



University of Nairobi
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**SERVICE DELIVERY DESIGN PRACTICES AND CUSTOMER SATISFACTION
AMONG COMMERCIAL BANKS IN KENYA**

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of The Degree of Master of Business Administration (MBA), School of Business,
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DECLARATION

I the undersigned declare that this proposal is my original work and has not been presented for the award of a degree in any other Institution.

Signed Date

D61/79284/2012

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This research project has been submitted for assessment with our authority as the University supervisors.

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DEDICATION

I would like to dedicate this research project to my husband Simon Gichuru, my daughter Fiona and my son Samuel.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
LIST OF TABLES.....	vii
LIST OF FIGURES.....	vii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the study.....	1
1.1.1 Service Delivery design practices	2
1.1.2 Customer satisfaction	2
1.1.3 The commercial banking industry in Kenya.....	3
1.2 Research Problem.....	4
1.3 Research Objectives.....	6
1.4 Value of the Study	6
CHAPTER TWO: LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Service quality	7
2.3 Service Delivery design practices.....	8
2.4.1 Service delivery designs to customer needs Practices.....	10
2.4.2 Service delivery design to service concept Practices	11
2.4.3 Service delivery design to delivery systems Practices.....	12
2.4.4 Service delivery design to service encounters Practices	15
2.5.5 Service delivery design to direct manipulation of satisfaction practices.....	16
2.5 Customer satisfaction.....	16
2.6 Service design practices and Customer satisfaction.....	17
2.7 Theoretical framework	18
2.8 Conceptual framework.....	19
CHAPTER THREE: RESEARCH METHODOLOGY.....	21
3.1 Introduction	21
3.2 Research design	21
3.3 Population of the study	21
3.4 Sample population.....	21

3.5 Data collection..... 21

3.6 Data Analysis 22

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION..... 23

4.1 Introduction..... 23

4.2 Statistic Method..... 23

4.3 Overview of how the data was collected..... 23

4.4 Description of the population..... 23

4.5 Expectations on Service Delivery Design Practices in Banks..... 25

 4.5.1 Service delivery designs to customer needs..... 25

 4.5.2 Service delivery design to service concept..... 26

 4.5.3 Service delivery design to delivery systems..... 27

 4.5.4 Service delivery design to service encounters..... 28

 4.5.5 Service delivery design to direct manipulation of satisfaction..... 29

4.6 Model Development..... 30

 4.6.1 Independent Variables..... 31

 4.6.2 Correlation..... 32

 4.6.3 Regression Analysis:Equation..... 33

4.7 Customer Base,Retention and atisfaction..... 34

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS35

5.1 Discussion..... 35

5.2 Implication..... 35

5.3 study limitation..... 36

5.4 Recommendation for future research..... 36

5.5Conclusion 36

References..... 37

APPENDIX I: LETTER OF INTRODUCTION 43

APPENDIX III: QUESTIONNAIRE 44

APPENDIX II: IDENTIFIED COMMERCIAL BANKS IN KENYA 49

List of tables

Table 4.1 Age of the respondent	24
Table 4.2 Service Delivery Design to Customer Needs Practices.....	25
Table 4.3 Service Delivery Design to Service Concept Practices.....	26
Table 4.4 Service Delivery Design to Delivery Systems Practices	27
Table 4.5 Service Delivery Design to Service Encounters Practices	28
Table 4.6 Service Delivery Design to Direct Manipulation of Satisfaction Practices	29
Table 4.7 Descriptive Statistics of Independent Variable.....	30
Table 4.8 Correlation.....	32
Table 4.9 Model Summary.....	32
Table 4.10 ANOVA.....	31
Table 4.11 Regression analysis Equation.....	33
Table 4.11 Customer Base,Retention and Satisfaction Index	34

List of figures;

Conceptual model figure 1.....	20
Age of respondents figure 2.....	24

ABSTRACT

Consumers all over the world have become more quality conscious hence there has been an increased customer demand for higher quality service. The purpose of service design is to have processes that consistently deliver high quality services to drive customer satisfaction and customer retention, whilst maintaining process efficiency. Commercial Banks in Kenya have continuously invested in service delivery design practices to ensure highly satisfied customers. This paper sought to determine service delivery design practices in the Commercial Banking Sector and to establish the relationship that exists between service delivery design practices and customer satisfaction in the commercial banking sector. The design practices identified includes; service delivery design to customer needs, service delivery design to service concept, service delivery design to service encounters, service delivery design for service delivery systems and service delivery design for direct manipulation of satisfaction. Primary data was collected using a semi structured questionnaire, designed to be completed by respondents who are the 43 commercial banks in Kenya. The data was then checked for Completeness and analyzed using descriptive statistics. The research has revealed that indeed majority of commercial banks in Kenya have invested in service delivery design practices in effort to enhance customer satisfaction. The results revealed that the design to service delivery practices raised the lowest level of expectation, whereas the design to service encounter practices dimension fulfilled the highest level of perception. The results showed that the overall mean score of perception was higher than expectation in all dimensions. Hence, customers were satisfied with all dimensions of service delivery design practices. Further study should be undertaken to apply the results of this study. It would be valuable to conduct further research concerning the perception by the bank branches of the different banks and comparison of the outcome with other service industries. Further research in these areas would further contribute to overall improvement of service standards of Commercial Banks in Kenya. The paper concludes by a confirmation that service delivery design practices have an influence on the levels of customer satisfaction in commercial banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Consumers all over the world have become more quality conscious; hence there has been an increased customer demand for higher quality service. Service operations worldwide are affected by this new wave of quality awareness and emphasis (Lee, 2004). Therefore service-based companies like the banks are compelled to provide excellent services to their customers in order to have sustainable competitive advantage, especially in the current trend of trade liberalization and globalization.

High patronage of services depends on the satisfaction customers derive from a service. Sales are directly related to customer satisfaction. Sales increase requires improvement in the quality of service delivery to encourage continuous patronage. Generally, it is believed that services which continuously and consistently delight customers make them happy and satisfied. In such situation, they become loyal customers and will continue to demand the service which in turn will result in profit and growth of an organization. According to Saravan and Rao (2007), service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the market place and achieving customer satisfaction. The financial services, particularly banks, compete in the marketplace with generally undifferentiated products therefore, service quality becomes a primary competitive weapon (Stafford, 1996). Past studies have proven that providing quality service delivery to customers retains them, attracts new ones, enhances corporate image, lead to positive referral by word of mouth, and above all guarantees survival and profitability (Negi, 2009).

A major approach of ensuring service quality is through service design. Service design addresses the functionality and form of services from the perspective of the user. It aims to ensure that service interfaces are useful, usable, and desirable from the client's point of view and effective, efficient, and distinctive from the supplier's point of view (Mager, 2009). The need for a distinct practice of service design in part springs from the increasing recognition from at least the early 1990s, that the vast majority of final outputs in the modern economy are classified as "services" so there is a need to

understand measure and encourage innovation in services. Design is a part of innovation in production so why not in services?

1.1.1 Service Delivery Design Practices

Service design is the activity of planning and organizing people, infrastructure, communication and material components of a service in order to improve its quality and the interaction between service provider and customers. Service design comprises both the ‘what’ is to be done for the customer and the ‘how’ it is to be achieved (Edvardsson and Olsson, 1996). Service design is an important strategic issue since it allows a company to transpose its strategy to the operational level (Roth & Menor, 2003) and that the effectiveness of operations strategy is contingent upon making the right design choices (Heskett, 1987). Service design methodologies help in designing according to the needs of customers or participants, so that the service is user-friendly, competitive and relevant to the customers. The purpose of service design is to have processes that consistently deliver high quality services to drive customer satisfaction and customer retention, whilst maintaining process efficiency (Johnston and Clark, 2005). Thus, good design gives service businesses leverage to gain a competitive edge in the marketplace (Shostack, 1984; Verma, et al. 2002). The design activity should focus on ensuring high standards of both technical service quality (TSQ), the right service outcome, and functional service quality (FSQ), doing things appropriately in the process of delivery, so that the service is perceived as being of good quality (Mohr and Bitner, 1995) and generates customer satisfaction (Dabholkar and Overby, 2005).

Service delivery design practices to be discussed will include; service delivery design to customer needs, service delivery design to service concept, service delivery design to service encounters, service delivery design for service delivery systems and service delivery design for direct manipulation of satisfaction.

1.1.2 Customer Satisfaction

Customer satisfaction refers to the extent to which customers are happy with the products and services provided by a business. Customer complaints are related with the customer satisfaction. If customer complaints are less, then it means customers are more satisfied (Lee, 2009). If perceived

service quality is good according to the customer behaviours and intentions, then customers are more satisfied and loyal with their products (Zeithamal, 2000). If service quality of product is not good, then sales and profits will be reduced and ultimately customers shift towards other competitor's product (Yang, 2001). Most discussions on customer satisfaction involve customer expectation of the service delivery, actual delivery of the customer experience, and expectations that are either exceeded or unmet. If expectations are exceeded, positive disconfirmation results, while a negative disconfirmation results when customer experience is poorer than expected. Kolter and Armstrong, (2000) defended the customer satisfaction as the customer's perception that compare their pre-purchase expectations with post purchase perception. Oliver, (1997) defines satisfaction as "the consumer's fulfilment response", a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfilment, including under or over-fulfilment. Oliver, (1981) point of view Customer satisfaction is the evaluation a customer makes to a certain exchange, which reflects the relation of the customer's expectation and their real perception to products and services they receive.

