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## **School Of Commerce Department of Marketing Management**

**The Effect of E-commerce on Customer Loyalty: An Empirical Study  
of Travel Agencies in Ethiopia**

**By:**

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**A Research Thesis Submitted to Department of Marketing in Partial Fulfillment  
of the Requirements for the Award of Masters Degree in Marketing Management**

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Department of Marketing Management

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Board of Examiners Approval Sheet

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## Statement of Declaration and Confirmation

I declare that the research entitled “The Effect of E-commerce on Customer Loyalty: An Empirical Study of Travel Agencies in Ethiopia” is my original work and has not been presented in Addis Ababa University or any other university, and that all sources of materials used for the research have been duly acknowledged.

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## ***Abstract***

*The fast changes in the ICT especially the Internet effect of e-commerce on the travel agency business is immense in terms of customer retention. Therefore, e-commerce dimensions have become more and more impactful since the last three decades, especially in the travel industry. As a result, this study is aimed to empirically investigate the effect of e-commerce dimension (ease of use, website design, responsiveness, personalization or customization, perceived security, perceived privacy and e-commerce promotion) on customer loyalty in travel agency industry in Ethiopia. A theoretical framework was used as a guideline to test the influence of e-commerce dimensions on customer loyalty in travel agencies. A quantitative research approach was implemented. Besides, a descriptive research design was used for this study. A questionnaire derived from previous studies and the relevant literature is completed by 189 owners, managers, and agents in Addis Ababa. Correlation analysis assessed the relationship between e-commerce dimensions and customer loyalty and multiple regression analysis assessed the impact of e-commerce dimensions and customer loyalty. The findings of this study confirmed that four independent variables (responsiveness, personalization or customization, perceived security, e-commerce promotion) have a positive and significant relationship with customer loyalty according to the perceptions of stakeholders in travel agencies. However, though the correlation analysis showed significant relationship between ease of use, website design and perceived privacy and customer loyalty the multiple regressions analysis didn't confirm as it was not statistically significant. Therefore, travel agencies need to capitalize on their responsiveness, personalization or customization as well as perceived security leverages they have and airlines need to improve possible drawbacks on these factors and capitalize on the influence of e-commerce promotion to attract more online customers.*

*Key Words: e-commerce, e-commerce dimensions, Customer loyalty*

# Chapter One

## INTRODUCTION

### 1.1. Background of the Study

Though what is known in the contemporary world as travel agency was practiced since long time ago; the word described this days as travel agent/travel agency and tour operation business dates back to the beginning of the 19<sup>th</sup> century and across time in history intermediaries has helped traders and pilgrim travelers (CBSE, 2016).

The dynamic nature of the Information Communication Technology (ICT) has impacted the travel agencies in multifaceted ways since the 1950s with the significant ICT developments in the travel industry that include computer reservation systems (CRS) which was an in-house reservation system that was transformed to GDS (Global Distribution Systems) and adopted by the airline industry in the 1950s whereby the first CRS which is known today as Sabre was developed through a partnership between American Airlines and International Business Machine (IBM) (Makau, 2015).

In the advanced world expanding public access to the Internet in the early 1990s signified the prospects of extensive adoption of displacement of intermediaries (disintermediation) activities by airlines in favor of direct or other options of marketing interactions with their customers (Lawton & Weaver, 2009).

Irrespective of the size and level of Internet usage by consumers, the transformation of channels of distribution and changing of how organizations carry out their business activities are imminent in the contemporary world of business. Airlines as a supplier of travel services are strategically targeting their customers directly and bypass the traditional distribution channels (Lang, 2000).

The contemporary business atmosphere is changing and technological innovations are significantly influencing retail travel consultants on the roles they accomplish in

distribution and sale of travel products. The traditional travel agencies has been affected and the whole leisure industry is changing and the questions is to the what extent that electronic commerce (e-commerce) is exerting its effect on the traditional travel agencies to the level of making them irrelevant in this time. Earlier studies conducted on the issue mainly concentrated on disintermediation of traditional travel agencies which are also known as brick-and-mortar travel agencies as threat and with this regard sufficient researches has not been conducted regarding the impact of E-commerce on the traditional travel agencies (Elhaj, Barakeh, 2015).

The rising of easy availability of information related to travel and tourism on the Internet has significantly led to the restructuring of conventional distribution channels. Disintermediation is possibly the paramount change brought by the Internet whereby stakeholders such as airlines bypass intermediaries and avail their services directly to their customers. The phenomenon of disintermediation which is mainly manifest in the relationship between airlines and travel agencies has long marked the travel agents vulnerability to the growth of the Internet as a tool for e-commerce and information dissemination as most airlines have quickly adapted to the potential opportunities associated with e-commerce (both business- to-business and business-to-consumers B2B and B2C, respectively). Majority of airlines have started offering websites, which not only inform their customers about basic fares and schedules, but also allow itinerary building, fare construction and reservations since the late 1990s and the airlines have used these sites to develop marketing strategies focused on building direct relationships with their consumers (Garkavenko, 2007).

Therefore, in the contemporary travel agency business, remaining relevant to customers and retaining loyalty of the customers who could consider options of e-commerce such as online booking and ticketing directly on service provider airlines and online travel agencies, requires travel agents to modify their marketing strategies. Travel agents should look of new value propositions for their customers and suppliers to maintain their function as a travel distribution channel and ultimately gain loyalty of their customers (Viljoen, Kim & Roberts-Lombard, 2016).

## 1.2. Background on Travel and Tourism in Ethiopia

According to a study conducted by the World Travel and Tourism Council the direct contribution of Travel & Tourism to GDP of Ethiopia in 2016 was ETB 30,476.2 million (2.2% of GDP). This mainly includes the economic activity created by sectors like hotels, travel agents, airlines and other passenger transportation services (excluding commuter services) and the activities of the restaurant and leisure industries directly supported by tourists. The study furtherer indicated that the direct contribution of Travel & Tourism to GDP of the country is expected to grow by 6.4% per annum to reach ETB 61,526.9million (2.2% of GDP) by 2027.

With regard to job creation Travel & Tourism created 466,000 jobs directly in 2016 (1.9% of total employment) and this is forecast to grow by 4.7% in 2017 to 488,000 (1.9% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). By 2027, Travel & Tourism will account for 657,000 jobs directly, an increase of 3.0% per annum over the next ten years (World Travel and Tourism Council, 2017).

According to Addis (2015) currently in Ethiopia travel and tour agencies which there business is entirely related with tourist and the travel and tour agencies which add ticketing as the other wing of their operation give services in the country. According to the strategy document prepared by World Bank for Ethiopian government in 2006 the historical aspect of tour operators of Ethiopia dictates Private tour operators in Ethiopia have only been permitted since the end of the Dreg Regime prior to which the National Tour Operator was the government-owned monopoly in the sector.

Travel agencies plays significant role on tourist inflows. It is noted by different scholars that the work of an efficient chain of travel agencies is undoubtedly improve the satisfactions of customers. Travel agencies know the customer's tastes and wishes, while they are the first to be aware, though the customer's complaints, of the failings existing with the system (Sahlemariam, 1998).

### 1.3. Statement of the Problem

According to Katro (2011), conventionally customer loyalty is usually viewed as repeat purchases or retention of existing customers. The other definition as portrayed by Customer Insight Group, customer loyalty is: "Discipline of identifying and nurturing the yield of best customers through a long-term, reciprocity, value-added relationship". Nonetheless, the impact of the Internet, e-commerce in particular, is a prevailing concern in the travel agency industry of today with regard to retention of customer loyalty.

Traditionally, travel agencies had a monopoly on information delivery and ticketing aspects of air travel for two decades and these days they have lost these monopolies as information is abundant and tickets are gradually becoming irrelevant (Amadeus, 2007).

According to Bawa, & et al (2018), as a result of dynamic changes in the operation of airlines, traditional airline travel agents had to confront with several constraints that include e-commerce, Internet availability, and proliferation of global distribution system, commission removal and selling through service charges which in turn affected the customer's loyalty to their services.

As a result of expansion of e-commerce plat forms, travel services and products suppliers have relatively managed to be more independent of the intermediaries and gradually reduced commissions paid to travel agencies and moreover travelers have developed confidence to bypass travel agencies and purchase directly from the airlines. The exclusion of the intermediary through the application of the Internet in the travel industry created various questions and predictions about the future of traditional travel agencies and at the same time, a disintermediation process which created the conditions for configuration of the travel distribution value chain was observed. Travel and hospitality suppliers, for example, started investing in brand websites and booking engines to offer cost effective tools for direct marketing to travelers and differences in the geographical reach between suppliers and clients has been eliminated to enable

suppliers to provide product information including visual images that allowed processing of direct reservations in real-time (Rensburg, 2014).

In the economically advanced world, many options of distribution channels have emerged with the development of the Internet among which the big known search engines like Kayak.com, Sidestep, Inc., and Yahoo/Farechase) are offering travelers with several options that help them select and reserve their travel, while traditional suppliers only have access to their own offering of products and services posted on their websites and GDS have been bypassing direct distribution of these services by using their own websites whereby Expedia, Travelocity (owned by Sabre; Travelocity, the European online travel leader also owns several well-known brands, such as lastminute.com, holidaysauto.com, Site59, Travelocity Business, Travelocity on Location, etc), Orbitz (part of Travelport) strategically targeting on the constant adaptation to the developments in the markets in view of researches that indicate the Internet will dictate the future of the travel industry (Patricia, 2008).

In view of the above industry trend particularly in the travel agency business, the implications of the e-commerce innovation upon travel agencies business in relation to customer loyalty have not been evaluated thoroughly within the perspective of Ethiopia since there is no adequate in-depth study in this area. Moreover, the presumption that the e-commerce is making the travel agencies business obsolete didn't attain needful concern and thus the necessity for concrete studies in relation to the magnitude of the problem and portraying possible remedies to keep the industry and set up competitive strategies in consideration of the traditional agencies to determine how they should respond strategically to the challenges posed by e-commerce. Moreover, studies on the view of the stakeholders particularly owners, managers and agents in the airline travel agency industry regarding the subject matter is very limited if not nonexistent in the country.

The other drive behind this study is that most studies in the subject area mainly focused on disintermediation threat on traditional travel agencies due to advancements in e-

commerce and no adequate studies were conducted regarding the impact of e-commerce on the traditional travel agencies customer loyalty.

## **1.4. Basic Research Questions**

### **1.4.1. Main Research Question**

What is the effect of dimensions of e-commerce on customer loyalty in the travel agency business in Ethiopia?

### **1.4.2. Sub Research Questions**

1. How does website ease of use affect loyalty of customers of travel agencies?
2. How does website design affect loyalty of customers of travel agencies?
3. How does responsiveness of e-commerce affect loyalty of customers of travel agencies?
4. How does personalization or customization features of e-commerce affect loyalty of customers of travel agencies?
5. How does perceived security threat on e-commerce affect loyalty of customers of travel agencies?
6. How does perceived privacy threat on e-commerce affect loyalty of customers of travel agencies?
7. How does promotion of e-commerce affect loyalty of customers of travel agencies?

## **1.5. Objective of the Study**

### **1.5.1. General Objective of the Study**

The purposes of this study is to assess the impact of online selling or E-commerce on the customer loyalty of airline travel agencies in Ethiopia with a focus on selected IATA member travel agencies in Addis Ababa.

### **1.5.2. Specific Objectives of the Study**

1. To examine the effect of ease of use of website of airlines on customers loyalty of travel agencies in Ethiopia.
2. To analyze the effect of website design features on customers' loyalty of travel agencies in Ethiopia.
3. To determine the effect of the responsiveness of e-commerce websites on customers loyalty of travel agencies in Ethiopia.
4. To examine the effect of personalization or customization features of airlines' websites on customers loyalty of travel agencies in Ethiopia.
5. To examine the effect of security of airlines websites on customers loyalty of travel agencies in Ethiopia.
6. To examine the effect of privacy of airlines websites on customers loyalty of travel agencies in Ethiopia.
7. To examine the effect of promotion of e-commerce by airlines on customers loyalty of travel agencies in Ethiopia.

## **1.6. Hypothesis of the Study**

H1: Ease of use of website has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H2: Web site design feature has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H3: Responsiveness of e-commerce websites of airlines has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H4: Personalization or customization features of websites have a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H5: Security of websites has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H6: Privacy of airlines websites has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

H7: Promotion of e-commerce by airlines has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.

## **1.7. Significance of the Study**

Travel industry is an essential part of an economy, it creates jobs, and creates wealth, and vital to stimulate growth and development. Technology induced e-commerce advancements have exerted positive and negative influences whereas air travelers are benefiting from the convenience and cost saving by airlines and disintermediation efforts by suppliers though their move is negatively affecting stakeholders such as travel agencies.

Travel agents are experiencing significant challenges they have never faced before that threaten their very existence as airline carriers exerted remarkable stress on travel agents, they are also aggressively promoting online booking and cutting the commission paid to travel agents; and on the other hand online travel aggregators are competing with tradition travel agents and taking away their customers. In the advanced word the

travelling public tends to recognize the benefits of e-commerce and become self-travel agents and plan leisure travels by their own. The use of the Internet has become a vital competitive feature for travel and tourism sector and as a result the intermediate role of traditional travel agencies between tourism suppliers and consumer is endangered. Therefore, consideration of the benefits of e-commerce while also doing business as brick- and-mortar structure has become an important survival means for the traditional travel agencies (Elhaj & Barakeh, 2015).

This study could help the traditional travel agencies understand the existing internet innovations and effectively utilize its potential opportunities. It will also enable the travel agencies in the country to gain a competitive edge with increased knowledge in the area whereby small and medium scale travel agencies could understand the extent of threat of e-commerce and its potential benefit with regard to how they can make use of innovations relevant in the travel industry in order to remain in business.

