STRATEGIES ADOPTED BY KENYA COMMERCIAL BANK LIMITED TO IMPROVE CUSTOMER SERVICE

BY

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DECLARATION

This is my original work and has not been submitted to any institution or university for examination.

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This Research Project has been presented for examination with my approval as university supervisor.

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I dedicate this project to my husband Paul whose immense support, patience & encouragement enabled me to complete my project on time.

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May the Almighty God bless you dearly and light your paths to greater heights.

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ABBREVIATIONS AND ACRONYMS

KCB	Kenya Commercial Bank
MDQ	Market-Driven Quality
ISO	International Standardization Organization
MPQ	Market-Perceived Quality
PIMS	Profit Impact of Market Strategy
CEO	Chief Executive Officer
ATM	Automatic Teller Machines
VAT	Value Added Tax
PR	Public Relations
SWOT	Strength Weaknesses Opportunities and Threats
CRM	Customer Relationship Management

ABSTRACT

The purpose of this study was to investigate the customer service improvement strategies employed by KCB bank to respond to the current competitive banking environment. The true implementation of Customer Service Strategy principles offers the solution to customer service problems in banking sector. This fashionable approach focuses on customer satisfaction, accurate measurement of all significant factors of business and continuous improvement. The objectives of this study were: to find out customer service strategies that are employed by KCB Bank in the its desire to improve customer satisfaction; to establish whether KCB's customer service strategies have contributed to the bank's good results in recent years and; to determine the challenges encountered by KCB in implementing customer service strategies. The research design adopted was a case study design.

The case study design was considered appropriate since it excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. The target population in this study was the top employees in three selected branches who deal in strategy and customer service. The study applied convenience sampling where the heads of strategy and customer service in each of the three largest KCB branches in Nairobi were the subjects of the interview. The study used both primary and secondary data. Primary data was collected using a structured interview with the heads of strategy and customer service in the three selected branches.

Secondary data was in form of literature review and other secondary information contained in books, journals and other relevant articles and secondary sources on customer service available from the bank or other sources. The quantitative data and information obtained through the interviews was analyzed through descriptive statistics such as means, percentages and standard deviations. Qualitative Information from the open questions was analyzed through narrative summary analyses. Findings indicate that KCB has been in the frontline of reforming how it deals with its customers which started in earnest in 2003. These reforms have been linked to customer confidence which have improved numbers and profitability of the bank.

Customer service strategies employed by KCB included making the banking experience pleasant and welcoming, having staff always available to courteously help the customers, handling and attending to complaints discreetly, adopting new technologically adept channels and involving all the department. The bank has leaped major benefits from its customer improvement initiatives which include high customer attraction and retention, reduced marketing expenditures, lessened number of complaints and lower attrition rates. Challenges faced by KCB in its customer service strategies included changing consumer tastes and preferences, volatility of the technological environment, lack of lower management involvement and high standards and stiff competition in the industry, staff motivation, complexity and poor teamwork.

From the study findings, the researcher makes the following recommendations. First, the bank should ensure involvement of all staff, more so the middle management, to ensure that the strategies are implemented effectively and they have a better chance of bringing the desired results. The study also recommends that the bank management should make it a commitment to include boosting staff morale as a priority. The bank top management should employ a diverse range of motivation techniques to ensure that all cadres of employees have been bought into the bandwagon of customer service strategy.

CHAPTER ONE: INTRODUCTION

1.1 Background

Commercial firms operate in a business environment that is very risky and dynamic. In the earlier days, businesses were seen as a people's way of life, and as an economic affair of making life easier. However, as time moved and businesses grew bigger, businesses amassed a lot of wealth and became more sophisticated, society expected them to play a bigger role. They (society) insisted that businesses should become more responsible to their needs – in what has come to be referred as social responsibility.

The success of an economic system largely depends on the performance of financial institutions operating in the system. Within financial institutions, banks play their own important role, being the backbone of an economic system and as financial intermediaries involved in channeling funds from those having surplus to those having deficit (Nagware et al., 2006). Whether it is retail banking, investment or correspondent banking, all banks are involved in fund channeling, and banks earn profits through funds-channeling. In order to reach maximum customers, banks develop a network of branches. Branches are the points where banks offer their products. Banking products are almost the same in a country but what matters is the way the product is offered and the quality aspects associated with those products.

As proved in other industries and service sectors, the true implementation of Customer Service Strategy principles offers the solution to customer service problems in banking sector too. This fashionable approach focuses on customer satisfaction, accurate measurement of all significant factors of business and continuous improvement (Pearce and Robinson, 2005). Banks are not left behind in this quality race. In today's highly competitive environment, the success of banking depends upon the satisfaction of both internal and external customers. The philosophy of Total Quality Management diverts the modern business towards a particular direction, i.e. satisfaction of both internal and external customers and since they are the best sales people around.

Over the last century, approaches to quality management have evolved through a series of refinements ranging from the inspection and the statistical quality control era to the more recent quality assurance movement through ISO 9000 certification, towards the emerging paradigm of strategic quality management (Green, 2003). As the strategic quality movement progresses, it is becoming increasingly clear that the economic conditions dictate the involvement of all fields in improving quality. One field largely ignored by traditional quality control and assurance activities is the marketing discipline. Recently, the marketing discipline has been obviously involved in quality issues (Janakiraman and Gopal, 2006). IBM has stressed its corporate vision development in seeking to satisfy customers through market-driven quality (MDQ). Joseph (2001) summarized how customers make purchase decisions between competing suppliers. He emphasized that customers buy on value; they do not simply buy products. Gale also generated role models on companies that delivered market-perceived quality (MPQ) and values. Lassar Manolis and Winsor (2000) presented their total product (TP) concept consisting of: Core product: customer's generic need which must be met; Expected product: customer's minimal set of expectations; Augmented product: seller's offering over and above what customer expects or is accustomed to and; Potential product: everything that potentially can be done with the product that is of utility to the customer.

1.1.1 Customer Service

Market quality is the competitive strength of a product/service as a result of the interplay between suppliers and customers with considerations on core quality, expected customer services, added value, and potential value against price. It is at the heart of customer service. The relationship between market quality and price premiums has been summarized through the use of information derived from the PIMS (profit impact of market strategy) database (Naeem and Saif, 2008). For product development, a bank may formulate its strategies as to where and how to compete, what resources are required and the risks involved, as well as establishing objectives as to the rates of return, profit margin, market position or market share. However, the basic emphasis on product design in the product development stage is still that the product must be able to be sold in the market, otherwise the objectives may not be realized. For a product to be able to be sold in the market, a fundamental consideration for the customer would be the benefits to be derived from the product and the price. There are competitors providing similar services at a competitive price level. So, there are other questions to be addressed such as: how is the service delivered and is it delivered according to a consistent pattern or not? What added values can a customer derive and what are the potential services the bank will be able to provide in the long term? The amalgamation of all these requirements of a service product design results in the emergence of the concept of market quality. Market quality encompasses the core service value at a nominal price level, the expected service delivery quality, the added service value and the potential services. The objective of the design of market quality is to provide a level of customer service that is “beyond expectations” (Pearce and Richard, 2005).

The rationale of good customer service is customer satisfaction Consumer satisfaction has been a popular topic in marketing for more than 30 years without the emergence of a consensual definition of the concept. An important debate in the customer satisfaction literature has been whether customer satisfaction is to be understood at the transactional or a cumulative level. The cumulative satisfaction approach assumes that satisfaction is determined by satisfying or dissatisfying encounters with a product or service over time while the transactional approach emphasizes encounter satisfaction, that is, satisfaction with a product or service in a single transaction. Customer satisfaction is also defined as either an overall judgment of satisfaction or given an attribute-specific definition. The latter is based on the assumption that satisfaction is the outcome of service quality. There is a tendency towards measuring customer satisfaction at the general level when adopting the cumulative view of satisfaction.

Many studies have been done to understand the link between activities that matter most to the company and the customer. A study by Gruca and Rego (2005) on the relationship between customer satisfaction, cash flow, and shareholder value shows that customer satisfaction has a significant impact on shareholder value. Because satisfied customers are less likely to defect, are more receptive to a firm’s cross-selling efforts, and engage in positive word-of-mouth advertising, they are likely to enhance the company’s shareholder value over the long-run. The study found that there is a positive relationship between customer satisfaction and the company's shareholder value. It also found that investment in customer satisfaction represents resources well-spent as satisfied customers are central to creating shareholder value. Finally, the study recommends that managers focus on communicating the importance and impact of customer satisfaction to finance-oriented executives.

The key to generating high customer satisfaction is to deliver high customer value (Kotler, 2001). Lanning (1998) has noted that firms need to develop competitively superior value propositions and superior value-delivery systems. The value proposition is the company's statement about the resulting experience customers will have from the offering and their relationship with the supplier. The brand must represent a promise about the total resulting experience that customers can expect. Whether the promise is kept depends upon the firm's ability to manage its value-delivery system, including all of the communications and channel experiences that customers will have as they obtain the offering.

Organizations operating in competitive environments know the value of attaining customer satisfaction. Competitive organizations know that they must delight their customers or die. This is because customers face a vast array of product and brand choices, prices, and suppliers. Customers, to make their choices, will choose those offerings that deliver the most value. They will buy from the firm that they perceive offers the highest customer delivered value. Companies that manage to satisfy their customers and deliver customer value and satisfaction goals are high-performance businesses.

Most commercial service businesses accept that there is a relationship between customer service and profitability with customer service influencing satisfaction which in turn influences loyalty which in turn affects profitability (Heskett et al., 1994). Customer satisfaction is itself influenced by the capabilities of customer-service staff and the way in which they are led (Bowen and Lawler, 1992; Berry, 1999; McColgan, 1997). The cost of developing service staff should, therefore, be compensated by increased profitability. Service agents themselves are anxious to develop skills and capabilities to do their job well and help customers. They want to be coached and want to have opportunities to enhance their range of skills. The development of staff might be expected to increase both profitability and the retention of contented high-performing service agents. In Kenya's banking sector, customer satisfaction is a critical component in the achievement of best value initiatives and the roles played by service agents have a profound impact on all such activities.

