



**THE ROLE OF PERCIEVED SERVICE RECOVERY AS THE
MEDIATOR BETWEEN RELATIONSHIP INTENTION AND
CUSTOMER SATISFACTION IN THE AIRLINE
INDUSTRY IN SABAH**

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The Role of Perceived Service Recovery as the Mediator between Relationship Intention and Customer Satisfaction in the Airline Industry in Sabah.

ABSTRACT

In the competitive era, customer retention has become an important element in the survival of the firms. Losing customers to competitors is a continuing threat, since the potential for this loss is only with a small mistake. This study aimed to investigate the effect of determining the customer on customer retention, focusing on the role of service satisfaction to see recovery as a mediator in this relationship. The study concluded that, although a direct relationship exists between the relationship of faith and satisfaction with rehabilitation services, rehabilitation service visits play a complementary role that no additional direct in this connection. Investigations are still in the context of Malaysia Airline industry in general. Quantitative methods have been adopted using a self-administered questionnaire as a tool for data collection. The unit of analysis is the Malaysian passengers traveling by local airlines are facing different and service failures. Statistical Package for Social Science (SPSS) was used to analyse the data. The findings confirm that the service recovery satisfaction has a mediating effect on the relationship between faith and customer retention.

With the airline industry is a rapidly growing market in Malaysia, service failure is still the problem that is faced as well as other service providing industry. The emerging of competitor in the airline industry has added new challenges as customers can easily switch to competitors. Switching to competitor is an on-going threat because it will lead to losing consumers which means losing future revenues. This competitive environment has forced most companies to put efforts in order to achieve the competitive advantage that will put them in the lead. Hence, most providers start working more on upgrading the quality of their products (goods and services). However, service failure is unavoidable, that's why when a failure occurs, the provider should implement fast and effective recovery strategies with the aim of minimize the negative effects of service failure (McCullough, 2009; Shaw and Craighead, 2003).

Chapter 1

Introduction

This chapter focuses the background of the study, which is the Mediating Role of Perception of Service Recovery in the Airline Industry in Sabah. Section 1.1 discusses the background of the study. Section 1.2 explains the problem statement and section 1.3 states the objective of the study. Sections 1.4 on the other hand, state the research question and section 1.5 explain the significance of the study. And 1.6 states about the limitations of study.

1.1 Background of Study

The growth of the airline industry has resulted in the increasing number of airline users. Since the beginning of the airline industry which is the Malaysia Airlines or we commonly known as MAS was the first pioneer of airline in Malaysia in 12 October 1937. As the years past, the airline industry has grown rapidly as many new competitors has appear in the market such as Malindo and AirAsia that promotes affordable flights for its customers. Even though the airline industry is a rapidly growing market in Malaysia, service failure is still the problem that is faced as well as other service providing industry. The emerging of competitor in the airline industry has added new challenges as customers can easily switch to competitors. Switching to competitor is an on-going threat because I will lead to loosing consumers which means losing future revenues. This competitive environment has forced most companies to put efforts in order to achieve the competitive advantage that will put them in the lead. Hence, most providers start working more on upgrading the quality of their products (goods and services). However, service failure is unavoidable, that's why when a failure occurs, the provider should implement fast and effective recovery strategies with the aim of minimize the negative effects of service failure (McCollough, 2009; Shaw and Craighead, 2003).