Effect of Service Recovery on Customer Satisfaction and Behavioral Intention

(The Case of Ethiopian Airlines Cargo)

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Addis Ababa, Ethiopia

Effect of Service Recovery on Customer Satisfaction and Behavioral Intention

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(Approval Sheet)

Effect of Service Recovery on Customer Satisfaction and Behavioral Intention
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Statement of Declaration

I, Seble Woldemariam, declare that this Master research project entitled **—Effect of Service Recovery on Customer Satisfaction and Behavioral Intention (The case of Ethiopian Airlines Cargo)** is submitted in partial fulfillment of the requirements for the degree of Master of Arts in Marketing Management at the School of Commerce, Addis Ababa University. This project contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this project is my own work.

Declared by

Seble Woldemariam	_____	**June, 2016**
Student	**Signature**	**Date**

Statement of Certification

This is to certify that **Seble Woldemariam**has carried out a research work entitled **Effect of Service Recovery on Customer Satisfaction and Behavioral Intention (Thecase of Ethiopian Airlines Cargo) .**This thesisis her original work and is suitable for submission for the award of Masters Degree in Marketing Management.

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Advisor: Mesfin Workneh

June,2016

Abstract

The principal objective of this study is to investigate the effect of service recovery on customer's satisfaction and behavioral intention by taking the case of Ethiopian airlines cargo service. Data were collected from customers of Ethiopian airlines cargo through a survey questionnaire.A sample of total of 385 respondents was drawn based on a stratified convenience sampling. For analyzing the data both descriptive statistics by applying percentage and tables and inferential statistics by applying structural equations modeling are employed. The findings of this study show that service recovery dimensions based on social justice theory (procedural, interactional and distributive justice) have a positive effect on customer satisfaction with service recovery and future behavioral intentions of word of mouth and re-patronage. In addition it was found that satisfaction with service recovery positively mediates the positive relationship between service recovery dimensions and behavioral intentions. Based on the conclusions made recommendations for Ethiopian airlines cargo are proposed in order to enhance customer satisfaction with service recovery and to positively affect behavioral intention.

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ABBREVATIONS

BI: Behavioral Intention

CFA: Confirmatory Factor Analysis

CS: Customer Satisfaction

DJ: Distributive Justice

GOF: Goodness of Fit

IJ: Interactional Justice

MI: Modification Indices

PJ: Procedural Justice

SEM: Structural Equation Modeling

WOM: Word of Mouth

CHAPTER ONE

INTRODUCTION

This chapter deals with the introductory part of the study. Back ground of the study along with back ground of the company is highlighted in the first part. It also defines the statement of the problem that necessitates this research to be undertaken. The general and specific objectives, significance of the study and scope and limitation of the study are also presented. Lastly a brief highlight of organization of the research report is discussed.

1.1Background of the Study

One of the most important issues in service marketing is customer satisfaction. Keeping customers satisfied yields many benefits to any service providing company as it is apparent satisfying customers increase their Loyalty. Having a loyal customer is much profitable than attracting new ones as evidenced by many empirical studies.

Customer satisfaction has been defined differently by many marketing practitioners. Kotler and Armstrong (1996) defined customer satisfaction as a person's felling of pleasure or disappointment resulting from comparing a product's/service's perceived performance (outcome) in relation to his/her expectations.

In similar manner Oliver (1997) defines customer satisfaction as an evaluation between what was received and what was expected. One of the factors that determine customer satisfaction is their attribution for service success and failure (Zeitmal&Bitner, 2000).

Although service organizations endeavor towards 'a zero defect' service or to the ability to get things perfectly right the first time , in practice they never provide error free service. In all contexts, whether customer service, or business-to-business services, service failure is inevitable. Service organization will fail at some point where customers and the producer of Services meet each other. This 'inseparability' of a service offering and the service provider as well as the very intangibility of services gives rise to service failures (Palmer, 2001). In addition most services are labor intensive in nature which inevitably leads to more heterogeneous out comes compared to mechanical production process (Berry, 1980).

Service failures have been categorized as failure of the core service (service provider error), such as failure to get one's good transported by cargo plane on the required date, or process failure like policy failures attributable to the organization such as prolonged process to deliver the service.

A service failure is said to occur when the service experience falls short of our expectations (Zemekeand Bell, 1990). It has been suggested that a service failure is profoundly different from the failure of a tangible product. A service usually provides a psychological and largely personal outcome, whereas a tangible product failure is usually impersonal in its impact on the customer.

An impressive stream of research concerning complaint behavior has attempted to look at the ways consumers respond to service failures. It is apparent that many service organizations have developed reactive service failure strategies that focus on complaint management rather than service recovery issues.

Service recovery refers to the actions a service provider takes in response to a service failure (Gronroos, 1988). When service failures occur, the organization's response has the potential to either restore customer satisfaction and reinforce customer loyalty, or exacerbate the situation and drive customers to a competing firm.

Service recovery consists of all the actions people may take to move a customer from a state of dissatisfaction to a state of satisfaction. Zemke (1993) defined planned service recovery as a thought-out, preplanned process for returning aggrieved customers to a state of satisfaction with the company or institution after a service has failed to live up to expectations or promised performance.

When the service organization responds to a service failure with service recovery, customers will be either satisfied with the recovery action or their frustration might increase due to the reason that the service recovery action of the service provider did not properly and fairly compensate them for their initial dissatisfaction.

Following a customer's evaluation of service recovery they intend to complain and also determine their future behavioral intention regarding the service provider.

Behavioral intentions are expressed in terms of intention to re-patronage the same service provider and consumer's negative/positive word of mouth (WOM) regarding the service provider.

An airline business is also a service sector that is frequently faced with service failures and subsequent recovery. It is characterized by service dependent on both internal and external factors to the organization. Internally the service is dependent on employees, organizations policies and procedures while providing a service and physical equipment's (like air craft).The external factors are weather, government regulation, terminal capacity etc.…

Part of an airline service that is concerned with transporting many kinds of goods from one point to another is called cargo service or freighter service .There are many companies that are in dedicated business of cargo only like FedEx and DHL. On the other hand many passenger airlines have a freight divisions operating cargo on the belly of their passenger aircraft and also having a dedicated cargo freighter aircrafts like Emirates and Ethiopian Airlines.

About 70 percent of industry revenue comes from scheduled passenger traffic, 12 percent from carrying cargo and express mail, and 4 percent from charter flights. Other revenue comes from providing maintenance, servicing, training, and reservations. Some airlines carry only cargo, using specially equipped planes. Some major airlines, including United, Northwest, and American, have large cargo operations that contribute 5 to 10 percent of revenue. For smaller passenger airlines, cargo may contribute more than 10 percent of revenue. (IATA, 2013)

As the case with passenger services of an airline the cargo service also encounters service failures in rendering the service to customers. This may happen when Air freight's value proposition of speed, reliability, and efficiency are not delivered as per customers' expectation.

While it is impossible for service firms to provide flaw less service delivery in every transaction, the way a firm responds to a client's post-consumption dissatisfaction may have a crucial impact on retaining the customer and lead to positive word-of-mouth and referrals for future business. As a way to offset consumer dissatisfaction when the service has not been delivered satisfactorily, a firm can offer an apology, a refund, offer free services, and/or offer compensation to demonstrate good will. Clearly, if compensation is

given with impoliteness or disagreeably, this can negatively affect the perceptions of the consumer and their satisfaction.

Responding to mistakes or service failures that have been made, therefore, becomes crucial if the vitality of the relationship is to be preserved.

Clearly, empirical studies are needed to establish dimensions associated with service recovery and concomitant satisfaction and behavioral intention based on the satisfaction on service recovery actions.

1.1.1 Background of the company

Ethiopian Airlines is an aviation company owned by government of Ethiopia. It has started operation in April 1946.The vision of the company is to become the most competitive , and leading aviation group in Africa by providing safe, market driven and customer focused passenger and cargo transport, aviation training ,flight catering ,Maintenance Repair and Overhaul services by year 2025.

Ethiopian airlines first started cargo service along with providing a carriage of good with passengers but the first cargo charter flight was made in 1946 to Nairobi.

Ethiopian cargo is now one of the seven strategic business units of Ethiopian Airlines group and the largest cargo service provider in Africa. Ethiopian cargo uplifts 200000 tones of cargo annually and currently gives a dedicated scheduled cargo network to 20 destinations in Africa,8 destinations in Gulf, Middle East and Asia (EAL,2016).

1.2 Statement of the Problem

Despite the importance of service recovery and the effect that service failures and service recovery have on a firm's ability to satisfy and keep customers, very few empirical studies have addressed the influence of service recovery on customer satisfaction and behavioral intention. Furthermore, most of the research has been exploratory and non-generalizable (Smith, Bolton & Wagner, 1999).

Fisk, Browen&Bitner (1993) have pointed out that customer evaluations of service encounters are important elements of customer satisfaction and long term loyalty and called for a greater focus on the relationship among service encounter issues and other organizational concerns such as re-patronage, quality and profitability.

In Ethiopia, the emerging floriculture and vegetable export highly depends on Air cargo to reach its market timely and in good condition. In addition as Ethiopia is a land locked country (without a sea port) many businesses use air cargo to import and export.

The air cargo business has faced weak markets and increasing competition since 2011. There has been an increase in air cargo demand but cargo remains a tough business where competition is high among airlines and other modes of transportation like sea transportation of cargo (IATA,2013).

The market situation of Ethiopian airlines cargo is of no exception. Although there is an increase in demand for cargo transport, competition is becoming fierce as many other airlines also provide the service like emirates and Kenya airways to mention the few. In addition the sea transportation also poses a competitive pressure.

Thus providing a satisfactory service for customers is necessary for airlines in air cargo business for their survival and profitability as it will be a competitive advantage against competition by retaining loyal customers and also contributes to gain new customers by the positive word of mouth effect of satisfied customers.

The occurrence of service failure in providing air cargo service is unavoidable as it is with all services. Thus Airlines design and implement service recovery programs.

Ethiopian airlines cargo also has been accused by customers for delay in delivering transported goods, pilferage and damage of the goods. In response to these failures there are service recovery actions by the airline that include money compensation on top of providing free ware house and cold rooms for the delayed on hold goods.

This research investigates the impact of service recovery efforts of the airline on customer's satisfaction and future behavioral intentions like negative /positive word of mouth and re patronage.

1.3 Basic Research Questions

The research tries to answer the following basic questions:

1. What is the overall satisfaction level of customers with the service recovery actions of the Ethiopian Airline Cargo service?
2. How does service recovery affect customer satisfaction?
3. What is the effect of satisfaction with service recovery on customer's behavioral intentions regarding the cargo service of the Air line?
4. Does customer satisfaction mediate the relation ship between service recovery and behavioral intentions?

1.4 Objective of the study

1.4.1 General Objective

The main objective of this research is to examine the impact of service recovery on customer satisfaction and future behavioral intentions of customers of Ethiopian airlines Cargo service.

1.4.2 Specific Objectives

- To identify the areas in which service failures occur
- To Examine the service recovery mechanisms employed by the air line
- To Identify the satisfaction level of customers on the service recovery actions
- To Investigate the impact of service recovery dimensions on customers satisfaction
- To examine customer's future behavioral intentions of engaging in negative word of mouth and re-purchase intention based on their satisfaction/dissatisfaction with the service recovery.
- To examine the role of customer satisfaction in the relationship between service recovery and behavioral intention.

1.5 Significance ofthe Study

This study is expected to contribute to the existing growing body of knowledge on service marketing by examining the effect of service recovery on customer's satisfaction, behavioral intentions and by empirically investigating the case of cargo customers of Ethiopian airlines.

In addition the outcome/ findings and recommendations of this research can be used by the management in the area of cargo customers' service of Ethiopian Airlines to evaluate the customer's satisfaction and improve service failure management and service recovery. The study could assist the airline in determining where it is lacking and where to improve its performance in these areas. They might help to avoid service failures in the first place and, secondly, to give ideas about service recovery if failures do occur. On a more strategic level, these activities could also assist managers to develop a sound customer service strategy that incorporates service failure management and service recovery. In general, this study is expected to give input for implementation of appropriate service recovery action that will improve the satisfaction of its customers.

1.6 Scopeof the Study

The study explores the effect of service recovery mechanisms employed on customers' satisfaction of the cargo division of Ethiopian Airlines. In addition, though customers are located in different areas like cargo terminals outside of Ethiopia, due to time and resource limitation, those located in Addis Ababa cargo terminal are incorporated in this study.

1.7 Organization of the Research Report

The study is organized in two five chapters. The First chapter l contains back ground of the study, research question; general and specific objectives of the study, significance of the study, scope and limitation of the study are outlined. The second chapter is dedicated to related review of literature having theoretical framework, empirical review and conceptual review and hypotheses are presented. The third chapter is concerned with the Methodology of the study, it describes design of the research, the population is defined and sample size with appropriate sampling method decided. The statistical method that will be used to analyze the data is also discussed. Chapter four is concerned with presenting the results and discussion and finally chapter five contains summary of findings and conclusion will be made and presented

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter deals with a review of related literature in the area of service recovery. First, a theoretical review is presented by discussing service failure including a review the concept of service recovery. Discussion of customers' satisfaction with respect to service recovery is also presented. Related literatures of behavioral intention, service recovery paradox and theoretical frameworks to service recovery are examined in detail. Secondly an empirical review discussed the models and findings of previous researches in the same area with different authors. Lastly, based on the empirical review the proposed research model and research hypotheses are developed and presented.

2.1 Theoretical Review

2.1.1 Service Failure

Service failure can be defined as the inability to meet the expectations of customers regarding the standard of service delivery (Ahmad, 2002 and Palmer, 2001).It is a situation in which the service performance rendered falls below the expectations of the customer. From the customer's perspective, service failure refers to any situation where something has gone wrong with the service received (Palmer, 2001).