The research may also establish the opportunities of the adoption of internet advances in the operations of travel agencies in Ethiopia and provide necessary information on the dynamic character of e-commerce which can form an important basis to adopt viable strategies to maintain their customers' loyalty. The findings of study may also give in setting ICT policies regarding e-commerce and be a good ground for necessary reforms to improve the quality of travel agencies and retain employment opportunities in the sector. At the end, the results from this study could be used to present remediation approaches and strategies to develop new value propositions which differentiate them against the Internet competition, and helping travel agents to find new market niche to be adopted to gain competitive advantages in the travel industry.

## **1.8. Delimitation/Scope of the Study**

In general a travel agency is a private retailer or public service that provides travel and tourism related services to the public on behalf of suppliers such as airlines, car rentals, cruise lines, hotels, railways, travel insurance, and package tours. Nonetheless, this study primarily focuses only on the airlines travel agency businesses.

Conceptually the study will focus on the perception of the agents on the impact of advancement of e-commerce on customer loyalty in relation to the underpinnings of e-commerce settings.

Geographically, this study is conducted in Addis Ababa, specifically air travel agency/agents through convenience sampling method, due to the fact that majority of air travel agencies in the country are located in the capital city.

The other main reason for selecting Addis Ababa was because, like most countries in Africa, internet infrastructure access is only in major cities and usage is highly limited to urban areas due to know-how and infrastructural factors. Thus, a sample drawn from this city would be most likely representative of the population that makes use of the internet based e-commerce platforms.

The study focuses only on travel agencies which are members of the International Air transport Association (IATA) since they are relatively well organized office and management setup and easily accessible to the travelling public. Moreover, the IATA member travel agencies are financially stronger as compared to the Non IATA agencies which are mostly dependent on them for their business.

## **1.9. Limitations of the Study**

Although this research is expected to meet desired objective it has a limitation because it concentrates only on airline travel agencies focusing on air travel booking and ticketing and thus doesn't generalize the travel industry. The other limitation is regarding sampling, convenience sampling is the easiest way to do sampling design, however, the most

obvious criticism about convenience sampling is sampling bias and that the sample is not representative of the entire population. Secondly, since this study will rely on a self-report instrument, there is a possibility that the participants could be affected by the wording of the survey and misread it and not be able to provide accurate responses.

## 1.10. Organization of the Paper

The study was organized in to five chapters. In the first chapter it discusses about the introductory part which consists of background of the study, statement of the problem, research questions, objectives of the study, research hypothesis, definition of terms, significance of the study, delimitation and limitations of the study and organization of the research paper. The second chapter deals with review of related literature such as theoretical review, empirical review and Conceptual frame work; the third chapter deals with research Design and methodology. The fourth chapter presents the analysis and discussions of the perceptions of the effect of e-commerce in the airline travel industry on the loyalty of customers of traditional travel agencies whereby data gathered from travel agency managers/owners and agents were analyzed and interpreted. Finally, based on the analysis and interpretation, conclusions and recommendations were forwarded.

## 1.11. Definition of Key Terms

**E-commerce:** also known as electronic commerce or internet commerce refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions.

**E-business:** is any kind of business or commercial transaction that includes sharing information across the internet. Commerce constitutes the exchange of products and services between businesses, groups and individuals and can be seen as one of the essential activities of any business.

**Travel agency:** is a private retailer or public service that provides travel and tourism related services to the public on behalf of suppliers such as airlines.

**Disintermediation:** is the removal of intermediaries from a supply chain, or cutting out the middlemen in connection with a transaction or a series of transactions.

**Reintermediation:** is the reintroduction of an intermediary between a goods/services producer and consumers. While disintermediation removes elements from the supply chain, reintermediation adds new elements to the supply chain.

**Information and Communication Technology (ICT):** an umbrella term that describes all technologies for the manipulation and communication of information.

**Brick- and-Mortar Travel Agency:** refers to a physical presence of a travel agency business in a building or other structure. The term **brick-and-mortar** business is often used to refer to a company that possesses or leases retail shops, factory production facilities, or warehouses for its operations.

**Global Distribution System (GDS):** is a computerized network system owned or operated by a company that enables transactions between travel industry service providers, mainly airlines, hotels, car rental companies, and travel agencies.

**SERVQUAL:** is a multi-dimensional research instrument, designed to capture consumer expectations and perceptions of a service along the five dimensions that are believed to represent service quality.

# Chapter Two

## Review of Related Literatures

This chapter deals with review of literatures related to the study and includes three parts namely, theoretical review, empirical review and conceptual review.

### 2.1. Theoretical Review

#### 2.1.1. Definition of Electronic commerce (E-commerce)

As predicted in the year 2002 by the management guru Peter Drucker, electronic commerce (e-commerce) has significantly influenced the contemporary business environment. Electronic commerce is commonly defined as the use of Internet and intranets to purchase, sell, transport, or trade data, goods, or services. Some scholars consider the term commerce as describing only buying and selling transactions conducted between business partners and thus argue that term electronic commerce would not be broad enough to explain the general concept and as a result introduced concept of e-business which include servicing customers, collaborating with business partners, delivering e-learning, and conducting electronic transactions within an organization (Turban et al, 2015).

Electronic commerce or E-commerce is also involves all aspects of an organization's electronic interaction with its stakeholders, the people who determine the future of the organization. Thus, electronic commerce includes activities such as establishing a Web page to support investor relations or communicating electronically with college students who are potential employees. Generally, electronic commerce involves the use of information technology to enhance communications and transactions with all of an organization's stakeholders that include customers, suppliers, government regulators, financial institutions, managers, employees and the public at large (Watson et al, 2008).

### 2.1.2. E-commerce Induced Disintermediation

According to Garkavenko (2007), the proposition of disintermediation or threatened intermediaries was first introduced by Malone, Yates and Benjamin in 1987 by using the term 'Electronic Brokerage Effect'. The theory basically explained the threatening in terms of reduction or elimination of functions of retailers, distributors, brokers, and other middlepersons in transactions between the producers and customers. In this regard, specifically the vulnerability of traditional travel agencies due to the advancement of Internet as platform for e-commerce and information flow has been observed clearly.

Intermediation-Disintermediation-Reintermediation (IDR) cycle is one way of describing and investigating the changes happening in all industry structures in general and the travel industry in particular in the face of electronic commerce technology. In this aspect disintermediation is described as the displacement of market intermediaries to pursue direct transaction between producers and consumers and bypassing middle agents (Roberts, 2015).

According to Watson et al (2008), one of the outcomes of the contemporary industries is the elimination of intermediaries such as dealers and brokers or simply disintermediation. For example, the next stage for car manufacturers is to sell directly to consumers, as revealed by readiness Toyota has expressed and large U.S. auto makers are considering. On the other hand, a number of dealers are seeking to link themselves to customers through the Internet via the Autobytel Web site. Consumers contacting this site provide information on the vehicle desired and are directed to a dealer in their area who is willing to offer them a very low markup on the desired vehicle.

There is also a prevalent anticipation that electronic commerce will result in extensive disintermediation, which necessitate careful formulation of strategic issues by most organizations. Thus, a closer analysis enables us to provide some guidance on identifying those industries least, and most, threatened by the process of disintermediation. The degree of the threat is varying across industries by the level of

physical inputs and outputs and information flow diversity. Those with high volume of physical flow and diversified information flow are less vulnerable to disintermediation effect as they are likely to develop economies of scale (Watason et al, 2008).

Some observation of on the phenomena of disintermediation especially in the traditional travel agencies is presented rather as a dead end with the conviction that they will be victims of the expansion of online bookings and sensitizing them to look for alternative strategies of to remain in business. However, measurements done on customers' opinion about the disintermediation of hospitality industry in Hong Kong, revealed that travel agencies can "provide a better service in terms of human touch, professional counseling, and risk reduction"; and yet advised them to be to be customer focused rather than profit oriented (Agheorghiesei & Ineson, 2011).

### **2.1.3. Customer Loyalty in E-commerce**

It is commonly agreed that the creation of sustainable customer loyalty requires fundamental components that include factors such as customer attitude, satisfaction, trust and commitment and pure situational loyalty is not desired by any company and they should try to create more emotional binds towards the buyers. Some studies revealed that attracting new customers can be very expensive, costing as much as 20 – 40% more than serving an already existing customer. Moreover, the loyal customer is more profitable than a new one. A study has reiterated that only a 5% increase in customer retention can produce 25-95% increase in profits for most organizations since a loyal customer is less price sensitive towards the company's product and less need for communication for existing clients and they know what to expect from the company, which consequently can reduce customer service contacts (Katro, 2011).

Professionals analyzing loyalty of customers identified that the main problem of travel agencies is too much focus on price and discounts recommends revision of strategy to cope up with customer loyalty threat. Moreover, various multicultural studies conducted on the on the subjects conducted drew similar conclusions with respect to consumer's

need for "face to face encounters" with the service provider, familiarity with the supplier, and the guarantee of security, quality and brand of the service before buying online. Studies show that online shoppers are more prone to ICT and mostly young generations. In spite all these, many managers of traditional travel agencies know that not all tourists seek services online mainly because online offers are incomplete. (Agheorghiesei & Ineson, 2011).

#### **2.1.4. Factors Leading to Customer Loyalty for Travel Agencies**

According to Viljoen, Roberts-Lombard, and Chris (2015) various researches conducted on the travel industry globally eight potential factors affect customer retention endeavor of travel agencies; namely, the agents product knowledge, personal interaction with customers, provision of differentiated services/product, delivering high quality service, co-existing with technology, charging low service fees, targeting corporate segments, and targeting the leisure segment. These factors are briefly described as following.

##### **A. Product Knowledge**

Various prominent researchers underscored that the absorptive learning ability of sales persons and their related cognitive aptitude are paramount in being able to sell products or services to customers (Viljoen, Roberts-Lombard, and Chris (2015)).

##### **B. Personal Interaction**

The concept of building customer intimacy or close interaction with customer that include face-to-face interaction between service providing agent and the customers is vital to enhance consumer trust in the era of e-commerce (Viljoen, Roberts-Lombard, and Chris (2015)).

##### **C. Differentiated Product**

Most researches agree that travel agencies need to differentiate their product for instance by focusing on niche markets to survive the threats of disintermediation induced by e-commerce (Viljoen, Roberts-Lombard, and Chris (2015)).

#### **D. High-Quality Service**

As in every industry delivery of high quality service plays a paramount role in retaining very important customers of travel agencies as well (Viljoen, Roberts-Lombard, and Chris (2015).

#### **E. Co-Existing with Technology**

Many literatures advocate the important of moving with pace and customers need for the new technologies especially the internet to remain relevant in the industry. Thus travel agencies need to continually adopt new Internet technologies to satisfy customer's needs (Viljoen, Roberts-Lombard, and Chris (2015).

#### **F. Low Service Fees**

To remain competitive travel agencies have to review their service fees and travel agents need to continually evaluate and communicate the costs of travel to customers so that the customer understands that the travel agent is not profitably exploiting them and the costs are genuine (Viljoen, Roberts-Lombard, and Chris (2015).

#### **G. Targeting the Corporate Segment**

The corporate customers are mostly regarding as the mainstay of travel agencies as they are not significantly price sensitive but service oriented. It also observed in some countries that corporate markets are less prone to the disintermediation effect of e-commerce. Thus travel agencies need to give due attention in their corporate customers (Viljoen, Roberts-Lombard, and Chris (2015).

#### **H. Targeting The Leisure Segment**

It is believed that international holiday's travels are, by nature, a high-involvement, complex and expensive product; therefore, consumers seek advice from experienced travel consultant such as travel agencies. Moreover, contemporary consumer research supports this theory and reveals that the more complex the travel product, the more likely consumers are to research it online but make the reservation through a travel agents. Therefore, travel agencies could target this segment to cope up with threats of disintermediation (Viljoen, Roberts-Lombard, and Chris (2015).

### 2.1.5. Travel Agencies Survival Strategies

Adding fuel to the survival challenges of travel agencies unlike in the Global Distribution System (GDS) or the Internet era the travel products and services consumers of today expect completely different approaches from their suppliers. They want easy access to information that is relevant to their needs and they also expect instant access to searching information and have little tolerance for websites that does not display the desired information within a few seconds (van Rensburg, 2014)

The phenomena of online purchase of travel products are very common especially in the advance and posing serious threat to conventional travel agencies. Airlines and tour operators are also aggressively encouraging their customer to purchase their products/services directly on their websites. As a result many suppliers have either capped commission fee or scrapped it altogether and thus travel agencies have been forced to charge service fees for their survival (Garkavenko, 2007).

The advances of technology such as Internet and e-commerce have shaped the travel agencies business practice fundamentally, causing various strategic responses for survival. Among the strategies adopted by the travel agencies include consolidation of travel companies through mergers, acquisition, franchising and formation of consortiums, product diversification, niche markets, value adding services, increased adoption of new technology and restructuring of their traditional business model (Bawa et al, 2018).

As a survival strategy travel agencies also responded in the different ways such as reintermediation strategy of marketing themselves directly to potential corporate clients, through application of online platforms to attract customers. Although it is important that locally the airline travel agencies understand their survival strategies in order to remain in business other relevant strategies identified are identification of customer competence, building attachment relationship and targeting different levels of customers through collaboration (Bawa et al, 2018).

