

# Complaint Handling and Service Recovery Analysis at Low Cost Carrier Airline and Effects on Customer Satisfaction in Indonesia

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**Abstract:** Complaint is forms and expressions of customer dissatisfaction with services provided by service companies. Customer satisfaction is a marketing success indicator in service company. If satisfaction level is low then it can affect the company marketing performance. To restore customer satisfaction complaint, complaint handling and service recovery system are required. Low cost carrier (LCC) airline companies in Indonesia is a company which has quite high customer complaint. Therefore, LCC airline companies should implement complaint handling and service recovery system effectively. This study analyzed complaint handling and service recovery conducted LCC airline companies in Indonesia. The result show that complaint handling and service recovery application has not been optimal and it affects the customer satisfaction level.

**Keywords:** Complaint handling, service recovery, LCC airline.

## 1. Introduction

In the midst of global economic slowdown, domestic airline industry has improved. Aviation growth in Indonesia reached 15-18 percent per year. This figure shows air transport development when the middle class who are looking for a great alternative to the more rapid transport. Other indicators that could be used to indicate magnitude potential growth of airline business is an activity in airport crowded and flight volume increasingly.

Based on data from Badan Pusat Statistik total airplane passengers cumulatively from January-August 2013 amounted to 44.9 million passengers. Total domestic passenger routes of 36.3 million passengers or up 36.92 percent from the same period in 2012, while international passenger route of 8.6 million passengers or up 8.47 percent from the same period in 2012. It represents a business opportunity for airline companies in Indonesia.

Air transport business opportunities in Indonesia used by some airlines to apply LCC concept. LCC concept is a new growth engine of transportation in Indonesia which appeared since 2000. Flights cheap fares can be done because there is a cost reduction strategy conducted by airline companies. LCC penetration rate increased from 1.1% in 2001 to 14% in 2008 and then increased again in 2012. LCC penetration rate on domestic routes by 52% in 2012. While LCC penetration rate on international routes by 42%. LCC market in Indonesia growing an average of 18% per year. These airlines which dominate domestic passenger market share is Lion Air. Lion Air passenger growth increased from 30.7% in 2009 to 34% in 2012. While airlines that dominate international passenger market share is Indonesia Air Asia by 32.6% and Garuda Indonesia by 32.5%.

Things to consider with increasing of airline business growth is a customer satisfaction element. Most common problem encountered LCC airline is a low service quality that affect

low customer satisfaction. Customer dissatisfaction will cause complaints from customers LCC airline. Therefore, airline companies should be able to implement complaint handling and service recovery system so that customer satisfaction level to LCC airline can be maintained.

Here are a consumer complaint data recorded in Yayasan Lembaga Konsumen Indonesia for the first quarter of 2013 based on complaint type, number and airline.

**Tabel 1.1:** Consumer Complaint to LCC Airline

No	Type	Quantity	LCC Airline
1	Flight cancellation	6	Lion Air, Citilink
2	Check in rejection	7	Lion Air
3	Lost luggage	4	Lion Air
4	Ticket service	4	Lion Air, Mandala Air, Citilink
5	Route closure	6	Mandala Air, Air Asia, Sriwijaya Air
6	Service officers	2	Citilink, Air Asia
7	Delay	2	Air Asia, Sriwijaya Air
Total		31	

Source: Yayasan Lembaga Konsumen Indonesia

Based on Table 1.1 known that total complaints to airline in Indonesia still high. Complaints can be influential to the low levels of LCC airline customer satisfaction in Indonesia. Therefore, required analysis about complaint handling and service recovery at LCC airline in Indonesia in order to determine its effect on customer satisfaction.

## 2. Literature

According to American Marketing Association, marketing is the activity set of institution, an proses of creating, communicating, delivering, and exchanging offerings that have values for customers, clients, partners, and society at large (Kotler and Keller, 2012:5). Kotler and Armstrong (2008:6) suggests that marketing is process which companies create value for customer and build strong relationship with

customer with aim to capture value from customer as return. In outline, two most dominant in marketing activities are goods and services marketing. When the economy of a country more advanced so that greater portion of economic activity that focuses on the service production. According to Zeithaml, Bitner and Gremler, services is all economic activities whose output is not physical product or construction, is generally consumed at the time it is produced, and provides added value in form (such as convenience, amusement, timeliness, comfort, or health) that are essentially intangible concerns of its first purchaser (2012:4).

