



THE RELATIONSHIP BETWEEN SUSTAINABLE COMPETITIVE ADVANTAGE AND CUSTOMER SATISFACTION IN ETHIOPIAN AIRLINES

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LETTER OF CERTIFICATION

This is to certify that Nigusu Worku carried out this research on the topic entitled “The Relationship between Determinants of Sustainable Competitive Advantages and Customer Satisfaction: A case study of Ethiopian Airlines”. This work is original in nature and is suitable for submission for the award of the Master of Arts Degree in Marketing Management.

Getie Andualem (Ph. D.)

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DEDICATION

I would like to dedicate this paper to my wife, Lealem Berhanou
and my sons, Mikias and Kalab.

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ABBREVIATIONS AND ACRONYMS

ET – Ethiopian Airlines

FFP – Frequent-Flyer Program

GDS – Global Distribution System

IATA – International Air Transportation Association

ICAO – International Civil Aviation Organization

MBV – Market- Based View

RBV – Resource- Based View

SCA – Sustainable Competitive Advantages

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ABSTRACT

In today's competitive business environment, businesses need to develop and sustain Sustainable Competitive Advantage (SCA) to succeed and stand out from the competition and the objective of this research paper is to identify the SCA of Ethiopian Airlines by undertaking empirical research on the relationship between determinants of sustainable competitive advantages and customer satisfaction in Ethiopian. To achieve the objective, a structured questionnaire was developed using David Aaker's model of SCA. The questionnaire that had a five- point likert scale: from strongly disagree to strongly agree was administered to judgmentally selected 400 passengers at Addis Ababa International Airport and Pearson Toronto International Airport. Moreover, focus group discussion was held with 10 staff of Ethiopian Airlines to identify three service areas with high and low customer satisfaction. Data were analyzed quantitatively and qualitatively. For quantitative analysis: descriptive statistics -- Frequency, mean and standard deviation and inferential statistics -- correlation, regression and ANOVA. The research findings of the study clearly showed that Ethiopian Airlines has SCAs: Brand, Convenient Schedule/Network and Modern Fleet. Turning satisfied customers into loyal customers needs to be worked on as well. Moreover, the focus group discussion indicated that areas like airport service, baggage service, reservations service and general information provision are weak areas that need to be taken care in order for Ethiopian to keep on shining in the sky. Lastly, a further research would benefit the industry if done by addressing the limitation of this study, i.e., by increasing the sample size and including other airlines passengers as well.

Key words: Airline Marketing, Customer Satisfaction, Ethiopian Airlines, Sustainable Competitive Advantages

CHAPTER ONE

INTRODUCTION

This chapter deals with background of the study, statement of the problem, Basic research questions, objectives of the study, hypotheses of the study, operational definitions, significance of the study, delimitation/scope of the study.

1.1 Background of the Study

It is evident that competition in the business world is more intense now than it has ever been and the competition in Airlines is no exception. In fact, Costa, Hamed and Lundquist (2004) mentioned that Airlines Industry has been plagued by several factors such as overcapacity, commoditization of offerings, cutthroat rivalry exacerbated by the entry of low cost carriers, and intermittent periods of disastrous under-performance. In such an unforgiving business environment, businesses need to develop Sustainable Competitive Advantages (SCA) to succeed and stand out from the competition. Kotler et al. (2012) emphasized that to win in today's market place, companies must become adept not only in managing products but also in managing customer relationships in the face of determined competition and a difficult economic environment; understanding customers is crucial, but it is not enough; building profitable customer relationships and gaining competitive advantages is also required which is delivering more value and satisfaction to target customers than competitors do. Customers will see competitive advantages as customer advantages, giving the company an edge over its competitors.

Aaker and McLoughlin (2007, pp 141-144) defined SCA as an element or combination of elements of the business strategy that provided a meaningful advantage over both existing and future competitors. Moreover Key Success Factors (KSF) is defined as analogous to either to Points of Parity (POP) or Points of Difference (POD). POPs are associations that are not necessarily unique by businesses, whereas PODs are strong, favorable, and unique brand associations based on some attributes or benefit associations. Hence, an SCA is

analogous to a POD. Regarding sources of competitive advantages, Gianfranco (2002) contrasted the two theories in the strategy literature to explain sources of competitive advantages of businesses. The two theories are called Market-Based View (MBV) and Resource-Based View (RBV). The first, the MBV, is based on industrial organization economics and takes an external market orientation and typically stresses privileged end-product market positions as a basis for above-normal future returns. MBV is best explained by Porter's "Five Force" Framework and in other words, it is the external global market forces that impose selective pressures on how managers should run firms. Thus according to MBV, Competitive advantages are due to barriers to competition arising from the structure of the market. The second theory is Resource-Based View (RBV) that looks internally on the firm's resources and capabilities to explain sources of competitive advantages. The RBV argues that the key to sustained competitive advantage are those factors available for use in producing goods and services that are valuable and costly to copy.

Porter (1980) argued that firms achieve success from what he called Cost Leadership Position or Differentiation or Focus. The fourth alternative is Lost-in-the Middle. A cost leader must achieve lower operating costs than its rivals, whereas there are many ways of firms to successfully achieve differentiation. The concept of focusing is to give up all potential benefits of synergy by concentrating on one activity in order to achieve expertise in the selected areas. Finally, Lost-in-the-Middle is a situation where a firm is not in either one of cost leader, differentiation and focus strategies.

1.1.1 Global Airline Industry

In its report, International Civil Aviation Organization (ICAO) (2013) emphasized that Airlines Industry provides air connectivity that plays a key role in socioeconomic development of nations. Some of the social benefits include improving quality of life by broadening peoples' leisure and cultural experiences, providing a wide choice of holiday destinations around the world and affordable means to visit distant friends and relatives and helping to improve living standard and alleviate poverty, for instance through tourism.

ICAO mentioned also that air connectivity gives economic benefits as well like providing the only worldwide transportation network, transporting close to two billion passengers and 40% of interregional exports by value and about 40% of international tourists, generating a total of 13.5 million jobs and contributing to 2.4% of world GDP (The aviation industry which includes airlines and other related industries provides 29 million jobs and 8 % of world GDP).

In addition, having a flag carrier is taken as a prestige as this enables a country to show the world its nationhood. Chingosho (2008) mentioned that every African Nation wants three things, namely, a flag, an anthem and an airline.

Generally, excluding charter and cargo operators, there are two types of airlines or carriers, namely network or legacy or traditional airlines or Full-service like for example Ethiopian Airlines, Lufthansa, Singapore, Turkish, etc and low-cost or budget or no-frills carriers like Southwest of USA, Ryanair of Ireland, easyjet of UK, Air Berlin of Germany, Fly Dubai of Emirates etc. Network Airlines has been a main airline business model for decades but it is now changing due to emergence of a relatively new business model: Low-cost or no-frills business model in response to the prevailing competitive dynamics specially in the short flights. O'Connell (2007) mentioned an example, by March 2006, they had secured 8% of the intra-Asian market, and 23% and 27% of the intra-European and US domestic markets respectively.

Belobaba (2009) mentioned that since first airline deregulation in 1978 in USA and subsequently in other parts of the world, competition in airline industry has been increasing which resulted in severe control of operating costs and productivity as it is critical for success of airlines. The emergence and rapid growth of low-cost airlines is due in large part to their ability to deliver air transportation services at substantially lower costs and at higher levels of productivity than the traditional or legacy airlines. In response, legacy airlines have had to find ways to reduce operating costs and improve the efficiency of how they utilize both their aircraft and employees.

There are many well-established low-cost carriers, for example, South West in America, Ryanair and easyjet in Europe, Air Asia in Asia and Pacific region. Though some low-cost carriers are being established in Africa, there is no as such a successful low-cost carrier in the order of the above mentioned ones. O'Connell (2007), Low-cost carriers have been synonymous with good financial performance as most of them had operating margins that were on average three times that of the network airlines in 2005, and this has attracted investors, thereby allowing these carriers to become well capitalized.

A low cost carrier is an airline business model, which introduced a fresh approach in both strategic and operational issues. O'Connell (2007) mentioned that low cost carriers innovated in terms of setting their fares based on single rather than return journeys using simple yet powerful yield management techniques. They engage in direct selling (predominantly through the Internet) saving on Global Distribution System (GDS) fees and travel agent commission charges. They generate substantial economies of density (i.e. low unit costs per passenger) through high load factors in a single-class, dense-seat cabin configuration. Low cost carriers generally do not offer any frills such as in-flight catering or entertainment and generate a good share of their revenue from the sale of ancillary products and services. They fly to and from regional airports (which not only charge lower fees than main airports but may be even willing to offer subsidies in the context of regional development) offering point-to-point services, thus avoiding complicated online and interline operations in congested hub airports. They put large orders of the same aircraft type to increase ex ante bargaining power and reduce ex post unit maintenance and training costs. These carriers enshrined the concept of 'low cost' in their very organizational culture aiming at reducing labor costs and achieving the highest possible staff and equipment productivity.

In a nutshell, airlines industry's products/services are so commoditized and the competition is intense, it is an industry with a very low margin. Hence, legacy carriers like Ethiopian Airlines have to be really as efficient as the low-cost carriers while maintaining their business model and giving frills in order to make money. In its annual report, IATA (2012) reported that the air transport industry is fragile. Airlines made a

profit of \$7.6 billion in 2012 on total revenue of \$638 billion that translated to a net profit margin of just 1.2%. According to Forbes, list of industries in US with percentage of net profit margin for budget year 2013, Oil and gas tops the list with a net profit margin of 24.1%, This clearly shows how airlines' net profit margin is very low compared to other industries.

1.1.2 Ethiopian Airlines

The performance of Ethiopian Airlines has been commendable in such a competitive business environment. Obviously, one wonders as to how and why Ethiopian has achieved such a remarkable performance in the competitive Airlines Industry which makes either losses or meager profits. Moreover, it is logical how Ethiopian can sustain such a remarkable performance. In fact, to continue its growth momentum by sustaining its competitive advantages, Ethiopian has prepared Vision 2025 which is a strategic road map. Vision, Mission and Value statements are shown below:

Vision 2025

Ethiopian will be the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused passenger and Cargo Transport, Aviation Training, Flight Catering, Maintenance Repair and Overhaul (MRO), Ground Services, Domestic and regional services by 2025.

Mission Statements

1. To become the leading Aviation Group in Africa by providing safe and reliable passenger and cargo transport, aviation training, flight catering, MRO and ground services whose quality and price “value proposition” is always better than its competitors
2. To ensure being an airline of choice to its customers, employer of choice to its employees and an investment of choice to its owner

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

Value Statements

- As an airline, safety is our first priority.
- ET is a high performance and learning organization.
- We are an equal opportunity employer
- We treat internal and external customers the way we would want to be treated

The study area that will be attempted in this paper is, therefore, to identify SCA of Ethiopian by undertaking an empirical research on the relationship between determinants of sustainable competitive advantages of Ethiopian Airlines and customer satisfaction in order to know perspectives of consumers on the services of Ethiopian.

Regarding earlier related works, many studies have been carried out on airlines in the world. There are also related studies on Ethiopian Airlines out of which two are more relevant studies carried out as MA Thesis. Wondwosen (2012) studied the first one under the title of “Determinants of Customer Satisfaction” and variables were identified from focus group discussion and prior studies (i.e., mentioning that SERVQUAL had limitations to measure service quality) and findings were safety, direct services, convenient schedules, flight frequencies and price as main determinants of customer satisfaction. The Conclusions made were to work on these variables in order to have success in the competitive business environment. Moreover, Temesgen (2013) studied “Determinants of Customer Loyalty in Ethiopian Airlines” using Customer Loyalty Models. The findings of the survey were that Ethiopian Airlines customers are satisfied first with social benefits, second with psychological benefits, third with loyalty programs and finally with functional benefits and conclusion was that Ethiopian to work hard mainly on functional benefits and loyalty programs.

1.2 Statement of the Problem

Airlines are overwhelmed by several factors such as rivalry, razor-thin profit margin, and intermittent disastrous performance. Building and sustaining competitive advantage is, therefore, critical to succeed in Airlines Industry and it requires delivering more value and satisfaction to target customers than competitors do. Aaker (2007) identified a model showing determinants of Sustainable Competitive advantages which is adopted and adapted as a conceptual framework of this paper. It is shown in the model that companies can obtain SCAs from the way of competition, basis of completion, offers and place of completion.

The problem area of this study is identification of SCA of Ethiopian Airlines by undertaking an empirical research on ways of competition, basis of competition, Ethiopian Airlines offers and places of competition. Knowing the SCA of Ethiopian would help to further improve performance of Ethiopian by competing with carriers from European, Gulf and African Carriers like Lufthansa, Turkish, Emirates, Qatar, Egypt, etc.

The purpose of this study is, therefore, to identify SCA of Ethiopian by undertaking an empirical research between determinants of sustainable competitive advantages and customer satisfaction.

1.3 Basic Research Questions

In line with the statement of the problem, the following research questions are expected to be answered:

- What is the SCA from the way of ET's competition?
- What is the SCA from the ET's offers?
- What is the SCA from ET's bases of competition?
- What is the SCA from Where ET competes?

1.4 Objectives of the Study

The major objective of the study is to identify SCA of Ethiopian by undertaking an empirical research on the relationship between determinants of SCA and customer satisfaction in Ethiopian Airlines with respect to the ways of competition, basis of competition, Offers and place of competition in order to identify SCAs. The specific objectives of the study are the followings:

- To identify SCA from Ethiopian ways of competition;
- To identify SCA from ET offers;
- To identify SCA from ET basis of competition;
- To identify SCA from place of competition.

1.5 Hypotheses of the Study

The following hypotheses are formulated to examine the relationship between determinants of SCA and customer satisfaction.

H1: There is a positive relationship between the way ET competes and Customer Satisfaction.

H2: There is a positive relationship between ET's offers and Customer Satisfaction.

H3: There is a positive relationship between ET's Basis of competition and Customer Satisfaction.

H4: There is a positive relationship between where ET competes and Customer Satisfaction

1.6 Operational Definitions

Components of SCA: Aaker and McLoughlin (2007, pp 141-144) defined SCA as an element or combination of elements of the business strategy that provided a meaningful advantage over both existing and future competitors. Components of SCA consist of a) The Way you Compete which is a strategy: product strategy, positioning strategy, manufacturing strategy and distribution strategy, b) The Basis of Competition which are assets and components that are most sustainable elements of a business strategy which are usually difficult to copy, c) What you Offer – The value proposition which is a position in terms of functional, social and psychological benefits and d) Where you Compete –this is about choice of the target market.

