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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
PROGRAM OF MARKETING MANAGEMENT

Assessment on Customer Relationship Management Practices:
The case of Ethiopian Airlines

**A Thesis submitted to the Department of Marketing Management, St. Mary's
University, in partial fulfillment of the requirements for the award of Master of
Arts Degree in Marketing Management**

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DECLARATION

I Elias Teshome hereby declare that the thesis entitle” **Customer Relationship Management: The case of Ethiopian Airlines**” is my original work and submitted by me for the reward of Degree of Master of Marketing Management from St. Mary’s Unveristy School of Graduate Studies and it hasn’t been presented for the award of any other Degree, Diploma, Fellowship or other similar title of any unveristy or institution and that all sources of material used for the study have been appropriately acknowledged.

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ENDORSEMENT

This thesis has been submitted to St. Mary's Unveristy, School of Graduate Studies for examination with my approval as a unveristy advisor.

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Table of Contents

Acknowledgement.....	7
List Of Figures.....	8
List Of Tables	9
Acronyms.....	10
Abstract.....	11
CHAPTER ONE	12
1 INTRODUCTION.....	12
1.1 Background of the study.....	12
1.2 Background of the organization.....	12
1.3 Statement of the problem.....	13
1.4 Research questions	14
1.5 Research objectives	14
1.5.1 General objectivities	14
1.5.2 Specific objectives.....	14
1.6 Significant of the study.....	14
1.6.1 For the management of Ethiopian airlines	15
1.6.2 For customers	15
1.6.3 For fellow researchers	15
1.7 Scope and limitation of the study.....	15
1.7.1 Scope of study:.....	15
1.7.2 Limitation of the study.....	16
1.8 Organization of the study	16
CHAPTER TWO	17
2 LITERATURE REVIEW.....	17
2.1 Theoretical literature	17
2.1.2 Theoretical foundation of the study.....	21
2.2 Review of empirical literature	23
2.3 Conceptual framework of the study	25
2.4 Research hypotheses	26
CHAPTER THREE.....	28
3 RESEARCH METHODOLOGY	28

3.1	Research approach and design	28
3.2	Population, sample size and sampling procedure	28
3.2.1	Population	28
3.2.2	Sample size	29
3.3	Sampling technique	30
3.4	Data source and collection	30
3.5	Reliability and validity of data collection instruments	30
3.5.1	Validity	30
3.5.2	Reliability test on piloted questionnaires	30
3.6	Methods of data analysis	31
3.7	Ethical consideration	31
CHAPTER FOUR		32
4	DATA PRESENTATION, ANALYSIS AND INTERPRETATION	32
4.1	Questionnaire response rate	32
4.1	Demographic Characteristics of the Respondents	32
4.1.1	Gender of Respondents	33
4.1.2	Age of Respondents	33
4.1.3	Educational background	34
4.1.4	Frequency of usage	34
4.2	Descriptive Statistics	35
4.3	Reliability test	38
4.4	Validity test	39
4.5	Inferential statistics	39
4.5.1	Normality test	39
4.5.2	Linearity test	40
4.5.3	Multi-collinearity test	40
4.5.4	Homoscedasticity test	41
4.5.5	Correlation test	42
4.6	Regression analysis	44
4.7	Hypothesis testing	45
4.8	Discussion and Implication	45
CHAPTER FIVE		47
5	SUMMARY, CONCLUSION and RECOMMENDATION	47
5.1	Summary of major findings	47

5.2	Conclusion and limitation of the study.....	48
5.3	Recommendation	48
	References.....	50
	Appendix-Research Questionnaire:	51

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List Of Figure

Figure 2.1: Conceptual framework of the study.....	43
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List Of Tables

Table 2.1: CRM dimension	21
Table 2.3: Empirical review summary	40
Table: 3.1: Selected Routings	46
Table 3.2: The reliability of data collection instruments	48
Table 4.1: Questionnaire Response	50
Table 4.2: Gender of respondents.....	52
Table 4.3: Age distribution of respondents.....	53
Table 4.4: Educational distribution.....	54
Table 4.5: Frequence of usage.....	55
Table 4.6 :Descriptive interpretation (Rating scale).....	57
Table 4.7: Customer Relation Management.....	57
Table 4.10: Reliability Test Result (cronbanch's Alpha).....	64
Table 4.11: Skewbess and Kaurtosis test for each variable.....	65
Table 4.12: Multi-collinearity test.....	66
Table 4.13: ANOVA.....	67
Table 4.14: Model summary.....	68
Table 4.15: Correlation coefficients.....	68
Table 4.16: Correlation result between the dependent and independent variables,,.....	69
Table 4.17: Regression result of independent and dependent variables.....	70

Acronyms

- CRM Customer Relationship Management
- CK Customer Knowledge
- CI Customer Interaction
- CV Customer Value
- CS Customer Service
- EAL Ethiopian Airlines

Abstract

This study is, therefore, conducted to analyze customer relationship management practices in the case of Ethiopian Airlines in Addis Ababa, Ethiopia. To this end, the study applied quantitative research approach and explanatory design to meet the research objectives. Structured questionnaire was distributed to 384 Ethiopian Airlines customers on the six selected day shift international flights. The study used descriptive and inferential statistics (correlation and regression analyses) to analyze quantitative data gathered via questionnaire. The result of descriptive statistics indicated that customers have relatively moderate level of perception towards the airline's CRM practices (mean=3.37). Moreover, the results of regression analysis showed that the independent variable namely customer relationship management practices has statistically significant effect on customer retention. Therefore, it is recommended that in order to boost customer loyalty and increase competitiveness, the airline should improve its customer relationship management practices.

Keyword: Customer relationship management and customer retention.

CHAPTER ONE

1 INTRODUCTION

This chapter deals with introduction to the study and incorporates the background of the study, statement of the problem, research questions, research objectives, scope of the study, significance of the study, definition of key terms and organization of the study.

1.1 Background of the study

The study focus on investigating impact of customer relationship management practices on customer retention in the case of Ethiopian Airlines. Customer relationship management helps businesses to gain an insight into the behavior of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, customer relationship management helps a business to recognize the value of its customers and to capitalize on improved customer relations. Customer needs are continually growing and changing in competitive environment. Therefore, companies have to sense and respond to these changes much more quickly than competitors in order to create a competitive advantage (Robert and Grover, 2012). The better we understand our customers and work on customer relation, the more responsive we can be to their needs.

The study attempts to investigate how the airline ability to manage customer relationship practices as the basic dimensions of customer relationship management to improve customer service.

1.2 Background of the organization

Ethiopian Airlines is Ethiopia's flag carrier and is wholly owned by the country's government. EAL was founded on 21 December 1945 and commenced operations on 8 April 1946, expanding to international flights in 1951. During the past seventy plus years, Ethiopian has become one of the continent's leading carriers, unrivalled in Africa for efficiency and operational success, turning profits for almost all the years of its existence. Operating at the forefront of technology, the airline has also become one of Ethiopia's major industries and a veritable institution in Africa. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian currently serves 127 international and 22 domestic destinations operating the newest and youngest fleet. Ethiopian Airlines has its own vision, mission and value statement.

1.3 Statement of the problem

The phenomenon underlying this study is to test the effect of customer relationship management practices on customer retention in the case of Ethiopian Airlines (EAL). The low customer satisfaction toward service giving companies, possibly also caused by other factors such as they are less concerned for the companies to build a mutual relationship with its customers in terms of customer relationship and, which is one of the businesses-based approach to manage relationships with its customers. Customer Relationship Management focuses on what value will customer get rather than to the products or services to be sold by the company. Through the application of customer relationship management, companies are expected to be able to establish communication and a good relationship with its customers. This condition is also expected that the company will not only sell and market a product and service with good quality or competitive prices but also it is able to answer customers' desires and needs (Indah and Dewi, 2013), which can lead to satisfaction and customer loyalty.

