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**The Impact of service recovery on customer satisfaction
and behavioral intentions:
The case of Ethiopian Airlines**

A thesis Submitted For the Partial Fulfillment of the Requirement
for the Award of Master of Arts in Marketing Management.

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“The impact of service recovery on customer satisfaction
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Letter of Certification

This is to certify that Kbra Hailu carried out this research on the topic entitled “The impact of service recovery on customer satisfaction and behavioral intentions” the case of Ethiopian airlines. This work is original in nature and is suitable for submission for the award of the Master of Arts Degree in Marketing Management.

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Date: _____

Statement of Declaration

I hereby declare that the work in this research study entitled “The impact of service recovery on customer satisfaction and behavioral intentions” is my own original work and that all the sources of materials used for this study have been identified and acknowledged as complete references. This research study has not been previously submitted in full or partial fulfillment for any degree in this university or any other recognized education institution. This research study is being submitted in partial fulfillment of the requirement for Master of Arts degree in Marketing Management.

Kbra Hailu

Date: _____

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Acronyms

EAL.....Ethiopian airlines

WOM.....word of mouth

SR.....Service recovery

Abstract

The purpose of this study is to assess the impact of service recovery on customer satisfaction and behavioural intentions. Data was gathered by means of survey using a questionnaire mainly regarding service recovery, customer satisfaction and repurchase intention. The sample size of the study is 200 customers who experienced a service failure and recovery with the airline. Convenience sampling was used for this study and the respondents were selected at a local international airport. The results show that satisfaction with service recovery dimensions (distributive justice, procedural justice and interactional justice) has an impact on customer satisfaction and behavioural intentions (word of mouth and repurchase). The study also revealed that satisfaction with distributive justice is a significant contributor to predict customer satisfaction and behavioural intentions (repurchase and word of mouth).

CHAPTER ONE

INTRODUCTION

This chapter includes background of the study, statement of the problem, basic research questions, objective of the study, hypothesis, definition of terms, significance of the study and delimitation and organization of the research report.

1.1 Back ground of the study

Customer satisfaction has been described as both the ultimate goal of the market economy (Pfaff, 1976) and the key outcome of the marketing process (Bateson, 1995, p. 25) while reliability is regarded as the core of service quality (Berry and Parasuraman, 1992). Yet, mistakes are an unavoidable feature of all human endeavor and thus also of service delivery. Although poor service delivery may initially appear to be a disaster, opportunities abound for service companies to resolve problems, go beyond the call of duty and win a customer for life. In other words, effective customer complaint handling, or service recovery, can turn angry and frustrated customers into loyal ones.

Customer loyalty has definite financial benefits since the cost to attract a new customer is significantly higher than retaining an existing one (Fornell and Wernerfelt, 1987).

Zemke and Bell (1990) describe service recovery as a 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. Schweikart *et al.* (1993) view service recovery as part of quality management and that the ultimate objective of it all is to maintain the business relationship with the customer. This contention is based on the premise that customer satisfaction ensures customer loyalty, repeat sales and positive word-of-mouth communication (Bearden and Teel, 1983)

Although the characteristics of airline services have lent themselves to a relationship marketing approach, many of the customer-related efforts of airlines centre around loyalty programs that aim to increase short-term sales

instead of focusing on long-term quality relationships between the airline and its customers (Bejou & Palmer 1998: 7). The logic of such a short-term perspective is questionable when considering the number of challenges facing the airline industry, including intense competition; lower profitability in the industry (the world's airlines cumulatively lost \$43 billion between 2001 and 2005 – Anon 2006: 33); the rising price of oil (accounting for approximately 15% of an airline's costs; oil costs for the industry, which surged to \$97 billion in 2005 at an average price of \$57 per barrel of oil – Anon 2006: 33); the Reality that supply far exceeds demand, and demand fluctuates by season, day of the week and time of the day (Tiernan, Rhoades & Waguespack 2008: 213; Anon. 2006: 33).

It therefore stands to reason that airlines should build relationships with their customers and retain them to increase profitability over the longer term. In order to do so, airlines must find ways to deliver their services more satisfactorily than those of their competitors (Nadiri, Hussain, Ekiz & Erdoğan 2008: 266). Torres and Kline (2006: 293) state that a relationship marketing approach suggests that building long-term relationships with customers is a source of profitability for the organization, as costs can be reduced by offering customers delight and retaining them, rather than continuously acquiring new customers.

Cheng, Chen and Chang (2008: 490, 496) suggest that airlines face a very specific Problem that could influence their relationships with customers, namely that they offer multiple opportunities for mistakes to occur during service delivery and are therefore particularly prone to service failures, and many internal mistakes or external disruptions could cause customers to experience service failures.

On the other hand Service sector is labor intensive and therefore do not produce identical outcomes as in the case of manufacturing industries and hence service failures are indispensable for service providers. In other words, it is impossible to ensure a 100 percent error-free service (Berry, 1980; Fisk et al., 1993).

It is specifically the response to a service failure (service recovery) that could give airlines a competitive advantage, as an organization's response to a service failure could either restore customer satisfaction and reinforce loyalty, or aggravate the situation by driving the customer to a competitor.

Failure to ensure customer satisfaction, both initially and belatedly, through service recovery could lead to a decline in customer confidence, lost customers, negative word-of-mouth, possible negative publicity and the direct cost of reperforming the service (Berry and Parasuraman, 1992).

It is therefore important for organizations to understand how customers respond to service failures and how service recovery influences their relationship with the organization (Schoefer & Diamantopoulos 2008: 66; Smith, Bolton & Wagner 1999: 356). Although service recovery efforts hold the potential to satisfy customers, increase their loyalty and retain them, few organizations have the necessary strategies in place to recover from Such failures (Boshoff & Staude 2003: 9–10). Therefore this study tries to assess the impact of service recovery programs of Ethiopian airlines on customer satisfaction and behavioral intentions, at the passenger section.

1.2 Statement of the problem

Airline industry has always been famous for its continuous struggle: cutting costs, managing fluctuating demand, keeping up with tight quality requirements while trying to maintain superior services and satisfy needs of various customer groups. Customer satisfaction has been on very low levels for decades, and e.g. according to American Customer Satisfaction Index, airline industry scores lowest out of 47 other industries (CNN.com, Airlines score lowest in customer satisfaction, 2011). However, the demand for air transportation has been stable and despite current economic crisis and such events as September 11, the growth reached 7.8% in 2011 (Datamonitor, 2011).

In this struggling environment, airlines are forced to shift their focus towards customer oriented service quality (Chang & Yeh, 2002).

Firms that provide higher levels of service gain higher levels of profits than those that do not. In the case of service organizations, consumer satisfaction and loyalty may be determined by the quality of a single service encounter (Solomon, Surprenant, Czepiel, and Gutman 1985). One negative service encounter, or service failure, can result in consumers' becoming dissatisfied. While many researchers have looked at consumer complaint behavior that results from dissatisfaction due to service failures, very little research has explored the impact that service recovery efforts may have on the level of dissatisfaction felt by consumers as a result of service failures (Hart, Heskett, and Sasser 1990).

Service failures test the commitment of an organization's customers. Service encounters can result in failure as perceived by customers in a number of ways, including the unavailability of a service, slow service and errors in delivery (Bitner *et al.*, 1990). By failing to honor its promises, the trust which goes to the foundation of a relationship is undermined (Gronroos, 1990). Through a recovery process, service failure can be transformed into a positive act which creates increasingly strong attitudes of customers towards a supplier (Hart *et al.*, 1990).

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, p. 463) 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.

The service firm's true test of commitment to service quality and customer satisfaction depends on how it responds after disconfirmation (Zemke and Bell, 1990). Effective managerial responses depend, however, on effective research of the phenomenon. Unfortunately, there is a lack of researches concerning service recovery in relation to all the recovery programs given by Ethiopian airlines.

the service failures of the airline at the passenger service section are denied boarding , delay(delayed hour, delayed flight), flight disruption (flight interruption, extended delay, cancelation and diversion), reroute , misconnecting flight , down grading and last but not least missing baggage(lost baggage, left behind baggage , damage and pilferage).

The service recovery programs of Ethiopian airlines at the passenger section are; denied boarding compensation, incidental compensation, compensation of lost baggage, MCO etc.

Thus, this paper mainly stresses on the assessment of the impact of service recovery programs of Ethiopian airlines on customer satisfaction and behavioural intentions at the passenger section.

1.3 Basic research questions

Based on the above statement of the problem, the study will attempt to address the following questions.

- What are the major service failures and what are the responses (service recoveries) provided in response to the failures by the company?
- How satisfied are the customers of Ethiopian airlines with each of the service recovery dimensions provided by the company?
- Which service recovery dimension is most important in the eyes of the customers of Ethiopian Airlines?
- Does satisfaction with service recovery dimensions have an impact on behavioural intentions (repurchase, WOM)?
- Does the perception of service recovery dimensions have an impact on customer satisfaction?

1.4 Objective of the study

Based on the statement of the problem regarding service recovery programs of Ethiopian airlines, the study has the below general and specific objectives.

1.4.1 General objective

The general objective of the study is to assess the service recovery programs effectiveness of Ethiopian airlines on customer satisfaction and behavioural intentions and recommend other options.

1.4.2 Specific objective

The specific objectives of the study include:

- To spot the major service failures and recovery's of the company
- To examine the level of satisfaction of Ethiopian airlines customers with each of the service recovery dimensions provided by the company
- To assess the relative importance of the service recovery dimensions provided by Ethiopian airlines from the customers side
- To assess the impact of satisfaction with service recovery dimensions on behavioural intentions(repurchase, WOM) of the customers of Ethiopian airlines
- To examine the impact of satisfaction with service recovery dimensions on customer satisfaction.

1.5 Hypothesis

H1. Satisfaction with Service recovery dimensions has an impact on WOM intensions.

H2. Satisfaction with Service recovery dimensions has an impact on repurchase intensions.

H3. Satisfaction with service recovery dimensions has an impact on customer satisfaction

H4. Service recovery dimensions differ in their level of contribution to explain the variance in behavioral intensions and customer satisfaction.

1.6 Definition of terms

Customer satisfaction: Yi (1990) defined customer satisfaction as "... an emotional response to the experiences provided by, associated with particular products and

services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall market place” (Yi, 1990, p. 69).

Service recovery: Service recovery refers to the action taken by a service provider to address a customer complaint regarding a perceived service failure (Groenroos, 1988).

Service failure: A service failure is an incident that causes customer dissatisfaction during a service encounter or service delivery (Maxham 2001).

service quality: is a focused evaluation that reflects the customers perception of specific dimensions of service :reliability, responsiveness , assurance ,empathy , tangibles , satisfaction , on the other hand , is more inclusive : it is influenced by perceptions of service quality , product quality , and price as well as situational factors and personal factors. Zeithmal and Bitner (2003:85)

Customer loyalty: is the continued and regular patronage of business in the face of alternative economic activities and competitive attempts to disrupt the relationship; by Adam toporek , august 27, 2011.

Airline industry: is a system of transportation part of aviation industry moving people and goods ,utilizing the airways , one of the only true global business cargo. As per IATA-introduction to airline industry by vivianmeril on mar11, 2013.

Delayed flight: any scheduled passenger flight departing or arriving behind its original schedule because of mechanical, operational or other reasons.

Delayed hour: the actual time difference in hours between the original schedule time of departure /arrival and the actual time of departure /arrival at point of origin and /or destination.

Denied boarding: refusal to accommodate passengers on a flight although they have valid ticket, a confirmed reservation on that flight and presented themselves for check-in within the required time limit.

