PHYGITAL BANKING AND CUSTOMER EXPERIENCE IN COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and, to the best of my knowledge, has not been submitted for examination in any other university or institution of higher learning.

Signature........................... Date...30th... November.. 2020

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This research project has been submitted for examination with my approval as the university lecturer.
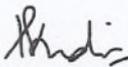
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DEDICATION

I dedicate this research project to my husband, my parents, my sisters, my brothers and my friends who have supported my academic journey particularly the completion of this research project.

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ABSTRACT

In present day, banks operate in very dynamic and competitive business environments. To sustain their operations, banks must therefore differentiate themselves by consistently providing exceptional customer experience. This is because their survival solely hinges on how their customers perceive the quality and experience created by their products and services. With the current proliferation of technology witnessed globally, phygital banking has emerged as a model that can be used by banking to build and sustain superior experience for their customers. Nevertheless, this banking model and its impact on customer experience remains empirically unexplored. It is for this reason that this study was carried out. The objective of this study therefore, was to assess the effect of phygital banking on customer experience among commercial banks in Kenya. The following research questions were to be answered; (1) What is the effect of informational phygital channels on customer experience among commercial banks in Kenya? (2) How does transactional phygital channels affect customer experience among commercial banks in Kenya? (3) To what extent does advisory/supportive affect customer experience among commercial banks in Kenya? This study was anchored on the theory of customer experience and the unified theory of acceptance and use of technology model. The study adopted a descriptive survey research design. The study targeted employees placed at the sales and marketing and customer care departments in the head offices of all the 40 commercial banks in Kenya. The study also targeted customers visiting the main branches of these banks in a day approximately, on average. Stratified sampling technique was used in selecting the employees while the bank customers were sampled using simple random sampling. The study used primary data which was gathered using structured questionnaires. To analyze the data, descriptive analysis and inferential analysis were conducted. A multiple linear regression model was used to link the study variables. The study results were presented using tables. The study established that commercial banks in Kenya had exploited informational phygital channels, transactional phygital channels and advisory/supportive phygital channels to a moderate extent. The study also found that informational phygital channels, transactional phygital channels and advisory/supportive phygital channels as constructs of phygital banking had a positive significant effect on customer experience in commercial banks in Kenya. Of the three constructs, transactional phygital channels had the largest effect on the customer experience of these banks. All the three constructs combined explained 70.8% of the variation in customer experience in these banks. The study therefore, concluded that phygital banking was a significant factor that influenced customer experience among commercial banks in Kenya and therefore, it was prudent for the management of these banks to consider them when evaluating the factors likely to affect the experiences they created for their customers. Several recommendations were made among them; the management of commercial banks in Kenya should exploit the phygital banking model so as to create superior experiences for their customers. The banks' management through intensive research and development should be cognizant of emerging technologies that allow them to better exploit the phygital concept across all their operations. This should be supported by adequate budgets. The management of the banks ought to also create more avenues for self-service solutions by acquiring diverse devices that support the in branch self-service banking model. The banks' should also enhance their capacity to exploit video banking across their operations and also enhance the functionalities of different devices used in their branches so that customers can be supported throughout their banking journey.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Passive response to emerging trends is not adequate for firms to attain competitiveness in the dynamic business environments. Each and every firm ought to vigorously pursue synergies that exist between ensuring that their customers are highly empowered and satisfied besides keeping pace with technology proliferation witnessed globally (Mustajbasic, 2018). In this current transactional era, the phygital concept emerges as a way of ensuring that the customer's real world is connected with the digital world through enhanced technology (Truong, 2019). Phygital is an ecosystem linking the virtual and real worlds. As organizations continue investing in emerging technologies, the value attached to human interactions is still considered a vital factor driving success in business (Raghunathan & Maiya, 2017).

In present day business environment, a combination of both physical and digital entities at all crucial points of interaction is indispensable in ensuring positive customer journeys and positive customer experience (Kathari, 2019). Phygital channels add value to products and services and enable firms to meet even better the needs of their customers. Firms using the concept of phygital are able to deliver a unique, memorable and tailored experience to their customers which makes it worth for them to be on-site (Moravcikova & Kliestikova, 2017). Even though digital banking services have been rapidly embraced, there is still preference for branches and human interactions over technology among a section of customers (Srinivas & Wadhwani, 2017). Realizing this trend, some banks today are actively pursuing phygital banking by offering phygital services through the transformation of their physical branches and humanization of digital experiences.

Phygital banking in this study is underpinned on the Unified Theory of Acceptance and Use of Technology (UTAUT) which explains acceptance and adoption of new technologies in various industries such as the banking sector (Bhatti, Abareshi, & Pittayachawan, 2019). Customer experience on the other hand is informed by the theory of customer experience by Schmitt (1999) which recognized five different types of experiences, thus highlighting the multidimensional nature of customer experience.

Hence, the customer experience created by a bank can be exploited to differentiate it from its rivals and phygital as an emerging area, is being increasingly recognized as a tool that can be exploited by banks to achieve this goal. Nevertheless, the impact of phygital banking on customer experience remains empirically untested and available literature tends to focus more

on the adoption of phygital in the retailing industry even though, this strategy is increasingly being adopted across several sectors. A Kenyan perspective on the impact of the phygital banking was also noticeably missing. This study therefore, was necessary in order to provide an informed position regarding the effect of phygital banking on customer experience among commercial banks in Kenya.

1.1.1 Phygital Banking

The phygital concept is described as the linking or merging of two worlds, that is, the physical and the digital using technology, creating exceedingly tailored and appealing experiences on-site so that lasting customer loyalty is generated (Phadke, 2020; Truong, 2019). Phygital concept as noted by Nakazawa and Tokuda (2007), centers on the usage of the latest technologies and other innovations that are applied within the physical environment. In this case, the synchronization of both physical and digital channels is undertaken with the intention of producing the best experiences for customers (Vel et al., 2015). Vel et al. argue that with a large number of firms (55 percent) investing in digital marketing, the wide gap that existed between physical and digital marketing is being narrowed down.

Phygital banking refers to the mixing of physical and digital units in all banks' core points of interactions so that positive customer journeys are created. (Shashikala, 2019). This form of banking is facilitated by various available technologies such as touch technology, mobile technology, object, face, and voice recognition, gesture technology, and augmented reality (AR), virtual reality (VR) and radio-frequency identification (RFID) technologies (Moravcikova & Kliestikova, 2017). Some of the tools used by banks that have embraced phygital banking include self-service or assisted service models, video banking, humanoid robots, onboarding application, touch screen controls and corporate tablets (Grover, 2019).

Generally, three distinct phygital banking channels namely informational, transactional, and advisory/supportive phygital channels can be delineated in available literature. These different types of phygital banking channels are not exclusive and hence, they can be combined. All these different channels improve the customer experience and as a consequence, customer loyalty which in turn leads to higher customer spending and an increase in revenue for the banks.

1.1.2 Customer Experience

In the current business environment, the creation of a superior customer experience is among the principal objectives that the managements of firms seek to achieve across the globe.

Customer experience is reaction whether internal or subjective that customers have to any given contact with a particular firm whether direct or indirect (Lemon & Verhoef, 2016). Direct contact and experience as noted by Chandler and Lusch (2015) normally takes place during purchasing, usage and service delivery and ordinarily, the initiator is the customer. Indirect contact on the other hand every so often entails customers unexpectedly meeting a representative of a firm's products, services or even its brands and usually occurs in form of word of mouth recommendations or criticism, advertising, and reviews among others (Verhoef et al., 2009). This experience is strictly personal and implies that a customer is involved at various levels.

The evaluation of customer experience involves comparing the expectations that customers have and the stimuli that comes from their interactions with a firm and what it offers in correspondence of the various contact moments or touch-points (Gentile et al., 2007). It is a deliberate effort by a firm to ensure positive experience for customers is developed and maintained and also differentiated from that created by its rivals and should be consistent at each and every touch point and above all, be treasured by the customers (Schmitt, 2010). The definition provided by Gentile et al. (2007) is multi-dimensional and this implies that customer experience comprises of different components.

1.1.3 Commercial Banks in Kenya

In Kenya, commercial banks dominate the financial sector. There are a total of 40 commercial banks in the country. One of the key drivers of the banking industry in the country is the augmented level of technology adoption. Digital revolution has been exploited by banks so that they can boost their operational efficiency. The expansive uptake of alternative transaction channels, for example, mobile, internet and agency banking, has resulted to massive growth in the number of transactions expedited through alternative channels and outside the physical bank branches. Thus, the operations of many of these bank branches have been reduced to handling transactions that are of large value and other services such as advisory.

The Kenya Bankers Association (KBA) Customer Service Satisfaction Survey carried out in 2019 reveals that despite the growing overall preference for digital channels as transaction platforms, more than half of bank customers would rather call a customer service agent while filing complaints or making enquiries. While customers' preference for digital channels is on the rise, the survey indicates that branches are still an important channel for customer engagement as 22 percent still prefer to visit the branch, highlighting the need for banks to

consider branch networks not only as a footprint for transactional purposes but to also as interaction hubs. Nonetheless, even though digital banking has been expansively studied among these banks, the manner in which the commercial banks are integrating physical and digital channels to offer superior experience for their customers has not been explored.

1.2 Research Problem

Customers are the major stakeholders in any industry. Banks being service organizations that provide financial services, their survival solely hinges on how their customers perceive the quality and experience created by their services (Andaleeb et al., 2016). Hence, for any bank to continue improving on its performance, it must differentiate itself by consistently providing exceptional customer experience (Ouko, 2019). Since the beginning of the 21st century, new entrants in the banking industry have taken a piece of the business (Shaitura et al., 2018). Taking advantage of the opportunities created by the new regulatory requirements such as those allowing other companies other than banks to offer financial services for bank customers, these new entrants are increasing the pressure on the business model of banks (Andrade, 2019). These new rivals, supported by digital technologies, have come up with more efficient methods of banking services and better customer experiences.

According to Jackson (2018), at present, customers do not compare different banks anymore, they compare experiences. Fintechs and Neobanks have been in deed, a threat to the existing banks' business models (Clot, 2019). Delightful customer experience remains a challenge that the banks will need to overcome for them to achieve their objectives and visions. The 2019 Industry Benchmark Q4 report released by mSurvey, a consumer feedback company, revealed that some banks such as Cooperative Bank and Equity Bank were not able to maintain their previous ranking based on Net Promoter Score due to their customer experience levels linked to the manner in which staff handled customer related issues.

Phygital banking has emerged as a model that can be used by different firms including banks to build and sustain superior experience for their customers. Nevertheless, the level of adoption of phygital banking channels as well as the general impact on customer experience remained unexplored not only within the Kenyan context, but also across the globe. It emerged from available literature that much focus by scholars on phygital models has been within the retailing sector yet several industries are embracing this emergent concept. The study by Belghiti et al. (2017) for instance, focused on the conceptualization of phygital shopping experience. This inductive research sought to conceptualize phygital shopping experience by comparing two

stores in Paris, France. Duhan and Singh (2019) on the other hand concentrated on experiencing the phygital retail within the m-commerce platform in India while Mustajbasic (2018) explored the introduction of an e-marketplace and phygital store to the Swiss market. Given that phygital models for retailers and commercial banks could be different due to differences in their operations, it was necessary to conduct this study inorder to establish how commercial banks in Kenya were exploiting the phygital concept.

Other studies only provided an overall view of the concept of phygital in marketing. Van Tichelen and Coeurderoy (2019) for example, examined the role and opportunities of phygital in the digital omni-channel strategy in today's increasingly competitive business context. This desk research established that there was a missing link between the digital channels and the physical channels of an omni-channel and hence, the adoption of phygital channels could serve as a solution to this gap. Moravcikova and Kliestikova (2017) on their part assessed brand building using phygital marketing communication by reviewing results of case studies and reports from Microsoft Digital Trends. The study noted that the phygital concept brought new challenges in the field of marketing communication.

