



Service Recovery Efforts as Key to Passenger Loyalty in the Airline Industry: The Case of Rwanda Air

¹Arthur Nuwagaba

Lecturer, Uganda Christian University, Mukono

Email: anuwagaba@must.ac.ug

²Polly Bangambaki Namaye

Assistant Commissioner, Uganda Police

Email: pollybagambaki@gmail.com

³Frank Ahimbisibwe

Lecturer, Mbarara University of Science and Technology, Mbarara, Uganda

Email: frank.ahimbisibwe@must.ac.ug

⁴Sarah Nabachwa

Lecturer, Mbarara University of Science and Technology, Mbarara, Uganda

Email: snabachwa@must.ac.ug

⁵Lydia Kisekka Namateefu

Lecturer, Makerere University Business School, Kampala, Uganda

Email: lkisekka@mubs.ac.ug

⁶Grace Flavia Lamuno

Lecturer, Makerere University Business School, Kampala, Uganda

Email: glamuno@mubs.ac.ug

ABSTRACT

The study sought to understand how service recovery efforts influence passenger loyalty in the airline industry using the case of Rwanda Air. This study was motivated by the fact that service failure and service recovery have attracted considerable attention in the airline industry. The study was premised on the objective to establish whether the service recovery efforts by the airlines influence passenger loyalty. Using a closed ended- on line administered questionnaire, the respondents were asked to rate the different constructs of service recovery identified through literature review. These respondents were only corporate passengers got from the Rwanda air offices in Kampala and Kigali. The questionnaires were then downloaded and entered into SPSS for Analysis. The relationship between Service Recovery and passenger Loyalty were analysed based on four items as independent variables (Reliability, Responsiveness, assurance and Empathy). Results show that there is a statistical significant positive relationship between service recovery and passenger loyalty, $F(4, 86) = 2.461$, $p < 0.05$. R Square .061, this implies that 6.1% of variation in passenger Loyalty was explained by the independent variables included in the model.

Keywords: Service recovery, passenger loyalty, airline industry.

INTRODUCTION

In recent years, the subjects of service failure and service recovery have attracted considerable research attention during the past decade and there is a growing body of evidence, which indicates that effective service recovery can have a positive impact on both organizations and passengers. Services are heavily people-based, requiring various interactions with the passengers and the

coordination of different service providers. Equally so, since production and consumption are taking place at the same time, little or no possibility of supervision exists before the service delivery. Due to those unique characteristics of services, service firms would not be able to eliminate errors. According to Swanson (2001), service failure can be defined as a variety of errors that happen during the service operation. Service failure in the airline industry can be the unavailability of the service person, long waiting time, loss of luggage, delayed departure, rescheduling of the flight and so on. After the service failure, the service provider should do service recovery in order to avoid the negative impacts of service failure on the passengers. According to Grönroos (1988), service recovery is a process in which the service provider offers additional services for addressing consumer's complaints that have been resulted from service failure.

Service failure from a passenger's perspective refers to a real or perceived service related problem, or where something has gone wrong in dealing with an organization (Palmer, 2001). The passenger's expectations of the service encounter are therefore not met by the organization (Chan & Wan, 2008), and the passenger could even perceive a loss as a result of the failure (Patterson, Cowley, & Prasongsukarn, 2006). Mattila and Cranage (2005) suggest that although passengers and organizations increasingly seek a flawless delivery of core and supplementary services, this is virtually impossible in a service setting due to human involvement in service production and consumption. In addition, the inseparable and intangible nature of services also gives rise to service failures (Palmer, Beggs, & Keown-McMullan, 2000, p. 513).

A service failure not only impacts negatively on passengers' confidence in an organization (Cranage, 2004, p. 210), but it could also result in their defecting from the organization. There are various consequences of service failures, namely: dissatisfaction, a decline in passenger confidence, negative Word of Mouth behaviour, and passenger defection (Miller, Craighead, & Karwan, 2000; Tronvoll, 2010), loss of revenue and increased costs, or a decrease in employee morale and performance. Organizations should therefore identify the probable failure points as well as methods aimed at preventing failures from reoccurring (Cranage, 2004, p. 211). Although it is highly unlikely that organizations can eliminate service failures, they can learn to deal with these failures effectively (through service recovery) in an attempt to maintain and even enhance passenger satisfaction (Bamford & Xystouri, 2005, p. 307; Maxham, 2001, p. 11; Miller, Craighead, & Karwan, 2000, p. 387).

Service recovery is a process in which the Service providers offer additional services for addressing consumer's complaints that have been resulted from service failure. Service recovery has to do with "those actions designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers" (Miller, Craighead, & Karwan, 2000, p. 38). Swanson (2001) also considers service recovery as those actions instituted by the service provider to ensure that loyalty of passengers is retained through rapid intervention into passenger complaints.

