



## **Assessment of Customer Service and Service Guarantee Impacts for Airlines in Malawi: The Case of Ethiopian Airlines, Kenya Airways and South African Airways**

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### **Abstract**

Customer service and service guarantees are targeted more as a marketing effort in airlines because they improve service quality which enhances repeat business. It is important that each airline develops an effective relationship with their passengers so as to maximise customer loyalty and repeat business. Therefore, this paper explored the impacts of customer service and service guarantees offered by airlines. The case study was conducted with three airlines operating in Malawi; Ethiopian Airlines, Kenya Airways and South African Airways. The methods of data collection were mainly qualitative and quantitative approach. Interviews were conducted with airlines' passengers, airline managers and sales agents using both questionnaires and in-depth interviews. Data was analysed by using content comparison and excel. The findings of this study revealed that the airline sales agents and managers do not explicitly give information about the service guarantees offered to passengers in order to help in maximising customer loyalty, needs and wants. It was also revealed from passengers that the airlines provide good customer service despite lack of understanding about actual service guarantees offered by airlines.

**Keywords:** Tourism, Airlines, Customer Service, Service Guarantee, Service Quality and Satisfaction



## 1.0 Introduction

An airline is a company which offers air transport for passengers and freight (Doganis, 2006; Manuela Jnr, 2007). Airlines vary widely in size, from small companies with only one or two planes to huge multinational companies. Air travel is and remains the largest and fastest growing industry which facilitates economic growth, world trade, international investment and tourism. Air travel is therefore, central to the globalisation taking place in many other industries. In the past decade, air travel has grown by 7% per year (Doganis, 2006). Travel for both business and leisure purposes grew strongly worldwide. Today, leisure and business travel has grown tremendously. Hence, the picture in Africa looks rosy. South African Airways dominates in Southern Africa while Ethiopian Airlines and Kenya Airways becoming strong in Eastern Africa, all due to their traffic hubs, customer service and service guarantees. However, Turton, (2004) observed that:

“Although several African countries consider that tourism should be a vital part of their economies, the continent as a whole only generates less than 4% of global tourism. He further says that African-owned airlines carry less than 3% of all air passengers on their scheduled flights and no African city is currently included in the leading 25 city-pair connections based upon air traffic” (p.69).

Therefore, to ensure survival, many airlines have tried to cut costs aggressively to reduce capacity growth and to increase load factors in order to meet the requirement of their increasingly discerning customers. It is against this background that reputable airlines are investing heavily on the quality of service they offer on both the ground and in the air to attract and retain customers. Some examples are ticketless travel, new interactive entertainment system and more are on comforting seating.

Airlines nowadays are using information technology (Briggs, 2004). These airline technologies have simplified customer service activities. When providing service guarantees, they are able to satisfy and meet customers' needs thus the delivery of high service quality is critical for airlines' survival and competitiveness through repeated customer patronage and preferred transportation supplier status (Ghobrial & Trusilov, 2005). Therefore to ensure survival the airlines need to focus on their competitors and to understand their customers' needs and expectations. They have to believe in customers as core concepts of their business which in the long run will guarantee the airlines future if the customers are satisfied. Airlines offer services; for example comforting seats, in-flight food, in-flight entertainment, ground transportation facilities for disabled passengers and passenger waiting lounges. Furthermore, it is important to understand the passenger needs such as, special meals, unaccompanied minor programmes, wheel chair assistance and storage of mobility devices such as walkers and manual wheel-chairs.

Chen (2008) notes that, the aim of focusing on service quality is to meet customer needs while remaining economically competitive hence satisfying customer needs is very important for survival of the firms including the airlines. It is important therefore to use service quality because



they help in understanding and improving of operational processes, identifying problems quickly and systematically, establishing valid and reliable service and finally it helps in measuring customer satisfaction and other performance outcomes.

There are different marketing strategies that are used for the success and performance of the airlines. The airlines selected in this study focus on the customer driven marketing strategy which entails focusing on the customer by winning customers from competitors and then keep them and grow by delivering greater value. However, Kotler *et al* (2010) argues that there are too many different kinds of customers with too many different kinds of needs. Therefore, most organisations including the airlines are in a position to serve some segments better than others. Therefore, there is a need to divide the total market, choose the best segments and design the strategies for the segments with better customer service and service guarantees.

Generally, this involves market segmentation which consists of many types of customers, products and needs. Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. Positioning involves arranging for a product to occupy a clear distinctive and desirable place relative to competing products in the minds of target customers. Market differentiation consists of the company's market offering so that it gives consumers more value.

Furthermore, for the airlines to be on the road to customer service recovery, the airlines have to provide extraordinary service to their customers (Chang & Chang, 2010). This can be done by improving the quality of service they are offering to their customers. In order to achieve this, firstly, the airlines have to get management in direct contact with passengers by talking to them and hearing the passengers' problems. Secondly, the passengers should be involved in creating customer service standards. This can be achieved by talking to them about the kind of service they want. Thirdly, the employees should be involved in planning and implementing customer service standards. Finally, leadership must show everyone that customer service is a priority by deciding quality service and demonstrating the action words and actions as their core priority.