Furthermore, even though the studies by Kathari (2019) and Gupta, Gupta, and Indoriya (2020) provided an overview of the application of phygital banking, they focused on the Indian banking sector. The desk research by Kathari (2019) explored phygital banking as a game changer in Indian banking sector and found that having realized the opportunity in adopting a better banking model, some banks today offered phygital services by transforming their branches and humanizing digital experiences. Gupta, Gupta, and Indoriya (2020) examined new trends within the Indian banking industry by reviewing existing literature on the subject. The study found that with phygital banking model was gaining traction in the country. The findings from these studies could not be automatically generalized to fit the Kenyan banking sector due to differences in contextual factors.

A methodology gap was also evident from these reviewed studies. The aforementioned studies generally applied a desk research approach where available literature on the phygital concept was reviewed. Hence, it was not possible to test the effect that phygital banking model had on the industry in these studies. Hence, by carrying out this study, it was possible to provide empirical evidence of the level of adoption of different phygital banking channels in Kenyan commercial banks and their impact on customer experience. This study would go a long way in addressing the research gaps identified and expanding the body of literature in this subject area.

1.3 Research Objective

The objective of this study was to assess the effect of phygital banking on customer experience among commercial banks in Kenya.

1.4 Research Questions

i. What is the effect of informational phygital channels on customer experience among commercial banks in Kenya?

ii. How does transactional phygital channels affect customer experience among commercial banks in Kenya?

iii. To what extent does advisory/supportive affect customer experience among commercial banks in Kenya?

1.5 Value of the Study

The findings of this study would be of great benefit not only to the management of commercial banks in Kenya but also those of firms operating in other sectors. The study would assist the banks' managements through the relevant departments in assessing the banks' capacity to create positive experiences for their customers and the measures that could be undertaken to tackle existing inefficiencies. The study would be an eye opener on the ways and channels through which the banks could exploit the phygital banking model and the general impact on their efforts towards creating positive experiences for their customers.

The study would also guide the development of policies and budgets needed in supporting investments in emerging technologies available to create phygital banking experiences for their customers. The study findings would also go a long way in guiding the relevant departments on how to design efficient banking models based on phygital in order to reap maximum benefits from both physical and digital interaction points with their customers.

This study would further play a critical role in theory development by enhancing the body of knowledge in the study area besides giving an informed position regarding the effect that phygital has on customer experience particularly in the banking sector where a Kenyan perspective was conspicuously missing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter entails a review of available literature on phygital banking and its effect on customer experience. The chapter first discusses the theories underpinning the study after which the studies conducted in relation to the study subject across the globe are highlighted. A summary of the research gaps identified in the available literature is then provided.

2.2 Theoretical Framework

This study was founded on theory of customer experience by Schmitt (1999), and the unified theory of acceptance and use of technology model. The first theory was used in understanding the concept of customer experience while the UTAUT model anchored the assessment of phygital banking in this study.

2.2.1 Theory of Customer Experience by Schmitt (1999)

This study applied the theory of customer experience by Schmitt (1999). In his work, Schmitt (1999) recognized five diverse kinds of experiences which includes sensory, affective, creative cognitive, physical, behaviors and lifestyles and social-identity experiences resulting from relations with a particular group or even culture. Schmitt (1999) highlighted that sense marketing appealed to the senses of customers, feel marketing appealed to the inner feelings and emotions of customers which ranged from mild positive moods associated with a given brand to strong emotions of joy and pride, think marketing appealed to the intellect so as to create cognitive, problem solving experiences that engaged consumers in a creative way, act marketing targeted physical behavior, lifestyle, and interaction, and lastly, relate marketing created experiences by considering the desires of individual to belong to a given social context.

Schmitt (1999) came up with various customer experience dimensions based on the five kinds of experiences discussed above. These dimensions are sensory, emotional and social experiences. Schmitt (1999) held that sensory experience is the aesthetic and sensory viewpoints that individuals have regarding a shopping, environment, atmosphere, a product or even a service. Put differently, sensory experience centers on the five sense of humans, for instance, customers' sight, hearing, smell, touch, and taste. It is not possible to measure these senses directly, however, the resulting reactions of individuals for instance, towards a service can be observed. Emotional experience comprises the moods and emotions that are produced in the course of the shopping trip (Schmitt, 1999). Thus, it pertains to firm's ability to generate emotions and response, central, cognitive, and arousal theories can be used in explaining it.

Social experience stresses on relations with others and the society in general. Schmitt (2011) maintained that every social experience had the capacity of creating effects towards a person in the social process via family, schooling, peer groups, and mass media.

This model was relevant to this study since it facilitated the understanding of the concept of customer experience and the different aspects that firms ought to take in to consideration when developing different measures to assess the kind of experiences that they created for their customers. The theory also acted as a guide in comprehending the different ways in which the phygital banking model could impact customer experience in the Kenyan banking sector.

2.2.2 Unified Theory of Acceptance and Use of Technology Model

This model was developed by Venkatesh et al. (2003) with an aim of explaining the intentions of users to make use of a particular information technology or system as well as the ensuing usage behavior. The model was developed in search for a more comprehensive technology acceptance model besides addressing the shortcomings of the technology acceptance models (Chao, 2019). The theory is founded on four fundamental constructs namely performance and effort expectancy, social influence, and facilitating conditions which according to Williams, Rana, and Dwivedi (2015), directly determine the usage intention and behavior. This model was advanced by reviewing and consolidating various constructs drawn from eight earlier models that had been applied in explaining IT/IS usage (Yu, 2012).

Ever since the model was introduced, it has been employed and tested widely for the prediction of system usage and reaching decisions on the adoption and use of technology in diverse fields. The model presents a framework that can be used not only to explain the acceptance of IT or information systems, but also to clarify the actual usage of given technologies and systems. Subsequent validation of the model based on a longitudinal study revealed that the model accounted for 70 percent of the variation in usage intention (Dwivedi et al., 2019). Hence, this study used this model as the theoretical basis for assessing the adoption of phygital banking facilitated by different technologies and how it helped commercial banks in Kenya to create memorable experiences for their customers so as to maintain their competitiveness.

2.3 Phygital Banking Dimensions

Sorensen (2020) in their commentary on phygital as the new marketing frontier argued that banks had for long struggled with deciding what to do with their branches as a large proportion of their customers conducted their banking activities online. Sorensen noted that even though a large number of the customers preferred to carry out their routine banking transactions online,

50 percent of consumers still valued having in-person conversations with various bank representatives. In response to this trend, Srinivas and Wadhwani (2017) observed that currently, some banks across the globe were aggressively pursuing phygital banking where they offered phygital services through the transformation of their physical branches and humanization of digital experience. From the available literature, three distinct phygital banking channels can be demarcated and they comprise of informational, transactional, advisory/supportive phygital channels.

2.3.1 Informational Phygital Channels

In assessing how a phygital bank experience could be embraced, Kirschfink (2017) noted that due to the integration of phygital channels into their omni-channel strategy, banks were able to dynamize and provide the same instantaneousness information within the bank branch as on screens. According to Kirschfink, corporate IPads and tablets mounted within the bank branches allowed customers to learn more about the bank's products and to access other relevant financial information. In addition, the customers were able to access product reviews and rankings that had been shared by other customers. In-branch digital displays also provided seamless financial information, queue information along with promotion and advertisement effectively. Video walls in banks also informed and attracted the customers in the banks' waiting areas.

The study by Salmon (2013) on phygital and other digital challenges for retail banks observed that banks had reconceived their branches as information and community education hubs where customers could interact with specialists through video conference and some even offered co-working spaces and coffee shops. The study established that bank branch co-working spaces gave banks a better chance of attracting highly desirable clients. In such settings, there were bank employees posted to offer financial counseling and also tablets that allowed people to carry out online banking.

2.3.2 Transactional Phygital Channels

By embracing phygital banking, various banks had also introduced self-service or assisted service models to reduce the time customers spent on transaction only services (Van Tichelen & Coeurderoy, 2019). Customers were able to carry out banking activities from in-branch self-service machines such as ATMs, in-branch tablet banking kiosks among others. Through these models, customers could promptly complete transactions through corporate tablets availed at

the desks of the customer representatives at branches or the customers' personal mobile devices (Bukka, 2020).

It is further highlighted by Shashikala (2019) that through the adoption of phygital banking, banks were providing easy account openings, cash deposits, filling out loan applications and a host of other services via automated teller machines. As such, banks were able to reap many benefits from these self-service models witnessed by a reduction in documentation time to greater transparency (Dallerup et al., 2018). Banks were also able to focus their human resources to more priority tasks such as interaction with customers, customer advisory and building customer loyalty.

Citing Bradesco, a Brazilian bank, Salmon (2013) observed that various banks had launched initiatives which offered their clients the possibility to synchronize the transactions made on self-service devices with their mobile phones and to receive the transaction receipt on their mobile phones. These branches according to Salmon provided customers with an audio-visual experience with the added ability of printing, scanning and sharing documents through the use of touch screen controls. This solution helped the banks to speed up transaction activities by digitalization and transforming their communication models or human interactions for improved customer loyalty (Mari, 2018). These platforms among others provided banks with the opportunity to attract and retain future customers.

2.3.3 Advisory/Supportive Phygital Channels

Didur (2018) noted that through phygital banking, customers could exploit video banking so that they can interact with remotely located banking experts regarding any subject. The author pointed out that banks had for instance, introduced digital channels with a human touch which enabled their customers to talk to their bank personnel or consultants on a real-time basis for any assistance. Several other bank branches were using tools such as onboarding applications that allowed customers to open savings accounts instantaneously by way of fingerprint or Iris authentication as observed by Grover (2019). Banks were also investing in technologies such as artificial intelligence (AI) which assisted them in understanding, analyzing, and drawing conclusions from customer data (Wisskirchen et al., 2017).

Some banks also used humanoid robots to answer basic questions that customers had regarding products and services offered (Christopher, 2017). Katla (2019) assessed the role played by physical banking in customer management using secondary data from various relevant websites that highlighted the concept of phygital banking. According to the study, the incorporation of

the digital aspect in physical bank branches granted enhanced customer experience since it ensured that modern technologies were used to expedite banking processes for customers, a move which created a pleasurable or entertaining atmosphere for customers during their visits to the physical bank branches. The study highlighted the case of the Bank of America where its customers who needed financial advice or banking guidance arranged video conferencing with bank officials in the situations where they were not able to physically go to the bank but still needed trusted and reliable conversations with bank personnel.

2.4 Customer Experience Measures

The delivery of positive customer experience is recognized as fundamental to banks' bottom lines. Richardson (2010) highlighted that each and every firm provided a customer experience irrespective of whether the experience was created deliberately or not. The experience created could be good, bad or indifferent, nonetheless, the very fact the firm had customers with whom it interacted with and offered products or services to them, meant that customers had an experience with the firms and its brands. Ondieki (2011) posited that customer experience strategy could be used to differentiate a brand where the brand stood out if it delivered to the customers' expectations within the customer experience context every time and anywhere the customers interacted with the firm's products or services.

Customer experience comprised of a set of interactions, for instance, physical, rational, sensorial, emotional, and spiritual between customers, products and firms, the value that was created via those interactions as well as customers' purchasing behaviour (Lemon & Verhoef, 2016). Customers compared their expectations on services and their experience during their interactions with a firm's offering in the course of diverse service contacts (Shaw, Dibeehi, &Walden, 2010). It was observed by Klaus and Maklan (2013) that customer experience was normally generated through long processes of interactions between a firm and customers which occurred across several channels and produced through both functional and emotional clues.

Ouko (2019) recognized that customer experience came in two crucial outlooks, that is, the customer's perspective and that of the organization or firm. Viewed from the perspective of firms, customer experience involved the design and delivery of an experience to the customers from their consumption while from the customers' perspective, customers participated in designing and delivering the experience, that the customers were at the epicenter of all the touchpoints and that they interacted with all the parties within the ecosystem who engaged in the service or outcome delivery (Schmitt, 2011).

Regarding the common measures for customer experience, past research underscored that a majority of firms preferred using customer satisfaction metrics in assessing their customers' experiences particularly NPS. Meyer and Schwager (2007) advocated the usage of NPS which captured the net result of good experience minus bad experience of what customers knew about a company. They concluded that customers were satisfied when the gap between their expectations and their actual experiences had been closed. Therefore, banks ought to continuously find out their customers' opinions regarding the products and services that they offered so that they can enhance their customers' experiences. The scholars also noted that the success of a firm's customer experience strategy could be gauged by increased customer share of wallet.

