

Service Failure Recovery and Customer Loyalty: A Study of Airline Industry in Nigeria

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Abstract

This study explores the relationship between service failure recovery and customer loyalty of airline industry in Nigeria. A conceptual framework was developed to empirically prove the relationships that exist between the two variables, using the application of multiple regressions for the analyses. This study is expected to help the airline firms to know how and when to implement the service recovery strategies so as to bring about loyalty. A total of 200 copies of the questionnaire were distributed to various airline passengers, 115 of the questionnaire were returned and 107 questionnaires were useful for the analyses. The result revealed that (1) There is a relationship between problem acknowledgement and customer loyalty. (2) Timeliness has cause-effect relationship with customer loyalty. While (3) Apology has a negative effect on loyalty. The paper also recommends that airline firms implement the various service recovery strategies in handling service failure and also reduce the reoccurring incidences that results to frequent apologies to the customers.

Keywords: Service failure, Service recovery, Problem acknowledge, Apology, Timeliness, Customer loyalty

INTRODUCTION

In today's competitive business arena, most airline firms concentrate on maintaining and managing their customers, because nowadays customers complains a lot when firms do not meet up to their standards or expectations. Business firms are also looking for different ways to cob the ever increasing customer complaints and reduce the rate of service failure.

Although, organization cannot totally eliminate complaints but they tend to get wisdom in handling the already manifested service failure from their organization.

Delivering a quality service is not a day's job, it is a competitive edge organizations have over other firms.

Mabel and Aihic 2012, asserted that there is an improvement in recovering from inadequate service delivery which is receiving great attention in extant literature (Boshoff, 1997; Swanson and Kelley, 2001; Hocutt et al., 2006; Morrison and Huppertz, 2010).

Service failures which results as errors or mistakes when providing a service are inevitable and unavoidable because people or human are not perfect, they tend to default at any time.

Service recovery is a process that is being employed to correct the mistakes or errors caused by the service provider. It is an action taken by the firm to compensate and reduce the extent of failures or dissatisfaction of the customers. As a result, most airline firms in Nigeria attempts to provide customers with the best service delivery to enhance their loyalty. However, these failures, errors, mistakes, in the dissatisfactions and complaints are something that cannot be avoided and particularly in the airline industry. The airline firms

cannot handle all components of delivering quality service due to the unique nature of services in the airline industry.

Customer loyalty is very important in today's competitive business arena, Mabel and Aihie (2012), and the health care industry is not exceptional. Loyalty is also what the health care firms shouldn't take for granted because a dissatisfied customer will tell ten to twenty persons.

Loyalty refers to a passionate commitment held by a customer to repurchase or rebuy a preferred product or service over and over again (Coliver et al., 1997; Bae Suk et al., 2009). A customer that is loyal, feels he has right to persevere with a close relationship through good and bad times (Reynolds and Arnold, 2000).

In other words, customer loyalty is a deep commitment of a customer to repeat purchase, have purchase behavior and intention of a preferred product or service presently or in the future.

Previous studies has been done on service failure and recovery (Boshoff, 1997; Morison and Huppertz, 2010; Hocutt et al, 2006; Swanson and Kelley, 2001); Anupam et al., 2011; Mabel and Aihie, 2012; Taleb and Kamar, 2013; Nacleern, 2012; Christie et al, 2009; Ekrem et al, 2007).

Other studies are also carried out in the business-to-customer (B2C) market and business-to-business (B2B) market (Lockshin and McDougall, 1998; Durvasala et al, 2000; Primo et al, 2007, Heide and John, Cronin and Morris, 1998). But no studies has been done on service failure recovery strategies and customer loyalty of health care industry in Nigeria.

It is against this backdrop that these study seeks to investigate the relationship between service failure recovery strategies and customer loyalty in airline industry.

2. Literature Review and Hypotheses

Service failure

Researchers gave a definition of service failure as those unfair situations that takes place when customer perceptions of initial service delivery behavior falls short of what customers are expecting (Zeithaml et al., 1993; Holloway and Beatty, 2003). In delivery or providing service, the service provider is likely to fall below expectation when attending to customers, this is due to the fact that we are humans and human faults, errors and mistakes cannot be avoided. They tend to creep in at any point in time. These mistakes and failure inevitably causes customer dissatisfaction. When customers are dissatisfied, it can cost a firm so much, it brings about negative word of mouth, unpleasant customer complaints and finally losing the customers to competitors.

