



Addis Ababa university school of commerce

**The effect of Key account management strategy on
Customersatisfaction; In the case of Ethiopian Airlines**

*A thesis submitted to the school of graduate studies of Addis Ababa
universityschool of commerce in partial fulfillment of the requirements for the
degree master of arts in MarketingManagement*

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STATEMENT OF DECLARATION

I, Selmawit G/egziabher, her by declare that the research title "The effect of key account management strategy on key customer satisfaction" is my original work and has not been presented in Addis Ababa University or any other University and all source of material used for the research have been duly acknowledged.

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Letter of Certification

This is to certify that Selamawit G/egzaibher has carried out this thesis on the topic entitled "The effect of key account management strategy on key account satisfaction in the case of Ethiopian airlines". This work is original in nature and is suited for submission for the award of Master of Marketing Management.

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ACRONYMS

AIAC; activity intensity and activity pro-activeness

B2B; Business to business

KAM; Key account management

KAMO; key account management orientation

SPSS; Statistical Package for the Social Science

ABSTRACT

The primary objective of the study was to analyze the effect of key account management strategy on key accounts satisfaction. A conceptual model was developed and hypothesized .the resrecher collected data from 107 organizations, registeredas key accounts by Ethiopian airlines. The response rate for the study were 76.1%, SPSS V 21.0 used to analyze the data collected and to test the hypotheses put forward. The finding of the study shows that the independent variables named activity intensity and activity pro-activeness, actor`s commitment and relationship building have a positive and significant effect in key account satisfaction in the case of Ethiopian airlines, Which result in acceptance of the entire proposed hypothesis. These findings are beneficial for the companies who are working in the airline industry and for Ethiopian airlines itself. The study also recommended further studies on the area by including other variables to increase understanding.

Key words; Activity intensity and activity pro-activeness, Actor`s commitment, relationship building and key account satisfaction

Chapter one

Introduction

1.1. Back ground of the study

The air transport industry is one of the world's most imperative service industries. It is essential to economic progress. In the fast growing global community and market place, air transport play a vital role in the movement of millions of people and billions of dollars worth of goods to the market around the world fast and efficiently (Gashaw, 2011). The existing Competition in the airline industry is very fierce and competition is multidimensional. Airfares, strategic alliance of airlines, using latest technology to enhance efficiency and service quality, customer Service etc., are some of the competing methods used. Today's business environment is more challenging than ever before and gaining competitive advantages in the market place is always the key point for success. Every business firm strives for that and few of them are successful (Hewitt, 1994). This is true for the Air travel industry, it has always been classified as one of the intangible service industries and the cores services are characterized as highly homogenous. This nature of the industry calls for sound marketing strategies to cope up with the changes in the market and to differentiate one-self. According to Andreasen and Kotler (2003) effective marketing strategies deals with the process of planning and executing programs designed to influence the behavior of target audiences by creating and maintaining beneficial exchanges for the purpose of satisfying individual and organizational objective.

Serving the very few and very demanding customers that account for the majority of revenue is a challenge that calls for big initiative and responsibility. Today's business environment looks for enhanced relationship between suppliers and consumers. companies are tailoring product and service in the way to satisfy their customers, not only that to stand long on the competitive environment they are more focused on treating their strategic customers by creating long standing valuable relationship. As a result approaches like key account management are fundamental for relationship effectiveness.

Key account management is defined as an approach adopted by companies, which aimed at building a portfolio of loyal key accounts by offering them a product, or service tailored to their

individual needs on a continuing basis (McDonald, Millman & Roger, 1997). It is highly associated with business-to-business relationship of great potential in a very competitive environment.

KAM (key account management) is a transition from transactional-based marketing to relationship marketing and those companies who adopt this approach are using it as a sustainable competitive advantage over their competitors. KAM helps to understand the characteristics and needs of key customers to serve as well as to optimize the relationship. It plays a strategic role in building close relationships between producers and customer. KAM has become a common practice in business-to-business interaction in most of the companies of the developed countries. It has attracted growing attention from both academics, from sales and marketing practitioners in recent years (Baddar and Brennan, 2009).

Key accounts are the most valuable customers in terms of revenue, strategic fitness, the market share they can give us (the size), etc. Criteria of selections of key account mostly depend on current or future importance on achieving long-term objective (Cheverton, 2008). Most company wrongly relates key account with revenue only but not necessarily. The proper way of choosing our key account should be how this key accounts value (that we believed they have) can fit with our strategic goal and the answer of worthiness of our investment on them in terms of time, people, money etc.

In recent years, airlines are giving a lot of attention to their key accounts and it became, a continuous process that management must engage in with the perception that it is a manifestation of modern relationship marketing and the beginning of new arena. However still the concept and the practices are immature among companies, as a result, the purpose of this study was to analyse the effect of key account management strategy in key account satisfaction in the case of Ethiopian airlines.

1.2. Statement of the problem

The airline industry today operates in an environment where competition is very stiff and many substituting services are available to the customers. As a result, customer satisfaction is important competitive advantage of airlines. In order to deliver or enhance service quality, Airlines need to understand the significance of meeting and exceeding customer expectation and marketing strategies are key factors for this.

In today's world where there is a stiff competition between companies to compete in the global market, it is imperative for the companies like airlines to adopt sound marketing strategy that can be beneficial for the customer, the environment and to the company itself. Strategies like relationship marketing and key account management can give insight to customer oriented marketing planning. As a result key account management strategy was the area of focus for this study.

Several studies undertaken on key account in Ethiopia context, for instance Dires (2014) has studied determinants factors for key account management effectiveness in the case of Ethio-telecom. On his study, he used Zupanic's five dimension conceptual models and tested the hypothesis on Ethio-telecom industry in Ethiopia by taking into account external factors. The finding of his study focused on factors for effective KAM and from the postulated seven determinants of KAM effectiveness (strategy, solution, people, management, screening government & culture), he concludes that the three determinants (solution, management & screening) founded to be significant.

Another study by Alemayehu (2014), which is on assessment of key account management orientation practices by travel agencies in Ethiopia using Gounaris & Tzepelikos (2012) key account orientation model. This study focused on the level of Ethiopian travel agencies key account orientation by looking into more of internal factors like attitude related values (Top management commitment, customer orientation & inter functional orientation) and behavioral related values (top management involvement, ability to customization & inter functional support). The purpose of his study was to find out if the travel agencies key account management orientation could be explained in terms of KAMO (key account orientation model) of Gounaris & Tzempelikos, which developed in 2012. The attitudinal & behavioral dimensions of the model founded to be important and it found to be applicable to all managerial levels of travel agencies.

Even though, the above and others researches undertaken on the area of the study, still the concept and practice is immature among different organizations in Ethiopia. As a result, this study used Workman *et al.* (2003) KAM effectiveness model to assess the effect of KAM strategy on key

account satisfaction in the case of Ethiopian airlines. The study also attempted to fill the existed research gap in the area specifically in Ethiopian airlines context.

1.3. Research question

Customer satisfaction is a survival issue for any profit-oriented organization. As a result, this study was set out to see the effect of KAM strategy on customer satisfaction in the case of Ethiopian airlines by raising a basic question what is the effect of key account management strategy on key account satisfaction further the study raised the following specific questions;

- To what extent Ethiopian airlines activity intensity and pro-activeness affect key account satisfaction in the case of Ethiopian airlines
- How does actor's commitment affect key account satisfaction
- What is the effect of relationship building on key account satisfaction

1.4. Research objective

1.4.1. General objective

The general objective of the study was to analyze the effect of key account management strategy on customer satisfaction and to assess the level of satisfaction among accounts in the case of Ethiopia airlines.

1.4.2. Specific objective

The Specific objectives of the study were;

- To examine the effect of activity intensity and pro-activeness on key account satisfaction
- To analyze the effect of actors commitment on key account satisfaction
- To examine the effect of relationship building on key account satisfaction

1.5. Significance of the study

This study was intended to provide better understanding about key account, key account management, Key account satisfaction in the airline industry. Due the process, the research identified key challenges and provided alternative options, which will enable the airline to improve its current practice. The research also contributed in filling the research gap on the topic

with regard to Ethiopian airlines. It can also initiate other researchers to undertake better and detailed study in the area.

1.6. Scope and delimitation

The researcher focused on the effect of key account management strategy on key account satisfaction in the case of Ethiopian airlines. The research is limited to KAM strategy and its effect on customer satisfaction concepts.

The subject study was limited to the city of Addis Ababa, where the Hub of Ethiopian airlines. It focuses on active key accounts that use passenger service of the airline excluding key accounts of other strategic business unit of the airline.

For this study activity intensity & activity pro-activeness, actor`s commitment and relationship building was considered as independent variables and key account satisfaction was considered as dependent variable.

The researcher used only two respondents per company to minimize bias. However, the researcher believes the no is too small and this limited the representativeness of the findings.

This research focused only the key accounts perspective and did not incorporate the supplier side.

1.7. Definition of terms

Market strategy; Marketing Strategy is based on the selected Marketing Mix, 4 Ps, 7 Ps or 8 Ps, and is included in the Marketing Plan. Strategic Market Planning is the process by which a company formulates its strategic marketing plan, serving as a road map for the company's future (Mohr, Sengupta & Slater, 2010).

Customer satisfaction; is defined as a relationship between perceived value of service and the expected value by customers. If the perceived value of services matches customer perceived expected value, then customer said to be satisfied (Kotler and Armstrong, 2013).

Key account; Key accounts are customers of strategic importance to a supplier and therefore their management is, by definition, among the most critical of business-to-business suppliers activities (Millman & Wilson, 1995).

Key account management; key account management (KAM) is defined as an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product/service package tailored to their individual needs (McDonald, Millman & Roger, 1997).

1.8. Organization of the paper

This study paper organized in to five chapters. The first chapter was introductory part of the study, which emphasized on the problem statement, research question, objective, significance of the study and ethical consideration. Chapter Two presented review of related literature by different scholars, with proper acknowledgment. In the next chapter, research design and methodology are discussed. It specifically addressed the design of the study, the sampling technique & size, data collection instruments used and data quality assurance. Chapter Four covered data presentation, analysis, and interpretation. The last chapter of the paper, Chapter Five deals with summary of findings, conclusion, and recommendation.