One indicator of marketing performance is customer satisfaction. According to Lovelock and Wrights (2007:5) specific benefits include customer satisfaction, positive relationship with customer loyalty, a potential source of future revenue (mainly through repeat purchase, cross-selling and up-selling), as well as reduce the cost of customer transaction in the future. Customer satisfaction is influenced by the quality of service provided by company. To maintain service quality then company should always keep the entire customer complaints can be accommodated through complaint handling and service recovery system.

### 2.1 Complaint Handling

In dealing with customer complaint, there are several steps that must be preceded before taking appropriate action. Here are the steps that should be done when dealing complaint according to Handy (2009: 98-100):

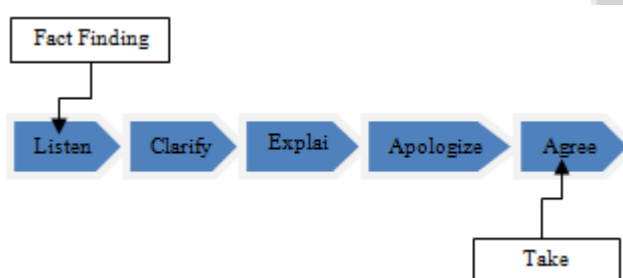


Figure 2.1: Complaint Handling Stages

Source: Service Operation

- a. Listen; when receiving customer complaint, we should listen calmly and sympathetically what is communicate by customer.
- b. Clarify; if necessary, repeat the facts presented by the customer.
- c. Explain; after clarifying the problem faced by our customer, further explain what exactly the cause of the problem and what is being done to solve the problem.
- d. Apologize; earned always apologizing to customer when there is a problem caused by company internal activities and customer has been disappointing.
- e. Agree; before proceeding to the next settlement, should seek prior authorization to the customer.
- f. Take action; implement solutions according to what approved by customer in accordance with company policy.

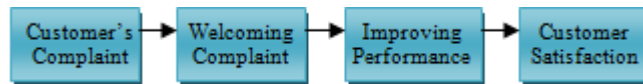


Figure 2.2: The flow of Good Complaint Handling

Source: Handayani (2009:98).

Figure 2.2 explain that customer complaint should be received by company as well to improve company's performance in serving customer in order to create customer satisfaction.

### 2.2 Service Recovery

Service recovery have a very important role in achieving customer satisfaction or refund. According to Lovelock and Wrights (2007:153) a company has a very important to have strategies for an effective remedy any problems can destroy the trust services to corporate customers. According to Hartz, Heskett, and Sasser (Hong-Sheng Chang, Ju-Chun Lee, Chien-Ming Tseng, 2008:61) who said that service recovery is the action taken to retain customer loyalty by a timely and appropriate response to customer complaint. Service recovery encompasses not only the response and action of service provider to correct the service failure but also the action taken to ameliorate the emotional discontent or even anger the customer suggested that purpose of service recovery is to customers previously lost to service failure and minimize losses. Service recovery requires action to effect customer behavior and can ultimately strengthen customer loyalty to enterprises.

Stephen Tax and Stephen Brown (Lovelock and Wirtz, 2012: 353) found that approximately 85 percent satisfaction from service recovery affected by three dimensions, as shown in Figure 2.3 below:

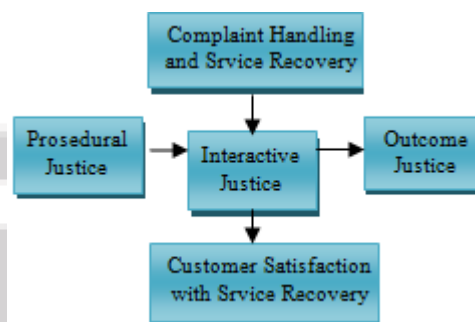


Figure 2.3: Three Dimensions of Perceived Fairness in Service Recovery Process

Source: Adapted from Stephen S. Tax and Stephen W. Brown, "Recovering and Learning from Service Failure," Sloan Management Review 49, no 1 (Fall 1998), 75-88, Copyright 1998 by Massachusetts Institute of Technology, All rights reserved (Lovelock dan Wirtz, 2012:353).

1. Procedural justice refers to policies, regulations and time spent in the complaint handling process
2. Interactive justice refers to personal treatment received during the complaint handling process.
3. Outcome justice refers to customer receive the result of

their complaint.

