CHAPTER –1

INTRODUCTION

1.1 BACKGROUND:

Marketing Research, in general, and Service Marketing Research, in particular, have long acknowledged the complexity of human social behaviour, especially during service interactions (Huefner & Hunt, 2000). The marketing concept states that the goal of an organisation should be customer satisfaction as it is crucial to the survival of any business organisation (Kau & Loh, 2006). The stakeholders see the quality as the corner stone or driving force for increasing competitiveness, customer satisfaction and profitability. In addition, the importance of services has sharply increased at both developed and developing countries (Varra, 1997).

Service providers and organisations, often fail to provide error free service, in spite of their best efforts. Moreover, perfect service delivery is unrealistic given the inseparable nature of service production and consumption (Fisk et al., 1993). The service firms will fail in their effort to provide high quality service, as the typical characteristic and nature of services will make it difficult to render failure free service. Thus, the service firms will not be able to eliminate mistakes entirely during service delivery (Del Rio-lanza et al., 2013). The above discussion provides an understanding of the unique characteristics of services and its growing importance in the economy.
1.1.1 Airline Industry:

The airline industry plays a vital role in the world economy by facilitating movement of trade and people across nations, driven by liberalisation and globalization. Increasingly it is realised that aviation, is a major contributor to economic development, and is critical for sustainable development of trade and tourism. Besides being a primary mode of transport for the elite group and the growing middle class income group who prefer to travel by air as any time before. According to (AAI –Report 2006), 97% of the country’s foreign tourists arrive by air. Unrelenting liberalisation and open skies policy adopted world over, the impact of increasing number of global alliances, mergers and acquisition of airlines, emerging low cost no-frills carriers, use of modern technology in doing business, online ticket selling and privatisation of state owned airlines are the few fundamental developments that have been impacting on aviation business at a time of persistently falling average fares and yields.

Multiplicity of players in the industry has increased the level of competition among the service providers who strive to win customers and retain them. Due to falling air fares, an increasing number of middle income groups prefer to travel by air amidst options available, as the airline is considered as one of the quickest and time saving means of transport. Metwally, (2013), states that, “air transportation plays vital role in transporting people or product from destination to destination, whether locally within the country or internationally across the country. The transportation of goods, passengers or freight from one place to another has gained significant importance, due to
economic acceleration, across the Globe. However, there is also reduction in the average quality of service provided to the customers (Khan et al., 2009).

The Aviation Industry has enthused towards liberalisation in the ownership of national carriers, capacity sharing, price controls and market access, leading to higher competition and struggle for business opportunities among airlines (Khan et al., 2009). The air transportation system with multiple air carriers choice, have understood the criticality of customer satisfaction and the perception of service quality to the airline passenger, who has a wide choice of air carriers, providing the same basic service of transportation (Headley & Bowen, 1997).

Hence the provision of excellent service becomes a marketing imperative among the air carriers as a result of high competitive gravity. It is hard to measure and describe service quality in airlines, due to its characteristics of, heterogeneity, intangibility, and inseparability, and only the airline passenger, can rightly describe service quality in airline industry (Huang, 2009).

Gronroos, (1984), opined that “airlines are offering countless occasions for service failures to occur, as the interaction and contact between the customer and the service providers, is precise and high, in the airline industry. Thus, the service process itself, is responsible for innumerable service failure to occur in the airline industry.
Oyewole et al., (2007), affirm that, “an airline industry, deals with the airline passengers in a direct contact mode, which exemplifies the significance of the relationship between the organisation and the customer”.

Hence, it may be concluded that, service failure is almost inevitable in the service industry, in general and airline industry, in particular. Thus, the idea of zero defect tactics is fairly challenging to implement in the service industry (De Ruyter & Wetzels, 2000). Therefore, the satisfaction of consumers and the complaint solution are among the most important aspects that the service providers need to focus on.

Academicians and practitioners, alike, have revealed substantial interest in the research area that surround the measurement of service quality, and the resultant customer’s satisfaction essential to increase the effectiveness and competitiveness of the service providers (Caucchick, Miguel & Salomi, 2004).

