EFFECT OF MARKETING MIX STRATEGY ON THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION OF CUSTOMERS OF LISTED COMMERCIAL BANKS IN NAIROBICITY, KENYA

BY

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DECLARATION

I certify that this research thesis has not been previously presented for a degree in Maseno University, or in any other University. The work herein has been carried out by me and all sources of information have been acknowledged by means of references.

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For my two children Karsten and Keshawn and my dearest and sweet wife Clare Doreen Lusala.

ABSTRACT

Marketing strategy remains a critical driver of customer satisfaction and competitiveness in the banking industry globally. Despite this, commercial banks in Kenya are yet to attain required customer satisfaction levels. This is evident in the low average customer satisfaction index (CSI) which dropped from 67% in 2011 with a downward trend to 60% in 2015 way below the Kenyan banking industry benchmark of 77%. Studies on the relationship between service quality and customer satisfaction revealed both positive and negative results. These suggest that the relationship may be affected by other factors such as marketing mix strategy. Previous studies have not addressed the role of marketing mix strategy comprising of product, price, promotion, place, people, process and physical evidence in the relationship between service quality and customer satisfaction. The role of a moderating variable like marketing mix strategy can have a strong influence on the strength of the relationship thus needed for the study. The main purpose of this study was to analyse the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial banks customers in NairobiCity, Kenya. The specific objectives were to: determine the level of service quality provided by commercial banks; establish the relationship between service quality and customer satisfaction; determine the effect of marketing mix strategy on customer satisfaction and moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction. Expectancy disconfirmation theory of customer satisfaction and the black box model of consumer buying behaviour guided the study. Correlational research design was employed through cross sectional survey. The target population was 1,072,500 customers of listed commercial banks in Nairobi City, Kenya. A sample of 384 was drawn using proportionate stratified sampling technique to constitute 242 retail, 81 business and 61 corporate customers. Primary data was collected through use of questionnaires validated through a pilot study of 15 customers. Cronbach's Alpha reliability coefficient was 0.799.The results revealed that the level of service quality was relatively good($M = 4.00$, $SD = 0.32$) in a scale of 1 to 5 meaning banks provide good service quality levels.Relationship between service quality and customer satisfaction was significant($r=0.558$, $p=.000$) implying that service quality is associated positively to customer satisfaction.Marketing mix strategy significantly contributed to customer satisfaction($\beta=0.650$, $p=0.000$) implying marketing mix strategy initiatives increases levels of customer satisfaction. The R square change after incorporating interaction effect was.007 ($p=.020$) implying marketing mix strategy statistically moderates the relationship between service quality and customer satisfaction. Study concludes: banks providesatisfactory levels of service quality;service quality is associated positively to customer satisfaction; marketing mix strategy contributes positively to customer satisfaction and marketing mix strategy moderate the relationship between service quality and customer satisfaction. Study recommends:bank managementto maintain high service quality levels with a blend of marketing mix strategies translating to high customer satisfaction levels. Study provides a marketing mix strategy model that will aid in strengthening the relationship between service quality and customer satisfaction.

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LIST OF ABBREVIATIONS

NBK - National Bank of Kenya Limited

KCB - Kenya Commercial Bank

ATM - Automated Teller Machines

CBK – Central Bank of Kenya Limited

NBFIS – Non Bank Financial Institutions

GSI – Growth Strategies International

GDP – Gross Domestic Product

MMS – Marketing Mix Strategies

UBA – United Bank of Africa

7PS – Product, Price, Promotion,Place, Physical features, People and Processes

GSI – Growth Strategies International

CSI – Customer Satisfaction Index

WOM – Word of Mouth

EDT – Expectancy Disconfirmation Theory

VIF **-** Variation Inflation Factor

NSE – Nairobi Securities Exchange

SMEs – Small and Medium Enterprises

FMCG - First Moving Consumer Goods

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OPERATIONAL DEFINITIONS OF TERMS

Service Quality– The outcome of the comparison that consumers make between their expectations and perceptions. It is a pre consumption evaluation.

Customer Satisfaction – A post consumption evaluation or a pleasurable level of consumption related fulfilment.

Marketing Mix Strategy– The combination of four elements called the 4P's that a company has the choice of whether to add, subtract or to modify in order to generate a desired marketing strategy.

Services Marketing Mix Strategy– The combination of seven elements called the 7P's that a company has the choice of whether to add, subtract or to modify in order to generate a desired marketing strategy for services.

SERVQUAL –An instrument of items highlighting the main components namely reliability, responsiveness, tangibility, assurance and empathy used to measure service quality.

SERVQUALService Quality Dimensions– Reliability, Responsiveness, Tangibility, Assurance and Empathy.

SERVPERF –Modification of SERVQUAL and thus still uses service quality dimensions to assess service quality.

Perceived Value – The worth that a product or service has in the mind of the consumer.

4Ps of marketing mix strategy– Product, Price, Promotion and Place.

7Ps of marketing mix strategy– Product, Price, Promotion, Place, People, Physical features and Processes

Competitive advantage – The conditions that make a business more successful than the business it is competing with, or a particular thing that makes it more successful

Market Share – A company's percentage of sales in a particular industry

Product –An item that satisfies what a consumer demands

Price – Amount of money customers have to pay to obtain the product

Promotion – All of the methods of communication that a marketer may use to provide information to different parties about the product

Place – Providing the product at a place which is convenient for customers to access

People - Include all human actors who play part in service delivery and thus influence buyers' perceptions.

Process - Involves actual procedures, mechanisms and flow of activities by which service is delivered.

Physical evidence - Refers to the environment in which the service is delivered.

Reliability – Service providers' ability to perform the promised service dependably and accurately.

Responsiveness– Willingness to help customers and to provide prompt services

Tangibility – Physical aspects or evidence of a service

Assurance – Consists of competence, Courtesy, Credibility and Security of the employees and their ability to inspire trust and confidence.

Empathy –Caring and Personalised attention the organisation provides its customer

Multicollinearity – Predictors that are correlated with other predictors

Variation Inflation Factor (VIF) – Quantifies how much the variance is inflated when multicollinearity exists, the standard errors and hence the variances of the estimated coefficients' are inflated.

Listed Commercial Banks – Commercial banks listed on the Nairobi Securities Exchange (NSE).

CHAPTER ONE: INTRODUCTION

This section sets the background to the study, statement of the research problem, study objectives, research hypothesis, scope, justification and conceptual framework.

1.1 Background of the Study

Marketing strategy remains a global critical driver of banks customer satisfaction and competitiveness. Globally, Customer confidence in banking continues to fall, with 40% of customers losing trust in the industry and only 22 % gaining confidence (Global Consumer survey, 2012).The art of marketing entails carrying the correct amount and quality of product or service to meet the need of customers at the right place and time, and ensuring that customers benefit from its activities (Arto& Sample, 2005). The marketing concept, a corner stone of modern marketing thought, stipulates that to achieve sustainable success, firms should identify and satisfy customer needs more effectively than their competitors (Day, 1994; Kotler, 2002).

Gronroos (2007) defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customers' expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectations and quality is low when performance does not meet their expectation (Athanassopoulos*et al.*, 2001).According to Parasuraman, Zeithaml, and Berry (1988), service quality is described as SERVQUAL by five dimensions constructs namely reliability, responsiveness, assurance, empathy and tangibles. Basically these dimensions represent consumers' criteria of judging service quality.

Marketing mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product or service (Kotler & Armstrong, 2013).Cutler says that a set of marketing mix variables can be controlled by the marketing companies and institutions in their target market and its composition are required for the reaction (Cutler, 2000).Elements of the marketing mix are a set of marketing tools for achieving the goals of the institute of marketing (Hakansson&Waluszewski, 2005).

Borden (1964) introduced the marketing mix concept through describing a marketer as a mixer of ingredients in practicing company activities. However, the formal use of the marketing mix model in the marketing context was presented by McCarthy (1971) who proposed the 4ps of the marketing mix ingredients model, which are product, price, promotion and price. A marketer should make a combination of these elements to create a distinctive marketing mix by which a company may achieve its objectives.

Booms and Bitner (1981) forwarded the most intense criticism related to the 4ps marketing mix paradigm. They argued that the traditional marketing mix model is inadequate for services marketing context especially with the existence of the unique characteristics of services. They modified and expanded the traditional marketing mix elements from 4Ps to become 7Ps by adding another three new Ps which are people, process and physical evidence. These new variables are fundamental marketing variables for the success of any service company.

Service marketing mix plays an important role in bank marketing. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the market. It helps in differentiating services of a particular bank from its competitors (Kaura, 2013).

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption related fulfilment (Henning *et al.,* 2003). In the case of banks, satisfaction refers to the extent to which banking products and services meet customers' needs. Once customers are satisfied and have a positive image or intentions about a particular firm, it will take some time for competitors to snatch or convince them to switch to them. Benefits derived by companies from customer satisfaction include loyalty, repurchasing to increase sales or profit, speak well about the products or services to others to purchase (He & Song, 2009; Sit *et al.*, 2009).

Banking is a customer oriented services industry and depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factor (Guo*et al.*, 2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeem&Saif, 2009). Efficacy of customer service is related with progressive operation in the competitive banking industry, customer satisfaction is considered as the essence of successful organisations operating in service industries. They should consider service quality a key strategic issue for the business success (Spathis*et al.*, 2004). Those service providers who establish a high level of service quality retain a high level of customer satisfaction; they also obtain a sustainable competitive advantage.

From the 1940s until the early 1980s, competition in the American banking industry was restricted. The 1980s and early 1990s have been characterised as "The most turbulent period in the banking since the great depression" (Berger *et al.*, 1995). Banks introduced a vast array of new technology hardware, software and telecommunications equipment spending $60,000 per employee on information technology over the 1980s (Keltner, 1995). The introduction of automated teller machines (ATMs) and new back office processing technologies dramatically decreased the costs associated with handling and processing individual transactions.

As discussed in Senbet and Otchere (2006), Financial sector reforms in Africa have been aimed at deregulating the financial sector, opening it up to foreign entry, liberating interest rate and exchange rates, removing credit ceilings, restructuring and privatising banks, and promoting the capital markets. Whilst there is still strong government presence in African banking sectors (for example, Algeria and Tunisia), a significant amount of success has been achieved in privatising banks in a number of countries including Morocco, Kenya, Tanzania, Uganda, Rwanda and Zambia (Allen *et al.*, 2011). These reforms have not only led to significant growth in the number of banks in many African countries but also to a noticeable increase in the degree of cross – border banking.

The Kenyan banking industry is governed by the companies Act (CAP 486), The Banking Act (Chapter 488), The Central Bank of Kenya(CBK) Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2006). In Kenya, at independence in 1963, banks consisted of nine foreign owned commercial banks, the largest of which were Barclays, Standard Chartered bank, National bank and Grindlays Bank (Brownbridge& Harvey, 1998). In the 1990s the government introduced a number of policy reforms aimed at a gradual liberalisation of the financial markets opening the banking sector to unprecedented growth. As a result, the banking sector grew to 33 commercial banks and 50 Non-Bank Financial Institutions (NBFIs) by 1994. By the end of 2013, this number amounted to 46 banks with a total branch network of 500 (CBK, 2014). Currently the number stands at 43 due to mergers. However one bank (Dubai bank) was closed down by the CBK while two (Imperial bank Ltd and Chase bank) are under receivership. The Kenyan banking sector registered improved performance as indicated by the size of assets which stood at ks.3.2 trillion, loans and advances worth kes.879 billion, deposits of kes.2.29 trillion and profit before tax of kes.1,881 billion as at 31stDecember 2014, (CBK, 2014).

In the changing banking scenario, of the 21st century, banks have to build a strong identity to provide world class services. The banks have to be of high standard, committed to excellence in customers, shareholders and employees satisfaction, and diversifying of financial sector

(Balachandran, 2005).There has been a tremendous change in the way of banking between the year 2005 and 2009 and customers have also rightly demanded world class quality services from the banks. With multiple choices available, customers are not willing to put up with anything less than the best. Banks have recognised the need to meet customer's aspirations as different customers have different personalities, so it is an urgent drive for the banks to establish the determinants of customer satisfaction in the banking industry in order to enhance customer loyalty and retention (Onditi*et al*., 2012).

Infotrak Research & Consulting (2015) conducted a survey in Kenya on banking customer satisfaction and established that the average customer satisfaction index (CSI) among customers of commercial banks in Kenya dropped from 67% in 2011 with a downward trend to 60% in 2015 way below the industry benchmark of 77%.This has given rise to the concern that bank customers are moving to other banks within the industry in anticipation that they will receive better services which will lead to customer satisfaction.

Auka (2012);Chepkwony*et al.*,(2012);Muthoni*et al*.,(2014);Negi (2009) andOnditi*et al.*, (2012)conducted studies on the factors that determine the level of service quality, customer loyalty and customer satisfaction and revealed that there was a positive and significant relationship between service quality, customer loyalty and customer satisfaction. However, the studies had several limitations.Onditi*et al.,* (2012) focussed on the banking sector in Homabay town Kenya and did not focus on other areas where banks are more stabilised as opposed to a growing town. The study did not address the role of SERVQUAL model in determining levels of service quality and customer loyalty.Auka (2012) adopted purposive sampling technique which may pose a risk of biasness. The study was carried out in Nakuru Municipality which is such a small study area thus banks are not stabilised as are in Nairobi. Muthoni*et al.,* (2014) did not consider using SERVQUAL service quality dimensions that could be important in having an effect on customer satisfaction. The study adopted a study sample comprising of 120 respondents which quite a small sample is thus posing a risk on the reliability of the research findings. In addition, Muthoni*et al.,* (2014) used purposive sampling technique which poses a risk of low level of reliability, high levels of biasness and inability to generalize research findings.Chepkwony*et al.,* (2012) ignored the importance of using service quality dimensions as one of the variables in determining levels of service quality. These studies limited the role of SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability in determining the level of service quality among customers.

Agbor (2011); Anand*et al.,* (2012); Chaniotakis and Lymperopoulos (2009); Cudjoe*et al.,* (2015); Nai and Shu (2008); Ntongai*et al.,* (2015); Rashed and Tabassum (2014); Sackey*et al.,* (2012) and Saghier and Demyana (2013) conducted studies on the relationship between service quality and customer satisfaction and revealed both positive and negative results. The studies established that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. Ntongai*et al.,* (2015) concluded that service quality practice is a critical antecedent of customer satisfaction. However he established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction. Cudjoe*et al.,* (2015) revealed that certain service quality dimensions fell short of customers' expectations as their perceived service quality was less than their expectations, while Sackey*et al.,* (2012) found that empathy and responsiveness did not meet customer expectations. Saghier and Demyana (2013) revealed that customer satisfaction is significantly affected by reliability, empathy, assurance and responsiveness and the dimension of tangibility does not have any significant impact on customer satisfaction, while Anand*et* *al*.,(2012) found out that responsiveness, reliability and empathy significantly influence customer satisfaction leaving out assurance and tangibility. The sample size of 50 customers considered for the above study was very small and the results obtained may not be suitable. Rashed and Tabassum (2014) revealed that tangibility was having a high mean score and the bank should concentrate on responsiveness as it had the least mean score.The study used convenience sampling which may not be a good technique to facilitate generalization and inferences. Chaniotakis and Lymperopoulos (2009) established that responsiveness, assurance, and tangibility had significant influence on satisfaction, while in the case of reliability and empathy significance was not confirmed. The studies have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability can significantlyinfluence customer satisfaction.

Ahmed *et al.,* (2013);Akroush, (2011);Aliata*et al.,* (2012);Khan et al., (2014);Kushwana& Shiv (2015);Mise*et al.,* (2013);Mohammad *et al.,* (2015); and Ojo, (2012)carried out studies to analyse the effect of marketing mix strategies on customer satisfaction. The results found that marketing mix strategies were both significantly and insignificantly related to customer satisfaction. Mohammad *et al.,* (2015) carried out a study to analyse customer satisfaction using 7ps marketing mix elements on retail bank customers in North east Nigeria and found out that product, process, physical evidence were significantly related to customer satisfaction while price, promotion, place and people are not significantly related. Ahmad *et al.,* (2013) investigated the impact of marketing mix strategy on patient satisfaction in private sector hospitals in Jeddah city in Saudi Arabia. The results indicated that health service, promotion, physical evidence, process and personal strategies are significant while pricing and distribution are insignificant. Akroush (2011) findings indicated that the explained 3ps (people, process and physical evidence) of service marketing mix(SMM) have loaded on only one factor named as “people” thus the 7ps of SMM are found to be only 5ps in Jordanian context, while Khan *et* *al.,*(2014) established that price, promotion, people and physical evidence were found to be statistically significant with customer perception thus price, promotion, people and physical evidence have positive impact on perception of the customers whereas, product, place and process were found having no significant impact on customer perception. Kushwana and Shiv (2015) found that physical evidence, process, place and people have a positive and significant effect on customer satisfaction and that managing the marketing mix dimensions of product, price and promotion is of less importance except place than managing interactive marketing dimensions such as people, physical evidence and process.

Mise*et al.,* (2013) sought to investigate the determinants of brand loyalty in global FMCG markets of soft drinks consumers in Kenya and India. Among the key findings were that promotion was the strongest factor to brand loyalty among Kenyan soft drinks consumers while in India it was product quality. The study did not focus on the service industry and also did not address the role of all the seven elements of the marketing mix in determining brand loyalty. Aliata*et al.,* (2012) examined the nature and influence of the relationship between the banks promotional strategies and its performance. The study results established that there was a positive relationship between promotional strategies and performance. The study only focussed on one element of the marketing mix strategy and study respondents did not include customers while the sample size was too small which may not be used for generalizability of the findings. The above reviewed studies found that not all the 7ps marketing mix strategies have a positive and significant effect on customer satisfaction thus little is still known on the effects of marketing mix strategy on customer satisfaction.

Many moderation/mediation studies have used other moderator/mediator variables rather than marketing mix strategy in the relationship between service quality and customer satisfaction (Murshid*et al.,*2014; Osman and Sentosa, 2014; Nai and Shu, 2008; Ranaweera and Nely, 2003). Murshid*et al.,* (2014) carried out a study to examine the mediation effect of perceived value on marketing mix strategy and physical satisfaction with locally manufacture drug in Yemin and established that the strength of the marketing mix strategy, physician satisfaction relationship becomes weaker when perceived value is considered. Osman and Sentosa (2014) carried a studyto establish understanding of a mediating effect of customer satisfaction on service quality and customer loyalty relationship in Malaysian commercial banking industrywhileNai and Shu (2008) examined the moderating effect of alternative differentiation on the quality/satisfaction relationship across utilitarian and hedonic services in Taiwan and established that the relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives.Ranaweera and Nely (2003) conducted a study on some moderating effects on the service quality – customer retention link among telephone users in England and established that both price perceptions and customer indifference moderated the relationship between service quality perceptions and customer retention.

Previous studies on the relationship between marketing mix strategy and customer satisfaction used marketing mix strategy as an independent variable thus did not address the moderating role of marketing mix strategy in the relationship between service quality and customer satisfaction (Mohammad *et al.,*2015; Levesques*et al.*, 1996; Ahmad *et al.*,2013; Akroush, 2011; Khan *et al.*,2014; Rezky*et al.,*2012). The role of a moderating variable like marketing mix strategy can have a strong influence on the strength of the relationship between service quality and customer satisfaction thus it is needed for the study. The moderating effect of marketing mix strategy on service quality and customer satisfaction among commercial bank customers in Nairobi Kenya is therefore unknown.

1.2 Statement of the Research problem

Commercial banks in Kenya are yet to attain required customer satisfaction levels. This is evident in the low average customer satisfaction index (CSI) among customers of commercial banks in Kenya which dropped from 67% in 2011with a downward trend to 60% in 2015 way below the industry benchmark of 77%.This can be attributed to decline in the quality of services provided thus has given rise to the concern that bank customers are moving to other banks within the industry in anticipation that they will receive better services which will lead to customer satisfaction. Studies on the service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have revealed both positive and negative relationship with customer satisfaction thus remain inconclusive. Studies on the effect of marketing mix strategy and customer satisfaction found that not all the 7ps of marketing mix have a positive and significant effect on customer satisfaction.Similarly, the studies remain inconclusive. While studies have been conducted on the relationship between marketing mix strategy and customer satisfaction with marketing mix strategy being an independent variable, no study has been conducted to assess the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction. The role of a moderating variable like marketing mix strategy can have a strong influence on the strength of the relationship between service quality and customer satisfaction.

1.3 Objectives of the Study

The broad objective of this study was to analyse the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi City, Kenya. The specific objectives were to;

i. Establish the level of service quality provided by listed commercial banks in Nairobi City, Kenya.
ii. Determine the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya.
iii. Analyze the effect of marketing mix strategy on customer satisfaction of listed commercial banks customers in Nairobi City, Kenya.
iv. Investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya.

1.4 Research Question

The following research question was formulated;

i. What is the level of service quality provided by listed commercial banks in Nairobi City, Kenya?

1.5 Research Hypothesis

The following hypotheses were tested during the study;

H_{01}: There is no significant relationship between service quality and customer satisfaction of listedcommercial banks customers in Nairobi City, Kenya.

H_{o2}: There is no significant effect of marketing mix strategy on customer satisfaction of listedcommercial banks customers in Nairobi City, Kenya.

H_{03}: The relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya is not moderated by marketing mix strategy.

1.5 Scope of the study

The study investigated the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya. The study therefore focused on the Kenyan commercial banks. Commercial banks provide services to customers thus have a direct connection with them. There are 43 commercial banks in Kenya. One of these banks (Dubai Bank) has collapsed while two (Imperial Bank and Chase Bank) have been put under receivership by the CBK. Customers of the 11 commercial banks listed on the Nairobi Securities Exchange (NSE), Kenya were targeted to participate in the study. Banks listed on the NSE control a larger percentage of the banking industrymarket share. Customers were categorised into retail, business and corporate banking. Customers are the ones who ultimately consume the service thus better placed to respond regarding service quality. Those that hold retail/personal, business and corporate bank accounts with the 11 commercial banks listed on the NSE were targeted. The study was conducted in Nairobi City, Kenya in the period between August and November 2016.