Customer satisfaction score or index on the other hand pertained to how customers rated satisfaction over products or services on a given scale in the course of consuming the products or services or even after the consumption had occurred (Ilieska, 2013). This metric enabled firms to gather data at different points of service. Multiple data sources also facilitated comparisons and the identification of weak points. CSAT was founded on the idea of finding out how businesses' success was directly related to the customers (Hilpi, 2017).

The customer effort score was a measure that was used in depicting the effort that a customer would use in doing a task (De Haan, Verhoef, & Wiesel, 2015). It emphasizes that instead of just ensuring that the needs of a customer were satisfied, it was necessary to minimize the effort that the customer used in making purchases or making use of a given product or service so that their loyalty to the firm could be enhanced. According to Dixon et al. (2010), the power of customer effort score was founded on the claims that 96 percent of customers that reported high effort were very likely to display disloyalty in the future. The share of the wallet on the other hand was championed by Keiningham *et al.* (2011) as a robust indicator of the effect of a firm's strategic decisions, balancing the overview of customer experience by revealing how precisely strong a brand was compared to competition.

2.5 Phygital Banking and Customer Experience

Through phygital banking channels, banks are able to meet even better the needs of their customers (Tziokas, 2015). Phygital banking according to Kumar (2019) fully meets the first need of customers which is their need for unique experiences triggering emotions. Vartanova (2019) in emphasizing the need for embracing phygital banking in order to create better customer experience, noted that one of the characteristics of phygital banking channels was

their engaging aspect in different ways which dramatically improved customers' experience and gave them, in certain cases, a unique character. Pertaining to emotions, Clarke and Kinghorn (2018) observed that phygital channels generated plenty of them which resulted in great memories for customers which they could share with others.

Van Tichelen and Coeurderoy (2019) explored the role and opportunities of phygital in the digital omni-channel strategy. The authors argued that by embracing phygital banking channels, banks were also able to deliver an even more tailored experience to their customers. Implementing phygital enabled banks to get insights about the behavior of their customers within their branches. They observed that all the data gathered through the different channels could be then used to offer customers an extremely personalized experience. The data collected allowed brands to anticipate and meet the needs of their customers even better and improve the global customer experience. Therefore, through phygital banking channels, banks were able to deliver a unique, memorable and tailored experience to their customers which made it worth for them to visit the branch.

Salmon (2013) carried out a study on phygital and other digital challenges for retail banks. The study observed that the integration digital technologies in bank branches facilitated customers' transaction journey and that it enhanced their experience. The study noted that the installation of digital devices such as touch screens and tablets in the bank branches enabled customers to conveniently access crucial information relating to various banking products and services. Additionally, where these devices had been linked to social media networks, customers were able to benefit from the feedback and also comments that had been expressed by other customers with regards to the banks' offerings or services. This helped them to have an opinion on the banking products that they were eager to subscribe to. The study emphasized that phygital information and access gave banks the chance to laser-focus in on when customers needed what information citing that enhanced customer information, for instance, led to better recommendations for interrelated banking products.

2.6 Research Gaps

Phygital banking is quite a new and emerging concept and hence, very little scientific research has been undertaken on the various concepts of phygital banking, the channels involved and their effect on various banks' parameters such as customer experience. The review of available literature showed that even though there were several commentaries on the adoption of the phygital concept in banks, for instance, Sorensen (2020), Shashikala (2019) and Dallerup et al.

(2018) and how this was likely to affect the customer experiences, the extent to which the phygital banking model affected customer experience gauged on different metrics remained untested using scientific approaches hence, a methodology gap. The available studies employed a document analysis approach and therefore, no empirical tests were conducted to determine the extent to which phygital banking affected customer experience. Hence, the generalizability of the findings from these studies was limited.

Studies to show the adoption of the phygital banking model from Kenyan perspective were also noticeably lacking. The studies by Kathari (2019) and Gupta, Gupta, and Indoriya (2020) for example, provided an overview of the application of phygital banking in the Indian banking sector and hence, the findings from these studies might not compare to the existing situation in Kenyan banking sector due to differences in contextual factors. Hence, a clear knowledge gap could be observed in past research. Several other studies including that of Tichelen and Coeurderoy (2019) and Moravcikova and Kliestikova (2017) only provided an overview of the phygital concept in marketing and did not explore how firms could exploit this concept to enhance their performance in as far as customer experience was concerned. This study therefore, was necessary in order to provide an informed position regarding the effect of phygital banking on customer experience among commercial banks from a Kenyan perspective.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research methodology that was applied in conducting the research. The research design, the targeted population, the sample size and sampling technique, the data collection instrument and procedures as well as the data analysis plan are discussed.

3.2 Research Design

This study applied a descriptive survey research design. This design was considered due to the fact that the selected respondents could offer their responses pertaining to the what, where and how questions with respect to how phygital banking had affected customer experience among commercial banks in Kenya in line with Cooper and Schindler (2011). This was because descriptive studies can be used to gather information pertaining to individual's attitude, practices and opinions regarding a particular phenomenon (Nardi, 2018). Thus, this design was considered adequate in assisting one to gather the data that was needed, classify it, analyze it and finally interpret the result. It is argued by Yin (2013) that this design is adequate in allowing the researcher to draw conclusions on large populations.

3.3 Target Population

The study targeted employees placed at the sales and marketing and customer care departments in the head offices of all the 40 commercial banks in Kenya. The study also targeted customers visiting the main branches of these banks in a day approximately, on average. The two categories of employees were considered in this study since they worked in harmony to ensure that positive experiences for customers were created to enhance customer loyalty and the general profitability of the banks. Customers were also targeted to ensure that the research subject was explored comprehensively. Table 3.1 summarizes the target population for each category of respondents.

Table 3.1: Target Population

Category of Respondents	Population
Sales and marketing employees	600
Customer care employees	800
Bank customers	1200

3.4 Sample Size and Sampling Technique

In determining the sample size for the study, the Yamane (1967) formula was employed. Based on it, at 95% confidence level and p=0.05, the sample size was:

$$n = \frac{N}{1+N(e^2)}$$

Where;

n=the sample size

N= the size of the population

e=the error of 5% points (level of precision)

Using the formula yields a sample size of

$$n = \frac{1400}{1+1400(0.05^2)}$$

n=311

Hence, the researcher sampled 311 employees from these commercial banks. The sample for employees in each of the two departments was determined as follows;

Sampled employees per department (n) = (number of employees per department/total number of employees) *311

Sales and marketing; n= (600/1400) *311 =133

Customer care; n= (800/1400) *311 = 178

In selecting the employees, stratified random sampling was applied to ensure that employees from the two departments were equally represented and to reduce the sampling error. Applying the same formula for bank customers, a sample of 300 bank customers was considered. They were selected using simple random sampling. The sample size and sampling technique for each category of study participants is given in Table 3.2.

Table 3.2: Sample Size

Category of Respondents	Population	Sample Size	Sampling Technique
Sales and marketing employees	600	133	Stratified sampling
Customer care employees	800	178	
Bank customers	1200	300	Simple random sampling

3.5 Data Collection

This study relied on primary data that was collected using structured questionnaires, one for the bank employees and another for the bank customers. The questionnaires were self-administered using drop and pick later method and through emails where possible. The researcher carried out the data collection exercise for two weeks with the assistance of two research assistants.

3.6 Data Analysis

The data collected was analyzed using a quantitative approach. Both descriptive analysis and inferential analysis were conducted. Descriptive statistics were computed to assist in describing the basic characteristics of the data that was obtained. They provided simplified summaries pertaining to the sample as well as the study variables (Sekaran & Bougie, 2016). Pearson correlation analysis was conducted to find out the nature of the association between the study variables. Regression analysis was then undertaken to determine whether phygital banking dimensions under study namely informational phygital channels, transactional phygital channels and advisory/supportive phygital channels and customer experience among commercial banks in Kenya were significantly related. The effect of each dimension of phygital banking considered in this study on customer experience among commercial banks in Kenya was gauged. A multiple linear regression model was used in this case to link the study variables. The regression model to used was specified as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y = Customer experience among commercial banks in Kenya

β_0 = Constant Term/Intercept

β_1, β_2 and β_3 = Beta coefficients

X_1 = Informational phygital channels

X_2 = Transactional phygital channels

X_3 = Advisory/supportive phygital channels

ε = Error term

The results were presented using tables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the findings of the study and their interpretation. Both descriptive analysis and inferential analysis were conducted. The findings are presented in tables and as per the specified research questions.

4.2 Response Rate

A total of 311 and 300 questionnaires were administered to bank employees and bank customers respectively. For the bank employees, 259 questionnaires were adequately returned yielding a successful response rate of 83.3%. As for the bank customers, a successful response rate of 76.7% was realized as out of the 300 questionnaires administered to them, only 230 were properly filled and returned. The response rate for these two categories of respondents was considered adequate for data analysis and reporting.

4.3 Bio-Data of Respondents

This section contains information pertaining to gender of the respondents, the period for which the bank employees had worked with their current employers as well as the period for which the sampled bank customers had banked with their current banks.

4.3.1 Gender of Respondents

The gender of the respondents was explored and the findings are provided in Table 4.1.

Table 4.1: Gender of Respondents

Category of Respondent	Gender	Frequency	Percent
Bank employees	Male	116	44.8
	Female	143	55.2
	Total	**259**	**100**
Bank customers	Male	136	59.1
	Female	94	40.9
	Total	**230**	**100**

Source: Field Data (2020)

The findings presented in Table 4.1 show that 143 (55.2%) of the bank employees were female while 116 (44.8%) were male. The findings also show that out of the 230 bank customers who took part in the study, 136 (59.1%) were male while 94 (40.9%) were female. The study findings imply that either gender was represented in this study.

4.3.2 Period of Working in the Bank

The period for which the bank employees had worked in their current bank was examined as shown in Table 4.2.

Table 4.2: Period of Working in the Current Bank

Period of working at the bank	Frequency	Percent
Less than 5 years	113	43.6
5 to 10 years	125	48.3
Above 10 years	21	8.1
Total	**259**	**100.0**

Source: Field Data (2020)

The findings as presented in Table 4.2 showed that 113 (43.6%) of the bank employees had worked with their current banks for less than 5 years, 125 (48.3%) for 5 to 10 years while 21 (8.1%) of the bank employees had worked with their banks for more than 10 years. The findings imply that a relatively larger proportion of the bank employees had worked with their current banks for quite a longer period of time and hence, they had adequate experience relating to phygital banking in these banks. This experience was necessary since it would enable them to provide the relevant information that was sought in this study.

4.3.3 Period Customers Banked with their Current Banks

The bank customers were asked to indicate the period they had banked with their current bank as illustrated in Table 4.3.

Table 4.3: Period of Banking with their Current Banks

For how long have you banked with your current bank?	Frequency	Percent
Less than a year	17	7.4
1 to 5 years	62	27.0
Above 5 years	151	65.7
Total	**230**	**100.0**

Source: Field Data (2020)

The findings given in Table 4.3 show that 17 (7.4%) of the bank customers had banked with their current banks for less than a year, 62 (27.0%) for 1 to 5 years while the rest, 151 (65.7%) of the bank employees asserted that they had been banking with their current banks for more than 5 years. These findings imply that most of the bank customers had contact with their current banks for a relatively longer period of time and hence, were informed of the operations

of the banks. This partly played a critical role in helping them to adequately respond to the questions asked from an informed point of view. The findings could also be a pointer of enhanced customer loyalty among commercial banks in Kenya.

4.4 Responses on Extent of Adoption of Phygital Channels by Commercial Banks

This section deals with the general overview of the adoption of various phygital channels by commercial banks in Kenya. The respondents were asked to state the extent to which they agreed or disagreed with various statements on the different constructs of phygital banking based on a Likert scale ranging from 1=strongly disagree to 5=strongly agree and in some cases 1= not at all to 5=very large extent. The responses given are provided in the following sections.

4.4.1 Adoption of Informational Phygital Channels

The study sought to determine the effect of informational phygital channels on customer experience in commercial banks in Kenya. The adoption of informational phygital channels by these banks was first examined from the perspective of both the bank employees and customers.