### 2.1.6. The Traditional Travel Agency

A travel agency is an agent of a principal or private retailer to leisure and business travelers that functions as a broker for the other suppliers or the public on behalf of travel provider such as, airlines, hotels, car-hires, cruise lines, foreign currency and packages tours. They are paid a commission by the supplier of the service for acting as intermediary, beneficially linking customers with the provider of travel products and services (Gao and Rajala, 2013).

The world's first travel agency was set up by Thomas Cook in 1845 for the purpose of organizing excursions through buying railway ticket and buying back to the people. Due to this innovative approach, Thomas Cook is known as the Father of the Travel Agency Business. He coordinated railway and steamship excursions throughout England, Scotland and Europe. However, railways used to give him only 5 % commission which was not enough to meet his overheads and decided to expand his business to tour operation sector (CBSE, 2016).

What is called today as a traditional travel agent is defined as a travel agent who sells travel related products and services to customer, on behalf of suppliers, such as airlines, car rental companies, cruise lines, and so forth (Elhaj and Barakeh, 2015).

According to Gao and Rajala (2013) since the emergence of air transport in the 1930s most airlines had their own sales outlets in capital cities and big commercial cities. The growing demand for air travel and the new market for air tickets motivated travel agencies to expand presence and this has led to the booming of the travel agencies in the 1960s with enormous changes of commission as a result of licensing and expanded cooperation between airlines and travel agencies.

In the 1970s travel agencies expanded their business to tour operation and their sales expanded tremendously. However, this phenomena has started to change since 1980s due to emergence of Internet and airlines started to use their direct sales and as result travel agencies started experiencing the loss of commission from tour operators especially the airline sales volume where dropping, because airlines and hotels was

successfully selling trips and accommodation on they own websites (Gao and Rajala, 2013).

The traditional travel agencies have the leverage of physically interacting with their customers, where they provide face to face communication and help one customer at a time as most customers appreciate the possibilities of being offered tailor made products and usually have extensive information and trustworthy relation the suppliers of the product. However, the advancement of the Internet technology has caused their biggest ever threat since the beginning of the new millennium since their services compared to the online travel agencies are somewhat slow in terms of being inefficient due to limited opening hours, geographical limitation, service fee, less choice for the consumer, time consuming and don't always have updated information (Gao and Rajala, 2013).

#### **2.1.7. Determinants of E-commerce Service Quality**

Several studies have identified fundamental key dimensions of service quality such as ease of use, website design, responsiveness, personalization or customization, assurance (security and privacy), customer trust, promotion among others. The effects of these dimensions on customer satisfaction both as a precondition and intermediary to loyalty have been well conceptualized in various researches as briefly discussed below (Kassim and Abdullah, 2008).

According to (Napitupulu and Aditomo, 2005) earlier studies have found that the quality of online service positively influence customer satisfaction and customer loyalty and identified variables such as perceived usefulness, brand image, customer support, promotion, customer trust, information quality and transaction security as determinants of customer loyalty in e-commerce settings. Therefore, to compete in an e-commerce business organizations need to ensure a good quality of services and to fulfill this objective the leaders need to understand the needs and desires of their target customers.

## **i. Ease of use**

The ease of use dimension is customer usage of computer technologies and can represent the reliability dimension of the traditional SERVQUAL particularly for new users. The ease of use is indeed a determinant of service quality and is critical for customer satisfaction, since it enhances the efficiency of using the service and also in increasing customer trust. As illustrated by many researchers this factor includes items such as functionality, accessibility of information, and ease of ordering and navigation which reflects the service provider's competence to induce customer trust (Kassim and Abdullah, 2008).

Moreover, as pointed out in various studies in e-commerce business ease of use aspect in web-based markets is also depicted as "easy to navigate" feature that help customers navigate and locate information or content to attract both experienced and new online customers in order to achieve mass-market penetration (Yang et al, 2004).

## **ii. Web site design**

According to previous studies by (Kassim and Abdullah, 2008) to create customer satisfaction in e-commerce platforms, the website design dimension is important because it is directly related to the user interface. The study has pointed out that this dimension can be part of the tangible in SERVQUAL and includes content, organization and structure of the site which are visually appealing, fascinating and pleasing to the eyes which could create first impression of the e-commerce website that affect the development of trust.

A good website design in online marketing is about high quality organization and easy search that includes providing consumers' organized screens, simple search paths and fast presentations with main function of informing consumers about the company and its products or services (Sharma, 2017). Gefen (2002) found that this dimension is the most important in increasing customer loyalty.

### **iii. Responsiveness**

According to (Gefen, 2002) responsiveness dimension deals with customer perceptions about the willingness of the service provider to help the customers and not shrug off their requests for assistance. It is one dimension of the traditional SERVQUAL, measures a company's ability and willingness to provide prompt service when customers have questions/problems. It has been identified by customers as an element of high-quality service and thus understanding customer requirements and developing the service based on responsive feedback enhances service satisfaction and also increases customer trust (Gefen, 2002).

As one essential components in the retail business both online and conventional, customer support which is part of responsiveness can be used as an added value of a company in the world to compete in the business (Napitupulu and Aditomo, 2005).

### **iv. Personalization or customization**

According to (Gefen, 2002) the personalization or customization dimension can be also understood as the empathy dimension of the traditional SERVQUAL. It reflects the degree to which information or a service is tailored to meet the needs of the individual visitor. As indicated in a study conducted by Kassim and Abdullah (2008) the concept of personalization consists of four components in an e-commerce setting; namely personal attention; preferences; understanding the specific needs of customers; and information regarding the products modification. According to Anderson and Kerr (2002), one of the three rules for success on the road of e-commerce is to make it personal.

### **v. Perceived security**

As pointed out by (Kassim and Abdullah, 2008) security refers to the protection of information or systems from unauthorized interventions or leakages. Various studies have indicated that fear of lack of security is affecting the use of online services. In another aspect according to Gefen (2002) perceived security contributes to customer

trust which is developed through encryption, protection, verification, and authentication, including e-mail confirmations and user-friendly interfaces.

Security is closely linked with the trustfulness of e-commerce companies. The perceived lack of security on public networks is definitely a top concern for online transaction. As a result companies try to protect personal information such as credit card numbers transmitted to vendors from consumers through coding and decoding using encryption algorithms (Kassim and Abdullah, 2008).

#### **vi. Perceived Privacy**

Most customers are concerned with the risk associated with online transactions and privacy of sensitive personal information and thus they desire to retain some level of privacy or anonymity (Kassim and Abdullah, 2008).

According to Eid (2011) perceived privacy is defined as consumers' ability to control presence of other people in the environment during a market transaction or consumption behavior and the dissemination of information related to or provided during such transactions or behaviors to those who were not invited to participate. Studies have demonstrated that trust in the information technology is particularly influenced by the privacy perceived by consumers regarding the handling of their private data.

Privacy is a critical factor in acquiring potential online customers and retaining existing customers. Customers trust is gained by providing them with more confidentiality and privacy to their personal and financial details and thus it is a vital factor in customer satisfaction of ecommerce services (Nasimi, et al, 2018).

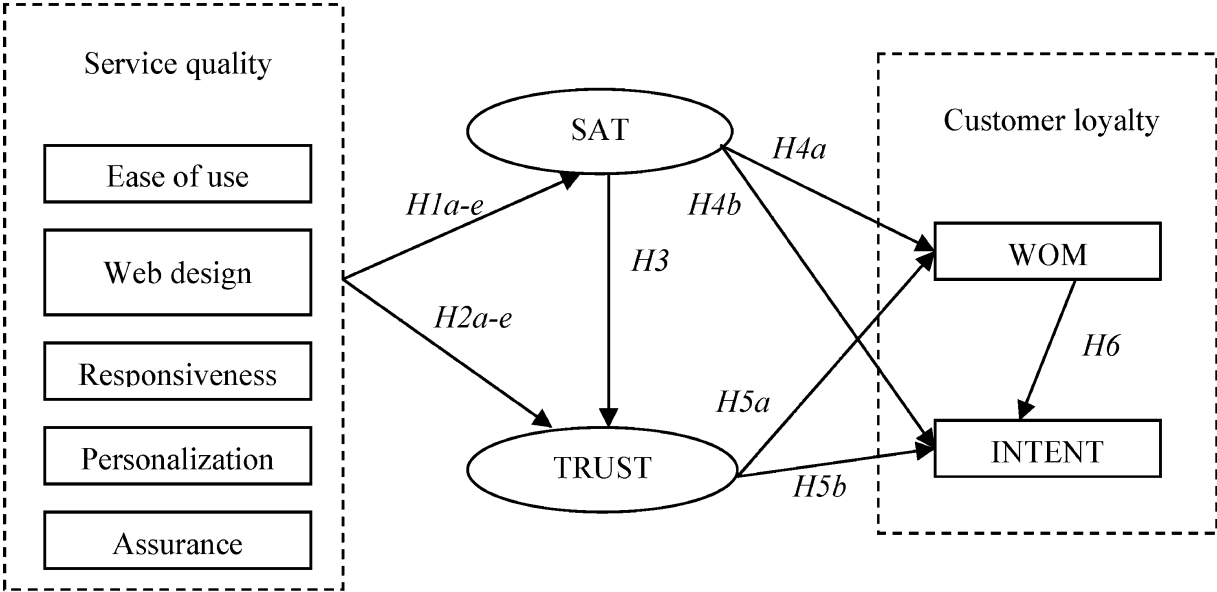
#### **vii. Promotion of e-commerce**

In e-commerce undertakings promotion serves as a sudden attraction for someone in buying a product. Promotion of e-commerce business is carried out in various forms that include premium accounts, discounts, and free shipping product. Studies have indicated that prices have an impact on purchases through e-commerce. Thus online sellers

mostly offer discounts to customers that are interested to visit their website to encourage and increase the chances of the customers to shop online (Napitupulu and Aditomo (2015).

The above review of the constructs of the e-commerce underpinnings on customer loyalty which are depicted by various researchers is shown in the below graph.

Figure 1: E-commerce underpinnings on customer loyalty



Source: Kassim & Abdullah (2008)

## 2.2. Empirical Review

In addition to the theoretical underpinnings some empirical studies indicated that e-commerce has significant impact on the loyalty of customers as far as traditional travel agencies are concerned.

With regard to the impact of e-commerce dimensions on customer loyalty a study conducted by David Gefen (2002) explained that online environment where there is no direct human service provider; service quality through increased trust contributes to the creation of loyal customers by statistically supporting its propositions about e-commerce.

A study conducted by Napitupulu and Aditomo (2015) entitled “Factors Affecting Customer Loyalty in Business E-commerce: A Case of Indonesia” factors with significant contribution for the customer loyalty in e-commerce business are perceived usefulness, transactions security, brand image of e-commerce, quality information, customer Support, customer trust, and promotion in that order. However, perceived ease of use does not significantly affect customer satisfaction and loyalty. The perception of risk (security and privacy) factors also did not significantly affect customer satisfaction and loyalty with a justification that large companies are usually trusted regarding security and privacy.

According to a study made in Pakistan by Nasimi, A.N., Nasimi, R.N., Basit, R.A. (2018) perceived security and responsiveness have differential but highly significant impact on loyalty of e-commerce customers. Thus, it reveals that consumer loyalty is an immediate sign of buyer dependability in B2C e-commerce websites.

Personalization or customization, responsiveness and security and ease of are supported by the study conducted by Vidyastuti, H.A, (2017).

According to a study conducted by Malik R. Elhaj & Mohammed Z. Barakeh (2015) with a title of “Contemporary Financial Challenges for the U.S Travel Agencies In Respect of Their Experience” travel agents with more experience tended to believe that the effect

of E-commerce on brick-and-mortar travel agencies or traditional travel agencies was smaller than did travel agents from with less experience. Moreover, their study appeared to have shown that more experienced agents from larger agencies have been more successful in making the transition to E-commerce in the travel industry. Although some previous studies indicated that E-commerce would have a devastating impact on traditional travel agents other studies have indicated that travel agents could succeed if they focused on providing good customer service.

An empirical finding by Kim Viljoen and Mornay Roberts-Lombard (2016) indicated that in order to withstand e-commerce induced disintermediation and retain loyalty of their customers travel agencies need to focus on high-quality service, ensure product knowledge and adopt new technologies. Their study revealed that travel agency owners and managers believe that providing differentiated products to their leisure customers is the key to winning back lost customers as well as keeping existing customers. According to the study travel agents also believe that delivering high-quality service is important to win back lost customers.

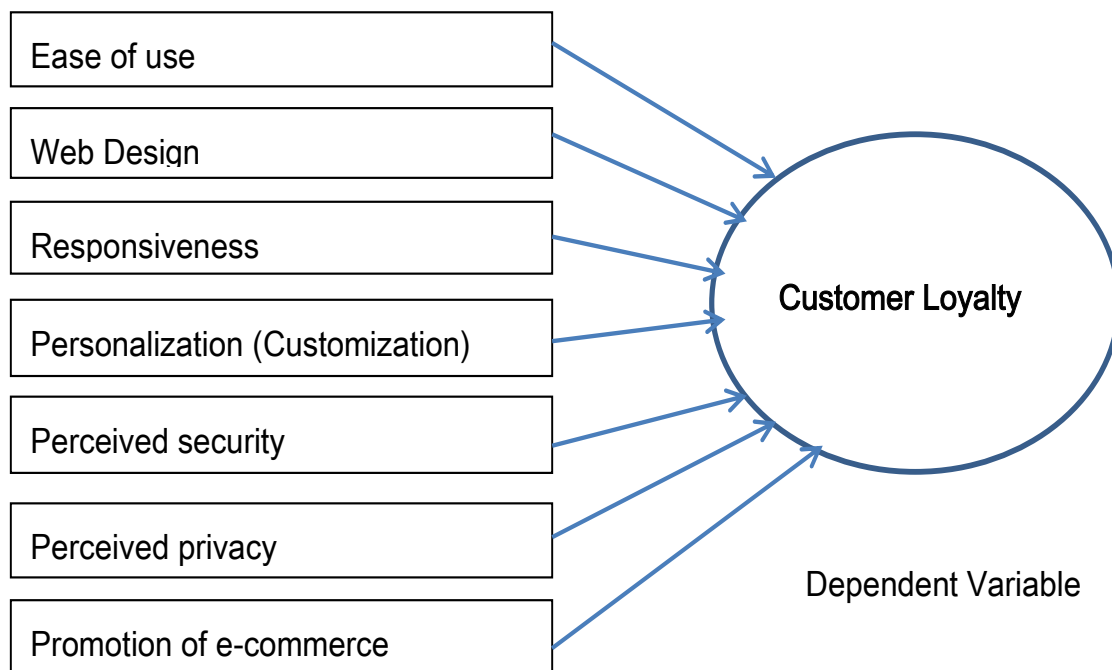
A study conducted by Agheorghiesei and Ineson (2011) entitled 'The Impact of Online Booking Systems on Customer Loyalty in Romania' 19% percent of travel agency managers and owners admitted that they have lost their customers. The study indicated that certainly e-commerce have affected the activity of travel agencies and their activity is also affected by the policy of airlines companies that post net prices on their websites.

