Sivesan, 2012) which revealed that trust has a significant positive effect on customer satisfaction.
- Commitment had significantly positive effect on customer satisfaction level of Gold and Silver members and the impact is statistically significant at 5 percent level of significance. This result is consistent with prior studies conducted on the practice of relationship marketing and customer retention and its impact on customer satisfaction in the banking industry in Srilanka by (T.Velnampy & S.Sivesan, 2012) and in Iran by Shahram G. et al (2009), which revealed that commitment is an important determinant for customer satisfaction.

- Conflict handling has a positive significant effect on customer satisfaction level of Gold and Silver members. Conflict sometimes becomes destructive or constructive. If situation handle before surfacing of conflicts or resolve in unbiased manner then it will contribute to loyalty and finally to customer satisfaction. Findings are similar with prior researches. (Tang & Kirkbride, 1986)
- There is a positive significant relationship between conflict handling method of the airline and customer satisfaction level.
- Communication effectiveness has a significant but not positive effect on customer satisfaction. The standard deviation from the descriptive statistics result of communication was between 0.9 and 1.0 which shows that responses were similar on questions raised regarding communication effectiveness. Respondents were on average unsatisfied with the accuracy of information provided by the airline, and they are more or less satisfied by the airline's ability to inform the customers about new services that appeal to them and the airlines timing and its being trustworthiness of its information.

5.2. Conclusion

This study adds value to the literature by empirically linking a list of determinants to the dependent variable. It builds on past studies in this area, which had either investigated an incomplete list of potential underpinnings or related them to relationship quality and customer loyalty without taking into account the ultimate goal of any service provider, which is to create customer satisfaction which in return builds customer loyalty.

This study tries to validate that, customer loyalty underpinnings have positive correlation with customer satisfaction of Gold and Silver passengers of Ethiopian airlines. The Pearson correlation coefficient of the study signifies that all predictor variables and criterion variable have positive relationship with each other. Overall, trust, commitment, communication and conflict handling have positive and strong association with customer satisfaction.

Moreover, when the underpinnings of customer loyalty are regressed as multiple, communication cannot predict customer satisfaction since Beta value is -0.140. When evaluating in general, the factors that have the greatest impact on customer satisfaction are trust and commitment followed by conflict handling in descending order. Communication has no positive but statistically significant effect on customer

satisfaction. When there is effective communication between the airlines and its customers, customers are better informed about the airline's initiatives and activities, uncertainty will reduce and relationship quality improve. However, the response clearly indicated that, the airline was not performing up to the right way with regards to communicating with the passengers.

Hence, as the study shows, when building customer satisfaction of Gold and Silver member passengers in Ethiopian Airlines, trust is an appropriate starting point, followed by good commitment, conflict handling and communication.

5.3. Recommendation

Understanding the main determinants of airline's customer loyalty is important for the company to increase customer satisfaction and improve its position in the industry. Based on the conclusions made above the following recommendations are given:

This study suggests trust as a critical factor in building customer satisfaction of Gold and Silver member passengers of Ethiopian Airlines. Trust is an important ingredient in company-customer relationship and ultimately in the development of loyalty, in any organization. Therefore, Ethiopian Airlines should strive to win customers' trust. The ways in which this can be achieved includes, showing respect for customers through front-line staff, publish its safety records in order to gain customers confidence on safety measures of the airline, keeping promise by maintaining on time performance and facilitating hot connection for transit passengers (minimize misconnection) so that they fly on their original date of travel and give awareness training for cross functional units like security and immigration on the importance of carrying out these activities without fail so that they are on the same page as the airline regarding customer handling.

Next to trust, Commitment is the second factor that contributes to customer satisfaction of Ethiopian Airlines Gold and Silver member passengers. It consists of accommodating to customers' needs, tailoring products to requirements, being generally flexible and having an effective customer relationship management. Ethiopian Airlines in order to increase passenger's commitment to the airline it should engage itself in providing different deeds. The reward system should be updated frequently to show its dedication to loyal travelers. Any passenger may encounter different problems in his/her travel experience. In this case, the airline should show its concern and go extra mile to solve them. Give away

items should also be differentiated based on the meaning and value it offers as per travelers' race. The airline should modernize every aspect that would enhance ease of travel to passengers like availing strollers to infants and children.

