

**IBN HALDUN UNIVERSITY  
GRADUATE SCHOOL OF BUSINESS  
MASTER OF SCIENCE IN AIR TRANSPORT MANAGEMENT**

**MASTER THESIS**

**FACTORS AFFECTING CUSTOMERS RETENTION:  
THE CASE OF TURKISH AIRLINES**

**MAHLET MEKONNEN TADESSE**

**THESIS SUPERVISOR: ASSIST. PROF. NİHAT GÜMÜŞ**

**ISTANBUL, 2019**

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THE CASE OF TURKISH AIRLINES**

by

**MAHLET MEKONNEN TADESSE**

**A thesis submitted to the Graduate School of Business in partial  
fulfillment of the requirements for the degree of Master of Science in  
Air Transport Management**

**THESIS SUPERVISOR: ASSIST. PROF. NİHAT GÜMÜŞ**

**ISTANBUL, 2019**

## APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Air Transport Management.

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PLAGIARISM CLEARANCE PAGE

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name Surname: *Maher Mehouza*

Signature: *TADSSG*

A handwritten signature in blue ink, appearing to be a stylized 'M' or 'T' with a horizontal stroke extending to the right.

## ÖZ

### MÜŞTERİYİ ELDE TUTMAYI ETKİLEYEN FAKTÖRLER:

#### TÜRK HAVA YOLLARI ÖRNEĞİ

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Hava Taşımacılığı Yönetimi Yüksek Lisans Programı

Tez Danışmanı: Dr. Öğr. Üyesi Nihat GÜMÜŞ

Ağustos 2019, 61 sayfa

Türk Hava Yolları bağlamında Havacılık Sektöründe Müşteri Elde Tutma Stratejileri faktörlerini konu alan bu araştırma, ağırlıklı olarak Afrika bölgesine, özellikle de Doğu Afrika bölgesindeki Etiyopya Addis Aabba'ya odaklanmıştır. Faktörler temel olarak hizmet kalitesi, müşteri memnuniyeti, müşteri sadakati, sadakat ödülü ve ilişki bağlılığıdır. Teknolojinin gelişmesi ve havacılık endüstrisinin serbestleşmesi, günümüzde müşteriler için endüstride yüksek rekabete yol açan çeşitli alternatifleri kullanma fırsatları yaratmıştır. Bu durum, havacılık sektörünü sadece yeni müşteriler edinmede pazar payını artırmaya değil, aynı zamanda mevcut müşterilerini elinde tutmaya da zorlamaktadır. Müşterileri elde tutmanın yeni müşteriler çekmekten çok daha düşük maliyetli olması ve pazarlama maliyetini düşürmesi araştırmacıların dikkatini çekmektedir. Dolayısıyla bu durum, Türk Hava Yolları'nın müşterisinin algılanan ve beklenen elde tutma stratejileri arasındaki boşluğu incelemesini ve Türk Hava Yolları'nda müşteriyi elde tutmayı etkileyen faktörleri analiz etmesini zorunlu kılmaktadır. Türk Hava Yolları, araştırmaların bulguları sonrasında her türlü eksikliğin giderilmesi konusunda yakından ilgilenmektedir. Bu çalışmada nitel ve nicel araştırma yöntemleri kullanılmıştır. Araştırma tasarımı, nesnelerin, insanların ve çevrenin özelliklerini betimleyen tanımlayıcı araştırma türündedir. Araştırmada, Addis Ababa Bole Uluslararası Havalimanı'ndaki biniş alanında bulunan Yolculardan rastgele 200 örneklem büyüklüğü seçilmiştir. Bunun yanı sıra, Türk Hava Yolları Addis Ababa üst yönetimi ve çalışanları ile görüşmeler gerçekleştirilmiştir. Bu çalışmada tanımlayıcı istatistiksel analiz, faktör analizi ve regresyon da kullanılmıştır. Bu çalışmanın sonucu, müşteri memnuniyeti ve algılanan güvenliğin, müşteriyi elde tutmayı diğer faktörlerden daha fazla etkilediğidir.

**Anahtar Kelimeler:** Havayolları; Havacılık; Müşteriyi Elde Tutma; Yolcular; Servis Kalitesi; Strateji



## ABSTRACT

### FACTORS AFFECTING CUSTOMER RETENTION: THE CASE OF TURKISH AIRLINES

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MSc in Air Transport Management

Thesis Supervisor: Assist. Prof. Nihat Gumus

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This Research on the factors of Customer Retention Strategies In the Aviation Industry in the context of Turkish Airlines mainly focused on the African region, in particular Addis Aabba, Ethiopia in the East Africa region. The factors are mainly service quality, customer satisfaction, customer loyalty, loyalty reward, and relationship commitment. The development of technology & the liberalization of the aviation industry has created opportunities for customers nowadays to use a variety of alternatives which gives rise to high competition in the industry. This situation compels the aviation industry not only to increase its market share in acquiring new customers, but also to be able to retain their current customers. It has attracted the attention of researchers that retaining customers is by far more cost-efficient and incurs less marketing cost than attracting new customers. This situation, therefore, necessitates that Turkish Airlines studies the gap between its customer's perceived and expected retention strategies, and analyzes the factors affecting customer retention in Turkish Airlines. Turkish Airlines is interested in filling any gaps following the findings of the research. Qualitative and quantitative research methods were used in this research. The research design is of a descriptive type that describes the characters of objects, people, and the environment. In the research, a 200-sample size was randomly selected from Passengers in the boarding area at Addis Ababa Bole International Airport. In addition to that, interviews with the top management and employees of Turkish Airlines Addis Ababa were carried out. Descriptive statistical analysis, factor analysis, and regression were also used in this study. The end result of this study is that customer satisfaction and perceived safety, influence customer retention more than other factors.

**Keywords:** Airlines; Aviation; Customer Retention; Passengers; Service Quality; Strategy

## DEDICATION

I hereby dedicate this Thesis to all those passengers & crew members who lost their lives as the result of the crash of Boeing 373 Max 8 Aircraft of Ethiopian Airlines on March 10, 2019, in Debrezeit, a town 100 km away from Addis Ababa, Ethiopia. May God rest the souls of all the deceased in peace & give strength to their loved ones and relatives.

Mahlet Mekonnen TADESSE





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Above all, I thank God who helped me accomplish this research. Had I not had His protection in my frequent travels all through this time, I would not have reached as far as I have.

I would like to thank Turkish Airlines Management, the former Addis Ababa Office Manager, Mr. Ufuk Unal and the Turkish Airlines Academy staff, who were willing to allow me to undertake these postgraduate studies which have been offered for the first time to non-Turkish staff overseas. In connection with this, I also thank the present Managers, Mr. Huseyin Yuksek and Mr. Ihsan Gorgun who have been supporting me carry on the study through to the end. I thank my advisor Dr. Nihat Gumus, who had been advising me in working out the research leading to my Master's Degree. I also thank all my teachers & staff of the university who have greatly helped me by sharing their knowledge. Finally, but importantly, I greatly thank my Father and Mother who have always supported me and pushed me whenever I was loose. They are always the reason for my success. May God Bless all of them.

MahletMekonnen TADESSE

ISTANBUL, 2019

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## LIST OF SYMBOLS AND ABBREVIATIONS

AEA	ASSOCIATION OF EUROPEAN ASSOCIATION
ATAG	AIR TRANSPORT ADMINISTRATION GROUP
ASNP	ACADEMY OF SPECIAL NEEDS PLANNERS
ATW	AIR TRANSPORT WORLD
CRR	CUSTOMER RETENTION RATE
EAA	EAST AFRICAN AVIATION
EAC	EAST AFRICA AIRWAYS
CARG	COMPOUND ANNUAL GROWTH RATE
CEO	CHIEF EXECUTIVE OFFICER
CR	CUSTOMER RETENTION
CS	CUSTOMER SERVICE
CL	CUSTOMER LOYALTY
FTK	FREIGHT TONE KILOMETER
GDP	GROWTH DOMESTIC DEVELOPMENT
IATA	INTERNATIONAL AVIATION ASSOCIATION
OECD	ORGANIZATION FOR ECONOMIC COOPERATION DEVELOPMENT
OSHA	ORGANIZATION OF SAFETY & HEALTH ADMINISTRATION
MRO	MAINTAINANCE, REPAIR & OVERHAUL
RPK	REVENUE PASSENGER KILOMETER
SERVQUAL	SERVICE QUALITY
ISO	INTERNATIONAL ORGANIZATION FOR STANDARDS
TK	TURKISH AIRLINES
THY	TURK HAVA YOLARI
TWO	TRANSPORT & WORKS ORDER

# CHAPTER I

## INTRODUCTION

The introduction section of the research constitutes the background of the study in which the theoretical and empirical reviews of the research are outline ie. factors affecting customer retention, and the significance, objectives and statements of the problem are assessed. The scope and limitations of the research are also described, and the research questions, which are key guides for the focus of this research are also identified. In general, it is envisaged, in this research, to assess the various influencing factors on customer retention strategies in the case of Turkish Airlines. These embraces building up customer relationship; customer loyalty; customer satisfaction; loyalty rewards, the provision of quality service, and perceived safety. Based on the research, gaps are identified and measures that are necessary to fill the gaps are also suggested.

### **1.1. Background of the Study**

In the world at present, where all organizations compete to satisfy their customers with going the extra mile to satisfy their customers, the researcher believes that working on factors of customer retention and knowing what affects customer retention is the most valuable research. This study has looked at the factors that affect customer retention - which are quality service; customer satisfaction; customer loyalty; perceived safety and loyalty reward programs. According to my research, customer retention is a more profitable and less costly strategy than acquiring new customers. Customer retention is a cost-effective and profitable strategy, but more than that, it is a backbone for any particular company which wants to keep competitive with its rivals. According to Lake, Laura (April 2008) 80% of sales come from 20% of the loyal customers that have stuck with one brand. Customer retention focuses on reducing customer defections by providing more quality in their own service and product. Customer retention can be successful starting from the first communication a company has with its customer and lasting for the entire lifetime relationship.

A company's ability to attract and retain new customers is not only related to its product or services but is strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. (Reichheld, 1996). Customer retention is more than giving the customer what they expect; it is also about exceeding their expectations so that they become loyal advocates for the brand. Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Businesses seek to reduce customer defections to their competitors because a reduction in their market share and profits could result in a collapse of the company. Customer service retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations in order to maintain their loyalty. When people feel loyal to a certain brand or business, they are less likely to be persuaded by a competitor's adverts and offers. Today's companies are facing their toughest competition ever, and are therefore now moving from a products and sales philosophy to a marketing philosophy. Customer retention comes with sustained satisfaction of the client so that they keep coming back to the same service and while also getting more than they expected (Thompson, 2004).

Moreover, this view has been supported in the work of Storbacka and Lehtinen (2001) which said it is necessary to estimate and predict what customer wants beyond what they are asking for - so that they will be impressed and keep coming back. There are many ways by which a customer can be retained - like a customer loyalty program; beyond expectation quality service; and good communication whereby the client will trust the availability and reliability of the company's service and product. In addition to this, it is always good to have the customers' feedback on what way that the service can be improved or what types of delivery can be helpful for the customer so that the customer finds that the service is always convenient. Research by Fleming and Asplundh, (Feb 2009) shows that having a loyal customer will bring revenue of 1.7 times more than having a random customer. Further if the company has loyal employees and loyal customers the revenue will be 3.4 times the revenue earned from random customers. At the same time this will reduce the chance of competitors growing to acquire a larger market share as the customer will use a product and service



provided by the one company. Businesses try to reduce the customer defection that goes to another similar competitor and will increase the market share of the competitor and create a collapse on the former company. Businesses want to reduce customer defections to their competitors because a reduction in their market share and profits could result in a collapse of the company. Customer service retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations to maintain their loyalty. When people feel loyal to a certain brand or business, they are less likely to be persuaded by a competitor's adverts and offers. Today's companies are facing their toughest competition ever. Companies are now moving from products and sales philosophy to a marketing philosophy.

