UNIVERSITY OF GHANA

CUSTOMER RETENTION STRATEGIES IN THE AIRLINE INDUSTRY IN GHANA

BY

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THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MPHIL MARKETING DEGREE

JUNE, 2013

DECLARATION

I do hereby declare that this thesis is the result of my own research towards the award of MPhil degree in Marketing and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of this or any other University, except where due acknowledgement has been made in the text.

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CERTIFICATION

I hereby certify that this thesis was supervised in accordance with procedures laid down by University of Ghana, Legon.

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DEDICATION

I dedicate this work to the glory of God Almighty whose unfailing love and unflinching support have sustained me and have successfully seen me through my studies and for the wisdom he granted me to produce this piece of work.

Again, I dedicate this work to my mother Ms. Olivia Gborglah of blessed memory for giving me life but left me rather at a tender age. Mum rest in perfect peace!

I also dedicate this work to all airline industry professionals and enthusiasts who continue to contribute their quota to the development and the sustenance of air transport for the generation yet unborn.

ACKNOWLEDGEMENT

Indeed to God be the Glory for great things he has done, his mercies and unending love has kept faith with me throughout my entire education without much rancor. If it is the case that I can see farther, it is because I stood on the shoulders of giants. My sincerest gratitude goes to my academic mentors, Dr. Samuel C. K. Buame and Prof. Robert E. Hinson, their patience, critical comments and constructive criticisms and suggestions on every page, gave meaning to this research. You both are indeed a great source of inspiration for me. In particular I wish to acknowledge my lead supervisor, Dr. Samuel C. K. Buame who despite his heavy schedule did not only provide guidance and encouragement at every stage of this thesis but was also a source of inspiration and the flame which kept my candle of hope burning. Giants like you need special mention.

I would also want to extend my noble thanks and appreciation to my dearest sister Ms. Selina Agor for performing a motherly role in my life and for making me who I am today. I am forever indebted to Mrs. Jewel Kudjawu for your love, care and support during my education. You for one have restored my waning confidence in humanity.

In no particular order I also wish to acknowledge the love, encouragement and support I received from the following persons; Mr./Mrs. Martin Odum, Mrs. Doreen Annan, Mrs. Doreenda Voado, Mrs. Cynthia Abole, Dr. E. M. Atua, Mr. Maclean Sarbah, Mr. Cartious Enyonyoge Aziedu, Mr. Philip-Neri Jayson Quashigah and Mr. Bright Addo. To you all I say thank you and may God bless you all. If you hear the cock crows the next morning, it is my thanks and appreciation being extended to you in quantities.

Last but not the least, I am sincerely grateful to Mr. Edward Forson the Manager of Corporate Planning, Ghana Airport Company Limited, Ms. Sandra Nyarko Koduah Assistant Airport Manager (Terminal Operations), of Ghana Airports Company Limited and Mr. Bright L. Adjokacher, the Corporate Planning Manager of Ghana Civil Aviation Authority for their immeasurable contributions towards the success of this study.

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LIST OF ABBREVIATIONS

AAGR	Annual Average Growth Rate
ASB	Airline Switching Barriers
ASQ	Airline Service Quality
AWA	Africa World Airlines
CLTV	Customer Lifetime Value
CR	Customer Retention
CRS	Customer Retention Strategies
DME	Distance Measurement Equipment
FIR	Flight Information Region
GACL	Ghana Airports Company Limited
GCAA	Ghana Civil Aviation Authority
GDP	Gross Domestic Product
GSS	Ghana Statistical Service
IATA	International Air Transport Association
KIA	Kotoka International Airport
NPV	Net Present Value
PNDC	Provisional National Defense Council
PWD	Public Works Department
RFFS	Rescue and Fire Fighting Services
RM	Relationship Marketing
SET	Social Exchange Theory
SPSS	Statistical Package for Social Sciences
SR	Service Recovery
SSNIT	Social Security and National Insurance Trust
TARP	Technical Assistance Research Program
US DOT	United States Department of Transportation
VIF	Variance Inflation Factor
VOR	Very-high Omnidirectional Range

ABSTRACT

Customer Retention is a cine qua non for the survival and sustainability of firms in today's competitive but volatile business environment. Retaining the customer is good for the health and the general wellbeing of firms. The economic benefits of customer retention cannot be over-emphasized as it culminates in the overall profitability of firms.

The open skies policy in the air transport industry in Ghana sparked intense competition and has witnessed proliferation of airlines into the industry. This calls for deliberate workable strategies aimed at not only acquiring customers but also keeping them as well so as to prevent customers from defecting to competitors.

Several studies have been conducted to identify the importance of customer retention especially in the banking sector. Little is known about the design of workable customer retention strategies in the airline industry in Ghana.

The aim of this study was to find out the correlation between constructs of Relationship Marketing (RM), Airline Service Quality (ASQ), Airline Switching Barriers (ASB) and Service Recovery (SR) and Customer Retention in the airline industry in Ghana.

A quantitative method and researcher-administered questionnaire was used to investigate the problem. The survey design was a cross-sectional non-experimental study of 337 respondents which was sampled by using a multistage probability and non-probability sampling techniques. Bivariate and standard multiple regression models were used for analysis.

The analysis of the study clearly revealed that all the four constructs used in the study namely; RM, ASQ, ASB, and SR are significantly and positively associated with customer retention with the duo constructs of ASQ and ASB being the most significant.

Despite limitations such as generalizability, the findings of this study provides evidence that airline industry professionals need to pay close attention to these strategies especially Airline Service Quality and Airline Switching Barriers and fine-tuning them to reflect the exigencies of the time and also to ensure their continued use and adoption for an improved Customer Lifetime Value.

CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

The airline industry plays an important role in the global economy. It is a vital component of the travel and tourism industry and remains essential to the conduct of international business (Tiernan et al., 2008). The airline industry is known to be the major catalyst for the socio-economic development of emerging economies such as ours (GACL, 2012). The airline industry is the engine that drives global economic and social progress as it connects people, countries, cultures, and provides access to global markets and generates trade and tourism. It forges links between developed and developing nations.

The aviation industry has experienced phenomenal growth since World War II. From an almost zero level, to an approximate of 2,000 airlines operates a total fleet of 23,000 aircrafts around the world. They serve some 3750 airports through a route network of several million kilometers managed by around 160 air navigation service providers. The aviation industry today transports over 2.2 billion passengers annually both for business and leisure (IATA, 2012).

In terms of worldwide trade, the total value of goods transported by air represents 35% of all international trade. The industry also caters for 40% of international tourist travel. The aviation industry today has 32 million jobs worldwide and contributes over 8% (US$ 3557 billion) to the world's GDP (IATA, 2011).

IATA's forecast show that this growth in the aviation sector in expected due to trade and air transport deregulation and liberalization, new leisure patterns, high income elasticity of demand and increasing value of goods to be transported. Meanwhile, international passenger growth is expected to slow slightly whilst domestic passenger growth would improve slightly. International passenger numbers are forecasted to grow at an average annual rate (AAGR) of 5.1% and the domestic passenger numbers at an AAGR of 5.3% between 2008 and 2012. However, the airline industry and these forecasts by IATA remain exposed to several risks ranging from temporary negative impacts such as natural disasters, security scares and high fuel prices and the slower than expected growth in the global economy. Despite these, the fundamental factors driving growth remain reasonably positive. The air transport industry in Africa also shows a strong growth of 11.4% which has been sustained since 2007 (GACL, 2012).

In like manner, the airline industry in the Ghana has also seen a massive growth in recent times with an average growth rate of over 8% and has also witnessed passenger throughput increased from 293,613 to 543379 in 2012 alone (GACL, 2012). The growth of the sector especially the domestic sub-sector is attributable to increasing confidence in safety and security of domestic air transport coupled with the deregulation and liberalization of the airline sector which culminated into the influx of a lot of airlines into Ghana including the domestic sub-sector. This brought fierce competition into the industry which forced industry professionals to devise workable strategies so as to stay in business. The best strategy is to focus on developing programs aimed at retaining acquired customers in the face of the competition.

Traditionally, superior marketing and customer service were viewed as providing the right product in the right place and at the right time. However, a new version of marketing has emerged where the “focus is on the customer and on their needs and preferences” (Christopher et al., 1993).

The tremendous rapid growth of the services industry has changed the face of business globally. As the market become more competitive, firms are more likely to attempt to maintain their market share by focusing on retaining the current customer (Lee et al., 2001). Customer retention has been advocated as the most ideal, the more reliable and potent source of superior performance (Reichhled & Sasser, 1990).

The sole purpose of business is to create the customer (Drucker, 1964). However, retaining the created customer has been regarded as equally, if not more important. Dawkins & Reichheld, (1990) indicated that a 5% increase in customer retention can generate an increase in customer net present value of between 25% and 85% across a wide range of business environments. This generated growing interest and recognition of the fact that customers like products have a life-cycle that firms can manage. This implies that customers can be acquired, retained and can also be grown to generate value over time. Customers are said to climb a value staircase (Gordon, 1998) or value ladder (Christopher et al., 1991) from suspect, prospect and first-time customer to majority customers and ultimately to partner or advocate status (Ang & Buttle, 2006).

1.1 Scope of the Study

Quite a number of studies have established the significance of retaining customers and its impact on overall profitability of firms especially in the financial services sector, but these studies failed to identify workable strategies geared towards retaining the customer. This study is based on the premise that a set of four proximate a priori strategies combine to significantly determine customer retention rate in the airline industry.

The study therefore identified four main proximate strategies that can ensure customer retention in an organization especially in the airline industry. Many research works have sought to establish the importance of customer retention, but this study dilates mainly on four constructs of Relationship Marketing, Airline Service Quality, Airline Switching

Barriers, and Service Recovery and their correlation and association with Customer Retention.

This study again limits itself to reviewing only self identified measuring variables that are related and relevant to the study in order to ensure consistency and make the study more rigorous and robust.

1.2 Statement of the Problem

The need to reduce customer attrition and churn rates in the face of fierce competition coupled with technological advancements in a highly volatile business environment like that of the airline industry has become a more arduous task than ever thought. The major preoccupation of modern airlines is to acquire customers but this has not been the case. Airlines all over the world have lost and continue to lose customers to the extent that it has direct impact on their returns on investment and a practical implication for their very existence and survival.

Undoubtedly most airlines lose some customers one way or the other, but few ever measure how many of their customers become inactive. Many airlines ironically invest an enormous amount of time, effort and money building that initial customer relationship. They then let that relationship go unattended to and, in some cases losing interest as soon as the sale has been made, or even worse, they abandon the customer as soon as an unavoidable problem occurs, only to have to spend another resource to replace the lost customer. This high degree of customer churn rate in the airline industry is what is referred to as the leaky bucket (Lovelock, 1995). The reality is that customer retention in today's airline service environment is very difficult to tackle in a market that is highly volatile and that it takes more than just advertisements and incentives.

As intimated earlier the services industry such as that of the airline is fraught with wide array of challenges including fierce and increasing competition (Tiernan et al., 2008), global economic decline that led to decreased demand (Fodness & Murray, 2007), declining profitability in the industry; as net profit margin for global commercial airlines decreased from 2.9% in 2010 to 1.4% in 2011 (IATA, 2011), rising fuel prices (IATA, 2011), airlines are prone to service failures due to the service processes employed in the service delivery (Bejou & Palmer , 1998). Given these encumbrances, airlines continue to struggle to retain their customers in order to reduce customer attrition and churn rates.

1.3 Research Gap

A cursory look at extant literature on customer retention revealed that researchers concentrated much of their attention and works on customer acquisition to the neglect of customer retention strategies. Furthermore, quite a number of studies have recounted on the importance of customer retention which was only limited to the banking sector and their studies focus mostly on Europe.

Again, previous works also dilated mostly on the significance of customer retention in the banking and the financial sector (Cohen et al 2006; Liu & Wu, 2007; Fisher, 2001; Page et al 1996; Reihheld & Kenny, 1990; Dwakins & Reichheld, 1990; Marple & Zimmerman, 1999; Mirza et al., 2007). Other researchers focus on switching process and customer defection only in the banking sector (Trubik & Smith, 2000; Desouza, 1992). Other studies looked at service quality issues in the banking sector (Petridou et al., 2007; Ganguli & Roy, 2011; Roig et al,. 2006; Ladhari et al., 2011).

More works on customer retention strategies has been championed by Ahmad & Buttle, (2001) when they conducted a research to test the extent to which theoretical perspectives relating to strategies for retaining customers reflected practices in industry. After their study, they professed some strategies for retaining customers but failed to demonstrate the relationship between these strategies and their overall contribution to customer retention and firm profitability which this study seeks to do.

In the Ghanaian context, quite a number of studies have been conducted in service quality (Arko, 2006; Hinson et al., 2011). There is also work on relationship marketing and its impacts on customer retention (Baah, 2005). A similar study on customer retention was conducted by (Agudze-Tordzro, 2012) where she developed customer retention strategies in the banking sector in Ghana.

In the airline industry, most studies focus mainly on service quality issues only (Rhoades, 2006; Tiernan et al., 2008; see Jordan, 1970). Literature is also cited on service failure and service recovery on airline passengers (Mostert et al., 2009), but failed to link it to customer retention.

There has been little research into the development of customer retention strategies, per se especially in the airline industry (DeSouza, 1992). Meanwhile there has been research findings showing the relative weights attached to customer retention budgets. According to Weinstein, (2002), "most companies spend a majority of their time, energy and resources chasing new business". He suggested that "80% or more of marketing budgets are often earmarked for getting new business". This is in line with Payne et al., (2001) findings which concluded that only 23% of marketing budgets in UK organizations is spent on customer retention. In contrast, Aspinall et al., (2001), found out that 54% of companies reported that customer retention was more important than customer acquisition.

Earlier studies concluded on the simple premise that- satisfied customers continue service patronage, resulting in positive financial benefits to the service provider. But it is now common knowledge that mere satisfaction does not ensure continued service patronage. This is because, in addition to satisfaction, other factors combine to influence service patronage. It is these factors that this research seeks to investigate and they are service quality, customer loyalty, switching barriers and service recovery strategies.

Few key studies have already established the links between service quality and customer satisfaction, and between satisfaction and firm financial performance. For example, Johnston, (1995) examined the link between service transactions and overall satisfaction, Fornell et al., (1995) linked customer satisfaction and quality initiatives to firm financial performance, Ittner & Larcher, (1996) undertook a similar study where the main focus was the link between quality initiatives (closely linked to customer satisfaction) and firm financial performance, Reichheld & Sasser, (1990); Heskett et al., (1994) and Rucci et al., (1998) established the link between customer satisfaction and improved financial performance.

Given this serious gap in the literature, most industry practitioners especially in the airline industry in Ghana depended heavily on the wholesale import and reception of foreign literature on customer retention and recommended for Ghanaian practice which in most cases does not apply in our local context.

Therefore, the direction of this research is to focus on developing an integrated but independent constructs that draws on relationship marketing, service quality, switching barriers and service recovery strategies and its relationship on customer retention and overall profitability of firms. To date, no study has been conducted yet that incorporates the concepts of RM, ASQ, ASB and SR in a single study with special focus on customer retention in the airline industry.

1.4 Objectives of the Study

On the basis of the background overview and statement of the problem, this study set out to identify the customer retention strategies that can adequately ensure customer retention in the airline industry in Ghana. To this end, the following specific objectives were formulated:

1. To find out whether Relationship Marketing is significantly associated with Customer Retention.
2. To investigate the correlation between Service Quality and Customer Retention.
3. Determine whether Switching Barriers significantly relates to Customer Retention.
4. Explore if Service Recovery significantly correlates with customer retention.

1.5 Research Questions

In order to achieve the objectives enumerated above, the following questions were asked:

1. What is the connection that exists between Relationship Marketing and Customer Retention?

2. Is there any significant correlation between Airline Service Quality and Customer Retention?

3. Does Switching Barriers significantly associate with Customer Retention?

4. Does Service Recovery increase the rate of Customer Retention?

1.6 Research Hypotheses

On the basis of the research objectives and questions as well as review of extant literature on customer retention, I draw the following hypotheses which could either be rejected or accepted and would be tested at 0.01 level of significance.

- **H_1**: Relationship Marketing is significantly related to Customer Retention.
- **H_2**: There is significant positive relationship between Airline Service Quality and Customer Retention Rate.
- **H_3:** The higher the Switching Barrier the lower the Customer Retention Rate.
- **H_4**: There will be a significant relationship between service recovery and Customer Retention.

1.7 Significance/Justification of the Study

It has long be acknowledged that the fundamental purpose of marketing is the getting and keeping of customers (Levitt, 1986). It is widely accepted that it costs more to generate new customers than it does to keep hold of existing clients.

In other words, it is an established fact that it is far more expensive to find new customers than to keep your current ones happy. Customer retention matters in times of tough economic times as we have currently. This is because the consequences of customer retention compounds over time and in some cases in unexpected ways. A minute change in customer retention can cascade through the entire fabrics of all business activities and multiply over time.

The resulting effect of adopting customer retention on long-term profit and growth should not be underestimated. The argument for customer retention is not in dispute at all because many researchers and scholars have long recognized the economic value in retaining customers than acquiring new ones (Reichheld & Sasser 1990, Dawkins & Reichheld 1990; Fornell, 1992,; Healy, 1999; Fisher, 2001; Hogan et a.,l 2003; Lee-Kelly et al., 2003).

In more specific terms Rust & Zahorik (1993), asserts that the financial implication of acquiring new customers to "replace" those who have been lost may be five times as costly as keeping existing customers. The significance of focusing on customer retention is based on the principle that it is easier and considerably less expensive to retain a customer than to continuously attempt to acquire new customers (Kim & Cha 2002; Magnini & Ford 2004; Murphy 2001; Rosenburg & Czepiel 1983). This is because the cost of acquiring new customers would only have been incurred only in the initial stages of the commercial relationship (Reichheld & Kenny, 1990). A more succinct argument has been made which suggest that a 5% improvement of customer retention would increase a firm's profit margins from between 25% to 85% (Reichheld & Sasser, 1990).

The high cost of customer acquisition compared to the lower cost of serving repeat customers and the consequent increase in profitability is an important reason why firms are advised to increase levels of customer retention. Drucker, (1963) believed that marketing is much concerned with acquiring as well as retaining customers. This is because the significance of retaining customers in an organization is not a new phenomenon in marketing. The high cost of customer acquisition compared to the lower cost of serving repeat customers, and the consequent increase in profitability, is an important reason why firms are advised to increase levels of customer retention (Colgate & Danaher, 2000).

A number of studies have identified the benefits of retention to an organization (Reichheld & Sasser, 1990). Since replacing cost are high, customers defection must be a key performance gauge for practitioners and scholars alike and a fundamental component of incentive programs (Zeithaml et al., 2006). Other researchers also suggest that, customer longevity is not synonymous with customer loyalty. Retained customers do demonstrate immunity to competitive pull to the extent that a customer may however graduate from being a client, to supporter and finally an advocate.

1.8 Organization of the Study

The study is organized into six major chapters which include the introduction and background to the study, literature review and conceptual framework, context of the study, research methodology, data analysis and discussions and summary, conclusions and recommendations. These are briefly explained below.

1.8.1 Chapter One- Research Overview

This is the first chapter of the study and therefore presents the introduction and background to the study, statement of the problem, research objectives, hypothesis and questions, significance or justification of the study, research gap, scope of the study, definition of terms and the chapter layout of the study.

1.8.2 Chapter Two- Literature Review and Conceptual Framework

This second chapter dealt with review of extant literature to elucidate existing theories and concepts that underpin this study. The review involves an in-depth and empirical review of the literature on the subject matter of the study which is customer retention strategies with special emphasis on the customer retention strategies in the airline industry in Ghana, why or the benefits derived from retaining customers, customer defection, relationship marketing, airline service quality, airline switching barriers and service recovery strategies in the airline industry. These retention strategies are encapsulated in the conceptual framework which also forms part of this chapter.

1.8.3 Chapter Three- Context of the Study

This chapter focuses more on the issues relating to the airline industry in Ghana. It also discusses the performance of the airline industry in Ghana giving the historical background of the airline industry in Ghana, nature and structure of the airline industry, developments taking place in the industry, the major policies and reforms in the airline sector and the role of the airline industry to the socio-economic development of Ghana.

1.8.4 Chapter Four- Research Methodology

This chapter dwells more on the research methodology of study adopted for the study. This chapter talks about the philosophical stance of the researcher. This chapter also deals with the research approach, design, sample size, sources of data, data collection procedures, data analysis and discussion and the limitation of this study. Statistical Package for Social Sciences (SPSS v20) was used to analyze the data gathered.

