ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCIE

Department of Marketing Management

THE EFFECT OF FREQUENT FLYER PROGRAMS ON CUSTOMER LOYALTY: (The Case of Ethiopian Airlines)

By TAYE EWNETU

Adviser- TEWODROS MESFIN (PHD)

Research proposal Submitted to the School of Graduate Studies of Addis Ababa University School of Commerce in Partial Fulfillment of the Requirement for the Award of Master of Arts in Marketing Management

MAY, 2019

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Approved by Board of Examiners

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Chairman, Department	**Signature**
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Advisor	**Signature**
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Examiner	**Signature**

Statement of Certification

This is to certify that Mr. Taye Ewnetu Taye has carried out his research work on the topic entitled The Effect of Frequent Flyers Programs on Customer Loyalty: The Case of Ethiopian Airlines. The work is original in nature and is suitable for submission for the award of Master's Degree in Marketing Management.

_____

Adviser: Tewodros Mesfin (PHD)

Date: _____

Statement of Declaration

I hereby declare that **The Effect of Frequent Flyers Programs on Customer Loyalty: The Case of Ethiopian Airlines** project is wholly the work of **Taye Ewnetu**. I have carried out the present study independently with the guidance and support of the research advisor, **Dr. Tewodros Mesfin**. Also, any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution. And the study has not been submitted for award of any Degree or Diploma Program in this or any other Institution. It is in partial fulfillment to the requirement of the program Master's Degree in Marketing Management.

_____

Taye Ewnetu

Date: _____

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I would like to dedicate this work to my mother whose dreams for me have resulted in this achievement and without her loving upbringing and nurturing; I would not have been where I am today and what I am today. This is one is for you mom!

Taye Ewnetu

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ABSTRACT

One of the pressing issues in marketing is whether loyalty programs really enhance loyalty. As loyalty programs represent decades of establishment as a distinct avenue to enhance long-term customer relationships, their efficacy and viability have been widely discussed in literature. This paper aims to present whether there is effect of the frequent flyer programs (FFPs) applied by Ethiopian Airlines (ET) that want to build loyal customers over the loyalty of their customers. The study used a quantitative research where a questionnaire was administered via email to randomly selected shebamile members from the database and physically distributed at Addis Ababa Bole, Nairobi Jomo Kenyatta and Washington Dulles International Airports by employing sample size determinants like: confidence level, confidence interval and population. Random and convenience sampling technique was used. The questionnaire consisted of factors like; customer loyalty, free/discounted ticket, priority services, lounge access and baggage allowance. 393 questionnaires have distributed but 278 recollected back from respondents and out of it 257 were considered as valid respondents for further investigation. The study is quantitative research approach and the collected data are analyzed by scale reliability for questionnaire scaling validity, descriptive statistics, Pearson correlation analysis and multiple regression analysis with a view to know that at what level both FFPs and customer loyalty are related with each other. The collected data revealed that there has been a positive effect and positive relationship among different dimensions of FFP elements and customer loyalty of Ethiopian Airlines S.C. This study indicates on selectivity of right marketing activities to suit the particular business at a particular time and then to use it at particular situation. Further research can be held with more samples by extending the area of research.

Keywords: Customer Loyalty, FFP, Free/Discounted Ticket, Priority Services, Lounge Access, Baggage Allowance

CHAPTER ONE

INTRODUCTION

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

1.1 Background of the Study

In today's business, the level of competition is quite high, so every company aims to attract loyal customers to ensure business success. Customer loyalty is one of the most significant contemporary strategies, helping to ensure not only the company's business success and its loyal customer's benefits, but also long-term customers and company relations, maintaining and enhancing customer loyalty, aimed to benefit both parties.

Customer loyalty is a customer's sense of belonging or identification with the employees, services or products of a company; these feelings have a direct impact on customer behavior (Jones and Sasser, 1995). Dick and Basu (1994) argue that loyalty is multi-dimensional. It does not simply indicate whether a customer will make repeat purchases; it also serves as a measure of customer support for a business. Zeithaml et al. (1996) and Bloemer and Odekerken-Schroder (2002) describe customer loyalty also as a multi-dimensional construct consisting of purchase intention, recommendations, price tolerance, word of mouth, complaint behavior, and propensity to leave. In summary, customer loyalty is a customer's sense of identification with a business. This sense of identification affects repurchases intentions, spending amount, the possibility of recommendation, and even the willingness to become part of a business.

Customer loyalty is an important issue for the success of any retail organization, because it is known that drawing new customers is more expensive than keeping existing ones. Singh & Imran (2012) estimate that on average online retailers lose 25% of their customers every year, and a small increase in customer retention can increase profits by more than 25%.

Today, business managements from many sectors have built their own customer loyalty program so as to create and increase the level of customer loyalty. The use of Loyalty Programs (LPs) is quite popular in a variety of industries, from small retail shop to big firms. The use of Loyalty Programs can introduce benefits to both customers and companies.

Loyalty programs are structured marketing efforts that reward and encourage loyal buying behavior which is potentially beneficial to the firm (Sharp, B and Sharp A, 1997). The rewards programs are offered by a company to customers who frequently make purchases. A loyalty program may give a customer advanced access to new products, special sales coupons or free merchandise. Customers typically register their personal data with the company.

The application of this program in the airline industries occurs under the name of "Frequent Flyer Program" (FFP). Many airlines are targeting their customers by developing "FFP" system using different names.

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

Ethiopian Air Lines and often referred to as simply Ethiopian, is Ethiopia's flag carrier and is wholly owned by the government of Ethiopia. Ethiopian Airlines, was founded on 21 December 1945 and commenced the first scheduled flight on April 8, 1946 to Cairo via Asmara in Douglas C-47 Skytrain. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian currently serves 100 international and 21 domestic destinations operating the newest and youngest fleet.

ShebaMiles is the name of Ethiopian's Frequent Flyer Program. As a member of ShebaMiles, members accumulate miles which will entitle them to award tickets, award upgrades, access to executive lounges, additional free baggage allowance and many other privileges. The airline uses tier system and currently has four tiers of Blue, Silver, Gold and Platinum. The more they fly the higher the benefits. In October 2007, Ethiopian Airlines' frequent flyer program *Shebamiles* and Lufthansa's *Miles & More* entered into partnership, allowing members of each program to earn

and spend miles on both airlines' networks. Since December 2011, ShebaMiles has a frequent flyer program partnership agreement with over 27 airlines including all the Star Alliance member airlines and over 10 non-airline partners (hotels, restaurants, shopping centers etc…) where members have the privilege to earn and redeem miles whenever they use the services of these partners. Many marketing specialists recently have been concerned more with the loyalty programs in their researches. Most of these studies focused on how these loyalty programs affect the financial and marketing performances of companies and the customer loyalty (Lacey and Sneath, 2006).

In the marketing literature, authors usually separate the customer loyalty concept in to three categories. Those are Behavioral aspect, attitudinal aspect and a combination of both.

This study investigates whether the FFPs benefits of Free/discounted ticket, Priority Service, Lounge Access and Baggage Allowance applied by Ethiopian Airlines have an effect over the customer loyalty, or not?

1.2 Statement of the problem

In this difficult operating environment, there is a slight room for airlines to differentiate their products and win the competition in the industry. Thus they are forced to shift their focus towards building a long term relationship with their customers in an attempt to win their trust, loyalty and continued business.

It is very important for airlines to keep customers to stay with them because acquiring new customers' costs more than satisfying and retaining current customers and customers' profitability tends to increase over the life of a retained customer as they buy more as their trust increases.

Especially, in an atmosphere of strong competition like airline business, it is very risky not to be customer oriented; rather airlines need to deliver services of very good quality that generates highly satisfied and loyal customers.

As an important component of firms' customer relationship management (CRM) strategy, loyalty programs aim to increase customer loyalty by rewarding customers for doing business with the firm. Through these programs, firms can potentially gain more repeat business and, at the same

time, obtain rich consumer data that aid future CRM efforts. Since American Airlines launched the first contemporary loyalty program in 1981, loyalty programs have blossomed and now span various industries, including retail, travel, and financial industries. It is estimated that more than half of U.S. adults are enrolled in at least one loyalty program (Kivetz and Simonson 2003). Despite the prevalent use of loyalty programs, their effectiveness is not well understood (Bolton, Kannan, and Bramlett 2000). Some researchers question the value of loyalty programs. For example, Dowling (2002) suggests that loyalty programs do not necessarily foster loyalty and are not cost effective and that the proliferation of loyalty programs is a hype or a "me-too" scheme. Conversely, some recent studies show that loyalty programs have a positive impact on consumers're patronage decisions and their share of wallet (e.g., Lewis 2004; Verhoef 2003). With limited empirical validations, the debate on whether loyalty programs are truly effective continues. The divergent views suggest a need to understand these programs better. This is also of strategic importance because such programs are costly investments and require a firm's long-term commitment.

Many researchers have emphasized that FFPs have an influence over customer loyalty (Osman et al., 2013; Savas et al., 2013). Osman et al (2013) and Savas et al (2013) found out that Members consider the intangible rewards more important than the tangible benefits. On the other hand, customer loyalty levels of the members toward the airway companies are on the medium level. Moreover, a medium level relationship (r=0.446) was observed between the customer loyalty and FFP. In addition, as a result of the regression analysis; it was found that FFPs have an influence over the customer loyalty and especially on the behavioral loyalty compared to the attitudinal loyalty.

There are several number of passengers registered for Ethiopian Frequent Flyers Programs which is close to 2.8 million but the members with tier level of Silver, Gold and Platinum are very small in numbers and around 35,000 compared with the registered passengers. Since the researcher is closely working with the Customer Loyalty Department of Ethiopian Airlines, he wants to investigate the Effect of Ethiopian FFP on Customer Loyalty.

As per the knowledge of the researcher, there are no prior research that investigated Ethiopian Airlines Frequent Flyers Programs effect on Customer Loyalty Hence, this paper tries to evaluate the effect of Ethiopian Airlines FFPs on its customer loyalty.

1.3 Research Questions

1.3.1 General Research Question

The thesis is expected to address the following Main Research Question.

How does FFP affect Customer Loyalty in ET?

1.3.2 Specific Research Question

The study is also expected to address the following Sub Research Question.

- ✓ How does Free or discounted ticket benefit of Ethiopian FFPs have an important influence over Customer Loyalty?
- ✓ How does Priority Service of Ethiopian FFPs have an important influence over Customer Loyalty?
- ✓ How does Lounge Access of Ethiopian FFPs have an important influence over Customer Loyalty?
- ✓ How does Baggage Allowance of Ethiopian FFPs have an important influence over Customer Loyalty?

1.4 Objectives of the study

1.4.1 General Objectives

The general objective of the study is to present whether there is effect of the Frequent Flyer Programs (FFPs) applied by Ethiopian Airlines that want to build loyal customers over the loyalty of its customers.

1.4.2 Specific Objectives

- ✓ To examine the level of influence of Free/discounted ticket on Customer Loyalty of passengers.
- ✓ To examine the level of influence of Priority Service on Customer Loyalty of passengers.
- ✓ To examine the level of influence of Lounge Access on Customer Loyalty of passengers.
- ✓ To examine the level of influence of Baggage Allowance on Customer Loyalty of passengers.