Air transportation is one of the most important modes of transportation on earth. Air transportation is unique because it is the fastest means to move cargo and people due to its fast delivery. Perishable, fashionable and urgent cases can easily be transported to the places where it has the greatest value, and the customers are willing to pay much more than for other kinds of transportation. Having an effective and reliable airline in a country brings economical, social and political development - especially for landlocked countries. International aviation moves a value of about 40% of the world trade and this has a big impact on a country - particularly where it affects the tourism industry of the country. As the airline's industry reports in 2013 the industry is characterized by high fixed costs - like aircraft fuel and employee expense, but has low profit margins. Due to deregulation and globalization, flights that were previously operated by a few airlines are now open to many private investors where they are eligible to operate according to standards and regulations. For this reason, many airlines have been obliged to reduce their fares. ATA Airlines, Sky bus, and Aloha Airlines have vanished from the airline industry due to the entrance of low-cost airlines, while some have continued to exist with a struggle. In addition to these, about 54 low-cost airlines have ceased to exist in the two years between 2003 and 2005. Due to globalization and deregulation, customers get the chance to be over indulged and jump from one brand to another rather than being loyal to one. This comes from knowing their rights and getting different offers from different companies. This has made them more demanding even while they enjoying the service, they

need with the price they wanted. This has negatively influenced numbers of customers to be less loyal to any one defined brand. Attracting new customers is five times more costly than satisfying an existing customer, or it will cost sixteen times as much to get the new customer to the profitable level of the lost customer (Kotler, 2000).

## **1.2. Statement of the Problem**

Many companies think that marketing is all about selling products which will then increase its profitability and market share. Most of them do not consider after-sales service and thus are not able to know whether the customers are satisfied with the products. The main problem is 'What strategies are expected from airline companies to be able to retain their customers?'

According to IATA (2009), the previous decade (2000 up to 2009) was a time where Airlines lost USD 49.1 billion - and 2009 was the worst year. Passenger demand for the airlines industry at the end of that year had decreased by 3.5% - which was the largest ever post-war decline. IATA again state that from 2010 up to 2014 a total of USD 59.2 billion net profit was gained. However, despite that, commercial airlines are still having difficulties due to their inability to recover previous losses and cope with other airlines. For these reasons, airlines have been aiming to fill their empty aircraft by decreasing their prices – and this has decreased the profit margin, but may be another way to keep their market share stable. (Raghda Louis Climis 2013).

Many researchers have agreed that in business, very important and valued customers are the ones who keep coming back to that company. Acquiring a new client increases the total cost of the company, which mean that the net profit will go to the new customer rather than to the dividend, or to expanding their capital. After the first stage of acquiring a new customer, the cost of doing so will start to fall and the customer will tend to be loyal and keep coming regardless of the price. (Srinivasana, Andersona, &Ponnavolub, 2002).

Many researchers have studied customer retention and recently there have been some studies made on the airline industry. Customer satisfaction of passengers

with airline service has introduced the concept of perceived safety and what satisfied customers regard as their travel purpose. Other studies have linked customer satisfaction with the quality of service of the airline industry (Degirmenci et al., 2012; Adams et al., 2011).

Ozlem and Melike (2009) studied the value customers gave to a company and its impact on their loyalty to that brand. In most of this research customer retention was not an important factor for the advancement of the industry and better profits. In addition to that, this research did not consider putting different factors like customer satisfaction, service quality, locality program, customer loyalty, relationship commitment and perceived safety in one model to examine their influence on the airline industry.

In this study, therefore, the researcher will disclose the crucial factors of customer retention in the airline industry in gaining market share, economic growth, capital growth and profitability of one airline. In today's highly competitive market, only the top-performing organizations have understood the benefit of customer retention and are working on it using good strategies. Most top competitive organizations usually apply aggressive marketing strategies in order to stand out from the competition and attract their customers. This is the way that most organizations tend to work to attract their customers. However, the research questions in this research were formulated to find out the factors affecting customer retention on Turkish Airlines.

### **1.3. Significance of the Study**

Customers are the fuel that keeps your business running and effective customer retention will keep them repeatedly buying from you. Without a strong focus on customer retention, you could quickly start losing customers to the competition. That is why it is so important to focus on customer retention within your company. No one likes the idea of losing customers. However, failing to keep customers will hurt much more than just your ego. It will also affect your bottom line.

## **Summary of Key Figures**

As the saying goes, "Numbers can tell more than words". The significance of customer retention (CR) can be displayed, according to the book "Managing for Quality and Performance Excellence" and according to the Harvard Business School as follows:-

- a. 65 % of a company's business comes from existing customers
- b. Improving retention rates by 5 percent can increase profits by 95 percent
- c. It costs 5 times more to find new customers than to keep current ones
- d. With the typical company losing 15 percent of its customers each year, you need to start taking steps to keep from being part of that statistic.

Therefore, according to the above justifications, the following are main points that make this study significant: - the development of technology and the liberalization of the Aviation sector have now provided many opportunities for customers to choose alternatives, so companies in their aviation industries must be able to retain their customers. Otherwise, they will be doomed. This research is, therefore, of high value to them. Customer retention is a marketing principle, which is more cost-efficient and incurs less marketing cost than acquiring new customers. Customers, like any other assets, are very important and are the fuel for the success of any business. Therefore, their behavior and how it affects the business, should be well studied

Because of the development of technology and the liberalization of the Aviation sector, there are many opportunities for customers to choose an alternative, so aviation industries must be able to retain their customers or otherwise, they will be doomed. Therefore, this research is of high value to them. This research will look at the factors that can easily affect customer satisfaction so that the company can work on these factors and be able to retain their customers for the sake of market share plus profitability.

Customer retention is a marketing principle that is by far more cost-efficient and incurs less marketing cost than acquiring new customers. For these reasons, the question of customer retention nowadays is becoming hugely important, and on the agenda for researchers and business people. There are many types of research

conducted on service quality and customer satisfaction, but most of them have focused on pricing factors and increasing market share. They have not included the attributes of service quality and customer satisfaction and linked them to customer retention. This research fills this gap and is an important input for both governments, business firms, the customers and the community at large.

Moreover, this research will pave the road for more studies to be made on this matter. This research will also help the policymaker to understand what affects customer retention. Those specific factors may start from employee neatness to larger factors of quality service appreciated by the customer and can make a big influence on the profitability of the company.

#### **1.4. Research Questions**

- a. What are the factors that affect customer retention?
- b. What are the strategies used to retain a customer in Turkish Airlines?
- b. What does a customer expect from an airline company to stay loyal?
- d. What is the company doing to improve its service and retain customers?

#### **1.5. Research Objective**

The objective of this research is to focus on assessing the factors which affect customer retention at Turkish Airlines, and analyze the gaps in the practices of Turkish Airlines customer retention strategies vis-avis the customers' perception and expectations of these practices. In brief, it is summarized as follows: this research examines the respondents' perceptions and expectations which persuade them to stay loyal to one brand no matter what other airlines are providing and no matter what other airlines are advertising. This research will examine the challenges that the organization faces in retaining its customers and evaluate the status of the relationship between customer retention and firm performance. Besides, this research will try to identify the factors influencing customer retention on other Airlines. This research aims to determine strategies to enhance the status of the company related to this phenomenon and analyze the changes in the performance of a firm according to different customer retention factors.

Through this research, the company will be able to see what are the big and small factors that will affect its ability to retain its customers. The first one is how to provide a good quality service to a customer (and how a customer can react to it), and the second one is customer satisfaction i.e. what are the things expected from the company which will so satisfy the customer that he/she will be loyal to one brand. It also recognizes that the communication with the customer has a big influence on loyalty, and thus loyalty reward programs are also necessary. In addition to those, this research will examine the perceived feelings of safety that a customer has towards the airlines: and that if it is negative, then the airlines should work on this feature since in the airline industry the one thing that comes first is considerations of safety that the passenger has towards an airline. If a passenger cannot reach his/her destination safely the price, the service, and the loyalty programs are all worthless. Therefore, with this research, the researcher will assess those factors and see which ones affect customer retention and thus help the airlines change their strategy and improve its service so that it achieves a larger profit.

#### **1.6. Scope and Limitations of the study**

- a. Turkish Airlines provides different services to different customers. These services include passenger transport service; cargo transport service; training service; maintenance and repair, and overhaul (MRO) services. This research is, however, limited to only passenger transport services, because this is the main source of revenue for the airline and the sector in which fierce competition exists among airlines worldwide.
- b. Because of time limitations, and because it was only possible to reach a few respondents each day, questionnaires were not distributed at once. So, variations that occurred by not being able to distribute all questionnaires at once is not assessed. In addition to that, the time of flight departure from Addis Ababa to Istanbul is midnight, and so most of the passengers were not willing to fill the questionnaires.
- c. The time taken from distributing the questionnaire to getting the result is very short, at least for passengers. Because of time, resource and budget scarcity, only a limited sample size was taken.

d. The respondents are mostly from Addis Ababa, Ethiopia. The researcher had a big problem in communicating with his/her advisor who is located in Turkey as the researcher was researching from a different country, namely Ethiopia. There was a lack of funds and time to travel out of Addis Ababa.

e. One of the biggest limitations was that there were no satisfying data source to do the report and the fact that at the time of data acquisition the researcher faced an internet disconnection for more than a month due to political instability in Ethiopia.

### **1.7. Organization Of The Report**

This study consists of five main chapters:

Chapter One: covers the introduction of the work, research problem, objectives, the significance of the study, scope and limitations and organization of the study.

Chapter Two: presents a review of the literature.

Chapter Three: looks at the research methodology and hypothesis.

Chapter Four discuss the Results and Conclusion.

Finally, Chapter Five is management implications and recommendation for further research.

## **CHAPTER II**

### **CRITICAL REVIEW OF RELATED LITRATURE**

Customer retention has been a focal point of marketing and management decision of organizations for the last decades. Long-time customers tend to always buy products and services from one company and this costs less compared to acquiring and serving new clients. Due to the assumption that there is a strong relationship between customer retention and company performance, top management, and strategic marketing departments tends to focus on customer retention. New customers always take time to be a loyal client as it is always risky to replace existing clients with new ones. New clients tend to switch from one product to another product, from one brand to another brand. There is not sufficient research available that identifies the relationship between customer retention and organizational performance. Most research focused only on separate factors like customer satisfaction, customer loyalty, quality of services as broader concepts, but they have not brought them together in one model to see how they affect each other and affect customer retention. This shows that there is a research gap that should be taken further. This research intends to fill this gap.

#### **2.1. Theoretical and Empirical Review of the Factors affecting Customer Retention (CR)**

This is the main part of the paper in which the strategies of CR are analyzed based on the theoretical and empirical data obtained from the literature of secondary sources as well as researches from different academies. The strategies of CR which this research is focusing on are from Raghda Climis (2016), which states that the strategies used in Aviation industries constitute Customer Loyalty (CY); Customer Satisfaction (CS); relationship Commitment (RC); Loyalty Reward (LR); Perceived Safety (PS); and Service Quality (SQ). It is intended to assess from literature and from empirical data how these factors affect Customer Retention in a firm, which, in this case, is Turkish Airlines. The result of this analysis will be summarized in a Conceptual Framework, which clearly shows how they are related



and/or how they affect customer retention. In other words, it depicts how the factors influence or affect CR. Moreover, the concepts and benefits of customer retention, in general, are also included under this subtitle.

### **2.1.1 Customer Retention**

According to Oliver 1999, Customer retention is a process where one company could work on a creating a better relationship with its customers and thus keep those who had once used their product and/or service. Despite the market, the economy or the political situation, if one client keeps going back to one brand, that is evidence of a deep relationship that has been created through many different strategies which have induced the customer to maintain their contact with one company. The company has thus made a successful job in retaining the customer. These days customer retention has become a big issue especially in a saturated market where there is a lower growth rate in acquiring and growing new customers. In this competitive market, an organization's ability to retain a customer goes beyond the product and the service that the company is offering. The way of service and the companies' reputation is being delivered within and across the market (Reichheld, 1996).

Customer retention is a strategic activity where an active organization uses it to reduce customer defection, which will end with us increasing the other competitive market's share or profit, and this, of course, has a direct and indirect influence on the organization. Due to deregulation, flights that were operated by only a few airlines, have now become open to the world and many new airlines have joined the industry. This has forced airlines to reduce fares. For this matter, customer retention is a marketing strategy that is tactically driven approach based on customer behavior like customer satisfaction, customer loyalty and so on – and this that has enabled airlines to stand firm in this competitive market (Shukla, 2013).

#### **2.1.1.1 Benefits of Customer Retention**

The benefits of Customer Retention are seen from the perspectives of both customers and firms. Most successful companies work with a variety of customer retention activities and methods. The fact is, that without customer retention, it is

very difficult, if not to say impossible, to be successful in the long term. Therefore, from the firms' perspective, the benefits of CR can be listed as the following: -

According to Buttle 2005, in 1990 firms' focus was on getting new clients and expanding the number of customers. As the times passed this ideology has become partly changed by the fact that working on an existing customer is a more profitable for the company rather than seeking many customers which comes with a lot greater cost. The other advantage of retaining a customer is that this will result in a positive word of mouth that itself brings another client with less cost than the company trying to find such a client by itself.

