ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDENTS
DEPARTMENT OF BUSINESS ADMINISTRATION

THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES ON CUSTOMER LOYALTY: THE CASE OF ETHIOPIAN AIRLINES, ADDIS ABABA

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The Effect of Customer Relationship Management Practices on Customer Loyalty: The Case of Ethiopian Airlines, Addis Ababa

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DECLARATION

I hereby declare that this thesis entitled "The Effect of Customer Relationship Management Practices on Customer Loyalty: The Case of Ethiopian Airlines, Addis Ababa", has been carried out by me under the guidance and supervision of Dr. Ephrem Assefa (Ph.D).

The thesis is original and has not been submitted for the award of degree of diploma any university or instruction.

Researcher's Name   Date   Signature

_____   _____   _____

ENDORSEMENT

This is to certify that Betelhem Tefera carried out a thesis entitled *"The effect of customer relationship management practices on customer loyalty: the case of Ethiopian Airlines, Addis Ababa".* The thesis is conducted under my supervision and is suitable for submission for the award of Master of Business Administration at St. Mary's University.

Name of the research advisor   Signature and date

_____   _____

Ephrem Assefa (Ph.D.)

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ABSTRACT

This study was conducted with an overarching objective to investigate the relationship between customer relationship management and customer loyalty of Ethiopian Airlines in Addis Ababa. Six explanatory variables (key customer focus, technology based CRM, knowledge management, CRM organization, ease of use and Convenience) were identified to analyze the association between customer relationship management and customer loyalty. For this purpose, thirty-three observed items of customer relationship management clustered into six independent variables and eight items of customer loyalty bunched into a single dependent variable were used. A cross-sectional data with a total of 381 sample units and convenience sampling technique were used and these samples were analyzed through descriptive analysis and OLS regression. This study adopts cross-sectional study design and uses quantitative approaches (techniques) for data collection (quantitative data) and analysis. Moreover, the study uses a combination of descriptive and explanatory designs to answer the research objectives. Six regressors are included in the OLS estimation. From six proposed hypotheses, three hypotheses were accepted while three hypotheses were rejected as they show the significance level above 5%. The study concluded that the customers of the Airport have satisfied with half of the customer relationship management variables (dimensions) and insatiable the remaining three variables. That is; key customer focus, technology based CRM and ease of use have a positive and significant association with customer loyalty. However, the other three variable knowledge management, CRM organization and Convenience were found statistically insignificant. The study concluded that the Ethiopian Airlines should focus on improving these customer relationship management variables in order to retain its loyal customers. In the research finding, ease of use variable has the highest positive impact on customer loyalty. Thus, Ethiopian Airlines should be very conscious in improving this customer relationship management dimension as it contributes to customer loyalty and retention.

Keywords: CRM, Customer loyalty, ET

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LIST OF ACRONYMS

CRM: Customer Relationship Management

ERM: Enterprise Resource Planning

WOM: Word of Mouth

SOW: Share of Wallet

OLS: Ordinary Least Square

VIF: Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

This chapter deals with introduction to the study and introduces the background of the study, research problem, research questions and objectives to be achieved, significance of the study, scope and limitations of the study, definitions of key terms and finally organization of the thesis.

1.1. Background of the study

Many businesses and service providers including airlines realize the significance of Customer Relationship Management (CRM hereafter) and it's potential to help them gain new customers, retain existing customers, and maximize their lifetime value. According to Kotler and Armstrong (2017), in its broader meaning, CRM is the overall process of building and maintaining a profitable relationship with customers by offering outstanding value that leads to customer satisfaction and nurtures customer loyalty towards the brand or the organization. Yet in a more focused sense CRM is managing customer detailed information with the aim of increasing customer loyalty (Munandar, et al., 2020).

Smart companies capture information at every possible customer "touch point" that include customer purchases, contacts with sales force, contact with service center; call centers, website visits, satisfaction surveys, credit and payment interactions, market research studies; that is every contact with the customer. The problem is that this information could be scattered in different departments of the firm, thus not used efficiently and this is where the CRM systems step in to carefully manage various pieces of information about individual customers using advanced software and analytical tools to develop data warehouses and then apply sophisticated data mining techniques to analyze the rich information so as to get a 360° view of the customer. The organization can use CRM to pinpoint high value customers in order to cross-sell other company products to them, target them personally and these premium "VIP" customers are provided with outstanding services as "no wait" service, extra benefits to guarantee their loyalty (Kotler and Armstrong, 2017).

The economic aspects of the services sector not only provide new business opportunities but also face competitive threats from other services industries, and the airline industry particularly takes on several challenges from other services industries. Prior scholars (Karamata et al., 2017; Ostrowski et al., 1993; and Lee and Cunningham, 1996) often contend that, due to intense competition, airline companies started to offer different promotional campaigns such as frequent flyer programs and computerized reservation services in order to retain customers, long-term customer loyalty and economic growth. Like in other service industries, the customer is a focal point; it is essential to make them satisfied and happy in order to retain customers for the repeat business (Alrawadieh et al., 2019; Prentice et al., 2017).

The customer satisfaction becomes more vital when the airline industry provides intangible services; the core business area of this industry belongs to the transportation of people and goods from one place to another (Chow & Tsui, 2017). The airline industry is unique in a way that it faces the competition within and outside the industry, and other than airline industry. Thus, the airline industry has more severe competition as compared to other service industries. Hence, this intense competition has increased the challenges to the airline industry (Augusto et al., 2019; Dwikesumasari & Ervianty, 2017).

Every year, a significant growth has been observed in both passengers and freight services. Moreover, due to significant economic aspects, the airline industry is growing at a phenomenal rate, new airlines are stepping in, and old organizations increase their aircraft numbers, new airport facilities have been expanding day by day (Augusto et al., 2019). Thus, in this scenario, there is an intense competition within the airline industry (CambraFierro & Melero-Polo, 2017). Therefore, there was an utmost need to address the factors that may increase the customer loyalty and economic aspects of the airline industry.

Customer Relationship Management in airlines starts much before a passenger board a flight; it starts as soon as a passenger comes in contact with a particular airline and continued up to post-flight services. Customer relationship management in passenger airlines extends beyond traditional sales, service, marketing, and loyalty to include all of the touch points in a passenger's travel experience. Customer Relationship Management in the airline sector is different from other service sectors because of its diversified nature of customer interaction and operations (Kaurt & Narula, 2020).

An Ethiopian airline is one of the service sector companies operating in Ethiopia. The company previously had a range of individual systems for controlling and monitoring their functions, which had problems of interfacing with each other as they had different databases and file formats. As the result, the airlines management realized the necessity of adopting technology that is CRM systems to overcome those challenges and led the business to success since the systems are useful tool for the company to build a strong information systems infrastructure and enable the administrator to undertake better decision making based on accurate and real-time information and facilitate quality service delivery which in turn satisfy the customers. Hence, the motivation behind this research is to measure the effect of customer relationship management on customer loyalty: The case of Bole International Airport, Addis Ababa.

1.2. Background of Ethiopian Airlines

Ethiopian started operation with the first 5 C-47 aircraft, scraps of 2nd World War, back in 1946 during its debut flight to Cairo via Asmara. Ever since, Ethiopian has been growing in leaps and bounds and has kept on introducing new aviation technology and systems, with so many firsts in the history of African aviation as an aircraft technology leader; providing the first jet service in the continent, availing the first African B767, the first African B777- 200LR in 2010 and the first African and second only to Japan B787 Dreamliner in 2012. In a continuation of that tradition, Ethiopian was the first in Africa to acquire Airbus A350 XWB, introducing the extra effect to the African continent. Leading the way once again, Ethiopian was the first African Airline to operate the latest Boeing 787-9 in 2017. Below the industry average, Ethiopian currently operates 96 of the young and most modern fleet, with less than five years of age, and has 62 fleet on order (Ethiopian airlines, 2018).

Living its motto of Bringing Africa Together and Beyond, Ethiopian has created a missing link through its vast African network to 58 cities and more than 100 international passenger and cargo destinations, with daily and more flights, with a minimum layover in Addis Ababa. As a veteran African carrier, Ethiopian has positioned vast Intra-Africa network better than any Airline (Ethiopian airlines, 2018).

Vision of the ET- is to become the most competitive and leading aviation group in Africa by providing safe, market driven and cargo transport, aviation training, flight catering, MRO and ground service by 2025.

Mission of the ET- is to become the leading aviation group in Africa by proving safe and reliable passenger and cargo air transport aviation training, flight catering, MRO and ground services whose quality and price "value proposition" is always better than its competitors, To ensure being an airline of choice to its customer, employer of choice to its employees and an investment of choice to its owner, To contribute positively to socio economic development of Ethiopia in particular and the countries to which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity.

Value of the ET- As an airline, safety is our first priority, Ethiopian is a high performance and learning organization with continuous improvements, innovation and knowledge-sharing. We accept change for the growth opportunity it brings and always seek for apply the best ideas regardless their source. We recognize and reward employees for their performance and demonstrate integrity, respect to others, candor and team work, Act in an open fashion and be rust-oriented, creative and innovative, Adopt zero tolerance to indifference, inefficiency and bureaucracy, encourage 360° free flow and sharing of information, treat our customers the same way we would like to be treated and always look for ways to make it easier for customers to do business with us, we are an equal opportunity employer.

1.3. Statement of the problem

Customer loyalty can contribute to an increase in a firm's revenue, reduce customer defection rate thus, at the end of the day, the airline's assets are not only primarily registered on the balance sheet, but also related to the fact that customers have been successfully retained.

The significance of the airline industry has increased several times in the last few decades due to globalization that increases the opportunities of economic aspects of business operation, tourism, education, workforce migration, and immigration for skilled and non-skilled workers, freight and courier services. Time has become a focal and decisive factor; therefore, people and goods are transferred from one place to another place through the airlines locally and internationally to any country (Alrawadieh et al., 2019; Chow & Tsui, 2017; Clemes et al., 2008).

Every year, a significant growth has been observed in both passengers and freight services. Moreover, due to significant economic aspects, the airline industry is growing at a phenomenal rate, new airlines are stepping in, and old organizations increase their aircraft numbers, new airport facilities have been expanding day by day (Augusto et al., 2019). Thus, in this scenario, there is an intense competition within the airline industry (CambraFierro & Melero-Polo, 2017).

Therefore, there was an utmost need to address the factors that may increase the customer loyalty and economic aspects of the airline industry. According to Yao et al. (2019), Law (2017), Vilkaite-Vaitone and Papsiene (2017), Ostrowski et al. (1993), the positive image of the organization can be built through long-term services and affirmative handling of customer complaints.

CRM practices help organizations to work smarter by optimizing services to the customers for exceeding their expectation results in maximizing their revenue (Zelalem, 2018). Based on preliminary survey done in 2018 on customer of Ethiopian airlines, they pointed out many problems they facing while traveling for instance, poor verity and quality of flight mean, unappealing interior, delay of flight, missing baggage, problem in checking process, felling unsafe when flying, impatience in resolving passengers problem, when there is complain there is no one to communicate and handle there complains.