A study carried out in Nigeria by Ubogu, Adefila, and Okere, (2018) entitled "Adaptation Strategies of Airline Travel Agencies to the Dynamics of Airline Industry in Nigeria" showed that e-commerce was the constraint which was ranked very high in severity level affecting airline travel agency business in Nigeria. According to the finding airline travel agencies have been contending with the challenges of e-commerce in the travel industry in the form of e-booking of tickets and hotel reservations, e-purchase and other e-transactions associated with air travel arrangements.

## 2.3. Conceptual Framework

The below conceptual frame is customized from the study conducted by Kassim and Abdullah (2008) and Napitupulu & Aditomo (2015) to indicate effect of e-commerce on customer loyalty in the travel agency industry through in-depth review of related literatures.

**Figure 2: Conceptual Framework**



Independent Variables

(Source: Customized from Kassim and Abdullah (2008), Napitupulu & Aditomo (2015))

# Chapter Three

## Research Design and Methodology

### 3.1. Chapter Overview/Introduction

This chapter provides the research methodology employed to conduct the study. Accordingly, this chapter presents research approach, research design and type, data type and source, method of data collection, sampling design technique, research design and technique, total population and sample size and method of data analysis and presentation.

### 3.2. Research Approach

To accomplish the objectives of the study a quantitative research approach was used. According to Kumar (2011) the differentiation of qualitative and quantitative research approach depends on the intention of the research, data gathering procedure and analysis of data. According to this classification, the purpose of a quantitative study is to count the degree of difference in a phenomenon or condition through the use of a structured or prearranged methodology and investigate it with statistical procedures. In contrast, qualitative research searches for collected data so as to illustrate distinction in a situation, phenomenon or dilemma by the use of an unstructured and flexible methodology and analyze it in a rather descriptive and non-quantifiable way.

The research also uses cross sectional design because the data collected at one point in a time to assess the effect of e-commerce on customer loyalty the case of airline travel agencies in Ethiopia. Cross sectional design is a study in which various segments of population are sampled at a single point in a time to find out the prevalence of a phenomenon, situation, problem, attitude or an issue (Kumar, 2011).

### **3.3. Research Design/Type**

Based on the purpose, the study is descriptive and explanatory in nature because, this type of study is conducted to describe and attempt to explain why behavior is the way it is and provide detailed description about the existing phenomena and to justify current condition with the intent of employing data and whenever possible to draw conclusion from the fact discovered (Kothari, 2004).

### **3.4. Sampling Design**

#### **3.4.1. Target Population**

The target populations of the study are owners, managers and agents of airline travel agents in Addis Ababa. There are various sample designs available for a researcher to use. Some designs are relatively more precise and easier to apply than others. A researcher must choose a sample design which should be reliable and suitable for the research undertaking (Kothari, 2004). Accordingly as per the information gathered from Ethiopian travel agencies association, the total number of IATA member travel agencies in Addis Ababa is around 95 and the sector employs around 360 personnel in the IATA member agencies alone. Therefore, the target population estimated to be around 360 staffs of IATA member travel agencies in Addis Ababa.

#### **3.4.2. Sample Size**

The issue of sample size is very important element in research methodology as this determines who included or excluded from participating in the study and their number. Careful selection of sample size and technique enhances the reliability of research findings. A simplified formula to calculate sample size, Yamane (1967) cited in various studies is applied for sample size determination.

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

Where n is the sample size, N is the population size, and e is the level of precision. By using this formula at 95% confidence level and 5% level of precision the sample size was obtained as follows:-

$$n = \frac{360}{1+360(0.05)^2} = 189$$

Accordingly, 189 respondents were selected from the total population of owners, managers and agents of the airline travel agencies. Having selected such number of respondents, the questionnaires were distributed by using convenience sampling which is the cheapest and the easiest to get each respondent from each travel agency.

### **3.5. Source of Data**

#### **3.5.1. Primary Source of Data**

Primary source of data was collected through closed ended questionnaires to be distributed to selected owners, managers and agents of the airline travel agencies in Addis Ababa.

#### **3.5.2. Secondary Source of Data**

Secondary data were also collected and used to augment the study. The secondary data was collected from travel agents airlines review of agents' performance and reports of the association of travel agencies.

### **3.6. Data Collection Methodology**

Self-administered questionnaires are distributed to the selected owners/managers and agents through face to face interaction. The target respondents would answer the questionnaires based on their perception in the form of strongly agree, agree, neutral, disagree and strongly disagree. For the purpose of data collection, the researcher uses close ended questionnaires.

### **3.7. Data Collection Instrument**

For the purpose of data collection, closed-ended questionnaires were used. Closed-ended questionnaires are prepared on the basis of the perception of the airline travel agents' on the effect of e-commerce on their customer's loyalty.

Thus, closed ended questionnaires helps to avoid pressure up on the respondents in any direction and better be able to obtain the required data in the study area.

The questionnaire is divided in to three sections. The first section contain the demographic characteristics of the respondents which were requested to provide information about their gender, age, year of service or experience, education level and their position in the agency. The second section of the questionnaire deals questions related to effect of e-commerce on the customer loyalty in travel agencies. For all questionnaire included in section two, the respondents were requested to indicate their feeling on a five point Likert scale type to measure weighted as follows: 1=strongly disagree, i.e., very much dissatisfied with the case described, 2=disagree, i.e., not satisfied with the case described, 3=neutral, i.e., uncertain with the case, 4=agree, i.e., feeling alright with the case described, and 5= strongly agree, i.e., very much supporting the case described.

### **3.8. Data Analysis Method**

After the data were collected from primary source it was checked and in-house editing was undertaken to detect errors that have been committed by the respondents. Then, the edited data was coded and manually entered in to statistical package for social science (SPSS) version 16 computer software. Analysis of data in this research is done by using descriptive statistical methods like: frequency, mean, standard deviation and inferential statistical methods such as: correlation and regression. The regression analysis was conducted to determine by how much percent the independent variable i.e. e-commerce affects the dependent variable customer loyalty. Multiple regression analysis was used to test the proposed hypothesis whether there is a relationship between the independent and dependent variables.

### **3.9. Validity and Reliability**

#### **3.9.1. Validity**

Validity is an important term in research that refers to the conceptual and scientific soundness of a research study to adequately find explanations for the finding of the study (Bordens & Abbott, 2011). As previously discussed, the primary purpose of all forms of research is to produce valid conclusions. Furthermore, researchers are interested in explanations for the effects and interactions of variables as they occur across a wide variety of different settings. To truly understand these interactions requires special attention to the concept of validity, which highlights the need to eliminate or minimize the effects of extraneous influences, variables, and explanations that might detract from a study's ultimate findings.

Validity is, therefore, a very important and useful concept in all forms of research methodology. Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study.

### **3.9.2. Reliability**

In brief reliability is an issue of whether a particular technique produces the same output every time a specific technique is applied upon it (Bobbie, 2011). If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error. Cronbatch Alpha was computed and variables with a Chronbach alpha of 0.70 or above were considered for data analysis.

### **3.10. Ethical Consideration**

Throughout the research, the researcher upholds and respects the participants' right to privacy, anonymity, fair treatment and to protection from discomfort and harm (Bhattacharjee, 2012). Ethical considerations encompass the whole process of research; whereby relevance of topic, design, methods, anonymity, analysis and distribution of findings must be negotiated with relative openness, sensitivity, honesty, accuracy and scientific impartiality (Cohen, Manion and Morrison, 2007). In this research, ethical issues have got especial consideration. The researcher will discuss the purpose of the research clearly to the participants during data gathering stage of the research. As a matter of confidentiality, the participants will not be required to write or tell their names. Furthermore, the participants were assured that their responses for the questionnaire will be used for the intended purpose only and will wipe out their responses as no more required after completing the research.

# Chapter Four

## Results and Discussions

This chapter deals with analysis and interpretation of the data collected from respondents using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. In line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 16 to analyze the collected data. In order to make the collected data suitable for the analysis, all questionnaires were screened for completeness. Hence incomplete questionnaires were considered as errors and removed from the survey data. Out of the 189 distributed questionnaires, 156 were found to be valid and used for the final analysis.

### 4.1. Reliability Test Result

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Field (2008) Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0 to 1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair et al.,2003).

Table 1: Cronbatch's Alpha for each field of questionnaire

No	Field	Number of Items	Cronbach's Alpha
1	Ease of use	4	0.903
2	Website design	4	0.902
3	Responsiveness	4	0.883
4	Personalization or customization	4	0.882
5	Perceived security	4	0.879
6	Perceived privacy	5	0.877
7	Promotion of e-commerce	4	0.777
8	E-commerce customer loyalty	4	0.787
		Entire 33	0.947

Source: Survey (April, 2019)

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table 4.1 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.777 and 0.903. This range is considered high as the result ensures the reliability of each field of the questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

## 4.2. Demographic Characteristics of Respondents

This descriptive analysis is used to look at the data collected and to describe data captured through the questionnaire. It was used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographic questions. The demographic factors used in this research were gender, age, educational qualification, and work experience of respondents.

Table 2: Demographic characteristic of respondents: Gender

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	96	61.5	61.5	61.5
	Male	60	38.5	38.5	38.5
	Total	156	100.0	100.0	

Source: Survey (April, 2019)

As far as the table 4.2 is concerned, 61.5 percent of the respondents were female while the remaining 38.5 percent of the respondents were male. This indicates that majority of the employees of the travel agencies were female.

Table 3: Demographic Characteristic of Respondents: Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30 years	78	50.0	50.0	50.0
	31-40 years	61	39.1	39.1	89.1
	41-50 years	13	8.3	8.3	97.4
	51-60 years	3	1.9	1.9	99.4
	Above 60 years	1	.6	.6	100.0
	Total	156	100.0	100.0	

Source: Survey (2019), n=156

Another description observed in table 4.3 is the age interval of respondents. 50 percent in interval of 18 to 30 years, 39.1 percent of the respondents in the interval of 31 to 40 years, 8.3 percent in the interval of 41 to 50 years, 1.9 percent in the interval of 51 to 60

years and remaining 0.6 percent were found in the age of above 60 years. This indicates that the majority of the employees of travel agencies were young.

Table 4: Demographic Characteristic of Respondents: Education

Gender * Education Cross tabulation							
			Education				Total
			Certificate	Degree	Diploma	Masters	
Gender	Female	Count	5	64	17	10	96
		% within Gender	5.2%	66.7%	17.7%	10.4%	100.0%
	Male	Count	3	34	14	9	60
		% within Gender	5.0%	56.7%	23.3%	15.0%	100.0%
Total		Count	8	98	31	19	156
		% within Gender	5.1%	62.8%	19.9%	12.2%	100.0%

Source: Survey (April, 2019) n=156

As far as the educational qualification of employees is concerned in the table 4.4, 62.8 percent of the respondents were first degree holders, 19.9 percent were diploma holders, 12.2 percent were master's degree holders and the remaining 5.1 percent were certificate holders.

Table 5: Demographic Characteristic of Respondents: Work experience

Work Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	61	39.1	39.1	39.1
	6-10 years	50	32.1	32.1	71.2
	11-15 years	26	16.7	16.7	87.8
	16-20 years	13	8.3	8.3	96.2
	21-25 years	4	2.6	2.6	98.7
	26-30 years	1	.6	.6	99.4
	Above 30 years	1	.6	.6	100.0
	Total	156	100.0	100.0	

Source: Survey (April, 2019), n=156

As far as work experience of the respondents is concerned in table 4.5, 39.1 percent of the respondents have below 5 years work experience, 32.1 percent of the respondents have 6 to 10 of years working experience, 16.7 percent have 11 to 15 years work experience, 8.3 percent of the respondents have 16 to 20 years work experience, 2.6 percent of the respondents have 21 to 25 years work experience and 1.2 percent above 26 years of working experience. Overall the majority of the work force in the travel agency business with less than 10 years of work experience in the industry.

### 4.3. Descriptive Statistics of Scaled Type Questionnaires

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents. The responses of the respondents for the variables indicated below were measured on five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1 - 1.8=

Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree as cited by various research works.

#### 4.3.1. Perception of Respondents to wards Ease of Use

Website ease of use is one of the primary dimensions of e-commerce that involves customer loyalty. In today’s e-commerce environments, the ultimate goal of any easy to use website platform is to achieve a deep customer loyalty that makes an organization a necessary partner to its most profitable customers. Ease of use construct has scored average mean of 3.625.