1.5 Scope of the research

Currently, Ethiopian Airlines has more than 2.8 million Sheba Miles member passengers and a complete evaluation and judgment on level of loyalty program requires a wider investigation. Hence, it is necessary to limit the scope to a manageable size due to research cost, time and accessibility. Therefore, this study is limited on members with tier levels which only focuses on the effect of the FFP on loyalty as FFP being the independent variable and customer loyalty the dependent variable.

1.6 Definition of Terms

Customer loyalty- In Oliver's (1999) book, customer loyalty is defined as: … a deeply held commitment to rebuy or patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

Behavioral loyalty- Behavioral loyalty is the tendency of a customer's repurchasing frequency or shopping regularly from the same brand (Han and Back, 2008). Moreover, according to Chirico and Lo Presti (2008), behavioral loyalty is the customer's wish to maintain his/her relationship with the business in the short-term

Attitudinal loyalty- Attitudinal loyalty is that a customer's repurchasing of (Oliver, 1999) thehe product and recommending it to the others (Kandampully and Suhartanto, 2000). Attitudinal

loyalty is an approach that using attitudinal data to express the psychological and sentimental loyalty which build up the loyalty concept (Değermen, 2006:78). Besides, due to Ganesh et al (2000), attitudinal loyalty is described as customer's tendency including his/her commitment and advertisement from mouth-to-mouth for a specific brand.

Frequent Flyer Programs (FFPs)-is a loyalty program offered by many airlines. Typically, airline customers enrolled in the program accumulate frequent-flyer miles (kilometers, points, segments) corresponding to the distance flown on that airline or its partners. Points earned under FFPs may be based on the class of fare, distance flown on that airline or its partners, or the amount paid.

1.7 Significance of the study

Companies in the airline industry are experiencing high level of competition and are struggling to attract and retain more customers. Customers' expectation has also increased tremendously. Therefore, it is important assess factors affecting customer loyalty and develop the necessary loyalty program.

Since, Ethiopian Airlines is operating internationally, it should be able to compete and fulfill customers' needs. The airline should also generate high level of customer satisfaction and create favorable condition for the image and reputation. Image and reputation may help the company in building strong customer relationship and ensure loyalty.

The study is expected to provide a valuable insight about Frequent Flyer Program and its impact on customer loyalty. The outcome of the study will also help the airline to focus on the most important reward for the program members.

Finally, this research is presumed to develop the knowledge of the reader on FFP and its impact on customer loyalty will in turn gives a way for other researchers to conduct detailed researches on the problem. Eventually, this study may contribute paramount importance to previous literature in this area which will serve as additional source of reference.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

In this section of the study, theoretical and empirical literatures and the conceptual framework of the study will be reviewed and rigorously addressed, specifically, from theoretical literature review, different literatures on Customer Loyalty, Classification of Customer Loyalty, Types of Loyalty Programs and Loyalty Program Users, Frequent Flyer Programs (FFPs) and overview of Ethiopian Frequent Flyer Program will be reviewed. Moreover, the empirical literature review will assess related studies on the Industry. Finally, the conceptual framework of the study will be presented.

2.2 Theoretical review

2.2.1 Definition of Customer Loyalty

Customer loyalty is the customer attitude and behavior to choose or prefer one brand over the others competitors due to satisfaction with the product or services. It encourages consumers to shop more consistently. (Peiguss, 2012)

Customer loyalty is a customer's sense of belonging or identification with the employees, services or products of a company; these feelings have a direct impact on customer behavior (Jones and Sasser, 1995) and this sense of identification affects repurchases intentions, spending amount, the possibility of recommendation, and even the willingness to become part of a business.

Dick and Basu (1994) argue that loyalty is multi-dimensional. It doesn't simply indicate whether a customer will make repeat purchase; it also serves as a measure of customer support for a business. Customer loyalty is a multidimensional construct consisting of purchase intention, recommendations, price tolerance, word of mouth, complaint behavior, and propensity to leave.

2.2.2 Classification of Customer Loyalty

In the marketing literature, authors usually separate the customer loyalty concept in to three categories. Those are behavioral aspect (loyalty), attitudinal aspect (loyalty) and combination of both mentioned aspects (mixture). Those aspects are also considered as tools which measure the customer loyalty. For the companies that desire to create and maintain real and long term customer loyalty should take in to account both dimension of the loyalty and adopt an approach which combines these two dimensions.

A) Behavioral loyalty

The majority of existing loyalty studies has been operationalized as a form of repeat purchasing of a particular product or service in a given time. This type of loyalty is based either on the actual purchasing behavior of consumers or on their reports of the behavior. While behavioral aspect of loyalty has been a popular topic in both business and consumer marketing, the one of the caveats with behavioral loyalty concept lies on that customers repurchase the same brand out of habit or convenience without thinking much about it, no matter whether they actually like the brand or not. This kind of loyalty cannot be stable; if a competing brand offer a better deal, the customer would readily buy the other brand. Oppermann (2000) suggests that loyalty research should more focus on behavioral measure only, because measuring attitudes over a long time period is often not feasible. As a result, most loyalty measurement have employed two behavioral variables, namely intention to return and willingness to recommend.

Behavioral loyalty is the tendency of a customer's repurchasing frequency or shopping regularly from the same brand (Han Back, 2008). Moreover, according to Chirico and Lo Presti (2008), behavioral loyalty is the customer's wish to maintain his/her relationship with business in the short-term.

Traditionally, customer loyalty is defined as a behavioral measurement. This measurement includes amount of a purchasing, probability of the repurchasing of the product, repurchasing behavior and purchasing frequency. These measurements shed lights over the consideration of the behavioral loyalty for the marketing professionals (Kumar and Shah)

B) Attitudinal Loyalty

Attitudinal loyalty is that a customer's repurchasing of the product and recommending it to the others (Kandampully and Suhartanto, 2000). The concept of attitudinal loyalty infer that consumers engage in extensive problem-solving behavior involving brand and attribute comparisons, leading to strong brand preferences. Attitudinal loyalty is an approach that using attitudinal data to express the psychological and sentimental loyalty which build up the loyalty concept. (Degermen, 2006:78). In the attitudinal loyalty aspect, a loyalty feeling builds up inside the customer toward a specific product, a brand or a company in an emotional and a psychological meaning. ((Bowen, T. John and Chen Shiang-Lih, 2001) and Chen, 2001). Kuusik (2007) described the sentimentally loyal customers as "a customer group who shops from a specific company, and commit to continue to buy from the same company in the future, and recommended the company to others."

In the attitudinal measurement, for a customer who even does not make shopping from the company, it is possible to be referred as loyal customer. That is, customer's emotional loyalty could continue and he/she may recommend the company to the others. Simply this means, a person who have no access to fly with Ethiopian Airlines could recommend this airline to the other people around and convey positive message about the airline.

While behavioral loyalty is the observable outcome of attitudinal loyalty, without a knowledge and understanding of the attitude towards the act of buying of the brand, it is difficult to design marketing programs to modify behavioral loyalty (increase brand switching to a particular brand or decrease switching from that brand). This is particularly the case in non-stable environment with changing needs or environments. Measuring attitudinal brand loyalty can identify customers who are vulnerable in a changing environment.

The attitudinal approach to loyalty stresses the importance of understanding the antecedents of the purchase and incorporates measures of attitude towards the object such as preferences or liking (Pellemans 1974, Ajzen and Fishbein 1980).

C) Multi-dimensional (composite) aspects

The above review seems to imply that neither the behavioral nor attitudinal loyalty approach alone provides a satisfactory answer to the question "what is loyalty?" Day (1969) argued that genuine loyalty is consistent purchase behavior rooted in positive attitudes toward the brand. His two dimensional (i.e. attitudinal and behavioral) conceptualization of loyalty suggested that a simultaneous consideration of attitudinal loyalty and behavioral loyalty. Specifically, Day proposed a composite index of loyalty, which has been widely used by loyalty researchers.

$$L = P\,[B]/A$$

L: Loyalty
P [B]/ A: Proportion of Brand Purchase
A: Loyalty attitude

Lutz and Winn (1974), who proposed a similar approach, also advocated that adding attitudinal components to the behavioral measure of loyalty can bring more explanatory power and make more conceptual sense. Building on Day's conceptualization, Jacoby and Chestnut (1978) provided a broad definition of loyalty, which profoundly influenced the direction of later loyalty research (Knox and Walker2001). By incorporating six necessary and collectively sufficient conditions, loyalty was defined by Jacoby and Chestnut (1978, p. 80) as "(1) the biased (i.e. nonrandom), (2) behavioral response (i.e. purchase), (3) expressed over time, (4) by some decision making unit (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision making, evaluative) processes."

A number of researchers operationalized loyalty using this composite approach (Backman and Crompton 1991b; Dick and Basu 1994; Morais et al. 2004; Petrick 2004a; Pritchard et al. 1999; Selin, Howard, Udd, and Cable 1988; Shoemaker 1999). In the field of leisure and tourism, Backman and Crompton (1991b) conceptualized psychological attachment and behavioral consistency as two dimensions of loyalty. They examined tennis players' activity loyalty via three measures (attitudinal, behavioral, and composite). Results revealed that "attitudinal, behavioral, and composite loyalty capture the loyalty phenomenon differently" (p. 217).

In many literature as we can see some of them above, it was highlighted that behavioral and attitudinal aspects are not enough to measure the customer loyalty on their own. Therefore, many authors suggest an approach including a mixture of aspects which is a combination of the behavioral and attitudinal loyalties. The importance of this approach was emphasized while measuring the real loyalty of the customers (Selvi, 2007:39)

For the existence of the real customer loyalty, a customer must carry following behavior patterns (Degermen, 2006:79)

1) Presenting a regular repurchasing behavior
2) Purchasing not only a single product and service of the company, but also other ones over the time (cross-sales)
3) Recommending the company to the others
4) Not to be influenced by the competitors marketing efforts.

In summary, it's not enough to repurchase of the company's products for the existence of the real customer loyalty. Besides, the consumer must not be influenced by the other competitors appealing deals and must recommend the company to the others. This is in short, the customer loyalty is occurrence of an emotional and psychological tie between the company and consumer.

2.2.3 Loyalty Programs

Loyalty programs work as an incentive by providing benefits based on cumulative purchasing over time. Loyalty programs encourage consumers to shift from myopic or single-period decision making to dynamic or multiple-period decision making. These programs encourage repeat buying and improve retention rates by providing incentives for customers to purchase more frequently and in larger volumes. (lewis, 2004) The first usage of loyalty programs in business was many years ago originally in Germany, where price completion was disallowed by government. As reported in the New York Times, Forrester Research found that across 12 industries, retailers are the most loyalty while others, like TV service providers and internet service providers proved more unsteady. Retail loyalty programs are offering points, rebates, discounts or combinations of them. Loyalty programs are considered part of a comprehensive customer relationship strategy. Even

though, there is a fundamental mistake of many marketers who confuse “loyalty” with “rewards”. Loyalty offers support and commitment not points.

Organizations used rewards programs to retain their best customers. Frequent customers are awarded redeemable points that can be converted into free services, upgrades in class, and exchange of other products and services.

