CUSTOMER SERVICE IMPROVEMENT STRATEGIES AT CFC STANBIC BANK KENYA LIMITED

Anne N. Buchichi

Master of Business Administration, University of Nairobi, Kenya

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ABSTRACT

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers. This study sought to establish the customer service improvement strategies at CfCStanbic Bank Kenya Limited. The Bank had faced many service delivery challenges following the merger of CFC Bank and Stanbic Bank of Kenya Limited. They two banks had a different setting, management and organization culture. The study applied case study research design where information was only collected from the senior management team since they are involved in strategy formulation and implementation. The study used both primary and secondary data. Primary data was collected using interview guide while secondary data was collected using desk research from publications at the Bank. The study used content analysis and presented the findings in prose format. From the research findings, customer improvement strategies used by the Bank to satisfy and retain customers included harmonization of operating systems and bank account systems; harmonization of ATM networks and by becoming more proactive and sensitive to customer issues which enabled it respond to customer needs on time thus attracting more and increasing the satisfaction level of the existing ones. The Bank engaged in intense research and development which led to the development of new banking services with features a customized to certain market segment to appreciate the status of customers. The Bank used market segmentation and targeting strategies to improve customer service and satisfaction. The bank invested in employee capacity building and culture management to build a service culture among its employees. The study concluded that the merger of CFC Bank and Stanbic bank to form CFCStanbic Bank presented several service challenges to the Bank. To help deliver services efficiently to customers, the Bank invested in Customer improvement to boost its customer satisfaction and loyalty. The Bank faced employee culture and orientation, system compatibility and change agents inadequacy.

Key Words: *customer service, improvement strategies, CFCStanbic Bank Kenya Limited*

INTRODUCTION

Today, many organizations are faced with significant challenges in the area of customer service and service delivery, both internally and externally. The constant change in demographics coupled with high customer expectations is making organizations rethink its customer service strategies. Strategies and tactics that worked in the past are less effective and require more effort to execute (Harrington and Akehurst, 2000). In an era where service has become a defining factor for customers, organizations of all types struggle to find the unique balance between delivery of a service, the cost of the delivery and customer expectations.

Management needs to carefully and critically assess how their companies have performed at developing and implementing a customer-focused service strategy. Customer service is a competitive weapon that can easily differentiate one supplier from another. The discipline to adhere to a good customer service and operational strategy can create substantial rewards (Dall and Bailine, 2004). In most industries, customers have become more sophisticated and demanding of their supply chains. Suppliers that offer the most in customer-defined quality products, pricing and quick order turnaround will outperform their competitors and easily gain more market share in the future as customers clamor for more. For management, a high level of customer service must become a measurable result.

Following the increased completion among commercial banks in Kenya, many banks have tried to gain competitive advantage through customer service. Customer service enables a bank to differentiate its market segments for greater customer satisfaction and improved bank performance. The products offered by different banks in Kenya are more less the same only differentiated through packaging and other service additional. CFCStanbic has realized the importance of this and has now embarked on customer service to meet its customers' demands. This follows the 2008 merger between CFC Bank and Stanbic bank where customers from the two banks were brought together under CFCStanbic bank Limited.

Concept of Strategy

Johnson and Scholes (2002) defined strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of its resources within a challenging environment and geared towards meeting the needs of the markets as it fulfils stakeholder expectations. Porter (1996) asserts that strategy is creating a fit among company's activities. The success of a strategy depends on doing many things well -not just a few- and integrating them. If there is no fit among activities, there is no distinctive strategy and little sustainability. The company's activities include its effective interaction with the environment in that these activities are geared towards serving the external environment.

Since resources are scarce, managers must decide which alternative strategies will benefit the firm most. For any organization to succeed, it will be necessary for top management, managers and employees to work as a team to achieve the company goals and objectives. According to Porter (1996), organizations must embark on making their strategies competitive. He argues that competitive strategy is about being different which means deliberately choosing a different set of activities to deliver a unique mix of value. Porter argues that strategy is about competitive position, about an organization differentiating itself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors.

Customer Service Improvement Strategies

Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002) customer service is a series of activities designed to enhance the level of customer satisfaction that is, the feeling that a product or service has met the customer expectation. Customer service plays an important role in an organization's ability to generate income and revenue (Selden, 1998). From that perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization.