According to Wilson *et al* (2008), a service guarantee is a particular type of a tool. In a business context, a guarantee is a pledge or assurance that a product offered by a firm will perform as promised and, if not then some form of reparation will be undertaken by the firm. Normally, service guarantees complement the company's service recovery strategy. It serves as one tool which helps to accomplish the service recovery strategies. Generally, a service guarantee promises the passenger a certain service quality and backs up this promise with payout. In pursuing customer satisfaction, every organisation tries to balance its customer's expectations with the delivered service. Service to the greater extent based on the efforts of the organisations employees, customer satisfaction largely depends on the employees understanding of the passengers' expectations (Yang *et al.*, 2009).

In addition, Chilembwe, (2014) notes that service guarantee provide powerful platforms for promoting and accomplishing service quality. Through delivering of service guarantees



organisations are forced to focus on passengers' wants and expectations in every aspect of the service. The guarantees establish clear standards which create a common image of what the company stands for in both customers and employees' mind. Managers are motivated to seriously consider service guarantees, because they emphasise on the financial expenditure of quality failures. With guarantees, organisations are required to build effective systems to generate meaningful customer feedback and develop corresponding courses of action. They also require organisations to understand reasons of failure and motivate them to identify and manage potential fail points. Finally they help customers, service guarantees play an important role in alleviating perceived risks of purchase. The guarantees facilitate more ease and more likelihood for customers to complain, since they expect the front-line staff to be ready with resolutions and appropriate compensations in case a service is not delivered as promised.

The goal of airlines is to develop services which attract and keep passengers satisfied, loyal and speak well of the airline which in turn would increase revenue, customer equity, market share and profitability. Thus, airline service effectiveness demands increase in infrastructure outlays which creates service orientation among internal suppliers across airlines. The successes of the airlines depend on the service to the customers to have a complete customer satisfaction. Customer satisfaction in the airline industry has been growing in interest because the delivery of high service quality is critical for airlines' survival and competitiveness through repeated customer patronage, preferred transportation supplier status, market share gains and eventually increased profitability for the airlines (Chilembwe, 2014).

In Malawi, however, the airline industry has been growing with little competition on the market. The airline industry officially began in 1964 with the full operation of Air Malawi. Later on, South African Airways, Kenya Airways, Ethiopian Airlines, British Airways, Air France, Air Zimbabwe and Malawian Airline joined. Due to unforeseen circumstances, British Airways, Air France terminated their operations long time ago in Malawi while Air Malawi was liquidated in 2013 due to lack of funding and lack of profitability because it could not compete well on the market due to lack of customer service and service guarantee. Hence, airline industry in Malawi welcomed the birth of new airline "Malawian Airline" in 2014.

However, as much as there are problems, there is stiff competition on the market in the airline business which is challenging the providers to reduce costs in order to remain competitive. Unfortunately, in this competitive environment, it is extremely challenging to attract new customers and let alone to retain existing ones. It is, against this background that superior customer service and service guarantees are not only key competitive differentiator but also necessity. Airlines are forced to focus on customers' wants and expectations in every aspect of the service. Reputable airlines utilise improved customer service and service guarantees as vehicle for attracting new customers and retaining existing ones. Therefore this study was focused on Ethiopian Airlines, Kenya Airways and South African Airways because these are very some of competitive airlines on the market not only in Malawi but also in the region and



beyond. These airlines share the same continent and passengers, therefore there are all striving for customer service quality and service guarantees in order to win the market share.

## **1.2 Brief History of Ethiopian Airlines, Kenya Airways and South African Airways**

Ethiopian Airlines is wholly owned by country's government and formerly known as Ethiopian Air Lines (EAL). It was founded on 30th December, 1945 by Emperor Selassie with assistance from TWA. It commenced its operations on 8<sup>th</sup> April, 1946 and later expanded to international flights in 1951 (Ethiopian Airlines, 2014). The airline started long-haul services to Frankfurt in 1958 and inaugurated its first jet service in January, 1963 from Addis Ababa to Nairobi. In the early 1960s, it provided some initial aviation support to the Ethiopia-United States Mapping Mission in its operation to provide topographic maps of Ethiopia. It is a member of Star Alliance (IDE-JETRO, 2014). It operates under IATA airline code (ET).

Kenya Airways is the flag carrier and largest airline of Kenya. The company was founded in 1977, after the dissolution of East African Airways. It operates under the IATA airline code (KQ). The airline was wholly owned by the Government of Kenya until April, 1995. It was privatized in 1996, becoming the first African flag carrier in successfully doing so. The airline is widely considered as one of the leading sub-Saharan operators and as of January, 2013 the carrier was ranked fourth among the top ten ones that operate in Africa by seat capacity (Buyck, 2010).

South African Airways was established on 1<sup>st</sup> February, 1934 after the South African Government took over the assets and liabilities of Union Airways, which up until then operated as an air mail service. It operates under the IATA airline code (SA). It was named South African Airways and fell under the administration of the South African Railways and Harbors (South African Airways, 2014). Just like Ethiopian Airlines, it is also a member of Star Alliance.

The airlines were chosen because they both focus on customer service and customer satisfaction. Customer service is a competitive weapon which can lead to competitive advantage for those airlines in the increasingly competitive world. The airline's focuses on service and value because they provide an overall superior service and good value for money. However, the customer driven approach helps them to anticipate and quickly respond to customer needs and competitor activity. The success of the airlines depend on the service quality to the passengers because it is being increasingly viewed as a competitive marketing strategy revolving around customer focus, innovation, creative service and striving towards service guarantee excellence.