Flight disruptions: are flight interruption, extended delay, cancelation and diversion.

Reroute: to issue a new ticket designating a routing different to the one shown on the passenger’s ticket or portion of it.

Baggage delay: baggage delay occurs when customers are not able to collect their bag on arrival at their destination.

Damage/pilferage of baggage: bag damage includes (torn, broken wheels, scratches etc). Pilferage of baggage occurs when items from the bag are found missing.

Lost baggage: baggage is declared lost when the bag is totally missing

Misconnection: misconnection occurs when the inbound flight doesn't catch the outbound flight. Transit passengers will be affected due to this

1.7 Significance of the study

Even if there are few documents about the effectiveness of service recovery on customer satisfaction and behavioral intentions with regard to Ethiopian airlines, there are no previous research works which covers the effectiveness of all aspects of service recovery programs in customer satisfaction with regard to the air line at the passenger section. This research is thus intending to fill the literature gap related to service recovery and customer Satisfaction. The study will have the below practical and theoretical significances.

1.7.1 Practical

Since there were no previous studies which covered all the service recovery aspects of the airline This study will give a good implication to all involved in the service delivery process, starting from the front line personnel up to the higher management for a better customer service and complaint handling.

1.7.2 Theoretical

The study will also be a good input for further studies. More specifically this study will serve as preliminary work or a stepping stone for further studies on the issue.

1.8 Delimitation (scope) –of the study

Delimitations to the study are also assessed. Delimitations are areas of possible emphasis or significance that will not be included in the research. Considering the

vast scope of the issues surrounding service recovery, there are many delimitations to the study.

One of the most significant delimitations will be the role of the employee in the service recovery process. Employees play a pivotal role in ongoing customer satisfaction; thus, in order to truly gauge the effectiveness of the service organization's recovery efforts, it would be best to explore employee attitudes and perceptions toward ongoing customer satisfaction, complaint handling and service recovery. The researcher of this study preferred to first and foremost explore service recovery from the customers' perspective.

The second delimitation of the study is season of the flights was not considered in this study because of limitations of time. This makes the results difficult to be 100% bias free.

1.9 Organization of the research report

The research paper has five chapters. The first chapter is all about the background of the study, statement of the problem, basic research questions, (general and specific) objectives of the study, definition of terms, significance of the study and delimitation of the study. In addition, research structure (organization of the research report) is described in this chapter.

The second chapter includes different Literatures reviewed in relation to the study. In the third chapter Research design, variables of the study, population and sampling technique, sample size, types and instruments of data collection ,procedures of data collection method of data analysis , validity and reliability and last but not least research ethics are included.

The fourth chapter includes the final results, analysis and discussions of the final results of the study.

Finally, the paper has a Conclusion and recommendation based on the results and discussions of the study. Summarizing theoretical and practical contributions as well as presenting the recommendations for airline industry management. Limitations of the study are discussed and suggestions for further research works are introduced.

CHAPTER TWO

REVIEW OF LITERATURE

Introduction

This chapter is all about the reviewed literatures. Literatures regarding service failure, service recovery, relationship marketing, customer satisfaction, customer loyalty, behavioral intentions, service recovery paradox and theoretical framework to service recovery are included in this chapter.

2.1 Service failure

Service failures can lead to negative disconfirmation and ultimately dissatisfaction, though appropriate service recovery efforts may restore a dissatisfied customer to a state of satisfaction (Bitner *et al.*, 1990). Although some researchers have argued that the best strategy is to fail-safe the original service delivery, it is nearly impossible to eliminate all failures. Thus, firms with the ability to react to service failures effectively and implement some form of service recovery will be in a much better position to retain profitable customers. A service failure is defined as “any service-related mishaps or problems (real and/or perceived) that occur during a consumer’s experience with the firm” (Maxham, 2001).

Even the most customer-oriented organization with the strongest quality program is unlikely to be able to eliminate all service failures (del Río-Lanza, 2009). Service failure causes customer dissatisfaction with the service provider, and due to that customers may exit silently, spread a negative word-of-mouth, voice their complaints to the operator, or continue to patronage the same service provider despite their dissatisfaction (Kim *et al.*, 2009). Therefore, service recovery is a moment of truth for the company, which is critical for satisfying its customers as well as strengthening its relationships with them (Blodgett *et al.*, 1997; Smith & Bolton, 2002).

During service encounters, possible failures include poor service, delays and other core failures (Bitner *et al.* 1990). Service failures may differ in time, severity and frequency (Kelley and Davis 1994).

According to Tax and Brown (1998), the cost of attracting a new customer is five times that of retaining an old one. As such, companies that are unable to retain existing customers face massive hurdles associated with the constant attempt to develop new customers. For most companies, service failure is the predominant reason for the loss of existing customers. If a service failure is not properly remedied, customers may experience reduced satisfaction and even engage in negative word-of-mouth (WOM) communications (Barlow and Moller, 1996; Ranaweera and Prabhu, 2003).

A service failure occurs when customer perceptions of a service delivered are lower than their expectation or zone of tolerance (Zeithaml et al., 1993). Palmer et al. (2000) defined service failure as when customers think the service is flawed or irresponsible. Bitner et al. (1990) proposed that a service failure occurs when service is not fulfilled, is delayed, or fails to reach the expected standard. Service failures are inevitable and occur in both the process and the outcome of service delivery. They include situations when the service fails to live up to the customer's expectations (Michel et al., 2009; Johnston and Michel, 2008).

Even service providers known for best customer service cannot utterly avoid occasional service failures, such as delayed flights, burned steaks, or reserved hotel rooms not being ready. Service failure is inevitable and when it occurs, it may deteriorate relationships with customers, possibly causing customer dissatisfaction, negative word-of-mouth, and even customer defection if it is not handled properly. Hence, it is crucial for firms to successfully deal with service recovery to reestablish and/or maintain positive relationships with customers (Gustafsson, 2009; Rio-Lanza et al., 2009).

2.2 Service recovery

Increasing competitive pressures in many service industries, coupled with declining perceptions of customer service, have led to increased attention to service recovery in recent years (Maxham and Netemeyer, 2003).

A growing number of researchers have identified service recovery as a rather neglected aspect of service marketing and one that warrants much greater attention (Andreassen, 1999; Tax et al., 1998; Kim et al., 2003).

According to Sheth et al. (2000), SR refers to actions taken by a service provider in an attempt to resolve the problem that caused a service failure. Effective service recovery results in complainant satisfaction and recovery (Karatepe and Ekiz, 2004; Bolton, 1998; Ndubisi and Ling, 2005).

Bell and Luddington (2006): explained 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.

According to Kau and Loh (2006), service recovery involves interaction between a service provider and a customer, a shortfall in the provision of the original service, a response on the part of the provider to the service shortfall, and a desired result, to turn a dissatisfied customer into a satisfied one.

A good service recovery system will also detect and solve problems, prevent dissatisfaction, and be designed to encourage complaints.

In seeking redress, if a company creates a failure situation and then does not recover effectively, customers will be especially negative because of the “double deviation” of two failures in a row (McCollough et al., 2000; Magnini and Ford, 2004). In addition, service recovery may be seen as critical for customer satisfaction and evolution of a firm’s quality performance.

Spreng et al. (1995) found that service recovery performance influenced overall satisfaction and behavioural 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, a conclusion supported by McCollough et al. (2000).

“a good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place” (Hart *et al.*, 1990, p. 148).

Effective service recovery increases not only overall satisfaction, but also positive word of mouth (Spreng *et al.*, 1995, Swanson and Kelley, 2001).

More recently, Smith, Bolton and Wagner (1999, p. 357) have treated service recovery as “a ‘bundle of resources’ that an organization can employ in response to a failure.” Both complaint management and service recovery are based on service encounter failures. However, complaint management is based on the firm’s reaction to a customer complaint, whereas service recovery also addresses the firm’s ability to react immediately to a failed service encounter, pleasing the customer before he or she finds it necessary to complain. Because many customers dissatisfied with a service encounter are reluctant to complain (Andreasen and Best, 1977, Singh, 1990), proactive service recovery efforts—that is, those that attempt to solve problems at the point of the encounter—are the most effective way to minimize negative outcomes of a service failure (Lewis, 1996).

The ultimate goal of service recovery is to pacify dissatisfied customers through appropriate actions in order to reduce potential damage to customer relationships caused by service failures (Ha & Jang, 2009; Zemke, 1993).

“Service recovery” is the now well-accepted term for what service firms attempt to do to offset a customer's negative reaction to a service failure. That is, when service firms fail to get it right the first time with the customer, what do they do the second time to “make the customer whole”? Since “zero defects” is an unrealistic goal in service delivery, service firms must have in-place recovery strategies, e.g., unconditional service guarantees, empowered employees, to correct service failures and strive for “zero defections” of customers (Reichheld and Sasser, 1990). Effective service recovery with, say, an hotel guest or airline passenger can even produce a customer who is more satisfied, even delighted, than if they had been served right the first time (see, for example, Etzel and Silverman, 1981; Hart et al., 1990). Even small gains in customer retention facilitated by service recovery can lead to significant gains in profitability (Reichheld, 1996).

Service recovery policies involve actions taken by service providers to respond to service failures (Groenroos, 2000; Johnston and Mehra, 2002). Both, what is done (e.g. restitution and compensation) and how it is done (i.e. employee interaction with the customer) influence customer perceptions of service recovery (e.g. Andreassen, 2000; Levesque and McDougall, 2000).

Even if post service recovery satisfaction is below failure-free service satisfaction (as suggested by McCullough et al., 2000), this does not detract from the observation that good service recovery can still have a beneficial impact on consumer evaluations.

With respect to patterns of customer complaining behaviour, there is now much evidence to show that only a minority of dissatisfied customers complain (e.g. Andreasen and Best, 1977; Brown, 1987; Agbonifoh and Edoreh, 1986). However, there is also evidence of customer satisfaction with problem resolution (e.g. Berry and Parasuraman, 1991), and that most dissatisfied customers will do business again if their problems are solved satisfactorily (e.g. Brown, 1987). Conversely, service failure has been identified as a factor that contributes to switching (Roos, 1999).

More recently, McCullough et al. (2000) cast doubt on the recovery paradox and suggest that failure free service leads to more desirable outcomes than excellent recovery from failure. However, their results do point to service recovery being influential in mitigating the damage done to satisfaction, suggesting that recovery strategy continues to be a significant issue for service providers.

Service recovery also facilitates the tracking of failures and the development of databases, to gain insight into failures in order to deal with them and try to prevent them from happening again. Other advantages of a good service recovery system are increased opportunities for cross-selling to retained customers (Armistead et al., 1995), the reduction of perceived risk for new customers, and enhancement of company image of both employees and customers.

Ineffective service recovery efforts have the potential of increasing dissatisfaction. Hart *et al.* (1990, p. 150) found that “More than half of all efforts to respond to customer complaints actually *reinforce* negative reactions to service” (emphasis in original).

A good service recovery is a key factor in building ongoing relationships with customers who were unhappy at their initial encounter (e.g. Maxham, 2001; Smith et al., 1999; Tax et al., 1998).

Complainers who were satisfied with the recovery response have higher repurchase intentions than those who were satisfied and did not complain (Gilly, 1987).

Service recovery has an outcome dimension (Duffy et al., 2006), which is “what” the customer actually receives as part of the firm’s efforts to recover, whereas the process dimension of service recovery is concerned with “how” recovery is achieved. Bunker and Bradley (2007) and Duffy et al. (2006) suggest that the outcome dimension is more important when the original service is delivered, but the importance of the process dimension is accentuated in service recovery. However, this may depend on the service being looked at.

