THE EFFECT OF CUSTOMER EXPERIENCE STRATEGY ON THE PERFORMANCE OF KENYA COMMERCIAL BANK LIMITED

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

Signed ……………………………….. Date………………………………………

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This project has been submitted with my approval as the university supervisor.

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DEDICATION

To my parents who have ensured I have excelled in education May the Lord bless you. To my
wife and son, thanks a lot for your support and encouragement during my educational endeavors.
ACKNOWLEDGEMENTS

To the almighty God for having given me good health and the strength for my entire life and particularly during this period of my research work. To my parents and family for giving both material and moral support throughout this study period and to my employer KCB, for giving me the opportunity and resources to pursue my education further.

To Dr. Awino, my supervisor, for his valuable guidance, support and dedication throughout the period of study and to all my colleagues and friends for their moral support.
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ABSTRACT

The banking industry in Kenya has witnessed a tremendous growth in the last decade. This has led to an increase in the number of banks in the country and opened an environment for serious competition. In today’s highly competitive business environment, banks must come up with strategies that aim to improve their performance. One of these strategies is customer experience strategy. With products becoming commoditized, price differentiation no longer sustainable and customers demanding more, banks are focusing on delivering superior customer experiences. A successful strategy should paint a vivid picture of how the company would like customers to perceive it across the three key dimensions: meeting customers’ needs, being easy to work with, and being enjoyable to work with. It should call out the aspects of customer experience that are most critical to a company’s aspirations for differentiating itself. This study sought to establish the effect of the customer experience strategy on the performance of Kenya Commercial Bank. The study indeed found out that the performance of KCB, as measured by the key performance indicators, has improved since the inception of the strategy in 2008. The growth of customer numbers, loans and deposits and profit before tax was phenomenon. The study used both primary and secondary data. Primary data was collected from senior managers of the bank by way of an open ended interview. This was the most appropriate method of collecting data as it involved the key people involved in the implementation and monitoring of the strategy. The study also found out that with the changing business environment, progress in service industry and the focus on customer service, has forced the bank to change their focus from customer acquisition to customer retention by building relationships with customers and adding more value to goods and services. In order for a customer experience strategy to succeed it requires executive commitment, company-wide empowerment and enabling technology. The involvement of the
executive ensures that the customer experience advocacy permeates the entire organization, getting buy-in from leaders company-wide and ultimately ensuring a top quality customer experience across all customer touch-points. The implementation of this strategy has not been smooth. It received a lot of challenges thus making it difficult to achieve the desired levels of customer experience. The challenges have been internal to the bank and efforts have been put in place to mitigate their effects. Some of the challenges include: an organizational culture that is not supportive of the strategy, the employees’ attitude towards the strategy, lack of adequate training for all employees due to expansive nature of the company and finally the inadequate infrastructure to support the strategy. The researcher recommends further studies to be done to find out how this strategy can be used to enhance the brand visibility and differentiation in the market. Studies also need to be done to establish other customer experience initiatives employed by other service organizations in meeting the customer expectations.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today’s highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for large corporations to survive and prosper. The firms must engage in strategic planning that clearly defines objectives and assesses both the internal and external situations to formulate strategy, implement the strategy, evaluate the progress and make adjustments as necessary to stay on track. Strategy is a framework through which an organisation can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. In order for these corporations to remain competitive, they must formulate relevant strategies in response to the changes in the environment in which they operate.

Over the years, organizations have competed on products and pricing. With increased competition, reduced profitability and minimal growth organisations are formulating strategies that aim to promote customer loyalty. One of these strategies is customer experience strategy. Customer experience refers to the total of all experiences the customer has with the business, based on all interactions and thoughts about the business. Positive customer experience leads to customer loyalty and improved performance. It is now apparent that a company's ability to deliver an experience that sets it apart in the eyes of its customers serves them to buy more from the company and, optimally, inspire loyalty to its brand. Sebor (2008) argues that "loyalty is now driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs."
The growth and performance banking industry majorly depends on uptake and usage of the banking products offered by different players in the industry. Organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment), product market performance (sales, market share) and shareholder return (total shareholder return).

1.1.1. The Concept of strategy

Strategy is the pattern of activities which has an impact on the achievement of the organisational objectives in relation to its environment. Strategic management is the most important activity undertaken by any business or public organisation (Eisenhardt and Zbaracki, 1992). According to Teece et al., (1997) business strategy is concerned with how the company competes within a particular industry. If the company is to prosper within an industry it must establish a competitive advantage over its rivals. Managers are constantly learning to play by a new set of rules.

According to David (2007), strategy can be described as the unique and distinctive actions that a company takes on the organizations value chain to achieve a competitive advantage that will contribute to greater net profitability. Organizations must be flexible to respond rapidly to competitive and market changes. They must benchmark continuously to achieve best practice. They must outsource aggressively to gain efficiencies. And they must nurture a few core competencies in race to stay ahead of rivals.
The purpose of a strategy is to make a company fit into its business environment. Various approaches have been adopted when coming up with a business strategy. The contingency approach holds that the success of an organization depends on the context in which it is operating. The contingency theory suggests that there is no universal set of strategies which is optimal for all businesses or companies and thus different strategies should be designed for different environmental contexts (Gardner et al., 2000). Zeithaml et al., (1988) reckons that the effectiveness of the strategy depends on the appropriate matching of organisational contingency factors to fit the company’s context (Zeithaml et al., 1988).

