



Analysis of Drivers of Customer Satisfaction to inform Customer Centricity: Banking Sector Perspectives

Executive Summary

The banking sector faces unprecedented challenges due to rapid market changes, including intensified competition from alternative financial services and evolving customer expectations. In response to these threats coupled with the issuance of the Kenya Banking Sector Charter in 2019 catalysed, the commercial banks have continued to shift toward a more customer-centric banking sector in Kenya. This shift, while it's geared towards enhancing customer satisfaction, it is directly linked to higher profitability and market share. Using Kenya Bankers Association customer survey data, the analysis reveals that there are changing customer preferences, with emphasis on digital banking while valuing human-assisted services. However, timely complaint resolution remains a challenge in the industry. Moreover, the satisfaction level of bank customers was found to be influenced by the age, gender and the disability status of the bank customer. As such, the study recommends prioritizing efficient complaint resolution, tailored product development, improved customer interaction channels, and enhanced accessibility for persons with disabilities.

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1. Context and Importance

The banking sector faces unprecedented challenges, on account of the rapid changes in the markets, some of which arise from the intense competition from alternative financial services and evolving customer expectations. Moreover, the multiple alternative financial services and ease of switching has provided customers with more powers and consequently, greater influence over their relationships with banks. Simultaneously, global regulatory changes mandate transparent communication and control over fees and leverage, reshaping the banking landscape (Figure 1).

Figure 1: Drivers of banks shifting to more customer centric strategies



Source: Authors illustration

The shift towards a more customer-centric banking sector in Kenya, catalyzed by the issuance of the Kenya Banking Sector Charter by the Central Bank of Kenya in February 2019, has led to a redefinition of the banking landscape. This charter emphasizes four fundamental pillars, including the adoption of customer-centric business models by banks and the implementation of Risk-based credit pricing models, alongside enhancing transparency, information disclosure, and fostering an ethical culture within banks.

This shift, while prioritizing customer satisfaction, is not solely an end in itself. Commercial banks perceive it as having direct economic implications, leading to higher profitability and increased market share. As a result, the commercial

banks gauge customer satisfaction as the primary criterion for evaluating their market relationships, utilizing it as a benchmark for service quality and the effectiveness of their service delivery process, ultimately striving to offer excellent customer service. In line with this, the policy brief underscores the significance of bolstering complaints handling strategies and tailoring product development to further enhance customer-centric practices within the banking sector.

2. Methods and results

The study utilized survey data obtained from the Kenya Bankers Association (KBA) Customer Satisfaction annual Surveys conducted between 2020 and 2022. The analysis focused on examining the factors influencing customer satisfaction from three distinct viewpoints: Bank specific attributes (BSA), customer specific attributes (CSA), and Customer preferences (BCP).

The results indicate that there is a notable shift in the banking landscape, with a transformation in customer interaction and service preferences becoming increasingly evident. This evolution is characterized by a notable shift towards digital channels, particularly mobile banking, alongside a significant portion of customers favoring self-service options.

However, a substantial segment still values human-assisted services, emphasizing the need for a balanced approach. Furthermore, banks have made strides in inclusive banking for individuals with special needs, though there are challenges in timely complaint resolution impacting customer satisfaction. More specifically, the study established that:

Shifting Banking Channel Preference

- Customers favor digital channels, especially mobile banking, with a notable increase in users from 2020 to 2022. Traditional channels like branches and ATMs face growing competition from digital alternatives.
- Physical interaction continues to complement automated services in maintaining customer satisfaction.

Consumer Preferences on Interaction with Banking Service

- Customers show increasing interest in self-service digital options like mobile and internet banking, although a substantial segment still values human-assisted services or are open to both types.

Inclusive Banking

- Banks have made progress in enabling access for customers with special needs, evident in the use of accommodations like braille, ramps, and screen readers. A significant majority can independently access services, showing the sector's commitment to inclusivity.

Trends and Insights on Complaint Resolution

- Complaint resolution times have experienced occasional delays, potentially impacting customer satisfaction, particularly among male customers. Quick and efficient complaint resolution is crucial for a positive customer experience.

Customer demographics

- Age and gender play roles in satisfaction levels, with the 26 to 35 age group less likely to be dissatisfied.
- Gender and disability also influence satisfaction levels.

3. Policy recommendations

The key policy issues arising from the study are:

- Banks need to prioritize efficient and effective complaint resolution strategies. Developing robust complaint handling mechanisms and actively addressing customer concerns can lead to increased satisfaction.
- Adopt tailored Product Development strategy.
 - Banks should use the insights from the study to tailor their product development to meet the specific needs and preferences of different customer segments. This can include personalized offers and services based on factors like age, gender, and interaction preferences.
 - Invest in Customer interaction channels. Banks should continue to invest in and improve their automated customer service channels, such as mobile apps and online platforms, to meet customer demands. However, this shouldn't outweigh improvements on physical interaction-related services.
 - Accessibility for persons with Disability. Banks need to focus on making their services and facilities more accessible to customers with disabilities, potentially through improved physical access, assistive technologies and staff training.

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