Interest in service recovery has grown because bad service experiences often lead to customer switching (Keaveney, 1995), which in turn leads to lost customer lifetime value (Rust et al., 2000). Favorable recovery positively influences customer satisfaction (Smith et al., 1999; Zeithaml et al., 1996), word-of-mouth behavior (Maxham, 2001; Oliver and Swan, 1989; Susskind, 2002; Swanson and Kelley, 2001), customer loyalty (Bejou and Palmer, 1998; Keaveney, 1995; Maxham, 2001; Maxham and Netemeyer, 2002b), and eventually, customer profitability (Hart et al., 1990; Hogan et al., 2003; Johnston, 2001a; Rust et al., 2004; Sandelands, 1994).

There is abundant evidence that failure to ensure customer satisfaction through service recovery leads to a decline in customer confidence, lost customers, negative word-of mouth, damaged brand and company reputation, negative publicity and the direct cost of reperforming the service (Berry and Parasuraman, 1992; Sajtos et al., 2010).

If allowed to continue, poor service delivery threatens the long-term survival of the firm (Michel and Meuter, 2008; Seawright et al., 2008; Thwaites and Williams, 2006; Magnini and Ford, 2004). In other words, if service firms do not manage service recovery properly, it could harm their long-term success prospects. When firms carry out effective complaint handling, this can have a great impact on customer retention rates, deflect the spread of damaging word of mouth (WOM), and improve bottom-line performance (Morrison and Huppertz, 2010). When customer complaints are well-resolved and the relationship between the firm and the customer is improved, this can lead to improvement in terms of customer satisfaction, trust and commitment to the firm

(Singh and Sirdeshmukh, 2000; Sirdeshmukh et al., 2002; Morgan and Hunt, 1994; Weun et al., 2004; Pina e Cunha et al., 2009).

Conversely, effective service recovery following a service failure can remedy disappointment and even enhance customer relationships (de Matos et al., 2009).

2.3 Relationship marketing

Relationship marketing has been an emerging paradigm in the marketing literature for over a decade with trust and commitment evolving as critical constructs (Dwyer et al., 1987; Morgan and Hunt, 1994). Services are especially conducive to relationship marketing given the unique nature of services such as intangibility, heterogeneity, and interaction intensity (Groenroos, 1995; Czepiel and Gilmore, 1987). Morgan and Hunt (1994, p. 31) maintain that “commitment and trust are key mediating variables that contribute to relationship marketing success.” Trust is defined as a customer’s willingness to rely on a service provider in which a customer has confidence (Moorman et al., 1993). Commitment is defined as a customer’s enduring desire to maintain a relationship with a service provider (Moorman et al., 1993).

Researchers have observed that good service recovery strategies are important elements for increasing satisfaction and building customer relationships (Hart et al., 1990).

Trust is generally associated with confidence in the exchange partner and results from the exchange partner’s reliability (Moorman et al., 1993; Morgan and Hunt, 1994).

Commitment is more likely to occur when a customer can identify with a service provider’s goals and values (Kelley et al., 1990).

As has been hypothesized and borne out in the marketing literature (Morgan and Hunt, 1994; Singh and Sirdeshmukh, 2000; Sirdeshmukh et al., 2002; Weun et al., 2004; Pina e Cunha et al., 2009), trust is logically and experientially a critical variable in relationships.

customer affection serves as a relationship-sustaining “emotional bond” or “affectionate tie” between a customer and a firm (Young, 2006), which may be formed through a series of favorable experiences and interactions (Yim et al., 2008). Service failure and recovery encounters often evoke strong emotional reactions from

customers, which may influence customers' decision of whether to remain in a relationship with a company directly or indirectly.

2.4 Customer satisfaction

Satisfaction is the consumer's fulfillment response (Andreassen, 2000). 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, and includes levels of under or over fulfillment (Tronvoll, 2010). From the above definitions, it is understood that satisfaction relates to a subjective evaluation of emotions. Satisfaction occurs as a function of disconfirmation and relative output to input. The end-result is a positive or negative feeling of fulfillment. Satisfaction can therefore be considered the consumer's evaluation of the product or service received. The importance of such customer evaluations comes from the impact that satisfaction is posited to have on consumer behaviours such as loyalty. Independent of theoretical platform, it has become a truism today that service quality is key to customer satisfaction (Bae Suk et al., 2009). However, few if any companies manage to deliver services of expected quality all the time, resulting in negative disconfirmation of expectations or the perception of inequity. Companies may respond to the service failure independent of customer reactions or as a direct function of customer complaints (Breitsohl et al., 2010). Service recovery refers to the actions a supplier takes to seek out dissatisfaction and in response to poor service quality, i.e. service failure (Andreassen, 2000). Satisfaction is only of value to firms if it elicits some kind of positive financial outcome (Augusto de Matos et al., 2009). Loyalty and satisfaction are related, although also clearly distinct. Morrisson and Huppertz (2010) and Sousa and Voss (2009), in their studies, consider several conceptual bases for this distinction, but, in general, higher satisfaction has been proposed to be related to higher loyalty. The service management literature suggests that profitability and growth are largely determined by loyalty, and that behavioural loyalty itself is a direct result of customer satisfaction. In each reporting period, a firm's market share comes from three sources. First, those customers who switch to the company from other firms; second, new customers to the market who choose the company for their initial purchase; and, third, those customers retained by the company from the previous time period (Morrisson and Huppertz, 2010). Service failure is determined by elements such as the nature of the service encounter, the cause of the problem, and the

psychographics of the individuals involved (Du et al., 2010). It is defined from the customers' perspective because what a company needs to recover from is dissatisfaction or problems that a customer perceives in relation to a service or a service provider, regardless of the cause.

According to Thwaites and Williams (2006), attracting new customer's costs five times more than retaining existing customers, and a customer who has had a conflict resolved by a company will tell about five people. Dissatisfied customers may tell ten to 20 people about their bad experience (Thwaites and Williams, 2006; Reichheld, 2003; Sousa and Voss, 2009; Morrisson and Huppertz, 2010).

In a similar vein, Chebat and Slusarczyk (2005) suggest that justice perception influences emotional responses, which, in turn, influence loyalty. When consumers receive service that is better than expected, they will be satisfied (Oliver, 1980). Alternatively, service that is worse than expected leads to dissatisfaction.

Mistakes, failures and conflicts are frequent occurrences in service encounters (Babakus et al., 2003); resolving conflicts turns dissatisfied customers into satisfied loyal ones. Effective service recovery leads to complainant's satisfaction and loyalty (Oh, 2006). The likelihood of these behaviours in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the customer's investment in the relationship, and an evaluation of the alternatives available.

2.5 Customer loyalty

Customer loyalty has generally been described as occurring when customers repeatedly purchase a good or service over time, or have a favourable attitude towards a good/service, or company, and is crucial to the success of business organizations (Oh, 2006; Ndubisi and Ling, 2005; Augusto de Matos et al., 2009).

Oliver et al. (1997) define customer loyalty as: A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour.

Turner and Wilson (2006) have shown that attitudinally loyal customers are much less susceptible to negative information about the brand than non-loyal customers. Also, when loyalty to a brand increases, the revenue stream from loyal customers becomes more predictable and can become considerable over time (Augusto de Matos et al., 2009). Realistically, firms cannot completely eliminate the possibility of service failures (Weun et al., 2004).

However, what separates successful firms from others may be the manner in which the firms recover from service failure. Considerable evidence indicates that recovering effectively from service failures contributes to positive customer evaluations of firms.

Responding effectively to consumer complaints can have a dramatic impact on repatronage intentions and the spread of WOM (Swanson and Kelley, 2001; Halstead, 2002).

Consequently, conflict handling has been recognized as a critical task for service managers.

Service recovery has been identified as one of the key ingredients for achieving customer loyalty (e.g. Andreassen, 2001; Tax and Brown, 2000). As a result, developing effective service recovery policies has become an important focus of many customer retention initiatives (Stauss and Friege, 1999).

Loyalty refers to a deeply held commitment to re-buy or repatronize a preferred product or service consistently in the future (Oliver et al., 1997; Bae Suk et al., 2009). A loyal customer feels an obligation to persevere with a personal relationship through good and bad times (Reynolds and Arnold, 2000). The central theme that runs through customer loyalty relates to the proportion of expenditure devoted to a specific brand or store (Gee et al., 2008). In other words, customer loyalty is a situation where repeat purchase behaviour is accompanied by a psychological bond and repeat purchase intentions and behaviours.

Loyal customers help promote business by providing strong WOM, creating business referrals, providing references, and/or serving on advisory boards (Reichheld, 2003). Moreover, loyal customers serve as a fantastic marketing force by providing recommendations and spreading positive WOM: those partnership-like activities are the best advertising a company can get (Johnston and Michel, 2008). The company

can realize economic benefits from positive WOM and loyalty is linked to company growth (Reichheld, 2003).

Both Chebat and Slusarczyk (2005) and DeWitt et al. (2008) showed that the justice perception of service recovery attempts has a significant influence on positive emotion and negative emotion, which, in turn, influence loyalty.

Chebat and Slusarczyk (2005) suggest that justice perception influence individuals' emotional responses such as happiness, guilt, and anger, which, in turn, influences loyalty (vs. exit).

Loyalty is defined as “an intention to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm, including allocating a higher share of the category wallet to the specific service provider, engaging in word of mouth, and repeat purchasing” (Sirdeshmukh et al., 2002, p. 20). Those who are not willing to trust a vendor in a competitive marketplace are unlikely to be loyal. The importance of trust in explaining loyalty is supported by Chaudhuri and Holbrook (2001), Singh and Sirdeshmukh (2000), Sirdeshmukh et al. (2002) and Rod and Ashill (2010).

Ndubisi and Ling (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of a product or service provider to handle conflict well directly influences customer loyalty. Successful service recoveries often help customers to rate the firm more favorably after the recovery than prior to the failure. This indicates that successful recovery can lead to even stronger customer loyalty, which is called “recovery paradox” (Kelley et al., 1993).

2.6 Behavioral intentions

Behavioral intention has been defined as the customers' subjective probability of performing a certain behavioral act (Fishbein and Ajzen, 1975). These customer behaviors are: word of mouth and repurchase intention.

2.6.1 Repurchase intentions

Repurchase intention refers to the subjective probability that an individual will continue to purchase products from the service provider or store in the future (Yu-Hui, Chao-Min, & Wang 2011). Many researchers have found a positive association between satisfaction and repurchase intention (Bitner et al., 1990; Jones and Suh, 2000; Cronin and Taylor, 1992). Anton (1996,) demonstrated that “customers switch suppliers because they are not satisfied with the company’s perceived value, relative to the competition”.

2.6.2 Word of mouth (customer communication)

According to Ball et al. (2004), communication may refer to written communications such as personalized letters, direct mail, web site interactions, other machine-mediated interactions, and e-mail, as well as in-person communication with service personnel before, during and after service transactions. In these forms of communication, “good” is defined as helpful, positive, timely, useful, easy and pleasant (Ball et al., 2004; Michel and Meuter, 2008). The service provider, in short, provides information in such a way that the customer personally benefits with a minimum of effort necessary to decode the communication and determine its utility. Such communication is often personalized or delivered in a person-to-person format such as WOM. WOM refers to the informal communication between consumers about the characteristics of a business or a product. WOM provides consumers with information about a firm that assists them in deciding whether they should patronize that firm (Groenroos, 1990; Hocutt et al., 2006).

