Service Failure and Recovery in the Airline Industry: Evidence from the TRNC

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ABSTRACT

The marketing concept is based on the principle of satisfying customers. The ultimate goal of marketing and marketers is to achieve a high level of customer satisfaction and to enhance the relationship with customers. Loyal customers are the most profitable group for companies. Service failures are unwanted defects but they are inevitable. Service failures can happen both during the process of service delivery and as a result of delivery process. Therefore, to avoid dissatisfaction and keep the current customer satisfied, service providers have a second chance which is called '*service recovery*'. It is important for the service provider to employ effective service recovery strategies to alter undesirable consequences of failures (Maxham, 2001).

The aim of the study is to investigate the service failure recovery experiences of airline passengers who are flying to or from Turkish Republic of Northern Cyprus Ercan Airport. This research will identify the failure types that passengers experience during their travel and the recovery strategies used by the service firms. The study also explores customer expectations (the expected recovery action) when the recovery had not been attempted. The study also aims to measure whether passengers are satisfied with the recovery strategies used and their behavioral intentions (e.g., WOM intentions and repurchase intentions) after the recovery process.

This study shed light on managing customer relations within the airline industry in North Cyprus. Delay of flight, damaged and lost luggage, uncomfortable seats, and food and beverage quality were identified as the most frequent experienced failure types by passengers. Explanation, apology and professional and friendly staff attitude

were identified as mostly used recovery strategies by airlines. Explanation, offering a better service and apology were identified as the mostly frequently expected recovery strategies. Further, there exist negative relationships among perceived severity of the service failure and satisfaction with the recovery and time taken to resolve a problem and satisfaction with the recovery (i.e. as time taken and perceived severity increase, satisfaction drops). On the other hand, positive relationships were found among satisfaction with the recovery and overall satisfaction, overall satisfaction and repurchase intentions and overall satisfaction and recommending the airlines.

ÖZ

Pazarlama konsepti müşteri tatmini prensibine dayanmaktadır. Pazarlamanın ve pazarlamacıların en önemli amacı yüksek müşteri tatmini sağlayarak müşterilerle olan ilişkilerini iyileştirerek geliştirmektir. Zira sadık müşteriler şirketlerin en karlı müşteri gruplarıdır. Hizmet aksaklıkları istenmeyen kusurlar olmakla birlikte maalesef hizmetin kaçınılmaz bir parçasıdırlar. Hizmet aksaklıkları hizmetin hazırlama ve sunma sürecinde veya hizmet sunumundan sonra gerçekleşebilir. Müşteri tatminsizliğini önlemek ve mevcut müşteri tatmini sağlamak için hizmet sağlayıcıların ikinci bir şansları daha vardır ki bu '*hizmet aksaklığı giderme*' olarak bilinir. Hizmet başarısızlıklarının sebep olacağı istenmeyen sonuçları değiştirmek için hizmet sağlayıcıların etkin hizmet aksaklığı giderme stratejilerine sahip olmaları gerekmektedir.

Bu çalışmanın amacı Ercan havalimanını kullanarak Kuzey Kıbrıs Türk Cumhuriyeti'ne gelen veya giden havayolları müşterilerinin yaşadıkları hizmet aksaklığı giderme deneyimlerini araştırmaktır. Bu çalışma hava yolları müşterilerinin yaşadığı hizmet aksaklıklarını ve kullanılan hizmet aksaklığı giderme stratejilerini belirleyecektir. Ayrıca eğer hizmet aksaklığı giderilmemişse müşterilerin bu yönde olan beklentilerini araştıracaktır. Bu çalışma ayrıca havayolu müşterilerinin uygulanan hizmet aksaklığı giderme stratejilerine karşı memnuniyetlerini ve hizmet aksaklığı giderildikten sonra müşterilerin davranışsal niyetlerini (sözlü destek veya tekrar satın alma isteklerini) ölçecektir.

Bu çalışma Kuzey Kıbrıs havayolları sektöründeki müşteri ilişkileri yönetimine ışık tutmuştur. Uçuş gecikmeleri, kayıp ve zarar görmüş bagajlar, rahatsız uçak koltukları ve uçak yiyecek ve içecek kalitesi havayolları müşterileri tarafından en sık yaşanan hizmet aksaklıkları olarak bulunmuştur. Hava yolu şirketleri tarafından en sık kullanılan hizmet aksaklığı giderme stratejileri olarak açıklama, özür dileme ve profesyonel ve arkadaşça davranan çalışan davranışları görülmüştür. Açıklamada bulunma, daha iyi hizmet sunma ve özür dileme ise havayolu müşterilerin beklentileri olarak ortaya çıkmıştır. Ayrıca, hizmet aksaklığı ile hizmet aksaklığının derecesi ve aksaklığı giderme için gereken süre ile hizmet aksaklığı giderildikten sonraki müşteri memnuniyeti arasında ters ilişki görülmüştür. Bunun yanında, hizmet aksaklığının giderilmesinin yarattığı müşteri memnuniyeti ile genel müşteri memnuniyeti, genel memnuniyet ile tekrardan satın alma istekleri, ve genel memnuniyet ile tavsiyede bulunmak arasında pozitif ilişkiler görülmüştür.

Anahtar Kelimeler: Hizmet aksaklığı giderme, memnuniyet, bağlılık, havayolları, Kuzey Kıbrıs

I dedicate this study to my family, who supported me all the way over this process

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RECOSAT: Recovery Satisfaction

OVERSAT: Overall Satisfaction

REPINT: Repurchase Intentions

WOMINT: Word of Mouth Intentions

WOM: Word of Mouth

SSFAIL: Severity of the Service Failure

CRM: Customer Relationship Management

TRNC: Turkish Republic of Northern Cyprus

SPSS: Statistical Program for Social Sciences

α: Alpha

Chapter 1

INTRODUCTION

The major goal of service marketers is to enhance customer satisfaction. Many researchers have been emphasizing the importance of customer satisfaction in the service industry (e.g. Johnston, 1998; Sinha, 1993; Zeithaml, Bitner and Gremler, 2013). It is also known that service quality affects customer perceptions of satisfaction. However, due to the unique characteristics of services (i.e., heterogeneity, intangibility, inseparability and perishability) it is not easy to manage the quality dimension of provided service like tangible goods. Usually, those obstacles on the way to customer's satisfaction are significant. Those obstacles are called '*service failures*' and are inevitable within the service provision process (Hart, Heskett and, Sasser, 1990). Therefore, to avoid dissatisfaction and keep the current customer satisfied, service providers have a second chance and which is called '*service recovery*'.

Effective service recovery strategies have positive effects on customers' repurchase intentions (Bitner, Booms and Tetreaults, 1990), satisfaction, favorable word of mouth (WOM) (Komunda and Osarenkhoe, 2012), trust (Morgan and Hunt, 1994), enhanced quality perceptions (Michel, Bowen and Johnston, 2009) and even employee satisfaction (Tax and Brown, 1998). On the other hand, failures left unfixed or fixed ineffectively can destroy customer satisfaction, resulting in exit behavior and might trigger harmful WOM action (Bailey, 1994; Edvardsson, 1992).

It is already known that, keeping current customer happy is less costly than acquiring new ones (Thwaites and Williams, 2006). Therefore, a successful service recovery also revitalizes the bottom line (financial) performance, whereas an ineffective or not attempted recovery damages (Reichheld and Sasser, 1990), financial results.

Although failures are inevitable, it is important to have an effective recovery mechanism to overcome the failures. As mentioned, it is not possible to prevent service failures (e.g., Hart, Heskett, and, Sasser, 1990). Accordingly, service recovery is a must for quality and satisfying service (Fisk, Brown and Bitner, 1993; McCollough, Berry, and Yadav 2000; Ross, 1999; Olorunniwo, Hsu, and Udo, 2006). Moreover, the significant devastating effects of service failure on the customer satisfaction is irritating for companies (e.g., Hart, Heskett, and, Sasser, 1990; Zeithaml, Bitner and, Gremler, 2013). It is five times more expensive to attract a new customer than to retain existing ones (Thwaites and Williams, 2006). In addition, customers who receive no recovery or unsatisfactory attempt by the provider firm may talk to about ten to twenty people about their bad moments, whereas only about five people learn about successful recovery efforts of the firm (Morrison and Huppertz, 2010; Reichheld, 2003; Sousa and Voss, 2009).

Therefore, it is important for the service provider to employ effective service recovery strategies to alter undesirable consequences of failures (Maxham, 2001). Additionally, a perfect recovery strategy is essential for organizations to advance in customer retention by resolving the failure condition (Berry and Parasuraman, 1992).

1.1 Aim of the Study

The aim of the study is to investigate the service failure recovery experiences of airline passengers who are flying to or from Turkish Republic of Northern Cyprus Ercan Airport. This research will identify the failure types that passengers experience during their travel and the recovery strategies used by the service firms. The study also explores customer expectations (the expected recovery action) when the recovery had not been attempted. The study also aims to measure whether passengers are satisfied with the recovery strategies used and their behavioral intentions (e.g., WOM intentions and repurchase intentions) after the recovery process.

1.2 Research Questions of the Study

The research questions that study aims to address are:

1. What are the most common failure types experienced by passengers when flying to and/ or from Ercan Airport?
2. What strategies are used by airlines flying to and/ or from Ercan Airport to address service failures?
3. What do customers expect following a service failure and subsequent complaint behavior?
4. Do the speed of the service recovery and the severity of the failure influence post service recovery satisfaction?
5. Does post service recovery satisfaction have an effect on loyalty?

Chapter 2

LITERATURE REVIEW

2.1 Services

Zeithaml, Bitner and Gremler (2013) describes services as ''…deeds, processes, and performances provided or coproduced by one entity or person for another entity /person'' (p.3). Services are planned and well balanced business actions which generates an invisible product. In general those products are consumed at that time at the point of production. In other words, production and consumption take place simultaneously and services provide value (e.g., ease, entertainment, health, experiences etc.) to consumers instead of physical products (e.g., shoe, car, computer etc.), (Quinn, Baruch and Paquette, 1987). Further, Johnston and Clark (2005) stated the complexity of service processes, due to a high dependence on human beings. Customers are experiencing these invisible products together with employees, right at the place of production while the production activity is taking place. The definitions of services by these researchers (Zeithaml, Bitner and, Gremler, 2013; Quinn, Baruch and, Paquette, 1987; Johnston and Clark, 2005) point out the different nature of services. There are four unique characteristics that are inherent in services. These characteristics are: intangibility, heterogeneity, inseparability/ simultaneous production and consumption, and perishability (Zeithaml, Bitner and Gremler, 2013).

2.1.1 Four Unique Characteristics of Services

Intangibility: was first suggested by Say (1836) as immateriality. Say's work was an answer to Adam Smith's (1776), who argued that the wealth of a nation can only be increased by exchange of the tangible goods /objects. In addition, he declared that service producer employees were ineffective in generating wealth for the nation. Say (1836) was thinking of the opposite, ''…why the talent of a painter should be deemed productive, and not the talent of a musician'' (p. 120). In this sense, several researchers described intangibility as, ''a good is an object, a device, a thing; a service is a deed, a performance an effort'' (Berry, 1980, p.24) or ''service is something that can be bought and sold, but which cannot be dropped on your foot'' (Gummesson, 1987, p.22). Further Zeithaml, Bitner and Gremler, (2013) describe services as invisible performances that are imperceptible to customers senses in the same way like sensing tangible goods. Therefore, many researchers accept intangibility as a key/ basic/ main characteristic of the services (Zeithaml *et al.*, 2013; Edgett and Parkinson, 1993; McDougall and Snetsinger, 1990; Zeithaml, Parasuraman and, Berry, 1985). Furthermore, according to Parasuraman, Zeithaml and Berry, due to intangibility characteristics of services, they cannot be stored /inventoried (e.g., you cannot store your empty sits for the next flight, either you sell them or not), therefore, it is not easy to control changes in demand (1985). Services can easily be copied, therefore patenting is not easy (e.g., training front line employees to act in the same way). Furthermore, the quality dimension of services is not easy to evaluate by customers and it is not easy to price services due to ranging perceptions of service quality of each customer (Parasuraman *et al.*, 1985; Zeithaml *et al.*, 2013).

Heterogeneity: is the inability of standardizing services (Edgett and Parkinson; Zeithaml *et al.,* 2013). Services are performed by people and ''…people may differ in their performance from day to day or even hour to hour'' (Zeithaml *et al.,* 2013, p. 2). Heterogeneity is not only influenced by perceptions, requests and experiences of different customers, but also by the mood of employee (e.g., fatigue, happiness, cheerfulness etc.), (Zeithaml *et al.*, 2013). It is also noted that the production efficiency can change over time (e.g. experienced /satisfied /unsatisfied employee) (Zeithaml, Parasuraman and Berry, 1985; Iacobucci, 1998). Due to heterogeneity, service outcomes and perceived satisfaction depends on customer-employee behaviors. The quality of a service can be affected by many other unmanageable elements /factors and provider cannot guarantee to deliver the service as advertised /promised /designed (Parasuraman *et al.*, 1985; Zeithaml *et al.*, 2013).

Inseparability: refers to the ''simultaneous production and consumption'' of services (Zeithaml *et al.*, 2013, p. 21). Berry (1980), describes this fact as ''simultaneous production and consumption means that the service provider is often physically present when consumption takes place'' (p. 25), (e.g., surgery, education, concert etc.). Mostly goods are first produced than inventoried or placed on the shelves, and waits for demand to get sold (e.g., laptop, cellular phone, shoe etc…) whereas services first demanded /sold and then produced (e.g., air transportation /concert tickets or restaurant food) and customer have to be present at the place of production (simultaneous production /consumption) (Regan, 1963; Berry, 1980; Zeithaml *et al.*, 2013). In the words of Bowen and Schneider (1988) ''…simultaneity dictates that when the demand for a service present the service must be produced'' (p. 52). On the other hand, the inseparability characteristic is criticized by Lovelock and Gummesson (2004) as not being one of the unique characteristics of service, and they

argued that the presence of services that is not performed in front of customers (e.g., laundering, cleaning, postal service, cargo etc.). However, according to the many others, most (not all) of the services are simultaneously produced and consumed (Say, 1836; Regan, 1963; Berry, 1980; Zeithaml, *et al*., 2013). Due to this unique characteristic, customers are involved in the production process and affects (e.g., customer can demand a particular seat number for a flight), customer can affect each other (e.g., a complaining customer can affect others' mood as well), behaviors /actions of employee can affect the results (e.g., rude or uncaring employee), and achieving economies of scale is not possible (mostly simultaneous production /consumption), (Parasuraman, Zeithaml and, Berry, 1985; Zeithaml, *et al*., 2013).

