

# **The Effect of Service Failure and Recovery on Airline-Passenger Relationships: A Comparison Between South African and United States Airline Passengers**

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*South African airline passengers' relationship length with airlines as well as their satisfaction with airlines' service recovery efforts was used to determine the effect of a service failure on their relationship with airlines as well as their willingness to recommend airlines to others following a service failure. The results are compared with the findings from a similar study among United States airline passengers. The comparison reveals while relationship length influence the effect of service failures on U.S. passengers' relationship with and their willingness to recommend an airline, South African passengers are more influenced by their satisfaction with airlines' service recovery efforts.*

## **INTRODUCTION**

Sigala (2005, p.409) suggests that service industries are undergoing significant developments, including that the focus is shifting from customer acquisition to customer retention. It is therefore vital that organizations not only attract new customers and satisfy their immediate needs, but also do their utmost to retain customers as this will probably give them a greater chance of survival than organizations that don't actively try to retain customers (Choi & Chu, 2001, p.289). Organizations that successfully retain customers will be able to start building relationships with them (Reichheld & Sasser, 1990, p.105-108; Hoffman, Kelly & Chung, 2003, p.334). 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, p.230). 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. As it is more expensive to acquire new customers than to retain existing

customers, improved customer retention leads to increased profitability (Magnini & Ford, 2004, p.280; Knox, Maklan, Payne, Peppard, & Ryals, 2003, p.26; Kim & Cha, 2002, p.322).

Airlines have for a number of years faced challenges influencing not only their profitability but often also their survival. Some of the challenges include increasing competition (Tiernan, Rhoades & Waguespack, 2008, p.213); global economic decline that led to the decreased demand (and therefore excess capacity) for air transport (Fodness & Murray, 2007, p.493); declining profitability in the industry (the forecasted net profit margin for global commercial airlines is 1.4% for 2011, compared to 2.9% in 2010 [IATA 2011(a), p.4]); and rising fuel prices (attributing a forecasted 29% of global commercial airlines' 2011 expenses [IATA, 2011(a), p.4]). Fuel costs for the industry are estimated to grow to \$127.5 billion for 2011 - up \$60 billion or 40.4% from 2010) (IATA, 2011(b)). In addition to these influences (over which they have very little, if any, control), airlines are also prone to service failures due to the service processes employed in service delivery (Bejou & Palmer, 1998, p.8). Although airlines cannot always prevent all service failures from occurring, they can influence the outcome of the failure through their service recovery efforts.

The aim of this paper is to report on the effect of service failures on South African airline passengers. Data was gathered from passengers departing from O.R. Tambo International Airport, the busiest airport in Africa (SouthAfrica.info, 2011(a)), catering for more than 13 million passengers per annum (ACSA, 2011). O.R. Tambo International Airport is situated in Gauteng province, the smallest but most populous of South Africa's nine provinces. Gauteng covers 1.4% of total South African land area, yet is home to 11.2 million people or 22.4% of the South African population (SouthAfricainfo, 2011(b)). Gauteng contributes a third of South Africa's GDP (SA Yearbook 2009/10, p.17) and 10% of Africa's GDP (Gauteng Economic Development Agency, 2008). The findings from this study will be compared to a similar study by Bejou and Palmer (1998, p.7-22) among airline passengers in the south-eastern United States to determine if South African airline passengers reacted similarly or differently to service failures than passengers from the U.S.

## LITERATURE REVIEW

Organizations and their customers constantly seek faultless delivery of core and supplementary services (Mattila & Cranage, 2005, p.271; La & Kandampully, 2004, p.390). This is, however, almost impossible due to the inseparable and intangible nature of services as well as the human involvement in the production and consumption thereof (Palmer, Beggs & Keown-McMullan, 2000, p.513).

