

**CUSTOMER SERVICE RECOVERY PROCESSES: A CASE STUDY
OF KENYA COMMERCIAL BANK (KCB) GROUP**

LORNA KATILE MAKAU

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DECLARATION

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

LORNA KATILE MAKAU

Registration Number: D61/70189/2007

Signature.....Date.....

This research project has been submitted for examinations with my approval as university supervisor.

MS CATHERINE NGAHU

Signature.....Date.....

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Other gratitude goes to my family – spouse Elijah Cheruiyot Korir, mum Victoria Wandia Kimeu and sister Mary Mumbua Makau for their unfailing believe in me, patience, support, and encouragement during my studies.

DEDICATION

This thesis is dedicated to our angel Michael Kiprop Cheruiyot, rest in God's everlasting arms.

ABSTRACT

The aim of this case study was to examine the service recovery processes at KCB bank group and their effectiveness. The study gives a background and introduces the service recovery process concept, and gives brief overview of the KCB bank group. The study then identifies the research objectives, which were identified as - the service recovery process used at KCB and how effective these processes are. The researcher then gives a theoretical framework on previous studies on customer service recovery processes, service recovery steps, the unique characteristics of the service industry and the importance of handling complaints. The study was carried out among eight members of staff – the head of customer service, three senior managers, two branch managers and two customer service consultants. The research tool used for this study was an interview guide which had open ended questions, and data analysis was done through content analysis. The study was able to establish the service recovery processes used at KCB as solving the customer problem, training employees, apologizing, compensating with something of value, acknowledging and owning responsibility, constant execution of complaints, having convenient banking (increasing accessibility of branches), and minimizing the chances of complaint recurrence. The study established the reasons why KCB employs service recovery processes as; for influencing customers' future attitude and behaviour, to identify service failure points, opportunities for improvement, retain dissatisfied customers and as a normal management tool for a more effective service recovery process at the bank. The existing service recovery processes identified were noted as not too effective. The study therefore recommends that KCB needs a centralized system for all customer complaints in the entire bank group, ensuring that customers' fully understand the bank processes, and that they receive timely updates on their complaints. The study also, emphasizes on the need for staff to develop customer focused attitude, and notes the need for the flexibility of bank processes to reduce bureaucracy, and provide alternative channels to customers.

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
DEDICATION	iii
ABSTRACT.....	iv
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Concept of Service Recovery Process	1
1.1.2 Overview of KCB Bank Group.....	2
1.2 Statement of the Problem.....	3
1.3 Research Objective	5
1.4 Value of the Study.....	5
CHAPTER TWO: LITERATURE REVIEW.....	6
2.1 Introduction.....	6
2.2 Theoretical Foundation of Service Recovery.....	6
2.3 Service Recovery Process.....	7
2.4 Unique Characteristics of the Service Industry	8
2.5 Service Recovery Strategies	10

2.6 Understanding Complaints.....	11
2.6.1 The Importance of Complaints Handling.....	13
2.7 Conceptual Framework.....	13
CHAPTER THREE: RESEARCH METHODOLOGY	14
3.1 Introduction.....	14
3.2 Research Design.....	14
3.5 Data Collection	14
3.6 Data Analysis Methods	15
CHAPTER FOUR: RESEARCH FINDINGS	16
4.1 Introduction.....	16
4.2 The Respondents Profile	16
4.3 Service Recovery Processes Used by KCB	17
4.5 KCB Customer Complaint Resolution Approach.....	18
4.9 Challenges Being Faced by KCB During Service Recovery Processes	18
4.10 Strategies for Future Effective Service Recovery Processes Identified by Staff at KCB	19
CHAPTER FIVE: DISCUSSION AND RECOMMENDATIONS	20
5.1 Introduction.....	20
5.2 Summary of Findings.....	20

5.3 Conclusion	22
5.4 Recommendation	24
REFERENCES.....	25
APPENDIX 1: KCB KENYA DATA AS AT JULY 2012.....	I
APPENDIX 2: INTERVIEW GUIDE.....	II

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In any given economy, service providers always aim at creating memorable and valuable service experiences to customers. This is done in their endeavor to satisfy their customers and maintain long-term customer relations (Pine and Gilmore, 1998; Haeckel et al., 2003). Service recovery refers to the actions companies take when they have failed to provide the service customers expected, which makes it relevant for managers in any industry or organization that provides some sort of service to external or internal customers. When service providers succeed in getting a high customer satisfaction, this attracts more customers and increases customer loyalty hence resulting to high business profitability. However, a service experience is composed of a set of service encounters. In other words, a service experience can be affected by many factors including service operation, service quality, customer expectation etc. Delivering a high-quality service experience is very complicated and needs to be carefully designed and managed. Besides, one important factor influencing the performance of service experiences is service recovery.

1.1.1 Concept of Service Recovery Process

Service recovery is resulted from service failures. Thus, service failures mean that service providers have lower service performance, which cannot meet customers' expectations (Hoffman and Bateson, 1997). In the moment of service failure, customers always get dissatisfaction and feel uncomfortable. Service providers have to implement service recovery processes for customers during service experience delivery. The main purpose of service recovery is to execute some actions to find customer dissatisfaction and response to errors and mistakes. Hart et al. (1990) proposed that an appropriate service recovery approach can alter angry and dissatisfactory customers to be loyal ones. Since the topic of service recovery for service experience design has been an important issue, to our knowledge, there is less research investigating the relationship between service

recovery and customer involvement during service experience delivery (Dong et al., 2008). According to Carlzon (1987) and Normann (2000), service recovery requires a repeated “moment of truth”. If service providers can successfully be accepted again by customers through the faith of trust, these interactions between service providers and customers can return customers from dissatisfaction to satisfaction. In service science, customer’s involvement in service activities is an important feature of service dominant logic (Vargo and Lusch, 2004).