Satisfaction is a psychological constructs that form the basis upon which evaluation of the quality of a product or service is done. Measuring customer satisfaction provides an indication on how an organization is performing or providing products or services. Customer satisfaction levels can be measured using survey techniques and questionnaires. The feedback received from the survey techniques and questionnaires can be treated as one of the best way to measure customer satisfaction. According to Czepiel and Gilmore, (1987); Saravanan & Rao, (2007) the need for survival and growth in ever increasing competitive markets are main critical factors in the search for providing superior service quality and achieving customer satisfaction.

1.1.3 The Commercial Banking Industry in Kenya

The past decade has seen banks go through major changes in the face of liberalization, globalization, information technology, the emergence of micro-finance institutions and demanding customers. According to Central Bank of Kenya, (2011) the existing large banks have responded to the changing macro environment by aggressively marketing through heavy increased share of voice through heavy above the line advertising.

Commercial banks carry significant importance in economy of Kenya. They play a fundamental part in the financial progress of the economy. These commercial banks are also fighting against dynamic environment, technological innovativeness, economic fears, severe competition and highly challenging customers who have offered extraordinary set of experiments for these institutions. Commercial banks being service offering organizations, quality of service is considered as differentiating factor with other financial institutions. The main determination for this varying environment is changing customer demands and anticipations. The interest of banks in their customers is mainly determined by the recognition that high quality services are related to customer satisfaction. Through product service delivery design, banks are able to consistently deliver high quality services to drive customer satisfaction and customer retention, whilst maintaining process efficiency (Johnston and Clark, 2005). Through adoption of service delivery design practices, banks have radically altered the face of the banking environment and also changed the way banks do business by reducing the banking processes and increasing transparency.

1.2 Research Problem

It is widely acknowledged that in recent decades the developed economies have moved to what is called a “service economy”; an economy highly dependent on the service industry. According to Holmlid (2012), in 2007, services represented 69.2% of total employment and 71.6% of the gross value added generated by European states. This means that services in their different forms and characteristics have developed a fundamental role for growth and sustainability of innovation and competitiveness.

Commercial banks in Kenya operate under highly competitive environment. Banks do not only compete among each other but also with non-banks and other financial institutions both local and foreign. In the quest to improve their services, retain and attract customers, commercial banks have come up with several service delivery design practices which includes but not limited to; service delivery design to customer needs, service delivery design to service concept, service delivery design to service encounters, design for service delivery systems and service delivery design for direct manipulation of satisfaction, all in the interest of enhancing service delivery systems for customers comfort. These efforts which aim at bringing satisfaction to the customers seem to be futile. Customers’ preferences and expectations seem not to match up with the banks initiatives. There is

continuous complaint of long waiting at the banking hall, failure of network system and Automatic Teller Machines, high cost of service that is not commensurate to the value received among others that signals a level of dissatisfaction among the customers.

A number of studies have been done on service quality delivery in the banking industry. Ponsignon, et al. (2007) suggested that many of the existing frameworks found within service literature require re-appraisal to ensure their relevance and utility in a radically changing business landscape. Further, the paper suggested that a new framework for future research on service delivery processes grounded within the system discipline needs to be developed. Osei-poku (2012) found out that the level of service performance in the bank varied from one dimension of service to another. She found out that despite the high scores of service performance by the bank, the expectations of the customers were also very high and outwit the performance of the banks. She recommended that much attention should be given to tangibility and assurance dimension of service and service delivery systems and processes. Betty (2011) found out that there is a clear relationship between quality services and customer satisfaction. In her recommendations, she pointed out that there is need for improved communication, more attention to customers' complaints and need for the banks to improve the tangible dimension of services through improvement of physical facilities. Kiarie (2012) found that customer satisfaction with the bank services varied from one service to another, which was mainly attributed to the service encounters as described by the customer including accessibility, feedback response and personalization of service offering, flexibility and efficiency. Her findings are also supported by studies conducted by Metcalfe (2006) who indicated that customer perception of service quality and their satisfaction are profoundly influenced by their service encounters. Ombati (2012) concluded that there was poor performance of electronic banking facilities compared with an ideal banking service. He recommended the use of importance/performance grid as a strategic tool for the development of strategies. He further recommended implementation of personalized aspects to the services.

From the above findings and recommendations, it is clear that customer expectations and perception of service quality has not been fully addressed. There exists a gap on the way service delivery is designed for the customer in terms of customer needs, service concept, service delivery systems, service encounters, service quality from the perception of the customer and direct manipulation of satisfaction. Most of previous studies including the ones discussed above focused to a large extent on establishing the relationship between service quality and customer satisfaction. None of them

attempted to address service delivery design practices as a contingent factor to customer satisfaction. This research will therefore try to answer the following questions; which are the service delivery design practices employed by commercial banks? It will attempt to establish whether there is any relationship between service delivery design practices and customer satisfaction?

Research Objectives

- (i) To determine the service delivery design practices engaged by the commercial banks in Kenya,
- (ii) To establish the relationship between the service delivery design practices and level of customer satisfaction in this sector.

1.4 Value of the Study

By measuring the satisfaction level of customers, commercial banks can develop customer centric service approach to deal with customers in order to avoid the tendency of existing customers switching to a competing bank. By identifying what customers expect and perceive to be quality, commercial banks can revise, design, redesign or repackage its service operations and tailor them to meet the perceptions and expectations of the customers. The study will serve as a guide for commercial banks to develop policies which will improve their overall service delivery, especially in areas where gaps between expectations and perceptions are so wide to enhance customer satisfaction. This study will also open more areas, of future studies in the banking sector for scholars. To the banking industry, the study will benefit the top management who will use it to make informed decisions on issues of strategic innovative and quality of services delivered.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter focuses on various views presented by different scholars in relation to service delivery design practices and customer satisfaction. The literature gathered focuses on service quality, service delivery design practices in the commercial banks, customer satisfaction, relationship between service design practices and customer satisfaction, theoretical and conceptual framework.

2.2 Service Quality

According to Gronroos (1990), a service is “an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interaction between the customer and the service employees and /or physical resources and /or systems of the service provider, which are provided as solutions to customer problems”. Further, according to Gronroos’s (1990) definition, service is produced and consumed in physical resources or goods and /or systems of the service provider. This notion supports that all other physical resources and goods or service delivery systems are important mediums for the service production and consumption. In most of the service delivery systems including banking services, a customer’s presence is required thus, the tangible physical surrounding and other tangible cues are important variables that determine the customer’s level of quality perception in the intangible service delivery system (Bitner, 1992). For example, up to date equipment and state of art facility design in a bank could positively affect a customer service quality evaluation.

In practice, service is interpreted as activities, systems, or business transactions in which the tangible and intangible attributes are carefully combined for the maximization of customer satisfaction and efficiency of an operation system (Gronroos, 1990; Lakhe et al. 1995). Bitner and Hubert, (1994) defined service quality as “the consumer overall impression of relative inferiority/superiority of the organization and its services”. On the other hand a more traditional definition of service quality is the comparison of consumer expectations with actual service performance (Parasuraman et al. 1985).

The above definitions of service quality indicate that quality itself has many meanings. It can be an attribute of product or service, the work itself, the processes and systems surrounding the work (Spencer, 1994), or the performance itself (Deighton, 1992). In addition, the criteria or standard which determines the level of quality varies from quality as excellence, quality as value, quality as conformance to specifications and quality as meeting or exceeding customer's expectations (Chelladurai, et al. 2000; Reeves & Bednar, 1994). Lastly, the meaning of quality can vary depending on who would judge quality. This notion implies that the meaning of the quality is a relative concept and can vary under different circumstances (Spencer, 1994).

2.3 Service Delivery Design Practices

Service design is the activity of planning and organizing people, infrastructure, communication and material components of a service in order to improve its quality and the interaction between service provider and customers. The purpose of service design methodologies is to design according to the needs of customers or participants, so that the service is user-friendly, competitive and relevant to the customers. According to Gronroos's (1990) definition, service is produced and consumed in physical resources or goods and /or systems of the service provider. This notion supports that all other physical sources and goods or service delivery systems are important mediums for the service production and consumption. In most of the service delivery process a customer's presence is required thus the tangible physical surroundings and other tangible cues are important variables that determine the customer level of quality perception in the intangible service delivery system (Bitner, 1992). For example up to date equipment and state of art facility design could positively affect a customer's service quality evaluation. Service design is among the many strategies organizations use to achieve customer Satisfaction, retention and increased sales.

