ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARRTMENT OF MANAGEMENT

THE INFLUENCE OF CUSTOMER LOYALTY PROGRAMS ON CUSTOMERS SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR DEGREE OF MASTER OF BUSINESS ADMINISTRATION

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STATEMENT OF DECLARATION

HERMELA TAMIRE, declare that this master's Thesis titled "The Influence of Customer Loyalty Programs on Customers Satisfaction: The Case of Ethiopian Airlines" is my original work. I have carried out the study independently with the edifying guidance of my research advisor, Dr. Meskerem Mitiku. All referenced literatures in this study are duly acknowledged, in the appropriate setting. I also confirm that this study has not been submitted for the award of any diploma, degree, or any other higher education program in this or any other institution.

HERMELA TAMIRE		10/03/2025
Declared by	Signature	Date

STATEMENT OF CERTIFICATION

This is to certify that, HERMELA TAMIRE has carried out this project work on the topic titled "The Influence of Customer Loyalty Programs on Customer Satisfaction: The Case of Ethiopian Airlines". Accordingly, I hereby assure you that her work is appropriate and standard enough to be submitted for the award of the Degree of Master of Arts in Business Adminstration (Management).

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THE INFLUENCE OF CUSTOMER LOYALTY PROGRAMS ON CUSTOMER SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES

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ACRONYMS

AFFRA: African Airlines Association

AOES: Achievability of Elite Status

CLP: Customer loyalty program

CRM: Customer Relationship Management

DV: Dependent Variable

EAL: Ethiopian Airlines

EOME: Ease of Mile Earning

EOMR: Ease of Mile Redemption

FFP: Frequent Flyer Program

IV: Independent Variable

NOALP: Number of Airlines Partners

NONAP**:** Number of Non-Airlines Partners

SD: Standard Deviation

SEM: Structural Equation Modeling

SMMS: ShebaMiles Members Satisfaction

VIF: Variance Inflation Factor

VORO: Variety of Redemption Options

ABSTRACT

This study explored the influence of customer loyalty programs on satisfaction, with a focus on Ethiopian Airlines' ShebaMiles program. It aimed to evaluate how factors like the number of airline and non-airline partners, ease of mile redemption, variety of redemption options, ease of earning miles, and the achievability of elite status influence ShebaMiles members' satisfaction. A mixed-methods approach was used, combining both quantitative and qualitative data collection and analysis to provide a comprehensive evaluation. Descriptive and explanatory research designs were employed, utilizing quantitative analysis techniques such as descriptive, correlation, and regression analysis to assess member satisfaction, identify dissatisfaction factors, examine relationships between variables, and determine how these elements impacted satisfaction within the program. Qualitative methods included interviews with department heads and ShebaMiles program employees. Primary and secondary data were gathered via questionnaires, interviews, and relevant documents respectively. The study used non-probability sampling, with a sample size of 384. Using convenience sampling 384 questionnaires were distributed of which 370 were returned and filled, and four informants from the Customer Loyalty department via purposive sampling were selected and interviewed. The correlation analysis revealed a significant and positive relationship between member satisfaction and the number of airline partners, the number of non-airline partners, variety of redemption options, ease of earning miles, and the achievability of elite status. The regression analysis further showed that the number of airline partners, variety of redemption options, ease of earning miles, and achievability of elite status influenced satisfaction, while the number of non-airline partners had no significant influence on ShebaMiles members' satisfaction. The study provides practical insights into the design and management of Ethiopian Airlines' loyalty program, offering recommendations for future research and ways to enhance customer satisfaction and retention through improvements to the ShebaMiles program.

Key Words: Customer Loyalty, Customer Loyalty Programs, Frequent Flyer Program, Customer Satisfaction.

CHAPTER ONE

INTRODUCTION

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

1.1. Background of the Study

The airline industry is currently navigating a highly competitive environment characterized by diverse flight services, compelling airlines to prioritize quality service delivery. This competitive landscape, combined with increasing customer sophistication and technological advancements, necessitates innovative strategies for differentiation (Grewal et al., 2017). In this context, customer retention has become a critical focus, with loyalty programs, particularly frequent flyer initiatives, becoming ubiquitous. Customer loyalty is defined as a collection of attitudes and behaviors that favor one entity over competitors, making it a complex phenomenon influenced by multiple factors (Watson et al., 2015). Retaining profitable customers and enhancing loyalty remains a significant concern for airlines, especially in an era where switching costs are low and customers can easily compare offerings (YouGov, 2018).

Historically, customer loyalty was primarily associated with frequent purchasing; however, contemporary literature recognizes its multidimensional nature, encompassing behavioral and attitudinal aspects (Yoo & Bai, 2013). The attitudinal component reflects a deep commitment to repurchase specific brands or services, linked to emotional and psychological attachments (Sirohi et al., 1998; Aksoy et al., 2015). Behavioral loyalty encompasses repeat purchases and long-term engagement with a brand. Recent theories emphasize the importance of fostering long-term relationships through trust and mutual benefits (Blau, 1964; Gronroos, 2017). Airlines can enhance loyalty by exceeding customer expectations and offering personalized services that create a sense of community. Additionally, the meaning-making framework

suggests that customers derive meaning from their experiences with airlines, influenced by brand image and emotional connections (Ngobo, 2017).

In the airline and hospitality sectors, loyalty programs serve as strategic marketing tools designed to promote customer retention through reward systems that incentivize consistent brand preference. These programs typically feature tiered structures that provide escalating benefits as customers engage more deeply with the brand. Recent research underscores the significance of personalization in these programs; tailoring rewards to individual preferences enhances perceived value and fosters loyalty (Kim et al., 2022; Ye & Zhang, 2021). Furthermore, creating emotional connections beyond transactional interactions can significantly improve customer retention (Högberg et al., 2019). Customer satisfaction is crucial as it directly impacts loyalty and repeat business across industries. Understanding the relationship between loyalty programs and customer satisfaction is particularly relevant for Ethiopian Airlines. Loyalty programs can enhance satisfaction by providing perceived value through rewards and personalized experiences (Chen & Chang, 2019).

Recent findings indicate a strong relationship between customer loyalty, loyalty programs, and customer satisfaction. Loyalty programs enhance customer satisfaction by offering personalized rewards, which in turn fosters customer loyalty (Huang & Rust, 2018). Satisfied customers are more likely to engage with loyalty initiatives, leading to increased retention and positive word-of-mouth (Kumar & Reinartz, 2016). Despite the prevalence of loyalty programs in the airline sector, there exists a knowledge gap regarding their influence on customer satisfaction. Insufficient understanding of how specific program attributes affect perceptions hinders optimization efforts (Álvarez Gil & Yan, 2022; Wever, 2021).

Given the essential role of customer loyalty programs in building strong relationships within the airline industry, understanding their impact on customer satisfaction is particularly vital for Ethiopian Airlines. Insights gained from this study can inform enhancements to its ShebaMiles Program, ultimately contributing to the airline's long-term success in a competitive landscape. Therefore, this research aims to evaluate the ShebaMiles Program's effectiveness in enhancing member satisfaction and address existing gaps in understanding its influence on customer loyalty within Ethiopian Airlines.

1.2. Background of the Company

Ethiopian Airlines, established in December 1945, is the national carrier of Ethiopia which is wholly owned by Ethiopian government. Originally operating domestic routes with propeller aircraft, it has grown into Africa's leading airline group. Pioneering jet service on the continent in 1963, Ethiopian has consistently adopted new technologies, maintains a modern fleet and known for its focus on innovation and leadership in African aviation. According to the company's official website, the airline operates 136 global airport routes extending to 63 African cities which it maintains through daily and multiple-flight services. The current airline fleet total exceeds 146 modern aircraft maintaining an average fleet lifespan of less than seven years and serves the most destinations in Africa, both for passengers and cargo. Operating a hub-and-spoke network with its main base in Addis Ababa, EAL offers a modern travel experience as a member of the Star Alliance global network that the airline joined since 2011. Ethiopian has played a significant role in supporting economic development and regional connectivity in Africa and has faced challenges along the way, including accidents and political instability. Despite these hurdles, it has continued to grow and maintain its position as a major player in African and world aviation.

The airline has therefore used a variety of strategies in its fight to draw in and keep more passengers. Despite the fact that price is the main weapon of choice, airlines contend that price competition is a no-win situation (Tseng et al, 2008). However, the competition from airlines in the Middle East and Europe has gotten more fierce. This necessitates Airlines to focus on coming up with appropriate customer loyalty programs with the aim of retaining its customers and surviving in the fierce competitive industry.

The Frequent Flyer Program (FFP) represents an airline-operated perks system which rewards clients who stay dedicated to their network. Airlines operate frequent flyer programs to encourage passengers toward being perpetual customers. Ethiopian Frequent Flyer Program "ShebaMiles", took its name from Makeda the Queen of Sheba who led Ethiopia during B.C 1000's. ShebaMiles was introduced in 1999 and the program has four membership levels or Tiers: Blue, Silver, Gold and Platinum. The main objectives of the Program is to identify frequent travelers of the airline, maintain the loyalty of these frequent travelers through recognition and reward and ensure reliable revenue to the airline. ShebaMiles objectively

measures the loyalty of members and rewards them accordingly using miles, which is the currency of the program. Those who accrue more miles through frequent travels will get the greater awards and members can accrue miles from flights and non-airline Partner transactions on ground. Through ShebaMiles, travelers can receive award tickets, business class upgrades, access to executive lounges on all Star Alliance member airlines, extra free luggage allowance, and numerous other benefits according to tier levels and accrued mileage.

Major Program Activities of ShebaMiles are as follows:

Enrollment: the enrollment process involves a customer applying and joining the program. Enrollment is free of charge and individuals aged 2 years and above can apply. For applicants between 2 and 18 years old, the application form should be filled and signed by both the applicant and their parent or guardian. Customers are assisted in providing their complete profile information, including full name as per passport, title, birthdate, gender, mailing address, telephone number, email address, nationality, and preferences (seat and meal). Enrollment methods can be either online enrollment through the Ethiopian Airlines website and mobile application or paper enrollment using ShebaMiles application forms with pre-assigned membership numbers in English and French. Then after, physical or permanent cards are sent by mail to members with Gold and Platinum Tier levels and all members (Blue, Silver, Gold, and Platinum) can log into their ShebaMiles profiles online and generate digital cards to their smart phones or devices.

Mile Accrual: the ShebaMiles program of Ethiopian Airlines has three main processes for members to accumulate miles in their accounts. The first is through flight activities, where members earn miles based on the actual distance traveled and the fare class on ET and partner airlines. The second is through non-airline activities, such as using services from partner companies and purchasing miles directly. Additionally, members can earn bonus miles from special promotions.

Mile Redemption: in Ethiopian Airlines' ShebaMiles program allows members to use their accumulated miles for various awards, primarily flight tickets and upgrades. Members can redeem miles for one-way and round-trip award tickets, with additional miles required for certain upgrades. The process includes booking flights online or through Ethiopian Airlines

ticket offices, and members can also upgrade to a higher class of service using their miles. Miles can be redeemed for flights on Ethiopian Airlines and its Star Alliance partners, with the actual number of miles required depending on the itinerary and availability. Members can also use their miles for non-flight awards, such as additional baggage or donations to charities.

Overall, a customer loyalty program is a planned marketing initiative that rewards and promotes devoted behavior, preferably to the airline's advantage. However, the kind of behavioral change that loyalty behavior is intended to achieve should be used to assess its efficacy (Byron et al., 1997). It is widely held that a loyalty program is one of the strategies used to increase customer satisfaction and, consequently, retention. Therefore, the primary goal of this study was to assess and understand how Ethiopian Airlines' customer loyalty program influences the satisfaction of its ShebaMiles members.

1.3. Statement of the Problem

Intense industry competition along with changes in customer preferences requires accurate knowledge about how loyalty programs influence customer satisfaction in the airline industry. Airline industry customer loyalties emerge from a network of multiple important factors. Despite the widespread implementation of loyalty programs, there remains a gap in comprehending their effectiveness in enhancing customer satisfaction within the context of Ethiopian Airlines. Therefore, there is a need to specifically investigate how customer loyalty programs directly impact customer satisfaction in the airline industry, focusing on Ethiopian Airlines.

In 2020, Ethiopian Airlines was top in terms of both passenger and cargo traffic, according to a report by the African Airlines Association (AFRAA). EAL's primary hub, Addis Ababa Bole International Airport, handled 5.5 million passengers and half a million tons of freight. Operating in a very competitive industry the airlines has a frequent flyer program (FFP) known as ShebaMiles, a customer loyalty program that the airlines offer to its customers. ShebaMiles program have four tier status namely Blue, Silver, Gold and Platinum with each having benefits such us award flights, baggage allowance, class upgrade and other non-airline service benefits. According to the recent data from Ethiopian Airlines, customer loyalty department, the ShebaMiles program has a total of 4.7 million members worldwide of which 2

million are on welcome status, 2.7 million on Blue tier, 26,000 members on Silver tier, 7,000 members on Gold tier and platinum tier having 2,600 members. (May, 2024 Data from EAL Customer Loyalty Department)

The influence of loyalty programs on customer satisfaction lies in the limited understanding of how these programs specifically enhance customer experiences and foster loyalty. Recent findings indicate that while loyalty programs are prevalent, their effectiveness varies significantly across different industries and customer segments, highlighting a need for tailored approaches (Stathopoulou & Balabanis, 2016; Gummesson, 2020). Furthermore, the mechanisms through which loyalty programs impact satisfaction such as perceived value and emotional engagement require deeper exploration to optimize their design and implementation (Huang & Rust, 2021).

According to Taffese (2018) analysis Ethiopian Airlines achieved better customer satisfaction through its ShebaMiles loyalty system by awarding tangible rewards to loyal flyers. When programs showed appreciation toward customers there was an increase in customer satisfaction scores. The study analyzed three main factors which translate loyalty programs into customer satisfaction improvements namely perceived value and trust together with communication methods. Research demonstrates how well companies communicate their loyalty programs benefits directly contributes to maximizing customer satisfaction levels. A research study led by Tefera (2022) investigated how different customer relationship management methods affect loyalty metrics by demonstrating key customer outreach, technological CRM efforts and simple program usage structures elevate loyalty satisfaction rates.

Customer loyalty programs, particularly in the airline industry, are crucial revenue generators and play a significant role in enhancing customer satisfaction and retention. These programs not only foster brand loyalty but also minimize new customer acquisition costs, contributing to the overall profitability of airlines. For instance, frequent flyer programs (FFPs) have been reported to generate billions in revenue, often surpassing profits derived from core flight operations. In 2023, major U.S. airlines like Delta and American Airlines reported FFP revenues exceeding $6 billion each, highlighting the financial importance of these programs. (Skift, 2024; On Point Loyalty, 2023)

Ethiopian Airlines' ShebaMiles program is a key component of its customer loyalty strategy, designed to reward frequent flyers and enhance their travel experience. However, despite its potential, member satisfaction remains a pressing issue due to challenges related to redemption ease, limited partnerships, and insufficient redemption options that members have repeatedly complained about. According to data from the customer loyalty department (May, 2024), the program had 4.7 million members, yet the number of elite-tier members(Silver, Gold and Platinum) is disproportionately low compared to the total membership base.

The significance of ShebaMiles extends beyond customer satisfaction; it serves as a vital revenue stream for Ethiopian Airlines. By leveraging partnerships with airlines and non-airline entities, the program can generate substantial income through the sale of miles and points. This revenue is critical for sustaining operational viability and supporting growth in an increasingly competitive market. Therefore, understanding how various factors such as airline and non-airline partnership, ease of mile earning and redeeming miles, variety of redemption options and the achievability of elite status influence member satisfaction is essential for optimizing the ShebaMiles program and maximizing its contribution to Ethiopian Airlines' profitability.

Additionally, while customer loyalty programs and their impact on customer satisfaction have received little attention, the majority of earlier airline research has concentrated more on customer satisfaction, customer relationship management, and service quality. Furthermore, prior research indicates the necessity of evaluating the efficacy and design of loyalty programs. Therefore, by evaluating Ethiopian Airline's ShebaMiles customer loyalty program and its influence on members' satisfaction, this study aimed to close this gap. With ShebaMiles members as the target population, the researcher suggested the number of airline and non-airline partners, ease of mile redemption, variety of redemption options, ease of earning miles, and the achievability of elite status as independent variables to evaluate the influence of ShebaMiles loyalty program on customer or members satisfaction.

1.4. Research Questions

The study provides answers to the following research questions:

- How does the number of airline partners for ShebaMiles influence members satisfaction?
- To what extent does the variety of non-airline partners offered by ShebaMiles influence members satisfaction?
- How does the ease of redeeming ShebaMiles points influence customer satisfaction within the airlines?
- To what extent does the variety of redemption options influence members satisfaction with ShebaMiles program?
- In what way does the ease of earning ShebaMiles points/miles influence members' satisfaction with the program?
- How does the difficulty of achieving Elite status (Tier Qualification) within the ShebaMiles program affect members' satisfaction?
- Is there a correlation between, Number of Airline Partners, Number of Non-Airline partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning and the Achievability of Elite Status with SMMS in EAL?

1.5. Objectives of the Study

1.5.1. General Objectives

The general objective of the study was to investigate the influence of ShebaMiles customer loyalty program on members' satisfaction in Ethiopian Airlines.

1.5.2. Specific Objectives

The specific objectives of this study are:

- To understand how ShebaMiles members feel towards EAL ShebaMiles program.
- To examine the influence of the number of airline partners of ShebaMiles on members satisfaction in EAL.
- To examine the influence of the number of non-airline partners of ShebaMiles on members satisfaction in EAL.
- To investigate the influence of ease of mile redemption of ShebaMiles on members satisfaction in EAL.
- To examine the influence of variety of redemption options of ShebaMiles on members satisfaction in EAL.
- To investigate the impact of ease of mile earning of ShebaMiles on members satisfaction in EAL.
- To investigate the influence of Achievability of Elite Status of ShebaMiles on members satisfaction in EAL.
- To identify the relationship between Number of Airline Partners; Number of Non-Airline partners; Ease of Mile Redemption; Variety of Redemption Options; Ease of Mile Earning; Achievability of Elite Status with ShebaMiles members' satisfaction in EAL.

1.6. Definition of Terms

Operational Definitions:

Customer Loyalty: represents the case where buyers from a selected product category re-purchase the same brand following the development of positive brand sentiments.

Customer Satisfaction: Customer approval emerges from the analysis of a product's perceived performance against personal expectations. Loyalty Programs: Strategies in marketing that exist to direct customers toward future business operations with the company.

Many companies especially airlines hotels retail businesses and credit card providers run loyalty programs as standard corporate policies across various industries.

Frequent Flyer Program (FFP): is a loyalty program that several airlines provide. Customers of participating airlines typically accrue frequent-flyer miles (kilometers, points, or segments) that are equivalent to the distance they have traveled on that airline or its affiliates.