### 2.3 Customer Satisfaction

Giese and Cote (Tjiptono, et al, 2007:196) identified 20 definitions of customer satisfaction over 30 years period. Although these definitions vary, both experts from Washington State University found similarities on the three main components, (1) customer satisfaction is an emotional response and cognitive, 2) the response regarding a particular focus (after consumption, product/service selection, based on accumulated experience, etc).

Briefly customer satisfaction consisted of responses concerning particular focus determined at any given time. There are several methods that can be used every company to measure and monitor customer satisfaction. Kotler (2012) identified four methods to measure customer satisfaction, there are complaint and suggestion system, ghost shopping, lost customer analysis, and customer satisfaction survey.

## 3. Method

Research approach used was qualitative research. Qualitative research is a research approach that reveal certain social situation by describing reality correctly, formed by the words based on accurate data collection techniques (Djam'an and Aan, 2012: 25). Qualitative research is descriptive research and tend to use inductive analysis approach. Process and meaning more highlighted in qualitative research. There are five research methodology using a qualitative approach, namely biography, phenomenology, grounded theory, ethnography, and case studies. The method used in this study is a case study. Case study of a study conducted to learn intensively about the current state of the background, and the interaction of the environment a unit of individuals, groups, organization, or communities.

### 3.1 Research Site and Data Collection Procedures

Object in this study is LCC airline in Indonesia. In this study, researchers used three data collection techniques, namely observation, interview and documentation.

- a. Alwasilah (2002:211) states that observation is research or systematic observation and intentional planned for data acquisition are controlled validity and reliability. Creswell suggest observation operationalization performed by researcher to be a network of stages: (1) select a location to be observed, (2) in the field, identifying who or what should be in observation, (3) determine initial role as an outsider but eventually melt into section in the object observed, (4) Plan an observation protocol as a method of recording in the field, (5) record various related aspects.
- b. Sudjana (2000:234) argues that interview is collecting data process or information through face-to-face between requester (interviewer) with those who were asked or answering (interviewee). Interview in qualitative research its depth because they want to explore holistic and clear information from informant. Mc Millan and Schumacher

(2001:443) said that depth interview are open questioning to obtain data about intention-how participant describe their world and about the important events in his life.

- c. Document Study is documents and data collection required in the past issues explored an intense scrutiny so as able to support and enhance the trust and evidence of an event (Djam'an and Aan, 2012: 149). With respect to this document study Bogdan (1982) revealed document that can be used in documentation study are private document and diary, personal letter, autobiographic, official document, photograph, as well as statistic and other quantitative data.

### 3.2 Data Analysis

In qualitative research, data appears more tangible words, instead of numbers. Qualitative data collected in various ways such as observation, interview, document study, data then processed and subsequently analyzed qualitatively. Seiddel (Moleong, 2006:248) considers that qualitative data analysis is a process that runs as follow:

- a. Noting that produce field notes, with given code that data source can still be traced.
- b. Collect, promiscuous, classifying, synthesizing, making overview, and makes index.
- c. Think, by making it so that data category has meaning, seek and discover pattern and relationship, and make the common findings.

Research analysis through case study is researcher need to develop a variety of domain or category which strict and careful to uncover cases be a valuable lesson for business refleksi results. According Bungin (2003) that interesting of these case study is freedom of researcher in analyzing the research object and freedom to determine the domain it want to develop.

Purposive sampling is a sampling technique used in this study. Purposive sampling is a sampling technique to the data source specific consideration (Sugiyono, 2012:392). Consideration in purposive sampling in this study were experiencing dissatisfaction customer service and filed a complaint to the LCC airline company in Indonesia. There are fifty study sample consisted of 10 individual customers who complain to five LCC airline in Indonesia.

## 4. Discussion

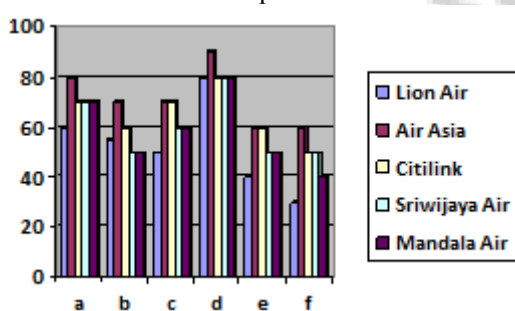
Customer complaint is common thing in the business world. In reality there will always be a shortage in serving consumer, because of course everyone's needs change over time. Consumer complaint behavior is a term that encompasses all the different consumer action if they are not satisfied with a purchase (Jagdip Singh, 1988). Some things that underlie consumer complaint was filed because consumer feel cheated by manufacturer and do not get a satisfactory service. Many companies are shown to be less attention to the customer complaint handling performance.