According to the above-mentioned concepts review, in today's dynamic market, market competition is causing both demand and supply to fluctuate more rapidly, widely and frequently than they used to before. Under this condition, an organization ought to work on customer relationship management, able to sense, and duly respond to market changes quickly and smoothly to maintain competitiveness. Therefore, to create a competitive advantage, companies need to focus on customer loyalty. Unfortunately, recent studies paid little attention to the role of managing customer relationship for customer loyalty

Customer relationship management is a management approach that enables organizations to identify, attract, and increase retention of profitable customers through improved bond customer relationship management (E. Blery and M. Michalakopoulos, 2006).

However, successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology, and business processes (F. A. Buttl, 2001). Ethiopia Airlines business is showing high growth trend from time to time, but there is low customer relationship management, and this makes the customer dissatisfied with the organization unless appropriate measures are taken as early as possible. So, the issue is how we can create and let the airline realize the very bond and empathic relationship with customer and inclusive development. Many studies have depicted that airlines are faced with numerous problems and challenges, such as lost luggage, flight cancellation, passenger

mishandling by the ground staffs and flight delays. However, this paper focuses on the status Customer Knowledge, Customer Interaction, Customer satisfaction, and Customer Value of the customer towards the organization, lacking these may lead to losing loyal customers, and providing solutions for these problems is unlikely to deliver long-lasting relief from the undesired effect.

1.4 Research questions

The researcher intended to address the following questions:

- 1) To what extent were the practices of customer knowledge being implemented on customer retention in EAL?
- 2) How does EAL perceive the effect of customer interaction on customer retention?
- 3) What challenges are faced by EAL regarding customer value on customer retention?
- 4) To what extent did EAL provide quality service to satisfy, retain, and make the customer loyal to the organization?

1.5 Research objectives

1.5.1 General objectivities

The main objective of the study was to assess customer relationship management practices of EAL on customer retention.

1.5.2 Specific objectives

- 1) To assess what extent were the practices of customer knowledge being implemented on customer retention in EAL
- 2) To assess how EAL perceive the practices of customer interaction with customer retention.
- 3) To assess challenges faced by EAL regarding customer value on customer retention.
- 4) To assess what extent did EAL provide quality service to satisfy, retain, and make the customer loyal to the organization.

1.6 Significant of the study

The researcher believes that research paper is important for the management of Ethiopian Airlines, customers, and the fellow writers.

1.6.1 For the management of Ethiopian airlines

The competitive environment in which airline businesses survive, the quality of service is an imperative mechanism used to achieve a competitive benefit. The quality is a difficult construct to quantify however the ability to measure quality is a key to assessing whether the industry provides the service consumers desire as consumers hold the key to business survival and success. The aim of this study is to investigate how customer relationship management practices positively contribute for customer loyalty in case of EAL. This study assists the management to develop strategies of being competitive in the market by availing quality customer service.

1.6.2 For customers

This study focuses on improving customer relationship management for customer retention. It is important for the airline customer since it determines the customers' satisfaction. It affects the success or failure of the airlines business. It is more important and necessary due to increasing customer expectations. Ethiopian Airlines gives more attention to customer service because it knows that the quality of the product or service that they provide ultimately impacts on its brand. Hence, this research will contribute for better customer service to the airline customers.

1.6.3 For fellow researchers

This study gives more information for fellow researcher to study the effect of customer relationship management practices on customer retention. It endeavors to fill the obvious gap in customer services, and its preliminary step for this is to encourage researchers to undertake further studies which display the inter relationships between customer relationship management and customer retention.

1.7 Scope and limitation of the study

1.7.1 Scope of study:

The scope of the study can be discussed in terms of the issue under investigation conceptual scope, geographical scope and methodological scope.

- 1 Conceptually, the study is delimited to investigate customer relationship management practices for customer retention.

- 2 Geographically, the study is delimited to one organization called Ethiopian Airlines located in Addis Ababa, Ethiopia.
- 3 Methodologically, the study is based on questionnaire, and data will be analyzed via descriptive and inferential statistics.

1.7.2 Limitation of the study

The research result only depends on some customers as difficult to collect data from to all customers due to time and resource constraint. Questionnaire was the only primary data collection instrument used in this study. It could have been better if quantitative data gathered via questionnaire was substantiated with qualitative data collection instruments such as via interview.

1.8 Organization of the study

The study will be organized in five chapters. The first chapter is about introduction to the study. The second chapter reviews related literature including theoretical and empirical literature as well as conceptual framework of the study and research hypotheses. The third chapter deals with the research methodology. The fourth chapter is about data presentation, analysis and interpretation. Finally, the fifth chapter discusses conclusion and recommendations suggested based on the findings of the study.

CHAPTER TWO

2 LITERATURE REVIEW

This chapter review theoretical and empirical literature in relation to customer relationship management practices and customer loyalty. It also presents the conceptual framework of the study and research hypotheses developed based on prior literature.

2.1 Theoretical literature

The theoretical literature review helps the researcher to establish what theories already exist, the relationships between them, to what degree the existing theories have been investigated, and to develop new hypotheses to be tested. Often this section the researcher is used to help establish a lack of appropriate theories or reveal that current theories are inadequate for explaining new or emerging research problems. The unit of analysis can focus on a theoretical concept or a whole theory or framework.

2.1.1.1 The concept of customer relation management

Customer relation management refers a technology for managing all your company's relationships and interactions with customers and potential customers (Wesley Chai , 2018). Many factors explain the emergence of CRM that is considered as a company strategy oriented towards clients. In a context characterized by commoditization of products, market saturation, increased customer demand and lower loyalty, we are in the context of relationship marketing where the customer conservation becomes a strategic marketing objective. These changes found in the loyalty strategies were made easier by the development of communication and information technologies.

The separation between the firm and the customer noticed in the product view during the 1980's was compensated thanks to the emergence of information systems. Two stream of research form the theoretical foundation of a CRM concept (Agrebi, 2006); a strategic stream (relationship marketing) and a technological stream related to the information systems. In fact, Crosby and Johnson (2001) identify the customer relationship management as a business strategy that multiplies the use of technology and includes it in all its process to create retention and loyalty over time.

More generally, the focus of the CRM concept is to build a long term and value-added relationship for both business and customers. For this purpose, the company is brought to focus

again its efforts and resources on its most profitable customers. In this perspective, Brown (2001) define the CRM as “a strategy that a company follows to understand, anticipate and manage the current and potential needs of its customers. During this process that involves changes related to strategy, procedures, structures and techniques, a firm struggles to better organize itself around its customers’ behavior. This requires the acquisition of knowledge about them and its application at all levels to obtain both profits and customer satisfaction”. This definition highlights the importance of knowledge management in a relational approach. Several studies (such as Zablah and al, 2004) discussed the knowledge management contribution process in maintaining lasting and profitable relationships between the company and its customers, thus contributing to the success of the CRM implementation project. In fact, Zablah and al (2004) define the CRM as “a continuous process that results in the use of the market data in order to create and maintain profitable relationships with the customer”. These authors focus on the knowledge management process that would make the management of the business-client interaction easier.

According to Peppers and al (1999) “the CRM means to be able to change the attitude towards the client depending on what he tells us and what we know about him”. Besides, the success of CRM relates to the possession of tangible and intangible resources so that the company is flexible to the customers’ needs.

2.1.1.2 Dimensions of customer relationship management

Based on the review of past related literatures on CRM and detail interview with some selected CRM managers, Sin et al (2005) hypothesized that the concept of CRM is a multi-dimensional construct which consist of four broad behavioral components in every implementing organization: key customer focus, CRM organization, knowledge management, and technology based CRM (Sin et al, 2005). They argued that their findings is in accordance with the general notion that a successful CRM is primarily designed to address four key areas in the implementing organization: corporate strategy; people; technology; and processes (Sin et al, 2005; Fox and Stead 2001), and that it is only when all these four components works according to target that a company will experience a superior customer related capability.