Although all service organizations originally intend to provide a failure free and near to perfect service, it is inevitable that a service organization will fail at some point where customers and the producer of services meet each other. Service failure can occur anytime and anywhere in the process of service delivery.

According to lovelock and Wright (1999) specific complaints on service can be related to any of the 8ps of service but most of the time ,Failure is inevitable as a result of the unique

characteristics of the service itself i.e. specially, co-production and the inseparability of production and consumption makes it impossible to ensure 100 percent error-free service.

The best way to prevent service failure is to do things properly from the start and not to rely on service recovery to keep customers loyal. Doing things right from the start is achieved through identifying possible failure points in the service delivery process, as well as through exploring methods to prevent these failures (Cranage, 2004).

A common source of frustration results from inappropriate trade-offs between productivity and quality, when a firm tries to boost productivity without thinking about its impact on customers. Perhaps some of the product elements are poorly executed. Or maybe the service processes in which the customer is involved are badly organized. Shortcomings in delivery like place, cyberspace, and time are common. For example, a service may be unavailable where it is wanted; or a Web site may not be functioning satisfactorily (lovelock and Wright, 1999).

As for possible failure points, Cranage (2004) identifies the physical surroundings as a possible source of failure. Failings in physical evidence include ugly or poorly maintained facilities and dirty or poorly fitting staff uniforms. In addition to possible failures related to the physical environment, Cranage (2004) identifies several other failure points as well as preventative action an organization could take to avoid failures developing there. The reluctance of employees to take responsibility and be accountable for things that do go wrong is an important failure point. It is suggested that employees should receive training in this regard, and that they should be empowered to make decisions to address customer complaints (Ahmad, 2002).

Young, Corsun&Shinnar (2004) suggest that empowerment of employees is good practice. Poor employee response to service problems is another possible failure point. To prevent problems arising from this, managers should have knowledge about customer contact situations, and be in control of these. Employees should also be trained in how to listen and respond to customer needs (Cranage, 2004).

Yet, another service failure point is bad communication, or lack of communication, between employees, and between employees and customers. Employees should be trained to acquire good communication skills. Appropriate lines of communication should be established between employees and management (Cranage, 2004). Service failure also occurs when the service task involves a set of multifaceted activities. It is necessary to analyze multifaceted customer service

procedures and tasks: these should then be broken down into more manageable components (Cranage, 2004).

This is all very well in theory, but in practice it is very difficult to completely avoid service failure. Price and other user outlays are also a major source of complaints. There are many instances in which customers felt overcharged, were kept waiting too long, or endured unnecessary hassles. The disappointment with a service may also have resulted from promotion and education strategies that promised too much (thus raising customers' expectations too high), or failed to instruct the customer properly in how to use the service (lovelock and Wright, 1999).

Effective service failure analysis provides type, frequency, and magnitude of service failures (Hoffman, Kelly and Rotalasky, 1995). Ahmed (2002) holds a similar view that the possible failure points need to be documented and the service delivery system reviewed and modified in the light of this information. Thus, identifying the root cause of service failure and analyzing them is of great importance.

Service failures can be understood by requesting guests to provide insight into the causes of problems. Other methods are also available to determine the causes of service failure: questioning employees who deal with customers, and simply through observing service processes and encounters (Yen, Gwinner& Su, 2004).

Ennew&Schoefer (2003) identified three service failures: service delivery failures, failure to respond to customer needs and requests, and unprompted and unsolicited employee actions.

In order for a service organization to deal with the intangibility of services, it should reduce the complexity of the service it provides, assist positive word-of-mouth communications, focus on tangible reminders of the service, and center on supplying high-quality service.

As for ways of dealing with the inseparability of product and perception, the organization should try to split the production and consumption of a service, manage the dealings between the consumer and provider of the service, and improve service delivery systems (Palmer, 2001).

2.1.2 Types of service failure and magnitude (criticality)

The services marketing literature recognizes two types of service encounter failures, namely outcome failures and process failures (Hoffman, Kelley, &Rotalsky 1995; Mohr & Bitner1995).

An outcome failure occurs when the failure is related to the core service offerings. The outcome dimension of a service encounter involves what customers actually receive from the service whereas the process dimension involves how they receive the service, that is, the manner in which it is delivered (Gronroos 1988; Parasuraman, Zeithaml, & Berry 1985).

In an outcome failure, the organization does not fulfill the basic service need or perform the core service, which the basic benefit demanded or expected by the customer and the principal reason for the service encounter (Smith, Bolton &Wagner, 1999). Some examples of a core service failure include a reserved hotel room being unavailable because of a double booking, a wrong order taken by the steward in a restaurant, a poor financial plan from a financial consultant, or inappropriate beauty treatment in a beauty salon.

In a process failure, the delivery of the service is defective or deficient in some way (Smith, Bolton & Wagner, 1999). An example of a process failure includes a bank clerk treating the customer rudely during check-in, or a customer's waiting in a queue for a considerable period, or poor communications or skills of a service personnel.In other words, an outcome failure typically involves a utilitarian exchange, and a process failure typically involves symbolic exchanges.

The type of service failure (outcome versus process failure) affects customers' perceptions of the recovery evaluation. Customers who experienced a process failure were less satisfied after service recovery than those who experienced an outcome failure (Mittal, Ross, &Baldasare, 1998).

Smith, Bolton &Wagner (1999) also found that compensation and quick action improved customers' evaluation of perceived fairness when they experience an outcome failure. On the other hand, customers perceived that an apology or a proactive response was more effective when process failure occurred. Mittal, Ross, &Baldasare (1998) reported an asymmetrical impact of negative and positive performance on satisfaction and behavioral intentions.

Principles of resource exchange also suggest that customer satisfaction judgments will differ by the magnitude of the failure (Smith, Bolton & Wagner, 1999). Specifically, as the size of the loss due to a failure gets larger, the customer will view the exchange as more inequitable and be dissatisfied.

Moreover, previous research on how customers respond to service failures (e.g., Gilly and Gelb 1982; Hoffman, Kelley, and Rotalsky 1995; Richins 1987) suggests that the higher the magnitude or severity of service failure, the lower the level of customer satisfaction is.

It is expected that the type and magnitude of the service failure will influence customers' evaluations of a service failure/ recovery encounter because the failure context serves as a reference point from which customers judge the fairness of the encounter. Therefore, the type and magnitude of the service failure will influence how customers respond to recovery attributes.

2.1.3 Service Recovery

When a service failure occurs, an organization should put strategies in place to return customers to a state of satisfaction (Boshoff& Staude,2003). Griffin (2001) and Evans (2002) state that organizations should implement a 'win-back' program to return valuable customers lost to the organization. But practically, Firms are not well informed on how to deal successfully with failures of service delivery, nor do they understand the impact of complaint handling strategies (Tax, Browen and Chandershekran, 1998).

As both a business practice and a focus of marketing research, the concept of service recovery has evolved over time. Prior to the 1970s and early 1980s, the term service recovery dealt largely with restoring computer or telecommunications outages, or recovering from natural disasters. Beginning in the late 1970s onwards marketers began to give emphasis to not only the occurrence of service recovery in the reactive context of resolving specific service problems , but also the long-term benefits of service recovery such as enhanced customer loyalty and favorable word-of-mouth communication (Carnage,2004).

In 1990, Hart, Heskett& Sasser published a classic article describing the profitable art of service recovery, and attention turned to the proactive, strategic role that service recovery can play in a competitive marketplace.

The need for a systematic approach for dealing with customer dissatisfaction and complaints is implied in the definition of planned service recovery .Zemke and Bell (1990) defined planned service recovery as a thought out, planned process for returning aggrieved customers to a state of satisfaction with the Organization after a service or product has failed to live up to

expectations. Johnston (1995) defined service recovery as the seeking out and dealing with service failures.

Service recovery focuses on the actions taken by the organization to avoid or rectify the deviation, to prevent breaches in customer confidence and loyalty, and to return the customer to a state of satisfaction (Hart, Heskett& Sasser, 1990).

Tax, Brown, &Chandrashekaran (1998) define service recovery as a process-oriented approach. It is a process that identifies service failures, effectively resolves customer problems, classifies their root cause(s), and yields data that can be integrated with other measures of performance to assess and improve the service system.

As observed by Michel (2002), service recovery differs from complaint management in its focus on service failures and a company's immediate reaction to it. While complaint management is based on complaints that may be caused by service failure, service recovery tries to identify when failure occurs and makes effort to solve problems at the service encounter even before customers complain or before they leave the encounter dissatisfied (Boschoff& Statude,2003).

The objective of service recovery efforts is to put a smile on a customer's face and move customers from a state of dissatisfaction to a state of satisfaction and, more importantly, to develop strong relationships with customers (Zemke,1993).

The way a firm responds to a client's post-consumption dissatisfaction may have a crucial impact on retaining the customer and lead to positive word-of-mouth and referrals for future business. As a way to offset consumer dissatisfaction when the service has not been delivered satisfactorily, a firm can offer an apology (Berry &Parasuraman 1991). Researchers have suggested that service failure and recovery encounters provide opportunities for organizations to communicate commitment to customers and strengthen bonds and that service recovery should be viewed as a strategic marketing variable that offers a valuable return in the form of increased customer satisfaction and retention (Zemke &Bell 1990; Hart, Heskett& Sasser, 1990).

Therefore, by linking customer evaluations of service failure and recovery encounters to overall (cumulative) satisfaction and re-patronage intentions, managers can evaluate the benefits and/or opportunity costs of this strategic marketing variable.

Two strand of research can be identified within the recovery literature:

a) A prevention or variation reduction approach, based on the idea of building methodologies for "zero defect" environments, which is highly influenced by the manufacturing literature (Reichheld& Sasser, 1990)

b) A service encounter approach, based on the human interaction that occurs when services fail, which is considered inevitable in this second strand, due to the nature of services themselves, i.e. the variations inherent in something that is created and consumed simultaneously, through human interaction (Ahmad,2002).

Undoubtedly the nature of service products themselves increases the likelihood of errors, or service failures and, therefore the need for recovery. Service variability has been identified as an ongoing problem both for marketing managers and quality managers. Not only this, the customer often is required to participate in the production of the service product (Lovelock and Wright, 1999)

Importantly, Johnston's study of service failure and recovery (1995) found that many failures are created by customers themselves. The attention of the researchers now is directed towards understanding how customers evaluate recovery experiences. Service recovery strategies describe the actions that service providers take in response to defects or failures. These actions range from "do nothing" to "whatever it takes to fix the problem". Within this range, the most common and frequently used actions are: apology, compensation, providing solace to the customer by giving cognitive control (frequent updating on the progress made to resolve the service failure) or providing responsive service (Boschoff&Staude, 2003), (Carnage, 2004) (Hart, Heskeet&sasser, 1990).

The effectiveness of recovery strategies depends on the situation and is influenced by such factors as importance and type of service. Effectiveness is also dependent on the way in which the service providerhandles the problem. Thus, both what was done and how it was done contribute to the effectiveness of the recovery strategy. The goal is to bring the customers back to the level of services they initially expected or contracted for (Smith, Bolton & Wagner, 1999).

In the case of certain core failures (e.g. waiting for service even with a reservation), it is argued that the service firm has little leeway; and to plug in the deviation caused by service failure should provide compensation along with apology. To satisfy the customer and restore trust the

service provider can provide cognitive control. Compensation involves an apology or a discount (Zemeke,1993). Hoffman, Scot &Rotalasky (1995) found that compensation (e.g. free food, discounts, coupons) was rated most effectively in restaurant service failures that included slow or unavailable service.

Recovery strategies should be planned, analyzed, evaluated, and implemented as carefully and thoroughly as any other element in the organization's effort for competitive advantage. As managers and strategists, we are keyed to consider the differences between customer markets segmented by age, gender, income, occupation or even marital status, but we often overlook the fact that the principles of customer satisfaction that apply within the industrialized we stare not universal. Thus, an important area in managing customer relationships in general and service recovery in particular, is the cultural diversity of customers (Boschoff&Staude, 2003).

The theory of cultural relativity provides a useful framework for extending our knowledge of recovery in the cultural context. The history of multinational management provides a rich and detailed account of blunders created when American management theories and practices were applied indiscriminately across various national environments (Mattilia& Patterson, 2004). It was learned that management practices are not universal. Initially, it was thought that the differences between nations and the values of their people would converge after time. It was expected that the world would become a homogeneous environment for conducting business but this has not happened (Mattilia& Patterson, 2004).

2.1.4 Customer satisfaction

A valuable measure of how well different industries in the United States are performing relative to the needs and expectations of the marketplace is provided by the American Customer Satisfaction Index (ACSI), which measures customers' evaluations of the total purchase and consumption experience, both actual and anticipated, on an annual basis. ACSI results show that most manufactured products score higher than most services (lovelock & Wright, 1999).

As these data suggest, many service industries are still a long way from meeting their customers' expectations on service. But some companies do better than others. Within each industry, there are often considerable variations in performance between different firms.

Oliver (1997) defined satisfaction as an evaluation of the surprise inherent in a product acquisition and/or consumption experience. Thus, satisfaction is the sum total of psychological

state resulting when the emotion surrounding disconfirmation expectations is coupled with the consumer's prior feelings about the consumption experience. In contrast to a transaction-specific approach to satisfaction, Fornell (1992) promulgated satisfaction as the cumulative overall evaluation of a customer's purchase and consumption experience based on numerous interactions between the customer and the service provider.