1.8.5 Chapter Five- Data Analysis and Discussion

Chapter five presents the major findings of this research using Statistical Package for Social Sciences (SPSS version 20) as the major tool of analysis. The interpretation of the findings was done using multiple regression method. This allows for further discussion of major findings of the study taking into consideration the hypothesis and extant literature of this research.

1.8.6 Chapter Six- Summary, Conclusion and Recommendation

This is the final chapter of this study and reports on the previous chapter giving summaries of work done so far, major findings of the study, drawing conclusions and proffering some recommendations for airlines operating in Ghana and the entire academic community to serve as the basis for further studies to be conducted in this area.

1.8.7 Operational Definition of Terms and Concepts

This study adopts an operational definition of major terms and concepts used throughout this research. The author uses and offer definitions and explanations that best describe the concepts as used in the main text. By doing so the main terms and concepts used in the study are being put in the right perspective though not limited to these definitions offered.

Marketing- An organizational function and set of processes for creating, communicating, exchanging offerings, delivering of value to customers and managing customer relationships in ways that benefits the organization, clients, partners and society at large (AMA, 2004).

Firm- A commercial entity that operates on a for-profit basis and participates in the delivery of services to customers. It must be noted that in this study terms such as firm, organization and company are used interchangeably.

Service- An activity or series of activities of a more or less intangible nature that normally take place in interactions between the customer and the service employee or systems of the provider, which are provided as solutions to customer needs or problems (Hinson 2004). Zeithaml and Bitner(2000) in a succinct way put it as deeds, processes and performances.

Airline or Carrier- An organization providing a regular passenger air service.

Customer Retention- Refers to the way in which organizations focus their efforts on existing customers in an effort to continue doing business with particular customers in the future (Murphy et al 2006 and Hoffman et al 2003).

Relationship Marketing- Refers to efforts by organizations to retain customers by building and maintaining long-term relationships with them (Christopher et al 2002; Torres & Kline, 2006). Relationship marketing therefore focuses on customer retention by designing, developing and maintaining customer relationships over the lifetime of the customer rather than focusing on attracting new customers (Zineldin & Phiilipson, 2007).

Customer Commitment- Defined as "an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it". Or an enduring desire to maintain a valued relationship.

Customer Trust- (Morgan and Hunt, 1994) conceptualizes trust as "the willingness to rely on an exchange partner in whom one has confidence". It also means confidence in an exchange partner's reliability and integrity.

Switching Barriers- these are deliberate structures imposed by a service provider to prevent customer from switching to competitors.

Service Failure- a service failure refers to a real or perceived service related problem or a situation in the service delivery process where something went wrong in dealing with the organization (Palmer 2001). That is the customer's expectations of the service encounter are therefore not met by the organization.

Service Recovery- Refers to those actions taken by an organization in response to a service failure in order to change customer's dissatisfaction to satisfaction and ultimately to retain those customers (Miller et al 2000; Gronroos, 1990).

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 Introduction

In order to better understand and position this research in the right perspective, it is the belief of the researcher that a cursory look is taken at extant works on customer retention and the various theoretical and empirical literature that underpin the topic in order to develop a framework that better explains the various concepts in the literature reviewed. This would give an insight on how far scholarly work has gone on this topic as well as address any gap in knowledge.

2.2 Background Information

The fundamental argument that has been continuously made is that the main purpose of marketing is "getting and keeping of customers" (Levitt, 1986). However it appears in practice that more attention is placed on getting customers than keeping them. This makes valid the argument for airlines to deliberately initiate strategic programs aimed at customer retention. This is attributable to the many empirical studies which demonstrate the economic gains arising from customer retention than acquiring new ones (Dawkins & Reichheld, 1990, Reichheld & Sasser, 1990; Fornell, 1992; Healey, 1999; Fisher, 2001). The financial implications of acquiring new customers to "replace" those who have been lost may be five (5) times as costly as keeping existing customers (Rust & Zahorik, 1993) because the financial cost is only incurred at the beginning stages of the relationship (Reichheld & Kenny, 1990). Again a 5% improvement in customer retention can cause increase in profitability between 25% and 90% (Reichheld & Sasser, 1990) and that loyal customers are less likely to change service providers due to price increases as they tend to recommend the business to others (Healey, 1999 and Reichheld & Sasser, 1990).

This observation by these scholars offers very useful insights into the importance of the adoption of customer retention as a panacea to the challenges in the airline sector in order to ensure survival and profitability of airlines in Ghana in the face of the fierce competition which has characterized the industry of late as a result of government open skies policy.

Some authors were of the opinion that when carriers are able to reduce customer defection by as little as 5%, they would be able to double their profit margins (Healey, 1999). Given the competitive nature of the airline sector in Ghana, airlines that want to keep their businesses afloat needs to develop strategies to satisfy the needs of their customers which would make the customer continue to patronize the services of the airline in order to keep them loyal. In this regard, the focus of this study is to assess the relationship of a priori retention strategies that can be used to retain customers within an increasingly competitive and turbulent airline industry.

The support for retaining customers in the marketing literature (Ennew & Binks, 1996; Reichheld 1996; Ahmad & Buttle 2002a; Ahmad & Buttle, 2002b) is very extensive. The arguments which justify the customer retention as a business strategy as opposed to acquiring new customers are rooted in economics and the concept customer lifetime value CLTV (Ahmad & Buttle 2001). CLTV comes as a result of a continuous future purchases, referrals and avoidance of negative word-of-mouth (Zineldin, 2006).

For a customer retention strategy to be successful firms must project the value of individual customers over time rather than focusing on customer numbers. It must also be noted that longevity of relationship leads to an increase in retention rates and thus a corresponding increase in profit (Dawkins & Reichheld, 1990; Reichheld & Sasser, 1990; Reichheld, 1996).

The support for retaining customers in the marketing literature (Ennew & Binks, 1996; Reichheld 1996; Ahmad & Buttle 2002a; Ahmad & Buttle, 2002b) is very extensive. Sigala, (2005) suggested that service industries are undergoing significant developments so much so that the focus is shifting from customer acquisition to customer retention.

It is therefore imperative that organizations not only attract new customers and satisfy their immediate needs, but also do their utmost to retain customers as this will give them a greater chance of survival than organizations that do not actively try to retain customers (Choi & Chu, 2001). The arguments that have been adduced to justify customer retention as a business strategy as opposed to acquiring new customers are rooted in economics and the concept of Customer Lifetime Value CLTV (Ahmad & Buttle, 2001). CLTV comes as a result of a continuous future purchases, referrals and avoidance of negative word-of-mouth (Zineldin, 2006).

The economic benefits include the possibility of organizations to forecast customers' future purchases, sales, marketing and the acquisition costs of customers can be reduced; satisfied customers may be willing to pay premium prices and often make referrals to others and the per customer income is likely to grow as customers are likely to increase their spending with the organization as the relationship grows through cross-selling (Desouza, 1992; Payne, 1993; Reichheld 1996; Rosenburg & Czepiel 1983).

Non-economic benefits include the willingness of customers to work with the organization to improve product and service offerings as well as the formation of relationships with other partners, such as employees and suppliers (Ahmad & Buttle, 2001).

For a customer retention strategy to be successful firms must project the value of individual customers over time rather than focusing on customer numbers. It must also be noted that longevity of relationship leads to an increase in retention rates and thus a corresponding increase in profit (Dawkins & Reichheld, 1990; Reichheld & Sasser, 1990; Reichheld, 1996).

Six economic benefits have been put forward by Reichheld, (1996) and have been summarized below;

a. Savings on customer acquisition or replacement costs,
b. A guarantee of base profits as existing customers are likely to have minimum spending per period;
c. Growth in per-customer revenue as, over a period of time, existing customers are likely to earn more, have more varied needs and spend more;
d. Price premiums as existing customers do not usually wait for promotions or price reductions before deciding to purchase, in particular with new models or versions of existing products or services;
e. A reduction in relative operating costs as the firms can spread the cost over many more customers and over a longer period;
f. Free of charge referrals of new customers from existing customers which would otherwise be costly in terms of commissions or introductory fees.

2.3. Theoretical Perspectives to Customer Retention

Researchers have employed variety of theories and conceptual perspectives to explain the adoption of customer retention as strategy for organizational success and profitability. Prominent among these studies include those highlighted in this study. Theoretical positions relating to customer retention management emerged from three main perspectives (Hinson, 2006). They are services marketing, industrial marketing and general management perspectives.

From the service marketing perspective, the way to retain customers is to improve customer service quality and satisfaction (Berry & Parasuraman 1991, Zeithaml & Bitner, 1996). A related study (Ennew & Binks, 1996) examined the links between defection and service quality in the context of relationships.

From the industrial marketing perspective, the way to retain customers is by forging multi-level bonds comprising financial, social and structural bonds. Turnbull & Wilson (1989) examined the potential benefits of protecting profitable customer relationships through not just social but also structured bonds in the context of industrial marketing. They refer to social bonds as positive interpersonal relationships between buyers and sellers.

From a general management perspective, DeSouza, (1992), Rosenburg & Czepiel, (1984) and Reichheld, 1996) offered theoretical positions from their observation and consulting experience. DeSouza, (1992) advocated retention measurement and the implementation of measures to prevent customers from defecting by learning from former customers, analyzing complaints and service data and identifying and raising barriers to prevent customer switching.

Rosenburg & Czepiel (1984) advocated an analysis of a firm's customer portfolio with the view of creating specific balance which may include the first time buyers, repeat buyers, switched away then return, and last time buyers and reorganizing the firm's strategies for customer retention.

Reichheld (1996) advocated the adoption of a three-pronged approach to keeping investors, employees and customers and the adjustment of the firm's mission which should be about creating value for its three above mentioned constituencies. His idea rests on the notion that disloyal employees are not likely able to build an inventory of loyal customers and disloyal investors do not support long term relationship program and vice versa.

2.3.1 Theoretical Framework of the Study

This study however, draws its theoretical underpinnings mainly from the social or economic exchange theory (Homans, 1961).

Social and economic exchange theory

Social Exchange Theory (SET) arose out of the philosophical traditions of utilitarianism, behaviorism, and neoclassical economics. Social exchange theory proposes that social behavior is the result of an exchange process. The purpose of this exchange is to maximize benefits and minimize cost for partners involved in the exchange relationship. According to this theory, people weigh the potential benefits and risks of social relationships. When the risks outweigh the rewards, people will terminate or abandon that relationship.

Cost according to the theory involves things that are seen as negatives to the individual such as having to put money, time and effort into the relationship. The benefits are the things that the individual gets out of a relationship such as increased market share and profitability on the part of the organization whilst on the customer's part customized and specialized product and services.

SET suggests that we as rational beings will essentially take the benefits and minus the costs in order to determine how much a relationship is worth. Positive relationships are those whose benefits outweighs the costs, whilst negative relationship occur when the cost are greater than benefits.

Social exchange theory is a socio-psychological and sociological perspective that explains social change and stability as a process of negotiated exchanges between parties. The theory posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. Both parties in a social exchange take responsibility for one another and depend on each other's social interaction. Blau (1964) defined exchange behavior as voluntary actions of individuals that are motivated by the returns they are expected to bring. It is likened to transactions in economic marketplace. In other words, exchange is a theory which attempts to explain interpersonal behavior in terms of the exchange of rewards and costs.

Though social exchange and economic exchange are synonymous in their characteristics, according to Stafford (2008), economic exchanges and social exchanges have some differences: Social exchanges involve a connection with another person; social exchanges involve trust, no legal obligations; social exchanges are more flexible; and social exchanges rarely involve explicit bargaining. Economic exchange however is otherwise of the aforementioned.

Therefore with regards to customer retention strategies, relationships are established between the customer and a firm with mutually beneficial exchanges. The firm in an attempt to create value for the customer does so at a profit. Therefore both the firm and the customer will conduct an audit to ascertain whether the relationship is worth pursuing.

2.4 The Concept of Customer Retention

Blattberg et al (2001) intimated succinctly that customer retention takes place when a customer keeps on buying. Customer retention is seen as a primary goal of firms that practice relationship marketing (Coviello et al, 2002). The precise meaning and measurement of customer retention can vary between industries and firms Aspinall et al (2001) but there appears to be a general consensus that focusing on customer retention can yield several economic benefits (Dawkins & Reichheld 1990; Reichheld, 1996; Buttle, 2004).

Put differently, Ahmad & Buttle (2001) observed customer retention as the "mirror image" of customer defection because they assert that a high customer retention rate is equal to low defection and vice versa. They went further to argue that a precise definition of customer retention can be problematic in the sense that any definition that does not incorporate a firm's motive for being in business can be misleading because defining the concept of customer retention come with myriads of difficulties since definitions vary based on what the author aims to achieve. They concluded that any definition of customer retention must encompass the percentage share of the customer's wealth or what the customer is willing to spend on the organization instead of total aggregate number of customers.

This argument is valid because customers exhibit different spending and buying behaviors. It is not unusual for a small proportion of customers to yield the greatest proportion of a company's revenue (Storbacka, 1997).

Another meaning put forward by Zineldin (2006) encapsulates the idea that firms that adopts customer retention strategies and programs must first of all be responsive to customers' needs and concerns through an effective program that addresses customers' concerns through a good complaint management system.

From relationship marketing viewpoint, Keiningham et al (2007) defines customer retention as customers' stated continuation of a business relationship with a firm. This definition suggests that the decision as to whether to stay or not in an exchange relationship is the sole prerogative of the customer rather than organizational efforts. Liu & Wu (2007) also arguing from relationship perspective, viewed customer retention as a measure of relationship concerned with minimizing customer defections. Another authority Ranaweera & Prabhu (2003) sees customer retention as the future propensity of customers to stay with their service providers.

Whilst some scholars use the term future behavioral intentions to describe the concept of customer retention (Zeithaml et al, 1996), others like Cronin et al (2000) treat behavioral intention and customer retention as synonymous construcst. For the purposes of this research, which seek to analyze the relationship of retention strategies in the airline industry, the study will adopt the definition put forward by Keningham et al (2007).

In my view customer retention implies a long term commitment on the part of the customer and the firm to maintaining a relationship through the development of mutually beneficial exchanges so as to create a long term buyer-seller business relationship.

Any attempt in measuring customer retention rate is construed to mean an initial step in improving loyalty to, and the profitability of, a service organization (Payne, 2000). Yet many firms do not understand the importance of improving customer retention rates and the impact of these on profitability (Clark, 1997). DeSouza in 1992 offered some useful lessons on how to measure customer retention when she submitted that customer retention must be measured and managed and can be calculated in two ways;

a. A crude customer retention rate and
b. Weighted customer retention one.

The crude customer retention rate measures the total percentage of customers the organization retains based on the decline or escalation of customers over a specific period of time whereas the weighted retention rate is calculated by weighting customers according to the volume of their purchases.

Carroll & Rose (1993) took an economic view of customer retention noting that all customers do not generate the same value and suggest that firms should focus retention strategies on the value producing segments of customers.

As researchers try to provide answers to concerns of firms with regards to their customer retention efforts (Ganesh et al, 2000), there arise pertinent questions which continue to engage the attention of researchers, practitioners and non-practitioners alike. Should retention of every customer be the goal or should retention efforts be focused on subsets or even individual? These are the perfectly legitimate questions which demand answers.

A research conducted by Price Waterhouse Coopers in (2002) observed that poor management of customer churn is a major value destroyer and that the key to its prevention is to predict and avert attrition of the "right customers". The right customers in this case are those that contribute most significantly to the company's growth and profitability. The implication of there being "right" or "wrong" customers to retain is that companies are advised to segment their customer base for retention efforts in much the same way that they would segment the market for acquisition efforts (Weinstein, 2002). Evans (2002) also suggested that the "right" customers are those with the highest residual lifetime value.

This viewpoint rooted in economics affirms the statement which states that firms should only concentrate their retention efforts on only high yielding customers. This argument is further accentuated by the works of Cziepel & Reddy (1992 and 1993) in which they use the concept of relationship strength and relative perceived performance as mediating variables as they attempt to predict the economic value of customers for retention efforts. In their research they concluded that "in business-to-business and business-to-consumer settings, committed long term relationships between buyers and sellers are based on a strong and economically rational foundation".

2.5 Reasons for Customer Defections

Customer defection is defined as 'customers forsaking one service provider for another' (Garland, 2002). Reichheld (1996) postulated that an increase in the defection rate results in dwindling cash inflow to an organization. Although customer defection has a negative impact on profits, few organizations do anything about it. A reduction in the customer defection rate can increase profits substantially more than growth in market share, improved profit margins, or factors related to competitive advantage (Colgate et al., 1996).

Many service organizations turn not to be attentive to customer defections, that is, customers who change service providers or forsake one organization for another. According to Desouza (1992), Matin-Consuegra et al (2007) and Seawright et al. (2008) the following customer defection groups can be demystified;

a. Customers which switch to a competitor offering lower prices,
b. Customers who switch to a competitor offering a better product,
c. Customers who leave because of inadequate service,
d. Customers who are lost because they go out of business,
e. Customers who switch to a product or service from outside the industry and
f. Customers who leave because of internal and external political considerations.

Ahmad (2002) asserts that managers have to make extra efforts at instituting control mechanisms that keep track of customer defections. Dove & Robinson (2002) also advocated the developments of systems to alert the organizations when customers threaten to defect so that it can be averted.

Owing to the benefits of customer retention, it stands to reason that organizations must hold on to their already acquired customers and pay greater attention to customer defection. This is because in the estimation of Desouza, 1992, organizations can gain valuable information as to the reasons why customers defect by inquiring from customers why they defect. By conducting an audit into why customers defect, organizations are better informed to implement strategies to address any shortcomings in an effort to retain customers.

There are a number of reasons why customers defect to competitors. Among them are the following;

1. For product reasons; where customers experience better quality product from a competitor and would therefore perceive the competitor's product as being superior.
2. Marketing reasons; the customer could leave the market and are therefore lost to the organization and its competitors
3. Technological reasons; customers may defect due to technological discoveries that can better satisfy their needs
4. Price reasons; customers may defect to competitors offering lower prices and would usually defect as soon as they can obtain better prices elsewhere (Martin-Consuerigra et al, 2007).
5. Service reasons; customers could defect due to poor service from the organization (Seawright et al, 2008).

By identifying the reason why customers defect, organizations are in position to draft strategies to combat customer defection in order to attain high levels of customer retention by satisfying their needs through good customer service delivery (Mostert et al., 2009).

2.6. Relationship Marketing

A major shift is occurring in the way that companies deal with their customers and suppliers in the past two decades (Ellram, 1995; Han et al.1993; Christopher et al, 1991). This change is happening because firms recognized that sustainable competitive advantage in a new turbulent economy requires organizations to become trusted participants in the various business networks. As noted by Story & Hess (2006), relationship marketing is emerging as an exciting area of marketing and it is now the dominant paradigm in marketing. Marketers have now accepted relationship marketing in explaining the realms of customer behavior that lies beyond the bounds of simple loyalty (Hess, 1995).

Although a number of authorities have suggested that relationship marketing represents a paradigm shift (Christopher et al, 1991) from a longer established transactional orientation to customer management, Gronroos, (2000) noted that the relational perspective on marketing is in fact "older than the transactional perspective in marketing" and is "probably as old as the history of trade and commerce. He went further to conclude that "management of customer relationships in business is not a new phenomenon" although the term relationship marketing was only recently introduced to marketers by Berry (1983).

Relationship marketing involves efforts by organizations to retain customers by building and maintaining long-term relationships with them (Christopher et al., 2002; Torres and Kline 2006). Relationship marketing therefore focuses on customer retention by developing and maintaining customer relationships over the lifetime of the customer rather than focusing on attracting new customers (Zineldin & Philipson 2007). Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Gronroos, 1991, Coviello et al 2002).

According to Gronroos (1994), relationship marketing has to do with identifying, establishing, maintaining and enhancing and when necessary, terminating relationships with customers and other partners at a profit so that the objectives of the parties involved are met, and this is achieved by mutual exchange and fulfillment of promises. This means that relationship marketing is a long-term arrangement where both buyers and sellers have an interest in providing a more satisfying exchange. This conceptualization of relationship marketing transcends the simple purchase-exchange process with a customer to make more meaningful and richer contact by providing a more holistic, personalized purchase, customized product and exceptional and deliberate customer relationship management practices that ensures customer supremacy.