Loyalty programs not only a tool to increase the organization’s loyal customers, but they are an opportunity to gather information about customer shopping habits and preferences. This information helps in customizing the organization’s services. Retailers recognized that without “customer database," they were unable to identify the best customers and reward them for their preferable behavior. (The Loyalty Marketer's Association) Due to the fact, that not all customers are potentially loyal customers, the ideal loyalty program would benefit only loyal and potential loyal customers. This means that the customers have first sorted into groups, and then to be approached in different ways. Customer loyalty programs should increase customer happiness and retention. A successful loyalty program has to be designed in the consideration of the following rules: (Clark Peter, 2010)

1. Acquire customers that are likely to repurchase.

2. Recognize which customers are unlikely to repurchase and limit the marketing spend for this segment accordingly.

3. Focus the marketing budget on those who exhibit the same profile as existing repurchases but have yet to buy a second time.

2.2.4 Types of Loyalty Programs

Organizations have rewarded the loyalty of preferred customers by enhanced services or price discounts. Recently, loyalty rewards programs have become applicable in several sectors businesses. Loyalty programs or memberships are structured marketing efforts that reward, and encourage loyal buying behavior which is potentially beneficial to the company. Specifically, in

retailing marketing it includes: loyalty card, rewards card, point's card, advantage card, or club card which identifies the card holder as a member in a loyalty program. (Singh& Khan, 2012)

1-Points system: This is the most common loyalty program. Frequent customers earn points, which translate into some type of reward: discount, gifts, or special customer treatment, customer purchases toward a certain amount of points to redeem their reward. Reward programs based on service usage levels (frequent buyer programs) have become common in the transportation and hospitality industries. This type of loyalty program is most appropriate for businesses that encourage frequent, short-term purchases. (Peiguss, 2012)

2-Tier system: Offer small rewards as a base offering for being a part of the program, and encourage repeat customers by increasing the value of the rewards as the customer moves up the loyalty ladder. The difference between points and tiered systems is that customers extract short-term versus long-term value from the loyalty program. Tiered programs may work better for high commitment, higher price-point businesses like airlines, hospitality businesses, or insurance companies. (Peiguss, 2012)

3- Charge an Upfront Fee for VIP Benefits: Charge one-time (or annual) customers to start collecting points by their purchases. Clearly this system is most applicable to businesses that thrive on frequent, repeat purchases. For an upfront fee, the customers are relieved of inconveniences that could impede future purchases. (Peiguss, 2012)

4- Non-Monetary Programs around Your Customer's Values: Providing value to customers in other ways than discount and dollars rewards. Depending on the customer's values, and on the industry, customers may find more value in non-monetary or discounted rewards. (Peiguss, 2012)

5- Partner with another Company to Provide All-Inclusive Offers: Understanding customers' lifestyle and their purchase process will help determine which company is a good fit as a partner to reward the loyal customers. Providing customers with valued services beyond what the company can offer will grow the companies' network to reach their partners' and customers.

6- Loyalty card program is an incentive plan that allows a retail business to gather information about its customers. Customers are offered product discounts, coupons, points toward merchandise

or some other reward in exchange for their voluntary participation in the program. Another goal of a loyalty card program is to build repeat business by offering participating customers something that is not available to non-participating customers.

7. Frequent Buyer Program: retailers offer the low free service to the customers if the number of purchases or the total purchase amount reaches a specific limit. This creates the tendency in the customers to make those counts of purchases or the total purchase value in order to get the offer. It increases the sale of product leading to customer loyalty over a period of time.

8. Gift Card or Certificates: Retailers have introduced gift vouchers with specific amount and validity of their company. With this gift card it fastens unclear the buyer to go to the retailer who has issued the gift card and spend the amount. With the available amount of the gift card customer will buy the goods more than the cost and increase in selling of goods. If one likes the store and the availability of goods, then customers become regular one.

9. Return Policy for Loyal Customer: The retailer offers the extended return policy to the Loyal Customers. This provides confidence to the customers as return is always a major concern of many.

10. Payback money to loyal customers.

11. Discount over time or volume of goods.

12. Bundle goods: The seller sells various goods or services with the main item at no extra cost. (Singh &Khan, 2012,)

2.2.5 Types of Loyalty Programs Users

There are four types of customers regarding their attitudes to use loyalty programs

1- Never? Consumers are those who are not affected by loyalty programs and their reward incentives in any way.

2- Light consumers are having reward program memberships and being influenced by their incentives, but only moderately.

3- Heavy consumers are highly influenced members of reward programs.

4- Extreme consumers who are addicted to or obsessed with loyalty programs.

2.2.6 Frequent Flyer Program

In 1981 was the first launched of loyalty programs by American Airlines and quickly used by other airlines and hotels, car rental companies, credit card organizations and retailers. The program used in the American Airways promoted several types of reward to the people using the same airway company all the times. The basic objective of the program was to encourage the people to use the same airway company when they travel and to travel more often (Strom, 1999).

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

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

2.2.7 Overview of Ethiopian Airlines Frequent Flyer Program

Ethiopian FFP membership is open to all individuals all over the world. Membership is possible with the applications that can be mailed to the address on the back of the form and electronic forms available with reservations and ticket agents or self-application via the airlines website www.ethiopianairlines.com. Upon completion of the application, registration is confirmed with a temporary membership card number. And, this temporary membership card has full name and Sheba Miles account number that enables an individual to register in order to accrue miles with Sheba Miles. However, when membership account is created, correct information should be provided on all required data. For this, it is important that full name is as per name on passport, mailing address is correct to receive membership package and email address is correct to generate new password or receive notifications.

Regarding the member's status, Sheba miles offers various membership tiers that match the number of miles or the frequency of travel an individual collect from flying within one calendar year. Here, the status miles or segments determine the member's tier level. Miles earned from flight activity on Ethiopian and partner airlines within one European calendar (Jan to Dec) are considered towards status miles. However, bonus miles are not considered towards status miles except business class bonus miles earned from Ethiopian operated flights.

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

Whereas, regarding the tire evaluation, a members' status is determined by the sum of status miles earned or the number of qualifying sectors flown during one calendar year. The current status of a

member is a result of the number of status miles accrued or number of qualifying flights in the last calendar year. Membership status cannot be determined by adding up status mile of one or more calendar year. Sufficient status miles or number of qualifying flights earned within the current calendar year can advance a member tier to the next higher tier for the remainder of the month in the current year and the following year.

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

Qualification requirement

1) **ShebaMiles Blue**: Earn 3,000 status miles in one calendar year or fly 2 qualifying segments.
2) **ShebaMiles Silver:** Earn 25,000 status miles in one calendar year or fly 20 flying segments in one calendar year.
3) **ShebaMiles Gold:** Earn 50,000 status miles in one calendar year or Fly 40 qualifying segments in one calendar year.
4) **ShebaMiles Platinum:** Earn 100,000 status miles in one calendar year or Fly 80 qualifying segments in one calendar year

Program Benefits (Benefits on Ethiopian Airline Services)

Free/Discounted Ticket

Passengers who could accumulate enough miles can redeem and purchase a ticket in any cabin whether it is in business or economy. They can buy their ticket by their accumulated miles

Extra baggage Allowance

The baggage allowance for Blue tier members applies on both the weight and piece systems. But the total maximum weight including this allowance shall not exceed 32Kgs in a bag

The baggage allowance for Silver, Gold and Platinum Tier members are 15Kgs, 20Kgs and 32Kgs respectively on routes where the weight system applies while extra baggage in pieces with their corresponding weights apply on routes where the piece concept of baggage allowance applies.

Priority Check-in

Platinum and Gold members can check-in at any business class counter regardless of class of travel.

Access to executive lounges at all Ethiopian Airlines departure airports

Platinum & Gold members: First and Business class lounges across Ethiopian network even when flying Ethiopian in Economy Class. As a Platinum and Gold member, you can invite one guest in to the lounges. This includes Star Alliance branded lounge. Silver member: Only at Sheba miles Silver lounge at Addis Ababa Bole International Airport.

Rebooking of award free of charge

- ✓ Platinum member unlimited rebooking before and after travel commencement.
- ✓ Gold member Two times after first issuance and before travel commencement.
- ✓ Silver member one time after first issuance and before travel commencement.

Guaranteed seat

Guaranteed seat up to 24hrs before departure in the highest booking class in Economy class. This applies only on bookings made at Ethiopian Airlines offices.

Complementary Upgrade

Three complementary upgrade per flight sector are offered on Ethiopian flights within the Platinum tier validity period up on seat availability in business class at the time of request. Complementary upgrade shall be required at Ethiopian Airlines offices.

Personal assistance

Personal assistance service is available at Addis Ababa Bole International Airport for Platinum members departing from Addis Ababa up on request by the member

Benefits on Star Alliance Member Airlines

- Priority on check in- ShebaMiles Platinum and Gold members can check in at any business or first class counter regardless of class of travel
- Extra baggage allowance- ShebaMiles Platinum and Gold memebers and a Star Alliance Gold members can take the advantage of the extra baggage allowance on a Star Alliance Partner Airline flight.
- Gold Track (Priority Security and Immigration)
- Lounge access throughout the Star Alliance network
- Priority boarding
- Priority baggage handling

2.3 Empirical Review

2.3.1 Loyalty Program and Customer Loyalty

Extant empirical research provides mixed evidence of loyalty program effectiveness. Some studies found positive effects of retail loyalty programs on purchase behavior (Bell & Lal, 2003; Lewis, 2004; Taylor & Neslin, 2005), whereas others provide evidence of loyalty programs that do not generate any effects (Mägi, 2003; DeWulf, Odekerken-Schröder, & Iacobucci, 2001; Sharp & Sharp, 1997) According to Osman et al (2013) and Savas et al (2013) there is positive association between FFP and Attitudinal Loyalty.

2.3.2 Loyalty Program and Behavioral Loyalty

In regards to Tepeci (1999), the behavioral loyalty which means re-occurring purchasing behavior doesn't end up with a psychological commitment toward a brand. For instance, a customer may prefer a hotel just because it is in a very close proximity. However, when a new hotel which provides better benefits was introduced right across the street, this customer may change his/her hotel preferences (Bowen and Chen, 2001). In another example, the statement of the contracted customers of the X courier company that operates with reasonable prices is that in case the introduction of a new and cheaper courier company in to the market the customers might prefer the new one. The statement proves that the repeating purchasing of the customers attached to the company in terms behavioral loyalty doesn't mean a commitment (Batmaz, 2008). Therefore, repeated purchases do not guarantee loyalty all the time (Bowen and Chen, 2001). However, according to Osman et al (2013) and Savas et al (2013) there is positive association between FFP and Behavioral loyalty.

2.3.3 Loyalty Program and Attitudinal Loyalty

Attitudinal loyalty can be important for marketing practitioners to monitor in markets where consumers do not make a decision between brands at each purchase occasions since the ultimate goal of marketing practitioner is to develop a high proportion of loyal customers. All of these conditions prove the existence of the behavioral loyalty (Cati and Kocoglu, 2008). This dimension of the attitudinal loyalty is extremely important to the business management. Because, companies could make free and more efficient advertisement owing to the customers attached to the company with attitudinal loyalty. According to Osman et al (2013) and Savas et al (2013) there is positive association between FFP and Attitudinal Loyalty. According to Osman et al (2013) and Savas et al (2013) there is positive association between FFP and Attitudinal Loyalty.

