



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

GRADUATE STUDIES PROGRAM

**THE IMPACT OF PERCEIVED PRICE FAIRNESS ON CUSTOMER
SATISFACTION AND LOYALTY: THE CASE OF ETHIOPIAN AIRLINES**

BY: MICHAELE NEGASH

JUNE, 2017

ADDIS ABABA

**THE EFFECT OF PERCEIVED PRICE FAIRNESS ON CUSTOMER
SATISFACTION AND LOYALTY: THE CASE OF ETHIOPIAN AIRLINES**

BY: MICHAELE NEGASH

ID No: GSR/2197/08

ADVISOR: Dr TEWODROS MESFIN (PHD)

**THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT FOR THE
AWARD OF THE DEGREE OF MASTER OF ARTS IN MARKETING
MANAGEMENT**

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

GRADUATE STUDIES PROGRAM

**JUNE, 2017
ADDIS ABABA**

Approval Sheet

Addis Ababa University School of Commerce, Graduate Studies Program

Department of Marketing Management

The Effect of Perceived Price Fairness on Customer Satisfaction and Loyalty the Case of Ethiopian Airlines

By: MICHAELE NEGASH

Approved by Board of Examiners

_____	_____	_____
External Examiners	Signature	Date
_____	_____	_____
Internal Examiners	Signature	Date
_____	_____	_____
Research Advisor	Signature	Date

Declaration

I, **MICHAELE NEGASH**, declared that this research paper entitled “the impact of perceived price fairness on customer satisfaction and loyalty: the case of Ethiopian airlines” is my own **original research work**. I have been produced it independently through the use of significant contribution of my research advisor and all sources of information in the study has been appropriately acknowledged.

MICHAELE NEGASH _____

Signature

Date

Confirmed by

Dr TEWODROS MESFIN (PHD)

Research Advisor Signature Date

Certify that:

This work entitled the impact of perceived price fairness on customer satisfaction and loyalty: the case of Ethiopian airlines”. Submitted by MICHAELE NEGASH for award of Masters of Arts in Marketing Management was done under my supervision.

Research Advisor:

Dr Tewodros M. (PhD)

Signature

Date

Dedication

I would like to dedicate this thesis to who challenged me through my life without you all will not have been possible.

Acknowledgements

First of all, I would like to thank our almighty GOD to keep as full of health to accomplish and come up with this research. First and for most my gratitude and appreciation goes to my advisor Dr Tewodros Mesfin (PHD) for his constructive comments, technical support, welcoming approach and patience in every step of my work and helped me in shaped this study.

My heartfelt appreciation goes to my friends and my family, especially I want to say thank you for all my relatives and colleagues who have helped me while I was writing this thesis. Last, but not least, I want to thanks all human being who challenged and supported me.

TABLE CONTENTS

Acknowledgements.....	I
Table Contents	II
List of Abbreviations	V
<i>Abstract</i>	VI
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement the Problem	4
1.3 Research Question	6
1.4 Objectives of the Study	6
1.4.1 Specific objective.....	6
1.5 Significance of the Study	6
1.6 Scope and Delimitations of the Study.....	7
1.7 Organization of the study.....	7
LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Theoretical Literature Review	8
2.2.1 Social Comparison Theory.....	8
2.2.2 Equity Theory	9
2.2.3 Distributive Justice versus Procedural Justice	10
2.2.4 Construal Level Theory	10
2.3 Empirical Literature Review	11
2. 3 Conceptual framework and Hypotheses	15
2.3.1 Dynamic Pricing and Perceived Price Fairness	15
CHAPTER THREE	23
RESEARCH METHODOLOGY.....	23
3.1 Research Design.....	23
3.2 Population and Sampling Techniques.....	23
3.3 Sampling Technique	24
3.4 Source of data and data collection	25

3.5 Data Collection Procedures.....	25
3.5 Questionnaire Structure	25
3.6 Data Analysis Technique	26
3.7 Instrument Validity and Reliability.....	27
3.8 Ethical Considerations	28
DATA ANALYSIS AND INTERPRETATION	29
4.1 Introduction.....	29
4.2. Demographic Profile of Respondents	30
4.3 Correlations Analysis.....	31
4.4 Regression Analysis.....	31
4.5 Discussion of the Hypotheses	36
CONCLUSIONS AND RECOMMENDATIONS	38
5.1 Introduction.....	38
5.2 Summary of Major Findings	38
5.3 Recommendations.....	40
5.4 Limitation and Direction for Future Research	41
References.....	42
Annex.....	44
Questionnaire	44

List of Figures

Figure 1: Conceptual framework	22
--------------------------------------	----

List of Abbreviations

ET-Ethiopian airlines

PPF-perceived price fairness

CS-customers satisfaction

CL-customers' loyalty

Abstract

The purpose of this thesis is to examine the effect of perceived price fairness and customer satisfaction and loyalty on Ethiopian airlines customers. In this research, the dimensions of price fairness, customer satisfaction, and customer loyalty are extracted from marketing literature. The effect was examined via data obtained from customers of Ethiopian airlines using SPSS simple regression analysis. Statistical Society of this research is the customers of Ethiopian airlines and the number of samples is 384. Customers are selected judgment sampling for answering the questionnaire. Statistical Package for the Social Sciences (SPSS) modeling is applied in this research. According to the result of the study, perceived price fairness has a significant positive effect on customer satisfaction, similarly, the results showed that perceived price fairness has a significant positive on loyalty; therefore, perceived price fairness increases customer satisfaction and loyalty. Furthermore, the results of the study indicate that customer satisfaction positively influences customer loyalty lending support to customer satisfaction as a factor of predicting customers repeat purchase. Finally, decision-making implications are provided based on the study results, information with regards to the study limitations and suggestion for further research is presented in the thesis.

CHAPTER ONE

INTRODUCTION

This chapter consists of background of the study, statement of the problem, research questions, and objective of the study, scope and limitation of the study, significance of the study and organization of the study.

1.1 Background of the Study

Air travel has always been classified as one of the more intangible service industries (Kloppenborg and Gourdin, 1992; Shostack, 1977). Practically, the operated airlines apply many kinds of fare according to the service given. Commercial airlines that serve customers are divided into three fare categories. First is Premium Fare (Full Service Carrier/FSC), Second is Business Fare and the third is Economic Fare or Low Cost (ArchanadanSubha, 2012). The four “P’s” of marketing (i.e., product, place, promotion, price) pricing holds a unique attribution to a seller’s profitability. Therefore, the strategic importance of pricing cannot be overrated. Not only have companies been striving to seek effective pricing strategies, but also researcher have been investigating buyers’ reactions to sellers’ pricing strategies including their perceptions of price fairness (e.g., Herrmann, Xia, Monroe, & Huber, 2007; Kalapurakal, Dickson, & Urbany, 1991; Xia, Monroe, & Cox, 2004).

Among the various pricing strategies, dynamic pricing has become a commonly practiced price discrimination strategy used by sellers to maximize profits by charging different prices for very similar or essentially the same products or services according to the amount of money individual customer is willing to pay. With the increasing popularity of Internet shopping (Haws & Bearden, 2006), sellers can track consumer characteristics such as preferences for brands and prices, and consumption/appointment frequency, to determine how to best operate prices to maximize revenue. Self-motivated pricing advocates are optimistic. About the opportunities brought to sellers through such individual-level price discrimination (Daripa & Kapur, 2001; Garbarino & Lee, 2003; Kannan & Kopalle, 2001). Self-motivated pricing may lead to negative emotional and behavioral reactions among customers (Campbell, 1999; Xia et al., 2004).

Typically, when customers discover a disadvantaged inequality, negative price fairness perceptions initiate negative emotions such as disappointment and anger which may lead to consequent negative behavioral intentions (Xia et al., 2004).

Typically, when customers discover a disadvantaged inequality, negative price fairness perceptions initiate negative emotions such as disappointment and anger which may lead to consequent negative behavioral intentions (Xia et al., 2004).

Past research shows that consumers may perceive price differences as unfair when they discover the difference is to their disadvantage (i.e., paying a higher price than other customers or compared to past experience with the same seller) (Bolton, Warlop, & Alba, 2003; Haws & Bearden, 2006).

In dynamic pricing, prices vary over time and among consumers (Haws & Bearden, 2006); thus, the magnitude and temporal proximity of price differences influence perceptions of price fairness (Haws & Bearden, 2006; Xia et al., 2004). Although buyers tend to accept small price changes that occur over time (Bolton et al., 2003), a major price change is likely to make the price discrepancy more significant and provoke perceptions of price unfairness. Moreover, such a disadvantaged price discrepancy may become more salient to consumers when the price change is recent (Haws & Bearden, 2006). Xia et al. (2004) suggests the buyer-seller relationship influences buyers' price fairness perceptions.

They noted that "buyers begin to consider themselves as loyal customers after buyer's gain more information about the seller's trustworthiness through repeated transactions, and loyal customers typically believe they are entitled to certain benefits (e.g., lower prices) in the relationship. Found that charging more to customers who make repeat purchases is perceived to be a violation of customer trust and may be considered unfair. They concluded that buyers are likely to switch (to other sellers) to avoid being treated badly for being loyal (Lii & Sy, 2009).

Price is what customer really pays in the exchanging process to get the benefit of the product or service (Lovelock and Wirtz, 2007). Price is monetary value of product or service in market. Price is a value that needs to be exchanged by the customers to get a product or service. Price is also a mark of a value of one product or service for someone and different customer will gives different value for the same product or service (Zimmerer, Scarborough, and Wilson, 2008).

Perceived Value concept created by is the most universally accepted and it's the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. It is the comprehensive assessment of the utility of perceived benefits and perceived sacrifices, or as the difference between perceived benefits and paid costs; it is also the ratio of perceived benefits in relation to the perceived sacrifices. Sacrifices encompass all the costs (purchasing price, acquisition costs, installation), while perceived benefits are the combinations of physical attributes of the available service in a given relationship of the product use (Varki, S. and Colgate, M,2001).

Perceived price fairness is defined as consumers' assessments of whether a seller's price can be reasonably justified (Xia et al, 2004). Fairness has been defined as a judgment of whether an outcome and/or the process to reach an outcome is reasonable, acceptable, or just (Bolton et al, and Albaetal, 2003). The cognitive aspect of this definition indicates that price fairness judgments involve a comparison of the price of procedure with a pertinent standard, reference, or norm. Thus, price fairness perceptions may not be critical until consumers perceive a price as unfair (Xia, Monroe et al, 2004).

Fairness is an evaluation of a result and process so it can reach the proper and acceptable result (Consuegra et al., 2007) Xia, Monroe and Cox (2004) reveal that an evaluation of price fairness is possibly based on the comparison of transaction that involves many parties.

When there is a price difference, the level of similarity between the transactions becomes the important element of price fairness evaluation. In fact, consumers in evaluating price of a product, they depend on not only from the nominal but also from their perception on price (Nagle and Holden, 2002). price awareness can be measured with some attributes which is customer feels paying for the proper price in every transaction and airline ticket is cheaper than other competitors (Mahmud, KamaruzamanJusoff and St. Hadijah, 2013; O'Connell and Williams, 2005).