1.6 Justification of the study

The research provided a marketing mix strategy model that may aid bank policy makers in strengthening the relationship between service quality and customer satisfaction of bank customers. The Kenyan banking industry players can use the findings of this study as a guideline for the formulation of policies on the quality of bank services and customer satisfaction; they will henceforth base their decisions on concrete knowledge supported by research, thus enabling banks to acquire competitive advantage in the banking industry. Commercial bank customers will ultimately benefit from excellent service quality thanks to the study. The study is likely to be useful to financial institutions, service firms, professional managers, management consultants and marketers who are constantly looking for marketing approaches, practises and strategies that can be used to achieve organizational goals and objectives. In addition, governments, organisations and individuals concerned with formulating banking policies and strategies can benefit from this study. Finally, this research study is expected to stimulate research interests among academics, scholars and students in other aspects of bank services management.

1.7 Conceptual Framework

The conceptual framework was adapted from expectancy disconfirmation theory of customer satisfaction by Oliver (1977) and the black box model of consumer buying behaviourby Keegan *et al.,* (1992). Expectancy disconfirmation theory asserts that consumers purchase goods and services with pre-purchase expectations about the anticipated performance (Oliver, 1977; 1980). The expectation level then becomes a standard against which the product or service is judged. That is, once the product or service has been used, outcomes are compared against expectations. If the outcome matches the expectation confirmationoccurs. Disconfirmationoccurs where there is a difference between expectations and outcomes. A customer is either satisfied or dissatisfied as a result of positive or negative difference between expectations and perceptions. Thus, when service performance is better than what the customer had initially expected, there is a positive disconfirmation between expectations and performance which results in satisfaction, while when service performance is as expected, there is a confirmation between expectations and perceptions which results in satisfaction. In contrast, when service performance is not as good as what the customer expected, there is a negative disconfirmation between expectations and perceptions which causes dissatisfaction. The black box model explains what happens within the consumers mind between his or her exposure to marketing mix stimuli and the actual decision to purchase (Keegan *et al.,* 1992;

Kotler, 2000; Kotler, 2004).The model suggests that the consumer will respond in particular ways to different stimuli after they have processed this stimuli in their minds (Keegan *et al.*, 1992).Expectancy disconfirmation theory complemented with the black box model therefore guided the current study by way of linking the three variables of the study namely service quality, marketing mix strategy and customer satisfaction. The linkage confirmed that service quality and marketing mix strategy have an effect on customer satisfaction.

The study analysed how service quality affect customer satisfaction. Rather than examining the direct relationship between the two which is responsible for the insubstantial link, the study argues that the relationship is moderated by marketing mix strategy. The framework includes two sets of hypothesized relationships. The first set concerns a direct relationship between service quality and customer satisfaction. The second set of hypotheses speculates that the relationships between service quality and customer satisfaction are moderated by marketing mix strategy. Service quality was operationalized to depict Parasuraman*et al.*, (1988) SERVQUAL model, that is; reliability, responsiveness, tangibility, assurance and empathy. The moderating variable marketing mix strategy was operationalized using the 7ps of marketing namely product, price, place, promotion, people, physical evidence and processes (McCarthy, 1997, Booms and Bitner, 1981). Loyalty, repurchase intention and customer retention were used to measure customer satisfaction. The relationship between marketing mix strategy, service quality and customer satisfaction among listed commercial bank customers in Nairobi City, Kenya is represented in Figure 1.1

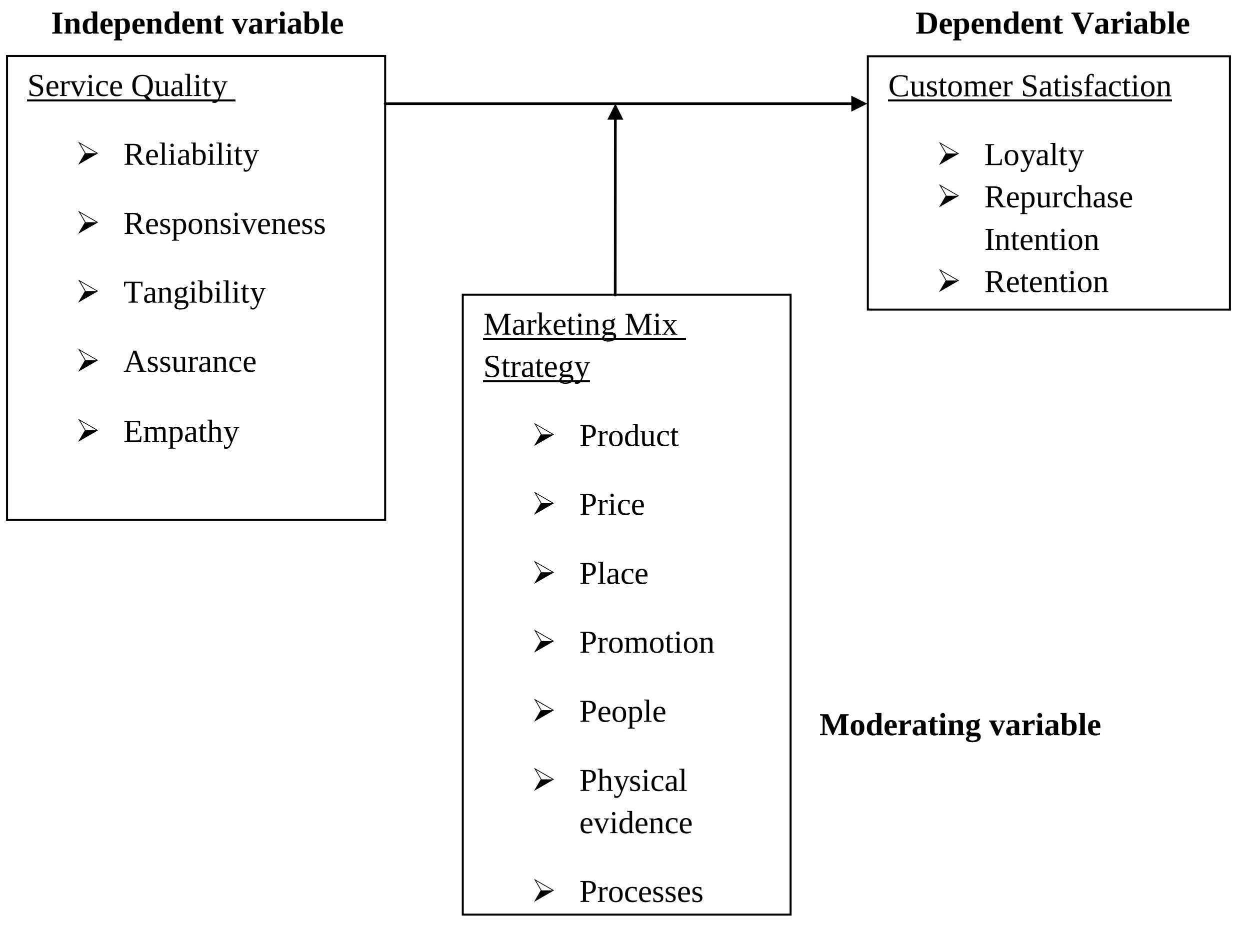

Figure 1.1 The Moderating effect of Marketing mix Strategy on Service quality and customer Satisfaction

Source: Adapted from (Keegan *et al.*, 1992; Oliver, 1977; 1980)

CHAPTER TWO: LITERATURE REVIEW

This chapter reviews the literature related to the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya. It starts by reviewing the theoretical perspectives of the study followed by a review of empirical studies. A knowledge gap is then identified.

2.1 Theoretical Perspective

This section defines the concepts and theories of the study and explains their elements. Neuman (2006) defines a theory as a system of interconnected ideas that condense and organise knowledge, depicting a world view about a phenomenon. The study was based on Expectancy disconfirmation theory of customer satisfactionandthe black box model of consumer buying behaviour.

2.1.1 Expectancy Disconfirmation Theory of Customer Satisfaction

Expectancy disconfirmation theory has been applied by many researchers in different fields for a better understanding of the customer's expectations and requirements for attracting their satisfaction, such as Marketing (Oliver, 1980; Diehl, 2010; Oliver, 1977; Santos and Boote, 2003), Tourism (Fallon and Schofield, 2003), Psychology, (Gotlleb, 1994), repurchase behaviour and retention (Bhattacherjee and Premkumar, 2004, Hsu and H, 2006, Patterson and Johnson, 1997, Picazo-Vela, 2009) and Airline industry (Chen, 2008, Finn and Frank, 2009).

Expectancy disconfirmation theory can measure customer satisfaction from perceived quality of products or services in order to measure the customer's satisfaction (Oliver, 1980; Patterson and Johnson, 1997; Spreng and Jr, 2003). The theory has two famous variables; expectation or desire and experience or perceived performance. These variables are defined in two distinct time periods. Expectation or desire is related to the pre - purchase time that a customer has initial expectation or desire about a specific performance such as quality of products or services.

Experience or perceived performance is related to after purchase time period that the customer gets the experience after perceiving a real performance such as quality of a specific product or service. The difference between initial expectation or desire and perceived experience or performance is known as disconfirmation of expectation or desire (Oliver, 1980; Spreng and Jr, 2003; Bhattacherjee and Premkumar, 2004). It means that disconfirmation of expectation or desire can be positive or negative. When a customer's perceived performance over the quality of specific product or service is higher than the customer's expectation or desire, the positive disconfirmation will occur. In the same way, when customers perceive the performance is worse than what they expected or desired about the quality of a specific product or service, the negative disconfirmation will happen. According to Yi (1990), positive disconfirmation leads to the customer's satisfaction and negative disconfirmation means perceived performance of products or services couldn't attract the customer's satisfaction.

A number of authors have criticized the expectancy disconfirmation theory on the grounds that this approach posits that the primary determinant of customer satisfaction is the predictive expectations created by firms, company reports, or unspecified sources (Yi, 1990). For instance, La Tour and Peat (1979) argued that the theory ignores other sources of expectations, such as the consumer's past experience and other consumer's experience with similar constructs.

There is also a problem related to the expectancy disconfirmation theory as regards the suggested sequence of the theory, which presupposes that everyone has precise expectations prior to the service experience. It is obvious that without these prior expectations, confirmation of expectations cannot occur (Halstead *et al.,* 1994).However the logic of expectancy disconfirmation theory, stating that everyone has firm expectations of all attributes prior to service experiences, might be less meaningful in situations where customers do not know what to expect, until they experience the service. Customers with little or no brand experience of products and services constitute a special case in the expectancy disconfirmation theory, as it is not clear how the theory may be applied to the evaluation of services for which the consumer has little information or experience to generate meaningful expectation (Halstead *et al.,* 1994; McGrillandLacobucci, 1992).Customer expectations of completely unfamiliar experiences are almost meaningless (Halstead *et al.,* 1994).

Lack of any kind of previous experience with the service, or not knowing what to expect as a result of the absence of pre-purchase information, may result in tentative and uncertain expectations (Crompton and Love,1995;Mazursky,1989;McGrill and Lacobucci,1992).Learning from previous service experience may result in more accurate and stable expectations (Day,1977).Experiences customers may therefore make better choices when repurchasing, they may have more realistic expectations and they may be more satisfied with their choices (Fisk and Coney,1982;Halstead *et al.*,1994;Westbrook and Newman,1987).

Despite the criticism of expectancy disconfirmation theory, the researcher ascertains that based on the current study, the theory is the most promising in the assessment of the relationship between service quality and customer satisfaction. Service quality in the study was operationalized to depict Parasuraman et al. (1988) SERVQUAL model, that is; reliability, responsiveness. Tangibility, assurance and empathy. The dimensions formed the basis for customer expectations as regards service quality from which outcomes on whether or not perceived performance exceeded expectations were established thus leading to customer satisfaction or dissatisfaction. It is also important to note that the SERVQUAL model is based on the expectancy disconfirmation paradigm.

2.1.2. The Black Box Model of Consumer Buying Behaviour

Expectancy disconfirmation theory was not sufficient in linking marketing mix strategy variable into the study thus the need for introducing the black box model to complement it. The black box model is a popular model and has been used widely in the marketing field, specifically in the consumer behaviour area (Joshua,2011;Keegan *et al.*,1992;Kotler,2004).According to past research, the black box model explains what happens within the consumers mind between his or her exposure to marketing mix stimuli and the actual decision to purchase (Keegan *et al.*,1992;Kotler,2000;Kotler,2004)

The model suggests that the consumer will respond in particular ways to different stimuli after they have processed this stimuli in their minds (Keegan *et al.,* 1992).In addition the model also claims that external factors to the consumer will act as a stimulus for behaviour which will then influence the consumers personal characteristics and decision making process before they proceed with a particular behaviour response (Keegan *et al.,* 1992).The model is called a “black box” because we still know so little about how the human mind works. As far as consumer behaviour goes, we only know enough to be able to identify major internal influences and the major steps in the decision making process which consumers use, but we do not know how consumers transform all these data, together with the stimuli in order to generate particular responses. Prior to making decisions, the consumer will usually go through the process of evaluating the products or services. The model assumes that they make decisions based on their individual attributes.

The black box model can therefore be applied in the current study which aimed at establishing the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of customers of listed commercial banks in Nairobi city, Kenya. The marketing mix strategy which was operationalized by the 7Ps of marketing and the service quality dimensions operationalized to depict Parasuraman*et al.,* (1988) SERVQUAL model that is reliability, responsiveness, tangibility, assurance and empathy are captured as the stimuli in the current study. Thestudy asserts that service quality and marketing mix strategy assisted in transforming the customers mind as regards to making a decision on whether to purchase a product or service for consumption. This would then lead to either customer satisfaction of dissatisfaction.

Expectancy disconfirmation theory complemented with the black box model therefore guided the current study by way of linking the three variables of the study namely service quality, marketing mix strategy and customer satisfaction. The linkage confirmed that service quality and marketing mix strategy have an effect on customer satisfaction.

2.1.3 Service Quality

Fogli (2006) described service quality as “a global judgement or attitude that has a link to a particular service, the overall notion of the relative inferiority or superiority of the organizations services”. Lovelock &Wright (2002) explained service quality as an act or performance that will allow customers to receive benefit. Providing excellent service quality to customers in present business environment is very important due to strong market competition. The capability to provide high service quality will strengthen the image, enhance retention of customers, attracting new potential customers via positive word of mouth and eventually increase the profit of the business (Julian &Ramase, 1994; Zeithani*et al.*, 1996)

Service quality is considered an important tool for a firms struggle to differentiate itself from its competitors (Ladhari, 2008). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009).Service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi*et al.*, 2007). Duff *et al.*, (2008) pointed out that by defining service quality, companies will be able to deliver service with higher quality level presumably resulting in increased customer satisfaction.

Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customers' expectation serves as a foundation for evaluating service quality because; quality is high when performance exceeds expectations. On the other hand quality is low when performance does not meet their expectation (Athanassopoulos*et al.*, 2001)

Perceived service is the outcome of the consumers' view of the service dimensions, which are both technical and functional in nature. It is very vital to note that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumers perceptions (Duncan & Elliot, 2004). Service quality has both negative and positive correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin *et al.*, 2000; Wong *et al.*, 2008).

Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis*et al.*, 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter*et al.*, 2000).

In the changing banking scenario of the 21st century, banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world class standard, committed to excellence in customer satisfaction and to play a major role in the growing and diversifying financial sector (Guo*et al.*, 2008).There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognised the need to meet customers' aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder.

Banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Banks have to redefine their corporate image to that which emphasises service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate (Newman, 2001)

Many organizations are faced with significant challenges in the area of service quality and service delivery both internally and externally. The constant change in demographics coupled with high customer expectations in making organizations rethink its customer service strategies (Buchichi, 2013). In an era where service has become a defining factor for customers, organisations of all types struggle to find the unique balance between delivery and customer expectations.

2.1.4The SERVQUAL Model

According to Parasuraman*et al.,* (1988), service quality is described as SERVQUAL by five dimensions constructs namely reliability, responsiveness, assurance, empathy and tangibles. Basically these dimensions represent consumers' criteria of judging service quality. The reliability construct in the SERVQUAL model represents the service providers' ability to perform the promised service dependably and accurately. This is achieved through keeping promises to do something, providing right service, consistency of performance and dependability, service is performed right at the first time, the company keeps its promises in accuracy in billing and keeping records correctly, available merchandise and error free sales transactions and records. Reliability also consists of accurate order fulfilment, accurate record, accurate quote, accurate in billing, accurate calculation of commissions, keep services promise. Zeithamal (2006) also mentioned that reliability is the most important factor in banking services (Yang *et al*.,2003).The higher customer appreciate on reliability, the higher the overall evaluation of retail service quality (Ndubisi, 2006).

Tangibility relates to the physical aspects or evidence of a service. Physical aspects include appearance of equipment and fixtures, physical facilities, materials associated with the service, appearance of personnel and communication materials, convenience of physical facilities and layouts. In addition to the appearance of the facilities, it also takes into account the convenience offered to the customer by the layout of physical facilities (Ananth*et al.,* 2011). The higher the customers appreciate on the physical aspects, the higher the overall evaluation of service quality (Bellini *et al.,* 2005)

The assurance construct consists of competence (possession of the required skills and knowledge to perform the service), courtesy (Consideration for customers property, clean and neat appearance of public contact personnel), Credibility and security of the employees and their ability to inspire trust and confidence.

According to Sadek*et al.,* (2010), in British banks, assurance means the polite and friendly staffs, provision of financial service, interior comfort, easy access to account information and knowledgeable and experienced management team. This includes employees having knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customers' requests, giving customers individual attention, showing consistent courtesy to customers and even treat customers properly on the phone. Several studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Ndubisi, 2006; Lymperopoulos*et al.,* 2006). The higher customers appreciate personal interaction, the higher the overall evaluation of service quality.

Responsiveness is the determinant that defines the willingness to help customers and to provide prompt services. It is the desire and willingness to assist customers and deliver prompt service. It involves features such as the opening hours of the service provider, the politeness of the employees and the time the customer has to wait in order to get the service. In other words, it describes how quickly and effective the response to the customer is. Willingness to help customers is likely to have an important and positive effect on customer perceived service quality and customer satisfaction in retail banking. Mengi (2009) also found that responsiveness is positively related to service quality and customer satisfaction. It also involves understanding needs and wants of the customers, convenient operating hours, and individual attention given by the staff, attention to problems and customers safety in their transaction (Kumar *et al.*, 2009).

Empathy is the caring and personalised attention the organization provides its customers. It is reflected in the service providers' provision of access, communication and understanding the customer. Individual attention, convenient operating hours, understanding of the staff when a problem occurs and the knowledge the employees have of the customers' needs were the primary elements included in the evaluation of empathy. This dimension captures aspects of service quality that are directly influenced by service providers policy such as good customer service, convenience of parking and operating hours (Butcher,2001; Ndubisi, 2006; Ehigie, 2006).The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. The higher the level of empathy, the higher the overall evaluation of the service quality.

The aspects that are critical in empathy include employees' knowledge to respond to customer requests or needs. Bank invests heavily on staff training so as to equip them with the necessary knowledge and skills to deal with their customers. On the employees' personal attention to their customers, marketing literature indicates that service providers that provide individualized attention to their customers increase the level of perceived service quality. This is due to the high intangibility of the service and the heterogeneity of it results in an increased focus on the interaction process. This means that employees must be skilled enough to be able to immediately recognise the needs of the customers are critical in order to improve service quality (Butcher, 2001; Ndubisi, 2006; Ehigie, 2006).

2.1.5 Marketing Mix Strategy

Marketers, in order to receive favourable responses from their target markets, use many tools. These tools comprise the marketing mix. In fact, it is a set of tools that institutions use to achieve their marketing goals. McCarthy, (1971) classified these tools into four major groups, called the 4ps of marketing; Product, Price, Place and Promotion (Harrell & Frazier, 1999).

In marketing literature context, marketing mix strategy has a significant impact on satisfaction (Amin *et al.,* 2012;Almuala*et al.*, 2012;Irtaimen, 2012) and perceived value (Cengiz&Yayla, 2007;Faryabi*et al.,* 2012;Yoo*et al.,* 2000). Customer satisfaction is a result of successful Marketing Mix Strategy (MMS) that creates more competitive value to customers (McCarthy, 1971; Kotler & Armstrong, 2008). Satisfaction of customer is a result of successful MMS; Product, Price, Place and Promotion (4Ps). For Product means the company can offer high quality product(Churchill *et al.*,1982; Oliver, 1983), Price means the company can offer competitive price (Dodaz*et al.*,1991; Yoo*et al.*,2000; Uddin *et al.*, 2012) or acceptable price (Obaidat*et al.,* 2011), the place means that the customers get the product in the right time and the right place (Copley, 2004;Aimin& Begun, 2012), and the promotion refers to that company that can communicate to the customers about its products (Al Mula*et al.*, 2012).

The marketing mix strategy is considered one of the core concepts of marketing theory (Zethaml&Bitner, 2002). The term marketing mix refers to a set of tools available to an organization to shape the nature of its offer to the customer (Palmer, 2001). Kotler (2000), defines the marketing mix as "The set of marketing tools that the firm uses to pursue its marketing objectives in the target market"

Borden (1964) introduced the marketing mix concept through describing a marketer as a mixer of ingredients in practicing company activities. However, the formal use of the marketing mix model in the marketing context was presented by McCarthy (1971) who proposed the 4Ps of the marketing mix ingredients model.These include: product, price, promotion and price. A marketer should make a combination of these elements to create a distinctive marketing mix by which a company may achieve its objectives.

The marketing mix is considered one of the core concepts of marketing (Rafiq and Ahmed, 1995; Van, 1999; Zeithaml and Bitner, 2000). However, the 4ps of the marketing mix have been criticised by a number of services marketing scholars from different perspectives (Booms and Bitner, 1981; Judd, 1987; Gummesson, 1991; Gronroos, 1996; Gombeski, 1998; O'mallen and Patterson, 1998; Day and Montgomery, 1999; Kotler, 1999; Zeithaml and Bitner, 2000; McDonald, 2002). Furthermore, the traditional 4Ps model is considered to be a handy mnemonic model and easy to remember (O'Malley and Petterson, 1998).