2.3.4 FFP benefit elements and Loyalty

According to Jackson, (2009) the loyalty programs offered by airlines has been motivated by the necessity to target the business travelers who are the profit generators for the airline industry. The business traveler's use the services of hotels, car rentals, etc. during their travels and such

enhancements can contribute to an increased loyalty with the airline even though the model was developed based on such frequent flyer programs are very complicated (Jallat and Ancarani, 2008). Moreover, such complications have been increased by the increased competition and the duplicability of the frequent flyer program which are simple in nature (Clark, 1997). Wijaya, (2015) found out in his research "The effect of loyalty programs on customer loyalty in the hospitality industry" FFP benefit elements attract customers to repeatedly purchase and make them loyal to the company. In fact, repurchase behavior doesn't guarantee their loyalty toward the organizations. As stated by Mattila (2001), customer loyalty must go beyond racking up points and even beyond repeat purchase. Wijaya (2015) found out that Frequent Flyer Program benefits positively affects customer loyalty. For bonus point benefits, most respondents feel more tied to the program or rewards rather than to the company. Thus, loyalty program leads to spurious loyalty.

2.4 Conceptual Framework

From review of related literature and studies, the researcher will try to framework a theoretical scheme from research problem. The scheme is a tentative explanation or theoretical explanation of the phenomena on problem. The goal of this study is to obtain a deep understanding of the effect of FFPs on customer loyalty, attitudinal loyalty and behavioral loyalty. The following figure illustrates the suggested research model.

INDEPENDENT VARIABLES **DEPENDENT VARIABLE**

(FFP Rewards)

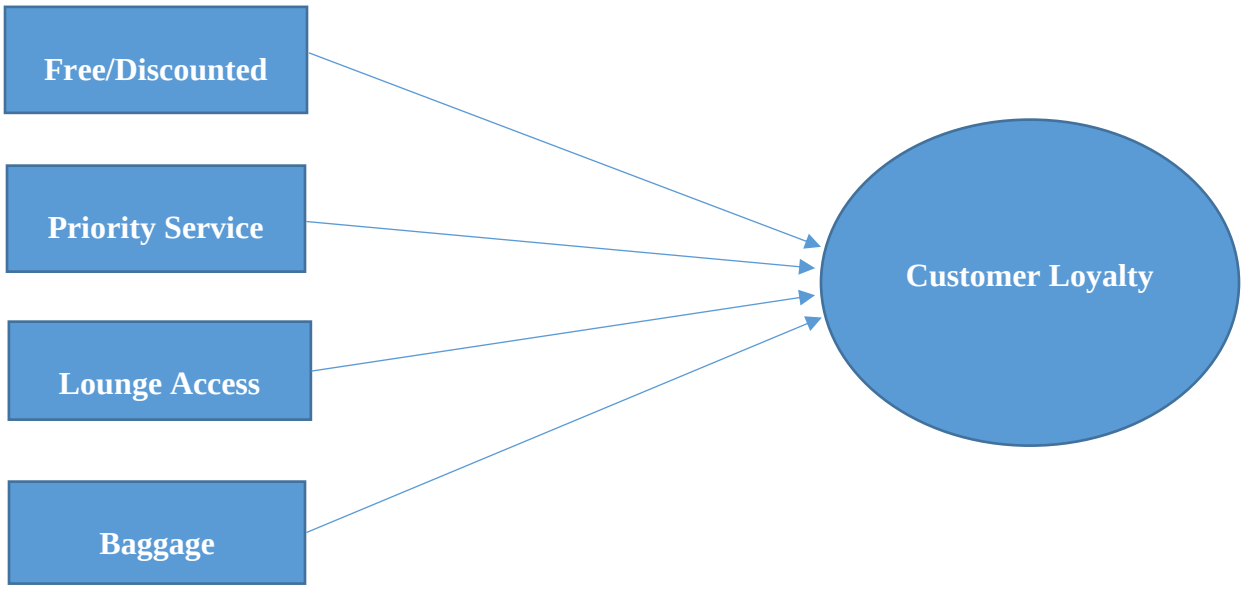

Figure 2.1: Conceptual Framework as per (Osman & Savas, 2013)

The hypotheses are formulated in the following manner for the purpose of examining association amongst factors considered for the study.

H1: Free/discounted ticket rewards of FFP positively and significantly affects Customer Loyalty in ET

H2: Priority Service rewards of FFP positively and significantly affects Customer Loyalty in ET

H3: Lounge Access rewards of FFP positively and significantly affects Customer Loyalty in ET.

H4: Baggage Allowance rewards of FFP positively and significantly affects Customer Loyalty in ET.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses in detail the research design & approach, population & sampling techniques, source of data, data collection method, method of data analysis and instrument validity and reliability.

3.1 Research Approach

Logically there are two broad methods of reasoning known as the deductive and inductive approaches. The deductive approach works from the more general to the more specific; a research study might begin with a theory about the topic of interest, then narrow that down into more specific hypotheses that can be tested, narrowing down even further by collecting observations to address the hypotheses. This ultimately leads to testing the hypotheses with specific data to confirm or not confirm the original theories (Trochim, 1998-2000).

The inductive approach works the other way, moving from specific observations to broader generalizations and theories. Inductive reasoning begins with specific observations and measures detect patterns and regularities, formulates some tentative hypotheses that can be explored and finally ends up developing general conclusions or theories (Trochim, 1998-2000).

Accordingly, in line with the study objectives and strategy, the study follows the deductive approach.

In research two kinds of methods are used qualitative and quantitative research depending on the specific purpose that the research tries to address. By using a quantitative method, the researcher seeks data, which will be statistically analyzed to produce a quantified result. This study therefore employs a quantitative research approach.

3.2 Research Design

A research design is a procedural plan that is adopted by the researcher to answer the questions validly, objectively and accurately (Kumar, 2011). In this research descriptive and explanatory research design has used in order to clarify the relationship between the FFPs and customer loyalty. Explanatory studies clarify the relationship between two aspects of a situation or phenomena (Kumar. 2011). The Explanatory research design has chosen to identify the relationship between the independent (the FFP) and dependent variable (Customer loyalty) under the study.

3.3 Population and sampling techniques

3.3.1 Population of the study

Ethiopian Airlines Sheba Miles members with tier levels of Platinum, Gold and Silver will be the population of this study. The population is the totality of entities in which the researcher is interested in i.e. the collection of individual, objects or events about which the researcher wants to make inference (Diamantopoulos et.al, 2006). The population will be limited to Platinum, Gold and Silver tier frequent flyer members due to time, resource and financial constraints.

3.3.2 Sampling Technique

The application of the inquiry will be performed at Addis Ababa International Airport Platinum, Gold and Silver lounges, Nairobi Jomo Kenyatta International Airport and Washington Dulles International Airport. Both Random Sampling and Convenience Sampling Methods used to represent the character of the universe. Questioners sent to randomly selected passengers from the data base and distributed physically to passengers at Addis Ababa Bole, Nairobi Jomo Kenyatta and Washington Dulles International Airports on the researcher convenience.

3.3.3 Sample Size

From the total population of gold and silver member passengers, a convenient and random sample of 395 member passengers were selected in order to make the data workable and reliable.

To determine the sample size of the study, Solvin's formula which was formulated by Michael Solvin in 1960, used the sample size on the analysis of customer survey simplified sample size determination formula was used by assuming a 95 percent confidence level and P = .5 are assumed as follows; (WordPress, 2016)

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

Where, n = sample size

N= total population size

e= the level of acceptable error with confidence level of 95%, which is 0.05

n = 32,000/(1+32,000(0.05)2)=395

3.4 Source of data

Both primary and secondary data will be applied to obtain relevant information as an input for this study. Regarding the *secondary* data, the airline's loyalty program guide and others are collected by reviewing the internal newsletter, aviation report and magazine, article, books and other pertaining documents.

3.5 Methods of data collection

A structured questionnaire using a 5 points Likert scale starting from 1=strongly disagree to 5=strongly agree will be distributed via email to the respective selected members to collect relevant data from sample respondents. Besides, the researcher will try to further brief same respondents via email. Besides, web-based questionnaire will also be distributed to members of Platinum, Gold and Silver members.

3.6 Methods of data analysis

Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study (Malhotra et al., 2007). The data collected was edited, coded, tabulated, and presented for analysis. In order to meet the research objectives of this study, all valid responses will assess using a variety of statistical techniques.

Demographic characteristics, travel and membership specifications of the frequent flyer program members were analyzed by taking their frequency and the percentage distribution. Moreover, standard deviation and arithmetic means of the opinions of the members who benefit from the bonus and services offered under the frequent flyer program were represented. The relationship between the FFPs and the customer loyalty (behavioral and attitudinal loyalty) were determined by means of the simple correlation method. The Pearson correlation coefficient between each variable was calculated. On the other hand, to explain the relationship between the frequent flyer programs and the customer loyalty with a mathematical model, a single-variable linear regression analysis will be implemented.

3.7 Instrument Validity & Reliability

Before the fore application of the inquiry, to establish the structural existence and validity of all the scales, I consulted several specialists in Ethiopian Airlines Customer Loyalty Department in this subject about the content of the questions and about the "clear understanding" of the notations to prepare the inquiry for the fore application.

To determine the reliability level of the scales used in the investigation, some fore applications will be implemented before the main application of the inquiry. In this way, a fore application will be performed over limited members of the FFPs. Cronbach Alfa (α) coefficient will be used to evaluate the reliability of the scales in this investigation.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter presents the results of the data analysis according to the research methodology discussed in chapter three.

4.1 Sample and Response Rates

After distributing 395 questioners for passengers, a total of 278 were collected back both from email & physical respondents which is 65% of the total distributed questioner. After checking the retrieved questioners, 21 questioners have more than two unanswered questions and the remaining 257 questioners found valid and used for analysis.

4.2 Demographic Profile of Respondents

The male respondents constituted the largest share of the gender composition representing 183 or 71.2% while 74 or 28.8% were female respondents. The respondents represent nationalities of different countries.

Table 4.1: Gender of the Respondents

Gender Category	Frequency	Percent	Valid Percent	Cumulative Percent
Male	183	71.2	71.2	71.2
Female	74	28.8	28.8	100.0
Total	257	100.0	100.0	

(Source: own survey data 2019)

The age groups were distributed as shown in Table 4.2. As it can be seen from the figure, majority of the respondents (169, or 65.8%) were from 31-40 years age group.

Table 4.2 Age distribution of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	49	19.1	19.1	19.1
	31-40	169	65.8	65.8	84.8
	41-50	39	15.2	15.2	100.0
	Total	257	100.0	100.0	

(Source: own survey data 2019)

As per the table below which shows the educational status distribution of the respondents, 39 percent (100) of them are graduates, 34 percent (87) of them are undergraduates, 19.5 percent (50) of them are High School graduates and 7.8 percent (20) of them are stopped their education at Primary School. The result shows that most of the members are within the active and working force of society.

Table 4.3: Educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary School	20	7.8	7.8	7.8
	High School	50	19.5	19.5	27.2
	Undergraduate	87	33.9	33.9	61.1
	Graduate	100	38.9	38.9	100.0
	Total	257	100.0	100.0	

(Source: own survey data 2019)

The distribution of respondents‟ occupation had six layers of categories which represent Public Servant, Private Servant, Freelancer, Businessman/Businesswomen, Retired and Student. According to table (4.4) the majority of the respondents falls under Businessman/Businesswomen categories accounts with 54.1%, Private Servants take the second place which is 16%, retired

respondents take the third which is 15.2%, Freelancer take the fourth which is 7 percent and Public Servant and Student take the fifth and six which was 6.2 percent and 1.6 percent respective.