Frequent Flyer Program: A frequent flyer program (FFP) is a loyalty program offered by many airlines. Customers enrolled in the program accumulate frequent flyer miles (kilometers, points, segments) corresponding to the distance flown on that airline or its partners. There are other ways to accumulate miles. In recent years, more miles were awarded for using co-branded credit and debit cards than for air travel. Acquired miles can be redeemed for free air travel; for other goods or services; or for increased benefits, such as travel class upgrades, airport lounge access or priority bookings, Shaw (2007)

Full-service Airline: Full-service airlines have a high level of fixed and operating costs in order to establish and maintain air services: labor, fuel, airplanes, engines, spares and parts, IT services and networks, airport equipment, airport handling services, sales distribution, catering, training, aviation insurance and other costs. Thus all but a small percentage of the income from ticket sales is paid out to a wide variety of external providers or internal cost centers, Shaw (2007)

Functional Benefits: are benefits that an airline provides to its customers which includes: meal service; seating; flight schedule (product of the airline); reservation and ticketing and the like, Shaw (2007)

GDS: A global distribution system through which airlines avail schedules and price to the market, Shaw (2007)

In-flight Entertainment: In-flight entertainment includes movies, music, and other entertainment facilities available while aboard, Shaw (2007)

Low-cost Airline: A **low-cost carrier** or **low-cost airline** (also known as a no-frills, discount or budget carrier or airline or cheap flight) is an airline that generally has lower fares and fewer comforts. To make up for revenue loss in decreased ticket prices, the airline may charge for extras like food, priority boarding, seat allocating, and baggage etc.

Onboard Services: All the type of service given while the aircraft is flying. It could be meal, beverage, entertainment, etc.

1.7 Significance of the Study

The study will have both a practical significance and identification of further research areas, specifically, it will be useful to management of Ethiopian Airlines in identification of the SCAs that need to be maintained and enhanced, to customers by way of getting enhanced services, to others airlines in identification of major customer service areas that would be SCAs and to researchers in identification of further research areas.

1.8 Delimitation/Scope of the Study

The scope of the study will focus only on the relationship between determinants of SCAs and customer satisfaction. The study is limited at Addis Ababa Bole International Airport and Toronto Pearson International Airport due to resource related reasons, i.e., money and time. Besides, focus group discussion will be conducted to identify only three customer service areas with high customer satisfaction and low customer satisfaction.

1.9 Organization of the Research Report

The study will be organized in five chapters. Chapter One will cover Background of the Study, Statement of the Problem, Basic Research Questions, Objectives of the study, Hypotheses of the study, Operational definitions, Significance of the study, and Delimitation/scope of the study. Chapter Two will deal with the literature review: Review of Related Literature, Review of Empirical Literature and Conceptual Framework.

Chapter Three describe the design of the research; Population and sampling techniques, Sources and instruments of data collection, Procedures of Data Collection, Methods of Data analysis, Reliability and Validity and Ethical Considerations. Chapter Four will present results/findings of the study, and interpret and/or discuss the findings. Finally, Chapter Five will summarize the findings, show conclusions and recommendations, mentions limitation of the paper and further research area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

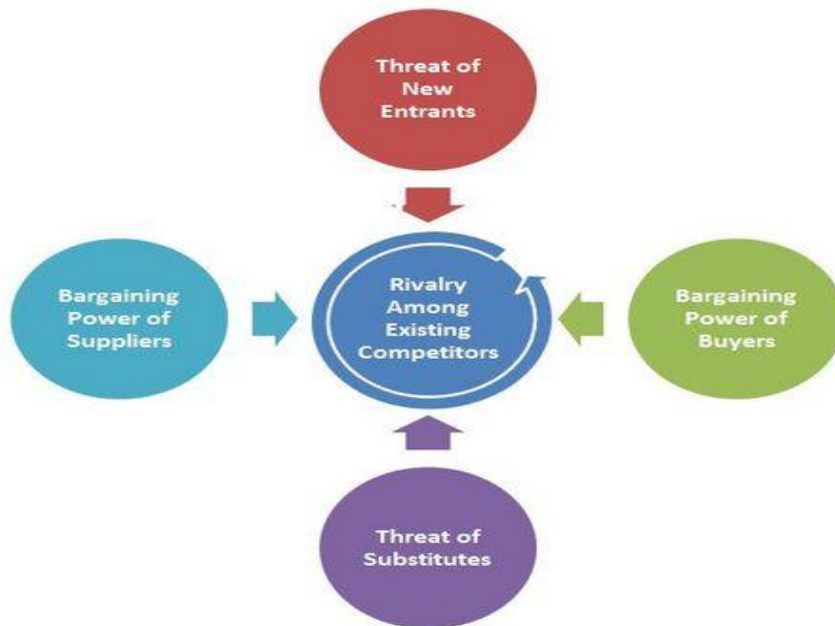
In this section of the study, theoretical and empirical literatures and the conceptual framework of the study will be reviewed and rigorously addressed, specifically, from theoretical literature review, Porter's Five Market Forces in Airline Industry, Airline Marketing, Core Competencies, Determinants of Core Competencies, Competitive Advantages, Sources of Competitive Advantages, Significance of Competitive Advantages and Determinants of Sustainable Competitive Advantages will be reviewed. Moreover, the empirical literature review will assess related studies on Ethiopian Airlines, Singapore Airways and the Industry. Finally, the conceptual framework of the study will be presented.

2.2 Theoretical Literature Review

2.2.1 Porter's Five Market Forces in Airlines Industry

Regarding the market forces (Shaw, 2007, pp. 76-86) suggested to review some of the ideas of the Harvard Professor, Michael Porter. In different industries, strategic issues are colored by the interplay of the Five Forces: rivalry amongst existing firms, substitution, new entry, the power of customers and the power of suppliers, Figure 1.

Figure 1. Michael Porter's Five Forces



Source: Shaw, 2007

Rivalry amongst existing firms

In many industries, the true competition and the drive for change comes from long-established firms. These long established firms often resemble one another in terms of the strengths which they have, and in their problems and weaknesses. They, therefore, can only identify benefit from aggressive competition at the margins of their activities. Moreover, the competition from low-cost carriers is increasing the rivalry.

Substitution

Porter argues that disturbance to the competitive equilibrium set up by the long-established firms can come from two possible sources, the first of these being that of Substitution. Substitution occurs when firms in another industry find a new and better way of meeting the same customer needs as are being targeted by the existing players. There are a number of substitution issues affecting airlines at the present time. Of these, potentially the most serious is the effect of electronic methods of communication on the market for business air travel, for example, videoconferencing, teleconferencing and

email all have the potential to mean that business travelers will travel less, and still satisfy their needs for effective communication.

New Entry

The second of the forces which may disturb the competitive equilibrium amongst the existing players is that of new entry. In some industries, new entry is difficult or impossible. In others, it is commonplace. In the modern aviation industry, the latter is very much the case, especially in short-haul, point-to-point markets. This is because of the many possible barriers to entry. Some of the barriers are regulatory limitations, resources, airport slots, economies of scale, learning curve effects, etc.

Power of Customers

Porter argues that the power of their customers will be a crucial determinant of profitability for the firms in any industry. In turn, customer power will be related to two variables: the number of customers a firm has, and the existence of switching costs. In principle the point about the number of customers is an obvious one. If a firm has many customers and some of these defects to the competition, there will still be a large number of customers remaining. If, on the other hand, the firm has only two or three customers, the loss of one of them will result in third or more of its business being lost. In such a situation, customers will have extreme amounts of bargaining power.

Power of Suppliers

This depressing conclusion is equally applicable to Porter's remaining point, that of the power of a firm's suppliers. Porter argues again that when a firm is totally dependent on monopoly suppliers of crucially-needed resources, these suppliers will be able to charge prices which ensure handsome profits for themselves, but which severely limit profits of the firms that they supply. For airlines, the list of suppliers who either actually or potentially have this monopoly power is a depressingly long one. Most obviously, airport services may have it, with many airlines having no choice but to pay whatever ATC and airport charges are levied on them. Many airports are continuing to show strong financial returns, reflecting the monopoly power that many of them have. Often, it has been necessary to regulate landing fees in order to control the use of this power. Sometimes,

airlines' fleet planning can be affected by powerful supplier issues. The Boeing 747 was introduced into airline service in 1970, and was unchallenged by any other aircraft for the next 25 years. If a carrier's requirement was a long-range aircraft with 400+ seats, the 747 was the only option available to them. Another example of powerful suppliers in the aviation industry is Global Distribution Systems (GDS). Since their inception in the late 1980s, the GDSs have provided the switching technology which allows travel agents to make reservations with hundreds of different airlines, hotels, car rental companies and tour operators through a single computer keyboard.

2.2.2 Core Competencies

White (2004, pp 243-5) argued that simply having a resource or a capability is not enough. An enterprise must make good use of its resources or capabilities. The process of strategy making provides the opportunity to discover the specific use and identify the aspirations or intentions to which that use is linked. A core competency is a strategic capability, that is, a capability which has strategic value. The possession of certain capabilities influences the nature of the strategy adopted but it is the strategy which turns a capability into a competency. The strategy shows which activities the enterprise should develop and which functional areas or activities on the value chain are of greatest importance to the organization. It indicates the core competencies which are relevant to that strategy.

The term 'core' refers to the role of the competency in strategy and indicates that the competency is central to that strategy. Without the competency, or competencies, the strategy could not be implemented. The strategy allows all the existing capabilities to be prioritized and then harnessed to the achievement of particular strategic goals. This is the sense in which they are core or central.

Core competency is the term used in most texts on the internal environment. Some texts use the term *distinctive competency* for the same concept. 'Distinctive' focuses attention on the ability of the competency to define the organization. It is seen as unique to that enterprise and difficult to emulate, even beyond the short term. There are two main sources of distinctiveness; knowledge and competencies. The knowledge which supports

the competency is specific to the organization. Much institutional knowledge, particularly that which underpins the competency, is uncodified, that is, not spelt out in sufficient detail to allow the transfer of the competency to another enterprise and, probably in most cases, uncodifiable or unspecifiable, that is, impossible to specify in such detail. Uncodified and uncodifiable knowledge refers to knowledge which is *tacit* rather than *explicit*, that is, cannot be described or articulated exactly. Such knowledge cannot be possessed by the individual alone but in some sense only by the institution or a team within the institution, that is, it cannot be fully appropriated by the individual. In other words, it can only be defined with reference to ‘networked’ people and ‘embedded’ processes. Without the networks specific to the enterprise and the processes which give meaning to these networks, there would be no competency. Neither networks nor processes can be disentangled from the enterprise itself. They help to identify the enterprise. The competencies are the result of sunk costs, that is, past investments or commitments which are irreversible and cannot be retrieved. They usually have to be repeated by others if they wish to imitate or recreate the competency. A first mover, or an incumbent, has the advantage of having already sunk the relevant resources in such a commitment or investment. A follower may find a faster route to developing the same capability, but the process is never instantaneous. However, sunk investments refer to commitments whose opportunity cost is lower for incumbents than for new entrants since the latter have to repeat in some form the investments undertaken in making the commitment. This would include the many investments in the establishment of a good reputation, securing full legal protection for intellectual property rights or developing the specialized techniques or methods associated with operating well within a particular sector of the economy

2.2.3 Determinants of Core Competency

Superiority

White (2004, pp 247-9) listed five determinants of core competency. Firstly, the resource, or more exactly the capability, must contribute value to the organization by contributing value to the consumer of the product or service, yielding the latter a utility of some kind. The value derives from its ability to help the enterprise to exploit opportunities or

neutralize threats in the external environment of that enterprise. It derives from the ability of the organization to meet a customer's wants, and to meet those wants in a way superior to that of other enterprises. If a capability has value, but not the other characteristics, then the enterprise has competitive parity in the relevant area, but not competitive advantage. It can only aspire to earn a normal profit. It must also be unusual in its capacity to do this, at best unique:

- A particular mine is almost invariably unique in that no two minerals are ever exactly the same
- 11 footballers play as a team, with a unique style of play, not as individuals.

The sum of the parts is more than the individual parts and once more unique. For a capability to be rare, few enterprises should possess the same capability and, from the point of view of the enterprise possessing that capability, preferably none. Rarity allows the creation of at least a temporary competitive advantage and the earning of a temporary above-normal return.

Inimitability

Even if it is not unique, a competency must be costly to imitate, or it must require a significant commitment of time to achieve such duplication. There are three factors which might make it costly to imitate, in some cases extremely costly:

1. The competency is the product of a unique historical experience, which may belong and difficult to trace out in all its detail. In the most extreme case the enterprise was in the right place and at the right time to develop the competency, a conjuncture unlikely to be repeated since the context is forever changing, in which case the experience cannot be repeated.
2. The competency has an ambiguous cause. Often it is unclear what it is that constitutes the core competency. Something with undefined characteristics is difficult to explain in terms of cause and effect. It is impossible to explain why the enterprise has it. Competitors have difficulty working out what the competency comprises, and therefore how to recreate it.
3. The competency has its origins in socially complex interactions.

Durability

The competency may be of transitory uniqueness, in which case the competitive advantage is only short-lived and of little value. Because machine tools may last for a long time – as long as 50 years – they are heavily patented, whereas computers are not, because both the product cycle and the technology cycle associated with them are so short. The presence of durability makes an advantage sustainable and above normal profits a real possibility.

Appropriability

Can the enterprise take full advantage of the value created by the competency, or do others also benefit? Does the competency have any characteristics of a public good so that it is a ‘common’ good, which others can share? Even if it is not a common good, can other stakeholder groups capture some part of the benefit? If the asset could be acquired in the market, would the operation of a competitive market compete away any rent and the seller rather than the buyer gain from the value created?

If there is a genuine core competency, the answer to all these questions is no. There is no common good aspect and the market is imperfect. Who is able to earn the rent from a particular asset or competency? The assumption is that all the gains are made by the enterprise.

Substitutability

The competency must not be capable of substitution. Substitution should be understood in its broadest sense, as the utility derived from, or the effect of consuming, the product or service, not the nature of the product or service with its particular attributes. For example, an alternative to a new oilfield might be a better method of extraction from an existing field or a better method of refining the raw material. The lack of substitutability means that no competitor, through its own action or strategy, could find an alternative for the asset, capability or competency.

