

# Examining the Connection between Service Failure and Recovery with Airline Passenger Satisfaction with Air Asia

Aarti

Student of BBA in Aviation Management, School of Business, Galgotias University

## Abstract

A firm's service failure and the way it addresses it can have a significant impact on customer satisfaction and their overall relationship with the company. This is true even when the company has put in substantial efforts to build strong, long-term relationships with its customers. Airline companies, in particular, face various challenges that affect their survival over time. One of these challenges is dealing with inevitable service failures. The goal of this study is to understand how service failure and recovery relate to passenger satisfaction specifically within AirAsia. Data was collected from 361 domestic travelers departing from Sultan Ismail Petra Airport in Kelantan. Convenience sampling was used for this study. The results showed that there is a significant negative correlation between service failure and passenger satisfaction, while service recovery has a positive impact on passenger satisfaction. The implications suggest that the management team and staff should implement effective recovery strategies to address failures, including well-planned corrective actions, sincere apologies, taking responsibility for any mishaps, and other measures. Frontline employees need to be attuned to customers' emotions during service failures; effective recovery efforts can help prevent negative customer reactions.

**Keywords:** Service Failure, Service Recovery, Customer Satisfaction, Relationship Quality, Airline Companies

## 1. INTRODUCTION

Nowadays, marketers are focused on improving customer satisfaction. Numerous studies have emphasized the significance of satisfaction in the service industry ([Ali et al., 2020](#)). Customer satisfaction is affected by the quality of service. Service failures are often obstacles to achieving customer satisfaction, and they are difficult to avoid within the service delivery process ([Sukri, 2014](#)). Customers' increasing expectations and the competitive business landscape make it challenging for many companies, particularly airlines, to retain their customers ([Wang et al., 2011](#)).

Another challenge in providing excellent services is the inability to recognize the genuine needs and desires of customers ([Izogo & Ogba, 2015](#)). Customers often express disappointment, end their patronage, or spread negative sentiments after experiencing service failures. Therefore, it is essential to focus on delivering outstanding service recovery in order to restore a positive perception among customers ([Daşkın & Yilmaz, 2015](#)). Numerous researchers have conducted studies on service failure in different industries. Scholars also focus extensively on the effects and impact of service failure and recovery in the airline industry.

Furthermore, service failures can have a detrimental impact on customer satisfaction, which in turn affects the company's reputation ([Ali et al., 2020](#)). Service failures are a common occurrence in many companies and can result in dissatisfied customers. Several airlines, including well-known international ones like Champion Air, Aloha Airgroup, British regional airline Flybmi, and others have either stopped operating or gone out of business ([Insider, 2019](#)). During the 2018-2019 fiscal year, numerous airline companies went out of business, including Air2there (a New Zealand carrier), Air Costa Rica, NextJet, and several others ([Izogo & Ogba, 2015](#)). This arises from numerous challenges faced, such as inadequate management of operations where the leadership is unable to prevent service failures and address problems effectively. Additionally, high labor costs and jet fuel expenses have been a major source of frustration for many airlines ([Izogo & Ogba, 2015](#)). Malaysia's national carrier has faced challenges over the past few years. According to aviation experts, MAS is also dealing with significant internal management issues following the tragedies involving two high-profile planes, MH370 and MH17 ([Namukasa, 2013](#)). ([Curry & Gao, 2012](#)) Customers who are satisfied with the recovery effort have a more positive outlook than those who are not. It is crucial for airline operations to effectively recover from failures, and managers must understand customer feedback on these issues ([Curry & Gao, 2012](#)). Despite the extensive research on service quality, there is still limited exploration of service failure and recovery within the airline industry in Malaysia. Further investigation is needed ([Sukri, 2014](#)) ([Ringle et al., 2011](#)). The distinct characteristics of the airline service industry, compared to other service sectors, allow for additional research on understanding how service failures and recovery efforts impact customer satisfaction ([Ringle et al., 2011](#)).