## **1.3 Objectives of the Study**

The main objective was to evaluate the impact of customer service and service guarantee on the performance of airlines. Therefore, the researcher sought of investigating these specific objective: to assess the impact of customer service and service guarantees and how it improved the competitive airlines business in Malawi; to find out what was involved in customer service in



Malawi; to find out what kind of service guarantees were the airlines offering to their customers in Malawi; to evaluate the relationship between customer service and service guarantees in the airline business; to find out the challenges faced by airlines in extending good customer service and service guarantees and finally to provide solutions to problems facing airlines in providing good customers service and service guarantees.

## 2.0 Literature Review

Customer service is an organisation's ability to supply their customers' wants and needs (Chinunda, 2014: 14). It may also mean an experience that one goes through in life. There are of course many definitions of customer service doctored to suit company products and service offerings but what is important is to understand its concept. Providing excellent customer service is the ability for an airline to constantly and consistently exceed passengers' expectations. It is interesting, to note that, sometimes customer service refers to a person or desk which is set up to give general assistance to customers. The success of any airline lies in the hands of their customers (Atalik, 2009). Once a customer is satisfied with the products or services, then an organisation is assured of great profits. Therefore, it is only airline's passengers who can put up or down the reputation of the company. A good customer experience results in repeat venture to the same business. In fact, customer service is the most important difference between one airline and its competitors. The only airline which survives in business is the one which gives good customer service (Chilembwe, 2014).

## 2.1 Importance of Customer Service

There are several customer service strategies which include customer loyalty and retention, growing share of customers and building customer equity which are important to the organisation more particularly to the airline.

According to Kotler (2007), a good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favourably to others about the company and its products. However, studies show big differences in the loyalty of customers who are less satisfied, somewhat satisfied and completely satisfied. Therefore, the aim of customer relationship management is to create not just customer satisfaction but also customer delight. The benefit of customer loyalty comes from continued patronage of loyal customers, reduced marketing costs, decrease price sensitivity of loyal customers and partnership activities of loyal customers. Organisations including airlines that are outstanding retain their customers though competition and through the cost of attracting new customers. Retaining current customers has a big payoff for the business. It is therefore important for the airlines to retain current customers as this is cheap and it helps to the profitability of the organisation.

Retaining good customers to capture customer lifetime value, good customer relationship management can help firms to increase the share of customers within the market for example an



airline wanting the share of travel. Similarly, loyal customers have higher prosperity to purchase more frequently and wider variety of products across a company's offering.

Customer equity is the discounted lifetime value of all the firm's current and potential customers. The best approach to customer retention is to deliver products that create high customer satisfaction and high perceived value, resulting in strong customer loyalty (Chang & Chang, 2010). Generally, the more loyal to the firms, the more profitable they are and higher the firm's customer equity.

Serving repeat customers lets the organisations develop a much greater understanding of what the customers want and dislike. This helps the firms marketing, sales and customer service efforts more targeted and effective. The customers end-up measurably more satisfied and loyal. Generally, repeat passengers purchase more because as customers, they gain confidence and feel more comfortable dealing with the same airline. This entails that the longer they stay, the greater their lifetime value. The customers return less because the longer customer relationship last, the better the airline is able to understand their wants and satisfy them more accurately and their initial purchases are more often right on target. Focusing on repeat customers therefore, helps the organisation to reduce the amount of business done with unknown and potentially marginal customers (Chinunda, 2014). Furthermore, advertising expenditures can be reduced. When customers stay with the firm longer, the need to aggressively find new customers to replace those that are lost, is greatly reduced. Spending large sums of money on marketing and advertising to find replacement customers is an expensive way.

## 2.2 Airline Customer Service

Airline industry is being faced by liberalisation and open skies (Freathy, 2004) and as such the impact of global alliances, no-frills carriers, new low-cost, state-owned airlines privatisation and online ticket selling are some of the crucial developments that are impacting on airline business at a time of continually falling average fares and yields (Lumsdom & Page, 2004). One of the challenges facing the world traditional full service carriers is increasing competition due to low cost, low fare carriers, and alliances as marketing and survival strategy ( O'Connell, 2005; Pant, 2006) and it has contributed to the reduction in average quality of service provided to the customers (Manuela, 2007).

According to Doganis (2006), the air transport business has become highly unstable and competitive. Almost all airlines have comparable fares and similar frequent flyer programs if any. This has made customer service to be a significant driver of passenger satisfaction, loyalty and choice of airline (Rust *et al.*, 2006).

The travel industry did not remain behind in the innovative use of information technology (Ghobrial & Trusilov, 2005; Yang *et al.*, 2009). Technology has become a cutting edge to gain competitive edge in the airline industry (Baker, 2007). According to O'Toole and Pilling, (2004)



noted that air travel industry could become the world's first web-enabled industry as online sales, e-tickets and several new technologies gain ground with increased speed.

The lack of customer service or meeting customers' expectations will result in a lack of customer satisfaction (Angelos, 2006). When customers are satisfied with the organisation's tangible goods and service efforts, customers are more inclined to be loyal to the organisation and continuously show their support through repeat visits and positive word-of-mouth advertising.

Customer service and customer satisfaction in the travel industry today are two critical elements to most organisations. Professionals are constantly searching for new and exciting ways to promise more than the competition and delivery on their promise. O'Neill and Palmer (2004) explain that service quality and the degree of satisfaction derived from service quality is becoming the single most important differentiating factors in almost every travel environment. For the travel industry, the increasing competition and expansion of unique services and amenities has forced travellers to continuously search for the competitive advantage. Today, passengers have an abundance of options when travelling. Passengers are educated, well-travelled and notorious for conducting extensive research before selecting that perfect airline, resort, tours or cruise line experience. Individual travel organisations face a significant challenge when they attempt to deliver quality service to create satisfied passengers, customers who will hopefully demonstrate their loyalty to one exclusive brand.

