

**CUSTOMER PERCEPTIONS OF THE QUALITY OF
SERVICES OFFERED BY KENYA COMMERCIAL BANK
BRANCHES IN NAIROBI, KENYA**

BY VIOLET NYABOKE MAGORI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE DEGREE IN MASTER OF BUSINESS
ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI.**

NOVEMBER 2011

DECLARATION

This research project is my original work and has not been submitted elsewhere for the award of any degree.

.....
Magori Nyaboke Violet
D61/70300/2009

.....
Date

This research project has been submitted for examination with my approval as the University Supervisor.

.....
Francis N. Kibera, PhD
Professor of Marketing,
University of Nairobi
Project supervisor

.....
Date

ACKNOWLEDGEMENT

I most sincerely and humbly thank the Almighty God for grace, sustenance, and good health throughout this research.

Special thanks to my husband, Lawrence, and my father, Richard, for the unwavering support and encouragement throughout the degree programme.

Profound thanks also go to my supervisor, Professor Francis Kibera, for the immense guidance, knowledge and contribution that enriched this study.

Much appreciation to my employer, for giving me the chance me to undertake this life fulfilling project.

Finally, to all those who gave their support, encouragement and contributions to this study, you are much appreciated.

DEDICATION

This work is dedicated to Rickie-Mathews Baraka, my son, who has brought joy to my life and made me desire to achieve more, as an inspiration towards his academic success.

To my late mother Mary Teresa, thank you for the strong foundation that you laid for my siblings and me, to be the best we can be.

ABSTRACT

Service quality has attracted major attention from marketers and academic researchers over recent years, mainly due to its significant role in business performance and the maintenance of customer loyalty. With the recent growth in the service sector, banking included, it is essential for service providers to understand the customers' view of the quality of service offered. Only then, can providers effectively optimize their returns from the service and stay ahead of their competitors.

The objective of this study was to evaluate customer perceptions of the quality of service offered by Kenya Commercial Bank (KCB) branches in Nairobi. The study sought to identify customers' views; thoughts and feelings on the quality of service offered with the aim of identifying the possible expectations that customers have on the quality of service.

The study used descriptive design with the population of interest being KCB customers in Nairobi central business district, narrowed down to a sample from four branches within the city centre. A structured questionnaire with likert type questions/statements and rating scales was used to collect the primary data. The questionnaires were self administered but the researcher waited for them to be filled and returned for analysis.

The study results indicated that the service delivered was mainly perceived to be of average quality, thereby signifying that the customers' expectations of the quality were higher than the delivered service. The weak areas identified included long queuing for service while the contact center response to customers had a high mean score means customers were happy with the service. In conclusion, to differentiate itself in the homogenous banking sector, KCB needs to make excellent service delivery its point of focus. This involves identifying the service gaps from the research and devising ways of improving on the service delivered. Also the Bank needs to properly formulate its product strategies, to build on product diversity and features so as to stand out against the competition.

TABLE OF CONTENTS

Declaration.....	ii
Acknowledgement.....	iii
Dedication.....	iv
Abstract.....	v
List of Figures	viii
List of Tables.....	ix
CHAPTER 1: INTRODUCTION.....	1
1.1 Background.....	1
1.1.1 The Concept of Customer Perception	1
1.1.2 Customer Perception as a competitive tool.....	2
1.1.3 The Concept of Perceived Quality	3
1.1.4 The Concept of Service Quality	3
1.1.5 Overview of Banking in Kenya.....	4
1.1.6 Kenya Commercial Bank.....	5
1.2 Research Problem.....	6
1.3 Objective of the Study.....	7
1.4 Importance of the study.....	7
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Customer Perceptions.....	8
2.2.1 Perceptions on service quality	9
2.3 Service quality	10
2.4 Measurement of customer perception on service quality.....	13
CHAPTER 3: RESEARCH METHODOLOGY	15
3.1 Research Design	15
3.2 Target population.....	15
3.3 Sample Selection and Sample Size.....	15
3.4 Data Collection	16

3.5	Data Analysis and Presentation	16
CHAPTER 4: DATA ANALYSIS AND INTERPRETATION.....		17
4.1	Introduction.....	17
4.2	Respondents' profile.....	17
4.3	Customer Perceptions on Service Delivery	19
4.4	Respondents' Perceptions of Quality Of Service	22
4.5	Dimensions of service delivery	25
CHAPTER 5: SUMMARY, DISCUSSIONS AND CONCLUSIONS		27
5.1	Introduction.....	27
5.2	Summary	27
5.3	Conclusion	27
5.4	Limitations	28
5.5	Recommendations	28
REFERENCES		29
APPENDICES		31
Appendix 1: Letter Of Introduction To The Respondent		31
Appendix 2: Questionnaire.....		32

LIST OF FIGURES

FIGURES

Figure 1:	Dimensions of service quality	12
Figure 2:	Gaps model of service quality	14
Figure 3:	Branch where service is offered.....	18
Figure 4:	Respondents' gender.....	18
Figure 5:	Customer Classification.....	19
Figure 6:	Account opening process.....	20
Figure 7:	Customers' description of staff.....	22
Figure 8:	Products and Services.....	25

LIST OF TABLES

TABLES

Table 1:	Targeted sample collection.....	16
Table 2:	Achieved Responses.....	17
Table 3:	Length of time with the bank.....	20
Table 4:	Frequency of customer visits to the bank.....	21
Table 5:	Key service rating.....	22
Table 6:	Perception of the mode and kind of service received.....	24
Table 7:	Results on Assessment of KCB strategies.....	26
Table 8:	Dimensions of Service Delivery.....	27

CHAPTER ONE

INTRODUCTION

1.1 Background

In recent years, the global service sector has experienced significant growth. Given the significance of the sector in all economies, it is increasingly crucial for service marketers to understand the optimal ways to effectively market their services to consumers.

For marketers, simply finding customers who are willing to purchase their goods or services is not enough to build a successful marketing strategy. In this regard marketers are forced to recognize that they define quality in terms of customer opinion. The competitive aim then is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place (Munyoki, 2010). A customer service experience can change the entire perception a customer has of the organization.

In service industries, globally, the subject of service quality remains a critical one as businesses strive to maintain a comparative advantage in the marketplace. It is because of increased competition that banks are required to become more and more customer-focused in addition to the unique products that they offer. As widely acknowledged, it is more costly to acquire new customers than it is to retain existing ones. Customers have a powerful tool they can use when dissatisfied with the service they receive – the power to switch to another provider. Retaining customers requires customer service staff in banks to provide service that is quick, error-free and convenient.

1.1.1 The Concept of Customer Perception

Perception is the process by which people select, organize, and interpret information (Bick et. al, 2004). There is no substitute for gauging how customers think and feel than by assessing customer perception through intelligently designed and unbiased initiatives.

In today's globalising economy competition is getting more intensive. That means it becomes more difficult for products and services to differentiate themselves from other offerings than ever before. The number of competitive offerings is rising due to globalisation of production, sourcing, logistics and access to information. Many products and services face new competition from substitutes and from completely new offerings or bundles from industry outsiders. In the Kenyan banking industry, banks are trying to win the battle for customers by price reductions, segmenting the various target markets and differentiating their products and services, in a way that attracts and retains customers. To do this well, knowing how the customer thinks and feels is essential and in order to survive and compete effectively, banks must recognize the customers' perceptions of the products and services in the market.

1.1.2 Customer Perception as a competitive tool

Customer perception is an important component of an organization's relationship with its customers (Hossain and Leo, 2009). Due to the competitiveness of the banking industry, as earlier discussed, it is more difficult to differentiate a product or service by traditional categories like price, quality and functionality. The consequence for banks is that they have to adapt their ways of competing for customers. The development of a strong relationship between customers and a company could likely prove to be a significant opportunity for competitive advantage. The perceived experience a customer has in his various interactions with a company for instance how fast, easy, efficient, cost effective and reliable the product or service or process is, can make or break the relationship. Problems during a single transaction can damage a so far favourable customer attitude and it is because of this that banks must be truly willing to look at the whole process of interaction through the customers' eyes.