Zemke (1999), asserted that dissatisfied customer will tell his/her experiences with the service providers to ten - twenty other potential or existing customers. When service failure is present, service recovery becomes an essential tool to sustain customer to a firm. Amistead et al, (1995) noted that these failures can also come from these three aspects; service supplier faults, consumer base faults and organizational faults. There are also other ways that these service failures or faults can creep in, they include dissatisfaction, decreasing customer fault, negative word of mouth, losing profit and rising costs, decreasing employee morale and performance (Kelley et al, 1993; Boshoff and Leong, 1998; Bailey, 1994; Amistead, 1995; Bitner et al., 1994).

Service Recovery:

On the other hand firms don't want to lose customers, and because of the damage of service failure, firms try as much as they can to pretend and avoid service failure, and precautions such as service recovery should be taken seriously.

According to Gronroos, (1988), service recoveries are those positive behaviors an organization embarks on in responding to service failure. Hoffman and Kelly ,(2000) posited that service recovery are those processes a firm engage in admitting the fault of the service failure, fixing the problem, providing an expression, apologizing to the customer, getting proposal of compensation and being gentle and courteous throughout the recovery continuum. Sheth et al. (2001), opined that service recovery are those actions taken by organizations in trying to resolve the issue that creep in which resulted to service failure. For a service recovery to be fully effective and accepted, there must be a complete complaint satisfaction and recovery (Karatepe and Ekiz, 2004; Bolton, 1998; Ndubisi and Lang, 2005). Researchers have identified service recovery as a rather unimportant aspect of service marketing and one that needs greater attention (Anderson, 1999, Tax et al, 1998; Kim et al., 2003).

Furthermore, understanding the influence of service recovery on customer loyalty has a vital implication that will be used to design the service delivery and recovery systems (Miller et al, 2000).

Service recovery is also referred to as an organization's ability to undertake or engage in an action to face any eventualities of a service failure (Zeithaml and Bitner, 2000). Boshoff, (1997), opined that service recovery is a quick response given by the highest possible person in the organization with a fast response accompanied by a full or partial refund with some sort of compensation which can reduce the effect of the failure. Gronoos, (1998.) The researchers have produced three kinds of justice that can be initiated after the failure has occurred, which include fairness of the resolution procedures (procedural justice), the interpersonal communications and behaviours (interactional justice), and the outcomes (distributive justice).

Service recovery is usually neglected amongst organization, it is never taken seriously especially in most of the government owned health care organizations. In Nigerian government owned health care organizations are not conscious of handling customer complaints and lot of customers go about complaining about that poor service delivery. If these health care organizations are willingly to address the issue of service failure and consciously employ the service recovery systems and strategies, it will help and improve the situations in the government owned health care industry.

Customer Loyalty:

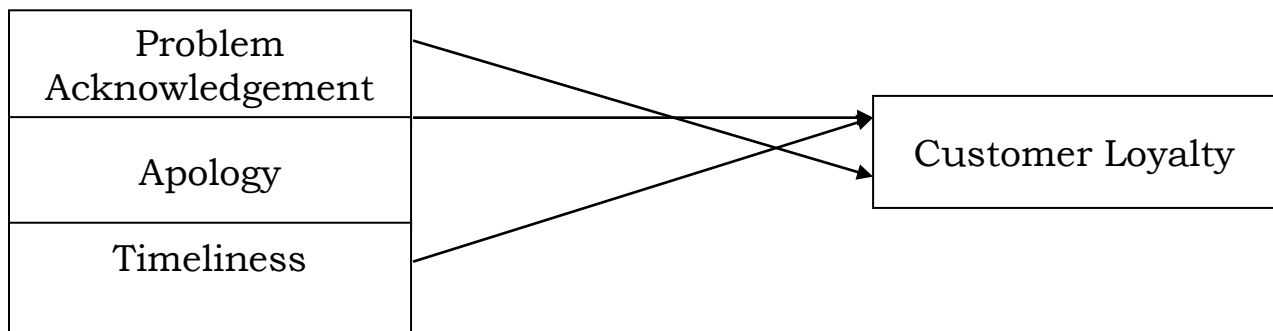
Loyalty refers to the intentional act of repurchasing or rebuying a firm's preferred products or services over a long period of time. It can also be a positive word of mouth advert from an existing customer to a potential customer. Furthermore, loyalty could also mean a positive referred from a customer to the organization's product or services.