Booms and Bitner (1981) forwarded the most intense criticism related to the 4Ps marketing mix paradigm. They argued that the traditional marketing mix model is inadequate for services marketing context especially with the existence of the unique characteristics of services. They modified and expanded the traditional marketing mix elements from 4Ps to become 7Ps by adding another three new Ps which are people, process and physical evidence. These new variables are fundamental marketing variables for the success of any service company.

Product strategy is McCarthy's (1997) first element of the marketing mix components. It can be summarised as the ultimate result involving benefits being enjoyed by a client at the time of a purchase or receipt of service from an organization (Kotler, 2011). Broadly defined "Products" also include services, events, persons, places, organizations, ideas or a mixture of these (Kotler & Armstrong, 2013).

Kotler and Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further define a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products or services frequently with careful planning and by comparing brands based on price, quality and style. Borden (1984) sees a product as about quality, design, features, brand name and sizes. Zeithaml*et al.*, (1995) describe a product as part of specific effort to encourage customers to tell others about their services.

Effective pricing strategy can never compensate for poor execution of the first three elements (Product, Place and Promotion). Ineffective pricing can surely avoid those efforts from resulting in financial success. The price strategy should be integrated and consistent with the other marketing mix strategies in the organisation to achieve the organization objectives (Palmer, 2001). Price is one of the fundamental elements of the marketing mix (Lovelock, 2001).The degree of complexity of pricing strategy amongst the service sector is comparatively significant due to the high degree of homogeneity between most service groups and shared service delivery and operating systems (Kotler, 2011).

Price is the amount of money customers have to pay to obtain the product (Kotler & Armstrong, 2005). It involves price levels, discounts, commissions, terms of payment and credit (Thuo, 2008). Zeithaml (1988) is of the view that monetary cost is one of the factors that influence consumer's perception of a products value. Price can be stated as the actual or rated value of a valuable product or service which is up for exchange. Some define it as amount of money paid for product (Kotler *et al.*, 2005).

In the studies of Colpan, (2006); Doole*et al.*, (2006) and Owomoyela*et al.,* (2013), they establish significant relationship between price and business performance. The price you set for your product or service plays a large role in its marketability. Pricing for products or services that are more commonly available in the market is more elastic, meaning that unit sales will go up or down more responsively in response to price changes (Jones, 2007).

According to Duncan (2005), Promotion is the key to the market exchange process that communicate with present and potential stakeholders and the general public. Every firm or store must cast itself into the role of communicator and promoter. Hakansson (2005) also reports that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a products message and brand from the producer to the consumer. Borden, (1984) defines promotion as sales promotion, advertising, personal selling, public relations and direct marketing. Kotler (2007) discovers that promotions have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objective. Previous researchers (Amine and Cavusgil, 2001; Francis & Collins, 2004; Aliata*et al.* 2012) have established significant relationship between promotion and business performance.

Jones (2007) defines place as any way that a customer can obtain a product or service. Bowersox and Closs (1996) give distribution as another name for place. According to them, it is the third element of the marketing mix, and it encompasses all decisions and tools which relate to making products and services available to customers. Kotler and Armstrong (2006), also define place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers.

The distribution network represents 60% or more of a banks operating expense. Customer preferences for distribution used to be simple and centred on the branch, but recent novantas research indicates that, they are changing rapidly and consumers are now choosing alternatives. The trajectory of this change varies by segment along with the mix of preferences today. Today banks are making decisions about the distribution network building branches, investing in new online capabilities and developing innovative mobile technologies (Novantas, 2013).

Gronroos (2000) suggests that the traditional marketing mix or the 4ps approach used in the marketing of goods is insufficient to market and manage services effectively because of services distinctive features. Marketing strategies for services should then be extended by the addition of three more Ps namely people, processes and physical ambience. Service marketing mix include seven elements namely product (service), price, promotion, place, people (employees), physical features and processes (operations management) (Shamloo, 2006).

People include all human actors who play part in service delivery and thus influence buyers' perceptions. They are the firms' customers and other customers in the service environment (Thuo, 2008). Process involves actual procedures, mechanisms and flow of activities by which service is delivered. It is the service delivery and operating system (Thuo, 2008). Physical evidence refers to the environment in which the service is delivered. It is where the firms and customers interact. It includes tangible component that facilitate performance or communication of the service. Service providers should then ensure that their service provision setups reflect their desired positioning standards (Thuo, 2008).

2.1.6 Customer Satisfaction

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption related fulfilment (Henning – Thurau and Thurau, 2003). In the case of banks, satisfaction refers to the extent to which banking products and services meet customer needs. Customer satisfaction has many facets. Some of the observable measures are service quality, loyalty, repurchase behaviour and trust among others. These measures have been studied extensively in isolation or together by different marketing scholars. Previous studies in the developed countries such as the studies done by Anderson and Fornell (2011) and Anderson and Mittal (2000) have attempted to look at different dimensions of quality service and how they relate to customer satisfaction. Almost all studies reviewed are unanimous that a satisfied customer is loyal and contributes to profitability.

Customer satisfaction entails customer needs and expectations being met all the time, every time throughout the life of a product or service (Roger and George, 2001; Gustatsson, Johnson and Ross, 2005). Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a products perceived performance or outcome in relation to the person's expectations (Kotler and Cunningham, 2002). As the definition indicates, satisfaction is a function of perceived performance and expectations. The term customer satisfaction results from either the quality of service, engagement of the customer, price factors and meeting or exceeding customers' expectations, consuming products and services (Prabhakar, 2005). If the performance of a bank falls short of these expectations, the customer becomes dissatisfied. If the performance exceeds expectations, the customer is delighted. Only delighted customers or highly satisfied customers stay loyal to the service provider, (Salmen and Muir, 2003; Dubrovski, 2001).

Customer satisfaction has been of key interest to researchers for the last two and half decades. Researchers have established some of the key antecedents of customer satisfaction in retail banking with respect to customer satisfaction in the competitive world of business as well as the key antecedents to overall customer satisfaction in any other industry (Jamal, 2004). Satisfaction reinforces positive attitudes toward the brand, leading to a greater likelihood that the consumer will repurchase the same brand.

Customer satisfaction has come to be regarded as a key business strategy of every organisation and a benchmark against which many banks have set their standards (Wang, Lin and So, 2003;

Anubav, 2010; Sheth, 2000). Maintaining existing customers for organisations is even more important than the ability to capture new ones. Customers are critical for any organisation's success. Without customers, organisations would have no resources, no profits and therefore no market niches that can enable them compete in the global area.

Customer satisfaction has been considered the essence in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Heskett*et al.,* (1997) argued that profit and growth are stimulated primarily by customer loyalty. Ndubisi (2005), Gee *et al.,* (2008) and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer. Several researchers including Tariq and Moussaoul (2009); Ha *et al.*, (2008) and Ehigie (2006) found that loyalty is a direct outcome of customer satisfaction. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they will use the services again increases (East, 1997).

Satisfied customers will most probably talk enthusiastically about their buying or the use of particular service, this will lead to positive advertising (File and Prince, 1992, Richens, 1983). On the other hand, dissatisfied customers will most probably switch to a different brand, this will lead to negative advertising (Nasserzaden*et al.,* 2008). The significance of satisfying and keeping a customer in establishing strategies for a market and customer oriented organisation cannot be ignored (Kohli&Jaworski, 1990).

The link between service quality and customer satisfaction has been submitted to intense scrutiny by leading service quality researchers (Bitner and Hubbert, 1994; Bolton and Drew, 1994), as well as the links between quality, customer satisfaction, customer retention and profitability (Storbacka*et al.,* 1994). The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful targeting of "quality'' customers and the retention of those customers.

Research indicates that companies with excellent customer service record reported a 72% increase in profit per employee compared to similar organisations that have demonstrated poor customer service. It is also five times costlier to attract new customers than to retain existing customers (Duncan, 2004). In some earlier studies, service quality has been referred as the extent to which service meets customers' needs or expectation (Lewis & Mitchell, 1990). Banks should be known about the expectation and perception of the customer.

Coldwell (2001), under the auspices of "Growth strategies international"(GSI) performed a statistical analysis of customer satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by info quest and conclusions of the study were that; a totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer and a totally dissatisfied customer decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business.

Banking is a customer oriented service industry that depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo*et al.,* 2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeen&Sait, 2009).Customer satisfaction has a great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution. Therefore, achieving high levels of service is one method to keep customers both satisfied and loyal (Perng, 2007). Dissatisfaction results when consumer expectations are not met. Such disconfirmation of expectations is likely to lead to negative brand attitudes and lessens the likelihood that the consumer will buy the same brand again. As customer feel more satisfied with services, they will be more likely to remain loyal thus leading to retention, repurchase and encourage others to use the products or services by word of mouth (Perng, 2007).

2.1.7. Customer Loyalty

Loyalty has been defined as repeat purchase behaviour led by favourable attitudes or as a consistent purchase behaviour resulting from psychological decision making and evaluative process. According to Walsh *et al.*, (2008), three popular conceptualizations of loyalty exist as an attitude that leads to a relationship with the brand' as expressed in terms of revealed behaviour and as buying moderated by individual characteristics, circumstances, and/or the purchase situation.

Oliver (1997), defined loyalty as a deeply held commitment to rebuy or repatronise a preferred product or service consistently in the future, which causes repetitive same brand or same brand set purchasing, despite any situational influences and marketing efforts that might cause switching behaviour. Customer loyalty has been defined as a construct that measures the probability that the customer will return and ready to perform partnering activities such as referrals (Cater and Cater, 2009).

Loyalty to a bank can be thought of continuing patronage over time. The degree of loyalty can be gauged by tracking customer accounts, over defined time periods and noting the degree of continuity patronage (Kotler *etal.*,2006). During the past decade, the financial service sector has undergone drastic changes, resulting in a market place which is characterised by intense competition, little growth in primary demand and increased deregulation. In the new market place, the occurrence of committed and often inherited relationships between a customer and his or her bank is becoming increasingly scarce. Several strategies have been adopted in an attempt to retain customers. In order to increase customer loyalty, many banks have introduced innovative products and services. Marketing success requires understanding and frequently monitoring the product and service attributes which increase loyalty and share of wallet.

Customer loyalty can be referred to as Spurious or true whereby true customer loyalty is a function of psychological decision – making evaluative processes which are resulting in commitment. Spurious loyalty is a function of inertia (Bloemer and Kasper, 1995). Hence, spurious loyalty means that customers stay with the same product, brand, and service or store because they are not prepared to spend effort and time to search for alternatives. The current study looks at customer loyalty holistically to include both spurious and true loyalty.

2.1.8. Repurchase Intention

The repurchase intention is affected by customer satisfaction and the quality of service offered whichare recognized as an important concepts in service industries to maximize the firms' market share and increase its revenue, as well as, bringing down the cost of getting and holding back customers (Abdel-Maguid, 2004; Ahmed*et al.*, 2010; Roberts, 2005).

A direct positive relationship between client satisfaction and their repurchase intention is held up through service studies (Ahmad *et, al.,* 2010; Bolton & Lemon, 1999; Patterson &Spreng, 1997; Selnes, 1998). Nevertheless, these studies concluded that, within service firm, the customer satisfaction is strongly linked to the behavioural decision. Moreover, it also mentioned the direct positive relationship of satisfaction on customers' repurchase intention. While customer repurchase intention is the chief component, it is just one of the many variables that can affect customer satisfaction (Mittal andLassar, 1998; Sharma & Patterson, 2000). Henkel, Houchaime, Locatelli, Singh and Zeithaml (2006) suggested that satisfied customers in the service industry have a high future repurchase intentions.

Fishbein and Ajzen (1975) agreed that the consumers' repurchase intention is an essential index to predict consumer behaviour as a subjective attachment to the product. Repurchase intention can be translated as the probability that the consumers will plan or be willing to buy a particular merchandise or service in the future. When there is an increase in repurchase intentions, it will contribute to an increment in the customers purchasing probability (Dodds*et al.,* 2004). Consumers' repurchase intention also serves as a mediator between their attitude towards a special product and their real purchase behaviour (Fishbein and Ajzen, 1975). Measurement scales to measure repurchase intentions are; possible to buy, intended to buy and consider buying. Engel, Blackwell and Miniard (1995) expanded repurchase intention into: unplanned buying, partially planned buying, and fully planned buying.

2.1.9. Customer Retention

Gerpott*et al.,* (2001)stated that customer retention is the continuity of the business relations between the customer and company. Customer retention is more than giving the customer what they expect; it is about exceeding their expectation so that they become loyal advocates for your brands. Retention and attraction of new customer are used as drivers for increasing market share and revenues (Rust*et al.,* 1995). In the retention of customers, it is important for firms to know how to serve their customers because post sales services are important drivers for customer retention (Saeed*et al.,* 2005). Mary *et al.,* (2007) observe that financial service institutions like the banking sector are focusing on retaining their existing customers and in doing so, they work on the services provided, develop smarter use of technological use, revisit processes to improve customer experiences and ensures that the organizational culture supports retention. Gets and Thomas (2001) state that customer retention occurs when customer purchases a product or service again and again. Huit (2000) defined customer retention as the process by which consumers interpret price and attribute value to a good or service. Buttle (2004) asserts that customer retention is the number of customers doing business with a firm at the end of a financial year expressed as a percentage of customers that were active at the beginning of the year. Customer retention has been shown to be the primary goal in firms that practice relationship marketing. While the precise meaning and measurement of customer retention can vary between industries and firms, there appears to be a general consensus that focusing on customer retention can yield several economic benefits (Buttle, 2004). As customer tenure lengthens, the volumes purchased grow and customer referrals increase. Building long-term relationship with customers is considered an essential precondition for the economic survival and success of most service firms today (Berry, 1995; Heskett*et al.,* 1994). Day (1994) said that the identification and satisfaction of customer needs leads to improved customer retention. Clark, (1997) assertsthat customer retention is potentially one of the most powerful weapons that companies can employ in their fight to gain a strategic advantage and survive in today's ever- increasing competitive environment. It is vitally important to understand the factors that impact on customer retention and the role that it can play in formulating strategies and plan.

2.2 Empirical Literature Review

This section reviews literature on the past studies in relation to the study objectives. The review assisted the researcher to identify various research gaps.

2.2.1 Level of Service Quality

The first objective sought to establish the level of service quality provided by listed commercial banks in Nairobi City, Kenya. Several past studies on levels of service quality were reviewed to assist in gap identification.

Onditi*et al.,* (2012) studied the implications of service quality on customer loyalty in the banking sector in Homabay County, Kenya. The data of this study was collected from 400 customers of four major banks in Homabay County. The findings suggested that service quality has a significant effect on customer loyalty. The study did not address the role of SERVQUAL model in determining the level of service quality and customer loyalty. The study focused only on the banks in Homabay town and did not focus on other areas where banks are more stabilised as opposed to a growing town. The focus on a single and small region may make the results not generalizable to the banking industry in general

Muthoni*et al.,* (2014) conducted a study to assess the service quality gaps influencing customer satisfaction in banking industry. The study was based on a survey of 20 commercial banks in Mombasa town. The population comprised of 6 bank customers among 20 commercial banks in Mombasa town giving a total of 120 respondents. The results established that the service quality gaps influence customer satisfaction in the banking industry. However, the study did not use SERVQUAL service quality dimensions that could have been important in establishing the level of service quality and customer satisfaction. The study sample comprised of 120 respondents which a small sample it is thus posing a risk on the reliability of the research findings. The use of purposive sampling technique poses a risk of biasness in selecting the sample.

Chepkwony*et al.,* (2012) conducted a study to establish the effects of customer complaint resolution strategies on customer satisfaction. The study employed an explanatory survey design and targeted all the 20 banks based in Eldoret town. The study concluded that distributive complaints resolution strategies are an important feedback mechanism to establish customer satisfaction levels and banks are therefore advised to invest in them. The study ignored the importance of using service quality dimensions as one of the variables in determining service quality levels.

A study was carried out by Auka (2012) to examine the extent to which service quality, perceived value and satisfaction influence customer loyalty in commercial banks in Nakuru

Municipality, Kenya. The findings revealed that there was a positive and significant relationship between service quality, customer satisfaction and customer value and customer loyalty. The study also found that service quality, customer value and satisfaction are critical success factors that influence the competitiveness of an organization. The study adopted purposive sampling technique which may pose a risk of biasness and it was carried out in Nakuru Municipality. This is such a small study area and so the study findings cannot be used to represent a large population.

A study was carried by Buchichi (2013) to establish the customer service improvement strategies at CFC Stanbic Bank Kenya Limited. 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. The study applied case study research design where information was only collected from senior management team since they are involved in strategy formulation and implementation. The study however did not consider the external customers thus customer perceptions on customer service improvement strategies would have been important in establishing the relationship. By getting information from the management of the bank, there is a likelihood of biasness as the management wouldn't give negative information about their bank.

Andaleeb*et al.,* (2000a), 2000b), 2001, 2007) have explored more generally the issues pertaining the service quality and patient satisfaction in public and private hospitals in Bangladesh. The findings of their papers shaped the SERVQUAL Model through combining and including cultural variables in the scale for measuring customer satisfaction in the service sector in Bangladesh. There is a need to carry out a study in Kenya and also to have a moderating variable included in the study for purposes of strengthening the relationship.

Negi (2009) investigated the relevance of customer perceived service quality in determining the overall satisfaction of customers in the context of mobile services of Ethiopian Telecommunication Corporation. The result was that reliability and network quality were relevant factors to evaluate service and he confirms that tangible, empathy and assurance should not be neglected when evaluating perceived service quality and customer satisfaction.

Studies by Auka (2012); Chepkwony*et al.,* (2012); Muthoni*et al.,* (2014);Negi (2009) andOnditi*et al.,* (2012) revealed that there was a positive and significant relationship between service quality, customer loyalty and customer satisfaction. However, the studies had several limitations. Onditi*et al.,* (2012) did not use SERVQUAL service quality dimensions in measuring service quality. The study focused on the banking sector in Homabay town Kenya and did not focus on other areas where banks are more stabilized as opposed to a growing town. Auka (2012) adopted purposive sampling technique which may pose a risk of biasness. The study was carried out in Nakuru Municipality which is such a small study area thus banks are not stabilised as are in Nairobi. Muthoni*et al.,* (2014) did not consider using SERVQUAL service quality dimensions that could be important in determining levels of service quality. Chepkwony*et al.,* (2012) ignored the importance of using service quality dimensions as one of the variables in determining levels of service quality. These studies have limited the role of SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability in determining the level of service quality among customers.

2.2.2 Relationship between Service Quality and Customer Satisfaction

The second objective sought to determine the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya. Several past studies in relation to this objective were reviewed to assist in gap identification.

Cudjoe*et al.*, (2015) conducted a study to assess the effect of service quality and customer satisfaction in the Ghanaian banking industry. The expectations and perceptions of Ghanaian Commercial Bank (GCB) customers were assessed under five dimensions of SERVQUAL. The researchers found out that all the five dimensions contribute to quality of service delivery in GCB. Rating the dimensions based on expectations and perceptions of service delivery that need to be improved, it revealed that GCB should work towards enhancing on reliability, responsiveness, empathy, assurance and Tangibility dimensions respectively. The researchers also found out that the expectations of customers with all the dimensions investigated into were higher than what they perceived. From the results obtained, the first dimensions (Reliability) showed a difference of -0.2163,Responsiveness showed a difference of -0.2166,similarly assurance showed a difference that is -0.5666,Empathy showed the difference is -0.3917 and Tangibility showed a difference that is -0.4249.The highest difference was found in the assurance dimensions. The study found that, a link between service quality and satisfaction level can be established following the discussions from the analysis made that, customers' satisfaction is influenced by the level of total service quality. However, it was revealed that certain service quality dimensions like assurance fell short of customers' expectations as their perceived service quality was less than their expectations.

Sackey*et al.*, (2012) carried out a study on the effects of service quality on customer satisfaction, Loyalty and Retention using the SERVQUAL model and revealed that Barclay's bank in Ghana implements all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability, and Responsiveness) which is to say that the bank strives to be at its best when it comes to quality. Quality service has also become a major critical cause of satisfaction for the bank's customers. However on Empathy level, staffs do not give customers their utmost attention and also make decisions without considering the impact those decisions might have on their customer. The research further showed that when it comes to responsiveness, customer requests and complaints are not authorized and resolved on time enough by staff and managers of Barclay's bank.

Ntongai*et al.*, (2015) conducted a study on service quality practices as a critical antecedent to customer satisfaction with evidence from the Kenya's mobile phone sector. The study used a proportionate stratified sampling technique to select a sample of 384 respondents on a population of 32.2 million subscribers. The study finding revealed that the R^2 for service quality practices was 0.609, $p<.05$, indicating that service quality practices account for 60.9% of variance in the customer satisfaction among mobile firms in Kenya. The study also established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction.

Saghier and Demyana (2013) in their research on service quality dimensions and customer satisfaction of banks in Egypt also revealed that customer satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction.

Anand*et al.,* (2012) sought to examine the impact of service quality on customer satisfaction and loyalty in Indian Banking sector by applying SERVPERF scale. A total of 50 customers of state bank of India were interviewed on convenient basis for the above purpose. Exploratory factor analysis, correlation, analysis of variance, multiple regression analysis were carried out and the result revealed that out of five service quality factors considered, Assurance is having a highest mean score of SERVPERF. Regarding the association between the demographic variables and the service quality factors, it is seen that there is no significant association found between them except income in case of Empathy and marital status in respect of all service quality factors. It is also observed that there is a significant association found between all the service quality features and the customer satisfaction as well as with customer loyalty. While analyzing the antecedents of customer satisfaction and loyalty, factors like responsiveness, reliability and empathy are significantly influenced and also explored respective percentage of relevant changes in the independent variables considered. The sample size considered for this study was very small and the results obtained may not be suitable as a whole having customers with different demographic profiles.