There has been an emerging use of online reservation systems by Ethiopian airlines, allowing them to change prices easily via internet, there by offering different price for same product or service in real time. This has produced different perception of prices by customers. It has been concluded that the perceptions of price fairness influence perceived value and customer

satisfaction and produce different emotions and behavioral responses by the clients (Hirschman, 1970; Gummesson, 2002).

The fare price in Ethiopian airlines system in each minutes it is different, Ethiopian airlines offers lowest fare available for which are eligible for the date, flight, and class of service on the www.ethiopianairlines.com website, Ethiopian airlines ticket office or travel agency, this means who first comer is first served. Therefore, there should be an empirical proof of the effect of perceived price fairness as a single construct on customer satisfaction and loyalty.

1.2 Statement the Problem

The airline business is a highly complex, yet fascinating market. It is a very challenging and continuously expanding industry. Successful marketing is just as important as engineering for an airline to survive. Part of the marketing mix is the pricing policies of a company. This is specifically important to position the product on the market and to generate the revenue desired. It is crucial for any airline to offer competitive fares, academic studies are rare.

If there is airline-related literature available, it usually focuses on the whole marketing mix but not on pricing itself. Hence, it only treats the topic cursorily and then refers to other sources. Nonetheless, it is a highly significant field of research` since it gives insights to a company's strategy.

Specifically, the researcher was focus on the research of how different pricing strategies can be applied to Ethiopian airlines. Furthermore, researcher would like to find out how Ethiopian airlines set their ticket prices to compete in a fast-changing and highly competitive market. These aspects shall help both researchers and professionals to get an insight to pricing strategies in the Ethiopian airlines industry. It can give an idea of how to set the right fares for Ethiopian airlines and even other industries that wish to understand and adapt the highly customer-orientated airline policies. Because fairness constitutes one of the reasons why individuals undertake certain actions (Maital, 2004; McFadden, 1999; Rabin, 1993), it is important to understand how buyers form price fairness judgments and what factors impact those judgment formations.

Price fairness research has examined both antecedents and outcomes of price fairness perceptions (Campbell, 1999; Oliver & Swan, 1989a; Oliver & Swan, 1989b). The impact of price fairness

perceptions on outcome variables such as customer satisfaction and re-purchase intention, there is a lack of consensus with respect to the antecedents of consumers' price fairness perceptions, especially in the context of dynamic pricing.

Ethiopian airlines tend to concentrate on a certain variable in relation to consumer's behavioral perception towards price and value. More specifically, it will be very valuable for Ethiopian airlines to know if perceived value and customer satisfaction have any effect on Perceived Price Fairness. It will be insightful for Ethiopian airlines to see if both perceived value and customer satisfaction will lead to perceived price fairness paid by customers. If not, this means Ethiopian airlines need to figure out other factors that may affect perceived price fairness.

This study took research gaps into consideration and attempted to fulfill them by analyzing of price fairness in the Ethiopian airline due to different price for the same services in the industry. Several studies that have concentrated on studying the link between prices, customer satisfaction and loyalty (Bolton et al ,2003) have proven that, price as an adjustment parameter, if handled well can produce positive result and serve as a competitive advantage. Nonetheless, these studies have not examined the effect of price fairness on loyalty. This is important because not all loyalty stage leads to action in consistency with the widely held definition of loyalty. Therefore, there should be an empirical proof of the effect of perceived price fairness as a single construct on customer satisfaction and loyalty.

To the best of the researcher's knowledge there is no published research work on the impact perceived price fairness on customer satisfaction and loyalty on the Ethiopian airline. Even the relationship between perceived price fairness on customer satisfaction and loyalty means different things indifferent cultures and industry there is a need to examine these different variables of relationship perceived price fairness on customer satisfaction and loyalty as well as their level of contribution to customers' satisfaction and loyalty or relationship strength.

1.3 Research Question

- 1) Does Perceived price fairness performance influence the Customer Satisfaction?
- 2) Does the Price Fairness influence the loyalty?
- 3) How the Customer Satisfaction influence loyalty?

1.4 Objectives of the Study

- The general objective of this study is to examine the effect of perceived price fairness and customer satisfaction and loyalty on Ethiopian airlines customers.

1.4.1 Specific objective

- To identify how price fairness influence customer satisfaction and loyalty in the Ethiopian airlines customers.
- To examine how customer of Ethiopian airlines rate the overall price fairness.
- To access perceived price fairness impact on customer satisfaction and loyalty of Ethiopian airlines.

1.5 Significance of the Study

Any kind of research has something to add to the accumulated body of knowledge of mankind but it is also used to solve particular problem at hand such as in our case. Some of stakeholders who will be benefited;

To Practitioners; the study finding has important implications for the management of market focused service organizations. First, they suggest that, in addition to understanding the external market, services managers must develop a better understanding of the wants and needs of customers.

To Institution; the study output will inform whether price fairness marketing elements are practiced in the airline in addition, the study shows the influence of institutional practices of price fairness customers' service performance that could be used as baseline information for future price fairness marketing restructuring.

The study will also be an input for further studies. More specifically this study will serve as preliminary work or a stepping stone for further studies on the issue. It also benefits the student researcher to get research experience and helps for the partial fulfillment of the masters of art degree in marketing management.

1.6 Scope and Delimitations of the Study

This study limits itself to the fairness of the price of Ethiopian Airlines' international flight sit it's here in Ethiopia, Addis Ababa main sales station which compromises of 75% it market share.

the study look at the main city ticket offices situated at central ticket office(CTO),Bole ticket office (BTO) and Hilton ticket office(HTO), Addis Ababa city this is due to the fact that the airlines has no other competitive airlines which is not the case in its domestic arena. Thus, the study will have reasonable conclusion for their feedback on perceived price fairness on customer satisfaction in Ethiopian airlines. The study targets only the corporate client, travel agency, governmental agencies, frequent travelers and casual travelers.

1.7 Organization of the study

The research contains five chapters. The first chapter is the introductory part which contains background of the study, objectives, hypothesis, definition of key terms, significance of the study, scope of the study and ethical considerations. The second chapter reviews some literature on relationship marketing and its underpinnings and customer loyalty. The third chapter is dealing with the methodology including the sampling size and sampling technique, source of data and procedures of data collection and techniques of data analysis of the study. The fourth chapter deals with data analysis and interpretation and the last chapter includes pertinent summary, conclusions, recommendation and suggested direction for future researches.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of past literatures and studies in pricing, perceived price fairness, customer satisfaction and customer loyalty, incorporating the loyalty cascade. This is to present a link and basis for the study and previous price fairness research that examines the formation of price fairness perceptions and the impact of price fairness perceptions on satisfaction and loyalty is summarized. In addition, the theories that have/may be applied to price fairness research are discussed. Findings of previous research on price fairness perceptions are reviewed to present the foundation upon which the current research expands. Based on themes emerging through literature review, a detailed discussion is provided to explain the theories (i.e., theory of social comparison, equity theory, distributive justice, and construal level theory) that are applied to address research objectives of this current study. A set of hypotheses that address relationships between variables in interest of the current research are set forth. Discussions are developed to explain the formation of price fairness perceptions in dynamic pricing and the impact of such perceptions on satisfaction with purchase and consumers' behavioral intentions.

2.2 Theoretical Literature Review

2.2.1 Social Comparison Theory

Fairness perception is a judgment based on comparison (Xia et al., 2004). As a matter of fact, social comparison is essential to most justice theories that underlie attitudinal/behavioral outcomes (Major & Testa, 1989). Therefore, consumers make judgments of equality or inequality based on comparison. Although rarely specified, comparison is present in various forms (e.g., comparison with other consumers, other seller, self-experience, etc.) in almost all price fairness research that compares the outcomes of a reference other in consumer judgment of price fairness (Campbell, 2007; Gielissen et al., 2008; Haws & Bearden, 2006; Lii & Sy, 2009; Vaidyanathan & Aggarwal, 2003). Jacoby (1976) defined a reference other as “another person, a class of people, an organization, or the individual himself relative to his experiences from an

earlier point in time” (p. 1053). Xia et al. (2004) proposed that, for price comparison, “the other-customer comparison has greater effect on perceived price unfairness” (p. 4) than self-reference, if the transaction characteristics are similar. A later study (Haws & Bearden, 2006) provided evidence supporting this proposition. Haws and Bearden (2006) examined how consumers perceived fairness of dynamic pricing. The authors compared a price discrepancy among different sellers and consumers at different times under different pricing setting mechanisms. It was found that consumers reported lowest perceptions of fairness when the comparison was made with other consumers. This may be due to the fact that in dynamic pricing, most transaction characteristics (e.g. seller, product) are highly comparable, and difference prices charged to buyers are distinct and thus comparable.

There is little doubt that such a price discrepancy or inequity, especially when it is to consumers ‘disadvantage, may lead to a negative emotional state, such as anger, disappointment, and dissatisfaction, which will trigger adverse behaviors, such as complaints, negative word of mouth, and revenge action against the seller. Although Haws and Bearden (2006) attested to the importance of price discrepancy, as a result of comparing with reference others (consumers), on price fairness perceptions, it is not clear whether price discrepancies at different magnitudes or temporal proximity will lead to different levels of perceived price fairness. That is, will a major or a temporally close price difference lead to a higher level of price fairness perception than a minor or a temporally distant price difference due to a higher level of inequality?

2.2.2 Equity Theory

Equity theory suggests that individuals are concerned not only with the absolute level of outcomes, but also with fairness of outcomes for both parties involved in transactions (Adams, 1965). Because it deals with the equality of the outcomes for both parties of an exchange relationship, equity theory has been frequently applied in the research of price fairness perceptions (e.g., Martins & Monroe, 1994; Martin-Ruiz & Rondan-Cataluna, 2008; Oh, 2003; Xia et al., 2004). Equity theory also suggests that the presence of inequity creates tension, which will be in proportional to the magnitude of inequity. According to Adams (1965), “the presence of inequity will motivate the perceiver to achieve equity or to reduce inequity; and the strength of motivation to do so will vary directly with the magnitude of inequity experienced” Deutsch (1975) argued that equity serves as the most dominant distribution principle for evaluating

exchange fairness. When inequity within an exchange is noted, the parties engage in activities that reduce tension, or the party at a comparative disadvantaged position may choose to leave the relationship. For example, buyers may choose to recover their loss by asking for monetary compensation or they may leave the exchange relationship by not choosing the particular seller for future purchases or even switching to the seller's competitors.

2.2.3 Distributive Justice versus Procedural Justice

Homans (1961) defined distributive justice as judgment of the allocation of rewards on the basis of individual contributions to an exchange relationship and proposed that one's reward in an exchange relationship should be proportional to the investment. Thus, distributive justice suggests that a discrepancy in the ratio of outcome to inputs between seller and buyer will result perceived unfairness. On the other hand, procedural justice emphasizes that the process, the method, and/or the rules used to determine the outcomes influence judgments of fairness perceptions (Thibaut & Walker, 1975). Unlike distributive justice, which relates to the outcome of an exchange relation, procedural justice focuses on the perceived fairness of the underlying procedures of derived outcomes.