Customer loyalty is very important in today's competitive global business arena. Loyalty refers to a passionate commitment held by a customer to repurchase or rebuy a preferred product or service over and over again (Oliver et al., 1997; Bae Suk et al., 2009). The central theme that customer loyalty runs through is the amount of expenditure dedicated to a particular brand or store (Gee et al, 2008).

Loyal customers help in promoting organization's business by providing positive word of mouth (WOM), creating positive business referrals, providing references and praising the organization as a result of the satisfaction they encountered.

When a firm is consistent in their service delivery, the customers will have no choice than to remain with them and also make referrals on behalf of the firms. In other words, when a firm is losing customers, they are in turn losing profits and market share. And when the organizations do not take lightly their service recovery strategies, they tend to attract customers that will advertise them through positive word of mouth (WOM), which will heavily affect their customer-based and profit level.

OPERATIONAL FRAMEWORK



Bitner et al, (1990) gave the process of recovery in four different steps which includes

- Problem Acknowledgement
- Explanation of the reason
- Apology where appropriate
- Compensation such as free ticket, discount coupons etc.

Nadeem, (2012), noted that the following includes the process of recovery

1. **Acknowledgement:** Accepting and acknowledging that a problem occurred in the first instance (Bitner et al, 1990).

Problem Acknowledge and customer loyalty

Due to the fact that service failure cannot be totally unavoidable, service providers should always try to acknowledge and accept the problem whenever it occurs. This is because human can't work or provide a service without encountering at least minimal mistakes; they should try as much as they can to handle these service failures using the above service recovery strategies. Bitner et al, (1990) posited that acknowledging the problem, reduces the customers level of anger or dissatisfaction, thereby keeping the customer to remain loyal. Secondly, when firms acknowledge the problem, it gives them the avenue to peacefully handle the process of resolving the situation politely and courteously.

This brings us to hypothesize that:

H₀₁: Problem acknowledgement has a positive effect on customer loyalty.

Apology and customer loyalty

Apology is simply saying I'm sorry to the dissatisfied customer. Kelley et al, (1993) asserted that to reduce the level of customer's dissatisfaction level, apologizing to the customer is very vital after accepting and admitting the problem. In other words, saying I'm sorry could be a very simple words but it speaks volumes in the heart of customers. It is also very crucial that the service provider be polite in apologizing to the customer. And when the apology is accepted by the customer, it brings about positive word of mouth, increased business referrals and re-purchase or purchase intentions. Customers who are exposed to service failure expect the organization to act on them and try as much as they can to apologize, providing an

apology shows that the firm has an understanding of the dissatisfied customer and accepting the fault (Davidow, 2003). Schweikhart et al (1993), posited that rendering an apology to a complaint is an impressive service recovery strategy. An apology is seen to be an essential ingredient that brings about loyalty.

We therefore hypothesize that:

H₀₂: Apology has a positive effect on customer loyalty.

Timeliness and customer loyalty

Timeliness as one of the recovery strategies plays a very important role in fixing a problem of a failed service. Timeliness in correcting the problem is necessary for a successful service recovery (Wirtz and Mattila, 2004). Research has shown that customers can accept failures, but will not forgive the organization when they cannot fix the problem (Mattila 2006). Johnston (2001), stated that quick response is one of the essential ways to deal with service failure, when customer complaint is being handled as quickly as possible, it's likely to encourage customers and bring about loyalty. According Davidow (2003), speedy reply to a customer's complaint cuts back the amount of negative word of mouth. He also posited that promptness is an essential element in correcting a service failure. In other words, customers dislike being delayed when attending to them; they rather prefer a quick service or response that will correct the mistakes that was previously done.

Timeliness is the actual process of arriving or being readily on time. How quick an organization is in responding to customer's complaint lives an impression to the customer about the organization (www.google.com). Timeliness has been used as a weapon to compete with during service recovery, this is because no customer wants to be kept waiting, it tends to discourage them. An organization that delivers and attend to their customers speedily will do better than their competitors. This is in line with what stalk (1988), emphasized that time is a major element used in handling service recovery and also to maintain a sustainable competitive advantage. Due to the fact that firms are trying to handle a complaint from dissatisfied customers, it is expected of them to deliver the service promptly and quickly because customers abhor long waiting time. When customers receive attention without being delayed, it encourages accepting the recovery strategies happily and it brings about loyalty.