Most likely this will produce a satisfied customer who is well aware of a company's offerings and has a positive attitude towards them. Customer satisfaction is very important as it is the pre-condition for repeat purchases and it prevents the customer from telling others about his or her disappointing experiences.

Customers' preference of a brand to other competitive offerings goes beyond the normal marketing mix to include customers' feelings and perceptions about the brand or product. Thus, customer loyalty can be understood as to how customers feel about a product, service or brand and whether their perceived total investments with it live up to their expectations. The involvement of customers' feelings, emotions and perceptions is important. In today's competitive marketplace, these perceptions are becoming much more important for gaining sustainable competitive advantage.

1.1.3 The Concept of Perceived Quality

Perceived quality is defined as the customers' perception of the overall quality or superiority of a product or service with respect to its intended purpose or alternatives (Aaker, 1991). Perceived quality is thus a perception by customers and judgments about what is important to customers are involved. The dimensions that underlie a perceived quality judgment depend upon the context. According to Aaker (1991), the dimensions that form the basis for perceived service quality are; tangibles such as facilities and equipment, reliability, competence, responsiveness and empathy. Perceived quality is important in marketing since high perceived quality leads to repeat purchases (Tsiotsou, 2005).

1.1.4 The Concept of Service Quality

In today's competitive business environment, rendering quality service is a key for success, and many experts concur that it is the most powerful tool currently reshaping marketing and business strategy (Kagira, et. al, 2011). According to Zeithaml and Bitner, 2003, service quality is a focused evaluation that reflects the customers' perception of specific dimensions of service, that is, reliability, responsiveness, assurance and empathy. It is a judgement since it is based entirely on the customers' view and opinion.

The growth in importance of service quality has been influenced greatly by the changing nature of the world economies and the customers' changing needs, tastes and preferences (Kagira et.al, 2010). The move has also been fueled by the growth in consumerism, world travel and the competitive business environments. Service quality has become a critical

factor in enabling firms to achieve a differential advantage over their competitors and thus, it makes a significant contribution to profitability and productivity (Sanchez, et.al, 2007).

Banks all over the world offer similar kinds of services, and try to quickly match their competitors' innovations. It can be noted that customers can perceive differences in the quality of service (Chaoprasert and Elsey, 2004). Service quality then becomes a primary competitive weapon (Hossain and Leo, 2009). Thus, delivery of high quality service to customers offers firms an opportunity to differentiate themselves in competitive markets.

High quality of service leads to customer satisfaction and loyalty and greater willingness to suggest and or recommend to someone else, reduction in customer complaints, and improved customer retention rates to a great extent (Zeithaml et al., 1996).

1.1.5 Overview of Banking in Kenya

The banking industry is a key sector in any economy and, as prime movers of economic life; banks occupy a significant place in every nation. According to Central Bank of Kenya annual reports (March, 2011), the banking sector in Kenya operates in a relatively deregulated environment, comprising 45 institutions, 44 of which are licensed commercial banks and 1 mortgage finance company.

The industry has experienced a rapid growth in terms of profits, deposits, and revenues in the recent past. In addition, the Kenyan banking industry has been expanding its branch network amid the introduction of branchless banking system, including the use of Electronic funds transfers, Automated Teller Machines, SMS banking and internet banking (Nyangosi, 2011), as well as innovations from the market players as well as new entrants. This trend has triggered a lot of competition in the banking industry and as the economic times get tougher, banks are getting more creative in order to attract new customers as well as retention of its existing customers.

With World Bank estimates revealing that formal banking is accessible to only 10% of the Kenyan population, penetration levels remain low, suggesting that despite the large

number of banks, there is still plenty of room for growth. The sector accounts for only 40% of GDP in Kenya and much of the Kenyan banking sector's activity is concentrated among the richest 20% of the population.

In recent years there has been a paradigm shift towards emphasis on focusing on customer needs rather than the traditional banking products. As a marketing strategy, new products offered in this segment of market continue to assume local development brand names to suit the domestic environment and targeting the larger segment of local customer base. Today banks have a wide variety of competitors for business ranging from supermarkets to mobile phone companies. SACCOs command over Ksh.180 million or an equivalent of 16% of Ksh. 1.1 trillion of savings held in bank accounts. Telecoms agents M-pesa Zap and Yu cash services offer a strong presence ideal for reaching areas where banks have not set up branches. Kenya is a world leader in mobile banking. Its landmark M-Pesa platform, a service offered by Safaricom, allows a range of money transfer services, cash-flow management and banking options through mobile phones. In addition, agency banking has enabled customers to access banking services away from the bank branches. Functions carried out by bank agents are; cash deposits, withdrawals salary payments, loan applications and repayments as well as funds transfers.

1.1.6 Kenya Commercial Bank

Kenya Commercial Bank (KCB) is a financial services provider in the local banking industry. The bank was founded in 1896 and as at December 2010, it was among the three largest commercial banks in Kenya with assets of more than US\$2.65 billion (KES.223 billion), and shareholders capital valued at US\$486 million (KES.40.9 billion). The other two large commercial banks in Kenya are Barclays Bank of Kenya and Standard Chartered Bank Kenya. As at December 2010, KCB had the largest branch network countrywide (168 branches), of all 44 licensed commercial banks in the country. Currently the bank has a presence in other East African countries of Uganda, Tanzania, Southern Sudan and Rwanda. KCB has grown its business and returned excellent results over the last decade evidenced by the turnaround from a loss of KShs.4.2 billion in 2002 to a profit before tax of KShs.9.8 billion in the year ending December 2010. After the

2010 rights issue the government's shareholding in the bank stands at 17.75 % (KCB group Profile, 2011).

Understanding customers is a never-ending challenge for service providers, KCB included. One reason is that not all customers are the same and, consequently, benefits sought by one customer may differ from those sought by another. Because of this it is important to carry out a study in marketing research to evaluate customers and to determine what they want.

1.2 Research Problem

Banks play different roles in the financial systems and in the wider society. The roles range from facilitating flow of funds across regions to facilitate trade, investment, sponsorships and supporting activities that improve lives of the local communities. Supported by the latest technology, banks are working to identify new business niches; to develop customized services; to implement innovative strategies and to capture new market opportunities (Munyoki, 2010). In recent years the banking industry in Kenya has seen high levels of competition from new entrants in the market as well as between the common market players. Competition for customers is intense among the market players. Besides the attractive products on offer like accounts with no charges and products configured for different segments of the population, banks also offer products that conform to religious beliefs such as Islamic banking in addition to unsecured loans, salary advance, and funds transfer and lately focus more on corporate social responsibilities aimed at improving lives of local communities. Competition has made banks realize that the retail customer is their source of profitability.

Various research studies have been conducted in the area of service quality, customer satisfaction and competitiveness as well as behavioral intentions, Sanchez et.al. (2007) and Parasuraman et.al (2006). In spite all the achievements in the banking industry the number of complaints from customers in the banking sector cannot go unnoticed. As acknowledged, consumers in different cultures may have different expectations of service quality, due to the differences in their attitudes and behaviors. Few studies have

examined the different perceptions of customers on the quality of services offered by commercial banks particularly in Kenya. This is a significant gap and in order to identify the banks' strengths and or weaknesses, customer perceptions of service quality is a basic instrument.

The research question for the study was "how do customers perceive the quality of service offered by KCB?"