Tier Status: refers to a ranking system of an airlines loyalty program that categorizes members based on their level of activity or engagement with the program. There are typically multiple tiers, often denoted by terms like "basic",” blue”, "silver," "gold," "platinum," and "diamond."

Tier Qualification: a process where by a member is promoted to a higher tier level after fulfilling the required flights/miles.

Miles: These are the points or credits customers earn through the airline's loyalty program. Typically, miles are earned by flying with the airline or its partners, using co-branded credit cards, or participating in other program activities.

Redemption: refers to the act of exchanging accumulated miles for a reward.

Mile redemption: refers to the process of using the miles you've accumulated through flying or other program activities to get rewards.

1.7. Significance of the Study

Given the intense competition within the airline industry, EAL recognizes that loyalty programs are crucial for survival. This study offers significant value to their management team as the findings can provide practical insights to improve the design and effectiveness of their loyalty program. This will ultimately enhance member or customer satisfaction and strengthen retention strategies in this highly competitive market. Furthermore, the study contributes to academic knowledge by addressing the gap in understanding how airline loyalty programs impact customer satisfaction. The results can serve as a foundation for future research in this area.

1.8. Delimitation/Scope of the research

According to data from EAL Customer Loyalty Department taken on May 2024, Ethiopian Airlines has a total of 4.7 million ShebaMiles members worldwide of which 2 million are on welcome status, 2.7 million on Blue tier, 26,000 members on Silver tier, 7,000 members on Gold tier and platinum tier having 2,600 members and a more thorough examination is necessary to fully assess and judge the degree of customer satisfaction the loyalty program. Because of the cost, time, and accessibility of the study, it is vital to keep the scope within a manageable range.

Therefore, this study is delimited to ShebaMiles members found real time at Addis Ababa, Ethiopia specifically at Addis Ababa Bole International Airport, EAL Addis Ababa Premium Sales Office and Ethiopian Skylight Hotel. And the study assessed the loyalty programs' influence on member's satisfaction with a specific focus on the loyalty program's features namely the Number of Airline partners, Number of Non-Airline Partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite status on ShebaMiles members' satisfaction at Ethiopian Airlines, Addis Ababa. However, there may be other factors to be studied which are not included in this study.

1.9. Limitation of the Study

The researcher faced challenge, getting a pass and approval to collect data from ShebaMiles members which was time taking and rigorous as members were found at highly secured area as Airport. However, the researcher overcome this through following the necessary procedure to get a pass and collected data. In addition to this, there was a language barrier for non-English and non-Amharic speaking ShebaMiles members and response was collected from those who were able to speak and understand these languages.

1.10. Organization of the study

There are five chapters in the paper. The first chapter covers the introductory section, which includes the study's background, the company's background, the problem statement, the study's objectives, relevance, and its scope. The literature pertaining to the subject will be reviewed in the second chapter. This chapter discusses a number of theoretical ideas linked to

consumer loyalty programs and issues related to its influence on customers or members' satisfaction. The research design and methodology are covered in the third chapter. The fourth chapter presents the analysis and interpretation of the data gathered, and the fifth chapter provides summaries of the main findings, conclusions, and recommendations. The appendices and reference list are found at the end.

CHAPTER TWO

LITERATURE REVIEW

This chapter included the research's theoretical and empirical reviews, conceptual framework, and hypothesis.

2.1. Theoretical Review

Customer loyalty has emerged as a critical area of research within marketing, particularly in the context of loyalty programs and their impact on customer satisfaction. This literature review discusses major theories and models related to customer loyalty, customer loyalty programs, and customer satisfaction, as well as the interrelationships among these constructs.

2.1.1. Definitions of Customer Loyalty

Customer loyalty is a crucial concept in marketing, representing a customer's tendency to consistently repurchase products or services and recommend them to others. Businesses frequently make more money from loyal consumers because of higher sales, lower marketing expenses, and favorable word-of-mouth advertising.

Today's business depends on customer loyalty and satisfaction for two fundamental reasons. Old customers represent a scarcer resource than new customers and you can acquire customers more easily from your current customer base. According to Rosenberg & Czepiel (2017) customer loyalty and satisfaction generates positive effects on company profitability revenues.

Companies can enhance profitability through customers who remain dedicated to their business operations. High resource commitments across funding and staffing matter for creating loyal customers by highlighting company value while capturing new clients and holding onto existing ones. This process requires substantial financial resources and staff involvement to meet customer expectations regarding product quality. If the customer is satisfied, it is expected he will not switch to another company..

Customer loyalty is a critical concept in marketing, but there is ongoing debate about how to best define and measure it. Traditionally, loyalty was viewed primarily as repeat purchase

behavior, but more recent conceptualizations recognize it as a multidimensional construct with attitudinal and behavioral components (Jacoby & Kyner, 1973; Dick & Basu, 1994).

Behavioral Loyalty

Early definitions of loyalty focused on the behavioral aspect, defining it as repeat purchase of a product or service over time (Jacoby & Kyner, 1973). Behavioral loyalty is observable through measures like purchase frequency, share of wallet, and length of relationship (Keiningham et al., 2007). However, critics argue this view is limited as it does not distinguish between true loyalty and spurious loyalty driven by factors like convenience or lack of alternatives (Dick & Basu, 1994).

Attitudinal Loyalty

More recent definitions incorporate the attitudinal dimension, recognizing that loyalty involves both repeat patronage and a psychological commitment to the brand (Dick & Basu, 1994). Attitudinal loyalty reflects a customer's overall attachment, identification, and positive feelings toward a brand (Evanschitzky, Iyer, Plassmann, Niessing, & Meffert, 2006). It can be measured through stated preferences, commitment, and resistance to counter-persuasion (Jacoby & Kyner, 1973). Attitudinal loyalty is seen as a stronger predictor of long-term customer retention (Evanschitzky et al., 2006).

Composite Definitions

Many scholars now define loyalty as a composite of attitudinal and behavioral components (Dick & Basu, 1994; Oliver, 1999). According to Oliver (1999) loyalty represents a deeply held commitment to continuously purchase preferred products or services within the future and generate repetitive same-brand purchases which withstand both situational cues and marketing strategies attempting to cause brand shifts. This highlights the importance of both the attitudinal predisposition and the resulting repeat patronage.

In summary, while early definitions focused solely on behavioral loyalty, more recent conceptualizations recognize it as a multidimensional construct with both attitudinal and behavioral components. Composite definitions that incorporate both the psychological commitment and the resulting repeat purchase behavior are now widely accepted as capturing

the essence of customer loyalty. However, there is still debate around the relative importance of each dimension and how best to measure them

2.1.2. Definition of Loyalty program

Every industry makes use of loyalty programs as their primary customer retention and business repeat initiative ((Dorotic, Bijmolt, & Verhoef, 2012). Experts continue to argue about precisely how to define and conceptualize loyalty programs. Severe analysis indicates that loyalty programs function as "marketing programs that reward and encourage loyal buying behavior" according to Uncles et al. (2003, p. 294).

Loyalty marketing embraces structured programs that reward frequent brand consumers through strategies to adapt their purchasing choices and advance their emotional bond with brands (Kang et al., 2015; Dorotic et al., 2012). A critical component of loyalty programs consists of loyalty cards or membership cards because they enable organizations to both monitor purchasing activity and offer appropriate rewards (Demoulin & Zidda, 2008). Accesiblity through rewards programs provide members different kinds of advantages including monetary rewards and points systems and bonus offers together with special member-only benefits as described by Dorotic et al. (2012).

The loyalty program establishes benefits which customers earn in return for their participation with host organizations. Many companies use customer loyalty programs as vital marketing instruments. Business organizations using loyalty programs improve overall purchase amounts on their products and services. The use of loyalty programs works simultaneously to build customer numbers and promotional value. Different types of loyalty programs exist. Customers accumulate points with each transaction that give them access to valuable company-provided goods and services as part of loyalty programs. A business that creates loyal customer relationships remains successful without spending exorbitant marketing funds. (Peppers & Rogers, 2011)

Recent research suggests that loyalty programs have both behavioral and attitudinal dimensions (Kang et al., 2015; Demoulin & Zidda, 2008). The behavioral dimension refers to the repeat purchase and patronage behavior of customers, while the attitudinal dimension encompasses the psychological commitment and emotional attachment to the brand (Kang et

al., 2015). Effective loyalty programs aim to foster both behavioral and attitudinal loyalty, as the combination of these two dimensions is considered crucial for building long-term customer relationships (Demoulin & Zidda, 2008; Dorotic et al., 2012). Programs that solely focus on behavioral rewards may only lead to spurious loyalty, whereas programs that also cultivate emotional attachment are more likely to generate true loyalty (Kang et al., 2015). Loyalty programs are multifaceted marketing strategies that seek to reward and incentivize customer loyalty through a combination of behavioral and attitudinal mechanisms. The definition of loyalty programs has evolved to recognize their complex, multidimensional nature in driving customer engagement and long-term brand relationships.

2.1.3. Definition of Customer Satisfaction

The marketing discipline recognizes customer satisfaction as its essential building block which drives business achievements (Kotler & Keller, 2016). There exists constant discourse regarding how to best define and explain customer satisfaction (Giese & Cote, 2000). Customer satisfaction exists as "the consumer's fulfillment response" and references the extent to which positive or negative fulfillment occurs (Oliver, 1999). After product purchase customers evaluate their experience through comparing anticipated expectations with actual performance delivery (Kotler & Keller 2016).

More specifically, Giese and Cote (2000) propose that customer satisfaction consists of three key components: response type (emotional versus cognitive), exclusive attention (focus area) and timeframe identification (e.g. post-purchase, post-consumption, etc.).The complexity of the customer satisfaction construct extends into multiple dimensions according to Giese and Cote (2000).

Recent research suggests that customer satisfaction has both cognitive and affective dimensions (Loureiro & Kastenholz, 2011; Ladhari, 2007). The cognitive dimension refers to the rational, utilitarian evaluation of product/service performance, while the affective dimension encompasses the emotional responses and feelings evoked during the consumption experience (Loureiro & Kastenholz, 2011). Scholars argue that both the cognitive appraisal of performance and the affective reactions of pleasure, enjoyment, and excitement contribute to

overall customer satisfaction (Ladhari, 2007). Accounting for these dual dimensions provides a more comprehensive understanding of the customer satisfaction construct.

Customer satisfaction serves as a prediction tool for future customer actions (Hill,Roche & Allen 2007). The product features together with functions and reliability alongside customer support and sales activities represent the key topics which determine customer satisfaction levels. A satisfied customer base has demonstrated the potential to purchase again in addition to spending more. Based on their positive experiences customers both expand their own purchases and recommend the business to additional potential clients (Hague & Hague 2016.)

A customer's satisfaction depends on the features of their purchased items and their internal perception of quality. Customer satisfaction depends on how customers feel emotionally and what they attribute to the experience as well as their opinions about fair treatment (Zeithal & Bitner.,2003) A satisfied customer produces benefits for businesses including increased customer loyalty that extends their lifespan while promoting extended product lifespan and positive word-of-mouth endorsements. Customer satisfaction with product offerings from a company encourages purchase frequency and referrers them to their social network for new customer acquisition. Business organizations that ignore or disregard customer needs will find no path toward growth (Tao, 2014.)

Customer satisfaction is a complex, multidimensional concept that involves both cognitive evaluations of product/service performance and affective responses to the consumption experience. While there is ongoing debate around its precise definition, most scholars agree that customer satisfaction is a crucial determinant of customer loyalty and long-term business success.

2.1.4. Customer Loyalty Program Design

Customer loyalty programs have become a ubiquitous marketing strategy across various industries, with the goal of fostering customer engagement, repeat business, and long-term brand relationships (Dorotic et al., 2012). The design of these programs is a critical factor in determining their effectiveness.

Various scientists have attempted to establish systematic classification systems for CLPs so that market-specific program examples can be properly classified. Dowling and Uncles (1997)

establish different categories of CLPs through their exploration of reward types alongside reward delivery timing. Research typologies classify CLPs according to their goal of offering customers value for sustaining their connection with the organization. Practitioners (Gaughan & Ferguson, 2005; Uddin, 2001) distinguish the benefits of CLPs into two broad classes: A person's benefits come from two categories: hard benefits through monetary prizes and soft benefits through acknowledgment and feelings of belonging.

Different recompense frameworks enable the classification of CLPs. The reward system allowing monetary transactions in CLP structures gives specific economic value to CLP members beyond what non-members accumulate. Price discrimination along with bonus points work as CLP rewards according to (Zhang, Krishna, & Dhar, 2000) and Dreze & Nunes (2004). The retail and airline industries deploy these benefit structures in their multi-partner CLPs according to Leenheer, van Heerde, Bijmolt, & Smidts (2007) and Zins (2001). According to the theory members and non-members experience equivalent treatment following the simple act of joining the CLP. Organizationally-rewarded CLPs use benefits that channel members toward the company rather than directly providing financial rewards. Such CLP rewards function through clubs that merge members more closely with their business (McAlexander et al., 2002) or through preferential treatment of club members over non-members (Drèze & Nunes, 2009). This CLP design appears commonly in frequent flyer programs together with hotel bonus programs (Kivetz, 2005) and car clubs (McAlexander et al., 2002). Benefit arrangements create obvious membership boundaries which distinguish those who belong to the CLP from those who do not. Rewards at the preferred member level only become accessible when members reach specific thresholds since the reward's attractiveness depends on the required effort to achieve membership (Kivetz & Simonson, 2002).

Key Elements of Loyalty Program Design:

Several important factors that affect the influence of consumer loyalty programs have been found by recent research. Programs with more tiers and larger differences between tiers are perceived as more exclusive and status-conferring, which can enhance feelings of superiority over non-members (Drèze & Nunes, 2009). The number and type of rewards offered also impact perceived value (Kang et al., 2015). Reward Redemption: Ease of earning and

redeeming rewards is crucial, as customers value the ability to quickly accrue and utilize program benefits (O'Brien & Jones, 1995). Increasing redemption requirements can negatively impact perceived value (Demoulin & Zidda, 2008). Emotional Engagement: Loyalty programs should cultivate emotional attachment and identification with the brand, not just behavioral loyalty (Kang et al., 2015). Providing recognition, social benefits, and a sense of community can foster this attitudinal loyalty (Bridson, K., Evans, J., & Hickman, M., 2008). Personalization: Tailoring program features and rewards to individual customer preferences and behaviors can enhance perceived value and strengthen the customer-brand relationship (Dorotic et al., 2012). Balancing Costs and Benefits Effective loyalty program design requires carefully balancing the costs of running the program with the benefits it provides to both the company and the customer (Butscher, 2002). Programs that are overly complex or costly to maintain may not generate sufficient returns, while those that fail to deliver meaningful value to customers are unlikely to drive lasting loyalty (Dowling & Uncles, 1997)

2.1.5. Perceived Benefits of Loyalty Program

Customer loyalty program serves as a powerful resource for evaluating decision value yet this tool works effectively in developing customer loyalty only if customers recognize its value (O'Brien & Jones, 1995). Multiple existing CLP designs produce confusion in customer perceptions of program value according to the authors. Research beyond Woodruff's (1997) utility assessment shows value perception requires an understanding of multi-dimensional heterogenic customer motives (Polo & Sesé, 2009; Sinha & DeSarbo, 1998). The framework defines three fundamental forms of customer value called economic value and psychological value and interaction value. The primary elements of economic value deal with functional usefulness alongside instrumental gains. Research within loyalty contexts has established this value dimension as the most influential element among perceived value assessments (Mägi, 2003; Peterson, 1995). Via financial benefits such as discounts and reward points and exclusive deals CLP members receive their main advantages. The economic value in loyalty programs aligns with utilitarian drivers which produce monetary savings and emission of awards. Interaction value and Psychological value deal with the utility a customer derives from a product's ability to enhance social self-concept" (Sweeney & Soutar, 2001)

According to Sheth, J. N., Newman, B. I., & Gross, B. L. (1991). users achieve interaction value from shared products or services which gain supplementary worth through social activities. Interaction value represents a powerful human behavioral factor which achieves its maximum effect through the motive known as affiliation. Customers seek community membership with similar consumers while establishing closer business ties according to Barnes 1994 and Baumeister & Leary (1995). The emphasis in interaction value comes from customer engagement with both peer customers and company personnel but psychological value lacks this social requirement. The psychological value perception is substantially influenced through motive superiority. Some shoppers obtain satisfaction because they realize they receive elevated treatment that exceeds what other customers receive. Better treatment from the company earns appreciation from customers who experience increased perception of value in this interaction (Crosby, 1991; Drèze & Nunes, 2009; Gwinner et al., 1998).

2.1.6. Frequent Flyer Program and Factors Affecting FFP

Frequent flyer programs (FFPs) are loyalty programs run by airlines to reward regular passengers, foster customer loyalty, and support retention (AltexSoft, 2022). FFPs have become a critical tool for airlines to gain a competitive advantage in the highly competitive aviation industry (Boroh, 2021). Key Drivers of Airline Loyalty Research has identified several key factors that drive customer loyalty in the airline industry and the effectiveness of FFPs: Membership in FFPs is the most discriminating factor for business travelers, followed by airline ownership (Hess, J. D., Stroh, L. K., & Calantone, R. J., 2006). However, FFPs matter less for leisure travelers who are more price-sensitive (Hess et al., 2006). For FFP members, the airline's nationality and price are the next most important criteria determining loyalty after the FFP itself (Hess et al., 2006). Factors like customer satisfaction have not emerged as direct drivers of behavioral loyalty in some studies, contradicting the mainstream view that satisfaction positively impacts retention (Hess et al., 2006). This may be due to differences in how loyalty is measured (Hess et al., 2006). Impact of FFP Changes on Customer Preferences Changes to the rules and benefits of FFPs can significantly impact customer preferences and perceptions of value. Increasing redemption requirements for FFP rewards can negatively impact frequent flyers' perceived value of the program (O'Malley, 1998). Point accumulation creates anticipation of future rewards, increasing members'

likelihood of staying loyal (Liu, 2007). Points have psychological value even before redemption (Liu, 2007). FFPs provide value to members in two stages - when points are earned and when redeemed for rewards (Kivetz & Simonson, 2002). Changes to either stage can affect perceived value. Overall, FFPs are a critical tool for airlines to build customer loyalty, but their effectiveness depends on factors like the type of traveler, price competitiveness, and the perceived value of the program's rules and rewards. Airlines must carefully manage their FFPs to maximize the benefits and minimize the costs of running these complex programs.

2.1.7. The Relationship between Loyalty Programs, Customer Loyalty and Customer Satisfaction

Loyalty programs have become a ubiquitous strategy for companies across industries to foster customer loyalty and repeat business (Dorotic et al., 2012). However, the relationship between loyalty program design, customer loyalty, and customer satisfaction is complex and multifaceted.

Loyalty Program Design and Customer Loyalty:

Recent research suggests that the design of loyalty programs can significantly impact customer loyalty. Programs with more tiers and larger differences in benefits between tiers are perceived as more exclusive and status-conferring, which can enhance feelings of superiority and strengthen attitudinal loyalty among members (Drèze and Nunes, 2009; Kang et al., 2015). Additionally, the ease of earning and redeeming rewards is crucial, as customers value the ability to quickly accrue and utilize program benefits (Boroh, 2021). Overly complex redemption requirements can negatively impact perceived value and undermine loyalty.