According to George (1988), Time based competition helps in reducing the time which is needed to produce, invent, develop market and offer products to the customers. When firms uses reducing waiting time as a competitive weapon to handle service recovery, it is likely to bring about satisfied customer loyalty.

3.0 RESEARCH METHODOLOGY

The importance of organizations looking out for reasons why service failure occurs and developing recovery strategies on how to remedy and correct them has been handled and discussed in extant literatures.

The questionnaire used for the study was designed to capture the items that will help us in addressing the research hypotheses developed for the study, that is getting to know customers, perceptions, beliefs, feelings and attitude about how treated when service failure occurs in the airline industry. The questions will focus on what the content of service recovery should be: What a customer expects the organization to do in fixing a problem: Does the following: receiving apology, compensation, timeliness, acknowledging the problem meet customer's expectation of service recovery?

Hence, the study carried out a quantitative research method. The population for the study comprises of all the various healthcare firms operating in Nigeria as at the time of data collection. Two hundred (200) copies of questionnaire were distributed at the Port Harcourt international airport to various airline passengers. 200 copies of questionnaire were

distributed at the Port Harcourt International airport to various airline passengers. Out of 200 copies, only 115 returned their own copies and 107 were useful for analyses.

Table 1

WHAT AIRLINE DO YOU USE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	AERO	27	25.2	25.2	25.2
	ARIK	31	29.0	29.0	54.2
	AIR FRANCE	20	18.7	18.7	72.9
	VIRGIN AIRLINE	29	27.1	27.1	100.0
	Total	107	100.0	100.0	

Table 2

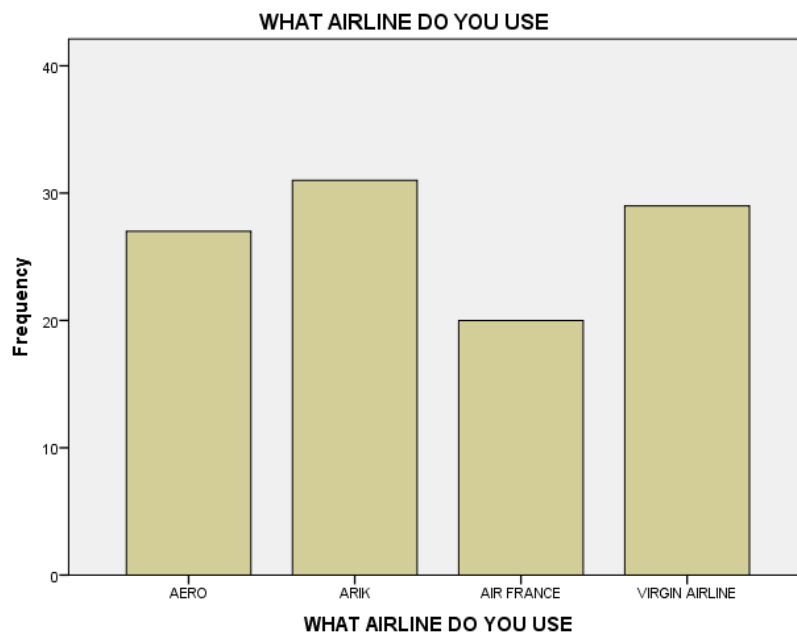


Table 3

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15-19 yrs	12	11.2	11.2	11.2
	20-29 yrs	32	29.9	29.9	41.1
	30-39 yrs	24	22.4	22.4	63.6
	40-59 yrs	29	27.1	27.1	90.7
	>60	10	9.3	9.3	100.0
	Total	107	100.0	100.0	