Delivering high-quality services first requires an effective service delivery design process. Towards this direction, many service organizations all around the globe have adopted Service Blueprinting (SB) techniques as a tool for designing new services or managing existing service operations (Shostack, 1984). The benefits of using a service blueprint have been detected in many organizational procedures, such as new service development, internal marketing, management and control of existing service processes, customer preferences monitoring, and service reengineering, among others. In a service blueprint, all sequences and steps of a service delivery process are identified and graphically represented in a two-dimensional flowchart. The horizontal axis represents the

chronological sequence of all the sub-processes, whereas the vertical axis describes the level, within the service provider, that a task is being executed. Incorporating Service Blueprinting into the real estate context has great opportunity for growing and established agencies looking to achieve consistency and reliability across their service offerings.

Service design can be both tangible and intangible. It can involve artifacts' and other things including communication, environment and behaviours. Hall, et al. (2006) described service design practices under three outlooks including designing in services as new or improved service products, designing in service processes as new or improved ways in designing and producing services which may include designing in service delivery systems and finally designing in service firms organization and industries which benefits both the customer and service provider.

Several authors (Eiglier, 1979; Normann, 2000; Morelli, 2002), though they emphasize that, unlike products, which are created and “exist” before being purchased and used, service come to existence at the same moment they are being provided and used. While a designer can prescribe the exact configuration of a product, s/he cannot prescribe in the same way the result of the interaction between customers and service providers (Holmlid, 2007), nor can s/he prescribe the form and characteristics of any emotional value produced by the service. Consequently, service design is an activity that, among other things, suggests behavioural patterns or “scripts” to the actors interacting in the service. Understanding how these patterns interweave and support each other are important aspects of the character of design and service (Holmlid, 2012). This opens up more degrees of freedom to the customer and for employees to adapt to the customers' behavior.

The scope of service delivery design practices is not limited to new services. It includes the changes and improvements necessary to increase or maintain value to customers over the lifecycle of services, the continuity of services, achievement of service levels and conformance to standards and regulations. Service delivery design practices are currently a priority for top management of many commercial banks, key driver of performance and growth since banks being service organizations operate in an extremely competitive and dynamic environment. It is however, important that the introduction of these designed services be accompanied with programs to broaden consumer horizon by enhancing their knowledge in the new and more innovative way of conducting banking business.

Service delivery design practices to be discussed will include; service delivery design to customer needs, service delivery design to service concept, service delivery design to service encounters,

design for service delivery systems and service delivery design for direct manipulation of satisfaction. It is however worth to note that the practices highlighted are not exhaustive thus leaving a gap for research by future scholars.

2.3.1 Service Delivery Design to Customer Needs Practices

The first structured approach to linking the service system design to customers' needs was Heskett's, (1987) strategic service vision. Heskett indicates how a service should begin with an understanding of the target market. This understanding is used to derive a service concept. A strategy for delivering on the key points of this strategy is developed, and the strategy ultimately dictates the design of the service delivery system. The overarching purpose of the design activity is to create a service that matches or exceeds customer expectations (Slack, et al. 2004a). Good design therefore ensures that both the service outcome and the process of service delivery are perceived as being of good quality by customers so as to generate customer satisfaction which in turns drives customer retention (Cronin & Taylor, 1992; Zenithal et al. 1990). The critical importance of retaining customers with the business is explained by the long-term value of loyal customers (Reichheld & Sasser, 1990). It is also explained by the high costs associated with acquiring new customers (Brown, 2000; Hart et al., 1990). Lastly, it is explained by the impact of negative word-of mouth on the existing customer base (Brown, 1997). Designing a service the right way therefore gives service businesses leverage to gain, or at least maintain, a competitive edge in the marketplace (Shostack, 1984; Verma et al. 2002).

Customers' needs must be understood and used to design the services offered. Managers must measure service quality as an antecedent to both customer value and satisfaction, measure the value perceived by the customers during usage and measure the satisfaction or dissatisfaction that is the realized end state (Otto, K et al 2001). As developed by the Japanese, QFD (quality function deployment) is a highly structured format used to translate customer value requirements into specific products and services characteristics and ultimately into the processes and systems that provide the valued products and services. QFD helps the organizational processing activities and outputs match customer wants (Cole, 1989). House of quality involves implementing customer-oriented philosophy (Hauser and Clausing, 1988). In house of quality model, the measures of customer needs and values are translated first into design attributes which are in turn the basis of product/service features. House of quality is the first step in negotiating what managers agree the design will achieve for customers. It

defines cost-effective design attributes that can be delivered to achieve customer perception of value. Each step of the process in the house of quality, design matrix, operating matrix and control matrix is based on clearly defined measures that incorporate customer's needs and values.

2.3.2 Service Delivery Design to Service Concept Practices

The service concept refers to the outcome that is received by the customer (Lovelock and Wirtz, 2004) and is made up of a "portfolio of core and supporting elements" (Roth and Menor, 2003) which can be both tangible and intangible. It is a description of the service in terms of its features as well as in terms of the benefits and value it intends to provide customers with (Heskett, 1987). Alternative terms for the service concept include: service offering, service package, and service or product bundle (Roth and Menor, 2003). Since a service process leads to an outcome resulting in the customer being either satisfied or dissatisfied with the service experience (Mayer, et al. 2003), it is of paramount importance that service organizations pay attention to designing the system by which service concepts are produced and delivered to customers (Brown et al.,1994). It is the role of 'delivery' to ensure that the expected service outcome is received by the customer (Goldstein et al., 2002).

The actual design of the service delivery process begins with the service concept, which provides the link between the service strategy and the service delivery process. The service concept describes in detail exactly what the customers' requirements are, in term of how they perceive value, and how they are to be satisfied. The "what" focuses on identifying the specific needs of the target customers; the "how" focuses on establishing the organization's competitive priorities that will allow it to meet those customer requirements in the delivery of the service.

The service concept encompasses four elements: a) The service operation which refers to the specific manner in which the service is delivered.b) The service experience which refers to the customer's direct experience with the service. c) The service outcome which refers to the benefits and results for the customer receiving the service and the d) Value of the service referring to the benefit that customers perceive from the service in comparison to the cost of that service. In defining the service concept, management must also be attuned to the skills, qualifications and interests of the workforce.

2.3.3 Service Delivery Design for Delivery Systems Practices

Service delivery systems include “the structure (facilities, equipment, etc.), infrastructure (job design, skills, etc.) and processes for delivering a service” (Goldstein et al. 2002, p. 132). A service delivery system is made up of multiple, interdependent service processes (Johnston and Clark, 2001) which constitute hierarchically-organized process architecture. A service process can, in turn, be described as the sequence of activities and steps, the flows and interactions between these activities, and the resources required for producing and delivering the service outcome (Slack et al. 2004a). Heskett, (1987) proposes that designing a service delivery system involves defining the roles of people, technology, facilities, equipment, layout, and processes that generate the service outcome.

Some of the commonly used techniques in designing delivery systems include the blueprinting and service maps. The blueprinting technique enables the depiction of an entire process from a holistic perspective. This emphasizes the relationships between the parts of the process instead of focusing on specific, individual elements in isolation (Shostack, 1987). Southern, (1999) showed that adopting a systems-approach through the use of service system maps facilitates the understanding of the way operational processes function within the overall service system. Service Delivery Process is the end-to-end process that directly interacts with the customer. It consists of all the steps that a customer goes through in the co-creation of value. The service delivery process begins when the customer first interacts with the service organization or system and ends when the delivery of the desired service is completed and the customer exits the process. Supporting Processes’ consist of all the other processes that together with the service delivery process define the service system (Tax, Stephen S. et al. 2001). Each supporting process affects the customer’s experience during the delivery of the service. Examples of supporting processes include the human resource management process and the information technology process.

As planning tools for service design, service blueprints help identify the points in the service process where special attention must be paid, where customers may be confused, where employees must make decisions (and might therefore be prone to errors), where waits are likely to occur in the flow of customers or in the flow of work, and where additional intervention (such as attention from a manager) might be required (Shostack, G. L.,1992). Service blueprints are often drawn to indicate where the part of the operation that is visible to the customer (that is, the front office or

front-of-the-house operations) is separated by from the part of the operation that is visible only to the workers (that is, the back office or back-of-the-house operations). Customers are primarily concerned with the parts of the operation they interact with directly. It is important to remember here that "contact" need not imply that the customer must be physically present at the service site. Customers interact with service processes in many ways: personal face-to-face contact, voice contact (via telephone), e-mail, and some service processes have no contact with service workers (such as automatic teller machines (ATMs) and websites). Regardless of the type of service, customers expect prompt attention (efficiency), appropriate action (effectiveness), and courteous service from front-of-the-house operations (Zeithaml, Valerie A. and Bitner, 2000).