4.4.1.1 Bank Employees' Responses on Adoption of Informational Phygital Channels

The bank employees were asked to indicate the extent to which commercial banks in Kenya had combined both physical and digital channels at crucial points of interaction to assist in the delivery of information related services to their banks' customers as presented in Table 4.4.

Table 4.4: Extent of Adoption of Informational Phygital Channels by Banks

Extent of adoption	Frequency	Percent
Small extent	32	12.4
Moderate extent	46	17.8
Large extent	77	29.7
Very large extent	104	40.2
Total	**259**	**100.0**

Source: Field Data (2020)

The findings provided in Table 4.4 reveal that 32 (12.4%) of the bank employees indicated that their banks had adopted informational phygital channels to a small extent, 46 (17.8%) indicated a moderate extent while 77 (29.7%) and 104 (40.2%) of the bank employees observed that their banks had adopted these channels to a large extent and very large extent respectively. These findings meant that a majority of the commercial banks in Kenya had adopted informational phygital channels though the level of adoption of these channels among the banks was varied.

The banks employees were also presented with a number of statements relating to the usage of informational phygital channels in their banks. The findings obtained are outlined in Table 4.5.

Table 4.5: Descriptive Statistics on Informational Phygital Channels (Bank Employees)

Statement	N	Mean	Standard Deviation
All our bank's waiting areas are fitted with TV screens where customers watch various videos that keep them informed and entertained as they wait to be served.	259	3.853	1.090
All our bank's phones are fitted with call back tones that mention bank products as customers wait to be connected to customer care personnel.	259	3.610	1.187
There are interactive digital displays in all our bank branches that provide customers with seamless financial information, queue information and promotion and advertisement effectively.	259	3.537	1.104
All our bank branches have corporate tablets that make sales, marketing, transaction and account information services accessible to customers through a single secure interface.	259	3.035	1.212
Bank representatives in all our branches use corporate tablets to engage and present information about our products/services and other offers to customers.	259	3.158	1.125
Composite mean and standard deviation		**3.431**	**0.794**
Valid N	**259**		

Source: Field Data (2020)

As shown in Table 4.5, the employees on average agreed that all their banks' waiting areas were fitted with TV screens where customers watched various videos that kept them informed and entertained as they waited to be served as demonstrated by (M=3.853, SD=1.090). They also on average agreed that all their banks' phones were fitted with call back tones that mentioned bank products as customers waited to be connected to customer care personnel as shown by (M=3.610, SD=1.187) and that there were interactive digital displays in all their bank branches that provided customers with seamless financial information, queue information along with promotion and advertisement effectively (M=3.537, SD=1.104). However, the bank employees on average neither agreed or disagreed that bank representatives in all their branches used corporate tablets to engage and present information about their products/services and other offers to customers as supported by (M=3.158, SD=1.125) and that that all their banks' branches had corporate tablets that made sales, marketing, transaction and account information services accessible to customers through a single secure interface given (M=3.035, SD=1.212).

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The standard deviations for all the statements indicated that the responses given were varied. The overall mean for the construct was 3.431 an indication that on average neither agreed or disagreed with the statements presented on informational phygital channels. Their responses were varied but closely clustered around given an overall standard deviation of 0.794.

The analysis above implies that informational phygital channels are moderately adopted by commercial banks in Kenya. Banks are doing well on areas of interactive displays in the banks, and fitting their branches with TV screens where customers watch informative and entertaining videos while waiting to be served and have their phones fitted with call back tones that mention bank products. However corporate tablets that make different information services accessible to customers through a single secure interface and which can be used by bank representatives in engaging and making presentations to customers are not commonly or optimally adopted.

4.4.1.2 Customers' Responses on Adoption of Informational Phygital Channels by Banks

The bank customers were also presented with statements on the usage of informational phygital channels in the banks they currently banked with. Their responses are outlined in Table 4.6.

Table 4.6: Descriptive Statistics on Informational Phygital Channels (Bank Customers)

Statement	N	Mean	Standard Deviation
My bank, in the branches I have visited, has fitted waiting areas with TV screens where customers watch videos that keep them informed/entertained as they wait to be served.	230	3.891	1.149
My bank's phones are fitted with call back tones that mention bank products as customers wait to be connected to customer care personnel.	230	3.587	1.093
My bank, in the branches I have visited, has interactive digital displays that provide customers with all in one financial and queue information alongside promotions and advertisements.	230	3.583	1.281
My bank, in the branches I have visited, has ensured that bank representatives use corporate tablets to engage and present information about products/services to customers.	230	3.265	1.259
My bank, in the branches I have visited, has corporate tablets where customers can access different information through a single secure interface.	230	2.896	1.444
Composite mean and standard deviation		**3.444**	**0.868**
Valid N	**230**		

Source: Field Data (2020)

The study as illustrated by the findings in Table 4.6 established that on average, the bank customers agreed that their banks, in the branches they had visited, had fitted waiting areas with TV screens where customers watched various videos that kept them informed and entertained as they waited to be served as supported by (M=3.891, SD=1.149). They also on average agreed that their banks' phones were fitted with call back tones that mentioned bank products as customers waited to be connected to customer care personnel as demonstrated by (M=3.587, SD=1.093) and that their banks, in the branches they had visited, had interactive digital displays that provided customers with all in one financial and queue information alongside promotions and advertisements as shown by (M=3.583, SD=1.281). However, the bank customers on average neither agreed or disagreed that their banks, in the branches they had visited, had ensured that bank representatives used corporate tablets to engage and present information about products/services to customers since (M=3.265, SD=1.259) and that their banks, in the branches they had visited, had corporate tablets where customers could access different information through a single secure interface given (M=2.896, SD=1.444). Overall, the mean of responses of 3.444 for the construct was an indication that on average, the bank customers neither agreed nor disagreed with the statements presented on informational phygital channels and that their responses were varied as illustrated by a standard deviation of 0.868.

These findings confirm the observations by the bank employees that while the banks to a large extent had fitted their branches' waiting areas with TV screens, they were using interactive digital displays and had fitted their banks' phones with call back tones that mentioned banks' products, they had not optimally capitalized on use corporate tablets to ensure enhanced delivery of information related services to their customers. The responses of the bank customers affirm the finding that on average, commercial banks in Kenya had adopted informational phygital channels to a moderate extent.

4.4.2 Transactional Phygital Channels

The study also sought to examined how transactional phygital channels affected customer experience among commercial banks in Kenya. To achieve this objective, the level of adoption of transactional phygital channels by these banks was first determined.

4.4.2.1 Bank Employees' Responses on Adoption of Transactional Phygital Channels

The opinion of the bank employees pertaining to the extent their banks had synchronized their physical and digital banking channels at crucial points of interaction so as to facilitate customer transactions was sought. The responses given are presented in Table 4.7.

Table 4.7: Extent of Adoption of Transactional Phygital Channels by Banks

Extent of adoption of transactional phygital channels	Frequency	Percent
Small extent	56	21.6
Moderate extent	69	26.6
Large extent	86	33.2
Very large extent	48	18.5
Total	**259**	**100.0**

Source: Field Data (2020)

The findings provided in Table 4.7 show that the banks had synchronized the banking channels to a small extent as noted by 56 (21.6%) of the bank employees, 69 (26.6%) indicated a moderate extent while 86 (33.2%) and 48 (18.5%) of the bank employees stated that their banks had synchronized the channels to a large and very large extent respectively. The findings meant that though all the commercial banks in Kenya had synchronized their physical and digital banking channels at crucial points of interaction to facilitate customer transactions, the extent to which these channels had been synchronized differed from one bank to another. Table 4.8 further summarizes the responses of the bank employees with respect to a number of statements on the adoption of transactional phygital channels in their banks based on a Likert scale.

Table 4.8: Descriptive Statistics on Transactional Phygital Channels (Bank Employees)

Statement	N	Mean	Standard Deviation
We have been able to synchronize all our customers' transactions made on self-service devices with their mobile phones and they receive transaction receipts on their mobile phones as well.	259	4.066	1.004
Customers visiting our bank branches are able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions.	259	3.710	1.002
Our bank has customer onboarding applications that allow customers to open different accounts by way of fingerprint identification and to sign documents on a tablet.	259	3.124	1.285
Our bank has partnered with different entities to set up self-service banking kiosks in specific physical spaces such as restaurants to enable our customers to accomplish their routine bank transactions using digital technology.	259	2.861	1.289
Composite mean and standard deviation		**3.440**	**0.808**
Valid N	**259**		

Source: Field Data (2020)

As demonstrated by the findings provided in Table 4.8, the study noted that on average, the bank employees agreed that were in agreement that their banks had been able to synchronize all their customers' transactions made on self-service devices with their mobile phones and they received transaction receipts on their mobile phones as well as supported by (M=4.066, SD=1.004). They also on average agreed that customers visiting their bank branches were able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions given (M=3.710, SD=1.002). They nonetheless neither agreed or disagreed that their banks had customer onboarding applications that allowed customers to open different accounts by way of fingerprint identification and to sign documents on a tablet as demonstrated by (M=3.124, SD=1.285) and that their banks had partnered with different entities to set up self-service banking kiosks in specific physical spaces such as restaurants to enable their customers to accomplish their routine bank transactions using digital technology as shown by (M=2.861, SD=1.289). The composite mean of 3.440 for the construct also showed that the bank employees were on average neither agreeing or disagreeing with the statements presented on transactional phygital channels. The standard deviation of 0.808 meant that though the responses given were varying, they were closely clustered around the mean.

From the above findings, it can be inferred that on average, the adoption of transactional phygital channels by commercial banks in Kenya was also moderate. While the banks had to a large extent embraced the use of ATMs, corporate tablets and other self-service solutions devices to ensure that customers easily completed different transactions and also ensured that their customers' transactions made on self-service devices were synchronized with their mobile phones and that transaction receipts could be received on customers' mobile phones, the use of customer onboarding applications and partnerships with different entities to set up self-service banking kiosks in specific physical spaces easily accessible to customers had not been optimized. The findings also implied that there was room for commercial banks to enhance the use of different transactional phygital channels in their operations.

4.4.2.2 Customers' Responses on Adoption of Transactional Phygital Channels by Banks
The bank customers also rated their agreement/disagreement with a number of statements on transactional phygital channels and their responses are given in Table 4.9.

Table 4.9: Descriptive Statistics on Transactional Phygital Channels (Bank Customers)

Statement	N	Mean	Standard Deviation
My bank has synchronized different customer transactions made on self-service devices with their mobile phones so that they can receive transaction receipts on their mobile phones.	230	3.930	0.987
In my bank's branches, customers are able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions.	230	3.896	0.943
My bank has set up self-service banking kiosks in specific physical spaces such as restaurants to enable customers to carry out their routine bank transactions using digital technology.	230	3.261	1.201
My bank in its branches has applications that allow customers to open different accounts by way of fingerprint identification and to sign documents on a tablet.	230	2.948	1.143
Composite mean and standard deviation		**3.509**	**0.802**
Valid N	**230**		

Source: Field Data (2020)

The study findings in Table 4.9 demonstrated that on average, the bank customers agreed that their banks had synchronized different customer transactions made on self-service devices with their mobile phones so that they could receive transaction receipts on their mobile phones as (M=3.930, SD=0.987) and that in their banks' branches, customers were able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions as shown by (M=3.896, SD=0.943). On the other hand, the bank customers on average neither agreed or disagreed that their banks had set up self-service banking kiosks in specific physical spaces such as restaurants to enable customers to carry out their routine bank transactions using digital technology given (M=3.261, SD=1.201) and that their banks in their branches, had applications that allowed customers to open different accounts by way of fingerprint identification and to sign documents on a tablet given (M=2.948, SD=1.143). The overall mean of responses of 3.509 implied that on average, the bank customers were agreeing with the statements presented on transactional phygital channels and that there was a variation in the responses they gave as demonstrated by the standard deviation of 0.802. These findings echo the sentiments of the bank employees that commercial banks in Kenya emphasized the use of some transactional phygital channels such as self-service solutions devices compared to others.

4.4.3 Advisory/Supportive Phygital Channels

The study further sought to determine the extent advisory/supportive affected customer experience in commercial banks in Kenya. The level of adoption of advisory/supportive phygital channels by banks across their operations was first determined.