### 2.3 Service Guarantee Defined

The research related to service guarantees and customer services in the airline industry has been growing in interest because the delivery of high service quality is essential for airlines' survival and competitiveness. A review of the literature revealed lack of consensus regarding the definition of a service guarantee. This inconsistency is resolved by considering a service guarantee as comprised of two elements, a service promise and a compensation offer. Jin and He (2013) credited service guarantee as instilling a customer focus in the firm; setting clear service quality standards, generating feedback to understand failure and to build marketing muscle. Service guarantee as a particular recovery tool that pledges or assures that a product offered by a service airline will perform as promised and if not, the some form of reparation will be undertaken by the firm (Wilson *et al.*, 2008). By introducing the promise, it means that the airline is making meaningful credible promise to its customers. The promise can be in terms of content that is promising total satisfaction or in terms of communication to the customer whether explicit or implicit. It is, therefore, the main purpose of service guarantee to reduce passengers' risks by providing a certain degree of service reliability and quality to passengers. Caruana and Ewing (2010) observe that, the reputation of a firm's brand plays a significant role in reducing consumer's perception risks. This is the case because the brand itself indicates a firm's reputation and quality of its products and services. Gronroos (2007) argues that, a well-managed recovery has a positive impact on the development of a trusting relationship between a service firm and its passengers. Through good customer service, a service guarantee therefore, deepens passenger commitment towards the service provider. The emerging growth of service firms have





led to the organisations including airlines to introduce service guarantees to their customers. Effective service guarantees can complement the company's service recovery strategy thus serving as one tool to accomplish strategies.

## 2.4 Importance of Service Guarantees

Service guarantee as a marketing strategy brings in a lot of benefits to both the passengers and an airline. Hogreve and Gremler(2009) note that, a good service guarantee will be a push to the organisation to focus on its customers. When developing a service guarantee, the service airline must know what is important to its passengers, what they expect and value. However, this contributes significantly to passengers' satisfaction of the firms' products and services which will in long term build customer's loyalty for that particular airline.

An effective guarantee set clear standards. In this regard, the company tells its employees what it stands for. The service firm clearly defines what it expects from its employees and to communicate that expectation to them. Because of poor service, a manager tends to take the payouts seriously as they highlight the financial costs associated with quality failures. Generally, service guarantee will help generate immediate and relevant feedback from customers about its service levels as argued by Wilson *et al* (2008). The invocation guarantees communicates something to the organisation. If the service firm is not meeting the predefined standards, the passengers may give to the service airline on how the services are being offered. A service guarantee may bring instant recovery because when the service guarantee is being invoked, there is an immediate opportunity to recover, thus satisfying the customers. However, Lovelock and Wirtz (2007) agree that, the service guarantees is the key component of making sure that the airline is offering a good customer service and helps in reducing risk associated with the purchase decision and building long term loyalty. Reducing the perceived risk from the passengers is central to motivating customers purchasing products and services.

In contrast however, the service guarantees and warranties are used to promote image to the passengers (Hogreve & Gremler, 2009). Passengers tend to have a more favourable view of services and products with guarantees. Therefore, as already discussed, service guarantee reduce customers risk and build confidence to an organisation. This is the case because services are often highly personal and intangible.

### 2.4.1 Impact of service guarantee on operations and service quality

Developing a well-designed service guarantee requires that the airline has to identify the importance and performance expectations of its passengers regarding all parts of service offering. Hence, the information of service guarantee forces the airline to orient on customers' definition of good service (Meyer *et al.*, 2014).

Rose (1990) further suggested that, unconditional service guarantee forces a constant focus on passenger needs and expectations. However, a service performance that did not keep up with



changing customer needs over time would lead to dissatisfaction and increased guarantee payouts. Thus, a focus on passenger needs become a driving force that naturally keeps performance at standards expected by customers. A well designed guarantee causes the airline to focus on customer needs because an unambiguous easy to understand guarantees set clear standards of performance for passengers to expect and employees to adhere to. Such a guarantee tells employees what the airline stands for and forces the organisation to define the employees' role and responsibilities in delivering the service.

However, Meyer *et al* (2014) further suggest that, the management should be encouraged to set internal standards for all parts of the operation to ensure that the level of guarantee service quality is met. The constant employee performance at above or below these standards, become internally highly visible due to no or high payout costs respectively. In addition, the setting of standards and the substantial compensation promised to customers during service failures communicate to employees' strong management commitment to customer satisfaction motivation employees to deliver according to guaranteed service levels.

Furthermore, a well-designed guarantee sets clear performance standards for employees and motivates them to perform according to guarantee service standards. Thus, a service guarantee promises the customer some standards of performance. If these standards are not met, financial payouts have to be made. Service performance frequently below guaranteed standards results in a larger number of payouts and therefore result in high operating costs. This means that the firm is forced to ensure that the basic service delivery system, and support functions and procedures, such as training and performance appraisal, are geared towards meeting service guaranteed standards.

Service performance encourages the airline to thoroughly examine its entire service delivery system for potential fail points and try to eliminate them (Marvin, 1992). Furthermore, every time a guarantee is invoked, it provides an opportunity for the firm to learn about the fail points in its operations. An implemented guarantee encourages the firm to solicit feedback from dissatisfied customers.