The term Relationship Marketing has been variously defined. A close look at existing literature revealed that there is no universally acceptable definition for relationship marketing as a field of study. Different scholars and practitioners see relationship marketing from their own perspectives and what they aim to achieve. Relationship marketing was first conceived as a form of marketing developed in direct response to marketing campaigns that emphasizes customer retention as opposed to a sheer focus on sales transactions.

According to practitioners relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond internal advertising and sales promotional campaigns. Any relationship marketing strategy should have long term sustainability, commitment to the fulfillment of promises, concerned with customer share instead of market share to guarantee customer lifetime value.

The importance of RM is explained by the fact that building relationships with customers and retaining them can contribute to the success of the organization (Patterson et al., 2006), since the length of the customer relationship can influence the organization's profitability (Buckinx & Van den Poel, 2005). This gives rise to the notion that repeat business can be regarded as the lifeblood of the organization (Zineldin & Philipson, 2007). RM is the foundation on which organizations build and improve relationships with customers. Indeed, the ability to build relationships with and retain customers has become a key factor for many organizations (Nasir & Nasir, 2005), and that offers organizations competitive advantage.

In this vein, organizations that successfully retain customers will be able to build a more enduring relationship them (Reichheld & Sasser, 1990; Hoffman, Kelly & Chung, 2003). The importance of building relationships with customers lies in the fact that repeat business not only promotes profitability, it can actually be the lifeblood of the organization (Zineldin & Philipson, 2007). Due to the many challenges they face, airlines in particular must build relationships with their customers and retain them as customer retention leads to lower customer acquisition costs (Steyn et al., 2011).

2.6.1 Trust and Commitment in Relationship Marketing

Morgan & Hunt (1994) see relationship marketing as being anchored on the two concepts of trust and commitment. The two variables appears to be among the most important variables for understanding the strength of a marketing relationship, and they are very useful constructs for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency (Morgan & Hunt, 1994). Whilst trust and commitment provide countervailing effects for alliance stability, they do not evolve overnight and seldom come easy; they can be built only over time. Generally trust emerges based on norms of reciprocity and it can be extended to an organization with a reputation of trustworthiness (Ring & Van de Van, 1994).

It is a truism that satisfied customers generate that positive word of mouth (Schneider & Bowen, 1999), but customer satisfaction alone does not ensure continuing customer patronage. Whiles satisfaction and loyalty are important drivers, trust, commitment and communication also have potential influence and are central constructs of relationship marketing (Ranaweera & Prubho, 2003).

2.6.2 Relationship Commitment

Whilst commitment is the most common dependent variable used in buyer-seller relationship studies (Wilson, 1995), Morgan & Hunt (1994) regard relationship commitment as the “keystone” of relationship marketing. They conceptualized commitment as “an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it”. This means that commitment to a relationship is a continuous process and from relational exchange perspective, commitment signifies the highest form of relational bonding among firm and contributes to the longevity of relationship (Gundlach et al., 1995).

Mooman et al (1997) defines commitment as the attitude that reflects the desire to continue a valued relationship and as the willingness to make short-term sacrifices to maintain that relationship (Anderson & Weitz, 1992). The concept of commitment in relationship marketing has been examined by researchers extensively in consumer contexts (Sharma & Patterson 2000) work-place contexts (Allen & Meyer, 1990), and business-to-business contexts (Morgan & Hunt 1994). They moves the commitment literature further to involve work place commitment to a relationship. He sees commitment to mean a predisposition that comprises the actor's willingness to

a. Stay long in the relationship
b. Accept the norms and values that govern the relationship and
c. Contribute maximally for the welfare of the relationship.

Whereas scholars such as Morgan & Hunt (1994) viewed relationship commitment as a one-dimensional construct, a vast majority of researchers regarded it as a multi-dimensional construct in a variety of business context including the airline industry (Allen and Meyer, 1990, Geyskens et al, 1996, Kumar et al 1994). Geyskens et al (1996) went further to differentiate between affective commitment and calculative commitment. Allen & Meyer (1990) also revealed three dimensions of commitment to include;

a. continuance commitment (cost-based attachment)
b. affective commitment (desire-based attachment) and
c. normative commitment (obligation-based attachment)

It is important to submit that considerable research has established strong support for these three dimensions of commitment irrespective of the industry involved and that these dimensions were appropriate regardless of target of commitment (Bansal et al 2004).

2.6.3 Customer Trust

Trust is seen as a multifaceted construct that can be viewed from different perspectives. Trust is defined in one of two ways; as a confident belief or expectation and as the willingness or intention to depend on the trustee.

From relationship perspective trust has been seen as the expectation that an actor can be relied on to fulfill obligations (Anderson & Weitz, 1989) and will behave in a predictable manner and also will act and negotiate fairly when the possibility for opportunism is present early in the relationship are keys for the development of trust. Communication and fairness are also crucial but only in the early phase of the relationship they form a key component in the formation and development of trust.

In more specific terms trust emerges from mutually beneficial successive collaboration cycles among the participating nodes. Trust is a critical variable in relationships as it is indicated in extant marketing literature (Moorman et al. 1993). Trust in simple terms means the confidence of customers in suppliers' products and offerings. Trust is so crucial that Spekman (1988) postulated it to be the "cornerstone of strategic partnership" and that relational trust is a major determinant of relationship commitment, especially in risky situations.

Due to the fact that commitment entails vulnerability especially when perceived risk is high as in the case of volatile or turbulent business environments, parties involved in an exchange relationship seek only trustworthy partners (Morgan & Hunt, 1994). Partners in business-to-consumer settings such as the airline industry needs to continuously earn mutual trust so as to fuel the longevity of the relationship.

2.6.4 Complaint Handling

The sources of complaints involves mostly of inefficiencies on the part of the service providers to provide solutions to customers complaints on time. It also includes unexplained delays, rudeness, inflexibility on the part of the service provider, ineptitude and incompetent service (Hinson, 2006).

The nature of service delivery in the airline industry makes it susceptible to occasional and sometimes unavoidable mistakes. However, a well instituted complaint handling can solve and even avert some of these failures. It is also important that service firms institute proper complaint handling procedures and policies geared towards customer satisfaction hence retention.

Moreover, most firms do not accord customer complaint the needed attention despite its strategic importance to firms especially those in the airline industry. Most customers who complain are more often than not dissatisfied with the complaint handling processes (Andreassen, 2001). This should not be the case because complaints itself is a major source of gathering market intelligence. When organizations do not pay much attention to customer complaints, customers will switch service providers to competitors and also engage in negative word-of-mouth which can culminate in the high cost of acquiring new customers (Hart et al., 1990).

Stauss & Seidel, (2004) identified four types of complaint handling benefits that firms can derive from a successful management of its customers, complaints;

1. The information benefits; involves the value that is generated by using information from customer complaints to improve products and services provided in order to enhance efficiency and to reduce failure costs.
2. The attitude benefits; involves the attitudinal changes the customer exhibits as a result of achieved complaint satisfaction.
3. The repurchased benefits; this comes as a result of customers who complain are satisfied and for that matter remain with the organization instead of switching to a competitor's offerings.

4. Communication benefits; this has to do with the effects of complaint management. This comes as a result of complainants whose concerns are properly addressed with the highest level of satisfaction so that the customer engages in positive word-of-mouth campaigns by recommending the organization to others.

2.7 Service Quality

Although the definitions of service quality vary, these definitions are all formulated from the customer perspective. That is what customers perceive are important dimensions of quality (Lewis, 1989). Gronroos (1982) and Parasurama et al (1988) were the pioneers in the conceptualization of the service quality construct. These authors maintained that the overall perception of quality was a disconfirmation of a customer's expectation and his or her evaluation of a service. Parasuraman et al (1988) developed a disconfirmation measurement, the SERQUAL instrument, to measure service quality and its dimensions.

Previously, service quality is measured as a proxy measure of customer satisfaction, implying a perfect correlation between the two constructs. What has been the practice of late is the fact that service quality is perceived as an antecedent of customer satisfaction (Cronin et al., 2000).

Service quality is considered a critical determinant of competiveness and when firms pay specific attention to service quality, it can help organizations to differentiate itself from other organizations.

The provision of products and services of high quality enhances reputation, improves customer retention, attract new customers through word-of-mouth, and increase financial performance and profitability (Zeithaml 1996).

Service quality was perceived as the difference between customer expectations of service to be received and perceptions of what is actually received (Gronroos 1984, Parasuraman et al 1988, 1991). These researchers posited that measuring service quality as "disconfirmation" (the difference between perceptions and expectations) is valid and that such a model allows service providers to identify certain defined gaps in the service provided. However several subsequent studies have found a poor 'fit' for the disconfirmation model in certain settings.

As a result, the SERVQUAL scale (Parasuraman et al 1988) has been criticized by an increasing number of researchers on several grounds including; the use of gap scores, the measurement of expectations, the generalizability of its dimensions, the defining of a baseline to mean good quality (Cronin & Taylor 1992, Brown et al 1993).

As a result of these deficiencies, some researchers have tried to combine expectations and perceptions into a single measure to alleviate these problems, and have found that such a measure actually outperforms the SERVQUAL scale in terms of both reliability and validity (Babakus & Boller 1992, Brown et al 1993).

Cronin & Taylor (1992) in their paper adopted a single-measure scale and measures service quality by customer perceptions only through the SERVPERF model. To this end, (Dabholkar et al 2000) went further to propose that, it is better to consider factors associated with service quality (such as reliability and responsiveness) as being antecedents to customer perceptions of service quality rather than as dimensions or components of the construct.

2.7.1 Airline Service Quality

Research into airline service quality has increased rapidly since its relationship with passenger satisfaction and profitability has been established (Heskett et al, 1994). Much of the literature suggests that airline passengers perceive service quality as a multi-dimensional construct, which is in accordance with the conception of service quality proposed by (Parasuraman et al., 1988) in their well-known service quality measuring instrument called SERVQUAL.

This instrument which measures service quality in terms of five dimensions (Reliability, Assurance, Tangibles, Empathy, Responsiveness) is based on the premise that customer's assessments of overall service quality are determined by the "gap" between their expectations of service and their perceptions of actual service performance.

The SERVQUAL instrument has been used by several researchers to measure airline service quality (Sultan & Simpson, 2000). However, in the context of the airline industry's service quality, Zagat, an aviation research firm, rated airline service on the basis of five criteria namely;

a. Overall performance,

b. Comfort,

c. Service,

d. Food and

e. Web site (Rhoades, 2006)

Again, the US Department of Transportation's conceptualization of service quality in its regular reports on airline service quality provides data on the following operational measures;

i. Flight delays,

ii. Mishandled baggage,

iii. Oversold flights and

iv. Consumer complaints.

A number of papers have studied airline service quality using a combination of performance only, disconfirmation, and importance-performance approaches. The leading theme in the airline service quality literature is the evaluation of service performance based on technical and operational measures.

Another approach followed in the airline service quality literature is the link between quality and financial performance. Although the theoretical justification of the link between the two has been criticized by many, a number of studies have attempted to connect them. The bulk of the studies connecting the two make use of a diverse set of measures to determine an organization's financial performance and ultimately link it to its service quality. While some studies have approached airline service performance from a service quality perspective, others have viewed it through an operations research lens and performance improvement paths (Le et al 1997).

Two important bases on which buyers evaluate competing airline offers are schedules and price. However, there are other secondary but important quality of service aspects that a consumer may consider in their ultimate choice of an airline. Such aspects include safety, comfort of the seat, in-flight amenities (e.g. food and beverages), and attitude of the ground and flight crew, financial stability of the airline, on-time performance of the flight, assurance that bags arrive with the passengers, the perceived likelihood of being bumped from a flight, and frequent flyer programs may also be important evaluation criteria (Chan, 2000).

Gilbert & Wong, (2002) attempted to identify the service quality dimensions that matter most to airline passengers in terms of reliability, assurance facilities, employees, flight patterns, customization, and responsiveness and reported that passengers consistently ranked assurance as the most important service quality dimension. Furthermore Natalisa & Subroto, (2003) who studied the effects of management commitment to service quality on the customer's level of customer' satisfaction in domestic airlines, also found that assurance had the strongest effect on the level of customer's satisfaction.

Furthermore a study conducted in North Cyprus by Johns et al (2004) both concluded that the dimensions of the SERVQUAL scale that is tangibles, reliability, responsiveness, assurance, and empathy were not validating enough in measuring service quality. This led to the development of an AIRQUAL (Ekiz et al., 2006) scale to overcome the problems associated with the application of the existing service quality measuring scales. The scale is made up of five distinct dimensions guided by the works of Churchill (1979) and Parasuraman et al (1985, 1988). The dimensions are airline tangibles, terminal tangibles, personnel, empathy and image. Although, they successfully developed the AIRQUAL scale, they failed to demonstrate the causal relationship between AIRQUAL and customer retention which is the crux of this study.

2.8 Switching Barriers

As defined by Jones et al (2000) a switching barrier is any factor that makes it difficult or costly for customers to change service providers. From this definition it can be inferred that the term switching barrier or switching cost can both be used interchangeably though some authorities try to differentiate the two concepts based on what they aim to achieve.

Another authority Bansal & Taylor (1999) defined switching barriers as customer's assessment of the resources and opportunities needed to perform the switching act, or alternatively defined by Ranaweera & Prabhu, (2003) as the constraints that prevent the switching act.

Switching barriers also encompass the customer's perception of uncertainty and adverse consequences of buying a product or service according to Dowling & Staelin, 1994.

While business goods suppliers primarily strengthen switching costs through "hard assets", such as installed proprietary equipment that cannot be transferred to other exchange relationships (Wilson et al, 1995), providers of business service often cannot utilize hard assets to lock in current customers (Liu, 2006). Consequently, business service providers explore the establishment of "soft assets", such as procedural investments and customer-specific expertise which enhance switching cost perceptions (Wilson et al, 1995).

Switching barriers are conceptualized as the customer's perception of the magnitude of the attitudinal costs required to terminate the current relationship, and secure an alternative (Porter 1980, Jackson 1985, Ping 1993).

Gronhaug and Gilly (1991) argue that a dissatisfied customer may remain loyal because of high switching costs. It has been argued again that the costs of switching providers tend to be higher for services than for goods (Gremler & Brown 1996)

A number of studies have empirically tested switching costs as a main determinant of customer loyalty in consumer markets (Gremler, 1995) as well as business-to-business service context. Further, the main effect of some switching barriers on customer retention has been empirically validated in consumer settings (Lee et al, 2001) as well as the effect of barriers (such as interpersonal relationships, switching costs, and attractiveness of alternatives) regarding the propensity to stay with service providers (Jones et al 2000, Patterson & Smith 2003).

In as much as customer satisfaction and loyalty are viewed as an important component of customer retention strategy, Bendapudi & Berry, (1997) put forward that these two components are not the only strategies to be considered for customer retention but barriers to customer defection such as the development of strong interpersonal relationships or the imposition of switching costs may also represent additional customer retention strategies. In this vein, Jones et al, (2000) also added that a well trained staff can also provide positive switching barriers. I must hasten to add that apart from a well trained staff, it is important for companies to ensure that employee satisfaction should be a major consideration if customer retention is to be realized. As intimated earlier, switching barriers have been deliberately erected by organizations as a marketing strategy to make it difficult and costly for customers to switch to competitors offerings.

When switching barriers are high, service firms are more likely to retain even those customers who are less satisfied. Researches by Bansal & Taylor (1999) Jones et al., (2000) Lee et al 2001) Ranaweera & Prabhu (2003) among others have researched and confirmed the positive effect of erecting switching barriers on customer retention. It is therefore important for industry players in the airline sector to work at devising result oriented switching barriers as a strategy towards retaining their customers.

In classifying switching barriers, Jones et al., 2000; Vazquez-Carrasco & Foxall, 2006) have attempted to categorize them under the following factors;

a. Switching cost
b. Interpersonal relationships and

c. Attractiveness of competing alternatives.

Apart from the factors mentioned above, Daniell in (2000) identified cross-selling as a very important factor to be considered when it comes to customer switching.

2.8.1 Switching cost

Switching costs are the buyer's perceived costs (both monetary and non-monetary) involved in switching from the existing to a new supplier (Heide & Weiss, 1995). These include the cost of changing services in terms of time, monetary and psychological expenditure (Dick & Basu, 1994). Porter, (1998) defines switching cost as the cost that is involved in changing from one service provider to another. According to Patterson & Smith (2003) switching costs are the perception of the magnitude of the additional costs required in terminating a relationship and securing an alternative one.

However, multiple conceptualizations exist for switching cost and this is reflected in diversity of forms including psychological, physical, and economic (Jackson, 1985); continuity costs, learning costs, and sunk costs (Guiltinan, 1989). Brunhan et al. 2003 attempted a more detailed and comprehensive but succinct categorization of switching cost in terms of procedural, financial and relational costs. Despite these multiple conceptualization and typologies, switching cost can broadly be categorized as economical and psychological. For example, the economic risk cost identified within the procedural dimension of switching cost refers to the psychological costs due to perceived risk from the uncertainty of trying new products or service. The psychological switching cost such as uncertainty related or loss in relational investments and social bonds or other procedural costs (relating to time, search, evaluation and set up) have been found to have major impact on switching barrier (Jones et al 2002).

Even the sunk cost which is primarily economic in nature becomes psychologically important in evaluating the perceived switching cost (Jones et al, 2002). These psychological costs span the entire switching process and beyond, making switching cost more than just a one-time cost (Wan-Ling, 2006). This is because customers may consider even the post switching behavioral and cognitive dissonance costs while switching and can therefore be considered as part of switching cost (Klemperer, 1995).

Switching cost is consumer specific and its nature varies depending upon the industry and the product or service characteristics (Gummesson, 2006). Therefore in the particular context of the airline industry, switching cost stems mainly from search, time and evaluation cost and the risk associated with trying a new provider (Klemperer, 1995). Instead of being more monetary in nature as pertains in other industries, switching cost in the airline industry is largely psychological in nature.

Cross-selling is yet another potent switching barrier that drives customer retention. This is the effort made by the airlines to sell as many different products and services as possible to a particular customer (Daniell, 2000). Cross-selling is known to have a positive impact on a firms return on investment and overall profitability. This is because loss of market share and diminishing opportunities to engage in cross-selling weighs heavily on a firm's profitability and continued existence.

2.8.2 Customer Service and Interpersonal relationship

Interpersonal relationship that is established between the customer and the service provider is deemed important as it goes a long way to benefit the two parties mutually and at the same time serve as a switching barrier that help keep customers to a particular service provider. For superior customer service to come to fruition, there must be a well trained, motivated and satisfied employees. Wong & Sohal (2003) posited that good relationship through good customer service can improve satisfaction, and help keep customers stay loyal to a company. Customers are willing to commit themselves to establishing, developing and maintaining relationships with airline companies to provide superior valued benefits through superior customer service.

Customer service is a process that takes place between a buyer, a seller, and third party and can influence demand in the market. This third party may include companies that have been licensed by an organization to provide customer service. Customer service is used in a wider sense and goes far beyond the value chain. Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of activities complained about and friendliness when reporting complaints (Kim et al., 2004).

Customer service can produce customer behaviors that can indicate whether a customer will remain with or defect from an organization (Zeithaml et al., 1996). In a more specific relation with the airline industry in Ghana, the high level of competition that pertains in the travel industry has necessitated the adoption of excellent customer service techniques to satisfy and retain the customer. The effectiveness of the level of customer service will enhance customer retention and reduce switching between and among service providers.

Therefore superior customer service includes all help and assistance airlines offer to customers directly or indirectly prior to, during and/or after travel to provide exciting customer travel experience. If well leveraged, it has the potential to serve as a switching barrier and at the same time offer a competitive advantage to airlines and also enable them attract and retain customers.

2.9 Service Recovery

The term service recovery refers to how a service provider rectifies a service-related failure (Kelley & Davis, 1994). According to Bell, 1994, service recovery includes "…..all the actions taken to get a disappointed customer back to a state of satisfaction". Although customers who receive poor recovery efforts might dissolve the buyer-seller relationship and purchase elsewhere, there is evidence that most dissatisfied customers will do business again if their problems are solved satisfactorily (Brown, 1987).

However, customers are often more dissatisfied by an organization's failure to recover than by the service failure itself (Bitner et al., 1990 and La and Kandampully, 2004) therefore recommended the adoption of a strategic perspective on service-failure management.