Successful implementation of CRM system requires specific actions on all parts of the organization. Kim et al. (2003) divided CRM system into four stages:

i) Customer Knowledge (CK):

Customer Knowledge (CK) is a necessary first step to a complete CRM system in the construction of a customer information file like data warehousing. This means collecting appropriate customer information, analyzing customer data, acquiring new customers, improving skills of employee, improving CRM technique, and secure service. CRM is based on the assumption that better customer knowledge makes for higher profits. This is achieved through the acquisition, creation, analysis and application of customer data such as Personal data, transaction data and soft facts, e.g., interests and hobbies. The data allow companies to customize customer contacts and product offers, and thus achieve a higher service quality. Moreover, by using the data it would be possible to discover new customer needs and requirement. Creating additional value for customers also improves customer retention and loyalty.

ii) Customer Interaction (CI):

It refers addressing the demands of our customers and ensuring it through the supply of our product or service. Customers perceive value and service quality at the time of the service encounter, and their evaluations of service quality also involve evaluations of the process of service delivery. In other words, interaction with customers is the turning point of business activity towards customer orientation and customer relationship management.

iii) Customer satisfaction (CS):

It is a measure of how well a company's products, services, and overall customer experience meet customers. It is crucial to the success of our business. No matter how innovative our product or competitive our pricing, if our customers are ultimately unhappy, they're not going to stick around.

iv) Customer Value (CV):

It measures a product or service's worth and compares it to its possible alternatives. This determines whether the customer feels like they received enough value for the price they paid for the product/service.

Table 2.2: The dimensions of CRM and its related indices.

Dimensions of CRM	Implications	Indices
Customer knowledge	Understanding the Customers and analyzing their Data	Understanding the Customers and analyzing their Data
Customer interaction	Promoting the effective paths	Cumber of responses, number of interactions, relationship management Communication routes ‘ maximizing operations profitability
Customer satisfaction	Achieving Business Value	Customer retention, increasing repeated purchases, number of complaints
Customer value	Increasing Loyalty and Profitability	Brand perception, servicing level, number of daily requests, and customer’s trust towards the organization

Source: Kim et al. (2003)

2.1.1.3 Theories of customer relation management

Various definitions of customer relation management (CRM) are presented by thinkers in management, marketing and information technology domain. Baran et al (2008) defined customer relation management as one of the business and trade strategies in order to improve customer’s interest and satisfaction (by organizing resources based on customer's demands), training the customer’s satisfactory behaviors and performing the customer oriented processes. The airline business strategy makes use of information technology in a way to introduce the unified, reliable and comprehensive view points on customers which uses all processes and customer interactions in order to maintain and expand fruitful relations. The growth of CRM began in 1990 decade as it has created a revolution in the competitive style of organization. Relationship management philosophy is formed by the difference in the demands and needs of customers as no people are similar and alike, no two customers are the same and have no the same behavior.

Therefore, the customer relations are something beyond the usual marketing. A company should be able to change its products and services in accordance with customer taste in the customer relationship management. In other words, the necessity and central point of customer oriented is to focus on customers' needs based on establishing a one-to-one relation and the continuous interaction with each one of them. These types of relations increase the customers' Loyalty. Because customer feel that they more important and are greatly valued by the companies. The customer relation management system is a key element in justification with the environmental changes of the airlines which supervise the external changes and justify the internal culture of organization with those changes. These systems are based on interactive relationships between companies and clients.

Johnson and Ross (2014) focused on grounded theory development where the theoretical relationships were not statistically tested, which gives a scope for future research, and investigated additional differences between the outcomes resulting from social and commercial relationships. Agariya and Singh (2013), in their research, developed a CRM scale regarding the Indian telecom sector, where sample sizes were small. Hence, large and more diversified samples can be considered for future research work.

Chakravorti (2009) argues that inter-firm CRM processes can lead to competitive advantage through the generation and strengthening of inter-organizational learning and inter-firm relationships, which gives the opportunity for developing measures for the framework constructs and for empirically validating the model relationships through surveys, interviews, and focus groups with companies and members involved in joint CRM efforts in the value chain.

The research of Starzyczna and Pellešová (2007), regarding the CRM knowledge of Czech companies doing business in services, found out that the CRM is perceived as: "the creation of a permanent relation with customers, which brings a long-time value for both participants of this relation." This definition is very close to how authors see the basic principle of CRM as a great analogy to how business has been done in the past millennia.

2.1.2 Theoretical foundation of the study

As per the previous studies, the evolution of customer relationship marketing (CRM) and chronicle its shifting emphasis from one of value distribution and independence, i.e., short-term competition and conflict, to value (co) creation and interdependence, i.e., long-term mutual

cooperation. Over the years, the foundational premises and axioms of relationship marketing (RM) have both broadened and deepened, intersecting with allied marketing concepts including service-dominant (S-D) logic, customer-centric marketing, customer-as-assets thinking, and customer experience and engagement models.

Although the earliest concept of relationship marketing dates back to the pre-industrial era, we examine its lifecycle stages of adoption, development, and expansion in B2C marketing over the last three decades. Several theories, models, and frameworks, both classic and contemporary that explain antecedents, processes, and outcomes of customer relationships with companies are briefly discussed. In particular, we can find the following models and frameworks:

- buyer–seller model (Dwyer *et al.*, 1987);
- trust–commitment model (Morgan and Hunt, 1994);
- S-D logic (Vargo and Lusch, 2004);
- interpersonal RM (B2C) model (Palmatier, 2007a);
- interfirm RM (B2B) model (Palmatier, 2008);
- reverse logic framework (RLF) of relationship marketing (Kumar *et al.*, 2009);
- customer engagement behavior (CEB) model (Van Doorn *et al.*, 2010);
- customer engagement marketing theory (Harmeling *et al.*, 2017);
- customer experience model (Lemon and Verhoef, 2016); and
- customer valuation model (Kumar, 2018).

In general, customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales. Therefore, CRM is an issue of strategic business and process rather than a technical one. Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects (Long, et. Al., 2013).

2.2 Review of empirical literature

Customer relationship management has been defined as “a business approach that integrates people, processes, and technology to maximise relationships with customers” Goldenberg (2008, p.3). Moreover, it has been stated that customer relationship management “characterises a management philosophy that is a complete orientation of the company toward existing and potential customer relationships” (Raab et al, 2008).

Cho, et . al . (2013) investigated the impact of customer relationship management on customer satisfaction and loyalty. The study was performed at a departmental store in Tehran, Iran. the study employed quantitative approach. And base on 300 respondents. The main findings of the study shows that behavior of the employees is significantly related and contributed to customer loyalty compared to other elements of CRM i,e interaction management , relationship management and services quality. Hisham Solieman, (2011), in his study customer relationship management and its relationship to marketing performances assured that there is a positive relationship between CRM and marketing performance such as customer satisfaction and customer loyalty. Three major variables of CRM were tested in this study i, e focusing on the main customers, organization efficiency and customer knowledge management. The study concluded that all elements of CRM have positive relationship with customer satisfaction and customer loyalty.

Mueller (2010) characterises customer relationship management aspect of the business as a highly dynamic, and convincingly argues that businesses have to adopt a proactive approach in devising relevant programs and initiatives in order to remain competitive in their industries.

Sinkovics and Ghauri (2009) relate the necessity for engaging in customer relationship management to high cost of direct sales, highly intensifying level of competition in the global level, and need for information about various aspects of the business in general, and consumer behaviour in particular, that can be used to increase the levels of sales.

According to Peppers and Rogers (2011), there is global tendency in customer relationship management that relates to the shift from transactional model towards the relationship model. In other words, Peppers and Rogers (2011) argue that satisfying customer needs as a result of on-time transaction is not sufficient today in order to ensure the long-term growth of the businesses.

Instead, businesses have to strive to maintain long-term relationships with their customers in order to maintain flexibility to adopt their increasing expectations and thus achieving their life-long loyalty. Peppers and Rogers (2011) further stress that, businesses that refuses to acknowledge this tendency in the global marketplace would be risking their market share and growth prospects in the future.

One of the most critical sources for the research is the book “Relationship Marketing and Customer Relationship Management” authored by Brink and Berndt (2009). The book offers an in-depth discussion of the concept of Customer Touch Map and discusses the role of information technology in facilitating customer relationship management.