Buttle 2005 has classified one of the benefits of customer retention as personalization, which means that the company can customize the product and the service according to customer specialization. Recognition is a term where the company gives recognition to the client as a special company or person.

A retained customer will have a different level or status to a random customer due to the time and relationship that has been created with just the one company. Affiliation is when a long-time relationship with the organization could guarantee a feeling of affiliation between the client and the organisation. The other thing is that the client will feel that they have the power to demand a specific product or service. In short, there is a direct positive relationship between customer retention and repurchasing. When there is a positive relationship between the client and the company, the client will always feel comfortable about buying the product or using the service and this will increase the profitability of the company. The retained customer tends to buy a variety of products from one company, which again has a positive effect on the turnover of the company. Most studies have concluded the value of a customer increases over time. All these factors directly relation to the economic success of a company. The better and more efficient various customer retention activities are, the easier it is for a company not only to maintain its existing position in the market, but also to expand it.

#### **2.1.1.2 Strategies for Customer retention**

It is firstly worth understanding the concepts of a Customer Retention strategy in

general and then their applications in the manufacturing and service sectors. Not only these two sectors should be identified, but also their applications among various service sectors. For example, the factor of perceived safety is the most important one to be considered in the Airline industry. Reliability and assuredness are also most important factors to be considered in the health sectors. Network access and quality are also most important in the industry. The Theoretical and Empirical Aspects of CR strategies for the Airline industry are here discussed – these are especially important for the air transport industry, which currently faces high competition in the global market. The various strategies of CR that Airline transport companies should pursue and their factors that influence them in the industry are - Customer loyalty, customer satisfaction, loyalty rewards, relationship commitment, perceived safety and service quality.

### **2.1.2 Customer Loyalty**

According to the study made by Beh Yin and Faziharudean (2010) the common meaning of loyalty is being faithful to one brand, so customers are considered loyal if they keep coming back to re-buy one brand regardless of other brands marketing strategies, advertising, and promotions that should, in theory, be able to make customers switch from one brand to another .

According to Jacob and Kyner, 1973 there are two types of loyalty: the first is where the client is solely engaged with the products and services of one brand, and the second is when the client is loyal, re-buys the product, and has a positive word of mouth. It is essential, moreover, to indicate that customer retention is not the same as customer loyalty. Customer retention is an indication that a customer, while they can change from one brand to another, however, keeps rebuying, hopefully because the product and service are good and convenient to get. This therefore means that a customer is retained to the company because they are comfortable with the product and service, but this does not mean they are loyal. Loyal customers and profitability are not exactly related to each other: while a retained customer can keep buying from one firm, that does not make it profitable to the organization because a random customer could buy the product and bring bigger profits due to massive spending. Most studies have, however, shown that there is a positive

relationship between customer satisfaction and customer retention. As customer satisfaction increases, their level of loyalty keeps increasing (Reinartz, 2003).

### **2.1.3. Loyalty Reward Program**

According to Sharp and Sharp 1997, a Loyalty Program is defined as the additional input or customer reward provided to a loyal customer as an incentive as they make frequent purchases of a product or frequent use of a service frequently – all of which will increase their loyalty. Most customers. If offered different alternatives, usually want some benefit from the organization for this, once they are offered discounts, bonuses or are included in big events of the organization. This will not only keep them loyal, but they will have a positive word of mouth. (Houlihan and Harvey, 2012).

In this staff competitive market, running an airline is rarely profitable if it is not managed carefully and tactically. Customer loyalty has become one of the greatest tools to increase profitability. To build a stronger relationship with the client most organizations are working on short-term sales using a loyalty program, and this is a good marketing strategy. The reason for the importance of short-term sales is that the demand for air travel has decreased in years. Business travelers are the most profitable customers, so most organizations provide their loyalty reward programs for business travelers. In addition to encouraging travelers, the company provides different incentives for its employees as well - so that they can perform their duties effectively and efficiently to achieve their profit targets. Some studies have showed that customer loyalty and customer retention are positively related to each other. Loyalty rewards for customers that is directly related to monetary compensation has more influence on customer retention than any other kind of loyalty reward programs. In previous literature, there is enough evidence that the emotional commitment and generation of loyalty through giving financial incentives has a big impact on customer retention. In 2009 it was shown that when the effect of promotion among brands are similar, the retention rate varies depending on the level of loyalty. This means that a service provider should have effective loyalty reward programs if they want to retain their customers. Customer retention in one organization depends on how many loyal customers it has. Customer loyalty has a

significant effect on retention. From the above analysis, it can be deduced that a Loyalty reward program is very important to retain the highest profitable customers who are the business people, and who are already becoming loyal in the short term, but have not yet attained the position of retained customers. It leads them to become retained customers, using good word of mouth about the company, and keep on repurchasing the product/service. On the other hand, loyalty rewards are very important if they include employees. It motivates employees to increase their performance, and render good service to customers whose interest is becoming loyal to the organization. (Bolton, Kannan, & Bramlett, 2000).

#### **2.1.4. Relationship Commitment**

Relationship Commitment is a marketing concept that shows providing a very excellent and unique product and service makes for a strong bond with customers. Such a relationship comes through long-term communication, consistent service and an always standardized product. The customer trusts this kind of business.

According to Beery (1995) creating a long-term relationships between the customer and the organization, requires that the organization give more benefit to the client so the client will keep coming back to that same company for his or her benefit. The benefit should be more than a cash incentive but also provide emotional attachment and friendly communication with the customer. When customers are satisfied with the product and services provided, they will not go and look for an alternative supplier. If a customer has some gap that is not filled from a particular organization and if there is any alternative organization, the possibility for the customer to switch to another product is high. Service recovery is a very crucial component for one organization to prevent its customers switching to another competitive company if the organization is unable to resolve the problems of a customer and reduce his/her dissatisfaction. Nevertheless, if the organization is careful and works on its service recovery, it will be able to adjust the relationship between customer retention and customer satisfaction. The above analysis boils down to the following concepts: relationship commitment creates an idea of value to customers, develops trust so that even if there is any other alternative in place, customers will not switch. If the tendency towards switching is created, the firm

develops barriers to switching by improving the service with various innovations which prevent customers going to other firms. In doing so it creates customer satisfaction which, as a result, retains customers. It is noteworthy here to know that Relationship commitment is also related to Loyalty rewards.

### **2.1.5. Customer Satisfaction**

Before directly going to the implications of Customer Satisfaction on Customer retention, it seems reasonable to have a birds-eye view of Customer Satisfaction based on various reports of researchers noted below:

Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectations. According to Oliver (1999), Customer satisfaction is a pleasurable sense of fulfillment where the customers' desires, needs, and the goal is achieved positively. Alternatively, these are not achieved or the customer is disappointed which results in the gap being created between the customers' expectation and the actual performance of the product or service provided by the organization.

Looy et al. (2003) has described satisfaction as the customer's emotion concerning the gap that exists between customers' expectations and the perceived service performance. In service management literature, customer satisfaction is the result of the conclusion of one customer about that specific product or service quality. Today's customers are very well educated about the market situation and demand the products and services they expect. This has derived from different alternative. Shukal (2013) has stated that in this century customers can easily compare one product with another simply by using the internet, and this has made it a bit difficult for the suppliers as this has created the important value in customer satisfaction. Customer satisfaction differs from one company to another, from one brand to another, not every one experiences the same things or has the same levels of satisfaction. All customers have different tastes, different experiences, different cultures, and different objectives etc. despite the industry being the same.

According to some of the remarks mentioned above, customer satisfaction, and customer expectations are related inasmuch as, after the consumption of the product/service, the consumer will evaluate the result against what he/she was expecting about the product/ service before it was consumed. Satisfaction comes when what was perceived about the product following consumption surpasses what was expected. The development of expectation is built on previous purchasing experience, competitors, information, marketing, associates, word-of-mouth, advice, and promises (Parasuraman et al., 1985).

The variance between customer expectations and perceptions will result in a gap that describes levels of dissatisfaction, and companies must aim to fill this gap. The firms must aim for higher satisfaction since customers find it easy to switch when they are only satisfied if a better deal is offered. Higher satisfaction generates a strong connection with the company, based on more than a rational preference for the service or product: thus, the firm must consider the expectations of the customers in providing the service, continuously gauge the satisfaction level, and accordingly plan for further improvement of the service.

The satisfaction level of passengers in the airline industry is very important. The organizations may develop innovative strategies to build a long-term relationship with their customers by providing good quality products/services so that the level of satisfaction of their customers will also increase, thus the level of customer retention will also increase (Anderson, 1994). Customer satisfaction can, therefore, be a major cause of customer retention.

So the bottom line here is for the firm to continuously measure the satisfaction of customers and further think of various innovation strategies to improve their product/service delivery to increase the satisfaction of customers thereby avoiding them switching to other alternative while making them loyal customers and retaining them.

#### **2.1.6. Perceived Safety**

According to Sweeney, Soutar and Johnson, (1999) Perceived Safety is all about customers' feelings of security towards one product and service. It refers to the

customers sense of being free from risk, hazardous situations, injury and so on. Another view of perceived risk is an expectation of losing feelings of worry caused by uncertainty and inconvenience.

In terms of air passengers and employees Perceived Safety has a wider meaning. Perceived safety is the most important factor in customer retention when it comes to the airline industry. Despite the importance of this factor, not enough research has been done on it, although some data has shown the economic impact caused by the 1991 Gulf war and the terrorist attack of 9/11 in the USA in 2001.

Over all recent years air traffic has shown tremendous growth except in 1991 because of the first Gulf war, which caused economy recession and a fuel crisis. Again, the effect of the 9/11 tragedy in 2001 in the USA showed a decline in air traffic. During the Gulf War and 9/11, terrorist attack on the twin towers in Washington clearly showed a decline in economic growth of both US airlines and non-US airlines

**Table 2.1 Aviation Economic growth from 1990 - 2001**

The economic growth of Aviation (%)	US Airlines	Non-US Airlines
1990 (1 year before the gulf war)	6%	7%
1991(during the gulf war)	-2%	-2.50%
2000 (1 year before the attack)	6%	7%
2001 (during the attack year)	-6%	-2.50%

**Source: Willey Publication of world aviation**

The above table clearly shows how the issue of safety and security affects the market of the aviation industry. Many customers shun the service and this is true for both Turkish Airlines and other national airlines too. The same source, however, shows us that after 2 years the situation had come back to its pre status quo situation in both incidences. Being an air transportation passenger by itself incurs has different kinds of risk - like psychological risk, social risk and financial risk, according to Cunningham and Clifford (2002). The industry claims that



passenger safety is the priority and studies have shown that in the last 20 years the accident rate has decreased but cannot be entirely removed. The International Air Transport Association, (2010) has stated that the media can make a great contribution to creating awareness by covering airline disasters.

Airline companies attempt to reduce risks related to air travel by different security and safety methods. Although passengers perceive big attempts to create safe air travel, they are almost unable to evaluate the real safety levels. Moreover, the issue of perceived safety also includes employees in general. Employees in all the subsidiary companies should also have their safety guaranteed. There must be proper safety materials, proper safety, and health regulations that can protect their rights and thereby increase their performance - which indirectly affects the CR. There are international standards that companies must abide by in protecting safety. In the airline industry, there are internal flight standards and there is OSHA, an international standard for protection of safety and health of employees.

#### **2.1.7. Service Quality**

Gronroos (1984) has said that service quality has different meanings and is a multidimensional concept. One meaning is recognized judgment towards a service when a customer compares his or her expectation to the perceived service. Another is the difference between customer expectation and their perceptions about the quality of the product or the service. Customers are the central part of an organization, so any organization aims to accumulate customers as much as possible and then retain them with lots of strategies such as providing quality service, providing incentives and working on their way of customer handling. An organization will not be able to attain its targets without the customers. Many studies like Boulding et al. (1993); Zeithaml et al. (1996) have concluded that service quality perception and customer behavioral intention (like the possibility to repurchase) have a positive direct relationship. Researchers have defined service value into four-consumer value definition.