1.1.2 Customer Satisfaction

Many authors have taken two approaches to operationalizing satisfaction. The first sees consumer satisfaction as the bipolar opposite of dissatisfaction. This view is based on the assumption that customer satisfaction takes a value in a single dimension between "high" and "low" satisfaction. The other operationalization sees consumer satisfaction and dissatisfaction as two different dimensions, measured by using unipolar satisfaction and unipolar dissatisfaction measures. When the customer makes his buying decision, he evaluates the benefits he perceives from a particular product and compares them with the costs. The value a customer perceives when buying and using a product or service go beyond usability. There is a set of emotional values as well, such as social status, exclusivity, friendliness and responsiveness or the degree to which personal expectations and preferences are met. Similarly, the costs perceived by the customer, normally comprise more than the actual price. They also include costs of usage, the lost opportunity to use another offering, potential switching costs etc. Hence, the customer establishes an equation between perceived benefits and perceived costs of one product and compares this to similar equations of other products/services. Moreover, if the customers' circumstances change, their needs and preferences often change too. 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.

Customer satisfaction is the main objective of all marketers and is a particularly serious challenge in the case of service organizations. Kotler (2002) has defined customer satisfaction as a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectation. Thus, satisfaction is viewed as a function of perceived performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. Where the performance matches expectations, the customer is satisfied while in cases where performance exceeds expectations, the customer is highly satisfied.

There are two principal interpretations of satisfaction within the body of literature of customer satisfaction. These interpretations look at satisfaction as a process and also as an outcome (Parker and Mathews, 2001). Early models of satisfaction research have looked at satisfaction as a post choice evaluative judgment concerning a specific purchase decision (Oliver and DeSarbo, 1988). The most widely accepted model, however, looks at satisfaction as a function of disconfirmation, which in turn is a function of both expectation and performance (Oliver, 1997). The disconfirmation paradigm in process theory provides the grounding for the vast majority of satisfaction studies and encompasses four constructs, namely: expectations, performance, disconfirmation and satisfaction (Caruana et al, 2000). According to this model, the effects of expectations are primarily through disconfirmation, although they also have an effect through perceived performance.

Kotler (2000), defines customer satisfaction is a result of a cognitive and affective evaluation, where some comparison standard is compared to the actually perceived performance. Customer satisfaction is therefore viewed as a customer's overall evaluation of the performance of an offering to date. This overall satisfaction has a strong positive effect on customer loyalty intentions across a wider range of product and service categories (Gustafsson, Johnson and Roos 2005). The satisfaction judgment is related to all the experiences made with a certain business concerning its given products, the sales process, and the after-sale service. Customers form their expectation from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises (Kotler, 2000). Ingrid (2004) interpreted satisfaction as a feeling which results from a process of evaluating what was received against that expected, the purchase decision itself and/or the fulfillment of needs/want.

1.1.3 Kenya Commercial Bank Ltd (KCB)

The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence, the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank.

In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading. Since then, three branches, namely, Dar es Salaam, Arusha and Mwanza, have been opened. In pursuit of its Vision: To be the best bank in the region, in May 2006 KCB extended its operations to Southern Sudan following licensing of its youngest subsidiary, KCB Sudan, to provide conventional banking services. The subsidiary has branches in Juba and Rumbek. The latest addition into the KCB Family came in November, 2007 with the opening of KCB Bank Uganda Limited. The Government has over the years reduced its shareholding to 35% and more recently to 26.2% following the rights issue exercise in 2004, which raised KShs 2.45 billion in additional capital for the bank. In the second Rights Issue exercise held in the year 2008, the Government further reduced its shareholding to 23.1% after raising additional capital for kshs 5.5billion.

KCB's turnaround started in 1997 which was necessitated by KCB's huge non performing debt portfolio occasioned by imprudence banking and perennial loss making.

The bank started significant management restructuring, customer service initiatives and proper identification of risk in the lending portfolio and clear strategies and tactics were employed to reduce risk. KCB hit rock bottom between 2000 and 2002 and posted a loss of Ksh 4.1bn ($53.7m) in the 2002/2003 financial year. However, since then, government has gradually reduced its shareholding to 26%, and the institution has made an increasingly vigorous recovery. The Current CEO Mr Otieno took the leadership of the bank in 2007 and began a programme to change the organizational culture - at that time very dysfunctional, with tense relations between board and management as well as management and staff - and started to define and instill a set of core values, customer service, professionalism, teamwork, embracing change, and community involvement, that would provide focus for the employees. KCB has over the years through its vision recognized that customer service is an important determinant of customer satisfaction and bank performance and has incorporated it as a part of the bank's overall corporate strategy. The Bank has a vibrant customer service department.

1.2 Statement of the Problem

Traditionally, companies have focused their efforts of customer relationship management on issues like customer satisfaction and targeted marketing activities. Although necessary and beneficial, these activities are no longer enough. They narrow the relationship between company and customer down to a particular set of contacts in which the company invests its efforts. This produces not more than a satisfied customer who is well aware of the companies' offerings and has a positive attitude towards them. However, a satisfied customer is not necessarily a loyal one (Krell, 2005). If a customer is satisfied that means that product or service has met their expectations and that he was not dissatisfied, which prevents the customer from telling others about his disappointing experiences.

Every company needs to ensure that its customers are taken care of to achieve competitive advantage and differentiating strategies by providing superior service quality. It is desirable for any organization to uncover what attributes customers utilize in their assessment of overall service quality and customer satisfaction and which attributes are important (Yang and Fang, 2004).

The poor quality of service in the publicly owned organizations had always been a source of concern to customers. This had led a number of researchers in this country to undertake studies relating to the delivery of services. Their studies indicated that many organizations were still short of meeting customer expectations. Maina (2001), for example, had studied the perceived service quality in the case of mobile phone services. He found that there was a significant perceived service quality gap between what the providers offered and the customer expectations, even when it would be expected that such a sector fraught with fierce competition would aim at excelling in meeting customer demands. Masinde (1986) studied the perceived quality of service in the airline industry using Kenya Airways as the case study. Mwenda (1987) studied the perceived quality of port services: the case of Kenya Ports Authority while Muriithi (1996) conducted an analysis of customer service offered by Kenyan commercial banks. Njoroge (2005) looked at customers' perception of service quality in a decentralized system in the public utility sector in Kenya. The study by Muriithi (1996) can be termed as similar to this study since he studied customer service in commercial banks but it is different from this study in that the conditions which were there in 1996 have materially changed in terms of customer demands, competition and even the major players in the banking industry landscape have materially changed. This study therefore will provide new knowledge by expounding the customer service strategies that KCB is employing to top win customers.

Further, the researcher was not aware of any local study that had been undertaken on customer services strategies employed by KCB.

The research was carried out by seeking to answer the following research questions;

i) What customer service strategies has KCB been employing to improve customer satisfaction?

ii) Has KCB's customer service strategies contributed to the company's good results in recent years?

iii) What are the challenges encountered by KCB in implementing its customer service strategies?

1.3 Objectives of the study

The objectives of this study were:

i) To find out customer service strategies that employed by KCB in the bank's desire to improve customer satisfaction.

ii) To establish whether KCB's customer service strategies have contributed to the company's good results in recent years.

iii) To determine the challenges encountered by KCB in implementing customer service strategies.

1.4 Importance of the Study

The study was important to KCB since it provided first hand account of the perception of employees on the bank's customer service strategy. This will be a basis for KCB to improve its customer service strategies to be more effective.

This study's findings will also prove be important to other competitors of KCB in the banking industry since they will have insight of customer service strategies employed by the bank which has been touted as the key to the bank's turnaround.

The study can also be of importance to other organizations in service industry since services are alike in marketing and satisfaction. The other organizations can learn something for KCB and apply that in improving their customer service.

The study will also provide information to potential and current researchers on customer service strategies applied by KCB that have been very material in the bank's turnaround. This will expand their knowledge on strategic management and also identify areas for further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers literature review on the customer service strategies employed by organizations. First, the broad concept of customer service is presented on the basis of which the customer service strategies are introduced and their components reviewed in detail. An empirical overview of the relationships between customer service and firm performance is also presented.

2.2 Customer Service

Customer service is defined as an organization's ability to consistently meet the needs and expectations of its customers. In the corporate world, the emphasis on customer service has been described as a marketing concept of business management. When an organization has adopted the marketing concept, it moves from a product orientation to a customer orientation. The foundation of the marketing concept is a business philosophy that leaves no doubt in the mind of every employee that customer satisfaction is of primary importance. All energies are directed toward satisfying the customer (Kaliski, 2001). According to the marketing concept, an organization must determine what the customers want and use this information to create satisfying products and services. Providing excellent customer service entails making every effort to satisfy the customers' requests.

Customer service systems are made up of all the various practices and procedures that personnel can use to meet the customer needs (Kaliski, 2001). The basic design of customer-driven systems makes everything easier for the customer. It actualizes the service priorities spelled out by the service strategy (Albrecht and Zemke, 2002). In a customer-driven system, for example, at a bank, the entry is pleasant and welcoming. Directions are easy to follow. Waiting and queuing at banks are minimal and carefully managed, and there are always people available to courteously help the customers with questions and problems.

Customer service is to service organizations what quality programmes are to manufacturing organizations (Harris and Alvarado, 2005). Providing customer service requires the organization to understand what its customers want, and what they value. Customer service is more than, but includes, customer care and is applicable to all service organizations. If an organization understands its customers, it can properly identify their needs and set about meeting them reliably over time. Building strong customer relationships has been the priority of many highly successful enterprises all over the world. A growing number of business organizations realize that customer service is the key ingredient to success and are beginning to give increased attention to the concept of customer service. Customer service concept does not only apply to business enterprises, it applies to other organizations as well.

2.3 Customer Service Strategies

A number of organizations have heard of the concept of customer service and have equated it with customer courtesy, but a programme of customer service is something much more than "smile training". It is common to send front-line staff on training programmes which teach them to be pleasant and courteous to customers but to ignore the real changes that must be made (Blythman, 2004). A customer complaints section which deals with complainants in a friendly manner will do little to help the company image if the complaint is still not attended to in a manner perceived by the customer to be appropriate and effective. Dealing with complaints is important, but more important is the logging and monitoring of complaints to discover what aspects of the provided service (or product) cause complaints to be made, and the modification of the product or service design and delivery to avoid the repetition of such complaints. Customers do not want pleasant bad service, but they may prefer good service to be accompanied with a smile (Luong, 2005).