According to Miller, Craighead, and Karwan (2000) in (Michel & Meuter, 2008), service recovery and complaint management both address service encounter failures, the difference between them is that complaint management is based on the firm's ability to react to a complaint when a mistake has been made, whereas service recovery on top of this also includes the company's ability to react on a mistake and please the passenger before the passenger finds it necessary to complaint. Most passengers are reluctant to complaint. Therefore, it is important with proactive service recovery efforts to minimize negative outcomes such as loss of passengers when a mistake has been made (Michel & Meuter, 2008).

Research Objective

To establish whether the service recovery efforts by the airlines influence passenger loyalty.

Research Hypothesis

The study was based on the null hypothesis;

H₀: There is no statistical significant relationship between service recovery and passenger loyalty

Review of Related Literature

Service failures can be defined as the real or perceived breakdown of the service in terms of either outcome or process (Duffy, Miller, & Bexley, 2006). Service recovery involves the actions a service provider takes in response to a service failure (Grönroos, 1990). These actions are designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers

(Miller, Craighead, & Karwan, 2000). Satisfaction with the recovery effort is defined as an individual's subjectively derived evaluation of the service recovery experience (Duffy, Miller, & Bexley, 2006).

Service Recovery Efforts and its Influence on Passenger Loyalty

Service recovery involves the actions a service provider takes in response to a service failure. These actions are designed to resolve problems, alter negative attitudes of dissatisfied passengers and to ultimately retain these passengers. Management should support service recovery in the organization, since poor or ineffective service recovery implies that the passenger is let down for a second time. This could result in passengers spreading negative word-of-mouth communication, defecting from the organization for a competitor (Lewis & McCann, 2004), or rating organizations lower than they would have immediately after experiencing the failure (Maxham, 2001). Despite the possible consequences of a service failure, the outcome does not necessarily have to be negative. Research suggests that an effective service recovery could result in a win-win situation for the passenger and the organization. Miller *et al.* (2000, p. 387) explain that well-executed service recovery could enhance passenger satisfaction and loyalty; may have a direct influence on whether dissatisfied passengers remain with or defect from an organization. Service recovery could therefore possibly be seen as equal to, if not more important than, initially providing good service.

Literature suggests a number of strategies that organizations can implement to achieve successful service recovery, including: recovering the service failure immediately or offering passengers alternative options that will meet their requirements; communicating with passengers who are experiencing service failures (including providing feedback and offering an explanation for the reasons for the service failure); and ensuring that service recovery personnel are professional in their actions (La & Kandampully, 2004, p. 394; Boshoff & Staude, 2003, p. 11). Organizations should also provide an apology for the service failure and consider presenting passengers with some form of tangible compensation, for example, offering discounts or vouchers (Boshoff & Leong, 1998, pp. 40-42; Mattila & Cranage, 2005, p. 276; Smith, Bolton, & Wagner, 1999, p. 356). Since the success of the service recovery will largely rest on the actions, decision-making skills and judgement of employees, (Magnini, Ford, Markowski, & Honeycutt, 2007, p. 221; La & Kandampully, 2004, p. 392; Boshoff & Leong, 1998, p. 40) recommend that employees must be trained and empowered to deal with the service failure effectively. Magnini and Ford (2004, p. 281) suggest that service recovery training should include the following: assuring passengers who have experienced a service failure; managing employees' emotional response to these passengers; employee empowerment; and paying attention to how employee satisfaction can be enhanced through effective service recovery. Service recovery is especially relevant in the airline industry, as airlines will, by effectively recovering from service failures, minimize passenger defections and strengthen relationships with their passengers (Christopher, Payne, & Ballantyne, 2002, p. 60).

METHODOLOGY

The researchers used a closed-ended, mail administered questionnaire that was anchored on a five-point scale to collect Primary data. This questionnaire considered the attributes of a service as developed by (Parasuraman, Zeithaml, & Berry, 1988). The questionnaire was emailed to 115 corporate passengers of Rwanda air in both Uganda and Rwanda. These corporate passengers were obtained from the list of corporate passengers from Rwanda air offices in Kampala. From the 115 questionnaires sent, only 94 responded which is 82% which is sufficient enough to generalise the results.

The questionnaire assessed what constitutes service recovery efforts and how these efforts influence passenger loyalty. Respondents were asked to rate the level of agreement using a 5 point Likert scale as regards the service recovery efforts by Rwanda air and whether their decision to remain with the airline company is due to the service recovery efforts. Data was first coded so as to make it easy in analysis and presentation. Data was analysed using SPSS version 20 and through regression analysis, the results are presented in tables as shown in the subsequent section. Analysis was done in different phases but presented according to the objective of the study.

ANALYSIS, PRESENTATION AND INTERPRETATION OF RESULTS

In order to present an empirical result, both the descriptive and inferential statistics were used to provide in-depth and clear conclusive illustration. In effect, the study made use of cross tabulation, Correlation and Linear Regression analysis for convenience.