1.9. Ethical consideration

Ethical consent obtained from Ethiopian airlines and a verbal consent obtained from the participants of the study up on their participation. The researcher informed all prospective participants about the nature of the study and their participation was optional. Confidentiality and anonymity of the participants kept at all times.

Chapter Two

Literature review

2.1. Key account Management

The emergence of the portable PC in 1994 contributed on easy availability of strategic account data for organizations (Management center Europe, 2003). Companies strategically adapts their key account management approach to keep their competitive edge and to maintain a sustainable supplier- customer relation. Most of these adaptations occur because of market changes and different forces. Key account management helps to understand the characteristics and needs of key customers to serve as well as to optimize the relationship. It plays a strategic role in building close relationships between supplier and customer organizations that add superior value to the customerø as well as to the supplierø business(Macdonald & Woodburn, 2007). Accordingly, KAM has become a common practice in business-to-business interaction in most of the companies of the developed countries. It has attracted growing attention from both academics and from sales and marketing practitioners in recent years (Baddar and Brennan, 2009) the KAM approach clearly characterized by long-term relationship marketing orientation rather than traditional short-term transactional marketing. Key account management involves in:

- (1) identifying key accounts
- (2) analyzing key accounts
- (3) Selecting suitable relationship strategies for them
- (4) Continuously developing operational-level capabilities to enhance relationships

Jukka(2001)extended the above points by characterizing the general nature of the KAM approach in terms of several dimensions. On his study, he found that KAM approach tends to focus on long-term relationships and it has both managerial and theoretical orientation.

Macdonald and Woodburn (2007), argued that key account management is essentially and a boundary-crossing initiative. By its nature, Key account management requires dedicated sales executive or key account manager or team to coordinate day-to-day interaction with key accounts, which has significant implications on organizational structure and processes.

Therefore, suppliers might be able to resolve the issues of organization by adopting a more appropriate structure, or by installing processes that work across the existing structure.

According to Millman and Wilson (1995), when organizations adopt KAM there is an argument whether if KAM activities should be part of the sales force task or Should have its own separate department. In practice some companies have no special structural arrangements to handle their key accounts instead, they use their regular sales force. The first one might not require additional administrative costs but it ignored the special treatment and skill required to serve key accounts subsequently, many companies adopted special organizational arrangements in different ways. Organization with separate division to deal with their key accounts, allows the firm to integrate its activities to treat its major accounts. This is especially important in case where the larger sales volume generated from few accounts (Dires, 2014). However, this action may have its own consequences one it involve additional expense two it involve risk. Since the company need organize a separate division for few customers and the success or failure of the entire division is dependent on the existence of these customers (Dires, 2014). In this kind of organization, a separate responsible sales force will be establish to deal only with the key accounts. In this case, the key account manager will become familiar with each customer's needs and problems so that appropriate solution and treatment will be provide. This also have its own contribution to the firm with respect to selecting its most competent and experienced sales people for serving the key accounts.

After the development of KAM division, the facilitation role will come next. It engaged in developing the relationships that will enable the business strategy. It goes beyond the relationship with the key point of contact in the customer, and requires relationships with other functions in the customer, cross-functional relationships. Specifically, Macdonald and Woodburn (2007) identified the following set of activities that key account managers have to do:

- Analyzing key accounts, developing strategy and planning
- Developing relationships with customers
- Developing business, capturing opportunities
- Selling and negotiating (Workman *et al.*, 2003)
- Providing customer training on developing internal relationships

- Information providing

Different factors affect delivery of product or service as promised. This can be because of the issues of structure and resource or else. Consequently key account managers faced difficulty in delivering what the customer wants and what has been promised (Macdonald and Woodburn, 2007). So in order to engage successfully with other functions in the supplier, the key account manager needs to have an acknowledged and accepted role that allows him/her to assemble the resources needed to implement the plan for the customer.

2.1.1 Favorable Conditions of KAM Implementation

KAM is not applicable for all businesses. According to Burnett (1992), as cited by Jobber and Lancaster (2009), the extent of existence of the following circumstances determines a company move towards setting up accounts:

1. A small number of customers account for a high proportion of the supplier's sales,
2. There is potential for differentiation of the product and/or service provided by the supplier in a way that is highly valued by the customer.
3. Customers exhibit complex buying behavior with large decision-making units applying varied choice criteria, often in multiple locations, meaning that a geographical organizational structure is inappropriate.
4. Multifunction contacts between supplier and customer are required.
5. Significant cost savings are possible through dealing selectively with a small number of large customers, and joint agreements of production and delivery schedules.
6. There is a danger of different salespeople from the supplier's sales force calling upon the same customer to sell different products or offer conflicting solutions to problems.
7. The establishment of in-depth communications and strong relationships with customers may lead to the opportunity of tailoring products and services to specific customer needs.
8. Customers are centralizing their operations. This makes easy to a key account manager to contact the respective body of the company.
9. Competition is improving its account handling by moving to key account management.

10. Competition

2.1.2 Imperatives for Strategic Key Account Management

As per the study made by management center Europe, the below lists are the imperatives and sequences that any company needs to respect in order to excel in Key Account Management(Management center Europe, 2003).

- Strategy; Create a key account strategy driven by your corporate strategy. Build a competitive growth strategy that defines growth sources and key account value.
- Organization; install cross-functional teams with a multidisciplinary approach. Re-define the role of marketing and sales.
- Management; Recognizing& exercising Key account management as a strategic role.
- Measurement; assess success and progress. Define and monitor value-adding KPIs &Strive for a full costing measurement.
- People; Define roles and responsibilities .Foster knowledge and create understanding & appoint high-level key account profiles.
- Processes & Tools; Install a key account plan structure, install regular performance reporting

According to Ojasalo (2001),KAM development consists of four basic elements:

1. Identifying the key accounts; Suppliers should review current and potential customer profiles and select those that seem to have the ability to grow in to a key account.
2. Analyzing key accounts
3. Selecting suitable strategies for the key accounts, the analysis will be followed by company own strategy formulation in a way that goes with the key customer.
4. Developing operational level capabilities to build, grow, and maintain profitable and long-lasting relationships with them

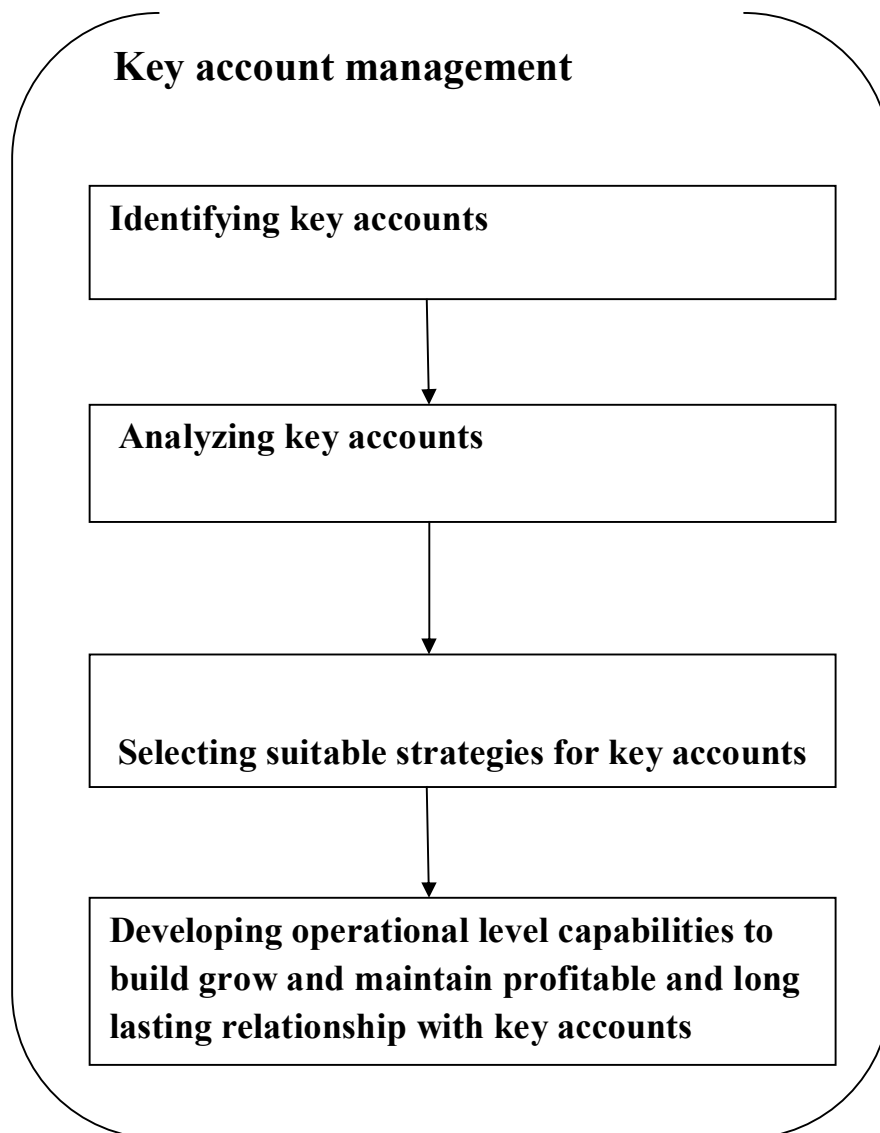


Figure 1: Elements of KAM (Source; Ojasalo (2001))

2.1.3 Key accounts

According to Abratt and Kelly (2001), in order to have a successful integration with the key account, organizations must understand and have knowledge of the customer business and their specific needs. They need also to deliver value and commitments to mutual partnership and in order to develop trust. To be able to accomplish these factors, the need for successful and proper implementation as well as understanding of the KAM concept is indisputable.