1.3 Objective of the Study

The objective was to evaluate and determine how customers perceive the quality of service offered by the Kenya Commercial Bank (KCB) with special reference to branches in Nairobi central business district.

1.4 Importance of the study

The results of this study are beneficial to different groups, including the Kenya Commercial Bank, customers, the banking industry as well as scholars.

The research aimed at revealing customers' views and opinions on the quality of service at KCB so as to assist the bank in assessing its level of performance in quality of service delivery as well as identifying where improvements are needed. In addition, the banking industry is expected to benefit from the research findings by formulating relevant approaches towards customer satisfaction since the business environment and market is the same.

The customers will have a channel of airing their feelings and in the process have their areas of need identified and attended to. Further, the study will provide additional literature for scholars and academicians researching on service quality in the service industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Marketing the quality of service is central to the success and growth of business. Parasuraman et al (1985) in developing the service quality model defined service as the gap between service and perceived performance. This chapter reviews the relevant literature in terms of customer perceptions, perceptions on service quality and the measurement of customer perceptions on quality.

2.2 Customer Perceptions

Perception is the process through which a person forms an opinion about the various stimuli he receives from his sensory organs. Perception is the act of discerning, realizing, and becoming aware of, through the senses; it is a two-phase activity that involves receiving stimuli and translating the stimuli into action. It involves the receipt of information, which is the stimulus that results in sensation. Stimuli may include the family, social and economic environment. The stimuli that are paid attention depend purely on the people's selection capacity as well as the intensity of the stimuli. Before translating the message into behavior the incoming stimuli is first recognized, then the resulting behavior leads to performance that gives satisfaction.

Perceptions vary from person to person in that; people perceive different things about the same situation. In marketing, the customer's perception is what counts, not what we think it is, and the concern is to understand how the consumer views a product or service. Marketers make use of perception to formulate marketing strategies (Sanchez et. al, 2007). They use a perceptual map, wherein they find out the attributes or the characteristics that the consumer associates with the product and they create the product accordingly. Thus, development of a brand or the logo of the product, packaging of the product, etc., have to be made keeping the consumer's perception in mind.

Customers are the core focus of any organization and thus of prime importance to the marketers. It is important for the service providers to know the level of customer expectations so that they can meet and even exceed them to gain maximum customer satisfaction. Customers' abilities to detect change in stimuli are critical to marketers and when positive product changes occur such as sales discounts a marketer wants to ensure that the change is readily apparent.

Customer perceptions are influenced by a variety of factors. Besides the actual outcome that is, did the product or service deliver the expected function and did it fulfil the customer's need – the whole process of consumption and all interactions involved are of crucial importance. Further, in today's globalised information driven economy, this can also comprise issues like; how other customers or influencing groups perceive the product or brand, the degree to which the customer feels the actual marketing campaign addresses the most important issues and the responsiveness and service quality of any affiliates or competitors in the market.

In the external environment, the offerings of competitors, with which a customer compares a product or service, will change, thus altering his perception of the best offer around. According to the customer perception benchmark report 2009, common themes that are used by organizations in the private and public sector in United States of America to measure customer perception, were identified. These are: overall satisfaction, product or service reliability, product or service quality, communications, flexibility (to customer needs), on time delivery, after sales service, acceptability of staff, responsiveness of staff competency of staff and environmental policy.

2.2.1 Perceptions on service quality

Customers evaluate a service based on their expectations. Because expectations are dynamic, evaluations may also shift from time to time (Kagira et. al, 2010). Thus, how customers evaluate what they term as a quality service today, (based on some criterion) may change tomorrow. This calls for continuous monitoring and evaluations of service quality in any service firm. Consequently, companies that ignore customer perceptions of

service quality are simply giving their customers reasons to switch to the competition and Zeithaml, Bitner, & Glemler, 2009 emphasize that focusing on the customer is an essential principle of service quality.

The perception of service quality has changed because; the consumer is no longer inclined to believe in a brand purely on the basis of traditional advertising. The consumers demand more information alongside the persuasive sales pattern. Customers perceive service as a product and have expectations as to whether its features meet or exceed expectations or completely fail to live up to their needs (Lea Strickland, 2008). In a study in the United States of America in 1991, Parasuraman et. al, found that consumers expect higher standards and anything less than customer delight will prompt defection to other brands.

Customers' perception of service quality influence the consumer behaviour (Bitner, 1990) and intention. The customers at the time of service delivery interact closely with the service providers and get an inside knowledge of the service organization. This knowledge gives them an opportunity to critically assess the service provided and the service provider. Thus service quality plays an important role in adding value to the overall service experience. Also customers seek organizations that are service loyal, that is, those that aim to provide consistent and superior quality of service for present and long term and organizations aiming for this are bound to get customers' loyalty.

2.3 Service quality

Service quality is defined as the degree and direction of discrepancy between consumers' perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future behavior (Parasuraman, Zeithaml, and Berry, 1985). Services are a series of activities and the service quality forms an important aspect in the perception of services as it has both marketing and operations orientations. It can be used as a tool for differentiation and can provide a competitive edge. Service quality is also crucial for developing loyal customers and is hence responsible for the success of any service organization.

The growth of importance of the quality of service has been influenced by the changing nature of the world economies and the customer's changing needs, tastes and preferences (Kagira et.al 2011; Sanchez, et.al, 2007). As Turban et.al (2002), point out, offering customers quality service is the cornerstone of any successful business. It includes, knowing who the customers are, what they want and exceeding their expectations as the key to business growth. Research into service quality commenced in the 1980s (Parasuraman *et al.*, 1985), emphasizing its strong impact on business performance, lower costs, customer satisfaction, and customer loyalty. Service marketers have experienced it that competition can be well managed by differentiating through quality. High-quality service to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatepe et al., 2005). In service marketing, customer service is part of the marketing mix and it entails timeliness and reliability in delivering services to consumers in accordance with their expectations. This is because; service quality is the most important purchase decision factor influencing the customers' buying decisions (Sachdev, Verma, 2004).

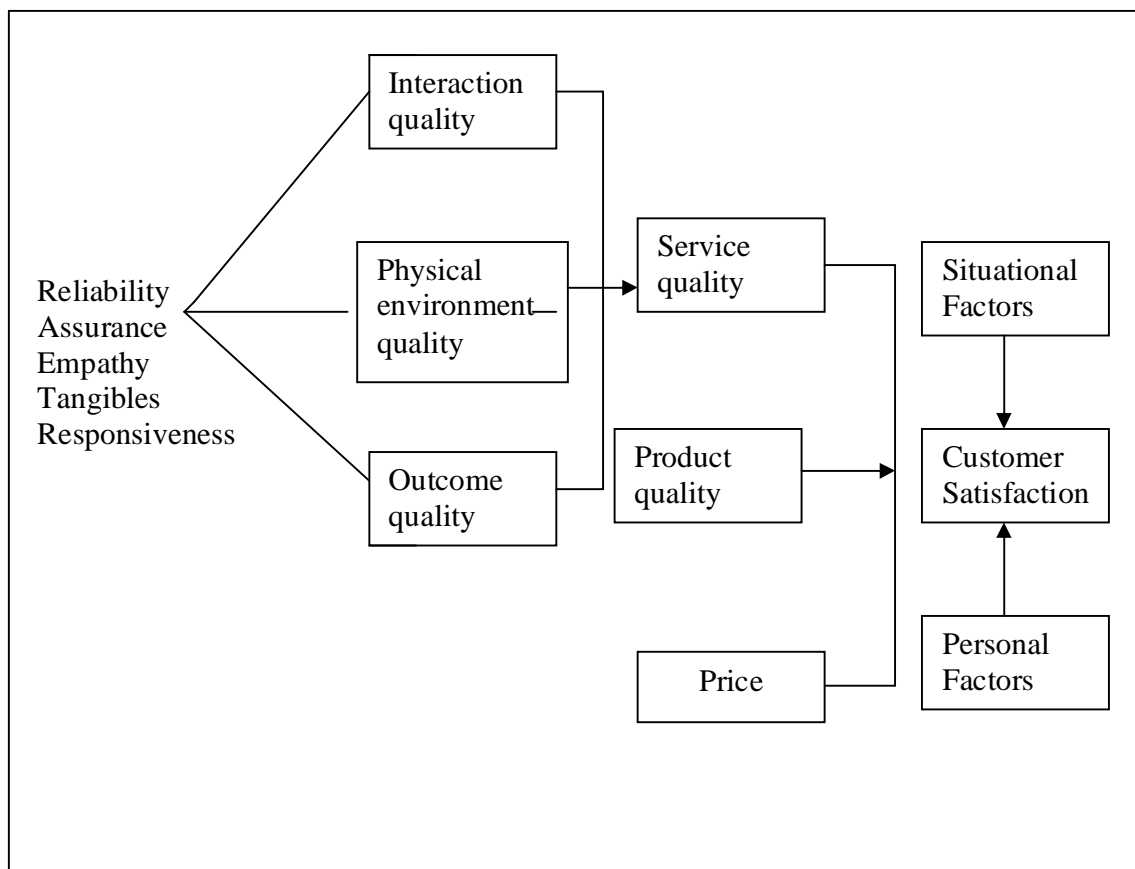
The customers interact closely with the service providers and this gives them an opportunity to critically assess the service provided and the service provider. Thus service quality plays an important role in adding value to the overall service experience. Also customers seek organizations that are service loyal, that is, those that aim to provide consistent and superior quality of service for present and long term hence organizations aiming for this are bound to get customers' loyalty.