Rundh (2009) observes that research on business strategy has to a great extent been concerned with what makes a business company effective in its environment and to explore the organisational processes required to enhance this effectiveness. It is often emphasised that since the environment is always changing, strategic management has to be a continuous process. The effectiveness of the organisation and its potential for accumulating resources is assumed to be a function of matching the influences of the environment with the capabilities of the organisation. Research in business strategy is then often concerned with how businesses achieve competitive advantage (Slater and Olsson, 2001).
1.1.2. Customer Experience Strategy

Wikipedia, an online encyclopaedia, has defined customer experience as the sum of all experiences a customer has with a supplier of goods or services, over the duration of their relationship with that supplier. This experience ranges from awareness, discovery, attraction, interaction, purchase, use, cultivation and advocacy. It is a customer journey which makes the customer feel happy, satisfied, justified, with a sense of being respected, served and cared, according to his/her expectation or standard, right from first contact and through the whole relationship.

Pine and Gilmore (1998) were some of the first writers to address the notion of the customer experience. In their paper in 1998; “Welcome to the experience economy” they observed that as services are becoming more commoditised leading-edge companies are competing on experiences. Customers today have innumerable choices and high expectations. Attracting customers on the strength of product or service differentiation is becoming harder and harder. The only way companies can make a difference is by delivering a great customer experience. One that is better than one’s competitors. To do so, they need to understand their customers better than their competitors, and use the knowledge effectively to deliver customer satisfaction.

According to Fiveson (2010) Understanding customers doesn’t end with knowing who your customers are and what they've bought. While it begins with attraction, it continues with cultivation of the relationship. It extends to attaining a deeper insight into customers so that you are able to intuitively understand what they expect at any given moment. To acquire such insights, you need a 360' view of your customer.
The idea of the customer experience appears to have resonated with practitioners and academics alike and many managers and service researchers now talk about the customer experience. However, little research has been done on the customer experience compared to other service related topics. The available literature suggests that whatever the service (or indeed product) a customer is buying or receiving, that customer will have an experience; good, bad or indifferent, i.e. a service always comes with an experience (Carbone and Haeckel, 1994) and that all service encounters provide an opportunity for emotional engagement, however mundane the product or service might be (Berry and Carbone, 2007; Voss and Zomerdijk, 2007).

A challenge that seems to be emerging from the literature is how can organisations systematically engineer their customer experiences (Carbone and Haeckel, 1994) in order to achieve the “triple bottom line” i.e. to make them not only better for the customer but also better for the organisation’s staff and better for its “bottom line” i.e. cheaper and more efficient (Bate and Robert, 2007).

Delivering superior value to customers is the foundation of service provision in today’s highly competitive and dynamic markets. The challenge facing many service firms is to develop an offering that is both flexible and capable of being tailored to fit the specific requirements of customers (Edvardsson et al., 2007). It has been shown that a customer’s perception of an organization is built as a result of their interaction across multiple-channels, not through one channel, and that a positive customer experience can result in increased share of wallet and repeat business.
1.1.3. Customer Experience and Performance

Over the past decade, the banking industry has witnessed tremendous improvement in growth and profitability. The individual banks have found it challenging to sustain the growth due to increased competition, entry of new players in the market and strong bargaining power of the customers. This has led to the banks to re-strategize on how they can retain and grow their market share.

Business executives all over the world have increasingly recognized the importance of managing the customer's experience. In the current business environment, customer relationships are essential to creating a competitive advantage and thus gaining the economic benefits derived from customer retention (Verhoef, 2003). Developing and maintaining a loyal customer base is of critical importance to service firms (Kandampully and Duddy, 1999).

With products becoming commoditized, price differentiation no longer sustainable and customers demanding more, companies are focusing on delivering superior customer experiences. A 2009 study of over 860 corporate executives revealed that companies that have increased their investment in customer experience management over the past three years report higher customer referral rates and customer satisfaction (Strativity Group, 2009). This finding is also supported by research completed by software company Chordiant in 2008 into the customer experience management performance of large organisations across Europe. The research surveyed 450 large organisations and the results showed that performance in four key business areas (market share, retention, profitability, and customer satisfaction) was directly related to CEM performance.
According to Peppers and Rogers (2005), the customer experience has emerged as the single most important aspect in achieving success for companies across all industries. For example, Starbucks spent less than $10MM on advertising from 1987 to 1998 yet added over 2,000 new stores to accommodate growing sales. Starbucks popularity is based on the experience that drove its customers to highly recommend their store to friends and family.

1.1.4. Kenya Commercial Bank

According to the KCB website www.kcbbankgroup.com, the history of Kenya Commercial Bank limited dates back to 1896 when the National Bank of India set up a base at the coastal town of Mombasa and during the start of the railway line construction. In 1958, Grind lays bank of Great Britain and the National Bank of India merged leading to the formation of National and Grind lays bank.

In 1970 the government of Kenya acquired 60% shareholding in National and Grind lays bank as the government wanted to help locals to access credit easily. It became the main stockholder and changed the name to Kenya Commercial Bank Ltd. In 1976 the Government Bank acquired the remaining 40% shares and therefore became the owner of Kenya Commercial Bank Limited with 100% shareholding. The government has overtime reduced its shareholding in KCB to 17% as of December 2010 with 83% being owned by public shareholders. Over the last 15 years, the bank has extended its services to Tanzania, Republic of Southern Sudan, Uganda and Rwanda.
The KCB Limited group is the largest financial services group in East Africa, with an asset base estimated at over Kshs. 280 Billion (based on 2011 Q2 results). The Bank has the widest network of banking outlets comprising of over 220 branches and 280 automated teller machine outlets spread across the East Africa Region. The bank has also partnered with Pesa Point to provide more channels for customers to access their funds. Other channels available to customers include mobile banking (KCB Connect) and agency banking (KCB Mtaani).