Whenever customers deal with organizations, their service delivery expectations will be influenced by their previous experiences with the organization and specifically their service encounters with the organization. Customers' service expectations can be categorized into one of the following levels: desired service (service level the customer hopes to receive); adequate service (minimum service level that would satisfy the customer), predicted service (service level the customer anticipates receiving) and a zone of lenience that falls between the desired and adequate service levels (Grönroos, 2004, p.106; Gabbott & Hogg, 1998, p.52; Olsen, Teare & Gummesson, 1996, p.167-168). Whenever perceived service (from the customer's perspective) falls below the adequate service level, or does not live up to the predicted service level, the customer will experience a service failure. A service failure, from the customer's perspective, can therefore be regarded as a real or perceived problem where something has gone wrong in dealing with an organization (Palmer, 2001, p.74&492; Maxham, 2001, p.11). The organization has therefore not met the customer's expectations during the service encounter (Chan & Wan, 2008, p.775).

Research has shown that, despite airline customers expecting a certain level of service prior to traveling (Coye, 2004, p.60), service failures are likely to occur in a number of areas influencing customers' service encounters, including flight cancellations, delays or diversions; attitudes of ground and cabin staff; strikes; reservation problems; and overbooking of flights (Bamford & Xystouri, 2005, p.314). It therefore appears as though airlines are susceptible to service failures due to the nature of the service process they apply in service delivery (Bejou & Palmer, 1998, p.8).

Cragnage (2004, p.210) and Colgate and Norris (2001, p.215) explain why it is important for organizations to pay attention to service failures by suggesting that service failures not only negatively impacts on customers' confidence in an organization, it could also result in customers leaving the organization for a competitor. It is therefore important for organizations to identify areas where service failures occur and to implement measures to prevent service failures from reoccurring (Cragnage, 2004, p.211).

Even though it is unlikely that organizations can eliminate service failures from occurring, they can through their service recovery efforts learn how to effectively handle these failures to maintain and possibly even enhance customer satisfaction (Bamford & Xystouri, 2005, p.307; Maxham, 2001, p.11; Miller, Craighead & Karwan, 2000, p.387).

Service recovery, according to Grönroos (1990, p.7), refers to the actions organizations take in response to a service failure. Bell (1994, p.49) and Miller et al. (2000, p.388) add that through their service recovery efforts, organizations attempt to change customers' dissatisfaction to satisfaction, with the ultimate aim to retain customers that experienced a service failure. By not effectively offering service recovery after service failures, customers could be let down for a second time. Lewis & McCann (2004, p.8) and Maxham (2001, p.12) continue by explaining that this could lead to customers leaving the organization for a competitor, spreading negative word-of-mouth communication about the organization, or rating the organization lower than it would have done directly following the service failure.

Magnini, Ford, Markowski and Honeycutt (2007, p.213) and Ngai, Heung, Wong and Chan (2007, p.1388) suggest that, despite the potential negative consequences of service failures, effective service recovery can lead to a mutually beneficial situation for both the customer and the organization. This is possible since well executed service recovery can enhance customer satisfaction and loyalty (Torres & Kline, 2006, p.294; Magnini & Ford, 2004, p.279; Miller et al., 2000, p.387) and influence whether dissatisfied customers will leave or remain with the organization (Yuksel, Kilinc & Yuksel, 2006, p.12). Effective service recovery could, therefore, potentially lead to an even higher level of satisfaction than what the customer would have experienced if a service failure did not take place – the so-called service recovery paradox (Schoefer, 2008, p.216; Lorenzoni & Lewis, 2004, p.12; Baron & Harris, 2003, p.64).

Service recovery efforts that organizations can implement to effectively deal with service failures include: communicating with customers by providing an explanation for the reason for the service failure; recovering the failure immediately; ensure professional action by service personnel (La & Kandampully, 2004, p.394; Boshoff & Staude, 2003, p.11); and offering customers an apology, possibly together with some form of tangible compensation (Mattila & Cranage, 2005, p.276; Smith, Bolton & Wagner, 1999, p.356; Boshoff & Leong, 1998, p.40-42).