Oliver (1997) defined satisfaction as the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment. According to this expectancy disconfirmation theory, satisfaction is the consequence of comparison between pre-purchase expectation and product or service performance. Oliver claims that satisfaction is derived from the Latin satis (enough) and facere (to do or make). Satisfaction is consequently related to providing what is being sought to the point where fulfillment is reached (Oliver, 1997).

Customer satisfaction is the result of a customer's perception of the value received, where value equals perceived service quality relative to price. The first determinant of overall customer satisfaction is perceived quality. The second determinant of overall customer satisfaction is perceived value (Fornell, 1992).

Customer satisfaction is recognized as being highly associated with 'value' and is based, conceptually, on the amalgamation of service quality attributes with such attributes as price. Satisfaction plays a prominent role in the service industry and especially in the hospitality industry (Oliver, 1997). As the service industry has evolved, researchers have made immense efforts to define and comprehend satisfaction from the consumer's point of view. The stress to realize what truly creates satisfied customers has led to an ever increasing body of literature surrounding satisfaction, how service providers create satisfied customers and the effects that satisfaction has on businesses today (Fornell, 1992),(Oliver,1997).

Scholars have contributed volumes of research to support the importance of satisfaction in the service industry. Through the years, research in professional, as well as trade publications, have justified the importance of satisfaction Blodgett, Granbois, & Walters (1993) demonstrated that satisfied customers are far more valuable to a service organization when compared to dis-satisfied customers; thus, the organization's focus should be to satisfy the customer.

When a dis-satisfied customer chooses not to complain in order to avoid confrontation or to save the employee from being punished, the service provider misses the opportunity to rectify or correct the service failure situation and return the customer to a satisfied state (Tronvoll, 2007).

2.1.5 Behavioral intentions

Previous research has shown that customer' attributions about the failures that they experience influence their attitudes and behavioral intentions toward the firm (Folkes, Susan, &John, 1987)

Spreng, Harrel, &Mackoy (1995) found that service recovery performance influenced overall satisfaction and behavioral intentions such as WOM communications and repurchase and likelihood to repurchase when the customer's complaints were dealt with satisfactorily. Further evidence of satisfactory problem resolution resulting in enhanced repurchase intentions means that strong service recovery may enhance customer loyalty.

Zeithaml, Berry, and Parasuraman (1985) suggest that favorable behavioral intentions are associated with a service provider's ability to get its customers to 1) say positive things about them, 2) recommend them to other consumers, 3) remain loyal to them (i.e., repurchase from them), 4) spend more with the company, and 5) pay price premiums.

Repurchase intention of consumers is mainly determined by their satisfaction with prior experience of a product or service (Oliver, 1997). Various researches on consumer satisfaction pointed that the level of consumer satisfaction is a key determinant of the attitude to repurchase a product or a service.

As the cost of retaining an existing customer is less expensive than prospecting for a new customer (Spreng, Harrell &Mackoy, 1995), purchase intention is a very important consideration for marketers. Purchase intentions are directly influenced by customer satisfaction and some suggest that satisfaction is more influential in forming one's purchase intentions than service quality (Cronin & Taylor, 1994). Other researchers have also found a positive relationship between satisfaction and purchase intentions and that firms can recover from almost any failure and preserve a customer's intent to repurchase from the firm in the future (Goodwin & Ross, 1992; Kelley, Hoffman& Davis 1993).

Researchers have similarly argued that firms can maintain customer retention by responding to service failures in a fair manner (Blodgett, Hill & Tax, 1993). These findings suggest that purchase intentions will remain stable, and possibly increase, when service recovery is effective. On the other hand, a poor service recovery effort may substantially reduce one's future intentions to purchase from the failing firm. Thus, purchase intention is included as a dependent variable in this research.

The significance of word of mouth (WOM) communications in the service sector is well documented WOM provides vital information about a firm to a consumer that oftentimes helps consumers decide whether or not to patronize a firm (Zeithaml, Prasurman&Bery, 1985). In this sense, WOM may prove to be beneficial in initiating a brand switch, and thereby assist a firm in gaining new customers.

It follows from equity theory that firms can restore consumers' propensity to spread positive recommendations by responding fairly to an inequitable service failure (Goodwin & Ross, 1992).

Some researchers have similarly suggested that consumers are prone to spread negative WOM when they perceive an unfair response to a service failure (Blodgett, Hill& Tax, 1993). Others suggest that a positive relationship exists between service recovery and WOM. That is, positive WOM recommendations will increase as levels of service recovery increase (Hartline & Jones, 1996).

Studies indicate that dissatisfied customers may tell between 10 to 20 people about their badexperience with a service company (Tronvoll, 2007). Consumers have been found to depend on word-of-mouth to reduce the uncertainly and the level of risk that are often associated with servicepurchase decisions (Richins, 1983).

The intangible and the heterogeneous nature of service make consumer to perceive higher risk in purchasing them than purchasing the goods. Because of the intangibility, theconsumers of service have much higher pre-purchase preference for personal information sources and, and that these sources influence the purchase decision to quite an extent (Lovelock & Wright (1999).

Word-of-mouth communication, have a strong influence on consumer purchasingbehavior, both short term and long-term purchasing judgments (Richens, 1983). This influence isparticularly significant when the information from the personal source is in tune with

theindividual's feelings toward the product and service considerations. The word ofmouth influences the listener's perception of the brand (Singh, 1990). The word-of-mouth communication is generally perceived by potential consumers to be highly reliable, and canlead to fewer initial purchases from new consumers, thus affecting their sales andconsequently the profitability (Richins, 1983).

In sum, the above theoretical arguments uphold a general theme. That is, a firm's service recovery effort may have important implications for levels of satisfaction which in turn will affect purchase intent, and positive WOM.

2.1.6 Service recovery paradox

Researchers have suggested the existence of a very intriguing phenomenon known as the service recovery paradox. In some organizations, customers whose service failures had been satisfactorily remedied seemed to be more satisfied, more likely to remain loyal, and more likely to engage in favorable word-of-mouth about the company than customers who had never experienced a failure (Hart, Heskett& Sasser 1990; McCullough & Bhardwaj, 1992). Similarly, Bitner, Booms, &Tetreault (1990) found that over 23 percent of memorable satisfactory encounters in the airline, hotel, and restaurant industries were directly due to incidents relating to the way service employees responded to service failures. This finding demonstrates that service system failures can be perceived as highly satisfactory encounters if proper recovery measures are taken, and provides further evidence of the service recovery paradox.

Based on personal experiences and anecdotal evidences, the idea of a recovery paradox was developed more than 30 years ago. Research has stated that a good recovery can turn angry, frustrated customers into loyal ones. Researchers have demonstrated that good service recovery can, create more goodwill than if things had gone smoothly in the first place (Hart, Heskett& Sasser 1990). Since then, a wide range of empirical studies have explored the service recovery paradox. Although, studies on service recovery paradox points out that the service recovery paradox is a real phenomenon, (Bitner, Booms, &Tetreault 1990; Goodwin and Ross 1992;; Hart, Heskett, & Sasser 1990; and Kelly, Hoffman, and Davis 1993) Some other studies indicate that there is no way to please customers more than with a consistent, first-time, error-free service (Berry, Zeithaml, &Parasuraman 1990 andFornell 1992;). These researchers promulgated that service recovery is a strategy to limit the damage caused by a service failure rather than a way to impress the customer with a special effort when something goes wrong.

Based on this literature review, it is reasonable to conclude that the evidence of the existence of a service recovery paradox is mixed. his explicates why some studies have failed to produce significant results(Hart, Heskett, & Sasser 1990).

2.1.7Theoretical Framework of Service Recovery

Service recovery related literature attributes the social exchange and equity theory for providing the theoretical frame work for studies exploring customers' evaluation of service recovery efforts (Kelly & Davis,1994) .

They proposed that in every exchange that takes place, people weigh the inputs (the perceived contributions) against the outcomes (the perceived rewards received) and compare them with others in similar situations. In the case of service recovery, customers input could be the costs associated with a service failure such as economy, time, energy, physiological costs and physical costs (Kelly, Hoffman & Davis, 1994).

The outcomes could include specific recovery tactics used such as cash refund, apology, and replacement and so on. The outcomes must be perceived to be fair or just by the customers in order for them to be satisfied with the service recovery. In the event that there is an equal balance between the inputs and the outputs, the exchange is considered as 'fair', but if the outcomes do not meet with the person's expectations, then the result is inequity. Consequentially, Inequity is expected to result in both dissatisfaction and disloyalty (Kuenzel&Katsaris, 2009).

Thus, customers often use the perceived justice component of equity theory to evaluate the service recovery effort. It will let customers determine whether a recovery attempt was fair or not. The perceived justice has three dimensions which are proposed by (Kelly, Hoffman & Davis, 1994).

Its dimensions are: procedural justice (extent to which the policies& and procedures used to achieve the final outcome are perceived as fair), interactional justice (extent to which ones& personal interactions with a firm's employees are perceived as fairand distributive justice (the extent to which the finaloutcome is perceived as fair(McCullough, Bharadwaj&Yadaw, 2000).

A) Procedural justice:- focuses on the process that is undertaken to arrive at the final outcome (Lewis &Spyrakopoulos, 2001).Loh&Kau (2006) refer to procedural justice as the perceived

fairness of policies, procedures and criteria used by decision makers in arriving at the outcomes of a dispute or negotiation.

(Kuenzel&Katsaris, 2009) described five elements of procedural justice including process control, decision control, accessibility, timing/speed, and flexibility. Fair procedures are consistent, unbiased and impartial representative of all parties' interest and are based on accurate information and ethical standards.

Prompt strategies were much more likely to be associated with higher satisfaction and customer retention rate than their delayed counterpart. It has also been found that procedural justice is important in service recovery as consumers who might be satisfied with the type of recovery strategy offered but still could be unhappy if the process endured to seek redress were unsatisfactory (Kuenzel& Katsaris,2009).

However, (Loh&Kau, 2006) found that in a retailing setting, procedural justice (timeliness) did not have a significant effect on customers' patronage intentions nor their negative word-of-mouth intentions.

B) Interactional Justice: - defined by (Kuenzel and Katsaris, 2009) as "dealing with interpersonal behavior in the enactment of procedures and the delivery of outcomes". Hence, interactional justice refers the manner in which the recovery process is operational ed and recovery outcomes presented.

Interactional justice has been operationalized as courtesy and politeness as exhibited by personnel, empathy, effort observed in resolving the situation, and the firms willingness to provide an explanation why the situation occurred (McCullough, Bharadwaj&Yadaw, 2000).

This component of the perceived justice is essential as (Loh& Kau,2006) found that people might view the procedure and outcome to be fair and yet felt being unfairly treated as a result of interactional factors. Other research has shown that the manners in which managers and employees communicate with customers and efforts taken to resolve conflicts affected customer satisfaction. For instance, when employees apologized for their mistakes, customers often ended up feeling more satisfied (McCullough, Bharadwaj&Yadaw, 2000).

Oliver (1997) also confirmed that display of empathy, being polite and willingness to listen to customers were critical elements in service encounters. Loh&Kau (2006) also discovered that

interactional justice had the strongest effect on subjects' re-patronage and negative word of-mouth intentions in their experimental study.

C) Distributive justice:-the third component of perceived justice focuses on the specific outcome of the firm's recovery effort. In other words, what specifically did the offending firm offer the customer to recover from the service failure, and did this outcome (output) offset the costs (inputs) of the service failure.

Some often-quoted distributive outcomes include compensation in the form of discounts, coupons, refund, free-gift, replacement, apologies and soon (Kelly, Hoffman and Davis, 1993: Kuenzel and Katsaris, 2009 and Loh and Kau, 2006).

The assessment of whether the compensation is fair may be also affected by the customer's prior experience with the firm, knowledge about how other customers were treated in similar situations and perception of the magnitude of his or her own loss (Kelly, Hoffman & Davis, 1993).Loh and Kau2006, found that in a retail setting, distributive justice had a significant effect on customers' satisfaction and loyalty.

As we can understand from the justice theory, customer's perception of fair service recoveries based on the three fairness dimensions (Procedural, interactional and distributive) affects customer satisfaction and future behavioral intention.

Ethiopian airlines cargo customers are also faced with instances of service failures like delay in acceptance of their cargo items, delay of flights, pilferage and damage of their cargo items. The airline also provides service recovery actions following the occurrence of these service e failures like Apology, providing ware house and cooling ware house and compensation.

Past research on service failure and recovery has presented considerable evidence of the suitability of the concept of justice as a basis for understanding the process of service recovery and its outcomes (Blodgett et al., 1997; Goodwin & Ross, 1992; Smith et al., 1999; Tax et al., 1998).

2.2 Empirical Review

2.2.1 The Effect of perceived justice on customer satisfaction

Investigation of the effect of perceived justice dimensions on overall customer satisfaction has been studied by different authors on number of organizations. The authors found that all three

forms of justice interactional, procedural and distributive justice have a positive effect on service recovery satisfaction.

Patterson ,Cowely&Prasongsukarn, (2006) have researched service failure recovery and have found out that all the three dimensions in the justice theory (distributive, procedural and interactional) have a positive impact on customer satisfaction.

In addition the effects of dimensions of justice on customers' recovery satisfaction have been studied in different service industries as well, including, banks (Assefa,2014) hotel customers, (Karatepe 2006)&(Smith, Bolton and Wagner, 1999), mobile phone buyers (Kau and Loh 2006), and Airline passengers (McCollough,Bahradwaj and Yadaw, 2000).

2.2.2Effect of Satisfaction withService recovery on Behavioral Intention

Blodgett, Hill and Tax (1997) examined the effects of distributive, procedural, and interactional justice on customers' re-patronageintention and negative word of mouth intention. The study suggested that the effects of perceived justice on customer behavioral intentions vary across the different dimensions of justice and change with the degree of service recovery efforts as well.