2.2.4 Competitive Advantage

Kotler et al (2012) mentioned that to win in today's marketplace, companies must become adept not only in managing products but also in managing customer relationships in the face of the determined competition and a difficult economic environment. Understanding customers is crucial, but it is not enough. Building profitable customer relationships and gaining competitive advantage requires delivering more value and satisfaction to target customers than competitors do. Customers will see competitive advantages as customer advantages, giving the company an edge over its competitors. The key to gaining competitive advantage is to take each customer segment and examine how the company's offer compares to that of its major competitors. The company wants to find the place in the market where it meets customer's needs in a way that rivals cannot. If the company's offer delivers greater value by exceeding the competitor's offer on important attributes, the company can charge a higher price and earn higher profits, or it can charge the same price and gain more market share. But if the company is seen as performing at a lower level than its major competitors on some important attributes, it must invest in strengthening those attributes or finding other important attributes where it can build a lead on its competitors.

2.2.5 Sources of Competitive Advantages

Gianfranco (2002) contrasted the two theories in the strategy literature to explain sources of competitive advantages of businesses. The first, the MBV, is based on industrial organization economics and takes an external market orientation and typically stresses privileged end-product market positions as a basis for above-normal future returns. MBV is best explained by Porter's "Five Force" Framework and in other words, it is the external global market forces that impose selective pressures on how managers should run firms. Thus according to MBV, Competitive advantages are due to barriers to competition arising from the structure of the market. The second theory is Resource-Based View (RBV) that looks internally on the firm's resources and capabilities to explain sources of competitive advantages.

2.2.6 Significance of Competitive Advantages

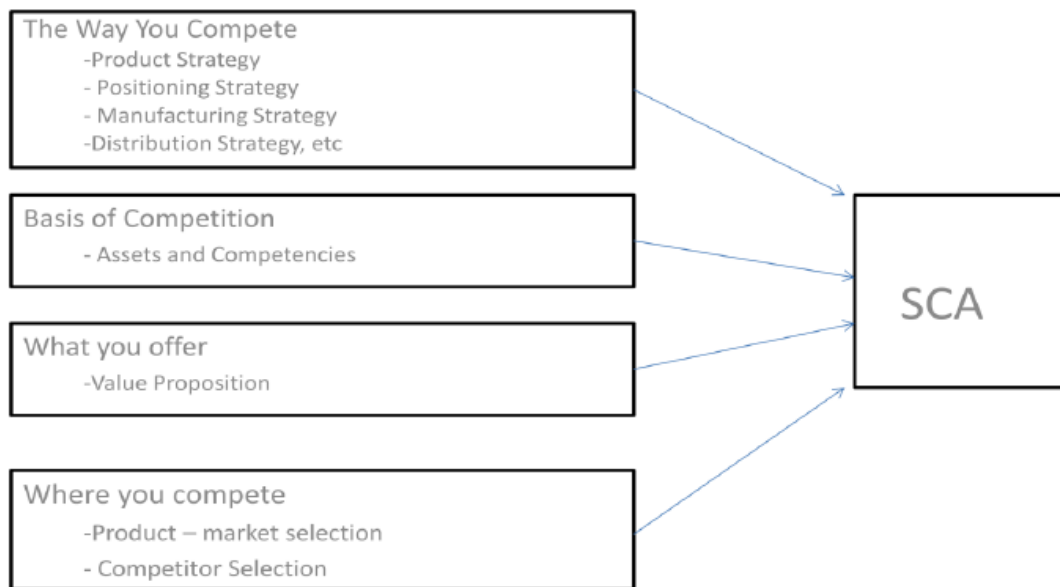
White (2004) argues that without a significant competitive advantage, there is no hope that an enterprise can earn above-normal profit. Initially, the problem is to create such an advantage; later it is to maintain it in a rapidly changing world. The creation of advantage is the result of two activities:

- Discovering what you should do.
- Discovering what you can do.

2.2.7 Determinants of Sustainable Competitive Advantages (SCA)

As shown in Figure 2, Aaker and McLoughlin (2007, p 142) identified a model showing determinants of Sustainable Competitive advantages and same has been adopted and adapted as a conceptual framework of this paper. An SCA needs to be both meaningful and sustainable. It should be substantial enough to make a difference; a marginal superiority in quality, especially when quality is good enough for most customers, will not generate an SCA.

Figure 2: David Aaker Model of SCA



Source: Aaker and McLoughlin, 2007, P. 142

Aaker and McLoughlin (2007, pp 141-144) defined SCA is an element or combination of elements of the business strategy that provided a meaningful advantage over both existing and future competitors -- Key Success Factors which can be either Points of Parity (POP) or Points of Difference (POD). POPs are factors that are required by the business to be a player in the industry, whereas PODs are those factors which are meaningful and sustainable which can be considered as SCA that bring about difference and lead to success in the market.

As per the David Aaker model, the determinants of SCA are

- a) The Way you compete which is a strategy: product strategy, positioning strategy, manufacturing strategy and distribution strategy,
- b) The Basis of Competition which consist of assets and competencies that are most sustainable elements of a business strategy that are usually difficult to copy,
- c) What you Offer – The value proposition which is a position in terms of functional, social and psychological benefits and
- d) Where you compete –this is about choice of the target market.

Aaker et al (2007), in a study conducted on 248 businesses, (i.e., 68 high-techs, 113 service and 67 other companies) regarding sustainable competitive advantages, the followings were found as SCAs in the service companies, Table 1.

Table 1. Service Companies SCAs

SCAs	Number of Companies	Remarks
Orientation for Quality	50	
Customer Service/support	40	
Recognition/high profile	42	
Good management and engineering staff	43	
Low cost of production	15	
Financial resources	26	
Customer Orientation/feedback	26	
Market research	26	
Product-line breadth	23	
Technical superiority	7	
Installed base of satisfied customers	22	
Segmentation/focus	22	
Product characteristics/differentiation	15	
Continuing product innovation	17	
Market Share	14	
Size/location of distribution	11	
Low price/high value offering	20	
Knowledge of business	25	
Pioneer/early entrant in industry	11	
Efficient, flexible production	17	
Effective sales force	9	
Overall marketing skills	9	
Shared vision/culture	13	
Strategic goals	7	
Powerful well-known parent	7	
Location	10	
Effective advertising/image	6	
Enterprising/entrepreneurial	3	
Good coordination	2	
Engineering research and development	2	
Short-term planning	1	
Good distributor relations	4	
Other	20	
Total	539	
Number of Businesses	113	
Average Number of SCAs	4.77	

Source: Aaker and McLoughlin, 2007, P. 145

2.3 Empirical Literature Review

Regarding earlier related studies, many studies have been carried out on the subject. There are also related studies on Ethiopian Airlines. In this section, a few of the related studies carried out on the industry, Ethiopian Airlines and Singapore Airlines will be reviewed.

2.3.1 Study on the Industry

Among many studies on the industry, a study by Gianfranco Caccaro (2002) as a Doctoral Thesis was reviewed. The purpose of the study was to examine the way in which airlines exploit their resources in order to gain and sustain competitive advantage. The findings of the study showed that airlines need to

- Work on efficiency
- Think of mergers and acquisitions to capitalize on economies of scale
- Be part of alliances like Star Alliance, One World, Sky team, etc

2.3.2 Study on Singapore Airways

An article was written on Singapore Airlines by Heracleous and Wirtz in 2009 to examine how Singapore Airlines achieved its outstanding performance and sustained its competitive advantage. The findings of the study were:

- Dual focus on customer experience through service excellence and innovation and as well as continuous striving for efficiency helped the airline

2.3.3 Study on Ethiopian Airlines

Out of studies undertaken on Ethiopian Airlines, the two more relevant ones were reviewed. The studies were carried out as MA Thesis. Wondwosen (2012) studied the first one under the title of “Determinants of Customer Satisfaction” and variables were identified from focus group discussion and prior studies (i.e., mentioning that SERVQUAL had limitations to measure service quality) and findings were safety, direct services, convenient schedules, flight frequencies and price as main determinants of customer satisfaction. The Conclusions made were to work on these variables in order to have success in the competitive business environment. Moreover, Temesgen (2013) studied “Determinants of Customer Loyalty in Ethiopian Airlines” using Customer Loyalty Models. The findings of the survey were that Ethiopian Airlines customers are satisfied first with social benefits, second with psychological benefits, third with loyalty programs and finally with functional benefits and conclusion was that Ethiopian to work

hard mainly on functional benefits and loyalty programs. In summary, the above studies fail to review all the determinants of SCA.

2.4 Conceptual Framework

The hypotheses formulated to be tested are the followings

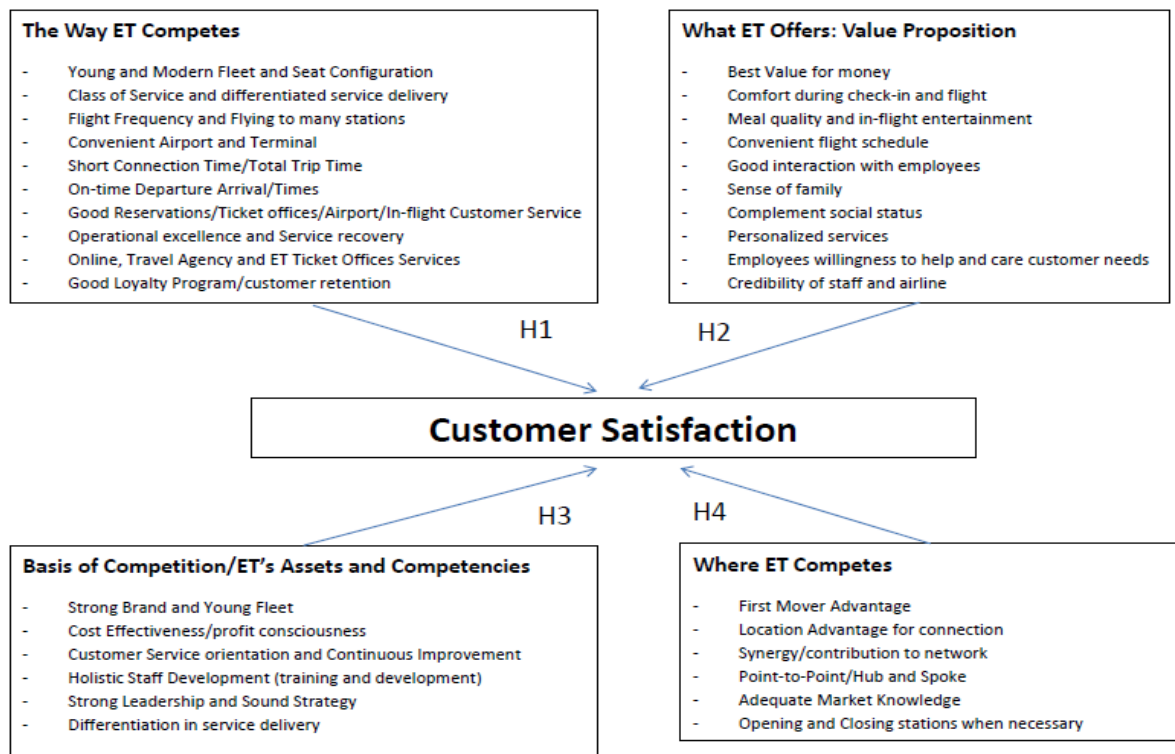
H1: There is a positive relationship between the way ET competes and Customer Satisfaction.

H2: There is a positive relationship between ET's offers and Customer Satisfaction.

H3: There is a positive relationship between ET's Basis of competition and Customer Satisfaction.

H4: There is a positive relationship between where ET competes and Customer Satisfaction

Figure 3: Conceptual Framework



Source: Aaker and Mcloughlin, 2007, P. 142

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter covers the Research Design and Approach, Population and Sampling Techniques, Sources and Tools/Instruments of Data Collection, Procedures of Data collection, Methods of Analysis, Reliability and Validity and Ethical Considerations.

3.1 Research Design/Approach

The nature of the study was both descriptive and causal. Moreover, the mixed method that refers to an emergent methodology of research that advances the systematic integration of quantitative and qualitative approach to have a more rigorous, thorough, complete and synergistic analysis of the data was used instead of a separate quantitative or qualitative data collection and analysis.

The study employed two sets of variables: Independent – determinants of SCA, namely, the way ET competes, basis of competition, ET offers and where ET competes and dependent variable – Level of Customer Satisfaction. In this regards, review of different related reports and literatures on Strategic Market Management, Competitive Advantages, Airline Marketing, and Customer Satisfaction were made. Besides, a structured questionnaire that was developed using David Aaker's Model of SCA was administered using a five- point likert scale: from strongly disagree to strongly agree. Out of the common five-point and seven-point, the five-point likert scale was used for simplicity: to simplify the survey and analysis. Moreover, for the purpose of triangulation, i.e., enhance the credibility and validity of the study, a focus group discussion was held with staff of Ethiopian Airlines to identify three major areas with high and low customer satisfaction.

3.2 Population and Sampling Techniques

The target population of the study was those passengers of Ethiopian Airlines that used Addis Ababa International Airport or Pearson Toronto International Airport. Due to resource related reasons and prior studies sample size, a sample size of 400 passengers was considered for the study. The questionnaires were administered over two weeks period on a non-random basis, i.e., judgmentally selected passengers travelling via Addis Ababa Bole Airport (90%) or Pearson International Airport (10%) while waiting for boarding in Gates on willingness basis. Moreover, information that was gathered during the survey would be kept confidential and only for academic purpose.

3.3 Source and Tools/Instruments of Data Collection

The study used both Primary and secondary data. Primary data was obtained from questionnaire and focus group discussion, whereas secondary data was obtained from different reports. The Questionnaire enhanced collection of large and standardized data and it was developed in English language as most of travelers speak English. The questionnaire (Annex A) had four parts, namely General Information, Determinants of SCA, Level of Customer Satisfaction and Level of Customer Loyalty. Moreover, a focus group discussion was held using questions to know three major customer service areas with high and low customer satisfactions. (Annex B)

3.4 Procedures of Data Collection

To enhance representativeness of the sample, flights were judgmentally selected from all segments, i.e., flights that are mostly full with business travelers (Beijing, Luanda, Dubai), with leisure travelers --Visiting Friends and Relatives, vacationers, etc. (Toronto, Washington DC, Frankfurt). The questionnaires were administered face to face with 400 passengers that are judgmentally selected while travelling via Addis Ababa Bole Airport (90%) and Pearson International Airport (10%) inside Gates. 72 passengers were surveyed on each of Beijing, Luanda, Dubai, Washington DC and Frankfurt and 40 passengers at Toronto. The Survey was made only with passengers that had the will to take part in the study and they were also assured about the confidentiality of the information.