The KCB is respected brand in the market and due to its regional presence, it has experienced immense growth in both infrastructure and business volumes in the recent past. The bank serves close to 1.5M customers spread across the region and boasts the largest balance sheet of any indigenous commercial bank in the region. The bank provides a wide range of banking services: Corporate banking products, Retail Banking products and Mortgage products. Each of these products are tailored for different markets i.e. corporate market, Small and Medium Enterprise market, Micro Enterprise market and individual customers.

Recently, the bank underwent a restructuring process themed as “moving from good to great”. The structure was aimed at positioning the bank on its journey to becoming a Pan African bank. It also aimed at providing a delightful customer experience to the customers.
1.2 Research Problem

Customers are the major stakeholders in any service industry. The banks being service organisations that provide financial services, their survival solely depends on the customers. For any bank to continue improving on its performance, it must differentiate itself by consistently providing exceptional customer experience. Positive experience enables the banks to retain and attract new customers thus leading to improved performance.

KCB is the largest bank in the market in terms of total assets branch network. Its profitability has grown over the years but not as proportionately as the growth in the assets. The number of customers has also not grown as expected. Late entrants in the market have experienced tremendous growth in both customer numbers and profitability and have surpassed KCB. This differential growth as compared to the competition is attributed to unsatisfactory customer experience and banks inability to optimally utilize its available resources. Delightful customer experience remains a challenge that the bank will need to overcome for it to achieve its objectives and vision of becoming the preferred financial service provider with a global reach. The bank’s focus on revamping its operations by focusing on the customer experience has attracted the interest of the researcher to find out to what extent customer experience influences the banks performance.
Various studies have been conducted in the area of strategy and how it influences performance of an organization. Mosoti (2006) in his study ‘Outsourcing and Performance of Firms in the Chemical Industry in Nairobi found that outsourcing strategy has a positive effect on the level of performance on the companies that were surveyed.

According to Wangari (2007), hair salons that employed competitive strategies recorded high performance. The strategies of cost leadership and differentiation influenced the performance positively. Nzioki (2006) is his study of the Tea Manufacturing sector found out that companies that embraced strategic management had positive performance

Gopalani and Shick (2011) in their study ‘The service enabled customer experience: a jump start to competitive advantage’ have provided the reasons why companies should adopt the customer experience strategy and how they can leverage on this strategy for competitive advantage. Johnston and Kong (2011) and Helkulla (2010) identified the benefits for improved experience are not only for the customer but also importantly, cost reduction and efficiency gains and also an improved experience for staff. Both studies did bring out the relationship of this strategy and performance.
Dagger et al (2009) in their study titled ‘Do relationship benefits and maintenance drive commitment and loyalty?’ examines what organisations can do to derive economic benefits from customer retention. The results of the study indicate that to enhance customer commitment, firms must provide focus on providing confidence, social and special treatment benefits. Specifically, service managers must ensure that customers feel secure, that they perceive minimal risk and are comfortable in the service relationship. All these activities relate to customer experience.

Although a number of studies have been done on strategy and customer experience strategy, a knowledge gap exists. None of the studies has focused on the influence of this strategy on the performance of Kenya Commercial Bank. This study, therefore, will determine the influence of Customer Experience Strategy on the performance of the Kenya Commercial Bank by looking at its benefits. Does the Customer Experience Strategy have an effect on the performance of KCB?

1.3 Research Objectives

The objective of this research is to examine the extent to which customer experience strategy affects the performance of KCB.
1.4 Value of the Study

The study will be significant to the bank as it would expose the significance of customer experience to the bank’s sustained performance. The results of the study will guide the bank management in formulating policies and business processes that are supportive of customer experience strategy. This will in turn increase competitive advantage of the bank.

The results of the study will also assist the employees in the bank to appreciate the importance of positive customer experience and learn the compelling reasons of why they should at all times provide an exception experience to the customers. The results of the study may also be applied to other organisation in the service industry since principles of customer service strategy are applicable to all service oriented organisations. Finally, other researchers may use information and knowledge provided in the study as a reference or for further research in the area of customer experience.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

For the last decade, the competition in the business world has been about efficient production and capturing the new customers in the market. But the changing environment, especially the progress in service industry and the focus on customer service, has forced the companies to change their focus from customer acquisition to customer retention (Sheth, 2002) by building relationships with customers and adding more value to goods and services (Lindgreen and Wynstra, 2005).

Wilburn (2007) has attributed the shift due to increased competition from both domestic and foreign companies. This has led to an effort by companies to reduce the number of competitors and better meet the needs of their customers by focusing only on certain consumer segments. This has had an effect of reducing the potential size of the company’s customer base. To remain in the business, the companies have to strategize on how to retain their existing customers. This can only be achieved through the provision of exceptional customer experience.

2.2 The Strategy Concept

Strategy is a framework through which an organisation can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. Henry (2008) says that competitive advantage allows an organization to meet consumer’s needs better than rivals. Its source may derive from a number of factors including its products or services, its culture, its technological know-how and its processes.
Strategy is a unifying idea that links together the functional areas in a company and related its activities to its external environment. Formulating strategy in this approach involves a juxtaposition of the company’s strengths and weaknesses and the opportunities and threats presented by its environment. Strategy is a deliberate search for a plan of action that will develop a business competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are and what you have now (Montgomery and Porter, 1991).