A prevailing concept in price fairness research is that procedural justice plays a more important role than distributive justice in determining fairness perceptions because outcomes are usually unknown (Bechwati, Sisodia, & Sheth, 2009). However, it has been found that consumers' knowledge regarding sellers' pricing structure and price setting strategies/methods is very limited (Bolton et al., 2003). Therefore, it may be argued that distributive justice is more salient than procedural justice in the judgment of price fairness in the context of dynamic pricing.

Dynamic pricing, a pricing strategy often defined as first-level price discrimination, violates the rule set forth by distributive fairness because a seller's gain in profit is not proportional to its input in cost as the seller charges individual customer different prices for the same product/service without cost difference.

2.2.4 Construal Level Theory

Construal level theory (Liberman & Trope, 1998) postulates that temporal distance changes people's responses to future events by changing the way people mentally represent those events. The greater the temporal distance, the more likely events are to be represented in terms of a few

abstract features that convey the perceived essence of the events (high-level construals) rather than in terms of more concrete and incidental details of the events (low-level construals).

Liberman and Trope (1998) proposed that past events that are temporally proximal are viewed in more concrete terms, while past events that are temporally distant are viewed in more abstract terms. Therefore, a disadvantageous price difference that occurs within a more recent time frame is more salient to buyers and likely to trigger a higher level of perceived unfairness than a price difference that occurs within a relatively more distant time frame. Haws and Bearden (2006) found that consumers view price changes occurring within relatively short period as more unfair than changes over a more extended time period. They found that after a month, price differences no longer affect fairness perceptions (Haws & Bearden, 2006). However, this claim is not supported by iPhone's fiasco, in which the price drop happened 68 days later, a much longer time period than the one month period tested in Haws and Bearden's study. The extant price fairness research has largely overlooked the important role of temporal proximity. There is limited research on the impact of temporal proximity on perceived fairness of dynamic pricing. The current study applies the theories discussed above as a foundation to develop a conceptual framework to illustrate how magnitude and temporal proximity of price difference influence judgments of price fairness and how these price fairness judgments impact satisfaction with purchase and behavioral intentions .

2.3 Empirical Literature Review

Several theories attempt to clarify the impact, beyond service and quality satisfaction, of price transparency and price fairness on loyalty. Unfortunately, research in the area of factors that may influence price fairness judgments has been relatively sparse until quite recently. As per Voss et al., argue that satisfaction is a function of price, performance, and expectations, so perceived price fairness might be one of the dominant determinants of satisfaction (Voss et al. 1998). Similarly, to better understand the relationship among price transparency, price fairness, satisfaction, and attitudinal loyalty, several terms must be reviewed. Extensive research centers on the different effects that price can have on price perceptions (e.g. Krishna et al. 2002) and how companies might frame their price offers attractively (Bearden et al. 2003). Research addresses aspects such as advertised reference prices (Grewal et al. 1998), individual differences in reference price utilization (Chandrashekar 2001), semantic cues associated with sale and

comparative price claims (Liechtenstein et al. 1991), the situational context (Grewal et al. 1996), and factors that shape the formation of internal reference prices (Yadas and Seider 1998). But little research considers the effect of complete and accurate price information on price fairness perceptions.

Increasing access to information, access to more alternatives, more simplified transactions, increasing communication between customers, and general distrust and resentment on the part of customers represent five trends that can enhance customer power (Urban 2003). These trends further prompt customers to demand more open, honest, and complete information about products and their prices. Thus, price information and accordingly price transparency should be considered important aspects of pricing policies.

Price transparency exists when the customer can easily obtain a clear, comprehensive, effortless overview of a company's quoted price (Diller 1997). As a consequence of high price transparency, customers' search and evaluation costs diminish, which should lead to higher satisfaction. Several companies already have installed software-based advisors that help customers gather all the product- and price-related information they need for their buying decisions. Real-world experience shows that the programs are highly effective for increasing satisfaction, trust, and sales (Urban 2003).

Collecting and analyzing such price information can be explicit as well as implicit and remains highly subjective (Xia et al. 2004). If consumers lack information about the seller's profits or costs, they generally use the product benefits they expect to receive as a comparison standard (Oh 2003; Thaler 1985). If they have information about the profits of the exchange partner, customers seem to compare their gains against the gains of that partner (Oliver and Swan 1989). Thus, the availability of information about the exchange partner's prices, fee structures, differentiated prices, and so forth should influence their price fairness judgments.

Support for this argument also emerges from signaling theory, which is based on information economics and relevant in situations in which different parties in a transaction possess asymmetric information (Spence, 1974). In a buyer-seller relationship for example, a consumer who lacks information must either gather additional information, which is costly, or make inferences regarding the nature of the unknown or missing information (Biswas et al., 2002). In

such a case, the seller can convey or “signal” information so that the consumer believes the information is true and reliable, which works if there is a cost or “bonding” component that penalizes the signaling firm when the information is untrue or invalid.

As mentioned previously, when a company provides more price information and therefore greater price transparency, more customers perceive the price as fair. Therefore, price transparency should lead directly to price fairness perceptions, which in turn have significant impacts on satisfaction.

Research in consumer behavior reveals that fairness perceptions have a positive influence on satisfaction perceptions (Bowman and Narayandas 2001; Cao et al., 2003; Huffman and Cain 2001; Kim and Mauborgne 1996; Ordonez et al. 2000; Smith et al. ,1999), in part because these perceptions depend on the supplier’s commitment to provide enough information about the price, as well as adequate quality goods and services relative to the price paid (Oliver and Swan 1989; Oliver and Swan 1989a; Szymanski and Henard,2001). Not only fairness perceptions but also price transparency directly influences satisfaction judgments (Voss et al. 1998), because consumers may judge the price paid relative to consistency in product or service performance. When consumers compare their perceived gains or benefits from the transaction with their perceived monetary sacrifice and judge that their sacrifice is greater than the benefits, they likely become dissatisfied (Spreng et al., 1993).

Findings from both streams provide insights into the study of price fairness perceptions under various pricing contexts (e.g., Homburg, Hoyer, & Koschate, 2005; Martin et al., 2005) with respect to consumers reactions’ to a seller’s pricing strategy (Bolton et al., 2003; Choi & Mattila, 2009; Herrmann et al., 2007). Conceptually, perceived price fairness is defined as consumers’ assessments of whether a seller’s price can be reasonably justified (Xia et al., 2004).

Fairness is more of a subjective than an objective judgment because it is what consumers actually perceive regardless whether such perception is correct or not. Thus, price fairness perceptions may not be critical until consumers perceive a price as unfair (Xia et al, 2004).

Previous research has found that price fairness perceptions can be easily influenced by various factors. In the comprehensive conceptual model developed to depict how buyers form price fairness judgments by Xia et al. (2004), the similarity of comparative transactions, the choice of

comparative other parties (self, other customers, or other sellers), and buyer-seller relationship are believed to influence consumers' judgment of price fairness. To be specific, Xia et al. (2004) propose that price discrepancies will only become salient to consumers when the comparison is made between two transactions of high similarity because "a fairness judgment may not even occur if consumers consider the two transactions incomparable.

Findings from empirical studies have provided evidence that consumers' price fairness perceptions are influenced by various factors. Overall, consumers tend to rely on several reference points such as past prices, competitor prices, and cost of goods sold when inferring price fairness to make comparisons (Bolton et al., 2003). In studies that examine price discrimination strategies, it was found that the price setting strategies (e.g., uniform vs. differential pricing, posted vs. auction pricing) influence price fairness perceptions (Choi & Mattila, 2009; Haws & Bearden, 2006).

According to social comparison theory (Festinger, 1954), people make comparisons constantly to evaluate their own opinions. When making such comparisons, people tend to choose similar others, when available, as the most important comparison target, than self-reference. Therefore, it is very likely that: (1) most fairness perceptions and judgments are based on comparison (Austin, McGinn, & Susmilch, 1980), and (2) people tend to choose others who are close to themselves as comparative other party (Wood, 1989). Thus, customers may see others who purchased the same product as a comparative reference and a price paid higher than other customers is likely to be perceived as less fair. Bechwati, Sisodia, and Sheth (2009) found that consumers tend to compare prices to those paid by other customers when judging price fairness. Moreover, the buyer-seller relationship serves as a buffer to mitigate the negative impact of a disadvantageous price discrepancy on price fairness perceptions (Xia et al., 2004). However, it is not clear if such buffer effect may apply to high price discrepancy that is to consumers' disadvantage. For example, Martin et al. (2009) reported that although loyal customers perceive a minor price increase to be more fair than non-loyal customers do, loyal customers' fairness perceptions are not more favorable than non-loyal customers when the price increase is high.

With respect to the impact of price fairness perceptions on consumer attitudinal and behavioral outcomes, Xia et al. (2004) proposed that perceived price unfairness may lead to negative behaviors such as self-protection tendency, and even revenge actions, depending on the nature of

fairness judgments. This proposition is consistent with other empirical findings in fairness perception research, showing that perceived price fairness is positively related to customer satisfaction and purchase intentions (Campbell, 1999; Campbell, 2007; Oliver & Swan, 1989a, b).

In summary, depending on the contextual relevance of all factors discussed above, some of the factors, such as prices comparison with other customers may directly impact price fairness judgments, while other factors, such as customer-seller relationship, may moderate the relationship between direct antecedents and price fairness judgments. It may be theoretically unrealistic to propose “the” most comprehensive framework that fits all fairness judgment situations because the price fairness judgment is a complex process and the extent to which this process can be understood depends on the identification of factors that hold unique attribution to perceptions of price fairness. To better understand the formation of price fairness judgment of dynamic pricing, it is important to first determine what factors are salient to consumers when making fairness judgment in dynamic pricing and then to explore how such factors impact consumer judgments.

Specifically, this study will examine whether or not magnitude and temporal proximity of price difference impact customers’ perceptions of price fairness and the impact of price fairness perceptions on customer satisfaction and future behavioral intentions within the context of dynamic pricing. Additionally, this study also investigates how price fairness judgments impact price and customers’ overall satisfaction with purchases and behavioral intentions and whether or not satisfaction the impact of perceived price fairness on loyalty.

2. 3 Conceptual framework and Hypotheses

2.3.1 Dynamic Pricing and Perceived Price Fairness

Dynamic pricing is an individual-level price discrimination strategy where prices are charged according to customer, location, product, or time (Armstrong & Kotler, 2000). The purpose of dynamic pricing is to maximize the seller’s profit by charging consumers the highest prices each consumer is willing to pay through manipulating the magnitude and the temporal proximity of price differences they will employ. Typically, price discrimination tactics such as variable pricing, rebates, coupons, and random discounts are used by sellers to attract price sensitive

consumers, while charging premium prices to less price-sensitive consumers. In Internet retailing, prices of merchandise may change on a daily basis and the magnitude of price difference may vary substantially. For example, in the airline industry, where dynamic pricing is commonly practiced, air fares may double in one day! Another example is that Amazon normally changes the price of items sold on its website on a daily, weekly, or monthly basis by 5%, 10%, or 15%. With dynamic pricing, buyers will pay different prices for essentially the same product.