Customer service is one of the most important ingredients of the marketing mix for products and services. High quality customer service helps to create customer loyalty. Customers today are not only interested in the product they are being offered but all the additional elements of service that they receive from the greeting they receive when they enter a retail outlet, to the refund and help that they receive when they have a complaint about a faulty product that they have paid for (Peppard, 2000). Well served customer will on most occasions pose certain compliments, advice or unleash sudden relief in form of complaints over the previous substitute products defaults they experienced in a competitors field (Cook and Hababou, 2001).

Mergers and acquisitions produce synergy, hence better use of complementary resources leading to geographical or other diversification. This smoothens the earning of a company, which over the long term smoothens its stock price, giving conservative investors more confidence in investing in the company. The primary purpose of merging and acquiring new firms is usually to improve overall performance by achieving synergy, or the more commonly described as the ``2 + 2 = 5" effect (Cartwright and Cooper, 1993) between two business units that will increase competitive advantage (Weber et al., 1996). Kenya's financial sector witnessed failure of many banks in the eighties and the nineties. After this period, banks as a reactive or proactive measure embarked on restructuring and among the approaches they used is merging and acquiring horizontally. Among the recent mergers are CFC/Stanbic Bank merger, EABS-Akiba Bank merger, and EABS/ECOBANK merger. The mergers have been aimed at strengthening the financial base of the resulting firm hence increasing its competitiveness.

The Banking Sector in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned and 13 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate.

Kenya is hailed as having the most resilient financial system of its neighbors and a mature private sector that welcomes foreign investors. Kenya's commercial banks play a crucial role in ensuring Kenya's economic progress. In 1986, Kenya's financial sector experienced a crisis that resulted in 37 failed banks. Loans in default were at the center of the financial crisis. To protect Kenya's commercial banks from undergoing a similar crisis, the Parliament passed a series of regulations to govern the banking industry, and the Central Bank of Kenya strengthened its regulatory role. The Banking Act was amended in 1999, and installed a capital requirement (a minimum amount of liquidity available at all times) at commercial banks. Risk assessment and credit rating agencies were also created in Kenya to govern the distribution of loans.

CfC Stanbic Bank Ltd

CfCStanbic Bank, which is part of the Standard Bank Group, is now the fourth largest bank in Kenya measured by total assets. The Standard Bank Group, which has its head office in South Africa, is Africa’s largest bank by market capitalization and assets. At the end of 2007, the Standard Bank Group had total assets of over R 1,191 billion (approximately USD175.0 billion) and employed over 40,000 people worldwide. The Bank’s market capitalization as at 3 April 2008 was R145 billion (approximately USD18.6 billion). CfCStanbic Bank was formed in June 2008 out of a deal that brought together Stanbic Bank Kenya Ltd and CfC Bank Ltd, which includes CfC Bank, CfC Life, CfC Financial Services, Heritage Insurance and Heritage Insurance Tanzania. CfCStanbic Bank is a corporate and retail bank licensed by the Central Bank of Kenya to provide banking services in the Kenyan economy.

At the core of CfCStanbic Bank’s values is a commitment to offer relevant and first class financial services within both the corporate and retail banking segments. CfCStanbic Bank has over the years built a formidable reputation in the corporate and investment banking space and has structured some of the East Africa Region’s largest and most important financial transactions. Leveraging its regional, continental and global network, CfCStanbic Bank is the premier service provider of international corporate and investment banking services and takes pride in providing innovative financial solutions for Kenya’s growing retail banking population. CfCStanbic Bank is listed on the Nairobi Stock Exchange (NSE) and currently has a market capitalization of Sh11.7 billion (USD 129 Million) at November 28th 2011.

RESEARCH PROBLEM

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers wants by continuously scanning the environment and delivering the greatest value to customers. Evans (1987) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. As a result, businesses faced increased competition and registered low profits and even losses. This could probably be attributed to lack of customers’ satisfaction (Abdalla, 2001).