The Role of Customer Satisfaction:

Customer satisfaction, defined as the "consumer's fulfillment response" (Oliver, 1997, p. 13), plays a key role in the relationship between loyalty programs and customer loyalty. Satisfaction has both cognitive (performance evaluation) and affective (emotional response) dimensions (Loureiro and Kastenholz, 2011; Ladhari, 2007). High levels of customer satisfaction, encompassing both cognitive and affective components, are associated with stronger attitudinal and behavioral loyalty (Evanschitzky et al., 2006). Satisfied customers are

more likely to engage in repeat purchase behavior and develop deeper emotional attachments to the brand.

Research indicates satisfaction functions as an attitude toward service delivery, yet loyalty represents a customer's choice of behavior. According to Chen and Wang (2009) customer satisfaction means examining how expectations match up with perceived service outcomes. Despite being a customer's primary reason for sustaining their connection with company offerings the positive experience achieved through a purchase sustains their loyalty. Consumers who find satisfaction with products or services display higher chances of repeat buying alongside reduced price sensitiveness along with compelling others to purchase via positive recommendation before evolving into loyal customers (Chen and Wang 2009.) Success and profit depend heavily on customer satisfaction which leads to sustained loyalty. Louder loyalty requires step-by-step progression from satisfaction levels. Customer phases move from awareness through exploration into expansion until committing and ending with dissolution as the final stage. (Arantola 2000.)

2.1.8. Oliver's Loyalty Development Model

Richard Oliver's seminal work in 1999 introduced a comprehensive four-stage model of customer loyalty development, which has significantly influenced the understanding of how loyalty evolves over time. This model posits that loyalty progresses through **cognitive**, **affective**, **conative**, and **action** stages, each representing a distinct phase in the development of consumer loyalty (Oliver, 1999).

Cognitive Loyalty, the first stage, cognitive loyalty, is based on the consumer's awareness and perception of a brand's attributes compared to its competitors. At this stage, loyalty is primarily driven by information about the brand's performance and characteristics, which may be derived from prior experiences or vicarious knowledge. Cognitive loyalty is often superficial and relies on the consumer's judgment of how well a brand meets their expectations.

Affective Loyalty: as consumers progress to the affective loyalty stage, their loyalty becomes more emotionally driven. This stage develops through positive experiences with the brand, leading to a liking or affection for it. Affective loyalty is crucial because it transforms loyalty

from a mere cognitive preference into an emotional attachment, which can significantly influence consumer behavior (Oliver, 1999).

Conative Loyalty: this stage marks a shift towards behavioral intentions. Here, consumers develop a commitment to repurchase the brand, influenced by repeated positive experiences and emotions associated with it. Conative loyalty represents a deep-seated intention to continue patronizing the brand, although this intention may not always translate into actual behavior (Oliver, 1999).

Action Loyalty: is the culmination of the loyalty development process, where the consumer's intentions are translated into actual repeated purchase behavior. At this stage, consumers are not only willing to act on their loyalty but are also prepared to overcome obstacles to continue purchasing from their preferred brand. Action loyalty signifies a strong commitment to the brand and is often characterized by consistent repurchase behavior despite potential situational influences or marketing efforts from competitors (Oliver, 1999).

Oliver's model highlights the evolutionary nature of customer loyalty, emphasizing that loyalty develops sequentially over time. Each stage builds upon the previous one, with emotional connections playing a pivotal role in transitioning from cognitive awareness to actual behavioral loyalty. This framework underscores the importance of understanding the dynamic interplay between cognitive, affective, conative, and behavioral aspects of loyalty in fostering long-term customer relationships. The four-stage loyalty model has been applied across various industries to understand and enhance customer loyalty. Studies have extended this framework by incorporating additional factors such as brand reputation and situational influences. Moreover, research has shown that switching barriers, such as attractiveness of alternatives and switching costs, can moderate the progression between loyalty stages. This model continues to be a foundational framework for understanding the complexities of customer loyalty and its development over time.

2.1.9. Dick and Basu's Loyalty Framework

In 1994, Dick and Basu proposed a seminal loyalty framework that categorizes customer loyalty into four distinct types based on the interplay between attitudinal and behavioral dimensions. This framework is pivotal in understanding the complexities of customer loyalty,

as it highlights the importance of both psychological attachment and repeat patronage (Dick & Basu, 1994).

Types of Loyalty

Sustainable Loyalty, this type of loyalty is characterized by both high relative attitude towards a brand and high repeat patronage intentions. Sustainable loyalty represents the most favorable position for businesses, as it signifies a strong emotional attachment combined with consistent purchasing behavior (Dick & Basu, 1994). Latent Loyalty: latent loyalty occurs when customers have a strong positive attitude towards a brand but exhibit low repeat patronage. This can be seen in situations where customers admire a brand but do not frequently purchase from it, often due to factors like high prices or limited accessibility (Dick & Basu, 1994). Spurious Loyalty is observed when customers demonstrate low relative attitudes towards a brand but still exhibit high repeat patronage. This type of loyalty is often driven by situational factors such as convenience, lack of alternatives, or inertia rather than genuine preference (Dick & Basu, 1994). No Loyalty, the final category involves customers with both low relative attitudes and low repeat patronage. These customers are not attached to the brand and do not exhibit consistent purchasing behavior, making them challenging to retain (Dick & Basu, 1994).

Dick and Basu's framework underscore the dual nature of loyalty, emphasizing that it is not solely about repeat purchasing behavior but also about the underlying attitudes that drive such behavior. This distinction is crucial for marketers, as it highlights the need to focus on building strong emotional connections with customers to foster sustainable loyalty (Dick & Basu, 1994). While Dick and Basu's model provides a comprehensive framework for understanding loyalty, it has been noted that it operates with extremes, focusing on high and low levels of attitude and behavior without accounting for intermediate states (Kufakunesu, F., Kapesa, T., & Takundwa, T. ,2018). Additionally, the model does not capture the dynamic nature of customer attitudes, which can change over time due to various factors (Kufakunesu et al., 2018).

2.1.10. The Relationship Marketing Perspective

The relationship marketing perspective emphasizes the importance of building strong, enduring relationships between customers and brands as a key strategy for enhancing customer loyalty. This approach posits that factors such as trust, commitment, and customer satisfaction are crucial in fostering long-term relationships, which in turn lead to increased loyalty (Palmatier., Scheer & Steenkamp., 2006). Effective communication and relationship management are central to this perspective, as they facilitate customer retention by creating mutually beneficial interactions (Zeithaml., Parasuraman & Berry, 2002).

Key Components of Relationship Marketing

Trust is a foundational element in relationship marketing, as it involves the customer's belief in the brand's reliability and integrity. Studies have consistently shown that trust is a significant predictor of customer loyalty, as it fosters a sense of security and confidence in the brand (Macintosh & Lockshin, 1997; Ndubisi & Wah, 2005). Commitment refers to the customer's willingness to maintain a relationship with the brand over time. It is often influenced by factors such as shared values and the perceived benefits of the relationship (Beetles & Harris, 2010; Morgan & Hunt, 1994). Customer Satisfaction is a critical determinant of loyalty, as it reflects the customer's positive experiences with the brand. Relationship marketing strategies aim to enhance satisfaction by providing value and addressing customer needs effectively (Pasaribu, 2017). The relationship marketing perspective suggests that by focusing on these key components, businesses can create strong emotional bonds with their customers, leading to increased loyalty. Empirical studies have supported this notion, demonstrating that relationship marketing dimensions such as trust, commitment, and communication have a positive impact on customer loyalty (Mohammad, 2011; Seyyedeh., 2011).

From a strategic standpoint, relationship marketing offers a competitive advantage by reducing the costs associated with acquiring new customers and increasing the profitability of existing ones (Cohen, Gan, & Yong, 2006; Dowling, 2002). By prioritizing long-term relationships over transactional interactions, companies can foster a loyal customer base that is more likely to advocate for the brand and resist switching to competitors (Lacey & Morgan, 2009).

2.1.11. Theoretical Underpinnings of Customer Loyalty Programs

Customer loyalty programs are deeply rooted in psychological theories that explain consumer behavior and preferences. These programs leverage various mechanisms to foster loyalty, including psychological, transactional, and relational approaches.

Psychological Mechanisms

Psychological mechanisms play a crucial role in the effectiveness of loyalty programs. Henderson, Beck, & Palmatier (2011) identified three primary domains that influence loyalty program success: status, habit, and relational mechanisms.

Status mechanisms involve social comparisons that enhance the perceived value of loyalty programs. By offering exclusive benefits or tiered rewards, brands can create a sense of prestige among their loyal customers, which in turn reinforces their loyalty (Henderson et al., 2011). Habit mechanisms foster repeat behaviors through memory processes. By creating routines and consistent interactions with the brand, loyalty programs can encourage habitual purchasing behavior, making it easier for customers to continue their loyalty over time (Henderson et al., 2011). Relational mechanisms strengthen emotional connections between consumers and brands. These mechanisms focus on building trust, commitment, and satisfaction, which are essential for long-term loyalty (Henderson et al., 2011).

Transactional vs. Relational Approaches

Loyalty programs can be designed either using transactional or relational approaches. Transactional approaches emphasize rewards for purchases, focusing on tangible benefits such as discounts or points. These programs are primarily based on the principle of reciprocity, where customers are incentivized to make repeat purchases in exchange for rewards (Verhoef, 2003). Relational approaches, on the other hand, focus on building long-term relationships through engagement and personalized experiences. These programs aim to create emotional bonds with customers by offering tailored services, exclusive events, or personalized communication (Verhoef, 2003). Relational loyalty programs often leverage psychological theories like cognitive dissonance and the endowed progress effect to enhance customer commitment (Loyoly, 2024).

Understanding these theoretical underpinnings is crucial for designing effective loyalty programs. By combining transactional rewards with relational engagement strategies, businesses can create programs that resonate with consumers on both a functional and emotional level. This integrated approach can lead to increased customer retention and loyalty, as it addresses both the immediate needs of customers and their long-term relationship with the brand.

2.2. Empirical Review

Taffese's (2018) examines the primary influences which shape customer loyalty programs at Ethiopian Airlines through analysis of the ShebaMiles loyalty program. The research explores airline loyalty determinants while investigating the barriers which prevent implementations of effective loyalty schemes. The research adopted a descriptive approach while collecting data from 184 participants drawn through convenience and purposive sampling methods from ShebaMiles membership and Ethiopian Airlines' Addis Ababa Airport front-line staff and ShebaMiles office personnel at the airline headquarters. A structured questionnaire was developed based on the research framework to assess six key determinants: The study investigated how trust quantity and satisfaction levels alongside conflict handling outcomes and communication practices and reward systems and emotional commitment influence the success of these programs. The research data analysis employed a five-point Likert rating scale.

The research demonstrated that satisfaction alongside trust and commitment together with communication and rewards produce meaningful and positive relationships with customer loyalty programs at Ethiopian Airlines. The data shows that improving these elements creates a positive impact on customer loyalty levels. While the study highlighted several significant determinants, it also noted areas requiring improvement, particularly in conflict handling. This suggests that addressing customer complaints and emotional attachment issues is crucial for enhancing loyalty. The thesis recommends that Ethiopian Airlines set high standards for its customer loyalty program based on best industry practices. This includes providing personalized and customer-focused services to strengthen emotional attachment and minimize the likelihood of customers switching to competing airlines. In addition to this, the airline should take proactive measures to resolve customer complaints effectively, as this is vital for

maintaining customer loyalty and satisfaction. Taffese (2018) concludes that effective customer loyalty programs at Ethiopian Airlines depend on several key determinants, including trust, satisfaction, communication, and rewards. By focusing on these areas and improving conflict handling, the airline can enhance customer loyalty and achieve a competitive advantage in the aviation industry.

The master's thesis by Tefera (2022) investigates how customer relationship management (CRM) practices influence loyalty among customers of Ethiopian Airlines operating in Addis Ababa. The evaluation uses six variables including key customer focus alongside technology-based CRM and knowledge management as well as CRM organization and ease of use alongside convenience to explain the relationship between CRM practices and customer loyalty behaviors. This research conducted measurements through a quantitative method with a cross-sectional study design. A total of 381 individuals completed structured surveys that measured six key independent variables. This research utilized descriptive and explanatory analytical methods while performing ordinary least squares regression analyses.

Research results revealed key customer focus together with technology-based CRM and ease of use produce positive significant effects on customer loyalty. The findings show that substantial improvements in CRM structural dimensions lead to better customer satisfaction with stronger customer loyalty. Customer loyalty was unaffected by Knowledge management and CRM organization as well as convenience according to statistical analysis. Ethiopian Airlines must direct their efforts toward enhancing those CRM aspects which demonstrated statistical importance for retaining customers. Research findings show that ease of use produces the strongest positive effect on customer loyalty among all CRM measures. The CRM ease of use factor at Ethiopian Airlines deserves special attention since it has substantial effects on customer retention rates. The research by Tefera (2022) proves that Ethiopian Airlines attains better customer loyalty through efficient CRM implementation practices. Enhancing both core customer interactions and simplifying CRM system accessibility allows Ethiopian Airlines to enhance customer connection and delay customer attrition.

Ali and Ali (2021) evaluate the effectiveness of loyalty programs to boost customer retention along with analyzing how brand association and customer satisfaction act as mediators in this process. The research used structural equation modeling (SEM) to evaluate data from program

members to test four hypotheses about these relationships. Loyalty programs increase customer retention substantially, but brand association provides the complete mediation effect between loyalty programs and customer retention rates while customer satisfaction fails to link the associated variables. Research found loyalty programs failed to create concrete impact on retention yet identified brand association as the vital factor in building retention. This research establishes that brand association represents the core determinant of loyalty program effectiveness toward retaining customers. Firms need to concentrate on developing robust brand connections that enhances their customer retention performance.

While studying the loyalty program effects across high-end and low-end fashion retailers Stathopoulou and Balabanis (2016), determined how these programs influence consumer satisfaction alongside trust formation and loyalty development. The research analyzed what different rewards within loyalty programs mean for consumer responses and emotional reactions. The researchers conducted quantitative research by collecting surveys from both customers visiting premium luxury retailers and bargain fashion stores. Structural equation modeling evaluated how loyalty program benefits (utilitarian, hedonic, and symbolic) affected customer satisfaction and trust and then to loyalty. Loyalty program benefits create positive effects on both customer satisfaction and trust which ultimately leads to improved customer loyalty. Loyalty program benefits show positive influence on customer loyalty for retail outlets operating at both high-end and low-end levels. Research outcomes stress the critical function which trust plays to bridge loyalty program benefits with customer loyalty. Loyalty program trust from retailers generates stronger client devotion to maintain their connection. The research showed distinct patterns across retailers between those at higher and lower ends of the price scale. High-end retailers rely more on symbolic benefits to enhance customer satisfaction, but low-end retailers reach good results with utilitarian benefits for loyal consumer behavior. The research findings showed loyalty programs lead to increased customer satisfaction and trust alongside stronger retailer loyalty across different segments of fashion retailers from high to low pricing ends. Model positioning alongside customer segment differ the specific benefits which influence these measured outcomes. The research demonstrates how retailers must develop loyalty programs which maintain consistency with brand perception and consumer dynamics.

Roehm, Pullins and Roehm (2020), evaluated how loyalty programs affect customer satisfaction along with retention while demonstrating that satisfaction functions as an intervening variable connecting loyalty programs to consumer actions. Study results showed effectively designed loyalty programs drive customer purchase frequency which demonstrates programs sustain customer retention. Meaningful rewarding systems must be combined with attractive incentives to develop loyalty and engaged clients. Customer satisfaction functions as a mediator between loyalty programs and customer behavior since satisfied customers demonstrate increased loyalty represented by enhanced purchasing patterns and favorable word-of-mouth promotion.

The research shows that customer behavior is driven by upcoming rewards so businesses must apply long-term engagement methods in their loyalty programs to achieve better purchasing results according to the authors. Companies need to create value-driven loyalty systems that build customer fulfillment because such programs enhance both customer loyalty and program retention.

Kumar and Reinartz (2020) conducted research to explore direct program effects on customer satisfaction which subsequently strengthen customer loyalty. Loyalty programs produce significant improvements in customer satisfaction according to research findings. The value customers place in loyalty benefits determines higher satisfaction marks from them. Customer satisfaction grows stronger as customers show higher loyalty because satisfied people make repeat purchases. A loyalty program's success depends directly on its rewarding structure since compelling benefits enhance customer satisfaction while strengthening loyalty. The satisfaction levels that loyalty programs create work as a middle force between these programs and customer loyalty establishment. The authors demonstrate that well-designed loyalty programs boost customer satisfaction to produce sustained customer loyalty. The creation of beneficial rewards systems in combination with positive encounters remains essential for extended customer loyalty.

Gonzalez and Palacios (2020) conducted a review of the existing evidence showing the positive effects loyalty programs create for customer satisfaction while promoting retention. The authors developed a new managerial framework to examine customer loyalty by identifying loyalty programs as vital elements for satisfaction improvements and retention

rates. Research indicates loyalty programs boost customer satisfaction because participants perceive the worth and additional value they get from using these programs. Satisfied customers generated through loyalty programs exhibit better retention which results from their commitment to maintain relationships with the brand. The authors propose a new framework for managers to design and implement effective loyalty programs that maximize customer satisfaction and retention by aligning program benefits with customer expectations and preferences. The study highlights several key factors that contribute to the success of loyalty programs, including attractive rewards, ease of participation, and overall customer experience and conclude that loyalty programs are a vital tool for enhancing customer satisfaction and retention. By designing programs that provide meaningful rewards and align with customer needs, businesses can foster loyalty and improve long-term customer relationships.

In addition to the above, the following studies have been conducted on loyalty programs:

Through a meta-analysis Kim, S., Park, J., and Lee, J. (2020) examined how loyalty programs affect customer retention throughout different business sectors. Research suggests that loyalty programs succeed at boosting customer retention although the degree of success depends on how designers structure their rewards alongside how complex they make the programs. The study results showed point-based reward mechanisms prove more successful than alternative rewards systems in loyalty programs. Research found that loyalty programs which kept their schemes straightforward with fewer rules and tiers demonstrated better results than complex programs. The research demonstrated that loyalty programs deliver their highest benefits to retail and hospitality industries.

The examination by Xuan, L., Wang, M., and Chen, J. (2020), determined how loyalty programs impact customer lifetime value (CLV). Research findings show that properly structured loyalty programs drive increased customer purchases together with total spending. Engagement intensification because of loyalty programs drives customers to be more loyal which results in larger customer lifetime value. Effective program design requires strong rewards with incentives because they drive both repeat interactions and improved customer connections according to the research findings.