Although customers may later discover they paid higher prices than other customers, consumers are generally not aware of the discriminate prices at the time of purchase.

Both the magnitude of inequity -- based on equity theory (Adams, 1965), and the temporal distance of an event -- based on temporal construal level theory (Lieberman & Trope, 1998; Lieberman & Trope, 2003) are likely to influence how people respond to an inequity. This study proposes that consumers' perceptions of the fairness of a disadvantaged price are impacted by the magnitude of the price difference (i.e., major vs. minor price difference). Consumers are more likely to interpret major price differences to their disadvantage as more unfair than when the disadvantageous price differences are minor because a higher inequity may induce more tension in consumers' mind. Furthermore, consumers' perceptions of the unfairness of price difference are impacted by the temporal proximity of the price difference (i.e., temporal close vs. temporal distant price difference). A disadvantageous price difference occurred within a recent time period is likely to remain salient to consumers and trigger negative reactions, whereas a distant price difference is less likely to induce tension, and impact price unfairness perceptions.

Xia et al. (2004) suggest that consumers' fairness judgments are influenced, more or less, by the relationship formed through past buying experience; and that consumers may rely on their beliefs regarding the trustworthiness of the seller to develop judgments of price fairness. However, the potential moderating effect of the buyer-seller relationship on the relationship between dynamic pricing and price fairness perceptions is rarely investigated; only Martin et al. (2009) examine how loyal and non-loyal customers respond differently to a price increase. Customer loyalty has been used as a key indicator of the nature of buyer-seller relationship (Lee & Turban, 2001; Morgan & Hunt, 1994; Sirdeshmukh, Singh, & Sabol, 2002). Historically, customer loyalty is

defined and measured as a behavior – the degree to which or propensity of the customer to engage in repeated purchasing (e.g., Brown, 1952; Day, 1969).

However, behaviors alone may not be an accurate indicator of customer loyalty because under certain situations such as unavailability, consumers engage in repeated purchase due to other reasons than loyalty. Some researchers examined loyalty from an attitudinal perspective with the argument that loyalty is a desire or intention to repurchase (Czepiel & Gilmore, 1987). However, customers with high “attitudinal” intention toward a seller may not necessarily engage in purchasing. For example, a consumer may consider himself/herself loyal to Louis Vuitton attitudinally, but never purchase its products because Louis Vuitton’s products are unaffordable to him/her. Hence, it is not meaningful to examine loyalty from an attitudinal perspective alone.

Recent research has recognized the necessity to include attitudinal/intrinsic factors to set apart customers loyalty from repeated purchase behavior. In this study, customer loyalty is defined from both a behavioral and attitudinal perspectives (Kumar & Shah, 2004; Lii & Sy, 2009) and measured as an attitudinal preference for the seller accompanied with strong repeat purchase behavior (Dick & Basu, 1994; Kumar & Shah, 2004; Olive, 1999). Loyal customers are more willing, on some level, to put aside their own interests in an effort to maintain their long term relationship with the seller than are non-loyal customers (Crosby & Taylor, 1983; Gilliland & Bello, 2002). For example, Martin et al. (2009) found that when the price increase was minor (from \$7.00 to \$7.50), loyal customers view the price increase as more fair than did non-loyal customers. However, the results of Martin et al.’s (2009) research did not support the notion that ;Rabin, 1993), loyal customers always view a company more favorably than do non-loyal customers with respect to price increases (Bolton et al., 2002; Price, Arnould, & Deibler, 1995). The buffer power of customer loyalty was found to be negated due to a high price increase when the price increase was major (price increased from \$7.00 to \$10.00). Furthermore, under conditions of high price inequality, customers with high shopping frequency perceive price increases to be less fair than do customers with low shopping frequency (Huppertz, Arenson, & Evans, 1978). Thus, as loyal customers expect to receive benefits, such as a lower price (compared to reference others) from the seller (Xia et al., 2004), they are likely to react more negatively than non-loyal customers to major price changes.

The same rationale may apply to the impact of temporal proximity of price difference on price fairness perceptions as well. When loyal customers discover they paid a higher price for the same product/service than comparative others, they may see the disadvantaged price as unfair and feel that the seller has “betrayed” their relationship (Xia et al., 2004). This seems especially true when a price discrepancy is discovered within a very short period of time (e.g., within the same day of purchase) because it may be viewed in a more concrete sense by loyal customers and is likely to induce strong negative fairness perceptions. Therefore, a temporally recent disadvantaged price difference is more likely to trigger strong negative reactions among loyal customers than a temporally distant disadvantageous price. Despite the importance of the moderating effect of customer loyalty, its impact on price fairness perception has rarely been tested in the context of dynamic pricing, and thus its impact on price fairness perception formation remains unclear. Consistent with conclusions of prior researchers (Darke & Dahl, 2003; Xia et al., 2004) that customer loyalty impacts fairness perceptions, it is predicted that the level of customer loyalty will moderate the impact of price difference magnitude and temporal proximity of price change on buyers’ unfairness perceptions.

Previous research shows that perceptions of price unfairness may trigger consumers’ negative emotions such as dissatisfaction, disappointment, and anger (Campbell, 1999; Xia, et al., 2004). Although research has shown perceived price fairness and satisfaction with purchase are two highly correlated concepts and sometimes can be used interchangeably (Ordonez et al., 2000), perceived fairness is different from satisfaction. The marketing literature has emphasized price fairness perceptions as important predictors of consumer satisfaction (Anderson, Fornell, & Lehmann, 1994; Cronin, Brady, & Hult, 2000; Zeithaml, 1988; Anderson & Sullivan, 1993).

Consumers’ beliefs regarding whether or not the price is fair hold great impact not only on their satisfaction with purchases but also on their willingness to re-patronize the seller (Blinder, 1991; Kahneman, Knetsch, & Thaler, 1986a, 1986b). When consumers perceive the prices as unfair, they may avoid re-patronizing the seller (Campbell, 1999; Xia et al., 2004).

Additionally, customers may engage in activities to protect themselves or to take revenge to get back at the seller. Self-protection is defined as actions chosen by consumers to enhance their own benefits and to reduce their perceived monetary sacrifice when they perceive a price as less fair.

Revenge is defined as actions evoked by a perception of price unfairness, typically accompanied by anger and disappointment, with the objective of damaging the seller (Xia et al., 2004). Examples of such behaviors include but are not limited to complaining, asking for a refund of price difference, spreading negative information about the seller, leaving the exchange relationship, and switching to competitors (Campbell, 1999, Xia et al., 2004). Both customers' satisfaction with purchase and their behavioral intentions toward the seller may be impacted by their perceptions of price fairness. For example, the negative consequences of price unfairness perceptions were more recently exemplified by iPhone purchasers who angrily complained when Apple dropped the price for iPhone substantially approximately two months after its first release (Blakely, 2007; Macintosh News Network, 2007). Customers got angry when they perceived that companies were charging them higher prices than other customers (Cox, 2001), reflecting consumers' tendency to evaluate their overall shopping experience in comparison to that of other consumers. The results of such comparison hold great impact on their consequent behaviors. A growing body of research has been dedicated to analyzing the role of fairness perceptions on consumer attitudinal and behavioral outcomes (e.g., Dodds, Monroe, & Grewel, 1991; Kim, Zhao, & Yang, 2008; Xia et al, 2004). Studies have found that price fairness perceptions can be used as a tool for 'predicting' consumers' reactions to a seller's (unfair) pricing strategies (Rabin, 1993). Past research demonstrates the significant predictive role played by price fairness perceptions on consumer satisfaction toward purchase (Herrmann et al., 2007), and decision to purchase (Daskalopoulou, 2008; Daskalopoulou & Petrou, 2006; Dodds et al., 1991). Daskalopoulou and Petrou (2006) confirmed the predicting power of perceived price fairness on consumers' decision to shop. Kukar-Kinney, Xia, and Monroe (2007) found that perceived price fairness has a direct impact on consumer shopping intentions.

Moreover, behavioral intentions other than intention to re-purchase may be influenced by price fairness judgments. Different levels of unfairness perceptions resulting from the magnitude and/or proximity of price changes may lead to various behavioral reactions (e.g., no actions, complaining, negative word-of-mouth, and even legal actions) (Xia et al., 2004). However, the findings discussed above were observed in a general price change setting. Given that dynamic pricing is a specific example of price discrimination where frequent price changes occur within a relative short time period, factors found to have significant impact on price fairness perceptions in other pricing contexts are rarely empirically tested in the context of dynamic pricing.

Consumers' reactions to this pricing scheme strategy will have a significant impact on their satisfaction with purchases and their subsequent behavioral intentions.

Based on findings that consumers' price fairness perceptions impact their behavioral outcomes, it is expected that price fairness perceptions will also positively influence satisfaction with purchase and intentions to re-patronize the particular seller (Bei&Chiao, 2001; Martin-Consegra, Molina, & Esteban, 2007). Specifically, when consumers perceive the price differences to be fair, they are more likely to report higher level of satisfaction with overall shopping experience than when they perceive the price differences to be unfair. Similarly, when consumers perceive price differences to be fair, they are more likely to re-patronize the seller.

The literature has employed various definitions and measures of customer satisfaction in an attempt to identify antecedents of satisfaction and the behavioral consequences. Oliver (1997) defined satisfaction as the consumer's fulfillment response and proposed that one should distinguish between transaction-specific satisfaction and overall satisfaction. This study focuses on customers' overall satisfaction with their purchase that includes their satisfaction with the shopping experience as well as with the purchase. Specifically, satisfaction in this study is conceptualized as the evaluation reflecting the extent to which the customer believes the shopping experience evokes positive feelings (Cronin et al., 2000). Empirical findings suggest that satisfaction from past experience provides customers with confidence in the seller (Bansal& Taylor, 1999; Cronin et al., 2000; Rucci, Kirn, & Quinn, 1998; Siau&Shen, 2003) and that customer satisfaction is the key to customer retention and repurchase behavior (Bolton, 1998; Jones, Mothersbaug, & Beatty, 2000; LaBarbera&Mazursky, 1983; Oliver, 1997; Sambandam& Lord, 1995; Yang & Peterson, 2004). Therefore, it is argued in this study that satisfaction with purchase needs to be incorporated when examining the impact of price fairness perceptions on behavioral intentions.