Quality service delivery is a challenge to many management and organizations. Only customers judge quality, and the perceptions stem from how well a provider performs, against customers expectations about how the provider should perform. When the expected service is more than the actual service, service quality is less than satisfactory. In this regard, service quality can be then be decomposed into two major dimensions (Gronroos, 1984). The first is referred to by Zeithaml et al. (1985) as 'outcome quality' and the second by Gronroos (1984) as 'technical quality.' The first dimension is concerned with what the service delivers and the second dimension is concerned with

how the service is delivered: the process that the customer went through to get to the outcome of the service.

Further, Zeithaml and Bitner, 2000 classify service delivery into tangibles and intangibles. First, the intangible nature of service results in a higher level of perceived risk thus tangible factors will help negate perceived risk. According to Strickland (2008), the dimensions of service quality are: physical ability and capability to provide service, consistency and reliability of service, responsiveness and willingness to provide service, knowledge and competence of employees providing service and empathetic concern for the customer. Satisfaction, on the other hand, is influenced by perceptions of service quality, product quality, and price as well as situational factors and personal factor.

Figure 1: Dimensions of service quality



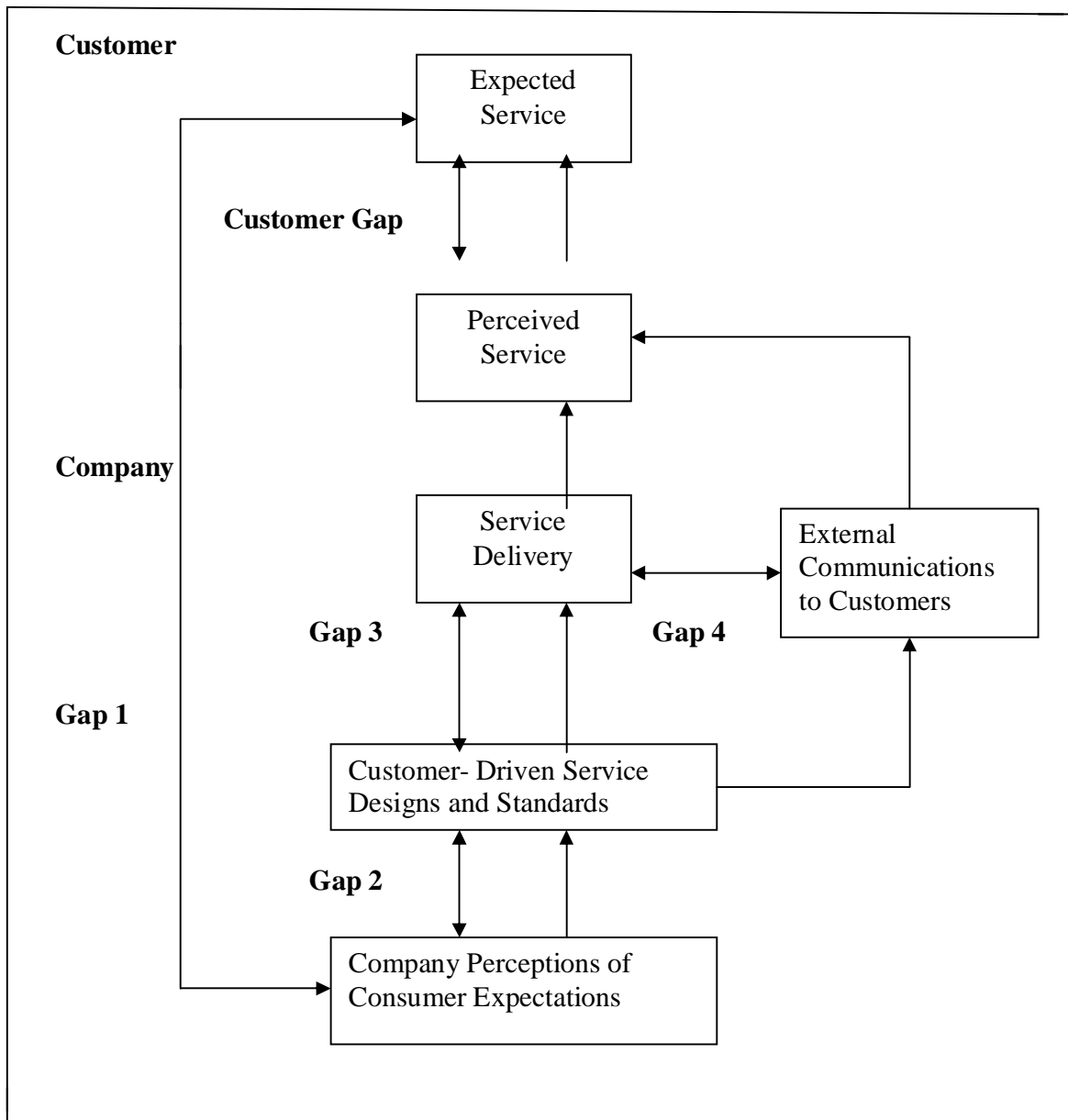
Source: Lea Strickland, 2008 Customer Satisfaction: Perception of Product and Service Quality

2.4 Measurement of customer perception on service quality

The increasingly competitive environment has led to a number of organizations monitoring levels of customer satisfaction as an indicator of quality (Kagira et. al, 2010). There are two perspectives of service quality measurement: internal and external (Sachdev, 2004). The internal perspective entails doing it right the first time whilst the external perspective understands this aspect in terms of customer perception, customer expectation, customer satisfaction and customer delight. Good service is defined on the basis of identification of measurement behaviors that are important to customers.

Work done by Parasuraman, Zeithaml and Berry (Leonard (1988) provides the basis for the measurement of customer satisfaction based on service equality by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the researcher with a satisfaction "gap" which is objective and quantitative in nature. Regardless of whether the dimensions are tangible or intangible, the customer has two levels of expectations: desired and acceptable levels. The desired level is what the customer really wants. This is well illustrated in Gaps model of service quality (Figure 2).