Liu, X., Wang, Y., and Zhang, Z. (2022), examined how customer satisfaction functions as a moderator between loyalty programs and customer repurchase intentions. Analysis from their research established that properly conceived loyalty programs effectively boost customer satisfaction levels until customers demonstrate enhanced repurchase intentions. Research indicated that customer satisfaction increases when loyalty programs deliver valuable rewards specifically designed to fit customers' preferences. Customer satisfaction reaches higher levels when they understand that the loyalty program offers meaningful value to them concerning shopping experiences. The findings reveal that loyalty programs generate repurchase intentions through customer satisfaction which acts as a critical mediating effect. Customers seek satisfaction from loyalty programs which brings both increased return rates and improved customer retention. Successful loyalty programs result when companies design programs that reflect specific customer needs and preferences leading to better satisfaction and higher repurchase intentions. The achievement of successful loyalty programs depends heavily on personalized rewards and high-quality service delivery in combination with seamless customer experiences.

The researchers Wang, A., Li, B., and Chen, C. (2021), studied how complex loyalty program structures affect customer satisfaction levels. Their study shows that excessively complicated loyalty programs create dissatisfaction with customers which prevents these programs from achieving their goal of building customer loyalty. Research demonstrates that loyalty programs featuring multiple rules and requirements and hierarchical tiers lead to customer perceptions of complexity. Customers experience frustration when interacting with complex loyalty programs because they must spend efforts understanding difficult program features. Quality customer satisfaction within loyalty programs leads customers to remain loyal to the brand yet program dissatisfaction drives customers toward disengagement from brand interaction alongside decreased loyalty program effectiveness towards long-term loyalty development. The customer satisfaction level increases when loyalty programs deliver easy-to-understand benefits that customers can easily understand. Brands who simplify their loyalty programs while focusing on delivering value create systems which enhance customer satisfaction while building stronger customer-brand relationships. Research results show the need to maintain simplicity as a fundamental principle when designing loyalty programs. Businesses must learn how to determine appropriate structure and rules for their loyalty

programs because overly complicated programs may produce dissatisfaction among members. The success of loyalty initiatives depends on brands finding the appropriate equilibrium between system features and user convenience.

Zhang et al. (2023) published research demonstrating why personalized loyalty programs have become essential. Research results show the strategic adaptation of rewards together with program elements according to individual customer needs leads to substantial improvements of both customer satisfaction and loyalty. When businesses customize customer experiences using individual preference data, they create rewarding loyalty programs which better connect emotionally with their customers that result in stronger retention rates. A research study demonstrates how tailored loyalty programs create both satisfaction improvements and stronger feelings of belonging and appreciation among customers. Companies benefit from high customer retention by employing strategies that match brand offerings to specific consumer needs making them stand out and win customer loyalty in competitive markets. Data analytics alongside customer feedback need integration for loyalty program design according to the research which enhances program success and customer involvement. Recent theories on customer loyalty and loyalty programs show that psychological aspects and system design together with operational elements enhance loyalty program performance for customer retention with lasting customer connections.

2.3. Conceptual Framework

The conceptual framework for this study is based on the multidimensional nature of customer loyalty programs (CLPs) and their relationship with customer satisfaction. The study's conceptual framework examines six key factors of the ShebaMiles loyalty program as independent variables which were assumed to influence customer satisfaction: number of airline partners, number of non-airline partners, ease of mile redemption, variety of redemption options, ease of mile earning, and achievability of elite status. Each of these features addresses an aspect of the ShebaMiles program that aligns with customer expectations for convenience, variety, or exclusive benefits, thereby shaping satisfaction levels.

The number of airline partners is expected to contribute to customer satisfaction by providing members with a wide range of travel options, thereby increasing the perceived utility and

flexibility of the program. Similarly, non-airline partners add value by offering additional earning and redemption options outside of flights, such as partnerships with hotels and rental car services. (Demoulin & Zidda, 2009) indicate that partnerships broaden the appeal of loyalty programs, as customers perceive more comprehensive benefits from diverse partnerships.

Ease of mile redemption is also essential, as overly complicated redemption processes can detract from the user experience and discourage program engagement (Wang et al., 2021). Programs that facilitate simple and accessible reward redemption contribute positively to satisfaction by allowing customers to capitalize on their accumulated benefits without undue effort. The number of redemption options such as upgrades, extra baggage, and free flights further caters to individual preferences and needs, enhancing satisfaction through personalization and versatility (Liu et al., 2022).

The research framework also posits that ease of mile earning enhances satisfaction by providing various opportunities to accumulate rewards, which encourages regular engagement and fosters a sense of progress within the program. Finally, the achievability of elite tier thresholds e.g., moving from Silver to Gold status provides motivational incentives by offering members exclusive benefits and recognition, fostering loyalty by instilling a sense of belonging and status (O'Brien & Jones, 1995).

Customer satisfaction, the dependent variable in this research framework, is defined as the extent to which ShebaMiles members feel that their expectations are met or exceeded by the ShebaMiles customers' loyalty program. Satisfied customers are more likely to exhibit loyalty behaviors, such as repeat patronage and positive word-of-mouth recommendation, which benefit Ethiopian Airlines by increasing retention and potentially attracting new members. The relationship between loyalty program satisfaction and loyalty is well-supported in the literature (Chen & Wang, 2009), indicating that effective loyalty programs can significantly contribute to a company's competitive positioning.

This conceptual framework, therefore, established clear hypotheses linking the factors of ShebaMiles customers' loyalty program to customers or members satisfaction in EAL. Specifically, it was hypothesized that each ShebaMiles customer's loyalty program factors does not influence or affect ShebaMiles members' satisfaction, aligning with established

theories on loyalty and customer satisfaction. By examining these relationships, and influences the framework provides a comprehensive basis for understanding how Ethiopian Airlines can leverage ShebaMiles to enhance customer satisfaction and, ultimately, loyalty.

Hypotheses

Null Hypothesis (Ho):

Ho_1: Number of Airlines Partners does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_2: Number of Non-Airlines Partners does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_3: Ease of Mile Redemption does not significantly influence ShebaMiles members' satisfaction in EAL.

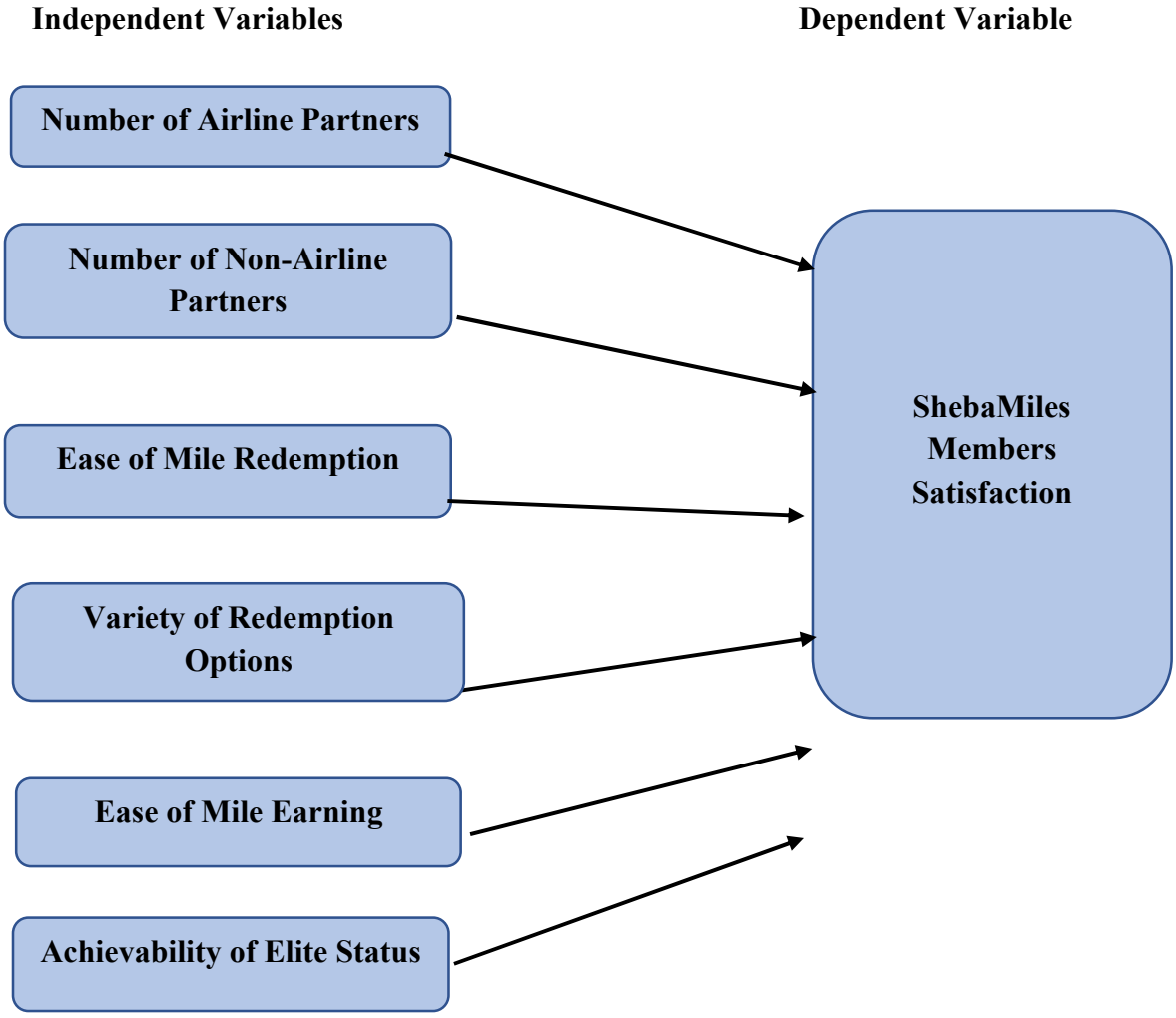
Ho_4: Variety of Redemption Options does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_5: Ease of Mile Earning does not significantly influence ShebaMiles members' satisfaction.

Ho_6: Achievability of Elite does not significantly influence ShebaMiles members' satisfaction in EAL.

The following conceptual framework is proposed based on O'Brien and Jones (1995) who mentioned five elements that determine the value of a loyalty programs for customers, those elements are: cash value of redemption reward, range of choice of rewards, aspiration value of the rewards, subjective likelihood of achieving rewards, and scheme's ease of use. In addition to this, some of the independent variables were also adopted from McCall, M., & Voorhees, C. (2010) conceptual model of loyalty program effectiveness.

Conceptual Framework:



Source: O'Brien and Jones (1995)

Figure 2. 1: Conceptual model of ShebaMiles Customer Loyalty Program

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents the entire research design & approach alongside population & sampling techniques, sample size selection, source and type of data collection and data analysis technique, instrument validity and reliability assessment. In general, the strategic choices made throughout the planning and executions of the research study are referred to as research design and methodology.

3.1. Research Approach

The study used mixed or abdicative approach since the proposed research designs combined quantitative and qualitative approach; data collection method and analysis. This is because mixed or abdicative research approach cannot ignore numbers and human experiences. This research employed mixed approach in order to describe the issue very well.

Therefore, quantitative research designs such as descriptive research design and inferential statistical designs like correlation and regression research designs were used. Descriptive statistics such as frequencies and percentages were used to describe the demographical information about member respondents, and to measure ShebaMiles members' perceptions levels toward ShebaMiles customer's loyalty program variables and ShebaMiles members' satisfaction in details. Descriptive research design was used to determine the mean value, standard deviation, minimum, maximum and ranks of each ShebaMiles customer's loyalty program factors and overall ShebaMiles members' satisfaction using descriptive analysis in EAL. Correlation research design also was adopted to identify the relationships between each key variables of ShebaMiles customer's loyalty program (Number of Airline partners, Number of non-Airline partners, Ease of Mile Redemption Mile, Variety of Redemption Options, Ease of Mile Earning, Achievability of Elite Status) and ShebaMiles members' satisfaction using Pearson's correlation (r) analysis in EAL. Finally, regression research design implemented to assess the influence of the six independent variables of ShebaMiles customer's loyalty program on ShebaMiles members' satisfaction using multiple linear regression analysis for primary data collected via questionnaire from ShebaMiles members of Ethiopian airlines.

Qualitative research design was used for qualitative primary data those collected through interviews from informants of Customer Loyalty Department heads and employees of ShebaMiles Program who were selected using purposive sampling. In addition to this, secondary data such as documents and records about ShebaMiles Program were used to conduct the study.

3.2. Research Design

Malhotra and Birks (2007) explain that research design functions as the structural foundation which guides the execution of research. The design serves either as a detailed plan or as an analytical structure. The study collects primary data by administering questionnaires while using descriptive and explanatory research designs. Saunders Lewis and Thornhill (2012) note descriptive research aims to establish precise descriptions about events people or scenarios. Predictions together with factual accounts and identifying characteristics of individual or collective subjects form the focus of descriptive research. Therefore, for this study, descriptive research described the level of contribution of various variables as groups for ShebaMiles members' satisfaction or dissatisfaction about the loyalty program under each construct of the six variables namely Number of Airline partners, Number of non-Airline partners, Ease of Mile Redemption Mile, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite Status. This enabled the researcher to remain objective and only interpret data and information as they are going to be received.

In addition to this, the investigation also employed explanatory research to find out the relationship between each of the six variables with ShebaMiles members satisfaction, and to assess the influence of the six independent variables on ShebaMiles members' satisfaction which is the dependent variable. This study used cross sectional research.

3.3. Population of the Study

Cooper and Schindler (2008) define the population as the entire set of study elements for which references have to be made. The target population of this study were Ethiopian Airlines ShebaMiles members at Blue, Silver, Gold and Platinum tier or status levels.

3.4. Sampling Technique and Procedure

Cooper and Schindler, (2008), define sampling procedure as the organized method for choosing individuals who can properly represent the broader selection group.

The study used non-probability sampling technique taking a total sample size of 384 voluntary ShebaMiles member respondents from all memberships' status of Blue, Silver, Gold and Platinum were taken using convenience sampling for data collected via questionnaires in EAL. Convenience Sampling is a type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in study (Saunders, Lewis and Thornhill, (2012). In addition to this, purposive sampling was used to collect qualitative data through interviews from four informants of ShebaMiles department of the Airline.

3.5. Sample Size

As a general guideline, it can be stated that the sample should be of an optimal size, meaning it should not be excessively large or too small (Kothari, 2004). The target population of this study were Ethiopian Airlines ShebaMiles members. The ShebaMiles program has a total of 4.7 million members worldwide of which 2 million are on welcome status, 2.7 million on Blue tier, 26,000 members on Silver tier, 7,000 members on Gold tier and platinum tier having 2,600 members. (retrieved from EAL Customer Loyalty Department, on May 2024).

There exists an extensive target population of ShebaMiles members for this research. To determine a big population sample size Saunders, Lewis and Thornhill (2007) developed this formula.

$$n = \frac{z^2 pq}{e2}$$

Where, n = sample size; p = proportion of success; q = proportion of fail; z = Z-score of confidence level of 95%; e = standard error or marginal error

Based on the above formula, sample size, $n = \frac{1.96^2(0.50)\,(0.50)}{0.05^2} = 384$

The total sample size (n) was 384, and four interviewees from the ShebaMiles Customer Loyalty department.

3.6. Data Types and Sources of Data Collection

The study used both primary and secondary data sources. The sources of the primary data were ShebaMiles members of Ethiopian Airline.The secondary data was used to provide additional context and support for the findings from the primary data. The sources of secondary data included academic journals, previously conducted thesis, and online sources, books and articles which were used to gather information on the topic of the study.

3.7. Data Collection Instruments

In this study, data were collected using written structured questionnaire. The questionnaire was developed based on empirically validated items from previous research on loyalty programs and customer satisfaction. By adapting these measures to the context of Ethiopian Airlines' ShebaMiles program, the questionnaire ensures content validity while maintaining alignment with established scales. Each construct in the questionnaire represents a key aspect of the ShebaMiles program hypothesized to influence customer satisfaction, with items adapted to capture participants' perceptions and experiences specific to this loyalty program.

Through a self-administered questionnaire containing closed-ended questions and a five-point Likert scale the researcher obtained data from respondents. Likert scale was used for respondents to demonstrate their positively or negatively positioned response to statement clusters (Zikmund, 2013). The rating scale requires no difficulty for creation or distribution since participants learn its intended use promptly. These 33 five-point Likert scale questions composed the entire survey while using responses that ranged from "Strongly Disagree" through "Strongly Agree."

3.8. Data Collection Procedures

Data for the study was collected by distributing written questionnaire to respondents through self-administered questionnaires by the researcher and her supporters in person for ShebaMiles members that were found real time at Addis Ababa Bole International Airport,

Addis Ababa Premium sales office at Bole and Ethiopian Skylight Hotel and filled by volunteer ShebaMiles members. The questionnaires consisted a brief note that attends to the purpose of the study in which members were requested and encouraged to participate in the study as well as oral explanation was also given by the researcher before respondents fill out the questionnaire. In addition to this, the researcher prepared structured interview questions and interviewed selected heads and employees of ShebaMiles Customer Loyalty department at EAL head office, Addis Ababa, Bole.

3.9. Data Analysis Methods

In general, both quantitative and qualitative data analysis techniques were used to analyze data collected as primary in this survey. Specifically, descriptive, correlation and multiple linear regression analysis were used for quantitative data collected through questionnaires as well as qualitative content analysis was also employed for data gathered qualitatively from informants in the form of interviews.

To determine demographic characteristics of the respondents, this survey employed frequency analysis to get counts/frequencies, percentages and to determine mean, standard deviation, minimum, and maximum values of ShebaMiles customers' loyalty program factors and ShebaMiles members' satisfaction descriptive statistics analysis was used in EAL.To determine the relationships between each of the six factors and ShebaMiles members satisfaction, this study used correlation analysis to obtain their individual correlation coefficient(r) values using Pearson's product moment correlation. To predict the influence of the assumed each six independent variables (IVs) on ShebaMiles' members satisfaction (DV), this research adopted multiple linear regression analysis to determine the values of regression coefficient of each IV in the model using SPSS Version 20. Mostly, the quantitative survey method designs were chosen due to time and resource constraints.

Qualitative data analysis technique that is, content analysis for text was also employed to analyze qualitatively gathered primary data using unstructured interviews with department heads and employees of ShebaMiles, Customer loyalty department of EAL. Different types of documents such as archives recorded as a secondary data for other purposes that were prepared by ShebaMiles department were used for the study.

3.10. Validity of Data Collection Instrument

The purposes of validity test are to determine the validity and accuracy of the questionnaire. Research instrument validity describes how well measurement tools assess their intended objectives. Research instruments show correct measurement by using questionnaires which demonstrate predictable and consistent and accurate results. LoBiondo-Wood and Haber (2006) identify content validity as one of three primary levels of research instrument validity with construct validity and criterion-related validity making up the remainder. For this study, content validity was used to assess the validity of the instrument. The research utilized data collected from reliable sources, specifically targeting respondents with experience in ShebaMiles Program. Survey questions were developed based on a comprehensive literature review and a framework to ensure the validity of results. Content validity was established through expert feedback, including evaluations from my advisor. To test the validity of the items, an initial questionnaire was pilot tested with seventy-two (72) respondents. This process aimed to verify the clarity and consistency of the questions concerning the study's objectives. And as a result of this process, the questionnaire underwent some changes.