Customers adopt a loyal behavior towards the service providers, if they have a strong corporate image within customers and they feel satisfied with the services delivered by them (Ali, Alvi, & Ali, 2012). Similarly, the cost of securing a new customer is 5 times greater than holding an existing one and retrieving a lost customer is 50 to 100 times more costly (Ofori et al., 2017; Zietsman et al., 2019; Boonlertvanich, 2019). Hence, the biggest challenge for a business is the management of customer attrition that can be removed by considering customer needs to reduce the rate of defection and their goal is to build a long-term customer relationship to support customer satisfaction (Ozkan & Suer, 2019).

In addition, customer loyalty has become a prominent predictor in the business world because of its crucial role in business success (BahriAmmari & Bilgihan, 2019; Paparoidamis et al., 2019). However, customer loyalty does not come directly. It requires companies to devote lots of struggle, resources and time (Izogo, 2017; Nyadzayo & Khajehzadeh, 2016; Tseng et al., 2017). Considering the worth of loyalty in profitability, business firms have strongly emphasized the improvement of loyalty and thus invested lots of resources in human resources management (Chiang et al., 2018). Still, many organizations failed to gain the loyalty of customers due to lack of strategies and deficiency of resources (Cheng et al., 2019; Herhausen et al., 2019; Wolter et al., 2017).

Several authors have studied the effect of CRM on customer loyalty in various contexts. For example, Mulat, (2017) has studied the integration of enterprise resource planning (ERP) and customer relationship management (CRM) for quality service delivery in the case of Ethiopian

Airlines. The findings indicated that delivering high quality service increase customer satisfaction, which in turn leads to high level of customer commitment and loyalty. Kassa et al., (2019) have studied the effect of customer relationship marketing on customer loyalty in the case of public and private owned banks in Gondar City, Ethiopia. The findings of this study has shown that, the dimensions of Customer relationship marketing namely trust, commitment, communications and conflict handling have positive and significant effect on customer Loyalty. Another study by Kalkidan (2020) has examined customer relationship management practice and its effect on customer satisfaction in the case of Nib International Bank. The result suggests that CRM has a significant and statistically relevant effect on satisfaction among Nib International Bank account holders'

Likewise, Mastewal (2021) has conducted an assessment on customer relationship management practices in Ethiopian Shipping and Logistics Service Enterprise. Five critical CRM elements are measured in this study namely company customer acquisition practice, company customer acquisition strategies, company customer retention practice, company customer retention strategies & company customer development strategies. The study found that the overall assessment of Customer relationship management practice needs more attention.

Most of the above empirical studies considered only four or five independent variables (dimensions) namely key customer focus, CRM organization, knowledge management and technology-based CRM, which made them to be less inclusive. Based on recent research work, the researcher believed that customer satisfaction is a suitable mediator to be tested between CRM and loyalty. Hence, the customer's loyalty can be achieved through the satisfaction factor among CRM and company reputation in emerging economies. However, in the present study the researcher incorporated two additional dimensions of customer satisfaction such as convenience and ease of use. In this setting, it differs from previous studies.

Therefore, the main objective of this study is to examine the effect of CRM practices on customer loyalty in the case of Addis Ababa Bole International Airport and find out whether the airlines has met the perception of its customers under all the dimensions of CRM as is becoming key choice driver of customers.

1.4. Research Questions

1. What is the existing customer relation management practice at ET Bole International Airport?
2. What is the effect of key customer focus on customer loyalty in the case of Addis Ababa Bole International Airport?
3. What is the effect of CRM organization on customer loyalty in the case of Addis Ababa Bole International Airport?
4. What is the effect of knowledge management on customer loyalty in the case of Addis Ababa Bole International Airport?
5. What is the effect of technology-based CRM on customer loyalty in the case of Addis Ababa Bole International Airport?
6. What is the effect of convenience and ease-of-use on customer loyalty through customer satisfaction in the case of Addis Ababa Bole International Airport?

1.5. Objective of the study

1.5.1. General objective

The general objective of the study is to determine the effect of customer relationship management practices on customer loyalty in the case of Bole International Airport, Addis Ababa.

1.5.2. Specific objectives

1. To assess the existing customer relation management practices at Addis Ababa Bole International Airport.
2. To investigate the effect of key customer focus on customer loyalty in the case of Addis Ababa Bole International Airport.
3. To examine the effect of CRM organization on customer loyalty in the case of Addis Ababa Bole International Airport.
4. To test the effect of knowledge management on customer loyalty in the case of Addis Ababa Bole International Airport.
5. To determine the effect of technology based CRM on customer loyalty in the case of Addis Ababa Bole International Airport.
6. To investigate the effect of convenience and ease-of-use on customer loyalty in the case of Addis Ababa Bole International Airport.

1.6.Significance of the study

This study intends to make an empirical investigation to analyze the effect of customer relationship management on customer loyalty in case of Addis Ababa Bole International Airport. Thus, the outcome of this study will help the manager of the aviation to provide diverse improved services according to customer expectations and serve as guideline to remove their weak sides.

Moreover, the subsequent final recommendations of this research is also bound to be beneficial for aviation managers in order to get more meaningful and informed insight about the extent of airport user's level satisfaction and the area that needs improvements to enhance customer loyalty.

More specifically, this study will also hopefully serve as a stepping stone for further study on the issue particularly in the context of Addis Ababa Bole International Airport and the whole Airlines terminals of Ethiopia. Therefore, the findings of this study give/serve as a wake-up bell for the stakeholders to find possible solutions.

1.7. Delimitation/ Scope of the study

- **Conceptual scope:** This study is delimited to determine the effect of customer relationship management on customer loyalty in the case of Bole International Airport, Addis Ababa. The researcher selects this Airport purposively due to the living area and it is the best one from others that is local Airport by supposing the selected Airport is representative enough to infer the effect customer relationship management on customer loyalty in this International Airport. It is known that different factors other than CRM may affect customer loyalty. An organization may attract customers and take their loyalty by using CRM and other diverters of customer loyalty. Researching the upheaval of customer loyalty due to all these diverters of customer loyalty is a complex task since it requires huge finance, time, and data source. Due to the above constraint, the researcher is forced to undertake single drivers of customer loyalty of that is CRM.

- **Geographical scope**: In terms of geographical area, the study is delimited to one organization called Bole International Airport in Addis Ababa, Ethiopia.

- **Methodological scope**: As far as the research methodology is concerned, pertinent data will be gathered via structured questionnaire. Moreover, mixed research approach and explanatory research design will be used to attain the research objectives.

1.8.Limitations of the study

Any research undertaking is not limitation free. This study too. This study takes customers of the airlines who are waiting at the terminal to make travel as its respondents. Hence, other customers of the airlines those who have not accessed at the time of the data collection are not considered. This may affect the effectiveness and generalizability of the findings. Moreover, the paper will not make any comparison between the levels of loyalty between customers who have make travel only once and those who have make more than once. This is due to the fact that those who have make travel only once have limited experience to compare different service delivered outside their comfort zone, but those who have more than once have more option to compare the service quality delivered at various airlines, and thus they have different feeling of satisfaction. From this point of view, in this paper we treat these two different customers as if they have the same feeling of satisfaction regardless of how many different travel do they have.

1.9.Organization of the study

This research report is organized into five chapters. Chapter one provides a general introduction to the whole study. Chapter two describes the review of related literature, i.e., review of theoretical and empirical studies and presents conceptual framework of the study as well as the research hypotheses. Chapter three provides a detailed description of the methodology employed by the study. The fourth chapter is dedicated for data presentation, analysis and their interpretation. The last discusses summary of major findings, conclusions based on the findings, and recommendation.

1.10.   Definition of Terms

- **Customer:** is a person or company that receives, consumes or buy a product or service and can choose between different goods and suppliers (Swift, 2001).
- **Customer Relationship Management:** is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability (Swift, 2001).
- **Customer Loyalty:** It is termed as the measure of achievement of the supplier in maintaining and retaining long last mutual relationships with the customers (Alhaio et al., 2012; Oumar et al., 2017).

- **Key customer focus:** a composition of dialog with customers on customizing their needs, customizing products, customer needs assessment and implementation of customer needs information (Sin, Tse and Yim, 2005).

- **CRM organization:** it is providing staff with modern tools and technology, inspirational leadership and reward systems, customer satisfaction tracking and complaints management systems (Mohammed and Rashid, 2012).

- **Knowledge management:** gathering and analyzing of customer information as such data will be used in creating extremely personalized offerings especially in the hospitality sector (Mohammed and Rashid, 2012).

- **Technology based CRM:** it refers to advanced information technology that assists various activities of CRM which leads to major opportunities in the hotel industry as it facilitates gathering the right information from the right people at the right time in order to make the right decisions in providing their service (Pandey, 2012).

- **Convenience:** It refers to the sites and locations at which the product or service are conveniently located (Narteh, 2013).

- **Ease of use:** It refers to the degree to which the prospective user expects the target system to be free of effort (Narteh, 2013). It also refers to how easily system is to be accessed by users (Alexis and Chen (2019).

CHAPTER TWO

LITERATURE REVIEW

The purpose of this chapter is to review the related literature on the area of customer relationship management and its impact on customer loyalty. This establishes a framework that guides the study. The main parts of the section discuss under theoretical and empirical literature. The first part deals with theoretical literature and the second part reviews empirical study, conceptual framework of the study and research hypotheses.

2.1. Theoretical review

2.1.1. Basic concepts and terminologies

To have clear understanding about the subject matter, it is better to clarify the basic concepts such as customer, customer relationship marketing, customer relationship management, customer loyalty. The subsequent paragraphs discuss these concepts in detail.

Customer**:** is a person or company that receives, consumes or buy a product or service and can choose between different goods and suppliers. Customer Relationship Management: is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability (Swift, 2001). CRM consists of three components: Customer Relationship and Management.

Customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision making process. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information (Wyner, 1999).

Relationship is the other component of CRM. The relationship between a company and its customers involves continuous bidirectional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one time. Relationship can be

attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational (Wyner, 1999).

The last component of CRM is management. CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The collected customer information is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people (Wyner, 1999).

Relationship marketing is a new phenomenon developed in the 21th century and all marketers and managers uses it, but they define differently. RM is the process of attracting, retaining and improving relationships with customers and terminating them when necessary, so the purpose of those individuals involved in relationship marketing is to achieve their objective through mutual exchange and the fulfillment of promises (Zineldin and Philipson, 2007, Das, 2009, Gronroos, 2004). The main purposes of relationship marketing are creating and enhancing customer relationship starting from the beginning to satisfy and retain the existing customers, in the other way transactional marketing attempts to make the sale and acquire new customers rather than retaining the existing customers (Vence, 2002).

Writers diverged in formulating a precise definition to CRM. This divergence can be owed to a difference in these writers ' scientific background (Soliman, 2011). While the concepts vary slightly, they all suggest that CRM's central concept and marketing relationship insights revolve around its focus on individual buyer-seller relationships, that these relationships are relational in nature, and that both parties benefit from the established relationship (Sin, Tse, & Yim, 2005). Rababah, Mohd, & Ibrahim (2011, p. 223) studied different definitions of CRM from different perspectives and claimed that most definitions see CRM from philosophy, strategy and technology viewpoints. Based on their study they proposed the following definition. "CRM is the building of a customer-oriented culture by which a strategy is created for acquiring, enhancing the profitability of, and retaining customers, that is enabled by an IT application; for achieving mutual benefits for both the organization and the customers".