Service providers deliver appropriate services that customers can join in order to create high values together. Consequently, there are still a lot of encounters that customers can touch in the service recovery process. Underlying service-dominant logic service providers can design and manage appropriate services for better recovery service experiences. Service providers have potential opportunities to involve customers in the service recovery process by employing innovative services.

Service providers need to come up with strategies to ensure that their customers build trust with them and that in case of future customer dissatisfaction, the service provider is assured of retaining the same customers. Very few organizations are aware of service recovery process and the fast growing competition between service providers in Kenya has seen organizations lose customers to their competition even in the event of a minor system down turn. This study will explore the nature of service recovery processes at KCB and identify the loop holes inhibiting service recovery in the bank. KCB introduced a Contact Centre in November 2009 to help the bank improve its service through handling customer queries. This too enabled the bank to receive, track and resolve customer care issues as an integrated one-stop solution for all customer enquiries. The Contact Centre is available to all 220 branches of the bank across the region.

1.1.2 Overview of KCB Bank Group

KCB is the leading financial institution in East and Central Africa with branches across the region. The bank operates in Kenya, Tanzania, Uganda, Southern Sudan, Rwanda and

very recently, Burundi. The bank provides a wide range of banking services: Corporate Banking products, Retail Banking products, Advantage Banking and Mortgage products. Each of these products are tailored for different markets i.e. Corporate market, Small and Medium Enterprise market, micro enterprise market and retail customers. The Bank has the widest network of banking outlets comprising of over 220 branches. The branches are divided into three categories: advantage, mortgage and normal branches. The bank has over 280 automated teller machine outlets spread across the East Africa Region and bank has also partnered with Pesa Point and Kenswitch to provide more channels for customers to access their funds. Other channels available to customers include mobile banking (Mobi), Internet Banking and Agency Banking (KCB Mtaani). The bank has over two thousand staff in Kenya (Appendix 3).

1.2 Statement of the Problem

The importance of developing a mutually beneficial ongoing buyer-seller relationship has been emphasized in marketing literature (Crosby, Evans, & Cowles, 1990; Dwyer, Schurr, & Oh, 1987; Gwinner, Gremler, & Bitner, 1998; Gundlach, Achrol, & Mentzer, 1995). All these authors agree that satisfying customers in exchange relationships is the ultimate goal of all businesses that wish to build repeat business. Nevertheless, service failure is inevitable. When service is not delivered as expected, customers' negative disconfirmation prompt dissatisfied customers to exhibit multiple options, namely exit, voice, and loyalty (Hirschman, 1970). Among them, complaints offer service providers chances to rectify the problems and positively influence subsequent consumer behavior (Colgate & Norris, 2001; Blodgett, Hill, & Tax, 1997).

Grönroos (1988) notes that even the best services can fail some time due to the relative intangibility, the simultaneous production and consumption, the labour intensiveness and the variability of the service offering. He links all these factors make service recovery a critical part of services management. He goes on to say that it is crucial to understand the consequences of failure and the ways of effective recovery processes. As suggested by Grönroos (1988) service recovery refers to the actions an organization takes in response

to a service failure. Because of the inherent nature of services inseparability, it could not mean the replacement or the repair of service but mainly all the actions undertaken in order to compensate the customer's loss. Service recovery strategy involves all the actions that can be apology, redress, attentiveness, explanation, etc. Wanyonyi (2011) in his study 'Competitive strategies adopted by Kenya Commercial Banks to attract and retain customers' found that banks have always embraced Service Recovery Processes as an effective tool in attracting new customers and retaining the old ones. Various studies have been conducted in the area of customer satisfactory and have revealed that effective service recovery is a key strategy to financial growth of any company. According to Wangari (2007), hair salons that employed competitive strategies recorded high performance. This is due to the fact that service recovery processes are incorporated in any strategic plan. Ouma (2011) in his study of the 'Factors affecting mobile users in Kisumu' found out that service providers who solved customer complaints had more Customers as compared to those who delayed the resolution process. Lastly, Wambugu (2011) in her survey of 'Competitive strategies adopted by Boutiques in Nairobi Central District' found that customers were comfortable with shops that welcomed them and apologized in case the wares did not meet their expectations.

Although the positive impact of service recovery on satisfaction, loyalty, and recommendation has been well documented empirically by some service providers in Kenya, evidence suggests that service recovery practice has not improved. Even with the introduction of the Contact Centre as a central channel for complains by the customers, KCB still faces challenges of customer complaints not attended to in time and others not attended to at all and this has seen the bank lose its once trusted customers to her competitors. Although KCB is aware of the overall goal of service recovery and has made some efforts to identify customers with issues to address them to the customers' satisfaction in order to promote customer retention, its unfortunate that service recovery has not been achieved.