#### **2.4.2 Service guarantees on business performance**

Meyer *et al* (2014) state that, the impact of a well-designed guarantee on customer implies that there is an impact on sales and market share. For example, the attraction of new customers, higher customer retention rates, increased brand loyalty, and the ability to charge premium prices translates into higher sales. He further proposed that the guarantee increased the level of service quality delivered and reduces risk perceived by consumers; for example, reducing consequences at service failure. This will translate into higher market shares if the price is kept constant, or the reduction in utility of a price premium is more than offset by increases in utility through better quality and lower risk.



However, the attraction of new customers, the increase in customer retention rates and brand loyalty, and ability to charge a price premium translate to an increase in sales. Increased service quality and reduced perceived risk will translate into higher market shares if the price is kept constant, or if the reduction in utility caused by a price premium is more than offset by increased utility through better quality and lower risk.

## 2.5 Service Guarantee and Cost

Costs are directly as a result of the design and implementation of a guarantee, and payout costs to dissatisfied passengers. The design of a guarantee takes time as well as effort and therefore, directly incur costs. For example, a well-designed guarantee contains promises that are meaningful to the customer. Therefore, there is a need to explore more in order to understand what service elements are important to the consumer and should be covered by a guarantee, what type and amount of payout would be meaningful to passengers (Meyer *et al.*, 2014).

Moreover, services are real time performance and cannot be executed a hundred percent failure free all of the time, and occasional service failures are unavailable. Given the more positive attitude of dissatisfied passengers towards complaining and invoking the guarantee, payout costs will be incurred (Hogreve & Gremler, 2009). A guarantee program and related improvements in operations incur costs. Efforts to eliminate fail points, improve operations and service quality typically incur costs. The size of the cost burden depends on how poor the original standards of services are, the nature of firm's relations with employees and customers, and the nature of business. Furthermore, a guarantee program is designed to increase costs beyond the start-up phase, because money is constantly spent on keeping and continuously improve levels of service quality (Heskett *et al.*, 1990).

In contrast, Heskett *et al.* (1994) notes that, the design and development of a guarantee efforts made by the airline to improve operations and service quality and payments to passengers who invoked the guarantee, incur cost increases. Both, increases in sales and costs, have been proposed as a result of the introduction of well-designed guarantee. It is generally assumed that the benefits of the guarantee far outweigh the cost in the long run. However, Meyer *et al.*, (2014), further suggest that although costs are increased, some of the increase is offset by increased efficiency. Therefore, profits are expected to rise.

Furthermore, the increase in sales outweighs the increase in costs and contributes to an increase in profits. It is proposed that the positive impact of the well-designed guarantee on profits and market share provides positive feedback to management and further reinforces their commitment to service guarantee. This increased commitment is proposed to lead to a careful monitoring and improving of the features of the guarantee. Thus, an increase in profits reinforces management's commitment to the service guarantee, and monitoring and improving its design and administration.



## 2.6 Service Guarantee as a Marketing Tool

Service guarantee in airlines are used as a marketing strategy and other situations where service guarantees are not applicable or less beneficial to the organisations (Wilson *et al*, 2008). However, Wirtz (1998) argues that, as a marketing tool service firms have been increasing using service guarantees to reduce consumer risks perceptions, differentiation and to professionalise their internal management of customer complaint and service.

The guarantees facilitate more ease and more likelihood for customers to complain since they expect the front line staff to be ready with resolutions and appropriate compensations. As a marketing objective, an airline with poor quality may want to focus primarily on the causes of existing quality gaps whereas airlines with high quality reputation may want to focus mainly on transforming passengers into loyal ones. A service guarantee can boost marketing by encouraging consumers to buy the product or service by reducing the risk of the purchase decision, and it generates more sales to existing passengers by enhancing customer loyalty (Wirtz *et al.*, 2000).

Therefore, organisations including airlines offer service guarantees as a service marketing for a number of reasons and some of them are: to focusing on customers; to setting clear standards; and to building marketing muscle. Some examples of service guarantee used as marketing tools are regional railway fifteen minutes arrival at a destination during weekdays and within twenty minutes and Alaska baggage guarantee (SEPTA (2014); Alaska Airline (2014)).

## 3.0 Methodology

The study mainly used qualitative research method to collect and analyze data. Strauss and Corbin (1998) defined qualitative research as any kind of research that produces findings not arrived at by any means of statistical procedures any other means of quantification. Qualitative research helped the researcher to get an 'insider's view' due to close association with the participants and activities Newman (2003). To ensure a significant amount of transparency, the researcher tried to clearly describe the way the data was collected and analysed. To some extent the study has also used quantitative method because the researcher wanted to confirm the results in figures after understanding the customers' facts and feelings. A questionnaire was developed to gather data from respondents. This is a common research instrument in qualitative research as it is suitable for consumer attitude survey (Babbie, 2007). The researcher wanted to collect out more information from respondents and it was the most convenient method of data collection. The instrument was designed to obtain detailed information about the impacts of customer service and service guarantees on airlines in Malawi and issues considering the decisions when making a choice of airlines. A self-administered questionnaire was done taking into account the time was a crucial factor in the airline business. The questionnaire comprised a mixture of both open-ended and closed-ended questions.



To assess the reliability and validity of the questionnaire, a pre-test was conducted. As the questionnaire was developed specifically for this research, pre-test helped to clarify the questions and statements. Two questionnaires were distributed to; one airline sales executive and the other to a passenger of each airline selected for the study making a total of six (three airline sales executives and three passengers). The respondents were requested to comment on any questions or statements that they thought were ambiguous or unclear. Some minor wording modifications to the questionnaires were made as result of this process.