3.5 Methods of Data Analysis

The data collected were analyzed using SPSS version 20 (Annex C) with descriptive statistics: Frequency, mean and standard deviation and inferential statistics: correlation, regression and ANOVA. In addition, qualitative analysis was made for the focus group discussion.

3.6 Reliability and Validity

In order to enhance reliability of the study, a pilot test of the questionnaire was made with 40 passengers at Pearson Toronto International Airport and analysis resulted in a Cronbach's alpha after Cronbach (1951) – a coefficient of internal consistency of 84% that is above the usual acceptable rule of thumb of 70%. Moreover, to enhance validity and credibility of the study, the questionnaire were derived from the adapted model and checked with previous related studies. In addition, questionnaires were also reviewed by management members of Ethiopian Airlines.

3.7 Ethical Consideration

As this study required the participation of human respondents, specifically passengers, certain ethical issues like consent and confidentiality were considered. In order to secure the consent of the selected participants, all important details of the study, including its aim and purpose was relayed. By explaining these important details, the respondents were able to understand the importance of their role in the completion of the research. With this, the participants were not forced to participate in the research. The confidentiality of the participants was also ensured by not disclosing their names or personal information in the research. Only relevant details that helped in answering the research questions were included. Finally, ethical consideration of proper and due referencing and acknowledgement were also made during the entire research process.

CHAPTER FOUR

RESULTS AND DISCUSSION

In this chapter, results of the analysis will be discussed and presented. Data collected through the survey were analyzed quantitatively using SPSS 20 (Annex C). First, the quantitative analysis of the survey will be presented and the qualitative analysis of the focus group discussion will follow. Finally, data triangulation of the two methods of analysis: Qualitative and Quantitative will be made. In order to present the analysis in an organized manner, the analysis will be made in the order of the objectives of the research, i.e.

- Assess the relationship between ways of competition and customer satisfaction,
- Examine the relationship between ET offers and customer satisfaction,
- Assess the relationship between basis of competition and customer satisfaction,
- Assess the relationship between place of competition and customer satisfaction.

4.1 Personal Profile of the Respondents

The survey was distributed to 400 passengers at Addis Ababa International Airport (i.e., passengers going to Beijing, Luanda, Dubai, Washington DC and Frankfurt) and at Pearson Toronto International Airport (i.e., passengers going to Addis Ababa) over two weeks period of time. Out of the 400 questionnaires distributed, 392 were returned and 12 were rejected due to incomplete/inaccurate response and 380 responses were considered for analysis and the response rate was, therefore, 95%.

As shown in Table 2, out of the surveyed passengers, 63% were male passengers whereas 37% were female passengers.

Table 2: Gender Statistics

	Frequency	Percent
Male	239	62.9
Valid Female	141	37.1
Total	380	100.0

Source: Own Survey (2014)

As shown in Table 3, in terms of Age group, passengers below 20 years constitute 12.1% and passengers 61 years and above constitute 7.4%. The rest constitutes 80.5% (i.e., 20 to 40 years – 42.1% and 41-60 years – 38.4%). The table indicates that passengers of Ethiopian Airlines are mainly young.

Table 3: Age Group Statistics

	Frequency	Percent
Below 20	46	12.1
20 to 40	160	42.1
Valid 41-60	146	38.4
61 and above	28	7.4
Total	380	100.0

Source: Own Survey (2014)

In terms of educational level, Table 4, 60% of the passengers were high school graduates and below, whereas 40% of the passengers were above high school (i.e., undergraduate and post graduates)

Table 4: Educational Level Statistics

	Frequency	Percent
Post Graduate	57	15.0
Under Graduate	98	25.8
Valid High School	132	34.7
Below High School	47	12.4
No formal education	46	12.1
Total	380	100.0

Source: Own Survey (2014)

As shown in Table 5, 78.5% of the passengers were either employees (20.3%) or private business persons (58.2%). Students constitute 15.8% whereas housewife/husband constitutes 5.8%.

Table 5: Profession statistics

	Frequency	Percent
Student	60	15.8
Private Business	221	58.2
Valid Employee	77	20.3
House wife/husband	22	5.8
Total	380	100.0

Source: Own Survey (2014)

In simple categories, passengers travel either for business or leisure. The business travel can be self-paid one or corporate sponsored travels. The leisure travel consists of travels for tourism, visiting friends and relatives, vacation, etc. Accordingly, as shown in Table 6, 43.9% of the passengers were travelling for business purpose, whereas 56.1% of the passengers were travelling for leisure (i.e., visiting friends, relatives, vacation, tourism, etc).

Table 6: Reason of Travel statistics

	Frequency	Percent
Business	167	43.9
Valid Leisure (visiting friends, relative, vacation)	213	56.1
Total	380	100.0

Source: own Survey (2014)

As far as frequency (i.e., the number of times the passengers travel) of the passengers is concerned, Table 7, the frequent travelers constitute (i.e., 2 or more times in a month, once in a month and once in every 3 or 6 months) 46.3%, whereas infrequent travelers (i.e., once in a year or more) constitute 53.7%.

Table 7: Frequency of Travel Statistics

	Frequency	Percent
Valid 2 or more times in a month	38	10.0
Once in a month	76	20.0
Once in every 3 or 6 months	62	16.3
Once in a year	149	39.2
Other	55	14.5
Total	380	100.0

Source: Own survey (2014)

Finally, Table 8 shows that 39% of the passengers surveyed were frequent travelers of Ethiopian, whereas 60.8% of the passengers frequently fly with other airlines, see Table 8 below.

Table 8: Airline Choice Statistics

	Frequency	Percent
Valid Ethiopian Airlines	149	39.2
Other Airlines	231	60.8
Total	380	100.0

Source: Own survey (2014)

4.2 Quantitative Analysis: Descriptive Statistics

4.2.1. The Way Ethiopian Airlines Competes

As it is shown in Table 9, the survey shows that passengers of Ethiopian have rated the way Ethiopian Airlines competes in the industry as above average. In fact, areas like modern fleet and seat configuration are rated higher, whereas airport and reservations services are rated lower.

Table 9: Elements of the way ET competes

	N	Mean	Std. Deviation
ET has modern Fleet	380	3.88	.829
Convenient Seat configuration	380	3.66	.696
Efficient Customers Services	380	3.58	.897
Automated services	380	3.56	.562
Standard meal services	380	3.56	.898
Convenient Departure Times	380	3.53	.940
Good online services	380	3.49	.565
Good In-Flight Services	380	3.48	1.013
Short Connection at Addis	380	3.32	.914
Ontime Flights	380	3.28	.923
Alternative Dates of Travel (Frequency)	380	3.25	.758
Good Travel Agency Services	380	3.24	.821
Differentiated svc btn Y and C9	380	3.24	.788
Good Reservations Services	380	3.18	.746
Good Airport Services	380	3.15	.788
Valid N (listwise)	380	3.43	.810

Source: Own Survey (2014)

4.2.2 Basis of Competition (Assets and Components)

As shown in Table 10, Passengers have rated basis of competition (assets and components) of Ethiopian Airlines above average. Specifically, areas like putting customers first, excellent service delivery and strong brand are rated higher, whereas areas like cost effective service and proficient service delivery are rated lower.

Table 10: Elements of Basis of ET's competition

	N	Mean	Std. Deviation
Putting Customers First	380	3.72	.985
Excellent Service Delivery	380	3.57	.921
Strong Brand	380	3.54	.928
Strong Leadership on customer service	380	3.48	1.013
Proficient service delivery	380	3.43	.593
Cost Effective Service	380	3.24	.821
Valid N (listwise)	380	3.50	.880

Source: Own survey (2014)

4.2.3 What Ethiopian Airlines Offer: Value Propositions

As shown in Table 11, Passengers have rated value propositions of Ethiopian Airlines above average. Specifically, meal/beverage quality and convenient schedule were rated higher, whereas areas like help/care of customers, in-flight comfort and in-flight entertainment are rated lower.

Table 11: Elements of ET's offers

	N	Mean	Std. Deviation
Meal/beverage quality	380	3.64	.548
Convenient schedule	380	3.62	.680
Staff interaction with customers	380	3.31	.690
Credible Staff	380	3.20	.630
Social Status	380	3.12	.668
Personalized Service	380	3.06	.526
Sense of Family	380	3.03	.555
Best Value for Money	380	3.03	.973
In-flight entertainment	380	3.01	.652
In-flight comfort	380	2.98	.669
Help/care of Customers	380	2.97	.634
Valid N (listwise)	380	3.18	.660

Source: Own survey (2014)

4.2.4 Where Ethiopian Competes

As shown in Table 12, passengers have rated where Ethiopian competes as above average. Specifically, Ethiopian airlines network is rated, whereas flying to new destination ahead of competition is rated lower.

Table 12: Elements of where ET competes

	N	Mean	Std. Deviation
Wide Network	380	3.60	.668
Satisfying customer needs	380	3.36	.481
Flying to new destination ahead of Competition	380	2.99	.676
Valid N (listwise)	380	3.32	.610

Source: Own Survey (2014)

4.2.5 Level of Customer Satisfaction

As shown in Table 13, Passengers have rated general level of satisfaction above average. Specifically, areas like general satisfaction and experience above expectation were rated higher, whereas more customer benefits and customer friendliness were rated lower.

Table 13: Elements of Customer Satisfaction

	N	Mean	Std. Deviation
General Satisfaction	380	3.65	.682
Above expectation experience	380	3.53	.694
Recommend others to fly	380	3.44	.620
Customer Friendliness	380	3.30	.764
More customer benefits than other airlines	380	3.26	.543
Valid N (listwise)	380	3.44	.660

Source: Own Survey (2014)

4.2.6 Level of Customer Loyalty

As shown in Table 14, Passengers have rated level of customer loyalty above average. Specifically, areas like general loyalty and tendency towards loyalty membership were rated higher, whereas areas like following up development at ET and giving complaints to Ethiopian directly were rated lower.

Table 14: Elements of Loyalty

	N	Mean	Std. Deviation
Loyal to Ethiopian Airlines	380	3.69	.791
I am/will be a member of loyalty program/Shebamiles	380	3.58	.867
Always flying Ethiopian	380	3.47	.622
Give complaints to Ethiopian, if any	380	3.43	.739
Follow up development at Ethiopian	380	3.41	.603
Valid N (listwise)	380	3.52	.720

Source: Own survey (2014)

4.3 Quantitative Analysis: Inferential Statistics

As shown in Table 15, the internal consistency of the instrument was tested with a sample of 40 passengers surveyed at Toronto Pearson International Airport and the result was acceptable as the cronbach's alpha value is above the acceptable rate of 0.700, Cronbach (1951).

Table 15: Instrument Reliability Test

Determinants	Cronbach's Alpha	Number of Items
The Way ET Competes	.831	15
Basis of Competition	.789	6
What ET offers	.891	11
Where ET Competes	.861	3
Level of Satisfaction	.864	5
Level of Customer Loyalty	.795	5
All Elements	.842	45

Source: Own Survey (2014)

4.3.1 Pearson Correlation

The relationship between determinants of sustainable competitive advantages and customer satisfaction are analyzed with Pearson correlations coefficient. The independent variables are the determinants of SCA, namely the way ET competes, What ET offers, Basis of Competition/ET's Assets and Competencies and Where ET competes and the dependent variable is level of customer satisfaction. The analysis showed that there are correlations between determinants of SCA and customer satisfaction.

However, as shown in Table 16, the strength of the relationship in all the four variables is not strong as the values are below 0.5. As per the rule of thumb guideline popularized by Jacob Cohen (1988), the relationship is judged as weak, moderate or strong based on values shown below

- .100 to .290 is weak relationship
- .300 to .490 is moderate relationship
- .500 and above is strong relationship

Table 16: Pearson Correlation between determinants of SCA and Customer Satisfaction

		The Way Ethiopian Competes	Basis of Competition	What Ethiopian Airlines Offer	Where Ethiopian Competes	Level of Customer Satisfaction
The Way Ethiopian Competes	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	380				
Basis of Competition	Pearson Correlation	.503 ^{**}	1			
	Sig. (2-tailed)	.000				
	N	380	380			
What Ethiopian Airlines Offer	Pearson Correlation	.251 ^{**}	.071	1		
	Sig. (2-tailed)	.000	.166			
	N	380	380	380		
Where Ethiopian Competes	Pearson Correlation	.093	.072	.294 ^{**}	1	
	Sig. (2-tailed)	.072	.159	.000		
	N	380	380	380	380	
Level of Customer Satisfaction	Pearson Correlation	.353 ^{**}	.401 ^{**}	.232 ^{**}	.182 ^{**}	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	380	380	380	380	380

Source: Own survey (2014)

4.3.2 Regression Analysis

In order to enhance the regression analysis, collinearity statistics was tested. VIF (variance Inflation Factor) measures multicollinearity, that is whether the independent variables are highly correlated or not. If correlated, their significance on the dependent variable will be affected. As the value of VIF shown in Table 17, it is not five and above, the variables are not highly correlated and hence the regression analysis will see clearly the significance of the coefficients on the dependent variable, Cohen (1988).

Table 17: Collinearity Statistics

Model	Unst. Coefficients		St. Coefficients	t	Sig.	Collinearity	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.977	.278		3.515	.000		
The Way Ethiopian Competes	.150	.053	.154	2.844	.005	.701	1.427
Basis of Competition	.240	.041	.306	5.807	.000	.742	1.348
What Ethiopian Airlines Offer	.235	.082	.141	2.872	.004	.858	1.165
Where Ethiopian Competes	.107	.049	.104	2.192	.029	.911	1.098

a. Dependent Variable: Level of Customer Satisfaction

The Way ET Competes

The variation of the dependent variable, i.e., Level of Customer Satisfaction is explained by the elements of the Way ET competes – 15 predictors shown below. The value of R Square, .489 can be expressed in percentage terms as 48.9% of the variance of the dependent variable was explained by the predictors (elements of the way ET competes). The value of R, .700 shows that the correlation between 15 predictors (elements) of the Way ET competes and level of customer satisfaction is strong.

Using the ANOVA, the statistical significance of the results can be seen. Accordingly, the independent variable significantly predicts level of customer satisfaction, $F = 23.3$ and $P < .000$. Thus, the null hypothesis: There is no positive relationship between the way ET competes and level of customer satisfaction is rejected.