Although a number of studies have been done on Service Recovery Processes, a knowledge gap exists. None of the studies has focused on the service recovery processes used at Kenya Commercial Bank. The aim of this study is therefore to study the effectiveness of Service Recovery Processes used by KCB?

1.3 Research Objective

- i) To identify the service recovery processes used by KCB.
- ii) How effective are the service recovery processes that are in place?

1.4 Value of the Study

This study aims to highlight service recovery processes and the benefits that accrue to the organization. In theory, an organization's response to service failure has the potential to either restore customer satisfaction or aggravate customers' negative evaluations and drive them to switch to a competitor. Therefore, it is important to understand what constitutes a successful service recovery and how customers evaluate service providers' recovery efforts.

The study will contribute practice in that it will outline and discuss the pitfalls of service recovery and effectively let the player(s) in this field have a grip of how they can be able to improve the implementation of service recovery processes. It is clear that what makes customers dissatisfied is not a service failure alone, but the manner in which employees respond to their complaint(s).

To KCB, the study is significant because KCB is a service industry where by customer satisfaction and retention is important. The study will give insights into employee behavioral attributes, perceptions and response regarding service failure and recovery. The study will come up with a recommendation report which can be implemented by the bank to improve its services not only in Kenya but in all its countries of operation. To the academician it will provide information and a stepping stone for further research in this new field of study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter introduces a theoretical foundation of service recovery and the researcher discusses the findings of previous studies on customer service recovery processes, service recovery steps, the unique characteristics of the service industry and the importance of handling complaints. The chapter concludes by providing a conceptual framework that will guide the study.

2.2 Theoretical Foundation of Service Recovery

Theoretical frameworks used in studies of service recovery include the social exchange theory, equity theory, attribution theory, disconfirmation paradigm, and justice (fairness) theory. Blodgett et al. (1997) contend that the concept of justice provides a theoretical framework for the study of dissatisfied customers' post complaint behavior(s); other theories help to explain why dissatisfied customers seek redress. Studies exploring customer's evaluation of service recovery efforts have used the social exchange theory and the equity theory (Blodgett et al., 1993; Goodwin & Ross, 1992; Kelley & Davis, 1994). These two theories assert that the exchange relationship should be balanced (Adams, 1963, 1965). The social exchange perspective is based on the view of equal partners (e.g., spouses, coworkers) in an exchange (Oliver, 1997). In purchasing and consumption situations, a consumer's sense of injustice generally results from perceived unfairness compared with either one's expectations or other comparison standards (Oliver, 1997). Service failures can be viewed as customers' economic loss (e.g., money, time) and/or social loss (e.g., status, esteem) in an exchange (Smith et al., 1999).

Consequently, customers consider the failure situation as a negative inequity and will attempt to balance equity with post-purchase behavior (Lapidus & Pinkerton, 1995). Service providers attempt to recover the balance by offering customers economic value in the form of compensation (e.g., a discount) or social resources (e.g., an apology) (Smith et al., 1999). A summary of the equity/inequity of consumers' own inputs compared to the outputs leads to perceived justice. Then the consumer forms a

satisfaction/dissatisfaction judgment based on the level of perceived justice (Andreassen, 2000).

Customers' judgments about the cause and effect attribution influence their subsequent emotions, attitudes, and behaviors based on the three dimensions of causal attributions: locus, controllability, and stability (Swanson & Kelley, 2001; Weiner, 1980, 1985). Attribution theory has applied for explaining Customer responses to product and service failures (Folkes, Koletsky, & Graham, 1987; Richins, 1983; Weiner, 1980). Researchers have emphasized the mediating roles of attribution influences (Folkes et al., 1987; Yi, 1990). In general, dissatisfied customers who consider the cause to have an external locus and to be stable and controllable are more likely to exit and to engage in negative word-of-mouth behavior than those who consider that the problem is unlikely to recur and is uncontrollable (Blodgett et al., 1993; Folkes, 1984).

2.3 Service Recovery Process

The necessity for service recovery is brought about by service failure. Service failure is defined as those situations when the service fails to live up to the customer's expectations (Michel, 2001) or, according to Maxham (2001), any service-related mishaps or problems (real and/or perceived) that occur during a consumer's experience of the firm. Service failure situations are especially inevitable in the banking industry due to the 'people factor' nature of services (Susskind, 2002), i.e. the high level of contact between employees and customers (Lewis & McCann, 2004) due to the increasingly high demand of today's number of products and services provided by banks (Kim, 2009).

Bitner, Booms and Tetrault (1990) have categorized service failures in terms of their relation to the core services, requests for customized service and unexpected employee actions. Failures that deal with core services have been shown to be among the most serious ones because they concern the basic service agreed upon (Levesque & McDougall, 2000), thus customers expect that the provider will resolve the problem (Hart

et al, 1990), and, therefore, they constitute the major reason as to why Customers change service providers (Keaveney, 1995).

Thus, service recovery, which is defined as all those actions taken by a service provider in order to try to resolve the problem that caused the service failure (Gronroos, 1990), aims not only to resolve the problems in order to minimize negative outcomes and retain customers (Miller, Craighead & Karwan, 2000; Smith & Bolton, 1998; Smith, Bolton & Wagner, 1999) but also to “seek out and deal with service failures” (Johnston, 1994, p. 422). After all, a good recovery, as well as reducing customers’ negative emotions, also tries to increase the positive ones (Tschohl, 2005).