However, there seems to be sufficient studies in the area of consumer satisfaction and dissatisfaction, as this field has received increasing attention from researchers, academicians and practitioners. In contrast, the number of studies which focus on the post- complaint process is almost negligible (Verma & Kaur, 2001).

The above findings seem to necessitate research in the area of expectations of customers from the process of complaint redressal. Thus this research is an attempt to correlate the expectations of justice sought by passengers after service failure with severity and controllability of the failure situation.
1.2 SIGNIFICANCE OF THE STUDY:

In terms of competitive elements in the new millennium, it has become distinct that most the service organisations are progressively interested in achieving high level of differentiation and competitive advantage, in their quest for growth and advancement. Globalisation and value driven business domineering therefore, mean that service faults will not be taken lightly and tolerated (Bamford & Xystouri, 2005).

Steyn et al., (2011) argues that, “service recovery efforts should gain prominence in airline industry as it considered as most important determinant of customer satisfaction and loyalty. Service failures being inescapable in airline industry service providers should give adequate attention to service recovery efforts, and do away with the negative effects of service faults.

1.2.1 Service Recovery:

Service recovery comprises of perceptions of justice at various levels. The customers’ interface with firm’s representatives, the process used by the firm, to settle the complaints, and the final conclusion of service recovery, all synchronize to produce perceptions of justice (Greenberg, 1996).

Earlier study by Pearson (1976), who studied both sides of a complaint, indicates that in 70 % of the instances, the manufacturers responded to the complaint letters. Out of those consumers who received responses from the company only 52.7% were satisfied.
Hart et al., (1990), found that over half of the attempted recoveries leave customers feeling negative about the provider and half of the time customers perceive that the “interactions, procedures and/or outcomes” of a provider’s attempted recovery of a service failure were unfair.

According to Tax & Brown, (1998), “regardless of the benefits offered, by effective service recovery strategies, their research indicated that the most of the customers were dissatisfied with the process of complaint resolution followed by the companies. They showed that this result is consistent with the findings of the other researchers indicating that most consumers invariably show negative feelings about organizations after they go through the service recovery process.

Research by Dwyer & Dornoff, (1981), “examined the problem of consumer complaint from both consumers’ and the management’s point of view in order to find out the congruency of consumers’ redressal norms and actual redressal action of the company.

Gilly & Gelb, (1982), compared the company’s responses to the complaint with the consumers’ expectation of response. In their studies, they found that the expectation regarding the time taken by the company in responding to the complaint influenced satisfaction- dissatisfaction when the complaint was non-monetary in nature.

1.2.2 Service Recovery in Airline Industry:

Coye, (2004), states that, “notwithstanding, that airline customers expecting a certain level of service quality prior to journey, service faults are most likely to
occur in a number of service areas influencing customer’s service encounter including flight cancellations, delays and diversions”. According to Nikbin et al., (2011), “it may not matter how brilliant the service a company provides, every company is most likely to make a service fault in meeting the anticipated level of service of today’s customers, who tend to be more demanding and less loyal than ever before.

Flight delays, missed connections and cancellations are the reasons for the differences between good flight experience of passengers and bad experience with regard to the airline industry. Flight delays can increase passenger anger, uncertainty and disappointment (Taylor, 1994).

Passengers dislike delay and wait, in service delivery episodes, as it causes them to experience a wide range of spiteful reactions, such as boredom, irritation, anxiety, tension, anger, frustration and even humiliation (Sawrey & Telford, 1971). In an attempt to provide excellent service, it would be necessary to cultivate more customer friendly complaint management system. Interviews held with airline business passengers and the airlines complaint department, pointed out those complaint procedures are often felt to be intricate, cumbersome and time consuming by passengers (Edvardsson, 1992).