When formulating strategy, the organization should define its business. The business definition should be in three dimensions: who is being satisfied (the customer), what is being satisfied (customer needs) and how customer needs are being satisfied. This approach according to Hill and Jones (2008), stresses the need for a customer oriented rather than product oriented business definition. The customer oriented definition safeguards the company from being caught unaware by major shifts in demand. It also helps companies in capitalizing on changes in their environment.

2.3 The Customer Experience Strategy

Shaw et al. (2010) defines customer experience as an interaction between an organisation and a customer as perceived through a customer’s conscious and subconscious mind. It is a blend of an organization’s rational performance, the senses stimulated and emotions evoked, and intuitively measured against customer expectations across all moments of contact. Customer experience strategy is a plan that guides the activities and resource allocation needed to deliver an experience that meets or exceeds customer expectations.
A successful strategy should paint a vivid picture of how the company would like customers to perceive it across the three key dimensions: meeting customers’ needs, being easy to work with, and being enjoyable to work with. It should call out the aspects of customer experience that are most critical to a company’s aspirations for differentiating itself. It should also help organisations direct its activities and processes. Companies differentiate themselves by performing different activities than their competitors or by performing the same activities differently. An effective strategy informs customer experience professionals’ decisions about what their companies need to start doing, stop doing, or do differently. The hardest thing for competitors to copy is the customer experience a company creates (Hunsaker, 2010).

According to Richardson (2010) every company provides a customer experience regardless of whether it is created consciously. That experience may be good, bad or indifferent, but the very fact that the company has customers, the company interacts with those customers in some manner, and provide them products and services, means that they have an experience with it and its brand.

Allen et al. (2005), warn that the larger a company's market share, the greater the risk it will take its customers for granted. As the money flows in, management begins confusing customer profitability with customer loyalty, never realizing that the most lucrative buyers may also be the angriest and most alienated. Worse, traditional market research may lead the firm to view customers as statistics. Managers can become so focused on the data that they stop hearing the real voices of their customers.
Creating a superior customer experience requires understanding the customer's point of view: "What's it really like to be your customer? What is the day-in, day-out 'customer experience' your company is delivering? How does it feel to wait on hold on the phone? To stand in line, be charged a fee, wait for a service call that was promised two hours ago, come back to an online shopping cart that's no longer there an hour later? Or what's it like to be remembered? To receive helpful suggestions? To get everything exactly as it was promised? To be confident that the answers you get are the best ones for you?"

Allen et al. (2005) further argues that for companies to achieve a successful customer experience strategy, it must do three things: They need to design the right offers and experiences for the right customers, they need to deliver these propositions by focusing the entire company on them with an emphasis on cross-functional collaboration and to develop their capabilities to please customers again and again—by such means as revamping the planning process, training people in how to create new customer propositions, and establishing direct accountability for the customer experience.

Customer experience strategy can be used to differentiate a brand. The brand will stand out if it delivers its customer promise in the context of the full customer experience—whenever and wherever the customer interacts with the product or service. Keeping customers, gaining new ones, increasing customer wallet share, and forging bonds with all customers are evidence of the success of the customer-experience focus.
In the current customer-dominated economy, the company’s brand strength depends on how better they are than their competitor in delivering customer experiences. Enhancing their customer brand experience consistently requires the right insight into their customer expectations. And the customer doesn’t always say outright what his expectations are. The companies need to be equipped to listen to their customer’s said and unsaid needs to employ the right efforts and drive the right results.

Organisations that have implemented successfully customer experience strategies have satisfied customer. The links between customer satisfaction and financial performance have drawn some recent attention in the academic literature. Srivastava et al. (1998) suggested that high customer satisfaction leads to an acceleration of cash flows, an increase in the volume of cash flows, and a reduction in risk associated with those cash flows. Loveman (1998) also found a positive relationship between customer satisfaction and overall revenues. The increased revenues can be attributed to customers buying additional products and services from a supplier (Anderson and Sullivan, 1993). Additionally, increased revenue could come from the acquisition of additional customers. Profitability is also affected as higher levels of retention and customer satisfaction lead to higher future revenues (Rust et al., 1995).

William and Naumann (2008) suggests that at the aggregate level, there appears to be strong evidence that customer satisfaction is positively linked to loyalty, revenue, and profitability. Logically, highly satisfied customers will be more loyal and, hence, stay longer and spend more. Over this longer customer life expectancy, customers will increase their expenditures annually as highly satisfied customers should have a higher annual revenue and profitability than less satisfied customers (Anderson et al., 2004)
In order for a customer experience strategy to succeed it requires executive commitment, company-wide empowerment and enabling technology. The involvement of the executive ensures that the customer experience advocacy permeates the entire organization, getting buy-in from leaders company-wide and ultimately ensuring a top quality customer experience across all customer touchpoints.

In the implementation of the customer strategy, companies tend to ignore the role of the employees in the process. According to Fiveson (2010), companies might spend millions to attract customers, but don't pay enough attention to the people that can really help realize success and customer lifetime value. To build a strong customer experience, companies should start with the employees. One of the best ways to ensure a powerful customer experience is to create a happy environment for employees who are responsible for your brand value and vision.