The specific structural decisions that directly affect the design of the service delivery process include (a) capacity, (b) technology, and (c) vertical integration. The layout of the facility is also an important element in the design of the service delivery process. For the front of the house, management must consider such issues as the cost of the space itself (retail space is typically very expensive), the efficiency of the service staff and the comfort and convenience of customers. Capacity i.e the size of the service facility is an important consideration in designing the delivery process. When capacity is inadequate, customers may be uncomfortable or may choose not to purchase the service, which argues for excess capacity. On the other hand, when there is too much capacity, operating costs may be too high to permit delivering the service at a price customers are willing to pay. Capacity needs to be planned not only for the actual service delivery, but, for many services, also for customers who may have to wait for service. Technology is the way work is performed. The technology an organization adopts can affect its ability to deliver new services and to compete in new markets. Today technology decisions often focus on how to provide the service to the customer. Which customer interface to choose depends on the market being served and their needs not only for the core service, but also for the broader, overall experience (Tax, Stephen S et al. 2001).

As part of this decision process managers need to recognize that the choice of technology can very often segment their customer base, and that they, therefore, need to provide more than one type of customer interface to ensure that they do not lose customers who, for whatever reasons, do not want to use a particular technology. There is a growing trend towards self-service, from ATMs at banks to self-service checkouts in supermarkets, to kiosks for checking at the airport. This growth in self-service is driven primarily by advances in technology.

The infrastructural decisions focus on the “soft” worker-related issues (in contrast to the more “concrete” issues that are related to structural decisions such as facility size and layout, equipment and technology). These decisions apply to the design of the overall service system, which includes the service delivery process (Shostack, G. L., 1984). The specific infrastructural decisions that relate directly to the design of the service delivery process include: (a) workforce configuration, (b) quality, (c) policies and procedures, and (d) organizational structure. Workforce Configuration refers to the workers who interact with the customers as part of the service delivery process. They are an important element in the design of the service system. While this might seem like a straightforward decision for some services, for others it is critical in making the customer’s experience a positive one. Service organizations should consider several important variables when deciding how to configure the workforce. Of course, as in any hiring decision, service organizations need to think about the nature of the work to be performed and the required worker qualifications and/or skills. Does the job require a particular type of skill or training? How much experience should the worker have? Along with task-related capabilities, workers who will directly interact with customers must also have people skills that might not be as critical for workers in the back-of-the-house (Zeithaml et al. 2000) .

The design of the service delivery system must address two important aspects of service quality: performance quality and conformance (Tax, Stephen S. and Stuart, Ian, 2001). Performance quality relates to the primary operating characteristics of the service. Another important aspect of service quality from a process design perspective is conformance quality. Policies and procedures for doing work contribute to building a strong service delivery system design and can support the decisions made about workforce and quality. For example, in a commercial bank, there needs to be clear guidelines as to what work can be performed by a clerical staff and what work requires a manager. Hours of Operation are an important policy decision that relates to when customers want to be served. Banks used to be the classic example of a service industry that was not attuned to the needs of their customers; 10:00 a.m. to 3:30 p.m. Monday through Friday became known as “bankers’ hours” –pleasant for the workers but very inconvenient for most of their customers. In recent years, banks have expanded their branch hours to be more accessible to customers and provide 24x7 service through their ATMs and Internet services. Retail stores now open earlier and close later. While it is easy for competitors to follow an expanded hour policy, customer loyalty is often won by the first firm to offer increased customer convenience.

2.3.4 Service Delivery Design for Service Encounters Practices

Service encounter was initially interpreted as the direct interactions between customers and employees (Chase, 1978; Surprenant and Solomon, 1987) but the concept has been extended to include all possible interactions between the customer and the process in a service environment (Walley and Amin, 1994). The interaction in service delivery occurs as two levels. First the service is delivered through an interaction between the service provider and the customer (Zeithaml et al. 1985). As human variables are important factors in the nature of service production and consumption, service personnel's attitude, expertise and actual behavior directly influence customer evaluation of the services (Bitner et al. 1990).

In this model, the quality of interaction between employee and client refers to the customer's subjective perception of how the service is delivered during the service encounter in which the attitude, behavior, and expertise of service personnel are highlighted. Services marketing research heavily focuses on the personal interactions occurring between customers and service providers in service encounters, (Tax and Stuart, 1997; Brown, 2000). Second, the well documented dominance of the SERVQUAL model has resulted in an overemphasis on the customer and 'soft issues' within the process of service delivery Parasuraman, et al. (1988). They further argue that SERVQUAL model defines service quality in terms of the following attributes; Tangibles, reliability, responsiveness, assurance and empathy.

Tangible dimension refers to the physical evidence of the service which will include the facilities in use, appearance of the personnel providing the service and tools and equipment's being used to provide the service. It also refers to the physical presentation of the service in form of transcripts, statements, charge sheet etc. and lastly the other customers presence. Reliability dimension refers to the consistency of service performance, dependability, accuracy and performance of service at the designated time. Responsiveness refers to willingness and readiness of employees to provide service and timeliness of the service provided. Assurance refers to possession of required skills and knowledge by employees to perform the service, trustworthiness, believability, reputation of the organization and honesty. Empathy refers to sincere concern for customer's problem and convenience in terms of time allowed and location (Zeithaml, Valerie A. and Bitner, Mary Jo, 2000).

2.3.5 Service Delivery Design for Direct Manipulation of Satisfaction

A final design approach to improving quality is through direct manipulation of satisfaction. Wirtz and Bateson, (1992) suggest that it might be possible to increase customer satisfaction independently of the confirmation of perceptions relative to expectations. They suggest that producing pleasure for the customer can have direct effect on customer satisfaction. The design of the service setting is one means of producing such an effect. Pyzdek, (1994) asserts that this second approach will be advantageous, since it would prevent inflation of expectations as superior service perceptions increase the expectations for the following encounter. It is not clear however that such an effect exists. According to the original GAP model by Zeithaml, Parasuraman, and Berry, the expectations are derived not from the experience with the particular service firm, but rather from a broad exposure to similar service firms. Under this context, the effect could easily be considered part of perceptions. Regardless of whether or not this effect is distinct from perceptions, one author promotes the use of fun and random rewards to alter perceptions of the service experience. Gross, (1994) suggests that what he refers to as random “outrageous service” will build regular desirable behavior, and improve customers’ long term perceptions of the service delivery.

Bitner, (1992) addresses the tangible characteristics of the service setting, which she refers to as the servicescape. This refers to the built environment in which service delivery occurs. It has been determined to be one of the most important aspects in service delivery evaluation (Bitner, 1992; McDonald et al. 1995). Service scape consist of the ambience, design and equipments. Ambient conditions refers to non-visual aspect of service environment such as temperature, lighting, noise, scent and music (Baker, 1986; Bitner, 1992). Design exists at the forefront of the customers’ awareness and equipment’s refers to the devices utilized for maximization of service consumption. The servicescape can affect customers’ attitude towards the service. This attitude can be manipulated to elicit appropriate behavior, prompt favorable social interaction, and shape expectations for the service.

2.4 Customer Satisfaction

Satisfaction is a psychological constructs that form the basis upon which evaluation of the quality of a product or service is done. Customer satisfaction is defined as a function of the customer’s

expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse & Wilton, 1988) and it is a construct closely related to perceived service quality (Magi & Julander, 1996). Today, customer focus and satisfaction is a driving force for many companies and organizations. Measuring customer satisfaction provides an indication on how an organization is performing or providing products or services.

Past studies establish that customer satisfaction is a key to long-term business success (Zeitham et al. 1996). To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Tsoukatos and Rand, 2006). Banks need to understand customers' service requirements and how it impact on service delivery and customers' attitudes (Gerrard, and Cunningham, 2001), for a small increase of customer satisfaction can lead to customer loyalty and retention (Bowen and Chen, 2001). Kolter and Armstrong, (1999) defended the customer satisfaction as the customer's perception that compares their pre-purchase expectations with post purchase perception. Oliver (1997), defines satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provides a pleasing level of consumption-related fulfillments, including under or over-fulfillment with better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. Thus, product, service quality and service designs are commonly noted as a critical prerequisite for satisfying and retaining valued customers (Muslim and Isa, 2005). It is indeed true that delivery of high-service quality to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatepe et al., 2005).

Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude (Levesque et al, 1996). According to Hansemark and Albinsson, (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some need, goal or desire". In order to maintain and increase purchases, the bank needs to provide value (high quality) to customers.

2.6 Service Design Practices and Customer Satisfaction

With the ever increasing competition in the marketplace resulting from trade liberalization and free economy model, it is imperative for banks to achieve customer longevity, through excellence service

delivery (Lassar et al. 2000). Proper service design results to high level of Service quality which is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization (Cronin, 2003). The customers sell the company to others by word-of-mouth when they are satisfied with the services and thus increase firm's customer-base.

Patel, (1995) described service design as something which provides benefit to its developer and may also be profitable for other companies that will follow through imitation. As the banking fraternity continues to make forays into the retail segment of the market, it is becoming more paramount that customers be given value for their hard-earned deposits. The new banking environment is about differentiating banking products, increased choices, security and accessibility. The ability of financial Institution to deliver products and services in the most efficient and effective manner, will therefore be the key to performance and relevance.

