



# Investigating the effects of service recovery quality elements on passengers' behavioral intention



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## ABSTRACT

This study intends to analyze how the elements of restoring the quality of airline service influences the airline image, recovery satisfaction, and behavioral intentions of airline passengers. For this testing, a survey was conducted on passengers with an experience of dissatisfaction of airline services. A total of 240 responses were analyzed by using structural equation modeling. The results revealed that among the recovery quality elements, promptness had a positive influence the image of the airline. Additionally, a recovered image of the airline had a positive influence on the recovery satisfaction and behavioral intention. The findings of this study may improve our understanding of consumer responses to the airline company's efforts to recover service failure.

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## 1. Introduction

CS is an abbreviation of customer satisfaction that started being used when the CEO of Scandinavian Airlines, Jan Carlzon, mentioned about 'customer-oriented sales strategies.' As the trend became oriented towards customers, and with development of Internet, customers tended to acquire power. Therefore, it is a general trend to pursue customer satisfaction management in all areas for companies, public organizations and the airline industry which all rely on good quality of customer service. Consumer Reports has posted data containing the majority of complaints flight passengers have experienced in the airline industry in America in 2006. The complaints are about fees for baggage, additional expenses, attitude of employees, support provided not in a timely manner, and unknown reasons for delay on flight departure. Most of these complaints were interestingly related to a lack of communication. There was a complaint related to ticket price, but the majority of complaints were about people. According to statistics related to disappointments with airline service in Korea, the number of consultation regarding air traffic issues received in the Korea Consumer Agency increased from 1201 in 2007–2931 in

2013, showing continuous increase over time (MOLIT, 2014). The airline market is currently expanding in size along with an increased amount of complaints from passengers.

If disappointment with the service is inevitable, due to its unique characteristics of the service, and companies are unable to completely remove all disappointments, companies need to seek solutions that effectively cope with service failures (Blodgett et al., 1997). Customers satisfied with the service recovery conducted by corporations that had shown service failure earlier evaluate them more favorably than the customers who had not experienced service failure do. More than 70% of customers who had experienced effective service recovery of companies maintain their relationship with them, suggesting that efficient management of service failure is extremely important for airlines. (Hart et al., 1990).

The airline industry is continuously expanding in size, and an increase in disappointment with service is unavoidable. If it is not feasible to prevent service failure, airlines should make an effort to lead customers to have positive images of them through outstanding failure recovery. While there have been many studies on service failure in various industries, there has been limited interest on the effects of service failure and recovery in the airlines and how service failure affects corporate image, customer satisfaction and behavioral intentions. In particular, there is a lack of understanding on whether studies on service failure and service recovery in other traditional services can still be applied to the service environment of airlines.

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How effectively passengers can recover from service failures is an important factor in operating an airline. Airline managers need to clearly understand how customers respond to service failures and service recoveries in order to make appropriate decisions in efficient services that cater to various passengers. As such, this study seeks to analyze how the elements of service recovery affect the corporate image, customer satisfaction and behavioral intentions of customers. The study seeks to upgrade clear understanding of how certain behavioral patterns form among customers after they experience service recovery, thereby contributing to studies on service recovery in the airline industry.

## 2. Theoretical background

### 2.1. Service failure and service recovery

Service failure occurs when the quality of service does not meet the customers' expectations (Chahal and Devi, 2015). For most corporations, service failure is one of the biggest reasons that lead to customer attrition. If service failure is not addressed well, customer satisfaction falls, leading to negative word-of-mouth (Lin et al., 2011). Therefore, service failure affects customer expectations about service recovery and their response to service recovery. This suggests a requisite need for review on the degree of service failure (Bambauer-Sachse and Rabeson, 2015).

Service recovery is the course of action by companies to compensate customers for a loss experienced by them due to service failure, and also indicates overall activities of service providers for restoring or relieving the damage imposed on customers for not being able to provide promised services (Johnston and Hewa, 1997). Service failure is inevitable according to the characteristics of the service, and if companies are unable to completely prevent service failures, companies should search for a solution that can efficiently cope with service failure (Blodgett et al., 1997). Jones and Sasser (1995) insisted that outstanding recovery programs are very important for complicated airline services that are comprised of many complex elements. Outstanding service recovery positively influences the overall evaluation of service experience, and apologies from service providers conveying sincerity, courtesy, attention, effort, and sympathy to customers who experienced service failure also improve overall evaluation on the service (Kelley and Davis, 1994).