Table 6: Descriptive Statistics of Ease of Use

Variables Ease of Use	Mean	Std. Deviation
It is easy to get access to the online booking and ticketing	3.6154	1.14419
The airlines' site is user friendly	3.6667	1.01812
Navigation on the airlines’ site is easy	3.6090	.98094
It is easy to find ways around the websites	3.6090	1.00048
Average Mean	3.6250	

Source: Survey (2019), n=156

#### 4.3.2. Perception of Respondents towards Website Design

According to various studies website design is a significant antecedent for e-commerce loyalty. According to this survey the respondents perceive that the website layout and colors are appealing (fascinating) with a mean of 3.7244 and it also provides relevant information about the products/services of airlines as shown by a mean of 3.6795. Most respondents also agreed on the attractiveness of information display, organization and

ease of understanding it. As it can be seen in the table 4.7 website design construct has scored average mean of 3.6683.

Table 7: Descriptive Statistics of Website Design

Variables Website Design	Mean	Std. Deviation
The information on the site is attractively displayed	3.6603	1.08060
The information on website is well organized & easy to understand	3.6090	1.06301
The website layout and colors are appealing (fascinating)	3.7244	1.00690
The websites provide relevant information about the products/services of airlines	3.6795	1.09537
Average mean	3.6683	

#### 4.3.3. Perception of Respondents towards Responsiveness

Regarding the responsiveness dimension with regard to the e-commerce platforms travel agency stakeholders' perceptions towards responsiveness of e-commerce platforms seems to be indifferent as indicated by the average means 3.3028 which is in reference range of 2.61 to 3.4 for neutrality scale. The highest score for responsiveness the airlines are interested in getting feedback prompt in replying queries and requests with a mean of 3.359 and the lowest according to the perception of travel agency stakeholders' is easiness to get in contact with airlines which provide online services with a mean of 3.250.

Table 8: Descriptive Statistics of Responsiveness

Variable Responsiveness	Mean	Std. Deviation
It is easy to get in contact with airlines which provides online services	3.3333	1.09741
The airlines are interested in getting feedback, prompt in replying queries and requests	3.3590	1.11846
It is easy to get in contact with airlines which provide online services	3.2500	1.10497
Airlines can provide real-time information to online customers	3.2692	1.16589
Average mean	3.3028	

#### 4.3.4. Descriptive statistics of Personalization or Customization

According to the respondents perception the only agreement for the question is for whether websites provide travellers with information and services according to their preferences with mean score of 3.5064 which is in the range of agree scale. Other items pertaining to personalization or customization are in the range of neutral scale with the lowest score 3.2885 reflecting the perception whether travellers would feel their personal needs have been met when using the online transactions with airlines. As it can be seen in the table 4.9 personalization or customization construct has scored a mean of 3.3846.

Table 9: Descriptive Statistics of Personalization or Customization

Variable Personalization or Customization	Mean	Std. Deviation
Travellers would feel their personal needs have been met when using the online transactions with airlines	3.2885	1.00328
Travellers feel the online products of airlines have the same norms and values as they have	3.3269	.95149
Websites provides travellers with information and services according to their preferences	3.5064	.97383
Websites make purchase recommendations that match traveller's needs.	3.4167	.97026
Average mean	3.3846	

#### 4.3.5. Descriptive Statistics of Perceived Security

According this perception survey, by in large the respondents agree that airline e-commerce platforms are capable of ensuring the security of their customers during online transaction. Agree scale is scored for item on websites have mechanism to ensure safe transmission of users' information and relatively the lowest score is on websites technical capacity to ensure that customers data can't be modified by hackers. As depicted in the below table 4.10 perceived security has scored an average mean of 3.5160 which is in the agree scale reference range.

Table 10: Descriptive Statistics of Perceived Security

Variable Perceived Security	Mean	Std. Deviation
The Web site has mechanism to ensure the safe transmission of its users' information	3.5897	.97631
The Web site has sufficient technical capacity to ensure that the data I send can't be modified by hackers	3.4551	.97942
Purchasing on the Web site will not cause financial risk.	3.4872	1.03167
The electronic payment on the Web site is safe.	3.5321	1.01231
Average mean	3.5160	

#### 4.3.6. Descriptive Statistics of Perceived Privacy

According to this perception survey, by in large the respondents agree that airline e-commerce platforms are capable of ensuring the privacy of their customers during online transactions. The highest agreement scale is scored for item on asking the websites only collect user's personal data that are necessary for its activity and relatively the lowest score is on item asking whether websites abide by personal data protection laws. As depicted in the below table 4.11 perceived privacy has scored an average mean of 3.7435 which is in the agree scale reference range.

Table 11: Descriptive Statistics of Perceived Privacy

Variable Perceived privacy	Mean	Std. Deviation
The Website abides by personal data protection laws.	3.6538	.80845
The Web site only collects user's personal data that are necessary for its activity	3.8077	.82786
The Website does not provide personal information to others without consent	3.7692	.87875
Passengers feel safe when sending their personal information to the Website.	3.6987	.86822
The Websites show concern for privacy of its users.	3.7885	.82704
Average mean	3.7435	

#### 4.3.7. Descriptive Statistics of Promotion of E-commerce

According to this survey travel agency stakeholders agree that airlines are aggressively promoting their online sales transactions and this is depicted by the agreement scale score of 3.7372 and with overall mean of 3.5657. The survey has depicted that most respondents believe that customers won't go for online booking and purchase of tickets despite aggressive promotions by airlines. However, customers are attracted to online transaction with a little incentive has scored 3.6923 which is in the range of agree scale.

Table 12: Descriptive Statistics of Promotion of E-commerce

Variable Promotion of E-commerce	Mean	Std. Deviation
Customers are attracted to online transaction with a little incentive	3.6923	.98777
Airlines advertise their online products aggressively	3.7372	1.01035
Customers won't go for online booking and purchasing of tickets despite promotion	3.1090	1.05080
All airlines are doing aggressive online sales promotion	3.7244	.98094
Average mean	3.5657	

#### 4.3.8. Descriptive Statistics of E-commerce Customer Loyalty

According to this survey on average the respondents are not sure whether dimensions of e-commerce affect the customer loyalty and this phenomenon is manifested by the average mean score of 3.3574 which is in the range of neutral scale. However, respondents perceive that passengers that use online booking and ticketing would recommend others to use it with an average score of 3.5705. On the other hand they are not sure whether passengers would continuously purchase from the website and won't use travel agents for their air travel.

Table 13: Descriptive Statistics of E-commerce Customer Loyalty

Variable E-commerce Customer Loyalty	Mean	Std. Deviation
Passengers will continuously purchase from the web site and won't use travel agents.	3.0962	1.09414
I feel passengers that use online booking and ticketing would recommend others use it	3.5705	1.02304
Passengers' preference for the online booking & ticketing would not willingly change.	3.2308	1.04632
Changing preference from the online booking & ticketing requires major rethinking	3.5321	1.05598
Average mean	3.3574	

#### 4.4. Correlation Analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 16 to process correlation analysis. Based on the questionnaires which were filled by the employees of the selected travel agencies in Addis Ababa city, the following correlation analysis was made.

Table 14: Correlations between Dimensions of E-commerce and E-commerce Customer Loyalty

		Ecommerce customer loyalty
Ease of use	Pearson Correlation	.351**
	Sig. (2-tailed)	.000
Website Design	Pearson Correlation	.407**
	Sig. (2-tailed)	.000
Responsiveness	Pearson Correlation	.479**
	Sig. (2-tailed)	.000
Personalization	Pearson Correlation	.470**
	Sig. (2-tailed)	.000
Perceived Security	Pearson Correlation	.437**
	Sig. (2-tailed)	.000
Perceived privacy	Pearson Correlation	.325**
	Sig. (2-tailed)	.000
E-commerce promotion	Pearson Correlation	.440**
	Sig. (2-tailed)	.000
a. List wise N=156		

\*\* . Correlation is significant at the 0.01 level (2-tailed) n=156

Source: Survey (April, 2019)

Since all variables are interval, the relationship between the independent variables i.e. ease of use, website design, responsiveness, personalization/customization, perceived security, perceived privacy, e-commerce promotion and the dependent variable i.e. e-commerce customer loyalty was investigated using Pearson product –moment correlation coefficient.

Pearson correlation analysis was used to provide evidence of convergent validity. As per the general principle suggested by Field (2008), correlation values less than 0.3 are considered weak, correlations between 0.3 and 0.7 are considered moderate, and

correlations greater than 0.7 are considered strong as the closer it gets to 1 the stronger it becomes and the closer it gets to zero the weaker it is. Based on the above assumption, bivariate correlation was computed to analyze the proposed relationship between variables. The Pearson's correlation coefficients illustrated below here on table 4 confirmed significant positive relationship between all the predictors and the dependent variables at P-value 0.01 level.

The result of correlation analysis in the table 4.8 shows that all the independent variables were positively and significantly correlated with the dependent variable i.e. e-commerce customer loyalty at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by responsiveness ( $r = 0.479$ ), followed by personalization or customization ( $r = 0.470$ ), e-commerce promotion ( $r = 0.440$ ), perceived security ( $r = 0.437$ ), website design ( $r = 0.407$ ), ease of use ( $r = 0.370$ ) and perceived privacy ( $r = 0.325$ ).

## **4.5. Multiple Linear Regression**

### **4.5.1. Multicollinearity**

Multicollinearity is tested in this study using the variance inflation factor (VIF) which quantifies the severity of Multicollinearity in regression analysis. As (Field, 2008) stipulated Myers (1990) assumption, the VIF factor should not exceed 10 and should ideally be close to one. The below table shows there is no Multicollinearity exist. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variable in the model. Tolerance value should be more than 0.2., if this value is very small (less than 0.10), it indicates that the multiple correlation with other variable is high, suggesting the possibility of multicollinearity (Field, 2008). The below table confirms the absence of multicollinearity according to collinearity statistics.

Table 15: Multicollinearity Table

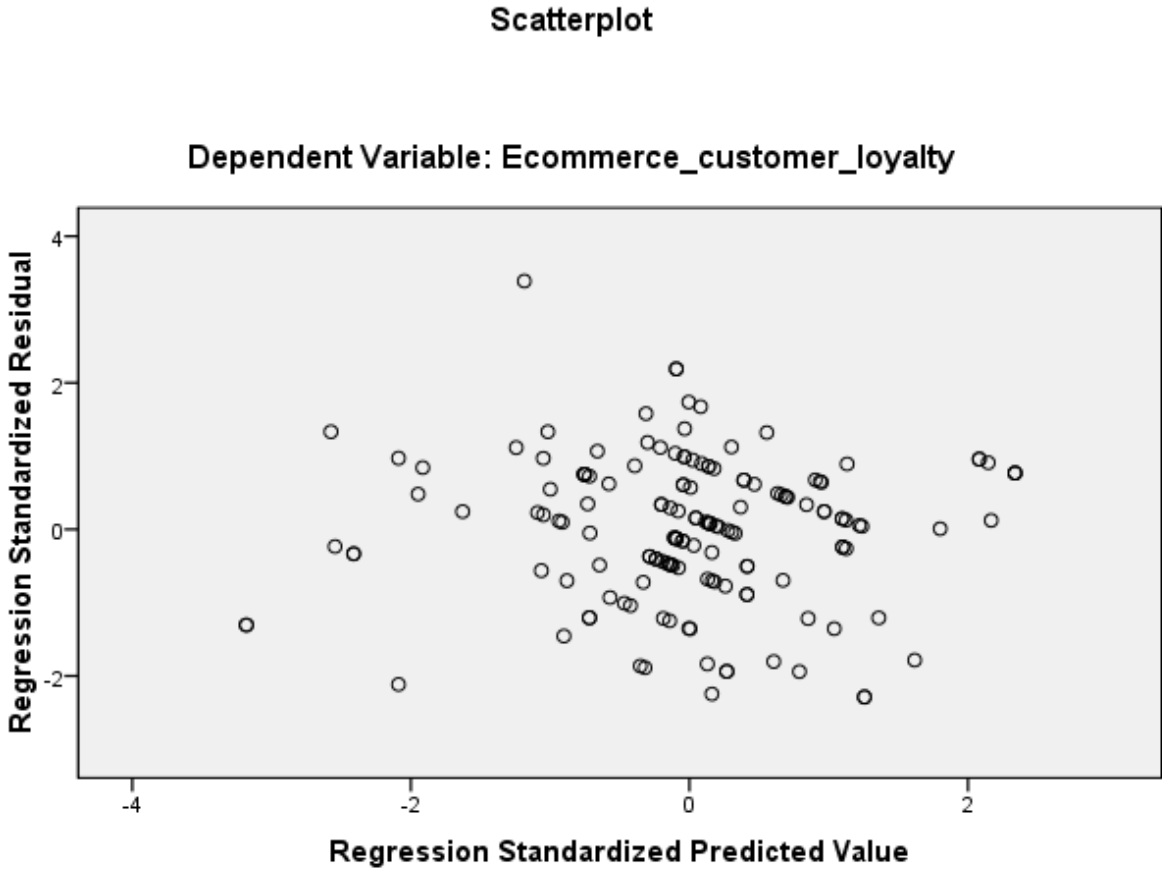
Model E-commerce component		Collinearity Statistics	
		Tolerance	VIF
	Ease use	.404	2.473
	Website Design	.392	2.550
	Responsiveness	.509	1.963
	Personalization	.422	2.372
	Perceived Security	.556	1.799
	Perceived privacy	.556	1.798
a. Dependent Variable: E-commerce customer loyalty			

Source: - Survey Result (April, 2019)

#### 4.5.2. Homoscedasticity (Equal Variance)

The variability in scores for independent variables should be similar at all values of the dependent variable. The scatter plot should show a fairly even rectangular shape along its length. There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have constant variance (Burns & Burns, 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph has demonstrated homoscedasticity of the study.