While service recovery’s effectiveness depends on several parameters, excellent recovery tactics can leave those customers who experienced a service failure followed by successful service recovery with greater satisfaction than those who did not experience a service failure incident at all. This is known as ‘the service recovery paradox’ (McCullough&Bharadwaj, 1992; Michel, 2001). However, several studies consider this as a rare event, limiting its application only to service failure cases which were not severe (Magnini, Ford, Markowski& Honeycutt, 2007; Michel &Meuter, 2008).

2.4 Unique Characteristics of the Service Industry

In addition to the characteristics stated above, service has also been characterized in four dimensions namely intangibility, inseparability, heterogeneity and perishability. Intangibility is a fundamental characteristic of service. Zeithaml, Parasuraman and Berry (1990) claimed that intangibility is the fundamental factor that differentiates service and goods. In consideration of the tangible objects, i.e. products or goods, involved in a service encounter, a customer can use physical attributes such as sight, touch, sound and taste, to evaluate the quality and to determine their degree of satisfaction with the product or goods. However, a customer is unable to utilize their physical attributes to judge the quality and their satisfaction with the intangible aspect to the service encounter (Berry, 1995).

Consequently, the intangible aspect to the service is dependent upon the employee's ability to interact with the customer and satisfy the customer with the personalization and emotional element that makes the service encounter exceptional. In reference to the inseparability characteristic, in most service encounters, the provider is present when the service is being delivered and consumed. Therefore, customers are often physically involved and become a vital part of the service delivery process. Thus, the quality of the service depends on the provider's performance as well as the customer's participation (Kelly, Donnelly, & Skinner, 1990), and the delivery of the service becomes a human performance that the customer is inseparable from (Zeithaml, Parasuraman, & Berry 1990).

In service, the evaluation of past service encounters tends to influence the customer's attitude and intentions when preparing for an upcoming service encounter. Zeithaml, Parasuraman & Berry (1995) referred to heterogeneity as a remarkable phenomenon. The customer's overall evaluation of a service encounter does not rest solely on the processing of tangible attributes or the intangible elements from the service provider but instead on a combination of the above, paired with the customer's mood, emotions and attitudes (Mantel & Kardes, 1999). The challenge to heterogeneity is the fact that many service providers strive to engender loyalty by from their existing customer base; therefore, service organizations tend to confuse customer satisfaction with customer loyalty. However, in order to engender loyalty, a customer must be satisfied with the service organization in good times and challenging times.

Hesket, Jones, Loveman, Sasser and Schilger (1994) found that relying on the customer's satisfaction with a specific service transaction does not necessarily mean that the customer will be satisfied enough to return or recommend the service. In fact, their research on the Service Profit Chain revealed that the weakest link in the chain was between satisfaction and loyalty. Thus, suggesting that a satisfied customer does not necessarily develop into a loyal customer.

The final characteristic of the service industry is perishability. Simply put perishability means that the services are time sensitive and service providers have a small, distinct window of opportunity to delivery service excellence and meet the customer's expectations. Once again, Zeithaml, Parasuraman and Berry's (1985) definition of perishability stating that, unlike products that can be stored or reinvented for future orders, services can not be returned, recaptured or recreated; only repeated. Industry projections suggest that the service industry will continue to dominate the Kenyan workforce as well as the economy. In consideration of the above, service providers must continuously strive to create a balance in their approach to service excellence. A balance of the characteristics of the service industry seems to be the most reliable approach to delivering quality service, creating satisfied customers and maintaining a competitive advantage.

2.5 Service Recovery Strategies

Service recovery involves a series of strategies that must be taken in order to attract and retain customers by ensuring that service providers deliver the expected service first. In the event that service is not rendered as expected, Tschohl (2005) identifies and describes essential steps in service recovery. These steps include first, apologizing. It is important for a service provider to apologize and take responsibility for the error. For service recovery to work, it has to happen with the first person the customer telling about the problem. Unfortunately, many employees don't want to admit that they or their company is wrong, so they lie or make excuses, which irritates the customer even more. One must apologize sincerely on behalf of the company.

The second step is to solve the problem. Once made aware of the situation, the employee must do whatever is necessary as quickly as possible to solve the problem. That means that employees must be empowered. They must be given the authority to bend and break the rules in order to satisfy the customer. Empowerment is the backbone of service recovery, Tschohl goes on to say that it's impossible to be a service leader, to be customer centric and focus on a service strategy without empowering employees. His definition of empowerment is giving employees the authority to do whatever it takes, on

the spot, to take care of a customer to ensure customer's satisfaction—not to the organization's satisfaction.

The third step is giving the customer something of value as compensation. To simply say you're sorry is nice, but it's not very powerful. You must give the customer something that has value in his eyes, something so powerful that he not only will continue to patronize your business but will tell everyone he knows about the wonderful service you provided to him. Every company has something of value that it can give to a customer who has experienced a problem. It can cost the company from nothing to a few dollars but, as long as it has value in the customer's eyes, it will be effective (Gilly 1987).