CfCStanbic bank on its part has faced a fair share of customer care issues following the 2008 merger of CfC Bank Kenya Limited and Stanbic Bank Kenya Limited. The customers for the two banks were brought together under one bank where the two bank systems were not compatible. This saw customers complaining as the Bank continued improving service delivery to bring all customers under one system. The issue of customer satisfaction is of paramount importance for any organization in any industry if it needs to beat the competitors in terms of having repeat buyers. As the level of competition has intensified in the Banking sector due to the many players in the industry, it is important that the customers be treated well so that they can be loyal to the brand.

Locally, studies that have been done include: Muriithi (1996) did analysis of customer service offered by Kenya Commercial Bank where it was established that Kenya Commercial Bank was losing customers because of the low quality of services offered in some of the branches. In addition, the customers complained of frequent ATM breakdowns and long queues which consumed their precious time; Mazrui (2003) studied the marketing approaches used by managers to address customer service challenges in banking in Kenya. It was established that banks used several strategies including segmentation and targeting, customer service improvement and product development and market penetration. Mutuku (2006) did an empirical investigation of the quality of customer service offered by Kenya's Ministry of Finance. From the above discussions and the background of the challenges that have faced CFCStanbic Bank following the 2008 mergers, it was important that a study be done to establish the customer service improvement strategies at the Bank. This study therefore sought to answer the question: What are customer service improvement strategies at CFCStanbic Bank Kenya Limited?

RESEARCH OBJECTIVE

This study sought to establish the customer service improvement strategies at CfCStanbic Bank Kenya Limited.

LITERATURE REVIEW

Concept of Strategy

Strategy can be defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of its resources within a challenging environment and geared towards meeting the needs of the markets as it fulfils stakeholder expectations according to (Johnson and Scholes, 2002). Ansoff (1990) defines strategy as the product market scope of a company. This refers to a decision of what to produce in what market. If the environment is stable, an organization can operate without changing its product-market focus. However, if the environment changes, this would require changes in the organization's product-market focus that is its strategy. Porter (1996) asserts that strategy is creating a fit among company's activities. The success of a strategy depends on doing many things well -not just a few- and integrating them. If there is no fit among activities, there is no distinctive strategy and little sustainability. The company's activities include its effective interaction with the environment in that these activities are geared towards serving the external environment.

A strategy reflects a company's awareness of how, where and when it should compete and for what purposes it should compete. The underlying issue of this definition is that the main thrust of strategy is to achieve long term sustainable advantage over the other competitors of the organization in every business in which it participates. It recognizes that competitive advantage results from a thorough understanding of the external forces that impact on the organization. According to Johnson and Scholes (2002), the term strategy gives the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within changing environment to meet the needs of the market and fulfill stakeholders' expectations.

Mintzberg (1999) identified five interrelated definitions of strategy as a plan, ploy, pattern, position and as a perspective. He does not argue that one definition should be preferred to the others, but rather be considered as alternatives or complementary approaches. Since resources are scarce, managers must decide which alternative strategies will benefit the firm most. For any organization to succeed, it will be necessary for top management, managers and employees to work as a team to achieve the company goals and objectives.

Customer Service Improvement Strategies

Customer service is the provision of service to customers before, during and after a purchase. According to Turban (2002), Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation. Its importance varies by products, industry and customer; defective or broken merchandise can be exchanged, often only with a receipt and within a specified time frame. Retail stores often have a desk or counter devoted to dealing with returns, exchanges and complaints, or will perform related functions at the point of sale; the perceived success of such interactions being dependent on employees "who can adjust themselves to the personality of the guest. According to Micah (2010) from the point of view of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate income and revenue (Selden, 1998). From that perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization. Dall and Bailine (2004) have argued that the quality and level of customer service has decreased in recent years, and that this can be attributed to a lack of support or understanding at the executive and middle management levels of a corporation and/or a customer service policy. To address this argument, many organizations have employed a variety of methods to improve their customer satisfaction levels, and other KPIs.