The conceptual model is shown in figure 1; it consists of the relationship among variables. It has been documented that the perception of fairness influences perceived value and customer's satisfaction and produce different emotions and behavioral responds by the customers and clients (Hirschman, 1970; Gunmmesson, 2002). The model proposes that perceived price fairness positively influences customer satisfaction and loyalty. Also, customer's satisfaction directly influences customer loyalty positively. The model posits that customer satisfaction partially

mediates the relationship between perceived price fairness and loyalty outcomes. As illustrated in figure 1, the conceptual model is developed to test two set of hypotheses. The first hypothesis examines the relationship between perceived price fairness and customer satisfaction, second hypothesis examines the relationship between perceived price fairness and loyalty.(mohsen,mohamma,&seyed,2014)

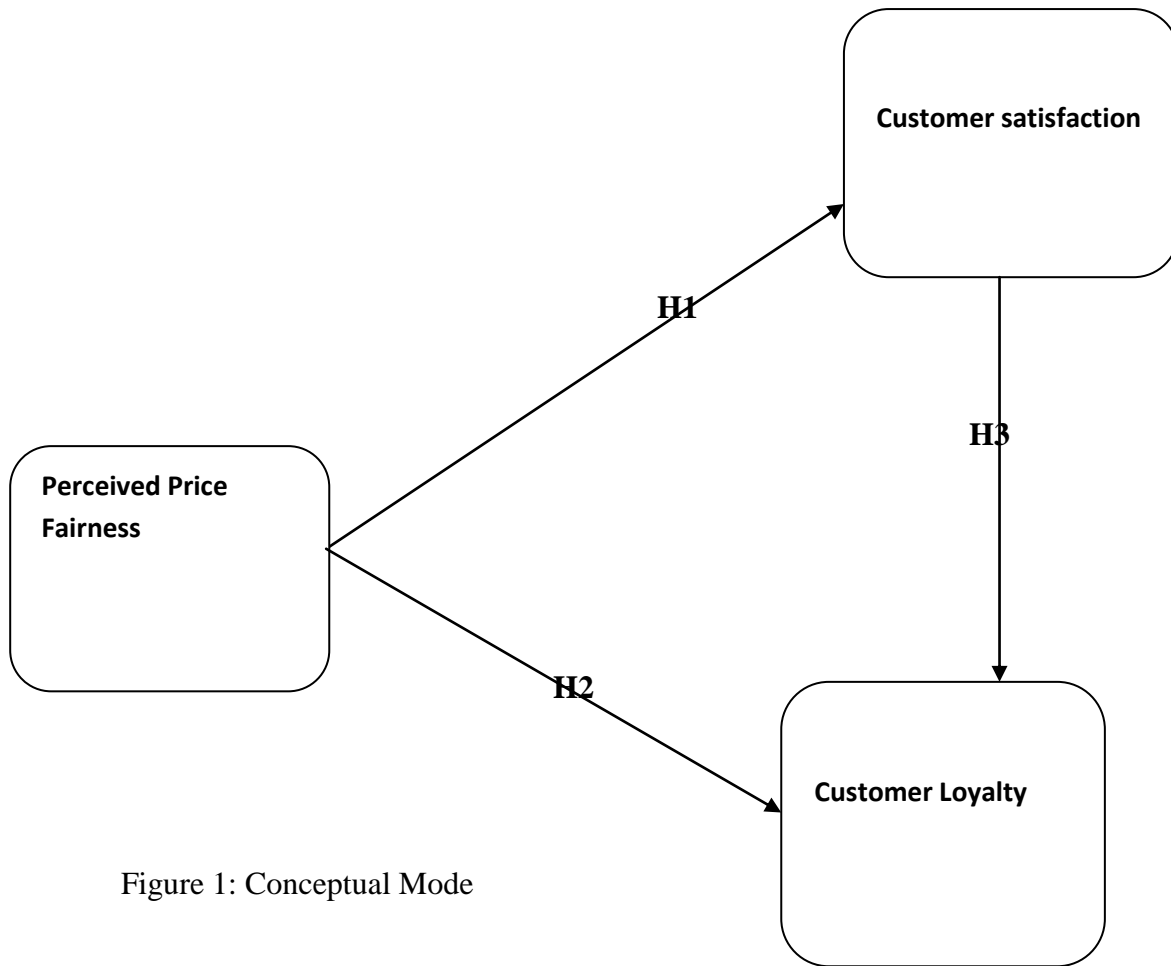


Figure 1: Conceptual Mode

H1: perceived price fairness is positively significantly with customer satisfaction.

H2: perceived price fairness is positively significantly with customer loyalty.

H3: Customer satisfaction is positively significantly with customer loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter emphasis is laid on several issues associated with the methodology of the study i.e. the population sampling technique, research methodology, source of data collection, and instrument of data collection and method of data analysis. It specifically explains research methodology and gives justification for the appropriate method used for the study.

3.1 Research Design

The purpose of this study was to analyze the relationship between perceived price fairness, on customer satisfaction and loyalty of Ethiopian airlines. The research was conducted with the explanatory research design because the overall content studies were to analyze the relationship between the dependent and independent variables.

3.2 Population and Sampling Techniques

The target populations of this study was passengers ,i.e. the corporate clients, travel agency ,governmental agencies, frequent travelers and casual travelers specifically who flight with Ethiopian airlines international flight at least two time in year of 2016/17 flight it's here in Ethiopia, Addis Ababa main sales station which compromises of 75% it market share in 2016 calendar year Ethiopian airlines operates 7.39 million passagers,2.39 million passagers are domestic passagers and the left 5 million passagers was international passagers(selamta and Ethiopian fact sheet,2017). As per the Ethiopian airlines annually report of 2016 year 3.7 million passagers was on the high season, i.e. from June -September and December -February and the left 1.3 million passagers was in low season months, on the low season in each month on average 0.26 million passagers and in each day of the month 8467 passagers (selamta,2017).

The population size of this research is unknown so unknown population sample formula is used to determine the sample size.

In using the formula 95% confidence level, 0.5 standard deviation and confidence interval of +/-5% is used. From the standard table Z-score of 95% confidence level is 1.96. The formula is as follows

Sample size = $(Z\text{-score})^2 * \text{Std.dev} * (1 - \text{Std Dev.}) / (\text{confidence interval})^2$ Substituting the above data in the formula

$$\text{Sample Size} = ((1.96)^2 * 0.5 * (0.5)) / (0.05)^2$$

$$\text{Sample size} = 384.16 = 384$$

The study sample size was 384 passengers subjects and it conduct on May month first weeks of the month in 6 working days in each day 64 questionnaires were distributed in the three ticket offices and on average in all ticket offices 1500 customer in average day based the queue machine and raw data collected from ET Ticket office for this research from 28/04 /2017-09/05/2017. The study look at the main city ticket offices situated at central ticket office(CTO) ,Bole ticket office (BTO) and Hilton ticket office(HTO) ,Addis Ababa city this were due to the fact that the airlines has no other competitive airlines which is not the case in its domestic arena. Thus, the study will have plausible conclusion for their feedback on perceived price fairness on customer satisfaction in Ethiopian airlines.

3.3 Sampling Technique

A non-probability sampling technique, judgment sampling was used, when using this survey one criterion that needs to be meet in defining the qualified respondents were, respondents who have had service encounters with various in Ethiopian airlines ticket office. The following three reasons can be put forward in favor of using judgment sampling:

- 1) There is no complete listing of our target population; no formal sampling frame. There, is no complete listing the corporate clients, travel agency, governmental agencies, frequent travelers and casual travelers, no formal sampling. This gives a better fact to distribute the questionnaires for who concerned respondents.

2) Units are included in the sample on the basis of the judgment that the units possess the required characteristics to qualify as representatives of the population (www.statisticshowto.com).

3) This gives a better result within a small budget and time constraints. Farhana & OIslam, (2012)

3.4 Source of data and data collection

Depending on the objective and research question of the study primary and secondary source of data were used. Primary data was collected from customers through a structured questionnaire, with a five point likert type scale. Respondents were provided with self administered questionnaires to complete and were used to collect the primary data. The Secondary data were collected from books journals articles, full research paper, internets which discuss the theoretical framework of relationship between the independent variables i.e. perceived price fairness with the dependent variable customer's satisfaction and customer's loyalty.

3.5 Data Collection Procedures

Initial contact with respondents was through face-to-face interview to introduce the researcher and the nature of the study. During this interview, the respondents were asked to fill in the questionnaires and the researcher would pick them after a few minutes. Each questionnaire was numbered. These numbers were used to represent the names of the respondents. This was particularly important to instill confidence in the respondents as their identity would remain undisclosed.

3.5 Questionnaire Structure

A questionnaire is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals. This was chosen for this study because it allows for the collection of information from a greater number of people and the findings can be demonstrated in numerical terms (Veal, 1997). Accordingly, McQueen and Knussen (2002) mentioned that the questionnaires are the suitable method of generating descriptive primary data. This study therefore aims at developing generalization through the use of questionnaires. After the identification of the research goals which is based on how perception of price fairness affects and

influences customer satisfaction and loyalty of Ethiopian airlines customers. In line with the discussion and justification presented in the literature review, the information needed for this research is specified and consequently, the questionnaire is developed using questions found in previous research. Consistency with the desired information for the study is ensured and avoidance of ambiguous words and questions is taken into consideration.

The questions presented are aimed to cover four sections and each of them the following dimensions have five items with the exception of perceived price fairness have twenty items.

- ❖ demographic profile
- ❖ Perceived price fairness
- ❖ Customer satisfaction
- ❖ Customer Loyalty

3.6 Data Analysis Technique

Before analyzing, the collected and coded data was checked for any possible errors while entering or coding the data. This process is essential and will save a lot of headache later, according to pallant, (2005).

The screened data was then presented using frequency distribution tables to systematically arrange data values with a count of how many times each value occurred in dataset. Then, the data was analyzed using descriptive statistics where summarizing of the data was done through measures of central tendencies (mean, mode and median), measures of dispersion (variance and standard deviation) and distribution. The results of this analysis were presented by tables.

Then, the Cronbach's alpha is used to test reliability of perceived price fairness and customer satisfaction. After descriptive analysis, Pearson correlation analysis and regression analysis were used to test the relationship between perceived price fairness (independent variable) and, customer satisfaction and customer loyalty (dependent variable) respectively, Specified defining the explanatory and the explained variables in the study. The statistical methods SPSS V 20.00 was used to analysis the data collected and to test the hypotheses put forward.

3.7 Instrument Validity and Reliability

Validity: Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality of the research design content and construct validity of the research were checked. This study tested the validity of the questionnaire by taking 10% of its total sample size. And the questionnaire was also exposed to professional price strategy in airlines industry of Ethiopia and academicians Construct (RobertHo, 2006).

Reliability: A satisfactory level of reliability depends on how a measure is being used. Three standard is taken from Nunnall (1978), who suggests that in the early stages of research on predictor tests or hypothesized measures of construct, coefficient alpha of 0.90 or greater are nearly always acceptable, 0.80 or greater is acceptable in most situations, and 0.70 may be appropriate in some exploratory studies for some indices, so reliabilities of 0.70 or higher will be sufficient (Drost, 2007).

Following the above conviction, this study tested the reliability of instruments using coefficient alpha with an acceptance decision rule of 0.70 or higher (pallant, 2005).