Figure 3: Homoscedasticity of the study



Source:-Survey Result (April, 2019).

### 4.5.3. Normality Test

In terms of this assumption, a check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals. The plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If the distribution is normal, the residual line will closely follow the diagonal (Ghozali, 2001). The assumption of a normal probability distribution for the residuals is necessary for the conventional tests of significance and confidence interval estimates of the parameters to be correct. Although tests of significance appear to be reasonably robust against non-normality, they must be regarded as approximations when the normality assumption is not satisfied (Rawlings et al., 1998). The normality plot of this study fit with the assumption. The plots are annexed.

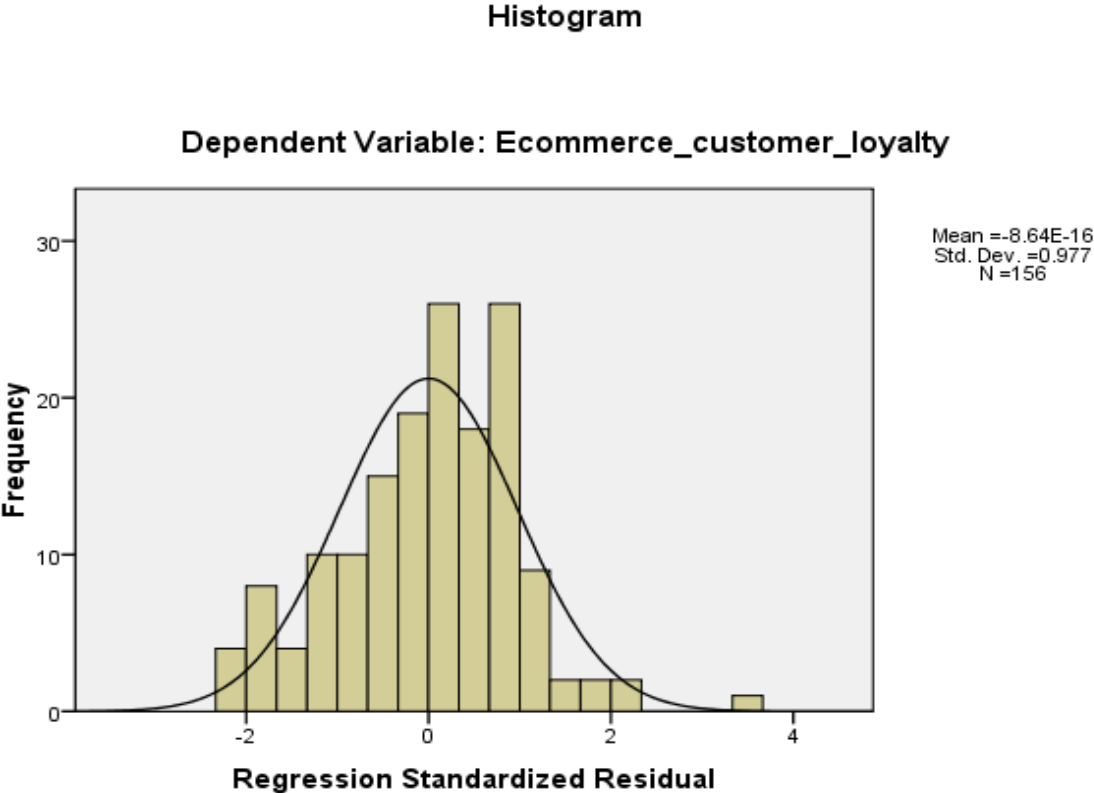
Table 16: Normality Test (Skewness and Kurtosis)

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Ecommerce customer loyalty	156	-.301	.194	.454	.386
Valid N (list wise)	156				

The indication of a positive skewness value is positive (right) skew while a negative value is negative (left) skew, the higher the absolute value, the greater the skew. Similarly, a positive kurtosis value indicates positive kurtosis and a negative one indicates negative kurtosis, the higher the absolute value, the greater the kurtosis. For a perfectly normally distributed data statistics should return a score of 0. A simple rule of thumb used to determine the degree of skewness and kurtosis is if the skewness value and kurtosis

values are divided by their respective standard error values and the result is within the range of  $\pm 1.96$  it indicates the data is normally distributed. Therefore, the result in the above table 4.16 indicates that dividing each value by its standard error gives -1.551 for skewness and 1.176 for Kurtosis, both well within  $\pm 1.96$  which indicates that the data is normal with respect to the statistics. Furthermore, visual inspection of the histogram of the same data shown in below figure 4.2 confirms normal distribution of the data.

Figure 4: Histogram



#### 4.5.4. Significance of the Model

Table 17: Significance Table

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.960	7	5.137	12.243	.000 <sup>a</sup>
	Residual	62.102	148	.420		
	Total	98.062	155			

a. Predictors: (Constant), Perceived privacy, Website Design, Perceived Security, Responsiveness, Personalization, Ease of use

b. Dependent Variable: Ecommerce customer loyalty

Source: Survey Result (April, 2019)

The ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable (Field, 2008). Since the significance result on the ANOVA value is 0.000 which is  $p < 0.05$ , the regression analysis proved the presence of a good degree of prediction. The contribution of each dimension can be seen from the results of independent multiple regressions in each coefficient table.

#### 4.5.5. Multiple Regression Coefficient of Variables

Table 18: Coefficients of the Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.897	.338		2.650	.009
Ease of use	-.069	.090	-.080	-.773	.441
Website Design	.069	.089	.081	.780	.437
Responsiveness	.165	.075	.200	2.182	.031
Personalization	.189	.096	.199	1.974	.050
Perceived Security	.162	.081	.175	1.992	.048
Perceived privacy	-.049	.101	-.043	-.486	.627
E-commerce promotion	.255	.075	.250	3.387	.001
a. Dependent Variable: E-commerce customer loyalty					

Source: Survey Result (April, 2019)

From the above table one can see that except ease of use and perceived privacy the other dimensions of e-commerce positively affect e-commerce customer loyalty but only four of the independent variables are significantly affect the dependent variable. Unstandardized coefficient (Beta Value) indicates the degree of importance of each e-commerce dimensions towards customer loyalty; accordingly, the dimensions of four significant variables can be ranked in the following manners on the bases of their contribution.

1. E-commerce promotion B= 0.255
2. Personalization or customization B= 0.189
3. Responsiveness B = 0.165
4. Perceived security B= 0.162

The beta value on the coefficient table indicates level of effects each dimension has on the dependent variable e-commerce customer loyalty. The highest beta level is for knowledge management of B=0.255, this means that the more airlines aggressively promote their e-commerce platforms the more travel agencies lose their loyal customers. Hence, if assumed other things being constant and e-commerce promotion increased by one unit, it increases e-commerce customer loyal by .255. The second highest beta value is personalization or customization which means that when other things constant, if personalization or customization increases by one unit, e-commerce customer loyalty increases by .189. Therefore, from among the seven dimensions, e-commerce promotion has the strongest effect on e-commerce customer and should be given the highest focus.

#### 4.5.6. Regression Model Summary

Table 19: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606 <sup>a</sup>	.367	.337	.64777

a. Predictors: (Constant), E-commerce promotion, Perceived privacy, Website Design, Responsiveness, Perceived Security, Personalization, Ease use

b. Dependent Variable: E-commerce customer loyalty

As far as the above table is concerned, the adjusted R square 0.337 indicates 33.7 percent of the variance in e-commerce customer loyalty is attributed to the seven independent variables entered into the regression and the remaining 66.3 percent of the variance in e-commerce customer loyalty may be explained by other factors.

#### Regression Equation

E-commerce customer loyalty (ECL) = 0.897+ 0.255(e-commerce promotion (ECP) + .1892(Personalization or customization (PC)) + 0.165(Responsiveness(R) + 0.162(Perceived security (PS)) + 0.069 (website design (WD))

#### 4.5.7. Hypothesis Testing

Hypothesis test is a process in which we assume an initial claim to be true and then test this claim using sample data. According to the research method, the Pearson Correlation Coefficient is used to test the hypotheses. There are seven hypotheses with the aim to see if there is relationship between the seven factors of e-commerce customer loyalty (ease of use, website design, responsiveness, personalization or customization, perceived security, perceived privacy, and e-commerce promotion) and e-commerce customer loyalty. The Sig result of four hypothesis test was less than 0.05 except for ease of use, website design and perceived privacy thus each test having significance value less than 0.05 was supported. The tests are summarized as follows:

Table 20: Summary of Hypothesis Testing

Hypothesis	Result	Reason
H1: Ease of use of website has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Rejected	$\beta = -.069$ , $P > 0.05$
H2: Web site design feature has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Rejected	$\beta = .069$ , $P > 0.05$
H3: Responsiveness of e-commerce websites of airlines has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Confirmed	$\beta = 0.165$ , $p < 0.05$
H4: Personalization or customization features of websites have a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Confirmed	$\beta = 0.189$ , $p < 0.05$
H5: Perceived Security of websites has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Confirmed	$\beta = 0.162$ , $p < 0.05$
H6: Perceived Privacy of airlines websites has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Rejected	$\beta = -.049$ , $P > 0.05$
H7: Promotion of e-commerce by airlines has a positive and significant effect on customers' loyalty of travel agencies in Ethiopia.	Confirmed	$\beta = 0.255$ , $p < 0.05$

As clearly in the above table 4.19 in overall view, among the seven factors, multiple linear regression (Beta coefficients) analysis revealed that, as far as travel agencies are concerned promotion of e-commerce is the most significant factor in determining effect of e-commerce on in customer loyalty followed by personalization or customization features of websites. Responsiveness features of websites and Perceived security takes the third and fourth places respectively in determining effect of e-commerce on in customer loyalty. According to the result of this survey the other factors did not have significant effect in determining effect of e-commerce dimensions on customer loyalty as it is explained by the significance level of  $P > 0.05$ .

# Chapter Five

## Summary, Conclusion and Recommendation

### Chapter Overview

This chapter presents major findings, conclusions and recommendation obtained from the analysis and interpretations made at the pervious chapter and also implications for further research are forwarded.

#### 5.1. Summary of Finding

In this study, only primary data were used as source of information. Based on the research objective, English version questionnaires were prepared. One hundred eight nine (189) questionnaires were distributed to travel agency owners, managers and agents using non-probability sampling (purposive sampling technique). From the 189 survey forms, 156 are completed and returned with complete information which is 82.5% percent response rate.

Regarding the reliability of the questionnaire it proved that all questionnaires were reliable and acceptable with Cronbach's Alpha result 0.947. With respect to the demographic information of the respondents, majority of the respondents (61.5%) were females and (38.5%) were males and with regard to age of the respondents half of them are youngsters (at the age between 18-30 years old). Regarding the educational background of the respondents majority of the respondents (62.8%) were degree holders, and 71.2 % of the respondents have below 10 years work experience in the industry.

The following major findings are obtained: The finding of this research indicates that there is a significant and positive relationship between e-commerce promotion and e-

commerce customer loyalty; responsiveness and e-commerce customer loyalty; personalization or customization, perceived security and e-commerce customer loyalty. Website ease of use, website design and perceived privacy are insignificant and also rejected. From the whole variables e-commerce promotion and personalization or customization dimension of e-commerce have higher positive influence on e-commerce customer loyalty.

In the context of Ethiopia the implication of the significance of e-commerce promotion impact on the customer loyalty which a supported hypothesis would emanate from the fact that e-commerce business platform is limited in Ethiopia even in the travel industry and thus promoting the business with incentive schemes and advertising activities would highly influence the behavior of the customers to use e-commerce platforms and also ensure loyalty of the existing users. In addition, the significance of responsiveness dimension indicates that travel product consumers would still require support and consultation from travel experts for their purchase decisions and thus it indicates the relevance of traditional brick and mortar travel agencies in Ethiopia. Moreover, it indicates the importance of e-commerce platforms that can take feedbacks and provide promptly responses to attract potential customers and retain their existing customers.

Similarly the significance of personalization or customization factors in the context of Ethiopia would indicate that in addition to personal support for decisions they consumers have bargaining behavior in buying travel products. The perceived security factor indicates that consumers in Ethiopia might not have full confidence on the efficiency of online transaction in the country and thus more ICT development and awareness to the consumer public is needed.

In comparison to previous studies conducted in this area the hypothesis which are confirmed by this research are in line findings of literatures reviewed for this research. For instance, the finding of Napitupulu and Aditomo (2015) is in line with the finding of this study on the impact of e-commerce promotion as with various other studies which have indicated that prices have impact on purchases through e-commerce and thus online sellers mostly offer discounts to customers that are interested to visit their

website to encourage and increase the chances of the customers to shop online. Similarly in line with this study the finding of Napitupulu and Aditomo (2015) indicated that perceived ease of use does not significantly affect customer satisfaction and loyalty. Moreover, similar to this study their finding also indicated that perceived privacy factor did not significantly affect customer satisfaction and loyalty with a justification that travel companies are usually trusted regarding ensuring privacy of their customers.

In addition, this study is in line with a study made in Pakistan by Nasimi, A.N., Nasimi, R.N., Basit, R.A. (2018) with regard to perceived security and responsiveness which have revealed differential but highly significant impact on loyalty of e-commerce customers. In par with this personalization or customization, responsiveness and security and ease of are supported by the study conducted by Vidyastuti, H.A, (2017).