Customers tend to be loyal to an airline that handles customer complaints (which will always happen, regardless) and other conflicts satisfactorily. It is therefore important that effective conflict resolution mechanisms are not only in place but are proactive, so as to anticipate potential sources of conflict and address them before problems become manifest. Effective reactive solutions should also be marshaled decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem as how it is handled. Ethiopian Airlines should handle irregularities like flight cancellation, rerouting and delay prior to customer complaint and make adjustments in order to boost their satisfaction level. Denied boarding compensation offered by the airline should also be improved and somewhat similar with other competing airlines.

Ethiopian Airlines requires working hard to improve its communication in order to increase the level of customer satisfaction of its loyal passengers. By using shebamiles customers' profile, the airline should communicate with the members effectively regarding any update and new service. In order to easily establish the unique needs and expectations of customers, the airline should also consider segmentation of these passengers based on purpose of travel as proved on the descriptive statistics result. Ethiopian Airlines should also promote on international Medias like BBC, CNN etc in order to acquaint the world about new destinations and services by the airline.

Conflict sometimes becomes destructive or constructive. If situation is handled before surfacing of conflicts or resolved in unbiased manner then it contributes to satisfaction. Sometimes it arises due to communication gap that further harms trust (Tang & Kirkbride, 1986). At last, Ethiopian Airlines should think carefully about negative effect of communication and carefully design communication so that it seems to be as straight, authentic, open and truthful. This can be done through training front line staff because those people are the representatives of the airline and they can make or break the reputation of the company. Training is an important mechanism to increase the efficiency of employees in doing their job. They can gain skills on solving the problems of passengers easily, to show consistent performance, and to be sincere in resolving passengers' complaints.

In general, the customer loyalty program of Ethiopian Airlines, ShebaMiles, should be enhanced through meeting customers' desired service levels, dealing effectively with dissatisfied customers, taking customer complaints positively for an input for future improvement, providing convenient flight schedules and recognizing loyal customers and providing them with very attractive rewards as their loyalty to the airline ages. Managers should also consider, the inter correlations among the four dimensions of customer loyalty, when concentrating on building customer satisfaction.

5.4 Future Areas of Research

- Only quantitative data is used in this research, it is recommended for future researchers to include qualitative data by using in depth interviews.
- This research is limited to international passengers departing from Addis Ababa. However, it is better to consider both international and domestic passengers in future studies.
- This study covered only Gold and Silver member passengers of Ethiopian Airlines. Therefore, it is better for any forthcoming researcher who is interested in investigating similar issue by involving or including Business class passengers and Shebamiles platinum members (which is a recently introduced tier level in Ethiopian airlines).
- A comparative study can also be conducted between Ethiopian Airlines and other airlines with similar issues at hand so as to find out other factors that can affect customer satisfaction.

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APPENDIX A

Survey Questionnaire

Dear sir/Madam,

My name is Mahilet Fantahun, a postgraduate student of Addis Ababa University School of commerce. I am conducting a study on “The effect of loyalty program on customer satisfaction in the case of Ethiopian Airlines Gold and Silver members” as a requirement for Post Graduate studies thesis. I would like to ask you to spare few minute of your time to fill this questionnaire as your cooperation is very crucial for the success of this research.

The questionnaire is organized in two sections; the first section incorporates basic questions demanding your personal information. On the second section please circle the appropriate response category against each question where 1=strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. There is no right or wrong answer; you are only required to reflect your opinion and perception. Please take a few minutes to answer each question on the questionnaire as completely and accurately as possible. Your responses will be processed confidentially and only group data will be made available.

Participation is purely voluntary and no need to write your name.

If you have any question regarding the research or would like a copy of the research results, Please contact me through my E-mail mahilet.f@gmail.com or TEL. +251911530139.

I thank you in advance for offering your golden time.