Happy employees replicate the experience for the customer – It is natural to want to spread happiness, and a real happy disposition is bound to bring a smile to the customer. It is essential for organizations to define a work culture that reflects their commitment to employees and fosters a sense of genuine caring and optimism among all rungs.
Fiveson (2010) further stresses that engaged workforce goes the extra mile to keep customers happy and is more productive. They work as a unit, collaborating for the success of the organization by understanding customer preferences and implementing them at every level for better product and enhanced service strategy. Happy customers are the best marketing agents a company can acquire. With a management team and workforce that realizes the value of people, the company succeeds in delivering its brand value promise, achieve enviable customer allegiance, and profits too.

2.4 The Customer Experience Management

According to Schmitt (2003), companies of all kinds acknowledge that their customers are important; that customers are the company’s most valuable asset; that the company survives only when it has customers and grows only when it can retain them and recruit new ones; and that the company, therefore, should be structured and managed around the customer.

The term Customer Experience Management (CEM) represents the discipline, methodology and process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service. Customer experience solutions provide strategies, process models, and information technology to design, manage and optimize the end-to-end customer experience process. The CEM involves strategically managing a customer's entire experience with a product or a company.
Customer experience management (CEM) therefore is the collection of processes a company uses to track, oversee and organize every interaction between a customer and the organization throughout the customer lifecycle. The goal of CEM is to optimize interactions from the customer's perspective and, as a result, foster customer loyalty.

The goal of customer experience management is to move customers from satisfied to loyal and then from loyal to advocate. Traditionally, managing the customer relationship has been the domain of Customer Relationship Management (CRM). However, CRM strategies and solutions are designed to focus on product, price and enterprise process, with minimal or no focus on customer need and desire. The result is a sharp mismatch between the organisation’s approach to customer expectations and what customers actually want, resulting in the failure of many CRM implementations.

Where CRM is enterprise-focused and designed to manage customers for maximum efficiency, CEM is a strategy that focuses the operations and processes of a business around the needs of the individual customer. Companies are focusing on the importance of the experience and realizing that building great consumer experiences is a complex enterprise, involving strategy, integration of technology, orchestrating business models, brand management and executive commitment. CEM is a new paradigm that represents a radical break from the old marketing and management approaches. It offers analytical and creative insight into the customer’s world, strategic tools for shaping that world, and implementation tools that companies can use to increase customer value.
Bennekom (2007) notes that Companies with superior CEM practices, design their business processes cognizant of the customer, especially in those customer touch points which are concentrated in the service functions. These companies put themselves in the customer's shoes and consider what creates value from the customer's standpoint, thus making their company stand out. This value focus reduces the price focus in customers' decision making calculus.

According to Fiveson (2010), at every touch point employees can "make a difference" to the customer experience journey. The customer experience management (CEM) program needs to motivate employees to transfers their experiences of the company, its culture each and every time they touch a customer. So, simple as it sounds, if the employees are kept happy, focused and rewarded, they create the same experience for their customers. Such people-centric experiences increase brand loyalty and build a dedicated customer following for the brand.

2.5 Customer Experience and Organizational Performance

According to Cartin (1999), the most significant change in managing quality in recent years is the focus on customer satisfaction as the prime organizational objective. Satisfying customer needs and expectations has become the driving force for quality management. It is the highest priority of management. It requires a systematic approach. Research has shown that superior quality increases market share
Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.) and shareholder return (total shareholder return, economic value added, etc.). Well performing companies often enjoy a competitive advantage over the rest in the industry and are able to deliver on quality and superior products and services.

Customer Satisfaction is a pillar to the success of any business. This is easily forgotten in times that place acquiring new customers into the centre of business and marketing strategies. A high customer satisfaction will bring loyal customers and therefore a huge potential: they buy more often, with a higher order value, and they are likely to bring new customers.

William and Naumann (2008) in their study established relationship between customer experience strategy and performance. The results of their study indicated that customer satisfaction was positively related to earnings per share, revenue, net income, stock price and price earnings ratios of an organization. They stressed the importance of firms being customer focused by having improved customer satisfaction as a strategic goal.
Performance is driven, in part, by organizational capacity, which exists in seven basic areas: strategic leadership, human resources, financial resources, infrastructure, programming and process management, and inter-institutional linkages. Each of these seven capacity areas may be described in sub-components, as for example in the organization's strategic leadership capacity which is understood as its structure, governance, leadership, strategic plans and niche management. Human resources, financial resources and infrastructure are seen as resources as well as the management of these resources. Organizations also have capacities that result from the relations, partnerships and alliances they have established with other organizations-referred to as inter-institutional linkages.

Prescott (1986) examined the relationship between an organization's strategy and its performance. This study used a database that included 1,500 firms between the years 1978-1981. According to this study, business strategy significantly influenced performance, external environment having the role to mitigate the effects of strategy on performance.

Porter (1980) studied the relationship between the organization strategy and the performance measurement process. In this study the author compared two groups of strategies (strategies aimed at reducing costs and differentiation strategies). The objective of cost strategies is gaining competitive while the objective of differentiation strategies is gaining competitive advantage by concentrating all departments of an organization to differentiate their products from those of competitors on one or more dimensions (quality, after sales service and support) (Jones & George, 2008).
Strom (2011) is his internet article “Top 5 ROI Benefits of Customer Experience Management”, has enumerated the various benefits of customer experience has on the performance of the organization. It allows businesses to "close the loop" with customers, identifying those who are at risk of defecting in time to pull them back into the fold. It also allows businesses to identify their biggest customer fans and single them out for loyalty rewards and promotional offers. These actions translate into more future visits and more money spent.