Table 4.4 Occupation category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public Servant	16	6.2	6.2	6.2
	Private Servant	41	16.0	16.0	22.2
	Freelancer	18	7.0	7.0	29.2
	Businessman/women	139	54.1	54.1	83.3
	Retired	39	15.2	15.2	98.4
	Student	4	1.6	1.6	100.0
	Total	257	100.0	100.0	

(Source: own survey data 2019)

Eventually, 28.4 percent (73) of respondents of the study earns a monthly income of above 5,000 USD, 56 respondents which is 21.8 percent of them earn between 2001 to 3000 USD while 14.8 percent (38) of them earn between 0 to 1000 USD. Out of the total respondents 33 of them which is 12.8 percent earn between 4001 to 5000 USD, 31 of them which is 12.1% earn between 1,001 to 2,000 USD and 10 percent of them earn between 3,000 to 4,000 US Dollars.

Table 4.5: Income Level of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1000 USD	21	8.2	8.2	8.2
	1001-2000 USD	31	12.1	12.1	20.2
	2001-3000 USD	45	17.5	17.5	37.7
	3001-4000 USD	26	10.1	10.1	47.9
	4001-5000 USD	61	23.7	23.7	71.6
	above 5000 USD	73	28.4	28.4	100

(Source: own survey data 2019)

Table 4.6: Findings Relevant to the Travel and Membership Characteristics of the Participants

Variables	Frequency	Percentage
Reason for Travel		
Business	135	52.50
Touristic	90	35.00
Education	32	12.50
Flight Frequency (Annual)		
1-10 times	110	42.80
20-Nov	77	30.00
21-30	57	22.20
31-40	13	5.00
51 and above	0	0.00
Duration of Membership		
Less than 1 year	26	10.10
2-Jan	53	20.60
4-Mar	111	43.20
5 years and above	67	26.10

(Source: own survey data 2019)

The Table 4.6 above represents some findings about the participants such as reason for travel, flight frequency and membership duration regarding the FFPs. From the given data, it is possible to see that.

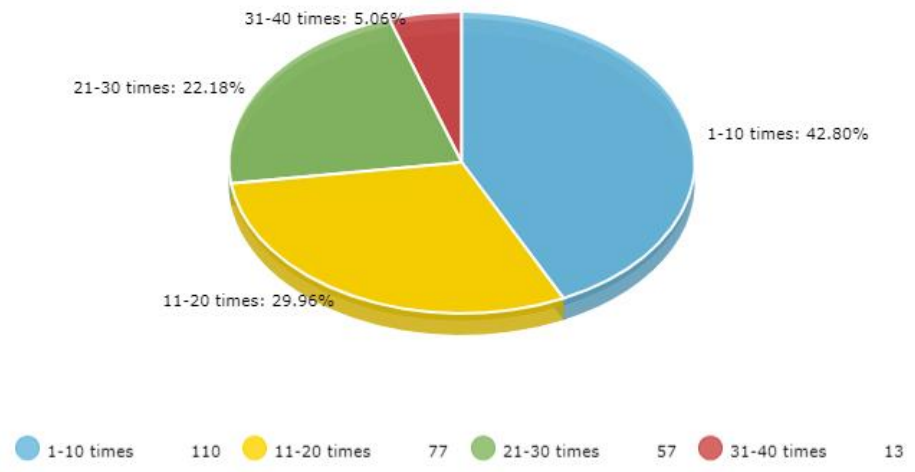

Figure 4.1: Annual Travels

Business and touristic travels come to the forefront. As Table 4.6 indicated the highest number of respondents (42.8%) are travels of at least 1 to 10 times annually and followed by 11 to 20 times, 21 to 30 and 31 to 40 times annually which are 30%, 22.2% and 5% respectively.

4.3 Descriptive analysis of the variables

Table 4.7: Descriptive statistics- FFP benefits and Loyalty The mean scores have been computed for all the four major benefit elements of FFP Free/discounted ticket, Priority Service, Lounge Access and Baggage allowance. Respondents were asked to rate their perception on a five-point Likert type scale ranging from 1 being strongly disagree to 5 strongly agree. The result is presented in Table 4.7 below.

FFP benefit elements	Mean	Std. Deviation
Free/Discounted ticket	3.52	0.830
Priority Service	3.82	1.040
Lounge Access	2.68	0.733
Baggage Allowance	3	0.950
Loyalty	3.17	1.209

(Source: own survey data 2019)

Table 4.7 indicates the mean scores of the variables. Priority service has a mean of 3.82 which is the highest among the FFP benefits variables whereby Lounge Access scored the lowest 3.mean value of 2.68. Free/Discounted ticket and Baggage Allowance also have a mean value of 3.52 and 3 respectively. In general, all the variables except Lounge access have a mean value above three. Loyalty also has a mean value of 3.61 which is also above the average. The results indicated that the respondents had strong interest for Priority Service and Free/discounted ticket while for Lounge Access and Baggage allowance showed marginal interest.

4.4 Reliability Test

One of the test which can ensure the stability and consistency of the measures and help to assess the 'goodness' of a measure is reliability test. Reliability in research relates to the consistency of results over a period of time. A scale is called reliable if it produces consistent results when repeated measurements are made (Hair, et al., 1998).

Cronbach's Alpha is used to measure how well a set of items (or variables) measure a single one-dimensional latent construct. (Malhotra, 2007). Cronbach's Alpha is low when data have a multi-dimensional structure. (Malhotra, 2007) suggests that an alpha of 0.60 or greater should be considered adequate to develop a new questionnaire.

Table 4.8: Reliability Statistics

Therefore, a low coefficient alpha indicates the sample of items perform poorly in capturing the construct motivating the measure. Conversely, a large coefficient alpha implies that the k-items test correlates with the true scores closely (Malhotra, 2007). A low alpha coefficient simply indicates that the factor is less likely to present itself if the study is to be repeated when subjected in a different application setting (Cavana etal. 2000). Customer loyalty was measured using the four benefit elements of FFP listed in the questionnaire, which were combined into a single scale (Cronbach's alpha =0.919).

Constructs	Number of items	Cronbach's alpha
Free/discounted Ticket	6	0.735
Priority Service	6	0.763
Lounge access	6	0.892
Baggage allowance	5	0.936
Loyalty	3	0.878
Overall	26	0.919

(Source: own survey data 2019)

The results from Table4.8 indicated that the Cronbach alpha for all the four constructs and loyalty were well above 0.7 as recommended by (Cavana et al. 2000). Cronbach's alpha for the four constructs ranged from the lowest of 0.735 (Free/discounted) to highest 0.936 (Baggage allowance). In conclusion, it can clearly see that the scores of the Cronbach's alpha for all the constructs used in this research are well more than 0.70 and this confirmed that the measurement scales used to measure the constructs were stable and consistent, therefore the reliability of the constructs were confirmed.

4.5 Pilot test validity

Validity of a scale is defined as the extent to which differences in observed scale scores reflect the true differences among objects on the characteristics being measured (Malhotra, 2007).

All variables (items) were inspected by the researcher and two customer loyalty section team leaders to ensure that they were an adequate and a thorough representation of the construct under investigation. To test the questionnaire for clarity and to provide a coherent research questionnaire, a pilot test data collection has done at two ticket office branches National Theater and Africa Union

branches (which are well known with their sales volumes) for around 40 customers were filled by customers who were buying tickets and after they filled the sample questionnaires some items were added, based on their valuable recommendations. Some others were reformulated to become more accurate and clear, and this was required for the purpose of enhancing the research instrument.

4.6 Inferential Analysis

To test the hypotheses, Pearson correlations, multi linear Regression analysis with (F) test using ANOVA table was used as follows: In order to make the regression is valuable normality, linearity and multi Collinearity tests have done on the data.

4.6.1 Correlation Analysis

The four independent variables that effects customer loyalty are not isolated from one another however they have inter correlations with one another. Table 4.9 below displayed a correlation matrix using the Pearson correlation coefficient for all variables. As explained by (Cohen, 1988),

the value of Pearson's correlation is divided into three areas. A correlation coefficient between 0.10 and 0.29 will indicate a small correlation, a correlation coefficient between 0.30 and 0.49 will indicate a medium correlation, and a correlation coefficient between 0.50 and 1.0 will indicate a large correlation.

Table 4.9: Correlation

		Free/Discounted ticket	Priority Service	Lounge Access	Baggage Allowance	Customer Loyalty
Free/Discounted ticket	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	257				
Priority Service	Pearson Correlation	.643**	1			
	Sig. (2-tailed)	.000				
	N	257	257			
Lounge Access	Pearson Correlation	.334**	.374**	1		
	Sig. (2-tailed)	.000	.000			
	N	257	257	257		
Baggage Allowance	Pearson Correlation	.254**	.435**	.654**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	257	257	257	257	
Customer Loyalty	Pearson Correlation	.483**	.631**	.357**	.399**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	257	257	257	257	257

(Source: own survey data 2019)

Based on the results reported on Table 4.9 above, the correlation study revealed that there is a positive relationship between all of the predictor variables and customer loyalty. All of the correlation results between them have scored more than 0.3. The highest correlation score recorded is between Priority Service and loyalty (0.631). The result indicates the strongest relationship between Priority Service and Loyalty and the weakest between Lounge Access and Loyalty.

Per the above correlation the below findings are listed

- ✓ There is a significant and positive relationship between customer loyalty and the Free/discounted ticket element of the FFP with r=.483 and p=.000
- ✓ There is a significant and positive relationship between customer loyalty and the Priority Service element of the FFP with r=.631 and p=.000.
- ✓ There is a significant and positive relationship between customer loyalty and the Lounge access element of the FFP with r=.357 and p=.000.
- ✓ There is a significant and positive relationship between brand loyalty and the Baggage allowance element of the customer loyalty with r=.399 and p=.000.

4.6.2 Regression Analysis

Albaum, (1997) noted that regression is a technique used to predict the value of a dependent variable using one or more independent variables. (Malhotra, 2007) showed that regression analysis is a statistical tool for the investigation of relationships between variables. In order to make the regression analysis it is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Three assumptions for Regression analysis used in this study will be discussed for the individual variables: multi-Collinearity, normality and linearity.

4.6.2.1 Multicollinearity Test

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Hill et al., (1998). If there is a perfect Collinearity between predictors it becomes impossible to obtain unique estimates of the regression coefficient because they are an infinite number of combinations of coefficients that would work equally well. Low level of Collinearity pose little threat to the models generated by SPSS. If the predictors are highly correlated, and each accounts for similar variance in the outcome, then how can we know which of the two variables is important? (Hill et al., 1998).

Table 4.10: Collinearity As (Hill et al. 2000) indicated one way of identifying multicollinearity is to scan a correlation matrix of all the predictor variables and see if any correlate very highly (above .80 or .90). - The other one among multicollinearity diagnostics is variance inflation factor (VIF) which indicates whether a predictor has a strong relationship with other predictors. (Malhotra, 2007) suggested that a value below 10 is a good value. - If tolerance is below .2 it indicates a potential problem (Malhotra, 2007)

Model	Tolerance	VIF
Free/Discounted ticket	.565	1.769
Priority Service	.508	1.968
Lounge Access	.542	1.844
Baggage Allowance	.519	1.925

(Source: own survey data 2019)

The initial inspection of the Pearson Correlation Matrix (see Table 4.10 above) for the regression models revealed that the correlations between the independent variables did not exceed 0.80. While checking, the independent variables showed significant relationship with the dependent variable (above .3 preferably). Also the researcher checked that the correlation between each of independent variables is not too high. (Hill et al. 2000) suggest that you think carefully before including two variables with a bivariate correlation of, say, .7 or more in the same analysis. As it can be observed from the correlation table there is no correlation between the independent variable which is above 0.7. In addition, as results under table 4-13 indicated the tolerance values of all the variables are above .2 and all the VIF values also below ten which are indicators of no multicollinearity existence.