Ojasalo (2001) argues that it is essential for companies to consider what they primarily want out of the relationship with their key accounts. According to Wengler *et al.*, (2006), an important factor in KAM is the process of selecting key accounts. The most common criteria for selecting a key account is to rank after sales volume and often the largest customers are selected as key accounts. That is the most common criteria but they can also be based on - access to new markets, reference value or knowledge of new processes and technological knowhow (Millman and Wilson, 1999). Campbell and Cunningham (1983) use the following criteria to determine strategically important customers;

- Sales volume;
- Use of strategic resources;
- Age of the relationship, the supplier's share of the customer's purchases; and
- Profitability of the customer to supplier
- They also refer to growth rate of the customer's market and the buyer's relative share of the customer's purchases

In addition, McDonald *et al.*, (1996) identified among others, the following criteria for determining key accounts:

- volume related
- Status related
- Financial consideration

Criteria of selections of key account mostly depend on current or future importance on achieving long term objective (Cheverton, 2008). Although growth strategies differ from company to company, some basic selection principles can be brought forward as guidelines for selection (Management centre Europe, 2003).

1. Focus on "Value";

Define clearly, what the profit potential is, instead of just looking at the incremental sales uplift. Also, define what "Value" means for your key accounts and how you are able to meet their expectations. Some key accounts may attach more importance to supply and service than they do to pure volume or direct margin.

2. Define support capabilities:

Companies need to be confident that you are able to deliver the level of support that is required by the key accounts at all stages of the order to fulfillment and service process. Think of customization, direct access to warehouse data, speed of delivery, time to process and many others critical elements.

3. Identify transactional cost drivers:

At this point companies need to match supplier and customer expectations and to define and calculate accurately the expected return rates per account. Also, include learning benefits and strategic costs such as market share capture in the global cost / benefit equation.

The next question after selecting strategically important customers is how to manage the buyer-seller relationship. Krapfelet *al.*, (1991) discuss a strategic approach to managing buyer-seller relationships and suggest four customer-specific factors of relationship value, which in turn reflect customer attractiveness. The specific factors are:

1. Criticality: the degree of technical or market substitutability of a good or service, and its contribution margin (critical outputs are more profitable, it enable the sellers to have core technical and/or market competencies and strategically position in the key markets).
2. Quantity: buyers that consume outputs that are more critical are more highly valued.
3. Replication: this is parameter implies the cost of losing the present partner and finding a new one.
4. Measures; buyer activities that reduce the seller's internal economic process costs also have their own value in the selection process.

In business-to-business market setting, organizations will be benefited from the business relationships. Successful long-term KAM in a business-to-business context always requires the ability to offer both company- and individual-level benefits to key accounts. Next, the nature of company- and individual-level customer benefits should be described. The description later will be used to develop the KAM framework practices. Company-level benefits refer to the benefits, which contribute to the customer company's organizational goals and wellbeing in a holistic sense (Ojasalo,1999).Organizational goals are rational, and the wellbeing generated by company-level benefits typically goes beyond one individual in the organization; in other words, it has a

more holistic nature. Company-level benefits contribute to the key account's business and course of action, and to several individuals' wellbeing in the organization (Jukka,2001)

2.1.4 Importance of key account strategies and plans

As cited by Woodburn (2011) differentiated products and customized service for key customers are a primary part in the definition of KAM (Workman, Homburg and Jensen, 2003). Supporting this view, Daugherty, Ellinger and Plair (1997) found that the most value-adding, profitable customers demand specific, differentiated strategies. Ivens and Pardo (2007) also showed that customers give increased commitment in return for differentiated treatment. According to Capon and Senn (2010), concise, tailor-made strategies for each global customer are top of the list for best practice global account management. However, there is very little in the literature about key account strategies or the content of strategic account plans (Capon, 2001; Langdon, 1995).

McDonald and Woodburn (1999) explored the effect of strategic co planning in KAM, where key accounts was involved in the process, and resulted that joint strategic planning has significant effect and strongly associated with relationship building (McDonald and Woodburn, 1999) than in more distant co-operative relationships. This pillar was also associated with relationship success, but interpretation of "strategy" and "joint strategic planning" may vary and the study could not determine cause and effect. In terms of future research, the link between account strategies, relationship stage and relationship success would benefit from further investigation.

Woodburn and McDonald (2001) contributed a substantial amount of information about strategic account plans in terms of their:

- Scope and level
- Relationship to corporate strategies
- Perceived strategic and operational benefits
- Quality and common defects

Key account plans often did not contain account strategies and generally, quality was poor, which raises the question of why such a state of affairs is accepted by suppliers. Daugherty *et al.*,(1997) believed that suppliers' tolerance of the situation originated in their perception that

account strategies were challenging and costly to implement, while Woodburn and McDonald (2001) found that the competency and attitude to planning of the key account managers was a major factor. Further research on the causes of poor quality in strategic account plans would be interesting, and potentially very valuable, in addressing the problem.

2.1.5 Key account strategy development process

As cited by Woodburn (2011), in order to develop account strategies a rigorous process for environment and business analysis and strategy development that is applicable to individual key accounts is mandatory. The end-to-end process needs to have strong theoretical foundations and a very practical application. Porter (1986) and Piercy and Giles (1989) pointed out the same process requires rigorous analysis and testing against customer perceptions and competitor activities.

The strategy development process starts with a business analysis of the customer's situation. This then provides information and insight to a similar analysis of the supplier's position. Wherever possible the outputs of one analytical tool provide the input to the next part of the process (Woodburn, 2011)

Table 1: Business analysis and strategy development process

Analysis/step	Description and source
Customer analysis	
STEEP analysis of the customer's macro-environment	Widely used technique for environmental scanning was originally ETPS (Economic, Technological, Political and Social factors) (Aguilar, 1967), and later expanded to include Ecological factors (Fahey, King and Narayanan, 1981; Morrison, 1992).
Five forces analysis of competition in the customer's supply and marketplace	Based on STEEP analysis, identifies pressures: from existing competitors, new entrants and potential substitutes competing in parallel with the customer; from suppliers upstream; and from the customer's customers downstream (Porter, 1985), leading to identification of opportunities and threats.

Value chain analysis of the customer's business	Explores the internal activities of the customer (Porter, 1985), leading to identification of their strengths and weaknesses relative to their customers and competitors (Porter, 1985).
SWOT analysis and identification of the customer's strategies	SWOT brings the analyses of the external (opportunities and threats) and internal (strengths and weaknesses) environment together. Although a well-worn approach often misused and then lacking any useful outcome (Hill and Westbrook, 1997), Piercy and Giles (1989) showed how, with clarity and discipline, it could be a very valuable tool for deriving strategies. Here, it is used to identify the customer's actual and potential strategies.
Supplier analysis	
Repeat of the above process of four steps, with the supplier as subject	The customer information captured and interpreted above becomes the major input to the supplier analysis and strategy development process. Here, the SWOT analysis is used to create account strategies for the supplier.

According to Woodburn (2011), the value of the process is dual:

- It shows how strategies can be developed for key accounts, it increases the likelihood that they will be created.
- Through careful process, it contributes to the quality of account

Account strategies need to be incorporated to the strategic plan in order to be useful and applicable by key account managers (Woodburn, 2011).

2.1.6 Key account management Models

I. Workman *et al.*, (2003) Key account management effectiveness model

In this model, the researchers focused on determinate factors that affect effectiveness of KAM. They develop conceptual model by identifying four dimensions of KAM which are -activities, -actors, -resources, and -formalization.

In this, model the first variable –activitiesø is divided into activity intensity and activity pro-activeness. The first refers to the extent to which additional activities are performed for key accounts and this activities were grouped under the 4P framework (i.e., product, pricing, promotion, and place), with the addition of communication and information sharing. The second one activity pro-activeness refers to the extent to which the organizations initiate activities to key accounts.

The second variable in the model is –actorsø The researchers in their study used two parameters for this variable, which are top management (involvement, support, and commitment) and use of KAM team (plan and coordinate for accounts solution).

The dimension –resourcesø which is the third one encompasses esprit de corps and access to marketing and sales resources. KAM esprit de corps is defined as the extent to which people involved in the management of key accounts feel obligated to common goals and to each other. It is related to the development of an organizational culture that supports customers. Access to marketing and sales resources is the extent to which a key account manager can obtain needed contributions to KAM from marketing and sales groups.

The last dimension is –formalizationø which is defined as the extent to which an organization has established policies and procedures for handling its most important set of customers.

II. Gounaris and Tzempelikos,(2012) Key account management orientation model

According to Gounaris and Tzempelikos (2012) Key account management orientation is ða system of values that reflect the supplierø willingness and ability to respond effectively to key accountsøneedsø They proposed that KAMO is a multi- dimensional construct that integrates the attitude-related values of customer orientation, top-management commitment and inter-functional coordination and the behavior-related values of ability to customization, top-management involvement and inter-functional support. The below fig is the conceptual model they developed for their study on conceptualization and measurement of key account orientation.