Rashed and Tabassum (2014) conducted a study that sought to discover the impact of service quality on customer satisfaction in private sector banks in Bangladesh. The sample included 110 respondents of different banks selected by using convenience sampling method. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, accessibility, responsiveness, tangibles and empathy. By analyzing the impact of service quality on Customer satisfaction of private sector banks in Bangladesh, it was observed that out of five service quality dimensions, Tangible was having a high Mean score and the bank should concentrate on Responsiveness as it had the least mean score. The study also established that the combination of tangibility, reliability, responsiveness, assurance and empathy together have significant effect on customer satisfaction. Therefore, service quality has positive effect on customer satisfaction. These two variables should work hand in hand to ensure success and survival of the private sector banks. The sample size of this study was too small which may not be used for generalizability of the findings. Convenience sampling is not a reliable sample technique to facilitate generalization and inferences from the data.

Ahmed *et al.,* (2010) conducted a mediation of customer satisfaction relationship between service quality and repurchase intentions for the Telecom sector among university students in Pakistan, with SERVQUAL model's 5 dimensions to measure service quality. Gera (2011) investigates the link between service quality, value, satisfaction and behavioural intentions in a public sector bank in India and one of their results states that "service quality was found to significantly impact on customer satisfaction and value perceptions"

Barbara, (2010) conducted a study to explore service quality in a retail bank setting in Slovenia and its influence on customer satisfaction. The study had several limitations where by the SERVPERF version of the original SERVQUAL scale, bank service range was operationalized by one item only and a convenience sampling method was used in data collection thus no assessment of sampling error was possible.

Agbor (2011) did a study to examine the relationship between customer satisfaction and service quality in three service sectors in Sweden. Convenient sampling technique was used to collect quantitative data from a sample of 220 customers of Umea University (100), ICA (60) and Forex bank (60).Data were analysed using Chi – square to test the hypotheses separately and in a group. The study showed a distinct result for the relationship between service quality and customer satisfaction. For instance, in the case of ICA and Forex, there was a significant relationship between service quality and customer satisfaction. However in the case of Umea University, there was no significant relationship between service quality and customer satisfaction. The researcher found out that service quality is not the only factor that could lead to customer satisfaction in the service sector but failed to unearth other variables that could strengthen the link between service quality and customer satisfaction. Methodically, convenient sampling as was used by the researcher is not a reliable sampling technique to facilitate generalisation and inferences from the data.

A study was conducted by Olgun*et al*.,(2014) to investigate the effect of service quality dimensions on satisfaction, identifying the effect of satisfaction on word of mouth (WOM) communication and repurchase intention (RI) and searching a significant relationship between WOM and RI among outpatients' in Turkey. The study adopted the work of Parasuraman*et al.*'s SERVQUAL variables. A structural equation model (SEM) that utilizes data from 369 patients facing a range of services was used. It was found that only empathy and assurance dimensions are positively related to customer satisfaction. The satisfaction effects of the ingredients of WOM communication and repurchase were found to be highly interrelated. Methodically, convenient sampling as was used by the researcher is not a reliable sampling technique to facilitate generalisation and inferences from the data.

Chaniotakis and Lymperopoulos (2009) conducted a study on service quality effect on satisfaction and word of mouth (WOM) in the healthcare industry and established that satisfaction influenced WOM. The study also showed that responsiveness, assurance, and tangibility had significant influence on patient satisfaction, while in the case of reliability and empathy significance were not confirmed.

A study was carried out by Auka*et al.*, (2013) to examine the effect of service quality dimensions on customer loyalty to the providers of retail banking services in Kenya. The study investigated the relationship between service quality dimensions and customer loyalty. To achieve this purpose, data was collected from a sample of 384 current customers of commercial banks on five dimensions of service delivery; Tangibility, reliability, responsiveness, assurance and empathy. The results indicated that all the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking. However, this study concentrated on customer loyalty being its dependent variable, making it not conclusive enough as customer loyalty is an aspect of customer satisfaction.

Rahim *et al.,* (2010) carried out a study in a bank in Tehran, Iran which aimed to determine the quality of services offered by Sepah bank, and also to study the relationship between the service quality, satisfaction and loyalty.147 customers of the bank were sampled and the results of this research indicated that in all aspects, customer expectations are higher than their perceptions of the bank's operations, and in fact the quality of offered services is low. Besides the research findings established that customer satisfaction plays the role of a mediator in the effects of service quality on customer satisfaction. The study was carried out on customers of one branch bank. This poses a risk of biasness and weak findings that can barely be used for generalizability.

Lassar*et al.,* (2000) conducted a study in America to examine the effect of service quality on customer satisfaction among international private banking customers. In order to measure service quality, they used SERVPERF model instead of the widely accepted and well known measure of service quality such as SERVQUAL. The study used ordinary least square (OLS) regression to test six models of customer service quality. Even though service quality yields a significant influence on customer satisfaction in the banking industry ($r = 0.74$, $P < 0.05$), the study ignored the use of empathy dimension of SERVQUAL model but only dwelt on the functional dimension of quality.

Agbor (2011); Anand*et al.,* (2012); Chaniotakis and Lymperopoulos (2009); Cudjoe*et al.,* (2015); Ntongai*et al.,* (2015); Rashed and Tabassum (2014); Sackey*et al.,* (2012) and Saghier and Demyana (2013) conducted studies on the relationship between service quality and customer satisfaction and revealed both positive and negative results. The studies established that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. Ntongai*et al.,* (2015) concluded that service quality practice is a critical antecedent of customer satisfaction. However he established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction. Cudjoe*et al.,* (2015) revealed that certain service quality dimensions like assurance fell short of customers' expectations as their perceived service quality was less than their expectations, while Sackey*et al.,* (2012) found that empathy and responsiveness did not meet customer expectations.

Saghier and Demyana (2013) revealed that customer satisfaction is significantly affected by reliability, empathy, assurance and responsiveness and the effect of the dimension of tangibility does not have any significant impact on customer satisfaction, while Anand*et al*.,(2012) found out that responsiveness, reliability and empathy significantly influence customer satisfaction leaving out assurance and tangibility. The sample size of 50 customers considered for the above study was very small and the results obtained may not be suitable. Rashed and Tabassum (2014) revealed that tangibility was having a high mean score and the bank should concentrate on responsiveness as it had the least mean score. The study used convenience sampling which may not be a good technique to facilitate generalization and inferences. Chaniotakis and Lymperopoulos (2009) established that responsiveness, assurance, and tangibility had significant influence on satisfaction, while in the case of reliability and empathy significance was not confirmed. The studies have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have a positive and significant influence on customer satisfaction.

2.2.3 Effect of Marketing Mix Strategy on Customer satisfaction

The third objective sought to analyze the effect of marketing mix strategy on customer satisfaction. Several past studies in relation to this objective were reviewed to assist in gap identification.

Mohammad *et al.,* (2015) carried out a study to analyse customer satisfaction of retail bank customers in North east Nigeria using 7Ps marketing mix elements. Objectives included examining Product, Price, Place, Promotion, People, Process and Physical evidence as drivers of retail bank customer satisfaction. Data were collected from a sample size of 405 respondents comprising of academic and senior non- academic staff in universities and polytechnics. The results found that Product, Process and Physical evidence were significantly related to customer satisfaction while price, promotion, place and people are not significantly related. It was also found that process is the most influential driver while price is the least influential. Finally, the study was conducted on one of the most enlightened set of retail customers of banks (staff of academic environment).There is room to conduct the research on other group of retail customers. The study results obtained by the convenience sampling method were difficult to generalise to the population because it was a type of non-probability sampling. A more representative sampling technique needs to be considered to generalise the findings of the study.

Levesques*et al.,* (1996) reveals that bank charges and interest rates determine the overall satisfaction level of the customers. However, these studies only focus on one dimension which is price in establishing its influence on customer satisfaction. At the same time none of the studies were carried out in Kenya.

Ahmad *et al.*, (2013) investigated the impact of marketing mix strategy on patient satisfaction in private sector hospitals in Jeddah city in Saudi Arabia. The research consisted of the independent variables represented by marketing mix strategy components namely health service, pricing, distribution, promotion, physical evidence, process and personal strategies and dependent variable represented by patient satisfaction. Quantitative method was used to collect data through a questionnaire. The research population consisted of 272 managers from 34 private hospitals in Jeddah. The research sample consisted of the total population. The researcher retrieved 190 valid research questionnaires'. A purposive sampling strategy was used to choose the participants in this research .The results confirm significant differences in the influence of the marketing mix strategy have varied significant and insignificant influence on the patient satisfaction. The result shows that five out of seven variables are significant that is; health service, promotion, physical evidence, process and personal strategies while pricing and distribution are insignificant. There is need to conduct research on the patients of the hospitals rather than the managers. The study results obtained by the purposive sampling method were difficult to generalise to the population because it was a type of non-probability sampling. A more representative sampling technique needs to be considered to generalise the findings of the study. The research was conducted in the health industry in Jeddah. There is need to conduct research in other service industry firms like banks and especially in Kenya.

Akroush (2011) investigated the generalizability of Boom and Bitners (1981) services marketing mix paradigm (SMM), 7Ps, and examined the effect of SMM on business performance in Jordan's service organisations. The empirical findings indicated that the 7Ps of SMM are found to be only 5Ps in the Jordanian context. A major finding was that the expanded 3Ps (People, process and physical evidence) of SMM have loaded on only one factor named as

“People”. Meanwhile mix loaded on four factors as theoretically proposed. The study related marketing mix strategy to performance.

Mise*et al.,* (2013) sought to investigate the determinants of brand loyalty in global FMCG markets of soft drinks consumers in Kenya and India. The study was conducted between January 2012 and October 2012.A total of 1312 respondents were sampled comprising of 434 Kenyans and 878 Indians from selected public universities India and Kenya. The student sample represented 1.2% of the target population in 3 public universities in Kenya and India respectively. Data was analysed using simple and multiple regression method. Among the key findings were that promotion was the strongest factor to brand loyalty among Kenyan soft drinks consumers while in India it was product quality. There was a positive and significant correlation between brand loyalty and customer satisfaction in the two markets and it can therefore be concluded that customer satisfaction influences brand loyalty. There was also a significant relationship between brand loyalty and product price in both markets. The study did not address the role of all the seven elements of the marketing mix in determining brand loyalty.

Khan *et al.,* (2014) investigated the impact of service marketing mixes on customer perception towards modern banking in Bangladesh. Sample size of 315 and convenience sampling method was applied to collect data from respondents with structured questionnaire. Multiple regression statistics was used to identify elements of services marketing mixes and customer perception. The results showed that Price, Promotion, People and Physical evidence were found to be statistically significant with customer perception. Therefore, Price, Promotion, People and Physical evidence have positive impact on perception of the customers while Product, Place and Process were found having no significant impact on customer perception. The study results obtained by the convenience sampling method were difficult to generalise to the population because it was a type of non-probability sampling. A more representative sampling technique needs to be considered to generalise the findings of the study.

Rezky*et al.,* (2012) conducted a study that sought to investigate the relationship between the 4Ps namely Price, Promotion, Place and Product, and customer decision making over travel agents in Palembang Indonesia. The results revealed that only product and price were associated with customer decision making over travel agents. Travel agents are seriously considered for these 4ps activities to ensure that they allocate their resources effectively and efficiently. A total of 215 respondents were selected from customers of three Travel agents in Palembang Indonesia. The data collected was analysed using three statistical methods, that is, mean analysis, Pearson correlation and regression analysis. The results revealed that only product and price were associated with customer decision making over travel agents. The study was conducted in Indonesia in the Travel industry making it difficult to relate the findings of the study to the Kenyan scenario more so, in the banking industry.

Pour *et al.,* (2012) carried out a study to investigate the impact of marketing mix in attracting customers to Saderat Bank in Kerman Shun Province Iran. It was established that factors in the marketing mix have a significant positive effect in absorbing customers. However, the researchers did not investigate if service quality in relation to the marketing mix will have an effect in absorbing customers. Marketing mix without a blend with service quality can hardly lead to customer retention. Although the entire study hypothesis was supported, the survey respondents were chosen from a convenience sample and the representativeness of the research sample may be questioned. The model was tested for validity and reliability only in the context of luxury restaurants in Iran. Ideally, national relationship quality indexing should have been conducted in different sectors simultaneously and the model should be tested periodically. Only then can the results be compared with other countries relationship quality indices.

Ojo (2012) conducted a study on the effect of marketing strategies and bank performance in Nigeria. The findings of the study showed an overall significance of the marketing variables adopted, although not much effect was seen when a marketing variable is compared with bank performance in isolation of other variables. This helps to conclude that the marketing strategies techniques must be adequately combined in order to bring about improved performance.

A study was carried out by Kushwana& Shiv (2015) to examine the effects of services marketing mix elements on Indian customer for making strategy in banking services context. The study was based on a sample of 351 customers of bank users in India. The paper used a confirmation factor analysis and structural equation modelling (SEM) to analyse and confirm the conceptual models in the research. The paper found that physical evidence; Process, Place and People have a positive and significant effect on customer. The results of the analysis indicated that managing the marketing mix dimensions of Product, Price and Promotion is of less importance except Place than managing interactive marketing dimensions such as People, Physical evidence and Process.

Varki and Colgate (2001) studied the perceptions of value (Price) in the banking industry in the U.S and Newzealand. The authors' results show that value (Price) perceptions directly influence customer satisfaction. Matzler*et al.,* (2006) describe similar results in their study on retail banking in Austria and conclude that price satisfaction positively influences bank customers overall satisfaction. Leverin and Liljander (2006) suggest that bank customer satisfaction is influenced by factors such as the price of services, or the number and severity of negative critical incidents.

Ibidunni (2011) investigated how Nigerian multinational and indigenous foods and beverages companies utilised marketing mix elements competitively to achieve competitive advantage, and how these variables influences the perceptions of consumers to the companies achieving effective performance in market places. Relevant theories were employed. Two hypotheses were investigated through the survey of randomly selected forty multinational and one hundred and twenty indigenous companies. Findings revealed that multinational companies achieved competitive advantage and yielded better performance compared to indigenous counterparts. It was recommended that indigenous companies should adopt competitive use of elements of marketing mix, and government policies should support their economic emancipation. This study was not conducted in Kenya and the aspect of service quality and customer satisfaction did not feature.

Aliata*et al.,* (2012) examined the nature and influence of the relationship between the banks promotional strategies and its performance. A descriptive research design employing a simple random sampling technique selected 88% of the bank branches whose 40 managers were contacted using questionnaires. The study results established that there was a positive relationship between promotional strategies and performance thus spending on promotional mixes individually had little effect on bank performance. The study only focussed on one element of the marketing mix strategy and study respondents did not include customers. Performance was used as the dependent variable in the study and not customer satisfaction. The sample size of the study was too small which may not be used for generalizability of the findings.

Ahmed *et al*., (2013); Akroush, (2011); Aliata*et al*., (2012); Khan et al., (2014); Kushwana& Shiv (2015); Mise*et al.,* (2013); Mohammad *et al.,* (2015); and Ojo, (2012) carried out studies to analyse the effect of marketing mix strategies on customer satisfaction. The results found that marketing mix strategies were both significantly and insignificantly related to customer satisfaction. Mohammad *et al*.,(2015) carried out a study to analyse customer satisfaction using 7ps marketing mix elements on retail bank customers in North east Nigeria and found out that product, process physical evidence were significantly related to customer satisfaction while price, promotion, place and people are not significantly related. Ahmad *et al.,* (2013) investigated the impact of marketing mix strategy on patient satisfaction in private sector hospitals in Jeddah city in Saudi Arabia. The results indicated that health service, promotion, physical evidence, process and personal strategies are significant while pricing and distribution are insignificant. Akroush (2011) findings indicated that the explained 3ps (people, process and physical evidence) of SMM have loaded on only one factor named as "people" thus the 7ps of SMM are found to be only 5ps in Jordanian context, while Khan et al.,(2014) established that price, promotion, people and physical evidence were found to be statistically significant with customer perception thus price, promotion, people and physical evidence have positive impact on perception of the customers whereas, product, place and process were found having no significant impact on customer perception. Kushwana and Shiv (2015) found that physical evidence, process, place and people have a positive and significant effect on customers and that managing the marketing mix dimensions of product, price and promotion is of less importance except place than managing interactive marketing dimensions such as people, physical evidence and process. Mise*et al.,* (2013) sought to investigate the determinants of brand loyalty in global FMCG markets of soft drinks consumers in Kenya and India. Among the key findings were that promotion was the strongest factor to brand loyalty among Kenyan soft drinks consumers while in India it was product quality. The study did not focus on the service industry and also did not address the role of all the seven elements of the marketing mix in determining brand loyalty. Aliata*et al.,* (2012) examined the nature and influence of the relationship between the banks promotional strategies and its performance. The study results established that there was a positive relationship between promotional strategies and performance. The study only focussed on one element of the marketing mix strategy and study respondents did not include customers while the sample size was too small which may not be used for generalizability of the findings. These studies found that not all the 7ps marketing mix strategies have a positive and significant effect on customer satisfaction thus little is still known on the effects of marketing mix strategy on customer satisfaction.

2.2.4 Moderating effect of Marketing Mix Strategy on the relationship between Service Quality and Customer Satisfaction

The fourth objective sought to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya. Several past studies in relation to this objective were reviewed to assist in gap identification.

Murshid*et al.*, (2014) carried out a study to examine the mediation effect of perceived value on marketing mix strategy and physical satisfaction with locally manufactured drug in Yemin. The findings provided support for the relationship between marketing mix strategies (Product, Price, Place and Promotion) and physician satisfaction. The findings also confirmed that perceived value is a critical antecedent to physician satisfaction. In addition, Price, Place and Promotion are important predictors of perceived value and perceived value has a strong positive relationship with satisfaction. The study established that price, place and promotion strongly predict physician perceived value. However, product has no influence on perceived value. The results of the study also indicated that perceived value partially mediates the relationship between marketing mix strategy and physician satisfaction. As a result, the strength of the marketing mix strategy, physician satisfaction relationship becomes weaker when perceived value is considered.

A study was carried by Osman and Sentosa (2014) to establish understanding of a mediating effect of customer satisfaction on service quality and customer loyalty relationship in Malaysian commercial banking industry. The results showed that service quality enhances customer satisfaction in Malaysian commercial banking industry. The findings suggested that the relationship between customer satisfaction and profitability may reside in customer satisfaction's influence on customer loyalty, and the customer plays a crucial role within the Malaysian commercial banking industry. The study was carried out in Malaysia of which the study findings cannot be used to represent the Kenyan Scenario.

Nai and Shu (2008) investigated the relative importance of service quality dimensions on customer satisfaction across utilitarian and hedonic services in Taiwan. They also examined the moderating effect of alternative differentiation on the quality/satisfaction relationship. The results indicated that the technical quality is more influential on the satisfaction of utilitarian services, and functional quality is a more important determinant factor of satisfaction in hedonic services than in utilitarian services. The relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives. This study did not consider the behavioural consequences of customer satisfaction such as customer loyalty, repeat purchase and recommendation.

Ntongai*et al.*,(2015) conducted a study on the analysis of the moderating role of service failure on the relationship between service quality and customer satisfaction in the Kenya's mobile phone sector and established that service failure negatively moderated the relationship at $\beta = -0.662$, $p<0.05$.This implies that as service failure encounters increases the satisfaction level of customers' decreases.

Ranaweera and Nely (2003) conducted a study on some moderating effects on the service quality – customer retention link. They presented a holistic model of customer retention incorporating service quality perceptions, priceperceptions, customer indifference and inertia. Data from a large scale postal survey of telephone users in England showed that perceptions of service quality have a direct linear relationship with customer retention even in mass services with low customer contact. Price perceptions and customer indifference too were found to have a direct linear effect on retention. Furthermore, it was also seen how both price perceptions and customer indifference moderated the relationship between service quality perceptions and customer retention. A linear relationship between inertia and customer retention was not found. Furthermore, there was evidence to indicate that inertia was relatively unstable condition and that reliance by service providers on inertia to retain customers could indeed be a risky strategy.

Many moderation/mediation studies have used other moderator/mediator variables rather than marketing mix strategy in the relationship between service quality and customer satisfaction (Murshid*et al.*, 2014; Osman and Sentosa, 2014; Nai and Shu, 2008; Ranaweera and Nely, 2003). Murshid*et al*., (2014) carried out a study to examine the mediation effect of perceived value on marketing mix strategy and physical satisfaction with locally manufacture drug in Yemin and established that the strength of the marketing mix strategy, physician satisfaction relationship becomes weaker when perceived value is considered. Osman and Sentosa (2014) carried a study to establish understanding of a mediating effect of customer satisfaction on service quality and customer loyalty relationship in Malaysian commercial banking industry while Nai and Shu (2008) examined the moderating effect of alternative differentiation on the quality/satisfaction relationship across utilitarian and hedonic services in Taiwan and established that the relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives. Ranaweera and Nely (2003) conducted a study on some moderating effects on the service quality – customer retention link among telephone users in England and established that both price perceptions and customer indifference moderated the relationship between service quality perceptions and customer retention.

Previous studies on the relationship between marketing mix strategy and customer satisfaction used marketing mix strategy as an independent variable without addressing the role of marketing mix strategy in the relationship between service quality and customer satisfaction (Mohammad *et al.,* 2015; Levesques*et al.,* 1996; Ahmad *et al.,* 2013; Akroush, 2011; Khan et al., 2014; Rezky*et al.*, 2012). No study has been conducted to assess the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction. The role of a moderating variable like marketing mix strategy can have a strong influence on the strength of the relationship between service quality and customer satisfaction thus it is needed for the study.

2.3 Summary of the Literature Review

From the review of empirical literature, it is evident that studies by most scholars on the relationship between service quality and customer satisfaction had several limitations. Studies on the level of service quality limited the role of SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability in determining the level of service quality. Little is known regarding the level of service quality provided by commercial banks in Nairobi, Kenya. Studies on the relationship between service quality and customer satisfaction have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have a significant influence on customer satisfaction. Therefore, little is known on the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya.