Back and Shanklin.,(2005) examined the effects of recovery satisfaction on overall satisfaction and future behavioral intentions, such as re-purchase intention and willingness to recommend. The study showed that perceived justice influences recovery satisfaction and overall satisfaction, which leads to positive behavioral intentions.

On a study made by Mostert, Demayer and Rensburg (2009) focusing on airline industry ,by taking the case of south African passenger airlines, they have found out that satisfaction of customers with service recovery efforts significantly influences their relationship with the airline as well as their patronage of the airline. In contrast dissatisfied customers with service recovery indicated their future relation was damage and will less likely continue using the service of the company where the service failed.

2.3 Conceptual Framework and Hypotheses

2.3.1 Conceptual Framework

Based on the empirical review, in this research it is proposed that the three justice dimensions of service recovery have an effect on customer satisfaction, Word of mouth and repurchase intention.

It is proposed that procedural justice i.e. the perceived fairness of policies and procedures taken by the service provider to provide a service recovery for customers will have a positive effect on customer's satisfaction and behavioral intentions.

Interactional justice dimension of service recovery, as discussed in detail in the theoretical part of literature review deals with the manner by which the recovery outcome is presented.

From the findings of other researchers like Patterson, Cowely&Prasongsukarn, (2006); and Kim, Kim& Kim, (2009) ,interactional justice is proposed to have a positive effect on customers satisfaction and behavioral intention. In the same token, the researchers also found out that distributive justice has a positive impact on customer satisfaction and behavioral intentions in different settings like hotels. Thus it is proposed distributive justice also have a positive effect on customer satisfaction and based on this satisfaction it also affects their behavioral intentions.

Thus conceptual framework of the study can be depicted as below.

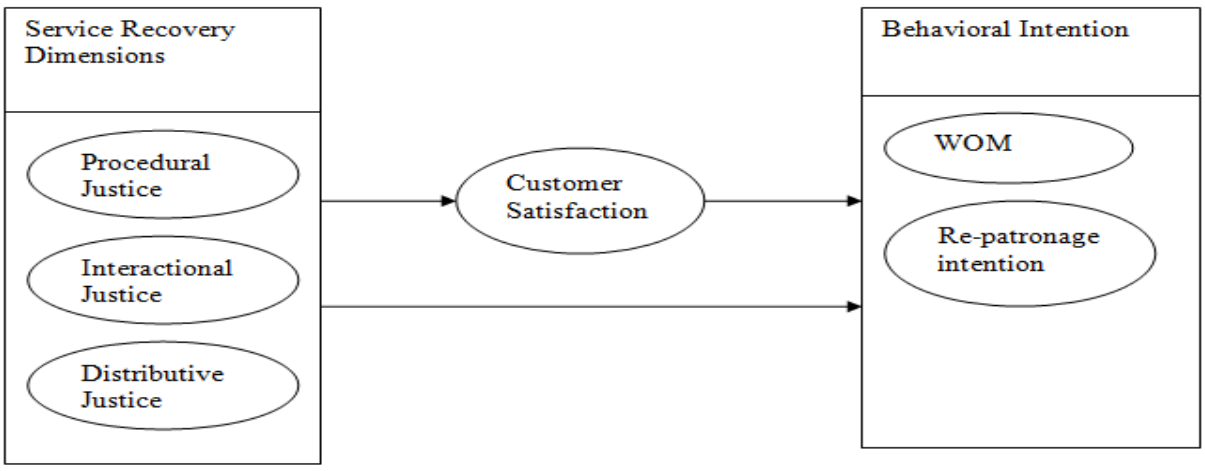

Figure 2.1 Conceptual framework (source:Reserchers's own work)

2.3.2 Hypotheses

The hypotheses of this study was developed after a rigorous empirical review and based on the proposed conceptual framework are listed below.

H1. There is a positive relationship between perceived justice and recovery satisfaction.

H1a. There is a positive relationship between distributive justice and recovery satisfaction.

H1b. There is a positive relationship between procedural justice and recovery satisfaction.

H1c. There is a positive relationship between interactional justice and recovery satisfaction.

H2 there is a positive relationship between service recovery satisfaction and behavioral intention

H2a Recovery satisfaction has a positive effect on word of mouth

H2b Recovery satisfaction has a positive effect on re-patronage (re-purchase intention)

H3 Customer satisfaction positively mediates the positive relationship between perceived justice and behavioral intention

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter highlights theresearch methodology employed to carry out this thesis; applied research approaches, research designs, sources of data, methods of data gathering and sampling techniques together with the justifications for choosing one against the other. It also describes how these methods would be implemented to find answers for the purpose of the research. Issues related to reliability and validity within the proposed methods are put in place briefly.

3.1 Research Approaches

There are three approaches of business research, namely exploratory, descriptive and explanatory (Zikmund et al , 2010).Exploratory research focuses on the discovery of ideas and insights by looking for new knowledge through exploration. Descriptive research attempts to describe situations or phenomena. While explanatory research attempts to explain the cause and effect relationship between variables.

In this study, the dependent variable is customer satisfaction and behavioral intentions of WOM and re patronage; the independent variable is service recovery that is measured in terms of distributive, interactional and procedural justice.

The appropriate research approach for this study is explanatory approach as the main objective of the paper is to explain the effect of service recovery on customer's satisfaction and behavioral intention.

3.2 Research Design

Research design can give a general road map or plan of the research by guiding the general methodology of the study. Creswell (2009) states that research designs are plans and procedures that span the decision from broad assumptions to specific methods of data collection and analysis. Thus the overall road map of the research is defined by its design.

There are factors that influence selection of specific design for a study like topic or nature of the problem, the researcher's personal experience and audience of the study.Three types of research designs are popular in social science and behavioral studies. These are Qualitative, Quantitative and mixed research designs (Creswell, 2009).

Qualitative research design applies an exploration to understand a situation or an issue by questioning participants in their current setting. Data analysis involves making inductions from the observed setting. Here, data is collected by an open ended question that is analyzed by the interpretation of the researcher.

Quantitative research involves testing objective theories by examining the relationship among variables. These variables can be measured by instruments and statistical analyses will be applied to obtain findings. Here, testing theories deductively, building in protection against bias, controlling for alternative explanations and being able to generalize and replicate findings is given due attention. The Mixed design apples both quantitative and qualitative methods in a study.

This study employs a quantitative research design because in order to meet the specified objective a close ended questionnaire will be used and variables will be numerically tested for their relation by applying statistical methods. In addition tests for reliability and validity will be applied to avoid bias and increase the generalizability of the findings.

3.3 Sources of Data

The sources of data that this research employs are both primary and secondary data. Primary data are originated by the researcher for the specific purpose of addressing the problem at hand (Malhotra, 2005). There are number of ways to collect primary data like through questionnaires, interview, focus group discussions,etc..as deemed necessary per the research design undertaken.

For this particular research primary data will be obtained by structured questionnaires from respondents.

Secondary data are data that are collected for some purpose other than the problem at hand (Malhotra, 2005). Secondary data are usually collected from journals, existing reports, and statistics by government agencies and any other authorities or entities.

The secondary data for this study will be collected from marketing journals, company reports and any other existing reports such as government agencies and authorities.

3.4 Methods of Data Collection

Data was collected by close ended self-administered questionnaires from Addis Ababa cargo terminal while customers were sitting to receive services of both cargo import and export.A screening question of whether the individual have faced a service failure was used to handout the questionnaires for the targeted respondents.In addition respondent was requested for his/her willingness to participate in the survey. Data collection was made for 15 consecutive days in morning's afternoon and night time.

- **Data Collection Instrument**

To collect primary data from respondent's the instrument that was applied is a structured self administeredquestionnaire with predetermined questions.The questions are close ended that give respondents to rate their satisfaction level with the service recovery by using Likert scale. A five point Likert scale is applied with options ranging from strongly agree to strongly disagree with a neutral option neither agree/disagree included.

The questionnaire is constructed based on the empirical literature review in order to measure customers' satisfaction with service recovery and evaluate their behavioral intention based on their satisfaction.In order to ensure content validity, measurement items were mainly adopted from prior studies.

Items of the questionnaire that are used as indicator variables in order to measure latent variables of perceived justice i.e. procedural justice, interactional justice and distributional justice are adapted from Smith, Bolton & Wagner(1999).The original questionnaire was developed in English and back translated to Amharic as most customers have an understanding of these two languages.

3.5 Population and Sampling

3.5.1Population of the study

The target population of this study is cargo customers of Ethiopian airlines. Cargo customers of Ethiopian airlines comprises of organizations and individuals. By customer number, the

customer base is dominated by individuals that import and export for personal usage comprising 80% and business organizations and government organization constitute for 20% according to report by the company. Total Customers that patronage the cargo service of the airline in 2015 were seventeen thousand according to a report by the organization.

3.5.2 Sampling Technique

A stratified convenience sampling method will be applied for this research. Because of the nature of the research i.e. as it studies customer's satisfaction and behavioral intention on service recovery, the occurrence of service failure is a necessary precondition. Yet , there is no defined list of customers that have faced service failure. This made it impossible to use random sampling .In addition studies of service failure and recovery have used convenience sampling and are able to develop model that this research attempts to test like Smith, Bolton &Wagner(1999).

It is found important to divide business organizations and individual customers in different strata's as it is advantageous to sample each sub population when there is a significant variation within the population (Cochran, 1977).

As the population i.e. customers of Ethiopian vary basically in their nature as individuals and business organizations the use of stratified sampling is found to be appropriate.In stratified sampling a population of N units is sub divided into sub population of N1,N2…….NL units. The sub populations are non over lapping (Cochran, 1977)

The questionnaire will be distributed to customers found in Addis Ababa cargo terminal at the time of data collection. Convenience sampling is found to be appropriate as it very difficult and impractical to contact randomly selected customers due to time and cost constraints. But to increase generalizability of the sample to the whole population, the data collection is made for 15 days at different times in date's i.e. morning, afternoon and night time.

3.5.3 Sample Size

While determining a sample size several factors need to be considered like type of sample required, time constraint, budget, required estimation precision and variability of elements in the population.

The justifications for determining the sample size to be 390 for this particular study are:-

1.Sekaran(2009) suggests a sample size from 50 to 500 is already adequate for most researches

2. Based on Saunders &Thornhill (2007) researchers normally work on 95% level of certainty. For a population that is large to yield a representative sample for proportions that is valid: where N is the sample size is the abscissa of the normal curve that cuts off an area "α" at the tails the tails are (1- α)equals the desired confidence level i.e. 95%."E" denotes the desired level of precision, "p" is the estimated probability of attribute that is present in the population. "q" is 1-p. The value for Z is found in the statistical tables which contain the area under the normal curve.

The total population is 17000 as describes above for the year 2015.

Theresulting sample in this study will be determined as follows:

$$N = Z^2 pq/E^2$$

$$= \frac{1.96^2 * 0.5*0.50}{0.05^2}$$

$$=384.16$$

To determine the number of sample to be selected from the two strata i.e customers that use the cargo service of Ethiopian Airlines for their individual goods and for business like exporters and importers, a proportional allocation is used.

As can be seen in the population definition from the total population of customers in Addis Ababa which is 170000 in the end of year 2015, 20% are business organization while 80% are business organizations.

In proportional allocation from the total decided sample size in this case 385 for business organization 20% of the sample i.e 385*0.20=77 was assigned and for individuals the use the service to transport for their personal need was found to be 385*0.80=308

3.6 Methods of Data Analysis

To analyze the collected data both descriptive and inferential statistical methods will be employed. By employing frequencies answers of the respondents will be reported.

To assure reliability of measures Cronbach's alpha test will be performed for the pilot taste.

Lastly structural equation modeling (SEM) is applied in order to confirm the validity of the proposed model.

SEM is found to be appropriate for this study as it provides the appropriate and most efficient estimation technique for a serious of separate multiple regression equations estimated simultaneously (Hair et al,2010).

In addition, SEM is beneficial than other multivariate methods of data analysis as it takes confirmatory rather than exploratory approach to data analysis. Hypothesis testing is also handy while using SEM. Measurement error that is neglected in regression analysis but in SEM it provides explicit estimates of measurement error (Byrne, 2010).

The most important feature of SEM, that also make it applicable for this study is it is the most widely and easily applied method for estimating point and/or interval indirect effects.(Hair et al,2010;Byrne,2010)

The data analysis will be made by a statistical package for social sciences (SPSS) version 20 and analysis of moment structures (AMOS) version 20.

3.7 Reliability and validity

3.7.1 Reliability

Reliability refers to the extent to which data collection techniques or analysis procedures will yield consistent findings (Saunders, Lewis &Thormhill, 2007).Reliable observations yield the same results on other occasions and by other observers. The interpretation of the raw data must also be apparent for a validity to hold.

Reliability of a scale is often assessed by test-retest reliability or by internal consistency (Zikmund et al., 2010). The first indicator, the test-retest, is assessed by administering the same scale of measure to the same respondents on two various occasions, and computing the

correlation between the two scores obtained (Zikmund et al., 2010). The second indicator, the internal consistency, is the degree to which the items constituting the scale are all measuring the same underlying attribute (Zikmund et al., 2010). The most commonly indicator used for computing the internal consistency is coefficient alpha. Thus, in this study reliability will be ensured by computing Cronbach's Alpha for all constructs.

A pilot was condutedon 30 consumers and coefficient alpha is calculated to make sure it falls in the accepted range i.e. threshold value for Cronbach alpha which is greater than 0.65(Nunnaly, 1978).

3.7.2 Reliability test

In order to examine the internal consistency exhibited by the indictors of each construct in the model an analysis of Cronbach's alpha is conducted on a pilot test. According to Nunnally (1978) alpha value greater than 0.65 is acceptable for indicting the reliability of the construct.