Low cost carrier (LCC) can not be separated from the problem high rate of customer complaint to service. Complaint is an customer dissatisfaction expression with services provided to enterprise customer. That customer satisfaction can be maintained then be applied complaint handling and service recovery system. LCC airline in Indonesia such as Lion Air, Air Asia, Citilink, Sriwijaya Air and Mandala Air should be able to implement a quality service so that customer satisfaction maintained. As a low cost carrier airline, complaints of poor service quality are often experienced, customer complaint include: flight cancellation, refusal check in, lost luggage, ticket service, route closure, service personnel, and delay. Customer complaints on these issues should be dealt with complaint handling system and appropriate service recovery.

**4.1 Complaint Handling at LCC Airline in Indonesia**

According to Handayani complaint handling can be done with several stages, namely listen, clarify, explain, apologize, agree, and take action. Figure 4.1 show customer rating level to complaint handling system include case of flight cancellation, refusal check in, lost luggage, ticket service, route closure, service personnel, and airline delay at five LCC airlines.

**Figure 4.1:** LCC Airline Customer Rating to Handling Complaint



Based on Figure 4.1 it can be seen that average customer rating to handling complaint performed by LCC airline in Indonesia are still low. This is due to implementation complaints handling system has not been standardized by LCC airline in Indonesia. Here are description customer complaints handling analysis at LCC airline in Indonesia:

- a. Air Asia has the highest value in accessibility and willingness to listen customer complaint, while the lowest ranking was achieved by Lion Air. Observation result show, customer are still experiencing difficulties in a complaint through the call center or customer service staff. Not all carriers are open to customer complaints, making it difficult to convey customer complaint.
- b. After listening to customer complaint, company through its officer are required to repeat back all complaint submitted in attempt to clarify customer complaints. Air Asia has the highest rates in clarifying and followed by Citilink airline.
- c. The carrier should be able to give a logical explanation and can be accepted for complaint submitted by customer. Air Asia and Citilink occupy the highest rating in giving

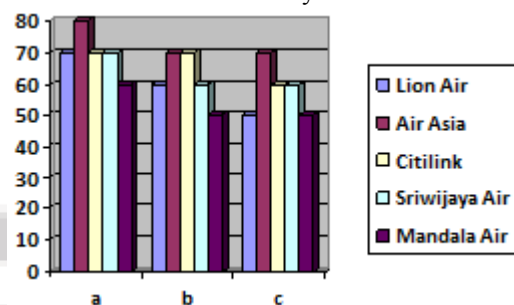
an explanation to customer. Officer ability to provide an explanation, ability to communicate and behave also affect customer assessment.

- d. Apologies absolutely necessary for companies that do not provide the best service to customer. In general, customer give a high enough rate to an apology by company. Average airline companies that receive complaint apology. The highest value is still occupied by Air Asia.
- e. Before continuing to the next stage, then company must obtain the prior approval of the customer to file a complaint about a follow-up to be done next. Not all airline do well in this level. Some airline companies do not provide certainty of action to correct the failure of services that have been performed. At the level of agree, Air Asia and Citilink to obtain a higher value than the other airline.
- f. Take Action is the stage where company provide a solution in dealing with customer complaint. The time it takes to deliver solution and procedure that affect customer assessment to complaint handling. Average value given customer in take action stage is low. That is because the airline companies do not provide solutions to customer complaint. In take action stage, Air Asia has a high value compared to other airlines.

**4.2 Service Recovery at LCC Airline in Indonesia**

In perform service recovery, a company must satisfy three dimensions, namely procedural justice, interactive justice, and justice outcomes. Figure 4.2 show customer assessment who experiencing dissatisfaction to LCC airline in Indonesia.