The relationship of the elements with level of satisfaction is explained. Using the standard coefficients, In general, 10 elements have positive relationship and five have negative relationships, i.e, modern fleet and seat configuration (most likely due to fear of technology), short connection (most likely due to stress of missing connection), reservations office (due to raising expectations by reserving seats, meals) and in-flight

services (most likely due to need of no interruption). Out of elements, the highest predictors are departure times, airport services and online services, Table 18.

Table 18: Coefficients of elements of the way ET competes

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.541	.198		7.771	.000
ET has modern Fleet	-.134	.044	-.224	-3.016	.003
Convenient Seat configuration	-.074	.051	-.103	-1.457	.146
Differentiated svc btn Y and C9	.037	.033	.059	1.127	.261
Alternative Dates of Travel (Frequency)	.132	.038	.202	3.500	.001
Convenient Departure Times	.268	.038	.508	7.056	.000
Short Connection at Addis	-.350	.141	-.644	-2.473	.014
Ontime Flights	.104	.134	.194	.780	.436
Good Reservations Services	-.561	.084	-.844	-6.692	.000
Good Airport Services	.503	.105	.798	4.795	.000
Good In-Flight Services	-.196	.058	-.400	-3.399	.001
Standard meal services	.162	.097	.294	1.673	.095
Automated services	.015	.105	.017	.143	.886
Efficient Customers Services	.161	.093	.291	1.732	.084
Good online services	.450	.114	.512	3.952	.000
Good Travel Agency Services	.033	.104	.055	.318	.751

a. Dependent Variable: Level of Customer Satisfaction

Source: Own Survey (2014)

The Basis of Competition: Assets and Components

The variation of the dependent variable, i.e., Level of Customer Satisfaction is explained by the elements of the basis of competition – 6 predictors shown below. The value of R Square, .396 can be expressed in percentage terms as 39.6% of the variance of the dependent variable is explained by the predictors (elements of the basis of competition). The value of R, .630 shows that the correlation between 6 predictors (elements) of the basis of competition and customer satisfaction is strong.

Using the ANOVA Table, the statistical significance of the results can be seen. Accordingly, the independent variable significantly predicts level of customer satisfaction, $F = 40.84$ and $P < .000$. Thus, the Null hypothesis: There is no positive relationship between basis of competition and level of customer satisfaction is rejected.

The relationship of the elements of the basis of competition with level of satisfaction is explained. Using the standardized coefficients, four elements have positive relationships and two have negative relationships: strong leadership and service delivery (most likely due to wrong perception of leadership and service delivery). Out of the elements, the highest predictors are strong brand, putting customers first and proficient service, Table 19

Table 19: Coefficients of the Basis of Competition

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.568	.158		9.936	.000
Strong Brand	.230	.061	.431	3.789	.000
Cost Effective Service	.078	.025	.129	3.075	.002
Putting Customers First	.221	.027	.439	8.049	.000
Proficient service delivery	.341	.039	.407	8.742	.000
Strong Leadership on customer service	-.036	.036	-.074	-1.010	.313
Excellent Service Delivery	-.299	.056	-.554	-5.381	.000

a. Dependent Variable: Level of Customer Satisfaction

Source: Own Survey (2014)

What Ethiopian Airlines Offer: Value Propositions

The variation of the dependent variable, i.e., Level of Customer Satisfaction will be explained by the elements of ET's offer: Value propositions – 11 predictors shown below. The value of R Square, .455 can be expressed in percentage terms as 45.5% of the variance of the dependent variable was explained by the predictors (elements of the ET's offer: value profession). The value of R, .675 shows that the correlation between 11 predictors (elements) of the ET's offer is strong.

Using the ANOVA, the statistical significance of the results can be seen. Accordingly, the independent variable significantly predicts level of customer satisfaction, $F = 27.94$ and $P < .000$. Thus, the Null hypothesis: There is no positive relationship between ET's offer: value propositions and level of customer satisfaction is rejected.

The relationship of the elements of the ET's offer: Value propositions with level of satisfaction is explained. Using standardized coefficients, In general, seven elements have positive relationships and four have negative relationships: help/care of staff and credible staff (due to wrong perception of role of staff), best value for money (taking it expensive

or cheap) and in-flight comfort (fear of technology). Out of the elements, the highest predictors are convenient schedule and social status, Table 20.

Table 20: Coefficient of ET’s offer: Value Propositions

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.105	.320		6.582	.000
Best Value for Money	-.021	.021	-.041	-.987	.324
In-flight comfort	-.058	.033	-.079	-1.750	.081
Meal/beverage quality	.034	.042	.038	.811	.418
In-flight entertainment	.084	.038	.110	2.234	.026
Convenient schedule	.341	.037	.467	9.346	.000
Staff interaction with customers	.046	.035	.064	1.319	.188
Sense of Family	.182	.040	.203	4.565	.000
Social Status	.214	.038	.288	5.680	.000
Personalized Service	.028	.052	.029	.538	.591
Help/care of Customers	-.330	.041	-.422	-8.056	.000
Credible Staff	-.164	.042	-.208	-3.932	.000

a. Dependent Variable: Level of Customer Satisfaction

Source: Own survey (2014)

Where Ethiopian Competes

The variation of the dependent variable, i.e., Level of Customer Satisfaction will be explained by the elements of Where ET competes –3 predictors shown below. The value of R Square, .222 can be expressed in percentage terms as 22.2% of the variance of the dependent variable was explained by the predictors (elements of the where ET competes). The value of R, .471 shows that the correlation between 3 predictors (elements) of the ET’s offer is moderate.

Using the ANOVA, the statistical significance of the results can be seen. Accordingly, the independent variable significantly predicts level of customer satisfaction, $F = 35.79$ and $P < .000$. Thus, the Null hypothesis: There is no positive relationship between where ET competes and level of customer satisfaction is rejected.

The relationship of the elements of where ET competes with level of satisfaction is explained. In general, two elements have positive relationships. Wide network has negative relationship (most likely preferring frequency – no of times instead of number of destinations). Out of these, the highest predictor was satisfying customer, Table 21.

Table 21: Coefficient of Where ET competes

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.027	.187		10.812	.000
1 Flying to new destination ahead of Competition	.145	.038	.198	3.795	.000
Wide Network	-.066	.035	-.089	-1.908	.057
Satisfying customer needs	.360	.055	.349	6.559	.000

a. Dependent Variable: Level of Customer Satisfaction

Source: Own Survey (2014)

In Summary, the below hypotheses formulated to establish relationship between determinants of SCA and customer satisfaction are all accepted as per the regression analysis.

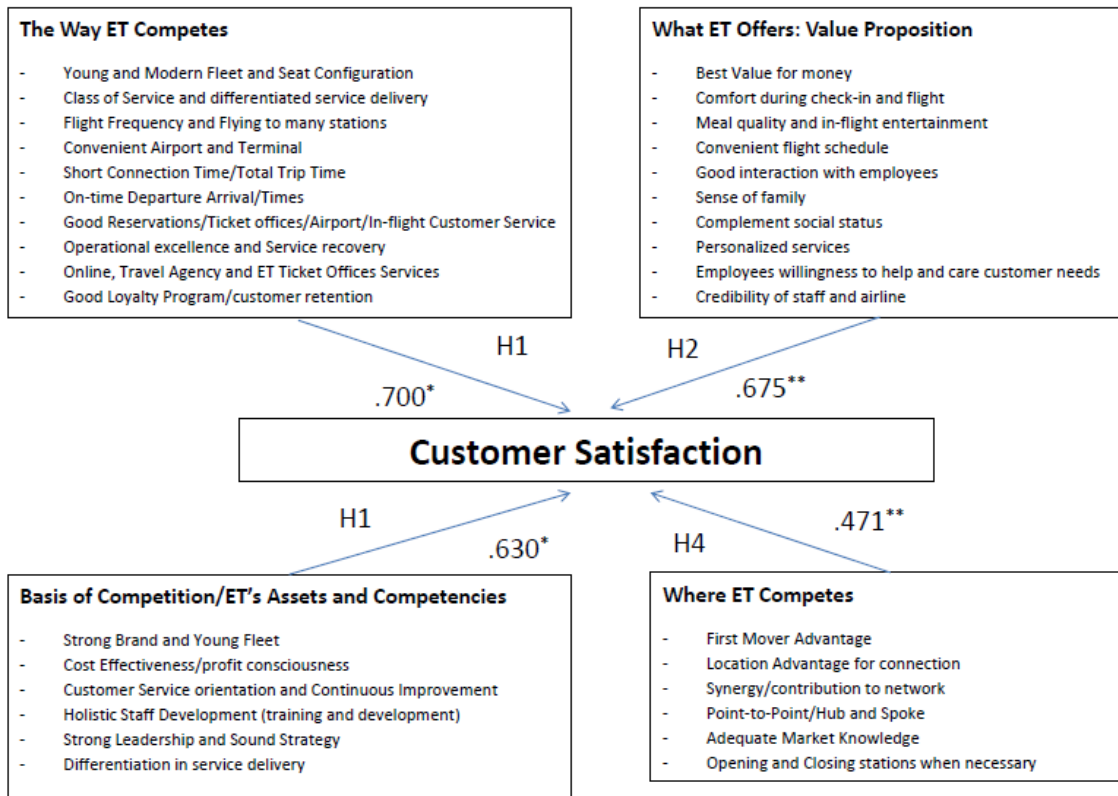
H1: There is a positive relationship between the way ET competes and Customer Satisfaction.

H2: There is a positive relationship between ET's offers and Customer Satisfaction.

H3: There is a positive relationship between ET's Basis of competition and Customer Satisfaction.

H4: There is a positive relationship between where ET competes and Customer Satisfaction

Figure 4: The relationship between SCA and Customer Satisfaction



Source: Own Survey (2014)

4.4 Focus Group Discussion Analysis

The findings of the focus group discussion held with 10 staff of various divisions of the company showed that modern fleet, brand and network are the major and high customer satisfaction areas, whereas reservations/airport service, baggage service and general information giving are low customer satisfaction areas.

4.5 Data Triangulation

The quantitative analysis made with SPSS was complemented with qualitative analysis of the Focus Group Discussion. Accordingly, the findings were in congruent and complementary, in fact the focus group discussion strengthened the findings of the quantitative analysis and identified additional areas for improvement: Baggage service and general information giving.

In summary, Brand, modern and young fleet and Network are identified as Sustainable Competitive advantages and these might have been phenomenal in helping the success of Ethiopian, of course with other factors. The SCAs can be seen from the light of the literature review. As shown in the literature review, the David Aaker model of Determinants of SCA includes both sources of competitive advantages: Resource-Based view and Market-Based View as the four determinants include variables relating to resources/capabilities as well as variables related to the market as explained by Porter's Five Forces. The identified SCAs of ET also fulfill the criteria of the resource based SCAs: Superiority, inimitability, durability, appropriability and substitutability. In addition, the two strategies of Ethiopian: Cost Leadership and differentiation in delivery can also be taken care by these SCAs as they are helping the airline in bringing cost down, i.e., 787 aircraft is known for saving fuel while giving a pleasant cabin experience to customers.

In light of the prior studies on Singapore Airways and Ethiopian Airlines, the findings are in tandem as efficiency and customer service helped Singapore in its above-average return. Moreover, the findings of Wondwosen (2012) as factors for success of Ethiopian – safety, direct services, convenient schedules, frequency of flights and price and the findings of Temesgen (2013) – social and psychological benefits as main factors for satisfaction and loyalty.

In general, the findings of the study showed that Ethiopian has SCA mainly from the way of completion, basis of competition and ET offers. The SCA from where it competes is less and this might need to be worked on in the future. Hence, fleet, network are SCA from the way of competition, brand is SCA from basis of competition and convenient flight schedule is from ET offers. There is no as such SCA from where ET competes but location advantage is a potential area for SCA.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter will summarize findings, make conclusive remarks and formulates recommendations in order Ethiopian to keep on performing well.

5.1 Summary

In the study, the findings are 60% of the passengers were males, while 40% are females. Demographically, majority of Ethiopian Customers are young and educated (i.e., 75.5% High School and above). 58% of the passengers run their own businesses/traders, 20% were employees, 16% were students and 6% were housewife/husbands. In terms of purpose of travel, 44% of the passengers were traveling for their business and 56% were travelling for leisure (i.e., visiting friends, relatives, and vacations). In light of frequency of travel, 46% were frequent travelers and 54% were infrequent travelers (i.e., travel once in a year or two). Finally, 39% of the passengers were frequent travelers on Ethiopian, whereas 61% were frequent travelers on other airlines.

There is positive relationship between determinants of SCA and customer Satisfaction, specifically, Moderate positive relationship between the way ET competes and level of Customers Satisfaction and Basis of competition and level of customer satisfaction were found, whereas weak positive relationship between Where ET competes and level of customer satisfaction and What ET offers and level of customer satisfaction were found. From the way of competition, modern fleet and seat configuration were high customer satisfaction areas, whereas airport and reservations areas were low customer satisfaction areas. Moreover, departure Times and Airport service were good predictors of customer satisfaction from elements of the Way ET competes.

In light of basis of competition, customer first and service delivery and brand were high customer satisfaction areas, whereas, proficient service as low customer satisfaction areas. Moreover, brand was a good predictor of customer satisfaction from elements of the Basis of Competition.

From ET offers, meal and beverage quality and convenient schedule were high customers satisfaction areas, whereas, help/care and in-flight entertainment were low customer satisfaction areas. Moreover, Schedule convenience was a good predictor from elements of ET's offers. Finally, from where ET competes, Network was high customer satisfaction area, whereas, new destination was low customer satisfaction area. Moreover, satisfying customer was a good predictor from elements of where ET competes.

From level of customer satisfaction, service experience was found to be above expectation, whereas areas like more benefits to customers and friendliness were problems on the level of customer satisfaction and tendency of loyalty to ET was also found but reservation was found on giving compliments directly to Ethiopian. Moreover, there were satisfied passengers who could have been turned into loyal customers.

The focus group discussion identified Modern fleet, brand and network were good customer satisfaction areas, whereas Airport service, baggage service and general information giving were not good customer satisfaction areas.

5.2 Conclusion

In the analysis, it was found that there are positive relationship between determinants of Sustainable competitive advantages and level of customer satisfactions.