The work of Mathur (2010) represents another significant contribution to the research area to be used in the study. Namely, the author provides a wide range of specific customer relationship management techniques and principles that are used by multinational businesses. The findings of Mathur (2010) can be compared to the primary data findings in the proposed research, thus enhancing the scope of the study.

Khurana (2010), on the other hand, discusses the concept of customer relationship management in a great detail, and also addresses advantages and disadvantages associated with a range of relevant software applications. The third edition of Pradan’s (2009) “Retailing Management” is another noteworthy source that is going to be used in the study. Specifically, Pradan (2009) identifies customer relationship management as an emerging aspect of marketing in retail and discusses its importance for ensuring long-term growth for retail businesses.

A global approach towards the issues of customer relationship management is adopted by Raab et al (2008) in “Customer relationship management: a global perspective”. The value of this specific work to the proposed research can be explained in a way that it will allow the comparison of customer relationship management principles to the similar principles exercised by other multinational retailers in a global marketplace.

Bhatia’s (2008) work, “Retail Management” is also going to be used in the proposed study due to the significance of the contribution of the work to the research area. Bhatia (2008) offers in-depth discussions related to the use of loyalty cards by retailers, and this represents a comprehensive analysis of the issue in the secondary data.

Moreover, Cox's (2011) "Retail Analytics: The Secret Weapon" deserves also to be mentioned in here thanks to the most modern and fresh perspective the author adopts in order to approach the research issues. The most valuable part of this specific article is that it provides highly practical recommendations to retailers of various sizes in terms of increasing the levels of revenues through adopting a range of customer relationship management principles.

A range of academic models and writings relate to this research in direct and indirect ways and some of the most relevant models are going to be explored in the study. One of the most models to be used in the study is The Gap Model of Service Quality. "A model of service quality called the gap model identifies five gaps that can cause problems in service delivery and influence customer evaluations of service quality" (Lamb et al, 2011).

These five gaps are:

- a) the gap between customer wants and the management perceptions about customer wants;
- b) the gap between the management perceptions about customer wants and the specifications of service developed;
- c) the gap between the service specifications and the actual service provided;
- d) the gap between the quality of service promised and the quality of service provided, and
- e) the gap between expected service and perceived service on behalf of customer.

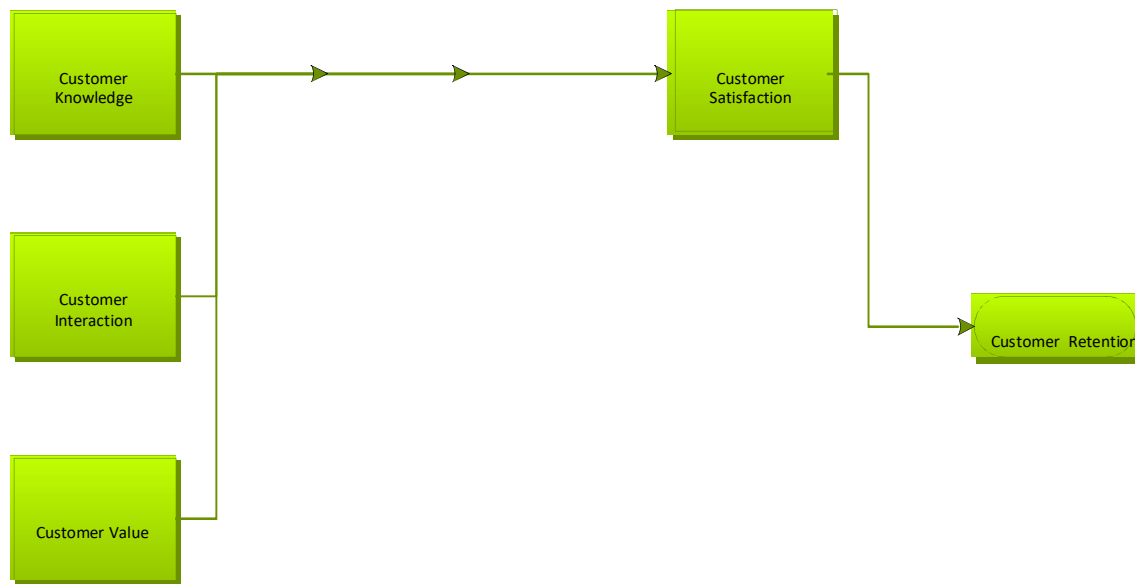
Another relevant model to be tested during the study constitutes Relationship Model of customer relationship management proposed by Peppers and Rogers (2011). Specifically, the model advocates adopting a pro-active approach in sustaining customer relationships and proposes a set of specific principles that would assist to accomplish this task

2.3 Conceptual framework of the study

This study attempts to examine how the series of independent variables are related to the dependent variable. The overall assumption was that the degree of customer retention was dependent on degree of the practice by EAL to satisfy customers. A satisfied customer will enter into a long-term relationship with sellers. A long-term buyer-seller relationship is very important to create longer term customer retention. The research findings revealed that the overall service quality provided by EAL had a direct relationship with customer retention and loyalty.

However, despite improving services, still the organization develop the best strategies which can be applied to retain customers by using these four customer relationship dimensions (Customer Knowledge, Customer Interaction, Customer satisfaction, and Customer Value) which shows maintaining customer loyalty alone is not a sufficient factor. In addition, the gap still exists since the researchers did not observe other constructs such as trust and commitment which actually may have profound effects on customer retention.

Figure 2.1: Conceptual framework of the study



Source: This model is adapted and modified from Thai, Vinh V (2008)

The following proposition researchers can draw:

P1: Customer interaction practices play a significant role on customer satisfaction.

P2: Customer value Practices play a significant role on customer satisfaction.

P3: Customer knowledge practices play a significant role on customer satisfaction.

P4: Customer satisfaction practices play a significant role on loyalty.

2.4 Research hypotheses

The researcher developed the following hypotheses to support the study of impact of the independent variables (Customer Knowledge, Customer Interaction, Customer satisfaction, and Customer Value) on dependent variable (customer loyalty).

H1: Customer Knowledge practice has positive relationship with customer loyalty.

H2: There is a significantly positive relationship between customer interaction and customer loyalty.

H3: Customer Value has a significant effect on customer's loyalty.

H4: Customer satisfaction has a significant effect on customer loyalty.

Generally, based on the empirical studies reviewed above, it is hypothesized that Customer Knowledge, Customer Interaction, Customer satisfaction, and Customer Value influence customer loyalty. Figure 2.1 shows how the series of independent variables are related to the dependent variable. The overall assumption was that the degree of customer loyalty was dependent on degree of the practice by EAL to satisfy customers.

CHAPTER THREE

3 RESEARCH METHODOLOGY

Research methodology defines the systematic and scientific procedure used to arrive at the result and findings for a study against which claims for knowledge are evaluated (Nahamias et al. 1996). A methodology is therefore shaped by the perspective the researcher chooses to approach the study.

3.1 Research approach and design

This study applied a quantitative research approach in order to unlock aiming to investigate the relationship between customer knowledge management, customer relation management and service quality (Creswel, 1994). To this end, quantitative data was gathered via questionnaire survey.

The study is used an explanatory research design thus explanatory designs seek to establish cause and effect relationships. The primary purpose of this research design is to determine how events occur and which ones may influence outcomes (Dawson & Bob 2006). This method helps the researcher to investigate the relationship between dependent and independent variables.

3.2 Population, sample size and sampling procedure

For the purpose of this study, the researchers used simple random sampling techniques, because the target population was homogenous and they provide equal chance for the sample respondents.

3.2.1 Population

The population of the study comprise of Ethiopian Airlines customers. The total number of customers in week is 21,000 (3,000 per day) and both genders uses the service of EAL for different reasons. The researcher has selected only six day shift international destinations for this research out of 127 international and 22 domestic destinations the airline currently operating.