- i. Value means low price
- ii. Value means whatever I want in a product
- iii. Value means the quality I get for the price I have to pay
- iv. Value means what I get for what I give

As Storbacka and Lehtinen (2001) has said, each customer wants to get what they paid for so organizations should provide good service to its customers rather than seeking a good customer for their service. It has been stated that to improve the organizations' performance and retain good loyal customers are prerequisites and for that service quality is the basic issue. They have also found that retention can be influenced by functional and technical service quality. Functional service quality is how the supplier delivers its product and service (e.g. with courtesy, attentiveness, empathy and so on). The latter is what the customer receives due to their interaction with the organization like accommodation, a city tour and so on. The greater the quality is, the stronger the relationship commitment is.

SERVQUAL is a way of measuring service quality that is important for both customers and organizations. It is a scale for measuring service quality in five compressed dimensions such as tangibility, reliability, responsiveness, assurance and empathy adopted from Parasuraman et al. (1988). Parasuraman et al. (1985) developed a Service quality gap model and it identifies the gap between the customer and the organizations' perceptions about service quality and their expectations of it. If an organization can understand this gap, it will help it improve its service quality and help it to retain their customers.

## **2.2. The Literature Review Summary**

- 1) Improving service quality creates a satisfied customer who in return becomes a loyal customer but who may or may not be a retained customer. He/she may switch or go to another firm if he/she sees the better alternative.
- 2) The firm then should do further work to build a positive barrier against switching to retain the customer by either preparing a customer loyalty award program or creating relationship commitment

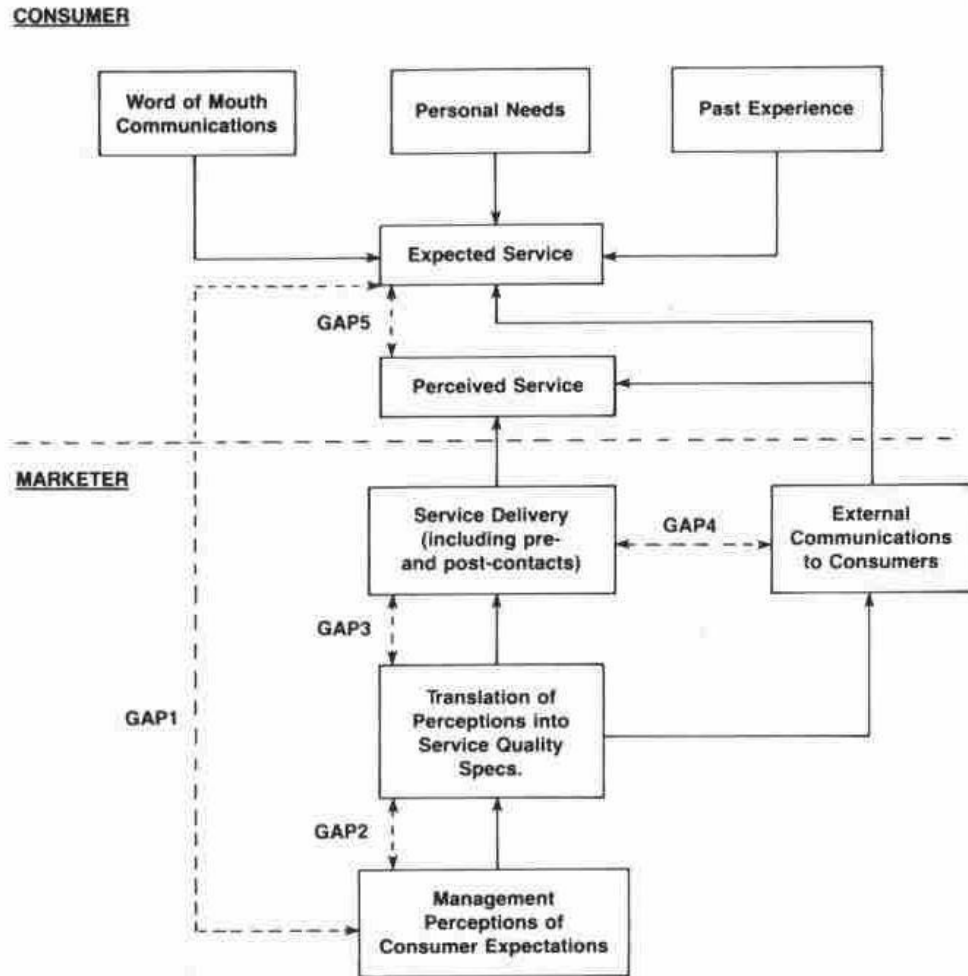
3) In the case of the loyalty award program, the customer who was a short time customer

or who was loyal but not retained, now becomes a long term customer and is retained.

4) In an alternative way the firm creates a relationship commitment either by helping the customer to participate in some decisions (hence he/she thinks he or she is valued) and thus becomes a retained customer, or if the firm prepares some incentives ( including financial incentives), and from this he/she become retained customer

5) When the firm in anyway makes a loyalty award program, this creates a relationship with the firm. So loyalty award program and relationship commitment align with each other

6) Perceived safety is the most basic concept in the airline industry but is difficult for customers to measure it.



**Figure 2.1 Service Quality Model**

**Source: Parasurman, et al. (1985).**

### **2.3 The history and economic impact of the world, OECD countries, and Africa aviation**

The best way to examine the whole forest is to see each tree in it. Even though this research is focused on customer retention in the case of Turkish Airlines, the fact that some aspects of the research also embraces Turkish airlines in Ethiopia, Addis Ababa, and since Turkey is also a member of OECD, this suggests to the researcher to started with the global, OECD and Africa Aviation history and the impact they have on the economy at large. Even though there are many types of impact that the Aviation Industries have - ie, economic, social, and environmental, this research only considers the

economic impact. In the aviation sector, the economic impact can be viewed in terms of Direct, Indirect, and Induced and Catalytic impacts. According to ATAG (2018), their meaning is as follows: -

### **Direct impact**

The aviation industry is a source of economic activity where it creates jobs for the people that have direct communication with the passengers at the airline's sales office or airport stations like check-in, baggage handling, cargo, and catering. It includes air navigation, and service providers. In addition to those employees, it creates jobs for the highly skilled manufacturers of the aircraft, engine parts, and other related technological equipment.

### **Indirect impact**

Here it creates job opportunities for the companies that work complementarily to the airline industry like fuel suppliers, construction companies, sub-companies providing machinery and equipment that helps manufacture aircraft and airports.

### **Catalytic impacts**

The air transport industry's most important economic contribution is through its impact on the performance of other industries and as a facilitator of their growth. It affects the performance of the world economy, improving the efficiency of other industries across the whole spectrum of economic activity. Examples here could be the tourism industry.

## **2.3.1 World Aviation**

Air transportation is a method of transportation by which people, as well as materials, move from one place to the other through the air. Time is the biggest value that air transportation saves more than any other transportation mode. The history of air transportation in the world begins in the year 1903 with the first flight made by Wright brothers in North Carolina. Afterward, on January 1, 1914, the world's first scheduled flight was made across the bay separating Tampa and St. Petersburg, Florida. Subsequently, commercial aviation has progressed starting from World War I and World War II when,

better aircraft were quickly designed and important technological advances in air transportation were made, which led to growth in the air transportation sector. Aviation now is intertwined in many people's lives across much of the world. Aviation has continued to expand. It has weathered crises and demonstrated its long-term resilience, becoming an indispensable means of transport. Historically, air transport has doubled in size every fifteen years and has grown faster than most other industries. In 2016, airlines worldwide carried around 3.8 billion passengers annually, with 7.1 trillion revenue passenger kilometers (RPKs). Fifty-three million tonnes of freight were transported by air, reaching 205 billion freight tonne-kilometers (FTKs). Every day, more than 100,000 flights transport over 10 million passengers and around USD 18 billion worth of goods. (ATAG, 2018). Aviation provides the only rapid worldwide transportation network, which makes it essential for global business. It generates economic growth, creates jobs, and facilitates international trade and tourism.

The Air Transport Action Group (ATAG, 2018) has estimated the total economic impact of the global aviation industry to have reached USD 2.7 trillion – and this was 3.5% of the world's gross domestic product in 2014. In addition to that, air transportation has created job opportunities for 62.7 million people globally and 9.9 million people are directly engaged with it. Airlines, air navigation service providers and the airports directly employ over three million employees. The civil aerospace sector (the manufacture of aircraft, systems, and engines) employed 1.1 million people. A further 5.5 million worked in other on-airport positions. 52.8 million indirect, induced and tourism-related jobs were supported by aviation. These estimates do not include other economic benefits of aviation, such as the jobs or economic activities that occur when companies or industries exist because air travel makes them possible, the intrinsic value that the speed and connectivity of air travel provides, or domestic tourism and trade. Including these would increase the employment and global economic impact numbers several-fold. One of the industries that relies most heavily on aviation is tourism. By facilitating tourism, air transport helps generate economic growth and alleviate poverty. Currently, approximately 1.2 billion tourists are crossing borders every year,

over half of whom traveled to their destinations by air. In 2014, aviation supported over 36 million jobs within the tourism sector, contributing roughly USD 892 billion a year to global GDP.

Air transport is a driver of global trade and e-commerce, allowing globalization of production. The small volumes of air cargo amount to big values in world trade. In 2014, USD 6.4 trillion worth of goods were transported internationally by air, representing 35 percent of world trade by value, despite representing only 0.5 percent by volume. Aviation's advantage over other modes of transport in terms of speed and reliability has contributed to the market for "same-day" and "next-day" delivery services and transportation of urgent or time-sensitive goods. Over 60 million tons of goods were frightened and 4 billion passengers' traffic. The global economic impact is estimated at 2.7 trillion USD which is 3.5% of global GDP. There are 1303 airports, 3759 airports, 4.1 billion passengers, 41.9 million, and 31,717 flight aircrafts giving service. (ATAG, 2018).

### **2.3.2 African Aviation**

As the research is conducted based on the Ethiopian branch of Turkish Airlines, the contribution of African and Ethiopian aviation deserves to be mentioned. Aviation history in Africa has two important aspects: on the one hand, the size and terrain of the continent calls for developing aviation. On the other hand, the lack of cooperation among the regions, especially in the early days of the industry led to isolated development among the regions and no integration of the continent with the rest of the world. As a result, the history of the start of commercial aviation in Africa is presented separately dividing the continent into four regions: East Africa, West Africa, South Africa, and North Africa. Africa is becoming a great economic and strategic partner to Turkey. Therefore air-transport is of high value to Turkey. As of December 2018, Turkish Airlines flies to 55 cities in 37 African countries. As of the year 2017, there are 161 airlines, 349 airports 98 million passengers, 1,130,000 flights and 1,277 aircrafts providing aviation services. 6.2 million jobs (both direct, indirect, induced) are supported by aviation and 1.8% of the

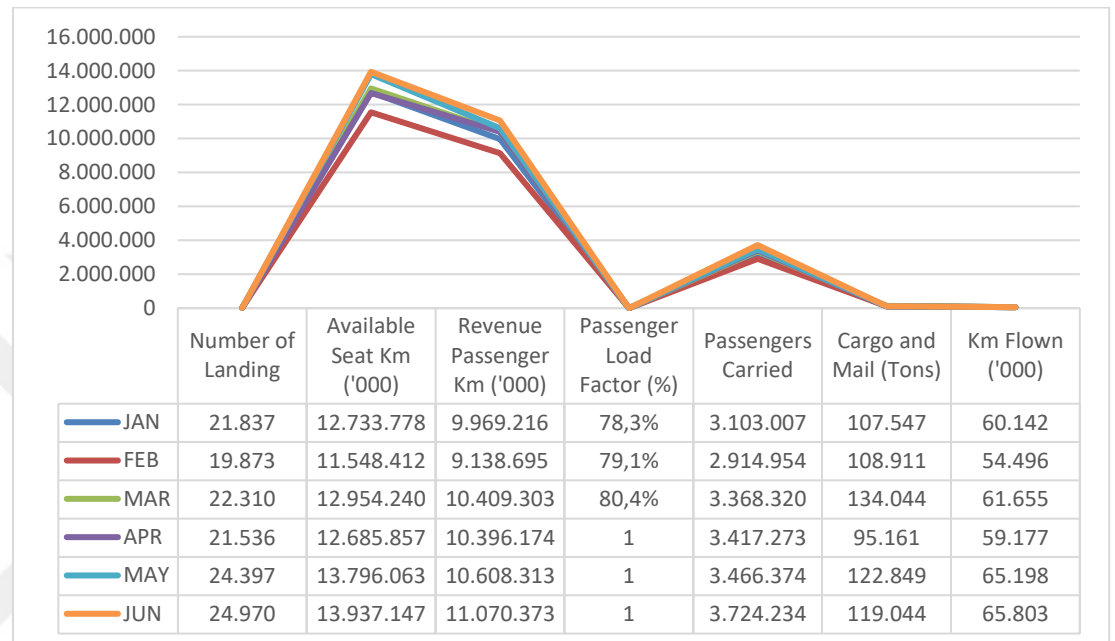
total jobs are in Africa. The global economic impact (direct, indirect, induced and catalytic) is \$55.8 billion which is 2.6 % of Africa's GDP. (ATAG, 2018).