Another step is creating a service recovery process. It is important to develop a process that allows employees some latitude in serving the customer but that also includes specifically defined steps that must be followed in providing service recovery. Put in place at least five examples of service recovery with strict instructions to employees to meet or exceed them. Another step is to Train employees. Too many executives think employees are born with good customer service skills. If institutions want their employees to provide service so awesome that it wows their customers, they must combine the fundamentals of customer service with flawless execution. Employees must be knowledgeable about company's products and services, but they also must be trained to provide the best service possible in order to keep the customers coming back to the organization. Service recovery not only builds customer loyalty, it draws more customers to a business and can drastically reduce a company's advertising budget. "Advertising will bring a customer to you once," Tschohl says. "The customer experience is what will bring him back to you time and time again."

2.6 Understanding Complaints

The importance of handling service failures effectively has been demonstrated in many studies. Gilly (1987) observed that if customers are satisfied with the handling of their complaints, dissatisfaction can be reduced and the probability of repurchase can be

increased. Furthermore, effective complaint handling can have a dramatic impact on customer retention rate, deflect the spread of negative word-of-mouth, and improve profitability (Tax, Brown, & Chandrashekar, 1998). Service entities could increase their profits up to 85% by reducing the customer defection rate by 5% (Reichheld & Sasser, 1990). Customer loyalty can be increased by encouraging consumers to complain.

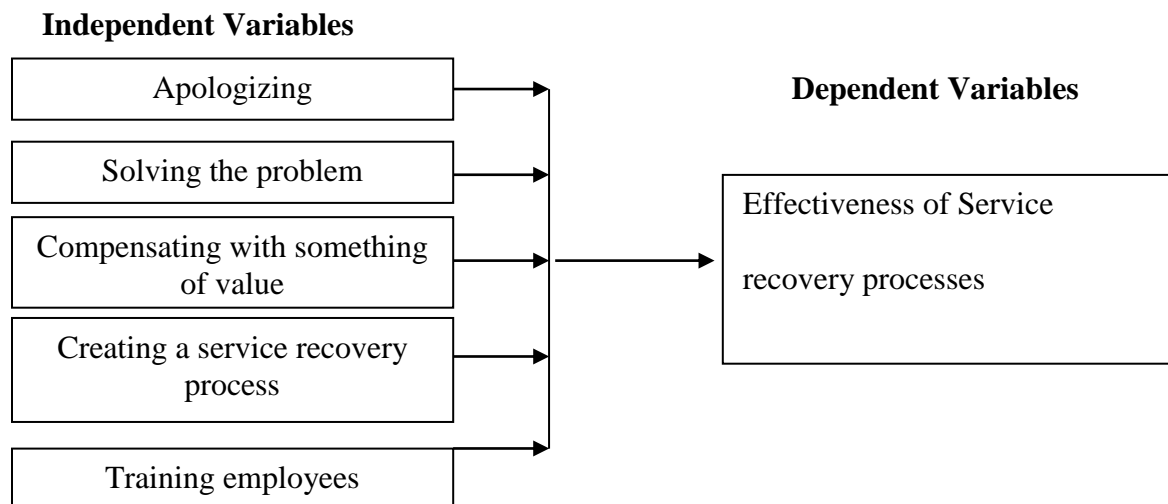
Complaints provide organizations with an opportunity to recover from their mistakes, retain dissatisfied consumers, and influence consumers' future attitudes and behavior. Moreover, complaints allow the organization to identify common failure points in the service that in turn enable the organization to improve the quality of banking. In best-practice organizations like the banking industry, customer complaints are viewed as opportunities for improvement. However, in some organizations, complaint data have only recently been recognized as a management tool. Service recovery cannot occur without a complaint, and resolution of complaints can build customer confidence in the organization. There may be situations in which the organization realizes that the customer is not always right and customer retention may not be the appropriate goal (Reichheld & Sasser, 1990).

A customer who complains frequently or is not satisfied with recovery efforts may need to be labeled as the "wrong customer." Because of the stress these customers place on the organization and its employees, some organizations may choose to avoid relationships with these customers, since they do not represent valuable long-term relationships. However, in instances when dissatisfied customers must return because of employment requirements, the organization should attempt to make the customers feel that they have been heard and treated fairly but inform them that it is not possible to meet their request. If no compromise can be achieved, the organization should maintain a record of these specific customers so that employees will be aware of their disposition and approach the situation with caution when these customers return for future services. In general, complaints offer valuable insight into areas of the organization that are in need of improvement, and an organization that does not respond to Customer complaints risks gaining a negative image in the eyes of the consumers who complained.

2.6.1 The Importance of Complaints Handling

The cost of attracting a new customer substantially exceeds the cost of retaining a current customer (Anderson & Fornell, 1994; Fornell & Wernerfelt, 1987; Spreng, Harrell, & Mackoy, 1995). Service entities could increase their profits up to 85% by reducing the customer defection rate by 5% (Reichheld&Sasser, 1990). Considering this, building long-term relationships with customers is imperative for successful businesses. Gilly (1987) observed that if customers are satisfied with how their complaints are handled, their dissatisfaction can be reduced, and the probability of repurchase is increased. Furthermore, effective complaint handling can have a dramatic impact on the customer retention rate, deflect the spread of negative word-of-mouth, and improve profitability (Tax, Brown, & Chandrashekar, 1998). Inadequate and/or inappropriate company responses to service failures and mishandling of customer complaints influence not only the affected customers but also their friends and families via negative word-of-mouth communication (Hoffman & Chung, 1999; Hoffman & Kelly, 2000). Keaveney (1995) found that core service failures and unsatisfactory employee responses to service failure accounted for more than 60% of the all service switching incidents.