Table: 3.1 Selected Routings

Departure	Arrival
Addis Ababa	Dubai
Addis Ababa	Kinshasa
Addis Ababa	Nairobi
Addis Ababa	Johannesburg
Addis Ababa	Luanda
Addis Ababa	Tanzania

Source: EAL flight time table (2022)

3.2.2 Sample size

Since the population of the study is infinite, the following formula (Cochran, 1963) is used to determine the appropriate sample size.

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

Where n= sample size

- z=the value of standard value of a given confidence level
- P= sample proportion
- q=1-p
- e=acceptable error
- e= 0.05, z=1.96
- p= 0.5 q= 0.5 and we get

$$n = \frac{(1.96)^2 (0.5) (0.5)}{(0.05)^2}$$

$$n = 0.9604 = 384.16$$

Therefore, a total of 384 customers will be randomly selected to complete the structured questionnaire.

3.3 Sampling technique

The researcher uses non-probability sampling technique which is convenience sampling technique. Convenience sampling is the technique in which a sample is drawn from that part of the population that is readily available during collecting the survey (Anol 2012). The reason for using convenience sampling is because the population is too large, and it is impossible to include every individual and the respondent are included based on their convenient accessibility and proximity to the researcher.

3.4 Data source and collection

The study gathers data from primary and secondary data sources.

- 1) Primary data: questionnaire will be used to collect data for the purpose of this study. Structured questionnaire will be dispatched to customers to gather pertinent data. Questions are developed from the three variables dimensions. Five (5) likert scales are used as a measurement in which respondents indicate their extent of agreement or disagreement in order to measure the variables.
- 2) Secondary data will be collected from books, journals, theses, research, dissertations, articles, working papers, and the Worldwide Web.

3.5 Reliability and validity of data collection instruments

3.5.1 Validity

Validity often called construct validity which refers to the extent to which a measure adequately represents the underlying constructs that it is supposed to measure (Anol, 2012). Validity suggests fitfulness and refers to the match between a construct, or the way a researcher conceptualizes the idea in the conceptual definition, and the idea. It refers to how well an idea about reality fits in with actual reality. In this study, the researcher uses 11 dimensions of customer relationship management.

3.5.2 Reliability test on piloted questionnaires

A reliability test is used to assess consistency in measuring items (Cerri, 2012). Cronbach's alpha is used to measure the internal consistency of the measurement items. Reliability analysis was calculated to test whether the scale used in the study is internally consistent. According to George and Mallery (2003) Cronbach's Alpha result which is greater than 0.70 is acceptable.

Table 3.2: The reliability of data collection instruments

Variables	No of items	Cronbach alpha	Name of the scholar/s who developed the scale, year)
Customer Knowledge	2	0.787	Cerri,2012
Customer Interaction	2	0.725	Cerri,2012
Customer satisfaction	3	0.718	Cerri,2012
Customer Value	4	0.769	Cerri,2012
Customer relationship management dimensions (Customer Retention)	11	0.899	Cerri,2012

Source: The researcher compilation (2022)

Table 3.2 shows the average Cronbach’s Alpha result of all the variables are above 0.70 which is acceptable according to the standard set by George and Mallery (2013), this indicate that there is internal consistency between the items and measures of the dimension of the variables.

3.6 Methods of data analysis

Quantitative data was gathered via structured questionnaire. Statistical Package for Social Sciences (SPSS) software was used to process the data that the researcher gathered for statistical analysis. The researcher was used both descriptive (frequency, graph, percentage, mean and standard deviation) and inferential statistics (Cronbach’s Alpha test) to analyze the data. Descriptive statistics was used to describe the current state of affairs with regard to the study variables; while inferential statistics (regression analysis) was used to test the relationship between the study variables.

3.7 Ethical consideration

Ethical considerations in research are a set of principles that guide the research designs and practices. These principles include voluntary participation, informed consent, anonymity, confidentiality, potential for harm, and results communication. The researcher has adhered to the aforementioned ethical principles.

CHAPTER FOUR

4 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter, the results that are obtained from the study are presented, analyzed, and interpreted in detail. The chapter begins by presenting respondents' profile followed by a descriptive statistics, correlation, and regression analysis respectively. Moreover, summarized results of the response towards the items included in the questionnaire as well as descriptive statistics are illustrated, analyzed, and synthesized in tables, percentage, and charts. Inferential statistics based on Correlation, regression and factor analysis is also conducted with the help of Statistical Package for Social Science (SPSS).

4.1 Questionnaire response rate

As stated under the population and sampling section, the study targeted a sample size of 384 respondents. A set of questionnaires was distributed to 384 respondents. However, only 314 questionnaires were completed and returned for analyses. After rejecting improperly filled out, incomplete questionnaires and the outliers, 314 questionnaires were used for analysis. Although a response rate of 50% is normally acceptable for analysis and reporting (Duncan D., 2008). The response rate for this study was 81.77% that was valid to draw conclusions.

Table 4.1 Questionnaire Response

	No. of respondents	Percent
Expected	384	100%
Questionnaires administered	384	100%
Questionnaires Filled Out & Returned	364	94.70%
Questionnaires Valid for Analysis	314	86.26%

Source: The researcher compilation (2022)

4.1.1 Demographic Characteristics of the Respondents

Demographic characteristics including gender, age, educational background, and response towards all other variables are summarized using frequencies and percentages.

4.1.1 Gender of Respondents

The table below presents data on gender of respondents. It shows that the male respondents formed majority of the target population with a total of 167 representing 53.18 %, while 147 respondents were female representing 46.82%. The response rate of the male is greater than female respondents which indicates that the airline should give some emphasis and promotes women to travel on the air-line.

Table 4.2: Gender of respondents

Gender of the respondent	No. of respondents	Percentage
Male	167	53.18%
Female	147	46.82%

Source: Researcher's compilation, (2022)

4.1.2 Age of Respondents

The researcher needed to know the age distribution of respondents to help categorize the participants' age wise because it helps catch up the satisfaction level and their motivation since their need and unsatisfied part differs.

Table 4.3: Age distribution of respondents

Age group Cumulative	Frequency	Percentage
18-30	41	13.06%
31-45	195	62.10%
46-55	60	19.11%
56 and above	18	5.73%
Total	314	100%

Source: Researcher's compilation (2022)

The age distribution of the participants shown that 13.06 % of the respondents are within the age group 18 and 30 while 62.10% of the respondents were within the age group of 31 & 45. Likely 19.11 % of the respondents were in the age group of 46 & 55 and the remaining 5.73% of the respondents were above the age of 55. This shows that majority of the participants i.e., 75.16 % were below the

age of 46. This implies that the large proportions of respondents were the youngsters who could make their own rational decision in any of their life affairs.

4.1.3 Educational background

The questionnaire was included the survey of the educational background of the respondent. It helps the researcher to understand the educational level of the respondents for further analysis on the study.

Table: 4.4: Educational distribution

Educational level	Frequency	Percentage
Primary/secondary	57	18.15%
Certification	97	30.89%
Diploma	104	33.12%
Degree	47	14.97%
Master and above	9	2.87%
Others	0	0%
Total	314	100%

Source: Researcher's compilation (2022)

The above table shows that 18% of the respondents were primary and secondary school students, 31% of them have certificate, 33% of the total respondents were diploma holder, among the total population 15% of the respondents were degree holder and the remaining 3% of the respondents were under master and above. It implies that majority of the respondents were having at least certification which contribute a lot on getting more reliable result for the study.

4.1.4 Frequency of usage

Table 4.5: Frequency of usage

Customer service experience	Frequency	Percentage
One time	31	9.87%
Two times	88	28.03%
Three times	104	33.12%
Four times	47	14.97%
Five times and above	44	14.01%

Total	314	100%
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Source: Researcher’s compilation (2022)

The above table shows that 12% of the respondents were used the airline service for one time, 28% of the respondents were used the service for second time, 33% of the total respondents were using the service for third time, among the total population 15% of the respondents were using the airline for fourth time and the remaining 12% of the respondents were using the service for fifth and above times. It indicates that majority of the respondents were using the airline service for second or more times this helps the researcher to get more reliable feedback for the questions because most of the customers were having more experience on traveling on Ethiopian Airlines.