#### **2.4. Background of Turkish Airlines**

On 20 May 1933, Turkish Airlines was established as an arm of the Ministry of National Defense under the name "State Airlines Administration" with a capital of 60 million TL, which is nearly 12 million USD. In 1938, Turkish Airlines had the name "State Airlines General Directorate" under the Ministry of Transport. After the second world war, Turkish Airlines benefitted from a post-war US assistance program. This supported the airline by providing an upgraded fleet of Douglas DC-3s. And then, when the airline started to fly more to international destinations it received help from BOAC (British Overseas Airways Company) through a minority stake of 6% help from BOAC. From 1980 up to 1990, the airlines had to struggle financially and due to that, had flight delays and sub-standard safety performance. For a variety of reasons the airline was hit by inflation which at the time prevented it from purchasing aircraft and expanding their capital (International Directory of Company Histories 2006). It operated its first flight from the capital city, Ankara, to Athens via Istanbul. The government, with the intention of encouraging productivity and raising capital organized an IPO (Initial Public Offering) (Republic of Turkey Privatisation Administration, 2012). 1.82% share of the company was given to the public. Then in 2004 and 2006 two SPOs (Secondary Public Offerings) were held, with the share of the government's ownership in Turkish Airlines falling below 75% and 50% respectively. Because of this privatization process, the company ceased to be a state enterprise by May 2006 (TK, 2008) with further pushes for efficiency and productivity being among the main drivers for change. The new government came up with a new slogan "every Turkish citizen is going to fly at least once in his life" in order to encourage for the Turkish aviation industry. Since then the aviation industry has grown from time to time. The airline joined the biggest airline group "Star Alliance" in 2008. That same year the airline's subsidiary AnadoluJet starts flying domestically. For over a decade, the airline has shown a tremendous increase in carried passengers. In

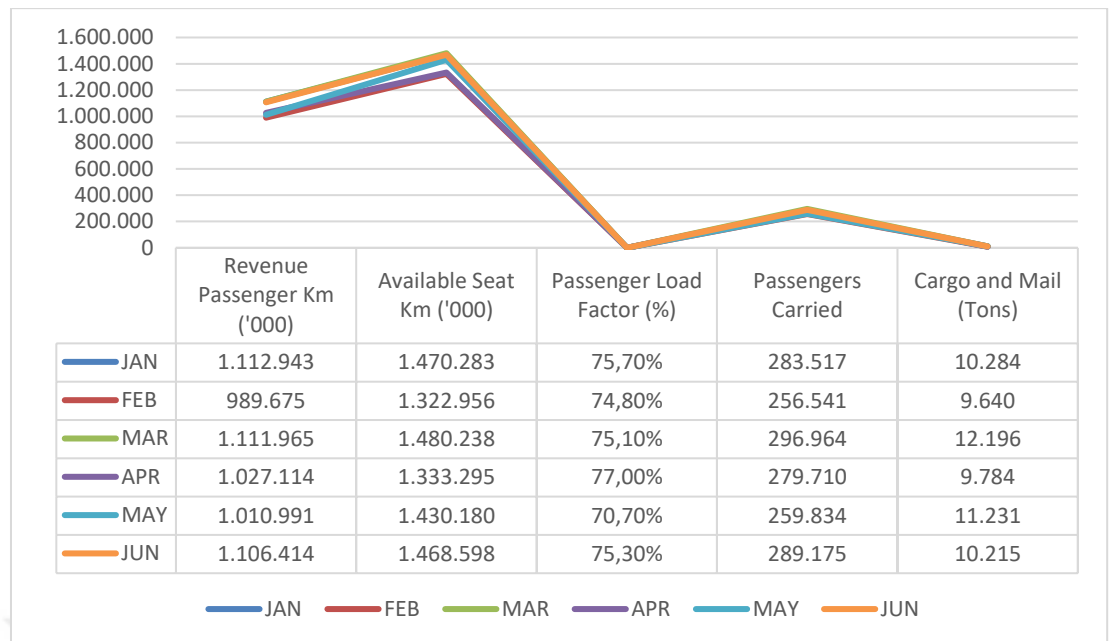


2003, 10.4 million passengers were carried and this rose to 29.1 million, 32.6 million and 48.3 million in 2010, 2011, 2012 and 2013, respectively. This has increased over time and the number of passengers that were carried in 2014, 2015, 2016 and 2017 was 55 million, 61.2 million, 62.8 million and 68.6 million. In 2018, the last updated number of passengers carried was 75.2 million.



**Figure2.2 Turkish Airlines Africa traffic data**

**Source: TK, 2019**



**Figure 2.3 Turkish Airlines International traffic data**

**Source: TK, 2019**

The airline’s main goal is to create a large and wide network to link the world with 316 destinations and 124 countries. The airline has focused on quality service as the passengers should experience a new level of quality with its ever-expanding fleet. The geographical location of its new airport and hub, Istanbul Airport, has played a great role in connecting two different cities in the world with one-stop flights.

The airline has one of Europe's youngest fleets with an average age of 8.2 years. The airlines have 340 aircraft, of which 224 are narrow bodies, 93 widebodies and 23 freighters. In addition to those, more than 200 new aircraft have been ordered. Turkish Airlines is one of the top airlines which engage in large amounts of advertising, promotion, and sponsorship. The airline believes that having a big network and flying to 124 countries suggests that providing wide and big advertisements is a good strategy to catch the eyes of the traveler and create a good name. By changing its motto, the airline has shown that it wanted to work by connecting the world with wider networks as can be seen by the motto "Widen Your World". In this connection, the airline has teamed up with the well-known actor Morgan Freeman to create a

promotional film that shares the brand value of the airline. The aviation industry in Turkey expands as it continues to have agreements signed with other foreign governments (from 81 in 2003 to 143 by 2012), which has supported the airline to expand its network. Turkish Airlines got the award of the Best Airline in Europe by Skytrax in 2011 and its product and service were transformed as a result.

### **Contribution to the GDP of Turkey**

Turkish Airlines is one of the organizations that contributes a very high share to the economy, trade, and tourism of Turkey compared to other national organizations. The aviation industry has kept growing since 2003, after the statutory regulation, and with the increasing rate of infrastructures and fleet investment and wide networks. It directly contributed 24.3 billion USD to the Turkish GDP in 2017 through the outputs of airlines, airports, and ground handling agents. This corresponds to 3% of the total GDP of turkey. It has generated a revenue of approximately 11 billion USD in 2017, reflecting an annual growth rate of 11% since 2006. An investment of 15 billion USD was made between 2005- 2017 and spent 654 million USD for the procurement of 46 new aircraft in 2017. As of 2017, there are 329 aircrafts giving service and it flies in 120 nations to more than 300 destinations. In the same year, the passenger traffic was 68.6 million and 1,122, 697 was cargo freight. Moreover, the sales were 10,958 million USD and a net profit of 323 million USD. The aviation industry is a major employer in Turkey and provides a great number of people with job opportunities directly or indirectly (ATAG, 2018).

#### **2.4.1 Customer Retention strategy practices of Turkish Airlines**

This part of the research focusses on the practical applications of Turkish Airlines in the implementation of customer retention strategies. It is in fact, a continuation from the Theoretical and Empirical Review of CR, which is viewed in the light of the company's practices. It is the foundation of this research study.

"Our target is to be the leading worldwide in terms of quality" Temel Kotil,  
CEO (2009)

The above motto of Turkish Airlines is a good example of the emphasis on quality of its service to be competitive in the market. Service quality is one of its assets to retain their customers. The airlines have employed different people from all over the world with the ability to speak a variety of languages like Korean, Japanese, and Chinese. It receives four stars in all categories because of its commitment to high-quality services and a customer-oriented philosophy. The airlines use the catering company called DO and CO, featuring international cuisines including Turkish Cuisine. In 2006, the airlines acquired the ISO 9001:2000 quality award. It gives priority to its employees through its work on OSHAS 18000 Work, Health and Safety. The airlines have a strong resource in human management in providing all the necessary prerequisites for its employees and it takes good care of the employees while they are at work. The airlines benefit its employees through free tickets around the world, private health insurance for employees and employees' families, kindergarten allowances for female and dependent children, allowances for birth and so on.

Parallel to its growth in capital and its network, the airlines have kept working on improving its service quality and global brand awareness to attract customers and make them loyal with especially after 2006. One of the visions of the company is "Most envied service level worldwide" (TK, 2019). To attain its goal, the company has implemented some service development such as the following:

First, it enhanced the onboard product service quality. The latest IEF (Inflight Entertainment) was installed so that customers can make complaints or suggestions on the screen inside the aircraft through their frequent flyer account. Business and First-Class passengers travel with a well-known chef cooking their meal on-board. These strategies had brought a rate of 96% satisfaction with its on-board catering service by 2010. Furthermore, the company won the Skytrax award for the "Best Meals in Economy Class" in 2010 and "Best catering in business class" in 2013 (TK, 2011b, 2014a). It

created a platform for its passengers to be able to send and receive email and text messages. This brought an award from Skytrax and the World Airlines Entertainment Association (WAEA) in 2008 (TK, 2008).

According to the assessment of the researcher, the following practices, which can help acquire and retain customers, are carried out: -

a) The ticketing system is devised in the way in which customers can easily access tickets. Tickets are sold in all branch offices throughout the world and apart from that, there is online ticketing by which customers can easily buy tickets from wherever they are.

b) There are also many private Agencies, which sell tickets

c) Ataturk airport is a big international airport located in a strategic location where Europe, Asia, the Middle East, and Africa cross. There are many service-giving organizations such as hotels, transportation etc near the airport. Another Airport, called Istanbul International Airport, which can accommodate more passengers than Ataturk airport has started giving service recently, making accessibility even better.

d) There is in-flight customers' complaints questionnaire presented just during arrival times that are displayed on the screens before the seats. This questionnaire generally refers to customers' satisfaction rate concerning the general services like, the food, flight attendants service, all ground services including check-in boarding and baggaging, etc

e) There is a sort of incentive program by which the price for passengers is decreased whenever they are in a group.

f) There is a program of Loyalty award by which every year-end the organization's customers' performance is evaluated and a financial award is given to them.

## **CHAPTER III**

### **RESEARCH DESIGN AND METHEDODOLOGY**

There are quantitative and qualitative methods of research. Qualitative research is common in social and behavioral science and often focuses on Social Processes. Qualitative research usually gives more emphasis to words than to quantification. This study is conducted on a social environment that takes the insight of respondents in the case of the study, which in this case is a Firm. The paper is mainly constructed on qualitative data, but it also adds quantitative data to have a better result. The research design used in this paper is descriptive research, factor analysis, and multiple regression. Business research can be classified as exploratory, descriptive and causal. As the name implies, the major purpose of descriptive research is to describe the characteristics of objects, people, groups, organizations, or environments. In other words, descriptive research tries to "paint a picture" of a given situation by addressing who, what, when, where, and how questions (Bryan and Bell, 2011). In this paper, descriptive research is chosen because it attempts to describe the data that has been collected. Data has been collected on the perception and expectation of customers. SPSS was used to analyze the data with the methods of factor analysis and multiple regression.

#### **3.1. Data Sources**

The source of data for this research is primary data based on the response from Turkish Airline passengers waiting for departure in Addis Ababa airport, and employees of Turkish Airlines. The questionnaires were mainly closed-ended, but to some extent, semistructured prepared as per the requirements of questionnaire preparation based on literature. In addition to that, secondary data was collected to make sure the research is accurate.

## **3.2. Sample size and Sampling Techniques**

The population included in this study are passengers who have used Turkish Airline flights. Only international passengers were considered, as it was impossible to access domestic passengers here. Both genders who used the service for different reasons were covered. Convenient sampling was used and questionnaires were distributed to passenger on-board Turkish Airlines flying from Addis Ababa to Istanbul. The questionnaire was distributed for the first time on April 23, 2019, and continued up to May 01 for 8 days consecutively. In addition to the questionnaire, an interview was conducted with the management. The interview included employees in Addis Ababa office as well.