Most organizations strive to provide a seamless service to their customers in order to facilitate customer delight (Hinson, 2006), but it is common knowledge that services do fail, but what is most important is that recovery strategies put in place could change a dissatisfied customer into a loyal one. Customer dissatisfaction has the potential to;

- ✓ Diminish an organizations customer base
- ✓ Require the firm to rely on a more volatile customer mix and
- ✓ Erode the firm's reputation (Levesque & McDougall, 1996).

This is particularly true in service industries like that of the airline industry, in which customer dissatisfaction is a significant problem (Fornell, 1992 and Singh, 1990). It is common for customers to be dissatisfied with the relationship they have with their service providers (Colgate & Lang 2001, Colgate & Noriss 2001, Gronhaug & Gilly, 1991,White & Yanamandram, 2004) but how customers react to dissatisfaction is the crucial issue for marketing manage. Just as satisfied customers are not necessarily loyal, dissatisfied customers are not always disloyal. Some customers take no action at all when dissatisfied, whereas others take various actions-such as complaining directly to the service provider about the service or switch suppliers. Ultimately, the buyer's actions, and how the supplier reacts to those actions, determine whether that customer is retained (Singh, 1988).

Mistakes, failures and complaints are frequent occurrences in service encounters. But it is the management and resolution of the complaint that are essential if dissatisfied customers are to be converted into satisfied and loyal customers (Johnston and Mehra, 2002).

Many studies have investigated the reason for customers switching service providers (Colgate et al, 1996, Colgate & Hedge 2001) and the significance of switching behavior (Fornell & Wernerfelt 1987, Reichheld & Sasser 1990). Other studies have investigated why customers do not always defect to competing providers. Variety of factors (switching barriers) includes the following;

- ✓ Switching costs(Colgate & Lang 2001,Fornell 1992; Gronhaug & Gilly 1991; Jones et al 2000; Patterson 2004)
- ✓ Interpersonal relationships (Colgate and Danaher 2000, Colgate & Lang 2001, G, Jones et al 2000, Kim et al 2004, Patterson & Smith 2003)
- ✓ Availability and attractiveness of alternatives (Bendapudi & Berry 1997, Patterson and Smith 2003, Sharma and Patterson 2000, Panther & Farquhar 2004)
- ✓ Service recovery (Hess et al 2003; Smith et al 1999; Spreng et al 1995) and
- ✓ Inertia (Colgate and Lang 2001,Ranaweera & Neely 2003, White & Yanamandram 2004)

It is a well established fact that a well-executed complaints-handling and service recovery process is of strategic relevance because it can have a positive effect on customer retention (Fornell & Werner 1987, Brown et al, 1996; Strauss & Seidel, 2004).

Indeed, customers who complain and are well recovered can be more satisfied and less likely to switch than customer who had no cause for complaint at all (TARP, 1979, Nyer 2000). Complainants who enjoy high standards of complaints handling experience the service quality attributes of empathy and responsiveness, which are not routinely on display when services are delivered right first time (Buttle, 2004). Despite the strategic relevance of complaint handling, it is a process which it appears to be accorded little importance in many companies (Strauss & Schoeler, 2004).

Unresolved complaints may lead to double deviation from role expectations that complainants holds for service providers (Bitner et al, 1990) and this can result in detrimental outcomes such as negative word-of-mouth communication and permanent loss of customers (Kelly et al., 1993; Boshoff, 1999). In view of this service firms must seek effective organizational complaint management systems that would ensure speedy and satisfactory resolution of the complaint of an aggrieved and unhappy customer (Hinson, 2006).

Research findings of Zairi (2000) postulated that complaints are useful for the following reasons;

1. They are a way of receiving feedback from customers and therefore a necessary means for putting into action improvement plans
2. They are a useful way of measuring performance and allocating resources to deal with the deficient areas of the service business.
3. They are a tool for preventing complacency and harnessing internal competencies for optimizing products and services.
4. They are a useful "mirror" for gauging internal performance against competition

5. They are a useful exercise for getting nearer to the customer and understanding them better.
6. Complaining customers are among the most loyal customers.

2.9.1 Service Failure and Service Recovery in the Airline Industry

A service failure can be defined as an error, a mistake or problem that occurs in the service delivery process leading to expectation not met or a service performance that falls below a customer's expectation (Hedrick et al., 2007).

Due to human element inherent in service delivery, services do fail but what is most important is the recovery strategy instituted to address any failure that occurs. It is the specific response to a service failure (that is service recovery strategy) that could give airlines a competitive advantage, as an organization's response to a service failure could either restore customer satisfaction and reinforce loyalty, or aggravate the situation by driving the customer to the competitor (Mostert et al., 2009). It is therefore important for airline organizations to understand how customers respond to service failures and how service recovery influences their relationship with the organization (Bejou & Palmer 1998; Schoefer & Diamantopoulos 2008). In specific reference to the airline industry, Cheng et al., (2008) suggested that the airlines face a very peculiar problem that could influence their relationships with customers as airlines offer multiple opportunities for mistakes to occur during service delivery and are therefore particularly prone to service failures and many internal mistakes or external disruptions could cause customers to experience service failure.

Despite the possible negative consequences of a service failure, the outcomes do not necessarily have to be negative. Magnini et al (2007) and Ngai et al (2007) suggested that an effective service recovery can result in a win-win situation for the customer and the organization as well. Torres & Kline (2006), Magnini & Ford (2004) and Miller et al., (2000) explained that a well- executed service recovery could enhance customer satisfaction and loyalty and may have a direct influence on whether dissatisfied customers remain with or defect from an organization and could also lead to a higher level of satisfaction than the customer would have experienced if the service failure had not occurred at all (Lorenzoni & Lewis 2004; Schoefer, 2008). Service recovery in the airline industry could therefore possibly be seen as equal to, if not more than, initially providing good service (Eccles & Durand 1998)

In respect of a specific service recovery strategy, McDougall & Levesques (1999) identified the provision of assistance, compensation and an apology as one of the commonest and most frequently used recovery strategies in the airline industry. Assistance in this case means recovery efforts geared at rectifying the problem in order to bring the customer back to experience the initial level of service quality. Matilla (2001) went further to elaborate that for service recovery strategy to be successful, it must match the customer's perception of the gravity of the failure.

A number of suggestions exist in literature as to what strategies are ideal and can be implemented to achieve a desired service recovery, including recovering the service failure immediately or offering customers alternative options that will meet their requirements; communicating with customers who are experiencing service failures (including providing feedback and offering an explanation for the reason for the service failure); and ensuring that service recovery personnel are professional in their actions (La & Kandampully 2004; Boshoff & Staude 2003).

Airlines should apologize for service failures and consider presenting customers with some form of tangible compensations for example offering disconunts or vouchers (Mostert et al., 2009; Boshoff & Leong 1998; Mattila & Cranage 2005; Smith et al 1999,). Since the success or otherwise of service recovery largely rest on the actions, decision-making skills and judgment of employees, Magnini et al., 2007; La & Kandampully 2007 and Boshoff & Leong 1998 recommended that employees must be trained and empowered to deal with service failure effectively. Service recovery is particularly relevant in the airline industry as airlines will by effectively recovering from service failures minimize customer defections and strengthen relationships with their customers (Mostert et al 2009 and Christopher et al 2002).

Three major factors in the view of Colgate & Norris (2001) influence the decision of a customer of an airline whether to remain with a service provider or leave the organization after a service failure has been experienced. The first and foremost is the level of satisfaction with the service recovery after a complaint has been lodged. Some customers leave anyway even though they are happy with the service recovery for reason best known to them. The second is the level of loyalty customers have towards specific airlines. Customers who have a strong sense of loyalty tend to remain with the organization even as a service failure has been experienced. Customers who are less loyal tend to leave. The third factor is the perceived barriers to exit. It is important to note that high barriers to exit discourage customers from leaving. Service employees must be trained in order to carry out a successful service recovery strategy especially in the airline industry where customer attrition rates are high.

Magnini & Ford (2004), furthermore states that there are five areas that needs to be covered in any service recovery training program in the airline industry. They are;

a. Information processing
b. Emotional responses
c. Arousing guest (clients) self assurance
d. Empowerment of employees and
e. Demonstration of how service failure recovery can positively influence employee satisfaction.

For a successful service recovery strategy to be achieved in the airline industry, Boshoff & Staude (2003) suggested that service employees must be in constant communication with the unhappy customer, must be compassionate, providing feedback, supplying an explanation for the service failure, empowering employees to respond suitably when receiving complaints, ensuring that employees who deal with customers are professional when doing so.

In reiterating the above guidelines, Little & Marandi (2003) contends that, in addition to these steps, the airlines should ensure that they put in measures to make it easy for the customer to complain by making sure that employees are trained to set the customer at ease.

2.9.2 Loyalty Rewards and Frequent Flyer Programs

One very important customer retention strategy in the airline industry is loyalty rewards. For customer retention to be successful in the airline industry, loyalty rewards cannot be overlooked. Loyalty rewards simply refers to incentives given to customers based on frequency of purchase, value purchase or continuous patronage of a particular airline over a period. These rewards or incentives can be in a form of financial, non-financial as well as recognition and appreciation. In this vein, the one most important and popular loyalty reward adopted in the airline industry is the frequent flyer programs.

The Frequently Flyer Program (FFP) is a loyalty rewards program introduced by airlines to recognize and reward their loyal customers. The program was first introduced in the US in the beginning of the 1980's by airline operating in the deregulated airline market. It has since spread to other markets. The FFP therefore became an important factor in the fight for airline survival and was recognized as a highly successful marketing tool for retaining customers.

FFPs are designed to ensure customer loyalty by offering various forms of bonuses to customers which the customers can save each time they fly. The more they fly with an airline the more points or air mileage they accumulate. These increasing marginal benefits that are built into the reward schedules of FFPs give customers an incentive to concentrate their flying with a single carrier rather than choose carriers on flight-by-flight basis. This help keep customers to one airline for long period of time.

2.9.3 The Frequent Flyer Programs and Global Alliance

A frequent flyer program (FFP) is a loyalty program offered by many airlines. Typically, airline customers that are enrolled in the program accumulate frequent-flyer miles corresponding to the distance flown on that airline or its partners. Acquired miles can be redeemed for free air travel, for other goods or services or for increased benefits, such as travel class upgrades, airport lounge access or priority bookings.

As the global airline markets become liberalized, the forces of competition has lead to intense and constant realignments of customer loyalties between airlines, various forms of partnerships arrangements and cooperation schemes such global alliance and code sharing agreements resulting in competitive fares and changing in frequency of services and other attributes which are aimed at capturing markets share and increasing profits. Frequent flyer programs are one such innovation introduced to induce and capture loyalty of travelers.

Frequent flyer programs offer free travel and upgrades as incentives to fly with an airline and is the most popular and successful marketing strategy devised to build customer loyalty and sell the highly priced seats. The introduction of frequent flyer program grew 50% in less than half a decade (Bhagwanani, 2000). Frequent flyer programs are designed to achieve a high degree of brand loyalty particularly among business travelers, effectively discourage new carrier competition and give airlines direct and efficient communication links with their best individual customers (Brancatelli 1986).

2.10. Conceptual Framework

The conceptual framework illustrates the interconnectedness between the research objectives in the first chapter and theories in extant literature in chapter two and at the same time addresses the hypothesis of the study.

Based on the review of the literature, the researcher developed a conceptual framework describing the link that exist between the various independent constructs that work in tandem to impact on customer retention. The framework has these main features; first the four main construct operates independently of each other with various variables and secondly the framework also examines the degree of relationship each of the four constructs have on customer retention and the impact of the various variables in each independent construct on the overall retention of the customer and profitability of the organization.

The framework also explains the interactive effects of relationship marketing, airline service marketing, airline switching barriers and the service recovery strategies instituted by airlines to address any service failures that may occur.

2.10.1 Components of the Conceptual Framework

This study encompasses four main conceptual components that works either individually or together to influence the rate of customer retention and repurchase intentions. They include, Relationship Marketing (RM), Airline Service Quality (ASQ), Airline Switching Barriers (ASB), and Service Recovery (SR). From the Fig. 1.1 below, it is clear that the four constructs namely, RM, ASQ, ASB, and SR are independent of each other. But it must be stated despite the fact that they are independent they contain variables that can work together as strategies for retaining customers. Below is the explanation for the four constructs.

2.10.2 Relationship Marketing

As a retention strategy relationship marketing is seen as a strategy designed to foster customer trust, commitment, satisfaction, loyalty, interaction and long-term engagement. Thus customer relationship focuses more on customer retention than acquisition. It develops strong connections with customers by providing them with information directly suited to their needs and interest and by promoting open communication.

A comprehensive process of acquiring and retaining customers can only be realized only if a long-term partnership is maintained as a means to achieving superior competitive advantage and profitability for the company and customers (Lambert, 2009; Zablah et al., 2005). The establishment of this long-term relationship with customers is possible through the creation of social bonds through information sharing and customer involvement. From the argument above, this study proposes that, airlines can successfully retain their customer if they build strong relationships (i.e. social bonds) through friendly and professional employees. This retention strategy often results in increased customer trust, commitment, social bonds, service recovery and eventual overall customer retention and profitability of the organization. The components of relationship marketing are explained below.

In relationship marketing literature, commitment has widely been acknowledged to be an integral part of any long-term business relationship (Anderson & Weitz, 1992, Gundlach et al., 1995, Morgan & Hunt 1994). Commitment in most cases is seen as a lasting intention to build and maintain a long-term relationship.

Like commitment, trust is one of the most widely examined and confirmed constructs in relationship marketing research. Trust is an important factor in affecting relationship commitment and customer loyalty.

According to Morgan & Hunt (1994), relationships can be viewed as a series of transactions that foster an awareness of a shared relationship through trust and commitment. Higher levels of trust and commitment in turn are related to higher levels of customer retention and this could result in higher organizational profitability.

2.10.3 Airline Service Quality

It is the belief of the researcher that, for customer retention to be successful in the airline industry, it is important for airlines, to continuously and consistently work at improving on their ASQ because in the words of Taylor & Baker (1994) service quality is described as "a critical prerequisite for satisfying and retaining valued customers".

Following the deregulation of the airline industry in 1978 in the United States, the issues of airline service quality gained utmost attention among airline scholars. A deregulated and liberalized airline industry has transformed the industry and brought about intense competition and led to the emergence of a variety of new entrants into the airline industry (Tiernan et al, 2008).

In a pre-deregulation era in the airline industry, airline service quality was assessed with respect to industry and managerial variables such as flight frequency, load factors, transit times and aircraft type (Clifford et al 1994 and see Jordan, 1970). However, in the post deregulation and liberalized environment the provision of superior service quality has been accepted as an important source of customer retention and loyalty, which may ultimately lead to superior competitive performance (Tiernan et al., 2008).

Parasuraman et al (1985) argued that service quality is the difference or gap between customer expectations and perceptions of the service. Therefore understanding theses gaps could help identify potential shortfalls from a consumer perspective. This led Parasuraman et al in 1984 to develop a five prong dimensions of tangibles, reliability, responsiveness, assurance, empathy which this study have adopted and modified to include safety and security which have major impact on customer retention in the airline industry. The five dimensional scales developed by Parasuraman in 1988 have been modified to make it six by the inclusion of safety and security. Safety and security issues in the airline industry has gained so much currency and attention in the aftermath of September 11 2001 terrorist attack in the United States. They include the following;

- Tangibility is measuring the appearance of the physical facilities, equipment, appearance of personnel and communication materials (e.g. Aircraft type and the appearance of airline staff

- Reliability is measuring the ability of the airline employees to perform the promised service accurately and dependably. (e.g. flight arriving on time, flight frequency and flight operate as scheduled).
- Empathy measures the level of caring and individualized attention provided by employees to solved customers complaints (e.g. Complaints handling on mishandled baggage)
- Responsiveness is measuring the willingness of airline staff to provide on-time and prompt service. (e.g. Lost baggages).
- Assurance measures employee's ability to convey trust and confidence in the delivery of services to customers dependably and accurately.
- Safety and Security measures cabin safety, security in the air and safety and security at the airport lounges.

2.10.4 Switching Barriers

Switching barriers are generally seen as marketing strategies adopted by organization to reduce customer attrition and churn rates. In the airline industry any strategies carriers use to make it costly for customers to switch to other airlines is referred to as airline switching barriers. In the airline industry due to deregulation and liberalization of the sector leading to more carriers entering the industry and thereby increasing competition, customers become more empowered to switch service providers if services do not meet their standards. Hence the erection barriers to make it difficult for customers to leave even as they work at improving on service delivery. As intimated by Fornell (1992), switching barriers serve as disincentives for customers who want to leave their present organization.

2.10.5 Frequent Flyer Programs (FFPs)

The FFPs function as a marketing strategy introduced by airlines for the purpose of keeping their customers loyal and thus preventing them from flying with any other airline even though a competing airline particularly a new entrant on the market may be able to offer a better bargain or a more convenient flight. FFPs are designed to ensure customer loyalty by offering various forms of bonuses to customers where the customers save up each time they fly. The more they fly with an airline the more points or air miles they will accumulate. These air miles are redeemed and are used when one travels either at a discounted or free flight or class upgrade or free baggage allowance.

In a more sophisticated form, these accrued points are used in restaurants or using credit cards, renting a car, staying in a hotel as airlines often have partnership agreements with those businesses.

2.10.6 Global Alliance

An airline alliance may be defined simply as an agreement between two or more airlines to cooperate on a substantial level. However, Oum et al (1993) offers a more comprehensive definition to describe airline alliance as a global airline network formed by a group of affiliated airlines to provide seamless services to consumers through a joint use of computer reservation systems, through fares and ticketing, automatic baggage transfer, coordinated flight schedules, code-sharing of flights, joint marketing, sharing of a frequent flyer programs, etc.

The strategic alliances represent one of the strategies developed by carriers to gain a competitive advantage in the global marketplace and at the same time as a strategic tool for customer retention.

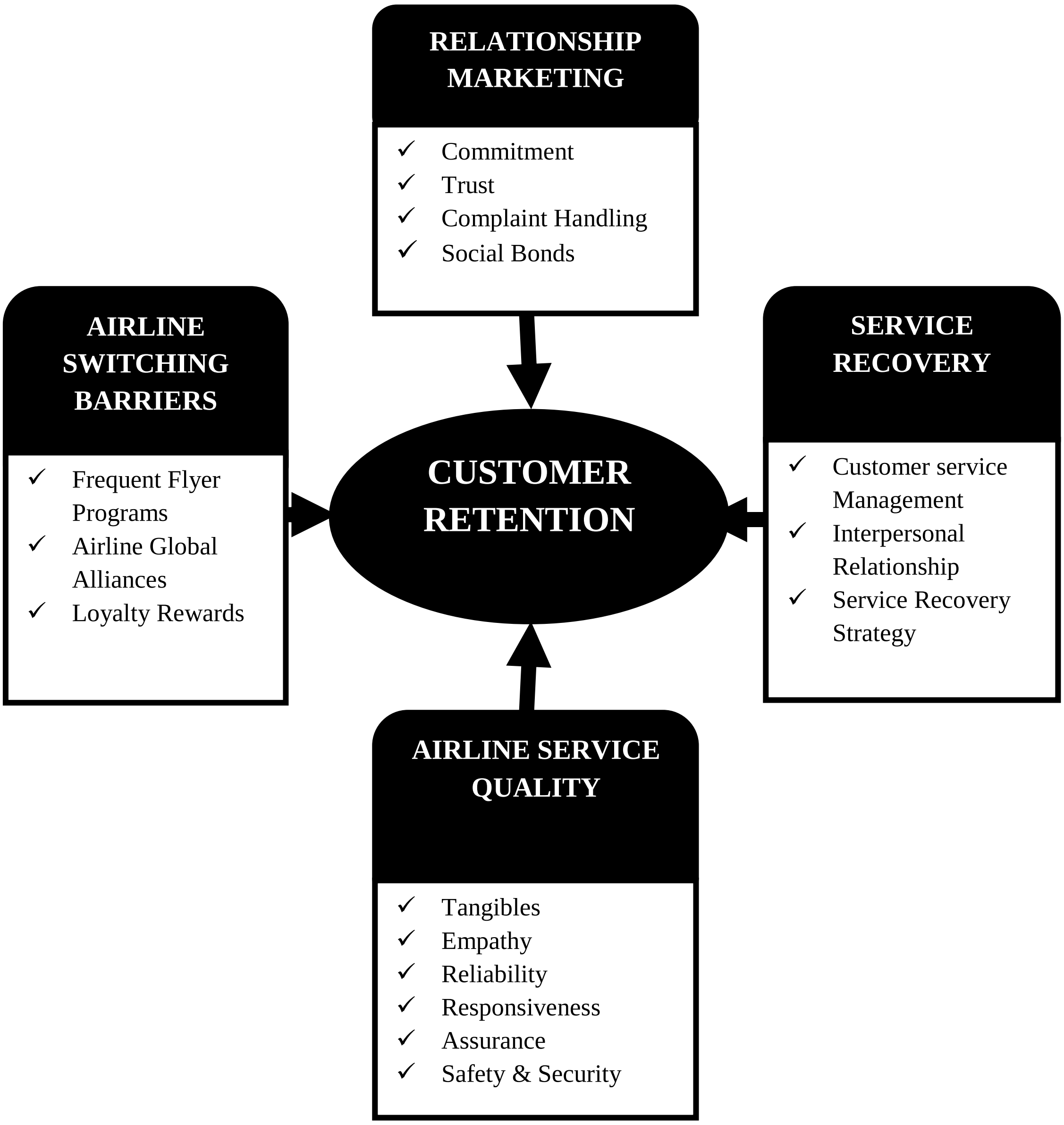
Many researchers have examined the various reasons that have led to the formation and sustenance of strategic alliances within the airline industry. To this end, Burton & Hanlon (1994) opined that alliances are central to the formulation of airline business strategy such as increasing access to foreign market to expand the scope operation thereby benefiting from economies of scale and also to acquire and retain their customers in those markets. The three well known global alliances are the Star Alliance, SkyTeam and Oneworld.