4.2 Descriptive Statistics

This section of the descriptive analysis deals with analyzing those agreement on the dimensions of CRM practices which is influential to the respondents’ agreement on impact of Customer Loyalty. Hence, the below descriptive analysis tables demonstrate in detail about the mean and standard deviation of the Ethiopian Airlines customers response, the interpretation is depended on the table proposed by (Andrich and David, 1978).

Table 4.6: Descriptive interpretation (Rating scale)

Mean range	Interpretation	Response made
1.0-1.7	Strongly disagree	Very low
1.8-2.5	Disagree	Low
2.6-3.3	Neutral	Not sure
3.4-4.1	Agree	High
4.2-5.0	Strongly agree	Very high

Source: Andrich and David, 1978

4.2.1. Descriptive statistics for customer relation management

Survey respondents were asked likert scale items question to assess their perception towards customer relation management practices. Descriptive statistics (frequency, percentage, and mean) was used to assess their perception.

Table 4.7: Customer Relationship Management

Cod e	I- Customer knowledge		Strong-ly disa-gree (1)	Disa-gree (2)	Neutral (3)	Agree (4)	Strong-ly agree (5)	Mean
CK1	The front-line staffs meet your service quality expectation.	Frequen-cy	3	12	33	148	118	2.87
		Percent	0.96%	3.82%	10.51%	47.13 %	35.58%	
CK2	The staffs understand the specific needs of individuals	Frequen-cy	3	4	30	167	110	3.21
		Percent	0.96%	1.27%	9.55%	53.18 %	35.03%	
Grand mean								3.04
II- Customer Interaction								
CII	Prompt respond of employees for your request.	Frequen-cy	1	29	19	172	93	2.97
		Percent	0.32%	9.26%	6.05%	54.78 %	11.43%	
CI2	The staffs at the check in and boarding gate have good interaction with customer.	Frequen-cy	13	48	33	147	73	3.25
		Percent	4.14%	15.29%	10.51%	46.82 %	23.25%	
Grand mean								3.11
III- Customer Satisfaction								
CS1	Overall, I am satisfied with the air-line service quality	Frequen-cy	13	12	39	170	80	3.86
		Percent	4.14%	3.82%	12.42%	54.14 %	25.48%	
CS2	I am willing to use the airline service in the future	Frequen-cy	2	28	20	202	62	3.67
		Percent	0.64%	8.92%	6.37%	64.33 %	19.75%	
CS3	I am satisfied with handling of the airlines staff for my compliant or request	Frequen-cy	6	43	12	188	65	3.45
		Percent	1.91%	13.69%	3.82%	59.87 %	20.70%	
Grand mean								3.66
IV- Customer Value:								

CV1	I am aware of Ethiopian Brand before this trip	Frequency	28	12	27	187	60	3.70
		Percent	8.92%	3.82%	8.60%	59.55%	19.11%	
CV2	The Ethiopian Airline service is super	Frequency	10	15	39	170	80	3.84
		Percent	3.18%	4.78%	12.42%	54.14%	25.48%	
CV3	I am confident that the airline fulfills the promised service	Frequency	13	48	33	147	73	3.61
		Percent	4.14%	15.28%	10.51%	46.82%	23.25%	
CV4	The employees give attention to the customer	Frequency	14	47	33	140	80	3.45
		Percent	4.46%	14.97%	10.51%	44.59%	25.48%	
	Grand mean							3.65
Grand mean for CRM dimensions								3.37

Source: Survey result (2022)

In the above table, the CRM dimensions' result was shown as follow. The respondents (47.23%) were agreed the question on the front-line staffs meet the service quality expectation but some of the customers (0.96%) were strongly disagreed on the same. Most of the respondents (53.18%) were agreed on the staffs understand the specific needs of individuals but very few of them (0.96%) on the service. The grand mean of customer knowledge 3.03 which indicated that the customers were not sure on the airline service worked to understand the customer knowledge.

Half of the respondents (54.78) were agreed on the prompt respond of employees for their request while few of them (0.96%) were strongly disagreed on the same. Majority of the respondents (46.74%) were agreed on the staffs at the check in counter and boarding gate had good interaction with customer but some of them (4.14%) were strongly disagreed on the same. The grand mean of customer interaction 3.11 which shows that the customers were not sure about the service.

The respondents (54.14%) were agreed on the question about overall I was satisfied with the airline service quality but few of them (3.82%) disagreed on the same. More than half of the respondents (64.33%) were agreed on the customer was willing to use the airline service in the future but few of them (0.64%) were strongly disagreed on the same. Most of the customers (59.87%) were agreed on they were satisfied with handling of the airlines staff for their compliant or request but some of them (1.91%) were strongly disagreed on the same. The grand mean of Customer Satisfaction parameters 3.45 which indicated the clients were not sure on the customer satisfaction.

Most of the respondents (59.55%) were agreed on they were aware of Ethiopian Brand before this trip but some of them (3.82%) were disagreed on the same. More than half of the customers (54.14%) were agreed on question Ethiopian Airline service was super but very few of them (3.18%) were strongly disagreed on the same. The respondents (46.82%) were agreed on the question they were confident that the airline fulfilled the promised service but some of them (4.14%) were strongly disagreed on the same. The customer (44.59%) was agreed on the employees gave attention to the customer while very few of them (4.46%) were strongly disagreed on the same. The grand mean of customer value 3.65 indicted that the customers were highly agreed on the airline gave appropriate focus on the customer value. The overall grand mean of the CRM dimensions 3.37 indicated that the clients were neutral or not sure the airline was working on the CRM practices.

4.3 Reliability test

Reliability is the degree to which measures are free from error and, therefore, yield consistent results (Thanasegaran, 2009). According to George and Mallery (2003) Cronbach's Alpha result which is greater than 0.70 is acceptable.

Table 4.8: Reliability Test Result (cronbach's Alpha)

Variables	No. of items	Cronbach alpha	Name of the scholar/s who developed the scale, year)
Customer Knowledge	2	0.795	Cerri,2012
Customer Interaction	2	0.817	Cerri,2012
Customer satisfaction	3	0.857	Cerri,2012
Customer Value	4	0.892	Cerri,2012
Customer relationship management	11	0.921	Cerri,2012

dimensions (loyalty)			
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Source: Researcher’s compilation (2022)

The table above shows the reliability test result for customer knowledge, customer interaction, customer satisfaction, customer value and customer retention. Based on the result, the whole variables Cronbach’s Alpha result for this study is above 0.70 which is acceptable according to the standard set by George and Mallery (2013), this indicate that there is internal consistency between the items and measures of the dimension of the variables.

4.4 Validity test

The instrument was developed in line with the conceptual framework which is originated from the literature reviewed. After initially developing the questionnaire, the instruments were pilot tested with four professionals in the sector. The feedback from the pilot testing was reviewed and adjustments to the instrument were made. The major adjustments were to shorten and categorize the statements, and the overall appearance in formatting of the items. The items and the instrument were next reviewed by my advisor for content validity. Feedback from the advisor resulted in additional adjustments to the instrument. Finally, the instruments were given to the same (pilot testing) professionals with in two days and assessed for retest reliability which was found valid.

4.5 Inferential statistics

In order to test the relationship between customer knowledge, customer interaction, customer value and customer satisfaction on customer loyalty, the researcher used correlation and regression analysis.

4.5.1 Normality test

It is used to determine whether sample data has been drawn from a normally distributed population or the population from which the data is normally distributed. In this research the normality was checked by two terms i.e., Kurrosis and Skeweness using SPSS to there exist normal values for Kurtosis as well as Skewness. The normal value for Kurtosis is less than 3 whereas for Skewness the normal value is less than 6 (Asghar and Sale, 2021).