Figure 2: Gaps model of service quality



Source: Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), "A conceptual model of service quality and implications for future research", Journal of Marketing

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Design

The study used descriptive statistics design to describe the sample in the research. Kibor, 2008 successfully used the same to study the perceptions of customers in Mombasa on the quality of service offered by National Hospital Insurance Fund (N.H.I.F). This study was concerned with the perception of KCB customers in Nairobi, on the quality of services offered by the bank. Maina, 2006 used the same design to study the perceived service quality by mobile phone users.

3.2 Target population

The target population for this study comprised KCB retail customers in Nairobi central business district. The population was restricted to branches in the capital Nairobi, focusing on the branches within the central business district.

The sample population for the study was the retail customers receiving services in four selected branches in Nairobi. The selected branches are, Moi Avenue, University Way, Kipande House and Tom Mboya Street. The choice of the four branches to be included in the sample was judgmental and the assumption was that the selection would reflect the characteristics of the full set of KCB customers. These are the key branches within the central business district and they handle large volumes of diverse retail customers on a daily basis. Based on findings from these branches the researcher was able draw conclusions about the entire population of customers.

3.3 Sample Selection and Sample Size

The respondents were selected by convenience sampling whereas the population was assumed to be generally homogeneous. The questionnaires were given to front office staff, that is customer service, personal banking business banking, and the tellers, who shall presented them to customers to fill as they waited to for their requests processed.

3.4 Data Collection

Data collection was done by means of a partially structured questionnaire. The questionnaire contained likert-type statements/questions and rating scales. These statements were meant to elicit information on perceptions towards service delivery based on the dimensions of reliability, responsiveness, empathy, competence and assurance

The targeted sample was a total of 50 customers across the four branches as shown below

Table 1: Targeted sample collection

Sampling Branch	Sample size
Moi Avenue	15
University Way	15
Kipande House	10
Tom Mboya	10
Total	50

3.5 Data Analysis and Presentation

The data collected was analyzed through descriptive statistics such as frequencies, mean scores, percentages and standard deviation. Graphs and charts (pie chart) were used where appropriate to succinctly present the research results.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter explains how the data was analyzed and the findings. Descriptive statistics was largely used to summarize the data. The findings are presented in sections that cover the profile of the respondents, quality of service delivered and dimensions of service quality.

The study targeted respondents receiving service in four branches of KCB within Nairobi region whose response are as shown on the table 2 below. A total of 45 questionnaires were completed and analyzed achieving 95% of the targeted response.

Table 2: Achieved Responses

Sampling Branch	Targeted sample size	Achieved	Percentage %
Moi Avenue	15	12	75
University Way	15	14	93
Kipande House	10	11	110
Tom Mboya	10	10	100
Total	50	45	95

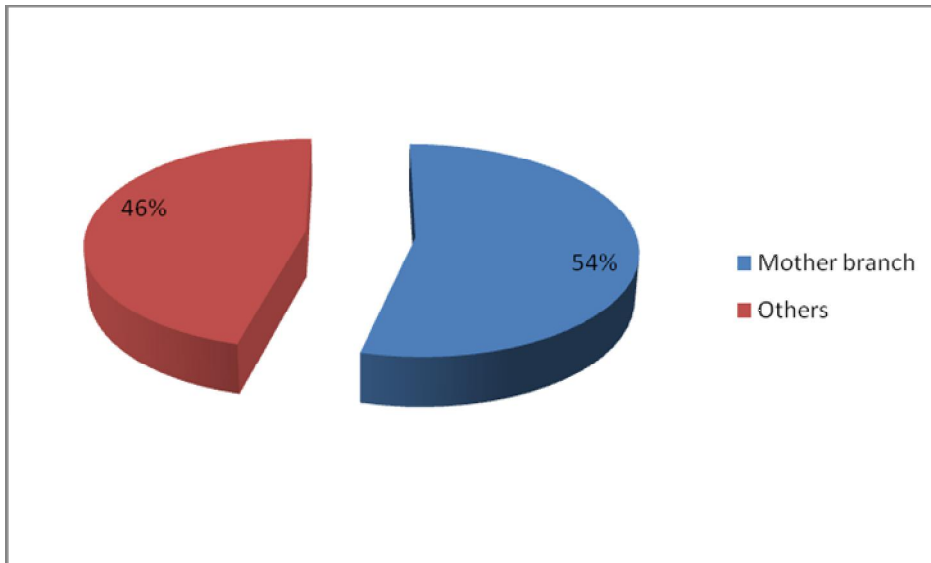
4.2 Respondents' profile

The study sought to establish the general profile of retail customers who responded to this study. The findings are analyzed and presented in the ensuing sections.

4.2.1 Branch where service is offered

Slightly more than half (54%) of the respondents stated that they were receiving service at the branch where their account is held while 46% were receiving it in other branches.

Figure 3: Branch where service is offered

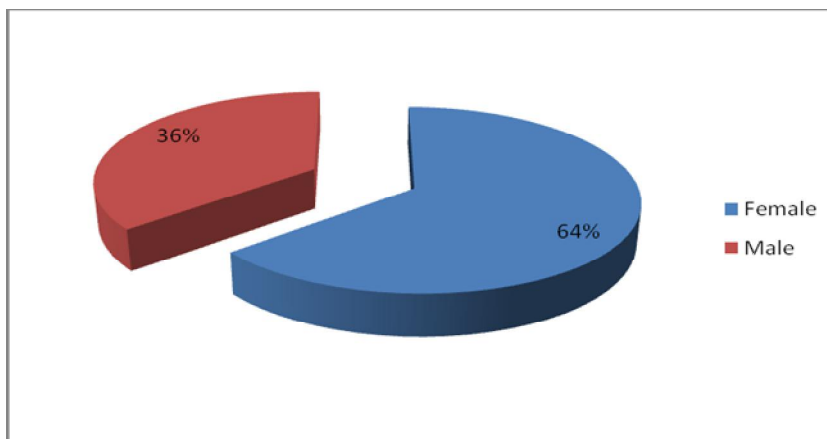


Source: Research data

4.2.2 Gender

In terms of gender, 64% of the respondents were female, compared with 36% who were male (Figure 4).

Figure 4: Respondents' gender

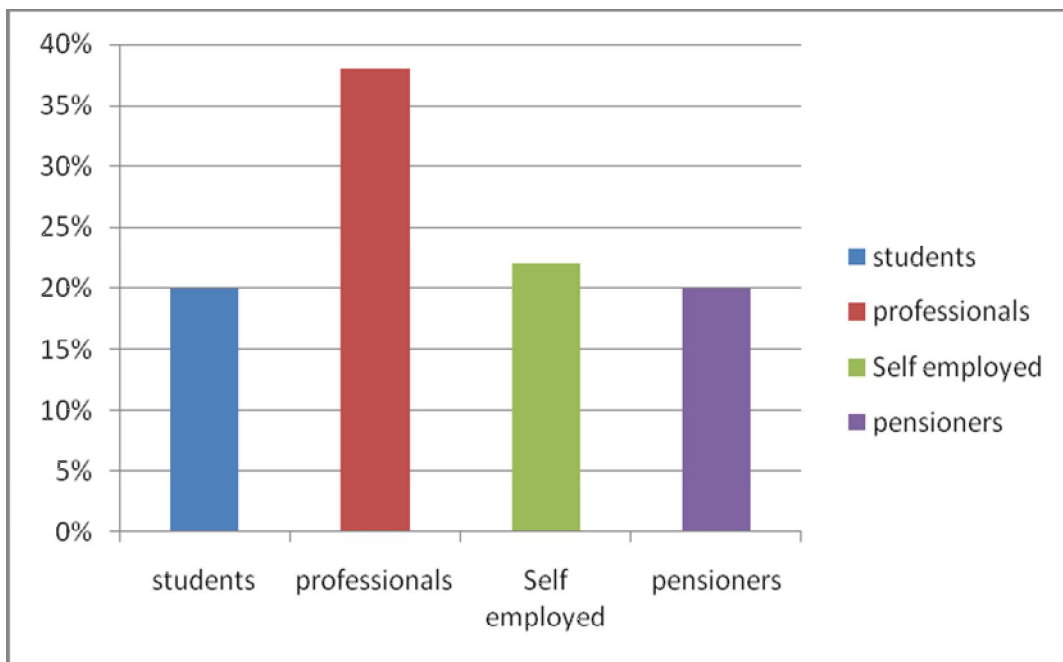


Source: Research data

4.2.3 Customer classification

The results of the study also revealed that 20% of the respondents were students, 38% were professionals, that is, in formal employment, 22% were business people and 20 % were pensioners (Figure 5).