4.4.3.1 Bank Employees' Responses on Adoption of Advisory/Supportive Phygital Channels by Banks

The bank employees gave their views on the extent to which their banks had combined both physical and digital channels at crucial points of interaction to offer advisory services and general support to their customers. The findings are provided in Table 4.10.

Table 4.10: Extent of Adoption of Advisory/Supportive Phygital Channels (Bank Employees)

Extent of adoption	Frequency	Percent
Not at all	23	8.9
Small extent	41	15.8
Moderate extent	81	31.3
Large extent	56	21.6
Very large extent	58	22.4
Total	**259**	**100.0**

Source: Field Data (2020)

The results given in Table 4.10 reveal that 64 (24.7%) of the bank employees reported that their banks had combined the channels to a small extent, 81 (31.3%) indicated a moderate extent, 56 (21.6%) noted a large extent while the rest of the bank employees, 58 (22.4%), stated that their banks had combined these channels to a very large extent. Based on these findings, it could be said that extent of the adoption of advisory/supportive phygital channels among the commercial banks in Kenya was also varied where a larger proportion of these banks had adopted these channels to a moderate extent. The results presented in Table 4.11 show the responses of the bank employees pertaining to various statements presented on adoption of advisory/supportive phygital channels by their banks.

Table 4.11: Descriptive Statistics on Advisory/Supportive Phygital Channels (Bank Employees)

Statement	N	Mean	Standard Deviation
We have self-check in devices to create customer queues in all our branches so as to control the flow of customers and streamline the whole experience from a customer's point of view.	259	3.737	1.236
Employees in our branches use tablets to demonstrate digital services to customers who need help using mobile or online services such as cheque capture, bill payments, fund transfers etc.	259	3.178	1.188
We have interactive ATMs fitted with new functionalities where customers can have live chats with tellers in their local branches.	259	3.077	1.298
We have exploited video banking where customers within or away from our branches can speak to the bank's officials on a real-time basis for any assistance.	259	2.996	1.262
Composite mean and standard deviation		**3.263**	**0.849**
Valid N	**259**		

Source: Field Data (2020)

The study as illustrated by the findings displayed in Table 4.11, established that on average, the bank employees agreed that their banks had self-check in devices to create customer queues in all their branches so as to control the flow of customers and streamline the whole experience from a customer's point of view as shown by (M=3.737, SD=1.236). On the contrary, the bank employees on average neither agreed or disagreed that employees in their banks' branches used tablets to demonstrate digital services to customers who needed help using mobile or online services such as cheque capture, bill payments, fund transfers among others given (M=3.178, SD=1.188) and that their banks have interactive ATMs fitted with new functionalities where customers can have live chats with tellers in their local branches (M=3.077, SD=1.298). The findings of the study further show that the bank employees on average neither agreed or disagreed that their banks had exploited video banking where customers within or away from their branches could speak to the bank's officials on a real-time basis for any assistance given (M=2.996, SD=1.262). The overall mean of 3.263 meant that the bank employees on average, neither agreed or disagreed with the statements presented on advisory/supportive phygital channels and that there was variation in their responses given a standard deviation of 0.849.

The findings provided above demonstrate that advisory/supportive phygital channels of the different phygital channels considered in this study were the least adopted by commercial banks in Kenya. The adoption of different advisory/supportive phygital channels by these banks was generally to a moderate extent. The banks had largely embraced self-check in devices to create customer queues in all their branches so as to control the flow of customers and streamline their entire experience throughout their customer journeys. However, the use of tablets to demonstrate digital services to customers by bank employees in different branches, having interactive ATMs fitted with new functionalities where customers can engage tellers in their local branches via live chats and also the adoption of video banking had not been optimized.

4.4.3.2 Customers' Responses on Adoption of Transactional Phygital Channels by Banks

The responses of the bank customers with respect to a number of statements on advisory/supportive phygital channels are summarized by the mean and standard deviation results presented in Table 4.12.

Table 4.12: Descriptive Statistics on Advisory/Supportive Phygital Channels (Bank Customers)

Statement	N	Mean	Standard Deviation
My bank, in the branches I have visited, has self-check in devices to create customer queues so as to control the flow of customers and streamline the whole experience from a customer's point of view.	230	3.691	1.092
My bank has platforms where customers within or away from its branches can speak to the bank's officials on a real-time basis via secured text chat or video/audio calls for any assistance.	230	3.413	1.105
My bank's employees, in the branches I have visited, use tablets to demonstrate digital services to customers who need help using mobile or online services such as funds transfer.	230	3.348	1.118
My bank has interactive ATMs fitted with new functionalities where customers can have live chats with tellers in their local branches.	230	2.661	0.992
Composite mean and standard deviation		**3.278**	**0.687**
Valid N	**230**		

Source: Field Data (2020)

The findings provided in Table 4.12 revealed that the bank customers on average agreed that their banks, in the branches they had visited, had self-check in devices to create customer

queues so as to control the flow of customers and streamline the whole experience from a customer's point of view as supported by (M=3.691, SD=1.092). They nevertheless on average neither agreed or disagreed that their banks had platforms where customers within or away from their branches could speak to the bank's officials on a real-time basis for any assistance since (*M*=3.413, *SD*=1.105) and that their banks' employees, in the branches they had visited, used tablets to demonstrate digital services to customers who needed help using mobile or online services such as funds transfer given (*M*=3.348, *SD*=1.118). The bank customers also on average neither agreed or disagreed that their banks had interactive ATMs fitted with new functionalities where customers could have live chats with tellers in their local branches as shown by (*M*=2.661, *SD*=0.992). The composite mean of 3.278 meant that the bank customers on average, neither agreed or disagreed with the statements in the advisory/supportive phygital channels construct. The responses of the bank customers pertaining to the adoption of advisory/supportive phygital channels by commercial banks in Kenya were thus consistent with the views of the bank employees.

4.5 Customer Experience in Commercial Banks in Kenya

The customer experience in commercial banks in Kenya was also assessed from the viewpoint of both the bank employees and the customers. The measures of customer experience considered net promotor score, customer satisfaction score, customer effort score and also customers' share of the wallet.

4.5.1 Banks' Customer Experience Capabilities

The bank employees were first asked to indicate how satisfied they were with their bank's customer experience capabilities. Their responses are summarized in Table 4.13.

Table 4.13: Bank Employees' Satisfaction with Banks' Customer Experience Capabilities

Level of satisfaction with bank's customer experience capabilities	Frequency	Percent
Very dissatisfied	5	1.9
Fairly dissatisfied	17	6.6
Neither satisfied nor dissatisfied	34	13.1
Very satisfied	203	78.4
Total	**259**	**100.0**

Source: Field Data (2020)

The findings provided in Table 4.13 reveal that 5 (1.9%) of the bank employees were very dissatisfied with their banks' customer experience capabilities, 17 (6.6%) were fairly

dissatisfied, 34 (13.1%) were neither satisfied or dissatisfied while the rest, 203 (78.4%), were very satisfied with their banks' customer experience capabilities. The findings meant that customer experience capabilities of a majority of the commercial banks in Kenya were generally satisfactory from the employees' perspective.

4.5.2 Customers Likelihood of Recommending Products/Services to Others

The study sought to get an overview of the banks' net promotor scores by assessing their customers' likelihood of recommending their bank products or services to others from the perspective of both the bank employees and customers.

4.5.2.1 Bank Employees' Responses on How Likely Customers were to Recommend their Banks' Products/Services to Others

The findings presented in Table 4.14 relate to the responses of the bank employees pertaining to how likely their banks' customers were to recommend a product or service to others, for instance, friends, family or colleagues.

Table 4.14: Bank Employees' Response on How Likely Customers were to Recommend their Banks' Products/Services to Others

Likelihood of recommending	Frequency	Percent
Very unlikely	7	2.7
Not likely	8	3.1
Neutral	12	4.6
Likely	87	33.6
Very likely	145	56.0
Total	**259**	**100.0**

Source: Field Data (2020)

The results provided in Table 4.14 show that 7 (2.7%) of the bank employees stated that their banks' customers were very unlikely to recommend their products to others, 8 (3.1%) noted not likely, 12 (4.6%) of the employees indicated that their customers were likely or not likely to recommend their banks' products/services to others while 87 (33.6%) and 145 (56.0%) of the bank employees asserted that their customers were likely and very likely to recommend the products/services to others respectively. These findings imply that in a majority of the commercial banks in Kenya, their customers were generally likely to recommend their products or services to others which is a pointer of high net promotor scores among the banks.

4.5.2.2 Rating of Customers Likelihood to Recommend Bank to Others

The results in Table 4.15 show bank employees' rating of their customers' likelihood of recommending their banks to others on a scale of 0 to 10, 0 being the lowest and 10 the highest.

Table 4.15: Bank Employees' Rating of Customers Likelihood to Recommend Bank to Others

Rating	Frequency	Percent
2	6	2.3
4	10	3.9
5	52	20.1
6	43	16.6
7	49	18.9
8	60	23.2
9	6	2.3
10	33	12.7
Total	**259**	**100.0**
Mean=6.86, Standard deviation=1.833		

Source: Field Data (2020)

The findings presented in Table 4.15 showed that the rating went as low as 2 as indicated by 6 (2.3%) to a high of 10 as stated by 33 (12.7%) of the bank employees. Generally, the average rating on customers' likelihood to recommend bank to others was 6.86 on a scale of 0 to 10. These findings imply that though there was a variation in the net promotor scores of commercial banks in Kenya, on average, the scores for a majority of these banks was good.

4.5.2.3 Bank Customers' Responses on the Likelihood of Recommending Products/Services to Others

The bank customers' views on how likely they were to recommend a product/service offered by their banks to others was also sought and the findings are displayed in Table 4.16.

Table 4.16: Bank Customers' Response on the Likelihood of Recommending Products/Services to Others

Likelihood of recommending	Frequency	Percent
Very unlikely	24	10.4
Not likely	5	2.2
Neutral	14	6.1
Likely	133	57.8
Very likely	54	23.5
Total	**230**	**100.0**

Source: Field Data (2020)

The findings outlined in Table 4.16 showed that 24 (10.4%) of the bank customers stated that they were very unlikely to recommend a product/service offered by their banks to others, 5 (2.2%) indicated they were not likely to recommend, 14 (6.1%) were neutral, while 133 (57.8%) and 54 (23.5%) of the bank customers noted that they were likely and very likely to recommend a product/service offered by their banks to others. The responses of the bank customers affirm the views by the bank employees that their banks' net promotor scores were good and are also an indication that the gap between customer expectations and their actual experiences in these banks had been closed.

4.5.3 Customers' Satisfaction with Banks' Products/Services

The study also explored the customer experience in commercial banks in Kenya on the basis of how customers rated satisfaction over products/services on a given scale in the course of consuming the products/services or even after the consumption had occurred. The views of the bank employees and the bank customers were sought and are presented in this section.

4.5.3.1 Bank Employees' Responses on Customers' Satisfaction with Banks' Products/Services

The bank employees' responses on how satisfied their banks' consumers were with their banks' products/services are given in Table 4.17.

Table 4.17: Bank Employees' Responses on Customers' Satisfaction with Banks' Products/Services

Level of satisfaction	Frequency	Percent
Very dissatisfied	23	8.9
Somewhat dissatisfied	14	5.4
Neither satisfied nor dissatisfied	25	9.7
Somewhat satisfied	122	47.1
Very satisfied	75	28.9
Total	**259**	**100.0**

Source: Field Data (2020)

The findings as presented in Table 4.17 show that 23 (8.9%) of the bank employees asserted that their banks' customers were very dissatisfied with their banks' products/services, 14 (5.4%) noted that the customers were somewhat dissatisfied, 25 (9.7%) argued that the banks' customers were neither satisfied nor dissatisfied with their banks' products/services, 122 (47.1%) indicated that the customers were somewhat satisfied while 75 (28.9%) were of the

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view that the customers were very satisfied. These findings meant that for majority of the commercial banks, their customers were generally satisfied with the banking products or services provided.

4.5.3.2 Bank Employees' Rating of Customers' Satisfaction with Banks' Products/Services

The bank employees rated on a scale of 0 to 10, 0 being the lowest and 10 the highest, how satisfied customers were with their banks and the products or services they offered. The findings are outlined in Table 4.18.