Table 4.9: Skewbess and Kaurtosis test for each variable

	Valid	Missing	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
CRM related dimensions	314	0	0.443	0.129	1.789	0.267
Customer retention	314	0	0.679	0.149	1.927	0.352

Source: Researcher's Compilations (2022)

The value from the above table 4.11 shows that the Skewness value are all under 3 (three) for all independent variables and dependent variable under Kurtosis values are under 6 (six) for the existing variables. The results show on the table, the data was normally distributed among the sample population.

4.5.2 Linearity test

Liner regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In this study, the regression analysis used the CRM practices dimensions as independent variables to measure their impact on customer retention. The significance level of 0.05 was used with 95% confidence level and used multi regression analysis in this study. The reason for using this multiple regression analysis was to examine the direct effect of CRM practices on customer retention in the case of Ethiopian Airlines.

4.5.3 Multi-collinearity test

The study checks if there is high correlation between the independent variables with variance inflation factor (VIF) which calculates the influence of correlation among the independent variables on the precision of regression estimation. The VIF should not exceed 10. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by other independent variable in the model and is calculated using the formula $1 - R^2$ for each variable. If this value is less than 0.1 it indicates that there is possibility of multi-collinearity, but if it is greater than 0.1 it means that there is no multi-collinearity problem with within the model (Ranjit 2012).

Table 4.10: Multi-collinearity test

Model	Collinearity statistics	
	Tolerance	VIF
CRM dimensions	0.639	1.561

Source: Survey result (2022)

The VIF for each term in the model measures the combined effect of the dependences among the repressors on the variance of that term. One or more large VIF indicate multi-collinearity. Practical experience indicates that if any of the VIFs exceeds 5 it is an indication that the associated regression coefficients are poorly estimated because of multi-collinearity (Ranjit 2012). As shown in table 4.12 VIF result of the independent variables 1.561, this shows that the results are less than five so that the variables are perfectly not correlated.

4.5.4 Homoscedasticity test

The above ANOVA table shows the various sums of squares described in the table and the degrees of freedom associated with each. F-ratio is the most important part of the table, which is a test of the null hypothesis that the regression coefficients are all equal to zero. . In another way, this F statistics tests weather the R square proportion of variance in the dependent variables accounted for by the predictors is zero and the table also shows the associated significant value that F-ration (Filed, 2009).

Table 4.11: ANOVA

Model	Some of squares	DF	Mean square	F	Sig
Regression	135.136	4	33.776	112.869	0.000
Residual	90.886	306	0.289		
Total		310			

Source: Survey result (2022)

The above table shows that F is 112.869, which is significant at $P < 0.001$ because the value in the column labeled Sig is less than 0.001. Therefore, we can conclude that our regression results in significantly better prediction of customer retention and that the regression model overall predicts customer retention significantly well.

Table 4.12: Model summary

Model	R-square	Adjusted R-square	Std. Error of the estimate
1	0.598	0.593	.54503

Source: Survey result (2022)

R-square (R²) indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In other word R² is a measure of how much of the variability in the outcome is accounted for by the predictors. The value of R² also range from 0 to 1 (Pedhazur, 1982). The linear combination of customer retention dimensions or predictors' i.e customer knowledge, customer interaction, customer value and customer satisfaction dimensions explain 59.8% of the variable in customer retention and the remaining 40.2% is explained by extra-neous variables, which have not been included in this study.

4.5.5 Correlation test

A correlation analysis with Pearson't correlation coefficient (r) was conducted on the independents variables of the study to explore the relationships between CRM practices, and customer retention. Hence, the correlation analysis illustrates the relationship between the CRM practices dimensions and output related with customer retention (Cited by Haile, 2013).

Different authors suggest different method to interpret the strength of relationships between variables; however, Cohen (1998) suggests the following guidelines for interpreting correlation coefficients.

Table 4.13: Correlation coefficients

Small	0.10 – 0.29
Medium	0.30 – 0.49
Large	0.50 – 1.00

Source: Cohen (1998)

Table 4.14 Correlation result between the dependent and independent variables

		Customer retention
Customer knowlede	Pearson's correlation	.630**
	Sig. (2-tailed)	.000
	N	314
Customer interaction	Pearson's correlation	.596**
	Sig. (2-tailed)	.000
	N	314
Customer value	Pearson's correlation	.689**
	Sig. (2-tailed)	.000
	N	314
Customer satisfaction	Pearson's correlation	.629
	Sig. (2-tailed)	.000
	N	314
Customer retention	Pearson's correlation	1
	Sig. (2-tailed)	.000
	N	314

Source: Researcher's c compilation (2022)

In the above table, the relation between the dependent variable (CRM practices) and the dependent variable (customer retention) was investigated using pearson correlation coefficient. The result of correlation analysis shows that all the independent variables were positively and significantly correlated with the dependent variable.

As per the above table, the correlation result of CRM 0.689 has large (high) relationship with customer retention this indicates that the airline can improve its customer retention by improving the customer value practices. Therefore, the customer value practices of the airlines has high power to determine its customer retention. In the above table, the correlation result of all CRM practices has a positive correlation with scustomer retention hence the EAL can improve the CRM practices, its customer retention can be improved otherwise the customer retention will be affected. The overall result informs us EAL should work on all CRM practices to improve its customer retention otherwise its customer retention will not be improved as expected by the customer, management, board and employees.

4.6 Regression analysis

The researchers use multi regression to create an accurate prediction on the level of effect they have on the outcome variable (Kothari,2007).

The researcher performed multi regression analysis on the below table.

Table 4.15 Regression result of independent and dependent variables

Model	Beta(β)	Std. Error	T	Sig	95% confidence interval for B	
					Lower bound	Upper bound
Constant	1.011	0.278	6.458	0.000	0.689	1.293
Customer knowledge	0.203	0.045	8.369	0.000	0.369	0.459
Customer Interaction	0.222	0.032	5.457	0.000	0.245	0.378
Customer Value	0.249	0.028	2.345	0.000	0.378	0.457
Customer Satisfaction	0.347	0.045	6.789	0.000	0.398	0.498

Source: Survey result (2022)

- Customer Knowledge (β_1) = 0.203 or 20.3%, which indicates that one-percent increase in customer knowledge of employees increases 20.3% of customer retention level if the other variables are kept controlled in the study; and also it implies that the change of one standard deviation in the customer knowledge resulted in a change of 20.3% standard deviation in the customer retention. Since the value of β_1 is positive, it indicates that there is a significant direct relationship between customer knowledge and retention; and also the result shows that there is a significant impact of customer knowledge on customer retention.
- Customer interaction (β_2) = 0.222 or 22.2%, which implies that one-percent increase in customer interaction of employees increases 22.2% of customer retention level if remaining variables remained controlled in the study. Here also the positive value of β_2 shows the direct relation between customer interaction and customer retention and it has a statistically significant effect on customer retention.

- Customer value (β_3) = 0.249 or 24.9%, which indicates that one-percent increase in customer value of employees increases 24.9% of customer retention when the other variables remained controlled.
- Customer satisfaction (β_4) = 0.347 or 34.7%, which shows that one-percent increase in satisfaction of customers increases 34.7% of customer retention level because of its positive beta value if the remaining variables remained controlled.

4.7 Hypothesis testing

From the above analysis, the proposed hypothesis is tested as following:

H1: There is a significant positive effect of customer knowledge management practices on service quality. The correlation analysis in the table 4.13 indicates that customer knowledge management practices dimensions with 0.567 has a positive relationship with service quality and the P value is 0.000 which is statically significant as $P < 0.05$. Therefore, this hypothesis is acceptable.

H2: There is a significant positive effect of customer relationship management practices on service quality. The correlation analysis in the table 4.13 reflects that the customer relationship management practices dimensions with 0.689 has strong relationship with service quality and the P value is 0.000 which is statically significant as $p < 0.05$. Therefore, this hypothesis is acceptable.

H3: There is a significant positive effect of customer knowledge management and customer relation management practices on service quality. The correlation of analysis in the table 4.13 indicates that both customer relationship and customer knowledge management practices dimensions have positive relationship with service quality and the P values of the two independent variable is 0.000 which is statically significant as $P < 0.05$. Hence, this hypothesis is acceptable.