Figure 5: Customer Classification



Source: Research data

4.3 Customer Perceptions on Service Delivery

In the service sector it is important for companies to monitor and evaluate the customer perceptions of the quality of services delivered to their customers. This objective of the study was to determine the perceptions of KCB customers towards the quality of service.

4.3.1 Length of time with the Bank

The study sought to establish how long the respondents had held an account with the bank. The responses are summarized in Table 3.

Table 3: Length of time with the Bank

Length of Time (Years)	No of Respondents	Percentage %
1-3	8	18
4-6	15	33
7-10	10	22
More than 10	12	27
Total	45	100

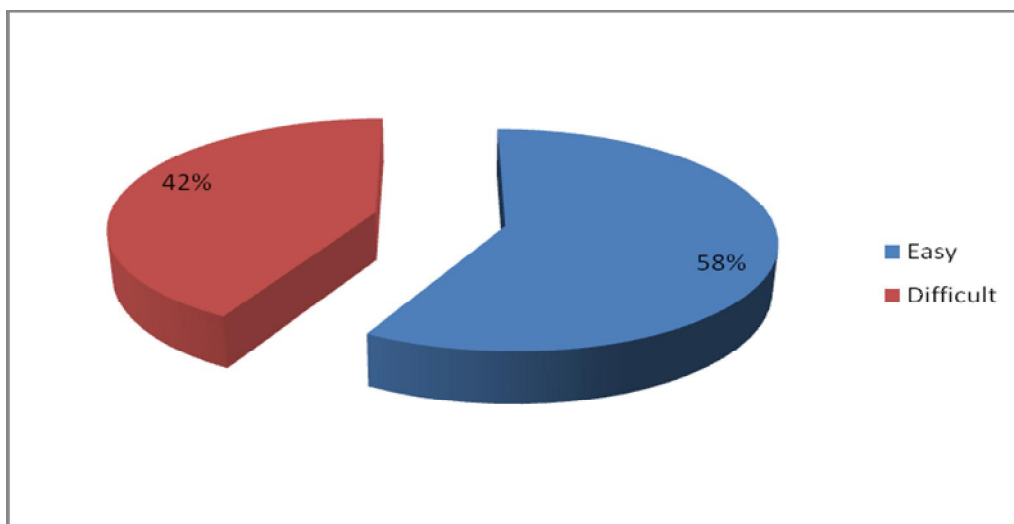
Source: Research data

As shown in Table 3, a majority (82%) of the respondents has held an account with the Bank for more than 4 years. Some, 27% of the respondents have been with the Bank for more than 10 years, while those who have been with the Bank for up to three years comprised 18%.

4.3.2 Account opening process

This study targeted respondents who have been with the Bank for 1 to 3 years and sought to find out their views of the account opening process. Seven out of the 12 respondents (58%) said the account opening process was easy while 5 respondents (42%) felt that the account opening process was difficult (Figure 6).

Figure 6: Account opening process



Source: Research data

4.3.4 Frequency of Customer visits to the Bank

The study also sought to establish how regularly the customers visited the Bank for banking services. The research revealed that most customers make up to between 4 and 6 visits to the Bank to obtain services. This represents 38% of the total respondents as evident in Table 4. Further 84% of the respondents visit KCB branches more than 3 times in any single month.

Table 4: Frequency of visits to the bank by Customers

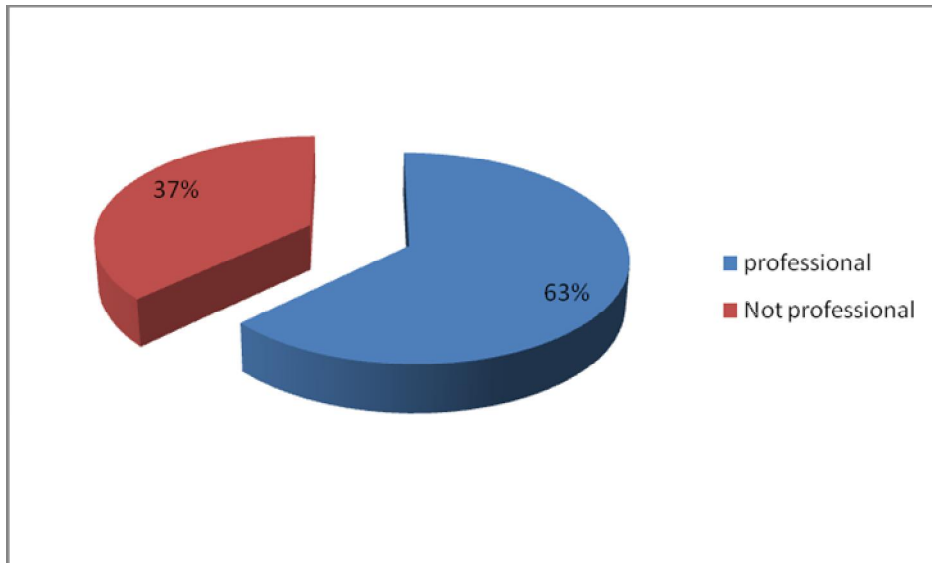
No of visits	No of respondents	Percentage
1-3	7	16
4-6	17	38
7-9	13	28
10 and above	8	18
Total	45	100

Source: Research data

4.3.5 Customer perceptions of staff

The study results showed that customers were relatively happy with their Bank staff. Thus 63% of the respondents described the Bank staff as professional while 37% described them as non-professional. The relevant elements of professionalism in the study were competence, organization and help. Rude, slow and incompetent formed the unprofessional cluster (Figure 7).

Figure 7: Customers' description of staff



Source: Research data

4.4 Respondents' Perceptions of Quality of Service

The study further sought to evaluate and determine how the customers perceived the quality of service offered by the Bank. In response to the question on their view of the various key banking services offered by the Bank, the respondents provided views which are summarized in Table 5.

Table 5: Key customer service ratings

Service	Excellent 5	Good 4	Average 3	Poor 2	Very Poor 1	Total%
ATM Services	29	20	18	15	18	100
Teller Services	13	31	27	18	11	100
Credit Card	9	20	29	24	18	100
Loans	18	33	22	18	9	100
Customer Service	12	29	22	13	9	100

It is a clear indication that KCB customers on average like the various banking services. Out of a maximum possible percentage of 100 for ATM services, 49% of the respondents

felt that the service was above average while 33 % thought that the ATM service was poor. Ratings on credit card indicated that 9% of the customers felt that the service was excellent and 29% of the respondents rated the service as average. A total of 42% of the respondents were dissatisfied with credit card services. Half of the respondents (51%), rated loans service as above average and 9% felt it was very poor. Slightly more than half of the respondents (56%) felt that customer service was above average. 71% rated teller services as average and or above average compared with 11% who felt that the teller services were very poor.