2.7 Conceptual Framework



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that will be used to carry out the research. It entails research design, data collection, and the data analysis method to be used.

3.2 Research Design

This refers to the methods and procedures to be followed in conducting the study. For this study, the research design was a case study due to the fact that the unit of analysis is one organization. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. It involves a careful and complete observation of service recovery at KCB bank group. This study therefore has generalized the findings of the customer service unit at KCB and the main focus of this study will be qualitative. The research design is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primary data collected from such a study is more reliable and up to date.

3.5 Data Collection

The study has employed primary data and secondary data. An interview guide was used in collecting the primary data, this was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The respondents of the study were eight – the head of customer service, three senior managers, two branch managers and two customer service consultants (one from the KCB Contact Centre and one from the branch network). The interview guide was administered through personal interviews in order to get their opinions on the customer Service recovery processes in the KCB Bank.

3.6 Data Analysis Methods

This includes the process of packaging the collected information, putting it in order and structuring main components in a way that the findings can be easily and effectively communicated. Before processing the responses, the completed interview guide was edited for completeness and consistency. The study generated qualitative data hence content analysis was used to analyze the data. According to Cooper and Schindler (2003), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement.

CHAPTER FOUR: RESEARCH FINDINGS

4.1 Introduction

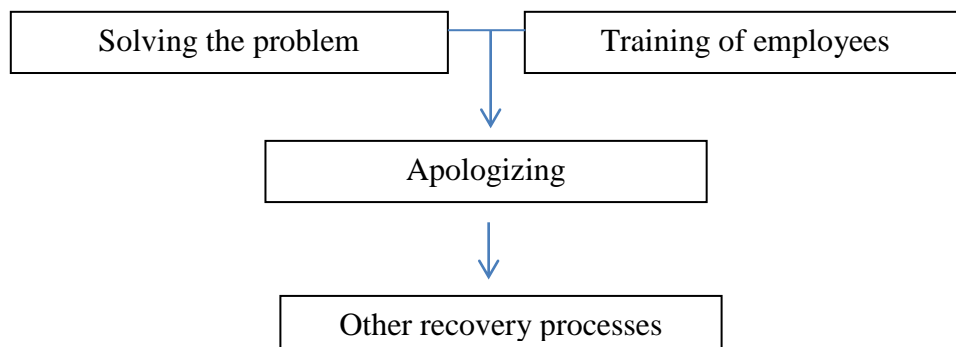
This chapter presents the findings and results of the study in the order of the research objectives. The study sought to find out the service recovery processes at KCB bank group and the effectiveness of the service recovery process in place. The analysis was done using content analysis.

4.2 The Respondents Profile

The study interviewed the following staff at KCB - The Head of customer Service who is tasked with the formulation, implementation, monitoring and alignment of KCB Group customer experience and service strategies. These are so as to lead legendary customer experience. The head of service ensures that service at KCB is aligned to overall Groups strategic direction and goals. The senior managers were the Service Experience and Compliance Manager who is in charge of developing and delivering KCB's customer experience strategy through engagement with stakeholders. The Retail Service Manager was another respondent and whose role is to achieve customer satisfaction standards in every branch by working closely with KCB Branch Managers. The last senior manager in the service unit was the Customer Retention Manager – manager in charge of implementing KCB retention programs that fit within the customer life cycle. Three KCB branch managers were also interviewed and these have the key roles of achieving profitability targets through revenue maximization and prudent cost management, while growing the customer base, and ensuring retention of existing customers through high levels of customer satisfaction. The study also interviewed two customer service consultants who are customer facing and handle various customer enquiries and complaints. The study was able to determine that majority of those interviewed understand what service recovery processes are and able to identify the service recovery processes used at KCB.

4.3 Service Recovery Processes Used by KCB

The study sought to find out the service recovery processes used by KCB. Most of the respondents mentioned solving the problem and training employees as the commonly used service recovery processes at KCB. Some of the respondents mentioned that apologizing was another service recovery process that is used by KCB. The other processes identified were acknowledging and owning responsibility, constant execution of complaints, having convenient banking (increasing accessibility of services), minimizing chances of reoccurrence of complaint, use of root cause analysis, reengineering of business processes, timely update to customers on system downtime, conducting of customer satisfaction surveys and the provision of alternative channels to access. This is depicted as follows;



The study further sought to find out the reasons why KCB undertakes service recovery processes. Most of the respondents mentioned that KCB does service recovery in order to retain dissatisfied customers, and almost all respondents mentioned that KCB did this in order to identify service failure points. Additionally, majority of the respondents cited that KCB does service recovery process in order to create opportunities for improvement, while a minority of the respondents cited that KCB does service recovery as a normal management tool.

4.5 KCB Customer Complaint Resolution Approach

The study sought to also find out the approaches used by managers to customer complaint resolution. A good number of the respondents stated that they engage their work mates in the complaint resolution process, and most of the managers mentioned that they ensured that customer complaints are handled and resolved immediately. A greater part of response indicated that liaisons with concerned departments to ensure that systems are stable so as to avoid service failures. On the other hand a small number of the respondents cited that they ensure that they get daily reports on all customer complaints reported in their departments. The study sought to find out the approaches used by used by customer service consultants to customer complaint resolution. All the customer service consultants affirmed that they ensured that they forward daily reports on all complaints reported. One of the service consultants mentioned liaising with concerned departments to ensure that systems are okay to avoid service failure and the other consultant mentioned that they ensure that customer complaints are handled and resolved immediately. One of the service consultant mentioned engaging the customer in the resolution process. The largest part of the respondents agree that since the inception of the KCB Contact Centre in 2009, the facility has contributed into customer complaint resolution while a small number were not sure whether the contact centre has contributed any efforts to customer complaint resolution. Out of these, a minority of the respondents felt that KCB service recovery processes are effective, while most of the respondents felt that the bank has room to improve on the existing service recovery process for efficient service recovery processes within the bank.