Through service design which results to high level of service quality, companies can create highly satisfied customers who are loyal to the organization. Shoemaker, (1995) indicates that highly satisfied customers are more forgiving; therefore the firm can occasionally slip up and not and lose customers. Having highly satisfied customers then, is like having an insurance policy against something going wrong in the service encounter. Essentially, customer satisfaction can be seen as a means of achieving business goals as well as being a source of sustainable competitive advantage.

Service quality and customer satisfaction have been proven from past researches to be positively related (Gera, 2011). Literature establishes that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means the customers will recommend the bank to other people. As a consequence, the bank can be assured of repeat and stable customer base. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor. How the bank design their services will determine the quality of service delivered and consequently the satisfaction levels of the customer.

2.7 Theoretical Framework

Service quality has been defined through several models. Gronroos (1988), defined service quality in terms of technical quality i.e. evaluating quality in terms of what the consumer receives after

interaction with the service provider, functional quality i.e. evaluating service quality on the basis of how the service was delivered and image i.e. image of the service as held by the customer. Parasuram, Zeithaml and Berry model defined service quality as a function of the differences between expected quality, manager's beliefs of the consumer's needs, what has been specified and what is actually delivered. SERVQUAL model describes service quality on five dimensions; tangible dimension which is the physical evidence of service, reliability, assurance, responsiveness and empathy.

Wolfgang Jonas has written various insightful papers concerning the development of design methods theory (Hugentobler, 2004). Design theory highlights the important role that design plays in our lives. The design methods movement first addressed these issues over 40 years ago (Cross, 1984; Heskett, 2002). Since then, design research has largely concentrated on the formulation and successive refinement of design process models. Various models have been developed over the years in the fields of architecture, engineering design, product design and industrial design. Whilst these devices have proved useful for describing and explaining design as a phenomenon of human social interaction, they have not had an instrumental effect on the way design is carried out, Nor have they revealed, in a scientific sense, to design practitioners the essential structure of the design process, either what it is, or should be.

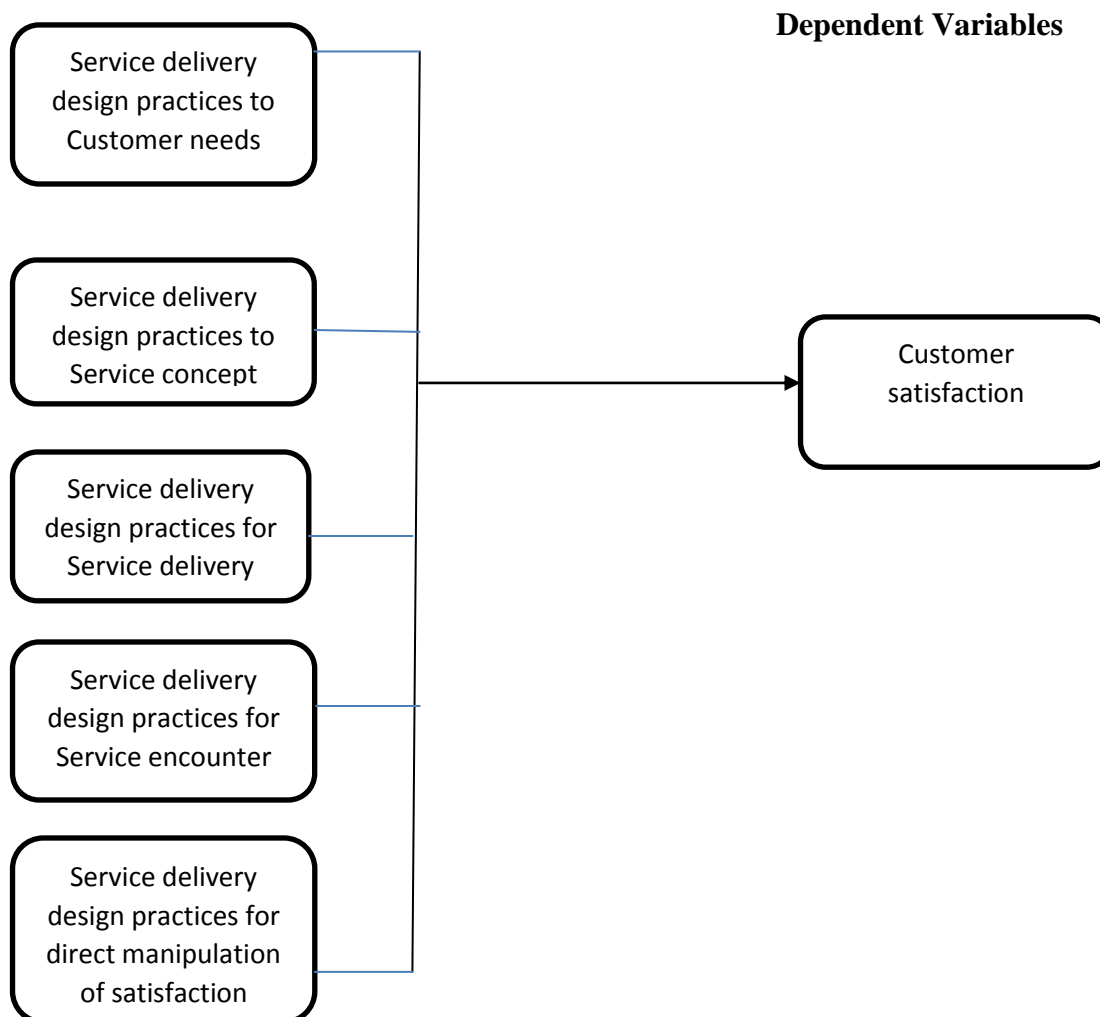
More recently there has been much criticism of design's focus on products and artifacts. One example is that there has been more of an "artefact-centred" focus, which is concerned with function, technology and aesthetics, rather than a "human-centered" focus concerned with user experience and well-being (Hugentobler, 2004; Marzano, 2003) or else on design that is eco-centered and concerned with sustainability (Jegou, 2004; Thackara, 2005). The rise of service design thinking and practice may also reflect a shift in thinking from design as a tool to promote consumption, to becoming a tool for the construction of new relationships between people in society (Manzini, 2007). The shift in focus from product- and artefact-centred design theory to system- and service-oriented thinking has followed the advent and growth of services in our economy and society, accompanied by corresponding changes in technology.

2.8 Conceptual Framework

The conceptual framework explains the relationship between the dependent and the independent variables in the study. In this study, the dependent variable is customer satisfaction whereas the independent variables are the service delivery design practices adopted by the banks. The study identifies a number of service delivery design practices which need to be adopted in order for the commercial banks to deliver enhanced levels of customer satisfaction. These design practices includes; service delivery design to customer needs, service delivery design to service concept, service delivery design to service encounters, design for service delivery systems and service delivery design for direct manipulation of satisfaction.

Figure 1 Conceptual model

Independent Variables



Source: Researcher (2014)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The objective of this chapter was to present an overview of the methodology that was used to guide the study. The chapter discussed the research design; population of the study, the sample size and sample design, the data collection methods and data analysis techniques.

3.2 Research Design

The study used descriptive survey design which according to Churchill, (1991) is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. Through descriptive survey, the researcher was able to answer questions relating to the what, why and how of the phenomenon of service delivery design practices and their impact to customer satisfaction. Descriptive survey research designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret data for the purpose of clarification (Ordhos, 2003). According to Mugenda and Mugenda, (1999) the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study.

3.3 Population and Scope of Study

The population was the 43 commercial banks in Kenya. The list of the identified banks is attached under appendix iii source, Central Bank of Kenya (2011).

3.4 Data Collection

The study relied on primary data collection techniques. A questionnaire was used to collect information from the selected sample units. The data collection instrument comprised of structured multiple choice questions with a few open ended questions which was used to elicit perceptions, feelings and attitudes of the respondents. Respondents were presented with descriptive statements in a five-point Likert format with anchors of very small extent(1) and very great extent (5) required to rate the score to the extent which they perceived a particular statement described the variable.

In the design of the questionnaire, the researcher aimed at capturing all aspects of the respondents. Part A of the questionnaire sought general information concerning the bank and the respondent operations manager. Part B of the questionnaire reviewed information in regards to the expectations on service delivery designs practices in commercial banks which was responded to by the manager operations. Part C sought the general information about the customer care staff respondent. Part D reviewed the perception of the customer care respondent concerning the five service delivery design practices employed by their banks and finally Part E sought for specific data to help in determining the customer satisfaction index of the banks.

The questionnaire was self administered through drop and pick method to reduce interviewer bias however where the customer was unwilling to complete alone, the questionnaire was completed inform on an interview.