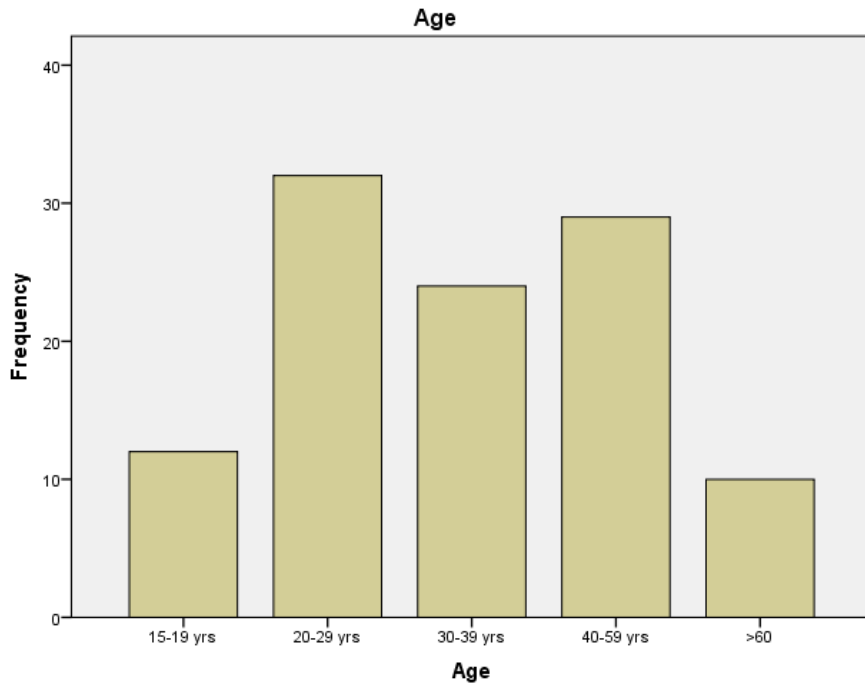


Table 4

MARITAL STATUS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	28	26.2	26.2	26.2
	MARRIED	46	43.0	43.0	69.2
	DIVOCE	25	23.4	23.4	92.5
	WINDOWED	8	7.5	7.5	100.0
	Total	107	100.0	100.0	



4.0 Analyses

4.1 Results

Multiple regressions was used in analyzing our hypotheses

Table 5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.347 ^a	.120	.095	2.180

a. Predictors: (Constant), TIMELINESS, PROBLEM_ACKNOWLEDGEMENT, APPOLOGY

From our model summary, Problem acknowledgement, apology and timeliness account for only 12% of the outcome of our criterion variable (customer loyalty). There is also a coefficient of 0.347 which is significant. This means that our model is recursive.

Table 6

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.994	3	22.331	4.698	.004 ^b
	Residual	489.549	103	4.753		
	Total	556.542	106			

a. Dependent Variable: CUSTOMER_LOYALTY

b. Predictors: (Constant), TIMELINESS, PROBLEM_ACKNOWLEDGEMENT, APPOLOGY

From our ANOVA table, we have a p-value of 0.004 which is less than our alpha of 0.05. This confirms our adoption of the model as being fit for this study.

Table 7

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.826	1.612		6.717	.000
	PROBLEM_ACKNOWLEDGEMENT	.209	.100	.217	2.084	.040
	APPOLOGY	-.111	.094	-.143	-1.183	.240
	TIMELINESS	.234	.086	.304	2.712	.008

a. Dependent Variable: CUSTOMER_LOYALTY

Discussion of Findings

From our model summary, problem acknowledgement, apology and timeliness account for only 12% of the outcome of our criterion variable (customer loyalty). There is also a coefficient of 0.347 which is significant and shows that our model for the study is recursive. From our ANOVA table, we have a p-value of 0.004 which is less than our alpha of 0.005. This confirms our adoption of the model as being fit for this study.

Significant relationship Problem-Acknowledgement and Customer Loyalty

HO1: The analysis of our first hypotheses shows a coefficient of 0.217, which is quite weak, but significant. It also has a p-value of 0.40 which is also less than 0.005. We are therefore inclined to reject the null hypothesis which implies problem acknowledgement has a significant effect on customer loyalty.

Significant relationship between Apology and Customer Loyalty

HO2: The analysis of our second hypothesis reveals that apology has a negative effect on customer loyalty with a coefficient of -0.143 as well as a p-value of 0.240 which is higher than our alpha of 0.05. We therefore accept the null hypothesis which means apology truly has no positive effect on customer loyalty. In other words, apology is a service recovery strategy which is a vital tool used to calm down a dissatisfied customer and can also be a weapon to enhance loyalty. On the other hand, loyal customers will not always want service failure to be reoccurring and they keep receiving apology for service shortfall, it tends to discourage the customer when frequent apology becomes the order of the day.

Significant Relationship between Timeliness and Customer loyalty

HO3: The analysis of our third hypothesis shows a coefficient of 0.304 and a p-value of 0.008 which is less than alpha of 0.05, by this result, we would reject the null hypothesis which implies a cause-effect relationship existing between timeliness and customer loyalty. This is in line with the work of Johnston (2001) that timeliness is one of the essential ways to deal with service failure. Davidow (2003) also posited that quick response in attending to customer's complaint cuts back the amount of negative word of mouth.