Steyn et al., (2011), suggests, “Since service failures are inescapable in the airline industry, airlines should make an effort to curtail the probable negative effect thereof, by putting the appropriate service recovery strategies in place. The modus in which airlines react to service faults could, therefore, possibly influence whether a customer will remain with an airline or defect to a
competitor”. He further states that, “even though the airlines cannot always fix the problem, and avoid service failures from occurring, they can possibly influence the consequence of the failure through the service recovery efforts”.

Research has shown that most of the customer complaints are those who are displeased with the manner in which the company processes their complaints. It appears that the companies are not well equipped in matters of effective complaint handling. Thus the complaints are not sufficiently addressed by businesses (Lewis & McCann, 2004). This provides an understanding, that if the customers are not taken seriously in the increasingly service dominated world economy the customer may indulge in negative word of mouth (Blodgett et al., 1995), switching to competitors firm (Homburg & Furst, 2005) and have disloyal feelings towards the company (Colgate & Norris, 2001).

Moreover, good service recovery can help achieve customer loyalty (Andreassan, 2001), customer retention (Strauss, 2002), prevent customer defection to other service providers (Reichheld & Sasser, 1990), increase profitability if the customers stay with the company (Lewis & McCann, 2004).

According to Maxham & Netmeyer, (2002a), there is a lack of empirical research with respect to the effects of complainant’s perception of justice. Moreover, the sector wise research seems to be further limited. Verma & Kaur, (2001), made an attempt to make a two dimensional study in passenger car sector. The precise objective of this study was to match the consumer’s expectation of the response to the complaints and the actual response of the
company and then find the subsequent post complaint satisfaction-dissatisfaction focusing on, Maruti Udyog Ltd. and Hindustan Motors Ltd.

According to Collie et al., (2000), there is rarity of the application of service recovery and justice theory in tourism and hospitality sector. Generally, research in the area of hospitality services is in its infancy stage and there is paucity of research on service recovery in the airline industry.

This research attempted to study the customers’ expectations of justice sought in complaint redressal in airline industry. This can lead to a better understanding of customer expectations of complaint redressal in airline industry. This, would in turn, lead to sustainable relationship management as it is found that complaint handling satisfaction is significantly and strongly associated with both, trust and commitment, which provides empirical support for the proposition that complaint handling is tied closely with the relationship marketing (Tax et al., 1998).

The study will contribute to the theoretical knowledge and will also have practical implication to the aviation industry. The result of this study may reveal the extent and the type of justice in complaint redressal the best suited for airline passengers, in different service failure situations. The findings of the study may also benefit and enrich the knowledge of expectations of different classes of passengers for common airline complaints.
1.3 SCOPE OF THE DISSERTATION:

This study focuses on post-purchase consumer behaviour under the broader area of marketing. The study focuses on complaints and complaint redressal in airline industry. The study is conducted in Goa, India.

Goa is a world famous tourist destination having prominence on the world tourism map. The Airport Authority of India operates the airport in Goa. The Goa airport was built by the Government of Estado de India Portuguesa, during the Portuguese regime in Goa. The unique characteristic of this airport is that the airport is used by the Indian navy as their military base since 1962, with access given for civilians to operate flights. Goa being a famous and well known tourism destination hub, many domestic and international tourists frequently visit this place. The Goa airport has two terminals separately for the operation of domestic flights and a new world class terminal for the international flights. Domestic flights can process 350 arrivals and departures whereas international terminal can operate 250 arrival and departures on daily basis. Hence the Goa Dabolim airport caters to both domestic and international passengers. This facilitated the researcher to conduct this particular research in Goa. The sample for the exploratory study comprised of all the eight airlines that operated from Dabolim airport, Goa India. The sample of passengers for this research was drawn at the Dabolim airport, from among all the eight airlines mentioned above. Passengers from charter flights from Russia, United Kingdom and France were also included. Attempt was made to cover all types of passengers.
1.3.1 Overview of Methodology:

The research covers the expectation of justice in complaint redressal in airline industry based on controllability and severity of the complaint situations. The characteristics of the situations are also linked for different categories of passengers of airlines to find if there is any difference in expectation of justice. The study was conducted in Goa, with adequate number of passengers. In the first level of this research, in-depth exploratory interviews with the officials of all the airlines operating in the state of Goa, India were conducted. An open ended questionnaire was administered. This resulted in interviews of managers of eight airlines. Out of the eight airlines, two were operating only internationally, three operated in both domestic and international sectors, and three operated only in the domestic sector.