Perishability: describes the inability of stocking, reserving and, giving services back (Beaven and Scotti, 1990; Edgett and Parkinson, 1993; Kotler 1994; Vargo and Lusch, 2004; Zeithaml, *et al*., 2013). According to Zeithaml *et al*., (2013), ''… services cannot be saved, stored, resold or returned'' (p. 22) (e.g., an empty seat in a flight cannot be sold another day, consultant cannot store his /her time for next meeting and similarly customer cannot return a haircut). Due to perishability, it is difficult to manage supply/demand equilibrium (e.g., if all seats are not sold for a flight, it has to leave with empty seats).

2.2 Service Quality

Service quality has been defined in various ways. Some of the most accepted and widely used definitions throughout the literature are as follows. Parasuraman, Zeithaml and Berry (1988) defined service quality as ''…the degree and direction of discrepancy between consumer's perceptions and expectations'' (p.17) and Gronroos (1984) drew attention to the customer's quality evaluation on to what extent the

perceptions from a performed service meets expectations. Parasuraman, Zeithaml and Berry (1985) used three fundamental qualities to explain service quality, as follows:

➢ the evaluation of service quality is much more difficult than the evaluation of manufactured goods quality (e.g., heterogeneity /human involvement affects the outcome of services),

➢ the perceptions of service quality is a result of a comparison between experienced service performance and their expectations,

➢ customer's assessment on quality are made both by the evaluation of the output (e.g. the core product delivered) and the process of performing /delivering the service,

Gronroos (1984) presented the idea of dividing customer perceptions of service quality /outcome into two supplementary elements as technical quality (e.g., core product /output of service provided) and functional quality (e.g., the way that product is delivered or the process of delivery). Zeithaml, Bitner and Gremler, (2013) also supported the idea of Gronroos (1984) and included one more important factor that customers taking into account when judging service quality, which is physical environment quality (e.g., tangibles of the service provided).

There are several models developed to measure /estimate customer's perceived service quality, but the most widely used one is the SERVQUAL model constructed by Parasuraman, Zeithaml and Berry after a series of studies (1985, 1988). The same researchers described the purpose of model as ''…assessing customer perceptions of

service quality in service and retailing organizations'' (Parasuraman, Zeithaml and Berry, 1988, p.12). The idea of the model is to estimate quality perceptions of customers by assessing the difference between customer perceptions and expectations. In the words of Zeithaml, Bitner and, Gremler, (2013) ''…customers do not perceive quality in unidimensional way but rather judge quality based on multiple factors…'', (p.87). Therefore, Parasuraman, Zeithaml and Berry identified five dimensions under SERVQUAL model, which are:

➢ *Reliability*: capability of the company to deliver a complete service as promised.

➢ *Responsiveness*: being eager to help the customer and rapidly respond to the customer.

➢ *Assurance*: employee's knowledge about service provided and ability to build reliance on customer.

➢ *Empathy*: paying individual attention to the customer, the firm knowing and treating its customers as individuals.

➢ *Tangibles*: visual value of physical settings, employees, furnishing and other communication equipment.

Since the SERVQUAL model developed, it has been accepted by many researchers as a measuring tool of perceived service quality in many service industries (e.g., Woodside, Frey, & Daly, 1989; Webster 1989; Fick & Ritchie, 1991).

The applicability of five factors of SERVQUAL model to different industries has been empirically tested, and the results show a need for adaptation of some factors (e.g., reliability, responsiveness, tangibles, assurance, empathy) to be applicable to different industries (e.g. Carman 1990; Asubonteng, Karl, and, John, 1987).

2.3 Customer Satisfaction

The marketing concept is based on the principle of satisfying customers. In today's era, the ultimate goal of a firm is to attain the highest level of customer satisfaction. There are several studies on the field of satisfaction /dissatisfaction. Prakash (1991) offered to evaluate dissatisfaction as in degrees or levels instead of simply expressing as dissatisfied or satisfied. On the other hand, Maute and Forrester (1993) argued on the effects of level of dissatisfaction of customer's complaint behavior, while Sinha (1993) drew attention to customer responses and the dissatisfaction level. The author argued that the dissatisfaction degree would have an effect on the amount of response (e.g., WOM and repurchase intentions). In line with these, Johnston (1998) conducted a research to reveal the link between dissatisfaction level and customer's reaction to service shortfalls /errors leading to dissatisfaction. Results from Johnston (1998) showed that there is a link between dissatisfaction level and customer response rate. As the dissatisfaction level increases, the amount of customer responses increase (e.g., telling others, stop using, complaints, trying to make others to stop using etc.). In addition, Sinha (1993) suggested that service provider firms should try to please dissatisfied customers whether they are furious or little offended, because customer problems left unresolved results in lifelong hate, carrying cases to the courts and also efforts to take revenge. Therefore, customer satisfaction is one of the most important goals of a company.

Oliver (1997), described satisfaction as ''…the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment'' (p.13). On the other hand, Zeithaml, Bitner and Gremler (2013) defines satisfaction as ''customer's evaluation of a product or service in terms of whether that product or service has met the customer's needs and expectations'' (p.80). In the service industry, customer satisfaction is an assessment of expectations fulfillment in a specific service encounter (Andreassen and Best, 1977). These 'expectations' are formed by customer's WOM communications, prior experiences, expert opinions and communications by the service provider (e.g. advertisement, price etc.), (Boulding *et al.*, 1993).

Furthermore, according to Kotler and Keller (2012), if the performance of purchased product /service falls below expectations, it results in dissatisfaction, if the performance meets expectations, customer becomes satisfied and if the performance exceeds expectations of the customer, the result is called ''delight'' (p.150) or ''highly satisfied'' (p.150).

Zeithaml *et al.* (2013) identified five factors that directly influence customer's final satisfaction judgment.

These five factors can be listed as:

➢ *Product and service features*: significantly influences the overall customer satisfaction (e.g., cabin staff attitudes /courtesy, ticket price, seat comfort, food and beverage quality, etc…).

➢ *Customer's emotions:*   mood can affect perceptions of satisfaction, good mood makes customer much tolerant (e.g., a delayed flight on your vacation does not makes you feel very bad, but a delayed flight after a bad meeting does).

➢ *Attributions for success and failure of the service:* the cause of satisfying or dissatisfying event is important for the customer and affects overall satisfaction (e.g., cancellation of a flight can make customer frustrated if the reason is provider firm, but if the reason is a storm, it does not affect customer's satisfaction about firm in a negative manner).

➢ *Customer's perceptions of equity and fairness:* customers compare the amount of payment and the treatment by the firm with other customers, if they feel they are treated worse or unequal composed to other customers, the satisfaction level falls (e.g., paying more for the same service).

➢ *Family, other customer and coworkers*: the level of satisfaction can be affected by other people besides the customer's own beliefs (e.g. a passenger can be affected by a complaining passenger).

Looking at all the findings above, there are noticeable similarities between satisfaction and quality. Also, as Zeithaml, Bitner and Gremler, (2013) noted ''…writers in the popular press tend to use the terms satisfaction and quality interchangeably'' (p.79), but satisfaction should not be considered equivalent or similar to the quality. The most distinguishing feature between two is that, satisfaction is an after purchase /consumption decision of a customer, while quality is

not (Boulding *et al.*, 1993; Oliver, 1980; Cronin and Taylor, 1994). Further, service quality is more specific (e.g., focuses on reliability, responsiveness, assurance, empathy, and tangibles dimensions of the services) whereas satisfaction is a broader concept.

Service /product quality affects customer's perceived satisfaction together with other factors that mentioned above and customer satisfaction have positive effects on customer loyalty (Zeithaml *et al.*, 2013).

2.4 Customer Loyalty

It is also known that quality affects the satisfaction perceptions of customers and satisfaction creates loyalty. Lemminks and Mattsson (2002) pointed out the favorable affects of positive employee behavior and the feeling of warmth's positively effects the quality perceptions of customers. The ultimate goal of marketing and marketers is to achieve a high level of customer satisfaction to enhance the relationship with customers. As proposed by many scholars, repeat customers are the most profitable group for companies (e.g. Reichheld and Sesser, 1990). Furthermore, as the relationship over time increases, profit increases.

Loyalty refers to the continuous and repeated purchase intentions of a product or service by committed customers (Oliver *et al.*, 1997; Suk *et al., 2009*). Chaudhuri and Holbrook (2001) identified customers as having ''behavioral loyalty'' and ''attitudinal loyalty'', where behavioral loyalty covers a customer's purchase intensity and repetitions, and attitudinal loyalty covers customer's will to stay in the relationship with the provider (Rod and Ashill, 2010).

Loyal customers are the backbone of businesses. A study by Reichheld and Sasser (1990) clearly highlights the reasons. According to the authors, data from the bank industry shows that credit card customers cost money for the company for the first year, however, they offer significant surplus to company's profits if they stay five year or more. Also according to Mittal and Lasser (1998), loyal customers offer higher profits and require less marketing costs for firms. In addition, attracting new customer is five times more costly than keeping existing ones (Thwaites and Williams, 2006). Benefits of loyal customers are vital for businesses. Swanson and Kelly (2001b) drew attention to the positive effects on employees (e.g., loyal customers need less time and they are familiar with firm's standards /operations), on the other hand Cranage (2004) mentioned loyal customer's positive effects on the company due to favorable WOM. In addition, according to Berry and Parasuraman (1992) service organizations should make use of service failures to please and satisfy their customers. Likewise, Oliver (1997), Michel (2001) and Hart *et al.,* (1990) noted that handled service recovery process effectively will even create greater customer loyalty than a customer holds who had a positive encounter by the first time. This fact is named as ''service recovery paradox'' (Zeithaml *et al.*, 2013, p.184). Furthermore, Norris and Colgate (2001) demonstrated that, sometimes loyal customers may stay if the recovery process is not good enough by relying on their previous relationship with the provider. However, according to the same researchers, sometimes failures are strong enough that customers leave regardless of anything (e.g., service recovery) (Norris and Colgate 2001). It is argued that, the key variable in building strong relationships in marketing is trust (Weun *et al.*, 2004; Morgan and Hunt, 1994; Rod and Ashill, 2010; Singh and Sirdeshmukh, 2000). However, on the other hand, it is also known that there is a strong relationship between quality

perceptions and customer loyalty (Boulding *et al.*, 1993; Anderson and Sullivan, 1993). Moreover, according to the service recovery literature a successful recovery effort can enhance customer loyalty (Zeithaml *et al.*, 2013; Oliver, 1997; Kelly *et al.*, 1993; Bitner *et al.*, 1990; Michel, 2001; Morrisson and Huppertz, 2010).

Since the main subject of this research is service failure and recovery, customer loyalty will be discussed in detail in the following section. The focus will be on the effects of service recovery on customer's relationship with the provider.

2.5 Service Failure

Service failures are unwanted defects but they are inevitable. Maxham (2011) described service failures as ''any service related mishaps or problems (real and/or perceived) that occur during a customer's experience with the firm'' (p.16). Service failures can happen both during the process of service delivery (i.e., process failure), (Smith, Bolton, Wagner, 1999; Stauss, 2002; Gronroos, 1988) and as a result of delivery process (i.e., outcome failure), (Stauss, 2002; Bitner *et al.*, 1990). It can be seen at any time when customer's expectations are higher than their experiences while dealing in any services industry sector (Michel, 2001).

It is almost impossible to eliminate the errors in service industry due to the unique nature of services (Hart, Heskett and, Sasser, 1990). Bitner, Booms and Tetreault (1990) underlined some possible errors during service interactions, as poor service (e.g., experience below the expectation), delays (e.g., late or too slow), and other core failures (e.g., incorrect outcomes, rude and uncaring employees). Several others conducted studies that seek to minimize the occurrence of service failures. Bitner (1990) suggested that the probability of service failure decreases in well organized

service environments. Further, Sparks, Bradley and Callan (1997) suggest that employee empowerment and a convenient communication style also reduce the probability of failures. On the other hand, Weun et al. (2004) and Smith et al. (1999) expanded the service failure literature by evaluating failures not as type but as degree /magnitude /severity. But in general, different researchers categorize service failures on a different basis. Bitner, Booms and Tetreault (1990) categorized service failures under three main groups as: system failures while delivering the service (e.g., poor service, delays), customer's requests beyond the standard service (e.g., responses to special customer desires), and unattractive employee attitude (e.g., being rude to the customer). Another study by Kelly, Hoffman and Davis (1993), has added product and policy failures to first group. Bitner, Booms and Mohr (1994) expanded their previous research (1990) and evaluated the failures from the viewpoint of employees to be fair, and they added a new group called ''problem customer behavior'', which addresses issues like drunkenness, verbal abuse, physical abuse, failure to comply to company's rules, and difficult customers. The reason was that previously surveyed customers did not feel guilty for service failures. Further, Johnston (1994) has divided and linked the sources of service failures into two factors: organization and customers. Additionally, Armistead, Clark and Stanley (1993) extended this study by adding one more factor which is organizational associated errors (e.g., restaurant department on strike). In addition, according to Armistead *et al.* (1993) service failures happen because of the faults of the customer itself, service provider, or related organization which customer is experiencing.

Once a failure occurs, it leads to different consequences. According to Zeithaml, Bitner and Gremler (2013) customers are affected emotionally in a way of changes in mood such as: remorse, boredom, frustration, displeasure and dissatisfaction. Smith

and Bolton (2002) also examined the customer emotional responses to failures and emotion's influences on recovery effort and satisfaction evaluations. Researchers found that, customers who are affected emotionally (in a negative way) from service failure are less satisfied with the recovery experience. According to the authors, fixing emotionally effected customer is much harder than for unaffected customers (Smith and Bolton, 2002).