## **3.3. Data Gathering Tools and Procedure**

### **3.3.1. Data Gathering Tool**

As described above the data collection instrument is primary and secondary data source. It is evident that there are many kinds of primary data sources but in this research, the Questionnaire data source was used. Generally, the questionnaire consisted of three sections. The first section is about demographic information. The questionnaires related to demography contained information of respondents such as sex, age, educational level, work experience, and Likert-scale questions that address all variables used to determine airline business as stated under the problem statement to gather first-hand information from the participants.

The second section is related to issues of service quality. For this service quality, the five main SERVQUAL measurement related questions were included. To avoid misunderstanding, for each measurement variable, only those questions were used which the respondents can easily understand. There are five columns, which the respondents fill, the first and the fifth columns being excellent and very bad respectively. The third section includes issues of customer satisfaction, customer loyalty, loyalty reward, relationship commitment as well as perceived safety. This part of the questionnaire is the

one which consists of both closed and semistructured type questions. In the closed questions, respondents are supposed as above to fill in the five columns for all variables from excellent to very bad. The other part of this section asks about the preference of passengers concerning different types of airlines supposed to be competitors to Turkish Airlines as well as Turkish Airlines. The questionnaires have columns where passengers fill up their perceived service (i.e. their experience) and answer the blanks, which they think coincides with their perception from the most preferred to the not preferred. The interview was also conducted with top management in Addis Ababa office and Istanbul Head Quarter Office.

### **3.3.2. Procedures of Data collection**

In the beginning, 200 questionnaires were prepared and distributed. 6 (3%) of them were not returned, so the researcher decided to redistribute an additional 6 questionnaires to have a total sample size of 200 that can be analyzed because a sample below 200 would be a poor sample size. Based on this quota, the questionnaires for the passengers were distributed by the researcher while they are waiting for a flight on Board Turkish airlines in Bole Airport. The researcher took time firstly to explain the issue to each respondent to whom she gives the questionnaire and then informs the respondent. Then, after a while, it was collected. In this way, each day an average of 30 respondents was covered. This situation started on April 23 and ended on May 01 until all questionnaires had been answered. Moreover, 10 Turkish Airlines employees were interviewed in the office at working hours. These interviews were relatively easy due to the fact that the researcher is part of the same office.

### **3.3. Methods of Data analysis.**

Firstly, the respondents were categorized by age, gender, education using descriptive statistics and identifying the frequency with the above variables. This is very important in that it tells us who our respondents are. Secondly the descriptive statistics system was used to determine the respondent's views



on the quality of service given, their satisfaction, the firms' relationship commitment, and loyal reward programs as well as the safety programs. In this analysis, the gap in the service delivery program given by the company can more easily be identified. Factor analysis and Kaiser Meyer Olkin measuring sample of adequacy was used. Varimax Rotated Component Matrix was analyzed in addition to the multiple regression. According to Hair, multiple regression should be used to analyze the relationship between a dependent variable and various independent variables. Multiple regression analysis will be taken to find the relationship between our variables.

### **3.4. Research Hypothesis**

Null hypothesis ( $H_0$ ): Customer satisfaction, service quality, and Perceived safety do not affect customer retention.

The alternative hypothesis ( $H_A$ ): Customer satisfaction, service quality, and perceived safety do affect customer retention.

## CHAPTER IV

### RESULT AND CONCLUSION

This research aims to find factors that affect customer retention in one company, especially for the airline industry. These findings were acquired through questionnaires, interviews, and documented data.

The response was systematically reviewed and analyzed using descriptive and factor analysis statistical package. From the total 200 questionnaires distributed, 194 were returned and the rest 6 were not returned or were incomplete. To have an adequate sample size the researcher has added 6 additional samples and has made the total sample size to 200.

**Table 4.1 Gender, Position and Age of the respondents**

Variables	Responses	Frequency	Percentage (%)
Gender	Female	74	37
	Male	126	63
	Total	200	100.0
Profession	Student	16	8
	Professional	105	52.5
	Executive	40	20
	Sales and Administration	26	13
	Other	13	6.5
	Total	200	100.0
Age	13-21 Years	4	2
	22 – 40 Years	88	44
	41 – 60 Years	93	46.5
	Above 60 years	15	7.5
	Total	200	100.0

**Source: Own Survey Data (2019)**

**Table 4.2 Purpose, Method of ticket purchasing, Travelling frequency  
in general and Turkish Airlines of the respondents.**

Variables	Responses	Frequency	Percentage (%)
Purpose of travelling	Vacation	61	30.5
	Business	105	52.5
	Family visit	18	9
	Education	12	6
	Other	4	2
	Total	200	100.0
Methods to buy a ticket	Online	108	54
	Travel Agency	84	42
	Telephone	6	3
	Other	2	1
	Total	200	100.0
Travel frequency	More than once per month	35	17.5
	Every three months	39	19.5
	Every six months	64	32
	Once a year	51	25.5
	Other	11	5.5
	Total	200	100.0
Travel frequency with Turkish Airlines	More than once per month	20	10
	Every three months	12	6
	Every six months	54	27
	Once a year	67	33.5
	Other	47	23.5
	Total	200	100.0

**Source: Own Survey Data (2019)**

As seen in the above table 4.2, passengers traveling for vacation is 61 (30.5%) of the total sample, business travelers are 105 (52.5%), passengers traveling to visit their family is 16 (8.7%) and those traveling for education purpose is 12 (6%) and the rest 4 (2%) passengers travel for other purposes. Most passengers, 108 (54%) traveling prefer to buy their tickets online, and of the rest, half uses travel agencies 84 (42%), while those through the telephone is 6 (3%): and finally, the remaining 2 passengers have other ways of buying their ticket.

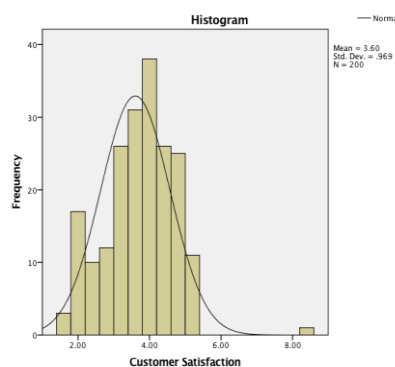
64 (32%) of the passengers travel every six months, 51 (25.5%) travel once per year, 35 (17.5%) travel more than once per month and 39 (19.5%)

passengers travel every three months - whereas the rest 11 (5.5%) are classified as “other” since they don't have any fixed traveling plans. For the passenger who travel every six months, they were asked what is their travel frequency only through Turkish Airlines: 54 (27%) passenger travel once per year, 67 (33.5%) travels more than once per month and 20 (10%) passengers travel every three months whereas the rest 11 (5.5%) are classified as “other” since they don't have any fixed traveling plans. According to table 4.3, the Kolmogorov-Smirnov normality test shows that for all variables the value of  $p > 0.05$ . All variables are normally distributed. In regards to co-linearity between variables, referring to Table 4.8, VIF (Variance Inflation Factor) shows that all variables are less than 3, which shows that there is no multicollinearity between the variables.

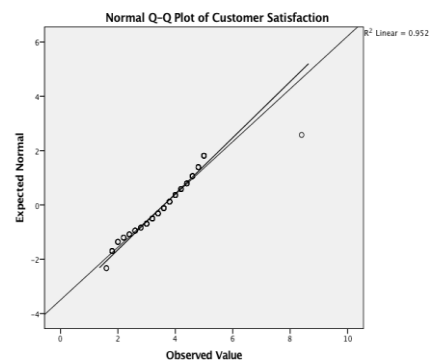
**Table 4.3 Test of Normality**

Tests of Normality						
	Kolmogorov-Smirnova	df	Sig.	Shapiro-Wilk	df	Sig.
	Statistic			Statistic		
Customer retention	0.097	200	0.21	0.945	200	0.72
Service quality	0.147	200	0.87	0.947	200	0.68
Customer Satisfaction	0.111	200	0.93	0.962	200	0.53
Perceived safety	0.141	200	0.09	0.937	200	0.23

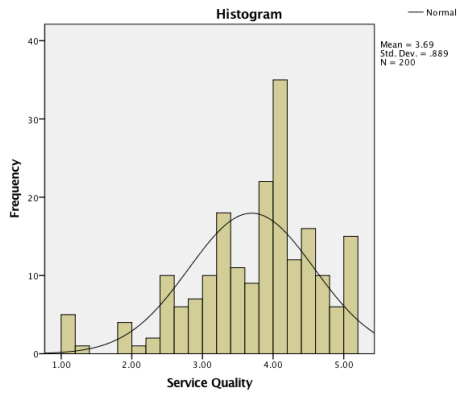
a Lilliefors Significance Correction



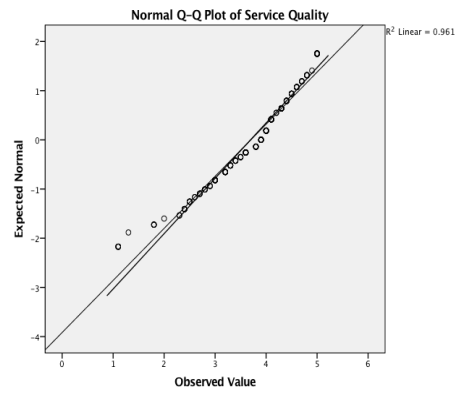
**Figure 4.1 Customer Satisfaction Histogram**



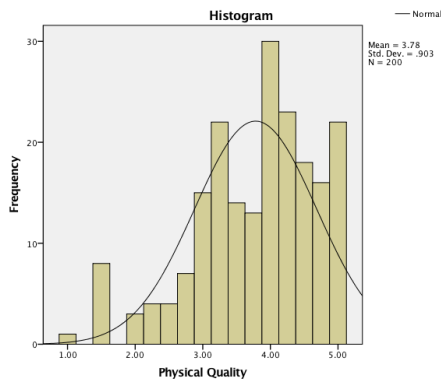
**Figure 4.2 Customer Satisfaction Q-Q Plot**



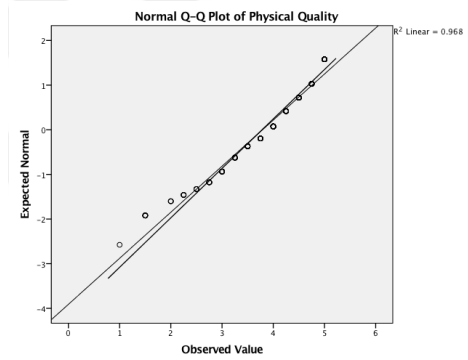
**Figure 4.3 Service Quality Histogram**



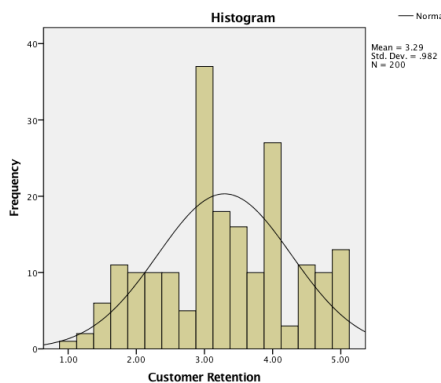
**Figure 4.4 Service Quality Q-Q Plot**



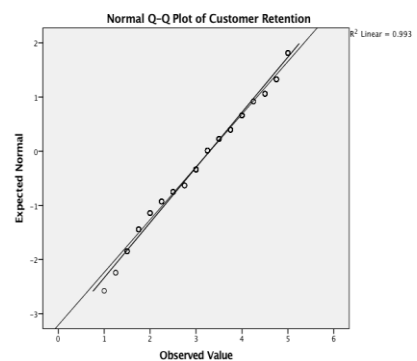
**Figure 4.5 Percieved Safety Histogram**



**Figure 4.6 Percieved Safety Q-Q Plot**



**Figure 4.7 Customer Retention Histogram**



**Figure 4.8 Customer Retention Q-Q Plot**

According to the above Figures 4.1 – 4.8, for some four factors, somehow there is a bell curve which shows there are normal distributions between variables and on the normal Q-Q Plot, we can see there are not many outliers. The correlation matrix was done and the determinant value for the Pearson correlation was strong and with the  $P < 0.05$ . In the study, variables are strongly correlated and it is statistically significant. For that matter, the researcher has proceeded to factor analysis. As seen in Table Appendix A, almost all items are correlated to each other and there is no multicollinearity between the variables. So orthogonal, varimax rotated factor analysis was used to analyze the data using SPSS.