The number and type of complaints made by customers and the manner with which they are dealt are important, but dealing with these, analyzing them and providing a better and more effective complaints-handling procedure is not a policy of customer care (Mattila, and Enz, 2002). Many dissatisfied customers will not lodge a complaint - their complaint will be made to their friends and colleagues and other potential customers. One dissatisfied customer (who has made no complaint) may result in a large number of lost customers. The aim must be to remove the cause of complaints and such negative word-of-mouth communication.

The type of courtesy training often carried out may well have disadvantages. For example, supermarket checkout operators sent on a customer-care programme may be encouraged to have a friendly word with customers while checking out their purchases (Barger and Grandey, 2006). This could result in delays for other customers waiting in the queue and in some customers being offended by an over-familiar approach. Each customer is an individual and must be treated as such. It may be that at busy times, the operators do not have the time to make an assessment of the customer and react accordingly. At slack periods, a chat with a pensioner buying a couple of items may be appropriate, but may have little effect on company performance.

It is important to remember that the aim of a customer care or service programme is, through addressing customer care, to improve the performance of the organization (Pham, 2004). The problems of defining "good" service can be further exemplified by the case of automatic teller machines (ATMs) introduced by banks and building societies over the last decade. ATMs were introduced to improve the speed of service for simple transactions and to provide a service outside normal opening hours. In terms of customer reaction, they have been very effective. The additional service hours they provide has enabled customers to carry out banking transactions at times convenient to them. Indeed, many customers seem to prefer the use of such devices to dealing on a face-to-face basis with a real, live bank employee (Brighton, 2000). The point has now been reached where it is possible to see queues of people at an ATM outside a bank during opening hours while the cashiers inside are unoccupied. The speed of service has therefore declined (although since this is often due to the customer's own choice, this could be considered unimportant). More importantly, from a business viewpoint, the cashiers are now unable to "sell" additional services to customers and this role has passed to the ATMs through the use of screen displays advertising additional services which are shown on the ATM while the transaction is in process. Has the service improved? Why do customers prefer to wait outside instead of approaching a cashier who has probably been through a customer care programme and can offer friendly and efficient service? The perceptions of receivers and providers of the service are obviously different. The only way to discover those differences is to talk to the customers. At least with the present arrangement, customers do have a choice - and choice is a fundamental part of good service.

Talking to customers through some structured programme aimed at finding out their views on a range of matters is another strategy employed by organizations to improve service. In addition to finding out the cause of complaints, it enables the organization to discover what it is about the current offerings that is liked and valued by customers. When providers of services talk to customers they often spend a disproportionate amount of the time trying to discover customer perceptions of bad or missing service (Harker and Keltner, 2001). Questionnaires and interviews are often constructed in such a manner that forces customers to find negative things to say, even though their major perception may be of good service. If asked often enough, long enough and hard enough there are always negative attributes to a product or service that can be identified and discussed. This can be counter-productive - the customer who originally had a positive view of the organization and its services has now been forced to address negative aspects. These may stick in the mind of the customer to the degree that the overall impression changes from positive to negative. This is similar to the kinds of student feedback generated by colleges at the end of a particular course. This too tends to concentrate on what went wrong rather than on what went right (Schwarz, 2004). This should not be taken to suggest that an organization should not attempt to discover such negative views - only that it should balance any data collection process to discover both sides of the customer perception. Such information allows the customer service programme to set about eliminating or minimizing the negative characteristics of goods and services and enhancing the positive factors and to consider transferring them to other offerings within the product/service mix.

Finding out what is important to a customer is very important in any service improvement initiative. It is surprising how often what the service provider feels is important is considered relatively unimportant by the customers (Kidwell and Jewell, 2003). For example, in the car-hire business, recent research has shown that it is the hiring process, rather than the car itself, which dictates the customer's perception of an effective service. Europcar conducted research which showed that the public perception of car rental was that it was a complicated transaction. It was difficult to estimate the full cost of a rental since the advertised rates were kept low to attract customers but there were a number of additional costs to be borne for mileage covered, a collision damage waiver, insurance and VAT (Söderlund and Rosengren, 2007). Those customers who knew something of such additional charges were deterred by their existence. The same is undoubtedly true of new car purchase. Prices quoted in advertising and promotional leaflets often give an indication that a particular car can be obtained for a relatively modest price. Only on enquiring further does the prospective customer learn of the various additions; even assuming that the advertised price includes car tax and VAT, there are often a number of additions such as delivery charges, number plates and taxes which can add tens of thousands to the basic price. Such additions are obligatory and should be included in the quoted price. Similarly, it is not unknown for dealers to advertise special edition cars at attractive prices, but when the customer turns up such "specials" are not available and the customer is offered similar, but more expensive, models. This is not good customer care - it shows no respect for the customer and his/her concerns.

The effect of a good customer care programme is, in effect, to turn the traditional pyramid organization on its head. Normally, policies and strategy are developed at the top of the pyramid by the senior management team and then the effects of this policy and strategy making filters down until they reach the customer in the form of a product or service (Tombs and McColl-Kennedy, 2005). Adopting a customer care approach makes the organization concentrate on the front-line service (normally at the bottom of the pyramid) and work back through the customer chain, involving the internal customer-provider relationships, developing more effective means of providing and enhancing the various products or services in line with customer needs. The management and administrative functions of the organization are seen as being in support of this fundamental customer-oriented product or service delivery.

A distribution channel has been described as the exchange relationship between the organization and its customers that creates customer value in acquiring and consuming products and services (Pelton et al., 1997). The use of a number of distribution channels by one organization is becoming widespread (Friedman and Furey, 1999; Frazier, 1999) as increasingly organizations add new channels and communication methods, providing an opportunity to extend market coverage cost effectively (Moriarty and Moran, 1990). However, despite the increasing significance of multiple channels there has been limited academic research examining the dynamics of multi-channel distribution (Zettelmeyer, 2000).

Another strategy employed is adopting new channels. The financial services sector has rapidly adopted the new channels made possible by developments in technology. Deregulation and developments in information technology have contributed to creating a hyper competitive landscape in financial services (Flier et al., 2001) and the impact of these trends has been felt across the financial services sector (Aitchison and Stone, 2002). In Kenya there has been a climate of deregulation in financial services over many years (www.pwc.com/ke/en/industries/banking.jhtml). In this environment distribution channel strategy has become a major battleground with the addition of new channels increasing coverage and providing the potential for cost reduction. Providing service through branches is far more expensive than using ATMs which in turn are more expensive than using the internet and mobile phone. As a result, with pressures on growth and profitability targets, the sector has focussed on the question of reengineering distribution (Stone et al., 2002). Financial services lend themselves to be delivered electronically (Daniel, 2000) and as a result online banking is growing rapidly while almost all banks in Europe and the USA offer telephone banking and in developing countries it is taking ground (Durkin and Howcroft, 2003).

Paying attention to customer service requires organizations to identify their customers, to identify their needs and meet those needs, and to keep such an analysis and approach continually up to date. The needs of the customer, and the customer's perceptions of the organization and its products and/or services, will change over time. The organization must identify those changes and change with them - the alternative is failure.

2.4 Customer Service Strategies and Performance

Good customer service leads to high levels of customer satisfaction. High levels of customer satisfaction on the other hand lead to customer retention, especially in markets that are highly competitive and saturated, like financial services. Financial service institutions with direct competitors who offer similar products find that service quality enhancements are critical to their business success (Dallimore, Sparks and Butcher, 2007). In today's competitive banking environment, most institutions do offer the same or similar products; and, as a result, the only means of differentiating themselves in the marketplace is with service quality (Wang et al., 2003). Retail banks are clearly among the types of bank establishments offering products that are perceived as similar in the marketplace. Therefore, to be successful retail banks must provide service to their customers that meets or exceeds their expectations.

Since the mid-1990s, researchers in various parts of the world have undertaken studies to better understand which of the ten determinants of service quality identified by Bick et al. 2004 are most likely to lead to high levels of customer satisfaction in the financial services industry. In their analysis of the US and Latin American private banking sector, financial institutions could only achieve high levels of customer satisfaction by providing consistently high levels of reliability. In South Africa, Bick et al. (2004) also discovered that customers perceived reliability (which they called operational excellence) to be the most important contributor to customers' satisfaction. Unlike in the USA, Latin America, and South Africa, Othman and Owen (2001) found that compliance, assurance, and responsiveness were the dimensions that were most highly correlated with customer satisfaction in the Kuwaiti banking sector.

In an era of mature and intense competitive pressures, many firms are focusing their efforts on maintaining a loyal customer base. This is particularly true in the financial services sector where deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs (Homburg, Workman and Jensen, 2000). In response, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. The most frequently mentioned outcome of the marketing process is a satisfied customer, with many definitions of marketing incorporating this important marketing concept. Marketing leads to outcomes other than satisfaction, including awareness, image perceptions and loyalty (Winsted, 2000).

Interestingly, satisfaction is used as a common marketing benchmark of an organization's performance, almost to the exclusion of other issues. A major US market research firm states that customer satisfaction is the key to success and makes the emphatic statement that a satisfied customer is a repeat customer (In-Touch Survey Systems, 2003). While admirable, it is myopic to focus so intensely on only one of the factors that influences (repeat) purchase. Ideally, an organization should include other key influencers of repeat purchase in their performance reports, for example attitudinal loyalty.

Banking is one of the many service industries, characterized by high customer contact with individually customized service solutions, where customer satisfaction has been an increasing focus of research. Customer satisfaction and retention are critical for retail banks (Ulrich, 2000). Customer satisfaction is based not only on the judgment of customers towards the reliability of the delivered service, but also on customers' experiences with the service delivery process. Hence, they report demographic differences (education and income levels) in the degree of customer satisfaction. Therefore, customer satisfaction with retail banking is composed of a wide variety of dimensions.