The study further sought to assess the extent to which the respondents agreed with the mode and kind of service they received from the Bank. Findings were as tabulated below;

Table 6: Perception of the mode and kind of service received

Service	N	Mean Score Out of 5
Service delivery is polite and friendly	45	3.11
Transactions are accurately and quickly processed	45	3.47
The time I spent queuing is acceptable	45	2.78
Staff are efficient and knowledgeable	45	3.24
The banking hall is neat and well organized	45	3.95
I feel safe and secure while banking in KCB	45	3.51
I feel confident in the services offered by KCB	45	3.42
KCB has the equipment and facilities to offer good service	45	3.86
Average	45	3.42

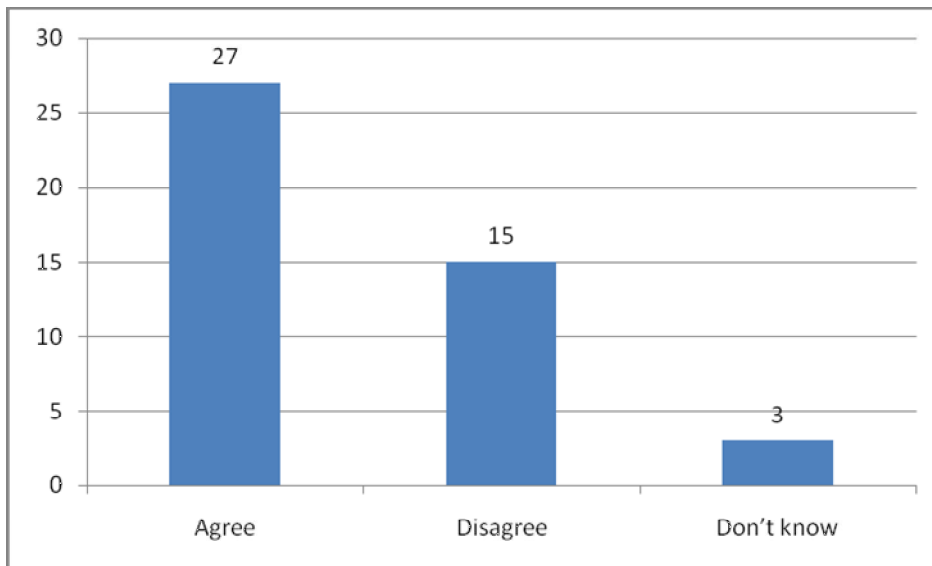
Respondents indicated a low mean score of 2.78, which can be interpreted to be dissatisfaction with the time that they spent queuing for service. The banking hall was perceived to be neat and well organized with a mean score of 3.95 out of a possible 5, and

the equipment and facilities at the Bank's disposal were thought to be suitable for quality service delivery (mean score 3.86). The Respondents' average mean score was 3.42, spread from the lowest score of 2.78 to the highest score of 3.95.

4.4.1 Bank's Products and services

The respondents also felt that the Bank's products and services sided with their values and beliefs with 27 out of a total of 45 agreeing, 15 disagreeing and 3 did not know

Figure 8: Products and Services fit with Values and Beliefs



Source: Research data

The study further assessed the customers' views on some strategies by KCB aimed at delivering better service to the customer.

Table 7: Results on Assessment of KCB strategies

Strategies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total Percentage
The names of products are appealing	29	26	20	9	16	100
The diverse products in KCB make it a bank of choice	31	22	20	16	11	100
The contact center offers effective on call service response to customers	56	38	4	2	0	100
KCB products and services are better than the others in the market	24	20	20	18	18	100
KCB's branch network makes its services easily accessible	63	33	4	0	0	100
The opening hours are convenient for customers	56	42	2	0	0	100

Among the strategies, 63% of the respondents felt that the Bank's branch network makes service easily accessible. Slightly more than half of the respondents, that is, 56 % strongly felt that the contact centre is effective on service response and 98% thought that the banking hours are convenient. 18% of the respondents were of the opinion that the Bank's products and services are not better than the others in the market while 24% strongly felt that they were. Further, 27% of the respondents indicated that the Bank's products and services did not make it a bank of choice while 20% were neutral on the appeal of product names.

4.5 Dimensions of service delivery

Quality service is pegged on various dimensions that make a customer's experience worthwhile. The study sought to find out the perceptions of customers towards the

reliability, responsiveness, empathy of staff in delivering service as well as tangible factors such as equipment in KCB. The extent of importance of the selected dimensions of service was evaluated with the findings tabulated as in table 8 below.

Table 8: Dimensions of Service Delivery

Dimension	N	Mean
Reliable and accurate service delivery	45	3.84
Prompt response to customer issues	45	4.28
Competent and skilled staff in service delivery	45	4.00
Understanding and caring for the customer	45	4.30
Clean environment around the customer	45	3.44
Average	45	3.97

All dimensions were regarded important with understanding and caring for the customer being the most important, scoring a sample average mean score of 3.97. Most respondents rated understanding and caring to be of highest importance (Mean 4.30). Prompt response to customer issues was of high importance (mean 4.28). Competence (mean 4.00), reliability and accuracy (mean 3.84), were of higher importance than the environment around the customer (mean 3.44).

Generally, most of the respondents rated the services offered to be at average quality or above. Some of the critical areas of banking services such as teller services did not have a strongly convincing score and is therefore a possible weakness area that needs to be addressed. Others with lower scores that require attention include credit card services, queuing for services and making the products and services better. The contact center, the branch network and the opening hours are strengths for the Bank having been rated highly by the respondents.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

This chapter discusses the findings of the study and the conclusions reached. The findings were summarized based on the objective of the study, the conclusions drawn and the recommendations made are as a result of the customer perceptions of the quality of service.

5.2 Summary

Service quality is measured by the extent to which it meets or exceeds the customers' needs or expectations. To establish the perceptions of customers on the quality of service offered by KCB the study sought to elicit responses on liker type scale and rating scales.

From the findings, customers had higher expectations that resulted in most of the relevant research areas being rated average (sample average of 24% of the respondents). 37% of the respondents found the staff in the Bank to be rude, slow. On the mode and kind of service offered, areas of polite and friendly service (mean 3.11) and staff competence need some improvements since the respondents have strongly positive perception on the equipment and facilities at the Bank's disposal. Dimensions of service delivery that is reliability, responsiveness, competence, empathy and tangibles such as the environment had the highest sample mean score of 3.97. The important elements to the respondents were caring and understanding the customer, with a mean score of 4.30 and the least important was the cleanliness of the environment around the customer (mean 3.44).

5.3 Conclusion

The study intended to find out the perceptions of customers towards the quality of service offered at KCB. Sample mean scores of 3.97 for dimensions of service delivery and 3.42 for mode and kind of service received, characterized the results of the data analysis. This against a score of maximum 5 was interpreted to be average. Thus, the quality of service

delivered at the Bank can be improved since it is not exceeding the respondents' expectations. The analysis also indicated that more than half of the respondents rated the services at average or above. On the dimensions of service delivery, important areas for respondents were, understanding and caring for the customer as well as prompt response to customer issues. The Bank's strengths were the contact center and the opening hours for the bank. The study also identified weak areas that require attention including teller services, queuing for service and credit card services.

5.4 Limitations

KCB is a regional bank with a large branch network and a bigger sample size for the population would have been better suited for this study. This was not possible due to scarcity of funds and time. Other branches outside Nairobi could have been included in the sample to make the results more formidable.

The banking industry is very competitive with homogeneous products and a lot of word of mouth information on services is in the public domain. This raised a difficulty in knowing whether the willing respondents were actually representative of the entire population.

