A Case Study of Service Failure and Recovery in Tourism within China Southern Airline

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Abstract. This research looks at the service failure and recovery in the airline industry, a general service business vulnerable to failures such as losing baggage. Based on a real experience interacting with China Southern Airline, the study reviews existing literature and addresses that the service failure is detrimental to maintaining customer loyalty or long-term profitability, whereas a successful recovery is conducive to moderating the risk of losing revenue. Six potential solutions from current literature being evaluated, the study thereupon recommends three practicable strategies that assisting managers in getting further insight into service recovery and eventually minimizing potential losses.

Introduction

It was approximately 3pm, 13th Jan 2017, in Guangzhou International Airport, China. After getting off from an airplane of China Southern Airline and waiting for a long time in the claiming area, I was sure that my luggage had not come with the flight. With anxiety, I dialed the customer service number of airline company immediately to seek for help. Having been informed of what happened, the front-line receptionist replied to me: “We’re very sorry about that. What an unfortunate situation! We will try our best to help you.” Unfortunately, after she searched with the track-code, nothing was found at that moment. However, in the following days, she kept ringing back to tell me how it was going and ask if I accepted any refund to rectify the situation. Although the luggage did not come back, in the end, a 600 Australian dollars’ refund was paid as compensation, which comforted my upset to an extent.

The personal experience above is a typical example of “service failure” in the airline industry, where organisations fail to meet the promise to customers of maintaining service quality [23]. Since airline sectors involve service providers and passengers with different personality, preference, and behaviour, it seems particularly difficult to maintain the quality of service [7]. This would be problematic because failure not only triggers customers rage and the perception of being cheated, but also further contributes to violent behaviours, negative word of mouth, switching behaviours and unwillingness to repurchase[8][9]. So how could managers deal with service failure? The answer might be, using “service recovery” strategies (i.e. responding to service failure). [18] demonstrated that the better performance of service recovery, the higher level of customer satisfaction. Consequently, it is imperative to recover service failure to reduce risks of financial loss and create long-term customer loyalty.

Literature Review

Service and Service Management

“Service” is defined as an act or a process where a form of economic exchange and value creation happens [26]. Airline industry is generally regarded as a service business considering the wide range of services provided, such as ticket purchase service, on-board service and lost-baggage handling
service [25]. As Solnet and Kandampully (2015) highlighted, the primary function of a service business is to provide service and value to customers. No surprisingly, the managers of airline transport are urged to understand the essential role that service plays.

In order to manage the services, directors are recommended to get insight into “service management”, which means “a total organizational approach that makes the quality of service as perceived by the customer” [1]. As Grönroos (1994) emphasised, service firms must attach sufficient significance to service management, otherwise they might suffer from financial loss and the decline of customer relationship. Specifically, for the airline industry, providing a high-quality service can lead to the retaining of customer patronage and market-share [19]. It is consequently imperative for airline managers to perform a successful service management in order to ultimately gain profits as well as to survive under increasing competitive pressures.

Service Failure and Recovery

“Service failure”, the failure to meet customers’ expectation or/and provide promised quality [23], is inevitable due to the heterogeneity nature of service—which means the delivery of service, as well as the perceived quality of service, vary with different service providers and different customers [4]. However, companies are still highly suggested to avoid service failure as much as possible to reduce risks of losing profit. As Zemke and Schaaf (1989) demonstrated, it takes at least 12 positive experiences to moderate the malign influence of one bad experience. This threat of financial loss also exists in the airline industry—for example, the complaints of airway passengers can in turn damage a firm’s revenues in the future [3].

To further develop a comprehensive understanding of this concept, researchers categorised service failure based on different dimensions. A generally applied classification seems to be “core service failure” and “interactional service failure”. “Core service failure” occurs when firms do not meet the promise to provide basic products or services, for instance, the room offered by a hotel [28]. On the other hand, “interactional service failure” relates to interactions between service providers (e.g. employees) and customers [15]. A rude attitude adopted by a front-line receptionist to the consumer can be taken as an example. In regards with airline industry, Lioua and Tzeng (2007) specifically acknowledged “promptness and accuracy of baggage deliver” as an indicator to evaluate airline service quality. A lost baggage, therefore, can be assumed to be a core service failure of an air carrier.

In terms of rectifying strategies, “service recovery” is an approach to fix service failure [12]. A superior recovery is examined to be critical to repurchase intentions, post-recovery satisfaction and customer retention [15][16][18]. Taking Hampton Inn hotels in the USA as a practical example, approximately $11 million extra revenue has been derived from the maintaining of service guarantee and retaining customers [10]. In short, service recovery is prominent to organisations’ profitability.

Strategies of Service Failure Recovery

Apology. Despite that service recovery approaches vary from scholars, the apology is generally identified as an actionable method. Through acknowledging customers’ distress, the apology is demonstrated to have a positive impact on consumers’ self-esteem, which in turn can balance the sense of psychological loss and therefore recover the failure to an extent [7][24]. Employers can therefore enhance recovery performance by equipping staff with desirable interpersonal skills such as how to express apology sincerely.