Table 4.18: Bank Employees' Rating of Customers' Satisfaction with Banks' Products/Services

Rating	Frequency	Percent
2	18	6.9
3	29	11.2
4	6	2.3
5	28	10.8
6	48	18.5
7	32	12.4
8	47	18.1
9	29	11.2
10	22	8.5
Total	**259**	**100**
Mean=6.39, Standard deviation=2.324		

Source: Field Data (2020)

The findings displayed in Table 4.18 show that the lowest rating was 2 while the maximum was 10 as indicated by 18 (6.9%) and 22 (8.5%) of the bank employees respectively. The bank employees on average rated customers' satisfaction with the sampled banks and their products/services as 6.39 on a scale of 0 to 10. These findings were a pointer of a relatively high customer satisfaction score among commercial banks in Kenya on average.

4.5.3.3 Bank Customers' Responses on Satisfaction with their Banks' Products/Services

The bank customers also indicated how satisfied they were with their banks' products/services. The findings obtained are presented in Table 4.19.

Table 4.19: Bank Customers' Responses on Satisfaction with their Banks' Products/Services

How satisfied are you with your bank's products/services?	Frequency	Percent
Very dissatisfied	5	2.2
Somewhat dissatisfied	9	3.9
Neither satisfied nor dissatisfied	27	11.7
Somewhat satisfied	5	2.2
Very satisfied	184	80.0
Total	**230**	**100.0**

Source: Field Data (2020)

It was discovered as shown by the findings in Table 4.19 that 5 (2.2%) of the bank customers decried that they were very dissatisfied with their banks' products/services, 9 (3.9%) were somewhat dissatisfied, 27 (11.7%) were neither satisfied nor dissatisfied, 5 (2.2%) were somewhat satisfied while the rest, 184 (80.0%) were very satisfied with these products/services. It can therefore, be inferred that a majority of the sampled bank customers were very satisfied with their banks' products or services.

4.5.4 Effort used by Customers when Interacting/Accessing Banks' Products/Services

The study also assessed the customer experience in commercial banks in Kenya based on the effort that customers used in interacting or accessing the products or services provided by these banks.

4.5.4.1 Bank Employees' Response on Effort used by Customers when Interacting with Banks' Products/Services

The views of the bank employees pertaining to how much effort their banks' customers used when interacting with their bank's products or services are presented in Table 4.20.

Table 4.20: Bank Employees' Response on Effort used by Customers when Interacting with Bank's Products/Services

Effort levels	Frequency	Percent
Very low effort	29	11.2
Low effort	34	13.1
Moderate effort	119	45.9
High effort	20	7.7
Very high effort	57	22.0
Total	**259**	**100.0**

Source: Field Data (2020)

From the findings presented in Table 4.20, it can be seen that 29 (11.2%) of the bank employees indicated very low effort, 34 (13.1%) noted low effort, 119 (45.9%) observed that the customers used moderate effort while 20 (7.7%) and 57 (22.0%) of the bank employees reported that their banks' customers used high and very high effort when interacting with their bank's products/services respectively. The findings imply that the effort used by customers when interacting with the products/services of commercial banks in Kenya ranged from very low effort for some banks and very high effort for others. In a relatively larger proportion of the commercial banks, the effort used by their customers when interacting with their products/services was moderate.

4.5.4.2 Bank Employees' Rating of Effort used by Customers when Interacting with Bank's Products/Services

The bank employees rated on a scale of 0 to 10, 0 being the lowest and 10 the highest, how much effort their banks' customers needed to put in in order to access the banks' products or services. The findings are provided in Table 4.21.

Table 4.21: Bank Employees' Rating of Effort used by Customers when Interacting with Bank's Products/Services

Rating	Frequency	Percent
1	11	4.2
2	40	15.4
3	26	10
4	38	14.7
5	42	16.2
6	37	14.3
7	21	8.1
8	22	8.5
9	16	6.2
10	6	2.3
Total	**259**	**100**
Mean=4.94, Standard deviation=2.331		

Source: Field Data (2020)

The findings in Table 4.21 revealed that the lowest rating was 1 as indicated by 11 (4.2%) of the bank employees while highest was 10 as pointed out by 6 (2.3%) of the employees. On average, the bank employees rated the effort that customers needed to put in in order to access the products/services of the sampled banks as 4.94 on a scale of 0 to 10. The findings implied

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that on average, the effort used by customers of commercial banks in Kenya when accessing their products or services was in between low effort and moderate effort.

4.5.4.3 Bank Customers' Response on the Effort Used in Accessing Banks' Products/Services

The customers' responses on how much effort they used when accessing their bank's products or services are provided in Table 4.22.

Table 4.22: Bank Customers' Response on the Effort Used in Accessing Banks' Products/Services

How much effort do you use when accessing your bank's products or services?	Frequency	Percent
Very low effort	29	12.6
Low effort	116	50.4
Moderate effort	71	30.9
Very high effort	14	6.1
Total	**230**	**100**

Source: Field Data (2020)

The findings provided in Table 4.22 showed that 29 (12.6%) of the bank customers indicated that they used very low effort, 116 (50.4%) used low effort, 71 (30.9%) used moderate effort while 14 (6.1%) used very high effort when accessing their bank's products or services. These findings imply that a larger number of the sampled bank customers used either low effort or moderate effort when accessing banking products or services from the commercial banks in Kenya.

4.5.5 Percentage of Business/Products Customers Held with the Banks

The customer experience in commercial banks in Kenya was further examined by assessing the amount of business that the commercial banks got from individual customers which highly depended on the image of the banks and their brands in the eyes of the customers.

4.5.5.1 Bank Employees' Response on the Percentage of Business/Products Customers Held with the Banks

The responses of the bank employees pertaining to the percentage of business/products a customer held with the sampled banks are shown in Table 4.23.

Table 4.23: Bank Employees' Response on the Percentage of Business/Products Customers Held with the Banks

Customers share of the wallet (%)	Frequency	Percent
10	6	2.3
20	18	6.9
30	18	6.9
40	34	13.1
50	69	26.6
60	40	15.4
70	35	13.5
76	6	2.3
80	12	4.6
90	10	3.9
100	11	4.2
Total	**259**	**100**
Mean=54.19%, Standard deviation=20.48%		

Source: Field Data (2020)

From the responses given as shown in Table 4.23, the lowest customers share of the wallet was 10% while the highest was 100%. On average, the customers share of the wallet based on the views of the bank employees was 54.19%. The findings imply that on average, the customer share of wallet of commercial banks in Kenya was fair.

4.5.5.2 Bank Employees' Response on the Overall Status of Customers Share of the Wallet

The bank employees also gave their assessment of the customers' share of the wallet for their banks in general. The findings are as shown in Table 4.24.

Table 4.24: Bank Employees' Response on Overall Status of Customers Share of the Wallet

Status of customers share of the wallet	Frequency	Percent
Poor	27	10.4
Fair	127	49.0
Good	62	23.9
Very Good	43	16.6
Total	**259**	**100.0**

Source: Field Data (2020)

The findings provided in Table 4.24 showed that 27 (10.4%) of the bank employees stated that their banks' customers share of the wallet was poor, 127 (49.0%) indicated fair, 62 (23.9%) found the share to be good while the rest of the bank employees, 43 (16.6%), observed that overall, their banks' customers share of the wallet was very good. The findings reveal that for

a larger proportion of the commercial banks in Kenya, the customer share of wallet was generally fair.

4.5.5.3 Customers' Response on Customers Share of the Wallet

The study further enquired from the bank customers what percentage of their business/products they held with their banks on a scale of 0 to 100%. The findings are presented in Table 4.25.

Table 4.25: Bank Customers' Response on Customers Share of the Wallet

On a scale of 0 to 100%, what percentage of business/products do you hold with your bank?	Frequency	Percent
20	41	17.8
40	61	26.5
60	89	38.7
80	26	11.3
100	13	5.7
Total	**230**	**100.0**

Source: Field Data (2020)

The findings are summarized in Table 4.25. The study results show that 41 (17.8%) of the bank customers indicated that they held 20% of their banking business/products with their banks, 61 (26.5%) held 40%, 89 (38.7%) held 60% while 26 (11.3%) and 13 (5.7%) of the bank customers held 80% and 100% of their banking business/products with their current banks. It can be deduced from these findings that the percentage of business/products a large proportion of the customers held with their banks was fair.

4.6 Correlation Analysis

Correlation analysis was used to show the association between the constructs of phygital banking (informational phygital channels, transactional phygital channels and advisory/supportive phygital channels) and customer experience in commercial banks in Kenya. Pearson's correlation coefficients were computed. The direction, strength and significance of the correlations between the variables were assessed. Significance of the correlations was gauged at the 0.05 level of significance where a probability (p) value of less than 0.05 was an indication of significant correlation and vice versa. The correlation matrix is presented as Table 4.26.

Table 4.26: Correlation Matrix

		Customer Experience	Informational Phygital Channels	Transactional Phygital Channels	Advisory/ Supportive Phygital Channels
Customer Experience	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	259			
Informational Phygital Channels	Pearson Correlation	.712**	1		
	Sig. (2-tailed)	0.000			
	N	259	259		
Transactional Phygital Channels	Pearson Correlation	.761**	.687**	1	
	Sig. (2-tailed)	0.000	0.000		
	N	259	259	259	
Advisory/ Supportive Phygital Channels	Pearson Correlation	.735**	.621**	.648**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	259	259	259	259
** Correlation is significant at the 0.01 level (2-tailed).					

Source: Field Data (2020)

The findings presented in Table 4.26 show that the correlation between informational phygital channels and customer experience among commercial banks in Kenya was strong, positive and significant given (r=0.712, p=0.000) where the calculated p was less than 0.05. The study also established that transactional phygital channels and customer experience in commercial banks in Kenya were strongly, positively and significantly associated as shown by (r=0.712, p=0.000) where $p<0.05$. Similarly, advisory/supportive phygital channels and customer experience in commercial banks in Kenya were found to be positively and significantly correlated. The correlation between these two variables was also found to be strong as demonstrated by (r=0.735, p=0.000) where the computed p value was found to be less than 0.05. These findings meant that phygital banking and customer experience in commercial banks in Kenya changed in the same direction. The association between phygital banking and customer experience in the banks was generally strong and significant.

4.7 Regression Analysis

Multiple linear regression analysis was conducted in order to determine the nature of the relationship between the constructs of phygital banking and customer experience among commercial banks in Kenya. The aim was to determine the effect that each construct of phygital banking namely informational phygital channels, transactional phygital channels and advisory/supportive phygital channels had on customer experience among these banks. Tis was assessed by examining the regression coefficients. The significance of the effect of each individual independent variable on the dependent variable was checked by observing the t values and also the p values associated with the regression estimates.

4.7.1 Model Summary

The first output produced contained the model summary results as shown in Table 4.27.

Table 4.27: Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841a	0.708	0.705	0.320534
a Predictors: (Constant), Advisory/supportive phygital channels, Informational phygital channels, Transactional phygital channels				

Source: Field Data (2020)

The findings obtained as given in Table 4.27 show that the coefficient of determination or R Square computed was 0.708 which implied that 70.8% of the changes in customer experience among commercial banks in Kenya were attributed to changes in the exploitation of informational phygital channels, transactional phygital channels and advisory/supportive phygital channels. The rest of the changes, 29.2%, were linked to other factors that were not considered in this study.

4.7.2 Model Fitness

The results in the second output of the regression analysis as provided in Table 4.28 helped in determining whether the model used fit the data collected. The F statistic generated and its associated p value were used for this purpose.

Table 4.28: Model Fitness Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	63.558	3	21.186	206.205	.000b
	Residual	26.199	255	0.103		
	Total	89.757	258			

a Dependent Variable: Customer experience
b Predictors: (Constant), Advisory/supportive phygital channels, Informational phygital channels, Transactional phygital channels

Source: Field Data (2020)

The results presented in Table 4.28 revealed that the model that was fitted to show the relationship between phygital banking and customer experience in commercial banks in Kenya was statistically significant given F (3, 255) = 206.205, p = .000 where the p value was less than 0.05.