The proposed concept states that in order to incorporate and execute CRM effectively, Companies must:-

- Create the cultural orientation and convey the needs of being a customer-centric organization.
- Develop a strategy that defines the CRM objectives, draws up plans to achieve those objectives and imposes a commitment to be a customer-centered organization.
- Acquire appropriate technology to allow and accomplish this strategy

CRM practices is defined as, "systems that focuses on managing the relationship between a company and its current and prospective customer base, as a key to success, (Gebert, 2003). Further, means developing a comprehensive picture of customer needs, expectations and behaviors and managing those factors to affect business performance. CRM activities help in building long lasting relationships and these relationships give company' joy of retained customers. Relationship marketing is a way to obtain trust and satisfaction, which in turn ensures sustainable success of an organization, (Lo, 2012). It is also regarded as part of sales function; as sales department study buying habits and trends of customers and try to match service level.

For this research, the definition given by Kotler & Keller (2012, p. 135) will be used. Their definition of CRM is stated as follows: "Customer Relationship Management (CRM) is the process of carefully managing detailed information about individual customers and all customer "touch points" to maximize customer loyalty."

According to them, CRM allows businesses to provide excellent customer service in real time by making efficient use of individual account information. The businesses will tailor market deals, services, systems, communications and media based on what they know about each valued customer.

The other basic concept to be clarified in this study is customer loyalty. Loyalty can be described as the vow and commitment of an individual to buy any particular service or product every time (Oliver, 1997; Lee, 2017). In general, consumers change their behaviour or change brands on the basis of different elements, but customers change their loyalty only on the basis of the brand specification; thus, loyalty can be considered as promotion regardless of relationship of marketing factors (Dudek et al., 2019; Metwally, 2013).

Customer loyalty divided into attitudinal and behavioral. Attitudinal loyalty has been a major study marketing researcher (Shafiee&Bazaegan, 2018). The continuous relationship between the brand and customers is the customer loyalty (Ltifi&Jamel-Eddine, 2012). The attitudinal loyalty is simply about the positive word of mouth. It helps to test factors of loyalty and avoid behavior of

switching (Caceres &Paparoidamis, 2007), and to predict the remaining of customer loyalty (Pandey et al., 2015). Auh & Johnson (2005) indicated that this kind of loyalty helps organizations to integrate investigating of consequences of customer loyalty. Behavioral Loyalty is the continuing long-term relationship between consumers and the organization (Ltifi&Jamel-Eddine, 2012). The rebuying from the same organization is customer loyalty. One of the most popular definitions of loyalty is the mental commitment of repurchase always from the same brand (McMullan & Gilmore, 2008). Education Excellence and Innovation Management through Vision 2020 7275 Loyalty is the long-term profitability relationship between customers and the same firm (Hallowell, 1996). A small incensement in the retention of customer rates can increase profits (Huffmire, 2001). According to Oliver (1997) stated that loyalty is a deeply held commitment to re-buy the product or service in the future. Customer loyalty is generally a very strongly related to profitability a long-term growth of the organization (Richheld, 1996). Customer may repurchase behavior to a limited choice available and desire (Lovelock &Wirtz, 2017). The repeated desire of rebuying over long turn from the same brand than others (McMullan & Gilmore, 2008). Loyalty is one of major concepts in marketing which leads to benefits for any firm, and it is very important because it does not require a huge promotion (Amir et al., 2014; Abuhashesh, M.Y., 2014).

2.1.2. Customer relationship management
2.1.2.1.The concept of Customer relationship management

Customer Relationship Management is the strategic use of information, processes, technology, and people to manage the customer's relationship with your company (Marketing, Sales, Services, and Support) across the whole customer life cycle (Kincaid, 2003). Additionally, Parvatiyar & Sheth (2001) defined CRM as a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

CRM has been conceptualized by Reinartz. (2004) from the customer perspective as a systematic process to manage the customer relationship initiation, maintenance, and termination across all customer contacts points in order to maximize the value of the relationship portfolio. Also Padmavathy (2012) defined CRM as a set of customer-oriented activities supported by organizational strategy and technology, and is designed to improve customer interaction in order to build customer loyalty and increase profits over time.

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Customer relationship management (CRM) has been referred to as the new "mantra" of marketing (Russel S. Winer, 2001). With the emergence of knowledgeable customers, the marketing mix management paradigm with its Four P"s is a much more clinical approach which makes the seller the active part and the buyer passive (Gronroos, 1994). Customers are at the heart of a business and success of a company significantly depends on effective management of relationships with them. As a result implementing CRM is non-negotiable in business area. CRM helps companies to have a profound understanding of customers" needs so that they can in effect satisfy.

CRM is a core business strategy that integrates internal process and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology (Buttle, 2009). More over to understanding and influencing customer behavior through meaningful communication is to improve customer acquisition, customer retention, customer loyalty and customer profitability (Swift, 2000).

2.1.2.2. CRM Elements

There are three basic elements of customer relationship management. These are customer retention, customer acquisition, customer loyalty and customer development (Swift, 2000).

1. Customer Retention

Customer Retention can be defined as the possibility of a client to be recalled by the organization (Morgan& Hunt, 1994). Moreover, Hall (1997) considers customer retention as maintaining customers for life. The life span worth of a customer to any business can be appreciated in their financial performance. Some studies considered Customer retention from a behavioral perspective. Thus, the customer feeling belongs and dedicated to the company. For instance, the customer recommends the company to others and willing to repurchase services or products from the organization (Diller, 1996; Diller & MuÈllner, 1998; Gremler & Brown, 1998; Homburg et al., 1999; Oliver, 1999). According to Keiningham et al. (2007, p 364), customer retention is defined as "customers" stated continuation of a business relationship with the firm. For Internet service providers (ISPs), it is continuing to use the same provider. For retail banks, it is continuing to maintain an account relationship with the bank. And for discount retailers, it is the continued repeat shopping with the retailer. For the purpose of this study, customer retention will be defined as the company's ability to maintain their obtainable customer base.

2. Customer acquisition

Customer acquisition denotes all company activities that are used to win new customers or expand you circle of customers in some way. Acquisition is commonly understood as a process that requires both time and good planning to yield results. A key aspect of successful customer acquisition is to focus on customer requirements and to tailor your offers to match those requirements. Above all, the goal of customer acquisition is to ensure customer loyalty and therefore establish long term business relationships

3. Customer loyalty

Customer satisfaction is an essential prerequisite for customer loyalty. A customer who was not satisfied with a supplier or product is not likely to return to that supplier and select another product. The more satisfied a customer was, the higher the probability that they will select the same product and supplier again. One of the main pillars of professional CRM systems (Customer Relationship Management) is the increase in customer loyalty. CRM formulates strategies and describes techniques that help to involve customer more closely in the company.

4. Customer Development:

It is an important process in any product development with which a business uses customer feedback to define and develop its product. The four core phases of Customer Development are as given

a) Customer Discovery
In this phase, a business evaluates how it can address the customer needs or problems. The business knows about the target customer. The business gathers customer feedback about their requirements.

b) Customer Validation
This is a phase when the customers understand the idea of the product and validates the product by realizing that the product will be able to solve their problems. In this phase, a business knows about the problem and the solution.

c) Customer Creation
The business then evaluates customer feedback, and plans a strategy for product launch and product positioning in the market based on the feedback.

d) **Company Building**

It includes transforming ideas and concepts to execution and scaling the business venture.

2.1.2.3. Types of CRM

The major types of CRM namely Strategic CRM, Operational CRM, and analytical & collaborative CRM (Buttle, 2009).

1. **Strategic CRM**

Strategic CRM is focused up on nurturing customer-centric business culture. Customer-centric business culture is devoted to attracting, winning and keeping customers by creating and delivering value better than competitors. Furthermore, this culture is reflected through leadership behaviors, the design of formal systems, and stories that are created within the firm. In successful customer-centric business culture it is expected that resources are allocated to enhance customer value, reward systems to promote employee behaviors that enhance customer satisfaction and retention, and customer information to be collected, shared and applied across the business.

2. **Operational CRM**

Operational CRM on the other hand automates and improves customer-facing and customer supporting business process. Some of the major applications within operational CRM are marketing automation, sales force automation, and service automation. CRM software applications allow marketing, sales, and service functions to be automated and integrated.

3. **Analytical CRM**

The third type is analytical CRM. Analytical CRM is concerned with capturing, storing, extracting, integrating, interpreting, distributing, using and reporting customer-related data to enhance both customer and company values. Analytical CRM has become a critical part of many CRM implementations.

4. **Collaborative CRM**

The fourth type is collaborative CRM and it encompasses the strategic and tactical alignment of normally separate enterprises in the supply chain for more profitable identification, attraction, retention and development of customers. In this case, companies align their people, process and technologies to serve more efficiently and effectively. Co-marketing, category management, collaborative forecasting, joint new product development, and joint market research are typical

practices in this domain. Collaborative CRM allows valuable information to be shared along the supply chain (Kracklauer, Mills and Seifert, 2004). CRM has five generic process namely strategy development process, value creation process, multichannel integration process, information management process, and performance assessment process (Pyne&Frow, 2005).

In this study the researcher emphasized on collaborative CRM because since it is subset of operational CRM. And it focuses on customer integration using a set of interaction channels and working intimately with selected customer, suppliers and business partner.

2.1.3. **The importance of Customer relationship management**

Customers' Loyalty has several crucial benefits to business organizations such as continues profits, decreases the marketing costs, increases referrals and increase customers growth (Blut et al., 2014). It makes customers less likely to deal with other companies if they have a great sales and promotions. It makes customers to cover the losses of companies when they lose customers Because of the importance of customer loyalty; organizations are trying to reach their loyalty by retention and customer relationship management strategies. Setó-Pamies (2012) and Evanschitzky et al. (2012) arguing that customer loyalty leads to customers staying with an organization for a longer time and purchasing more products or services from the organization. Burke (2015) and Malik et al. (2013) in turn posit that organizations benefit from a loyal customer as the latter costs less to serve since they require less support and are familiar with the product or service. Loyal customers, in addition, help to insulate the organization from price wars or competitions, while also acting as ambassadors of the organization's brand (Martinez & Del Bosque, 2013; Lawfer, 2014). Finally, loyal customers also provide the organization with high quality and honest feedback, which can help improve the organization's products (Blut et al., 2014; Sachs, 2013).

2.1.4. CRM Dimensions

It is argued that CRM is a multi- dimensional concept which basically consists of several behavioral dimensions including key customer focus, CRM organization, knowledge management, customer engagement and technology-based CRM (Dewnarain, et al., 2018; Mohammed and Rashid, 2012). These dimensions should be systematically implemented in hotels to ensure improved performance. They are as follows: −

2.1.4.1.Key Customer Focus

A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Ryals and Knox 2001; Sheth, Sisodia, and Sharma 2000).This involves an overall customer-centric focus (Shethet al., 2000; Vandermerwe, 2004), and continuously delivering superior value to selected key customers (Parvatiyar and Sheth, 2001) through personalized/ customized offerings (Dyche, 2002). Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing (Sadeket al., 2011). Accordingly, Sin, Tse and Yim (2005) define key customer focus as a composition of dialog with customers on customizing their needs, customizing products, customer needs assessment and implementation of customer needs information. Arnett and Badrinarayanan, (2005) also indicate that customer-needs driven CRM strategy involves two steps: first, uncovering insights regarding customer needs and secondly, the development of special programs to meet the discovered needs. Therefore, firms as part of their CRM practices ought to develop CRM strategies that are capable of delivering both economic and non-economic benefits to key customers.