The banking sector is a classic example of an industry where customer satisfaction and repeat purchase are not positively related, although the PR hype from the banks would have you believe otherwise. The Bank of America proudly proclaimed in its 2007 earnings report that one of its customer highlights was an increase in the highest level of satisfaction of 14 percent (Bank of America, 2008). This seems impressive until you read on to find this only represents 1.5m of its 28m customers (5.3 percent of customers). What satisfaction is felt among the remaining 94.5 percent? In Australia, the Big Four banks that lead the industry have 23-32 percent of their customers dissatisfied with their bank (Choice, 2002). However, these four banks are in the top six public companies in Australia with record profits exceeding $3bn between them (Business Review Weekly, 2003). It appears that customer satisfaction is not necessary for repeat loyalty. In fact, 70 percent of the customers of these banks are attitudinally loyal: they intend to repurchase from their current bank despite being dissatisfied.

The rewards to firms that establish a loyal customer base have been well documented. In general, increased loyalty leads to lower costs of servicing the firm's customers, reduced marketing expenditures, increased business from the existing customer base and greater profits (Ueltschy, Laroche, Tamilia, Yannopoulos, 2002). These rewards are particularly true in the retail banking sector. By increasing loyalty, a retail bank enjoys various benefits. First it reduces its servicing costs (i.e. accounts do not have to be opened or closed, and credit ratings do not have to be established; Secondly it gains knowledge of the financial affairs and needs of its customers (thereby allowing effective and efficient targeting) and also has an opportunity to cross-sell existing and new products and services.

Improving customer satisfaction, and thereby retention rates, can come from a variety of activities available to the firm. The existing evidence suggests that major gains in customer satisfaction are likely to come from improvements in service quality, service features and customer complaint handling (Troyer, Mueller, Osinsky, 2000). The best customer-related programmes go further than a simple concentration on the customer and recognize the fact that, especially in large organizations, intermediate departments or sections involved in the supply of a service are themselves customers of the primary providers. There is a front line in which staff has direct contact with the final purchasers of the service, and then a series of interfaces within the organization where one member of staff (or a team) provides an internal service to another. There is thus a customer chain which stretches back from the end (external) customer to the point at which the product or service is designed and specified. The front-line service can only be improved and maintained if all the other service points are improved and maintained in support. The front-line service is the nearest to the customer, but the organization management has to remember that this service is not necessarily the largest determinant of perceived good service. Within British Rail, for example, the ticket sellers, collectors, guards and porters provide the direct front-line contact with customers, yet passengers' views on the quality of service are not determined to a major degree by their contact with these people (Mattila, Grandey and Fisk, 2003). Passengers want, above all, the trains to run on time and fares to be at a level which offers "value". Smartening the uniforms of the front-line staff will have little impact on customers' perceptions of the quality of service.

Kenya Airways helped break down the barriers between departments and create a greater understanding of people's roles by holding "a day in the life" event for all its staff, where each function gave presentations and displays for other members of staff illustrating its role within the organization. Similarly, Dow Chemicals in the US held "special emphasis days" to allow individuals to become better acquainted with each other's day-to-day responsibilities and problems.

Similarly, at the beginning of quality programmes, many South African companies organize a series of workshops for all staff where the chain effect of quality can be emphasized (Luo and Homburg, 2007). Employees are often given a series of typical problems to work on which cut across departments and functions to illustrate that everybody is part of the quality chain. For example, a national chain of stationery suppliers held workshops for all employees as part of a customer service initiative where participants worked in cross-functional groups to identify how the order of a typical customer was dealt with from department to department. The object of the exercise was to establish how to improve the process. Less formal but equally successful schemes encourage employees to spend time in other departments (Barger and Grandey, 2006). In some organizations internal customer service awards are made by departments who nominate colleagues who have supported them in achieving their goals.

Service initiatives provide a useful opportunity for organizations to review all aspects of the service they provide for their external and internal customers. An analytical framework is important and this must lead on to a clear plan of action which can be monitored (Bendapudi and Bendapudi, 2005). A SWOT analysis is a useful tool to review a team's or company's strengths, weaknesses, opportunities and threats. Opportunities and threats often present themselves from outside the team, while strengths and weaknesses can be perceived from an internal viewpoint.

Research should be used at the beginning of a customer service programme to establish customer needs, both externally and internally, and to act as a benchmark by which to measure the effectiveness of the programme. In addition, monitoring satisfaction levels on an ongoing basis is an important method of sustaining a customer focus. Safeway Foodstores holds 60 customer conferences each year to encourage feedback and to expose senior managers to the public. Every year every Safeway director is asked to adopt a store. This provides feedback from all over the country (Söderlund, 2006).

The results of research should be used to recognize and reward good service at regular intervals. Internal customers should also be encouraged to measure their own service performance and their opinions should be regularly sought via questionnaires, group and face-to-face discussions. Market research can play an important part in developing a service programme only if actionable changes are proposed as a result of customer care surveys (Russell, 2003). Many of the market research reports prepared as part of service quality initiatives fail to provide practical guidance on how organizations can improve their service levels.

Organizations should beware of getting smug or self-satisfied; "middle age spread" can set in with even the best set up schemes (Barger and Grandey, 2006). Customer expectations are constantly increasing and companies need to improve their customer service constantly to remain ahead. It is useful to discuss and agree a maintenance strategy at the beginning of a programme to ensure its survival and to anticipate pitfalls as it progresses. Therefore a plan to keep the programme alive needs to be developed and reviewed on an ongoing basis.

In preparing a strategy, senior managers need to avoid overstating the benefits of service philosophy as this can lead to disillusionment and unrealistic expectations (Szablowski, 2000). Similarly, managers need to avoid giving the impression that service quality is a finite task and that service initiatives will bring about instant solutions. IBM in Japan has been developing its quality programme for the past 20 years and improvements are ongoing and incremental (Baker, Parasuraman, Grewal and Voss, 2002). FirstDirect recognizes that the service it provides is only as good as the people delivering it; no banking recruit is allowed near a customer without a minimum of six weeks intensive training, and this includes four weeks training in products and systems, communications and telephone techniques, voice projection, and in how to listen to the customer effectively.

At regular periods it is essential to review the progress of a quality initiative, at each stage asking who will be involved and when will it take place. Measurement of customer satisfaction and employee opinion should provide the starting point for a review (Chebat and Kollias, 2000). Questions to ask include: Are the original objectives of the programme still valid? How does the performance to date measure against the agreed key success criteria? What are the successes of the programme – both tangible and intangible? How can the organization build on these successes? What are the disappointments? What have been the major barriers in preventing the organization reaching its objectives? Have our customers' expectations of service quality changed? How do our company's service standards now compare with the competition? In which areas does significant improvement to service quality still need to be made? And what are the major priorities; in which order should they be addressed?

As many groups as possible should be involved in the review process – employees, customers and suppliers – and a further plan of action should be developed as a result of the customer care review. One organization, for example, found in reviewing its programme that greater emphasis needed to be placed on internal communication in order for employees to understand customers' needs better (Brocklebank, 2000). It is important to feed back the results of the initiative; everyone needs to know how successful they are. All those involved in customer care need this information so that they feel motivated and can adapt their behaviour to meet customers' needs. Organizations such as House of Fraser have produced videos for employees where their chief executive has personally endorsed service programmes and reported on their progress. Other organizations make a celebration of service success.

According to Bryman (2004), improving service quality is about being 1 per cent better at 100 things, not 100 per cent better at one thing. Successful service companies: provide strong leadership which focuses on the customer; keep communicating with customers and employees; build powerful teams as the basis for customer success; deploy their resources wisely and keep their priorities dictated by the needs of the customer; encourage a flexible and positive approach so that employees can take responsibility for their actions; nurture and develop their people to keep staff up to date in a changing world where customers' expectations are increasing, and; respond quickly to customers' changing needs – otherwise the competition will leave you behind. As one customer services manager put it: When I started our customer service initiative I thought that a pep talk on 'the customer is always right' was the answer. Now I realize that an effective programme needs to address much more than this, time after time. But our customer satisfaction figures now show us the pay off (Lucey and Dowling, 2005).

2.5 Challenges in Improving Customer Service

Increasingly companies have undertaken customer service initiatives only to find their programmes beset by unforeseen difficulties (Forgas and George, 2001). In highly competitive marketplaces many organizations have recognized the need not only to attract, but also to retain customers. Customer service can make a difference – those who succeed do very well – but the majority of customer service initiatives are short-lived.

Typical problems encountered when introducing customer service programmes are: Senior management paying mere lip service to the concept so it never gets off the ground; There is a lack of commitment and involvement of middle management in the initiative, which forms a negative or at best passive barrier to change; Initial enthusiasm soon lapses into a lack of practical and sustainable results; The programme is viewed as a one-off campaign which is "flavour of the month". Employees know they only have to sit tight and it will disappear; The initiative is focused at front-line staff and does not include all other staff who carry on working in their old ways, so that improvement is patchy at best; The initiative emphasizes skills training but does not address changes required in attitude and behaviour; No benchmarks are set for success of the programme, therefore it is difficult to recognize achievements brought about by the initiative; The initiative does not address improvements needed to systems and procedures, so staff often feel their hands are tied to outdated or cumbersome methods, and; Perceptions of customers are not canvassed, therefore the initiative has little meaningful outcome for them – it has been developed through the eyes of the company not the customer (Grandey, Fisk, Mattila, Jansen and Sideman, 2005).

The quality movement has been characterized by two types of, what is basically the same, development: the quality initiative designed to improve the quality of goods (usually) and less often services, and the customer care or service approach designed to improve relationships with and ways of handling customers. Essentially, customer care or customer service programmes are alternative quality improvement programmes aimed at the service sector rather than at manufacturing. The aim, similar to that of a quality improvement programme, is to consider the customer's perception of the service (which is often quite different from that of the supplier) and to use those perceptions as a base point from which to make improvements (Lucey and Dowling, 2005). Of course, one of the main problems is to identify these customer perceptions - essential for quality and customer care programmes. In practice, the concepts of total quality management and customer care are merging into a common philosophy, based on this concentration on customer requirements and perceptions, so that a manufacturing organization may implement both quality and customer service programmes as part of a mission to identify and meet customer needs.