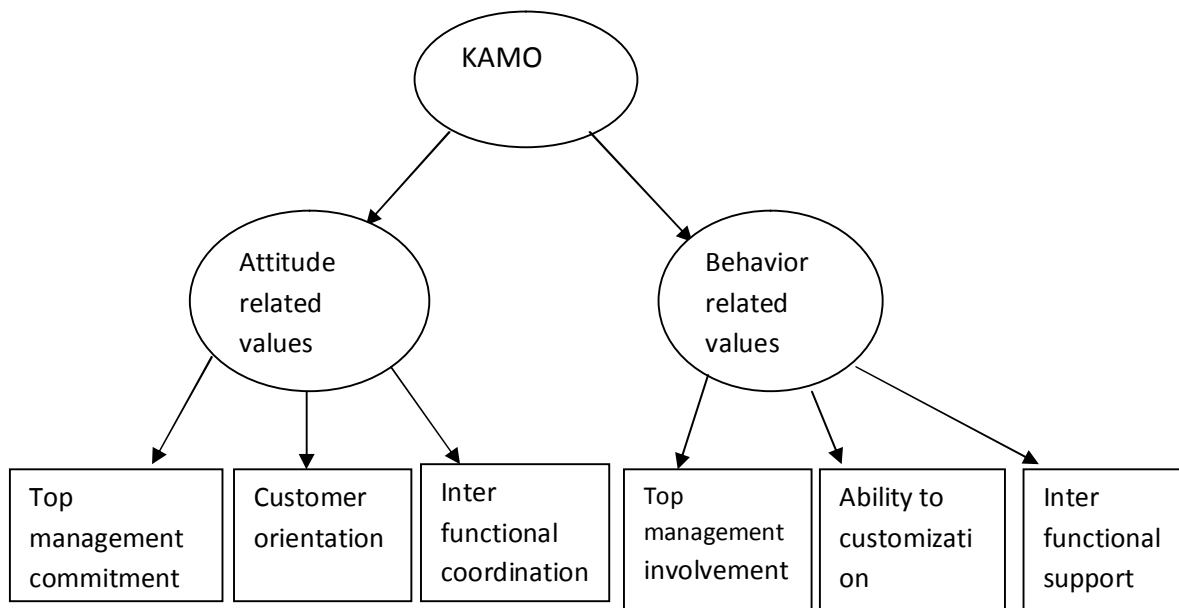


Figure 2: KAMO and its dimensions, Gounaris and Tzempelikos (2012)

III. Zupancic , (2008) five dimensions of KAM

Zupancic (2008) had developed five dimensions of KAM named strategy, solution, people, management and screening to develop integrated framework for key account management. The model intended to understand success factor for professional key account management. In his study strategy refers to the activity of analyzing the information about the key accounts and then realizing the strategy how the company should serve the key accounts.

The second variable in this model were solution which involve in analyzing the special need of key accounts concerning the range of products and service, the current products and services being delivered to them, and then realizing a customized or an innovative solution to add value. The third variable is people which deal with the skill and personal development programs. The fourth variable management deal with the analysis of the current way of working with key accounts, leadership approach leadership approach with the people involved in KAM, and the realization of processes to serve key accounts. The last variable Screening deals with KAM effectiveness measuring systems, knowledge management, KAM effectiveness supporting tools, and flow of information.

2.2. Customer satisfaction

Customer satisfaction has given different definitions by many marketing scholars. Below are some of the definitions;

According to Kotler(2000)satisfaction is the overall customer attitude or behavior towards the difference between what customers expect and what they receive regarding of goal fulfillment.

Zethaml and Bitner (2000) in their service marketing approach define customer satisfaction as the customer evaluation of a product or service in terms of whether that product or service has met their needs and expectations

In the above two definition, the two important constructs need to be discussed are expectation of the customer about a product and customer perception about the product performance.

✓ Customer expectation

According to Oliver, (1981) expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior. It plays an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction.

✓ Customer perception

As the above definition of customer satisfaction implies customer perception is subjective, it can vary from customer to customer as every customer has different beliefs toward certain product or service but understanding customer perception can provides some useful insights for organizations to develop their marketing strategies.

Customer satisfaction has direct relationship with time. As a result, with due respect of time satisfaction level can be changed. It changes from time to time and factor to factor as it is a dynamic process. In highly involvement decisions, it is very important to meet the satisfaction level. If it failed to meet the expected level then the companies will lose the customer. As there won't be any second chance (Zeithaml&Bitner, 2003).

Below are customer satisfaction related theories and models which can help to understand the construct satisfaction in depth.

2.1.1. Dissonance Theory

This theory emphasize on that post exposure ratings are primarily a function of the expectation level because the task of recognizing disconfirmation is believed to be psychologically uncomfortable. Thus, consumers are posited to perceptually distort expectation-discrepant performance to coincide with their prior expectation level (Oliver, 1981). In addition, Cardozo (1965) suggests that a person who expected a high-value product and received a low-value product would recognize the disparity and experience, a cognitive dissonance.

This theory contributes to the understanding of the fact that expectation of consumer about a specific product or service has high effect on satisfaction or on consumer after purchase evaluation.

2.1.2. Contrast theory

According to this theory, when actual product performance falls short of consumer's expectations about the product, the contrast between the expectation and outcome will cause the consumer to exaggerate the disparity (Yi, 1990). The Contrast theory maintains that a customer who receives a product less valuable than expected, will magnify the difference between the products received and the product expected (Cardozo, 1965).

2.1.3. Gap model

Parasuraman, Berry and Zeithmal developed the gap model of service quality in 1985. the model identifies four specific gap which the four can lead to the fifth overall gap between customers expectation and perceived service. According to Zeithmalet al., (1985) the five gaps are the below ones;

- 1) Knowledge gap; this gap is the difference between customer expectation and management perception of customer expectation.
- 2) Design gap; is measured by how well the service design specification match up to management perception of customer expectation.
- 3) Performance gap; this gap represent the variation in service design and service delivery.

- 4) Communication gap; is the difference between what is promised to customers either explicitly or implicitly and what is being delivered.
- 5) Gap five; it is the total accumulations of variation in Gap1 through Gap4 and represents the difference between expectation and perceived service

2.3 Empirical review

Dires(2014) has studied determinants factors for key account management effectiveness in the case of Ethio-telecom. On his study, he used Zupanic's five dimension conceptual models and tested the hypothesis on Ethio-telecom industry in Ethiopia by taking into account external factors. The finding of his study focused on factors for effective KAM and from the postulated seven determinants of KAM effectiveness (strategy, solution, people, management, screening government & culture), he conclude that the three determinants (solution, management & screening) were found significant.

Another study by Alemayehu(2014), which is on assessment of key account management orientation practices by travel agencies in Ethiopia using Gounaris and Tzepelikos(2012) key account orientation model. This study focused on the level of Ethiopian travel agencies key account orientation by looking into more of internal factors like, attitude related values (Top management commitment, customer orientation & inter functional orientation) and behavioral related values (top management involvement, ability to customization & inter functional support). The purpose of his study was to find out if the travel agencies key account management orientation could be explained in terms of KAMO (key account orientation model) of Gounaris and Tzempelikos, which developed in 2012. The attitudinal & behavioral dimensions of the model founded to be important & it found to be applicable to all managerial levels of travel agencies.

A study made in Malaysia garment industry by Nor and Kawsar, (2014) on the relationship between key account management performance and repeat orders. In addition, the researchers tried to study whether the length of relationship matters. The result of the study indicated that key account management performance significantly influence the buyer's repeat order behavior but the study failed to prove the moderating effect of the length relationship on the relationship between key account management performance and repeat orders

Empirical study made by Tzemeplikos and Gounaris(2012) on key account management and its impact on performance. The researchers focused on relationship oriented perspective of KAM furthermore the study examined the impact of KAMO on financial and non-financial aspects of performance. The result of their study indicated that KAMO has a positive impact on financial and non-financial performance, indicating that adopting KAMO is critical factor of success in KAM relationship. Also they find out that the effect of KAMO is on non-financial aspects appear to be higher than the financial once.

A study made on integrated framework for key account management by Zupancic (2008), which focused on identifying the elements of professional key account management program and to understand success factors and to create integrated framework. The finding of the study was a professional KAM framework address two different target groups key account team and key account manager. Both groups need to pay attention to five dimensions of KAM named strategy, solution, people, management and screening.

2.4. Conceptual framework

After reviewing different literatures on the study, the researcher adopted Workman *et al.* (2003) model. The researcher modified the variables in model to developed the below conceptual frame work for the study with the intentions of having variables which can fit for the study area.

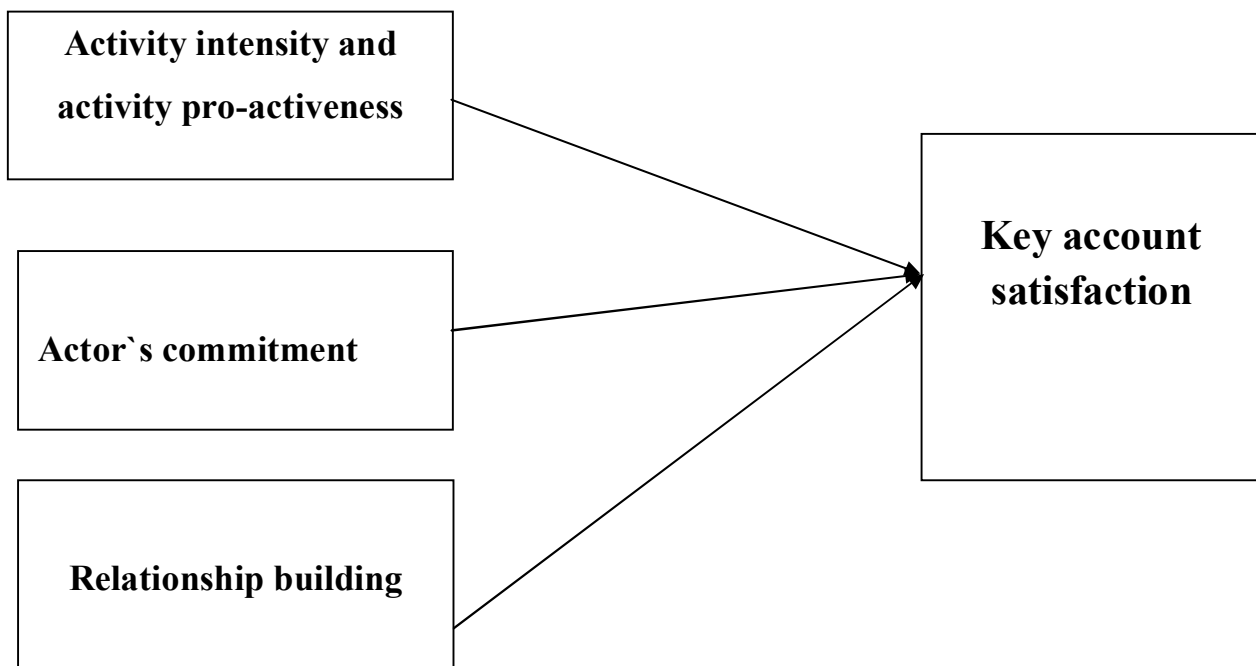


Figure 3: Conceptual framework for the study

(Source; adopted from Workman *et al.* (2003), KAM effectiveness model)

2.5. Hypothesis

Based on the above conceptual model the below hypotheses has been developed with respect to the research objective.