2.1.4.2.CRM organization

Mohammed and Rashid (2012) stated that in order to ensure customer-oriented behavior of employees, the organization has to develop a proper working environment for the service delivered, for example, providing staff with modern tools and technology, inspirational leadership and reward systems, customer satisfaction tracking and complaints management systems. CRM success does not only depend on technological systems, the service concept has to be effective and the operation procedures have to be suitable. Therefore, employees should be actively involved in the CRM process. In order to implement a successful CRM and improve organizational performance, the organization should integrate all its resources including policies, organization structure, culture, and marketing capabilities. Furthermore, CRM organization may influence the organization's future strategies, such as pricing, communication, distribution, and brand differentiation. In this regard, it was also declared that some hotels flexibly set their room prices according to the customer data that were gathered previously.

2.1.4.3.Knowledge management

Prior scholars (Hislop, et al., 2018; Madhovi and Dhliwayo, 2017) pointed out that, an organization can collect information about its customers through cooperation with them in different ways. Managing knowledge properly can assist a company to successfully implement enhanced customer relations that can positively affect CRM and organizational performance (Adly et al, 1994). Pandey, (2012) mentioned that in current years' organizations have mixed their CRM with efforts of knowledge management as they concluded that it plays a main role in CRM achievement. Mohammed and Rashid (2012) reported that the success of any relationship management is highly dependent on the gathering and analyzing of customer information as such data will be used in creating extremely personalized offerings especially in the hospitality sector. It is reported that hotels with large customer knowledge data that can be distributed among their different departments are more likely to develop effective marketing activities to meet their customer needs.

2.1.4.4.Customer engagement

Mohammed and Rashid (2012) stated that in service oriented organizations such as hotels, the delivery of service occurs when interaction happens between the service- providers and the customer at the service encounter at all points of touch with the customer. Thus, hotels need to focus on creating positive customer interaction in order to enhance customer experience. CRM activities are claimed to increase customer engagement with all its possible benefits to the brand. Customer engagement can be defined as the relationship between the customer and a brand or organization in which the customer manifests interest towards the brand that is accompanied by a behavior beyond the purchase behavior and this behavior is not planned by the organization but rather initiated by the customer from motivational drivers (El Sheikh, 2019). This extra mile by the customer in the hospitality industry takes the form of positive word of mouth (WOM) or e-WOM or favorable online reviews which in turn has its unmatched benefits that help to decrease the level of perceived customer risk or uncertainty in the customer's has an impact on behavioral intents of buyers (Bufquin, et al., 2019). According to Yen & Tang (2015) online reviews have a big influence on customers when buying high involvement intangible services as expensive stay in a luxury hotel. Positive WOM in the form of positive online reviews in a social media platform as Trip Advisor are a form of free of charge, credible advertising and this is a direct outcome of customer engagement. If customers don't have a good relationship on the basis of trust with the firm they would not be willing to exert efforts and engage in actions that benefit the firm (Itani, et

al. 2019). Thus, CRM leads to customer engagement and customer engagement increases brand attraction to potential customers. According to Ong, et al. (2018) the extremely tough competition in the hospitality industry emphasizes creating a very good relationship with the profitable customers which is ensured through CRM activities that will lead to brand loyalty.

2.1.4.5. Technology based CRM

According to Pandey (2012), the term technology-based CRM refers to advanced information technology that assists various activities of CRM which leads to major opportunities in the hotel industry as it facilitates gathering the right information from the right people at the right time in order to make the right decisions in providing their service. New technologies are required in hotels as essential drivers for change to improve their performance. In other words, some studies declared that customer-centric strategies cannot be achieved without use of information technology.

2.1.5. Customer loyalty
2.1.5.1. The concept of customer loyalty

Customers are central to all marketing activities all over the world (Oliver, 1998). Success and in turn profit is unthinkable without customers. Moreover, companies incur millions of dollars to attract customers and make them loyal. With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. A customer always wants something and expects that the bank should come up to the level to fulfill those needs (Mishra et al., 2011). Individual clients need, can be satisfied by customizing the airline product, service and communication. It is supported by Berndt et al. (2005) customization is carried out by the organization in order to ensure that customer needs are met, to address the specific needs and profile the customer, and organization also makes use of personalization as part of this process. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today's competitive world (Agarwal, 2009).

Since airline companies are very concerned about customer loyalty, they need to review and re-examine their strategies not only to sustain customer loyalty but also to remain 10 competitive. Natalisa and Subroto (2003) suggested that domestic airline operators need to honor promises made in their promotional and external communication materials.

Due to the dynamic environment and increasing demand of better service from the customer, it is a must for airline to provide excellent service and focus on continuing improvement, so that they can remain the uniqueness of their services and create more competitive advantages than the competitors. Continuous training activities should also be provided to frontline operators, in addition to developing various kinds of loyalty programs to ensure continued customer loyalty. Chin (2002) stated that an attractive frequent flier program could actually contribute to increased loyalty from the repeat business of an increased number of customers. In addition, Dick and Basu (1994) suggested that reliability and confidence might encourage loyalty to the service provider. Customer loyalty is very important for the survival of service provider companies.

2.1.5.2.Phases of customer loyalty

Specifically, consumers are theorized to become loyal in a cognitive sense first, then later in an affective sense, still later in a conative manner, and finally in a behavioral manner, which is described as "action inertia" Oliver, (1999).

Cognitive loyalty: In the first loyalty phase, the brand attribute information available to the consumer indicates that one brand is preferable to its alternatives. This stage is referred to as cognitive loyalty, or loyalty based on brand belief only. Cognition can be based on prior or vicarious knowledge or on recent experience-based information. Loyalty at this phase is directed toward the brand because of this "information" (attribute performance levels). This consumer state, however, is of a shallow nature. If the transaction is routine, so that satisfaction is not processed (e.g. trash pickup, utility provision), the depth of loyalty is no deeper than mere performance. If satisfaction is processed, it becomes part of the consumer's experience and begins to take on affective overtones (*Ibid*).

Affective loyalty: At the second phase of loyalty development, a liking or attitude toward the brand has developed on the basis of cumulatively satisfying usage occasions. This reflects the pleasure dimension of the satisfaction definition—pleasurable fulfillment—as previously described. Commitment at this phase is referred to as affective loyalty and is encoded in the consumer's mind as cognition and affect. Whereas cognition is directly subject to counter argumentation, affect is not as easily dislodged. The brand loyalty exhibited is directed at the degree of affect (liking) for the brand. Similar to cognitive loyalty, however, this form of loyalty remains subject to switching as is evidenced by the data that show that large percentages of brand

defectors claim to have been previously satisfied with their brand. Thus, it would be desirable if consumers were loyal at a deeper level of commitment (*Ibid*).

Conative loyalty: The next phase of loyalty development is the conative (behavioral intention) stage, as influenced by repeated episodes of positive affect toward the brand. Conation, by definition, implies a brand-specific commitment to repurchase. Conative loyalty, then, is a loyalty state that contains what, at first, appears to be the deeply held commitment to buy noted in the loyalty definition. However, this commitment is to the intention to rebuy the brand and is more akin lo motivation. In effect, the consumer desires to repurchase, but similar to any "good intention." this desire may be an anticipated but unrealized action (*Ibid*).

Action loyalty: Study of the mechanism by which intentions are converted to actions is referred to as "action control" (Kuhl and Beckmann 1985). In the action control sequence, the motivated intention in the previous loyalty state is transformed into readiness to act. The action control paradigm proposes that this is accompanied by an additional desire to overcome obstacles that might prevent the act. Action is perceived as a necessary result of engaging both these states. If this engagement is repeated, an action inertia develops, thereby facilitating repurchase (*Ibid*).

2.1.5.3.Types of customer loyalty

1. **Behavioral loyalty**

The concept of behavioral loyalty primarily refers to continuous, repeat purchases by a customer (Dick and Basu, 1994). However, some authors have found that behavioral loyalty has additional measures; for example, Kumar et al. (2013) include relationship duration, crossbuying, word of mouth (WOM) and share of wallet (SOW). SOW is often used as a measure of current behavioral loyalty in the retail banking literature and Keiningham et al. (2007) define SOW for the banking industry as the stated percentage of the customer's total assets held by the bank. Baumann et al. (2005) first used SOW as a measure of behavioral loyalty while exploring the predictors of behavioral loyalty and behavioral intentions. Cooil et al. (2007), Foscht et al. (2009), Baumann et al. (2012a) and Hamin et al. (2016) follow Baumann et al.'s (2005) use of SOW to measure behavioral loyalty in retail banking. Overall, SOW is a widely proven and accepted measure of behavioral loyalty. For behavioral loyalty in this study, we use percentage SOW measured separately for assets (savings account, mutual funds etc.) and debts (credit card, mortgage, loans etc.) and hypothesize that this will be a dependent variable affected by the factors we are investigating.

2. Emotional loyalty

One of the things that motivate customers to choose and connect to a certain product or service is emotions. The emotional connection between a company and its customers is formed gradually. We live in an emotional world, where feelings influence our decisions (Berry, 2000). For this reason, marketers often try to create an emotional connection between their brands and their customers. The possibility that customers can develop emotional connections to brands is suggested and supported in the academic literature (Berry, 2000; Thomson et al., 2005). This approach is based on Bowlby's (1979) attachment theory, which suggests that the degree of emotional attachment to an object predicts the nature of the individual's interaction with that object (Thomson et al., 2005). Although attachment theory focuses on human relationships, previous research studies indicate that consumers may attribute human characteristics to brands, and may have a relationship with brands, just as they do with people (Aaker, 1997; Fournier, 1998). As such, it's reasonable to assume that customers' emotional connection to a brand might predict their commitment and loyalty to that brand (Thomson et al., 2005). Emotional attachment is a construct that reflects a mental state or feeling connected or attached to the brand – a holistic feeling toward the brand. According to Berry (2000, p. 134): "Great brands always make an emotional connection with the intended audience. They reach beyond the purely rational and purely economic level to spark feelings of closeness, affection, and trust." Emotional attachment is the outcome of long-term relationships between service providers and customers, occurs during the service experience (Phillips and Baumgartner, 2002), and is a result of the company's holistic marketing efforts. Customer emotions have been recognized as an important factor in customer judgment (Pham et al., 2001), satisfaction (Yu and Dean, 2001; Phillips and Baumgartner, 2002), and behavioral intentions (Bloemer and de Ruyter, 1999; Ladhari, 2007).

2.1.5.4. Customer loyalty programs in aviation industry

As mentioned earlier in current economic situation where airlines try to overcome the costs, gain profit, differentiate their offer, individualize their service and apply effective communicational channels to crate loyal customers, CRM as a strategic and continuous program would support the mentioned objectives of the company. Also, customers' demands and expectations are changing in today's world, In the airline industry many of the airline companies have lost track of the true needs and wants of their passengers and are sticking to the outdated views of what airline services are all about (Gustafsson et al.,1999), Many airline managers think of passenger needs from their

own perspective so their immediate focus is on cost reductions in driving to more efficient operations, keeping customers at a least priority in their strategic planning programs. But the customer should not be ignored (Boland, Morrison and O'Neill, 2002). Airlines are recognizing that CRM is a long term investment, with the true benefits earned through profitable lifelong customer relationships (Boland, Morrison and O'Neill, 2002). CRM comprises the acquisition and deployment of knowledge about customers to enable the airline to sell more of their product and service more efficiently (Flanagan and Sadie, 1998).