From the Way ET Competes, Modern fleet and seat configuration were high customer satisfaction areas, whereas airport and reservations areas were low customer satisfaction areas. Moreover, departure Times and Airport service are critical for determination of level of customer satisfaction. Besides, from the basis of Competition: Brand was a high customer satisfaction areas, whereas, proficient service delivery was a low customer satisfaction area. Moreover, brand was also detrimental in determining level of customer satisfaction.

From ET's Offers, Meal and beverage quality and convenient schedule were high customer satisfaction areas, whereas, help/care and in-flight entertainments were low customer satisfaction areas. Moreover, Schedule convenience was a critical factor in determining the level of customer satisfaction. Finally, from where ET competes, Network was high customer satisfaction area, whereas, new destination was low customer satisfaction area. Moreover, satisfying customer was obviously critical in determining the level of customer satisfaction.

As far as level of customer satisfaction is concerned, Service experience was found to be above expectation, whereas areas like more benefits to customers and friendliness were problems on the level of customer satisfaction. Tendency of loyalty to ET was also found but reservation was found on giving compliments directly to the airlines. Finally, there were satisfied passengers who could have been turned into loyal customers

Regarding low customer satisfaction areas are concerned, airport service, Reservations Service, In-Flight Entertainment, baggage service and general information giving were not good customer satisfaction areas and these need to be worked on in order for Ethiopian to keep on shining in the airline industry.

Finally,It can be fairly concluded that Ethiopian Airlines has the following as its Sustainable Competitive Advantages:

- Brand
- Young and Modern Fleet
- Network

5.3 Recommendations

In light of the above summary of findings and conclusions, the following are recommended. Ethiopian Airlines management needs to account the demography of its customers and their educational level in all its marketing and sales activities, i.e., addressing young educated business people, e.g., online advertising, online booking, etc. In addition, Management needs to work seriously on convenience of departure times and airport service as they are critical in gauging level of customer satisfaction. Besides, Meal and beverage quality and schedule convenience need to be enhanced so that they will continue as customer satisfaction areas.

In-flight entertainment and general help/care to be worked on as they were customer dissatisfaction areas. Moreover, opening of new destinations was not a customer satisfaction area despite the airlines immense growth and same to be communicated to customers in terms of publicity.

Customers experience was above expectations and same to continue, i.e., manage expectations and level of customer service to keep on satisfying and even delighting customers. Besides, management to keep on encouraging customers to give complaints more to the airline as the tendency of loyalty of customers was very high. Likewise, management to work on converting customers to loyal ones as the number of satisfied customers was found out to be high.

Low customer satisfaction areas like Airport service, Reservations Service, In-Flight Entertainment, baggage service and general information giving need to get special attention from management so that they would converted to customer satisfaction areas.

Finally, Management of Ethiopian Airlines need to consider that Brand, modern and young fleet and Network as Sustainable Competitive advantages and the SCAs might have been phenomenal in helping the success of the airlines, of course with other factors. The SCAs need to be maintained and enhanced while also working on other areas to have more SCAs.

5.4 Limitations of the Study

The limitations of the study and directions for future research are a small sample size of 400 passengers, only from six judgmentally taken flights of Ethiopian Airlines, and other airlines passengers were not surveyed.

Hence making generalization to the industry level might be questionable. Further study on same by addressing the limitations of the study might give better insight to the subject under study.

5.5 Further Area of Study

Potential areas for further study for researcher interested on the topic are the impact of Ethiopian Airlines skilled and experienced staff on level of customer satisfaction and the impact of Ethiopian Airlines business processes on level of customer satisfaction.

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Appendix A

A Survey on the Relationship between Determinants of Sustainable Competitive Advantages and Customer Satisfaction and Loyalty

(To be filled by customers)

Dear Respondents,

I am conducting a research which shall be submitted in partial fulfillment of the requirements for Masters Degree in Marketing Management. The purpose of this study is to assess the relationship between determinants of Sustainable Competitive advantages and customer satisfaction with a case study of Ethiopian Airlines. Therefore, this is to kindly request you to take some of your precious time to fill the questionnaire at your convenience. Your honest and accurate response will make this study more valuable. Your responses are only meant for academic purpose and will be kept confidential. So, please read it carefully and give your opinion. The questionnaire will take about 20 minutes.

Thank you in advance for your time!

Nigusu Worku

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PART I: GENERAL INFORMATION

Direction: Please use a tick mark \surd in the box of your best choice against each question

1. What is your Gender: Male _____ Female _____
2. What is your age group:
 - A. Below 20 _____
 - B. 20 – 40 _____
 - C. 41 – 60 _____
 - D. 61 and Above _____
3. What is your educational level
 - A. Undergraduate _____
 - B. Post Graduate _____
 - C. High School Graduate _____
 - D. Below High School _____
 - E. No formal education _____
4. What is your profession?
 - A. Student _____
 - B. Private Business _____
 - C. Company/Government Employee _____
 - D. Housewife/househusband _____
5. What is your primary reason of Travel
 - A. Business _____
 - B. Leisure (Visiting friends, relatives, vacation) _____
6. How often do you Travel
 - A. Two or more times a month _____
 - B. Once in a month _____
 - C. Once every three/six months _____
 - D. Once in a year _____
 - E. Other _____
7. Which airline are you flying with frequently
 - A. Ethiopian Airlines _____
 - B. Other Airlines _____

PART II: DETERMINANTS OF SUSTAINABLE COMPETITIVE ADVANTAGES

Direction: You are required to choose an appropriate response category by encircling the number against each statement given on a 5-point likert scale where (1=strongly disagree; 2=Disagree; 3=Neutral; 4= Agree and 5= Strongly Agree)

No	Possible Determinants of Sustainable Competitive Advantages	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
A	The WAY Ethiopian Airlines Competes					
1.	Ethiopian Airlines has modern fleet	1	2	3	4	5
2.	Seat configuration space is convenient	1	2	3	4	5
3.	Ethiopian gives reasonably differentiated services between Economy and Business Class Services	1	2	3	4	5
4.	Ethiopian gives you alternative dates of travel (the flight frequencies are convenient)	1	2	3	4	5
5.	Flight departure times are convenient	1	2	3	4	5
6.	Ethiopian has a short connection at Addis Hub	1	2	3	4	5
7.	Ethiopian Airlines flight are mostly ontime	1	2	3	4	5
8.	Reservations services are very good	1	2	3	4	5
9.	Airport Services are very good	1	2	3	4	5
10.	In-Flight Services are very good	1	2	3	4	5
11.	Ethiopian meal services are up to international standard	1	2	3	4	5
12.	Ethiopian avails automated services	1	2	3	4	5
13.	Ethiopian airlines has efficient customer service process	1	2	3	4	5
14.	Ethiopian avails good online services	1	2	3	4	5
15.	Ethiopian gives very good services via travel agencies	1	2	3	4	5
B	Basis of Competition (Assets and Components)	1	2	3	4	5
16.	Ethiopian Airlines has a strong brand	1	2	3	4	5

17.	Ethiopian gives cost effective very good services	1	2	3	4	5
18.	Ethiopian Airlines puts customers first	1	2	3	4	5
19.	Ethiopian Airlines staff are proficient in service delivery	1	2	3	4	5
20.	Ethiopian Airlines has a strong leadership that works on customer satisfaction	1	2	3	4	5
21.	Ethiopian excels in service delivery, e.g., In-Flight Service friendliness, smile, etc compared to other airlines	1	2	3	4	5
C	What Ethiopian Airlines Offer: Value Propositions					
22.	Ethiopian gives best value for money	1	2	3	4	5
23.	Ethiopian gives comfort during in-flight	1	2	3	4	5
24.	Meal and beverage quality is very good	1	2	3	4	5
25.	In-Flight entertainment is very good	1	2	3	4	5
26.	Ethiopian has a convenient schedule	1	2	3	4	5
27.	Ethiopian employees interact very well with customers	1	2	3	4	5
28.	Ethiopian employees accord a sense of family	1	2	3	4	5
29.	Ethiopian services complements with your social status	1	2	3	4	5
30.	Ethiopian gives a personalized service	1	2	3	4	5
31.	Ethiopian employees are willing to help and take care of customers	1	2	3	4	5
32.	Ethiopian airlines has credible staff	1	2	3	4	5
D.	Where Ethiopian Competes					
33.	Ethiopian flies to destinations mostly ahead of the competition	1	2	3	4	5
34.	Ethiopian has a wide flight network	1	2	3	4	5
35.	Ethiopian satisfies customer needs	1	2	3	4	5

PART III: LEVEL OF CUSTOMER SATISFACTION

Direction: You are required to choose an appropriate response category by encircling the number against each statement given on a 5-point likert scale where (1=strongly disagree; 2=Disagree; 3=Neutral; 4= Agree and 5= Strongly Agree)

No	Customer Satisfaction	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1.	Generally, I am very satisfied with the Airline	1	2	3	4	5
2.	My experience with the airline is above my expectation	1	2	3	4	5
3.	I will recommend others to fly Ethiopian	1	2	3	4	5
4.	The airline is customer friendly	1	2	3	4	5
5.	The airlines gives more benefits to its customers than competition	1	2	3	4	5

PART IV: LEVEL OF CUSTOMER LOYALTY

Direction: You are required to choose an appropriate response category by encircling the number against each statement given on a 5-point likert scale where (1=strongly disagree; 2=Disagree; 3=Neutral; 4= Agree and 5= Strongly Agree)

No	Customer Loyalty	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1.	I will take Ethiopian for all my flights	1	2	3	4	5
2.	I will consider myself as a loyal customer of Ethiopian	1	2	3	4	5
3.	I will give complaints directly to Ethiopian	1	2	3	4	5
4.	I will follow up developments at Ethiopian	1	2	3	4	5
5.	I am/will be a member of loyalty program (ShebaMiles)	1	2	3	4	5

Thank you for your Time!

Appendix B

A Focus Group Discussion on the Relationship between Determinants of Sustainable Competitive Advantages and Customer Satisfaction and Loyalty

(To Participants)

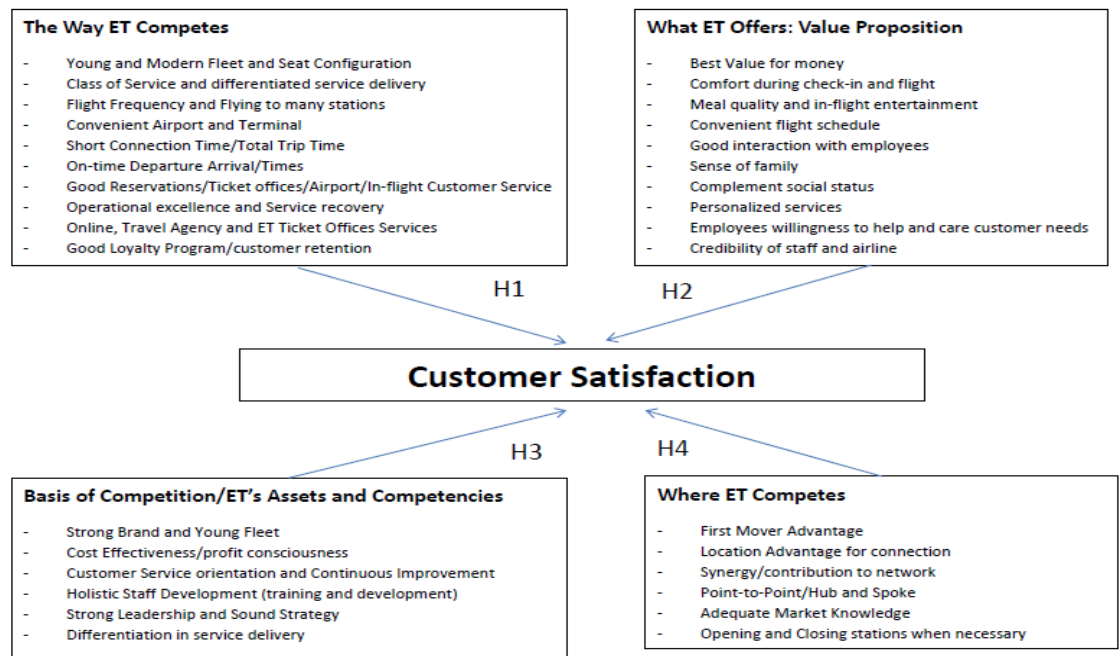
Dear Participants,

I am conducting a research which shall be submitted in partial fulfillment of the requirements for Masters Degree in Marketing Management. The purpose of this study is to assess the relationship between determinants of Sustainable Competitive advantages and customer satisfaction with a case study of Ethiopian Airlines. I am already conducting a survey with 400 passengers and this focus group discussion will be analyzed with the findings of the survey so that I will compare and contrast the findings of the survey and the focus group discussion. Therefore, this is to kindly request your active participation in the discussion in order to identify three major customer satisfaction and three major customer dissatisfaction areas and hence management can note same and work on the areas, i.e., maintain and enhance the customer satisfaction areas and improve the dissatisfaction areas. In this regards, I will lead the discussion by giving you first introductory remarks about the Model (conceptual Framework) I adopted for the survey and the points in the model.

Thank you in Advance for your time!