4.6.2.2 Linearity Test

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998).

In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). As we checked by the Pearson correlation the relation between independent

variables (FFP) and the independent variable (loyalty) is positively correlated. The scatter plot of standardized residuals versus the fitted values (Figure G of the Appendix) for the regression models were visually inspected. The plots show a positive linear relation between readings of the variables. Their relation is significant so we can conclude that there is a linear relationship between them and thus not violating the linearity assumption as suggested by (Malhotra et al. 2007).

4.6.2.3 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 (Malhotra et al, 2007). In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal (Hair et al., 1998). If a distribution is normal, the residual line will closely follow the diagonal (Hair et al., 1998). Malhotra et al. (2007) explain that the "correlation coefficient" will be near unity if the data fall nearly on a straight line. The "correlation coefficient" will become smaller if the plot is curved. As the graphs of the variables distribution (Figure 1 of the appendixes) all the data have fallen nearly on a straight line and then the normality assumption is not violated.

Table 4.11: Normality Test

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Free/Discounted ticket	.002	.152	-.527	.303
Priority Service	.060	.152	-.308	.303
Lounge Access	-.460	.152	-.382	.303
Baggage Allowance	-.419	.152	-1.011	.303
Customer Loyalty	.940	.152	.177	.303

(Source: own survey data 2019)

In order to be certain on the out puts of the graphs a normality test also done on the variables with a skeweness and kurtosis analysis. According to Mardia (1970) a normality test is acceptable when the skewness and kurtosis values should be less than two and six respectively for each variables. As per the results of this test all the results satisfy the above requirement and there is no doubt on the normality requirement to run a regression analysis.

4.6.2.4 Homoscedasticity Test

The assumption of homoscedasticity (literally, same variance) is central to linear regression models. Homoscedasticity describes a situation in which the error term (that is, the "noise" or random disturbance in the relationship between the independent variables and the dependent variable) is the same across all values of the independent variables (Lani, 2013).

Use the residuals versus order plot to verify the assumption that the residuals are independent from one another. Independent residuals show no trends or patterns when displayed in time order. Patterns in the points may indicate that residuals near each other may be correlated, and thus, not independent. Ideally, the residuals on the plot should fall randomly around the center line (see appendix F).

4.6.3 Multiple Regression Model

The positive correlation of the FFP benefit elements to the loyalty factor is checked over a regression model. The regression dependent variable was the computed loyalty variable from Free/discounted Ticket, Priority Service, Lounge access and Baggage allowance. Multiple regression analysis is defined as "a statistical technique which analyzes the linear relationships between a dependent variable and multiple independent variables by estimating coefficients for the equation for a straight line" (Hair et. al., 1998, p.578). Multiple regression analysis was carried out to test the pre-determined hypotheses in the study.

Multiple linear regression models of the study:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Model}$$

Where: - **Y** is the dependent variable and **X1, X2, X3** and **X4** are the independent Variables

β0 = Intercept **β1, β2, β3** and **β4**= Coefficients of the line (defined as the ratio Rise/Run) **ε**= Error variable

Table 4-7 of the appendix presents the multiple regression results of the free/discounted ticket, priority service, lounge access and baggage allowance benefits of FFP of Ethiopian Airlines and customer loyalty. In terms of the relationship between the variables based on the conceptual model under chapter two, customer loyalty can be seen as a single dependent variable whereas free/discounted ticket, priority service, lounge access and baggage allowance are regarded as independent variable in a simple regression model. The first statistic, R, is the correlation coefficient between the predictor variables (free/discounted ticket, priority service, and lounge access and baggage allowance) and the dependent variable (customer loyalty). These variables as a whole positively correlated with customer loyalty. The R was (0.656) at level ($\alpha \leq 0.05$); whereas the model's coefficient of determination, R2 was (0.430). R2 is frequently used to describe the amount of variance explained by a given set of predictor variables. This means the 43% of variance in customer loyalty is caused by the factors free/discounted ticket, priority service, lounge access and baggage allowance while the remaining 57% is explained by other variables (out of this model). This value indicated that besides the four mentioned independent variables, there are other important variables which lead to customer loyalty. In addition, since the probability level is 0.000, the regression model is statistically significant.

Table 4.12: Multiple Regression The ANOVA table in the appendix that describes the overall variance accounted for in the model. The p value for F statistic is 0.000 and it is less than 0.05. This means that at least one of the independent variables is a significant predictor of the dependent variable (customer loyalty)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.190	.195		-.973	.331
Free/Discounted ticket	.150	.074	.129	2.037	.043
Priority Service	.547	.077	.473	7.098	.000
Lounge Access	.057	.065	.056	.868	.386
Baggage Allowance	.110	.059	.123	1.871	.063

(Source: own survey data 2016)

The standardized coefficients under table 4-12 are used in the prediction and interpretation of the study multiple regression model. Based on this the multiple regression equation would be:

Customer Loyalty = -.190 + 0.15Free/Discounted Ticket + 0.547Priority Service + 0.057Lounge Access + 0.110 Baggage Allowance

The sig amounts under table 4-14 indicate the significant level of the independent variables. As the figures on the table indicated the sig amounts of Free/Discounted Ticket and Priority Service are below .05 while Lounge Access and Baggage Allowance are above .05. If sig<.05 then the variable is not good predictor and can be removed from the model. This means Free/Discounted Ticket and Priority Services of FFP in the model are significant and should be retained while Lounge Access and Baggage Allowance elements of FFP are not significant and should be removed from the model.

The Beta value (standardized coefficient) in the table 4.9 indicates the effect of change in the independent variables on dependent variables. For instance, a unit increases in Free/discounted ticket results in an increase of customer loyalty by 0.15

A unit increases in priority service results in an increase of customer loyalty by 0.547, vice- versa, keeping other factors constant. It is also the largest standardized beta coefficient and it means it is the largest to explain the dependent variable customer loyalty.

Table 4.13: Hypothesis Result Dictions Then based on these analysis results the stated hypothesis were tested as follows:

Hypothesis	Analysis	Results
H1: There is a significant positive relationship between Free/Discounted ticket of ET's FFPs and Customer Loyalty	Multiple Regression	Accepted
H2: There is a significant positive relationship between Priority Service of ET's FFPs and Customer Loyalty	Multiple Regression	Accepted
H3: There is a significant positive relationship between Lounge access of ET's FFPs and Customer Loyalty	Multiple Regression	Reject
H4: There is a significant positive relationship between Baggage allowance of ET's FFPs and Customer Loyalty	Multiple Regression	Reject

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides summary of major findings, conclusions and recommendations based on the result of the study. The chapter concludes the study by presenting possible gaps for future research.

5.1 Summary of Findings

The analysis of results revealed that there is a significant and positive relation between the FFP benefit elements and customer loyalty.

Descriptive analysis showed that most respondents fall in the age group of 31 to 40 years. Concerning their gender mix 71.2% of the respondents are male. The results showed that about 52.5% percent of the respondents are business travelers. Regarding their traveling frequency 42.8% of respondents travel one up to ten times of the year.

The data for this study were proven to be reliable using the Cronbach alpha coefficient technique. All the statements under FFP each variable confirmed that the questionnaire was indeed reflective of the construct it was measuring and it also confirmed internal consistency. The Pearson correlation coefficient showed that there is a positive relationship between all of the variables considered under the study. Percentage of responses based on the respondent's level of agreement towards each statement along with respective mean value is discovered. Measuring the strength of each influence is revealed and ranking table is provided. According to that the mean value for Priority Service is 3.82 which is the highest one and among its dimensions the priority check-in service got the highest mean of 3.89. Hence, it can be considered as a strong effect on Customer Loyalty of the airline customers. The average mean of price is the least one with 2.68 and all its dimensions got a similar mean value. Therefore, they are seen as less effect on Customer Loyalty of the airlines customers.

5.2 Conclusion

There is a worldwide trend towards rewards programs. Companies in just about every industry have a reward program in place for some segment of their customer base, or they have a committee or team investigating loyalty. The reason for this trend is fairly simple; intense competition and little or no growth in the total base of potential customers. That's why there are countless loyalty programs in industries such as travel, restaurant, retail, and credit card marketing. The rationale behind the development of the airline loyalty programs was simple. It is to influence the traveler's choice of carrier and as a result to improve share of customers. The airline industry is getting highly competitive and dynamic from time to time, bringing a customer to loyalty becomes a key differentiator to enable the airlines to gain a competitive advantage in the industry. Accordingly, the aim of this research is to investigate the effect of the FFP reward elements on customer loyalty in the case of Ethiopian Airlines. As per the findings customer loyalty is significantly influenced by the FFP benefit elements; free ticket & Priority service while Lounge Access and Baggage Allowance of FFP rewards are not significantly influenced loyalty.

In this research, the relationship among variables also tested by a multiple regression model whether the relationship between the observed variables fit hypothesized measurement model. In this study, there are four hypotheses. From the analysis, it can be summarized that **H1** is significant by reason of its p-value is less than 0.05. Hence, there is a significant positive influence of Free/Discounted ticket benefit of FFP towards customer loyalty. The Beta of 0.15 which is the second largest value next to Priority indicates free ticket does have significant effect on the customer loyalty. Likewise, indicated Free Ticket elements of FFP and customer loyalty have a positive relationship. Besides, Free Ticket elements of FFP was directly correlated to loyalty.

H2 has Beta of 0.547 it is the largest beta figure of the independent variables and p-value of 0.000 which shows that there is a significant positive effect of price towards Customer loyalty. Beta and p-value of **H3** is 0.057 and 0.386 respectively. Since the p-value is greater than 0.05, H3 is rejected. Thus, there is no significant positive influence of Lounge Access and customer loyalty.

H4 has p-value of 0.063 which is again higher than 0.05. This result indicated there is no significant positive effect of Baggage Allowance elements of FFP towards customer loyalty. Besides, the Beta of **H4** is 0.11 which is the smallest figure of the other independent variables and it could, the customer loyalty did not require Baggage Allowance rewards of FFP when we compare it with other FFP reward elements.

I have checked the above results against previous studies. Similar study on "Loyalty Program impact on Customer loyalty" in case of Turkish Airline by S. Artuger & O. Eralp in 2013 they came up with a result of Free Ticket and Priority Services have positively correlated with customer loyalty and have a significant effect on it. On the other hand, a similar study by Arebo on her thesis in 2016 found out that all the four major elements of FFP have positively correlated with Customer Loyalty

Therefore, as a general observation the effect of the FFP on customer loyalty may be vary based on the many factors under the study and the situations and the models that the study has gone through.

The overall findings offer strong empirical support for the intuitive notion that improving some programs in order to make the customers loyal. The research findings are consistent with two of hypothesizes. The objectives of this study are satisfied. As per the observing results of multiple linear regression analysis, customer loyalty has significant positive relationship with dimensions of FFP, particularly Free or Discounted Ticket and Priority Service. It can be concluded that Customer loyalty and FFP are positively closed with each other from customer perception point of view.