Studies on the effect of marketing mix strategy and customer satisfaction found that not all the 7ps of marketing mix have a positive and significant effect on customer satisfaction. Little is still known on the effects of marketing mix strategy on customer satisfaction of commercial bank customers in Nairobi, Kenya. While studies have been conducted on the relationship between marketing mix strategy and customer satisfaction with marketing mix strategy being an independent variable, no study has been conducted to assess the moderating effect of marketing mix strategy comprising of product, price, promotion, place, people, process and physical evidence on service quality and customer satisfaction. The role of a moderating variable like marketing mix strategy can have a strong influence on the strength of the relationship between service quality and customer satisfaction. The study sought to analyse the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi city, Kenya.

CHAPTER THREE: METHODOLOGY

This chapter discusses the research design and methodology that was used in the study. The key areas include; the population, data collection methods and data analysis techniques.

3.1 Research design

The study adopted cross-sectional correlational research design.Correlational design represents a general approach to research that focuses on assessing the relationships among naturally occurring variables. It aims to determine the relationship between two variables as well as how strongly these variables relate to one another (De Vaus, 2002). It provides an accurate and efficient means for describing people's thoughts, opinions, and feelings. The goal of correlational research design is to identify predictive relationships among variables by using correlation and regression statistical techniques of analysis. The design was appropriate because it assisted in determining the relationship between service quality and customer satisfaction and the effect of marketing mix strategy in the relationship. Cross sectional study entails the collection of data on more than one case (Usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative data in connection with two or more variables (usually many more than two) which are then examined to detect patterns of association (Bryman& Bell, 2007).The study entailed collection of data from more than one case(384 respondents) in connection to service quality, marketing mix strategy and customer satisfaction thus the reason for cross- sectional study.

3.2 Study Area

The study on listed commercial bank customers was conducted in Nairobi City. Nairobi is the capital and largest city of Kenya. The city and its surrounding area also form Nairobi County. The city lies on the Nairobi River in the southern part of the country, and has an elevation of 1,795 metres (5,889 ft.) above sea level. Nairobi is one of the most prominent cities in Africa, both politically and financially. The city is situated at $1^{0}17'536^{0}49'$E and occupies 696 square kilometres (270 sqmi). It is situated between cities of Kampala and Mombasa in Uganda and Kenya respectively.

With a population of about 3.36 million estimated in 2011, Nairobi is the second largest city by population in the African Great Lakes region after Dares salaam, Tanzania. According to the 2009 census, in the administrative area of Nairobi, 3,138,295 residents lived within 696 km^2 (270sqmi). Nairobi is the hub of the Kenyan economy and majority of the major business transactions are conducted in Nairobi. Majority of the commercial banks have their head office situated in Nairobi thus more effort is put by these banks to ensure that branches in Nairobi provide excellent service to customers. Essentially, branches in Nairobi contribute a larger percentage on the overall performance of commercial banks in Kenya.

3.3 Target Population

The study population comprised customers of the 11 commercial banks listed on the NSE, Kenya. The total commercial banking population in Nairobi for the listed banks is estimated to be 1,072,500 (CBK, 2014). Commercial banks provide services to customers thus have a direct connection with them. Customers are the ones who receive the final service of the banks and thus the researcher anticipated them to give a valid response about service quality, marketing mix strategy and customer satisfaction.

3.4 Sampling Frame

Customers of the 11 commercial banks listed on the NSE were studied. The sampling unit was the customers within the banks. Proportionate stratified sampling technique was used to select the study sample. Stratified sampling helped in achieving the desired representation of various sub groups within a population of distinct categories of different sizes (Mugenda, 2008). Customer population for each of the 11 commercial banks was determined using market share of these banks. Customers were stratified into three strata namely retail, business and corporate to constitute 63%, 21% and 16% of the customer population size respectively. The total business, retail and corporate banking lending portfolio in December 2015 represented 21.4%, 63.4% and 16% respectively of the banks total loan portfolios (World Bank, 2015). A sampling frame for each stratum under each of the 11 commercial banks was constructed according to the proportion percent of the customer categories. The sample of each stratum was proportionate to the population size of the stratum. Further each of the 11 commercial banks was divided into their various branches in Nairobi city. The sample was further divided equally among the various bank branches. Sample proportions are presented in Table 3.1. The sample size was determined according to Fisher *et al.* (1998) as below:

$n = Z^2pq / d^2$ Eq. 3.1

Where: n – The desired sample size (If the target population is greater than 10,000)

Z =The Standard normal deviate at the required confidence level

P =The proportion in the target population estimated to have characteristics being measured

q = 1 –p

d =The level of statistical significance set

If there is no estimate available of the proportion in the target population assumed to have the characteristics of interest, 50% should be used as recommended by Fisher et al. (1998). For example: If the proportion of a target population with a certain characteristic is .50, the Z statistic is 1.96 and we desire accuracy at the .05 level, then the sample size is;

$n = (1.96)^2 (.50) (.50) / (.05)^2 = 384$

Table 3.1: Banking Population and Study Sample.

	Name of Bank	**Market Share(Percent)**	**Customer Population**	**Proposed Sample-Retail customers (63%)**	**Proposed Sample-Business customers (21%)**	**Proposed Sample–Corporate Customers (16%)**	
1	KCB	13.1	196,500	44	14	11	69
2	Equity Bank	10.3	154,500	34	12	10	56
3	Co-operative Bank	9.1	136,500	31	10	8	49
4	Standard Chartered Bank	8.4	126,000	28	9	7	44
5	Barclays Bank	7.9	118,500	27	10	7	44
6	CFC Stanbic	5.7	85,500	19	8	5	32

	Bank						
7	NIC Bank Ltd	4.4	66,000	16	5	4	25
8	Diamond Trust Bank	4.1	61,500	14	4	3	21
9	I & M Bank	3.9	58,500	13	4	3	20
10	NBK	2.9	43,500	10	3	2	15
11	Housing Finance	1.7	25,500	6	2	1	09
	TOTAL	**100**	**1,072,500**	**242**	**81**	**61**	**384**

Source: Banks published financial statements, (2014)

3.5 Data Collection Methods

3.5.1 Data Type and Sources

Both primary and secondary data were collected on different aspects of service quality, marketing mix strategy and customer satisfaction. Primary data were generated from a survey executed through the questionnaire method to fulfill the main purpose of this research (Bowditch &Buono, 2000). Secondary data were sourced from existing published and unpublished thesis, periodical reports, text books, publications and journals, Library and the Internet.

3.5.2 Data Collection Procedure

In order to validate the research instrument, a pilot study was conducted to collect data through a sample of 15 commercial bank customers randomly selected who were then excluded from the main study. This small sample was guided by a suggestion by Saunders, Lewis and Thornhill (2007) that a minimum of ten members of pre testing are adequate. For the main study, Branch managers of listed commercial banks in Nairobi were first requested to authorise the data collection exercise and assist especially in identifying whether a customer belonged to retail, business or corporate categories.With the help of two research assistants, the researcher visited the branches of the 11 commercial banks listed on the NSE Kenya. The respondents who were the customers were accessed through the bank branches. The sample was divided proportionately to the banks market share. Respondents were accessed through their respective bank branches in Nairobiduring normal banking hours, which is from 9 am to 5 pm weekdays Monday to Friday. Guided by the sample size, the respondents were approached and selected as they entered the banking hall. Each selected respondent was presented with the study instrument and encouraged to respond to it. Respondents self-reported their feedback. This was guided by the three strata to ensure that all the customer categories namely retail (241); business (81) and corporate (61) were represented. The researcher was careful to ensure that the respondents are not contacted more than once in any of the banks or branches. The self-reported questionnaires were collected soon after their completion for analysis.

The response return rate of retail customers was 99.6% as shown in the results in Table 3.2. Business customers had a response return rate of 98.8% while corporate customers had a response return rate of 98.4%. The overall response return rate was 98.4%, which is termed as very high response return rate. A minimum response of 75% is considered adequate (Fowler, 1993; Ary*et al.*, 1996).

Table 3.2 Response Return Rate

Customer Category	**Customer Population**	**Proportion %**	**Proposed Sample**	**Response Return Rate (%)**
Retail	675,675	63	242	241(99.6)

Business	225,225	21	81	80(98.8)
Corporate	171,600	16	61	59(96.7)
Total	**1,072,500**	**100**	**384**	**380(98.4)**

Source: Survey data, (2016)

3.5.3 Data Collection Instrument

The questionnaire was the main instrument of data collection. The respondents were asked to express their experiences, expectations and levels of satisfaction measured on a five point Likert scale ranging from "1 – Strongly disagree to 5 – Strongly agree. A Likert scale is easy to construct and administer. It is also easy for respondents to understand (Malhotra, 1996). This has been acknowledged by Vickers cited in Hansson and Arnetz (2005). In addition, Hansson and Arnetz (2005) indicate that coding and interpretation are easier.

The instrument included three parts with statements designed to assess the study variables. The first part contained multiple choice questions related to the name of commercial bank, customer category that is retail, business and corporate, demographic profiles of respondents, that is age, gender, education, marital status, occupation and frequency of using the bank. The second part contained statements from: the service quality model (SERVQUAL MODEL) (Parasuraman*et.al.*, 1988) related to service quality; marketing mix strategy and statements that sought to establish customer satisfaction. Loyalty, repurchase intention and customer retention were used to measure customer satisfaction. Finally the third part contained open ended questions which enabled respondents to not only respond to questions asked but also free to engage in some discussions of whatever issue of significance to the research topic. The research instrument is appended in Appendix 1.1.

3.5.4 Reliability Tests

Reliability refers to the consistence of a score from one occasion to the next(Hussey & Hussey, 1997). Reliability analysis was carried out on all items to check the internal consistency of the scales and constructs. Cronbach's coefficient alpha was used to test reliability or to assess the quality of the measurement (Churchill, 1979). An acceptance level of 0.70 of cronbach's alpha was tested for internal consistency for each of the constructs as recommended. Variables with low reliabilities were deleted to improve the overall reliability of the research instrument to be used in the main research. The results generated for the reliability of the instrument are presented as shown in Table 3.3.

Table 3.3 Reliability test for the Study Instruments

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Overall service quality	8.0437	.696	.572	.347	.759
Marketing mix strategy	8.1966	.556	.610	.382	.709
Customer satisfaction	8.8543	.379	.650	.444	.717

Source: Field pre-survey (2016)

The reliability results in Table 3.3 as shown by the column headed Alpha if Item Deleted, where the impact of removing each item from the scale are indicated. Since none of the values in this column were higher than the final alpha value (.773), none of the items was considered for removal in the scale. This implies that good internal consistence of the scale was established; hence the instruments for the data collection were adequately reliable. The summary results for the overall reliability test are shown in Table 3.4.

Table 3.4 Summary Cronbach's Alpha for Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.773	.798	38

Source: Field pre-survey (2016)

The overall results for reliability test indicate that Cronbach's alpha value was above 0.70 recommended values for reliability of the instruments. The instruments were therefore considered reliable for the data analysis(Churchill, 1979).

3.5.5 Validity Tests of the Research Instruments

The study sought to ensure that the research instrumentswere valid. McMillan (1992) views validity as the extent to which the test items measure what they purport to do.There are three basic ways in which to assess the validity of an instrument; criterion, content and construct.

The instruments content validity was assessed through literature survey/searches (Zikmund*et al.*, 2010) to ensure items are based on the domain of the study concepts (Devallis, 2012) corroborated by expert/analyst judgement and review suggestions (Bollinger and Inam, 2012).The experts provided guidance and advice. They expressed their agreement /disagreement with the use of different items on a Likert scale of 5 points. The comprehensive literature review and proofreading done helped in incorporating relevant issues in the study. These issues helped the researcher in gathering and collecting relevant data from the various categories of respondents. An instrument of 21 items for measuring service quality, 7 items for measuring marketing mix strategy and 3 items for measuring customer satisfaction was formulated. The experts revised the questions and response options until all evaluators concurred that each question and each response option fairly reflected accurately the requisite underlying dimensions for each construct.

The researcher carried out a pilot survey before the actual research process. This helped in establishing whether the research process would work well and whether the instruments would collect what was intended to be collected. The pilot was very helpful as the questionnaire contained certain subjects that were unfamiliar to the respondents. After the pilot was executed, the identified improvements were implemented. Thepre-test respondents disclosed that the content of each construct was well represented by the measurement of the items employed.

Face Validity was achieved through analyst assessment (Bollinger and Inam, 2012; Aila, 2014; Aila and Ombok, 2015). Supervisor's effort and expertise was also used to achieve face validity. Construct validity refers to the degree to which the items on an instrument relate to the relevant theoretical construct (Kane, 2001; De Von *et al.,* 2007).Two major approaches were used to ascertain construct validity; Translation and Criterion – related validity (Trochin, 2006 and Drost, 2011).Translation validity centres on whether the operationalization reflects the true meaning of the construct. Therefore translation validity attempted to assess the degree to which constructs were accurately translated into operationalization of the study variables being service quality, marketing mix strategy and customer satisfaction (Drost, 2011).Correlation analysis was used to assess criterion-related validity. Data was collected and analysed for correlations. High correlations among similar constructs revealed convergent validity. Low correlations indicated they do not tap on the same construct. In other words, they discriminated one another. Dissimilar constructs had low intercorrelations signifying discriminant validity (Drost,2011).The measurement scale used in this study to operationalize service quality is the

Parasuraman*et al.*, (1988) scale, preferred in the literature because of its multi-item nature which is deemed to adequately cover the underlying theoretical dimensions.

3.6 Data Analysis

Data gathered were prepared for analyses by editing, handling blank responses, coding, categorizing and recording (Churchil&Iacabucci, 2004; Sekaran and Bougie, 2009). Descriptive statistics which involved the computation of frequency distribution, mean, median and standard deviation summarized the data to indicate their explanatory capacity. This approach is deemed appropriate since descriptive methods tend to be stronger in validity but weak in reliability (Kibwage, 2002 &Odondo, 2007). Specific objective one which sought to determine the level of service quality provided by commercial bank in Nairobi, Kenya was analysed using descriptive statistics such as mean, frequency and standard deviation. Correlation and multiple regression analysis were used to analyse data on specific objective two and three which sought to; establish the relationship between service quality and customer satisfaction of commercial bank customers and; determine the effect of marketing mix strategy on customer satisfaction of commercial bank customers respectively. Data on specific objective number four which sought to determine the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction was analysed using hierarchical multiple regression analysis. Hypothesis was tested through t-statistic and f-statistic tests. Correlation is an effect size and so we can verbally describe the strength of the correlation using the following guide: .00-.19 "very weak", .20-.39 "weak", .40-.59, "moderate", .60-.79 "strong", .80-1.0 "very strong" (Cohen *et al*., 2003). The use of both descriptive and inferential statistics aided the researcher in gaining higher degree of reliability and validity (Babbie, 1986).

3.6.1 Correlation Analysis Model

The following formula (Equation 3.2) was be used to calculate Pearson r correlation.

$$r = \frac{n\sum x_i y_i - \sum x_i \sum y_i}{\sqrt{n\sum x_i^2 - (\sum x_i)^2}\sqrt{n\sum y_i^2 - (\sum y_i)^2}} \qquad \text{Eq. 3.2}$$

Source: Adapted from Chen and Popovich (2002); Cohen *et al*. (2003).

Where:

r = Pearson r correlation coefficient

n= number of values in each data set

$\sum x_i y_i$= sum of the products of paired scores

$\sum x_i$ = sum of x scores

$\sum y_i$ = sum of y scores

$\sum x^2$= sum of squared x scores

$\sum y^2$= sum of squared y scores

3.6.2 Multiple Regression Model

The researcher used a multiple regression model to determine the relationship between the variables of the study as shown in the following equations (adopted from Aiken and West, 1991).Thus;

$Y_j = \beta_0 + \beta_1 X_j + e$ Eq. 3.3

$Y_j = \beta_0 + \beta_1 X_j + \beta_2 Z_j + e$ Eq. 3.4

$Y_j = \beta_0 + \beta_1 X_j + \beta_2 Z_j + \beta_3 Z_j X_j + e$ Eq. 3.5

Where;

Y_j = Customer satisfaction of customer j (Measured by loyalty, repurchase intention and customer retention)

X_j = Service quality provided to commercial bank customers (Measured by five SERVQUAL dimensions – assurance, tangibility, responsiveness, reliability and empathy.

Z_j = The theoretically defined moderator variable (Marketing mix strategy-combination of the 7ps which are product, price, place, promotion, physical evidence, people and processes),

X_jZ_j=The interaction term (Service quality * Marketing mix strategy)

β_1, $\beta 2$, β_3= The regression coefficients to be estimated

β_0= The constant

j represent the customers being 1,2,3,4………….n

e = The error/residual in the equation which is assumed to be identically and independently distributed with zero mean and constant variance

3.7 Testing the Assumptions for Linear Regression Analysis

This study used regression analysis. The need to identify any violations of the underlying assumptions of linear is emphasized in research (Hair *et al.*, 1998). The following assumptions are considered necessary if conclusions can be drawn about a population on the basis of a regression analysis done on sampled data (Field, 2000). These assumptions relate to type of variables, homoscedasticity, linearity, normality of residuals and multicollinearity.

3.7.1 Types of Variables

As recommended by Field (2005), the predictor variables was quantitative and the outcome variablewere quantitative, continuous or unbound. In this study, both the predictor variables and the outcome variablewere quantitative. This means that the type of variables did not violate the requirements of regression analysis in this regard.

3.7.2 Linearity and Homoscedasticity

For linearity condition to be met, the outcome variable for each increment of predictor(s) should lie along a straight line (Field, 2000). Testing this assumption is important because modelling a non-linear relationship using a linear model limits the generalization of the data (Field, 2005). Homoscedasticity requires that the dependent variable exhibit equal levels of variance across a range of predictor variables. If the assumption does not hold the accuracy of the *r* coefficient may be untenable. Assuming that distribution of data is homoscedastic when indeed is actuality heteroscedastic leads to a result which overestimates the goodness of fit as measured by the Pearson coefficient. This is represented in Figure 3.1.

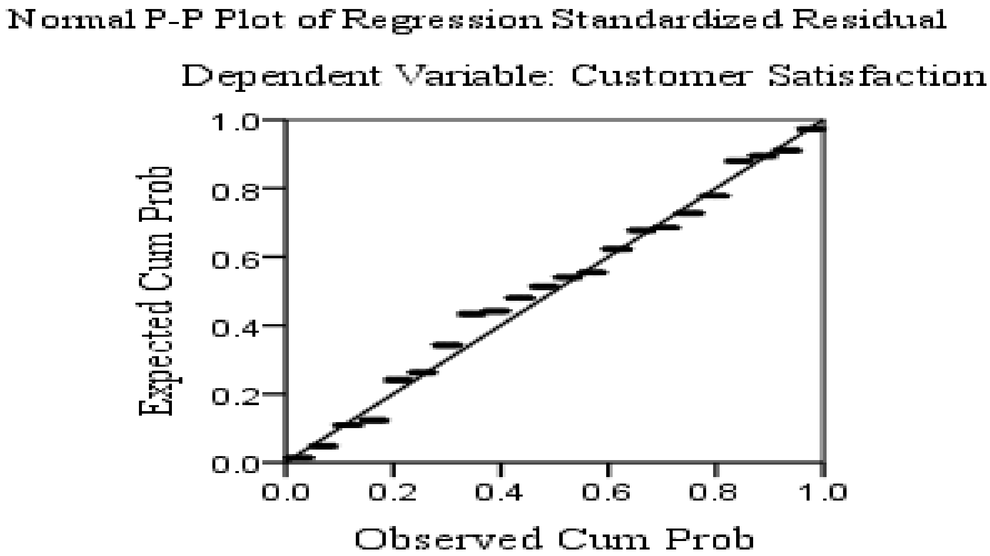

Fig. 3.1 Normal P-P Plot for Regression Standardized Residuals for Dependent Variable
Source: Survey data, (2016)

A plot of standardized differences between the observed data and the values predicted by the regression model (ZRESID) against the standardized predicted values of the dependent variable (ZPRED) was used to assess whether the assumption of random error and homoscedasticity had been satisfied. This was done for customer satisfaction, the dependent variable as represented in Figure 3.2.

Figure 3.2: Scatter plot of ZRESID against ZPRED for Customer Satisfaction

Source: Survey data (2016)

Figure 3.2 shows that the points are more or less randomly and evenly spread in the scatter plot. In addition the shape of the normal scatter P-P plot of regression-standardized residuals satisfied the general requirements for rectangularity necessary for linearity and homoscedasticity. Further, there is no curvilinear pattern, and the assumption of linearity is reinforced (Field, 2000).

3.7.3 Testing for the Normality of Residuals

The assumption of normality of residuals signifies the generalizability of findings. To assess the normality of residuals, it is recommended to look at the residuals and the normal probability plot (Tabachnick&Fidell, 2007). When this assumption is met, the data of an individual variable corresponds to the normal distribution. This is represented in Figure 3.3.

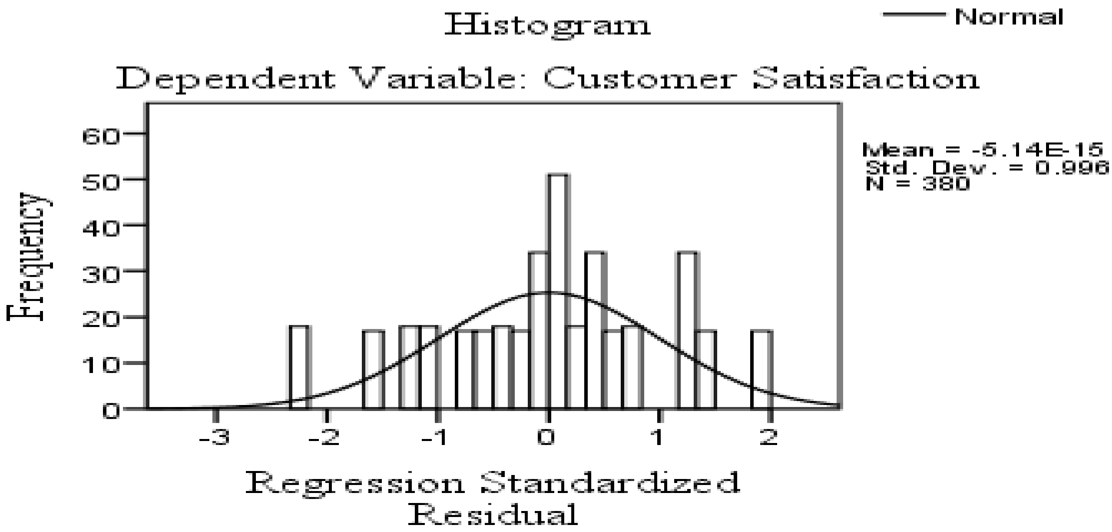

Figure 3.3: Histogram of Regression Standardized Residuals for Customer Satisfaction with Normal Plot

In this study, normality was diagnosed through a histogram of regression of standardized residuals and a normal probability plot (P-P plot) of regression standardized residuals. These were done for the customer satisfaction. The results for the histograms of regression of standardized residuals andnormal probability plot (P-P plot) are included in the linearity and homoscedacity diagnostics sections. Both indicate a normal distribution for customer satisfaction. These suggest that the assumption of normality were met by the data.