A study by Eid (2011) is also in agreement with this study that perceived security has positive and significant effect on e-commerce customer loyalty but it was in disagreement with this study as perceived privacy is not significantly affecting e-commerce customer loyalty. Moreover, Eids's study indicated that both ease of use and website design significantly influence e-commerce customer loyalty which is not significant factor in this study.

## **5.2. Conclusion**

This study has the objective to examine the effect of e-commerce on customer loyalty, by taking ease of use, website design, responsiveness, personalization or customization, perceived security, perceived privacy, and e-commerce promotion as independent variables and also taken e-commerce customer loyalty as a dependent variable so as to run different analysis and to answer basic research questions finally the conclusion stated as follow:

- The findings of the study showed that travel agencies in Ethiopia perceive that responsiveness, personalization or customization, perceived security, and e-

commerce promotion have positive and significant effect on the customer loyalty. Therefore, the researcher can convincingly conclude that travel agencies are well aware of the impact of the dimensions of e-commerce on their customer loyalty.

- Based on the results of the descriptive statistics, it is pertinent to conclude that the higher the level of responsiveness, personalization or customization, perceived security, and e-commerce promotion implementation of the e-commerce dimension by airlines the higher level customer loyalty for airlines in e-commerce and the higher shift travel agency customers to airlines.
- Regarding correlation analyses, the result of the finding shows a positive and significant relationship between ease of use, website design, responsiveness, personalization or customization, perceived security, perceived privacy, and e-commerce promotion and e-commerce customer loyalty.
- Furthermore, the multiple regression analysis notifies that on average (33.7%) percent of variance of customer loyalty is attributed to the seven dimensions of the e-commerce (ease of use, website design, responsiveness, personalization or customization, perceived security, perceived privacy, and e-commerce promotion) as stated in the study.

### **5.3. Recommendations**

The study confirmed that the e-commerce promotion by airlines, responsiveness of e-commerce platforms, perceived security and personalization features of e-commerce platforms would significantly and positively affect the loyalty of customers of travel agencies; hence the travel agencies and airlines should give strong emphasis to effect of e-commerce promotion by airlines, improve their responsiveness and customization to their customers, capitalize on the perceived security concerns of e-commerce features to improve their customer loyalty.

It can be inferred from this study that travel agencies need to reinforce their engagement with their customers to enhance their loyalty through following means:

- They need to improve their responsiveness to their customers in provision of information, receiving and responding to feedback with due consideration of expectation of the customers.
- They need to manage the impact aggressive e-commerce promotion by airlines and improve their convenience to their customers
- They need to capitalize on their leverage of personalization or customization capabilities to their customers in order to maintain their customers' loyalty.
- They need to fill the gap of perceived security problems anticipated by customer's engaging in e-commerce activities.
- They need to go to e-commerce platforms like online travel agencies and enhance their business relationship with airlines to adopt e-commerce platforms promoted by airlines in cost effective way.

#### **5.4. Further Research Implication**

This study has been limited on the perception of travel agencies on the impact of electronic commerce by participating IATA member agencies in Addis Ababa. The proposed model could be modified to allow measurement of e-commerce customer loyalty across different sectors of hospitality such as airlines, tour operators, car rent services, and so on. This would enable a direct comparison of results across different types of supply-side stakeholders.

In the future studies the possible mediation effects of customer satisfaction and trust could also be investigated. By examining these effects, these future studies would add value to the present knowledge in this area, by establishing an indirect association between the e-commerce dimensions and e-commerce customer loyalty via customer satisfaction, customer trust and whether the relationship between e-commerce components and customer loyalty are moderated by customer satisfaction and trust.

For simplification reasons, factors such as Ethiopian customer value, purchasing culture, and government support and/or legislation for the protection of online

customers, and customer support before and after the online purchase have been excluded from this study. Therefore, further studies may be carried out to investigate the effect of these factors on e-commerce customer loyalty in Ethiopia.

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# Appendix I

## Questionnaire

### **Addis Ababa University Department of Marketing Management Post Graduate Program in Marketing Management Questionnaire to be filled by Travel Agencies**

Dear Respondents:-

This questionnaire is designed to collect data about “**the Effect of e-commerce on Customer Loyalty: An Empirical Study of Travel Agencies in Ethiopia**”. The information that you offer me with this questionnaire used as a primary data in my case study which I am conducting as a partial fulfillment of the requirements for the degree of Masters of Arts Marketing Management (MA) at Addis Ababa University. Therefore, this research is to be evaluated in terms of its contribution to our understanding of E-commerce and its effects on customer loyalty and its contribution to improvements in the travel agency business.

#### **Confidentiality**

I want to assure you that this research is only for academic purpose authorized by the Addis Ababa University. No other person could access the collected data. In any sort of report I might publish, but, I can not include any information that will make it possible to identify any respondents.

I need your help and would appreciate your sparing **5 to 10** minutes to complete the attached questionnaire. Once the questionnaire is filled, the researcher will come and pick it from your office.

#### **General Instructions**

1. No need of writing your name.
2. If you have some query, use the following contact address.

**The Researcher**

**Digafie Megersa**

**Contact Address: +251-911-127687**

**E-mail: [digafe@gmail.com](mailto:digafe@gmail.com)**

**Thank you in advance for your cooperation in the study process.**

## PART I: Demographic Information

Direction: Please choose by marking with “X” symbol in the both accordingly

1. Sex: Male  Female

2. Age:

Below 18 years  18-30 years  31-40 years  41-50 years  51-60 years  Above 60 years

3. Working experience in travel agency:

Below 5 years  6-10 years  11-15 years  16-20years  21-25 years  26-30 years  above 30 years

4. Education level:

Certificate  Diploma  Degree  Masters  PHD & above

## PART II: Dimensions of E-commerce

Direction: Please circle your level of agreement/disagreement for each given statement using the following scales: **Where,**

1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree

Perceptions of respondents towards the effects of E-commerce on customer loyalty	Agreement Scale				
	1=Strongly disagree	2=Disagree	3=Neutral	4=Agree	5=Strongly agree
Items					
<b>1. Ease of Use</b>					
1.1. It is easy to get access to the online booking and ticketing	1	2	3	4	5
1.2. The airlines' site is user friendly	1	2	3	4	5
1.3. Navigation on the site is easy	1	2	3	4	5
<b>2. Web Site Design</b>					
2.1. The information on the site is attractively displayed	1	2	3	4	5
2.2. The information on the site is well organized, easy to understand & follow	1	2	3	4	5
2.3. The site layout and colors are appealing (fascinating)	1	2	3	4	5
<b>3. Responsiveness</b>					
3.1. It is easy to get in contact with airlines which provides the online services	1	2	3	4	5
3.2. The airlines are interested in getting feedback, prompt in replying queries and requests	1	2	3	4	5
<b>4. Personalization or Customization</b>					

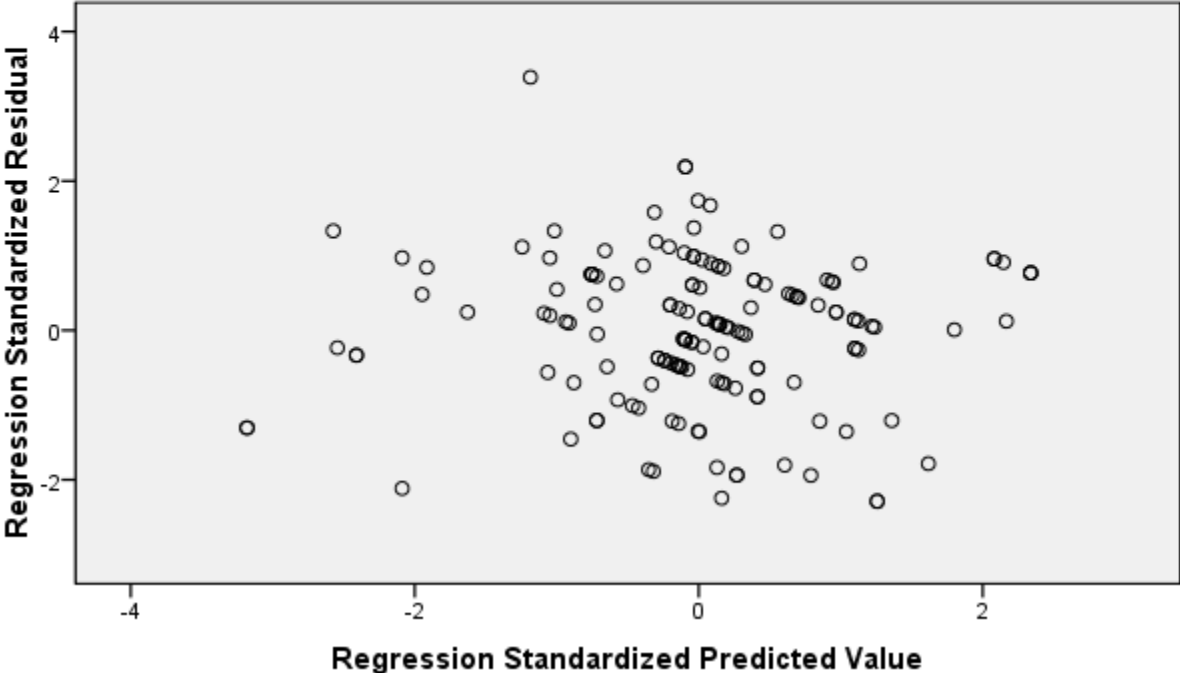
4.1. Travellers would feel their personal needs have been met when using the online transactions with airlines	1	2	3	4	5
4.2. Travellers feel the online products of airlines have the same norms and values as they have	1	2	3	4	5
4.3. Websites provides travellers with information and products according to their preferences	1	2	3	4	5
<b>5. Perceived Security</b>					
5.1. The Web site has mechanism to ensure the safe transmission of its users' information	1	2	3	4	5
5.2. The Web site has sufficient technical capacity to ensure that the data I send can't be modified by hackers	1	2	3	4	5
5.3. Purchasing on the Web site will not cause financial risk.	1	2	3	4	5
5.4. The electronic payment on the Web site is safe.	1	2	3	4	5
<b>6. Perceived Privacy</b>					
6.1. The Web site abides by personal data protection laws.	1	2	3	4	5
6.2. The Web site only collects user's personal data that are necessary for its activity	1	2	3	4	5
6.3. The Web site does not provide personal information to others without consent	1	2	3	4	5
6.4. Passengers feel safe when sending their personal information to the Web site.	1	2	3	4	5
6.5. The Web sites show concern for privacy of its users.	1	2	3	4	5
<b>7. Promotion of E-commerce</b>					
7.1. Customers are attracted to online transaction with a little incentive	1	2	3	4	5
7.2. Airlines advertise their online products aggressively	1	2	3	4	5
7.3. Customers won't go for online booking and purchasing of tickets despite promotion	1	2	3	4	5

<b>PART III. E-Commerce Customer Loyalty</b>					
1. Passengers will continuously purchase from the web site and won't use travel agents.	1	2	3	4	5
2. I feel passengers that use online booking and ticketing would recommend others use it	1	2	3	4	5
3. Passengers' preference for the online booking & ticketing would not willingly change.	1	2	3	4	5
4. Changing preference from the online booking & ticketing requires major rethinking	1	2	3	4	5