Blodgett et al. (2001) confirmed that interactional justice had large impact on WOM intentions. As such, satisfaction with service recovery should encourage positive WOM communication. Furthermore, Michel and Meuter (2008) and Fundin and Bergman (2003) explicitly consider the construct “customer dialogue” as a two-way means of communication, which is a useful way to conceptualize communication. In general, good communication should affect all aspects of the relationship, satisfaction and loyalty. Direct impacts from communication on satisfaction and loyalty were therefore considered (Halstead, 2002). This is an approach in which customer dialogue is seen as an endogenous variable that is explained by customer satisfaction.

Word-of-mouth is considered a critical factor impacting a firm's reputation (Reichheld and Sasser, 1990). Since word-of-mouth is invisible, often face-to-face communication, and perceived as highly credible information, a customer's negative word-of-mouth is one of the most detrimental responses to a business (Singh, 1990). Word-of-mouth is especially relevant to services since consumers often seek word-of-mouth information to reduce the higher risk associated with purchasing services (Haywood, 1989).

Previous research has overwhelmingly found customer satisfaction/dissatisfaction to be a

determinant of word-of-mouth (Oliver and Swan, 1989; Spreng et al., 1995).

In addition, more severe service failures should increase the likelihood of negative word-of-mouth due to the strong negative emotions associated with severe service failures (Richins, 1987).

Word-of-mouth may establish beneficial in provoking a brand switch and help a service firm in gaining new customers. Based in the theory of equity, service providers can encourage consumer to spread positive recommendations by responding fairly to an inequitable service failure (Goodwin and Ross, 1992). Furthermore, literature suggests that a relationship exists between effectively service recovery and positive word-of-mouth behavior (e.g., Blodgett et al., 1997).

Word-of-mouth has been identified as one of the key outcomes of service recovery efforts (Maxham, 2001; Orshinher et al., 2010). Word-of-mouth is defined as "informal, person-to-person communication between a perceived noncommercial communicator and a receiver regarding a brand, a product, an organization, or a service" (Harrison-Walker, 2001, p. 63). In the context of service failure and recovery, word-of-mouth is critical as those who think they were treated unfairly are likely to spread negative word-of-mouth. On the other hand, customers who experienced satisfactory service recovery are likely to engage in word-of-mouth such as recommendations to others (Bitner et al., 1990; Reichheld and Sasser, 1990; De Matos and Vargas Rossi, 2008).

Westbrook (1987) posits that both positive and negative product/consumption-based affects influence the extent of post-purchase word-of-mouth transmission. People

usually experience intense emotions during service failure and recovery encounters and those experiences are likely to have a significant impact on customers' emotional bond with the firm.

Customers whose loyalty is reinforced or even become stronger after successful service recovery, in turn, will be likely to give positive recommendations of the company to the individuals in their reference group and share their experience with others. Those customers will engage in positive word-of-mouth in order to reduce cognitive dissonance and to reciprocate. That is, those customers who decide to stay in the relationship after service failure and recovery will try to convince themselves about their decision by spreading positive recommendations and convincing others, which is considered one of the strategies to cope with post-decision dissonance.

Successfully recovered customers recommend the company to others or “demonstrate a strong propensity to share positive information about the experience” (Swanson and Kelley, 2001). In Maxham's (2001) study, a *very good* service recovery, compared with a *good* recovery, had a stronger impact on word of mouth than on satisfaction or repurchase intention. This impact is critical because many services possess credence qualities (Zeithaml and Bitner, 1996), for which word-of-mouth communication can have an extremely powerful influence in terms of the consumer purchasing process (Richins, 1983).

2.7 Service recovery paradox

The service recovery paradox refers to situations in which the overall satisfaction levels of recovered customers exceed those of customers who did not encounter any problems with the initial service.

the term “recovery paradox” refers to situations in which the satisfaction, word-of-mouth intentions, and repurchase rates of recovered customers exceed those of customers who have not encountered any problems with the initial service (McCullough and Bharadwaj, 1992).

Etzel and Silverman (1981, p. 128), who stated that “it may be those who experience the gracious and efficient handling of a complaint who become a company's best customer.”

It has been suggested that a service recovery paradox is a very rare event (Boshoff, 1997, Hart *et al.*, 1990), which means that it is not easy to detect even if it exists. To make things worse, it is further assumed that only a minority of dissatisfied customers complains (Andreassen and Best, 1977, Singh, 1990) and that most recoveries do not lead to customer satisfaction (Hoffman *et al.*, 1995).

Further, the “service recovery paradox”, which states that given a highly effective service recovery for a service failure, consumers may have higher ratings of loyalty and satisfaction toward the service than if the failure had never happened (Magnini *et al.*, 2007; Matos *et al.*, 2007; McCollough and Bharadwaj, 1992) has been empirically tested in brick-and-mortar retailing settings (e.g., Bolton and Drew, 1992; Boshoff, 1997; Hocutt *et al.*, 1997, 2006; Smith and Bolton, 1998; McCollough, 2000; Maxham and Netemeyer, 2002a, b; Magnini *et al.*, 2007; Berry *et al.*, 1990).

Do not fail twice. You will be forgiven – but usually only once. Service recovery is likely to work after a single service failure but not after the company has failed the same customer twice (Maxham and Netemeyer, 2002a). In addition, customers’ “zone of tolerance,” or how much variance they will accept between what they expect to receive and what they perceive they actually receive, is wider when they assess the firm’s service delivery but narrows when they evaluate its attempt at service recovery (Parasuraman *et al.*, 1991). Thus, no recovery strategy can delight the customer if an initial failure progresses into a recovery failure (Johnston and Fern, 1999); a “recovery paradox” – when customers are even more delighted after an effective service recovery than if the service was failure-free in the first place – can occur after one failure, but such return on recovery is unlikely after two failures.

As noted earlier, prior studies have noted mixed results regarding the service recovery paradox (e.g., Bolton and Drew, 1992; Boshoff, 1997; Berry *et al.*, 1990; Maxham and Netemeyer, 2002a, b; Zeithaml *et al.*, 1996; Maxham, 2001; Andreassen, 2001). Kelley *et al.* (1993) suggested that effective service recovery might lead to a situation whereby customers exhibit higher satisfaction after a problem has been corrected as compared to an experience that was problem-free. Smith and Bolton (1998) also found that

cumulative satisfaction and repatronage intentions both increase following a very satisfactory service recovery. Additional studies have provided partial support for the phenomenon of the service recovery paradox (Hocutt et al., 1997, 2006; McCollough,

The service recovery paradox addresses the “question of whether customers who experience a failure followed by superior recovery might rate their satisfaction as high as or even higher than they would have had no failure occurred” (McCollough et al., 2000, p. 122).

Service recovery paradox previous studies have suggested that following a service failure, a highly effective service recovery provides a chance for the firm to achieve higher satisfaction and loyalty ratings from customers than if the failure had never happened (Magnini et al., 2007; Matos et al., 2007; McCollough and Bharadwaj, 1992). Goodwin and Ross (1992) also noted that while customers are satisfied when there is no service failure, they are more satisfied when a complaint is effectively handled.

2.8 Theoretical framework to service recovery

Based on the theory in social and organizational psychology (Greenberg, 1996; Bies and Shapiro, 1987), service research has taken the justice theory as the dominant theoretical framework to service recovery (Tax and Brown, 2000; Wirtz and Mattila, 2004).

More specifically, customers evaluate the fairness of service recovery involving a three-dimensional approach to perceived justice, i.e., distributive, procedural, and interactional justice

(e.g. De Ruyter and Wetzel, 2000; Smith et al., 1999).

2.8.1 Justice theory

In order to more fundamentally comprehend effective service recovery, researchers have utilized justice theory as the main framework for examining service recovery procedures (McColl- Kennedy & Sparks, 2003). A justice theory framework has gained

popularity in explaining how customers evaluate service providers' reactions to service failure/recovery.

Justice theory appears to be the dominant theoretical framework applied to service recovery (Tax and Brown, 2000), and holds that customers evaluate the fairness of service recovery along three factors: outcome, procedural, and interactional fairness (e.g. de Ruyter and Wetzels, 2000; Goodwin and Ross, 1992; Smith et al., 1999; Tax et al., 1998). Blodgett et al. (1997) examined complainants' perceptions of justice and their consequences. They found that when people perceived injustice, they became angry, engaged in negative WOM, and defected from the retailer.

2.8.2 Distributive justice

Adams (1963) indicated that distributive justice which is based in social exchange theory, focuses on the role of "equity," where individuals assess the fairness of an exchange by comparing their inputs to outcomes to form an equity score. In the process of service delivery, the distributive process is judged as fair when this equity score is proportional to the scores of other customers (Greenberg, 1996). Maxham and Netemeyer (2002) defined distributive justice as the extent to which customers feel they have been treated fairly with respect to the final recovery outcome.

Goodwin and Ross (1992) and Tax et al. (1998) have shown that distributive justice affects satisfaction with complaint handling. Blodgett et al. (1997) and Tax et al. (1998) found that compensation is effective in restoring customers' perceptions of distributive justice and affects customers' satisfaction with service recovery.

Distributive justice refers to the assignment of tangible resources by the firm to rectify and compensate for a service failure (del Río-Lanza, 2009). In a service failure/recovery context, it refers to the perceived fairness of the service failure/recovery outcome (Holloway et al., 2009). When an individual perceives that benefits have not been allocated equitably, he/she experiences distress (Walster et al., 1973), which in turn motivates him/her to restore the distributive justice.

Distributive justice refers to the customer perception that the outcome of a service recovery is deserved, necessary, and fair (Tax et al., 1998); it is based on what customers receive as an outcome of a recovery effort (Ha and Jang, 2009).

Higher levels of distributive justice result in more favorable repatronage intentions and a decreased likelihood of negative WOM (e.g., Blodgett et al., 1993, 1997; Clemmer, 1993).

2.8.3 Procedural justice

Procedural justice means the perceived fairness of recovery policies and procedures involving the recovery effort, and there is evidence suggesting that procedural justice affects service recovery outcomes (Maxham and Netemeyer, 2002).

Blodgett et al. (1997) and Tax et al. (1998) found that the speed by which service failures are corrected or complaints are handled is one of the major determinants of customers' perceptions of procedural justice. Maxham and Netemeyer (2002) further indicated that the procedural justice can affect customers' satisfaction with a service failure and recovery context.

Procedural justice is concerned with the process that is undertaken to resolve the problem (Greenberg, 1990).

Procedural justice aims to resolve conflicts in ways that encourage the continuation of a productive relationship between the parties, even when outcomes are unsatisfactory to one or both parties (Greenberg, 1990).

Components of procedural justice include formal policies and structural considerations (e.g. process control/voice, decision control, accessibility, timing/speed and flexibility) that may affect how an outcome is perceived (McColl-Kennedy and Sparks, 2003).

In service recovery context, procedural justice means the customer's perception of justice for the several stages of procedures and processes needed to recover the failed service (Mattila, 2001). Procedural justice focuses on the way that the outcome is reached. Based on previous literature,

there are six sub-dimensions for procedural justice, namely, flexibility, accessibility, process control, decision control, response speed and acceptance of responsibility (Blodgett et al., 1997; Tax et al., 1998; Thibaut & Walker, 1975; del Río-Lanza et al., 2009).

Procedural justice is related to the perceived fairness of the procedures by which a service recovery is conducted. Timing and speed of handling complaints are important aspects of procedural justice (Tax et al., 1998).

Ha and Jang (2009) noted that perceived justice brought about by service recovery efforts has a positive influence on customer WOM and revisit intention.

2.8.4 Interactional justice

Interactional justice has been defined as the extent to which customers feel they have been treated fairly regarding their personal interaction with service providers throughout the whole process of recovery (Maxham and Netemeyer, 2002).