3.7.4 Testing for Multicollinearity

Since highly collinear items can distort the results substantially or make them unstable and not generalizable and harmful to multiple regressions (Hair *et al*., 1998), it was necessary to test for multicollinearity. This study assessed the multicollinearity of the service quality, and marketing mix strategy variables by means of tolerance and variance inflation factor (VIF).

Table 3.5Collinearity Statistics

Independent variable	**Collinearity Statistics**	
	Tolerance	**Variance Inflation Factor**
Service quality	.246	4.067
Marketing mix strategy	.193	5.175

Dependent variable=customer satisfaction

Source: Field pre-survey (2016)

A tolerance of below 0.10 or a VIF greater than 10 is regarded as indicative of serious multicollinearity problems (Field, 2000, Hair *et al*., 1998). Table 3.5 shows the results of the multicollinearity statistics. As indicated in Table 3.5 the tolerance statistics were all well above 0.10 and the variance inflationary factor (VIF) values were all well below 10. (Mason&Perreault 1991; Field, 2000). It is therefore concluded that there was no serious multicollinearity within the data.

CHAPTER FOUR: RESULTS AND DISCUSSION

The chapter presents the findings, inferences and discussions of the study in line with the research topic and the objectives of the study. The first section presents the results on demographic characteristics of the respondents and the measures of customer satisfaction. The second section presents the results as per the objectives beginning with the level of service quality followed by the tests of the hypotheses presented beginning with the second to fourth objective. All tests of significance were computed at $\alpha = 0.05$.The standard level of significance used to justify a claim of a statistically significant effect is0.05.For better for worse, the term statistically significant has become synonymous with $P < 0.05$ (Dallal,2012).

4.1 Demographic Characteristics of the Respondents

Before embarking on the study objectives, demographic characteristics of the respondents were analysed. Among the character traits that were sought included gender of the respondents, occupation of the respondents in terms of employment or unemployment, education level, whether they held a bank account with the bank or not, and finally how often they visited their banks. The results are presented as shown in Table 4.1 using frequency counts, percentages and means.

Table 4.1 Demographic Characteristics of the Respondents

Character	Categories	F (%)	Mean
Gender	Male	207(54.5)	
	Female	173(45.5)	
Education level	Secondary	51(13.4)	
	Tertiary	329(86.6)	
Occupation	Employed	312(82.1)	
	Unemployed	68(17.9)	
Hold deposit account	Have a deposit account	380(100)	
Frequency	Daily	70(18.4)	
	1-3 times a week	138(36.3)	2.63
	once in two weeks	104(27.4)	
	once a month	68(17.9)	

Source: Survey data, (2016)

Table 4.1 results indicate that there was a relatively equal distribution of gender, there were 207(54.5%) of male who participated in the study and 173(45.5%) were females. On the level of education, the study found that majority, 329(86.6%) of the respondents held a tertiary level education, while only 51(13.4%) had secondary level of education. This implies that majority of the respondents in the study qualified to give the required response in terms of their level of education and in conjunction with the ability to understand the requirements of the study, thus the results would be deemed reliable in terms of its content. In addition, 82.1% of the respondents were employed as compared to 17.9% who were unemployed. In Kenya, almost all the employees receive their salaries through banks, and given that a majority of the study respondents were employed both formally and informally, there was an expected high profile feedback in terms of the bank details and knowledge from the study respondents. It was also satisfactory to obtain 100% response on whether the respondents held a deposit bank account. Since all the respondents were having a deposit bank account and the highest percentage (36.4%) had a high frequency of banking, which was 1-3 times a week, the demographic characteristics fully qualified the respondents for analysis of the study results. The study therefore proceeded to the actual findings of the variables of the study.

4.2Measure of Customer Satisfaction

Before embarking on the objectives of the study, it was necessary to evaluate the measurement for the dependent variable of the study, which was customer satisfaction. Respondents were therefore asked to share their views on the extent to which they perceived customer satisfaction in banks. Questions that were treated as important to the measurement of customer satisfaction included satisfaction with the overall service quality of the bank, time taken to switch to a new bank, and the intention to continue doing business with the same bank. The responses were measured using a 5 - point Likert-Scale starting with the lowest point of strongly disagree coded as 1, and the highest point coded as 5 being strongly agree. A mean above three points would imply an agreement while a mean below 3.0 would imply lack of agreement. A neutral point of 3.0 meant that the respondents were not sure with the feedback they were giving. Therefore the results were presented using descriptive statistics that included frequency counts, percentages, means and standard deviations to show variation in the response.

Table 4.2 Customer Satisfaction

Customer Satisfaction	SD f (%)	D f (%)	N f (%)	A f (%)	SA f (%)	MEAN	SD
I am satisfied with the overall service quality of the bank			17(4.5)	278(73.2)	85(22.4)	4.18	.487
It will take me too much time and cost to switch to a new bank		35(9.2)	104(27.4)	105(27.6)	136(35.8)	3.90	.996
I intend to continue doing business with the bank			18(4.7)	154(40.5)	208(54.7)	4.50	.588
Overall mean						4.19	.54

Source: Survey data, (2016)

The findings from Table 4.2 reveal that there was agreement with the overall service quality statements as indicated by the highest percentage of the respondents, (73.2%) with a mean of 4.18 affirming the results coupled with a low standard deviation (SD=.487) confirming very little variation in the responses from the respondents. The results also showed that most of the customers would continue doing business with the bank as revealed by a mean of 4.50 and highest percentage response of 54.7%. There was also very little variation in views on this response. Finally, it was found that a considerable time would be taken by the customers to switch to a new bank, as revealed by majority of the respondents 136(35.8%) who strongly agreed, with a mean of 3.90 and a standard deviation of .996 indicating some variations within the response. In general there was an agreement with customer satisfaction statements as shown by an overall mean of 4.19 and standard deviation of 0.54indicating small variations within the statements.

4.3Level of Service Quality provided by Commercial banks

The first objective of the study was to establish the level of service quality provided by listed commercial banks in Nairobi city, Kenya. To achieve this objective, Parasuraman*et al.,* (1988) SERVQUAL dimensions, that is; reliability, responsiveness, tangibility, assurance and empathy were used.

4.4.1 Tangibility

The physical aspect or evidence of services offered by the banks, referred to as tangibility was measured using various aspects. These included modern looking equipment in the banks, impression of physical facilities in the bank, neatness of the employees in the bank, and appearance of materials associated with the service at the bank. These aspects were also measured on a 5-point Likert-Scale, starting with strongly disagree being number 1 and 5 indicating strongly agree. The results were presented in Table 4.3 using frequency counts, percentages, means and standard deviations.

Table 4.3 Tangibility

Tangibility items	S D f (%)	D f (%)	N f (%)	A f (%)	SA f (%)	Mean	STD
The bank has modern looking equipment				223(58.7)	157(41.3)	4.41	.493
The physical facilities at the bank are visually appealing			51(13.4)	242(63.7)	87(22.9)	4.09	.596
Employees at the bank are neat appearing			18(4.7)	241(63.4)	121(31.8)	4.27	.541
Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.	17(4.5)		104(27.4)	138(36.3)	121(31.8)	3.96	.878

Source: Survey data, (2016)

There is a clear indication that banks have modern looking equipment as shown by the highest percentage of the respondents who agreed, 58.7% and second largest percentage who strongly agreed with the statement, 41.3% as shown in Table 4.3 above. The mean over the statement was (M=4.41) with a small standard deviation of 0.493 indicating that there was a total agreement over the statement without much variation. Studies carried out by Bellini *et al.*, (2005) revealed that the higher the customers appreciate the physical aspects, the higher the overall evaluation of service quality, a finding that is consistent with the present rating of the service quality in relation to the modern looking equipment. This also applies to the visually appealing physical facilities at the bank as rated by the highest percentage of the response (63.7%) who agreed and also using mean score (M=4.09), with small standard deviation of 0.596 indicating negligible variation among the response diversity. The findings also revealed a high score of employees' neatness with a mean of 4.27 and a high percentage approval of 63.7 by respondents who agreed and 31.8% who affirmed the agreement. This is an indication that in most of these banks, employees' presentation and overall impression is appealing thus could boost the tangibility of the services being offered. This is not only the case, but even the material associated with the service were also found to be visually appealing as rated by the findings with a slightly above average mean score on the Likert-Scale (M=3.96, SD=0.878) and small variance from the mean as indicated by its' root of the standard deviation. The higher the customers appreciate on the physical aspects, the higher the overall evaluation of service quality (Bellini *et al.*, 2005).

4.4.2 Reliability

Reliability dimension was determined by five aspects in the questionnaire. These were; the ability to timely accomplish the promise by the bank, sincere interest by the bank in solving an issue related to the customer, certainty of service performance by the bank at the first time, provision of the service by the bank at the time they promise to, and dealing with error free records. These aspects were also measured on a 5-point Likert-Scale, starting with strongly disagree being number 1 and 5 being strongly agree. The results were presented as shown in Table 4.4 using frequency counts, percentages, means and standard deviations.

Table 4.4 Reliability

Reliability	S D f (%)	D f (%)	N f (%)	A f (%)	SA f (%)	Mean	SD
When the bank promises to do something by a certain time, they do.		17(4.5)	86(22.6)	225(59.2)	52(13.7)	3.82	.72
When a customer has a problem, the bank will show sincere interest in solving it.		17(4.5)	69(18.2)	189(49.7)	105(27.6)	4.01	.80
The bank will perform the service right the first time.			52(13.7)	275(72.4)	53(13.9)	4.00	.53
The bank will provide the service at the time they promise to do so		17(4.5)	156(41.1)	173(45.5)	34(8.9)	3.59	.72
The bank will insist on error free records			51(13.4)	259(68.2)	70(18.4)	4.05	.56

Source: Survey data, (2016)

The highest percentage of the respondents (59.2%) reported that banks accomplish what they promise, and supported by 13.7% who strongly agreed on the same. A mean of 3.82 which was above the neutral point of 3.0 was obtained thus affirming that the bank promises are accomplished. It was also established that banks have a sincere interest in solving customer problems as indicated by the majority of the respondents who agreed, 189(49.7%) and 105(27.6%) who strongly agreed making an overall mean of 4.01 and a standard deviation of 0.80 to confirm the small variation that could not affect the findings. Table 4.4 further indicates that there was an agreement on the ability of the bank to respond to and perform the service right at the first time as reported by the highest percentage of the respondents, 275(72.4%) with a mean of 4.00 and standard deviation of .53. Results shows that banks have accuracy in the promises they make, as the respondents had a positive response on the question on whether banks will provide the service at the time they promise to do so. At least 173(45.5%) agreed on the statement, with a mean of 0.72, and finally, it was clear that banks insist on error free records as perceived by 68.2% of the respondents. These findings imply that there is reliability in the services that the banks provide thus making the services of high quality. Zeithamal (2006) also mentioned that reliability is the most important factor in banking services (Yang *et al.*,2003).The higher customers appreciate on reliability, the higher the overall evaluation of retail service quality (Ndubisi, 2006).

4.4.3 Responsiveness

Responsiveness was measured using various elements on a 5- point Likert scale starting with strongly disagree being number 1 and 5 to indicate strongly agree. These included; employees of the bank informing the customers exactly when service will be performed, giving prompt service to the customers by employees of the bank, availability of the employees of the bank to respond to customer's request. The findings are presented in Table 4.5 below.

Table 4.5 Responsiveness

Responsiveness	**SD f (%)**	**D f (%)**	**N f (%)**	**A f (%)**	**S A f (%)**	**M**	**SD**
Employees of the bank will tell customers exactly when services will be performed			52(13.7)	275(72.4)	53(13.9)	4.00	.526
Employees of the bank will give prompt service to customers		17(4.5)	69(18.2)	226(59.5)	68(17.9)	3.91	.730
Employees of the bank will never be too busy to respond to customers' requests		52(13.7)		225(59.2)	103(27.1)	4.00	.906

Source: Survey data, (2016)

The results in Table 4.5 indicate that the respondents' acknowledged the ability of employees of the bank to tell customers exactly when services will be performed, as revealed by the highest percentage of the respondents (72.4%) with a high mean of 4.00 and small standard deviation of .526. It is also clear that employees of the bank give a prompt service to the customers as reported by 59.5% of the respondents who agreed and 17.9% who strongly agreed making an overall mean of 3.91 on the statement. Finally, the results indicated that employees of the bank are never too busy to respond to customer's requests at a percentage of 225(59.2%) with a mean of 4.00, being further affirmation. These results imply the presence of responsiveness dimension in the banks thus an indication that they offer quality services. These studies are quite different from the findings by Sackey*et al.*, (2012) who carried out a study on the effects of service quality on customer satisfaction and established that when it comes to responsiveness, customer requests and complaints are not authorized and resolved on time enough by staff and managers of Barclays bank. Mengi (2009) found that responsiveness is positively related to service quality and customer satisfaction. It also involves understanding needs and wants of the customers, convenient operating hours, and individual attention given by the staff, attention to problems and customers safety in their transaction (Kumar *et al.*, 2009).

4.4.4 Assurance

Various statements were used in order to construct the entire measurement of assurance. Among these were whether the behaviour of the employees in the bank will instil confidence in customers, whether customers of the bank will feel safe in transactions, employees of the bank will be consistently courteous with customers, and whether employees of the bank will have the knowledge to answer customer questions. These aspects were also measured on a 5-point Likert-scale, starting with strongly disagree being number 1 and strongly agree being number 5. The findings were presented as shown in Table 4.6 using frequency counts, percentages, means and standard deviations.

Table 4.6 Assurance

Assurance	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
The behaviour of employees in the bank will instil confidence in customers			17(4.5)	242(63.7)	121(31.8)	4.27	.538
Customers of the bank will feel safe in transactions			35(9.2)	241(63.4)	104(27.4)	4.18	.578
Employees of the bank will be consistently courteous with customers		17(4.5)		226(59.5)	137(36.1)	4.27	.684
Employees of the bank will have the knowledge to answer customers questions		17(4.5)		190(50.0)	173(45.5)	4.37	.708

Source: Survey data, (2016)

The findings in Table 4.6 indicate that behaviours of employees in the bank have instilled confidence in the customers as reported by the highest percentage (63.7%) who agreed with the statement and (31.8%) who strongly agreed over the statement. The overall mean over the same statement was high as well (M=4.27) with a small standard deviation of 0.538 indicating that there was a total agreement over the statement without much variation in the feedback. The findings also revealed that customers of the bank will feel safe in transactions as indicated by the majority of the respondents 261(63.4%) who agreed with the statement. The second largest percentage of the respondents (27.4%) also strongly agreed and therefore it was clear that there was safety in transactions to customers. A mean of 4.18 confirmed this, with a standard deviation that reflected very small variation from the overall mean that was obtained (SD= 0.578). Furthermore, the findings revealed that the employees of the bank were consistently more courteous with the customers and had knowledge to answer customer questions as revealed by the highest percentage over the two statements 59.5% and 50.0% respectively. High means of 4.27 and 4.37 were obtained on the same respectively. This implies that customers were in agreement with the statements on the assurance dimension of service quality. Several studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Ndubisi, 2006; Lymperopoulos*et al.,* 2006).The higher customers appreciate personal interaction, the higher the overall evaluation of service quality.

4.4.5 Empathy

In order to establish the level of service quality provided by the banks using empathy, a number of factors pertaining to empathy were used. These included giving individual attention to customers, have operating hours convenient to customers, having employees who give customers individual attention, having customers interest at heart and finally understanding specific needs of the customers by employees of the bank. These aspects were also measured on a 5-point Likert-Scale, starting with strongly disagree being number 1 and strongly agree being number 5. The entire results were presented as shown in Table 4.7 using percentages, frequency counts, means and standard deviations.

Table 4.7 Empathy

<u>**Empathy**</u>	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Mean**	**SD**
The bank will give customers individual attention			69(18.2)	276(72.6)	35(9.2)	3.91	.516
The bank will have operating hours convenient to all their customers	35(9.2)	86(22.6)	104(27.4)	86(22.6)	69(18.2)	3.18	1.23
The bank will have employees who give customers personal attention.		17(4.5)	52(13.7)	277(72.9)	34(8.9)	3.86	.623
The bank will have their customers best interest at heart			88(23.2)	223(58.7)	69(18.2)	3.95	.642
The employees' of the bank will understand the specific need of their customers.		51(13.4)	105(27.6)	173(45.5)	51(13.4)	3.59	.88

Source: Survey data, (2016)

The findings of the study as shown in Table 4.7 indicate that the customers were in agreement on whether the bank will give customers individual attention as revealed by the highest percentage of the respondents (72.6%) and a mean of 3.91 high above the neutral point thus implying that the overall score on the statement confirmed an agreement on the individual attention given to customers by the banks. It was also found that the bank have operating hours that are convenient to all their customers as revealed by 22.6% and 18.2% of the respondents , even though there was a high variation (SD=1.23) on the statement almost leading to a neutral value as shown by a mean of 3.18 slightly above the neutral value. The findings further clearly indicate that the banks have employees who give customers personal attention as indicated by 72.9% of the respondents who agreed on the statement, thus making a mean of 3.86 on the same. The findings also revealed that the bank will have their customer's best interest at heart as revealed by 58.7% of the respondents, and finally, the employees of the bank were found to understand the specific need of their customers as reported by 45.5% of the respondents. These findings imply that customers were in agreement with the statements on empathy dimension of service quality. This dimension captures aspects of service quality that are directly influenced by service policy providers such as good customer service, convenience of parking and operating hours (Butcher,2001; Ndubisi, 2006; Ehigie, 2006).The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. The higher the level of empathy, the higher the overall evaluation of the service quality.The researcher therefore found it necessary to summarize the findings on the level of service quality provided by commercial banks. Means and standard deviations were therefore used to present the results using the five dimensions of service quality. The results are presented as shown in Table 4.8 below.

Table 4.8 Summary Results for the Level of Service Quality offered by Commercial Banks

Service Quality Dimensions	Mean	Std. Deviation
tangibility	4.2	.42
reliability	3.9	.43
responsiveness	4.0	.48
assurance	4.3	.46
empathy	3.7	.44
Overall service quality	4.00	0.32

Source: Survey data, (2016)

From the results in Table 4.8, it is clear that the highest service quality dimension was assurance with a mean of 4.3 and standard deviation of 0.46 an indication that this is one of the most important aspects of service that can be offered by the banks to the customers in order for the customers to build trust with the bank. The second in rating was tangibility which had a second highest mean score of 4.2 with a small standard deviation of 0.42 while the third dimension was responsiveness, which highly depends on the bank employee. Since it was high, it can be concluded that the bank employees were highly responsive to the needs of the customers thus encouraging them to continue banking. The second last dimension of the service quality was reliability, which had a mean of 3.9, and a standard deviation of 0.43, still very high, and the least level was empathy service quality with a mean of 3.7. The overall rating indicated that the level of service quality offered by commercial banks in Nairobi, Kenya was high (M = 4.00, SD = 0.32) in a scale of 1 to 5 in the likert scale. The results imply that commercial banks in Nairobi city, Kenya provide satisfactory levels of service quality to their customers.

The finding of the current study concurs with previousstudies by Auka (2012) and Onditi*et al.,* (2012) which revealed that there was a positive and significant relationship between levels of service quality and customer satisfaction. However, studies by Chepkwony*et al.,* (2012) and Negi (2009) are inconsistent with the current study. Chepkwony*et al.,* (2012) ignored the importance of using service quality dimensions as one of the variables in determining the level of service quality and customer satisfaction. The current study established that customers were in agreement with all the statements on service quality dimensions in regard to ascertaining the level of service quality provided by commercial banks. This confirms that the level of service quality provided by listed commercial banks in Nairobi City, Kenya is satisfactory.

4.4 Relationship between Service Quality and Customer Satisfaction

In order to achieve the second objective of the study, which was to determine the relationship between service quality and customer satisfaction, Pearson product moment correlation coefficient was carried out to determine whether a relationship existed between service quality and customer satisfaction. The approach aimed at answering this objective utilized a null hypothesis formulated in the study, which stated that "There is no significant relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya." This hypothesis was tested over all the five types of service quality dimensions and including the overall mean of service quality dimension and customer satisfaction. To start with, all the five service quality dimensions were correlated against customer's satisfaction and individual bi-variate correlations obtained. An overall mean was also obtained and correlated against customer satisfaction in order to make a conclusion about the hypothesis tested. All correlations were deemed significant at a set value of 0.05. The results are presented in Table 4.9.