This study used the total Pearson's product-momentum correlation coefficient (r) as inferential statistical tool to measure the content validity of the questionnaire under the number of airline partners, the number of non-airline partners, Ease of miles redemption, Variety of redemption options, Ease of miles earning, Achievability of elite Status, and ShebaMiles members satisfaction to determine the correlation between each question with its total correlation. Each question's, to total correlation value (r) i.e. (between each question and its total sum obtained values) with a sample size of 72 ShebaMiles members were taken to determine the validity and significant of each question. Degree of freedom (df) = n-2 = 72-2= 70; Critical Values for Pearson's Correlation Coefficient (table value), (at 70 df, 0.05) at Proportion in Two-Tails is .2319. Each obtained Correlation value between each question and its total (sum) were compared with Critical Values (CV) or table values which is .2319. All obtained values at a total Correlation Coefficient (r) between each question and its total (sum) of the 33 questions were greater than the Critical Values (CV) or table values which is .2319, as well as each question was statistically significant with a p. values < .001 and p value < .01, at two tailed. From this it is possible to infer that all questions used in this survey were qualified the

criterion of content validity. All 33 Questions were valid questions, and were highly statistically significant at two-tailed, $p < .001$ and $p < .01$; this implies that the p. value of each question is less than the marginal error or significance level (0.05). Therefore, these valid questions were used as final questionnaires to execute this survey.

3.11. Reliability of Data Collection Instrument

As stated by, George and Mallery (2009) the closer the reliability coefficient (Cronbach's alpha coefficient) to 1.00 is the better the internal consistency of the items in the scale.

Cronbach's Alpha is the chosen method for this research as a means to perform reliability test (internal consistency) of items on the number of airline partners, the number of non-airline partners, Ease of miles redemption, Variety of redemption options, Ease of miles earning, Achievability of Elite Status and ShebaMiles members satisfaction were selected as construct variables in ShebaMiles customer loyalty program in EAL to execute this survey. A sample of 72 ShebaMiles members were taken to check the reliability test (internal consistency) of items on selected dimensions before final questionnaires were distributed for final research and in order to get chances to improve biased questions based on the feedback of selected customers. Alpha coefficient ranges in value from 0 to 1. The higher the Alpha coefficient values in items scores implies that the presence of good internally reliable (internal consistency) in the generated scale, therefore, as shown below on table 3.1, the Cronbach's coefficient alpha for each factor used in this study is above the acceptable value of 0.7. All items of each dimension in the study met the set standard. Therefore, they have been used as final questionnaires to conduct the research.

Table 3. 1: Reliability Analysis

	Items on ShebaMiles customer loyalty program variables	Cronbach's Alpha	Number of items
1	Number of Airline Partners	.836	5
2	Number of Non-Airline Partners	.843	3
3	Ease of Miles Redemption	.898	5
4	Variety of Redemption Options	.870	5

5	Ease of Miles Earning	.802	5
6	Achievability of Elite status	.834	5
7	ShebaMiles members Satisfaction	.944	5
8	Overall reliability	.944	33

Source: Own survey data, (2024)

3.12. Ethical Considerations of the Study

The researcher followed ethical principles throughout the research process, including: Right to choose, right to safety, right to be informed: Right to privacy: and Confidentiality. The researcher followed all the steps of basic research ethical code of conducts in every detail to collect all necessary data from Ethiopian ShebaMiles members. The primary ethical concern of this survey is to safeguard and assure about the anonymousness or confidentiality and the privacy of the participant respondents. Clear instructions and notifications were given to the participants of the study on how to give their responses in the questionnaire and to avoid providing their names or any information that can identify their identities in the body of the items. This is to create conducive environment for them to provide their opinions, feelings and thinking freely about the issues. The aim of the study was also explained to them as it would be used for academic purpose. And almost all the references in the proposal that were cited in the body of the research proposal are kept in this research paper. In addition to this, all citations in the body of the research paper are put as reference in the ‘reference section’ of this paper to avoid plagiarism.

CHAPTER FOUR

ANALYSIS, DISCUSSION AND INTERPRETATION

4.1. Introduction

This section consists of six key components. The first section provides an overview of general characteristics of the respondents, the 2rd section, demonstrated the level of agreement of ShebaMiles members towards ShebaMiles customers loyalty program factors using descriptive statistics such as mean and standard deviation values. In the 3rd section, correlation analysis between variables are presented, in the 4th section, different multiple linear regression assumption tests were executed, in the 5th section, multiple linear regression analysis is presented to depict the influence of each independent variable namely, Number of Airline partners, Number of Non-Airline Partners, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite status on ShebaMiles member satisfaction (dependent variable). The final, and the 6th section of this chapter is, the results of qualitative data from interview with informants of EAL customer loyalty department is presented. The data gathered from questionnaires completed by ShebaMiles members was analyzed and presented using statistical tables, figures, followed by a discussion and interpretation of the findings.

A total of 384 questionnaires were distributed to Ethiopian Airlines ShebaMiles members found at Addis Ababa Bole International Airport, Ethiopian Airlines Addis Ababa sales office and Ethiopian Skylight Hotel. Of all the 384 distributed questionnaires, 370 were properly filled and completed by members and returned. Therefore, the response rate of the questionnaire was 96% which indicates that most of the targeted numbers of samples were collected which enabled the researcher to carry out the research.

4.2. Demographic Characteristics of the Respondents

Table 4. 1: Demographic Information of Respondents

	Demographic Information	Categories	Frequency	Percentage
1	Gender	Male	252	68.1%
		Female	118	31.9%
2	Age	18-30 years	39	10.5%
		31-45 years	145	39.2%
		46-60 years	138	37.3%
		Above 60 years	48	13%
3	Level of Education	High School	53	14.3%
		Diploma	39	10.5%
		Degree	108	29.2%
		Postgraduate	170	45.9%
4	Flying Frequency	Once a Year	24	6.5%
		1-2 times per year	41	11.1%
		3-5 times a year	100	27%
		More than 5 times per year	205	55.4%
5	Duration of ShebaMiles Membership	Less than one year	47	12.7%
		1-3 Years	109	29.5%
		4-6 years	94	25.4%
		More than 6 years	120	32.4%
6	ShebaMiles Membership (Tier) Status	Blue	54	14.6%
		Silver	126	34.1%
		Gold	136	36.8%
		Platinum	54	14.6%

Source: Own Survey Data (2024)

The demographic characteristics of the respondents, ShebaMiles members of EAL, included gender, age, level of education, flying frequency, duration of ShebaMiles membership, and ShebaMiles membership status (tier status). This aspect of the data analysis deals with the personal data of the ShebaMiles members who filled the questionnaires. Table 4.1 above shows the details of characteristics of members presented in numbers (frequencies) and in their respective percentages.

Gender of the Customers

As it is displayed in Table 4.1, out of 370 respondents, 252(68%) were males and 118(32%) were females. This survey indicates that the number of male participants in responding the presented questionnaire is greater than the number of females.

Age of ShebaMiles Members in years

As shown in Table 4.1 the age characteristics of the respondents, ShebaMiles members, the majority of the samples age are in the range of 31-45 years and accounts for 145(39.2%). On the other hand, the age between 18-30 years accounts for 39(10.5%), 46-60 years accounts for 138(37.3%), above 60 years accounts for 48(13%), of ShebaMiles members who took part in the study. From these data we can see that the majority ShebaMiles members fall in to mid-age group who can be assumed to have the ability to distinguish and evaluate ShebaMiles program features and delivery.

Educational Level of ShebaMiles Members

Regarding educational level; high School and diploma certificates holders comprised 53(14.3%) and 39(10.5%) of the members respectively. The respondents who had degree were 108(29.2%), while the number respondents who had postgraduate degree were 170(45.9%) out of the total respondents. This implies that most of the participant ShebaMiles members were Postgraduates and Degree holders.

Flying Frequency of ShebaMiles Members

Regarding flying frequency of members, 24(6.5%) of the respondents answered that they fly once a year, 41(11.1%) of them fly 1-2 times per year; whereas 100(27%) of the respondents

fly 3-5 times per year. The remaining majority 205(55.4%) of the respondents responded that they fly more than 5 times per year. From this data it is possible to understand that majority of the respondents or ShebaMiles members taken as a sample are frequent flyers flying more than 3 times per year which makes them to be good candidates to observe and give opinion about the ShebaMiles program features, service delivery and level of satisfaction with the loyalty program.

Duration of ShebaMiles Membership

For the question about ShebaMiles membership duration, which intended to identify to what extent members have experienced ShebaMiles program overall and its benefits; accordingly, the data shows that majority of the sample 120(32.4%) have been ShebaMiles members for more than 6 years. As depicted here in Table 4.1, only 47(12.7%) of the respondents have been a member less than a year, 109(29.5%) of the respondents have been ShebaMiles members for 1-3 years, 94 (25.4%) have been ShebaMiles members for about 4-6 years. So, it can be concluded that majority of the samples are more experienced with Ethiopian Airlines ShebaMiles program.

ShebaMiles Membership (Tier) Status

The current ShebaMiles membership status of the respondents; indicated on Table 4.1 shows that 54(14.6%) were on Blue status; 126(34.1%) were Silver members, 136 (36.8%) were Gold members, accounting the majority number and lastly 54(14.6%) were Platinum members. It can be concluded from the data that most of the respondents were ShebaMiles member with Silver and Gold membership status which is a good indicator that they have great exposure to ShebaMiles program features and therefore, made them reliable candidates to give their opinion based on their personal experience with the ShebaMiles program.

4.3. Descriptive Statistics Analysis of Independent and Dependent Variables

Descriptive statistics analysis of ShebaMiles customers' loyalty program six factors and ShebaMiles members' satisfaction levels obtained values in terms of Minimum, Maximum, Mean, and Standard Deviation, and ranks of the seven factors.

Table 4. 2: Descriptive Statistics for ShebaMiles Loyalty Program Constructs

Descriptive Statistics

Factors (Items)	N	Min.	Max.	Mean	Std. Dev.	Rank
Number of Airlines Partners	370	1.00	5.00	3.9227	.81515	2
Number of Non-Airlines Partners	370	1.00	5.00	3.1423	.96499	7
Ease of Mile Redemption	370	1.00	5.00	3.5514	.97714	6
Variety of Redemption Options	370	1.60	5.00	3.7870	.76597	3
Ease of Mile Earning	370	1.40	5.00	3.7432	.81962	4
Achievability of Elite Status	370	1.60	5.00	3.7103	.77840	5
ShebaMiles members Satisfaction	370	1.00	5.00	3.9422	.88578	1
Valid N (listwise)	370					

Source: Own survey data, (2024)

The data was analyzed based on filled, completed and returned questionnaires from n= 370 ShebaMiles members in EAL. The descriptive statistics in Table 4.2 shows the mean scores or values of ShebaMiles customers' loyalty program based on the current customers' opinion. Descriptive statistics mean value for Number of Airlines Partners was 3.9227 (SD = .81515), for Number of Non-Airlines Partners was 3.1423 (SD = .96499), for Ease of Mile Redemption was 3.5514 (SD = .97714), for Variety of Redemption Options was 3.7870 (SD =.76597), for Ease of Mile Earning was 3.7432 (SD = .81962), for Achievability of Elite Status was 3.7103 (SD = .77840), and for ShebaMiles members Satisfaction was 3.9422 (SD = .88578.).

The descriptive statistics results showed that each mean value of ShebaMiles customer loyalty program factors was greater than the average mean value of 3. The results depicted that members have positive feeling or opinion toward ShebaMiles customers' loyalty program in EAL. All the ShebaMiles customer loyalty program factors had the highest mean values in this

study, indicating that ShebaMiles members were highly satisfied by the service that they have received from the loyalty program in EAL. The descriptive statistics mean values show that ShebaMiles customer's loyalty program satisfaction factors were not rated equally by the ShebaMiles customers. Among these factors, "ShebaMiles members' satisfaction" factor has received the highest mean score of 3.9422, suggesting a generally positive perception among members. The analysis revealed that members expressed relatively close opinions regarding these factors.

The standard deviation quantifies the extent to which the mean properly represents dataset information. A small standard deviation represents data points which exist near the mean relative to their value. Data points show distancing from their mean when standard deviation measures comparatively large with respect to the mean because the mean then becomes an inadequate statistical representation. High standard deviation along with low standard deviation correlates with ShebaMiles member opinions which fall into two categories. The scatter of wide-ranging survey results shows member opinion diversity, yet the concentration of narrow results shows member agreement. Therefore, from Table 4.2 above, we can conclude that ShebaMiles members seem to express a close opinion and the mean is a good fit of the data.

The descriptive statistics analysis result indicates that Sheba Miles program, is generally well received by its members, indicating effective management in meeting customer expectations. However, there are areas for improvement, such as expanding non-airline partnerships and enhancing the ease of mile redemption, which could further boost member satisfaction. The diversity in member opinions, as reflected by the standard deviations, particularly concerning non-airline partners and redemption ease, underscores the importance of ongoing feedback and adaptation. By addressing these aspects, Ethiopian Airlines can cater to a broader range of preferences, ensuring that the loyalty program remains appealing and beneficial to its diverse membership base

4.4. Correlation Analysis

Correlation analysis between each six ShebaMiles program factor and ShebaMiles members' satisfaction as well as among each six independent variables were conducted to identify

relationships between the variables and to conduct multicollinearty test in the study based on the values of correlation coefficients and p-values to run multiple linear regression assumption tests and analysis.

The objective of this study was to determine if Number of Airlines Partners; Number of Non-Airlines Partners; Ease of Mile Redemption; Variety of Redemption Options; Ease of Mile Earning; Achievability of Elite Status are related to ShebaMiles members satisfaction in EAL. It was hypothesized that Number of Airlines Partners; Number of Non-Airlines Partners; Ease of Mile Redemption; Variety of Redemption Options; Ease of Mile Earning; Achievability of Elite Status each does not have a significant relationship with ShebaMiles members satisfaction in EAL. The data was analyzed using the Pearson correlation (r).

The Pearson‘s correlation coefficient evaluates how well two internally scaled variables connect through a linear relationship. What may develop between variables is positive or negative correlation along with zero correlation. Interpret a correlation coefficient. Correlation coefficients exist between -1 and +1. If value of correlation coefficient(r) = 0 (zero), no correlation or no linear relationship; If value of correlation coefficient (r) is ± 0.01 to ± 0.30, it is a small (weak) correlation; If value of correlation coefficient (r) is between ± 0.31 to ± 0.69, it is a medium (moderate) correlation; If value of correlation coefficient (r) is ≥ ± 0.70, it is a large (strong) correlation; If value of correlation coefficient (r) is exactly ± 1, it is a perfect correlation (linear relationship).

The Pearson’s correlation coefficient shows how well two variables are connected or their relationship, yet it does not help with prediction or response value estimation. The estimated response variable remains out of reach since this method does not perform predictions or estimates for a specific independent variable value. The response variable is called the dependent variable. This study analyzed the correlation between each ShebaMiles Loyalty program dimensions namely, Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning, Achievability of Elite Status and ShebaMiles members’ satisfaction, and among each six independent variables in the form of correlation matrix.

Null Hypothesis (Ho):

Ho_1: Number of Airlines Partners does not have a relationship with ShebaMiles members' satisfaction in EAL.

Ho_2: Number of Non-Airlines Partners does not have a relationship with ShebaMiles members' satisfaction in EAL.

Ho_3: Ease of Mile Redemption does not have a relationship with ShebaMiles members' satisfaction in EAL.

Ho_4: Variety of Redemption Options does not have a relationship with ShebaMiles members' satisfaction in EAL.

Ho_5: Ease of Mile Earning does not have a relationship with ShebaMiles members' satisfaction in EAL.

Ho_6: Achievability of Elite status does not have a relationship with ShebaMiles members' satisfaction in EAL.

Table 4. 3: Correlation Matrix

Correlations

		NOALP	NONALP	EOMR	VORO	EOME	AOES	SMMS
NOALP	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	370						
NONALP	Pearson Correlation	.358**	1					.
	Sig. (2-tailed)	.000						
	N	370	370					
EOMR	Pearson Correlation	.395**	.275**	1				
	Sig. (2-tailed)	.000	.000					
	N	370	370	370				
VORO	Pearson Correlation	.464**	.233**	.680**	1**			
	Sig. (2-tailed)	.000	.000	.000				
	N	370	370	370	370			
EOME	Pearson Correlation	.362**	.267**	.713**	.663**	1**		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	370	370	370	370	370		
AOES	Pearson Correlation	.238**	.331**	.448**	.434**	.428**	1**	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
	N	370	370	370	370	370	370	
SMMS	Pearson Correlation	.543**	.285**	.616**	.653**	.713**	.550**	1**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	370	370	370	370	370	370	370

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

Source: Own Survey Data, (2024)

NOALP= Number of Airlines Partners; NONAP= Number of Non-Airlines Partners; EOMR=Ease of Mile Redemption; VORO=Variety of Redemption Options; EOME= Ease of Mile Earning; AOES=Achievability of Elite Status; SMMS= ShebaMiles Members Satisfaction

The correlation matrix results depicted in Table 4.3 each variable namely, Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning, and Achievability of Elite Status has a significant and positive relationships or associations with ShebaMiles members' satisfaction in EAL.

The results of the Pearson's correlation coefficient test in Table 4.3 above shows that there is statistically significant and moderate positive linear relationship between Number of Airlines Partners and ShebaMiles Members Satisfaction ($r(368) = .543$, $p < .001$); there is also a significant and weak positive linear relationship between Number of Non-Airlines Partners and ShebaMiles Members Satisfaction ($r(368) = .285$, $p < .001$); In addition to this, there is a significant and moderate positive linear relationship between Ease of Mile Redemption and ShebaMiles Members Satisfaction ($r(368) = 616$, $p < .001$); further, there is a significant and moderate positive linear relationship between Variety of Redemption Options and ShebaMiles Members Satisfaction ($r(368) = .653$, $p < .001$); there is a significant and strong positive linear relationship between Ease of Mile Earning and ShebaMiles Members Satisfaction ($r(368) = .713$, $p < .001$); and lastly, there is a significant and moderate positive linear relationship between Achievability of Elite Status and ShebaMiles Members Satisfaction ($r(368) = .550$, $p < .001$) in EAL.

In each independent variable i.e. Number of Airlines Partners; Number of Non-Airlines Partners; Ease of Mile Redemption; Variety of Redemption Options; Ease of Mile Earning; Achievability of Elite Status has displayed significant and positive correlations between one independent variable with another independent variable, and has no strong multicollinearity problem which ranges $r \geq 0.70$ except between "Ease of Mile Redemption and Ease of Mile Earning" independent variables $r(368) = .713$, $p < .01$.