Previous research has shown that evaluations of service recovery are influenced by the interaction between customers and service providers. For example, Tax et al. (1998) found effects of interactional justice on satisfaction with complaint handling while Smith et al. (1999) examined a strong effect of interactional justice on satisfaction with the service recovery experience.

Interactional justice concerns the interpersonal treatment and communication carried out by the firm's representatives during the recovery encounter. Interactional justice also pertains to the manner in which the service recovery process is implemented and how recovery outcomes are presented (Hoffman and Kelly, 2000). The elements of interactional justice include an explanation for the failure, honesty, politeness, effort and empathy. Several studies in the service literature have demonstrated the important impact of interactional justice on customer assessments of service recovery (e.g. Sparks and McColl-Kennedy, 2001; Smith et al., 1999; Hoffman et al., 1995).

In service recovery context, interactional justice means the evaluation of the degree to which the customers have experienced justice in human interactions from the employees of service firms during the recovery process (Sparks & McColl-Kennedy, 2001).

Interactional justice refers to the manners by which customers are treated, which includes elements such as courtesy, politeness, and efforts in dealing with customers by service personnel during a service recovery process.

Previous literature states that there are six sub-dimensions for Interactional justice. These sub-dimensions are: courtesy, honesty, offering explanations, empathy, endeavor, and offering apologies (Clemmer, 1988; Tax et al., 1998, McColl-Kennedy & Sparks 2003; del Río-Lanza et al., 2009).

Interactional justice is often referred to as “interpersonal” justice. In recovery situations, the customer’s negative emotions (e.g. anger, hate, distress, and anxiety) must be addressed before he or she will be willing or able to accept a solution such as compensation, refund, etc. Because emotions tend to overwhelm cognitions in recovery situations (Smith and Bolton, 2002), service managers should “manage consumers’ emotional experience during and after a service failure” (Dube´ and Maute, 1996, p. 141).

researchers noted that higher levels of interactional justice will lead to more favorable repatronage intentions and a decreased likelihood of negative WOM (e.g., Blodgett et al., 1993, 1997; Clemmer, 1993).

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

The aim of this chapter is to discuss the overall methodological considerations of the research.

In this chapter the research design, population of the study, sample and sampling techniques, sources of data collection, instruments of data collection and procedures of data collection will be discussed thoroughly. It will also discuss the methods of data analysis, validity and reliability and the ethical considerations of the research in depth.

3.1 Research design

Research design is a blueprint for fulfilling the research objectives and answering the research questions (Anol Bhattacharjee, 2012). The function of research design is to provide for the collection of relevant information with minimal expenditure of effort, time and money.

According to Johnson and Onwuegbuzie (2004), mixed methods research is formally defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study. Mixed methods research also is an attempt to legitimate the use of multiple approaches in answering research questions, rather than restricting or constraining researchers' choices (i.e., it rejects dogmatism). It is an expansive and creative form of research, not a limiting form of research. It is inclusive, pluralistic, and complementary, and it suggests that researchers take an eclectic approach to method selection and the thinking about and conduct of research. (pp. 17–18)

As explained above mixed approach broadens the researcher's choice. For this reason mixed method is used to assess the impact of service recovery programs of Ethiopian airlines on customer satisfaction and behavioural intentions.

3.2 Variables of the study

Based on the objectives of the study, the paper has both the dependent and independent variables. The independent variables of the study are the service recovery dimensions (distributive justice, procedural justice and interactional justices) and the dependent variable of the study is a behavioral intention (repurchase intention and word of mouth intention).

3.3 Population and sampling techniques

3.3.1 Population

A population can be defined as all people or items (**unit of analysis**) with the characteristics that one wishes to study. Sometimes the population is obvious. (Anol Bhattacharjee, 2012)

All passengers who have flown on Ethiopian air lines, transit passengers and passengers waiting for their flight who experienced a service failure and recovery on any route are the population of the study. It includes all local and transit passengers of Ethiopian airlines (passengers who are destined, departs from and transit via Addis Ababa).

The reason for considering all local and transit passengers as a population of the study is;

Addis ababa airport is the HUB of Ethiopian airlines and all local passengers regardless of their destination will begin their journey from Addis Ababa airport. All incoming passengers of Ethiopian airlines will arrive at Addis Ababa airport and all transit passengers who fly with Ethiopian airlines will transit VIA Addis Ababa and use Addis Ababa airport as a transit point.

3.3.2 Sampling technique

Sampling is the statistical process of selecting a subset (called a “sample”) of a population of interest for purposes of making observations and statistical inferences about that population. (Anol Bhattacharjee, 2012)

Nonprobability sampling is a sampling technique in which some units of the population have *zero* chance of selection or where the probability of selection cannot be accurately determined. (Anol Bhattacharjee, 2012)

Convenience sampling also called accidental or opportunity sampling is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or

Convenient. (Anol Bhattacharjee, 2012)

As per (1Choy Johnn Yee, 2Ng Cheng San,2010),Convenience sampling is used to obtain a sample of element because it is impossible to estimate or calculate the probability of the selection for each element in the population. Convenience sampling is where the respondents are selected because they happen to be at the right place and at the right time. It is also because the sampling units tend to be easily accessible and the most important is that the proportion of target population has no significance on the validity of the conclusion.

Therefore, the respondents are selected at Addis Ababa Bole international airport and the type of non probability sampling which is convenience sampling technique is used in the study.

The main reason for using convenience sampling is because the population is too large and it is impossible to include every individual and because of their convenient accessibility and proximity to the researcher.

3.3.3 Sample size

Roscoe (1979) proposed that the rules of thumb for determining the sample size which more than 30 and less than 500 are appropriate for the most research. Therefore A total sample of 200 passengers are included in the survey as respondents. The sample will be selected both from the departure and arrival side of the airport at the passenger section.

3.4 Types of data and instruments of data collection

3.4.1 Sources of data collection

Both primary and secondary sources of data collection are used to collect the data for this study.

3.4.1.1 Primary source: primary source of the study was the responses of 200 customers of the company which is the sample size and the personal observation of the researcher, as the researcher has been working on the airline for the past four and a half years as a customer service agent.

3.4.1.2 Secondary source: is a source of data that has already been collected and tabulated by other sources (Anol Bhattacharjee, 2012).

Significant documents in relation to the study are collected and used to support the study. Articles, books, journals and websites were used as a secondary source for the study.

3.4.2 Instruments of data collection

According to Anol Bhattacharjee(2012) Survey research **is** a research method involving the use of standardized questionnaires or interviews to collect data about people and their preferences, thoughts, and behaviors in a systematic manner.

Some of the advantages of survey mentioned are; survey is an excellent vehicle for measuring a wide variety of unobservable data, such as people's preferences, traits, attitudes, beliefs, behaviors, or factual information. Second survey research is economical in terms of researcher time, effort and cost than most other methods such as experimental research and case research. Third, due to their unobtrusive nature and the ability to respond at one's Convenience, questionnaire surveys are preferred by some respondents.(Anol Bhattacharjee,2012).

At the same time, survey research also has some unique disadvantages. It is subject to a large

number of biases such as non-response bias, social desirability bias, and recall bias.(Anol Bhattacharjee,2012).

In Cross-sectional surveys independent and dependent variables are measured at the same point in time (e.g., using a single questionnaire).

Considering the advantages and disadvantages of survey research and the research design of the study; survey research method was used and cross sectional survey was conducted in this research paper.

A questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner. Structured questions ask respondents to select an answer from a given set of choices. (Anol Bhattacharjee,2012).

The major data collection instrument of the study was a structured type of questionnaire. Questionnaire was distributed to the sample of the study which are the customers' of Ethiopian airlines who faced service failure and recovery during the service delivery process.

Likert scale Designed by Rensis Likert, is a very popular rating scale for measuring ordinal data in social science research. This scale includes Likert items that are simply-worded statements to which respondents can indicate their extent of agreement or disagreement on a five or seven-point scale ranging from “strongly disagree” to “strongly agree”.(Anol Bhattacharjee, 2012).

The constructs of the study are measured mainly by using five point Likert scale. Questionnaires using 5-point Likert scale with anchor of (1) ‘strongly disagree’ to (5) ‘strongly agree’ can reduce variability in the results that may be differences and enhances reliability of the responses. Besides, it also simplifies coding, analysis and interpretation of data.(1Choy Johnn Yee, 2Ng Cheng San,2010).

3.5 Procedure of data collection

According to Anol Bhattacharjee, 2012, Pilot testing: is extremely important to detect potential problems in the research design and/or instrumentation (e.g., whether the questions asked is intelligible to the targeted sample), and to ensure that the measurement instruments used in the study are reliable and valid measures of the constructs of interest.

A structured type of questionnaire was prepared to conduct the study. The questionnaire was tested using both expert and convenience sampling before administering it to respondents. **15** questionnaires were distributed both to customers and front line employees to test the questionnaire (to uncover ambiguity, lack of clarity, or biases in question wording and to avoid administering the questionnaire to the intended sample with all those weaknesses). The questionnaire was also reviewed by experts for its validity. Some changes also been corrected after distributed the pilot test such as grammar error and spelling mistake. One question was also removed from the questionnaire as it was misleading the respondents and was somehow out of the objective of the study.

Then the questionnaire was distributed to a sample of 200 respondents who experienced a service failure and recovery with Ethiopian airlines.

All the questionnaires were distributed in person. Most of the questionnaires were filled on the spot and some were distributed to be filled and returned by customers (especially transit passengers who had one or two days to stay at Addis. But all passengers who were about to leave Addis filled the questionnaires on the spot.

3.6 Method of data analysis

To conduct this study data was collected from respondents. The collected data was organized in order to remove errors and was classified and coded and analyzed with the help of statistical software program: statistical package for social sciences (SPSS). SPSS version 20 was used to analyze the data. Descriptive statistics (descriptives and frequencies) analysis and regression analysis was used to analyze the data based on the needed results and objectives of the study.

3.7 Reliability and validity

The quality of a given measure is expressed in terms of its *reliability* and *validity* (William d. crano and Marilynn b. brewer, 2002).

According to William d. crano and Marilynn b. brewer (2002) reliability is the consistency with which a measure assesses a given concept. Reliability is the degree to

which the measure of a construct is consistent or dependable (Anol Bhattacharjee, 2012).

Cronbach's alpha was used to measure the reliability of the study. Reliability over 0.80 is

Good; reliability in the range of 0.70 is acceptable; and reliability less than 0.60 is considered poor (Sekaran, 2003). The reliability result of the study meets the minimum requirement of good (over 0.80).

Validity refers to the degree of relationship, or the overlap, between an instrument and the construct it is intended to measure (William d.crano and Marilyn b. brewer, 2002). Content validity refers to the adequacy with which a measure or scale has sampled from the intended universe or domain of content (Julie pallant 4th edition). To ensure content validity measurement items were mainly adopted from prior studies. Content validity of the instrument was examined through expert review.

3.8 Ethical considerations

According to William d.crano and Marilyn b. brewer (2002) research ethics includes deception and participant well being, explaining the study to participants at the end ,protecting confidentiality of data , and methodology as ethics(Honesty in Reporting Methods and Results).

Based on this the below ethical considerations were applied,

Informed consent: - all the participants were advised the type of information needed, for what purpose the information was needed and how it will directly or indirectly affect them. All participants participated voluntarily and the information taken was with the participant's full approval and consent.

Seeking sensitive information: sensitive information that can harm the company or offend the respondents was avoided as much as possible.