Since service failures are inevitable in the airline industry, airlines should try to minimize the possible damaging effect thereof by putting service recovery strategies in place. The manner in which airlines react to service failures could, therefore, potentially influence whether a customer will stay with an airline or defect to a competitor. The ultimate goal for the airline by implementing service recovery strategies, therefore, is to enhance customer satisfaction, strengthen relationships with customers and ultimately attempt to minimize customer defections (Christopher, Payne & Ballantyne, 2002, p.60).

## **PROBLEM STATEMENT AND OBJECTIVES**

Internationally the airline industry has encountered numerous challenges facing not only their profitability but in fact their survival. Within the last few years a number of international airlines ceased their operations, including U.S. carriers ATA Airlines, Aloha Airgroup, Skybus Airlines, Champion Air and Maxjet, as well as Hong Kong's Oasis Hong Kong (Starmer-Smith, 2008), to name but a few. South Africa has also recently seen the demise of one of its national airline carriers, namely Nationwide Airlines with a fleet of 17 planes, carrying more than a million passengers per annum (Theunissen & Sguazzin, 2008). Even though airlines cannot control most of the challenges affecting their survival, they can enhance customer retention by effectively dealing with customers' service failures. To do this, airlines need to determine what the service failure and service recovery effects are on customers' satisfaction with

the airline. While service failure and recovery have received considerable research attention, few South African studies have addressed this topic. In addition to the above, no studies could be found that compared the effect of service failures of South African passengers with studies conducted in other countries.

The following objectives are therefore set for the paper:

- To determine what the effect of service failures and airlines' service recovery efforts are on South African airline passengers' relationships with the airlines;
- To determine what the effect of service failures and airlines' service recovery efforts are on South African airline passengers' willingness to recommend the airline to others; and
- To compare the findings from this study to that of a similar study among airline passengers in the south-eastern United States.

## **METHOD**

### **Sample and Measuring Instrument**

A non-probability, convenience sampling method was used to survey passengers of domestic airlines in South Africa. Trained field workers randomly distributed a self administered questionnaire to passengers at the check-in counters of the various domestic airlines at O.R. Tambo International Airport in Gauteng province. Self-administered questionnaires were chosen as it offers respondents greater anonymity, thereby encouraging the respondent to more readily disclose feelings and attitudes (Cooper & Schindler, 2003, p.341) and because of its cost-effectiveness (Struwig & Stead, 2001, p.86-88). Fieldwork was carried out over a two week period outside holidays in an attempt to ensure that the data would not be skewed by holidaymakers. Questionnaires were distributed throughout the day from early morning to early evening to accommodate the departure times of the various airlines.

### **Data Analysis**

Cross tabulation was used to determine if associations exist between various variables. The Pearson's Chi-square statistic was used to determine whether values calculated for the cross-tabulations were statistically significant, where a value of  $p < 0.05$  can be considered to be indicative of statistical significance (Reid, 1987, p.113). T-tests were used in addition to the cross tabulation to test for statistical significance (Field, 2005, p.296) to determine if differences exist between respondents who were satisfied and those who were dissatisfied with airlines' response to the service failure. Although it is important to determine whether a value is statistically significant, the size of the value or effect needs to be determined in order to establish whether the effect is practically significant and important (Bagozzi, 1994, p.248). Practical significance was calculated by considering the effect sizes according to Cohen's d-values by determining the difference between means for the two groups (satisfied versus dissatisfied respondents) (Cohen, 1988, p.20-27).

### **Sample Profile**

A total of 324 of the distributed 405 questionnaires were completed (80%). Respondents flew with one of the following domestic South African airlines: South African Airways (33.3%), Kulula.com (21%), Nationwide Airlines (15.4%), Mango (14.5%), 1-Time (7.4%), South African Express (5.9%) or South African Airlink (2.5%). Although Nationwide Airlines meanwhile ceased operations, the airline was still operational at the time of data collection and the results obtained from passengers flying with Nationwide Airlines were therefore retained.