Attentiveness. Attentiveness is another strategy applied in the interaction process between service providers and customers (Daviddow, 2003). Referring to the care and attention that customers receive, attentiveness is proven to be vital pertaining to handling word of mouth action and repurchase behaviour: for example, if a customer is treated rudely, it is more likely for him to switch and spread negative words [7]. Specific tactics that managers should consider in relation to attentiveness, as identified by Boshoff (1999), include respect, effort, empathy, and a willingness to listen to the customer (i.e. RECOVSAT scale). For this reason, interpersonal skills training needs to highlight how to convey care and attention to customers in a proper manner.
**Being Proactive.** In face of a service failure, proactive actions have been found to perform more effectively than reactive actions [27]. For the sake of reacting proactively and promptly, it is crucial for service providers to recognize failure and customers’ needs, especially identifying expression that implies customers’ helplessness (e.g. I don’t know what to do), followed by asking what the organisation could do to remedy the failure [11]. Rather than negatively waiting for customers to complain, a higher level of post-recovery satisfaction is examined to appear if organisations proactively voice the recovery options [14].

**Facilitation.** Facilitation such as policies and physical equipment measures the overall support provided by a company to facilitating customers to voice their needs—in other words, facilitation evaluates how easy an organisation makes it for customers to complain [7]. Correspondingly, advanced devices, toll-free number, customer-friendly policies and other supportive options need to be taken into consideration[7].

**Compensation.** Apology, attentiveness and being proactive are all interpersonal tactics applied to the service delivery process. However, Boshoff (1997) pointed that a mere apology without compensation might not be sufficient to satisfy unpleasant customers - complainers need to be at least returned to their original position before the failure happens [7]. In regard to the relevance between failure and monetary compensation, Schneider and Bowen (1999) particularly indicated that customers tend to desperately protect their financial well-being in the face of service failure. If customers perceive a threat of losing their resources (i.e. money), they are more likely to lose temperature and thus hindering a successful recovery [22]. To draw a conclusion, compensation plays an essential role in rectifying service failure. Managers should offer compensation such as refund check, product replacement, or free goods coupon corporation with apology tactics to recover failure [7][18].

**Specific Strategies for Handling Tag-less Baggage.** Tag-less baggage, a common condition for the lost baggage, is found to be costly for airlines [21]. Flights are therefore suggested to cooperate with luggage tag company where anonymous tags are provided to reduce risks of time-consuming and privacy concerns [21].

**Recommendations: Moving from Personal Experience to Practical Implications**

**Train Employees with Interpersonal Skills**

Linking to the literature review, it is recommended that employees should be trained to improve the competence in interacting with customers. The training should particularly focus on two aspects: (1) to be respected (i.e. to apologize and show attentiveness) and (2) to be proactive (i.e. to identify customer’s needs and response in advance).

To facilitate the first aspect, considering the fact that service involves abundant interactions between service providers (generally are the crews) and customers, it is prominent to equip staff with interpersonal skills. Managers are highly suggested to educate their employees that: (1) apology is critical to maintaining customers’ self-esteem; (2) care and attention must be presented while listening to complaints; (3) and empathy is helpful to deduct customers anger. Employees should develop a comprehensive understanding that any impatience or rude attitude is not desirable. In addition, everyone within the organisation should feel used to express “we are really sorry about that”; “please do not panic, we will try our best to help you”; and “we understand the unfortunate situation you are suffering”.

To facilitate the second aspect, staffs are argued to be able to identify customers’ need then proactively provide supportive assistance. Aircrews should be trained to be sensitive to any expression similar to “I don’t know what to do” to recognize customer’s helplessness. Simultaneously, managers are suggested to inform employees of actionable remedy options so that the crews can be empowered to provide potential solutions promptly. For example, when lost baggage
occurs, employees could ask “would you feel willing to accept any compensate for the loss” instead of listening to the complaints passively and silently.

**Corporate with New Technologies and Luggage Companies**

Connected to the discussion above, managers should provide facilitation to support customers to engage in the communication. It is hence recommended to corporate with new technologies as well as professional luggage companies.

To apply new technologies, lessons can be taken from other flight firms. For example, Etihad Airways has introduced Bagjourney technology to empower customers to follow their baggage on a smartphone application, whereas Airports Authority of India provides hand-held devices for their workers to manage luggage by scanning tags anywhere [21].

On the other hand, luggage companies tend to emerge due to the increasing competitive pressure for luggage performance within air transport [21]. The advantages of partnering with luggage companies are not only the access to a professional baggage management, but also to contract out part of the obligation of airline companies. Therefore, the risk of suffering the financial loss to compensate a lost baggage can relatively be reduced.

**Build Up a Compensation System**

As indicated by literature, a mere apology might not always work without any compensation. Managers, correspondingly, are recommended to create an integrated compensation system to make full use of organizations’ budgets. Besides from monetary refund, managers can also consider other forms of compensation, such as product replacement.

Especially for baggage management, a recouping system might enhance luggage performance, which is a system to empower customers to request a refund if their luggage is not delivered on time. This is already implemented by Aviation Innovation, Reform, and Reauthorization (AIRR) in the USA [21]. An intergraded compensation system such as recouping system not only assist customers to voice the need for compensation, but also induce airline companies to manage luggage better under the pressure of monetary loss.

**Summary**

Service management tends to become increasingly critical for the service business such as airline companies. Considering the detrimental impact of service failure (e.g. decreasing customer loyalty, bad word of mouth, unwillingness to repurchase), managers are urged to remedy the failure to maintain customers and reducing potential financial loss. From such a standpoint, practicable recovery techniques are recommended to be implemented, such as apologizing, showing attentiveness, being proactive, creating felicitation, offering compensation and partnering with luggage companies. Specifically, in the case of China Southern Airline, companies are suggested to take three measures, involving training the employees, collaborating with professional luggage companies as well as establishing a well-developed compensation system. Admittedly, service failure is not limited within the airline industry but tends to become increasingly ubiquitous among the business sectors. In the future, managers and researchers are therefore suggested to attach sufficient importance to service failure and recovery so as to obtain sophisticated insight into business industries.

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References


