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Evaluating Service Recovery Strategies in the Airlines Industry

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ABSTRACT

This study investigates “what are the effective service recovery strategies in the airlines industry?” The effects of compensation and interpersonal communication on airline passengers’ responses after service recovery were analyzed. The study is unique in examining the role of responsibility locus on the effectiveness of service recovery strategies, and exploring the effect of downward social comparison strategy. Initial results suggest that the effectiveness of compensation and interpersonal communication on passengers’ responses varies as a function of the locus of responsibility. The findings should assist airlines to better understand the subtle influence that situation plays in service failure as well as developing direction to formulate effective recovery strategies to better manage passengers’ post-failure responses.

Keywords: service recovery, locus of responsibility, experimental design, airline industry

Introduction

Aiming to strengthen protections on passengers' rights, the U.S. transportation department announced a new rule by the end of 2009 that carriers need to provide adequate food and potable drinking water for passengers within two hours of the aircraft delayed on the tarmac and to maintain operable lavatories and, if necessary, provide medical attention. From a service recovery perspective, compensation is requested by the government to rectify the consumer's unsatisfactory experience. However, we might ask whether such compensation really works, and more importantly when and how it might work better, or not work. This research investigates "what are the effective service recovery strategies in the airlines industry?" The objectives of the study are: (1) to evaluate the effectiveness of compensation and interpersonal communication on airline passengers' responses; (2) to explore how the contextual factor such as the locus of responsibility influences the effect of service recovery strategies on airline passengers' response.

Literature Review

Service recovery can be defined as "the action taken to retain customer loyalty by a timely and appropriate response to a customer complaint" (Hart et al., 1990). Based on the justice theory, service recovery strategies are developed to deal with the three fairness dimensions. Hart et al. (1990) proposed three different sub-classifications of service recovery, which are apology, compensation and reaction speed. Compensation is found to effective in restoring customers' perceptions of distributive justice, while the presence or absence of an apology is strongly linked to customers' perceptions of interactional justice (Kim et al., 2009). A review of the literature indicates that researchers suggest a combination of psychological

and tangible recovery strategies in response to fairness dimensions. This study addresses this call by investigating the interaction of compensation and interpersonal communication (i.e., apology and downward social comparison) effects on post-recovery responses. We predict the following:

H1a-c: In a flight delay setting, when compared to passengers who do not receive financial compensation, passengers who receive financial compensation will: (a) experience greater post-recovery satisfaction; (b) be more likely to repatronage; and (c) reduce negative word-of-mouth intention.

H2a-c: In a flight delay setting, when compared to service provider who does not apologize, a service provider who apologizes will: (a) experience greater post-recovery satisfaction; (b) be more likely to repatronage; and (c) reduce negative word-of-mouth intention.

H3a-c: In a flight delay setting, when compared to service provider who does not adopt downward social comparison strategy, a service provider who applies downward social comparison strategy will: (a) improve passengers' satisfaction; (b) repatronage intention; and (c) reduce negative word-of-mouth.

Prior evidence from the literature suggests that the relative effectiveness of service recovery appears to be situation specific (Bitner, 1990; Levesque and McDougall, 2000).

Researchers consider a mix of such contextual variables as type of service failure, the severity of failure, stability of failure and so forth, and arrive at conflicting results (Grewal et al., 2008). This study interested in understanding the role of locus of responsibility on the relationship between recovery strategies and customers' post-recovery evaluations. The following hypothesis was tested:

H4: The relative size of effectiveness associated with compensation and interpersonal communication (i.e., apology and downward social comparison) will vary with locus of responsibility.

Methodology

This study uses 12 written scenarios describing an airline service recovery in a flight delay situation. In a $2 \times 3 \times 2$ between-subjects factorial design, this study manipulates the availability of compensation (none vs. free food and drinks), interpersonal communication strategies (none vs. apology vs. downward social comparison) and locus of responsibility (weather vs. airlines). Scenario-based experiential approach has the advantage of alleviating difficulties with the observation or enactment of service failure and recovery incidents in the field, such as ethical considerations, as well as the managerial undesirability of intentionally imposing service failures on consumers. Furthermore, scenarios (vs. retrospective self-reports) reduce biases from memory lapses, rationalization tendencies and consistency factors (Grewal et al., 2008).

Application to the Airlines Industry

This study analyzes the main and interactive effects of compensation and interpersonal communication on airline passengers' responses after service recovery. The study is unique in examining the role of responsibility locus on the effectiveness of service recovery strategies, and exploring the effect of downward social comparison strategy. Regarding the Federal Aviation Administration's new rules of flight delays kicking in April 29, 2010, airlines must maintain well-developed recovery strategies to manage passengers' post-failure responses, but they need to know exactly whether their actions really work, and more importantly when

and how it might work better, or not work. Managers must learn the conditions in which compensation is (or is not) an effective recovery tool, especially as firms continue to evaluate the effectiveness of their market activities. Helping passengers understand the locus of the service failure by providing explanation would offer a useful and inexpensive tool with which to manage the effectiveness of service recovery effects.

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