Table 4.9 Relationship between Service Quality and Customer satisfaction of listed Commercial bank Customers in Nairobi City, Kenya

Service Quality		Customer Satisfaction
Tangibility service quality	Pearson Correlation	.407**
	Sig. (2-tailed)	.000
	N	380
Reliability service quality	Pearson Correlation	.145**
	Sig. (2-tailed)	.005
	N	380
Responsiveness service quality	Pearson Correlation	.266**
	Sig. (2-tailed)	.000
	N	380
Assurance service quality	Pearson Correlation	.519**
	Sig. (2-tailed)	.000
	N	380
Empathy service quality	Pearson Correlation	.396**
	Sig. (2-tailed)	.000
	N	380
Overall service quality	Pearson Correlation	.558**
	Sig. (2-tailed)	.000
	N	380

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Survey data, (2016)

Assurance had a moderate, positive correlation with customer satisfaction (r=0.519, p=.000). This implies that the assurance dimension of service quality is associated with high levels of customer satisfaction. The association between tangibility and customer satisfaction was (r=0.407, p=.000), which is a moderate, positive correlation. The association between empathy service quality dimension and customer satisfactionwas moderate and positive (r=0.396, p=.000). The two remaining correlations between responsiveness and reliability with customer satisfaction were weak. Therefore Pearson product moment correlation between responsiveness and customer satisfaction was weak and positive (r=0.266, p=.000) beingsimilar to reliability and customer satisfaction which was also weak and positive (r=0.145, p=.005). This implies that there was low level of responsiveness and reliability, but a slightly higher level of customer satisfaction thus leading to weak association among these variables. The results finally revealed that there was an overall moderate,positive correlation between overall service quality and customer satisfaction (r=0.558, p=.000) implying that high levels of service quality by commercial bankscan be associated with high levels of customer satisfaction. This led to the rejection of the null hypothesis and adoption of alternative hypothesis, which concluded that there is a positive significant relationship between overall service quality and customer's satisfaction thus the service quality offered by listed commercial banks of Nairobi city, Kenya is associated with customer satisfaction.

The results of this study are similar to a study by Auka*et al.*, (2013) who established that all the five service quality dimensions of tangibility, reliability, responsiveness, assurance and empathy have a positive and significant association with customer loyalty. However, the findings of the study are inconsistent with other studies.Agbor (2011) showed a distinct result for the relationship between service quality and customer satisfaction. In the case of ICA and Forex, there was a significant relationship between service quality and customer satisfaction while in the case of Umea University, there was no significant relationship. Ntongai*et al.*, (2015) established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction. Saghier and Demyana (2013) revealed that customer satisfaction is significantly affected by reliability, empathy, assurance and responsiveness and the effect of the dimension of tangibility does not have any significant impact on customer satisfaction.Anand*et al.,* (2012) found out that responsiveness, reliability and empathy significantly influence customer satisfaction leaving out assurance and tangibility. Chaniotakis and Lymperopoulos (2009) established that responsiveness, assurance, and tangibility had significant influence on satisfaction, while in the case of reliability and empathy significance was not confirmed. These studies have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have a significant and positive relationship with customer satisfaction. The current study revealed that there was a significant relationship between all the five SERVQUAL service quality dimensions and customer satisfaction indicating that service quality is associated positively to customer satisfaction of customers of listed commercial banks in Nairobi City, Kenya. The study findings contributes to existing knowledge thus can be used to improve the expectancy disconfirmation theory that guided the study.

4.5 Effect of Marketing mix Strategy on Customer Satisfaction of Listed Commercial Banks Customers in Nairobi City, Kenya

The third objective of the study was to analyse the effect of marketing mix strategy on customer satisfaction of listed commercial bank customers in Nairobi city, Kenya. In order to achieve this objective, the measurement of marketing mix strategy was first determined, followed by testing the hypothesis of the study. The elements of marketing mix strategy that were measured included bank products, pricing of the bank products, Promotional activities over the bank products, wide branch network that makes it easy to access bank products(distribution),Bank staff providing excellent service(people),Bank processes in delivering services are well defined thus do not delay service delivery and finally the banks' physical evidence .The researcher intended to establish if the marketing mix elements would influence the relationship between service quality and customer satisfaction. The results are presented in Table 4.10 using frequency counts, percentages, means and standard deviation on a 5- point Likert scale starting with 1 and 5 being strongly disagree and strongly agree respectively.

Table 4.10 Marketing Mix Strategy

Marketing mix Strategy	S D	D	N	A	S A	mean	STD
The bank has good products			68(17.9)	225(59.2)	87(22.9)	4.05	.638
Customers are satisfied with the Pricing of the bank Products		69(18.2)	138(36.3)	122(32.1)	51(13.4)	3.41	.936
The bank consistently carry out Promotional activities over its Products	17(4.5)	17(4.5)	106(27.9)	206(54.2)	34(8.9)	3.59	.884
The bank has a wide branch network thus easy to access its services (distribution).		51(13.4)	17(4.5)	225(59.2)	87(22.9)	3.92	.898
Bank staff provide excellent service(people)			35(9.2)	311(81.8)	34(8.9)	4.00	.427
Banks processes in delivering service are well defined and does not delay service delivery (Processes).			86(22.6)	243(63.9)	51(13.4)	3.91	.594
The banks service provision environment is appealing and well organized (Physical evidence).			17(4.5)	312(82.1)	51(13.4)	4.09	.414

Source: Survey data, (2016)

The results in Table 4.10 indicate that there was an approval of the respondents over the products that the banks offer as shown by the highest percentage of the respondents, (59.2%), and in addition, customers emerged to be satisfied with the pricing of the bank products as indicated by a percentage of 32.1% as shown in the table. The results also revealed that banks consistently carry out promotional activities over its products as reported by 54.2% of the respondents who agreed over the statement and 8.9 percent who reinforced by strongly agreeing on the statement. From the respondents' views, the bank has a wide branch network thus making it possible for customers to easily access its services as obtained from 59.2% of the respondents and bank staff also provides excellent service as reported by 81.8% in the table. A mean of 4.00 was obtained on the latter statement implying that staff of the bank offer excellent service, a finding that was almost collaborating with the bank physical environment which was found to be appealing and well organized by the customers indicated by 82.1% and a mean of 4.09 as shown in the table. A percentage of 63.9 established that bank processes in delivering services are well defined and does not delay service delivery. It implies that if commercial banks in Nairobi city, Kenyaconsistently put in place good marketing mix strategies, customersatisfaction will be enhanced.

In order to achieve the third objective of the study, the researcher tested a null hypothesis that;"There is no significant effect of marketing mix strategy on customer satisfaction of listed commercial banks customers in Nairobi city, Kenya" Pearson product moment correlation was used to correlate the scores of marketing mix strategy after obtaining the overall mean as the basic step. The second step involved using simple linear regression model to regress the scores of customer satisfaction on marketing mix strategy in order to find the overall percentage change in customer satisfaction explained by marketing mix strategy. The results for the correlation between marketing mix strategy and customer satisfaction are presented as shown in Table 4.11.

Table 4.11 Correlation between Marketing Mix Strategy and Customer Satisfaction

	customer satisfaction	Marketing mix strategy

Customer satisfaction	Pearson Correlation	1	.650**
	Sig. (2-tailed)		.000
	N	380	380
Marketing mix strategy	Pearson Correlation	.650**	1
	Sig. (2-tailed)	.000	
	N	380	380

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey data, (2016)

From the results in Table 4.11, Pearson product moment correlation revealed a strong positive significant correlation between marketing mix strategy and customer satisfaction (r=.650, p=.000). This implies that the high scores of marketing mix strategy were associated with the high scores of customer satisfaction of commercial bank customers, and therefore there was a high relationship between the two variables. After obtaining this relationship using Pearson product correlation coefficient, a simple linear regression model was used to test the hypothesis of the study. First, the model results were tested in order to assess the model null hypothesis before testing the research null hypothesis. The model null hypothesis of the regression model states that "none of the independent variables is associated with the dependent variable in the population", a constituent of F-statistics derived from F distribution, usually referred to as F-test. The model results are presented as shown in Table 4.12.

Table 4.12 Model Significance for the Influence of Marketing Mix Strategies on Customer Satisfaction

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	46.350	1	46.350	276.884	.000[b]

	Residual	63.276	378	.167	
	Total	109.626	379		

a. Dependent Variable: customer satisfaction

b. Predictors: (Constant), Marketing mix strategy

Source: Survey data, (2016)

From the results in Table 4.12, the model is found to be significant at 0.05 alpha level, F (1, 379) =276.884. This implies that the model null hypothesis is rejected and an alternative hypothesis adopted, indicating that the independent variable, in this case, marketing mix strategy is associated with customer satisfaction in the study population, and therefore the model is fit for testing the research hypothesis. Therefore the research hypothesis summary model results to assess whether marketing mix strategies influenced customer satisfaction were presented as shown in Table 4.13.

Table 4.13 Summary Model for the Percentage change in Customer Satisfaction Explained by Marketing Mix Strategies

Model	R	R^2	Adjusted R^2	Std. Error of Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.650[a]	.423	.421	.40914	.423	276.884	1	378	.000

a. Predictors: (Constant), Marketing mix strategy

b. Dependent Variable: customer satisfaction

Source: Survey data, (2016**)**

The results as shown in Table 4.13 indicate that there was a significant coefficient of determination (R^2=.423, p<=.000) which simply indicates the relationship between marketing mix strategies and customer satisfaction. After controlling for the effect of under-estimation or over-estimation of R^2 results, an adjusted R square value of 0.421 was obtained (Adjusted

R^2=0.421, P=.000), however, the R square value was multiplied by 100% in order to obtain the percentage change in customer satisfaction explained by marketing mix strategy, giving rise to 42.3% value. The results are very significant as shown by a significant value of 0.000, which is below the set alpha value of 0.05. The results imply that marketing mix strategy alone is able to explain 42.3% change in customer satisfaction. This means that marketing mix strategies initiated by commercial banks in Nairobi city, Kenya account for 42.3% of variance in customer satisfaction. Thus since marketing mix strategy has a significant effect on customer satisfaction, we reject the null hypothesis and adopt alternative hypothesis that there is a significant effect of marketing mix strategy on customer satisfaction. More results for the model coefficients were also presented in order to get the unique contribution of marketing mix strategy on customer satisfaction as shown in Table 4.14.

Table 4.14Estimated Regression Coefficients for the effect of Marketing Mix Strategy on Customer Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	.630	.215		2.926	.004			
	Marketing mix strategy	.925	.056	.650	16.64	.000	.650	.650	.650

a. Dependent Variable: Customer satisfaction

Source: Survey data, (2016)

From the results in Table 4.14, marketing mix strategy had a significant contribution on customer satisfaction (β=0.650, p=0.000). These results imply that when the means of both marketing mix strategy and customer satisfaction are standardized on the same scale and regressed, marketing mix strategy has a unique contribution on customer satisfaction. This beta value indicate the number of standard deviations that scores in customer satisfaction would change if there was a one standard deviation unit change in marketing mix strategy. Practically, it means when commercial banks continuously execute and implement marketing mix strategies, there will be an increase in customer satisfaction.

Findings of this study areinconsistentwith previous studies. Mohammad et al. (2015) found out that product, process physical evidence was significantly related to customer satisfaction while price, promotion, place and people are not significantly related. Ahmad et al. (2013) indicated that health service, promotion, physical evidence, process and personal strategies are significant while pricing and distribution are insignificant. Khan et al.(2014) established that price,promotion,people and physical evidence were found to be statistically significant with customer perception thus price, promotion, people and physical evidence have positive impact on perception of the customers whereas, product, place and process were found having no significant impact on customer perception. Mise et al. (2013) sought to investigate the determinants of brand loyalty in global FMCG markets of soft drinks consumers in Kenya and India. Among the key findings were that promotion was the strongest factor to brand loyalty among Kenyan soft drinks consumers while in India it was product quality. The study did not focus on the service industry and also did not address the role of all the seven elements of the marketing mix in determining brand loyalty. Aliata et al. (2012) examined the nature and influence of the relationship between the banks promotional strategies and its performance. The study results established that there was a positive relationship between promotional strategies and performance. The study only focussed on one element of the marketing mix strategy and study respondents did not include customers while the sample size was too small which may not be used for generalizability of the findings. These studies found that not all the 7ps marketing mix strategies have a positive and significant effect on customer satisfaction thus little is still known on the effects of marketing mix strategy on customer satisfaction. The current study established that marketing mix strategy has a positive effect on customer satisfaction. The study therefore contributes to existing knowledge and theory by providing a marketing mix model with the 7Ps that will be essential in enhancing customer satisfaction.

4.6 Moderating Effect of Marketing mix Strategy on the Relationship between Service Quality and Customer Satisfaction

The final objective of the study sought to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya. The first model tested whether service quality had an influence on customer satisfaction. Therefore a simple linear regression model was carried out to establish the effect of service quality on customer satisfaction. The model summary results are presented as shown in Table 4.15.

Table 4.15 Summary Model for the Percentage Change in Customer Satisfaction Explained by Service Quality

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.558[a]	.311	.309	.44696	.311	170.751	1	378	.000

a. Predictors: (Constant), overall service quality

Source: Survey data, (2016)

The results in Table 4.15 indicate that service quality explained 31.1% change in customer satisfaction [R square=.311, F (1, 378) =170.751, p=.000]. This implies that service quality accounts for 31.1% variance in customer satisfaction of commercial bank customers in Nairobi city, Kenya. The results for the contribution of service quality on customer satisfaction were also presented as shown in Table 4.16.

Table 4.16Estimated Regression Coefficients for the effect of Service Quality on Customer Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.802	.261		3.078	.002
	Overall service quality	.842	.064	.558	13.067	.000

a. Dependent Variable: Customer Satisfaction

Source: Survey data, (2016)

Table 4.16 coefficient results indicate that service quality contributes to customer satisfaction (β=.558, p=.000). This implies that in the absence of any other variable, one standard deviation in service quality would lead to 0.558 unit change in customer satisfaction. Thus it can be concluded that service quality has a significant influence on customer satisfaction meaning that as commercial banks enhances their service quality improvement initiatives, customer satisfaction will in turn increase. The study therefore sought as well to find out whether the model would explain a significant change in customer satisfaction when marketing mix strategy isentered into the model. The model summary results were presented as shown in Table 4.17.

Table 4.17Summary Results of the Effect of Marketing mix Strategy on the Relationship between Service Quality and Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.558[a]	.311	.309	.44696	.311	170.751	1	378	.000

2	.692[b]	.479	.476	.38930	.168	121.271	1	377	.000

a. Predictors: (Constant), Overall service quality

b. Predictors: (Constant), Overall service quality, Marketing mix strategy

Source: Survey data, (2016)

The model summary results as shown in Table 4.17 indicate that after entering the moderating variable (marketing mix strategy),the modelexplained 16.8% of the variation in customer satisfaction [R square change =.168, p=.000]. Even though marketing mix strategy was found to have an effect on the relationship between service quality and customer satisfaction, the interaction term, which is the cross-product between marketing mix strategy and service quality was not taken care of, in other words, the calculated shared variance.

Therefore the study sought to answer the final objective by use of the stated hypothesis that "The relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi city, Kenya is not moderated by marketing mix strategy". Hierarchical multiple regressionswere used to test the hypothesis using the scores of service quality, marketing mix strategy and customer satisfaction. Customer satisfaction was regressed on the two variables in steps. First service quality was entered into the model to establish its effect on customer satisfaction. Secondly, Marketing mix strategy was introduced to establish if the model would still explain a significant effect on customer satisfaction. The third model consisted of the interaction term which is the interaction between marketing mix strategy and service quality, (marketing mix strategy * service quality)toconfirm if marketing mix strategy moderates the relationship between service quality and customer satisfaction.The results for the summary model are presented as shown in Table 4.18.

Table 4.18 Summary Model Results for the Moderating Effect of Marketing mix Strategy on the Relationship between Service Quality and Customer Satisfaction.

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.558[a]	.311	.309	.44696	.311	170.751	1	378	.000
2	.692[b]	.479	.476	.38930	.168	121.271	1	377	.000
3	.697[c]	.486	.482	.38704	.007	5.417	1	376	.020

a. Predictors: (Constant), Overall service quality
b. Predictors: (Constant), Overall service quality, Marketing mix strategy
c. Predictors: (Constant), Overall service quality, Marketing mix strategy, Interaction term

Source: Survey data, (2016)

From the findings shown in Table 4.18, service quality contributed significantly to the model and accounted for 31.1% variation in customer satisfaction [R Square=.311, F (1,378) =170.751, P=.000]. Marketing mix strategy was then introduced and the model was found to explain 16.8% of variation in customer satisfaction, [R square change=.168, F (1, 377) =121.271, p=.000]. The final model (model 3) in the regression results was obtained after introducing the interaction term which is the interaction between marketing mix strategy and service quality, (marketing mix strategy * service quality). The model as a whole explained 0.7%variation in customer satisfaction,[R square change=.007, F (1,376) =5.417, p=.020].The variance though small confirms moderation. Power to detect interaction effects is often low because of the small effect sizes observed in social science research (Aiken and West, 1991).These findings implied that there was a significant moderation effect of marketing mix strategy on the relationship between service quality and customer satisfaction. Therefore we reject the null hypothesis and adopt the alternative hypothesis that the moderating variable (marketing mix strategy) has a significant effect on the relationship between service quality and customer satisfaction of listed commercial banks customers in Nairobi City, Kenya. It implies that commercial banks can enhance customer satisfaction by executing marketing mix strategies in addition to the existing service quality initiatives.

The model significance was therefore assessed whereby ANOVA results were presented as shown in Table 4.19

Table 4.19 Model Significance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.111	1	34.111	170.751	.000[a]
	Residual	75.514	378	.200		
	Total	109.626	379			
2	Regression	52.490	2	26.245	173.175	.000[b]
	Residual	57.135	377	.152		
	Total	109.626	379			
3	Regression	53.302	3	17.767	118.609	.000[c]
	Residual	56.324	376	.150		
	Total	109.626	379			

a. Predictors: (Constant), Overall service quality

b. Predictors: (Constant), Overall service quality, Marketing mix strategy

c. Predictors: (Constant), Overall service quality, Marketing mix strategy, Interaction term

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2	Regression	52.490	2	26.245	173.175	.000[b]
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	Total	109.626	379			
3	Regression	53.302	3	17.767	118.609	.000[c]
	Residual	56.324	376	.150		
	Total	109.626	379			

a. Predictors: (Constant), Overall service quality

b. Predictors: (Constant), Overall service quality, Marketing mix strategy

c. Predictors: (Constant), Overall service quality, Marketing mix strategy, Interaction term

d. Dependent Variable: Customer Satisfaction

Source: Survey data, (2016)

The model significant results revealed that the model is significant for all the three models as indicated by the F-test and all the significance results in Table 4.19 above. The study preceded with the presentation of the model coefficient results as shown in Table 4.20.

Table 4.20Estimated Regression Coefficients for variables in the effect of Marketing Mix Strategy on the Relationship between Service Quality and Customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.802	.261		3.078	.002
	Overall service quality	.842	.064	.558	13.067	.000
2	(Constant)	.235	.246		.955	.040
	Overall service quality	.430	.067	.285	6.365	.000
	Marketing mix strategy	.701	.064	.492	11.012	.000
3	(Constant)	1.200	.481		2.493	.013
	Overall service quality	.653	.117	.432	5.581	.000
	Marketing mix strategy	1.020	.151	.717	6.751	.000
	Interaction term	.075	.032	.341	2.327	.020

a. Dependent Variable: customer satisfaction

Source: Survey data, (2016)

To compare the different variables, it is important that you look at the standardised coefficients, not the unstandardized ones. 'Standardised' means that these values for each of the different variables have been converted to the same scale so that you can compare them. If you were interested in constructing a regression equation, you would use unstandardized coefficient values. Standardised beta values indicate the number of standard deviation that scores in the dependent variable would change if there was one standard deviation unit change in the predictor (Palant, 2005).

Table 4.20 results indicate that in the absence of the independent variable which is service quality, unobserved factors are likely to lead to customer satisfaction increasing by 0.802 units as indicated by a constant value that was significant.When the first variable (service quality was entered into the model, it had an influence on customer satisfaction (β=.558, p=.000). In model 2, marketing mix strategy was entered into the model, andthe effect on customer satisfaction was significant (β=.492, p=.000). Finally the interaction term, which is the interaction between marketing mix strategy and service quality, (marketing mix strategy * service quality) was introduced into the model andthe main effect on customer satisfaction was as well significant, (β=.341, p=.020). This means that as marketing mix strategy increases by one unit, the satisfaction level of customers' increases by 0.341. It implies that the moderating variable which is marketing mix strategy has an effect on the relationship between service quality and customer satisfaction thus when commercial banks continuously execute and implement marketing mix strategies in addition to the existing service quality initiatives, there will be an increase in customer satisfaction.

Many moderation/mediation studies have used other moderators/mediators rather than marketing mix strategy in the relationship between service quality and customer satisfaction.Murshid*et al.*, (2014) carried out a study to examine the mediation effect of perceived value on marketing mix strategy and physical satisfaction with locally manufactured drug in Yemin. The results of the study also indicated that perceived value partially mediates the relationship between marketing mix strategy and physician satisfaction. As a result, the strength of the marketing mix strategy, physician satisfaction relationship becomes weaker when perceived value is considered. Osman and Sentosa (2014) carried a studyto establish understanding of a mediating effect of customer satisfaction on service quality and customer loyalty relationship in Malaysian commercial banking industry. The findings revealed that the relationship between customer satisfaction and profitability may reside in customer satisfaction's influence on customer loyalty, and the customer plays a crucial role within the Malaysian commercial banking industry.Nai and Shu (2008) examined the moderating effect of alternative differentiation on the quality/satisfaction relationship. The results indicated that the relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives. Ntongai*et al.*, (2015) conducted a study on the analysis of the moderating role of service failure on the relationship between service quality and customer satisfaction in the Kenya's mobile phone sector and established that service failure negatively moderated the relationship at $\beta = -0.662$, $p<0.05$.Ranaweera and Nely (2003) conducted a study on some moderating effects on the service quality – customer retention link. They presented a holistic model of customer retention incorporating service quality perceptions, price perceptions, customer indifference and inertia. Data from a large scale postal survey of telephone users in England showed that perceptions of service quality have a direct linear relationship with customer retention even in mass services with low customer contact. Price perceptions and customer indifference too were found to have a direct linear effect on retention. Furthermore, it was also seen how both price perceptions and customer indifference moderated the relationship between service quality perceptions and customer retention.