#### **4.0 Data Analysis and Discussion**

The sections to follow will interpret, presents and discuss the results of data collections through in-depth interviews and use of questionnaires. These were distributed to airline executive managers, passengers and the sales agents of Ethiopian Airlines, Kenya Airways and South African Airways in order to obtain information that could be beneficial to this current study. The aim of the study was to evaluate the impacts of customer service and performance of service guarantees on airlines in Malawi. In the study, a total of seventy five respondents were targeted; 57 customers, 3 managers, 3 executive marketing managers and 12 sales agents. Out of 57 customers approached, only 48 responded to all questions and were used for analysis while 9 questionnaires were incomplete because customers were rushing to board an aircraft as a result were not used for analysis. Furthermore, all managers and sales agents participated in the study and their responses were used for analysis which when combined with customers' rate of response represented 93%. The results have been presented and discussed according to the order of research objectives in this section and beyond.

##### **4.1.1 The impact of customer service and service guarantees in the competitive airlines business**

The airline managers, sales executives and sales agents were asked if the customer service and service guarantees improve their businesses. All the respondents 18(100%) indicated that the customer service and service guarantees improve their businesses. From the eighteen respondents emerged the following factors:

###### **a) Improves business performance**

They revealed that customer service and service guarantee improve business performance because customer service and service guarantee reduce the customer risk perceptions and improves service quality. This concurs with what the literature says Wirtzet *al.*, (2000) service guarantees improve business performance because they help to reduce consumer risk perceptions, improves business performance differentiation and professionalise their internal management of customer complaint. Furthermore, service guarantees enhances to boost marketing by encouraging consumers to buy the product or service by reducing the risk of the purchase decision, and it generates more sales to existing customers by enhancing customer loyalty. Furthermore, customer service ensures that the customer receives the highest standard of



service, advice and information about their travel. The airlines try to understand their needs and cares for them at all times. This is in agreement with Gronroos (2007) where he said that, customers do not buy goods or services, they buy the benefits goods and services provide them with. They buy offerings consisting of goods, services, information, person attention and other components which create value to them.

b) Reduce customer service complaints

It was again indicated that customer service and service guarantees reduce the customer service complaints because they offer an opportunity to correct immediate problems, provide constructive ideas for improving products, upgrading services and product information. Furthermore, they indicated that a good recovery can turn angry customers into loyal ones. Thus customer service and service guarantees act as innovative systems for resolving customer complaints.

c) Repeat business

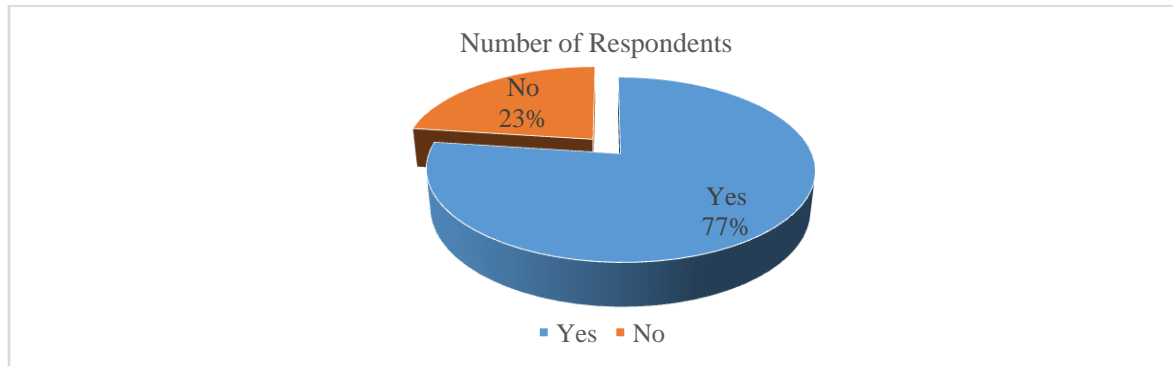
From the respondents 18 (100%), it was discovered that repeat business increases the airline competitive business. They further said that it can be done by fixing customer problems, fulfilling the exceptional needs, providing advice and enhancing customer service experience. The customers will be loyal and happy in return they will seek to repeat business with the organisations. Furthermore, the service guarantees will help the company in repeat business through customer satisfaction. This concurs with the literature according to Kotler (2007) who said that serving repeat customers, lets the organisations develop a much greater understanding of what the customers want and dislike. This helps the airline marketing, sales and customer service efforts more targeted and effective.

#### **4.1.2 What airlines included in customer service in Malawi?**

The airline managers, sales executives and sales agents were asked to state what customer service activities they employ when considering customers satisfaction in their organisations. All responses 18 (100%) indicated that they employ customer service in their marketing efforts. From the eighteen people that were interviewed the following factors emerged as the practices that are employed:

- a) Personalised customer handling services
- b) Efficient check in process
- c) Transport all passengers with their baggage
- d) Sanitised cabin environment

Furthermore, the researcher wanted to learn from customers if the airlines provide quality customer service and figure 1.1 summarises the responses.