In respect of this study the dominant switching barriers in the airline industry is the frequent flyer programs and the global alliance as illustrated in the conceptual framework in Fig 2.1 below.

2.10.7 Service Recovery

Service recovery is said to be one of the potent retention strategy in the airline industry. A service in an industry like that of the airline is prone to fail due to the human element involved but it is how he service failure is handled and recovered that would determine whether the customer would stay with the service provider or would leave. This involves system failure, complaint and interpersonal relationship and recovery strategies.

Figure 1: **Conceptual Framework for the Study on Customer Retention Strategies in the Airline Industry**.



Source: Author's Own Construct, 2013.

CHAPTER THREE

CONTEXT OF THE STUDY

3.0 Introduction

This chapter examines the geographical settings and the physical characteristics of the study area. This would help the reader situate the study in a particular context that would aid understanding of the study area. This chapter also gives historical account of the airline industry in Ghana, developments and future prospects of the industry.

3.1 The Physical Setting of Ghana and Kotoka International Airport

Ghana formerly called Gold Coast is located on the western coast of Africa, along the Gulf of Guinea and is bordered by Burkina Faso to the north, Togo to the East, Cote d'Ivoire to west and Atlantic ocean or the Gulf of Guinea to the south. Ghana covers a total landmass of approximately 238,540 sq km with a population of over 24 million people (GSS, 2010).

The KIA occupies total land area of about 1610 acres (651 hectares) within the city of Accra and is about 10 kilometers from the city centre. The geographical reference point co-ordinates of KIA are 05^0 35' 47'' North Latitude by 000^0 10' 12'' West Longitude. The elevation of the airport is 63.3 meters (205ft) above sea level and has a South-West and North- East runway measuring 3410 meters long. It is important to note that KIA is located at the center of the universe that is on Equator (Latitude 0^0) or the Greenwich Meridian and this makes it easily accessible from any part of the world.

KIA, the only international airport in Ghana presently is the first point of call for business executives as well as tourists. The KIA is regarded as the gateway to the sub-region and has become the most preferred and most favorite airport in West Africa.

A number of major international airlines have opened new routes into Accra whiles some major existing airlines have increased their weekly frequencies. The terminals consist of domestic and international terminals; the international departure hall has 27 check-in counters to accommodate thirty five (35) scheduled airlines, the tarmac has the capacity for thirteen (17) parking bays. KIA also has a freight terminal, equipped with three parking bays to accommodate wide-body aircraft and is currently managed by one of the two ground handling companies known as Aviance.

Ghana's Air Traffic Control serves as the coordination centre of the Accra Flight Information Region (FIR) which also has jurisdiction over the air spaces (3658metres and above) of the Republic of Benin and Togo. Currently the airport is served by 35 scheduled passenger airlines including six cargo/ general aviation carriers and four domestic airlines.

3.2 Historical Background of the Airline Industry in Ghana

Ghana was colonized by Britain and the development of the aviation sector in Ghana was spearheaded by the British colonial administration. The first time an airline was operated in Ghana was in the Second World War where the Kotoka International Airport was initially used as a military aerodrome by the Royal Air Force from Britain during the war but was handed over to civilian authority in 1946 following military pullout.

By January 1956 a development project was launched for the construction of a proper international airport for Accra which culminated in the commissioning of the first international airline known as Ghana Airways which started operation in March 1958 with Accra Airport as base. Due to the growth in passenger traffic a new passenger terminal was commissioned to take care of the growth. In the same year the Accra Airport was renamed Kotoka International Airport. Later in 1969 there was the promulgation of law known as PNDC law 151 which established Ghana Civil Aviation Authority as an autonomous entity. This was followed by the enactment of the Civil Aviation Act in 2004, Act 678.

In line with this Act, there was a decoupling of Ghana Civil Aviation Authority into two separate entities namely Ghana Civil Aviation Authority and Ghana Airport Company Limited in January 2006 and by January 2007 the two entities came into being. The Ghana Civil Aviation Authority was mandated by the new Civil Aviation Law as the main regulatory agency of government on all issues pertaining to air transportation in Ghana whilst the Ghana Airport Company Limited was mandated by the new law to manage and maintain airport infrastructure.

3.3 Operations of GCAA

As stated earlier in this chapter the GCAA was established by PNDC law 151 of May 16, 1986 as the regulatory agency of government on air transportation in Ghana. The development of GCAA dates back to 1918 when the idea of aerial transportation for the then Gold Coast was conceived.

In 1930, the GCAA operated as a unit under the Public Works Department and later granted Departmental status in1953 under the Ministry of Transport and Communications and remained a department until May 16, 1986 when it assumed full status of a corporate body under the Ministry.

In November 2004, a new civil aviation law, the Civil Aviation Act, 2004 (Act 678) was enacted. The law mandated the ceding of the airports management functions to the GCAA to the new company, the Ghana Airport Company Limited (GACL) which was set up for this purpose. The reason was to enable GCAA focus on its core regulatory and licensing role. Again under the law the GCAA is also mandated to provide air navigation services. It is envisaged that with time Air Navigation Services Provider would also be separated from the regulator, GCAA after all the necessary regulations have been enacted.

3.4 Functions of GCAA

The role of the GCAA as stipulated in Section 3 of its enabling statute is to provide safe and secure air transport services through the following functions inter alia:

- Provision of air navigation services within the Accra Flight Information Region
- The regulation, promotion, development and enforcement of safe air transport operations and services
- The licensing of air transport and all personnel engaged in the air transport services
- The licensing of the provision of accommodation in aircraft and licensing and certification of aerodromes and navigational sites.
- The co-ordination of search and rescue services within the Accra FIR and taking security measures to safeguard air transport, life and property.

3.5 Brief History of Ghana Airport Company Limited

The Ghana Airports Company Limited (GACL) was established as a result of the decoupling of the existing Ghana Civil Aviation Authority (GCAA). The company was registered in January 2006 with the responsibility for planning, developing, managing and maintaining all airports and aerodromes in Ghana namely Kotoka International Airport (KIA) and the regional airports namely, Kumasi Tamale Sunyani and Takoradi as well as the many airstrips. The company commenced operations officially on 1st January 2007(GACL, 2012).

The GACL was tasked by the law establishing it to provide world class airport facilities and services to delight valued customers and to meet the expectations of stakeholders with innovative and cutting edge solutions provided by a well-trained and motivated staff and also to become the preferred global gateway and a leader in airport business.

Currently GACL serves and manages a total of 35 scheduled passenger airlines including four domestic airlines and eight cargo airlines. There are also two charter airlines namely Air Ghana and Gianair.

The table below gives information about the airlines operating scheduled flights in Ghana.

Table 3.1: Total Scheduled Airlines Operating in Ghana

S/N	AIRLINES	CODE	DESTINATION	A/C TYPE
1	Aero Contractors	AJ	Lagos	B 737
2	Africa World Airlines	AW	KIA, Accra	ERJ 145LR
3	Afriqiyah Airways	8U	Tripoli	A 320/ A 330
4	Air Burkina	2J	Ouagadougou	MD 87
5	Air Ghana (Cargolux)	GHN	Accra	B 737
6	Air Ivoire	VU	Abidjan	B 737
7	Air Mali	I5	Bamako	B 737
8	Air Namibia	SW	Windhoek	B737
9	Air Nigeria	VK	Lagos	E 90, B 737
10	Alitalia	AZ	Rome	B 767, A 330
11	Antrak Air	O4	Accra	ATR 72-500
12	Arik Air	W3	Lagos	B 737/B727
13	Asky Air	KP	Lome	A 343
14	Bellview Airlines	B3	Lagos	B737
15	British Airways	BA	London, Heathrow	B 767
16	Brussels Airlines	SN	Brussels	A 343
17	Ceiba International	C2	Malabo	ATR 72
18	Delta Airlines	DL	JFK, New York	B 767
19	Egypt Air	MS	Cairo	B 738
20	Emirates Airlines	EK	Dubai	B767/ A 343
21	Ethiopian Airlines	ET	Adis Ababa	B 757
22	Fly 540	5G	KIA, Accra	CRJ100/200
23	Gambia Bird	3G	Bangul	A 319
24	Kenya Airways	KQ	Nairobi	B 738
25	Lufthansa	LH	Frankfurt	A 333/ A 343
26	Middle East Airlines	ME	Beirut	A 332
27	Portugal Airlines	TAP	Lisbon	A 343
28	Royal Air Maroc	AT	Casablanca	B 738
29	Royal Dutch Airlines (KLM)	KL	Amsterdam	B 777
30	South African Airways	SA	Johannesburg	B 747
31	Starbow	S9	KIA, Accra	BAe 146-300
32	Turkish Airlines	TK	Ankara	B 757
33	United Airlines	UA	Dulles, Washington DC	B 747
34	UNMIL	UN	Monrovia	B 757
35	Virgin Atlantic Airlines	VK	Gatwick, London	B 757

Source: GACL, 2013

3.6 Regional Airports

There are four regional airports under the supervision of GACL namely Kumasi, Tamale , Takoradi and Sunyani as well as airstrips under its jurisdiction. These airports however, have to be maintained in accordance with the regulations for continued certification for safety, security and service standards. It is also necessary to position the domestic airports to accommodate the increase traffic as expected to be generated from rapid economic growth envisaged for the near future. Each of them is headed by a Manager and is responsible for the airport and terminal operations, ramp services and RFFS. There are a total of over 85 flights to and from the regional airports operated by the four main domestic airlines; Antrak Air, Starbow, Fly 540 and recently Africa World Airlines (AWA).

3.6.1 Kumasi Airports

The Kumasi Airports was started in 1940 and was completed by 1943 but it was not until 1947 that the final documentation for land acquisition was completed and paid for. The runway was 1097.82 meters long by 37.36 wide, middle: 45.72 meters consolidated for landing and two flanking widths of 45.72 meters each for parking.

After the Second World War, the PWD constructed a Control Tower, Terminal Building, RFFS Station and staff quarters which covered an area of about 3 acres for the department of civil aviation which is the body that manages the facilities. 1958/59 saw extensive developments by the Ghana government to the runway, navigational facilities and human resources, to enhance internal airline operations.

The installation of runway ad taxiway lights and the extension of the main runway to the southern part in the late 1970s was yet another major improvement to the Kumasi Airport.

Whilst the lights enhanced night flying, the extension of the runway enabled operations of short haul jets like the F8. The construction of a new Terminal and the installation of a VOR/DME completed the modernization process on the 1st of December 1993. By 2003 Kumasi was declared an International Airport primarily for regional operations with full complement of security, customs and immigration staff.

The geographical coordinates of the Kumasi Airport is 06 43’ 09’’ and W01 34’ 59’’. It stands a distance of 3.5kilometres from the city of Kumasi and is North East from the city centre. The surface of the runway is asphaltic and has runway dimension of 1981metres by 45metres and is 287metres (942ft) above sea level and operates throughout the year.

3.6.2 Tamale Airport

The Tamale Airport was constructed as a military operational base for troops during the World War II. The landing strips were acquired at Nyohene, some miles west of Tamale in December, 1940.

By 1948, there was massive expansion of the airport to take care of airline operations. This culminated in the building of airline facilities with assistance from GCAA including Aerodrome Control Tower, Rescue and Fire Fighting Service (RFFS) and Air Traffic Control Offices for operational use.

The Tamale Airport is located in the city of Tamale with geographical coordinates of 09’’ 43’ 00N and 00 52’’W and a height of 168m (552ft) above sea level. The runway length is about 2438metres (8000ft) and 150ft width with a runway slope varying from both ends and is asphaltic.

The Tamale Airport is earmarked to be developed into standard airport for international operations to serve as a hub for the sahelian region to support the industrialization drive of government and also to support eco-tourism in order to boost economic activity of the area and also to serve as an alternative to supplement KIA for handling international operations.

The proposed rehabilitation of Tamale Airport will develop a high level infrastructure by optimizing existing levels of infrastructure that will leverage the integrated development of agriculture and tourism being the competitive sectors of the region to eventually catalyze industrialization and rapid socio-economic development of the savanna regions.

3.6.3 Takoradi Airport

The Takoradi Airport is a military base and is therefore currently under management of the Ghana Air force. Despite the fact that it is a military base, the facility is now being used for civil operations.

Due the fact there is huge tourism potential in that part of the country, a massive capital investment in transforming the Takoradi Air force base into a fully fledged international airport would be a step in the right direction. To this end, new terminal facilities for handling aircraft and passengers will have to be constructed for this purpose.

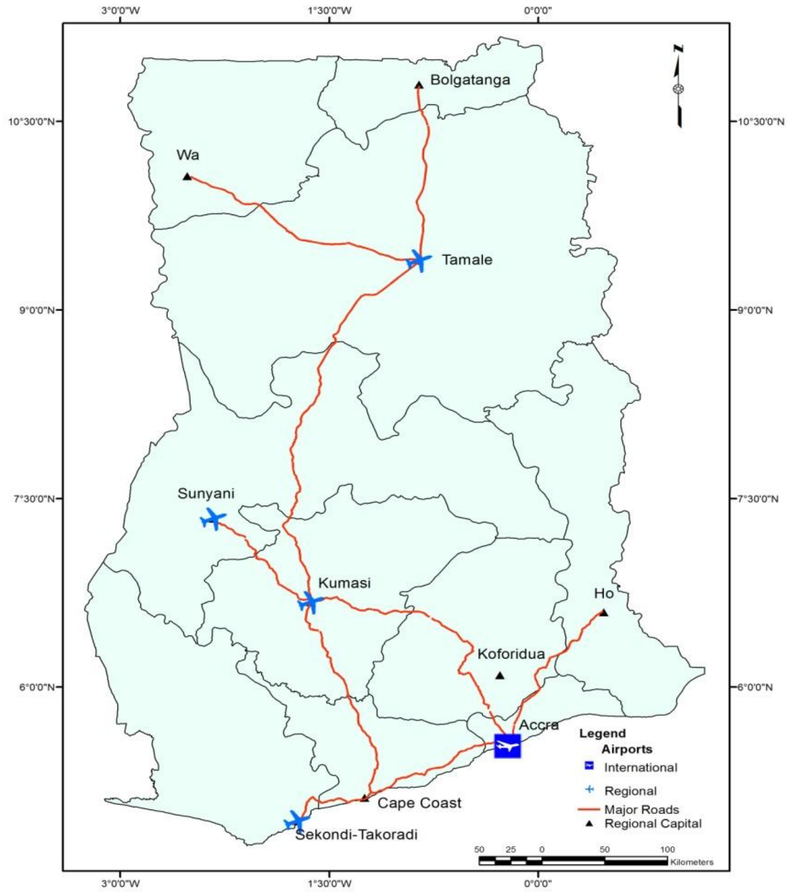
3.6.4 Sunyani Airport

Development of the Sunyani Airport dates back to the 1940s when a communication outpost and aerodrome was built for the use of Allied Forces during World War II. However, before the end of the war, the airstrip was abandoned.

In 1969, the Busia Government realizing the urgent need for an airport for Sunyani initiated the construction work of the airstrip into a complete airport of international standards. The airport was completed and opened on 13th July 1974.

The Sunyani Airport is located in the city with geographical coordinates of 7 21’ 33’’ N and 2 19’ 45’’ W. The airport has about 4600 meters runway length with an elevation of 1041ft above sea level.

Figure 3.1 Map of Ghana Showing the Various Airports and Airstrips in Ghana



3.7 Developments in the Airline Industry in Ghana

The airline industry in Ghana has witnessed massive growth as passenger traffic has reached an all time high. This is as a result of buoyant economic indices, rich cultural diversity and huge tourism potential of the country and more importantly the recent discovery of oil in commercial quantities in Ghana (GACL, 2012). Aircraft movement has also soared in recent years making Ghana a preferred destination and a major aviation hub in the sub-region. No wonder the domestic aviation sector has also witnessed a proliferation of airlines in recent years. This is mainly attributed to the deregulation and liberalization of the industry by the GCAA which opened up the industry to private industry players to take advantage of and also the discovery of oil in commercial quantities in Ghana. This saw intense competition in the domestic sub-sector which resulted in price wars among the domestic airlines. This considerably brought prices down and the customer became the ultimate beneficiary.

This meant that more people can afford to travel by air hence the boom in the domestic sector. Again the airlines increased their daily schedules and they made it flexible to suit the needs and desires of passengers thereby making it convenient to travel by air.

The aviation industry is known to be the major catalyst for the socio-economic development of emerging economies such as ours. In this regard, Ghana's aviation industry stands out as one the fastest growing and perhaps most competitive in the West African sub-region. There are number of scheduled carriers flying in and out of Ghana and has doubled from 15 in the year 2000 to thirty (30) in 2011. Again, passenger throughput has improved from 900,000 in 2007 to over the projected figure of 1.7million by the end of the year 2011.

The prospects for Ghana's aviation industry look very impressive as there is high demand for increase of flight frequencies by the scheduled airlines servicing the airport owing to the open skies policy. There is also a high demand by new countries to initiate bilateral arrangements leading to commencement of flight operations into Ghana by designated carriers as a result of the production of oil in commercial quantities in Ghana. In light of this, aircraft movement annual total is projected to rise from 28,063 in 2010 to 36,510 in the year 2013. Directly related to this is the projected aggregate passenger growth from 1,428,424 in 2010 to 1,710,884 in 2013 representing an annual average growth rate of 30% and 20% respectively (GACL, 2012). There is therefore no doubt that the airline industry is playing a major role in the reported 20% expected growth of the national economy which is noted as the fastest growing economy in the world. In order to sustain this sterling performance there is the need for huge capital investment in airports development in Ghana. The main challenge however is funding infrastructure projects.

3.8 The Domestic Airlines in Ghana

The domestic aviation sub-sector in Ghana shows great prospects in airline operations and profitability on the back of the open skies policy and oil discovery in Ghana. There are currently four (4) passenger scheduled airlines flying Ghana's domestic airspace and airstrips and there are indications of more airlines to join. The four are Antrak Air, Starbow, Fly 540 and recently African World Airline (AWA).

3.8.1 Antrak Air

Antrak Air Ghana is a wholly Ghanaian owned limited liability company incorporated in December 2001. It is the oldest scheduled airline in Ghana which commenced operations in September 2003. Antrak Air is mandated to offer passenger and cargo services for domestic, regional and international routes.

Antrak Air aims to become the domestic and regional airline of choice in Ghana by providing competitive, safe, reliable and efficient services delivered by customer focused employees. Antrak Air services are summed up in their approach to flying that is their aircrafts are modern and reliable with convenient, safe and punctual schedules at an affordable price. They also make sure their employees are friendly and responsive to customer's needs.

Antrak Air is the largest domestic operator in Ghana, offering more frequency and carrying more passengers than any of its competitors. It offers up to 6 daily services from

Accra to Kumasi, 3 daily services to Takoradi, double daily services to Tamale and once daily service to Sunyani. The airline also offers tailor-made charter services to meet individual demands. Antrak Air also intends to commence services to the West African Sub-region with Lagos, Nigeria for a start.