**Figure 4.2:** LCC Airline Customer Rating to Service Recovery



Here are description service recovery analysis at LCC airline in Indonesia:

- a. Procedural Justice  
Air Asia has first rank for the first dimension in service recovery, namely procedural justice. Procedural justice refers to the policies, rules and time spent in the complaint handling process. Customer want easy access to the grievance process and they want to be dealt with quickly, especially by first call. Based on observation and interview, scoring based on the extent to which the airline company implementing service repair procedure quickly and directly provide solution to complaint.
- b. Interactive Justice  
Interactive justice is interpersonal treatment received during the complaint handling process, such as an apology, giving aid, courtesy, and empathy of employee at

the time of service recovery. Air Asia and Citilink has a high enough value. This is because the service recovery process performed by both airlines already do quite well compared another LCC airline.

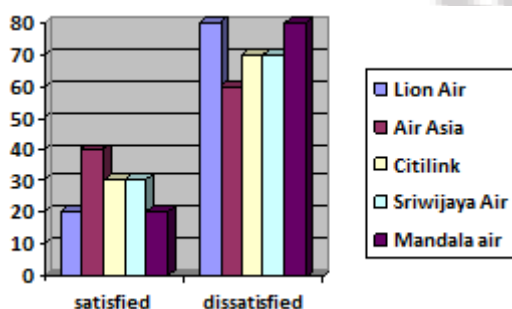
#### c. Outcome Justice

Outcome justice focuses on the result that customer receive from their complaint. Customer expect result or compensation in accordance with dissatisfaction level. Outcome justice is the main reference in measuring customer satisfaction after service recovery. Air Asia first rank in this outcome justice dimension.

### 4.3 Complaint Handling and Service Recovery to Customer Satisfaction

Application of complaint handling and service recovery affect customer satisfaction. Ratings given by customer on complaint handling and service recovery will affect to satisfaction or dissatisfaction LCC airline customer in Indonesia. Interview conducted on 10 sources for each airline customer to who have a complaint to find out their satisfaction or dissatisfaction on complaint handling and service recovery that has be done. Figure 4.3 gives a percentage overview of LCC airline customer in Indonesia who satisfied and dissatisfied after a complaint.

**Figure 4.1:** Satisfied and Dissatisfied Percentage LCC Airline Customer



Based on Figure 4.3 it can be seen that majority LCC airline customer in Indonesia dissatisfied to complaint handling and service recovery which they receive. For satisfaction level, Air Asia ranked first with 40% feeling satisfied, while another airlines below 40%. For dissatisfaction level, Lion Air and Mandala Air ranked first with 80%. This high number indicates that customer felt dissatisfaction to complaint handling and service recovery conducted LCC airlines in Indonesia.

### 5. Conclusion

Customer satisfaction has a central role in marketing success indicator . To achieve customer satisfaction, company should be able to provide the best service to customer. LCC airline company which is growing rapidly in Indonesia also have to provide the best service to all customer. However, service failure inevitable in practice. Therefore, LCC airline company must be able to implement complaint handling and service recovery system to customer who experience dissatisfaction and complaint. Complaint handling and

service recovery will affect customer satisfaction. Based on study result, average customer still assess that complaint handling applied LCC airlines in Indonesia still not too good. It is seen from the average value given by customer to complaint handling applied company. Air Asia tops the complaint handling process that cover implementation of complaint handling stages, namely listen, clarify, explain, apologize, agree, and take action.

Service recovery has three dimensions, namely procedural justice, interactive justice, and justice outcome. These three dimensions must be applied to the fullest by LCC airline that customer felt satisfied after cries and calls for a solution or service recovery . Air Asia still hold the highest value in the service restoration performed for his customer. LCC airline value assigned to service recovery implementation is good enough but it has not be able to show customer satisfaction.

Based on observation and interview conducted by researcher, it is known that majority LCC airline customer dissatisfied with complaint handling and service recovery system applied by company. As many as 40% Air Asia airline customer feel satisfied, while another airline companies under 40%. For discontent Lion Air and Mandala Airline persantasi get 80% largest customer, while the lowest dissatisfaction achieved Air Asia who 60% customers dissatisfied.

### 6. Research Implication

Implication for company policy based on the result, airline companies in Indonesia should implement complaint handling and service recovery system which effective and appropriate. This is done so that customer satisfaction with LCC airline in Indonesia can be increased. Complaint handling system can be applied to make a good complaint handling procedure, starting from listen to the entire customer complaint, make the channel accessible customer complaint, open to complaint and able to provide solution to all customer complaint quickly.

Service recovery should also be implemented effectively by LCC airline in Indonesia. Service recovery shall comply three dimensions of justice, namely procedural justice, interactive justice, and justice outcome. Customer satisfaction who have complaint determined by company service recovery.

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