3.5 Data Analysis

The data was edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before final analysis. The data was examined for completeness, comprehensibility, consistency and reliability. The findings and conclusion of the study were further analyzed using statistical packages for social sciences (SPSS) and regression analysis. Descriptive statistics such as frequencies means and percentages were used to analyze the data in part A, B, D and E of the questionnaire. Linear regression analysis was used in part C of the questionnaire to test the relationship between the customer satisfaction index and service delivery design practices. The results were presented in the form of charts, and tables. Regression formula was as follows;

$$C=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+e$$

Where C is customer satisfaction; a is a constant of regression; b is regression coefficient; x₁=service delivery design practices to customer needs; x₂= service delivery design practices to service concept; x₃= service delivery design practices for delivery systems; x₄= service delivery design practices for service encounters; x₅= service delivery design practices for direct manipulation of satisfaction and e=error rate.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

The purpose of this study was to establish whether there is a relationship that exists between the service delivery design practices which includes; design practice to customer needs, design practice to service concept, design practice to service delivery systems, design practice to service encounters, design practice to direct manipulation of satisfaction and the level of customer satisfaction. This will be achieved by determining the service delivery design practices engaged by the commercial banks in Kenya, and establishing the relationship between these delivery design practices and level of customer satisfaction in this sector.

4.3 Statistic Method

All data collected are fed into the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel for analysis. It is imperative that all information collated is strictly for this research purpose only. Likewise, all information and the identity of the respondent are strictly confidential and will not be disclosed to any party in any manner.

4.4 Overview of How the Data Was Collected

After the questionnaires were collected, the researcher explored the level of customer's expectation and perception towards service delivery design practices in five areas: customer needs, service concept, service delivery systems, service encounters, and direct manipulation of satisfaction. The frequencies and percentages are used for calculating and analyzing the data.

4.4 Description of the Population

The participants of this study consisted of 86 customers of 43 Commercial Banks in Kenya, 2 respondents from each bank. Data was successfully collected from 35 commercial banks in Kenya representing the 80% of the population. This is an indication that the study was able to achieve a 99%

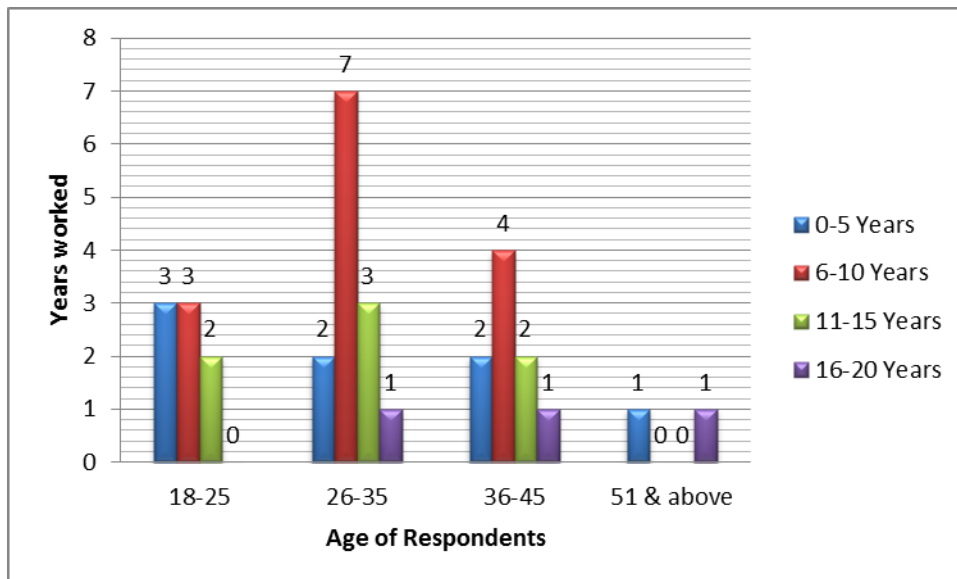
response rate since the study involved a whole population of the 43 licensed commercial banks in Nairobi, Kenya

Table 4.1 Cross tabulation on Gender * Age

		Age				Total	
		18-25 Years	26-35 Years	36-45 Years	46-50 Years		
Gender	Male	Count	6	9	6	2	23
		% of Total	17.1%	25.7%	17.1%	5.7%	65.7%
Female	Count	2	6	3	1	12	
	% of Total	5.7%	17.1%	8.6%	2.9%	34.3%	
Total	Count	8	15	9	3	35	
	% of Total	22.9%	42.9%	25.7%	8.6%	100.0%	

Table 4.1 above clearly demonstrates that Most of the respondents were male participants which represented 65.7% with most of them being at the age 26-35 years of age. 34.3% of the female participated with majority being at the age of 26-35 years like the male participants; it clearly indicates that most of the commercial banks in Kenya have empowered the young and energetic population on the most sensitive docket in the institution.

Interestingly, majority of the respondents who participated in the study have been in employment between 6-10 years. Figure 3 below illustrates the findings



4.5 Expectation on Service Delivery Design Practices in the Bank

Service delivery design is the activity of planning and organizing people, infrastructure, communication and material components of a service in order to improve its quality and the interaction between service provider and customers. The purpose of service design is to have processes that consistently deliver high quality services to drive customer satisfaction and customer retention, whilst maintaining process efficiency (Johnston and Clark, 2005).

The questions are designed with multiple choice selections for convenience. Respondents were required to rate the expectations and perceptions towards the extent to which the service delivery design practices have been employed by the bank into a five pre-defined level scale - 5 = Very great Extent, 4 = Great Extent, 3 = Medium extent, 2 = small extent and 1 = very small extent.

4.5.1 Service Delivery Design to Customer Needs Practices

Respondents were asked to indicate to what extent the banks have implemented on service delivery design to customer need practices;

Table 4.2 Service delivery design to customer needs practices

Service delivery design to customer needs practices	N	Mean	Std. Deviation
The bank has optimal linkage of its service delivery design to its customer needs	35	3.83	.382
The bank focuses in the target market as a starting point in designing the service delivery system	35	3.89	.404
It is from the understanding of the customer needs that the bank designs its services	35	3.89	.323
Good design contributes greatly to customer satisfaction and retention	35	3.94	.482
The bank uses QFD(quality function deployment) as a tool for translating customer value to design.	35	3.37	.646
The bank employs house of quality model to translate customer needs and values into design	35	3.46	.701
Valid N (listwise)	35		

From the results in table 4.2 above, it is evident that service delivery design to customers was moderately rated; this tells us that, on average, most of the banks have implemented the service delivery design practices to meet their customer needs. The spread of scores (as shown by the s.d.) is a little higher for the use of house of quality model and QFD with an SD of 0.701 and 0.646 respectively, suggesting that they are more variable factors in service delivery.

The results are in agreement with Heskett's, (1987) who posit that a service should begin with an understanding of the target market and (Slack, et al. 2004a) who stated that the overarching purpose of the design activity is to create a service that matches or exceeds customer expectations.

4.5.2 Service Delivery Design to Service Concept Practices

Service delivery design to service concept practices refers to the description of the service in terms of its features as well as in terms of the benefits and value it intends to provide customers.

Respondents were asked to rate to what extent there institutions have implemented the service delivery design to service concept practices.

Table 4.3 Service delivery design to service concept practices

Service delivery design to service concept practices	Mode	Mean	Std. Deviation
The bank has optimal linkage of its service delivery design to service package	4	3.69	.530
The bank focuses on the service concept as the starting point in designing service delivery process	4	3.66	.591
The bank focuses on service operation i.e specific manner in which the service is delivered	4	3.71	.622
The bank focuses on service experience i.e customers' direct experience with the service.	4	3.63	.598
The bank also focuses on the service outcome i.e benefits and results attained by the customer in receiving the service.	4	3.63	.598
The bank hires highly skilled employees to ensure smooth delivery of services	4	3.74	.561
The bank endeavors to maintain a highly motivated team by rewarding appropriately.	3	3.57	.655
Valid N (listwise)	35		

Table 4.3 above tells us that, on average, all the respondents to a great extent rated service delivery concept. For both variables on service concept, the mean, mode is all similar, which is an indication that the data are probably normally distributed. The spread of scores suggests that the variable is well explained above 50%.

The results are in agreement with (Brown et al., 1994) who suggested that it is of paramount importance that service organizations pay attention to designing the system by which service concepts are produced and delivered to customers.

4.5.3 Service Delivery Design for Delivery Systems Practices

The service delivery process begins when the customer first interacts with the service organization or system and ends when the delivery of the desired service is completed and the customer exits the process. Respondents rated the system delivery as shown below:

Table 4.4 Service delivery design to service delivery systems practices

	Mode	Mean	Std. Deviation
The bank has optimal linkage of its service delivery design to service delivery systems	4	3.63	.598
The bank uses blueprints as a planning tool for service delivery systems design	3	3.54	.657
Bank focuses on facility layout in designing the service delivery process	3	3.57	.698
The bank focuses on capacity i.e the size of the facility in designing the service delivery systems	3	3.57	.655
The bank focuses on technology in designing service delivery systems	4	3.89	.676
Bank focuses on workforce configuration as part of service delivery process	3	3.46	.611
The bank focuses on performance and conformance quality of services as part of service delivery process	3	3.57	.608
The bank focuses on policies and procedures for doing work while designing service delivery systems	3	3.43	.608
The bank focuses on organizational structure i.e reporting relationships in designing service delivery systems	3	3.37	.547
Valid N (listwise)	35		

Most of the respondents moderately rate the service delivery on systems. It is clear from the above results that apart from few major banks that have adopted the practice to a great extent, majority are still lagging behind thus giving average mean on the outcome.