Antrak Air operates three (3) ATR 72-500 turbo prop aircraft on lease from Swiftair from Spain. Antrak has agreed a transfer of technology with Swiftair of Spain to bring Antrak technical staff and operations up to international standards of excellence.

3.8.2 Starbow

Starbow is a regional airline focusing on the West African market. Aero Surveys Limited a licensed airline company trading under the commercial name "Starbow" started domestic flights out of KIA in September 26, 2011 serving Kumasi twice daily, Tamale daily and Takoradi daily. Starbow plans to start regional operations in the nearest future. The company was originally founded in 2007 as Aero Surveys Limited and later rebranded as Air Shuttle. In 2011, the ownership of the airline changed which resulted in a further rebranding under the commercial name Starbow with regional flights in mind.

With over 110 employees supporting guests from local international travelers, Starbow combines a highly intelligent corps of airline officials who provides a world-class outlook, best services and an upbeat travelling experience, Starbow seeks to win the hearts and minds of the West African region by opening the doors to regional and international trade and bringing people together.

The Starbow fleets consist of three BAe 146-300 and one BAe 146-200 jets aircraft. Starbow fleets especially the BAe 146-300 are known to have slender sizes with unique quality of handling, maneuverability and airfield access.

Starbow adheres to the highest safety and operational standards with well trained and experienced pilots. With their FFP, Starbow aims at providing services that would benefit to their loyal customers.

Starbow's international route commenced in August 2012 with up to 5 times weekly service from Accra to Cotonou in Benin. The second international destination for the carrier is Abidjan in Ivory Coast operating 5 times weekly from Accra. However, all the international services were suspended in early 2013 due to poor performance.

3.8.3 Fly 540

Five Forty Aviation Ltd, trading as Fly 540, is a low cost airline based in Nairobi, Kenya. Fly540 is said to be the world's number one destination for cheap flights within the African continent. Fly 540 started operations between Nairobi and Mombasa on November 24, 2006. Fly 540 is specialized in cheap flights to Ghana and Angola using Ghana as the West African hub. Despite their lowest fare in Africa, Fly 540 does not compromise on their excellent customer service and safety record.

The vision of Fly 540 is to consistently offer excellent customer service and safety in addition to providing great value on all African flights to Angola and Ghana. Fly 540 have also invested heavily in the acquisition of fleets of fuel efficient aircraft including the modern ATR turbo-prop as well as CRJ-100/200 jet aircraft. These aircraft use about 50% less fuel than other types of aircraft which helps us to keep our carbon footprint to an absolute minimum.

The airline endeavors to offer flight that are accessible to all leisure and business travelers and work hard to operate as efficiently as possible on order to allow the company to give the best prices on flights to African cities and destination throughout Ghana and Angola.

3.8.4 Africa World Airlines

Africa World Airline (AWA) was incorporated on November 15, 2010 and received its Air Carrier License from GCAA in March 2011 and is the newest kid on the block. Africa World Airline (AWA) newly registered private-sector company in Ghana formed with the sole vision of making air travel an option for majority of travelers within the markets in which they operate was founded by Togbe Afede XIV, the chief of Asogli State and the CEO of SAS Finance Group. The shareholders include SAS Finance Group (Ghana), SSNIT (Ghana), HNA Aviation Holding in China and China-African Development Fund (China).

AWA took delivery of its first aircraft Embraer 145 on 30th August 2012 and the second on 13 September 2012. The airline has currently two new and modern ER 145LR jets for its domestic and regional operations. The route is structured to create a hub-and-spoke model centered upon Accra. This will allow a seamless one-change connection between multiple city pairs. AWA flies twice daily to Kumasi and daily to that of Takoradi and Tamale.

Taking cognizance of the intense competition that has characterized the domestic aviation sub-sector, AWA entered the market with aggressive marketing strategies to capture the share of the customers. The considerable reduction in prices coupled with unparalleled customer service gave AWA a bright start and is doing pretty well. They also introduced a Frequent Flyer Program of a 50% discount on all flight within Africa.

3.9 Contribution of the Airline Industry to the Economy of Ghana

Transportation is a sine qua non to the progress and development of every nation. Among various modes of transportation, air transport constitutes an essential element that meets the needs of domestic and international transportation of goods and human beings. Air transport in Ghana is responsible for the highest number of tourists and passenger traffic internationally, benefiting the nation in exchange of ideas, technology, thereby contributing to the success of government's Better Ghana Agenda.

Air transport also rakes in foreign exchange as government gets a lot of revenues from airport tax levied on airlines that ply our airspace. This generates hard currency for the nation that can be used to aid development in other areas.

The aviation sector also generate huge amount of jobs for the people. In this regard over two million people are employed in mainstream aviation business as well as other allied services such as hotels, tourist site, restaurants, etc.(GCAA, 2012).

The airline sector also provides aeronautical facilities used by aircrafts to spray farms and aquatic parasites and other insects that evade communities that are harmful to humans. Aircraft are also used in rescue operation during natural disasters such as flooding, earthquakes, etc. It is also used for aerial cartography and surveys.

The air transport industry is also expected to contribute substantially to the achievement of the objectives of government trade and investment policies as the transport of traditional and non-traditional exports and the imports of essential good cannot be overemphasized. This would open up KIA and other airports in the country as gateways to trade and investment destinations in the country.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 Introduction

This chapter provides description on the method employed in the study and discuses how the study itself was conducted so as to be able to achieve the objectives set in chapter one of this study. It also presents the methodological framework adopted to tackle the research hypothesis in this study.

The pivot of every study depends largely on the various methods employed in collecting and analyzing statistical data. It is important to note that, the method and techniques used eventually determines the conclusions that are drawn and for that matter the method must be seen to be rigorous and robust in order to draw conclusions that would be dependable, reliable and objective.

The chapter also presents the process of data collection, data management and analysis and also talks about ethical issues to be considered in conducting researches of this nature.

4.1 Research Purpose

The main purposes of conducting research are exploratory, descriptive and explanatory (Robson, 2002). Exploratory research is characterized by seeking new insights, looking around and asking questions or putting research phenomenon into proper perspective. The descriptive research is characterized by giving accurate profiles of people, events or situations whiles the explanative research on the other hand aims at gaining an understanding into specific situations or problems.

This research is primarily explanative in character as it delved into how service firms manage retain their customers with an explanation of what customers consider the best strategy in keeping them to a particular service provider. Saunders et al., (2007) when they intimated that explanatory research is practical because of its attempt at clarifying the understanding of a specific research problem. Furthermore, this research is also descriptive in nature because this research describes previous works on customer retention and how companies adopt customer retention strategies to create value.

4.2 Research Approach

The two most important approaches used in conducting this research are the inductive and deductive approaches (Saunders et al, 2007, Amaratunga et al, 2002; McGiven, 2006). The inductive approach is when data is collected first and after analyzing the data, a theory is developed consequently. On the other hand, if a theory or hypothesis is first developed and then later a research strategy is designed to test the hypothesis, then the approach is of deductive nature. In this research therefore, the data collected was analyzed based on existing literature on the topic hence adopting the deductive approach. Some scholars refer the deductive approach to mean quantitative and the inductive as qualitative.

The quantitative research (deductive) is seen as an extreme of empiricism in which theories are not only justified by the extent to which they can be verified, but also by an application of facts acquired (Amaratunga et al., 2002)

The qualitative method is said to be the most convenient since it measures people's way of living such as the way they feel, think or behave in a particular way. But this research method tries to quantitatively explains and apply statistical analysis which is often formalized, well structured and data is usually obtained from larger sample (Tull & Hawkins, 1990). This justification is buttressed by Saunders et al (2009) when they intimated that for a quantitative study to be successful, the most important ingredient needed for the researcher is his ability to develop hypotheses and test them with proper statistical techniques, and interpreted the statistical information into descriptive information. In as much as the quantitative method so adopted seems workable, Yin, (2003) caution of the demerits associated with this method. This is because this research approach is characterized by generalization and analysis does not apply to local or peculiar situations. It is also criticized as being too abstract in nature.

On the other hand, the qualitative (inductive) research emphasizes getting close to the subject(s) of study and assumes the role of participants to describe a phenomenon in a social reality from the perspective of the subject rather than the observer.

4.3 Research Design and Strategy

Research design refers to the framework or the blueprint used for collecting, measuring and the final analysis of the data (Copper & Schinder, 2001). It also talks about the procedure for data collection and analysis in order to reveal theoretical perspectives of the study. The main reason for the research design is to structure the research to answer research problems as accurately, clearly and unequivocally as possible (McGivern, 2006). The use of research design is to ensure that the objectivity of the research can be assured (Guy et al., 1987).

This study was a cross-sectional non-experimental survey design which utilized both probability and non-probability and convenient sampling with a structured researcher administered questionnaire for the collection of quantitative data involving multi variables that were examined to detect patterns of relationship and association. Due to the multi dimensional approach adopted in tackling the research problem, this dual strategy is deemed appropriate because it mostly draws on the strengths on the two strategies (i.e. probability and non-probability research designs and strategies).

4.4 Sample Design and Sample Size Selection Technique

Sample design is a definite plan for obtaining a sample from a given population (Cemba, 2008). The population in the context of this study means the aggregate or the totality of all members under study. It involves the procedure the researcher used to select the units to be included or excluded from the sample. In conducting research of this nature one cannot study everybody everywhere (Miles & Huberman, 1994). In most social research, the researcher is confronted with the task of collecting data from everyone who fall within the research threshold. It is therefore important for the researcher to identify persons who fits into and possess certain features that he researcher needs. As put forward by Salant & Dillman (1994) a major prerequisite in sample selection is to define the target population as narrowly as possible so as to achieve the desired result of the researcher. This is true because the entire population is difficult if not nearly impossible to sample so it makes sense to consider a narrowly define population as it saves time, efforts and resources as well. Defining the sample population also help focus the research so that readers can put the findings and recommendations in proper perspective as not all findings are applicable in all situations.

In data collection, it is necessary to consider the entire population within which the research is conducted. With respect to this research, the entire customers of all the airlines operating in Ghana were realized to be too voluminous to be studied individually. It became necessary consequently to randomly sample the customers in order to obtain a sample size that was representative and manageable for the study.

All airlines operating in Ghana were given equal consideration which constitutes the sample frame with 337 airline customers were purposively selected to represent the final sample size for the study. Accra being the capital was used because the only international airport happens to be in Accra and also all airlines both domestic and international have their head offices or Sales offices or agents in Accra.

In relation to this study a sample size of 337 respondents was selected from airlines customers of the five major airlines namely, Emirates, KLM, Delta, British Airways and Kenyan Airways. Both convenience and random sampling techniques were employed in the selection of customers of these airlines. The determination of an appropriate sample size is a function of the homogeneity or heterogeneity of the population on a particular variable. When the population is homogeneous, a small sample size is representative enough. However, if the population is heterogeneous then a larger sample size is required. With regards this study, the respondents (that is airline customers) are heterogeneous in the sense that they are individuals who come from different destinations, cultures, nationalities and interests.

A sample size is the number of elements to be included in a study. Determining the sample size is complex and involves several qualitative and quantitative considerations (Malhotra, 2007). As a result a large sample size of 337 customers of the various airlines from different backgrounds is representative enough for an estimation to be made about the entire population.

The aforementioned sample size was deemed appropriate because it conforms to Edwards (1985) and Stevens (1996) recommendation that the researcher should consider a minimum of 15 participants for each predictor variable to be used in any multivariate analysis. Again, both Pallant (2007) and Tabachnick and Fidell (2007) suggested a formula on the adequate sample size to use for a multivariate analysis; $N > 50 + 8m$ where N is the number of participants and m is the number of predictor variables.

In respect of the sampling techniques and using the objectives of the study as a guide, the researcher used a two prong technique for selecting the sample for this study. Both probability and non-probability sampling techniques were demystified. A probability sampling is a procedure in which each elements of the population has a fixed probabilistic chance of being selected for the sample (Malhotra, 2007). In this technique, sampling units are selected by chance and the researcher can pre-specify every potential sample of a given size that could be drawn from the population. A non-probability sampling technique tries to attempt to obtain a sample of convenient element. Unlike the probability sampling, the non-probability sampling technique leaves the selection of sampling units primarily to the interviewer.

In this study, a probability and non-probability sampling technique has been used where the airline customers have been randomly selected for the administering the questionnaire. This means that the respondents are selected independently of every other respondent and every respondent has the same or equal probability of being sampled. Secondly, the study adopted a convenient sample with structured questionnaire for collection quantitative data involving multiple variables. This dual strategy is deemed appropriate because it mostly draws on the strengths on the two strategies (i.e. probability and non-probability research designs and strategies) and this helps improve rigour.

4.5 Sources of Data and Data Collection Methods

Sources that are used for data collection can be categorized into two main forms namely, primary and secondary data sources. The primary data for micro level analysis was obtained through direct personal interviews at Ghana's Kotoka International Airport. That is to say the primary sources of data are collected and gathered from customers of various airlines that operate in Ghana with specific consideration of the research objectives under study. The most appropriate research instrument used as far as this study is concerned is principally researcher administered questionnaire and an initial personal interview and interaction with aviation professionals. To this end, interview guide was designed for practitioners in the airline industry to solicit additional information to augment what has been obtained and to put the study in the right perspective. The purpose for using this participatory approach is to avail the respondent the opportunity to freely give information that would be relevant to the study.

The self-administered questionnaire was used mainly because it is usually cheaper especially when data collection involve large sample size, respondents' confidentiality can be assured and the standardized nature of self administered questionnaire makes it more suitable over the other methods of data gathering (Saunders et al., 2009). In view of this a close-ended and well structured questions were administered to gather data from the field that would be used to test the model adopted in the second chapter. This led to designing questions that would help investigate and examine the validity of the hypothesis and objectives were developed.

The four main constructs adopted in this study (Relationship Marketing, Airline Service Quality, Airline Switching Barriers and Service Recovery) were represented by a number of variables as captured in the questionnaire with each of the variables measured on a five point likert scale from strongly disagree to strongly agree for all the four constructs under customer retention strategies whereas the first section of the questionnaire captures demographics (gender, age, educational qualification, occupation) and other general information about the respondents with regards to customer retention. The main data collection instrument used is a researcher-administered questionnaire with options in order to illicit the right kind of information needed for the purposes of this research.

Secondary data was sourced from published works relevant to the study including from articles, newspapers publications, historical records, journals, newsletters, maps, previous research works related to this study, government bulletins and reports as well as the internet are used for macro level analysis such as policy guideline for airline operations and airline industry performance. This sources form the reference information with which my primary information was compared. With regards to the non-numeric interview results, an unconventional analytical technique (that is qualitative) was also employed at the initial stages of the study.

4.6 Pre Test

Pretesting refers to the testing of the questionnaire on a small sample of respondents to identify and eliminate potential problems. In a research of this nature, pre-testing of the questionnaire is necessary in determining the suitability and applicability of the questions before the main data collection is started. This helps in identifying ambiguous questions which could or may not be understood by the respondent or cannot run properly in the analytical tool to be used. All aspects of the questionnaire were tested including question content, wording, sequence, form and layout, question difficulty and instructions.

A pilot study was therefore conducted to determine the clarity and reliability of the questionnaire and to discover any discrepancy with regards to the wording and the administration of the questionnaire

Respondents were also asked to freely express their reservation and views regarding difficulties experienced in completing the pilot questionnaire. Thirty (30) airline customers and fifteen (15) aviation experts were carefully selected for pretesting of the questionnaire. The duration for the pretest exercise took five days and at the end it was very helpful for redesigning the final questionnaire for the main field work.

4.7 Analysis of Data

The largely quantitative nature of this study meant that a statistical tool is employed for the analysis of the data gathered from the field. The survey data analysis involved the application of Statistical Package for Social Sceinces (SPSS) version 20.0 software. This analytical instrument enabled the researcher to offer descriptive and also draws statistical inferences based on the responses from the respondents.

In order to achieve the objective stated in the study, and also to test the causal relationship between the main constructs found in the framework of this research, the study adopted statistical tool called the standard multiple regression analysis. Since the study involved four main independent variables (that is RM, ASQ, ASB and SR) with one dependent variable (CR), a standard multiple regression statistical tool was deemed appropriate for a study of this nature. This is because in multiple regression, one is able to determine how well a set of variables is able to predict the other and which variable in the set is the best predictor of the other. Multiple regression also helps determine whether a particular predictor variable is still able to predict an outcome when the effect of another variable is controlled. In standard multiple regression, all the independent or predictor variables are entered into the equation simultaneously to generate the formula as follows;

Equation 4.1: $CR_i = \beta_0 + \beta_1 RM_i + \beta_2 ASQ_i + \beta_3 ASB_i + \beta_4 SR_i + \mu_i,$

where

CR= the dependent variable, i.e. Customer Retention (CR)

$\boldsymbol{RM_i}$ = Relationship Marketing

$\boldsymbol{ASQ_i}$ **=** Airline Service Quality

$\boldsymbol{ASB_i}$ = Airline Switching Barriers

$\boldsymbol{SR_i}$ = Service Recovery

$\boldsymbol{\beta_0}$ = Intercept term

$\boldsymbol{\beta_{1,\ldots,}\beta_4}$ = Represent the coefficients to be estimated and

$\boldsymbol{\mu_i}$ = the error term

4.8 Ethical Consideration

Ethical issues are of paramount importance to this study. Some of these relates to researcher-respondent relationships such as asking sensitive questions, openness with the respondents, long questionnaires, combining of more than one question in the same questionnaire, deliberately biasing the questionnaire, appropriate use of words, handling of confidential information from respondents among others.

The study ensured that information provided by the respondents is kept confidential and that no participant is victimized in any way. Since the respondents are volunteering their time and information the researcher made sure that respondents are not overburdened by soliciting too much information. The study also made sure that prior approval is sought from the respondents and institutions concerned before the findings of this research are made public. The study also made it clear to respondents that the questions asked are for academic and research purposes only and not for any other inordinate purposes that would be injurious to their persons.

4.9 **Limitations of the Study**

The combination of both quantitative and qualitative research methods is without problems as the two methods contain in them inherent lapses that conflict combination of the two methods in one research.

Again the study is seen to be limited in scope because the airline industry embodies other allied and subsidiary services such as catering, hotel, and car rental services run by the airline which this study failed to include.

Major problems were encountered especially at the pretesting stage of the questionnaire. This led to redesigning of the questionnaire. Even during the real questionnaire administration, quite a number of challenges were encountered. Due to the busy nature of the airport environment and the fact that airlines customers are most often are visitors, they feel reluctant to volunteer information as they cannot trust the identity and integrity of the interviewer. Everyone seems to be minding their business and many customers barely have any time on their hands to spare. The researcher has to go to the airport several times because it was difficult to get air passengers who are willing to complete the questionnaire. This delayed a bit the data gathering process coupled with constraints of time and resources which were considered as major drawbacks.

CHAPTER FIVE

DATA ANALYSIS AND DISCUSSION

5.0 Introduction

This chapter presents the discussion, interpretation and analysis of the responses of respondents sampled for this study. The study is concerned with the effects of a priori customer retention strategies in the airline industry in Ghana was conducted on three hundred and thirty seven patrons of the various scheduled airlines of the Kotoka International Airport.

This chapter starts with descriptive information of the respondents' socio-demographic and primary variables. It further deals with a presentation of the results of bivariate analysis to establish the relationship between the independent and dependent variables of this study.

5.1 Socio-Demographic and General Background of Respondents

Descriptive statistics was used to provide data on the distribution of research variables. In the section A of the CRS questionnaire, the frequencies distribution were determined on the following categorical variables of gender, age, occupation, place of origin, educational qualification, frequency of travel, preferred airline, most important factor to consider in choosing an airline. It also involves descriptive measures of sample size (N), mean (M), standard deviation (SD) for the independent variables in order to examine the central tendency of the various variables within the RM, ASQ, SB and CH&SR sub-scales.

5.1.1 Age and Sex Distribution of Respondents

Table 5.1 depicts the sex distribution of the 337 study participants whose views were sought for the study. Of the three hundred and thirty seven airline passengers sampled, one hundred and ninety one (191) of the respondents representing 56.7% of the respondents are males whiles 146 of the people surveyed representing 43.3% of the respondents are females. This shows the male dominance in travel but also shows quite an appreciable number of females (43.3%) who travel by air at the time of the survey.