In today's competitive environment, creating new customers requires more than five times higher marketing expenses than maintaining the existing relationship with previous customers. Therefore, service recovery should be the main means for maintaining the relationship with customers and satisfying them (Heskett, 1990). Finally, it is important to find out how to approach customers after detecting that a service failure has occurred. It is necessary to recover the failure efficiently. Profit or loss becomes highly dependent on customers' satisfaction or dissatisfaction with service recovery. However, there may be some customers who cannot be satisfied no matter what compensation is provided, and issues might not be solved simply by apologies. This is not related to whether the level of compensation is high or low. Rather, it is related with how compensation is given (Smith et al., 1999). When a customer experiences a loss, he or she might want financial compensation for it, and appropriate compensation to satisfy the customer may lead the customer to have good image of the company. Therefore, the ultimate objective of this study is to identify what types of effort on compensation influences customers in which ways.

There have been many studies dealing with service recovery quality factors. Bell and Zemke (1987) suggested five service recovery quality elements: apology, immediate correction, empathy,

compensation, and continuous concern. They insisted that empathy, compensation, and continuous concern are needed for customers inflicted with damage, while immediate correction and apology are the most efficient actions for angry customers. Bitner et al. (1990) found that what caused dissatisfaction to customers was not the failure itself but rather the inappropriate actions of the organization about failures, suggesting recognition of the problems, explanation on the reasons of failure, apology, and compensation as service recovery quality elements. Johnston (1995) insisted that tangible compensation had no effect, and that immediate correction and consideration of service providers positively influenced customers to be satisfied with service. Boshoff (1997) studied the response of 540 passengers after failing to connect aircraft due to delays from airlines, and revealed that refund and prompt actions were the most efficient strategies. Ekiz and Arasli (2007) suggested an apology, explanation, correction, sincerity, and promptness as the primary service recovery quality elements, and made a conclusion that apology without compensation had less effect, and convincing explanation on the issues and attentiveness of employees were needed. Based on the previous studies, this study has classified service recovery quality elements as compensation, promptness, apology, explanation, and attentiveness (Boshoff, 2005; Ekiz and Arasli, 2007; Goodwin and Ross, 1989; Karatepe and Ekiz, 2004).

Compensation and what is expressed as atonement can be defined as 'the response of customers on the complaints and benefit or result of response provided by the organization' (Davidow, 2003). Compensation includes refund, free gift, and coupon discount received by service providers as a response on unfairness caused by service failure (Smith et al., 1999; Tax et al., 1998). Sundaram et al., 1997 and Davidow (2000) insisted that high level of compensation brought a high level of satisfaction on recovery. In addition, Bitner et al. (1990) said that free meal voucher, room upgrade, and coupon were of important elements for satisfaction of customers on recovery.

Prompt actions on service failure not only makes dissatisfied customers become loyal to the company but also improves the chance of maintaining the relationship (Conlon and Murray, 1996). In addition, responding speed of companies and service providers on the complaints of customers is an important element that influences the intention of re-purchase and overall satisfaction of customers (Kincade et al., 1992).

Apology can be defined as a valuable compensation that is regarded as the result of redistribution (social resources) in terms of relationship for exchange (Smith et al., 1999). There are many types of apologies made by companies when they are aware of inconveniences to customers and they try their best to solve these issues. However, the most powerful of all is the humane apology (Zemke and Bell, 1990). Davidow (2000) insisted that apology was psychological compensation, and that providing a sincere apology represented understanding of customers experiencing inconvenience due to service failure.

An explanation is to make the best effort possible to solve issues through speech and represents how companies are aware of problems (Andreassen, 2000; Yavas et al., 2004). Employees who cannot explain issues well are unable to solve general complaints, recognize service issues, apologize, and a full explanation of the service failure is needed to restore the service (Bitner et al., 1990). Lewis and Spyropoulos (2001) insisted that a detailed explanation was of the most efficient action a company could take. In addition, Tax and Brown (1998) insisted that providing a detailed explanation of the causes of a service failure to customers was definitely needed to derive satisfaction on recovery of failure.

As for attentiveness, the interaction between service providers and customers with complaints is very important. Attentiveness is

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