4.7.3 Regression Coefficients

The regression coefficients computed are provided in Table 4.29. These regression coefficients helped in determining the nature of the effect that each phygital banking construct had on customer experience in commercial banks in Kenya and whether the effect was significant or not. The significance of the effect of each of the three constructs of phygital banking on consumer experience was determined using the p values.

Table 4.29: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.869	0.116		7.522	0.000
	Informational phygital channels	0.228	0.046	0.245	4.989	0.000
	Transactional phygital channels	0.284	0.039	0.371	7.334	0.000
	Advisory/supportive phygital channels	0.268	0.037	0.343	7.312	0.000

a Dependent Variable: Customer experience

Source: Field Data (2020)

Based on the regression estimates, the optimal model for the study was fitted as follows;

$$Y = 0.869 + 0.228X_1 + 0.284X_2 + 0.268X_3 + e$$

The findings presented in Table 4.29 show that informational phygital channels had a positive and significant effect on customer experience among commercial banks in Kenya as shown by ($\beta = 0.228$, $p = 0.000$) where $p<0.05$. Holding all other factors constant, a unit increase in the use of informational phygital channels would lead to increased customer experience among these banks by 0.228 units. The study results also show that transactional phygital channels positively and significantly affected customer experience among commercial banks in Kenya given ($\beta = 0.284$, $p = 0.000$) since the p calculated was less than 0.05. Increasing the adoption of transactional phygital channels by one unit would result to increased customer experience among these commercial banks by 0.284 when all other factors are held constant. The study further established that advisory/supportive phygital channels had a positive significant effect on customer experience among commercial banks in Kenya as supported by ($\beta = 0.268$, $p = 0.000$) where $p<0.05$. A unit increase in the use of advisory/supportive phygital channels would result to increased customer experience among these banks by 0.268 units holding all other factors constant.

4.8. Discussion of Findings

The study found that informational phygital channels have been moderately adopted by commercial banks in Kenya. The banks had largely embraced the use of interactive displays in their branches, they had fitted these branches with TV screens where customers waiting to be served could watch informative yet entertaining videos and had their phones fitted with call back tones that mentioned bank products as customers waited to be connected to customer care personnel. The use of corporate tablets to facilitate access to informational services by bank customers had however not been optimized by these banks. This means that commercial banks in Kenya had adopted informational phygital banking to some extent. These findings are in line with Kirschfink (2017) who stated that as result of the integration of phygital channels into their omni-channel strategy, banks were able to dynamize and provide the same instantaneousness information within the bank branches as on screens. This was achieved through the use of corporate IPads and tablets mounted within the bank branches, in-branch digital displays and video walls in the banks' waiting areas among others where customers could access relevant banking information.

The study also established that the adoption of informational phygital channels positively and significantly affected customer experience in commercial banks in Kenya. This meant that heightened exploitation of these channels by the banks would translate to enhanced customer experience in these banks. These findings agreed with that of Salmon (2013) that the

installation of digital devices such as touch screens and tablets in bank branches enabled customers to conveniently access crucial information relating to various banking products and services which facilitated customers' transaction journey and ultimately enhanced their experiences. The findings also supported the study by Gupta, Gupta, and Indoriya (2020) which found that customers searching for information at a self-service device were more likely to get what they wanted directly, as opposed to having to ask someone. Through this, customers were able to avoid bad employee attitude and unfriendly service which were the main reasons why customers switched to competitors.

It was also established that commercial banks in Kenya had adopted transactional phygital channels also to a moderate extent. The banks mainly used ATMs, corporate tablets and other self-service solutions devices to facilitate quick completion of various bank transactions which were then synchronized with customers' mobile phones and transaction receipts received on these phones. Nevertheless, the exploitation of customer onboarding applications and strategic partnerships with different entities to set up self-service banking kiosks in specific physical busy spaces had not be optimized. These findings imply that overall, transactional phygital channels had been adopted by commercial banks in Kenya to some extent. These findings were consistent with that of Van Tichelen and Coeurderoy (2019) that by embracing phygital banking, various banks had introduced self-service or assisted service models to reduce the time customers spent on transaction only services.

Of the three phygital banking channels considered in this study, transactional phygital channels were found to have the largest positive and significant effect on customer experience in these banks. Therefore, banks that increased their level of adoption of transactional phygital channels witnessed improved customer experience across their operations. According to Bukka (2020), with phygital channels such as in-branch self-service machines, customers were able to easily, effortless and quickly carry out their transactions. Such enhanced efficiency or speed in transacting as noted by Shaw (2007) provoked positive customer emotions due to reduced stress, frustration and hurry. These positive emotions resulted to great memories for customers which they could share with others, thus enhanced customer experience as emphasized by Clarke and Kinghorn (2018).

The study also found that advisory/supportive phygital channels though moderately adopted by commercial banks in Kenya, it was the least emphasized by these banks. The banks majorly capitalized on self-check in devices to create customer queues and streamline the customers' journeys in all their branches. The banks' facilitation of their employees to use tablets to

demonstrate digital services to customers in different branches, having interactive ATMs fitted with new functionalities where customers can engage tellers in their local branches via live chats and also the adoption of video banking had not been optimized. The findings agree with that of Shaw (2007) that commercial banks were implementing phygital banking channels such as self-service check-in and check-out counters where customers were able to do their check-in or check-out by themselves at their ease. The findings are also consistent with the observation by Didur (2018) that through phygital banking, customers could take advantage of video banking to interact with remote-site subject matter experts about different banking topics.

The study further established that advisory/supportive phygital channels and customer experience in commercial banks in Kenya were significantly related. Advisory/supportive phygital channels had a positive significant effect on customer experience in these banks. Hence, with increased adoption of advisory/supportive phygital channels, commercial banks in Kenya could witness improved customer experience in their banks. This is in line with Van Tichelen and Coeurderoy (2019) who asserted that the aim of supportive phygital banking channels such as self-check in models was to add value to the on-site customer experience by assisting the customers during their journey in the bank branches.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of the major findings of the study are provided. The conclusions drawn and the recommendations for practice and policy are also provided. Areas where further research can be conducted are also suggested.

5.2 Summary of Findings

The overall objective of this study was to assess the effect of phygital banking on customer experience in commercial banks in Kenya. This section summarizes the key findings from this study.

5.2.1 Adoption of Phygital Banking by Commercial Banks in Kenya

The study found that commercial banks in Kenya had exploited informational phygital channels, transactional phygital channels and advisory/supportive phygital channels to a moderate extent. Pertaining to informational phygital channels, the banks had capitalized on the use of interactive displays in the banks, and fitting their branches with TV screens where customers watched informative and entertaining videos as they waited to be served. The banks had also fitted their phones with call back tones that mentioned bank products while customers waited to be connected to their customer care personnel. However, the banks had not optimized the use corporate tablets that made different information services accessible to customers through a single secure interface and which could be used by their bank representatives to engage and make presentations to their customers in all their branches.

With regards to transactional phygital channels, commercial banks in Kenya had to a large extent embraced the use of ATMs, corporate tablets and other self-service solutions devices to ensure that customers easily completed different transactions and also ensured that their customers' transactions made on self-service devices were synchronized with their mobile phones. Customers were also able to receive transaction receipts made on these devices on their mobile phones. The study however noted that the use of customer onboarding applications that allowed customers to open different accounts by way of fingerprint identification and to sign documents on tablets had not been optimized by these banks. The banks had also not optimally capitalized on partnering with different entities to set up self-service banking kiosks in specific physical spaces that were easily accessible to by a large number of customers.

The study further discovered that advisory/supportive phygital channels of the different phygital channels considered in this study were the least adopted by commercial banks in Kenya. The banks had largely embraced self-check in devices to create customer queues in all their branches so as to control the flow of customers and streamline their entire experience throughout their customer journeys. Nonetheless, the use of tablets to demonstrate digital services to customers by bank employees in different branches, having interactive ATMs fitted with new functionalities where customers can engage tellers in their local branches via live chats and also the adoption of video banking had not been optimized.

Overall, the views of the bank employees regarding the adoption of phygital banking by commercial banks in Kenya resonated well with that of bank customers and their responses combined pointed that banks there was room for the banks to embrace different phygital channels to deliver different informational, transactional and advisory/supportive services to their customers.

5.2.2 Influence of Phygital Banking on Customer Experience in Commercial Banks in Kenya

The study sought to determine the effect that informational phygital channels had on customer experience among commercial banks in Kenya. The correlation results revealed that informational phygital channels were positively and significantly associated with the customer experience among commercial banks in Kenya. This association was also strong. The regression estimates further revealed that informational phygital channels had a significant positive effect on customer experience among these commercial banks. Hence, increased exploitation of informational phygital channels translated to enhanced customer experience in commercial banks in Kenya.

The study also sought to find out how transactional phygital channels affected customer experience among commercial banks in Kenya. The correlation analysis showed that the association or correlation between transactional phygital channels and customer experience among commercial banks in Kenya was positive, strong and significant. The regression analysis also unearthed that transactional phygital channels had a significant positive effect on customer experience among commercial banks in Kenya. The study noted that increased adoption of transactional phygital channels was accompanied by increased customer experience among these banks.

Last but not, the study determined the extent to which advisory/supportive phygital channels affected customer experience among commercial banks in Kenya. The correlation results showed that advisory/supportive phygital channels and customer experience among commercial banks in Kenya were positively and significantly correlated. The association between the two variables was also found to be strong. The regression results further revealed that customer experience among commercial banks in Kenya was positively and significantly affected by advisory/supportive phygital channels. Enhanced adoption of advisory/supportive phygital channels led to increased customer experience among these banks.

5.3 Conclusions

Based on the findings obtained, the study concluded that though the level of adoption of phygital banking among commercial banks in Kenya was varied, generally, the banks had moderately adopted this banking model. The study also concluded that customer experience among these commercial banks was generally high based on various measures namely customer satisfaction score, net promotor score, customer effort score as well as customers' share of the wallet. The study found that informational phygital channels, transactional phygital channels and advisory/supportive phygital channels had a positive significant effect on customer experience of commercial banks in Kenya. Hence, the study concluded that increased adoption or exploitation of informational phygital channels, transactional phygital channels and advisory/supportive phygital channels led to enhanced customer experience among commercial banks in Kenya. The study concluded that of the phygital banking channels considered in this study, transactional phygital channels had the largest effect on customer experience of commercial banks in Kenya followed by informational phygital channels and then advisory/supportive phygital channels. The study also concluded that phygital banking is a significant factor that influences customer experience among commercial banks in Kenya and therefore, it was prudent for the management of these banks to consider them when evaluating the factors likely to affect the experiences they created for their customers.

5.4 Recommendations

The study recommends that the management of commercial banks in Kenya should exploit the phygital banking model so as to create superior experiences for their customers. The banks' management through intensive research and development should be cognizant of emerging technologies that allow them to better exploit the phygital concept across all their operations. This should be supported by adequate budgets.

The study recommends that its necessary for banks' management to emphasize on benchmarking so that they can borrow from other industry leaders within the sector and other industries who are exploiting the phygital concept to enhance customer experiences. Through the benchmarking studies, they can be able to identify the technologies they have not embraced and be able to enhance the efficiency of phygital banking.

The study recommends that the banks' management should sustain and enhance the use of various channels such interactive digital displays and TV screens in waiting rooms to ensure that customers can easily access information required to facilitate their banking activities when they visit their branches. The banks can also exploit infotainment approaches that allow customers visiting their branches to be entertained while accessing useful information to complete their transactions.

The banks should also set aside adequate funds to procure sufficient corporate tablets for all their branches so that customers can access all the necessary information services through a single secure interface. The bank management ought to ensure that their staff in all their branches are equipped with corporate tablets so that they can present crucial information to their customers while at the same time engaging them.

The study recommends that the management of the banks ought to also create more avenues for self-service solutions by acquiring diverse devices that support the in branch self-service banking model. The banks can also launch more strategic partnerships with different entities located in busy environments to set up more self-service banking kiosks where customers can easily carry out their daily transactions digitally. The banks' management should also enhance the acquisition of different technologies that support customer onboarding applications so that customers can easily receive the support needed when they visit the banks' branches.