According to Workman *et al.* (2003), activity intensity refers to the extent to which additional activities are performed for key accounts. The types of activities are grouped under the 4P

framework (i.e., product, pricing, promotion, and place), with the addition of communication and information sharing. However, for this study the researcher will use the 7Ps framework since the case study is a service industry. Activity pro-activeness refers to the extent to which the supplier initiates activities (Workman *et al.* 2003). Therefore the following hypotheses were drawn

H1; *Activity intensity and activity pro-activeness has a positive and significant effect on key account satisfaction.*

According to Workman *et al.* (2003) actors refers to top management involvement, support, and commitment and use of KAM team to plan and coordinate for accounts solution. For this study, the variable actors were extended to actor's commitment by including all employees who are involved in the KAM and practice.

H2; *Actor's commitment has positive and significant effect on key account satisfaction*

The third variable for this study is relationship building. For long term relationship factors like esprit de corps are major. In Workman *et al.* 2003 KAM model, esprit de corps and access to marketing and sales resources were used to study the effect of KAM. However, for this study, the researcher will consider only the variable KAM esprit de corps as relationship building factor that is defined as the extent to which people involved in the management of key accounts feel obligated to common goals and to each other. It is related to the development of an organizational culture that supports customers. (Workman *et al.* 2003)

H3; *Relationbuilding has positive and significant effect on key account satisfaction.*

Chapter Three

Research Methodology

The primary objective of the study is to assess the effect of key account management strategy on key account satisfaction. To realize this objective and to provide a conclusive answer for the research questions outlined in chapter one, the researcher adopted the following research design and methodology.

3.1 Research approach

The research approach for this study is Deductive research approach. Since the study used Workman *et al*, (2003) KAM effectiveness model to study the research objective and based on the result it has recommend and suggest for other airlines in the industry.

For this study, the researcher used quantitative research methods. It involves the generation of data in quantitative form, which can be subjected to rigorous quantitative analysis in a formal and rigid as the relationship between the dependent and independent variables will be measured quantitatively (Kothari, 2004).The researcher used different techniques of quantitative methods as required by the study. This was with the objective of having complete and valid data to achieve the research objective.

3.2 Research design

The objective of this study was to analyses the effect of key account management strategy on key account satisfaction in the case of Ethiopian airlines. Hence, to understand and to study the relationship between the dependent and independent variable of the study objective, the type of research design used for the study is Explanatory & descriptive research design. According to Kothari (2004) descriptive research describe state of affairs as it exists at present while explanatory research is deeper in the sense that it describes the phenomena and attempts to explain why behavior is the way it is.

3.3 Sampling

3.3.1. Target population & sample design

The target populations for the study are Ethiopian airlines corporate clients located in Addis Ababa. Per the 2017 data report from Ethiopian airlines corporate office, organizations registered as active key account are 107. This was the sample frame for the study.

3.3.2. Sampling technique

The sampling techniques employed for this study is census sampling. This is with the intension of achieving the research objective and the researcher believed that this technique is the most appropriate considering the target population the sample frame is small and taking a sample from it would give insufficient response to generalize.

3.3.3. Sample size & sampling procedure

The Sample size for this study is 107, which are all the key accounts registered by Ethiopian airlines who are located in Addis Ababa. The researcher did not employ any sampling procedure since the researcher used census-sampling method the study.

3.4. Data collection

3.4.1. Primary source

Primary data was the backbone for the study, as it enabled to understand about the company practice and to get valid conclusion for the study. Hence for collecting this data, the researcher used self-administered semi-structured questionnaire submitted to respondents (respondents were operational staffs, supervisors, department heads or managers of organization registered as key accounts by Ethiopian airlines), the researcher distributed two questionnaires per company to avoid bias of respondents and to have a valid data . Respondents have been informed and assured about confidentiality.

3.4.2. Secondary source

The researcher collected secondary data from Ethiopian airlines sales & corporate office database, which helped the study to have valid data.

3.5. Data collection instrument

In order to have valid and reliable data, the researcher used semi-structured and self-administrated questionnaire. In addition, the researcher used secondary data collected from Ethiopian airlines sales & corporate office database to have detail understanding of the practice.

3.6. Data analysis

On this stage of the study, after data was collected, the first step was data screening, then data was analyzed using statistical software SPSS. Descriptive and inferential statistics instruments like mean, frequency and correlation and multiple regression were used to summarize responses. The researcher used tables to increase understanding and to facilitate easy comparison of the analyzed data. Respondent's response other than the general information section was treated with ordinal level of data since the Likert scale is a label that was given for respondent to express their level of agreement for each item among the scales. In addition, multiple linear regressions was used to assess the effect of marketing strategy on key account satisfaction and to achieve the research objective.

3.7. Reliability and Validation

3.7.1 Reliability

According to Nunnan (1999), reliability refers to the consistency of the results obtained from a piece of research. In other words, reliability deals with the consistency and replicability of results using the same tool at different places, time and situations. Therefore, to make sure that the study is reliable, the researcher used Cronbach's alpha which is the most widely used method for estimating reliability.

3.7.2 Validity

According to Nunnan (1999), there are two types of validity, which are internal and external validity. Internal validity is concerned with the interpretability of the research while the external one is concerned with the generalizability of the result from the sample to the population. In order to test validity the researcher conducted 15% pilot test from the main sample size. As a result, the researcher excluded questions that does not contribute or fit to the study and reduced

measurements errors, which can damage the statistical estimates. In addition to this the researcher also done content validity by consulting with research advisors on the area of the study.

Chapter Four

Data analysis and interpretation

This chapter covers data presentation, analysis and interpretation, which are collected from primary source. Total questionnaires of 214 distributed to key accounts of Ethiopian airlines located in Addis Ababa city. Out of the questionnaires distributed, 163 properly filled questionnaires obtained. Accordingly, the response rate for this study was around 76.1%.

4.1. Data screening

In order to ensure the accuracy of data analysis, the researcher screened and cleaned the data prior to data analysis. Errors in the data file are checked and corrections are taken when errors are found. With this process, 163 responses founded valid for the study.

4.2. Reliability test

According to Pallant (2005) to ensure internal consistency among study variables, Cronbach's alpha coefficient should be estimate in which higher alpha coefficients indicate higher scale reliability. He also recommends a minimum alpha coefficient of 0.7 Cronbach's alpha value. Accordingly, as shown in the below table for the reliability test Cronbach's alpha coefficients range from 0.861 to 0.902 as a result it can be concluded that each variable represent a reliable and valid construct.

Table 2: Reliability test

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
AIAP	11.0682	3.875	.863	.906
ACTORS	10.9282	3.417	.798	.902
RELATIONSHIPBUILDING	10.8584	3.115	.918	.861
CUSTOMERSATISFACTIO	10.7672	2.509	.845	.914
N				

Source; Survey result from SPSS (2018)

4.3. General information of respondents

4.3.1 Respondent's position

As shown in the below table majority of the respondents were operational staff which accounts 49.7 % of the sample respondents, while 22.1% were Managers,14.7 % respondents were supervisor while the rest 13.5% are respondents who work in other position. This indicate that majority of the respondents were operational staffs who are closely engaged in their operation which can easily see gaps and problems as their nature of work allow them to do so.

Table 3: Respondents position

		Position			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	operational staff	81	49.7	49.7	49.7
	supervisor	24	14.7	14.7	64.4
	Manager	36	22.1	22.1	86.5
	Any other	22	13.5	13.5	100.0
	Total	163	100.0	100.0	

Source; Survey result from SPSS (2018)

4.3.2 Respondents service year in their position

The majority of the respondents service experience is between six to ten years which account 42.3 %, respondents who have worked above ten years came in the second place with 30.7 % while respondents with one to five years experience are in the third place with 25.2 % and respondents with less than one-year accounts 1.8 %. As a result, we can say that respondents had enough experience on the subject matter of the study.

Table 4: Respondents service year

		How long have been serving in this position			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	3	1.8	1.8	1.8
	1-5 years	41	25.2	25.2	27.0
	6-10 years	69	42.3	42.3	69.3

Above 10 years	50	30.7	30.7	100.0
Total	163	100.0	100.0	

Source; Survey result SPSS (2018)

4.3.3 Respondents service experience with Ethiopian airlines.

As the below table data indicate most of the respondents service experience was in the range between one to five years and the account 42.3 %. Respondents with travel experience that range between six to ten years accounts 34.4%, while respondents with above ten years accounts 11.7 % . Respondents less than one year account 11.1 %. The aforementioned figures depicted that respondents travel experience were representative enough for the study.

Table 5: Respondents service experience with Ethiopian airlines

For how long did you used the service of the airline				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	19	11.7	11.7	11.7
1-5 years	69	42.3	42.3	54.0
6-10 years	56	34.4	34.4	88.3
Above ten years	19	11.7	11.7	100.0
Total	163	100.0	100.0	

Source; Survey result, SPSS (2018)

4.4 Descriptive Analysis

The second part of the questionnaire intended to acquire information about the independent and dependent variables in order to answer the research question. The researcher used Zaidatol (2014) mean interpretation range to interpret the data;

- | Mean score | Description |
|--------------------------------|-------------|
| ▶ Mean score <3.39 | Low |
| ▶ Mean score from 3.40 to 3.79 | Moderate |
| ▶ Mean score above 3.80 | High |

4.4.1 Activity intensity and activity pro-activeness

Below table, present descriptive statistics mean and standard deviation for the variables activity intensity and activity pro-activeness.