**Figure 1.1: Responses of customers illustrating if the airlines provide quality customer service**

It is revealed from the figure 1.1 above that customers were happy with the quality of customer service rendered to them. Out of the 48 customers responded, 37(77%) indicated that airlines provide quality customer service and only 11 (23%) indicated that the airlines do not provide quality customer service. The overall airlines service provision is remarkably good. By good quality service it means that, the passengers seek repeat business and are loyal to the airlines because of the quality of service rendered to them.

#### **4.1.3 Service guarantees the airlines offer to passengers in Malawi**

The airline managers, sales executives and sales agents were asked whether they were offering conditional and unconditional guarantees or both guarantees. All the respondents 18 (100%) however, said that they offer both conditional and unconditional service guarantees. Table 1.1 below summarises the responses.

<b>Name of Airline</b>	<b>Type of Guarantee offered</b>
Ethiopian Airlines	Both conditional and unconditional
Kenya Airways	Both conditional and unconditional
South African Airways	Both conditional and unconditional

Table 1.1: Showing the service guarantee offered by airlines

When customers were asked what kind of service guarantees would they recommend on the particular airline in Malawi among conditional, unconditional or both. 42 (87%) of respondents indicated that they would recommend unconditional service guarantee while 6 (13%) indicated conditional service guarantee. Those that indicated unconditional service guarantees wanted guarantee without strings attached and where its focus was on satisfying the customers' needs and expectations. This concurs with what literature says Wilson *et al* (2008) that unconditional service guarantees are those that have no strings attached. Whatever it was promised in the



guarantee must be totally unconditional and there should not be any element of surprise for the customer. Marvin (1992) stated that a service performance that did not keep up with changing customer needs over time would lead to dissatisfaction and increased guarantee payouts. However, a focus on customer needs becomes a driving that naturally keeps performance at standards expected by customers. They further indicated that they would recommend the unconditional service guarantees because the service delivery failure was put on certain compensation where if an airline failed to deliver the service as promised in its service guarantee, a form of compensation will be given under the conditions stated. As the literature states conditional service guarantees are those that specifies on specific attributes (Wilson *et al*, 2008).

When asked about the aspects of service guarantees that airlines offer and aspects of guarantees that the customers would recommend. The study revealed that, both the respondents'; airline representatives and the customers 66 (100%) indicated that time, cost and quality are the best aspects of service guarantees. However, it was difficult to guarantee on time because of the environment which the airlines operate but the respondents suggested that time guarantee can be achieved if the flights are departing and arriving on time as it was stipulated in the service guarantee. Furthermore, schedule operations and connections to other airlines can be good examples of time guarantee.

They were also quick to mention that quality was best aspect of service guarantee among all. This is because airlines focus on what the customer expects in a service. Therefore, the airlines should be able to surprise the customers by giving them exceptional service quality which will exceed customers' expectations. Examples of such can be due to the cancellation of a flight, a passenger can be upgraded to the next higher class or can be given a free ticket as a consolidation to the cancellation of the flight. This concurs with Seaton and Bennet (2000) who wrote that consumers will vary their expectations according to the level of services provided. In addition, the cost guarantee also emerged as the aspect of service guarantee.

#### **4.1.4 Customer service and service guarantees in the airline business**

When customers were asked whether airlines deliver customer service as stipulated in the service guarantee. Out 48 of the respondents 30 (62%) indicated that airlines provide quality customer service as promised in the service guarantee while 18(38%) indicated that they do not provide the customer service as per the promise of the service guarantee. From the results, it seems that the airlines customer service agents provide the customer service as stipulated in the service guarantees. This in turn leads to customer satisfaction and loyalty. This concurs with what literature says Gronroos (2007) that, a well-managed recovery has a positive impact on the development of a trusting relationship between a service firm and its customers. Through a good customer service, a service guarantee therefore, deepens customer commitment towards the service provider and becomes loyal to them.

When airline managers, sales executives and sales agents were asked about the type of rewards that they offer to their customers if there was a service failure as service guarantee. All





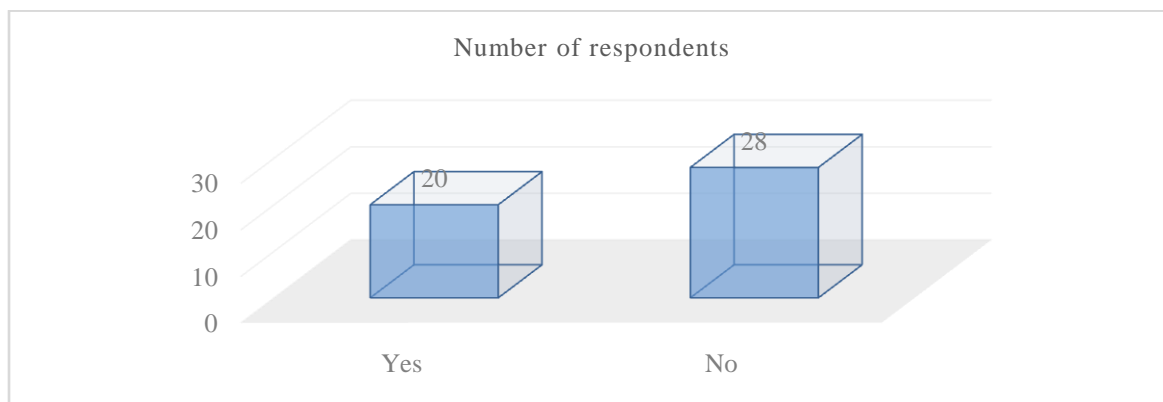
respondents 18 (100%) indicated that they have ever rewarded a service failure. The rewards were a free ticket, an upgrade to the next higher class and access to a very important person lounge (VIP). They further said that the service guarantee reduces risks and builds customer and organisation confidence in providing quality customer service. This was in confirmation with Hart (1988) who said that service guarantees provide the platforms for accomplishing service quality. He further went on to say that, by delivering service guarantees, the airlines were forced to focus on customer wants and expectations in every aspect of the services.