The results are however in agreement with Heskett, (1987) who postulated that designing a service delivery system involves defining the roles of people, technology, facilities, equipment, layout, and processes that generate the service outcome. It is also supported by (Shostack, 1987) who stated that the success of the design practices will be achieved by emphasizing the relationships between the parts of the process instead of focusing on specific, individual elements in isolation.

4.5.4 Service Delivery Design for Service Encounters Practices

A Service Counter practice includes a personality and appearance of personnel, tools, and equipment used to provide the service. Respondents were asked to indicate to what extent the banks have implemented on service encounter practices.

Table 4.5 Service delivery design to service encounters practices

Service delivery design to service encounters practices	Mode	Mean	Std. Deviation
The bank has optimal linkage of its service delivery design to service encounters	4	3.83	.514
The bank focuses heavily on the personal interaction occurring between the bank as the service provider and the customer.	4	3.86	.494
The bank focuses on having modern looking equipment	4	3.94	.591
The bank focuses on having visually appealing physical facilities	4	3.94	.591
The bank focuses in maintaining a knowledgeable, skillful and neat workforce at their front office	4	3.80	.584
The bank focuses on providing visually appealing materials associated with the service (such as pamphlets or statements)	4	3.74	.657
The bank focuses on providing reliable services at the point of service encounter	4	3.69	.583
The bank focuses on providing responsive services at the point of service encounter	4	3.74	.505
The bank focuses on providing assurance at the point of service encounter	4	3.71	.572
Employees in the bank shows empathy to the customers during service encounter	4	3.69	.530
Valid N (listwise)	35		

From the results in table 4.5 above, it is evident that most of the respondents to a great extent rated encounter service practices.

The results are in agreement with (Bitner et al. 1990) who posit that human variables are important factors in the nature of service production and consumption, service personnel’s attitude, expertise and actual behavior directly influence customer evaluation of the services. This is also in agreement with Parasuraman, et al. (1988) who posit that SERVQUAL model defines service quality in terms of the following attributes; Tangibles, reliability, responsiveness, assurance and empathy.

4.5.5 Service Delivery Design for Direct Manipulation of Satisfaction

Direct manipulation involves producing pleasure for the customer. Majority of the respondents as shown in table 4.6 below rated the service to a great extent

Table 4.6 Service delivery design to direct manipulation of satisfaction

	N	Mean	Std. Deviation
The bank has optimal linkage of its service delivery design to direct manipulation of satisfaction	35	3.60	.553
The bank focuses in producing pleasure for the customer to enhance customer satisfaction.	35	3.57	.655
The bank focuses on service setting as a means of producing pleasure for the customer	35	3.74	.561
The bank focuses on ambience as a means of manipulation of the customer attitude towards the service and the organization.	35	3.77	.598
The bank focuses on designing the forefront of the customer as a means on manipulation of the customer attitude and perception.	35	3.83	.514
The bank uses fun and random rewards to alter perception of service experience	35	3.46	.611
Valid N (listwise)	35		

The results are in agreement with Wirtz and Bateson, (1992) who suggest that it might be possible to increase customer satisfaction independently of the confirmation of perceptions relative to expectations. This is also supported by (Bitner, 1992; McDonald et al. 1995) who posit that servicescape has been determined to be one of the most important aspects in service delivery evaluation.

In summary, out of the 35 respondent's majority of the respondents rated customer needs practices at minimum rate of 3 and at a maximum rate 4.67. This means that though the practice is well adopted, there is a reasonable gap between some that have fully adopted and those that are yet to embrace the practice to the required expectations; systems delivery was raised below at 2.89 (at small extent) to a maximum of 4.78. This can be interpreted to mean that though some banks have fully embraced the practice some are still lagging behind. Service encounters and service package were the most highly rated with a minimum rate of 3 and a maximum rate of 5 as expressed in table 4.7 below.

Table 4.7 Descriptive Statistics of independent variables

	N	Minimum	Maximum	Mean	Std. Deviation
Custo_nd	35	3.00	4.67	3.7286	.36846
service_pk	35	3.00	5.00	3.6612	.44247
systems	35	2.89	4.78	3.5587	.51094
encounters	35	3.00	5.00	3.7943	.44122
manipu	35	2.50	5.00	3.6619	.48589
custom_serv	35	3.00	4.45	3.7329	.34127
Valid N (listwise)	35				

4.6 Model Development

Where; Custo_nd. refers to service delivery design to customer needs practices, service_pk. refers to service delivery design to service package practices, systems refers to service delivery design to service delivery practices, encounters refers to service delivery design to service encounter practices, manipu. refers to service delivery design to direct manipulation of customer satisfaction practices and custom_serv. Refers to customer satisfaction index in banks.

4.6.1 Independent Variables

Table 4.7 Descriptive Statistics of independent variables

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custom_serv	35	3.00	4.45	3.7329	.34127
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4.6.2 Correlation

Independent variable		Customer service
Custo_nd	Pearson Correlation	0.455
	Sig. (2-tailed)	0.006
	N	35
service_pk	Pearson Correlation	0.692
	Sig. (2-tailed)	0
	N	35
systems	Pearson Correlation	0.594
	Sig. (2-tailed)	0
	N	35
encounters	Pearson Correlation	0.803
	Sig. (2-tailed)	0
	N	35
manipu	Pearson Correlation	0.768
	Sig. (2-tailed)	0
	N	35
custom_serv	Pearson Correlation	1
	Sig. (2-tailed)	
	N	35

Table 4.8 : Correlation

Table 4.7 above shows out the relationship between the depend variable and the independent variable; It is evident that there is a relationship between the variables as both are significant at $p < 0.005$; the results shows a positive correlation, as one tends to move towards a great extent the significance increases

Table 4.9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901 ^a	.811	.779	.16043

a. Predictors: (Constant), manipu, service_pk, Custo_nd, systems, encounters

The result in Table 4.9 shows that the combination of customer needs, service concept, service delivery systems, service encounters, and direct manipulation of satisfaction together contributed to

77.9% effect on Customer Satisfaction. The R² suggests that there is a strong effect of these five independent variables on Customer Satisfaction. The F value (24.969) changes are significant which implies that the model is fit and robust (table 4.10 below)

Table 4.10 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.213	5	.643	24.969	.000 ^b
	Residual	.746	29	.026		
	Total	3.960	34			

a. Dependent Variable: custom_serv

b. Predictors: (Constant), manipu, service_pk, Custo_nd, systems, encounters

4.6.3 Regression Analysis: Equation

Table 4.11 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.556	.342		1.626	.115
	Custo_nd	.127	.093	.137	1.372	.181
	service_pk	.252	.079	.326	3.185	.003
	systems	-.115	.093	-.173	-1.248	.222
	encounters	.305	.114	.394	2.664	.012
	manipu	.283	.088	.403	3.200	.003

a. Dependent Variable: custom_serv

Table 4.11 shows the estimates of the independent variables and their significance to the model fit. It is evident that services to the customer needs practices and system delivery were not significantly expressed in the model.

The equation of the study is as follows

$$C = 0.556 + 0.127x_1 + 0.252x_2 - 0.115x_3 + 0.305x_4 + 0.283x_5$$

Where C is customer satisfaction; a is a constant of regression; b is regression coefficient; x1=service delivery design practices to customer needs; x2= service delivery design practices to service concept; x3= service delivery design practices for delivery systems; x4= service delivery design practices for service encounters; x5= service delivery design practices for direct manipulation of satisfaction and e=error rate.

4.7 Customer Base, Retention and Satisfaction Index

Table 4.11 Customer base, Retention and satisfaction index

	N	Minimum	Maximum	Mean	Std. Deviation
Cust_base	35	.00	6.34	.3966	1.12186
Cust_rentation	35	72.33	97.00	92.1429	5.52669
CSI	35	50.67	85.00	69.2894	7.73762
Valid N (listwise)	35				

Of the 35 respondents majority of the responded confirmed that there customer base ranges from 0.00 to a maximum of 6.34 with an average number of 0.3966 millions, customer retention stands at 72.33 to 97% and customer satisfaction index 50.67 to 85% as shown in table 4.11 above

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1 Discussion

The research has revealed that indeed majority of commercial banks in Kenya have invested in service delivery design practices in effort to enhance customer satisfaction. This relationship may be majorly due to the benefits accrued by both the banks and the customers to as explained by Hall et al, (2006) who indicated that service innovation benefits both the service producer and customers and it improves its developer's competitive edge.

In this research, regression instrument has been applied by using five dimensions of service quality: customer needs, service concept, service delivery systems, service encounters, and direct manipulation of satisfaction.

The results revealed that the design to service delivery practices raised the lowest level of expectation, whereas the design to service encounter practices dimension fulfilled the highest level of perception.