Because customers have more choices today and the targeted customers are most valuable to the company, customer service must receive a high priority within the company. In a general sense, any contact or "touch points" that a customer has with a firm is a customer service encounter and has the potential either to gain repeat business and help CRM or to have the opposite effect. Programs designed to enhance customer service are normally of two types. Reactive service is where the customer has a problem (product failure, question about a bill, product return) and contacts the company to solve it. Most companies today have established infrastructures to deal with reactive service situations through telephone numbers, faxback systems, e-mail addresses, and a variety of other solutions. Proactive service is a different matter: this is a situation where the manager has decided not to wait for customers to contact the firm but to rather be aggressive in establishing a dialogue with customers prior to complaining or other behavior sparking a reactive solution. This is more a matter of good account management where the sales force or other people dealing with specific customers are trained to reach out and anticipate customers' needs.

Service quality has been defined as customers' overall impressions of an organization's services in terms of relative superiority or inferiority (Johnston, 1995). It should not only meet but also exceed customer expectations and should include a continuous improvement process (Lloyd-Walker & Cheung, 1998). Customers evaluate banks' performance mainly on the basis of their personal contact and interaction (Grönroos, 1990). Judgments are formed by comparing service expectations with the service actually received (Bloemer et al., 1998). Berry et al. (1985) and Zeithaml and Bitner (1996) indicated that service quality consists of five dimensions: tangibles (appearance of physical facilities, equipment, personnel and written materials), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customers and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence), and empathy (caring and individual attention the firm provides its customers). Reliability is considered the essential core of service quality. Other dimensions will matter to customers only if a service is reliable, because those dimensions cannot compensate for unreliable service delivery (Berry et al., 1994).

In terms of qualitative benefits, customer satisfaction and loyalty have been perceived as major concerns; it is widely accepted that a business must concentrate on pursuing service quality to achieve customer satisfaction because survival of the business greatly depends on that satisfaction (Naumann, 1995).

Quality is the degree of excellence intended, and control of variability in achieving that excellence, in meeting the customer's requirements. Zeithaml, Parasuraman, and Berry (1990), mirror this definition in their Gap Model. The essence of the Gap Model is that the quality of a service is defined by the gap between a customer's expectations for the service and her perceptions about what was actually delivered. The higher the perceptions are relative to the expectations, the higher the service quality will be. Zeithaml et al. go on to elaborate on how this gap can be the result of other internal gaps in the service delivery system and marketing functions of the service firm.

Service Quality Improvement Strategies

This pays attention to quality improvement, particularly from an operations perspective on choices addressing how service can be delivered better, so as to increase the perceptions of the customer. Examining the service literature reveals the choice reflected in four primary themes, specifically, culture-based, design-based, variation-based, and failure-based improvement strategies.

Culture-Based Improvement

One of the greatest sources of positive, or negative, perceptions of the service is derived from the interaction between the service provider and the customer during the service encounter. The providers' ability and willingness to be flexible according to customers' needs, and to resolve any problems which occur promptly and without hassle, is a function of their training and the organizational culture in which they operate. Hostage identified the importance of a service's employees and culture as early as 1975 in his analysis of the success of Marriott Corporation. These thoughts are echoed fifteen years later by Albrecht (1990) who asserts that relative to standards-based approaches, "culture-based approaches will ultimately emerge as more effective for the management of service."

Schneider (1986) addresses improving service culture through a focus on individual and group psychology. Berry, Zeithaml, and Parasuraman (1990); and Schneider and Chung (1993); add the importance of employee selection and training; Schlesinger and Heskett (1991b); and Roth and Jackson (1995) elaborate on this importance of investing in people, since even though generic operations capabilities affect service quality, the employee's ability to exploit technology and market insight moderates this effect. Harrington and Akehurst (2000) confirm the importance of employee resourcefulness as well as senior management commitment to quality implementation. Hartline, Maxham and McKee (2000) discuss how a customer-oriented strategy from senior management can be disseminated to the front-line employees through specific control mechanisms.

Kingman-Brundage (1991) emphasizes the need to provide technology to support the service culture. He asserts the importance of the service logic being consistent with the service policies, so as not to induce customer frustration. Schlesinger and Heskett (1991a) further develop a system dynamics model to explain the feedback relationships between organizational variables that cause poor service culture and result in service failures. The system dynamics model indicates that poor culture is the result of two positive feedback loops, meaning that it will get worse at an increasing rate. The authors identify points of leverage in the system where the cycle can be reversed by management intervention. Georgantzas and Madu (1994) presented their own version of such a system dynamics model. Hartline and Ferrell (1996) investigate the interfaces of the service delivery process (manager-employee, employee role, and employee-customer) and find that managers should decrease employee's role conflict and ambiguity, and increase self-efficacy and job satisfaction in order to increase customers' perceptions of service quality. Schneider, White and Paul (1998) indicate that in addition to a climate for service, policies and practices that focus attention on service quality are needed.