Table 5.1: Sex of Respondents

Sex	Frequency	Percent
Male	191	56.7
Female	146	43.3
Total	**337**	**100.0**

Source: Field Survey, March, 2013

With regards to age, majority of respondents sampled making (37.4%) of the respondents were between the ages of 46-60years followed closely by age groups of 26-45years representing 36.2% whereas those within the ages of 18-25years and those that are 60 and above constitute 8.6% and 17.8% respectively. This is an indication that majority of the respondent who travel are concentrated in the active or the working class. The table 5.2 below illustrates this.

Table 5.2: Age of Respondents

Age (years)	Frequency	Percent
18-25	29	8.6
26-45	122	36.2
46-60	126	37.4
60 +	60	17.8
Total	**337**	**100.0**

Source: Field Survey, March, 2013

5.1.2 Educational Qualification of Respondents

The frequency table 5.3 below for educational qualification indicates that 51.3% of the respondents have obtained either a degree or an HND whilst 45.1% have a postgraduate or professional qualification. Travelers with no education constitute only 0.6% and those with ordinary level or advanced level certificates constitute 3% of the respondents sampled. This shows a strong indication yet that greater numbers of air travelers sampled are educated.

Table 5.3: Education background of Respondents

Level of Education	Frequency	Percent
No formal education	2	0.6
Ordinary/Advanced Level	10	3.0
HND/Degree	173	51.3
Professional/Postgraduate	152	45.1
Total	**337**	**100.0**

Source: Field Survey, March, 2013

5.1.3 Occupation of Respondents

In table 5.4 below, 36.2% of the respondents sampled are business men and women who are in the private sector whilst 34.1% are engaged in the civil or the public sector and those who are 21.1%. This is an indication that most of the respondents are business travelers and it can be deduced that they are traveling for business purposes.

Table 5.4: Occupation of Respondent

Occupation	Frequency	Percent
Student	29	8.6
Self-Employed	71	21.1
Civil/Public Servant	115	34.1
Businessman/woman/Private Sector	122	36.2
Total	337	100.0

Source: Field Survey, March, 2013

5.1.4 Place of Origin of Respondents

The frequency table 5.5 for place of origin of travelers below shows majority of respondents making 39.5% come from Europe followed by North America representing 24.6%. Twenty (20.2%) are respondents who were coming from sister African countries and the rest 15.7% come from the Middle East. From the table below it can be deduced that most of Ghana's development partners are mostly from Europe and North America as most of them come for business purposes.

Table 5.5: Place of Origin

Place of origin	Frequency	Percent
Africa	68	20.2
Europe	133	39.5
Middle East	53	15.7
North America	83	24.6
Total	**337**	**100.0**

Source: Field Survey, March, 2013

5.1.5 Travel Frequency of Respondents

A total of 63.5% indicated that they travel very often with a travel frequency more than 5 times in the year and 31.5% of the respondents indicated their travel frequency of between 3-5times as majority of the respondents say they are said they travel air.

Table 5.6: Travel Frequency

Characteristic	Frequency	Percent
Very Often	185	54.9
Quite Often	92	27.3
Sparingly	54	16.0
As and when	6	1.8
Total	**337**	**100.0**

Source: Field Survey, March, 2013

5.1.6 Travel Frequency per Year

It can also be inferred that majority of respondents sampled for this study are regular travelers. This is because 63.5% of the travelers sampled indicated that they travel six or more time per year whiles those who between 3-5times and 0-2times a year are 31.5% and 5% respectively. This means that the travel frequency per year of the respondents sampled is high and therefore they are better placed to assess the performance of airlines.

Table 5.7: Travel Frequency per year

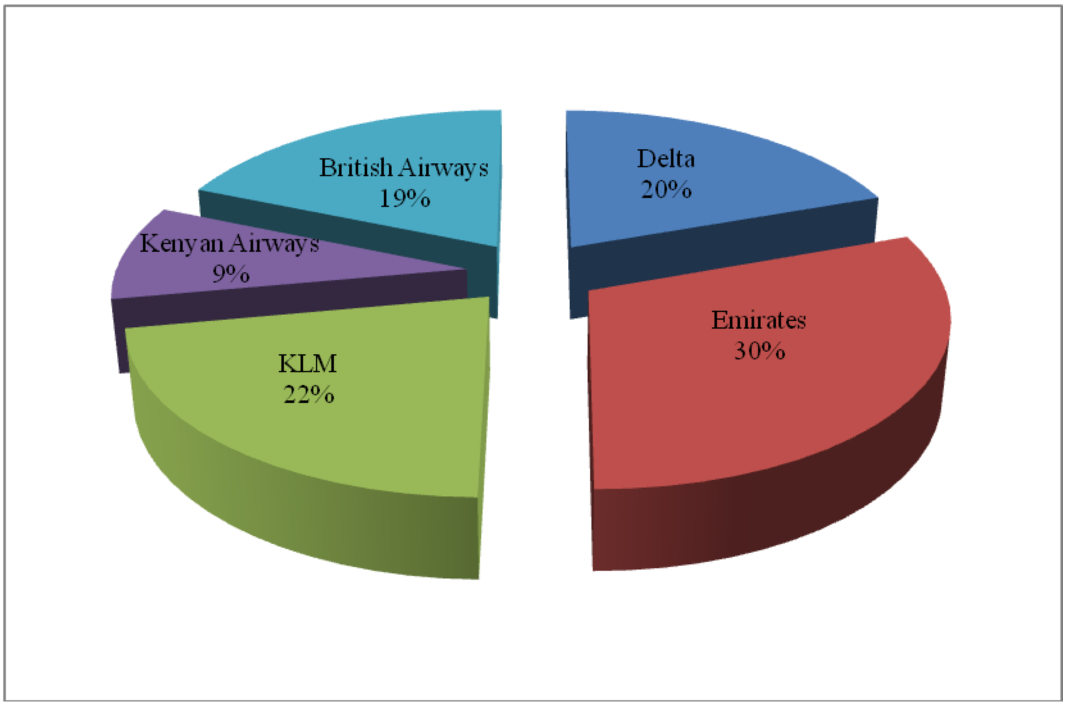
Travel per year	Frequency	Percent
0 – 2 times	17	5.0
3 – 5 times	106	31.5
6 times +	214	63.5
Total	**337**	**100.0**

Source: Field Survey, March, 2013

5.1.7 Airline Often Patronized

Most (30%) travelers patronize the services of Emirates Airline followed by KLM (22%), Delta Airlines (20%), British Airways (19%) and Kenyan Airways (9%) respectively. This is illustrated in figure 5.1 below.

Figure 5.1: Showing Airline often patronized.

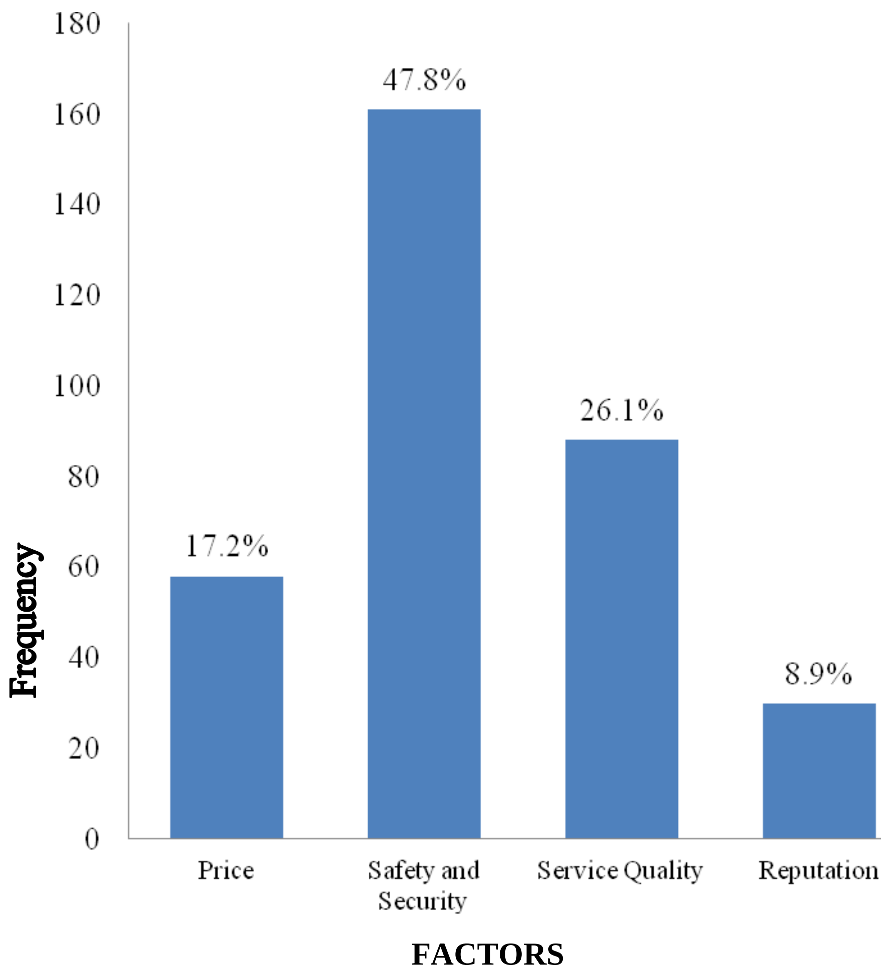


Source: Field Survey, March, 2013

5.1.8 Most Important Factor in the Choice of an Airline

The probe into which factor to consider as the most important when choosing an airline revealed majority (47.8%) of participants indicates that safety and security is their most important to consider when choosing an airline to travel with. Service quality (26.1%), price (17.2%) and the reputation (8.9%) of the airline respectively were also considered. This suggests that air passengers are more concerned with their safety and security in the air as this was rated ahead of service quality, the cost of the air fare and the reputation of the airline. This means that players in the airline industry need to focus more attention on security and safety standards as well as service quality issues as well.

Figure 5.2: Most Important Factor in the choice of an airline



Source: Field Survey, March, 2013.

5.9 Descriptive statistics of variables of Customer Retention Strategies

The section 'B' of the Customer Retention Strategies (CRS), the descriptive statistics Table 5.8 for relationship marketing displays the sample size (N), the mean (M) and standard deviation (SD) on two subscales of 3 variables each making 6 items or variables of airline staff friendliness, confidence in airline services and offerings, fulfillment of obligation such as on-board services, treats customer as a friend and business partner, professional in handling complaints and recommendation of the airline to others. The sample size (N=337) remains the same for all the items.

Table 5.8: Relationship Marketing as Measured by CRS

Description of variable	N	M	SD
Airline staff are committed to service delivery	337	4.09	0.881
Confidence in services and offerings	337	3.80	0.943
Fulfils obligation such as on-board service	337	4.01	1.000
Airline treat me like a friend and a partner	337	4.02	0.789
Friendly in handling my complaints	337	3.77	1.044
I will recommend my airline to others	337	4.09	0.889

Source: Field Survey, March, 2013.

From section 'B' of CRS, the descriptive statistics in Table 5.9 for variables in airline service quality (ASQ) construct showing the sample size (N), the mean (M) and the standard deviation (SD) on 6 items namely; tangibles, responsiveness, safety and security, empathy, reliability and assurance. Again the sample size (N=337) remains the same.

Table 5.9: Airline Service Quality as Measured by CRS

Description of variable	N	M	SD
Airline staff appearance	337	4.25	0.827
Timely response to complaints	337	4.12	0.887
Safety and security	337	4.28	0.949
Empathy with baggage handling	337	4.13	0.879
Departure and arrival time is reliable	337	4.01	0.886
Service delivery accuracy	337	4.02	0.887

Source: Field Survey, March, 2013.

From section "B" of CRS, the descriptive statistics in Table 5:10 for airline switching barriers depicts the sample size (N), the mean (M) and the standard deviation (SD) on 4 variables based on the frequent flyer programs (FFPs) offered by airlines namely; FFPs availability, customer appreciation, retention and loyalty. The sample size (N = 337) remains the same for all variables.

Table 5.10: Airline Switching Barrier as Measured by CRS

Description of variable	N	M	SD
Availability of FFPs	337	3.78	0.944
Appreciation for FFPs	337	3.81	1.008
Potential of FFPs to keep customers	337	4.34	0.882
Loyalty to airline irrespective of fares	337	3.93	1.113

Source: Field Survey, March, 2013

From section 'B' of CRS , the descriptive statistics in Table 5.11 service recovery displays the sample size (N), the mean (M) and the standard deviation (SD) on 3 variable; courtesy in handling complaints, satisfaction with recovery strategy and potential of recovery strategy to keeping customers.

Table 5.11: Service Recovery as Measured by CRS

Description of variable	N	M	SD
Professional in handling service failures	337	4.14	1.012
Satisfaction with service recovery	337	4.18	0.933
Recovery strategy can keep customers	337	4.33	0.926

Source: Field Survey, March, 2013

5.10 Assessment of Normality of Regression of Variables

This aspect of the analysis also known as the summated scale examines the normality of the constructs for the regression using the skewness and kurtosis test to ensure that there is no violation whatsoever of any regression rule before you proceed. As depicted on table 5.12, all the four main constructs namely; RM, ASQ, ASB and SR) met the assumption as far as the skewness and kurtosis criteria is concerned as of ±1 and ±3 as stated by DeCarlo (1997).

Table 5.12: Skewness and Kurtosis Test for Normality

Constructs	Skewness	Kurtosis
RM	0.104	0.098
ASQ	0.355	0.119
ASB	0.99	0.284
SR	0.233	0.110
CR	0.133	0.190

Source: Field Survey, March, 2013

5.11 Assessing the level of correlation between variables

To have a better understanding of the relationship that exist between the predictor variable customer retention (CR) and the four main independent variables or constructs (RM, ASQ, ASB and SR) a Pearson Product-Moment Correlation Matrix was constructed. This is illustrated in table 5.13 below. Drawing from the table it is evident that all the independent variables have a positive relationship with the dependent variable (CR). It can also be observed that ASQ is the highest correlated construct with the dependent variable CR with a Pearson (r) value of 0.65 followed by ASB (r =0.60) and the least correlated construct is RM with (r =0.50).

Table 5.13: Pearson Correlation Matrix

	RM	**ASQ**	**ASB**	**SR**	**CR**
RM	1.0000	0.5518	0.0801	0.3781	0.5018
ASQ		1.0000	0.1422	0.4556	0.6508
ASB			1.0000	0.2416	0.6096
SR				1.0000	0.5818
CR					1.0000

Source: Field Survey, March, 2013

5.12 Checking Variables for the presence of Multicollinearity

One major assumption for multivariate analysis is that there should be no or better still a minimum presence of multicollinearity. Multicollinearity is a diagnostic test in multivariate regression whereby two or more independent variables in a multiple regression tend to correlate highly against each other or turn to explain each other. The Correlation Matrix shown above can also be used to detect multicollinearity. Another way of detecting it is by conducting the Variance Inflation Factor (VIF) test. The VIF test detects multicollinearity by showing to what extent individual independent variables inflate the variances in the regression. For the purposes of this study, a tolerance or acceptance level of 10% or 0.1 is adopted which is line with that Neter et al., (1989) recommended. This means that the four construct have VIF of less than 10. I can confidently say that the model is devoid with the problem of multicollinearity and can therefore meet the multivariate assumption of no or minimal multicollinearity among the predictor variables in any regression model. Table 5.14 below displays an assessment of multicollinearity.

Table 5.14: Assessment of Multicollinearity

Variable	VIF	$^{1}/_{VIF}$
RM	1.08	0.93
ASQ	1.78	0.56
ASB	1.56	0.64
SR	1.27	0.79
Mean VIF	1.42	

Source: Field Survey, March, 2013

5.13 Reliability of the Constructs

In testing for reliability, one is doing an assessment of the degree of consistency between the variables (Hair et al., 2006). The most popular measure of reliability assesses the Cronbach's Alpha. This measures reliability coefficient of the level of consistency of the entire scale. The generally agreed lower limit for the alpha value is 0.70 or 70% degree of consistency of reliability (Robinson, (1991). Nunnally, (1978) also proposes that a lower limit of 0.60 is acceptable.

In this study, all the four constructs have alpha values more than 0.70 with ASQ having the highest alpha value and SR having the lowest value. This is shown in table 5.15 below. Based on the acceptable limits proposed by both Robinson, (1991) and Nunnally, (1978), I can confidently conclude that the constructs used in this are all very reliable. This clearly illustrated in the table below.

Tables 5:15: **Reliability Test with the Cronbach's Alpha**

Construct	Cronbach's Alpha	No. of items
RM	0.78	6
ASQ	0.84	6
ASB	0.81	4
SR	0.79	3
CR	0.72	2

Source: Field Survey, March, 2013

5.14 Regression Analysis

The standard multiple regression is a multivariate data analysis tool that enables the researcher to relate one or more variables (independent) in a study to another variable (dependent) in order to establish the relationship that exist between them. It also explains how well a predictor variable contributes to the dependent variable. Taking this study into consideration, the researcher sought to investigate the causal relationship between RM, ASQ, ASB and SR and how best each of the four constructs is significantly associated with customer retention in the airline industry in Ghana. This is illustrated in table 5.16 below.

Table 5.16: Regression Model for Customer Retention Strategies

Variable	Coef.	Std. Error	t	P> |t|
RM	0.125	.0.075	6.56	0.000***
ASQ	0.485	0.667	9.06	0.000***
ASB	0.365	0.216	8.68	0.000***
SR	0.1504	0.028	6.44	0.000***

Note: Dependent Variable is CR; ***denotes significance level at 0.01

Source: Field Survey, March, 2013.

From table 5.16, all the independent variables (RM, ASQ, ASB and SR) are statistically significant in explaining the customer retention rate in the airline industry at 0.01 significance level (p-value =0.01).

From the table 5.16 it can be deduced that a unit increase in RM will result in 0.13 unit increase in CR. For ASQ, a unit increase will result in 0.49 unit increase (i.e. 49%) in customer retention in the airline industry. With regards to ASB we can infer that a unit increase will positively affect airline customer retention by 37%. As far as SR is concerned an increase will result in 0.15 unit increase in CR.

To assess the model fit, the R^2 value from the regression model is used. This explains the extent of variation that exists between the dependent variable (CR) and the independent variables (RM, ASQ, ASB and SR). Therefore in this case our R^2 value is 0.68. This can also be interpreted as 68% of the variation in CR is being explained by the predictor variables. Based on the fact that all the variables significantly contribute to customer retention the CR equation model can be written as:

$$CR = 0.13RM + 0.49ASQ + 0.37ASB + 0.15SR$$

5.15 Discussion of Major Findings

The main purpose of this study is to ascertain the relationship between customer retention and four main constructs with a number of variables included in them. The construct are RM, ASQ, ASB and SR which are used as used as strategies to determine the extent of association they have on airline customer retention. From the analysis so far, it is abundantly clear that all the four constructs have positive association with customer retention in the airline industry. This is discussed below taking into consideration works done in relation to extant literature.

5.15.1 Relationship between Relationship Marketing and Customer Retention

The study sought to test the extent of association between RM and CR. In literature, RM means the establishment of a long-term relationship that involves social bonds, commitment and trust, and complaint management which are all used as variables under RM in this study (Sin et al., 2005). The results show that, there is positive relationship between RM and CR. The import of this on the airline industry is that, owing to the proliferation of airlines into the country in recent times, it makes good reason for airlines to build stronger relationships through good complaint handling processes, customer service and building social bonds in order to guarantee continuous and repeat patronage. This confirms research findings that state that a RM strategy can improve relationships with customers hence culminate in customer satisfaction and loyalty and subsequently retention (Colgate &Danaher, 2000; Huang & Lin, 2005 and Shafia et al., 2011)

5.15.2 Relationship between Airline Service Quality and Customer Retention

An avalanche of literature reported a positive significant relationship between Airline Service Quality (ASQ) and Customer Retention. The study revealed that ensuring a good service quality in the airline industry is a major prerequisite and a necessary precondition for customer satisfaction and retention (Cronin & Taylor, 1992 & Taylor, Ekiz et al., 2006 and Baker 1994). This study made use of a modified SERVQUAL model developed by Parasuranman et al., (1988) to include safety and security which is a major consideration as far as the airline industry is concerned especially after the September 11, 2001 terrorist attack. The results after running the regression clearly illustrate a positively significant correlation between airline service quality and customer retention.

The result of the analysis is consistent with what is in literature which talks about service quality being important and a prerequisite for customer retention (Ladhari et al., 2011 and Berry & Parasuraman, 1991). The result of this study reiterated what is found in extant literature that superior service quality reduces the rate of customer defection (Desouza, 1992), enhances customer loyalty hence retention (Cronin et al., 2000; Bauman et al., 2007 and Wang et al., 2003).