Previous research has identified several factors that contribute to service failures in the airline industry, such as challenges with the booking process, issues related to staff attitudes, trip cancellations, double-booking flights, and flight changes or delays ([Ringle et al., 2011](#)). There has been a growing number of reports of failure in the airline industry, suggesting that effective service recovery will receive positive responses from customers. Conducting a study on this issue is essential to identify overlooked problems and take further action to address this issue ([Chou, 2015](#)).

## 2. LITERATURE REVIEW

### 2.1. Service Failure

Service failure happens when the service quality does not meet customer expectations ([Chahal & Devi, 2015](#)). Service failure often leads to customer attrition for many businesses. Neglecting this issue can result in decreased customer satisfaction and negative feedback from dissatisfied customers ([Bankova, 2018](#)). Previous research has identified various causes of service breakdowns in the airline sector, such as impolite staff, flight disruptions, reservation challenges, overbookings, diversions, and others ([Ringle et al., 2011](#)). Few studies have focused on reducing instances of service failure, as recommended by ([Chahal & Devi, 2015](#)), in organised service settings, the service failure is less likely to happen. ([Cewart et al., 2014](#)) further proposed that a positive communication approach and empowering employees will reduce the likelihood of failures.

Further, ([Steven et al., 2012](#)) The causes of service failure have been categorized into two factors: customer and organization. Service failure occurs when errors are made by the service provider, an affiliated firm, or the customer themselves ([Sukri, 2014](#)). Consequences may occur following a breakdown, impacting customers' feelings and leading to emotions such as dissatisfaction, annoyance, and apathy. Many customers opt to abandon the service or switch their allegiance to a rival company without

voicing their grievances about previous failures. Failing to report the encountered issues makes it unlikely for customers to consider repurchasing from the company.

### 2.2 Service Recovery

Transforming dissatisfied clients into happy ones involves effective service recovery (Ha & Jang, 2009). As stated by (Sukri, 2014), even when it's not possible to completely eliminate service failures, utilizing effective strategies for addressing and resolving these issues can help maintain, and possibly even enhance, customer satisfaction and loyalty over time. Studies have suggested that organizations can employ various methods to rectify failures, such as seeking feedback from customers through communication and offering explanations for the mistakes made (Chahal & Devi, 2015) and expressing regret for their shortcomings (Hu et al., 2013).

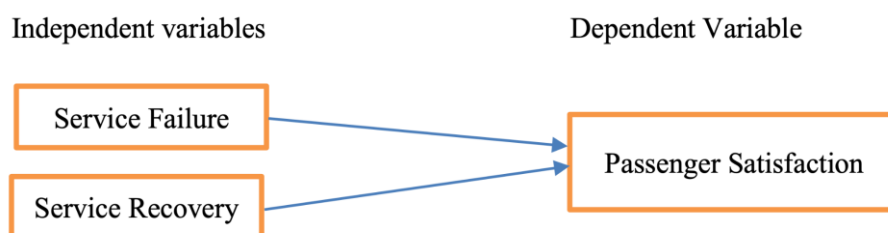
Many researchers who study service quality have devoted significant attention to investigating the impact of recovery efforts on customer satisfaction and their likelihood to make repeat purchases. One important outcome is that effective service recovery can transform disappointed and frustrated customers into loyal ones (Cewart et al., 2014).

### 2.3 Customer Satisfaction

Customer satisfaction is the experience a customer has with a service compared to their expectations. It is created when the service provider meets or surpasses those expectations. Many studies have examined whether satisfaction is influenced by service quality, and scholars have found a strong link between the two. All services should be geared towards enhancing consumer satisfaction (Nair et al., 2021). When customers' expectations are met, they often express satisfaction (Hussain et al., 2015). Satisfaction results in either a positive or negative sense of fulfillment. In today's highly competitive market, customer satisfaction has become an invaluable asset for the airline industry (Namukasa, 2013). In today's competitive airline industry, many airlines are under pressure and must act quickly to survive (Steven et al., 2012).