Almost 22% of the respondents indicated that they have experienced a service failure with a domestic airline they have flown with before. Respondents were predominantly male (59.2%) and their ages ranged between 20-30 years (28.2%), 31-40 years (25.4%), 41-50 years (25.4%) and 51-60 years (19.7%). The respondents indicated that they usually travel for business (59.2%) or leisure (36.7%) purposes; made their own decision with which airline to fly (57.7%) or that their business policy dictates which airline to

fly with (22.5%); and have flown three to six times (66.2%) or seven to twelve times (33.8%) with the domestic airline they have flown with most in the 12 months preceding the study.

### Reasons for Service Failure and Airlines' Response

Respondents had to describe the service failure they experienced before. The majority of respondents indicated that their service failure could be attributed to a delayed flight (62%), poor service (16.9%) or lost luggage (11.3%). These reasons can, unfortunately, not be compared to those of Bejou & Palmer (1998, p.7-22) as their study categorized service failures as either "big" or "small", without explaining how the service failures were categorized into these two groups. However, the reasons provided for the service failure correspond with those of Bamford and Xystouri (2005, p.314), who found that the majority of European airline passengers (Bamford, 2008) who experienced a service failure complained about flight cancellations, diversion of flights or delays (62.53%) or the attitude of ground staff (11.83%).

When respondents were asked how the airline responded to the service failure, the majority indicated that the airlines did nothing (57.7%), offered discounts or vouchers for a next flight (21.1%), booked the respondent on a next flight (9.9%) or apologized for the failure (8.5%). It is not surprising that, considering the high percentage of respondents who indicated that the airlines did nothing to rectify the failure, the majority of respondents (68%) were dissatisfied with the airlines' service recovery efforts. Respondents' explanations to the airlines' service recovery efforts, categorized by respondents' satisfaction or dissatisfaction with these efforts are listed in Table 1. Respondents that were satisfied with the airlines' recovery efforts indicated what the airline did to ensure their satisfaction (part "a" of Table 1), while dissatisfied respondents indicated what they thought the airline should have done in response to the service failure (part "b" of Table 1).

**TABLE 1**  
**WHAT AIRLINE DID OR SHOULD HAVE DONE IN RESPONSE**  
**TO THE SERVICE FAILURE**

<b>a) Satisfied customers: reason for satisfaction</b>	<b>%</b>	<b>b) Dissatisfied customers: what airline should have done</b>	<b>%</b>
Kept me informed by giving explanation for service failure	47.8	Keep me informed and apologize	51.1
Professional and friendly staff	34.8	Offer better service	31.9
Put me on the next flight	8.7	Offer discounts	12.8
Provided me with vouchers	8.7	Put me on the next flight	4.2

From Table 1 it can be derived that the majority of respondents who were satisfied with the airlines' service recovery efforts attributed their satisfaction to the airline keeping them informed by giving an explanation for the failure (47.8%) or the airlines' friendly and professional staff dealing with the service failure (34.8%). Dissatisfied respondents listed similar responses when asked what the airlines *should have done* to rectify the service failure, namely that the airlines should have kept them informed and apologize for the service failure (51.1%) or that the airlines should have offered better service (31.9%).

### Effect of Service Recovery on Respondents' Relationship with the Airline

When asked to indicate what the effect of the service failure (and the airlines' service recovery efforts) had on the respondents' relationship with the airline, the majority of respondents (66.2%) indicated that their relationship with the airline was either weakened (52.1%) or broken (14.1%). The balance of the respondents indicated that their relationship was unchanged (29.6%), while only 4.2% indicated that their relationship with the airline was strengthened. A T-test was performed to determine whether a difference exists between respondents who were satisfied and those who were dissatisfied with the airlines' response to the service failure with regard to their relationship with the airline. The T-test

realized a  $p$ -value  $\leq 0.05$ , indicating a statistical significant difference between satisfied and dissatisfied respondents ( $p = 0.0001$ ). The realized effect size ( $d = 1.00$ ) indicates a practical significant difference between the two groups. Further analysis of the data showed that respondents who were dissatisfied with the airlines' response were of the opinion that their relationship with the airline was weakened or broken, whereas satisfied respondents felt the relationship was either unchanged or strengthened.