**Table 4.4 KMO Bartlett Test**

Bartlett's Test of Sphericity		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.924	
Bartlett's Test of Sphericity	Approx. Chi-Square	3566.881
	df	210
	Sig.	0

As seen on table 4.3, KMO and Bartlett's test was done to find the adequacy of the sampling and the Kaiser-Meyer-Olkin measured a sampling adequacy of .924, which according to Olkins (1974) for a sample to be adequate the KMO measure of sampling should be minimum of .5 and above .6 is preferred. In this research, we have a very good number and this determines that we have an adequate sample size. The KMO test has shown that there is a common variance between the variables. According to Bartlett's Test of Sphericity for a variable to be analyzed with factor analysis, the variables should be strongly correlated with each other with P values less than 0.05. In this study, the correlation is strong and the P-value is 0.00, which means that this study can proceed to be analyzed with factor analysis.

Lastly, as seen in table 4.5, three components were extracted. However, before that, there was a process where the first-factor analysis was done and four components were extracted with on the first component 21 variable loaded together while the other three components had one variable each. The

second factor analysis was done by deducting one of the variables that were not correlated with others. At this stage, three components were extracted with 21 variables loading together and the last two components holding only one variable each. For the third time, one of the variables was deducted which is not correlated with the others. At this stage still, it was three components and only the last component only had one variable that was not correlated with the others. For the fourth and last time factor analysis was made and three components were extracted. On the first, second and third components 10, 6 and 3 variables were loaded together respectively. Those components are service quality, customer satisfaction, and perceived safety. This rotated component matrix can be referred to in table 4.5.

**Table 4.5 Rotated Component Matrix**

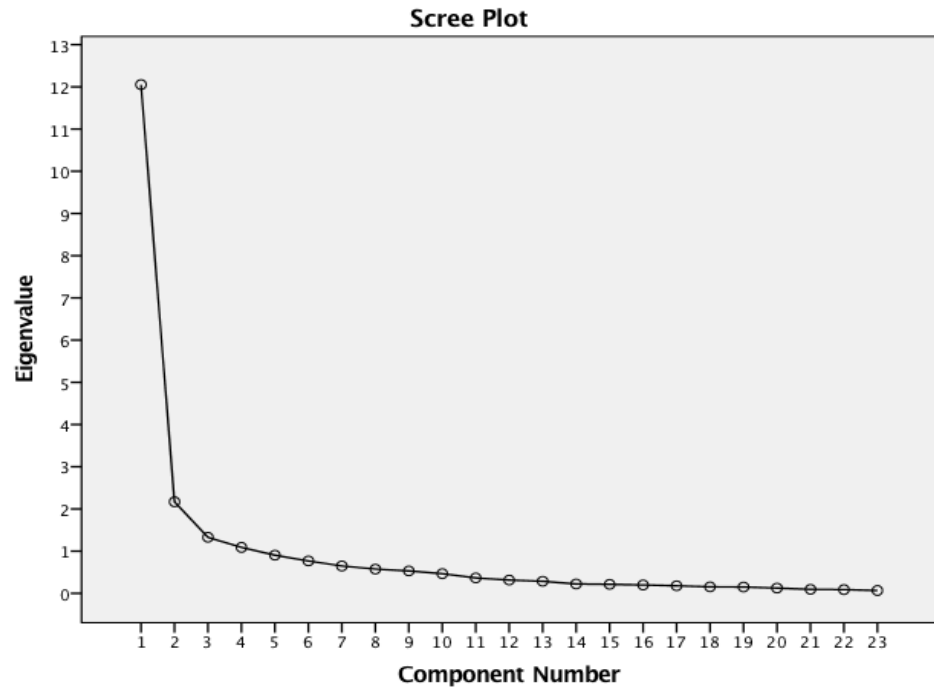
Rotated Component Matrix				
No		Service Quality	Customer Satisfaction	Perceived Safety
1	Employees were competent to answer customer questions and deliver service	<b>0.838</b>		
2	How satisfied are you with Turkish Airlines employees	<b>0.82</b>		
3	The employee was ready to respond to customer's request on time	<b>0.8</b>		
4	Employees were willing to help customers	<b>0.756</b>		
5	Employees were consistently courteous	<b>0.746</b>		
6	How do you evaluate the airlines, accepting its customers' comment and apply	<b>0.706</b>		
7	How do you evaluate the airline relationship with its passengers	<b>0.69</b>		
8	Employees gave customers individual attention at the city office of Turkish Airlines	<b>0.624</b>		
9	How satisfied are you with handling agents at the airport	<b>0.567</b>		
10	How do you evaluate your feeling safety while traveling with Turkish Airlines	<b>0.391</b>		
11	How do you evaluate the on-time performance		<b>0.89</b>	
12	How satisfied are you with Turkish Airlines flight network		<b>0.711</b>	
13	Airlines kept me informed about when service is performed		<b>0.702</b>	
14	I consider the airline service as promised		<b>0.519</b>	
15	I got the right service from the start		<b>0.494</b>	
16	How satisfied are you with Turkish Airlines		<b>0.461</b>	
17	Employees have a neat professional appearance			<b>0.878</b>
18	Modern equipment was used by the company from selling a ticket to aircraft			<b>0.814</b>
19	Employees made me feel safe			<b>0.534</b>

**Table 4.6 Total Variance Explained**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.253	53.588	53.588	11.253	53.588	53.588	6.265	29.833	29.833
2	1.593	7.587	61.175	1.593	7.587	61.175	3.974	18.923	48.756
3	1.285	6.118	67.292	1.285	6.118	67.292	3.893	18.536	67.292

According to table 4.6, 3 factors were extracted with an Eigenvalue greater than 0.1. Between these three factors, they explain 67.292% of the cumulative variance in the data set, which is very good. As mentioned already the system will automatically extract factors with Eigenvalue more than 0.1. You may see three factors extracted with Eigenvalue > 1. Please Refer figure to 4.9 Scree Plot.





**Figure 4.9 Scree Plot**

**Table 4.7 Model Summary**

Model Summary											
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson	
					R Square Change	F Change	df1	df2	Sig. F Change		
1	.627a	0.394	0.384	3.47148	0.394	42.394	3	196	0.00	0.851	

a Predictors: (Constant), Perceived safety, Customer satisfaction, Service quality factor score  
b Dependent Variable: Customerretention

$$CR = 0.163 * SQ + CS * 0.349 + 1.502$$

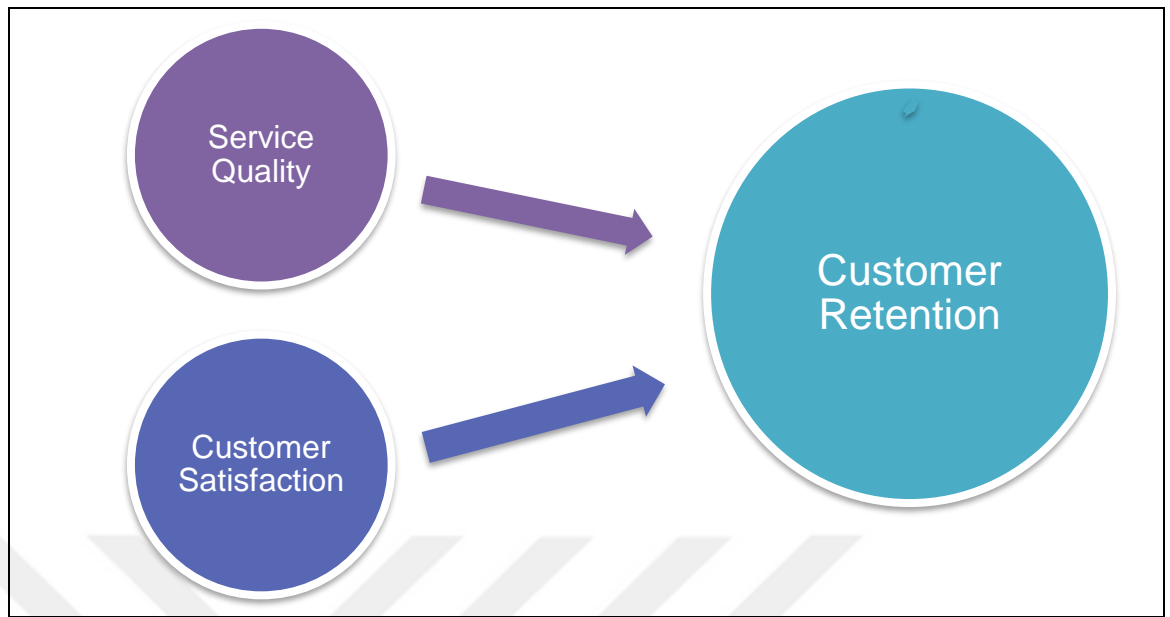
Referring to table 4.7, On the model that was taken, customer retention was taken as the dependent variable whereas service quality, customer satisfaction, and perceived safety were taken as independent variables.

**Table 4.8 Coefficients**

Coefficients										
Model	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics		
	B		Beta			Lower Bound	Upper Bound	Tolerance	VIF	
(Constant)	1.502	1.161		1.294	0.197	-0.787	3.791			
Service Quality	0.163	0.044	0.352	3.705	0.00	0.016	0.25	0.022	2.925	
Customer Satisfaction	0.349	0.073	0.404	4.808	0.00	0.006	0.492	0.039	2.28	
Perceived Safety	-0.181	0.122	-0.119	1.479	0.141	-0.423	0.06	0.046	2.102	

a Dependent Variable: Customer Retention

According to table 4.9, it shows that both service quality and customer satisfaction has a positive effect on the dependent variable, customer retention. When the service quality increases, the degree of customer satisfaction increases by 0.163 while an increase in customer satisfaction brings more customer retention by 0.349. From the above result, it is concluded that customers can be retained with good service quality and satisfied customers. From these results, the below chart has been derived as seen in figure 4.10.



**Figure 4.10 Framework on Factors Affecting Customer Retention**

## **CHAPTER V**

### **MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH**

Following the conclusion made in the previous chapter, the airline should focus on customer satisfaction to be able to retain its customers. The main component of customer satisfaction are service quality and perceived safety, and thus the airlines should provide those qualities. Below the researcher has put some recommendations according to the input taken from customers.

Most passengers traveling to Ethiopia and out of Ethiopia through Turkish Airlines are men and prefer an online ticketing system. Following information from the number of passengers who use the Turkish Airlines website and another related website, Turkish Airlines should work on improving the online service since some passenger complained about the webpage of Turkish Airlines. For the smaller number of women travelers, if the airline created a special offer, it could be attractive to those of its customers who are women. The airlines should focus on its business traveler category to get the vast majority of business travelers flowing in to and out of Ethiopia. As customer satisfaction and quality service have a direct impact on customer retention, the airlines should focus on those factors. From the service quality, employees' communication with customers plays the biggest role, so the airline should work in creating satisfied efficient and effective employees, who are the reason for quality and satisfied customers. The airline is already providing a variety of benefits to its employees in Istanbul and out of Turkey. Nevertheless, the employees out of Turkey do not receive the same benefits as the employees in Head Quarters mentioned in Chapter Two such as health benefits, maternity benefits and so on. If this gap can be balanced, it would highly motivate employees. The office should create a peaceful environment where it is convenient for employees to work. Creating a good manager-employee relationship motivates employees to work harder. Appreciative

managers can easily reach their employees by listening to employees' feedback and requests. The office, therefore, should create a path or a process to have time now and then to listen to its employees. In addition to the benefits, the office should have a technique to assess employees' satisfaction, which will lead to their improved performance. Then by assessing their performance, the airlines can determine the service quality.

Delayed baggage and no-show passengers' complaints make up the biggest percentage from the complaints made on the Turkish Airlines web site and in-person in Addis Ababa office. The airline should work on improving its baggage service in coordination with the handling agent in Istanbul Airport and Addis Ababa Airport. The airline is not only losing its customers to this problem, but also losing its money on compensating people for that delayed baggage. With the opening of the biggest airport in Istanbul, the airline should provide a service that could cope with the wide range of the airport services, and passengers should get assistance at the Airport. In regards to the no-show passenger who usually miss their flight due to the international time and local time difference the airline should assess the consequences and impact that would be created and try to solve this problem in communication with the concerned offices. If this cannot be done, there should be a method where this time difference can be explained to passengers before their flight. Reminder email or text about the remaining hours before departure could be helpful.

The second biggest complaint is miscommunications and mistreatment of customers at the hub airport from airport employees due to a variety of languages and a lack of communication skills. The Airline should work with Istanbul Airport Authority to have more employees at the airport with better communication skills to help the confused passengers at the airport. Even though Turkish Airlines is using different social media to listen to its customer, some passenger would like to directly communicate with the local Addis Ababa Turkish Airlines office, so the office should have all the available communication systems such as telephone, social media, and a representative in some of the biggest cities in the country.