Voluntary participation and harmlessness: respondents in the research were aware that their participation in the study is voluntary, that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they

will not be harmed as a result of their participation or non-participation in the study. Creating discomfort, anxiety, invasion of privacy etc were also avoided.

Anonymity and confidentiality: all the responses received from participants are kept highly confidential.

Ethical issues relating to the researcher: the researcher avoided bias, incorrect reporting and inappropriate use of information.

In general the study was conducted taking all the above mentioned and other ethical considerations into mind and the researcher also tried to avoid all actions that might have an effect on the company, the respondents and all other concerned parties.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter is all about the results of the study. The results of the study are presented and discussed in detail. The first part of the chapter will discuss about the distributed and returned questionnaires. The second part is all about the responses received and the analysis made along with the interpretations of the results.

Even though the sample size of the study is 200, 220 questionnaires were distributed at bole international airport to avoid response failures but only 204 questionnaires were returned. Out of the 204 questionnaires nine questionnaires were rejected. Out of the nine, 6 were rejected as the reply to question number 6(have you ever encountered any service failure) was “No” and the rest of the questions were filled even though the questions are all about service failure. Two out of the 9 questionnaires were rejected due to missing data and the rest one questionnaire was returned unfilled. To get the exact sample size another 5 questionnaires were distributed. Therefore, 200 questionnaires served as data for analysis to present the findings and draw a conclusion.

4.1 Findings of the study

In this part the findings of the study will be presented.

4.1.1 Respondent’s profile

4.1.1.1 Respondent’s gender

Respondents were asked to mention their gender. The results are as follows.

Table 4.1 Respondents gender

	Frequency	Percent	Valid Percent	Cumulative Percent
male	130	65.0	65.0	65.0
Valid female	70	35.0	35.0	100.0
Total	200	100.0	100.0	

4.1.1.2 Respondent's age group

Respondents were asked their age group. The results are presented in the below table 4.2.

Table 4.2 Respondents age group

		age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	40	20.0	20.0	20.0
	31-45	70	35.0	35.0	55.0
	46-65	56	28.0	28.0	83.0
	more than 65	34	17.0	17.0	100.0
	Total	200	100.0	100.0	

4.1.1.3 Reason for travel

Respondents were asked their reason of travel. The results are as follows.

Table 4.3 reason for travel

		reason			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	leisure	86	43.0	43.0	43.0
	business	114	57.0	57.0	100.0
	Total	200	100.0	100.0	

4.1.1.4. Frequency of travel

To identify the frequency of usage of each respondent, they were asked how many times they have flown with Ethiopian airlines. The results are presented in the below table 4.4.

Table 4.4 Frequency of travel frequency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	first time	54	27.0	27.0	27.0
	twice	62	31.0	31.0	58.0
	three times	34	17.0	17.0	75.0
	more than three times	50	25.0	25.0	100.0
	Total	200	100.0	100.0	

4.1.1.5 Respondent's membership

Sheba miles is a frequent flyer program of Ethiopian airlines. Respondents were asked whether they are a member of the frequent flyer program and if they are they were asked to indicate the level of their membership by selecting one of the three (blue, silver and gold).

Table 4.5 membership

membership				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid blue	46	23.0	23.0	23.0
silver	30	15.0	15.0	38.0
gold	12	6.0	6.0	44.0
none	112	56.0	56.0	100.0
Total	200	100.0	100.0	

4.2 Service failure

4.2.1 Respondent's failure encounter

Respondents were asked whether they faced any service failure or not while using the services of Ethiopian airlines. All respondents who chose "no" were excluded from the study as it's out of the objective of the study. Only respondents who said "yes" were included in the study which accounts for 100% of the respondents.

Table 4.6 service failure encounter

encounter				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	200	100.0	100.0	100.0

4.2.2 Type of service failure

The respondents were asked to indicate the service failure they faced. Based on the responses descriptive analysis was made. The results are indicated in table 4.7

Table 4.7 type of service failure

		indicate			
		Frequen cy	Percent	Valid Percent	Cumulative Percent
Valid	baggage delay	40	20.0	20.0	20.0
	damaged/pilferage of baggage	22	11.0	11.0	31.0
	lost baggage	34	17.0	17.0	48.0
	flight delay	26	13.0	13.0	61.0
	denied boarding	14	7.0	7.0	68.0
	flight cancelation	20	10.0	10.0	78.0
	down grading	8	4.0	4.0	82.0
	miss connection	36	18.0	18.0	100.0
	Total	200	100.0	100.0	

4.3. Service recovery

4.3.1 The Response respondents received

Respondents were asked to mention the type of response they received right after the service failure. Based on the descriptive analysis made, 38% of the total respondents received nothing on the spot, 28% received an apology, 24% received an explanation about the service failure and the rest 10% of the respondents received compensation on the spot.

Table 4.8 the response respondents received

		response			
		Frequen cy	Percent	Valid Percent	Cumulative Percent
Valid	i received an apology	56	28.0	28.0	28.0
	i received an explanation about the failure	48	24.0	24.0	52.0
	i received compensation	20	10.0	10.0	62.0
	i received nothing	76	38.0	38.0	100.0
	Total	200	100.0	100.0	

4.3.2 Compensation for the failure

Respondents were asked whether they were compensated or not for the service failure in general and majority of the respondents accounting for 78% of the total number of respondents didn't get compensated for the failure but the rest 22% of the respondents were compensated for the failure.

Table 4.9 compensation for the failure

		compensated			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes i have been compensated	44	22.0	22.0	22.0
	no i haven't been compensated	156	78.0	78.0	100.0
	Total	200	100.0	100.0	

4.3.3 Time taken to compensate

Based on the results on table 4.9 all the respondents who were compensated which accounts for 22% of the total respondents were asked whether they were compensated on time or not . As table 4.10 indicates 7% out of the 22% received the compensation on time and the majority (15%) out of the respondents who received the compensation didn't get compensated on time. The variable not applicable was assigned in order to avoid a missing value for the analysis. 78% not applicable represents the respondents who were not compensated for the failure.

Table 4.10 Time taken to compensate

		immediately			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes, i received the compensation on time	14	7.0	7.0	7.0
	no, it took them forever to give me the compensation	30	15.0	15.0	22.0
	not applicable	156	78.0	78.0	100.0
Total		200	100.0	100.0	

4.4 Service recovery dimensions, customer satisfaction and behavioral intentions

The three service recovery dimensions (distributive justice, procedural justice and interactional justice) were assessed individually and the results for each are presented as follows.

4.4.1 Distributive justice

Respondents were asked four questions regarding distributive justice and they described their level of agreement and disagreement. Based on the responses the highest disagreement was concerning the compensations the respondents received in relation to the failure which accounts 33% of the respondents followed by 28% who strongly disagree about the fact that they received what they deserved. 28% of the respondents disagree about the fact that they were treated exactly like they wanted it (like they expected the service would be).

Table 4.11 distributive justice

	A	B	C	D
Strongly disagree	27.0%	24.0%	28.0%	24.0%
Disagree	25.0%	33.0%	26.0%	28.0%
neutral	21.0%	25.0%	17.0%	22.0%
agree	16.0%	7.0%	19.0%	17.0%
Strongly agree	11.0%	11.0%	10.0%	9.0%

Where

A: The treatments I received are fair considering the efforts made by the company to make me happy

B: The compensation I received in response to the failure was adequate

C: I received what I deserved

D: When I choose Ethiopian airlines I expected a premium service and I was treated exactly like I wanted it

4.4.2 Procedural justice

Respondents were also asked five questions concerning procedural justice and the highest disagreement was concerning the time taken to solve the problem which accounts for 29% of the total respondents followed by 25% of the respondents which

disagree about the fact that the policies and procedures fits with the problems they encountered.

Table 4.12 procedural justice

	E	F	G	H	I
Strongly disagree	21.0%	19.0%	22.0%	21.0%	16.0%
Disagree	23.0%	23.0%	25.0%	21.0%	29.0%
neutral	23.0%	25.0%	12.0%	20.0%	23.0%
agree	19.0%	18.0%	23.0%	21.0%	19.0%
Strongly agree	14.0%	15.0%	18.0%	17.0%	13.0%

Where

E: The policies and procedures are simple and adequate

F: The Company’s policies and procedures are flexible

G: The policies and procedures fits with the problems I encountered

H: The Company’s policies and procedures considered my class and my status while handling the inconvenience.

I: The time taken to solve my problem was up to standard

4.4.3 Interactional justice

Respondents were asked their level of agreement and disagreement regarding the interactional justice and the highest disagreement was 17% which is about the personnel’s apology followed by 15% of the Respondents who disagree about the employee’s patience, confidence and empowerment. But in general the responses for the interactional justice were positive (unlike the other two perceived justices) and the highest score of all which is 33% of the respondents agree the personnel were giving honest explanation for the questions of the inconvenienced customers.

Table 4.13 interactional justice

	J	K	L	M	N	O
Strongly disagree	9.0%	10.0%	13.0%	7.0%	11.0%	10.0%
Disagree	17.0%	14.0%	6.0%	10.0%	15.0%	12.0%
neutral	28.0%	22.0%	25.0%	26.0%	23.0%	25.0%
agree	24.0%	33.0%	27.0%	29.0%	28.0%	31.0%
Strongly agree	22.0%	21.0%	29.0%	28.0%	23.0%	22.0%

Where

J: The employee(s) apologized for the failure and handled my case in a professional way

K: the personnel gave me an honest explanation for my questions

L: the employee(s) treated me with care during the overall process

M: the employee(s) were polite and willing to help

N: the employee(s) were patient, confident, and empowered

O: the personnel were understanding, respectful and go extra mile to solve my problem

4.4.4 Relative importance of service recovery dimensions

In order to identify the level of importance of the three service recovery dimensions (distributive, procedural and interactional justices) from the customer's perspective the respondents were asked to rank starting from most important to least important. Based on the results the most important dimension is the distributive justice which accounts for the 52% of the responses followed by procedural justice which accounts for 35% of the responses. And the least important dimension mentioned by the respondents was the interactional justice which accounts for 13% of the total responses.

Table 4.14 relative importance of service recovery dimensions

	outcome	Proced ure	Personnel
most important	52.0%	35.0%	13.0%
Valid important	25.0%	37.0%	38.0%
least important	23.0%	28.0%	49.0%
Total	100.0%	100.0%	100.0%

4.4.5 Customer satisfaction with Service recovery dimensions

To identify the level of satisfaction of the respondents with regard to the three dimensions of service recovery (distributive, procedural and interactional justice) respondents were asked to mention their level of agreement and disagreement with regard to the dimensions of service recovery in relation to the service failure they faced with Ethiopian. The results are presented as follows:

The highest disagreement which is 29% (the respondents are not satisfied with the overall service recovery process) followed by 26% disagreement about the outcome of the service recovery. The highest score of all (33%) is about the interactions they had with the company's personnel which is positive. It confirms the previous result regarding the interactional justice. The result also confirms the previous result of distributive justice which is a high disagreement score.

Table 4.15 customer satisfaction with service recovery dimension

Percentage				
	P	Q	R	S
strongly disagree	24.0%	6.0%	22.0%	19.0%
disagree	26.0%	14.0%	24.0%	29.0%
Valid neutral	24.0%	27.0%	15.0%	24.0%
agree	17.0%	33.0%	21.0%	15.0%
strongly agree	9.0%	20.0%	18.0%	13.0%
Total	100.0%	100.0%	100.0%	100.0%

Where

P: I am satisfied with the outcomes of the service recovery

Q: I am satisfied with the interactions I had with the personnel of the company during the overall process

R: I am satisfied with the policies and procedures used to handle my problem

S: I am satisfied with the overall service recovery process

4.4.6 Service recovery satisfaction and repurchase intentions

Respondents were asked two questions to identify their level of repurchase intentions.