2.1.5.5.Measurement of customer loyalty

Behavioral and attitudinal are two dimensions for the customer loyalty (Paravatiyal and sheith, 2002). The behavior dimension refers to a customer's behavior on repeat dinning for a specific restaurant over time. Attitudinal dimensions, on the other hand, refer to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer. Moreover, a customer who has the intention to repurchase and recommend is very likely to remain with the restaurant. The behavioral dimension and customer loyalty is usually expressed by repeated purchase of service among other variable intention to repurchase and to recommend (Mithas and Frow, 2005). Lemon and Zeithaml (2001) showed a positive correlation between overall satisfaction and loyalty intention. As for behavioral loyalty, Barnes (1997) found out those customers having a closer relationship with a service employee present higher share of business with the service provider. If a server maintains good relationship with customers, those customers may wish to return again to the restaurant and to request to be served with the same server. Customer satisfaction and service quality are prerequisites of loyalty (Ghavami and Olyaei, 2006). Several researchers pointed out that high customer satisfaction and service quality result in higher customer loyalty and willingness to recommend the service (Danaher &Mattsson, 1998). Bitner (1990) confirmed that the word-of-mouth becomes more positive as satisfaction increase.

2.2. Theoretical foundation of the study

Relationship marketing is a new phenomenon developed in the 21th century and all marketers and managers uses it, but they define differently. The dramatic change from transactional marketing to relationship marketing increases its significance and contribution in the customer relationship marketing (Lindgreen, 2001). In the recent time, relationship marketing has become known as most important strategic element of business. It has direct impact on firm's strategic performance and also relationship marketing is more effective when the relationships are more critical to

customers. Moreover, effectiveness is greater when relationships are built with an individual than a firm (Robert and Daunt, 2006).

The main purposes of relationship marketing are creating and enhancing customer relationship starting from the beginning to satisfy and retain the existing customers, in the other way transactional marketing attempts to make the sale and acquire new customers rather than retaining the existing customers (Vence, 2002). According to Boulding (2005), Dimitriadis and Stevens (2008), CRM is an integration of marketing activities and technological resources to create strong relationship firms with their customers. Customer relationship management focuses on building relationship, applying systematic way to collect and analyze data, and integrate all these activities throughout the firm, and enhancing the ability of integrating these activities throughout the network of firms that collaborate to generate customer value, while creating shareholder value for the firm.

Relationship marketing strategy provides a rise to the development of IT applications often referred to as customer relationship management system which perform as an enabler, producing relevant customer related information and making them readily accessible to various touch points (Chen and Popovich, 2003). This promotes customer relationship and leads to effective delivery of customer value (Bose, 2002). The main emphasis of relationship marketing is building closer relationships with customers as a strategy to overcome problems such as obtaining global competitive advantage, managing the rapidly changing technologies and reducing time to market of new products (Wel and Bojei, 2009).

In many organizations CRM strategy is a broad and detailed description of the scope of CRM programmed towards organizational goals. The strategy helps to the company to build and develop internal processes and technology, to acquire and retain business customers. CRM is basically a strategy associated with maximizing a firm's profitability, revenue and customer satisfaction by focusing on a customer centric process. CRM strategy helps businesses to use IT and human resources to gain insight into the behavior of customers. At the heart of perfect CRM strategy is the creation and development of mutual value for all parties participated in business process through creating sustainable competitive advantage, by being the best at understanding, communicating, providing and developing existing customer relationships in addition to creating and keeping new customers (Richa and Rashmi, 2009).

Customer relationship management (CRM) is a very important tool of organization, it helps to enhance the customer's loyalty and satisfaction to manage it for long-term between corporations and customers (Herman et al., 2020). In previous studies, CRM has been extensively discussed in the hospitality and tourism sectors (Palmer et al., 2000). Additionally, the finding suggested that customer relationship management (CRM) has a different impact on organizational structures (Rahimi et al., 2017) because each organization can build different customer relationship strategy (Mang'unyi et al., 2018). In addition, customer relationship management strategies have been extensively used in servicing sectors, to enhance the customer satisfaction and loyalty for the long-term (Herman et al., 2020), because in a marketing job, the customer satisfaction and retain it for long-term is a very difficult job. In the tourism sector, top managers are mostly encouraged to follow effective marketing strategies, for the attraction of tourists and retain it for the long-term (Fatma et al., 2015).

In the current era, academicians and practitioners giving much attention to the CRM strategies (Josiassen et al., 2014; Rahimi & Gunlu, 2016). From the practical perspective of CRM, the tourism sector adopting different strategies such as airlines' easy access, frequently comfortable airline shifts (Gilbert, 1996), easy online hotel booking (Palmer et al., 2000) and online access to taxi procedure (Chadee & Mattsson, 1996). While in the academician context, customer relationship strategies are different from the practitioners. Consumer loyalty is a customer's faithfulness to a service (Gorondutse & Hilman, 2014) and a customer's connection with a reputation. Hence, Mang'unyi et al. (2018), suggested that an organization can build a good customer relationship strategy, which directly affects the customer loyalty with the organization to gain purchasing power. According to Khan and Fasih (2014), encouragement for repeated purchases and referral of a product or a service to others amount to customer loyalty. Hence, genuine loyalty is associated with high levels of repeated patronage (Fatma et al., 2015; Gorondutse & Hilman, 2014; Mang'unyi et al., 2018). Therefore, based on the previous literature, we suggest that (CRM) strategies significantly affect customer's loyalty.

2.3. Review of empirical literature

2.3.2. Review of local studies

A number of empirical studies have been conducted in relation to CRM and customer loyalty, both locally and abroad. One of the studies conducted in Ethiopia was done by Samson (2020). The researcher investigated the impact of customer relationship management on customer loyalty in the Case of Dashen Bank. The research findings indicated that CRM behavioral dimensions namely: key customer focus, Knowledge management and CRM Organization have positive and significant effect on dependent variable customer loyalty.

Kalkidan (2020) examined customer relationship management practice and its effect on customer satisfaction in the Case of Nib International Bank. The research employed mixed research approach to analyze the data. The Result suggests that CRM has a significant and statistically relevant effect on satisfaction among Nib International Bank account holders'. Knowledge management was found to be the weakest in the bank.

Another study by Fentaye et al (2019) investigated the effect of customer relationship marketing on customer loyalty: A study on public and private owned banks in Gondar City, Ethiopia. . The findings of this study indicate that, the dimensions of customer relationship marketing namely trust, commitment, communications and conflict handling have positive and significant effect on customer loyalty. However; both empathy and responsiveness have insignificant effect on customer's loyalty.

Furthermore, Jemmal (2018) has conducted an assessment on CRM in ESLSE and the concluded that customer relationship management is the heart of logistics firm's strategy. In Service rendering organization the key components of their function is providing quality service to their customers. According to the finding some of the main slack are there is no clear objective and policy for customer relationship, introduce new service with an input of customer idea, regular discussion with customer, collaborate with customers and support their business, create responsive workers, mission, vision, objectives and values of ESLSE needs further refinement at the area of customer relationship, segment is only in government priority sector rather than pursing profitable customers. And also the researcher Recommends ESLSE has to create organization wide understanding on the benefit of CRM and the role of every department and employee for the success.

2.3.3. Review of similar studies in other countries

Bynatukunda (2018) examined the relationship between CRM and customer retention using descriptive research design. Data was analyzed using frequencies, percentages, regression model establish the relationship between CRM and customer retention in capital shoppers Supermarket. Findings on customer relationship management were; the channels of customers getting information are not efficient, complaints are not handled very well, limited training and the basic information is only asked from those who apply for the reward cards. Findings on customer retention were; Capital Shoppers supermarket is not a monopoly, emotional bonds are not due to wishing well to customers but the quality of the products and commitment has a very strong impact. The study showed a very strong positive relationship ($r = 0.317$ at a significant level 0.05).

Iriqat and Abu Daqar (2017) investigated the impact of CRM on Long-term Customers' Loyalty in the Palestinian Banking Industry; they found that there is a positive relationship between long-term customers' loyalty and CRM. Additionally, they clarified that the banks need to periodically update the customers' database. Padmavathy and Sivakumar (2017) in their analytic hierarchy process (AHP) to priorities banks study that based on the research of Padamavathy et al., (2012) come up with four dimensions these are reliability , process driven approach, focus on customer and technology orientation, the finding was with respect to the dimension, reliability was the most important factor needed by the customers and next process driven approach, focus on customer and technology orientation are respectively from 42 retail Indian bank customers.

Malik (2015) analyzed the impact of customer relationship management benefits on customer loyalty and retention in the automobile sector in India. The research was conducted through a survey method and data was collected from vehicle owners. The descriptive research design was used in the study. Stratified Non- probability sampling method was used to draw a sample of 120 respondents from the national capital region (NCR) of India. The validity of the questionnaire was done to check whether the variables used to study Customer Relationship Management dimensions produce consistent results (Cronbach alpha 0.745). Factor analysis has been administered to narrate the variable in different dimensions of customer relationship management in the automobile sector. Exploratory factor analysis was used to identify the underlying constructs and investigate relationships among the variables. Regression analysis and F test were also carried out on the data collected. The results revealed that significant factors like time service delivery,

promptness in handling repair work, friendliness helpfulness, and arranging replacements lead to customer loyalty in the automobile industry.

Aladwan and Hersh (2014) analyzed the impact of E-CRM on customer loyalty in Airline companies in Jordan. Data was collected through a questionnaire survey of airline companies. A sample size of 513 passengers was used. Hierarchical regression analysis was applied to study a significant relationship. Three functions were considered while studying the impact – Communication function, transaction function, and relational function. The study indicated that communication function has strong relationships through the company's website have an important and effective role in creating the customers' loyalty in the airline industry. It was also found that interactive function played an important role as it was important that the company's website must be easy to navigate moreover security also lead to loyalty. It was also found that there exist differences in the impact of customers' electronic relations management on customer loyalty due to educational level and experience.

In their study, Wieseke et al. (2012) established that consumer that were treated emphatically were more loyal even when mistakes are made during service provision. In this regard, empathy creates an emotional relationship with the customer hence providing the customer with a touch of importance and a sense of belonging. This leads to higher customer retention and creation of a new consumer pool hence increasing the consumer base which in turn increases the eventual number of customers that are loyal to the firm.

2.4. Knowledge gap

The above empirical studies, i.e., both local studies and studies in other countries, conveyed very nearly findings indicating that CRM has a positive and significant effect on customer loyalty. For case in point, the finding of Kalkidan (2020), Samson (2020), Iriqat and Abu Daqar (2017) and Fentaye et al., (2019) shows there is statistically significant and sensible relationship between CRM and Customers loyalty, even if their focus area is unlike (their difference).

2.5. Literature Gap

Several studies have been conducted by including the five dimensions of service quality (key customer focus, CRM organization, Knowledge management and technology-based CRM). However, in the present study the researcher has incorporated two additional dimensions such as convenience and ease of use. In this setting, it differs from previous studies.