Introductory Remarks

- Components of SCA:** Aaker and McLoughlin (2007, pp 141-144) defined SCA as an element or combination of elements of the business strategy that provided a meaningful advantage over both existing and future competitors. Moreover Key Success Factors (KSF) is defined as analogous to either to Points of Parity (POP) or Points of Difference (POD). POPs are associations that are not necessarily unique by businesses, whereas PODs are strong, favorable, and unique brand associations based on some attributes or benefit associations. Hence, an SCA is analogous to a POD. Components of SCA consist of a) The Way you Compete which is a strategy: product strategy, positioning strategy, manufacturing strategy and distribution strategy, b) The Basis of Competition which are assets and components which are most sustainable elements of a business strategy that are usually difficult to copy, c) What you Offer – The value proposition which is a position in terms of functional, social and psychological benefits and d) Where you Compete –this is about choice of the target market.
- Conceptual Framework**



Questions

- **What are the three major customer satisfaction areas that you think helped our airlines to succeed in the fierce competition in our industry?**
 - _____
 - _____
 - _____

- **What are the three major customer dissatisfaction areas that you think need to be improved in order for the airline to keep on succeeding in the industry?**
 - _____
 - _____
 - _____

Conclusive Remarks

- **Identification of three major customer satisfaction and dissatisfaction areas?**

Appendix C

SPSS Analysis Output

Frequencies

Statistics

Gender

N	Valid	380
	Missing	0

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	239	62.9	62.9	62.9
	Female	141	37.1	37.1	100.0
	Total	380	100.0	100.0	

Statistics

Age Group

N	Valid	380
	Missing	0

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	46	12.1	12.1	12.1
	20 to 40	160	42.1	42.1	54.2
	41-60	146	38.4	38.4	92.6
	61 and above	28	7.4	7.4	100.0
	Total	380	100.0	100.0	

Statistics

Educational Level

N	Valid	380
	Missing	0

Educational Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Post Graduate	57	15.0	15.0	15.0
	Under Graduate	98	25.8	25.8	40.8
	High School	132	34.7	34.7	75.5
	Below High School	47	12.4	12.4	87.9
	No formal education	46	12.1	12.1	100.0
	Total	380	100.0	100.0	

Statistics

Profession

N	Valid	380
	Missing	0

Profession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	60	15.8	15.8	15.8
	Private Business	221	58.2	58.2	73.9
	Employee	77	20.3	20.3	94.2
	House wife/husband	22	5.8	5.8	100.0
	Total	380	100.0	100.0	

Statistics

Reason of Travel

N	Valid	380
	Missing	0

Reason of Travel

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	167	43.9	43.9	43.9
	Leisure (visiting friends, relative, vacation)	213	56.1	56.1	100.0
	Total	380	100.0	100.0	

Statistics

Frequency of Travel

N	Valid	380
	Missing	0

Frequency of Travel

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2 or more times in a month	38	10.0	10.0	10.0
	Once in a month	76	20.0	20.0	30.0
	Once in every 3 or 6 months	62	16.3	16.3	46.3
	Once in a year	149	39.2	39.2	85.5
	Other	55	14.5	14.5	100.0
	Total	380	100.0	100.0	

Statistics

Airline that you use Frequently

N	Valid	380
	Missing	0

Airline that you use Frequently

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ethiopian Airlines	149	39.2	39.2	39.2
	Other Airlines	231	60.8	60.8	100.0
	Total	380	100.0	100.0	

Descriptive Statistics

	N	Mean	Std. Deviation
ET has modern Fleet	380	3.88	.829
Convenient Seat configuration	380	3.66	.696
Efficient Customers Services	380	3.58	.897
Automated services	380	3.56	.562
Standard meal services	380	3.56	.898
Convenient Departure Times	380	3.53	.940
Good online services	380	3.49	.565
Good In-Flight Services	380	3.48	1.013
Short Connection at Addis	380	3.32	.914
Ontime Flights	380	3.28	.923
Alternative Dates of Travel (Frequency)	380	3.25	.758
Good Travel Agency Services	380	3.24	.821
Differentiated svc btn Y and C9	380	3.24	.788
Good Reservations Services	380	3.18	.746
Good Airport Services	380	3.15	.788
Valid N (listwise)	380		

Descriptive Statistics

	N	Mean	Std. Deviation
Putting Customers First	380	3.72	.985
Excellent Service Delivery	380	3.57	.921
Strong Brand	380	3.54	.928
Strong Leadership on customer service	380	3.48	1.013
Proficient service delivery	380	3.43	.593
Cost Effective Service	380	3.24	.821
Valid N (listwise)	380		

Descriptive Statistics

	N	Mean	Std. Deviation
Meal/beverage quality	380	3.64	.548
Convenient schedule	380	3.62	.680
Staff interaction with customers	380	3.31	.690
Credible Staff	380	3.20	.630
Social Status	380	3.12	.668
Personalized Service	380	3.06	.526
Sense of Family	380	3.03	.555
Best Value for Money	380	3.03	.973
In-flight entertainment	380	3.01	.652
In-flight comfort	380	2.98	.669
Help/care of Customers	380	2.97	.634
Valid N (listwise)	380		

Descriptive Statistics

	N	Mean	Std. Deviation
Wide Network	380	3.60	.668
Satisfying customer needs	380	3.36	.481
Flying to new destination ahead of Competition	380	2.99	.676
Valid N (listwise)	380		

Descriptive Statistics

	N	Mean	Std. Deviation
General Satisfaction	380	3.65	.682
Above expectation experience	380	3.53	.694
Recommend others to fly	380	3.44	.620
Customer Friendliness	380	3.30	.764
More customer benefits than other airlines	380	3.26	.543
Valid N (listwise)	380		

Descriptive Statistics

	N	Mean	Std. Deviation
Loyal to Ethiopian Airlines	380	3.69	.791
I am/will be a member of loyalty program/Shebamiles	380	3.58	.867
Always flying Ethiopian	380	3.47	.622
Give complaints to Ethiopian, if any	380	3.43	.739
Follow up development at Ethiopian	380	3.41	.603
Valid N (listwise)	380		

Reliability Statistics

Cronbach's Alpha	N of Items
.842	45

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
152.07	145.240	12.052	45

		The Way Ethiopian Competes	Basis of Competition	What Ethiopian Airlines Offer	Where Ethiopian Competes	Level of Customer Satisfaction	Level of Customer Loyalty
The Way Ethiopian Competes	Pearson Correlation	1	.503 ^{**}	.251 ^{**}	.093	.353 ^{**}	.534 ^{**}
	Sig. (2-tailed)		.000	.000	.072	.000	.000
	N	380	380	380	380	380	380
Basis of Competition	Pearson Correlation	.503 ^{**}	1	.071	.072	.401 ^{**}	.321 ^{**}
	Sig. (2-tailed)	.000		.166	.159	.000	.000
	N	380	380	380	380	380	380
What Ethiopian Airlines Offer	Pearson Correlation	.251 ^{**}	.071	1	.294 ^{**}	.232 ^{**}	.135 ^{**}
	Sig. (2-tailed)	.000	.166		.000	.000	.008
	N	380	380	380	380	380	380
Where Ethiopian Competes	Pearson Correlation	.093	.072	.294 ^{**}	1	.182 ^{**}	-.070
	Sig. (2-tailed)	.072	.159	.000		.000	.175
	N	380	380	380	380	380	380
Level of Customer Satisfaction	Pearson Correlation	.353 ^{**}	.401 ^{**}	.232 ^{**}	.182 ^{**}	1	.325 ^{**}
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	380	380	380	380	380	380
Level of Customer Loyalty	Pearson Correlation	.534 ^{**}	.321 ^{**}	.135 ^{**}	-.070	.325 ^{**}	1
	Sig. (2-tailed)	.000	.000	.008	.175	.000	
	N	380	380	380	380	380	380

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

Collinearity Statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	.977	.278		3.515	.000		
	The Way Ethiopian Competes	.150	.053	.154	2.844	.005	.701	1.427
	Basis of Competition	.240	.041	.306	5.807	.000	.742	1.348
	What Ethiopian Airlines Offer	.235	.082	.141	2.872	.004	.858	1.165
	Where Ethiopian Competes	.107	.049	.104	2.192	.029	.911	1.098

a. Dependent Variable: Level of Customer Satisfaction

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.700 ^a	.489	.468	.362

a. Predictors: (Constant), Good Travel Agency Services, Convenient Departure Times, Differentiated svc btn Y and C9, Good online services, ET has modern Fleet, Good In-Flight Services, Alternative Dates of Travel (Frequency), Convenient Seat configuration, Automated services, Ontime Flights, Efficient Customers Services, Good Reservations Services, Good Airport Services, Standard meal services, Short Connection at Addis

b. Dependent Variable: Level of Customer Satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.692	15	3.046	23.263	.000 ^b
	Residual	47.663	364	.131		
	Total	93.355	379			

a. Dependent Variable: Level of Customer Satisfaction

b. Predictors: (Constant), Good Travel Agency Services, Convenient Departure Times, Differentiated svc btn Y and C9, Good online services, ET has modern Fleet, Good In-Flight Services, Alternative Dates of Travel (Frequency), Convenient Seat configuration, Automated services, Ontime Flights, Efficient Customers Services, Good Reservations Services, Good Airport Services, Standard meal services, Short Connection at Addis

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.541	.198		7.771	.000
ET has modern Fleet	-.134	.044	-.224	-3.016	.003
Convenient Seat configuration	-.074	.051	-.103	-1.457	.146
Differentiated svc btn Y and C9	.037	.033	.059	1.127	.261
Alternative Dates of Travel (Frequency)	.132	.038	.202	3.500	.001
Convenient Departure Times	.268	.038	.508	7.056	.000
Short Connection at Addis	-.350	.141	-.644	-2.473	.014
1 Ontime Flights	.104	.134	.194	.780	.436
Good Reservations Services	-.561	.084	-.844	-6.692	.000
Good Airport Services	.503	.105	.798	4.795	.000
Good In-Flight Services	-.196	.058	-.400	-3.399	.001
Standard meal services	.162	.097	.294	1.673	.095
Automated services	.015	.105	.017	.143	.886
Efficient Customers Services	.161	.093	.291	1.732	.084
Good online services	.450	.114	.512	3.952	.000
Good Travel Agency Services	.033	.104	.055	.318	.751

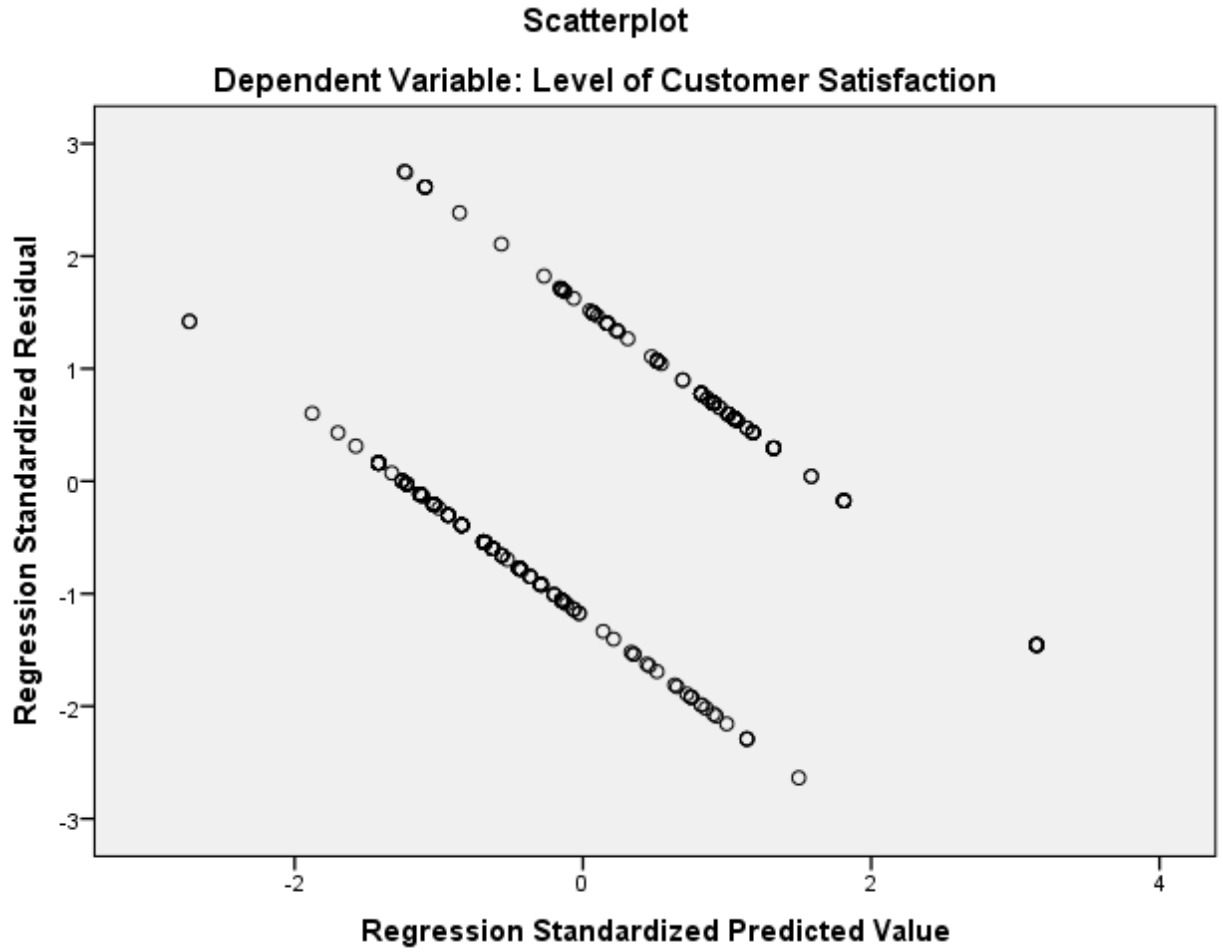
a. Dependent Variable: Level of Customer Satisfaction

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.49	4.53	3.43	.347	380
Residual	-.954	.996	.000	.355	380
Std. Predicted Value	-2.730	3.147	.000	1.000	380
Std. Residual	-2.637	2.753	.000	.980	380

a. Dependent Variable: Level of Customer Satisfaction

Charts



Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.630 ^a	.396	.387	.389

a. Predictors: (Constant), Excellent Service Delivery, Cost Effective Service, Proficient service delivery, Putting Customers First, Strong Leadership on customer service, Strong Brand

b. Dependent Variable: Level of Customer Satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.012	6	6.169	40.837	.000 ^b
	Residual	56.343	373	.151		
	Total	93.355	379			

a. Dependent Variable: Level of Customer Satisfaction

b. Predictors: (Constant), Excellent Service Delivery, Cost Effective Service, Proficient service delivery, Putting Customers First, Strong Leadership on customer service, Strong Brand

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.568	.158		9.936	.000
	Strong Brand	.230	.061	.431	3.789	.000
	Cost Effective Service	.078	.025	.129	3.075	.002
	Putting Customers First	.221	.027	.439	8.049	.000
	Proficient service delivery	.341	.039	.407	8.742	.000
	Strong Leadership on customer service	-.036	.036	-.074	-1.010	.313
	Excellent Service Delivery	-.299	.056	-.554	-5.381	.000