The results are presented based on the table below.

The highest disagreement (31%) is about the fact that respondents have more faith in the company and they will definitely use Ethiopian airlines again followed by 26% which disagree about the treatments and reuse intentions.

Table 4.16 service recovery satisfaction and repurchase intentions

	T	U
strongly disagree	19.0%	22.0%
disagree	26.0%	31.0%
Valid neutral	24.0%	21.0%
agree	19.0%	15.0%
strongly agree	12.0%	11.0%
Total	100.0%	100.0%

Where:

T: I am happy with the way I was treated and I will keep using Ethiopian airlines

U: I have more faith in Ethiopian airlines now than before and I will definitely use Ethiopian airlines again

4.4.7 Service recovery satisfaction and word of mouth

Respondents were also asked to identify their level of word of mouth intention. As per the results on table 4.17 the highest disagreement is (30%) about recommending the airline to family and friends.

Table 4.17 service recovery satisfaction and word of mouth

	V	W
strongly disagree	22.0%	23.0%
disagree	30.0%	28.0%
Valid neutral	19.0%	23.0%
agree	14.0%	14.0%
strongly agree	15.0%	12.0%
Total	100.0%	100.0%

Where:

V: I will recommend Ethiopian airlines to my family and friends

W: I will tell everyone who asks for information to use Ethiopian airlines

4.4.8 Impact of satisfaction with service recovery dimensions on repurchase intention

In this part the impact of service recovery satisfaction with service recovery dimensions (distributive justice, procedural justice and interactional justice) on repurchase intentions are discussed. Regression analysis was used to analyze the results and the results and interpretations are presented as follows.

Table 4.18 Impact of satisfaction with service recovery dimensions on repurchase intention(correlation)

		Correlations			
		T	P	Q	R
Pearson Correlation	T	1.000	.881	.473	.768
	P	.881	1.000	.413	.724
	Q	.473	.413	1.000	.414
	R	.768	.724	.414	1.000
Sig. (1-tailed)	T	.	.000	.000	.000
	P	.000	.	.000	.000
	Q	.000	.000	.	.000
	R	.000	.000	.000	.
N	T	200	200	200	200
	P	200	200	200	200
	Q	200	200	200	200
	R	200	200	200	200

As shown in table 4.18 the dependent variable (repurchase intention) and the independent variables(distributive ,procedural and interactional justices) has a relationship given all the person correlation values are above 0.3(Julie pallant,4th edition,2011).

Table 4.19 Impact of satisfaction with service recovery dimensions on repurchase intension(model)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.905 ^a	.819	.816	.552	.819	294.933	3	196	.000

a. Predictors: (Constant), R, Q, P

As shown in the model in table 4.19 , satisfaction with service recovery dimensions (distributive, interactional and procedural justice) explain around 82% of the variance in repurchase intentions. The statistical significance of this model is also confirmed Sig., .000) by the Anova test indicated below (Julie pallant,4th edition,2011).

Table 4.20 Impact of satisfaction with service recovery dimensions on repurchase intention (Anova)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	269.484	3	89.828	294.933	.000 ^b
	Residual	59.696	196	.305		
	Total	329.180	199			

a. Dependent Variable: T

b. Predictors: (Constant), R, Q, P

Table 4.21 Impact of satisfaction with service recovery dimensions on repurchase intention (coefficients)

coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
		1	(Constant)	.015			.131		.112	.911
	P	.669	.046	.659	14.692	.000	.579	.759	.460	2.175
	Q	.109	.038	.096	2.837	.005	.033	.185	.801	1.248
	R	.225	.040	.251	5.590	.000	.146	.305	.459	2.177

a. Dependent variable : T

To compare the contribution of each independent variable (perceived justice), to the prediction of the dependent variable (repurchase intention), the results of table 4.21 is used. Therefore the highest score in the standardized coefficients of Beta is for satisfaction with the distributive justice with significance of (sig., .000), which means satisfaction with distributive justice makes the strongest significant contribution to explain the variance in reuse intentions.

Two values are given in the coefficients table: **Tolerance** and **VIF**. Tolerance is an indicator of how much of the variability of the specified independent is not explained

by the other independent variables in the model and is calculated using the formula $1-R$ squared for each variable. If this value is very small (less than .10) it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). VIF values above 10 would be a concern here, indicating multicollinearity. Based on the values of (tolerance and VIF) on table 4.21, we can conclude there is no concern of multicollinearity. Multicollinearity exists when the independent variables are highly correlated .9 and above (Freund & Wilson, 2003). This also confirms that there are no problems regarding the existence of multicollinearity as all the values are below the standard(.9).

Supplementary question (I have more faith in Ethiopian airlines now than before and I will definitely use Ethiopian airlines again) was asked to evaluate the strength of customers' intention to reuse Ethiopian airlines. As per the results of the analysis, satisfaction with distributive justice is the strongest significant contributor followed by interactional justice.

Table 4.22 Impact of satisfaction with service recovery dimensions on repurchase intension (coefficients one)

Coefficients										
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF	
	(Constant)	-.147	.161		-.915	.361	-.465	.170		
1	P	.725	.056	.717	12.926	.000	.614	.836	.460	2.175
	Q	.218	.047	.193	4.602	.000	.124	.311	.801	1.248
	R	.041	.050	.046	.831	.407	-.057	.139	.459	2.177

a. Dependent variable: U

4.4.9 Impact of satisfaction with perceived justice on Word of mouth

To identify how much the dependent variable word of mouth was explained by the independent variables i.e. satisfaction with (distributive, procedural and interactional justice) regression analysis was made. Based on the responses and the results of the analysis the results are presented as follows.

Table 4.23 impact of satisfaction with perceived justice on Wom(correlations)

		V	P	Q	R
Pearson Correlation	V	1.000	.750	.469	.682
	P	.750	1.000	.413	.724
	Q	.469	.413	1.000	.414
	R	.682	.724	.414	1.000
Sig. (1-tailed)	V	.000	.000	.000	.000
	P	.000	.000	.000	.000
	Q	.000	.000	.000	.000
	R	.000	.000	.000	.000
N	V	200	200	200	200
	P	200	200	200	200
	Q	200	200	200	200
	R	200	200	200	200

The above Pearson correlation analysis presented in table 4.23 proves that there is a relationship between the independent variables (perceived justice) and the dependent variable (WOM). As per the tolerance and VIF values on the coefficients table multicollinearity questions are improbable. The relationship is found to be statistically significant as indicated by a significance value of .000 for all correlations.

Table 4.24 Impact of satisfaction with perceived justice on Wom(model)

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.789 ^a	.623	.617	.839	.623	107.978	3	196	.000

a. Predictors: (Constant), R, Q, P

Taking from the results of table 4.24 (model summary), the three justice dimensions explain around 62% of the variation in WOM intentions, which is statistically significant as per the significance value on the ANOVA table below.

Table 4.25 impact of satisfaction with perceived justice on Wom(Anova)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	228.029	3	76.010	107.978	.000 ^b
	Residual	137.971	196	.704		
	Total	366.000	199			

a. Dependent Variable: V

b. Predictors: (Constant), R, Q, P

Table 4.26 impact of satisfaction with perceived justice on Wom(coefficients)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.045	.199		-.225	.823	-.437	.347		
	P	.537	.069	.502	7.760	.000	.401	.674	.460	2.175
	Q	.187	.058	.157	3.203	.002	.072	.302	.801	1.248
	R	.240	.061	.253	3.917	.000	.119	.361	.459	2.177

a. Dependent variable:V

Based on the results revealed on the coefficients table 4.26, the highest Beta coefficient value is satisfaction with distributive justice. Sig. value also confirms high statistical significance. Thus, we can say that satisfaction with distributive justice is the significant contributor to predict WOM intentions.

Supplementary question was also asked (I will tell everyone who asks for information to use Ethiopian airlines) to evaluate the strength of customers WOM intentions. The result in the below table indicated that distributive justice (Beta=.581) remain the

strongest unique contributor to predict WOM intentions which supports the previous result.

The below coefficients table (table 4.27) also confirms multicollinearity is not a concern.

Table 4.27 impact of satisfaction with perceived justice on Wom(coefficients one)

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
	(Constant)	.125	.201				.623	.534	-.271
1 P	.598	.070	.581	8.541	.000	.460	.736	.460	2.175
Q	.171	.059	.150	2.903	.004	.055	.288	.801	1.248
R	.125	.062	.137	2.012	.046	.002	.247	.459	2.177

a. Dependent variable :W

4.4.10 Service recovery dimensions and customer satisfaction

To examine their overall perception regarding the perceived justices and the overall satisfaction with the service recovery experience they had with Ethiopian airlines, respondents were asked a question. To determine which justice element had a positive/negative influence on satisfaction/dissatisfaction with the service failure and recovery process the results were analyzed and the results are presented below.

Table 4.28 service recovery dimensions and customer satisfaction (model)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.885 _a	.784	.781	.604	.784	237.071	3	196	.000

a. Predictors: (Constant), R, Q, P

Based on the model in table 4.28, over 78% of the variance in customers' satisfaction with service recovery is explained by their perception of the service recovery dimensions provided.

The result found in the ANOVA also confirms the statistical significance of the inferences made from outcome of the model summary shown above.

Table 4.29 service recovery dimensions and customer satisfaction(Anova)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	259.081	3	86.360	237.071	.000 ^b
	Residual	71.399	196	.364		
	Total	330.480	199			

a. Dependent Variable: S

b. Predictors: (Constant), R, Q, P

Based on coefficients table (table 4.30), we can infer that perceptions of distributive justice serves as the unique significant contributor to explain variations in customers satisfaction with service recovery. This is consistent with the previous finding that indicated satisfaction with distributive justice was significant to explain WOM.

Table 4.30 service recovery dimensions and customer satisfaction(coefficients)

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.164	.143		-1.147	.253	-.446	.118		
	P	.645	.050	.634	12.946	.000	.546	.743	.460	2.175
	Q	.199	.042	.175	4.730	.000	.116	.281	.801	1.248
	R	.184	.044	.205	4.178	.000	.097	.271	.459	2.177

a. Dependent variable : S

4.5 Results of the hypothesis

H1. Satisfaction with Service recovery dimensions has an impact on WOM intentions.

Based on the results of the study, satisfaction with service recovery dimensions has an impact on Wom intentions. Service recovery dimensions explain around 62% of the variation in WOM intentions. Therefore this hypothesis is accepted.

H2. Satisfaction with Service recovery dimensions has an impact on repurchase intentions.

As per the results, satisfaction with service recovery dimensions has also an impact on repurchase intentions. Based on this the hypothesis is accepted.

H3. Satisfaction with service recovery dimensions has an impact on customer satisfaction

The third hypothesis of the study, satisfaction with service recovery dimensions has an impact on customer satisfaction is also accepted as per the findings of the study.

H4. Service recovery dimensions differ in their level of contribution to explain the variance in behavioral intentions and customer satisfaction.

Based on the findings of the study, distributive justice has a major contribution than the other two to explain the variance in behavioral intentions and customer satisfaction. Depending on this the hypothesis is accepted.

4.6 Discussions

The study showed that majority of the customers of Ethiopian Airlines are male and are in the age group between 31-35. Most of the customers (57%) travel for business reasons and most of the customers used Ethiopian airlines more than one time.

One of the most popular loyalty programs of airlines is frequent flyer program and Sheba miles is a frequent flyer program of Ethiopian airlines. Respondents were asked to mention their membership level and most of the respondents have no membership with the airline.