A diverse range of services, such as excellent customer service, has an impact on customer satisfaction with airline services, proper handling of luggage and centralized check-in facility (Ringle et al., 2011), enhanced safety measures and onboard entertainment options (Ali et al., 2020), lost baggage and flight cancellations, poor luggage handling, frequency of flights, punctuality of departures and arrivals, timely delivery of baggage upon arrival, cleanliness of the cabin, quality of food and quantity served during the flight (Jager et al., 2012). (Sukri, 2014) The study found that when there was a service failure, passengers required clear explanations and improved services in order to feel satisfied with the situation.

**Figure 1. Conceptual Framework of the Relationship between Independent and Dependent Variables**



### 2.4 Hypotheses formulated

Hypothesis 1

H0: There is a negative relationship between service failure with passenger satisfaction.

H1: There is a positive relationship between service failure with passenger satisfaction.

Hypothesis 2

H0: There is a negative relationship between service recovery with passenger satisfaction

H1: There is a positive relationship between service recovery with passenger satisfaction.

### 3. METHODOLOGY

This research endeavors to delve into the intricate interplay between service failure and service recovery mechanisms and their collective impact on airline customer satisfaction. Focusing specifically on AirAsia's domestic passengers departing from Sultan Ismail Petra Airport in Kota Baharu Kelantan, where the monthly passenger population averages between 5000 to 6000 individuals, this study represents a targeted effort to explore the dynamics of service quality within a specific airline and airport context.

To facilitate the investigation, convenience sampling was employed, given its pragmatic suitability for capturing a representative sample of passengers within the airport premises. Utilizing the renowned "Table: Determination of Sample Size" developed by [\(Krejcie & Morgan, 1970\)](#), the appropriate sample size of 361 respondents was determined, exceeding the required minimum for robust statistical analysis. Consequently, 372 questionnaires were distributed among eligible participants, ensuring adequate coverage of the intended population.

The survey questionnaire emerged as the primary instrument for data collection, meticulously designed to encapsulate key research inquiries pertinent to service failures, service recovery efforts, and passenger satisfaction as delineated in the study's overarching objectives. Administered directly within the departure hall, the questionnaire was strategically deployed to maximize respondent accessibility and engagement, thereby enhancing the reliability and validity of the data gathered.

By leveraging the insights garnered from this comprehensive survey instrument, this study endeavors to unravel the nuanced dynamics shaping passenger perceptions and experiences within the context of service delivery in the airline industry. Through rigorous analysis and interpretation of the collected data, the research aims to generate actionable insights and recommendations aimed at enhancing service quality, fostering customer satisfaction, and bolstering the competitive positioning of AirAsia within the dynamic aviation marketplace.

### 4. FINDINGS

**4.1 Survey Return rate Out of 372 surveys handed out, 361 were completed and returned, resulting in a response rate of 97%.**

**Table 1. Reliability Analysis of Variables**

Variables	No of Items	Cronbach's Alpha
Service Failure	20	0.724
Service Recovery	10	0.86
Passenger Satisfaction	10	0.756

The reliability assessment was created to determine if the components in the survey were categorized under a factor that is dependable and enduring. As per Sekaran, reliabilities below 0.6 are inadequate, those within the 0.7 range are acceptable, and those exceeding 0.8 are excellent. Table 4.1 displays that

the Cronbach’s alpha for service failure, service recovery, and passenger satisfaction falls between .7 and .8, which is considered satisfactory and good.

**Table 2.** Major types of service failure (n=361)

Major SF	Frequency	Percentage
Flight Problems	134	37.1
Customer Service	68	18.8
Baggage	64	17.7
Reservation	53	14.7
Refunds	20	5.5
Fares	22	6.1
<b>Total</b>	<b>361</b>	<b>100</b>

The primary form of service failure encountered by the participants is related to flight issues, accounting for 37.1% of the results, while fares accounted for just 6.1%.

#### 4.2 Correlation Analysis

**Table 3.** Correlation between service failure and passenger satisfaction (n=361)

		Passenger satisfaction
Service Failure	Pearson Correlation	-0.228
	Sig. (1 tailed)	0.001
	N	361

\*. Correlation is significant at the 0.01 level (1-tailed ).