Previous studies on the relationship between marketing mix strategy and customer satisfaction used marketing mix strategy as an independent variable (Mohammad *et al.,* 2015; Levesques*et al.,* 1996; Ahmad *et al.,* 2013; Akroush, 2011; Khan *et al.,* 2014; Rezky*et al.,* 2012) as opposed to a moderating variable. No study has been conducted to assess the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction. The current study contributes to existing theories in that it satisfies a cardinal aim of theory based quantitative research, thatis to elucidate robust theoretical and conceptual foundations (Bisbe*et al.,*).In this respect, the study presents a plausible explanation for the hitherto enigmatic relationship between service quality and customer satisfaction. Specifically, marketing mix strategy appears to moderate the link between service quality and customer satisfaction. The pivotal contribution in this regard is that not only a relationship between service quality and customer satisfaction is established; how this relationship is moderated by marketing mix strategy is also considered. In this manner, this study contributes towards validation and upgrade of the existing theory. The study therefore provides a marketing mix strategy model that can be used in enhancing the relationship between service quality and customer satisfaction.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter is organized into six sections that include introduction; summary of the findings, conclusion, recommendations, limitations and suggestions for further research. The main objective of this study was to analyse the effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya. The specific objectives of the study were to; establish the level of service quality provided by commercial banks, determine the relationship between service quality and customer satisfaction, analyze the effect of marketing mix strategy on customer satisfaction of commercial banks customers and to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of listed commercial bank customers in Nairobi city, Kenya.

5.1 Summary of the Findings

Research objective one sought to establish the level of service quality provided by commercial banks. The five SERVQUAL service quality dimensions were measured to construct the overall service quality. These were: tangibility, reliability, responsiveness, assurance and empathy. The study established that assurance was the most prevalent in determining service quality provided by commercial banks followed by tangibility,responsiveness, reliability andfinally empathy service quality dimension.The overall rating indicated that there was an agreement that service quality offered by commercial banks in Nairobi, Kenya is satisfactory.

Research objective two sought todetermine the relationship between service quality and customer satisfaction.Pearson product moment correlation was used to determine the relationship between the five dimensions of service quality and customer satisfaction. The findings indicated that the strongest significant association existed between assurance and customer satisfaction followed by tangibility and customer satisfaction, empathy and customer satisfaction, responsiveness and customer satisfaction and finally the least was between reliability and customer satisfaction.The study revealed that there was a significant relationship between all the five SERVQUAL service quality dimensions and customer satisfaction indicating that service quality is associated positively to customer satisfaction of customers of listed commercial banks in Nairobi City, Kenya.

Research objective three sought to analyze the effect of marketing mix strategy on customer satisfaction. Using simple linear regression model, the findings indicated that Marketing mix strategy had a strong significant influence on customer satisfaction. The findings indicated that marketing mix strategy explained some change in customer satisfaction and had a significant contribution on customer satisfaction such that a decrease in executing marketing mix strategy would lead to a decrease in customer satisfaction.

Research objective four sought to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction. Using hierarchical regression model, the study found that moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction is statistically significant.

5.2 Conclusions

Four conclusions were made based on the objectives of the study. On objective one, the study sought to establish the level of service quality provided by commercial banks thus concludes that out of the five service quality dimensions, assurance was the most prevalent in determining service quality while empathy was less prevalent. Therefore more needs to be done to improve the empathy dimension of service quality because it is an important dimension in ensuring good service quality levels.

On objective two which sought to determine the relationship between service quality and customer satisfaction, the study concludes that there is a significant positive relationship between service quality and customer satisfaction. However, the relationship between the reliability service quality dimension and customer satisfaction and responsiveness and customer satisfaction was significant but weak. The study revealed that there was a significant relationship between all the five SERVQUAL service quality dimensions and customer satisfaction indicating that service quality is associated positively to customer satisfaction of customers of listed commercial banks in Nairobi City, Kenya.

The third objective sought to analyze the effect of marketing mix strategy on customer satisfaction. The study established that marketing mix strategy had a very strong effect on customer satisfaction, and therefore concludes that marketing mix strategy is a very important determinant of customer satisfaction.

From the final objective which sought to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of commercial bank customers,the study established that marketing mix strategy significantly moderated the relationship between service quality and customer satisfaction.Thisimplies that as execution of marketing mix strategy programs increases, in addition to the existing service quality initiatives, the satisfaction level of customers' increases thus marketing mix strategy influences customer satisfaction positively. The study concludes that the marketing mix strategy moderates the relationship between service quality and customer satisfaction.The present study therefore contributes to existing knowledge by providing a marketing mix strategy model to be used in enhancing the relationship between service quality and customer satisfaction.

5.3 Recommendations of the Study

Regarding the first objective which sought to establish the level of service quality provided by commercial banks, the aspects related to empathy construct of service quality dimension should be improved. To achieve this, the bank management should ensure that bank staff have the interest of customers at heart and at all times customers should be given priority. Assurance is key in ensuring high levels of service quality thus the bank management should endeavour to have the aspects related to it achieved at all times.

The second objective sought to determine the relationship between service quality and customer satisfaction. Banks provide good service quality which influences customer satisfaction; however, due to the moderate and significant effect that is reflected between service quality and customer satisfaction, more should be done on service quality in order to reap maximum benefit for the long term achievement of customer satisfaction. The bank management should invest in service quality initiatives like training staff on service quality dimensions with a major emphasis on responsiveness and reliability dimensions while ensuring that aspects related to assurance dimension are attained and retained. Banks should also invest in good systems including new technology and other aspects that will ensure great service quality is delivered and maintained. The bank management should initiate a customer satisfaction driven culture. Bank staff should always be reminded that customer is king and must be served to his satisfaction.

The third objective sought to analyze the effect of marketing mix strategy on customer satisfaction of commercial banks customers. The study recommends that commercial banks should prioritize marketing mix strategy and its effect on customer satisfaction due to its high relationship with customer satisfaction. The bank management should invest more on marketing mix strategy programs and should continuously execute the strategies to ensure a high level of customer satisfaction is maintained.

Finally, based on the fourth objective which sought to investigate the moderating effect of marketing mix strategy on the relationship between service quality and customer satisfaction of commercial bank customers, the bank management should enhance the relationship between service quality and customer satisfaction through proper blending, modification and alignment of marketing mix strategies which have a significant influence on this relationship.

5.4 Limitations of the Study

The study restricted itself to the SERVQUAL service quality dimensions; this may have limited the researcher from exploring other aspects like relationship marketing that could have been used to explain service quality. New innovations in service quality especially in terms of technological changes were rarely captured. The study was conducted in Nairobi thus limited in location.

5.5 Suggestion for Further Studies

The following suggestions are made for future studies. First, a study can be carried out on other financial institutions like insurance firms, Sacco's and micro finance institutions. Still; studies can be carried out in other service industry firms like the hotel and the airline industry. Second, future studies should incorporate all the 43 commercial banks and not only the commercial banks listed on the NSE. Thirdly, studies can be carried in other parts of the country apart from Nairobi. Fourth, future studies can focus on specific customer categories and not all the three including retail, business and corporate. Fifth, future studies may consider having service quality as a moderator in the relationship between marketing mix strategy and customer satisfaction. Sixth, Future researchers may try to interrogate the effect of some specific elements of the marketing mix strategy like product or price on customer satisfaction as compared to looking at the marketing mix strategy as a whole.

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APPENDICES

Appendix I: Letter of introduction

MASENO UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Office of the Dean

Private Bag, MASENO, KENYA
Tel:(057)351 22/351008/351011
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Our Ref: PG/PHD/00060/2012

Date: 19th July, 2016

TO WHOM IT MAY CONCERN

RE: PROPOSAL APPROVAL FOR ALIATA VICTOR LUSALA — PG/PHD/00060/2012

The above named is registered in the Doctor of Philosophy programme, in the School of Business and Economics, Maseno University. This is to confirm that his research proposal titled "Effect of Marketing Mix Strategy on the Relationship between Service Quality and Customer Satisfaction of Commercial Bank Customers,Nairobi,Kenya" has been approved for conduct of research subject to obtaining all other permissions/clearances that may be required beforehand.

Prof. P.O. Owuor
DEAN, SCHOOL OF GRADUATE STUDIES

MASENO UNIVERSITY
DIRECTOR
22 JUL 2016
SCHOOL OF GRADUATE STUDIES

Maseno University *ISO 9001:2008 Certified*

Appendix II: Research Instrument

This questionnaire has been developed to collect data required for a PhD degree study titled: *Effect of marketing mix strategy on the relationship between service quality and customer satisfaction of commercial bank retail customers in Nairobi, Kenya.*

Please complete the questionnaire form to aid the study. The data is required for academic purpose only and will be treated with strict confidentiality. Your cooperation will be highly appreciated.

A. General Information.

Please tick where applicable.

1. Bank Name..

2. Customer category: Retail/Personal [ ]   Business [ ]   Corporate [ ]

8. Do you hold an account with the bank? Yes [ ]   No [ ]

4. Gender: Male [ ]   Female [ ]

5. Educational Level; Primary [ ]   Secondary [ ]   Tertiary [ ]

6. Occupation: Student [ ]   Employed [ ]   Unemployed [ ]

7. Frequency of using this bank

   Daily []   Once to Thrice a week []   Once a month []

   Once in two weeks [ ]   Once in 3 weeks [ ]

B. Service Quality Dimensions, Marketing Mix Strategy and Customer Satisfaction

Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 – 5.

1- Strongly disagree
2- Disagree
3- Neutral
4- Agree
5- Strongly Agree

NO.	ITEMS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<u>Service quality dimensions</u> **<u>Tangibility</u>**					
8	The bank has modern looking equipment					
9	The physical facilities at the bank are visually appealing					
10	Employees at the bank are neat appearing					
11	Materials associated with the service (such as pamphlets or statements) are visually appealing at the bank.					
	<u>Reliability</u>					
12	When the bank promises to do something by a certain time, they do.					
13	When a customer has a problem, the bank will show sincere interest in solving it.					
14	The bank will perform the service right the first time.					
15	The bank will provide the service at the time they promise to do so					
16	The bank will insist on error free records					
	<u>Responsiveness</u>					
17	Employees of the bank will tell customers exactly when services will be performed					

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
18	Employees of the bank will give prompt service to customers					
19	Employees of the bank will never be too busy to respond to customers' requests					
	Assurance					
20	The behaviour of employees in the bank will instil confidence in customers					
21	Customers of the bank will feel safe in transactions					
22	Employees of the bank will be consistently courteous with customers					
23	Employees of the bank will have the knowledge to answer customers questions					
	Empathy					
24	The bank will give customers individual attention					
25	The bank will have operating hours convenient to all their customers					
26	The bank will have employees who give customers personal attention.					
27	The bank will have their customers best interest at heart					
28	The employees' of the bank will understand the specific need of					

	their customers.					
		Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
	<u>Marketing mix Strategy</u>					
29	The bank has good products.					
30	Customers are satisfied with the Pricing of the banks Products.					
31	The bank consistently carries out Promotional activities over its Products.					
32	The bank has a wide branch network thus easy to access its services.					
33	Bank staff provides excellent service (People).					
34	Bank processes in delivering service are well defined and does not delay service delivery (Processes).					
35	The banks service provision environment is appealing and well organised (Physical evidence).					
	<u>Customer Satisfaction</u>	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
36	I am satisfied with the overall service quality of the bank (Loyalty)					
37	It will take me too much time and cost to switch to a new bank (Retention)					
38	I intend to continue doing					

	business with the bank (Repurchase intention)					

No	Bank Name	Country	CSI

C. Comments or additional information

Please use the space below for any comment or additional information.

....

....

THANK YOU – VICTOR LUSALA ALIATA- STUDENT.

Appendix III: Commercial Banks listed on the NSE Kenya

1	KCB
2	Equity Bank
3	Co-operative Bank
4	Standard Chartered Bank
5	Barclays Bank
6	CFC Stanbic Bank
7	NIC Bank Ltd
8	Diamond Trust Bank
9	I & M Bank
10	NBK
11	Housing Finance

AppendixIV: Banking Customer Satisfaction Survey

1	Diamond Trust Bank Kenya	Kenya	74.4%
2	Standard Chartered Bank	Kenya	73.8%
3	Co-operative Bank of Kenya	Kenya	73.7%
4	FBME Bank (T) Ltd	Tanzania	72.8%
5	Barclays Bank	Kenya	71.4%
6	CFC Stanbic Bank	Kenya	70.9%
7	Centenary Rural Development Bank	Uganda	67.8%
8	National Microfinance Bank PLC	Tanzania	67.6%
9	Stanbic Bank Tanzania	Tanzania	67.0%
10	CRDB Bank PLC	Tanzania	66.8%
11	Bank of Kigali	Rwanda	65.9%
12	Exim Bank	Tanzania	65.4%
13	Cairo International Bank	Uganda	65.0%
14	Standard Chartered Bank	Uganda	64.4%
15	NC Bank Uganda	Uganda	63.9%
16	Crane Bank	Uganda	63.7%
17	I&M Bank	Rwanda	61.9%
18	Development (BRD)	Rwanda	59.8%

19	CompagnieGénérale de Banque	Rwanda	56.7%
20	Ecobank	Rwanda	55.9%
		Average	66.44

Top 20 banks in Customer Satisfaction in East Africa 2014

Country Averages:

Kenya – 62.4% (39 participating banks)

Uganda – 57.4% (26 participating banks)

Tanzania – 58.6% (38 participating banks)

Rwanda – 55.2% (13 participating banks)

Source: Infotrak Research & Consulting, (2014)

Banking Customer Satisfaction Survey 2015

	BANK NAME	
1.	STANCHART	77.1%
2.	CFC STANBIC	76.0%
3.	EQUITY	74.4%
4.	BARCLAYS	73.8%
5.	KCB	72.3%
6.	CBA	71.7%
7.	CO-OP BANK	70.5%
8.	DEVELOPMENT BANK	70.5%
9.	NIC	70.2%
10.	BANK OF BARODA	70.0%
11.	IMPERIAL BANK LTD	68.2%
12.	BANK OF AFRICA	67.4%
13.	CHASE BANK LTD	66.5%
14.	FAMILY BANK LTD	66.5%
15.	GULF AFRICAN BANK	66.0%
16.	PRIME BANK LTD	65.7%
17.	DIAMOND TRUST BANK KENYA LTD	64.3%
18.	I & M BANK	64.0%
19.	BANK OF INDIA	63.9%
20.	NATIONAL BANK OF KENYA LTD	63.5%

21.	GIRO COMMERCIAL BANK LTD	63.3%
22.	HOUSING FINANCE CO-OPERATION	62.2%
23.	ECO BANK	61.7%
24.	FIRST COMMUNITY BANK	60.8%
25.	EQUATORIAL COMMERCIAL BANK LT	60.8%
26.	PARAMOUNT UNIVERSAL BANK	59.3%
27.	AFRICAN BANKING COOPORATION	59.2%
28.	CONSOLIDATED BANK OF KENYA	59.0%
29.	VICTORIA COMMERCIAL BANK	58.7%
30.	GUARANTY TRUST (FINA) BANK	58.5%
31.	FIDELITY COMMERCIAL BANK	58.5%
32.	TRANS NATIONAL	57.7%
33.	MIDDLE EAST BANK OF KENYA	57.0%
34.	GURDIAN BANK LTD	57.0%
35.	REMU MICROFINANCE	54.8%
36.	HABIB BANK LTD	53.5%
37.	ORIENTAL COMMERCIAL BANK	53.3%
38.	CENTURY MICROFINANCE	53.0%
39.	K-REP BANK LTD	52.5%
40.	DUBAI BANK LTD	52.1%
41.	JAMII BORA BANK	51.6%

42.	CREDIT BANK LTD	51.3%
43.	FAULU MICROFINANCE	51.0%
	Average	60.4%

Source: Infotrak Research & Consulting, (2015)

No.	BANKING INSTITUTIONS	SATISFACTION - 2011 (%)
1	Barclays	60
2	KCB	60
3	Co-operative Bank	58
4	Equity Bank	55
5	Cfc Stanbic bank	74
6	Eco Bank	71
7	NIC	71
8	Standard Chartered Bank	67
9	I & M Bank	65
10	Commercial Bank of Africa	62
11	Prime Bank	62
12	Family Bank	62
13	Consolidated Bank	58
14	DTB	58
15	National Bank	46
16	Bank of Africa	83
17	Credit Bank	81
18	First Community Bank	81

19	Oriental Bank	81
20	ABC Bank	77
21	Housing Finance	72
22	Giro Bank	69
23	Guardian Bank	69
24	Transnational Bank	69
25	City Bank	64
	AVERAGE	**67**

Source: Infotrak Research & Consulting, (2011)

No.	**BANKING INSTITUTIONS**	**SATISFACTION - 2012 (%)**
1	Bank of Africa	88.4
2	NIC Bank	88.0
3	Chase Bank Kenya	87.8
4	Standard Chartered Bank	86.9
5	Prime Bank Kenya	85.0
6	I & M Bank	84.6
7	ABC Bank	83.8
8	Bank of Baroda	83.6
9	Eco Bank	83.5
10	Kenya Commercial Bank	82.3
11	K-Rep Bank	81.9
12	National Bank of Kenya	81.9
13	Commercial Bank of Africa	81.6
14	Barclays	81.4

15	Diamond Trust Bank	81.1
16	Family Bank	80.9
17	Co-operative Bank	80.8
18	Equity Bank	79.8
19	CFC Stanbic	76.9
20	Giro Bank	76.5
	AVERAGE	**83**

Source: Infotrak Research & Consulting, (2012)

No.	**BANKING INSTITUTIONS**	**SATISFACTION - 2013 (%)**
1	CFC Stanbic Bank	74.5
2	Diamond Trust Bank	72.8
3	Kenya Commercial Bank (KCB)	72.3
4	Barclays Bank of Kenya	70.6
5	Standard Chartered Bank	69.1
6	Chase Bank	67.9
7	NIC Bank	67.8
8	Commercial Bank of Africa	66.2
9	Consolidated Bank	66.2
10	Cooperative Bank of Kenya	64.2
11	Paramount Universal Bank	63.8
12	Equity Bank	63.7
13	ABC Bank	62.3
14	Bank of Africa	61.2

15	Ecobank	60.5
16	National Bank of Kenya	60.3
17	Prime Bank	59.6
18	Family Bank	59.5
19	Bank of India	59.1
20	Jamii Bora Bank	58.9
21	Gulf African Bank	58.1
22	Trans national bank	57.8
23	Housing Finance	57.2
24	I & M Bank	56.8
25	K-Rep Bank	56.8
26	Bank of Baroda	53.6
27	Fina Bank	57
28	Imperial Bank	56.5
29	Giro Commercial Bank	55.5
30	Equitorial Commercial Bank	54.1
31	Oriental Commercial Bank	53.8
32	UBA Kenya Bank	53.6
33	Fidelity Commercial Bank	53.6
34	Habib Bank Ltd	52.7
35	First Community Bank	52.7
36	Guardian Bank	51.5
	AVERAGE	**61**

Source: Infotrak Research & Consulting, (2013)

Appendix V: Descriptive Statistics Data

Descriptive Statistics					
Tangibility	**N**	**Min**	**Max**	**Mean**	**Std. Dev.**
The bank has modern looking equipment	380	4	5	4.41	.493
The physical abilities at the bank are visually appealing	380	3	5	4.09	.596
Employees at the bank are appearing	380	3	5	4.27	.541
Materials associated with the service (such as	380	2	5	3.96	.878
Reliability					
When the bank promises to do something by a certain time, they do.	380	2	5	3.82	.715
When a customer has a problem, the bank will show sincere interest in solving it.	380	2	5	4.01	.799
The bank will perform the service right the first time.	380	3	5	4.00	.526
The bank will provide the service at the time they promise to do so	380	2	5	3.59	.715
The bank will insist on error free records	380	3	5	4.05	.563
Responsiveness					
Employees of the bank will tell customers exactly when services will be performed	380	3	5	4.00	.526
Employees of the bank will give prompt service to customers	380	2	5	3.91	.730
Employees of the bank will never be too busy to respond to customers' requests	380	2	5	4.00	.906
Assurance					
The behaviour of employees in the bank will instil confidence in customers	380	3	5	4.27	.538
Customers of the bank will feel safe in transactions	380	3	5	4.18	.578
Employees of the bank will be consistently courteous with customers	380	2	5	4.27	.684
Employees of the bank will have the knowledge to answer customers questions	380	2	5	4.37	.708
Empathy					
The bank will give customers individual attention	380	3	5	3.91	.516
The bank will have operating hours convenient to all their customers	380	1	5	3.18	1.233
The bank will have employees who give customers personal attention.	380	2	5	3.86	.623
The bank will have their customers best interest at heart	380	3	5	3.95	.642
The employees' of the bank will understand the specific need of their customers.	380	2	5	3.59	.884
Marketing Mix Strategy					
The bank has good products	380	3	5	4.05	.638
Customers are satisfied with the Pricing of the banks Products	380	2	5	3.41	.936
The bank consistently carry out Promotional activities over its Products	380	1	5	3.59	.884
The bank has a wide branch network thus easy to access its services.	380	2	5	3.92	.898
Bank staff provide excellent service (People).	380	3	5	4.00	.427
Banks processes in delivering service are well defined and do not delay service delivery (Processes).	380	3	5	3.91	.594
The banks service provision environment is appealing and well organised (Physical evidence).	380	3	5	4.09	.414
Customer Satisfaction					
I am satisfied with the overall service quality of the bank	380	3	5	4.18	.487
It will take me too much time and cost to switch to a new bank	380	2	5	3.90	.996
I intend to continue doing business with the bank	380	3	5	4.50	.588
Overall means					
Tangibility service quality	380	3.75	5.00	4.1836	.42205

Reliability service quality	380	3.00	4.80	3.8937	.42959
Responsiveness service quality	380	3.00	4.67	3.9693	.48179
Assurance service quality	380	3.00	5.00	4.2730	.45615
Empathy service quality	380	2.40	4.40	3.6984	.44079
Marketing mix strategy	380	3.00	4.57	3.8508	.37791
Customer satisfaction	380	3.33	5.00	4.1930	.53782