However, Ease of Mile Redemption and Ease of Mile Earning independent variables (IVs) jointly have displayed significant and highly strong positive correlations or relationships between them i.e. r (368) = .713, p < .01) as shown in Table 4.10. This implies that there is a multicollinearity problem between these two independent variables that violates the assumption test of no multicollinearity between two independent variables to run multiple linear regression analysis. So that, to solve multicollinearity problem, "Ease of Mile Redemption", independent variable excluded from regression analysis in the next process since it has less significant and moderate positive correlations or relationships with ShebaMiles members' satisfaction i.e. r (368) = .616, p < .01). Whereas "Ease of Mile Earning", independent variable was included in next regression analysis process because it has extra significant and strong positive correlations with ShebaMiles members' satisfaction i.e. r (368) = .713. p < .01).

The correlation results help EAL to understand how to address demands of ShebaMiles members regarding to ShebaMiles program. The findings in correlation analysis highlight the critical focus areas for Ethiopian Airlines to enhance members satisfaction in ShebaMiles program. Since each ShebaMiles customers loyalty program variable has a significant and direct positive linear relationships with ShebaMiles Members Satisfaction, improving or addressing demands of members for Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning, and Achievability of Elite Status fosters overall ShebaMiles customers satisfaction, members loyalty, increases retentions of members, and reduces customers switching rates, benefiting Ethiopian airlines operational efficiency, and customer relations, minimize costs, maximize revenues and profits, ultimately increases the competitiveness of the airlines in the industry and vice versa.

4.5. Multiple Linear Regression Assumptions Tests

Before starting the research, the researcher performed diagnostic assessment tests to confirm that study results were not being affected by arbitrary factors. Multiple tests demonstrate that the analyzed model has excellent robustness and rigor.

4.5.1. Continuous Variables and Data

One of the assumptions tests of multi linear regression analysis states that all independent variables and particularly the dependent variable must be continuous variables, and scale data or continuous data to run multiple linear regression analysis. To do this, all the independent Variables in the study i.e. Number of Airlines Partners; Number of Non-Airlines Partners; Ease of Mile Redemption; Variety of Redemption Options; Ease of Mile Earning and Achievability of Elite Status, and the dependent variable which is ShebaMiles members satisfaction have been transformed from ordinal variables and data to continuous variables and scale data by computing their respective mean composite values for each group of the seven ShebaMiles program constructs or dimensions or factors that were raised in the form of questionnaire to conduct Pearson's correlation coefficient (r) and multiple linear regression coefficient analysis's that have been shown descriptive and correlation analysis in the above Table 4.2 and Table 4.3 respectively and regression analysis in Table 4.10 below. To do this the researcher used SPSS software version 20.

4.5.2. Linearity Test

The analysis aimed to determine the linearity of the relationship between the dependent variable which is ShebaMiles Customers satisfaction, and the independent variables namely, Number of Airlines Partners; Number of Non-Airlines Partners; Variety of Redemption Options; Ease of Mile Earning and Achievability of Elite Status by applying a scatter plot diagram with a line of fit. The results of the analysis confirmed that the condition of linearity was satisfied. The normal probability plot is a graphical technique for assessing whether or not a data set is approximately normally distributed. The observed data here are plotted close to or near to the expected line. So, this implied that the data are approximately normally distributed by forming an approximate straight line that indicates the relationships between ShebaMiles Customers satisfaction (DV) and the six independent variables mentioned above are linear. If the variables have a multivariate normal distribution the plot will form a line (Stevens, 2001 and Johnson & Wichern's 3rd edition, 1992).

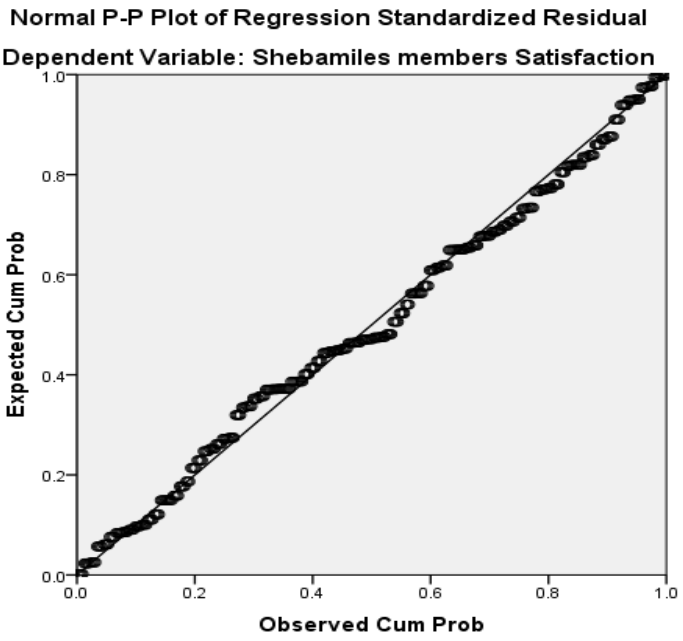


Figure 4. 1: Linearity Test

Source: Own Survey Data, (2024)

4.5.3. Normality Test Using Histogram

The distribution of scores on dependent variable must display normal distribution which produces symmetrical bell curves with maximum frequency at the mean and decreasing frequencies for scores moving toward both ends. SPSS version 20 allowed researchers to check for normal data distribution using kurtosis and skewness tests. Observations of the histogram shape also supported these findings. Skewness indicates how dispersed cases become near one end of an asymmetrical form and kurtosis shows how the distribution structure peaked is. For this research the histogram, and the skewness and kurtosis were checked. As per the rules of thumb attributable to Kline (2011), that an acceptable normality distribution of data, for skewness (the values for asymmetry) cut-off or thresholds should be within a value range of ±3, while kurtosis (peakedness) should be within a value range of ±10 to execute multiple linear regression analysis. For this research the histogram diagram in figure 4.2 below, depicted that the skewness and kurtosis statistical values are within the limited ranges (Kline, 2011). The results indicated that IVs and DV data used in the study were approximately normally distributed to run multiple linear regression analysis.

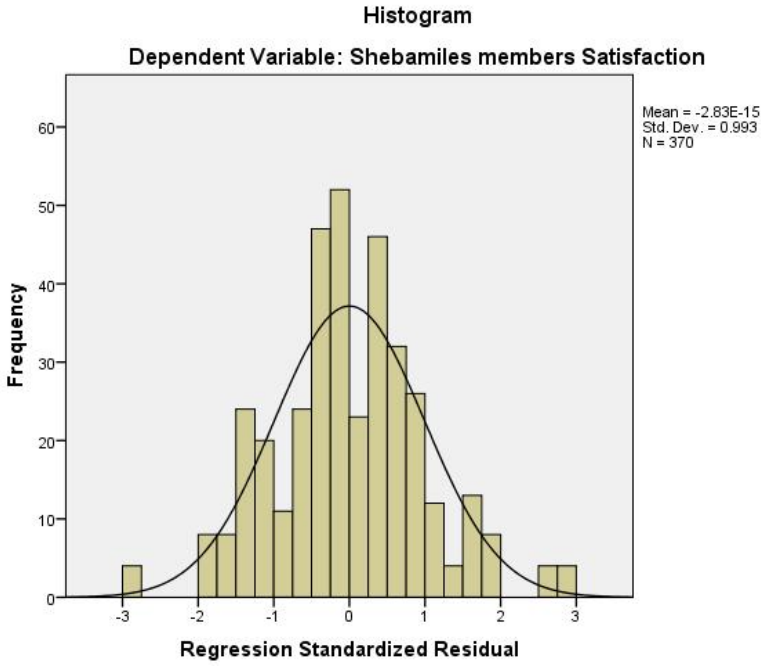


Figure 4. 2: Normality Test

Source: Own Survey Data, (2024)

4.5.4. Normality Test of IVs and DV using Skewness and Kurtosis

When conducting a normality test on a large sample, it is important to consider that the absolute values of skewness should be between -3 and 3, while the absolute value of kurtosis should fall within the ranges of -10 to 10 (Kline, 2011).

Table 4. 4: Normality Test of IV and DV using Skewness & Kurtosis

Descriptive Statistics

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Number of Airlines Partners	-.877	.127	.873	.253
Number of Non-Airlines Partners	-.275	.127	-.359	.253
Variety of Redemption Options	-.657	.127	.302	.253

Ease of Mile Earning	-.783	.127	.456	.253
Achievability of Elite Status	-.519	.127	-.077	.253
ShebaMiles members Satisfaction	-1.427	.127	2.219	.253
Valid N (listwise)				

Source: Own Survey Data, (2024)

Table 4. 5: Normality Test of Residuals using Skewness & Kurtosis

Descriptive Statistics

			Statistic	Std. Error
Studentized Residual	Mean		.0000921	.05218611
	95% Confidence Interval for Mean	Lower Bound	-.1025274	
		Upper Bound	.1027116	
	5% Trimmed Mean		-.0114127	
	Median		-.0723472	
	Variance		1.008	
	Std. Deviation		1.00381992	
	Minimum		-2.91360	
	Maximum		2.87394	
	Range		5.78755	

	Interquartile Range	1.17782	
	Skewness	.108	.127
	Kurtosis	.539	.253

Source: Own Survey Data, (2024)

Upon analysis of the results, it was observed from Table 4.4 and Table 4.5 above that all the independent variables and dependent, and residuals respectively have satisfied these criteria for both absolute positive skewness and kurtosis, indicating that they are normally distributed and skewed.

4.5.5. Multicollinearity Tests

Table 4. 6: Multicollinearity statistics Test using Tolerance and VIF

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Number of Airlines Partners	.717	1.395
	Number of Non-Airlines Partners	.801	1.248
	Variety of Redemption Options	.480	2.081
	Ease of Mile Earning	.529	1.889
	Achievability of Elite Status	.731	1.367

a. Dependent Variable: ShebaMiles members Satisfaction

Source: Own Survey Data, (2024)

Multicollinearity is a common issue in multiple linear regression analysis and can lead to biased and unreliable estimates of the regression coefficients. If each IV's correlation coefficient (r) is less than 0.7, multicollinearity is not an issue. A collinearity diagnostic test that uses tolerance and the Variance Inflation Factor (VIF) is another efficient way to detect multicollinearity. As it can be seen in Table 4.6 above, there is no multicollinearity issue between the independent variables because all tolerance values are more than 10% (0.10) and VIF column values are less than 10, respectively.

4.5.6. Homoscedasticity Test

Every disturbance (residual or error terms), regardless of size, has an unknown variance that stays constant, according to the assumption of homoscedasticity. Heteroscedasticity occurs when this presumption is not fulfilled. There is no heteroscedasticity problem between the dependent variable i.e. ShebaMiles members Satisfaction, and the independent variables namely, Number of Airlines Partners, Number of Non-Airlines Partners; Variety of Redemption Options Ease of Mile Earning and Achievability of Elite Status. Since the dependent variable which is ShebaMiles members Satisfaction has the same variance for all the values of the independent variables mentioned here. Therefore, there is no heteroscedasticity problem in the data. As depicted by Figure 4.3, the data are evenly defused or distributed implying that there is no heteroscedasticity issue with the data.

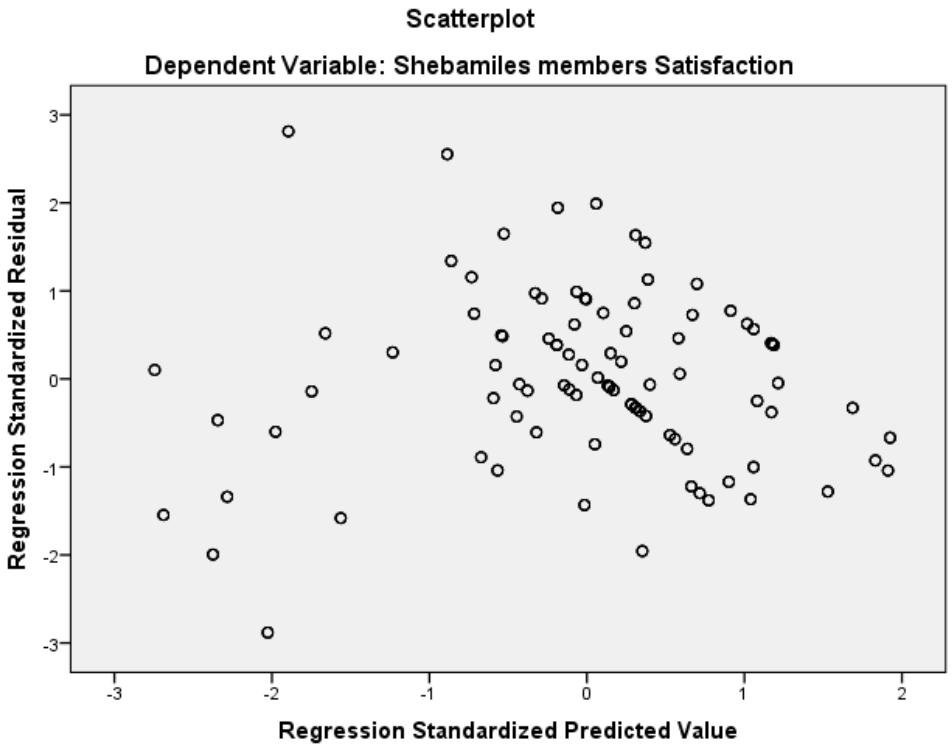


Figure 4.3: Homoscedasticity

Source: Own Survey Data, (2024)

4.5.7. Autocorrelation Test using Durbin-Watson statistics

Autocorrelation is the assumption that a disturbance or residual occurring in one period will not carry over into another period when observations are made over time. To test for autocorrelation, the Durbin-Watson statistic is commonly used. There should not have relationship between residuals and independent variables. In this study, the researcher used the Durbin-Watson statistic to assess autocorrelation between residuals and IVs within the data. The resulting value of 1.848, as indicated in the Model Summary Table 4.8, it has fallen within the acceptable range (1.5 to 2.5). This implies that there is no Autocorrelation problem between residuals and independent variables.

4.6. Multiple Linear Regression Analysis

The aim of this study was to determine whether or not the five independent variables namely, Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning,

Variety of Redemption Options, and Achievability of Elite Status do significantly influence ShebaMiles members satisfaction which is a dependent variable in this study. It was hypothesized that Number of Airlines Partners, Number of Non-Airlines Partners, Variety of Redemption Options, Ease of Mile Earning, and Achievability of Elite do not significantly influence ShebaMiles members' satisfaction. Multiple regression analysis was used to test each related hypothesis.

Hypotheses

Null Hypothesis (Ho):

Ho_1: Number of Airlines Partners does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_2: Number of Non-Airlines Partners does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_3: Variety of Redemption Options does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_4: Ease of Mile Earning does not significantly influence ShebaMiles members' satisfaction in EAL.

Ho_5: Achievability of Elite does not significantly influence ShebaMiles members' satisfaction in EAL.

Once the assumptions tests of multiple linear regression analysis were thoroughly checked, the next step was to conduct the regression analysis using the model specified.

That is $Yi = ß0 + ß1X1i + ß2X2i + \ldots + ßnXni + Ei$

Where: Yi is the dependent variable for i^{th} observation;

Xis, X2 …Xni are the independent variables for i^{th} observation;

B0 is the intercept (constant); ß1, ß2…. ßn are regression coefficients (slopes); and ei is the error term for i^{th} observation. Multiple linear regression was conducted with the model indicated below. Based on the conceptual framework, the regression equation is as follows;

SMMS = ß0 + ß1NOALP+ ß2NONALP+ ß3VORO+ ß4EOME +ß4AOES

Where: Dependent variable: SMMS= ShebaMiles Members Satisfaction

Independent Variables of ShebaMiles Program in Ethiopian Airlines are as follows:

NOALP= Number of Airlines Partners; NONAP= Number of Non-Airlines Partners; VORO=Variety of Redemption Options; EOME= Ease of Mile Earning; AOES=Achievability of Elite Status

Table 4. 7: Variables Entered/Removed

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Number of Airlines Partners Number of Non-Airlines Partners Ease of Mile Earning Variety of Redemption Options Achievability of Elite Status		Enter

a. Dependent Variable: ShebaMiles members Satisfaction

b. All requested variables entered.

Source: Own Survey Data, (2024)

Table 4. 8: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.820[a]	.673	.668	.51015	1.848

a. Predictors: (Constant), Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, Achievability of Elite Status

b. Dependent Variable: ShebaMiles members Satisfaction

Source: Own Survey Data, (2024)

In the Model Summary Table 4.8, R .820 is the overall correlation coefficient between ShebaMiles members' satisfaction (dependent variable) and the five predictors or factors (Independent variables) namely, Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, and Achievability of Elite Status those were entered in this study Model. In addition to this Adjusted R Square value .668 results depicted that 66.8% of the variance in ShebaMiles members' satisfaction (dependent variable) has been significantly explained by the five independent variables of ShebaMiles program. R^2 is the coefficient of determinant that means the overall proportional percentage of the five predictors (IVs) entered in this study model that they together had explained or predicted ShebaMiles members' satisfaction (DV) in EAL.

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Table 4. 9: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	194.791	5	38.958	149.694	.000[b]
	Residual	94.732	364	.260		
	Total	289.522	369			

a. Dependent Variable: ShebaMiles members Satisfaction

b. Predictors: (Constant), Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, Achievability of Elite Status

Source: Own Survey Data, (2024)

The ANOVA Table 4.9 was prepared to test the overall statistical significance of the five factors in explaining ShebaMiles members' satisfaction in EAL. As a whole regression model was statistically significant and fit the model (the research equation). The most important part of this table is the F-ratio, and the associated significance value of the F-ratio. Hence, for these data, the F-ratio of the overall dimension is 149.694 (regression mean square 38.958 is divided by residual mean square .260) which is significant at p-value less than 0.001, this is because the value in the column labeled sig. is less than 0.001 in this case. Generally, for 95% Confidence Interval (CI), significance level (alpha value) should be ≤ 0.05. Therefore, this criterion has been fulfilled. The overall combination of the five variables significantly predicted ShebaMiles members' satisfaction by 66.7% (Adjusted R square). Hence, it was statistically possible to execute the multiple linear regression analysis.

Table 4. 10: Regression Coefficient

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.529	.173		-3.056	.002	-.870	-.189		
	Number of Airlines Partners	.303	.038	.279	7.877	.000	.227	.379	.717	1.395
	Number of Non-Airlines Partners	-.041	.031	-.045	-1.344	.180	-.102	.019	.801	1.248
	Variety of Redemption Options	.170	.050	.147	3.396	.001	.072	.268	.480	2.081
	Ease of Mile Earning	.450	.045	.417	10.114	.000	.363	.538	.529	1.889
	Achievability of Elite Status	.292	.040	.257	7.316	.000	.213	.370	.731	1.367

a. Dependent Variable: ShebaMiles members Satisfaction

Source: Own survey data, (2024)

This study was conducted to determine if the five various independent variables could influence ShebaMiles members' Satisfaction which is a dependent variable in ShebaMiles program in Ethiopian airlines. It was hypothesized that Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, and Achievability of Elite Status do not significantly influence ShebaMiles members' satisfaction in Ethiopian airlines. Multiple regression analysis was used to test these hypotheses.