Despite the fact that, Airline Service Quality is the single most significant predictor of customer retention as far as this study is concerned, it is important to state that airline professionals must constantly improve the various variables that are constituted in the construct especially safety and security issues which is of paramount concern in the airline industry. ASQ is therefore, the number one driver of customer retention in the airline industry as indicated by the result of this study.

5.15.3 Relationship between Airline Switching Barriers and Customer Retention

With regard the relationship between switching barriers and customer retention in the airline industry, the result as indicated in the regression model shows yet another positive relationship between switching barriers and customer retention. But this positive association nevertheless rejects the null hypothesis of this study which states that 'the higher the switching barrier, the lower the customer retention rate' and the alternate hypothesis is accepted.

The result rather revealed otherwise which sought to explain that customers perceive switching barriers as a driver of repeat business with airlines. Therefore retention in the airline industry is dependent on the level of switching barriers airlines erect. The result illustrates a rather direct relationship between Airline Switching Barrier and Customer Retention. That is the higher the switching barriers the higher the customer retention rate.

This finding appears to be in tandem with existing and empirical studies found in literature. Research conducted by Bansal & Taylor (1999); Jones et al., (2000); Gremler & Brown (1996); Lee et al., (2001); Ranaweera & Prabhu (2003) and Valenzuela (2010) all tested and confirmed the positive effect of switching barriers on customer retention.

In line with this study, ASB is the second most statistically significant construct variable among the four strategies for customer retention in the airline industry apart from ASQ. It presupposes that, airline industry professionals should consider focusing more attention on erecting more barriers such as the frequent flyer programs (FFPs) and forming network of global alliances with other airlines to make airlines interlining possible.

5.15.4 Effect of Service Recovery on Customer Retention

The result of the regression demonstrates a positive correlation between Service Recovery as a strategy for customer retention. This means that service failure does not necessarily negatively affect repurchase intentions but the recovery strategies instituted to recover the failure. This statement is in line with existing research by Lewis, (2004); Smith et al., (2003). These empirical findings conform to theses research findings and therefore provides a solid basis for generalization that service recovery has a positive impact on customer retention in the airline industry.

5.16 Analysis of data to test Hypothesis

This section reports the use of Pearson product-moment correlation coefficient to test the research hypothesis to determine associations and relationships between the independent variable (Relationship Marketing) and the dependent variable (customer retention). All the hypotheses were tested at the 0.01 significance level.

Hypothesis 1:

Relationship Marketing is significantly related to Customer Retention.

In order to determine whether the results of the analysis support the first a priori hypothesis, a bivariate correlation (that is the Pearson product-moment correlation coefficient) was conducted to determine the relationship between relationship marketing and customer retention. Preliminary analyses were performed to ensure no violation of the assumption of normality, linearity and homoscedasticity.

The result of the analysis from Table 5.17 indicates a large (Cohen 1988), positive and significant correlation between the two variables ($r = 0.49$, $N = 337$, $p < 0.01$). Therefore, based on the results of the analysis conducted, the first a priori hypothesis supported and therefore accepted.

Table 5.17: Association between relationship marketing and customer retention

Correlation		Relationship Marketing
	Pearson Correlation	0.487**
Customer Retention	Sig. (2-tailed)	0.000
	Sample size (*N*)	337

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

Hypothesis 2:

There is significant positive relationship between Airline Service Quality and Customer Retention Rate.

In order to determine if the results of the analysis support the second a priori hypothesis, a bivariate correlation (with Pearson product-moment correlation coefficient) was conducted to determine the relationship between airline service quality and customer retention as measured by the likert scale of 1 to 5 with 1 indicating strongly disagree, 2 disagree, 3 uncertain, 4 agree and 5 strongly agree. Preliminary analyses were performed to ensure no violation of the assumption of normality, linearity and homoscedasticity.

The result of the analysis from Table 5.18 indicates a large (Cohen 1988), positive and statistically significant correlation between the two variables (r = 0.62, N = 337, p = 0.01), with high scores of airline service quality being associated with customer retention hence the higher the airline service quality the higher the customer retention rate.

Therefore based on the results of the analysis conducted, the second a priori hypothesis is supported and therefore accepted.

Table 5.18: Association between Airline Service Quality and Customer Retention

Correlation		**Airline Service Quality**
	Pearson Correlation	0.615**
Customer Retention	Sig. (2-tailed)	0.000
	Sample size (*N*)	337

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

Hypothesis 3:

The higher the Switching Barriers the lower the Customer Retention Rate.

In order to determine if the study supports the third a priori hypothesis, a Pearson product-moment correlation matrix was conducted to determine the extent of the relationship between switching barrier and customer retention.

The result of the analysis shown in table 5.18 below indicates a large (Cohen, 1988) positive and statistically significant relationship ($r = 0.058$, $N = 337$, $p > 0.000$) between the two variables.

Therefore based on the results of the analysis conducted, the third a priori hypothesis is not support whiles the alternate hypothesis is accepted which states that the higher the switching barrier, the higher the customer retention rate. The rejection of the null hypothesis is explained by the fact that erecting barriers to prevent customers from switching to competitors can actually lead to customer retention.

Table 5.19: Association between Airline Switching Barrier and Customer Retention.

Correlation		Airline Switching Barriers
	Pearson Correlation	0.587**
Customer Retention	Sig. (2-tailed)	0.000
	Sample size (*N*)	337

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

Hypothesis 4:

There will be a significant relationship between service recovery and Customer Retention.

In order to determine if the results of the analysis support the first a priori hypothesis, a bivariate correlation (with Pearson product-moment correlation coefficient) was conducted to determine the relationship between service recovery and customer retention. Preliminary analyses were performed to ensure no violation of the assumption of normality, linearity and homoscedasticity. The result of the analysis from Table 5.19 indicates a large (Cohen, 1988), positive and significant correlation between the two variables (r = 0.52, n = 337, p<0.000). Therefore, based on the results of the analysis conducted, the fourth a priori hypothesis is supported.

Table 5.20: Association between Service Recovery and Customer Retention

Correlation		Service Recovery
	Pearson Correlation	0.526**
Customer Retention	Sig. (2-tailed)	0.000
	Sample size (*N*)	337

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

Table 5.21: A Summary of the Tested a priori Hypotheses of the Study

	Hypothesis	Significant	Not Significant	
H_1	Relationship Marketing is significantly related to Customer Retention	0.000	-	Supported
H_2	There is significant positive relationship between Airline Service Quality and Customer Retention Rate	0.000	-	Supported
H_3	The higher the Switching Barrier the lower the Customer Retention Rate.	0.000	-	Not Supported
H_4	There will be a significant relationship between service recovery and Customer Retention	0.000	-	Supported

Source: Field Survey, March, 2013

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMNDATIONS

6.0 Introduction

This study employs quantitative research method to explain the extent of impact and relationship that exist between customer retention strategies in the airline industry in Ghana. The study identifies a set of four proximate customer retention strategies known in this study as constructs in the airline industry that potentially influence the level of customer retention and repurchase intention of customers in the airline industry. This last chapter summarizes the major findings and implications of the study and also highlights striking revelations and lessons drawn from the study which will guide the conclusions which would be drawn based on the interpretation of output result of the study and related literature reviewed. This chapter concludes by proffering suggestions and recommendations for further research.

6.1 Summary

In today's increasingly competitive and volatile business environment like that of the airline industry, customer retention has become an ideal goal and has therefore become the lifeblood of every organization. It is therefore of prime importance for airline professionals to identify and have a better understanding of the factors that drive customer retention and adopt them in order to prevent customers from defecting to competitors. This study dwell more on existing literature and developed a research model aimed at identifying the extent of association and relationship that exist between the four independent variable constructs of (RM, ASQ, ASB and SR) and customer retention (CR) as the dependent variable.

6.2 Major Findings

Objective I

The first and foremost objective of this study is to find out whether Relationship Marketing significantly associates with customer retention. A multiple regression model was employed to test how the four variables found in the RM construct influence airline customers' repurchase decisions of a continual patronage of airlines services in Ghana. The result of the analysis clearly revealed that there is positive significant relationship between RM and customer retention. The meaning here is that retentions strategies such as long term relationship through commitment, trust, social bonds and complaint handling processes all determine the propensity of the customer to be retained.

Objective II

The second objective of this study sought to investigate the correlation between airline services quality and customer retention. Literature clearly indicated airline service quality as a necessary precondition for retaining customers (Taylor & Baker 1994). This study used a modified SERVQUAL model of tangibles, reliability, responsiveness, assurance, empathy and safety and security which together constitute the Airline Service Quality.

An analysis of the regression model depicts clearly that Airline Service Quality has a positive significant relationship with customer retention in the airline industry in Ghana. It can confidently be stated that Airline Service Quality result in customer retention in the airline industry.

Objective III

The third research objective was to determine whether switching barrier significantly relates to customer retention in the airline industry in Ghana. The findings of the regression model portray a positive statistically significant effect of airline switching barrier on customer retention. The study revealed that interpersonal relationships, frequent flyer programs (FFPs) and airline global alliance shows a strong correlation with customer retention in the airline industry. Industry professionals must carefully watch out on erecting barriers to prevent customers from switching to their competitors. It is reasonable to put forward the idea that the higher the switching barrier, the higher the customer retention rate.

Objective IV

The last objective of this study sought to explore if service recovery significantly correlates with customer retention. Using the multiple regression statistical tool, it has been established that, service recovery significantly correlate with customer retention. The key findings revealed in this study that service failure in itself is not the issue per se, but the strategy instituted to recover the service failure is what is of paramount importance to customers. A well recovered service failure can engender satisfaction, repurchase intentions hence customer retention.

6.3 Conclusion

Extant literature is replete with researches that emphasize the importance of customer retention in the life of an organization. This study however, has developed and built a comprehensive but integrative framework which works independently or collectively to influence customer retention in the airline industry. The study also formulated hypothesis based on literature reviewed. The study developed four constructs namely (RM, ASQ, ASB and SR) that has a positive statistical significance with customer retention.

Consistent with existing findings, the study revealed that these four constructs are antecedents or are a necessary precondition for customer retention to occur in the airline industry in Ghana. In addition, the study also revealed that all the four constructs are positively associated with customer retention. However, both ASQ and ASB are the two most statistically significant contributors to customer retention. Firms must therefore focus more of their attention and investments on service quality issues as well erecting more barriers to prevent customers from switching to their competitors.

From the foregoing discussion and analysis so far, it is reasonable to conclude that, airlines can only survive in today's competitive but volatile business environment when they pay particular attention to the effective implementation and monitoring of the four strategies to ensure their continued use and application to guarantee customer retention and overall profitability of airlines.

6.4 Recommendations and Suggestion for Further Studies

As it pertains to all original researches, replication of this study would serve as a guide and a check on the reliability and generalizability of present findings. Beyond mere replication, however, the findings from this study suggest several promising directions for future research.

Researchers may wish to extend this study by undertaking more detailed analysis of the predictors used in this study that are found to be an important determinant of customer retention. To this end, Relationship Marketing, Airline Service Quality, Airline Switching Barriers, and Service Recovery all are significantly associated with customer retention. It is therefore highly recommended that researchers and airlines alike should endeavor to concentrate their attention on these strategies to ensure their continued existence.

Considering the importance of employee satisfaction in ensuring customer retention, an analysis of the impact of employee satisfaction on customer retention for further study is worth researching.

6.5 Recommendation to industry for practice and policy making

The study indicated that two predictor variables of Airline Service Quality and Airline Switching Barriers are the most significant and therefore industry professionals should focus more of their attention and resources on these two predictor variables so as to be ahead of the competition. Furthermore, in light of the undeniable strength of Airline Service Quality, it would be very useful for airline professionals to take safety and security issues very seriously because it was ranked by respondents sampled as the most significant and the most important factor in the choice of which airline to travel with and also among the six airline service quality variables and also based on the fact that it has attracted much attention in recent times in the wake of the infamous September 11, 2001 terrorist attack.

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APPENDICES

Appendix 1: Questionnaire

UNIVERSITY OF GHANA BUSINESS SCHOOL

DEPARTMENT OF MARKETING AND CUSTOMER MANAGEMENT

UNIVERSITY OF GHANA, LEGON

This study is being conducted by an M.Phil Marketing Student of the University of Ghana Business School on the topic "**Customer Retention Strategies in the Airline Industry in Ghana**" from the Department of Marketing and Customer Management.

I humbly request you to fill the questionnaire below by ticking the most suitable option that applies to you. Please be informed that all the information that would be obtained through this questionnaire administration is purely for academic purposes only and a study to expand the frontiers of knowledge in the field and that respondents are assured of uttermost confidentiality of information provided.

SECTION A

GENERAL DATA ON RESPONDENTS

1. Sex: Male [ ] Female [ ]

2. Age: [a] 18-25years [b] 26-45years [c] 46-60years [d] 60+

3. Educational Qualification.

[a] No Education [b] O/A level [c] HND/Degree [d] Professional/Postgraduate

4. Occupation [a] Student [b] Self-employed [c] Civil/Public Servant [d] Businessman/Woman/Private Sector

5. Place of Origin [a] Africa [b] Europe [c] Middle East [d] North America

6. How often do you travel? [a] Very often [b] Quite often [c] Sparingly [d] As and when

7. Travel frequency per year [a] 0-2times [b] 3-5times [c] More than 5 times

8. Do you often travel by air [a] Yes [b] No

9. Which airline do you often travel with? [a] Delta [b] Emirates [c] KLM [d] Kenyan Airways

[e] British Airways.

10. What would you consider the most important factor to consider when choosing an airline?

[a] Price [b] Safety and Security [c] Service Quality [d] Reputation [e] Other, specify

SECTION B: CUSTOMER RETENTION STRATEGIES

On a liker scale of 1-5, please indicate by ticking the level to which you agree or disagree with the following statements.

Key to options

1. Strongly Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

1. **RELATIONSHIP MARKETING**

a. Commitment and Trust

S/N	**Statement on Research Variable**	1	2	3	4	5
11	Airline staff show respect to customers and are friendly					
12	I have absolute confidence in the airline's services and offerings					
13	My carrier fulfils its obligation to me such as on-board service by airline staff					

b. Social Bond and Complaint Handling

S/N	**Statement on Research Variable**	1	2	3	4	5
14	The airline checks on me regularly and treats me as a friend and a partner as compared to other competitors.					
15	Airline staff are courteous and friendly in handling my complaints					
16	I will recommend my airline to others					

2. AIRLINE SERVICE QUALITY

S/N	Statement on Research Variable	1	2	3	4	5
17	The airline and its staff looks professional and attractive in their outfit					
18	The airline responds quickly and timely to my complaints					
19	My safety and security is assured by the airline					
20	The airline handles my mishandled baggage with empathy					
21	Departure and arrival time is reliable					
22	Airline staff deliver services dependably and accurately					

3. AIRLINE SWITCHING BARRIER

S/N	Statement on Research Variable	1	2	3	4	5
23	There is a frequent flyer program operated by the airline					
24	I benefited from the frequent flyer program and I appreciated it					
25	The frequent flyer program has the potential of keeping me with the airline					
26	I will continue to patronize the airline irrespective of higher air fares					

4. SERVICE RECOVERY

S/N	Statement on Research Variable	1	2	3	4	5
27	The airline is professional and institute a complaint management process which I benefited from					
28	I am satisfied with the recovery strategy instituted by the airline in addressing my complaints					
29	I will stay longer because of good service recovery strategy					

SECTION C: CUSTOMER RETENTION

S/N	**Statement on Research Variable**	1	2	3	4	5
30	I will continue to patronize the service offerings of this airline					
31	I will always travel with this airline.					

I appreciate you for taking time off your busy schedules to fill this questionnaire. Thank you!

Appendix 2: Domestic Airline Statistics Actual

DOMESTIC AIRLINE STATISTICS ACTUALS FOR 2011							
Aircraft Movement				**Passenger Through Put**			
Months	**Arrival**	**Departure**	**Total**	**Months**	**Arrival**	**Departure**	**Total**
January	342	400	742	January	6,602	4,986	11,588
February	404	418	822	February	6,303	7,407	13,710
March	411	512	923	March	7,506	9, 918	17,424
April	335	437	772	April	5,735	6,330	12,065
May	379	486	865	May	6,557	8,000	14557
June	359	446	805	June	5,607	7,542	13149
July	317	430	747	July	4,966	7,433	12399
August	346	435	781	August	6,428	8,384	14812
September	350	454	804	September	5,332	9,432	14764
October	345	455	800	October	6,369	9,219	15,588
November	405	513	918	November	10,494	14,205	24,699
December	490	622	1,112	December	15,736	18,582	34,318
TOTALS	**4,483**	**5,608**	**10,091**	**TOTAL**	**87,635**	**111,438**	**199,073**

Source: GACL, 2013

DOMESTIC AIRLINE STATISTICS ACTUAL FOR 2012							
Aircraft Movement				**Passenger Through Put**			
Months	**Arrival**	**Departure**	**Total**	**Months**	**Arrival**	**Departure**	**Total**
January	596	596	1,192	January	16,164	19,122	35,286
February	524	524	1,048	February	14,968	16,134	31,102
March	656	656	1,312	March	18,725	21,483	40,208
April	640	640	1,280	April	19,320	21,746	41,066
May	527	527	1,054	May	18,421	22,484	40,905
June	415	415	830	June	17,669	21,180	38,849
July	462	462	924	July	19,543	23,557	43,100
August	536	536	1,072	August	20,817	25,276	46,093
September	612	612	1,224	September	23,081	27,758	50,839
October	677	677	1,354	October	23,587	29,058	52,645
November	806	806	1,612	November	29,166	34,327	63,493
December	725	725	1,450	December	28,305	31,488	59,793
TOTALS	**7,176**	**7,176**	**14,352**	**TOTAL**	**249,766**	**293,613**	**543,379**

Source: GACL, 2013

Appendix 3: International Airline Movement In Ghana

	Aircraft Movement			Passenger Movement			Freight (Tonnes)			
Year	**Arrival**	**Departure**	**Total**	**Arrival**	**Departures**	**Total**	**Arrival**	**Departures**	**Total**	**Transit**
2000	5,130	5,284	**10,414**	311,474	280,802	**592,276**	14,447	32,379	46,826	
2001	4,513	4,551	**9,064**	329,731	292,794	**622,525**	13,933	30,846	44,779	**68,590**
2002	4,084	4,077	**8,161**	316,295	319,819	**636,114**	12,322	28,555	40,877	**60,062**
2003	4,586	4,641	**9,227**	332,980	351,525	**684,505**	15,056	32,627	47,683	**66,822**
2004	5,283	5,327	**10,610**	338,518	366,852	**705,370**	15,410	31,504	46,914	**70,306**
2005	6,249	6,224	**12,473**	382,244	429,981	**812,225**	16,667	30,495	47,162	**50,706**
2006	6,868	6,865	**13,733**	458,903	467,692	**926,595**	16,306	33,150	49,456	**95,336**
2007	7,952	7,771	**15,723**	524,613	541,385	**1,065,998**	26,014	33,496	59,510	**70,731**
2008	8,738	87,743	**96,481**	587,745	598,812	**1,186,557**	22,807	32,706	55,513	**99,302**
2009	8,655	8,646	**17,301**	601,584	603,202	**1,204,786**	17,368	28,326	45,694	**103,586**
2010	10,534	10,538	**21,072**	694,927	692,814	**1,387,741**	19,462	26,498	45,960	**117,478**
2011	11,145	11,139	**22,284**	796,384	790,218	**1,586,602**	22,907	27,353	50,260	**145,761**
2012	11,041	11,041	**22,082**	792,353	933,698	**1,726,051**	21,231	25,346	46,577	**154,723**

Source: GACL, March, 2013

Appendix 4: Market Share Analysis Of Major International Airlines In Ghana-2012

Market Share Analysis of Major International Airlines in Ghana-2012			
Aircraft Movement		**Passenger Movement**	
Airline Name	**Percentage Share %**	**Airline Name**	**Percentage Share %**
Arik Air	9.3	Emirates	12
Asky	6.8	KLM	11
Kenyan Airways	6.9	British Airways	8.1
Emirates	6.6	Delta	7.3
Air/Virgin Nigeria	5.6	Kenyan Airways	7.3
Aero Contractors	5.7	Arik Air	6.5
South African Airlines	4.5	Aero Contractors	5.6
Others	11.8	Others	10.6

Source: GACL, March, 2013