2.6. Conceptual framework of the study

According to Chimwani et al. (2014), a conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. In view of the preceding literature, in particular, relationship marketing theory, the following conceptual framework developed to examine the effect of CRM (independent variable) on the customer loyalty (dependent or outcome variable).

Relationship marketing strategy provides a rise to the development of IT applications often referred to as customer relationship management system which perform as an enabler, producing relevant customer related information and making them readily accessible to various touch points (Chen and Popovich, 2003). This promotes customer relationship and leads to effective delivery of customer value (Bose, 2002). The main emphasis of relationship marketing is building closer relationships with customers as a strategy to overcome problems such as obtaining global competitive advantage, managing the rapidly changing technologies and reducing time to market of new products (Wel and Bojei, 2009). Since CRM makes customer closer to the service provider, they can be loyal.

Independent variable

Customer Relationship Management (CRM)   **Dependent variable**
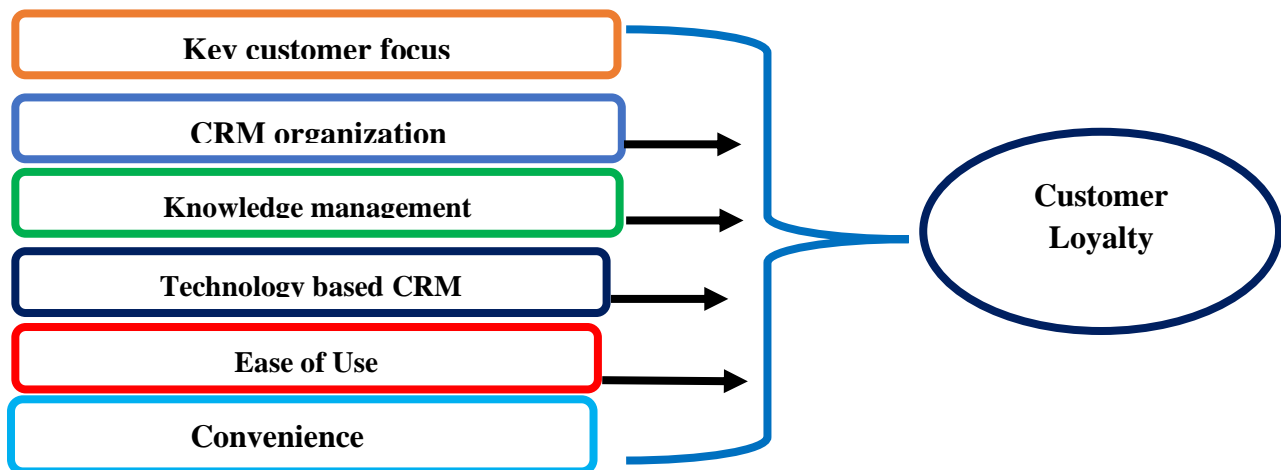
Figure2. 1 Conceptual model frame work developed based on prior scholars (Sin et al., 2005; Mwatsika, 2014 and Alexis and Chen, 2019)

2.7. Research hypotheses

- H_1: Key customer focus has a statistically significant positive effect on customer loyalty.

- H_2: Knowledge management has a positive and statistically significant effect on customer loyalty.

- H_3: CRM organization has a statistically significant positive effect on customer loyalty.

- H_4: Technology based CRM has a statistically significant positive effect on customer loyalty.

- H_5: Ease of use has a statistically significant positive effect on customer loyalty.

- H_6: Convenience has a statistically significant positive effect on customer loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses the description of study area; research approach and design; data source; methods of data collection; population, sample size and sampling techniques; reliability and validity of data collection instruments; method of analysis tools, techniques, description of variables and econometric model used in the study.

3.1. Description of the study area

As Ethiopian's main aviation hub, Addis Ababa bole international airport is the first port of call for the majority of overseas visitors. Addis Ababa Airport is situated just under 4 miles (6km) from the city center, in the Bole area. It serves the Ethiopian capital and surrounding area and is well connected to the rest of the country by Ethiopian internal flights, road networks, and public transportation. Ethiopian's largest airport, the airport is able to accommodate up to 22 million passengers annually.

There are 2 terminals connected by a walkway and free shuttle service:

- Terminal 1 has 4 gates for domestic flights,
- Terminal 2 features 7 gates handling international arrivals and departures

Both terminals offer a range of service and facilities.

3.2. Research approach and design

The typology of the underline study is survey research. This study adopts quantitative approaches for data collection (quantitative data) and analysis. This is mainly due to the fact that all the research questions and objectives the researcher has set previously will be thoroughly addressed through the aforementioned approaches. Moreover, the study uses a combination of descriptive and explanatory designs to answer the research objectives.

3.3. Target population, sample size and sampling technique

3.3.1. Target population

The target population for this study are infinite passengers of Addis Ababa Bole Airport those who uses both domestic and international flights. Both domestic and international passengers will be included. Ethiopian airlines have 116 international and 23 domestic destinations. Because of the

large number of passenger and route Ethiopian airlines is serving, five densest routes will be the target population of this research (See *Table 3.1.below)*

Table3.1 *Densest Routes*

S.No	Starting point	Destination
1	Addis Ababa	Dubai
2	Addis Ababa	Nairobi
3	Addis Ababa	Johannesburg
4	Addis Ababa	Beijing
5	Addis Ababa	Bahir Dar
6	Addis Ababa	Turkey

Source: OAG schedules Analyzer, 2021

3.3.2. Sample size

The Cochran formula allows you to calculate an ideal sample size given a desired level of precision, desired confidence level, and the estimated proportion of the attribute present in the population. The Cochran formula (1953) is discussed below.

$$n_0 = \frac{Z^2 pq}{e^2}$$

- *e is the desired level of precision (i.e. the margin of error),*

- *p is the (estimated) proportion of the population which has the attribute in question,*

- *q is 1 – p.(p = 0.5 and q= 0.5)*

Suppose we are doing a study on the inhabitants of the aviation, and want to find out how many peoples are involved in this airline. We do not have much information on the subject to begin with, so we are going to assume that half of the passengers are using these airlines: this gives us maximum variability. So $p = 0.5$. Now, let us say we want have a 95 percent confidence interval. Accordingly, the 95 percent confidence level gives us Z values of 1.96 per the normal tables from Z table.

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So we get

$$((1.96)^2 \, (0.5) \, (0.5)) / (0.05)^2 = \mathbf{384}$$

Thus, a random sample of 384 populations in our target population should be enough to give us the confidence levels we need.

3.3.3. Sampling technique

The research population were passengers of Addis Ababa Bole International Airport those who used both domestic and international flights. As per data obtained from the ticket offices, there is no clear figure that shows the total number of passengers, because once the passengers are used the service they may not be come again; hence, the study will use convenience sampling. A convenience sample is a type of non-probability sampling method where the sample is taken from a group of people easy to contact or to reach. where the population is unknown, the sample size can be derived by computing the minimum sample size required for accuracy.

3.4. Source of data

To achieve the objective of the study, quantitative and qualitative data were gathered from both primary and secondary sources. The target population of the study constituted customers of Ethiopian Airlines at Bole International Airport who used this service and came to access the service at the terminals during the course of study. Thus, primary data were obtained from customers of the Airline through questionnaire. This helps to get first-hand information from the participants and officials about customer creation situation. The secondary data collection constitutes an extensive survey of literature from different sources including books, journals, official documents, websites and reports from the aviation's.

3.5. Method of data collection

In the present study, structured questionnaire will be employed and the questionnaire will be prepared using Amharic and English languages assuming that most of the passengers (especially international passengers) speak and read English.

3.6. Reliability and validity of data collection instruments

In order to check the reliability of the factors, a Cronbach alpha is calculated. It is assumed that a Cronbach alpha value of greater than or equal to 0.70 is considered acceptable for the factor to be

reliable. In the present study, all the variables and the overall reliability coefficient had satisfactory values of Cronbach alpha. The Cronbach alpha value for each of the independent and dependent variables exceed 0.70 implying that the items to measure the independent and dependent variables were reliable. This is considered good in the reliability interval. Thus, the variables are reliable and the data collection instruments (questionnaires) are standard.

As shown at table 3.1, the Likert scales to measure the study variables are adopted from Sin et al., (2005), Yimet al. (2005), Mwatsika (2014) and Alexis and Chen (2019). Moreover, the reliability coefficients of the measurement scales exceed 0.70 implying that they are free from reliability concerns.

Table3.2 The reliability coefficient of the measurement scales

Variables	No of items	Cronbach alpha	Name of the scholar/s who developed the scale, year)
Customer relationship management (CRM)			(Sin et al., 2005) and Yimet al., 2005)
• Key customer focus	7	0.83	(Sin et al., 2005) and Yimet al. (2005)
• Knowledge management	7	0.81	(Sin et al., 2005) and Yimet al. (2005)
• CRM organization	6	0.74	(Sin et al., 2005) and Yimet al. (2005)
• Technology based CRM	5	0.79	(Sin et al., 2005) and Yimet al. (2005)
• Convenience	4	0.71	Mwatsika (2014) and Alexis and Chen (2019
• Ease of use	3	0.73	Mwatsika (2014) and Alexis and Chen (2019
Customer loyalty	8	0.84	Sin et al., 2005) and Yimet al. (2005)

3.7.   Methods of Data Analysis

The collected data were sorted and cleared before being entered into the STATA 15 version. For analysis, descriptive and inferential statistics will be used. Frequencies, percentages, mean and standard deviation will be the most important descriptive statistics. Regression analyses with Ordinary Least Square (OLS) were used in the inferential statistics after the mean of each variable is computed. T-test was also used at a 95% level of significance to determine the level of

independence among Likert scale measurements. Furthermore, the primary information obtained from the questionnaire and document review will be interpreted accordingly.

Table3. 3 List of Variables to be used in multiple regression analysis and their expected signs

Variable	Definition of Variables	Expected Sign
Customer loyalty	The measure of achievement of the supplier in maintaining and retaining long last mutual relationships with the customers (Alhaio et al., 2012; Oumar et al., 2017).	+
Key customer focus	A composition of dialog with customers on customizing their needs, customizing products, customer needs assessment and implementation of customer needs information Sin, Tse and Yim (2005).	+
CRM organization	It is providing staff with modern tools and technology, inspirational leadership and reward systems, customer satisfaction tracking and complaints management systems Mohammed and Rashid (2012).	+
Knowledge management	Gathering and analyzing of customer information as such data will be used in creating extremely personalized offerings especially in the hospitality sector Mohammed and Rashid (2012).	+
Technology based CRM	Advanced information technology that assists various activities of CRM which leads to major opportunities in the hotel industry as it facilitates gathering the right information from the right people at the right time in order to make the right decisions in providing their service Pandey, (2012).	+
Convenience	It refers to the sites and locations at which the product or service are conveniently located (Narteh, 2013).	+
Ease of use	It refers to the degree to which the prospective user expects the target system to be free of effort (Narteh, 2013). It also refers to how easily system is to be accessed by users (Alexis and Chen (2019).	+

3.8. Ethical consideration

Participants of the research will be informed about the major objectives of the research emphasizing that the data will be used only for academic purposes. The data will be collected using questionnaire and doing with the full willingness of the participants. A statement that indicates their participation is only voluntary and they are advised not to include their names and address on the questionnaire. Careful attention will be given to respecting the rights, needs, and values of the participants; and maintaining the confidentiality of the data, and acknowledging sources of information.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

The collected data were checked for uniformity and completeness and the researcher found that 381 questionnaires were fully usable and the remaining are defective. This accounts 99.22% response rate. When a selected traveler is not enthusiastic to fill the questionnaire, a replacement traveler was selected randomly.