All constructs exhibited a Cronbach alpha value of greater than 0.67, thus they are accepted as being reliable.

Table 3.1Cronbach's Alpha of Constructs

Construct	Number of Item	Cronbach's alpha
Procedural Justice	5	0.739
Interactional Justice	5	0.844
Distributive Justice	4	0.803
Customer satisfaction	3	0.874
Behavioral Intention	4	0.829

3.7.3 Validity

According to Kumar (2005), validity is the ability of an instrument to measure what it is designed to measure. He also states that Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. There are two forms of validity tests that are frequently mentioned in the research literatures: external and internal validity. The external validity of research findings is the data's ability to be generalized

across persons, settings, and times; while internal validity confirms the ability of a research instrument to measure what it is purposed to measure (Cooper & Schindler, 2008).

There exist four main approaches how to assess internal validity. The approaches are called face validity, content validity, and criterion validity and construct validity (Zikmund et al., 2010).

For this study, the questions were generated from an extensive review of academic and practitioner's literatures, it is assumed that the content validity holds.
The issue of validity is addressed by using construct validity. The approach this study takes to examine is discussed in detail chapter 4 by application of CFA.The construct validity is assed with due attention for all constructs.

3.8 Ethical considerations

In order to keep the confidentiality of the data given by respondents, the respondents are not required to write their name and assured that their responses will be treated in strict confidentiality. The purpose of the study is disclosed in the introductory part of the questionnaire. The researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires will be distributed only to voluntary participants.

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION

This chapter is concerned with presentation of the data collected by survey questionnaire from the sample respondents. Descriptive statistics is employed to present basic characteristics of the data and to analyze service failure type and Airline's response .In addition to test the reliability and validity of the data Cronbach's alpha and analysis of confirmatory factors are employed. To come up with the applicable model with the data and test the hypothesis structural equation modeling (SEM) is applied by analyzing the data with SPSS and AMOS, version 20 software.

The number of samples for which a questionnaire was distributed was 385 as mentioned in chapter 3, the total collected questionnaires numbered 375,this makes the response rate 97 %.From the 375 returned questionnaires, 360 responses are found valid and incorporated for data analysis. The remaining 15 questionnaires were in complete with missing data in most of the variables.

Missing data refers to a situation in which valid values are not available for analysis (Hair et al,2010).According to Hair et al (2010) missing data can be remedied by deleting offending cases or variables with excessive levels of missing data. Thus as the cases with missing data are found to be less than 10% of the total i.e. 15 cases out of 375, it is decided to take the simplest remedy suggested and eliminate the cases from further analysis.

4.1 Descriptive statistics of Survey Response

4.1.1 Respondent profile

From the respondents 79.4 % reported they use the cargo service of the airline for transporting items that are for personal use and 20.6 % reported using the service for business items.

Table 4.1 Frequency of purpose of using cargo service

	Frequency	Percent
For personal items	286	79.4
For business items	74	20.6
Total	360	100.0

The number of times that respondents encountered service failure within last year is presented on table 4.2.From the respondents 55.3 % reported they have encountered a service failure only once, 26.4 % have encountered twice and 11.4% encountered more than three times within one year while 6.9% have faced three times. From this it can be observed that more than 15% of the respondents encountered service failure three times and more within a year. This shows although a service failure is an avoidable but the frequency that customers are facing it is high.

Table 4.2 number of times service failure encountered within last year

	Frequency	Percent
once	199	55.3
twice	95	26.4
three times	25	6.9
more than three times	41	11.4
Total	360	100.0

4.1.2 Analysis of Service failure type and Airline response

In order to find out in which areas service failures occur, respondents were asked to indicate what type of service failure they have faced. Table 4.3 shows the response of the respondents. The most frequent type of service failure is delay of transported goods followed by loss or pilferage of transported goods.

Table 4.3 Type of service failure

Type of service failure	Frequency	percentage
delay of transported good	245	44
loss of transported good	185	33
damage of transported good	105	19
other	20	4
Total	555	100

The airline's service recovery actions received by customers for service failure are summarized in table 4.4.

Table 4.4 Recovery actions of the airline

Type of service recovery	Frequency	percentage
Apology	174	32
Received nothing	166	31
Money compensation	130	24
Adequate explanation	70	13
Total		100

4.1.3 Overall satisfaction with service recovery

Table 4.5 shows the descriptive analyses of respondents overall satisfaction with service recovery of the airline.7% are highly satisfied as they have responded strongly agree to the item portrayed as 'I am satisfied with the overall service recovery'' i.e. item 17 on the questionnaire.

Table 4.5 Respondents overall satisfaction with service recovery

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly disagree	61	16.9	16.9	16.9
disagree	95	26.4	26.4	43.3
neither agree nor disagree	55	15.3	15.3	58.6
agree	124	34.4	34.4	93.1
strongly agree	25	6.9	6.9	100.0
Total	360	100.0	100.0	

4.2 Normality test

A critically important assumption when conducting structural Equation modeling in general and using AMOS software for data analysis in particular is that data are multivariate normal(Byren,2010).A common rule of thumb test for normality is to get skewness and kurtosis within range of +2 to -2 when data is normally distributed (Hair et al,2010). For SEM analysis data that are kurtotic are problematic (Byren, 2010)

Thus normality analysis for the 5 variables was conducted. As table shows all variables are within +2 to -2 range .That means the data is normally distributed.

Table 4.6Skewness and kurtosis of variables

Construct	Skewness	Kurtosis
Procedural Justice	0.379	-0.780
Interactional Justice	-0.344	-1.004
Distributive Justice	0.067	-0.981
Customer satisfaction	0.068	-1.399
Behavioral Intention	0.095	-1.502

4.3 Structural Equation Modeling (SEM)

The primary interest of SEM is the extent to which a hypothesized model fits or adequately describes the sample data. The SEM model is composed of two models namely measurement model and structural model. The measurement model defines relation between the observed and unobserved variables i.e. it provides links between scores on the measuring instrument (the observed indicator variables) and the underlying construct they are designed to measure (Byren,2010).The measurement model represents CFA model discussed below.

On the other hand the structural model defines relations among the unobserved variables i.e it specifies the manner by which particular latent variables directly or indirectly influence (cause) changes in the values of certain other latent variables in the model (Byren, 2010)

4.3.1 Confirmatory factor analysis

Confirmatory factor analysis is a way of testing how well measured variables represent a smaller number of construct that they are intended to measure. (Hair et al, 2010).The CFA gives different statistics that show how well the theoretical specification of the factors matches the actual data used. The confirmatory factor analysis taken by this study is first analyzing the fit of the measurement model that assesses how fit are the indictor variables to measure the latent variable.

This is generally termed as construct validity as it assesses the extent to which a set of measured items actually reflect the underlying factor model that those items are designed to measure (Hair et al,2010).Construct validity consists of discriminate and convergent validity.

4.3.1.1 Convergent validity

Convergent validity assesses the extent to which items constituting a given construct converge or share a high proportion of variance in common (Hair et al,2010).Measures that are used for assessing convergent validity are Goodness of Fit (GOF) statistics. GOF statistics compares the goodness of fit between theory and reality (Hair et al ,2010). According to Hair et al (2010) there are four categories of GOF indices summarized in the table below.

Table4.7 Categories of GOF indices

Category	Statistics	Definition
Chi -Square (X^2)	Chi square	Difference between observed and estimated covariance matrices
	Degrees of freedom	Covariance in the observed matrix less the number of estimated coefficients
	Probability statistic (p-value)	Probability that the observed and estimated covariance matrices are actually equal
	Normed chi-square	Ration of chi-square to degrees of freedom for a model
Absolute fit measures	GOF index	Measure indicating how well a model reproduces the variance/covariance matrices of the observed sample
	Root mean square error of approximation (RMSEA)	Badness-of-fit index measuring how well a model fits a population taking into account both model complexity and sample size
	Root mean square residual (RMR)	represents the average residual value derived from the fitting of the variance–covariance matrix for the hypothesized model
Incremental fit indices	Normed fit index (NFI)	Assesses how well a specified model fits relative to some alternative baseline model (often a null model that assumes all observed variables are uncorrelated)
	Comparative fit index (CFI)	
	Tucker-Lewis index (TLI)	
	Incremental fit indices (IFI)	

(Source :Hair et al,2010)

In addition to GOF indices standard estimates of .5 and above (preferably .7 and above) and squared multiple correlations (SMC) from .3 but preferably.5 and above suggest construct validity and item reliability (Hair et al, 2010).

After the model is found fit per above criteria's , it is further assessed by examining the Average Variance Extracted(AVE) and composite reliability(CR) indexes as they are also important measures of convergent validity (Hair et al,2010).The acceptable threshold for AVE and CR is a value at least 0.5 and 0.6 respectively.

Acceptable fit measures this study will take in to consideration are summarized below based on the recommendations of Hair et al (2010).

Table 4.8GOF acceptable values for model fitness

Type	**Name of GOF statistics**	**Abbrev.**	**Acceptable level**
Chi-square	Chi-square (with df, p)	x2 (df, p*)	p-value can be less than .05
	Normed chi-square	x2 /df	Value between 1 and 5
Absolute fit measures	GOF index	GOF	value >0.92
	Root mean square error of approximation	RMSEA	Values < .08/.10
	Root mean square residua	RMR	Values < .09
Incremental fit indices	Normed fit index	NFI	Values >= .92
	Comparative fit index	CFI	
	Tucker-Lewis index	TLI	
	Incremental fit index	IFI	

(Source :Hair et al,2010)

4.3.1.2 Discriminant Validity

Discriminant validity refers to the principle that the indicators for different constructs should not be so highly correlated as to lead one conclude that they measure the same thing. A demonstration of Discriminant validity used in this study is provided through the comparison of the AVE estimates for each factor with the squared inter-factor correlation estimates associated with that factor. The AVE scores need to be greater than 0.5 and the composite Reliability C.R should be greater than 0.7 (Hair et al. 2010).

Thus construct validity is assessed for all latent variables by doing a CFA for the proposed model as per the theory by applying AMOS graphics version 20. Then after assessing all GOF indices and other measurements the model fit is examined, if the proposed measurement model is with acceptable parameter it is left for further analysis to be incorporated in the structural

model, if the measures are not found to be fit then based on the modification indices proposed by AMOS , a corrected model is presented for further analysis with adjusted item numbers.

On the next part each variable under the study is assessed for measurement model fit i.e construct validity.

1. Procedural Justice (PJ)

A latent variable for this study, procedural justice is proposed to be measured by five items per the instrument used. The figure in Annex 1 depicts the proposed measurement model for Procedural Justice (PJ).

The model fit indices for this model are summarized on table Annex 2. From the table it can be observed that the model fails to meet the criteria set in table for GOF as X^2 and P value including absolute fit indices and incremental fit indices are below the acceptable level, thus the model was re run by eliminating item 2 that have a standard estimate of .05.

The corrected model for procedural justice is depicted in fig 4.2

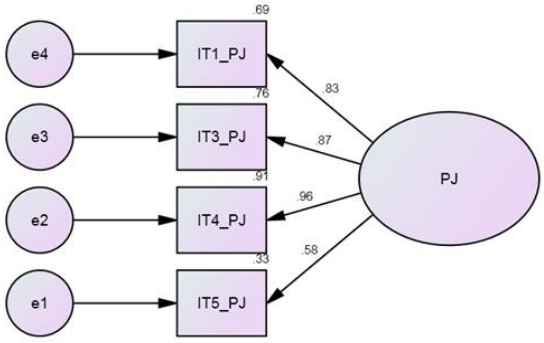

Fig 4.1 corrected final measurement model for procedural justice

Table 4.9 GOF indices for corrected final measurement model of PJ (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	13.628(.001)			CFI	0.988	
DF	2	RMSEA	0.012	NFI	0.985	
				IFI	0.988	
x2/df	6.814	RMR	0.029	TLI	0.963	0.982

As we can see from fig and table, the corrected measurement model for procedural justice satisfies most values for model fit. Although the normed chi square value and RMSEA are a little bit higher than the required amount, all other indices are as required. In addition all the items have a standard estimate of > 0.5 and SMC of >.3 the model is taken to be fit.

2. Interactional Justice (IJ)

Interactional justice construct is proposed to be indicted by 5 items per the research instrument. The proposed measurement model is as depicted on Annex 3.

We can observe fit indices from table on Annex 4 for the proposed measurement model for interactional justice; based on the criteria's on table 4.8, most indexes show the model is not fit. Thus model was re- run in AMOS by making adjustment based on modification indices proposed by the software. The final measurement model after applying the proposed modification index is depicted below.

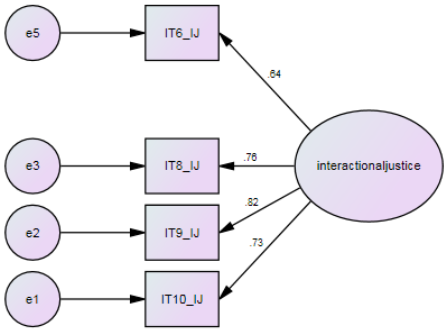

Fig 4.2 corrected final measurement model for Interactional justice

Table 4.10 GOF indices for corrected measurement model of IJ (Source :AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	9.516(0.023)			CFI	0.992	
DF	3	RMSEA	0.078	NFI	0.988	
				IFI	0.992	
x2/df	3.172	RMR	0.029	TLI	0.972	0.99

Eliminating IT7_IJ resulted in better fit of the model as the absolute, incremental and good ness of fit parameters are acceptable in addition the standard estimate for all items is above

.05.Normed chi square is 3 .172 greater than the threshold on table, but as most indices are acceptable the measurement model for interactional justice (IJ) is taken to be fit.