As can be seen on table above, Cronbach's Alpha can also be calculated using SPSS, which is also the case for this study. According to Lombard (2010), coefficient alpha of 0.90 or greater are nearly always acceptable, 0.80 or greater is acceptable in most situations, and 0.70 may be appropriate in some exploratory studies for some indices. as indicated in table 4.6, the reliability of the whole items in the calculated coefficient alpha for this study was found to be 0.963, as Lombard stated, coefficient alpha of 0.90 or greater are always acceptable ,which is well above the required. Thus, the result of the reliability test showed that the whole items were reliable and acceptable.

3.8 Ethical Considerations

The research work from its start to its completion, engages crowd of stakeholders, particularly research participants. Therefore, respecting and treating participants is ethical and by which researchers need to be tolerate. The researcher, in accordance with this, took steps to make sure that no respondent who participate in this research work their names will not be mentioned in a way and will make sure that acquiescence is given and the aims and objectives of the study. Who is conducting the study and for what purpose will be clearly disclosed for the respondents on the questionnaire. Moreover, the voluntary participation of respondents was done and to follow anonymity and confidentiality ethics of the research, all references to published documents will rightly acknowledged avoiding any breach of intellectual property rights (Sekaran, 2003).

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This section attempted to present the finding of analyzed information and their interpretation. Findings presented in this chapter are: respondent profile, means, standard deviation, and correlation of the analyzed data were summarized under descriptive and inferential analysis. The descriptive analysis described the demographic profile of respondents, the summary of responses in each item, the responses impact of perceived price fairness on customer's satisfaction and loyalty in the Ethiopian airlines. Three hundred eighty four (384) questionnaires were distributed to the targeted entire population. Out of the three hundred eighty four (384) questionnaires distributed to the respondents, three hundred seventy nine (379) completed responses were returned. Thus, only the three hundred seventy nine (379) completed and returned responses were employed in the analysis, which represent 98.7% response rate ($379/384=0.9869$). Accordingly, data were collected from three hundred seventy nine (379) respondents and analysis of the study is based on three hundred seventy nine (379) questionnaires returned from the targeted population of the study. Cronbach's Alpha is coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees (Hair et al.1998). To facilitate and ease in the conducting the empirical analysis, the results of descriptive analyses is presented first, followed by the inferential analysis. The inferential analysis was attempted to present the sample tests, correlation outputs, and the simple and multiple linear regression outputs.

4.2. Demographic Profile of Respondents

In this section, the demographic profile of respondents of this research and their responses on perceived price fairness on customers satisfaction and loyalty in the Ethiopian airlines and were summarized and presented. The summarized responses of these respondents were also described with the basic research questions and the objective of this research.

The first part of the questionnaire consists of the demographic characteristics of respondents. This part of the questionnaire requested a limited amount of information related to personal and demographic status of the respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table. These variables includes; gender, age, Education qualification, Occupation and for how long have you used ET of the respondents held were thoroughly explored.

As per the table 4.1, of the total population respondents, 189 passengers or 49.9% are males while 183 passengers i.e. 48.3% are females and the rest 7 passengers or 1.8% are not defined their gender. This finding indicates that almost equally exists in terms of gender in case of Ethiopian airlines perceived price fairness on customer satisfaction and loyalty. The characteristics of the sample is presented above using SPSS output.

the table 4.2, Analysis age finding indicated that 24.8% or 94 of passengers were 18-30 age group and majority of the respondents belong to the age group 31-40, that consists of 38.3% or 145 passengers and 41-50 age group, which consists of 25.6% or 97 passengers and 9.5% or 36 passengers from other age groups over 50 years old. The rest 1.8% or 7 passengers were not defined there age groups.

As per the table 4.3, almost half of the respondents have bachelor degree i.e. 49.3% or 187 passengers. But there are also significant numbers of respondents from each group of educational level. There are 17.7% or 67 passengers respondent who hold diploma, 7.1% or 27 passengers has secondary school education and 1.8% or 7 passengers were in primary school and 20.3% or 77 passengers have education level of masters degree and above, and the rest 3.7% or 14 passengers were not expressed their Educational Qualification

As per the table 4.4, The Passengers participated in the survey have engaged in different occupation. Half of the Passenger respondents their occupation were employee i.e. 49.9% or 189 Passengers and business man 25.6% or 97 Passengers whereas 21.9% or of the Passengers

respondents were students and the rest 2.6% or 10 Passengers of respondents not expressed their occupation.

as per the table 4.5, With regards to frequency of flying from the respondent , about 7.4% or 28 passengers are flying with Ethiopian airlines below 1 year ,19.50% or 74 passengers are flying with Ethiopian airlines at least 1-3years. Majority of the passengers i.e. 38.8% or 147 are flying with Ethiopian airlines 3-5 years, 30.9% or 117 passengers are flying above 5 years and 3.4 % or 13 passengers not expressed for how long they have used Ethiopian airlines.

4.3 Correlations Analysis

Correlation analysis deal with relationships among variables and helps to gain insight into the direction and strength of relation between the variables. Correlation coefficients take values between -1 and 1 ranging from being negatively correlated (-1) to uncorrelated (0) to positively correlated (+1). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation. Dancey and Reidy (2004) states that a correlation result which is zero indicates zero correlation, a result between 0.1 to 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables while a result which is equal to 1 indicates a perfect correlation.

The study also sought to find out if there existed any Pearson Correlations between variables of the study. As per the above table 4.7, correlation result, It is evident that there exists a significant Pearson Correlations between the perceived price fairness and customer satisfaction (0. 653**) at 0.01 level of significance and also between the perceived price fairness and the customer loyalty of the Ethiopian airlines (0. .533**). There also exists a significant Pearson correlation between customer satisfaction and customer loyalty of Ethiopian airlines (0. 759**).

4.4 Regression Analysis

To investigate the relationship between perceived price fairness, customer satisfaction and customer's loyalty, simple and multiple linear regression models was applied. According to the SPSS package, the multiple linear regressions are used to model the value of a dependent scale variable based on its linear relationship to one or more predictors.

Linear regressions model – customer satisfaction at perceived price fairness. According to the above table 4.8, the R value of 0.653 which describe the criteria for the correlation between independent variables (perceived price fairness) and dependent variable (customer satisfaction), it can be interpreted that independent variables has a correlation with decision for 65.3% and the R Square value indicates that 0.426 or 42.6% of the variance in customer satisfaction can be predicted from the variable perceived price fairness.

The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population. The value of R-square was 0.426, while the value of Adjusted R-square was 0.425. There isn't much difference because we are dealing with only one variable.

from the coefficient of determination that is the R Square of the correlation coefficient in table 4 is equal 0.425 that showed 42.5% of the variation that occurs customer satisfaction described by the independent variables, perceived price fairness while the remaining $100\% - 42.5\% = 57.5\%$ are explained by other variables which is not described in this research.

From the table 4.9 ANOVAa analysis show that, there is a significant main effect of perceived price fairness on customers satisfaction $F(1,346) = 256.982$, statistically significant less than 0.01 at the 0.05 alpha level. The mean square, which indicates the amount of variance (sums of) divided by the degrees of freedom, equals to 70.405. Then H1 in this research is accepted and the regression model can be used to predict the customer's satisfaction (dependent variable) or in other words, the independent variables, have significant effect into the dependent variable, customer's willingness to pay the perceived price.

According the table 4.10, standardized Coefficients indicates the effect of change in the independent variables on dependent variables, i.e. 100% a change in perceived price fairness causes a 65.3% change in customer's satisfaction it may be increase or decrease, keeping other factors constant. Therefore, there is significant effect of the perceived price fairness is positively associated with customer's satisfaction.

Linear regressions model – customer loyalty at perceived price fairness. The table 4.11 value indicates that our linear model explains The R-square shows 0.284 or 28.4% of the variance customer loyalty can be explains from the variable perceived price fairness.

The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population. The value of R-square was 0.284, while the value of Adjusted R-square was 0.282. There isn't much difference because we are dealing with only one variable.

From the table 4.12 ANOVAa analysis show that, there is a significant main effect of perceived price fairness on customers loyalty $F(1,347) = 137.520$, statistically significant less than 0.01 at the 0.05 alpha level. The mean square, which indicates the amount of variance (sums of) divided by the degrees of freedom, equals to 54.822. Then H2 in this research is accepted and the regression model can be used to predict the customer's loyalty (dependent variable) or in other words, the independent variables, have significant effect into the dependent variable, customer's willingness to pay perceived price fairness.

As per table 4.13 , standardized Coefficients indicates the effect of change in the independent variables on dependent variables, i.e. 100% a change in perceived price fairness causes a 53.3% change in customer's loyalty it may be increase or decrease, keeping other factors constant. Therefore, there is significant effect of the perceived price fairness is positively associated with customer loyalty.

Linear regressions model – customer loyalty at customer satisfaction. According to the above table 4.14 , the R value of 0.759^a which describe the criteria for the correlation between independent variables (customer satisfaction) and dependent variable (customer loyalty), it can be interpreted that independent variables has a correlation with decision for 75.9% and the R Square value indicates that 0. 577 or 57.7 % of the variance in customer satisfaction can be predicted from the variable perceived price fairness.

The adjusted R-square attempts to yield a more honest value to estimate the R-squared for the population. The value of R-square was 0. 577, while the value of Adjusted R-square was 0. 576. There isn't much difference because we are dealing with only one variable.

From the coefficient of determination that is the R Square of the correlation coefficient in table 4 is equal 0. 576 that showed 57.6 % of the variation that occurs customer loyalty described by the independent variables, customer satisfaction while the remaining $100\% - 57.6\% = 42.4\%$ are explained by other variables which is not described in this research.

From the ANOVAa analysis show that, there is a significant main effect of customers satisfaction on customer loyalty $F(1,368) = 501.310$, statistically significant less than 0.01 at the 0.05 alpha level. The mean square, which indicates the amount of variance (sums of) divided by the degrees of freedom, equals to 115.762. Then H3 in this research is accepted and the regression model can be used to predict the customer's loyalty (dependent variable) or in other

words, the independent variables, have significant effect into the dependent variable, customer's loyalty.

standardized Coefficients indicates the effect of change in the independent variables on dependent variables, i.e. 100% a change in perceived customers satisfaction causes a 75.9% change in customer's loyalty it may be increase or decrease, keeping other factors constant. Therefore, there is significant effect of the perceived price fairness is positively associated with customer loyalty.

The Customer loyalty in perceived price fairness and customer satisfaction. Regression was asymmetrical relationships among variables which was cause and effect relationships. In this section the multiple linear regression model in the table below, the correlation coefficient (R), the squared value of R, the adjusted R Square and the standard error were presented. The analysis was done through the use of SPSS 20.0 statistical package. The collected information were analyzed, summarized, interpreted and presented in line with the hypothesis, basic research questions and the objective of this study.

In this multiple linear regression analysis, the predictors' variables or the independent variables were perceived price fairness, customer satisfaction and the dependent variable was customer loyalty. The outputs of the multiple linear regression analysis given in table above was indicated some facts about independent variables and one dependent variable as well as their relationships. The multiple correlation coefficients ($R = 0.764a$) in table above indicated the highest strength of the association of customer loyalty or dependent variable with both of the variables in pair and it was also indicated the highest strength of the association in perceived price fairness and customers satisfaction or predictor variables themselves in Ethiopian airlines customer loyalty.