Design-Based Improvement

Another major service quality improvement approach is by addressing quality through design by linking the design to customer needs, linking the design to customer perceptions, and direct psychological manipulation of satisfaction through design.

The first structured approach to linking the service system design to customer's 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. Behara and Chase (1991) take a slightly more quantitative approach, by combining quality function deployment (QFD) with SERVQUAL and producing what they refer to as a house of service. The result is a matrix that links the needs of the customer to operating design variables under the control of the system designer.

Applications of quality function deployment without the SERVQUAL component are also seen in services. Berkley (1996) takes a particularly rigorous approach to service QFD, using FAST diagrams to draw connections along the means-ends hierarchy, and morphology diagrams for the selection of appropriate technologies. The most quantitatively advanced approach to assuring that the customers' needs are met by the service design is through the use of conjoint analysis (a good discussion of which can be found in Green and Srinivasan, 1990.) Probably the most widely know application of this technique was Wind, Green, Shifflet and Scarbrough's (1989) design of the Courtyard by Marriott hotel chain. Through conjoint analysis, the authors were able to assign a dollar value to each design option, based on the willingness of the customer to pay for them. The actual design then became a simple financial analysis.

Instead of linking the design to the needs of the customer, another approach in the literature seeks to link the design to the ultimate perceptions the customer has of the service delivery process. Collier (1994) uses LISREL to develop his service/quality process maps. The maps are a series of causal relationships between design variables (in the form of process performance measures) and perceptual variables (such as customer satisfaction). The relationships are either direct, or through some intermediary variables. The validity and strengths on any anticipated relationships can be empirically derived from company data, and then used to guide quality improvement. Armstrong (1995) investigated linking customers' perception of service quality with service system design variables through linear models, neural nets, and multivariate adaptive regression splines found that simple linear models provided better fit than the more advanced techniques.

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 approach will be advantageous, since it would prevent inflation of expectations as superior service perceptions increase the expectations for the following encounter. 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, the effect could easily be considered part of perceptions. Regardless of whether or not this effect is distinct from perceptions, Gross (1994) promotes the use of fun and random rewards to alter perceptions of the service experience. He suggests that 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. In addition to impacting the ability to perform service tasks, 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. In a later work, Bitner (1993) provides a strategy for identifying the important physical evidence of the servicescape, and how to integrate this with the goals of the service delivery system.

Variation-Based Improvement

This builds on the success of statistical process control (SPC) in manufacturing, as people attempted to apply SPC to services. Where meaningful numerical data can be obtained, the approach has shown its expected success. Wyckoff (1984) discusses the successful use of SPC at Midway Airline. Midway tracks the percentage of flights departing on time with control charts, and can quickly identify when changes in the system have occurred. Negative changes elicit corrective action, and positive changes indicate opportunities for improving the system on a long-term basis.

Unfortunately, other than monitoring time, demand and satisfaction scores, there are not many meaningful statistical variables to measure in services. A 1993 special issue of Quality Progress emphasized customer service, provided many articles which used SPC to track service quality issues, but the scope of the different types of variables considered is, sadly, rather narrow. The applications seen were: the waiting time to replace a battery (Yoshida, 1993); the waiting time on hold for a service representative (Graessel and Zeidler, 1993); the time to return a call or resolve a technical support problem (Cleary, 1993); the time to process and order and the time to pick up an order (Pratt, 1993); the percentage of insurance claims processed within 48 hours (Kirscht and Tunnell, 1993); and the American Society for Quality Control tracks simply the time until notification of certification test results (Vora, Harthun and Kingen, 1993).