Strom (2011) further stresses that the customer experience management reduces the cost of new customer acquisition by attracting new customers more effortlessly. When positive customer experience information about the company abounds, new customers tend to follow. Customer experience leads to customer loyalty who in turn acts as brand evangelists. This reduction of costs adds up to the overall profitability of the organization.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes how the research study was conducted. It explains the research design, the data collection methods applied and how the data was analysed to produce the required information for this study.

3.2. Research design

The research study was a descriptive case study on Kenya Commercial Bank Ltd. Thomas (2011) offers the definition of a case study as the analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame — an object — within which the study is conducted and which the case illuminates and explicates. The subject of inquiry was the effect of customer experience strategy on the performance of Kenya Commercial Bank.

The case studies involve an in-depth, longitudinal examination of a single instance or event: a case. They provide a systematic way of looking at events, collecting data, analysing information, and reporting the results. As a result the researcher may gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research.
The case study was deemed suitable as it is useful in testing theory in practical situation, and it also enables one to critically analyse the case in question with a view of drawing more detailed information and specific information about the subject that can be useful in management. The purpose of descriptive research study is normally to gather information about the present existing condition without making any amendment to the actual observations. The chosen design adequately addressed the research questions and met the objective of proposed study.

3.3. Data collection methods

Personal interviews and secondary data sources were used in this study to collect primary and secondary data respectively. These methods were chosen to ensure that data gathered is both defined and accurate and that subsequent decisions based on arguments embodied in the findings are valid.

Primary data was collected by way of personal in-depth interviews with the Customer Experience Manager and Chief Business Officer. The interview guide consisted of both open and closed ended questions to allow respondents express their views without undue limitation. The interview took place within the respondents’ place of work during less busy times. Secondary data was collected from the bank’s published annual financial statements.
3.4. Data analysis

Primary data collected was analysed using content analysis. This involves analysis of meaning and implications emanating from the respondents. Content analysis has been successfully used to conduct similar studies in the past (Koske, 2003). According to Cooper and Schindler (1998), content analysis measure the semantic content or the ‘what’ aspect of message. Its breath makes it a flexible and wide ranging tool that may be used as a methodology or as a problem specific technique.

Secondary data obtained from the annual financial reports was analysed using charts. The data for each year was picked and then compared with similar data from the other periods under the study. The final data was represented using bar charts to make the comparison clear.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1. Overview

This chapter presents the analysis and findings of the study. It provides general information gathered from the respondents in determining the effect of the Customer Experience Strategy on the performance of Kenya Commercial Bank. Two senior management staff were interviewed as they are involved in the implementation and monitoring of the strategy. The data provided was taken to be a true representation of the respondents' views due to independence of the study carried out from the organization.

4.2. Customer Experience Level

The bank’s customer experience level, as measured by the customers, is average. However, there was an overwhelming believe from the respondents that the level has gradually improved over the last five years. The customer experience (satisfaction) level is obtained through an annual survey that is conducted by an independent party that is appointed by the bank. Customers across the country are sampled and asked to provide feedback regarding their level of satisfaction with the bank’s services. The results of the survey conducted for the last five clearly show that the level has been improving. The information obtained from the study is used to enrich the strategy by emphasizing on areas that the bank is not doing well.
4.3. Customer Experience Strategy

The respondents affirmed that the strategy is well understood by and communicated to all staff. The strategy has the support of the Board of Directors and top management. The conception and implementation of the strategy was started in 2008. The strategy is aimed at positioning the bank to be able to consistently exceed customer expectations. It is also meant to drive loyalty among the customers. The strategy provides the framework for the bank to make it more convenient for the customer to access banking services with ease.

This strategy has facilitated the implementation of various initiatives and strategic deliverables that have made a huge impact on the customers’ interaction with the bank. Establishment of the contact centre in 2008 enabled the customers to do enquiries, request for certain services without going to the any of the bank’s branches. The contact centre also provides the customers with the flexibility with which they can interact with the bank. They can do the enquiries at anytime and from anywhere. The contact centre also keeps track of complaint calls and emails, and calls monitoring, offer great customer insights. Frequent customer conversations are important to show them that we care about their opinions and for their continued business support. The contact centre is open all days of the week from 7am to 10pm.
Mobile and internet banking services are other initiatives that have immensely enhanced the level of customer experience within the bank. With these initiatives, the customers are able to do various banking transactions from the comfort of their homes and offices. The constant developments in the telecommunication industry are enabling the bank to offer these services. The customers are able to carry out numerous transactions using these services with ease and convenience.

Branch and ATM expansion have also greatly enhanced the experience the customers have with the bank. The customers are able to access the banking services anywhere within the country and the entire East African region. Cross border transactions are now conveniently carried out by the customers regardless of the country of domicile. In addition to the bank’s own ATMs the bank has entered into strategic partnerships with other companies that offer similar services. This partnership has enabled the customers to continue enjoying the banking services. The strategic partners are PesaPoint and Kenswitch. The bank has also entered into agency banking to provide more touch points for the customers.

Other initiatives, as a result of this strategy, that have contributed to improved customer experience include: the presence of the bank in the social media. Twitter and Facebook are playing an incredible role in bringing the bank closer to its customers than ever before. It provides an opportunity for the bank to connect and communicate every day and get involved in the lives of people that either use its products or services, or might one day. The bank has continued to review its internal business process with the customer needs in mind. This involves aligning processes, customer expectations and business objectives.
The bank has also invested in information technology infrastructure to support the initiatives. The technological investments include the robust core banking systems, intelligent ATMs. The bank has also invested in its human resource by training and equipping staff with the necessarily skills to manage the customers.