Table 6: Descriptive Statistics on activity intensity and pro-activeness

Items	Mean	Standard deviation
Activity intensity & Pro-activeness		
Flight schedule of the airline is convenient ,direct Or have few stops, better connections and on time Performance is as promised.	4.23	0.708
In-flight services of the airline are as promised.	3.27	1.089
Fares and discounts offered by the airlines meets my organization needs	3.16	1.060
The airline consider and handle seasonal Special are request of my organization	3.53	0.856
Terms and condition of tickets are customized for my organization	3.09	1.123
Contracts offered by the airline match my need	3.26	0.966
The airline entertain my sponsorship request If there is any	3.57	0.670
Incentive offered and rewards by the airline Match my performance of business with the airline	3.13	0.916
It is highly likely that I will achieve the proposed reward	3.08	0.862
operator provides timely information when there are news	3.92	0.897
Special service request in the ground like wheelchair, etc. are available when I need and request them	3.61	0.938
Ticket offices, check in counters, In-flight kits are up to the standard	3.25	1.049
The airline websites, mobile apps, ticket offices, Global call center, etc. are easy to use & accessible to my company	3.23	1.088
I am contented with the airline sales representative dedicated to my organization	3.52	0.912
My organization have its own business contractswith the airline to govern business relationship	3.64	0.767
The airline understand my business trend and tries to match it service based on my business trend	3.17	0.911
The airline support co designing of contracts	3.16	0.835

As above table indicate, the constructs activity intensity and pro-activeness divided into various facets. The highest mean score is for "Flight schedule of the airline is convenient, direct or have few stops, better connections and on time performance is as promised" which is M= 4.23. While the lowest mean score is "It is highly likely that I will achieve the proposed reward" which count M=3.08. Over all with regard to the variable activity intensity and pro-activeness of Ethiopian airlines, the combined mean of the variable elements is 3.40, which is on moderate category.

4.4.2 Actors commitment

Below table, present descriptive statistics mean and standard deviation for the variable actor's commitment.

Table 7: Descriptive analysis on actor's commitment

Items	Mean	Standard deviation
Actor's commitment		
The performance of the frontline employees of the airline is acceptable.	3.28	1.026
Account representative understand my business trend	3.56	0.861
The airline is flexible serving my needs	3.32	0.947
Sales personnel visit and assist in all my needs	3.65	0.886
Account representative is responsive when I have a problem	3.60	0.907
Account representative suggest solution to improve business trend	3.50	0.856
I know exactly whom to contact when I have questions or a need for information	3.60	0.940
I am satisfied with the company management involvement to help	3.35	0.850
The airline management provided me the opportunity to talk with them when i have a problem	3.41	0.814
I can contact someone in the airline who can make decisions that can affect me	3.67	0.831

The above table illustrates respondent's insight towards actor's commitment. The highest mean score is M=3.67 which is "I can contact someone in the airline who can make decisions that can

affect me. While the lowest is $M=3.28$ which is -The performance of the frontline employees of the airline is acceptable. In general respondents insight or level of agreement to actors commitment is in moderate category $M=3.5$.

4.2.3 Relationship building

Below table, present descriptive statistics mean and standard deviation for the variables relationship building.

Table 8: Descriptive statistics on relationship building

Items	Mean	Standard deviation
Relationship building		
The airline promises are reliable	3.95	0.768
The airline offers personalized services to meet my company need	3.13	0.890
Service processes provided by the airline are secure and trustworthy.	4.20	0.565
I am happy with the relationship i have with the airline.	3.60	1.028
Employees of the airline deal with customers in a caring fashion and have the customer best interest at heart.	3.82	0.722
The airline is responsive to my complaints	3.17	1.125

As the above table indicate, the highest mean score for relationship building is $M=4.21$ which is -Service processes provided by the airline is secure and trustworthy while the lowest mean is $M=3.13$ is which is -The airline offers personalized services to meet my company need. Overall the combined mean or respondents level of agreement for relationship building is in moderate category which is $M=3.65$.

4.2.4. Customer satisfaction

Below table, present descriptive statistics mean and standard deviation for the dependent variable customer satisfaction.

Table 9: Descriptive statistics on customer satisfaction

Item	Mean	Standard deviations
Customer satisfaction		

I am satisfied with the overall service and pro-activeness of the airline	3.69	1.063
I am satisfied with the professional competence and helpfulness employees of this operator.	3.98	0.74
I am comfortable on my relationship with this operator.	3.53	1.29
I am satisfied with the airline clear agreement and easiness to implement.	3.34	1.096

As the above table illustrate the combined mean for the dependant variable is $M=3.64$ which in the moderate category. The highest mean score for the dependent variable customer satisfaction is $M=3.98$ which is -I am satisfied with the professional competence and helpfulness employees of this operatorø while lowest mean score is $M=3.34$ which is -I am satisfied with the airline clear agreement and easiness to implementø

4.3 Analysis of inferential statistics result

The major objective of the study is to assess the effect of key account management strategy in key account satisfaction and to assess the existed relationship. For this purpose, inferential statistics of correlation & regression analysis have been used and the result are presented in the below sections.

4.3.1 Measurement of Model validity

According to Daniel, L. (1991, p.421) as cited by Dires (2014) a correlation between two variables does not imply that one event causes the second to occur. In order to understand how the dimensions of KAM affect key account satisfaction and thus to test hypotheses multiple regression were carried out. But before running the regression the basic assumptions for regression have been analyzed.

4.3.1.1. Normal distribution

Normality distribution can be detected based on Skewness and Kurtosis statistics. According to Pallant (2005), Skewness is a measure on asymmetry of a distribution. Whereas, Kurtosis measure the extent to which observation cluster around a central point. The acceptable range of kurtosis normality statistics is between (-) 2.0 and +2.0 (Garson, 2012). As the below table depict all the variables are within the acceptable range for normality.

Table 10: Test of Normality distribution using descriptive statistics

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
AIAP	163	3.3537	.57289	-.183	.190	-.136	.378
ACTORS	163	3.4755	.71320	-.076	.190	-.003	.378
RELATIONSHIPBUILDING	163	3.6166	.67080	-.209	.190	-.334	.378
CUSTOMERSATISAFCTIO	163	3.6334	.91805	-.610	.190	-.340	.378
N							
Valid N (listwise)	163						

Source; SPSS survey (2018)

4.3.1.2 Test of Multicollinearity

Multicollinearity is a situation when a high correlation is detected between two or more predictor variables. It can be detected with tolerance values and Variance Inflation Factor (VIF). According to Pallant (2005) tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If the value is very small (less than 0.10) it indicates that the multiple correlation with the other variable is high and it suggests the possibility of multicollinearity. The other is variance inflation factor (VIF) which is the inverse of the tolerance value. VIF values above 10 would be a concern, indicating multicollinearity.

As shown in the below table the tolerance and VIF of the variables activity intensity and activity pro-activeness, actors commitment, relationship building and formalization fits the requirement and collinearity is not a problem.

Table 11: Test of Multicollinearity

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	AIAP	.256	3.908
	ACTORS	.300	3.332
	RELATIONSHIPBUILDING	.243	4.116

a. Dependent Variable: CUSTOMERSATISAFCTION

4.3.2 Pearson product –moment Correlation analysis

Correlation analysis studies the joint variation of two or more variables for determining the strength and direction of the relationship among the variables (Kothari 2004). Accordingly, in order to identify whether the dependent variable & independent variables have a joint variation, Pearson's product moment correlation coefficient was computed. Pearson correlation results range between 1 (perfectly linear positive correlation) to -1 (perfectly linear negative correlation). When the correlation value is zero, no relationship exists between the variables under study.

For this study, the researcher used Marczyk, DeMatteo, & Festinger (2005) interpretation guide to interpret the results by excluding zero.

Table 12: Correlation result interpretation guide

Correlation value rang	Interpretation
0.00 to 0.19	Weak or very low correlation
0.20 to 0.39	Low correlation
0.40 to 0.59	Moderate correlation
0.60 to 0.79	High correlation
0.8 to 1.0	Very high correlation

Source: Marczyk, DeMatteo, Festinger (2005)

As the below table indicate the relationship between the three key account management dimensions and key account satisfaction are founded to have significance correlation, where the two-tailed significance test value of less than 0.1. Further, the Pearson correlation value illustrates that activity intensity and activity pro-activeness ($r=0.839$), Actors commitment ($r=0.833$) and relationship building ($r=0.863$). Further, the aforementioned correlation values for all the variables are founded positive and significant high correlation as they all are less than 0.01 ($P<0.01$).

Table 13: Pearson Correlation

		Correlations			
		AIAP	ACTORS	RELATIONSHIP BUILDING	CUSTOMERSATISFACTION
AIAP	Pearson Correlation	1	.796**	.839**	.839**
	Sig. (2-tailed)		.000	.000	.000
	N	163	163	163	163
ACTORS	Pearson Correlation	.796**	1	.808**	.833**
	Sig. (2-tailed)	.000		.000	.000
	N	163	163	163	163
RELATIONSHIP BUILDING	Pearson Correlation	.839**	.808**	1	.863**
	Sig. (2-tailed)	.000	.000		.000
	N	163	163	163	163
CUSTOMERSATISFACTION	Pearson Correlation	.839**	.833**	.863**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	163	163	163	163

** . Correlation is significant at the 0.01 level (2-tailed).
Source; SPSS survey (2018)

4.3.3 Multiple Regression Analysis

Regression is a measure of association between two sets of variables. It is applicable in the analysis of the causal relationship between a dependent variable & more than one independent variable. As an extension of simple regression, the goal of multiple regression is to enable a researcher to assess the relationship between a dependent (predicted) variable and several independent (predictor) variables. The result of multiple regression is the development of a regression equation (line of best fit) between the dependent and independent variables (Pallant, 2005).

After checking regression assumptions, the researcher carried out multiple regressions for the study. The independent variables estimated to predict key account satisfaction were activity intensity and activity pro-activeness, actor's commitment and relationship building .The following tables shows the regression analysis for the variables, results are discussed and interpreted based on the below table.