Furthermore, Zeithaml *et al.* (2013) added a critical point which most of the customers are not telling their problems and they simply leave /switch the company. According to the Zeithaml *et al.* (2013), customers who do not tell about failures to the company, have a very little chance to repeat the purchase. ''Service failures left unfixed can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through customer rights organizations or legal channels'' (Zeithaml, Bitner and Gremler, 2013, p.181). Other harmful consequences of service failures are dissatisfaction, decline in confidence (Tronvoll, 2011; Miller *et al.* 2000) increased cost (e.g. redoing the service), loss of revenues and decreased employee morale (Komunda, Osarenkhoe, 2012).

Accordingly, a customer's final response to service failures is either to stay or exit (Colgate and, Norris, 2001). The way the firm responded (i.e., attempted a recovery or not attempted) and other factors (e.g., severity /magnitude of failure, emotional harm failure caused, respond time etc.) affects the final decision of the customers. As emphasized by Zeithaml *et al.* (2013), customer satisfaction which leads to repeat purchases and increased earnings for the firms is critically important. Additionally, according to Hart, Heskett, and, Sasser (1990) companies that fail to satisfy their customers will be left with no one to please.

2.5.1 Severity of the Service Failure

The recovery literature has been investigating the importance and severity of the service failure (SSFAIL). Weun, Beatty and Jones (2004), describes SSFAIL as ''…customer's perceived intensity of a problem'' (p.135). The same researchers drew attention to the opposite relation between the SSFAIL and post recovery satisfaction (RECOSAT). The greater the SSFAIL lowers the post RECOSAT. However, several other researchers revealed that satisfied recovery experience after a service failure do not always aid customer retention, WOM intentions, trust and overall customer satisfaction in a positive manner (Tax and Chandrashekaran, 1992; Jones and Sasser, 1995). Moreover, other researchers are supporting the idea of the greater the SSFAIL will increase the level of dissatisfaction with the recovery (Mattila, 1999; Magnini, Ford, Markowski and, Honeycutt, 2007; Smith and Bolton, 1998; Webster and Sundarman, 1998; Hoffman *et al.*, 1995).

McCollough (2009) suggested that ''…a three-hour delay for an airline passenger generally would be expected to lead a greater dissatisfaction than a thirty minute delay'' (p.91). Also, according to the same researcher, a customer who is experiencing a bad encounter could demand an apology or redress to return back to state of satisfaction depending on the type of damage that failure caused. Researchers also found that the SSFAIL plays an important role on post RECOSAT (Andreassen, 1999). To understand the effects of SSFAIL, Mattila (1999) introduced the concept of criticality (e.g., the amount or perceived harm that a delayed flight caused for a customer or the criticality of departure on time for the customer). Additionally, according to McCollough (2009) the objective damage of a failure (e.g., two hour delay of the flight), and the perceived harm (e.g. two hour delay of the flight cause to miss an important meeting) is different from each other depending on criticality (e.g.,

same delay causes different consequences). Further, Magnini *et al.*, (2007) examined the relationship between the SSFAIL and recovery paradox. The result showed that, the recovery paradox was least likely if the severity level of failure is perceived as less critical by customers. Mattila (1999) also supported this idea. Additionally, several studies revealed that, it is harder to manage an effective recovery process (i.e., satisfactory recovery without any destructive outcomes like negative WOM and defections), if the failure perceived as important by the customer (Smith and Bolton, 1998; Levesque and McDougall, 2000; Smith *et al.,* 1999).

On the other hand, Dutta *et al.* (2007) found a relation between the perceived seriousness of a failure and the complaint behavior. According to their research in restaurants, as perceived seriousness of   failure gets stronger, customers are more likely to complain (Dutta, Venkatesh and Parsa, 2007).

2.6 Service Recovery

Researchers studied service recovery from different angles by measuring different variables. Several researchers have identified the critical events leading to service recovery (Swanson and Kelley, 2001a; Seawright *et al.* 2008) others identified the outcomes of the recovery process (Levesque and McDoughall, 2000; Andreassen 1999). Davidow (2000) examined the impact of six organizational response dimensions (i.e., timeliness, apology, redress, facilitation, credibility and attentiveness) on satisfaction, WOM intentions and repurchase intentions, Bradley and Sparks (2012) investigated the effects of explanation type (e.g., excuses, justifications, referential accounts and apology) on customer satisfaction with the recovery effort, whereas Bitner *et al.* (1990) proved the significant impact of redress, problem acknowledgement, explanations and employee responses on the customer

satisfaction. Further, Smith and Bolton (2002) conducted an empirical study in order to understand the customer's emotional responses to service failures and their effects on recovery evaluations and satisfaction assessments, Chebat and Slusarczyk (2005) examined the effects of perceived justice on customer retention efforts and emotions on customer behavioral responses to failure recovery (e.g., exit /stay). In addition Morrisson and Huppertz (2010) studied recovering loyalty program members and its effect on external equity where they uncovered a strong relationship between external equity /inequity and satisfaction /dissatisfaction with recovery effort, while Blodgett (1994) worked on the influences of perceived justice on WOM and loyalty (i.e., repurchase intentions) in the recovery process. Moreover, Bolfing (1989) examined the impact of responsiveness of provider on WOM intention and complaint behavior in the recovery process. McCollough, Berry and Yadav (2000) studied the service recovery's influences on satisfaction from the perspective of perceived justice and they uncovered the positive effects of interactional and distributive justice on post RECOSAT. Maxham III and Netemeyer (2002) examined the effects of perceived justice on customer satisfaction and behavioral intention. Others have focused on measuring the recovery satisfaction perceptions based on equity theory (Blodgett, Wakefield and Barnes, 1995; Tax *et al.* 1998; Lapidus and Pinkerton, 1995). Furthermore, using other aspects Mount and Mattila (2000) assessed the impact of compensation on repurchase intentions, Wong (2004) examined the influence of cultural context of customers on their recovery expectations and perceptions, Bhandri, Tsarenko and Polonsky (2007) proposed a multi dimensional approach to measure service recovery efforts and to outline customer expectations when service fails. Moreover, Cranage (2004) offered a framework to recover right, minimize service failures and improve future service delivery. Mattila (2001) examined the

validity of service recovery strategies on multiple service industries (i.e., hair styling, dry-cleaning and restaurants) within a single research, Colgate and Norris (2001) studied on behavioral responses (i.e., exit /retention) of customer following a failure and recovery situation, Wirtz and Mattila (2004) examined the combined effect of three types of fairness (i.e., interactional, distributive and procedural justice) on customer's evaluation of recovery effort and their following behavioral intentions (i.e., WOM behavior and repurchase intentions). On the other hand, Johnston (1998) and Davidow (2003) drew attention to service recovery's multi dimensional structure. Additionally, Boshoff (1999, 2005) offered RECOVSAT as a multi dimensional measuring tool for post recovery satisfaction. In addition, Johnston and Michel (2008) evaluated the influences of three outcomes of service recovery (i.e., customer recovery, process recovery and employee recovery) on financial performance. McCollough (2009) examined the effects of SSFAIL and recovery performance on post recovery satisfaction. Hoffman *et al.* (1995) conducted a research to identify the failure types, recovery strategy necessary regarding the magnitude of failure and failure type and recovery strategies used by provider to aid the failure and also to assess repurchase intentions of customers in the restaurant industry. Additionally, examination of the ease of complaint process (i.e., number of organizational level customer needs to deal with) and its effects on satisfaction, repurchase and WOM intentions have been studied by Davidow and Leigh (1998). Leroy *et al.* (2011) examined the role of front line staff in recovering a failure and revealed the importance of empowerment in service recovery, in addition to this Boshoff and Leong (1998) evaluated the effects of empowerment, apology and acknowledgement of the service failure (i.e., bearing the blame) on customer satisfaction.

Previous studies examined the failure recovery issue from a variety of dimensions. Mostly satisfaction, WOM and repurchase intention have been studied. As Lewis and McCann (2004, p.7) suggested ''…information is sought on what problems are experienced, how they are dealt with, and how satisfied the customers are with the handling of their problems''. On the other hand Smith, Bolton and Wagner explained the situation as ''although service recovery is recognized by researchers and managers as a critical element of customer service strategy, there are few theoretical or empirical studies of service failure and recovery issue'' (1999, p.256). Further, according to Dellande (1995) ''…to a much lesser extent, researchers have focused on issue of redress, or the firm's response to customer complaints'' (p.23).

Lewis and McCann (2004) examined the problems faced (i.e., service failures), how they are resolved (i.e., service recovery), the contentment (i.e., satisfaction) of the hotel customers with addressing their problems and customer's behavioral intentions (i.e., WOM intentions and repurchase intentions) following a failure and recovery situation. On the other hand, Dutta, Venkatesh and Parsa (2007) conducted a similar research in the restaurant industry and Steyn *et al.* (2011) conducted a similar research in airline industry with only identifying the effects of service recovery on WOM intentions and relations between the provider and customer following a failure recovery situation.

The idea of fixing a service failure was first taken into account by Andreasen and Best (1977). This idea was described by Gronroos (1990) as ''those activities in which a company engages to address a customer complaint regarding a perceived service failure'' (Gronroos, 1990, p. 7). Further Miller, Craighead, and Karwan (2000) described service recovery as "those actions designed to resolve problems,

alter negative attitudes of dissatisfied customers and to ultimately retain these customers" (p.388). Service recovery is also defined by Johnston (1994) as to "seek out and deal with service failures" (Johnston, 1994, p.422) whereas "seeking out" emphasizes and differentiates recovery from dealing with complaints of unhappy customers.

Service recovery has important positive effects on satisfaction, positive word of mouth (WOM), repeat purchase intentions of customers (loyalty) which has significant effects on profitability and other financial measures (Zeithaml, Bitner and, Gremler, 2013). Furthermore, an accomplished recovery task improves customer retention rates, commitment /trust to the company (Pina e Cunha, Rego and Kamoche, 2009; Morgan and Hunt, 1994) and can enhance quality perceptions of the service (Michel, Bowen and Johnston, 2009).   Additionally, effective recovery strategies can provide information from complainers to cultivate the main service effort and quality (Zeithaml, Bitner and, Gremler, 2013).

Hulmlund and Kock (1996) drew attention to the rising popularity of service recovery among service firms based on the evidences from previous studies. Reichheld and Sasser (1990) emphasized that the surprising effects of losing a customer on financial performance of the companies that should not be underestimated, because firms can almost double their profit by retaining only 5% more customers. Further, authors showed the positive correlation between the profits and extended relations with customers (Reichheld and Sasser, 1990). Moreover many researchers also point to the positive effects of a successful service recovery on extending the customer relationship with the company (i.e., loyalty) (e.g., Kelly, Hoffman and, Davis, 1993; Bitner, Booms and Tetreaults 1990; Michel, 2001) and

also have significant effect on employee satisfaction (Tax and Brown, 1998). Further Komunda and Osarenkhoe (2012) proved a significant correlation between post recovery satisfaction, customer loyalty and WOM intensions.

In addition to the above, according to Michel (2001), a successful service recovery effort can switch unhappy customers to satisfied ones. However, taking advantages of successful service recovery depends on several factors such as the service itself /industry (e.g., healthcare, insurance, education, airline, etc.), (Mattila, 2001), the purpose of purchase (e.g., flight for an important meeting or flight for a holiday) (McDougall and Levesque, 1999), the sort of the failure issue (e.g., service quality below the expectations, rude or uncaring employees, slow service, physical loss, emotional hurt etc.), (McDougall and Levesque 1999), the swiftness of recovery efforts corresponding to failure (e.g., the amount of time elapsed between the failure and recovery), (Boshoff, 1997), the criticality factor /magnitude of failure (Mattila, 1999; Kelley *et al.*, 1993; Smith *et al.,* 1999; Michel, 2001; Mattila, 2001), (e.g., consequences, importance and harm of delay on flight for the customer /see Severity of Service Failure /SSFAIL), customers' previous experience with the company (e.g., is it the first time that the customer facing the failure or it is repeated by the company) (Tax *et al.,* 1998), and service recovery expectations (e.g. what kind of tool desired by the customer to return the state of satisfaction, what they expect and get) (Miller *et al.,*2000).

On the other hand, recovery efforts can be unsatisfactory, failed or not attempted at all, which leads to lower customer satisfaction. For instance, slow responses to customer complaints leads to negative feelings regarding customer's emotions (Chebat and Slusarczyk, 2005). Further, according to Zeithaml, Bitner and Gremler,

(2013, p.183) ''Poor recovery following a bad service experience creates, in effect, two poor experiences and can lead very dissatisfied customers that they actively pursue opportunities to openly criticize the company''. Recovering from a failure is often a challenging task and almost two third of the customers are not happy by the end of this experience (Zeithaml, Berry and Parasuraman, 1990). And even the amount of customers who are receiving no response in return to the complaint action is almost the same (i.e., two third of the complaining customers not provided with a recovery) (Zeithaml, Bitner and Gremler, 2013). Failing recovery leads to customer defections and unfavorable WOM (Bailey, 1994; Edvardsson, 1992). In addition Reichheld and Sasser (1990) noted the undesirable effects of losing a customer on bottom line performance and same researchers also emphasized the importance of recovery as, ''…simply cutting defections in half will more than double the average company's growth rate'' (p.108).

As Colgate and Norris (2001) stated, when customers encounter a failure, customers either stay or exit. It is possible to retain the customer via effective recovery strategies and even sometimes with stronger ties created in the relationship (i.e., recovery paradox). It is important to well understand the expectations and sentimental conditions of the customers who are experiencing a service failure. In service industry, if the exchange is not balanced in the customer's viewpoint (e.g., payment is not worth the value obtained for the customer) they get hurt emotionally as well. As Berry Parasuraman and Zeithaml (1994) say ''…the intangibility of services heightens customer's sensitivity to fairness'' (p.40). Therefore, it is also important to consider fair treatment when recovering customer's problem (Chebat and Slusarczyk, 2005).