5.5 Recommendations

The findings indicate a generally average perception on service quality. The Bank should strive to deliver service that is of excellent quality in order to affirm its position in the market as a regional bank. The bank needs to further research on the expected service by the customer verses the perceived service to be able to bridge the gap and differentiate itself on the strength of the kind of service offered to customers. The Bank needs to properly formulate its product strategies, to build on product diversity and features so as to stand out against the competition, more so because of the similarity of the products in banking. To narrow the gap, KCB can further train its staff on excellent customer service and address the majorly low scoring areas of credit cards and queuing for services.

REFERENCES

- Bick, G., Brown, A. and Brat, R. (2004), **Customer perceptions of the value delivered by retail banks in South Africa**, The International Journal of Bank Marketing, Vol. 22 Nose 4/5, pp. 300-18, McGraw Hill, New York.
- Bitner, M. (1990), **Evaluation service encounters: the effects of physical surroundings and complaint reports**, Journal of Marketing, Vol. 54 No. 4, pp. 69-82, American Marketing Association.
- Chaoprasert, C. and Elsey, B. (2004), **Service quality improvement in Thai retail banking and its management implications**, ABAC Journal, Vol. 24 No. 1, pp. 47-66.
- Karatepe, O., Yavas, U. and Babakus, E. (2005), **Measuring service quality of banks: scale development and validation**, Journal of Retailing and Consumer Services, Vol. 12 No. 5, pp. 373-83, Emerald Group Publishing.
- Kibor J.A., 2008, Perception of consumers in Mombasa on the quality of services offered by National Hospital Insurance Fund. **Unpublished MBA Project**, University of Nairobi.
- Kincaid W.J., 2003 **Customer Relationship Management: Getting it Right**. Available online on <http://www.amazon.com/Customer-Relationship-Management-Getting-Right/>
- La Londe B J, M.C.Cooper and T.G Noordewier, 1988, **Customer Service: A management Perspective**, International Journal of Physical Distribution and Logistics Management, Emerald Group Publishing.
- Lea Strickland, 2008 **Customer Satisfaction: Perception of Product and Service Quality**, Posted: 12-30-2008: 2008 F.O.C.U.S. Resource. Available online on www.ehow.com/facts_7467436_customer-perception-quality-service
- Leonard B., and Parasuraman A., 1991, **Marketing Services: Competing Through Quality**. New York: Free Press

Maina P.M., 2001 Perceived Service Quality; The case of mobile phone Services. **Unpublished MBA project**, University of Nairobi

Mohammed Hossain and Shirley Leo, 2009, **Customer perception on service quality in retail banking in Middle East: the case of Qatar**, International Journal of Islamic and Middle Eastern Finance and Management, Vol. 2 No. 4, 2009 pp. 338-350 Emerald Group Publishing Limited.

Munyoki M. and Anyim Kevin O., 2010, **An Investigation into the Marketing Strategies used by Commercial Banks in Managing Service Breakdown among SME Customers. Some Experiences in Kenya**, Unpublished Research Paper, University of Nairobi

Parasuraman, A., Zeithaml, V. A., & Berry, L. L. . (1985). **A Conceptual Model of Service Quality and Its Implications for Future Research**. *Journal of Marketing*, 49(4), 41-50. JSTOR. Retrieved from <http://www.jstor.org/stable/1251430>

Sanchez, P. M., Gazquez Abad, J. C., Carrillo, G. M. M., & Fernandez, R. S. (2007). **Effects of service Quality Dimensions on Behavioral Purchase Intentions; A study in public sector transport**, Managing service quality.

Sheetal B S, Harsh V V, 2004, **Relative importance of service quality dimensions; A multisectoral study**, Journal of service research Vol 4 No 1. Institute for International Management and Technology.

Tsiotsou Rodoula 2005 **Perceived Quality Levels and their Relation to involvement, Satisfaction and Purchase Intentions**; Marketing bulletin 2005, 16, Research Note 4

Turban, Efraim (2002), **Electronic Commerce: A Managerial Perspective**, Prentice Hall.

Zeithaml, V.A. and Bitner, M.J. (1996), **Services Marketing**, McGraw-Hill, New York, NY.

APPENDICES

Appendix 1: Letter of Introduction to the Respondent

University of Nairobi,
School of Business,
P.O Box 30197, 00100
Nairobi.

6 July 2011

Dear Respondent,

RE: COLLECTION OF DATA

I am a postgraduate student undertaking a Master of Business Administration Degree program at the School of Business, University of Nairobi. I am currently undertaking a research project on customer perceptions of the quality of services offered by commercial banks in Kenya: The case of KCB branches in Nairobi.

You have been selected to form a part of this study because of the strategic information that you have on the banking industry in Kenya. I therefore request you to assist me collect the data by filling out the accompanying questionnaire.

The information that you provide will be used exclusively for academic purposes, and I assure you that the information shall be treated with strict confidence.

Thanking you for your anticipated cooperation.

Yours faithfully

Magori N. Violet
Student

Francis Kibera PhD
University Supervisor

Appendix 2: Questionnaire

CUSTOMER PERCEPTIONS OF THE QUALITY OF SERVICES OFFERED BY COMMERCIAL BANKS IN KENYA: THE CASE OF KCB BRANCHES IN NAIROBI

Introduction:

Please answer all the questions to the best of your knowledge. Your views, opinions and evaluations are important in this research. Your individual responses will only be used to compute percentages, proportions and average scores. Be assured that your responses will be confidential and shall not be revealed to a third party.

SECTION A PERSONAL INFORMATION

- Name of customer (Optional);

- Branch where account is held

- Branch where service is offered

Gender Male () Female ()

Occupation_____

- Customer classification
 - a. Student ()
 - b. Professional ()
 - c. Business Person ()
 - d. Pensioner ()

SECTION B: CUSTOMER PERCEPTIONS

1. How long have you had an account with the bank
 - a. 1 - 3 years ()
 - b. 4 - 6 Years ()
 - c. 7 - 10 Years ()
 - d. More than 10 Years ()

2. For those who have been with the bank for 1-3 years, what are your views on the account opening process
 - a. Easy ()
 - b. Difficult ()

3. How many times would you say you visit the bank for services in a month
 - a. 1 - 3 ()
 - b. 4 - 6 ()
 - c. 7 - 9 ()
 - d. 10 and above ()

4. How would you generally describe the staff at the bank. Tick one cluster

Professional (Competent, Organized, Helpful) ()

Not professional (Rude, Slow, Incompetent) ()

5. Rate the following services offered at KCB using Excellent, Good, Average, Poor, and Very Poor.

Service	Excellent	Good	Average	Poor	Very poor
ATM Services					
Teller Services					
Credit Card					
Loans					
Customer Service					

6. To what extent do you agree or disagree with the following (Please tick one for each item)

Service	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Service delivery is polite and friendly					
Transactions are accurately and quickly processed					
The time I spent queuing is acceptable					
Staff are efficient and knowledgeable					
The banking hall is neat and well organized					
I feel safe and secure while banking in KCB					
I feel confident in the services offered by KCB					
KCB has the equipment and facilities to offer good service					
I would recommend KCB products and services to someone else					

7. Do KCB products and services side with your values and beliefs

- a. Yes
- b. No
- c. Can't say

8. To what extent do you agree with the following strategies by KCB to meet your banking needs and expectations.

Strategies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The names of products are appealing					
The diverse products in KCB make it a bank of choice					
The contact center offers effective on call service response to customers					
KCB products and services are better than the others in the market					
KCB's branch network makes its services easily accessible					
The opening hours are convenient for customers					

9. Please rate the following service delivery dimensions in matter of importance to you, the customer

Dimension	Most Important	Very Important	Important	Least Important	Not Important
Reliable and accurate service delivery					
Prompt response to customer issues					
Competent and skilled staff in service delivery					
Understanding and caring for the customer					
Clean environment around the customer					

Thank you for taking time to complete this questionnaire