4.2. Demographic characteristics of survey respondents

Descriptive analysis was used to explain the demographic and other characteristics of the customers of the Ethiopian Airlines that are involved in this study. In terms of sex, 62.2% of them were male and the remaining 37.80% were female. This indicates that majority of the customers of Ethiopian Airlines were male.

Table4. 1 Sample distribution by respondents' sex

Sex of Respondents	Frequency	Percent
Male	237	62.20
Female	144	37.80
Total	**381**	**100**

  Source: Survey Data, 2022

Table 4.2 shows the age composition of sampled passengers of Ethiopian Airlines. The mean age of passengers who have participated in this survey study was 32.45 years with the minimum and maximum ages of 19 and 68 years, respectively. The finding reflects that most of the passengers of Ethiopian Airlines are in the adults age cohort.

Table4. 2 Sample distribution by respondents' age

Age of Respondents	Mean	Std. Dev.	Min	Max
Age	32.45	8.327907	19	68
Obs	**381**			

  Source: Survey Data, 2022

Table 4.3 presents the education level of sampled passengers of Ethiopian Airlines. More than half of the respondents (55.38%) have a first degree and 19. 16% of the respondents have second degree and above. The rest 24.46% of the respondents are diploma holders. At the time of the survey, the researcher was not finding a respondent with no education and a respondent with an educational attainment below diploma.

Table 4.4 depicts the marital status of respondents. The results indicate that 30.97% were single, 65.09% were married, 2.89% were divorced, while 1.05% of respondents were widowed. This result reflects the fact that the majority of the passengers involved in this study were married.

Table4. 3 Sample distribution of passengers by educational status

Education level	Frequency	Percent
No education	0	0
Primary education	0	0
High School education	0	0
Diploma	97	24.46
Bachelor degree	211	55.38
MA & Above	73	19.16
Total	**381**	**100**

   Source: Survey Data, 2022

Table4. 4 Sample distribution by marital status

Marital Status	Frequency	Percent
Single	118	30.97
Married	248	65.09
Divorced	11	2.89
Widowed	4	1.05
Total	**381**	**100**

   Source: Survey Data, 2022

Table 4.5 presents the occupation status of sampled passengers of Ethiopian Airlines. The result indicates that 77.69% were self-employed, 15.22% were paid-employed, 3.15% were retired and

the remaining 3.94% were unemployed. The occupational distribution reflects that the majority of the respondents were self-employed.

Table4. 5 Sample distribution by Occupational status

Occupations	Frequency	Percent
Self-employed	296	77.69
Paid-employed	58	15.22
Retired	12	3.15
Unemployed	15	3.94
Total	**381**	**100**

Source: Survey Data, 2022

Table 4.6 shows the purpose of visit by ET passangers. The report indicates that 51.18% of the travels are using Ethiopian Airlines for business purpose. 40.42% of the passengers are commuting their journeys using Ethiopian Airlines for the purpose of visiting their friends and relatives. 7.35% of the respondents replied that they are using Ethiopian airlines for the purpose of vacation (tourism). The rest (1.05%) of the residents are using Ethiopian Airlines for different traveling purposes.

Table4. 6 Sample distribution by the purpose of the travel

Travel purpose	Frequency	Percent
Business	195	51.18
Tourism (vacation)	28	7.35
Visiting friends & relatives	154	40.42
Other	4	1.05
Total	**381**	**100**

Source: Survey Data, 2022

Table 4.7 shows the number of flights that passengers have made in a year using Ethiopian Airlines. The table reports that 44.62% of the respondents replied that they make flights of more than five times in a year with Ethiopian Airlines. 35.17% of the respondents reported that they are making travel with Ethiopian airlines four times a year. Moreover, 14.17% of the respondents

replied that they travel twice a year with the Ethiopian Airlines and only 1.84% of the passengers responded that they have a single flight with the Ethiopian Airlines in a year.

Table4. 7 The frequency of flights by the passengers

Travel frequency	Frequency	Percent
Once in a year	7	1.84
Twice in a year	16	4.20
Three times in a year	54	14.17
Four times in a year	134	35.17
Five and above in a year	170	44.62
Total	**381**	**100**

Source: Survey Data, 2022

4.1.2. Descriptive statistics of the variables

Before the researcher opts to make econometrics analysis, it is important to describe the summery statistics of variables involved in the present study. In this study, six independent and dependent variables with different attributes are used. Note that all variables contain various items and these items are converted into average values of the respective variable using Stata software. The reduced average values of each variable are presented in Table 4.8.

Table4. 8 Descriptive statistics of the variables

Variables	Number of Items	Mean	Std. Dev.
Key Customer Focus	7	4.300	0.4623881
Knowledge Management	7	4.268	0.2514408
CRM Organization	7	4.199	0.5059649
Technology Based CRM	5	4.111	0.4192772
Ease of Use	4	3.903	0.416065
Convenience	3	3.912	0.4493963
Customer Loyalty	8	3.971	0.508144

Source: Survey Data, 2022

On the basis of a five points Likert scale, the overall mean (M) score between 1-2.33 is considered as low, the score between 2.34-3.67 is considered as moderate, and the mean score between 3.68-5 is taken as high value (Zaidatol et al, 2012). The interpretation of mean values is based on this criterion. Table 4.8 presents the means and standard deviations of the seven variables involved in the study. The results indicate medium-to-high mean values. These statistics describe the extent to which the sampled respondents agreed or disagreed with the statements used in the questionnaire. The highest mean was 4.30, whilst the lowest value was 3.90. It is clear that key customer focus variable the highest mean value followed by customer knowledge management. The lowest mean value was observed in the variable of ease of use. Furthermore, the descriptive statistics concerning about the average score of customer loyalty is computed and the estimated mean score of this variable is 3.97 indicating that the respondents of the present study have good loyalty with Ethiopian Airlines. Therefore, it is evident that majority of the respondents agreed that Ethiopian Airlines is more attractive to its incumbent customers.

4.2. Econometric Analysis

4.2.1. Reliability Test

In order to check the reliability of the factors, a Cronbach alpha was calculated. It is assumed that a Cronbach alpha value of greater than or equal to 0.70 is considered acceptable for the factor to be reliable. In the present study, all the eight variables and the overall reliability coefficient had satisfactory values of Cronbach alpha. The Cronbach alpha value for all reliability level is 0.87 which is considered good in the reliability interval. Thus, the variables are reliable.

Table4. 9 Results of the Reliability Test

Variable	Cronbach Alpha	Number of Items
Key Customer Focus	0.83	7
Knowledge Management	0.81	7
CRM Organization	0.74	7
Technology Based CRM	0.79	5
Convenience	0.71	4
Ease of use	0.73	3
Customer Loyalty	0.84	8

Source: Survey data, 2022

4.2.2. Diagnostic Tests

Prior to present empirical results and make discussion on regression coefficients, the researcher needs to check the data for the essential diagnostic tests of Ordinary Least Square (OLS) regression.

4.2.2.1.Normality test

An assessment of the normality of data is a prerequisite for OLS regression. For this purpose, the researcher has used a Shapiro-Wilk test to check out as to whether the null hypothesis that the data come from is normally-distributed or not. Shapiro-Wilk test result shows that the test is below 0.1 and significant values are above 0.05, which reflects that the null hypothesis is accepted and data are assumed to be approximately normally distributed.

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
LOYALITY	381	0.04592	3.710	3.112	0.14893

4.2.2.2. Homoscedasticity

As the researcher has used cross-sectional data, the possible trouble worthy looking is the problem of heteroscedasticity (Greene, 2008). The researcher has estimated the Breusch-Pagan test for heteroskedasticity and found that there is no a problem of non-homoscedasticity.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

    Ho: Constant variance

    Variables: fitted values of LOYALITY

    chi2(1)   =   0.26

    Prob > chi2 =   0.6108

4.2.2.3. Multicollinearity

Another serious problem lending detection is multicollinearity. the researcher has executed the VIF test to check the existence of multicollinearity for the survey data and the VIF values for all regressors are less than 10%, implies absence of strict multicollinearity among explanatory variables. Another test the researcher has we performed was model specification test. The Ramsey RESSET test result affirmed that the regression model we implemented in this analysis is correctly specified.

Table4. 10 Multicollinearity test

Variable	VIF	1/VIF
KEYCUSFOC	1.30	0.770747
KNOWMGT	1.24	0.809149
CRMORGAN	1.20	0.891904
TECHOCRM	1.16	0.863566
EASEUSE	1.06	0.940116
CONVIENCE	1.05	0.955029
Mean VIF	1.17	

Source: Survey data, 2022

Table4. 11 Summary of Diagnostic test

S.No	Diagnostic test	Used test	Probability chi-square value	Decision
1	Heteroscedasticity test	Breusch-Pagan	0.6108	No heteroscedasticity problem
2	Model specification test	Ramsey RESET test	0.2867	No omitted variables
3	Normality test	Shapiro-Wilk W test	0.14893	Normally distributed

Source: Survey data, 2022

4.2.3. Econometrics Estimation Results

In order to run an OLS regression, the researcher has converted Likert scale factors into continuous variables simply by calculating the mean score of each variable using a Stata software version 15. Then, an OLS estimation was made based on these calculated average scores. Table 4.10 of a model summary statistics indicates that the R-Square of the model is 0.695, which reflects that the six explanatory variables accounted for 69.5% of the variance in customer loyalty. This means that 69.5% of the variation in customer loyalty can be explained by the six variables and the remaining 30.5% of the variation of the customer loyalty is explained by the stochastic error term. Moreover, the researcher found that the adjusted R-Square of the model is 0.663, which reflects additional variables are not significantly contributing to the model.

The researcher begins the empirical analysis and discussion of findings by presenting the OLS regression results. The researcher estimates the association between regressors and customer loyalty in the data by running OLS regression based on the model that the research has specified in chapter three. Six explanatory variables are included in the estimation drawn from standard theories foundations and empirical studies. Three of them have been found statistically significant, whereas three independent variables are found to be statistically insignificant as tabulated in Table 4.10. Moreover, all the three statistically significant variables have a positive association with customer loyalty.

Table 4.10 reports that Key Customer Focus (Keycusfoc) has a positive and statistically significant association with customer loyalty. The coefficient for Key Customer Focus was 0.129 and it is statistically significant at the 1% level of significance. This coefficient literally indicates that when the Ethiopian Airlines met the needs of its customers by one unit, the customer's loyalty would increase by 0.129, keeping other variables constant. This implies that when the Ethiopian Airlines works focusing on the centric needs of its customers, the existing passengers of the Airport would

remain its long-lasting customers. This finding supports the finding of Iriqat and Abu Daqar (2017) who found that customer relationship management has a positive influence on customers' loyalty. Thus, on the basis of the above empirical result, the first hypothesis is accepted.