Appendix II

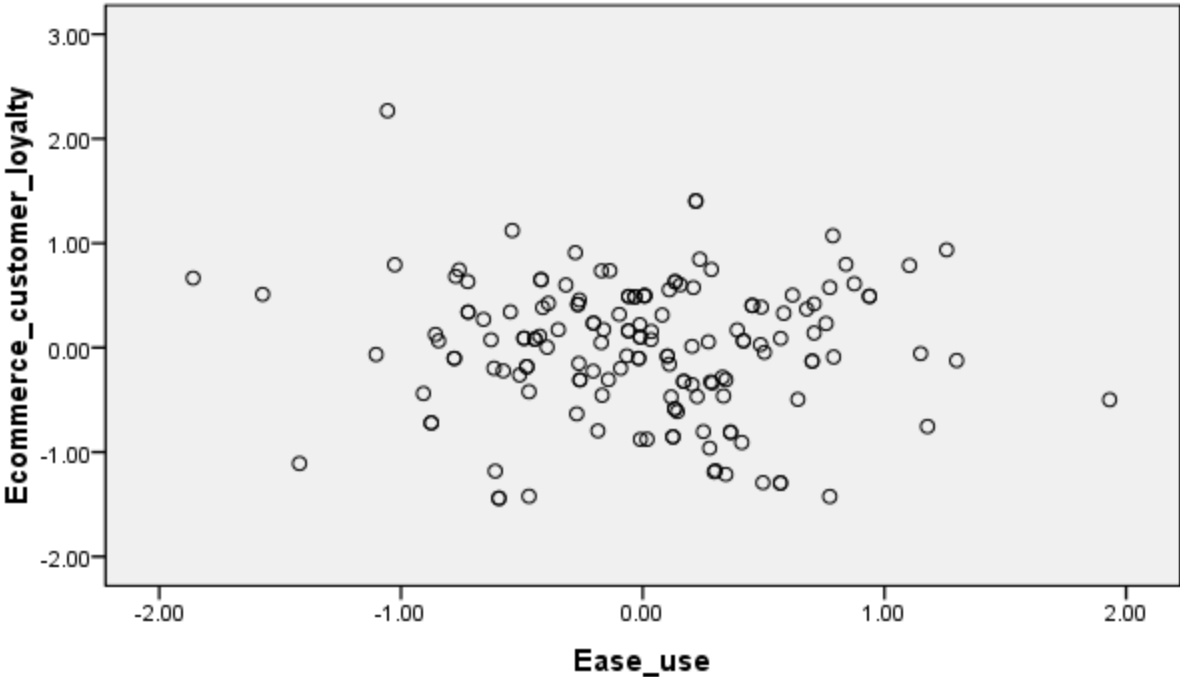
Scatterplot

Dependent Variable: Ecommerce\_customer\_loyalty



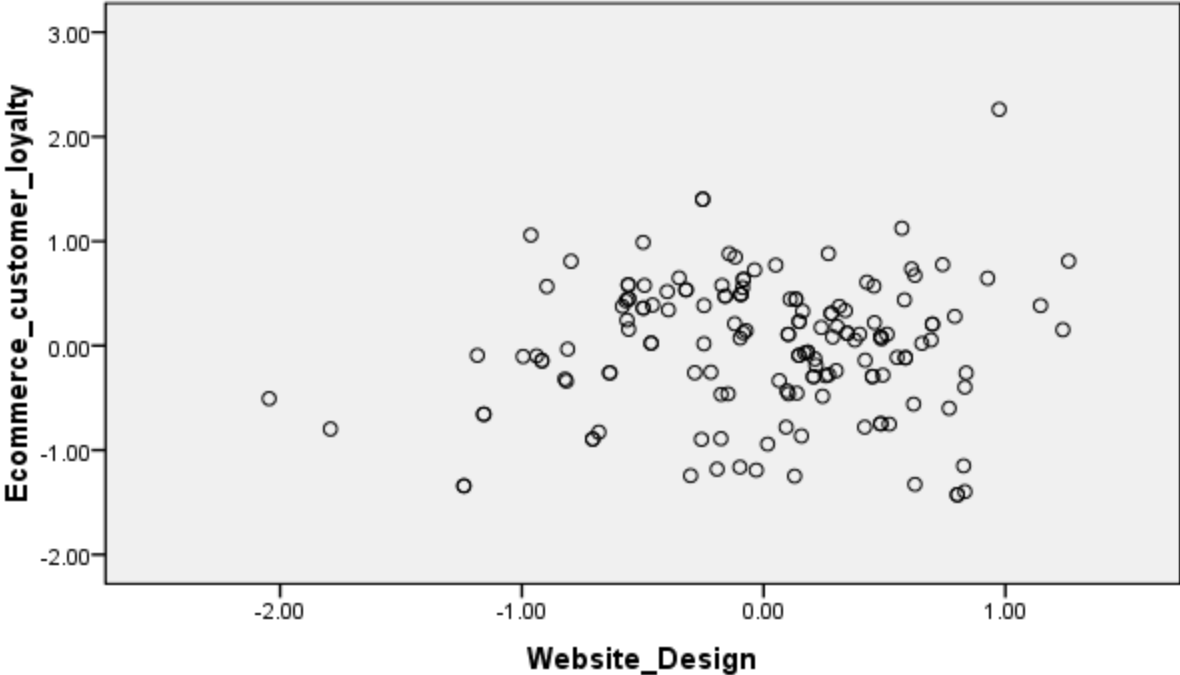
Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



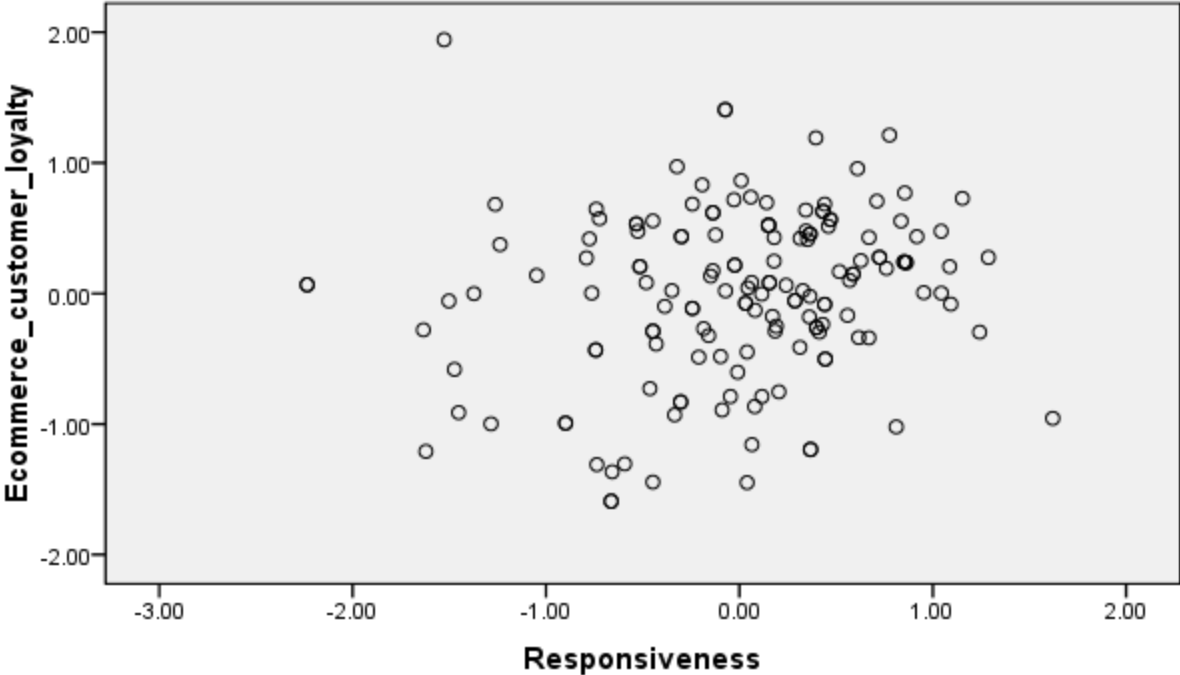
Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



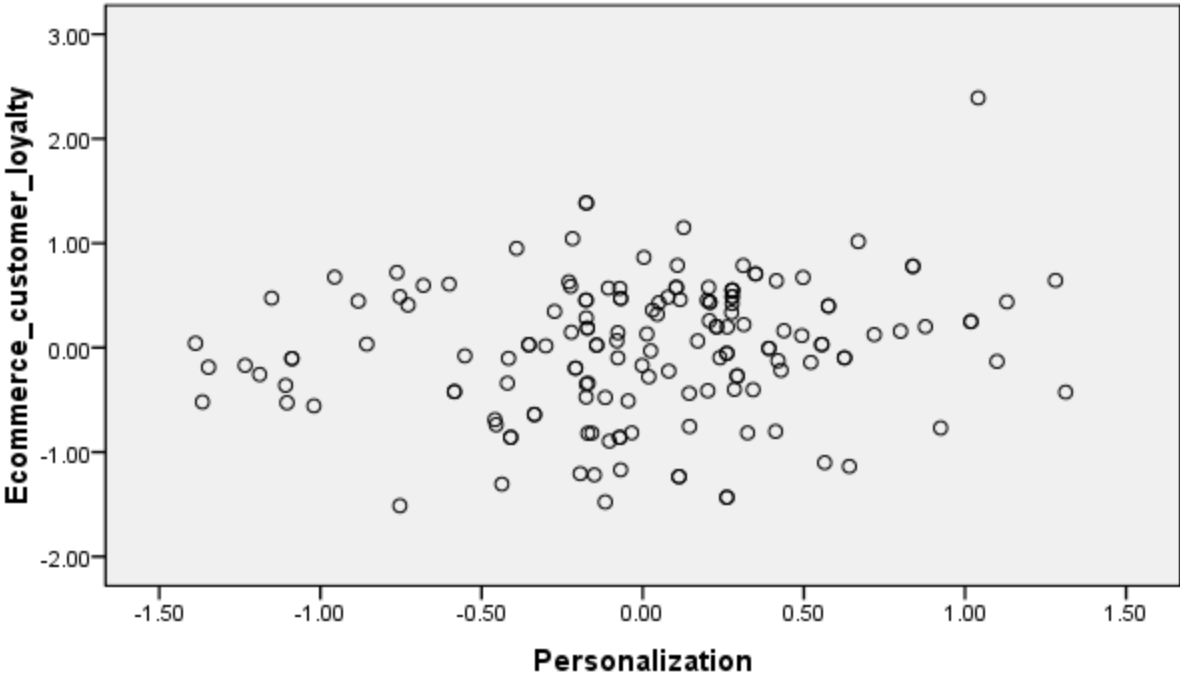
### Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



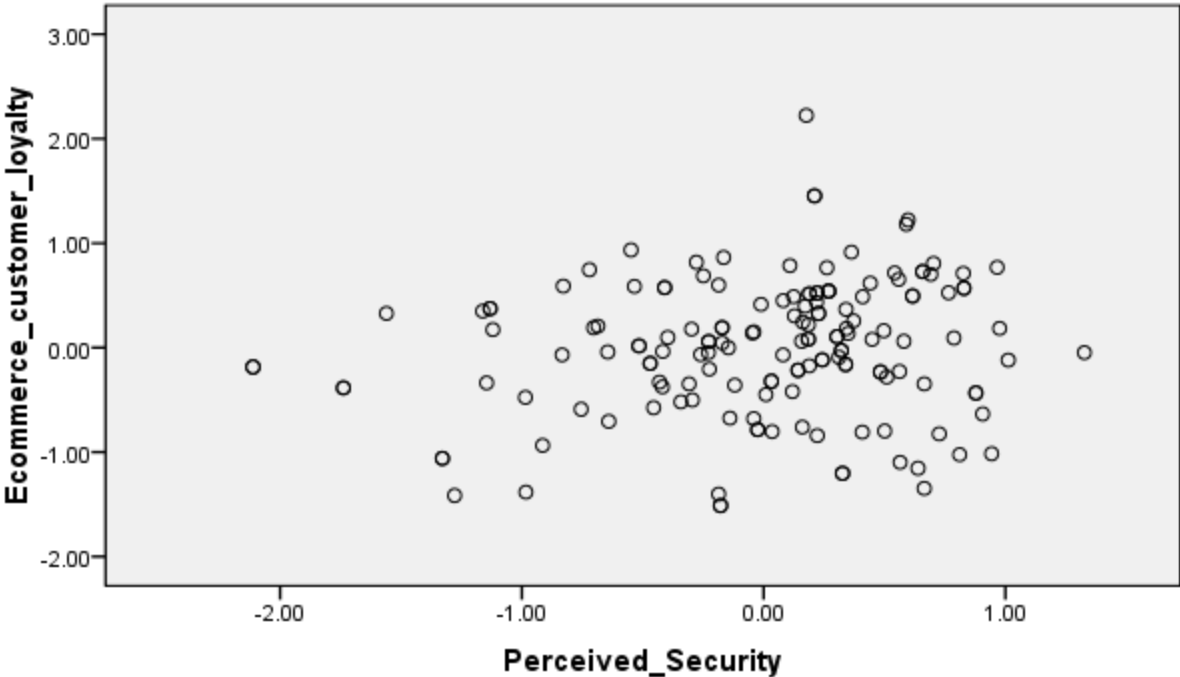
### Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



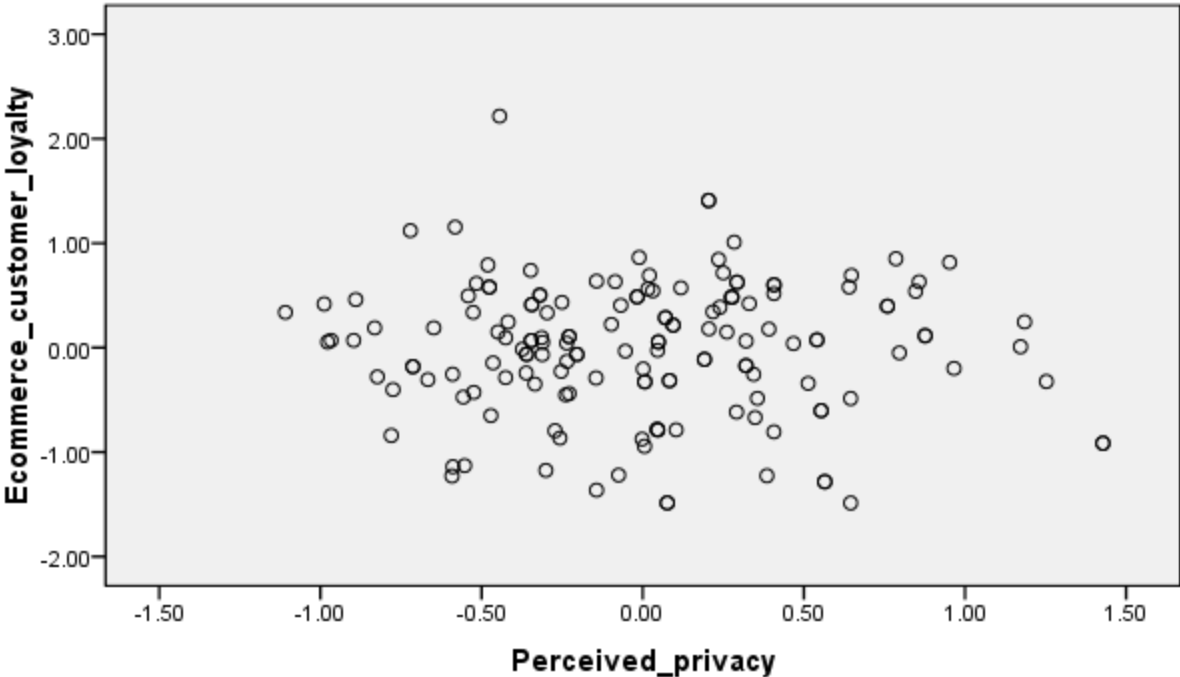
### Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



### Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty



Partial Regression Plot

Dependent Variable: Ecommerce\_customer\_loyalty