Results from regression coefficient displayed that the R^2 value of .668 revealed that 66.8% of the variance or change in ShebaMiles members' satisfaction which is the dependent variable is predicted or explained by the five independent variables (predictors), collectively, F (5, 364) =149.694, p< .001. However, 33.2% of the variance in ShebaMiles members' satisfaction is explained by other factors not covered in this study. The regression coefficient., Table 4.10 depicted that the unique individual contribution of each predictor or factor, has shown that Number of Airlines Partners which has Standardized Coefficients beta value (β = .279 , t= 7.877, p < .001), Variety of Redemption Options (β = .147, t = 3.396, p < .01), Ease of Mile Earning (β= .417, t= 10.114, p < .001), and Achievability of Elite Status (β= .257, t= 7.316, p < .001) significantly and positively influenced ShebaMiles members' satisfaction respectively. Whereas, the regression coefficient table results also revealed that Number of Non-Airlines Partners factor (β= -.045 t= -1.344, p = .180), did not significantly influence ShebaMiles members' satisfaction in EAL.

In regression analysis, Standardized Coefficients beta value (β) measures changes or increases using standard deviation as unit. One unit change or increase in Number of Airlines Partners brings .279 or 27.9 % variation in ShebaMiles members' satisfaction in positive direction. If there is also one unit change in Variety of Redemption Options, ShebaMiles members' satisfaction will be also changed by .147 (14.7%) positively. Furthermore, one unit of incremental in Ease of Mile earning, increases ShebaMiles members' satisfaction by .417 or 41.1% positively. Finally, as one unit increases in Achievability of Elite Status factor; ShebaMiles members' satisfaction increases by .257 or 25.7% as well. Whereas, Numbers of Non-Airlines Partners had no change in ShebaMiles members' satisfaction, since Numbers of Non-Airlines Partners has insignificant impact on dependent variable.

Regression coefficient Table 4.10 shows that Number of Airlines Partners, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite Status significantly and positively influenced ShebaMiles members' satisfaction which is the dependent variable in this study whereas Number of Non-Airlines Partners did not significantly influence ShebaMiles members' satisfaction. In another word, Number of Non-Airlines Partners is insignificant to affect ShebaMiles customers' satisfaction in EAL.

Number of Airlines Partners, Variety of Redemption Options, Ease of Mile Earning, and Achievability of Elite Status each of them has a significant and positive influence on ShebaMiles members' satisfaction with Unstandardized Coefficients beta value of (B = .303, p< .001), B = .170, p< .01), (B = .450, p< .001), (B = .292, p< .001) respectively. Whereas Number of Non-Airlines Partners has no significant influence on ShebaMiles members' satisfaction with Unstandardized Coefficients beta value of (B = -.041, p = .180). These unstandardized coefficients or slopes values are used in the multiple linear regression equation of the model for future prediction of ShebaMiles members' satisfaction for one unit of changes or increases in each predictor in this study.

SMMS = ß0 + ß1NOALP+ ß2NONALP+ ß3VORO+ ß4EOME +ß4AOES

SMMS= -.529 + (.303) NOALP + (.170) VORO+ (.450) EOME + (.292) AOES

Number of Airlines Partners, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite Status, each of them has a significant and positive influence on ShebaMiles members' satisfaction. Individually, each of them has p-values of .001 which are lesser than the significance level or alpha value (0.05) that implies how they are important factors in explaining or predicting the dependent variable i.e. ShebaMiles customers' satisfaction. So that, we reject each null hypothesis of Number of Airlines Partners (Ho_1), Variety of Redemption Options (Ho_3), Ease of Mile Earning (Ho_4) and Achievability of Elite Status (Ho_5) in favor of their respective alternative Hypotheses (Ha_1, Ha_3, Ha_4, Ha_5). As per the regression coefficient Table 4.10, these four ShebaMiles customers' loyalty program factors influence ShebaMiles members' satisfaction. Whereas, we do not reject the null Hypothesis of the Number of Non-Airlines Partners (Ho_2), because it does not have any significant influence on ShebaMiles members' satisfaction, as well as it has low

Unstandardized beta coefficient value (B) = -.014, or standardized beta coefficient value (β) = -.045, and a p-value of .180 which is greater than the significant level or alpha value (0.05). So that ShebaMiles members' satisfaction is not significantly predicted or influenced by Number of Non-Airlines Partners in EAL in this study.

The unique individual contributors and contributions ranks of the factors in predicting ShebaMiles members' satisfaction as per the regression coefficient Table 4.10 results, using Standardized coefficient beta values (β), t-statistics values and significant p-values in order of their importance are as follows: Ease of Mile Earning with Standardized Coefficients beta value of ($\beta = .417$, $t= 10.114$, $p < .001$), is the uppermost, a significant and positive predictor of ShebaMiles members' satisfaction in EAL. Number of Airlines Partners has beta value of ($\beta = .279$, $t= 7.877$, $p < .001$), is the second significant and positive predictor of the satisfaction of the members of ShebaMiles in EAL. The other factor is Achievability of Elite Status with standardized coefficient beta value of ($\beta = .257$, $t= 7.316$, $p < .001$) is a third place significant and positive predictor of the satisfaction of the members of ShebaMiles in EAL. Lastly, Variety of Redemption Options with standardized coefficient beta value of ($\beta = .147$, $t = 3.396$, $p < .01$) is a fourth place significant and positive predictor of ShebaMiles members' satisfaction in EAL.

In another word, as per regression coefficient Table 4.10 using Standardized Coefficients beta value (β), Ease of Mile Earning, Number of Airlines Partners, Achievability of Elite Status and Variety of Redemption Options significantly and positively explained ShebaMiles members' satisfaction by 41.7%, 27.9 %, 25.7% and 14.7% respectively from the upmost highest to the least level for every one-unit change in each factor.

According to findings of this study Number of Airlines Partners, Variety of Redemption Options, Ease of Mile Earning, and Achievability of Elite Status significantly and positively influenced ShebaMiles members' satisfaction in EAL. Number of Non-Airlines Partners was found to be statistically insignificant in influencing ShebaMiles customers' or members' satisfaction in EAL.

This implies that these four factors are the determinant variables that have crucial importance in increasing the satisfaction of the members in ShebaMiles program in EAL. Ethiopian Airlines should focus on enhancing these key areas to boost member satisfaction. For instance,

simplifying the process of earning miles and expanding airline partnerships could significantly improve member experiences. Additionally, ensuring that elite status is achievable and providing diverse redemption options will further enhance satisfaction levels. By prioritizing these factors, Ethiopian Airlines can strengthen its loyalty program, ShebaMiles and foster greater members satisfaction and loyalty.

4.7. Qualitative Analysis of Interview with ShebaMiles Department Informants

The Customer Loyalty Department plays a crucial role in the design and management of Ethiopian Airlines' ShebaMiles loyalty program, and their insights are essential for understanding the program's features and effectiveness. Interview was conducted to gather detailed primary and qualitative data regarding to the various aspects of the ShebaMiles program, such as the number of airline partners, the number of non-airline partners, ease of mile redemption, variety of redemption options, ease of mile earning, and achievability of elite status, and their influence on customers/members satisfaction to evaluate the informants' current perceptions, opinions, feelings and thinking about the raised issues from the point views of EAL Customer Loyalty department. The purpose of the interview was to triangulate quantitative data findings from ShebaMiles members using questionnaire with qualitative data findings from interview with Ethiopian Airlines Customer Loyalty Department.

Qualitative and primary data were collected through unstructured interviews from four informants of ShebaMiles Customer Loyalty Department in EAL, Addis Ababa after the researcher explained the purpose of the interview and got their consents to conduct the interview sessions. The gathered data by interview were analyzed using qualitative content analysis from interviewees. All the verbal responses of the interviews from the four interviewees that were based on ShebaMiles customers' loyalty program and on overall members' satisfaction in EAL were recorded using mobile recorder and some notes were taken by the researcher herself. Next to that, the recorded responses and the short notes for each interview was translated, subscribed, narrated and paraphrased by the researcher. Provided below is a summary of background of interviewees and the results of their responses.

The interview was conducted with four informant employees of ShebaMiles Customer Loyalty department of Ethiopian Airlines. Two were male and the other two were female. Three of the

interviewees have been working in the department for more than 10 years while one worked for 5 years. One of the employees is a team leader while the rest are Senior Marketing officers (Experts) implying that the interview was conducted with well experienced employees who can provide valuable insights about the matters.

According to the informants, the ShebaMiles loyalty program currently boasts over 26 airline partners, including members of the Star Alliance and strategic partners like ASKY and Malawian Airlines. The department emphasizes that this extensive partnership network significantly enhances member satisfaction by providing diverse options for earning and redeeming miles, which facilitates seamless service and benefits for members. The variety of partnerships not only increases the attractiveness of the ShebaMiles customers' loyalty program but also ensures that members can earn rewards regardless of whether they are flying with Ethiopian Airlines or its partners.

In addition to airline partnerships, the program features has more than 68 non-airline partners, including banks, hotels, and car rental services. The department believes these partnerships greatly enhance the members' satisfaction by allowing them to earn miles through everyday activities. This capability to accumulate miles without flying makes the ShebaMiles program more appealing and encourages greater engagement from members.

The mile redemption process has been designed to be user-friendly, available through the Ethiopian Airlines website and mobile app. While the department has received feedback indicating that the process is generally smooth, challenges such as limited seat availability for award tickets can hinder redemption opportunities. Nonetheless, ease of redemption is viewed as crucial for maintaining member satisfaction, as it directly impacts their willingness to engage with the program.

ShebaMiles offers a diverse range of redemption options, including flights, upgrades, extra baggage allowances, and merchandise. The department asserts that this variety meets member expectations and encourages frequent use of miles. Additionally, initiatives have been implemented to simplify the mile earning process, with clear communication regarding criteria for earning miles being a priority.

The requirements for achieving of elite status within the ShebaMiles program are considered attainable by many members. The department actively promotes the benefits of elite status to encourage participation and has received positive feedback regarding the clarity of these criteria.

According to the interview response from interviewees of EAL Customer loyalty department, the features of the ShebaMiles program that most significantly contribute to overall member satisfaction, ranked from most influential to least, include the ease of mile earning, which allows members to accumulate miles effortlessly; ease of mile redemption, ensuring a smooth process for utilizing earned miles; and the achievability of elite status, which motivates members to engage more with the program. Following these are the number of non-airline partners, which provides additional avenues for earning miles outside of flights, and finally, the number of non-airline partners, which enhances travel options but is considered less impactful in comparison to other factors. Members appreciate the flexibility to earn and redeem miles through various channels, including non-airline services, which enrich their satisfaction. However, there is recognition that improvements can be made in communication and awareness regarding earning criteria and redemption processes.

4.8. Discussion of Major Findings

Descriptive Statistics Major Findings Discussion

The descriptive statistics finding of this study indicated that members generally have a positive opinion and feeling towards each ShebaMiles program factors; however, had varied factor ratings.

The relatively high satisfaction score for the number of airline partners (Mean=3.92, SD= 0.815) indicates that ShebaMiles members value the variety and flexibility provided by the airline partnerships. To further enhance satisfaction, Ethiopian Airlines should consider expanding the number of partner airlines, especially those that serve key international markets. This can increase the program's appeal to global travelers and improve its competitiveness in the frequent flyer market. However, it is essential to ensure that any new partnerships provide meaningful benefits to members, rather than just increasing the quantity of partners, as excessive partnerships might dilute the program’s perceived value (Chen, 2008).

The lower satisfaction with non-airline partners (Mean = 3.14, SD = 0.965) suggests a potential area for improvement. ShebaMiles should focus on adding more valuable non-airline partners that are aligned with members' interests, such as hotels, car rental services, and retail outlets. By ensuring that non-airline partners offer benefits that resonate with frequent travelers, Ethiopian Airlines could increase the perceived value of the loyalty program, as Dick & Basu (1994) emphasize that non-airline partnerships can still play a significant role in enhancing customer satisfaction and retention.

While the ease of mile redemption is rated positively, (Mean = 3.55, SD = 0.977) there may still be opportunities to simplify the process further. Members may appreciate a more seamless, user-friendly experience when redeeming miles, possibly through a more intuitive online platform or increased availability of rewards. Gustafsson, A., Johnson, M. D., and Roos, I. (2005) suggested that the ease of redemption directly impacts customer loyalty, meaning Ethiopian Airlines could gain more loyal members by refining this aspect of the program.

The satisfaction with the variety of redemption options (Mean = 3.79, SD = 0.766) is relatively high, but Ethiopian Airlines could explore offering additional or more desirable rewards, such as exclusive experiences, upgrades, or access to luxury services. Lee and Jang (2014) found that offering a variety of options is crucial for maintaining customer satisfaction. Increasing the diversity of rewards, particularly for high-tier members, could further enhance the ShebaMiles program's attractiveness.

A high satisfaction score for ease of earning miles (Mean=3.74, SD=0.820) suggests that ShebaMiles members find it relatively easy to accumulate miles. To further improve, Ethiopian Airlines might consider increasing the earning rate for frequent fliers or introducing special promotions, such as bonus miles for certain routes or partnerships, to enhance the earning experience. This can lead to higher member engagement, as Sharp and Sharp (1997) showed that simplified earning processes boost program effectiveness and customer retention.

While members perceive elite status (Mean = 3.71, SD = 0.778) as attainable, Ethiopian Airlines should continuously assess the thresholds for elite status to ensure that they remain realistic and motivating. Making the requirements challenging yet attainable can keep

members engaged and offering incremental benefits as members move through different tiers could encourage continued participation. O'Malley & Prothero (2004) emphasized the importance of achievable loyalty milestones, which help maintain member interest and prevent disengagement.

The high overall satisfaction score (Mean =3.94, SD=0.886) indicates that ShebaMiles members are generally pleased with the program. Ethiopian Airlines should capitalize on this positive feedback by using it as a foundation for future enhancements. However, maintaining high satisfaction levels requires ongoing efforts to listen to members' needs and adapt the program accordingly. As Meyer & Schwager (2007) noted, maintaining customer satisfaction is a continuous process that involves keeping up with evolving customer expectations. This could involve implementing member surveys, feedback loops, and regularly introducing new program features or benefits to keep the program fresh and engaging.

Correlation Major Findings Discussion

The correlation analysis findings of this study on the ShebaMiles program revealed that a significant and positive relationships between each six variables and ShebaMiles member satisfaction in EAL. The findings indicated that "Ease of Mile Earning" has a significant and strong positive relationships with ShebaMiles member satisfaction ($r(368) = .713$, $p < .001$), while "Variety of Redemption Options" ($r(368) = .653$, $p < .001$), "Ease of Mile Redemption" ($r(368) = .616$, $p < .001$), "Number of Airlines Partners" ($r(368) = .543$, $p < .001$), and "Achievability of Elite Status" ($r(368) = .550$, $p < .001$) respectively all exhibited significant and moderate positive relationships with ShebaMiles members' satisfaction. While, the "Number of Non-Airline Partners" showed a significant and weak positive relationship with ShebaMiles member satisfaction ($r (368) = .285$, $p < .001$).

These results can be analyzed alongside earlier studies to emphasize both the similarities and differences in findings related to customer satisfaction within loyalty programs.

Ease of Mile Earning: The study found a significant and strong positive correlation between Ease of Mile Earning and ShebaMiles member satisfaction ($r (368) = .713$). This finding is consistent with Chen and Chang (2019), who emphasized that clarity in earning mechanisms significantly, enhances customer satisfaction. Huang and Rust (2018) also support this notion,

indicating that simplifying the earning process is essential for fostering loyalty. The strong correlation underscores the critical role that ease of earning plays in customer engagement within loyalty programs.

Variety of Redemption Options: The moderate positive and significant relationship observed between Variety of Redemption Options (r(368) = .653) and ShebaMiles member satisfaction aligns with previous studies by Kim et al. (2022) and Ye and Zhang (2021), which highlight that offering diverse redemption options increases perceived value and encourages loyalty among customers. This finding suggests that airlines should prioritize providing a range of attractive redemption choices to enhance customer satisfaction.

Ease of Mile Redemption: The study's findings indicated that a significant and moderate positive correlation between Ease of Mile Redemption (r (368) = .616) and ShebaMiles member satisfaction. This result is supported by Álvarez Gil and Yan (2022), who found that a straightforward redemption process is vital for maintaining high levels of customer satisfaction in loyalty programs. Customers who experience difficulties during redemption are less likely to engage with the program, negatively impacting their overall perception.

Number of Airlines Partners: The significant and moderate positive association between the Number of Airlines Partners (r (368) = .543) and ShebaMiles member satisfaction corresponds with Kolbushkin (2021), who argued that a broader network of airline partners enhances customer satisfaction by providing more travel options and benefits. This finding suggests that increasing partnerships can effectively improve member satisfaction in loyalty programs.

Achievability of Elite Status: The moderate positive and significant connection found between Achievability of Elite Status (r(368) = .550) and ShebaMiles member satisfaction supports previous literature indicating that perceived attainability motivates customers to engage more deeply with loyalty programs (Grewal et al., 2017). The emotional connection associated with achieving elite status can enhance overall satisfaction, as noted by Uncles et al. (2003).

Number of Non-Airline Partners: Interestingly, the significant and weak positive correlation between the Number of Non-Airline Partners (r(368) = .285) and ShebaMiles member satisfaction contrasts with some prior studies suggesting that non-airline partnerships can significantly enhance perceived value among loyalty program members (Salah, 2019). This

discrepancy may indicate that while non-airline partnerships are important, their effectiveness may depend on how well they align with customer expectations or how they are utilized within the program.

In summary, the correlation results from the ShebaMiles program study align closely with existing literature regarding key factors influencing customer satisfaction in loyalty programs within the airline industry. The correlations found for Ease of Mile Earning, Variety of Redemption Options, Ease of Mile Redemption, Number of Airlines Partners, and Achievability of Elite Status resonates with previous studies emphasizing these elements as essential for enhancing ShebaMiles member satisfaction. However, the weaker correlation regarding numbers of non-airline partnerships suggests an area for further exploration, indicating that Ethiopian Airlines may need to reassess how these partnerships are structured to maximize their relationship with (impact on) overall ShebaMiles members' satisfaction.

Regression Major Findings Discussion

The findings from the regression analysis and regression coefficient in Table 4.10 of this study revealed significant and insignificant insights into how various independent variables influence ShebaMiles member satisfaction in EAL.

The study results from regression analysis displayed that the adjusted R^2 value of .668 revealed that 66.8% of the variance or change in ShebaMiles members' satisfaction which is the dependent variable was predicted or explained by the five independent variables (predictors), collectively, $F (5, 364) =149.694$, $p< .001$. However, 33.2% of the variance in ShebaMiles members' satisfaction is explained by other factors not covered in this study.