A typical symptom of these problems manifests itself in senior management issuing customer charters or promises which are displayed for customers to see but which do not affect the manner in which the customer is treated (Johnson, Gustafsson, Andreassen, Lervik and Cha, 2001). Other symptoms are the lack of responsibility or ownership for problems by staff and the antiquated systems and procedures which face the customer. Service quality will only be considered a critical success factor in a business's long-term survival if senior management demonstrates its involvement in terms of time, effort, commitment, persistence and visibility. Many senior managers fail to appreciate that customer service will probably require a different approach to managing staff and customers. The traditional controlling style of management needs to be modified in favour of a facilitating role, where the manager enables members of staff to perform their key task of serving the customer. Managers need to lead by example.

The perennial challenges of implementing customer-focused organizational structures, processes, and systems are more confronting now than ever before in a climate of intense competition and heightened customer expectations (Lucey and Dowling, 2005). In particular the implementation of reward and incentive systems, skill development and restrictive career paths for customer workers is ongoing issues for managers, workers, and human resource (HR) practitioners. As companies continue to shift their focus to service orientation, managers have no choice but to confront these dilemmas. Similarly, customer workers, with their unique boundary-spanning role, are often faced with conflicting expectations from their customers and their organizational leaders. Customer relationship management (CRM) requires a holistic approach that takes into account both people and systems. The customer/worker/organization relationship is complex and increasingly significant to the success of a company with the inevitable shift away from product focus to customer focus and is, therefore, in need of further research.

Other main challenges of implementing customer-focused organization strategies are the provision of reward systems, the development of new skills, and restrictive career paths for customer workers (Lucey and Dowling, 2005). The lack of customer focus in accounting systems directly translates into a problem of reward systems. Since most firms' accounting systems do not allow tracking of profitability by customers or industry segments, profitability-based reward systems are difficult for many firms to implement as they move to customer-focused business units. Moreover, managing long-term relationships with major customer accounts requires skills well beyond personal selling and negotiating skills. An orientation towards customer-focus generates greater ambiguity, an emphasis on teamwork skills, more breadth of experience, greater empathy for goals and constraints of people in other functional areas, and more flexibility in being able to respond to changing business conditions (Homburg et al., 2000). Customer-focus is therefore a mix of technical and human capabilities.

A number of managerial implications follow from these challenges. First, to make organisations more customer oriented, structural changes are needed. Second, organizational accounting, information and reward systems must be changed to facilitate and encourage a focus on customer groups. Third, there are a number of human relations issues required to support the transition to a customer-focused structure that imply new recruitment practices, reevaluating training programs, and rethinking career paths. Finally, managers need to address the issue that some workers may have skills that are no longer relevant when firms move towards a greater customer focus (Homburg et al., 2000).

From the perspective of workers these changes are no less challenging. One of the findings of Homburg et al.'s (2000) research was that one of the fundamental difficulties of implementing customer-focused strategies was social acceptance of a new way of working. For instance workers may resist these new changes in work practices because of the threat of social isolation which information technology systems bring and there can be significant resistance in internally sharing customer-based information (Atkinson, 2000). In terms of career paths, vertical career progression for customer workers (e.g.

sales and marketing) is less common than in the past. Additionally, there still seems to be a general belief that to advance to general management people need experience in a variety of functional areas. While it is easy to say modern organizations should be more customer oriented, there are often very different interpretations of what it means to be customer oriented and little understanding of the changes in company structure that are needed.

On the other hand, as Atkinson (2000) points out, failure to make this paradigm shift, requiring the radical change in the internal fabric and management style to service the now critical customer with heightened market awareness, could result in those organisations occupying second tier positions ripe for acquisition or destined for further decline (Atkinson, 2000). It therefore follows that managers who can deliver and implement these fundamental changes should be in high demand by companies. Unfortunately there is a dearth of people with the capabilities and experience at a senior level who can successfully drive change (MacKenzie, 2001). This core competency is missing from many businesses – they do not have the transformational leaders to see through the change from the top. These people will gain high premium and will be increasingly valued over those who possess only technical expertise. Holding on to these leaders will be a challenge for those companies who have invested in the cultural infrastructure, and rewards and performance management systems. The same can be said for middle managers. Atkinson (2000) argues that flexibility in the staff is what will be valued most – those who can act as team leaders and build teams, communicate with customers and understand business from both a strategic level yet operate at a local level will be of most value and are increasingly in scarce supply. Ready access, increased knowledge and rapid speed of decision making are the drivers for customer wants and decisions.

The role of managers as leaders should be to help workers to know what their firms stand for and to facilitate the identification of employees' aims with those of the organization. A good leader is able to engender the commitment of his or her staff as though they are running their own part of the business, while still working towards the overall objectives of the company (Lee and Dubinsky, 2003). The characteristics of a service style leader are that they: energize everyone to deliver service; guide and focus their team; take the initiative; provide an example to others, and; change things for the better. Middle management is often identified as the main obstacle to quality improvement, yet often it is not involved in the development of a customer service programme. Surveys show that individuals in organizations overwhelmingly favour quality improvement programmes because they gain more say in improving the way they work. In a process of change it is the middle ranks of the organization who often feel squeezed (Simonson, Carmon, Dhar, Drolet and Nowlis, 2001). They become sandwiched between senior managers who have issued a directive to change and who know clearly where the organization should be going, and members of staff who may be cynical and skeptical of the change. In this situation middle managers may vacillate between their commitment to the goals of the organization and their identification with the sentiments of staff.

It is critical, therefore, to develop a service strategy which ensures the involvement of middle management from the start (Grandey, 2003). Likewise, demonstrating tangible benefits early on in the programme is important to prevent disillusionment creeping in. Failure to engender management commitment is often attributed to the lack of explanations provided to lower and middle management about how the general initiative is intended to work and the role people in those positions will be required to play. Some early signs of blocking will be evident at the start of a programme. Middle management is the key to bringing about the necessary radical changes required as part of a successful programme (Barger and Grandey, 2006). As front line and support staff have the greatest exposure to customers, it is often they who are the initial target for customer service training. However, training in customer service at staff level is most effective when managers have also been involved in the development of the programme, participate in the programme and can be seen to have made changes as the result of training.

Training for these front line and support staff needs to cover such aspects as product knowledge and technical training as well as interpersonal and customer handling skills. Sometimes customer care training stresses interpersonal skills alone – but it is no use being friendly if all you can say is: "I don't know" (Hennig-Thurau, Groth, Paul and Gremler, 2006). Willingness to help and acceptance of responsibility underpin good customer service. Often companies give poor service because of the way departments work together. Employees are often indifferent to the quality of service they provide for their colleagues because they have no understanding of the effect of the internal customer/supplier relationship. This is typified by each department putting emphasis on its own priorities. For example: the purchasing department buys cheaply, but quality is poor and the customer returns the product; the warehousing department keeps stock low and customers have to wait for delivery; a credit controller puts a key customer on credit hold for a small amount at a timc which would prejudice the negotiations of a big order (Zelenski and Larsen, 2000). The supplier/producer chain is pivotal to total quality management and serving the external customer.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out this study. The chapter considers in detail the methods that were used to collect any primary data or secondary data required in the study. In this chapter, the researcher discusses the research design, population size and sample that were used. The researcher also discusses how this data was analyzed giving details of any models or programmes that were used in analysis with reasons as to why these particular models or programmes were used.

3.2 Research Design

The research design adopted was a case study design. According to Cooper and Schindler (2006), case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. They also emphasized that case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Since this study was about in-depth analysis of customer service strategies, the case study design was considered appropriate. This was facilitated by the use of interview.

3.3 Data Collection

The respondents in this were the top employees in the selected branches who deal in strategy and customer service. The study applied convenience sampling where the heads of strategy and customer service in each of the three largest KCB branches in Nairobi were the subjects of the interview. The three branches selected included KCB Moi Avenue Branch, KCB Kipande House Branch and KCB University Way Branch. Convenience sampling was used because of two reasons. First, due to the costs and time savings enabled by the use of this method without compromising much on reliability of the information to be collected and representativeness of the sample. Second reason is that the nature of the study required intensive knowledge and experience of the bank's strategies which could only be provided by the top managers. According to Kothari (2004) convenience sampling is ideal in studies where the population is too large that it is impossible to include every individual or carry out a random sample. Kothari also observes that many researchers prefer this sampling technique because it is fast, inexpensive, easy and the subjects are readily available.

The study used both primary and secondary data. Primary data was collected using a structured interview (Appendix I) with the heads of strategy and customer service in the three selected branches. Secondary data was in form of literature review and other secondary information contained in books, journals and other relevant articles and secondary sources on customer service available from the bank or other sources. The interview guide was designed to address the research questions.

After designing the interview guide, the researcher tested its effectiveness on 1 employee from KCB head office. The respondent was required to critique the guide on content, design and validity. This pretest was done to detect and correct any weaknesses in the interview guide. After the pretest, the researcher made any amendments that were deemed necessary.

The researcher then arranged for appointments with the subjects. Interviews were carried out at arranged times. An introductory letter was provided to the subjects so as to give authenticity to the research and explain the purpose of the interview.

3.4 Data Analysis

The data and information obtained through the interviews was analyzed through descriptive statistics such as means, percentages and standard deviations. Means and standard deviations were applied to the likert type queries while percentages were applied to the closed questions. Information from the open questions was analyzed through narrative summary analyses. According to Burck (2005) this technique is highly applicable in analyzing data from an in-depth interview of one or more subjects to depict patterns and major themes. Burck reminds us that after taking our data apart to get at essences, we also could gain valuable insights by putting the data back together, not in their raw form, but in re-ordered form to tell stories from the points of view of different participants. This supplemented the descriptive statistics.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction

This chapter considers the results and findings from the interviews. The findings of the study are presented according to the research questions. There were six interviews conducted with the selected KCB branches heads of strategy and customer service in each of the three largest KCB branches in Nairobi. The three branches selected included KCB Moi Avenue Branch, KCB Kipande House Branch and KCB University Way Branch.

4.2 Response Return Rate

Of the six interviews arranged with the six KCB senior employees, all were successful and data collected from these interviews is analyzed according to the objectives of the study. According to Mugenda and Mugenda (2003), high response rates reduce the risk of bias in the responses. This high response rate was achieved by the great cooperation between the researcher and the interviewees. All the interviews provided important information for the study.