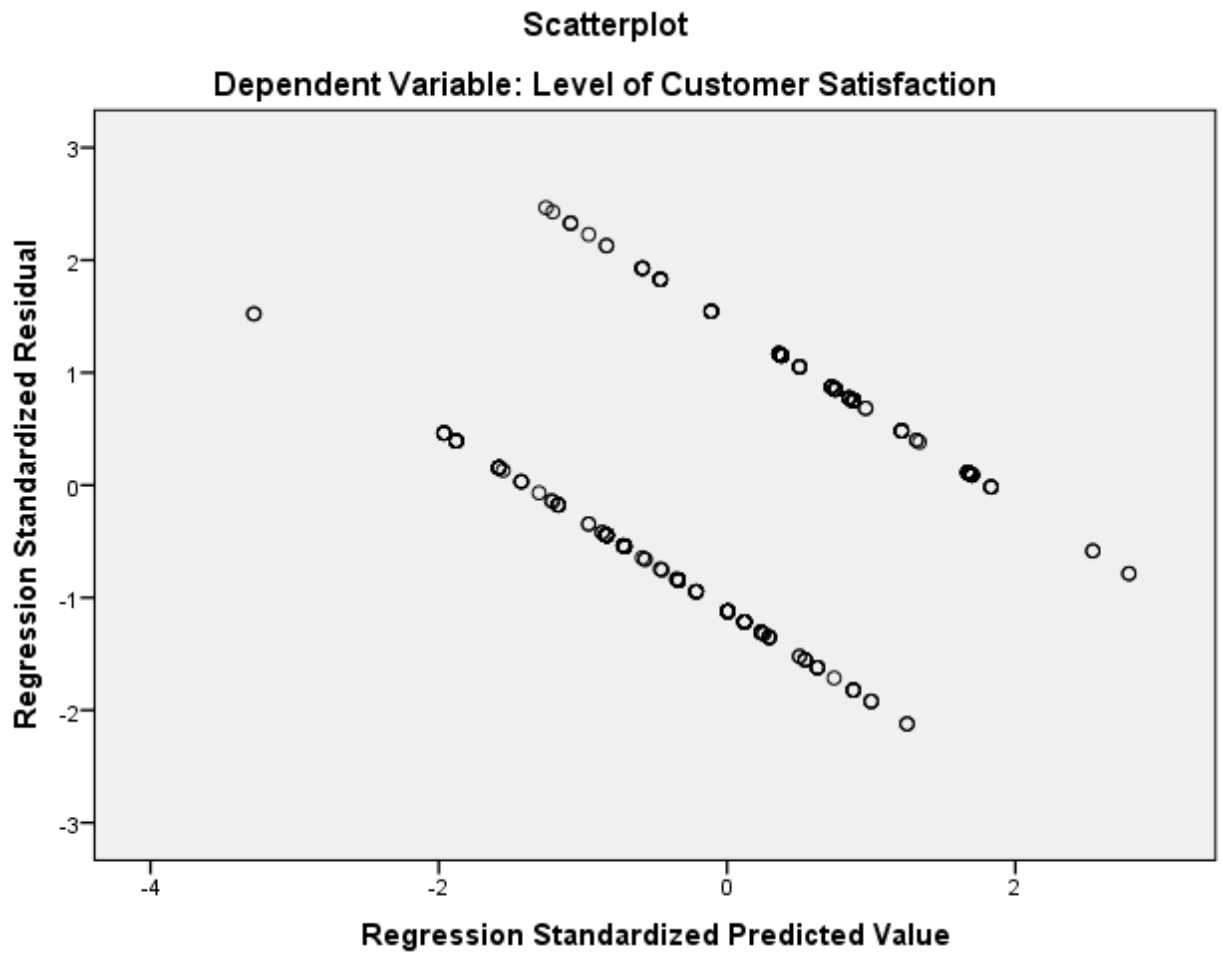
a. Dependent Variable: Level of Customer Satisfaction

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.41	4.31	3.43	.313	380
Residual	-.824	.959	.000	.386	380
Std. Predicted Value	-3.283	2.789	.000	1.000	380
Std. Residual	-2.121	2.466	.000	.992	380

a. Dependent Variable: Level of Customer Satisfaction

Charts



Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675 ^a	.455	.439	.372

a. Predictors: (Constant), Credible Staff, Help/care of Customers, In-flight comfort, Best Value for Money, Sense of Family, Meal/beverage quality, In-flight entertainment, Convenient schedule, Staff interaction with customers, Social Status, Personalized Service

b. Dependent Variable: Level of Customer Satisfaction

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	42.485	11	3.862	27.939	.000 ^b
Residual	50.871	368	.138		
Total	93.355	379			

a. Dependent Variable: Level of Customer Satisfaction

b. Predictors: (Constant), Credible Staff, Help/care of Customers, In-flight comfort, Best Value for Money, Sense of Family, Meal/beverage quality, In-flight entertainment, Convenient schedule, Staff interaction with customers, Social Status, Personalized Service

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.105	.320		6.582	.000
	Best Value for Money	-.021	.021	-.041	-.987	.324
	In-flight comfort	-.058	.033	-.079	-1.750	.081
	Meal/beverage quality	.034	.042	.038	.811	.418
	In-flight entertainment	.084	.038	.110	2.234	.026
	Convenient schedule	.341	.037	.467	9.346	.000
	Staff interaction with customers	.046	.035	.064	1.319	.188
	Sense of Family	.182	.040	.203	4.565	.000
	Social Status	.214	.038	.288	5.680	.000
	Personalized Service	.028	.052	.029	.538	.591
	Help/care of Customers	-.330	.041	-.422	-8.056	.000
	Credible Staff	-.164	.042	-.208	-3.932	.000

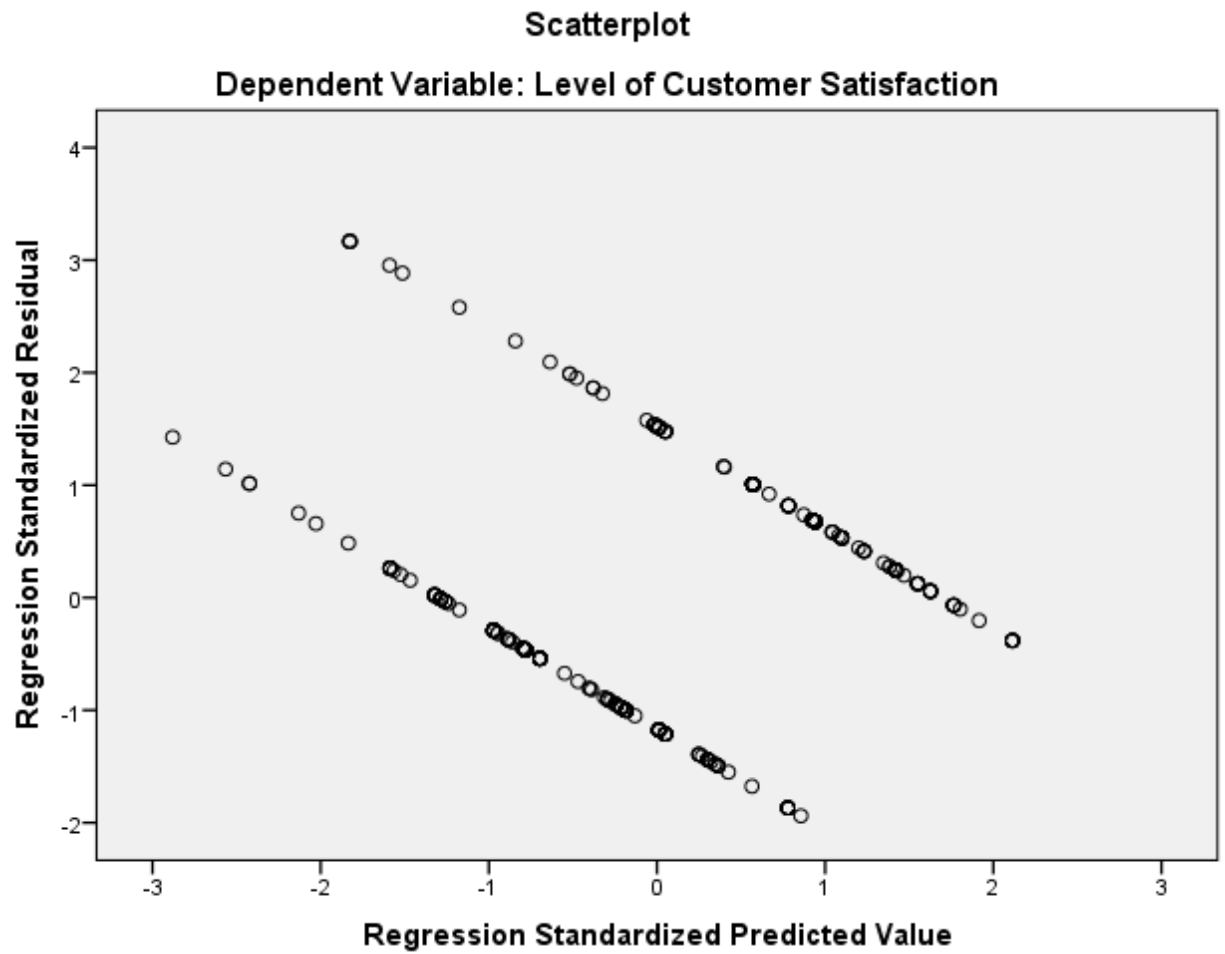
a. Dependent Variable: Level of Customer Satisfaction

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.47	4.14	3.43	.335	380
Residual	-.721	1.177	.000	.366	380
Std. Predicted Value	-2.880	2.113	.000	1.000	380
Std. Residual	-1.938	3.167	.000	.985	380

a. Dependent Variable: Level of Customer Satisfaction

Charts



Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471 ^a	.222	.216	.439

a. Predictors: (Constant), Satisfying customer needs, Wide Network, Flying to new destination ahead of Competition

b. Dependent Variable: Level of Customer Satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.738	3	6.913	35.793	.000 ^b
	Residual	72.617	376	.193		
	Total	93.355	379			

a. Dependent Variable: Level of Customer Satisfaction

b. Predictors: (Constant), Satisfying customer needs, Wide Network, Flying to new destination ahead of Competition

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.027	.187		10.812	.000
	Flying to new destination ahead of Competition	.145	.038	.198	3.795	.000
	Wide Network	-.066	.035	-.089	-1.908	.057
	Satisfying customer needs	.360	.055	.349	6.559	.000

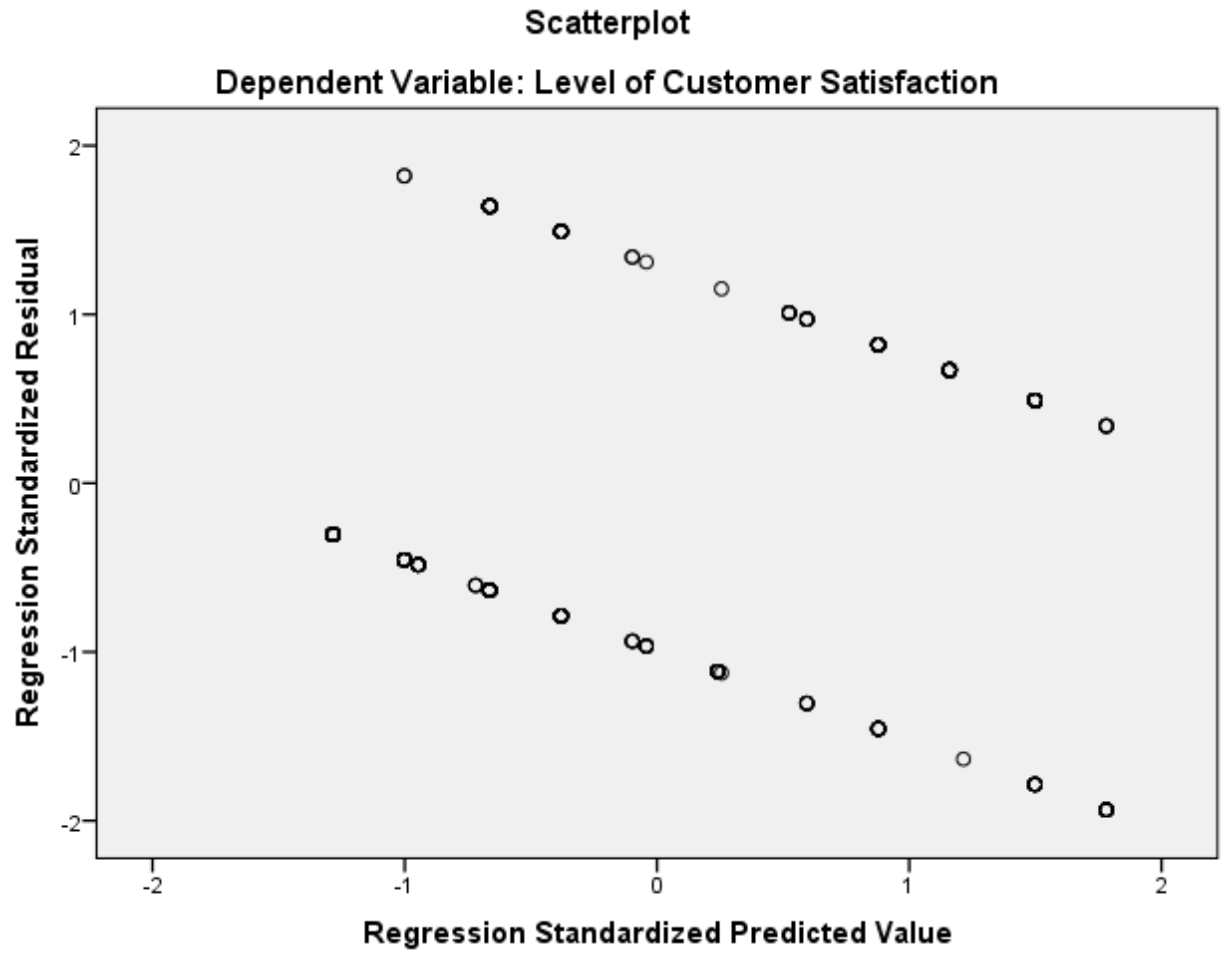
a. Dependent Variable: Level of Customer Satisfaction

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.13	3.85	3.43	.234	380
Residual	-.851	.800	.000	.438	380
Std. Predicted Value	-1.285	1.781	.000	1.000	380
Std. Residual	-1.936	1.821	.000	.996	380

a. Dependent Variable: Level of Customer Satisfaction

Charts



DECLARATION

I, Nigusu Worku, hereby declare that the work in this research study entitled “The Relationship between Determinants of Sustainable Competitive Advantages and Customer Satisfaction: A Case Study of Ethiopian Airlines” is my own original work and that all the sources of materials used for this study have been identified and acknowledged as complete references. This research study has not been previously submitted in full or partial fulfillment for any degree in this university or any other recognized education institution. This research study is being submitted in partial fulfillment of the requirement for Master of Arts Degree in Marketing Management.

By: Nigusu Worku (GSE/0819/04)

Signature: _____

Date: _____