The results showed that the overall mean score of perception was higher than expectation in all dimensions. Hence, customers were satisfied with all dimensions of service delivery design practices. These results are in agreement with (Johnston and Clark, 2005) who stated that service delivery design practices ensures processes that consistently deliver high quality services to drive customer satisfaction and customer retention, whilst maintaining process efficiency.

In this study, the findings showed that most respondents identified service encounter practices as the most important factor in determining satisfaction. Moreover, their perception of service exceeded their expectation.

5.2 Implication

This study had the following implications:

Design to service delivery practice was shown to be the weakest dimension of satisfaction. Though the outcome was attributed by the wide gap between the minimum rating and maximum rating as a result of some of the upcoming banks lagging behind in adoption of this practice, bank management

should improve in adoption of this practice in order to ensure that the commercial banks are not lagging behind compared to other sectors in service industry and financial industry in other countries.

Service encounter practices were shown to be the strongest dimension of satisfaction. Therefore, bank management should maintain the attributes of tangible service quality at the bank.

5.3 Study Limitation

Some limitations are found in this study as follows:

There was a limitation on the time and monetary resources. Secondly, many respondents were not willing to provide quantitative information requested in the questionnaires. It was also a big challenge to get respondents to complete the questionnaires.

This study only focused on results from the banks headquarters.

5.4 Recommendation for Future Research

Further study should be undertaken to apply the results of this study. It would be valuable to conduct further research concerning the perception by the bank branches of the different banks and comparison of the outcome with other service industries. Further research in these areas would further contribute to overall improvement of service standards of Commercial Banks in Kenya

5.5 Conclusions

In any business-to-customer (B2C) type of environment, satisfying a customer is the ultimate goal and objective. More often than not, it can be quite an issue. This is perhaps due to the fact that organizations sometimes do not really understand of what actually goes on in a customer's mind. As such, this predicament has provided as a challenging task to most business corporations that places strong emphasis on customer relations. Although many researches and studies were conducted on the actual working of the customer's mind, till today it is a still a mystery.

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APPENDIX I: INTRODUCTION

I want to thank you for taking the time to meet with me today.

My name is Susan Gichuru. I am a Postgraduate Student in the school of Business at the University of Nairobi. I am undertaking an academic study on the service delivery design practices by commercial banks in Kenya. I would like to talk to you about your experience in the bank more especially on your perception/expectation regarding the various design practices applied by the bank in delivery of quality services.

The questionnaire should take less than half an hour. All responses will be kept confidential. This means that your questionnaire responses will only be shared with the study team members and we will ensure that any information included in our report does not identify you as the respondent.

Thank you for using your precious time to make my study a success.

APPENDIX II: QUESTIONNAIRE

PART A: General information relating to the bank. Respondent (Operations Manager)

Kindly answer the following questions;

1. Name of the bank-----
2. Designation of the respondent-----
3. Gender of the respondent-----
4. Duration worked for the bank-----

PART B; Expectation on service delivery design practices in the bank

1. To what extent has your bank implemented the service delivery design to customer need practices in an effort to ensure customer satisfaction (tick where appropriate);

Service delivery design to customer needs practices	Very small extent	Small extent	Medium extent	Great extent	Very Great extent
The bank has optimal linkage of its service delivery design to its customer needs					
The bank focuses in the target market as a starting point in designing the service delivery system					
It is from the understanding of the customer needs that the bank designs its services					
Good design contributes greatly to customer satisfaction and retention.					
The bank uses QFD(quality function deployment) as a tool for translating customer value to design.					
The bank employs house of quality model to translate customer needs and values into design					

2. To what extent has your bank implemented the service delivery design to service concept practices in an effort to meet the customer needs;

Service delivery design to service concept practices	Very small extent	Small extent	Medium extent	Great extent	Very Great extent

The bank has optimal linkage of its service delivery design to service package					
The bank focuses on the service concept as the starting point in designing service delivery process					
The bank focuses on service operation i.e specific manner in which the service is delivered					
The bank focuses on service experience i.e customers' direct experience with the service.					
The bank also focuses on the service outcome i.e benefits and results attained by the customer in receiving the service.					
The bank hires highly skilled employees to ensure smooth delivery of services					
The bank endeavors to maintain a highly motivated team by rewarding appropriately.					

3. To what extent has your bank implemented the service delivery design to service delivery systems practices in an effort to meet the customer needs;

Service delivery design to service delivery systems	Very small extent	Small extent	Medium extent	Great extent	Very Great extent
The bank has optimal linkage of its service delivery design to service delivery systems					
The bank uses blueprints as a planning tool for service delivery systems design					
Bank focuses on facility layout in designing the service delivery process					
The bank focuses on capacity i.e the size of the facility in designing the service delivery systems					
The bank focuses on technology in designing service delivery systems					
Bank focuses on workforce configuration as part of service delivery process					
The bank focuses on performance and conformance quality of services as part of service delivery process					
The bank focuses on policies and procedures for doing work while designing service delivery systems					
The bank focuses on organizational structure i.e reporting relationships in designing service delivery systems					

4. To what extent has your bank implemented the service delivery design to service encounters practices in an effort to meet the customer needs;

Service delivery design to service encounters practices	Very small extent	Small extent	Medium extent	Great extent	Very Great extent
The bank has optimal linkage of its service delivery design to service encounters					
The bank focuses heavily on the personal interaction occurring between the bank as the service provider and the customer.					
The bank focuses on having modern looking equipment					
The bank focuses on having visually appealing physical facilities					
The bank focuses in maintaining a knowledgeable, skillful and neat workforce at their front office					
The bank focuses on providing visually appealing materials associated with the service (such as pamphlets or statements)					
The bank focuses on providing reliable services at the point of service encounter					
The bank focuses on providing responsive services at the point of service encounter					
The bank focuses on providing assurance at the point of service encounter					
Employees in the bank shows empathy to the customers during service encounter					

5. To what extent has your bank implemented the service delivery design to direct manipulation of satisfaction practices in an effort to meet the customer needs;

Service delivery design to direct manipulation of satisfaction	Very small extent	Small extent	Medium extent	Great extent	Very Great extent
The bank has optimal linkage of its service delivery design to direct manipulation of satisfaction					
The bank focuses in producing pleasure for the customer to enhance customer satisfaction.					
The bank focuses on service setting as a means of producing pleasure for the customer					

The bank focuses on ambience as a means of manipulation of the customer attitude towards the service and the organization.					
The bank focuses on designing the forefront of the customer as a means on manipulation of the customer attitude and perception.					
The bank uses fun and random rewards to alter perception of service experience					

PART C. Customer care respondent general information

1. Kindly answer the following questions.
2. Name of respondent_____
3. Name of the financial institution _____
4. How many years have you worked with the financial institution above_____
5. Age (Optional): () 18 – 25 _ () 26– 35 _ () 36 – 45 _ () 46 – 50 _ () 51 and above
6. Gender (Optional) Female () Male ()

PART D. Respondent perception on service delivery design practices by the bank.

Kindly answer the following questions to show your perception on services delivery by the banks by ticking where appropriate

Perception of customers on service delivered by the bank.	Very small extent	Small extent	Medium extent	Great extent	Very Great extent
The bank has up-to-date equipment's (like note counters, electronic queue management system)					
Physical facilities (like banking halls, statements etc) are visually appealing					
Employees are well dressed and appear neat.					
The physical environment of the bank is clean					
When they promise to do something by a certain time, they do					
When a customer has a problem, they show a sincere interest in solving it.					
The bank perform the service right the first time					
The bank keep their records accurately					

Employees give prompt service to customers.					
Employees are always willing to help customers					
Employees are never too busy to respond to customers' requests					
The behavior of employees instill confidence in customers					
Customers feel safe in their transactions with employees in the bank.					
Employees are polite with customers					
Employees of the bank have the knowledge to answer customers' questions					
The bank operating hours are convenient to all their customers					
The banks have enough variety of service package					
The services of the bank are of good quality					
The bank has installed music system and television screen in their banking halls that entertain the customers as they wait on line					
The lighting and the temperatures in the banking halls are appealing and gives the feeling of comfort and urge to come back.					

PART E. Respondent bank specific information on customer base, customer retention and customer satisfaction index

Please provide us with the following information to help us in establishing the customer satisfaction index for your bank.

	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Customer base					
Customer retention (%)					
Customer satisfaction index (CSI)					

APPENDIX III: IDENTIFIED BANKS

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd.
9. Citibank N.A Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank Kenya Ltd.
16. Dubai Bank Kenya Ltd.
17. Ecobank Kenya Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Limited
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd
23. First community Bank Limited
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Ltd.
29. Imperial Bank Ltd
30. I & M Bank Ltd
31. Jamii Bora Bank Limited.
32. Kenya Commercial Bank Ltd
33. K-Rep Bank Ltd
34. Middle East Bank (K) Ltd
35. National Bank of Kenya Ltd
36. NIC Bank Ltd
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd

39. Prime Bank Ltd
40. Standard Chartered Bank Kenya Ltd
41. Trans-National Bank Ltd
42. UBA Kenya Bank Limited
43. Victoria Commercial Bank Ltd

SOURCE: Central Bank of Kenya, (2011)