Another SPC approach taken is variance reduction through parameter design. Parameter design was developed by Taguchi, and involves adjusting the parameters of the design so that the variation of the inputs produces a minimal variation in the outputs. The logic is that as the output deviates from its targeted level, the costs would increase at a quadratic rate. Krehbiel (1994) applies this approach to a service setting evaluating two process designs to determine which provides the more consistent service in terms of time spent in the system. The author concludes that although one system produces a slightly longer average time, its smaller variation makes it the best choice. The larger variation system is shown to cost customers sufficiently more in waiting time than the system with the longer average waiting time. Once again, the approach is limited only to the subset of variables that are meaningful to the quality of the service, which can actually be measured. Snee (1993) discusses conceptually how robust work processes might be produced without the need for measurement, such as through simplifying work processes, mistake-proofing, clear communication, training and automation.

Failure-Based Improvement

Schlesinger and Heskett (1991a) assert that "Most service failures are not failures: they have been designed into the system. Johns and Tyas (1997) have confirmed that service incidents play the most significant part in perception formation, although they also find some evidence of an effect from mythologies (generalizations of reality shared by a group of individuals). One approach taken by Hart (1988) is the unconditional service guarantee. As a service quality improvement tool, a service guarantee is best seen as a means of generating reliable data about important service failures. The guarantee focuses on what is important to the customer, provides an incentive to the customers to provide information about service failures, and provides a measure of these failures in an easy to understand form (guarantee payouts).

This link to customer defections leads us to a slightly broader concept promoted by Hart, Heskett and Sasser (1990); Zemke (1993); and Sinha (1993) – that of service recovery. The essence of service recovery is to identify when a service failure has occurred, and then to correct the problem and make amends to the customer. This has a two-fold effect. First, one is able to retain the customer's business, and second avoid the negative word of mouth associated with a service failure. Youngdahl and Kellogg (1997) explore the cost associated with customers' efforts to increase their own satisfaction though recovery activities. Chase and Stewart (1995) take a more active approach to service failures, which they refer to as fail-safing and assert that service failures can be anticipated, and through the use of special procedures or devices, can be eliminated or at least prevented from reaching the customer.

Stewart and Chase (1999) investigate errors in services and find that errors drive dissatisfaction, and that the errors made by customers and those made by providers are different which is the attribution of blame. Van Raaij and Pruyn (1998) also discuss the critical factors of service production as validity (do the right thing) and reliability (doing things right) as well as the attribution of blame as customers gain greater control over the service. Reichheld (1996) discusses using a failure-driven, cost-based approach to improvement.

RESEARCH METHODOLOGY

Research Design

The researcher applied a case study design since only one organization is involved. Yin, (1994) said that to refer to a work as a case study might mean that its method is qualitative, small-N; and that the research is ethnographic, clinical, participant-observation, or otherwise "in the field" (Yin 1994). According to Yin (2003) a case study design should be considered when: the focus of the study is to answer "how" and "why" questions; you cannot manipulate the behavior of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context.

Data Collection

The study used primary and secondary data. Primary data was collected through face to face interview with the researcher while secondary data was collected through review of the contents of various relevant publications of CFCStanbic bank. The researcher administered interviews to four senior managers in the bank from the Head office. These managers were picked upon because of their key role in formulation and implementation of strategies in the bank. These included: Head of consumer banking, head of wholesale banking, overall customer service manager and head of cash management

Data Analysis

The data obtained from the interview guide were analyzed using content analysis. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. The data was presented in prose format.

RESEARCH RESULTS

General Information

The study sought to establish the departments in which the respondents worked in at the bank. From the interview results, the study established that the respondents worked in consumer banking, wholesale banking, customer service and cash management departments. The interviewees were selected because they were senior managers in charge of these departments and participated in decision making at the Bank hence their appropriateness in providing valid information for this study. The respondents had also worked in several other departments in the bank and been with the bank for longer hence they were very much aware

Customer service challenges faced by the organization

The study sought to establish the challenges that the Bank faced on customer service. From the interviews, the interviewees indicated that the Bank faced many challenges ranging from the difference in culture and orientation of the employees and two organizations that merged. Employees at CFC Bank and Stanbic Bank each had a culture they were accustomed to. However, following the merger, employees of both sides were brought together under one new Bank. Some ideologies and business tactics used by the employees in executing their duties were different hence creating some conflicts internally in serving customer. In addition, the interviewees indicated that there was some sort of competition among employees as they all feared retrenchment as they new Bank tries to streamline its operations.