Table 14: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904 ^a	.817	.813	.39672

a. Predictors: (Constant), RELATIONSHIPBUILDING, ACTORS, AIAP

b. Dependent Variable: CUSTOMERSATISAFCTION

Source; survey result SPSS (2018)

As the above table depicted, adjusted R^2 value of the model is 0.813, indicating that 81.3% of variation in key account satisfaction is explained by activity intensity and activity proactiveness, actor's commitment and relationship building. In other words, 18.7% of the variation in key account satisfaction in Ethiopian airlines case cannot be explained by the study variables and there are other factors that can influence satisfaction.

Table 15: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	111.511	3	37.170	236.176	.000 ^b
Residual	25.024	159	.157		
Total	136.535	162			

a. Dependent Variable: CUSTOMERSATISAFCTION

b. Predictors: (Constant), RELATIONSHIPBUILDING, ACTORS, AIAP

Source; survey result SPSS (2018)

As the above ANOVA table shows, the F-test shows that statistical significance at 95% confidence level ($P < 0.01$) where F value 0.000 which is less than 0.05. It means that the variation explained by the model is not due to chance. This also shows that there is a significance relationship between the independent and dependent variables.

Table 16: Multiple regression output

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.109	.187		-5.928	.000		
1 AIAP	.430	.108	.269	4.002	.000	.256	3.908
ACTORS	.387	.080	.301	4.858	.000	.300	3.332
RELATIONSHIPBUILDING	.540	.094	.394	5.727	.000	.243	4.116

a. Dependent Variable: CUSTOMERSATISAFCTION

B=Beta

Std. Error= Standard error

Sig= Significance

Source; survey result SPSS (2018)

As the above table depicted all the independent variables (activity intensity & activity pro-activeness, actorø commitment and relationship building) have gotten a significance positive relationship with customer satisfaction at 95% confidence.

- o **Relationship building** accounts for the highest beta coefficient of (B=0.394), with statistically significant level of p value (P<0.05).This also indelicate that 39.4% of the variation in key account satisfaction is explained by relationship building.

Hypotessis3; Relationship building has a positive and significant effect on customersatisfaction

Result; at B=0.394 at P<0.05, **H03 is accepted**

According to the above result Ethiopian airlines practice in building relationship with its key accounts has a positive effect in its key accounts satisfaction. Since this factor plays a leading role and affirms its importance, the company needs to work a lot in the area and need to make sure that all activities toward its accounts should need to result inlong-term relationship.

- **Actor's commitment** is in the second place with beta coefficient of (B=0.301) with statistically significant at p value ($p < 0.05$).

Hypothesis2; *Actor`s commitment has a positive and significant effect on key account satisfaction*

Result; at B=0.301 at $p < 0.05$, **H2 is accepted**

Based on the above result, actors (management, employees, sales rep. etc.) who are involved in the key account management and practice are expected to show commitment and their dedication for key account satisfaction for example top management need to engage themselves in the implementation .

- **Activity intensity and activity pro-activeness** accounts the third place in beta coefficient (B=0.269), with statistically significant level of p value ($p < 0.05$).

Result;at B=0.269 at $P < 0.05$, **H1 is accepted.**

The result of the study shows that for key account satisfaction, Ethiopian airlines need to work more in activity intensity and activity pro-activeness. The company needs to work in the 7Ps in accordance with the needs of its customer. In addition, the company needs to initiate activities that can result satisfaction with its accounts this can be done through co-designing of contracts or information sharing.

Chapter Five

Summery, Conclusion and recommendation

The previous chapter presented data analysis and interpretation. In this chapter, the researcher summarized major findings and conclusions are made from the result findings. In addition, the researcher forwarded recommendations based on the conclusions made and in relation to literatures reviewed to enhance key account satisfaction among key accounts of Ethiopian airlines.

5.1. Summary of major findings

As the descriptive statistics in chapter four shows the combined mean across the three dimensions were in the moderate category. Specifically respondents agreed on importance of activity intensity and activity pro-activeness at mean score of $M= 3.40$, which incorporate the airline 7Ps (product, price, promotion, place, people, physical evidence and process), and the airline ability to initiate activities that can result on key account satisfaction. Similarly respondents agreed on significance of actor's commitment with mean score of $M=3.5$ this variable incorporate actors who are involved in key account management and practice in Ethiopian airlines(top management, Sales or account representative, front line employees, etc. Coming to the last independent variable relationship building again respondents agreed on the importance of this variable with mean score of 3.65. This variable considered Ethiopian airlines organizational culture that supports customers with respect to key accounts. Respondents level of agreement with respect to the dependant variable customer satisfaction is $M=3.64$ which in the moderate category. This implies that key accounts satisfaction on the airline needs improvement which calls the airline special attention.

The relationship between the dependant variable and the independent was investigated using Pearson product movement correlation coefficient. The researcher made Preliminary analysis to ensure no assumption is violated in the model validity of the study. As the correlation table shows in chapter four, there was strong positive correlation between Key account satisfaction(the dependant variable)and activity intensity and activity pro-activeness with correlation coefficient of 0.839, with actor's commitment at 0.83 and with relationship building at coefficient level of

0.863 at significance level of $P < 0.01$. In addition, Significant relationship was found among the independent variables. For instance Activity intensity and activity pro-activeness are correlated with actors commitment at 0.796 and with relationship building at 0.839 at $P < 0.01$ significantly and positively. As the correlation figure depict Strong correlation were detected between relationship building and Activity intensity and activity pro-activeness at 0.839 at $P < 0.01$.

After testing assumptions of regression analysis in which all are founded within the acceptable range, the researcher carried out regression analysis to assess relationship between the independent and the dependant variables. Activity intensity and activity pro-activeness, actor's commitment and relationship building were the identified predictor of key account satisfaction. The model summary depicts 81.3% of the variation on key account satisfaction because of the independent variables. The F statistic in the ANNOVA table is 0.000, which is less than 0.05 that implies the variation in the model is not due to chance. The other output from the regression table is the value of beta for the independent variable which is 0.269, 0.301 & 0.394 for Activity intensity & activity pro-activeness, actor's commitment & relationship building respectively. All the dimensions have a P value less than 0.05 ($P < 0.05$) which implies that the dimensions are statistically significant.

The different studies made on KAM support the above results. Below are some discussions to support the findings of the result.

Workman *et al.* (2003) has found same result on their study determinate factors of key account management effectiveness, the model explained 68% of the variance in KAM effectiveness. On their study they found that, KAM team esprit de corps (in this study one of the factors in relationship building), activity intensity, activity Pro-activeness and top management have a positive impact on KAM effectiveness (one parameter of KAM effectiveness is Key account satisfaction).

Another related study was by Dires (2014) on determinate factors on key account management effectiveness. One of his findings were solution and management variables on his are founded as significant factor this related to this study findings of actors commitment and relationship building (organization culture of providing solution to key accounts). Since Solution and management, elements are included in the actor's commitment variable of this study.

A study made by Alemayehu (2014) on key account management orientation by travel agencies in Ethiopia, the researcher used attitude related values like top management commitment, customer orientation & inter functional orientation and behavioral related values like top management involvement, ability to customization & inter functional support. From the independent variables, top management commitment, inter-functional coordination, and ability to customization were strongly correlated the dependent variable or KAMO practice, with a correlation coefficient of above 0.7. The aforementioned results of this study also support the findings of actor's commitment result and activity pro-activeness.

5.2. Conclusion

The primary objective of the study was to analyze the effect of key account management strategy on key account satisfaction using Workman model. Accordingly, three determinate factors (activity intensity and activity pro-activeness) hypothesized to determine key account satisfaction.

- ✓ As the descriptive statistics shows, the combined mean value of activity intensity and activity pro-activeness indicate that respondents have moderate agreement to the 7Ps of the airline and in its pro-activeness or ability to initiate activities that can result satisfaction among key accounts of the airline. Although the mean range is in moderate category, still it can be conclude that these dimensions are important in determining or affecting key account satisfaction. The other finding of the descriptive study is that respondent's level of agreement with respect to actor's commitment, the mean range of this variable is in moderate category. This indicates that this variable has its own effect on key account satisfaction. The finding above also goes to the third variable of the study, which is relationship building. The mean result of this variable is also in moderate category, it depict that this variable is has its own contribution affecting key account satisfaction.
- ✓ The reliability and internal consistency of all variables used in the study were founded reliable using the statistical tool called Cronbach's alpha in which all are greater than 0.7.
- ✓ In order to determine the strength and direction of relationship of the independent and the dependant variables the researcher used Pearson correlation statistical tool. As the result

of the analysis indicate all the variables were positively and highly correlated with correlation coefficient of above 0.8 with a significance level of $P < 0.01$.

- ✓ The researcher concluded the output of multiple regression analysis into two broad groups. The first one is the test of the model summary which is resulted in 81.3% of the key account satisfaction can be explained by the three dimensions of Workman key account management effectiveness model. The second major finding is based on beta coefficient with its statistical significance at $p < 0.05$. Accordingly all the dimensions are very important and affect key account satisfaction in the case of Ethiopian airlines.

5.3. Recommendations

Based on the above conclusion the study finds out that the effect of activity intensity & activity pro-activeness, actor's commitment and relationship building is significant on key account satisfaction in the case of Ethiopian airlines. As a result, the researcher recommended the following points;

- Ethiopian airlines need to work on in its 7Ps by identifying and analyzing its major key accounts needs. The company needs to improve its existed marketing mixes. The airline can do this through customization of service and price tailored to organizations, Co planning of contracts, by revising its incentive programs etc. In addition, the company needs to be proactive & take initiations in designing activities that have a positive impact on key account satisfaction.
- Actors who are involved in the key account management and practice need to commit themselves and need to go extra mile to provide solution for all key account problems and to serve their needs. Since smooth delivery of service is highly affected by this element, the airline need to work a lot to keep its major key accounts or customers by establishing long term relationship.
- Development of organizational culture that supports customers is the backbone of relationship building. The airline need to stress in this point as it has a significant impact when it come to key account management since these customers are not a onetime customer. As a result, the airline need to emphasis and work more on activities that can result in long-term relationship for example employees who are involved with key

accounts need to have problem solving skill, the airline need to be reliable meaning need to delivery service as promised, etc.