It is also reported on Table 4.10 that the coefficient for Technology based CRM was 0.307and it is statistically significant at the 1% level of significance. This finding literally indicates that when the Ethiopian Airlines expands its service using advanced technologies on customer relationship management, the passengers' inclination to be a loyal customer to the Airport would increase by 0.307, holding other variables remain unchanged. This finding implies that as the Airport gets acquaint with the latest technologies of the field, the incumbent customers would remain a long-lasting loyal customer to it. This finding supports the theoretical predictions and the idea that acquisition of new advanced technologies into the customer relationship management would give an opportunity for passengers to become a loyal customer. This finding also supports the empirical finding by Aladwan and Hersh (2014) who found that digitalization in the case of Jordan Airline plays a significant role in customer retention and loyalty. Based on the aforementioned empirical result, the fourth hypothesis is accepted.

The study further found that Ease of Use has a positive and significant effect on customer loyalty at 1% level of significance. The coefficient of the estimate was 0.436, which reflects that as the Ethiopian Airlines makes the use of its service very easy, the customers would get an opportunity to get less complicated access to the service it offers. This helps those customers who find technology use is a bit intimidating. The finding further implies that the facility of giving welcoming service to the customers is an essential determinant for improving the experience of customers. The magnitude the coefficient is substantial and indicates that offering a customer friendly service is associated with higher customer loyalty. The finding was the similar with the empirical findings obtained by Alexis and Chen (2019) and Aslam et al. (2019). Based on the above result, the fifth hypothesis is accepted.

Table4. 12 OLS Regression Results

Variables	Coefficients	Std. Err.	t	P>|t|
Keycusfoc	0.1294461	0.0481003	2.69	0.007***
Knowmgt	0.1395884	0.0922914	1.51	0.131
Crmorgan	0.0180613	0.043613	0.41	0.679
Techocrm	0.307056	0.0571781	5.37	0.000***
Easeuse	0.436236	0.0590375	7.39	0.000***
Convenience	0.0266019	0.0526303	0.51	0.614
Constant	1.342331	0.733707	1.83	0.035
R-Square	0.695			
Adjusted R-Square	0.663			
Observations	381			

$Note: *** \ p < 0.01, \ ** \ p < 0.05, \ * \ p < 0.1.$

Source: Survey Data, 2022

4.2.4. Summary of Hypotheses Analysis

The researcher has proposed six research hypotheses. Of the formulated six hypotheses, three of them are accepted and the remaining three are rejected as tabulated in Table 4.11.

Table4. 13 Summary of Hypotheses Analysis

Hypothesis	Variable	Coefficient	P-value	Result	Decision
H_1	Keycusfoc	0.129	0.007***	Significant	Accepted
H_2	Knowmgt	0.139	0.131	Not significant	Rejected
H_3	Crmorgan	0.018	0.679	Not significant	Rejected
H_4	Techocrm	0.307	0.000***	Significant	Accepted
H_5	Ease of Use	0.436	0.000***	Significant	Accepted
H_6	Convenience	0.027	0.614	Not Significant	Rejected

$Note$: ∗∗∗ $p < 0.01$, ∗∗ $p < 0.05$, ∗ $p < 0.1$.

Source: Survey Data, 2022

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This section presents the conclusion and recommendations of the current study as follows.

4.3.   Conclusion

Having a good customer relationship management strategy is thought to be essential for the success of airlines and plays a crucial role in retaining customers. Thus, this study was conducted with an overall objective to investigate the relationship between customer relationship management and customer loyalty of Ethiopian Airlines in Addis Ababa. Six explanatory variables were identified to analyze the association between customer relationship management and customer loyalty. For this purpose, thirty-three observed items of customer relationship management clustered into six independent variables and eight items of customer loyalty bunched into a single dependent variable were used. A cross-sectional data with a total of 381 sample units and convenience sampling technique were used and these samples were analyzed through descriptive analysis and OLS regression. The descriptive statistics results indicate that the highest mean score is recorded by key customer focus variable at 4.30 and the lowest mean value was observed in the variable of ease of use at 3.90**.** The descriptive statistics further reports that the average score value of customer loyalty is 3.97 indicating that the sampled passengers have good loyalty with Ethiopian Airlines. The econometric findings indicate that three out of six explanatory variables have found statistically significant and three variables are found to be statistically insignificant. Moreover, the results further indicate that key customer focus, technology-based CRM and ease of use variables have a positive and significant associations with customer loyalty. However, a variable such as knowledge management, CRM organization and convenience were found statistically insignificant implies that they have no attentive effect on customer loyalty. Further to this, the study found that ease of use variable has the strongest effect on customer loyalty among customer relationship management variables.

In addition, the results of our investigation verify that from six proposed hypotheses, three hypotheses were accepted while three hypotheses were rejected as they show the significance level above 5%. In other words, while key customer focus, technology and ease of use have a significant positive customer loyalty, the researcher couldn't find a significant effect of knowledge management, CRM organization, and convenience on customer loyalty. Therefore, the study concluded that the customers of the Airport have satisfied with half of the customer relationship management variables and insatiable the remaining three variables.

4.4. Recommendations

Based on the empirical findings, this study comes up with the following practical and applicable recommendations.

- It is obvious from the finding that key customer focus, technology-based CRM and **ease** of use variables are the significant determinate factors of customer loyalty. Thus, the Ethiopian Airlines should focus on improving these customer relationship management variables in order to retain its loyal customers.
- In the research finding, ease of use variable has the highest positive impact on customer loyalty. Thus, Ethiopian Airlines should be very conscious in improving this customer relationship management dimension as it contributes to customer loyalty and retention.
- In the analysis, the customer's level agreement on the thirty-three-customer relationship management attributes and eight customer loyalty attributes is not absolute. Hence, the Airport should work very hard to improve these attributes to maintain and retain a long-lasting mutual relationship with its customers.
- As the finding of this study reports, the lowest mean value out of the six dimensions of customer relationship management is by ease-of-use dimension and this shows that there are systems that are not easily accessed by customers. Therefore, the Ethiopian Airlines should have to develop a system that requires less effort by customers.
- It is obvious that in order to be profitable in these competitive markets, companies need to have competent staffs that meet the need of its customers. This requires a continuous effort to acquaint employees with the new working environment through providing different types of trainings. Therefore, the Ethiopian Airlines should provide consistent trainings on customer relationship management practices to make employees savvy servants.

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ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

PROGRAM OF BUSINESS ADMINISTRATION (MBA)

A QUESTIONNAIRE TO BE FILLED BY CUSTOMERS OF ET

Dear Respondent!

I am conducting a research on "**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER LOYALTY: THE CASE OF ETHIOPIAN AIRLINES, ADDIS ABABA**" for the partial fulfilment of the requirements for the Award of the Degree of Masters of Business Administration. The objective of this questionnaire is to collect relevant information to meet the research objective. The findings of the research will be helpful to the organization managers who are striving to meet customer's loyalty. The information collected from you will only be used to answer the research questions and be assured that all answers you provide will be kept confidentially. Thus, you are kindly requested to provide your genuine information for all questions according the instructions given below. Thank you very much for your willingness to spare 15 minutes from your valuable time to participate in this study.

General Instructions

- Please feel free as your responses are only used for scholastic purpose.
- You are not supposed to write your name.
- The questionnaire has two sections.
- Please **tick** (✓) in the appropriate boxes according your choice for questions in Section A and **circle** correct numeric response for questions in section B.

Section A: Profile of the Customers of ET

Please read the following questions and answer each of them according to the requirement.

1. What is your age? _____.

2. What is your sex?   Male ☐   Female ☐

3. What is your marital status?

   Single ☐   Married ☐   Divorced ☐   Widowed ☐

4. What is your highest level of educational attainment?

   No education ☐   Primary (Grade 1-8) ☐   High school (grade 9-12) ☐

   Diploma ☐   Bachelor ☐   Postgraduate degrees ☐

5. What is your employment status?

   Paid-employed ☐ Self-employed ☐ Retired ☐ Unemployed ☐

6. How much is your monthly income? _____

7. How many flights you made with Ethiopian Airlines for the last three years?

   a. Once

   b. Twice

   c. Three times

   d. Four times

   e. Five and More times

8. Most of your air travel are for the purpose of

   a. Business

   b. Tourism

   c. Visiting friends and relatives

   d. Other (please specify)

Section B: CRM dimension and Customer Loyalty items

1. This question contains statements aimed to measure your perception towards the company's CRM practices. You can choose from the following aspects of your experience of ET by using five point Likert scale, where 5 is the highest degree of agreement and 1 is least degree of agreement. The answers are based on your perception of the service you get from ET, so it cannot be wrong. Thus, please **circle** correct numeric response to each question.

No	Item	Strongly Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree
	Key customer focus					
1	The airline provides customized services and products to its key customers.					
2	The airlines strive to constantly surprise and delight its key customers					
3	The airline strengthens the emotional bonds with its key customers by wishing them on important occasions.					
4	The airline uses the concept of „Relationship Pricing" in pricing their different products/ services.					
5	The airline does Co-branding/Affinity partnering programs i.e. programs that associate the airlines with reputable organs to provide increased value to its customers					
6	The airline leverage the power of word of mouth by using Referral Marketing programs i.e. marketing programs that make use of satisfied customers to promote the airlines for related others.					
7	The airlines get feedback from customers on delivery and quality.					
	Knowledge management					
1	The airline uses the information from customers to design or improve their services.					
2	The airline has an effective customer recovery strategy including guarantees for service failures.					
3	The airline's employees are willing to help customers in a responsive manner.					
4	The airline fully understands the needs of key customers via knowledge leaning.					
5	Employees of the airlines have enough experience and information about customers.					

No	Item	Strongly Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree
6	Customers can expect prompt service from employees of the airlines.					
7	The airline has a process in place to check and obtain customers" permission to interact with them using various channels like telephone, internet etc.					
	CRM organization					
1	ET commits time and resources in managing customer relationships.					
2	The airlines deliver a reliable customer experience across all customer contact points.					
3	CRM responsibilities of customer contact employees are clearly defined, assigned and understood.					
4	Customer-centric performance standards are established and monitored at all customer contact points.					
5	The airline has effective customer recovery strategy including guarantee for service failure.					
6	The airline structure is meticulously (thoroughly) designed around its customer					
	Technology based CRM					
1	The airline uses technology to automate marketing, sales, and service functions.					
2	The information systems are designed to give comprehensive data about all aspects of its customers, so that it can be responsive to them.					
3	The airline has the right software to serve its customers.					
4	The airline has the right technical personnel to provide technical support for the utilization of computer technology in building customer relationships.					
5	The airline communicates with its customers through email, phone, fax and web.					
No	Item	Strongly Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree

	Ease of Use					
1	Flight Service instructions are easy to understand.					
2	The language is easy to understand					
3	The steps for online and physical operation are easy					
4	The airline is friendly to use for transportation.					
	Convenience					
1	Terminal locations are convenient					
2	Service of the airlines are easily found at all useful places					
3	The airlines have all the needed denominations					
	Customer loyalty					
1	I encourage my friends and relatives to fly with this airline.					
2	I will recommend these airlines to friends and family members.					
3	It is highly likely that I will be the customer of these airlines in the long run.					
4	I am confident of giving positive word of mouth testimonies to others about these airlines.					
5	I am satisfied with the airlines service provided.					
6	I am not intending to leave this airlines in the future					
7	I consider this airline the first choice for air transport.					
8	I consider myself to be loyal to this airline.					

--**End of Questionnaire** -----------------------------

Thank you for your cooperation!

Contact me: betyy1248@gmail.com