In this regards, Lovelock and Wirtz (2007), confirm that, the service guarantee should be on something important to the customer and the compensation should be more than adequate to cover the service failure. In addition, however, the guarantees require service airlines to understand reasons of failure and motivate them to identify and manage potential failed points. The guarantees help customers to reduce risk in making purchase decisions and to reinforce their long term loyalty. Furthermore, with service guarantees, airlines are required to build on effective systems to generate meaningful customer feedback and develop corresponding courses of action.

When passengers were asked what sort of rewards between monetary and non-monetary would they recommend that can best cover their dissatisfaction with the airlines service. Out of 48 respondents, 38 (79%) indicated monetary rewards while 10 (21%) indicated non-monetary rewards. The reason for opting for monetary rewards was that money is one of the strongest motivator to people and nobody can deny about it. On contrary, those indicated non-monetary rewards cited reasons that they experienced delays from airlines to release money as compared to material rewards which experience has proved to be easier and faster.

#### 4.2.5 The challenges faced by airlines in extending good customer service and service guarantees

The researcher wanted to find out the extent of awareness of the service guarantees on offer to the customers. From the respondents it was found that more passengers were not aware of the service guarantees offered to them. Figure 2.1 summarises the results.





**Figure 2.1: Response rate of customers illustrating the awareness of the service guarantees**

Out of 48 respondents 28 (58%) indicated that they were not aware of the service guarantees offered by airlines while 20 (42%) indicated that they were aware of the service guarantees offered by airlines. From the results it has revealed that there was lack of information about the service guarantees offered by airlines, were not aware of them and they were not sure that the airlines offer them. When asked the customers if they consider the issues of service guarantees when making the decisions about airlines. 71% of the respondents indicated that they consider the issues of service guarantees while 29% indicated that they do not. Interestingly, it was noted that even if the respondents were not aware of the service guarantees but when making the decisions the issues of service guarantees come forward. When customers were asked further whether customer service and service affect the choice of the airlines. 91% of respondents indicated that the issues of customer service and service guarantees affect the choice of the airlines while 9% indicated they do not. From the results, it was discovered that even if there was lack of information about the service guarantees, most of the customers consider the issues of customer service and service guarantees when making decisions and the choice of the airlines. This in turn, helps the airlines to have repeat business and loyal customers. The guarantees help to focus on customers more closely.

## 5.0 Conclusions

In general, the aim of the research was to evaluate the impact of customer service and service guarantees on the performance of airlines in Malawi. Therefore, it has been observed that customers were not aware of the service guarantees offered by the airlines and yet it became apparent that these customers do consider the benefits of service guarantees when making the choice of the airline. This is because there was little information given to the customers explicitly on what kind of service guarantees the airlines were offering. This means that the customers were not sure what the service guarantees are all about. It is therefore important that the airlines come out clearly and make clear statements about the kind of service guarantees that they are offering in order to have a sustainable competitive advantage on the market.

In addition, it has been revealed that all the three airlines offer both the conditional and non-conditional service guarantees. From the results, it has been observed that all the three airlines include service guarantees and they employ customer practices in their marketing efforts.

The study has also revealed that, most customers were happy with the customer service that was given them and they were more likely to repeat business with the airlines. The study further has shown that airlines were offering more attractive services and service guarantees. It was also noted that unconditional service guarantees were preferred more than conditional service guarantees. Furthermore, the general observation has been that unconditional service guarantees are those that have no strings attached. Whatever has been promised in the guarantee must be totally unconditional and there should not be any element of surprise for the customer. This is in



agreement with Meyer *et al.*, (2014) but in conflicting with Marvin (1992) who stated that a conditional service guarantees are more preferable than unconditional service guarantees.

Lastly, the researchers have highlighted that the customer service and service guarantees offer customers to repeat business with the airlines and that the tools acts as reduction of customer service complaint. Furthermore, the study also highlighted personalised customer handling services, effective check-in process, transporting all the passengers with their baggage and sanitised cabin environment as some of the customer services which are offered by airlines and help in maximizing customer loyalty. This was compared to what Seaton and Bennet (2000) and Kotler (2007) put forward and results turned to be in confirmation.

## 5.1 Recommendations

The researcher has, therefore, arrived at the recommendations which include that: a) customer service and service guarantee should be targeted more as a marketing effort in airlines because they improve service quality which enhances repeat business; b) the airlines should explicitly give out information about the service guarantees being offered to customers in order for the tools to help in maximizing customer loyalty, needs and wants; c) it is important that each airline develops an effective relationship with their passengers so as to maximise customer loyalty and repeat business; and d) the airlines should undertake to deliver consistent high quality service to customers in order to maintain competitive advantage.

## 5.2 Scope of Further Research

Furthermore, recommendations would therefore be for further research on the assessment on the effects of customer service and service guarantees in all airlines operating in Malawi. Another research could be done to evaluate the impacts of customer service and service guarantees as a marketing tool in airlines in Malawi. In light of insights, results and conclusions of the research, interrelationships and gaps may be identified and closed up through findings and actions taken between passengers and airlines service guarantees.

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