Smith and Bolton (2002) examined the affects of customer emotions on their evaluations of recovery efforts. Researchers suggested that the customers who are affected emotionally (negatively) from service failure require more effective recovery strategies. Emotionally hurt customers may respond in different ways to various recovery strategies while evaluating the service. Emotionally affected customers (in a negative manner) ranks distributive justice very important when evaluating the recovery effort and interactional justice less important based on the data collected from hospitality industry (hotels and restaurants). In other words, emotionally affected customers expecting ''…distributive gains (i.e., discounts, vouchers, etc.), so recovery efforts must focus on improving the outcome from the customers' view'' (Smith and Bolton, 2002, p.19). Their research was focusing on hotels and restaurants. Researchers also pointed out that customer's responses to type of recovery strategy can vary among different industries, type of failure (Smith and Bolton, 2002) and cultural values (Morrisson and Huppertz, 2010). Nevertheless, Duffy, Miller and Bexley (2006) mentioned the outcome dimension of service recovery. Accordingly, the ''what'' (p.86) and ''how'' (p.86) factors of recovery defined as: what customer receives /outcome dimension and how recovery performed /process dimension. Service purchasers show intent in the outcome dimension if the failure is not present, but they are interested in the process dimension in the recovery process (Duffy, Miller and Bexley, 2006; Bunker and Bradley, 2007). However, this may also depend on the service itself (e.g., airlines, healthcare, consulting etc.).

As it is mentioned above, the ''how'' factor becomes more important for the customer in the recovery process. Moreover, distributive justice does not have a direct impact on exit or stay behavior, instead, it affects emotions. As Chebat and Slusarczyk (2005) concluded, customer's emotions are affected by distributive

justice and ''…justice affects customer loyalty through emotions'' (p.670). Customer's emotional feelings are very important in the process because emotions can lead the customer to leave or stay loyal. Considering distributive justice in the recovery process is very important since it mediates the emotions. However, it is the interactional justice that affects both emotional and behavioral intentions. Accordingly interactional justice has direct and mediating impact through emotions on customer's final decision (i.e., stay or exit) (Chebat and Slusarczyk, 2005). Same researchers also stressed the importance of timeliness (e.g., company response time to a failure) on the emotional state of customers.

Not surprisingly studies on airline industry support the importance of timely intervention and explanation in the recovery process. Generally airline customers expect explanation following a service failure. Based on previous studies on the airline industry, explanation is desired by customers who are experiencing a service failure (McColl-Kennedy and Sparks, 2003). Additionally, results by Steyn *et al.* (2011), find that satisfied customers attribute their satisfaction to being informed about what went wrong. Also, dissatisfied customers report their desire for an explanation about the failure to return to a state of satisfaction (Steyn *et al.,* 2011). It is clear that, airline passengers who are experiencing a failure want to have updated information about the situation on timely basis.

According to Bradley and Sparks (2012) there are moderator and mediator factors that affect the explanation evaluation of customer. These mediators are attributions of the failure (i.e., does the provider firm responsible for the occurrence of the failure or not) and justice perceptions (Bradley and Sparks, 2012). The attributions of service failures play important role on customer satisfaction perceptions. If customer

attributes the failure to external uncontrollable factors (e.g., earthquake, storm etc.), they tend not to feel negative about the firm (Zeithaml, Bitner and Gremler, 2013). The moderators are severity of service failure, other recovery strategies (e.g., compensation) and quality of explanations (e.g., informative, clear, honest, truthful) (Bradley and Sparks, 2012). Still in any kind of failure situation, quick responses, proper communication and fair treatment should be adopted by the firm to fix the customer.

Once the failure occurs and complaints takes place, customers wish to receive fair treatment from provider firm. According to Tax and Brown (1998), customers look for three types of justice following a complaint behavior in the recovery process (Tax and Brown, 1998):

- ➤ *Outcome /distributive fairness*: what customer receives following to his /her complaint. The balance between customer's loss and gain (i.e., discount, vouchers, rebate).

- ➤ *Procedural fairness*: ease and timeliness of the complaint process. The ways how things are done /procedures (i.e., customers want quick response and easy access to complaint process, time that company needs to respond to complain).

- ➤ *Interactional fairness:* provider's attitudes toward customer in the recovery process /communication style (i.e., honesty, politeness, care etc.).

It is also suggested by several researchers that the post recovery satisfaction of a customer is affected by the fairness perception of the customer (Goodwin and Ross, 1992; Smith and Bolton, 1998; Folger and Cropanzano, 1998; McColl-Kennedy and Sparks, 2003; Tax, Brown and Chandrashekaran, 1998).

2.6.1 Service Recovery Strategies

An effective recovery strategy is essential for organizations to maintain customer retention by resolving the failure (Berry and Parasuraman, 1992). Several researchers have identified different methods to recover from the service failure. Levesque and McDougall (2000); Davidow (2000); Bitner, Booms and Tetreault (1990); Tax *et al.*(1998); Conlon and Murray (1996); Kelley, Hoffman and Davis (1993); Lewis and Spyrakopoluos (2001); Johnston (1994); Hoffman *et al* (1995); and Miller *et al.*(2000) break down the recovery methods into several categories as: Explanation (e.g., a, detailed explanation of why service failure has occurred), apology (e.g., a verbal way for service provider for expressing the remorse), assistance (e.g., service providers' support to a customer in response to service failure such as remaking the service), compensation (e.g., pay-back to customer for the failures which is not possible to resolved by the other means), correction (e.g., repairing the failed point of the service), empathy (e.g., feeling in the same way that customer feels), follow-up (e.g., showing the desire on recovering the fail), acknowledgement (e.g., service provider's acceptance of the cause of error associated to the company), exceptional treatments (e.g., providing extraordinary care /service to the customer) and managerial intervention (e.g., participation of middle /senior management in the recovery process). Some researchers believe in the benefits of managerial interventions (Kelley *et al.,* 1993; Hoffman *et al.,* 1995) while others believe in the effectiveness of front-line staff in handling the recovery process (e.g., frontline

employee can quickly respond the failure situation, also empowerment of front line employee reduces the organizational level that customer need to interact, whereby interactional justice perceptions of customer effected in a good manner), (Miller *et al.*, 2000; Lewis and Spyrakopoulos, 2001).

Moreover Miller, Craighead and, Karwan (2000) divided service recovery strategies into two: mental recovery and physical recovery. Mental recovery attempts to solve psychological dissatisfaction (e.g., apology and explanation), and physical recovery tries to resolve the objective /physical loss of customer (e.g., compensation and assistance).

2.7 Airline Industry

In this study, airline customers are targeted, therefore a review of this industry is provided in the next section.

2.7.1 Service Quality in Airlines

Deregulation and increased quality awareness of airline passengers heated up the competition in the airline industry. Thus ''… understanding, maintaining and improving quality are the main concerns of airlines today'' (Chou *et al.*, 2011, p.2117). According to Butler and Keller (1992), the only way to truly define service quality in the airline industry is to ask to consumer.

Many researchers surveyed airline passengers to measure quality in the industry to seek for improvements. In addition, the importance of improving service quality has been proven by previous research in the airline industry (e.g., Weiser, 1995; Carlzon, 1987). The effects of service quality have been examined. The relationship between service quality and choice of airline (Ritchie, Johnston, and Johns, 1980; Etherington

and Var, 1984; Wells and Richey, 1996), quality and customer satisfaction (Alotaibi, 1992), quality and customer loyalty (Ostrowski, O'Brien, and Gordon, 1993; Young, Lawrence, and Lee, 1994), quality and passenger type /diversity (Alotaibi, 1992), quality and airline type (Jones and Cocke, 1981), quality and airline class (Alotaibi, 1992), and quality and type of aircraft and productivity (Truitt, and Haynes, 1994) have been studied. Further, Chang and Yeh (2002) suggested that the competitive advantage comes from customer perceived quality in the airline industry. Moreover, several researchers measured service quality based on some attributes like on-time luggage transport, food and beverage quality, seat comfort, check-in process, convenience of transit, seat cleanness, on-time arrival, mishandled luggage and airline safety (Elliot and Roach, 1993; Ostrowski *et.al*, 1993; Truitt, and Haynes, 1994; Bowen and Headley, 2000).

Boshoff's SERVQUAL (a multi-dimensional perceived quality measurement tool) model has gained acceptability as a valid and dependable tool in measuring service quality in the airline industry (e.g., Gilbert and Wong, 2003; Park and Robertson, 2004). Sultan and Simpson (2000) using SERVQUAL found reliability (e.g., keeping promises and providing a complete service) as being the most important factor among airline passengers. In another study, Clifford *et al.* (1994) identified reliability as the most effective influencer of satisfaction among airline passengers using SERVQUAL.

2.7.2 Customer Satisfaction and Loyalty in Airlines

Anderson, Pearo, and Widener (2008) has divided attributes that form the customer's overall satisfaction in the airline industry into two, as core service elements (e.g., the main service, flight and the timeliness) and peripheral service elements (e.g., food quality, interaction quality with cabin staff, and availability of personal space). They

also concluded that individual characteristics (e.g., income, age, flight class, and gender) have moderating effects on perceived satisfaction, which addresses an issue that "satisfaction is not formed homogenously" (Ringle e*t. al.,* 2011, p.459). According to Gronroos, (1984), "an airline's passengers' contacts with the employee, physical and technical resources, such as the check-in desk, plane itself, meals and with other passengers" (p.38), affect satisfaction level.

Several studies in the literature focused on airline passenger satisfaction. Different researchers used different measures to examine airline passenger satisfaction. Myungsook and Yonghwi (2009) conducted a research examining the impact of in-flight service quality on customer satisfaction, while Ringle, Sarstedt and Zimmerman (2011) discussed the role of travel purpose (e.g., business or holiday) and perceived safety on customer satisfaction with commercial airlines.

In their study, Steyn *et al.* (2011) revealed that airline passengers needed proper explanation and a better service in response to service failure to return to the state of satisfaction. Jones and Sesser (1995) also argued the importance of achieving higher level of customer satisfaction in the competitive environment of airline.

The literature has several studies examining customer loyalty in the airline industry. Curry and Gao (2012) examined the relationship between service quality, customer satisfaction and loyalty in airlines where the focus was on low cost airlines. On the other hand, Myungsook and Yonghwi (2009) studied the impact of in-fight service quality on airline customer loyalty, while Steyn *et al.* (2011) examined passenger's willingness on recommending the airlines after a service recovery, and deCoverly *et*

al. (2002) examined the effects of service recovery on loyalty, retention and profitability.

2.7.3 Service Failure and Recovery in Airlines

Failures in services especially in high touch services like airlines are common. Similar to other industries, failures in airline industry occur when expectations of service users are shaped by commercials, reason of purchasing the service /individual wants, former experiences (Parasuraman, Zeithaml and Berry, 1985) and the image of the company (Gronroos, 1988) are failed to be satisfied by the provider (Michel, 2001).

Even though very limited research is available in service failure and recovery in the airline industry, service failures have been identified by Bamford and Xystouri (2005). They identified 14 different types of failures based on the information from passenger complaints. There were delays, cancellations and diversion of flight, attitudes of ground personnel (e.g., rudeness, uncaring, etc.), and strikes. These were followed by problems in reservations, overbooking, mishaps during flight, lack of facilities, downgrades (e.g., from the prior experience with the provider company), beverage and food, cabin staff attitude, and uncomfortable seats. Another study focusing on business travelers revealed uncomfortable seating, overcrowding and noisy children as critical incidents (Gilbert and Morris, 1995). Edvardsson (1992) using the Critical Incident Technique (CIT) formed two main failure groups in airline industry. The first group is called *Air transportation* (e.g., the encounters in the airport and in the plane), and had subgroup such as delays, canceled flights, damaged /delayed luggage, overbooking and others. The second group, called *ground transportation,* includes failures in the airport transportation services (e.g., late /delayed airport taxi /busses). Edvardsson (1992) also revealed that the most common

negative failure are delays followed by flight cancellation, which results in customer dissatisfaction and damaged relations if timely and accurate and truthful information is not given about the reason for the service failure. Steyn *et al.* (2011) also identified the most common failure type as delays in flights followed by poor service and lost luggage.

The benefits of successful recovery action (i.e., positive WOM, loyalty, customer satisfaction and company financials) have already been discussed in detail. The research in airlines also emphasized the importance of service recovery efforts in the airline industry, which is a complicated service industry and highly affected by external factors (i.e., weather, strike, etc.), (Jones and Sesser, 1995).

In order for the recovery process to take place, a customer who is experiencing the failure should complain (e.g., Hart, Heskett, and Sasser, 1990). According to Weiser (1995) ''...%50 of those who choose not to tell the airline about their experience defected to other airlines, the vast majority of those customers with problems who did conduct to someone at British Airways -%87- did not defect'' (p.113) after experiencing a service recovery (1995).

There are several studies in airline industry which examined the complaint behavior of customers (i.e., Rakowski and Bejou, 1996; Weiser 1995). McCollough (2009) examined the effects of SSFAIL, perceived harm that the service failure caused, and the recovery performance on post recovery satisfaction within the airline industry. Others investigated the affects of service recovery on satisfaction and loyalty (Chang and Chang, 2010) loyalty by investigating passenger's willingness to recommend the airline, and also their relationship status after failure recovery (Steyn *et al.*, 2011),

satisfaction, loyalty and customer retention (deCoverly *et al.*, 2002), and satisfaction (McCollough, Berry and Yadav, 2000).

According to Weiser (1999), each unit of investment in British Airways made to service recovery, pays twice as much (Weiser, 1999). British Airways example emphasized the importance of the customer retention via service recovery.

One of the objectives of airlines in developing recovery strategies is to overcome dissatisfaction, minimize exit behavior /defections and strengthen the relationship with the customer (Christopher, Payne, and Ballantyne, 2002). According to Steyn *et al.* (2011) customer who complained might receive no response, be offered an explanation, be offered vouchers and discounts, be booked on the next flight and receive an apology. According to Steyn *et al.*'s study (2011) majority of the complainers receive no response from the provider. Therefore, it is important to investigate to whom the customers have complained and whether the information reaches the customer relations department, (e.g. Championing the Customer, Weiser, 1995) for future research.

Lorenzoni and Lewis (2004) identified the responses of British and Italian front line employees to failures as verbal actions taken, (which includes: explanation, conversation and apology), and physical actions taken like (which includes: change of arrangement, extraordinary employee behavior, on the spot recovery, follow up and overall gestalt behavior and referral to others (i.e., supervisors /other employees)).