Unlike the study by Bejou & Palmer (1998, p.7-22) where the effect of service failures was determined by considering the duration of the relationship with the airline (less than one year; 1-2 years; 2-3 years; and more than three years), this study measured the relationship with the airline by considering how often respondents have flown with an airline during the preceding 12 months (categorized as one to six times or seven times and more). Two cross tabulations were performed to compare the two groups in terms of their respective relationship lengths to determine the effect that the service failure on their relationship with the airline as well as their satisfaction with the airlines' service recovery efforts.

The first cross tabulation showed that 65.96% of respondents who have flown one to six times and 66.67% who have flown seven or more times with the airline indicated that their relationship with the airline was weakened or broken. A Chi-square test was performed to determine whether a statistically significant association exists between the relationship length and the effect of the service failure on their relationships with the airline. The test realized an exceedence probability of  $p = 0.952$ , indicating that there is not a statistically significant association between the variables.

The second cross tabulation showed that 61.70% of respondents who have flown between one and six times and 79.92% who have flown seven times or more with the airline indicated that they were dissatisfied with the airlines' service recovery efforts. Despite the apparent difference between the two groups, a Chi-square test realized an exceedence probability of 0.137, indicating that there is not a statistically significant association between the relationship length and their satisfaction with the airlines' service recovery efforts.

### **Effect of Service Recovery on Recommending the Airline to Others**

Two cross tabulations were performed to determine the effect of the service failure and recovery on respondents' willingness to recommend the airline to others. The first cross tabulation considered the influence of the relationship length, while the second determined the effect of respondents' satisfaction with the airlines' service recovery efforts on their willingness to recommend the airline.

The first cross tabulation showed that 63.83% of respondents who have flown between one and six times with the airline will recommend the airline to others after suffering a service failure. A somewhat lower percentage of respondents who have flown with the airline seven times or more (58.33%) also indicated that they would recommend the airline to others. A Chi-square test was performed to determine whether a statistically significant association exists between the relationship length and whether they would recommend the airline to others following a service failure. The test realized an exceedence probability of  $p = 0.652$ , indicating that there is not a statistically significant association between the variables.

From the second cross tabulation it could be determined that 91.30% of respondents who were satisfied with the airlines' service recovery efforts will recommend the airline to others. In contrast to the satisfied respondents, less than half (47.92%) of respondents who were dissatisfied with the airlines' recovery efforts indicated that they would recommend the airline to others. A Chi-square test was performed to determine whether a statistically significant association exists between respondents' satisfaction with the airlines' service recovery efforts and if they would recommend the airline to others. The test realized an exceedence probability of  $p = 0.000$ , indicating that there is a statistically significant association between the variables.

## **DISCUSSION**

From this study it can be concluded that although the majority of respondents who have flown with the airline one to six times as well as those who flew seven times or more indicated that their relationship

with the airline was weakened or broken following the service failure, no statistical significant difference as far as the length of the relationship could be determined. On the other hand, in their study among 214 airline passengers flying with various airlines in the south-eastern U.S., Bejou and Palmer (1998, p.15-17) found that the seriousness of the service failure as well as the length of the relationship with the airline appeared to have an effect on passengers' relationship with the airline. Passengers who have a longer relationship with the airline (2-3 years and longer than 3 years) still trusted the airline, regardless of the severity of the failure ("big" or "small"). Bejou and Palmer (1998, p.16) therefore concluded that the effect of the service failure on passengers' relationship with the airline tends to decrease as the relationship duration increase, albeit it not straightforward and linear.