4.3.1 Cross tabulation Analysis

In order to perform a cross tabulation, Total score on all items on Service recovery were categorized into two levels, based on passenger level of satisfaction (Low level of satisfaction and High level of satisfaction as an independent variable), while Passenger loyalty was also categorized into two (Passenger being less loyal and passenger being More Loyal as the dependent variable). The two variables were thus cross tabulated and the result presented in Table 1 below

*Table 1: Categorization of Passenger Level of Satisfaction * Categorization of passenger Level of loyalty Cross tabulation*

			Categorization of passenger Level of loyalty		Total
			Less Loyal	More Loyal	
Categorization of Passenger Level of Satisfaction	Low Level of satisfaction	Count	16	7	23
		% within Categorization of Passenger Level of Satisfaction	69.6%	30.4%	100.0%
		% within Categorization of passenger Level of loyalty	34.8%	15.6%	25.3%
	% of Total		17.6%	7.7%	25.3%
	High Level of Satisfaction	Count	30	38	68
		% within Categorization of Passenger Level of Satisfaction	44.1%	55.9%	100.0%
% within Categorization of passenger Level of loyalty		65.2%	84.4%	74.7%	
% of Total		33.0%	41.8%	74.7%	

From the cross tabulation Table 1 above, the study revealed that 16(69.9%) of respondents were less loyal to Rwanda Air due to their low level of satisfaction with services, while only 7(30%) of the respondent indicated that the more loyal in spite of being less satisfied with the services. This possibly implies that their level of loyalty is not dependent on the services provided by Rwanda Air.

Similarly, out of 68 respondents, 38(56%) indicated that they were more Loyal to Rwanda Air due to a high level of satisfaction with their services, and only 30(44%) indicated that in spite of their high level of satisfaction with services of Rwanda air, they were still less loyal

Major finding

The study revealed that, true, the level of passenger satisfaction is a very crucial factor in passenger loyalty to the company; however, there are still cases where passenger’s level of satisfaction may not explain his or her level of Loyalty to the Company

Studies have showed that passenger’s perceived level of loyalty is always very much dependent on his/her level of satisfaction with the quality of services provides. This indeed has explained why many companies have attracted or pulled many passengers from other service providers. In some cases, though, it’s not uncommon to find a passenger whose level of loyalty is totally not hinged on the quality of services provided by the company, but rather for a different reason.

This finding however, seems to be in disagreement with a related study, whereas this finding revealed that passenger loyalty to a company is multifaceted, (Morrison, 2002) “Breaking the barrier to passenger loyalty in the service sector” revealed that, the Quality of services that a competitor provides will always have a profound impact on the level of passenger loyalty other than anything else. In essence, this explains why every competitor strives to offer the best in the market, its thus not surprising to find, a competitor with the best service pulling off a large number of passenger in thus increasing their market share.

However, Morrison (2002) “Managing passenger loyalty in a competitive landscape and fragile Market” seems to approve of the finding of this study, in their finding: “Understanding passenger Loyalty is a double edged undertaking, whereas the Quality of services have great milestone in this dream, in some cases, there are passengers who are indifferent, whose level of loyalty is underpinned by unique reasons. It’s therefore not surprising that the cross tabulation result in this study revealed similar result to (Morrison, 2002)

4.3.2 Linear Regression Analysis

The Relationship between Service Recovery and passenger Loyalty were analysed based on four items as independent variables (Reliability, Responsiveness, assurance and Empathy)

The Hypothesis to be tested was the Null Hypothesis;

H₀: β = 0, There is no significant statistical relationship between service Recovery and Passenger Loyalty.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.320 ^a	.103	.061	3.96180

a. Predictors: (Constant), (the level of ;Reliability, Responsiveness, assurance and Empathy by Rwanda Air)

Table 3: ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	154.514	4	38.629	2.461	.0051 ^b
Residual	1349.847	86	15.696		
Total	1504.361	90			

a. Dependent Variable: Passenger loyalty

b. Predictors: (Constant), (the level of ;Reliability, Responsiveness, assurance and Empathy by Rwanda Air)

Table 4: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	10.891	2.892		3.766	.000
Reliability of the services	.936	.593	.167	1.580	.042
Empathy of the Airline staff	.855	.522	.195	1.639	.056
1 Responsiveness or Receptiveness of the staff	-.130	.590	-.027	-.221	.826
Assurance/ Guaranteed safety by the Airline	.476	.480	.112	1.992	.032

a. Dependent Variable: Passenger Loyalty

From the Regression Result, the following observation can be reported’

From Table 2, R(0.320) indicates that there is a positive relationship between passenger loyalty and service recovery(reliability, responsiveness, assurance, and empathy). In addition, Adjusted R Square 061, this implies that 6.1% of variation in passenger Loyalty was explained by the independent variables included in the model.

Of all the 4 independent variables included, only 1 was found to be insignificant (Responsiveness of the Airline staff, t < 2), the remaining variables were found to be significant in explaining the change in passenger loyalty because, t ≥ 2

Note; for Linear Regression, for a variable to be significant, then, (t ≥ 2), (Refer to Table 4)

Based on the ANOVA, the model is found to be Significant at 5% degree of freedom (Refer to Table 3)

Therefore, based on the above findings, we fail to accept the Null Hypothesis and Fail to reject the alternative Hypothesis.

CONCLUSION: $\beta \pm 0$, there is a significant statistical Relationship between Service Recovery and Passenger Loyalty

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