Conclusion and Recommendation

From our data analysis results and finding, we concluded that service failure recovery strategies enhance customer loyalty of healthcare firm in Nigeria.

The above result gotten from the hypotheses tested indicated that implementation of the service recovery strategies bring about customer loyalty. Since service failure can't be totally avoided due to human error and mistakes, service failure recovery becomes an important tool for any healthcare firm because it has strong influence on how customers perceive and receive the service failure recovery strategies provided by the firm. The study also recommends that healthcare firms should engage and implement the service failure recovery strategies to their service failure occurrences. Finally, healthcare firms should always admit, acknowledge the issues whenever they occur and also avoid frequent apologies during service failure, because constant apology will reveal that the service provider are not competent.

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SECTION A

Please respond to this section appropriately

General Question

- 1) How old are you?
(5) 15 – 19 (4) 20 – 29 (4) 30 – 39 (2) 40 – 59 (1) >60
- 2) What is your marital status?
(4) single (3) married (2) divorced (1) widowed
- 3) Gender:..... (M/F)
- 4) What is your income level?
(4) 100,000 – 390,000 (3) 400 – 790 (2) 800 – 1,000,000 (1) More than 1m.
- 5) What airline do you use?
(4) Aero (3) Arik (2) Air France (1) Virgin Airline
- 6) How long have you used the airline?
(4) less than a year (3) 1 – 2 years (2) three years (1) more than 4 years.
- 7) What other service do you get from the airline firm?

- 8) Does the airline firm meet your needs?

SECTION B

Please indicate the appropriate response from strongly agree to strongly disagree

SERVICE FAILURE					
S/N		SA	A	D	SD
1	No airline firm is exempted from service failure.				
2	Airline x aims at understanding and satisfying consumer needs, but sometimes fail in service delivery.				
3	Airline x does not make mistakes at all when serving their customers				
4	Employees do not greet their customers as they step into their office.				
5	Service failure is a reoccurring thing in airline x				
6	Employees of airline x are not friendly at all.				
7	Employees handles service failure courteously.				
8	Service failure cannot be avoided				
9	Employees' hands service recovery promptly.				
10	Employees only attend to high networth customers during service delivery.				
PROBLEM ACKNOWLEDGEMENT					
S/N		SA	A	D	SD
11	Airline x admits the mistakes / errors they make				
12	Airline x handles problems professionally when interacting with customers.				
13	Employees provide accurate information in service recovery				
14	Airline x keep their promises of solving problems when handling complaints.				
15	The airline shows honest and sincere interest in solving customer service problems.				
16	The employees give prompt/timely service in the service recovery process.				
17	Employees are never too busy in responding to customer's service issues.				
18	During handling the problem, the employees instill confidence in customers.				
19	When employees explain and discuss complaints well, the customers become loyal to the firm.				
20	Employees tell customers exactly when the service recovery will be performed or fixed.				
APOLOGY					
S/N		SA	A	D	SD
21	Employees says I'm sorry as soon as a complaint is reported by a customer.				
22	Employees are too busy defending themselves rather than saying I'm sorry				
23	Employees admit their mistakes as quickly as possible.				
24	Employees apologizes immediately regardless of who the				

	customer is.				
25	Employees says I'm sorry grudgingly and with an attitude.				
26	Employees do not accept the mistakes/errors they make.				
27	Employees do not say I'm sorry to customers when they make mistakes.				
28	Employees says I'm sorry only to high networth customers.				
CUSTOMER LOYALTY					
S/N		SA	A	D	SD
29	I will make future purchase or patronize airline x				
30	Airline x keeps their promises made to their customers.				
31	After considering everything, I am extremely loyal with airline x				
32	I feel committed to airline x in making purchases.				
33	when I am disappointed, I change the airline x				
34	When I am disappointed I talk negatively about the airline				
35	I can recommend airline x to someone who seeks advice				
36	I can switch to a competitor when there are problems with airline x				
37	I encourage friends and relatives to use airline x when traveling.				
38	I take current businesses to competitors that offers more attractive prices.				
39	I'm comfortable with an airline employee that apologizes for the mistake made.				
40	The ability for a service provider to handle conflicts well, will influence customer loyalty.				
41	I will stay with an airline that apologizes to customers regardless of who the customer is.				