In another word, the study identified that the five independent variables namely, Number of Airlines Partners, Number of Non-Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, and Achievability of Elite Status collectively explained 66.8% of the variance in ShebaMiles member satisfaction (adjusted $R^2 = .668$, $F(5, 364) = 149.694$, $p < .001$). This finding is consistent with previous research indicating that loyalty programs significantly impact customer satisfaction in the airline industry (Chen & Chang, 2019; Huang & Rust, 2018).

These results can be evaluated in relation to prior research to underscore the similarities and discrepancies in outcomes regarding customer satisfaction in loyalty programs.

Ease of Mile Earning: The standardized coefficient beta value “in regression coefficient” in Table 4.10, for Ease of Mile Earning was significant and positive ($\beta = .417$, $t = 10.114$, $p < .001$), indicating that Ease of Mile Earning significantly and positively influenced ShebaMiles member satisfaction in EAL. This aligns with findings by Chen and Chang (2019), who noted that clearer earning mechanisms enhance customer satisfaction. Similarly, Huang and Rust (2018) emphasized that simplifying the earning process is crucial for fostering engagement and loyalty among customers.

Variety of Redemption Options: The Variety of Redemption Options also showed a significant and positive influence on ShebaMiles members satisfaction ($\beta = .147$, $t = 3.396$, $p < .01$). This supports previous studies by Kim et al. (2022) and Ye and Zhang (2021), which highlighted that providing diverse redemption options enhances perceived value and encourages loyalty among customers. The findings suggest that airlines should prioritize offering a wide range of redemption choices to meet customer preferences and satisfaction.

Achievability of Elite Status: The Achievability of Elite Status had a significant and positive influence on ShebaMiles member satisfaction ($\beta = .257$, $t = 7.316$, $p < .001$). This finding is consistent with Grewal et al. (2017), who found that perceived attainability of elite status motivates customers to engage more deeply with loyalty programs. The emotional connection associated with achieving elite status can enhance overall satisfaction and loyalty.

Number of Airlines Partners: The Number of Airlines Partners showed a significant and positive influence on ShebaMiles member satisfaction ($\beta = .279$, $t = 7.877$, $p < .001$). This finding aligns with Kolbushkin (2021), who argued that a broader network of airline partners enhances customer satisfaction by providing more travel options and benefits.

Number of Non-Airlines Partners: Interestingly, the Number of Non-Airlines Partners did not significantly predict or influence ShebaMiles member satisfaction ($\beta = -.045$, $t = -1.344$, $p = .180$). This finding contrasts with Salah's (2019) assertion that non-airline partnerships can enhance perceived value and satisfaction among loyalty program members. The lack of significance here may indicate a need for Ethiopian Airlines to reassess how these partnerships

are structured and communicated to maximize their impact or influence on ShebaMiles members' satisfaction.

In summary, the regression analysis findings reinforce existing literature regarding the critical factors influencing customer satisfaction in loyalty programs within the airline industry. The significant and positive influence of Ease of Mile Earning, Variety of Redemption Options, Achievability of Elite Status, and Number of Airlines Partners on ShebaMiles members' satisfaction echo or is congruent with previous studies emphasizing these elements as essential components for enhancing ShebaMiles members' satisfaction in customer loyalty program in EAL. However, the contradicting results regarding numbers non-airline partnerships highlight an area for further exploration, suggesting that Ethiopian Airlines may need to reevaluate its approach to these partnerships to ensure they effectively contribute to overall ShebaMiles members' satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents a summary of the study's findings, conclusions, and recommendations, which are based on the study's findings and objective. The summary synthesizes the key issues related to the study's objectives, as inferred from the entire research.

5.1. Summary of Findings

The main objective of this study was to assess the influence of Customer Loyalty Programs on Customers Satisfaction in Ethiopian Airlines. This survey was conducted with 370 ShebaMiles members and revealed that most respondents were male (68.1%) and aged 31-45 years (39.2%). The majority held postgraduate degrees (45.9%) and were frequent flyers, with 55.4% flying over five times annually. Many had been with ShebaMiles for over six years (32.4%) and were Silver (34.1%) or Gold (36.8%) tier members, indicating a well-experienced participant base.

Descriptive statistics showed that ShebaMiles members held positive opinion of the loyalty program, with the highest satisfaction observed in factors like “Ease of Mile Earning” (mean = 3.7432) and “ShebaMiles Members Satisfaction” (Mean=3.9422). Correlation analysis indicated significant and positive relationships between each factor and members’ satisfaction, with the strongest correlations found in “Ease of Mile Earning” and “Variety of Redemption Options.” The analysis revealed no multicollinearity issues, except between "Ease of Mile Redemption" and "Ease of Mile Earning," which led to the exclusion of the former from regression analysis.

Regression analysis showed that the five independent variables explained 66.8% of the variance in ShebaMiles members' satisfaction. Significant predictors included Ease of Mile Earning, Number of Airlines Partners, Achievability of Elite Status and Variety of Redemption Options consecutively, with "Number of Non-Airline Partners" showing no significant influence.

These findings emphasize the key factors contributing to ShebaMiles members' satisfaction and highlight the importance of improving these elements for better loyalty program outcomes. The findings from the study offer valuable insights for enhancing the ShebaMiles loyalty program. The positive and significant influence of factors like the number of airline partners, ease of mile earning, variety of redemption options, and achievability of elite status indicate that these elements are crucial for improving ShebaMiles member satisfaction in Ethiopian Airlines.

5.2. Conclusion

This study aimed to investigate the influence of various ShebaMiles customers' loyalty program factors on ShebaMiles members' satisfaction within Ethiopian Airlines. The findings in relation to descriptive statistical analysis indicate a positive opinion among members towards the loyalty program, with all factors having mean values greater than 3.00. The correlation analysis results revealed significant and positive relationships between Number of Airlines Partners, Variety of Redemption Options, Ease of Mile Earning, Achievability of Elite Status and Number of non-Airline partners with ShebaMiles members' satisfaction.

The multiple linear regression analysis outputs confirmed that four out of five hypotheses were rejected, indicating that Number of Airlines Partners, Ease of Mile Earning, Variety of Redemption Options, and Achievability of Elite Status positively and significantly influence ShebaMiles member satisfaction. Notably, Ease of Mile Earning emerged as the strongest predictor of members' satisfaction, followed by Number of Airlines Partners, Achievability of Elite Status and Variety of redemption options positions respectively. Conversely, the Number of Non-Airlines Partners did not significantly influence ShebaMiles members' satisfaction, suggesting that this factor may not be critical for enhancing customer satisfaction in the ShebaMiles program at present in EAL.

These findings have important implications for Ethiopian Airlines. By focusing on improving the ease of earning miles, expanding airline partnerships, enhancing redemption options, and clarifying elite status criteria, the airline can significantly enhance member satisfaction and loyalty. This strategic approach can lead to improved customer retention, reduced switching rates, and ultimately benefit the airline's operational efficiency and customer relations.

5.3. Recommendations

The findings underscore the critical importance of Ease of Mile Earning, Number of Airlines Partners, Achievability of Elite Status, and Variety of Redemption Options as significant predictors of ShebaMiles members' satisfaction. These insights suggest that Ethiopian Airlines should focus on enhancing these areas to improve overall member satisfaction and retention within the ShebaMiles program. Conversely, the lack of significant impact from the Number of Non-Airlines Partners on ShebaMiles members' satisfaction indicates that need for reassessment in how these partnerships are leveraged to benefit members.

The following recommendations are forwarded based on the study findings in this survey:

- Demographic Characteristics of the Respondents: tailor marketing and communication strategies to target specific demographic segments, particularly the younger age group (18-30 years) and female members, who are currently underrepresented. Implement targeted promotions and engagement initiatives to attract these demographics, enhancing overall program participation and satisfaction.
- Increase the Number of Airlines Partners: Ethiopian Airlines should actively seek to expand its network of airline partners. By increasing the number of airlines that members can earn and redeem miles with, the program can enhance its value proposition. This could involve forming new partnerships with both regional and international airlines, thereby providing members with more options for earning and using their miles. The significant and positive correlation between the Number of Airlines Partners and member satisfaction ($\beta = .279$, $p < .001$) indicates that enhancing this aspect can lead to improve members' satisfaction.
- Reassess Non-Airline Partnerships: although the Number of Non-Airlines Partners did not significantly influence member satisfaction ($\beta = -.045$, $p = .180$), it may still be beneficial to reassess these partnerships. Improving communication about their value or enhancing collaboration with non-airline partners could help increase their relevance to members. While this factor was not significant, it is essential to explore ways to maximize its potential contribution to overall member satisfaction. Ethiopian Airlines should consider improving engagement with non-airline partners, such as hotels, car rental services, and retail outlets, to offer more diverse earning opportunities.

- Simplify Ease of Mile Earning: focus on streamlining the process for earning miles through various activities. This could include simplifying terms and conditions, ensuring transparency in how miles are earned, and providing clear guidelines on promotional offers. Given that Ease of Mile Earning was identified as the strongest predictor of member satisfaction ($\beta = .417$, $p < .001$), making this process as straightforward as possible is crucial for enhancing overall satisfaction.
- Simplify Mile Redemption: Simplify the mile redemption process by enhancing the user interface on the ShebaMiles website and mobile app, ensuring it is intuitive and user-friendly. Provide clear, step-by-step guides or tutorials on how to redeem miles effectively. Consider implementing a customer support feature (e.g., chatbots or live chat) to assist users with any questions they may have during the redemption process.
- Expand Variety of Redemption Options: increase the variety of redemption options available to members. This could involve introducing new categories for redeeming miles, such as experiences (e.g., travel packages or exclusive events) or merchandise that appeals to a broader audience. The positive relationship between Variety of Redemption Options and member satisfaction ($\beta = .147$, $p < .01$) suggests that offering more choices can enhance perceived value and satisfaction.
- Communicate Achievability of Elite Status: improve communication regarding the criteria for achieving elite status within the ShebaMiles program. Providing clear information about how members can reach elite tiers and the associated benefits can motivate them to engage more with the program. The Achievability of Elite Status significantly and positively influenced member satisfaction ($\beta = .257$, $p < .001$), indicating that clarity in this area can foster a sense of accomplishment and loyalty among members.
- Overall ShebaMiles Member Satisfaction: Conduct regular satisfaction surveys to gather ongoing feedback from members about their experiences with the ShebaMiles program. Use this data to identify areas for improvement and implement changes based on member suggestions. Additionally, create a loyalty rewards program that recognizes long-term members with exclusive benefits or perks to enhance overall members' satisfaction. By addressing these areas with targeted strategies, ShebaMiles can

improve member engagement, satisfaction, and loyalty within its airline loyalty program, ultimately leading to increased retention and growth in membership.

By focusing on these key areas expanding airline partnerships, enhancing non-airline collaborations, simplifying mile earning processes, increasing redemption options, and clarifying elite status criteria, Ethiopian Airlines can significantly improve member satisfaction within the ShebaMiles loyalty program.

Overall, this research provides valuable guidance for Ethiopian Airlines in refining their loyalty program strategies to better meet member expectations and foster long-term loyalty among ShebaMiles members. These insights provide valuable guidance for strategic improvements within the ShebaMiles program.

5.4. Areas for Future Researches

The study investigated the customers loyalty programs' influence on members satisfaction with a specific focus on the ShebaMiles loyalty program factors namely the Number of Airline partners, Number of Non-Airline Partners, Ease of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite status on ShebaMiles members' satisfaction at Ethiopian Airlines. From multiple linear regression analysis results, it is understood that the five independent variables together had explained ShebaMiles members' satisfaction (DV) by 66.8%. However, 33.2% of the variance in ShebaMiles members' satisfaction is explained by other unknown factors not covered in this study. Therefore, the researcher suggests future researchers to include other factors in future studies. The following are suggestions of areas for future research:

- Conduct longitudinal studies: Track member satisfaction and behavior over time to understand the long-term impact of program improvements and identify potential changes in preferences and expectations.
- Explore the impact of personalization: Investigate the effectiveness of personalized rewards and communication strategies in enhancing member satisfaction and loyalty.
- Analyze the competitive landscape: Conduct a comparative analysis of the ShebaMiles program with competing airline loyalty programs to identify areas for differentiation and improvement.

- Investigate the impact of technology: Explore the impact of technology (e.g., mobile apps, chatbots) on member engagement, satisfaction, and loyalty within the ShebaMiles program.
- Segment members based on their values and loyalty: Conduct cluster analysis to identify different segments of ShebaMiles members (e.g., high-value, low-value, inactive) and tailor program benefits and communication strategies to each segment.
- Investigate the impact of cultural factors: Explore the influence of cultural factors on member preferences and expectations regarding loyalty programs.

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APPENDIX A

Questionnaire for ShebaMiles Members of Ethiopian Airlines

Research Study on the Influence of Customer Loyalty Program on Customer Satisfaction: The Case of Ethiopian Airlines

Dear Respondent,

This research questionnaire is part of a Master's Program in Business Administration at Addis Ababa University College of Business and Economics. The study examines how Ethiopian Airlines' ShebaMiles loyalty program influences member satisfaction. Your responses will provide valuable insights into the program's effectiveness. All information will remain confidential and be used solely for academic purposes. Your time and cooperation are greatly appreciated.

Thank you for your participation!

Instructions:

1. No need to provide your name.
2. For closed-ended questions, please select the option that best reflects your opinion by putting a tic mark "√" in one of the alternative boxes given below.

Part 1: General Characteristics of Respondents

1. Gender

☐ Male ☐ Female

2. Age

☐ 18-30 years ☐ 31-45 years ☐ 46-60 years ☐ Above 60 years

3. Highest Level of Education

☐ High School ☐ Diploma ☐ Degree ☐ Postgraduate

4. How often do you fly with Ethiopian Airlines?

☐ Less than once a year ☐ 1-2 times per year ☐ 3-5 times per year ☐ More than 5 times per year

5. How long have you been a ShebaMiles member?

☐ Less than 1 year ☐ 1-3 years ☐ 4-6 years ☐ More than 6 years

6. What is your current ShebaMiles membership (tier) status?

☐ Blue ☐ Silver ☐ Gold ☐ Platinum

Part 2: Questions related to ShebaMiles Loyalty Program features and Members Satisfaction.

Please give your opinion for the following statements based on your experience with the ShebaMiles program by putting a **tick mark (√)** under the respective boxes for your response which are represented by numbers from
"1 to 5".
1= Strongly Disagree (SD), 2 = Disagree (D), 3= Neutral (N), 4= Agree (A) 5= Strongly Agree (SA)

s. no	**ShebaMiles Program**	**Rating Scale**				
	Section 1: Number of Airline Partners	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	The number of airline partners that ShebaMiles program have enhances my ability to earn miles					

2	I believe that having multiple airline partners increases the value of ShebaMiles program					
3	The variety of airline partners available makes it easier for me to redeem my miles					
4	I feel more satisfied with my ShebaMiles program because of the number of airline partners it has					
5	The partnerships with various airlines influence my perception of the ShebaMiles program's overall quality					
	Section 2: Number of Non-Airline Partners	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	The number of non-airline partners (Hotels, Car rentals, Shopping stores e.t.c) in ShebaMiles program enhances my ability to earn rewards					
2	I believe that having multiple non-airline partners increases the value of ShebaMiles program					
3	I feel more satisfied with ShebaMiles program because of the number of non-airline partners it has					
	Section 3: Ease of Mile Redemption	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	I find the process of redeeming miles in my ShebaMiles program to be straightforward					
2	The information provided about mile redemption is clear and easy to understand					
3	I can easily navigate the website to redeem my miles					

	without assistance					
4	The redemption process in ShebaMiles program for miles is quicker than I expected					
5	The ease of redeeming points influences my overall satisfaction with the ShebaMiles program					
	Section 4: Variety of Redemption Options	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	The variety of redemption options (e.g., flights, upgrades, extra baggage) available in ShebaMiles program meets my expectations					
2	I find the redemption process for rewards using variety of redemption options to be simple and user-friendly.					
3	The rewards offered (e.g., flights, upgrades, extra baggage) are appealing and relevant to my interests					
4	I believe that having multiple brands to redeem miles enhances my satisfaction with the ShebaMiles program					
5	Having multiple redemption options influences my overall satisfaction with the ShebaMiles program					
	Section 5: Ease of Mile Earning	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	I find it easy to earn miles through ShebaMiles program					
2	The criteria for earning miles are clearly communicated and easy to understand					

3	I can easily accumulate miles through various activities (e.g., flights, hotel stays, partner purchases)					
4	The process of tracking my earned miles is straightforward and user-friendly					
5	The ease of earning miles/points affects my satisfaction with the ShebaMiles program					
	Section 6: Achievability of Elite Status	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	I believe that achieving elite status/tier progression in my ShebaMiles program is attainable based on my spending habits					
2	The criteria for achieving elite status are clearly communicated by the ShebaMiles program					
3	I feel motivated to reach elite status due to the benefits it offers					
4	The rewards associated with elite status are appealing to me					
5	The achievability of elite status/tier progression influences my satisfaction with ShebaMiles program					
	Section 7: Customer Satisfaction with ShebaMiles	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
1	Overall, I am satisfied with the ShebaMiles program					
2	ShebaMiles Program features mentioned above (Number of Airline Partners, Number of Non-Airline Partners, Ease					

	of Mile Redemption, Variety of Redemption Options, Ease of Mile Earning and Achievability of Elite Status) have a huge contribution in my overall satisfaction					
3	The ShebaMiles program meets my expectations as a loyalty program					
4	I would recommend ShebaMiles program to others based on my satisfaction with its features					
5	The ShebaMiles program encourages me to continue flying with Ethiopian Airlines					

APPENDIX B

Interview Questions for Ethiopian Airlines Customer Loyalty Department

As the Customer Loyalty department is the major player in designing and managing the ShebaMiles program, the following interview questions were asked to key informants with an aim to gather insights about the program features namely the number of airline partners, the number of non-airline partners, ease of mile redemption, variety of redemption options, ease of mile earning, and achievability of elite status and their influence on members satisfaction from the perspective of the Customer Loyalty Department of Ethiopian Airlines.

Questions for Customer Loyalty Department

1. Number of Airline Partners: How many airline partners does the ShebaMiles program currently have, and do you believe this number is adequate for enhancing member satisfaction?

2. Number of Non-Airline Partners: What types of non-airline partners does the ShebaMiles program have, and how do they enhance members' experiences in earning rewards?

3. Ease of Mile Redemption: What steps have been taken to ensure a user-friendly mile redemption process, and what feedback have you received regarding any challenges customers face?

4. Variety of Redemption Options: What types of redemption options are available to members, and how well do these options meet their expectations?

5. Ease of Mile Earning: What initiatives are in place to simplify earning miles, and how do you communicate the criteria for earning them to members?

6. Achievability of Elite Status: What are the requirements for achieving elite status in the loyalty program, and how is this status promoted to encourage member engagement?

7. Overall ShebaMiles Program Insights: What features of the ShebaMiles program contribute most to overall member satisfaction, and what areas do you think could be improved?