Another challenge encountered by the Bank in terms of customer service was the challenge of system compatibility. The two Banks that merged had different operating systems with a totally different bank account numbering system. This created some delays in service delivery as the Bank worked on harmonizing their operating system. As a result, service delivery at the Bank's branches was slow. In some incidences, the queues at the Banking halls become too long and unbearable leading to customer exits to the competitors.

The interviewees indicated that another challenge faced by the company was the harmonization of Automated Teller machines (ATMs) used in the Country. At the time of merging, CFC Bank ATMs were on Ken switch while Stanbic were on VISA. Customers visiting ATMs were getting more angry learning that they could not access bank services from some areas where the two ATM brands were located separately. The bank in its quest to increase service delivery harmonized its ATMs services on VISA.

Customer Improvement strategies

The study sought to establish customer improvement strategies employed by CFCStanbic bank. From the interviews conducted, the interviewees indicated that the Bank made use of several customer improvement strategies in its quest to satisfy and retain customers. First, the Bank harmonized its operating systems and bank account systems. From the two different account systems from the two banks that merged, the new Bank brought all accounts under one system that was internet based thereby allowing quick service delivery at its branches. In addition, the Bank upgraded its internet bandwidth to allow the branches access the system in real time.

Another strategy employed by the Bank to improve its service delivery involved harmonization of the ATM networks. From operating on two brands (VISA and Ken Switch), the Bank harmonized its ATM services to VISA which enabled all customers to access their funds from anywhere in the world.

The interviewees indicated that the Bank also became proactive and sensitive to customer issues. In o9rder to keep pace with the changing customer needs, the Bank became proactive and customer focused. This saw the Bank respond to customer needs on time thus attracting more and increasing the satisfaction level of the existing ones. A good example cited by the interviewees included the Bank's respond to changes in the base lending rates set by the Central bank of Kenya and exchange rates. The bank offered its customers special exchange rates for their foreign exchange transactions in order to increase the customer retention and satisfaction. The Bank also promptly responds to changes in the base lending rates by lowering their interest rates among the first banks should the Central Bank lower the base lending rates.

The interviewees also indicated that the Bank engaged itself in intense research and development which led to the development of new banking services with features a customized to certain market segment to appreciate the status of customers. For example, CFCStanbic bank was the first bank to launch mortgage facilities with the lowest denominations for borrowers. This cemented their relationship with the much ignored market segment in the mortgages hence greater customer satisfaction.

To deliver appropriate services to different customer segments, the Bank used market segmentation and targeting strategies to improve customer service and satisfaction. The bank separated its market broadly as personal, business and corporate. The bank also made use of offers and rewards to customers for standing with them during the merger period and believing in them.

In order to improve service delivery, the Bank also continued to invest in technology which gave customers an opportunity to access their bank accounts through mobile phones and computers via the internet. This created a lot of convenience for customers as they did not need to physically visit the bank's physical branch offices to transact. This also gave the Bank's staff amble time to serve the few customers walking into the banking halls.

The interviewees also indicated that the bank invested heavily in employee capacity building and culture management. Because employees had come from two very different organizational backgrounds, the Bank trained them on the best culture for the new Bank and how they should treat customers. This helped shape employees' thinking and perspective about the whole merger process.

Benefits of Customer Service Improvement at the Bank

The study sought to establish the benefits that accrued to the Bank as a result of the various service improvement strategies. From the interviews, the interviewees indicated that through customer service improvement, the Bank was able to use customer information wisely to deliver what the customers need. This helped create long-term, collaborative relationships with the customers thus increasing their loyalty in the Bank. As a result of the better relation with customers, the Bank was able to learn the needs of the customers which was important in the development of new banking products and improving the existing products to create a lasting relationship with customers.

The customer service improvement strategies also helped the Bank in the improvement of its service without increasing the cost of providing service to the customers. This increased the levels of customer satisfaction thereby improving the Bank's ability toto retain and acquire new customers. With better service provision, the bank was able to attract more and more customers.