Generally, Ethiopian airlines shall improve its key account management strategy and practice so as the organization can be benefit more than the current practice. Also other airlines in the industry need to consider these factors as critical factors for the success of their key account management strategy.

5.4. Limitation and direction for future study

This study examined the effect of key account management strategy on key account satisfaction by considering only the key accounts perspective. The study did not incorporate the view of the supplier perspective. This can be a future area for study.

The model can be test better by increasing number of respondents. Limited no of respondents per company certainly affected the result found.

The researcher recommends incorporation of more specific variables to explain the dependant variable, which is key account satisfaction using the model. Different researcher has explained different factors that affect effectiveness of key account management strategy so the researcher recommend the incorporation of this factors to see their effect on satisfaction since satisfaction is one parameter which measure effectiveness of KAM strategy.

The researcher also recommends future study on the topic in other industry to increase more understanding on the research topic.

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Appendix I: Questionnaire English version

Addis Ababa University School of Graduate Studies, School of Commerce

Questionnaire (English Version)

Dear Respondent,

This questionnaire is designed to study, the effect of Key account management strategy in customer satisfaction in the case of Ethiopia airlines for the partial fulfillment of the requirement of Master degree in marketing management. I would be pleased if you help me in filling this questionnaire. The result of this study is believed to benefit the airline to employ better and quality products and services, which are in favor of the needs and wants of its customers. Your response is vital for the success of the study. I want to assure you that your response confidential and the outputs are for academic purpose only.

PART I: General Information

Please Mark (X) In the Right Place after Closely Seeing the Note below

1. Position

Operational Staff Supervisor Manager Any other

2. How long you have been serving in this position.

Less than 1 year 1- 5 years 6-10years above 10years

3. For how long did you use the service of the airline

Less than1 year 1- 5 years 6-10years above 10 years

PART II

Please mark (X) in your choice box after closely seeing the note below

Note:- SA= Strongly Agree A= Agree N=Neutral D= Disagree SD= Strongly Disagree

	V1	SD	D	N	A	SA
1	Flight schedule of the airline are					

	convenient,direct or have few stops,better connections and on time performance is as promised					
2	In-flight services of the airline are as promised.					
3	Fares and discountsoffered by the airlines meet my organization needs.					
4	The airline considers and handle seasonal or special fare request of my organization.					
5	Terms and condition of tickets are customized for my organization					
6	Contracts offered by the airline match my need					
7	The airline entertain my sponsorship request if there is any					
8	Incentive offered and rewards by the airline match my performance of business with the airline					
9	It is highly likely that I will achieve the proposed reward.					
10	operator provides timely information when there are new services					
11	Special service request in the ground like wheelchair, etc. are available when I need and request them					
12	Ticket offices, check in counters, in-flight kits, etc. are up to the standard					
13	The airline web site, Mobile apps, ticket offices, the global centre, etc. are easy to use & accessible to my company					
14	I am contented with the airline sales representative dedicated to my organization					
15	My organization have its own business contracts with the airline to govern business relationship					
16	The airline understand my business trend and tries to match its service based on my business trend					
17	The airline support co designing of contracts					
	V2	SD	D	N	A	SA

1	The performance of the frontline employees of the airline is as acceptable.					
2	Account representative understand my business trend					
3	The airline is flexible serving my needs					
4	Sales personnel visit and assist in all my needs					
5	Account representative is responsive when I have a problem					
6	Account representative suggest solution to improve business trend					
7	I know exactly whom to contact when I have questions or a need for information					
8	I am satisfied with the company management involvement to help					
9	The airline management provided me the opportunity to talk with them when i have a problem					
10	I can contact someone in the airline who can make decisions that affect me					
	V3	SD	D	N	A	SA
1	The airline promises are reliable.					
2	The airline offers personalized services to meet my company need.					
3	service process provided by this operator is secure and trust worthy					
4	I am happy with the relationship i have with the airline.					
5	Employees of the airline deal with customer's in a caring fashion and have the customers best interest at heart					
6	The airline is responsive to my complaints					
	Customer satisfaction	SD	D	N	A	SA
1	I am satisfied with the overall service and pro-activeness of the airline.					
2	I am satisfied with the professional competence and helpfulness employees of this operator.					
3	I am comfortable about the relationship with					

	this operator.					
4	I am satisfied with the airline clear agreement and easiness to implement.					

Thank you!

Appendix II: Statistical out puts

Correlations

		AIAP	ACTORS	RELATIONSHIPBUILDING	CUSTOMER SATISFACTION
AIAP	Pearson Correlation	1	.796**	.839**	.839**
	Sig. (2-tailed)		.000	.000	.000
	N	163	163	163	163
ACTORS	Pearson Correlation	.796**	1	.808**	.833**
	Sig. (2-tailed)	.000		.000	.000
	N	163	163	163	163
RELATIONSHIPBUILDING	Pearson Correlation	.839**	.808**	1	.863**
	Sig. (2-tailed)	.000	.000		.000
	N	163	163	163	163
CUSTOMERSATISFACTION	Pearson Correlation	.839**	.833**	.863**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	163	163	163	163

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

Regression

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	RELATIONSHI PBUILDING, ACTORS, AIAP ^b	.	Enter

a. Dependent Variable: CUSTOMERSATISAFCTION

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904 ^a	.817	.813	.39672

a. Predictors: (Constant), RELATIONSHIPBUILDING, ACTORS, AIAP

b. Dependent Variable: CUSTOMERSATISAFCTION

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	111.511	3	37.170	236.176	.000 ^b
	Residual	25.024	159	.157		
	Total	136.535	162			

a. Dependent Variable: CUSTOMERSATISAFCTION

b. Predictors: (Constant), RELATIONSHIPBUILDING, ACTORS, AIAP

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.109	.187		-5.928	.000		
1 AIAP	.430	.108	.269	4.002	.000	.256	3.908
ACTORS	.387	.080	.301	4.858	.000	.300	3.332
RELATIONSHIPBUILDING	.540	.094	.394	5.727	.000	.243	4.116

a. Dependent Variable: CUSTOMERSATISAFCTION

CollinearityDiagnostics^a

Model Dimension	Eigenvalue	Condition Index	Variance Proportions			
			(Constant)	AIAP	ACTORS	RELATIONSHIPBUILDING
1	3.965	1.000	.00	.00	.00	.00
2	.023	13.131	.86	.01	.10	.02
3	.007	22.998	.10	.16	.90	.27
4	.005	28.522	.04	.83	.00	.71

a. Dependent Variable: CUSTOMERSATISAFCTION

CasewiseDiagnostics^a

Case Number	Std. Residual	CUSTOMERSATISAFCTION	Predicted Value	Residual
54	-3.025	1.75	2.9501	-1.20009

153	-3.174	1.50	2.7591	-1.25905
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a. Dependent Variable: CUSTOMERSATISAFCTION

Residuals Statistics^a

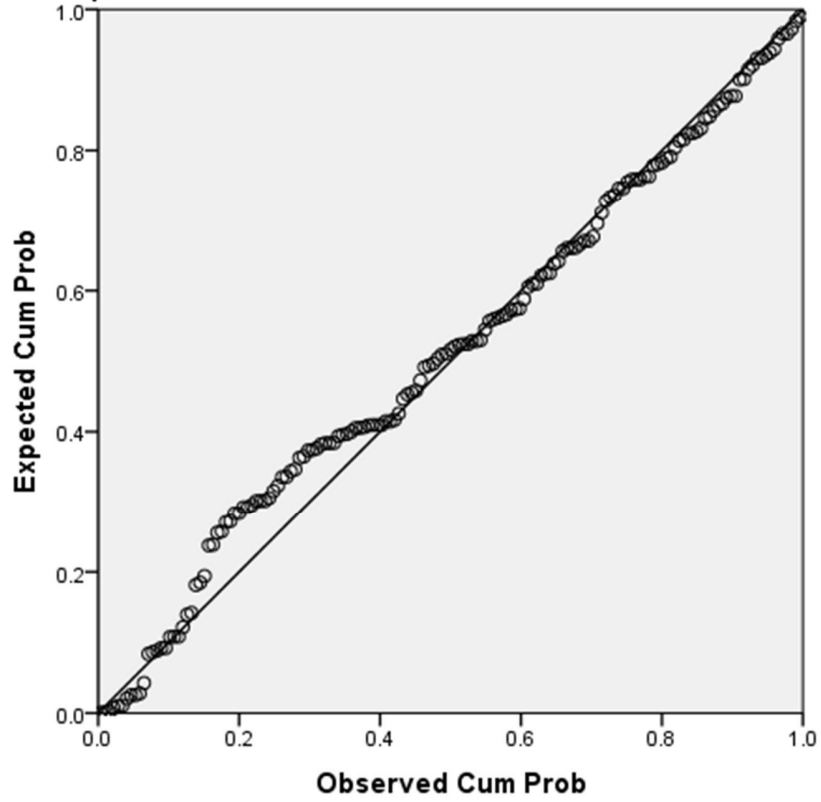
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.9892	5.3609	3.6334	.82966	163
Std. Predicted Value	-3.187	2.082	.000	1.000	163
Standard Error of Predicted Value	.032	.131	.060	.017	163
Adjusted Predicted Value	.9296	5.3739	3.6345	.82996	163
Residual	-1.25905	.92060	.00000	.39303	163
Std. Residual	-3.174	2.321	.000	.991	163
Stud. Residual	-3.209	2.332	-.001	1.006	163
Deleted Residual	-1.28716	.92932	-.00108	.40515	163
Stud. Deleted Residual	-3.308	2.365	-.003	1.015	163
Mahal. Distance	.054	16.688	2.982	2.426	163
Cook's Distance	.000	.275	.008	.024	163
Centered Leverage Value	.000	.103	.018	.015	163

a. Dependent Variable: CUSTOMERSATISAFCTION

Charts

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: CUSTOMERSATISAFCTION



Scatterplot

Dependent Variable: CUSTOMERSATISAFCTION