The squared value of R or the coefficients of multiple determinations ($R^2 = 0.584$) as an output of the multiple regression analysis indicated that the extents of variability on customer loyalty from Ethiopian airlines received by customers that were created jointly by the perceived price fairness and customer satisfaction.

The value of R Square (0.584) described the goodness of-fit of the information which was used in the sample regression line to the population regression line. The value of R Square (0.584)

explained the amount of customer loyalty jointly explained by the set of predictor or independent variables in Ethiopian airlines.

As indicated in the above table the independent variables were explained jointly in Ethiopian airlines the dependent variable with R square =58.4% with adjusted R Square 58.2 % the remaining 41.6% are other extraneous variables that can affect customer loyalty. According table 4.18, the ANOVAa test, it is noticed that, there is a significant main effect of customer's satisfaction on customers loyalty F value of (2,342) =240.128 is significant at 0.000b level, statistically significant less than 0.01 at the 0.05 alpha level. Therefore, from the result, it can be concluded that with of the variance (R Square) in customer loyalty is significant and the model appropriately measures the construct on customer's satisfaction. The mean square, which indicates the amount of variance (sums of) divided by the degrees of freedom, equals to 54.399, but in this case perceived price fairness was insignificant as per the result of coefficient.

Mathematical Equation

$$CL=0.750+0.740CS$$

Where CL=Customer loyalty

CS= Customer satisfaction

According to Table, the regression standardized coefficients for the independent variables, i.e. customer satisfaction is 0.740 and the significance levels are 0.000. The relationship between customer's satisfaction and customer's loyalty was significant. However, the perceived price fairness (Independent variables) does not show a statistically significant relationship with the (Customer loyalty) dependent variable.

4.5 Discussion of the Hypotheses

Testing the hypotheses is done using the rule of 1.96 Critical ratios at significance level of 0.05. According to Ho Robert (2006) Estimates are the regression weight coefficient estimates, Standard error (S.E) are the standard error of the coefficients that represent the expected variation of the estimated coefficients and critical ratio (C.R) value is obtained by dividing parameter estimate by its respective standard error, and it is distributed approximately as Z. A critical ratio that is more extreme than ± 1.96 indicates a significant path ($p < 0.05$). Therefore for significant path we will reject the null hypotheses and accept the alternative hypotheses, otherwise we will accept the null hypotheses and reject the alternative hypotheses.

H1 states that price fairness is positively associated with customer's satisfaction. The results lend support to the claim that perceived fairness of a given price is linked to customer satisfaction because the estimated parameter between both constructs is both positive and significant. Thus, the result supports the acceptance of H1 and is consistent with previous studies (e.g. (Campbell, 1999; Matzler, Würtele, & Renzl, 2006)).

H2 states that perceived price fairness is positively associated with customer satisfaction and H3 claims that customer satisfaction is positively associated with customer loyalty. The results lend support to the claim that perceived price fairness is linked to customer satisfaction and customer satisfaction is linked to customer loyalty because the estimated parameter between both constructs for both two hypotheses are positive and significant. Thus, the result supports the acceptance of H2 and H3 and is consistent with previous studies (e.g (Varki & Colgate, 2001; Herrmann, Wricke, & Huber, 2000; Oliver R., 1997; Wong & Zhou, 2006; Wong & Sohal, 2003)).

The results show that all of the hypotheses are strongly supported. It means that price fairness is one of the building blocks of the customer satisfaction and customer loyalty. It's recommended to assess the customer perception of the price fairness. Also some directions for future researches are indicated.

Table 4.20 Summary of Hypothesis Result

Hypothesis	p<0.05	Result
H1 perceived price fairness is positively associated with customer satisfaction	0.000	Supported
H2: perceived price fairness is positively associated with customer loyalty.	0.000	Supported
H3: Customer satisfaction is positively associated with customer loyalty.	0.000	Supported

Source: Own survey result, 201

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions derived from the major findings from the study and recommendations of the study along with the limitations of the study in detail.

5.2 Summary of Major Findings

The purpose of the study was to test the relationship between perceived price fairness, customer satisfaction and loyalty. Data for the study was gathered from customers Ethiopian airlines in Ethiopia, Addis Ababa who use Ethiopian airlines at least two times in 2016/2017 calendar years using a non-probability judgmental sampling method. The analysis of data 379 questionnaires was done using SPSS V.20. The study developed 3 hypotheses (H1, H2, and H3) and all the hypotheses were supported.

States that price fairness is positively associated with customer's satisfaction. The results lend support to the claim that perceived fairness of a given price is linked to customer satisfaction because the estimated parameter between both constructs is both positive and significant. Thus, the result supports the acceptance of H1 and is consistent with previous studies (e.g. (Campbell, 1999; Matzler, Würtele, & Renzl, 2006)).

States that perceived price fairness is positively associated with customer satisfaction and claims that customer satisfaction is positively associated with customer loyalty. The results lend support to the claim that perceived price fairness is linked to customer satisfaction and customer satisfaction is linked to customer loyalty because the estimated parameter between both constructs for both two hypotheses are positive and significant. Thus, the result supports the acceptance of H2 and H3 and is consistent with previous studies (e.g (Varki & Colgate, 2001; Herrmann, Wricke, & Huber, 2000; Oliver R. , 1997; Wong & Zhou, 2006; Wong & Sohal, 2003)).

The results show that all of the hypotheses are strongly supported. It means that price fairness is one of the building blocks of the customer satisfaction and customer loyalty. The impact perceived price fairness is key to customer's satisfaction and customer's loyalty. Perceived price fairness, customer satisfaction and customer loyalty was examined in the Ethiopian airlines pricing context.

The results of this study suggest that perceived price fairness is positively related to customer loyalty and customer satisfaction directly. Overall our results contribute to the hospitality accounting, management and marketing literature by investigating the relationships among perceived price fairness, customer satisfaction and loyalty incorporating the loyalty cascade. This study makes a contribution towards filling the gap in the marketing literature on satisfaction and perceived value by including the role of perceived price fairness. Price is an important element for consumers when purchasing; it therefore has a large influence on consumers' satisfaction judgments. The results indicate that customer's satisfaction and loyalty is directly influenced by perceived price fairness.

Further, the direction of influence among the components of fairness perceptions and satisfaction judgments depends on the sequence of interactions within the purchase process and the order that consumers receive relevant information. Hence, another area needing additional research is when consumers first receive information about the price as well as the price offer itself.

5.3 Recommendations

Basing on the findings of this study, in order to improve price fairness on customer satisfaction and loyalty, the following recommendation have forwarded to Ethiopian airlines may be considered.

The researcher suggest that by making customers feel satisfied, by establishing good relationship with customers through efficient and simply price fairness of services compatible Ethiopian airlines can establish long term profitable relationship with customers. The researcher suggests to the Ethiopian airlines to provide continuous assessment and revising price policies to compute with other airlines.

The Researcher suggests to the Ethiopian airlines give much attention for the promotional package price and for the online price and the Researcher suggests to the Ethiopian airlines to give much attention for price change frequently, with low fare on a particular flight being available, then not, and then available again, these scenarios create to find other competitor the customers of Ethiopian airlines due to independence.

The researcher suggests to the Ethiopian airlines to give much attention for the cloud nine price and the service were the airline provide because most of the time the seats are empty due to the price policy and the researcher suggests to the Ethiopian airlines to give much attention for the date change and refund fee, sometimes the fee is higher than the ticket price. The researcher suggests to the Ethiopian airlines to give much attention for last mine fare.

It's recommended to assess the customer perception of the price fairness. Also some directions for future researches are indicated.

5.4 Limitation and Direction for Future Research

The main limitation of this study is time and resource, specially financial and material resource limitation has major role in narrowing the scope of the research. Absence of related studies and literature regarding perceived price fairness in Ethiopian context particularly in the aviation industry has significantly enforced this study to build up on the concepts of other countries context. This research relationship between perceived price fairness on customer satisfaction and loyalty was examined in few branches of Ethiopian airlines Addis Ababa ticket office. However, whether and how the relationship between perceived price fairness on customer satisfaction and loyalty and extends to the rest ticket office of Ethiopia airlines on satisfaction and loyalty contexts needs to be examined. Further, the researcher suggested, the direction of influence among the components of fairness perceptions on satisfaction and loyalty judgments depends on the sequence of interactions within the pricing purchase process and the order that consumers receive relevant information. Hence, another area needing additional research is when consumers first receive information about the price as well as the price offer itself.

References

- Ajzen, I. (2002). Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior.
- Anderson, E. W., & Sullivan, M. W. (1993). The antecedents and consequences of consumer satisfaction for firms, 12(Spring), 125-143.
- Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden, 58(July), 53-66.
- Armstrong, G., & Kotler, P. (2000). Marketing: An introduction (5th ed.). Upper Saddle River, New Jersey: Prentice Hall.
- Austin, W., McGinn, N., & Susmilch, C. (1980). Internal standards revisited: Effects of social comparisons and expectancies on judgments of fairness and satisfaction. *Journal of Experimental Social Psychology*, 16(5), 426-441.
- Bolton, R. N. and Drew, J. H. (1991), "A Multistage Model of Customers' Assessments of Service Quality and Value", *Journal of Consumer Research*, 17 March, 375-384
- Bolton, R. N. and Lemon, K. N. (1999), "A dynamic model of customer's usage of services: Usage as an antecedent and consequence of satisfaction", *Journal of Marketing Research*, 36 May, 171-186
- Campbell, M. C. (1999), "Perceptions of price unfairness: Antecedents and consequences", *Journal of Marketing Research*, 36 May, 187-199
- Dancey, C. P., & Reidy, J. (2004). Statistics without maths for psychology: Using SPSS for Windows. New York: Prentice Hall.
- Hair, J.F., Jr., Anderson, R.E., Tatham, R.L., & Black, W.C. (1998). Multivariate Data Analysis. (5th edition). Upper Saddle River, NJ: Prentice Hall
- Kim, W. C. and Mauborgne, R. (1996), "Procedural Justice and Managers' In-Role and Extra-Role Behavior: The Case of the Multinational", in: *Management Science*, Vol. 42 April, pp. 788-793
- Kotler, Philip. (2003). Marketing Management, International Edition., New Jersey: Prentice-Hall.
- Lovelock, Christopher, dan Jochen Wirtz. (2007). Service Marketing: People, Technology. Strategy 6th Edition. Pearson Education Inc.