4.9 Challenges Being Faced by KCB During Service Recovery Processes

The study further sought to find out the challenges being faced by KCB during service recovery processes, and some of the respondents identified the bank's core focus on profit maximisation as compared to customer satisfaction as a challenge. A few respondents mentioned resistance to change by some members of staff leading to

bureaucracy and lack of flexibility in processes. Other challenges that were mentioned by the respondents are system down turns, lack of teamwork between concerned departments, slow complaint resolution especially at the branch level, enforcement of processes or services without considering their impacts on the customers, negative perception of the bank by former customers, some departments not meeting their turnaround times (TAT) for services, competition from upcoming micro finances that offer similar products and services at a reduced cost, limited access to systems (lack of one stop solutions) that delays case resolution, insufficient staff training and long decision making processes.

4.10 Strategies for Future Effective Service Recovery Processes Identified by Staff at KCB

The study sought to find out the strategies for future effective service recovery processes. Nearly all of the respondents stated that implementation of a consequence management in case of non-adherence, and the acquisition of a centralized customer relationship management system. A bulk of the respondents also cited proper planning and preparation of all initiatives. The largest part of the respondents agreed to the flexibility of bank processes to reduce bureaucracy, while a few of them mentioned the need of enhancement on team work between branches. A number of the respondents stated that customers need to fully understand the bank process; and felt that the bank can ensure that customer complaints are resolved immediately. Most of the respondents also mentioned ensuring that systems are up to reduce customer complaints. Other strategies cited by the respondents are the provision of financial recourse to customers on services that do not meet customer expectations, emphasis on staff to develop customer focused attitudes, providing alternative channels to customers, and decentralizing of banking operation to increase productivity like Card blocking and Mobile banking.

CHAPTER FIVE: DISCUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings of the research, discusses the results, draws conclusions and makes recommendations for future implementation of service recovery processes at KCB.

5.2 Summary of Findings

Significant findings that arose from the study on service recovery process that came out of the study are solving the problem, training employees, apologizing, compensating with something of value, acknowledging and owing the responsibility, constant execution of complaints, having convenient banking (increasing accessibility of branches), minimizing chances of reoccurrence of complaint, use of root cause analysis, reengineering of business processes, timely update to customers on system downtime, conducting of customer satisfaction surveys and the provision of alternative channels to access money (Internet Banking, Mobile banking, Agency Banking).

The reasons why KCB does service recovery processes is to influence customers future attitude and behavior, to identify service failure points, opportunities for improvement, retain dissatisfied customers and as a normal management tool. Approaches used by managers in complaint resolution process that came out of the study are engaging junior staff in complaint resolution, ensuring that they get daily reports on all complaints reported in their departments, liaising with concerned departments to ensure that systems are okay to avoid service failure, ensuring that customer complaints are handled and resolved immediately and lastly engaging the customer in the resolution process.

Approaches used by customer service consultants in complaint resolution process from this study are ensuring that they forward daily reports on all complaints reported in their desks to their respective line managers, liaising with concerned departments to ensure

that systems are okay to avoid service failure, ensuring that customer complaints are handled and resolved immediately, engaging their line managers in complaint resolution and engaging the customer in the resolution process.

The challenges being faced by KCB during service recovery processes that came out of the study are the bank's core focus on profit maximisation as compared to customer satisfaction, resistance to change by some members of the management team, bureaucracy (leads to lack of flexibility in processes), system down turns, lack of teamwork between concerned departments, slow complaint resolution especially at branch level, enforcement of processes or services without considering their impacts on the customers, negative perception of the bank by former customers, some departments not meeting their Turn Around Time (TAT) for services, competition from upcoming micro finances that offer similar products and services at a reduced cost, limited access to systems (lack of one stop solution) that delays case resolution, insufficient staff training and long decision making processes.

Future strategies for adoption by the bank for service recovery process that came out of the study are engaging customers in the complaint resolution process, ensuring that systems are up to reduce customer complaints. Other strategies suggested were ensuring that customer complaints are resolved immediately and training the employees on the important of service recovery. The interview guide had provision for the respondent to add extra strategies that can be adopted by the bank. Respondents cited the provision of financial recourse to customers on services that do not meet customer expectations, early mobilization on every bank initiative, pre-operative assessment, planning and preparation of all initiatives, flexibility of bank processes to reduce bureaucracy, documenting root cause analysis and adoption to fill gaps in service recovery processes, implementation of a consequence management in case of non-adherence, adoption of customer feedback for opportunities to improve, enhance teamwork between branches, increased pro activeness on customer complaints, effective staff motivation and training, increased staffing.