4.3 General Information

The study sought to establish when the reforms to Customer service at KCB started. Responses indicated that the reforms started way back in 2002/03 financial year when KCB hit rock bottom between 2000 and 2002 and posted a loss of Ksh. 4.1bn ($53.7m). Since then, government has gradually reduced its shareholding to 26%, and the institution has made an increasingly vigorous recovery. The former CEO Mr. Terry Davidson was the one who started this turn around in 2004 and his predecessor, the current CEO Mr. Oduor Otieno took the mantle from 2007 up to date. These reforms have been touted to have brought about customer confidence which have improved numbers and profitability of the bank. These findings concur with findings from a study by Gruca and Rego (2005) on the relationship between customer satisfaction, cash flow, and shareholder value which showed that customer satisfaction has a significant impact on shareholder value because satisfied customers are less likely to defect, are more receptive to a firm's cross-selling efforts, and engage in positive word-of-mouth advertising, they are likely to enhance the company's shareholder value over the long-run.

All interviewees indicated that the reforms have been very influential in not only rejuvenating customer service but also other operational areas of the bank. Interviewees indicated that the bank started by changing the organization culture which in early 2000s was very dysfunctional, with tense relations between board and management as well as management and staff and defined and instilled a set of core values, customer service, professionalism, teamwork, embracing change, and community involvement, that has continually provided focus for the employees.

Analyzed results indicate that KCB bank had benefited to a great extent from its customer improvement strategies in areas such as increased number of new accounts being opened and few accounts being closed. The bank was also indicated to have benefited through increased customer loyalty, customers using multiple products from the bank and applying the concept to drive all its other operational areas. These findings agree with findings from a study by Luong (2005) in the Asian banking insurance industry which found that there is a positive relationship between customer satisfaction and the company's shareholder value. It also found that investment in customer satisfaction represents resources well-spent as satisfied customers are central to creating shareholder value.

Analysis of responses also indicated that KCB had applied strategies in areas such as convenience, reach, opening hours, training employees how to cope with changing customer needs, technology and competition. The bank was said to be always in the frontline in providing products and services which are competitive in the market. The bank was reported to have done improvements in number of ATMs, introduced products and services which are competitive in the market, improved ways to access bank's services and products and improved the overall out look of branches.

All respondents indicated that policies and strategies on customer service improvement are conceived and developed by top management. These fining concur with that from a study by Tombs and McColl-Kennedy (2005) which established that normally, policies and strategy are developed at the top of the pyramid by the senior management team and then the effects of this policy and strategy making filters down until they reach the customer in the form of a product or service. However, these findings also agree with findings from a study by Luo and Homburg (2007) which established that many initiatives are faced by the problem of lack of commitment and involvement of middle management in the initiative, which forms a negative or at best passive barrier to change.

4.4 Customer Service Strategies Employed By KCB

For a company to be competitive and remain vibrant in the financial services sector, it requires to adopt winning strategies to offer the best customer service to its clients. The study sought to establish those strategies that KCB bank employed to win customers and satisfy them. The interviewees in the study indicated that the bank followed a customer orientation where it first did research and investigations on what type of products and services the market required. Responses also indicated that policies and strategies in the bank were developed mostly by top management.

Table 4.1: Customer Service Strategies Employed By KCB

Statement	Mean scores
Entry to the bank is pleasant and welcoming	4.50
All stakeholder more so employees are consulted in the Strategic Planning	3.40
Directions inside the banking halls are easy to follow	5.00
Waiting and queuing at the bank is minimal and carefully managed	4.50
There are always people available to courteously help the customers with questions and problems	5.00
Complaints are attended to in a manner perceived by the customer to be appropriate and effective	4.50
There is logging and monitoring of complaints to discover what aspects of the provided service cause complaints to be made	4.50
The bank talks to customers through some structured programme aimed at finding out their views on a range of matters	4.20
There is use of different distribution channels by the bank to reach customers	4.50
The bank has been in the frontline of adopting new technologically adept channels to serve customers better	5.00
The bank continually keeps track of its customers to know the changing patterns	4.50
The bank has effective complaints procedures which enable it track and analyze complaints	4.20
Many ideas into the customer service improvement come from lower cadre employees	3.00
The bank does customer research before embarking on any improvement initiative	4.20
The bank involves all the departments in its customer service improvement strategies	5.00

It is clear from the findings in table 4.1 indicate that customer service strategies employed by KCB include making the banking halls atmosphere pleasant and welcoming (4.50), making directions inside the banking halls easy to follow (5.00), reducing waiting and queuing at the bank and making it minimal and carefully managed (4.50) and having staff always available to courteously help the customers with questions and problems. These findings agree with those from a study by (2002) whose findings established that many competitive banks actualized the service priorities spelled out by the service strategy where many banks in a customer-driven system, made the entry pleasant and welcoming. The study findings also concur with the findings from the same study by Albrecht and Zemke that many banks had minimized waiting and queuing at their waiting bays and carefully managed their customer's waiting. These findings also concur with findings from a study by Kaliski (2001) which established that customer service systems are made up of all the various practices and procedures that personnel can use to meet the customer needs. Kalinski observed that the basic design of customer-driven systems makes everything easier for the customer and directions are made easy to follow.

KCB was reported to employing different channels to reach customers (4.50). this concurs with a study on banks in UK by Aitchison and Stone (2002) who established that the financial services sector has rapidly adopted the new channels made possible by developments in technology, deregulation and developments in information technology to reach customers and be competitive in the hyper competitive landscape of financial services.

Other strategies that were mentioned included handling and attending to complaints in a manner perceived by the customer to be appropriate and effective (4.50) and logging and monitoring of complaints to discover what aspects of the provided service cause complaints to be made and hence dealing with the root causes rather than the symptoms (4.50). These findings agree with the findings in a study by Luong (2005) which found that dealing with complaints is important, but more important is the logging and monitoring of complaints to discover what aspects of the provided service (or product) cause complaints to be made, and the modification of the product or service design and delivery to avoid the repetition of such complaints. Luong's findings indicated that customers do not want pleasant bad service, but they may prefer good service to be accompanied with a smile. These findings also concur with those from a study by Harker and Keltner (2001) which established that some service organizatiuons used strategies such as talking to customers through some structured programmes aimed at finding out their views on a range of matters. In addition to finding out the cause of complaints, Harker and Keltner found that this strategy enabled the organization to discover what it is about the current offerings that is liked and valued by customers. They further established that when providers of services talk to customers, they tried to find out customer perceptions of both positive and negative things. Other strategies mentioned by the interviewees to have been applied by KCB bank included being in the frontline of adopting new technologically adept channels to serve customers better (5.00), involving all the departments in its customer service improvement strategies (5.00). These findings concur with findings from a study by Mattila et al (2003) which found that the best customer-related programmes go further than a simple concentration on the customer and recognize the fact that, especially in large organizations, intermediate departments or sections involved in the supply of a service are themselves customers of the primary providers. The organization therefore concentrates on improving all the departments in an organization but not just the customer care department.

KCB also was reported to continually keep track of its customers to know the changing patterns (4.50). These findings agree with those from a study by Durkin and Howcroft (2003) which indicated that paying attention to customer service requires organizations to identify their customers, to identify their needs and meet those needs, and to keep such an analysis and approach continually up to date. Durkin and Howcroft furyher observed that the needs of the customer, and the customer's perceptions of the organization and its products and/or services, changes over time and the organization needs to update itself on such. Another strategy mentioned to be applied by KCB on customer service improvement was doing customer research before embarking on any improvement initiative (4.20). These findings indicate that KCB bank have dealt with programmes of customer service as something much more than "smile training". This agrees with findings from the study by Blythman (2004) who found that it is common to send front-line staff on training programmes which teach them to be pleasant and courteous to customers but to ignore the real changes that must be made which jeopardizes the success of such programmes. The findings also concur with findings from other studies by Söderlund (2006), Luo and Homburg (2007), Barger and Grandey (2006) and another one by Bendapudi and Bendapudi (2005). These studies established that research should be used at the beginning of a customer service programme to establish customer needs, both externally and internally, and to act as a benchmark by which to measure the effectiveness of the programme. In addition, these studies found that monitoring satisfaction levels on an ongoing basis is an important method of sustaining a customer focus.

Findings from the study also indicate that interviewees felt that the bank applied some specific strategies in customer service improvement which made it rise above competition. These strategies included establishing contact centres to handle customer issues, establishing service focus groups that meet regularly to review customer service and providing readily available feedback forms which customers use to communicate to the bank. These findings concur with those from a study by Troyer et al. (2000) which established that major gains in customer satisfaction are likely to come from improvements in service quality, service features and customer complaint handling. Other specific strategies employed by KCB bank to improve its customer service included customer surveys and competitor analysis and having customer focus weeks in all the branches.

4.5 Effect of Customer Service Strategies on Performance

Analysis of findings indicated that all interviewees perceived a strong connection between the bank's customer service strategies to high levels of customer satisfaction. The interviewees also indicated that KCB had differentiated itself in the marketplace with its service quality which had made it acquire new customers, maintain existing ones and improve its financial performance.

Table 4.2: Effect of Customer Service Strategies

	Mean Scores
The bank has a consistently high level of reliability hence high customer attraction and retention	4.20
KCB is highly responsive which has resulted to high levels of customer satisfaction	3.00
Customer experiences with the service delivery process in the bank has improved customer loyalty	3.00
Increased loyalty has led to lower costs of servicing the firm's customers	4.50
The bank's customer service improvement have led to reduced marketing expenditures	4.20
Improved customer service has given the bank an opportunity to cross-sell existing and new products and services	4.50
Improved customer service has lowered number of complaints and the costs associated with such	4.20

Analysis of results as presented in table 4.2 indicate that the major benefits derived from implementation of customer service improvement strategies included the fact that KCB had acquired a consistently high level of reliability hence high customer attraction and retention (4.20). These findings relate to those from a study by Dallimore, Sparks and Butcher (2007) which established that businesses which improved their customer service led to high levels of customer satisfaction. High levels of customer satisfaction on the other hand led to customer retention, especially in markets that are highly competitive and saturated, like financial services. Dallimore et al further observed that financial service institutions with direct competitors who offer similar products find that service quality enhancements are critical to their business success.