The office should work on its payment method such as online payment with local debit cards, transferring to the companies' accounts from anywhere the passenger is, POS machine, checkbooks, CPO and so on, because Ethiopia does not have a credit card system

At the time of the low season, if the airline automatically upgraded one Turkish Frequent flyer passenger with the biggest miles in their account to a business class on last-minute availability without any charge, this would delight the customer. This will bring one customer more often just for the probability of the upgrade and customers will work on increasing their miles status as well.

The airlines should create a communication channel with its customers where that will help to assess customer satisfaction and customer request. After taking customers' feedback, the airlines should work on improving the service according to customers' needs. The airline should work on the social ideology of flight safety. It should show how the airline focusses on the safety of its customers more than anything else.

If the provided a diversified product like a visa and hotel, the probability that customers would be satisfied is high and that would lead to customer retention. Besides, the office should classify its customer as a Business Class passenger, Elite and Elite Plus member. This will help to prioritize these passengers and differentiate the service provided to them such as having a different service table or room with Turkish Delights, Turkish coffee or any small gifts based upon their travel frequency.

According to the study, there are a big number of business travelers, and so the airlines should provide unique and differentiated services to business travelers. There is a corporate club, which focuses on the Business traveler, which is a good way to catch business travelers. Still, those business travelers should be treated more than a random passenger by creating good communication with them, have satisfaction assessments every quarter or every six months, and circulate some questionnaires that could bring feedbacks on how and where to improve the service. After collecting this

information, the feedback received should work on implementing improved service and circulate this process every time to have consistent quality service.

Even though the physical quality does not affect customer retention, it directly affects customer satisfaction, which has a big influence on Customer retention, so the airline should improve its tangible service starting from the office chair right up to the aircraft. The office should be able to impress its customers from the point while they get their ticket and until the time of their last journey flown. In addition to that, the airline should keep on following up and providing a postal service. This way the airline is not only retaining its customer but also promoting itself with a good word of mouth of a retained customer. By retaining its customers, the airline will save its expenditures that could be spent on acquiring new customers who are 6 times more expensive. If the airline manages physical quality and service quality, customers will be satisfied. This way the airline would retain its customers.

While doing this research the researcher had a limitation on time, budget and data. If those things can be fulfilled, a researcher could take this study further. If more variable can be added and if the sample can be taken from Istanbul, international airport, which is the new hub of the Turkish Airlines, a different view could be developed in addition to this study.

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# APPENDIX A- Correlation Matrix

## Table A.1 Correlation Matrix

CorrelationMatrixa																									
Correlation	Item	1	2	4	5	6	7	8	9	10	11	15	16	17	18	19	20	22	23	24	25	26	27	28	13
	1	1.00	0.75	0.63	0.61	0.57	0.24	0.70	0.59	0.61	0.59	0.46	0.66	0.61	0.44	0.53	0.44	0.31	0.45	0.38	0.46	0.56	0.48	0.47	0.28
	2	0.75	1.00	0.63	0.65	0.56	0.23	0.64	0.59	0.61	0.61	0.44	0.54	0.59	0.49	0.62	0.38	0.32	0.40	0.28	0.39	0.49	0.48	0.44	0.23
	4	0.63	0.63	1.00	0.46	0.39	0.19	0.49	0.38	0.41	0.50	0.26	0.48	0.39	0.47	0.54	0.49	0.31	0.46	0.45	0.47	0.49	0.42	0.38	0.22
	5	0.61	0.65	0.46	1.00	0.87	0.18	0.81	0.74	0.79	0.62	0.52	0.62	0.77	0.57	0.52	0.32	0.35	0.38	0.39	0.39	0.61	0.47	0.48	0.36
	6	0.57	0.56	0.39	0.87	1.00	0.19	0.76	0.73	0.77	0.58	0.50	0.57	0.76	0.59	0.41	0.20	0.31	0.35	0.35	0.36	0.54	0.45	0.37	0.40
	7	0.24	0.23	0.19	0.18	0.19	1.00	0.19	0.29	0.18	0.25	0.18	0.18	0.18	0.22	0.11	0.10	0.00	0.14	0.06	0.03	0.15	0.14	0.01	0.18
	8	0.70	0.64	0.49	0.81	0.76	0.19	1.00	0.77	0.79	0.64	0.60	0.74	0.75	0.56	0.54	0.39	0.42	0.46	0.45	0.43	0.67	0.55	0.59	0.42
	9	0.59	0.59	0.38	0.74	0.73	0.29	0.77	1.00	0.82	0.71	0.42	0.65	0.82	0.55	0.41	0.30	0.42	0.51	0.41	0.46	0.67	0.60	0.53	0.26
	10	0.61	0.61	0.41	0.79	0.77	0.18	0.79	0.82	1.00	0.68	0.56	0.72	0.76	0.52	0.49	0.29	0.32	0.33	0.36	0.42	0.67	0.49	0.63	0.35
	11	0.59	0.61	0.50	0.62	0.58	0.25	0.64	0.71	0.68	1.00	0.48	0.66	0.69	0.62	0.47	0.36	0.37	0.51	0.50	0.51	0.62	0.57	0.44	0.35
	15	0.46	0.44	0.26	0.52	0.50	0.18	0.60	0.42	0.56	0.48	1.00	0.59	0.47	0.39	0.38	0.17	0.17	0.04	0.17	0.28	0.34	0.09	0.45	0.34
	16	0.66	0.54	0.48	0.62	0.57	0.18	0.74	0.65	0.72	0.66	0.59	1.00	0.65	0.43	0.44	0.46	0.43	0.43	0.52	0.46	0.62	0.44	0.56	0.33
	17	0.61	0.59	0.39	0.77	0.76	0.18	0.75	0.82	0.76	0.69	0.47	0.65	1.00	0.60	0.44	0.30	0.43	0.45	0.40	0.45	0.64	0.58	0.54	0.26
	18	0.44	0.49	0.47	0.57	0.59	0.22	0.56	0.55	0.52	0.62	0.39	0.43	0.60	1.00	0.48	0.33	0.31	0.46	0.45	0.40	0.59	0.40	0.35	0.34
	19	0.53	0.62	0.54	0.52	0.41	0.11	0.54	0.41	0.49	0.47	0.38	0.44	0.44	0.48	1.00	0.63	0.39	0.35	0.37	0.38	0.46	0.39	0.52	0.28
	20	0.44	0.38	0.49	0.32	0.20	0.10	0.39	0.30	0.29	0.36	0.17	0.46	0.30	0.33	0.63	1.00	0.39	0.45	0.55	0.36	0.40	0.41	0.36	0.18
	22	0.31	0.32	0.31	0.35	0.31	0.00	0.42	0.42	0.32	0.37	0.17	0.43	0.43	0.31	0.39	0.39	1.00	0.65	0.63	0.35	0.38	0.30	0.53	0.24
	23	0.45	0.40	0.46	0.38	0.35	0.14	0.46	0.51	0.33	0.51	0.04	0.43	0.45	0.46	0.35	0.45	0.65	1.00	0.80	0.47	0.63	0.62	0.30	0.21
	24	0.38	0.28	0.45	0.39	0.35	0.00	0.45	0.41	0.36	0.50	0.17	0.52	0.40	0.45	0.37	0.55	0.63	0.80	1.00	0.57	0.61	0.45	0.39	0.20
	25	0.46	0.39	0.47	0.39	0.36	0.00	0.43	0.46	0.42	0.51	0.28	0.46	0.45	0.40	0.38	0.36	0.35	0.47	0.57	1.00	0.59	0.56	0.38	0.18
	26	0.56	0.49	0.49	0.61	0.54	0.15	0.67	0.67	0.67	0.62	0.34	0.62	0.64	0.59	0.46	0.40	0.38	0.63	0.61	0.59	1.00	0.64	0.59	0.24
	27	0.48	0.48	0.42	0.47	0.45	0.14	0.55	0.60	0.49	0.57	0.09	0.44	0.58	0.40	0.39	0.41	0.30	0.62	0.45	0.56	0.64	1.00	0.35	0.19

	28	0.47	0.44	0.38	0.48	0.37	-0.01	0.59	0.53	0.63	0.44	0.45	0.56	0.54	0.35	0.52	0.36	0.53	0.30	0.39	0.38	0.59	0.35	1.00	0.27
	13	0.28	0.23	0.22	0.36	0.40	0.18	0.42	0.26	0.35	0.35	0.34	0.33	0.26	0.34	0.28	0.18	0.24	0.21	0.20	0.18	0.24	0.19	0.27	1.00
Sig. (1-tailed)	1		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	4	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	5	0.00	0.00	0.00		0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	6	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	7	0.00	0.00	0.00	0.01	0.00		0.00	0.00	0.01	0.00	0.01	0.01	0.01	0.00	0.06	0.08	0.48	0.03	0.21	0.36	0.02	0.02	0.43	0.01
	8	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	9	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	10	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	15	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.01	0.01	0.31	0.01	0.00	0.00	0.10	0.00	0.00
	16	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	17	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	19	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	20	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
	22	0.00	0.00	0.00	0.00	0.00	0.48	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	23	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
	24	0.00	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00
	25	0.00	0.00	0.00	0.00	0.00	0.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.01
26	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	
27	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	
28	0.00	0.00	0.00	0.00	0.00	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	
13	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00		

## APPENDIX B - Questionnaires

### FACTORS AFFECTING CUSTOMER RETENTION – THE CASE OF TURKISH AIRLINES

Please take a few minutes to complete this questionnaire. This research is completely for academic purpose and it is fully confidential (the information you give and your identity as well). Your honest response will be helpful for this research and for the airlines itself, as the research can change and solve our problems.

#### SECTION I: Demographic Information

1. Sex

- Female       Male

2. Age

- Under 12       13 – 21       22- 40       41 - 60       Above 60

3. How often do you travel with Turkish Airlines?

- Once a month  
months       Every three month       Every six  
months
- Once every year       Other, \_\_\_\_\_

4. How often do you travel?

- More than once per month       Every three months       Every  
six months
- Once every year       Other, \_\_\_\_\_

5. What is the purpose of your trip?

- Vacation       Business       Family visit
- Education       Other, \_\_\_\_\_



6. What is your profession?

- Student
  Professionals
  Executive  
 Sales & Admin.
  Other, \_\_\_\_\_

7. Which method do you use to buy your ticket?

- Online
  Travel agency
  Customer relation through phone  
 Nearest Turkish Airlines office
  Other, \_\_\_\_\_

## SECTION II: Service Quality

8. Please give rank from 1 up to 5, as 1 is excellent and 5 is very bad

5: Excellent    4: Good    3: Fair    2: Bad    1: Very Bad

Description		1	2	3	4	5
Reliability	I consider the airlines service as promised					
	I got the right service from the start					
	The airlines provided error free information					
Responsiveness	Airiness kept me informed about when service is performed					
	Employees were willing to help customers					
	Employees were ready to respond to customers' requests on time					
Assurance	Employees instilled confidence into me					
	Employees were competent to answer customer questions and deliver service					
	Employees were consistently courteous					
Empathy	Employees gave customers individual attention city Office					
	Employees gave customers individual attention at Airport office					
	Flight hours were convenient					
Tangible	Modern equipment were used in whole processes					
	Employees had a neat, professional appearance					

SECTION III: Customer Satisfaction, Loyalty, Loyalty Reward, Relationship and Perceived safety

Description		1	2	3	4	5
Customer Satisfaction	How satisfied are you with Turkish Airlines					
	How satisfied are you with Turkish Airlines employees					
	How satisfied are you with Handling agents in the airport					
	How satisfied are you with Turkish Flight network					
	How do you evaluate on time flight performance					
Customer Loyalty	How likely are you to recommend Turkish Airlines to a friend					
	How do you consider yourself as a regular customer					
	Is Turkish Airlines your first choice					
	No matter what, do you prefer to fly with Turkish Airlines					
Loyalty Reward	How do you evaluate Loyalty programs at Turkish Airlines					
Relationship	Does the airlines have a good relation with it passenger					
	Does the airlines take customer comment					
Perceived Safety	Do you feel safe while travelling with Turkish Airlines					
	Employees made me feel safe					

9. Which airlines do you mostly use?

Ethiopian airlines     Saudi airlines     Qatar Airways     Turkish Airlines

Emirates     Lufthansa     \_\_\_\_\_    Other,

\_\_\_\_\_

- Explain why \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

12. Any general commen

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## CURRICULUM VITAE

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