5.3 Conclusion

KCB has been in the banking industry in Kenya for almost a century now. Today, the bank faces competition from other commercial banks as well as micro finance institutions. The bank has implemented initiatives to ensure that its services cut across the demands in the market in order to attract new customers and retain existing customer. All service recovery processes used by the banking sector and other industries are present in KCB and from the study the commonly used processes are solving the problem and training employees. Solving the problem is seen as the best process since it ensures that the complaint is resolved and builds the customer confidence. Training the staff on customer service skills and other life skills ensure that the staff is capable of handling customer enquiries at every customer touch point. Majority of the staff are aware of service recovery which is an evident that the bank is keen on service recovery.

Though the staff interviewed do not agree that the current KCB service recovery processes are effective, the analysis show that the staffs believe that most of the customers are satisfied with KCB services. This therefore means that there is still room for improvement. This alloyed with the routine baseline surveys done by the bank on service delivery and customer satisfaction will go a long way in achieving effective service recovery. From the literature review, the reasons why organisations do service recovery are evident from the KCB study. For KCB, the main reason why the bank does service recovery is to influence customers' future attitude and behavior and to identify service failure points. When customers create a post attitude towards the bank products and services, they would be able to get more of the products and services as well as introducing their friends to the bank.

The KCB contact centre has assisted in customer complaint resolution. Customers contact the contact centre through calls, SMS, emails, letters and social media. The contact centre does outbound campaigns and welcome calls to customers. Recently, the contact centre adopted Account Based Money Transfer (ABMT) service which enables Customers to

transfer their monies from Western Union platform to their KCB account just a call away. This service is the first in the banking industry in Kenya and will see KCB retain customers who rely on their relatives abroad as well as attract new customers.

The roles played by managers in complaint resolution are also evident in KCB with the commonly used approaches being engaging their staff in complaint resolution, ensuring that they get daily reports on all complaints reported in their departments and liaising with concerned departments to ensure that systems are okay to avoid service failure. By engaging their respective staff in customer complaint resolution, this ensures that there is great coordination since the customer service consultants are the first ones to receive customer complaints. This ensures that the all staff get experience on how to handle such complaints in future. By ensuring that the systems are up and running, it ensures that customers are satisfied with the bank services hence fewer complaints.

Customer service consultant approaches to customer complaint resolution in the literature review is evident in KCB. The commonly used approaches by KCB customer service consultants is ensuring that they forward daily reports on all complaints reported in their desks to their respective line managers, liaising with concerned departments to ensure that systems are okay to avoid service failure and ensure that customer complaints are handled and resolved immediately. By forwarding all daily complaints to their line managers ensure that there is proper tracking of customer complaints and this facilitates easy resolution of the complaint.

Challenges are inevitable in any service recovery process and KCB has no exception. The major challenges currently faced by KCB are - lack of teamwork between concerned departments, slow complaint resolution especially at branch level, negative perception of the bank by former Customers, some departments not meeting their turnaround time (TAT) for services, competition from upcoming micro finances that offer similar products and services at a reduced cost. Such challenges are similar to other industries.

In any service recovery process, there are lessons that are learnt and that need to be evaluated and used as strategies for future service recovery processes. The strategies cited in the literature review are present in the KCB case and the strategies that require adoption are engaging customers in the complaint resolution process, ensuring that systems are up to reduce customer complaints, ensuring that customer complaints are resolved immediately and training the employees on the important of service recovery.

5.4 Recommendation

For effective future service recovery processes, KCB will need to address the challenges that are currently being faced as well as paying attention to the strategies that have been proposed. Apart from addressing the challenges, KCB will need to do pre-operative assessment, planning and preparation of all initiatives, centralize system on customer complaints, ensure that customers fully understand the bank processes, have timely updates and responses to customers, emphasis on staff to develop customer focus, the management team to pay attention to employee feedback on complaint resolutions and the way forward, flexibility of bank processes to reduce bureaucracy, provide alternative channels to customers, decentralize banking operations to increase productivity, document root cause analysis and adoption to fill gaps in service recovery processes.

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APPENDIX 1: KCB KENYA DATA AS AT JULY 2012

Region	No. Accounts	PBT	STAFF Count JUNE-2012	No. of Branches	No. of Managers
Central	240,757	1,571,149	496	38	114
Coast	209,851	1,087,081	272	25	116
Nairobi	379,120	5,212,143	523	44	266
Rift	277,210	1,937,294	446	31	120
Western	273,203	1,523,213	402	29	125
Grand Total	1,380,141	11,330,879	2,139	167	741

Researcher, 2013

APPENDIX 2: INTERVIEW GUIDE

This is an academic interview guide that seeks to find out service recovery processes used at KCB. You are kindly requested to provide answers to the following questions as honestly and precisely as possible. Responses to these questions will be treated as confidential information.

- 1. How do you understand service recovery process?

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- 2. What are the service recovery processes used by KCB?

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- 2. What are reasons why KCB undertakes service recovery processes?

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- 4 (a). **Manager**

What initiatives do you apply in resolving customer complaints?

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- (b). **Customer Service Representative**

What initiatives do you apply in resolving customer complaints?

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5. Since its inception in 2009, how do you think the KCB contact centre has contributed to effective customer complaint resolution?

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6. To what extent do you think that KCB has an effective Customer service recovery process.

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7. What are the major challenges to service recovery that are faced by KCB?

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8. Which strategies do you think that can be adopted by KCB to have an effective service recovery process?

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Thank you for your participation in this study.