KCB was also reported to have benefited from improved customer loyalty which had led to lower costs of servicing the firm's customers (4.50). These findings concur with findings in a study by Heskett et al. (1994) whose findings indicated that most commercial service businesses accept that there is a relationship between customer service and profitability with customer service influencing satisfaction which in turn influences loyalty which in turn affects profitability. Other major benefits indicated by interviewees included the cost reduction aspect where the customer service improvement had led to reduced marketing expenditures (4.20) and the fact that improved customer service had given KCB bank an opportunity to cross-sell existing and new products and services (4.50). Further, interviewees indicated that the bank had also benefited from a lessened number of complaints and the costs associated with such courtesy of improved customer service (4.20).

The major benefits mentioned by the interviewed subjects indicate that increased loyalty, profitability and business growth are the major benefits that were derived from the service improvements. These findings agree with those from a study by Gustafsson et al (2005) which established that customer satisfaction is viewed as a customer's overall evaluation of the performance of an offering to date. The study further established that overall satisfaction has a strong positive effect on customer loyalty intentions across a wider range of product and service categories. Other benefits mentioned included lower attrition rates and few delays in dealing with customer complaints thus improving confidence in customers. These findings also relate to those from a study by Ueltschy et al (2002) which found that the rewards to firms that established a loyal customer base included increased loyalty leading to lower costs of servicing the firm's customers, reduced marketing expenditures, increased business from the existing customer base and greater profits.

4.6 Challenges Encountered In Customer Service Improvement

In the path towards customer service improvements, many organizations face an array of challenges which it has to surmount to make its strategies effective. The study sought to establish which challenges the bank had faced in its path towards improving its customer service levels. Questions which were likert rated were asked and findings are presented in table 4.3.

Table 4.3: Challenges Encountered In Customer Service Improvement

	Mean Scores
The problems of defining "good" service	2.00
The different perceptions of receivers and providers of the service	1.00
Changing consumer tastes and preferences	4.20
Volatility of the technological environment	4.50
Changing demographic trends	4.20
Bank offering products that are perceived as similar in the marketplace	4.20
Lack of top management commitment	1.00
Lack of lower management involvement	4.20
High standards and stiff competition in the industry	5.00
Poor training	1.00
Poor coordination between different departments of the bank	1.00
Poor review of customer service improvement initiatives	3.00
Lack of specific benchmarks of the improvement strategies	1.00

As companies embark on improvements, there are various challenges that face the company on its path to improvements. The study sought to investigate on the challenges KCB bank faced in its path of customer service improvements. Analysis of findings as presented in table 4.3 indicate that the major challenges indicated by the interviewees which faced the bank in its customer service improvement strategies included changing consumer tastes and preferences (4.20), volatility of the technological environment (4.50), Changing demographic trends (4.20) and competing banks offering products that are perceived as similar to KCB bank's products in the marketplace (4.20). This concurs with findings from a study on Chinese financial companies by Wang et al. (2003) which established that most institutions do offer the same or similar products; and, as a result, the only means of differentiating themselves in the marketplace is with service quality.

Other challenges included lack of lower management involvement (4.20) and high standards and stiff competition in the industry (5.00). The interviewees however, did not indicate to having any challenge in defining good service (2.00). This disagrees with findings from a study by Pham (2004) who indicated that in those banks he surveyed, there was the problem of defining what good service was in the eyes of the customer. This was exemplified by the case of ATMs where many customers seemed to prefer the use of such devices to dealing on a face-to-face basis with a real, live bank employee. Pham observed situations where it was possible to see queues of people at an ATM outside a bank during opening hours while the cashiers inside were unoccupied. These findings also disagree with observations from a study by Kidwell and Jewell (2003) which indicated that what the service providers felt was important was considered relatively unimportant by the customers.

Findings on the major challenges faced by KCB bank in its customer service improvements included low staff morale, complexity and dynamism in the technological environment which brings a lot of changes and improvements and working as independent units having little teamwork. Other challenges mentioned in the implementation of customer service improvements included lack of commitment to those dealing directly with customers, lack of support to those directly delivering service. These findings concur with findings from a survey by Lucey and Dowling (2005) which found that the implementation of reward and incentive systems, skill development and restrictive career paths for customer workers is ongoing issues for managers, workers, and human resource (HR) practitioners. These findings however disagree with those from a study by Grandey et al (2005) which established that typical problems encountered when introducing customer service programmes included senior management paying mere lip service to the concept so it never gets off the ground. At KCB the findings indicate that top management was committed to service improvement programs.

Measures which were proposed by the interviewees to check on the different challenges included boosting staff morale by employing a diverse range of motivation techniques, being fast in resolving technological challenges and consistently training of staff and sensitizing them on customer service issues. These findings concur with the findings from a study by Homburg et al. (2000) which established that a number of managerial implications follow from the challenges in customer service improvements. First, to make organizations more customer oriented, structural changes are needed. Second, organizational accounting, information and reward systems must be changed to facilitate and encourage a focus on customer groups. Third, there are a number of human relations issues required to support the transition to a customer-focused structure that imply new recruitment practices, reevaluating training programs, and rethinking career paths. Finally, managers need to address the issue that some workers may have skills that are no longer relevant when firms move towards a greater customer focus. Other measures proposed to deal with implementation challenges included increasing support from top management, enforcing teamwork and having more emphasis on research and review of customer service improvement strategies.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the outcome of the study. It provides a summary of findings and their interpretation and then lays down the conclusions drawn from the findings. The researcher then provides recommendations on the gaps identified in the study. Lastly, the researcher gives recommendations for further research studies to be carried out in this area.

5.2 Summary of Findings

The study sought to establish the date at which the reforms at KCB started. Responses indicated that the reforms started way back in 2002/03 financial year when KCB hit rock bottom between 2000 and 2002 and posted a loss of Ksh. 4.1bn ($53.7m) in the 2002/2003 financial year. Since then, government has gradually reduced its shareholding to 26%, and the institution has made an increasingly vigorous recovery. The former CEO Mr. Terry Davidson was the one who started this turn around in 2004 and his predecessor, the current CEO Mr. Oduor Otieno took the mantle from 2007 up to date. These reforms have been touted to have brought about customer confidence which have improved numbers and profitability of the bank.

All interviewees indicated that the reforms have been very influential in not only rejuvenating customer service but also other operational areas of the bank. Interviewees indicated that the bank started by changing the organization culture which in early 2000s was very dysfunctional, with tense relations between board and management as well as management and staff and defined and instilled a set of core values, customer service, professionalism, teamwork, embracing change, and community involvement, that has continually provided focus for the employees. Analyzed results indicate that KCB bank had benefited to a great extent from its customer improvement strategies in areas such as increased number of new accounts being opened and few accounts being closed. The bank was also indicated to have benefited through increased customer loyalty, customers using multiple products from the bank and applying the concept to drive all its other operational areas.

Analysis of responses also indicated that KCB had applied strategies in areas such as convenience, reach, opening hours, training employees how to cope with changing customer needs, technology and competition. The bank was said to be always in the frontline in providing products and services which are competitive in the market. The bank was reported to have done improvements in number of ATMs, introduced products and services which are competitive in the market, improved ways to access bank's services and products and improved the overall out look of branches.

For a company to be competitive and remain vibrant in the financial services sector, it requires to adopt winning strategies to offer the best customer service to its clients. The study sought to establish those strategies that KCB bank employed to win customers and satisfy them. The interviewees in the study indicated that the bank followed a customer orientation where it first did research and investigations on what type of products and services the market required. Responses also indicated that policies and strategies in the bank were developed mostly by top management.

Study findings indicate that customer service strategies employed by KCB include making the banking halls atmosphere pleasant and welcoming (4.50), making directions inside the banking halls easy to follow (5.00), reducing waiting and queuing at the bank and making it minimal and carefully managed (4.50) and having staff always available to courteously help the customers with questions and problems. Other strategies that were mentioned included handling and attending to complaints in a manner perceived by the customer to be appropriate and effective (4.50), logging and monitoring of complaints to discover what aspects of the provided service cause complaints to be made and hence dealing with the root causes rather than the symptoms (4.50) and using different distribution channels to reach customers (4.50). Other strategies mentioned by the interviewees to have been applied by KCB bank included being in the frontline of adopting new technologically adept channels to serve customers better (5.00), involving all the departments in its customer service improvement strategies (5.00), continually keeping track of its customers to know the changing patterns (4.50) and doing customer research before embarking on any improvement initiative (4.20).

Findings from the study also indicate that interviewees felt that the bank applied some specific strategies in customer service improvement which made it rise above competition. These strategies included establishing contact centres to handle customer issues, establishing service focus groups that meet regularly to review customer service and providing readily available feedback forms which customers use to communicate to the bank. Other specific strategies employed by KCB bank to improve its customer service included customer surveys and competitor analysis and having customer focus weeks in all the branches.

Analysis of findings indicated that all interviewees perceived a strong connection between the bank's customer service strategies to high levels of customer satisfaction. The interviewees also indicated that KCB had differentiated itself in the marketplace with its service quality which had made it acquire new customers, maintain existing ones and improve its financial performance.

Analysis of results as presented in table 4.2 indicate that the major benefits derived from implementation of customer service improvement strategies included the fact that KCB had acquired a consistently high level of reliability hence high customer attraction and retention (4.20) and the bank had also benefited from improved customer loyalty which had led to lower costs of servicing the firm's customers (4.50). Other major benefits indicated by interviewees included the cost reduction aspect where the customer service improvement had led to reduced marketing expenditures (4.20) and the fact that improved customer service had given KCB bank an opportunity to cross-sell existing and new products and services (4.50). Further, interviewees indicated that the bank had also benefited from a lessened number of complaints and the costs associated with such courtesy of improved customer service (4.20).

The major benefits mentioned by the interviewed subjects indicate that increased loyalty, profitability and business growth are the major benefits that were derived from the service improvements. Other benefits mentioned included lower attrition rates and few delays in dealing with customer complaints thus improving confidence in customers.

In the path towards customer service improvements, many organizations face an array of challenges which it has to surmount to make its strategies effective. The study sought to establish which challenges the bank had faced in its path towards improving its customer service levels.