4.8 Discussion and Implication

This paper contributes to the existing literature by exploring the composition CRM practices by investigating their impact on customer retention in the case of EAL. Customer Relation Management practices which was found to be a four-dimensional construct consisting of customer knowledge, customer interaction, customer satisfaction and customer value.

The finding of the research revealed that the CRM practices has positive impact on improvement of customer loyalty and empirically validated the measurement of CRM dimensions. This study also confirmed that CRM practices has a significant positive impact on customer retention.

Other literature also supports the result that CRM practices has a significant impact on customer retention (Dehghan et al. 2012; Polyorat and Sophonsiri, 2010). By supporting the essentials in the customer relation domain, this research contributes to confirming that critical causal relationship between with the dimensions of CRM and customer loyalty. EAL management may use this understanding to develop a standard measurement scale of CRM practices to measure its customer retention.

For long-term orientation, applying the CRM models could facilitate a comparison and benchmarking to enhance the airline customer retention performance. Second, because this study confirmed that CRM practices has a significant positive impact on customer retention, EAL managements should invest in the CRM practices because doing so is critical to retaining existing customers and to attract potential customers. On a further note, EAL management should also pay attention to CRM practices that could help enhance the EAL's image and, thus, perceived and satisfaction in the eyes of its customers.

CHAPTER FIVE

5 SUMMARY, CONCLUSION and RECOMMENDATION

The objective of this thesis was to assess the customer relationship practices impact on customer retention in the case of EAL. In this chapter, the researcher provided the summary, conclusion, and recommendation of the study.

5.1 Summary of major findings

Reference to on the previous chapter in the data analysis, the major findings are summarized as follows:

- ❖ As per the socio demographic data', most of the respondents were young, educated and the gender respondents were almost equal, but the male respondents were slightly higher than the female ones.
- ❖ The airline did not give appropriate attention on customer knowledge as the survey data reflected that the grand mean of this specific parameter shows that 3.04 which indicated that the customers were not sure on the airline working towards understanding of customer knowledge.
- ❖ The survey result indicated that majority of the respondents were not sure or understood on the airline activity on customer interaction and the same reflected on the grand mean of customer interaction 3.11 which shown that the customers were not sure about the service. The airline might give no or little attention on customer interaction.
- ❖ The clients were responded as they were not aware about the airline working towards on the customer Satisfaction parameters which was rated as the grand mean 3.66 hence the customer satisfaction level was not within the customer expectation.
- ❖ The result of the survey revealed that the customer expectation from the airline or staffs towards giving value to the customer was above the expectation of the customers as indicated on the grand mean of the survey 3.65, which reflected that majority of the customers were rated on the dimensions as highly agreed.
- ❖ The overall grand mean of the CRM dimensions was 3.37 which indicated that the clients were neutral or not sure the airline was working on the CRM practices. This can affect the customer retention strategy of the airlines.
- ❖ The correlation result of customer value practicies 0.689 which indicates that it has large (high) relationship with Customer Retention.

5.2 Conclusion and limitation of the study

The main purpose of the study was to investigate the CRM practices impact on Customer Retention in the case of EAL. Questionnaire on the dimensions of CRM was developed and distributed to the customer to get the real feedback of the customers. However, one of several limitations of this study was the generalization of its findings. First, this study examined the selected six-day flights; hence, its external validity could be limited. Researchers could overcome this constraint by expanding future similar studies to all destination across-the airline levels. Second, this study was only conducted at the preliminary level of investigating the CRM practices impact on customer retention. Hence, future research which examines other factors influence of customer loyalty, word of mouth intention, and re-purchase intention, would be useful in view of customer satisfaction as a mediating variable. Finally, future research should adopt a larger sample size and use interview as data collection method so that further tests on the impact of CRM practices on customer retention of the airline by considering additional factors.

As conclusion, the result of study indicated that the airline didn't work well on the CRM practices, and these affected the customer retention of the airline. In the study, it was proved also the CRM practices has highly or positively related with customer retention of the airline.

5.3 Recommendation

- ❖ EAL did not well work on improvement of customer knowledge by creating appropriate communication means with the customer and promote its services or product. The airline should work on customer knowledge which helps the clients to get enough or appropriate knowledge about its service. It can contribute to improve its CRM practices.
- ❖ Customer interaction is one of the main customer services but the airline lack of giving appropriate attention hence the EAL shall work on the customer knowledge practices to improve its interaction with the customer. It directly contributes for the improvement of CRM practices of the EAL.
- ❖ The airline or the staffs shall properly understand that the customer satisfaction is main objective of any service giving company but the investigation reveal that the airline need to work more on it by identifying the contributing factors of improving customer satisfaction. It helps to improve the CRM practices and then to improve its customer retention startegy.
- ❖ Customer expectation part needs improvement by identifying the customer expectations and working towards meeting the expectation. The research is recommended to EAL for assessing of the customer expectation and act accordingly to improve this parameter which directly contribute to the improvement of CRM practices.

- ❖ The airline shall work more on the marketing activities to create good knowledge of the customers on its brand or product. This will help the airline to improve the knowledge of the customer about its products as this part needs the attention of the customer to improve the CRM practices and directly contribute for the airline customer retention strategy.
- ❖ EAL shall enhance the capacity of the Customer Relation Office to improve on the overall performance of CRM practices hence the quality of the service will be improved which helps the airline to reach to its objective of advancing the customer service.
- ❖ Finally, recommendation for future research: - building up on the findings of this study; future studies can address more on the impact of CRM practices on customer retention, advent of a new philosophy or evidence. As the study was conducted with in the setting of specific context and location, future studies can also address same research problem in different settings such as time/period and location.

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Appendix-Research Questionnaire:

The main objective of this survey is to investigate the CRM practices in case of Ethiopian Airlines. This is a self-administrative questionnaire. There is no time limit to complete although it probably takes 10-15 minutes. The information collected is “private and confidential” and will not be used for assessment. No part will be revealed without consent.

St. Mary’s University

School of graduate studies

Marketing Management Post Graduate Study

Questioner to customer

Dear Respondent,

First, I would like to thank you for giving your precious time to fill this questionnaire. The questionnaire is developed by post graduate student at St. Mary’s University. The purpose of the questionnaire is to gather information for the research paper on the subject Customer Relationship Management in the case of Ethiopian Airlines.

The researcher sincerely assures you that the information you provide will be kept strictly confidential, will not be transferred to any third party and will be used only for academic purposes.

Therefore, I kindly request you to complete the following questions to reflect your opinions as accurately as possible and give information to the best of your knowledge.

Elias Teshome

Researcher

Part One: - General Information:

- There is no need of writing your name
- In all cases where answer option is available, please tick (‘X’)

1. Gender:

- Male
- Female

2. Age group:

- 18-30

- 31-45
- 46-55
- 56 and above

3. Educational Level

- Primary/Secondary School
- Certificate
- Diploma
- Degree
- Master and above

Other (please specify) _____

4. How many times you used Ethiopian Airlines service?

- One time
- Two times
- Three times
- Four times
- Five times and above

Part Two: Questions on Customer Relationship Management practices

In all cases where answer option is available, please tick ('X')

Section I: -Customer Relationship Management Dimensions						
Code	I-Customer knowledge	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
CK1	The front-line staffs meet your service quality expectation.					
CK2	The staffs understand the specific needs of individuals					
	II- Customer Interaction					
CI1	Prompt respond of employees for your request.					
CI2	The staffs at the check in and boarding gate have good interaction with customer.					
	III- Customer Satisfaction					
CS1	Overall, I am satisfied with the airline service quality					
CS2	I am willing to use the airline service in					

	the future					
CS3	I am satisfied with handling of the airlines staff for my compliant or request					
	IV- Customer Value:					
CV1	I am aware of Ethiopian Brand before this trip					
CV2	The Ethiopian Airline service is super					
CV3	I am confident that the airline fulfills the promised service					
CV4	The employees give attention to the customer					