5.3 Recommendations

Based on the analysis of this study, the following recommendations have been forwarded. The average or mean value of the Priority service variable is the highest score and this implies that it has an effect on customer loyalty. In addition, as the result of the multiple regressions indicates by improving the Priority Service in 100% it can achieve a 54.7% customer loyalty. Therefore, the airline should keep up the priority service they give for loyal customers. Particularly, the airline should keep up the Priority check in and Priority boarding services to loyal customers. The airline should also keep up of providing Free/discounted ticket to loyal customers. However, it should be carefully monitored in line with the cost benefit analysis since its impact to bring loyal customers is not that high compared to Priority Service. But as clearly indicated in the finding the Free Ticket elements of FFP has positively and significantly affect customer loyalty.

Some of the suggestions that the passengers given as most important things that airlines should do in order to improve relationships with their customers are quality service. Ethiopian can build customer engagement and relationship strength through high levels of commitment, trust and alignment. In order to stay being the best airline to its frequent flyers, Ethiopian airlines should conduct continuous assessment on the performance of the Sheba miles and its environment. Besides the inside assessment the airline need to study its competitors and their loyalty programs. Ethiopian airlines should work on its accessibility to its frequent flyers so that they can accumulate and redeem their mile easily and whenever they need. Loyalty programs increasingly allow consumers to manage their card accounts online, redeem or transfer reward points, and select between various reward options.

The airline should give attention to its Priority Service which score the highest beta figure that indicated its influence on the customer loyalty also significant. So, the airline should further improve priority check in, boarding, baggage delivery and reservation to have more loyal customers.

5.4 Limitations and Directions for Future Research

The following section is intended to address some of the limitations surrounding this study so they may be eliminated in future research. The outcome of the study is solely dependent on the individual responses of the respondents that participate in the study. Moreover, as the sample is small, the results might not be generalizable beyond the specific population from which the sample is drawn.

This study employed the cross sectional data and it is difficult to determine the time series link across variables. Hence, the research result may differ if it is conducted in other time. The results of this research have implications for marketing management of EAL.

The findings identify the significance of FFP benefit elements on affecting customer loyalty. This study has certain limitations like items considered for questionnaire to collect primary data. Most of the questioners sent via email to Sheba mile members ended up without reply in spite of the researcher repetitive reminders. Further research can be held by expanding area of research and with some more items for questionnaire. The sample size also can be increased. The study can be held by utilizing various models like data collection can be done throughout the whole destinations instead of Addis Ababa, Nairobi and Washington only. As evident from the finding section that the study was conducted in Addis Ababa, Nairobi and Washington only, applicability of the results in other countries may result differently.

Although the airlines realized that customer loyalty is important for them for enhancing their reputations as well as increasing their competitive advantage against competing airlines, there are limited journals or articles related to FFP elements associated with customer loyalty in airlines industry. Finally, the researchers also suggest involving other variables in further research to find out other factors that affect customer loyalty

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APPENDIXE

Appendix I: Research Questioner

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

MASTERS OF ART IN MARKETING MANAGEMENT

Dear Respondents;

This survey question is prepared for gathering data to assess the effect of Frequent Flyer Programs on Customer Loyalty (The case of Ethiopian Airlines). Hence, I kindly request you to fill this questionnaire while assuring you that the information that you provide will be treat with confidentiality and shall only be used for the purpose of this academic research.

I would also like to remind you that your fair and impartial feedback will make this research a very successful one. Thank you for your cooperation and assistance.

Sincerely,

Part one: - Demographic and other information

Please respond to each item by putting a tick mark (√) in the box & and fill in the blank on the choices which best reflects your own perception.

1. Gender: - Male ☐ Female ☐

2. Age: - ☐ 18-30 ☐ 31-40 41-50 ☐ 51 and above ☐

3. Educational Background: -

Primary School ☐ High School ☐ Undergraduate ☐ Graduate ☐

4. Occupation

Public Servant ☐ Private Servant ☐ Freelancer ☐ Businessman ☐ Retired ☐ Student ☐

5. Income (Monthly in USD)

0-1000	1001-2000	2001-3000	3001-4000	4001-5000	>5000
☐	☐	☐	☐	☐	☐

Part 2: - Findings Relevant to the Travel and Membership Characteristics of the Participants

1. Reason for Travel: -

Business	Touristic	Education
☐	☐	☐

2. Tier Level

Blue	Silver	Gold	Platinum
☐	☐	☐	☐

3. Flight Frequency (Annual): -

1-10 times	11-20 times	21-30 times	31-40 times	51 and up
☐	☐	☐	☐	☐

4. Duration of Membership

Less than 1 year	1-2	3-4	5 years and up
☐	☐	☐	☐

Part 4: - Survey on the effect of Ethiopian FFP on Customer Loyalty.

Please respond to each item by putting a tick mark (√) in the box corresponding to the option that identifies your level of overall agreement.

(1 =Strongly Disagree 2 =Disagree 3 = Neutral 4 =Agree 5 = Strongly Agree)

No.		1	2	3	4	5
Customer Loyalty						
CL1	I fly more frequently on ET since I joined the program					
CL2	I have a positive emotional relation to Ethiopian airlines					
CL3	I would encourage my family, friends and colleagues to fly with ET which I use regularly					

No.		1	2	3	4	5
Free/Discounted ticket						
FT1	The free/ discounted ticket offered by the airline loyalty program encourages me to stay loyal to the airline					
FT2	I use my miles to buy air ticket.					
FT3	The mile I used for the new ticket was fair.					
FT4	My ultimate purpose of being FFP member is to get free/discounted benefit of FFP					
FT5	If there is no Free/discounted ticket benefit of FFP, I would discontinue my membership					

FT6	I choose Ethiopian Airlines FFP because of Free/discounted ticket benefit of FFP					
Priority Service						
PS1	The priority service provided by the airline to FFP members encourages me to stay loyal					
PS2	I always get priority for check-in and boarding					
PS3	I always get priority baggage delivery and reservation					
PS4	My ultimate purpose of being FFP member is to get Priority Service benefit of FFP					
PS5	If there is no priority service benefit FFP, I would discontinue my membership					
PS6	I choose Ethiopian Airlines FFP because of Priority Service benefit of FFP					
Lounge Access						
LA1	The exclusive lounge access provided by the airline encouragers me to stay loyal to the airline					
LA2	The lounge is comfortable and convenient.					
LA3	The lounge is up to my standard.					
LA4	If there is no Lounge Service Benefit of Ethiopian FFP, I would discontinue my membership					

LA5	To me Lounge access throughout the Star Alliance network is the most important benefit of ET's FFP					
LA6	I choose Ethiopian Airlines FFP because of Lounge Service benefit of FFP					
Baggage Allowance						
BA1	The additional carryon and check-on baggage allowances provide by the airline encourages me to stay loyal to the airlines					
BA2	The additional check-in baggage allowance provided by the airline is satisfactory					
BA3	If there is no extra baggage allowance benefit of FFP, I would discontinue my membership					
BA4	I choose Ethiopian Airlines FFP because of Extra Baggage allowance benefit of FFP					
BA5	My ultimate purpose of being FFP member is to get Extra Baggage Allowance benefit of FFP					
BL1	I am a regular customer of Ethiopian Airlines					
BL2	In case I would use an airway in future again, I would think of Ethiopian Airlines which is my very first choice					
BL3	In the future, I am thinking about flying more often with Ethiopian Airlines					
BL4	I have flown several times with Ethiopian Airlines					

BL5	I use Ethiopian Airlines in almost all of my flights					
BL6	If I had to do it all over again I'd buy ticket from a different airline					
BL7	I can name many airlines that compete against ET					
AL1	I would encourage my family, friends and colleagues to fly with ET which I use regularly					
AL2	I would try to convince my family, friends and colleagues to fly with ET which I use regularly					
AL3	I would suggest ET which I am currently using					
AL4	I would tell positive things about ET which I am using currently					
AL5	When people ask for a recommendation, I would suggest ET which I am using currently					
AL6	Even I may not fly with ET, I would recommend it to the other people					
AL7	Even it is hard to reach ET which I am currently using, I would still continue to fly with ET					
AL8	If the ET was closed, I would hard time to find an equivalent Airlines company					
AL9	In the near future I intend to use more of the services offered by my ET					
AL10	If ET is fully booked, I just go elsewhere					
AL11	It wouldn't bother me if I changed the airline that I'm currently using tomorrow.					
AL12	I feel a sense of personal commitment to ET					

AL13	I have a long-term view of future co-operation with ET					
AL14	If you were to fly between the same two cities and all airlines had the same departure and arrival times, I would select ET as my first choice					
AL15	To me, ET is the same as other airlines					
AL16	I consider myself to be loyal to ET					
AL17	I would find it extremely difficult to discontinue patronage of my current airline (ET)					
AL18	I feel attractive about ET					

1. Descriptive

Table 4.1 Gender

Gender Category		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	183	71.2	71.2	71.2
	Female	74	28.8	28.8	100.0
	Total	257	100.0	100.0	

Table 4.2 Age Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	49	19.1	19.1	19.1
	31-40	169	65.8	65.8	84.8
	41-50	39	15.2	15.2	100.0
	Total	257	100.0	100.0	

Table 4.3 Educational Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary School	20	7.8	7.8	7.8
	High School	50	19.5	19.5	27.2
	Undergraduate	87	33.9	33.9	61.1
	Graduate	100	38.9	38.9	100.0
	Total	257	100.0	100.0	

Table 4.4 Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public Servant	16	6.2	6.2	6.2
	Private Servant	41	16.0	16.0	22.2
	Freelancer	18	7.0	7.0	29.2
	Businessman/women	139	54.1	54.1	83.3
	Retired	39	15.2	15.2	98.4
	Student	4	1.6	1.6	100.0
	Total	257	100.0	100.0	

Table 4.5 Income Level

		Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	0-1000 USD	21	8.2	8.2	8.2	
	1001-2000 USD	31	12.1	12.1	20.2	
	2001-3000 USD	45	17.5	17.5	37.7	
	3001-4000 USD	26	10.1	10.1	47.9	
	4001-5000 USD	61	23.7	23.7	71.6	
	above 5000 USD	73	28.4	28.4	100.0	
	Total	257	100.0	100.0		

1) Over all Reliability Statistics

Reliability Statistics

Cronbach's Alpha	N of Items
.919	26

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The free/ discounted ticket offered by the airline loyalty program encourages me to stay loyal to the airline	69.88	241.775	.241	.922
I use my miles to buy air ticket	70.20	236.613	.408	.919
The mile I used for the new ticket was fair.	70.19	232.030	.570	.916
My ultimate purpose of being FFP member is to get free/discounted benefit of FFP.	69.97	242.183	.259	.921
If there is no Free/discounted ticket benefit of FFP, I would discontinue my membership.	70.34	233.904	.493	.917
I choose Ethiopian Airlines FFP because of Free/discounted ticket benefit of FFP.	70.32	232.654	.502	.917
The priority service provided by the airline to FFP members encourages me to stay loyal	69.62	229.509	.533	.917
I always get priority for check-in and boarding	70.30	232.617	.609	.915
I always get priority baggage delivery and reservation	70.32	236.960	.392	.919
My ultimate purpose of being FFP member is to get Priority Service benefit of FFP	70.06	235.172	.465	.918
If there is no priority service benefit FFP, I would discontinue my membership	70.49	237.079	.452	.918