**Table 4.** Correlation between service recovery and passenger satisfaction (n=361)

		Passenger satisfaction
Service Recovery	Pearson Correlation	0.726
	Sig. (1 tailed)	0.001
	N	361

\*. Correlation is significant at the 0.01 level (1-tailed ).

The study's findings are presented in Table 4.3 and 4.4, revealing a significant negative correlation between service failure and passenger satisfaction. Conversely, the relationship between service recovery and passenger satisfaction is positively linked, highly correlated, and significant.

#### 4.3 Multiple Regression

In order to comprehensively examine the intricate interplay between a single continuous dependent variable and multiple independent variables or predictors, the research methodology employed multiple regression analysis. This analytical approach was chosen strategically to fulfill the overarching objective of the study, which aimed to discern the principal predictor or the most influential factor pertaining to service failure and subsequent recovery within the context of passenger relationships (Krejcie & Morgan, 1970). By harnessing the power of multiple regression analysis, the research endeavors to unravel the complex web of relationships between the various independent variables and the dependent variable, thereby shedding light on the key drivers shaping the dynamics of service failure and recovery in passenger

interactions. This methodological choice not only enables the identification of significant predictors but also facilitates a nuanced understanding of their respective contributions in elucidating the multifaceted phenomenon under investigation (Steven et al., 2012). Thus, through the meticulous application of multiple regression analysis, the study endeavors to provide valuable insights into the pivotal factors influencing service failure and recovery within passenger relationships, thereby contributing to the broader body of knowledge in the field of service management and consumer behavior.

**Table 5. Table of Summary and ANOVA (Passenger Satisfaction)**

Summary		ANOVA	
R	R Square	F	Sig
0.726	0.528	200.066	0.00

R Square denotes the proportion of variance in the passenger satisfaction (dependent variable) that is accounted for by the variation in service failure and service recovery (independent variables). With an r square of 0.528, around 52.8% of the variability in passenger satisfaction can be attributed to these variables, while approximately 47.2% remains unexplained. The R value indicates a strong correlation at 72.6%, signifying a significant amount of shared variability between observed and predicted values for passenger satisfaction.

The F-value is 200.066 and it is considered significant with a p-value of less than 0.05. If the p-value, denoted as p, exceeds 0.05, it suggests that the independent variables do not significantly explain the dependent variable. Thus, the independent variables of service failure and service recovery have a significant impact on explaining passenger satisfaction as the dependent variable. Additionally, this indicates that the questions are well-suited for analyzing the data.

**Table 6. Table of Coefficients**

Model	Standardized Coefficients	T	Sig.	Collinearity Statistics	
				Beta	Tolerance
1	(Constant)	7.492	0		
	Service Failure	0.026	0.676	0.88	1.136
	Service Recovery	0.735	18.99	0	0.88

Table 4 displays the data regarding the impact of independent variables. The ANOVA table above indicates a significant p-value of .000. Service recovery has the highest beta coefficient at 0.735, making it the most influential variable on the dependent variable. In contrast, service failure has a slightly lower beta value (0.26), indicating less contribution to passenger satisfaction as the dependent variable. Consequently, it can be inferred that while service failure as an independent variable is less impactful, service recovery consistently predicts the dependent variable more effectively.

## 5. DISCUSSION

The primary objective of this study is to delve into the intricate dynamics between service failure and subsequent service recovery in the context of passenger satisfaction, particularly focusing on AirAsia passengers at Sultan Ismail Petra Airport. Through a rigorous analysis of data collected from a sample of AirAsia passengers, this research reveals that flight-related issues emerge as the predominant cause of

service failure encountered by passengers within the airport premises. Furthermore, the findings illuminate a noteworthy finding regarding the relationship between service failure and passenger satisfaction, demonstrating a significant negative correlation between the two variables. Contrary to the initial hypothesis posited, which anticipated a different outcome, the empirical evidence suggests that service failure detrimentally impacts passenger satisfaction levels. However, in line with hypothesis 2, the study corroborates the notion that service recovery exerts a positive influence on passenger satisfaction. This pivotal finding underscores the critical role played by effective service recovery mechanisms in mitigating the adverse effects of service failures and bolstering passenger satisfaction levels. Consequently, it can be inferred that service recovery emerges as the linchpin factor in shaping passenger perceptions and fostering positive experiences within the airline industry. Thus, this study underscores the paramount importance for airlines, including AirAsia, to prioritize and enhance their service recovery strategies as a means to bolster overall passenger satisfaction and loyalty.