3. Distributive Justice (DJ)

Per the literature review, the instrument used for this study has four items that are taken as indicator for latent variable distributive justice (DJ).As can be observed from the fig on Annex 5 the standard estimate for three items is greater than 0.5.Item 13 has a standard estimate less than 0.5 thus it is eliminated on the corrected model.

The table on Annex 6 summarizes the fit indices for the proposed measurement model of distributive justice.RMSEA and normed chi square of the model are not adequate for confirming fit of the model. Thus per the MI the model was rerun in AMOS.As item 13 (IT13_DJ) has a standard estimate of 0.46 thus it is eliminated when the model is re specified as below. The remaining items loaded above .5.

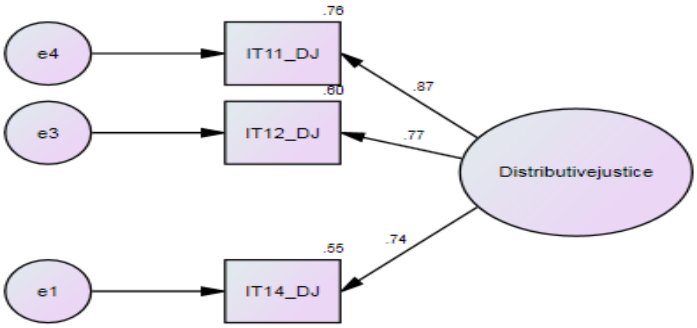

Fig 4.3 corrected final measurement model for Distributive justice

Table 4.11 GOF indices for corrected measurement model of DJ (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	4.84			CFI	0.993	
DF	1	RMSEA	0.099	NFI	0.991	
				IFI	0.993	
x2/df	4.84	RMR	0.02	TLI	0.956	0.993

As can be observed from above table model fit is achieved except for a little higher value for normed chi square.

4. Customer Satisfaction (CS)

Three indicator variables (items) are proposed to measure customer satisfaction as per the research instrument. As fig 4.4 depicts all the items have a standard estimate of above 0.5.

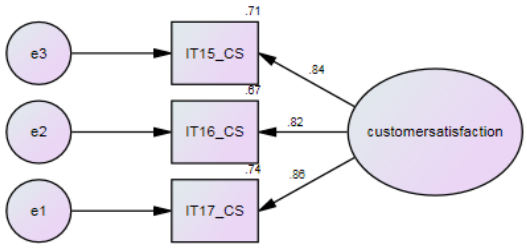

Fig 4.4 proposed one factor measurement model for Customer Satisfaction

The issue with this model is that all the indices loaded to zero with chi square value and degree of freedom of 0, but as the model is taken to be fit as the absolute fit indices and incremental fit indices with goodness of fit meet the expected value

Table 4.12 GOF indices for proposed measurement model of CS (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	0.00			CFI	1.000	
DF	0	RMSEA	0.726	NFI	1.000	
				IFI	1.000	
x2/df	0	RMR	0.000	TLI		1.000

5. Behavioral Intention (BI)

Figure 4.5 shows the proposed measurement model for behavioral intention construct. All the standard estimates for the measuring item are above .5 confirming fitness of the model.

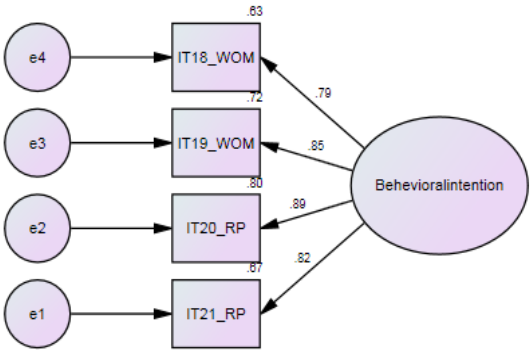

Fig 4.5 proposed one factor measurement model for Behavioral Intention

In addition Absolute, incremental and goodness of fit indices also confirm the fitness of proposed model thus the proposed model is fit.

Table 4.13 GOF indices for proposed measurement model of BI (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	4.791			CFI	0.997	
DF	2	RMSEA	0.062	NFI	0.995	
				IFI	0.997	
x2/df	2.3955	RMR	0.015	TLI	0.991	0.994

As proposed by Hair et al (2010), assessment of model fit has two steps, the first is assessing the individual constructs measurement model fit, the second one is testing the full measurement model. The full measurement model consisting of all exogenous variables is depicted on fig 4.6

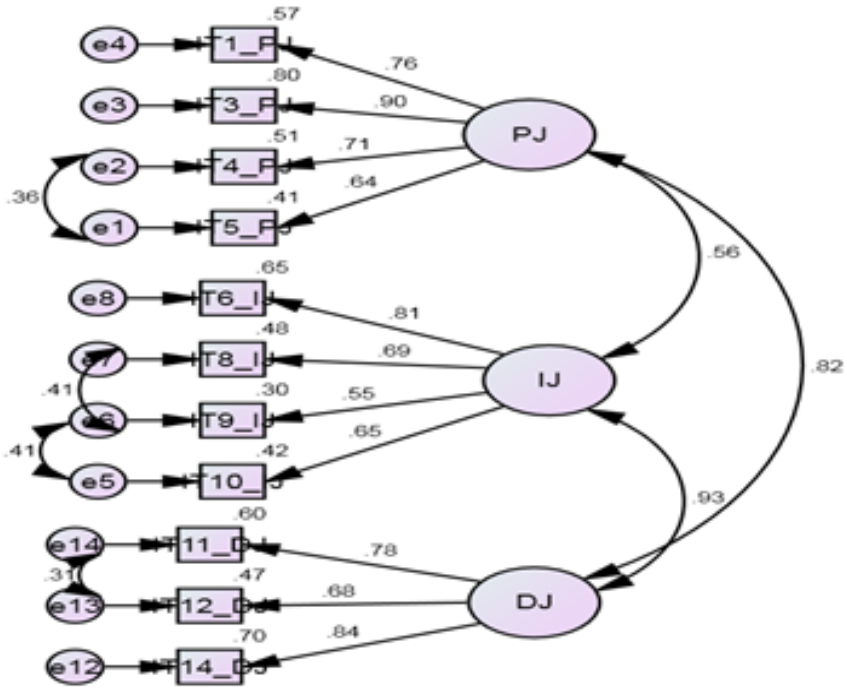

Fig 4.6Full measurement model

The fit of the full measurement is also adequate per the values of fitness indices in table below.

Table 4.14 GOF indices for full measurement model (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	153.695 (.000)			CFI	0.948	
DF	36	RMSEA	0.095	NFI	0.934	
				IFI	0.948	
x2/df	4.269	RMR	0.068	TLI	0.920	0.927

Below table shows the AVE and C.R of each construct to test the Discriminant validity. All AVE is greater than 0.5 and C.R greater than 0.7 confirming the validity of the model.

Table 4.15 Discriminant validity of constructs (Source: AMOS output for own survey)

Construct	AVE	CR
Procedural Justice	0.588	0.806
interactional Justice	0.536	0.824
Distributional justice	0.613	0.812
customer satisfaction	0.753	0.901
Behavioral intention	0.702	0.904

4.4 Structural model and Hypotheses testing

4.4.1 Structural model

After measurement models are fitted , the structural model for the hypothesized research model is developed by incorporating each individual latent variable as structural model specifies the manner by which particular latent variables directly or indirectly influence (cause) changes in the values of certain other latent variables in the model (Byrene,2010).The structural model of this study is depicted below.

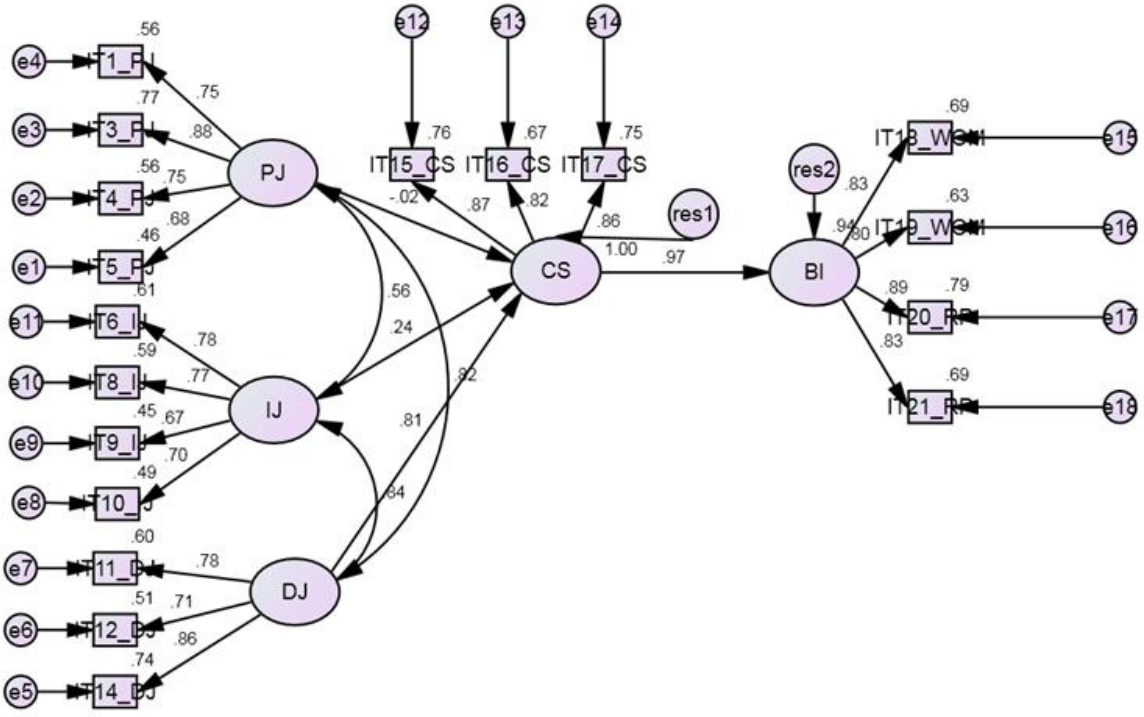

Fig 4.7 proposed structural model

In order to test the stuctural model first it has have adequate construct validity (Hair et al,2010).

To test the construct validity of the structural model it can be done by examining GOF indices and comparing factor loadings of the structural model with that of underlying measurment model and the differnce should not be more than 0.05(Hair et al,2010)

When comparing standard estimate loading of the structural model are compared with full measurement model IT9_IJ was found to have more than 0.05 thus the item is removed from the structural model. This resulted in better GOF of the model as depicted on the fig 4.8 and table on Aannex7.

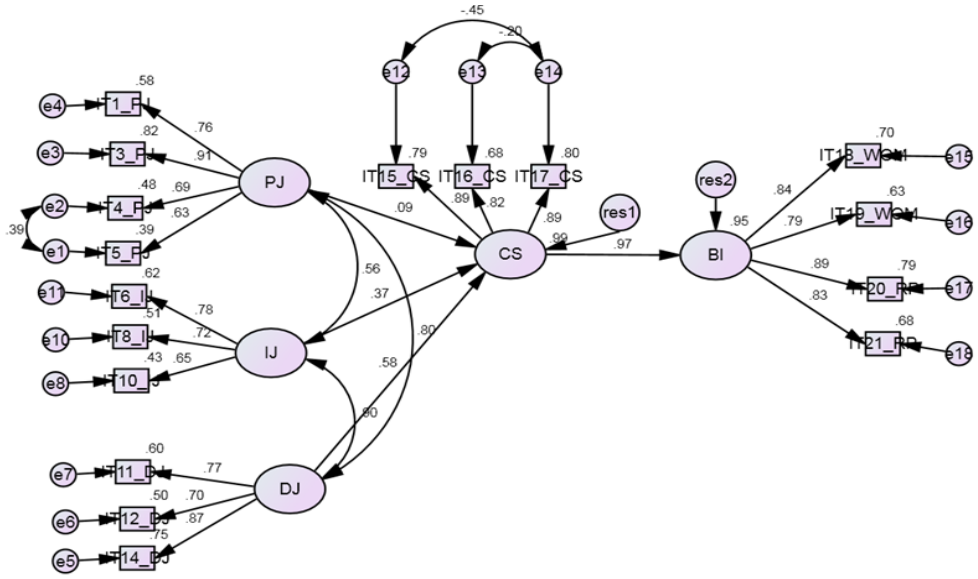

Fig 4.8 corrected structural model

As per values on table found at Annex7 the final structural model exhibits most of appropriate fit indices thus the model is taken to be fit and convergent validity satisfied.

4.4.2 Hypotheses testing

This study examined three exogenous (PJ,IJ and DJ) and two endogenous (CS and BI) variables as proposed by the conceptual framework of the study. From this three hypothesis with 5 sub hypotheses were formulated. On the final structure model one headed arrows between latent variables show the hypothesis of this study.

The hypotheses are tested by using the rule of ± 1.96 of t-value (C.R.) with a significance or P value of < 0.05.All un standardized regression estimates should be in the expected direction and statistically different from zero (that is, the critical ratio is larger than 1.96 at the $\alpha = 0.05$ significance level) (Byrne 2010; Hair et al. 2010) The table on Annex 8 is taken from the AMOS output of estimates for the structural model in fig 4.8.

Hypotheses H1 consisted of H1a that proposed procedural justice have positive effect on customer satisfaction. As can be observed from table above PJ (procedural justice) and CS(customer satisfaction) have β=0.152 and t-value 0.913 with a P value of 0.121 thus the alternative hypothesis H1a is rejected and respective null hypothesis that procedural justice does not have a positive effect on customer satisfaction is accepted.