In this study it was furthermore determined whether the length of the relationship influenced passengers' satisfaction levels with the airlines' recovery efforts. Despite a greater majority of passengers with a longer relationship being satisfied than passengers with a shorter relationship, no statistical difference could be determined as far as the length of the relationship is concerned.

From this comparison it can be concluded that, irrespective of the relationship length with the airline, South African passengers felt that their relationship with the airline was either weakened or broken following a service failure. South African passengers' level of satisfaction with the airlines' service recovery efforts were also not influenced by the relationship length. In contrast, as the U.S. passengers' relationship length increased, the effect of the service failure seemed to decrease. It therefore seems that South African and U.S. airline passengers differed in terms of the effect of a service failure when considering the length of the relationship with the airline.

When considering what the effect of the service failure was on passengers' willingness to recommend the airline, it could be concluded from this study that although the majority of respondents, irrespective of relationship length, would recommend the airline, that the length of the relationship with the airline did not significantly influence whether passengers would recommend the airline.

From the U.S. study it was found that, with the exception of those who have a relationship with the airline of between one and two years, passengers with all other relationship lengths (less than one year; 2-3 years; and more than three years) were willing to recommend the airline after suffering a "small" service failure. It was furthermore found that, as far as "big" services failures were concerned, only passengers with relationships longer than three years were willing to recommend the airline to others. Bejou & Palmer (1998, p.15) concluded that, regardless of the severity of the service failure, the likelihood of recommending the airline increased as the relationship duration increased.

In this study it was furthermore determined whether passengers' level of satisfaction with the airlines' service recovery efforts influenced their willingness to recommend the airline. From the analysis it was found that, unlike relationship length, passengers' level of satisfaction with the airlines' service recovery efforts significantly influenced whether they would recommend the airline to others, with the majority of satisfied respondents (91.3%) indicating that they would recommend the airline while less than half (47.92%) of dissatisfied passengers that would do so.

From this comparison it can be concluded that, irrespective of the relationship length with the airline, South African passengers indicated that they would recommend the airline to others. It can therefore be concluded that South African passengers' relationship length with the airline is not indicative of their willingness to recommend the airline following a service failure. When considering the effect of passengers' level of satisfaction with the airlines' service recovery efforts on their willingness to recommend the airline, it could be concluded that satisfaction levels indeed influenced their willingness to do so. It can therefore be concluded that South African passengers' level of satisfaction with the airlines' service recovery efforts is a more indicative indicator of their willingness to recommend the airline to others. The results from the U.S. study, in contrast, indicated that passengers' relationship length affected their willingness to recommend the airline as the likelihood of recommending the airline increased as the relationship duration increased.

It therefore seems that South African and U.S. airline passengers differ in terms of their willingness to recommend an airline when considering the length of the relationship with the airline. While U.S. passengers' relationship length with the airline can be used to measure their willingness to the

recommend the airline, it would probably be better to consider South African passengers' level of satisfaction with the airlines' recovery efforts, rather than their relationship length.

## CONCLUSION

Service organizations, and especially airlines, are susceptible to service failures. By not effectively offering service recovery, airlines stand to lose their customers to competitors. Organizations can, by effectively recovering from service failures, ensure that customers not only remain with the organization, but also enjoy greater satisfaction than if the failure did not occur. From the study among South African passengers it was determined that the relationship length with the airline did not influence their relationship with the airline nor their willingness to recommend the airline. South African passengers' satisfaction with the airlines' service recovery efforts did, however, influence their willingness to recommend the airline. In contrast, the U.S. passengers' relationship length influenced both their relationship with the airline as well as their willingness to recommend the airline. It can therefore be concluded that while relationship length can be used to evaluate the effect of service failures on U.S. passengers' relationship with the airline and their willingness to recommend the airline, the effect of service failures on South African passengers should rather be considered by taking their level of satisfaction with the airlines' service recovery efforts into account.

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