Based on the major service failures of the airline , respondents were asked to mention the type of failure they faced and the most frequent service failure mentioned was

baggage delay(20%) followed by misconnection (18%) and the third most mentioned was lost baggage(17%). The least mentioned of all was downgrading (4%).

Respondents were asked to mention the responses they received right after the service failure. Even though service recovery outcome is the most important aspect of recovery satisfaction based on the findings of the study and the previous studies; majority of the respondents received nothing (38%) and the least mentioned was compensation (10%).The level of satisfaction of customers with regard to compensation was also supported by another supplementary question and around 78% of the respondents were not compensated for the service failure in general.

The three service recovery dimensions were assessed individually and Majority of the responses about distributive justice are (strongly disagree, disagree and neutral). Most of the disagreements are about the compensations the respondents received in relation to the failure which supports the previous results of the study.

Next to distributive justice, the responses for procedural justice were also on the disagreement side, and the highest disagreement was about the time taken to solve the problems of customers. This result is also supported by the responses for question number “10” where most of the respondents didn’t agree with the time taken to solve their problem.

Respondents were also asked about the interactions they had and most of the responses were positive. And the highest agreement was about the honest explanations of the personnel.

Customers were asked to rate the service recovery dimensions based on their perception of importance and most of the respondents rated distributive justice as most important dimension and the least chosen was interactional justice which supports the results of previous studies.

Respondents were also asked their level of satisfaction with regard to the three dimensions of service recovery and their overall satisfaction. Most of the disagreements are about the overall satisfaction and distributive justice was the major disagreement of the respondents which confirms the previous result about distributive justice. And once again the responses about the interactional justice were positive

which confirms respondents had a positive experience with the personnel of the company.

The results of the study shows that service recovery dimensions and repurchase intentions of the customers are related. Satisfaction with service recovery dimensions explains around 82% of the variance in repurchase intentions. Out of the three service recovery dimensions distributive justice makes the strongest significant contribution to explain the variance in repurchase intentions .The same result was received from both questions regarding repurchase intentions.

The study shows that there is a relationship with the independent (distributive justice, procedural and interactional justice) and the dependent variable (word of mouth). The dimensions explain around 62% of the variation in word of mouth. The study also shows that satisfaction with distributive justice is a significant contributor to predict WOM intentions. This result was the same in both questions concerning word of mouth intentions.

Respondents were asked regarding the perceived justices and their overall satisfaction, based on the results of the study over 78% of the variance in customers' satisfaction with service recovery is explained by their perception of the service recovery dimensions provided. This study also confirms the previous results that perceptions of distributive justice serves as a significant contributor to explain variations in customers' satisfaction with service recovery.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATIONS

Introduction

Based on the results and findings of the study, this chapter will discuss the conclusions and recommendations of the study along with the limitations of the study in detail.

5.1 Conclusion

The main objective of the study is to assess the impact of service recovery on customer satisfaction. Based on the responses received from the questionnaires collected and the results of the analysis, the study reached into the below conclusions.

- The major service failures of Ethiopian airlines are related with baggage delay followed by misconnection and lost baggage. Most of the failures on the first three mentioned failures are related with baggage; therefore, issues related with baggage needs a serious attention.
- One of the objectives of the study was to examine the level of satisfaction of Ethiopian airlines customers with each of the service recovery dimensions provided by the company. Based on the results of the analysis made, customers are highly satisfied with the interactional justice dimension (With the interactions they had with the personnel of the company).
But on the other side out of the three dimensions of service recovery distributive justice was perceived as least satisfactory by the customers of the company.
- The relative importance of the service recovery dimensions was rated by the customers. Based on the results revealed; distributive justice is the most important dimension of service recovery followed by procedural justice. And the least important dimension is interactional justice.
- The other objective of the study was to assess the impact of service recovery dimensions on behavioural intentions. Based on the results we can conclude that satisfaction with service recovery dimensions has a positive relationship with behavioural intentions (repurchase, word of mouth). The results also

revealed that Distributive justice is a major contributor to predict behavioural intentions.

- The impact of satisfaction with service recovery dimensions on customer satisfaction was also assessed. Based on the findings, satisfaction with service recovery dimensions and overall customer satisfaction has a positive relationship. The results of this relationship also confirmed the major contribution of the perception of distributive justice on customer satisfaction.

5.2 Recommendations

Based on the conclusions of the study and the researchers personal observation the below points are recommended.

- As per the results of the study the major service failures of the company are related to baggage and misconnection. The company should give due attention in minimizing baggage delay, lost baggage and misconnection of flights to avoid customer inconvenience and unnecessary costs.
- Keeping the importance of distributive justice in mind and the major disagreements about the compensations given by Ethiopian, the company should develop specific monetary compensation guidelines while training both full-time and part-time employees to quickly and properly react to various service failure situations. Also customers should be compensated on time as the delay of the compensation causes dissatisfaction. Depending on different levels of complaints and different situations of customers, Ethiopian airlines needs to train front desk staff to offer proper arrays of compensations with similar values and let their customers select the best compensation.
- Even though distributive justice was the major disagreement by the customers, procedural justice was also not satisfactory next to distributive justice. The company should work on its policies and procedures to minimize the dissatisfaction rate in relation to the procedural justice.
- Out of the three service recovery dimensions interactional justice was perceived positively by the customers of the company. The company should encourage the personnel of the company to keep the positive energy and to get a better performance as front liners are the major maker and breakers of

the service delivery process. Considering the time taken to solve the problem of the customers was not satisfactory frontline employees should be empowered to take responsibilities for service recovery.

- In conclusion, even though delivering the service error free the first time is the first choice, the company should make every effort to maximize after recovery satisfaction (service recovery paradox) since failures are unavoidable human nature. And also considering the positive relationship between satisfaction with the service recovery dimensions and customer satisfaction the company should focus on improving its service recovery dimensions.

5.3 Limitations and directions for further research

Although every attempt was made to eliminate possible limitations, this study does have several limitations. The following section is intended to address some of the limitations surrounding this study so they may be eliminated in the future research.

One of the primary limitations of this study is its limited to service recovery programs of only the passenger service section of the airline it doesn't include the cargo service of the airline .

The study is also limited to the assessment of service recovery programs effectiveness on customer satisfaction on Ethiopian airlines and doesn't include the other 11 airlines (Saudi airlines, Lufthansa, emirates, Kenyan airways, Yemeni airways, Egypt air, Qatar airways, Turkish airlines, fly Dubai, Gulf and Sudan airways) that operate at Addis Ababa, Ethiopia because of the time and financial limitations. This makes it difficult to know the position of the company in relation to the competitors based on this study.

Future research may consider including the other airlines operating at Addis Ababa and study about the issue in relation to the competitors. Researchers may also avoid all the limitations of the study in future researches to get a better result.

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Appendix

**Addis Ababa University School of Commerce
Department of Marketing management
Post graduate program**

Dear respondents;

This questionnaire is prepared to collect information on the Impact of service recovery on customer satisfaction and behavioural intentions of Ethiopian airlines for educational purposes. The information is solicited for the partial fulfillment of a Master of Arts Degree in Marketing Management, the Department of Marketing Management at Addis Ababa University School of Commerce. All the information you provide will be kept confidential and used only for academic purpose.

As a customer of the company who has faced service failure and recovery, you will have valuable insights which can assist this research for the achievement of the study objectives. Your cooperation is highly appreciated.

Thank you in advance for sparing your precious time to complete this questionnaire.

Cordially,

Kibra hailu

Part one: General information

Instruction: please put a tick mark ✓ on the appropriate response category against each question or write your answer on question that requires an explanation on the free space provided.

1. Gender
 Male female
2. Age group
 18-30 31-45 46-65 more than 65
3. Reason for travel
 Leisure business
4. How many times have you traveled with Ethiopian airlines
 First time twice three times more than 3 times
5. Do you have any membership with Ethiopian airlines (are you a member of Sheba miles)
 blue silver gold none
6. have you ever encountered any service failure
 yes no
7. please indicate the service failure you encountered(you can select more than one)
 baggage delay damaged/pilferage of baggage lost baggage
 flight delay denied boarding flight cancelation
 down grading miss connection
 other flight disruption? Please specify _____
8. What kind of response did u get from the airline on the spot
 I received an apology I received an explanation about the failure
 I received compensation I received nothing
Other? Please specify _____
9. have you been compensated for the failure
 Yes I have been compensated No I haven't been compensated
10. if the answer for the above question is "yes" did you get the compensation on time
 Yes, I received my compensation right away
 No, it took them forever to give me the compensation

Part two: service recovery dimensions

Instruction: please indicate your degree of agreement or disagreement against each question by encircling the appropriate number (where, 1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree)

Distributive justice

11. Do you think the whole service recovery process was fair?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
11.1	The treatments I received are fair considering the efforts made by the company to make me happy	1	2	3	4	5
11.2	The compensation I received in response to the failure was adequate	1	2	3	4	5
11.3	I received what I deserved	1	2	3	4	5
11.4	When I choose Ethiopian airlines I expected a premium service and I was treated exactly like I wanted it	1	2	3	4	5

Procedural justice

12. What do you think about the company's policies and procedures considering the service failure you encountered?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
12.1	The policies and procedures are simple and adequate	1	2	3	4	5
12.2	The company's policies and procedures are flexible	1	2	3	4	5
12.3	The policies and procedures fits with the problems I encountered	1	2	3	4	5
12.4	The company's policies and procedures considered my class and my status while handling the inconvenience.	1	2	3	4	5
12.5	The time taken to solve my problem was up to standard	1	2	3	4	5

Interactional justice

13. How did the Ethiopian airlines personnel handled the failure?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
13.1	The employee(s) apologized for the failure and handled my case in a professional way	1	2	3	4	5
13.2	the personnel gave me an honest explanation for my questions	1	2	3	4	5
13.3	the employee(s) treated me with care during the overall process	1	2	3	4	5
13.4	the employee(s) were polite and willing to help	1	2	3	4	5
13.5	the employee(s) were patient ,confident, and empowered	1	2	3	4	5
13.6	the personnel were understanding, respectful and go extra mile to solve my problem	1	2	3	4	5

Level of importance of major dimension of the service recovery

14. Which one of the below do you think was most important regarding the service failure and recovery process? Please rank 1 to 3, (where 1=most important and 3=least important).

- 14.1 The efforts of the company's personnel to handle the problem _____
- 14.2 The company's policies and procedures used to handle the failure _____
- 14.3 The final service recovery outcome _____

Part three: Overall satisfaction

15. Are you satisfied with the overall failure handling process?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
15.1	I am satisfied with the outcomes of the service recovery	1	2	3	4	5
15.2	I am satisfied with the interactions I had with the personnel of the company during the overall process	1	2	3	4	5
15.3	I am satisfied with the policies and procedures used to handle my problem	1	2	3	4	5
15.4	I am satisfied with the overall service recovery process	1	2	3	4	5

Part four: Behavioural intentions towards Ethiopian airlines

Repurchase intentions

16. Do you think you will fly with Ethiopian airlines again?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
16.1	I am happy with the way I was treated and I will keep using Ethiopian airlines	1	2	3	4	5
16.2	I have more faith in Ethiopian airlines now than before and I will definitely use Ethiopian airlines again	1	2	3	4	5

Word of mouth

17. Do you recommend Ethiopian airlines to others?

S. No	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
17.1	I will recommend Ethiopian airlines to my family and friends	1	2	3	4	5
17.2	I will tell everyone who asks for information to use Ethiopian airlines	1	2	3	4	5