The customer improvement strategies also helped the bank in its market segmentation and positioning strategies. Through customer service improvement strategies, the Bank was able to evaluate its customers' needs and profitability. With proper knowledge on the needs of customers, the Bank was able to develop a proper segmentation, targeting and positioning strategies for its customers. For example, the Bank understood the clientele market Gikomba Branch which led to the adoption of a language familiar with the potential target market. The Bank adopted a slogan "Tume Land Gikosh" meaning were are now in Gikomba. This helped the bank in bonding with the target customers to assure them that it clearly understood their language.

Limitations to Customer Service Improvement Strategies

The study sought to establish the limitations that the Bank faced in its service improvement strategies. From the responses, the study established that the Bank faced several limitations including high employee turnover. Many employees started looking for jobs on learning of the merger. This meant that the Bank had to cripple with the high turnover coupled with the fear of retrenchment among employees. This became a big challenge as employees left soon after being trained. This forced the bank to go Bank to the drawing board in the recruitment.

Another limitation encountered by the Bank included inadequate managerial skills on change management to ensure efficient change management immediately after the merger. The managers in the Bank did not have enough skills on mergers and how they need to be conducted. This impacted negatively on the service delivery to customers. To help equip managers with the requisite skills, the bank hired the services of international experts on mergers to help train the managers on how to manage the whole process of change. This helped in reducing resistance to change among employees.

Impact of Customer improvement Strategies

The study sought to establish the impact of customer improvement strategies on market share of the Bank. From the research finding, the merger on itself first improved the capitalization of the Bank. With the merger, the customers from the two commercial banks were brought together which enhanced the market positioning of the Bank. The numbers of accounts have however grown tremendously following the development of innovative products for the customers.

The bank also attracted more customers as it set to expand its branch networks. The opening of new branches led to increased customer base which boosted the bank's standing in the banking sector in Kenya. The customer improvement strategies improved the image of the Bank as more and more customers started identifying with the bank due to its better service delivery and innovativeness. This inspired more customers to joining the Bank.

The study sought to establish other improvement strategies that can be used in order to realize a larger market share for CfCStanbic Bank Kenya Limited. From the interviewees' responses, it was clear that the bank needs to invest more in information technology to keep pace with the changes in its operating environment. The operational costs at the bank were increasing at an increasing rate yet the operating environment is becoming more competitive as more deposit taking microfinance institutions are licensed into commercial banks. For the Bank to remail profitable, it needs to remain innovative.

CONCLUSIONS

From the findings, the study concludes the merger of CFC Bank and Stanbic bank to form CFCStanbic Bank presented several service challenges to the Bank. To help deliver services efficiently to customers, it was important the Bank invests in Customer improvement to boost its customer satisfaction and loyalty. The Bank faced employee culture and orientation, system compatibility and change agents inadequacy. All these played down the bank's efforts to deliver quality services to its customers.

The study also concludes that the Bank resort to several strategies to help it deal with the challenges. These included the harmonization of operating systems and bank account systems; harmonization of ATM networks and becoming more proactive and sensitive to customer issues which enabled it respond to customer needs on time thus attracting more and increasing the satisfaction level of the existing ones. In addition, the Bank engaged itself in intense research and development which led to the development of new banking services with features a customized to certain market segment to appreciate the status of customers. The Bank also used market segmentation and targeting strategies to improve customer service and satisfaction. The bank invested in employee capacity building and culture management to build a service culture among its employees.

RECOMMENDATIONS

The management of CFCStanbic Bank and other commercial banks would use the findings of this study in understanding the customer service improvement strategies and how they can effectively use the strategies to improve customer service and satisfy their customers. They Managers in commercial banks in Kenya may apply the findings of this study to deal with customer service challenges in their day to day businesses.

For the policy makers and government, should use the findings of this study in formulation of policies and guidelines on customer service delivery and the whole customer management areas. The policies designed, will serve as guidelines in assisting the management of commercial banks in knowing what the procedures and policies to follow when deciding to employ customer service improvement strategies.

Researchers and academicians should make use of this study as a basis upon which further studies on customer service improvement strategies could be researched. The findings should contribute to professional extension of existing knowledge on customer service improvement strategies by providing literature on customer service improvement strategies.

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