Part1: Personal Information

1. Gender Male Female

2. Age Below 20 20-40
41-60 Above 60

3. You are a
Student Trainee Company employee
Government employee Professional/private business
Housewife/househusband

4. How long have you been a premium customer of Ethiopian Airlines?

One year -5 years 5-10 years More than 10 years

5. What is the purpose of your travel?

- Business
- Leisure

6. Which tier level do you have currently?

Gold Silver

7. Country of origin (Nationality) _____

Part 2. Five-point Likert scale questionnaire.

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

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

	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
SATISFACTION						
	The airline services always meet my expectations.	5	4	3	2	1
	I am delighted with the services provided by the airline.	5	4	3	2	1
TRUST						
	The airline can be relied onto keeping its promises	5	4	3	2	1
	I feel safe when I fly with this airline	5	4	3	2	1
	The airline fulfills its obligations to the customers	5	4	3	2	1
	I have confidence in the airline's service	5	4	3	2	1
	I consider the airline staffs are concerned for my wellbeing.	5	4	3	2	1
Commitment						
	I continue to deal with the airline because I genuinely enjoy my travel with them.	5	4	3	2	1

	The airline is flexible when serving my needs	5	4	3	2	1
	The airline offers personalized services to meet customers' needs	5	4	3	2	1
	The Frequent flyer program (Sheba miles) makes me attached to this airlines	5	4	3	2	1
	I feel emotionally attached to this airline	5	4	3	2	1
Conflict Handling						
	The airline has the ability to openly discuss solution when problems arise	5	4	3	2	1
	The airline tries to solve manifest conflicts before they create problem	5	4	3	2	1
	The Airline is concerned about responding to customer complaints	5	4	3	2	1
	The airline has Sincere interest in solving problems (flight cancellations, delays, etc)	5	4	3	2	1
Communication Effectiveness						
	Information provided by the airlines is always accurate	5	4	3	2	1
	The airline provides information when there is new service that appeals to me	5	4	3	2	1
	The airline provides timely and trustworthy information	5	4	3	2	1

APPENDIX B

SPSS OUTCOMES

1. RELIABILITY STATISTICS

Reliability Statistics Customer Satisfaction

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.787	.787	2

Reliability Statistics Trust

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.861	.860	5

Reliability Statistics Commitment

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.915	.919	5

Reliability Statistics conflict handling

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.856	.856	4

Reliability Statistics Communication

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.819	.825	3

2. Frequency Table

Respondent's Sex

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	330	83.5	83.5	83.5
Female	65	16.5	16.5	100.0
Total	395	100.0	100.0	

Respondent's Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-40	173	43.8	43.8	43.8
41-60	219	55.4	55.4	99.2
Above 60	3	.8	.8	100.0
Total	395	100.0	100.0	

Number of years as a premium passenger

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5years	212	53.7	53.7	53.7
5-10years	102	25.8	25.8	79.5
More than 10years	81	20.5	20.5	100.0
Total	395	100.0	100.0	

Respondent's tier level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Gold	232	58.7	58.7	58.7
	Silver	163	41.3	41.3	100.0
	Total	395	100.0	100.0	

Purpose of travel

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	340	86.1	86.1	86.1
	Leisure	55	13.9	13.9	100.0
	Total	395	100.0	100.0	

Respondent's current status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trainee	15	3.8	3.8	3.8
	Company employee	168	42.5	42.5	46.3
	Government employee	21	5.3	5.3	51.6
	Professional/private business	191	48.4	48.4	100.0
	Total	395	100.0	100.0	

3. Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.7119	4.8187	3.6468	.70297	395
Std. Predicted Value	-2.752	1.667	.000	1.000	395
Standard Error of Predicted Value	.028	.087	.052	.015	395
Adjusted Predicted Value	1.7170	4.8153	3.6475	.70281	395
Residual	-1.05775	1.13056	.00000	.48000	395
Std. Residual	-2.192	2.343	.000	.995	395
Stud. Residual	-2.200	2.366	.000	1.001	395
Deleted Residual	-1.06546	1.15296	-.00070	.48589	395
Stud. Deleted Residual	-2.211	2.381	.000	1.004	395
Mahal. Distance	.321	11.758	3.990	2.885	395
Cook's Distance	.000	.022	.002	.004	395
Centered Leverage Value	.001	.030	.010	.007	395