The study recommends that its necessary for the banks' management to pay more attention to phygital channels that allow customers to receive advisory and other supportive services across all their branches since they also contribute significantly to improved customer experiences. The study recommends that banks should enhance their capacity to exploit video banking across their operations and also enhance the functionalities of different devices used in their branches so that customers can be supported throughout their banking journey.

5.5 Areas for Further Research

A study that explores other phygital banking channels in use by commercial banks can be conducted. The study recommends that a study comparing the level of adoption of the phygital

concept across different sectors can be conducted. A study to show how firms in different sectors were applying this concept is also proposed. The study also suggests that a study to establish the challenges that banks faced in adopting phygital banking could be undertaken. The efficiency of the technologies applied in creating phygital experiences in banks' operations can also be determined.

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APPENDICES

Appendix I: Introduction Letter

Dear (Respondent)

RE: VOLUNTARY PARTICIPATION IN DATA COLLECTION

I am Maureen K. Mbaabu, a postgraduate student pursuing a MSc in Entrepreneurship & Innovation Management at the University of Nairobi. To be able to complete by studies, I am embarking on a study entitled **Phygital Banking and Customer Experience among Commercial Banks in Kenya.** As such, I have identified your bank as one of the many where I will carry out the research. I am kindly requesting for your consent to administer this questionnaire to you. It is not a must for you to be part and parcel of this research process. Your involvement in this process is absolutely voluntary and only you can judge whether taking part in this process is worthwhile or not. The information gathered will be strictly used to achieve the stated objective and will be treated with utmost confidentiality.

Your participation and cooperation will therefore, be highly appreciated.

Yours Faithfully,

Maureen K. Mbaabu

For further information, please contact me on:

Phone: 0728820659

Email: mbaabumolly@gmail.com

Appendix II: Questionnaire for Bank Employees

This questionnaire has been drafted to assist the researcher in obtaining information relating to **Phygital Banking and Customer Experience among Commercial Banks in Kenya**. Your support in achieving this objective will be highly appreciated. Please respond to the questions by putting a tick in the suitable box or by writing in the space that has been provided.

Section A: Demographic Information

1. Gender
   a. Male   [   ]
   b. Female   [   ]

2. For how long have you worked in this bank?
   a. Less than 5years   [   ]
   b. 5 to 10years   [   ]
   c. Above 10years   [   ]

Section B: Informational Phygital Channels

Kindly note: (*Informational phygital channel is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to provide the customers with additional information that could enrich their customer experience*)

3. To what extent has your bank combined both physical and digital channels at all crucial points of interaction to assist in the delivery of information related services to its customers?
   a. Not at all   [   ]
   b. Small extent   [   ]
   c. Moderate extent   [   ]
   d. Large extent   [   ]
   e. Very large extent   [   ]

4. Based on this scale; **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**, state the extent you agree or disagree with these statements relating to exploitation of informational phygital channels in your bank?

Statement	1	2	3	4	5
All our bank branches have corporate tablets that make sales, marketing, transaction and account information services accessible to customers through a single secure interface.					
There are interactive digital displays in all our bank branches that provide customers with seamless financial information, queue information along with promotion and advertisement effectively.					
All our bank's phones are fitted with call back tones that mention bank products as customers wait to be connected to customer care personnel.					
All our bank's waiting areas are fitted with TV screens where customers watch various videos that keep them informed and entertained as they wait to be served.					
Bank representatives in all our branches use corporate tablets to engage and present information about our products/services and other offers to customers.					

Section C: Transactional Phygital Channels

NB: (*Transactional phygital channel is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to ease and stimulate the customer during their transaction process*)

5. To what extent has your bank synchronized its physical and digital banking channels at all crucial points of interaction so as to facilitate customer transactions?
    a. Small extent   [   ]
    b. Moderate extent   [   ]
    c. Neutral   [   ]
    d. Large extent   [   ]
    e. Very large extent   [   ]

6. To what extent do you agree or disagree with the following statements regarding the exploitation of different transactional phygital channels in your bank? Use this scale: **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**

Statement	1	2	3	4	5
Customers visiting our bank branches are able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions.					
Our bank has partnered with different entities to set up self-service banking kiosks in specific physical spaces such as restaurants to enable our customers to accomplish their routine bank transactions using digital technology.					
We have been able to synchronize all our customers' transactions made on self-service devices with their mobile phones and they receive transaction receipts on their mobile phones as well.					
Our bank has customer onboarding applications that allow customers to open different accounts by way of fingerprint identification and to sign documents on a tablet.					

Section D: Advisory/Supportive Phygital Channels

NB: (*Advisory/supportive phygital channel* is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to assist the customers during their journey in-branch)

7. To what extent has your bank combined both physical and digital channels at all crucial points of interaction to offer advisory services and general support to its customers?
   a. Small extent   [   ]
   b. Moderate extent   [   ]
   c. Neutral   [   ]
   d. Large extent   [   ]
   e. Very large extent   [   ]

8. What is your level of agreement or disagreement with the following statements pertaining to exploitation of different advisory/supportive phygital channels in your bank? Use this scale: **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**

Statement	1	2	3	4	5
We have interactive ATMs fitted with new functionalities where customers can have live chats with tellers in their local branches.					
Employees in our branches use tablets to demonstrate digital services to customers who need help using mobile or online services such as cheque capture, bill payments, fund transfers etc.					
We have self-check in devices to create customer queues in all our branches so as to control the flow of customers and streamline the whole experience from a customer's point of view.					
We have exploited video banking where customers within or away from our branches can speak to the bank's officials on a real-time basis for any assistance.					

Section D: Customer Experience among Commercial Banks in Kenya

9. How satisfied are you with your bank's customer experience capabilities?
- a. Very dissatisfied [ ]
- b. Fairly dissatisfied [ ]
- c. Neither satisfied nor dissatisfied [ ]
- d. Fairly satisfied [ ]
- e. Very satisfied [ ]

10. Based on your experience, how likely are your bank's customers to recommend a product or service to others e.g. friends, family or colleagues?
- a. Very unlikely [ ]
- b. Not likely [ ]
- c. Neutral [ ]
- d. Likely [ ]
- e. Very likely [ ]

11. On a scale of 0 to 10, 0 being the lowest and 10 the highest, how likely would your bank customers recommend your bank to others?

_____

12. How satisfied are consumers with your bank's products/services?

   a. Very dissatisfied   [   ]

   b. Somewhat dissatisfied   [   ]

   c. Neither satisfied nor dissatisfied   [   ]

   d. Somewhat satisfied   [   ]

   e. Very satisfied   [   ]

13. On a scale of 0 to 10, 0 being the lowest and 10 the highest, how satisfied are the customers with your bank's products or services?

_____

14. Based on your experience, how much effort do your bank's customers use when interacting with your bank's products or services?

   a. Very low effort   [   ]

   b. Low effort   [   ]

   c. Moderate effort   [   ]

   d. High effort   [   ]

   e. Very high effort   [   ]

15. On a scale of 0 to 10, 0 being the lowest and 10 the highest, how much effort do your bank customers need to put in in order to access your products or services?

_____

16. Kindly indicate the percentage of business/products a customer holds with your bank. (Commonly referred to as customers share of the wallet ranges from 0 to 100%)?

_____

17. Overall, how would you describe a customer's share of the wallet for your bank?

   a. Very Poor   [   ]

   b. Poor   [   ]

   c. Fair   [   ]

   d. Good   [   ]

   e. Very Good   [   ]

Appendix III: Questionnaire for Bank Customers

Section A: Demographic Information

1. Gender   a. Male   [   ]   b. Female   [   ]

2. For how long have you banked with your current bank?

     a. Less than a year   [   ]

     b. 1 to 5 years   [   ]

     c. Above 5 years   [   ]

Section B: Informational Phygital Channels

Kindly note: (*Informational phygital channel is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to provide the customers with additional information that could enrich their customer experience*)

3. Based on this scale; **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**, state the extent you agree or disagree with these statements relating to informational phygital channels in your bank?

Statement	1	2	3	4	5
My bank, in the branches I have visited, has corporate tablets where customers can access different information through a single secure interface.					
My bank, in the branches I have visited, has interactive digital displays that provide customers with all in one financial and queue information alongside promotions and advertisements.					
My bank, in the branches I have visited, has fitted waiting areas with TV screens where customers watch various videos that keep them informed and entertained as they wait to be served.					
My bank, in the branches I have visited, has ensured that bank representatives use corporate tablets to engage and present information about products/services to customers.					
My bank's phones are fitted with call back tones that mention bank products as customers wait to be connected to customer care personnel.					

Section C: Transactional Phygital Channels

NB: (*Transactional phygital channel* is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to ease and stimulate the customer during their transaction process)

4. To what extent do you agree or disagree with the following statements regarding the transactional phygital channels in your bank? Use this scale: **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**

Statement	1	2	3	4	5
In my bank's branches, customers are able to use ATMs, corporate tablets and other self-service solutions devices availed to complete different transactions.					
My bank has set up self-service banking kiosks in specific physical spaces such as restaurants to enable customers to carry out their routine bank transactions using digital technology.					
My bank has synchronized different customer transactions made on self-service devices with their mobile phones so that they can receive transaction receipts on their mobile phones.					
My bank in its branches has applications that allow customers to open different accounts by way of fingerprint identification and to sign documents on a tablet.					

Section D: Advisory/Supportive Phygital Channels

NB: (*Advisory/supportive phygital channel* is one where both physical and digital banking channels are synchronized at crucial points of interaction so as to assist the customers during their journey in-branch)

5. What is your level of agreement or disagreement with the following statements pertaining to advisory/supportive phygital channels in your bank? Use this scale: **1=Strongly Disagree, 2=Disagree, 3=Neither Agree nor Disagree, 4=Agree, and 5=Strongly Agree**

Statement	1	2	3	4	5
My bank has interactive ATMs fitted with new functionalities where customers can have live chats with tellers in their local branches.					
My bank's employees, in the branches I have visited, use tablets to demonstrate digital services to customers who need help using mobile or online services such as funds transfer.					
My bank, in the branches I have visited, has self-check in devices to create customer queues so as to control the flow of customers and streamline the whole experience from a customer's point of view.					
My bank has platforms where customers within or away from its branches can speak to the bank's officials on a real-time for any assistance.					

Section D: Customer Experience among Commercial Banks in Kenya

6. How likely are you to recommend a product/service offered by your bank to others?

   a. Very unlikely   [   ]

   b. Not likely   [   ]

   c. Neutral   [   ]

   d. Likely   [   ]

   e. Very likely   [   ]

7. How satisfied are you with your bank's products/services?

   a. Very dissatisfied   [   ]

   b. Somewhat dissatisfied   [   ]

   c. Neither satisfied nor dissatisfied   [   ]

   d. Somewhat satisfied   [   ]

   e. Very satisfied   [   ]

8. How much effort do you use when accessing your bank's products or services?

   a. Very low effort   [   ]

   b. Low effort   [   ]

   c. Moderate effort   [   ]

   d. High effort   [   ]

   e. Very high effort   [   ]

9. On a scale of 0 to 100%, what percentage of business/products do you hold with your bank? _____

Appendix IV: Research Authorization Letter from University

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS

Telephone: 020-8095398	Tel: 020 8095398
Telegrams: "Varsity", Nairobi	Nairobi, Kenya
Telex: 22095 Varsities	**DATE:** 9th October, 2020
Our Ref: D66/86066/2016	

TO WHOM IT MAY CONCERN

The bearer of this letter, **Mbaabu M. Kagwiria** of Registration Number **D66/86066/2016** is a Master of Science in Entrepreneurship and Innovation Management (MSc) student of the University of Nairobi.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on **Phygital banking and customer experience in commercial banks in Kenya.** We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

PHILIP NGIGI

FOR: DEAN, SCHOOL OF BUSINESS

0 9 OCT 2020

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Appendix V: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 162235

Date of Issue: 23/November/2020

RESEARCH LICENSE

This is to Certify that Ms.. MAUREEN MBAABU of University of Nairobi, has been licensed to conduct research in Nairobi on the topic: PHYGITAL BANKING AND CUSTOMER EXPERIENCE IN COMMERCIAL BANKS IN KENYA for the period ending : 23/November/2021.

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162235

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