H1b proposed interactional justice (IJ) has a positive effect on CS, supporting this hypotheses the table shows these two variables have β=0.245 and t-value 2.234 with 0.025 p-value i.e<0.05 .Thus this study have accepted H1b and rejected the null hypotheses that IJ does not have positive effect on CS.

H1c proposed distributive justice (DJ) has a positive effect on CS, the regression table show a β=0.247 with t-value of 2.789 at pvalue of 0.003 providing a support for the alternative hypotheses and rejecting the null hypotheses that DJ does not have a positive effect on CS.

As the betas ,t value and P value of PJ,IJ and DJ with CS are averaged they give a value of β=0.214, t-value 1.978 and p value of 0.049 , as propose by H1 that proposes a positive effect of perceived justice on customer satisfaction is accepted.

The second hypotheses H2 that proposes customer's satisfaction with service recovery has a positive effect on future behavioral intention. This hypotheses is supported as CS and BI have β=0.041 with t-value 21.011 and p value of less than 0.01.

Subsequently the two sub hypothesis H2a customer satisfaction with recovery have appositive effect on WOM and re-patronage intention are also supported as are two sub hypotheses as BI and WOM have a β=0.056 with t-value of 18.340 with p value < 0.01 supporting H2a and BI and RP also have average β=0.056, t- value 20.817 with p value < 0.01 thus both sub hypotheses are supported.

The result of the hypotheses testing is summarized on below table

Table 4.16: Summary of result of Hypothesis testing

Hypothesis	Beta	t-value(C.R)	P value	Result
H1	0.214	1.978	0.049	Accepted
H1a	0.152	0.913	0.121	Rejected
H1b	0.245	2.234	<0.05	Accepted
H1c	0.247	2.789	0.003	Accepted
H2	0.041	21.011	0.01	Accepted
H2a	0.056	18.34	< 0.01	Accepted
H2b	0.056	20.817	< 0.01	Accepted
Hypothesis	Effect Size(f^2)			Result
H3	0.6			Accepted

4.5 Testing mediating effect of customer satisfaction

As proposed on conceptual framework customer satisfaction positively mediates the effect of perceived justice on behavioral intention. To test this the approach taken is as proposed by Cohn (1992).First the CS variable will be taken out from the structural model as on fig 4.9 and the resulting non mediated model will be tested for validity based on GOF.When CS is taken out and model tested for validity in AMOS by using CFA it resulted in valid model as it satisfies all the GOF criteria.

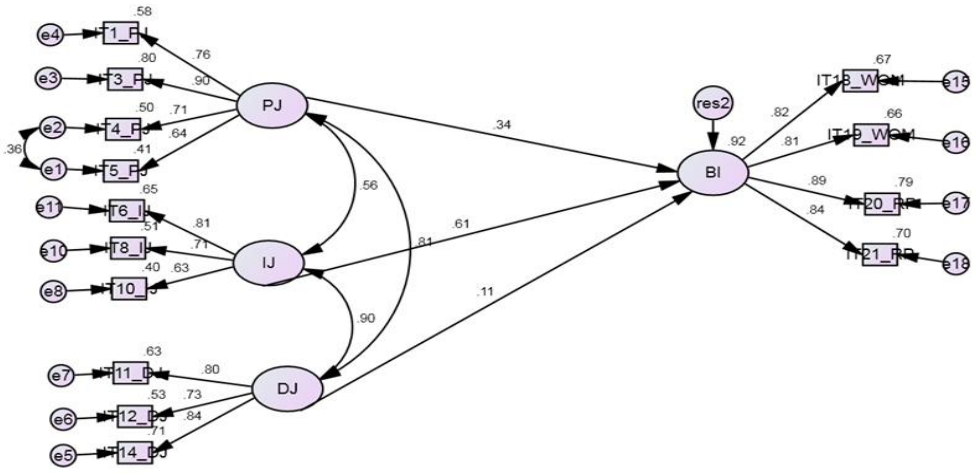

Fig 4.9 structural model without mediation

Cohn (1992) proposes that the effect size(f2) to be calculated by a formula

$$f^2 = [(R^2 \text{ incldued} - R^2 \text{ excluded}) \div (1 - R^2 \text{ included})]$$

The R^2 of the model that include CS is 0.95 as can be observed from fig 4.8 and R^2 of the model excluding CS is 0.92 as can be observed from above fig 4.11 thus based on the above formula $f^2=[(0.95-0.92) \div (1-0.95)]$ becomes 0.6.

According to Cohn (1992) f^2 of 0.02, 0.15 and 0.35 indicate small, medium and large effect respectively. In this case the f^2 is 0.6 that is greater than 0.35 which suggests that CS have large effect on BI and supports the hypothesis H3 that propose customer satisfaction mediates the positive effect that perceived justice has on behavioral intention.

4.6 Discussion

Descriptive analysis of frequency of service failure shows that 44.7% of the respondents have faced a service failure more than once last year. Although service failure is an avoidable this figure shows it frequently happens on the customers. In addition this shows airline operation in general and cargo operations in particular have a significant amount of service failure that deviates from the original proposition of timely delivery.

From table 4.3 we can see that the result of type of service failure is dominated by delayed flights i.e 44% of all the service failure types. This result is similar with that of Mostert,Meyer and Rensburg(2009) who also found 62% of service failures in an airline is due to delay of flights.

Although,Patterson ,Cowely&Prasongsukarn, (2006) have found out all the three dimensions of perceived justice have a positive effect on customer satisfaction, this study have found out that procedural justice showed not to have a significant positive effect on customer satisfaction for the case of cargo customers of Ethiopian airlines, the reason for this can be studied in more depth by other researches in this area in the future. Interactional justice and distributive justice have shown a positive effect on customer satisfaction same as findings of Assefa (2014); Karatepe(2006)& Smith, Bolton & Wagner, (1999).

In general the findings of this study confirm that perceived justice has a positive effect on customer satisfaction.

The effect of satisfaction with service recovery has a significant positive effect on customer's future behavioral intention as per the findings of this study as discussed in section 4.6.2.This result is the same with findings of Ok, Back &Shanklin., (2005) whose findings confirmed recovery satisfaction leads to positive behavioral intentions. Along the same line Mostert, Demayer and Rensburg (2009) have also found satisfaction with service recovery has an influence on customers' future re-patronage intention.

The mediating role of customer satisfaction with service recovery in the positive relation with perceived justice and behavioral intention is also confirmed by the findings of the study indicating the service recovery efforts must satisfy the customers so as customers will form a positive future WOM and re-patronage.

CHAPTER FIVE

SUMMARY,CONCLUSION AND RECOMMENDATION

In this chapter recommendation is given based on the findings of this study by reviewing the research back ground and objectives. By summarizing the research findings recommendations are given.

5.1 Summary of Findings

The findings of this research have shown that a considerable amount of respondents i.e. 44.7% have encountered service failure more than once showing that service failure happens frequently. The service failure type of delay of transported goods is the most frequent type of service failure.This study has found out that procedural justice showed not to have a significant positive effect on customer satisfaction for the case of cargo customers of Ethiopian airlines.In general the findings of this study confirm that perceived justice has a positive effect on customer satisfaction. Customer satisfaction is also proved to mediate the positive relation between service recovery and behavioral intention as per the findings of this research.

5.2Conclusion

This study aims to investigate effect of service recovery on customer satisfaction and future behavioral intention based on the social justice theory by examining the customers of Ethiopian airlines cargo division. The perceived justice is measured by procedural, interactional and distributive justice dimensions.

The results discussed on chapter 4 show that customers of Ethiopian airline cargo show higher satisfaction level with distributive justice ,followed by interactional and procedural justice.The findings also indicate that perceived justice has s positive effect on customers satisfaction .The study also confirmed a theory that satisfaction with service recovery positively affects future behavioral intention and satisfaction with service recovery positively mediates the relationship between perceived justice and behavioral intention.

Based on the responses from the sample and the findings of the data analysis the below conclusions are made.

Delay of goods transported is found to be the major service failure encountered by the customers of Ethiopian airlines cargo. Thus it is concluded that among the cargo service of Ethiopian airlines has an issue of delaying the goods transported.

In order to meet the objective of examining the recovery response of the airline it is found most of the times the airline has offered Apology but also a significant percentage of (31%) times the customers have received nothing from the airline for service failure.in conclusion the service recovery actions of the airline are not adequate as customers must at least receive an explanation when a service failure occurs.

To find out the satisfaction level of customers with the service recovery action of the airline, respondents were asked to rate their satisfaction level with the service recovery as findings show that 7% are very satisfied, 34% are satisfied with the service recovery action ,while the remaining were neutral and dissatisfied , with the concept of delighting the customer , customers of Ethiopian airline cargo are not delighted with service recovery but are on average satisfied.

The effect of service recovery dimensions on customer satisfaction is found to be positive , thus customers of Ethiopian airlines cargo have shown that justice in service recovery positively affected customer satisfaction. Behavioral intentions of the cargo customers of Ethiopian airlines also depend on the satisfaction they have had with service recovery

In the view of customers of Ethiopian airlines cargo distributive justice i.e money compensations, availability of free storage for delayed goods is regarded as the most important from the interactional and procedural justice of service recovery.

5.3 Recommendations

As significant number of respondents (44.7%) have indicated they have encountered a service failure more than once the airline should improve its service and try to minimize the occurrence of service failure repeatedly specially on a specific customer as it highly affect the company's reputation.

Ethiopian airline should work relentlessly on providing a timely delivery of goods transported as delay of the items is among the major type of service failure faced by customers.Underlying reasons causing the delay of goods transported whether internal reasons like delay of flight and work process or external reasons like inspection of goods by government body should be identified and an improvement must be made so as to decrease the occurrence of such kind of failures in the future.

The airline should also devise mechanisms that minimize damage and loss on goods when they are transported and delivered. This can be done by training employes that handle storage and labeling of the transported goods and devising internal controlling mechanism to solve the mis-placement of goods that result in loss of the goods transported.

As the study shows justice oriented service recovery have a positive effect on customers satisfaction and behavioral intention, management of Ethiopian airlines in the area of cargo customer management must develop a service recovery program that incorporated the justice theory and have elements of procedural , interactional and distributive justice.

The service recovery programs of the airline should have a more elements of distributional justice i.e. money compensation, discount coupons, or free storage as the study shows this have a significant effect on customer satisfaction

In order to survive in the competitive market Ethiopian airlines cargo must always revise and up-to-date its service recovery actions to satisfy customers with service recovery actions so that its customers will re-patronage and spread positive WOM about the company.

5.4 Limitations and directions for future research

As this research have not incorporated employees of the airline in the survey to find out what is their opinion on service recovery and the impact it has on customer satisfaction and behavioral intention, future researches can incorporate views of the employee/the company in order to gain a thorough understanding of the research problem.

In addition, future research can investigate the issue of service recovery on customer satisfaction on different airlines cargo service and also passenger service.

Different industries other than the studied airline industry can also be made by future researchers.

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Appendix

Addis Ababa University School of Commerce
Department of Marketing Management

Questionnaire

Dear Participant

This questionnaire isdesigned to conduct a research for partial fulfillment of the requirements of MA in marketing management. The purpose of this study is investigatingthe effect of service recovery on customers' satisfaction and behavioral intentions case of cargo customers of Ethiopian airlines**.** Thus, you are kindly requested to take your precious time and cooperate in filling this questionnaire at your convenience.

Your honest and accurate responses will make this study more valuable. Your responses are solely meant for academic purpose and kept confidential

Thank you in advance for your cooperation.

General instruction:- please select the appropriate choice with a tick mark (√) or write your answer on the space provided.

Please Note the word "company" represents Ethiopian airlines cargo service.

Part I-General Information

1. Purpose of using cargo service of Ethiopian airlines

Fo☐sonal itemsFor a busi☐tems

2. How many times have you used the cargo service of Ethiopian Airlines?

On☐ Twi☐ Thr☐hes Mor☐n three times

3) How many times have you encountered a service failure within last year while using the service of Ethiopian Cargo?

Once☐ Twic☐ Three☐s More☐ three times

4) What kind of service failure have you encountered? (You can choose more than one type)

☐ ☐

Damage of the good transported Pilferage/loss of the item transported

Delay of flight r .Please specify_____

5) Right on the spot of the service failure, what was the response of Ethiopian Airlines

e company apologized to me I was ed an adequate explanation

e company compensated me in moneyI Recei othing

Part II.The parameters are labeled from 1 up to 5. 1 as strongly Disagrees and 5as strongly Agree.