The most common type of service failures in the airline industry are delays and cancellations (Bamford and Xystouri, 2005; Edvardsson, 1992). Both studies showed that customers expected an explanation about the cause of delays and timely information about the failure with an apology to not end up with dissatisfaction. In the British Airways study, it is found that four recovery strategies to retain customers and overcome the dissatisfaction can be used. The first step is to ''apologize and owning up to the problem'' (p.114) (e.g. it is not important for the customer who is responsible from the fault, they just want an apology), second one is ''doing it quickly'' (p.114), (i.e. according to BA the time between the complaint and recovery efforts should be within 72 hours at most), third one is ''assuring the customer that the problem is being fixed'' (p.114), (i.e., giving the customer a confidence that their problem will solved) and finally ''doing it by the phone'' (p.115), (e.g., according to BA customers pleased when receives call from customer relations department), (Weiser, 1995).

The literature is scarce of service recovery and failure research in the airline industry. The aims of this study are to uncover the most common types of service failures, understand how those failures are resolved (identify the recovery strategy used), measure the overall satisfaction of passengers after recovery and also customer loyalty by determining their behavioral intentions following a failure recovery situation (i.e., WOM and repurchase intentions) in the airline industry and uncover whether their relationship state has strengthened or weakened.

2.8 The Hypothesis and Research Questions of the Study

In order to achieve the aims of the study the following research questions are asked.

1. What are the most common failures types experienced by passengers when flying to and/ or from TRNC Ercan Airport?

2. What strategies are used by airlines flying to and/or from Ercan Airport to address service failures?

3. What do customers expect following a service failure and complaint behavior?

4. Do the speed of the service recovery and the severity of the failure influence the post service recovery satisfaction?

5. Does post service recovery satisfaction have an effect on loyalty?

According to the research questions and purpose of the study, the following hypotheses will be tested:

H1: There is a negative relationship between time required to solve a problem and post service recovery satisfaction.

H2: There is a negative relationship between severity of failure and satisfaction with the recovery.

H3: There is a positive association between post service recovery satisfaction and overall satisfaction.

H4: There is a positive association between overall satisfaction and positive WOM intentions

H5: There is a positive association between overall satisfaction and repurchase intentions.

Chapter 3

METHODOLOGY

The study collected primary data by using established measures from numerous studies. A questionnaire has been designed from reviewing the service recovery literature. The failure types that are used in this study were identified by Bamford and Xystouri (2005) and Edvardsson (1992). The recovery strategies used are taken from Steyn *et al.*, (2011). Recovery satisfaction, overall satisfaction and behavioral intentions are measured by following studies of Mattila, (2001), Lewis and McCann (2004), Maxham III and Netemeyer (2002), Davidow (2000) and Edvardsson (1992). For this study, 420 questionnaires were distributed to the airline passengers at the TRNC Ercan Airport Passenger Waiting lounge. Ercan has been chosen because it is the only airport in TRNC. Sample of the study involves any passenger that flew to or from Ercan Airport, experienced a service failure and complained. The collected data is analyzed using Statistical Program for Social Sciences (SPSS) software package.

3.1 Questionnaire Development and Survey Instruments

The questionnaire consists of thirty eight items and four sections. The *first section* is composed of 13 items of service failures. Item 1 asks passengers whether they had any problems while travelling to or from Ercan airport. The next 12 items listed critical incidents which ware identified by the studies of Bamford and Xystouri (2005) and Edvardsson (1992). For this section respondents were asked to tick the encountered failure(s).

Section two, which is about service recovery, is composed of 11 items. Respondents were asked whether or not the service provider tried to recover. Respondents who experienced a service recovery would then indicate recovery strategies (obtained from Steyn *et al.* study, 2011) used by the service provider. On other hand, respondents who reported that they did not get a recovery after their complaint, were asked to indicate the recovery strategies that they had expected to receive (as obtained from Steyn *et al.*, 2011).

Section three is designed to measure the satisfaction with the recovery process, magnitude of service failure, overall satisfaction and customer loyalty (repurchase and WOM intentions). This section is composed of 9 items. Respondents would indicate their level of agreement with the 9 statements by using a five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The statement used to measure the time taken to recovery is adopted from Mattila, 2001 and Lewis and McCann (2004). Satisfaction with the recovery process measured with as taken from Mattila (2001) and Maxham III and Netemeyer (2002).

The statement used to measure severity of the service failure was adapted from Mattila (2001).

The overall satisfaction after a service failure and recovery were adopted from Davidow (2000).

Customer loyalty is measured by behavioral (both repurchase and WOM) intentions of respondents. The repurchase intentions are measured by using two statements

which were obtained from Lewis and McCann (2004), Maxham III and Netemeyer (2002) and Mattila (2001). WOM intentions are measured with two statements that are adopted from Lewis and McCann (2004) and Mattila (2001).

Lastly, respondents were asked to indicate whether their relationship with the service provider has changed after the service recovery experience (adapted from Edvardsson, 1992).

Finally in *Section four,* respondents answered basic demographic questions, their purpose of travel and frequency of their travels.

3.2 Pilot Study

Since the focus of this study is airlines industry it has been decided to collect data from airline passengers who are flying to and from Ercan airport. Data were collected from passengers who are waiting in the waiting lounge at Ercan Airport. Therefore several meetings were conducted with the Ercan Airport management to get their consent for the study. The airport authority evaluated the questionnaire of the study and allowed it to be used.

Initial questionnaire was composed of four sections and thirty eight items and were pilot tested in Ercan Airport's waiting lounge with 20 passengers from different age groups. All the respondents were asked to fill the questionnaire and provide any kind of information related to clarity and their general opinion about the questionnaire. No major problems were identified. However, in the meantime Ercan was privatized and permission from the new management authority was required. The new airport authority reviewed the questionnaire and requested minor changes.

There were 16 different types of failures adopted from previous studies. After the second evaluation, new management found 2 of the items (i.e., item 12 - overcrowding and item 14 - uneasy children by Gilbert and Morris, 1995) as not being a failure type that can be resolved by any service provider. Also, other 2 items (i.e., item 13 – failures in the airport transportation services by Edvadsson, 1992 and item – 16 lack of facilities by Bamford and Xystouri, 2005) was found to be attributable to the airport by the passengers and not with the airlines, thus, 4 items from the first section have been removed in order to carry out the research. Therefore, total of 35 items were used.

Changes in the questionnaire by the new management made it necessary to check the validity and understandability of the questionnaire again. Therefore, a second pilot study was conducted with another 20 respondents at the Ercan Airport.

A total of 40 pilot samples have been conducted. Respondents spent 4 minutes in average to fill out the survey. The questionnaire was found to be easy to follow by the majority of the respondents.

3.3 Sample

This study is designed to examine several attributes of *any airline passenger* which flew to or from TRNC via Ercan Airport, who experienced a service failure, and complained to the airline employee. Therefore, the population of the study covers anyone who experienced a flight to or from TRNC Ercan Airport. A questionnaire was used to collect data. Self completion questionnaires were distributed to the participants. Respondents were selected randomly and asked whether they experienced a service failure and complained (non-probability convenience

sampling). All participants were informed that their names would not be required and the data collected will be kept confidential to obtain better quality data.

3.4 Data Collection

Data were collected over a six week period. Data were collected during different days of the week at different times of the day. Passengers were asked whether they experienced a service failure before and complained, and whether they would like participate in the study. Data were collected by the researcher and help was provided to respondents if required. Each visit to Ercan took four to five hours on average and approximately 35 questionnaires were completed in each visit.

Chapter 4

FINDINGS AND DATA ANALYSIS

The data was collected between February-April 2013 from the passengers at Ercan Airport. As a result, 420 respondents were included in the study and only a total of 360 questionnaires were usable. To obtain these results approximately two thousand passengers were asked whether they had experienced a service failure and whether they wanted to participate in the study. Passengers were randomly identified by asking whether they had experienced a service failure with an airline flying to or from Ercan Airport, complained to the provider, and whether or not they would like to participate in the study. A lot of passengers were approached, however, only 1 in every 5 passengers had indicated that he/she experienced a failure, complained and accepted to fill out the questionnaire.

A total of 420 questionnaires were distributed and 360 usable questionnaires were returned. 58.1% (209 out of 360) of the respondents indicated that the service provider tried to respond to their complaints, and experience a service recovery. However, remaining 41.9% (151 out of 360) received no response. Despite being asked, remaining 49 (out of 420, which means 11.67%) responded as they did not experienced any type of service failure in their recent air travel experiences, and other 11 (out of 420, which means 2.62%) questionnaires were not included in the analysis due to incomplete and inaccurate responses. The Statistical Package for Social Sciences (SPSS) is used to analyze the data collected.

4.1 Demographic Profile of the Respondents

Two hundred and thirty two of respondents (64.4%) were male and 128 (35.6%) were female (see Table 1).

Table 1: Gender of Respondents

	Frequency	Percent (%)
Male	232	64,4
Female	128	35,6
Total	360	100,0

Table 2 represents the nationality of the respondents. Turkish citizens constitute the largest group with 165 which means 45.8% of the total respondents. The second largest group includes TRNC citizens with 40.6% (146). The majority of the total population of the study consists of Turkish and TRNC citizens, with a total of three hundred and eleven respondents (86.4%). Only 49 respondents (13.6%) were from other countries like Iran, Palestine and European nations.

Table 2: Nationality of Respondents

	Frequency	Percent (%)
TRNC	146	40,6
Turkish	165	45,8
Other	49	13,6
Total	360	100,0

Table 3 represents the age group distribution of respondents. There are 144 respondents between ages 26 and 35 which made up 40% of the total respondents. The second largest group which includes the age group of 18 – 25 forms 38.9% of respondents. Third group includes age group 36 – 50 consists of 59 (16.4%) respondents, and fourth group with 4.4% which consist ages between 51 and 65. There is only one (.3%) participants who belongs to group sixty six and above.

Looking at percentages above, it is clearly seen that there is a very little difference between the first and the second largest group, with a difference of 1.1% only.

Table 3: Age of Respondents

	Frequency	Percent (%)
18-25	140	38,9
26-35	144	40,0
36-50	59	16,4
51-65	16	4,4
66+	1	,3
Total	360	100,0

Table 4 provides frequencies and percentages of educational level of respondents. Two hundred and twenty nine of the respondents (63.6%) had an undergraduate degree, 63 (17.5%) of respondents had a high school degree, 58 respondents (16.1%) had a graduate degree and 10 respondents (2.8%) had a primary/secondary school degree.

Table 4: Education Level of Respondents

	Frequency	Percent (%)
Primary/Secondary School	10	2,8
High School	63	17,5
Undergraduate	229	63,6
Graduate	58	16,1
Total	360	100,0

The following section includes information about the passenger's purpose of purchase and the amount of air travel they experienced in the last twelve month period.

Table 5 indicates the passenger's purpose of travel. Fifty one point four per cent of respondents are flying for holiday purpose, 17.2% for business and 31% for other purposes (including for study and health care). The final group called '*other*' consists of 113 respondents. From this group, 37 of the respondents specifically stated their purpose of travel as studying and four other as health care visits into the space provided.

Table 5: Passengers Purpose of Travel

	Frequency	Percent (%)
Holiday	185	51,4
Business	62	17,2
Other	113	31,4
Total	360	100,0

Table 6 shows respondent's flight frequencies in the last twelve months. Ninety three respondents (25.8%) indicated that in the last 12 months they travelled less than 2 times. One hundred and thirty three respondents (36.9%) indicated that in the last 12 months they travelled 3-5 times. Seventy six respondents (21.1%) indicated that in the last 12 months they travelled 6–8 times. Thirty respondents (8.3%) indicated that in the last 12 months they travelled 9-11 times. And 28 respondents (7.8%) indicated that in the last 12 months they travelled more than 12 times.

Table 6: Flight Frequencies of Respondents in the Last 12 Months

	Frequency	Percent (%)
0-2	93	25,8
3-5	133	36,9
6-8	76	21,1
9-11	30	8,3
12+	28	7,8
Total	360	100,0

4.2 Services Failure Type, Recovery Strategies and Expectations

In this section, the failure types experienced by passengers, their complaint behavior, the provider firm's response to the customer complaints, the recovery strategy used and the expectations of passengers in return for their complaint behavior will be investigated.

Table 7 indicates various service failures that are experienced by airline passengers, who flew to or from Ercan Airport, TRNC. Respondents had the chance of indicating more than one failure type and on average three different types of service failure had been experienced by majority of the passengers. The most common problem experienced was delays. Seventy two point five per cent of the respondents indicated that they had delays, 50.6% indicated that their luggage was damaged, and 42.2% indicated they had uncomfortable seats. Further, 33.3% of respondents experienced poor in-flight food and beverage quality, 25.6% of responding passengers had problems with the ground staff attitudes, 23.3% of respondent indicated their luggage was lost, 15.8% of respondents had problems with the cabin staff attitudes. Fourteen point four per cent of respondents indicated mishaps during flight, 11.7% of respondents indicated reservation problems, 11.1% of respondents indicated flight cancellations, 7.2% of respondents indicated personnel strikes, and 5.8% of respondents indicated overbooking.

To see the difference of service failure types experienced between the groups based on their purpose of travel (holiday, business and other), Table 7 also presents the data about each group and failure types. First four major failure types are listed in the same way as it is in the overall ranking. For the rest, there is a minor change in their sequence.

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Table 7: Service Failures Experienced by Passengers

Reason for trip	Business, N=62		Holiday, N=185		Other, N=113		Overall, N=360	
Type of failures	Freq.	Percent (%)	Freq.	Percent (%)	Freq.	Percent (%)	Freq.	Percent (%)
Delays	42	67,7	135	73,0	84	74,3	261	72,5
Damaged luggage	31	50,0	96	51,9	55	48,7	182	50,6
Uncomfortable Seats	29	46,8	72	38,9	51	45,1	152	42,2
In flight food and beverage quality	23	37,1	58	31,4	39	34,5	120	33,3
Attitudes of ground staff	19	30,6	35	18,9	38	33,6	92	25,6
Lost luggage	13	21,0	43	23,2	28	23,3	23,3	23,3
Attitudes of cabin staff	11	17,7	27	14,6	19	16,8	15,8	15,8
Mishaps during flight	10	19,2	23	12,4	19	16,8	14,4	14,4
Reservation problems	12	19,4	16	8,6	14	12,4	46	11,7
Flight cancellation	10	16,1	18	9,7	12	10,6	40	11,1
Personnel Strikes	4	6,5	7	3,8	15	13,3	26	7,2
Over booking	6	9,7	6	3,2	9	8,0	21	5,8

Table 8 indicates that 58.1% of complainers received a recovery in return to their complaints and 41.9% received no response.