4.4. The Performance of KCB

The respondents were unequivocal that the performance of the bank has improved tremendously since the implementation of the strategy in 2008. This growth is corroborated through the bank’s annual statements. The key areas of performance include the number of customers, the value of customer deposits and loans and the profit before tax (PBT)

4.4.1 The number of customers

The number of customers from 2007 to 2010 has grown by 175%. The biggest growth was experience in 2010 where the number of customers increased by 67% compared to the year 2009. This is mainly attributed to realization by the customers that the bank is focused on meeting the expectation of the customers. The overall growth is shown in the chart below.
4.4.2 The value of customer deposits and loans

The value of customer deposits and loans has also grown since 2008 when the strategy was implemented. During the period between 2007 and 2010, the bank recorded growth of 109% and 130% in value of deposits and loans respectively. This is attributed to increase in customer numbers and also increase in uptake of the products as a result of renewed confidence in the bank. The growth figures are shown in the graphs below.
Figure 4.2: Value of Customer Deposits and Loans
4.4.3 Profit Before Tax (PBT)

Profit before tax for the bank has tremendously improved for the last four years under study. In 2010, the bank recorded a PBT of Ksh. 9.8 billion. This growth was higher by 133% compared to the PBT recorded in the year 2007. This impressive growth is a result of the customers embracing the bank and having confidence that their needs and expectation will be met. The growth of PBT is also directly related to the growth of customers and increased uptake of bank’s product and services. The growth pattern is shown in the graph below.

Figure 4.3: Profit Before Tax

![Figure 4.3: Profit Before Tax](image)
4.5. Customer Experience Strategy Challenges

Although the bank has witnessed a tremendous growth in its key performance areas, it has not fully reaped the benefits of the strategy. The bank has not been able to achieve the desired level of customer experience due to a number of challenges. The respondents highlighted three key areas that have hindered the bank from providing the customers with delightful customer experience.

For the strategy to be implemented successfully, it must have an enabling organizational culture. The bank has been undergoing a culture change that is driven by customer centricity. The new culture has not been fully embraced by all people involved in the implementation. This means that the implementation is slowed down. However efforts are being done to expedite the process culture and bring into force the concept of consequence management. The respondents noted that the key to creating robust service operational designs is through company culture. Service people make the difference, and if the culture does not support people enhancing the customer experience, it will not happen.

The people in the day to day implementation of the strategy have not been adequately trained and equipped to offer the desired level of customer experience. The training involves imparting new skills as well as drive attitude change among the employees. These skills will enable them to manage customers professionally. The training has been progressing slowly due to wider geographical distribution of the bank’s branch network. However, measures have been put in place to ensure that all employees are fully and adequately trained.
The respondents also cited the execution gaps between employee perceptions of what is important to customers and what customers say is important to them as challenge to the realization of the strategy. These gaps are often at the heart of the misalignment between the company's goals to best service the customer and its employees' actual performance.

Successful implementation of strategy requires that adequate infrastructures and resources are in place to aid the provision of the desired level of customer experience. The bank has provided resources and made available infrastructures sufficient for the realization of this strategy. However, these have not been adequate due to ever changing operating environment. These changes have significantly slowed down the implementation of the strategy. The bank has entered into strategic partnership with other services providers to enable the customers have a wider access of the banking services.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the research conclusions. It also offers a number of recommendations useful to the banks managers, scholars, planners, policy makers and other banks who may want to implement the customer experience strategy to improve their performance.

5.2 Summary

This study sought find out the effects of customer experience strategy on the performance of Kenya Commercial Bank. The study targeted the senior managers who are involved in the implementation and monitoring the effectiveness of the strategy. It used primary data which was collected using an open ended interview with the Customer Experience Manager and Chief Business Officer. Data was edited for completeness and consistency. Secondary data was also used to provide annual performance measurements to show trends in performance.

The findings indicate that the bank has the customer experience strategy that has been in existence since 2008. The performance of the bank, as measured by the key performance indicators, has been improving over the years as the result of this strategy. A number of customer experience initiatives have been implemented over the years to make it convenient for customers to interact with the bank.
Some of the initiatives that have been successfully implemented include: the establishment of the contact centre, mobile banking (KCB Connect), internet banking and agency banking (KCB Mtaani). Others include review of the bank’s internal business process with the customer needs in mind. This involves aligning processes, customer expectations and business objectives.

Other initiatives are training of all staff on customer service, improved internal business processes, increased branch network expansions (locally and regionally), strategic partnership with other service providers. All these initiatives have positively impacted and contributed to the improved performance.

The implementation of this strategy has not been smooth. It has received a lot of challenges thus making it difficult to achieve the desired levels of customer experience. The challenges have been internal to the bank and efforts have been put in place to mitigate their effects. Some of the challenges include: an organizational culture that is not supportive of the strategy, the employees’ attitude towards the strategy, lack of adequate training for all employees due to expansive nature of the company and finally the inadequate infrastructure to support the strategy.

5.3 Limitation of the study

Only two respondents were interviewed. This left out valuable contribution from the respondents who are involved in the day-to-day implementation of the strategy. They include IT Director, Operations Director and Business Re-Engineering. These respondents could have added more information to the study.
The study was focused on only one organization KCB. It therefore may not be representative of all organization in the country. However it has taken into account other views along theoretical analysis.

5.4 Recommendation to the study

The recommendation to the study includes both suggestions to KCB management as well as other service oriented organizations that wish to implement this strategy to enhance their performance. The bank’s strategies need to be communicated to all employees. The bank should adequately train its staff in preparation for implementation of any strategy that impact on its performance. The training should ensure all employees understand the strategy, its goals and objectives and their expected contribution to its successful implementation. For this strategy to be successfully implemented, the management needs to be supportive and ensure that all the resources required are available.