- Mahmud, Amir, Kamaruzaman Jusoff dan St. Hadijah. (2013). The Effect of Service Quality and Price on Satisfaction and Loyalty of Customer of Commercial Flight Service Industry. *World Applied Sciences Journal* 23 (3): 354-359.
- Martins, M. and Monroe, K. B. (1994), "Perceived price fairness: A new look at an old construct", in Allen, C. T./John, D. R. (Hrsg.), *Advances in consumer research*, Provo, UT, Association for Consumer Research, 75-90
- McFadden, D. (1999). Rationality for economists? *Journal of Risk and Uncertainty*, 19, 73-105.
- O'Connell J. F. and G. Williams. (2005). "Passengers" perceptions of low cost airlines and full service carriers: A case study involving Ryan air, Aer Lingus, Air Asia and Malaysia Airlines". *Journal of Air Transport Management*. Vol. 11, no. 4, pp. 259-272.
- Oliver, R. and Swan, J. (1989), "Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions", In: *Journal of Marketing*, Vol. 53 April, S. 21-35
- Oliver, R. and Swan, J. (1989a), "Equity and Disconfirmation Perceptions as Influences on Merchant and Product Satisfaction", In: *Journal of Consumer Research*, December, S. 372-383
- Oliver, R. L. (1980), "A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions", In: *Journal of Marketing Research*, Vol. 17 4, pp. 460-469
- Oliver, R. L. and Swan, J. E. (1989), "Consumer perceptions of interpersonal equity and satisfaction in transactions: A field survey approach", *Journal of Marketing*, 53 April, 21-35
- Rabin, M. (1993). Incorporating fairness into game theory and economics. *American Economic Review*, 83, 1281-1302.
- Sekaran, U. (2003). *Research methods for business: A skill-building approach*, 4th ed., New York, NY: Wiley.
- Varki, S. and Colgate, M. (2001), "The Role of Price Perceptions in an Integrated Model of Behavioral Intentions", *Journal of Service Research*, 3 2, 232-240
- Xia, L. and Monroe, K. B. et al. (2004), "The price is unfair! A conceptual framework of price fairness perceptions", *Journal of Marketing*, 68 October, 1-15
- Xia, L., Monroe, K. B., and Cox, J. L. (2004). The price is unfair! A conceptual framework of price fairness perceptions. *Journal of Marketing*, 68, 1-15.

Annex

Questionnaire

Dear Respondent,

I am a postgraduate student at Addis Ababa University, college of business and economics, School of commerce, pursuing course leading to a master's degree in Marketing Management. In order to fulfill the degree requirement, I am conducting a study on "The Impact of Perceived Price Fairness on Customer Satisfaction and Loyalty In Case of Ethiopian Airlines".

As a frequent flyer in ET, you have been selected to form part of this study. This is to kindly request to be accorded a few minutes of your time, to conduct the questionnaire. I will liaise with your personal assistant to slot me at a time convenient to you. The information obtained will be use exclusively for academic purposes and the findings of the study shall upon your request be making available to you. All information collected during this study will be kept confidential. In the case of any further questions about the research, please do not hesitate to contact through this Email: mikirifer@gmail.com

Thank you in advance for your valued contribution to my academic pursuit

Best Regards,

Michaele Negash,

Marketing Management Student

Part 1: Demographic Information

- 1) Gender: A) Male B) Female
- 2) Ages: A) 18- 30 B) 31 – 40 C) 41 – 50 D) Over 50
- 3) Education qualification: A) Primary B) Secondary C) Diploma D) Degree E) Masters Degree and above
- 4) Occupation: A) Businessman B) Student C) Employee
- 5) For how long have you used ET? A) Below 1 year B) 1-3 years C) 3-5 years D) above 5 years

Part 2: Please read each question carefully and indicate your agreement or disagreement by marking the appropriate response category:

1 = strongly disagree, 2=disagree, 3= undecided, 4 = agree, 5 = strongly agree

NO		1	2	3	4	5
	Price Fairness					
1	ET offers the best possible Price of the tickets that meets my budget.					
2	ET provides low and high season flexible pricing plans.					
3	The lowest price of ET is easily accessible.					
4	The price availability of tickets charged by ET is reasonable.					
5	The penalty or date exchanges charges of the ticket are reasonable.					
6	I normally expect the amount asked by ET for Cancellation and refund price charges of the ticket.					
7	Rerouting sector charges of the ticket is reasonable.					
8	The fare difference price with same type of services is justified.					
9	Promotion price of ET is very attractive.					
10	I am pleasantly surprised with ET online booking price.					
11	I am pleasantly surprised with last minutes upgrade price.					
12	The last minutes ticket price is fair.					
13	The price of business class and cloud nine of ET are expectable given the premium services.					
14	The price of ET at travel agency overall is reasonable when					

	considered all convenience.					
15	I will switch to ET after my experience with ET's competitor pricing policy.					
16	I will continue to buy a ticket from ET regardless of the pricing policy.					
17	I will recommend ET pricing policy to other people.					
18	The price of one way ticket in ET is reasonable.					
19	The price of ET with code share airlines connecting flight is attractive.					
20	Overall, ET provides superior price value compared to other service					
	Satisfaction	1	2	3	4	5
1	I am satisfied with my experience in ET.					
2	I have had pleasurable flight with ET.					
3	I am satisfied with the way workers treat customers.					
4	To me, ET is the most I enjoy in airlines industry.					
5	I am satisfied with Ethiopian airlines overall.					
	Loyalty	1	2	3	4	5
1	Compared to other airlines, I prefer ET more.					
2	ET is the most I appreciate in the aviation airlines industry.					

3	Compared with other airlines in the aviation industry, I have stayed more with ET.				
4	Compared to other airlines in the Aviation industry, I have used more of the services offered in the aviation industry with ET.				
5	I am a loyal customer to ET.				

Table 3.1 Numbers of passengers ET

Months	Season	Average Number of passengers in million	In each day average of passengers operated by ET
January	High season	0.529	17371
February	High season	0.529	17371
March	Low season	0.26	8497
April	Low season	0.26	8497
May	Low season	0.26	8497
June	High season	0.529	17371
July	High season	0.529	17371
August	High season	0.529	17371
September	High season	0.529	17371
October	Low season	0.26	8497
November	Low season	0.26	8497
December	High season	0.529	17371
Total		5.00	5000000

Sources: Ethiopian Fact sheet, April 2017

Table 4.1 – Gender Composition of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	189	49.9	50.8	50.8
Valid Female	183	48.3	49.2	100.0
Total	372	98.2	100.0	
Missing System	7	1.8		
Total	379	100.0		

Source: Own survey result, 2017

Table 4.2 – Age Composition of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30	94	24.8	25.3	25.3
Valid 31-40	145	38.3	39.0	64.2
Valid 41-50	97	25.6	26.1	90.3
Valid Over 50	36	9.5	9.7	100.0
Total	372	98.2	100.0	
Missing System	7	1.8		
Total	379	100.0		

Source: Own survey result, 2017

Table 4.3 – Educational Qualification Composition of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary	7	1.8	1.9	1.9
Secondary	27	7.1	7.4	9.3
Diploma	67	17.7	18.4	27.7
Valid Degree	187	49.3	51.2	78.9
Masters degree and above	77	20.3	21.1	100.0
Total	365	96.3	100.0	
Missing System	14	3.7		
Total	379	100.0		

Source: Own survey result, 2017

Table 4.4 Occupation Composition of the Sample

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Business man	97	25.6	26.3	26.3
Student	83	21.9	22.5	48.8
Employee	189	49.9	51.2	100.0
Total	369	97.4	100.0	
Missing System	10	2.6		
Total	379	100.0		

Source: Own survey result, 2017

Table 4.5 for how long have you used ET Composition of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 1 year	28	7.4	7.7	7.7
	1-3 years	74	19.5	20.2	27.9
	3-5 years	147	38.8	40.2	68.0
	Above 5 years	117	30.9	32.0	100.0
	Total	366	96.6	100.0	
Missing System		13	3.4		
Total		379	100.0		

Source: Own survey result, 2017

Table 4.6 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.963	.964	30

Source: Own survey result, 2017

Table 4.7 Correlation analysis

		P.P.F	C.S	C.L
P.P.F	Pearson Correlation	1	.653**	.533**
	Sig. (2-tailed)		.000	.000
	N	353	348	349
C.S	Pearson Correlation	.653**	1	.759**
	Sig. (2-tailed)	.000		.000
	N	348	373	370
C.L	Pearson Correlation	.533**	.759**	1
	Sig. (2-tailed)	.000	.000	
	N	349	370	375

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

Source: Own survey result, 2017

Table 4.8 customer satisfaction at perceived price fairness Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.653a	.426	.425	.52342	.426	256.982	1	346	.000

a. Predictors: (Constant), P.P.F

Source: Own survey result, 2017

Table 4.9 customer satisfaction at perceived price fairness ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	70.405	1	70.405	256.982	.000b
	Residual	94.793	346	.274		
	Total	165.199	347			

a. Dependent Variable: C.S

b. Predictors: (Constant), P.P.F

Source: Own survey result, 2017

Table 4.10 customer satisfaction at perceived price fairness Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.862	.161		11.537	.000	1.545	2.180
	P.P.F	.603	.038	.653	16.031	.000	.529	.676

a. Dependent Variable: C.S

Source: Own survey result, 2017

Table 4.11 customer loyalty at perceived price fairness Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.533 ^a	.284	.282	.63139	.284	137.520	1	347	.000

a. Predictors: (Constant), P.P.F

Source: Own survey result, 2017

Table 4.12 customer loyalty at perceived price fairness ANOVAa

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	54.822	1	54.822	137.520	.000b
Residual	138.332	347	.399		
Total	193.154	348			

a. Dependent Variable: C.L

b. Predictors: (Constant), P.P.F

Source: Own survey result, 2017

Table 4.13 customer loyalty at perceived price fairness Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	2.163	.193		11.219	.000	1.784	2.542
P.P.F	.526	.045	.533	11.727	.000	.438	.615

a. Dependent Variable: C.L

Source: Own survey result, 2017

Table 4.14 customer loyalty at customer satisfaction Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.759 ^a	.577	.576	.48054	.577	501.310	1	368	.000

a. Predictors: (Constant), C.S

Source: Own survey result, 2017

Table 4.15 customer loyalty at customer satisfaction ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	115.762	1	115.762	501.310	.000 ^b
	Residual	84.978	368	.231		
	Total	200.740	369			

a. Dependent Variable: C.L

b. Predictors: (Constant), C.S

Source: Own survey result, 2017

Table 4.16 customer loyalty at customer satisfaction Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.820	.161		5.103	.000	.504	1.136
	C.S	.809	.036	.759	22.390	.000	.738	.880

a. Dependent Variable: C.L

Source: Own survey result, 2017

Table 4.17 Customer loyalty at perceived price fairness and customer satisfaction Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.764a	.584	.582	.47597	.584	240.128	2	342	.000

a. Predictors: (Constant), P.P.F, C.S

Source: Own survey result, 2017

Table 4.18 Customer loyalty at perceived price fairness and customer satisfaction ANOVAa

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	108.799	2	54.399	240.128	.000b
Residual	77.478	342	.227		
Total	186.277	344			

a. Dependent Variable: C.L

b. Predictors: (Constant), P.P.F, C.S

Source: Own survey result, 2017

Table 4.19 Customer loyalty at perceived price fairness and customer satisfaction Coefficient a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.750	.175		4.296	.000	.407	1.094
C.S	.791	.049	.740	16.166	.000	.695	.888
P.P.F	.036	.045	.036	.786	.433	-.054	.125

a. Dependent Variable: C.L

Source: Own survey result, 2017