Table 8: Recovery Attempts Distribution of Airlines

	Frequency	Percent (%)
Yes	209	58,1
No	151	41,9
Total	360	100,0

The respondents who experienced a recovery were asked to indicate the recovery strategies used by the airlines. And respondents they did not receive a recovery were asked to indicate what the service provider should have done. In the following section these findings will be presented.

Recovery strategies used by airline industries are presented in Table 9. For this question, respondents were able to indicate more than one recovery action incident. An explanation provided about the failure is the most frequently used strategy (as indicated by 54.1% of the respondents). Thirty five point four per cent of the respondents indicated that the next most popular strategy used by airlines is to provide an apology. Professional and friendly attitude of the staff are indicated as another strategy used by 30.6% of respondents following a failure. Booking the passenger on a next flight and providing a voucher or discount were indicated by 5.7% and 2.9% of respondents, respectively.

Table 9: Recovery Strategies Used

N=209	Frequency	Percent (%)
Explanation Provided	113	54,1
Apologized	74	35,4
Professional and friendly staff	64	30,6
Put me on the next flight	12	5,7
Provided me with vouchers / discount	6	2,9

According to the 68.9% of complainers who were not provided with a recovery, the service provider should have kept them informed on the failure (see Table 10). Respondents expressed their expectations on offering a better service, providing an apology, booking on the next flight and offering a discount with 49.0%, 42.4%, 16.6% and 13.9 of respondents, respectively.

Table 10: Recovery Strategies Expected

N=151	Frequency	Percent (%)
They should have informed me	104	68,9
Offer better service	74	49,0
They should have apologized	64	42,4
Put me on the next flight	25	16,6
Offer Discounts	21	13,9

4.3 Outcome of Service Failure and Recovery Actions

The following section presents and compares a mean analysis of respondents who experienced a recovery and those who were not provided with a recovery towards basic statements (e.g., perceived magnitude of failure, post recovery satisfaction, overall satisfaction after failure, WOM intentions and repurchase intentions).

Table 11: Outcome and Future Actions of Respondents

	Respondents who were not received recovery, N=151		Respondents who were received recovery, N=209	
	Mean	Std. Deviation	Mean	Std. Deviation
The amount of time taken to solve my problem was longer than necessary **(Timeliness)**			2,5359	1,23253
I am happy with the way my problem was handled and resolved **(Recosat)**			3,3206	1,20400
It was an important service failure for me **(Magnitude)**	3,9205	,97655	3,5096	1,16300
I now have a more positive attitude towards the airlines **(Oversat1)**	2,0265	,84021	3,1914	1,14427
Overall, I am satisfied with my interaction with the airlines **(Oversat2)**	2,1656	,86741	3,3029	1,12486
I will be traveling with the same airlines again **(Rep 1)**	2,4834	1,08845	3,6364	1,07050
I will consider this company as my first choice in the airline industry **(Rep 2)**	1,8808	,85578	3,0674	1,27605
I will recommend the airlines to others **(WOM1)**	1,9139	,79950	3,1196	1,31195
I will say positive things about the airlines to others **(WOM2)**	1,9404	,88115	3,2057	1,36254

Note: Scale: 1 = Strongly disagree to 5 = Strongly agree

Table 11 represents the mean (M) and the standard deviation (SD) scores for the passengers who experienced a service recovery (n = 209). The statement designed to measure the repurchase intentions ''*I will be traveling with the same airlines again*'' had the highest mean score of M = 3.6364 (SD = 1.07050) followed by ''*It was an important service failure*'' (M = 3.5096, SD = 1.163), ''*I am happy with the way my problem handled and resolved*'' with a mean of 3.3206 (SD = 1.204) and ''*Overall, I*

am satisfied with my interaction with the airlines'' (M = 3.3029, SD = 1.12486). On the other hand, ''*the amount of time taken to solve my problem was longer than necessary*'' has the lowest mean score with 2.5359 (SD = 1.23253). Other scores of (M = 32057, SD = 1.36254), (M = 3.1914, SD = 1.14427), (M = 3.1196, SD = 1.31195) and (M =3.0673, SD = 1.27602) belong to the measures ''*I will say positive things about the airlines to others*'', ''*I now have more positive attitude towards the airlines*'', ''*I will recommend the airlines to others*'' and ''*I will consider this company as my first choice in the airline industry*'', respectively.

The mean and SD scores for respondents who received no recovery action (n = 151) are also represented in Table 11. The first and the second data were missing, because they were designed to measure the timeliness and the satisfaction with the service recovery process. The highest mean is 3.9205 (SD = .97655) and belongs to ''*It was an important service failure*'' and the lowest score were ''*I will consider this company as my first choice in the airline industry*'' with (M = 1.8808, SD = .85578). Accordingly in descending order, ''*I will be traveling with the same airlines again*'' (M = 2.4834, SD = 1. 08845), ''*Overall, I am satisfied with my interaction with the airlines*'' (M = 2.1656, SD = .86741), ''*I now have more positive attitude towards the airlines*'' (M = 2.0265, SD = .84021), ''*I will say positive things about the airlines to others*'' (M = 1.9404, SD = .88115) and ''*I will recommend the airlines to others*'' with a mean of 1.9139 and a standard deviation of .88115.

To see the differences between respondents who did receive a recovery and those who did not (i.e., magnitude of failure, overall satisfaction, WOM and repurchase intentions), an independent sample *t*-test are applied. Table 12 shows the results. There is a statistically significant difference between respondents who did receive a

recovery (M = 3.51, SD = 1.16) and those who did not (M = 3.92, SD = .98) based on the perceived magnitude of the service failure ($p < .00001$). Based on overall satisfaction there is a statistically significant difference (at the 0.00001 level) between who did receive a recovery (M = 3.25, SD = 1.07) and those who did not (M = 2.10, SD = .75). Based on WOM intentions there is a statistically significant difference ($p < .00001$) between who did receive a recovery (M = 3.16, SD = 1.29) and who did not (M = 1.93, SD = .77). Based on repurchase intention there is a statistically significant difference ($p < .00001$) between who did receive a recovery (M = 3.35, SD = 1.06) and who did not (M = 2.18, SD = .83). Based on loyalty (WOM x repurchase) there is a statistically significant difference ($p < .00001$) between who did receive a recovery (M = 3.26, SD = 1.11) and who did not (M = 2.05, SD = .73).

Table 12: Independent Sample *t*-Test for Purpose of Travel

| | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | | |
| | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
								Lower	Upper
Magnitude	15,702	,000	3,531	357	,000	,411	,116	,182	,640
			3,629	349,454	,000	,411	,113	,188	,634
Oversat1N2	18,087	,000	-11,409	358	,000	-1,153	,101	-1,351	-,954
			-12,048	357,783	,000	-1,153	,096	-1,341	-,965
WOM1N2	57,268	,000	-10,480	358	,000	-1,236	,118	-1,467	-1,004
			-11,312	347,194	,000	-1,236	,109	-1,450	-1,021
REP1N2	6,140	,014	-11,284	358	,000	-1,170	,104	-1,373	-,966
			-11,725	355,501	,000	-1,170	,100	-1,366	-,973
Loyalty	27,416	,000	-11,594	358	,000	-1,203	,104	-1,407	-,999
			-12,362	355,094	,000	-1,203	,097	-1,394	-1,011

Table 13 indicates the respondents' ultimate judgment on their relations with the airlines. Thirty eight point six per cent of the respondents indicated that their relation

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with the airlines after the failure weakened, 35.3% of the respondents indicated that their relation with the airlines after the failure did not change, 17.2% of the respondents indicate that their relation with the airlines after the failure strengthened and 8.9% of the respondents indicate that their relation with the airlines after the failure got broken. According to passengers who experienced a service failure and complained and received a recovery, 43.5% indicate that their relation with the airlines after the failure did not change, 29.7% indicate that their relation with the airlines after the failure strengthened, 23% indicate that their relation with the airlines after the failure weakened and 3.8% indicate that their relation with the airlines after the failure got broken. According to passengers who experienced a service failure and complained and received no recovery, 52.3% indicate that their relation with the airlines after the failure weakened, 31.8% indicate that their relation with the airlines after the failure and 15.9% indicate that their relation with the airlines after the failure got broken.

Table 13: The Effect of Service Failure Recovery on the Respondent's Relations With the Airline

	N=360		N=209		N=151	
	Freq.	**Percent**	**Freq.**	**Percent**	**Freq.**	**Percent**
Broken	62	17,2	62	29,7	0	0
Weakened	139	38,6	91	43,5	48	31,8
Unchanged	127	35,3	48	23	79	52,3
Strengthened	32	8,9	8	3,8	24	15,9
Total	360	100,0	209	100	151	100

4.4 Correlations and Hypothesis Testing

Table 14 shows the relationships among variables. To test the hypotheses, Pearson's correlation analysis is applied. Variables tested include: timeliness (1 item), service recovery satisfaction (1 item), service failure severity (1 item), overall satisfaction (2 items), repurchase intentions (2 items) and WOM intentions (2 items). As presented in Table 18, there are significant relationships among the variables.

As hypothesized, there is a significant negative relationship between the time taken to resolve a service problem and post service recovery satisfaction (correlation coefficient = -.324 at P < 0.01). Thus *H1* is supported. There is a significant negative relationship between the perceived severity of the service failure and post service recovery satisfaction (correlation coefficient = -.240 at P < 0.01). Thus H2 is also supported. On the other hand, there is positive relationship between recovery satisfaction and overall satisfaction (correlation coefficient =.743 at P < 0.01), overall satisfaction and word of mouth intentions (correlation coefficient =.802 at P < 0.01) and, finally, with overall satisfaction and repurchase intentions (correlation coefficient =.783 at P < 0.01), hence H3, H4 and H5 were also supported. All hypothesis of the study are supported according to the results. There is a weak to moderate, and a significant negative linear relationship between the variables timeliness and recovery satisfaction (.-324) and, also severity of the service failure and recovery satisfaction (.-240). On the other hand, there is a strong positive linear relationship between recovery satisfaction and overall satisfaction (.743), overall satisfaction and WOM intention (.802) and overall satisfaction and repurchase intentions (.783).

Table 14: Correlation Analysis Among Variables

Variables		1	2	3	4	5	6
1. Timeliness	Pearson Correlation	1					
	Sig. 2 tailed						
	N	209					
2. RecoSat	Pearson Correlation	-,324**	1				
	Sig. 2 tailed	,000					
	N	209	209				
3. Severity	Pearson Correlation	,371**	-,240**	1			
	Sig. 2 tailed	,000	,000				
	N	208	208	359			
4. OverSat	Pearson Correlation	-,296**	,743**	-,299**	1		
	Sig. 2 tailed	,000	,000	,003			
	N	209	209	359	209		
5. Repint	Pearson Correlation	-,250**	,705**	-,313**	,783**	1	
	Sig. 2 tailed	,000	,000	,001	,000		
	N	209	209	359	360	360	
6. WOMint	Pearson Correlation	-,188**	,676**	-,304**	,802**	,814**	1
	Sig. 2 tailed	,024	,000	,000	,000	,000	
	N	209	209	359	360	360	360

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

4.5 Independent Sample *t*-Test

Table 15 shows the independent sample *t*-test results for gender. The *t*-tests applied to analyze the differences between male and female respondents are based on timelines, recovery satisfaction and perceived severity of the service failure. Result indicate that based on timeliness there is a statically significant difference ($p < 0.05$) between male (M = 2.67, SD = 1.20) and female (M = 2.27, SD = 1.26) respondents. Accordingly, the amount of time taken for a passenger's complaint to get resolved is perceived to be longer by male passengers then female passengers. On the other hand, no significant difference were found between gender and recovery satisfaction and perceived severity.

Table 15: Independent Sample *t*-Test for Gender

	Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
								Lower	Upper
Timeliness	,001	,977	2,222	207,000	,027	,398	,179	,045	,750
			2,185	132,457	,031	,398	,182	,038	,758
Recosat	,664	,416	,175	207,000	,861	,031	,177	-,318	,380
			,173	134,679	,863	,031	,179	-,322	,384
Severity	1,315	,253	-,798	206,000	,426	-,136	,171	-,473	,201
			-,817	147,905	,415	-,136	,167	-,466	,193

Table 16: Hypothesis Results

Hypothesis	Result
H1: There is a negative relationship between time required to solve a problem and post recovery satisfaction.	Supported
H2: There is a negative relationship between severity of the failure and satisfaction with the recovery.	Supported
H3: There is a positive association between post service recovery satisfaction and overall satisfaction.	Supported
H4: There is a positive association between overall satisfaction and positive WOM intentions.	Supported
H5: There is a positive association between overall satisfaction and repurchase intentions.	Supported

Chapter 5

DISCUSSION

This study had been conducted to identify the types of service failures experienced by passengers flying to and/or from Ercan Airport, identify recovery strategies used by service provider firms, analyze customer expectations about the recovery strategies to be used, and uncover the effectiveness of complaint handling on the behavioral intentions of airline passengers. In this section, all the attributes and the relationships will be discussed.

5.1 Types of Service Failures

The most frequently mentioned type of service failure as experienced by respondents was ''*delay*'' of flights. The study result is similar to the findings of researches done by Edvardsson (1992), Steyn *et al.* (2011), and Bamford and Xystouri (2005) in the airlines industry. Delays were the most common type of service failure in all of the similar studies. The reason may be the growing demand for air transportation and increased density of the air traffic. However, the problem with suitcases appears to be more serious when compared with the previous studies. More than 50% of the respondents reported for a damaged luggage and additionally about 20% for a lost one. The problem with luggage should not be underestimated. Lessons from the United Airways experience should be learnt. After United Airways broke the guitar of a Canadian singer enormous amount of negative word of mouth was created (*http://www.davecarrollmusic.com/*).