Please select the box that best describes your opinion

No	Service recovery dimensions	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
A	**Procedural Justice:-What is your opinion on the policies and procedures of the company in responding to service failure**					
1	The policy of the company for providing service recovery simple and appropriate	1	2	3	4	5
2	The policy of the company are flexible	1	2	3	4	5
3	The company's policy are fair	1	2	3	4	5
4	The company responded to the failure timely	1	2	3	4	5
5	The Policies and procedures considered the situation	1	2	3	4	5
B	**Interactional Justice:-How did the employees of Ethiopian airlines cargo handle the service failure and recovery?**					
6	They apologized and handled the situation in a very professional manner	1	2	3	4	5
7	They gave me an honest explanation for all my questions	1	2	3	4	5
8	They treated me in a very kind manner	1	2	3	4	5
9	They understood my problem and were willing to help	1	2	3	4	5
10	They were patient, empowered and confident	1	2	3	4	5
C	**Distributive Justice:-What is your opinion on the compensation you have received from the company for the service failure**					
11	The compensation I received for the failure was adequate	1	2	3	4	5
12	The compensation I received was fair considering the time and the hassle	1	2	3	4	5
13	The compensation I received was more than fair	1	2	3	4	5
14	The effort to fix the problem resulted in positive outcome for me	1	2	3	4	5

No	Part III-Customer satisfaction and Behavioral intention	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
A	**Are you satisfied with the overall failure handling process**					
15	I am satisfied with the outcome of service recovery offered by the company	1	2	3	4	5
16	I am satisfied with the interactions I had with the personnel of the company	1	2	3	4	5
17	I am satisfied with the overall service recovery process	1	2	3	4	5
B	**Behavioral Intentions-WOM**					
18	I will recommend Ethiopian airlines Cargo service to my friends and family	1	2	3	4	5
19	I will talk positively about the service of the company every chance I get	1	2	3	4	5
C	**Behavioral Intentions-Re purchase intention**					
20	I am happy with the way I am treated and continue to use the company's service in the future	1	2	3	4	5
21	I have more faith in the company than before and continue to be customer	1	2	3	4	5

Amharic Questionnaire

አዲስአበባዩኒቨርሲቲየንግድሥራትምህርትቤት

የማርኬቲንግማኔጅመንትትምህርትክፍል

ውድተሳታፊዎች፣ይህመጠይቅየተዘጋጀውበማርኬቲንግማኔጅመንትለሁለተኛዲግሪማሟያጥናትለማካሔድነው፡፡የዚህጥናት ዓላማበኢትዮጵያዓየርመንገድለዕቃጭነትአገልግሎትችግሮችየተሰጡምላሾችበደንበኞችእርካታእናየወደፊትግላዊአስተያየቶች ላይየሚያሳድረውንተፅእኖለመመርመርነው፡፡ስለሆነምውድጊዜዎንወስደውበፈቃደኝነትይህንንመጠይቅይሞሉዘንድበትህትና እንጠይቃለን፡፡

የሚሰጧቸውትክክለኛምላሾችይህጥናትይበልጥዋጋእንዲኖረውያደርጋሉ፡፡ምላሾችዎለትምህርታዊዓላማብቻየሚውሉሲሆን ምስጢራዊነታቸውምየተጠበቀነው፡፡

ስለትብብርዎበቅድሚያእናመሰግናለን፡፡

‘‘ድርጅቱ’’ የሚለውቃልየኢትዮጵያዓየርመንገድየጭነትአገልግሎትንይወክላል።

ክፍል 1፡- አጠቃላይመረጃ

መመሪያ፦እባክዎትክክለኛምርጫዎንየ‘‘√’’ ምልክትበማድረግያመልክቱወይምበባዶቦታውላይይጻፉ፡፡

1. የኢትዮጵያዓየርመንገድየዕቃጭነትአገልግሎትንየተጠቀሙትለምንዓይነትዕቃዎችነው?

   ለግልዕቃዎች ☐ ለድርጅትዕቃዎች ☐

2. የኢትዮጵያዓየርመንገድንየዕቃጭነትአገልግሎትለምንያህልጊዜተጠቅመዋል?

   አንድጊዜ ☐ያትሶስትጊዜያትከ☐ጊዜያትበላይ ☐ ☐

3. የኢትዮጵያየጭነትአገልግሎትንሲጠቀሙባለፈውዓመትውስጥምንያህልጊዜየአገልግሎትችግርገጥሞታል?

   አንድጊዜሀ☐ያትሶስትጊዜያትከ☐ጊዜያትበላይ ☐ ☐

4. ያጋጠምዎትየአገልግሎትችግርምንዓይነትነው? (ከአንድበላይመምረጥይችላሉ)

በተጓዝዙዕቃዎችላይየደረሰጉዳት ☐ የተጓዝዙዕቃዎችመጥፋት ☐

የበረራመዘግየት ☐ ሌላካለይግለጹ_____

5.የአገልግሎትችግርበተከሰተበትወቅትየኢትዮጵያዓየርመንገድምላሽምንነበር?(ከአንድበላይመምረጥይችላሉ)

ድርጅቱይቅርታጠይቆኛል ☐ ተገቢማብራሪያተሰጥቶኛል ☐

ድርጅቱበገንዘብክሶኛል ☐ ምንምነገርአላገኘሁም ☐

ክፍል 2.አገልግሎትችግሮችየተሰጡምላሾችሁኔታ

መመሪያ: መመዘኛዎቹከ1 እስከ 5 ነጥብያላቸውሲሆን 1 በጣምአለመስማማትን፣2 አለመስማማትን 3፣ምንምአስተያየትአለመኖርን፣4 መስማማትን፣5 ደግሞበጣምመስማማትንይወክላሉ፡፡

እባክዎሃሳብዎንይበልጥየሚገልጸውንሳጥንቁጥሩንበማክበብይምረጡ፡፡

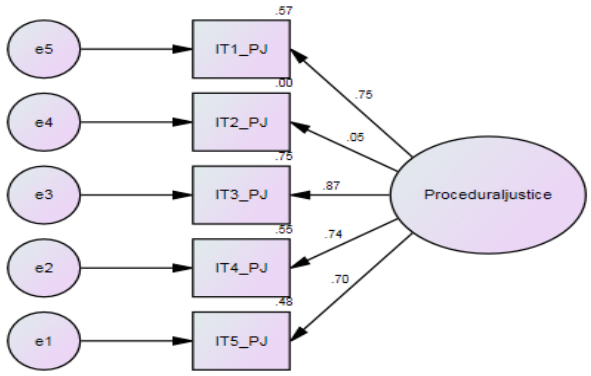
ተ.ቁ.	**የአገልግሎትምላሽሁኔታዎች**	**በጣምአልስማማም**	**አልስማማም**	**ምንምአስተያየትየለኝም**	**እስማማለሁ**	**በጣምእስማማለሁ**
ሀ	**ድርጅቱለአገልግሎትችግሮችምላሽበለሚሰጥባቸውመመሪያዎችናአሰራሮችላይያልዎትአስተያየትምንድነው?**					
1	ድርጅቱለአገልግሎትምላሽየሚሰጥበትመመሪያቀላልእናተገቢነው፡፡	1	2	3	4	5
2	የድርጅቱመመሪያዎችተለዋዋጭናቸው፡፡	1	2	3	4	5
3	የድርጅቱመመሪያዎችፍትሐዊናቸው፡፡	1	2	3	4	5
4	ድርጅቱለሚደርሱችግሮችአፋጣኝምላሽይሰጣል፡፡	1	2	3	4	5
5	መመሪያዎቹእናአሰራሮቹሁኔታዎችንያገናዘቡናቸው፡፡	1	2	3	4	5
ለ	**የኢትዮጵያዓየርመንገድየጭነትአገልግሎትሰራተኞችየሚደርሱየአገልግሎትችግሮችንእናምላሾችንእንዴትነውየሚያስተናግዱት?**					
6	ይቅርታበመጠየቅጉዳዩንበጣምሙያዊበሆነመንገድተመልክተውታል፡፡	1	2	3	4	5
7	ለጥያቄዎቼሁሉተዓማኒማብራሪያሰጥተውኛል፡፡	1	2	3	4	5
8	በጣምጥሩበሆነሁኔታአስተናግደውኛል፡፡	1	2	3	4	5
9	ችግሬንተረድተውድጋፍለመስጠትዝግጁናቸው፡፡	1	2	3	4	5
10	ትዕግስተኛ፣ብቃትያላቸውናበራሳቸውየሚተማመኑናቸው፡፡	1	2	3	4	5
ሐ	**ለአገልግሎትችግሩከድርጅቱስለተቀበሉትካሳያለዎትአስተያየትምንድነው?**					
11	ለአገልግሎትችግሩየተቀበልኩትካሳተመጣጣኝነው፡፡	1	2	3	4	5
12	ከጊዜውንእናእንግልቱንጋርሲገናዘብየተቀበልኩትካሳበቂነው፡፡	1	2	3	4	5
13	የተቀበልኩትካሳከበቂበላይነው፡፡	1	2	3	4	5
14	ችግሩንለመፍታትየተደረገውጥረትአወንታዊውጤትነበረው፡፡	1	2	3	4	5

ክፍል 3፡- የደንበኛእርካታእናየወደፊትአስተያየት።

ተ.ቁ.	ክፍል 3፡- የደንበኛእርካታእናአስተያየት	በጣምአልስማማም	አልስማማም	ምንምአስተያየትየለኝም	እስማማለሁ	በጣምእስማማለሁ
ሀ	**በአጠቃላይችግሩበተያዘበትሒደትላይደስተኛነዎት?**					
15	በድርጅቱበተሰጠኝየአገልግሎትምላሽረክቻለሁ፡፡	1	2	3	4	5
16	ከድርጅቱሰራተኞችጋርበነበረኝግንኙነትተደስቻለሁ፡፡	1	2	3	4	5
17	በአጠቃላይየአገልግሎትምላሽሒደቱረክቻለሁ፡፡	1	2	3	4	5
ለ	**ለወደፊትበድርጅቱላይስለሚኖርዎትአመለካከት**					
18	ጓደኞቼእናቤተሰቦቼየኢትዮጵያዓየርመንገድየጭነትአገልግሎትንእንዲጠቀሙእመክራለሁ፡፡	1	2	3	4	5
19	ባገኘሁትአጋጣሚሁሉስለድርጅቱአገልግሎትበአወንታዊነትእናገራለሁ፡፡	1	2	3	4	5
ሐ	**በድጋሚለመገልገልስላለዎትሃሳብ**					
20	ስለተስተናገድኩበትመንገድደስተኛስሆንየድርጅቱንአገልግሎትወደፊትምመጠቀምእቀጥላለሁ፡፡	1	2	3	4	5
21	ከበፊቱበበለጠበድርጅቱላይእምነትያለኝሲሆንደንበኛመሆኔንምእቀጥላለሁ፡፡	1	2	3	4	5

Annexes

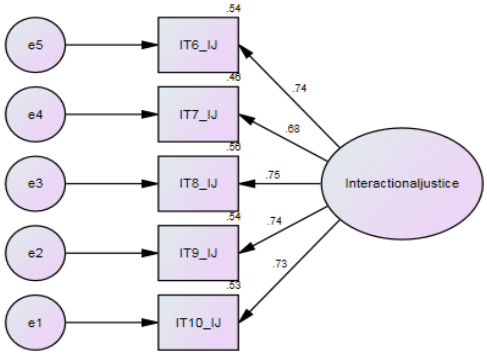
Annex 1:-proposed one factor measurement model of procedural justice



Annex 2: GOF indices for proposed measurement model of PJ (Source:AMOS output for own survey)

chi square		Absolute fit indices		Incremental fit indices		Goodness of fit
X2(p value)	66.505(.000)			CFI	0.907	
DF	5	RMSEA	0.185	NFI	0.901	
				IFI	0.907	
x2/df	13.301	RMR	0.072	TLI	0.814	0.931

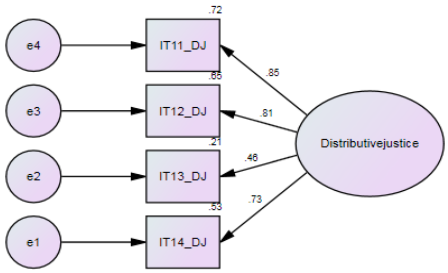
Annex 3:**Proposed one factor measurement model for Interactional justice**



Annex4: GOF indices for proposed measurement model of IJ (Source :AMOS output for own survey)

chi square		Absolute fit indices		Incremental fit indices		Goodness of fit
X2(p value)	105.760			CFI	0.869	
DF	5	RMSEA	0.185	NFI	0.864	
				IFI	0.869	
x2/df	21.152	RMR	0.081	TLI	0.737	0.894

Annex 5: proposed one factor measurement model for Distributive justice



Annex6: GOF indices for proposed measurement model of DJ (Source: AMOS output for own survey)

chi square		Absolute fit indices		Incremental fit indices		Goodness of fit
X2(p value)	27.714			CFI	0.951	
DF	2	RMSEA	0.189	NFI	0.948	
				IFI	0.951	
x2/df	13.857	RMR	0.049	TLI	0.853	0.962

Annex7: GOF indices for corrected structural model (Source: AMOS output for own survey)

chi square		**Absolute fit indices**		**Incremental fit indices**		**Goodness of fit**
X2(p value)	662.504 (.000)			CFI	0.939	
DF	109	RMSEA	0.093	NFI	0.921	
				IFI	0.939	
x2/df	6.078	RMR	0.058	TLI	0.917	0.825

Annex8: Regression weights (Source: AMOS output for own survey)

		Estimate	S.E.	C.R.	P	Label
CS	<---PJ	.138	.152	.913	.121	
CS	<---IJ	.547	.245	2.234	.025	
CS	<---DJ	.615	.247	2.789	.003	
BI	<---CS	.851	.041	21.011	***	
IT5_PJ	<---PJ	1.000				
IT4_PJ	<---PJ	1.319	.095	13.937	***	
IT3_PJ	<---PJ	1.527	.119	12.853	***	
IT1_PJ	<---PJ	1.180	.101	11.721	***	
IT14_DJ	<---DJ	1.000				
IT12_DJ	<---DJ	.836	.053	15.915	***	
IT11_DJ	<---DJ	.953	.052	18.416	***	
IT10_IJ	<---IJ	1.000				
IT8_IJ	<---IJ	1.095	.092	11.867	***	
IT6_IJ	<---IJ	1.140	.089	12.802	***	
IT15_CS	<---CS	1.000				
IT16_CS	<---CS	1.053	.050	21.203	***	

		Estimate	S.E.	C.R.	P	Label
IT17_CS	<--- CS	1.076	.051	20.980	***	
IT18_WOM	<--- BI	1.000				
IT19_WOM	<--- BI	1.032	.056	18.340	***	
IT20_RP	<--- BI	1.205	.054	22.137	***	
IT21_RP	<--- BI	1.138	.058	19.497	***	