As companies embark on improvements, there are various challenges that face the company on its path to improvements. The study sought to investigate on the challenges KCB bank faced in its path of customer service improvements. Analysis of findings as presented in table 4.3 indicate that the major challenges indicated by the interviewees which faced the bank in its customer service improvement strategies included changing consumer tastes and preferences (4.20), volatility of the technological environment (4.50), Changing demographic trends (4.20) and competing banks offering products that are perceived as similar to KCB bank's products in the marketplace (4.20). Other challenges included lack of lower management involvement (4.20) and high standards and stiff competition in the industry (5.00).

Findings on the major challenges faced by KCB bank in its customer service improvements included low staff morale, complexity and dynamism in the technological environment which brings a lot of changes and improvements and working as independent units having little teamwork. Other challenges mentioned in the implementation of customer service improvements included lack of commitment to those dealing directly with customers, lack of support to those directly delivering service.

Measures which were proposed by the interviewees to check on the different challenges included boosting staff morale by employing a diverse range of motivation techniques, being fast in resolving technological challenges and consistently training of staff and sensitizing them on customer service issues. Other measures proposed to deal with implementation challenges included increasing support from top management, enforcing teamwork and having more emphasis on research and review of customer service improvement strategies.

5.3 Conclusions

After analysis of the findings, the study can put forward the following conclusions. KCB has been in the frontline of reforming how it deals with its customers which started in earnest in 2003 spearheaded by the former CEO Mr. Terry Davidson. The current CEO Mr. Oduor Otieno took the mantle from 2007 and reinforced the reform process which has seen the bank turn around in a magnificent way. These reforms have been touted to have brought about customer confidence which have improved numbers and profitability of the bank. The reforms have been very influential in not only rejuvenating customer service but also other operational areas of the bank. KCB bank started by changing the organization culture which in early 2000s was very dysfunctional, with tense relations between board and management as well as management and staff and defined and instilled a set of core values, customer service, professionalism, teamwork, embracing change, and community involvement, that has continually provided focus for the employees.

Customer service strategies employed by KCB include making the banking halls atmosphere pleasant and welcoming, making directions inside the banking halls easy to follow, reducing waiting and queuing at the bank and making it minimal and carefully managed and having staff always available to courteously help the customers with questions and problems. Other strategies that the bank employed included handling and attending to complaints in a manner perceived by the customer to be appropriate and effective, logging and monitoring of complaints to discover what aspects of the provided service cause complaints to be made and hence dealing with the root causes rather than the symptoms and using different distribution channels to reach customers. Other strategies included being in the frontline of adopting new technologically adept channels to serve customers better, involving all the departments in its customer service improvement strategies, continually keeping track of its customers to know the changing patterns and doing customer research before embarking on any improvement initiative. The bank also employed innovative ways to satisfy its customers which included establishing contact centres to handle customer issues, establishing service focus groups that meet regularly to review customer service and providing readily available feedback forms which customers use to communicate to the bank. Other specific strategies employed by KCB bank to improve its customer service included customer surveys and competitor analysis and having customer focus weeks in all the branches.

The bank has leaped major benefits from its customer improvement initiatives which include acquiring a consistently high level of reliability hence high customer attraction and retention and improved customer loyalty which had led to lower costs of servicing the firm's customers. Other major benefits the bank has leaped included the cost reduction aspect where the customer service improvement had led to reduced marketing expenditures and the fact that improved customer service had given KCB bank an opportunity to cross-sell existing and new products and services. Further, the bank had also benefited from a lessened number of complaints and the costs associated with such courtesy of improved customer service. Other major benefits which the bank had leaped from its customer service strategies include increased loyalty, profitability and business growth, lower attrition rates and few delays in dealing with customer complaints thus improving confidence in customers.

In the path towards customer service improvements, many organizations face an array of challenges which it has to surmount to make its strategies effective. The study sought to establish which challenges the bank had faced in its path towards improving its customer service levels. The challenges faced by KCB in its customer service strategies include changing consumer tastes and preferences, volatility of the technological environment, changing demographic trends and competing banks offering products that are perceived as similar to KCB bank's products in the marketplace. Other challenges faced by the bank include lack of lower management involvement and high standards and stiff competition in the industry. The bank was also reported to have faced challenges in staff motivation, complexity and dynamism in the technological environment and poor teamwork.

5.4 Recommendations

From the study findings, the researcher makes the following recommendations. First, the bank should ensure involvement of all staff, more so the middle management, to ensure that the strategies are implemented effectively and they have a better chance of bringing the desired results. The study also recommends that the bank management should make it a commitment to include boosting staff morale as a priority. The bank top management should employ a diverse range of motivation techniques to ensure that all cadres of employees have been bought into the bandwagon of customer service strategy.

The study also recommends that the bank should always be in the frontline of adopting new technology as this has become the new arena for financial service industry competition. The bank should employ technology in satisfying and communicating with customers to ensure that they improve their competitive advantage. The bank should be fast in resolving technological challenges and consistently training of staff and sensitizing them on customer service issues.

KCB bank should also ensure that there is increased support from top management who are supposed to be the drivers of any reforms. Top leaders should always set an example for the other employees to follow. The bank should also adopt a holistic approach to quality where all the operational areas are engaged in the quality improvements to provide the customer with an overall quality product. This can be done by enforcing teamwork and having more emphasis on research and review of customer service improvement strategies.

5.5 Suggestions for Further Research

Future researchers can investigate further the challenges that are faced by various banks in trying to improve their customer service. This study can be a survey of the banks in Kenya, sampled without bias to include the banks which have not had many gains as KCB had. The study can also investigate the factors which are required in personnel to make them responsive to customer needs. On other areas, future researchers need to investigate the benefits that service industry companies would gain if their internalized customer improvement strategies and make customer satisfaction as one of their key tenets.

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APPENDICES

Appendix I: Interview Guide for KCB Senior Employees

SECTION A: GENERAL INFORMATION

(Kindly [√] tick as appropriate or put your response on the space provided)

1. When did the reforms to the customer service begin?..................................
2. Has the reforms been effective in rejuvenating customer service? State your level of agreement where 1 = strongly disagree and 5 = strongly agree

   1 [ ]   2 [ ]   3 [ ]   4 [ ]   5 [ ]
3. In what specific ways has Customer service strategies helped the bank?...

   ....

   ....
4. How has the bank applied customer service as competitive advantage?

SECTION B: CUSTOMER SERVICE STRATEGIES EMPLOYED BY KCB

1. What orientation does the bank follow?

   Product orientation [ ]

   Customer orientation [ ]
2. Where in the bank hierarchy are policies and strategy developed?

   Top management [ ]

   Lower management [ ]

3. State the extent to which you agree or disagree on the statements below (tick appropriately)

   Very Great Extent [5]   Great extent [4]   Moderate Extent [3]

   Low Extent [2]   Very Low Extent [1]

Statement	Response Ratings				
	1	2	3	4	5
Entry to the bank is pleasant and welcoming					
All stakeholder more so employees are consulted in the Strategic Planning					
Directions inside the banking halls are easy to follow					
Waiting and queuing at the bank is minimal and carefully managed					
There are always people available to courteously help the customers with questions and problems					
Complaints are attended to in a manner perceived by the customer to be appropriate and effective					
There is logging and monitoring of complaints to discover what aspects of the provided service cause complaints to be made					
The bank talks to customers through some structured programme aimed at finding out their views on a range of matters					
There is use of different distribution channels by the bank to reach customers					
The bank has been in the frontline of adopting new technologically adept channels to serve customers better					
The bank continually keeps track of its customers to know the changing patterns					
The bank has effective complaints procedures which enable it track and analyze complaints					
Many ideas into the customer service improvement come from lower cadre employees					
The bank does customer research before embarking on any improvement initiative					
The bank involves all the departments in its customer service improvement strategies					

4. In your view, what are the specific and unique strategies that the bank uses to improve on its customer service?

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5. What measures do you recommend to improve customer service in the bank?

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SECTION C: EFFECT OF CUSTOMER SERVICE STRATEGIES ON GOOD RESULTS

1. Does the bank's customer service lead to high levels of customer satisfaction?

   Yes [ ]

   No [ ]

2. Has the bank differentiated itself in the marketplace with its service quality?

   Yes [ ]

   No [ ]

3. In your own view, indicate the extent you agree with the factors listed in the table below?

   Very great extent **[5]** Great extent **[4]** Moderate **[3]**

   Low extent **[2]** Very low extent **[1]**

Factor	Ratings				
	1	2	3	4	5
The bank has a consistently high level of reliability hence high customer attraction and retention					
KCB is highly responsive which has resulted to high levels of customer satisfaction					
Good customer experiences with the service delivery process in the bank has improved customer loyalty					
Increased loyalty has led to lower costs of servicing the firm's customers					
The bank's customer service improvement have led to reduced marketing expenditures					
Improved customer service has given the bank an opportunity to cross-sell existing and new products and services					
Improved customer service has lowered number of complaints and the costs associated with such					

4. In your opinion, what can you rate as the major 3 benefits that have been gained by the bank from its customer service improvements?

    i)..

    ii)...

    iii)..

SECTION D: CHALLENGES ENCOUNTERED IN CUSTOMER SERVICE IMPROVEMENT

1. In your own view, indicate the extent the factors listed in the table below affect or challenge the bank's customer service initiatives?

Very great extent	[5]	Great extent	[4]	Moderate	[3]
Low extent	[2]	Very low extent	[1]		

Challenges to customer service initiatives	**Ratings**				
	1	2	3	4	5
The problems of defining “good” service					
The different perceptions of receivers and providers of the service					
Changing consumer tastes and preferences					
Volatility of the technological environment					
Changing demographic trends					
Bank offering products that are perceived as similar in the marketplace					
Lack of top management commitment					
Lack of lower management involvement					
High standards and stiff competition in the industry					
Poor training					
Poor coordination between different departments of the bank					
Poor review of customer service improvement initiatives					
Lack of specific benchmarks of the improvement strategies					

2. In your opinion, what can you rate as the major 3 challenges hindering customer service initiatives in the bank?

i)……………………………………………………………………………………

ii)……………………………………………………………………………………

iii)……………………………………………………………………………………

3. What measures can be put in place to check on the challenges mentioned in (2) above?

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Thank you for your participation