Another common type of service failure was ''*uncomfortable seating*'' and accounted for by 42.2% of respondents. The uncomfortable seats, was also identified as one of the major cause of the service failures by Gilbert and Morris (1995) among business travelers. Seventeen percent of this study's respondents were business travelers. However, both business travelers and respondents travelling for holiday purposes indicated uncomfortable seats as another failure. On the other hand, exactly one third of the respondents were complaining about food and beverage quality. Compared with Bamford and Xystouri (2005), food and beverage quality is one of the least mentioned service failures among European passengers. However, service providers flying from and/or to TRNC might have not given priority to food and beverage quality maybe due to short flight times.

The unpleasant attitude of ground personnel had been cited by 25.6% of the responding passengers. The same problem had been accounted for as one of the most important cause of service failures by Bamford and Xystouri (2005). According to Bamford and Xystouri (2005) the reason could be the lack of training programs and low job satisfaction of airline ground personnel. Moreover, lack of training on the handling of complaint and poor recovery performance could be perceived as unpleasant attitude of ground staff by passengers. In fact, the problem with luggage could also be attributable with backstage airline ground staff and again with the lack of training. Considering the cabin staff, they are more successful in pleasing passengers than ground staff. The reason may be attributable to higher job satisfaction, better scheduled working hours, training and more exciting job position of cabin staff. Other problems indicated were related to the cancellation of flights (11.1%) and strikes (7.3%). Compared to the result of Bamford and Xystouri (2005) study where strikes and cancellations were the first and second most frequent

mentioned service failures among the European passengers, these two failures were the least frequently mentioned problems in North Cyprus. The reason for less flight cancellations may be attributable to better weather conditions of the region compared to Europe. On the other hand, employees may not think something good will happen if they go on a strike in TRNC.

When the failure types experienced had been classified based on the purpose of the traveler, no major differences were identified. Moreover, the first four commonly identified service failure types were found to be the same by the business, holiday and other travelers. The result of the current study for the business passengers is consistent with the findings of Edvardsson (1999). Edvardsson (1999) who also found that the most commonly experienced failure types by business passengers were delays and damaged luggage.

There are several minor changes in the rest of the ranking of the identified failures. For instance, problematic attitudes of ground staff experienced less by holiday passengers (18.9%) then business (30.6%) and other (33.6%) purpose passengers. Also, mishaps during flight were experienced less by holiday passengers (12.4%) compared to business (19.2%) and other purpose (16.8%) passengers. As suggested by McDoughall and Levesque (1999) the purpose of purchase and by Mattila (1999) the criticality factor (the amount of harm that a service failure caused for a customer) play important roles in evaluating the service failures. As a result, several failure types perceived to be more problematic by business passengers.

5.2 Recovery Strategies Used and Expected

Explanation was the most frequently used recovery strategy by the airlines flying to and/or from Ercan Airport. It could be argued that according to the literature (Steyn *et al.*, 2011; Lorenzoni and Lewis, 2004) explanation is the most commonly used tool for handling complaints in the airline industry. Moreover, according to research, a complainer expects an explanation about what happened and what happened following a failure (Steyn *et al.*, 2011; Bitner *et al.*, 1990; Johnston, 1994; McColl-Kennedy and Sparks, 2003). This study also analyzed the expectations of passengers who did not receive a recovery. They reported their desire for an explanation (68.9%). Similar to the findings of Steyn *et al.* (2011), this study also found that when there is a failure, customers want an explanation, which is a non-monetary strategy. The effectiveness of an explanation has been widely highlighted by marketing researchers (Steyn *et al.,* 2011; Bamford and Xystouri, 2005; Edvadsson, 1992). It is simple, fast, effective and free. The second expected strategy to be used was an apology, another non-monetary strategy. According to Weiser (1995), apologizing and owning up to the problem calm the complainer. Another tool is the professional and friendly attitude of employees following a service failure. According to Steyn *et al.*, (2011), one third of the satisfied customers attribute their satisfaction to professional and friendly staff attitudes in the recovery process (again non-monetary strategies). On the other hand, compensation like putting the passenger on to the next flight and providing with discount were least expected strategies. This result is in line with Steyn *et al.*, (2011) and also supports the work of Duffy *et al.*, (2006) and Bunker and Bradley (2007) which claims that the expectations of customers who experience a failure recovery situation is on ''*how*'' recovery is performed, namely the process dimension (i.e., explanations, friendly and

professional staff and apologizing) not on ''*what*'' will they receive (i.e., discounts or free flights).

The overall results of the current study found that 58.1% of complainers did receive a service recovery. On the other hand, this amount was 42.3% in Steyn *et al.*'s (2011) study. Accordingly, it can be said that airlines have been trying to manage the failures by providing a recovery strategy more than the past experiences. It is not possible to prevent failures in service industry due to high involvement of human interaction, therefore learning how to cope with the failures would be a better strategy.

5.3 The Effect of Failure and Recovery on Customer Relations

It has been found that relations with the airline passengers can get stronger if airline companies provide a recovery (73.2% of passengers who were provided with a recovery indicated their relations either strengthened or unchanged). On the other hand, relations with the airline passengers can lose strength if airlines do not recover after a failure (68.2% of passengers who were not provided with a recovery indicated that their relations with the service provider either weakened or broken). Results of the current study are in line with the literature. The recovery literature discusses the positive effects of service recovery on customer relations (Zeithaml *et al.*, 2013; Oliver, 1997; Kelly *et al.,* 1993; Bitner *et al.,* 1990; Michel, 2001; Morrisson and Huppertz, 2010). Failures left unfixed may result in broken relations. However, failures that are recovered help keep the relation with the passenger and may even enhance it. It can be added that knowing the benefits of recovery, airline companies should engage in recovery strategies. Airline companies should at least provide an apology to a complaining customer, because as suggested by Morrison and Huppertz,

(2010), Reichheld (2003) and Sousa and Voss (2009) the number of customers which spreads negative WOM about their dissatisfaction is 3 to 4 times more than the ones who are tell about their satisfaction with the recovery process. Minimizing the effects of negative WOM would be beneficial for the company, besides favorable WOM is considered as the most effective promotional tool in the service industry.

5.4 Factors Influencing Failures and Post Recovery Satisfaction

The effect of the timeliness on post service recovery satisfaction is examined. The results indicated a significant negative relationship between the time required to solve a problem and post recovery satisfaction. According to the results, as the time between failure and recovery increases, the satisfaction with the post recovery will decrease.

Another statically significant positive relationship was found between the time taken to resolve the problem and the perceived severity of the failure. As the time taken to solve a problem increases, a more severe failure is perceived by passengers. The importance of timely intervention to a complaint is vital for service firms when considering the consequences. Similar to other studies (Wirtz and Mattila, 2004; Chebalt and Slusarczyk, 2005, Bamford and Xystouri, 2005; Edvardsson, 1992; Steyn *et al.*, 2011; Weiser, 1995) the positive effect of timely respond on post recovery satisfaction has been supported. A swift recovery process not only will increase the chance of satisfying a complainer, but also will reduce the perceived magnitude of the failure. Consequently, addressing customer complains in a timely manner will decrease the chance of customers in engaging in undesirable behavioral intentions (i.e., negative WOM and exit behavior). The literature has various findings on the effects of timeliness on service recovery performance (e.g. Boshoff,

1997; Blodgett, Hill and Tax, 1997). The industry itself was found to be one of the factors affecting the timeliness on service recovery (Michel, 2001). Who would not want to get informed about a delay or a cancelation of a flight in a timely manner?

Moreover, according to the results obtained from the independent sample t-Test, male passengers are less patient in waiting for a response to their complaints than female passengers. The reason may be attributable to different nature of male and female. Usually male reacts more in such cases. This can be investigated by future research.

The effect of severity of the failure on post recovery satisfaction has been examined and a significant negative relationship was found. As the perceived severity of the service failure increases the satisfaction of post service recovery decreases. The same result was also obtained by McCollough (2009) who examined the effects of severity on post recovery satisfaction within the airline industry. From other industries, researchers also support the perceived severity's negative effects on post recovery satisfaction (Mattila, 1999; Smith and Bolton, 1998; Webster and Sundarman, 1998; Weun, Betty and Jones, 2004).

There is a difference between the objective harm and the perceived harm of service failures according to the criticality factor of Mattila (1999), and it is difficult for provider firm to estimate the perceived harm of a service failure of a customer. Each failure has different consequences for each passenger. For instance, 30 minutes of delay might not be perceived as important for a holiday maker as it is for a business man /women on his /her way of an important meeting. Hence, employees should be trained in order to handle customer complaints and moderate the negative

consequences. On the other hand, sometimes failures are strong enough that they leave regardless of anything (Colgate and Norris, 2001). However, an apology or an explanation may warm the climate.

Based on the results of the study it can be argued that the respondents who were provided with a recovery reported a lower severity value for the failure than the respondents who were not provided with a service recovery effort. In other words, if passengers are not provided with a service recovery strategy would perceive a failure to be more severe. Based on perceived severity of the service failure there is a statistically significant difference (at $p < 0.00001$) between respondents who did receive a recovery and who did not. Not attempting a recovery increases the perceived severity of the service failure by the passenger and results in undesirable consequences.

Statistically significant negative relationships were found between the severity of failure and positive WOM intentions, and severity of failure and repurchase intentions. It is found that as the importance of a failure increase, the repurchase intentions drop.

It can be concluded that providing timely recovery strategies would affect the perceptions of severity of the failure and hence the repurchase intentions of the airline passengers. Therefore reacting to failures quickly is critical in providing effective service recovery and influences loyalty.

5.5 Effects of Post Recovery Satisfaction on Overall Satisfaction and Behavioral Intentions

The findings indicated significant strong positive relationships between post recovery satisfaction and overall satisfaction, and post recovery satisfaction and customer loyalty. As satisfaction from post recovery increases, the overall satisfaction, repurchase and WOM intentions increase. Further, results also showed a significant positive relationship between post recovery satisfaction and positive WOM and post recovery satisfaction and repurchase intentions. Based on the results of the study it can be argued that effectively handling customer complaints may influence satisfaction and loyalty. Also, the results are consistent with the results of Komunda, Osarenkhoe (2012) and Withz and Mattila, (2004). Provider firms should satisfy their customer in terms of complaint handling in order to take advantages of positive WOM and repeat purchases.

The data collected for this study indicate that not attempting a recovery will destroy the relations between the customer and the provider. In addition, the customer probably will leave and engage in negative WOM behavior as also supported by Bailey (1994), Edvardsson (1992) and Andreassen (1999). Independent t-test applied to examine differences between the mean values (perceived magnitude of failure, overall satisfaction and loyalty) of passengers who did receive recovery and who did not. A statistically significant difference found among each variable (at $p < 0.00001$ levels). If recovery is not provided, perceived magnitude of the service failure increases. However, overall satisfaction, positive WOM intention, repurchase intentions and hence loyalty (WOM x repurchase) drop. On the other hand, complainers who received a recovery will get satisfied and perceive failures less

severe, recommend the provider to their family and friends, repeat their purchase and thereby stay loyal. Respondents who received no recovery will neither recommend the airlines nor talk others positively about airlines, and even will try to make others to stop using (Johnston, 1998). However, surprisingly, according to mean value (*I will be travelling with the same airlines again*, M = 2.48, SD = 1.088) some may not leave, but the same company would not be their first choice in the airline industry (M = 1.88, SD = .856). The reason may be the unavailability of specific routes, the lack of options or /and frequent flier programs as also suggested by Jones and Sesser, (1995). Still, in order for being the first choice of airline passengers among airlines flying to Ercan, customer satisfaction should be kept priority by provider firms. However, it should be considered that almost all the airlines which fling to Ercan are budget airline. Although not being their first choices, customers' quality expectations may be low based on price, thereof, they purchase again.

On the other hand, it is known that, negative WOM spreads 3 to 4 times faster than positive (Morrison and Huppertz, 2010; Reichheld, 2003; Sousa and Voss, 2009). In addition, the financial cost of losing a customer is known (Reichheld and Sesser, 1990). Despite all, it is less costly to retain existing customers then attracting new ones (Thwaites and Williams, 2006). Therefore, it is critical to understand the expectations of complainer in order to attain customer satisfaction, because unless the expectations are met in the recovery process as them are in the main service provision, it is not possible to keep customers satisfied and loyal. In addition, Boshoff (2005), Komunda and Oserenkhoe (2012) and Withz and Mattila (2004) also emphasize the importance of attaining satisfaction in the recovery process, and, they add, that it is the only way to keep the customer loyal.

Consequently, airline staff should be trained and equipped with the right tools (i.e., empowerment) to respond to the complaint as it is expected to create satisfaction. A successful recovery effort should be timely and should also meet expectations. Otherwise, an improper recovery attempt will only waste the company resources and time, besides it will also cause the second time disappointment for the complainer. Unless there is a complete blend of each essential element, it is not always guaranteed that the service recovery attempt will create satisfaction and positive behavioral intentions.