I choose Ethiopian Airlines FFP because of Priority Service benefit of FFP	70.02	233.746	.528	.917
The exclusive lounge access provided by the airline encouragers me to stay loyal to the airline	69.51	235.298	.524	.917
The lounge is comfortable and convenient.	69.53	236.930	.500	.917
The lounge is up to my standard.	69.48	233.579	.530	.916
If there is no Lounge Service Benefit of Ethiopian FFP, I would discontinue my membership	69.63	229.188	.658	.914
To me Lounge access throughout the Star Alliance network is the most important benefit of ET's FFP	69.89	230.585	.590	.915
I choose Ethiopian Airlines FFP because of Lounge Service benefit of FFP	69.59	229.689	.625	.915
The additional carryon and check-on baggage allowances provide by the airline encourages me to stay loyal to the airlines	69.65	229.196	.639	.915
The additional check-in baggage allowance provided by the airline is satisfactory	69.66	232.092	.626	.915
If there is no extra baggage allowance benefit of FFP, I would discontinue my membership	69.86	228.918	.700	.914
I choose Ethiopian Airlines FFP because of Extra Baggage allowance benefit of FFP	70.21	231.828	.568	.916
My ultimate purpose of being FFP member is to get Extra Baggage Allowance benefit of FFP	69.74	227.522	.671	.914
I fly more frequently on ET since I joined the program	70.58	236.041	.571	.916
I have a positive emotional relation to Ethiopian airlines	70.68	234.390	.578	.916
I would encourage my family, friends and colleagues to fly with ET which I use regularly	70.62	230.837	.625	.915

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		2478.424	256	9.681		
	Between Items	894.028	25	35.761	45.860	.000
Within People	Residual	4990.626	6400	.780		
	Total	5884.654	6425	.916		
Total		8363.078	6681	1.252		

Grand Mean = 2.80

2) Reliability Statistics of Lounge Access

Reliability Statistics

Cronbach's Alpha	N of Items
.892	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The exclusive lounge access provided by the airline encouragers me to stay loyal to the airline	15.96	18.979	.623	.886
The lounge is comfortable and convenient.	15.97	18.972	.677	.879
The lounge is up to my standard.	15.92	17.541	.737	.869

If there is no Lounge Service Benefit of Ethiopian FFP, I would discontinue my membership	16.07	17.058	.781	.862
To me Lounge access throughout the Star Alliance network is the most important benefit of ET's FFP	16.33	17.519	.687	.878
I choose Ethiopian Airlines FFP because of Lounge Service benefit of FFP	16.03	16.929	.775	.863

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1072.508	256	4.189		
	Between Items	28.385	5	5.677	12.562	.000
Within People	Residual	578.449	1280	.452		
	Total	606.833	1285	.472		
Total		1679.342	1541	1.090		

Grand Mean = 3.21

3) Reliability Statistics of Priority Services

Reliability Statistics

Cronbach's Alpha	N of Items
.763	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The priority service provided by the airline to FFP members encourages me to stay loyal	12.88	14.072	.382	.768
I always get priority for check-in and boarding	13.56	14.771	.483	.734
I always get priority baggage delivery and reservation	13.58	14.198	.463	.740
My ultimate purpose of being FFP member is to get Priority Service benefit of FFP	13.32	14.312	.475	.736
If there is no priority service benefit FFP, I would discontinue my membership	13.75	13.885	.616	.702
I choose Ethiopian Airlines FFP because of Priority Service benefit of FFP	13.28	13.210	.664	.687

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		825.599	256	3.225		
	Between Items	119.827	5	23.965	31.344	.000
Within People	Residual	978.673	1280	.765		
	Total	1098.500	1285	.855		
Total		1924.099	1541	1.249		

Grand Mean = 2.68

4) Reliability Statistics of Free/Discounted Ticket

Reliability Statistics

Cronbach's Alpha	N of Items
.735	6

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The free/ discounted ticket offered by the airline loyalty program encourages me to stay loyal to the airline	13.05	14.634	.335	.737
I use my miles to buy air ticket	13.37	13.905	.458	.701
The mile I used for the new ticket was fair.	13.36	14.145	.450	.703
My ultimate purpose of being FFP member is to get free/discounted benefit of FFP.	13.14	14.738	.382	.721
If there is no Free/discounted ticket benefit of FFP, I would discontinue my membership.	13.51	12.478	.670	.637
I choose Ethiopian Airlines FFP because of Free/discounted ticket benefit of FFP.	13.48	13.040	.542	.675

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		806.484	256	3.150		
	Between Items	43.531	5	8.706	10.412	.000
Within People	Residual	1070.302	1280	.836		
	Total	1113.833	1285	.867		
Total		1920.317	1541	1.246		

Grand Mean = 2.66

5) Reliability Statistics of Baggage Allowance

Reliability Statistics

Cronbach's Alpha	N of Items
.936	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The additional carryon and check-on baggage allowances provide by the airline encourages me to stay loyal to the airlines	11.79	14.145	.870	.913
The additional check-in baggage allowance provided by the airline is satisfactory	11.79	15.219	.837	.920
If there is no extra baggage allowance benefit of FFP, I would discontinue my membership	11.99	14.641	.876	.913

I choose Ethiopian Airlines FFP because of Extra Baggage allowance benefit of FFP	12.34	15.178	.738	.938
My ultimate purpose of being FFP member is to get Extra Baggage Allowance benefit of FFP	11.87	14.190	.833	.921

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1155.447	256	4.513		
	Between Items	53.964	4	13.491	46.603	.000
Within People	Residual	296.436	1024	.289		
	Total	350.400	1028	.341		
Total		1505.847	1284	1.173		

Grand Mean = 2.99

6) Reliability Statistics of Baggage Allowance

Reliability Statistics

Cronbach's Alpha	N of Items
.878	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I fly more frequently on ET since I joined the program	4.32	3.337	.767	.831
I have a positive emotional relation to Ethiopian airlines	4.42	3.089	.764	.827
I would encourage my family, friends and colleagues to fly with ET which I use regularly	4.37	2.702	.778	.822

ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		550.477	256	2.150		
	Between Items	1.326	2	.663	2.520	.081
Within People	Residual	134.674	512	.263		
	Total	136.000	514	.265		
Total		686.477	770	.892		

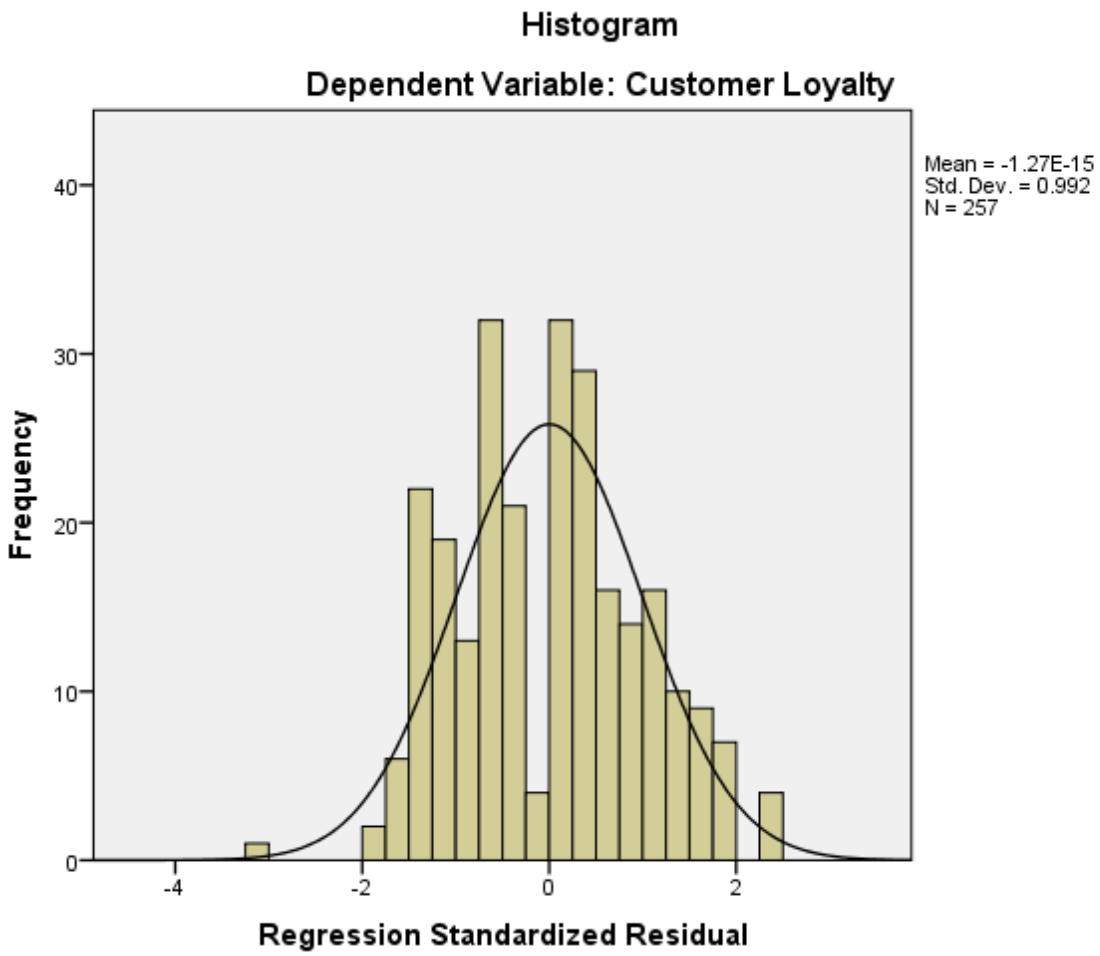
Grand Mean = 2.19

B. Pearson Correlation Analysis

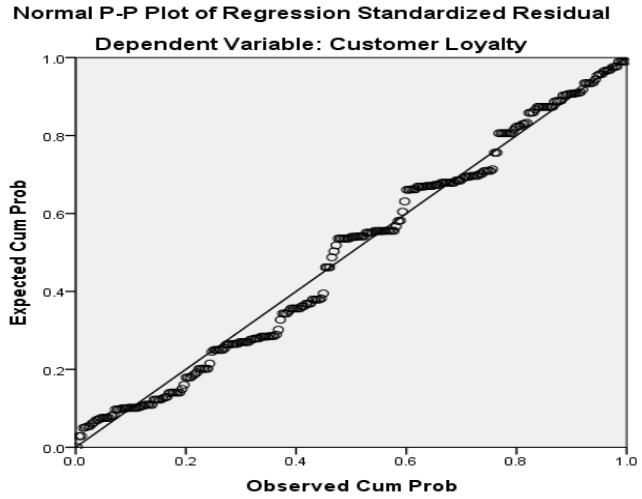
		Free/Discounted ticket	Priority Service	Lounge Access	Baggage Allowance	Customer Loyalty
Free/Discounted ticket	Pearson Correlation	1	.643**	.334**	.254**	.483**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	257	257	257	257	257
Priority Service	Pearson Correlation	.643**	1	.374**	.435**	.631**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	257	257	257	257	257
Lounge Access	Pearson Correlation	.334**	.374**	1	.654**	.357**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	257	257	257	257	257
Baggage Allowance	Pearson Correlation	.254**	.435**	.654**	1	.399**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	257	257	257	257	257
Customer Loyalty	Pearson Correlation	.483**	.631**	.357**	.399**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	257	257	257	257	257

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

E. Histogram Plots



F. Normal P-Plot



G. Scatter Plot