The result of in-depth exploratory interviews revealed different categories of common complaints (service failures) encountered by the passengers. Findings also revealed that the passengers have different expectations of justice in complaint redressal according to their types. The types of passengers classified by managers include, (based on residence) foreigners, N.R.I. and domestic passengers; (based on purpose) business and leisure, and (based on frequency) frequent fliers and less frequent fliers.

Besides, informal discussions with the passengers revealed important insights into industry specifics and supplemented to the data collected from interviews. The perusal of complaints posted on-line by passengers also provided rich information about the kind of plight faced by the passengers in real life situations, thereby providing deeper insight of the types of complaints, and the
redressal provided by the managers. The common complaints were classified under 13 major heads.

In the second stage, ‘Part-A’ an inventory of complaints situation, collected at first stage were made and then linked to the typology of complaints based on the categorization of complaints made in (a) (Smith et al., 1999) into outcome and process failures, (b) internal and external failures made in (Chan, & Wan, 2008) with failure characteristics of controllability and severity. The detailed hypotheses for the research leading to proposed model of research were derived from the part-A of second stage of research. Quantitative testing of the hypotheses is made in ‘PART-‘B’ of the second stage research.

1.4 OBJECTIVES OF THE STUDY:

The following are the objectives of the study:

1. To make an inventory of common complaints in the airline industry.
2. To find the severity and controllability of the complaint situations as perceived by airline passengers.
3. To find the association between the typology of complaints as specified in the literature, namely, external and internal, process and outcome related and the characteristics of severity and controllability.
4. To identify the differences, if any, in expectation of justice across different situations according to their perceived severity and controllability.
5. To identify the expectation of justice sought by different types of airline passengers within each situation and to find out the differences, if any, across different types of passengers.
6. To identify the demographics of passengers leading to different justice perceptions.

1.5 STATEMENT OF THE PROBLEM:

The purpose of the research is to study the different characteristics of complaints and then to study the expectations of the passengers according to the characteristics of the complaint situations. At the initial stage, the characteristics of the complaint in airline industry, namely, perceived severity and perceived controllability were sought to be linked to typology of complaints, from the literature. This would give a complete description of complaints in the airline industry. The complaint situations were further proposed to be classified into four categories namely severe controllable, severe not controllable, not severe not controllable and not severe controllable, based on passengers’ perceptions. Expectations of justice across different categories of complaint situations were then proposed to be studied. Further the expectations of justice were also studied according to different types of passengers within each situation.

1.6 ORGANISATION OF THESIS:

The thesis consists of six chapters. The following is the outline of its contents

**The first chapter** provides background for the study with introduction and highlights the significance of the study. The statement of the problem and the research objectives guiding this research are presented. The scope of the study is also presented.
The second chapter consists of literature review, of various studies carried out by researchers in the field of consumer satisfaction, dissatisfaction and complaining behaviour, service failure and service recovery and other relevant literature. Justice theory and research studies in the area of complaining behaviour specific to airline industry are also elaborated, providing theoretical background to this study and arrival of hypotheses.

The third chapter explains the research methodology adopted in this study and formulation of additional hypotheses. This chapter also explains scale development including content validity and reliability test leading to the development of the final questionnaires.

The fourth chapter reports the descriptive statistical results and analysis. The interpretation of the results then follows.

The fifth chapter present the results of the quantitative study based on statistical tests followed by the interpretations of results.

The sixth chapter provides the contribution of the study to the theory of marketing research. The results of this research are validated with the help of existing literature and presented in this chapter. The limitations of the study and directions for future research are provided and the chapter ends by stating the managerial implications of the study.