Chapter 6

CONCLUSION

This study shed light on several factors for managing customer relations within the airlines industry. Consequently, delay of flights, damaged and lost luggage, uncomfortable seats, food and beverage quality and unattractive attitudes of ground staff were identified as the major sources of customer complaints by the passengers flying to or from Ercan. Most frequently experienced failures were system failures as delays and poor service (damaged luggage, uncomfortable seats, and food and beverage quality) and core failure (rude employee) (Bitner *et al.*, 1990). Most frequently mentioned problems (respectively, delays, luggage problems, uncomfortable seats and food and beverage quality) are the same for all business, holiday and other purpose passengers. Managers need to consider these results in order to improve the service delivery process. Four of the most common failures related to system fails and one is related to staffing issues (Bitner *et al.*, 1990). Except for delays (the cause can be attributable to many factors like weather and third party mistakes) other factors can be fixed, or at least improved by airline management. Managers should use the information provided by this research to cultivate the main service effort (i.e., correction). Failures can be minimized by learning from previous experiences. However, it is not possible in services to eliminate them. Therefore, it is vital for service providers to have an effective recovery mechanism. The study also examined the effectiveness of service recovery effort of airlines flying to and from Ercan Airport, TRNC. The success rate of

complaint handling was accounted approximately as 50%. In other words, half of the passenger who did receive service recovery said that they were satisfied with the recovery effort and will probably or definitely recommend the airlines to others and also will repeat their purchase, except for the ones who missed the recovery despite their complaints. This means, service providers only attempted to recover only 58.1% of all the complainers, and literally about half of the attempts were successful. The most frequent mentioned tools of recovery by passengers were explanation, apology and professional and friendly staff attitudes following a failure (non-monetary strategies). As also proven by previous research (McColl-Kennedy and Sparks, 2003; Steyn *et al.*, 2011; Bamford and Xystouri, 2005; Edvardsson, 1992), providing an apology with an explanation about what went wrong with a proper communication will change the mood of an aggressive complainer. Further, as seen from the results customers expect explanation, better service and apology (non-monetary strategies) following a failure. In the case of meeting the expectations and successful handling of complaints, customers tend to show positive behavioral intentions. Managers need to hold well understanding of customer expectations in order to enhance retention rates with service recovery to improve the financial gains and enhance customer relations. Airline employees must show empathy, provide explanation and apology, should accept the failure, show the desire on recovering the failure and provide exceptional treatment in the recovery process to obtain the best results. On the other hand, managers need to make corrections on failed points of the service. Customers will remember their experiences with the firm and will share their stories with others. The importance of WOM speech was taken into account by several marketing researchers. Customers form their expectations based on several factors like prior experiences, advertisements, price and generally WOM communication in services

(Boulding et al., 1993). Customers who experienced a failure recovery will cause others form negative or positive expectations about the service firm. The recovery process should be handled satisfactorily to restore customer satisfaction, create positive WOM intentions and also lead to re-patronage behavior. On the other hand, not addressing a complaint or ineffective recovery attempts will aggravate and disappoint the passenger for the second time. This will result in negative WOM and exit behavior as shown in the findings. Losing a customer cannot be afforded by service provider in today's competitive market. Data also suggest that, managing a successful recovery will refuel customer satisfaction sometimes even more than it was when failure did not occur (i.e., recovery paradox) and become more loyal to the provider (Michel 2001), but not attempting for a recovery may end up with broken relations with customers. Further, service recovery also decreases the perceived severity of the service failure which has negative effects on recovery satisfaction, overall satisfaction, and behavioral intentions. As indicated by this study's results, there is a strong positive relationship between recovery satisfaction and overall satisfaction, overall satisfaction and recommending the airlines and overall satisfaction and repurchase intentions. As satisfaction increase, others also increase. Attaining satisfaction with the recovery process will increase customer overall satisfaction, stimulates favorable WOM intentions, increase the chance of re-patronage and even enhance the relations with the customer. Reichheld and Sesser (1990) emphasized the financial gains of long term /repeat customers. Service firms not only gain more with repeat customer, but also spend less when retaining the existing ones despite attracting a new one (Thwaites and Williams, 2006). Consequently, according to the results, provider firms managed to keep satisfied, therefore, loyal about 30% of total complainers. Although, the results are not seen

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much thriving, the amount of passengers who said that they will probably and definitely not travelling with the same airlines again were accounted as only 28.6%. The reason may be the unavailability of service in certain routes which made some passengers ''hostages'' even if they were not satisfied, as mentioned by Jones and Sesser (1995). In this case, managers have lot to do. The results obtained from this study can guide airline managers in aiding service recovery practices and also focus on main service provision by minimizing the risk of system failures and undesirable employee behaviors. As expectations of customers following a poor service are identified, thus, managers can adopt a guide for service recovery.

6.1 Managerial Implications

Managers need to improve the recovery satisfaction by applying more appropriate and timely recovery practices. Only 1 in 5 respondents obtained a timely recovery effort. This figure must be improved by managers because there is a negative relationship between service recovery satisfaction and the amount of time taken to resolve a problem. As the time taken to resolve the problem increases, satisfaction drops. Recovery satisfaction was found to be directly linked with overall satisfaction, therefore behavioral intentions. In this industry, managers need to focus on satisfying their existing customers by effectively handling their complaints. What should be done to improve the efficiency and effectiveness of the recovery process is difficult, but is a task for airline service managers to overcome. In the first instance, the amount of time taken for a problem to resolved must be reduced to the minimal levels. Customers need timely results (Leroy *et al.*, 2011). In order to reduce waiting times, employees should be empowered and trained to solve the problem on the spot. Otherwise, customer will need to conduct multiple organizational levels or employees to remedy the problem. This is called the ''ping-ponging effect'' by

Zeithaml *et al.* (2013) and will end up with increased time between the failure and recovery, therefore increased stress levels (male passengers less patient when waiting for a recovery than females). Empowering and training employees (i.e., improving internal service quality) not only will aid the time management, also will increase employee motivation and satisfaction as suggested by Zeithaml *et al.* (2013). Satisfied employees will try to satisfy customers (e.g., *service profit chain*). Moreover, training programs should focus on improving the communication skill of employees while there is a strong desire for explanation by complainers. Moreover, employees should provide understanding and courtesy to the complaining customer. The aim here is to reduce the stress level of disappointed customer, thus complainers should met with polite airline employee. Employee training programs should continue, in addition, good performance must be monitored and rewarded for internal quality. The importance of proper and timely explanation, courtesy, empathy, acknowledgement, follow-up and apology in the recovery process should be embraced by service employees and managers as an organizational culture. As suggested by many researchers, customer looking for interactional justice (i.e., the '*how'* dimension) in the recovery process. Therefore, service employees should supply adequate, timely, clear and truthful information to the customer in order to improve satisfaction as a main goal. To summarize, satisfied employees will create satisfied customers, thus internal service quality should kept a priority by managers. On the other hand, system should encourage customers to complain in order to obtain the second chance to regain customer satisfaction. Problems left unfixed will create a snowball effect. However, received complaints not only will give the second chance to a firm to recover, but also will provide feedback about the service firm's performance and general market information. It is important to learn from your

mistakes to fix the problem and inhibit reoccurrence. Managers need to keep track of service failures periodically to make improvements. Mini-surveys can be given to passengers in order to collect data about several failure types, and passenger satisfaction level while flying or in the passenger waiting lounges. Another important aspect is that, customer complaints should be reported to managerial levels by employees in order to make improvements and take strategic decisions. As suggested by many others, focusing on existing customers will be more beneficial for service providers. Service recovery is a must but will only succeed when the complainer assured about the same mistake will not be repeated. Therefore, with a good customer database management, previous failure recovery experiences of passengers can be kept so as not to be repeated.

6.2 Limitation and Further Research

Even though this study contributed not only to the recovery literature and airline industry, as it is the first in the TRNC airlines industry, it sheds light on the service failure types, recovery strategies used by airlines, customer expectation in the recovery process, and the impact of total experience on customers' satisfaction and loyalty. However, the findings of the study should be interpreted with caution because the respondents of the study were limited to passengers who did complain. Additionally, respondents were dominated by a young age group (%80) and mostly TRNC and Turkish citizens (%80).

For further research, more international passengers should be included in order to see the effect of cultural differences among passengers on failure recovery situations and behavioral intentions. Future studies could measure the justice perceptions of passengers and analyze the front line employee empowerment effect on service

recovery. Finally, as mentioned above, several questions have been excluded by the new airport management. In order to assess the total experience of airline passengers, the evaluation of airport (i.e., physical infrastructure) could also be included and analyzed to see the influences of airport related failures on customer satisfaction and their relations with airlines.

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APPENDIX

Aim of this questionnaire is to collect data about service FAILURE and firms' RECOVERY efforts that you have experienced in Airline industry. Please fill the appropriate box(es) according to your experience.

Have you ever experienced a service FAILURE with an airline flying to /from TRNC?   YES ☐   NO☐

If yes, what kind of service FAILURE(S) did you experience?

Flight cancellation	
Delays	
Damaged luggage	
Lost luggage	
Attitudes of ground staff	
Attitudes of cabin staff	
Reservation problems	
Personnel strike	
Overbooking of flights	
Mishaps during flight	
In flight food and beverage quality	
Uncomfortable seats	

Did they attempt for a service RECOVERY?   YES ☐   NO(did nothing) ☐

What did firm do? (Reason of your satisfaction)			**What SHOULD airline have done to satisfy you?**	
Apologized			They should have apologized	
Kept me informed by giving explanation about failure			They should have informed me	
Professional and friendly staff			Offer better service	
Put me on the next flight			Put me on the next flight	
Provided me with vouchers /discount			Offer discounts	

1 ☹	2	3 😐	4	5 😊
Strongly Disagree	Disagree	Unsure	Agree	Strongly Agree

Please use the following scale above for your answers. The scale is ranging from 1 (*strongly disagree*) to 5 (*Strongly agree*).	☹☹	☹	😐	😊	😊😊
The amount of time taken to solve my problem was longer than necessary	1	2	3	4	5
I am happy with the way my problem was handled and resolved	1	2	3	4	5
It was an important service failure for me	1	2	3	4	5
I now have a more positive attitude towards the airlines	1	2	3	4	5
Overall, I am satisfied with my interaction with the airlines	1	2	3	4	5
I will be travelling with the same airlines again	1	2	3	4	5
I will consider this company as my first choice in the airline industry	1	2	3	4	5
I will reccommend the airlines to others	1	2	3	4	5
I will say positive things about the airlines to others	1	2	3	4	5

After the airline service recovery efforts
Your relationship with the airline has;   Strengthened ☐   Unchanged ☐   Weakened ☐   Broken ☐

OTHER QUESTIONS

Gender: **Male** ☐   **Female** ☐

Nationality: TRNC ☐   Turkish ☐   European ☐   African ☐   Other ☐ ……………

Age   :   18- 25 ☐   26- 35 ☐   36- 50 ☐   51-65 ☐   66+ ☐

Education: Primary/Secondary School ☐   High School ☐   Undergraduate ☐   Graduate ☐

Purpose of Travel: Business ☐   Holiday ☐   Other ☐ ………………

In the last 12 months, how many times have you traveled (air travel)?
0-2 ☐   **3-5** ☐   **6-8** ☐   **9-11** ☐   **12+** ☐

Thank You for your SUPPORT!!

Hava taşımacılığında, yaşadığınız **problemler (firma hataları)** ve firmanın **telafi (firmanın kurtarma)** çabaları hakkında araştırma yapmaktayım. Lütfen, başınızdan geçen (eğer var ise) hatanın ve/veya hataların detaylarını en doğru gösteren açıklamaları işaretleyin.

KKTC'ye gelişinizde veya çıkışınızda, herhangi bir havayolu ile hiç problem yaşadınız mı?   Evet ☐ Hayır ☐

Aşağıda belirtilenlerden hangi tür hizmet eksikliği (hizmet hatası) ve/veya eksiklikleri ile karşılaştınız?
Birden fazla işaretleyebilirsiniz.

Uçuş İptali		Rezervasyon problemleri	
Gecikme		Personel grevi	
Hasarlı bagaj		Aşırı rezervasyon (overbooking)	
Kayıp bagaj		Uçuş esnasında aksilikler	
Yer personelinin kaba davranışları		Uçaktaki yemek ve içecek kalitesi	
Kabin personelinin kaba davranışları		Rahatsız koltukta seyahat	

Firma, TELAFİ (recovery) gayretinde bulundu mu?   Evet ☐   Hayır(hiç bir şey yapmadı) ☐

Firma sizi memnun etmek için ne YAPTI?		**Firma sizi memnun etmek için ne YAPMALIYDI?**	
Sadece özür dilediler		Özür dilenmeliydi	
Özür dilediler ve açıklamada bulundular		Hata hakkında açıklama yapılmalıydı	
Hata sonrası profesyonel ve güler yüzlü davranış sergilediler		Hata sonrası profesyonel ve güler yüzlü davranış sergilenmeliydi	
Bir sonraki uçuşa bedava bilet verdiler		Bir sonraki uçuşa bedava bilet verilmeliydi	
Bir sonraki uçuş için indirim verdiler		Bir sonraki uçuş için indirim yapılmalıydı	

1 ☹	2	3 😐	4	5 ☺
Kesinlikle Katılmam	Katılmam	Emin Değilim	Katılırım	Kesinlikle Katılırım

Lütfen, aşağıda belirdilen ifadelere ne derecede katıldığınızı, ölçekteki değerlere göre işaretleyiniz.	☹☹	☹	😐	☺	☺☺
Bu olayda, hava yollarının problemimi çözmesi gereğinden uzun sürdü	1	2	3	4	5
Bu olayda, hava yollarının problemimi çözme çabalarından memnunum	1	2	3	4	5
Bu olaydaki hizmet hatası, bana göre önemli bir hata idi	1	2	3	4	5
Bu olaydan sonra, hava yollarına karşı daha olumlu bir tutuma sahibim	1	2	3	4	5
Bu olayldan sonra, genel anlamda hava yollarından memnunum	1	2	3	4	5
Bu olaydan sonra, aynı hava yolları ile tekrar yolculuk yaparım	1	2	3	4	5
Bu olaydan sonra, aynı hava yolları ilk tercihim olacaktır	1	2	3	4	5
Bu olaydan sonra, hava yollarını başkalarına öneririm	1	2	3	4	5
Bu olaydan sonra, aynı hava yolları hakkında başkalarına olumlu şeyler söyleyeceğim	1	2	3	4	5

Bu olaydan sonra, firma ile ilişki düzeyinizi ifade edermiz999iniz?

Güçlendi ☐   **Değişmedi** ☐   **Zayıfladı** ☐   **Koptu** ☐

DİĞER SORULAR

Cinsiyetiniz: **Bay** ☐   **Bayan** ☐

Uyruğunuz :   KKTC ☐   TC ☐   Avrupa ☐   Afrika ☐   Diğer ☐ ....

Yaşınız   :   18- 25 ☐   26- 35 ☐   36- 50 ☐   51-65 ☐   66+ ☐

Eğitim Düzeyiniz: ilk/orta öğretim ☐   Lise ☐   Üniversite ☐   Lisans Üstü ☐

Seyhatin amacı :   İş ☐   Tatil ☐   Diğer ☐ ....

Son 12 ay içinde kaç kez uçak seyehati yaptınız?
     0-2 ☐   **3-5** ☐   **6-8** ☐   **9-11** ☐   **12+** ☐

**Anketimi doldurduğunuz ve araştırmama DESTEK olduğunuz için
teşekkür ederim!!**