5.5 Area of further studies

Further studies needs to be done to find out how this strategy can be used to enhance the brand visibility and differentiation in the market. Further studies also need to be done to establish other customer experience initiatives employed by other service organizations in meeting the customer expectations.
5.6 Implication of the study on policy, theory and practice

This study is of great significance to the Kenya Commercial Bank. The findings of the study clearly show that there is a link between customer experience and performance of the bank. The improvement in the customer experience levels have positively impacted on the performance and profitability of the bank. The bank can use the recommendations of this study to strategically come up with newer initiatives that will enable it sustain the performance in the face of stiff competition. It can also use the recommendations to mitigate the challenges faced by this strategy when implementing similar strategies in the future.

Organizations that operate in the service industry can also use this study to re-examine their strategies and come up strategies that will enhance customer satisfaction. The study brings out the fact that the service organisations can only survive if they focus more on the customers. They will also learn the benefits of the strategy, challenges of implementing this strategy and how to mitigate the impact of those challenges. The principles of customer service strategy found in this study are applicable to all service oriented organisations.

The researchers in the area of customer experience will find this study more useful. The study provides a reference point for those researchers intending to carry out further studies in this area. The study has provided a theoretical framework upon which further studies can be done. It also provides an opportunity for the researchers to come with theories supporting the relationship between customer experience and performance of organisations.
In terms of practice, the results of the study will also assist the employees in the bank and in other organisations to appreciate the importance of positive customer experience and learn the compelling reasons of why they should at all times provide an exception experience to the customers. The study highlights the critical role the employees play in the successful implementation of the strategy.

5.7 Conclusion

The study found out that customer experience strategy has a positive effect on the performance of Kenya Commercial Bank. The banks continued improved performance will depend on how well the customers are delighted with the level of their experience with the bank.

The banking industry is very competitive and the bank with a competitive advantage will remain profitable in the market. From the study, it is clear that what will differentiate KCB from other banks is its offering of exceptional customer experience.

The improved customer experience has enabled the bank to retain and acquire new customers hence sustaining its performance. The bank should constantly be rediscovering better ways of enhancing its experiencing levels by observing the developments in the industry. Great companies worldwide that have invested in customer experience management systems, have continuously recorded high performance.
The study also revealed that the support of the strategy from all stakeholders is critical to its successful implementation. The operational staff must be involved not only in the implementation but also in the formulation stages to enhance their ownership of the strategy. This involvement will enable the employees change their attitude towards the strategy and also seek to acquire requisite skills to enable them successfully implement the strategy.

The more involved the employees are in the development and delivery of the Customer Experience Strategy the more engaged they will be in the role they play in that experience. Everyone should be involved because ultimately everyone plays a part in the achievement of the Customer Experience. The employees should also demonstrate commitment and loyalty towards achieving the strategy. A team does things more effectively and efficiently without compromising the quality of the customer experience. Capitalising on the creativity of the team is today’s most powerful competitive advantage.

From the study, lack of adequate infrastructure was cited as an impediment to successful implementation of the strategy. The bank needs to assess all the resources that will be required and make them available during the implementation stage. These resources include: availability of skilled manpower, material and financial resources.
REFERENCES


APPENDICES

1.1 Appendix I: Key informant interview guide

The effect of Customer Experience Strategy on the Performance of Kenya Commercial Bank Ltd

General information

Name (optional) ……………………………………………………………

Department/Unit…………………………………………………………

Position……………………………………………………………………

(a) Customer Experience Levels

i. How would you rate the customer experience levels in the bank?
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………………………………………………………………………………

ii. In your opinion, are there challenges impacting on realization of superior customer experience levels? What are the key challenges?
………………………………………………………………………………
………………………………………………………………………………
………………………………………………………………………………

iii. Do you feel that the staff are sufficiently trained/equipped to offer the desired customer experience levels?
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………………………………………………………………………………
………………………………………………………………………………

iv. Are there adequate infrastructures in place to aid in provision of the desired experience levels?
v. How can the bank improve the current experience levels to the desired levels?

(b) Customer Experience Strategy

i. What is your understanding of customer experience strategy?

ii. In your understanding, what is the effect of customer experience strategy on the performance of KCB?

iii. What are opportunities for customer growth as a result of customer experience strategy?

iv. What are other benefits of Customer Experience Strategy for KCB?

v. What are opportunities for revenue growth as a result of this Strategy?
vi. What are the challenges for customer experience strategy?

vii. Any other information on the topic under study

Thank you very much for taking your time in responding to these questions.

God Bless you
HENRY MARANGA

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Cell 0722309263

Kenya Commercial Bank
P.O Box 48400 -00100
Nairobi

Dear Sir/Madam

RE: MBA RESEARCH PROJECT

I am a post graduate student at the University of Nairobi pursuing an MBA-Strategic Management course. In partial fulfilment of the course requirements, I am undertaking a research on “The effect of Customer Experience Strategy on the Performance of Kenya Commercial Bank Ltd”

I kindly request you to grant me an opportunity for an interview to gather information regarding the research topic to enable me complete the project. The information to be gathered is needed purely for academic research purpose and will therefore be treated with utmost confidentiality.

Your assistance in facilitating the same will be highly appreciated.

Yours faithfully,

Henry Maranga

Dr. Z. B. Awino, PhD

Student

Supervisor