## 6. CONCLUSION

Passengers traversing through Sultan Ismail Petra Airport are predisposed to harbor negative perceptions when confronted with service failures, underscoring the pivotal role of effective service recovery mechanisms in assuaging their discontent. It is evident that passengers not only anticipate but also demand heightened efforts and assistance from service providers to rectify any encountered issues, thereby shaping their subsequent levels of satisfaction or disappointment. The intrinsic link between service recovery endeavors and passenger satisfaction highlights the paramount importance for airline companies to deploy robust strategies aimed at ameliorating service failures and fostering enduring customer relationships. Moreover, the findings of this study illuminate flight-related issues as the predominant source of service failures at Sultan Ismail Petra Airport, emphasizing the imperative for airline management to direct attention towards mitigating these recurring challenges. By addressing the root causes of flight-related issues and optimizing the service distribution process, airlines can engender a seamless travel experience for passengers, thereby enhancing overall satisfaction levels and bolstering their competitive edge in the industry landscape.

Furthermore, it is discerned that passengers exhibit a heightened sense of trust and deepen their commitment to the airline when confronted with effective service recovery initiatives from setbacks. Thus, by prioritizing and diligently implementing service recovery strategies, such as timely resolution of issues and proactive communication, AirAsia can cultivate a loyal customer base and fortify its reputation as a customer-centric airline provider. In essence, the insights gleaned from this study underscore the imperative for airline companies to proactively address service failures, particularly flight-related issues, and invest in robust service recovery mechanisms to nurture enduring customer relationships and sustain competitive advantage in the dynamic aviation sector..

## 7. RECOMMENDATION

Numerous valuable suggestions have surfaced from this study, each offering strategic avenues for airline companies to enhance their customer satisfaction levels and fortify repurchase intentions through the implementation of robust service recovery systems. Recognizing the pivotal role of service recovery in mitigating the adverse effects of service failures on passenger perceptions, it is imperative for airline companies to prioritize the development and deployment of effective mechanisms aimed at promptly addressing and resolving customer grievances. By proactively attending to passenger concerns and

grievances, airlines can not only salvage potentially compromised customer relationships but also engender a heightened sense of trust and loyalty among their clientele.

The findings underscore the critical importance of feedback and complaint management in the airline industry ecosystem. Given the inherently service-oriented nature of the aviation sector, wherein customer experiences play a decisive role in shaping brand perceptions and loyalty, airline companies must establish streamlined processes for capturing, analyzing, and acting upon customer feedback and complaints. By leveraging such insights, airlines can identify recurring issues, pinpoint areas for improvement, and tailor their service offerings to better align with passenger expectations, thereby fostering a culture of continuous improvement and customer-centricity.

This study advocates for the exploration of service domains beyond the aviation sector, such as the industrial or hospitality sectors, where service failures are prevalent. By delving into analogous contexts characterized by similar service delivery challenges, researchers can glean valuable insights and best practices that can be extrapolated to inform service management strategies within the airline industry. Additionally, there is a compelling need for future research endeavors to extend beyond domestic airline contexts and encompass international airlines, thereby shedding light on the diverse cultural influences that shape passenger perceptions and expectations across different geographic regions.

In essence, the recommendations emanating from this study underscore the imperative for airline companies to adopt a proactive and customer-centric approach towards service recovery and complaint management, while also advocating for broader interdisciplinary research initiatives aimed at advancing our understanding of service failures and recovery mechanisms across diverse service sectors and cultural contexts. By embracing these recommendations and leveraging the insights garnered from interdisciplinary research endeavors, airline companies can position themselves at the forefront of service excellence and forge enduring customer relationships in an increasingly competitive marketplace.

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